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THE OFFICIAL PUBLICATION OF THE
ELECTRONIC TRANSACTIONS ASSOCIATION



FIFTY UNDER 40

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are inspiring the future
of payments



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Through entrepreneurship, leadership, and innovation, the 2019 ETA Forty Under 40 class has made significant contributions to the payments business. This year's honorees hail from top companies across the industry and are fundamentally reshaping the digital payments ecosystem.



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By Christine Umbrell

Results of the ETA-commissioned J.D. Power survey of satisfaction among small and medium sized businesses are positive for merchant services. Still, four key factors—cost of service, service interactions, payment processing, and equipment and technology—demonstrate the importance of communication and measurement when improving client relationships. Here's an inside look at the data.



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The magazine acts as a moderator without approving, disapproving, or guaranteeing the validity or accuracy of any data, claim, or opinion appearing under a byline or obtained or quoted from an acknowledged source. The opinions expressed do not necessarily reflect the official view of the Electronic Transactions Association. Also, appearance of advertisements and new product or service information does not constitute an endorsement of products or services featured by the Association. This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is provided and disseminated with the understanding that the publisher is not engaged in rendering legal or other professional services. If legal advice and other expert assistance are required, the services of a competent professional should be sought.

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Excitement Builds for Future of Payments Industry and ETA

On behalf of ETA, welcome to TRANSACT, the payments technology industry's largest and most influential gathering of payments entrepreneurs, executives, engineers, business development professionals, and analysts, and all innovators and leaders interested in the business of powering commerce.

We gather here in Las Vegas, over 4,000 in number, to build the future of our industry. We gather to forge bonds between industry titans and emerging startups, to build the connections essential to driving forward affordable, accessible, next-generation payments products and services. We gather to see the creative and cutting-edge payments innovations being offered by more than 200 of the world's foremost payments technology companies exhibiting on the show floor. We gather to hear the latest intelligence and insights on critical industry topics such as the small business market, the payment facilitator space, the evolving sales channel, and the power of integrated payments from global leaders (e.g., Apple, TSYS, J.D. Power, and others). Finally, we gather at a time of tremendous opportunity for the payments industry.

The industry—ETA and TRANSACT with it—has changed dramatically since I began my career in payments over two decades ago and my involvement in this organization more than 10 years ago. Payments acceptance is no longer a simple product, with a simple sales channel and a limited scope. Technologies like smart POS terminals, mobile wallets, and contactless payments have fueled a boom that encompasses an integrated ecosystem of players—who work in concert to create payments solutions that deliver to merchants a powerful, omnichannel suite of products that help them grow—and creates new value for payments products as a result. For consumers, these technologies provide greater access, protection from fraudsters, and ease of use that sees the use of cash and checks steadily declining.

And the next generation of technologies, which you are sure to encounter during your time at TRANSACT, will drive these phenomena even further. Machine learning, artificial intelligence, advanced risk analysis, and biometrics will move ecosystem security forward and help fight fraud before it happens, while reducing friction for consumers and merchants. The Internet of Things will create a seamless web of touchpoints between consumers and merchants. Quicker and easier ways to transact—through integrated apps, smart devices, and integrated payments—will make electronic payments even more convenient.

As president of ETA, the foremost association and advocate for the payments industry, I can confidently assert that ETA and its incredible and dedicated staff will grow our association for an exciting future towards which its 500+ member companies strive. From our events, including TRANSACT, the Strategic Leadership Forum, and TRANSACT Tech Atlanta and San Francisco, to our educational products and certification programs like ETA Certified Payments Professional (CPP) and ETA Self-Regulation Program (SRP), ETA's enduring focus is on creating value and opportunity to grow your payments business and advance your agenda. Whether you're here at TRANSACT ready to take advantage of all this incredible event offers, or you're a payments professional with your sights set on growth and innovation, one thing is true: ETA is your partner for the future.

Kevin Jones
President
2019 ETA Board of Directors



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Global Payments Inc. (NYSE: GPN) is a leading worldwide provider of payment technology and software solutions delivering innovative services to our customers globally. Our technologies, services and employee expertise enable us to provide a broad range of solutions that allow our customers to accept all payment types and operate their businesses more efficiently across a variety of distribution channels in many markets around the world.

Headquartered in Atlanta, Georgia with approximately 11,000 employees worldwide, Global Payments is a member of the S&P 500 with customers and partners in 32 countries throughout North America, Europe, the Asia-Pacific region and Brazil. For more information about Global Payments, our Service. Driven. Commerce brand and our technologies, please visit www.globalpay.com.

German Attitudes Toward Cashless Payments Shifting



Microstock/Hu/Getty Images

The slow adoption of cashless payments in Germany may be picking up speed, according to a newly released study from First Data.

The study, which examined the preferred payment methods of more than 2,000 German consumers, revealed a changing attitude toward contactless payment methods in Germany, as well as Austria and Switzerland.

In a country where, according to Germany's Central Bank, 74 percent of all domestic transactions were conducted in cash in 2017, First Data found that 52 percent of consumers now prefer to make card payments. Less than half of Germans (44 percent) still prefer to pay in cash. Furthermore, 42 percent said

they view contactless payment methods as more convenient—nearly double the 22 percent who consider cash to be the easiest way to pay.

Perhaps one of the more surprising findings was that 54 percent of German consumers said they believe cash will become obsolete in as little as a few years. “Contrary to the traditional ‘cash being king’ mindset, our study reveals a definite shift in consumer preference to more convenient methods of payments,” said Jörg Brand, First Data’s general manager of Germany DACH.

Despite the widely held belief that security concerns prevent German consumers from embracing cashless payment methods, 63 percent of respondents said they made contactless payment without fear of fraud or theft, and only 26 percent of Germans indicated that they still distrust card payments.

First Data found that Generation Z consumers are the most trusting of electronic payment technology—only 20 percent of respondents aged 18 to 24 said that they feel wary of electronic payments compared with 29 percent of respondents aged 35 to 44.

Fast Fact

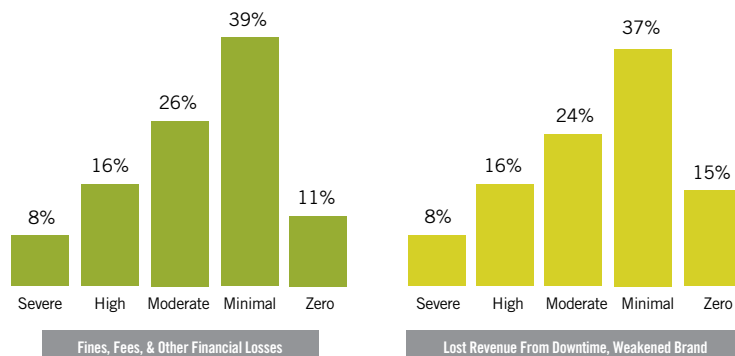
Fraudsters are increasingly using bots to run automated scams, such as mass logins, **performing upwards of 100 attacks per second.** Meanwhile, policy abuse—when individuals cheat merchants through the use of coupons and discount codes—has jumped 170 percent since Q4 2017.

Source: “2019 Fraud Attack Index,” Forter

Infographic

Most SMBs Have Little to No Concern About Cybersecurity Risk

If your business were to experience a data breach, what do you think the impact would be in the following two areas?



Source: “Cybersecurity Risk, Response, and Reward: Findings From the 2019 ControlScan/MAC SMB Payment Security Survey,” ControlScan and the Merchant Acquirers’ Committee

Consumers Want More Security for Mobile-Based Transactions

Adults in the United States value increased security measures for mobile-based transactions, according to a survey recently released by mobile fintech provider Entersekt.

The survey, which polled 1,900 adult U.S. mobile users, revealed that 90 percent of consumers want the ability to approve some or all mobile device transactions before the transaction is completed, and 71 percent would like to be able to approve all such transactions. Nineteen percent of respondents said they want the ability to approve only some purchases, such as transactions totaling \$100 or more.

Entersekt commissioned The Harris Poll to conduct the survey to learn more about consumer attitudes toward mobile app-based banking and payments in America, where payment culture still favors cash, credit, and debit cards. Although most Americans are familiar with payment apps—71 percent of consumers in the study said they have used a mobile payment app—only 7 percent of the respondents use payment apps on a daily basis. One focus of the study was to identify consumer concerns over security and authentication in mobile transactions, like peer-to-peer payments, m-commerce purchases, and bill pay.

“Entersekt has a decade’s experience in parts of the world where multifactor authentication is much more widely used than here in the United States, and it has shown us that consumers value the sense of control they gain from being involved in their own security,” said Dewald Nolte, chief commercial officer of Entersekt. “The key is to provide authentication that is quick and easy to execute and does not detract from the overall mobile experience.”



The study found that 39 percent of U.S. consumers would prefer to authenticate by entering a personal password or PIN when approving mobile transactions, followed by 22 percent who prefer a fingerprint ID, 21 percent who favor clicking an “approve” button, 8 percent who want to receive a one-time password via text or email, and 7 percent who would rather use facial ID.

Cross-Border Growth Presents Opportunity for SMBs

Digital payment providers with global capabilities may be the key to small and midsize businesses’ e-commerce success—that’s one finding reported in a recent study commissioned by Wirecard and conducted by Forrester Consulting.

The study sought to identify the greatest opportunities and most pressing challenges for small and midsize businesses in the United States and found that cross-border growth represents both. Global e-commerce sales surpassed \$1.9 trillion in 2016 and are expected to exceed \$4 trillion by 2020, accounting for roughly 15 percent of retail spending worldwide and representing a world of opportunity for smaller U.S. businesses.

Forrester surveyed 200 representatives from midsize American companies and

found that at least half aim to increase their presence in four key markets: Europe, Asia, Canada, and Central America. More than two-thirds (87 percent) of respondents identified cross-border growth as a critical or high priority over the next two years. However, less than one-third believe that their current technology will meet their needs—or these goals—in 2020.

The study revealed that success in the global e-commerce arena can be

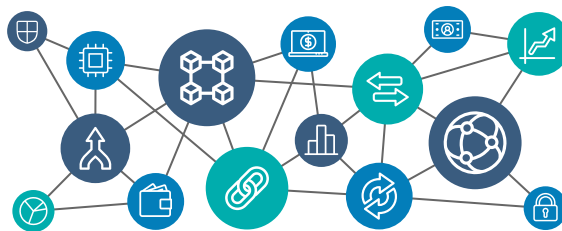


determined by factors related to compliance, security, and customer service—all of which play a role in the customer’s payment experience. The majority of those surveyed consider payment acceptance capabilities to be critical to their cross-border e-commerce efforts. Yet,

nearly three-quarters said their businesses rely on at least three providers to achieve those capabilities, and more than half admitted they have experienced challenges working with multiple providers.

INTELLIGENCE

Financial Sector To Lead Coming Blockchain Boom



Worldwide spending on blockchain solutions is expected to nearly double this year, increasing from \$1.5 billion in 2018 to nearly \$2.9 billion in 2019. That forecast is part of the newly updated Worldwide Semiannual Blockchain Spending Guide from International Data Corporation (IDC), which predicts that blockchain spending will experience a five-year compound annual growth rate of 76 percent, reaching \$12.4 billion by 2022.

