



The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

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PIN Debit: A Tricky Sale, but Growing by Leaps and Bounds



Predicting the next big thing in payments involves a combination of reading the market and a crystal ball.

Every year, in preparation for our annual GSQ Acquirers Report, The Green Sheet contacts the largest processors in the United States. We ask them to provide information on the previous year's actual sales volume and number of transactions processed; we also ask them to estimate for the coming year.

In December 2003, we reported that the top 13 online, or PIN, debit acquirers processed 2.2 billion transactions worth \$98.3 billion in 2002 for an average ticket price of \$40.41 (GSQ, Vol. 6, no. 4).

Acknowledging the fluctuations within the industry and looking forward, we wrote: "The upshot: PIN debit growth will slow, and offline debit growth will go through fits and starts, at least in the near term, as banks come to grips with marketplace dynamics."

Who knew what a difference a year could make?

By the end of last year, PIN debit showed it was a force to be reckoned with. In December 2004, we ranked the 29 top online

debit acquirers and found that in 2003, they processed 6.4 billion transactions worth \$290.5 billion (GSQ, Vol. 7, no. 4).

Numbers gathered for last year's Acquirers Report also showed that in 2003, PIN debit purchases accounted for 36% of all consumer POS card payments; we predicted that for the next four years, an upward trend will continue.

We estimated 9 billion PIN debit card transactions worth a value approaching \$450 billion will occur in 2004.

What's up with online debit? In the December 2004 GSQ, we wrote: "Debit card payments account for the lion's share growth these days.

"The trend is explained, in part, by the Wal-Mart settlement, which created cost incentives for merchants to steer customers toward online debit.

"There's also a growing body of data that suggests many consumers now prefer using debit cards because it provides them with a sense of having better control over their spending."

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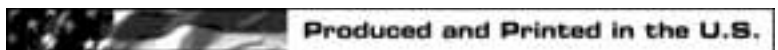
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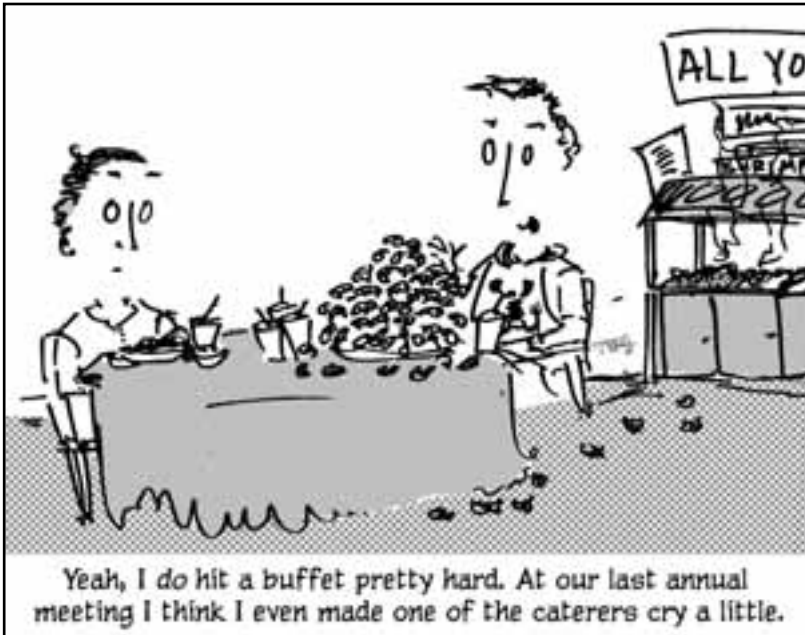
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Forum

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Agents Gone Bad ... Is There a List?

In our industry, we have a "Merchant Terminated File" list for obvious reasons. Do you know of an "Agent Terminated File" list? I have been in this industry for almost 12 years now and have seen or paid for almost every imaginable "BAD" agent tactic.

It is unfortunate that our industry must chase, and in many cases accept, losses associated with agent misrepresentation, application forgery, etc. from agents [who] perhaps are desperate, financially broke or just plain ignorant to think that their actions would not catch up with them.

I am ashamed that I have to craft such an e-mail, since this industry certainly does represent some amazing talent and expertise. However, those occasional bad apples tend to spoil the whole bunch.

Our most recent agent incident cost our company \$7,000 once equipment and compensation [were] factored into the equation. With this all said, is there a legal or politically correct method to inform other ISOs of an agent gone bad?

In my opinion, if an agent gets away with something once, what is going to stop them from doing it again? I haven't even touched on my comments regarding application forgery leading up to identify theft; don't get me going on this subject. Any input would be greatly appreciated ...

– Name withheld upon request

Thanks for your inquiry. To the best of our knowledge, no such list exists. We have heard that some risk managers in the industry are pooling their knowledge-base in this area, but we believe this is very informal. David H. Press, Principal and President of Integrity Bankcard Consultants Inc., has written a number of articles on this subject for The Green Sheet. He is very knowledgeable in this area and can give you expert advice. E-mail him at dhp@integritybankcard.com.

Editor

How Many Checks?

[In] an article titled "Checks and Card Costs Driving ACH Growth" (By Patti Murphy, The Green Sheet, April 25, 2005, issue 05:04:02), there is a fact referenced on page 26 stating that CVS Pharmacy accepts 62 million checks per day. Is that correct or is it \$62 million per day? They have only 5,000 locations; that number did not seem accurate.

The information is important to us as we are in the final stages of developing a new check reader-imager and application that offers features not found on any other check reader-imagers on the market.

– Bruce Brenner, President
Electronic Processing of Texas Inc.

Bruce:

Thanks for your inquiry. The sentence should read "CVS Pharmacy accepts 62 million checks a year." The Green Sheet regrets the error.

Editor

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Susan, NAB Agent

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Industry Update

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NEWS

7 Billion Direct Deposit and Direct Payments in 2004

According to **NACHA – The Electronic Payments Association**, more than 4.2 billion direct deposit payments occurred in 2004, a 5.3% jump from the prior year. Direct payments also increased. NACHA reported that 3 billion direct payments occurred in 2004, a 6.7% increase from 2003.

TowerGroup Debuts European Research Service

MasterCard International-owned research and consulting firm **TowerGroup** recently launched a European-wide research and advisory service focused on the banking and payments arena. The new European Banking & Payments research service will include European universal banking and payments, securities and investments.

ANNOUNCEMENTS

AmbironTrustWave Is the Name of Merged Company

The combined entity formed through the merger of **Ambiron LLC** and **TrustWave Corp.** will be known as "AmbironTrustWave." The company will launch a new Web site and other corporate collateral to reflect

the brand.

Baumgartner Named ETA Member of the Year

The **Electronic Transactions Association (ETA)** selected **Jim Baumgartner**, President and Chief Executive Officer of **Moneris Solutions**, as ETA's Member of the Year. ETA presents the award to a current member who embodies the spirit of ETA by demonstrating exemplary leadership skills while contributing time, effort and ideas that have resulted in significant contributions to the success of the association.

CyberSource Launches Security Compliance Service

CyberSource Corp., a provider of electronic payment and risk management solutions, recently launched the **CyberSource PCI Compliance Service**, an assessment and readiness program for e-commerce merchants seeking full compliance with Visa U.S.A. and MasterCard's Payment Card Industry Data Security Standard (PCI). CyberSource designed the service to help merchants meet the June 30, 2005 compliance deadline.

Cynergy Named on List of Fast Growing Companies

Cynergy Data ranked 69 on the "2005 Inner City 100," the **Initiative for a Competitive Inner City's (ICIC)** and **Inc.** magazine's list of the fastest growing inner city companies in America. **Cynergy Data** is the only



- **VeriSign Payment Services** released e-commerce data that shows Mother's Day-related purchases (made between April 25 and May 8, 2005) accounted for \$4.4 billion in online sales, a 24% increase over the same period last year.
- Massive retailer **Wal-Mart Stores Inc.** is attempting to improve its public image amid an embezzling scandal involving one of its top executives. Among the activities: its first open-house for journalists held in April and plans to offer higher quality products.



Best Buy's Geekmobile™

- Over the next 18 months, **Best Buy Co. Inc.** plans to build its first stores in China, as well as open 20 – 50 Geek Squad locations. In addition to selling tech products, the Geek Squad stores will offer rapid-response technology support.

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IndustryUpdate

credit card processor to make the list. ICIC and Inc. culled this year's list from more than 4,500 nominations in 150 cities.

**Hypercom, Planet Payment
Receive "Class-A" Approval**

Planet Group Inc.'s **Planet Payment's** dynamic currency conversion (DCC) application for the **Hypercom Corp.** T7Plus terminal received Class-A approval from **Vital Processing Services**. The Hypercom T7Plus with Planet Payment's DCC application gives international cardholders the option to complete purchases in their home currency at U.S. merchant locations.

**Secondary Collections Benefits
transmodus.net Resellers**

JUSTCHEX LLC now offers a service through its resellers that automates the collection of non-NSF (stop payment, closed account, forgery, etc.) checks. The service tracks checks that do not qualify for electronic processing through the ACH network; it also automatically initiates system-driven calls and collections letters.

Merchants are paid 100% of the recovered face value and 100% of the state fee minus a monthly fee for access,

\$0.75 per letter and \$0.10 per call. The Web site transmodus.net provides an on-demand solutions platform that delivers verification, electronic recovery and secondary collections.

Elliott McEntee Honored

The **Western Payments Alliance (WesPay)** recognized **Elliott McEntee**, NACHA's President and CEO, for his payments industry leadership. McEntee received the Russell Fenwick Award for Outstanding Leadership to the Payments Industry. Fenwick was the first Chair of both WesPay and NACHA before his death.

PARTNERSHIPS

**Bancard Processing Systems
and Two Touch POS Partner**

Bancard Processing Systems signed a contract to provide merchant services for **Two Touch POS** systems. Two Touch POS is based out of Ohio.

BillMax Allies With e-onlinedata

BillMax announced an alliance with Internet mer-

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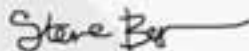
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TESTIMONIAL

Having worked in the bankcard world for a number of years both as an employee and for myself, I have come to know the difference between getting a paycheck and being in control of my future. I found GET late in my bankcard career and wish that I had found them sooner. My residual payments are always on time and are larger than they were at my previous processors. Who knows, had I found them earlier I might be the one with the Green Sheet ad.

Sincerely,
Tom H Chicago IL



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IndustryUpdate

chant account provider **e-onlinedata**. BillMax selected e-onlinedata as its preferred provider of real time credit card processing.

Global Payments Inc. Wins Wynn

The newest Las Vegas resort, **Wynn Las Vegas**, selected **Global Payments Inc.**'s Gaming Division's VIP LightSpeed suite of products for check cashing transactions. Under the agreement, Global Payments will provide patron and electronic check cashing services delivered through VIP LightSpeed, while also establishing VIP Preferred card accounts.

ITI and FSV Join Forces to Offer Stored-value Solutions

Information Technology Inc. (ITI), a subsidiary of Fiserv Inc., and **FSV Payment Systems Inc.** (FSV) teamed to offer FSV's PAYCHECK PLUS! PDQ, a stored-value payroll card solution, and FLEXGIFT, a turnkey gift card program for consumer and commercial banking customers.

Institutions that offer the PDQ program to their business customers enable them to install an e-payroll solution using payroll debit cards that employees can use immediately.

Federated Stores to Accept Discover

As the result of a new agreement, shoppers at **Federated Department Stores Inc.**'s 450 Macy's and Bloomingdale's stores can now pay with **Discover Financial Services'** Discover Network cards. The agreement follows the company's recent acquisition of PULSE EFT Association and the partnership with GE Consumer Finance in offering two new credit cards.

Keycorp and Thales Sign Agreement

Keycorp Limited and **Thales** signed a distribution agreement that defines the terms and conditions under which Thales will supply its products exclusively to Keycorp for distribution and installation in its target markets, mainly in Australia, New Zealand, Canada and parts of Asia. The distribution agreement's objective is to position Thales and Keycorp among the top three in the global payments market.

Banks Expand Use of National Settlement Platform in Midwest

Members of the **Milwaukee Clearing House Association** (MCHA) converted to **The National Clearing House's** (NCHA) National Settlement System. This move increases operational efficiencies by taking MCHA from a manual facsimile-based settlement process, requiring the daily support and processing by a volunteer member bank, to an automated Web-based settlement process managed daily by NCHA.

Payment Data Systems Fulfills 50,000 Order

Payment Data Systems Inc. recently received an order from **Credit Payment Services Inc.** for an additional 50,000 debit cards for distribution to its national consumer base. The functionality of the offering provides an immediate funding of loans rather than the customary delays associated with the automated clearing house (ACH) credit process.

RDM Selects Mitek Systems

RDM Corp. signed an original equipment manufacturer agreement with **Mitek Systems Inc.** for Mitek's Check 21 distributed data capture and recognition suite of software. RDM plans to incorporate Mitek's QuickStrokes Premier Banking Edition, QuickFX, and ImageScore into RDM's Image & Transaction Management System solution for corporate distributed check electronication.

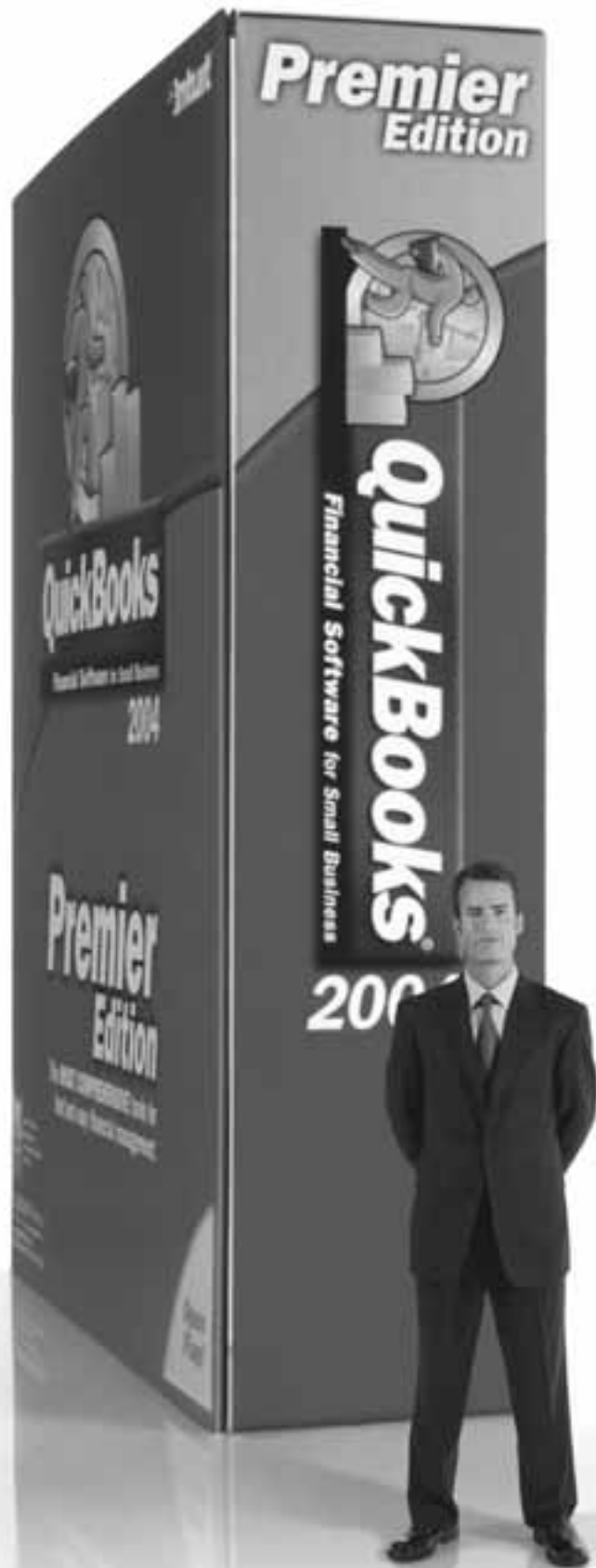
Temple University to Add USA Technologies' Service

Temple University is installing **USA Technologies'** e-Suds computerized laundry service in 40 laundry rooms this summer. The service allows students to go online to check the availability of washers and dryers. Students use their Blackboard Transaction System cards

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IndustryUpdate

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ing capabilities in POS terminal devices, including the Planet Payment Hypercom T7Plus DCC application developed by Whittle Transaction Group.

ACQUISITIONS

CheckFree Acquires Accurate Software

CheckFree Corp. acquired **Accurate Software**, a United Kingdom-based provider of reconciliation, exception management and workflow solutions.

Accurate will become part of CheckFree's software division. CheckFree purchased all of the outstanding shares of Accurate for approximately \$56 million in cash.

**Whittle Transaction Group
Acquired by Planet Payment**

Planet Payment acquired the assets of **Whittle Transaction Group**, a payment technology developer. Paul Whittle, founder of Whittle Transaction Group, joined Planet Payment as Senior Vice President.

He will manage Planet Technology Services Inc. The acquisition will enable Planet Payment to facilitate the implementation and distribution of DCC process-

APPOINTMENTS

RBS Lynk Names Vice President

Lori Breitzke joined **RBS Lynk's** Prepaid Products division as Vice President. Breitzke has more than 15 years' experience in the financial payments industry with terminal and software manufacturers including VeriFone Inc., First Data Corp., Envoy, MicroBilt and most recently Ingenico Corp.

As Vice President of Prepaid Products, Breitzke will develop and leverage RBS Lynk's payment processing experience to provide innovative stored-value card products to banks, community financial institutions, businesses, retailers and consumers.

**CO-OP Network Names
Three Vice Presidents**

CO-OP Network promoted three executive staff members: **Kathy Herziger** to Vice President Product Development; **Carol Kosaka** to Vice President Systems

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and Support; and **Connie Trudgeon** to Vice President Operations.

Herziger, who has prior experience in product management and more than 20 years in the payments industry, is responsible for overall EFT product strategy and execution for the network.

Kosaka joined CO-OP Network in 1997 after working for several years on the CO-OP Network account team at eFunds Corp. She continues to oversee all network-related technology platforms.

Trudgeon, with more than 20 years of financial industry experience, oversees multiple operational areas, manages the CO-OP Network Rules and Regulations and chairs the CO-OP Network Operations Advisory Committee.

Pay By Touch Names Three New Board Members

Pay By Touch recently announced the addition of three members to its Board of Directors: **Jack Penrod**, **Arthur J. Petrie** and **Roy Speer**. Penrod began his investment career in 1983 with Penrod's Beach Club in Ft. Lauderdale, Fla.

