

# The Retail Review

The Voice of Vermont Retailers

www.vtretailers.com

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www.vtstores.com

## Don't Let Credit Card Companies and Big Banks Kill "Swipe Fee" Reform

By Matthew Shay

Whether you are in line at the grocery store or have just filled your gas tank, as soon as you reach for that piece of plastic in your wallet the credit card companies and big banks have got you right where they want you. They have been raking in billions of dollars off the backs of consumers and small merchants for years in the form of hidden "swipe" fees.

Swipe fees are no small matter. These hidden charges — an average of 44 cents per transaction — are collected by banks whenever a card is used, and drive prices up by \$2 for every \$100 purchased.

Left unchecked, they have tripled to \$50 billion annually over the past decade. And at \$427 a year for the average household, U.S. consumers pay the highest swipe fees in the world. With the economic recovery still trying to gain momentum and consumers facing skyrocketing costs for necessities like food and fuel, the need for relief has never been greater.

After seven hearings and two GAO reports, Congress last year ordered the Federal Reserve to create new rules stopping a big portion of this price gouging once and for all.

Credit cards have yet to be dealt with, but guidelines proposed by the Fed would reduce the debit card swipe fees from 44 cents to no more than 12 cents per transaction for the nation's biggest banks, a savings of 70 percent. While well above the banks' actual 4-cent cost of processing the transactions, this reduction is an important first step.

The new law will save retailers an estimated \$14 billion a year — more than \$1 billion a month — that merchants plan to pass along to their customers

through lower prices and higher value.

Yet, despite swipe fee reform being a done deal with a law on the books and reductions scheduled to take effect on July 21, the card companies and big

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### **VRA EDUCATION BREAKFAST Burlington, Vermont**

**Vermont Retailers  
Regional Education Breakfast**

**The Board Room,  
Main Street Landing  
Burlington, Vermont**

**Tuesday, June 28, 2011**

**8 AM – 10 AM  
sign in starting at 7:30**

***Full Breakfast***

**Efficiency Vermont &  
Burlington Electric Department  
will discuss ways to save energy and  
money in your store.**

**Marketing Ideas  
presented by Jim Tabor  
of Gillen Tabor Communications**



## President's Corner

Bonnie Hawley, President  
VRA Board of Trustees

### On the Move

When you think of summer, lots of words come to mind: sun, beach, tans, cookouts, swimming holes, and many more. But here's another less obvious: moving. Think about it. After the long, still months of winter, when not much moves but the mercury on its way down, along comes summer and everything gets going again. Birds, bears, daffodils, crickets, kids, on and on. And this summer, VRA is moving, as well. As of May 23, we officially occupied our new offices in Montpelier, where we are new neighbors to the Vermont Grocers' Association.

There are many advantages to this move. For one thing, it's good for our budget. For another, it puts us right smack in the middle of the action where laws and regulations that affect retailers are born. Executive Director Tasha Wallis sometimes feels like she's taken up residence in Montpelier when the legislature is in session, and having our HQ within walking distance of the statehouse will allow her to be even more effective. Finally, the move marks another stage in our ongoing process of collaboration with the Vermont Grocers Association. If ever two organizations had common goals and interests, it's VRA and VGA!

On a different topic, it's that time again to start thinking about the VRA Retailer of the Year Awards. Since their inception just two years ago, the ROYs have generated a great deal of interest both among members and the media. We'll look forward to receiving your nominations. For more information, visit us on the web at [www.vtretailers.com](http://www.vtretailers.com).

One more initiative worth noting is the series of regional meetings being conducted in collaboration with Efficiency Vermont, the nation's only state-funded organization that helps all Vermonters reduce energy costs, strengthen the local economy, and protect the environment by making homes and businesses energy efficient. These meetings have several goals. One is bringing to retailers' attention some very beneficial programs Efficiency Vermont offers. The other is familiarizing retailers who are not members with VRA's many services and benefits. The first meeting took place on March 30<sup>th</sup> at the South Station Restaurant in Rutland. It included presentations by Susan Thompson of Efficiency Vermont and Jim Tabor, VRA's Marketing Communications Consultant. The next regional meeting will be in Burlington, at The Board Room at Main Street Landing, on Tuesday June 28<sup>th</sup> from 8 to 10 a.m.



