



News

Industry Update	14
Visa says Durbin impact 'manageable'	24
TCF appeal denied	24
\$100 million for Square means change for low-end payments	27
Cyber security update	31

Features

Selling Prepaid:

Prapaed in brief	46
Law center faults UC card programs	48
A primer on prepaid's basics	50

Meet The Expert: Adam Atlas

An interview with Paul Martaus By Ken Musante Eureka Payments LLC	77
Research Rundown	85

Views

The unbanked: Banks are ceding billions in potential revenues By Patti Murphy ProScribes Inc.	36
Mobile payments follow many new paths By Brandes Elitch CrossCheck Inc.	38

Education

Street SmartsSM:

Networking groups and referral marketing – Part II By Bill Pirtle MPCT Publishing Co.	60
The adaptability of POS terminals By Dale S. Laszig Castles Technology Co. Ltd.	66
HIPAA compliance fundamentals for ISOs By Mark Brady and Ross Federgreen CSRSI, The Payment Advisors	70
Michaels breach reveals gray areas By Nicholas Cucci Network Merchants Inc.	74

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Growth by acquisition



Baked into the DNA of payments industry businesses is the desire to grow. Growth by acquisition is considered the quickest way to achieve greater size and scale. In the sphere of merchant services, ISOs buy other ISOs, acquire the merchant portfolios of other ISOs, or sell their own merchant portfolios in order to fund initiatives that, you guessed it, spur growth.

The basis of any growth initiative is financing. Montreal-based payments attorney Adam Atlas said a comparatively small ISO seeks financing between \$100,000 and \$1 million. But securing that money can be challenging, even in good economic times.

Atlas said banks have been traditionally apprehensive about lending to businesses in the payments industry because they don't understand the ISO business model of merchant portfolios and residual earnings. Atlas drew an analogy to dairy farming.

"If you were a farmer buying a herd of dairy cattle, you own the cow and the cow makes milk," he said. "You feed the cows, you treat them right, you'll get your milk. Well, is buying a merchant portfolio like buying a herd of cattle? Not really, because you don't get a cow. You don't get a right in the cow. All you get is a promise, let's say [from] this other farmer, that they'll pay you a percentage of the milk produced.

"So, not to use a scary word in finance today, but you have a derivative right on what is being sold rather than a direct right in the thing itself."

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NotableQuote

I'm professionally cynical because my clients pay me to be. Even though I look at the worst side of things for a living, I never saw the economic collapse coming.

See story on page 78



Inside this issue: CONTINUED

Company Profiles

Creative Vision Studio LLC	
CRM sales force technology.....	40
Network Merchants Inc.	
The pit crew for ISO and MLS drivers.....	43

New Product

A processor-agnostic payment gateway.....	84
---	----

Inspiration

Breaking up is hard to do.....	89
--------------------------------	----

Departments

Forum.....	5
Datebook.....	87
Resource Guide.....	90
Advertiser Index.....	102

Miscellaneous

QSGS: Quick Summary Green Sheet.....	8
Bottom Lines.....	14
10 years ago in The Green Sheet.....	80
Boost Your Biz: The accidental advertisement.....	86
Water Cooler Wisdom.....	89



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bored
and don’t
know
what
to do?
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over to
page thirty
two!”



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Company Profile



Creative Vision Studio LLC

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ISO/MLS benefits:

- Web-based CRM technology to track boarding, transactions, residuals
- Customized setup of unlimited online merchant applications and vendors
- Eight-level user account networking, customized administrative control
- Software integration with most existing programs, including QuickBooks
- Supplemental web-based training with 70 training videos via YouTube

CRM sales force technology

In an age when boarding new merchants has become increasingly difficult, ISOs and other merchant service providers are taking extra measures to maximize every potential sales opportunity. Tactics involve tighter control of lead generation and referral programs to presenting value-added services that strengthen merchant relationships.

With the extra care and attention required of sales organizations today, managing merchant acquisition and retention data is essential, according to Robert Hendrix, Chief Executive Officer of Creative Vision Studio LLC. In his role, Hendrix also heads Bankcard Pros CRM Account Tracking Software, a division of CVS.

"It has become more difficult to sell a merchant account," Hendrix said. "The market is very competitive, the economy has not been doing well and banks are not providing new business loans. So there are fewer new businesses opening now compared to 10 years ago. And existing merchants are being priced so low that it is more difficult to sign them up.

"From what we have seen, the biggest differences with customers selling merchant accounts and surviving are providing good leads and presetting appointments to their sales reps, as well as offering good training and good (management)."

According to Hendrix, with the Bankcard Pros customer relationship management (CRM) web-based software suite, ISOs can track data on recruitment, lead generation, boarding and, perhaps most importantly, residuals, transaction figures

and other critical merchant statistics.

"Our CRM software manages and tracks all activity and data for the entire sales office ... from start to finish," Hendrix said. "It is built to receive new inquiries as well as resumes from individuals looking for jobs, to keeping track of all activity in the recruiting process, to converting the data to a new user when that individual joins the company, to providing a complete online training curriculum.

"It keeps track of all contracts and paperwork the individual signs and submits; it provides leads for the new sales rep; it tracks leads and converts the leads to new online applications; it tracks the status of underwriting and equipment deployment and follows up with service and support, trouble tickets and more."

