

Profitable Partnerships

ISOs/MSPs and POS resellers join forces to deploy integrated single-source solutions to the delight of merchant clients **By Julie Ritzer Ross**

KEY NOTES

- ▶▶ For ISOs, partnering with VARs yields access to a deeper pool of viable leads. VARs enjoy the advantage of residual income from accounts referred by ISOs.
- ▶▶ Cooperative solutions development, integration, and support are the base upon which many evolving ISO/VAR partnerships are being built.
- ▶▶ A few POS systems and payment processing solutions vendors also help forge links between ISOs/MSPs and VARs/ISVs.

In the not-too-distant past, relationships between ISOs/MSPs and value-added resellers (VARs) were competitive, if not downright adversarial. However, the wall between these entities is tumbling down as they form mutually beneficial partnerships.

Chalk it up in part to the demands of today's new generation of merchants, many of whom are corporate refugees, highly computer literate, or both. "These end users are unwilling to reconcile disparate systems; rather, they insist on deploying integrated solutions from a single source," says J. Michael Nicholson, a principal of VAR POSitive Technology in Germantown, Maryland. An increasing number of ISOs/MSPs and VARs recognize that partnering, in one form or another, is the best means of satisfying such demand, as well as the key to cultivating and maintaining a merchant clientele, Nicholson observes.

Moreover, while some ISOs have attempted to morph into VARs—and vice versa—many efforts of this kind have proven unsuccessful. "Without an intimate knowledge of systems beyond the payment level,

migration is impossible," concedes one ISO executive. "It's been said that if you can't beat them, join them, and it's better, apparently, to join them in partnership than to step into their shoes."

Also sparking such match-ups is a seemingly airtight financial benefits proposition. For ISOs, partnering with VARs yields access to a deeper pool of viable leads. Cynergy Data Group, an ISO and acquirer headquartered in Plantation, Florida, has formed ongoing business relationships with several VARs over the past few years. "These VARs regularly contact us to set up merchant accounts for retailers implementing the various POS and other solutions they offer," says Don Hartley, national director of the company's Integrated Payment Systems group. "Because of the partnerships and their (inherent) integrated solutions, we can do the job for 20 to 30 basis points, rather than 10. In fact, the merchants in our portfolio who have integrated POS systems (configured) as a byproduct of our relationships with VARs yield us three times the processing volume of those that don't."

Meanwhile, VARs enjoy the advantage of



residual income from accounts referred by ISOs. Cynergy Data has some VAR partners whose residuals total \$500 or \$600 per month because of the volume of referrals they receive from its side of the fence, says Hartley.

Successful Matches

Cooperative solutions development, integration, and support are the base upon which many evolving ISO/VAR partnerships are being built. For example, under terms of a partnership arrangement, Cynergy Data Group has integrated its payment processing offerings with POS and accounting systems sold by POSitive Technology. The latter maintains partnerships with five other entities in the payment processing space to accommodate the wide variety of card solutions and transaction processing agreements maintained by its merchant customers, Nicholson explains.

Cynergy, whose merchant portfolio includes more than 90,000 accounts, also allies itself more closely with VARs by operating its own payment processing gateway, which its partners can use. A proprietary gift card processing program and payroll services sweeten the partnership as well, Hartley claims.

“Much of the bond between ISOs/MSPs and VARs is contingent upon the value-add ISOs/MSPs can offer and that VARs, in turn, can pass on to their merchant customers,” Hartley says.

Payment Processing Inc. (PPI), an MSP headquartered in Newark, California, takes a similar stance, integrating its PPI Pay Mover transaction processing gateway with software packages developed by its VAR and independent software vendor (ISV) partners. To push the envelope, partners receive free developer kits and integration/certification, PADSS, and PCI compliance validation services. A dedicated account manager is assigned to each partner to facilitate software development, and support for marketing the resulting integrated solutions to potential end users is provided. These measures minimize problems encountered by merchants once technology has been integrated, thus strengthening the bond between the MSP and its VAR/ISV partner, suggests Chuck Riegel, PPI’s executive vice president, software products and partners.

Meanwhile, pcAmerica, a Pearl River,



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VAR POSitive Technology

New York-based VAR and ISV, bundles its Cash Register Express (CRE) and Restaurant Pro Express (RPE) POS systems with the networks of several MSPs. The company and its MSP partners also take a cooperative approach to handling support issues: When a merchant contacts pcAmerica with a problem, a conference call is initiated between the merchant, the MSP and the VAR/ISV’s team of experts. MSP partners follow the identical protocol should they be the first to be approached by a merchant with a problem.

“We’re familiar with the processors’ issues, and they’re familiar with ours,” says pcAmerica CEO David J. Gosman. “Finger-pointing and shuffling customers around are obsolete practices. Customers gain the advantage of better service, and the

cooperative stance gets matters handled in such a way as to prevent attrition and promote merchant ‘stickiness’ for all parties concerned.”

