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July 23, 2012 • Issue 12:07:02

Size matters with big data

Richard Crone has a saying: "The one who enrolls is the one who controls." It means the entity – be it a merchant, payment processor or mobile application developer – capable of obtaining the customers' contact information controls the relationships with those customers. By enrolling people in loyalty programs at the POS, for example, enrollers build databases of consumer behavior that can be leveraged to target customers more effectively.

As Crone, the founder and Chief Executive Officer at Crone Consulting LLC, put it, the result is an escalation by consumers in "purchase frequency" and "store visit velocity."

That's consultant speak for every retailer's goal: more people buying more stuff from their stores. To achieve that goal, merchants must have direct or third-party provided access to what is collectively called big data. It's an umbrella term that suggests the enormous size of the digital information generated from electronic payments, website click-throughs and every other little scrap of data consumers leave behind through interaction with social media. In fact, the data set for big data is so big it's counted in super hero-sized exabytes, terabytes and zettabytes.

Big data as a marketing handle is a fairly recent development; companies broadly called data miners have in the last few years developed the computing tools to find, harvest and package consumer data into formats that can be useful to banks, merchants and other businesses. Like a lake of crude oil beneath the sea floor or a vein of gold deep inside a mountain, big data is only useful as a commodity if it can be extracted and purified into a marketable form.

Big bucks

Redwood City, Calif.-based Truaxis Inc. (formerly BillShrink) farms the payment data it receives from banks and processors. Carlo Cardilli, Senior Vice President of Business Development and Sales at Truaxis, said financial institutions (FIs) are sitting on mother lodes of consumer data but lack the resources to monetize it.

"We're like a radically simple way of extracting value from the data," Cardilli said. "Basically you give us the data in a big batch, and we analyze it and give you back services that drive value for your business."

When Truaxis "scrubs" data through its automated systems, it uncovers insights into consumer behavior. For example, a transactional line of data contains not only the purchase amount, but also clues to the name of the merchant and thus the type of merchant, the location of the merchant (for instance, a standalone establishment on a street corner or a kiosk inside a mall) and the circumstances underscoring the purchase.

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- » Scott Wagner–GO DIRECT Merchant Services Inc.
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- » Cody Yanchak–First American Payment Systems

NotableQuote

Many merchants do not even realize they also function as service providers, and this lack of awareness puts both their businesses and your portfolio at risk.

See story on page 74



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Forum

What about so-called objective statement analysis?

One of my merchants was approached by a rep for an outfit that claims it doesn't offer card processing but can negotiate with the merchant's current processor to lower rates. I found out about this because I called the merchant to check in the same afternoon he got the call. I wonder if companies like this are legit, or if they've just found a different angle to use in getting merchants to sign on the dotted line.

Barton Molinelli
Merchant Level Salesperson

Barton,

Companies exist that claim to be objective third parties aiming to save merchants money on processing costs. Some do an analysis with an eye for improving efficiencies on the merchant's end. For example, sometimes transactions are downgraded unnecessarily, and by flagging those transactions and adjusting the merchant's system to properly categorize them, the merchant can save money using the current processor.

Some third-party companies reportedly partner with ISOs to offer this service, which, to our knowledge, doesn't typically involve negotiating with the merchant's processor but could necessitate communicating with the processor about system and platform parameters.

However, some reps that describe their services in a similar way are actually just merchant level salespeople (MLSs) trying to win new business. Now, there is nothing wrong with asking to examine a merchant's statement so you can come up with a competitive bid (although many in the business feel this price-based approach is outmoded and should be replaced by focusing on tailored services that will enhance a merchant's business in some way).

But MLSs masquerading as independent analysts are being dishonest when they claim their sole objective is to save merchants money.

We've heard of merchants who have fallen for this type of pitch and become locked into long-term contracts that cost them significantly more than their prior processors did. Sometimes the source of the dishonesty is the MLS, sometimes the ISO and MLS are co-conspirators in the scheme, and sometimes the ISO is shady and the MLS is too new to the business to realize it.

Fortunately many ISOs and MLSs are in the business for the long haul, have scruples and follow best practices in

all their dealings. And some companies that claim to be independent third parties actually are. The challenge is to distinguish between the good and the bad, and the only way to do that is by conducting due diligence.

Ultimately, the best way to keep merchants in your portfolio is to keep in touch, as you are doing, stay abreast of the latest developments in the industry, choose your partners wisely and provide the best service you can.

Editor

Correction

In the Stream Cash LLC company profile, "Loans, residual purchases for ISO capitalization," *The Green Sheet*, July 9, 2012, issue 12:07:01, the company's third co-founder, Chris Pruitt, was mistakenly given the name Chris Hulen. Pruitt was also mentioned as having been Hewlett Packard Co's Chief Financial Officer. While he did work with HP, Pruitt was formerly Chief Financial Officer for General Electric Co.'s Plastics Division, not HP. *The Green Sheet* regrets the errors.

Spotlight on giving

Our industry is known for innovations that continually transform the way people handle payment transactions. Awareness of our sphere has also increased because of merchant organizations bent on reducing their transaction processing costs. We are not as well known, however, for the good works many of us do in the world, from sponsoring local Little League teams to funding research on cancer to fulfilling wishes for gravely ill children. If you are involved in charitable work, we'd like to know. News of your philanthropic efforts may inspire others to give back, too. Reach out to us via email at greensheet@greensheet.com, by phone at 800-747-4441, on Facebook at www.facebook.com/thegreensheetinc or on Twitter using [@the_green_sheet](https://twitter.com/the_green_sheet).



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A quick summary of key articles in this issue to help keep you up-to-date on the latest news and hot topics in the payments industry.

Cover Story

1

Size matters with big data

Electronic transactions generate enormous amounts of ancillary data. Useful consumer information can be extracted from that data and repurposed to incentivize consumers to spend more money more often in retail environments. Thus, ISOs and merchant level salespeople (MLSs) need to know how they can harness big data for both their merchants and themselves.

News

25

Google makes Wallet changes

Google Inc. shook things up at Google Wallet. It renamed the wallet's In-App Payments API to Google Wallet for Digital Goods. Google also introduced the Save-to-Wallet API that allows merchant offers and payment cards to be saved to the wallet. As part of renaming the application protocol interface, Google updated its transaction fee pricing structure.

News

23

AmEx joins EMV push

As the movement to the Europay / MasterCard / Visa (EMV) chip and PIN payment technology standard gains momentum in the United States, American Express Co. unveiled its road map for EMV migration. In line with Visa Inc. and MasterCard Worldwide, AmEx is requiring its merchants to upgrade POS systems and terminals to accept EMV transactions by April 2013.

News

26

New Zeus malware puts payments at risk

Independent security research firm ThreatMetrix Labs reported that an updated version of the infamous Zeus malware was on the rampage. The malware cleverly disguises itself to avoid detection, even by data security professionals. The solution is for personnel to keep systems "patched" and conduct "anomaly detections" to identify and neutralize the potent virus.

News

23

Congress urged not to stifle mobile innovation

The rise of mobile payments has caught the attention of federal law enforcement and Congress. But the Electronic Transactions Association cautioned regulators against regulating a growing market to death. Controlling mobile payments at the expense of innovation may result in killing the proverbial golden goose.

Feature

33

Prepaid EMV reaches U.S. shores

Nonprofit credit union cooperative and payment service provider PSCU Financial Services is reportedly the first U.S. enterprise to launch prepaid cards embedded with EMV chip and PIN technology. PSCU said it made the move to keep ahead of the payment technology curve and migrate to EMV well ahead of the 2015 deadline mandated by the card brands.

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Feature

34

Rev takes off where Square left off

Austin, Texas-based Rev Worldwide launched a "business-in-a-box" payment acceptance service for unbanked and underbanked merchants. David Clifton, Senior Vice President of Global Merchant Services at Rev, said it is comparable to the popular solution of media darling Square Inc., only better.

View

38

When mobile meets RDC

Mobile remote deposit capture and prepaid accounts make for a seemingly perfect marriage. The solution allows unbanked and underbanked consumers to deposit physical checks remotely to prepaid accounts via mobile phones. The potential market for this product is so strong that banks that previously ignored this demographic are clamoring for a piece of the action.

Feature

58

New times, new strategies: What are you doing?

When an industry undergoes historic change and the traditional business model is turned on its head, the business community turns to its leaders for advice. Esteemed members of The Green Sheet Advisory Board offered their thoughts on how to manage the changes occurring today in the payments industry and on into the future.

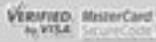
Education

60

Street SmartsSM

Why should a merchant be fired?

Every ISO and MLS has merchants in their portfolios who demand impossible levels of service or make abusive phone calls to their processors. But before you terminate a particularly bad merchant, evaluate with a cool head the results of such an action. It may be possible to retain a lousy merchant and avoid the headaches at the same time

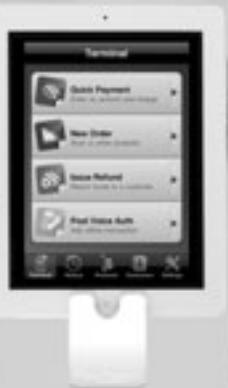




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Education

64

Five ways to fix your marketing problems

When business isn't as robust as expected, blame often is directed at marketing. But a company's marketing department does not function in a vacuum. The roots of the problem are likely enterprisewide. Thus, making changes to marketing campaigns means making changes to other facets of the organization that are negatively impacting sales.

Education

74

Spotting unlikely service providers in your midst

Small merchants have been under the mistaken impression that fraudsters only target large merchants. Today, fraudsters don't differentiate between large and small. Instead, they prey on weaknesses and systems that are easy to exploit. That makes all merchants without the proper security mindset targets, no matter their size.

Education

70

Reach your company's peak performance with training

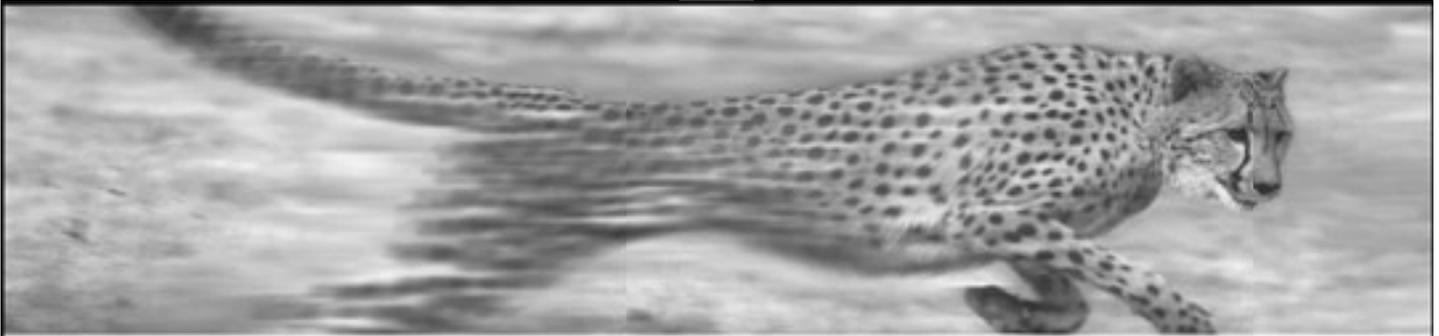
It is hard for ISOs to reach their full potential when employee recruitment and training practices are lacking. Hiring people new to the complicated business of merchant services and putting them immediately to work is counterproductive. By establishing training programs, ISOs get better educated and more confident employees.

Inspiration

81

Give yourself a break, a long break

Vacations are a great way to reduce stress and increase happiness. But many ISOs and MLSs feel they can't afford to take time off. To overcome that dilemma, prioritize tasks to find free time to take off, find a competent fill-in for when you are gone, and delegate responsibility so things don't fall apart while you relax and recharge at your island paradise.



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NEWS

Your go-to publication lauded

The Green Sheet won a Grand Award and a Feature Writing award in the **APEX 2012 Awards for Publication Excellence**. Only 100 Grand Awards are handed out in 11 categories each year. This was the fifth Grand Award given to the publication; in past years, it won Grand Awards in the Overall Publication, Website and Feature Writing categories.

The APEX Awards are sponsored by Communications Concepts Inc., which advises professionals on best strategies and practices in business communications. In the 11 years since *The Green Sheet* began entering the APEX competition, it has won 45 awards. This year the publication won the Grand Award in the Magapapers & Newspapers category for its Dec. 26, 2011, issue. It won in the Feature Writing category for a May 23, 2011, story titled "The Sony breach is not a game."

"This industry periodical is tightly focused, but offers tremendous depth of thoroughly researched coverage – all in a well written, interesting (and instantly recognizable) format," the APEX judges stated about *The Green Sheet*. "If you want fancy graphics look elsewhere. But if you want to know what's going on in this field, then this is your publication."

The Green Sheet Chief Operating Officer Kate Rodriguez responded, "Clearly we are getting our message across. We were excited to get the APEX judges' comments because what they said is exactly what we are trying to achieve. We are focused on what our readers need to know. ... This says we have a really strong team of individuals who understand the industry and care about the readers."

Congress focuses on facets of payments

On July 10, 2012, the U.S. House of Representatives unanimously approved **H.R. 4367**, a bill aimed at stopping nuisance lawsuits brought against ATM operators. The suits typically allege operators fail to post transaction fee stickers on the outside of terminals as required by the Electronic Fund Transfer Act. No action has been taken on a similar bill in the U.S. Senate, **S. 3204**.

On July 10, the Senate Banking Committee considered mobile payment regulation in a hearing titled "Developing the Framework for Safe and Efficient Mobile Payments." The committee heard testimony from professors at the University of California, Berkeley; the University of California, Berkeley School of Law; and the Maurer School of Law at Indiana University.

Also in July, The House Financial Services Committee oversaw six hearings that examined the impact of the Dodd-Frank Act of 2010, including the amendment authored by Sen. Richard Durbin, D-Ill., that cut debit interchange fees.

In addition, a group of Republican senators introduced cyber security legislation, the Secure IT Act, **S. 3342**, on June 26. The bill is much like the Cyber Intelligence Sharing and Protection Act the House passed last April.

Smart Card Alliance offers EMV help

A new website built to help issuers, merchants, acquirers and processors, and consumers with the card companies' mandated transition to the Europay/MasterCard/Visa (EMV) standard and technology was launched by the nonprofit **Smart Card Alliance**.

Randy Vanderhoof, Smart Card Alliance Executive Director, said the website, called EMV Connection, has

- A **Wyndham Hotel Group** hotel guest survey revealed 35 percent of global travelers planned to spend more on summer vacations in 2012. Excluding accommodations, entertainment and excursions topped the budget list for 37 percent of U.S. travelers.
- **Research and Markets'** *Suncare in the United States* report projected retail sales of sun protection, after-sun and self-tan products will reach \$1.3 billion in 2015, up from \$1.2 billion in 2010.
- According to a *CREST* report by **The NPD Group Inc.**, 926 million visits were made to U.S. restaurants in the first quarter of 2012; 6 percent of those were influenced by online marketing, including special offers (37 percent) and menu details (30 percent).

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IndustryUpdate

information on EMV fundamentals and the progress of the transition from magnetic stripe cards to cards embedded with EMV chip technology. "EMV Connection places our entire extensive library of EMV resources in one place, for the first time," he said.

The site includes card tutorials and implementation guidance for issuers; expert views on the impact of EMV on the POS environment; merchant strategies for managing EMV chip data; strategies for acquirers and processors to help meet the April 2013 deadline for handling full EMV transactions; and consumer information on fraud and payment protection along with explanations of how EMV cards work.

New academy to add value for ISOs

The **Maximum Profits Academy** launched recently with a dual purpose: to attract business for ISOs and to train merchants to become successful. It is the brainchild of 18-year payments industry veteran Will Harovas, National Business Advisor for Glazer-Kennedy Insider's Circle, and is designed to deliver a complete multimedia learning experience.

Merchants don't have direct access to the program. Instead, GKIC is offering a limited number of licensing partnerships to ISOs, who have full control of access to the academy. ISOs can purchase a package of licenses, and each license enables one merchant access to the platform. ISOs pay a flat monthly fee for the licenses, rotating merchants in and out of the program as determined by the ISO.

"GKIC has created this first ever, low-cost, flat-fee licensing model that allows

ISOs to give away free licenses in the training academy as a 'magnet' to acquire sales leads, convert existing merchants as well as attract high-quality agents and referral partners," Harovas said.

"It makes the ISO's job easier to attract agents, and it makes the agent's job easier to get the attention of the business owner when they can give this away to them."

