

# Medium Business Alliance™

Information | Education | Resources | Networking

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## Special Points of Interest:

- Working capital options for when the bank says no
- Information on PCI compliance
- Employee drug testing

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## Letter From The Editor



As we near the end of 2009, it is time look back on the year; unfortunately it was not a good year for most Americans. We began 2009 with a historical moment when Barack Obama was inaugurated as President, and contrary to his “Yes we can!” slogan, many Americans soon found that they couldn’t.

This year was a year of penny-pinching and coupon clipping and “staycations”. Social networking became a source for many Americans to search for jobs and not just for staying in touch with friends and family. And frequent words heard around American dinner tables were “Healthcare Bill” and “Stimulus Plan”.

We saw large corporations receive bail-outs in lieu of going bankrupt, while the small and medium sized businesses were out of luck, and had to close their doors for good. Main streets quickly turned into ghost towns and “Bank Owned” and “Foreclosure” were signs that became prominent in most communities.

We can only hope that things turn around in 2010, though many economists are not too optimistic. So, we need to band together to support each other in the coming months. Acquire goods from the “little guy”, businesses similar to yours, as much as possible for your business and home needs and contact your state’s government representatives to have your voice heard. Maybe by coming together, WE can turn this country around.

## Sales and Marketing: Social Networking Can Help Improve Sales

By now, everyone is familiar with social networking sites such as Facebook, Myspace as well as Twitter. More and more businesses are capitalizing on the broad audience that can be captured by utilizing these sites.

Microsoft led a study on why people utilize these sites and found that these sites are mainly used for a way to keep in touch with family and friends, with “ego” being a driving factor. Over 50% of all Americans have a social networking account of some sort. With that being said, this could be a prime marketing source for businesses, however medium-sized businesses are under-utilizing this tool. This year, Facebook topped the social net-

working market with over one billion visits in a month. Facebook has over 60 million active users, with 64% of users over the age of 18. It is the 6<sup>th</sup> most trafficked website in the U.S. with over half of all users visiting the site daily. Facebook also has over 6 million active user groups.

By tapping into these social networks businesses have the ability to reach a broad spectrum of consumers. Opening an account with any social network and joining groups or reaching out to other members will expand contacts and potentially increase sales.



## **Financial:** **What Kind of Working Capital Is Available when the Bank Says No**

For the medium business owner, getting money from a bank is sometimes difficult. Before they will hand out loans, most banks want to see years and years of business records showing profits, a strong business plan, and a good business credit score. For most medium to medium business owners, this simply is not possible. Here are some sources of working capital that you can turn to when you are not approved for a traditional loan.

### **Accounts Receivable Financing**

Not all businesses can use accounts receivable financing, but if your business is the type that has outstanding bills from time to time, this is an excellent option to turn to. You can sell those outstanding bills to a lender in return for cash. The idea behind this source of working capital is that you will repay the money when the bills are paid. Instead of adding that money to your income, you will pay it to the lender.

### **Leasing Equipment**

Do you have equipment that you are not actually using? Is there space in your office building that could be temporarily leased out? Leasing equipment or office space is an excellent source of working capital, provided you have these assets on hand and do not need them at the moment. If you choose this route, make sure you have a clear contract outlining what the cost of the lease will be as well as the length of time you are willing to offer the lease.

### **Lines of Credit**

A line of credit, not with a bank but with another company or vendor, is another way to create some working capital. While this will only help your business purchase certain items, sometimes being able to use credit for those items can free up income to pay other expenses.

An added benefit of setting up a line of credit with a company is the ability it brings for you to build your

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credit rating. To do this, choose companies that will report your credit line to the credit bureaus that are responsible for business credit ratings. Over time, staying current on your bills with these small lines of credit will help boost your business credit rating. This, in turn, will help you qualify for traditional bank loans.

Finding the right company to open a line of credit can be a challenge. Some do not report the lines of credit, and others are less willing to work with medium businesses. One way to find the right company is to work your network. If you are part of a business alliance, like Medium Business Alliance, talk to your contacts within the alliance to find out what companies they have lines of credit with. If similar businesses are benefiting from a line of credit with a particular company, you are likely to benefit as well.

### **A Merchant Cash Advance**

Sometimes medium businesses struggle with traditional means of finding working capital, partially because they take so much time, and partially because they have so many rules and regulations. As the demands for a strong credit rating are getting stronger and stronger, merchant cash advances are becoming more and more popular.

A merchant cash advance is used for a business that accepts credit card payments. The cash advance is given in one lump sum, and in return the business guarantees that they will give a portion of their future sales to the cash advance provider. A merchant cash advance is a viable option for businesses who need working capital quickly.

The key to using a merchant cash advance properly is not over using it. Do not learn to rely on this for money regularly, as the cost is quite steep. However, when your business faces a legitimate cash crunch and no other options are available, know that a merchant cash advance is an option.

