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November 26, 2012 • Issue 12:11:02

# Secrets of the Inc. honorees

**N**o less than 50 payment companies were named to the 2012 edition of the annual Inc. 500/5000 list. The list, compiled by *Inc.* magazine, ranks privately owned companies by revenue growth over a three-year period. The top 500 ranked companies represent the top tier of the overall 5,000.

*The Green Sheet* reached out to a cross-section of the payments honorees, seeking to understand the secret of their success. What follows are the companies listed by their Inc. rankings and the reasons why they are among the most successful revenue generating companies in the United States.

## 1. Unified Payments LLC

To secure the top spot on the Inc. list, North Miami Beach, Fla.-based Unified Payments LLC achieved a three-year sales growth of an eye-popping 23,646 percent and \$59.5 million in 2011 revenues. Perhaps Unified's most distinctive offering is its Process Pink donation engine through which a portion of transactions made at Process Pink-participating merchants are given to the National Breast Cancer Foundation Inc.

"It's a win-win situation for the merchant and their consumer," said Anthony W. Holder, President of Process Pink. "There's no cost for the merchant or the consumer for participation in the program because the donation comes from us."

Holder noted the many benefits of embedding charitable giving into a company's business model. "We have reports all over the country that not only are [Process Pink merchants] seeing an uptick in business, but they're having customers that are coming in and repeating just for that," he said.

Unified's success is also a product of its ethics. The company merged eight ISOs in recent years, Holder said. Unified did not abandon the merchant level salespeople (MLSs) of those ISOs, as it could have legally, but instead continued to pay agents their residuals.

"A lot of these agents in the industry would have been thrown upside down and lost a lot of the revenue stream because there wasn't a contractual obligation for us to do so when we purchased the assets," Holder said. "We've been able to take a look at the industry, respect the individuals that built the portfolio, which is the MLS – the agent on the street. And we've given



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- » Cody Yanchak–First American Payment Systems

## NotableQuote

With the advent of smart phones, devices and mobile wallets, EMV has no definitive advantage now. The costs of an EMV transition will be paid for by merchants and processors, with limited return on investment. I believe we have missed the window for the EMV push in the United States. What do you think?

See Story on page 78



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**President and CEO:**

Paul H. Green.....paul@greensheet.com

**General Manager and Chief Operating Officer:**

Kate Gillespie ..... kate@greensheet.com

**CFO/Vice President Human Resources & Accounting:**

Brandee Cummins..... brandee@greensheet.com

**Assistant VP, Editorial:**

Laura McHale Holland ..... laura@greensheet.com

**Senior Editor:**

Patti Murphy.....patti@greensheet.com

**Associate Editor:**

Dan Watkins ..... dan@greensheet.com

**Staff Writers:**

Jim McCaffrey ..... jim@greensheet.com

Ann Train ..... ann@greensheet.com

**Production Manager:**

Lewis Kimble..... lewis@greensheet.com

**Assistant VP, Advertising Sales:**

Danielle Thorpe ..... danielle@greensheet.com

**National Advertising Sales Manager:**

Rita Francis ..... rita@greensheet.com

**Office Manager:**

Kat Doherty.....kat@greensheet.com

**Director of Information Technology:**

Wolf Dean Stiles ..... wolf@greensheet.com

**Correspondence:**

The Green Sheet, Inc.

800-757-4441 • Fax: 707-284-1968

1160 N. Dutton Ave., Suite 200, Santa Rosa, CA 95401

Send questions, comments and feedback to greensheet@greensheet.com

Send press releases to .....press@greensheet.com

NOTE – Please do not send PDF versions of press releases.

**Print Production:**

Hudson Printing Company

**Contributing Writers:**

Rick Berry..... rick@abcmobilepay.com

Jeff Brodsky..... jeffb@chosenpayments.com

Nicholas P. Cucci ..... ncucci@nmi.com

Jeff Fortney..... jeff@clearent.com

Dale S. Laszig ..... dale\_laszig@castech.com.tw

Adam Moss..... amoss@chargecardsystems.com

Jeffrey Shavitz..... jshavitz@chargecardsystems.com

Mustafa Shehabi..... ms@paycubeinc.com

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## Taking technology to heart

I subscribe to *The Green Sheet*. I am looking for a forum and/or conference that will provide education on recent and emerging technologies in the payment card processing industry.

Can you help me find a good source. Also, what is the premier tradeshow for the payment card processing industry?

Tom Vicanti  
BICA Solutions

Tom,

Given how important technology is to the industry today and how quickly it is evolving, yours is an excellent question.

One effective way to become educated about recently deployed and emerging technologies in the payments industry is to join the Electronic Transactions Association's technology committee. Each year the committee evaluates new technology used in payment products and services and showcases what it deems to be the best innovations of the year at the ETA Annual Meeting and Expo. Next year's annual meeting will be in New Orleans from April 30 through May 2. For more information about the organization and details about the upcoming show, visit [www.electran.org](http://www.electran.org).

In addition to the ETA, the industry has four regional acquirers associations we consider to be premier. Helping payment professionals stay abreast of developments in technology is integral to each organization's mission:

- **Midwest Acquirers Association:** The MWAA holds its annual conferences each July at various Midwestern locations. Visit [www.midwestacquirers.com](http://www.midwestacquirers.com) for locations and dates.
- **Northeast Acquirers Association:** The NEAA is the oldest of the regional acquirer associations. It puts on a show each winter at Mt. Snow, a ski resort in Vermont, and occasionally hosts a summer show. Visit [www.northeastacquirers.com](http://www.northeastacquirers.com) for dates and more information.
- **Southeast Acquirers Association:** The SEAA provides education and networking opportunities at its annual conference, held in February or March each year at various locations in the Southeastern United States. Visit [www.southeastacquirers.com](http://www.southeastacquirers.com) for locations and dates.
- **Western States Acquirers Association:** WSAA is the newest of the regional associations, but every bit as active as the others. It hosts a conference each year in September or October. Visit [www.westernstatesacquirers.com](http://www.westernstatesacquirers.com) for dates and locations.

Also, to keep up on implementation of the Europay/MasterCard/Visa global standard in the United States, visit the Smart Card Alliance at [www.smartcardalliance.org](http://www.smartcardalliance.org). It holds conferences throughout the year, publishes up-to-date information on smart card technology, hosts webinars on timely topics, and offers education and certificate programs for professional development.

Another resource for information on the industry's technology is your ISO. Some ISOs have excellent training programs that include bringing in-house staff and merchant level salespeople up to speed on the latest technology. And those that do not have their own training programs can refer you to sources of training they endorse.

And why not post a question about good sources of information on the latest payment technology on GS Online's MLS Forum? Members are happy to share their knowledge with those posing sincere questions.

Editor

## Helping victims of Hurricane Sandy

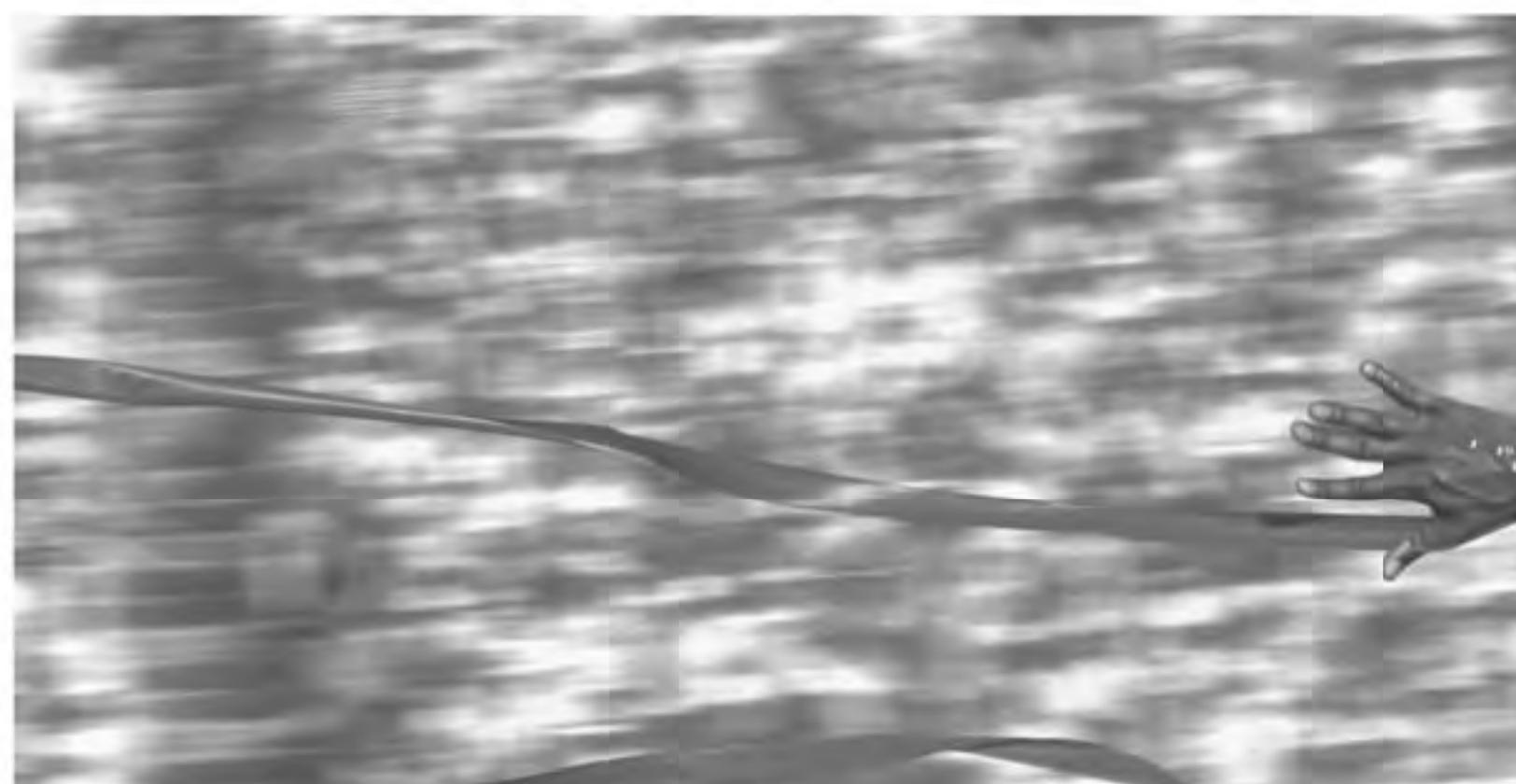
Our thoughts are with our friends and colleagues on the East Coast who were so severely hit by Hurricane Sandy in October. Especially now, during the holidays, it is important to remember those who need a hand. In this issue, we have included a report on the impact of the hurricane in our news section. We also wish to remind folks that we are posting news of relief efforts under News From the Wire on our home page. If you know of initiatives that could help people through this crisis, please send a press release to [press@greensheet.com](mailto:press@greensheet.com). You can also reach out to us via email at [greensheet@greensheet.com](mailto:greensheet@greensheet.com), by phone at 800-747-4441 or on Facebook at [www.facebook.com/thegreensheetinc](http://www.facebook.com/thegreensheetinc).

### Corrections

The Royal Merchant Holdings LLC company profile, published Aug. 27, 2012, in *The Green Sheet* issue 12:08:02, stated on page 46 that RMH had purchased Sterling Payment Technologies, a registered ISO of Merrick Bank. In fact, RMH had purchased Stirling Payments Inc., a company that has no connection whatsoever with Sterling Payment Technologies.

In "What ISOs can learn from consultants in today's complex payments arena," *The Green Sheet*, Nov. 12, 2012, issue 12:11:01, Authorize.Net was described as a security solutions provider. The company is a payments solutions provider.

It was not possible to correct the print versions of these articles; they had already been published before the errors were discovered. However, both articles have been corrected online. *The Green Sheet* regrets the errors.



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

Cover Story

1

## Secrets of the Inc. honorees

No less than 50 payment companies were named to the 2012 edition of the Inc. 500/5000 list. The Inc. magazine list ranks privately owned companies by revenue growth over a three-year period. *The Green Sheet* interviewed a cross-section of the honorees, seeking to understand what led to their success.

News

27

## EMV on fast track

Mobile payment technology provider CreditCall Ltd. and terminal manufacturer Ingenico SA both released Europay/MasterCard/Visa (EMV) solutions in the first week of November 2012, providing a potential boost to the introduction of the standard to the U.S. market.

News

24

## Proposed interchange settlement: Judge approves, industry objects

Despite objections from powerful forces in the payments industry, Judge John Gleeson of the U.S. Eastern District of New York gave preliminary approval on Nov. 7, 2012, to a proposed \$7.2 billion settlement of antitrust claims brought by more than 7 million U.S. merchants against Visa Inc. and MasterCard Worldwide.

News

29

## W.net focuses on future with new exec

With a new executive director at the helm, W.net plans to continue expansion of its membership base; increase participation in the organization's career development, mentoring and networking events and programs; and build upon its foundation of corporate sponsorships in order to foster the professional development of women in the payments industry.

News

25

## Hurricane Sandy's huge impact

Remarkable reports of courage and endurance came into *The Green Sheet* as acquirers in the region rode out Hurricane Sandy and its aftermath. Members of GS Online's MLS Forum provided eyewitness accounts of events unfolding on the ground. And in the midst of all the damage came some heartwarming good news.

Selling Prepaid

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## The gamification of rewards

Increasingly, employers are rewarding employees with prepaid cards for a job well done. But businesses may be able to increase the effectiveness of rewards and incentives programs – resulting in more productive employees – by applying game mechanics to the programs. Indeed, gamification may be a way to harness basic human desires for recognition and prestige.

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**Selling Prepaid** 33

### FinCEN pushes for cross-border prepaid enforcement

A proposed new rule by the Financial Crimes Enforcement Network (FinCEN) would require travelers to declare the balances on their prepaid cards at border crossings, according to the Federal Reserve Bank of Atlanta. But do U.S. law enforcement agencies understand the prepaid market well enough to effectively enforce the rule?

**Education** 60

### Street Smarts<sup>SM</sup> Are you a 10?

The temperatures began to fall, leaving a light dusting of snow on the ground. It was early November, and although the official start of winter was still a month away, winter weather was coming early and hard. It was bitterly cold, and a certain salesman was depressed. You see, things weren't going well – until he received a gift that turned his life around.

**View** 40

### Smart ISO-MLS relationships

If you are a merchant level salesperson (MLS), how did the chief executive of your ISO start in this business, and how is that person involved in your life now? If you're an ISO, what path did you take to your current position, and how do you lead your company while also being someone your MLSs can connect with? This article explores why these questions matter.

**Education** 68

### Opportunities in RAN and private-label programs

A restricted authorization network (RAN) is used for building a restricted participating network of merchants where a payment card is used without any change at the acquiring side. The concept is intriguing, yet it is almost underplayed by the networks, as it is counterproductive to their brands. This article explains why that is.

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Education

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### How to propel merchants to shed comfortable habits

There is no doubt that mobile POS solutions, particularly when they involve neither a major outlay of upfront capital nor a high monthly fee, have advantages that can increase sales and efficiency and reduce costs for retail and restaurant operations. The case for this is easy to make. But do merchants "buy it"? The answer is no, but there is a way to change that answer to yes.

Education

78

### Have we missed the window for EMV?

The transition to the EMV standard will address card-present fraud committed by retail customers, rather than the most prevalent types of card fraud the United States faces: card data theft through device tampering and database breaches. Do card-present fraud rates in the United States really justify a costly equipment swap?

Education

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### EMV: Game on!

It is widely accepted in the payments industry that our country represents the final frontier for EMV implementation, and its time is drawing near. This means "game on" for MLSs who will be the first line of defense during all phases of the integration. But let's not wait for new machines to be deployed before we start to explain it to our merchants.

Inspiration

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### Thinking of starting an ISO?

Establishing a thriving ISO requires many skills and actions, but the bedrock of your company will be the ability to recruit, train and retain sales talent. In building a high-performance sales team, you will need to address many factors, including recruitment, training, coaching and rewards. Do these well, and you'll be on your way to realizing your business dreams.

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## NEWS

**CSR gains patent for PCI ToolKit**

The U.S. Patent and Trademark Office granted data privacy solutions provider **CSR** a patent on Nov. 7, 2012, for its PCI ToolKit. This was in recognition of the innovative nature of the ToolKit's questionnaire and attestation method, according to CSR. The patent is U.S. Patent No. 8,296,244.

The PCI ToolKit is a web application designed to assist merchants of all sizes in complying with the Payment Card Industry (PCI) Data Security Standard (DSS).

Specifically, it helps with completion of the annually mandated Self-Assessment Questionnaire (SAQ) by eliminating "the need to decipher complicated and confusing rules, regulations and forms, helping payment processors generate revenues while managing portfolio compliance," according to CSR.

In a press release about the patent, CSR President Rick Heroux stated, "We are proud to achieve this milestone, and assure our clients, colleagues and future clients that they can have confidence in our expertise to provide what is, to our knowledge, the only PCI compliance solution that is patented."

CSR noted that it has other patents pending, including one for its CSR Breach Reporting ToolKit, which assists organizations in complying with data breach notification rules and regulations.

**Discover releases EMV road map**

**Discover Financial Services** released an outline of its U.S. Europay/MasterCard/Visa (EMV) deployment strategy and road map on Nov. 12, 2012. In line with other card companies, Discover will institute a POS fraud liability shift on Oct. 1, 2015, for retailers and on Oct. 1, 2017, for automated fuel dispensers on its Discover PULSE networks.

In addition, the company said PULSE will require direct-connect merchants and payment processors to support EMV by Oct. 16, 2013.

"This Fraud Liability Shift will be a risk-based payments hierarchy that benefits the entity that leverages the highest level of available payments security," Discover said.

Discover will grant Payment Card Industry Data Security Standard audit waivers to merchants who process 75 percent of Discover Network transactions on terminals that support both contact and contactless payments starting in October 2013.

The company will begin to issue EMV-enabled cards gradually, with the first EMV-enabled cards going to frequent travelers.

**Square deployed in Starbucks stores**

**Square Inc.**'s mobile payment application, Square Wallet, was deployed in 7,000 Starbucks Co. coffee stores around the United States Nov. 8, 2012. Starbucks is still accepting payments through its own mobile



- According to **Discover Financial Services'** 2012 *Discover Annual Holiday Shopping Survey* of spending intentions and trends for the upcoming holiday season, consumers plan to spend more this season than last, averaging \$838, up from \$748 spent in 2011.
- A quarterly survey conducted by **comScore Inc.** revealed online retail spending in the United States reached \$41.9 billion for the third quarter of 2012, a 15 percent increase over the same period last year and marking the eighth consecutive quarter of double-digit growth.
- A *Luxury Goods Worldwide Market Study* by **Bain & Co. Inc.** predicted year-over-year revenue growth in luxury goods will reach 10 percent globally in 2012, led by Asia (excluding Japan) at 18 percent and the Americas at 13 percent. Leather goods and watches are expected to top the list of categories for revenue growth at 16 and 14 percent, respectively.



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application, which is used by its customers more than 2 million times a week, the company said.

