



# The Green Sheet

DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS

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## Gas pain: No silver bullet in sight

If you've got gas station clients, you may want to hang out a therapist's shingle as a sideline. Some of the best assistance you can offer these days may be an ear to bend. Why?

Because merchants are feeling the proverbial "pain at the pump" as much as their customers. To make your task a little easier, we will offer some tips to share with your petroleum clients.

Unless you've been mushing a dogsled through the Alaskan wilderness for the past 18 months, you already know that gas prices have burst through new highs and stayed there.

The situation was made temporarily worse this month when BP shut part of its Alaskan pipeline to make urgent repairs.

U.S. gasoline prices were 34% higher in June 2006 than they were a year earlier, according to the July report from the Bureau of Labor Statistics. The seasonally adjusted annual price on gasoline rose 52% in the first six months of this year.

In mid-August, average prices for regular gas hovered at \$3.04 a gallon nationwide, according to AAA. That was an increase of \$0.07 a gallon over the previous month.

Drivers keep filling up despite the increases. Gasoline consumption is up 1.44% for the four weeks ending Aug. 4, compared with the same four weeks of 2005, according to Peter Beutel, President of Cameron Hanover, an energy-risk-management consulting firm.

Excepting heating oil and diesel, "American consumers are paying \$385 million a day more for energy than they did three years ago," while they have drawn down savings and equity and stashed their fuel debts on plastic, Beutel said. He predicts prices will top out soon.

### Squeezed on all sides

Higher wholesale prices put the squeeze on gas stations. Many merchants maintain a constant margin on a gallon of gasoline, rather than use percentage-based pricing, lest they be accused of price-gouging. When the cost of a gallon rises by a dollar, interchange fees take a progressively bigger bite out of that margin.

Petroleum retailer Bill Douglass spoke for the merchant community when he told the U.S. Senate Judiciary Committee in July that convenience stores paid as much in interchange fees last year as they earned in pretax profits, and that interchange continues to take a bigger bite out of profits as gas prices rise.

"My own fees this year are up 33%," Douglass said, testifying on behalf of the National Association of Convenience Stores (NACS). He is the Chief Executive Officer of Douglass Distributing, which operates 15 petroleum/convenience stores in the Dallas/Fort Worth area.

Tom Burns, Senior Vice President of ISO Development for Orion Payment Systems, pointed out that with the cost of processing, merchants' margins are not increasing as the dollars involved in gas purchases rise. He said merchants "feel they are paying more now

**See Gas prices on page 67**



## Has Your Processor Grown Too Large to Perform for You?

While other processors continue to grow by padding their own pockets, North American Bancard has grown larger by investing back in our Agent Partners. We've built strong relationships by providing the best service and free terminal programs in the industry. We believe that a business built around honesty and integrity is a better business. After all, for as hard as you work to make money, shouldn't your processor be a class act?

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- » Dan D. Wolfe—Teledraft Inc.

## Notable Quote

**"The cost of fuel is forcing many agents to telephone, e-mail and direct mail marketing efforts to help reduce the costs of driving."**

**See story on page 48**



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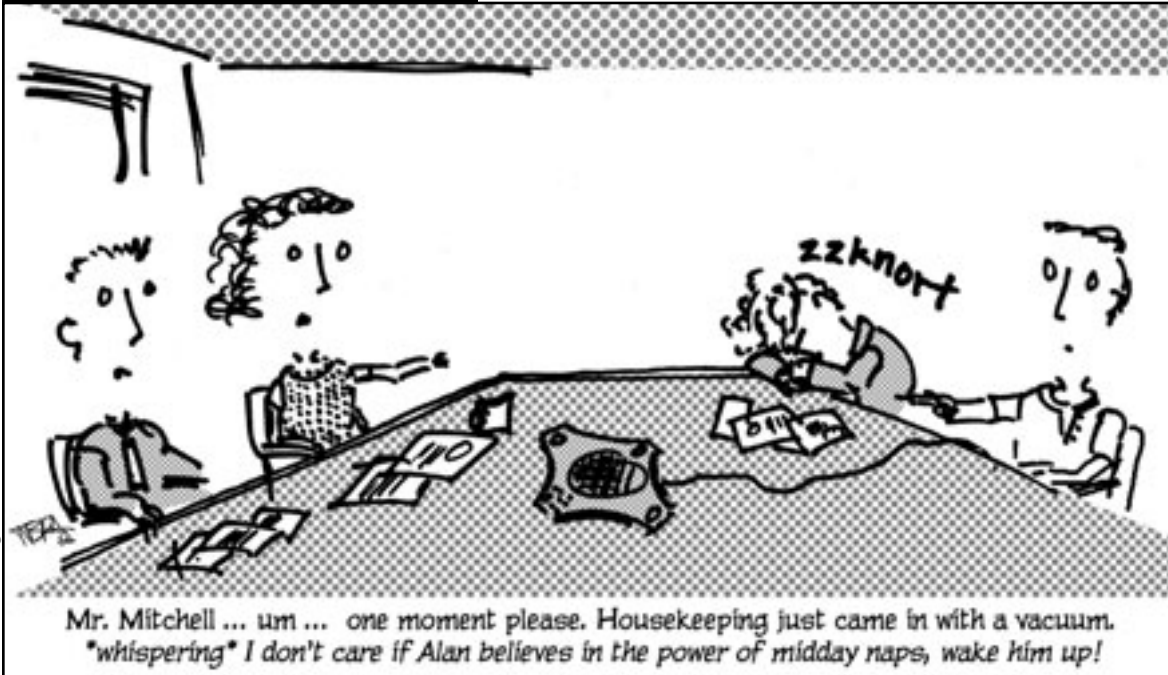
# Forum

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is not. An industry friend called me the other day concerned that he might lose his residuals because his ISO knows about a felony conviction on his record. My questions are as follows:

1. If an agent has a felony on his record, is the agent subject to be cut out of his hard-earned residuals at any time? If so, what can the agent do to protect himself?
2. Are there any CISP or PCI restrictions regarding non-banking felonies (or others) that turn up on an MLS' background check?

## Wandering in wireless

Are you aware of any write ups on wireless technology? Specifically, I'm looking for a detailed comparison and history of GPRS, CDMA, etc. There are so many options, it's difficult to keep up with them, much less explain the real difference to merchants.

D.M.

D.M.:

Our cover story, "A primer on wireless POS" (The Green Sheet, Feb. 13, 2006, 06:02:01), is a good place to start. You may also want to do a Fast Finder search on GS Online using those terms. Many of our contributing writers have addressed wireless topics in their articles over the last two years.

Editor

## PCI, felonies and background checks

Recently I have heard that certain ISOs and acquirers have to meet more strict rules and regulations regarding Cardholder Information Security Program (CISP) and Payment Card Industry (PCI) Data Security Standard compliance.

In turn, ISOs/merchant level salespeople (MLSs) have to change their procedures concerning the agents: who is compliant and who

3. What responsibilities are to be expected from agent offices when merchants' information is stored both at corporate and at the operating agent's office?

MLS Forum member cardservice864

Cardservice864:

I don't think there is anything in PCI that is not related to computers/networks and storage of cardholder data. There is a requirement to do background checks on anyone with access to cardholder data. But there is no standard on what would disqualify an individual due to a background check. Typically ISOs/MLSs do not have access to cardholder data.

An agent should not lose residuals for a felony conviction prior to signing an agreement, but he could if there is a provision in the agreement that provides for the right to terminate the agreement and payment of residuals for 1) a felony conviction or 2) other bad acts while the agreement is in effect.

Anyone storing cardholder data has the duty to properly secure that data.

David H. Press, Principal and President  
Integrity Bancard Consultants Inc.



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# QSGS

YOUR NEWS IN A HURRY

**Short on time? This section of *The Green Sheet* provides a quick summary of nearly all the articles in this issue to help keep you up to date on the latest news and hot topics in the payments industry.**

**Cover Story**

**Gas pain:  
No silver bullet in sight**

If you've got gas station clients, you may want to hang out a therapist's shingle as a sideline. Some of the best assistance you can offer these days may be an ear to bend. Why? Because merchants are feeling the proverbial "pain at the pump" as much as their customers.

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**Feature**

**Rising gas prices, interest rates hit vault-cash providers**

*From ATMmarketplace.com* . Jerry Gregory has been in the ATM business for 26 years. For most of his career, cash and fuel prices have remained steady. But that's not the case anymore. Gregory and other ATM service providers are taking a hard look at their bottom lines.

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**News**

**NAOPP kicks off teleseminar program**

The National Association of Payment Professionals (NAOPP) kicked off its first teleseminar for members this month. The program is an outgrowth of a member survey completed in June.

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**View**

**America the penniless?**

Rep. Jim Kolbe introduced a bill in Congress this summer that would have U.S. merchants round all cash purchases to the nearest nickel, thereby eliminating the need for pennies. Folks paying by credit card, debit card or check, however, would likely continue to pay exact amounts. Yeah, fat chance.

Page 26

**Feature**

**GS Advisory Board: Weathering a rough climate**

Spiraling energy costs, higher interest rates and unstable market indexes have created an atmosphere of economic uncertainty. We asked members of The Green Sheet Advisory Board to provide their outlook.

Page 48

**Industry Leader**

**A strong and independent spirit**

Some people are meant to be entrepreneurs. They are independent thinkers. Dissatisfied with the status quo, they forge new paths. Scott Rutledge, President and Chief Executive Officer of The Phoenix Group, is one of those people.

Page 32

**View**

**Technically challenged? Bring in an expert - now**

Not long ago, file build errors were simple human errors. These still occur, but now there's a new kind of "human error" resulting from the growing complexity of terminal applications. Simply said, the speedy evolution of technology has become overwhelming for many MLSs. So where can they turn?

Page 56



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News

**Online gambling under scrutiny, again**

The government is turning up the heat on the \$12-billion-a-year online gambling industry. In early July, the House approved legislation that would make it a federal offense to use credit cards to settle online wagers. Soon after, federal law enforcement arrested the CEO of a Costa Rican-based Internet wagering company.

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News

**Goodies abound at BPS sales conference**

A health care program, more agent support and a focus on wealth-building are what New York-based Business Payment Systems' sales partners can expect over the next 12 months, the company announced at its fifth annual meeting.

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News

**MasterCard accentuates the positive (earnings)**

MasterCard Worldwide delivered upbeat news overall in its first earnings report as a public company. Second quarter net revenue was up 9.7% to \$846 million, driven by dollar volume growth, processing growth and new cross-border transaction fees.

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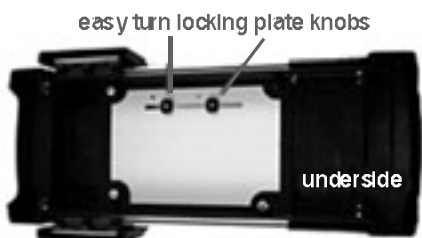
Education

**Street Smarts<sup>SM</sup>: Advice to newbies: Take it slow, think big picture**

Much discussion has occurred recently about being a "newbie" MLS in the merchant services industry. This article addresses what not to do when first starting out, how to look for the right compensation structure and why working toward residuals is important.

Page 76

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Education

**The skinny on chargebacks and disputes - Part I**

Disputes, chargebacks and other notifications are issues that concern every merchant. If salespeople don't understand the basics of these events, they will be unable to help their clients effectively. This leaves them vulnerable to client loss because merchants may seek information from other sources.

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Education

**A new take on lead development - Part II**

Imagine a world in which prospects call *you* to secure a credit card processing relationship rather than the other way around. Unfortunately, that wonderful world exists only in our dreams, right? We live in the *real* world, where hitting the street is still standard practice. Or is it?

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Education

**Payment process patents: A threat to freedom of commerce?**

It's important for payment professionals to be aware of method or process patents. Why? All participants in our industry are potentially at risk of having a patent holder demand payment for use of a patented payment method.

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Education

**Are you getting what you deserve?**

Many ISOs and MLSs, both new and experienced, want to know more about how the industry works, how they can be profitable (or more profitable) and the types of businesses on which they should focus. This article provides answers to some of those questions.

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Education

**The zen of zip**

It's easy to open zipped files. Many Web sites and nerdy folks out there send them routinely. Yet a lot of people get nervous when someone asks them to zip up a file. This is your chance to take the zip by the horns and enjoy one of the most efficient technologies available.

Page 100

Inspiration

**Dripping faucet or fresh air: Which one would your customers liken to you?**

You would never intentionally irritate your customers. You've worked long and hard on their behalf. You want to keep their business. But if you're getting on clients' nerves you'd like to know, wouldn't you? Because when you're aware of problems, you can fix them.

Page 111

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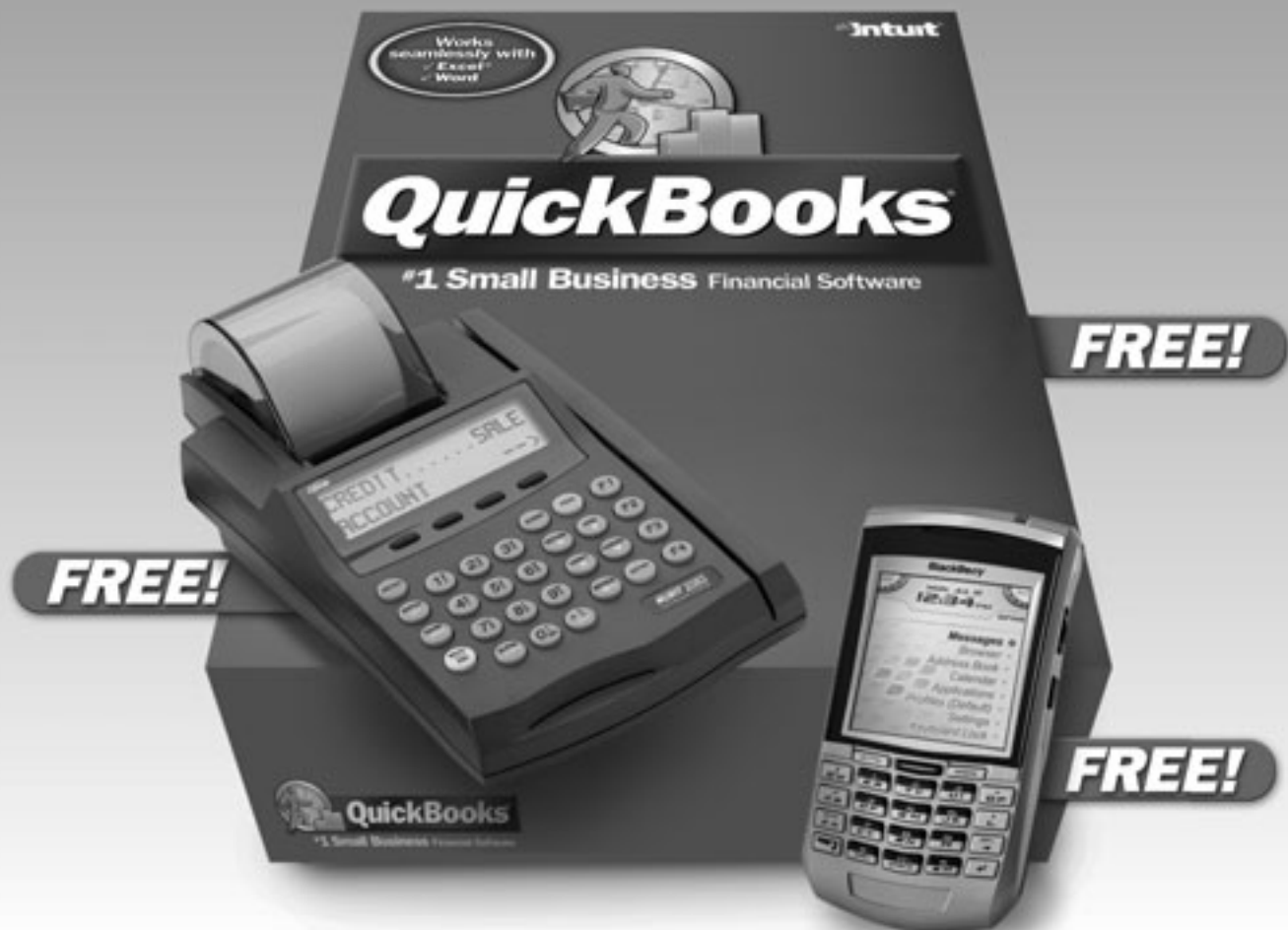
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# Industry Update

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## NEWS

### Study finds PIN and signature debit on the rise

**First Data Corp.** released the results of its STAR Consumer Payments Usage Study. The study found that consumers using both PIN and signature debit at the POS conduct an average of nearly 23 transactions per month. Those using solely signature debit conduct 14 transactions a month, and those using only PIN conduct 10.