The academy's online, module-based system is available 24/7. The program also features weekly teleseminar sessions presented by prominent leaders in business and marketing, a mentoring package, discounted private coaching, merchant tools, and access to local chapter workshops.

Payment virus found in China Mobile

On July 4, 2012, mobile security company **TrustGo Mobile Inc.** said it discovered malevolent new software targeting China's largest wireless provider, China Mobile Ltd.

When downloaded to a mobile device, the virus – named the Trojan!MMarketPay.A@Android – automatically places orders and downloads paid apps and video content that are invoiced to the user's phone bill. The virus is suspected to have infected at least 100,000 mobile devices in China.

TrustGo said the virus is commonly disguised as a popular application, but it secretly also infects the host system with malicious code. TrustGo President and Chief Executive Officer Xuyang Li said the ease and speed with which malicious apps can be developed and distributed by criminal enterprises in Russia and China is one of the fastest growing security concerns in the country.

The company advised on its corporate blog, "TrustGo recommends customers only download apps from trusted app stores and download a mobile security app which can scan malware in real time."



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ANNOUNCEMENTS

Training text for agents released

A new training book for ISOs and merchant level salespeople edited by Bill Pirtle, President of C3ET Credit Card Consortia for Education and Training Inc. and a former columnist for *The Green Sheet*, is now on sale. *Credit Card Processing for Sales Agents* is aimed at standardizing training for sales agents and ISOs, a niche Pirtle said the industry needs filled. For more information, go to www.creditcardprocessingforsalesagents.com.

ControlCase now QSA for PCI P2PE

Compliance-as-a-service provider ControlCase LLC is now an authorized qualified security assessor (QSA) for the new PCI Point-to-Point Encryption (P2PE) standards. The company said it is one of a small number of Payment Card Industry (PCI) Data Security Standard (DSS) compliance certification companies in the world that is authorized to validate merchant P2PE standards compliance.

Harbortouch adds reservations module

ISO and POS system provider Harbortouch said it released the payments industry's first free online res-

ervations module through its Harbortouch Hospitality POS system. The Harbortouch Reservations software allows merchants to manage and organize manually entered and online reservations; it will alert customers when their table is ready.

Kozal named CFO of Year

Louisville, Ken.-based ISO Payment Alliance International said David Kozal, its Senior Vice President and Chief Financial Officer, was named the 2012 CFO of the Year by Louisville business news journal *Business First*.

Merchant Warehouse offers agnostic interface

Boston ISO Merchant Warehouse said its Genius software payment platform, launched in June 2012, can integrate into any POS system, regardless of device or operating system. The platform allows merchants to accept near field communication- (NFC), EMV- or quick response code-based payments, as well as loyalty, gift and reward programs. The solution includes point-to-point encryption and tokenization.

Paydiant cloud wallet certified secure

Mobile payment provider Paydiant Inc.'s cloud-based

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First In Secure Electronic Payments

IndustryUpdate

mobile wallet and mobile payment solutions platform received appSecure certification from the digital forensics and security firm viaForensics LLC. The certification required the platform to pass numerous forensics tests, including network analysis, operational security testing, deep inspection for stored data and encryption methodology.

Angry Birds lands on Braintree

Rovio Entertainment Ltd., the Finland-headquartered social game developer behind the popular smart phone game Angry Birds, selected **Braintree Payment Solutions LLC** as its payment gateway for Rovio's new online store, which sells games, toys, apparel and other items. Braintree said Rovio can now accept payments in over 130 different currencies worldwide and reduce its PCI DSS compliance burden via Braintree's Transparent Redirect, Client-side Encryption and Vault technologies.

SignaPay enters Canadian market

ISO **SignaPay Ltd.** is expanding into the Canadian payments market. SignaPay President Kevin Jones said Canada is a difficult market for U.S. firms to enter, but SignaPay was given access through its partnerships with global processor **Elavon Inc.** and Visa's CyberSource Authorize.net gateway.

Syspro releases retail solution

Enterprise resource planning software manufacturer Syspro released a new retail solution called **Syspro Point of Sale**. The product reportedly sports more than a dozen new features. Among them are ordering, inventory management and transit, front-end transactions, daily or other period cash-outs, and card-based customer loyalty programs.

VeriFone sails with Google

POS terminal manufacturer **VeriFone Inc.** released a Google Android application for its new SAIL mobile payment platform and said it is now able to accept payments on both mobile devices and traditional VeriFone terminals. The company also updated SAIL with multi-user functionality that gives small to midsize business owners control over access levels their employees have to SAIL accounts.

PARTNERSHIPS

Ingenico, Chase Paymentech team

POS terminal manufacturer **Ingenico Inc.** and **Chase Paymentech Solutions LLC** teamed to sell Ingenico's Telium iCT250 POS terminals in the United States. The Telium iCT250 supports all payment types, including those employing EMV, mag stripe and contactless cards, as well as NFC-enabled mobile devices.

New collaborators for mobile wallet

MasterCard Worldwide and European telecommunications company **Deutsche Telekom AG** joined for a mobile payments implementation. At a press conference in Berlin on July 2, 2012, the two companies said the first consumer mobile wallet rollout will be in Poland later this year, followed by a trial with mobile phone tags and cards in Germany. The companies said the mobile wallet service will be open to integration with other issuing banks and partners.

Microsoft to boost Alipay security

Microsoft Corp. agreed to help **Alipay.com**, the online payment provider and subsidiary of Alibaba Group Holding Ltd., develop and distribute online security and privacy protection for Alipay.com's Chinese customers. The companies are deploying a new "device health" model to lower the risk of Internet fraud by warning users if their devices are unprotected during online transactions.

Super G, Harbortouch partner

Super G Funding LLC signed an agreement with **Harbortouch** to provide business loans to Harbortouch's ISO partners. Loans ranging from \$10,000 to \$2 million are available and are calculated based on the size of an

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ISO's residual portfolio. The companies said the loans can be used to create new jobs, increase marketing, open new offices, buy equipment, upgrade technology or buy out partners.

Telefónica goes beyond connectivity

Telefónica Digital, a division of the international telecommunications firm Telefónica S.A., unveiled agreements with **Facebook Inc.**, **Google Inc.**, **Microsoft** and **Research in Motion Ltd.** to offer direct-to-bill payments. The agreements are expected to increase sales of digital goods and services.

ACQUISITIONS

Brazil's Cielo buys U.S. processor

Brazilian acquirer **Cielo S.A.** purchased U. S. global payment processor **Merchant e-Solutions Inc.** for \$670 million. Cielo said the acquisition gives it a presence in California's technology heartland of Silicon Valley and allows it to settle more online transactions.

Heartland acquires LunchByte

Payment processor **Heartland Payment Systems Inc.** acquired **LunchByte Systems Inc.**, a school food service back-office management and POS company. Heartland School Solutions now serves more than 29,000 K-12 schools in the United States, representing approximately 30 percent of the market, according to Heartland. Terms of the deal were not disclosed.

ICOA to buy Tango

Broadband wireless solutions company **ICOA Inc.** signed a letter of intent to buy a majority interest in Canada's **Tango Software Corp.** Tango builds software for e-commerce payment processing and applications. The two companies are building payment processing software to handle small Internet payments in multiple currencies. The deal will close by the end of July 2012.

UBPS gains four for business processing

July 2012 was a busy month for **Universal Business Payment Solutions Acquisition Corp.**, a "blank check" company formed in 2011 to develop a consolidated payment platform through the acquisition of payment businesses. The company bought ISO **Electronic Merchant Systems**, card processor **Jet Pay LLC**, and the payroll processing and tax filing companies **A D Computer Corp.** and **Payroll Tax Filing Services Inc.**

APPOINTMENTS

Metzger joins NAB

Former **TGATE Payments** President and Chief

Information Officer **Tracy Metzger** was hired for the newly created position of Chief Information Officer at the Troy, Mich., ISO **North American Bancard**, provider of the **PayAnywhere** payment solution. Metzger is responsible for keeping the company's Internet technology strategy ahead of growing demands.

iPayment picks Metzler

Kurt Metzler joined processor **iPayment Inc.** as Senior Vice President for Strategic Development. Metzler is responsible for developing and implementing new sales initiatives and for developing and leveraging strategic partnerships. Metzler formerly served as Executive Vice President and General Manager of **RBS WorldPay**.

Citi hires Wyatt

Citigroup Inc. appointed **Christy Wyatt** Global Head of Consumer eBusiness and Mobile Technology. Wyatt comes to Citigroup from **Motorola Mobility Inc.** where she was Senior Vice President and General Manager of the Enterprise Business Unit. At Citi Wyatt is responsible for developing Internet, mobile device and ATM applications for Citi's worldwide banking business. ☐



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ISOMetrics

Details on big data

1.8 zettabytes

(1.8 trillion gigabytes) Amount of information created and replicated in 2011

500 quadrillion

The number of "files" that contained that 1.8 trillion gigabytes of data

1 zettabyte

Data barrier cracked in 2010 for the first time

75x

The factor by which the number of data "files" will grow over the next decade

1.5x

The factor by which the number of information technology (IT) staff to manage that data will grow over the next decade

1 petabyte or more

(1 quadrillion bytes or more) The amount of transient, unrecorded data generated from 1 gigabyte of stored content

1/6

What it costs to create, capture, manage and store information in 2011, compared with what it cost in 2005

\$4 trillion

Money spent by enterprises to create, manage, store and derive revenues from the digital universe in 2011, up 50 percent from 2005

130 exabytes

(130 quintillion bytes) Amount of data in the digital universe in 2005

1,127 exabytes

Amount of data in the digital universe in 2010

7,910 exabytes

Estimated amount of data in the digital universe in 2015

10x

The factor by which the number of servers (virtual and physical) worldwide will grow in the next decade

2 percent

Amount of IT spending on cloud computing today

20 percent

Estimated amount of all information that will be processed or stored in the cloud by 2015

0.8 zettabytes

Amount of data in cloud services today

1.4 zettabytes

Amount of data processed or stored in the cloud today

7.9 zettabytes

Total amount of data in the digital universe today

\$18.95 / \$2.7 trillion

Cost per gigabyte / total IT investment in 2005

\$0.66 / \$5.2 trillion

Estimated cost per gigabyte / total IT investment in 2015

(source: The 2011 IDC Digital Universe Study, EMC Corp.)

AmEx joins EMV push

On June 29, 2012, American Express Co. released its road map for Europay/MasterCard/Visa (EMV) chip-based POS environments throughout the United States. Thus, AmEx, the third-ranked card brand in the United States, joined the two leading brands, Visa Inc. and MasterCard Worldwide, in pushing merchants to implement the EMV global standard for authenticating credit and debit card transactions.

EMV cards are accepted throughout most of the world and are deemed to be more secure than mag stripe card payments, which predominate in the United States. The card brands are now accelerating adoption of the standard in the United States by imposing new liabilities on merchants who do not update their POS equipment to adopt EMV technology.

AmEx's EMV push was not surprising; it is one of the four founding payment organizations of EMVCo, the organization driving adoption of the EMV standard worldwide. AmEx said it will begin issuing EMV-compliant cards in 2012 that will support EMV chip and PIN, chip and signature, contactless and mobile POS transactions.

Deadlines, liability shift same as Visa, MasterCard

In sync with Visa and MasterCard deadlines, AmEx is requiring its merchants to have EMV-equipped POS terminals in place by April 2013. Once the new terminals are in place and retailers can show that 70 percent of their POS transactions are AmEx EMV-enabled, merchants will be released from some Payment Card Industry Data Security Standard reporting requirements.

AmEx is also instituting a fraud liability shift like the ones being imposed by Visa and MasterCard. For certain kinds of transactions, AmEx is imposing fraud liability on merchants who do not adopt EMV by October 2015.

However, as with the other major card companies, AmEx petroleum retailers will have until October 2017 to comply before they face new liability. This is because of the complicated nature of the petroleum market and its transactions.

Suzan Kereere, Senior Vice President and General Manager, Global Network Business at AmEx, said, "We fully recognize the complexities involved in migrating to EMV chip-based technology, and our first priority is to provide choice and flexibility for merchants and our card-issuing partners so they can adopt the EMV solution that best meets their needs." ■

EMV cards are accepted throughout most of the world and are deemed to be more secure than mag stripe card payments, which predominate in the United States.

Congress urged not to stifle mobile innovation

The Electronic Transactions Association issued a statement June 29, 2012, urging Congress to be cautious when considering mobile payments regulation.

The statement was released in conjunction with the



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House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit hearing on "The Future of Money: Where Do Mobile Payments Fit in the Current Regulatory Structure?"

Jason Oxman, ETA Chief Executive Officer, said "We urge Congress to take care to avoid regulation that could stifle the innovation that gave birth to mobile commerce and will drive its future growth."

Law enforcement offers perspective

The subcommittee heard testimony from two witnesses, James H. Freis Jr., Director of the Financial Crimes Enforcement Network (FinCEN) of the United States Department of the Treasury and Stephanie Martin, Associate General Counsel for the Board of Governors of the Federal Reserve System.

Freis said mobile payments are regulated by FinCEN under anti-money laundering and counter-terrorist financing laws and rules. However, more regulation may be needed. Freis testified that a 2008 study from The World Bank, *Integrity in Mobile Phone Financial Services: Measures for Mitigating Risks from Money Laundering and Terrorist Financing*, maps out a good approach to regulating the various roles found in mobile financial transactions.

"FinCEN's regulations take a comprehensive approach in this area, focusing more on the activity at issue as opposed to the particular electronic communication vehicle," Freis testified. He said any business participating in transactions involving the transfer of "currency, funds, or other value that substitutes for currency" from one entity to another is considered a money services business subject to FinCEN regulation – no matter how small the amount transferred. This applies to prepaid transactions also.

Freis said FinCEN is noticing "an interesting trend in the mobile payments industry where different telecommunication systems and/or financial mechanisms may merge and become interwoven in the same overall mobile payments transaction." He concluded FinCEN regulations covering prepaid access and money transmission can apply to the participants in mobile payments depending on the business model being used. He told the subcommittee FinCEN is charting a course that "helps financial services providers to focus on serving their customers, not criminals."

Federal Reserve talks regulation

The Federal Reserve's Martin said regulators must ensure consumers are protected from unauthorized transactions, theft of confidential payment information or personal identification data, and other such threats. In many cases these problems arise because payment laws are outdated having been enacted well before mobile payments were even imagined. "Those laws may not be well-tailored to address the full range of mobile payment services," Martin testified.

Martin also told the subcommittee that using new communication channels for payment "generally does not result in changes to the basic rights afforded to consumers" or "to a bank's responsibility to ensure the security of that communication channel." However, she cautioned that making payments through nontraditional arrangements, such as settling payments as part of a telephone company bill, "may change the legal protections related to the purchase, depending on the details of the arrangement and the applicable federal or state statutes and rules."

A legal framework regulating mobile payment services provided by financial institutions already exists under the Electronic Fund Transfer Act and other regulations, Martin said. These regulations also cover prepaid mobile services

and are enforced through the rulemaking and interpretive authority of the Consumer Financial Protection Bureau.

The application of regulation to nonbanks depends on the nonbank's role in the transaction, Martin noted. "A nonbank can have a more independent role, such as a manager of a prepaid value program, a money transmitter or a telephone company that bills customers for payment transactions," she said. "In these cases, it is necessary to examine the specific provisions of law to determine their applicability to the nonbank's particular role in the transaction."

Martin said it is difficult to make broad generalizations about the applicability of current regulation to mobile payments due to the different types of service providers (bank and nonbank) and the wide variety of payment arrangements available and under development.

"Further analysis of existing laws may be needed to ensure that consumers are adequately protected," she testified. Martin called for more fact-finding and analysis to be sure any new regulation does not "stifle the very innovations that would benefit consumers overall." ■

Google makes Wallet changes

Google Inc. disclosed pricing and application programming interface (API) updates to its Wallet at the Google application developers' conference, Google I/O 2012, held June 27 to 29, 2012, in San Francisco.

Pali Bhat, Product Manager, Google Wallet, introduced a new transaction fee pricing tier. He said developers told Google the 5 percent transaction fee the company has been charging is fine for micro transactions but is not as competitive with higher value purchases.

Bhat said Google will now charge either a 1.9 percent plus 30 cents transaction fee or a 5 percent transaction fee depending on which is the less expensive when applied to a new order. According to Bhat, Google Wallet will soon support recurring payments and subscriptions. For now, developers can use The Sandbox on the Google website to test their subscription payment method.