Hendrix and his wife, Monica Hendrix, founded CVS, in 1997 as a marketing, recruiting and training firm for merchant services firms – primarily new ones whose employees were still figuring out the industry and would use CVS' tools as a launching point. The company has clients in the United States, Canada, China, Russia and the United Arab Emirates.

A number-crunching powerhouse

In 2003, the Long Beach, Calif.-based company added its Bankcard Pros division, under which it sells the CRM service that has become the company's centerpiece offering, Hendrix said.

"We used to use different programs for all of this – Microsoft Word, Microsoft Access, Excel – and it

didn't work for us," said Devan Shan, Chief Executive Officer of Ontario-based Debittech POS, and CRM user. "[Bankcard Pros CRM] has been a big improvement for us, and customers love it because we have all of our customer information in one place and can pull it on the spot.

"All our inquiries, transactions, statements are all within the same screen, where before we were jumping between programs scattered over many computers. We had to call customers back when they had inquiries and make them wait. This is helping us track everything and conserve resources and money."

According to Hendrix, the CRM system is flexible in that features can be integrated as needed. He noted that one of the most popular features is the ability to calculate, quickly and automatically, large sets of data pertaining to merchant accounts.

"Sales reps can log in and see the status of each account but also can see the invoice, what they're getting paid upfront, leads and bonuses," he said. "They can also log in and view monthly residuals. The sales office imports all the residuals and automatically calculates them for each user. Within a minute, you can see the total residuals for each month. ... I have customers that spend four or five days trying to calculate and sort out residuals for all their salespeople. With our CRM they can get it done in one or two hours."

Hendrix added that the CRM can also analyze data on retrieval of merchant cash advance, a product a growing number of ISOs have added to their merchant offerings in order to enhance revenue.

Controlled access, ease of boarding

Hendrix noted that the CRM allows various levels of access to data, depending on the person seeking it. Typically, sales managers will have access to much broader groups of data, while sales reps will see only data pertaining to their own accounts, he reported.

"The owner of a company or sales manager is able to log in and view all the activity going on with his employees and sales reps on a daily basis," he said. "They can see how many accounts were boarded, how many were approved, how many trouble-tickets were submitted that day. ... They can get an entire snapshot of what their company is doing that day."

Another principal feature of the CRM is the automation of paperwork, according to Hendrix. He said the system automates a process that normally requires reps to manually produce and organize merchant boarding paperwork. Merchants can also sign contracts online, using a mouse, obviating the need to process contracts in the conventional manner.

"One of the biggest issues all my customers have is with the sales reps submitting paperwork and boarding

accounts," Hendrix said. "They're always having to fix something. ... This program generates the paperwork for every account. Also, if an account is being put on hold for any reason, the system will automatically send an email notification to the sales manager and sales representative. So it allows you to deal with any problems that come up in a much more efficient way."

Integration with other systems

One thing clients are increasingly doing is integrating Bankcard Pros' CRM with other software programs, Hendrix said. "They take what we've built over the last nine years, and if they want to do more, like customize it or work with other third-party programs – like UPS shipping modules, QuickBooks, or call-dialer software – they can do that as well."

Hendrix added that some clients prefer to completely customize their entire CRM by entering their own source code. That means the program running the CRM is provided to them by the Bankcard Pros, but everything that operates on it is designed entirely by the client. "No other company provides that," Hendrix said. "The more products and services they sell, the more they're going to need the CRM software to manage and keep track of it all."

"If they're selling 10 or 15 different services, they're going



Company Profile

to have to train the sales reps on what to sell and how to sell it, what paperwork to fill out, and help them set it all up, plus manage the boarding of merchants ... coordinating all this can be a logistical nightmare. The CRM makes it easier by organizing it all into one system."

But Hendrix warned ISOs to not go overboard on features. "When you expect your employees and sales reps to utilize a complicated CRM with too many features, it results in less time selling and talking to merchants," he said.

Online training curriculum

Part of what the company offers ISOs is education on navigating the merchant

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services industry through the use of its products, as well as overall guidelines for merchant level salespeople (MLSs). Included in its product suite is an Internet-based training curriculum, aimed primarily at new businesses and trainees, which provides a rundown of the merchant services business in terms of what it is, how it operates and how to effectively navigate the terrain.

Each of the 70 web-based training videos, offered through YouTube, runs approximately two to three minutes, according to Hendrix. He said trainees who are brand new to the industry are likely to benefit from reviewing the entire tutorial to prepare for the unexpected turns and developments they will inevitably encounter in the process of selling.

He said that for veteran MLSs who are adding something like merchant cash advance to their offerings, they might want to only view the tutorial specific to that product. And since lessons are clearly categorized, MLSs can quickly locate relevant material, he added.

"Why start from scratch and reinvent the wheel when we have it ready to go and can get them up and running within a week?" Hendrix said. "We have a lot of customers that are brand new to the industry who really appreciate the resources we have to get them started."

Hendrix noted that the training materials are part of a larger suite of offerings from CVS that provide the operational foundation for merchant services companies. And, while the company's core offering is its CRM, that piece is complemented by the sales, marketing, design, recruitment and customer support services CVS offers.

"Almost every single customer we have needs the CRM software, but it doesn't stop there," Hendrix said. "They need all the pieces to be up and running – the marketing materials, the training materials. ... When you put all that together it allows them to operate as a complete company with a solution that meets all the needs of the company, its employees and its sales reps." ■