nab

Winter 2012

talking shop

WELCOME

In this issue, we provide an overview of your feedback from the merchant survey we conducted in November 2011 on the future direction of *Talking Shop*.

For many of you, the way we bill for Visa, MasterCard and China UnionPay transactions has changed to provide more transparency. We discuss ways to reduce overall merchant service fees under the new billing system.

Whether you're already trading online or thinking about it, the eCommerce retail market in Australia continues to evolve and we provide you with some key trends and insights. We also provide you with some tips on mitigating the risks of your online business.

Small to large businesses are always looking for mobile options to accept card payments and we provide an overview of our new mobile capability on NAB Transact. This service is a great solution for merchants on the move.

Having a reliable customer service team to support processing card transactions is a priority for any business. We take you through what we have been doing over the last few months to make our customer service even better.

Last but not least, we meet the winners of our UnionPay Post-a-Pic competition – Past Connections of Mosman NSW.

We hope you enjoy this edition of *Talking Shop*. If you have any ideas on how to improve our publication, or any of our services or products in general, we'd love to hear your feedback at **merchant_news@nab.com.au**

Talking Shop
Your feedback

In the previous edition, we asked for your feedback on *Talking Shop*. The objective of the survey was to increase the value you receive from reading our articles so we can help improve your business performance.

Ten randomly selected merchants won a $250 Ted's Camera Store Voucher for completing the survey. Well done to those lucky businesses.

To all that responded and entered, thank you – we now have a better understanding of what types of articles you'd like to read and how you'd like to receive them.

Survey results summary

How	Most customers prefer to receive a printed version, followed closely by a preference for an email subscription. So, we're currently working on the development of an email version of *Talking Shop* and we'll keep you informed of our progress.
When	A quarterly edition is still the number one preference but many customers would like a bi-monthly cycle. Once we have an email subscription based version we will review frequency options.
What	Importantly, we received excellent feedback on what types of articles we should publish. Feedback showed that many readers are interested in: • Protecting businesses and minimising operational risk in card acceptance • Better understanding merchant fees and how to reduce them • How to grow your business • Strategies and investment opportunities • Stories from other merchants • Global and industry card acceptance trends

More transparent and fairer billing

NAB has introduced a fairer and more transparent merchant fee structure that is being applied to most new and existing merchants. Our fee structure is designed to provide you with a clearer picture of the processing costs associated with accepting Visa, MasterCard and China UnionPay transactions.

This new fair value billing method consists of:

- **Interchange Fees** – Fees set by Visa, MasterCard and UnionPay for the processing of their credit and debit cards that are accepted by you. These are applied per transaction and vary depending on the card type, the type of transaction and your industry type.

- **NAB Service Fee** – This is the fee NAB charge to cover the Banks' costs of (but is not limited to) servicing, processing, security, compliance, risk and card scheme fees levied on merchant service providers.

These two components are charged for Visa, MasterCard and UnionPay credit and debit card transactions, and together constitute our overall Merchant Service Fee.

How do you benefit from this change?

Whether you are a Card-Not-Present Merchant or use EFTPOS, all merchants can benefit from a more detailed view of what makes up their costs. This allows you to potentially implement changes to reduce and/ or offset the Interchange Fee component of the Merchant Service Fee. NAB has implemented this change to benefit you by providing:

- **Transparency** of costs through merchant statements that fully itemise the Interchange costs you are attracting from different cards.

- **A fee structure** that is aligned with NAB's Fair Value policy by charging the actual Interchange Fee that has been determined by Visa, MasterCard and UnionPay, in conjunction with a fixed NAB Service Fee that directly covers NAB's remaining costs for processing transactions.

- **Reductions or increases** in Visa, MasterCard or UnionPay interchange fees that are fully passed on. NAB anticipates favourable reductions for some types of merchants or transaction categories in November 2012 when Visa and MasterCard make adjustments to their Interchange Fees in alignment with the Reserve Bank of Australia Reform on card payments.

- **Reduced Interchange Fees.**
  Card-Not-Present merchants can reduce Interchange Fees by implementing recurring transactions or 3D Secure for eCommerce transactions. These are payments that incur lower Interchange Fees.

- **Discounts.** Visa and MasterCard have existing discounted Interchange Fees for certain types of industries. NAB's Interchange Plus billing structure means merchants in the following categories have these reductions passed through in a transparent way. Discounted Interchange Fee categories include: Supermarkets, Insurance, Education, Government, Service Stations, Charities and Utilities.

