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Editor's View

Check this out

Traditional checkout is changing once again.



The dust still hasn't settled from the U.S.'s massive upgrade to EMV and mobile wallet acceptance at the point of sale, with old cash drawers replaced (or at least complemented) by sleek tablet-based devices.

And we're poised for it all to be torn out and replaced with an even more high-tech system.

The poster child for this is Amazon Go, a cashierless store concept that requires patrons to scan in via a mobile device, then tracks their activity throughout the

store to determine what to charge them for when they leave. But this isn't the only model.

A closer goal is simply removing cash, as more restaurants and fast food brands are doing. Some have backpedaled — usually those that eliminated cash at only one location — but many are still forging ahead with a plan to require patrons to use a card or mobile wallet as their only options.

Recent months have also seen a revival of the grocery store concept of scanning items as they are grabbed from the shelves, then paying at the end of the trip without having to wait for a cashier to scan those products all at once.

Whatever the outcome, it's clear that mobile technology and AI are seen as more than just simple line-busting tools. The future of retail could look much different without the need to force customers to line up at the door to pay.

—Daniel Wolfe

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Small Business



How Amazon fuels Amex's small-biz growth

The company that created Small Business Saturday comes to terms with Amazon's role in that market.

By David Heun

American Express has positioned itself as a small-business champion for decades — highlighted by its 2010 invention of Small Business Saturday — but its partnership with Amazon illustrates the paradox of supporting mom-and-pop shops by enabling them to buy supplies from their largest competitor.

The Amazon Business American Express card, a black, metal card designed in a vertical rather than horizontal format, falls directly in line with bolstering Amex's ongoing small-business strategy of the past couple of years — particularly in light of the loss

of Costco Warehouse and JetBlue to its card portfolio.

"When you look at Amex, there is a lot of revitalization going on there and that's exciting," said Brian Riley, director of card services for Mercator Advisory Group. "And from the Amazon side, it's a trophy name and a total winner."

Previously, Amex was banking on great success with OptBlue, its program allowing acquirers to adjust payment processing costs as needed for small business owners. More than 700,000 small merchants signed onto the program in its first year of operation, and

the card brand's OptBlue site reports that 1.5 million new small merchants began accepting Amex cards in 2017 alone. Previously, Amex had noted that as many as 9 million new merchants have been on board since the program started.

Now, Amex is hoping that these businesses will not only accept its cards but will use them for ordering supplies.

"There are many different ways we strive to serve as the advocate for small businesses, from helping entrepreneurs identify and seize new opportunities all the way up to hundreds of millions of dollars in growing small and mid market businesses," said Courtney Kelso, head of U.S. commercial card solutions at Amex.

The Amazon Business card moves Amex more into the day-to-day operations of the business owner. It's set up as a card for those merchants who buy from Amazon often, giving Amazon Prime members the option to get 5 percent back on a transaction, or initiate a 90-day interest-free payment term.

In addition, the card provides line-item information on purchases that small businesses rarely see on monthly credit card bills.

"The card member has access to the number of items purchased, what the items were and the cost per unit," Kelso said. "This is data usually seen only through invoice-level buying, the type of thing reserved for the biggest of businesses."

Small business owners using the card will be able to use that data to more easily reconcile costs across different projects, jobs or clients, Kelso added.

The card connects to QuickBooks accounting software and the American Express Spend Manager, which allows the merchant to obtain receipts through a mobile app when not at the office. [ISO](#)



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Pot payments



As Canada legalizes pot, U.S. card brands join in

The legal landscape for cannabis sales is much different from that of the U.S.

By Michael Moeser

Canada has legalized recreational cannabis — and American Express, Visa and Mastercard are ready to handle the new market's payments, in a stark contrast to their stance in the U.S.

In the U.S., cannabis sales that are legal on the local level are still prohibited on the federal level, and this hazy legal status has scared off most mainstream payment companies. But in Canada — the second country to legalize the recreational use of marijuana, after Uruguay in 2013 — the major card brands have no fear of a federal crackdown.

Canadian prime minister Justin Trudeau has said that legalizing marijuana is about taking the market out of the criminal realm. Card payments add to this market's legitimacy; in the U.S., even legal pot sales are largely

cash-based, despite companies offering workarounds such as cashless ATMs and digital currencies dispensaries.

In the U.S., CanPay has created an entire bank network leveraging ACH rails to facilitate cannabis merchant payments. The Tokes Platform provides payments solutions and blockchain infrastructure for data provenance geared for the cannabis industry to accept its form of mobile payment. Merchant processor Alt Thirty Six recently entered into a partnership with CannTrade to support the cryptocurrency Dash for cannabis payments.

"At Visa, we strive to make our payment services available for transactions that are consistent with federal and provincial/territorial laws," said Jeanette Volpi, head of North America communications at Visa. "The Gov-

ernment of Canada has set forth a framework which legalizes the sale of cannabis for recreational use, and as such, transactions in Canada involving the purchase of recreational cannabis which comply with all applicable law will be permissible on the Visa network."

Amex has taken a similar stance, and even opened the door to U.S. consumers coming to Canada to buy marijuana — as long as what happens in Canada stays in Canada.

"Only approved, licensed retailers in Canada are permitted to accept American Express Cards for cannabis purchases," said David Barnes, vice president for public affairs and communications at American Express Canada. "U.S. cardmembers that meet local requirements, for example with respect to minimum age for purchase, will be able to make in-person purchases in Canada on their American Express Card. Cannabis purchases made in Canada cannot however be brought over the border."

