

## Education (continued)

### B2B: Pedal to the floor

By Aaron Bills

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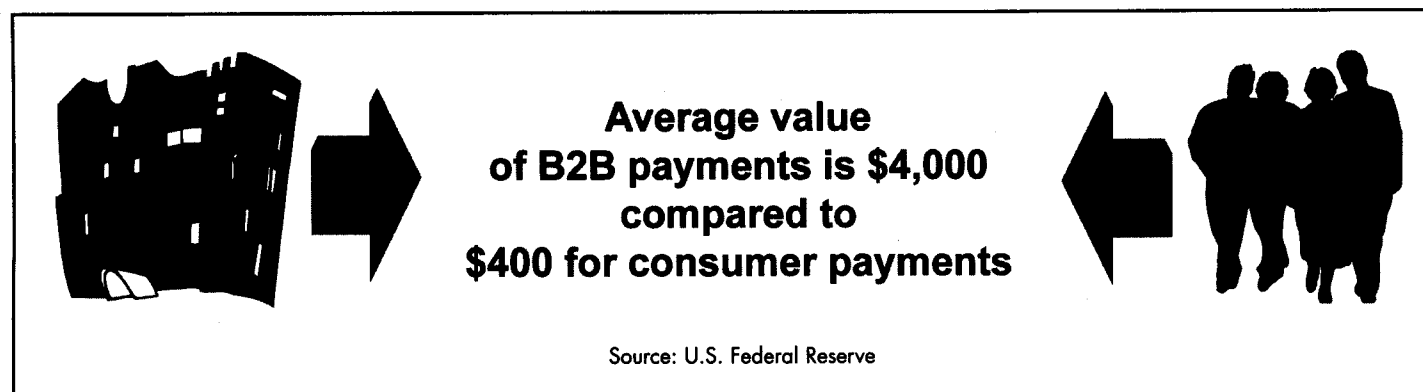
One of the brightest spots on the card acceptance horizon is also among the most underserved – business-to-business (B2B). For ISOs and merchant level salespeople (MLSs) who want to expand beyond retail, there's no better industry segment to pursue than B2B – a sector that's seeing explosive growth and innovation.

transactions are estimated to reach \$185 billion by 2010, compared to \$110 billion in 2005.

Three factors are causing this surge in p-card growth:

- An expansion of p-card system usage generally
- Introduction of new issuers to the p-card market
- Greater number of issuers pursuing broader markets

As more issuers migrate from corporate to mid-market



Driving this growth is a seismic shift in today's payment system, one that's moving transactions from paper to electronic form. In aggregate, the use of cash and checks is declining while credit card transactions broadly have flattened at the expense of debit cards.

However, business process and payment methodology are merging. Specifically, card-based payment systems are blending with invoicing and accounts payable applications.

This convergence represents the greatest opportunity for card payment system expansion and growth in B2B card processing.

#### Stand alone

According to industry sources and speakers at the Electronic Transactions Association's Strategic Leadership and Networking forum in September 2007, the average value of a noncash B2B payment is estimated at \$4,000, compared to the average value of noncash payments that involve consumers.

And the fastest growing type of B2B electronic payments are purchasing cards, also known as p-cards.

In 3Delta Systems' processing, the average transaction now exceeds \$1,000 – up from \$850 last year – and many transactions are in the \$10,000 to \$250,000 range. P-card

applications and use p-cards, the more these cards will become available.

P-cards are used by buying organizations to streamline their purchasing and payment processes. Traditionally they have been issued to authorized cardholders for placing routine orders and making payments directly on behalf of their buying organizations.

They are also used to make large purchases and payments in conjunction with purchase order and e-procurement systems, as well as pay invoices from accounts payable systems.

Unlike consumer or retail credit cards, p-cards have more features, capabilities and controls. A typical p-card, for example, can control the number of daily and monthly transactions being processed, the total daily and monthly amount spent, and where the card may be used, based on merchant code restrictions.

What sets p-cards apart from other cards is transactions can be processed with the same level of detail normally associated with an itemized invoice, known as level 3 line-item transaction data.

The ability to gather and transmit level 3 payment data is critical for buying organizations because of the need for greater financial accountability.

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In most cases, level 3 information is provided by the merchant and submitted electronically to the buying organization's p-card reporting system, where it can be automatically entered into its accounting system and reviewed each day.

It should be of great interest to ISOs that p-card transactions also have tiered interchange rates and are priced differently than consumer or retail card transactions.

To encourage merchant participation and support of

p-card programs, Visa Inc. and MasterCard Worldwide created special interchange rates to reduce a merchant's transaction costs whenever level 3 line-item detail is transmitted with the financial settlement.

### Be a problem solver

Against this backdrop of growth and innovation in B2B p-card transactions, there is ample opportunity for ISOs and MLSs.

To attract, retain and grow a base of B2B business, ISOs and MLSs need to engage merchants in a fundamentally different type of sales process.

The key to B2B sales is to offer not merely a product, but a solution, whether it's a p-card or outsourced collection of accounts-receivable.

A solution-oriented sale tends to be more consultative with a longer sales cycle.

It's very different than asking a merchant, "Do you want to take credit cards? Here's my terminal special of the month, and I can beat your current rate."

Success in B2B sales requires having meaningful business process discussions with individuals who are also decision-makers within their organizations.

It means talking with chief financial officers, controllers, treasurers or senior cash managers and listening deeply to their issues and pain points, understanding the problems they're trying to solve, and then prescribing a payment solution.

If, in the course of finding a solution, the CFO or accounts-receivable manager says, "I wish there could be some way I could simplify this process. It's a headache and it's people-intensive," an astute ISO should answer, "I can help you with that - I have a solution in my portfolio."

To attract new B2B business, seek merchants who don't take cards today. Many mid-size and larger corporations have p-card programs already in place, as do universities and federal, state and local government agencies.

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## Education

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**Once you've completed your research, educate merchants about trends in the payments industry and help them prepare for those changes.**

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Yet a number of these same types of organizations have merchant suppliers that have not been card-enabled.

### **Size 'em up**

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Proposing the right processing solution for merchants also begins with understanding their requirements. For each merchant, determine the following:

- Business size and number of geographic business locations
- Typical customers doing business with merchants – corporate, government or academia
- Information technology systems in place or changing in the future
- Dollar and transaction volume for sales each month

Once you've completed your research, educate merchants about trends in the payments industry and help

them prepare for those changes. Visit buyer procurement Web sites, attend vendor fairs held by buying organizations and plug into those organizations to assist with p-card enrollment.

Understanding buyer and merchant needs before prescribing payment solutions is the hallmark of a successful B2B sales executive.

ISOs and MLSs who learn to differentiate their sales approaches and know where to look for B2B buyers and merchants will build a durable and profitable business with less churn and price compression than their counterparts in the retail sector. 

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