He has since expanded the spring break hot spot with additional properties. Penrod has also expanded Nikki Beach with locations in France, the West Indies, Italy, Spain, Mexico and Brazil.

Petrie brings more than 45 years of real estate development and investment experience to the Board. He is Chairman of Petrie Development Co. and General Manager of Asset Development Services LLC. He served on the Board of Directors of Smart Card of America.

Speer spent 10 years as the Founder, Chairman and CEO of Home Shopping Network. Prior to joining Home Shopping Network, Speer spent seven years working with the Florida Attorney General as Special Assistant Attorney General.

AmEx Appoints Squeri as EVP, CIO

American Express Co. (AmEx) appointed **Stephen Squeri** to Executive Vice President, Chief Information Officer. Squeri formerly served as President of AmEx's Global Commercial Card group.

Squeri joined AmEx as a Manager in Travelers Cheque Group (TCG) in 1985 and subsequently held increasingly senior roles in TCG, Worldwide Marketing and Establishment Services. The company named him President of the Global Commercial Card group in January of 2002. ■

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Increased Market Activity for POS Equipment Vendors

VeriFone Holdings Inc., a POS terminal manufacturer, held an initial public offering (IPO) of 15.4 million shares on Friday, April 29, 2005, and VeriFone Chairman and Chief Executive Officer Douglas G. Bergeron rang The Opening Bell at the New York Stock Exchange (NYSE). VeriFone common stock is now traded on the NYSE under the symbol PAY.

For the IPO, VeriFone offered 7.7 million shares, and stockholders offered 7.7 million shares. The company had hoped that its shares would bring in an estimated \$90.6 million. However, VeriFone cut the share price to \$10 from a planned \$12 – \$14.

"They did not have enough demand from the purchasing institutions," said Robert Dodd, a Senior Analyst with Memphis, Tenn.-based investment house Morgan Keegan & Co. Dodd said that this does not necessarily reflect negatively on the company's potential. For VeriFone to conduct its IPO, "now is a relatively good period in terms of demand from the industry. Industry growth is expected to be in the mid to high teens" over the

next several years, he said. Of the major equipment vendors, VeriFone has the smallest share of the international market. The company will "move more aggressively into the international markets," Dodd said.

As VeriFone gains global market share, competition among terminal manufacturers will increase. This will improve the quality of products and number of options available for merchants. In turn, this will enhance ISO and merchant level salesperson offerings to merchants.

Ticker Symbols
VeriFone on NYSE: PAY
Lipman on NASDAQ: LPMA

Although VeriFone was among many IPOs that week to reduce their asking price of shares before trading started, a potential securities violation might have influenced VeriFone's action. In the week leading up to the IPO, an employee at Lehman Brothers Inc., one of VeriFone's principle underwriters, sent an e-mail to 45 potential investors that contained IPO evaluation materials. Lehman's compliance department discovered the message and requested that recipients delete it. None of the e-mail recipients will be allowed to purchase stock from the IPO.

VeriFone was founded in 1981. The company's shares were publicly traded from 1990 to 1997, until Hewlett-Packard (HP) acquired it in 1997. In 2001, HP sold the division to Gores Technology Group LLC. One year later, privately held investment firm GTCR Golder Rauner LLC became the majority stockholder.

In related news, on April 27, another POS terminal manufacturer, Lipman Electronic Engineering Ltd., announced a proposed public offering of nearly 2 million shares. (On Jan. 29, 2004, Lipman debuted on the NASDAQ in an IPO under the symbol LPMA. Lipman sold 2.25 million shares worth approximately \$124 million.) Lipman's additional offering of shares will benefit major shareholders, not the company, said Peter Swanson, Vice President and Senior Research Analyst with Minneapolis-based investment firm Piper Jaffray & Co. There is "no new stock to raise capital," he said. "Lipman's balance sheet will not change."

Swanson also said this doesn't necessarily indicate a downturn for the company. Rather, it is a case of certain venture capitalists and senior management reducing their stake in the company. It is "routine business practice," he said. "As time passes by, [shareholders] want to seek liquidity. [Lipman] is one of the best managed companies in the industry."

Both VeriFone and Lipman are in quiet periods surrounding their stock offerings. The companies referred comment to their respective SEC filings.

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Insider's Report on Payments

Words Over Interchange Heating Up

By Patti Murphy

The Takoma Group

The war of words over fees that merchants pay to accept bankcards continues, and each side insists the other is out of touch with marketplace realities. Some have gone so far to urge the Federal Reserve Board to step into the fray. Chances of the Fed taking action are slim: Nothing in the Fed's charter grants it authority to mess with interchange pricing.

The Fed was established in the early 1900s to create economic stability. At the time, banks would often discount the face value of deposited checks drawn on other banks. Convinced this practice contributed to economic instability, one of the Fed's first actions was to step in and force banks to clear all checks at par, or face value. Many make comparisons between then and now, but those at the Fed to whom I've posed the question say it's not the same. Merchant groups argue that the trickle-down nature of pricing means interchange has a discernable influence on the prices consumers pay for goods and services. Merchants say this translates into a negative economic impact.

"The time has come for the Fed to reassert its stewardship over the U.S. payment system," said Lloyd Constantine, lead attorney in the so-called Wal-Mart settlement, at a conference held in early May by the Federal Reserve Bank of Kansas City. (The Wal-Mart settlement resulted in the de-coupling of MasterCard International and Visa U.S.A credit and debit card acceptance and hefty reductions in the interchange rates assessed merchants for offline debit card payments.)

However, in a recent letter to U.S. Representative Deborah Pryce (R-Ohio) addressing this same topic, Fed Chairman Alan Greenspan said it's not part of the Fed's job description. "The Board's regulatory authority does not currently encompass regulating the interchange fees established by payments networks for offline and online debit and credit card transactions," Greenspan wrote.

Another option is for merchants to take their arguments over interchange to the Federal Trade Commission (FTC) or the Department of Justice (DOJ), two federal agencies that have had some success stirring up things in the payments acquiring space.

Finding Common Ground

MasterCard and Visa, the card Associations that set interchange, aren't likely to voluntarily make the kind of changes Constantine is pushing. To hear some of these people speak, the brouhaha over card interchange is nothing more than a case of greedy lawyers lusting after money.

"Today, I am not going to hide behind the niceties of economic arguments because we've consistently won those and repeatedly justified what is self-evident," said Noah J. Hanft, MasterCard's General Counsel, in a speech at the Kansas City Fed conference the day after Constantine's remarks. "Make no mistake about it. All of the hype and attention focused on interchange is nothing more than a highly effective public relations effort by class action lawyers to get higher fees for themselves and by a subset of merchants seeking lower fees."

The truth probably lies somewhere between these two extremes: the need for government action and a desire to blunt the litigious disposition of the credit/debit card space.

However, the reality of the situation is that unless the two sides in this economic debate can come to some kind of understanding (dare I say resolution?), it will get a lot tougher to sell bankcard services to the retail merchant community.

Parsing the Rhetoric

As word of the latest round of Visa and MasterCard interchange hikes has spread, the rhetoric over interchange has intensified. One of the more common quips from ISOs and merchant level salespeople is something like this: "When merchants balk, I tell them I have no control over pricing; it's set by Visa and MasterCard."

As the debate over bankcard interchange grows more public, merchants might not be so willing to let front-line salespeople off the hook.

I've heard plenty from merchants the last several months grouching about what some refer to as "banks' card fees." In public forums and private conversations alike, merchants pull cardholders into the debate, insisting that these card-acceptance fees aren't only a cost of doing business, but also a cost that's ultimately borne by consumers.

"Merchants have known for years that banks' interchange fees are a hidden tax that is driving up the cost of merchandise and services for American consumers every day," said Mallory Duncan, Senior Vice President and General Counsel at the National Retail Federation, the retailing sector's largest trade association. "We welcome the fact that the Federal Reserve is concerned enough to hold a conference focusing on this issue, and hope that this is a sign of action to follow,"



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Duncan said. "American consumers and the American economy deserve protection."

Duncan chairs a newly formed coalition of trade associations representing businesses that accept credit and debit cards. The group, called the Merchants Payments Coalition, estimates that card interchange collected from its members accounts for about one-quarter of all interchange fees charged in the United States. The coalition wants the U.S. government to take a cue from other parts of the world, such as in Australia and Europe, where government intervention has and continues to drive down interchange.


"The United States has the highest credit card interchange fees of any industrialized country," said Stuart Zlotnikoff, Senior Vice President at the National Grocers Association and a member of the merchants' coalition. "Paradoxically, costs should be less in the United States due to our greater economies of scale. Yet interchange rates have continued to increase, even while the costs of processing, borrowing and fraud have declined. The international precedents for cost-based interchange rates are persuasive and demand serious review by U.S. public authorities."

In his remarks at the Kansas City Fed conference, MasterCard's Hanft also invoked the concept of taxation. He had this message for those he accused of "vilifying" bankcards: "Stop trying to grow your hidden tax. Find something else to do with your time. MasterCard provides an incredible service to the global community. It is one that is cherished by consumers; it should be celebrated, not regulated."

But which consumers did he mean? Certainly not the consumers of credit and debit card acquiring services.

"The banks' card fees are killing us," said the owner of a boutique shop I recently visited. "I'd rather take cash, even checks, than pay their fees anymore."

While the Fed might lack jurisdiction, and the FTC and DOJ have not yet been pressed into action, the marketplace reality is that merchants are growing restless over interchange. They do have other options. Although declining to accept credit or debit cards is probably not the best solution, some small merchants say they are forced to do just that.

Another option is for retailers to create their own card networks. The recent decision by Morgan Stanley to spin off its Discover Financial Services card operation could trigger this outcome. Only time will tell. 

Patti Murphy is Contributing Editor of The Green Sheet and President of The Takoma Group. E-mail her at patti@greensheet.com.



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News

United Bank Card Sells Portfolio to Optimal Payments

On May 9, 2005, New Jersey-based payment and transaction processor United Bank Card Inc. (UBC) announced that it sold a portion of its portfolio to Montreal-based Optimal Payments Corp., a wholly owned subsidiary of Optimal Group Inc., for \$44 million in cash.

The portfolio represents 15,500 merchant locations that generate in excess of \$1.5 billion in annual credit and debit card processing volume, according to the companies.

UBC said the transaction will not impact its ISO/merchant level sales (MLS) partners, and UBC will continue to provide customer service and technical support to all the merchants involved on behalf of Optimal Payments.

UBC intends to use the cash to expand its Tucson, Ariz. facility; add merchant retention, quality control and finance departments; and hire more support staff. UBC will also invest in new processing technology to reduce costs and enhance programs for ISOs/MLSs.

Following the announcement, news of the transaction stirred up much discussion on GS Online's MLS Forum. Many ISOs/MLSs who send their business to UBC wondered how it would affect their residuals.


"This transaction was an important step in realizing the future vision of United Bank Card," said UBC Chief Executive Officer Jared Isaacman.

"We structured this deal to be entirely transparent to our ISOs and

merchants. Since only a portion of our portfolio was included in this transaction, there will be no impact to our ISO partners or merchant customers."

UBC said that its ISO/MLSs have the option to sell their residual portfolios. Agents can also choose to have UBC pay them on a regular basis, and their merchants will remain on UBC's current platform and bank.

Optimal Group Inc. is a payment and services company with operations throughout North America and the United Kingdom.

The acquisition will give Optimal more of a presence in U.S.-based "card present" payment processing, according to Mitch Garber, President and CEO of Optimal Payments. 

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Reaching the Unbanked: Learning From South Africa's FIs

By Tracy Kitten, Editor

ATMmarketplace.com

This story was originally published on ATMmarketplace.com, April 25, 2005; reprinted with permission. © 2005 NetWorld Alliance LLC. All rights reserved.

Financial institutions (FIs) throughout the world have only recently begun to take notice of the unbanked. Because the majority of the unbanked are typically low-wage earners with few assets, FIs didn't see much upside in pursuing their business. That attitude is changing, however, in some places more quickly than in others.

Absa Bank is taking banking to the streets. Mobile banks that resemble book mobiles are driven to rural and outlying areas to reach South Africa's unbanked.

The United States is on the slow end of the curve, with change only beginning to take place, said Dave Grano, Founder, President and Chief Executive of Oregon-based VERO, a financial technology company that is developing check-cashing methods to help FIs and retailers reach unbanked customers through ATMs.

FIs have historically been leery of unbanked customers, Grano said, because "they assumed that the reason these people were unbanked was because no one wanted to know who they were." FIs also were concerned about fraud. "The banks were experiencing fraud based on cashing their checks," he said.

It took research and convincing for the paradigm shift to start, Grano said.

A Different Culture

VERO commissioned a study through the University of California, Los Angeles, Anderson School of Management to uncover the habits of the unbanked and identify who they are. While the study supported some suspicions, such as that the majority of the unbanked in the United States are foreign-born and predominantly Hispanic, it also changed some.

"The study was everything we hoped for, but there were lots of surprises, too," Grano said. As expected, "The unbanked are primarily from other ethnicities that don't trust banks, and they find other ways to handle their funds," Grano said. But at the same time, Hispanics, who make up the fastest growing unbanked population in the United States, tend "to stay in one place, work at the same

job and are overall very stable."

VERO also learned that the unbanked population is an untapped market, which is a valuable segment. "Getting new incremental customers is very difficult for a bank because, typically, they're fighting for customers with another bank," Grano said.

"There's not a gain [when an FI gets a new customer] because the customer is just moving from a different bank to your bank."

By tapping into the unbanked market, all FIs can benefit. But reaching that market has been challenging. Most of the unbanked in the United States speak English only as a second language, and many don't understand how basic banking services work.

Basic banking services also don't meet their needs, so the unbanked typically utilize alternative financial service providers that offer check-cashing and prepaid options.

Those types of services, however, have not been appealing to FIs, and for good reason, Grano said. FIs paid, on average, between \$6 and \$10 for cashing a non-bank customer's check.



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"They were incurring a very high cost for supporting this unbanked customer transaction," Grano said. "We knew the next step would be to materially reduce the cost to the bank, so that it's not expensive for them to serve the unbanked customer and to attract the customer by providing this value."

The South African Connection

The situation wasn't that different in South Africa 10 years ago. In 1994, when South Africa became a democracy, the majority of the population was unbanked. So the country's four largest banks, FirstRand Ltd., Nedcor Ltd. (Nedbank), ABSA Group Ltd. and Standard Bank of South Africa Ltd., initiated efforts to reach that segment.

But according to Pravesh Mahadeo, General Manager of Absa's self-service channel, about 17.5 million South Africans are still unbanked. What the banks learned during the 1990s was that they didn't really understand the unbanked, and the unbanked didn't understand them. And FIs needed government backing to make tapping the unbanked market worth their while.

Language and social barriers were two of the main factors, but geography also played a role. South African FIs, not unlike their U.S. counterparts, had focused their services on the needs of the upper class, leaving the needs of the lower to middle classes unmet.

And in South Africa, the FIs were missing the majority of the population, since 82% of South Africa's people fall into the low-income bracket, said Lincoln Mali, Director of Convenience Banking for Standard.

Similar to the United States, 90% of South Africa's unbanked segment uses prepaid services. In fact, that segment completes between 300,000 and 400,000 prepaid transactions a month, Mahadeo said. FIs had to figure out how to provide services the unbanked wanted.

Taking Banking to the People

Of South Africa's 40 million people, 17.5 million are unbanked, Mahadeo said. And of that 17.5 million, 5.7 million are "economically active individuals" who don't have bank accounts.

That's because using banks hasn't been convenient, he added. Thirty-five percent of the 5.7 million live in rural areas, 25% live in informal settlement or shacks and 24% live in townships, all outside the metropolitan area where FIs are located.

To reach those areas, Absa deployed portable banks, which are set up and run on generators. Mobile libraries, which resemble book mobiles, also have been deployed. They're driven into poor and rural areas, and they're equipped with satellites so residents can open bank accounts from anywhere.

The bank also has cellular network phone booths, where the unbanked can open accounts remotely. Since about 18 million South Africans regularly use cell phones, Mahadeo said, Absa saw cellular connection as a viable option.

Absa now has the largest ATM and POS network in South Africa, and the FI is continually expanding into



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Banks Joined Forces

In 2003, FIs in South Africa joined forces to establish the Financial Sector Charter.

The charter's goal: transform the country's banking and financial services industry to reach the unbanked.

According to Mike Lee, the ATM Industry Association's (ATMIA) Chief Executive, the charter was the catalyst for change. "[South African] banks are required by the Financial Services [Sector] Charter to take financial services to the masses so that lower income groups can save money and use ATMs to manage their finances better and more securely."

The Mzansi Account

In October 2004 the Mzansi account was launched. Its aim: meet the needs of the unbanked, namely students and pensioners. The

Standard Bank places portable banks that it calls "banks in a box" in rural and outlying areas. The portable banks take about two weeks to construct.



previously disadvantaged areas. ATMs and 24-hour banking services provide options in five languages, Mahadeo said, and 3.4 million of the unbanked segment now hold services through Absa.

Standard Bank made strides to reach the unbanked as well. It began placing portable banks called "banks in a box," which are prefabricated structures that take about two weeks to construct, making them ideal for outlying and rural areas, Mali said.

In 2004, Standard placed 90 ATMs and 20 banks in a box that use broadband technology to provide network connectivity in areas where little or no infrastructure exists. The bank expects to extend its broadband sites to 300 throughout South Africa in 2005, Maili added.

In 2004, the bank installed 278 new ATMs throughout the country. Standard also sent its employees out to the tracks to talk with members of the unbanked segment about banking opportunities.

Through a program called "Train Talk," members of Standard's staff jump on trains and talk with people about financial services. The bank also hosts Q-and-A sessions about banking in rural and outlying areas, Mali added. "It's not that these people don't trust banks," Mali said. "They just don't understand them, and we must approach them and use terminology they understand."

FIs also have worked to target students and "pensioners," people over the age of 65. In South Africa, more than 2 million students and about 1.9 million pensioners are unbanked, Mahadeo said. FIs are working to educate those groups about everything from insurance to funeral policies, to gain their trust and get them comfortable with banks.



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Feature

pricing of the account is based on what an unbanked customer deems affordable on a pay-as-you-go basis.

There is no fee for opening the account, and the opening deposit must only be R (rand) 20 (about U.S. \$3). Mzansi account holders also can make deposits and cash withdrawals at ATMs and the POS. The account is offered through eight banks in South Africa, including Standard, Absa and Nedbank.