Interac, Canada's local debit network, reports that it too will process cannabis transactions in Canada. "Interac will continue to support businesses with payment solutions that allow Canadians to purchase legal products and services," said Bryan Bossin, senior manager, public affairs and corporate communications at Interac.

"With the recent changes to Canadian law, Mastercard products can now be used to purchase recreational cannabis at legally licensed retailers in Canada. We operate our network on the basis our products can be used for legal transactions," said Sandra Benjamin, vice president of communications at Mastercard Canada.

Canadian Imperial Bank of Canada (CIBC) estimates that market for legal cannabis in Canada will reach CAN\$6.5 billion (about US\$5 billion). [ISO](#)

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CASHIERLESS CHECKOUT GETS REAL

Marks & Spencer is pioneering in-store mobile scanning and payment. The technology is poised to reshape retail. | [By Robin Arnfield](#)

Marks & Spencer is the first major U.K. retailer to launch a mobile scanning and payment app in its stores. Several U.K. supermarket chains have launched pilots of cashierless and checkout-free mobile shopping, but have yet to roll out services.

Unlike those retailers — Sainsbury's, Tesco and the Co-op — M&S isn't a supermarket chain, although it sells prepared food and meals along with products such as clothes and furniture.

Designed with busy London customers in mind, particularly during the lunch-hour, the M&S Mobile, Pay, Go checkout-free mobile shopping app allows customers to purchase lunch (sandwich, crisps and a drink) in under 40 seconds for purchases up to the value of £30.

"With its packaged food, M&S is a really good place to adopt mobile scan, pay and go," said Thad Peterson, a senior analyst with Aite

Group. "(Sandwich shop chain) Pret a Manger would also be a good place for this app."

M&S has introduced its app in two London stores, M&S Edgware Road and Waterside Simply Food, which is situated at its London corporate headquarters. The app enables customers to scan products on their smartphone as they go, and check out with Apple Pay or the card saved in their M&S.com e-shopping account. They earn rewards from Marks & Spencer's Sparks loyalty program when using the app.

In August, Sainsbury's launched a trial of cashierless mobile shopping in one of its busy London stores. Tesco and the Co-op are also piloting checkout-free mobile scanning and payments.

Lessons from the pilot

M&S will roll out the app at a further four London stores in the weeks running up to Christmas, said M&S spokeswoman Sophie Kaitcer.



M&S will collect customer feedback and adapt Mobile, Pay, Go before rolling out to more stores early next year. "It's too early to confirm if we'll roll out the app to all our U.K. stores," Kaitcer said.

Prior to the commercial launch, M&S ran a trial of Mobile, Pay, Go at the Waterside Simply Food store, which opened its doors in June 2018. "Waterside Simply Food now sees 20 percent of its sales from Mobile, Pay, Go, with an average of 170 items being purchased through the app every hour," Kaitcer said.

Lauren Stratton, foods manager at Waterside Simply Foods, wrote in an August blog post that 60 percent of mobile payment transactions in the store take place between 12 pm and 2 pm. "We've seen a lot of customers wanting to scan after they've collected all their products rather than as they go, so we've installed a packing bench," Stratton wrote.

Between June and the end of September, over 1,500 people used Mobile, Pay, Go at the Waterside store, with a third of active users making five or more transactions a week.

M&S offers two other self-service options: its M&S.com e-commerce site, which is available both for PCs and mobile devices; and self-scanning and payment terminals. The retailer is looking to expand its online presence, and has a five-year ambition for 33 percent of its clothing and home sales to be online.

"Technology is speeding up the whole process of shopping," said U.K. retail analyst Richard Hyman. "Mobile scanning and payments offer material benefits for both customers and retailers. Lunchtimes are peak, and if customers' time in store can be cut, that will be an attraction. For retailers, mobile shopping's potential to cut labor costs from transactions is a huge benefit."

However, the competitive advantage in technology is generally short-lived, said Hyman.

"Technology can easily be copied and there are costs involved in being a pioneer," he said. "So, while there might be a short-term benefit to M&S here, most technology advances soon turn into zero sum games."

Aite Group's Peterson said that the huge success of contactless card payments in the U.K. may diminish the appeal of the mobile scan, pay and go model.

"But, having said that, anything that helps you avoid standing in line in London stores at lunch time is beneficial," he said. "The challenge is that you have to download the M&S app to your phone and then have the app open to make it work. So which has more friction? Using a contactless card and standing in line at checkout, or opening the app and scanning your purchases?"

Peterson argued that the only way mobile scanning works is if only a very limited inventory is available, and customers are willing to trade time spent doing their own scanning for the convenience of getting in and out in a hurry.

"The problem is that contactless cards are very convenient and don't require any major customer behavior changes," he said. "In the U.S., there have been experiments with mobile scan, pay and go, but these haven't been very successful. This is because having to do their own scanning means customers are doing the clerk's work and don't see an improvement in perceived convenience."

What do customers want?

U.K. retail consultancy IGD's ShopperVista survey of 1,934 British grocery shoppers in March 2018 found a high usage of mainstream technology in-store. According to IGD, 57 percent of

British shoppers surveyed had used a self-service till when grocery shopping in the past month. Also, 52 percent had used contactless cards to pay for their groceries at some point in the past month.