Over the past five years, average POS debit activity has grown from fewer than eight transactions a month to over 11. Preference of PIN debit over signature debit was 45% to 33%. Security was consumers' leading reason for choosing PIN debit. Additionally, 57% of PIN debit users reported that having the choice to receive cash back resulted in more card usage.

### FDIC places moratorium on ILCs

The board of directors of the **Federal Deposit Insurance Corp.** approved a moratorium on applications for deposit insurance by industrial loan companies (ILCs). It also applies to notices of change in bank control for existing ILCs. The moratorium will provide time to assess developments in the industry, determine if any emerging safety or policy issues exist, and evaluate whether statutory, regulatory or policy changes need to be made.

### Discover examines customer service opinions

A recent survey by **Discover Card** found that 40% of consumers are "extremely satisfied" by the overall telephone customer service provided by banks and financial services companies. Sixty-five percent of respondents reported that reaching knowledgeable customer service representatives is "extremely important." Forty-eight percent find wait times longer than two minutes to be unreasonable.

### Loyalty member demographics revealed

A recent study by **Maritz Loyalty Marketing** found that rewards program members are more likely to have spent a greater amount of money in the past six months than shoppers without rewards cards. According to the study, loyalty program members are more likely to be female, young, living with children under the age of 18 or from the Northeast.

### Reports explore growth of credit cards, EFT networks

**Mercator Advisory Group's** new report, "Declining Credit Card Growth: A Glass Half Full" explores declining growth rates in credit card outstandings and payment volume. The study found that credit card issuers remain profitable, but card receivables and volume growth are slowing.



- The unadjusted consumer price index for all urban consumers ticked up 0.3% in July, according to the **Department of Labor**. The index was 4.1% higher than the same period last year. The seasonally adjusted index for gasoline prices rose 5.3% in July. Restaurant fare was up 0.3%.
- **The Conference Board** reported one-third of American families changed their vacation plans this year due to higher gasoline prices, according to a July survey of 5,000 households. Eight percent of those surveyed indicated they had cancelled vacations. Higher gas prices have affected the commutes of only 17% of workers.
- Outstanding consumer revolving credit, which includes credit card debt, rose at an annual rate of 9.8% in June, to \$820.7 billion, according to the **Federal Reserve**. Commercial bank interest rates on credit cards for the second quarter stood at 13.14%, down slightly from 13.30% the quarter before.

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**IndustryUpdate**

Mercator also issued "Extending The PIN: Evaluating The Growth of EFT Networks Into New Markets." This report evaluates the consumer preference for debit instruments. It also examines three new markets for card Associations: online transactions, recurring bill-pay environments and contactless/signatureless environments.

**ANNOUNCEMENTS**

**CFSI releases highlights**

The **Center for Financial Services Innovation** released "Highlights From The Inaugural Underbanked Financial Services Forum." The document discusses key themes of the forum, as well as information from a post-conference attendee survey. It is available at [www.cfsinnovation.com/document/highlights\\_underbanked\\_forum.pdf](http://www.cfsinnovation.com/document/highlights_underbanked_forum.pdf).

**CO-OP opens office**

**CO-OP Financial Services** opened an office in Salt Lake City. **Chris Kruger** is the National Relationship Manager overseeing the office. Kruger joins CO-OP from Ventus Networks. Previously he was a Systems Manager for Diebold Inc.

**FastLane opens headquarters**

**FastLane Secure Payments** opened its new corporate headquarters in Boulder, Colo. The building has more than 40,000 square feet and can accommodate 140 employees. The property includes an additional 16,000 square feet for future development.

**Hypercom adopts stock repurchase plan; announces earnings**

**Hypercom Corp.** announced a new share repurchase trading plan to facilitate the repurchase of up to \$10 million of its shares of common stock. The company has repurchased 21,734 shares of its common stock during the first half of 2006 for a total of \$178,732.

Hypercom's revenue for the second quarter of 2006 was \$66.1 million, a 10% increase from the same quarter of 2005. The growth was attributable to sales and services expansion in Brazil, increased product sales in Mexico and growth in Central European markets.

**MasterCard reports financial results; introduces item-level authorization**

**MasterCard Inc.** reported that net revenue for the six months ended June 30, 2006, was \$1.6 billion, a 10.8%

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increase over the same period in 2005. For the quarter, the company reported net income of \$101 million, excluding special items, and a net loss of \$310 million, including special items.

In other company news, **MasterCard Worldwide** will introduce a service designed to increase the use of flexible spending accounts and other medical reimbursement plans by enabling third-party administrators to substantiate purchases in real time using item-level data collected at the POS.

### MedCom engages attorneys

**MedCom USA Inc.** hired the law firm Orum & Roth LLC to begin negotiations concerning the licensing of the patented technology of electronic activation of phone, gift and affinity cards. New View Technologies, which MedCom acquired, reportedly developed the patent and assigned it to MedCom.

### NCHA experiences growth

The **National Clearing House (NCHA)** reported record image volumes of more than 88 million items totaling \$56.5 billion for the second quarter 2006, more than doubling the organization's first quarter numbers. NCHA's June 2006 image exchange volumes were 12.5 times higher than June 2005 volumes.

### Symbol Technologies ranked #1

**VSR Magazine** recognized **Symbol Technologies Inc.** as the market leader in handheld and mobile POS devices in a recent survey of value-added resellers. Symbol took first place in four of the five customer satisfaction categories.

### Transmodus adds functionality

**Transmodus** added new functionalities that include the acceptance of partial payments against outstanding collection debts. New functionality also includes the ability for clients to record a police report or bankruptcy notice and update an address.

## PARTNERSHIPS

### AirLink launches ISO handset program

**AirLink Mobile** rolled out a new handset program developed exclusively for ISOs of **PaySpot Inc.** SLiNK, the newest mobile virtual network operator program, targets the prepaid wireless market.

### Apriva selects InfoGard

**Apriva** contracted with **InfoGard** for MasterCard POS Terminal Security program certification.

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**IndustryUpdate**

APRIVA is one of the first companies to submit its POS application for MasterCard certification.

**BankServ and Commerce Bank offer remote deposit capture**

BankServ and Commerce Bank of New Jersey teamed to offer remote deposit image capture services to Commerce's business customers. Commerce private-labeled BankServ's DepositNow! Check 21 and accounts receivable conversion (ARC) technology, branding it "RapidDeposit."

**City Holding Co., Elan partner**

City Holding Co. entered into a definitive agreement with Elan Financial Services, a wholly owned subsidiary of U.S. Bancorp, to provide credit card services to the company's retail customers. As part of the deal, the company will sell its credit card portfolio to Elan.

**CrossCheck partners with FPN; announces VeriFone certification**

CrossCheck Inc. will provide check services to Franchise Payments Network clients. FPN will add CrossCheck's Standard Guarantee, ChecksByNet, Check Conversion

Plus and Business Office Conversion Plus to its payment service offerings.

CrossCheck also developed and certified check conversion and standard guarantee applications on VeriFone's Omni 3700 family and V<sup>x</sup> 570 solutions. The applications support authorizations through CrossCheck's standard and check conversion services.

**Discover certifies ViVOtech**

Discover Network certified several ViVOtech readers for use with Discover Network's contactless payment application. These ViVOtech technologies are the first readers approved for use with Discover's contactless payment platform.

**EProcessingNetwork to support WAY Systems**

Merchants can now process credit and PIN-debit transactions through eProcessingNetwork by using WAY Systems' mobile transaction terminals: the MTT 1510 or MTT 1571.

**Freestar Bank becomes Moneris customer**

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services to **Freestar Bank**. Freestar signed a three-year agreement with Moneris and will participate in Moneris' referral bank program.

### Hypercom earns certification

Hypercom's 32-bit Optimum T4100 received Class A certification from **Fifth Third Processing Solutions**.

### IRN and GETI offer loyalty solutions

IRN Payment Systems chose **Global eTelecom Inc.**'s gift and loyalty solutions. Integrating GETI's technology into IRN Payment Systems' programs enables merchants to accept and process gift and loyalty cards electronically.

### Nexus, Ingenico form alliance

Nexus Software Inc. formed an alliance with **Ingenico UK** that enables Ingenico to offer an interface into its hardware that is compliant with "eXtensions for Financial Service" (XFS). In turn, Nexus will offer customer support for Ingenico hardware.

### NitroSell stores support YESpay

NitroSell Ltd. now integrates with the **YESpay** payment platform. NitroSell Commerce makes it

possible for retailers to operate Web stores that use the same payment processing systems they are already using in-store.

### RBS Lynk certifies SLIM CD

SLIM CD software is now certified on the **RBS Lynk** system. The certification allows retail, restaurant, hotel, direct marketing and e-commerce merchants to use the SLIM CD software with RBS Lynk services. The certification covers all SLIM CD user and developer products.

### Secure Check endorsed by hospitals

**Louisiana Hospital Association** endorsed **Secure Check RCK** as the preferred vendor for electronic nonsufficient funds (NSF) check recovery. Secure Check RCK will assist members with the recovery of NSF checks written by patients at no charge to member facilities.

### TriCipher receives IdenTrust certification

The **TriCipher** Armored Credential System (TACS) renewed its certification as **IdenTrust** compliant. IdenTrust will also expand the range of TACS capabilities it hosts on the IdenTrust platform.

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**IndustryUpdate**

**Virgin Mobile, NetSpend launch debit card**

Virgin Mobile USA and NetSpend launched the Virgin Mobile "Stash" prepaid Visa debit card issued by Inter National Bank. The card is linked to a Virgin Mobile phone, allowing users to earn free airtime.

**PPI and Verrus partner**

Payment Processing Inc. formed a partnership with Verrus, a mobile commerce provider, to offer integrated credit card payment processing for pay-by-cell-phone parking service.

**Secure Payment Systems enhances offering**

Secure Payment Systems certified its proprietary gift and loyalty card processing application for use on the PrimeTrex POS terminal manufactured by TechTrex Inc.

**World Web Technologies and Shift4 partner**

World Web Technologies Inc. and Shift4 formed a preferred partnership. By creating an interface to Shift4's \$\$\$ ON THE NET payment solution, WebRezPro, a Web-based property management system, offers its users high-speed connections to any processor.

**ACQUISITIONS**

**TransUnion to acquire Qsent**

TransUnion signed a deal to acquire Qsent, a provider of contact and identity management services. Qsent's services support customer acquisition and retention, collections and recovery, and identity resolution applications. Financial terms of the deal were not disclosed.

**APPOINTMENTS**

**Ficarra joins ETA committee**

The Electronic Transactions Association (ETA) recently appointed Bob Ficarra, Vice President of Partner and ISO Relations of CrossCheck, to its Annual Meeting Program Planning Committee. Ficarra will help guide the development of program content and keynote speakers for ETA's annual meeting and general sessions throughout the year.

**I2c hires Marketing Director**

David Maynard is i2c inc.'s new Director of Marketing. Maynard joins i2c inc. from WellInvested, where he was Director of Sales and Marketing.

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**Beck to oversee New Edge Networks**

Dan Moffat is stepping down as President of New Edge Networks. Linda Beck, Executive Vice President and General Manager of Business Solutions for EarthLink, will oversee operations at New Edge Networks until the company names a permanent successor.

**TNS appoints Robles**

Transaction Network Services appointed Edward Robles as Vice President and General Manager for Latin America. Prior to joining TNS, Robles served as an independent consultant in the financial services industry.

**Ward new Innovative Card CEO**

John A. Ward, III, Chairman of the Board for Innovative Card Technologies Inc., will assume the responsibilities of Chief Executive Officer. Ward is replacing founder Alan Finkelstein, who will remain President and Director. Most recently, Ward was Chairman and Interim CEO of Doral Financial Corp. Ward previously held executive positions with American Express Bank, The Chase Manhattan Bank and ChaseBankCard Services.

**The 41st Parameter appoints Vice Presidents**

Michael Yakel joined The 41st Parameter as Vice President of Professional Services, eCommerce. Yakel most recently served as Vice President of Emerging Products for Visa U.S.A. He also held senior management positions with American Express Co., First Union Corp. and First Interstate Bank.

David Britton is The 41st Parameter's new Vice President of Product Management. Britton previously held the position of Vice President of Professional Services, eCommerce.

**US Merchant Systems announces leaders**

Cihat Zeyt, former Chief Operating Officer of US Merchant Systems, is the company's new CEO. Zeyt also serves as a member of the board of directors. Larry Cohn, Co-Founder of US Merchant Systems, is the new Vice Chairman. Previous CEO and Co-Founder, Stuart Rosenbaum, continues on as Chairman.

**Catuity names Zwirn**

Catuity Inc. named industry veteran Rose Zwirn as Director of Stored Value Programs to oversee both branded and proprietary card programs. Zwirn's credentials include operational roles at Datamark Inc. and ExtraMeasures.

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**Insider's report on payments**  
**America the penniless?**

**By Patti Murphy**  
*The Takoma Group*

**R**ep. Jim Kolbe (R-Ariz.) wants Americans to stop using pennies. Kolbe introduced a bill in Congress this summer that would have U.S. merchants round all cash purchases to the nearest nickel, thereby eliminating the need for pennies. Folks paying by credit card, debit card or check, however, would likely continue to pay exact amounts.

Yeah, fat chance.

Kolbe for decades has been pushing legislation that would eliminate pennies from merchants' cash drawers and consumers' pockets, to little avail. But this time, he said there's a better chance of passage because the price of zinc (which is used to mint pennies) has been going stratospheric.

Under current market conditions, the Arizona congressman estimates the U.S. Mint spends about \$0.014 to produce a penny. "That means \$20 million will be wasted on penny production this year, and that is government waste at its worst," Kolbe said in introducing his bill, the Currency Overhaul for an Industrious Nation (COIN) Act. "It's time to say the penny stops here."

Kolbe's bill would have merchants round down to the nearest nickel all cash transactions ending in \$0.01, \$0.02, \$0.06 or \$0.07; transactions ending in \$0.03, \$0.04, \$0.08 or \$0.09 would be rounded up to the next nickel.

Additionally, the COIN Act would replace dollar bills with dollar coins. It also includes a provision for printing \$2 bills. Another provision calls for transferring the U.S. Mint and the Bureau of Printing and Engraving (which

prints dollar bills) from the Treasury Department to the Federal Reserve Board.

Reading reports about the COIN Act, I couldn't help but flash back to 1989, the first time I reported on a proposal to eliminate pennies from the U.S. economy. Searching my archives, I found the story in a payments newsletter I was writing at the time. The sponsor of that bill: Rep. Kolbe of Arizona.

So what does Kolbe have against the penny? Very little, I suspect. I'm betting that his public aversion to pennies has something to do with copper – a metal that's used in nickels, and one that's heavily mined in Arizona. Clearly, if Kolbe gets his wish, and pennies are legislated out of existence, nickel production will increase, and that would likely be good for Arizona's economy.

**Americans like pennies**

I don't think most Americans are ready to give up their pennies, or, for that matter, their \$1 bills.

To test this theory, I searched the Web for public commentary on the topic. I found a blog chock full of entries on the Kolbe proposal, about half of them opposed to it. The most telling comment I read: "I'll try to think about this [the uselessness of pennies] the next time I see a penny on the floor."

I also found a report published earlier this year in *USA Today* on a Gallup poll. According to that survey, 55% of Americans consider the penny useful; significantly, fewer (43%) believe the penny should be eliminated.

The poll echoes sentiments expressed in 1989. Back then, experts told me that taking pennies out of circulation could spark inflationary concerns.

There are just too many people with fond memories of penny candies and parking meters fed with pennies. And too many people fear eliminating pennies would lead to a devaluation of the dollar. Just imagine how these folks would react if Congress eliminated dollar bills, too.