At Standard Bank, Mali said, the Mzansi account is an additional service offered through Standard's EBank division, which launched in 1996. Through EBank, previously unbanked residents could open transaction and savings accounts and receive ATM cards for R 10 (U.S. \$1.65). By 2004, Standard had signed about 3 million South Africans for services through EBank.

What That Means for the United States

During ATMIA's [second] "ATMs in Africa" conference in February 2005, Mahadeo and Mali talked about their institutions' efforts to reach the unbanked.

Lee said ATMIA is exploring what role it can play in encouraging other countries to follow South Africa's lead,

as the number of unbanked segments across the world continues to grow.

ATMIA is seeking additional funding to develop joint customer education programs and campaigns that will help the ATM industry bring FIs and other ATM deployers together in a non-competitive space.

"Western countries have their own larger-than-expected unbanked and underbanked population segments, so what happens in South Africa, with major banks putting serious resources into resolving this issue, could provide a model for other countries," Lee said.

"This is good news for the ATM industry, because it brings a whole new set of ATM users and cardholders.

"The interest around the world is growing because of the increases in migrant labor and the need these laborers have to transfer money back from the host country to the country of origin," Lee added. "The worldwide ATM network can make these transfers safe and easy." ■

Original article: www.atmmarketplace.com/futurearticles.htm?article_id=22917&pavilion=112&step=story

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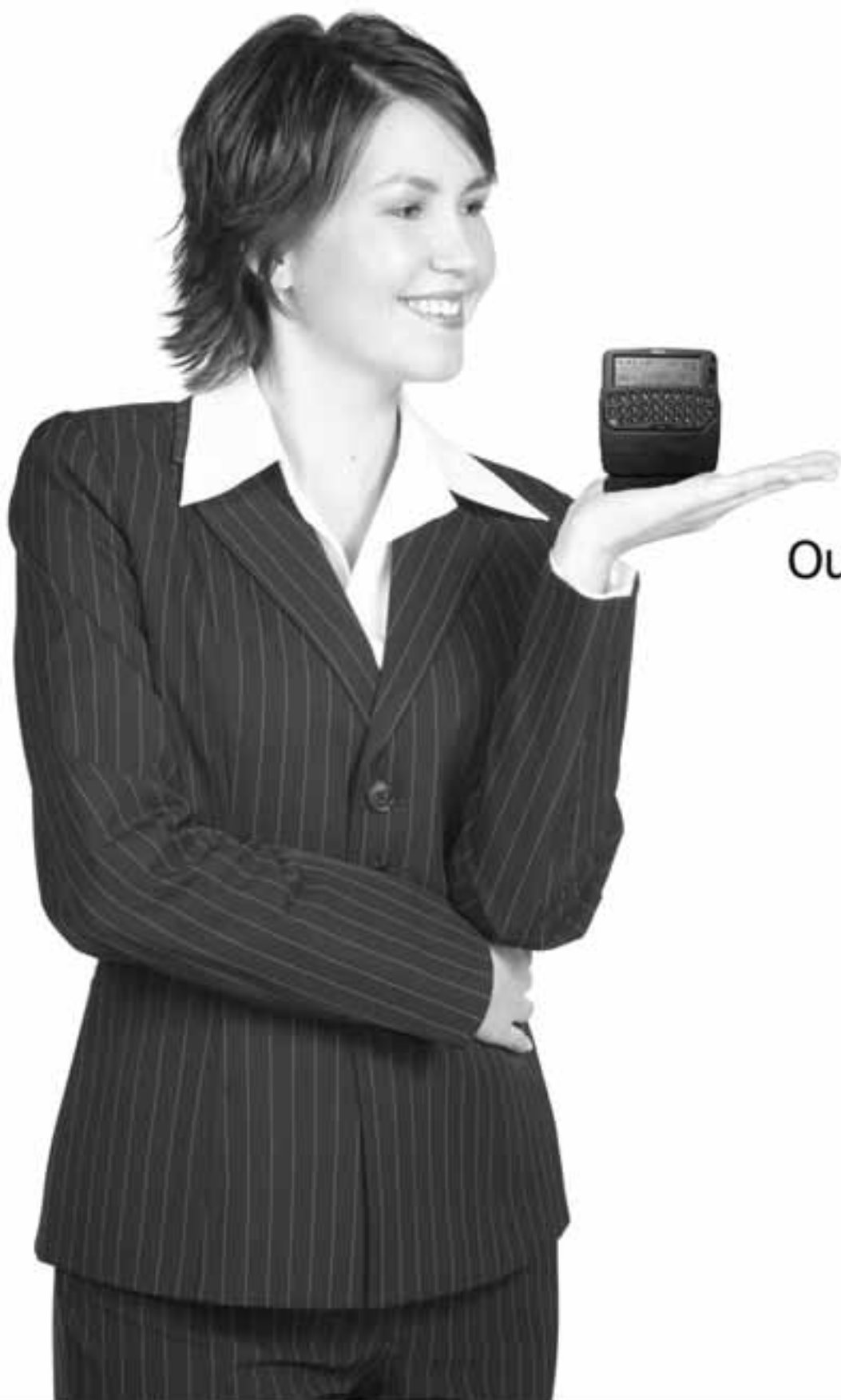
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MLS contact:

Dale Higganbotham, Vice President of Sales
Phone: 800-400-8999
E-mail: dhigganbotham@sagenet.com

Company address:

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Tulsa, OK 74145
Phone: 800-400-8999
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Web site: www.sagenet.com

MLS benefits:

- Ability to successfully deploy IP terminals
- Reduce merchant fees or increase profits
- Supports multiple processors

Overwhelmed With WAN? Call the Experts

Buzz about high-speed fast food transactions at the point of sale involves a host of acronyms. Along with "POS", we have "IP" for Internet protocol, "WAN" for wide area network, and let's not forget "QSRs" for quick service restaurants.

These all come together when ISOs and merchant level salespeople (MLSs) want to provide merchants with high-speed transactions at the POS, but how much will they actually need to know about implementing these types of solutions?

A salesperson's specialty is selling, not technology implementation, so leave that to the experts, such as the people at SageNet.

SageNet is a systems integrator that focuses on the distribution, configuration, installation and support of information technology (IT) and electronic financial transaction products in multi-location retail establishments.


It delivers end-to-end, one-stop solutions for IP credit transactions.

The company, founded in 1998, has evolved from its 1999 merger with Global Services Inc., a Tulsa, Okla.-based services company founded in 1992. SageNet has more than 80 employees across three locations; 2004 sales volume totaled nearly \$20 million.

SageNet is a jack of all trades when it comes to IT services. The company provides customers with everything from broadband circuits, network hardware, network monitoring, POS hardware, computer systems, desktops, servers, laptops, tablet PCs, cabling, WiFi solutions, onsite installation and problem resolution, to VeriCenter programming and IP downloads, Class-A support for VeriFone Inc. IP terminals, remote polling software and even video surveillance equipment.

SageNet got its start working with major companies such as MCI/WorldCom, servicing PCs, printers, servers and other hardware and building private networks.

Its partners today include IBM, Cisco, Hewlett-Packard, Microsoft and VeriFone Inc.



Wide Area Network (WAN)
A communications network that covers a large geographic area (usually greater than a mile). The largest WAN in existence is the Internet.

However, a program with US Beef Corp., which operates more than 250 Arby's Restaurants in the Midwest, put SageNet on the map as the go-to company for installing WANs and IP-based POS systems at QSRs.

"There's really no place an ISO or

Company Profile

processor can go to do a complete installation and provide total support for the merchants," said Dale Higganbotham, Vice President of Sales for SageNet.

"Someone has to qualify the stores for broadband, design the system, install it and support it. There's all that work that has to be done, and most ISOs and processors don't know how to do that. We've been working on the payment processing side of the business for the last few years, and there are certainly others who provide various pieces of what we do, but we are the only ones who provide it all," he said.

Making Quick Service Quicker

SageNet is now helping a growing list of QSRs implement WANs for processing high-speed, IP-based credit cards at the point of sale. In addition to US Beef, SageNet's customer list also includes Taco Bueno and Mazzio's Italian Eatery.

A WAN is a communications network that covers a large geographic area (usually greater than a mile). The largest WAN in existence is the Internet. WAN traffic can travel via the Internet, the public telephone network or a private network, which allows the secure exchange of files and data over great distances. Many QSRs use WANs to

connect the corporate office with its chain of restaurants, but merchants can also use a WAN to process IP-based card transactions.

Some of the benefits QSRs realize by implementing a WAN include improved customer service with faster check out and more payment options; increased revenue with larger average ticket size and use of electronic loyalty programs; decreased expenses with a reduction in merchant processing fees and long distance costs; and streamlined business processes.

US Beef piloted credit cards as a payment option in the restaurants, but wanted to decrease transaction times to improve its customer service and convenience. The company decided to replace dial-up connectivity with high-speed, IP-based connectivity in its restaurants. To get the job done, it hired SageNet as a network integrator.

Despite its level of expertise, this was no simple undertaking for SageNet. US Beef required that each Arby's location be connected to the corporate office in Tulsa in order to transmit daily reports on sales and inventory. SageNet had to review each Arby's and determine the best available technology for that location, then integrate it with the WAN. Ultimately, SageNet worked with 12 commu-

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"Today there are a lot of issues with IP systems going in and not working. I think that's where we bring a lot of value to these ISOs and processors. In the dial world, things are a lot simpler. It's either the line or the terminal. In the IP world, it can be any number of things ... We understand the kinds of questions to ask and how to diagnose what's actually happening."

- Dale Higganbotham
Vice President of Sales,
SageNet

nications companies to develop the network for US Beef.

Mazzio's Italian Eatery, a chain of 140 restaurants in Oklahoma, Arkansas and Missouri, hired SageNet in 2004 to convert its existing in-store POS terminals and centralized call center application from dial to IP for making credit and debit transactions.

Not only did the company benefit from improved customer service, but it also decreased its credit card processing fees by \$60,000 a year using a network-based system as opposed to a dial-up system. It also eliminated one business phone line in each restaurant, which saves the company about \$40,000 a year.

"IP is much cheaper and faster when the network is built properly," Higganbotham said.

Mazzio's uses VeriFone's Omni 3750

IP-enabled POS terminals in many of its stores and has cut transaction speeds from 20 to 30 seconds to three seconds.

Another QSR using VeriFone terminals for its IP-based POS transactions is Taco Bueno, a Mexican food QSR founded in 1967 with more than 130 locations in Texas, Oklahoma and Kansas.

In 2003, Taco Bueno launched a pilot program using dial-up credit card POS terminals to accept card-based payments. During the pilot, customers who paid with cards spent \$2 more per meal on average compared with those who paid with cash; however, this slowed transaction times by 10 to 12 seconds.

Speed of service became a major issue suddenly, so the company turned to SageNet. Implementing a WAN, SageNet connected Taco

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The first contest round opens on April 15, 2005 and closes on September 19, 2005 at midnight EST (the "Contest One Period"). Only eligible entries received during the Contest One Period will be entered in the contest. Must be present to win and ISO/MLS must be an active office with United Bank Card, Inc.

The second contest round opens on April 15, 2006 and closes on April 14, 2006 at midnight EST

(the "Contest Two Period"). Only eligible entries received during the Contest Two Period will be entered in the contest. ISO/MLS must be an active office with United Bank Card, Inc.

Participants in the contest are only eligible to win once. The winner of the first round will not be eligible to win a second time.

Prizes must be accepted as awarded, are non-refundable, non-transferable and not convertible to cash. The Contest Sponsor reserves the right to substitute a prize of equal or greater value if any prize cannot be awarded as described for any reason.

For more information, contact:

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Bueno's restaurants to the corporate office through an IP network; it also replaced the dial-up terminals with VeriFone' Omni 3750s in late November 2003, completing the job in January 2004. By using the VeriFone terminals, it "allowed us to pick the best of the broadband technologies for each of the stores," Higganbotham said. "We used a mix of private DSL, VPN DSL and frame relay."

The final result: Each Taco Bueno store had a POS terminal at the drive-through window and another at the front counter. Transaction times were reduced to two to three seconds from "swipe to tear."

Nothing's Perfect

Along with the complexities of using new technologies come many headaches, especially for people who don't understand how everything works.

"Today there are a lot of issues with IP systems going in and not working," Higganbotham said. "I think that's where we bring a lot of value to these ISOs and processors. In the dial world, things are a lot simpler. It's either the line or the terminal."

"In the IP world, it can be any number of things. If it's not the terminal, then it's the router. Or it's the switch, patch cord, communication line or any number of things. Although, if something's not working, it's not usually the terminal, it's the network. We understand the kinds of questions to ask and how to diagnose what's actually happening," he said.

SageNet also provides merchants with help desk services for the technical side and payment side. "It's one thing to get the system set up, but then you have to support it," Higganbotham said.

As a systems integrator, SageNet works with the merchant, processor, terminal manufacturer and ISO. "We are the one company that can provide a total solution from broadband circuits to the network and datacenter hardware, POS products, cabling, on-site services, network monitoring and Class-A terminal support," he said.

Although SageNet does not yet sell its services through ISO/MLs, it is in discussions with processors and ISOs to do so. Higganbotham said SageNet would pay commissions on the initial installation for products and services with compensation for the residual fees such as managed broadband circuits.

"The biggest thing we have to bring to the table for ISOs is our knowledge of IP networks combined with the whole payment process," Higganbotham said. "Understandably, an ISO or processor doesn't really have that skill set; they're not in that business." ■

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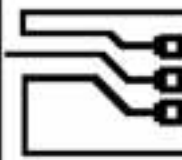
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Industry Leaders

Thirty Years of Pioneering Work

A look into the career of John "Jack" McDonnell Jr., Founder, Chairman and Chief Executive Officer of Transaction Network Services Inc. (TNS), a subsidiary of TNS Inc., and a Founder of the Electronic Funds Transfer Association (EFTA), reveals many distinctive roles, all on the cutting edge.

In addition to entrepreneurship in the payments industry, he has worked as an engineer for the intelligence community, served as a lobbyist, and pioneered new technologies.

Describing himself as a "serial entrepreneur," McDonnell attributes his success, in part, to being involved with electronic payments since the industry's inception.

"I was very fortunate to get involved with data communications from the get-go," McDonnell said. "I came out [of grad school] with a masters degree in computer science, but you know, you could do a lot of things with that."

A "lot of things" are exactly what McDonnell did. After completing a graduate program at Rensselaer Polytechnic Institute on the East Coast in 1960, he served as a Computer Engineer in the Air Force, working for the National Security Agency (NSA). He spent most of his time there building special purpose computers.

At the NSA he laid the foundations for his future career. "My final project there was probably the most interesting one," McDonnell said.

He was part of the team that set up the first encrypted data link between the Central Intelligence Agency and

the NSA back in 1964. Today, TNS operates the world's largest, non-government, encrypted network for the investment banking industry.

"Once I got involved with the data communications project at NSA, I decided 'That is where I want to focus,'" McDonnell said.

When he left the Air Force, McDonnell kept his NSA ties and went to work for an electronics company selling into the intelligence community. It wasn't, however, to his liking. "I got tired of that in a hurry, and I ended up with two other fellows starting [our] own [electronics] company at the ripe old age of 28," McDonnell said.

The three men built a successful company, Computer Entry Systems, and eventually sold it.

After several years of working with electronics, computers, data transfer and communications, McDonnell returned to Washington, this time as a civilian. His new position was Director of Technology and Telecommunications for a presidential advisory commission on electronic funds transfer (EFT).

With the seeds of the latest technological explosion having been sown over the last decade, Congress was interested in its potential uses in banking. A newly formed commission had been put in place to study the potential impact of electronic banking and the move away from paper to paperless transactions.

"The vision was the checkless society," and Congress wanted to know "Is everything going to go electronic?" McDonnell said.

"I had a good technical background.

I [had] been with IBM; I was very well versed in computers and data communications, so that's kind of how I got the appointment. That was my introduction to the banking business. Basically since then, I have been applying my knowledge of data communications in support of the electronic payment space."

During the two years of the commission, McDonnell received a great deal of exposure by testifying at many public hearings on the issue of electronic banking. "I was actually recruited pretty heavily after the commission," he said. "I had some interesting job offers. American Express wanted me to move to Phoenix and take over their network for electronic transactions. I ended up going with Timenet in Cupertino, California."

Because Timenet's focus was on electronic transactions at the point of sale (POS), McDonnell's first project was to set up 10,000 different merchants with dial-up credit card terminals, in conjunction with Wells Fargo & Co.'s merchant services division.

"I was there at the very beginning of the deployment of electronic terminals to automate the processing of cards at the POS," McDonnell said.

Crude by today's standards of sleek technological design, the terminals worked, and they worked well. The terminal manufacturer "literally bought ITT [International Telegraph and Telephone] phones, which looked like the old ATT [American Telephone and Telegraph] black telephones; you could drop them off a 10-story building, and they wouldn't break ... All they did was take out the guts and put in the electronics and then literally bolt a card swipe to the front of the phone."

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ChapterTitle

In the mid-1980s, McDonnell received an interesting offer. The Electronic Industries Association invited him to head the federal lobbying branch of its telecommunications division. For the next three years he lobbied the federal government on behalf of the telecommunications industry. This was at the height of the telecom war between AT&T and the "baby Bells."

"I [had] been spending my life on a 747. I ended up setting up Timenet's international operations, so I was going all over Hong Kong, Europe [etc.], and my kids were still in high school. He thought "Maybe taking three years off in a Washington-based job [he lives in Virginia], with very little travel isn't really a bad idea."

"I got to testify before Congress five times; there's not too many people

walking around that can say that."

His previous experience on the EFT commission didn't hurt either. "Our concern was that foreign markets were not open to us, and the U.S. was wide open," he said.

"All of the overseas manufacturers were invading the U.S. Our beef was that all these guys were operating from protected bases where they had guaranteed markets, and they were coming in, basically being subsidized by foreign governments ... wreaking havoc on the U.S. telecom manufacturers."

McDonnell was also appointed to a trade representative organization set up by the Department of Commerce. He helped negotiate the opening of the German and Japanese markets.

"So I actually played an active role during that three-year period in

negotiating the opening up of the telecom markets in some of these foreign countries," McDonnell said. "And today I am taking advantage of that because I could not operate in these countries if they did not permit telecommunications [companies from doing business there]."

The high point of his lobbying stint came during his last senate hearing. Knowing that he would not face the senate again, he gave what he describes as "my most vitriolic testimony. I was leaving, and I didn't have to hold anything back, and [Senator Ed Markey] said, 'When the movie is made about the telecom bill, we're going to have to bring Jimmy Cagney back to life to play Jack McDonnell.'"