Adam Brotman, Starbucks Chief Digital Officer, said his company is supporting the Square Wallet because it believes in "the values and vision of Square."

Customers wishing to use the mobile wallet will download the Square Wallet application to their mobile devices and set up accounts linking their debit or credit cards to Square Wallet.

To make a payment, customers open Square Wallet, tap 'pay here,' and scan the quick response code – a process similar to that of the Starbucks' mobile payments app, Starbucks said.

### Cyber attacks increasing, South Carolina agency hacked

Assistant U.S. Attorney General Lisa Monaco, the head of the Justice Department's National Security Division, told the 2012 Cybercrime Conference in Seattle Oct. 31, 2012, that cyber attacks will soon be the number one threat to American security.

One recent attack involved approximately 3.6 million

Social Security numbers stolen and 387,000 credit and debit card numbers exposed in a cyber attack on the South Carolina Department of Revenue. The department reported on Oct. 26, 2012, that approximately 16,000 of the cards exposed were not encrypted.

The state encouraged all those who had filed South Carolina tax returns since 1998 to determine if their information had been stolen. It is also providing at-risk cardholders with a year of credit monitoring and identity theft protection. State officials said no public funds were accessed or put at risk.

Investigators believe several attacks were made on the state's system but "to the best of the department's knowledge" the theft occurred in "mid-September." The breach was discovered Oct. 10, 2012, and the vulnerability was reportedly closed and secured 10 days later.

## ANNOUNCEMENTS

### Apriva hits \$2 billion in wireless transactions

Mobile communication and payment services provider **Apriva LLC** reported that \$2 billion worth of transactions were processed over its online gateway in the third quarter of 2012.

Altogether, Apriva's gateway has handled approximately \$5.91 billion in transactions through the first three quarters of 2012, surpassing the \$5.14 billion it processed during the same period last year, Apriva said.

### ISO eliminates cancellation fee

City of Industry, Calif.-based ISO **bankcard club** eliminated its merchant cancellation fee, which allows merchants to switch or alter merchant accounts without being penalized. A merchant that is happy with an ISO's services will continue to do business with that ISO, bankcard club said; eliminating the cancellation fee is a way of being merchant friendly.

### LightSpeed CEO honored

Payment software provider LightSpeed Retail Inc. said its CEO and founder, **Dax Dasilva**, was named Ernst & Young's Quebec Entrepreneur Of The Year in the Information Technology category.

Dasilva steered LightSpeed to tremendous growth in a short time and has the company poised for future development and growth, said an Ernst & Young managing partner.

### Diebold pilot enhances ATM experience

ATM terminal manufacturer Diebold Inc. entered a pilot program with the **Missoula Federal Credit Union** for

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real-time, face-to-face interaction between tellers and consumers via ATMs.

Diebold Concierge Video Services enables the credit union to visually connect with members to answer questions, fulfill marketing opportunities and process any call center-capable transactions from the ATM, according to Diebold.

### **ECS opens India to 'Payment in a Box'**

Pune, India-based third-party payment processor **ElectraCard Services (P) Ltd.** launched what it calls a prepackaged, functionally rich, high performance payment switch, known by ElectraCard as Payment in a Box. The company is making its processing technology available to financial institutions, ISOs, retailers and other financial service providers in India.

### **First Data to hire war vets**

**First Data Corp.** joined the 100,000 Jobs Mission, a coalition of corporations committed to hiring 100,000 veterans of the U.S. Armed Forces who are transitioning back to civilian life. First Data said hiring talented military veterans gives the acquirer a competitive advantage in the marketplace.

### **ICC Solutions joins EMV forum**

EMV certification service provider **ICC Solutions Ltd.** joined the Smart Card Alliance's EMV Migration Forum. The forum supports the U.S. financial services industry's migration to the EMV chip and PIN standard in the United States. ICC Solutions has advised EMV migration forums in Canada and the U.K.

### **RCA program launched**

New York-based **ISO Advance** unveiled a residual cash advance (RCA) program to ISOs and merchant level salespeople. RCAs range from \$5,000 to over \$1 million, with 6- to 12-month terms, the ISO said.

### **Sherpa supports voice activated money transfers**

**PayPal Inc.** reported that Sherpa, its voice-enabled personal assistant app for smart phones, was downloaded over 100,000 times in 14 days by smart phone users in Spain.

The PayPal app, which is still in beta test, became available for download at Google Inc.'s Google Play app store on Oct. 1, 2012. PayPal said Sherpa can play songs, send text messages, update a user's Facebook status and initiate money transfers via PayPal.

### **Process Pink offers LIV to new merchants**

**Process Pink Payments**, the charitable donation service

of Unified Payments LLC, is providing a free breast self-examination kit to merchants who sign up to offer the Process Pink payment option.

A percentage of transactions made at Process Pink participating merchants (and funded by Unified's back-end split of the transactions) are given to the National Breast Cancer Foundation Inc. to fight breast cancer. Livegeiger is providing the LIV – a heart-shaped medical device that women use to perform breast self-exams.

### **VeriFone enters Poland for taxi payments**

POS terminal manufacturer **VeriFone Inc.** advanced its international taxi services business by signing a contract with Glob Taxi Co. of Warsaw, Poland. VeriFone is providing Glob's fleet of approximately 500 vehicles with in-taxi payment systems.

VeriFone said it now provides in-taxi systems that accept mag stripe and contactless payments for 70,000 taxis in 17 countries, including Australia, Singapore, the U.K. and the United States.

### **Visa gains more than 50 for V.me**

**Visa Inc.** said 53 banks and credit unions so far had signed onto the card brand's digital wallet, V.me. The digital wallet allows the instant population of data fields for consumers shopping with bankcards online. "This will change the way tens of millions of people shop and pay by making online checkout simple and secure," Visa said.

### **WalletBit unveils POS Mobile Checkout for Bitcoin**

Copenhagen, Denmark-based **WalletBit** launched the Point of Sale Mobile Checkout feature for its online and mobile wallets that support the Bitcoin alternative currency market. WalletBit said the new payment feature generates a quick response code used to transfer BitInstant's alternative currency, called Bitcoins, to other Bitcoin-supported virtual wallets.

### **YapStone to bolster staff in Ireland**

**YapStone International Ltd.**, the European business unit of YapStone LLC, said it will create 120 new jobs at its new headquarters in Drogheda, Co. Louth, Ireland. The advancement is supported by the Industrial Development Agency Ireland, which seeks to attract foreign companies and jobs to Ireland.

## **PARTNERSHIPS**

### **Allied Wallet takes Dinpay global**

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### Elavon, payleven mobilize in Europe

Payment provider **Elavon Inc.** aligned with European mobile payment pioneer **payleven** to boost mobile debit and credit card acceptance across Europe.

As of November, payleven's free software app and card reader, including its new chip and PIN card reader, coupled with Elavon's end-to-end payment processing, had been deployed in five European nations.

### Merchant Warehouse, PrestaShop team up

Boston-based ISO **Merchant Warehouse** and Miami-based **PrestaShop**, an e-commerce solution that powers over 125,000 online merchants globally, formed an alliance to deliver cost-effective payment processing to online merchants. Merchant Warehouse payment processing will reportedly be one of the features available in PrestaShop v1.5.

### PayPal teams with Parkmobile

**Parkmobile USA Inc.** app users who pay for parking from mobile devices can now select **PayPal** to pay for parking in 20 U.S. cities. Parking sessions are activated when mobile phone users pull into a Parkmobile-designated parking space, key in a parking zone number and opt to make a payment from a PayPal account.

### TSYS joins Truaxis on targeted offers

**Total System Services Inc.** (TSYS) signed an agreement with **Truaxis**, a MasterCard Worldwide company, to offer a new service that will integrate cardholder spending patterns with a platform that delivers personalized rewards, offers and loyalty incentives to customers, the companies stated.

### VSoft partners with Payveris

Global information and technology provider **VSoft Corp.** teamed with online and mobile payment company **Payveris** to leverage Payveris' modular bill pay platform with VSoft's CoreSoft browser-based core banking system to increase the speed and accuracy of processing payments, the companies reported.

## ACQUISITIONS

### Ingenico expands in Indonesia

Payment solutions provider **Ingenico SA** executed an agreement to acquire the POS terminal services of **PT**

**Integra Pratama**, a leading player in the Indonesian market representing an installed base of approximately 500,000 POS terminals. Terms of the sale, which is subject to approval by local authorities, were not disclosed.

### Ogone adds Tunz.com

Capitalizing on the global mobile payment technology trend, European payment service provider **Ogone SA/NV** finalized the purchase of mobile payment pioneer **Tunz.com**. As part of the purchase, Ogone secured the electronic money license required to become an accredited institution for financial services within the European Union.

### Trilogy sold to American Bancard

**American Bancard LLC** recently purchased **Trilogy Payment Solutions**. The **Strawhecker Group** advised Trilogy in the sale.

"We are thrilled with closing another transaction, and look forward to a successful integration of Trilogy onto our platform," said Sam Zietz, Chief Executive Officer at American Bancard. Terms of the sale were not disclosed.

### Vantiv to acquire Litle

Payment processor **Vantiv Inc.** signed an agreement to acquire e-commerce payment processor **Litle & Co.** for \$361 million. The combined service offerings will reportedly leverage Vantiv's scale and distribution channels to provide businesses multichannel POS, e-commerce and direct response payment processing solutions.

## APPOINTMENTS

### Former First Data exec consults in China

**Charles T. Fote**, who retired as President and Chief Executive Officer of international payment processor **First Data Corp.** in 2005, is now a Senior Consultant at payment services provider **China Payment and Remittance Service (ChinaPNR)** in Shanghai. Fote is tasked with advising ChinaPNR on payment technologies and financial service models, as well as strategy and management.

### Mozido picks Luther

Texas-based mobile payment platform company **Mozido LLC** named **David Luther** its Executive Vice President Global Business Development.

Luther previously served as the North American General Manager at payment software provider **Distra Pty Ltd.** At Mozido he will lead business development, exploit growth opportunities and oversee the company's sales organization. ■

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**HARBORTOUCH**

# Proposed interchange settlement: Judge approves, industry objects

**D**espite objections from powerful forces in the payments industry, Judge John Gleeson of the U.S. Eastern District of New York gave preliminary approval on Nov. 7, 2012, to a proposed \$7.2 billion settlement of antitrust claims against Visa Inc. and MasterCard Worldwide. The suit concerns the card companies' interchange rules and was brought on behalf of more than 7 million U.S. merchants.

First Data Corp., PayPal Inc. and the National ATM Council all submitted objections to the proposed settlement in the first week of November 2012. They argued that settlement terms would give MasterCard and Visa an unfair competitive advantage and wrongly prohibit future antitrust actions even if the facts were significantly different than the issues litigated in the retailers' suit.

Gleeson responded to these objections saying he "will appoint an expert counsel to advise the court of issues and rule changes that will arise from this settlement."

## NAC objects to broad interpretation

NAC is a plaintiff in an antitrust claim filed by independent ATM distributors against Visa and MasterCard in the U.S. District Court for the District of Columbia. It told the court the rules retailers are challenging in the New York District Court are different than the rules ATM distributors are challenging in D.C. District Court.

"The use of the same terminology 'interchange' to describe both merchants' fees for using payment card services and ATM operators' revenues for providing cash dispensing services potentially engenders confusion," the NAC stated in a letter sent to the retailers' attorneys in October 2012. The letter asked them to expressly acknowledge that the settlement does not apply to ATM operators.

NAC told the court it is concerned the plaintiff class could be erroneously given an "overly broad interpretation" that would impose settlement terms on plaintiffs in the ATM antitrust action in the D.C. District Court. NAC stated it was given verbal confirmation from plaintiff attorneys that the proposed settlement is not intended to cover the ATM operators.

## First Data objects to surcharge language

First Data stated in its filing that it was "thrust into this case by virtue of an overly broad class definition ... a settlement that does not afford it opt-out rights, and a release that could forever bar it from questioning hundreds upon hundreds of rules and regulations that affect more than half of its multibillion dollar a year industry."

The processor said the proposed settlement's elimination of all future antitrust claims against the card companies would deprive First Data of its right to due process "while granting nonmerchant payment acquirers and processors and competitive networks ... nothing in return." Including First Data in the settlement "violates fundamental notions of fairness and constitutional due process," the processor stated.

The company further stated, "It is easy to understand why a processor would care about more issues than whether it can pass interchange fees on to customers and why an acquirer seeks more than money to compensate for previous years' lost funds."

First Data also said it was not adequately represented in the litigation because plaintiff attorneys represent the interest of retailers, not processors. (At press time, it was reported that First Data had been subpoenaed to produce information pertaining to treatment of merchant-specific data.)

## PayPal asks for protection

In a letter to the court submitted Nov. 2, 2012, PayPal said the preliminary agreement should be modified so that it does not release the card companies from claims unrelated to the retailers' antitrust settlement.

It also stated the proposed agreement "by identifying PayPal as a competitive credit card brand, threatens to put Visa and MasterCard in a position to unilaterally undo the promised rollback of the 'no-surcharge rule.' It may also stifle legitimate competition within the industry."

PayPal noted it is specifically named as a competitor to Visa and MasterCard, but it is unlike the other named competitors, American Express Co. and Discover Financial Services. The difference is PayPal routinely processes Visa and MasterCard transactions, PayPal said. Because of this, PayPal believes the card companies unfairly claim an ability to govern how PayPal applies surcharges – an advantage they do not hold over AmEx or Discover.

"Merchants forced to decide whether to accept PayPal or whether to surcharge Visa or MasterCard may choose to surcharge rather than accept a new system, and this would inhibit PayPal's ability to give merchants and consumers another meaningful option at the point of sale," PayPal said. ■

# Hurricane Sandy's huge impact

**R**emarkable reports of courage and endurance came into *The Green Sheet* as acquirers in the region rode out Hurricane Sandy and its aftermath. Writing on GS Online's MLS Forum from Lakewood, N.J., in Ocean County, one of the hardest hit areas in Sandy's path, **MAKETELINC** reported many in his town were still without power and heat days after the storm struck, but they were still better off than towns just a few miles away.

"The boardwalks are gone," he noted. County officials reported Nov. 8, 2012, that four people died in Ocean County as a result of the storm.

**MAKETELINC** said he luckily didn't lose power, Internet or phone service, so he shared his office with two other businesses and his home with another family. "Thank God in our town no one died, although a few did get injured," he said. "The National Guard was patrolling the ghost areas where families evacuated due to damage or lack of power and heat." After the storm, hardships increased as temperatures at night fell below freezing and a storm out of the northeast dropped snow in the area.

## Another eyewitness

**CCNJ** in Teaneck, N.J. said her town was also badly hit. "Slowly, parts of the town are coming back to where they seem more like normal; though voting is still significantly impacted by schools that don't have power and others that are still temporary emergency shelters," she reported.

**CCNJ** is Vice President of the Teaneck Chamber of Commerce and handled communications for that group during the storm. "The amazing thing about my community is how we all pull together in the wake of such devastation," she said, noting many shared their power generators and reached out in many ways to help their neighbors.

"As people began getting power back, the community started opening up their homes to strangers to allow others to have heat, shower, charging phones/laptops etc.," she said. "I can't talk too much more about this. The last week was literally hell for us dealing with the fallout and damages but we'll survive."

## Happy news

Michael Nardy, Electronic Payments Inc. Chief Executive Officer, posted happy news on the Forum as Sandy's destruction was still being evaluated in Southampton, Suffolk County, on the south fork of Long Island, N.Y., where his company is headquartered.

"During the power outage of Sandy, my wife Heather (former Marketing Director for Comstar Interactive) and I were at Southampton Hospital," he said. "We welcomed Madison Fay Nardy into the world at 4:23 this a.m. She is a beautiful girl weighing in at 5 lbs. 11 oz. and measuring 18 inches. Mom did great. Baby is healthy and has been sleeping all day.

"For our clients wishing the best for EPI and our office and staff during the tumult of Sandy, many thanks! It means a lot to have the caring ISOs and agents that we do! Little did you know the CEO was in the hospital with his wife reading these emails and just unable to respond due to the weather and lack of Internet/power."

## The economic impact

Regarding the storm's impact on business, **CCNJ** said, "I know I'll be taking the hit next month when I get my residuals."

**MAKETELINC** said many customers had reported problems with surged-out terminals; he expects to receive more such reports as power is restored. He also said the credit card network was not working, and finding cash was also a problem.

"My ISO is on Long Island, and many businesses still do



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not have power or phone service," **AMSPROCESSING** stated. "My November numbers are down 70 percent (about 80 percent of my business is on Long Island.) "Any biz by the water ... was completely decimated and might not ever return. Some merchants brought their terminals to my office today to process some transactions. It's been rough."

### Industry responds with generosity, kindness

The payments industry responded to the disaster with generosity and concern. Here are just a few examples:

- The Northeast Acquirers Association will hold a silent auction as a benefit for Hurricane Sandy relief during its Winter Seminar & Outing Jan. 29 through 31. The auction goal is \$50,000.
- The Western Union Co. said it will donate up to \$400,000 to Hurricane Sandy relief through The Western Union Foundation Agent Gift Match Program that matches agent donations to nonprofit organizations.
- U.S. Bancorp Inc. gave \$250,000 to the American Red Cross Disaster Responder Program.

The Green Sheet will continue to post press releases we receive about Hurricane Sandy relief efforts on our home page at [www.greensheet.com](http://www.greensheet.com). 

## EMV on fast track

**M**obile payment technology provider CreditCall Ltd. and terminal manufacturer Ingenico SA both released Europay/MasterCard/Visa (EMV) solutions in the first week of November 2012, providing a potential boost to the introduction of the standard to the U.S. market.

Card companies are promulgating retail adoption of the global EMV standard by 2015, at which time liability for card-present fraud could shift to merchants whose systems are deemed unsecure in the event of a breach. EMV replaces the prevailing U.S. mag stripe card technology with a card equipped with a small microprocessing chip that securely transmits customer information to payment terminals via radio transmission.

### CreditCall moves to take the lead

CreditCall reported it will begin licensing its EMV Level 1 software library and expects it will reduce the EMV terminal development cycle by 18 months. It also introduced a new cloud-based EMV-certified mobile POS solution, CardEase Mobile, for smart phones and tablet devices.

CreditCall is a payment solutions provider with offices in the United Kingdom and the United States. It provides

payment gateway services for "unattended payments" (such as parking meters), creates EMV-compliant mobile POS software solutions, and licenses access to its EMV software library.

"Until now, there has been no reliable industry fast track to EMV Level 1 compliance," said Jeremy Gumbley, CreditCall Chief Technology Officer. "With our new library, major reductions in terminal development time translate into substantial reductions in approval and test costs for customers."

Gumbley also believes EMV cloud technology will soon offer U.S. terminal makers, particularly in mid-level markets, a low-cost EMV solution. "Major terminal manufacturers will have their solutions," he said. "The software library will offer the smaller, more competitive manufacturers an easier way to get to compliance."

Gumbley said that when EMV was introduced in Europe, solution providers fell into two categories: progressive companies that built solutions with an eye for the future and companies that could only see the next line of products. CreditCall was able to help both, he said.

