Transitioning to a merchant service provider

7 key steps

Today's go to market strategies and revenue cycles are changing. Traditionally, the go to market strategy was simple—stop by the new business, discuss its POS needs, sell a system worth thousands of dollars and tack on an annual service contract. Then move onto the next merchant. But in today's technological world, merchants are looking at a plethora of choices that quite frankly were not available before. Budgets are tighter, resources are lower and expectations are higher. Taking your business into this next generation means you are looking through merchants' eyes and offering a solution that enables them to not only choose you, but do so in a way that flows within the way they want to do business. It's a transition from a one-time sale and annual contracts to attractive entry level pricing with clearly defined upgrade opportunities and open-ended billing cycles. It's a transition from reseller to merchant service provider and it's not always easy. Mercury works with thousands of resellers and has watched many successfully make this transition from reseller to the as-a-service-merchant services provider. While every partner faces unique situations and obstacles, they also experience similarities. Here is an overview of seven steps you can take to help you make this transition.

1 Bundle your product offerings

Building solutions as a service models means combining the elements of software, hardware and support into one low-cost solution your customers can choose to rent, lease, or rent to own, etc. Best practices for developing this model suggest 15-20% support, 25% hardware and 55-60% software combination. Many successful MSPs will develop a "good," "better" and "best" bundled offerings to simplify the purchasing decision for the merchant and set the path for upgrading and cross selling.

2 Reset your Pricing

Build a pricing structure that enables ease of entry and multiple options to build on your portfolio. Lower cost of entry will attract more customers and give you the ability to upsell on value added services and support. Don't underestimate the power of the recurring revenue stream. $500 dollars a month may not seem like it will keep the lights on but when you consider that adds up to $6,000 a year, and you've had no cost of goods sold to apply to that, it builds up pretty fast.

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3 Leverage new promotional strategies

Local media, print and trades shows are all effective promotional techniques used by many resellers today. However, merchants are increasingly relying on the internet for building awareness, gathering facts and even their final purchasing decision. Employ a local marketing firm to evaluate your website, set up SEO (search engine optimization) techniques and begin your own social media outreach. According to the Wall Street Journal's article *More Consumers Prefer Online Shopping* (Betsy Morris, June 3, 2013), "online shopping continues to outpace growth in traditional retail. Last year, ecommerce grew about 15% to $186 billion, seven times the growth rate of total U.S. retail spending." With this trend comes the movement away from B2B or B2C and toward B2P (business to people). Everyone is becoming individual decision makers, and we need to present them with the right message at the right time.

4 Expand your network of partnerships

Look back toward your existing vendors and partnerships to see what they can do to help you finance your bundled solutions. In many cases you will be able to leverage systems and policies already in place and vetted with the merchant community. For example, your ISV may already have a rental option in place you can extend to your customers instead of creating (and funding) your own. Also, distributors are a good source of information when searching for funding options. They may have ISV revenue sharing or better/different terms for as-a-service model.

5 Reduce business expenses

This is not an easy step, but critically important to the transition. The as-a-service model inherently requires fewer resources than the traditional break-fix model and as such, opens the opportunity for you to reduce your overhead and streamline expenses. Take a look at the job descriptions you need to support the MSP model and match them up with your current staff. There could be opportunities to move personnel into new expanding roles.

6 Change your support model

Traditionally, support was a part of the one-time installation fee or sold separately as an annual contract. Merchants are moving away from long term contracts and looking toward solutions that allow them to pay as they go. While there will continue to be a market for long term support contracts, MSPs are now offering shorter term time and materials options as well.

7 Update your contracts

Changing your contracts to support an as-a-service model can involve multiple revisions, editing and lots of paid hours to the lawyers. Before you go down the custom contract road, contact Mercury – because we can provide best practices deployed by a variety of our partners and related retail associations, e.g. RSPA with respect to service as a sales models and continuity of merchant processing relationships.

Leveraging the Mercury Network is key. We have helped many resellers through this transition and are open to assisting you no matter what stage of merchant service provider adoption you may be. Throughout this issue of BSM you will find several articles, info-graphics and short stories depicting the trends, transitions and tributes of this next generation reseller - the path of becoming a Merchant Services Provider.