Although he was offered another three-year stint as a lobbyist, McDonnell decided he was done with the political circus and went

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back to private industry. In 1989, he joined Digital Radio Networks (DRN), a division of Citicorp, to build a wireless credit transaction network.

"It was an interesting concept, but unfortunately ahead of its time," McDonnell said. "Back in the late eighties the banks were concerned that [wireless] wasn't secure; they didn't want credit card numbers ... being sent through the air. I refer to it as a technological marvel and a marketing disaster."

So the world was not yet ready for wireless. Jack, though, figured out how to increase the speed of dial-up transactions from 20 – 40 seconds, down to 10. He found a supporter in Bill Melton, the founder of VeriFone Inc.

"I convinced Bill that if I could build this faster network, he could sell more terminals because we could open it up to applications that wouldn't take credit cards because they were too slow," McDonnell said.

Melton gave McDonnell \$1.5 million to start a network. That was in 1990. TNS became operational in 1991, and the rest is history.

TNS provides business-critical data communications services to processors of credit card, debit card and ATM transactions. It also provides secure data and voice network services to the global financial services industry.

The public company has built a global POS network, which processes millions of transactions every day. The network operates from Australia to Tokyo, Europe to Canada, the United States and Latin America. TNS has also recently begun providing services in Poland and wants to expand throughout the former Eastern Bloc.

"We're the only network that actually gets in the middle of the application," McDonnell said. "What makes us unique, and what makes our customers really appreciate us is we built the network to track the transaction, from the minute it left the terminal until the final acknowledgement was received back from the host system. All the other carriers just want to give you a phone line and say, 'You figure out what to do with it.'"

After 30 years, the electronic transactions industry, with its ever-changing technologies and applications, still has not lost its luster for McDonnell. It "was a great decision as well ... to go on to the EFT commission, which exposed me to this whole electronic payment world," McDonnell said.

There has also been a great continuity among industry veterans. "There's always new people coming in, but I'm still doing business with people that I've worked with [for] 20 years ... There's a lot of people like me around,"

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McDonnell said.

One does not remain at the top of his or her field for 30 years without a work ethic and style that both co-workers and customers appreciate. McDonnell describes himself as being involved with all aspects of his business.

"People would say that I get very involved, so you have to differentiate between that and micromanagement," he said. "I want to know what's going on. I think that it's easy to become detached and sit in your office and just deal with the press, but I think that's a mistake."

Heidi Goff is TNS' Executive Vice President and General Manager for the POS Division. "I met Jack in 1988, before he started TNS," Goff said. "I've watched him through the startup of TNS, while he put together the team."

McDonnell struck a positive chord with Goff from the beginning. "I remember meeting Jack and really enjoying his energy; he's very focused on what he does, he's very smart, he's very visionary," she said. "He's an intense guy. He's done a hell of a lot. I'll tell you that what he's done in Europe for TNS is nothing short of startling."

The future of the electronic payments business, McDonnell said, is wide open, especially "when you go overseas, as you move into some of these emerging countries where plastic is just becoming a reality."

"What I think is fun is going to these countries and feeling that this is exactly where the U.S. was back in 1984," McDonnell said. "I am delighted that people are coming up with new opportunities every day to use plastic, such as loyalty cards."

These are all interesting innovations and they all generate transactions."

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Consumer Confidence Declining?

Despite recent reports of increasing job opportunities and improved economic growth, U.S. consumers feel less comfortable spending their money.

According to the University of Michigan's Index of Consumer Sentiment (ICS), consumer confidence has slowly declined for four consecutive months, ending in April 2005. It has reached its lowest level since September 2003.

"The recent loss in consumer confidence was due to heightened concerns about rising inflation, higher interest rates and slower job growth," said Richard Curtin, the Director of the University of Michigan's Surveys of Consumers.

The ICS fell from 92.6 in March to 87.7 in April. The university's Index of Consumer Expectations (ICE) decreased from 82.8 in March to 77.0 in April.

Swiftly rising energy costs likely had the most wide-ranging negative impact across all economic levels.

"One in five consumers specifically cited the negative impact of rising [gas] prices when asked about their current financial situation, the highest level recorded since 1991," Curtin said.

People expect the largest drop in their individual economic outlook in the past 10 years. This is "reflected in their expectation that [gas] prices would rise faster than their incomes during the year ahead," Curtin said.

"These are not drastic declines. The index is still above its 50-year average of 86.0 and, at present, consumers do not expect any [drastic] downturn over the next year and into the future."

The Michigan index calculations are based on opinions gathered from a nationally representative survey of households in which respondents report on the current and future status of personal finances, employment, interest rates, inflation and buying conditions.

New York City-based The Conference Board, another organization that reports on consumer trends, showed similar negative patterns.

Lowered expectations of economic activity, including anticipated decreases in job openings and a plateau in salary growth contributed to a Consumer Confidence Index (CCI) decline of 5.3 points between March and April, from 103.0 to 97.7.



Index of Consumer Sentiment (ICS)
 The index measures short- and long-term expectations of business conditions and the individual's perceived economic well-being.

source: www.marketingpower.com

Ken Goldstein, an economist with The Conference Board, stressed that the decline in confidence is minimal, and is not reason to worry about economic stagnation in the near future.

"Consumer confidence has changed less in three months than the stock market has in the past couple of weeks," Goldstein said.

"Consumer confidence is tied directly to the performance of the labor market. There was as much hiring in April as February. Something else will have to happen [for a serious decrease in consumer activity]."

The Conference Board's Present Situation Index sank to 113.6 from 117.0 over the same two-month period. Its Expectations Index dropped from 93.7 to 87.2.

Exemplifying lowered confidence in the job market's near future, its Help-Wanted Advertising Index fell two points between March and April.

"Despite the decline, the Present Situations Index remains at levels indicative of a healthy economy," said Lynn Franco, Director of The Conference Board's Consumer Research Center.

"However, the Expectations Index is now at its lowest level since July 2003 ... Consumers do not anticipate an improvement in economic growth nor in their incomes. And they expect an even tighter job market over the summer months."

The United States is not the only country with disappointing consumer activity. Bloomberg's Eurozone Retail Purchasing Managers' Index (PMI) also showed a decline in retail activity for four straight months.

The PMI measures retail activity in France, Italy and Germany. April's PMI was at 48.7, below the break-even point for the eighth time in the past nine months. ■

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News

Subcommittee Hears Testimony on Confusion Over Check 21

The House Financial Services Subcommittee on Financial Institutions held a hearing on April 20, 2005 on the implementation of the Check Clearing for the 21st Century Act, or Check 21. Several speakers testified on emerging areas of concern since the law's implementation last October. Testimony indicated consensus on one thing: Despite the law's slow rate of adoption, there is still confusion over Check 21 among the financial services industry and consumers.

Testimony in general also showed that improved consumer education is necessary in order to explain the advances in technology the banking industry is counting on to streamline payments, including check processing.

According to Subcommittee Chair, Spencer Bachus (R-Ala.), the purpose of the hearing was to address consumer concerns about Check 21. Because the law was enacted to benefit consumers, its goals should align with their experiences, and the benefits of technology should apply to everyone, he said.

If lawmakers need to modify the terms of Check 21, even though it's barely seven months old, now is the time to consider issues the law doesn't currently address. One of the main issues presented to the Subcommittee in testimony is the amount of time banks are allowed to hold funds before releasing availability, and whether they profit from it.

Consumer advocate groups say that banks have an unfair advantage in being able to hold funds and should share with customers the benefits that result from the faster check clearing times Check 21 creates. However, some speakers recommended that the funds availability schedules not be shortened formally until the check processing system is more efficient.

Testimony overall covered a wide range of topics, including federal regulations governing different types of electronic payments, consumer rights and the difficulty consumers have in differentiating various types of electronic payments.

Check 21's perception problems have as much to do with the proliferation of new payment methods as the often confusing conditions it lays out for replacing paper checks with digital images.

Michael Oxley (R-Ohio), Chairman of the House Committee on Financial Services, addressed the main areas of confusion in a written statement prepared for the hearing. Check 21 allows banks to continue accepting and processing paper checks; it also expands consumer protection beyond existing check law, he wrote.

Supplanting digital images for paper checks, according to Oxley, "does not change the way checks are processed and presented for payment. Because Check 21 merely improves the movement of checks, all of the check law protections that have existed for over 100 years will still apply.

"It is my understanding that a lot of the confusion of late has resulted from the explosion in the use of accounts receivable checks, or ARC. Consumers have not been well informed of what ARCs are and what protections they have under this system," Oxley wrote in his statement.

Elliot C. McEntee, President and Chief Executive Officer of NACHA – The Electronic Payments Association, presented information comparing the use of the automated clearing house (ACH) network for converting checks to electronic transactions, to Check 21.

The ACH network, as well as the federal rules governing those types of payments, could serve as models for any future modifications to Check 21, McEntee said. As the number of checks written continues to decline, ACH payments are experiencing phenomenal growth.

In 2004, 12 billion ACH payments valued at more than \$28 trillion were made, which is an increase of 21.6% over 2003. These included all types of direct deposits and payments, and ARC.

ARC payments reached more than 1.25 billion in 2004, a six-fold increase over 2003, and accounted for 54% of all ACH payments.

More than 99% of U.S. financial institutions participate in the ACH network, as do 5 million businesses and 145 million consumers. Additionally, check writing consumers have better protection under ACH regulations set by NACHA and the federal government, McEntee testified.

The use of digital images to replace paper documents is not increasing at nearly such a clip, however. "As the ABA and the banking industry predicted, Check 21 was not a 'flip of the switch' event, in part because moving to electronic check processing is voluntary ... we feel that the industry ramp-up period will most likely occur somewhat slowly over several years," American Bankers Association (ABA) Chairman and Wachovia Bank Executive Vice President Elizabeth Duke testified.

Despite her bank's leadership role in electronic check processing, Duke indicated that Wachovia does not

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News

anticipate that any more than 2% – 3% of its checks will be processed via image exchange this year.

Large corporations, however, are requesting that their banks process images of checks; the average amount of a check converted into an image is between \$13,000 and \$15,000, according to Federal Reserve Board numbers cited by Duke.

The expense and infrastructure required for Check 21's implementation have resulted in most banks adopting the law at a snail's pace. "Most consumers have yet to notice an impact," she said.

In reality, the confusion consumers do notice is not related to Check 21. "Electronic check conversion is sometimes mistakenly associated with Check 21," said Louise Roseman, Director of the Federal Reserve Board's Reserve Bank Operations and Payment Systems, in her testimony.

As electronic payments, including check conversion, proliferate and become less expensive to process (ACH transactions cost less than one-fifth of checks), better information for the industry and consumers is necessary, she said.

"Electronic check conversion does not involve the collection of checks or the use of the authority granted by Check 21," Roseman testified. "In 2004, approximately 1.5 billion checks were replaced by electronic check conversion."

The barrage of new products and ways of transferring funds on the market is responsible for generating much of the misinformation consumers have regarding Check 21, Georgia State University College of Law Professor Mark Budnitz, a specialist in consumer payment systems law, testified. Check 21's intricate rules only contribute to the sense of loss of control many consumers feel, he said.

"It establishes obligations and deadlines that are different from those imposed by other payment law," Budnitz said. "The result is a law that is confusing and unfair. People cannot understand their rights and obligations. Unfairness undermines consumers' trust in financial services institutions and in the law itself."

The Fed will continue to monitor issues around Check 21's progress and implementation, Roseman said. This will include better consumer outreach programs on Check 21 and electronic check conversion procedures. ■



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MasterCard U.S. Region 2005 – 2006 Interchange Programs and Rates

Fee Program Name	Old Rate	New Rate
Consumer Credit Interchange Rates		
Consumer Standard [75, 85, 95]	2.70% + \$0.10	2.70% + \$0.10
Convenience Purchases [23]	1.80% + \$0.00	1.90% + \$0.00
Key-Entered [92]	1.90% + \$0.10	1.95% + \$0.10
Merit I [78, 88, 98]	1.90% + \$0.10	1.95% + \$0.10
Merchant Universal Cardholder Authentication Field (UCAF)*	n/a	1.63% + \$0.10
Full UCAF*	n/a	1.73% + \$0.10
Merit III Base [70, 80]	1.54% + \$0.10	1.63% + \$0.10
Merit III Tier 1 [10]	1.48% + \$0.10	1.48% + \$0.10
Passenger Transport [93]	1.75% + \$0.10	1.83% + \$0.10
Public Sector [22]	1.55% + \$0.10	1.55% + \$0.10
Service Industries [90]	1.15% + \$0.05	1.15% + \$0.05
Supermarket Base [71, 81]	1.36% + \$0.00	1.43% + \$0.05
Supermarket Tier 1 [13]	1.30% + \$0.00	1.32% + \$0.00
Travel Industries Premier Service [97]	1.58% + \$0.10	1.74% + \$0.10
Warehouse Club Base [91]	1.36% + \$0.00	1.43% + \$0.05
Warehouse Club Tier 1 [16]	1.30% + \$0.00	1.32% + \$0.00
World MasterCard T&E [96]	2.20% + \$0.10	n/a
Payment Transaction [20]	0.19% + \$0.53	0.19% + \$0.53
Corporate Interchange Rates		
Corporate Standard [65]	2.70% + \$0.10	2.70% + \$0.10
Corporate Data Rate I [68]	2.65% + \$0.10	2.65% + \$0.10
Corporate Data Rate II [67]	1.95% + \$0.00	1.95% + \$0.00
Corporate Data Rate III [66]	1.65% + \$0.00	1.75% + \$0.00
Corporate Face-to-Face [60]	1.54% + \$0.10	1.95% + \$0.00
Corporate Large Ticket [62]	1.20% + \$0.00	1.20% + \$0.00
Corporate T&E I [76, 86]	2.30% + \$0.00	2.35% + \$0.00
Corporate T&E II [69]	2.15% + \$0.10	2.20% + \$0.10
Corporate T&E III [89]	2.05% + \$0.10	2.15% + \$0.10
Payment Transaction [21]	0.19% + \$0.53	0.19% + \$0.53
World MasterCard Interchange Rates		
World MasterCard Standard [01]	2.70% + \$0.10	2.90% + \$0.10
World MasterCard Convenience Purchases [06]	1.80% + \$0.00	2.00% + \$0.00
World MasterCard Key-Entered [03]	1.90% + \$0.10	2.05% + \$0.10
World MasterCard Merit I [02]	1.90% + \$0.10	2.05% + \$0.10
World MasterCard Merchant Universal Cardholder Authentication Field (UCAF)*	n/a	1.73% + \$0.10
World MasterCard Full UCAF*	n/a	1.83% + \$0.10
World MasterCard Merit III Base [04]	1.54% + \$0.10	1.73% + \$0.10
World MasterCard Merit III Tier 1 [05]	1.48% + \$0.10	1.58% + \$0.10
World MasterCard Public Sector [56]	1.55% + \$0.10	1.55% + \$0.10
World MasterCard Restaurant [58]	n/a	1.63% + \$0.10
World MasterCard Service Industries [55]	1.15% + \$0.05	1.15% + \$0.05
World MasterCard Supermarket Base [07]	1.36% + \$0.00	1.53% + \$0.05
World MasterCard Supermarket Tier 1 [08]	1.30% + \$0.00	1.42% + \$0.00
World MasterCard T&E [96]	2.20% + \$0.10	2.30% + \$0.10
World MasterCard Warehouse Club Base [09]	1.36% + \$0.00	1.53% + \$0.05
World MasterCard Warehouse Club Tier 1 [54]	1.30% + \$0.00	1.42% + \$0.00
Payment Transaction [20]	0.19% + \$0.53	0.19% + \$0.53
Consumer Debit Refund Interchange Rates		
Consumer Debit Refund Group 1 [31]	1.89% + \$0.00	1.72% + \$0.00
Consumer Debit Refund Group 2 [32]	1.68% + \$0.00	1.68% + \$0.00
Consumer Debit Refund Group 3 [33]	1.40% + \$0.00	1.40% + \$0.00

All rates are effective April 1, 2005, except for UCAF rates, which are marked with an *asterisk. These are effective Oct. 1, 2005. Changes are shown in bold.