Alliances among ISOs/MSPs, VARs, and ISVs also encompass referral arrangements, service, and the like—usually as an adjunct to systems integration and/or support. Participants in the “Integrated Solutions Program,” designed for VAR and original equipment manufacturer (OEM) partners of Atlanta-based MSP Global Payments Inc., receive residuals calculated in accordance with transaction volumes. A special Web portal accessible by VARs and original equipment manufacturers (OEMs) affords access to revenue reports and facilitates referral submission. Payment client software, plug-ins, and software development tools are part of the package as well.

For its part, First National Merchant Solutions, Omaha, Nebraska, has put into place a “Value-Added Relationship” VAR program. VARs teaming up with First National can arrange for their clients to utilize a proprietary, competitively priced transaction authorization platform. PCI-compliant data center services and disaster recovery solutions are provided through First National Technology Solutions, a subsidiary of the company.

Not surprisingly, at least a few POS systems and payment processing solutions vendors also maintain a hand in forging links between ISOs/MSPs and VARs/ISVs. Microsoft Corp. has programs wherein certain levels of VARs that sell and support its Retail Management System (RMS) POS solution can find an ISO partner to handle the sale of merchant accounts to new customers.

Datacap Systems, a POS systems vendor based in Chalfont, Pennsylvania, recently collaborated with Mercury Payment Systems to add flexible spending account (FSA) and health savings account (HSA) transaction support to Mercury Payments’ Mercury Pay NETePay gateway. The impetus behind the move was Datacap’s desire to enable VARs to offer FSA support to their merchants before January 1 of this year, according to a spokesperson. By that date, retail locations accepting FSA payments were required to have an automated system in place to execute FSA transactions. POS VARs targeting such merchants will be able to better

serve them by providing FSA support through their integrated Mercury payment solution.

"This all makes it easier for Mercury and its resellers to work together," the spokesperson says.

Not for Everyone

Despite the apparent success of the partnership approach in many corners, some industry players prefer different strategies. MSP United Bank Card, Hampton, New Jersey, has formed its own division called Harbortouch POS, giving ISOs and MLSs who have seen a drop in profits from equipment revenues in recent years cause to celebrate. Harbortouch POS enables payment professionals throughout the country to "offer virtually any merchant a high-end POS system at an affordable price, while retaining a high profit margin," according to the company.

United Bank Card touts the Harbortouch POS configuration as a multi-functional POS system that incorporates high-speed payment processing in addition to inventory management, account reporting, and employee management tools. On-site installation and training come bundled with the system.

United Bank Card CEO Jared Isaacman acknowledges that opting against outsourcing the installation and training functions to VARs or connecting ISOs/MLSs with VARs constitutes an untraditional strategy. "[Nonetheless], one of the biggest concerns from the beginning of our endeavors with POS was to make the process as simple as possible for our ISO and MLS partners. By taking all the programming, help desk, online ordering, nationwide installation, and merchant training in-house, we believe we have created a revolutionary way to sell and service POS systems."

In another twist on traditional partnerships and partnership-fostering, Radiant Systems, an Atlanta-based provider of POS technology to the hospitality, retail, and entertainment industries, recently launched its own payment processing arm—Radiant Payment Services—which already boasts more than 5,000 restaurants and retailers.

The company's objective was to enhance customer service levels provided to business through competitive pricing, increased accountability from a single vendor, heightened security for transaction data, and overall statement simplifi-

cation, according to Radiant Systems CEO John Heyman. "High customer-turnover rates and low satisfaction with the management of electronic payments have created the opportunity for Radiant to offer an easy-to-understand, integrated, cost-effective solution that is focused on enhancing long-term customer relationships," Heyman said in a written statement late last fall.

In addition, as part of the new business service, Radiant has enhanced its relationship with RBS WorldPay, the Atlanta-based U.S. processing arm of The Royal Bank of Scotland. As such, the vendor will tightly integrate its POS and payment-processing technology, as well as build a "more seamless" support service for its customers.

Neither VARs nor ISOs/MSPs are fazed by arrangements of this ilk. "There will still be plenty of leeway for VAR/ISV/ISO/MSP partnerships going forward," says Hartley.

"Like many in our space, we will continue to pursue relationships in the VAR channel. This is the future of the industry," echoes Nicholson. **TT**

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The advertisement features a large yellow star on a blue background. The text is arranged as follows:

- Top right: "ETA is accepting nominations for its annual Star Awards."
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- Center: A photograph of a group of people in formal attire, some holding awards.
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- Bottom left: The ETA logo and the website www.electran.org.
- Left side of the star: "We're Looking for the Stars..."