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# Home Field

# ADVANTAGE

ISOs can leverage local relationships to offer gift/loyalty card processing, partnership marketing services, and prepaid card distribution initiatives

By David Fish



**W**hile many large ISOs have broadened their geographical focus as they've grown, smaller companies and MLS agents often are limited by their local geographies. Yet with the right strategic levers in place, locality can serve as a differentiating advantage for smaller ISOs.

Focusing on merchants in their local communities is often the norm for MLS agents—largely because it's the path of least resistance. Typically, an agent has relationships with business owners in the community that enable the portfolio to go from zero to 60 in a reasonably quick time frame.

The notion of locality offers a strategic advantage and a very compelling differentiator against the colossal acquirer/processor remote sales approach often used in the majority of big acquiring operations. Not only can local-focused ISOs and MLS agents provide the high-touch mom-and-pop merchants need and appreciate, the ISOs and MLS agents have an opportunity to develop deep and lasting one-on-one merchant relationships, and incorporate value-added services that truly help main-street merchants optimize their business plans.

Via gift/loyalty card (GLC) processing, partnership marketing services, and prepaid card distribution initiatives, ISOs can help merchants act together for the good of their local business communities.

### **Lead Generator**

Multi-application terminals have enabled merchant services professionals to provide already-installed merchants with gift card processing services that don't necessarily have to compete with the bankcard acceptance services being offered by an existing provider. Using a multi-app POS device, ISOs can support a merchant's closed-loop gift card, while not even touching the bankcard processing at all.

Once installed alongside the bankcard processing solution, GLC gives the MLS agent a very warm lead when the merchant might be shopping around for a new bankcard processor. Having already delivered proven value through the GLC program, the MLS is perfectly positioned when the

merchant asks "what have you done for me lately?" The incremental and repeat sales generated by GLC are a ready answer.

### **Partnership Marketing**

Last year saw an increased focus from all sectors of the payments space on Merchant Funded Discount Networks (MFDN). MFDN providers, such as Affinity Solutions, Vesdia, or Mall Networks, have typically supported debit card reward programs by managing partnership marketing networks for broad ranges of (mostly) national and regional chains and e-commerce merchants. The industry has begun seeing MFDNs leveraged by open-loop prepaid providers, who are either outsourcing their partnership marketing to established MFDNs or implementing their own in-house. MFDN is a revenue-generating value exchange and process flow used in promotional marketing and incentives to establish or enhance benefits for the consumer. A merchant or group of merchants pays a discount to an intermediary who distributes the discount among all participants in the value chain. Merchant partners in the discount network enjoy the benefit of new customers garnered from the card portfolio, as well as the much desired lift in sales that targeted promotions can provide. MFDNs will become an appealing value-add and differentiator to most prepaid card programs.

ISOs and MLSs are in the perfect position to bring the MFDN model down-market by further capitalizing on their local merchant relationships and negotiating discounts that could then support community banks' card or "relationship" rewards programs.

To understand the opportunity, ISOs must embrace the idea of the Main Street gift card mall. While InComm, Blackhawk, and Coinstar have typically focused on national merchants, and nationwide/global prepaid card distribution, local MLSs have the ability to leverage their infrastructure to bring the prepaid mall model to the hometown level. A group of non-competing merchants in a central shopping district can all carry each oth-

## **KEY NOTES**

- ▶▶ ISOs and MLS agents have an opportunity to incorporate value-added services that truly help main-street merchants optimize their business.
- ▶▶ GLC gives the MLS agent a very warm lead when the merchant might be shopping around for a new bankcard processor.
- ▶▶ MFDNs will become an appealing value-add and differentiator to most prepaid card programs.

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er's gift cards in a mall implementation that an MLS could replicate for the first group's competitors.

Prepaid distribution incorporates an aspect of negotiating the commission from individual merchants similar to an MFDN, but also like an MFDN, marketing intelligence can be garnered from processing data that can then be re-packaged as a further tool MLSs can present their local merchants.

### New Solution

Electronic Merchant Systems (EMS) is one ISO that is now launching a solution that incorporates several aspects of the foregoing strategies. EMS has designed Perks Rewards, a product for community banks interested in implementing a local merchant rewards program or augmenting an existing program by adding a local flavor.

The bank can implement a GLC program in much the same way a retailer might, but EMS both sells the program to merchants as an add-on to their proprietary GLC program, and negotiates the discounts from merchants that fund the rewards. A multi-app terminal isn't required because EMS supports a Web site merchants can use to submit the GLC holders' redemptions.

EMS has positioned the Perks program as a bank customer loyalty instrument that works in both directions—to the consumer who banks with the community financial institution, and to the local merchants who also have their business banking with the community financial institution and can perceive the value of participating in the program. Banks also have the opportunity to deploy the Perks card to deliver employee and partner incentives.

Clearly, several strategic opportunities to leverage prepaid payments instruments, and the services that surround them, are available to ISOs and MLSs as they operate in their local communities. These initiatives can produce an expanded and more loyal merchant base as community businesses look to their local providers for value-added solutions. **TT**

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