The Sandbox is a Google Checkout environment that allows a developer to test a recurring payment system without incurring charges by signing in as a buyer and placing an order. Bhat said developers should "watch for an announcement in the coming weeks for when subscriptions will be ready for external use."

Wallet additions

Google released its new Save to Wallet API for Payment Cards at its I/O Conference. This tool allows banks to

The Sandbox is a Google Checkout environment that allows a developer to test a recurring payment system without incurring charges by signing in as a buyer and placing an order.

provide Google with card art and co-market Google Wallet or, with customer consent, push cards from their websites into Google Wallet.

"At Google I/O we demonstrated how Discover is working with Google on a concept that would enable Discover card members to save their cards to Google Wallet from the Account Center at Discover.com," Robin Dua, Google Head of Product Management, Consumer Payments and Wallet, reported. He said the Save to Wallet API for Payment Cards is currently being tested with bank partners.



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News

Dua also stated Google has another new Wallet API, the Save to Wallet API for Offers. This API enables merchants to publish offers that consumers can save onto Google Wallet from a desktop or mobile website. The offers are redeemed by tapping mobile devices equipped with near field communication at the POS or by simply showing the offers and allowing merchants to scan them at checkout. The wallet automatically alerts consumers as offers approach their expiration dates. ■

New Zeus malware puts payments at risk

ThreatMetrix Labs, an independent firm researching online security, confirmed in a June 2012 report that a new peer-to-peer variation of the infamous Zeus malware alters websites in a manner that enables it to steal confidential information without being detected – even by professionals. Trustwave SpiderLabs drew the same conclusion in a separate study of the malware.

Zeus malware is called a Trojan horse because the attack is disguised as something it is not. For instance, a familiar looking but fake social network or business web page may appear and ask the user to reenter a name and password. Zeus then steals payment, banking and other confidential information by recording keystrokes and by capturing payment forms sent over the Internet as the customer hits "Send."

ThreatMetrix analyzed Zeus attacks on social media, financial services, retail and payment processing sites and found in most cases minor "but sophisticated" website changes allowed thieves access to personal information while going unnoticed. The lab reported the new Zeus variant can mimic the customer login page of all major credit card company websites.

The new report also discussed a malicious script used in Italy that adjusts account balance statements so victims are unaware of anything out of order in their accounts. The script can also block access to bank records that would allow the user to see the account was compromised.

Multiple sectors targeted

Andreas Baumhof, ThreatMetrix's Chief Technology Officer, said, "We are seeing fraud spread out away from financial institutions to target small merchants, retailers, processors and utilities."

In one incident ThreatMetrix investigated, a pop-up window appeared at the retail POS with this message, "The card number you entered does not match our records. Please verify and make sure you re-enter the card information correctly."

In a similar scheme, launched in a payment processor's system, a pop-up greeted the user by correct name and said, "In order to carry out higher security standards with our customers, we carry out selective personal information verification." It then asked the customer to reenter credit card information.

Baumhof said today's new malware is going undetected by even "some of the most advanced malware and cyber-crime detection tools." He noted it can bypass authentication measures and inject malicious content into a payment environment that, among other things, can change the recipient of a transaction in real time.

And the user most likely won't detect the virus because it employs sophisticated tricks, such as removing emails from the system that would otherwise notify a customer of a bank transfer.

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Cyber crime tailored to environment

Ziv Mador, Trustwave SpiderLabs Director of Security Research, said his lab found in its Zeus malware study that once a user is tricked into giving up credit card or other personal information, Zeus can activate a "money mule account" in real time, transporting the transaction to a criminal bank account rather than its intended destination.

Mador said SpiderLabs is seeing "constantly improving exploit kits" that can target specific geographic groups in the world with malware adapted for the region and better looking interfaces that closely resemble the sites they are imitating. However, Mador said it is difficult to estimate the extent of this cyber theft because corporate victims often don't report malware intrusions; they are reluctant to alarm customers and potentially harm their businesses over a problem they have already discovered and remedied.

Despite this lack of full disclosure, SpiderLabs' research found the number one and two targeted industries for Zeus are food-and-beverage and retail stores. In more than 80 percent of the cases of malware infecting these environments, the criminal program targeted customer records and

Despite this lack of full disclosure, SpiderLabs' research found the number one and two targeted industries for Zeus are food-and-beverage and retail stores. In more than 80 percent of the cases of malware infecting these environments, the criminal program targeted customer records and other forms of personal information.

other forms of personal information, Mador noted.

Zeus Trojan detection and removal

In addition to regular scans and anti-virus software, Mador offered this advice for businesses hoping to fight off a Zeus attack: "Keep your system patched." He said one of the ways Zeus is able to access systems is by exploiting security holes in common software such as Microsoft Corp.'s Windows, Oracle Corp.'s Java and certain Adobe Systems Inc. software.

Mador pointed out that if one system is patched, the malware will continue to look for holes in other familiar software until it finds a security hole that wasn't patched. "It's enough to have one application not fully patched to compromise the entire machine," he said.

Baumhof considers the requirements embodied in the Payment Card Industry Data Security Standard a minimum standard for security that is unlikely to discover a Zeus Trojan. "You need to do a much more detailed anomaly detection," he said. "Companies need to deal with this threat in a more sophisticated way. It is not enough now just to ask for user name and password authentication."

Baumhof recommended using scanning tools that can detect, among other things, when someone logs in from an unfamiliar computer. He also suggested doing a velocity check that can detect when someone is attempting to access hundreds of different devices from a single computer. 



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Selling Prepaid



Prepaid in brief

NEWS

Open payments not live by 2012 London Olympics

The goal of the London mass transit authority, the **Transport for London** (TfL), to have the city's bus system equipped with an "open" fare payment system by the start of the 2012 London Olympic Games will not be met. The reason for the delay is reportedly due to concerns that the near field communication- (NFC) based system would not be fast enough to handle mobile fare payments at peak travel times.

In February 2011, the TfL said London's system of 8,000 buses would be NFC-enabled by the start of the Olympics to accept open-loop, network-branded, NFC chip-embedded credit and debit cards, as well as the city's popular closed-loop, proprietary Oyster prepaid transit cards. The service would facilitate transit payments by riders tapping cards and smart phones on readers.

In the June 2012 edition of the Global Prepaid Exchange's *Prepaid Insights* newsletter, Global Prepaid Exchange's Tory Batten said the "read speed of NFC-enabled mobile devices is currently too slow to handle rapid passenger throughput at peak times. While Transport for London's Oyster cards operate at a read speed of 300 milliseconds, industry changes to switch the secure element from the phone to the SIM [subscriber identity module] has slowed the read speed down to above the 500 millisecond cut-off point."

Security was another concern, according to Batten, because credit and debit accounts contain sensitive personal financial information, unlike closed-loop transit cards, which only hold transit fare balances.

Shashi Verma, Director of Customer Experience at TfL, said, "We will only roll it out once we are confident it is 100 percent robust." He noted that the plan was always to introduce contactless payments in phases, with the bus system representing the first phase, followed by upgrades to the Tube (subway system), Docklands Light Railway, tram and London Overground network. TfL began testing the new technology on a small number of London buses in June 2012. The work is still scheduled to be completed by the end of 2012.

InComm continues gift card distribution in Jersey

In reaction to the controversial New Jersey unused gift card fund collection mandate that is part of the state's updated abandoned property laws, prepaid card distributor **InComm** vowed in April 2012 to remove its own lines of open-loop, network-branded gift cards from over 2,500 New Jersey retail locations effective June 30, 2012. On June 29, New Jersey Gov. Chris Christie signed into law a gift card compromise bill, S1928, that placed a four year and one month moratorium on the collection of consumer data mandate, which would expire in 2016.

In response to that news, InComm said it will continue offering its gift cards in New Jersey retail locations. "We plan to continue selling gift cards in New Jersey indefinitely as long as there is no requirement to collect consumer data at the point of sale," said Brooks Smith, President and Chief Executive Officer at InComm.

Prepaid cards outpacing bankcards

During a panel discussion at the **Network Branded Prepaid Card Association's** First Annual Congress held June 2012 in Washington, D.C., Federal Reserve Senior Economist Geoffrey Gerdes said Americans spent more than \$80 billion using general purpose reloadable (GPR) prepaid debit cards in 2011.

That's just a fraction of the potential market, however. In 2010, payments initiated with all types of debit cards totaled \$1.6 trillion, according to Fed data. But Gerdes said growth in prepaid debit card transactions is outpacing that of all other card categories, and the dollars loaded on prepaid cards are increasing at a rate of 30 percent a year.

ANNOUNCEMENTS

Cashplus wins three Prepaid365 awards

U.K.-based prepaid card program manager **Advanced Payment Solutions LLC** was honored with three awards at the Prepaid365 Awards 2012 in London. APS' The Cashplus Prepaid Card won Best Payroll Prepaid Card, Best Unbanked Prepaid Card and Best Basic Bank Account with Prepaid Card.

FanBox supplies c-stores with gift card program

Loyalty and gift card program manager **FanBox Inc.** developed a gift card program for the service stations and convenience stores of Valero Energy Corp. subsidiary Ultramar Ltd. FanBox integrated its MS2 platform

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Selling Prepaid

into the c-store POS systems, as well as into the pay-at-the-pump stations of nearly 800 locations across Canada.

Giftango named Canadian award winner

Digital gifting company **Giftango Corp.** won the Best Prepaid Innovation award at the Prepaid Awards Canada held June 7, 2012 in Toronto. The award went to Giftango's Premium Turnkey E-commerce Solution for its originality for businesses and consumers

Green Dot Bank starts issuing GPR cards

Six months after **Green Dot Corp.** closed on its acquisition of Bonneville Bancorp and changed the name to Green Dot Bank, the GPR card provider said its bank is now issuing Green Dot's GPR cards. Green Dot Chairman and CEO Steve Streit called the complex integration of Green Dot with the bank a milestone and a great achievement for the company.

Heartland eliminates fees on financial aid card

Merchant acquirer **Heartland Payment Systems Inc.** eliminated three fees on its financial aid disbursement card, Acceluraid. Heartland eliminated the \$30 dispute, \$1 bill pay and 50 cent card-to-card transfer fees. Heartland chairman and CEO Robert O. Carr said the move is designed to lower the potential financial burden on students who use the prepaid debit cards.

Hoops legend touts Magic card

National Basketball Association Hall of Famer and entrepreneur **Earvin "Magic" Johnson** partnered with Southern California-based OneWest Bank FSB to launch the Magic card, a MasterCard-branded reloadable prepaid card. The card features the Magic Mojo account to help cardholders track purchases and save money to reach financial goals.

Moneris awarded organizational honor

Moneris Solutions, the largest credit and debit card processor in Canada, won the Leading Prepaid Organization award at the inaugural Prepaid Awards Canada. Moneris was recognized for its provisioning of gift cards to over 6,000 Canadian businesses; its rewards and recognition program found at www.giftcertificates.ca; and its Starter Pack program, which allows merchants to try Moneris' program at no cost or obligation.

7-Eleven stores stock PayPal cards

NetSpend Holdings Inc. said it is now distributing PayPal Inc. prepaid cards via 7-Eleven Stores Inc. locations. Netspend CEO Dan Henry said 7-Eleven is the first major U.S. retailer to offer the alternative financial service provider's MasterCard-branded prepaid card. NetSpend and PayPal inked a distribution agreement in February 2012.

Relyco launches rapid! paycard

Business printing supplier **Relyco Sales Inc.** unveiled the rapid! payroll card program. Relyco said employee benefits of rapid! include instant issuance of both Visa Inc.- and MasterCard Worldwide-branded cards, eliminates check cashing fees, facilitates online payments, and allows for text message alerts and money transfers.

PARTNERSHIPS

InteliSpend integrates wellness and payroll

Employee reward and recognition prepaid card program manager **InteliSpend Prepaid Solutions LLC** tapped Atlanta-based employee wellness program provider gBehavior. InteliSpend will offer gBehavior's Rewards for Wellness corporate wellness incentive platform to InteliSpend's employer clients.

Additionally, InteliSpend signed an agreement with **FlexWage Solutions LLC** to incorporate the company's WageBank payroll card solution that enables employees to access earned wages in advance of scheduled paydays. InteliSpend said it will be rolling out the product to its own employees, as will its clients.

CardWare to support TenderCard

Prepaid gift and loyalty card firm **TenderCard** chose merchant service provider **CardWare International** for after hours and overflow support. CardWare said TenderCard wanted an experienced support specialist that offered program flexibility and a consumer focus.

Vendtek extends into Afghanistan

Vancouver, British Columbia-based prepaid card provider **VendTek Systems Inc.** teamed with Afghanistan mobile telecommunications firm **Telecom Development Co. Afghanistan Ltd.** (dba Roshan) to offer mobile prepaid top-up services through self-service kiosks and POS terminals in Afghanistan. Vendtek said the companies' goal is to replace the scratch card top-up method that predominates in the Middle Eastern country.

ACQUISITIONS

Edenred expands into Japan, Latin America

Gift and meal voucher processor **Edenred SA** reported entry into the meal voucher markets of Japan and Brazil through the acquisitions of **Barclay Vouchers Co. Ltd.** and **Comprocard**, respectively. The Barclay Voucher purchase represents the 39th food voucher market Edenred has entered, while the Comprocard is reportedly the food voucher market leader in the oil-producing state of Espirito Santo in southeastern Brazil.

Moneybookers (Skrill) to buy paysafecard

U.K.-based online payment provider **Moneybookers Ltd.**, which is in the process of rebranding itself as **Skrill**, purchased Austria-based prepaid voucher firm **paysafecard.com Wertkarten AG**. The acquisition, which is subject to regulatory approval, will combine Skrill's digital wallet service with paysafecard's eVoucher solution available in 31 countries.

APPOINTMENTS

Ixaris promotes Bonnici to new CFO

Virtual prepaid card provider **Ixaris Systems Ltd.** named **Kenneth Bonnici** to the position of Group Chief Financial Officer. Bonnici, with over 18 years of experience in finance and management, was formerly Operations Director at Ixaris and Managing Director for the company's Malta office.

CFSI's Newville named to Treasury post

David Newville, the former Policy Manager at the Center for Financial Services Innovation, joined the U.S. Department of the Treasury in its Office of Financial Access, Consumer Protection, and Financial Education. Newville will report to Deputy Assistant Secretary **Melissa Koide**, formerly CFSI Vice President of Policy. 



Features

Prepaid EMV reaches U.S. shores

Chalk up another first for the prepaid card industry. PSCU Financial Services, a nonprofit cooperative and payment service provider owned by close to 700 U.S. credit unions, said it will begin issuing the first Europay/MasterCard/Visa- (EMV) based prepaid cards in the United States through over a dozen of its member organizations. The cards will be Visa Inc.-branded and deployed in late summer 2012.

The move is designed to allow its credit unions to provide their members with travel cards that can be accepted overseas, according to **Vladimer Jovanovic**, Senior Manager of Prepaid Card Products at PSCU.

In the United States, magnetic stripe-enabled payment cards are dominant. However, the EMV chip and PIN cards are popular seemingly everywhere else. When U.S. citizens travel overseas, their mag stripe cards do not function in EMV terminals, where cards are inserted

rather than swiped. With the rise in popularity of prepaid cards as an alternative to traditional credit and debit cards, along with the card brands' mandates for EMV adoption in the United States, an EMV solution was only a matter of time.

St. Petersburg, Fla.-based PSCU decided to be first to get ahead of the curve, **Jovanovic** said. PSCU's EMV prepaid cards will allow U.S. consumers to avoid the inconvenience of purchase declines at EMV-enabled POS terminals overseas. Additionally, EMV cards offer greater security than mag stripe cards, which are more subject to fraud because mag stripes have simpler data encryption schemes. However, the chip embedded in the card provides secure data storage and issuer-specific encryption keys to thwart fraudsters' attacks, while the user-specific PIN acts as a second layer of security, according to PSCU.

Designed for military

Jovanovic said many of PSCU's credit unions service U.S. military personnel stationed in Europe and elsewhere. He noted the travel card thus serves the needs of such personnel, as well as general travelers. PSCU members already issue EMV-enabled credit cards. With EMV prepaid cards soon to be added, that leaves debit cards to be the final product to be transitioned to the EMV security standard, which is in development, **Jovanovic** said.

Reloading on PSCU's EMV prepaid cards will be accomplished online and through an interactive voice response system. Cardholders will be able to top up accounts using credit and debit cards, account transfers and through direct deposit. **Jovanovic** said reloading via mobile phones is being evaluated by PSCU.