According to Gumbley, CreditCall's decision to offer EMV technology in the cloud is a sensible alternative to EMV



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solutions on terminals because it is a less expensive, more forgiving solution. "Also, it allows the opportunity to put other services in the cloud along with the EMV," he said. "There are lots of exciting opportunities for using terminals to interface with the cloud."

### Ingenico releases EMV-ready terminal

Further proof EMV is beginning to take hold in the payments market came when terminal and payment solutions provider Ingenico reported Nov. 5, 2012, that it is partnering with one of the largest merchant services providers in the U.S., Elavon Inc., to introduce the new Telium 2 series countertop and wireless terminals in the United States.

The terminal series offers payment and value-added services on a platform that supports EMV, contactless and near field communication technologies. Elavon is also offering remote terminal management and support capabilities for Telium installations in the United States. ■

## Harbortouch emphasizes training

**A**s most of us are probably aware, Harbortouch (then known as United Bank Card Inc.) launched the industry's first free POS program at the beginning of 2011. (See "UBC first to deliver free POS system," *The Green Sheet*, Jan 24, 2011, issue 11:01:02).

The success of this program may well be the training Harbortouch offers to its agents. "We have been conducting hands-on training sessions on a regular basis since the launch of our free POS program," said Brian Jones, Executive Vice President Sales & Marketing for Harbortouch. "Up until now, we had primarily focused these 'certification' courses on our hospitality software."

In a continuation of the training and certification programs, Harbortouch invited agents to its annual partner conference in Ft. Lauderdale, Fla., Oct. 8 through Oct. 12, 2012. Attendees were provided with an information-rich program to ensure their success with the Harbortouch POS system. Sessions included two days of hands-on training and certification testing. Jones stated that Harbortouch was trying to train its agents as resellers of the POS system, not merely as bankcard reps.

### Showcasing multiple offerings

Following this were two days of presentations by Harbortouch partners on the wide array of offerings available to agents. Presenting partners included American Express Co., AmeriMerchant LLC, CrossCheck Inc., Discover Financial Services, Charge Anywhere LLC, Authorize.net, Equinox Payments LLC and Super G Funding LLC. Harbortouch National Sales Trainer Joseph Porco also did a presentation on a new reservation module.

"Prior to our annual sales partner conference in Ft. Lauderdale in October, we held our first Harbortouch POS retail software certification. We had nearly 100 sales partners in attendance and have seen a considerable spike in sales volume since the training. In fact, we had a record month in terms of POS sales in October and are on pace to set another record in November.

"In 2013, we plan on conducting monthly hands-on training sessions, rotating through each of our POS software types," Jones said. ■



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## W.net focuses on future with new exec

**T**he Women's Network in Electronic Transactions (W.net) recently appointed Shawn Taylor Zelman as Executive Director. Since 2004, Zelman has served as a consultant and Senior Director for Coulter, W.net's management company. She has worked with such clients as the National Association of Women Business Owners and Resolve: The National Infertility Association.

Marla Knutson, W.net President and TransFirst LLC President of Financial Institutions, stated, "W.net is so fortunate to have Shawn as our Executive Director. Her experience and background will complement our vision and strategies and help us move W.net to the next level."

Zelman noted that she has devoted her career to the nonprofit realm, focusing both professionally and educationally on nonprofit management and communications. "But this position has really brought together both of my strengths in nonprofit management and communications to promote and brand W.net, and to inspire women in the electronic transactions industry to maximize their potential," she said.

### Planning more outreach

Going forward, W.net plans to continue expansion of its membership base; increase participation in the organization's career development, mentoring and networking events and programs; and build upon its foundation of corporate sponsorships, which currently include payment processors, POS terminal manufacturers and distributors, ISOs and other electronic payment-related businesses.

"We want to expand our outreach on the grassroots level, to strengthen our current LINC's [Local Interest Network Circles] and then expand in different areas," Zelman said. "And also really engage and promote W.net to the women in the industry who may not know we exist, so they get the word out that there is a home for them, and there are opportunities both for their professional career, as well as their personal work-life balance."

### Fostering leadership

According to Zelman, the all-volunteer W.net board consists of 9 to 15 members who are appointed to serve two-year terms. Members also have an opportunity to participate at the committee level, which includes membership, mentoring, public relations, social media, resource development and a program planning committee that coordinates W.net's two national events: the annual Career & Leadership Summit and the Super LINC conference.

Recently, W.net extended its Gateway to Success mentoring program from six to nine months. The program matches mentors with protégés within the organization via an application process.

"We've extended the program so that it starts up in the fall and then extends through the start of summer when a lot of people go on vacation," said Peggy Bekavac Olson, W.net board member and founder of Strategic Marketing.

### Boosting careers

Olson, who has served as a mentor, added, "It's an opportunity for the protégé to drive the relationship and what they want to get out of it, whether that's over the phone, in person or via Skype. It is the role of the mentor to help them achieve those goals in whatever way they can."

A 501(c)(3) nonprofit organization, W.net noted its dues and contributions are tax deductible. Member benefits also include an online newsletter that offers professional guidance and information about the payments industry, as well as access to an online career center where payments industry jobs are posted and members can post resumes. W.net hosts regional LINC events and invites nonmembers to attend. For more information, visit [www.wnetonline.org](http://www.wnetonline.org). 



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## Prepaid in brief

### NEWS

#### FCC fines AT&T for prepaid switcheroo

The **Federal Communications Commission** charged telecommunications giant **AT&T** with switching wireless prepaid customers to monthly data plans, despite telling those customers that they could keep their pay-as-you-go plans. AT&T agreed to pay \$700,000 to the U.S. Department of the Treasury and refund customers who paid for monthly data plans, which could be as much as \$25 to \$30 per month, the FCC said.

The FCC reported that AT&T made monthly plans mandatory in September 2009 for first-time AT&T users and for AT&T subscribers who upgraded phones. But AT&T smart phone users with prepaid plans who kept their old phones had the option to keep their pay-as-you-go data plans. "Some consumers who replaced these phones under warranty or insurance, or who moved to a new residence were switched to the monthly plans, even though AT&T had said the 'grandfathering' policy would continue to apply in these situations," the FCC stated.

#### Ohio eyes prepaid for state tax refunds

The **Ohio State Senate** has undertaken a bill designed to require the Ohio Department of Taxation to offer its taxpayers the option of receiving income tax refunds on prepaid cards. Currently, Ohio residents can receive refunds by paper check or electronically via direct deposit to bank accounts. The bill, S.B. 365, would direct Ohio's tax commissioner to add the tax refund card option.

Ohio State Senator Eric H. Kearney, D-Cincinnati, introduced the bill in August 2012. "This prepaid debit card program will benefit those citizens that do not have a bank account for direct deposit, or for those who wish to avoid the hassle with paper checks and check cashing fees," Kearney said.

#### Prepaid takes business away from subscriber plans

A trend toward prepaid calling services is apparently taking hold internationally. A report by **Voxofon LLC**, a Houston-based international voice and messaging services provider, said a large percentage of international subscription plan users who try prepaid calling solutions abandon their subscriptions in favor of prepaid.

"For users who once called abroad with subscription plans from their mobile/landline providers 'at least several times a month,' 43 percent stopped using the plans altogether once they were introduced to easier, prepaid solutions like Skype and Voxofon," the provider said.

Additionally, Voxofon reported that 89 percent of subscription users decreased their usage of the plans after they were introduced to prepaid calling options.

### ANNOUNCEMENTS

#### Blackhawk rolls out PayPower up north

Safeway Inc. subsidiary and prepaid card distributor **Blackhawk Network** launched its PayPower reloadable prepaid cards at Safeway locations in Canada. PayPower is a Visa Inc.-branded card issued by All Trans Financial Services Credit Union Ltd. and managed by Blackhawk Network (Canada) Ltd.

#### Underbanked market sized at \$78 billion

In the *2011 Underbanked Market Sizing Study*, the **Center for Financial Services Innovation** and **Core Innovation Capital** estimated the market of financial products for the underbanked was \$78 billion in 2011, a 7 percent increase from 2010. The analysts said revenue in this market consisted of an overall market volume of \$682 billion in principal loaned, funds transacted, deposits held and other financial services rendered.

#### ECI offers Paycloud

Gift and loyalty card provider **Electronic Commerce International** said it is now offering **Paycloud**, the mobile app developed by rewards and stored-value network operator SparkBase. Paycloud eliminates the need for customers to use physical gift and loyalty cards at the POS and renders POS systems contactless without the necessity of upgrades.

#### New gift card center available to retailers

Euronet Worldwide Inc.'s prepaid card division, **epay**, launched the epay Gift Card Center, which showcases the closed-loop gift cards of over two dozen national, brand-name retailers. The center is being made available to merchants in advance of the 2012 holiday season.

#### Kaiku tapped for Angry Birds management

Rovio Entertainment, creators of the popular Angry Birds mobile app and franchise, chose prepaid card program manager **Kaiku Finance LLC** to manage the Angry Birds prepaid card program in the United States. Rovio said the Angry Birds app has been downloaded over 1 billion times and is the fastest growing consumer brand and the most downloaded game of all time.

  
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## Karma Koin to expand into Mexico

Free-to-play online game developer **Nexon Corp.** said it will expand its Karma Koin prepaid card program to Mexico in late November 2012. Over 1,300 7-Eleven Stores Inc. and Best Buy Inc. locations in Mexico will carry the cards. Nexon donates a percentage of each Karma Koin transaction to charity.

## Old Spaghetti Factory gets paycards

Payroll card provider **TFG Card Solutions Inc.** inked a deal to supply the unbanked employees of the restaurant chain The Old Spaghetti Factory, owned by **OSF International Inc.**, with Visa Inc.-branded payroll cards. Implementation of the paycard system is reportedly underway in the restaurant's 42 locations.

## PARTNERSHIPS

### MEO prepaid MasterCard launched in Brazil

Brazilian financial institution **Banco Bonsucesso** and international prepaid program manager **Rev Worldwide** rolled out the MEO Card, called Brazil's first MasterCard Worldwide-branded general purpose reloadable prepaid card. A Bonsucesso executive said 40 percent of the economically active population in Brazil do not have access to financial services and 55 percent of Brazilian workers are paid in cash.

### Mobile prepaid RDC advances

**Visa** and **Chexar Networks Inc.** launched a mobile prepaid remote deposit capture platform that enables Visa prepaid card users to deposit paper checks to reloadable Visa prepaid cards by scanning checks with smart phones. The network will be expanded to include the cardholders of Unirush LLC's RushCard, AccountNow Inc. and Plastyc Inc, and some FSV Payment Systems Inc. cardholders, later in 2012, the companies said.

### Players join for prepaid in India

The **Western Union Co.**, **ICICI Bank** and **MasterCard** collaborated on the Western Union ICICI Bank Prepaid Card in India. The companies said the card can potentially elevate millions of underbanked individuals into India's financial mainstream.

## ACQUISITIONS

### nFinanSe agrees to be sold

Tampa, Fla.-based GPR card provider **nFinanSe Inc.** entered into an agreement to be acquired by **AccountNow Inc.**, a San Ramon, Calif.-based GPR card provider in the direct-to-consumer sales channel. After the initial phase

of the acquisition, expected to be completed by Nov. 30, 2012, nFinanSe will become a subsidiary of AccountNow.

## APPOINTMENTS

### InComm adds to executive roster

Atlanta-based prepaid card distributor **InComm** hired **Jeffrey Lewis** as Vice President and General Manager of Financial Services and promoted **Robert Skiba** to Executive Vice President of Regulatory and Governmental Affairs. Lewis was formerly Director of Alternative Payments and Prepaid at Discover Financial Services. Skiba has been at InComm for nearly four years and serves as Vice Chairman of the Network Branded Prepaid Card Association.

### Santillo joins ēdo

Nashville, Tenn.-based social network services firm **ēdo Interactive** tapped **Tony Santillo** to the position of Executive Vice President of Product and Strategy. Santillio brings over 17 years of executive experience at companies like Capital One Financial Corp. and AOL Inc. to his new role of helping ēdo expand its product offerings and market presence.

### Thompson named to BillMyParents board

**BillMyParents Inc.**, the teen payment solutions brand of **Socialwise Inc.**, appointed **Brian Thompson** to its board of directors. Thompson is Senior Vice President at financial services consultancy **Equity Dynamics Inc.**

### GiftCards.com hires Tribino

**GiftCards.com** added **Carlos Tribino** as Chief Marketing Officer. Tribino is a 20-year marketing veteran and formerly the Vice President of Marketing at **Viacom International Media Networks**, where he managed marketing research and events for MTV, Nickelodeon and Comedy Central in southern European markets. 



## Features

# The gamification of rewards

Increasingly, employers are rewarding employees with prepaid cards for a job well done. But businesses may be able to increase the effectiveness of rewards and incentives programs – resulting in more productive employees – by applying game mechanics to the programs.

In an Incentive Research Foundation webinar entitled *It's a Game-Changer: Game Mechanics and the Future of Reward and Recognition Programs*, game mechanics are portrayed as a way to motivate employees by tapping into basic human desires for recognition and prestige.

Barry Kirk, Senior Director of Digital Strategy at Silicon Valley-based gamification provider Bunchball Inc., said whatever the goal of the program, be it to recognize good work or the achievement of a sales quota, gamification can enhance the program by making it "more collaborative, more competitive, or allowing it to be more social."

By igniting an employee's drive to acquire more points to achieve a certain goal or reward, game mechanics can "change the nature of [the program] to make it more engaging," he said.

### Trigger points

Melissa Van Dyke, President of the IRF and webinar co-presenter, stated that research has boiled down any single instance of human behavior as the product of three factors: motivation, ability and trigger.

"The most important thing about all three of these factors is that they have to converge at the same time, which means in order to successfully drive or influence a behavior through a game mechanic, the game mechanic has to insure that all three of these factors occur at exactly the same moment," she said.

To achieve that goal of convergence, program managers must understand how different people are motivated to play along. Van Dyke said four basic personality types have been identified: achiever, explorer, socializer and killer. "The killer personality type requires a gaming dynamic that moves much faster than does the socializer personality type," Van Dyke said.

Then the reward mechanism for a program must be identified. The reward can be tangible (gift cards, travel) or intangible (virtual goods, badges). Points gained on the road to that reward are a "natural, basic, building block of game dynamics," according to Van Dyke. Points are popular because of their flexibility; they can reward customers, employees or be used to achieve a variety of business objectives, she said.

Leaderboards, such as pop-ups that appear at the end of arcade games, are another popular game mechanic. "Leaderboards can help drive healthy competition," Van Dyke said. "The gamification also extends that leaderboard concept by not just using points or, for example, sales dollars to rank and create leaderboards, but by layering and combining it with other concepts, such as achievements and levels."

### Gamification, not games

Van Dyke said the gamification market is estimated

at \$100 million, but is expected to reach \$2.8 billion by 2016. Gartner Inc. research suggests that over 70 percent of the 2,000 largest global companies will employ gamified rewards and incentives programs by 2014, she added.

The webinar detailed several case studies that showed how game mechanics improved program performance. One Fortune 500 company instituted a loyalty program to educate channel partners on the company's redesigned website.

The partners explored product-related information on the site to earn badges. The result was that site visits tripled, return visits increased and sales claims doubled.

Another company used game mechanics to reduce call times at a virtual call center by 15 percent for some agents. And Dell Inc. employed quick response (QR) codes to boost attendee participation at a conference.

The extensive data accumulated from attendees scanning QR codes at booths, education sessions, exhibits and food stations allowed Dell to adjust content, visuals and food types at the conference in real time.

One pitfall to avoid is to layer an actual game on top of a boring task. The webinar cited a sales organization that created a golf game to assign leads. "That effort, however, backfired because it took sales managers longer to play the game than it did to simply assign the lead, as they had done in the past," Van Dyke said.

Kirk added that a great advantage of gamifying rewards and incentive programs is that people are already familiar with the language of games. "So we don't feel like we're experts, but we're all using all of the tools, or at least many of the tools, that are used in gamification," he said. 

## FinCEN pushes for cross-border prepaid enforcement

**A** proposed new rule by the Financial Crimes Enforcement Network (FinCEN) would require travelers to declare the balances on their prepaid cards at border crossings, according to the Federal Reserve Bank of Atlanta.

The Oct. 29, 2012, post on the Atlanta Fed's Portals and Rails blog said FinCEN issued a Notice of Proposed Rule Making (NPRM) to expand the scope of its cross-border reporting requirements to include "tangible prepaid access devices."

To implement the new rule, the Department of Homeland Security is working on a hand-held card reader that would apparently be used by border agents to discern the balances on prepaid cards.

The Atlanta Fed blog post, written by Cynthia Merritt, Assistant Director of the Retail Payments Risk Forum, said current law directs travelers to report cash and other monetary instruments that in the aggregate exceed \$10,000.

"The premise behind this requirement is that it prevents money laundering and criminal-terrorist financing by enabling the traceability of currency and its equivalents, and hopefully eliminating anonymous flows of money into and out of the United States," Merritt added.

According to Homeland Security's reply to FinCEN's NPRM, the proposed new rule is not a divergence from the agency's enforcement challenges concerning such monetary instruments as checks, money orders and traveler's checks, Merritt said.

### Cash and carry

Research conducted by U.S. and Mexican officials, and entitled *Bi-National Criminal Proceeds Study*, said that while the potential for stored-value and prepaid cards as money laundering tools does exist, cash remains the preferred mode for illicit transport of funds across the border.

The study said "an extraordinary amount of cash – estimates range from \$19 to \$29 billion – travels annually from the United States into Mexico to fuel the operations of the increasingly violent and brazen criminal enterprises involved in drug trafficking."

Other than cash, Mexican criminals use the same basic methods to transport funds across the border as do U.S. criminal organizations, namely via wire transfers and stored-value/prepaid cards.

"The potential use of stored-value cards for illicit purposes has been noted by law enforcement officials," the report said. "Without proper safeguards, these new payment methods can be abused for illicit purposes. What is important here is to deter the use of unlicensed and unregistered financial services providers from abusing the stored-value system."

### Card patrol at the border

In response to FinCEN's NPRM, the U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI) department said it is working with the U.S. Customs and Border Protection agency "to ensure the traveling public is provided the necessary information to make an accurate declaration of the amount of cash and monetary instruments that they are bringing into or taking out of the U.S."

The HSI reported it is working with the DHS to develop a hand-held card reader "with features that will, among other things, allow law enforcement to quickly and accurately differentiate between a traveler's debit, credit and prepaid products."

The HSI said the reader is in an advanced stage of development and will enhance ICE's ability to enforce the Currency and Monetary Instrument Reporting requirement as it pertains to prepaid cards, and "in a manner which imposes minimal to no inconvenience to individuals and complies with U.S. laws, regulations and procedures."

It is HSI's belief that the popularity of prepaid cards has created a "parallel market where closed-loop cards [gift cards] can be traded for other cards or cash." HSI said government benefit cards should not be inspected, but that payroll cards, for example, should be.

"Excluding limited-value [gift cards] and payroll cards increases the possibility that these cards will continue to be abused," the HSI said. "Law enforcement has already documented large-scale misuse of payroll cards by both sophisticated and unsophisticated criminal organizations."

