

ARE YOU GETTING WHAT YOU DESERVE?

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Each day, my phone rings with questions from ISO's/Agents, new and experienced. They want answers on how the industry works, how they can be profitable (or more profitable), and the type of businesses on which they should focus. For everyone's benefit, I've listed answers to some of those questions.

Keep this in mind when it comes to profitability: if you are not generating the margins I talk about below, and you feel you are pricing your merchants correctly, then you should talk to your current partner for a better pricing deal or look elsewhere. After all, there are a lot of people making a nice living in this industry...so why shouldn't you?

“What type of accounts should I target?”

There really is no right or wrong answer. A lot depends on your business model, assuming you have one, and the maturity of your current portfolio. Keep in mind that large volume accounts can be tougher to land and will require more in the way of time, resources, meetings, presentations, etc. Don't be disillusioned. It is not unusual for these to drag on for months.

In the meantime, you need to be out looking for the 'regular' merchants — those that you are able to close quickly with only one or two visits. Signing 12 to 15 of these accounts per month, every month, will quickly build your portfolio and should get you more than \$5,000 per month in residual income after 12 months (based on average merchant figures of \$8,000/month and 45 basis point spread - see below). Building your portfolio this way will allow you time to go after those large volume accounts without the 'I need this account to live on' mentality.

“Should I even bother with very small merchants?”

Why not? I know that small volume merchants often take up a lot of your time, but over time those merchants may become big merchants. Servicing the small guy can also lead to referrals for other, larger merchants. Targeting very small merchants might not make sense to you, but don't turn them away when given the opportunity. It only takes one of these to lead you to a biggie.

“How much should I be making per account?”

Again, the answer depends on determining what works for you. The most successful agents/offices seem to have one thing in common: they know how much they want to make on every account in dollars or in basis points. Consider the margin, or basis point spread, when soliciting an account or evaluating your portfolio. You are in good shape if you are making a **minimum** of 45 basis points.

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“How can I figure out my basis point spread?”

Basis point spread is your residual divided by merchant volume. For example, if your residual is \$4,500 per month, and the merchant volume is \$1 million, your spread is 45 basis points for that month ($\$4,500/\$1 \text{ million} = .0045$). If you are not averaging 45 basis points, you are either not charging enough or, more likely, you need to re-evaluate your pricing program. It is not uncommon to find ISO/Agent portfolios averaging 60 basis points or more.

“How do I get 45 basis points on a large volume merchant that is competitively priced?”

Often you can't. But do you have to? If you're in talks with a merchant that has volume of \$500,000 per month, chances are they already have decent pricing. If you want the business, you might need to price it at the level where you get 15 basis points, for example. Fifteen basis points on \$500,000 equates to \$750. Is that enough? Again, only you can answer that question. As I mentioned earlier, look to average 45 basis points across your **entire** portfolio. Then you will be able to go lower for large volume accounts. Larger accounts generate much more income due to their volume. Conversely, some low volume merchants generate 60 basis points or more per month. But a merchant processing \$8,000 per month and generating 60 basis points in revenue nets \$48 to you. And if you're getting that, then you're getting what you deserve.

About IRN Payment Systems

IRN has provided electronic payment processing solutions through its PartnerAmerica Program to businesses nationwide for over 18 years. Services include credit card and check/debit processing for merchants, retailers, manufacturers, distributors and wholesalers of all sizes, from individual facilities to multiple and chain operations. For more information contact: Tom Della Badia, 1-800-366-1388, ext. 210, or visit our website: www.partner-america.com