When asked about their current level of usage of newer in-store technology, 16 percent of British grocery shoppers surveyed said they had used their smartphone in the last month to redeem coupons on their phone. Also, 12 percent said they had used scan and go, while 7 percent claimed to have used their phone to pay for their groceries and 7 percent to have used a digital loyalty card in the last month.

Around 85 percent of U.K. shoppers are open to using some type of technology to help them with their food and grocery shopping, according to IGD's December 2017 ShopperVista survey of 1,721 British shoppers. The most popular reasons for using in-store technology are to speed up the check-out process (40 percent), find out about offers (39 percent), locate products in-store (37 percent) and compare prices with other stores (33 percent).

IGD's December 2017 survey found that 59 percent of U.K. shoppers enjoy food and grocery shopping, and 37 percent dislike it. Technology needs to play a role in supporting shoppers in both these camps.

"Retailers should think about how technology can create a more engaging shopping experience for shoppers who like shopping and are happy to browse more in shops," said Vanessa Henry, shopper insight manager at IGD. "This could be through introducing touchscreens in-store that have more product information. For shoppers who don't enjoy the shopping experience, technologies that would probably appeal are those speeding up the shopping process and making it more efficient." **ISO**

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Why mobile failed to reach the masses

Despite a steady stream of mobile wallet development, consumers remain unimpressed by the technology.

By Michael Moeser

It seems that every year, at least since Apple Pay launched in 2014, it's the "year of the mobile wallet." And each year, like clockwork, the banks end up disappointed in the lack of traction in mobile wallet usage and adoption.

This is despite a steady stream of new entrants in the mobile wallet market — as LG in 2018 — and rebrandings such as Google turning Android Pay into Google Pay. Concurrent with this trend, major holdouts like Costco, CVS and 7-Eleven have committed to supporting NFC mobile wallets.

Despite such great progress being made with merchants and issuers as it relates to mobile wallets, the sobering reality is that these electronic wallets stored on phones are trying to change consumer habits when there is little compelling reason to do so.

"Five or six years ago we thought the physical card would disappear and people would pay with their phone, but that hasn't happened," said Prashant Sharma, senior vice president of credit cards at CIBC. "What's driven the slow adoption of mobile wallets, while it's convenient to

tap a phone, there's nothing more to it. It's as convenient to tap a card, if even more so."

Sharma and other executives discussed the topic at SourceMedia's annual PayThink conference in Austin.

Uber is one of the clearest success stories in mobile payments. Though it supports many funding sources within its app — including standalone wallet apps like Apple Pay and Google Pay — the end result is always a seamless, near-invisible payment at the end of every ride.

Ultimately, when consumers begin to ask the question of why should they change to mobile when no clear reason exists, it's because the financial services industry has not created enough value to encourage a shift in payment habits, according to Brian Crist, chief payments council at Uber.

"Are we trying to solve for a wallet that's been in your pocket for 100 years or are we trying to solve for an easier way to pay?" he asked.

To be fair, when Apple Pay launched in 2014, followed Android Pay (later renamed Google Pay) and Samsung Pay in 2015, many financial institutions and merchants were not fully committed to mobile wallets and the payments infrastructure was still being built.

Consumers were often confused with the patchwork merchant acceptance — even within the same retail chain — and by banks developing their own wallets in addition to supporting the one attached to their mobile phone's operating system.

Things got more confusing when some early mobile wallet accepting merchants, such as CVS and Rite Aid, turned off their terminal acceptance as they sought to develop their own competitive network known as Merchant Customer Exchange (MCX). [ISO](#)

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Leadership



Martina King, the CEO of Featurespace

Female payment execs endorse board quotas

Gender quotas on boards can hold companies accountable for adding diversity.

By Kate Fitzgerald

California will be the first state requiring public companies to meet gender quotas for their boards of directors, and women in the payments industry see the move as positive — with some caveats.

By the end of next year, companies based in California must have at least two women out of five directors on their boards, and three women on seven-member boards in accordance with a bill Gov. Jerry Brown signed into law this week.

"Unless we set benchmarks and hold people accountable, we aren't likely to

see changes in the landscape where men dominate boards of directors," Martina King, the CEO of Featurespace, said in Atlanta at the annual meeting of Women's Network in Electronic Transactions, or Wnet, in September.

Featurespace, a U.K. company that markets tools to spot payments fraud to key clients including TSYS and WorldPay, happens to have just one woman — the CEO — on its nine-member board.

"When people talk about 'the club' of men running companies, in the U.K. it absolutely exists," King, a 2018 Pay-

mentsSource Most Influential Women in Payments honoree, said during a panel on women serving on corporate boards.

"Executives sometimes aren't able to open their eyes to see changes coming, but leadership and board member diversity is essential for companies to thrive," King added.

Around the world, more and more companies are adding women in leadership roles and on their boards because they realize that improving female representation improves their results, she noted.

Female board representation has grown steadily over the last decade, surging in the last five years, according to a recent report on board diversity produced by ISS Analytics, but fewer than one in four board members in the U.S. are women.

The proportion of women on boards of S&P 500 companies rose to 22 percent last year, up from 16 percent in

2011; percentages were slightly lower for midcap and small-cap companies, the organization said.

The payments industry has much work to do to prepare women for emerging leadership roles at companies and on boards, panelists agreed.

"None of us could have predicted the technology and developments that are driving the payments industry, and now we must find people in a position to lead," said Linda Perry, a longtime Visa executive who co-founded Wnet and for many years has championed the cause of women in payments.