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Vermont Retail Association  
VRA Member Benefit



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Have you upgraded your lighting lately? If you have old, inefficient T12\* fluorescent lighting, the **newLight Enhanced Rebate Program** may be right for you.

Efficient lights **reduce energy costs**, provide quality light, enhance the appearance of merchandise, and come in styles that fit the look of any store.

Talk to your contractor or visit [www.encyvermont.com/newlight](http://www.encyvermont.com/newlight) to learn more about replacing your T12s with more efficient lighting.



\* T12s are overhead tube lights that are 1.5 inches in diameter.

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## Are You Overspending to Light Your Store?

Look up. Do you have “fat” T12 overhead fluorescent tube lighting? (T12’s are 1.5” diameter) Swap them for energy-saving High Performance T8 lighting (HPT8s). Here’s why:

- You’ll use up to 50% less electricity per fixture.
- You’ll reduce maintenance costs. HPT8s can last 1.5 times as long as T12s.
- You’ll lower air conditioning costs in some spaces. Efficient lights run cooler.
- You’ll put your merchandise in a better light. High quality HPT8 lighting can create a more appealing store that customers prefer. This can mean increased sales.
- You’ll have to get rid of T12s eventually. They won’t be manufactured in the U.S. after July 14, 2012, so a time will come when you won’t be able to replace burned out T12s. Now’s the cost-effective time to upgrade, because Efficiency Vermont rebates are available for recommended energy-saving replacements for T12s.

Talk to your contractor or visit [www.encyvermont.com/newlight](http://www.encyvermont.com/newlight) to learn more. Questions? Call Efficiency Vermont, toll-free: 1-888-921-5990.

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banks are doing everything they can to kill the reform.

They've launched an all-out assault through a multimillion-dollar misinformation campaign aimed at scaring consumers and Congress into preserving this cash cow and forcing consumers to continue paying these hidden fees. In fact, they have managed to get legislation introduced that would delay reform by more than a year.

The banking industry continues to cry wolf through attack ads and empty threats against its own customers. They've used community banks and credit unions as human shields, claiming reform would be too onerous for small banks, yet fail to mention that financial institutions with less than \$10 billion in assets are exempt.

Big banks even went so far as to call swipe fee reform a bailout for retailers. In reality, delaying reform would amount to another \$1 billion-a-month bailout for the banks paid for by consumers who have already paid for earlier bank bailouts through their tax dollars.

While banks spend millions trying to keep this archaic system in place, retailers are busy coming up with methods to pass these savings on to their customers. Unlike banking, retail is the most competitive and innovative industry in the world. If one retailer doesn't pass along the savings his competitor will.

Congress came to the right conclusion last year — swipe fees have driven up prices far too much for far too long.

With reform set to take effect and Main Street businesses and their customers about to benefit from this boost to the economy, it's too late for banks to be angling for a do-over now. Congress should stand by last year's vote and not let banks steal swipe fee reform from away.

*Matthew Shay is the President and CEO of the National Retail Federation ([www.nrf.com](http://www.nrf.com)), the world's largest retail trade association whose global membership includes more than 1.5 million American companies that employ nearly 25 million workers. Readers may write him at NRF, 325 7th Street NW, Suite 1100, Washington, DC 20004.*

## **Consumers Beware: Read Between the Lines of the Senate Swipe-fee "Delay" Bill**

*By Rep. Peter Welch (D-Vt.)*

In Washington, "delay" is too often code for "derail." Wink, wink. That's why the Senate proposal to "delay" for 15 months important bipartisan swipe-fee consumer protections is so worrisome. Consumers should not be fooled: The Senate bill is nothing short of a polite way of killing consumer friendly swipe fee reforms.