Spearheading this substantial growth in global blockchain spending will be the financial sector, where the banking, securities and investment services, and insurance industries are expected to invest more than \$1.1 billion in blockchain solutions this year, according to the IDC Guide. These in-

vestments reflect the industry's interest in blockchain's potential to bring lower costs, faster transactions, more transparency, and better auditability.

"Blockchain is maturing rapidly, and we have reached an inflection point where implementations are moving quickly beyond the pilot and proof of concept phase. That is why data on the actual spend on the technology is so vital: It provides the context in which blockchain is evolving," said James Wester, research director at Worldwide Blockchain Strategies.

The IDC Guide identifies two significant blockchain spending areas: cross-border payments and settlements, which will receive \$453 million in investment in 2019, and trade finance and post-trade/

transaction settlements, which should receive \$285 million. In both cases, IDC expects the banking industry to be the largest investor.

Blockchain spending will focus largely on IT services and business services, which IDC expects to account for nearly 70 percent of all blockchain spending in 2019, followed by the second largest spending category, blockchain platform software.

From a global perspective, the United States will account for the highest blockchain spending in 2019 (\$1.1 billion), followed by Western Europe (\$674 million) and China (\$319 million). However, the spending guide anticipates significant growth in all nine regions it covers throughout the 2018-2022 forecast period.



Moves & Mergers

BillingTree, a financial technology and payment solutions supplier, announced the appointment of **Christine Lee** as chief executive officer. Former CEO Edgars Sturans will remain as a BillingTree board member. Lee previously served at Moneris, Vantiv, NPC, and Bank of America and is currently the president-elect of ETA.

EVO Payments, a payment and technology services provider, announced it has acquired **Way2Pay**, a payment gateway headquartered in Dublin, Ireland. Terms of the acquisition were not disclosed.

First Data, a commerce technology and solutions provider, announced that it will acquire **Software Express**, a Brazil-based provider of electronic funds transfer solutions that specializes in the development of solutions for communication, routing, authorization, and reconciliation of financial transactions.

FIS, a global financial services technology provider, and e-commerce and

payments provider **Worldpay Inc.** announced that they have entered into a definitive merger agreement. The combined company will retain the name FIS and will be headquartered in Jacksonville, Florida. The transaction is expected to close in the second half of 2019 and is subject to receipt of required regulatory and shareholder approvals and other customary closing conditions.

FreedomPay, a global commerce platform, announced the appointment of **John Mansfield** to its leadership team. Mansfield previously served as the vice president and general manager for global payments company Verifone's North American territory.

Global Payments Inc., a global provider of payment technology and software solutions, announced that it has acquired Australia-based **Sentral Education**, further expanding its educational market capabilities.

Mastercard announced that it will

acquire **Transfast**, a global cross-border account-to-account money transfer network. The transaction is expected to close in the second half of 2019 and is subject to customary closing conditions. Mastercard also announced that it will acquire **Ethoca**, a technology solutions provider that enables card issuers, e-commerce merchants, and online businesses to increase card acceptance, prevent fraud, recover lost revenue, and reduce chargebacks.

Payroc LLC, a merchant acquirer and payment processing organization, announced its acquisition of **Detrok Technology Services**, a Chicago-based hospitality technology provider. The transaction closed February 1. Payroc also announced the addition of payments industry veteran and Detrok owner **James Derby** to its executive team. Derby will focus on expanding Payroc's point-of-sale offerings and footprint.

AI Poised To Disrupt Retail During the Next Five Years

American retailers believe that artificial intelligence (AI) will transform the retail industry, as reported by Synchrony and Oxford Economics in their newly released study, "Shopping for AI."

The study, which surveyed 324 U.S. retail executives, revealed that 80 percent of respondents believe AI will change the online customer experience; 72 percent believe it will be a competitive necessity for businesses within the next five years.

Large retailers are the biggest adopters of AI technology and are the most likely to use AI for machine learning, virtual agents, and robotic process automation subsets. However, nearly half of retail companies of all sizes plan to incorporate AI into their businesses over the next three years. The study showed that retailers plan to employ AI for a variety of purposes, including quality control (46 percent), analyzing data to forecast market trends (46 percent), fraud detection (45 percent), and inventory planning (43 percent).

"AI is one of the most disruptive technologies for the retail industry—impacting supply chains, customer service, and payments," said Greg Simpson, chief technology officer and AI leader at Synchrony. "Investing in AI technology is no longer optional for merchants, but some may struggle with leveraging the insights in the most effective way to glean true outcomes."

Many businesses are already using AI-powered technologies to improve their data insights to the next level and enhance customer experiences. Sixty-four percent of respondents said they use AI to capture data and learn more from customers, and 40 percent said they use this data to predict customer behavior.

Many retailers, however, said they face challenges to investing in AI technologies, including a lack of budget and mature technology and difficulty prioritizing investments.

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Save The Date – ETA Events

■ TRANSACT Tech Atlanta
June 20, 2019
Georgia Tech Student Center
Atlanta

■ Strategic Leadership Forum
September 25-27, 2019
Boca Raton Resort & Club
Boca Raton, Florida

■ TRANSACT Tech San Francisco
November 18, 2019
Wells Fargo Connections Center
San Francisco

ETA hosted its annual ETA University on Capitol Hill on February 1. This event served to educate policymakers and their staff on the modern payments system. Attendees heard from panels of industry experts on industry basics, mobile payments, cybersecurity, online small business lending, and the latest in payments. Speakers included representatives from Amazon, JPMC, Square, PayPal, Plaid, TSYS, Kabbage, First Data, Cross River, Visa, Amex, Venable, Arnall Golden Gregory, and T-Mobile. Over 80 congressional and regulatory staff, academics, and ETA members were in attendance. Thanks to all who helped make this event successful! **TT**

1. Chris Warner, director of state and local policy, Kabbage (left), and Chris Massey, head of global government relations and public policy, Square (right), participate in a panel on online small business; 2. Hon. Phil Goldfeder, senior vice president of public affairs, Cross River (left), and Chris Koegel, director of federal regulatory affairs, T-Mobile, discuss how fintech is addressing the needs of the underserved; 3. Jack Marr, chief risk, compliance, and privacy officer, TSYS, gives the closing keynote; 4. Abeer Bhatia, president of card marketing, pricing, and innovation, Chase Card Services, discusses the latest in mobile payment technologies; 5. Caitlin McCarthy Clarke, manager, cyber readiness and exercises, American Express, participates in a panel on cybersecurity and data breach; 6. Jennifer Speargas, director legal for PayPal Business Financing, discusses online small business lending; 7. John Pitts, policy lead at Plaid, discusses how fintech allows consumers and financial institutions to leverage data.

Congratulations 2019 ETA Forty Under 40 Winner Amanda Slater

Recognizing our own Amanda Slater for being acknowledged as one of the Electronic Transactions Association's Forty Under 40 in 2019, which highlights gamechangers at the intersection of payments and technology.



Visa is proud to be included in the 2019 ETA Forty Under 40



State of Play

Activity accelerates in state governments

By Scott Talbott

One of the hallmarks of American government is its tiered federal system. The 10th Amendment grants powers to state policymakers—legislators, regulators, and governors—that are not explicitly enumerated in the Constitution to the federal government. This distribution of governance between state governments and the federal government creates an elegant republic, balancing power in a federal system, creating local democracies, and providing opportunities for citizens to establish laws based on each state’s individual characteristics.

It’s no secret that partisanship has taken its toll on productivity in Washington, DC, a city where proceedings can be altogether lumbering, and the pace has slowed as both sides prepare for the 2020 elections. The ponderous cadence of the wheels of the federal government rarely keeps up with the pace of innovation in our industry.

While activity on the federal level has decelerated, the states have accelerated their interest and activity in the payments technology space. Additionally, as budgets tighten in statehouses across the country, and the national conversation on the use of data in the 21st century develops, state policymakers have focused their activities on two major issues touching ETA’s members: taxes and data.

Taxing for Revenue

State governments have looked to modernize tax collection as well as close revenue gaps at the expense of the payments ecosystem and the merchants and consumers it serves. One idea—real-time sales tax collection—has seen increased attention from state policymakers.

Real-time sales tax collection legislation asks payments processing providers to calculate, collect, and remit the sales tax portion of a purchase in real-time to state governments on behalf of their merchants, costing billions in compliance for payments companies and merchants, and higher prices for the consumers of the state—all with no tangible gain to the state. In 2018, ETA engaged in efforts with three state governments to oppose real-time sales tax collection. In 2019, we’ve already matched that number and will likely exceed it by the end of the year.

Payments is a complicated industry. Advocacy, education on the form and function of the payments ecosystem, as well as perspectives and expertise directly from payments companies are the most crucial tools ETA employs to fight policy proposals that threaten to drive up the cost and complexity of commerce. By connecting ETA members affected by these proposals to state policymakers, we foster a greater understanding of the practical costs and implications of real-time sales tax collection, which is a very effective strategy for maintaining a positive environment for payments companies.

Similarly, one trend we’ve seen pick up in 2019 is the introduction of increased taxes and fees on money transmitters by state lawmakers. Money transmitter licenses are essential to digital commerce and financial technology. Services like peer-to-peer payment apps are consumer favorites that have expanded the accessibility and functionality of digital payments to millions of consumers, many of them underserved. Most of the services are provided at little or no cost to consumers, enabling them to send each other money and make purchases at local businesses with comfort and security. The introduction of new taxes and fees on these licenses threatens to make these services inaccessible and unaffordable, stifling innovation and potentially creating economic roadblocks to the development of new fintech and payments innovation. ETA’s team of advocates has been active so far in 2019, traveling to states and meeting with lawmakers to promote policy environments that encourage innovation by all sizes of participants in the industry as well as accessibility to consumers and merchants. While these activities around tax issues in the



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states are sure to accelerate, ETA is aggressively responding to meet them with education and advocacy on behalf of our members, merchants, and ultimately consumers.

Data

All across the world, the use of data and consumer privacy in the 21st century has been an increasingly important conversation. Data is a powerful tool for good—powering more seamless payments, stronger security, sophisticated fraud prevention tools, advanced underwriting, and better products—but it can also be a valuable target for bad actors.

In 2019, we've seen an influx of legislation addressing privacy protections and regulations for consumers and businesses. California and New York, the two most populous states in the country, have been the most active and far-reaching: California passed a landmark privacy bill last year, and it has continued to introduce additional pieces of legislation this year; New York has begun to pursue its own framework.

The questions at hand in the national conversation around privacy are big ones, and many directly touch the payments technology industry. For example, ETA members are on the front lines of fraud prevention and protection, and data plays an important role in that battle. According to one analysis, payments processors will spend \$10 billion on advanced fraud detection and prevention by 2023, more than any other industry. These tools are powered by technological advancements like machine learning and artificial intelligence and

are powered by data. They are critically important in the fight against an increasingly sophisticated foe: criminals and fraudsters looking to take advantage of any vulnerability they can find in the ecosystem.

ETA has advocated for privacy protections and regulations that allow space for payments technology companies to continue to do what they do better than anyone else: fight fraud. Working directly with state policymakers to educate them about the important role the payments industry plays in leveraging advanced data analytics to deliver safer and more secure products to consumers is a big priority for us, and we will continue to keep the ways our members secure the ecosystem top of mind for policymakers.

