



On the Move

Startups aggressively boarding merchants and negotiating deals

By Julie Ritzer Ross

ISOs We're Following:

- » Express Transact, Orem, UT
- » Leap Payments, Agoura Hills, CA
- » PayMint Partners, Brooklyn, NY

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Last month, our three startups continued to see a wide variety of successes and challenges. *Transaction Trends* began tracking the progress of Express Transact, Leap Payments, and PayMint Partners in the November issue and will continue watching their progress over the next several issues.

From challenges in boarding merchants in a new vertical market, to cultivating referral partners, to incorporating different value-added programs, the entrepreneurs have made great inroads. Yet they've also had to grapple with processors' reluctance to grant merchant credit and get merchants

on board with PCI compliance issues. Here's a look at recent developments.

New Vertical, New Obstacles

PayMint Partners, which continues to board merchants at a rate of 15 per week, has concentrated heavily on the apartment management vertical. The company sees "some interesting potential" in the market, but also expects a few challenges, such as finding the right contact within each prospective customer organization and persuading "old school" apartment management companies to accept alternatives to "paper checks and deposit slips," says Steven Feldshuh, vice

president, business development.

Feldshuh and partner, George Sarantopoulos, are still developing strategies for overcoming both obstacles, which they consider minor. However, they're also finalizing deals with two apartment management companies that approached PayMint Partners with requests for proposals. The first firm accepted only American Express cards, but wanted to offer tenants the option of paying their rent with a Visa, MasterCard, or Discover card.

"We proposed to them a way for their tenants to actually take over a lot of the work using a Web payment page," Feldshuh explains. The page is built around a software option from CHARGE Anywhere, a South Plainfield, New Jersey-based provider of point-of-sale and electronic payment solutions. It fulfills the merchant's need to "work with credit/debit and ACH, in a simple way," according to Feldshuh.

For the second apartment management firm, which sought a more efficient means of receiving payments from tenants in low-income housing, the ISO presented the idea of establishing bill payment centers at supermarkets, check cashing spots, and the like. The ISO engaged Alexander Cooper, a founder of the IPP of America payment center chain and current CEO of Paysis, to assist with this venture. Implementation is underway.

"ISOs, especially new ones, need to know when to look for help in getting new programs off the ground," Sarantopoulos says. "There's nothing to lose and everything to gain from this approach."

PayMint Partners has also encountered a few more significant challenges during the first few months following its inception. Notably, its primary processor is not approving as many deals as in the past because of poor merchant credit. "The big issue is that sales agents ask us why our processor won't approve them now, when they got a deal approved three years ago" through another ISO, Feldshuh says. "We have had to develop closer relationships with companies that will take the 'credit-challenged,' which is time-consuming and requires us to learn a new system or systems."

The residual split in these cases typically is not the same as with PayMint



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VP business development

Partners' primary processor, he adds. "We have to give the agents a double-whammy of bad news—that their merchant has not been approved by a Tier 1 processor and that if we get the account approved with our secondary processor, the residuals will be less," Feldshuh explains. "It's a sticky situation."

Questioning the Questionnaire

Express Transact, too, has faced its share of challenges in recent months—notably, difficulty in finding a way to effectively complete the PCI Self-Assessment Questionnaire as part of the merchant application process. "With the volume of accounts we are servicing, it hasn't been easy," says Richard Davis, founder and vice president of merchant services. The ISO currently has 50,000 merchants signed up for its e-commerce platform who are gradually migrating to its Web-based payment processing platform.

Express Transact maintains a dedicated PCI compliance help desk and sends a brief summary about PCI to new merchants as part of a "welcome" e-mail they receive upon boarding with the ISO. The same e-mail includes a copy of the questionnaire, which merchants may complete themselves.



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—Richard Davis, founder

"If we don't see it returned to us within two weeks, our help desk calls the merchant to complete it over the phone, which takes about five to 10 minutes," Davis says. "We haven't quite integrated it with the application process because a lot of the questions are difficult for merchants to answer until their businesses are up and going full steam ahead, and because of the additional time it takes to get it done."