Prepaid cards are also dangerous because of "simplified" know your customer processes, according to the HSI. "There is no question that a financial institution's relationship with, and obligations to, prepaid customers are significantly and substantially different from those they have with traditional customers," the agency said.

The HSI recommends that people declare at the border "cell phones, key fobs or other tangible objects when these objects are associated with a prepaid account."

The HSI made this determination as a result of its conviction that enforcement of prepaid regulations at border crossings concerns "the prepaid nature and liquidity of the product, rather than the delivery system."

### Plastic contraband

But in the Atlanta Fed's blog, Merritt said law enforcement may not understand the nature of the prepaid card industry. "When law enforcement takes possession of a cash or monetary instrument at the border, they are effectively holding the funds, but not so with a prepaid card or other device," she wrote. "Holding the card does not provide access to the funds."

Additionally, criminals could easily evade the \$10,000 limit law, according to Merritt. She cited the Network Branded Prepaid Card Association as saying that a card loaded with \$1,000 could be reported at the border, and then hours later be reloaded at another location to boost the balance on the card to \$15,000. 📌

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**Insider's report on payments**

# Consumer payments in a connected age

**By Patti Murphy***ProScribes Inc.*

Let's face it: when it comes to changing payment form factors Americans are slow to move on. After all, despite electronic innovations (cards, online payments, even fobs), consumers and businesses write billions of checks every year. So, why all the hoopla over smart phones? And how should policy-makers address this new era of connectedness – in terms of policy and practices?

The Federal Reserve Bank of Kansas City took on these and related questions in May 2012 when it hosted international policymakers and academics at a conference titled Consumer Payment Innovation in the Connected Age.

Despite all the whiz-bang rhetoric, future visioning and talk of mobile payment acceptance, there is still much behind-the-scenes work to finish – policy setting as well as operational changes – before mobile devices become true electronic replacements for our wallets.

**Further complicating matters for U.S. firms is the lack of universal standards on exactly what personal information needs to be protected under various government rules.**

**Potential use of the ACH**

Reading through the proceedings of the Kansas City Fed's conference, I was struck by an idea put forth by Cambridge University professor Ross Anderson. Anderson, a security specialist, addressed risk and privacy issues; he took a swipe at the card networks in the process. He suggested an end-run could be made around the card brands by leveraging the automated clearing house (ACH) to support clearing and settlement of a mobile payment product.

"If the payment-card cartel is to be seriously challenged, then a mobile system backed by the ACH might be the way to do it," Anderson wrote. In fact, this is already being done, for example by PayPal Inc. and Dwolla Inc. "Mobile platforms might just possibly provide the opportunity to shake up the industry," he added.

But that can come to be only if mobile payments become cheaper to process than debit cards. ACH payments are significantly less expensive to process than card payments (less than a dime on a per-transaction basis). But there are tradeoffs: the ACH is a batch system, so it takes at least two days to receive good funds once payments are submitted.

In addition, there are no real-time authorization or payment guarantees when using the ACH like there are with the card networks.

**Concerns about privacy and fraud**

Guarantees of user privacy and security are also crucial and problematic, since mobile services keep tabs on customers' cell location history, and this is sensitive data that needs to be protected under U.S. rules. Further complicating matters for U.S. firms is the lack of universal standards on exactly what personal information needs to be protected under various government rules. For example, a cardholder's ZIP code is protected under California's state privacy laws, but that's not the case in most states or under federal law.

Fraud, or at least the perception of fraud, also threatens consumer adoption of mobile payment schemes. "In short, the more 'modern' or 'cyber' a payment system is, the harder it seems to be to defend it efficiently," Anderson wrote. "This may be partly a learning effect, but externalities surely play a role, too. The takeaway message is that payment fraud is a large business."

Indeed. At a projected total of \$10 billion annually, Internet fraud, if it were a public company, would be valued at five times what MasterCard Worldwide raised with its initial public offering (IPO) of stock in 2006, or 55 percent of the amount Visa Inc. raised with its IPO two years later.

Of even greater concern: that \$10 billion estimate could be dwarfed as more commerce moves to the Internet, which is sure to happen. "It's important to realize that the move online is associated with real improvement in social welfare because of efficiency gains, and the same will almost certainly be true of mobile," Anderson wrote.

**Lessons from initiatives abroad**

This is already playing out in scores of developing countries where mobile technologies are helping to mainstream unbanked and underbanked populations. It's a bit ironic to consider that much of the momentum for mobile payments and other financial applications comes from underdeveloped countries, like Kenya.

M-Pesa, a 12-year-old initiative in Kenya led by the British multinational telecom company Vodafone Group PLC, is the granddaddy of all mobile payment platforms. And it's the simplest of systems, relying on short message service technology to initiate and receive notifications of payments. M-Pesa enables consumers to deposit money into accounts and store the information in mobile phones, to

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1	Company Name Contact Name Contact Phone www.companynamewebsite.com	2001	Over \$5 million	\$1+ 100	100,000+	98%	90%	Curves, Subway, Thrifty Car Rental, Days Inn, Hampton Inn	100%	100	100	100	100	100	100	100
2	Company Name Contact Name Contact Phone www.companynamewebsite.com	2004	Over \$5 million	Above 100	100,000+	97%	99%	Economy Inn, Subway, Taco Bell, Comfort Inn & Suites, Kentucky Fried Chicken	99%	98	98	98	98	98	98	98
3	Company Name Contact Name Contact Phone www.companynamewebsite.com	2004	\$3 million - \$4,999,999	11 - 25	2,000+	97%	99%	Nevada SPCA, Liquid Alaska Tours, Veterans Chamber of Commerce Nevada	98%	100	97	100	98	97	97	97
4	Company Name Contact Name Contact Phone www.companynamewebsite.com	1985	Over \$5 million	Above 100	10,000+	94%	98%	Menards Dealers Association	97.2%	95	95	97	95	95	95	95

### Best

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send and receive payments, and to access cash.

After charting successes in Kenya, M-Pesa is now spreading across Africa. According to the latest data out of Kenya, about four in 10 Kenyans now have M-Pesa accounts, and combined, they send 165 million payments over the network every month.

In addition, the success of M-Pesa has given rise to 140 similar mobile money systems in 65 countries, mostly in emerging markets in Africa, the Middle East and Asia.

In October 2012, Vodafone connected M-Pesa into HomeSend, an international remittance hub. The arrangement enables M-Pesa customers to send and receive payments through 21 international transfer businesses in 35 countries.

"Mobile changes lives. It also transforms societies and economies: a 10 percent increase in mobile penetration in a country equates to a 1.2 percent increase in gross domestic product," said Vodafone Director of Mobile Money Michael Joseph in heralding the company's latest expansion.

"We are now at the next stage of that growth. By breaking down national barriers to make mobile money transfer truly global and ubiquitous across all competing networks, just like text messaging today, we can further connect the world's huge unbanked population."

### **Opportunity to attract new customers**

The unbanked are not just a phenomenon of developing countries either. As I reported in "Banks underserve the underbanked – AFS providers step in," *The Green Sheet*, Oct. 8, 2012, issue 12:10:01, the FDIC's 2011 National Survey of Unbanked and Underbanked Households indicated the ranks of America's unbanked continue to grow. Between 2009 – the last time the FDIC tallied up the market – and 2011, the unbanked had grown by 821,000 households.

Now consider that the Center for Financial Services Innovation reported in October 2012 that underbanked U.S. consumers spent \$8.9 billion in fees for payment services (prepaid card fees, remittances, etc.) in 2011. That's a lot of money for banks to be leaving on the table.

And since many banks are rolling out mobile services to well-healed customers anyway, they should at least consider leveraging mobile to attract new customers who are presently unbanked or underbanked. ■

*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.*

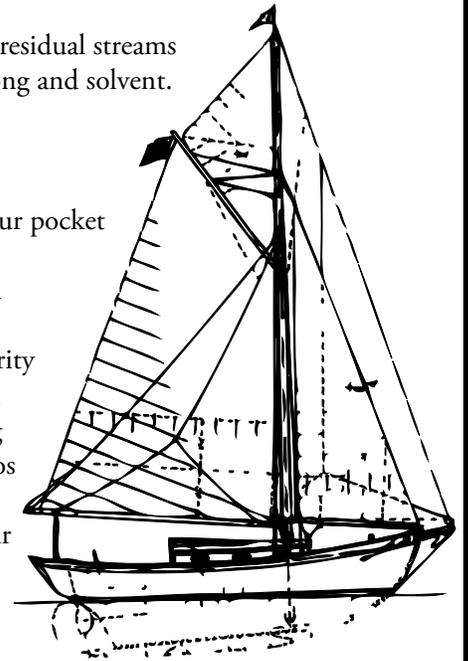
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# Smart ISO-MLS relationships

By Jeff Brodsky

*Chosen Payments*

I have recently seen issues arise that may damage relationships between ISOs and merchant level salespeople (MLSs). I hope the advice I offer in this article will assist both ISOs and MLSs in securing mutually respectful and profitable relationships long into the future.

The driver behind every individual ISO will affect the way in which not only the ISO is run day to day, but also the ISO-MLS relationship itself. I see two distinct business models affecting this dynamic:

- The ISO headed by someone who started cold calling on merchants and built a base of merchants on his or her own
- The ISO run by a person who had enough money to jump in and purchase residuals without ever knowing the ins and outs of the business

If you are an MLS, ask yourself where the chief executive officer, president or principal of your ISO started in this business and what that person's involvement is in your life. If you're an ISO, ask yourself where you started in the business, what led you to the driver's seat of your ISO, and how you maintain your status not only as a CEO, but also as an approachable person – someone your MLSs can connect with.

## Considering ISO origins

I believe the person who started cold calling will be a far greater leader, motivator and empathetic individual than the individual who did not.

The one who started because he or she had some money to back the business had to put in hard work to survive in this cutthroat business, but lack of industry experience can lead such an individual to inadvertently form an ISO that does not fully understand the ins and outs of each aspect of the industry, something essential to a successful ISO-MLS relationship.

As we all know, money can solve many issues. If you have enough, you can hire experienced people to run your operations and sales teams. However, you may then find yourself in a position of being naïve compared with your own employees.

This creates an environment that, in my opinion, does not drive success, but rather creates uneasy battles between an ISO who doesn't want to get his or her hands dirty, yet

doesn't want to let go of control so the shop can run the way it should.

As an ISO, what do you do now to interact with the people on staff, whether they be your technical support employees, administrative staff, in-house salespeople or outside MLSs? Do you know their names? Do you reach out to them on their birthdays? Have you ever gotten on a personal level with them? Or do you leave that to your vice president of sales or recruiting?

## Being directly involved

I have found it best to keep the playing field level. Let your employees and MLSs know you are simply a walk across the office or a phone call away. This fosters loyalty, understanding and passion in each individual comprising your organization. I have direct contact with each of my MLSs and staff. There is not one person working in-house for my company that I did not interview myself, nor is there one outside MLS with whom I did not have lengthy conversations.

In my conversations with both ISOs and MLSs, I frequently find that no direct relationship exists between them. Naturally, with a super ISO, it can be difficult for the CEO to know each MLS who works for the company, but it is not impossible. As with any large corporation, a structure and a chain of command must be followed; however, without happy agents, what is your large corporation worth?

To the MLS, what is your reach within your ISO relationship? Do you take an aggressive approach with your ISO to ensure you feel comfortable with who is running the show? Believe it or not, one change in an ISO's heart can dramatically change each individual MLS working with that ISO in the blink of an eye. What have you done as an MLS to give yourself comfort and to personally get to know who is cutting your checks?

## Avoiding disputes

It is fair to say that not all ISO-MLS relationships will work out. But it is also fair to say that those that don't work out do not have to end up in a dispute. I have been closely involved with several MLSs in the last year who are in disputes with their ISOs. As both an MLS years ago and a successful ISO today, I cannot wrap my mind around the concept of the most common dispute.

In my opinion, nine times out of 10 the dispute can be solved if the ISO simply does the right thing and continues to pay MLSs whether or not they are exclusive to the ISO, stop sending to the ISO business, or trigger any other loophole we ISOs all put in our agent agreements to protect ourselves. Outside of the MLS causing damage to the ISO, it makes no sense to stop paying MLSs for deals they referred.

ISOs should remember that the MLS is the one who holds the relationship with the merchant. Merchants can choose

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***Sending letters and entering litigation is no fun for anyone, and at the end of the day, a simple ISO-MLS separation really is not worth it for either party.***

to leave your company simply because their reps are gone. I have found that most merchants will, in fact, chase down their reps and even push them very hard to sign them up at the MLSs new companies.

So what happens next? Most likely the ISO will go after the MLS, which will cost money (not only revenue but also exorbitant legal fees) and take time away from growing the ISO's business.

More often than not, the MLS will continue to board merchants that come to him or her (not through any sort of solicitation on the part of the agent), and the ISO will continue to lose revenue. Sending letters and entering litigation is no fun for anyone, and at the end of the day, a simple ISO-MLS separation really is not worth it for either party.

If you are an MLS, do nothing that would cause damage to your former ISO. Don't solicit merchants, don't slander the ISO, don't steal employees or do anything else that would

put you in a position to lose a case if it went to trial. And if you are an ISO, realize the relationship did not work out and simply continue to pay the agent on the deals he or she brought to you.

### **Splitting up amicably**

Also, an ISO and MLS ending their active business relationship should directly discuss the transition. The MLS should explain the reasons for wanting to move on. Both parties should agree to not cause damage to one another.

And the ISO should pay residuals due to the MLS so long as the MLS does not cause damages. A simple document can be drawn up to ensure everyone moves on in ways that honor their agreement.

This is the healthiest scenario because the MLS will have no reason to move merchants, and the ISO will continue to generate revenue from those merchants. If two business people can sit down professionally and solve this right away, the parties can spend their time growing their respective businesses and not become embroiled in he said/she said litigation.

If, as an MLS, you make these promises, don't think you are going to pull a fast one on your ISO. The minute the ISO starts losing deals referred by you and finds out you are soliciting merchants and moving their accounts, the ISO will cut off your residuals.

You must do the right thing even if you think your new ISO can offer you 80 percent, and your old ISO is only giving you 60 percent. Don't get greedy, honor your commitment and move on in an amicable way. An ISO who understands the ISO-MLS relationship, knows how to relate to MLSs and respects the needs of all parties to an ISO-MLS contract will create loyal, long-term, flourishing business relationships.

An MLS searching for an ISO home should investigate the individuals behind the show in each company researched, become informed of their backgrounds and learn what other MLSs have to say about them. This will better ensure the MLS will be the master of his or her own destiny – and have an executable exit plan in mind. ■

*Jeff Brodsky is the President and Chief Executive Officer of Chosen Payments, a company created with the industry's feet on the street in mind. Through his multilayered experience as an agent for a top ISO as well as a partner/owner under a top ISO, Jeff developed an organization that remains true to its agents. He can be reached at 805-910-1445 or jeffb@chosenpayments.com.*





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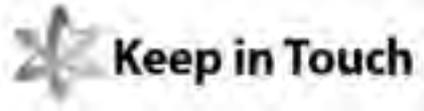
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## Keep in Touch Systems Inc.

### ISO/MLS contact:

Gahl Oren  
Chief Executive Officer  
Phone: 510-868-8088.  
Email: [gahl@kit-systems.com](mailto:gahl@kit-systems.com)

### Company address:

19C Trolley Square  
Wilmington, DE 19806  
Phone: 877-830-9868  
Fax: 866-334-5396  
Website: [www.kit-systems.com](http://www.kit-systems.com)

### ISO/MLS benefits:

- Bill pay, prepaid MasterCard, international calling and mobile top-ups
- Global SIM card, USB stick for international travelers
- Authorization by PIN or phone number with international calling
- No built-in markups (resellers and merchants determine them)
- Virtual option for merchants with Internet connection
- Quick merchant approval and easy installation

## Bridging the divide for unbanked customers

**K**ee in Touch Systems Inc. (KIT-Systems) provides a package of merchant services that targets specific verticals and aims to bolster a provider's existing offerings, bump up revenue and increase stickiness.

The package includes bill payment, international calling, prepaid and MasterCard Worldwide-branded debit cards, and mobile top-ups. The package is aimed primarily at unbanked and underbanked customers who lack conventional access to similar services. It is used by convenience stores, liquor stores, grocery stores and gas stations.

"These merchant accounts are hard to get because merchants are very busy and savvy in terms of [finding the best] rates, but this gives the seller more leverage to close a deal, makes the merchant stickier and increases retention," said KIT-Systems founder and Chief Executive Officer Gahl Oren.

### Brick-and-mortar, virtual capability

According to Oren, the service works with the VeriFone Inc. VX510 and VX570 machines – among the most common, basic terminals providers typically supply brick-and-mortar merchants for free. It will be available with Hypercom Corp.'s Optimum terminals in the coming months; it is also available as a virtual terminal for any merchant that has an Internet hook-up.

"We have a web portal, where the merchant can go to the website if the merchant has a POS system and just log onto our system with a user ID and a password we generate for them," Oren said. "This way they have like a virtual terminal." Oren added that KIT-Systems enable merchants to offer consumers significant perks.

### Bill pay

Bill-pay allows customers without bank accounts to pay electric, trash, television, phone and Internet bills, among others, by bringing cash into a KIT-Systems-equipped store and paying the merchant, who then pays the service provider via KIT-Systems.

"Say you have Metro PCS as your phone carrier," Oren said. "Usually you would have to go to one of their authorized dealers to pay the bill, but with us you can just go to the local grocery store."

### Prepaid cards

MasterCard-branded prepaid cards can be used by customers to send money overseas and, for those without an existing debit or credit card, to shop online. Customers can also deposit money with a merchant provider and then use their prepaid cards to withdraw that money from any ATM.

"The value to the merchant is letting the customer put money on the card so they don't have to put it under the mattress," Oren said. "Because it's a MasterCard, it's recognized anywhere in the world and works with any ATM."

For customers sending prepaid cards overseas, Oren said there is a global top-up feature that allows buyers to add money to cards remotely. They can also

***For mobile, the company also provides a global subscriber identity module (SIM) card that traveling mobile customers can place in their phones for calling and Internet use virtually anywhere in the world.***

Gahl Oren, Chief Executive Officer  
Keep in Touch Systems Inc.

generate a single balance and put it on multiple "companion" cards, allowing more than one person to access the same prepaid account at a time, he said.

### **Long distance calling**

Long distance calling gives customers a cheaper alternative to typical phone company offerings, according to Oren. He said KIT-Systems' prices are equivalent to calling card prices, running as low as two cents a minute. Oren said the costs of long distance calls under the plan often run cheaper than certain domestic calls under some of the plans of major cell phone carriers.

He said the service offers both PIN and PIN-less calling. With PIN-based calling, customers simply dial a PIN with their access number to make a call; with PIN-less calling, customers register a phone number that serves as the authorization, and calls on the account are allowed only from the number specified.

