**Business Solutions**
Growth Strategies For The IT Channel

# 3 Strategies To Increase Your Payment Processing Revenue

By Jay McCall

***This VAR and ISO's (independent sales office's) ability to bundle point of sale (POS) solutions and full-disclosure payment services is critical to its continued double-digit growth.***



*A big part of his sales process entails educating prospects about the hidden fees within payment processing agreements, says Russ Scribner, president, POS Merchant Card Services (POSMCS).*

***Photos By Tim Schermerhorn***

Payment processing is an industry that's experienced a lot of change over the years and has evolved more quickly in the past two years than it has during the preceding eight years. The rise in mobile payments, decline in cash usage, a growing acceptance of software as a service (SaaS) models, and the EMV (Europay, MasterCard, and Visa) liability shift of 2015 are just a few of the industry's change drivers.

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**POS Merchant Card Services (POSMCS)**

**Founded:**
1999

**2015 sales growth rate:**
15%

**2016 projected sales growth rate:**
20%

**Employees:**
8

**Phone:**
(866) 727-1275

**Website:**
www.posmerchantcardservices.com

**Verticals:**
hospitality, retail

**Vendors:**
Electronic Payments (EPI), Exatouch, PAX Technology, ProCharge, Verifone

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**Find The Right POS Fit For Small To Midsize Retailers**

According to Russ Scribner, president of ISO (independent sales organization) and IT solutions provider POSMCS, bundling POS systems and peripherals with payment processing services has been a key component to building long-term customer relationships. But finding the right POS system for his customers hasn't been easy, he says. "We had a hard time finding

POS Merchant Card Services (POSMCS) is a registered ISO with Visa, MasterCard, Discover, and American Express and has been doing business since 1999. The company, which is headquartered in Fort Wayne, IN, provides payment-processing services to merchants in more than 35 states. POSMCS President Russ Scribner says he's had to navigate the coming and going of other competitors, and he's dealt with his fair share of dishonest providers over the years, but he's developed a threefold business strategy that has enabled him to differentiate his company and earn year-over-year double-digit revenue growth.

## Strategy #1: Provide Full Disclosure To The Merchants

Much of the payment industry's tarnished reputation hasn't come only from ISOs that were dishonest or misleading; it also springs from ISOs who fail to disclose hidden fees within the agreements to prospects. "Lots of merchants make their payment processing buying decision based on only one question: 'What's your rate?'" says Scribner. "If an ISO quotes a qualified rate lower than what the merchant is currently paying, the merchant typically signs on with the new processor with no further questions or explanations being provided. And it might take several months or years before merchants realize they are actually paying more than they were previously."

There are more than a dozen pricing categories where an ISO can add a fee for processing, says Scribner, and this is where merchants need to be educated and provide a side-by-side comparison of all the fees that may apply before making a buying decision. "For instance, card payments initially fall into one of three general categories — qualified, mid-qualified, and nonqualified. When some ISOs quote pricing, they only reveal their qualified rate and maybe the transaction or inquiring fee, which requires the card and card holder to be present during the transaction, the card chip is read and verified by the payment terminal, and the card holder's signature is captured along with the CVV (card verification value). Payment card companies consider these transactions to be the safest form of payment; therefore, they usually process through at the qualified rate without any downgrades being applied. If the card number has to be hand-entered into the system or the CVV is missing, the transaction is downgraded to a mid-qualified or nonqualified status, and the acquirer (e.g., Visa) charges a higher rate. "In addition to the acquirer's fee, some ISOs will add additional fees — called padding — to these transactions," says Scribner. "Many of our competitors blend these additional fees into the interchange pricing, which makes it harder to detect."

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a POS system that met our customers' needs and our ethical standards," he says. "We looked at several systems and companies over the years but found most were rushing into the market with tablets or substandard systems, and their tech support was lacking. At the other end of the spectrum were POS systems that were too expensive for small to midsize merchants, which represents a large portion of our customer base."



Scribner says Exatouch was the first system that met his criteria. "Exatouch is a complete POS system that includes hardware, software, and ongoing tech support, free software upgrades, free gift card processing integration, and EMV (Europay, MasterCard, and Visa) support at a price SMBs can afford," says Scribner. "It's suited for restaurants, retailers, liquor stores, salons/spas, convenience stores, and just about any other type of merchant. The hardware is a high-quality product that is durable, and the software features employee and inventory management, sales and product reporting, built-in marketing tools, appointment scheduling, table mapping, tax preparation, and a customer database."

POSMCS has been working directly with Exatouch for a few years, but in 2015 the company was acquired by Electronic Payments (EPI), an $8 billion acquirer and POS provider. "We've been working with EPI for about eight months now," says Scribner. "One reason we prefer to source our POS systems and payment hardware from EPI is that they offer 24/7/365 U.S.-based support on everything they

Scribner says his company's sales process starts with a consultation, which includes educating a prospective client about all the payment fees they are currently paying and helping them compare his company using real numbers instead of a single data point.