Meanwhile, merchant boarding is proceeding "flawlessly," the executive says. At presstime, Express Transact had just teamed up with a new referral partner—an e-commerce solutions provider that had not previously helped its online merchant customers to procure payment processing services. The company now sees the value of a real merchant account solution for its clients, and in being able to "refer ours and submit it as a 'combo meal' or one-stop solution for customers' business," Davis says. He anticipates that the new arrangement will bolster the size of Express Transact's portfolio by approximately 200 merchants per month.

The ISO has been leveraging its quality assurance program, launched in late fall 2009, to help clear PCI compliance hurdles and as a catalyst for growing the organization overall. Offered to all customers at no extra charge, the program includes quarterly reviews of merchants' statements to assess which value-added services the ISO might provide to enhance individual customers' business. Express Transact conducts periodic "check-in" calls and offers search engine optimization tools cyber-merchants can use to increase traffic on their Web sites.

"I've found that it's imperative for merchants to be well educated on electronic payments service and how it affects their business," Davis asserts. "This program gives us a chance to teach them

about PCI, as well as about how the industry works; remind them of their support options; give them (information) about their accounts; and even up-sell them on value-added services that will contribute to the quality of their business. There are too many sales reps out there who are very good at what they do, but don't take the time to educate. My ultimate goal by the end of the year is to prove with this project that even with the economy being in the state that it is, merchants are looking for value."

Adding Meat to the Bones

Leap Payments is using personal relationships cultivated by CEO Will Detterman to bring new value-added service providers into its fold. Detterman is a veteran of Wells Fargo, Citibank, several dot.com startups, and, most recently, the Innovative Merchant Solutions division of Intuit.

"The skeleton is in place; now we're adding meat to the bones," says Detterman, who promises additional details when deals are finalized. Detterman considers personal relationships the key to



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—Will Detterman, CEO

negotiating the best prices for services, and, in turn, to put the ISO on a more competitive playing field by keeping its costs in check.

On an equally positive front, Leap Payments has begun to see significant boarding activity, including "some really big additions to the portfolio...from the traditional retail space with pretty 'vanilla' requirements," he says. Detterman

attributes these wins to having established strong personal relationships with merchants—relationships he believes it is impossible for larger entities to form. Several referral partners have also been added to the mix and are beginning to bear fruit, he says.

"Boarding new merchants is always a 'fingers crossed' endeavor when you're not in control of the underwriting," Detterman says. "We're very happy with our primary processor and haven't had any approval issues, but we still submit deals and hold our breath."

Moreover, the ISO continues to sharpen its competitive edge by configuring custom programs for its merchants. Such programs share a core element in that they are intended to solve a significant merchant problem better than existing offerings. Certain problems addressed by these programs, as well as the solutions themselves, are simple in nature. Programs that render merchants' revenue and expenses easier to track—born of customers' difficulty in understanding their monthly statements and balancing their books each month—fall into this category. Other programs are more complex; for example, those geared toward merchants with a complex set of requirements for integrating e-commerce, retail, and mail/telephone orders into a single back-end processing method.

"We dig deep to understand their needs and then sell them only what they need with a truly consultative sales approach," Detterman observes.

The latter has necessitated hiring sales representatives who are not only experienced, but equipped with the proper set of incentives and tools to analyze and present a unique set of payment solutions to each merchant. "Right now, division of labor is probably the toughest challenge, as there's always so much to get accomplished," he says. "Finding talent in this market is easy, but hiring the right person who acts like an owner is a challenge. It's either in your blood or it's not." **TT**

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The ETA Technology Committee is seeking participants for the 2010 Technology Super Session at ETA's Annual Meeting & Expo, April 12-15, 2010.

Payment technology companies that would like to be a part of this annual event can obtain a description of the session and full details about participation by sending an email request to:

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