Patty Moore, a longtime executive who rose to be president of the fast-food brand Sonic Corp. and is now nonexecutive chairman of the board of Red Robin Gourmet Burgers, isn't sure laws requiring women to serve on corporate boards is the best solution to drive leadership diversity.

"I'm not a big fan of California's bill," Moore said, noting that the percentage of women on corporate boards has been steadily rising across the U.S. without legal intervention.

"I'm fearful this type of legislation could create resentment and uneasiness that just because it's a requirement to add women to boards it's in a company's best interests," Moore said.

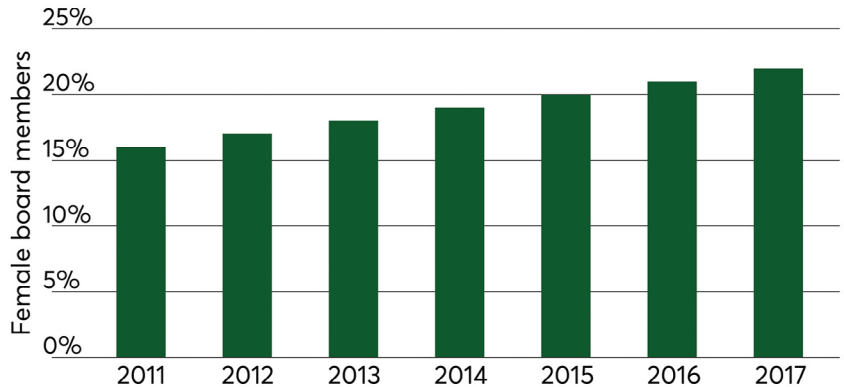
Moore, who was on Sonic's board of directors for six years and Red Robin's for 11 years, authored the leadership book, "Confessions from the Corner Office." She said when qualified women join corporate boards, the effect is powerful.

"Boards set policies and drive corporate culture, and having women on boards can be transformative," Moore said.

What makes a person a good board member is having a wide spectrum for her own thinking and cultural awareness, along with being inquisitive,

Women in leadership

22% of directors on U.S. large-cap company boards are female



Source: Institutional Shareholder Services

listening, and having the courage to ask questions and speak up, according to Moore.

Corporations are quickly adding more women to boards without intervention, but if the trend stalls, she would support broader legislation for gender quotas.

"If we aren't seeing a lot of progress in parity between men and women on boards within five years, maybe it will be time to legislate quotas," Moore said.

The number of women on corporate boards worldwide is moving "directionally" to include more women for many reasons, said Matrice Ellis-Kirk, a managing director with the board advisory and consulting firm RSR Partners.

"Institutional investors are driving demand for women to serve on boards. They're questioning the tenure and age of existing board members and looking for more diversity," Ellis-Kirk said.

"Because," Ellis-Kirk added, "how can you be selling to women if you have no women on your board?"

Diversity of gender as well as ethnicity and geography is critical to the composition of an effective corporate board, where members challenge one another's knowledge and viewpoints in

setting a company's policies and strategy, according to Ellis-Kirk.

"The numbers of women serving on corporate boards is definitely increasing and this will continue because companies are seeing positive results," she said.

Women interested in joining corporate boards can begin by sharing their intentions with other people, Ellis-Kirk said.

"Network, be purposeful, talk to CEOs and ask for help putting together your personal strategy, and demystify the process. Realize that companies are looking for leaders," she said.

Dive into a role that's uncomfortable, said Moore, who began her rise working at Sonic's advertising agency, advancing to senior executive roles in marketing and brand development before being named president in 2002. In addition to Red Robin, she's a board director for QuikTrip Corp., Giant Impact and ONE Gas.

"Get out there and volunteer, join committees at companies and non-profits, and find out what leaders do," she said. "Take on roles you're not comfortable with — being a treasurer was a huge stretch for me — but this is how you move forward." **ISO**

P2P Payments

Still growing

The bank-owned Zelle person-to-person real-time payment network had a strong second quarter

100 million transactions

\$28 billion in payments

67 million tokens enrolled

\$281 average transaction

How Zelle combats real-time fraud

If payments happen in real time, so does fraud — and banks have to be prepared to stop it.

By Penny Crosman

For bankers and network providers, it's a given that moving to a real-time payment system will lead to an increase in fraud attempts.

Banks have at times reported double-digit basis-point spikes in fraud after adopting such a system, and one banker recently said that soon after his firm launched Zelle, fraud skyrocketed so high he had to go into the office at midnight to shut the system down.

What's been unclear until now is how Zelle and other real-time payment providers are fighting back against such efforts. Banks and their vendors are adding additional security controls to try and detect bad actors quickly and take them out before they do significant damage.

"With everything we do, we think about fraud," said Scott Bellomo, senior vice president and payments man-

ager at PNC Bank. "And we know the fraudsters out there love to target new payment types."

PNC began using The Clearing House's real-time payment network last December as part of a beta program. So far, the Clearing House has not seen any fraud, said Steve Ledford, senior vice president of product and strategy. But that may be due to the fact that the real-time payment system, dubbed RTP, went into production in November 2017 and transaction volumes are low.

Yet fraud remains a concern. PNC runs every transaction through a series of algorithms to make sure neither party is on the Office of Foreign Assets Control list and to determine whether the payment is similar to historical transactions. The Clearing House also screens each transaction, with the help of a security partner.