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The experts I interviewed in 1989 mentioned that retailers would fight any bills calling for the elimination of pennies from their cash drawers. They also said the idea of converting the penny compartments in cash registers to dollar coin compartments would make retailers queasy.

To these concerns, add the headaches of rationalizing and implementing POS policies that effectively give discounts for some cash transactions, and force credit and debit card customers to pay higher prices. The COIN Act makes no mention of credit card and other types of noncash transactions. Presumably, these would continue to be calculated to the penny.

The switch away from pennies and dollars would also require changes to POS software to accommodate the rounding process.

Then, there's the issue of real costs. On the surface it looks like it costs more than \$0.01 to mint a penny. But pennies have long lives; each one tends to be used thousands, if not millions, of times. Also, many pennies in circulation were minted in the 1970s and 1980s for much less than \$0.014 apiece.

**It's just politics**

I'm not convinced Kolbe is serious about pushing this legislation through Congress. If he were, he would've introduced his bill last year, or even earlier this year. By the time he introduced this bill, fewer than 60 actual working days were left in the current session of Congress.

Every member of the House is up for reelection in November. This month they've been on vacation. They'll probably be on the campaign trail for the better part of October. That doesn't leave much time for legislating, and traditionally the post-summer sessions of Congress are tied up with budget matters.

Under Congressional rules, any legislation left over at the end of a two-year session must be reintroduced in any subsequent Congressional sessions. The COIN Act, however, does open the door to a public discourse on the use of coin and currency in an economy that's increasingly moving toward electronic payment instruments.

With a 33% share of the POS transaction mix, debit cards are now tied with cash as the method of payment most preferred by consumers for in-store purchases, according to data collected by Dove Consulting, Boston. Still, we're a long way from being a cashless (and coinless) society. ☐

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



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The Phoenix Group

**S**ome people are meant to be entrepreneurs. They are independent thinkers. Dissatisfied with the status quo, they forge new paths. Scott Rutledge, President and Chief Executive Officer of The Phoenix Group, is one of those people.

Rutledge's payments industry career began in 1990 when he was a sales rep for Stonewest, an equipment distributor based in Wisconsin. Stonewest was an independent company that held a Midwestern distribution territory for VeriFone.

In 1994, he joined The Horizon Group as Vice President of Sales and Marketing. It was purchased by Hypercom Corp. in 1998. Rutledge stayed on until November 2001, when he founded The Phoenix Group.

### Five fabulous years

Rutledge uses his independent status to benefit both his customers and employees. "One of the benefits of being independent is that I can treat employees as I've always wanted to," he said. "I can treat customers as I want to; and I can grow the business as I want to."

In five short years, Rutledge has created the market's largest independent POS equipment distributor. Phoenix is one of the few POS distributors to hold agreements with Lipman, VeriFone, Hypercom, Ingenico, MagTek and other major POS manufacturers. It is also an authorized repair facility for Lipman, VeriFone, Hypercom and Thales.

Phoenix sells between 230,000 and 240,000 terminals each year. Being independently owned allows the company to be flexible and responsive. Such traits enable Rutledge to customize services and form personal relationships with customers. "The Phoenix Group has one owner and one direction," he said.

Anyone who owns a business knows such freedom comes with a healthy amount of risk. Rutledge understands this risk and credits his customer-centric philosophies for his company's success.

"There are a lot of people who have tried and failed," he said. "We are extremely financially stable. We have grown to be a formidable distributor because we treat our customers right."

### Chay, chay change

Rutledge thinks rapid shifts in POS technology and the industry's maturity are two of the biggest challenges ahead. "Both of those bring possible paradigm shifts that will leave some companies and business philosophies

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**"Considering the pace at which technology is changing the classic countertop terminal, there is an enormous amount of churn happening in the market. The next 18 months will be unlike anything we have experienced in the 16 years I have been in this industry."**

- Scott Rutledge

behind," he said. Rutledge believes even more growth and advancement are on the horizon. As many in the industry know firsthand, as soon as a new piece of equipment hits the market, another is on its heels. Each new terminal has more functionality than its predecessors.

Rutledge cited the examples of wireless solutions and expanded memory options. "We can do things now we didn't even think of doing before," he said. "Wireless is going to change faster than people can expect. It's a break-neck speed."

Rutledge predicts we will soon see a multitude of new developments from equipment manufacturers. "Considering the pace at which technology is changing the classic countertop terminal, there is an enormous amount of churn happening in the market," he said. "The next 18 months will be unlike anything we have experienced in the 16 years I have been in this industry."

With increased functionality come regulations. For example, as technology has kept pace with security demands, the compliance requirements associated with payment terminals have become more rigorous.

Rutledge gave the example of encryption standard changes. But, he and his company work to make such requirements easy for ISOs to meet. "We are certified," he said. "We stay on top of it so customers don't have to."

Phoenix also anticipates industry changes, preparing itself and its customers, large and small, to remain viable in the market. "We are looking 19 months, two to three years to the future to see where the market is going," he said.

### **Opportunity still knocks**

Due to the age of the industry, Rutledge understands the recent consolidation and predicts there will be more to come. Consolidation is "inevitable in this industry, given where it is at," he said. "There will be fewer of the smaller players in distribution and more consolidation in the ISO world."

Rutledge thinks ISOs prefer the ease and simplicity of just one or two sources for equipment. "This industry is relatively young. I see the market getting much more vertical

in the next few months," he said. "Then they can spend their time doing what they do best, which is selling."

Rutledge knows that consolidation and change, in general, are unnerving for a lot of merchant level salespeople (MLSs) and ISOs. They are concerned about their survival. But he disagrees with those who believe we are working our way toward an industry with only four or five ISOs left standing.

"As long as there are opportunities for individual ISOs, and as long as an ISO can stay ahead or stay even with the technology curve, which is where I come in, then that guy has a chance," he said. While Rutledge does not think increased consolidation and technological advancements are nails in the coffins of ISOs and

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**IndustryLeader**

MLSs, he does foresee a changed industry landscape.

"I think there will be more ISAs [independent sales agents] rather than ISOs," he said. "There will be more agents of larger companies than independent guys just starting out." He also believes it may become harder to get started in the industry. "The barriers to entry will

be more prevalent, but that doesn't mean ISOs will go away or there isn't money to be made," he said. "It's a very bright future, so we will have to see."

**Phooey to free terminals**

Free equipment is a hot topic these days and there are about as many opinions as there are such programs. "I don't like it," Rutledge

said. "It hasn't affected our business. If you look at the deals, it's not free. Nothing is free."

In Rutledge's experience, customers ultimately decline free terminal deals after scrutinizing the details of such programs. He doubts the frenzy will continue. "I am not sure it will survive until early next year," he said.

**Steps to success**

Rutledge is certain that to be successful, people need a clear idea of what's important to them. He, for example, is proud of his family and heading a company that lives up to its promises. "If you don't know who you are, what your guiding principles are, forget it," he said. "This industry will eat you alive."

He also pointed out the benefits of surrounding yourself with positive influences. The industry has its share of people who are less than reputable.

He advises newcomers to associate with respected, high-standing companies and individuals. "There are a lot of truly great people in this industry; hang with the good guys," he said.

Rutledge also thinks success entails building a solid business, rather than looking for immediate cash or instant wealth. "The days of a quick buck are gone," he said. "It is a great business to be in. With the technological changes comes enormous opportunity."

**Come on down**

Rutledge and his employees work to exceed customer expectations as they strive to be the premier POS distribution and service center in the country. Their focus is on building long-lasting relationships based on trust, quality and exceptional service. "We are a great consultant, a reference source. You are not going to get the runaround," he said. ☐

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Feature

# Rising gas prices, interest rates hit vault-cash providers

By Valerie Killifer, Reporter

ATMmarketplace.com

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**J**erry Gregory has been in the ATM business for 26 years. For most of his career, cash and fuel prices have remained steady. But that's not the case anymore. Gregory, like other ATM service providers, is taking a hard look at his bottom line.

"Fuel costs are having a huge effect on service companies and, as you know, everyone in America," said Gregory, Chief Development Officer for Richardson, Texas-based Cash Carriers USA. "There is no doubt in my mind that service companies of any nature are suffering, and pricing to provide such deliveries will incline."

Even though Cash Carriers picked up 1,000 new

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▶ "The market is changing and adapting, relative to the fuel concerns, almost daily."

- Pete Silewicz,  
Loomis, Fargo & Co.



ATM contracts in 2005, it operated at a \$267,000 loss, Gregory said.

To offset the loss, Cash Carriers placed a surcharge on new contracts. For its larger ISO customers, the company offered an option: accept a fuel surcharge of 8.67% or increase the per-call price. All of Cash Carriers' customers opted for the fixed-price increase, Gregory said.

"During the times that fuel got too high [in the past], I just ate it and went on. Cash flow just won't allow it for an extended period," he said.

Of the estimated 400,000 ATMs in operation in the United States, approximately 30,000 use vault-cash services. For some ATM operators, the expense associated with paying a third-party provider for vault-cash replenishment isn't always worth it, particularly during times of inflated gas prices and interest rates.

"The market is changing and adapting, relative to the fuel concern, almost daily," said Pete Silewicz, Senior Vice President of Banking for Houston-based Loomis, Fargo & Co. "In the near future I expect to see more focus on logistics and transportation requirements. We feel that as much as it is a strain on all of us, we're doing our level best to cut down on cost and become more efficient on the road."

Ron Schuldt, President of Dallas-based Columbus Data Services LLC, said he's noticed a decrease in requests for vault-cash services, especially from ISOs.

Sandra Hartfield, President and Chief Executive of California-based Palm Desert National Bank Electronic Banking Solutions, which provides or manages close to \$8 million in vault cash for 16,000 ATMs and self-service terminals across the United States, echoed Schuldt. She said ISOs are reviewing and negotiating their vault-cash programs, particularly in the merchant-fill space, to cut ATM management and service costs.

And while rising fuel costs are hitting vault-cash providers, rising interest rates are slapping financial institutions (FIs). Hartfield said increasing interest rates are having a

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**Feature**

domino effect. "Now costs are rising, but income levels are staying the same, or in some cases dropping," she said.

**FIs shift gears**

The rising cost of cash is pushing FIs to focus more attention on cash-management procedures.

Bob Meara, an Analyst with Boston-based consultancy Celent LLC, said FIs are taking control by better managing the cash they have and placing fewer orders for more. "More banks have invested in software to keep a closer watch on cash positions in ATMs," he said.

FIs also are filling ATMs more often, the result of working with one service provider for vault-cash replenishment, service and maintenance, said Robert Malik, Senior Vice President of Efmark-Bantek, a cash-in-transit and ATM maintenance provider based in Westmont, Ill.

(Efmark-Bantek was created after Efmark Premium Armored Services and Bantek West Inc. merged in January 2006. It is now the U.S.'s largest independent ATM-service provider, servicing 100,000 ATMs and self-service terminals in 43 states.)

"Banks are challenging us to help them be more efficient.

**What's important:**

- **ISOs are renegotiating ATM contracts to balance expenses associated with rising fuel costs.**
- **More FIs are working with one-stop-shop service providers for vault-cash replenishment, service and maintenance. As a result, many FIs are regularly replenishing ATMs when the ATMs are serviced.**
- **And the advent of cash recycling at the ATM, Check 21 and the Fed's Currency Recirculation Policy are expected to re-shape how the industry handles its cash.**

"We haven't seen a reduction in work; we've seen more of a partnership approach," Malik said. "Because we provide cash to ATMs, we can take a greater risk and load cash in between regularly scheduled fills, which makes it much more efficient for the bank."

**Mitigating forces**

Vault-cash providers are adapting, but industry and regulatory developments, such as the advent of cash recycling at ATMs and the Check Clearing House Act for the 21st Century, also are expected to lessen the blow of rising costs and rates by reshaping the way vault cash is handled.

"With check imaging, banks have a greater sense of what's been put into the ATM," Malik said. "Banks can be more efficient because they won't have to go every day to pull a deposit."

And the Federal Reserve's Currency Recirculation Policy, which takes effect this month, could have an impact as well, Celent's Meara said. The policy is expected to cut the amount of cash in circulation by reducing cross-shipment: the deposit and withdrawal of similar currency orders made within the same week by the same FI.

Under the new policy, FIs will be charged a fee for cross-shipment, Meara said. "That could lead up to tens of millions of dollars for some of the large banks if they don't change the way they do things." ■

Link to original article: [www.atmmarketplace.com/news\\_story\\_26240.htm](http://www.atmmarketplace.com/news_story_26240.htm)



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# 2006 calendar of events

Dates, locations and contact information verified at press time. Consult event Web site for registration information. Also view the event calendar at [www.greensheet.com/tradeshowschart.html](http://www.greensheet.com/tradeshowschart.html).

2006 event	Date	Location	Web site
WesPay Payments Symposium	Sept. 10 - 12	Las Vegas	<a href="http://www.wespay.org">www.wespay.org</a>
Electronic Retailing Association 16th Annual Convention & Exposition	Sept. 11 - 13	Las Vegas	<a href="http://www.retailing.org">www.retailing.org</a>
ETA Strategic Leadership and Networking Forum	Sept. 12 - 14	Miami Beach, Fla.	<a href="http://www.electran.org">www.electran.org</a>
Women Networking in Electronic Transactions (W.net)	Sept. 12	Miami Beach, Fla.	<a href="http://www.w-net.biz">www.w-net.biz</a>
Intele-CardExpo: The Prepaid Show	Sept. 12 - 14	Las Vegas	<a href="http://www.intelecardexpo.com">www.intelecardexpo.com</a>
ATM Industry Association Conference West	Sept. 13 - 15	Scottsdale, Ariz.	<a href="http://www.atmia.com">www.atmia.com</a>
Financial Women International Annual Meeting	Sept. 17 - 20	Henderson, Nev.	<a href="http://www.fwi.org">www.fwi.org</a>
WesPay Workshop: Basics of ACH Receiving	Sept. 19, 20, 27, 28	Varies	<a href="http://www.wespay.org">www.wespay.org</a>
The Self-Service and Kiosk Show	Sept. 28 - 29	San Antonio	<a href="http://www.selfservicekiosk.com">www.selfservicekiosk.com</a>
WesPay Workshop: AAP Review	Oct. 3, 4, 5	Varies	<a href="http://www.wespay.org">www.wespay.org</a>
Smart Card Alliance Annual Meeting	Oct. 3 - 6	La Jolla, Calif.	<a href="http://www.smartcardalliance.org">www.smartcardalliance.org</a>
NACS Show	Oct. 8 - 11	Las Vegas	<a href="http://www.nacsonline.com">www.nacsonline.com</a>
Shop.org Annual Summit	Oct. 10 - 12	New York	<a href="http://www.shop.org">www.shop.org</a>
WesPay Workshop: ACH Risk Management	Oct. 10, 11, 24, 25	Varies	<a href="http://www.wespay.org">www.wespay.org</a>
The AFP Annual Conference	Oct. 15 - 18	Las Vegas	<a href="http://www.afponline.org">www.afponline.org</a>
AAP Examination	Oct. 17	Varies	<a href="http://www.wespay.org">www.wespay.org</a>
Western States Acquirers' Association (WSAA) Meeting	Oct. 18 - 19	San Jose, Calif.	<a href="http://www.westernstatesacquirers.com">www.westernstatesacquirers.com</a>
NAOPP Educational Seminar (at WSAA)	Oct. 18 or 19	San Jose, Calif.	<a href="http://www.naopp.com">www.naopp.com</a>
Mid-America Payments Conference	Nov. 1 - 3	Kansas City, Mo.	<a href="http://www.mpx.org">www.mpx.org</a>
CSI 33rd Annual Computer Security Conference and Exhibition	Nov. 6 - 8	Orlando, Fla.	<a href="http://www.gocsi.com">www.gocsi.com</a>
WesPay Workshop: Payments Fraud Day	Nov. 7, 8, 9, 15, 16	Varies	<a href="http://www.wespay.org">www.wespay.org</a>
BAI's Retail Delivery Conference & Expo	Nov. 14 - 17	Las Vegas	<a href="http://www.bai.org">www.bai.org</a>
NACHA Institute of International Payments	Nov. 28 - 30	Atlanta	<a href="http://www.nacha.org">www.nacha.org</a>

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News

# NAOPP kicks off teleseminar program

**T**he National Association of Payment Professionals (NAOPP) kicked off this month its first teleseminar for members. The program is an outgrowth of a member survey completed in June.