- **Faster technology.** Merchants can install a Contactless Card Reader with their EFTPOS terminal to process transactions faster and reduce queue times, which also reduces Interchange Fees as MasterCard PayPass transactions incur lower charges.

- **Lower MasterCard Interchange Fees** for merchant customers who process card payments through MasterCard's Quick Payments Service.

The Reserve Bank of Australia allows merchants to recover the cost of processing card transactions. If you want to recover the costs of processing cards, including Premium or Platinum Cards which attract higher Interchange Fees, you can do so by turning on the 'surcharging function' through your Sagem EFTPOS terminal. We'll continue to provide you with more insights about your costs and more tools and tips to reduce them, ensuring you can reap the maximum benefits.

For more information contact **1300 EFTPOS (1300 338 767)**

NAB Online Retail Sales Index

We recently launched the NAB Online Retail Sales Index to give you a greater understanding of online spending by Australians.
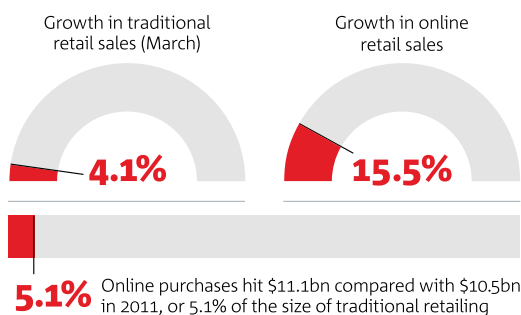
The Index is based on up to two million non-cash transactions per day and gives the inside scoop on the rate of online spending on retail goods.

The Index is updated monthly with an in-depth report released quarterly. Below is a snapshot of the most recent findings.

Visit **nab.com.au/ onlineretailsales** or simply use your smartphone to scan this QR code.

Traditional v online (nsa, April yoy)

Growth in traditional retail sales (March)

4.1%

Growth in online retail sales

15.5%

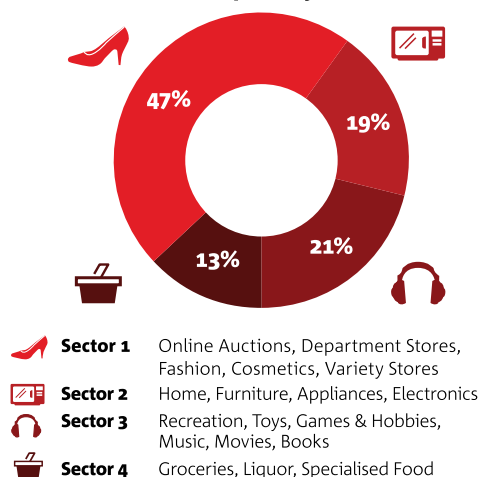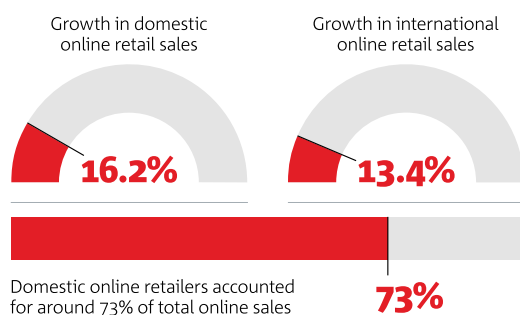**5.1%** Online purchases hit $11.1bn compared with $10.5bn in 2011, or 5.1% of the size of traditional retailing

For the 12 months to April 2012, Australia's total online retail spend was around $11.1 billion, compared with $10.5 billion in 2011. This spending remains modest compared with traditional retail sales in Australia, which totalled $218 billion in the year ended March 2012 (excluding cafés, restaurants and takeaway food to create a like-for-like comparison). This indicates that online retail spending is around 5.1% of the size of the traditional bricks and mortar sector (8.3% when food is excluded). Whilst online growth in April slowed, this growth is still larger than traditional retail.

International v domestic (nsa, April yoy)

Growth in domestic online retail sales

16.2%

Growth in international online retail sales

13.4%

Domestic online retailers accounted for around 73% of total online sales

73%

Since late 2011, year-on-year growth rates for domestic and international retail spend have tracked fairly closely. Growth in domestic sales pulled back in April – down to 16% year-on-year. In contrast, growth rates for international online retail spending remained relatively firm – albeit following a sharp fall in March. International sales increased by 13% year-on-year in April.