PCI compliance is another fee-based service that POSMCS is up front with its clients about. "Our sales team along with our acquirer and POS provider Electronic Payments' [EPI's] PCI helpdesk team help our clients become compliant," says Scribner. "This prevents merchants from paying additional fees due to noncompliance. We have seen other ISOs add fees of $40 or more a month for noncompliance, and they don't take any action to help customers become PCI-compliant."

### Strategy #2: Take A Consultative, Solutions-Oriented Sales Approach

Another reason for the high churn in the payments industry is that so many ISOs focus solely on payment processing services, and they leave it up to the customers (and POS VARs) to figure out all the hardware, software, and services required to accept, track, and analyze purchases. "The POS system needs for a restaurant are much different than those of an online specialty retailer," says Scribner. "For a quick-serve restaurant prospect, we'll discuss the latest payment technologies such as NFC [near field communication] or Apple Pay, which can be a real differentiator for their businesses. We'll also discuss mobile and/or self-serve POS systems, which can increase productivity and improve the customer experience. For an online specialty retailer, on the other hand, we will focus on internet gateway products and services as well as securing the gateway."

POSMCS' consultative sales approach recently helped an omni-channel automotive parts supplier save money on its payment processing. "One of the unique traits of this client is that it has a lot of repeat business from customers such as auto mechanics who make multiple purchases over the phone throughout the month," says Scribner. "Rather than hand-keying the payment in on a monthly basis with downgraded rates being applied, we recommended a solution called ProCharge, which enables the client to set up billing accounts for those customers and invoice them once a month. This solution stores all the customer's information and processes it at a mail order/telephone order [MO/TO] rate, which further reduces the merchant's payment fees rather than paying a midqualified or nonqualified rate."

### Strategy #3: Create A Winning Differentiator With POS Services

ISOs are notorious for signing up new customers and then being unavailable when payment problems occur. Any retailer that's ever had a POS system or payment terminal stop working during a busy time can attest to

sell in-house so we don't have to call other suppliers for hardware or software issues." The Exatouch system and software are ready to go when they leave the EPI facility, says Scribner. "The EPI team preloads the menu and inventory that the merchant provides at no cost to the merchant, making it easier for our team and the merchant to implement the system. When the system is delivered, the EPI team provides training at no cost, too, plus 24/7/365 tech support is included."

Scribner says EPI provides regular webinar demos and training sessions to his sales team. "Their technical support team is always available for questions and to assist our sales team. We do live web conferences together with merchants to discuss the latest features and benefits of the Exatouch system and to answer merchants' questions," he says. "The whole EPI team provides a quality of service and support that is unmatched. This partnership helps our company better understand the software and to align its capabilities with our customers' business needs during the sales process. Having an EMV-ready, PA-DSS [payment application data security standard] validated and feature-rich POS system that comes with unlimited tech support is a good fit for our small to midsize merchant clients. In fact, the features built into Exatouch are a good fit for our larger restaurants and retailers, too."

**www.electronicpayments. com**
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just how frustrating this can be. "At the other end of the spectrum are ISOs and POS system providers who charge hundreds of dollars a month for support and or software updates for their POS and payment systems," says Scribner. "We back all of our POS solutions with free U.S.- based 24/7/365 helpdesk and tech support through EPI. We also provide customers with free software updates on all of our products. Our salespeople provide our customers with their cell phone numbers so customers can easily reach them if there's ever a need or they have any questions."



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Russ Scribner, president,
POS Merchant Card Services (POSMCS)

POSMCS, along with their partner EPI, takes its POS system offering one step further. "We provide free menu builds, free inventory integration, and free gift card processing services," says Scribner. When asked about the prospect of giving away POS hardware like some competitors are doing, however, he has a different opinion. "This is another area where merchants can get burned if they don't read or understand the fine print of their service level agreements, which are part of every 'free' POS offering," he says. "Oftentimes, the monthly software support fee combined with the monthly service support fee will far exceed the cost of the POS equipment within the first year or two of the contract. Plus, the merchant never owns the equipment, and if the merchant cancels the contract, they must return the system to the ISO or processor. And the merchant can get charged additional fees if the reseller determines the equipment is no longer in 'new, resalable condition.'"

After 17 years in business, Scribner says he has not had a single complaint filed against his company with the Better Business Bureau, which is a claim not many of his competitors can make. "Where we do business, everyone knows everyone else, and referrals are a big part of our marketing," he says. "Our customers tell us that our services are what sets us apart, and that's where we continue to keep our focus. Despite all the changes we've seen in POS systems and payment processing over the years, the need for good service never changes."