Consumer Credit and World MasterCard Refund Interchange Rates

Consumer Credit Refund Group 1 (34)	2.32% + \$0.00	2.42% + \$0.00
Consumer Credit Refund Group 2 (35)	2.02% + \$0.00	2.09% + \$0.00
Consumer Credit Refund Group 3 (36)	1.87% + \$0.00	1.95% + \$0.00
Consumer Credit Refund Group 4 (37)	1.77% + \$0.00	1.82% + \$0.00
Consumer Credit Refund Group 5 (38)	1.69% + \$0.00	1.73% + \$0.00

Corporate Refund Interchange Rates

Corporate Refund Group 1 (39)	2.38% + \$0.00	2.37% + \$0.00
Corporate Refund Group 2 (40)	2.27% + \$0.00	2.30% + \$0.00
Corporate Refund Group 3 (41)	2.15% + \$0.00	2.21% + \$0.00
Corporate Refund Group 4 (42)	2.05% + \$0.00	2.16% + \$0.00

Consumer Debit Interchange Rates

Consumer Standard (75, 85, 95)	1.90% + \$0.25	1.90% + \$0.25
Emerging Markets (29)	0.80% + \$0.25	0.80% + \$0.25
Key-Entered (92)	1.64% + \$0.16	1.64% + \$0.16
Merit 1 (78, 88, 98)	1.64% + \$0.16	1.64% + \$0.16
Merchant UCAF*	n/a	1.05% + \$0.15
Full UCAF*	n/a	1.15% + \$0.15
Merit III - Tier 1 (110)	0.70% + \$0.15	0.70% + \$0.15
Merit III - Tier 2 (111)	0.83% + \$0.15	0.83% + \$0.15
Merit III - Tier 3 (112)	0.95% + \$0.15	0.95% + \$0.15
Merit III - Base (70, 80)	1.05% + \$0.15	1.05% + \$0.15
Passenger Transport (93)	1.60% + \$0.15	1.60% + \$0.15
Petroleum - CAT/AFD (27)	0.70% + \$0.17	0.70% + \$0.17
Petroleum - Service Stations (28)	0.70% + \$0.17	0.70% + \$0.17
Restaurant (26)	1.19% + \$0.10	1.19% + \$0.10
Service Industries (90)	1.15% + \$0.05	1.15% + \$0.05
Small Ticket (25)	1.60% + \$0.04	1.60% + \$0.04
Supermarket - Tier 1 (13)	0.70% + \$0.15 (\$0.35 max)	0.70% + \$0.15 (\$0.35 max)
Supermarket - Tier 2 (14)	0.83% + \$0.15 (\$0.35 max)	0.83% + \$0.15 (\$0.35 max)
Supermarket - Tier 3 (15)	0.95% + \$0.15 (\$0.35 max)	0.95% + \$0.15 (\$0.35 max)
Supermarket - Base (71, 81)	1.05% + \$0.15 (\$0.35 max)	1.05% + \$0.15 (\$0.35 max)
Travel Industries Premier Service (97)	1.36% + \$0.15	1.36% + \$0.15
Warehouse Club - Tier 1 (16)	0.70% + \$0.15 (\$0.35 max)	0.70% + \$0.15 (\$0.35 max)
Warehouse Club - Tier 2 (17)	0.83% + \$0.15 (\$0.35 max)	0.83% + \$0.15 (\$0.35 max)
Warehouse Club - Tier 3 (18)	0.95% + \$0.15 (\$0.35 max)	0.95% + \$0.15 (\$0.35 max)
Warehouse Club - Base (91)	1.05% + \$0.15 (\$0.35 max)	1.05% + \$0.15 (\$0.35 max)
Payment Transaction (20)	0.19% + \$0.53	0.19% + \$0.53

Maestro Interchange Rates

Supermarket/Warehouse - Tier 1	\$0.16	\$0.17
Supermarket/Warehouse - Tier 2	\$0.17	\$0.19
Supermarket/Warehouse - Base	\$0.22	\$0.24
Convenience - Tier 1	0.45% + \$0.04 (\$0.22 max)	0.45% + \$0.08 (\$0.28 max)
Convenience - Tier 2	0.50% + \$0.05 (\$0.22 max)	0.50% + \$0.10 (\$0.32 max)
Convenience - Base	0.65% + \$0.12 (\$0.45 max)	0.75% + \$0.15 (\$0.50 max)
All Other - Tier 1	0.45% + \$0.04 (\$0.22 max)	0.45% + \$0.08 (\$0.28 max)
All Other - Tier 2	0.50% + \$0.05 (\$0.22 max)	0.50% + \$0.10 (\$0.32 max)
All Other - Base	0.65% + \$0.12 (\$0.45 max)	0.75% + \$0.15 (\$0.50 max)
Cash-Back at POS	0.00%	0.00%

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Visa 2005 Interchange Fees

Visa U.S.A. announced the following changes (shown in bold) to its consumer debit card fees: Rates effective April 1, 2005

Fee Program Name	Current Rate	April 2005 Rate
CPS/Retail Debit - Tier I	0.70% + \$0.15	0.62% + \$0.13
CPS/Retail Debit - Tier II	0.83% + \$0.15	0.81% + \$0.13
CPS/Retail Debit - Tier III	0.95% + \$0.15	0.92% + \$0.15
CPS/Retail Debit - Tier IV	1.05% + \$0.15	1.03% + \$0.15
CPS/Supermarket Debit - Tier I	0.70% + \$0.15 (\$0.35 cap)	0.62% + \$0.13 (\$0.35 cap)
CPS/Supermarket Debit - Tier II	0.83% + \$0.15 (\$0.35 cap)	0.81% + \$0.13 (\$0.35 cap)
CPS/Supermarket Debit - Tier III	0.95% + \$0.15 (\$0.35 cap)	0.92% + \$0.15 (\$0.35 cap)
CPS/Supermarket Debit - Tier IV	1.05% + \$0.15 (\$0.35 cap)	1.03% + \$0.15 (\$0.35 cap)
CPS/Retail 2 Debit	0.80% + \$0.25	0.80% + \$0.25
CPS/Retail Key Entry Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/Card Not Present Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/Automated Fuel Dispenser Debit	0.70% + \$0.17	0.70% + \$0.17
CPS/Account Funding Debit	1.75% + \$0.20	1.75% + \$0.20
CPS/e-Commerce - Basic, Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/e-Commerce - Preferred, Debit	1.55% + \$0.15	1.55% + \$0.15
CPS/Hotel and Car Rental Card Not Present, Debit	1.36% + \$0.15	1.36% + \$0.15
CPS/Hotel and Car Rental Card Present, Debit	1.36% + \$0.15	1.36% + \$0.15
CPS/e-Commerce Preferred - Hotel and Car Rental, Debit	1.36% + \$0.15	1.36% + \$0.15
CPS/Passenger Transport, Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/e-Commerce Preferred - Passenger Transport, Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/Small-Ticket, Debit	1.60% + \$0.04	1.60% + \$0.04
CPS/Restaurant, Debit	1.19% + \$0.10	1.19% + \$0.10
CPS/Retail Service Station, Debit	0.70% + \$0.17	0.70% + \$0.17
Express Payment Service, Debit	1.95% + \$0.02	1.95% + \$0.02
EIRF, Debit	1.75% + \$0.20	1.75% + \$0.20
Standard, Debit	1.90% + \$0.25	1.90% + \$0.25

Visa U.S.A. also announced the following changes (shown in bold) to its consumer credit interchange reimbursement fees: Rates effective April 1, 2005

Interchange Reimbursement Fee	Traditional Fee Amt.	Traditional Rewards Fee Amt.	Signature Fee Amt.
Standard Interchange Reimbursement Fee	2.70% + \$0.10	2.70% + \$0.10	2.70% + \$0.10
Electronic Interchange Reimbursement Fee	2.30% + \$0.10	2.30% + \$0.10	2.30% + \$0.10
CPS/Program Rates			
CPS/Supermarket - Performance Threshold I	1.15% + \$0.05	1.15% + \$0.05	1.65% + \$0.10
CPS/Supermarket - Performance Threshold II	1.20% + \$0.05	1.20% + \$0.05	1.65% + \$0.10
CPS/Supermarket - Performance Threshold III	1.22% + \$0.05	1.22% + \$0.05	1.65% + \$0.10
CPS/Supermarket - All Other	1.24% + \$0.05	1.65% + \$0.10	1.65% + \$0.10
CPS/Retail - Performance Threshold I	1.43% + \$0.10	1.43% + \$0.10	1.65% + \$0.10
CPS/Retail - Performance Threshold II	1.47% + \$0.10	1.47% + \$0.10	1.65% + \$0.10
CPS/Retail - Performance Threshold III	1.51% + \$0.10	1.51% + \$0.10	1.65% + \$0.10
CPS/Retail - All Other	1.54% + \$0.10	1.65% + \$0.10	1.65% + \$0.10
CPS/Automated Fuel Dispenser	1.50% + \$0.05	1.65% + \$0.10	1.65% + \$0.10
CPS/Service Station	1.43% + \$0.10	1.65% + \$0.10	2.30% + \$0.10
CPS/Card Not Present	1.85% + \$0.10	1.90% + \$0.10	1.90% + \$0.10
CPS/Retail Key Entry	1.85% + \$0.10	1.90% + \$0.10	1.90% + \$0.10
CPS/e-Commerce Basic	1.85% + \$0.10	1.90% + \$0.10	1.90% + \$0.10
CPS/e-Commerce Preferred Hotel and Car Rental	1.58% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/e-Commerce Preferred Passenger Transport	1.75% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/Hotel & Car Rental Card Present	1.58% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/Hotel & Car Rental Card Not Present	1.58% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/Passenger Transport	1.75% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/Restaurant	1.54% + \$0.10	1.90% + \$0.10	2.30% + \$0.10

The Special Incentive program fees remain unchanged as:

CPS/Small Ticket	1.65% + \$0.04
CPS/Retail 2	1.43% + \$0.05
CPS/e-Commerce Preferred Retail	1.80% + \$0.10
Express Payment Service	2.00% + \$0.02
CPS/Account Funding	2.14% + \$0.10

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What's Up With Online Debit?

Apparently, many consumers love PIN debit. Whether they're fed up with high interest rates on credit cards or simply appreciate the convenience of debit cards, consumers are fueling the explosion of online debit card usage.

Just as the debit acquirers in our GSQ reports indicated, both Visa U.S.A. and MasterCard International have also recently reported strong growth in the segment.

In April, MasterCard said its worldwide PIN debit business grew by 8% over the previous year with more than 562.6 million cards issued. In the United States, its PIN debit purchase transactions grew 456% for Q4 2004 compared to 2003. More than 1.5 million merchant locations and 383,000 Cirrus ATMs now accept MasterCard PIN debit cards.

Visa's numbers, while framed a little differently, are no less impressive. The Association issued a total of 83.3 million, or 26% more, of its Interlink online debit cards in Q4 2004 than it did the year before. Its total 2004 year-end sales figures for PIN debit were \$67.9 billion, an increase of 142% over 2003.

Are merchants ready to accept this increasingly popular form of payment? Are the ISOs/merchant level salespeople (MLSs) who serve them ready to sell it?

Will they lose business by not hopping on the PIN debit bandwagon?

Teaching the Sale

These days, the name of the retail game is to offer consumers as many options as possible for making purchases. Retailers who don't understand how important customer loyalty is will soon learn the lesson the hard way.

While the PIN debit option creates revenue opportunities for merchants and ISOs/MLSs alike, selling it to retailers can prove to be challenging. In order to explain the benefits and nuances of PIN-debit acceptance to merchants, agents need to be well-versed on its finer points.

Considering that this is a product that saves merchants money, virtually eliminates their risk for chargebacks and is preferred by consumers, it's not as easy as it sounds to sell. Some debit networks and processors are responding to PIN debit's proliferation by developing formal training programs for ISOs/MLSs.

They're talking about niche markets and strategies for selling the product on all of its differentiating features. Areas covered in the intensive trainings include consumer benefits, geographic influences, network switches and transaction processing, average ticket amounts and the

importance of training retail employees to push their customers to use it.

First Data Corp.'s STAR Network is one of several companies that process ATM and PIN debit transactions. (Signature, or offline, debit transactions are routed and processed over credit networks.)

STAR will also introduce a PIN debit sales certification program for ISOs/MLSs by the end of this year; it's currently in the second stage of pilot. For now, STAR calls the program Certified Debit Expert Training.

"We want the feet in the street, the ones out there talking with retailers, in this program," said Teri Koenke, First Data's Vice President Within Enterprise Payments Marketing.

"We're intending this for salespeople and account managers out in the field, and we want to help them feel that they're not talking about something they don't have a good grasp of."

As it's planned now, the training will take a day and a half for agents to complete. STAR bases the program on input it has gained from sales reps whose customers are small-

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to mid-tier merchants and need something fast, simple and thorough.

Beyond the knowledge agents will gain, the certification can only be a career-booster. "It will serve as a self-marketing tool for the agent's business by giving them certification on what we know is one of the fastest growing payment methods out there," Koenke said.

In addition to its certification program, STAR has also put together comprehensive materials that show ISOs/MLSs how to help merchants understand PIN debit.

Called Opportunity Kits, these reference guides serve as "cheat sheets" for ISOs/MLSs on sales calls and include decals and stickers for branding at merchant locations.

"Our goal is not to promote STAR, but to educate on PIN debit," she said. "We don't emphasize selling a product, but instead help them understand that what's important is giving customers the flexibility and convenience of using a PIN debit card.

"We think this will be a home run for the agents that serve the small- to mid-sized merchants."

Defining the Product

STAR's research shows that the vast majority of small- to mid-size merchants simply don't understand why they should offer PIN debit to their customers.

The amount of choices in payments products and services even confuse large merchants and some processors, she said. The terminology also stymies many retailers, which is an easily solved but important obstacle.

"The questions I get most often from ISOs are 'What's the difference, and how can I teach my merchants what the difference is between PIN-based debit and [signature-based cards]?" said Danette Smith, Manager of ISO Support for payment processor Cynergy Data.

"The market is clearly telling us they want to take PIN debit," agreed Koenke. "They're really hungry for this information, and there's really no where to get it. We want to help them execute that knowledge to help retailers so that they can make good decisions about their businesses."

The most important thing an agent can impart to retailers is the value that it will bring to their businesses; but while



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PIN debit's lower merchant fees can be significant, they should not serve as the main selling point.

"We in the acquiring industry have done a disservice to retailers: We've trained them to look only at rates," Koenke said. "Although in most cases PIN debit will save a merchant money over signature debit and credit cards, what they're missing when they look only at that are all the other benefits associated with PIN debit."

Selling the Merits

PIN debit transactions offer a number of features that make it a wise payment option for a large percentage of merchants.

The transactions are very secure, Koenke said, as long as the card does not have the online signature option attached to it; PIN codes can't be recreated like signatures can, which consumers appreciate. This also eliminates a great deal of fraud on the merchant end.

Many consumers use their cards more frequently simply because of the convenience they offer; they don't have to worry about having enough cash on hand to pay for many types of purchases.

According to STAR research, consumers whose cards offer both PIN and signature debit use the card for more purchases per month than a cardholder with a signature-only card.

One key advantage PIN debit has over signature debit is that it gives customers an option to get cash back at the POS. This is an important point, which STAR focuses on in its training materials, because the cash-back function goes a long way toward creating satisfied, repeat customers.

"This is absolutely crucial," Koenke said. "Consumers get it, but the retailers and processor reps don't. Merchants, and sometimes the processors, are often surprised to learn that you can only use the PIN option to get cash back." As a result, the merchants are not getting the customer loyalty they should.

Faster availability of funds on transactions is another plus for PIN debit, Smith said. When a customer uses a PIN debit card, the purchase is authorized and settled immediately because there is direct communication between the merchant location and the customer's bank.

"This means merchants see the money right away, and they're far less likely to suffer chargebacks like they would with credit cards," Smith said.

ISOs/MLSs do, however, need to know their markets. PIN debit fits some niches better than others and there are definite strategies for approaching them.

PIN debit is still not widely embraced in markets where the average ticket is above \$50. The low profit margin grocery industry has used PIN debit very successfully, according to Koenke, where POS terminals are set up to prompt customers to enter their PINs, and employees have been trained to ask if they'd like cash back. This approach is just now beginning to catch in other industries, she said.

"Card-present, low-ticket sales like Starbucks are ideal for PIN debit," said Tom Lineen, Director of Sales for Cynergy. He also feels there are plenty of opportunities to develop markets with higher ticket amounts for PIN debit.

"It's a fixed transaction fee at a very low percentage," Lineen said. "I would look for merchants with the highest average tickets and talk to them about the benefits of pushing PIN-based debit versus accepting credit cards as their primary payment method.

"If you're an educated MLS, you can really play up the advantage of him telling his customer to enter a PIN rather than letting transaction go through as an online debit or credit."

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The trick is to educate merchants.

As part of his job, Lineen helps Cynergy's ISO partners devise sales strategies. When they're trying to reach new markets, formulating sales presentations that include just the right amount of information about complicated issues, such as PIN debit, means knowing what to leave out.

"Merchants want to know what the rate is," he said. "But they don't realize there are six levels of interchange for credit and offline debit, and that there's a level for online debit. That's a whole level of training that when you're in front of a merchant, frankly, you'll absolutely confuse them."

Instead of focusing on the minutia of interchange, agents should tout the customer loyalty-building aspects of PIN debit, and have the goal to make themselves a one-stop solu-

tion provider for merchants. "ISOs/MLSs need to stress to merchants that they don't ever want to have to turn down a sale," Smith said. "They want to be able to accept all card types. They don't want to lose a sale because they can't accept a card."

"Give the merchant every opportunity to make a sale by giving them access to everything they need."


Gerry Surell, an MLS based in New Jersey, sells for Business Payment Systems. The majority of merchants in his portfolio are set up to accept PIN-based debit, and in his market, he said he's seen very little resistance to it from merchants.

"I recognized it as way for merchants to give their customers a way of making purchases at a lower cost; it's a flat transaction fee that remains constant or fixed regardless of the size of the transaction," Surell said.

"It also gives the agent the opportunity to make an equipment sale. Sell them a PIN pad, or even set them up with a new terminal that incorporates the PIN pad."

He's found that regional considerations, such as whether a particular community is served by large national banks or smaller, local ones (and which networks they use for transactions) and socio-economic factors, play a big role in PIN debit's usage and acceptance.

"The key is to take the time to study the community," he said. "You need to know your stats, number of transactions, which banks serve the region."

"In certain communities, merchants are doing 50% of their transactions in PIN-based debit. Consumers are more apt to use debit cards in some communities." 



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What to Expect When Attending a Conference

By Kathy Harper

National Association of Payment Professionals

Editor's Note: The National Association of Payment Professionals (NAOPP) Board of Directors now serves as the host of "Street Smarts." Individual members of NAOPP's Board rotate authorship of the column.

Are you considering attending an industry conference or meeting? What a wonderful idea! These provide great opportunities to network, discover new products and services, attend training sessions, meet your ISO in person, and talk with other merchant level salespeople (MLSs).

When deciding which event to attend, you can choose from several options in the regional acquirers' association conferences, or one of the larger industry-wide meetings. The size, scope and location of the events might play a role in your decision.

Every winter, the Northeast Acquirers' Association holds a meeting in Mt. Snow, Vt. Skiing anyone? The Electronic Transactions Association (ETA) holds a big blowout in Las Vegas every spring for its Annual Meeting and Expo. Thousands of people attend.

As an MLS, attending an industry meeting is a lot like being at a singles club. Vendors and processors alike will woo you. At my first conference, I felt like a mouse in a room full of cats. I, along with the other mice, walked timidly through a maze of outstretched hands. These cats wanted to exchange business cards.

The MLS Forum Responds

To gather MLS opinions on industry events, NAOPP posted the following questions on GS Online's MLS Forum:

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For those of you who have attended conferences, what are some of the pros and cons? For those who have not, what has kept you from attending? Do you have any questions or concerns about attending?

MLS Forum members posted the following responses:

"I prefer the regional shows rather than ETA. The regional shows give you a chance to meet and learn from other people in our business without having to 'sell the farm' to attend. I'd highly recommend to any MLS that hasn't attended a convention to at least try the regionals. [I'm] really looking forward to the [Southeast Acquirers' Association] SEAA in New Orleans this year!

"I really like going from booth to booth talking to the vendors, but the real learning experience goes on in the bar. This may be ... difficult in New Orleans as there are just too many bars! Guess I'd better start picking their brains before there's nothing to pick. LOL." – Neil

"I have attended the SEAA three times and the ETA four times. The SEAA was very helpful in the beginning, and I got to meet many people in the industry and ... some vendors face to face. The ETA is very helpful, too, and more vendors attend those shows.