Furthermore, Oren said the service allows callers to retain unused minutes and carry them over to subsequent calls. "With a calling card, if they buy a \$5 card and spend \$4.50, they can't use that extra 50 cents," he said. "With us, it stays on the phone. So whatever they don't use, when they add more time to the phone, that extra time they didn't use stays on there."

### **Mobile top-ups**

Mobile top-ups, similar to the bill-pay feature, lets customers pay for extra phone minutes without having to travel to an outlet run by the phone carrier.

For mobile, the company also provides a global subscriber identity module (SIM) card that traveling mobile customers can place in their phones for calling and Internet use virtually anywhere in the world, Oren said. He said customers can also purchase a "USB stick," which gives travelers Internet access with a laptop even where there isn't a regular wireless connection.

A user removes the global SIM card from the phone, places it inside the stick, then connects the USB port to the laptop and gains instant hookup through the user's cellular network, Oren said.

"They can use the SIM card in the phone and talk, and then put it in a laptop and get Internet on their computer

anywhere in the world," he said. "You don't need to be in a hotel or something for Internet, you could just be on the street."

### **More merchant control**

Oren said the KIT-Services package carries no upfront charge. The company charges different rates on its services as they are used.

On long-distance calling, merchants get about 18 percent of each purchase. He added that merchants decide how much they want to mark up their fees on prepaid and bill pay. "A lot of companies have fixed rates for that, but we let merchants set their own fees," Oren said. "Depending on the competition in his neighborhood, a merchant can maximize his profit by choosing the most suitable fee."

Merchants can fund the KIT-Services package by adding money as they go. Funds are made available instantly to merchants who make an electronic request for them, docked from merchant bank accounts by an automated clearing house payment initiated by KIT-Systems, according to Oren.

"Merchants pay us in advance: they put a \$500 deposit; we collect our portion and charge the rest toward what they sell," Oren said. [Funds] are available instantly to the merchant."

### **Sales rep opportunity**

Oren said sales reps may earn money on Kit-Systems merchant services package. On international calling, he said ISOs typically get 3 or 4 percent out of the 18 percent charged to the merchant. "A merchant services provider is used to making 30 basis points, and with this they're taking 3 percent, so it's 10 times more," Oren said.

He said Kit-Systems comes with a "poster kit" of posters, mats and banners that merchants can use to advertise the availability of services in their stores. He added that the process for approving merchants and installing their services packages is as simple as it comes.

"With merchant accounts you typically have lengthy contracts and a long underwriting process – it needs a lot of stuff," he said. "Our sales agent just goes and generates the account himself – and we can even install it for them if they want – and we click approve." 

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## Merchants' Choice Payment Solutions

### ISO/MLS contact:

Larry Jones  
Senior Vice President of Sales  
Phone: 281-895-5924  
Email: ljones@mcpscorp.com

### Company address:

25231 Grogan's Mill Road, Sixth Floor  
The Woodlands, TX 77380  
Phone: 281-895-5924  
Fax: 281-465-2524  
Email: ljones@mcpscorp.com  
Website: www.mcpscorp.com

### ISO/MLS benefits:

- Online applications and resources for sales agents
- In-house underwriting, typically within 24 hours
- Dedicated sales agent website with advanced CRM tools
- POS logistics team to support individual ISO programs
- Agent compensation program with bonus incentives

# A future-proof platform for ISOs and MLSs

**T**he evolving nature of payment technology has helped transform the businesses that champion and employ the technology. One company exemplifying this is Merchants' Choice Payment Solutions. Based in Texas since 1989, the company was first known as Delta Card Services Inc. before rebranding as Merchants' Choice Card Services; it assumed its current moniker in 2009.

Reflecting on the payments industry's changing dynamics, Todd Linden, Executive Vice President and Chief Operating Officer at MCPS, said, "We made the conscious decision to transition the company from what had been a very successful 20-year run as an agent-centric ISO model and transformed it into what I call a platform company, which a lot of people refer to as a super-ISO."

Linden said the company's platform is customized and features a wide array of products and services. The company's offerings are "structured and put together in favor of helping the entrepreneurial ISO owner grow their business and really be able to trust their business from an infrastructure perspective with us here at Merchants' Choice," he said.

He attributed part of that trust to MCPS' ongoing investment in its information technology environment, which is designed to ensure high-level data security for all clients.

With merchants now demanding greater transparency in the boarding process, MCPS has found that straightforward pricing and clearly stated value propositions are essential when negotiating with merchant prospects. "I think in order for us to be a successful platform company, we've got to be the ones that provide that kind of positioning to our ISOs so that they can be successful," Linden said.

### Boarding logistical partners

In 2012, MCPS launched POS Partners, a joint venture designed to offer a consultative approach to selling POS solutions and related technology in nearly all retail vertical markets. Industry veteran Brian Smith, who serves as President and Chief Executive Officer of POS Partners, also presides over CRS Texas, a POS value-added reseller in the hospitality and retail sectors.

"We work with their [MCPS] ISOs and agents to help them deliver, deploy, sell and market POS technology and all of the other related technology pieces that coincide with the industry that we sell to," Smith said. "There are so many technology offerings today that there's kind of a myriad of products and services to pick and choose from." For example, a hospitality configuration might include a POS system, digital signing, security cameras and mobile ordering capabilities.

"We have a complete VAR strategy out there that's very comprehensive because POS Partners serves as a POS logistics company that supports our ISO channel," Linden said. He added that with this type of support, ISOs are now able to approach larger, more sophisticated merchants. "One of those big-box stores you go into and they have six or seven stations, and all of the POS apparatus," he said. "Now they don't have to be intimidated in that environment."



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He also feels that MCPS' status as "a full-on POS logistics company" is advantageous to MCPS and its ISOs. "We can go out and get that into the hands of our ISO customers more quickly than they could do it without a POS company," he said.

### **Managing migratory influences**

Linden predicted mobile wallets loaded with features such as mobile marketing, social media and instant gratification discount programs will become standard and reach across all retail sectors.

"I think that the mobile market is moving upstream and the POS market is moving downstream, and essentially, at some point, it's going to be at the expense of terminal manufacturers," Linden said. "I think you're going to see everybody from bicycle stores to bakeries on a pared down POS offering."

Linden believes a few POS systems are going to "jump up to a wild level" of success.

"We've got to make sure that we're staying in front of that and we're vetting everything and packaging it correctly, so that an ISO and his downstream agents can almost literally pull it off a shelf and know how to position it in the market, how to sell it, how to board it, what to sell it against, how it's going to result in value to the merchant and to the sales group," he said.

MCPS has added significant resources in its product and project management departments, and the company's relationship management group collaborates closely with both teams to assess emerging trends witnessed by merchant level salespeople (MLSs) actively engaged in the field, Linden noted.

MCPS plans to launch a mobile payment product that will compete with other mobile tools in the small-business market.

"We really like the way we've positioned it because we think we're able to deliver a better mobile product with more of a true merchant relationship feel from the standpoint of volume and reporting and protections," Linden said, adding that it is also very easy to launch in terms of the underwriting process and the cost.

### **Crossing a new horizon**

Entering the fourth quarter of 2012, MCPS was in the final stages of revamping its sales agent website to fully integrate with its customer relationship management (CRM) system. "What that will mean is that they can see any service request that their merchant has initiated or they have initiated, where it is in the process of being fulfilled and who has it," Linden stated.

He added that ISOs and MLSs can view merchant call center notes and immediately determine what has transpired.

"They have done a lot of upgrades over the past 12 months to the agent website, which seems to be giving us the level of information we need," said Harry Carter, President at MCPS of Florida. "I do a lot of my own customer service, my own retention, so we need access to that information rapidly, and the website gives you that information."

Linden said the CRM system contains adjustable dashboards for maximum flexibility. This means, for example, that whenever an ISO needs to change a business rule or the workings of a sales campaign involving a sales group and its associated merchants, the ISO can access and update the dashboard pertaining to the rule or group through the CRM system.

"We have branded groups out there and they have different retention rules, download templates, terminal preferences and ETFs, and all of that is in this dashboard," he noted.

Linden also pointed out that MCPS employs an Oracle platform. "We hang our agent site, our e-merchant site, our CRM tools and our internal systems that we use to service customers through an Oracle platform," he said.

"Then we use business intelligence tools for the outward facing sales group and, in some cases, the e-merchant support merchants.

"So the processor data is brought in as raw data and then we populate the service systems, the CRM tools and the agent site by virtue of the Oracle database."

In its evolving capacity, MCPS continues to work with ISOs and MLSs to custom design bundled solutions that appeal to a broad range of niche markets.

Agent benefits include compensation with bonus incentives, in-house underwriting, online applications, 24-hour approval in most cases, payment processing for all major card brands, 24/7 technical support, an agent website and one-stop shopping for numerous vertical market products and services.

Carter summed up his nearly decade-long relationship with MCPS by stating that "they work with you as a team. I've been in the industry about 14 years. I've been with them since 2003, and they're an excellent group to work with.

"They don't treat you like another number. They know who I am. They know who each agent is. They know them by first name. That's important." ■



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**Inc. honorees continued from page 1**

**While cutting-edge technology and innovation are hallmarks of the ISOs and processors on the Inc. list, dedication to the old-fashioned concept of customer service is equally important.**

them a home at Unified Payments to produce new business and allow them to retain their earnings."

### **19. Complete Merchant Solutions LLC**

Complete Merchant Solutions LLC processes over \$1 billion annually for thousands of merchants nationally. *Inc.* put its growth over the last three years at 7,531 percent and 2011 revenues at \$17.9 million. The mission of the Orem, Utah-based ISO was shaped by a profoundly negative experience. CMS's three founders had once been MLSs at an ISO affiliated with a major national bank that went bankrupt.

At that ISO, "the executives exploited its employees and took advantage of its customers," said David Decker, co-founder and President of CMS. "It was a dysfunctional environment, and the business eventually failed. This lesson in how not to run a business has had a lasting impact on us. And although we are extremely ambitious and competitive, and are always trying to innovate and push forward, we don't embrace a philosophy of winning at all costs."

Decker has advice for the industry. "From the beginning, our focus has been to be more than just a sales engine," he said. That focus puts the customer at the forefront.

"Too many companies in our industry view the merchant as a transaction," Decker noted. "In other words, they cold-call businesses from a call center, pressure the merchant into a quick close, lock them in a contract and hope to never have to deal with them again. It's a shortsighted philosophy and breeds discontent in our entire industry."

CMS strives to be the antithesis of that. "The last possible thing we want is to have business owners associate the CMS brand with a negative experience," Decker said. "We strive to be customer-centric, and genuinely try to understand our customers' business so we can tailor specific solutions for them."

### **340. TMG Financial Services**

TMG Financial Services, the sister company of payment solution aggregator and integrator The Members Group, saw three-year growth of over 1,100 percent and \$15.2 million in 2011 revenues. TMGFS, which was spun off from TMG in 2007, manages credit card issuing for credit unions and other financial institutions, and uses TMG to process transactions.

"I can say that starting a credit card company in the middle of the largest recession since the Great Depression, and in today's regulatory environment, certainly wasn't easy," said Jeff Russell, Chief Executive Officer at TMGFS. "Looking at our success, really it has to be attributed to great partners and really supportive financial institutions who not only partner with us in terms of credit card issuing, but also who are investors in our company."

Russell also attributed TMGFS' success to its flexibility. "Being nimble at a time like this is pretty important," he said. "And we've had to modify our strategy and our approach while trying to stay consistent to the value we provide. We've had to modify our approach multiple times. That's what today's marketplace requires, and I give kudos to our management team for being willing to be flexible in a pretty turbulent economic environment."

Landing on the Inc. list is thus a cautionary tale for Russell, as he noted many companies that made the list in previous years no longer exist. "It's a nice recognition in the year that it happens," he said. "But it doesn't mean that you've reached the end of the journey. To some extent, especially in the payments business, which is changing so rapidly, it's really a reminder that we have to continue to provide value and innovate every day."

### **369. Allied Wallet Ltd.**

Allied Wallet Ltd.'s story began in 2002 when CEO Andy Khawaja and his staff set out to improve the quality of payment services around the world. Today, the Los Angeles-based online bankcard processor and multicurrency merchant service provider has approximately 41 million users in 196 countries that use its digital e-wallet to conduct payments online.

The new-money company processes payments in 164 currencies and settles in 25. It reported a .04 percent fraud rate in 2011. *Inc.* tabulated its three-year growth at 1,005 percent and revenue of \$4.2 million in 2011.

The company's "proprietary payment gateway and merchant services products stand alongside a digital wallet solution for consumers, connecting a global payment ecosystem and bringing it full-circle," said A.J. Almeda, Marketing Coordinator at Allied Wallet.

The company cited a *Parade Magazine* survey that showed about 85 percent of Internet users also shop online, but that of those online shoppers, only 61 percent felt their

personal information was safe. Allied Wallet hopes to persuade the remaining 39 percent that purchases are secure when using the company's e-wallet.

### 583. Clearent LLC

From 2008 to 2011, Clayton, Mo.-based Clearent LLC experienced revenue growth of 626 percent and profits of \$26.7 million in 2011. While only opening shop in 2006, the ISO now processes over \$2.5 billion in bankcard volume annually for about 15,000 merchants. Clearent CEO Dan Geraty attributed the company's rapid rise to its investment in technology.

"We built our own back-end processing platform," he said. "And that allows us to differentiate from virtually everybody else that's out there." The platform was also built specifically for ISOs. "So it gives them a lot of reporting features, functionality, flexibility that they can't really get with anybody else," he noted.

Another aspect of Clearent's growth is its dedication to customer service. "Our ISO customers know that when their merchants call into Clearent, they're going to be taken care of," Geraty said. "So that keeps ISOs loyal to us."

It is a point of pride for Geraty that Clearent's success is entirely homegrown. "It is 100 percent organic," he said. "We haven't bought anybody. We didn't pump up our numbers through acquisition."

### 1219. Security Card Services LLC

Security Card Services LLC of Oxford, Miss., supports over 1,200 bank

locations with merchant services. Over a three-year period, SCS grew by 257 percent and made \$7.1 million in revenue in 2011.

According to SCS President John Lewis, the keys to the ISO's success are two-fold. "One, we have stayed focused solely on community and regional banks," he said. "All of our efforts are to improve the size of our banks' merchant portfolios through growth programs, product offerings and old-fashioned, quality customer service to our banks and our banks' merchants."

The second key is SCS' employees. "We put a large effort into hiring high-quality people for every position in our company," Lewis said. "When you boil it down, success comes from the people you enable to achieve the goals of the company. We treat our employees with the utmost respect and appreciation, which enables us to have a highly tenured staff. That same attitude flows through to how the employees show respect and appreciation to each bank and customer that we are able to serve."

### 1340. Electronic Payments Inc.

Finding itself ranked on the Inc. list has become a common occurrence for Calverton, N.Y.-based Electronic Payments Inc. Its 2012 inclusion marks its fifth appearance on the list, with 229 percent growth and revenue of \$57.7 million in 2011.

Michael Nardy, CEO of EPI, chalked up the ISO's success to an aggressive business philosophy. At the height of the financial crisis in 2008, when many companies downsized and implemented conservative fiscal practices, EPI went the other way. "We nearly doubled our support staff and invested in our technological assets," he said.

EPI is an entirely in-house operation, with 24/7 tech support, "something that many competitors are unable to provide," Nardy added. But EPI also goes the extra mile in other ways. It is not uncommon for Nardy to drop in



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on EPI's local merchants or to personally respond to merchant complaints late at night and early in the morning, according to Amber R. Josi, EPI's Director of Marketing.

Years ago, EPI developed the Agent and Customer Bill of Rights, which outlines a code of conduct for the MLS-merchant relationship. "The long-term partnerships we've established are a testament to the importance and value of integrating our core values into our daily business practices," Nardy said.

### 1538. YapStone Inc.

Cloud-based payment platform provider YapStone Inc. took a different approach to success. The specialty processor fashioned a three-year growth rate of 193 percent and made \$51.2 million in 2011 by focusing mainly on rental payments, such as apartments, self-storage facilities and vacation rentals.

"We are extremely niche," said YapStone co-founder and CEO Matthew Golis. But that isn't a limiting factor, as the verticals YapStone taps combine into a \$5 billion-plus payment ecosystem. "It's all very big markets," he said. "That's the key."

YapStone operates exclusively in a card-not-present environment. Its online gateway combined with the rental markets make for a perfect marriage because payments are recurring. "That means the vast majority of our payments are initiated online many times by the cardholders themselves," Golis said.

YapStone is also making strides into the mobile realm, which coincides with its entrance into the faith-based payment sector. Its ParishPay acquisition in April 2012 makes YapStone the largest processor for the Catholic Church, the company noted.

### 1562. Central Payment Co. LLC

In August 2012, processor Total System Services Inc. (TSYS) acquired 60 percent of Central Payment Co.

LLC (CPAY). The joint venture seems to have paid off for CPAY, as its 2012 Inc. ranking (190 percent growth, \$103.6 million in 2011 revenues) positions the San Rafael, Calif.-based ISO as the 89th fastest growing company in the financial services industry.

"We attribute our success to our sales agents and employees who constantly go above and beyond to be part of a company that is doing great things in the industry," said Zachary Hyman, who co-founded CPAY with his twin brother, Matthew, in 2005.

CPAY prides itself on being a cutting edge, tech-savvy company. In April 2012, CPAY unveiled SpotOn, a new digital loyalty network for local merchants. The SpotOn program involves the installation of tablet computers at merchant locations; customers can check in and earn rewards at the POS via the SpotOn loyalty card or its mobile app. It is that kind of program that sets CPAY apart from the competition, Hyman said.

"Sales agents not only work for Central Payment because of a great compensation package or for a low transaction fee," Hyman said. "They partner with us because we treat them like family and give them the support and tools they need to succeed in an extremely competitive marketplace."

### 2352. Federated Payment Systems LLC

Inc. reported that Melville, N.Y.-based Federated Payment Systems LLC grew by 106 percent between 2008 and 2011 and realized \$26.2 million in revenue last year. "A large part of that is our growth in Canada," said Evan Schweitzer,

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Chief Financial Officer at Federated. "Because up until five years ago, they went to the banks. That was it. And the rates were huge. And we were able to go in there with a much better rate." At first, Canadians were a little skeptical about Federated. "They weren't used to free equipment," Schweitzer said. "What's the catch? The only catch is – process with us. It's really beginning to catch on now."

Another factor of Federated's success is its transparency, which Schweitzer said is reflected in its Inc. ranking. Federated could have been listed higher if it reported total processing costs, not just revenue. But Federated doesn't play that game. "We report just our total revenue, not including the other \$200 million we do in processing," he said.

And that honesty filters down to how Federated deals with merchants. "The way we report ourselves to *Inc.* is the way we deal with people all the time," Schweitzer added.

### 2397. **SignaPay Ltd.**

*Inc.* pegged SignaPay Ltd. at 103 percent three-year growth and 2011 revenues of \$11.2 million. But numbers cannot describe SignaPay as vividly as did Kevin Jones, President of the Irving, Texas-based ISO, who said SignaPay is "the premier hi-tech/hi-touch boutique for strategic partnerships."