### **Venture Capitalists**

Some medium business owners will find their business is interesting enough to get the support of venture capitalists. These are professional investors who are interested in diversifying their investments, often choosing to invest in high-risk, new businesses that cannot get loans from other sources.

Venture capitalists are looking for the right type of business. To get their interest, you will need a strong business plan and income projections. They want to help a business get off the ground and successful, hoping for quick growth and returns. Getting the help of a venture capitalist firm is

not easy. Make sure you are working your contacts in your business associations so you can get noticed.

### **Credit Cards**

If your personal credit is good and you are willing to put it at risk for your business's sake, you might be able to take care of your cash flow needs with credit cards. Remember that your credit card will reflect on your personal credit score, so proceed with caution if this is your option of choice. Also, remember that the interest rate on most credit cards is quite high when compared to other sources of working capital. With that said, if you choose to use your credit cards, you are in good

**“Before they will hand out loans, most banks want to see years and years of business records showing profits, a strong business plan, and a good business credit score.”**

company. Experts estimate that over a third of all business startups use credit cards to get off of the ground.

### **Borrowing from Individuals**

Does your business have friends that truly believe in it? Why not turn them into a loan source?

Borrowing from family members or friends works well if you are diligent to pay them back on time, regardless of what happens with your business. Only choose this option for working capital if you are certain that your business will succeed. You do not want to lose friendships because of a poorly planned business venture.

With the right business resources and contacts in hand, you can find business capital, even if you are not in a position to get a bank loan. With a little extra effort and some work ahead of time, you can even find affordable options for the money your business needs to succeed.

## **Technical:** **What is PCI Compliance?**

Medium businesses that use credit cards need to be concerned with PCI compliance. PCI stands for the Payment Card Industry, and PCI compliance refers to the standards in place to protect personal information that is at risk whenever a customer pays with a credit card through a merchant processing setup. As we all know, identity theft is a very real problem today, and small and medium business owners who value their customer's security will make sure they are compliant.

### **What Are the Standards**

For a retail business to be considered PCI compliant, it must meet all six PCI standards. Here are the areas your business needs to focus to be PCI compliant.

#### *Network Security*

First, the business must maintain a secure network. Whether your business is online or offline, the network that credit card data is exposed to must be secure. For a medium business that accept credit card payments online, the website hosting company often covers security, and those that use credit card machines will have network security built into the terminal, but any business computer that stores customer names and credit card numbers must have a firewall and be used on a secure network.

#### *Keep Cardholder Data Secure*

When cardholder data is stored or transmitted, the business owner has an obligation to protect the data. This means that only a limited number of people have access to it, and any actual credit card numbers are encrypted. For the online business, this means any transmissions con-

taining credit card numbers need to be encrypted with at least 128 bit SSL certificate.

#### *Vulnerability Management*

Vulnerability management refers to keeping a business's assets up to date to minimize vulnerability. In other words, hardware, software, etc., needs to be updated whenever necessary. Keep anti-virus and anti-spyware

**“To be PCI compliant, your business must have and enforce an information security policy.”**

software on your computer at all times to eliminate vulnerabilities. Talk to other business owners in your business alliance to find out more about how to do this automatically.

#### *Access Control Measures*

Most problems with credit card information come not from unsecured networks, but actually from humans with access to the information. PCI

compliance requires limiting the number of people in the business who have access to credit card data. This means that the people with access to your merchant processing equipment should be limited, and those who do have access need to have their own unique identification, so any security breaches can be quickly identified.

#### *Monitoring and Testing*

Any networks where cardholder data is stored must be tested and monitored on a regular basis. Some small to medium business owners will take this pressure off of themselves by hiring a security testing and auditing service.

#### *Information Security Policy*

To be PCI compliant, your business must have and enforce an information security policy. This means that every employee knows his or her responsibilities when it comes to cardholder data. Maintaining this policy will stop some human error problems before they happen.

### **Why Be Compliant**

If PCI compliance is not the law, why-

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should you take the measures necessary to make your business compliant? Even though PCI compliance is not law, you must be compliant to be able to enter into a merchant processing agreement with a credit card processing company. If you are found non-compliant, the bank or credit card companies will impose large fines on your business, sometimes large enough to send you into bankruptcy. PCI compliance may not be the law, but it is necessary for any business to function.

**“If you are found non-compliant, the bank or credit card companies will impose large fines on your business”**

There are many business resources out there to help medium business owners who wish to become PCI compliant. Business associations and alliances, like Medium Business Alliance, are another source of information about becoming compliant. By stepping up and putting these protections in place, you can start accepting credit card payments and further grow your business.

