

## CHAPTER 3

# LEVERAGING AN INDUSTRY EXPERT TO BE MORE PROFITABLE!

BY KEVIN HODES

Ok, you have done your research, and you think you have the best deal for accepting credit cards. You signed up, you are processing for a few months, and you realize that it is not what you were told or thought it would be when you look over your statement. Well, let me tell you, you are not alone. It is time to leverage over 20 years of knowledge and expertise to help you be as profitable as you can be. Let's get started!

There are a few factors to look for when considering credit card processing. But first, please stop doing the following:

- Stop taking the calls from telemarketers! There is no such thing as wholesale pricing, and none of these people are with Visa or MasterCard. It sure does sound good, doesn't it?
- Stop signing up with anyone that just walks in off the street! Cold calling representatives typically are still new to the industry. They most likely do not have the knowledge and or experience to possibly set you up correctly. Ever hear, let me call my manager to see if we can get you a better deal? They

are calling in to get advice on what to do next. Next thing you know, you are speaking with the hard closing manager.

- Stop calling organizations that send you postcards and letters in the mail! These are your typical bait and switch teaser rates. Where are these companies anyway?
- Square, PayPal, Stripe, and QuickBooks pricing strategies can be the most expensive! The big box stores would never use these options. Why would you?

Now that we have covered the slimy part of credit card processing and I have your attention. There are two components of credit card processing, price, and service. It is hard to get both, but when you do, latch onto that company or salesperson because they are few and far between. Anyone can undercut another organization for a penny here or there, but if there is no service, who are you calling when you have a problem. Or you can have the best service but the worst price. Have you ever heard the saying:

*“Price, Quality, or Service? Choose Two!”*

What if I told you that you can have all three? With a little research, you can leverage the knowledge you are about to learn and get Price, Quality, and Service.

So, how do you get the best deal? First, look for an organization that has been referred to you by another business owner that you know. Companies that have been around a long time and have built their clientele from mostly all referrals probably means that they are doing something right. If you have been in business for a few years, you most likely have been burned already with promises from shady salespeople. Remember this, just like you, there are experts in all fields of business, and not all organizations are the same even though they may offer the same product. Find a Certified Payment Professional. Yes, there is such a person. There is a registry, and you can search for someone in your area. Or work with a credit card processor that has been endorsed by

an association that you pay dues to. That organization has done extensive research to make sure you are getting the best deal and will not be taken advantage of.

If you are thinking your bank may be a great way to get a merchant account, banks do not process credit cards. They have contracts with processors and can have as much as a 40% markup. Banks are great at offering a checking account, maybe a mortgage, or giving a bank loan. But do not fall for the story that you have to switch your credit card processing if you want a loan from their bank. Just tell them no. Do you think they are going to give you great service because you deposit monies in their bank? They will refer you to the 800 number when you need help. They cannot even see your merchant account at the branch, so how are they going to help you? They will be happy to take your deposit if you have one or pay that loan payment.

Did you know that when you are sitting with the banker, and they put that strange screen over the computer, it is designed to give them the questions to ask you so they receive points or bonuses that can equal as much as \$500 just for referring you to other services within the bank, specifically the credit card processing? So, who are they helping, you or themselves? It is not the banker's fault; it's what the big banks teach them to do.

Beware of software providers or distributors that say they have a preferred vendor. Or they will give you a discounted price on the product you are buying if you use their preferred vendor to process your credit cards. Ever wonder why they do that? The software organization or distributor will then make a piece of the action. Typically, it is a sizable markup. It is 40% more than you would pay if you were with a company that is thinking about your profit instead of their own. This is now a source of income, and they have locked you in so you can never switch, although they always guarantee you have the best deal. But I am not sure how paying 40% more is the best deal?

Work with an organization that does not lock you into using their preferred vendor! It opens the door for competition, and it keeps everyone honest. You should be able to do your research, negotiate, and switch when you want. Yes, research the company that you are considering. Preferred does not always mean it is in your best interest. In this case, preferred really means what is in their best interest.

