

MERCHANT PROCESSING NEWS



PURPOSE OF THIS NEWSLETTER

It is my desire to both educate and assist business owners on the subject of “merchant services”.

This month’s newsletter covers a hotly contested topic in the merchant services industry and I don’t know that my enlightening you will get me any “brownie points” by doing so, but I feel it is important that this subject is covered. Its part of my “educate and assist philosophy” and my goal this month is to bring you to a level of thinking that you may not have considered before.

MARKETING PROMOTIONS



I received several emails recently -- on the same subject -- a little unusual. My first thought was -- must be a marketing blitz occurring!

We can only imagine how marketing techniques are developed in the endeavor to promote products and services. Some are trial and error. For example, back in the mid 1990’s

April 2007

What’s Inside:

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- Marketing Promotions.
- Free Terminal?
- Buying a Terminal?
- Free versus Buying

my company designed four direct mail post cards with the same message but each with different color schemes and mailed them to 1000 businesses. The responses were tracked and an overwhelming number -- over 90% -- was from one color. Though this particular example occurred some time ago the principle remains the same. Test marketing is conducted, the results weighed and then you have a path to success. Oh, and yes, we used that one color exclusively for our mailings!

Despite the fancy rhetoric I know two things for certain, if the marketing tactic doesn’t result in the curiosity for and / or purchase of the good or service -- the time, effort and expense for the marketing promotion was in vain.

So what’s my point? Whether you’ve been in business a month or years, you are on the receiving end of marketing research blitzes totaling millions annually offering something to do with merchant services -- all wanting one thing: *A response* from you!



FREE TERMINAL?

The emails I initially referred to questioned the difference between applying for a free "loaner" terminal versus *owning* a terminal.

A couple of years ago a company decided to try giving away free terminals to merchants so they could capture a larger percentage of the market share. This idea took off like a rocket. Off the top of my head I know of at least 5 companies that followed suit.

Trusting merchants were amazed that a salesperson off the street would offer them a free terminal and all that was necessary was to switch their existing credit card processing over to the company that the salesperson represented. Seems like a no-brainer, right? I mean who wouldn't want "free equipment". Let me just ask you one question - - is anything really "free" in this world? Remember the old saying - - "if it seems too good to be true, it probably is." Hold that thought while we talk cost versus value.

BUYING A TERMINAL?

I see the marketing promo everywhere so it's not surprising when business owners quickly ask if I can get them the "free terminal" they've read / heard about. My answer is the same every time - - "Let's see if 'free' is your best option. You see, 'free' isn't always the best investment with the greatest ROI (Return On Investment)." This is usually followed by silence and their facial expression tells me they think I have gone off the deep end.

Please follow a long with me as I explain why the "F" word doesn't always mean what you think.

FREE VERSUS BUYING

The only way to choose is to compare. In sales we call this the "Ben Franklin Close". On paper, in black and white draw a big "T" on the page and list the pros on the left and the cons on the right.

First here are a few industry known facts:

1. A company may have unique conditions of terms, payment plans or discounts for buying in bulk but the equipment costs are relatively standardized throughout the industry.

2. A "trained and knowledgeable" salesperson is vital whether you speak on the phone or meet in person.

3. Application Submission, Account Approval, Underwriting and Risk procedures will occur no matter who the underwriting bank or processor is.

Secondly, business owners need to understand that a company is *NOT* going to purchase equipment and give it out for free without implementing tactics to cover that cost. There's the "one time enrollment or start-up fee"; but moreover money is recouped through length of contract, services fees, discount rates, authorization fees, cancellation fees, etc, which are "adjusted up". The business owner has tunnel vision at receiving free equipment and the fine print is missed. If the business owner were to total the actual costs per year they would realize that it will cost more than if they had purchased the equipment or put it on a lease.

Lastly, but no less important in the total picture, is that with the money these companies are spending to get a bigger share of the market place, there are two entities who stand to suffer the most: the salesperson and the business owner.

Salesperson: Only partially trained to go door-to-door and as a result burn out really fast. It is basically a sweat-shop except it is on the street.

Business Owner: Full disclosures are few and far between resulting in a 5 to 7 year contract that is impossible to break unless you pay outrageous fees, return the equipment, etc. The service fees, annual fees, discount rates and authorizations fees are high. I could go on but I think I have made my point. And I've only covered credit card acceptance; I didn't touch on any other of the many merchant services available.

As a business owner you need to scrutinize any program to meet your needs - - especially where "free" is offered. Read every document before you sign it. Remember, "*Knowledge Is Power.*"

... more to come next month.

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