

Data-Driven Retention

Address small issues before they become big ones and identify accounts that need special attention

By Julie Ritzer Ross

From using more sophisticated technologies to face-to-face or phone chats, many ISOs are gathering critical data to aid in merchant retention. And the time and money spent are well worth it. “There’s no getting away from [it] when you consider that the cost of boarding a new merchant tops out at five times the cost of preventing an existing account from exiting the ranks,” notes Greg Cohen, president of Moneris Solutions in Schaumburg, Illinois.

Some data can also help ISOs avoid losing merchants. “Offering lower rates is no longer a guarantee of merchant ‘stickiness,’ and while going out of business remains the most common cause of attrition,” ISOs need to leverage the vast amount of data at their disposal that may point to other reasons a departure is imminent, suggests Henry Helgeson, president and CEO of Boston-based Merchant Warehouse.

“Merchant retention largely comes down to addressing small issues before they become big ones, as well as singling out those accounts that need special attention to keep them in the net,” adds Lisa Lang, president of The Science of Business, a consulting firm in Golden, Colorado. “A rich base of data from which to draw in order to get the job done is essential, no matter what” the

company’s size, and technology is the catalyst for culling it.

Digging Deep

In the realm of technological solutions, customer relationship management (CRM) software typically provides the kind of data you need to keep a merchant on the books. Offered on-premise, on-demand, or through a hosted “Software as a Service” (SaaS) model, CRM systems integrate and allow end-users to track all information pertaining to current and potential clients, including basic data such as merchant transaction records and details of calls to sales agents and help centers. Depending on the individual CRM solution, it can also include a variety of other information, including merchants’ likes/dislikes, service preferences, and other information—even hobbies.

Merchant Warehouse has invested several million dollars in CRM technology over the past few years, and migrated four years ago from an off-the-shelf contact management software module to an enterprise CRM application. The latter was developed in house because the company didn’t find an off-the-shelf option that was sufficiently scalable to suit its present and future needs, Helgeson says.

Merchant Warehouse uses CRM tools as merchant retention aids throughout clients' tenure in its portfolio. The CRM solution interfaces with Merchant Warehouse's telephone system so that when a merchant contacts the company, its telephone number is automatically recognized, and its complete record appears on a representative's desktop screen before the customer begins speaking. Representatives review the data in the record and discuss it with the merchant if necessary, ensuring that any minor problems have been resolved and preventing problems from escalating to a point that would make the client consider a departure.

But that's only the tip of the iceberg. Merchant Warehouse also conducts extensive analyses of information in its CRM database. Helgeson notes a portion of the value here lies in predictive analysis; for example, by mining the data, a correlation between merchants' requests for copies of their statements and a subsequent failure to renew their contracts was established. Merchants are now contacted should the system flag a given statement request, and an effort is made to pinpoint and rectify or resolve the issues behind the planned attrition.

Similarly, Merchant Warehouse regularly initiates analyses of formal and anecdotal data to identify actual attrition patterns or irregularities—for instance, a sharp uptick in the number of merchants in a certain vertical market that took, or plan to take, their processing business elsewhere, or the loss of several merchants that processed a highly comparable sequence of transactions. The ISO can then develop strategies for resolution, including introducing programs or services designed to appeal to a targeted group of merchant customers. The company also performs analyses aimed at determining whether it has received multiple telephone calls pertaining to the same issue or problem, and then brings these to the attention of a customer service manager or team leader who can then work on solutions.

"A vast amount of our data is anecdotal, but with the extensive reporting capabilities of the CRM system, we can make sense of it and be as proactive about merchant retention—or more—as we are reactive," Helgeson notes.

He adds that Merchant Warehouse's CRM technology "goes hand-in-hand" with

training, thereby pushing the data-driven merchant retention envelope a few steps farther. Notably, members of the ISO's sales team are trained to study reports generated by the system; access to the database occurs in real time.

"There are no algorithms involved, per se," Helgeson explains. Rather, salespeople learn how to review data pertaining to individual merchants—for instance, 30, 60, and 90 days after a POS equipment installation—so as to perform proper post-sale customer care. They are taught what the data may mean and when a follow-up call to the merchant is warranted, and are awarded incentives for making that call. The upshot, says Helgeson, is happier customers who are less apt to succumb to competitors' pitches or actively begin to scout out new partnerships with other ISOs.