Share of total online spend by sector

47%

19%

13%

21%

Sector 1 Online Auctions, Department Stores, Fashion, Cosmetics, Variety Stores
Sector 2 Home, Furniture, Appliances, Electronics
Sector 3 Recreation, Toys, Games & Hobbies, Music, Movies, Books
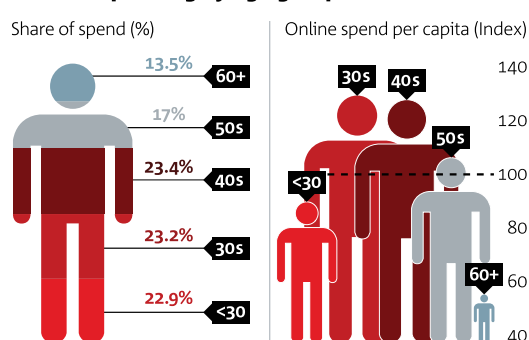**Sector 4** Groceries, Liquor, Specialised Food

The largest sectors for online spend were in Online Auctions, Department Stores, Fashion, Cosmetics and Variety Stores which drew the firmest numbers. Growth in household goods, such as those in Sector 2, slowed this month.

Share of spending by age group

Share of spend (%)

13.5%	60+
17%	50s
23.4%	40s
23.2%	30s
22.9%	<30

Online spend per capita (Index)

30s | 40s | 140
50s | 120
<30 | 100
| 80
60+ | 60
| 40

Australia's online retail spending continues to be dominated by those aged in their 30s and 40s – with the spending of those under 30 remaining below average. With under 30s being more likely to purchase from overseas retailers – with around one third buying internationally, as opposed to one quarter in all other groups. Interestingly, the over 60s market, are the smallest online spenders, but are overweight in Sector 4 with wine sales largely accounting for this trend.

Fraud update

Basic steps you can take to combat fraud

- Obtain the three or four-digit card verification number from the cardholder (often referred to as CVV). The card verification number is a code printed on all Visa, MasterCard and American Express cards.

  - From 1 April 2012, all eCommerce transactions must include the card verification number. An eCommerce transaction is defined as a payment accepted over the internet where the cardholder is entering the card details themselves. To maintain the security of the card, it's important that this number is not stored in your system – therefore it's optional for mail/telephone orders.

  - The purpose of the card verification number in a card-not-present transaction is to attempt to verify that the person placing the order has the actual card in his or her possession.

  - Requesting the card verification number during a card-not-present purchase can add a measure of security to the transaction.

- If the customer's telephone number is supplied as part of the transaction, use area code or reverse lookup tables to verify the legitimacy and location of the phone number (there are a number of online services that provide this information).

- Postal address validation services can be used to distinguish legitimate addresses from bogus ones.

- Effectively leverage your own customer history data.

  - If you have had a fraud event associated with a customer, the details of that transaction should be added to internal 'negative lists'. Any subsequent order that shares the same characteristics should be considered suspicious.

Many of these tests can be conducted automatically. However, this will depend on the flexibility of your technical infrastructure or your ability to connect with fraud prevention service providers. Instead of manually reviewing each order, it is typically more cost effective to perform automated internal screening or to engage a third-party tool to screen for questionable transactions.

The warning signs: 11 indicators of card-not-present fraud

1. First-time shopper: Criminals are always looking for new merchants to steal from.

2. Larger-than-normal orders: Because stolen cards or account numbers have a limited life span, criminals need to maximize the size of their purchase.

3. Orders that include several varieties of the same item: Having multiples of the same item increases criminals' profits.

4. 'Rush' or 'overnight' shipping: Criminals want their fraudulently obtained items as soon as possible for the quickest possible resale and aren't concerned about extra delivery charges.

5. Shipping outside of the merchant's country: There are times when fraudulent transactions are shipped to fraudulent criminals outside of the home country.

6. Multiple transactions on one card over a very short period of time: This could be an attempt to 'run a card' until the account is closed.

7. Inconsistencies: Information in the order details such as a mismatch in the billing and shipping address, telephone area codes that aren't aligned with postal area codes, email addresses that don't look legitimate, and orders placed at irregular times of the day.

