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October 8, 2012 • Issue 12:10:01

Banks underserve the underbanked – AFS providers step in

By Patti Murphy

ProScribes Inc.

The number of Americans who bank infrequently, if at all, is large and growing. The 2011 *National Survey of Unbanked and Underbanked Households*, a report just released by the Federal Deposit Insurance Corp., revealed households that are either unbanked or underbanked now account for 28.3 percent of all U.S. households.

Included in the total are 821,000 households that have left the banking system since 2009, when the FDIC published its first *National Survey of Unbanked and Underbanked Households*. The report also noted that unbanked individuals represent 20.5 percent of the adult population.

"Banks are continuing to lose customers," said Ed Bachelder, lead researcher at Blueflame Consulting based in Melrose, Mass. He suggested the real number of underbanked households is larger than the FDIC's numbers suggest, because the FDIC narrowed the definition after its 2009 survey.

The news is good for the thousands of alternative financial services (AFS) providers that, by default, have become bankers to low- and moderate-income U.S. consumers. These companies, together, handle more than \$320 billion a year in customer transactions, according to a separate FDIC document, titled *Alternative Financial Services: A Primer*. They include check cashers, payday lenders, remittance transfer shops (like Western Union Co. and MoneyGram International Inc.), automobile dealers, and open-loop prepaid debit cards.

Experts agree prepaid card companies are poised for significant growth as more consumers abandon banks. According to Mercator Advisory Group, U.S. consumers spent \$184.1 billion in 2011 using open-loop (reloadable) prepaid cards, an increase of 24 percent over 2010 prepaid card spending.

"It's really going to blast off next year," Bachelder said. That's when the Social Security Administration will stop issuing checks. Benefit recipients without bank accounts will receive payments posted to government-issued prepaid debit cards.

Most AFS providers are licensed at the state level. However, the Consumer Financial Protection Bureau has proposals outstanding for federal supervision of several categories of AFS companies, including payday lenders and prepaid card companies.

Outside the mainstream

The FDIC defines unbanked households as those in which no one has an



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NotableQuote

When you are trying to sell a merchant on doing business with you, tell him or her that your price is a fair one. Not low, not high, not cheap, but fair. In all of my presentations, I make a point of explaining what makes my price and program fair.

See Story on page 62



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Things to do today

I ♥
GS

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Credentials, please

I have been reading your online ezine for many years on and off – even before you were online – and remember you writing a book for sales reps and people in this field on how the whole industry works and how to be successful at it. Do you still have that book or an updated version for today's sales force and industry changes?

Also, I would like to know if there is a national training/certification company/agency that new and seasoned reps can go to get further training and have some credentials – other than their companies' training – to walk into a merchant and talk to them.

Shawn Jones
Advocate Merchant Solutions Inc.

Shawn,

The book you referred to is either *Good Selling!*SM or *Good Selling!*SM 2 by Paul H. Green. They have not been updated recently but nevertheless contain considerable information that is still useful to the feet on the street in the payments industry. Both are available – free of charge – in PDF format on our website's book reviews page, www.greensheet.com/publications.php?flag=book_reviews.

For up-to-date information, *The Green Sheet*, a semi-monthly magazine, and our quarterly publication, *GSQ*, help readers stay abreast of new developments and trends in the industry, as well as enhance their sales and business skills. And for reference, both publications are archived online dating to 1995 and 1999, respectively. Go to our publications page, www.greensheet.com/publications.php, to peruse specific issues or feature categories, or use the Fast Finder search engine found on the upper left-hand side of our home page, www.greensheet.com.

It will locate what you type into the search field and then provide a list of articles containing the exact word or phrase you entered. You will also be given the option to search for more than one term at a time. It's like having an encyclopedia of payments at your fingertips.

Regarding national training and certification. The Electronic Transactions Association created the Certified Payments Professional (CPP) program specifically for that purpose. Periodic tests are held throughout the United States, and those who pass are awarded the CPP designation. A study guide is provided for those who sign up for the exam. Further information is available at the ETA's website, www.electran.org.

Other training resources that come to mind include:

- *Field Guide Enterprises LLC*. Founded by payments industry veteran Mark Dunn, the organization provides consulting for small to midsize ISOs, as well as bankcard sales training and seminars. The Field Guide seminars are also a popular draw at the various regional acquirers

associations' annual meetings. For more information, visit www.gofieldguide.com.

- *Performance Training Systems* offers *The Bankcard Toolbox*, (www.bankcardtoolbox.com) an online resource for training and tools for ISOs and merchant level salespeople (MLSs). PTS also runs the *Bankcard Bootcamp* training program (www.bankcardbootcamp.com) founded by Marc Beauchamp, who authored the book, *How to Survive and Thrive in the Merchant Services Industry*.
- *Bill Pirtle*, President of *C3ET Credit Card Consortia for Education & Training Inc.*, has written two books and a workbook to further the professional education of payment professionals: *Navigating Through the Risks of Credit Card Processing*, *Credit Card Processing for Sales Agents* and a study guide for the latter book. For more information, email him at billpirtle@yahoo.com.

These aren't the only resources available, but they should go a long way toward helping you and your colleagues obtain the comprehensive professional education and resultant recognition you desire.

Editor

Positively POS-itivity!

We received the following note from CardWare International regarding "A POS for Main Street merchants," a new product story published in *The Green Sheet*, Sept. 24, 2012, issue 12:09:02:

"There seems to have been a misprint on the info sheet we provided to you about CardWare's POS-itivity! The name/logo should have a hyphen after POS, (POS-itivity!) and the domain name is also with a hyphen and no exclamation point: pos-itivity.com. Is there any way you can print a correction in your next issue clarifying this?"

In addition to providing the correct information on this page, we've also revised the online version of the story in the magazine. We wish CardWare the best of luck with POS-itivity!

Please note

Since May 2012, we have been printing an incorrect phone number for our National Advertising Sales Manager, Rita Francis, in our in-house advertising. Her correct phone number is 866-429-8080. We, at *The Green Sheet*, sincerely regret the error.

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

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Banks underserve the underbanked – AFS providers step in

A report just released by the Federal Deposit Insurance Corp. revealed households that are either unbanked or underbanked now account for 28.3 percent of all U.S. households. The news is good for the thousands of alternative financial services providers that, by default, have become bankers to low- and moderate-income U.S. consumers.

News

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Busy month for the SCA

Migration, road maps and transit were the themes in a busy September 2012 for the Smart Card Alliance, the multi-industry association working for the adoption of smart card technology, specifically the EMV standard for global interoperability of payment cards containing integrated circuits, or chips.

News

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EMV push could force operators to nix pay-at-the-pump

Independent petroleum station owners are just adjusting to the demands of the Payment Card Industry (PCI) Data Security Standard (DSS). Now operators, who make very small margins on their sales, are being asked to implement the Europay/MasterCard/Visa (EMV) standard at their pumps. Will customers be driven back inside, where signature and PIN can be required?

News

30

PCI SSC turns attention to ATM security

The PCI Security Standards Council is reaching out to the ATM industry for feedback on an ATM security guidelines supplement to be published by the end of 2012. The council believes that as ATM fraud accelerates with increasingly sophisticated PIN-stealing schemes, industry-wide ATM security best practices are needed.

News

24

GoPago on merchant acquisition roll

GoPago Inc. reported it has rapidly expanded from its San Francisco base of retailers to merchants across the United States since the August 2012 release of GoPago Live, a free POS system that transforms GoPago into a cloud-based payment-as-a-service and mobile payment provider – and in one month, 1,000 merchants in 35 states adopted GoPago Live.

Selling Prepaid

33

Passbook affirms bar code payments

Not that CashStar Inc. needed validation for its bar code-centered virtual gift card network, but along came Apple Inc. with the latest version of the iPhone and its new Passbook feature – a mobile wallet driven by the scanning and loading of bar codes – a development CashStar believes is a good sign for its business and the digital gifting industry as a whole.

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Selling Prepaid

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How to reach Hispanics with prepaid

The U.S. Census Bureau reported in May 2012 that from July 2010 to July 2011, minorities for the first time accounted for more births than whites, with Hispanics representing almost 26 percent of those births. It is evidence that financial service providers must offer this population payment services, namely prepaid cards, tailored to their financial needs and preferences.

View

44

Get ready for 21st century shopping

Today's connected consumers are completely ready for the next innovation that will combine mobility and information access to speed and enhance their shopping experience. In fact, they are beginning to demand it. Where will this lead? This is not just evolutionary; it is a sea change, and it's happening all around us. We had better be ready.

View

38

Revolution underway in merchant underwriting

A big transformation is occurring in the world of credit card processing that will change underwriting. New business models are changing how merchants are underwritten, sometimes dispensing with traditional processes. Meanwhile, regulators are increasing the requirements for underwriting at ISOs and acquiring banks. How might these changes affect the ISO community?

Education

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Street SmartsSM

The song and dance of reputation building

In the payments world, our reputations can drive our success or failure. What we sell can be so esoteric to our users that we primarily sell ourselves. Ideally, our reputations will help with the sales process. A good reputation leads to referrals, increased sales and higher returns. A bad reputation does the opposite. What can we do to build and nurture our reputations?



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Education

62

Avoid the price pitfall, sell on fairness

Are you tired of playing the rate game? Have you been racking your brain to come up with an effective alternative? What can you say or do to convince a merchant to be your customer, while not giving away what you have to offer by using price to guide the discussion? The answer isn't to emphasize service; it's to focus on fairness.

Feature

72

What's in a positioning concept?

Though concept statements can be deceptively simple, much goes into creating one that is effective. You must first establish a core concept and thoroughly understand the needs and wants of your customers. Then you can shape your positioning concept, which must have an emotional hook, an insight that sets the right tone, a specific benefit and claims that support the benefit.

Education

66

Legal disputes: Head them off at the pass

From time to time, hearing of other people's troubles proves helpful. This article takes a look at a handful of contemporary, ongoing or recently settled legal disputes in the acquiring industry. In presenting these disputes and some of the legal issues they raise, the goal is to help readers reduce their exposure to these types of conflicts.

Inspiration

81

Own it, solve it, move on

Imagine that a merchant level salesperson signs a merchant and promises the merchant will be completely set up within 72 hours. But three days elapse, and the MLS receives an angry phone call from the merchant, who says the new POS terminal hasn't even arrived yet, let alone been set up. Would you throw your equipment vendor under the bus or take the blame and move on?



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NEWS

Groupon now in payments

On Sept. 19, 2012, online daily-deal marketer **Groupon Inc.** launched a payment service it guarantees is "the lowest cost option" for its merchants to accept credit cards. The new software solution, Groupon Payments, is built into the latest version of the Groupon Merchants app. The app works with Apple Inc. mobile devices.

The Palo Alto, Calif.-based company stated its lowest-rate guarantee is only available to Groupon's U.S. merchants, who "must provide proof of their current third-party rates for identical service" for the guarantee to apply. Groupon also said that, under the terms of the Groupon Payments Merchant User Agreement, it may "modify or discontinue the guarantee" or other Groupon Payments services "at any time."

The solution, which includes a card reader for high transaction volume or an audio jack accessory, is available for any U.S. merchant running a deal with Groupon. Groupon Payments' interchange rates for Visa Inc., MasterCard Worldwide and Discover Financial Services card-present transactions are 1.8 percent plus 15 cents per transaction; the American Express Co. fee for card-present transactions is 3 percent plus 15 cents per transaction, Groupon noted. The company's payment service is also available as a pilot program to merchants who do not employ Groupon offers.

The company said it uses encryption to secure credit card information and is backing the app with a support team. Features of the service include bill totals, tips, tax calculation, refund processing, emailed customer receipts, live transaction history, daily sales reports, deposit tracking and revenue trend analysis.

PayPal restricts Argentine payments

PayPal Inc. will ban payments between residents of Argentina effective Oct. 9, 2012. Under new terms of the payment service's user agreement, Argentinians will thereafter be able to send and receive international payments only. PayPal defines Argentine resident as any individual or "entity, partnership, organization or association" that signs up for a PayPal account in Argentina.

In July 2012, the Institute of International Finance Inc., a global association of banks, called the economic policies of Argentinian President Cristina Fernández de Kirchner "unorthodox." The IIF said, "The government has resorted to tightening controls on trade and capital flows to restrain chronic capital flight and limit the loss of international reserves."

In September 2012, a new 15 percent tax on all foreign purchases went into effect in Argentina. According to media reports, the result of the government's policies has led some PayPal users in Argentina to set up two accounts under different email addresses. They then are able to transfer money between the two and exchange local currency for dollars in the process.



RETAIL BRIEFS

- **BDO USA LLP's** sixth annual *Retail Compass Survey* of 100 chief financial officers at leading U.S. retailers revealed most are optimistic entering the fourth quarter 2012 sales cycle. Overall, CFOs expect to finish the year up 4.5 percent over 2011 in terms of total retail sales; 48 percent anticipate higher comparable fourth quarter store sales; and 32 percent are confident the economic turnaround will continue.
- **BIA/Kelsey** projected total U.S. consumer spending on daily deals, instant deals and flash sales will reach approximately \$2.46 billion in 2012, \$2.99 billion in 2013, \$3.56 billion in 2014, and \$4.17 billion by 2015.
- A **ShopperTrak** analysis predicted foot traffic at U.S. retail stores will increase 2.8 percent this holiday season, compared with a decline of 2.2 percent in 2011. Total retail sales are expected to rise 3.3 percent in November and December above 2011 totals, following 34 (out of 35) months of year-over-year growth, the company reported.



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Regarding its plans for the Argentine market, PayPal sent *The Green Sheet* the following statement: "We consider Argentina to be an important market. However, we do not currently offer services that cater to the specific needs of the local Argentine market.

"For example, we do not provide users the ability to transact in local currency or withdraw to local bank accounts. Therefore, we decided to limit our services to international payments for goods and services while we evaluate possible improvements to our product offering."

ETA offers free CPP study guide

Free copies of the **Electronic Transactions Association's CPP Examination Study Guide** are available to professionals who register to take the November 2012 CPP exam by the registration deadline, Oct. 1, 2012.

The 60-page guide was developed and published by the ETA Education Committee for experienced payment professionals preparing for the Certified Payments Professional (CPP) exam. The ETA has certified 343 CPPs since it initiated the certification program in 2011.

The ETA's CPP certificate is intended to demonstrate to retailers that the service provider has broad knowledge of the industry and an understanding of not only sales, but also pricing and interchange; business process, operations and work flow; products and solutions; risk; and regulatory, compliance and security matters.

CPPs are listed in a searchable registry located on the ETA website, www.electran.org, where more information on the CPP program, including professional advantages of certification and information on registration, is available.