A quarter of NAOPP's members participated in the survey; 82.1% of respondents expressed interest in educational offerings through teleseminars and webinars.

The number one topic of interest cited was understanding interchange. Others were ISO registration and regulation, ethics, marketing via the Internet, new types of loyalty programs, and marketing and sales training.

The Aug. 16 teleseminar was led by Paul A. Rianda, an attorney in the payment processing industry. He described how merchant level salespeople (MLSs) run afoul of ISO contract provisions that enable ISOs to terminate residuals. He discussed contract provisions that



will help preserve MLS rights as well as tips for protecting residuals. Approximately 25 members joined the teleseminar, and a question-and-answer session followed the presentation.

Rianda, who represents both ISOs and MLSs in residuals disputes, said in an interview with *The Green Sheet* that most such

conflicts are avoidable. He recommends MLSs have contracts reviewed by an attorney before signing with ISOs. ISOs generally accept 60% to 80% of the provisions Rianda suggests to protect MLSs' residuals streams.

NAOPP has already received a number of member requests to schedule a second teleseminar with Rianda, said the association's Executive Director Vicki M. Daughdrill.

NAOPP is a nonprofit organization working to bridge the gap between MLSs and other segments of the payment processing industry through education. For more information, visit [www.naopp.com](http://www.naopp.com).

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# Company Profile



## Direct Technology Innovations Inc.

### ISO/MLS contact:

Aaron Slominski  
 Director of Agent Services  
 Phone: 800-724-7000  
 Fax: 800-707-8914  
 E-mail: aaron@directtec.com

### Company address:

500 West Cypress Creek Road, Suite 270  
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## Relationships: The secret to lasting profits

**B**usiness is about making money. After all, if a company doesn't turn a profit, it won't be in business very long. However, if a company exists only to turn a profit, it still won't be around very long. The key to success is forming strong relationships and continuing to nurture them long after the initial sale or agreement has been completed.

Direct Technology Innovations lives by that truth every day. The principals have worked to create a company focused on relationships with those who matter most: clients, partners, and ISOs and merchant level salespeople (MLSs). DTI's success as a merchant bankcard acquirer has proven that this concentrated focus pays off, both in terms of profits and longevity.

### Offering services galore

DTI is a member service provider for JPMorgan Chase & Co.; Fleet Bank; Wells Fargo & Co.; and Best Payment Solutions, a subsidiary of National Processing Co. in association with Bank of America Corp. DTI is headquartered in Fort Lauderdale, Fla., and has offices in Buffalo, N.Y., Boston and Minneapolis.

DTI's 50 corporate employees and affiliate partner agents worldwide provide payment processing to a variety of merchant types across the United States and worldwide. Its services include credit and debit card processing; electronic benefits trans-

fer; electronic check services; check verification and conversion; prepaid products; gift and loyalty card services; mobile ticketing technology; and Internet merchant services. It also provides ATM services and cash advances for small business.

Founded in 2003, DTI is headed by Chief Executive Officer Edward Slominski and President Robert DiMattina. They direct a team of seasoned business leaders who have collectively owned, operated or managed more than a dozen companies with revenues and profits ranging up to \$250 million annually.

### Building relationships one by one

Aaron Slominski is DTI's National Director of Agent Services. Acting as company spokesman, he emphasized DTI's broad customer and agent base.

"DTI sees beyond a limited frame of reference in any one business segment and the inherent tendency therein to focus too narrowly on any one particular opportunity within that business sector," he said.

DTI has relationships with First Data Corp., Northern Leasing Systems Inc., Subway, GroundNet Shuttle Association, Verizon Communications and Sprint Nextel, and places great value on those relationships. "Partners for life' expresses how we approach our relationships and our responsibilities within

## Company Profile

those relationships," Slominski said. The company also invests heavily in customer service and provides customer and technical support 24/7, 365 days per year.

"Our customer service is second to none," Slominski said. "Our products are innovative, and we constantly give our customers the technical support they need when they need it. We have live support, not just automated responses. When our products change so does our customer support. We never leave our customers hanging. Quick and vital response is our motto."

### Serving merchants of all swipes

DTI serves all merchant types and is especially strong in the quick service restaurant (QSR) arena. Its merchant portfolio contains some of the largest franchised restaurants and QSR chains in the country. The company also has numerous partners and affiliates in the retail, transportation and health care industries.

DTI is home to the Jared Fogle (of Subway fame) credit card program, and DTI's exclusive brand Swipe 'N Go. With Swipe 'N Go, merchants can process all credit card transactions of less than \$25 without a customer signature. Additionally, there is no chargeback liability to the merchant for any transaction under \$25.

[Spokesman] Jared [Fogle] used a credit card for all of his Subway® purchases. And select Subways® used the Swipe 'N Go® program to service Jared faster. In the process, Swipe 'N Go® helped these Subway® Restaurants sell more sandwiches and increase profits.

Source: www.directtec.com



Due in part to the success of Swipe 'N Go, DTI upgraded its headquarters in October 2005. Its phone system and information technology facilities are now geared to support future expansion.

### Valuing ISOs and MLSs

DTI has ISO offices throughout the country and invests heavily in their support. "We have consistently been dedicated to ISO/MLS training, education and sales support," Slominski said. "DTI is on a global expansion and recruits only the best in the industry."

The company is developing new avenues for its ISO and MLS partners to improve their revenue opportunities. One such program is its HWeb Mobile Ticketing. This enables merchant employees to enter reservations or print tickets from their vehicles or in the field. "No other acquirer offers this ticketing solution," Slominski said.

Reflective of this effort, DTI has entered into a five-year agreement with the GroundNet Shuttle Association as the exclusive provider of ticketing and merchant services.

DTI has a one-page application, which requires no personal guarantee. "Our valued ISO and MLS partners benefit from working with DTI because of our excellent service, competitive buy rates, comprehensive training programs and all the necessary tools that help our agents close more deals more quickly," Slominski said.

"We allow the MLS to sell an actual brand and not just a buy rate. We provide a true interchange buy rate."

### Balancing profit and partnership

A guiding DTI philosophy is that profit is not always measured in dollars; lasting relationships have more value. Thus, the company maintains an ideal balance between profit and partnership through a wealth of mutually beneficial, long-term relationships. Its focus on people provides a healthy dose of fun, too. ☺

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# ADVISORY BOARD

## Weathering a rough climate

**S**piraling energy costs, higher interest rates and unstable market indexes have created an atmosphere of economic uncertainty. Add to this the threat of security breaches and litigation in the payments industry, and it is easy to see why many merchant level salespeople (MLSs) have become a bit nervous. To gauge the industry's reaction to the turmoil, we posed the following questions to members of The Green Sheet Advisory Board:

- *How is your company faring in the current economy?*
- *Has the price of fuel become an issue?*
- *What advice can you offer to MLSs for weathering the current economic storm?*

Following are their responses, in alphabetical order:

### Steve Christianson, AAmonte Bankcard

Interest rates and the investment indexes do not affect our business much. We are not servicing any debt at this time, and we are profitable. As an ISO, we are also compliant and comfortable with our security.

For ISOs that have serious debt service, that are living on the edge of security compliance, and that are involved in any litigation, times can be getting tougher.

The current economy is excellent overall. ... We are optimistic. Our business and industry are percent and fee driven. When inflation goes up, so do our revenues.

The cost of fuel has little effect on our ISO business. What it does affect are the MLSs' daily expenses. What we see is their concern over the cost of transportation in their daily business routines.

They seem to be a little reluctant to make consistent follow-up visits, relying more and more on the phone.

The true professionals are taking the attitude that they must work a little harder, increase the number of new accounts and equipment sales, and increase their residuals to minimize the effect of increasing costs to their businesses.

Bottom line for MLSs for weathering the perceived economic issues: Work harder, increase income and residuals, and do not worry too much about it.

Also, pay off or minimize debt, whether on your automobile, office expenses or home. Eliminate your current consumer interest costs, pay off your bills and do not depend on anyone but yourself for your needs.

### Alan Gites, Landmark Merchant Solutions

Landmark is well-positioned to take advantage of certain trends. We are vertically integrated, meaning we handle all sales and back-office functions with our own staff.

We have no outside agents; we are building partnerships; we offer a host of Web products that merchants

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**"The cost of fuel is forcing many agents to telephone, e-mail and direct mail marketing efforts to help reduce the costs of driving. That being said, establishing face-to-face presentations and personal relationships helps agents protect their portfolios, making them invaluable and worth the expense."**

- Jerry M. Julien, Equity Commerce LP

desire; and we have a management team with decades of experience in the business.

This business is more competitive now than ever before, with tighter margins. And sales could always be higher.

The increasing price of fuel has no impact on our costs since we are entirely telesales. In that sense, it is an advantage over those salespeople in the field. It may, however, cut into our merchants' sales, but that is impossible to measure.

Of course, everyone focuses on sales and new distribution channels. We didn't used to spend so much time working to cut costs, but I find that increasing our ... use of technology and programming to reduce expenses usually means spending more upfront for a long-term benefit.

### **Russ J. Goebel, Pay By Touch Payment Solutions**

Organizations must use the current market and economic conditions as an opportunity to improve their well-being and grow their portfolios. Being proactive during these times will allow them to increase their market brands and be positioned more favorably with their competition.

They will need to work more efficiently by utilizing the telephone, e-mail, mailers and other vehicles to maximize sales opportunities.

The conditions will force sales representatives to be more productive. They need to master the one-call close and articulate the value proposition of their organization's offering.

Furthermore, organizations will need to understand their specific differentiators such as service, technology, gift cards, electronic check conversion, prepaid, or biometrics tied to electronic payment processing, and access to additional business capital.

### **Jerry M. Julien, Equity Commerce LP**

As the economy continues to fluctuate, big changes for our industry unfold and profit margins continue to thin.

ISOs and MLSs will need to offer superior products and services to remain alive and profitable.

The economy, merchants' increased knowledge of interchange and our industry, as well as public review of it, will force all of us into more of an advisory role for our merchants as we seek a return on our time and costs invested in getting and keeping those merchants.

The cost of fuel is forcing many agents to telephone, e-mail and direct mail marketing efforts to help reduce the costs of driving. That being said, establishing face-to-face presentations and personal relationships helps agents protect their portfolios, making them invaluable and worth the expense.

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**"One thing unique about our business is that during better economic times, people spend money using credit cards. During tougher times, they have to use their credit cards to make ends meet."**

- Dee Karawadra, Impact PaySystem

The cost of fuel to merchants is causing them to review all their costs of doing business. They see where they can either pass those costs on to consumers or cut costs with their vendors or providers. This is opening many opportunities as merchants put their credit card processing needs out for bids to help reduce costs.

This is a double-edged sword. Although it presents many opportunities to earn new business, it also creates just as much work for agents to maintain their existing accounts. They may have to reduce their fees to keep those accounts, thus reducing their residual income.

My advice to agents: Know your products extremely well, be professional and courteous, and offer full disclosure of all terms, fees and conditions.

The economy, technology and our industry are changing rapidly every day. But the closing of one door creates new opportunities. Be aggressive and knowledgeable, and do not rest on reputation or existing business.

### **Dee Karawadra, Impact PaySystem**

How is your company faring in the current economy? We have been fortunate to not have been affected yet.

Has the price of fuel become an issue? Yes, we hired telemarketers to create set appointments pinpointed by certain ZIP codes. This eliminates driving from one end of town to another, and each day is more productive.

Advice to MLSs for weathering the current economic storm: You just have to let the dust settle. One thing unique about our business is that during better economic times, people spend money using credit cards. During tougher times, they have to use their credit cards to make ends meet.

It may be time for MLSs to start focusing on service and lowering attrition. This way they keep the accounts they have and balance out the lower numbers of new accounts.

### **Allen Kopelman, Nationwide Payment Systems Inc.**

The economy will go up and down, and people will buy fewer luxury items. But they will still shop and go

out to eat, therefore driving transactions. And if people are worried about cash flow, they will use credit cards even more.

The price of gas is affecting everyone who needs gas to get somewhere, including MLSs. It is harder now to be a new MLS with equipment margins so low, free equipment and established MLSs to go up against.

Something changing in the industry: More and more companies are using inside sales reps for phone sales and salaried sales reps for outside sales. If you can't get independent reps, then bring it all in-house.

Our company is doing great; revenues are up. And we keep in mind the principles in the book *Who Moved My Cheese?* by Spenser Johnson (Putnam Publishing Group, New York, 1998).

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**Feature**



**"Make every call, every trip and every lead count. Now is the time for the one-call close as each follow-up will seriously degrade the account's profitability."**

- Charles Salyer, GlobalTech Leasing Inc.

You have to evolve and change. We are looking to the future and making plans to stay competitive and remain competitive.

If you are an established MLS, look at ways to cut overhead and look around for a processor with low costs.

**Joseph Natoli, Retriever Payment Systems**

Retriever is experiencing year-to-date double-digit growth in every important measurable metric. From what we are seeing, we will have a record year.

Has the price of fuel become an issue? To ignore what is happening to the price of fuel would be foolish. The nature of the acquiring business is such that one can do very little in the short run that will have an immediate impact, other than to cut down on travel.

Advice for MLSs: Diversify. If your portfolio is diverse

enough in geographic locations, SIC codes, and size of merchants, then you have a better chance of being less affected by economic (high interest rates), geographic (hurricane) or catastrophic (such as 9/11 and what it did to airline travel and hotel bookings) events.

If people are in an economic bind, they still need to make emergency purchases: appliances, auto repairs, medical, etc. What suffer are items and services some may consider nonessential.

That is why a portfolio comprised of all merchant types in all parts of the country will do well even in a down economy.

**Charles Salyer, GlobalTech Leasing Inc.**

Make every call, every trip and every lead count. Now is the time for the one-call close as each follow-up will seriously degrade the account's profitability. The steady onslaught of interest rate increases will force leasing

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companies to increase rates. Indeed, the two largest lessors have already sent out rate increase announcements, and the smaller companies will most likely need to follow suit.

The margins are already very thin in the leasing business. None of the companies can absorb the numerous increases in the cost of funds.

### **J. David Siembieda, CrossCheck Inc.**

Since much of our business is completed over the phone, gas prices haven't been an issue with us directly. However, rising fuel prices have an impact on everyone in some way: our employees, the MLS, the merchant, the merchant's customer ... everyone feels it.

As sales professionals, we need to ask if there are ways to lessen the impact. Some ways to do this include offering your merchants additional payment services that provide convenience to them and their customers.

Internet payments, phone and fax checks, and wireless applications can all help merchants weather the storm by providing their customers alternatives to shopping on-site.

Small business owners will appreciate ways to incorporate payment processing into their business software; this will streamline their accounting. Business office conversion is the service to sell for reducing trips to the bank, saving business owners both staff and travel time. In the meantime, as MLSs, you also need to look for ways to optimize your selling and travel time. Ideas for this include maximizing your trips by taking a few extra minutes to contact other businesses in the same area.

Use the phone for follow-up calls when possible or to preset appointments. And see if your payment processor provides training by phone. These small actions may make a big difference. As sales professionals, we should keep in mind that challenges can sometimes turn into opportunities.

### **Scott Wagner, Humboldt Merchant Services LP**

Your question as it relates to uncertainty in the marketplace hits the nail on the head for our industry. To that end, it is one of the chief reasons why we [Humboldt] are doing as well as we are. Reason being, we are a bank.

We are not an independent organization or some agent loosely affiliated with a financial institution; rather, we're a real bank that handles almost all its payment processing internally.

This is not something you see every day, and it makes for an excellent story when pitching our services versus the local "flavor of the month." As far as keeping afloat, we just try to keep our heads down, stay focused and leave the spin control to others. Our banking story and payment processing speak for themselves.

### **Dan D. Wolfe, Teledraft Inc.**

We have seen no real impact from the ever rising fuel cost; in fact, business has never been better. When fuel went up, a lot of our reps were concerned with the cost of getting the sale. This opportunity has allowed us to concentrate on top qualified leads that are in close proximity.