Last year, Congress passed a law that directs the Federal Reserve to set limits on debit card swipe fees that are reasonable and proportional to the cost of processing those transactions. Like most Americans, I had no idea that swipe fees charged to American businesses are the highest in the world. I was pleased to work with Senator Durbin to bring much needed relief to small businesses and consumers in Vermont and across the country.

I represent a rural state and live in a small town. Small merchants make up the majority of Vermont's small businesses and thread our state together. It is the mom-and-pop grocers, farm-supply stores, coffee shops, book stores, and barber shops where Vermonters connect, conduct business and check in on one another. They employ local people and help our economy and our communities thrive.

It was these folks who first alerted me to the skyrocketing fees levied against them by Visa and MasterCard every time a debit or credit card is swiped. The data supports their stories. The Federal Reserve tells us average debit-card swipe fees are now ten times the cost to banks of processing debit transactions. Many merchants actually lose money on small purchases because the swipe fees can actually exceed the small margin on some items!

Swipe fees have increased steadily since the introduction of debit cards 20 years ago when there were no swipe fees at all. Merchants can't negotiate or

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## **Spotlight on VRA Member:**

# **Sign\*A\*Rama of Vermont**

**Bob and Paula Diaco, owners**

*Paula Diaco was recently interviewed for this article.*

### **1. PLEASE TELL US ABOUT YOUR BUSINESS.**

SignARama is a full-service sign company that serves the local Vermont community. It's a franchise company, independently owned and operated by us, Bob and Paula Diaco, and is the only SignARama store in Vermont. Opened in 1994, SignARama has provided signs to corporations, small businesses, municipalities and nonprofit organizations. We run a military banner program for family members who have a soldier returning from deployment in the Middle East, and we organized a unique program called Grants for Success. GFS provides discounted and free signs to nonprofit and charitable organizations.

### **2. WHY DID YOU DECIDE TO DO BUSINESS IN VERMONT?**

Rather than move every five years or so as is needed when you work for a large corporation in order to rise up the corporate ladder, we decided to live and work where I grew up, and where we could raise our children close to family and in a safe environment. Bob traveled on business more than he cared to, and he just wanted to be able to make a good living and stay close to home. We have no regrets.

### **3. PLEASE SHARE WITH US THE MOST IMPORTANT LESSON(S) YOU'VE LEARNED.**

That working with your spouse is nothing to take mildly—you need to communicate and keep your emotions out of the conversations. We learned that we work differently and then decided to work together. Also, we've learned how to create something of

value out of nothing—in other words, we started a business where there was not one before, and grew it over time.

### **4. DO YOU HAVE A TIP FOR OTHERS CONSIDERING STARTING A BUSINESS (OR CURRENTLY IN BUSINESS) IN VERMONT?**

Don't ever give up. When times become difficult, ask experts for help. Also ask for help in the areas you have no expertise or any particular talent. For instance, if you don't know how to market your business, find someone who can show you how, or will do it for you. Run the business like a business—not like a job you've created for yourself, and take a vacation at least once a year.

### **5. DO YOU HAVE AN AMUSING ANECDOTE TO SHARE ABOUT YOUR BUSINESS?**

Believe it or not, signs are not that funny, but we do have a customer for whom we did a partial wrap on his new company vehicle. Recently, he drove the vehicle into a parking lot next to a car show. The people running the show wanted to park his car in one of the slots for people participating in the car show. He thought, why not? He won a prize! His vehicle was wrapped with his business logo and name, but because it was so creative, it attracted the car show's attention. It's a funny event for him, and a compliment to our work.

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# WHAT ONE THING...?

By George Whalin

When I meet people at a conference, trade show, or some other event who may have missed the session at which I had given a speech, they often ask me to tell them one thing I'd told the audience that will help their businesses. I always give the same answer, "Rarely is it only one thing. Retailing today is complex and nearly everything you do impacts and influences other areas of the business. You need a strategy."

## STRATEGIC DECISION MAKING

Making decisions with a specific strategy in mind is among the most important things a retailer can do to guide and influence the operations, improvement, and growth of his or her business. While most of the decisions you make every day do not have a major impact on your business, they still need to be made to solve a problem and keep the business on track. Strategic decisions have more impact and ultimately improve how you do business and serve your customers.

