



# Ready, Set, Go...

We're following three new ISOs from the starting gate

By Julie Ritzer Ross

**W**hat sparks an ISO's inception? What strategies do new ISOs use to compete and grow? What mistakes do typical startups make? How do they bounce back? How do entrepreneurs stay motivated and manage stress?

These are among the issues *Transaction Trends* will explore in our new series launching this month. We'll be following three ISO startups, who have very graciously agreed to give us a peek into their operations: Express Transact of Orem, Utah; Leap Payments of Agoura Hills, California; and PayMint Partners of Brooklyn, New York. Each monthly in-

stallment will feature an in-depth look at all three ISOs and how their businesses are progressing. We'll find out about the hurdles they've cleared—and those they didn't—their latest opportunities and triumphs, and so much more.

**First, meet the players.**

## Express Transact

Richard Davis, Express Transact's founder and executive vice president of merchant services, has big plans for his venture: to be attracting and boarding merchants at a rate of 10,000 per month before the end

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of this year. And he's confident it will happen. "We can do it, and we are on track to that end," says Davis, who officially launched the company about a year ago.

Davis brings a decade of industry experience to his startup, having spent several years at Authorize.Net, where he initially was one of four customer service representatives charged with supporting 40,000 merchants. Along the way, he transferred to the business development area, with responsibilities that included agent management and recruitment. After leaving Authorize.Net, Davis opened a sales office for Seattle, Washington-based ISO Fast Transact.

"I had great partnerships, but I had to position myself for stability and longev-

ity—plus, I like a challenge," he says. So he formed Your Payments Partner, which changed its name to Express Transact when it became a part of eHarbor Inc., an Orem, Utah-based company that builds and markets Web sites for professionals and companies in a variety of industries, including retail.

bring all 100,000 to the Express Transact portfolio.

Online merchants generate 60 percent of Express Transact's business; brick-and-mortar merchants, the remaining 40 percent. Among accounts in the former category, 40 percent are startup entities. Most longer-standing online merchants in the ISO's portfolio are referred by Web hosting companies, software providers, and other firms with which Davis has built relationships since the firm's inception.

"We don't have a particular merchant niche," Davis says. "However, no matter what the category of merchant, our focus is on providing a complete package of end-to-end payment solutions and

terly reviews of merchants' statements to assess which value-added services the ISO might provide to enhance individual customers' business. Periodic "check-in" calls are also part of the deal. Moreover, cyber-merchants receive search engine optimization (SEO) tools intended to increase traffic on their Web sites.

"We're well on our way to growth," Davis says.

## Leap Payments

An affinity for the ISO business model was the catalyst that drove Will Detterman, CEO of Leap Payments, to jump on the ISO bandwagon in September in a 2,000-square-foot office in Agoura Hills, California.

"The business model is the most attractive aspect of this industry," Detterman says. "Earning monthly recurring revenue from a loyal customer base is far superior to finding new customers or sources of revenue each month from different end-users," as would be the case with other businesses. And, "the opportunity in merchant services is still huge and the startup costs are quite low relative to other financial services."

Detterman's experience in the electronic payments and financial services industries should serve him well. After more than two decades serving in various product management and business development positions at Wells Fargo and Citibank, Detterman spent several years "doing everything imaginable" at several dot.com startups. For the past five years, he worked in the innovative merchant solutions division of Intuit, a Mountainview, California-based provider of business and financial management solutions for small and mid-sized businesses, financial institutions, consumers, and accounting professionals.

Detterman's plans for differentiating Leap Payments from other ISOs include offering custom-tailored solutions for its customers, based on the individual requirements of those merchants. Options run the gamut, from credit card and check processing solutions to integrated point-of-sale equipment and software. Leap Payments claims its prices are among the lowest in the industry.



"Our focus is on providing a complete package of end-to-end payment solutions and an integrated merchant account."

—Richard Davis

an integrated merchant account. This is what makes us stand out."

He adds that Express Transact offers the only integrated e-commerce platform that competes favorably with PayPal on the basis of price—and touts a heavy service component in the bargain. Express Transact also has developed a proprietary technology intended to help merchants grapple with high chargeback volumes. The system predicts the number of chargebacks a given merchant will encounter based on several different variables and recommends appropriate solutions in line with these findings.

Another critical component of Express Transact's business model is its merchant quality assurance program. Under the program umbrella come quar-



**“The opportunity in merchant services is still huge and the startup costs are quite low relative to other financial services.”**

—Will Detterman

“The short answer about why I started Leap Payments is to make money, but the long answer is that too many processors have taken advantage of merchants and gouged them on processing costs,” Detterman says. “I know we can offer better service and lower costs than the competition and still make a reasonable return on investment.”

## PayMint Partners

PayMint Partners principals George Sarantopoulos and Steven Feldshuh, who invested “a sum in the low six figures” to found PayMint at the end of last year, have no doubt there’s much to be gained from working in the electronic payments industry. However, they prefer to reap these benefits on their own terms and, as they put it, control their own destinies. Both parties are also determined to work only with partners they feel certain are an appropriate business fit.

About eight years ago, while operating a restaurant, Sarantopoulos was approached by an agent who attempted to sell him an ATM. He subsequently began selling ATMs himself, under terms of a partnership with an ISO. The arrangement didn’t pan out, so Sarantopoulos started selling ATMs independently. When merchant customers began re-

questing credit card processing services, he teamed up with another ISO. But when the latter experienced financial problems, he terminated the partnership and decided to become a registered ISO, instead of working through a third party.

Meanwhile, Feldshuh had been in the credit card processing business since 1999, but like Sarantopoulos, he was unhappy with his partners. “Suffice it to say, I got burned,” Feldshuh says. “I wanted to sleep better at night, and I also wanted to register as an ISO with a big player. George had been my ATM vendor, and we had developed a good business relationship. PayMint Partners was a natural next step for both of us.”

The partners are building the organization, and differentiating it from competitors, largely through what they deem



**“We want those who are looking to excel—to succeed by managing their own businesses and getting a high residual split.”**

—George Sarantopoulos

an “agent-centric” business model. “We’re operating only on a residual split, rather than a markup and then a residual split, and our agents make money up front,” Sarantopoulos notes. Programs are tailored to agents’ needs and preferences; they can work with Global Payments or through another processor. Agents have direct access to Global Payments’ online transaction data. Sales training and other assistance—such as help in drafting proposals to potential clients—is provided as well. Efforts to form referral partnerships aimed at maximizing sales leads are ongoing; Sarantopoulos and Feldshuh spend ample time networking with associations, accountants, vendors, security systems sales firms, utilities, and other entities that regularly interact with merchants.

To date, the ISO has signed up 30 agents who are generating sales and is meeting its objective of adding 20 percent more merchants each month to its portfolio. However, PayMint Partners, whose office space in Brooklyn spans just 800 square feet, isn’t being pegged as a great fit for all agents. “We’re not interested in agents whose idea of this business is cutting a deal and walking away, or giving away or leasing equipment,” Sarantopoulos says. “We want those who are looking to excel—to succeed by managing their own businesses and getting a high residual split.”

Sarantopoulos and Feldshuh also believe that specializing in a particular market niche or niches constitutes the “magic bullet” they need for a competitive edge. Toward this end, PayMint Partners is pursuing business in seemingly untapped or underserved vertical segments. The real estate sector, which both principals consider “intriguing” because that market is showing an interest in accepting electronic payments, ranks at the top of the list. The ISO’s portfolio already encompasses 1,400 merchants.

“We are just at the beginning of our game,” says Feldshuh. **TT**

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