Payments 'bests' at Finovate conference

At the **FinovateFall 2012** technology conference held Sept. 12 and 13, 2012, in New York City, four of the eight companies deemed "Best of Show" were payments-related businesses. Of the 64 companies that demonstrated their products and solutions, conference attendees voted **Dashlane, Dynamics Inc., PayTap Inc. and ShopKeep.com Inc.** into the top eight.

Dashlane is a mobile application that automatically populates consumer information into the checkout windows of smart phone-optimized websites. Dynamics offers a physical mobile wallet the size of a credit card that stores multiple accounts and is mag stripe-enabled.

PayTap is an online, person-to-person bill payment solution that allows bill payees to enlist the help of family and friends to pay their bills. ShopKeep provides a software-as-a-service platform that turns Apple Inc. iPads into POS and back-office solution devices.

ANNOUNCEMENTS

AmEx honored for fifth straight year

As part of The Beat's Readers' Choice Awards, travel newsletter *The Beat* named **American Express Co.** the "Most Admired Payment System." It is the fifth consecutive year that AmEx has received the honor. *The Beat* and The BTN Group, which publishes the newsletter, are owned by Northstar Travel Media LLC.

Bankcard Toolbox now live

Performance Training Systems, creator of the Bankcard Boot Camp for new merchant level salespeople (MLs), is now offering memberships in its Bankcard Tool Box training program at www.bankcardtoolbox.com. The program offers webinars, articles, newsletters, PDFs videos, case studies, templates, and more, for payment professionals seeking to increase their earnings.

New alliance to accelerate payments shift

The **Better Than Cash Alliance** was formed to hasten the shift from cash to electronic payments in developing countries. The alliance founders are financial services companies Visa and Citigroup Inc., along with the U.N. Capital Development Fund, the U. S. Agency for International Development, The Bill & Melinda Gates Foundation, the Ford Foundation and investment firm the Omidyar Network.

CAN extends its reach

Capital Access Network Inc. reported it increased the availability of small business loans through its subsidiary, **NewLogic Business Loans Inc.**, which can now provide access to an innovative loan product to small businesses in all 50 states.

Through a single application, businesses across the United States can be qualified for two different products: a business loan through NewLogic and a merchant cash advance from NewLogic's sister company **AdvanceMe Inc.**, CAN said.

Element upgrades to new HQ

Chandler, Ariz.-based ISO **Element Payment Services Inc.** moved into new corporate headquarters. The move originated out of a desire for more space, as the company reported it had grown its workforce by 21 percent in the last year. Element said the new headquarters is approximately 50 percent larger than its previous office space.

MasterCard releases PayPass SDK

MasterCard issued the Mobile MasterCard PayPass User Interface Software Development Kit for smart phones that use the Android and BlackBerry OS 7 mobile

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operating systems. MasterCard said the tool kit helps card issuers, mobile telecommunication firms and third-party software developers integrate applications for PayPass Tap-and-Go contactless payments on NFC-equipped mobile phones.

Genius configured for Passbook

Boston-based ISO **Merchant Warehouse** reported it integrated its Genius Customer Engagement Platform into Passbook, Apple's mobile wallet for the recently announced iPhone 5. Mobile merchants that use the Genius mobile payment platform can now accept Passbook "passes," the ISO said, adding that Genius will be launched nationwide in January 2013.

Ontario Systems gets PCI certified

Accounts receivable management software developer **Ontario Systems LLC** was certified Payment Card Industry Data Security Standard compliant. Ontario Systems said it is the only company in its industry to receive the official designation.

PCI SSC issues mobile software best practices

The **PCI Security Standards Council (PCI SSC)** released security best practices for mobile payment software developers. The *PCI Mobile Payment Acceptance Security Guidelines* offer developers and mobile device manufacturers guidance on how to design appropriate security controls for mobile payment applications.

Square continues to grow

Alternative payment provider **Square Inc.** closed its Series D financing round, with investments from Citi Ventures, Rizvi Traverse Management and Starbucks Coffee Co. Square said it has grown to over 400 employees and now processes over \$8 billion in payments annually.

Truaxis features new feature at FinovateFall

At the FinovateFall 2012 conference, big data provider and new MasterCard company **Truaxis** showcased Profitability Analytics, a new feature of its StatementRewards platform. Profitability Analytics is designed to deliver financial institutions greater consumer payment insights toward the goal of optimizing customer relationships.

W.net unveils 2012 DIVAs

The **Women's Network in Electronic Transactions (W.net)** named the winners of its 5th Annual DIVA (Driving Improvement Via Action) Awards.

The winners were Discover Financial Services (Diversity Champion Award), Discover Relationship Manager Gigi Fonteneaux (Spirit Award) and Local Interest Network Circle (LINC) Chicago (Strongest LINC Award). The awards were presented at W.net's Career & Leadership Summit held Sept. 10 and 11, 2012, in Atlanta.

Study guide for MLS manual

In conjunction with the publication of *Credit Card Processing for Sales Agents*, the **Credit Card Consortia for Education & Training** issued a companion study guide edited by Bill Pirtle, President of C3ET and former Street SmartsSM columnist for *The Green Sheet*.

Credit Card Processing for Sales Agents and the accompanying study guide will help the sales agents and ISOs



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to generate more profit while helping them better understand the industry," wrote payments veteran Daniel Neistadt in the foreword to the book.

PARTNERSHIPS

Axway readies SlimPay for SEPA

Payment services provider **SlimPay S.A.** integrated the **Axway** Financial Exchange platform to aggregate and process payments in multiple European formats, which will enable businesses to manage, consolidate and secure online credit and direct debit transactions in compliance with Single Euro Payments Area (SEPA) requirements.

IMS adds Phoenix network security

Payment processing consultancy **International Merchant Systems Inc.** signed a multiyear contract with **Phoenix Managed Networks LLC** to include the PhoenixSentry PCI compliant, cloud-based network management service and firewall router as part of the IMS suite of services available to ISO, financial institution and merchant clients.

Kount, Tungsten share technologies

Kount Inc. entered a technology partnership with **Tungsten Revenue** to combine Kount's fraud prevention technology with Tungsten's customer profitability analytics. Through the partnership e-commerce retailers will gain access to comprehensive customer profiles that capture both the sales opportunity and risk involved in doing business with customers in card-not-present environments, Kount reported.

Sage boards MobileCause

Business management software and services provider **Sage North America** inked a deal with **MobileCause** to deliver mobile fundraising applications to Sage non-profit customers. The device-neutral platform will initially be integrated with Sage Millennium, a web-based solution that allows nonprofit organizations to cultivate donors, Sage reported.

TSYS teams with Paynet, CIBC

Total System Services Inc. (TSYS) licensed its PRIME 4 card and merchant management solution to Kenyan financial services provider **Paynet**, which will transfer its Visa Inc. card financial institution portfolio to PRIME 4.

In other news, TSYS partnered with **Canadian Imperial Bank of Commerce** in launching the TSYS NFC Payment Solution, which will allow CIBC to create mobile accounts in real-time and support the Europay/MasterCard/Visa technology standard.

ACQUISITIONS

ACI purchases Distra

International payment systems provider **ACI Worldwide Inc.** signed a \$48.75 million cash agreement to acquire payment software provider **Distra Pty Ltd.** According to ACI, the Distra Universal Payments Platform will enable ACI to integrate its payment products more cost effectively across customers' existing and future enterprise architectures.

eBay buys Svsupply

Online auction site **eBay Inc.** acquired social shopping website **Svsupply.com**. According to eBay, New York-based Svsupply will continue to develop merchandising, nonsearch discovery and browsing technologies. Terms of the deal were not disclosed.

APPOINTMENTS

Cha joins Alaric

Alaric International, a global provider of fraud prevention and payment technology systems, appointed **Tim Cha** as Sales Director – Australia, New Zealand and Pacific. He will spearhead Alaric's ongoing sales drive in the region. Cha joined Alaric from S1 Corp. where he served in a number of sales roles and most recently served as Asia Pacific Business Development Director of the company's payments systems division. He previously held senior management positions with Stratus Technologies and Bank of America Corp.

ROAM promotes Paull

ROAM Data Inc., an Ingenico company that provides mobile commerce and platform-as-a-service solutions, appointed **Ken Paull** its new CEO. Paull had served as ROAM's Executive Vice President Sales & Marketing since September 2011. He has fully contributed to the development of ROAM Data in the United States and played a key role in the signing of significant deals, the company stated. Former CEO Will Graylin left ROAM to pursue other opportunities.

Roldan advising SignatureLink

Art Roldan, former CEO and Chairman of payment management software developer **ISD Corp.**, joined the SignatureLink Board of Advisors. According to SignatureLink's CEO Greg Wooten, Roldan was a natural choice for the board due to his 25 years of entrepreneurial experience in the technology field and his expertise in electronic payments and network security. He also previously held senior executive positions at such companies as The Premisys Corp., Navarra and SecurePipe. ■

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EMV push could force operators to nix pay-at-the-pump

When Liz Concannon, Vice President of Corporate Sales for the ISO Petroleum Card Services, viewed the exhibition area of the September 2012 Pacific Oil Conference held in Reno, Nev., she saw an industry facing challenges.

The equipment manufacturers, terminal vendors and credit card service providers that filled the room gave the conference a feeling of prosperity, but Concannon believes tight margins and regulation hinder profits in the petroleum business, and changes in payment requirements will only exacerbate the difficulties.

"It is a tough market," she said in an interview following the show. "Petroleum is a tough nut to crack. Owning a gas station is not like owning a dry cleaner or an ice cream store. There are mandates, regulation, compliance and EPA issues attached to owning a gas station."

Petroleum's uncertain compliance future

There are approximately 160,000 gas stations in the United States (including alternative fueling operations such as those selling biodiesel). Concannon, who is a new member of the Petroleum Equipment Institute board, estimated that anywhere from 35 to 39 percent of those stations are independent operators who get by making very small margins on their sales.

Concannon's company attends approximately 32 trade-shows a year (she attends one a month) just to keep up with the rapid changes in the industry. She said changes in payment card acceptance are among the most difficult challenges independent gas stations face.

Independent station owners are just adjusting to what she calls the "debacle" of the Payment Card Industry (PCI) Data Security Standard (DSS) mandate. Concannon estimated only 25 percent of independent gas station owners have become PCI-compliant so far. Now operators are being asked to implement the Europay/MasterCard/Visa (EMV) standard for integrated circuit (chip) cards at their pumps.

"These operators are being asked to spend thousands of dollars on compliance when they are making only two cents per gallon," she said. "There is no simple solution for implementing EMV at an average independent gas station that has 8 pumps and pay-at-the-pump transactions."

Multiply the average 8 pumps per gas station by 160,000 U.S. stations and the need for new EMV compliant

hardware becomes obvious. Concannon said terminal manufacturers may not be able to keep up with the demand. "When the PCI mandates came out, and stations needed to put key pads outside, the manufacturers couldn't make enough PIN pads to keep up with the need," she noted.

Liability is not a threat

Credit card companies intend to bring about the transition to EMV by shifting liability for card present fraud to merchants and operators whose payment terminals are not EMV-compliant by the card companies' deadline. For the petroleum industry that deadline will arrive in 2017.

Concannon doesn't see the liability shift as a significant threat to petroleum operators who, she believes, will be reluctant to invest in the new technology. "Everybody knows all you have to do to get a gas charge removed from your bill is dispute the outside transaction," she said. "Because the customers don't sign, the operator can't prove they were there. The operators still have 100 percent liability for that chargeback. EMV will not eliminate chargebacks."

Since EMV technology will be expensive to implement and the liability threat is not a change for operators, Concannon feels the EMV mandate and concurrent liability shift will make some operators stop pay-at-the-pump service and require people to go inside to pay where a signature or PIN can be required. She said the solution is a PIN-based card that protects both the customer and the operator from fraud. ■

GoPago on merchant acquisition roll

GoPago Inc. reported it has rapidly expanded from its San Francisco base of retailers to merchants across the United States since the August 2012 release of GoPago Live, a free POS system that transforms GoPago from a payment software provider to a cloud-based payment-as-a-service and mobile payment provider. Leo Rocco, Founder and Chief Executive Officer at GoPago, said that in just one month, 1,000 merchants in 35 states have adopted GoPago Live.

Therefore, Rocco is optimistic about his company's prospects in an increasingly competitive mobile payments market. "We believe all brick-and-mortar retailers must have a mobile presence," he said. "We provide software and POS services to neighborhood brick-and-mortar stores that allow them to broadcast to smart phones in the area."

An appealing alternative

Though GoPago competes with other well-known mobile POS systems, such as those offered by Square Inc. and NCR Corp., Rocco believes his company has the upper hand.

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One advantage is that GoPago offers an app that allows customers to order and pay for products before they get to the store, he noted.

Rocco said GoPago Live offers merchants an alternative to the way they've had payments processed in the past. "We've been listening to our merchants, and they are telling us a lot of the payment process is broken," Rocco said. "They are being told their POS is out of date, and they are being strong-armed to update. The POS industry is instilling fear in merchants to get them to go ahead and upgrade."

Rocco also said merchants tell him payment companies and ISOs are unclear about what merchants pay in interchange rates. GoPago has a fixed inter-

change of 2.85 percent for all card brands, and merchants receive payment within 48 hours.

Rocco called GoPago's interchange rates competitive, given that GoPago Live comes with a free Android tablet preloaded with GoPago software that includes built-in analytics, business products, services and mobile app interface; 4G connectivity; tablet stand; cash drawer; receipt printer; credit card reader; 24/7 merchant support; and no startup costs or monthly fees.

"We offer the most integrated solution, we are connected to the cloud, we have fixed rates and we are connected to the Internet with 4G," Rocco said. "This is a plug-and-play POS with a mobile storefront. Other companies charge extra for that. We believe these services should be provided free of charge. We make money only when the merchant makes money."

A focus on simplicity

Rocco added that other POS systems require merchants to get Internet connectivity themselves. "It can take weeks to get up to speed on those systems when GoPago can have the merchant up and running in a couple of hours," he said. "The merchant can upload the system themselves or they can pay us to do it."

Rocco said the simplicity of GoPago Live is a value proposition that allows businesses to focus on their core competency while GoPago focuses on changing the consumer's experience by making it better and more seamless. For instance, Rocco mentioned the cloud-based POS system has a single interface for mobile and in-store purchases.

"I like keeping things simple at the POS," Rocco said. "We are simplifying mobile. You can operate a business with GoPago Live. When you remove the IT guy and you remove the cable company – that's value."

GoPago is working on improving GoPago Live. "It's only the

How murky is your crystal ball?