"That doesn't mean everything is perfect out of the gate on day one, but it does mean we've got significant focus on any type of fraudulent activity," Bellomo said.

The Clearing House has a plan in the works to send the sender of each payment a note with the recipient's name on it, to make sure it's the person to whom they want to send money.

Zelle, meanwhile, warns each new adopter up front that their attack rates will be highest at launch, according to Donna Turner, chief fraud policy and control officer at Early Warning, the company that runs the Zelle network.

"Be careful not to get consumed with the rates," Turner says she tells Zelle members. "Pay attention to the magnitude and don't let the rates distract you from the discipline. That discipline is you have to live in fraud risk management every day — preventing fraud, detecting fraud, resolving fraud, because it's going to happen, you're in the payments business, learn from it."

Turner advises banks using Zelle to dissect the observed fraud and find out who is doing it, what controls aren't effective enough, and analyze the tradeoff in expense, experience, adoption and usage if those controls are ratcheted up.

Early Warning has a long list of items banks need to tick off on a readiness assessment before they can go live on the Zelle network. Roughly 30 of those are about fraud.

"The single biggest requirement is, you have to have a real-time fraud engine," Turner said. "If you're going to be in real-time payments, you have to have the ability to say yes or no in real time."

Though Early Warning is at heart a security technology company, it can't do these things for a bank, Turner said. It does have a team of fraud risk man-

agement professionals that teach bank technologists about the types of fraud that can occur and how to detect and prevent them.

Finding fraud

Zelle's bank members report all their Zelle fraud to Early Warning. The company hosts a weekly call in which it reports back to the bank the kinds of fraud it's seeing on the network. Early Warning also asks bank members to take a closer look at accounts that receive money in fraud incidents (it's up to them to decide whether to shut those accounts down). It blocks the tokens used in fraud so they can't be used in future attacks.

A dominant form of fraud remains account takeover, according to Turner, which could happen through phishing or some other malware tactic. Zelle banks use stronger authentication, device binding and malware detection tools to try to keep this type of fraud at bay. Some use one-time passwords to improve authentication. Early Warning tries to match the user's address against what the card networks and the banks have for that person.

"Because of the collaboration between Early Warning and its bank members, fraud rates are lower on Zelle than on any other P2P solution," Turner said.

Zelle banks are all making a few changes toward further security, Turner said, including messaging a customer sending money to a new contact asking if they are sure about the transaction.

Additionally, by the end of the fourth quarter, banks will start sending users the name of the person they're sending money to, to help avoid the problem of people sending money to the wrong person by mistakenly typing in an old or incorrect cell phone number or email address. Such efforts can disrupt the

delicate balance of security versus convenience, however.

"Years ago, Visa piloted sending an alert on every transaction," Turner recalled. "What we observed as an industry was consumers became numb to it. We're trying to be much more intelligent about our alerts so that you pay attention to them, you don't get numb."

Last year, PNC reported that fraud on Zelle for a time hit "double digits" in basis points of payment volume, but then subsided to 5 to 6 basis points.

"I'm worried about the fraudster angle more than I'm worried about the Zelle network," Bellomo said. "Fraudsters are getting slick on social media. Social media has turned into a fantastic way to lure innocent individuals into compromising information, whether it's Zelle or a different payment type."

Bellomo also points out that there is "fuzziness" around perceived versus actual fraud within Zelle. When a consumer falls for a too-good-to-be-true scheme, like \$5 tickets to a baseball game, the consumer considers that fraud "when it's really a bad consumer choice," he said.

And though account takeover is legitimate fraud, "it's not Zelle-specific for me," Bellomo said. "The concern about fraud for me is the way these fraudsters continue to get creative with the methods in which they approach consumers."

Vetting certain identity elements can help reduce fraud on Zelle, according to David Barnhardt, executive vice president of product at fraud analytics company Giact. He was previously the payment product manager at Early Warning and he has held risk and fraud positions at Bank of America and Wachovia.

"If I'm taking over someone's account, I'm using their name and date of

birth and changing only email address and phone number," Barnhardt said. "If you look closely you can see that phone number is only two weeks old and that the email address may have existed only a short time. And there's no social media. So you start to see where something as minute as secondary pieces of information are becoming almost primary. Understanding those details and the metadata behind them are what a lot of companies and banks are starting to have to do because the legacy systems aren't working."

In this vein, PNC is trying to get more information about the accounts receiving Zelle payments, Bellomo said.

"Things stick out like a sore thumb," he said. "If you're trying to send a \$5 million payment to an account that's been open for two weeks, that gives the bank an opportunity to ask the customer, are you sure you really want to make this payment? Here's the DNA on the account you're sending it to. Does this make sense, or do you want to confirm things before we initiate this payment?"

The trouble is, doing this to a consumer or business means the experience becomes less convenient. "We're trying to balance technology and fraud with convenience," Bellomo said.

If the enrollment process is too onerous, for example, people can just give up and walk away.

"Our customers say, 'I've got fraud problems, but I'm really concerned about turning away a good customer and having that person not only never come back, but tell their friends and family never to do business with me,'" Barnhardt said. Some banks try to take a picture of the driver's license and prefill the application while running identity and OFAC checks, he said.

Banks also investigate each perpetrator and shut down their account as fast as they can, Barnhardt said. **ISO**

Plastic or metal?



Can metal cards offer more than good looks?

More cards are being made with heavier, metal cores. Is this merely a marketing move, or is there more to it?