"As an agent or ISO, it gives you a chance to meet the people you are dealing with on the phone. It also gives you an opportunity to see more of what is out there in the industry and listen to other people ... talk about products and services, and go to the booths and ask technical questions, etc. I don't like the seminars at these conventions; they are never long enough to get answers." – ccguy

"I enjoy the golf the most. After that I find that most of

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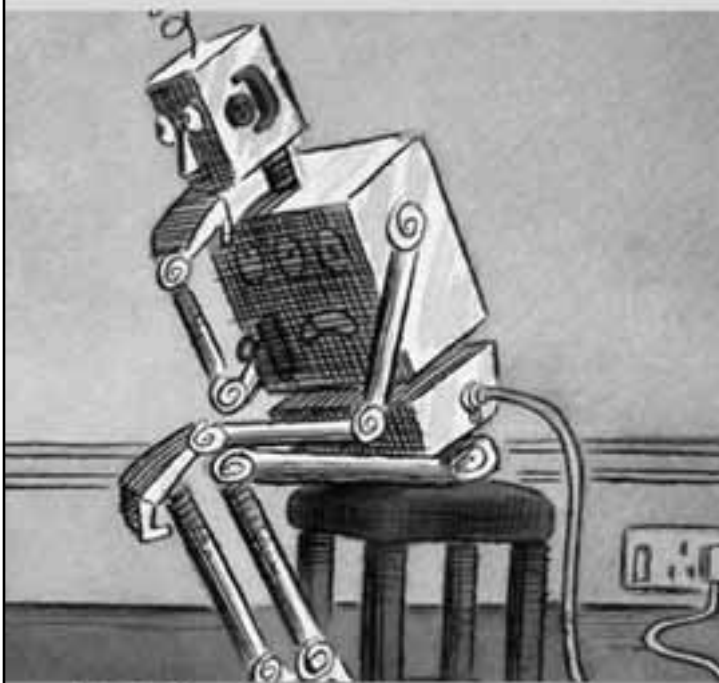


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the deals that I put together are at dinner or breakfast, where you are not interrupted as much." – snorell

"I attended the regional ETA [Expo Network] in Orlando in January. Overall, I was a little disappointed ... I felt most of the material covered in the sessions was too basic. There were some exceptions, however; ... the chargeback/risk discussion was excellent. And I picked up some good pointers during the other sessions as well." – Douglasl

"I think the people who come to the [MLS] Forum want to hear in a break-out session how to sell ... not how a big ISO has done it, but how has the salesperson been successful? [They want to hear] from salespeople who have grown their business from a one- or two-person show into a larger sales office. Or, a discussion with salespeople on how to sell a product: what has worked and what has not and how the merchants like the products and services." – ccguy

"There is no con to attend one of these meetings. Networking and education [are] never a bad thing." – johnmckee

"When I first got into the industry, the ETA shows were without a doubt a great learning tool. At this point, however, the only [ETA shows] to attend [are] the Strategic Leadership [and Networking Forum] and the Vegas show. There are [also] many non-bankcard conferences that have a lot of synergy with what we all do; you just have to look around to find them." – SwipeNGo

Judging by these posts, industry events provide a means to interact with people, which makes a difference in our careers. In addition, meeting the people with whom you conduct business also affects your success. You will make valuable contacts with vendors and colleagues, and it never hurts to shake hands with the person who sends the residual check every month.

Among the responses posted, one MLS Forum member mentioned the amount of contacts made and business conducted in the casual atmosphere of the bar. At one recent event, I stepped out on the balcony and was amazed at the conversation I was suddenly privy to.

Industry leaders surrounded me there. They discussed the state of our business and the direction in which it was headed. By remaining a fly on the wall, in 30 minutes I gained a better grasp of the industry than I had in the six months that I'd been working in it. This type of information doesn't appear in any company newsletter.

Business Card Protocol

As an MLS, attending an industry meeting is a lot like being at a singles club. Vendors and processors alike will

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Mark E., Houston, TX
(Over 10 years experience)

Make 2005 *your* best year ever, by joining USMS. We'll show you how to knock out the competition.

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Stu Rosenbaum
CEO, US Merchant Systems, Inc.

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PPS. Here's what another of our agents recently said about our new exclusive products and services:

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woo you. At my first conference, I felt like a mouse in a room full of cats. I, along with the other mice, walked timidly through a maze of outstretched hands. These cats wanted to exchange business cards.

I nervously glanced around the room to see if my ISO was looking. He was. By exchanging cards with others, I felt like I had "stepped out" on my better half; this made me feel bad.

Where I come from, you're supposed to "leave with the one who brung ya." But my ISO didn't invite me to the conference; I came on my own. I wondered ... was I "two-timing" him?

If your ISO finds out that you plan to attend a conference, I bet he will have someone there to greet you and show you around. After all, you are an agent who makes him money; he has also invested time and money in your training. The bottom line: ISOs know a lot of recruiting takes place at the conferences, and they will (and rightfully so) try to protect their investments.

Prepare for this, understand it and accept it. This doesn't mean that you shouldn't meet people and accept cards; nothing is wrong with this. It's foolish not to use the time to network and gather information. You never know when or how a new contact will benefit you down the road.

Before heading off to the conference, pack plenty of business cards. While walking around the event, one hand will most likely hold a bag full of conference goodies, and the other will hold a note pad and pen or a drink, so make room in a jacket, pocket or purse to reach in and without fanfare, pull out a clean, unbent card.

Create a place to put all the cards received. I recommend keeping two spots for this. One for all the cards of people to contact following the meeting, and the other for cards of people you wish you hadn't shaken hands with.

Watch What You Drink

The event will provide food and beverages. Your ISO will probably insist that you dine with him. If he doesn't, don't worry; dinner invitations for MLSs abound at these events. During dinner, sit up straight, mind your manners and be a gracious guest. Thank the host after the meal and follow up with a thank you note after the conference.

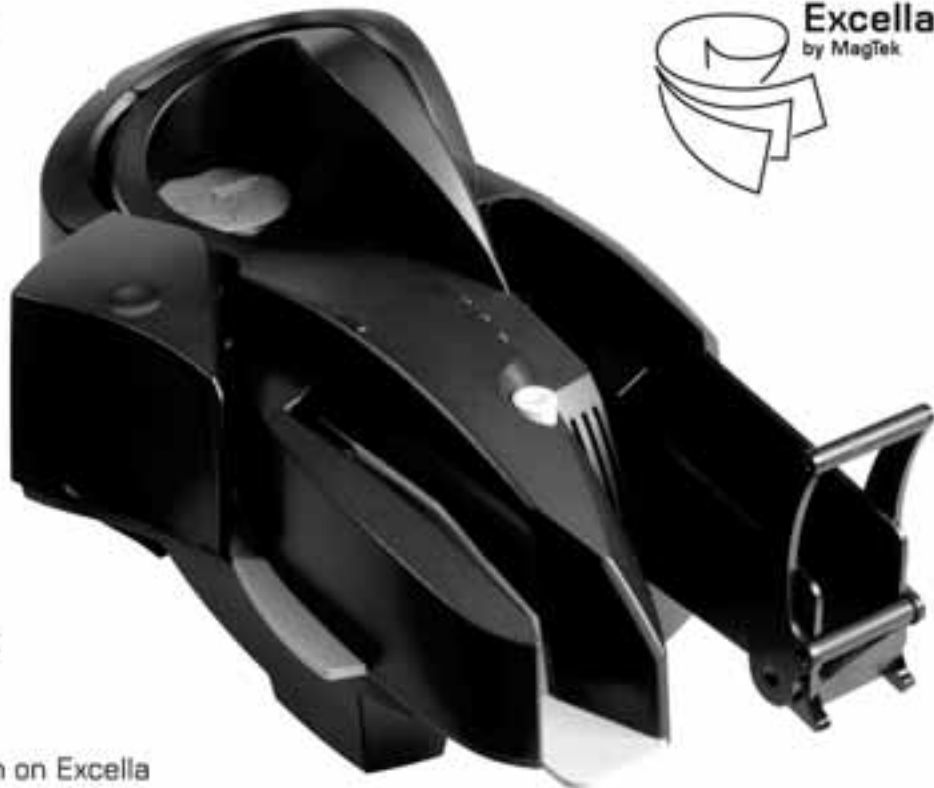
Some ISOs are fun and some are more serious. If their processors are around, count on even the fun ones being deadly serious. Regardless, there will be opportunities to consume alcoholic beverages, so be cautious.

The next morning's meetings will require an early rise,

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and only you know how you will feel after a night of drinking. You won't want to miss anything. If it's a company conference, don't offend the host by skipping a training session.

This will be frowned upon. So will cracking open the mini bar if they have paid for your room.

No one likes an obnoxious drunk, so unless you've stepped off the hotel property and away from conference attendees, please don't be one.

Often, you will have the choice to stay at the conference hotel or at a less expensive hotel nearby. I opted for the Holiday Inn at \$50 a night for my first conference.

An advantage to staying off site: not worrying about anyone seeing you on the way to the ice machine in pajamas or boxers.

Stay the Course

Vendors and sponsors of these events work very hard to provide MLSs with training, motivational speakers, Q&A sessions with industry experts, and up-to-date information on changes in the industry.

Toward the end of the day, most will hold drawings to give away all types of prizes to attendees. Don't leave early and miss out on this. At my first conference I walked away for only a moment and missed my name being called.


The prize? A brand new POS terminal. The next conference I stuck around and paid for my room with the prize money when my name was called again.

Secrets Revealed

Whether or not you choose to stay at the conference hotel, I recommend visiting the lounge to see who's there.

At the SEAA, an agent sat down with a group of us late one night to regale us with his tales of success. He was serious, but we couldn't help laughing. He was a little tipsy and very funny. He asked us for directions to "a big appointment" he had scheduled the following day. It was a multi-million dollar account.

After we had weighed the pros and cons of rising early and beating him to the appointment, we finally gave him the directions. Before he left, however, he revealed one of his best-kept secrets of success. We happened to be in the right place at the right time.

Do you want to know what it was? You'll just have to attend an upcoming industry event and discover wonderful secrets of your own. 

Kathy Harper of Griffin, Ga. is an MLS and Vice President of NAOPP. E-mail her at advpaytec@aol.com or call her at 770-843-3399.

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Education (continued)

Will You Make More Money by Adding ATMs to Your Product Line?

By Tommy Glenn

NetBank Payment Systems Inc.

This is the first article in a series to help determine whether adding ATMs to your product line is the right move for your business. In this series, I will walk you through the decision-making process. I'll help you ascertain if ATMs will complement your current product line. I'll explain how to select an ATM company and how to successfully incorporate ATMs into the sales process. I'll also help you decide how much to participate in the ATM industry.

Let's get started. At first glance, the answer to the question in the headline might appear to be a no-brainer because merchant level salespeople (MLSs) should grab any well-priced product and run with it, right?

I disagree with the "grab and run" philosophy. When evaluating any product or service as a potential new offering from your sales toolkit, consider the following:

• Will ATMs Add Value to My Business?

As an MLS, nurture the good, trust-based client relationships in which you've invested. Before introducing any product, consider the financial return on time and asset investments.

When selecting a new product offering, the ultimate goal should be two-fold. Any new solution should create additional monetary value for both you and your clients. It should also be a product that will help strengthen vendor/client relationships.

This will create the perception that you are a partner, helping customers build their businesses.

• Will ATMs Add Value to My Current Customer Base?

If you can identify businesses within your portfolio whose customers want convenient access to cash (i.e. convenience stores, sports bars, restaurants, hotels and entertainment venues), then these businesses would benefit from having an ATM on premise.

On-premise ATMs dramatically increase sales by increasing customer spending power. In addition, businesses with an ATM on site attract new customers. ATMs can save your customers money and reduce liability from bad checks.

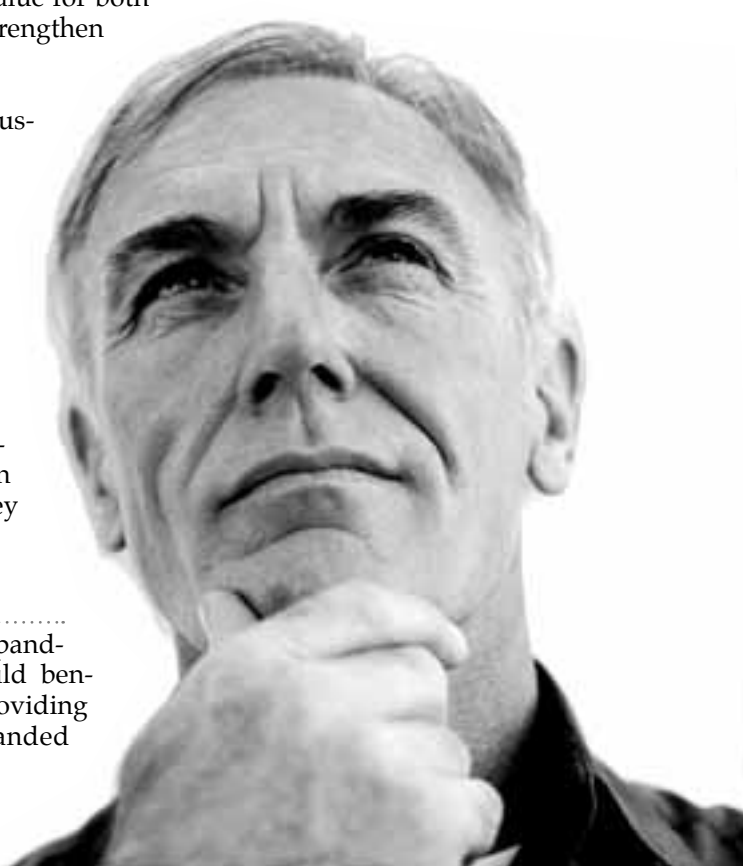
• Will ATMs Add Value to My Future Customer Base?

Evaluate long-term plans for growing your business and expanding your customer base, and assess whether new clients would benefit from having an ATM. Think of an ATM as a venue for providing an ever-increasing menu of products and services demanded by consumers.

Suddenly, the opportunity to provide greatly enhanced services and new revenue categories to your clients allows you to multiply exponentially the return on your time and investment.

Retail categories in which ATMs have proven to be successful include hotels, motels, truck stops/plazas, bars, restaurants, convenience stores, and liquor and grocery stores.

Every day, research affirms that we have more money than time, and we are willing to pay a premium for convenience. As technology evolves to meet growing consumer demands, ATMs will continue to provide new product offerings.



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• Will Selling ATMs Diminish the Ability to Remain Successful in My Current Sales Role?

This is one of the most important considerations to make. I would never encourage MLSs to "grab and go" with a new product at the detriment of their established success. While making a current and future customer base evaluation, honestly assess how well ATMs would integrate into your existing sales toolkit.

Also, determine whether adding a technology product would fracture the focus of your core competency. The goal is to make the business more successful, not compromise what you already have. If this is not the right time to add ATMs, write a business plan that moves you toward that goal.

Every day, research affirms that we have more money than time, and we are willing to pay a premium for convenience. As technology evolves to meet growing consumer demands, ATMs will continue to provide new product offerings.

What we once considered a kiosk in a bank lobby or at a drive-through window changed when we weren't looking; today's ATM is not your daddy's ATM.

ATMs now provide multiple revenue streams from which you and your customers can benefit: surcharge revenue (remember, the average convenience store has 200 – 300 transactions per month), interchange income, and commission on equipment sales or leases, to name a few. Add all these up, and an ATM could mean a significant new income opportunity.

I encourage you to answer the questions I've posed. If you answer "yes" to the first three and "no" to the fourth, then consider adding a line of ATM products and services to your sales offering. Exciting opportunities are available, if the fit is right.

In the next article, I'll address how to pick the right ATM partner. If you have any questions or comments about this article or suggestions for future articles, please e-mail me at tommyg@netbank.com. I look forward to hearing from you.

Tommy Glenn is President of Fort Worth, Texas-based NetBank Payment Systems (NPS). Glenn serves on the Board of Directors for ATMIA, the ATM Industry Association. He is also on the Board of Deliver Me, a service group that provides food, shelter and clothing for the elderly. E-mail him at tommyg@netbank.com, or call him at 817-334-8871. NPS, formerly Financial Technologies Inc. (FTI), is the nation's third largest ATM deployer and the single source provider for payment processing solutions. It offers a full range of ATM products and services. NPS is a wholly owned subsidiary of NetBank, the first commercially successful Internet bank. Visit NPS' Web site at www.netbankpaymentsystems.com

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Education (continued)

Where to Look Before You Leap: Planning Growth, Building Success

By Mitchell D. Levy

Cynergy Data

Your ISO is thriving. By building a healthy residual stream and an impressive list of satisfied clients, you have the beginnings of a strong business.

But this is an industry that's heavily dependent on annuity-based income: residuals. A power portfolio can become useless overnight if you don't have the necessary foundation to service and retain merchants.

Strong sales growth in the first few years might drop off dramatically if you don't have plans in place to hire, compensate and satisfy sales reps.

The decision to start an ISO was a major leap of faith, but having a thorough plan for long-term growth and a foundation for success are crucial. Without a safety net, you set yourself up for a major fall. Following are some tips for building a successful business.

Step 1: Choose the Correct Processing Partner

Far too many people choose a processor based on price. Of course, price is an important component of a processing relationship, but don't be fooled by recruiting ads that focus only on income opportunities.

Processors that sell themselves entirely on the promise of getting rich quick might help in the short-term, but in the long run, you'll be happier and more profitable with a partner that backs up robust income-generating opportunities with service, support, technology and training. This will keep reps succeeding (and merchants processing happily) for years down the road.

Word-of-mouth is important here; people in this industry love to share stories about one another's businesses, both good and bad. To check out the responsiveness of processors' customer service departments, call their 800 number. If they put you on hold for 45 minutes, cross these prospective processors off the list.

Another important caveat: Have a lawyer review the contract with the processor before signing it. Some requests

are universal among ISOs: You want lifetime residuals, you don't want the processor to hire away your employees, you don't want reps to have the option of going direct and cutting you out of the loop.

However, a "standard agreement" that's a perfect fit for every ISO does not exist. It's well worth the time and investment to have a lawyer review the contract line by line. A clause that seems unimportant at the time of signing might become a major obstacle as your business grows.

Step 2: Make a Plan for Acquiring Capital

If you're happy with your current processor, it's time to get back to the basics of fundraising. Some doors might close on you because many established financial institutions are not comfortable giving loans for our industry.

Instead, use your network to raise capital to launch and sustain the business. Decide whether borrowing (pros: autonomy and relative ease; cons: locked into debt) or an equity partnership (pros: upfront cash, collaboration; cons: you're gaining a partner and the compromises that can come with him) is the better choice.

Try not to get so bogged down in fundraising that you lose sight of the main goal. A budget that plans for long-term growth is far more important than starting out with a huge capital reserve.