As the voice of the payments industry, we're frequently in state capitals considering policy changes that raise concerns for our industry. We will continue to make investments in demonstrating and advocating for the proliferation of innovative new marketplaces. And the states will continue to be a hotbed of activity this year and beyond. However, through a balanced approach that fosters connections, education, and pro-payments policies, I am confident that ETA's advocacy will continue to work to create a positive environment for our industry. **TT**

Scott Talbott is senior vice president of government affairs at ETA. For more information, please contact Talbott at stalbott@electran.org or Grant Hannah, government affairs coordinator, at ghannah@electran.org.

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Inflection Reflection

From payments by printing press to the new standard of digital commerce

By Amy Zirkle

Heading off to college, I did what every high school student does: I got a summer job.

And it wasn't any old high school summer gig, like scooping ice cream or delivering pizzas—at least it didn't feel like it to me at the time. It was upper-case-R “Retail” at the flagship Saks Fifth Avenue storefront across from Rockefeller Center in the heart of my hometown, New York City.

It was a great summer job for an ambitious kid from Queens. I learned a lot and even got to help a few Broadway celebrities and Manhattan socialites along the way. But what really stood out to me from that 1970s-era job was not my experience selling to the Saks beau monde, but rather processing their payments.

My job was in the fourth-floor shoe salon, selling designer handbags at prices that could have fed a family of four back then. Everyone paid with plastic. Some paid with store charge cards, or “charge plates” as they were once called, while others paid with a bank credit card. To process a payment, I would have to rifle through books of Visa and Mastercard accounts to ensure that

as the Electronic Transactions Association and its 500-plus member companies navigate a new frontier of digital commerce.

ETA's role as the premier trade association of the payments industry has always embraced the acquiring channel as its core, but we find ourselves at an inflection point given the revolutionary changes underway in the industry due to innovation, market consolidation, and the entry of new players. And this inflection point increasingly must inform our work as the voice and primary hub of the industry.

We've expanded our work to capture the addition of new players to the payments ecosystem, predicated on the necessity to engage and retain those players to advance our mandate to grow the industry as a whole. In this way, we intend to create a more robust suite of benefits for all members of the payments ecosystem.

For us, this means revamping our ETA Certified Payments Professional (CPP) program to better reflect the new standards and dynamics that drive the marketplace. We know from our members that it's no longer enough to know basis points and interchange; this information remains important, but a holistic knowledge of the software and technologies that are powering more functional payments solutions is critical for every merchant-level sales agent. This year, we'll roll out an ETA CPP program that even better prepares the modern payments professional for the challenges and opportunities of the payments industry.

Further, it's about coding next-generation deal making, intelligence, and innovation into the DNA of TRANSACT, our industry's flagship event. This year, you'll see features designed to bring together new entrants and old stalwarts, with a focus on bringing to the ecosystem the voices and intel that are driving our industry forward.

Ultimately, our role as the nonprofit trade association for the payments industry is to serve as a vital resource and community for our members. The resources we provide must be a value-add. And, while different companies or segments of the industry have different needs, they all share a common element: the necessity for connection and collaboration.

With greater efficiencies and vibrant innovations that enable safe, secure, sophisticated, and easy-to-use ways to pay from current players, new players, and even those yet to be named driving the transformation of payments, ETA marches into its second wave of growth with that focus at the forefront of our mission. **TT**

Amy Zirkle is interim CEO of ETA. Reach her at azirkle@electran.org.

Ultimately, our role ... is to serve as a vital resource and community for our members.

the number of the cardholder making the purchase was valid. These books were the types of gigantic tomes that required you to pull up a chair, pack a lunch, and go through scores of loose-leaf pages to find the number in the proverbial haystack. And you had to do this every time a customer made a purchase with a bankcard.

Suffice it to say, it was far from quick, and it certainly wasn't frictionless—let alone secure. But it was the leading edge at Saks Fifth Avenue at the time.

As I think back on that job, a pseudo-start to my payments career, I'm struck by the stunning pace of change in the business of accepting payments. This job at Saks Fifth Avenue wasn't all that long ago—it was the late 1970s, not the 1870s. In a short time, we've gone from a payments process that would be familiar to a 15th century Venetian merchant to payments by cloud, fiber optics, artificial intelligence, and myriad other truly exciting technologies.

These changes and the many others that have defined our industry's evolution—sales to software, magstripe to smartphone, simple to sophisticated—have been at the forefront of my mind



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What are 30-somethings—and even 20-somethings—contributing to the payments industry? Quite a lot, judging from the contributions of the young professionals named in the 2019 ETA Forty Under 40 class. ETA’s second annual Forty Under 40 recognition shines the spotlight on a group of founders, top executives, policy and risk experts, analysts, lawyers, bankers, and investors who have made major contributions to the payments ecosphere and are on pace to lead the industry into the next decade and beyond.

Selected for their individual impact on the industry as well as their professional character, each honoree is poised to play a crucial role in the industry. Together, they represent every type of payments company, from startups and fintechs to card companies and traditional payment processors. “The 2019 ETA Forty Under 40 leaders at

top firms across the marketplace are driving the entire payments technology industry forward,” says Amy Zirkle, interim CEO of ETA. “Each honoree had made significant contributions to the payments industry through entrepreneurship, leadership, and innovation. We thank Discover Global Network for their generous sponsorship of the ETA Forty Under 40 program.”

Nominations from ETA members, TRANSACT exhibitors, and payments industry leaders were judged by the 2019 Forty Under 40 class and the ETA Awards and Recognition committee. The final group represents a diverse cross section of professionals who are revolutionizing digital commerce and powering the economy for merchants and consumers.

Read on to learn more about these young leaders, their contributions to the payments industry, and their aspirations for the future.

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Christopher Ackroyd ↑
Director, Product Management, Early Warning
www.earlywarning.com

If you've ever used Zelle, Early Warning's person-to-person payments network that can be found on many mobile banking apps, then you have Ackroyd to thank. As director of product management, he is responsible for the success of Zelle, the product that has united the American banking industry behind a single payment brand. More than 75 million consumers have already enrolled in Zelle, and the payments network has processed more than 400 million transactions. To continue increasing the number of consumers who enroll in Zelle, Ackroyd keeps innovating and updating the user experience. He also works with banks and credit unions to illustrate that the difference in Zelle is that it starts with a great user experience. Ackroyd's dedication to the product has increased the number of active senders using Zelle month-over-month since its June 2017 launch.



Sarah Adams ↑
Vice President, Global Product, First American
Payment Systems
www.first-american.net

With more than 18 years of experience in product management specifically in the financial services industry, Adams has a lot of knowledge on how to successfully implement, integrate, and go to market with in-house and third-party payment acceptance solutions. She shares that knowledge by actively participating in numerous industry associations, and she currently serves on both the Verifone Advisory Council and CardFlight Advisory Council and sits on ETA's Retail Technology Committee. A results-oriented professional who clearly has her finger on the pulse of the technology that drives the payments industry, Adams is committed to helping drive payments innovation forward—that's why she's also an ETA Young Payments Professional (YPP) Mentor.



Dimitri Akhrin ←
President, IRIS CRM
www.iriscrm.com

Before founding IRIS CRM in 2010, Akhrin ran and managed an ISO for five years. His firsthand experiences taught him that the payment processing industry was in need of a reliable and easy-to-use business management tool that manages the entire merchant lifecycle—thus, he created IRIS CRM. The company now helps many ISOs streamline their business and increase employee and client satisfaction. He and his Brooklyn-based team keep the company at the forefront of industry tech offerings by adding advanced features and abilities to IRIS CRM.



Brian Billingsley ↑
 Chief Revenue Officer, Modo
www.modopayments.com

Billingsley's work as chief revenue officer at Modo is helping to create an ecosystem for payments interoperability for more than just merchant payments. His previous experience as CEO of Klarna North America has helped shape his perspective on payments. Billingsley understands the alternate payment issues encountered by both consumers and retailers, which enables him to search for new ways to reduce payment friction for consumers while helping his current clients optimize their payment services and systems. Known as a forward-thinker by his co-workers, Billingsley is consistently pushing the envelope when it comes to innovations in the payments industry.



Kim Bynan ←
 Senior Vice President, EBT and Valutec, FIS Global
www.fisglobal.com

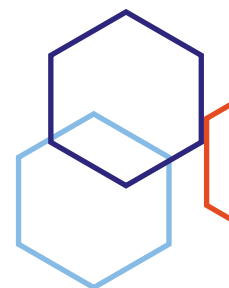
Starting at FIS Global as a financial analyst nearly 13 years ago, Bynan now holds the position of senior vice president and oversees EBT, the nationwide Electronic Benefit Transfer program, and Valutec, the company's gift and loyalty card solutions. Under Bynan's leadership, her team has successfully managed the Supplemental Nutrition Assistance Program for more than 30 states and the Women, Infant, and Children program for over 12 million U.S. households, among other accomplishments. Previously, she was the divisional controller for the Emerging Commerce Group, where she managed capital and development for the FIS Payments Division. In 2017, Bynan managed over \$300 million in annual revenue, negotiated vendor agreements, and saved more than \$5 million annually, while reinventing the capital and development process for over \$100 million in capital spend—focusing on executive management transparency into strategic purchases and better tools to manage project selection. Bynan constantly studies the competition and invents more efficient methods to increase customer satisfaction and drive sales—all while making time to mentor her team.

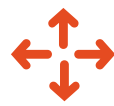
Jeff Brodsky →
 President and CEO, Chosen Payments
www.chosenpayments.com

Brodsky launched Chosen Payments in 2008, and, within its first five years in business, the company was processing more than \$2 billion annually. During the past 10 years, Brodsky has grown the company from a one-man operation to a multi-location business with offices in eight states.

His unique formula for success has earned him a spot in First Data's ISO Clients President's Club for the past six years. Chosen Payments has consistently ranked in the top three of all First Data partners for year-over-year growth. Under Brodsky's leadership, Chosen Payments landed at No. 800 on the Inc. 5000 list of the fastest growing private companies. In addition, the company was named to the Top 10 Credit Card Processors in America list by *Retail*

CIO Outlook magazine and as the No. 1 Credit Card Processor in America by *Mirror Review* magazine. Chosen Payments also ranked No. 33 in a list of fastest growing, privately held companies in the Los Angeles area by *San Fernando Valley Business Journal*.





Christina Camacho ↑

Founder and CEO, Ivy Lender
www.ivylender.com

Camacho launched the online lending platform Ivy Lender to meet the funding needs of underserved small- and medium-sized enterprises by combining aggregation and funding, and offering single-platform participation for clients in Canada and the United States. Ivy Lender uses artificial intelligence (AI) to aggregate payment data to identify lending opportunities for her clients, and the company partners with financial institutions across North America to build out payment processing and alternative lending solutions. Camacho spent nearly a decade in banking before deciding to go out on her own to provide solutions that aren't limited to one financial institution's platform. She started by launching an ISO when she was 29 years old, and she is one of only 20 women who own an ISO in North America. Camacho's hard work and innovation have been recognized by Wnet; in 2017, the organization presented her with the Making Waves Award for her impact on the payments space. Camacho recently completed the Holt Accelerator in Montreal, where she was the first and only woman fintech founder to participate in the cohort.

