

Education (continued)

Stop, look, listen to merchants: Ten tips

By Aaron Bills

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The new year is now in full swing. And maybe you're like most of us: A month into the year, and you don't know which way is up. Are you searching for some guidance? If your resolution is to increase profits and differentiate your business from those of other ISOs and merchant level salespeople (MLSs), the tips in this article are for you.

A mentor once told me everyone is equipped with two eyes, two ears and one mouth – and each should be used in exactly that proportion. It's best to look up merchants' backgrounds and listen to what they have to say rather than tell them what they need. This is especially true in a consultative sales situation.

The key component to making your business solid is opening up communication lines with potential merchants. I've outlined several steps to help you boost dialogue.

1. Preparation. Before starting dialogue with prospective customers, do your homework. Review their Web sites, read their annual reports, and review product brochures and company histories.

This need not take a long time. The object is to prepare yourself so you can ask intelligent and detailed questions about their businesses. Plus, it will impress merchants if they know you've taken an interest in them.

Based on what you've learned from your research, develop a set of leading questions to bring to your merchant meetings. This will open up avenues for meaningful dialogue with prospects.

It is imperative to tailor your inquiries so they are specific to each merchant. Once you have the merchants' attention, you can better assess how their businesses function and persuade them to use your services.

2. Business basics. While it's likely you will already know the size of each prospect's business from the research conducted earlier, it's always good to hear directly from merchants how they view their operations. Ask them how they got started and about their long-term growth plans. If they're strictly local or regional, do they aspire to expand nationally or internationally?

The sooner you understand your prospects' business models and idiosyncrasies, the better your position will be. Are the merchants doing pure retail business, or do they have corporate clients? Do they have a mix of retail consumer transactions and business-to-business (B2B)

corporate purchase cards (p-cards) with level 3 line-item transaction detail? Or are they pursuing government contracts only?

3. Customers. Asking merchants who their customers are sets the stage for more in-depth discussions about the types of interactions merchants have, or hope to have, with their customers. Do they serve small businesses or large enterprises? Are they repeat or random customers? Are they retail consumers; corporations; or federal, state and local agencies? Do merchants expect business with their existing customers to increase in future years?

Knowing these answers is fundamental to understanding the ins and outs of merchant processing for different card types. In industrial procurement where corporate p-cards are used, for example, there may be significant cost saving opportunities if a merchant qualifies for a lower interchange rate and processes level 3 line-item details for payment transactions.

4. Sales channels. Once a given merchant identifies his or her customer base, it's natural to ask how the merchant sells to that base. Is it through an e-commerce Web site or face to face? Do customers assign a card on file, or is a MO/TO scenario more typical?

Knowing whether a merchant sells goods, services or both sets the stage for having a more complex, solution-oriented sales discussion.

Thoroughly understanding the sales process underpinning a merchant-customer interaction will give a sales executive a valuable reference point for helping that merchant properly qualify for transactions. (For more information, see "B2B: Rich in opportunity," which I wrote for *The Green Sheet*, Nov. 12, 2007, issue 07:11:01.)

5. Transaction timing. When an order is placed with a merchant, is it fulfilled immediately, or is there a lag of a day or two? The time it takes to finish an order can alter the authorization and capture sequence. If a merchant authorizes and captures too late, a merchant's interchange rate could be downgraded by the card issuer.

The timing of a sale can also alter a merchant's choice of technology. If, for example, merchants who have established relationships with their B2B customers – rather than relying on random events, which is more typical in the retail sector – there may be no compelling reason to process payment authorizations immediately.

These merchants simply accept the orders and process

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them cleanly as authentication-captures at the end of the day (much like invoices would be processed). In this case, an ISO or MLS would have an important framework for providing merchants an appropriate technology recommendation – suggesting a batch-oriented processing system rather than a real-time system.

6. Transaction volume. The volume and scale of merchants' businesses may also have some bearing on technology recommendations. A merchant could be a very large corporate entity or mid-market company whose card processing requirements represent a small percentage of its overall business. In this scenario, a virtual payment system would be an appropriate choice.

If merchants' volumes are expected to change, or their volumes are significantly higher, they may look for automated, real-time or batch-oriented systems that use computer-to-computer rather than manual processing.

7. Locations. Knowing whether merchants have one or multiple locations also has bearings on their choice of payment processing technology. What is appropriate for a single location may be completely inadequate for a merchant operating multiple locations.

For example, distributed software that's effective at a single-point location usually fails to scale at the network level. Support for multiple locations by a technology department across a wide geographic area can also prove to be cumbersome and expensive.

One of 3Delta Systems' early customers, for example, had 100 end points where distributed payment processing software was used. Ultimately, to support this software, its information technology (IT) technicians needed to travel frequently to remote locations, making the total cost of ownership extraordinarily high.

By switching to a virtual solution, the customer achieved substantial operating cost savings and enormous efficiency gains by having a single integrated system that could be easily deployed and maintained by an outside hosting provider.

8. IT infrastructure. The scale of a merchant's business could also lead an Internet service provider to recommend either a standalone, manual processing system or a more automated, integrated system.

Most merchants will choose automation over manual processes when the manual effort becomes too bothersome or expensive. But those technology paths are not always obvious until an ISO probes this question.

ISOs and MLSs should also ask merchants about the

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types of technology architecture, systems and applications they use. Do merchants operate in Windows, Unix/Linux or Solaris environments? Which e-commerce applications are applied? Do they employ sophisticated enterprise requirement planning (ERP) requirements? Are their accounting systems streamlined?

Answers about existing IT infrastructures are important because they may affect merchants' selection of external payment processing solutions providers.

For example, at 3Delta, we're often drawn into conversations about merchants who installed stand-alone, PC-distributed solutions only to discover what was recommended simply would not work in their operating environments.


9. Communications options. Ask merchants how they connect to the Internet – by dial-up landline modem or if they're using high-speed broadband options such as fiber-optic or dedicated cable.

A decade ago, merchants were concerned about using virtual payment systems if they had limited bandwidth available to process transactions online. Given the widespread adoption of high-bandwidth Internet

technologies since then, however, this should no longer be an issue.

10. Security measures. Protecting against credit card fraud continues to be a significant and growing cost for merchants of all sizes. Many continue to struggle with mandatory Payment Card Industry Data Security Standard compliance rules.

They are also seeking secure, virtual solutions that completely remove credit card data from their internal systems. Yet thousands of merchants still use payment technology that doesn't adequately protect card data, exposing both merchants and ISOs to risk and potential losses.

Being prepared and having discussions with merchants using a series of thoughtful questions will yield you a great number of opportunities to appropriately recommend payment systems and solutions to your clients. A little homework and lending an ear are priceless in this business. 

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