For example, you make a strategic decision to discontinue carrying a brand that you have sold in your stores for many years. The decision was made because the brand has lost a great deal of its consumer appeal in recent years, sales are down significantly, and you are devoting too much space to the merchandise. Still, you worry what the few customers who still buy the brand will do. Will they stop coming to your stores for other items? Will they go to your competitors? How much will it cost to stop carrying this brand?

The inability to make important strategic decisions is one of the reasons why retailers that have been in business for decades get into trouble. They avoid updating their strategy because they either don't want to deal with the consequences or fear the unknown.

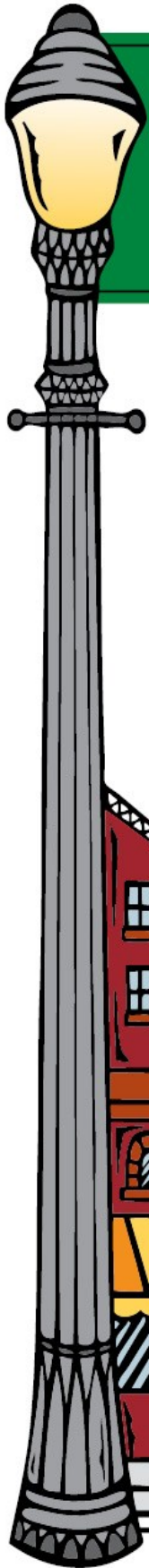
## HARRY & DAVID

Recently Harry & David, the well-known retailer of fruit gift baskets, declared bankruptcy. Founded in 1910, the Medford, Oregon-based company has been an extremely successful catalog and Internet business with 70 stores around the country as well.

Some of the company's problems can be blamed on the nearly \$200 million debt load put upon them by private equity firm Wasserstein & Co. that owns the company. Unfortunately, equally to blame in recent years are poor management and an inability to make important strategic decisions regarding merchandise selection, marketing, and customer service.

As the economy slowly recovers from the recession, now is the time to make some tough strategic decisions. Set up the guidelines necessary to improve operations, better serve your customers, and move your business forward.

*Reprinted with permission, George Whalin's Retail Management E-Letter, March 2011.*



# SAVINGS CORNER

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Some easy and inexpensive things you can do to lower the electric bills in your business:

- Replace T12 overhead fluorescent lights with High Performance T8s. They use up to 50% less energy and last as much as 1.5 times longer.
- Install new ENERGY STAR® qualified programmable thermostats and locking covers to prevent tampering.
- Create a startup and shut down schedule for equipment such as lights, break-room coffee machines, and office equipment.

*Learn more at:*

[www.encyvermont.com](http://www.encyvermont.com)

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# BAIT AND DELIVER

As an added service to VRA members, we will be offering in each newsletter a regular column by James Tabor, President of Gillen Tabor Communications, Inc. Jim's current and former clients for marketing and public relations have included IDX Corp., the State of Vermont, Burlington International Airport, the Lake Champlain Regional Chamber of Commerce, and many others. You can learn more about him and his services at [www.gillentabor.com](http://www.gillentabor.com).

In my last column, I discussed ways in which owners and managers can audit their own businesses to identify Unique Selling Points. I'd intended to devote this column to "best practice" uses for USPs, but something happened along the way that changed my mind. It has to do with social media marketing.

A couple of weeks ago, I got an email from my son suggesting I look at a website, [www.preyproject.com](http://www.preyproject.com), for something really special. Here's what I found: an offer of free software that "lets you keep track of your phone or laptop at all times, and will help you find it if it ever gets lost or stolen." Hmm, I thought. I've lost both. Couple times, in fact. Sounds interesting. It got more so quickly, in the "How It Works" section: "Basically you install a tiny agent in your PC or phone, which silently waits for a remote signal to wake up and work its magic. This signal is sent either from the Internet or through an SMS message, and allows you to gather information regarding the device's location, hardware and network status, and optionally trigger specific actions on it. You can quickly find out where your computer is located, who's using it, and what he's doing on it thanks to Prey's powerful reports system. By marking your device as missing, Prey will gather all the evidence you request and send it either to your Control Panel account or directly to your mailbox, depending on the [reporting method](#) you choose" So what kinds of things can you make your missing computer do? How about sounding a loud alarm that can't be turned off. And these:



There's more, but you get the idea. So what does this have to do with social media marketing? Everything, because it illustrates the single most important USP (Unique Selling Point, remember?) that distinguishes social media: *content value*.