SignaPay differentiated itself by making its services payment technology agnostic. "This is valuable to our partners because they can now access all of the major platforms while avoiding the costly minimums and middleware necessary to be successful," Jones said. "It's given us access to all of the strengths of these platforms with none of the restrictions."

Additionally, Jones believes the business mindset has to evolve for payment companies to stay competitive. "Payments has become a technology industry, so we can't be thinking and acting like bankers," he said. That ethos filters down to the talent SignaPay recruits.

"We have hired creative, bold, dynamic, intelligent team members who embrace change and have a genuine care for our partners' success," Jones said. "We don't hire order takers; we hire leaders and disrupters."

### **Ink your own success**

While cutting-edge technology and innovation are hallmarks of the ISOs and processors on the Inc. list, dedication to the old-fashioned concept of customer service is equally important. Not all ISOs, or most payment industry businesses for that matter, can make the list. But what these honorees teach is that profits are not the only measure of a company's success. 

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November 25, 2002 • Issue 02:11:02

**A** decade ago, economic conditions fluctuated and regulatory pressures persisted. Members of The Green Sheet Advisory Board discussed how such influences would impact the payments industry. In addition, First Data Corp. and Visa Inc. were in a dispute over payment networks, and a joint venture to drive smart card usage in the United States was underway.

## Pre-recessionary, regulatory woes

The Green Sheet Advisory Board weighed in as a recession loomed and many thought bank asset control was dangerously in the hands of only a few banks. One board member stated views shared by many: "Over-regulation is going to hurt everyone, from the large, national sales organization to the single agent on the street and on down to the merchant."

## First Data, Visa embroiled in dispute

Following an April 2002 lawsuit filed by Visa against First Data, the processor countersued. Visa's lawsuit attempted to block First Data from processing card transactions through its own network rather than use Visa's VisaNet. The counterclaim accused Visa of "anti-competitive and monopolistic practices that limit competition, innovation and choice in the payments industry."

## Jump start on smart cards

Tokyo-based JCB International Credit Card Co. Ltd. partnered with Vital Processing Services to promote smart card usage in the United States. Vital, now TSYS Acquiring Solutions, conducted its first live, end-to-end smart card transaction with JCB on Oct. 29, 2002, in preparation for a pilot program planned for launch in early 2003 in Hawaii.



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# StreetSmarts<sup>SM</sup>

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## Are you a 10?

**By Jeff Fortney**

*Clearent LLC*

**A**s Street Smarts<sup>SM</sup> author, it has been my goal to share the street wisdom I've accumulated over many years in the payments business. However, with the holidays approaching, please indulge me as I share a fictional tale, a fable of sorts, told in first person.

### A gift to remember

*The temperatures began to fall, leaving a light dusting of snow on the ground. It was early November, and although the official start of winter was still a month away, winter weather was coming early and hard. It was bitterly cold, and I was depressed by both the weather and my future. You see, things weren't going well.*

*The merchants I sold to always tended to become as cold as the weather at this time of year. Plus the holidays were right around the corner, which usually shut the door on any new business during retailers' busiest season. Previously, I'd planned ahead for this slowdown.*

*Like a squirrel hoarding acorns, I'd increased my calling efforts the month or so before the holidays and built up a cushion for just a time as this.*

*Unfortunately, this year I'd followed the same plan, but to no avail. Nothing I tried worked. Even though I'd increased my calling efforts by 100 percent,*

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*I hadn't signed any new business in over four weeks. On this particular morning, the snow on the ground increased my dread, and the responses to my calls were abysmal. Not only were merchants disinterested, they all but threw me out the door.*

*One of my routines was to stop for lunch at a certain diner. Discouraged, I felt I had no reason to wait until lunchtime, so I stopped early. I took my normal seat at the counter and, without asking, Linda poured my first cup of the day.*

*I must have looked pretty down, because unlike her normal perky self, she said nothing, leaving me to contemplate the blackness of the brew.*

*The diner was still busy from the breakfast rush, yet the counter was empty except for an older gentleman seated three seats down. As I stared at my cup, he looked over and said, "You look like someone whose dog just died."*

*Without even looking over, I said, "Just not*

a great day." I hoped he would go back to whatever he was doing and allow me to drown in my failures. Instead, he slid over to the seat next to me and said, "Bad days don't look like you. Bad months maybe, not bad days."

I hadn't thought my misery was that obvious. I looked up from my coffee and studied my new "friend." He had gray hair and a graying, well-trimmed beard. His face had one of those smiles that gives the appearance of contentment, not arrogance.

He seemed interested in my predicament. I dropped my self-imposed wall and began to talk. "Yeah, bad month may be an understatement," I said. "I feel like a failure. I used to be successful, but I guess things have passed me by."

He responded, "So you're in sales?" I had to laugh, as it must have been obvious. He then asked what had happened to change my results.

"It seems like I'm falling behind my competition," I said. "There were a ton of changes in the industry this year. We have new laws and new programs with new acronyms that are both confusing and frustrating for my clients. They ask me for answers, and I don't have them - neither does anyone else."

He paused and seemed to ponder his response. "I used to be in sales, too," he said. "I led my company in sales every year. I was straight commission and was making a nice living. Then I, too, had the floor fall out. One week I didn't make a single sale.

"That had never happened before, so I took it as the exception. It happened again the following week. I began to panic. I doubled

my efforts and did everything I'd done before that had made me the best, but at the end of week three, I still hadn't made a sale.

"I was at a point where I was thinking I would lose my car, my job, and that my family would be living on the streets - all because I was failing. I began that fourth week like you, sitting at this same counter, when a gentleman about the age I am now sat down beside me."

I could relate to his story and told him more about my woes. He listened and asked, "Have you done all you could possibly do? Have you made your calls and talked to all of your returning clients? Have you been the best you that you could possibly be?" I said yes to all three questions.

He responded, "Then where have you failed? You can't make people buy from you. You can only do the best you can do." He then paused and said, "Let me give you a gift. It's free."

As low as I felt, I figured his gift couldn't hurt, so I said yes to the gift. "OK, it's simple," he said. "How would you rate yourself on a scale of one to 10?" I thought for a minute. I had a great family and was likeable; that was worth something. I knew I certainly wasn't perfect, though, so I said I was a seven.

"That's the problem," he replied. "There is only one you. We play

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many roles in life: parent, child, teacher, student, buyer, seller and so on. Sometimes we succeed; sometimes we fail. However, our roles don't define us."

He paused and then asked, "How can you be less than a 10? The key is to stop thinking about how you may be affected by these roles and start thinking about how no one is better at being you than you. No matter what you do, you are always the best you. Understand?"

I didn't get it, so he asked, "What defines you? Is it the people you meet? Is it the work you do or the sales you make? Is it your family? We all want to be the best, but I can't hit a baseball thrown at 100 miles an hour. Does that make me any less of a person? Of course not."

I nodded in agreement, and he continued. "If you don't change how you see yourself, your prospects will see you as you see yourself, which is less than worthy, and they won't buy from you," he said.

"Until you think of yourself as a 10, you won't succeed, period. You have always been a 10; you just haven't acted like it when times were tough.

"Now, get your head out of that mug and realize who you are - and what your value is to others."

I saw that he was right. It wasn't my inability to sign merchants that was dragging me down. It was me - and the expectations that I set for myself.

If I thought I was failing, I was, and the negativity fed upon itself. Even so, I wasn't sure how to put this insight into practice, so he added one last thought.

"This is my gift to you. You can use it or not, but if you do, you have to promise to share it one day with someone just like I am doing now. If you decide to use it, start practicing right now. Why not call Max over and talk to him?"

Max owned the diner, and I had never thought of selling to him. "Before you call him over, make the change," my friend advised. "No pitches, no presentations. Just have a conversation.

"Remember, you're a 10. No matter what he says, that won't change, so just talk to him."

I called Max over, and instead of starting my standard spiel, I said, "I come in here every day, and was wondering why we've never done business together. I don't know if I can help you, but let's talk."

To my amazement, Max began explaining what type of processing services he had, what he hated, and before he was done, I had made my first sale in a long time.

After signing the contract with Max, I looked for my friend to thank him, but he was gone. I asked Linda about him. She said he'd been coming in at about the same time on the same day every week for a long time. I came back the next week, but he wasn't there. Sadly, I never saw him again.

But his gift changed my attitude, and that resulted in my success. I left our impromptu meeting and returned to my office to find more referrals than I'd ever had in one month, let alone one day.

I turned most of them into sales, realizing I didn't need to know everything. I just needed to know where to ask. I needed to be the best me.

It's been 20 years since that chance encounter. I'm now retired; have a happy, healthy family; and know full well that I'm a 10. I've been coming here each Tuesday since my retirement, waiting to share this story.

Then one day I looked over at the guy a few seats away. He looked like he was carrying the weight of the world on his shoulders.

Linda had long since retired, and Max had passed away, but the diner was the same as always. I looked him over and said, "Let me give you a gift."

As with all fables, there is a moral to this story. We can't make people buy from us, but we can keep their thoughts and impressions from affecting our self worth. So, tell me, are you a 10? 

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](mailto:jeff@clearent.com) or 972-618-7340. To learn about how Clearent can help you grow faster and go further, visit [www.clearent.com](http://www.clearent.com).

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# Differentiate yourself: Sell to the medical industry

By Jeffrey Shavitz and Adam Moss

*Charge Card Systems Inc.*

**T**he competition is fierce as merchant level salespeople (MLSs) compete for the same customer base. Why not differentiate yourself and contact more specialized vertical markets – the medical industry, for example?

During the past decade, we have been working with the medical community, including sole practitioners, practice management offices, hospitals, medical associations, industry trade groups, insurance companies and offices specializing in both elective and nonelective procedures. In all cases, our approach has been to create integrated programs to help our sales partners earn more business in this area of commerce.

## Start by changing the subject

When approaching the medical community, place your focus on changing the conversation. As with most

businesses, health-care providers are inundated each day with calls promising to save them money on their merchant processing. Instead, why not try opening the conversation by speaking about how you can help reduce accounts receivables and improve cash flow? Our guess is that this approach will give you more productive conversations.

We believe success in our industry is centered around providing businesses with applications to help them run their business more efficiently and effectively. It is possible to devise an electronic payment system specifically designed for health-care providers. As part of that, the payment process can be designed to significantly improve revenue collection at the time of service.

In serving the medical community, this application can help you make the focus more about reducing accounts receivable and improving cash flow, and less about how much you can save prospects money on their merchant accounts.

## The association advantage

One burgeoning area where we see great opportunity is targeting medical associations and buying groups. With the difficult economy in the past several years, medical associations are losing market share because they are not attracting new members at the same rate as before, and existing members are not renewing.

In good times, companies' annual dues could range from as low as \$25 to upward of \$1,000, depending on the size of their staffs and their number of office locations. Similar to payment businesses joining the Electronic Transactions Association (which we encourage), medical practices and related businesses derive tremendous value from affiliations with industry associations.

Annual association membership fees provide real value when a company gets involved. Yet a major problem we hear repeatedly is that most medical offices do not fully understand the value that can be derived by joining.

As ISOs and MLSs, you can profit from adopting a trade group strategy. Attending medical tradeshow and conferences may be a better use of your time than making lots of frustrating cold calls. We have all been to tradeshow as part of doing business.

In addition to meeting all the paying merchants who walk up and down aisles looking for connections and promotional products, one synergistic benefit to a payment company becoming a vendor at these shows is the opportunity

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to meet and mingle with your fellow exhibitors. You can create a program in which you work in conjunction with associations to demonstrate the value of the merchant services your business offers to their members, while also providing the associations with an aggressive revenue-sharing model.

This is a way to help many associations grow their membership totals even during the recession. Furthermore, such association endorsements will help your active agents receive warm leads, which have a very high closing ratio.

### Preferred vendor status gets your foot in the door

Whether working with local or national associations, it's amazing how much more powerful the phone call is to the merchant when you say, "We are the endorsed vendor to your medical association, and I want to describe a valued-added merchant services program now being offered by your association," versus making a random cold call pitching card processing services.

Those few words – whether you mention being the endorsed vendor, the vendor of choice or the preferred vendor – help differentiate you and your service and will earn you more business and more residual income.

Top-down selling is powerful and helps with exponential growth because it's scalable. Why sell only to one merchant at a time when you have the opportunity to sell from the top down, which enables you to meet hundreds or thousands of merchants through these endorsements?

We believe associations create meeting places where industry-specific executives can share information with fellow associates. Unfortunately, due to the difficult economy, many companies have chosen to cancel their memberships with local associations and buying groups and, worst of all, have stopped giving to charities that desperately need income to continue their programs.

In a world of generalists, becoming a specialist can be very powerful. This strategy should ensure your success and profitability in our industry. 📧

*Jeffrey Shavitz is the Chief Executive Officer of Charge Card Systems Inc. and Adam Moss is the company's Chief Operating Officer. Shavitz is an active member of The Green Sheet Advisory Board and the First Data ISO Advisory Board. The authors can be reached via email, respectively, at jshavitz@chargecardsystems.com and amoss@chargecardsystems.com, or by phone at 888-505-2273. For additional information on CCS, please visit [www.chargecardsystems.com/gsadvisoryboard](http://www.chargecardsystems.com/gsadvisoryboard) or the corporate Web site at [www.chargecardsystems.com](http://www.chargecardsystems.com).*



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# Opportunities in RAN and private-label programs

By **Mustafa Shehabi**

*PayCube Inc.*

**T**he restricted authorization network (RAN) concept is used primarily for programs outside or in between the traditional closed-loop and network-branded, open-loop programs. A RAN, as classified by the networks, is used for building a restricted participating network of merchants where a payment card is used without any change at the acquiring side.

This is intriguing, and yet, is almost underplayed by the networks, as it is counterproductive to their brands. The "restricted" nature of a RAN program almost mandates the removal of the network logo from the payment instrument because it is not universally accepted where the network brand is.

## The RAN appeal

In my career as a payment systems consultant, I have come across various merchants (primarily midsize to small) interested in using the RAN concept, but because of the lack of awareness and availability of program managers, they have found the option difficult to implement.

I discuss the possible variants to RAN in this article. I believe they might have greater value in the world of payment acquiring, especially with the pervasiveness of social media and mobile technology and their increasing influence on payments.

I am not sure how to define the variants because, clearly, they are not RAN as originally understood. Some people call them restricted- or limited-loop, private-label card programs. I have also heard them referred to as controlled participating networks.

RAN traditionally was used, for example, in single- and multi-retailer environments, shopping mall card programs, employee and government benefit programs, travel and entertainment card programs, and merchant funded discount networks.

## Network control

Typically, in RAN environments a transaction is switched by the networks to the appropriate issuer, as the network remains in control. For example: Issuer A has a Visa Inc. RAN program running for a select set of participating merchants. Without making changes to the POS environment, these merchants could accept the cards.

A transaction would flow the same way as a credit or debit

transaction from the POS to the acquiring processor to the network (in this case Visa) where it would be switched to Issuer A for authorization. Issuer A knows if it has come from a participating merchant, and bingo, the transaction is approved.

If the RAN card is used at a nonparticipating merchant location the transaction is denied. Works like a charm. (See the accompanying chart titled "Transaction switching by network" for a depiction of this type of transaction flow.)

A possible variation of this is what is happening in the recent deal between PayPal Inc. and Discover Financial Services. PayPal-issued prepaid/debit cards will be riding the Discover rails.

It is not clear yet whether PayPal will be accepted by default at all Discover merchant locations or whether acceptance will be restricted to certain locations PayPal selects.

A player like PayPal could pull off a deal with Discover, but what about smaller players who want to run private programs? Their choice was easy if it was a traditional single retailer closed-loop program or, on the other hand, an open-loop program.

## Processor control

However, there is merit in technologically considering using switching and authorization at the processor level rather than the network, and passing the program features right down to the ISO level, which can create custom programs for their smaller merchants.

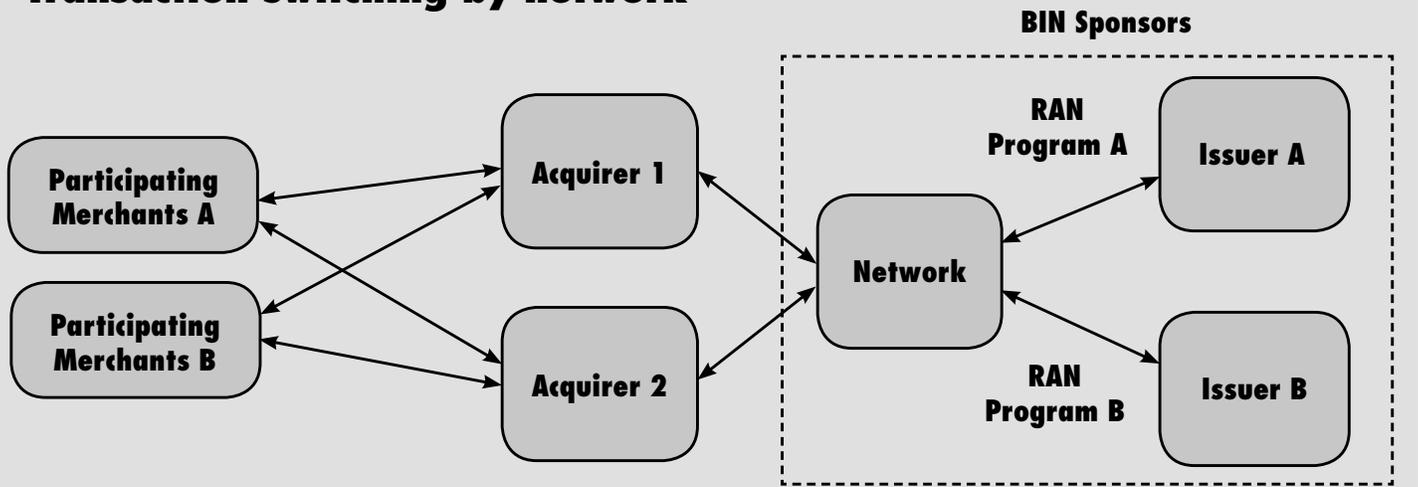
As an example, if the acquiring processor gets a bank identification (BIN) number range for a prepaid program from an issuer and then runs a program for its ISOs, thereby enabling them to create mini restricted networks under them as needed to serve their merchant base, it would add significant value and increase the portfolio of services an ISO could provide to its targeted retailers.

No POS change would be needed, as ISOs typically have a one-to-one relationship with their acquirers, and all transactions would then switch for authorization at the processor level. Network participation is almost negated. (See the accompanying chart titled "Transaction switching by acquirer" for a depiction of this type of transaction flow.)

