

Education (continued)

B2B: Rich in opportunity

By Aaron Bills

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Why would ISOs and merchant level salespeople (MLSs) want to specialize in business-to-business (B2B) payment and purchase card transactions rather than retail? There are two major reasons: It's more rewarding and there is an abundance of opportunities.

The more complex, the better

Fundamentally, working in B2B is about value-based selling, which makes it more rewarding. It requires

B2B purchasing card opportunities

Professional services

- Marketing communications
- Management consulting
- Technology implementation
- Legal services

Independent contractors

- Graphic artists
- Photographers

Building Trades

- Locksmiths
- Painters
- Electricians
- Plumbers

Job shops/ manufactured goods

- Sheet metal
- Machining
- Tool and die
- Industrial equipment
- Telecom
- Warehouse/material handling
- Fleet/specialty vehicle

a solution-oriented, consultative sales approach rather than a focus on merely selling products.

Because people tend to buy from people they trust, ISOs and MLSs who focus on a merchant's goals display deep industry knowledge about the payment and processing business. By linking their solutions and experiences to a merchant's individual requirements, they become more successful in B2B sales.

Address the multiple issues of concern to commercial merchants, and you will have a valuable, long-term customer – not just a one-time sale.

Uncovering what matters most to merchants in a payment processing solution – what urgent business needs or problems they want to address – takes more time and thought upfront than merely offering them the latest credit card terminal or processing technology. But in the long run, solution-oriented, consultative sales, while highly complex, are more interesting and financially rewarding.

I met the owner of an ISO at a recent tradeshow who illustrated the point of trust perfectly. She described how she had taken the time to develop a relationship with a local municipality that used commercial purchasing cards – a relationship that ultimately produced powerful sales dividends. Her three-step approach is:

- Understand the municipality's unique purchasing needs.
- Demonstrate knowledge of purchase card processes.
- Be thoroughly versed in B2B payment processing.

Early in their discussions, officials at the municipality not only shared their list of suppliers with this ISO, they also wrote a letter of introduction to the municipality's buying organizations, naming her the pre-

ferred enrollment vendor for their level 3 data cards. Having a customer help you acquire new business – now that's rewarding.

Leading a merchant through the thought process necessary to make a buying decision is not a one-time event. The best way for ISOs and MLSs to obtain insight about a B2B merchant's business is in face-to-face discussions so they can ask questions, probe for issues in order to get a better understanding of that business, establish rapport and build credibility with their client.

ISOs and MLSs who take the time to identify a merchant's most pressing business concerns may uncover a number of problems they are able to solve and more points to which they can attach their sales messages. Begin by asking the merchant: Who are your customers? Are they doing business with you online? What do you think their needs will be next year? Are you exploring government contracts?

Invariably, the merchant will identify a series of business issues that need to be addressed, not just one. The conversation will no longer be, "I need to accept credit cards" or "What's your price?" Instead, the discussion will lean toward, "I've got this payment system that needs an overhaul, and you seem to be knowledgeable. Can you help me find a solution?"

At this point, ISOs and MLSs are in an excellent position to recommend a holistic processing and data verification solution. And, while price is important, it's usually not a primary driver for merchants who seek solutions for far more complex and expensive payment problems.

Knock, knock

Most ISOs and MLSs are not yet serving the B2B market because they don't know the market exists, fail to

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grasp how this industry segment operates or are unfamiliar with the requisite sales techniques.

But because B2B is a less crowded, more stable market, revenue and margins tend to be higher. There are opportunities at almost every turn. And sales executives who successfully penetrate this market no longer find themselves scrambling for merchant deals while chasing the same accounts as their competitors. How do you penetrate this vast, yet underserved and potentially lucrative B2B market?

Many B2B merchants and service-based suppliers accept purchasing cards, but many more fail to qualify their transactions well. Those who are processing commercial cards but not qualifying well can save a significant amount of money by supporting level 3 line-item detail for each purchased item.

These sales can often be made at high margins for ISOs and MLSs because a merchant's savings come from better interchange qualification rates instead of reduced processor fees. Consider, for example, a merchant who processes more than \$1 million per month in purchase transactions and receives a statement reflecting "data rate 1" rates. For the merchant, this low level of data qualification could equate to nearly 3.5% in processing costs on every commercial card transaction.

By having the merchant agree to capture level 3 data on every purchase, however, the ISO could reduce the merchant's rate to 2.1%, while retaining a 35 basis point margin. In the process, the ISO or MLS looks like a hero, having just saved the merchant 140 basis points in monthly transaction costs. Exploiting

this value differential can be a huge value to the ISO or MLS who operates in the B2B sector.

Since MasterCard Worldwide increased its interchange rates for commercial purchase cards in October 2007, the price differential is even greater for qualifying purchase card transactions at level 3 compared to level 1. As a result, merchants who support the highest level 3 data requirement with MasterCard purchasing cards will pay significantly less than those who do not.

MasterCard's latest increase in interchange rates promises to be a catalyzing event for merchants when they open their monthly statements this month and realize their card processing costs have increased. ISOs and MLSs entering the B2B market can capitalize on this opportunity by encouraging merchants to use level 3 data and, in the process, save them significantly more money than even a month ago.

In our experience at 3Delta Systems Inc., we find there are a number of B2B merchants with unmet payment processing needs who are clustered geographically or by specific industry sector.

For example, many corporations and the U.S. government have large groups of approved suppliers on procurement lists or under contract whose processing needs are underserved. Ample B2B opportunities also exist within universities, state and local municipalities, and major corporations.

With a little effort, ISOs and MLSs can find the vast, barely penetrated commercial B2B sector to be worthwhile. It's a market with less competition than in the retail sector, more margin opportunity and high merchant loyalty. ☐

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