The EMV prepaid cards will also be mag stripe-enabled for use in the United States. **Jovanovic** said the initial phase of travel card issuance will be followed by the release of an EMV general purpose reloadable card.

Eliminate liability

In addition to providing greater convenience and security for its customers, PSCU has another reason to move to EMV. In August 2011, Visa laid out its road map for accelerated EMV adoption in the United States. Visa stated that the migration to EMV will prepare the way for the adoption of near field communication-based mobile payments. Visa issued a number of important dates:

- October 2012: Merchants can move away from annual Payment Card Industry Data Security Standard validation because the standard is tied to mag stripe technology.
- April 2013: U.S. processors must be able to support EMV transactions.
- October 2015: Institutions that do not support EMV transactions can be held liable for card fraud.

Selling Prepaid

Jovanovic said MasterCard published slightly different dates for its road map. The card brands' EMV mandates motivated PSCU to make the move. "This really puts our credit union ahead of that curve where the liability is going to shift to a party that is not utilizing EMV technology," he said.

Jovanovic expects other financial institutions to follow PSCU's lead. "I think emerging technologies are what drive this industry," he said. "In looking at EMV, I think every credit union is going to be looking toward EMV as a product that they want to offer." 📱

Rev takes off where Square left off

Prepaid card program manager Rev Worldwide entered the micro-merchant mobile payments arena with the launch of RevCOIN, a mobile app and dongle combination to rival Square Inc. But what sets RevCOIN apart from Square is that Rev is targeting merchants with minimal or no access to bank accounts.

"Square's doing a great job," said David Clifton, Senior Vice

President of Global Merchant Services at Rev. "They've made a lot of progress and covered a lot of ground. But it's a fairly one dimensional offering."

In contrast, RevCOIN is a feature-rich, "business-in-a-box" solution, Clifton said. RevCOIN offers a free downloadable app available on Apple Inc.'s App Store and Google Inc.'s Android Marketplace, a merchant account linked to a prepaid debit card and a card reader/dongle that attaches to smart phones. Clifton noted the RevCOIN dongle has the same functionality of Square's device but is designed better.

Additionally, RevCOIN provides back-end reporting for merchants via an online merchant account center where transaction histories can be reviewed – both funds received from merchant customers as well as transactions conducted by merchants using the cards. Clifton said Rev is going to add a merchant marketplace to the service that will allow RevCOIN merchants to communicate with each other, as well as with their customers. The transaction fee for RevCOIN merchants is 2.55 percent per transaction, while Square charges 2.75 percent per swipe.

Filling the gap

Clifton said Rev didn't develop RevCOIN just because Square hadn't pursued the unbanked and underbanked



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merchant market – a market that seems designed for Square. But Rev did recognize that a service gap existed for those customers, which Clifton believes Rev is ideally equipped to fill.

Rev specializes in servicing unbanked and underbanked consumers with prepaid card programs in 12 countries, including India, Australia, Brazil and Mexico. RevCOIN is being rolled out in the U.S. market and will eventually be introduced into Rev's other markets.

"We think the U.S. is a great market," Clifton said. "And it's a market you sort of need to be in. ... But the real opportunities, at least the exponential opportunities, really are international. And that's where the real exciting part is."

Clifton has good reason to be excited, as attested to by a Total System Services Inc. (TSYS) whitepaper. In the second part of a two-part report entitled *Incredible India!*, TSYS Managing Director Amit Sethi wrote that mobile payments are set to surge in India, especially among its rural communities, where mobile phones are popular.

"[D]ue to the ubiquitous nature of mobile phones in India's rural environment, mobile payments could advance and gain deeper market penetration than traditional card-

based payments in India's 600,000 villages, of which approximately 550,000 have no access to banking, credit or Internet services," Sethi said.

Sethi added that awareness is high in rural India of the value of prepaid products linked to mobile applications, which "indicates a high likelihood that rural Indian consumers will accept mobile phones as their e-wallet for money transfers or other types of electronic payment transactions."

Knowing its users

Clifton said products like RevCOIN "democratize financial access, financial stability and financial services to a group of people who have massive potential." He realizes that better services for financially underserved people may mean they become banked, an eventuality Rev is planning for, as RevCOIN merchants will soon be able to transfer funds from their prepaid cards to bank accounts. "It's not just the magic of letting them take credit cards, but also giving them financial stability, financial access through this platform," he said.

And yet Clifton also recognizes that financial inclusion in traditional banking may not be the goal of many of Rev's customers. "We call them underbanked or underserved," he said. "They could just be smart." 📱

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Insider's report on payments**When mobile meets RDC**

By Patti Murphy

ProScribes Inc.

Here's an ironic case of cause and effect: checks have become so embedded in retail payments that widespread mobile payment adoption is a certainty – according to a May 2012 Aite Group LLC survey of payment acceptance executives. Asked if they agreed mobile payments were a "great" business opportunity, three out of four said they completely or mostly agreed; 16 percent were on the fence.

It's baffling that 9 percent of those surveyed disagreed with the statement. After all, the underlying technologies – remote deposit capture (RDC), smart phones and prepaid cards – are each experiencing extraordinary growth, and several companies are coming to market with products and services that pull the three together.

Even banks are angling for a piece of this market. "We're seeing a lot of banks that are interested in learning how to serve this market," said Terri Ferrise, Vice President of Sales at Cachet Financial Solutions Inc., a firm that specializes in RDC solutions.

Re-envisioning prepaid

Consumer adoption of prepaid cards is skyrocketing. According to Mercator Advisory Group, loads onto prepaid cards are growing at a rate of 42 percent a year. In 2011, U.S. consumers loaded \$57 billion on network-branded prepaid debit cards, according to Mercator.

Some of this growth is from low- to moderate-income people who have traded in checking accounts for prepaid debit cards. The so-called millennial generation is also driving the adoption curve. Until now, prepaid cards have not seemed an ideal replacement for bank accounts, however, because most people still receive checks, even if only once in a while. That's where RDC technologies come into play.

U.S. consumers will write and receive 7.4 billion checks this year valued at \$5.7 trillion. Checks given as gifts between family members and friends, checks for private sales (for example, used autos and recreational vehicles) and checks written to pay for professional services are just some of the 20-plus reasons people still write and need to cash checks, according to Drew Edwards, Founder and Chief Executive Officer of Chexar Networks Inc. Plus, at least 40 million working adults have no access to direct deposit of their employment income.

Based in Atlanta, Chexar supports some of the largest check cashing chains and other nonbanks with real-time check review and risk management. Chexar uses a combination of remote capture technologies, sophisticated databases (from its own historical information to insights culled from social media websites) and rules engines to support real-time check review and risk management.

The company's clients include some of the largest non-banks, as well as financial institutions seeking inexpensive ways to serve the unbanked and underbanked.

Chexar built and operates Spyke, The Good Funds Network, which makes it possible for any consumer to cash any check and have good funds posted to a prepaid debit card with a simple tap on a smart phone.

There's no cost to customers willing to wait a few days for

Mobile pay: Are we there yet?

Not convinced mobile payments are the future? Consider these facts:

- 87 percent of U.S. consumers had mobile phones in 2011; among individuals ages 18 to 24, just 5 percent did not have mobile phones, according to the Federal Reserve Board report released in March 2012.
- 21 percent of U.S. consumers with mobile phones and bank accounts use mobile devices to conduct banking transactions with some frequency, the Fed said.
- Among community bankers participating in the Independent Community Bankers Association 2011 Payments Survey, 47 percent planned to offer mobile payments in 2012.
- Rev Worldwide recently launched RevCOIN, a smart phone app that's paired with a prepaid debit card. Businesses pay 2.55 percent of the ticket to accept card payments and get same-day funds posted to their prepaid cards.
- Mitek Systems Inc., a provider of mobile check deposit software, reported in May that 109 banks and credit unions were running its MobileDeposit remote check capture solution, and 333 others were in queue. In the six months ending Dec. 31, 2011, its software enabled \$10 billion in mobile check deposits, Mitek said.



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"Basically, we're making three-day loans," Edwards said. Spyke devised a Portable Personal Pricing formula that provides a Spyke Score for each individual. The more data Spyke collects on customers, the higher their Spyke Scores and the less they pay for immediate good funds. "We get to know our customers real well," Edwards added.

Chexar has made several strategic acquisitions recently in support of Spyke, including the purchase of DemystData, which collects and analyzes online and social data.

When I asked Edwards about that acquisition, he said, "There's a horde of information out there that everyone has access to; they just need to know how to decode it. It's cheap, and it's not credit data." For example, if someone writes a status update on Facebook about quitting his or her job, that is factored into the individual's Spyke Score.

Spyking your pay

"The real potential is for a PayPal-like direct consumer play," Edwards said. This is not necessarily to the exclusion of financial institutions and prepaid companies, but Edwards said he does want Spyke to become part of the

modern vernacular, as in, Hey Honey, I'll be right there, as soon as I Spyke my check and pay a few bills. (The name is catchy, but while writing this column, I found myself transposing letters and writing Skype instead.)

Regions Financial Corp., based in Birmingham, Ala., has been using Chexar's network for about a year to reach the 30 percent of bank customers who also use alternative financial services providers such as check cashers. Called Regions Now, the product is more than just a prepaid debit card or check cashing service; it also supports online access, money transfers and electronic bill payment services.

According to John Owen, Regions Senior Executive Vice President and Head of Lines of Business, about half of Regions Now cardholders are new to the bank, and about one in 10 graduate up to traditional checking accounts.

Regions also offers walk-in check cashing for its customers and noncustomers alike through a network of 1,700 branches in 16 states. It also makes ample use of ATMs and other self-service devices that make it cheaper and easier to handle checks. 

Patti Murphy is Senior Editor of The Green Sheet and President of ProScribes Inc. She is also the founder of InsideMicrofinance.com. Email her at patti@greensheet.com.

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A lifetime commitment to POS evolution

In 1980, a time when electronic payments were far from ubiquitous, Jean-Jacques Poutrel and Michel Malhouitre founded the small French start-up Ingenico Inc. Their mission was to invent electronic payment terminals that would ease the daily life of both retailers and consumers. The company has since evolved beyond what anyone could have imagined 32 years ago. And now Ingenico is primed for the revolution in payments taking place on U.S. soil.

With over 17 million terminals deployed in more than 125 countries, Ingenico has documented a rich history of supporting emerging payment forms through innovative technology. It launched the first dual mag stripe and chip smart terminal in 1984, went public on the Paris Stock Exchange in 1985, and then expanded into such markets as Latin America, the Asia-Pacific and North America to claim an estimated 39 percent stake in the global POS terminal market.

In April 2012, when *The Green Sheet* interviewed Thierry Denis during the Electronic Transactions Association's 2012 Annual Meeting & Expo in Las Vegas, he had just completed his first year as President of Ingenico North America. Prior to 2011, the Ingenico veteran of 21 years had served as a senior executive in the Asia-Pacific region, including five years as Managing Director of Ingenico's Australian subsidiary.

Joined by a seasoned leadership team, Denis faced the immediate challenge of upgrading North American merchants to Europay/MasterCard/Visa (EMV)-enabled terminals, first in Canada and then in the United States, as mandated by the major card brands here.

Good genetics

"The two things that are really happening in this market are EMV and mobile payments, so all the players need to be aware of what is going on, what is available and making sure that they get ready for it," Denis said. "EMV is really our DNA as a company worldwide. We were always at the forefront of EMV. Now that it is finally happening in the U.S., I think that is key."

According to Denis, Ingenico has drawn upon its core Canadian EMV application as a foundation for the U.S. market. "We've got a base which is proven in Canada," he said, noting that the company is doing extensive customizing for customers in the United States. "I think that's what we bring on the technical level, that expertise in terms of what are the bottlenecks when you want to do EMV," he said.

Denis also pointed out that as a global manufacturer, Ingenico recognizes there are regional differences in how payments have been processed, historically. "You're going to have to train the merchants," he said. "It's a different way of doing transactions."



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In the United States, where card transactions often involve a signature, the transition may take longer than in Canada, where cardholders were already accustomed to debit and PIN and were thus able to assimilate chip and PIN rather smoothly.

"It's not going to be an easy, simple transition like simply switching a terminal," said Svy Nekrasas, Ingenico North America Vice President of Marketing, who was also present at the ETA meeting. "This is a whole shift in paradigm, how you transact."

Nekrasas noted that in Canada, talk about EMV migration began back in 2003. "The actual transition happened last year, so there is a big time frame required for that," he said.

Gregory Boardman, Ingenico North America Senior Vice President, Software and Development, said in an ETA panel discussion on EMV that switching to EMV requires merchants to leave their comfort zones, and that Canadian merchants who didn't accept EMV were pressured by those who did. He also said reprogramming older equipment to support EMV is rare, except when a system is already enabled with EMV hardware and software.

More than EMV

Beyond the EMV mandates, Ingenico developed its POS technology to leverage merchants competitively. "EMV is not only for big-box retailers – EMV is for everybody," Nekrasas said.

"Today, all these devices that we're bringing to merchants actually put them on the same level as the big-box retailers, because they have the functionality, they have the ability to engage customers and they have multimedia capabilities, so they open up a different way of transacting," Nekrasas added.

To future-proof merchants' POS investments, Denis advises ISOs to also consider near field communication (NFC). "We don't know how quickly NFC is going to come up," he noted. "Now that we are looking at the mobile world, things are going out faster. You should probably hedge your bet and have at least a portion of your estate with NFC so that you can respond to the demand very quickly. I think it's very important."

Considered an early pioneer in contactless payment technology, Ingenico has invested heavily in research and development over the years, with approximately 25 percent of its staff dedicated to R&D. Teams are tasked with designing systems that integrate a multitude of payment forms, ergonomics, multimedia functions and state-of-the-art connectivity, as well as security that meets the latest certification standards.

One leading example was the development of the Telium 2 operating system platform. Because the platform can be deployed across multiple devices, it has reportedly

streamlined production costs for Ingenico and simplified the process of integrating new applications and services, including loyalty and prepaid programs, as well as multiple language and currency options.

"What's important is when we take a customer through EMV, and they start investing in EMV with Ingenico, they know they can go from one device to another without having to change anything," Denis said. "It's all the same technology, the same platform. So to know that we rely on the same platform, the same software going from one type of device to the other is an added security and safety feature for the customers."

ISO breadwinners

For ISOs, the iSC retail and iCT countertop series are the workhorses in the Ingenico line. The iCT250 model has a backlit keypad and LCD display; comes embedded with contactless, EMV and mobile NFC-based payment technologies; and offers serial, USB or Ethernet connectivity.

Built around the Telium 2 architecture and EMV level 2 kernel, the iCT series is PCI PTS V3 and EMV certified. An optional customer-facing iPP220 or iPP320 PIN pad can be added.

The new iWL mobile POS series is Ingenico's most compact and lightweight to date. The secure, pocket-sized iWL terminal accepts the same forms of payment as the iCT; it also features short- and long-range wireless capabilities.

"It's a very successful product worldwide, very successful in Canada," Nekrasas said. "We released it at the end of last year. I think it's going to be a big player in the U.S." where growth in mobile payments is expected to accelerate.

For merchants who prefer to process payments on their electronic tablets, Ingenico offers several options, "one being having the tablet and the iWL as a companion device, so the merchant can initiate transactions on the tablet and process payments on the iWL through a Bluetooth link," Denis said.

Another innovative product is the iSMP, Ingenico's Smart Mobility Payment docking sleeve, which is designed to convert any Apple Inc. iPod Touch or iPhone into a smart EMV chip and PIN secure payment solution. In partnership with iMobile3 LLC and ROAM Data Corp., Ingenico recently launched iMRP, an open mobile retail platform that integrates the iSMP to enhance in-aisle and on-site mobile sales.

Calling on partners

In the first half of 2012, Ingenico formed a number of strategic alliances to strengthen its U.S. foothold. In January, the company enabled its POS terminals to accept PayPal Inc. payments, and in March it became a

Company Profile

partner in Isis, the mobile commerce entity formed by JVL Ventures LLC. Also in 2012, Vantiv Inc. partnered with Ingenico to deliver EMV, NFC mobile and secured encrypted payments to its U.S. merchants. Chase Paymentech Solutions LLC selected Ingenico's iCT250 POS terminal for sale to U.S. customers. And The Phoenix Group signed a multiyear agreement to market the Telium product series to U.S. ISOs.

In addition, POS Portal Inc. recently became an Ingenico Telium product distributor for POS Portal's expanding ISO network.

