simplicity | growth

The Merchant Acquisition Program: the MAP to Success

DAVID REED

SVP FINANCIAL MANAGEMENT - SECURITY CARD SERVICES

It is a fact that merchant services is a vastly underused asset for bank growth. On average, 90 percent of a bank's commercial DDAs do not use the bank to process merchant services. Think about that: if you are an average bank, only 1 out of 10 of your commercial customers who process credit cards transactions are using your bank for that service.

It's critical that your merchant services provider understands the culture of your bank and designs a program that fits who you are.

Another simple truth, most organic growth programs fail. They rely on incentives for the banker but rarely address the issues that are essential to success. After years in the merchant services industry, we know that there are a few key elements to determine whether any organic growth program will succeed:

There Has to be a Cultural Fit Between the Bank and the Processor

Most processors are driven by quantity, consequently they invest little in the art of building relationships. A merchant services business model built on relationships, however, consistently produces greater results for the bank. That's why culture, finding a cultural fit with your processor is so important. Bank cultures vary, of course. Some are operationally driven, other more sales focused. It's critical that your merchant services provider understands the culture of your bank and designs a program that fits who you are.

There has to be bank buy-in from top to bottom

If there is an absolute in this business, it's this: the greater the buy-in from the bank, from the C-suite all the way down to the branch level, the greater the success of the merchant services program. When an organic growth initiative succeeds, it's not because of the timing of senior management's approval on the project. Success happens when sufficient buy in and trust is built with treasury management, commercial relationship managers (RM), and product leadership to ensure participation. That buy-in begins with trust. It's not easy turning over your commercial clients to a third party, we get that. Your clients are worth far more than just the value of their merchant services business. So work with a processor who understands that, who serves your clients exactly the way you would.

There Has to be a System of Accountability

Success happens when sufficient buy in and trust is built with treasury management, commercial relationship managers (RM), and product leadership to ensure participation. That buy-in begins with trust.

It takes accountability to move any program ahead. An effective merchant services growth program has defined steps, defined responsibilities (both for your provider and your staff) and transparency, so that all parties are accountable for their actions.

Based on years of experience helping banks grow, we've designed a merchant growth initiative that codified the lessons we've learned into a system that has proven to produce results. Our Merchant Acquisition Program (MAP) is built on sound relationships, in depth analysis of merchant data and a tiered system of sales that more effectively converts your highest priority prospects, while not neglecting your other opportunities.

Segment, First, then Make a Plan

The biggest reason trust, cultural fit and buy-in are so important to the success of a merchant services growth program is simple — an effective system is built on data. It takes trust to give access to your customer's data to a third-party. There is hesitation in most banks to provide such detailed data on their clients. There is regulatory risk in releasing merchant data to a third party. There are a host of compliance issues, in addition to simple client service issues here. We understand that. It's one reason we guarantee that our systems meet the same regulatory requirements that banks must meet, even when legally we aren't required to.

So our MAP begins with a detailed analysis of your client statement data. We then go to the banker with recommendations on who to call. That not only gives the RM focus – it also demonstrate that we know what we're doing and builds trust. The more data we have, the more accurate our analysis and the more effective our plan. We use your client data to divide your prospects into three tiers, based on the distribution of ticket volume. One example of how those tiers (and the corresponding acquisition strategies) might look:

Tier 1: $25k + a month

Tier 2: $10k to $25k a month

Tier 3: $0 to $10K a month

We then create a separate strategy for each tier that devotes the appropriate resources to each opportunity. For Tier 1 prospects, we send a team of experts to the merchant. This is a collaborative call between our sales team and your banker. The more involved the banker, the greater our chances for converting the merchant.

For the second tier prospects, we send one highly qualified expert to meet the merchant. Again, this is a collaborative call between our salesperson and your banker. For third tier prospects, we use a call center to generate leads. The key is devoting the appropriate resources to each opportunity, without sacrificing any particular segment.

Infographic

Collaboration is the Key

Bank customers will sign with us more often when they see us as an extension of the bank. Before bankers will collaborate with us on the tactical stuff, they have to trust us to represent them well.

SCS regular referral close rate = 40%

MAP Program

Banker gathers statements and sends to us = 60%

Banker gathers statements AND makes a phone call to each merchant to introduce us/set an appointment = 70%

Banker gathers statements AND makes a phone call to each merchant to introduce us/set an appointment AND attends in person sales visit with SCS team = 85%

Reporting is One Form of Accountability

We report on MAP on a weekly basis. We identify the names of the merchants who said “NO” to make it personal for the corresponding RM – particularly if they aren’t collaborating with us to the degree that they should. Those reports also hold our sales team accountable for their actions. It’s important to note that MAP is not about creating an environment of fear in either of our sales teams. It’s about clearly defining responsibilities and then working together to reach our goals. Ironically, the economics of the MAP program mean that the more involved an RM is (which means the higher the close rate), the fewer calls the RM has to make to hit the penetration goal for their roster of merchants. Higher close rates mean more efficient sales.

There is no silver bullet for building an effective merchant growth program. It takes work.

Earlier, we discussed the over reliance in most programs on banker incentives. That is not to say that incentives don’t work, just that incentives alone are rarely enough to motivate a program. Getting the incentive structure right is an absolute necessity because not everyone goes into banking to sell. You have to navigate your incentives – who you incentivize and how – based on the structure of the bank and who has the relationship with the merchants. The MAP creates a custom program of incentives because we know how to match the right incentive with the right bank staffer.

There is no silver bullet for building an effective merchant growth program. It takes work. It’s takes a systematic approach that builds trust and puts emphasis on the issues that more powerfully affect the success of the program. But after many years in the industry, we do know this — the right partnership can make merchant services a powerful engine for new growth and for client retention.