Our associates are happier, and this has shown on our bottom line. We have also added new product lines that have created additional cash flow. ... [W]e are firm believers that the good Lord never closes a door without leaving a window open. The trick is to find it. ☑

*We thank the GS Advisory Board members who responded to our questions. We will further examine many of these issues in our upcoming GSQ (September 2006, Vol. 9, No. 3). Look for it as a supplement to The Green Sheet, issue 06:09:02, and on GS Online at [www.greensheet.com/gsq/](http://www.greensheet.com/gsq/).*

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## Technically challenged? Bring in an expert - now

**By Biff Matthews**

*CardWare International*

**A**n important issue on our company's radar was illustrated, in great and dreadful detail, recently. It involves a merchant, not yet a customer, who has serious, persistent problems with downloaded file builds done by a service provider.

The provider has an iron-clad, one-sided, exclusive contract. And it's obvious why. Without it, this customer would have terminated its services long ago.

The merchant can probably prove nonperformance in court, that is, if he can stomach the legal fees. If not, he's stuck and will continue to pay dearly in cold cash, lost business, lost productivity and other measures for an increasingly common problem.

### **Errors proliferate**

Not long ago, file build errors were simple human errors. There is still simple human error, but the current scenario includes a new kind

of "human error" resulting from the growing complexity of terminal applications. Simply said, the speedy evolution of technology has become overwhelming for many merchant level salespeople (MLSs).

While they can sell products, some MLSs have not acquired enough knowledge of how the products actually work. Intimidated by technology, they aren't able to adequately move the sale up the line in such a way that merchants and providers can do their thing and live happily ever after. Instead, these MLSs exit the scene, moving to the next sale, leaving in their wake a bevy of questions and assumptions ... and a minefield of inaccuracies.

Of course, the primary focus of MLSs is, and should be, sales. Kudos to the organizations that recognize this and provide qualified tech support personnel who can intelligently consummate the sale, ensuring that everything works as promised.

### **Merchants get stung**

This is not the norm, however. Often, tech support is nonexistent. That

means there are significant gaps in information provided to the people building the files.

One immediate result is that transactions are downgraded. Any merchant who can read a statement will quickly see that providing incomplete data means higher fees.

A different kind of problem occurs when merchants are converted to new applications. Too often, salespeople don't realize (don't they ask?) the merchant has been running electronic benefits transfer, payroll cards, or whatever.

So, the new application is only set up for running the programs the MLS has sold. The system isn't configured to accommodate existing, and often critical, applications. The result: functionality and revenue are lost.

Without existing applications, merchants can't guarantee checks, accept gift cards, etc. So, they not only lose time fixing the situation, but they also lose business and goodwill.

Merchants will not tolerate this indefinitely. Clearly, they are entitled to skilled support from their vendors (whether from MLSs or back offices) that will ensure a smooth transition, and smooth operations.



### Techies are needed

If MLSs are to be responsible for the technical aspects of the installation, they must have appropriate tools and training. And each time terminals and applications are updated, new training must be part of the process. Investing in salespeople who have the aptitude for technology, and weeding out those who don't, will also help.

MLSs working with companies that are not committed to proper training and technically challenged MLSs who understand their own limitations should consider this: Because merchant retention is the essential prerequisite to residual income, the wisest course may be to hire a tech support specialist dedicated exclusively to your merchants.

Like real estate agents who hire qualified assistants to manage paperwork, details and follow-ups so they can focus on sales, MLSs who are truly at the top of their game will understand this investment is wise and risk free.

Repeat sales can often be 75% of total income. But there's always attrition. Not every merchant renews, regardless. New business is always needed. The salesperson who focuses exclusively on sales – and makes sure there's qualified, dedicated technical support – has taken a huge step toward fewer problems, solidified relationships and excellent referrals.

Compensation structures that favor new business are a factor, but true professionals understand the value of quality products that work the way merchants expect them to.

This necessitates quality tech support that makes sure the merchant isn't plagued with lost functionality or higher fees due to missed or inaccurate information.

Also, help desk personnel who assist with file building and other important functions are, for the most part,

knowledgeable and well-trained. But they can only work with the specifications and parameters provided by MLSs or their tech support. Help desk staff can't make it up as they go along, and mind-reading is not among their skill sets.

Accountability is imperative for anyone working in this complex, evolving industry. It's time we put the

interests of the merchants who keep us all in business, first.

*Biff Matthews is President of Thirteen Inc., the parent company of CardWare International, based in Heath, Ohio. He is one of 12 founding members of the Electronic Transactions Association, serving on its board, advisory board and committees. Call him at 740-522-2150 or e-mail him at [biff@13-inc.com](mailto:biff@13-inc.com).*



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## News

## Online gambling under scrutiny, again

**T**he federal government is turning up the heat on the \$12-billion-a-year online gambling industry. In early July, the U.S. House of Representatives overwhelmingly approved legislation (H.R. 4411) that would make it a federal offense to use credit cards or other electronic payment instruments to settle online wagers.

About two weeks later, federal law enforcement arrested David Carruthers, a British national who runs a large Internet wagering company. He was on a layover at Dallas/Fort Worth International Airport en route to Costa Rica from Britain. Carruthers, Chief Executive Officer of BetOnSports, was charged with racketeering for allegedly being part of an illegal gambling enterprise.

In addition, a federal court issued a temporary restraining order that prevents BetOnSports from accepting wagers from customers in the United States. It also requires

the company to return money held in the accounts of U.S. customers.

BetOnSports is a public company traded on the London Stock Exchange. Like most online gambling enterprises, the company has large numbers of American customers. But the servers that provide online access to wagering are located outside the United States. BetOnSports' headquarters is in Costa Rica.

Prosecutors allege that Carruthers and others who operate or promote Internet sports books and casinos are engaged in criminal enterprises as defined by the Federal Wire Act of 1961.

For the full text of H.R. 4411, visit [www.govtrack.us/congress/billtext.xpd?bill=h109-4411](http://www.govtrack.us/congress/billtext.xpd?bill=h109-4411).

Said act has been used to prosecute bookmakers and other gambling enterprises operating on U.S. soil. The legislation that passed the House would update the 45-year-old act to specifically outlaw gambling using new technologies, such as the Internet.

It also would require the Treasury Department and the Federal Reserve Board to establish regulations directing financial institutions to block payments to online gambling companies. It's not the first time Congress has tried to lower the boom on online wagering, and it probably won't be the last.

The House bill, sponsored by Reps. Jim Leach (R-Iowa) and Bob Goodlatte (R-Va.), appears to be stalled in the Senate. Both the U.S. Chamber of Commerce and the Independent Community Bankers of America have urged senators to reject the House bill, arguing it would create an "enforcement nightmare" for the financial services industry. ■

## MasterCard accentuates the positive (earnings)

**M**asterCard Worldwide delivered upbeat news overall in its first earnings report as a public company. Second quarter net revenue was up 9.7% to \$846 million, driven by dollar volume growth, processing growth and new cross-border transaction fees.

Gross domestic volume, which includes purchases and cash disbursements, grew 16.4%, to \$485 billion. Purchase volume was up 17.5%. Excluding special items, net earn-

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ings were \$101 million, or \$0.74 per share. Including special items, such as a large share donation to the MasterCard Foundation that coincided with the company's initial public offering, the company recorded a loss of \$310 million.

MasterCard also reserved another \$23 million for legal settlements. Litigation obligations increased \$44 million "due to settlement accruals and interest ... on U.S. merchant lawsuit liability," said MasterCard Chief Financial Officer Chris McWilton.

He attributed one-third of the revenue growth to pricing changes. On April 1, MasterCard instituted a charge to issuers and acquirers for cross-border currency conversions, regardless of whether a third party handled transactions.

At the same time, the company lowered conversion prices to issuers. The net effect was an extra \$86 million in revenue. "That's why you're seeing the operations revenue per transaction bump up this quarter," McWilton said on an Aug. 2, 2006, conference call.

Faster growth of MasterCard-branded debit transactions in the United States over the prior year is due to incentives offered to convert a large card portfolio, MasterCard Chief Executive Officer Robert W. Selander said. Debit growth was 47%. Credit purchase volume was also up 9.7%, "which is strong given the size and maturity of this market."

### The loyalty benefit

MasterCard's PayPass program was another bright spot. The company reported that 10 million cards have been issued, with 32,000 merchants worldwide equipped to accept contactless payments. A PayPass pilot with the New York Metropolitan Transit Authority launched in July.

Already, those merchants equipped with PayPass terminals are seeing

"significantly enhanced consumer loyalty," Selander said. "The frequency of purchases at those merchants has gone up dramatically within a given cohort of customers."

"The early results are encouraging," said Kenneth A. Posner, an Analyst with Morgan Stanley. "Ultimately, it [PayPass] could compete with PIN debit."

Another brand win for the card Association was Belgium's decision last quarter to convert its national debit card to MasterCard's Maestro brand. The announcement was "the first major national decision" by a European Union member in anticipation of the transition to a Single European Payments Area by 2010, Selander said.

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MERCHANT SERVICES

## Goodies abound at BPS sales conference

**A** health care program, more agent support and a focus on wealth-building are what New York-based Business Payment Systems' sales partners can expect over the next 12 months, the company announced at its fifth annual sales conference.

More than 150 merchant level salespeople (MLSs) gathered at Las Vegas' Hard Rock Hotel & Casino in August for vendor training, company updates, awards and giveaways.

Much like an episode of "Oprah's Favorite Things," booty included everything from cash, gift cards and a year's worth of gasoline, to several Infiniti FX45 12-month leases

for top-performing salespeople. One MLS was even awarded a \$20,000 bonus.

### Agents now covered

BPS will begin offering the Century Health Care Plan on Sept. 1, 2006. Any BPS agent who has at least \$500 in monthly residuals is eligible to sign up.

The company will cover a percentage of the insurance premium based on the number of an MLS' monthly installed deals. In some cases, BPS will cover the entire amount.

"You asked us about this, and we responded," BPS President Steven Feldshuh told attendees. "There's also potential for den-

tal, life and disability coverage in the future."

### Jam-packed and entertaining

Although sales conferences are far from boring, if you've ever attended one you know they typically involve back-to-back vendor presentations.

(You also get to meet representatives from the ISO to which you send your business and mingle with other sales reps.)

The information provided is indispensable, but those who stay out too late each night may find the days challenging to say the least. BPS' family of vendors decided to spice things up this year.

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★ Several Infiniti FX45 12-month leases were awarded to top-performing salespeople

VeriFone representatives, for example, gave it their all when modeling their latest POS equipment. A POS terminal mascot danced with them (as well as one could in a boxy, rectangular costume with air holes) and sang along to the Pointer Sisters' song "We are family."

Other vendors, including Access One, Advanced Restaurant Finance LLC, FastLane Secure Payments, First Funds and Northern Leasing Systems, explained

their offerings and announced special incentive programs through the end of November or December of this year. This news brought cheers from the audience.

### 35,000 and climbing

BPS had \$7 billion in bankcard volume and 35,000 active merchant accounts in 2005, according to Sam Chanin, BPS Chief Executive Officer.

He said the company, which is bringing on 1,000 new merchants a month, is ramping up for major growth by adding nearly 20,000 square feet at its main offices.

BPS is launching Helix, a residual reporting system that will also include data from vendor partners, such as Global eTelecom, IPP of America Inc. and Secure Payment Systems.

BPS is also rolling out a major public relations campaign targeted to merchants. The campaign may involve a company name change too, Chanin hinted.

"We're adding more desks, more bodies," he said, to bring sales partners "the service they deserve. And we're doing all this as salespeople, building our portfolios one deal at a time." ■

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## Gas prices from page 1

than they ever have, and it is becoming more expensive to take credit cards."

According to Rick Brennes of the Brennes Jones Group, the processing fees mean many independent gas stations are selling at or below cost.

Cindy Fencel, Chief Operating Officer of Petroleum Card Services, agrees the low margins are a threat. They "can pretty much break mom and pop," she said. "Three cents a gallon on a 20-gallon ticket isn't much."

"My credit card processing, including the infamous interchange fee, represents 11.4% of my gross profit," said Stewart Spinks, Chairman and CEO of Spinx Co., which owns 120 stations in the Carolinas.

"Frankly, I have ... a loss of \$507,000 for the first six months of this year," he said. His card processing fees are up 35% this year and will probably be over \$4.8 million total. His ISO will see only 4% of that.

### Seeking relief through lower fees

Independent gasoline retailers – the only stations served by ISOs – are pinched further by brand-name competition. Fencel said the major oil brands have reduced their credit card processing fees to help their branded locations, and this has spurred many independents to price shop on credit card processing services.

"There is a lot more volatility in the market because [merchants] are anxious for price savings," Fencel said.

"We're watching a rash of uncharacteristic behavior because [they] are just looking for some relief. We've had a few stop taking credit cards at the pump."

Some clients, lured away by promises of a 1.49% processing rate by competing ISOs, have come back to PCS after discovering that rate does not apply at the cardholder-activated terminal (CAT), she said. ISOs can alleviate this problem by making sure, when quoting rates, that they quote the pay-at-the-pump, or CAT, rate.

Another problem these prodigal sons report: finding out after they've switched that their new processor doesn't support debit and fleet cards. Andrew Hackler, CEO of PCS, said, "People offering these rates do not have the ability to integrate the full offering."

Possibly adding to merchants' problems are cash-strapped consumers who cannot afford to pay upfront. NACS estimates that 60% to 70% of all gas customers are now paying with credit, up from 54% in 2004.

One of Orion's petroleum merchants reported that consumers now prefer their credit cards to debit. "I don't know how much of a trend that's going to be, because check cards were growing dramatically," Burns said.

### The dual-pricing mambo

The dominance of credit at the pump has encouraged some station owners to discount for cash. Burns said a gas merchant asked this month if he could implement two-tiered pricing: He wanted to discount \$0.08 for cash because his margins are only \$0.03 a gallon. (Visa rules do not prohibit merchants from offering a discount for cash transactions.)

Some of PCS' gas station clients are discounting, according to Fencel. "But most don't have the convenience of cash acceptors," she said. Installing them to save on short-term high gas prices would be cost prohibitive; the expense could not be recouped within two years, Hackler said.

Still, merchants feel pinched when they lose desirable cash-paying customers to the cash-only station around the corner. BP-owned cash- and debit-only Arco stations often function as the neighborhood spoiler, with prices on regular gas sometimes \$0.10 cheaper than nearby stations.

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## CoverStory

Arco's PayQuick terminals accept cash, do not take credit, charge a \$0.35 fee to debit customers and do not process debit cards through either the Visa U.S.A. or MasterCard Worldwide networks, according to Arco spokeswoman Cindy Wymore.

In urban areas, discounting for cash gives stations an edge when Web sites devoted to posting the lowest pump prices advertise their names and locations.

The Forest Park Exxon franchisee in Glendale, N.Y., tried a cash-discount strategy last June. But a visitor to *NewYorkGasPrices.com* posted July 4, 2006, that the station had discontinued its cash pricing.

The station tried cash discounting due to high gas prices. Although cash customers liked dual pricing, the plan meant losing about 20% of credit customers, said station Manager Elvin Gorif.

Some cardholders thought dual pricing was illegal and reported them: Twice, the city's Department of Consumer Affairs showed up to verify the signage complied with local law.

The station returned to single pricing after Exxon insisted. That meant dropping the credit price and raising the cash price by \$0.04 per gallon.

According to Gorif, at a \$0.10 margin per gallon, the station, which pays 3% in fees on credit card transactions, loses money on those sales.

He pays \$0.04 to \$0.05 per gallon on the pool margin, depending on the ratio of cash to credit sales. At the end of the day, "we're making \$0.06 a gallon," he said.

As an Exxon franchise, the Forest Park station doesn't have to worry about one of the independent gas retailer's biggest new headaches: chargebacks. Exxon takes responsibility for any losses stemming from cards used outside at the franchisee's pump.

### **Just say charge it ... back**

Chargebacks are on the increase, due to two main problems: stolen cards and Reason Code 96. The latter occurs when a single gas purchase on a Visa card exceeds \$50. Visa U.S.A. rules permit an issuing bank to charge back the entire sale when it exceeds this limit, even though the cardholder does not challenge it.

"If you did that in a ski mask, you could at least get charged with a felony," said Gray Taylor, Vice President of Research for NACS.