### **Human Resources:** **Employee Drug Testing-What You May Not Know**

Employers have the right to drug test employees or potential employees for various reasons whether it is due to regulations, drug-free workplace policies or insurance. But most employers do not know that whether or not employees have their testing done during working hours or after, they must be compensated for that time,

According to the DOL web site, “time spent having a required drug test is generally considered hours worked (and thus compensable time) under the Fair Labor Standards Act (FLSA), which is a DOL regulation, for employees covered by the Act”.

For pre-employment screening purposes, an employer is not required to compensate potential employees for time spent during a drug testing procedure. However, if an employer requires employees to have mandatory testing, those employees must be compensated, whether the employee is scheduled before, after or during work hours.

Because the employee is required to partake in drug testing as a condition of employment, employers should consider having employees tested during normally scheduled times as it helps avoid any possible overtime issues because of additional payable time.



#### **Employee Drug-Use Statistics**

- About nine in ten full-time workers with alcohol or illicit drug dependence or abuse work for small and medium-sized firms\*
- Smaller firms are generally less likely to test for substance use\*\*
- Individuals who can't adhere to a drug-free workplace policy seek employment at firms that don't have one\*\*
- In the U.S., 71% of all illicit drug users are EMPLOYED!\*\*\*

*How many are employed by YOUR company?*

\*Statistics of U.S. Businesses, 2005, U.S. Census Bureau, available at <http://www.census.gov/csd/susb/index.html>

\*\*Larson, S.L., Eyerman, J., Foster, M.S., and Gfroerer, J.C. (2007). *Worker Substance Use and Workplace Policies and Programs* (DHHS Publication No. SMA 07-4273, Analytic Series A-29). Rockville, MD: Substance Abuse and Mental Health Services Administration, Office of Applied Studies.

\*\*\*Center for Substance Abuse Prevention (CSAP)

## **How To:** **Select the Right Merchant Processor**

Taking credit cards is essential to most business's survival in today's economy. Even those customers who do not use an actual credit card likely have a debit or check card, and the convenience of using plastic makes it a popular payment method. As you are shopping for a merchant processor, take some time to carefully consider the one that is the best fit for your business.

### **Start with the Right Company**

Accepting credit cards is only possible with the help of a merchant credit card processing company. This is where the search for the right merchant processor really begins. Sadly, most business owners do not utilize all of the business resources at their disposal when shopping for these services, and as a result they end up spending far more than they should for these services.

Business alliances and business associations, like Medium Business Alliance, are great as a resource for referrals when you are looking for professional services. Talk to other members of your business alliance to find out what credit card processor they use. Remember to discuss this with businesses of a similar size and demographic. A small business is going to have different needs than a large or medium business when it comes to credit card capabilities.

You can also discuss credit card acceptance with your business bank. Often banks that cater to medium business owners will offer these services. Keep in mind that your bank may not have the most affordable merchant services, but sometimes they offer incentives to current customers.

### **Comparing the Cost**

You will pay for merchant processing services in one way or another. Some companies will charge for the actual machine alongside a monthly fee. Others will charge a small amount per transaction. Ask the processors you are considering for a clear list of these fees, and then compare all of the companies. Keep in mind that some will charge differently for the different types of cards or will charge penalties for charge-backs. Choose the company with affordable fees.

### **The Services You Need**

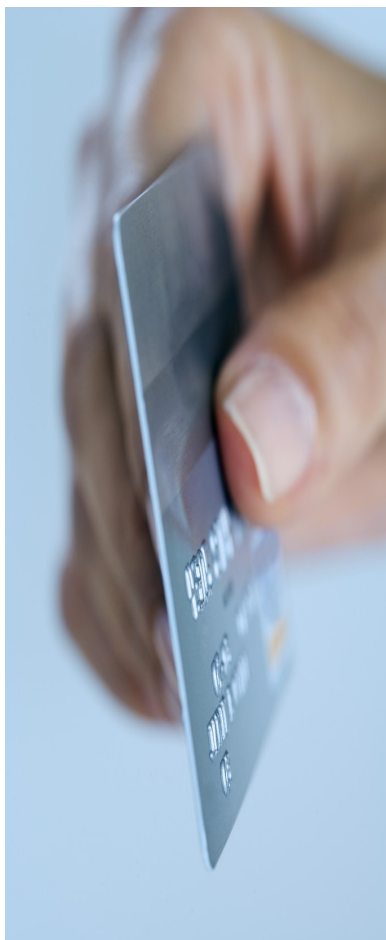
Make sure the credit card processing company offers all of the services you need. For instance, some of these machines can accept or even fill in personal checks. Others are adapted specifically for online purchases. Think through the payment scenarios your business will face, and choose a provider and machine that fits those businesses specifically.

### **Look at the Equipment**

The equipment itself is also important. Some companies will require you to buy the equipment out of pocket. If you do not have a lot of working capital on hand, this could be an impossibility. Other companies will allow you to lease the equipment. This is usually more affordable at the outset, but if you envision using the equipment for an extended period of time, you may pay more over time for leasing. You will need to decide which structure works best for your business's current situation, and then choose a company accordingly.