8. Shipping to a single address, but transactions placed on multiple cards: This could involve account numbers generated using special software, or even a batch of stolen cards.

9. Multiple transactions on one card or a similar card with a single billing address, but multiple shipping addresses: This could represent organised activity, rather than one individual at work.

10. For online transactions, multiple cards used from a single IP address: More than one or two cards could indicate a fraud scheme.

11. Orders from internet addresses that make use of free email services: As these email services involve no billing relationships, there is often neither an audit trail nor any means to verify that a legitimate cardholder has opened the account.

It should be remembered that none of these factors should be used exclusively to determine the validity of the customer or to accept or reject an order. They should be used as indicators of risk, and in combination with other fraud detection methods.

For more information contact Merchant Fraud on **1300 688 046.**

Small businesses can accept payments on-the-go

NAB's small business customers can now accept credit card payments on the move via mobile phones and tablets under the latest upgrade to the NAB Transact payment gateway.

The increased functionality enables businesses to take credit card payments without the need for a merchant terminal or additional device.

David Gall, Executive General Manager of NAB Working Capital Services, appreciates the importance of providing an easier and more convenient alternative for our customers to receive payments and improve their cash flow.

"Small businesses are time poor and cash flow is critical. They need solutions to allow them to take payments from customers in an efficient and timely manner, whether that be a personal trainer who spends the majority of their time outside an office, or sole traders who are travelling between customers without access to a payment terminal. In the past sole traders could only accept cash or cheques or write out an invoice for their service," Mr Gall said.

Accepting payments via a mobile phone reduces the administrative burden of invoice payments via cash and cheque and allows true mobility for those businesses who are out on the road. Transactions occur in real time so the risk of fraud is also significantly reduced as the payment outcome can be seen on the spot.

The new functionality is available now to all existing NAB Transact customers at no extra cost through all smartphones or tablets. No software or app is required as NAB Transact is accessed from the device's web browser and card details are typed into the service using the keypad.

Visit **nab.com.au/transact** or call **1300 338 767** to find out more.

more give, less take

Use your mobile to get paid on the spot.

NAB Transact for business.

We see Australian business.

Call us on 13 30 86
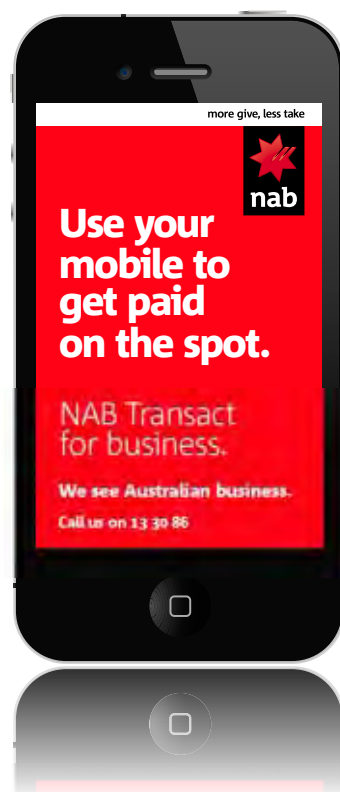
Improving
our customer service

NAB is constantly striving to improve our services to you. Our aim is to ensure a high level of customer satisfaction whenever you use our products and services.

We know that when you experience a problem with your terminal or payment service, you need immediate assistance.

NAB is implementing a range of improvement strategies. These critical improvements are:

- Recruitment of an additional 15 local staff to assist with call volumes.

- The implementation of an improved roster system to optimise staff availability during peak call periods.

- Greater availability of senior staff to assist with resolving your calls.

We hope you benefit from these improvements and we'll continue to monitor and refine our processes.

If you have any suggestions or feedback for our customer service desk, we'd love to hear from you at **merchant_news@nab.com.au**
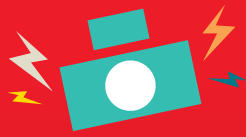
Our UnionPay Post-a-Pic competition winners

Congratulations Jessica!

In our last edition of *Talking Shop*, we ran a Post-a-Pic competition to promote UnionPay acceptance. Thanks to all of you who participated in the competition – we received some great photos.

Congratulations to our winner – Jessica from Past Connections in Mosman NSW. Her entry was our randomly drawn winner.

Past Connections (www.pastconnectionsantiques.com.au) is an antiques gallery established in 1972 by Jessica's mother, Helena. The gallery offers astute buyers and novice collectors alike, an exquisite range of antiques, collectables and decorative arts.

