



Niche Market Expertise

Selling to specialized markets represents the next wave of opportunity

By Lisa Dowling

As the March *Transaction Trends* feature story “Differentiation Through Specialization” discussed, niche markets are hot. Niche market specialization offers profitability, merchant retention, and a chance for ISOs to showcase their passion and expertise. And because niche markets are not saturated, they’re rife with opportunity.

For example, despite processing more than \$660 billion in transactions last year, Chase Paymentech is one acquirer that has switched gears to capitalize on increased demand for health-care related transactions and mobile payments.

“We weren’t nearly as focused [on specialization] last year, but the timing is better now than ever before,” says Greg Schaub, executive vice president of business development for Chase.

Product and services bundling is another reason for Chase’s renewed interest in niche markets. By partnering with a wireless or broadband provider like Verizon, the company can offer its payment services without actually being in the wireless communications business. The merchant, however, sees only a single solution. The same holds true for the community banks niche. ISOs can establish a relationship, cross-sell merchant services programs, and enjoy the affinity community banks have with their customers.

Chase also is interested in health care, especially with the evolution of electronic payments in the medical environment. Many health-care facilities now have the ability to validate, adjudicate, and process payments during the patient’s visit. With business processes and technology responding to that shift, ISOs and acquirers now have a number of players delivering viable solutions.

One of Chase’s ISO partners, Florida-based US Merchant Services LLC, has also set its sights on niche markets—10 targeted areas in particular, many of which support businesses other than retail merchants, such as golf courses, marinas,



self-storage, car washes, property management, day-care centers, and animal clinics.

“Niche markets are not for everyone, especially the smaller merchant-level salesperson on the street,” says President and COO Steve Norell. “If you’re doing a minimal number of deals each month, you won’t have the power to go in and make the big deals that you need to make this strategy work. You need resources to do mailings, and attend trade shows and association meetings. Internal expense is the biggest challenge. If you don’t have the money, you won’t make a dent in a niche market.”

Despite the obstacles, Norell believes that ISOs should be focusing their resources on niche markets. He’s seeing competition heat up and ISOs increasingly eyeing this tempting alternative to traditional retail accounts.

“There are two types of merchants,” he notes. “Start-ups are a crap shoot and the other guys are already processing with someone else.”

Making a Difference

The challenge of working in niche markets is providing a unique solution. Success in niche markets may be all about differentiation through integrated solutions, but the core offering must be efficient technology that promotes profitability.

“You’ve got to service your [niche] merchant from the beginning,” says Schaub. “We build the relationship first, then offer value-added. We safely and securely integrate alternative payments with our normal payment stream. To be successful, you have to be where the customer is and set up a partnership that facilitates their needs from the get-go.”

All-around integration is a big chal-

lunge as ISOs move further out into unfamiliar environments. They have to be able to adapt their solution to their business process in a way that is not cumbersome to their existing operations. Different niches will require different approaches as sales moves away from stand-alone terminals and toward integration.

“Niche markets are fueling growth for ISO channels,” says Schaub. “If you don’t embrace them, you’ll find yourself back in a commodity-based pricing death spiral. It comes down to sales engineering and broadening your mindset to find opportunities. Sometimes it is focusing on a company you’d never think of.”

Commitment and Passion

U.S. Merchant Services is enjoying unprecedented merchant retention and profitability, thanks to its niche focus.

“One of our primary target markets is the veterinary industry,” says Steve Norell, president and COO of U.S. Merchant Services. “Here’s an industry that we have a great affinity for. They rarely go out of business, they have consistent

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volume, they offer recurring payments, and they have embraced credit and debit card transactions.”

To become a specialist in this unlikely niche market, Norell joined several different veterinarian associations, became involved with their trade publications, and integrated an exclusive payment solution that offers a comprehensive range of services including scheduling, record keeping, and processing. The company even offers terminal upgrades to its veterinary merchants at no cost. And it’s currently working with one of the nation’s largest rescue operations to enable partnering

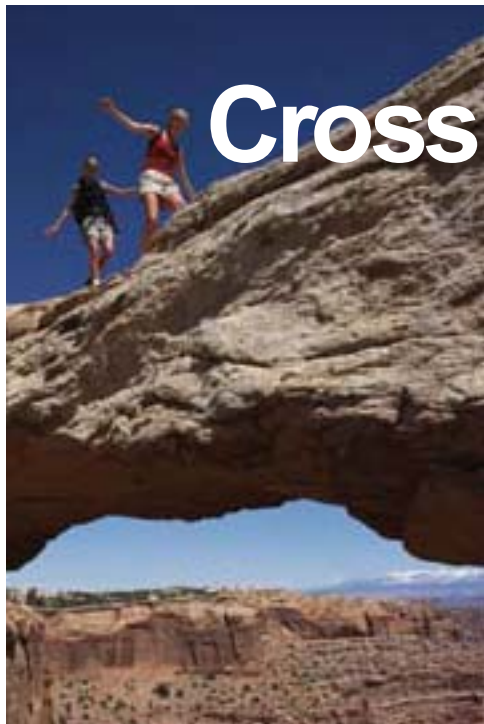
vets to donate 5 cents from every transaction to the charity.

The ISO is having great success with cigar stores as well. It recently became the only authorized merchant service provider for the International Premium Cigar and Pipe Retailers (formerly known as the Retail Tobacco Dealers of America).

“When we decide on a niche market, we learn all we can about it so we can speak their language,” says Norell. “We go to their trade shows and get involved with their retail associations. We learn their buzz words. If you can’t talk the lingo, you’re dead in the water.”

ISOs only need to concentrate on one or two markets to be successful, but Norell advises ISOs that they must be passionate about those markets and not choose them randomly. “Commit yourself,” he says. “It will take at least a year, maybe two, to gain traction.” **TT**

Lisa Dowling is a contributing writer for Transaction Trends. Reach her at lisad@neteze.com.



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