"The injury is when [banks] hit you with a Code 96 for [a

purchase of] \$70. Some markets, at \$0.07 margins, have to sell 1,000 gallons to recapture that."

One processor reported to NACS that its chargebacks went up "four-fold" due to Reason Code 96 after gas prices rose 30% last year, Taylor said. Based only on anecdotal evidence, NACS believes the chargebacks are being generated by a few, isolated banks, including smaller ones, who may be using the loophole to improve their bottom line.

A petroleum chain reported that it was hit by hundreds of thousands of dollars in Code 96 chargebacks for a single month in the last quarter of 2005, Taylor said. That merchant persuaded some of the banks to withdraw those charges.

Brennes said Code 96 chargebacks are a "real hot issue" with petroleum merchants. Some of his clients had any Visa transaction over \$50 charged back.

"I suspect it's a [bank's] collection method for slow-pay cards," he said. As a result, Brennes' ISO has advised all its gas stations to set the pumps at \$50, require reauthorization after that, and make up for lost revenue via in-store sales.

Not all petroleum ISOs are seeing increased Code 96-generated chargebacks. "We haven't seen any change in chargebacks," Fencil said. PCS strategizes to control chargeback occurrences at the 3,000 stations it services.

"We are very vigilant that they have velocity check," preventing a card from being authorized more than twice in a 24-hour period and making the station less vulnerable, she said. If an unusual level of activity pops up, such as excessive charges coming through at 2 a.m., PCS calls the station to ensure the activity is legitimate.

And PCS was proactive in getting certification of the Address Verification Service on standard pump equipment using a key processing platform, Hackler said.

### **The limitations of limits**

With retailers' ability to set pump limits, the solution to chargebacks would seem simple: require reauthorization for amounts above \$50.

However, most petroleum merchants report that customers never bother with a second transaction. The limit costs the merchant higher sales on *all cards*, not just Visa.

MasterCard Worldwide permits sales up to \$100 at self-service, cardholder-activated terminals, although it protects the merchant/acquirer for authorization-related chargebacks only up to \$75.

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**CoverStory**

Pumps set beyond \$75 generate transactions that are deemed nonqualified by Visa and subject to downgrades, Fencil said.

And a second authorization is arduous for debit customers who keep their bank accounts at low-tide levels. A second debit within a short period can mean a hold on \$100 to \$150 for a matter of days, even if they only put in a few bucks each time.

Credit card Associations say they charge back for Code 96 violations because history has taught them higher-dollar-volume fill-ups are likely to be theft, said Jeff Lenard, NACS Director of Communications.

"The merchant has to understand ... it's for their safety, so that someone doesn't pull in with a flatbed truck and empty their underground tanks," Burns said.

Because service station CATs are card thieves' favorite places to test plastic, the use of stolen cards at the pump is on the rise, some ISOs report.

Visa imposed a limit to protect merchants from greater losses. (The card Association did not respond to a request for more information.)

"The unattended terminal keeps the merchant vulnerable," Brennes said. "In any dispute, he's going to lose because there's no signature."

Visa's preauthorization maximum, or "off-limit," of \$50 gives the retailer a measure of security against fraudulent cards, but is too low for many gas purchases, Fencil said.

On the other hand, if retailers set their pumps to \$75, they will not be subject to downgrade by Visa, but payment may not be guaranteed if the cardholder is over his or her limit. Most retailers set their off-limit at \$75. Yet, in some neighborhoods, a \$75 hold would put some debit customers in overdraft territory.

Spinx Co. increased its limit to \$75 early this year and immediately began seeing an uptick in Code 96 chargebacks, now averaging about \$2,000 a month, Spinks said.

Visa has given no indication it might consider raising Code 96 limits a bit to accommodate today's higher gas prices.

**Pushing the envelope**

While most stations cannot make a go of a dual pricing system, Spinks found the key to making it work was

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**CoverStory**

giving debit cardholders the same discount he offers cash customers.

He can do this because he negotiated a small fee discount with his ISO on debit transactions. The strategy has enabled Spinx's 40 self-branded petroleum/convenience stores to create a niche market.

Many of Spinks' customers chafe at the \$75 holds placed on their accounts. Spinks' relationship to his ISO is quite friendly. But he's aggressive with banks or credit unions that charge overdraft fees due to holds initiated at Spinx locations.

He tells the institutions, "If you're not going to reimburse them, I'm going to reimburse them, accompanied by a letter" providing the customer with names of banks that clear holds within hours.

To further reduce costs, Spinks has convinced one petroleum brand under which he owns franchises to allow him to switch from the brand's processor to his own lower-cost ISO/processor. He will test this at 10 locations to ensure his costs drop before converting all 40 stations.

Spinks encourages ISOs to be more friendly with debit by

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6. Add prepaid phone cards to merchandise offerings.
7. Use window merchandising and pump screens to advertise in-store promotions.
8. Add bill-pay to in-store services.
9. Reduce overhead and speed transaction time by switching dialup lines to broadband.

offering a discount. He also wants ISOs to offer merchants a rate on loyalty-card processing that is competitive with the rate he pays on debit cards. He thinks such a card could make customers loyal to Spinx Co.

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## Advice to newbies: Take it slow, think big picture

**By Michael Nardy**

*Electronic Payments Inc. (EPI)*

**T**he mission of "Street Smarts" is to educate merchant level salespeople (MLSs), answer some of their most frequently asked questions and voice opinions on current industry trends. The column is for new and veteran MLSs alike.

So far, this series under my authorship has covered:

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- Registration processes of Visa U.S.A. and MasterCard Worldwide
- Pros and cons of taking on liability
- How to work with agent banks
- How to network
- Explanations of specialized interchange categories (QSR and Small Ticket)
- Some tales from the trenches.

Recently, much discussion has occurred about being a "newbie" MLS in the merchant services industry. GS Online MLS Forum member Slick Streetman wrote:

"The majority of us as newbies, unaware of the very powerful tools that are available, have to attempt to reinvent the wheel, and, of course, this results in a very high attrition rate. I would guess that well over half the folks who enter our industry don't make it for the long haul."

I was once a newbie, too, and I want to share what I have learned with you. When I started working in the industry, the business seemed very elusive. I had virtually no information about how to become involved in this profession. It was, or so I thought, only for banks and processing companies such as First Data Corp.

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**StreetSmarts**

▶ **Lack of foresight is what causes most salespeople to be blinded by many of the upfront bonuses and get-rich-quick programs out there.**

business run out of a college dorm room to a major payment processing company was the furthest thought from my mind.

I just wanted to learn how everything worked: how a transaction was processed, what was behind a network, how banks interacted with customers and which businesses were best to target for building large residuals.

**Sharing lessons learned**

Every industry has something that attracts new people to it. Ours is particularly enticing because you can slowly build a steady residual stream to depend on as a significant source (if not the only source) of income.

The biggest mistakes most people make when they get into this industry, however, are 1) trying to do too much and 2) giving in to the overwhelming

notion that they are getting a raw deal when it comes to residuals.

For example, a newbie MLS (let's call him "Jack") recently signed up for EPI's program. Jack immediately wanted to register with the card Associations, market under his own name and even take on liability. Of course, I discouraged him – someone with little to no experience in merchant services – from doing any of those things.

Jack's comments weren't unlike many others I'd heard before. He said, "I've looked around, and it seems the only way to make a lot of money is to do everything."

Not so.

**Thinking about the big picture**

Many one- or two-person "shops" are paid monthly residuals higher than \$50,000. And these salespeople have been in the business, steadily signing deals for 10, even 20 years. Lack of foresight is what causes most salespeople to be blinded by many of the upfront bonuses and get-rich-quick programs out there.

I said to Jack, If you had worked for 15 years in a career and achieved an annual salary of \$600,000, did

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*"I sold my second package deal on March 7 and made over \$2,300 in commissions. If it wasn't for this package selling technique I probably wouldn't stay in the business. Stand alone bankcard is just not exciting to me." .... D. Kemp, Lafayette California.*

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## StreetSmarts

**Those just finishing college or those embarking on their first careers have ample time and opportunity to make mistakes and very little need for capital.**

you do so poorly? Well, what about working those same 15 years and not only earning a salary of \$600,000 but also earning an additional \$150,000 in annual and conversion bonuses, lease commissions, and terminal sales?

Upfront bonuses, conversion bonuses, annual bonuses and other types of signing bonuses aren't bad at all. They help get you through a period when you are trying to build that residual. Without them, many salespeople certainly couldn't continue on after signing a few accounts and receiving their first small residual check.

The point is, Jack was looking for a way to earn the largest residual in the shortest amount of time, but I wanted him to focus on the bigger picture.

It shouldn't be about a short-term windfall – I tried

explaining to him – but rather a long-term career serving as a payments consultant to merchants. And this career would provide for his family for a long time to come.

### Looking for a fair deal

A popular question on GS Online's MLS Forum as of late has been, Which is better: A 50/50 split or a 100% over a buy rate or interchange program? This column is too short to debate this issue in its entirety. I will say that there are many different compensation models and programs from which to choose.

The first deal I ever signed brought me only \$18 in monthly revenue (but it was a restaurant processing over \$50,000 in credit card transactions per month). I was definitely in a bad situation, but I ultimately got the bug for this business.

I wanted to sign more and more accounts. From Boston where I attended school, to my home in New York, I tried to solicit merchants and drum up new business.

But for me, residuals were never needed to pay a mortgage or rent, buy groceries or cover everyday living expenses. (If you are like I was just starting out, this is definitely the ideal situation to be in because residuals

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build slowly. They seem to build even more slowly when you need to cover everyday living expenses.)

I like that more and more young people are entering the industry. Those just finishing college or those embarking on their first careers have ample time and opportunity to make mistakes and very little need for capital. It makes for a great combination.

### Finding a win-win situation

Do I think the first deal I had was a mistake? Certainly not. After all, it got me into this business.

However, getting back to Jack, who feels he needs to "do everything" to make money in this business, I'll share something I often tell other potential ISOs:

You must choose your partners well, but you can still use multiple vendors for your processing, for gift and value cards, check services, leasing, etc.

What's important is that at the end of the day we (in this case EPI) need to be comfortable with the level of profitability we have on your accounts, and you need to be comfortable with the level of residual payout you receive from us.

### Comparison shopping

The best advice I can give to newbies is to start slow. Build your residual stream and pipeline, and spread your residuals around. There are no "raw deals," just learning experiences.

If you become involved with a company that you don't think pays you well, don't just up and quit. Try another processor and see how the residuals compare.

Processors always want an ISO's or MLS' business. Chances are they would relish the opportunity to be pitted up against the competition rather than have you quit their program for good.

An example of this: advertisements in our industry's trade publications. There is always an "us versus them" mentality when it comes to which company has the better program. As an MLS, you can certainly take advantage of that.

*Michael Nardy is Chief Executive Officer of Electronic Payments Inc. (EPI), a founding sponsor of the National Association of Payment Professionals and one of The Green Sheet magazine's Industry Leaders.*

*EPI is one of the nation's fastest growing privately held payment processing companies offering ISO and MLS profitable partnership programs and cutting-edge tools to help their portfolios grow. To learn more about partnering with EPI, visit [epiprogram.com](http://epiprogram.com) or e-mail Michael at [mike@elecpayments.com](mailto:mike@elecpayments.com).*

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\*Based on *The Nilson Report's* "2005 Top U.S. Bank Card Acquirers" consolidated list.

## Education (continued)

# The skinny on chargebacks and disputes – Part I

By Ross Federgreen

CSRSI

This is the first article in a three-part series designed to provide you, ISOs and merchant level salespeople (MLSs), with the necessary knowledge to help your merchant clients deal with chargebacks and disputes. Since this is a very complicated area, the goal is to provide basic information and not to be an exhaustive review.

### Basic concepts

ISOs and MLSs are asked regularly about disputes, chargebacks and other notifications. These are issues that concern every merchant. If ISOs and MLSs don't fully understand the basics of these important events, they will be unable to help their clients effectively. This leaves them vulnerable to client loss because merchants may seek information from other sources.

There is much confusion about disputes and chargebacks and the process or processes that are behind these events. Essentially, a *dispute* is caused when a consumer denies the validity of a transaction for one of many reasons. This is sometimes called a *retrieval*.

A *chargeback* occurs when the merchant fails to respond appropriately, as determined by the issuance bank; fails to respond in a timely manner; or fails to respond at all to a notice of a dispute or notice of a chargeback.

### What is the dispute/chargeback cycle?

It is very important that merchants have a basic understanding of the chargeback/dispute cycle. Certain keywords and concepts need to

be fully explained to them. These include first presentment, retrieval, first chargeback, re-presentment, second chargeback and arbitration. They are explained in the following chargeback/dispute cycle steps:

**Step 1:** An authorized cardholder uses a bankcard for a purchase from a merchant who accepts the card brand.

**Step 2:** The merchant sends the transaction electronically to the appropriate merchant-acquiring institution. The transaction information is then sent to the issuance bank through the processor, using the MasterCard Worldwide/Visa U.S.A. system. This is called *first presentment* because the charge is being presented for the first time as a valid charge.

**Step 3:** The issuance bank sends a statement including the charge to the cardholder for payment.

**Step 4:** The cardholder disagrees with the charge and contacts his or her issuance institution to make the disagreement known.

**Step 5:** The customer service/dispute representative from the issuance institution takes the call from the authorized cardholder. The customer service representative sends to the authorized cardholder a dispute form to be filled out and returned.

Once the dispute form is returned, a *retrieval* request containing all pertinent information related to the disputed transaction is sent through the dispute channels to the processor/acquirer of the merchant in question. The attempt at this point is to receive back from the merchant a valid copy of the sales draft (card present environment) or retrieve direct relief of the charge.

**Step 6:** Pending the results of step 5, the item is placed into a disputes process, which is called a *first chargeback*. The issuance bank is requesting that the merchant take back the charge.

**Step 7:** The merchant responds to the disputed item.

**Step 8:** The acquirer/processor receives the merchant's response. If the acquirer is satisfied with the response, it sends back the charge to the issuance bank as a *re-presentment*. The acquiring bank is re-presenting the original charge.

**Step 9:** Upon receipt of the response, the issuance bank determines if the charge is valid. If the charge is not valid, the issuance institution returns the chargeback to the acquiring bank as a *second chargeback*.

**Step 10:** If the acquiring bank is still in disagreement, it can request that the matter be sent to *arbitration*. During arbitration, a neutral third party from either card Association hears the facts and makes a ruling. The ruling is final.

### Three critical factors

All merchants must understand three critical factors: merchant responsibility, time frames and record keeping.

All merchants are ultimately responsible and liable for chargebacks and disputes issued secondary to consumer complaints under their distinct merchant identification numbers. Many merchants, especially merchants with smaller transaction volumes, do not seem to understand this concept. It is your job to make clear to merchants in your portfolio that they must respond to these events.



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## Education

All of these activities occur under specific time frames set by MasterCard and Visa. The actual time frames under which a specific merchant may be required to respond are driven by institutional decisions but may not exceed the Associations' regulatory limits.

The following parameters pertain to the amount of time merchants have to respond to 1) retrievals and 2) chargebacks. The amount of time allotted to merchants in each of these situations can vary depending on type of card used and whether the transaction in question was domestic or foreign.

### Retrievals/disputes

- **Domestic (Visa and MasterCard):** Merchant has 30 days to fulfill sales draft request.
- **Foreign (Visa):** Merchant has 45 days to fulfill sales draft request.
- **Foreign (MasterCard):** Merchant has 30 days to fulfill sales draft request.

### Chargebacks

- **Domestic (Visa and MasterCard):** Issuer has 118

days to key in chargeback; merchant has 45 days to contest chargeback; issuer has 45 days to key in second chargeback; merchant has 45 days to file for arbitration.

- **Foreign (Visa):** Issuer has 118 days to key in chargeback; merchant has 60 days to contest chargeback; issuer has 60 days to key in second chargeback; merchant has 75 days to file for arbitration.
- **Foreign (MasterCard):** Issuer has 118 days to key in chargeback; merchant has 45 days to contest chargeback; issuer has 45 days to key in second chargeback; merchant has 60 days to file for arbitration.

