

simplicity | growth

How to Build a More Durable Payments Program through Merchant Experience

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Let me start by getting this out of the way: I love my job. There has never been a more exciting time to work in merchant services. Innovation is all around us, and that's particularly true of payment acceptance. Payment technologies have made astounding progress in a short amount of time. Something that used to be confined to swipes and clicks is now much more versatile and complex.

I wear many hats at Security Card Services. But the most significant impact I bring to our bank partners (and their merchants) is realized through the payment products I help select and develop. The talent of your people and the depth of their commitment to service are only as powerful as the product portfolio at their disposal. It makes sense that banks prefer the widest variety of payment options available. But, we believe that it's how those products are chosen and deployed that truly sets a merchant services program apart.

I enjoy what I do so much that I've written two papers that explore different sides of the same coin: "Product Selection" and "Merchant Experience." In the prior paper, I offered some insights into best practices for payment product selection. This paper will touch on what those best practices mean for the merchant experience (or bank customer experience).

Proactive Retention Through Product Adoption

Retention rate is a reliable symptom of a healthy merchant services program. Retention rate is also a dependable way to compare performance between programs. High merchant retention rates show that a program

is well run and that all of the details are covered. The durable revenue streams are a nice benefit, too.

We've learned that product selection is actually an excellent opportunity to take a proactive approach towards retention.

One of the most common truisms in business is that retaining a new customer begins the moment they

sign on the dotted line. That's mostly true of merchant services. Payment processing is so complex. Problems arise and must be solved swiftly and with certainty. So merchant services providers are justified in emphasizing customer service and problem resolution.

However, banks have to think holistically about merchant retention (that's why that common belief in business about retention is "mostly true" when applied to payments). We've learned that product selection is actually an excellent opportunity to take a proactive approach towards retention. If your product selection process can choose the right payment products and also embed the right merchant experience into those products - the sales approaches and service offerings that help merchants adopt those products - then your merchants can more reliably integrate high tech payment products into their businesses. They will feel more confident in their equipment and will be more patient when customer service issues arise. In sum, your merchants will be happier.

Happier merchants tend to stay longer.

The Latest isn't Necessarily the Greatest

We stress merchant adoption of payment products because we see it as a forward thinking, proactive way to curb attrition. Even the most diligent customer service teams can't solve a merchant adoption problem. Customer services teams function to identify and troubleshoot technical issues and user error. Those are entirely different problems from the ones that arise when the technology is far too advanced for the merchant. Think of it as a burden similar to your mobile banking service team fielding inquiries from your account holders on how to use an iPhone.

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High tech bells and whistles are often intimidating to merchants because they can be too powerful, complex and confusing. Yet technological advancements present a great opportunity to build a merchant experience that turns a potential pitfall into an advantage. These emerging product features and complexities are avenues for consultative sales strategies that bring banks closer to their businesses. That's another reason our product se-

lection process devotes so much time to grappling with the many technologies, features and functionalities characteristic of today's payment products.

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Again, product selection isn't a matter of finding the snazziest payment gateway or mobile cloud-based solution. You can't just pick the trendy stuff. It's more about identifying opportunities to embed a merchant experience into the products and technologies to ensure that the merchant has a payment solution that will enhance their business (and make their life simpler). Technology creates opportunities for payment products to evolve beyond something that merely processes transactions. A sound merchant experience helps merchants (and our bank partners) capitalize on those opportunities.

Merchant experience is about helping merchants acquire the right payment system and then going the extra mile to ensure they understand all of the features and functionalities so that they might successfully integrate that new payment system into their business. A bank can build a good merchant services program around a product portfolio. But it can build an exceptional program around merchant experience.

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Put simply: we have to make sure we're picking products that merchants need. But we also have to tap into what we've learned in the selection process (about merchants and products) to ensure that we provide the merchant everything they need to use the equipment properly (and our sales team with the ability to guide merchants accordingly).

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This emphasis on merchant experience requires an elevated view of sales and service. Moreover, this elevated view is compatible with how community and regional banks go the extra mile to serve their customers. Building compelling merchant experiences is a unique opportunity for service-oriented banks to deliver merchant services far better than their competitors.

Merchant Experience is a Powerful Sales and Retention Vehicle

The product selection process should choose products and technologies that enable a merchant experience. But, it's the implementation, sales and service of those products that craft and deliver that experience. The same inputs that you use to inform a product selection process - that deep understanding of merchant needs and product features - must also be used as outputs to drive training and development, marketing, sales and implementation initiatives. This is where all the effort and care invested in the selection process makes an impact in the field.