Another important factor, PCI DSS is real! Or better known as, The Payment Card Industry Data Security Standard. And, if you do not get compliant, the processors will charge you a monthly non-compliance fee. I have seen this as high as \$159 per month! You should be leery of your current or any future processor if they say that they will not charge you or say you do not have to become compliant. Everyone *must get compliant*, and there are systems in place that cost money to be there to help you with this process. You can google PCI DSS and see for yourself how important it is to get compliant. Remember, you are a consumer as well, and this is to help stop fraud.

A few years ago, a longtime customer called me and said, ‘Get down here right away’. I was happy to show up as I always do, and he and his wife proceeded with letting me know that we had been charging them more than they should have been paying for years. I was shocked because we are aggressively priced, so our customers are not paying more than they should. They stated that this very nice person had just left and was from Visa and MasterCard and said they needed new credit card equipment for \$59 per month, and they would save thousands of dollars the moment they switched to this wholesale pricing.

Remember I said earlier there is no such thing as wholesale pricing or merchant salespeople with Visa and Mastercard? They handed me the new offer to review. First, I stated, you do not need new equipment, and if you do, we will upgrade it at our cost, not yours. Spending \$59 per month for a 48-month, non-cancelable lease is not necessary. Never lease a credit card machine. Companies that care about you and not themselves will

offer equipment to use for as long as you are a customer. If your current processor does not do that, find one that does.

I continued to review and stated, “The new rates being offered would increase your fees 40%. You will now be leasing a credit card machine that we have always provided at our cost, and you will pay more in processing fees every month.” They said that they have it in writing that there will be a guarantee of savings from this nice person and they said we need this new equipment because it is out of compliance. There was nothing I could do at this time, so I left and requested the closure of the merchant account.

Fast forward two years, I received a call, and they said they made a terrible mistake and needed help. They realized several months after moving away from us that they were paying 50% more in fees and called the company that signed them up. The nice person that had signed them up two years ago was no longer with the company, and they cannot return the non-cancelable 48-month leased credit card machine.

Several months passed, and they were called upon by another company on the phone that said they could fix all their issues and just happened to be in the area. This new nice person also offered lower rates and said they needed a new credit card machine that would work with a special system that no one else offered. I figured out that these new rates did not change, and the new credit card machine was proprietary and was another 48-month non-cancelable lease. At this point, they were frantic, and that is why they called me.

I gave them some advice, and they are back working with us. This is a true story of one of our customers being taken advantage of. I was so disappointed that someone in my industry had taken advantage of a business owner in this way that I decided to drive to the address on the business card of the second company. It was a fictitious address. This happens every day to business owners

all over the country looking for a better deal. It is important to know that most processors will meet or beat any deal you receive if it is not a bait and switch offer. There are professionals in all fields of business. Some are better than others. If you do not have your very own professional credit card person, you may be paying more than you should and may not be receiving the service you deserve. Or worse, you may think all the people in credit card processing are all the same. I can honestly say there are good people in credit card processing industry; they can just be hard to find.

Now, for the part you have been really waiting for. How do I get the best rates? First, stop shopping by rate! That sounds crazy, doesn't it? Well, when you shop by rate, you may get a lower rate, but other fees will be charged elsewhere to make up the difference. It is a numbers game, and you will always lose with this buying process. And salespeople will take full advantage of you, knowing you are the company looking for the cheapest deal. The cheapest deal can be the most expensive.

Ok, here is a secret I want you to know. Take your total fees deducted and divide that into your total credit cards processed. This will give you your aggregate rate. The factors of your aggregate increasing and decreasing monthly will depend on how you accept and process credit cards. Swiped, chipped, contactless, over the phone, internet, average ticket, and what type of cards you receive. Swiped, chipped, and contactless will be the most cost-effective; internet and hand-keyed are typically the most expensive.

