

MOST RETAILERS ARE NOT YET READY TO OUTSOURCE PCI



By: David Taylor

Outsourcing is considered the thing to do these days, like a summer barbecue. But it's both easier and more complex than most merchants think.

The first move has to be to take a serious look at your data. Think of it like a residential move. How much of that accumulated stuff do you really need anymore? How much are you honestly going to be leveraging and using? The less you keep, the less you have to protect and manage. And the less you keep, the easier it will be to outsource.

Even if you triage your data and keep only a small amount, don't get too trusting. Outsourcing can be a great way to get Visa and others off your back, but if you remove the data from your system and give it to someone else, you can't just pretend that it's being protected.

Let's be bold about this: Payment outsourcing will be the top trend among retailers and other merchants in 2009 and 2010, in terms of adoption, spending levels and impact on how these merchants manage their payment process.

We've conducted over 160 hours of interviews for the PCI Knowledge Base, and many of these interviews have been conducted with retailers. Although outsourcing is rare among the largest merchants, it's becoming very popular among SMEs. In terms of making PCI scalable, it's becoming pretty obvious that the only way to get the bulk

of the retail community to be PCI compliant is if they outsource payment processing to third parties.

Retailers tell me every day that they simply cannot outsource payment processing entirely, because the data is built into too many applications and business processes. On the other hand, the largest retailers are telling me that their average spending on PCI in year one is well north of \$1 million, heading for \$2 million. That's enough incentive to take a hard look at outsourcing (particularly if you haven't yet spent the \$2 million, because you're hoping PCI will go away or magically become easier).



But wait! Isn't payment outsourcing bizarrely expensive? The answer is "yes" in some cases, and getting that monthly bill for having someone else do something that you already have staff in place to do is the other half of the "push me pull you" argument. It's all in how PCI is paid for and who is running it. If PCI is being run out of the IT department as a "security project," then the

issue of outsourcing may never even be discussed. But if it's being run out of the CFO's office under a Compliance Office or Internal Audit, then outsourcing should be on the agenda for a meeting this year, because the CFO is in the best position to weigh the pros and cons of the issue.

Why should you trust a service provider more than your own people? You shouldn't. In fact, the real downside of outsourcing is the "out of sight, out of mind" problem. Probably 90 percent of the merchants have no due diligence process in place with their service providers to make sure that, day-by-day, their data is being protected as well, or better, than if they themselves were doing the job. Without regular reporting and inspection, the risk of payment

10 Tips to prevent retail theft by using your POS software



By Jeff Haefner,

Point of Sale Software Buyers Guide

Tip 1: Require store managers to review register transactions every day - look for excessive openings of the drawer, small cash refunds, returns, etc.

Tip 2: Look at your "voided/cancelled/deleted sales report" every day.

Tip 3: Look at your "returned transactions" report every day.

Tip 4: Do not share passwords so your cashiers can logon with a different username.

Tip 5: Add password protection/security to all areas of your software and ONLY allow employees to access what they really need.

Tip 6: Look at your "inventory adjustments report" every day.

Tip 7: Look at your "profit margin reports" every day. If your margins are low in a certain category for that day, then you should do a little research to find out why.

Tip 8: Keep your inventory count accurate.

Tip 9: Make it common knowledge with your employees that your stock is constantly monitored in your POS system.

Tip 10: Secure the access to your customer's personal information in your POS software... particularly, their credit card information!



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outsourcing is actually pretty high. To win business, payment service providers will have to focus more on what I'd call "continuous compliance reporting," so that retailers won't have to wonder what's going on with all that data they entrusted to the service provider.

Are service providers fully PCI compliant? This question is tough, and worth asking each and every service provider you deal with. Most service providers are not capable of being PCI compliant "as a company" because of how data for multiple customers is stored together on servers, how access is managed, etc. However, service providers can (and do) provide a "PCI-compliant environment" for Customer X or Customer Y, which has proven to be acceptable to the card brands, acquirers and QSAs.

The bottom line is that retailers must recognize that they still cannot outsource liability, and they must take more responsibility for service provider due diligence, whether they fully outsource payment processing or not.

Meet the Staff at Retail Technology Experts

Miguel Minervini Technical Services Manager



Miguel Minervini joined the team at Retail Technology Experts in 2005. As the Manager of Technical Services, he makes sure that our customers receive superior customer service and support. Miguel is fluent in both English and Spanish and brings with him extensive retail experience. Previously, he worked for worldwide retailer Diesel and

helped them grow from 5 to 40 stores. This knowledge has allowed him to truly understand RTE's customers. Miguel enjoys meeting different customers and learning about their specific business challenges. He finds solving these challenges rewarding and has been able to gain valuable business insight in doing so.

Miguel holds a B.A. in Business Administration and Management from the N.Y. Institute of Technology and is working towards Retail Pro Version 9 certification. He hopes to continue to learn more about our products as well as about the retail industry. Miguel was born and raised in New York City and enjoys spending time with his two daughters.

Contact Miguel

Phone: 1-800-513-5917 ext. 130

Email: MiguelM@RetailTechnologyExperts.com



PRODUCT SPOTLIGHT

CREATING A SALES ORDER AND TAKING A DEPOSIT

The following steps will allow you to create a Sales Order and take deposits in Retail Pro 8.

- From the Receipts screen, select "Sales Orders" on the side menu.
- Click on "new" on the top left, select type of sales order from the prompt.
- Enter customer using "Bill to Cust#" field. If new, create the customer, save it, and click "OK" on top right to assign new customer to sales order.
- List items going on the sales order by scanning item into "Item #" field, or going to choose/edit items on the top right; if item exists in inventory, find it by using sort and search and put quantity being purchased in yellow "doc qty" column; if new item, go to "form" and click "new"; enter DCS, vendor code, desc1 and 2, doc qty, doc cost, and doc price, etc. Click on save and save new item. Repeat if more items need to be created.