Cory Capoccia →

President, Womply
www.womply.com

For more than a decade, Capoccia has been leading the charge in attacking some of the largest problems facing the payments industry, including technology advancements to make payment cards fundamentally more valuable to the end consumer and merchants, fraud mitigation to reduce

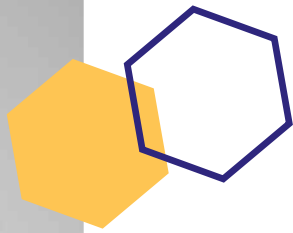
risk across the system, and improving merchant loyalty and reducing overall merchant attrition rates. As president of Womply, he is reimagining the relationship between the payments industry and U.S. merchants through data, technology, and value-added services. With Capoccia's contributions, Womply's partners have demonstrated an average 17 percent improvement in merchant retention and \$2.5 million in annual retained recurring revenue. Prior to joining Womply, Capoccia was part of the founding team of Verifi, a leading provider of end-to-end credit card payment protection for large-scale card-not-present (CNP) businesses. Capoccia holds a U.S. patent for developing a dispute resolution system and method for electronic payment transactions.

Ozge Celik →

Business Development Senior Vice President, BKM
bkm.com.tr/en/

For more than 15 years, Celik has been working in the payments industry, getting her start as a bank management trainee. It was a fortuitous beginning because the bank she worked for was just starting its EMV migration project, and she was put on the core team. That experience ignited her passion for educating people about payments and fintech opportunities. Her current employer, local payment proces-





published “Fundamentals of Card-Not-Present Merchant Acceptance” book series, he is continually contributing to payments industry know-how. Chmiel believes that in the highly dynamic digital threat landscape of today, working together and education are the keys to success.

Peter Christodoulo →

Partner, Francisco Partners

www.franciscopartners.com

As lead of the financial technology investing franchise at Francisco Partners, a leading global private equity firm that specializes in investments in technology and technology-enabled businesses, Christodoulo has led the following fintech deals: Verifone, \$3.4 billion take private in 2018 (the largest payments buyout of 2018); Paysafe, \$4.5 billion take private in 2017 (partnered with Blackstone and CVC); NMI, private majority investment in 2017; PayLease, private majority investment in 2014 (sold to Vista Equity Partners in 2017); and Paymetric, private majority investment in 2013 (sold to Vantiv, now Worldpay, in 2017). Even with all that success, Christodoulo still finds the payments industry fascinating—with lots of opportunities: “The industry is moving and evolving at an incredible pace,” he says. “In that evolution, there is tremendous opportunity as there is so much friction still to solve in payments, and the complexity continues to grow.”



sor BKM, launched two nonprofit organizations—Fintech Istanbul and Blockchain Turkey—that aim to create strong ecosystems in Turkey and secure Turkey’s leadership in the region. Celik provides executive management and content support for both platforms. In this role, she spends time visiting universities to educate students about BKM’s fintech and blockchain opportunities. Celik is driven to create a better payment experience and ecosystem—and to educate entrepreneurs on how to make the most of the opportunities offered by fintechs.

Christian Chmiel →

CEO and Founder, Web Shield

www.webshield.com

As the architect of Web Shield’s success, Chmiel has become a leading figure in the automation revolution of merchant acceptance. He has shaped Web Shield’s journey from an up-and-coming startup to a leading provider of automated onboarding and monitoring solutions with more than 200 global clients. Fortunately, Chmiel doesn’t make a secret of the methods behind Web Shield’s success. In fact, with vehicles like the Web Shield Academy (where he lectures on improving merchant underwriting and regulation trends), RiskConnect (the networking conference by risk professionals for risk professionals), and the annually





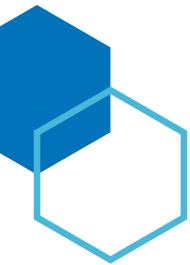
Sarah Conner ↑

Director, Project Manager—Director of HR, Sphere
www.anoviapayments.com

There are leaders who lead loudly from the front, and there are leaders who lead quietly from the back, encouraging and motivating those in front. Conner may be the latter, but she is still a powerhouse in the electronic payments space. She has taken two companies—Century Payments and Anovia Payments—from launch to sale. At Century, Conner was its first employee, growing into the role of chief of staff in just six years. With Conner’s contributions, Century Payments was named to the Inc. 500 list as one of the top 100 fastest growing, privately owned businesses in the United States for three consecutive years. After Century was sold for just over \$100 million, Conner was recruited by Anovia to help usher in a new era of connected commerce. Partnering with Conner’s large strategic partners, Anovia built annual revenues of \$19.9 million in 2015 and \$32.2 million in 2016. With Conner’s help, Anovia was named the 82nd fastest growing company in the United States by *Inc.* magazine in 2017. Because of the rapid growth, Anovia Payments sold to Waud Capital in 2017 and has been coupled with other technology firms in a private equity fund.

Chelsie Cooper ←

Southeast Regional President,
 PaymentCloud
paymentcloudinc.com
 A self-described “electronic payments



Nicholas Cucci ↑

Co-Founder and Chief Operating Officer, Fluid Pay LLC
www.fluidpay.com

As co-founder of Fluid Pay, Cucci is changing the payments space by offering a completely cloud-based payment gateway. He helped develop this secure Level 1 PCI-compliant gateway to enable businesses to process transactions from a variety of different devices, anywhere in the world. He also developed Watchdog, one of the first fraud management tools to use a machine learning algorithm. Innovative and ahead of its time, Watchdog models are exposed to new data, while independently adapting to the data as it comes in—and more data equals more security. Cucci, who has been a certified fraud examiner since he was 21 years old, also helped create the original structure of Network Merchants, where he worked as the director of marketing. Now at 31, he is a true visionary for Fluid Pay and the entire payments industry.

maven,” Cooper is a master of merchant services and a mentor to women in the payments industry. In her current position at PaymentCloud, she is responsible for providing strategic leadership—and, so far, she’s had great success, making 25 percent gross in revenue for the company within the first 60 days of business. Cooper has been described as “an independent, eager, honest, and transparent human” who cares about the young professionals just entering the industry, her team, and the merchants she serves.

Erika Dietrich ↓

Vice President, Risk Services, ACI Worldwide
www.aciworldwide.com

A sought-after industry expert, public speaker, and consultant, Dietrich currently manages a global team of 30 financial risk analysts and acts as a senior consultant on ACI's top 10 CNP accounts. Dietrich and her team have provided insights and guidance that have been instrumental in the development and rollout of ACI's UP Payments Risk Management solution, which received recognition and awards for innovation from *Finance Monthly* magazine, the Merchant Payments Ecosystem, and the UK National Technology Awards. Dietrich's team provides the expertise that enables ACI customers to take advantage of next-generation real-time fraud management capabilities. Recognized as the driving force behind ACI's annual Holiday Fraud Benchmark survey, Dietrich also has developed several industry-leading fraud detection algorithms and serves on the North American Merchant Risk Council Advisory Board. A payments industry innovator, Dietrich has developed and applied for a patent for a potentially revolutionary fraud identification tool.



Genevieve Dozier →

Client Business Executive, First Data
www.firstdata.com

Dozier began her payments career at the age of 22 and, by 30, was a vice president reporting to the president of BB&T Merchant Services. She had oversight of product, marketing, sales support, national sales, and sales training for 80 sales reps, nine sales support managers, 57,000 merchants producing \$17 billion in processing volume, and gross revenue totaling \$370 million. After leaving BB&T, Dozier faced adversity in her next position as the only female executive. But she learned from that experience and, as a current member of Wnet, feels fortunate to know what it is to have the support of uplifting and inspiring women in the industry. Although she's only been at First Data for two years, Dozier has already experienced success—signing net new and renewing over \$17 million in net revenue.



Dozier wants to share with others the lessons of success she's learned—and, importantly, to communicate that we are, all of us, a constant work in progress.

Peter Fitzpatrick ↑

Vice President, Payment Networks, Agreement Express
www.agreementexpress.com/payments

Fitzpatrick's contributions to the payments industry began while in university, when he worked to help build Canada's fastest growing company in 2009, VersaPay, then moved on as a 1099 agent of BluePay, FrontStream, and Elavon. After graduating, he joined Agreement Express, leading sales for its payments team for the past five years and working his way up from a junior sales representative to vice president, payments. Under Fitzpatrick's leadership, payments revenue increased by 259 percent between 2015 and 2017. Over that same time period, the number of customers in payments increased 671 percent. His work has affected many of the industry's fastest growing and largest companies, including Visa, Authorize.net, Merchant e-Solutions, BlueSnap, PayPal, and others. In 2019, Fitzpatrick will lead Agreement Express's launch of a standardized onboarding platform for small and medium-sized ISOs and ISVs, and a portfolio transitions tool, automating the application, underwriting, and onboarding process for portfolio transitions.



John Florinis ↓

Vice President, Payments, TouchBistro

www.touchbistro.com

Florinis leverages his in-depth knowledge of and experience in multiple disciplines and segments of the payments industry to improve the product and service offerings of the industry. At Moneris, he was part of the team that built the first Canadian acquirer-driven SaaS-based retail POS solution. While at Mastercard, he had global responsibility in delivering digital payments solutions (digital wallets) to technology solution providers across various verticals. Now, at TouchBistro, Florinis oversees the introduction of a new payment solution that will streamline restaurant operations and integrate payment processing, impacting business efficiency and the bottom line. Florinis has been a dynamic influence on moving major players and segments toward the latest technology adoptions and business models that are driving the payments industry now and into the future.



Stephanie Foster →

Product Manager, Fiserv

www.fiserv.com

Foster was only 17 years old when she started her payments career as an intern at Western Union, and she's never looked back. In her current role as a product manager for Fiserv, she is responsible for the rollout of an integrated receivables product that helps financial institutions and billers run their accounting systems more efficiently by leveraging

optical character recognition, AI, and machine learning. She has met with regulators across the Caribbean and launched retail and digital products and brands both in the United States and internationally. Her passion for the fintech and payments space inspires her to give back to the community by serving on the board of Women in Wireless and leading the Wnet Atlanta chapter.

Jaredd Galloway →

Director of Operations and Complex Services,
Paysafe Group

paysafe.com

Galloway credits having worked for a few small business owners for his understanding of the growth potential of payments solutions in that community. When he started in the industry in 2002, he knew merchants needed an advocate to help them make the right choice when selecting a merchant service provider. Now, that same genuine desire to help business owners fuels his drive to provide a better overall payments experience for his clients. At iPayment, he used his work experience to view relationships from both the business and merchant perspective—developing a strategy that used data analytics, culture change, employee development, and process improvements to execute a plan that resulted in historically low attrition numbers for the organization. Galloway was a member of the management team when iPayment was selected as the ETA ISO of the Year. He has continued to use innovative data-driven retention and customer service strategies to maintain that attrition decline while also being a key contributor to the Paysafe/iPayment merger.





Phil Goldfeder ↓

Senior Vice President, Public Affairs, Cross River
www.crossriverbank.com

Goldfeder has almost 15 years of experience in both the public and private sectors—and a strong track record as an implementer who thrives on advancing the fintech and payments industry. In his current role at Cross River, Goldfeder guides the strategy for all policy communications endeavors that position the company as a promoter for the industry on regulation in the payments innovation space. His strong relationships with government officials—at the federal, state, and local levels—make him an advocacy leader, educating regulators and policy-makers on the innovations and cutting-edge technology happening in fintech.