To keep your aggregate low, you need to work with a company that agrees to the Interchange plus pricing model. Interchange is the cost the card issuer has established for that exact credit card. There are hundreds of these different rates. Yes, hundreds and they range from 0.05% to 3.25%. But, if you have interchange plus, it will hit the network, and you will always get the best price for that exact card type no matter if you swipe, chip, tap, hand key, or it is processed on your website.

Stay clear of tiered or bundled rate structures. Let me explain. Tiered and bundled rates may make it easier for you to understand the fees, but they are not cost effective for you. In this retail face-to-face debit card scenario, your current processor set your tiered rate at 1.59%, but when it hit the processing network, we know the cost is actually 0.05%. In this tiered scenario, why would you want to pay 1.54% more? In this retail face-to-face debit card scenario, your current processor set your bundled rate at 2.75%, but when it hit the processing network, we know the cost is actually 0.05%. In this bundled scenario, you would pay 2.70% more! Why would you want a bundled rate? This is simple math, and there is no need to pay more when you should not have to.

In the past, the Interchange pricing model has been reserved for large national merchants. It is now available to you and is by far the fairest pricing model. In this pricing model, interchange and assessments are passed directly to the merchant, with a separate fee added for profit. The merchant always knows where the actual profit is. There are no hidden fees or surprises. Interchange is always the way to go; you do not want to be on the tiered or bundled rate structures.

After you have met or spoken with that new individual and or new company, get on the internet and do a Google search of that company and salesperson. See what others are saying. Did you just find out the person you have been talking with and is getting ready to handle your income was working at a big box store last year? Did the company they represent have a PO Box? C'mon man, are you crazy? Go to the BBB and find out if they have complaints. Find the expert. But how do you find an expert? An expert is somebody who has broad and deep competence in terms of knowledge, skill, and experience through practice and education in a particular field. They have recognized credentials and a proven track record.

Experts in the credit card processing industry can be very difficult to find. That is why you should contact other business owners and ask for a referral to an agent or company that has worked with

their business for at least ten years or more. And talk with two or three other businesses for a referral. I hate to say it, but would you trust a financial planner that has not been in their industry for at least ten years? The best deal and service after the sale can be found through a little research and a qualified referral.

Seriously, when it comes to your money, **DO YOUR RESEARCH**, then leverage that knowledge. If it sounds too good to be true, it probably is.

- For more information, visit: [www.Swypit.com](http://www.Swypit.com), or call 1-877-379-9748.





## About Kevin

Since 1999, owner and founder of Swypit, Kevin Hodes, prides himself on bringing honesty and integrity to the world of credit card processing. Swypit provides much more than just a service. Swypit takes great pride in assisting their clients with growing and managing their business while directly and successfully contributing to their client's profitability. His expertise in the merchant service industry is sought out, and he has been seen on ABC, NBC, CBS, A&E, E! and Bravo networks.

In an industry that is rife with third-party providers who are often more intent upon selling equipment than providing an effective solution for your business, Swypit ensures that their clients feel like more than just a number and receive an unparalleled level of communication and customer support.

Swypit provides world-class service, rates, and leading-edge technology. In addition, they offer businesses free credit card terminals, assistance with point-of-sale systems capable of managing inventory, payroll, gift cards, as well as cash advance services. They also offer surcharging with no-cost credit card processing.

Kevin Hodes is a three-time Best-Selling Author and Executive Producer of the following documentaries:

- *Maximum Achievement: The Brian Tracy Story*
- *The Jay Abraham Story: Getting Everything You Can Out Of All You've Got*
- *Folds of Honor: A Fighter Pilot's Mission to Deliver Healing and Hope to America*

Kevin has received numerous Telly awards, and most recently, *Folds of Honor* received two Emmys.

Staying active in the community and giving back is important to Kevin, which is why direct profits from Swypit go back into many community organizations, with his primary focus being *The American Fallen Soldiers Project* and *The Folds of Honor*.