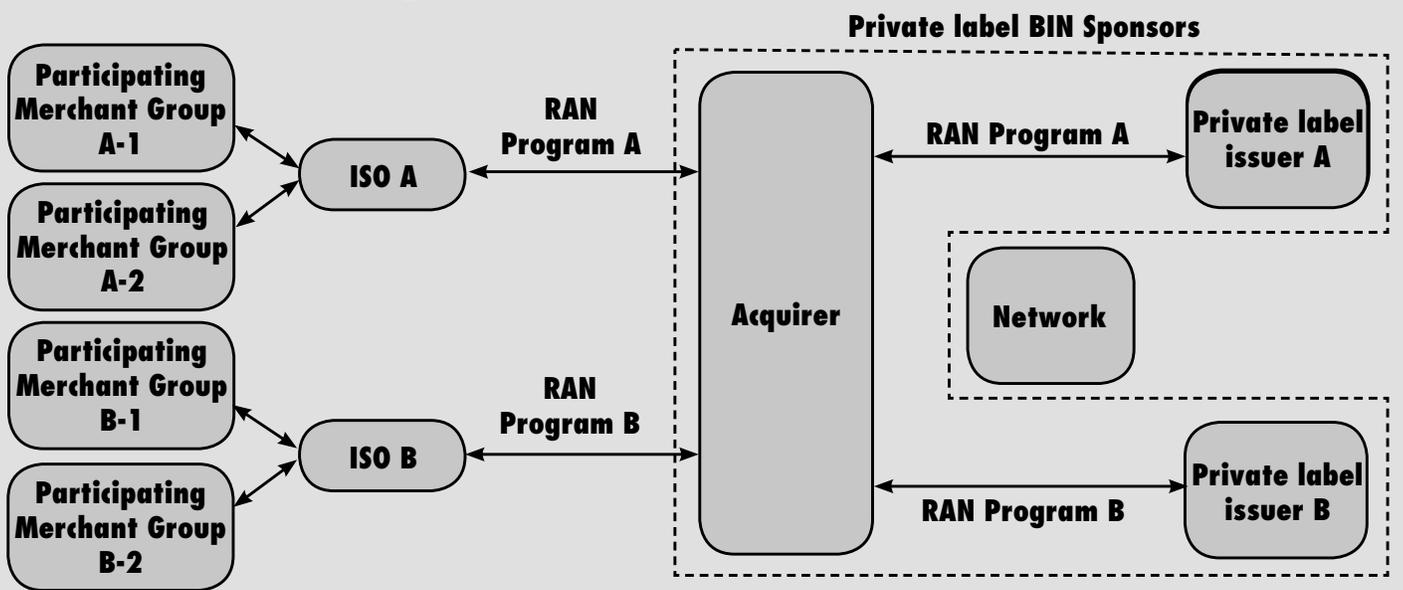
## Added value

The payments industry is changing dramatically, and

### Transaction switching by network



### Transaction switching by acquirer



the acquiring channel is focused on making its services and programs relevant to merchants. These restricted networks could add value beyond payments; coupling them with promotions and loyalty could be a good way for acquirers to increase stickiness.

Reduced credit availability, coupled with increased adoption of newer technologies like mobile and social media platforms, could result in targeted and relevant value-added prepaid programs for merchants and consumers.

Strong use of consumer data and promotions could make some of these private-label and restricted-loop programs effective and profitable for all participants.

Some leading processors are running such programs for

their ISO channels. Technologically, it is possible to do; from a business sense each use case will have to be vetted and tailored for the target market. 

*Mustafa Shehabi is the co-founder of PayCube Inc., a San Francisco Bay Area-based payment consulting and IT services company providing custom software solutions and custom gateways for acquirers, ISOs, retailers and varied organizations in the world of payments and consumer transactions, including prepaid and gift card program, loyalty and promotion, payment startup, POS solution, mobile payment and e-commerce players. PayCube uses a blend of on-site and offshore delivery capabilities, with a staff of retail and payment-focused software engineers, systems architects, project managers, tech leads and systems analysts. For more information, email ms@paycubeinc.com, call 925-285-6265 or visit www.paycubeinc.com.*

# How to propel merchants to shed comfortable habits

By Rick Berry

ABC MobilePay Inc.

**T**here is no doubt that mobile POS solutions, particularly when they involve neither a major outlay of upfront capital nor a high monthly fee, have advantages that can increase sales and efficiency and reduce costs for retail and restaurant operations.

The case for this is easy to make. I know. I make it all the time. And those to whom I'm making the case "get it" without much difficulty. But do they "buy it"? Meaning, do they actually take the plunge? The answer is no, many of them don't. They love the concept; they "get" the advantages. But they stand at the water's edge and hesitate. Why? My sense is that it's psychological.

***The idea of a waiter disappearing with your credit card while you sit at the table is going to go the way of the fax machine.***

## Does this sound familiar?

I'm reminded of how I felt way back in the dim, dark past when I was communicating by fax, and there was this new thing called email. It sounded exciting, but did I immediately jump on the email bandwagon? No, I clung to my trusty fax for a while longer even though I knew email was the future. I believe this is a similar moment. Merchants and restaurateurs can see that to "go mobile" is not only a good thing, it's inevitable. At some point in the future it will be the norm.

The idea of a waiter disappearing with your credit card while you sit at the table is going to go the way of the fax machine. Increasingly, it will become the norm in many restaurants – particularly quick service restaurant (QSR) and casual dining businesses – to place your order over a touch screen.

## What's behind the resistance?

So what is preventing a massive, rapid uptake? How can those of us who have good solutions to provide get

customers to stop thinking about using our solutions and "just do it"? There has to be a way.

I go back to my former hesitation to use email. What held me back? Psychologically, I was comfortable doing what I was doing. I knew exactly how to do every step of what I needed to do, and it was working OK for me.

When I thought of switching to email, there were uncertainties. What was going to be the gain for me by using it?

I understood in principle how it worked, but there was that hesitation, that inability to easily visualize the steps I would need to go through first of all to set it up, then to use it. How much value would I really get out of using it?

Something like that is in play here. When we talk to a prospective customer over the phone, the merchant gets the concept, but it doesn't break down that wall of not being able to visualize it.

## What will help with visualization?

So what is the best way to get someone to visualize how the solution works and how it provides value? On the web, we can put up short videos that give a flavor; we can even put up tutorials and a demo if we can get users to take the time to sit down and check them out. But increasingly, I see this is as a situation in which we need to provide something new. What could that new element be? We need to create personalized demos.

For example, let's say we've found a retail merchant in need of inventory control or noticed a QSR or casual dining eatery in our area that has all the elements that should make it a good choice for converting to an mPOS solution. What should we do? Make a phone call? What are the odds this will bear fruit?

We could do an in-person presentation with generic demo materials. That's better than no demo, but it isn't quite enough.

## Why not customize your demo?

What's stopping us from having a customized demo that shows prospects how the solution would work in their distinct retail or restaurant environments? After all, chances are excellent that their products or menu items are all online (at least they should be). So we have access to that information long before the presentation.

From a product list or menu, how hard is it to extrapolate at least the basic best-selling products or menu items for a given business?

And how much staff time would be involved in creating a streamlined, customized presentation that uses a simplified version of the prospect's product catalog or actual menu, as well as a simplified version of the inventory, and then shows the merchant or restaurateur how the system

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### Is customization too much trouble?

Now, the argument against this is that it would just take too much staff time to create custom demos. But would it? In the beginning, each presentation would be individualized, but templates would emerge, and streamlining would occur as a result.

The amount of staff time required to prepare custom demos would begin to shrink, and I'm certain the closing percentage would grow by more than enough to make up for the time spent creating them. Am I nuts? I don't think so.

### What steps are involved?

I see it breaking down like this:

- A sales rep approaches a business owner in person and says, "Do you have five to 10 minutes for a demonstration of how this works in your store using your menu, inventory etc.? It's all prepared. I've already set it up for you. Have a look."
- Right away, the business owner is at least 50 percent more likely to say, "OK, I have five or 10 minutes for that," than if the rep used the same approach but offered only a generic demo. Psychologically, the offer of

a customized demo that has been set up using the prospect's own product stock or menu and extrapolated inventory is simply much more of a hook than a generic demo.

- Next, in a few quick minutes, the prospect sees just how simple, efficient and affordable the solution is. By visually showcasing the company's own products or menu "in action" and then showing all that follows, the demonstration literally lifts the customer and carries him or her past the psychological barrier of, "I'm not sure about learning something new."

The prospect sees first-hand that what has to be learned is simple and intuitive, and that it streamlines so many other aspects of business operations that it's an opportunity the prospect can't miss.

### Are you fired up yet?

We're using this method at my company now with dramatic success. We're not the only ones doing this either; we modeled the idea after our valued partner Al Delarosa, of Pragmatek Consulting Group, who shared his presentation method with us.

He uses his iPad and a mobile projector that displays the prospect's pre-loaded product inventory or menu items on the wall. This makes it very real for potential customers, it gets them emotionally involved and it increases Al's sign-up rate.

I'm experiencing similar results with this method, which is why I'm so excited about sharing it. What can I say? I'm fired up about this. We're going to continue to use this method. I'll report back on the results. Stay tuned. 📺

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

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# EMV: Game on!

By Dale S. Laszig

*Castles Technology Co. Ltd.*

**D**espite diverse opinions on Europay/MasterCard/Visa (EMV) in the United States, our industry is revealing broad consensus on these facts: our country represents the final frontier for EMV implementation, and its time is drawing near.

This means "game on" for merchant level salespeople (MLSs) who will be the first line of defense during all phases of the integration. But let's not wait for new machines to be deployed before we start to make sense of this global standard or try to explain it to our merchants.

## Prepared MLSs can sell EMV

Winning at this – or just staying in the game – requires a new mindset that will separate you from the pack and give you the requisite tools to explain EMV effectively to merchants, help them make informed decisions and increase your sales. Here are some easy steps to streamline the process:

- 1. Create specialized training programs.** Before shopping around for EMV training, have a clear idea of what you want to learn and who will attend. Most programs are tailored for a specific audience. Programmers appreciate hands-on exercises and tools that help them learn how to write and debug software. Help-desk professionals want a clear understanding of transaction flow, so they can take calls from merchants who are operating equipment. Sales professionals need to understand the intelligence shift that makes EMV cards smarter than their mag stripe counterparts, as well as the corresponding liability shift that places additional responsibility on merchants. Effective training for a diverse audience might begin with an all-inclusive introduction that creates a conceptual framework and takes everyone through key points, followed by breakout sessions that deal with specialized information and exercises.
- 2. Find an established, credible trainer.** A broad network of associations and initiatives offers EMV guidance, educational and diagnostic tools, programs, and industry certifications. This group includes the Smart Card Alliance, ACT Canada, Collis, and the extended international family of B2 Payment Solutions resellers. Canadian company B2 is the exclusive North American reseller for Collis and has played a leading role in EMV and contactless migrations in Canada.

Collis, which was recently acquired by Underwriters Laboratories, is a global authority on electronic transaction security; it serves a variety

of financial institutions, card payment schemes, mobile network operators and governments worldwide. Collis, which has been integrated into UL's Transaction Security service, created a rich portfolio of products and services, including test tools, testing and certification services, and training. The merger positions UL as a global provider of end-to-end transaction security, interoperability, conformance evaluation and advisory services for the mobile payments, e-ticketing and identity management industries.

Through its reseller partners, B2 is now using its experience to best advantage when providing training, services, certifications and Collis test tools to North American issuers, acquirers, processors and merchants. TranSEND Integrated Technologies, a B2 reseller, offers a full suite of B2 training, services, Collis test tools, and support services to U.S. acquirers, processors, ISO and super-ISO organizations. TranSEND also supplies EMV POS applications and associated tools to support EMV implementation and certification.

- 3. Encourage attendees to have an open mind.** The best way to prepare for EMV training is to leave your preconceptions at the door, whether you're a newcomer or an experienced payments industry professional. Forget what you've heard over the years. Even the acronym EMV has evolved. Europay was acquired by MasterCard Worldwide. More recently, American Express Co. and JCB International Co. Ltd. joined the coalition, which is still known as EMVCo.

Itai Sela, B2 Vice President and Principal Consultant, emphasized the value of beginning EMV and contactless expert training without prior knowledge. Not knowing much about the subject can be a benefit "because now you have the opportunity to learn about EMV in an organized manner," Sela noted.

The training provided by B2 lasts three days and focuses on core essentials customized for the U.S. market, including:

- The EMV ecosystem
- Contact and contactless specifications
- EMV functional transaction flow
- Contactless functional transaction flow
- Cryptography and key management
- Technical EMV and contactless transaction flows

These essential topics represent a radical departure from life as we knew it in the mag-stripe world. We need to overhaul our understanding of payment processing. When it comes to merchant implementation of EMV in the United States, Sela used

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the analogy of an extreme home makeover. "This isn't a time to renovate your house," he said. "This is a time to knock [it] down and rebuild from the ground up."

4. **Employ best practices.** The benefits of learning from our Canadian counterparts cannot be overestimated, according to Amit Chhabra, President of TranSEND. "It's important to note that the U.S. EMV migration will be different and that we'll encounter our own challenges," Chhabra said. "Card schemes are different in the U.S. due to the sheer scale of the electronic payments industry and the deeply ingrained paradigm created by our legacy systems and infrastructure."

However, regardless of these differences from regions of the world where EMV has already been implemented, the first step is educating ourselves and understanding the technology. We must start by understanding the pros and cons from an initial implementation perspective and an ongoing operational perspective, according to Chhabra.

"While there will be challenges, we can learn to anticipate, counter and overcome these hurdles through top-down EMV education within each ISO and merchant-acquiring organization," he said.

This includes training at the executive level, technical and operational training, and support and help desk training. Also, ongoing training will be required to support industry updates and newly hired personnel.

"Unlike other technologies, EMV human resources within the U.S. are very limited," Chhabra stated. And American acquiring organizations will need to leverage resources from abroad, while developing resources domestically.

### The MLS is still quarterback

As late adopters, we can learn from our Canadian neighbors who have weathered EMV migration. They can provide U.S. acquirers, processors and ISOs plenty of case histories and lessons learned to help us navigate domestic implementation.

Throughout all phases of EMV education, training and deployment, MLSs will continue to offer guidance and leadership to merchants to help them migrate to smarter, more secure technologies. ■

*Dale S. Laszig is Senior Vice President of Sales in the United States for Castles Technology Co. Ltd., a manufacturer and global provider of smart card, contactless and POS solutions. She can be reached at 973-930-0331 or dale\_laszig@castech.com.tw.*

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# Have we missed the window for EMV?

By Nicholas Cucci

Network Merchants Inc.

**A** significant data breach, disclosed in October 2012, comes once again as an attack on POS devices. This case affected retail customers of bookseller Barnes & Noble Inc. The company determined through an internal investigation that the compromise was linked to device tampering at its stores in nine states. I call this fraud incident the Hurricane Sandy of the payments industry.

This type of widespread number-skimming fraud brings up an interesting debate at a time when the payments industry is gearing up to make a massive technology change. The transition to the Europay/MasterCard/Visa (EMV) standard will address card-present fraud committed by retail customers, rather than the most prevalent types of card fraud the United States faces: card data theft through device tampering and database breaches.

On Oct. 24, Barnes & Noble confirmed the breach, which hit 63 stores. Criminals planted bugs in compromised PIN pad devices, allowing for the capture of card and PIN numbers. The bookseller said it had disconnected PIN pad devices at all stores nationwide as of Sept. 14. The breach reportedly affected only card-present transactions, and its customer database for its e-commerce business continues to be secure.

## Waiting for patterns to emerge

This breach is causing card issuers to take stock of the fraud prevention and detection challenges they face. In order to determine the source of this fraud scheme, card issuers reportedly monitored the case beginning in the spring of 2012 using cross-channel detection. Most of the cards linked to this breach were reportedly used at nearby ATMs.

Barnes & Noble recommended that customers who swiped their cards at any of the stores with affected PIN pads take the following steps to protect their accounts. Card users were advised to:

- Change PIN numbers, if applicable
- Review their accounts for unauthorized transactions
- Notify their issuing banks immediately of any unauthorized purchases, withdrawals or cash advances

## Issuers standing guard

Card issuers are on the front lines of fraud detection. They

are typically the first to identify a pattern when a retailer has been breached. Poorly maintained POS networks and devices are a primary cause of retail data breaches.

**Of an estimated 359,000 ATMs in Europe, 68 percent now use EMV, up from 63 percent in 2006.**

This incident raises a topic for debate as the industry gears up for a transition to EMV technology in 2013. Is EMV the right technology for the United States now?

EMV is a global card standard that Visa Inc., MasterCard Worldwide, American Express Co., and JCB International Co. Ltd. use to ensure security on contact and contactless card payments. The technology is usually called chip and PIN. EMV was developed to combat card-present fraud, which at the time was rampant in Europe.

According to the ATM Crime Statistics report of the European ATM Security Team, ATM fraud in Europe has dipped by 55 percent thanks to chip-and-PIN technology. Of an estimated 359,000 ATMs in Europe, 68 percent now use EMV, up from 63 percent in 2006.

## Questioning potential return on investment

U.S. merchants are confused by the recent EMV push from the major card brands. Many larger merchants already swapped out POS equipment in the last three years to stay current. Now, they will again have to replace equipment for EMV-capable terminals. Domestically, merchants suffer more from database breaches and POS terminal breaches than card-present fraud.

In the United States, card-present fraud rates do not seem to justify an equipment swap like this. So any decline in fraud will not offset the costs of implementing EMV or contactless terminals. Currently, the card-present fraud rate in the United States matches that of Europe.

With the advent of smart phones, devices and mobile wallets, EMV has no definitive advantage now. The costs of an EMV transition will be paid for by merchants and processors, with limited return on investment. I believe we have missed the window for the EMV push in the United States. What do you think? 

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

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## Educational aid for the feet on the street

**S**hortly after publication of *Credit Card Processing for Sales Agents*, *The Green Sheet* interviewed Bill Pirtle, President of the C3ET Credit Card Consortia for Education & Training Inc., and former Street Smarts<sup>SM</sup> columnist. He shared his perspectives on creating this educational volume.

**Q. What prompted you to publish *Credit Card Processing for Sales Agents*?**

**A.** There were two factors that prompted me to publish the new book and study guide. First, I found many agents and a few ISOs were using the book I wrote for merchants, *Navigating Through the Risks of Credit Card Processing*, for training salespeople in the credit card processing industry.

The primary catalyst, however, was seeing the ETA preparing to launch its Certified Payments Professional program. I questioned how effective a certification program could be if there was no standardized training in place for agents, whether new or established.

In my third Street Smarts<sup>SM</sup> column for *The Green Sheet*, I discussed the idea of setting up a training program with modules authored by industry experts, which turned out to be too large of a commitment for people. In October of 2011, I decided to rewrite portions of my first book as an agent training tool and supplemented this content with chapters by industry experts in specific niches.

**Q. What should ISOs and MLSs expect to gain from this book and study guide?**

**A.** The new merchant level salesperson (MLS) will find comprehensive coverage of industry basics, which is particularly important if the ISO does not offer training.

As new MLSs work through the book and study guide, they will gain expanded knowledge, discover new methods of finding and closing prospects, learn about ethics, uncover proven methods of building margins (and portfolios), set goals, practice calculations and test comprehension of concepts, in addition to finding tools to help become a more effective sales agent.

Many agents have problems with cold calling, especially by phone. *Credit Card Processing for Sales Agents* has three chapters devoted to just this topic written by international expert Greg Grimer, Thomas Waters of Bank Associates Merchant Services and Matt Bruno of Payment Logistics.