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beginning," Rocco said. "Our next release ... is something no one else is looking at and should be ready at the end of November or early December. We will also be providing businesses with the ability to sell their products and services as if they were gift cards through GoPago." ☐

Busy month for the SCA

Migration, road maps and transit were the themes in a busy September 2012 for the Smart Card Alliance, the multi-industry association working for the adoption of smart card technology, specifically the Europay/MasterCard/Visa (EMV) standard for global interoperability of payment cards containing integrated circuits, or chips.

EMV migration

At the inaugural EMV Migration Forum held Sept. 12 and 13 at MasterCard Worldwide headquarters in Purchase, N.Y., 130 industry participants discussed the way forward for adoption of EMV in the United States. At the event, attendees took part in interactive panels and discussion groups.

Randy Vanderhoof, Acting Director of the EMV Migration Forum and Executive Director of the SCA, said the attendees agreed there must be more industry education, a consistent cardholder experience, implementation of EMV best practices, and more industry collaboration in order for the migration to be successful.

Industry resources

The forum created working committees on communication and education; EMV debit implementation in the United States; certification and testing requirements; and cross-industry coordination topics. The next meeting is being scheduled for late fall 2012. For more information, go to www.emv-connection.com/emv-migration-forum.

Also, the SCA recently re-released an updated educational white paper, *Card Payments Roadmap in the United States: How Will EMV Impact the Future Payments Infrastructure?* The paper is available at www.smartcardalliance.org.

Transit fare technology

New fare collection systems that accept open bank-card payments are proving to be successful payment alternatives for mass transit, the Smart Card Alliance Transportation Council reported from its September 2012



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meeting in Philadelphia. Open payments are those made via contactless bankcards for fare payment directly at the customer's point of entry, for example, at a subway gate or on a bus.

Vanderhoof said the meeting brought together transit agencies of varying sizes from around the country to discuss strategies and best practices for deploying new smart card-based fare collection systems. He noted that the agencies came away with a deeper understanding of how to take advantage of new technologies such as open payment and mobile ticketing and the benefits these technologies bring to both agency and customer. 

PCI SSC turns attention to ATM security

The governing body of the Payment Card Industry (PCI) Data Security Standard and related application and device security standards for global electronic payments is reaching out to the ATM industry for feedback on an ATM security guidelines supplement to be published by the end of 2012. As ATM fraud accelerates with increasingly sophisticated PIN-stealing schemes, industrywide ATM security best practices are needed, according to the PCI Security Standards Council (PCI SSC).

"There are a number of standards from a variety of industries, including IT, security, payment card and ATM that address various components of ATM security," said Bob Russo, General Manager of the PCI SSC. "The industry, and what we're seeing in terms of fraud, is now driving the need for a global standard in this area. These guidelines build upon these other standards to provide targeted information for preventing the compromise of cardholder account and PIN data at ATMs."

The council produced a draft document entitled *ATM Security Guidelines Information Supplement* designed to be an introduction to ATM security and an outline for best practices concerning ATM software, hardware and device components.

The draft is available to PCI SSC member organizations on the council's website. Businesses have until Nov. 13, 2012, to review and comment on the draft document. Subsequently, the council will produce a final document to guide ATM manufacturers, hardware and software integrators, and deployers of ATMs on how to securely develop, deploy and maintain ATMs.

The 'pre-play' attack

Rick Heroux, President of security consultancy CSR,

attended the PCI SSC North American Community Meeting held Sept. 12 to 14, 2012, in Orlando, Fla. He said attendees learned of a sophisticated ATM fraud scheme in the U.K. called a "pre-play" attack.

Fraudsters exploited an apparent flaw in how Europay/MasterCard/Visa (EMV) security algorithms are generated for chip and PIN transactions. A random algorithm is supposed to be generated for each transaction. But in some cases, future algorithmic number sequences generated by ATMs can be predicted because a majority of the number sequence is repeated.

In two-pronged attacks, ATMs in the U.K. were hacked into and software embedded into them that steals chip and PIN information, Heroux said. Fraudsters then computed future authorization codes based on that information and drained accounts, he added. Researchers at Cambridge University uncovered the pre-play scheme and published their findings in *Chip and Skim; cloning EMV cards with the prep-play attack*, available at www.cl.cam.ac.uk/~rja14/Papers/unattack.pdf.

Heroux believes this recently uncovered fraud scheme gave impetus to the PCI SSC to develop the ATM security supplement. "And what their concern is that the PA DSS [Payment Application Data Security Standard] and the [PIN Transaction Security DSS] are aimed more at the PIN pad and computer software – internal software – than they are at this highly specialized ATM software," Heroux said. "What I believe the PCI SSC is doing is trying to get ahead of the curve. They're getting proactive."

EMV and PCI

MasterCard Worldwide reported Sept. 10, 2012, that it will require ATMs in the United States to be EMV-compliant by October 2016. ATM providers that do not make the deadline face a liability shift that could render them liable for fraud losses, MasterCard said.

"As other markets have migrated to EMV, we have seen fraud shift to the least secure channel," said Mike Weitzman, Group Executive, U.S. Markets, MasterCard. "By establishing this liability shift, we're advancing efforts to prevent and reduce fraud."

But, as evidenced by the pre-play scheme, EMV is not a silver bullet. "EMV is a great tool for face-to-face transactions, but just one piece of protecting data," Russo said. "Remember, security is about people, process and technology. To protect cardholder data across all channels, including card-not-present, and throughout the transaction, EMV should be used in conjunction with the PCI standards."

To learn about how the PCI DSS and EMV work together, access *PCI DSS Applicability in an EMV Environment – A Guidance Document*, which is available at www.pcisecuritystandards.org/documents/pci_dss_emv.pdf. 



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Prepaid in brief

NEWS

The end is near for Google Prepaid Card

Google Inc. reported on its corporate blog that it is ending its Google Prepaid Card experiment on Oct. 17, 2012. The search engine giant said it is discontinuing the card because it recently moved Google Wallet to the cloud to allow users to store any credit or debit card in the wallet.

The prepaid card was a component of the initial Google Wallet strategy heralded in May 2011 and rolled out that September. But as of Sept. 17, 2012, cardholders will no longer be able to add funds to the Google Prepaid Card. One month later, the card will disappear from the mobile wallet application.

In related news, **Green Dot Corp.** became one of the first card issuers to have a place on Google's new cloud-based mobile wallet. As part of opening Google Wallet to all card issuers by moving the service to the cloud, Green Dot was cited by Google as among the first issuers to provide card art for the new wallet.

Prolexic halts DDoS attacks

Prolexic Technologies, a distributed denial of service (DDoS) protection and mitigation firm, reported it mitigated several DDoS attacks against Entropay, a provider of virtual, Visa Inc.-branded prepaid card accounts in Europe. Prolexic said the increasing popularity of the Entropay online platform resulted in it becoming a target for DDoS attacks.

Ixaris Systems Ltd.-owned EntroPay engaged Prolexic for DDoS detection and protection. "With this service, DDoS attacks are detected by monitoring on-premise equipment," Prolexic said, adding its cloud-based service routes the network traffic from DDoS attack victims to Prolexic's DDoS mitigation infrastructure.

Parents turn to prepaid for help

Almost 65 percent of parents are concerned about the money management skills of their college-aged children, according to a **MasterCard Worldwide** survey. The report also said that two out of every five parents believe their children will run out of money in the first month of college. Those statistics bolster the conclusion reached by the MasterCard Student Transition survey that debit and prepaid cards help ease parents' fears that their children will go into debt as freshmen at college.

ANNOUNCEMENTS

BillMyParents helps autistic individuals, families

BillMyParents Inc., the teen payment solutions brand of Socialwise Inc., and autism science and advocacy organization Autism Speaks collaborated to promote financial education and independence for autistic teenagers and their families through the MasterCard-branded BMP SpendSmart prepaid card.

Contact Solutions joins NBPCA

Contact Solutions LLC, a provider of cloud-based customer self-service solutions, joined the Network Branded Prepaid Card Association. "The NBPCA is pleased to welcome Contact Solutions, a company committed to helping continuously improve that customer experience for millions of prepaid cardholders," said NBPCA President and Executive Director Kirsten Trusko.

ēdo raises \$15 million in venture capital

Social network services provider **ēdo Interactive** scored \$15 million in Series C financing from VantagePoint Capital Partners, Robert W. Baird & Co. Inc.'s Baird Venture Partners and other investors. Nashville, Tenn.-based ēdo said it will use the funds to accelerate adoption of its Prewards platform.

Prepare for holidays with gift cards

Addison, Texas-based ISO **Encore Payment Systems** is encouraging small to midsize businesses to stock up on gift cards for the holiday shopping season. By offering merchant-specific gift cards, merchants can expect a "hike in revenue and customer loyalty," Encore said.

O2O payment platform unveiled

Emeryville, Calif.-based **Marqeta Inc.** launched its online-to-offline (O2O) payments platform. Marqeta said the platform aggregates each consumer's deal vouchers, rewards and gift cards on one physical payment card that can be used at the POS; merchants incentivize cardholders to shop at their stores by loading extra funds onto the cards.

Payza grows in Bangladesh

London-based e-commerce platform provider **Payza** said its Bangladesh operation has experienced "unprecedented growth" in the number of international remittances flowing into the developing South Asian nation.

In recognition of Payza's success, the country's central bank, Bangladesh Bank, raised international money transfer receiving limits from \$500 to \$2,500 per transaction, according to Payza.

FlipMoney targets underbanked

At FinovateFall 2012, held Sept. 12 and 13, 2012, in New York City, **PreCash Inc.** demonstrated FlipMoney, called the first "viable" mobile wallet app for the underbanked. FlipMoney combines mobile remote deposit capture with bill payments. A physical, network-branded prepaid card is part of the service.

A-Rod promotes Dynasty RushCard

UniRush LLC-owned **RushCard** debuted its first Spanish-language television commercial featuring the Dynasty Prepaid Visa RushCard and all-star baseball player **Alex Rodriguez**. In the commercial, Rodriguez ties the recollection of his hard-working Latina mother to the advantages of the Dynasty card.

PARTNERSHIPS

Mobile prepaid wallet launched in the U.K.

Contactless payment technology developer **DeviceFidelity Inc.** teamed with European acquirer **Vincento Payment Solutions Ltd.** and **MasterCard** to roll out moneto in the U.K. market. The moneto mobile wallet app allows smart-phone users to link bank accounts or credit cards to fund moneto prepaid accounts that are used to pay for goods and services at the physical POS.

InteliSpend upgrades via Instant Access

Employee health, wellness and rewards program manager **InteliSpend Prepaid Solutions LLC** tapped business intelligence (BI) technology support and training company **Instant Access** to improve InteliSpend's operational efficiency. Instant Access, owned by WCI Consulting, uses BI software provided by SAP to manage InteliSpend's internal analytics, business opportunities, profitability and cardholder data. InteliSpend is an independently run company under the Maritz Inc. umbrella.

Via Agrokor, paysafecard enters Croatia

Vienna, Austria-based **paysafecard group** teamed with food, drink and retail product distributor **Agrokor Group** to enter the Croatian market with a PIN-based prepaid voucher service. Through the partnership, paysafecard vouchers are available at 1,500 Tisak kiosks across the Central European country.

MasterCard reloads with Western Union

Via its partnership with **The Western Union Co.**, **MasterCard** expanded its rePower reload network by 45,000 Western Union agent locations in the United States. With the addition of Western Union's network, MasterCard boasts the largest open-loop reload network in the United States, with over 100,000 locations.

APPOINTMENTS

Think Finance bolstered by RLJ execs

Think Finance, a developer of next-generation financial products for the financially underserved, welcomed **Robert L. Johnson** to its board of directors. Johnson is the founder and chairman of The RLJ Companies, including RLJ Financial which markets alternative financial solutions to underserved consumer and business communities. Johnson founded the Black Entertainment Network.

Concurrently, **Kathy Boden Holland**, formerly President of RLJ Financial, joined Think Finance as Executive Vice President of Corporate Development.

PIF taps bank pros for India posts

Navtej Singh, Head of Direct Payment Products at HDFC Bank, became Chairman of the Prepaid International Forum's India chapter. Singh succeeds Kusal Roy, Head of Cards & Personal Loans at ICICI Bank, whose annual term ended. Singh's appointment coincides with the election of the PIF's new executive committee:

- **Amit Sethi**, Managing Director, TSYS India and South-East Asia Region
- **Sachin Khandelwal**, Founding Chairman, PIF India
- **Robert Courtneidge**, Chairman and co-founder, PIF. 



Features

Passbook affirms bar code payments

Not that CashStar Inc. needed validation for its bar code-centered virtual gift card network, but along came Apple Inc. with the latest version of the iPhone and its new Passbook feature – a mobile wallet driven by the scanning and loading of bar codes.

David Stone, Chief Executive Officer at CashStar, declared the technology giant's decision to throw its considerable mobile market footprint behind bar code payments as a good sign for CashStar and for the digital gifting industry as a whole.

"When CashStar pioneered virtual gift cards, we were very focused on bar codes, rendering that paint on a mag stripe into a bar code," Stone said. "That's how we got started. That's what we thought would be 'it.' Everybody

thought we were crazy when we started it and, lo and behold, now arguably the largest company in the world has gone the bar code route."

Passbook enables iPhone 5 users to store and manage digital coupons; boarding passes; event tickets; and loyalty, gift and affinity cards as bar codes. To redeem funds stored in virtual gift cards (called "store cards" by Apple) at the POS, users scan the bar codes as they appear on the iPhone's display. Passbook is also time- and location-enabled, which allows the correct store card to always be top-of-wallet on the iPhone.

Stone characterized Passbook as typically "Apple-esque" – simple and intuitive. For store cards, Apple chose to allow only closed-loop, retailer-specific gift cards.

Open-loop, network-branded cards, and credit cards for that matter, are not part of the mix, in part because of consumers' security concerns, according to Stone. "Am I comfortable storing my credit card credentials in a mobile device?" he said. "With a gift card, it's a one-time thing."

Another aspect of mobile payments noticeably absent from the iPhone 5 is near field communication (NFC) technology that facilitates brick-and-mortar proximity payments when smart phones are tapped on NFC-enabled card readers. Stone said the infrastructure for NFC lacks definition: not enough readers are NFC-equipped and no universal standards govern how NFC payments are accepted. On the other hand, bar code technology is "relatively ubiquitous," Stone said.

In many cases, standard bar code readers need to be upgraded to scan smart phone displays because they rely on the reflective characteristics of paper to read bar codes. However, consumers, not to mention merchants, are comfortable with scanning technology, Stone said. "The advantages are multiple," he noted. "I can scan my UPCs [universal product codes] for my inventory. If I want to do coupons, they work. QR codes are easy on the mobile device. It's just not about the hardware."