"POS Portal is very much a technology-based company, and we strive to offer all of our clients a variety of equipment," said Joe Villamil, Vice President of Business Development at POS Portal. "Based on the relationship that we built recently with Ingenico, it appears they have a very strong commitment to the U.S. market.

"What Ingenico is delivering right now with their new line of Telium products are devices that are reasonably priced and prepare our clients for EMV, contactless as well as 3G wireless, which is something that is very important to all of our clients."

While Ingenico does offer its own On-Guard point-to-point

encryption and tokenization product, the company also partners with other security solutions providers. For example, First Data Corp. integrated its TransArmor data encryption and tokenization technologies across the Ingenico Telium line for retail customers in the United States.

Voltage Security Inc. recently integrated its Voltage SecureData Payments end-to-end encryption technology with Ingenico's iSMP smart mobile EMV-enabled payment devices.

"By joining forces with Ingenico, we're able to offer retailers a high-security solution that enables them to accept mobile payments from customers while maintaining PCI compliance in their own store environments," said Mark Bower, Voltage Vice President of Product Development.

It is a point of pride for Ingenico that it is both comprehensive and versatile. "What we like to do with our customers is tell them that if you want us to solve every piece of the puzzle, we can," Denis said. "We can provide you with all of our solutions from A to Z.

"However, if you have a different partner in terms of end-to-end encryption, for example, we don't have a problem with that. That's what we want, to make sure that we're customer-centric and very flexible." 



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The Prepaid Press

tppExpo'12

Highlights: Research indicates the prepaid industry has grown in three distinct branches: calling card, wireless, and gift card and alternative payments. These three sectors converge at the retail level, but are still approached as different industries. The Prepaid Press Expo 2012 (tppExpo'12) prides itself on being the only trade event that focuses on the convergence of all prepaid products and services.

The event is recommended for anyone involved in producing or selling prepaid services. Among the benefits for attendees and exhibitors are opportunities to network with customers across all prepaid distribution channels, conduct face-to-face business with new prospects and reach prospects unavailable elsewhere.

When: Aug. 6 – 8, 2012

Where: Paris Hotel, Las Vegas

Registration:

<https://secure2.rhq.com/tpp/tpp2012/attreg/index.cgi>



Women's Network in Electronic Transactions (W.net)

Career & Leadership Summit

Highlights: Strategies for Advancement: Aligning Personal Talents with Professional Opportunities is the theme of W.net's annual leadership summit, which opens with an evening reception. On the main agenda are a Diva Awards ceremony, educational sessions and a networking reception. Featured guest speakers include Lifedesigns LLC President and Chief Executive Officer Gail Blanke, *Selling in a Skirt* author Judy Hoberman, AT&T Vice President of Advertising Valerie Vargas, and Transformational Leadership Inc. CEO Henna Inam.

W.net's LINC meetings occur periodically throughout the United States and provide a forum for women in the payments industry to empower and inspire each other through networking opportunities.

When: Sept. 10 – 11, 2012

Where: Hyatt Regency Hotel, Atlanta

Registration: www.w-net.biz



WesPay

Payments Symposium 2012

Highlights: Quality education at a reasonable price is the aim of Payments Symposium 2012. In keeping with that goal, the event offers networking opportunities with hundreds of payment professionals, credits for those seeking to gain or renew their Accredited Automated Clearing House Professional or Certified Treasury Professional status, information on the latest developments in the payments industry, and guidance from leading industry experts.

Headliners slated to speak at the symposium include Lee Wetherington, Director of Strategic Insight at ProfitStars, Jim Van Dyke, President and founder of Javelin Strategy & Research, and Janet Estep, President and CEO of NACHA – The Electronic Payments Association.

When: Sept. 17 – 18, 2012

Where: Hard Rock Hotel, San Diego, Calif.

Registration: www.wespay.org/symposium/registration.htm



Western States Acquirers Association

WSAA 9th Annual Conference

Highlights: WSAA's 9th annual conference will provide networking opportunities and a chance to participate in breakout sessions and panel discussions about key issues impacting the payments industry. Keynote speaker Jeffrey Hayzlett, a former Fortune 100 business executive and author of *The Mirror Test* and *Running the Gauntlet*, will present fresh perspectives on professional development, mass marketing and social media.

Attendees who register for the optional golf tournament in Fountain Valley's Mile Square Golf Course will be treated to a continental breakfast, opportunities to win prizes and barbeque lunch afterward. The conference site is situated on the sprawling sands of Huntington Beach, Calif., also known as Surf City, U.S.A.

When: Sept. 26 – 27, 2012

Where: Hyatt Regency Resort & Spa, Huntington Beach, Calif.

Registration: www.westernstatesacquirers.com



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Size matters continued from page 1

Cardilli offered an example of how this can work. "If you spend 10 bucks at a traditional fast casual [restaurant], you're probably dining alone," he said. "If you're spending 40 bucks, you're probably having lunch with a colleague. If you're spending 80 bucks, you're probably a family of four."

From this information, Truaxis builds spend patterns that are geographically specific to where individuals make purchases – not just cities, but individual neighborhoods and pockets within neighborhoods, Cardilli said. And then Truaxis formulates these insights into real-time services that help FIs provide greater value to their customers.

For instance, Truaxis' StatementRewards program embeds merchant rewards and discounts into online financial statements. Below a transaction line in a credit card statement showing a purchase at Amazon Inc. may appear a discount offer from Amazon – with a "click here" link for a reward for customer loyalty. Or below a DVD purchase from Blockbuster might be a discounted offer from its competitor RedBox.

"We have taken the information in real time and contextualized it," Cardilli said. "OK, based on your transactions, here's the deals that we think have the highest probability of being of interest to you."

Cardilli noted Truaxis can also help customers analyze bills to find savings, locate gas stations with the cheapest fuel prices, and steer them toward more affordable cable television and wireless phone services, given individual usage patterns. These services originate from the volume of transaction data that would otherwise sit unused in the memory banks of some institution's nameless server. "Essentially we're setting the data free," Cardilli said.

Big, bad and good

In another example, gift, loyalty and stored-value account processor SparkBase LLC gets its big data from the reported million-plus transactions processed daily over its network. SparkBase CEO Douglas Hardman said the Cleveland-based company is in an opportune position to take advantage of big data, simply because SparkBase operates the network over which the transactions are processed.

Added to the more common transaction details, SparkBase has direct access to the personal information and spending histories of the cardholders who enrolled through merchants in SparkBase's white-labeled loyalty and reward programs.

"We can build a very rich database very quickly with really not much more data than the credit card processors are getting," Hardman said. "We just have better access to it because it's happening in our ecosystem."

Among the data SparkBase has access to: the name of the clerk who processed the transaction, the serial number of the terminal over which the transaction was accepted and the exact location of the consumer if the consumer used SparkBase's mobile wallet Paycloud to make the transaction.

When transactions hit SparkBase's network, additional information augments the data, including variables such as merchant specials presently being offered and how merchants interact with their customers, which then triggers offers back to consumers.

"Within 20, 30 milliseconds, we can determine [that a customer] is eligible for this reward because he just purchased these two SKU [stock keeping unit] items and is making the purchase between these hours," Hardman said. "Those are all the things we have to do in real time. When you have the customers' mind-share, you need to be able to use it."

SparkBase merchants also take advantage of that mind-share in real time through SparkBase's Loyalty Star dashboard, which gives them access to transactions occurring in-store right then and there.

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"For purposes of triggering a reward, or triggering a text message, or, hey, you've reached \$1,000 spend in the last 120 days, you're entitled to a free this, or a \$100 coupon, or whatever it is that the merchant has specified," Hardman said. It is therefore not enough that a company has access to big data; it is equally important what is done with it. "All the big data in the world doesn't make up for a bad product," Hardman added.

Big privacy

With all this data being collected on consumers – arguably "behind the scenes" or without consumers' full knowledge or consent – privacy concerns naturally arise. In a February 2012 article in the *Stanford Law Review* entitled "Privacy in the Age of Big Data: A Time for Big Decisions", Stanford professors Omer Tene and Jules Polonetsky wrote, "The tasks of ensuring data security and protecting privacy become harder as information is multiplied and shared ever more widely around the world."

That expanding data footprint and the global awakening to the ways it can be exploited concern Rainey Reitman, Activism Director at the San Francisco-based Electronic Frontier Foundation. "I think we're increasingly living our lives in digital spaces, where our everyday interactions have a data trail associated with them," she said. "Everything from what we're interested in, what we search for, what we buy, what we email."

Reitman pointed out that consumers are often unaware of the digital crumbs they leave behind and lackadaisical about privacy policies they hastily agree to.

On the other side, companies that collect and trade in big data are not always

upfront about their policies or their intended use for the data, she said, mentioning Facebook as one company that has collected data under one privacy policy, only to suddenly change it.

The dilemma is thus one of a somewhat ignorant user base combined with companies that may fudge or cross ethical lines in the pursuit of profits. It is a complex issue of consent, and levels of consent, according to Reitman.

She offered this hypothetical: "I want to be able to shop online and go and look at websites and engage in various practices and do certain things online. I don't want that data to be used for marketing purposes. I simply just don't want to do it. Is there no option out there for me? And, frankly, there isn't."

As far as Truaxis is concerned, it treats personally identifiable information (PII) as radioactive, according to Cardilli. "We are very careful not to receive any PII from financial institutions," he said. "We don't want it. ... And we basically help the banks in anonymizing the data before they send it to us. We're just interested in patterns. We're not interested in any specific information on specific people."

Hardman said SparkBase upholds strict data usage agreements under which the sharing of one merchant's consumer data with another merchant is forbidden. But Hardman is less circumspect about privacy as it relates to loyalty and reward programs.

"I'm not doing anything with that data that you're not comfortable with," he said. "When you sign up for any of these programs, signing something that says, 'Hey, look at my data and incentivize me more accurately,' that's literally the sentence that you're signing. If I could make it that easy on the form without lawyers, I would."

In fact, Hardman stressed that the data SparkBase captures is for the benefit of consumers. "We're not selling you anything extra," he said. "We're not pushing your data to anyone. We're not selling or renting your data to anyone."

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What is a greenfield project?

A greenfield is a project that has no limitations imposed on it by prior endeavors in the same sphere. The term is derived from the construction realm, where greenfield land contains no structures that require remodeling or demolition.

Your data lives in that server for your purposes. And the moment you uncheck the box to stop sending me emails, you stop getting emails. When you check the box to stop getting text messages, you stop getting text messages."

Big and green

In a podcast, Duncan Stewart, Director of Deloitte Canada Research and co-author of Deloitte's annual research publication, *TMT Predictions*, said big data jumped from a \$100 million market in 2009 to a \$1 billion to \$1.5 billion market today, with 90 percent of Fortune 500 companies planning their own big data initiatives.

But the advancements in big data may come at the expense of brick-and-mortar merchants. Companies like Google Inc., PayPal Inc. and Isis, with their mobile wallet ventures aiming for market saturation, threaten to sever

the delicate relationships retailers have built with their consumers, according to Crone.

He said retailers are being displaced as mobile wallet players become the enrolling agents when consumers sign up for Google Wallet or a competing offering. The pipeline of transaction data that would normally flow to merchants through loyalty and reward programs is instead being diverted.

For example, customers with mobile wallets open on smart phones walk into stores to do nothing more than comparison shop. "That's called show-rooming," Crone said. "And merchants are not very happy about it.

"You walk into a Best Buy, and PayPal Local is showing where you can buy it on eBay. Or use PayPal's other app, known as RedLaser, and you're scanning bar codes and they tell you to buy that on eBay or anywhere else."

One of Crone's retail clients told Crone that his company worked hard to differentiate itself from its competitors through merchandising and customer service, only to be reduced to a warehouse by mobile wallets.

Crone's advice is for brick-and-mortar retailers to develop their own mobile wallets to keep customers loyal and retain control of their data. This is where ISOs and merchant level salespeople come in.

"The first thing an ISO should be worrying about is how to empower a merchant with their own shopping app," Crone said. He would steer ISOs away from near field communication (NFC)-enabled solutions, as he believes NFC payments are merely an attempt by the card brands to extend their control over the physical POS; instead, ISOs should investigate other solutions, such as bar code-based POS offers that leverage smart phone cameras.

Reselling a white-labeled mobile wallet solution may be the way for ISOs to go. SparkBase's Paycloud is one example; Fidelity National Information Services Inc., in partnership with Paydiant Inc., offers another.

Crone made it clear: by providing mobile wallets to retailers, ISOs can not only protect their existing revenue streams, but they can also participate in the benefits that flow from big data. "This is a greenfield opportunity for them," he said. ■

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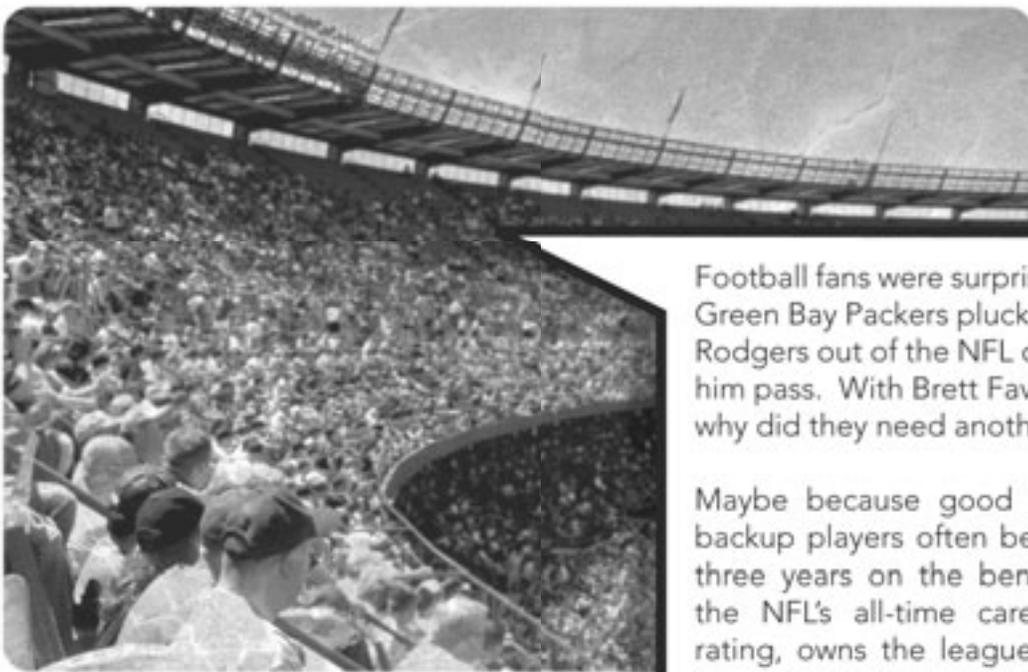
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ADVISORY BOARD

New times, new strategies: What are you doing?

The rapid speed with which the payments landscape is transforming requires ISOs and merchant level salespeople (MLSs) to be nimble so they can remain competitive. With that in mind, we asked members of *The Green Sheet* Advisory Board the following questions.

1. What new business strategies are payment businesses employing right now?
2. How do you know when the time is right to sell (or buy) a business?
3. How do you evaluate new business models and determine when is the right time to adopt a new model?

Following is a portion of the responses we received. Additional answers will be published in future issues of *The Green Sheet*. Many thanks to those who took the time to share their knowledge via these questions.

Andrew Altschuler

AmeriMerchant – CanaFunding

Payment businesses are targeting small merchants in the following ways:

- Emphasizing in-store incentives via gift cards and loyalty cards that emphasize geography. For example setting up a program with the local municipality where a rewards card would work in a local town.
- Emphasizing a shop local campaign. This has also been done by American Express on a much larger scale by their Small Business Saturday campaign (<http://smallbusinessaturday.com>).
- Providing rebates and cash incentives if you switch your payment processor.
- Offering merchant advances for merchants who have cash flow issues.
- Providing discounted or free point of service equipment.

Joe Creegan

Credomatic USA

1. I believe the payment business is shifting from being a

"financial service" to a technology business, the old way of selling on rate, reviewing and analyzing statements, etc. is getting harder and harder to be successful at; today merchants are looking for integrated solutions where payments are part of a total business system, specifically POS systems for retail and restaurant merchants.