Scott Harkey →

Global Payments Lead, Level
www.level.io

Because of Harkey, Level, a relatively young consulting firm, has quickly become a powerhouse in the payments space. His previous experience at Bank of America and Wells Fargo helped to sculpt out Harkey’s identity as a thought leader in the industry, and he is happy to share his knowledge with Level clients to give them a competitive edge. Before joining Level, he was instrumental in leading the Apple Pay initiative at Bank of America, an effort that laid the groundwork for network tokenization in the United States. An expert on tokenization, real-time payments, Zelle, and open banking, Harkey is often asked to present at industry events across the globe. He also is a pacesetter

in the Charlotte, North Carolina, financial services and payments scene, leading areas for a joint initiative between local government and city businesses and Carolina Fintech Hub, and serving as a board member on Finsiders, a local fintech and payments organization.

Jason Jacobs →

Manager, Release and Development Operations, Global Payments
www.globalpaymentsinc.com

A valued leader in global payments with more than 11 years of financial services technology management, Jacobs is passionate about payments and makes it his goal to streamline the merchant experience, reduce scope and friction for technology development, and provide meaningful products and services to merchants. A key team member at Global Payments, Jacobs oversees the management, support, and enhancements of enterprise configuration tools to ensure the environments hosting customer-facing applications are stable, consistent, and accommodating for both customers and the application development teams creating the applications. He has played an important role in the payments industry by increasing the feature set and adoption of the dev-ops platform to release new applications and features to customers with quicker turnaround—leading to improved speed-to-market metrics. Jacobs has been lauded for his ability to effectively translate and communicate technical and business needs, enabling the company to drive development and process change that benefits customer experience, vendors, and the industry at large.





Megan Karbula ↑

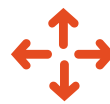
Product Marketing Manager, Paya
paya.com

Karbula was drawn to payments because of the challenging and ever-evolving nature of the industry. She's held many positions—relationship manager, director of client relations, and business leader—but in her current role as Paya's product marketing manager, she enjoys producing effective marketing collateral, including webinars, training guides, flyers, and website content, that the sales team can use to effectively communicate the new features and functionalities of the company's offerings. But Karbula also gives back to the payments community in her work with the Wnet committee in Atlanta. She has helped grow committee events—increasing the number of attendees from 20 to about 60 for each event. She finds her work with Wnet extremely satisfying because it enables her to help people connect, expand their networks, and provide educational opportunities.

Matthew Katz →

Founder, Chief Executive Officer, Chairman, Verifi Inc.
www.verifi.com

In 2005, Katz launched Verifi in an apartment with a small staff. Today, the company has grown to more than 200 employees with an expanding international footprint, working with more than 80 issuing banks and over 28,000 merchant accounts worldwide. In 2007, Katz pioneered the first dispute solution network outside of the card brand framework when he created the Cardholder Dispute Resolution Network (CDRN). CDRN is a SaaS product that improves the process of chargeback prevention for card issuers and merchants, in response to direct comments and requests from the payments industry. In 2018, CDRN covered more than 60 percent of the Visa and Mastercard credit and debit cards in circulation in the United States and prevented \$134 million in chargebacks, reducing the damaging costs associated with chargebacks for issuers and merchants. Katz also created Order Insight, a global collaboration network that connects cardholders, merchants, and issuers to resolve billing confusion and disputes in near real-time.



FERTY UNDER 40



Natalia Leonardis, ETA CPP →

Vice President of Business Development, CardFlight
cardflight.com

Leonardis started her work in the payments industry 11 years ago. Since then, she has accomplished many things as a payments professional. In her work, Leonardis joined a technology startup and spearheaded the building of a sales channel to enable it to grow from 0 to 80 acquirers across the United States. She joined a company of five and saw it grow to 50 employees. With CardFlight, she is responsible for all new business development of the company's channel partners. She also is CPP certified. In the payments community, Leonardis volunteers her time with numerous associations, including the Wnet board. She helped shape ETA's YPP program and took an active role in ETA's Membership Committee, where she has held the position of co-chair for the past four years. Leonardis received the 2013 Wnet Trendsetter Award and continues to pave a path for many young women in the payments industry.

Reed Luhtanen →

Senior Director Global Treasury, Walmart
walmart.com

Luhtanen joined Walmart while still in law school in 2005, when he was hired by the company's licensing compliance team. Since becoming part of Walmart's corporate treasury team in 2008, he has had responsibility for government benefits acceptance and the company's global gift card program and debit card acceptance. Luhtanen has led Walmart's public-facing efforts related to payment card





Craig Nussbaum ←

Vice President, USDM Emerging Verticals, Mastercard

mastercard.com

Nussbaum is relatively new to the payments space, having spent six years at Deloitte in an accounting role before joining Mastercard's corporate finance group. Nussbaum wanted to be closer to the business—and make a “direct impact”—so in 2018 he left finance to lead Mastercard's emerging verticals team. His group works with niche merchant areas where cash is still the predominant form of payment—such as telecoms, utilities, rent, education, consumer loans, sports betting, charity, government, insurance, and vending. Nussbaum credits his accounting/finance career with enabling him to approach strategies and partnerships from a unique perspective. Through those partnerships, Mastercard has seen high double-digit growth in several emerging verticals, including rent, vending, and lottery. Nussbaum also was heavily involved in Mastercard's Bill Pay Exchange solution, which introduced alternative bill pay and real-time solutions to the market.

Michelle Olenoski ↓

Senior Director, Capital One Labs at Capital One


www.capitalone.com

The driving force behind Olenoski's career has been her desire to lead the transformation of the payments space from a consumer perspective. Before joining Capital One Labs, Olenoski spent several years at Amazon, focusing on the consumer e-commerce shopping experience, and interned with Disney and MGM Mirage, improving the travel and hospitality experiences. She credits her experience outside of the industry for helping her create new experiences that drive the industry forward. At Capital One, she has led the Capital One Wallet app and launched or supported many mobile payments functionalities, including Digital Card Issuance, Apple Pay, and Card Lock.



security, serving on the executive committee of the Merchant-Financial Services Cybersecurity Partnership and as co-chair of the Partnership's key working group. He has represented the retail industry on several high-level industry committees, including the Federal Reserve Corporate Advisory Group, Federal Reserve Secure Payments Task Force (Steering Committee), and the Retail Industry Leaders Association Payments Committee. In 2015, Luhtanen was recognized by PayBefore as a Top 10 Payments Lawyer. He currently serves on the board of directors of the Special Interest Group for IAS Standards (SIGIS) and as chair of the board of directors of Apple Seeds Inc., an education-focused nonprofit organization based in Fayetteville, Arkansas.





Jackie Ostler Burke ↑
Senior Director, Issuer Relations, Ethoca Limited
www.ethoca.com

Ostler Burke began her payments career as an ISO relationship manager and director of partner acquisitions for the check processing company CrossCheck. After CrossCheck, she went on to serve as a channel sales manager at Intuit, where she was responsible for \$20 million in annual revenue in the ISO, VAR, and franchise partner channels. While at Intuit, Ostler Burke worked for the late Joe Kaplan, which shaped her customer-centric approach to sales and emphasis on employees. She went on to a similar role at Sage Payment Solutions (now Paya) as the director of channel development, managing over 500 partners. After almost 10 years of working in partner channel sales, Ostler Burke shifted to the compliance/risk side of payments with a role at G2 Web Services, where she learned about the impact of compliance and regulation on not only the industry but also the individual companies. Her diverse experience helps in her current role at Ethoca, where she oversees a team of business development enterprise sales executives and drives new product adoption for some of the largest global card issues. Although her work keeps her busy, Ostler Burke still finds time to be an active member of Wnet and ETA's Fraud and Risk Committee.

Melissa Pauleat ↑
Vice President Group Marketing Services, Paysafe
www.paysafe.com

Pauleat has spent her career in fast-paced technology companies, holding senior management roles in the iGaming sector before joining Paysafe (then Optimal Payments) in 2015. She won Paysafe's Rookie of the Year Award in December 2015 and now heads its Group Marketing Services, where she leads a team of 15 employees across Austria, the United Kingdom, the United States, and Canada. Pauleat is a member of Paysafe's senior leadership team and is on the steering committee for Paysafe's award-winning Diversity and Inclusion Program. She also serves as a champion of ETA within her company—encouraging Paysafe employees to get involved in ETA committees. Pauleat has been a member of ETA's Technology Committee (2015-2016) and has sat on the Communications Committee since 2015. When not managing Paysafe's presence at TRANSACT or other industry events, Pauleat is active with Wnet. She is co-chair of its Membership Committee, is a member of its MarComs Committee, is the founder of the Wnet Montreal Chapter, and is a Wnet Champion, a Wnet Board Advisor, and recipient of two Wnet awards in 2018: Making Waves and Event of the Year.

Marc Punzirudu →
Vice President, Security Consulting Services,
ControlScan
www.controlscan.com

Early on in his professional career, Punzirudu was a restaurant operations manager, where he worked with POS systems and payment transactions in the distributed enterprise. That experience taught him how difficult it is to maintain a secure payment card environment. From that point forward, Punzirudu has spent his career educating



himself and others on payment security and PCI compliance best practices. In the PCI space, he is a well-known and respected PCI Qualified Security Assessor. Through his guidance and assessments, he has personally contributed to the PCI compliance efforts of thousands of merchants—including small retailers, health-care providers, universities, chain stores, and more. One of Punzirudu's admirable characteristics is his drive to share what he has learned, and ensure that others grow alongside with him.

Zach Sadek ↑

Partner, Parthenon Capital Partners

www.parthenoncapitalpartners.com

For Parthenon, Sadek supplies guidance to startups as well as fintech and payments companies to help grow their businesses and the payments industry. A few of his key accomplishments include working with BlueSnap, a global payments technology company, to drive up its transaction volume growth over six times from initial investment in 2014; helping the consumer-facing ticketing service eTix grow its payments volume to over \$1 billion; and acting as thought leader on payments for Zelis Healthcare, which serves health-care payors. In early 2018, Sadek and his team at Parthenon facilitated and successfully completed the acquisition of Cayan by TSYS for a reported value of \$1.05 billion. Sadek was crucial in delivering the Cayan equity 16x return on investment, and was critical in sourcing and man-



aging the five-and-a-half-year partnership, during which he sourced add-on acquisitions and supplied product ideas, strategy, and execution consultation. Sadek currently serves or has served on the board of directors of leading payment firms, including BillingTree, BlueSnap, Cardworks, Cayan, eTix, Official Payments, Periscope Holdings, and Zelis Healthcare.

Garima Shah →

Chief Business Development Officer DC,
Priority Payment Systems

prioritypaymentsystems.com

Since she began her career in payments 14 years ago, Shah has been a field agent and an ISO owner, has run direct and indirect sales channels, has worked for an international processor, has been through several large enterprise acquisitions as both the buyer and seller, and has converted companies from retail to FSP. She has learned a lot along the way, and she shares that knowledge with industry veterans and new agents as a speaker at regional trade shows, TRANSACT, and other national conferences. Shah has

brought her passion for payments to Priority Payment Systems, where she manages and develops its ISO sales channel and negotiates acquisitions of both portfolio and fintech solutions—successfully completing 18 acquisitions in the past three years. She also helped develop a payment facilitator product and sales channel and assisted in transitioning the company through its recent acquisition.