From API to POS

Passbook represents another change for Apple. Although famously known for its closed and tightly controlled ecosystem of software and mobile applications, Apple allows third-party developers like CashStar to integrate with Passbook via its application protocol interface.

CashStar provides digital gifting solutions for two of the national retailers prominently displayed in Apple's launch of Passbook: Starbucks Coffee Co. and Sephora USA Inc. Stone said about a third of Sephora's stores are set up to handle bar code mobile payments, a timely move given CashStar's recognition that a transition is taking place among consumers.

The majority of consumers who receive virtual gift cards

from merchants on CashStar's network still print out the bar codes and present them at the POS, Stone said. But that is changing.

"Increasingly, we are seeing more and more people open their e-gift cards on their mobile device," Stone added. "At some of our retailers, it's as much as 33 percent. And increasingly, we're seeing redemption occur with a scan of the phone."

From QR codes to cash

Mobile bar code solution provider Scanbuy Inc. published research that showed bar code scanning is escalating. Using the company's ScanLife technology, over 16 million scans were performed in the second quarter of 2012, with June recording the highest recorded scan month ever, with 5.3 million scans, Scanbuy said.

Additional Scanbuy metrics support the increasing role QR code scanning, in particular, is playing in customer engagement via the mobile channel. Fifty percent of companies surveyed by Scanbuy in July 2012 said they are using QR codes to encourage engagement, compared with 35 percent who are employing mobile apps and 26 percent using text messaging for that purpose.

Of those businesses using QR codes, 47 percent started using QR codes in 2012 – "a dramatic increase from just 8 percent a year ago," Scanbuy said.

The role of digital gifting in the bar code paradigm is clear to Stone. "Passbook confirmed this – that gift cards, or digital gifting, is a catalyst for driving consumers to mobile payments," he said. 📱

How to reach Hispanics with prepaid

A dramatic shift is occurring in the composition of the U.S. population. The U.S. Census Bureau reported in May 2012 that from July 2010 to July 2011, minorities for the first time accounted for more births than whites, with Hispanics representing almost 26 percent of those births.

It is evidence that financial service providers must account for this rise in the Hispanic population by offering payment services, namely prepaid cards, tailored to their financial needs and preferences.

Miriam De Dios, Chief Executive Officer at Des Moines, Iowa-based prepaid card program manager Coopera, said in a July 2012 webinar that prepaid cards are ideally suited

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beyond the transaction.

The first key to reaching Hispanics with prepaid card programs is to make them culturally relevant and bilingual.

Miniam De Dios, Chief Executive Officer, Coopera

to Hispanics. Half of all Hispanics in the United States are either unbanked or financially underserved, she said. In addition, De Dios noted the average age of individuals in the Hispanic community is 27, which makes the average Hispanic fall into a prime consumer demographic. Hispanics therefore represent "a blue ocean of opportunity for credit unions," she said.

Coopera, an Affiliates Management Co. subsidiary, partnered with payment aggregator The Members Group, also based in Des Moines, to offer the Visa Inc.-branded Coopera Card to the Hispanic community via credit unions. The card was rolled out in 2011 and is currently being offered by 11 credit unions located in the Midwest, Texas, California and on the East Coast.

The first key to reaching Hispanics with prepaid card programs is to make them culturally relevant and bilingual, according to De Dios. Coopera took a holistic approach to its offering, making sure each aspect of the program resonated with Hispanics.

"We have taken a look at this product from beginning to end – all the way from the card design to the language on the card," De Dios said. "These are the materials that your cardholder receives. All the way to the cardholder support, the text alerts that are provided, the statements. Everything is available in English and Spanish, and is culturally relevant."

Improving the alternative

The second key is to ensure the product is a better alternative to services offered by check cashers, according to Coopera. De Dios, a native of Jalisco, Mexico, illustrated how expensive check cashing is for the unbanked with her personal experience as a child.

"Every week I would go with my father to the check cashing outlet to get his complete paycheck cashed," she said. "Then we'd go somewhere else to buy money orders. I helped him fill out the money orders. And we'd get those to the utility companies. Sometimes we'd have to drive physically there to make those payments.

"And then we would go to a local grocery store that had a money transfer service. And that's what we would use to send money back to my grandma back in Mexico. So that was an expensive venture."

In a Coopera white paper entitled *Prepaid Reloadable Cards Are Not Created Equal: Setting Your Credit Union's Prepaid Reloadable Products Apart from the Rest*, De Dios detailed

how the Coopera Card is an improvement over her childhood experience.

While a check casher may charge 2 percent of the face value of a check to cash it, the Coopera Card offers free direct deposit of paychecks. Additionally, a check casher may charge \$15 for a money transfer and \$1 per money order, but Coopera offers free money transfers and bill payments. Coopera thus calculates its cardholders can save up to \$792 annually over check cashing services.

That comparison is bolstered by news that financial planning website NerdWallet.com ranked the Coopera Card as the fifth most affordable prepaid card available to consumers, based on the card's low fees compared with other prepaid card options on the market, including two competing products designed for Hispanic cardholders.

Relationship-building via education

The white paper stressed the goal of prepaid card providers – in this case credit unions – is to use prepaid cards to build long-lasting financial relationships with Hispanics. "While prepaid cards are well-suited to opening the door, they are not a magic bullet," De Dios said. "The trick to leveraging a prepaid product for true membership growth is to go beyond simply selling."

Providers do this through education. Because traditional financial services can be seen as intimidating, confusing and culturally irrelevant for Hispanics, prepaid card companies should ensure new cardholders understand the terms and conditions of programs, De Dios said. "But, more importantly, look for opportunities to teach them how to connect the product to their daily financial habits," she wrote.

De Dios added that a major fear among the underserved, in general, is that prepaid card fees will rob them of their hard-earned money. "The fear of fees is not unfounded, unfortunately," she wrote.

Another fear is that prepaid cards will result in users incurring debt. "Obviously prepaid cards are designed to do the exact opposite," she said. "It's vital, however, that your staff be prepared to confront misconceptions that may seem apparent to them."

In fact, such misconceptions represent engagement opportunities. It makes consumers' decisions that much easier when "your prepaid product compares so favorably to the other option available in the marketplace," De Dios said. 



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Revolution underway in merchant underwriting

By Brandes Elitch

CrossCheck Inc.

Traditionally, the core competency of ISOs is "making the sale." This means being able to convey the value proposition of accepting credit cards and then convince merchants they should use that ISO instead of a competitor. But selling and execution are two different things, and sometimes underwriting gets delayed.

Merchants always ask why underwriting is so complicated and time-consuming. Well, there are some big changes occurring right now in the world of credit card processing that will change underwriting. New business models are changing how merchants are underwritten, in some cases doing away with the traditional process.

At the same time, regulators are taking an opposite approach – increasing the regulatory requirements for underwriting at ISOs and acquiring banks. Let's take a look at these changes, and how they might affect the ISO community.

A change at the gate

First, the model that created ISOs is changing irretrievably. The model was based on the fundamental fact that, except for very large merchants, it just wasn't easy for a merchant to get an account. The merchant had to fill out an overwhelming and never-ending stream of paperwork, similar to a Small Business Administration loan application.

A merchant had to include years of financial and tax records, a site inspection and a personal guarantee. Then, the merchant needed the ISO to figure out the type and configuration of equipment needed, which in the past included what type of phone lines were necessary to support large payment volume in multiple locations.

At the time, when there was no Internet nor mobile phone technology, the ISO really was a gatekeeper. This was particularly true for small merchants. A merchant whose line of credit was less than a million dollars typically banked with a community bank. Small banks were not acquirers or principal banks for the card brands.

Up to that point, the merchant was accustomed to doing all financial transactions with the local banker, but now had to go outside of that comfort zone and shop for card processing. As a gatekeeper, the ISO got to mark up equipment the merchant really couldn't buy directly anywhere else, and the ISO got to keep part of the interchange, too.

Interchange rates were so convoluted and complicated that many merchants stopped trying to figure out their

bankcard statements. I know this because when I would ask merchants for their rates, I would almost never get a realistic answer. That's because they never read their statements and didn't know what they were paying.

Proliferating disruptions

I remember hearing Square Inc. founder Jack Dorsey speak at a bankcard conference three years ago. As an ex-banker, I was pretty skeptical, well, truthfully, really skeptical. I couldn't figure out how Square could underwrite the merchant. It turned out I was wrong, or more precisely, my question was irrelevant.

That's because this whole concept involves the idea of letting anyone accept a credit card payment, using a device they already own. Now, "underwriting" takes a couple of minutes: you download the app, type in your name and address, link your bank account and answer three security questions. That isn't underwriting, but maybe that's all right.

You can't sign up a million users in a couple of years if you have to underwrite them. Dorsey is not challenging the MasterCard Worldwide-Visa Inc. payment card monopoly; in fact, he's their best salesperson. He is democratizing a process that was, until then, more like an exclusive club. This isn't "incremental change"; this is a revolution in the payments world.

In August 2012, Square finalized an agreement with The Starbucks Coffee Co. for payment card processing. You know Starbucks, the music retailer.

In fact, the 11,000 stores are open 18 hours a day, and play 60 songs every four hours, so they are, in the parlance of the music business, "laying down 3 million spins a day." Another revolution – this time in the music biz.

Speaking of music, what if Apple Inc. could take the iPhone and add the ability to use near field communication (NFC) technology to enable consumers to pay with their phones? Or, even more interesting, what if the consumer could buy something at the POS with NFC technology, and charge it to their iTunes accounts?

Then the transaction would settle in Apple's processing account with its acquirer (Apple aggregates transactions in a way ISOs cannot). Wouldn't this make Apple the merchant acquirer? How would an ISO get paid in this transaction set?

And who underwrites the merchant in this case? Sounds problematic, but who would have guessed that a company

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Until recently, MasterCard and Visa divided merchants into "card present" (point of sale) and "card not present." Card-not-present merchants paid significantly higher rates, had significantly fewer chargeback rights and were considered significantly more risky to acquiring banks.

that made personal computers would become the largest music retailer? That was revolutionary, especially to all the music retailers that no longer exist. Another big change is the trend toward in-store payments without using the traditional POS providers. In August 2012, PayPal Inc. heralded a plan to integrate with Discover Financial Services and its 7 million merchants. Merchants like this because it will be cheaper for them to get paid.

They can debit the PayPal user's account via an automated clearing house debit (cost: a few cents), rather than pay interchange (cost: about 2 percent). This is an equipment agnostic solution: the merchant merely needs to settle with PayPal (or PayPal via the Discover tracks) – another revolution.

Changing definitions

One way to look at this is to revisit the traditional definition of a processor, courtesy of *The Green Sheet*:

A processor is any entity that is physically processing a credit card

transaction from swipe to settlement. It is a front-end network that enables a dial terminal, POS or gateway to connect to the Visa and MasterCard systems for authorization from an issuing bank.

Any back-end or settlement network that is receiving those authorizations and settling them to a sponsor bank is also a processor. This network would have either a front-end or back-end, or both, that is involved in the physical authorization or settlement of a transaction.

In this world, all transactions settle to the merchant's account in the merchant's acquiring bank. The bank underwrites the merchant in the event of merchant defalcation (misappropriation of funds), fraud or just bankruptcy, because credit card transactions have a six-month chargeback tail. That is why underwriting is so important.

Until recently, MasterCard and Visa divided merchants into "card present" (point of sale) and "card not present." Card-not-present merchants paid significantly higher rates, had significantly fewer chargeback rights and were considered significantly more risky to acquiring banks.

While this was business as usual when card-not-present meant MO/TO; the Internet and mobile phones changed all that, and the underwriting distinctions are not so clear anymore.

Do you notice a common thread here? For the ISO, it's called "disintermediation." It means that merchants are

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no longer obligated to find an ISO to provide them with hardware and software and an acquiring bank to enable them to process credit card transactions.

It means they don't need an intermediary to underwrite them, and for the acquiring bank to lay off some risk on the ISO. It even means that the merchant may not even need an acquiring bank in the first place.

A new perspective

Once upon a time I helped to start, or rather kick-start, an acquiring operation for a small bank that had the luck or foresight to be a principal bank for the card brands (then known as associations).

We stumbled on an opportunity to take what the largest issuing bank believed to be the major source of its chargebacks, and to provide a solution. Our goal was to bring chargebacks down in this merchant category code from over 10 percent to 1 percent – a tall order.

My job was to convince the real regulators (the Federal Deposit Insurance Corp., our Big Six accounting firm, our board of directors and the risk management departments at the associations) that we had a viable plan to do this and could manage the chargebacks.

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Of course, we also had to convince about 50 merchants who would actually be paying the freight, as they always do.

I got on a plane and flew to New York to meet with the president of MasterCard to get his approval. He was supportive. Visa was more problematic; we had to deal with its risk management department, staffed with ex-FBI agents. They just couldn't understand that we were the good guys, riding into town to get rid of the bad guys.

So, the underwriting process in this case took a few months to accomplish, and it gave me an understanding of why this is important.

It was a lot of work, but it paid off, because the experience allowed us to build a bankcard department that made the bank desirable as a target to a larger bank that wanted to play in this space.

The larger bank paid five times book value for the smaller bank, because it wanted the bankcard department. Normally, a bank sells in the range of two to three times book value, or used to, before the current unpleasantness in banking.

This experience gave me a perspective on merchant underwriting that is hard for me to change. All this came into focus with the recent pronouncements by bank regulators that, going forward, they will hold banks and ISOs to much stricter "know your customer" rules in the payment processing space.

No longer can acquirers rely on personal guarantees, reserve accounts and past merchant histories. They cannot perform an initial underwriting and then let three or four years go by without ever updating the file.

The regulators will hold the ISO principals personally responsible for laxity in the underwriting process, which should be enough to get anybody's attention.

Given the changes in underwriting, this is not going to get any easier. The concept of not just losing your business, but being held personally liable and going to jail, is an onerous one for ISO principals.

In my next article, I will explore the new regulatory guidelines in more detail and provide some solutions for ISOs and acquiring banks on how to deal with the new underwriting guidelines. ■

Brandes Elich, Director of Partner Acquisition for CrossCheck Inc., has been a cash management practitioner for several Fortune 500 companies, sold cash management services for major banks and served as a consultant to bankcard acquirers. A Certified Cash Manager and Accredited ACH Professional, Brandes has a Master's in Business Administration from New York University and a Juris Doctor from Santa Clara University. He can be reached at brandese@cross-check.com.

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Get ready for 21st century shopping

By Rick Berry

ABC Mobile Pay Inc.