Plan carefully and classify possible expenditures as either an expense or an investment. Expenses cost money, so avoid them whenever possible. Investments cost money but offer long-term benefits.

The largest merchants are also the quickest to switch processors if they're unhappy. Think in terms of merchant satisfaction: A strong core competency wins out over a hunt-and-peck power portfolio any day.

An administrative employee who quits after three weeks is a point-less expense, but a dedicated admin who makes your job easier for years is a great investment.

Step 3: Create a Detailed Business Plan

Once you know where the money's coming from, plan other areas of the business. What is your sales niche? Do you thrive on building

lifetime relationships with smaller merchants? (If you're a salesperson who receives holiday cards from merchants, you do.)

Or do you work best in the boardroom, selling larger businesses and impressing decision-making committees with polished presentations?

Other steps include hiring reps (if you want them to last



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Education

longer than a week, compensate them properly) and deciding whether to trim your geographic focus or spread out nationwide.

Don't forget the basics: an office space with some desks, phones and a meeting space or two. It's always better to start small and expand; the strongest companies were built from strong foundations. If you have patience, starting small and planning for growth will pay tremendous dividends.

Step 4: Decide on Merchant

Acquisition Targets and Techniques

What's your focus? Trying to be all things to all merchants is a great way to exhaust resources chasing sales. This is not a recipe for long-term success.

While a successful portfolio absolutely includes merchants of varying sizes and types, specialize by catering to specific vertical markets that you can serve well. (This has the added bonus of creating a built-in referral program. Payment processing isn't the only industry where word-of-mouth travels fast.) Remember that while high-volume merchants bring in high-volume residuals, if you lack the capability to serve them well, you might be better off targeting a large number of smaller businesses.

The largest merchants are also the quickest to switch processors if they're unhappy. Think in terms of merchant satisfaction: A strong core competency wins out over a hunt-and-peck power portfolio any day.

When you know what to focus on, it's time to start going after merchants. Knock on doors, get lists, make calls, offer referral bonuses and track them carefully. My advice is do not even attempt to poach "your" merchants from your current processor. This industry is small enough that you will suffer repercussions for any unethical behavior down the road.

Step 5: Build an Infrastructure

With plans in place and a small portfolio processing profitably, continue building a foundation for growth. Review the rep compensation plan. However it's set up, it almost goes without saying that the plan should contain two essential components: accurate reporting (it should be easy for reps to know how much they have earned) and timely payouts.

Develop plans to support sales reps. New reps need training, and even the most experienced ones need someone to call when an unfamiliar question or emergency arises. Another great investment to make is hiring a full-time assistant to enter applications for reps so they can devote time to selling.

Consider taking on underwriting, risk, customer service and technical support down the road. It's almost never a good idea to take on too much at the outset. These departments are expensive and highly specialized, and access to their services is the reason you pay the processor.

Let the processor do the heavy lifting until your ISO has grown successful enough that the additional control of having these departments in-house outweighs the substantial financial and time investments required.

Follow my guidelines to plan for long-term success, and you'll find that sustaining growth in your ISO is a much less intimidating task, as long as you know where to look. ■

Mitchell D. Levy is the Executive Vice President and Director of Business Development for Cynergy Data, a merchant acquirer that provides a wide array of electronic payment processing services while continually striving to develop new solutions that meet the needs of its agents and merchants. In addition to offering all forms of credit, debit, EBT and gift card processing, the company offers its ISOs free training, technology, marketing and guaranteed service levels. Founded in 1995 by Marcelo Paladini and John Martillo, Cynergy Data strives to be a new kind of acquirer with a unique mission: to constantly explore, understand and develop the products its ISOs and merchants need to be successful, and to back it up with honest, reliable and supportive service.

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Education (continued)

Legal Ease

Association Fines: Back in the U.S.S.R.

By Adam Atlas

Attorney at Law

Not since the glory days of the Soviet Union have I experienced something as backward as the procedures used for the imposition of card Association fines.

Make no mistake, though, the need for the fines and for a rule compliance mechanism is evident and beyond reproach. The rules are a fundamental and necessary part of the banking system's security.

But this column is not about the merits of the fines

For better or for worse, the highest "laws" of the land in merchant services are the Association rules. The difference between traditional laws, such as the U.S. Constitution, and the rules, is that the former are by and for the people, while the latter are by and for the member banks.

or rules; rather, it's about the Associations' peculiar procedures by which they impose the rules on participants in the industry.

For better or for worse, the highest "laws" of the land in merchant services are the Association rules. The difference between traditional laws, such as the U.S. Constitution, and the rules, is that the former are by and for the people, while the latter are by and for the member banks.

Banks deserve all due support. Let's face it: Directly or indirectly they write our paychecks. However, a close review of the procedures used for imposing rule violation fines reveals that they leave little room for participants that are not banks to contest rulings on rule violations.

The Associations have the opportunity to change the rules to take into consideration the "public good" in the merchant services industry. In other words, the fact that the Associations make the law means that they have at least an ethical, if not legal, obligation to make the law of our land fair.

Consider a recent example from one of my clients. A major national ISO levied a sub-ISO a \$50,000 fine without any advance notice or any follow-up explanation.

The ISO imposed the fine because a rogue direct agent of the ISO (not an agent of the sub-ISO) had posted a Web site that was not in compliance with the Association rules.

In response, the Association imposed a \$50,000 fine on one of its member banks; the bank passed the fine on to a major processor that passed it on to a national ISO that levied it, wrongly, on the sub-ISO and not the direct agent actually responsible for the violation.

The ISO mistook who was actually responsible for the violation. Rather than assigning the responsibility to its direct agent who was liable, the ISO decided that its sub-ISO was responsible.

Not only did the ISO make this mistake, but it gave

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Education

no advance or subsequent notice or explanation to the sub-ISO whom it wrongly fined. When the sub-ISO complained to the national ISO, the sub-ISO was rebuffed. The sub-ISO, as you can well imagine, was baffled.

A neutral observer to this set of facts is bound to ask "Where in the rules is there a right of appeal by a wrongfully fined sub-ISO?" According to the Association, the member bank, the national processor and the national ISO, there isn't one.

Not only is there no right of appeal, but there is no access to much of the rules that would inform the fined party whether the fine was justified to begin with. Finally, with no advance or subsequent notice of the fine, the sub-ISO would not know how to contest it, even if a rule permitted such a contestation.

In a nutshell, ISOs, sub-ISOs and agents are forced to rely entirely on the scruples of the entity above them when it comes to dealing with an incoming fine from an Association.

Of course, there are remedies at law, such as claims in fraud, breach of contract or misappropriation of funds, but as we all know, the most effective law of the land in

merchant services is the law made by the Associations. In addition, ordinary courts are often too costly for a small agent to use when the amount at issue is \$50,000.

Wherever you are on the totem pole of participants in the merchant services industry, you have an interest in seeing the implementation of a transparent and fair system of dealing with rule violations and fines.

The rules, like any legal jurisdiction, need dispute settlement mechanisms. A step in the right direction would be a system of public notices on an Association Web site regarding infractions of the rules, complete with party names, supporting documentation and actual amounts of fines imposed at the various levels (Association to bank, bank to processor, processor to ISO and ISO to agent).


I do not intend this column to be a critique of the existence of the rules. On the contrary, participants in the industry would be more enthusiastic in adhering to the rules if there were some semblance of a justice system for their administration.

If the Associations need help in establishing an arbitration system for rule violation fines, I am pleased to offer my services to build that system for the benefit of all participants in the industry. My contact information is at the end of the column.

Card Associations are, perhaps, imagining a kind of management-labor divide between their members and the good ISOs that generate their business.

I propose they do away with this heavy-handed and marginally communist approach and move toward a team spirit perspective whereby they see ISOs as responsible participants in the merchant acquiring business worthy of due consideration when they fall outside the bounds of the rules.

Another part of the rules ripe for improvement is the Member Alert to Control High Risk Merchants (MATCH) list, a.k.a. terminated merchant file, but I will save this discussion for another column.

In the meantime, readers should consider lobbying their member banks to amend the rules to accommodate some of the real and legitimate interests of ISOs and agents. To my knowledge, nothing in the rules prevents member banks from being fair. 

In publishing The Green Sheet, neither the author nor the publisher is engaged in rendering legal, accounting or other professional services. If you require legal advice or other expert assistance, seek the services of a competent professional. For further information on this article, e-mail Adam Atlas, Attorney at Law at atlas@adamatlas.com or call him at 514-842-0886.



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Education (continued)

Exploring Different ISO Management Solutions

By Joel Rydbeck
Nubrek Inc.

▶ See Software Comparison Chart on Page 96

To spend less time managing existing accounts and prospects, I suggest using an ISO management solution. In general, it provides an overview of the sales process and helps you track leads and calculate residuals. It also gives sales reps access to contacts and productivity reports.

Many firms offer this type of solution, and as Chief Executive Officer of Nubrek Inc., I happen to represent one of them. In this article, I offer an objective look at some of the different ISO solutions on the market.

Every ISO's budget and needs are unique, as are the offerings of business solutions providers. Some companies provide non-industry specific customer relationship management (CRM) tools, while others offer applications tailored to the merchant services industry.

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Keep in mind that these applications might not be appropriate for all ISOs.

Many smaller businesses might not have a need for them yet. However, as an organization grows and acquires more contacts and sales reps, staying on top of leads and payment processing reports takes too much time.

Explore the solutions featured here, and for the most comprehensive understanding of each one, contact the providers. Many offer reduced pricing to smaller ISOs.

Web-based Versus Software Solutions

While searching through the various applications available for ISOs, notice that some are labeled "software" while others are strictly "Web-based." In some cases, the distinction becomes even more confusing when products are described as "Web-based software."

Generally, Web-based applications require no installation; the firms selling them host them online. Web applications often involve a monthly fee or yearly contract (based on the number of users accessing the information) and are highly interactive and accessible.

Web applications are occasionally referred to as Web software, although they do not require installation in the traditional sense. Although I am a bit biased in favor of Web applications, I understand that in some cases, software might be a better choice for a firm.

Software solutions usually require a one-time licensing fee and might be the right choice for ISOs looking to make a large upfront investment.

Know Your Needs

The firms profiled in this article refer to their products using a variety of terms: CRM tool, workforce management application, tracking software, etc. Trying to compare the different benefits of each solution can be confusing and a bit overwhelming.

I recommend creating a list of current and future needs before you begin looking for a solutions provider. Consider the following:

- Do you want to analyze productivity and calculate residuals?
- Do you need new forms of lead generation?
- Do you want to use online merchant applications?

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- Do you want to access your information from outside the office?
- Who needs access to your contacts and leads?
- Do you need to customize the application?

Use this list as a guide when analyzing different providers. It might also help to sketch out your current management approach and see where you want to improve. Also consider security, and try to find a solution that ensures your information is protected.

Review the following ISO management solutions (in alphabetical order by company) to make a more informed decision. For further information and product demos, visit each company's Web site.

Software Comparison		Software	Prospects	Merchant Applications	Appointments	Sales Details	Status Reports	Residuals	PDA
	Bankcard Pros Account Tracking System	✓	✓	✓	✓	✓	✓	✓	
	Kadeg Consulting Office + Lead + Sales Solutions	✓			✓	✓	✓	✓	
	Nubrek Inc. eISO		✓		✓	✓	✓	✓	✓
	POS Portal Merchant Control Center and Merchant Acquisition Center			✓	✓	✓	✓	✓	✓
	Salesforce.com Sales Automation, Team Edition		✓		✓	✓	✓	✓	

Source: Joel Rydbeck

Bankcard Pros

www.bankcardpros.com

Bankcard Pros specifically targets the merchant services industry. The company's solution, Account Tracking System, provides application submissions, underwriting, lead tracking and office management tools. It also includes lead generation and residual reporting.

With Account Tracking System, sales reps can submit merchant applications and view account status, updates and profit reports.

The solution also offers e-mail marketing tools, tele-marketing management and a task scheduling system. Bankcard Pros can customize the solution, which requires a one-time software license purchase.

Kadeg Consulting

www.kadegconsulting.com

Kadeg Consulting offers OfficeSolutions, a Web-based workflow management system that tracks accounts from the moment a merchant responds to an advertisement to the final calculation of residuals.

OfficeSolutions allows ISOs to view performance reports and export data. The application comes packaged with Lead Solutions, which allows ISOs to track inbound sales calls and view the number of leads they assign to each rep.

Another application, Sales Solutions can be coupled with Office Solutions, which allows sales reps to view the status of their accounts online. The cost of these applications includes an initial payment for software plus a yearly fee. Kadeg promises to train an ISO's entire staff in less than a day.

Nubrek Inc.

www.nubrek.com

Nubrek Inc. offers eISO, a Web-based application that tracks leads and calculates residuals. The eISO product provides appointment scheduling and tracking, leasing dollar calculations, equipment status and productivity reports. Sales reps can access eISO using wireless e-mail devices to view the status of their accounts and update merchant information.

With eISO, ISOs can assign leads to reps and upload Microsoft Excel spreadsheets from their payment processors to generate residual and commission reports for specific sales reps or customers.

Nubrek charges a monthly fee for eISO that is based on the number of registered users.

POS Portal

www.posportal.com

POS Portal provides two different Web applications for the acquiring industry, including customer relationship management (CRM) and sales automation.

The CRM Web application, Merchant Control

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Center, provides merchant data for first calls, call ticketing to record specific information and the opportunity to monitor merchant satisfaction as well as equipment information.

POS Portal's sales automation tool, Merchant Acquisition Center, processes merchant applications and referral forms, reports the status of applications, determines pricing and offers trend analysis.

Salesforce.com

www.salesforce.com

Salesforce.com is one of the leading CRM solutions providers. This firm offers solutions to a variety of industries and can customize its offerings to fit ISO needs. Its Web-based application, Sales Automation, Team Edition, provides lead management, workflow automation, product catalogue management, e-mail prospecting and tracking, as well as sales analysis.

Users access Sales Automation with wireless e-mail devices when on the road. Sales Automation provides links to tools such as Microsoft Office and Outlook.

Other applications include sales quota definitions, fore-

casting and alert updates. Prices cover an entire year of service and depend on the number of users accessing the application.

Making the Right Choice

A vast number of solutions are available for ISOs. You probably noticed that I profiled my own company and product. While I think Nubrek's eISO is a terrific management solution, I understand that each ISO has different needs.

Therefore, I recommend not only visiting each provider's Web site but also searching for other ones. Don't be afraid to request a demo or more information from a company. Once you fully understand your needs and budget, select a solution to help you efficiently and effectively manage the sales process. ■

Joel Rydbeck, CEO of Nubrek Inc., brings his strong background in e-commerce and business process automation to the merchant services industry. Nubrek offers eISO, a software application that tracks clients and provides automated commission and residual calculations. For more information visit Rydbeck's blog: www.merchanttechnology.org, e-mail him at joel@nubrek.com or call 877-390-1887.



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The Bundled Solution Approach to Selling, Part I

By Michelle Graff

NOVA Information Systems

For years the payments industry has thrived on one simple term: swipe rate. Day in and day out, as merchant level salespeople, you approach merchants with the question "What is your swipe rate?"

While this is a good conversation starter, in the end it's a zero-sum game of clever pricing that often leads to merchant churn. Plus, the downward price pressure puts a squeeze on your margins.

The industry has matured, and now you're armed with a solution portfolio that goes beyond credit swipe rates. The challenge is to understand merchants' businesses and align solutions with opportunities that will help their bottom lines. This month I'll explain opportunities and explore solutions for the automotive industry. Next month, I'll tackle some other vertical markets.

Conversation Starters

Too often in this business, sales reps approach merchants, assess the terms of their current processing contract, offer a better swipe rate and either win or lose their business, all in a matter of minutes.

Before you know it, within six months to a year, competitors will approach your merchants with a better swipe rate, and you will lose the relationship and residuals. Taking the time to ask the right questions gives you an opportunity to not only win the processing deal, but also to sell a variety of residual-producing applications and, ultimately, improve merchant retention.

Chances are good that most merchants currently process only credit card transactions, so you really have an opportunity to win their business and begin relationships that continue to deliver value and new revenue streams. Take some time to understand the merchant business environment. Structure the conversation around the unique challenges facing their business: cash flow, accounting/reconciliation paperwork, average ticket size, risk factors, industry-specific processing needs and opportunities to improve the customer experience.

Now align the challenges with payment solutions. Do merchants take a lot of checks, and if so, would check authorization or conversion programs improve cash flow and reduce their check losses? Would merchants improve customer service by supporting an electronic gift or prepaid card program?

Would consolidated reporting and funding free up busi-

With an average ticket of \$500 - \$600, a returned check is more than a minor inconvenience to automotive service shops. A bad check might wreak havoc on cash flow since the merchant already performed the service.

Electronic check guarantee services extend peace of mind allowing shop owners to accept out-of-state and other checks that they wouldn't have felt comfortable accepting before.

ness owners' time spent reconciling statements? Would merchants benefit from a dynamic currency conversion (DCC) rebate? Do they have a high-speed Internet connection or a PC-based POS system?

Explain the business benefits to retailers before you review specific product details, including:

Improved Cash Flow

The best way to improve cash flow is to get faster funding on all payment methods. Partner with an acquirer that provides 24- to 48-hour funding on credit, checks, gift cards and foreign DCC transactions.

Reduced Risk

Advanced fraud monitoring and control features extend peace of mind to merchants, particularly those processing e-commerce transactions. Merchants who have a high average ticket, or accept out-of-state checks, will benefit from the guarantee of electronic check services.

Consolidated Funding and Service

Why should merchants deal with multiple vendors for each payment type? Choosing an acquirer that provides a total solution including credit, debit, check, gift and DCC means that merchants spend more time on their business and less time on paperwork and problem solving.

Attract More Customers

Merchants who support value-added services such as prepaid/gift cards are armed with new promotional vehicles to attract new business and keep customers coming back.

While all merchants will benefit from bundled solutions,



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View

certain vertical markets, including the automotive industry, are prime candidates.

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Let's take a look at the unique challenges of the automotive industry:

- Cash flow constraints
- A varied and demanding customer base
- Payment is due often after services are provided
- High ticket values
- Emergency services provided to unknown customers
- Higher than average risk factors

Automotive dealers and repair shops will improve service and their bottom line by partnering with one acquirer for all their transaction processing needs.

Credit, Debit and Purchasing Cards

Credit card acceptance is only the tip of the iceberg. Accepting debit cards is a smart way to expand payment options; not only are they very secure, they typically cost less than credit card processing. Purchasing cards expand opportunities with business clients.