As a merchant customer of NAB, Jessica said "We have been with NAB for 8 years now and we could hardly believe our luck when we won the Post-a-Pic competition. Helena and I were already very happy with NAB's merchant services and this was just a fantastic bonus. We will not have trouble spending the money

and as we are a small business it will go to good use. We wish to thank NAB for their support."

NAB is the only Merchant Services Bank that offers UnionPay acceptance on EFTPOS and ATMs. UnionPay now has nearly three billion cards issued globally. Chinese migrants, temporary students and tourists carry a UnionPay card as their preferred payment option. A merchant that displays the (NAB) UnionPay window decal is far more likely to attract UnionPay cardholders and tap into the growing Chinese consumer market.

As a NAB merchant using one of our NAB Sagem payment terminals, you will have a competitive advantage over any of our competitors' merchants.

For more information call **1300 EFTPOS (1300 338 767)** or visit **nab.com.au** and search UnionPay.
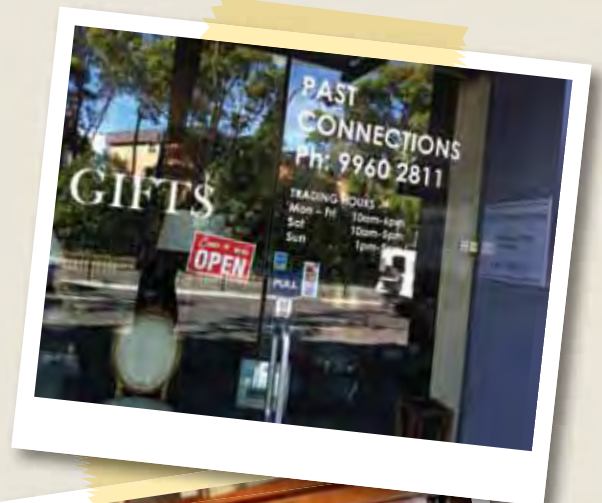
General hints and tips

Watch those declines

To minimise chargebacks and other potential losses associated with declined transactions, make sure you check the transaction receipt confirms that the sale has been 'Approved'. Check this after every transaction, even when it is extremely busy or during the lunch time rush.

Reconciliation

Your business relies on regular cash flow, so it's important you check that all funds have been paid into your settlement account. Adding up individual dockets, comparing them to batch report or transaction listings and then checking bank accounts also helps save you time during tax time.

Ordering stationery through your EFTPOS terminal

Avoid running out of EFTPOS paper by ordering stock through your EFTPOS terminal — make sure you reorder when you feel necessary to make sure you don't run out. You can order stationery through your terminal by following these easy steps:

- Press the 'F' button
- Press '18' on the keypad or scroll to 'Stationery'
- Press 'Enter'
- Your terminal will display — 'Stationery Request'— confirm request
- Press 'Enter'

Your terminal will advise your stationery request has been accepted and a receipt will print confirming your order. Your box of EFTPOS paper will be delivered to your business address via Australia Post within 3 - 5 business days.

Contact us

Merchant support
NAB Merchant Service Centre
(available 24/7)   **1300 369 852**

Product support
NAB Transact Support
(8am to 8pm AEST Monday to Friday)   **1300 138 313**

National Online Corporate
(8am to 8pm AEST Monday to Friday)   **1300 652 565**

NAB Connect   **1300 888 413**
(8am to 9pm AEST Monday to Friday,
9am to 6pm AEST Saturday & Sunday)

Sales
NAB Payment Solutions   **1300 EFTPOS**
(8am to 6pm AEST Monday to Friday)   **(1300 338 767)**
                                                         (Option 1)

Merchant fraud team
Phone   **1300 668 046**
(8am to 5pm AEST Monday to Friday)

Email   **merchant.fraud@nab.com.au**
Web   **nab.com.au/merchantfraud**

Authorisations
MasterCard/Visa   **13 25 15**
(available 24/7)

Debit account   **1300 360 852**
(available 24/7)

American Express   **1300 363 614**
(available 24/7)

Diners Club   **1800 331 112**
(available 24/7)

Payment Card Industry
Data Security Standard (PCI DSS)
PCI Help Desk (technical assistance)   **1300 736 216**
(8am to 5pm AEST Monday to Friday)