The Ultimate ISO Roadmap

Your Guide to Choosing the Best Processing Partner to Grow Your Merchant Services Business

SECURE BANCARD

The Process

When you're shopping for a new processing partner to place your merchant services business, what should you be looking for?

There's a long list of considerations. And not every provider will check every box in the same way.

So it's important that you set priorities and try to find the provider that most closely meets your important criteria.

This guide was designed to help you navigate the selection process by breaking it down into easy-to-follow steps:

1. Ask qualifying questions.
2. Consider the intangible data you've collected during the qualifying stage.
3. Negotiations
   - Revenue Share
   - Schedule A
   - The Agreement
4. Demo
5. Partner Boarding

Qualifying Questions to Ask New Providers

1 Do they have their own underwriting and risk team, and who holds liability in the event of losses?

If the provider has their own underwriting and risk team, it means you should have access to the decision-makers, giving you greater control over the outcome for your merchants. Do you have the option of taking liability for deals on which you'd like to hold more risk? Who are their sponsor bank relationships? The bank's underwriting policy will dictate that of the provider.

2 How much control do they have over merchant funding, and do they deliver timely and consistently? What types of merchant funding options are available?

Cash flow is the lifeblood of every business. Therefore, consistency in merchant funding is one of the most important, yet often overlooked criteria. Is this provider performing merchant funding, or someone else? When was the last time they missed a merchant funding deadline, and for what reason?

Ensure that the provider offers the funding options that will fit the needs of the businesses you serve. Restaurants commonly need next day funding and cash advance, for example.

3 Do they set pricing for merchants, and can they be trusted with this responsibility?

Are you able to decide the pricing that is set for your merchants at the time of boarding and thereafter? Interchange and assessments will inevitably fluctuate, but you should have control over everything else. Does the provider have a top-down approach to pricing, where they make decisions about pricing changes without getting your consent? Do they have a history of introducing junk fees, and then requiring their ISOs and agents to opt out if they don't want to participate?

Qualifying Questions to Ask New Providers

4 What level of support do they provide to ISOs/agents and merchants?

Do you need a processing partner that provides training and extensive resources to support your sales efforts? Ask what resources will be available to you. Keep in mind, more available resources typically result in less revenue shared to the ISO/agent. Additionally, find out what level of support will be provided to your merchants. How will the provider support your merchants, and what will fall within your responsibility?

5 Do they have the products that fit the business types you'll be soliciting?

What kinds of businesses do you plan to place with this provider, and can they support the needs of those businesses?

- Software and shopping cart integrations
- Physical terminal and POS options
- PIN Debit
- Access to all card brands
- Alternative payment methods
- Level II / Level III

6 What kind of access do they provide to key decision makers?

Your ultimate objective is to deliver favorable outcomes for the merchants you serve. The closer you are to decision-makers, the better chances you have to deliver favorable outcomes.

Qualifying Questions to Ask New Providers

7 What are their turnaround times for underwriting decisions and onboarding?

There is a tradeoff between speed and accurate decision-ing when it comes to underwriting. Ask about typical timelines for the various types of businesses you plan to board. Use auto-approval underwriting with caution-- this often results in held merchant funds or terminated accounts. Ask how quickly accounts are boarded and ready to start processing once they are approved. They should be ready almost instantly.

8 In what ways are they trying to grow their business?

Is the organization in portfolio acquisition mode? This could indicate that they are preparing to be acquired themselves. Are they reinvesting their own earnings back into the business? If so, how? Are they aggressively adding clients, without regard to whether their values align with their own?

9 What do they do to make the sales process easier?

What is the process to enter new applications? Can you integrate to their application system to avoid rekeying the same data? How will signatures and required documents be collected from applicants?

10 What platform will you use for merchant management? What is the user experience for both you and your merchants?

What is the process to enter new applications? Can you integrate to their application system to avoid rekeying the same data? How will signatures and required documents collected from applicants?

Considerations

There will be some data that you'll collect that is not easily answered with a direct question. But you'll want to think about how the provider scores on these items nonetheless.

1 Does the provider seem trustworthy?

Have there been any contradictions in the information provided during the sales process? What is the professional background of the provider's CEO or President? Do you have any history with anyone working within the company who might be able to give you insight into the company and how they work? Do you know anyone who is a current client who can share their experience?

2 How does the provider view and treat those they already do business with?

The best relationships are the ones that are mutually beneficial. Listen carefully to assess how the provider refers to the clients they already have. Do they talk about ways they work to set them up for success? Do they talk about sales enablement? Do they work to earn new business from existing clients, or lock them into minimums?

2 Do I have the potential to grow with this provider?

If you anticipate that your business will evolve over time and your needs will change, think about how this provider can accomodate those changes.

Negotiations

Once you decide whether the provider is someone you might like to do business with, you can move to the negotiation process.

Revenue Share

What is considered a fair revenue share?

There's no hard and fast formula. But consider revenue share a sliding scale that depends on these factors:

- The amount of training you need
- The amount of support the provider provides to your merchants. A referral arrangement where you simply hand off leads will earn less than one where you provide ongoing service/support to merchants.
- The amount of liability the provider is taking on your behalf. Low risk/card present portfolios have higher rev shares than high risk ones.
- Proximity to the processor. The closer you are to the party actually processing transactions, the more revenue share. If you're an agent sending business to an ISO that sends it to another ISO, you're getting a split of a split. Know where you stand and the parties involved.
- Free equipment? Understand it's baked into the cost of your agreement.
- Access to proprietary software or technology.

What's "fair?"
⚖ The arrangement where both parties feel it is a mutually beneficial arrangement with potential for growth.

Will you earn revenue share on every item billed? This is a common margin buster for ISOs/sales agents.

Negotiations

Schedule A

The Schedule A should clearly list out all costs so that you know what to expect.

Will you have to meet processing minimums? If so, what are the terms?

The Agreement

The agreement should be reviewed by legal counsel that specializes in the payments industry.

Before this review is performed, it's important that you have a discussion with counsel about your short- and long-term goals for the business you plan to place with this provider.

Demo

During this step, you will want to see a demo of the provider's technology. Your goal is to determine the user experience for the following processes:

- **Submitting applications**
- **Navigating the underwriting process.** If additional requests are made, how are you notified? How are you notified once your application is approved/boarded?
- **Deploying equipment.** Will you be responsible for sourcing/deploying your own equipment or will the provider do that for you? Is there an option between the two?
- **Merchant management.** What visibility do you have into merchant profiles, processing activity, and pricing? If you need to request a change to a profile, pricing, banking, etc., what does that process look like?
- **Residual Reporting.** How will you gain access to residual reporting? What is the timing of when they're paid? Do they provide enough detail that you can easily audit them against your agreement / Schedule A?
- **Customer Service.** Call the company's customer service line to determine whether it's routed to their office or an outsourced customer service center.

Summary Score Card

Qualifying Questions

- [ ] Do they have their own underwriting and risk team?
- [ ] Do they perform merchant funding? Is it consistent and timely?
- [ ] Do they set pricing for merchants?
- [ ] What level of support do they provide?
- [ ] Do they provide products that fit the needs of your merchants?
- [ ] What access will you have to key decision makers?
- [ ] What are the turnaround times for underwriting and merchant onboarding?
- [ ] What do the methods the provider is using to grow say about its future ambitions?
- [ ] What is the provider doing to make sales easier for its ISOs/agents?
- [ ] What is the user experience for both you and your merchants?

Considerations

Were there any considerations that would make me hesitant about doing business with this provider?