Benny Silberstein ↑
 Co-Founder, Payrix LLC
www.payrix.com

Silberstein is the co-founder and one of the visionaries behind the Payrix Platform. Founded in 2015, Payrix is an enablement technology for organizations involved in facilitating payments. That includes SaaS providers, ISOs, marketplaces, acquirer/processors, banks, and any organizations involved in omnicommerce. Payrix's payment facilitation platform provides those organizations with a streamlined solution that enables merchants and payment facilitators to easily board; process; conduct know-your-customer/anti-money-laundering services; and provide risk and chargeback solutions, settlement, and payment and payout solutions. Silberstein's background is rooted in payments, and he operated a full liability ISO for years—an experience that taught him the limitations of acquiring platforms and guided him while being principally involved in the conceptualization, design, and oversight of the Payrix Platform buildout.

Amanda Slater →
 Senior Director, Global Government Relations, Visa
visa.com

A senior member of Visa's U.S. government relations team, Slater says she was motivated to join the payments industry because the industry is more technology driven than most people realize—resulting in several new and exciting transformative policy issues. In her current role, Slater focuses on federal policy issues affecting the payments industry, ranging from traditional product issues in financial services to innovative, forward-thinking issues of the future. She works with key stakeholder groups in government and across industry more broadly to build support for and ad-

vance Visa's policy priorities. One of her most important achievements has been helping to build out Visa's ability to demonstrate the innovation taking place in the payments industry through various experiences. This ability is instrumental to translating what is and will be happening in the marketplace to policymakers who are writing legislation, according to Slater. Her vast experience in payments policy includes previous positions as senior policy advisor on banking, trade, and corporate law issues for Sen. Tom Carper (D-Delaware) and as a committee staffer for Rep. Ed Perlmutter (D-Colorado).

Dan Swislow →
 Public Policy Lead, Square Inc.
www.squareup.com

Swislow is establishing himself as a key voice in the payments government relations space. At Square, he leads interactions with policymakers in Canada and the United States, on state and local levels. He has led the response to key financial services and lending issues with state policymakers and has been leading Square's education effort of local influencers in key municipal areas with a focus on bringing payments and lending to underserved communities.

Cindy Turner →
 Head of Product, Core Acquiring, JPMorgan Chase
www.jpmorganchase.com

Turner's impressive payments career includes positions at KKR Capstone, First Data, Visa, and now JPMorgan Chase. Those who work with her state that she leverages her data insights and client demands to better understand how to develop immediate client needs, anticipate future industry trends, and commercialize all launches so they are market ready. At JPMorgan Chase, she manages and leads all product-related activities—including, but not limited to, product development, product enhancements, payment brand release, etc. Ultimately, what clients say about Turner is that she not only understands the current payments landscape but also has the capacity and foresight to assist in navigating future trends as they come to fruition.





ed partnerships with industry leaders such as Vantiv, First Data, Blackhawk Network, and Berkshire Hathaway. In addition, Valentino added over 200 partnerships with leading brands such as Amazon, Target, and Best Buy. At Web.com, he hired, trained, and oversaw a team of account managers responsible for over \$100 million in partner revenue with industry leaders such as Google, Amazon, Discover, First Data, and PayPal. His leadership has proven essential in two sizable industry transactions, including the sale of GiftCards.com to Blackhawk Network in 2016 and the 2018 acquisition of JetPay by NCR.

Bufan Yang ↓

Chief Operations Officer, Universal Processing LLC
www.uprocessing.com

Yang says he has been pursuing the American dream since he came to the United States. After earning his PhD, he joined the payments industry and found that many immigrant minority merchants were underrepresented. He dedicated himself to helping underrepresented business owners grow by providing better customer service and equipping them with the best technology possible. As a partner and chief operations officer of Universal Processing, he has helped build the company portfolio from \$0 to \$1 billion annual volume in just three to four years and has grown the company to one of the largest ISOs in the minority merchant community. Universal Processing has serviced over 11,000 merchants, with 80 percent being minority owned. Yang's team considers him a "payment industry scientist" because of his love for finding new technology that can help improve the day-to-day business relations of minority merchants. **TT**



Jeff Valentino →

Vice President of Business Development and Strategic Partnerships, JetPay, an NCR Co.

www.jetpay.com

Valentino has significantly impacted the financial services and fintech space through the development of strategic alliances and mergers and acquisitions. In just over 18 months at JetPay, he has brokered partnerships with more than 20 organizations, including FluidPay, Amaryllis, Chargeback Gurus, Artefacts, and Bolts Technologies (recently acquired by Jack Henry). Valentino also brought his talent for business development to his previous roles with other companies. At GiftCards.com, he cultivat-



Satisfaction SCORE Card

As J.D. Power releases seminal data on merchant services satisfaction, payments processors share their strategies for boosting retention and driving growth among SMBs

By Christine Umbrell

Results of a first-of-its-kind J.D. Power survey examining merchant services satisfaction are in, and there's good news for payments processors: "The good, overall, is that small businesses are pretty satisfied with their merchant services," says Paul McAdam, senior director, banking and credit card, for J.D. Power and author of the "2019 U.S. Merchant Services Satisfaction Study Executive Briefing."

Compared to J.D. Power satisfaction scores for similar industries, "merchant services does pretty well," McAdam points out. The study examined small businesses—those with annual sales between \$50,000 and \$20 million, with at least \$25,000 in annual card sales—and their satisfaction with the primary payment processor used to accept card and digital wallet payments. With an overall cross-industry satisfaction J.D. Power index "score" of 824, the merchant services industry compares favorably to the industry averages in the retail banking, consumer credit card, and small business banking industries, according to the J.D. Power findings.

When McAdam and the J.D. Power team looked through the results of the study and examined whether small businesses felt they were being provided with the core processing

capabilities that they had been promised, they found "consistent authorizations, a pretty low incidence of problems, and not a whole lot of issues with merchant account funding speeds," McAdam says. "And so, the fundamentals of the service work well—and work well across the marketplace."

The research, which will be explained in more detail by McAdam during a presentation at TRANSACT on May 2, examined the four main contributors to merchant satisfaction scores and identified some differences across types of processors and types of merchant verticals. These four main factors—cost of service, which was determined to account for 31 percent of the satisfaction index; service interactions, 27 percent; payment processing, 23 percent; and equipment and technology, 19 percent—were determined by examining 19 total attributes that drove the J.D. Power model; the attributes were found to have different weights according to their importance in the overall satisfaction index.

These four factors, which fall in line with what successful payments processors are finding in their own internal studies, also demonstrate the importance of communication and measurement when seeking to boost customer satisfaction.



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Cost of Service

In the J.D. Power study, “cost of service” included such attributes as reasonableness of costs, clarity of pricing and fees, and availability of options to manage and control costs. “Three of the top four attributes driving satisfaction scores” were cost-related, says McAdam. “Price is a big piece.”

Cost is particularly important to satisfaction for merchants’ in-store transactions, according to the research. “With card-present businesses that select a new payment processor, competitive fees and equipment performance are more important” factors in satisfaction, compared to merchants offering card-not-present transactions, J.D. Power found. And while banks and fintechs scored slightly higher in satisfaction than legacy processors, “legacy processors are more competitive with banks and fintechs at gaining new customers in the card-present market.”

One of the keys to boosting scores among less satisfied merchants may be education on pricing, suggests McAdam. “These merchant types who have lower levels of satisfaction, their understanding of the services and fee structures is ... lower,” he says. The study asserts that helping customers understand their payment processing pricing/fee structures is es-

"THE KEY TO KEEPING CUSTOMER SATISFACTION SCORES AND LOYALTY HIGH LIES IN THE ADDITIONAL VALUE PROVIDED TO CUSTOMERS. AS TECHNOLOGY CONTINUES TO EXPAND AND PERMEATE EVERY ASPECT OF OUR LIVES, SMBS WANT AND EXPECT ACCESS TO MORE TOOLS THAT HELP THEM COMPETE."

—CORY CAPOCCIA, WOMPLY

essential to improving customer satisfaction with pricing clarity and the reasonableness of total merchant services costs.

At TSYS Merchant Services, cost is one element that plays a part in satisfaction, explains Damian Tanenbaum, senior vice president, customer experience and contact centers. Ensuring that merchants "are charged the amount they expect to pay for products and/or services they purchased" is critical, he says. But price is only one piece of the puzzle—and because costs can be comparable among processors, it's important to offer services and products that distinguish companies. The other three areas of focus TSYS prioritizes, according to Tanenbaum, are making certain products work as designed and described to merchants, resolving customer concerns when the first call comes in, and ensuring the customer service team provides follow-up.

Cory Capoccia agrees that processors must look beyond price. "As we're all aware, payments processing has become commoditized," says Capoccia, president of Womply, which partners with processors, acquirers, banks, and ISOs in offering software and customer-facing services for small businesses. "The key to keeping customer satisfaction scores and loyalty high lies in the additional value provided to those customers. As technology continues to expand and permeate every aspect of our lives, SMBs want and expect access to more tools that help them compete."

Rather than talking about "saving a few dollars on processing," most processors are "recognizing that the cost conversation easily takes a back seat when merchant service providers are able to provide real, valuable solutions," adds Capoccia.

Service Interactions

Service interactions—the second most important of the four factors identified by J.D. Power as contributing to merchant satisfaction—can take many forms. "In-person" interactions weigh more heavily than "self-service" and "statement" interactions. In fact, the merchant services industry scored higher

on "in-person" services than other related sectors J.D. Power has studied.

"This really looks like an industry that is much more 'in-person' oriented than what we see in retail or small business banking," McAdam says. More than 70 percent of respondents "told us that their most recent interaction was with a person," meaning an in-person meeting, phone call, email, or online chat.

By contrast, "only 10 or 15 percent of these small businesses said that going online or going on a mobile app—some type of self-service technology—was their most recent interaction. And in other facets of banking, it's [about] half." McAdam notes that building more comprehensive websites and mobile apps to drive self-service interactions could ultimately reduce costs for processors, but he acknowledges that the small businesses surveyed may genuinely prefer personalized services.

Payments experts agree that personalized services are in demand and help drive satisfaction among SMBs. One of Womply's main keys to success, for example, is "actual human interaction," says Capoccia. "For many SMBs, we've found that no amount of chatbots, self-serve libraries, or automated processes can replace their desire to pick up the phone and talk to a live person who understands the ins and outs of the product as it relates to their specific business and who can quickly remedy any issues or concerns."

An important related consideration is attrition rates—an area many processors have recently re-examined in their own customer satisfaction initiatives. Keeping new customers satisfied by onboarding quickly and being responsive to client concerns has become a key focus among many merchant services providers—especially those who serve SMBs.

At Elavon, for example, Joe Myers has led initiatives to retain customers and support business growth from 2011 to 2014 in Europe and from 2014 to present-day in the United States. To address problems surrounding attrition, Myers conducted a company-wide analysis and identified a need to reduce the time it takes to bring new customers onto its platform.