I like to think that I'm pretty much on top of things technological. But every once in a while, I'm struck by how those brought up entirely in the digital age seem to be hardwired a bit differently than those of us who encountered the Internet – and all that comes with it – as adults.

I'm humbled to admit how many times my daughter has had to say, "Just Google it, Dad," with that look of affectionate exasperation that daughters have for slow-witted dads who have to be reminded occasionally that answers to many questions are available on the web.

She's part of what I call the "Just Google It" generation – the millennial cohort of consumers accustomed from birth to having information available at their fingertips at any time, from any location.

Playing to the millennial generation

How do we meet the expectations and demands of those who take the instant availability of information as an inalienable right? To borrow a slogan from Target Corp., these consumers definitely expect more.

They also believe they should pay less because new-media tools allow them to effortlessly know, for example, whether or not something they are about to buy is available down the street at a lower price.

Some of the big players clearly understand the higher expectations and are rolling out mobile apps that are changing the nature of the shopping experience for those who, like my daughter, are ready for and demand it.

The Home Depot U.S.A. Inc. and Wal-Mart Stores Inc. are putting their store layout plans on smart-phone apps. Features include display-aisle numbers on items the consumer has searched for, which speeds and simplifies the shopping experience. These apps help capture impulse purchases and increase sales.

Merging online and brick-and-mortar sales

Mobile can, in essence, bring the online store to physical brick-and-mortar locations. As an indication of how meaningful the connection is between the mobile app and in-store sales, Wal-Mart found that within two weeks of launching its indoor navigation app, about 15 percent of page views came from shoppers in stores.

This is an astonishing figure, one that says that in imple-

menting such apps, the retailers are not ahead of the shoppers. They are behind them, playing catch-up. That is both exciting and alarming.

Today's connected consumers are completely ready for the next innovation that will combine mobility and information access to speed and enhance their shopping experience. In fact, they are beginning to demand it.

Navigating uncharted seas

Where will this lead? If consumers are that ready for navigation apps like the ones mentioned above, what else are they ready for? The core need is to access information easily and quickly, whether the consumer is online at home or on a mobile device in or on the way to the store.

Retailers that find success in the future will create ways to interact with their customers on a higher level than they have ever had available to them before.

They will involve them in social media, ask them sincere questions and answer their questions promptly and thoroughly. By taking such steps, these retailers will provide value and increase their sales.

The change is not just evolutionary. This is a sea change, and it's happening all around us. We had better be ready, or we'll end up as crusted barnacle-covered wrecks at the bottom of the 21st century ocean. It's time to set our sails to the wind and get underway. ■

Rick Berry is the President of ABC Mobile Pay Inc., a Valencia, Calif.-based company specializing in providing affordable, software-as-a-service POS solutions. Rick can be reached at rick@abcmobilepay.com.

SymphonyIRI Group Inc.'s *MarketPulse Survey, Q2 2012* explored factors that influence U.S. consumers' buying habits and found respondents aged 18 to 34 years old – often called the millennial generation – are highly susceptible to new-media messages.

When making purchasing decisions, they are 362 percent more likely than consumers in other age groups to be influenced by smart-phone apps, and 347 percent more likely to be influenced by recommendations or information on blogs and social networking sites, according to the survey.

For more information, see www.symphonyiri.com/portals/0/articlepdfs/t_t%20june%202012%20presentation.pdf.

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Whether addressing residuals, service agreements, phone support, technical assistance or lead creation, The Merchant Solutions strives to meet the distinct needs of each of its ISOs and merchant level salespeople (MLSs) with highly customizable programs, according to Taufiq Mithani, the company's Chief Executive Officer.

"It really boils down to customization," Mithani said. "We want to be able to customize not just setup, but service. ... With some larger companies, you can't tell them, 'I need this specific thing for a customer.' With us, we'll customize how you want your program, how you want it set up. ... We're really letting them take control of the process."

This tailored approach involves many variables, for example, ISOs and MLSs can choose:

- Whether to have higher residuals and lower signing bonuses or vice versa
- What to include in the merchant application and pre-service agreement
- Whether TMS or the ISO should be the merchant's service provider
- The type of equipment to offer

Offerings to be proud of

Mithani noted the company also offers 24/7 phone support for both ISOs and merchants, and it works closely with ISOs and MLSs – high- and low-volume – to customize their service platforms. TMS' egalitarian approach also applies to its merchants, according to Mithani, who pointed out that all merchants in the company's fold get quarterly phone calls to check on their well-being and solicit requests or feedback.

By speaking with its ISOs and incorporating their feedback into the company's larger game plan, TMS has forged a service and product suite that caters to a range of needs and includes the most cutting-edge offerings in a quickly evolving industry, Mithani said.

Among those products are POS terminals that are Europay/MasterCard/Visa- (EMV) compliant and near field communication- (NFC) ready. Although EMV cards are not yet required in the United States, having EMV-compatible technology will give merchants a leg up when the card brands do mandate it, Mithani noted.

"Visa and MasterCard say they're going to start demanding that EMV terminals be used in the U.S. market, so we're preparing for that technology [mandate] now," he said. "So when in 2013 or 2014 they're enforcing it, our merchants are ahead of the game."

Meanwhile, the NFC readers fill a more immediate need: mobile payments at the POS, a small, but rapidly growing phenomenon most industry observers agree will come to dominate the future of in-store payments.

According to Mithani, merchants with NFC give consumers a potentially more convenient payment option; plus an increasing number of customers are finding they can more easily use gift cards, redeem coupons, receive discounts and accrue loyalty points by simply "tapping" a smart phone to an NFC reader, Mithani added.

"We give out a lot of free equipment, but not just the generic free terminals," Mithani said. "What we offer is very much at the technology forefront. We focus on the latest terminals, EMV-compliant terminals with NFC readers built in, mobile terminals, and touch-screen [POS] for retail."

The company's other payment acceptance products include VeriFone Inc.'s PAYware and ROAM Data Inc.'s ROAMPay for mobile acceptance and, for traditional POS transactions, a proprietary touch-screen POS system that can be customized to include features required by disparate vertical markets.

An emphasis on value

TMS National Sales Manager Naomi Mastera pointed out that the touch-screen POS system's standard features include a scanner, printer, cash drawer, temperature control (no fan required) and customer-friendly use and integration. "We work with merchants to set up their menu, we make sure the support is there and we make sure they approve it before we send it out," she said. "The turnaround time is fast; we make sure the proper support is there to get the menu built within seven days."

Mastera added that the company's high-quality, proprietary touch-screen system is also cheaper than typical competitors' offerings. "They give out the elite hardware at a high price – \$79 – and their standard hardware for \$59. But their elite is our standard, and ours costs \$49," she said.

Mastera noted that TMS also offers a number of free services that ISOs typically charge for: the company does not charge a gateway fee; nor does it charge for Payment Card Industry Data Security Standard compliance services or merchant reporting. "We've made it so agents can go out and be very competitive and make more money," she said. "And agents refer other agents because of our pricing, customer service and support."

Mastera added that the company has forged a number of partnerships to offer things that its ISOs have requested or inquired about. These include partnerships to provide speedy financing in an age when many merchants are struggling to secure retail space or adequate capital.

One of the company's financing products is merchant cash advance, which merchants use to capitalize such initiatives as expansions, upgrades and hiring; the other is a check guarantee service that provides financing of up to 12 months on post-dated checks. "We're partnering with

some really strong companies that help our agents make more money but also get their foot in the door by getting merchant accounts," Mastera said.

Extra steps to boost agents

One example Mastera offered of TMS' efforts to address the specific needs of its ISOs and MLSs involves an agent in Texas who catered to the Chinese market. Recognizing the opportunity to offer processing services to companies that wouldn't normally purchase them, TMS contracted with a China-based terminal distributor to order Chinese-language POS systems.

"We were able to outsource Chinese POS systems specifically for this agent," she said. "We invested in that because we knew it was a great business opportunity for him and for us. So we negotiated to make sure we had a deal in place that was fair and would help our agent."

Mastera said TMS wants "to make sure our agents are happy and we're being proactive." She noted that TMS encourages its ISOs to focus on selling accounts, and that agents who need help in other areas of merchant service – such as promotions and marketing, check-ins, and reports and analysis – can have those things taken care of by the company.

"With a lot of ISOs, the agents have to do everything, but we want them to do what they do best: sell," Mastera said. "If they need cost analysis on a merchant, we'll do that – programming, setup – all that. We have a great tech team that can help them so they can focus on selling. When a statement comes, we'll call the merchant to make sure they don't have questions. Our goal is to make things easier for them."

MLSs also have a high degree of control over their compensation schedules, Mastera added. They can choose to tilt their compensation more toward either an upfront bonus or a higher residual, depending on a merchant's processing volume. Agents can craft different compensation schedules for each of their merchants, she said. In addition, TMS will create leads for ISOs and MLSs, organized by ZIP code and industry type, and the company is developing a program to create qualified leads in the coming months.

According to Mastera, TMS has over 300 agent partners, but has recently launched an advertising campaign with the hope of expanding that number to over 1,000 by the end of 2013. "A big concern from agents is the stability of a company and what goals they have," Mastera said.

"A lot of ISOs out there are giving lots of bonuses, but they also keep selling their portfolios. We're not just here to grow and sell; we're here for the long term and, even as we keep growing, we're not looking to sell anything. That kind of stability gives your agents a lot more confidence." 



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beyond the transaction.

Underbanked continued from page 1

account at a bank or credit union. In underbanked households, folks may have bank accounts, but they also use AFS providers, such as check cashers and payday lenders.

Here are some key findings reported in the *2011 National Survey of Unbanked and Underbanked Households*, which was undertaken with help from the U.S. Census Bureau:

- One in five U.S. households (representing 51 million adults) is underbanked.
- Nearly three in 10 (29.3 percent) have no savings accounts.
- Ten percent do not have checking accounts.
- One-quarter of U.S. households have used at least one AFS.
- Nearly one in 10 have used two or more types of AFS products.
- Twelve percent have used an AFS in the past 30 days.

These households, by choice or misfortune, are banking outside of the mainstream. And while many said they're not likely to ever open accounts at banks, one-third of the unbanked indicated they are "very" or "somewhat" likely to do so. This is most common among households that only recently became unbanked and young households, the FDIC report noted.

In releasing the 2011 survey, FDIC Acting Chairman Martin J. Gruenberg prodded banks to do more to attract underserved households. "The results of the *2011 National Survey of Unbanked and Underbanked Households* indicate that insured financial institutions have an important chance to grow their customer base by expanding opportunities that bring unbanked and underbanked individuals into mainstream banking," he said in a statement. "There are many positives to establishing a relationship with an insured financial institution.

"Access to an account at a federally insured institution provides households with the opportunity to conduct basic financial transactions, build wealth, save for emergency and long-term security needs, and access credit on fair and affordable terms."

The particulars

Household location has a lot to do with banking status. Geographically, Southern states have the highest rates of unbanked households at 10 percent, while the Midwest and Northeast have the lowest rates at 7.1 percent. Contrasts in unbanked population levels are even more pronounced on the state level. In New Hampshire, for example, only 1.9 percent of households are unbanked; in Mississippi it's 15.1 percent. Underbanked household status ranges from a low statewide rate of 12.5 percent in New Hampshire to 31.2 percent in Nevada.

Race and ethnicity also play a role in household banking

status. For example, unbanked rates are higher among non-Asian minority households. Among blacks, 21.4 percent are unbanked; among Hispanics, 20.1 percent are unbanked; and among American Indians, the rate is 14.5 percent. Unbanked households are disproportionately represented among households with foreign-born noncitizens (22.2 percent) and households where Spanish is the only language spoken (36.9 percent), the FDIC reported.

Significant variations between generations exist, as well, with older households most likely to be banked. Among households with adults 65 and older, 80.9 percent are fully banked, compared with just 60.3 percent of households led by adults ages 25 to 34.

The FDIC survey is the first in a series of reports expected in 2012 on the unbanked and underbanked that include strategies and actions for connecting these consumers with banks and credit unions. The next report on what banks are doing to reach the unbanked and underbanked is expected out in late fall.

Exploding micro-lending market

The Center for Financial Services Innovation, meanwhile, published results of an in-depth analysis of the consumer market for small-dollar loans, with an eye toward promoting the "development of high-quality credit products" for low- and moderate-income Americans.

According to its just released report, *A Complex Portrait – An Examination of Small-Dollar Credit Consumers*, an estimated 15 million U.S. consumers each year turn to nonbanks for small-dollar loans that often ensnare them into an endless cycle of debt.

"Every year, millions of American consumers use small-dollar credit products for quick access to cash," said Rob Levy, Manager of Innovation and Research at the CFSI, and lead author of the report. "Our goal with this study was to see where the market is today, and encourage development of high-quality credit as defined by affordability, transparent marketing, a structure that supports repayment without creating a cycle of repeat borrowing, and offering the opportunity for credit-building."

To that end, the report provided several key insights on consumers who use small-dollar credit (SDC) products provided by nonbanks. For example:

- Only 27 percent of SDC customers have credit cards, compared with 61 percent of those who don't use SDC companies.
- Utility bills top the list of reasons for turning to SDC products, with 36 percent of borrowers saying that's what triggered their need for loans.
- The second and third most common reasons are general living expenses (34 percent) and rent (18 percent), respectively.



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- Nearly two-thirds (66 percent) of SDC customers have no savings.
- On a yearly basis, customers of payday loan companies take out an average of 11 loans or extensions and are in debt for approximately 150 days.
- Consumers who borrowed from pawn shops each took out an average of seven loans and remained in debt for approximately 200 days.
- Among all AFS customers interviewed for the report 30 percent said they paid more for their loans than expected; 27 percent said the loan took longer to pay off than they expected.

SDC companies, especially payday lenders, have been taking heat lately, with states and municipalities tightening licensing rules and employing other legal remedies to slow their growth.

San Francisco recently prevailed in court against Dollar Financial Group Inc.'s local storefront operations, Money Mart and Loan Mart, which are now under the gun to refund \$7.5 million in overcharges related to "oversized payday loans" made to low- and moderate-income city residents between 2005 and 2007. Seven years ago, San Francisco placed a moratorium on the establishment of new payday loan businesses in the city; it continues to this day.

San Francisco is also where the first Bank On program was started. Bank On currently consists of a network of local coalitions of public and private organizations that help connect the unbanked and underbanked with participating financial institutions. These programs promote low-cost deposit accounts at participating financial institutions (including some of the biggest names in banking) throughout over 100 different municipalities, according to program officials.

Federal watchdog on the lookout

In April 2012, the Federal Trade Commission filed proceedings in a federal court in Las Vegas accusing a "web of defendants," including four Internet-based payday lenders, of overcharging on loans and using threatening collection techniques when borrowers fell behind on payments. The FTC said it was acting in response to more than 7,500 consumer complaints over the past five years about the lenders.