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# Retailers: Be On the Lookout for Skimming

Skimming for credit card data has been around for years but thieves are getting smarter and quicker with their methods to steal payment card information from processing terminals at retail locations.

Skimming involves the stealing of data from credit cards at the point of sale and using the data to create counterfeit cards. The skimming is done by a hidden device placed in or near the processing terminal. This reading device records payment card data during a card swipe.

The perpetrators gain access to terminals by posing as service or maintenance personnel working with your credit card processing company. They then install the card data reading device inside or near the terminal. Sometimes they will place a small sticker with fake serial numbers on the terminal to cover up a small drill hole. The device may also include a small hidden camera that records PIN codes as customers type them in.


To safeguard your terminal from fraud, do the following:

- Check the serial numbers on any exterior stickers against valid serial numbers on the inside of the terminal. If they are different numbers, your terminal may contain a card data reading device.
- Don't let anyone near your credit card processing terminals except trusted employees, even if they say they are from your processing company and seem to have legitimate business cards and instruction manuals. If you need repairs done to your terminal, make an appointment then check the repair person's credentials by calling your processing company.
- Never leave your terminals unattended. Thieves can install a skimming device in less than a minute without detection. They have also been known to completely replace a terminal that is sitting out on a counter with a terminal that contains a card data reading device.
- Check terminals regularly for holes, loose

screws or other indications the terminal has been opened or altered. Teach your employees what to look for and to report anything suspicious as soon as possible.

Call our processing experts Michele and Nicholl at (866) 350-2652 for more information about how you can help prevent skimming and other credit card data fraud.

If you haven't considered joining VRA's processing program through RCSC, why not allow us to do a free, no-obligation savings analysis? We're typically able to save businesses money on this expense and we offer the added protection of a periodic review of statements through our Watchdog Program. Learn more about RCSC at [retailcouncilservicescorp.com](http://retailcouncilservicescorp.com).



**Unlock the savings!**

Enroll today and receive a free credit card processing terminal valued at \$400!\*

(Limited time offer through 5/13/2011)

**Retail Council**  
**RCSC**  
Services Corp.

VRA's endorsed provider of credit card processing.

**Contact Nicholl for your free, no-obligation savings analysis.**  
**(866) 350-2652 | [VRA@retailcouncilnys.com](mailto:VRA@retailcouncilnys.com)**

\*Terms and conditions apply. Call for details.

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To understand content value's importance, we need to back up a bit and explain that there are now two great marketing paradigms, where once there was one. Before social media, virtually all marketing was *outbound*—invasive, intrusive, controlled by the sender, resented by most recipients. Television commercials. Ads in magazines. Billboards. Telemarketer calls. Direct mail offers. All those get up in your face whether you want them to or not.

Now, thanks to the Internet and social media, there is also *inbound* marketing, and it is a very different breed of cat—the diametric opposite of outbound marketing. Inbound marketing is non-invasive, inviting, and controlled by the recipient. It works by inviting you into a website, pure and simple. You decide whether to accept the invitation. Now here's the connection to [preyproject.com](http://preyproject.com). Only one thing will convince browsers to accept your invitation: *content value*, or as it's also put, *content quality*.

[preyproject.com](http://preyproject.com) offered something of significant value to me and, judging from the site's traffic, to gazillions of others. As a book author, I travel a lot, so have a higher probability of losing cell phones and laptops. But even if I only travelled in Vermont, the assurance provided by this new software would be comforting. Especially at the price!