Finding Patterns

Meanwhile, Moneris Solutions uses a combination of home-grown and pack-

aged software solutions. The company segments portfolios in its database by the gross margin they generate, handling price increases accordingly, explains Cohen. "On segments with the lowest gross margin, we may be more aggressive with pricing uplift. For those with a higher gross margin, we may decide not to pass on a price increase, or pass it on at cost because retaining these merchants is of greatest importance to us."

The company also uses its technology tools to conduct monthly portfolio reviews. The system identifies merchants that fall below an acceptable level of profitability, so Moneris can take steps to keep these merchants from failing, which, as a natural consequence, would remove them from the company's portfolio. Such steps might include finding a special sales program for merchants with profitability issues.

Other data analyses also boost merchant retention—for instance, close scrutiny of

High-Tech Data Solutions for Smaller Organizations

While larger ISOs have been quicker to place technology tools in their data-driven merchant retention arsenals, smaller organizations should strongly consider following suit. Several technology vendors have developed CRM and similar applications intended specifically for deployment by small- to mid-sized electronic payments industry players.

InfoStreet, a Tarzana, California-based solutions provider, offers a software module called CRM v2. Part of the company's StreetSmart set of Web-based applications, the application facilitates the creation of customized databases containing lead contact information, and the assignment of individual leads to particular sales representatives. As a rep communicates with the lead, he or she can update the lead's electronic file on InfoStreet's online database, with e-mail notifications of the update sent to the appropriate people within the organization, keeping them abreast of all the latest developments and interactions. CRM v2 also manages client relationships by indicating when end-users should take one of several actions, such as placing follow-up calls, sending quotes, conveying information about new programs that suit a given merchant, or setting a meeting to hash out issues. It also tracks merchants' preferences in terms of which products and services businesses they have expressed interest in, or may be interested in, adding to their rosters. All data connected to each client resides in a centralized repository.

Salesforce.com, headquartered in San Francisco, California, also gears some of its CRM solutions to the small- and mid-sized market. Provided entirely in the SaaS model, the solutions can be custom-configured for ISOs' individual needs.

daily closure reports to discover which, if any, merchants have not executed any transactions for the duration covered. "Although it's difficult to gauge attrition entirely by this method, if we see a pattern here, we know that something could be brewing and will address it," Cohen notes. "Sometimes, we can pull merchants back—and for some reason, it works especially well with mid-market merchant accounts."

Another practice involves periodic attempts to arrive at a correlation between how early in the relationship with Moneris attrition begins and the vertical market category into which merchants fall or the sales representative to whom they are assigned. "If it's a rep, we'll investigate what is going on, see whether the person is somehow skirting our system, and plug up any holes," Cohen explains. "If it's a channel, we zero in on that."

Getting Up Close

For some ISOs, person-to-person discussions and exit interviews play as significant a role as technology in at-

"Merchant retention largely comes down to addressing small issues before they become big ones."

—Lisa Lang,
The Science of Business

tempts to keep merchants in the fold. Moneris Solutions represents a case in point: Staff routinely queries customers who decline to renew their contracts, inquiring about any specific motivators for doing so. Whenever possible, a counter-offer is then made to trigger a change of direction. For instance, if the merchant in question cites lower rates

as an enticement to take its business elsewhere, the MSP proposes matching the rate in return for an extended contract. Approximately 60 percent of all merchants that express their intent to leave Moneris Solutions in favor of a competitor change their minds after the exit interview, Cohen reports.

"We have dedicated substantial additional resources to this piece of the data-driven retention puzzle," he says. "It's a valuable complement to technology tools."

Merchant Warehouse is also mulling the addition of exit interviews to its data-driven merchant retention strategy. "Anything that can be done with information to keep merchants from becoming attrition statistics has to be considered a viable possibility," Helgeson says. "If more ISOs/MSPs looked at data from the standpoint of power, they'd do things a lot differently." **TT**

Julie Ritzer Ross is a contributing writer for Transaction Trends. Reach her at jritzerross@gmail.com.

Learn Without Leaving Your Desk

ETAonline

Do you want an affordable and flexible way to learn more about the electronic payments industry?

ETA is proud to announce a new series of online, cutting-edge, educational seminars to help enhance your knowledge in a wide variety of payments topics.

Choose the online course that's right for you:

- Introduction to Electronic Payments **MEMBER: \$195/each**
- Introduction to Operations
- Introduction to Sales and Marketing **NON-MEMBER: \$250/each**
- Sales Channel Development

You will learn:

- Commonly used industry terminology
- The roles of various industry participants
- The principles of effective sales and marketing
- The basics of establishing your sales office *and much more.*



Register online at www.electran.org or contact ETA directly 1-800-695-5509