Meanwhile, a skirmish broke out in Washington over federal treatment of payday and other SDC companies. The CFPB proposed regulations for the largest of these firms, and lenders endeavored to convince Congress all would be better served if they were chartered federally by the Office of the Comptroller of the Currency.

The OCC is an agency of the U.S. Department of the Treasury that supervises federally chartered banks –

from large national brands like Bank of America Corp. to the smallest community banks.

The CFPB was created, in part, to supervise large AFS companies, and in January 2012, the federal watchdog agency let it be known that SDC firms were on its regulatory radar. In response, several large payday lending companies lobbied Congress for the regulatory switch to the OCC. The result was H.R. 6139, the Consumer Credit Access, Innovation and Modernization Act, introduced by Rep. Blaine Luetkemeyer, R-Mo., and H.R. 1909, the Federal Financial Services and Credit Company Act, introduced by Rep. Joe Baca, D-Calif.

Opposition to both bills is significant. In testimony before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit, presented in July 2012, Grovetta Gardineer, Deputy Comptroller for Compliance Policy at the OCC, voiced concerns that the legislation would negate recent congressional actions. Not just the 2010 Dodd-Frank Act, but also laws that cap SDC interest rates charged members of the military, Gardineer said.

Consumer interest groups have voiced similar concerns. Ed Mierzewski, Senior Fellow at the U.S. Public Interest Research Group described the legislation as a "get out of regulation free" card for payday lenders and similar businesses.

Gardineer said the OCC is concerned about safety and soundness issues, including the ability of third-party partners to these firms to comply with complex rules like the Bank Secrecy Act and anti-money laundering laws. And she said the pending bills, especially H.R. 6139, raise "serious consumer protection, compliance, and safety and soundness concerns by creating a national charter for companies concentrating on products that are most prone to abuse and that are most often targeted to minority populations, low-income neighborhoods and communities with high concentrations of our military service members."

The Center for Responsible Lending, a pro-consumer think tank, accused proponents of the bills of trying to create a two-tier financial system that will "flourish unchecked nationwide." In August 2012, the CRL warned, "Under the guise of access to credit for underserved communities, H.R. 6139 will legitimize a broad range of defective financial products and services nationwide, including 400 percent payday and car title loans, installment lenders, prepaid card issuers, check cashers and others that are known to prey on low-income and minority communities and have been proven to do more harm than good." ■

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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The song and dance of reputation building

By Jeff Fortney

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In 1975, the musical *Chicago* opened on Broadway and ran for more than 900 performances. In 1996, it reopened and has been playing on Broadway ever since, making it the longest running musical revival in history.

Anyone who has seen the show realizes that its true purpose is to showcase music and dancing. Even so, it does have a story. The plot revolves around the trial of Roxie Hart for killing her boyfriend. In jail she meets Velma Kelly, who had killed her boyfriend and sister. Both women are represented by star attorney Billy Flynn.

The premise is that Roxie wants to be a star, and not a mechanic's wife. In one song she says all will know and love her. She sings, "You will love me, and I will love you for loving me."

Billy Flynn sings about how he will defend her by "giving the old razzle dazzle. Razzle dazzle them and you will go far." Billy's defense is simple. Sure she did it, but she is not to blame. He uses the press to spread stories about "poor Roxie." Roxie even invents a pregnancy to make her seem more deserving of sympathy. She revels in the press coverage and is acquitted of the crime.

Behind the music and dancing lies a simple satire about publicity and how you can sometimes use even the worst publicity to your advantage. Roxie's goal was to spin the murder to her advantage and become a star.

She recognized that having no reputation was worse than having a questionable one. Or as Billy sings, "Razzle dazzle them and you can get away with murder."

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Understanding the power of reputations

In the payments world, our reputations can drive our success or failure. What we sell can be so esoteric to our merchants that we primarily sell ourselves. The majority of long-term merchant relationships begin with the premise that we are trustworthy.

Ideally, our reputations will help with the sales process. In fact, we hope our reputations "precede us." A good reputation can – and does – lead to referrals, increased sales and higher returns.

However, even those with the best reputations encounter people who think their reputations are inflated. After all, you can't please all the people all the time. In essence, it's typically an "either or" situation. The only option is to have no reputation, and the difficulties this creates in sales far outweigh having one. The premise is simple: Do what you can to grow a good reputation and nurture it.

Risk communication specialist Dr. Peter M. Sandman provides four premises regarding this topic:

1. Your reputation consists of two variables:
 - a. How loved you are (which is virtually unrelated to how hated you are)
 - b. Companies (and individuals) are both much-loved and much-hated.

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2. Increasing your positive reputation has some payoff.
3. Decreasing your negative reputation has a lot more payoff, and no downside.
4. Responding to controversies or reputational crises by reminding angry stakeholders of prior good acts is irrelevant; outraged people want you to address their concerns, not tout past virtues.

In a nutshell, we should think about how we define ourselves and how we can have the greatest positive impact on our businesses. This means asking the following questions:

- How do we build a good reputation?
- How do we continue to increase it?
- How do we decrease our negative reputation?

Building and enhancing your reputation

Fellow MLS Forum member **CCNJ** offered a simple approach: "I tend to under-promise and over-deliver so that my clients don't expect something of me that I may not otherwise be able to control."

Your actions are the foundation of your reputation. As **1SLICK67** commented, "I always do what I say I am going to do, even if it will cost me money in the short run." **LADERA BUSINESS SOLUTIONS** added, "If you give your word, stand by it. Treat everyone you deal with the way you want to be treated."

Follow this simple mantra:

- Always tell the truth, no matter how painful it is.
- Respect yourself, and others will respect you.
- Character is king; your reputation is derived from it.

Although it might be easier to fudge the truth, or even dance around it, remember that in almost every case, the truth will come out. If you are working to build or increase your reputation, one lie will do more damage than one deal lost because of absolute honesty.

There can be no positive reputation without trust. And trust derives from character. The late college basketball coach John Wooden defined character best: "Be more concerned with your character than your reputation, because your character is what you really are, while your reputation is merely what others think you are."

Addressing setbacks

Entrepreneur Warren Buffet said it takes 20 years to build a reputation and five minutes to ruin it. Benjamin

Franklin believed it takes many good deeds to build a good reputation, and only one bad deed to ruin it. Both statements are true.

ISLICK67 said, "If you treat a merchant well, they will tell 10 others about you. If they think you did them wrong, they will tell everyone they can."

Yet even if we are aware of our actions and work hard to maintain a sound, positive reputation, things outside of our control can easily impact it and create negative repercussions. For example, over the past two years there have been two major data security breaches. Sure, the companies themselves took the brunt of the negative publicity, but all who sold for them were affected as well.

In both cases, these companies recognized the difficulties they and their representatives faced. How they responded varied, but the basic premise was the same: acknowledge the breach, address the potential consequences, correct any cause of the issue and advise how you are taking steps to avoid the situation in the future.

Merchant level salespeople (MLSs) were faced with greater challenges. The media was negative and unrelenting. Since the issues were so complicated, merchants struggled to understand what risk they faced, if any. How MLSs handled these situations went a long way toward avoiding serious damage to their reputations.

The successful ones immediately opened lines of communication with merchants and raised the issue before others did. They explained the situation in layman's terms and described how they would help those who were directly affected. They then stayed in constant contact.

How they handled the situation took priority over future sales. This step was probably very frustrating for MLSs, but if the breach had not become their top priority, the num-

ber of merchants lost and the damage done to their reputations would have far outweighed any benefits from signing new customers.

Monitoring attacks, gossip

There are also times when others attack our reputations in an effort to build up their own. These attacks can be direct or indirect, and may be subtle or outright. They are not always based on fact, but will imply a negative either way. In most cases, you may not even be aware of the attack before it's too late. That's why you should monitor your reputation.

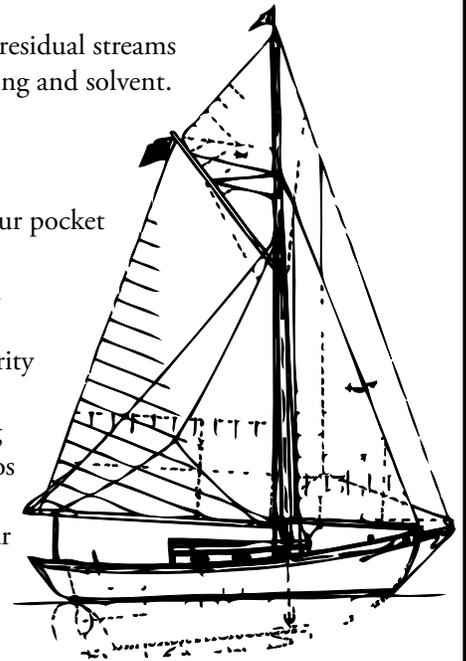
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No matter how much effort you put into monitoring electronic comments, you must also have sources to pass along what is being said about you on the street.

CCNJ has a plan. "I closely monitor my personal reputation, as well as my company's, using Google Alerts and other alerting systems. They are really great tools to help monitor who's talking about you online. Offline conversations are a bit different, but I've had people call me and say they were speaking with so and so, and they thought I should know what was said about me."

Google Alerts will send you a notice whenever anything is posted in reference to your designated topic. Once you set up the alerts, you will receive emails listing all notices that have been posted, with links to each one. The beauty of Google Alerts is that you're made aware of electronic comments. However, **CCNJ**'s second step is just as critical as the first. She builds a relationship with her clients so they feel free to contact her whenever any concern or comment is made about her and her company.

No matter how much effort you put into monitoring electronic comments, you must also have sources to pass along what is being said about you on the street. The best sources of this information are your merchant partners. Remember, they won't likely volunteer this information unless you encourage them to do

so. As you gain their trust by being open and honest, you will find they are more likely to speak up when someone says anything negative – either directly or implied – about you or your company.

Staying above the fray

The last step in controlling your reputation involves how you discuss other companies. Simply put, you can't expect competitors to respect you if you talk badly about them. **CCGUY**'s approach is common among those who follow this guideline. "When people ask me about other companies, this is what I tell them, 'I can only tell you what our company can do for you.' I tell them how we handle customer service and extra services, that we are their consultant, and that we are here for them. 'What other companies can do or can't do, I have no idea.'"

Merchants will respect your position. Those who choose not to follow this simple approach often find they are tarred by the same brush, meaning they hurt their own reputations when they attempt to damage the standing of competitors.

This is where the Golden Rule comes into play: Do unto others as you would have them do unto you. Otherwise your negative comments are sure to come back and bite you because they will chip away at your once strong reputation – one by one. Then you'll be attempting to tap dance as fast as Billy Flynn. 

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.

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Avoid the price pitfall, sell on fairness

By **Steve Norell**

US Merchant Services Inc.

Every day, I read posts from merchant level salespeople that talk about the savings they are proposing to prospective merchants or how much they have had to reduce their pricing in order to keep a merchant. Whether these comments appear on GS Online's MLS Forum, in a blog or at a conference, I encounter the same old tired tune and complaints.

Over my many years in the business, I have constantly been amazed that in an effort to obtain merchants' business, the majority of sales pitches are based on the savings we can offer. Truth be told, I sometimes find myself falling into that same trap, only to regret it later and, moreover, be hurt by it.

Looking for a new strategy

Some years ago, I got tired of playing the rate game and racked my brain for an answer or solution to this nagging



problem. What could I say or do to convince a merchant to be my customer, while not giving away my valuable service by using price as the only topic of discussion? I know what you must be thinking: offer service, service, service.

Sure, service is a great way to convince merchants how much they need you and everything you bring to the table. I thought so as well, until one day a merchant said, "Son, service is only as good as the last time you provided it." Also, how could I demonstrate how good my service is before I sign a merchant?

Deploying the fairness doctrine

Then it occurred to me. The selling point should be all about what is fair. That's right: fair, a simple four-letter word with a lot of power and potential. All right, so how does my own fairness doctrine get us out of the rate game? Let me explain.

When you are trying to sell a merchant on doing business with you, tell him or her that your price is a fair one. Not low, not high, not cheap, but fair. In all of my presentations, I make a point of explaining what makes my price and program fair.

I demonstrate to them that we have to answer their phone calls; show up in person in a timely manner to fix the simplest of problems; and keep them apprised of new rules, laws and changes to the processing cycle, as well as of new products and services. These services cost money, and I still need to make a profit. If I can't profit from the services I offer, I sure as heck cannot use or purchase that merchant's products or services.

Getting fed up, but not on filet mignon

I also make a point of turning the tables on merchants. For example, I ask a restaurateur to put himself or herself in my position. I take the menu and point to the filet mignon at \$29.95 and ask what it costs the restaurant to put that product on the table.

After receiving a weird look, I chime in and offer that we should use a round number like \$10, which means the restaurant owner is going to make \$19.95. I then ask when a customer last sat down in the restaurant and, after looking at the menu, asked the waitperson the cost to the restaurant of the filet. The answer is always, never.

Even if customers had never asked such a question, have they ever offered to pay a certain amount over the restaurant's cost? Again, the answer is, never.

So if I were that customer, what would be a fair price for

We all are permitted to earn a fair profit so that we can buy what we need, enjoy good restaurants, take vacations or buy new cars. If we all sold at or under cost, then we would all be out of business. Keep in mind that cost is comprised of more than just your buy rates.

me to pay for the \$29.95 filet? Is it \$29.95, less, or maybe even more? What makes that price fair?

Walking away when necessary

Those of us in the acquiring industry are much the same. The only difference in this case is that I am actually showing the merchant what my costs and profit are. I do this because I feel that I am offering a valuable service at a fair price.

If merchants do not agree with me, it is time to thank them for the opportunity and wish them luck. On my way out the door, I mention that since I can't make a fair profit, I cannot eat there since I cannot afford it. Moreover, why would I eat at a restaurant that does not offer a fair price?

To me that is how the business world turns. We all are permitted to earn a fair profit so that we can buy what we need, enjoy good restaurants, take vacations or buy new cars. If we all sold at or under cost, then we would all be out of business. Keep in mind that cost is comprised of more than just your buy rates.

Using interchange pass-through

The method of pricing you use is up to you. I choose to use interchange pass-through so that I can be very transparent by revealing my costs and profit. You can do what I do regardless of the price method you choose.

However, always remember that if the merchant can identify with a simple four-letter word like fair, you

will be ahead of your competition. And to be honest, wouldn't you rather deal with a merchant who is also a good business person? I know I would, since it makes it that much easier to repulse the competition when they show up with ridiculous claims.

