



Paul Garcia, CEO of Global Payments, says that for new payment technologies to succeed, they must fulfill a real need.

# payments veteran

**A leader in the electronic transactions**

**field, Global Payments' Paul Garcia**

**predicts a bright future for acquirers**

**F**ew people have the financial and payments services industry experience of Paul Garcia. His 30-year career and board service spans the breadth and depth of the business in the United States, Latin America, and abroad.

Through the years, Garcia has held multiple management and executive management positions. Today he is chairman, president, and CEO of one of the world's leading payment processing companies. His tenure at Global Payments started when he took on the CEO position at NDC's Atlanta-based eCommerce line of business in 1999. NDC eCommerce began operating as Global Payments Inc. in 2001.

*Transaction Trends* recently caught up with Garcia as he prepared to speak at this month's Annual Meeting. We asked him for a quick take on the future of the merchant acquiring business and how Global Payments plans to compete in it.

**Transaction Trends:** You have had a long and varied career in the payments industry, going back to your work at First Financial Bank and National Bancard Corp. What forces are driving the electronic payments industry today, and how are they different from those at work in the 1980s?

**Paul Garcia:** So much has changed in the past 30 years. I remember "warning" bulletins and company manual bankcard transactions. These were phonebook-thick tissue paper collections of "bad" credit card numbers.

Thirty years ago, major retail chains did not honor Visa and MasterCard. In fact, it wasn't even called MasterCard. It was Master Charge at that time. Merchant acceptance was still very much in the development stages and PIN-based debit cards were still years away from being introduced.

There was much talk about government regulations and the "tidal wave" of

## KEY NOTES

- ▶▶ ISOs should not be concerned about disintermediation; they are in the best position to attract the small to mid-sized merchant market.
- ▶▶ Garcia predicts that industry fraud will become more sophisticated and complex in the coming years, which will push merchants toward technology upgrades.

consumer debit. That sounds familiar.

What hasn't changed are the unbelievable opportunities this industry offers. I believe there literally is not another industry that offers the profitable growth dynamics of the payments industry. A very favorable change I have noted is that merchant acquirers are increasingly being seen as important partners by the associations and issuers.

**Transaction Trends:** In your opinion, in what ways will the merchant acquiring business likely be different in the next decade?

**Garcia:** Although I believe that global opportunities will be even more pronounced, I suspect the competition among merchant acquirers will become even more intense. I also suspect that those perpetrating fraud will become more organized and sophisticated. Although this is primarily a card-issuing matter, it will undoubtedly necessitate a deeper technology commitment from the merchant and merchant acquirer.

**Transaction Trends:** ISOs are a significant part of Global Payments' business model today, yet there is a great deal of concern among ISOs about disintermediation resulting from new

market entrants, alternative payments types, and industry consolidation. Do you see a long-term role for ISOs, or will that part of the industry become less important in the future?

**Garcia:** The last thing ISOs should be concerned about is disintermediation. Although no one can predict with certainty how consumers will pay for goods and services in the future, we do know for certain that no one has a better model to attract the small to mid-sized merchant market than ISOs. In military terms, this would be called controlling the high ground. The relationship with the merchant is the key to longevity and vitality.

**Transaction Trends:** Global Payments is one of a small number of U.S.-based processors that operate on a truly global basis, with robust business in Asia, Europe, and Latin America. What are the challenges you've had to meet in building and maintaining that business?

**Garcia:** The most important thing to remember is that, although all consumers desire to provide better lives for themselves and their families, there are significant, tangible cultural differences. Consequently, you can't approach a foreign market with a U.S.-

centric mind-set. It's crucial to leverage your expertise in a culturally sensitive manner.

Is there a role for smaller companies in the international arena, perhaps in partnership with the large international processors already in those markets? Of course; as long as you truly have a competitive differentiator, you can do business anywhere you want. In fact, I'm a believer that small and hungry many times beats big and moribund.

**Transaction Trends:** Non-card technologies such as NFC, RFID, and mobile payments have been in the development phases for some time, but none have taken a strong foothold in the market. In your view, when are these payment innovations likely to gain some real traction and why?

**Garcia:** While these technologies are all interesting, the existing payment structure works exceedingly well. Consequently, successful new payment technologies must fulfill a real need—and even then, our industry is not an overnight adopter.

**Transaction Trends:** As merchants have become more aware of their card acceptance costs, they have begun to look seriously at alternatives to traditional card processing options.

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What will be the effect of alternative payments on Global Payments' business and the rest of the industry?

**Garcia:** First, I don't accept the inevitability of the statement. I believe we will experience lower interchange structures over time, which will have a huge impact on a perceived need for alternative payments. Consequently, for an alternative payment to be successful, it must offer something of significance to the consumer, the merchant, and the acquirer.

**Transaction Trends:** Global Payments is involved in a diverse set of vertical markets that range from the well-established, such as lodging and hospitality, to emerging sectors, like B2B processing. What other new frontier channels do you think are worth serious exploration and investment?

**Garcia:** Any place cash or checks are the dominant payment.

**Transaction Trends:** Business-to-business transactions are still largely a paper-based operation. What are the challenges to converting more of that business to electronic transaction processing, and how is Global Payments tackling those hurdles?

**Garcia:** Even with a good product such as the programs available to corporate customers, acceptance will continue to be evolutionary not revolutionary.

**Transaction Trends:** What do you see as the biggest areas of risk associated with payment processing today, and what more can the industry do to mitigate them?

**Garcia:** I think risk is largely a function of the segment you operate in. Non face-to-face and delayed delivery are obviously risky, while restaurants obviously are not. However, I believe that the current level of industry-related merchant write-offs is extremely low, and I would hope that we would not see draconian steps enacted to impact a non-issue.

**Transaction Trends:** We've noticed that *Institutional Investor* has named you one of the "Best CEOs in America" for the past four years. What tips do you have for those CEOs and aspiring CEOs who might want to join you on that list?

**Garcia:** First, I've been very fortunate to be in a great industry. Second, I am surrounded by exceptional co-workers who diligently strive to serve our customers, who, in turn, reward us with their business. We have built credibility as a company founded on actions, not words. I try always to remember that. **TT**



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