• If it's a new style that you want to create, when you first go to choose/edit items select "style view"; click on "form" at top and then "new" to create your new style. In the grid you will enter the quantities the customer is purchasing on the same order, and enter a zero for sizes you want to create in inventory.

• When done listing items, click "ok" on top right to go back to sales order; enter instructions, shipping, fees, etc. if applicable on sales order and save it by clicking "save" on top left.

• To take a deposit, click on "SO Deposits" on side menu immediately after saving the sales order; click on "new" to receive the new deposit and enter (or confirm) the amount being paid by customer in "amount" field then click "tender" on side menu to go to tender screen; tender as normal. F12 here will print a receipt showing only the deposit; click on "back" to go back to sales order and "print" at the top if customer wants a copy of their sales order showing balance paid and balance due.

• To go back to receipts screen, click on "Retail Pro" on top right until you get back to original receipts screen.



PRODUCT SPOTLIGHT

RUNNING MICROSOFT RMS WHEN CONNECTION IS DOWN/LOST

Below is a list of features that are enabled while a POS station is operating in Terminal Offline Mode. This feature was designed for cases where in-house registers lose contact for a short or long period of time with the network server, allowing the registers to maintain the ability to sell product. Enabled Features:

1. Regular Sales Transactions (with or without Customer selection).
2. View or Print Journals (F4) created while in Terminal Offline Mode.
3. Recall a transaction for Void or Return (F11) that was created while in Terminal Offline Mode.
4. Perform a Return transaction (CTRL+F4).
5. Put a transaction On Hold (CTRL+F12).
6. Add Shipping to a transaction (SHIFT+F1).
7. Perform a discount (SHIFT+F3).
8. Assign Sales Reps (SHIFT+F8).
9. Track and use Gift Cards/Certificates that were sold while in Terminal Offline Mode.

Certain restrictions are enforced when a POS station begins operating in Terminal Offline Mode. There is not a method for enabling these features. Some Disabled Features:

1. Cannot Create Special Transactions: Work Orders, Layaways, Quotes, Back Orders.
2. Cannot Recall (F11) Special Transactions: Work Orders, Layaways, Quotes, Back Orders.
3. Cannot Recall a transaction for Void or Return (F11) that was originally created while Online.
4. Cannot tender transactions to an "Account" Tender Type.
5. Cannot redeem Gift Cards/Vouchers that were sold while Online.
6. Cannot view Journals (F4) from transactions that were entered in online mode.
7. Cannot perform any Drawer functions (F5), including a X or Z Reports.
8. The Calendar (F6) is not available.
9. 'No Sale' transactions (F8) are not available.
10. Drops/Payouts (F10) are not available.
11. Messages (SHIFT+F2) are not available.

THE RETAIL LEGAL ADVISOR

By: Michael Berger, Esq.



FACTA- WHAT YOU DO NOT KNOW CAN HURT YOU- PART 1

I would like to thank Mahendran and RTE for giving me the opportunity to contribute this article for its monthly client newsletter. I hope to regularly contribute and will focus my articles on legal issues that affect retailers. For some perspective, I ran an apparel manufacturer and retailer for fourteen years before returning to practice law full-time in 2007. My company was a very satisfied customer of RTE and I am now RTE's outside general counsel.

My first two columns will discuss FACTA, which is an acronym for The Fair and Accurate Credit Transaction Act of 2003. FACTA is a federal law, which added new sections to the Fair Credit Reporting Act, and was passed primarily to help consumers fight the growing identity theft problem. I will focus on the sections of FACTA that address the information that retailers are allowed to include on printed credit/debit card receipts and the retailer's potential liability for non-compliance.

The applicable language of FACTA states that businesses accepting credit or debit cards shall not print more than the last 5 digits of the card number or the expiration date on the charge receipt provided to the cardholder. For "willful" violations of FACTA, a retailer would be liable for actual damages or statutory damages of \$100 to \$1000 per consumer, plus attorneys' fees.

Most retailers complied with the first requirement and began only printing the last 4 digits of their customers' credit/debit card numbers. However, many retailers unwittingly continued to print the expiration dates. Class action lawyers seized on this opportunity and filed numerous lawsuits around the country against large and small retailers, even though consumers were not actually damaged, since an identity thief cannot do anything with only 4 digits from a credit card and the expiration date.

The lawyers claimed in these lawsuits that the retailers "willfully" violated FACTA by printing the expiration date on their charge receipts and demanded statutory damages of \$100 to \$1000 per customer, plus (naturally) attorneys' fees. Lawsuits were filed against large retailers such as IKEA, Costco, Victoria's Secrets as well as regional and smaller retailers. Based on the volume of transactions that retailers complete, the potential liability (there is no cap) is enormous.

There is a potential happy ending to the story (thanks to Congress) which I will address in part II of this article in next month's RTE newsletter. In the meantime, please check your charge receipts and contact RTE immediately if you are printing the credit/debit card expiration date.
Payment System.

CONTACT MICHAEL BERGER

Michael Berger, Esq.
Carpenter & Berger, Esq.
Phone: 954-772-0127
Email: mberger@carpenterberger.com
www.carpenterberger.com

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Phone: 800-513-5917 ext. 124

Email: LauraG@RetailTechnologyExperts.com




RETAIL OPTIMIZER

Editor/Design: Laura Gonzalez
305.231.0000 x124
LauraG@RetailTechnologyExperts.com