And the truth is that I really want to eat at my favorite restaurant and order its \$29.95 filet, which just so happens to be a fair price for what I receive in the way of the dining experience and quality of the product. Give it a shot, and see what happens. I think you will be surprised. ☑

Steve Norell is Director of Sales at US Merchant Services Inc. Based in Port St. Lucie, Fla., he oversees the USMS sales force and maintains the company's bank and processor relationships. You can reach him by email at steven@usmllc.com or by phone at 772-220-7515.

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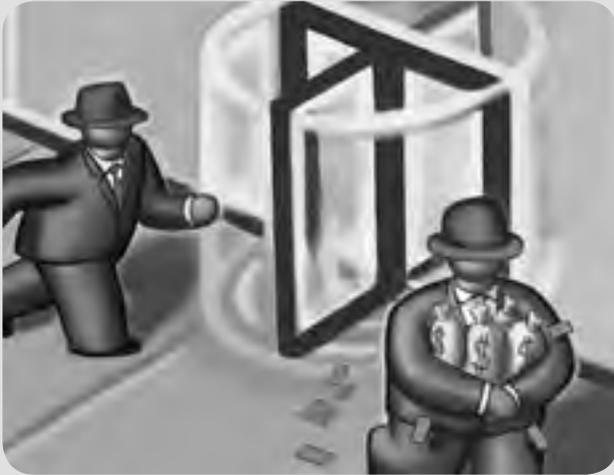
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ISOMetrics

Signs of optimism in small business sector

In the second *Western Union Payments Small Business Barometer*, Celent LLC conducted two online surveys in 2012 representing over 1,000 small business owners and managers. The results give what Western Union calls a "surprisingly positive" economic outlook among small businesses in the United States. 📊



Percentage of small businesses expecting higher revenues

All small business owners:..... **28 percent**

Younger (44 years old and under) small business owners: **45 percent**



Percentage of small businesses offering specials/promotions

All small business owners:..... **25 percent**

Younger (44 years old and under) small business owners: **32 percent**



Percentage of small businesses offering new products/services

All small business owners:..... **36 percent**

Younger (44 years old and under) small business owners: **43 percent**



Percentage of small businesses increasing marketing spend

All small business owners:..... **23 percent**

Younger (44 years old and under) small business owners: **35 percent**

CrossCheck's next evolution in check processing services . . .

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Check processing services utilizing Remote Deposit Capture (RDC) processing provide another way to reach out to merchants and acquire an additional source of monthly residual. Come find out about the new certification that industry leaders, CrossCheck and Dejavo Systems have teamed up on with the new line of Dejavo terminals.

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Legal ease

Legal disputes: Head them off at the pass

By Adam Atlas

Attorney at Law

From time to time, hearing of other people's troubles proves helpful. So, let's take a look at a handful of contemporary, ongoing or recently settled legal disputes in the acquiring industry. In presenting these disputes and some of the legal issues they raise, our goal is to help readers reduce their exposure to these conflicts. Naturally, the best of agreements and intentions are sometimes no bar to disputes.

The downside of a shifting landscape

Processor fee grabs are, far and away, the dispute of the season. New laws (for example IRS 6050W), new industry security requirements (such as the Payment Card Industry security standards) and new card company fees (for example, the Fixed Acquirers Network Fee) have all had a jarring effect on ISO agreements. Many agreements were not drafted with these new and unforeseen fees in mind.

Let's be clear on this point: Not all fee increases are prohibited. On the contrary, our industry has a long custom of absorbing interchange increases and other fees that are outside the control of the processor and the ISO.

Thus, the nexus of disputes over these fees is not that they must be charged. Instead, it is whether or not – and to what extent – a processor can seize upon these intervening fees as an opportunity to mark up the new fees and tinker with the fine balance between processor, ISO and merchant.

If a contract expressly provides a processor the right to charge new fees, mark them up and take those amounts from ISOs, the ISO facing such fees is in a weak position. More commonly, however, the ISO's agreement with the processor is ambiguous on that point, or actually prohibits the imposition of new fees without the consent of the ISO.

Outside the comfort zone

The purpose of negotiating an agreement for a set term

precisely is to protect the parties from adverse surprises. A considerable number of ISOs in the field no longer feel that comfort. The new laws and fees are indeed an inconvenience for all. Yet their implementation is becoming more of a test of the integrity of processors than anything else.

Let's be clear on this point: Not all fee increases are prohibited. On the contrary, our industry has a long custom of absorbing interchange increases and other fees that are outside the control of the processor and the ISO. Yet some ISOs are jarred by the packaging of new fees as take-it-or-leave-it bundles, the marking up of new external fees, and the invention of internal costs that are apparently unjustified.

The main lesson from these disputes is to revisit existing ISO agreements – specifically their fee amendment language and fee schedules – to see how new, unforeseen costs will pan out. If the agreement's language contains the slightest ambiguity, the parties are enrolling themselves for disputes.

Arbitrary termination of residuals

To be clear, very few people who lose all their residuals acknowledge that they got what they deserved. Every residual termination has its story. Rather, it has two stories – one from the payer who stopped paying and one from the payee who lost his or her income.

With those disclaimers, I still see instances of the termination of residuals either not permitted by the contract or simply because the paying entity had a short fuse.

If an agent has committed fraud or wantonly breached nonsolicitation obligations, one would expect the applicable agreement to permit the termination of residuals. However, when a merchant can no longer tolerate the service of a given ISO or processor – following notices of discontent signaling that the merchant is on the way out the door – the ISO may be expected to be somewhat more understanding if the agent seeks to move the account.

I speak here not of the wording of the contracts in question, but instead of an ISO's courtesy, which should take into consideration an agent's frustration in seeing a merchant walk out the door.

The main lesson from these disputes is to pay attention to the wording of the clauses in agreements by which residuals survive termination, to see that they afford the ISO its rightful protection, but that they do not permit arbitrary residual termination.

More importantly, however, agents and ISOs need to



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1	Company Name Contact Name: [Name] Contact Phone: [Phone] www.companynamesite.com	2001	Over \$5 million	511-100	100,000+	98%	90%	Curves, Subway, Thrifty Car Rental, Days Inn, Hampton Inn
2	Company Name Contact Name: [Name] Contact Phone: [Phone] www.companynamesite.com	2004	Over \$5 million	Above 100	100,000+	97%	99%	Economy Inn, Subway, Taco Bell, Comfort Inn & Suites, Kentucky Fried Chicken
3	Company Name Contact Name: [Name] Contact Phone: [Phone] www.companynamesite.com	2004	\$3 million - \$4,999,999	11-25	2500+	97%	90%	Nevada SPCA, Liquid Alaska Tours, Veterans Chamber of Commerce Nevada
4	Company Name Contact Name: [Name] Contact Phone: [Phone] www.companynamesite.com	1995	Over \$5 million	Above 100	10,000+	94%	98%	Merinae Dealers Association

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- Company Name
Contact Name: [Name]
Contact Phone: [Phone]
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TOP 10 MERCHANT CASH ADVANCE COMPANIES

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Contact Phone: [Phone]
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know each other well enough to foresee how the other might react when a troublesome scenario arises – such as the merchant that has one foot out the door. Note that some ISOs have allowed such merchants to leave, prevented the agent from soliciting the account, and then re-solicited the account through another brand. This is perhaps the bitterest form of deceiving an agent, short of wrongfully stopping residuals altogether.

The ins and outs of minimums

When an ISO meets its minimums – in merchant count, revenue or otherwise – no discussion of minimums arises. However, when an ISO does not meet its minimums, a legitimate discussion ensues as to why it failed. The first and natural place to look is the ISO's own business plan.

Some ISOs are spectacular failures. The best examples are ISOs that base their business on the personality of a celebrity or well-connected individual. Of course, such a person generates a substantial initial book of business. However, once that person's Rolodex is spent, the ISO may have no effective program to continue boarding new volume. Naturally, this kind of ISO is the author of its own failure to meet minimums.

On the other hand, an ISO may have a very strong business plan and generate many applications and accounts, only to be limited by some service failure or technical incapacity of the processor.

For example, one processor could not board merchants that signed ISO branded applications with the same speed as its own in-house applications. The

ISO had the right to brand its own applications. But exercising that right stalled the boarding process, thereby stunting the growth of the ISO.

The lesson here is for ISOs to test their business plan stress points on a processor prior to signing the ISO agreement. Then, early in the relationship, make sure the processor is able to deliver on its claims. The element of surprise disappoints ISOs more so than a processor's failure to perform.

Wonky reporting

Some reporting is long; some is short. However, some reporting contains inconsistencies within its own numbers that the processor itself cannot explain. This places in jeopardy an ISO's trust in the processor. There are too many instances of processor reporting errors, processor billing errors and sluggish bureaucratic responses to ISO complaints.

Sure, some ISOs can't be bothered to fuss over a penny here or there. But for those who do and for those for whom many pennies are in play, processors really need to improve their reporting.

This is not the 1980s, when one could blame computers for faulty reporting. Some believe that processors revel in the confusion created by their own systems, allowing them to sweep up many pennies obscured from the view of the ISO.

Obviously, insistence on complete and accurate reporting from the first month onward is mandatory for all serious ISOs. I wish there were fewer disputes, and I hope this rant will help you find ways to avoid some of them. ☐

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Mobile app report identifies riskiest markets

Mobile security company **TrustGo Mobile Inc.**'s quarterly *TrustGo Summer Mobile Mayhem Report* revealed an upsurge in malicious and risky mobile application penetration globally during the second quarter of 2012. For the report, TrustGo scanned 1.7 million apps from 175 market regions, categorizing apps as certified (safe), malicious, high risk or low risk.

TrustGo reported that among the world's estimated 700 million smart phone users, a majority of app downloads come from app marketplaces, stores and download websites based in the United States, Europe, China and Russia. Further findings from the summer 2012 report include:

- Malicious apps grew to 25,580 from 11,822 during the first quarter 2012.
- China-based apps pose the highest risk with 33.2 percent flagged as risky.
- Over 1 in 6 apps on the global market could potentially compromise user security.
- Games lead in mobile threat risk; social media and productivity apps rank lowest.
- Ninety-four percent of high risk apps send user phone numbers to third parties.

"While viruses and risky apps are a global problem, some regions are more dangerous than others," said Xuyang Li, founder and Chief Executive Officer of TrustGo. "Many Chinese users can't access the Google Play marketplace, so a large number of third-party stores have popped up to fill the void. Unfortunately, this has made China's marketplaces especially insecure because many download sites haven't set up controls necessary to keep bad apps off their platforms."

According to Jeff Becker, TrustGo Head of Marketing, the key takeaway from the report is that no marketplace is completely safe. Ultimately, the consumer pays the price, he said.

For more information about the *TrustGo Summer Mobile Mayhem* report, visit www.trustgo.com.

Small business and mobile devices

A recent poll of 2,100 independent business owners conducted by The Small Business Authority found the majority still favor using PCs over smart phones and tablet devices for running business applications. Here's the breakdown:

Question:

Do you run business applications on a smart phone or tablet?

Yes 33 percent
No 67 percent

Question:

Do you think you will replace your PC with a smart phone or tablet?

Yes 14 percent
No 86 percent

Source: Newtek Business Services' The Small Business Authority

Navigating the mPOS maze

A Mercator Advisory Group report titled *Mobile Point-of-Sale Solutions: A Comparative Analysis* evaluates 16 different mobile POS (mPOS) solutions, including simple card acceptance devices, advanced mobile registers and less traditional alternative systems. Each system is scored based upon five criteria: potential future impact, technical innovation, infrastructure evolution, consumer benefit and merchant benefit.

NFC beyond contactless payments

Forrester Research projects the number of near field communication (NFC)-enabled mobile devices shipped globally will more than double to 100 million this year, yet mainstream adoption could take three to five years in most nations. In *NFC: What Lies Beyond Contactless Payments*, Forrester explored cross-device experiences that extend beyond traditional use cases.

Business intelligence fuels big data

An *RIS Retail Solutions Brief: From Insight to Action* suggests retailers can tackle big data with business intelligence directly from the store-room floor using such data points as available item inventory, impending price markdowns, customer purchase history and the customer's potential future value to the retailer. The brief also recommended customer segmentation and offered a breakdown of six areas where big data presents the greatest opportunity.

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What's in a positioning concept?

"**B**ehind every successful product or service lies a powerful concept." So begins Martha Guidry's educational guide, *Marketing Concepts That Win! Save Time, Money and Work by Crafting Concepts Right the First Time*. It turns out, however, that many types of concepts exist: advertising, core-idea, packaging and positioning, to name several. Each has a distinct place in a company's pantheon of marketing and sales tools.

Rather than attempt to breeze through all types of concepts in one book, Guidry's 174 pages are devoted exclusively to the positioning concept, also known as the marketing concept.

This aspect of concept development is one Guidry mastered through a career that ignited when she worked in consumer marketing for Procter & Gamble and Hasbro Inc. Via her own consultancy, The Rite Concept, she has helped develop concepts for an array of big-name brands, including Arby's Restaurant Group Inc., Amway Corp., DuPont Co. and Pizza Hut Inc.

Though concept statements can be deceptively simple, much goes into creating one that is effective. Guidry's information-packed book provides step-by-step instructions on how to create a winning marketing concept, from start to finish – beginning with what must be in place before the process begins.

That is, you must already have a core concept established, which Guidry stated is "a relatively concise description of what is being offered to the end buyer. ... Typically, a core idea concept does not attempt to sell any benefits to the potential buyer but will simply highlight some of the features the product or service offers."



Marketing Concepts That Win!

Save Time, Money and Work by Crafting Concepts Right the First Time

By Martha Guidry
Live Oak Book Co.

Print ISBN:
978-1-936909-14-8

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978-1-936909-15-5

That's not all, though. Before devising your marketing concept, you must also "thoroughly understand the wants and desires of your consumer ... identify the current perceptions of the brand equity and/or company by your target audience ... know the competitive landscape [and] understand and be true to your brand equity," Guidry wrote.

Ready, set, create

With that information in your pocket, you can begin to shape the characteristics of your positioning concept, which must have an emotional hook for differentiation, an insight that sets the tone for the target audience, a specific benefit, and only those claims that truly support the benefit offered, according to the author.

The book breaks down and clarifies the specific elements a marketing concept must contain: the

headline, accepted consumer belief, benefit, reason to believe and other undeniably essential information. It explains how and when to create each element, provides the ideal concept format and layout, and details how to pull them all together.

The book contains plenty of examples to illustrate ideas, including what to do and what not to do, and most chapters summarize the main points they contain to help with retention.