Fleet Cards

Fleet cards are special-purpose cards designed for companies that own and maintain car or truck fleets and need an efficient method to fuel and perform maintenance on these vehicles. Fleet cards allow businesses to better manage expenses for their car or truck fleets and provide enhanced usage and purchase reporting to the fleet managers. Typical users include:

- Government agencies (post offices, highway patrol, municipalities, military)
- Delivery/courier services (UPS, etc.)
- Utility and service repair/installation companies (cable, phone, satellite TV)
- Consumer goods distribution companies (soda, snack foods)
- Trucking companies
- Businesses that staff a local field sales force (pharmaceuticals, etc.).

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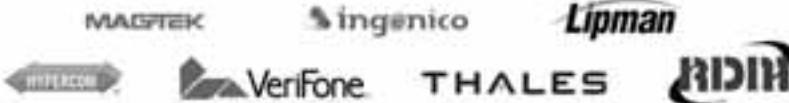
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The value proposition to merchants is simple and rich: They have one solution for all payment processing, they have access to consolidated reports and statements, and they receive their deposits much more quickly.

Electronic Check Conversion

Automotive merchants can eliminate the paperwork and hassles of accepting checks while reducing the risk associated with checks written for emergency services. Partnering with the same processor for credit and electronic check service improves merchant accounting and reconciliation processes because funding, reports and statements are consolidated. Another benefit: Merchants have only one number to call for customer service.

With an average ticket of \$500 – \$600, a returned check is more than a minor inconvenience to automotive service shops. A bad check might wreak havoc on cash flow since the merchant already performed the service. Electronic check guarantee services extend peace of

mind allowing shop owners to accept out-of-state and other checks that they wouldn't have felt comfortable accepting before.

Electronic Gift and Prepaid Cards

Merchants can use gift cards as a great promotional tool to attract new customers. Sending gift cards to prospective customers, or giving gift cards to customers who have just purchased a car or motorcycle, are very effective tools as part of an overall marketing program.

Merchants will keep customers coming back for ongoing services such as oil changes, car washes and annual service plans. And the auto after-market is ripe with opportunity to get more business out of motorcycle and car buffs by selling upgrades or logo merchandise. Plus, customers often spend more than the value of the card, which definitely adds to the merchant's bottom line.

Understanding a merchant's business transforms you from a "swipe-rate seller" to a trusted business advisor.

This will allow you to sell more services upfront, gain more residual revenue and keep merchants on the books.

Michelle Graff is Vice President of Marketing for NOVA Information Systems. E-mail her at michelle.graff@novainfo.com.



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Product: SuperBusinessCheck

Company: SAFEChecks and Frank W. Abagnale and Associates

According to statistics compiled by the watchdogs at the National Check Fraud Center (www.ckfraud.org), fraudsters forge more than 500 million checks each year, which results in annual estimated losses of \$10 billion.



**"What I did
in my youth
is hundreds
of times
easier today.
Technology
breeds crime."
- Frank W. Abagnale**

One man who knows a little something about financial scams is Frank W. Abagnale. A reformed check fraudster, Abagnale has worked for years with the FBI and Fortune 500 companies as an anti-fraud consultant. He is the subject of Steven Spielberg's movie, "Catch Me If You Can."

A few years ago, Abagnale introduced "SuperCheck," a personal check with more than a dozen security features (most personal checks have three or four) designed to thwart check fraud (see "Notice to Fraudsters:

'Cash Me if You Can,'" *The Green Sheet*, Feb. 24, 2003, issue 03:02:02).

Abagnale's latest creation is "SuperBusinessCheck," the result of his partnership with SAFEChecks, a high security check manufacturer. SAFEChecks said the product is virtually impossible to counterfeit or alter without leaving evidence of tampering.

The SuperBusinessCheck boasts more than 15 security features, including a Fourdrinier watermark, heat and ultraviolet light-sensitive ink and other chemically reactive properties. It is also imaging-friendly and Check 21-compliant.

Abagnale is scheduled to speak at the Northeast Acquirers'

Association 20th Anniversary 2005 Summer Seminar and Outing, which will take place June 7 – 9 at the Wyndham Hotel in Wilmington, Del.

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* Eligible devices include all wireless and wireline-based Point of Sale terminals.

¹ COMSTAR will offer a trade-in rebate for any wireless or wireline-based Point of Sale terminal returned to them. Rebates are based on suggested retail pricing of \$299 for refurbished 950 1 MB units coupled with COMSTAR magnetic strip reader and software (thermal printer can be added for extra fee). The trade-in amounts to the merchant are:
- \$200 per unit for sales during March, April, May and June. Offer expires on June 30, 2005.

² COMSTAR will waive the activation fee of \$25.

³ Monthly service plan is \$25 per month for 50 transactions, \$0.10 per transaction over 50 transactions per month.

- Additional information and complete promotion details can be found on Comstar's website at www.comstarinteractive.com.

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Consumers are likely to buy more than one item when they purchase something from a vending machine using a credit or debit card.

Also, with the cashless solution it is much easier for merchants to sell items in the machines with dollar values of \$100 or more.

a credit or debit card. Also, with the cashless solution it is much easier for merchants to sell items in the machines with dollar values of \$100 or more.

One of the latest developments to the cashless vending solution uses radio frequency identification (RFID) technology, which enables contactless vending payments.

Placement locations include hotels, amusement parks, sports stadiums and music events.

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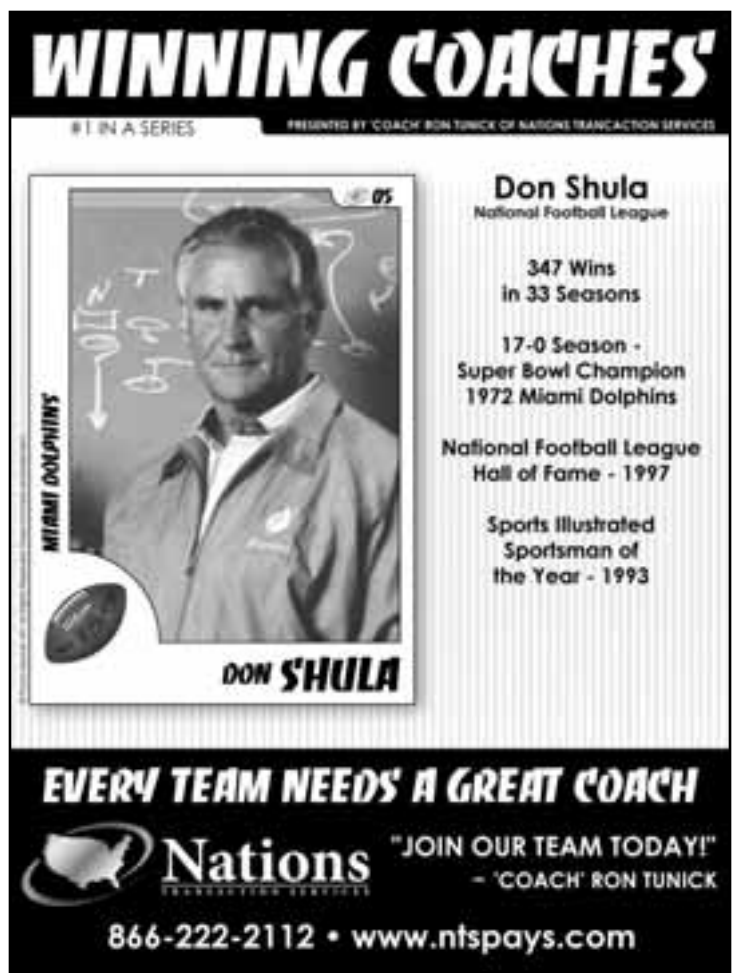
Company: USA Technologies

Vending machines have long provided consumers with convenience by helping them make purchases quickly and effortlessly, but how much time do people lose fumbling in pockets for change or smoothing out bills rejected by the machines?

Fumbling may soon be a thing of the past. USA Technologies' e-Port cashless vending solution turns cash-only machines into stone-age relics by enabling consumers to purchase goods from self-service outlets using either their credit or debit cards, or cash if they prefer.

The e-Port technology provides a win-win solution for merchants, customers, resellers and vending companies. According to a survey conducted by USA Technologies, machines at four different international airports outfitted with e-Port have earned an additional \$5,600 – \$6,800 in income beyond cash sales.

Consumers are likely to buy more than one item when they purchase something from a vending machine using



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New Kiosk to Bring Banking to the Unbanked

Product: eca\$hier Financial Services Kiosk

Company: AmStar Systems Inc.

Individuals with bank accounts can take advantage of many automated banking features using ATMs or kiosks. But what about people without bank accounts? Will they be left "unbanked"?

In late summer 2005, Texas-based AmStar Systems Inc., a self-service financial kiosk manufacturer, plans to unveil the eca\$hier financial services kiosk, a fully automated, check-cashing, multi-function ATM that targets consumers without bank accounts who need to cash checks and access funds from money wires and money orders.

The eca\$hier uses a PIN-based prepaid debit card to identify a check-cashing customer, so it eliminates the need for a back office to handle customer identification and check approval. The machines are equipped with check imaging devices that process checks in real time.

In order to obtain a prepaid debit card, customers respond

to prompts on the kiosk screen for ID verification.

The system runs a scan of the Department of the Treasury's Office of Foreign Assets Control (OFAC) database, as stipulated by the USA PATRIOT Act.

Once approved, the kiosk dispenses a reloadable PIN debit card, and the customer continues with the check cashing process.

Customers can load part of the check's value onto the card and receive the remaining funds as cash, load all the funds onto the card, or receive all of the funds as cash.

Because of a large number of ISO inquires about reselling the product, AmStar pushed up the release of the eca\$hier to this summer, according to the company's President and Chief Executive Officer Robert G. Farris.

AmStar Systems Inc.

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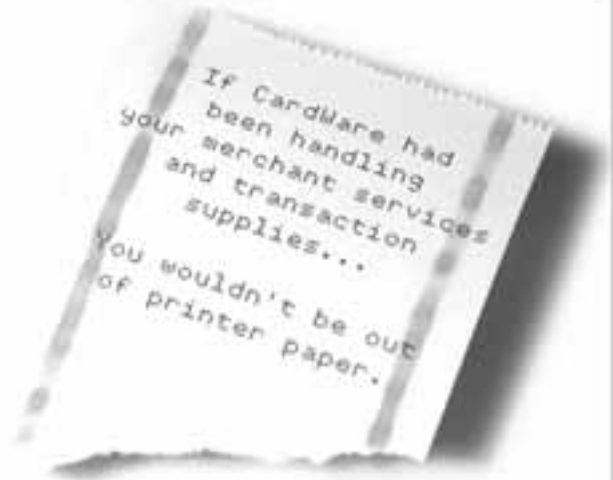


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As an added convenience, the company now also offers the WA Express Checkout Toolkit, which provides a simplified approach to selling goods through Express Checkout.

The product installs in Macromedia Dreamweaver. A "wizard" inserts a professionally designed Buy Now button on any Web page, without coding. The button conveys product information and pricing and allows Web designers to optionally charge shipping, handling and taxes. WA Express Checkout can be used in the United States, United Kingdom, Canada and several European countries.

For domestic processing, WebAssist.com is working with e-onlinedata Inc., a registered ISO/MSP of HSBC Bank USA, National Association, Buffalo, N.Y. For businesses in Canada, United Kingdom, Ireland, France, Portugal and The Netherlands, WebAssist.com has partnered with Optimal Payments Inc.

The Toolkit works with Dreamweaver MX 2004 and Dreamweaver MX on Windows and Macintosh operating systems. An updated version of WA eCart, the shopping cart extension that the company offers separately or as part of the WA eCommerce Suite (WebAssist.com's flagship product), is also available.

Upgrades to WA eCart 2.2 and WA eCommerce Suite 2.2 with Express Checkout are free for existing product owners.

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Make the Most of Networking



In the most basic terms, your success as a sales professional comes down to relationships and reputation. Often, it's who you know, just as much as what you know, that gives you a leg up on the competition and propels you toward success.

Since success depends on how much others trust you, building a tarnish-free reputation is key. Networking is one way to form lucrative relationships and build an honorable reputation. In fact, networking is vital to professional achievement.

You probably feel like you need a few more hours in the day to accomplish what's on your "to-do" list. Adding

another task, such as joining an organization, might seem like too much of a commitment.

After all, time spent networking is time you could have spent prospecting for new clients or servicing existing ones. In the long-term, however, networking is just as important as prospecting.

Now that you understand the importance of networking, it's time to jump right in and join some clubs, associations and organizations, right? Well, yes and no. Join groups, but join groups that are right for you.



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Choose Wisely

Use the time you devote to networking to its fullest potential. One way to maximize this time commitment is to do some research before joining an organization.

Review the group's Web site or printed materials and "interview" current members, asking them how they benefit from belonging to the organization.

Learn the organization's goals and whether they align with what you want to accomplish by becoming a member. Determine the time commitments involved and consider whether you are prepared to honor those commitments. Finally, ask if the group has a specific mission or if it primarily serves as a social group.

Remember, networking can be fun. Nothing is wrong with joining a group formed strictly for socializing with colleagues. In fact, if your goal is to meet colleagues, this type of group might be right for you.

Branch Out

In researching different groups, you might have a hard time deciding which one to join; more than one organization might feel like a good fit. The good news is that you don't have to decide because it's important to join at

least two organizations. The first one should specifically relate to your industry or job. The second should have a broader scope.

For example, join one association that caters to your specialty, such as biometrics or payments security, and one that focuses on general business, management or communications, such as a group of local business leaders.

Branching out from your niche by joining a "general" group will help advance your career by:

- Exposing your talents to more potential clients
- Expanding your networking circle
- Providing you with contacts should you ever wish or need to change careers
- Introducing you to people who know people. (It's a small world, and you never know how these connections will help in the future.)

I've Joined a Group, Now What?

After researching different organizations, identifying ones that are right for you and paying dues, you still have some work to do. To make the most of time spent as a group member, do the following:



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1. Choose to Serve

It's great to be a dues-paying member of an organization, but giving time and serving as an officer is even better. Including "XYZ Association Vice President" on your résumé provides a certain clout and shows that you are willing to go the extra mile. If you think you lack the necessary experience or qualifications, don't worry. You don't have to be an expert in the field or even the most qualified member. Just be willing to give a little time and energy.

2. Market Yourself

As a member of a group, you will meet other members who ask "What do you do?" Since this will come up repeatedly, craft an intelligent, interesting response.

Have a "sound bite" prepared ahead of time. Keep it short and positive, and highlight your skills. Leave out the part about how you work long hours for little pay or that you have a micro-managing boss. Instead, prepare a few sentences that explain what you do, for whom you do it, and why you are good at it and enjoy it.

3. Be on the Lookout

Once you join the group, don't think that the data gath-

ering and research days are over; rather, they've only just begun. When attending meetings or group events, be on the lookout for opportunities, in every place and with everyone.

For example, although a member might not have influence on a challenging prospect, her spouse or friend might know someone who can put in a good word for you. Learn more about members' interests and affiliations and see if other avenues are beneficial.

Creating a reputation to be proud of and building strong relationships takes time, energy and effort, but don't do it alone. Being a member of an organization, club, group or association will help you nurture these building blocks of success.

Use the power of networking wisely by choosing organizations that are in line with your goals. Market yourself. Be open to all opportunities. Before long you will find that you get a great return on your time and effort.

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NACHA – The Electronic Payments Association

The Payments Institute 2005

Highlights: The Payments Institute is an intensive, five-day course designed to educate both newcomers and seasoned professionals. Through case studies, lectures and interactive group workshops, attendees will experience the full scale of the electronic payments industry. Included in the curriculum are lessons on the ACH, card systems, electronic checks, international payments, risk management and fraud.

When and Where:

- *The Payments Institute WEST*, June 5 – 9, 2005, Scottsdale Resort and Conference Center, Scottsdale, Ariz.
- *The Payments Institute EAST*, July 24 – 28, 2005, Emory Conference Center Hotel, Atlanta

Registration: Visit www.nacha.org or call 703-561-1100



Northeast Acquirers' Association (NEAA)

20th Anniversary Summer Seminar and Outing

Highlights: NEAA is a non-membership association geared to the acquiring industry. The three-day conference begins with a presentation from NAOPP and a risk analysis and merchant fraud seminar.

Day two is highlighted by keynote speaker Frank Abagnale, the subject of Steven Spielberg's film "Catch Me If You Can," and education sessions and presentations.

Day three consists of networking and socializing with either a golf tournament or a historical tour of Wilmington, Del. This year, NEAA offers two-for-one pricing on admission. Any attendee who pays the \$100 admission fee is entitled to bring another person free of charge.

When: June 7 – 9, 2005

Where: Wyndham Hotel, Wilmington, Del.

Registration: Visit www.northeastacquirers.com or call 603-692-2408



Electronic Transactions Association (ETA)

ETA Expo Network

Highlights: ETA Expo Network is designed specifically to impart important "need to know" information to ISOs/merchant level salespeople (MLSs). This affordable, one-day conference serves as a great networking and educational opportunity for the "feet on the street." Presentations are geared toward MLSs; an expo

follows. Preceding the conference is an optional half-day ETA University class.

When: June 23 – 24, 2005

Where: Hyatt Regency, Los Angeles

Registration: Visit www.electran.org or call 800-695-5509



Field Guide Enterprises LLC

2005 Field Guide for ISOs

Highlights: More than 20 ISO experts and program managers will be on hand to provide insight and information regarding achieving success as an ISO. The conference will help bridge the gap between merchant level sales and becoming an ISO.

The event's facilitators have a great deal of first-hand experience, and seminar topics will cover lead generation, merchant retention and credit card sales promotions. Each hour-long seminar includes a PowerPoint presentation, a panel discussion and a Q&A session.

When: July 27, 2005

Where: Renaissance Hotel, Chicago

Registration: Visit www.fieldguideforisos.com or call 262-367-6553



Midwest Acquirers' Association (MWAA)

Third Annual Session, 2005

Highlights: Attendees and vendors register and pay for this year's conference online thanks to a sponsorship by AmbironTrustWave, the enterprise security advisor company.

The first day includes a panel discussion on value-added services and a reception with the vendors.

Day two includes seminars on the latest POS technology, Check 21, interchange and fraud prevention. Blair Singer, keynote sales speaker and creator of SalesDogs.com, will also present his unique insights. The independent seminar, "Field Guide for ISOs," will precede the conference on July 27.

When: July 27 – 29, 2005

Where: Renaissance Hotel, Chicago

Registration: Visit www.midwestacquirers.com



You can also view events for the rest of the year on our Web site www.greensheet.com/tradeshowschart.html

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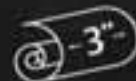
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