The chapters seemingly conflict, but in a good way. If one

writer's advice does not work for the reader, another's will. Established agents will put Marc Beauchamp's chapter on prospecting to use to gain insights on where to find prospects and ideas for approaching new verticals.

The ACH, and gift and loyalty card chapters are extensive and written by two experts from Global eTelecom, Brian McDonough and Christopher Smith.

Readers will find valuable tips on using ACH and/or gift and loyalty cards as ways to get your foot in the door without resorting to "I can save you money on your credit card processing."

ISOs will be able to include the book and study guide with home-grown materials as part of a customized training program for agents. The study guide offers flexibility as it comes in a three-ring binder, which allows ISOs to add material and guidance on how to use the books.

**Q. How did you select and guide the book's 38 contributing writers?**

**A.** My sources for writers included LinkedIn, GS Online MLS Forum contributors, authors, business connections and referrals. Initially, I received a yes from over 60 individuals and companies. I knew I had a viable project based on this alone. My goal was to have two chapters on each topic to give readers a broader perspective and choice of methods. Commercialism was to be kept minimal to maintain objectivity.

**Q. Please describe the contents of the book.**

**A.** The book has six main sections and two appendices:

**Section 1: Introduction** – The introduction includes the first four chapters of *Navigating Through the Risks of Credit Card Processing* (updated), which define basic terms and concepts. This section also includes a chapter on the Durbin aftermath, the basics of PCI compliance and an EMV discussion.

**Section 2: MLS Development** – This section includes 12 chapters to acclimate new MLSs, including legal strategies by attorney Adam Atlas, educational resources, and discussions about interchange and statement analysis. There is also a history of industry associations and how they offer value for ISOs and MLSs. For agents interested in learning a formula for developing a million-dollar portfolio, this is covered as well.

**Section 3: Finding Prospects** – Industry trainer Marc Beauchamp covers prospecting and an MLS discusses how he went from six applications per month to close to 60. Five experts from other industries discuss networking and how to make it work.

**Section 4: Selling Process** – This section begins with Brian Tracy's "Laws of Selling," followed by cold calling tips, consultative selling, completing the application properly and customer service chapters.

**Section 5: Terminals & Gateways** – This section includes chapters on the four ways of placing a terminal with a merchant, POS systems, how to compete with "free" terminals, mobile payments, and information about gateways.

**Section 6: Added Value** – Section six includes chapters on ACH and gift cards written by Global eTelecom, detailing not only what they are and their history, but also how to use them to get your foot in the door. Also included is a chapter on using ATMs as part of an MLS or ISO tool box.

**Section 7: ISO Topics** – This section begins with industry attorney Paul Rianda's discussion of six critical points for developing and sustaining ISOs, including the dangers of providing too much instruction to 1099 workers (independent contractors).

The last two chapters are on how two people set up their own ISOs (the last two chapters do not have corresponding study material in the study guide; they are more informational than instructional).

**Appendix A: Recommended Resources** – This simply covers some training, speakers and books that I feel can help the MLS.

**Appendix B: Product(s)** – USA ePay's Ben Goretsky was asked to provide a chapter on SaberPay, as I believe that ISOs and MLSs need more than one type of gateway to offer. eProcessing Network provides great shipping tools, and USA ePay offers the flexibility of using SaberPay as a mobile solution. The "s" in parentheses signifies our willingness to add products not otherwise covered in future editions.

**Q. Do you anticipate follow-up or online editions in the future?**

**A.** I can easily see a follow-up edition. There were many experts with material that I could not accommodate. Additional topics in the future might include niche marketing, approaching banks and registration issues.

Perhaps the success of *Credit Card Processing for Sales Agents* will encourage the participation needed for a Part II. 📧

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**Aaron Slominski**  
Senior Vice President National Sales

## Helping merchants clinch the sale

### Product: Payday Express Plus

Company: *Secure Payment Systems Inc.*

**W**ith consumer financing a persistent challenge under prevailing economic conditions, viable alternatives can be a lifeline for customers pressed to make critical financial decisions.

Payday Express Plus, launched in 2012 by Security Payment Systems Inc., is an in-house financing solution businesses can offer customers faced with any number of financial predicaments, from pet care emergencies to urgent home repairs.

With the exception of electronics, jewelry and clothing, Payday Express Plus covers financing for most other types of businesses, including medical and dental offices, auto repair shops, veterinarians, funeral homes, furniture stores and home maintenance services, among others.

"SPS sells exclusively all of its products and services through ISOs, MLSs," stated Steve Eazell, Director of National Sales and Marketing at SPS. "This program offers sales reps an opportunity to use this service as a door opener for merchant services, generate huge revenues by leasing equipment, and offers as much as 4 percent profit residual income per transaction on every sale."

The check-based financing program utilizes a POS terminal and check imager for processing and electronically depositing funds. Upon approval, a process that takes about 5 minutes, the customer writes a single check, and SPS initiates electronic automated clearing house debits from the customer's bank account: 25 percent of the total initially, followed by 75 percent split evenly and debited over 3, 6 or 12 months, depending on which financing options the merchant chooses.

It originally designed the product to assist customers with higher-ticket purchases, but SPS has found that dollar amounts financed tend to vary. "We have many merchants that use it for purchases around \$500," Eazell said. "The average is \$1,100."

Eazell added that SPS ran an advertising campaign to familiarize merchants with Payday Express Plus in preparation for the holiday season. "We wanted to get people familiar with the product so that when our reps were out there, they had the advantage rather than just going in there cold," he said.

Eazell also pointed out that SPS offers "comprehensive training and support to make sure that each agent and



### Features of Payday Express Plus include:

- Alternative to existing merchant financing programs
- In-house customer financing with three- six- or 12- month options
- Single voice authorization approval typically within five minutes
- Modified terminal interface with guided user prompts
- Guaranteed transactions for duration of financing term

office is 100 percent ready and comfortable selling our services. We offer training and sales materials and offer sales support with each potential merchant." ■

### Secure Payment Systems Inc.

888-313-7842

[www.securepaymentsystems.com](http://www.securepaymentsystems.com)

## Capital resource for ISOs, MLSs

### Product: Residual cash advance program

Company: *ISO Advance*

**A**t a time when traditional lending remains inaccessible to many businesses, ISOs and merchant level salespeople (MLSs) are seeking reliable sources of funding to bolster business. To meet the ongoing demand for financial solutions, ISO Advance launched a residual cash advance (RCA) program specifically targeted to ISOs and MLSs.

"Banks just aren't loaning money to merchant processor professionals," stated Christopher Hernandez, Director at ISO Advance. "They don't understand the business. ISO Advance is ready to advance ISOs the cash they need to grow their business without the hurdles they'll run into at traditional lending institutions."

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According to ISO Advance, the RCA program enables ISOs to leverage residual income portfolios to fuel business growth. ISOs are not required to switch processors when accepting an ISO Advance RCA, and the company offers RCAs with six- to 12-month terms.

According to Hernandez, any ISO earning at least \$5,000 per month in residual income can apply. Advances range from \$5,000 to more than \$1 million, based on an ISO's six-month total residual income. ISO Advance generally provides advances valued at 75 to 100 percent of an ISO's six-month average. After submitting a one-page application, ISO RCAs are generally approved and funded within as little as five days, he noted.

So, what are ISOs most interested in funding at this point? "We provide funding for marketing, expansion and those unexpected business hiccups. Our rates are very competitive and well below typical merchant cash advance rates," Hernandez said.

A less than perfect credit score apparently does not necessarily eliminate an ISO or MLS from RCA consideration, because unlike banks, ISO Advance looks beyond FICO scores. "[T]here are inevitably going to be bumps in the road that can negatively affect your credit rating," Hernandez said. "Our evaluation is based on more than on

#### Features of ISO Advance residual cash advance program include:

- Advances ranging from \$5,000 to over \$1 million
- Minimum \$5,000 monthly residual income to qualify
- Advances based on six-month residual income average
- Underwriting process that reviews overall business history
- Repayment based on a fixed monthly percentage

just your score. Throughout the underwriting process we look at the whole picture."

The application process is relatively simple. ISOs interested in applying for an ISO Advance RCA are required to submit an agent agreement, residual statements and bank statements for the previous six months, a copy of a valid driver's license and a voided check from the bank account to which RCA funds will be deposited. ☐

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Visit [www.greensheet.com/datebook.php](http://www.greensheet.com/datebook.php) for more events and a year-at-a-glance event chart.



## Women's Network in Electronic Transactions

LINC New York

**Highlights:** Networking, holiday cheer and wine tasting are among the activities planned by the Women's Network in Electronic Transactions (W.net) for its upcoming Local Interest Networking Circle (LINC) in New York City.

The featured speaker will be Doreen Winkler, the founder and Sommelier for Diamond Sommelier Services; the two-hour event will begin at 6 p.m. W.net provides a forum for women in the payments industry to inspire and empower one another through mentoring, education, and networking with established industry leaders and newcomers alike.

**When:** Nov. 29, 2012

**Where:** Le Rendez-Vous Wine Bar, New York

**Registration:** <http://wnetonline.org/PageDisplay.asp?p1=8042>



## Smart Card Alliance

2013 Payments Summit

**Highlights:** In this sixth annual conference, the Smart Card Alliance will continue its coverage of all leading transaction platforms, including Europay/MasterCard/Visa (EMV), mobile and transit payments. Taking place in a larger facility than previously, the event will bring together leading smart card practitioners, solutions developers, end users and suppliers.

On the agenda will be how to achieve the migration of the U.S. payments ecosystem (the largest in the world) to the EMV global transaction security standard; how to provide clarity for the financial institutions, card issuers, acquirers and merchants involved; near field communication and mobile wallet integration; and the role transit payments can play in expanding the use of open standards-based contactless bankcard and mobile payments.

**When:** Feb. 5 – 7, 2013

**Where:** Grand America Hotel, Salt Lake City

**Registration:** [www.cvent.com/events/2013-payments-summit/event-summary-7c5bd01867cc4b64b85ea8bb33a97c16.aspx](http://www.cvent.com/events/2013-payments-summit/event-summary-7c5bd01867cc4b64b85ea8bb33a97c16.aspx)



## Northeast Acquirers Association

NEAA Winter Seminar & Outing

**Highlights:** The NEAA's winter show is the oldest regional acquirers tradeshow in the United States. The event, now in its 28th year, is returning to The Grand Summit venue near Mt. Snow, Vt. It is an outgrowth of the NEAA's mission to serve as an educational forum for financial institutions, ISOs, merchant service providers and merchant level salespeople in the acquiring industry.

The focus of this event will be to provide information and networking opportunities to help attendees and vendor partners prosper in the ever-changing payments industry.

Registration categories for the show are attendee, industry expert and vendor. This seminar is underwritten by its preregistered, exhibiting vendors and cannot accommodate "roaming vendors."

**When:** Jan. 29 – 31, 2013

**Where:** Grand Summit Resort, Mt. Snow, Vt.

**Registration:** [http://www.northeastacquirers.com/events/2013\\_winter\\_attendee\\_reg.pdf](http://www.northeastacquirers.com/events/2013_winter_attendee_reg.pdf)



## ATM Industry Association

ATMIA US Conference 2013

**Highlights:** For its 14th annual U.S. conference, ATMIA will focus on innovation as the industry seeks to adapt during a time of significant transformation. Topics addressed will include the advent of multichannel payments, Europay/MasterCard/Visa migration, regulatory developments, differential surcharging and advances in ATM technologies.

The keynote speaker will be Stephen J. Dubner, co-author of *Freakonomics* and *SuperFreakonomics*, which have reportedly sold over 5 million copies in 35 languages.

Dubner promises a presentation that provides a wealth of insights on economic, business and social issues, with the aim of helping attendees gain new perspectives on the problems and challenges they face.

**When:** Feb. 19 – 21, 2013

**Where:** Kierland Westin Resort & Spa, Scottsdale, Ariz.

**Registration:** [www.atmia.com/conference-usa/registration-information](http://www.atmia.com/conference-usa/registration-information)

## 2012 - 2013 events calendar

To submit your event to this calendar, email a press release to [press@greenjournal.com](mailto:press@greenjournal.com). Please include the name, date and location of the event, as well as highlights of planned activities and registration contact information.

Event	Date	Location	Website
International & CrossBorder Payments	Nov. 27 - 28, <b>2012</b>	New York	<a href="http://www.americanconference.com">www.americanconference.com</a>
Smart Card Alliance, 11th Annual Government Conference	Nov. 28 - 30	Washington, D.C.	<a href="http://www.event.com">www.event.com</a>
Wavel IIFMC New York	Nov. 29	New York	<a href="http://wavelonline.org/ReportDisplay.aspx?i=8042EMV/">http://wavelonline.org/ReportDisplay.aspx?i=8042EMV/</a>
Making the Business Case	Dec. 10 - 11	Indian Wells, CA	<a href="http://emvacademy.com">http://emvacademy.com</a>
Latin American Mobile Payments Summit 2012	Dec. 12 - 13	Miami Beach	<a href="http://www.latammobilepayments.com">www.latammobilepayments.com</a>
NEAA, 2013 Writer Seminar & Outing	Jan. 29 - 31, <b>2013</b>	Mount Snow, VT	<a href="http://www.northeastacquirers.com/event.htm">www.northeastacquirers.com/event.htm</a>
Prepaid Card Compliance	Jan. 29 - 30	Washington	<a href="https://transactions.c5groupinc.com">https://transactions.c5groupinc.com</a>
2013 Payments Summit: The 6th Annual Conference	Feb. 5 - 7	Salt Lake City	<a href="http://www.event.com">www.event.com</a>
ATMIA US CONFERENCE 2013	Feb. 19 - 21	Scottsdale, AZ	<a href="http://www.atmia.com/conference-uso/welcome">www.atmia.com/conference-uso/welcome</a>
Southeast Acquirers' Association Annual Seminar	March 4 - 6	Lake Buena Vista, FL	<a href="http://www.southeastacquirers.com/press/annual-conference">www.southeastacquirers.com/press/annual-conference</a>
IIE Holdings, Prepaid Expo	March 4 - 6	Orlando, FL	<a href="http://www.iirusa.com/prepaid/registration.xml?step=stori">www.iirusa.com/prepaid/registration.xml?step=stori</a>
BAI, Payments Connect Conference & Expo	March 11 - 13	Phoenix	<a href="http://www.bai.org">www.bai.org</a>
Best Practices in Retail Financial Services Symposium	March 13 - 15	Carlsbad, CA	<a href="http://www.americanbanker.com/conferences/retail">www.americanbanker.com/conferences/retail</a>
17th Annual National Collections & Credit Risk Conference	March 25 - 27	New Orleans	<a href="http://www.collectionscreditrisk.com/conferences/nccr">www.collectionscreditrisk.com/conferences/nccr</a>
25th Annual Card Forum & Expo	April 7 - 10	Boca Raton, FL	<a href="http://www.paymentsource.com/conferences/cfe">www.paymentsource.com/conferences/cfe</a>
2013 ETA Annual Meeting & Expo	April 30 - May 2	New Orleans	<a href="http://www.election.org/content/view/831/515/">www.election.org/content/view/831/515/</a>
Cards and Payments - Middle East	May 14 - 15	Dubai, UAE	<a href="http://www.terrapinn.com">www.terrapinn.com</a>
7th Annual Mobile Banking and Commerce Summit	June 3 - 5	Miami	<a href="http://www.sourcemedio.com">www.sourcemedio.com</a>
8th Annual Underbanked Financial Services Symposium	June 5 - 7	Miami	<a href="http://www.sourcemedio.com">www.sourcemedio.com</a>
American Conference Institute, The Power of Prepaid	June 26 - 28	Washington	<a href="https://transactions.c5groupinc.com">https://transactions.c5groupinc.com</a>
MWAA 2013 11th Annual Conference	July 17 - 18	Oak Brook, IL	<a href="http://www.midwestacquirers.com">www.midwestacquirers.com</a>
Prepaid Press, IppEXPO'13	Aug. 12 - 14	Las Vegas	<a href="http://www.prepaidpressexpo.com">www.prepaidpressexpo.com</a>

## WaterCoolerWisdom:

**A leader is one who knows the way, goes the way and shows the way.**

- John C. Maxwell

## Thinking of starting an ISO?

If you are a merchant level salesperson (MLS), you are likely motivated, knowledgeable, focused and skilled. And if you are like many of your peers, you dream of creating a thriving ISO of your own – one you can enjoy leading for a long time or perhaps sell one day.

To build such an ISO requires a distinct set of skills. Among them are the ability to create a vision and plan strategically, build management and sales teams, establish a positive corporate culture, delegate responsibilities, budget resources, and position your company for success within your chosen market.

Of all of the requisite functions, the bedrock of your company will be the ability to recruit, train and retain sales talent. In building a high-performance sales team, you will need to address many factors.

### Building your team

Here are several areas to consider when forming a sales force:

- **Recruitment:** Be sure to articulate what skills and behaviors will be most important to your new ISO. They may be different from the ones your current ISO emphasizes. Once you know exactly what you're looking for, always be recruiting.

If you only recruit when someone leaves your fold, you will be reacting to events instead of shaping them. If you are prepared to take action when you meet the right people, you will be well on the way to building an impressive sales team.

- **Training:** In-person training allows the teacher to assess the group and adapt to the members' needs in real time. It enables students to ask questions to clarify information.

It also can build camaraderie among attendees. And the environment can be controlled to avoid distractions. This type of training can be expensive, though, especially if team members are spread across a wide geographic area.

Another training vehicle is live, web-based conferencing. It requires facilitators to have some technical skill, but it allows for real-time interaction. However, it is difficult to keep students' attention

for long periods, so training is usually broken into time slots of two hours or less.

Using pre-recorded modules delivered over the Internet or on CD is another option. Students can follow at their own pace and work at times that suit their schedules; however, it is difficult to get feedback using this method, or even to know to what extent participants are using the materials.

Whatever methods you use, it is important to measure the training's effectiveness in terms of how it affects each participant's sales results, sales skills, industry and company knowledge, and individual attitudes and feelings.

- **Coaching:** You or someone you appoint will need to coach your team. As such, you must strive to keep things simple and not overwhelm your salespeople with too many goals.

You also must be accessible without being overbearing; communicate clearly what your team's rules are and what each person's role is; agree with each salesperson on appropriate, measurable goals, as well as remedial steps when goals are not attained; provide relevant, helpful feedback; and help determine appropriate next steps.

- **Rewards:** Contests, bonuses and the like are terrific motivators. However, it is important when doling out rewards that you not limit them to top performers. It is essential to reward and challenge that group, of course.

However, if you consistently treat mediocre producers like the bottom producers, they will begin to act like those at the bottom. Giving average performers distinct rewards will motivate some to become top producers.

Our industry remains one of great opportunity. Whether or not you embark on the ISO journey, *The Green Sheet* is here to help foster your success.

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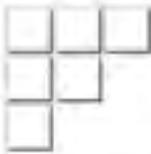
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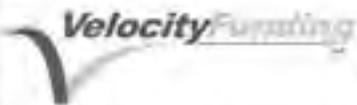
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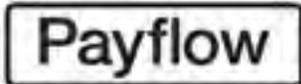


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