A sound merchant experience requires a sales force that is savvy about payments and merchants. Again, there are myriad payment products out there, so your sales team needs the market intelligence to help merchants make evaluations of not only the products in your portfolio but the ones that merchants are currently using. Adoption is often a matter of timing. If the technology is ahead of the merchant, then it's just not a good fit. Your sales team needs to be able to make daily assessments of fit in a manner similar to the product team (on a more practical scale, of course). That requires sales reps to sit down with the merchant, ask questions and listen.

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I can't stress this enough – the sales force must understand the dangers of selling a merchant on some kind of “cool” product feature, capability or interface. That's a bad merchant experience for obvious reasons; the main one being the risk that the merchant will have invested in a product that he or she might not understand how to use. Another troublesome outcome is a bad fit between the payment product and the merchant's business. Invoicing capabilities might be a neat payment gateway feature, but how often will the merchant actually use a payment platform for invoicing? Is the invoicing capability compelling enough for a merchant to change their current invoicing habits? That conversation should focus more on the merchant's current invoicing and reporting practices than the new product technology alone. That's the reality of selling payment products that can do so much more than swipe credit cards.

Merchant adoption issues are revealed well after the sales team has moved on because their involvement only goes as far as the deal (your customer service team won't be so lucky). Sales teams are incentivized to sell! A sound merchant experience induces your account representatives to sell the right thing to the right merchant at the right time. That kind of merchant experience won't place needless strain downstream on ops and customer service teams. That experience also saves merchants the headaches that arise from buying a product they can't understand or fully utilize. That practice will also steer all parties clear of the frustrations that cause merchants to attrite (and talented employees to leave).

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We also believe that white labeling payment products (payment gateways, for example) is an important merchant experience component. Banks like white-labeled products because they can pass those payment solutions off as their own. But that's really only part of the reason why we select products that can be white labeled. We prefer white-labeled products because they give the merchant assurance that they can rely on their bank. There's just something about banks' brands that gives their merchants peace of mind. A branded payment gateway makes merchants feel like their cash is safe and sound in the hands of their banks a step earlier than it really is. It probably helps too that merchants suspect that they don't have to deal with another vendor (after all, that's one less 1-800 number to keep up with).

As you can see, a sound merchant experience can provide an added sense of safety and assurance. It can also support the brands of our bank partners too. There are other benefits to banks, of course.

Merchant Experience Benefits Banks, Too

Merchant services programs thrive when they create experiences that lead the merchant to the right payment solution. A happy byproduct of those experiences is that they can lead banks on product innovation as well. A merchant services program must be a repository for ongoing insights into merchants and the latest intelligence on product specs and features: whether those products are point of sale, tablet-based, cloud-based or virtual gateway technologies. That degree of information and expertise can be of considerable benefit to banks.

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In my earlier white paper, I remarked that the same habits that allow a merchant services provider to excel at product selection are the same ones that drive smooth industry-mandated product upgrades (EMV, for example). A sound merchant experience also unburdens the bank of the difficult tradeoffs between operations and service (and the balance between today's commitments and tomorrow's opportunities). As a result, banks will have more than just a partner who they can pass their programs off to – they will have a partner who can lead them to better opportunities.

There is a point where a processor can become too large to craft merchant experiences that matter. Everyone knows that large companies are often siloed, static and resistant to change. Merchant services programs often become static because a payments provider has become so large that they are too distant from the merchant (and the bank) to gather insights into needs. Call centers aren't conducive to those kinds of conversations.

Large processors have a tough time staying nimble enough to remain open and flexible to change. Even the best listening abilities in the world are moot without adequate flexibility to act on those insights immediately. There must be clear lines of sight between product teams, operations, marketing and sales. Sales teams must be encouraged to extract and share insights from the field so that merchant services providers and their bank partners can have the immediate access to information necessary to act fast.

It Takes More than Plugging in a Terminal

A sound merchant experience is the best way to help merchants capitalize on the rapid technological innovations in payments. Those experiences require the right products, fresh (and easily-accessible) knowledge and a little bit of choreography across the merchant services program. Merchant experiences must be built for real people with actual needs. Building those experiences requires putting merchants at the heart of your product selection process. Simultaneously, merchant experience must be the motivating factor in everything else: product implementation, ops, marketing and sales.

That's what keeps a merchant services program more manageable and lucrative. That's also how banks can keep payment processing simple but powerful for their merchants as well.