Record keeping is a must. Many merchants still do not save sales receipts or keep accurate transaction records. Therefore, if a dispute/chargeback occurs, they are at a significant disadvantage. The basic requirement is to prove that the authorized cardholder entered into the transaction and acted with knowledge.

Part II of this series will discuss individual dispute codes and response patterns.

*Ross Federgreen is founder of CSRSI, The Payment Advisors, a leading electronic payment consultancy specifically focused on the merchant. He can be reached at 866-462-7774, ext. 23 or [rfedergreen@csrsi.com](mailto:rfedergreen@csrsi.com).*

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## Education (continued)

### Legal ease

# Payment process patents: A threat to freedom of commerce?

**By Adam Atlas**  
Attorney at Law

**M**ost of us have thought of new payment methods, but few among us have bothered to go out and get patents on those methods. Holding a patent on a payment method or process is, theoretically and potentially, very profitable. In reality, however, it can be costly and sometimes impossible for patent holders to collect royalties from all businesses that use their methods.

### Why you should care

It's important for payment professionals to be aware of method or process patents. Why? All participants in our industry are potentially at risk of having a patent holder demand payment for use of a patented payment method.

Let's say (for discussion purposes only) that someone has a U.S. patent on the methods underlying online registration systems used to sign up new merchants. If that patent is valid, the patent holder could prevent anyone in the United States from signing up new merchants through an online registration system without permission from the patent holder.

Just like the patent holder on a new carburetor has a monopoly on that device, holders of business method or process patents have a monopoly on the use of specific business methods or processes. Patent law allows patent holders to exercise a monopoly over the use of their patents.

### What is a business method or process patent?

A business method or process patent is just like any other patent, except it relates to a specific, novel business method or process.

To illustrate how far-reaching payment business process patents can be, here are brief descriptions of two such patents:

- **EInvoicing:** U.S. Patent No. 6,578,015, held by Oracle International Corp., is a "computer-implemented method of presenting an electronic bill from a biller to a customer over a computer network [and] includes steps of receiving biller-originated bill data and bill format data over the network into a bill presentation and payment database." In plain English, the patent is on a method of presenting bills over the Internet, a practice common among telephone, cable and utility suppliers.

- **Automated Payment:** U.S. Patent No. 6,941,281, held by AdvanceMe Inc., is a method to allow the automatic repayment of a merchant obligation.

### What can a patent holder do with a patent?

Patent law permits holders of valid patents to forcibly prevent others from using their patents. In the case of business payment method patents, patent holders could prevent anyone in the industry from using their methods without permission.

The usual approach is to demand a license fee in exchange for the right to use the patent. Levying of such fees can potentially result in a patent holder effectively levying a tax on a whole segment of the market that happens to be

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**Education**

using its idea. This is true even if the holder hasn't sold a single product embodying its idea.

**Problems with payment method patents**

Business method patents have been heavily criticized lately. Some people believe they make it too easy to essentially levy a tax on an entire market segment for simply being the first to put an idea on paper. Payment method patents are problematic because they could, perhaps, have the unintended effect of stifling creativity and competition in the payments market.

Sales organizations are already facing stiff competition and slim profit margins. They cannot generally afford to pay a material percentage of their revenue to a patent holder that isn't contributing to the commercial success of the method over which it holds a patent.

With the large number of business process patents that have been filed in recent years, payment professionals should be prepared to receive cease and desist notices from new and existing patent holders that wish to levy license fees on their inventions.

**What you can do**

To remain valid, patents have to be novel and inven-

tive. You can't patent the wheel; it has already been invented. One way of testing this is to review what is called the "prior art" related to the patent. Prior art includes a huge assortment of sources. Industry publications like *The Green Sheet* and any document that is published and available to the public are examples.

So, if you have a new payments idea, and you don't want to see it patented, write an article about it, or publish a Web page that describes the idea. If you do that before someone else applies for a patent on the method, it will not be patentable. Alternatively, if you want to patent your new idea and perhaps profit from it, call your lawyer.

Is this phenomenon boon or bane? The answer is likely in the eye of the patent holder ... or nonholder.

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## Education (continued)

**MILLIONAIRE IN YOU**

# A new take on lead development - Part II

**By Jason Felts**

*Advanced Merchant Services Inc.*

*Editor's note: This is the second article in a two-part series. The first article, "A new take on lead development - Part I" (The Green Sheet, July 24, 2006, issue 06:07:02) covered lead generation using a direct marketing approach.*

**I**magine a world in which prospects call *you* to secure a credit card processing relationship rather than the other way around. Unfortunately, that wonderful world only exists in our dreams, right? We live in the *real* world, where hitting the street is still standard practice. Or is it?

Have you ever met highly successful merchant level salespeople (MLSs) or small sub-ISOs making \$300,000 to \$500,000 per year? Have you wondered how they reached those income levels? I'll guarantee you nine times out of 10 the differentiator is in how they generate leads. What's the secret?

Those salespeople have simply found an effective niche, which they are able to translate into signed merchant applications. They have developed relationships with third parties (such as banks, associations and vendors) that offer leads through their endorsements. And these leads often result in *merchants* calling the salespeople.

Hoping to garner insightful strategies from those agents, I recently posted the following questions on GS Online's MLS Forum:

- What type of organization (card Association, financial institution, etc.) has endorsed you and your processor because of your legwork?
- How did you secure the endorsement?
- What has it meant to your career, business and income?

I received only a few responses, one of which certainly shed some light ... on why I received so few responses:

"You aren't going to get any specifics from the MLS, I don't

think," MLS Forum member *utah997* wrote. "If it's successful, they don't want anyone else to know about it.

"I will say that one of our most successful partnerships has been with a large Web development company. This has provided quite a few leads each month. These are the highest volume [types of] merchants, but a good relationship nonetheless. The amazing thing is we have not had to pay back any percentage of profit to them. They simply want a partner who is reliable, informed and responsive."

**Have you ever met highly successful merchant level salespeople or small sub-ISOs making \$300,000 to \$500,000 per year? Have you wondered how they reached those income levels? I'll guarantee you nine times out of 10 the differentiator is in how they generate leads.**

MLS Forum member *Slick Streetman* agreed that third-party endorsements can be lucrative. He suggested developing expertise in various niche markets, such as business-to-business (B2B), heating and air conditioning, locksmiths, medical practices, petroleum, and the hotel/motel industry.

"I have three very big endorsements," MLS Forum member *jcolvin* wrote. "And the one endorsement ... I thought would be impossible, the Caddo Parish Public School system, was just given to me this month. A public school system. Can you believe it? ... To answer your question, yes, it makes a huge difference."

Wouldn't you like to be known to hundreds or even thousands of merchants as "the credit card guy or gal"? Whenever a credit, debit or ATM need arises, wouldn't you want to be the only professional merchants call? Let's scratch the surface of possibilities. Following is a comprehensive list of where to go to secure such relationships:

### Local banks and credit unions

A solid agent-bank program is paramount. Make sure your processor can assist you in securing relationships with financial institutions.

Most small banks refer business to a third-party provider, as they are not interested in or capable of bringing merchant acquiring in-house. Credit unions offering business checking accounts also create

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- Jeff Adcock, President, Veritrans, LLC -



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**Associations**

Thousands of associations (including trade associations) are listed with their contact information in various business directories and Yellow Pages.

You can use the Internet to research them. I have found hundreds of Web sites listing all the different associations. I've also found sites of individual associations that include their current endorsements and endorsement procedures.

Associations cater to the special needs of their respective members. Often, loyal and trusting members will do business only with vendors their association specifically endorses.

An example of the opportunity this presents: A father-son team representing Advanced Merchant Services recently solidified a referral deal with an association that has over 2,000 business members.

**Franchisors**

When franchises agree to endorse your business, they

will offer your services to their franchisees. When someone buys a franchise and takes a "business in a box" approach, nearly 100% of the time they will work initially with whomever the franchisor recommends.

That is precisely one of the reasons they bought a franchise. In the early stages of setting up a business, the last thing they want to do is spend time researching vendors.

**Web designers and ISPs**

Secure multiple lead streams with Web and Internet service providers. An endorsement from a Web design company or an ISP will make your telephone ring. Think about it. While working with a merchant to create an e-commerce site, who better than a Web designer to recommend you as a merchant account provider?

**Your merchants**

Leveraging your current merchant base is a fantastic place to start generating leads from third parties. Is a sign shop or a printer in your portfolio? These are always two great sources for new business referrals.

At Advanced Merchant Services, a local cosmetology school recently agreed to endorse us. Many of this busi-

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**Education**

ness's students went on to open shops of their own, and guess who they called for payment processing services? I bet similar gold mines are in your portfolio.

**Software and other B2B vendors**

Work to secure relationships with restaurant, hospitality and retail software vendors such as Aloha and Micros. This is yet another fantastic way to get your phone ringing.

To understand the power of such relationships, think about the success of the QuickBooks merchant services partnership. Securing strategic relationships can pay off significantly.

In addition, opportunities abound with B2B vendors. For example, we struck up a relationship with our phone vendor. Some of our sales partners have relationships with their payroll companies.

Think about those with whom you do business and determine if opportunities exist for exchanging leads.

**Salespeople and other professionals**

Have you considered building relationships with other salespeople? Attend a chamber of commerce

event and team up with a local copier salesman or a commercial realtor focused on leased space. How many business-to-business salespeople do you know? Why not make them part of your own selling program?

Also consider CPAs and corporate attorneys. Their clients trust them and regularly follow their advice. These professionals have been a solid source of referral business for us time and time again.

Remember, the key to successful lead generation, and any other business tactic, is putting together a strategic plan that includes working smarter, not just harder. The result: That ethereal concept of merchants calling *you* goes from dream to reality.

*Jason A. Felts is the Founder, President and Chief Executive Officer of Florida-based Advanced Merchant Services Inc., a registered ISO/MSP with HSBC Bank. From its onset, AMS has placed top priority on supporting and servicing its sales partners. The company launched ISOPro Motion, its private-label training program, to provide state-of-the-art sales tools and actively promote the success and long-term development of its partners. For more information, visit [www.amspartner.com](http://www.amspartner.com), call 888-355-VISA (8472), ext. 211, or e-mail Felts at [jasonf@gotoams.com](mailto:jasonf@gotoams.com).*

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WHERE FORMS FOLLOW FUNCTION

## Education (continued)

# Are you getting what you deserve?

By Tom Della Badia

IRN Payment Systems

**E**ach day, my phone rings with questions from ISOs and merchant level salespeople (MLSs), new and experienced. They want answers on how the industry works, how they can be profitable (or more profitable) and the types of businesses on which they should focus. This article provides answers to some of those questions.

First, a note about profitability: If you aren't generating the margins I talk about in this piece, and you feel you are pricing your merchants correctly, ask your current partner for a better pricing deal or look elsewhere. After all, a lot of people make a nice living in this industry ... so why shouldn't you?

### What types of accounts should I target?

There really is no right or wrong answer. Much depends on your business model, assuming you have one, and the maturity of your current portfolio. Keep in mind that large-volume accounts can be tougher to land and will require more time, resources, meetings, presentations, etc.

Don't be disillusioned. It's not unusual for one of these negotiations to drag on for months.

In the meantime, you need to be out looking for ordinary merchants, those whom you are able to close with only one or two visits. Signing 12 to 15 of these accounts per month, every month, will quickly build your portfolio. This should get you more than \$5,000 per month in residual income after 12 months (based on average merchant figures of \$8,000 per month and a 45 basis-point spread, which I'll explain shortly).

Building your portfolio this way will allow you time to go after large-volume accounts in a relaxed, professional manner.

### Should I even bother with very small merchants?

Why not? Small-volume merchants often take up a lot of your energy, but over time they may become big merchants. Servicing the small guy can also lead to referrals for other, larger merchants. Targeting very small merchants might not make sense to you, but don't turn them away when given the opportunity. It only takes one of these to lead you to a biggie.

### How much should I be making per account?

Again, the answer depends on what works for you. The most successful agents/offices seem to have one thing in common: They know how much they want to make on every account in dollars or in basis points. Consider the margin, or basis-point spread, when soliciting an account or evaluating your portfolio. You are in good shape if you are making a *minimum* of 45 basis points.

### How can I figure out my basis point spread?

Basis point spread is your residual divided by merchant volume. For example, if your residual is \$4,500 per month, and the total merchant volume is \$1 million, your spread is 45 basis points for that month ( $4,500 \div 1 \text{ million} = 0.0045$ ).

If you are not averaging 45 basis points, you are either not charging enough or, more likely, you need to reevaluate your pricing program. It's not uncommon to find ISO/MLS portfolios averaging 60 basis points or more.

How do I get 45 basis points on a competitively priced, large-volume merchant?


Often you can't. If you're in talks with a merchant who has a volume of \$500,000 per month, chances are the merchant already has decent pricing. If you want the business, you might need to price it at the level where you get 15 basis points, for example. Fifteen basis points on \$500,000 equates to \$750.

Is that enough? Only you can answer that question. Look to average 45 basis points across your *entire* portfolio. Then you will be able to go lower for large-volume accounts, which generate much more income due to their volume.

Conversely, some low-volume merchants generate 60 basis points or more per month. But a merchant processing \$8,000 per month and generating 60 basis points in revenue nets you \$48. And if you're getting that, then you're getting what you deserve. 📌

---

*Tom Della Badia is Vice President of Sales at IRN Payment Systems. IRN has provided electronic payment processing solutions through its PartnerAmerica program to businesses nationwide for over 18 years. Services include credit card and check/debit processing for merchants, retailers, manufacturers, distributors and wholesalers of all sizes, from individual facilities to multiple and chain operations. For more information, call Della Badia at 800-366-1388, ext. 210, or visit [www.partner-america.com](http://www.partner-america.com).*

A man in a dark suit and tie is laughing heartily, his head tilted back and eyes closed. The background is a light gray with numerous US dollar bills falling or floating around him, creating a sense of wealth and success. The overall tone is celebratory and positive.

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## Education (continued)

### The zen of zip

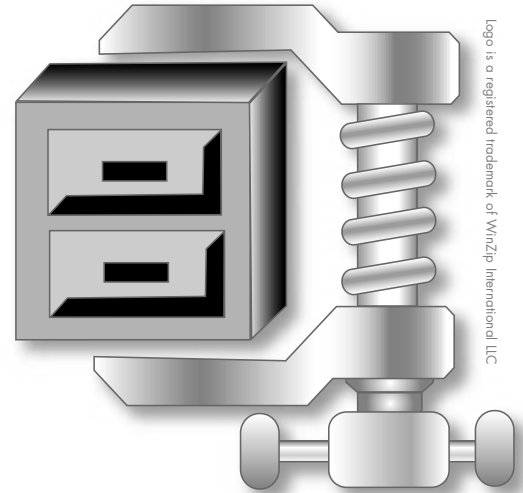
By Joel Rydbeck  
Nubrek Inc.

It's easy to open zipped files. Many Web sites and nerdy folks out there send them routinely. Yet a lot of people get nervous when someone asks them to zip up a file themselves. As we use larger and more complex applications, the data files we create can also be larger and more cumbersome. So, what should you do when a file is so large you have trouble e-mailing it or transferring it to another computer? The answer is ... zip it, zip it good.

In this article we will look at what actually happens when you zip a file, benefits to zipping and several good zipping programs. This is your chance to take the zip by the horns and enjoy one of the most efficient technologies available.

#### It's hip to zip

Zip technology enables you to compact and combine multiple files into one single (and often smaller) file that can be easily exchanged with other people. If you need access to the files that were zipped, you can swiftly unzip them and read or update the data at any time.



Logo is a registered trademark of WinZip International LLC

Aside from the obvious perk of making a file smaller, zipping comes with some other nifty benefits:

- E-mails containing zipped files upload and download faster than unzipped files.
- Many e-mail systems remove .exe files and other types of attachments; zipped files are able to pass through unimpeded.
- Zipping enables you to easily collect many files and directory structures into one file.
- Zipped files can be password protected so only intended recipients (or you) can open them.
- Zipping is an efficient way to maintain and preserve file archives as well as back up current files.
- Zipping's built-in error checking helps ensure that files remain complete and intact.

#### Zippity do doc

Zip technology may sound intimidating but it's actually pretty simple. Here is how it works. In a given article, I probably use the word "and" 25 times. Every time I spell out "and" and put a space after it, I use four letters. That means I'm using about 100 letters to say "and" over and over.