The stand-alone credit card terminal is going the way of the fax machine: everyone has one, but nobody uses it anymore, as whoever controls the POS system today, in many cases, controls the payments. So we have embarked on marketing cloud-based POS systems that integrate our payments with complete software and hardware solutions that control retail and restaurant merchants' operating costs, and improve customer service and accountability. It is a longer sales cycle and more involved, but the rewards are higher volume merchants with less attrition and upfront income to our sales partners on POS system sales, replacing lost revenue from the decline in terminal sales and leases.

I believe the paradigm shift from stand-alone terminals to integrated systems has been in place now for the last few years and the new "agent bank" is now software developers and POS resellers, as many ISOs are marketing exclusively through these channels for payment processing. ISOs like ourselves who primarily use the traditional MLS and ISO/agent channel need to focus our sales partners into selling the total solution, including POS systems, to compete against VARS, POS resellers, etc. eroding our merchant base.

2. I believe today offers exceptional opportunities for progressive ISOs to grow their business by not only acquiring smaller ISOs and sales offices but also evaluating technology companies that complement payment processing to offer a "total solution" to gain market share. Many ISOs are in the POS business today, either reselling other people's product or selling their own solution, and acquisition opportunities today in this industry include purchasing other sales organizations so that you can leverage their technology infrastructure, existing customer base and products to grow your merchant portfolio. In my opinion there is no concrete answer to this question, other than to be open to evaluating other opportunities to grow your merchant portfolio with complementary products, with the focus always being on growing your merchant base and increasing processing volume.

3. I believe we always need to be open to change, especially in this industry with integrated systems, mobile payments and new players entering the marketplace including Square, Google Wallet, PayPal, etc. The new technology has put new players into the payments business, and if we ignore them now, they could be eroding our merchant base a few years from now.

I believe no one can be all things to all people; however, we need to focus on growing and keeping our merchant base, and if we need to enter a new business to protect our current business, then we have to make that move.



We need to make sure this is a product or business venture that is sustainable for years, not just a few accounts; we need to make sure our staff can be trained to operate this new model or technology and we can market and, most importantly, support it – if the answer is yes to the following questions:

- Is this new model going to allow us to reduce attrition in our portfolio while growing our portfolio into new markets, either vertically or geographically?
- Can my sales staff be trained in this new model or product line quickly and efficiently?
- Can my support staff handle this new business model or product line without increasing overhead significantly?
- Can we consistently sell and support this new product routinely on a monthly basis?

If the answers to the above are all yes, then we can move forward with expanding our product line, or tweaking our business model to grow our core business: payment processing.

Biff Matthews

CardWare International

1. The time to sell a business is:

- a. When it is no longer fun, and the leader has lost the vision along with the drive
- b. Well before the top of the bell curve in the life cycle of every business
- c. If the deal is too sweet to pass up
- d. When the owner is out of balance with family, personally as well as spiritually
- e. When the current business is standing in the way of a new, more exciting, more profitable undertaking

2. The time to buy a business is unique for each buyer and business situation. (If the person reading this does not know when to buy a business, then he or she should not be in business, period.)

Buying a business is:

- a. Leveraging strengths
- b. Back-filling weaknesses
- c. Acquiring technology, customers and/or geographic presence
- d. Where the sum of the whole is greater than the sum of the parts
- e. Buying offers the better ROI option
- f. The right opportunity presents itself
- g. The current business has reached a plateau or is at

the top of the business life cycle bell curve

3. Having successfully completed four reinventions of the company, what caused me to adopt new models were:

- a. Sustained plateau in revenue
- b. Major shift in the economy causing an almost stagnation by customers and potential customers
- c. Evolution of the industry, such as the shift from manual to electronic processing, and now the shift to mobile payments and inexpensive yet robust POS systems
- d. When I finally saw the opportunity that had been there for over three years with existing customers saying, "I want" and "I need"
- e. When capital-intensive infrastructure such as people, places and things are underutilized, leveraging that infrastructure – for example, we initiated a local answering service because we could not keep our night support staff busy, and already we had an underutilized enterprise-level telephone system and support software
- f. When you can repurpose what you already have

Cliff Teston

Signature Card Services

1. I prefer to stay away from generalizing since each business is unique and adapts differently to changes in the payments marketplace. As for Signature Card Services, we frequently evaluate what worked for us in the past and what did not. We let go of strategies that were not successful, and we try to enhance the ones that worked.

For instance, we had to eliminate the upfront compensation when everybody around was offering it. It was a risky move but it allowed us to offer higher residual splits and lower cost. As a result, we were able to attract serious agents who are interested in growing and maturing their portfolio with us. That allowed us to focus on involved players who were looking for not only quantitative expansion, but also for quality growth, that is, evolving their operations into an ISO-level firm. We foster these ambitions and have all the necessary mechanisms to support them.

Additionally, investing into emerging payment technologies outside of merchant services works well for us. We believe that it's important to fearlessly embrace innovation even if at first it presents a threat to your model.

2. When you buy low and you sell high.

3. Agents should be able to rely on their ISOs as a resource for providing informational support and tools in evaluating their business models. At Signature we offer cutting-edge business intelligence to analyze effectiveness and profitability of these models. ■

Education

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Why should a merchant be fired?

By Jeff Fortney

Clearent LLC

After World War II, my father held one job until he retired. Sure, his responsibilities changed over those 37 years, but it was all with one company. Like so many in his generation, he feared two little words: You're fired. He worked very hard out of fear that one day he would not be needed anymore. His philosophy was to give more than was required and be a team player at all times. His loyalty was continually rewarded. In fact, when he said he wanted to retire, the company offered him a big raise to stay.

Today, few seem to fear those words. Many members of Gen X and Gen Y have heard them more than once, but few have battle scars from it. Developer Donald Trump unsuccessfully attempted to trademark the phrase "You're fired!" to capitalize on his renowned use of it. On his television show "The Celebrity Apprentice," stars seek to rebuild their reputations and increase their popularity. Astonishingly, they wear with honor the badge of being on the receiving end of Trump's catchphrase.

Although fear of those words has waned, job loss is still one of the top five fears. So, when faced with the need to terminate someone, we often hesitate. In the payments world, that someone is often a merchant.

When termination is merited

We've all known merchants who pushed the boundaries. Some demanded impossible levels of service. Others abused staff members, making them hesitate to take or return their calls. Sometimes, offsetting circumstances prevent us from firing these merchants. However, extenuating circumstances are often just used as an excuse for a merchant's bad behavior.

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The experienced ISO or merchant level salesperson (MLS) knows that instances arise in which a given merchant's departure would be best for both parties. The challenge, though, is in identifying these instances. Why should a merchant be fired?

To evaluate a difficult merchant, you must first forget your emotions and think logically. You've probably wanted to fire a merchant who has called and started screaming at you. You wanted to react in kind, but you behaved professionally and held back. In a call like this, you must recognize the emotions involved. Don't allow yourself to react with an emotionally charged response. After the emotions have subsided, examine the situation to see if the merchant fits any of the following questions.

1. Does the price justify the pain?

It all starts with how much value a merchant provides. Does the merchant's revenue justify your pain? GS Online MLS Forum member **JMATHIS** reduces it to a simple algebraic formula: "If the merchant generates X and your staff is paid Y and if X exceeds Y per hour, how many hours is the merchant costing us? If X per month is less than Y and the merchant calls in all of the time and my team has to get me involved, I would tell the merchant 'You're fired.'"

Some merchants provide enough revenue to justify their

neediness, but they must be watched closely. "I had to fire a merchant one time," said **MR.BANKCARD**. "In fact, I'm hesitant to call [him] a merchant because [he] did next to no volume – less than \$500 a month. He wanted me to give him everything for nothing. After ... a few years, he wanted me to waive his monthly minimum, which was the only way I was making any money whatsoever. It became clear that he was not worth my time, nor my ISO's."

Don't forget to factor in the cost of your pain and suffering. Determine if the actual cost plus the emotional cost exceed the revenue earned. If they don't, the merchant is a candidate for termination.

2. Is the merchant high maintenance?

You know the type. He's a merchant who demands a level of service far beyond what anyone can continuously provide. A friend recently shared a perfect example. He had a merchant relationship that started off very profitably. Because my friend was relatively new to the business, he didn't want to risk losing the merchant. So he made it a practice to drive to the merchant's location every month to go over his statement. The merchant then began asking for free paper and specialized reports. He also made threats to leave if his demands were not met. My friend obliged and watched his margin shrink.

Finally, one month he was out of town when the statement arrived. He got a call on his cell phone. The merchant screamed at him because he wasn't there to review his statement. The merchant gave him 45 minutes to get there, or he would leave for another processor. By this time, my friend had built a decent portfolio. Moreover, his return on the merchant had eroded significantly due to his demands on the ISO's time, services and freebies. This is a prime example of a merchant who should be fired.

ASR3 offered a similar story and put it very succinctly. "Last month on Mother's Day at 7:02 p.m. while I was with my family, a high-maintenance merchant called to chew me out because I didn't show up last week to go over her statement. I told her to contact her bank and see if they would send somebody over." In this instance, termination was an easy decision.

3. Is the merchant trying to deceive you?

While the majority of merchants are good customers, some can be deceptive. Now, it's important to note that some are purposely deceptive, whereas others are unintentionally misleading. Take, for example, a merchant who is about to open his store. He has to be optimistic that he will succeed, otherwise he will fail. Overly optimistic merchants may provide inflated expectations as to average tickets and volume. This is quite common. However, it can result in a misquoted price. Add to that issue the merchant's growing service level demands, and you have a recipe for disaster. Something must be done to correct

the error. You could initiate a rate increase, or possibly terminate the merchant.

Cases of intentional deception can be either blatant lies or just failure to keep promises. We've all had merchants lie to us. Some lie to conceal facts about their existing relationships. Merchants have no excuse for lying, and often their past actions will resurface, leading to termination for cause.

Some merchants push for price reductions below your normal threshold, promising to deliver future business referrals in exchange. Reps often agree because such merchants can be very convincing. Don't be surprised when these merchants become demanding, refusing to send you referrals until you fix one issue after the other. In many cases, the issues are perceived and are not true problems. The result is a merchant with high demands who hasn't kept his promise of future referrals. If that puts you at a price you normally wouldn't have offered, it may be time to terminate.

Head the problem off at the pass

Remember, the best time to fire merchants is before signing them. As MLSs gain experience, they begin to recognize merchants with the potential to fit into the categories above. Most will choose not to sign them. As **JGARZA** said, "Imagine the lost revenue and time spent. Pain in the behind in the beginning equals pain in the behind in the end!"

The challenge is that not all merchants present enough information to keep you from signing them. Even the most experienced rep can find himself in need of firing a merchant.

Review your rights, consider an alternative

Before even attempting to terminate a merchant, fully understand your rights within the merchant's contract. Almost every contract stipulates grounds for termination. Know your options before acting. If your grounds for termination are that your expense to service the merchant far exceeds your profit, you may have an alternative. **CARDPLAYER** gave an example: "Why just say goodbye? Why not raise the price with the appropriate explanation of time spent, etc., and give them a chance to stay? If they leave, it's of their own volition, not because you fired them. If they stay, hopefully they'll be worth your while, and your profit will be commensurate with your efforts."

NWBC also believes in the price-increase approach. "I created a rating system that compares the profit from a merchant with the cost of servicing. It includes all costs, such as time spent on the phone, techs needed on site, supplies, terminals, etc. Once a merchant's rating fell to ... [nearly] break even, we sent them a letter informing them of a rate increase; some stayed, some left."

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Aaron Slominski
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If you take this approach, make sure you abide by the merchant agreement. Some may require a 30-day notice to raise rates; others might not allow any rate change. If you decide to terminate a merchant, protect your position. From a legal standpoint, it's quite similar to terminating an employee.

Follow these guidelines:

- Communicate the termination orally, and follow with a written communication restating the termination and the grounds.
- Be very clear in stating the reasons, and stick to the facts. Avoid vagueness.
- Accept part of the responsibility for the situation.
- Be firm on the decision.
- Be specific on the timeline and date by which you expect the merchant to move.
- Provide alternative processors' names and contact information.

Don't wait for the next time you talk to the merchant to terminate him or her. Instead, contact the merchant as soon as you have all your facts. When you make contact, have the communication prepared, and don't allow other factors to turn it into an emotional call. Also, don't let it become a debate. The decision has been made. You have nothing further to discuss, so don't let it become a lengthy conversation.

Firing as behavior modification

Even though it may be the right thing to do, most ISOs and MLSs will tell you that firing a merchant is a rather unpleasant experience. They remember the hard work they put in to signing the merchant, and they feel they have failed.

Sometimes, though, a merchant may surprise you. **COACHBOB** recounted such an instance: "We had a merchant that called every day for months complaining. He hated the agent and wouldn't deal with him. He told us over and over how bad we all were, how he didn't like us, and [he] was always nasty and sarcastic. I finally told him he could go back to his old provider or find a new one. He was stunned."

But eventually, **COACHBOB** "noticed that he kept processing, which led me to call him back. As it turns out, he didn't want to leave! That was about four years ago, and I haven't talked to him since. Talk about a win-win!" 📧

Jeff Fortney is Vice President, ISO Channel Management with Clearent LLC. He has more than 17 years' experience in the payments industry. Contact him at jeff@clearent.com or 972-618-7340. To learn about how Clearent can help you grow faster and go further, visit www.clearent.com.

Cooperation, social strategies combat fraud

By **Nicholas P. Cucci**

Network Merchants Inc.

Instead of relying on outdated security methods, banks are beginning to fight fraud with new technology and social engineering. To borrow a concept from self-improvement guru Tony Robbins, within the payments industry, we are in a state of constant and never-ending improvement, or CANI.

Banks across the board have increased customer and employee education to battle online fraud. Financial institutions are adopting special social-engineering training and vulnerability testing.

One of the best social engineering adoptions most banks have made is the ability to send mobile alerts to customers regarding their accounts. Banks now send short message service alerts when accounts reach or exceed limits set by customers. This is having success because some fraudsters go for everything, withdrawing the allotted daily limit in one transaction.

Communication and vigilance

Third-party processors are also playing a stronger role in helping banks and credit unions mitigate risk and detect cross-channel fraud. Some examples of groups supporting this cause are the Merchant Acquirers' Committee (www.macmember.org) and the Association of Certified Fraud Examiners (www.acfe.com). This support opens the communication channel and greatly reduces cross-channel fraud. Members of both groups must qualify to join and take part in the fight against fraud. This is an absolute win for the payments industry.

Fraudsters are very hard to catch; they hide easily behind a company with a fake proxy. Skimmers are even harder to detect because their devices can be installed in seconds and transmit data immediately via Bluetooth. Anyone with a Bluetooth-supported device could be a suspect.

A goodwill write-down

Customers are frightened of identity theft and feel violated when it happens to them. Banks are even more troubled. When their customers' information is stolen, they lose money and goodwill. And banks bear the expense of reissuing new cards with every e-commerce breach.

In a recent card-skimming scheme, the skimmers defrauded 300 Chase Bank customer accounts. These cases involved organized crews targeting ATMs at bank branches in

California, according to the California Attorney General's Office. Access-door card readers were manipulated with devices that read credit card numbers, while pinhole cameras captured PINs as they were entered.

After pleading guilty in March, the schemers, Gnel Snappyan and Gervork Aroutiounyan, were sentenced to prison time and ordered to pay restitution to Chase. Aroutiounyan and Snappyan were jointly ordered to repay to Chase the \$320,728 they withdrew from accounts between July 2010 and February 2011, according to the attorney general's office.

A ready pool of 'talent'

Two growing factors in this type of fraud are location and a poor economy. Typically, Arizona and California are among the top five states every year for identity theft. This correlates with those states' relatively high unemployment rates. A poor economy makes it easier for fraud masterminds to recruit "mules" to carry out the dirty work.

According to the ACFE and Network Merchants Inc., the following possible indicators, taken together, can help merchants and payments organizations identify possible fraudsters:

- A single Internet Protocol address is used with multiple payment cards within a specified number of days.
- One transaction is an AUTH for a very small amount (typically \$1.00).
- The shopper's billing address is more than a specified number of miles from the shipping address, which is usually not even in the same country.
- The email address has been flagged in a database of addresses associated with known fraud activity by other merchants participating in the same fraud-detection strategy.
- Email addresses provided are through Google, Yahoo and other free e-mail providers.
- The bank identification number (BIN) is from a high-risk country. Check with your current processor for the latest trend in fraudulent BINs.

I highly suggest keeping an internal database of known fraudulent email addresses. You will be surprised how often you reference this. 📧

Nicholas Cucci is the Director of Marketing for Network Merchants Inc., a graduate of Benedictine University and a licensed Certified Fraud Examiner. Cucci is also a member of the Advisory Board and Anti-Fraud Technology Committee for the Association of Certified Fraud Examiners. NMI builds e-commerce payment gateways for companies that want to process transactions online in real time anywhere in the world. Contact him at ncucci@nmi.com.