We're all familiar with the old marketing subterfuge called "bait and switch." When you show up at the dealership, that unbelievably low-priced truck has mysteriously disappeared. Grrr. (There are plenty of websites that do this, too, btw. Have you ever filled out a long form for a supposedly "free" service, only to find out at the very end that you have to buy six months of it to get the freebie?) In contrast, inbound marketing, done correctly, is "bait and deliver." It makes a promise to a browser and quickly keeps it, and that is a recipe for business success. Which I myself have just demonstrated. I don't know how many others my son has told about [preyproject.com](http://preyproject.com), but I've just told all of you, and I'd wager that most clicked on that hyperlink the first time it appeared, above. That's inbound marketing at its very best.

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control them. They've tried, but they have no leverage against the big banks and issuers. So they get ignored. They're just stuck.

Swipe fees hit all of us in the wallet. Robert Shapiro, a noted economist, found in a recent study that runaway swipe fees are affecting the prices *all of us pay*. They add 1-3 percent to the price of nearly everything, no matter the form of payment used. The study estimated that swipe fees cost individuals \$230 a year.

A lobbying battle royale is underway in Washington as card companies and big banks seek to "delay" (read: kill) these important consumer protections. If you ride the Metro or turn on a television, you can't miss the ads making erroneous claims about debit card swipe-fee reforms. And who's behind these ads? Not surprisingly, it's Visa, MasterCard, and the big banks.

They have good reason to fight reform. For years, they have enjoyed monopoly-pricing power over swipe fees. They've had unchecked authority to charge the highest fees in the world. That's been a pretty good deal for them. The ten biggest banks make \$8 billion a year off debit card swipe fees alone. So for them, this is a fight worth waging. Unfortunately, they're waging it with two bogus claims.

First, they allege that debit card swipe-fee reform will hurt small community banks and credit unions. The fact is the law exempts banks and credit unions with under \$10 billion in assets. They had legitimate concerns and Senator Durbin addressed them up front. The banks simply waive away this truth in their campaign.

Second, they say the merchants will never pass along to consumers the savings of swipe-fee reform. That specious argument effectively translates to: "We've been doing such a good job ripping off consumers, we can't let someone else do it!" You would think the law of competition had been repealed. It hasn't. The reality for merchants is one of brutal and relentless competition. If they can lower prices for consumers because swipe fees are finally under control, they will do so. The competitive marketplace

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gives them no choice.

It's time to call the Senate's Debit Interchange Study Fee Act what it is – a diversionary tactic that allows huge banks to maintain an unbalanced and unfair profit center at the expense of small businesses that are the lifeblood of communities in Vermont and throughout the country. Let's not let high-dollar messaging campaigns obscure the facts. And let's not fall for the old yarn that "delay" is a good thing. It's not.



## Vermont Retail Association

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### It's Not Too Early...

It's not too early to start thinking about this year's Retailer of the Year awards. Each year we choose a winner in one of each of these three categories:

- ◇ **Retailer of the Year** – honoring a Vermont retailer for overall excellence. Businesses nominated are judged using the following criteria: growth and stability; innovation; best management practices; community involvement.
  
- ◇ **Greentailer of the Year** – honoring a Vermont retailer for environmental excellence. Judging is based on commitment; innovation; and measurable results.
  
- ◇ **Community Gem** – honoring Vermont retailers that make unique and valuable contributions to their communities.

The nominees do not have to be a VRA member.

**Who would you like to see win one of these awards?**

# WE'VE MOVED!

The Vermont Retail Association office has moved to Montpelier.

Our new address and phone numbers are:

148 State Street  
Montpelier, VT 05602  
(802) 839-1931 or (800) 649-1698  
FAX: (802) 839-1927

Our new office is close to the State House. We will be sharing office space with the Vermont Grocers' Association and a satellite office of the Homebuilders & Remodelers Association of Vermont and will be above the office of the Vermont Association of Realtors. This office sharing arrangement will enable us to reduce some overhead and improve efficiency with our collaboration with the other groups.

## BECOME A FAN OF OUR FACEBOOK PAGE

**Vermont Retail Association**



Please let us know what type of information you would like to have us post on our Facebook page. What would be of interest and help to you in your business?