Also, look into the way the equipment will interface with your existing POS system.

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You want something that easily plugs into your existing setup, will not take a lot of extra customer time, and is simple to use.

### Consider the Contract

Almost all merchant services providers will offer their services only with a contract. Make sure you are comfortable with the terms of the contract. Ask up front about the length of the contract, and what the penalty would be if you had to back out of the contract early due to unforeseen circumstances. If the contract is too long, see if the company would be willing to negotiate. If they won't, ask your business alliance contacts for further recommendations. You do not need to be hooked into a contract that is too long for your comfort level.

Once you have all of these answers collected for several companies you are considering, compare them. Then, consider how helpful each company's customer service was, and make your decision. Taking credit cards will help your business make more money, and with the right merchant services provider, it can be a pleasant experience as well.

### Legal:

#### Lilly Ledbetter Fair Pay Act of 2009

The **Lilly Ledbetter Fair Pay Act of 2009** is an Act of Congress enacted by the 111th United States Congress and signed into law on January 29, 2009. This law came about following the suit *Ledbetter v. Goodyear Tire & Rubber Co.* and a U.S. Supreme Court decision that the statute of limitations for initiating an equal-pay lawsuit begins at the date the pay was agreed upon, not at the date of the most recent paycheck, as a lower court had ruled. This bill amends the Civil Rights Act of 1964 stating that the 180-day statute of limitations for filing an equal-pay lawsuit regarding pay discrimination starts with each new discriminatory paycheck.



Case History: Lilly Ledbetter, a supervisor at a Goodyear Tire plant in Alabama, filed an equal pay lawsuit under Title VII of the Civil Rights Act of 1964, six months before her early retirement. Ms. Ledbetter claimed that she was not receiving pay raises the same as men working in the same supervisory role; however she could not prove this allegation as Goodyear did not allow employees to discuss their pay. She then received an anonymous note revealing the salaries of three male supervisors. She was then able to move forward with her equal pay suit. The initial ruling was against Ms. Ledbetter because the discriminatory decisions relating to pay had been made more than 180 days prior to the date she filed her charge, this ruling was upheld in the Supreme Court. In July 2007 the House of Representatives passed the Lilly Ledbetter Fair Pay Act to reverse the Supreme Court decision, and this was signed into law in January of 2009.

With this being passed, fair pay laws are now more clearly defined and workers can hold companies accountable to equal pay practices.

### Member Spotlight

Located in Macon, Georgia, **MWD**, Inc. has been serving Middle Georgia since 1995, they service and repair all medium and heavy duty trucks, trailers and buses. **MWD** is an authorized parts, service and warranty dealer for Cummins Parts and Engines, Volvo trucks, Autocar Trucks, Mitsubishi Trucks and is a Mitsubishi Fuso Truck dealer as well.

Their technicians repair all makes of commercial, industrial, and agricultural hydraulic components. This includes pumps, motors, cylinders, valves and PTOs. From minor fender repair to major wreck restoration on any truck, trailer, bus, or heavy equipment, their full service body shop can make it look new. They specialize in repairing wreck damage, including rollovers, and they work with your insurance company to assure coverage of your repairs.

When it comes to anything in truck and heavy equipment service, MWD is respected for providing quality work at reasonable prices. For information on **MWD**, Inc. contact [Don DuLong at 478-742-1500](#).

## Comic Corner

It was the day of the big sale. Rumors of the sale (and some advertising in the local paper) were the main reason for the long line that formed by 9:00, the store's opening time, in front of the store.

A elderly man pushed his way to the front of the line, only to be pushed back, amid loud and colorful curse. On the man's second attempt, he was punched square in the jaw, and knocked around a bit, and then thrown at the end of the line again.

As he got up, he said to the person at the end of the line, "That does it! If they hit me one more time, I won't open the store!"

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A man flying in a hot air balloon realizes he is lost. He reduces his altitude and spots a man in a field down below. He lowers the balloon further and shouts, "Excuse me, can you tell me where I am?"

The man below says, "Yes, you're in a hot air balloon, about 30 feet above this field."

"You must be an engineer," says the balloonist.

"I am. How did you know?"

"Everything you told me is technically correct, but it's of no use to anyone."

The man below says, "You must be in management."

"I am. But how did you know?"

"You don't know where you are, or where you're going, but you expect me to be able to help. You're in the same position you were before we met, but now it's my fault."



### New Member Listings

MWD, Inc.

Friese & Associates

D&A Development and Consulting, Inc.



**[www.mediumbusinessalliance.com](http://www.mediumbusinessalliance.com)**  
**Contact us at [Membership@mediumbusinessalliance.com](mailto:Membership@mediumbusinessalliance.com)**

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