Five ways to fix your marketing problems

By Nancy Drexler

President, Acquired Marketing

Why isn't your phone ringing? Why aren't agents and merchants banging down your door? Your print advertising is stellar. You do direct mail focused on your enormous signing bonuses. Your website makes it clear your customer service is astounding. What is wrong?

When growth isn't robust, many companies take drastic action: they trade in their marketing director, change their name, build a new website.

They blame marketing. However, marketing doesn't work in a vacuum. Marketing works hand-in-hand with an entire business. Each client and employee reflects your brand and impacts your results. Many people are responsible for an initiative's success.

So if your email isn't pinging with prospects, following are likely roots to the problem and ideas on how to remedy each one.

1. Your top executives wear rose-colored glasses

We all need cheerleaders. Believing your product does everything, your target market is anyone who has money to spend, and everyone will want you once they know the facts creates an energy and optimism that can be contagious. But it can also keep you far removed from reality. Marketing is about perception – not yours, not your CEO's, but your target customers'.

Fix it. Stop what you are doing and describe your business through the unbiased eyes of your customers. Build a brief overview describing each product and service you offer, including features and benefits.

Concentrate on differentiating features only. What are your customers' needs and desires, and how do you meet them? What do you offer that no one else offers? What do you do better?

Research your competition and document their offers and pricing structures to help you further clarify your competitive advantages. Then identify one or two of your key assets, and play them up consistently in all your marketing. Consistency and repetition are necessary ingredients in brand building.

You can't be all things to all people. Marketing to everyone is expensive and usually dilutes your message to the point that no particular value stands out. Stick to targeted messages delivered to target markets, and you'll get far more bang for your buck.

2. Your sales team is autonomous

Here's every marketer's pet peeve: you do your homework and spend hours creating top-quality marketing and sales materials that never get used by the sales team. Every salesperson's pet peeve: marketing creates materials that don't address the most compelling sales benefits or speak to the audience's needs.

The CEO's pet peeve: marketing launches a new direct mail program to generate leads, but sales doesn't follow up and no new customers are generated.

Fix it. Not having clear integration between sales and marketing results in lost revenue opportunities and wasted expenses. Now more than ever, sales is a process. It begins with a customer recognizing a need and thinking about a solution.

Then, according to a recent BIA/Kelsey study, 97 percent of consumers surf the Internet as a first step in the buying process. By not capitalizing on this to build awareness, many competitors miss out on viable business.

Interested customers must be nurtured through a sales channel, contacted every time there is a display of interest or when too much time goes by without interest. To succeed, sales and marketing teams must work together to plan an automatic program of marketing materials that are sent to prospects at certain "trigger points" throughout this process.

Teams work together to monitor and analyze feedback at each of these steps. Marketing accompanies sales on sales calls and includes sales in planning efforts. Unity in this regard makes all the difference between stellar and lackluster initiatives.

3. You promise, they don't deliver

The most brilliant, compelling marketing campaign can generate a boatload of interest in your new product or service. But if you don't deliver it – on time, well-supported and just as promised – that success can backfire. It's about credibility. Once you've lost it, getting it back can be a long uphill climb.

Fix It. Before you roll out a new product or service, make sure all staff involved can handle the demands. Offering a new product requires that you have the product on hand, that your people are informed and available to set up and train customers, and that your billing for the product has been tested.

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Similarly, don't promise any benefit the solution doesn't deliver in full or the credibility of all your promises will be undermined. In an industry where the basic product is the same, people make all the difference. If we are not honest and responsible, nothing we say rings true – and never will.

4. You rely too much on one approach

Digital marketing lets you reach a lot of people quickly at very low cost. But is it the best way to attract interest from business owners and convert them to your merchant services program?

With all the buzz about social media, many payment companies are turning their marketing over to recent college graduates with expansive Facebook pages and assumed social media know-how. However, many of these young people don't understand the value of tried and true marketing practices.

Fix it. To leverage the full potential of any marketing campaign, don't fixate on only one vehicle, like social media, which may generate some leads for your company at a fairly low cost but will ultimately limit your ability to maximize sales opportunities within a target market.

Your customers need to see and learn about your company through a variety of marketing vehicles before they will finally respond to your offer.

Aim to touch prospects from many angles. Mix approaches from direct mail, advertising, public relations, digital media and cold calling, making sure your messages work together in concert. Choose the activities that cater specifically to your target market, and then create a program schedule that ensures the right level of coverage across the multiple channels.

Then be patient and let them work. It takes time, but rest assured, the variety of vehicles, working in tandem, will build awareness and generate leads at an exponentially higher rate than any one vehicle alone can accomplish.

5. You forgot all employees are your ambassadors

Even if you have carefully defined your brand message and positioning, you won't communicate it consistently without properly training all those who speak on your behalf.

Left to their own devices, many employees will have their own version of who you are and what you do. And this "customized" messaging can change depending on who is receiving the information. The result? A confused audience and a badly undermined brand.

Fix it. Companies must speak with one voice and one message. Brand awareness is built by consistently communicating your company's position and identity. Even a junior employee's miscommunication can undermine your image. You cannot change your brand based on the audience, the marketing vehicle or the person delivering the message.

Create positioning language that clearly defines who you are and what you offer, strongly differentiates you from competitors and can be delivered consistently by every employee. Train your staff to field questions and manage issues with these guidelines in mind. Audit your sales and marketing materials and fix inconsistencies.

Remember, all employees must work together as ambassadors of your brand. Understanding this before you spend money on marketing activities is imperative to your success. ■

Nancy Drexler has led marketing efforts for such companies as Cynergy Data LLC, SignaPay Ltd. and Merchant Cash + Capital LLC, and today is President of Acquired Marketing, a company that delivers strategic and creative services to businesses in the payments industry. Reach Nancy at ndrexler@acquiredmarketing.com.

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Reach your company's peak performance with training

By Alan Kleinman

Meritus Payment Solutions

Long-term growth requires long-term investment in people. How do you stay efficient while increasing head count? Like most new companies, our early days at Meritus were long, and none of us had job titles that adequately covered our multi-hyphenated list of job functions. Since then, we've put some meat on our bones, and we now have specialized departments, middle management and many new hires.

A hiring strategy that has worked for us is an onboarding and training program. While it may not make sense for very small companies to have a training program, it's never too early to establish training. Proper and considered training programs promote morale and camaraderie, and new employees feel immediately integrated, empowered and committed.

Establishing a training program

Following are five steps your company can take to establish an effective training program:

1. Clearly define ownership

Employees onboarding occurs somewhere between recruiting, human resources (HR) and the employee's direct supervisor. With multiple stakeholders involved, it's difficult to build a cohesive program and ensure overall business goals are kept in mind. To facilitate this, appoint a training manager to help manage, track and evaluate onboarding. This designee makes new employees feel valued, oversees strategies and can readily revamp existing processes.

The training manager can work with employee supervisors to develop a formal development program to determine training needs. Strategic onboarding shortens the time to productivity and lays the groundwork for a high-performing workforce. Possibly extending to 90-day periods, strategic onboarding goes from administrative components to tactical aspects critical to future productivity.

A specific appointee who owns this program can integrate key messages and goals throughout all training to create continuity and business alignment. The result is a workforce that possesses company-wide competency as well as job-specific aptitude.

2. Write a job description

Don't relegate creating job descriptions to HR. Only a collaborative effort between HR and senior

management can accurately envisage how the company will grow and what role each employee will play. Make sure your job description includes the employee's level of authority, job purpose, strategies, expectations and ways to measure effectiveness. A job description need not be a binding contract for the position, but it can open up the floor for discussion.

Once the job description is set, the training manager can conduct a training needs analysis to determine who in the organization needs training and what competencies they require to be successful. The training needs analysis provides an outline for goals to achieve, type of training and expectations of senior management. But it all starts with the job description.

3. Fit it into the budget

Simply put, the benefits of training outweigh the costs. Training may circumvent some of the perils caused by bad hires, as noted by CareerBuilder LLC. A survey conducted among 2,696 employers in 2011 by Harris Interactive Inc. stated that bad hires didn't produce the proper quality of work (63 percent) and didn't meet deadlines (48 percent).

Sixty-nine percent of employers reported that bad hires lowered their company's productivity and affected worker morale. Forty-one percent estimated a bad hire costs more than \$25,000, and one in four said it costs more than \$50,000. Writing a job description and formal training program, clearly set the expectations and standards and provides a defined way to measure performance. Hopefully, any potential "bad hires" can be developed into valuable team members.

Another way to keep training cost-effective is to focus on talent-driven rather than performance-driven training. Performance-driven training is the typical operational training program that can be assigned to an online/computer-based program or an internal and informal learning network of mentors and coaches.

On the other hand, talent-driven training encompasses leadership development, mentoring and coaching for high potential employees. This type of training facilitates workforce flexibility, which is required in this economy, and builds the leadership pipeline. Choosing to conduct talent-driven training over performance-driven training may trim training costs.

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4. Establish your process

Does it make sense to identify the knowledge gap first by having a new employee shadow an existing employee? Should the employee receive a message from the founder first to understand the company's mission? The appropriate progression is unique to each company.

At Meritus, our current process is to educate our employees on the bankcard industry first. Afterward, we choose from a learning catalogue of classes to build modules that are relevant for each specific employee's function. Basically, we move from general industry to job-specific. Then, all employees are required to cross-train. This works for now, but we will continuously measure results as stated in the fifth step, which involves feedback.

5. Ask for feedback

Training is continuous. Once the process has been established, you must continuously audit. Are the processes still achieving the original intent? Is senior management satisfied with workers' performance as a result of the training? Do employees feel they were poised for success?

Conduct a survey for new employees immediately after training to gauge the effectiveness of your materials, trainers and organization. After a 90-day period, have both senior management and employees rate employee performance and productivity on the job. Also, expect employees to pinpoint problems, find solutions and recognize teaching opportunities while on the job. Your training program will be honed as a result.

Enjoying the benefits

A well executed learning and development program will have an immediate positive impact on your company. New hires entering your workforce will be familiar with the bankcard industry, informed of your internal processes and departments, and most importantly, they'll be engaged. Put actions behind your words of investing in employees. Choose people (over results) first. By investing in people first, good results are inevitable. ☑

Alan Kleinman is the Principal of Meritus Payment Solutions, the trusted global payment partner. With a client-first mentality, Meritus provides a breadth of payment and transaction processing solutions that include mobile, credit and debit cards, gift and loyalty cards, electronic benefit transfer, automated clearing house, Check 21 and more. Contact him at akleinman@merituspayment.com or 888-851-7558, ext. 141.



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Spotting unlikely service providers in your midst

By Chris Bucolo

ControlScan

Conventional wisdom holds that hackers don't target small business, just the big guys. While that may have been true before, today's data thief doesn't differentiate between large and small. Hackers actively seek easy-to-exploit security holes wherever they find them on the Internet. Any company that moves or stores data electronically is now a target.

Small merchants have generally been slow to adopt a data security mindset. An "it can't happen to me" viewpoint is especially risky for organizations that operate as service providers, because a single data breach can impact an entire network of merchants. This increases the liability of the primary ISO or merchant acquirer.

On June 25, 2010, for instance, City Newsstand Inc. – prompted by MasterCard Worldwide – found a software program on two cash registers in Chicago that since April 15, 2009, had been transmitting payments data to Russia. (See "Hackers Shift Attacks to Small Firms," *The Wall Street Journal*, July 21, 2011, <http://online.wsj.com/article/SB10001424052702304567604576454173706460768.html>).

The hackers apparently entered through a weak user name and pass code on the store's remote desktop. With computers infected, City Newsstand's customer payment data that traveled from the reader to the computer to the Internet was being intercepted and sent to a Russian server and email address.

More than merchants in your portfolio

According to the PCI Security Standards Council (PCI SSC), City Newsstand is a service provider. The council, which is the Payment Card Industry (PCI) standards organization, defines a service provider as a business entity "that is not a payment brand, directly involved in the processing, storage or transmission of cardholder data. This also includes companies that provide services that control or could impact the security of cardholder data."

The "merchant as a service provider" role is further specified by the PCI SSC as "a merchant that accepts payment cards as payment for goods and/or services ... if the services sold result in storing, processing or transmitting cardholder data on behalf of other merchants or service providers."

Many merchants do not even realize they also function as service providers, and this lack of awareness puts both their businesses and your portfolio at risk. To minimize

exposure to hackers and scrutiny from the card brands, ISOs and acquirers should conduct a basic portfolio analysis to identify these unconventional service providers. The analysis involves two basic questions.

- Question 1: What kind of companies are in my base: known service providers, such as traditional ISOs, or merchants also serving as nontraditional, third-party service providers (as defined above)?
- Question 2: Does the portfolio contain concentrations of customers in certain vertical markets or niches (see following examples) that could be functioning as both merchants and service providers?

Consider these examples:

- An e-commerce merchant also hosts e-commerce sites for other merchants. These websites accept credit cards for payment processing. The primary merchant is in the payment path (if, for example, card transactions traverse its network environment), so the primary merchant is both a merchant and a service provider.
- Large hospitality chains can also contain hidden service providers. Say a hotel chain maintains both corporate-owned and franchisee locations, making the corporation a franchisor. The franchisee locations utilize the systems at the franchisor's headquarters for card payment processing. This makes the corporation both a merchant and a service provider. The franchisee locations would likely be classified as merchants.

Since the service provider designation is potentially difficult to navigate, especially for businesses that do not have a designated compliance person on staff, the ISO or acquirer should identify such a service provider by actively monitoring its portfolio for card brand registration and PCI Data Security Standard (DSS) compliance. Otherwise, risk may go unidentified and unmanaged.

Risk mitigation, step by step

Once merchants operating as service providers are identified, it's time to start prioritizing and mitigating risk. The ISO or acquirer should evaluate each merchant for specific risk indicators and assign a corresponding priority to the account. The following are some basic high-risk indicators:

- The merchant is a Registration Level 4 (as designated by the individual card brand).
- The merchant operates within an especially vulnerable niche, such as hospitality, retail chains, restaurants, food delivery/carryout chains, universities and the emerging risk area of medical offices.
- The merchant utilizes a POS system and has Internet access for processing payment information.



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- The merchant electronically stores cardholder data.
- The merchant heavily relies on a specialized service provider (which could compromise payment-related terminals, devices or applications), for example an information technology services company for restaurant POS systems.

ISOs and acquirers should reach out to these high-risk service providers/merchants first to verify that they are effectively managing their compliance status, including card brand registration and PCI compliance. Part of this outreach includes educating service providers on the requirements they must meet to achieve PCI compliance.

Service provider/merchant gray areas may require the involvement of a Qualified Security Assessor (QSA). PCI DSS validation can possibly be achieved in one integrated process or two distinct paths with separate records of compliance. A QSA, preferably one recommended by the ISO or acquirer, is in the best position to identify the required course of action.

Some service providers – regardless of level – are meeting the requirements of a Level 1 assessment and audit, which also necessitate the involvement of a QSA. An ISO or acquirer can recommend this course of action to help a service provider minimize risk, relieve compliance pres-

sure and get positive marketing attention.

Off to a solid start

ISOs and acquirers can greatly reduce, if not eliminate, exposure to potentially devastating breaches by refuting the belief that hackers don't target small companies, by analyzing their portfolios to identify unconventional service providers and by working with those merchants to strengthen their security posture. Regardless of an ISO's or acquirer's size, we recommend that an individual within the organization be designated as the PCI/security point person. This person can coordinate all aspects of the processes involved.

The steps discussed here can give the ISO or acquirer a strong, healthy start in identifying merchants operating as service providers and mitigating the associated risk through educational support, as well as recommended security assessment services. ■

Chris Bucolo is Senior Manager, Security Consulting, of Atlanta-based ControlScan, a leading provider of PCI compliance and security solutions designed for small merchants and the acquirers that serve them. He can be reached at cbucolo@controlscan.com. Audio on the topic of service provider designation can be found at www.controlscan.com/webinars/demystifying_service_provider_designation.php.



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NewProducts

Table for two, please

Product: Harbortouch Reservations

Company: Harbortouch

Restaurateurs who deploy the Harbortouch Hospitality POS system can now centrally manage table reservations without having to lift a fork. The new Harbortouch Reservations module available from Harbortouch is being offered free of charge to fine dining, casual and quick service restaurants as part of the company's ongoing free POS equipment program.