By David Heun

When the first metal cards came to market more than a year ago, it appeared to be the banks' bid to make their cards seem more compelling than the other bits of plastic in a consumers' wallet. And now that consumers have come to accept metal cards, issuers are looking to do more with the format.

Prior to the EMV migration in the U.S., issuers pushed in the opposite direction, desiring cheap plastic cards due to the expense and frequency at which they need to be replaced. But now that cards are getting more complex — via EMV, NFC, plastic cores or metal construction — issuers want to make the most of their pricier payment cards.

After nearly two years of research and development, the Somerset, N.J.-

based card manufacturer CompoSecure says it has produced more than 1 million dual-interface metal cards to handle both the EMV chip and contactless payment technology.

"It is a million cards delivered to clients and those cards are in market, or in the process of being delivered to end customers," said Jon Wilk, CEO of CompoSecure.

Though consumer use of contactless cards varies by market, CompoSecure has a diverse geographic map for the markets covered by the 15 programs that use its metal cards. Those leveraging the new cards are in North America, Asia, Europe, the Middle East and Latin America.

"We saw this as a case of the technology being so commonplace

on plastic cards that it needed to be present on our premium cards as well," said Lorenz Jüngling, chief product officer for N26, a Berlin-based bank that operates through most of the Eurozone and has plans to expand into the U.K. in the next year.

It was essential for N26 to find a partner like CompoSecure to "overcome the challenges of making the NFC waves travel through a metal card body and successfully interact with different readers," Jüngling added.

A dual interface card has essentially been commodified in the European market with numerous contactless products and acceptance at most POS terminals, Jüngling said. "There's also been a noticeable increase in the number of self-service POS [devices], such as ATMs, public transportation and parking meters, beginning to accept contactless transactions as well."

CompoSecure is also likely to benefit as more providers and different types of banks seek dual-interface cards for their top customers.

"We are seeing financial disruptors adopting metal cards with the dual interface technology," CompoSecure's Wilk said. "It would be startup banks and online banks leveraging premium cards to deliver a strong brand impression to their customers without using bank branches."

CompoSecure did not divulge the cost of the metal cards compared to plastic counterparts, but stressed the banks are buying into the value proposition that a card with strong rewards and benefits and a differentiated form factor like the metal card can lure more customers, more spending and higher retention.

Generally, issuers offering premium metal cards are confirming that the return on investment for a the pricier card is significant. **ISO**

Mobile



PayPal melts Walmart's resistance to mobile

Walmart has long resisted third-party mobile wallets, but it is breaking with tradition by teaming up with PayPal.

By David Heun

Walmart's PayPal cash service partnership is a previously unheard of mobile wallet collaboration for the retail chain, but a mass of underbanked consumers and a path to future innovation provide a distinct allure.

PayPal and Walmart are offering a cash-in and cash-out service from PayPal accounts within Walmart stores, with a \$3 fee per service. PayPal's Mastercard customers will have the same capabilities within Walmart. PayPal cash-in service is immediately available at Walmart, and the PayPal cash-out will be available in all U.S. locations.

"We have found that the underbanked and unbanked is really the new middle class," PayPal president and CEO Dan Schulman said during a Face-

book Live presentation. "That many people not having access to the basic consumer financial transaction assets had to be addressed."

It's the first time Walmart will accept a third-party mobile wallet. Walmart, one of the founders of the defunct Merchant Customer Exchange that was created to counter the third party wallets, has accepted only Walmart Pay, rejecting other apps such as Apple Pay and Google Pay.

"Certain digital instruments are on the rise, but the one thing that has stayed stable in terms of usage has been cash," Daniel Eckert, senior vice president of Walmart services and digital acceleration, said during Thursday's presentation. "Customers know and

trust cash, and they need to have a fluid means to onboard it to the digital economy, but also to offboard it. When you take these digital and physical assets together, it brings it to life in a different way."

PayPal has long wanted to build a business in physical retail stores, but has not had much success. Previous relationships with Discover Card and phone number-and-PIN service with Home Depot and other retailers never resonated.

PayPal last year extended its deal with Discover to allow PayPal users to redeem Discover Cashback Bonus money through merchants accepting PayPal. The deal with Home Depot and others was halted earlier this year.

But those deals didn't directly target the financially underserved consumer. Now the powerful numbers of PayPal's 250 million active users are potentially engaged with one of the largest retailers on the planet.

And vice versa for the 265 million customers who Walmart says visit their stores weekly. Many of these consumers will be exposed to the benefit of having a PayPal account.

PayPal has long thought technology could be an answer to that problem, Schulman added, but "we needed physical capabilities to put cash in and take it out."

Those capabilities now come for PayPal users at all Walmart point-of-sale terminals, the service desks, ATMs or those stores with special financial services centers.

The partnership sets the table for more cooperation between the two companies the future, particularly since Walmart.com was one of the first large e-commerce sites to accept PayPal, said Richard Crone, chief executive of San Carlos, Calif.-based payments consulting firm Crone Consulting LLC. **ISO**

Faster payments



Simple fights fintechs with faster payments

Simple, which launched with the same rebelliousness of modern-day fintechs, must now defend its turf.

By John Adams

Financial crisis-era rebel Simple is turning to payments innovation — along with its traditional combativeness on fees and rates — to stay relevant against the many fintechs lurking at the edges of the banking world.

The Portland-based “neobank” plans to use P2P as a springboard for innovation, and to build out real-time account funding, faster payments and push payments, along with higher annual percentage yields for savings accounts and social saving and payment “goals.”