Also inside are chapters on the use of visuals; qualitative and quantitative research; the needs of different types of audiences; and using the positioning concept to form the backbone of all your company's communications, including advertising, public relations, sales and marketing collateral, web pages, and endorsements.

That's a lot to gain from a simple group of words. 📖


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Military grade mobile device

Product: Juno T41

Company: BlueStar Inc.

With the proliferation of digital devices connecting an increasingly mobile workforce, subtle distinctions between products make it difficult to pinpoint differences at first glance. But upon closer inspection, the quality of device components can vary widely.

With that in mind, POS device distributor BlueStar Inc. recently selected an ultra-rugged hand-held device to include among its top product offerings: the Trimble Navigation Ltd. Juno T41.

Built to withstand the daily rigors imposed by the most demanding environments, the Juno T41 can be described as an ultra-rugged, all-in-one, smart-phone-inspired handheld device. Constructed of military grade components, the Juno T41 is certified to MIL-STD-810G and has an IP65 or IP68 rating, which means that it's sealed to protect against dust, water, shock and temperature extremes, the company stated.

"With the release of the Juno T41, we are providing a brand-new, rugged handheld that delivers the capabilities and convenience of a smart phone," stated Jim Sheldon, General Manager, Mobile Computing Solutions Division at Trimble. "This meets the specific demands we've heard from the marketplace."

To meet such demands, Trimble incorporated many advanced features into the Juno T41. "It offers a capacitive multitouch touch-screen interface with stylus compatibility, protected by a Gorilla glass display that's just as readable in bright sunlight as indoors," said Bethany Winders, Business Development Manager for BlueStar.

"Add to that an 8MP camera with LED flash and geo-tagging, a highly visible 4.3 inch display, up to 16GB storage and a full day of battery life, and you have a truly mobile handheld that can go just about anywhere and meet just about any business need," Winders noted.

Additionally, the Juno T41 offers voice, short message service and 3.75G cellular data transfer capabilities for Global System for Mobile Communications cellular networks, plus it supports 10 languages. To increase yield range, an optional external antenna can be mounted. The unit comes equipped with Bluetooth and Wi-Fi capabilities.

The Juno T41 is now available in two operating systems: Microsoft Corp. Windows Embedded Handheld 6.5 or

Features of Juno T41 include:

- Compact size suitable for mobile workforce
- Rugged design built to military specifications
- GPS receiver, geo-tagging to simplify navigation
- Sunlit readable glass display for optimum visibility
- Software development kit for ease of integration



Google Inc. Android 2.3.4. BlueStar offers a value-added reseller program for those interested in marketing the Juno T41 or its other core products. 

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Digital loyalty has a spot

Product: SpotOn

Company: SpotOn

Having signed 1,500 merchants since its regional launch in April 2012, SpotOn, a new digital loyalty network for local merchants, officially launched in August with the infusion of \$5 million by its three founders: Matt and Zach Hyman (the twin brothers who co-founded and today manage Central Payment Co. LLC) and Doron Friedman, the founder of payment card marketing company Arroweye Solutions.

"Local merchants are waking up to the fact that deepening their relationships with existing customers is more cost-effective than recruiting new ones through group buying deals, ads or paper coupons," stated Zach Hyman,



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Aaron Slominski
Senior Vice President National Sales

Features of SpotOn include:

- Customer-facing loyalty platform
- Digital check-in rewards access
- Merchant-facing marketing solution
- Tablet-based dashboard data tracker
- Single-source multichannel manager

co-Chief Executive Officer of SpotOn. "Yet many business owners don't have the time or know-how when it comes to connecting with their customers using social, mobile and email marketing."

To help merchants build custom loyalty locally through available digital channels, SpotOn developed a program that doesn't require the merchant to link to a specific credit or debit card or one of the major coupon networks, which can create hurdles for customers, the company stated. Instead, SpotOn installs a digital tablet at merchant locations, where customers can check in at checkout via the SpotOn card or mobile app to start earning rewards and incentives, referred to as "Spots."

"Our tablet-based approach provides at-a-glance customer profiles, making it really easy to run targeted campaigns," Zach Hyman said. SpotOn charges merchants a monthly fee for its customer-facing tablet and access to sophisticated online dashboard reporting and functions. The dashboard provides a complete view of the merchant's entire customer database, including typical spend, redemption activity on deals and Facebook activity, the company said.

Armed with customer spending data, merchants can conduct targeted advertising and marketing campaigns to reach key customers and attract new ones, the company noted. Core to the system is HotSpot, the software that enables merchants to target who they reward. It also aggregates Facebook posts and Twitter mentions into one central feed. Merchants can create unique offers, which can be sent out immediately or placed on a calendar for scheduled delivery via mobile notification and social media. Later, merchants can review the number of redemptions received with each offer.

SpotOn reported it is boarding approximately 500 merchants monthly, from mom-and-pop locations to midsize retail chains. To further accelerate growth, the company invites agents to join its national reseller network. SpotOn also plans to offer training to Central Payment agents interested in reselling the digital loyalty program to merchants nationwide. 

SpotOn

877-814-4102

www.spoton.com

10 years ago in The Green Sheet

Much like today, the major card brands were involved in litigation in October 2002: they took legal action against the Reserve Bank of Australia for imposing credit card interchange regulation. In the United States, the Federal Reserve ramped up its influential payments research arm. And the ongoing efforts to eliminate cash manifested when web-enabled washing machines and dryers hit college campuses.



Durbin down under

When the Reserve Bank of Australia unveiled an August 2012 rules change designed to reduce credit card interchange fees by 40 percent and increase competition, the major card brands took legal action asserting that the Reserve Bank "overstepped its authority" and was "not meeting its obligations through the Payment Systems (Regulation) Act."

Check writing on wane

A 2002 Federal Reserve Payments Study revealed Americans wrote about 42.5 billion checks in 2000, down from a peak of 49.5 billion written in 1995. At the same time, Visa U.S.A. (now Visa Inc.) reported during the first six months of 2002, the number of Visa Check card transactions exceeded Visa credit card transactions, 3.04 billion versus 2.96 billion.

Campus wash and dry goes online

IBM Corp. and USA Technologies Inc. teamed on eSuds, a web-based venture that connected to 9,000 washing machines and dryers on Midwestern college and university campuses. The Internet-enabled machines allowed students to pay using their credit cards, student ID card accounts or mobile phones.

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Electronic Transactions Association

2012 Strategic Leadership Forum

Highlights: This annual Electronic Transactions Association forum offers attendees an opportunity to interact with a range of select payments industry innovators, leaders of prominent and cutting-edge companies, business visionaries and other senior executives who are working to advance the industry overall.

Seasoned professionals at the nexus of technology, mobile commerce and e-commerce will share tested techniques as well as ideas on what the next generation of innovation will bring.

This event is ideal for payment executives seeking to exchange information and insights with their peers, learn about new aspects of the business, establish or solidify partnerships, and explore emerging business channels – all in a relaxed atmosphere.

When: Oct. 16 – 18, 2012

Where: Montelucia Resort & Spa, Scottsdale, Ariz.

Registration: www2.electran.org/slf12/



Source Media

20th Annual ATM, Debit & Prepaid Forum

Highlights: This event is designed to be a trusted destination for cutting-edge, focused content on mobile and emerging payments; debit and prepaid cards; and innovations in ATM and self-service channels. Attendees will be able to interact with bank representatives, merchants, payment network executives, members of the ATM and the prepaid communities, and leading providers of payments industry solutions and services.

More than 1,200 professionals from these interconnected spheres will be on hand. Featured speakers will include industry leaders and innovators making headlines in today's news. Discussions will focus on relevance and insights with the objective of having long-term, positive impacts on attendees' businesses.

When: Oct. 22 – 25, 2012

Where: JW Marriott Desert Ridge Resort & Spa, Phoenix

Registration:

http://register.sourcemediaconferences.com/iebms/reg/reg_p4_promo.aspx?&sessionId=fa3ej1fc3fenfb5ej1fh6



Gulf Bay Consulting LLC

Social Mobile Payments: Americas

Highlights: Recognizing that social media, mobile connectivity and payment technology are changing the way people interact, including the way they pay for goods and services, organizers of this conference created a venue for exploring the changes coming about because of the simultaneous hyper-growth of these three distinct elements.

Presentations are slated from world renowned experts in social media, mobile connectivity and payment technology. Attendees will be able to network with innovators in each of these arenas while learning about new markets, successful deployments of new solutions and strategies being used to take advantage of emerging capabilities and alternative payment networks.

When: Nov. 6 – 8, 2012

Where: Miami Marriott Biscayne Bay, Miami

Registration: www.socialmobilepayments.com/registration



World Congress

5th Annual Hospital, Health System and Executive Summit

Highlights: Driven by federal mandates, a shift toward a consumer-driven market and new technology, the health-care payment system continues to transform. This summit is designed to help participants to stay abreast of the latest industry regulations as well as developments that can help reduce spend and advance e-commerce. It will explore how innovation is fostering improved payer and patient receivables to reduce administrative burdens and minimize bad debt.

The event is an opportunity to meet executives from the nation's leading hospitals, health systems and health plans, and contribute a payments industry perspective to discussions on electronic data interchange, cost reductions, payments and collections, and claims.

When: Nov. 7 – 8, 2012

Where: The Ritz-Carlton, Pentagon City, Arlington, Va.

Registration:

www.conf-reg.com/webreg/reggate.wbr?hw12077

WaterCoolerWisdom:

We can't solve problems by using the same kind of thinking we used when we created them.

- Albert Einstein

Own it, solve it, move on

One thorny situation in the business world is when someone is forced to take the blame for a mistake made by a colleague or partner. Consider the following scenario: a merchant level salesperson (MLS) signs a merchant and promises the merchant will be completely set up within 72 hours at the most. But three days elapse, and the MLS receives an angry phone call from the merchant, who says the new POS terminal hasn't even arrived let alone been set up.

The MLS contacts the ISO involved; the ISO does some detective work and determines the vendor simply lost the order. The MLS's first impulse is to contact the merchant, deny any culpability and say the vendor was completely at fault because of a glitch in its delivery system. But the MLS can't say that because of the ISO's motto: don't throw your partners under the bus.

The ISO and MLS also both realize that laying blame on another party makes them look bad. It goes back to another truism: nobody likes a snitch. So the MLS takes full responsibility for the foul-up and works hard to correct the situation with the merchant.

Abandoning the blow-up

Often remedying a mistake improves a relationship, but sometimes the opposite occurs. Imagine that the merchant becomes intractably wary of the ISO and the MLS and eventually jumps ship to another ISO because the merchant can't shake the notion that neither of them can be trusted to deliver on their promises.

Now that the merchant has bolted, the ISO and MLS both have a strong impulse to vent their anger at the vendor over the costly mistake. Yet they don't do that because they both know that exploding at the vendor will only harm a relationship that has been beneficial for all parties.

Plus, the ISO has calculated that finding a new partner is

not worth the time and costs, and who's to say the new vendor would be any better than the old one.

Getting beyond the emotion

So the ISO and MLS lose the merchant but retain the vendor that caused the problem. They each took a reputational blow, too, and they didn't even get the catharsis of yelling at the vendor. It seems like they lost all around. But, in fact, they won.

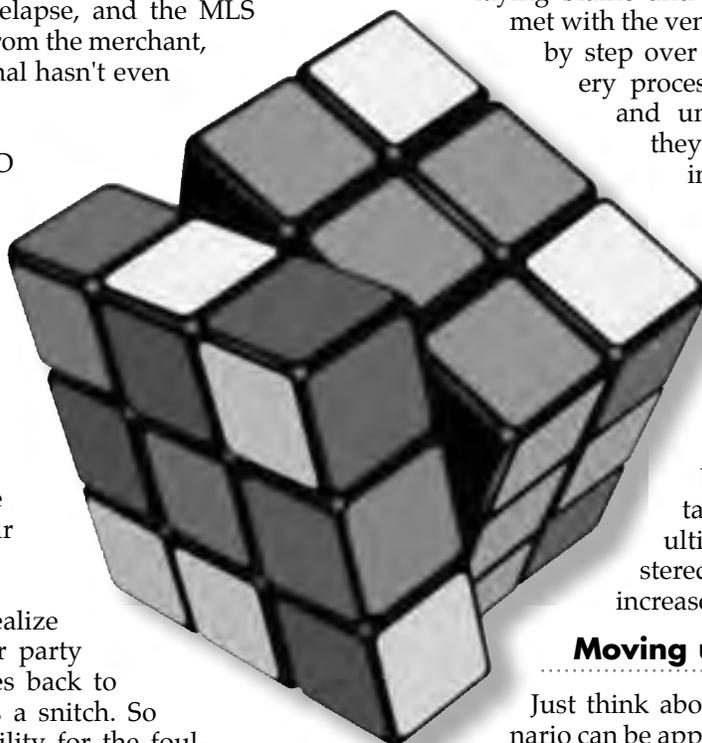
You see, the ISO did a very smart thing. Instead of laying blame and exacting punishment, the ISO met with the vendor and the MLS and went step by step over the communication and delivery processes. Not only did they locate and unravel a kink in the process, they found a way to streamline and improve it.

In the end, the mistake turned out to be a watershed event. It was handled in a way that didn't disrupt continuity between the partners or cause undue stress, the communication channels between the partners became stronger, and the mistake never occurred again. This ultimately boosted business, bolstered all of their reputations and increased residuals.

Moving up

Just think about the countless ways this scenario can be applied to other situations, whether in business or private lives. It could be a disagreement between colleagues over who was at fault for a blown deadline or a fight between spouses over who was responsible for a late mortgage payment. It's about getting beyond the anger and focusing on solving the problem. It's about putting aside egos for the benefit of a larger goal.

It may be difficult at first, but it gets easier the more the process is used. Analyze the problem clinically, work it out strategically, then move on.



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A handwritten signature in black ink, appearing to read 'Paul H. Green', written in a cursive style.

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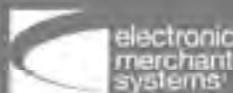
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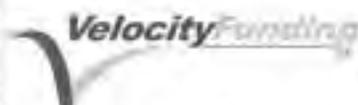
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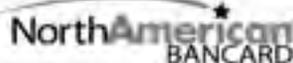


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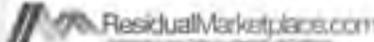
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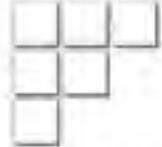
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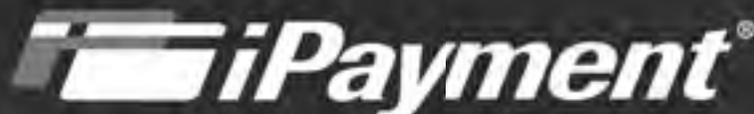
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