"Similar online reservation systems cost hundreds of dollars a month, but Harbortouch Reservations is offered to all Harbortouch Hospitality merchants at no cost," said Brian Jones, Executive Vice President of Sales and Marketing at Harbortouch.

With the new module, reservations can be accepted either online from restaurant patrons directly or entered manually by restaurant staff whenever a reservation is taken in-person or over the phone. An easy-to-use interface reportedly simplifies navigation for both patrons and employees. All incoming reservations, regardless of source, are tracked through a single point. The POS data collected can later be used to build a customer database for marketing and loyalty programs, Harbortouch noted.

One of the system's strengths the company pointed out is that restaurant managers can quickly organize upcoming reservations into a monthly calendar, which can be viewed daily, making it an essential tool for optimizing workflow and table-turn efficiency. In the initial setup process, restaurant managers can use the software's drag-and-drop functions to configure a table layout that matches the unique layout of each restaurant location.

The table layout screen also shows restaurant managers which tables are occupied or available and provides updates on which restaurant patrons are waiting to be served. Harbortouch Reservations can also send text message alerts notifying diners when their tables are ready.

"This represents a substantial savings for our clients, especially when combined with our entire POS package that's available to any size establishment with no upfront costs whatsoever," Jones said. "It's an unbeatable value."

The free Harbortouch Hospitality POS system is replete with employee management, inventory tracking, menu customization, item pricing flexibility and advanced reporting features. According to Harbortouch, the company provides professional installation and on-site training

Features of Harbortouch Reservations include:

- Manages online and manually entered table reservations
- Organizes reservations into a calendar for quick review
- Shows which tables are open, occupied and any patrons on waiting list
- Alerts patrons with text message when their table is ready
- Uses drag-and-drop process to set up table layout in each restaurant



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A mobile-friendly website

Product: Paynet Systems mobile website

Company: Paynet Systems Inc.

Mobile merchants now have a faster way to sign up and begin processing payments, according to Paynet Systems Inc., a provider of mobile, wireless and web-based merchant equipment and credit card processing services. The company recently launched a mobile version of its website to help mobile merchants seeking services gather information and process payments instantaneously.

"We wanted to offer our clients on the go a version of our website that is easier to use, since about 30 percent of our clients are using mobile devices to run their businesses," said Jack Chevalier, President of Paynet. "We have condensed the information on there to make it mobile-device friendly" and reduce load time for mobile device users.

Paynet's mobile website enables mobile merchants to apply for an account directly from a smart phone. Once

completed, the four-step online merchant application is then submitted to Paynet's underwriting department; eligible applicants typically receive same-day approval to process payments. The company stated about 95 percent of merchant applications are approved by the underwriting team.

Mobile merchants can also download Paynet's Credit Card Machine App for smart phones from the company's website. The software application is currently compatible with Apple Inc. iPhone, Research In Motion BlackBerry, Google Inc. Android, and Microsoft Windows Mobile devices.

According to Paynet, its credit card application has received high ratings from reviewers and is consistently ranked in the top 100 business applications. Part of the reason may be the app's ability to perform multiple functions beyond credit card processing.

For example, the app delivers a seamless shopping cart experience and database features that allow merchants to store and group detailed product information, automatically calculate state sales tax, review past transaction activity within the history log, and email or print receipts for customers – all through a secure payment platform, Paynet noted. An online merchant dashboard syncs with Paynet's payment application.

Features of Paynet Systems mobile website include:

- Starter Program for first-time mobile merchants
- Quick online application for new mobile accounts
- Swift approval process for most new merchants
- Fast load time for mobile merchant users
- Proven, secure payment processing platform

Mobile users are automatically redirected to Paynet's mobile website for log in, where each mobile page has a "link back to the company's main website, so that customers can access additional pages or information as needed," the company stated.

For mobile merchants who are new to credit card processing, Paynet offers a six-month Starter Program, and the company provides a free credit card reader as well. 📱

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Give yourself a break, a long break

For many people summer is the perfect time to take a vacation. The weather in many locales is balmy. Resorts throughout the land are geared up to lavish attention on tourists. Most children have time off from regular academic studies. And a bit of relaxation is a traditional part of the season.

Vacations are also good for your health. A significant break from the daily grind offers the chance to fully relax, replenish and restore your mind and body. Taking regular vacations tends to increase happiness and decrease depression. The leisure time vacations afford also helps lower blood pressure and stress.

However, if you own your own business, as many ISOs and merchant level salespeople (MLSs) do, it can be difficult to get away. It can also be a challenge to stop checking email and tending to business even if you're on a far-off beach attempting to enjoy downtime.

If you feel your business won't survive without your attention for a week or two, please change the situation. It is possible that right now you are not as indispensable to your business as you think you are; things might hum along just fine for a short time without any input from you whatsoever. And if your direct, daily involvement is required, you can learn to delegate some of your duties so you can have a break.

Prepare to let go

Here are some actions to take:

- **Analyze:** Review your business responsibilities to determine what actions can be done before you go, what must be delegated and completed while you're away, and what can be put off until you return.
- **Identify and procure:** If you run an ISO, select the most knowledgeable and competent person in the company to do what you typically do that must be done while you're gone. If you run a one-person office or a very small operation, identify a respected

colleague outside of your organization – perhaps an MLS who knows your sphere but isn't in direct competition with you – and ask the person to cover for you, and offer to do the same for him or her in return.

- **Delegate and train:** Let your temporary replacement know exactly what you expert to be done while you're away. Spell it out. Then show the person how to do it, and provide written instructions for reference.

Let the person know who your go-to people are, the functions they provide and how to reach them if needed. Also provide a phone number where you can be contacted; emphasize that this is for emergency situations only.

- **Set expectations:** Let your customers, employees (if any) and vendors know you will be away, how long you'll be gone and who will be helping them while you're gone.

Be upbeat in your communication. Don't broadcast that they can reach you if they need you. Tell them how confident you are in the person you've selected to fill your shoes. Let them know they'll be in good hands.

If you bring your laptop, tablet computer or phone with you on your trip, check them only occasionally. And if you do receive a call from the office, make sure it really is an emergency before you jump into action. If it's just a difficult situation, consider telling your replacement, "It's your call," and get back to your boat or cabana or romantic dinner.

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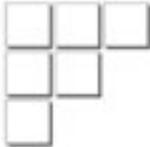


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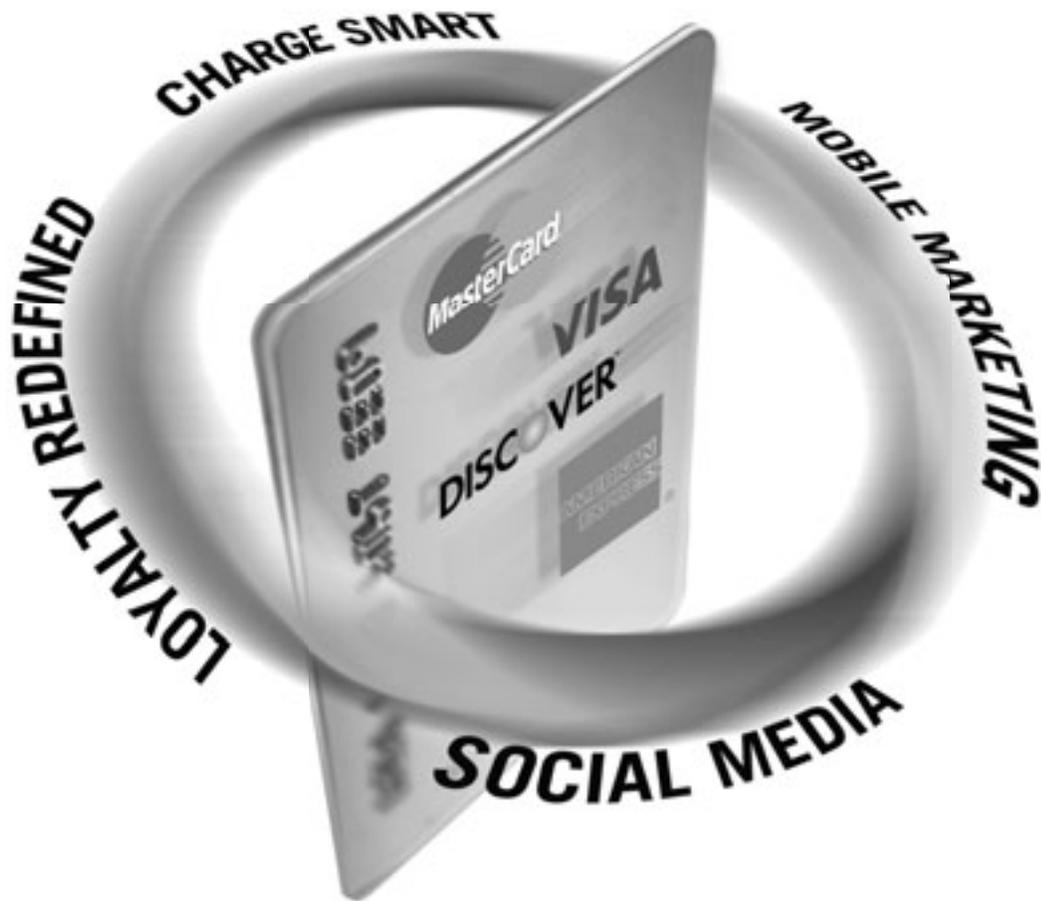
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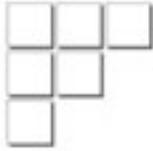
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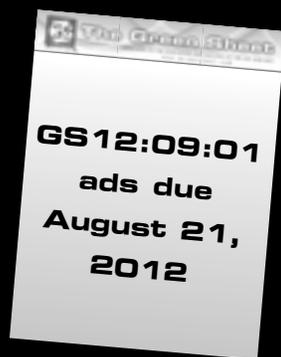
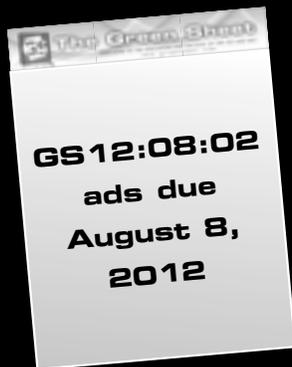
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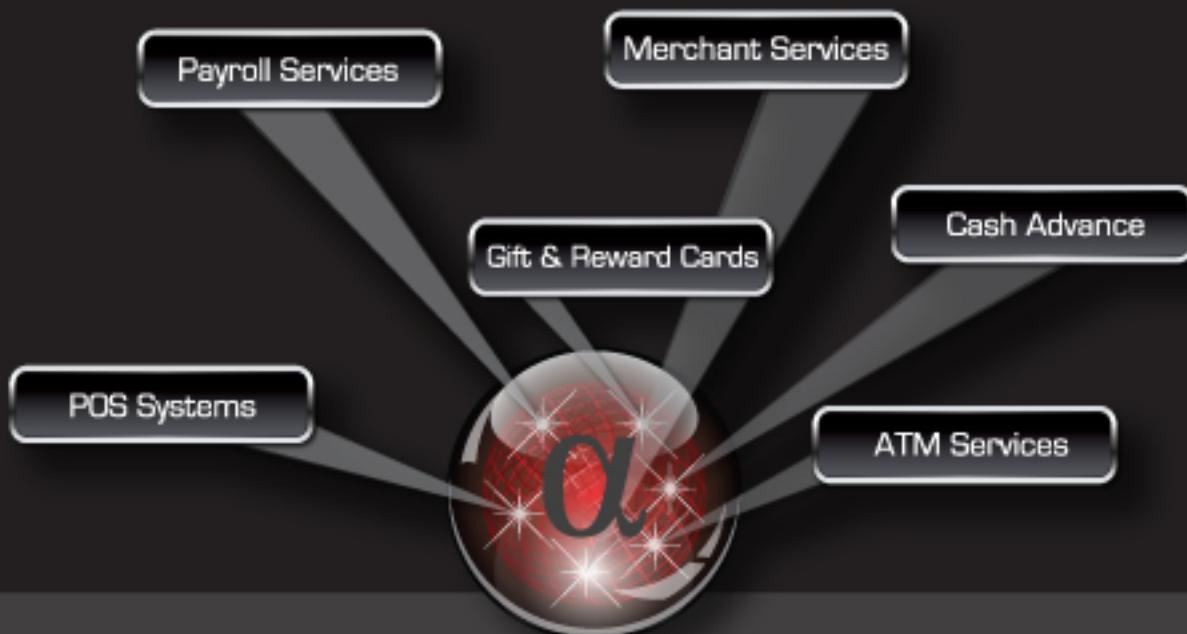
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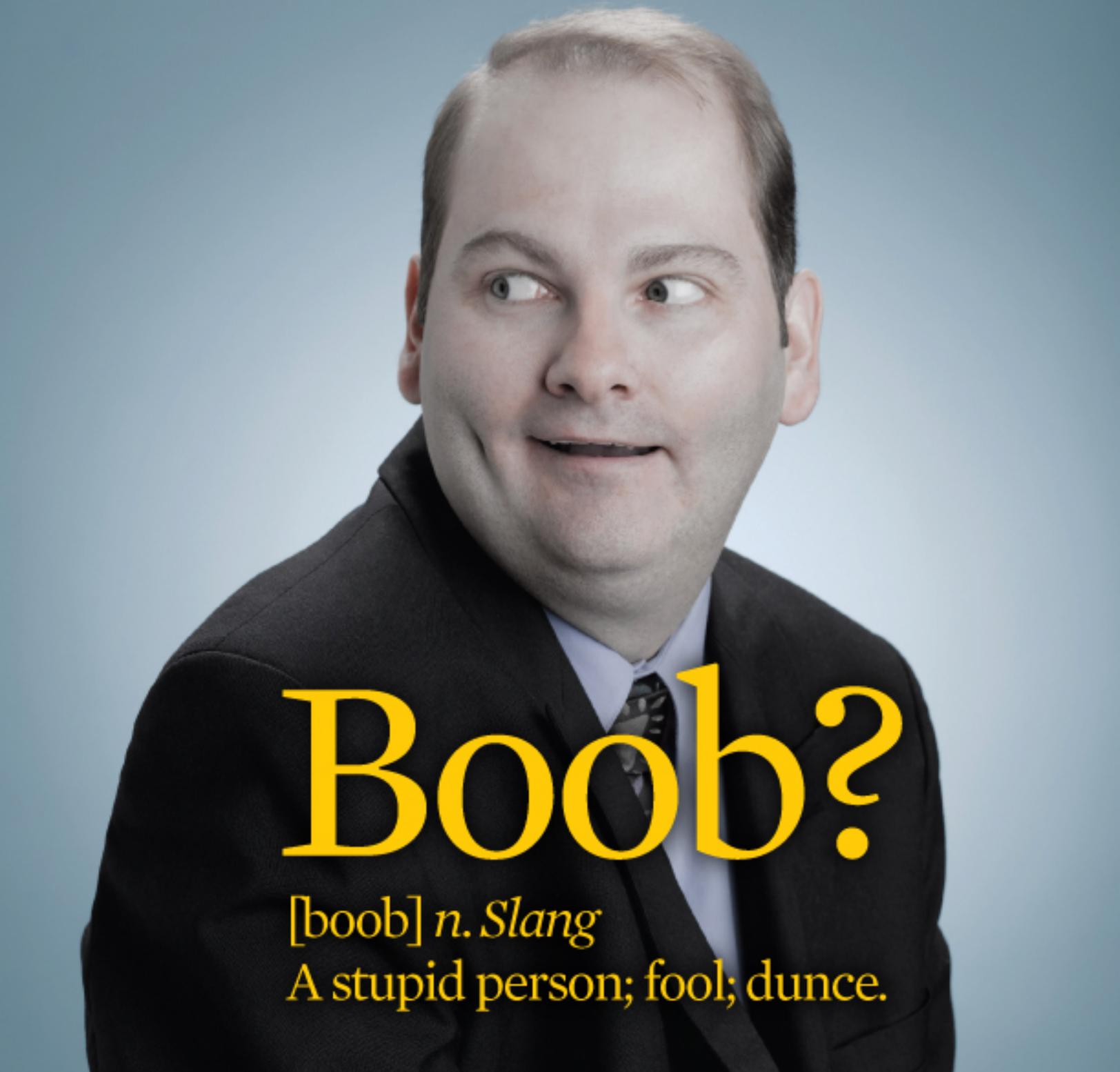
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