A large part the strategy will be punching up a payments menu to address the expectations of a target demographic that’s accustomed to social-driven apps such as PayPal’s Venmo and other digital financial services challengers like Monzo.

Dickson Chu will help lead the

charge as Simple’s executive chairman and interim CEO, having assumed the role when Simple co-founder and CEO Josh Reich departed the company earlier this year.

Chu has also worked with Simple as head of portfolio management for BBVA, which acquired Simple in 2014. Chu’s career in financial services includes roles at Wells Fargo, PayPal and Citigroup, where he worked on several new initiatives.

Simple will also work on faster payment processing, push payments and connections to Visa Direct and Mastercard Send. Other features include real-time account funding and changes to Simple’s core account to encourage greater savings.

“Most if not all of our customers have account relationships somewhere else,”

Chu said. “We want them to be able to move money back and forth.”

Simple is also developing instant provisioning for cards and mobile wallets such as Apple Pay, Google Pay and Samsung Pay.

Simple is offering a new 2.02 percent APY on all current and new “savings goals” with a balance of \$2,000 or more, a higher rate than the national average of less than 0.1 percent. These accounts will back P2P and the other payment innovations at Simple.

Simple has its own P2P service, called Instant, and it plans to make it easier to move funds to other accounts outside Simple. These features join Simple Express, another product that helps consumers save and plan for recurring costs such as bills, groceries or rents. Simple’s concept of “goals,” or protected accounts within accounts, are dedicated to specific things such as a vacation.

Simple has its roots in the financial crisis of 2008, when it formed to sell financial services to younger consumers who were turned off by the traditional banking system, or felt bank fees were too high or complex.

Much like Monzo, another bank alternative, Simple has faced technology challenges such as customer lockouts and other usage glitches. It also faces non-bank competitors, such as Square and PayPal, which both tie financial services to their core payment apps. PayPal also owns Venmo, the social P2P service which targets the same demographic as Simple.

Simple hopes its higher APYs, plus the social tools tied to group transactions and the “goal” accounts, will help it move beyond those challenges.

The goals have a social element, as groups can contribute toward the goals or use the P2P app to transfer funds into the goals, Chu said. **ISO**

Faster payments



Why take the slow road to faster payments?

The U.S. is moving to faster payments at a slower pace than other countries.

By David Heun

The payments industry is engaged in 40 active real-time payments programs worldwide, but it's not as chaotic as it sounds — except in the U.S.

Unlike other countries in which real-time payments schemes are part of government-mandated programs, the U.S. in particular has to rely on different participants seeking the same goal of a faster payments network, and ultimately determining how all the various puzzle parts fit together.

Two key components — the rollout of The Clearing House's Real Time Payments rail and the development of various P2P payment services — have helped make faster payments a reality in the U.S. With the advent of Same-Day ACH payments, the country can point to slow but steady advancement in the past four years.

"The glass is definitely half full in

the U.S.," said Elena Whisler, head of global product and open payments at FIS. "In other countries, they know their real-time transaction volume and innovations are going to be there. But the problems we are solving in the U.S., without a mandate, makes it unclear as to how quickly it can happen here."

The number of active real-time payments programs globally is up from 25 in 2017 and nearly three times as many as in 2014, according to research from financial services technology provider FIS. In addition, another five systems are under development and another 16 are expected to be live in the next year and a half, FIS noted.

The technology of texting messages makes for a good analogy in how faster payments are evolving, Whisler said.

"Looking back 10 years when we didn't have text messaging, you would

just call someone and wait for that person to call you back," she added. "Now, with text messaging, people expect an immediate response. Corporates and consumers are expecting that same thing in their day-to-day working or individual lives, including payments."

It is also becoming apparent worldwide that the faster payments rails themselves are no longer transformative, as the real value occurs in the additional services providers bring to end users, banks and other parties attached to the scheme through those rails, the FIS report states. Those services include chatting capabilities, retail apps, instant loans and others as more innovation through application program interfaces continues.

China processes more than 25 million faster payments transactions a day, which is more than double its 2017 transaction volume. In addition, since the launch of the SEPA Instant Credit Transfer scheme, more than 15 European countries, including the U.K., have signed up for the faster payments system.

The onset of PSD2 in the U.K. has sparked various innovations and open banking that should trigger far more services taking advantage of faster digital rails, the report noted.

A key for any advancement in the U.S. could rest with the bank-supported Zelle P2P network, as it may eventually expand into B2C, B2B or even corporate payments, Whisler said.

"The P2P customers are used to closed-loop systems, but I think they would prefer ubiquity," Whisler said. A person with three sisters splitting a payment for a gift for their parents would find it much easier to pay each other through a P2P option, the using the digital technology for one or two, and writing checks for the others, she added. **ISO**



How Tropical Smoothie gains 'share of stomach'

Payments and technology are key elements of this retailer's strategy for growth.

By John Adams

The "Starbucks effect" is being felt far beyond coffee retailers, as food chains work feverishly to accommodate the shift to mobile payments.

In this way, technology has become just as important as the food itself.

"Anytime you have anyone who is

serving good food or beverages, that's competition for space of stomach," said Marina O'Rourke, vice president of IT for Tropical Smoothie Café, an Atlanta-based chain that just opened its 700th location. "We want to be able to move as many people as possible

through each daypart."