Myers took a personalized approach, both in Europe and the United States, to improve customer service: First, he bolstered "dedicated account management, to each and every customer ... where we proactively call out to them on a regular basis to ensure that they are satisfied with the services they are getting." Second, he launched a "straight-through processing" (STP) program to reduce the time that lapses between a merchant's initial onboarding and the completion of its first transaction. And third, he developed a customer account management program, creating a team of more than 100 employees to serve as resources. This program went above and beyond the support system previously in place and facilitated outreach with merchants.

Myers' approach had a positive impact on service interactions. After full implementation, the average time frame required from initial signing to first transaction decreased from 36 to 10 days in Europe, and from 38 to 10 days in the United States. The percentage of applications being activated within the first 60 days of signing at Elavon increased from 65 percent to 80 percent. Even more significantly, the company's overall Net Promoter Score (NPS) has increased by 150 percent since 2014, says Myers.

At BlueSnap, an e-commerce processor, there is a similar focus on “high-touch” interaction with clients, according to CEO Ralph Dangelmeier. The company’s self-service model of onboarding is complemented by “a touchpoint where we actually reach out to every single merchant with a letter and contact information,” explains Dangelmeier. At the end of each interaction, BlueSnap sends out a questionnaire to capture a “score” for the company’s performance in meeting clients’ needs during that interaction, he says.

“We have a lot of touchpoints along the way—and it goes over very well, because most of these guys are not used to getting a lot of attention from their bank or their technical partners. So, we think it’s a big differentiator,” Dangelmeier says. This personalized approach has resulted in high survey scores.

Bank of America Merchant Services employs a client experience management tool called “Voices” to ensure positive service interactions. The tool, according to Tim Abram, senior vice president, client experience executive for small business, helps gather feedback on contact center touchpoints and experiences with sales, onboarding, and activation. “In essence, we’re able to assess the end-to-end relationship experience” for customers. Abram and his team leverage the feedback to identify improvement opportunities “with respect to sales, service, and product, as well as to establish baseline satisfaction levels upon which we can measure improvements.”

Abram says the tool has been instrumental in addressing customer complaints, by identifying clients who have raised concerns and generating real-time email alerts to sales or service team leaders so they can take immediate action, says Abram. “We call this our ‘Close the Loop’ process and use the feedback obtained from it to provide associate coaching and to help identify process and product improvement opportunities.”

BlueSnap’s Dangelmeier concedes that “personal touches” can be costly for processors, but he feels they are necessary when serving small merchants. SMBs “are not looking for the lowest price. ... They’ll pay a little bit more to get a better product and better service,” he says.

Payment Processing and Equipment/Technology

Payment processing is the third most important of the four factors contributing to merchant satisfaction. J.D. Power includes in this category such attributes as speed of merchant account funding, reliability of payment system uptime versus downtime, and frequency of authorization declines and operating problems.

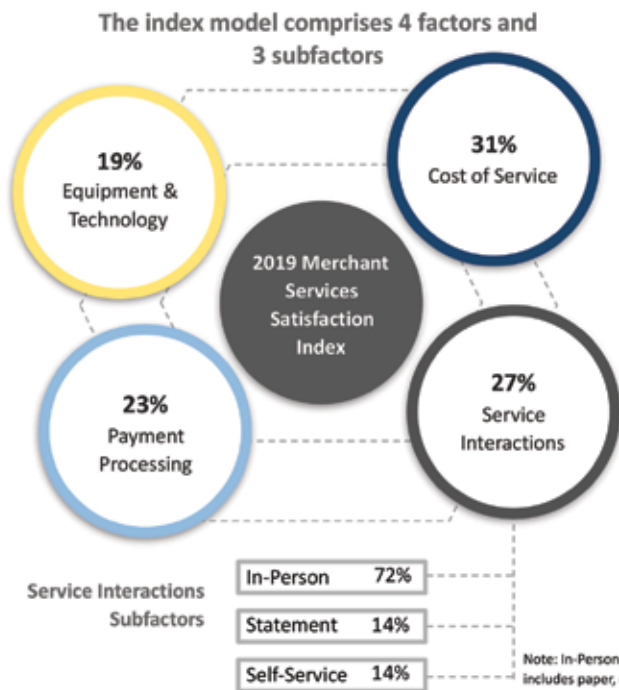
Equipment and technology comprise the final factor in the J.D. Power survey. This factor relates to reliability of equipment/technology, range of services and features, ease of use, and appropriateness of the match to the merchant’s needs.

Processing solutions that take advantage of newer technologies—such as mobile card readers and cloud-based POS—receive higher satisfaction scores than traditional technologies, according to the J.D. Power study. Not surprisingly, customer satisfaction gets a boost when equipment and technology are used for business functions beyond payment acceptance.

“Software, especially if it’s well designed, can help a merchant run their business better,” says Derek Webster, founder and CEO of CardFlight. “It enables them to quickly and efficiently take a sale wherever they are, and utilize integrated analytics and reporting to help them run their business better.

“Modern payment acceptance software can lead to a much more satisfied customer than legacy commodity payment products,” adds Webster. He points to the Software-as-a-Service delivery model as another key differentiator. “Old school

Merchant Services Satisfaction Index Model



Satisfaction ratings with 19 attributes drive the model

Satisfaction Factors	Satisfaction Attributes
Cost of Service	Reasonableness of the total costs given the services provided
Payment Processing	Speed of your merchant account funding
Cost of Service	Clarity of pricing, fees, and other charges
Cost of Service	Availability of options to manage/control my total payments costs
Payment Processing	Reliability of payment system uptime vs. downtime
In-person Interactions	In-person Service: Promptness of being served
In-person Interactions	In-person Service: Knowledge of the company representative
In-person Interactions	In-Person Service: Courtesy of company representative
Equipment & Technology	Reliability of equipment/technology
Equipment & Technology	Range of services/features that can be used with the equipment/technology
Equipment & Technology	Ease of use of equipment/technology
Payment Processing	Frequency of authorization declines and operating problems
Equipment & Technology	Equipment/Technology is an appropriate match with my business needs
Statement Interactions	Usefulness of the statement information
Self-Service Interactions	Ease of accessing the self-service information
Statement Interactions	Ease of accessing the statement information
Self-Service Interactions	Usefulness of the self-service information
Self-Service Interactions	Clarity of self-service information provided
Statement Interactions	Clarity of statement information provided

Note: In-Person includes in-person meeting, phone call with sales or customer service rep., and email or online chat with a company representative; Statement includes paper, downloaded or e-statement; Self-Service includes online/website, mobile app, IVV, and reporting from POS

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technologies don't have the same rate of improvement," he says, "which makes it difficult to address any customer satisfaction gaps in a timely manner."

At TSYS, the company's cloud-based solutions enable the company to push software updates overnight. "As new ways to pay get introduced, such as Apple Pay, merchants have to have the capabilities to take these payments from their customers," Tanenbaum explains. "Updates to these POS systems are pushed over the cloud, typically overnight while a business is closed, and therefore don't have any impact on the merchant or their ability to take a payment or make a sale. These types of technologies have greatly attributed to the satisfaction of a small business customer."

Abram notes that new technologies are key in making payments easier—but only if they are well researched and implemented successfully. "As long as the sales and support teams are thorough in the sales solution stages, and provide solid support throughout the onboarding cycles, new technologies ... can be a key differentiator and a driver of exceptional client satisfaction," he says. "However, if not managed and deployed efficiently, these technologies can potentially frustrate business owners and reduce satisfaction."

To ensure their merchants have access to optimal and well-running advanced solutions, many processors team up with technology firms. "A number of [processors] are really doing things to invest and partner with more innovative POS system technologies that are designed for different types of merchants," says McAdam.

Additional Findings

Beyond analyzing the data according to the four factors and 19 attributes related to the overall satisfaction index, J.D. Power identified some other interesting findings. For example, when it comes to satisfaction, size does matter: Larger small businesses and those that gain higher portions of sales through card payments tend to have higher satisfaction than smaller businesses with lower card payment volumes.

In addition, small businesses that utilize card-not-present (CNP) e-commerce as their primary sales channel have higher satisfaction scores than those that utilize card-present payment methods. Merchants leveraging CNP technologies tend to be more satisfied with their cost of service and more deeply engaged with their POS/online, and they appreciate the reporting and tools that come with their processing services.

E-commerce processors, specifically, can boost customer satisfaction by offering good advice and taking time to help merchants set up their systems optimally, says Dangelmeier. "Other than Amazon, a lot of people don't know how to set up an e-commerce checkout process" in a customer-friendly manner, he says. "We ... try to give good advice on what the best practices or optimal way to do it is." This type of advice is "a real value-add."

When J.D. Power broke down the satisfaction scoring by merchant industry, the types of merchants earning higher satisfaction scores tended to be more business-to-business-type companies, focusing heavily on business services and financial services. "They tend to be oriented toward e-commerce. That makes a difference," says McAdam.

Merchant verticals earning lower satisfaction scores were more likely to provide more personal products and experiences, such as retail, restaurants, and health-care companies—smaller entities with "a lot more diversity," says McAdam. Merchants offering lower satisfaction scores tend to be "more oriented toward these card-present type payment models ... and they also tend to have segments ... that can be lower card payment volumes. These smaller merchants that have 50 percent or less of their payments collected through cards have the lowest satisfaction, so they tend to be using [simpler] terminals, rather than smart terminals ... and they use fewer features. The more features a small business uses in their system, the higher their satisfaction is."

But J.D. Power also found that a lot is working well for processors that serve more personally focused merchants, and they are benefiting from creating tools that leverage payment information and incorporating newer technologies with the goal of becoming "a more essential part of what's happening inside of those businesses," says McAdam. "I think it just gets back to really trying to drive higher levels of engagement with the technology."

TSYS has found this engagement piece to be critical when serving clients in the health-care vertical and has tailored some of its solutions accordingly. "We understand the pain points that a doctor's office experiences—for example, the process they go through to get paid from a patient's insurance company, bill the patient for the balance, and wait for the patient to pay—it takes a doctor a long time to get paid, if at all," says Tanenbaum. "Understanding how their business works, and the differences between a primary care practice versus a dental practice, enables us to create comprehensive solutions specifically designed for that provider, which ultimately boosts satisfaction scores."

Satisfaction Guaranteed

Measuring and boosting satisfaction is an important way for processors to drive success. Measurement tools such as the new J.D. Power study, NPS scores, surveys, and similar means are essential. "If you can't measure it, you can't prove that what you're doing is working," says Dangelmeier.

But putting forth a valuable product and fostering honest and open communication play important roles as well. "One of the most important ways to keep a small business owner satisfied is to do what you say you're going to do," says Webster. "Transparent business practices are very important, along with genuine follow-through and delivery on your promises."

Maintaining "a customer-centric mentality" also is a key ingredient to success with SMBs. "Running a small business is risky, scary, and hectic," says Capoccia, "and small business owners deserve technological solutions to their most pressing problems—namely, growing revenue, getting more customers, and saving more time—and they deserve merchant service providers who are educated on these solutions and can act as trusted advisors to help customers navigate the crowded technology market space." **TT**

Christine Umbrell is a contributing writer to Transaction Trends. Reach her at cumbrell@contentcommunicators.com.



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Surcharge or Cash Discount?