A zip program looks at my repeated use of "and" and decides that instead of storing it as the word "and," it will use the digit "1." That reduces the size of the file by 75 letters. And that's only the beginning of the compression.

#### Ziptastic tools

Occasionally, zipped files get corrupted in transit. However, good zipping software will alert you if errors develop and will even correct them sometimes. Keep in mind that applications with advanced features will be

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more challenging to use. Here are some spiffy, basic zip tools to consider:

- **Windows XP:** By default, Windows offers the ability to zip and unzip files. If you see a file folder with the zipper icon, you'll know it's zipped. By double clicking on it you can view and update the contents almost as if it were an ordinary file. This feature comes with Windows XP at no extra charge.
- **WinZip:** WinZip has been a leader in file zipping since the mid-1990s. It's a touch complex, but you can do several things that Windows XP's default zip cannot, such as create automated zip jobs and zip and burn directly to CDs and DVDs. Robust versions range in price from \$19.95 to \$59.95. There's also a free version. For more information visit [www.winzip.com](http://www.winzip.com).
- **7-Zip:** This is a great free zip tool that can handle additional zip formats (open-architecture, high-compression and encrypted, for example) that Windows doesn't. I use this for most of my zipping. For further details, visit [www.7-zip.org](http://www.7-zip.org).

Additional zip programs include SnapZip ([www.snapzip.com](http://www.snapzip.com)), WinRar ([www.rarlab.com](http://www.rarlab.com)), PKZip ([www.pkware.com](http://www.pkware.com)) and many more.

### Zip, zippin' away

Why not start with Windows XP's basic zip tools if you haven't already tried them? Zipping a file in XP is easy: Right-click on a file or folder in one of the locations where you store documents.

Select "Send To," and then select "Compressed (zipped) Folder." The zipped file or folder will appear in the same location as the original file or folder.

To zip more than one file or folder simultaneously, shift-click on the files or folders you want to compress. Next, keep the shift key down while you right-click. Then select "Send To," and select "Compressed (zipped) Folder."

For more features, like password protection, faster encryption, smaller files, etc., look into one of the other products I've described. A few mouse clicks, and you'll be zippin' along with the nerds. ☺

---

*Joel Rydbeck, Chief Technology Officer of Nubrek Inc., brings his strong background in e-commerce and business process automation to the merchant services industry. Nubrek offers eISO, a Web application for ISOs that tracks leads and provides automated residual and commission reports. For more information on eISO or to view a free demo, visit [www.nubrek.com/eiso.html](http://www.nubrek.com/eiso.html). E-mail Rydbeck at [joel@nubrek.com](mailto:joel@nubrek.com).*



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# New Products

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**Product: Credit Card Charger software plug-in**

*Company: Atandra Systems*

If merchants are hard to reach because they're busy working on the books, you can free up their time with the Credit Card Charger.

The software, developed by Atandra Systems, is a plug-in to Intuit's QuickBooks accounting software. It allows merchants to process payments on Authorize.Net while they record sales into QuickBooks with one click. Gone is the need to re-key all those sales into back-office accounting programs. The plug-in integrates QuickBooks with the Authorize.Net payment gateway.

The software has just received certification for use with MagTek magnetic swipe readers for capturing card transactions and transferring them to QuickBooks, according to Priya Narasimhan, Atandra's Vice President of Marketing. The program then goes into action, passing the transaction off to Authorize.Net. After a successful charge, the invoice is automatically updated to paid status.

Available since March, Credit Card Charger has just added refund and reconciliation features. The plug-in is designed for phone, catalog and mail-order sales; face-to-face retailers using Internet protocol-

based processing; and e-commerce. The e-commerce solution, T-HUB, downloads online orders into QuickBooks in real time; T-HUB also assists with order fulfillment.

With Credit Card Charger, customer-contact details and credit card information are directly read from QuickBooks and submitted to the payment gateway via secure methods. Certified by Authorize.Net, the plug-in doesn't retain customer information or payment details once a charge is successfully processed.

All within QuickBooks, the software can be used to charge pending invoices and sales receipts; record payment; charge every time a new sale is recorded to QuickBooks; and batch process daily. It also processes electronic checks and Wells Fargo SecureSource transactions.

The plug-in installs locally on the merchant's computer. The module requires

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**Aircharge merchants go BlackBerry-picking**

**Product: Wireless payment processing software**

Company: Aircharge Inc.

On-the-go merchants now have a new cell phone option for Aircharge wireless payment processing software. Working with Sprint Nextel Corp., Aircharge has adapted its software to the popular BlackBerry device for mobile payment processing.

The software enables credit card and signature debit swipes on a BlackBerry device, as well as Java-enabled Sprint and Nextel phones. Aircharge can be loaded over the air to the merchant's BlackBerry.

Mobile merchants use Aircharge-equipped devices to accept card payments for limousine and delivery services and tradeshow and flea-market sales. The software enables real-time, Internet-based transaction reporting and processing.

The company's JavaME software for wireless payment processing is certified to operate on the Sprint PCS Network using BlackBerry models 7130e and 7250 and on the Nextel National Network using the BlackBerry 7100i and 7520.

The Aircharge wireless payment solution is compatible with multiple front-end processors. The software complies with Visa U.S.A., MasterCard Worldwide, Discover Network and American Express

rules regarding storing, printing and viewing card information.

Data may be transferred securely for on-the-spot transaction approvals, reducing merchant fees, chargeback losses and fraud. Transactions processed at the POS may be closed out daily via automated batch settlement. Simplified amount entry screens assist accurate data capture, reducing back-office manual processing.

Optional features include tip entry, order/invoice number entry, disable refund option and additional security with entry of the last four digits for swiped card transactions. The software's manual transaction capability uses Address Verification Service security.

Customizable options include a swipe card reader or swipe card reader/printer. Swipe and printer units use no phone power and are easily connected and interchanged between like phone models.

Every customer activating an Aircharge device is given a gateway account, which provides features such as virtual terminal processing, current batch monitoring, activity reports, individual unit reporting and historical data exported to a spreadsheet program.

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# Inspiration

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**Our faults irritate us most when we see them in others.**  
- Dutch proverb

## Dripping faucet or fresh air: Which one would your customers liken to you?



**W**hat gets your goat? Several annoying things probably just popped into your mind. But how do you know what rattles your customers?

Do the wrinkles in your favorite comfy shirt make some of them recoil? Does a terse tone in your voice when you're rushing at the end of the day make them see red?

What about the time your cell phone interrupted an important meeting every few minutes? Your client said it was OK, but was it, really?

Of course, as a sales professional, you would never intentionally irritate your customers. You've worked long and hard on their behalf. You want to keep their business. But, if you're getting on clients' nerves you'd like to know, wouldn't you? Because when you're aware of problems, you can fix them.

### Bypass the fortune cookies

The trouble is most clients won't tell you if you're affecting them like a burr under the saddle. They'll simply wait for their contracts to expire and move on. But don't resort to tea leaves or Tarot cards just yet. Thanks to a survey from market researcher TNS NFO, we have a bit of insight into what annoys people.

The survey of more than 1,000 consumers, commissioned by PetAgree Products, identified the top annoyances and irritations consumers encounter daily. Might you be guilty of infractions? Read on to find out.

- **Grouchiness:** Are you a glass-is-half-empty or half-full type of person? If you see things from the bright side, you are less likely to irritate people. Eighty percent of survey respondents listed "grouches" as annoyances. So, smile a little more and do your best to be jovial, even when you aren't having one of your best days.

- **Poor service:** Providing quality service is another way to get on your customer's good side. Eighty



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percent of respondents listed poor service as a major frustration.

- **Tardiness:** If you are prompt, your clients are more likely to purr than roar. Fifty-nine percent of respondents reported they are irritated when people are late. No one plans to be late for an appointment, so set your watch a few minutes ahead of the actual time, and allow extra time for traffic and unforeseen delays.

- **Disregard:** You don't enjoy being left out, and neither do others. Fifty-eight percent of those surveyed said they don't like to be ignored. To let your customers and prospective customers know they matter to you, be sure to listen well. And make sure they can tell that you are listening. A good rule of thumb is to speak half as much as you listen.

- **Phone abuse:** Indiscreet or excessive cell phone use can also tick off your customers. Fifty-six percent of survey respondents listed cell-phone abusers as irritants. So, before you meet a client or potential client, make sure your cell phone is off, or at least in silent mode.

- **Messiness:** More than a third of respondents indicated they don't cotton to disorder: Thirty-nine percent said they were irritated by messy people. So, before you head out the door, your clothes should be clean and wrinkle-free; your shoes should be scuff-free; and your paperwork (especially any agreements that need to be signed) should be in the proper order and free of any spills, rips or wrinkles.

**Be a peach**

Much of this is common-sense advice. But in today's busy world, it's easy to rush through meetings or forget to comb your hair after you've stepped outside. So, become your own drill sergeant, only more kindly, making sure everything about your presence sparkles. You work much too hard to win and retain business to risk losing it to something petty and preventable.

Do your best to be pleasant especially when you don't feel like it. Be punctual, if not early. Provide exceptional service all the time. Listen. Be neat and organized. Use proper cell phone etiquette. Then instead of being like a piece of eggshell that's fallen into an omelet, you'll be like fine wine warming your customers' discerning palates. You'll have them eating out of your hand, so to speak.

Good Selling!<sup>SM</sup>



Paul H. Green, President & CEO



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# DateBook

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



## Western Payments Alliance Payments Symposium 2006

**Highlights:** The conference will examine the ongoing convergence of paper and electronic payment processes. Topics will range from the future landscape of payments, global perspectives on fraud, data security concerns and legislation updates, to lessons learned from the Gulf States disaster and recovery. Dr. Donald Kohn, Board of Governors of the Federal Reserve System, will deliver the keynote address Monday morning. More than 250 senior payments professionals and 25 corporate exhibitors are expected.

**When:** Sept. 10 – 12, 2006

**Where:** The Westin Casuarina Hotel, Casino & Spa, Las Vegas

**Registration:** Visit [www.wespay.org](http://www.wespay.org) or call 415-433-1230



## Electronic Transactions Association Strategic Leadership and Networking Forum (SLNF)

**Highlights:** SLNF is the premiere networking event for all payments industry executives. This year, attendees will hear from

Steven D. Levitt, co-author of the best-selling *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. Also offered will be presentations from industry leaders and coverage of the industry's most pressing issues, including interchange, data security, risk management, and new and evolving collection and risk-based technologies.

**When:** Sept. 12 – 14, 2006

**Where:** Loews Miami Beach Hotel, South Beach, Fla.

**Registration:** Visit [www.electran.org](http://www.electran.org) or call 800-695-5509



## Women Networking in Electronic Transactions (W.net)

*Smart or Sexy – Are You Projecting the Right Image?*

**Highlights:** Women heading to Miami Beach this September for ETA's SLNF should clear their schedules in the afternoon to attend W.net's second meeting of 2006. W.net is a membership-based nonprofit startup organization that seeks to provide women in payments a forum for networking, education, mentoring ... and fun. The upcoming meeting will feature a presentation from image consultant Susan Bigsby ([www.susanbigsby.com](http://www.susanbigsby.com)). For more information, read "W.net: One step at a time," *The Green Sheet*, May 8, 2006, issue 06:05:01.

**When:** Sept. 12, 2006, 3:00 p.m. – 5:30 p.m.

**Where:** Loews Miami Beach Hotel, South Beach, Fla.

**Registration:** Visit [www.w-net.biz](http://www.w-net.biz) or e-mail Holli Targan at [htargan@w-net.biz](mailto:htargan@w-net.biz)



## Intele-CardExpo

*The Prepaid Show, Fall 2006*

**Highlights:** Now in its 12th year, this conference draws representatives from diverse sectors of the prepaid industry including manufacturers, issuers and distributors; wireless, DSL and VoIP providers; payments processors and ISOs; corporate and vertical market end-users; and many more. Over 100 exhibitors are expected. A comprehensive educational program led by industry leaders caters to neophytes and pros alike. It offers sessions in three tracks: wireless, retail, distribution and "next gen." Keynote address will be given by Brian Turner, CFO of Coinstar, a multinational company specializing in kiosk and in-lane delivery of prepaid products. He will discuss the impact prepaid products and services have on economic expansion.

**When:** Sept. 12 – 14, 2006

**Where:** Mandalay Bay Resort & Casino, Las Vegas

**Registration:** Visit [www.intelecardexpo.com](http://www.intelecardexpo.com) or call 800-883-8353, ext. 102



## ATM Industry Association (ATMIA)

*ATM Security in the Americas 2006*

**Highlights:** "Fighting Fraud with Today's Technology and Industry Best Practice" will be the topic for ATMIA's conference. Sessions will cover:

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- Identifying the biggest threats to the ATM industry, such as physical ATM crime, global fraud and cyber crime at Windows XP ATMs, and how to defend against them.
- Problem solving related to understanding multichannel security; defeating insider fraud; using tools to combat physical crime; and providing lifecycle security for ATMs and the POS.
- ATM security tools, including strategies, security solutions and best practices, and the Global ATM Security Alliance's efforts to combat all types of ATM crime.

The first breakout session will address solutions to specific crime and fraud types; a second breakout session will cover fraud trends for Canada, Latin America and the United States.

**When:** Sept. 13 – 15, 2006

**Where:** Hyatt Regency Scottsdale Resort and Spa at Gainey Ranch, Scottsdale, Ariz.

**Registration:** Visit [www.atmiaconferences.com](http://www.atmiaconferences.com) or call Dana Benson at 605-528-7270



**Western Payments Alliance**

*Basics of ACH Receiving Workshop*

**Highlights:** For those who are new to the subject of the automated clearing house (ACH) or need a refresher, this full-day course will focus on receiving ACH transactions, from the point of view of the receiving depository financial institution (RDFI).

The workshop will review the fundamentals of ACH operations, including transaction-processing flow, settlement flow, electronic check applications and fundamental concepts for RDFI compliance. An examination of ACH exception processing requirements will include new ACH rules that affect returns, notifications of change, stop payments and adjustments. The session will provide insight into common mistakes and how to correct them. Course handouts to take home are intended to be used as a comprehensive desktop reference and will include WesPay's Return Entry Survival Guide.

This course is considered a prerequisite for subsequent workshops: ACH Risk Management, in October, and ACH Rules Implementation, in January.

**When & where:** Sept. 19, 20, 27, 28; location varies

**Registration:** Visit [www.wespay.org](http://www.wespay.org) or call 415-373-1188



**NetWorld Alliance**

*The Self-Service & Kiosk Show*

**Highlights:** This show will focus exclusively on self-service and the customer experience. It's a chance for those who develop and implement self-service programs to learn from experts, meet with vendors and mingle with peers during workshops and seminars and in the exhibit hall. Keynote speaker T. Scott Gross, author of *When Customers Talk*, promises to help you turn what your customers tell you into sales. Preconference workshops will delve into basics of kiosk technology, project roll-outs and success. Conference sessions will examine many successful deployments including those used in employee training, photo self-service, supermarket self-service and financial services. A final session will even recap 63 things you should have learned from the show.

**When:** Sept. 28 – 29, 2006

**Where:** Henry B. Gonzalez Convention Center, San Antonio

**Registration:** Visit [www.selfservicekiosk.com](http://www.selfservicekiosk.com) or call 502-241-7545



**Western States Acquirers' Association (WSAA)**

*2006 Annual Meeting*

**Highlights:** Turning technology into profit is the theme of the WSAA 2006 Annual Meeting. The keynote speaker will be Douglas Bergeron, Chairman and CEO of VeriFone. Presentations will include "Complete contactless: A winning solution for acquirers, ISOs and merchants" and a Payment Card Industry Data Security Standard compliance update by Visa U.S.A. The "Field Guide for ISOs" seminar is included in the registration fee of \$75, if attendees register by Oct. 1.

**When:** Oct. 18 – 19, 2006

**Where:** Wyndham Hotel, San Jose, Calif.

**Registration:** Visit [www.westernstatesacquirers.com](http://www.westernstatesacquirers.com) or call Sherry Friedrichsen at 760-243-7990

**For other upcoming industry events, see "2006 calendar of events" in this issue.**

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#43

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