Tropical Smoothie sells blended smoothies, wraps, sandwiches and flatbreads, so its core menu is different from most quick service restaurants. But the challenge is the same, since like other chains it has to handle a spike of foot traffic at certain times, serving people whose choice of restaurants is often based on how fast they get in and out.

Payments automation is hardly new at quick service restaurants, which have the perfect model for new innovation. From mobile payments' beginnings, quick service establishments such as McDonalds and Burger King were fast to adopt technology as a line-buster.

At Tropical Smoothie, a new IT project will deploy new cloud-hosted point of sale terminals, handheld devices and kitchen display systems over the next few weeks across its 700-location footprint.

These will be tied to a back end management system for reporting and multi-location menu and store management. The chain will also integrate with third-party software vendors through an API, and later will migrate its drive-through system.

The network of tech can be localized for store locations or users, and will connect payments, menus and management to specials and marketing.

But mobile migrations have not always worked out as planned, and even Starbucks—generally considered the market leader for mobile ordering — has suffered technology glitches.

And outside of Starbucks, contactless payments for retail chains have lagged in the U.S. Other ideas, such as the “no cash” store or the cashierless store, are still mostly experimental and lack broad demographic appeal, at least in the short term.

Tropical Smoothie will give patrons some control over the experience, as a means of reducing the friction for both consumers and staff. This is also allows the system to adapt to Tropical Smoothie’s varying retail models such as standalone locations, drive through-dominated locations, seasonal footprint variances.

“One thing we’re doing is designing the interface to be easy to use, similar to how we all customized our phones and digital devices,” O’Rourke said. “The tech allows for each staff member to customize the interface for themselves, so they are comfortable with the technology.”

Tropical Smoothie is using retail technology from Appetize, a Los Ange-

les-based company that will provide a cloud-delivered point of sale, self-serve, mobile commerce and back end management. Many of Appetize’s clients are in sports and entertainment, where the technology powers ticketing, mobile apps, and venue payments through the same system—often for events in which the staff moves about a venue to take orders and deliver concessions.

That will drive Tropical Smoothie’s plan to increase staff engagement with consumers, and rely less on static point of sale terminals while retaining that as an option.

“There are more opportunities to have the food brought to you,” O’Rourke said. “And you have all of the data points and ordering in the point of sale system.”

Appetize has in the past year has collaborated with software developers to enable a system in which differences between different payment types fades and the defined roles — such as processor, acquirer and gateway — disappear.

This model helps serve a world in which large entertainment events, such as Appetize’s sports clients, have more traditional store-like payment needs; and quick service stores start to take on more mobile and less static customer interaction.

“You want cashiers to be able to go out into the line to take payments, to go to the drive through or to a catering event with the same system,” said Kevin Anderson, chief strategy officer at Appetize. **ISO**



Blockchain



Blockchain's time has come for watch sellers

Soma, a blockchain e-commerce platform, will launch in 2019 with the support of two watch sellers.

By John Adams

Two watch sellers are diving into a pilot that will test whether social media and blockchain can power alternatives to Amazon and eBay for e-commerce sales, shopping, payments, risk management and marketing.

The Lugano, Switzerland-based DWISS and the Tampere, Finland-based Sipilankello are among the initial participants in Soma, a blockchain and social-powered e-commerce platform that's scheduled to launch in 2019. The Helsinki-based Soma is trying to combine social media, transaction tracking and verification on a distributed ledger.

DWISS, for example, sells a line of watches that generally retail for \$1,200 to \$1,500. These are traditional watches, but the watches have some innovations such as time display systems.

Soma also has a technological bent. Soma supports augmented reality for shopping and accepts cryptocurrency as a payment method. It's also concerned about luxury watch fraud, which is a rampant problem in Switzerland, and predicts that a blockchain-based payment system will help with tracking, authentication and bank fees for international and domestic card payments.

"[Cryptocurrency] was not enough," said Rafael Simoes Miranda, a watch designer and owner of DWISS. "I've been aware of blockchain for some time, and I've wondered how it might help combat the massive problem of counterfeit watches in our industry, and how to solve the problems dealing with major banks."

Soma describes itself as a decen-

tralized social marketplace and tokenization protocol for authenticating and tracking items on a blockchain. Sellers, in this case watchmakers, onboard their timepieces onto a blockchain, then create an item card that's a digital representation with all records and documentation on that piece. This blockchain combats fraud, and also connects to social media for watch aficionados, for example, where users can discuss and compare new watches—giving access to the same sort of social data that all retailers crave for marketing.

The technology also connects to a marketplace to shop and sell watches, or provide peer-to-peer services such as connecting buyers and sellers, resellers or affiliate marketing on behalf of a seller.

Soma's social tools also support a "sales force" army of watch enthusiasts. Each resale automatically pays the reseller according to a smart contract between the reseller and manufacturer. The "Item card" for the watch transfers to the new owner, along with any other documentation, via the blockchain—with no manual work.

There's some similarities to Amazon, Pinterest, WePay, Venmo and even Ripple in Soma's model. But in this case, the tools are combining to serve a very narrow niche. Writing for PaymentsSource, Public Market CEO and Co-Founder KJ Erickson argues the high percentage of third-party sellers on eBay and Amazon are creating opportunities for more specialized, localized e-commerce plays, with decentralized blockchain support.

"People will want to move away from a general e-commerce service to a more localized experience, surrounded by enthusiast for a certain type of product or experience," said Jacob Andra, chief marketing officer of Soma. [ISO](#)

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