Understanding the difference between the two sales tactics and how recent enforcement efforts are spurring industry change

By David Leppek

Recent clarification from Visa has made some waves in the payments industry concerning what constitutes a cash discount versus a surcharge, and when to apply each. While confusion around where the regulatory authority lies and what the implications are for merchants still exists, this recent clarification from a major card brand provides greater certainty and welcome clarification for a segment of merchant acquiring sales that has largely evolved without oversight and led to products that misinterpret the previously cloudy topic.

So, what is the difference between cash discounting and surcharging, why is there still some confusion, and how are recent enforcement efforts driving change for the industry?

Cash Discounting vs. Surcharging

Cash discounting is when a merchant offers a customer a reduced price in exchange for the customer choosing to pay in cash. This practice is most commonly seen in gas stations, where the published price of a gallon of gas is advertised with a disclaimer stating that the consumer can pay \$0.05 less per gallon if they pay with cash. A surcharge is when a merchant adds a fee or otherwise increases the price of a transaction when the customer pays with a card. In a nutshell, cash discounting is legal, allowed by the card brands, and, in fact, explicitly encouraged by some state laws. Surcharging is not explicitly prohibited at the federal level or by most states, and, as of 2013, is allowed by the card brands with some restrictions.

The Law

There are essentially three entities that preside over both cash discount and surcharge rules: federal, state, and card brand rules. Since the inception of the payment networks, surcharging has been prohibited by the card brands; however, cash discounts have never been banned by the card brands. Many states have



Ryan Lane/Getty Images

rules against the practice of surcharging. But a class-action law suit in January 2013 pursued a settlement attempt that reversed this card-brand restriction with certain conditions. As of Jan. 27, 2013, a merchant may add a surcharge to certain credit card transactions under the following conditions:

- Merchant must provide card brands with at least 30 days' notice of the merchant's intention to surcharge.
- Merchant must register with both Visa and Mastercard.
- Surcharging applies only to credit transactions in the United States. Debit and prepaid cards cannot be surcharged.
- The maximum for a surcharge is capped at 4 percent but cannot be higher than the merchant's cost.
- Disclosure/signage mandates include the following:
 - Merchant must provide clear disclosure at the point of entry and point of sale.
 - Itemization of the final surcharge amount must be identified separately on the transaction receipt.

- There are also authorization and settlement indicators in the messages that are transmitted.

In addition, the following 10 states and Puerto Rico had laws prohibiting surcharging as of Jan. 27, 2013, according to the National Conference of State Legislatures:

- California
- Colorado
- Connecticut
- Florida
- Kansas
- Maine
- Massachusetts
- New York
- Oklahoma
- Texas.

Since then, New York's law was challenged in court on the grounds that the statute in question unconstitutionally regulated merchants' First Amendment rights by restricting how they could communicate their prices. New York's highest court ruled that merchants could



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add a surcharge if they post the total dollars and cents charged to credit card users. California's law was challenged in court on similar grounds, with the 9th Circuit ruling in early 2018 that the state could not prohibit merchants from imposing a surcharge on customers paying with a credit card. The 11th Circuit struck down Florida's ban on surcharges in 2015. And in August 2018, a federal court declared that Texas's surcharge law was unenforceable. This was after Texas transferred enforcement of the credit card surcharge prohibition from the Office of Consumer Credit Commissioner to the Texas Attorney General. The attorney general provided clarification to the prohibition and, in doing so, confirmed that a Visa-compliant surcharge program was also compliant as far as the Attorney General's office was concerned.

No federal law bans the practice of surcharge. However, the Durbin Amendment, a provision of U.S. federal law passed as part of the 2010 Dodd-Frank reform, addresses the issue of surcharging in the context of defining a cash discount. Section (b)(2)(A) states that a "... payment card network shall not ... inhibit the ability of any person to provide a discount or in-kind incentive for payment by the use of cash, checks, debit cards, or credit cards." As long as merchants clearly disclose the terms of the discount, they may offer a discount or in-kind incentive to customers who choose to pay with cash. However, section (c)(4) states, "The term discount: ... (B) does not include any means of increasing the price that customers are informed is the regular price." Hence, the Durbin Amendment clearly stipulates that, while the card networks may not prohibit cash discounts, any product, service, or mechanism that adds on a fee to the regular price of the transaction does not qualify as a cash discount.

Sources of Potential Confusion

In recent years, some providers have modified the cash discount solution to apply either a percentage-based fee to all products or a service fee to the final cost of the goods or services sold, and then waive that fee if the consumer pays with cash. Those solutions are marketed as cash discount programs but are really noncompliant surcharge programs, as they are offered in all 50 states (even the ones that maintain legal bans on surcharges), and they are applied to debit and prepaid cards (as mentioned earlier, card networks specify that surcharges can only be applied to credit card transactions).

A product like this may appeal to a merchant or a sales agent, especially if it is billed as zero-cost processing. It tends to be very popu-

lar among merchants who want to lower their cost of payment acceptance, and it's equally popular among sales agents who, historically, have sold on price and run into trouble staying competitive with low-risk merchants.

The problem is that it treats the additional fee (which is automatically removed when payment is made with cash) as a cash discount, contrary to card network and federal regulations. And indeed, on Oct. 18, 2018, Visa issued a notification stating, "Models that encourage merchants to add a fee on top of the normal price of the items being purchased, then give an immediate discount of that fee at the register if the customer pays with cash or debit card, are NOT compliant with the Visa Rules and may subject the acquirer to non-compliance action."

Visa goes on to state the following: "To maintain a level playing field for all participants of the payment system, Visa actively enforces its rules pertaining to cash discount programs. Acquirers should proactively monitor the discount programs offered by their processors or agents to ensure that the programs do not violate the Visa Rules."

What's Next?

Immediately after the Visa Bulletin was released, bank sponsors were contacted to provide information about any programs they supported that matched the model described by Visa and to ensure that any cash discount programs they did offer were compliant with card network rules. The bank sponsors, in turn, contacted their ISOs and asked for documentation of their programs to ensure they had compliant policies regarding such programs. If a program's documentation identified it as

being noncompliant or requiring modification to be considered fully compliant, then the next steps would generally require Visa, the bank sponsor, and the ISO to work together to make the program compliant.

We are currently in a period of transition, and, as noted earlier, there are several open cases moving through the court system that may shift things further. So far, the Visa clarification, the efforts of the bank sponsors to update their policies, and the revised product offerings of the ISOs have not had time to filter down to the proverbial agent on the street selling the solutions. Similarly, many merchants are still being approached either with aggressive marketing on behalf of noncompliant programs or by ISO compliance officers, leading to additional market confusion.

Ultimately, the card network rules exist to ensure the payments ecosystem runs smoothly and without disruption. It is in the best interest of the card networks to remain in compliance with state and federal law and to ensure consumer confidence in their brand. And so, as long as the legal status of card surcharging remains in question, the card network rules will tightly regulate its usage.

The direct path to resolving market confusion and ensuring the continued, seamless operation of the ecosystem requires all players to commit to developing and maintaining a compliant product that closely adheres to their sponsors' policies, card network rules, and all governmental regulations. **TT**

David Leppek is an executive payment consultant and a member of ETA's Payment Sales and Strategy Committee.

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Caroline Hometh



Payments veteran Caroline Hometh is the founder and managing partner at RPY Innovations, a global payment advisory group that specializes in establishing relationships that enable conversion of cash to electronic payments and fosters the growth of domestic and international acquiring.

Here, Hometh offers tips and strategies for U.S.-based payment facilitators and acquirers looking to expand abroad.

We know that card-based transactions are big in the U.S. but not so much in other areas of the world. What are some of the most interesting cultural preferences for payments you've come across in your work?

The rest of the world loves e-wallets. Why? Security, convenience, and speed at the time of purchase. Bank transfers are also very dominant because the banked populace is rising, and the processing is cheaper for merchants. But there is also a significant difference in payments used.

For example, in Canada, a woman drives downtown to join a friend for lunch. She uses her Interac Flash debit card to pay for parking. While waiting, she uses her phone to shop online for shoes and uses her card on file for that transaction. She notices her favorite charity needs assistance, so with her phone she uses her credit card to set up a recurring payment. Her friend arrives and they split the lunch bill, with both putting down a credit card for payment.

That same woman in Argentina would use a mobile application to pay for parking, cash for lunch, and an installment payment—Boleto Bancario—for the shoe purchase. In China, the woman would use AliPay to pay for parking but use WeChat Pay to pay for lunch and shoes.

Soon we might see this scenario: The woman would expect to use her car to purchase the parking and preorder lunch using a mobile application and her card on file. She would use a different mobile wallet to sign up for a subscription service for the shoe purchase, a bank transfer for the charity, and Venmo to share the lunch bill with her friend.

The payments industry uses many single-digit letters to describe how we pay: e-commerce, m-commerce, f-commerce [for Facebook], and now a-commerce [Alexa or Digital Assistance]—but we must remember that consumers globally do not perceive it this

way. It is simply making a purchase. Our industry needs to allow consumers to shop in whatever currency they prefer, with whatever payment type they're comfortable using.

Which areas show the most promise for U.S.-based payments players?

One of the reasons payment facilitators are so successful is their commitment to a unique vertical, [which] also allows them to research which markets match their vertical focus most effectively. Using the lunch scenario, how did the payments players enable the woman to pay?

The payment facilitator that is focused on parking transactions will need to develop an acquiring relationship in each country/region where consumers are used to paying for parking but no longer prefer to use coins. The meters will need to accept the card types preferred by that country. EMV certification is required. The mobile application will need to consider multiple languages and colors that reflect the culture. It may choose to use partnerships to support the meters in a specific region.

The global or regional restaurateur will need to consider how consumers value loyalty programs and payment methods. The e-wallet and P2P provider will need to accept bank transfers within each country of interest. The e-commerce shoe retailer may need to accept up to 22 currencies and 140 payment types and work through foreign exchange risks.

The payment facilitator who is focused on charity transactions will need payment partnerships to set up local bank transfers, credit cards, recurring payments, and have access to card account updates.

What is the current regulatory and licensing environment like for U.S.-based players in those markets?

In most cases, requirements are more complex

and stringent and thus will be time-consuming. For example, in Europe, due to Payment Service Directive II, all payment facilitators must first obtain a payment institution (PI) license from the country's financial control authority (or equivalent). If obtained from an EU country, it can be passported to other EU countries, but if Brexit is completed, the United Kingdom will likely require a separate PI license.

Are there any downsides to global expansion?

It takes time and commitment to understand a new market and regional requirements, build a business, modify as needed, and begin a new path if initial plans do not work. Expansion into another country can be expensive. There are the different regulatory standards that must be met. Cultural differences require attention and may be difficult to incorporate. Often, branding and colors must be reconsidered to avoid misinterpretation and increase appeal. Businesses hope that payments will function the same way as they do domestically—and find it frustrating when that doesn't happen.

Remember that when entering a new market, local players view what's done in the U.S. as unusual and not especially relevant.

What's the best advice for a payments provider looking to expand abroad?

Preparation and diligence are vital. Do your homework. Understand how your business will be viewed by the merchants and consumers of that market or country. Buyers will want to sell/shop in their own currency and use the payment types they are comfortable with. Seek advice from those who have successfully entered the target market. **TT**

—Josephine Rossi

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