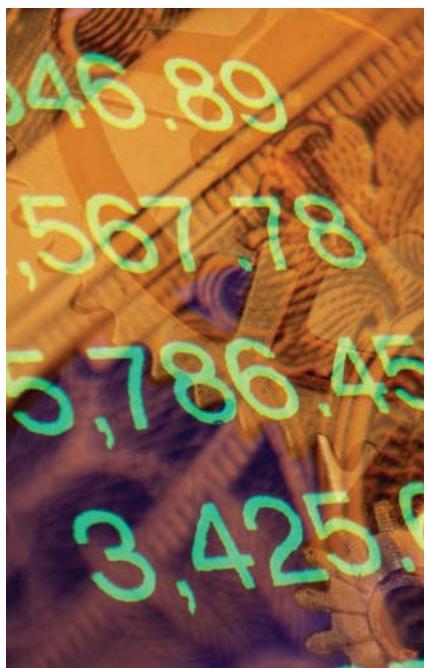


iso corner



With new ISOs popping up all the time and the business becoming so highly competitive, merchant acquirers often have to take a second look at how they compensate their sales agents. Formulas that have worked for ages may not hold up in this more competitive environment.

But while ISOs look to make their offerings more attractive to the top sales representatives, there are bound to be some that make offers so good that they are "too good to be true."

"With a lot of new ISOs starting up in the business, there are some unbelievable offers to sales representatives out there today," says Stephanie DeLeve, director of ISO and agent programs for Electronic Merchant Systems (EMS), a merchant acquirer. But DeLeve adds, that if the deals look too good to be true, they probably are. "I've heard some really sad stories of sales agents who went with one of these great offers and then six to 18 months down the road, the company they signed on with sold their portfolio out from under them and they were left without a dime. They had to start all over in the business."

The Latest Trends in Compensation

By Lauri Giesen

Still, the business is a highly competitive one and ISOs feel the need to be innovative to attract top sales talent. "The landscape has changed and we all feel the need to keep ahead of the competition to attract the best salespeople out there," says Ed Freedman, president and CEO of Basalt, Colo.-based Total Merchant Services (TMS), which just completed the first overhaul of its agent compensation plan in six years. "You can't just keep up with the Jones's anymore, you have to stay ahead of them."

Other merchant acquirers also are struggling with how to put together the best package. The most lucrative upfront offer is not always the best deal for a sales agent. Finding the deal that will best provide long-term security and profitability may be difficult for many sales agents. Yet many acquirers are now more flexible in their offerings so that prospective agents can choose the deal that best suits their individual needs.

As an example, a number of ISOs are offering sales representatives who are employees a base salary in addition to their direct commission, DeLeve says. While most previously paid their sales representatives the greatest amount of compensation at the beginning of a new relationship — when the sales representatives opened a new merchant account to purchase or lease the credit card terminals and other related equipment — many agents now want the long-term security that a base salary provides. EMS offers a base salary to sales employees in some of the four divisions it owns.

EMS offers a base salary to agents in some of the four divisions it owns. This desire to offer agents greater choice in how they want

to be compensated is reflected in a new agent compensation plan that TMS rolled out Sept. 1. TMS now offers agents the ability to choose whether they want to be paid on a buy-rate or a revenue-sharing program on a merchant-by-merchant basis. Previously, the firm allowed sales agents the ability to choose one form of payment over the other, but the choice had to be applied to all merchants.

The problem was that some merchants were more profitable to an agent on a buy-rate basis while other merchants were more profitable on a revenue-sharing plan. The result, according to Freedman, was that sales agents would sign up with two different ISOs — one offering a buy-rate plan and the other offering a revenue-sharing plan — and then refer their merchant customers to the ISO they felt would compensate them the most for that individual merchant. With the new compensation plan, Freedman hopes the top sales representatives will bring him all their business since they can now choose the individual plan they believe works best for each new merchant. Typically, a conventional retailer that is only accepting credit cards generates more revenue for the sales rep working on a buy-rate plan whereas retailers that accept a range of electronic payments, including check transactions and nonqualified credits, generate more revenue on a revenue-sharing basis.

In addition to offering a choice on the compensation plan, TMS is offering sales representatives a production bonus — often referred to in the industry as a bounty. For every new merchant that a sales agent brings, TMS pays them a \$100 bonus. An additional \$150 to \$200 is paid for "roll over" or conversion customers where a merchant is signed

on that had previously done business with one of TMS' competitors. Finally, another \$50 is paid for each new customer that also accepts American Express or Diner's cards in addition to bankcards.

DeLeve also has seen more ISOs offering bounties as a way to attract new sales agents. But she warns sales agents to look closely at the terms of the bounty deals. "The agent has to ask himself, 'What am I giving up on the backend by taking a bonus?' The money has to come from someplace. Usually, whenever someone is dangling a carrot, there is a string attached to it. Agents need to understand exactly what they are getting with a bonus."

Not all bonuses are tied to signing up new clients, however. Many ISOs are paying bonuses when sales representatives sell existing clients on such value-added services as debit cards, check authorizations and loyalty programs. While such bonuses are not new, DeLeve says the number and popularity of such services has greatly expanded, making such bonuses a bigger factor in a sales agent's total compensation.

"Loyalty and gift cards are becoming extremely popular today with small- to medium-sized merchants that need an edge over their competitors," DeLeve says. "ISOs and sales agents who work for acquirers that offer these programs not only get an edge over their competition by being able to offer a valuable extra service to retailers, but they can increase their level of compensation by selling these services."

Another trend in compensation is to allow agents the right to "buy out" or sell to another party their long-term revenue potential. Some agents who are retiring or moving to a different line of business prefer to sell their future payments in a lump sum rather than continue to collect the revenue stream into the future, DeLeve says. Giving agents the option often is quite important.

Not all compensation deals with direct cash. Sometimes, the ability to save money can

be just as attractive – if not more – than a direct payment.

As part of its new package, TMS offers sales agents a low-cost leasing program made possible through volume deals from terminal manufacturers. TMS can then pass the equipment savings on to the agents. Additionally, the firm is offering free training, free marketing materials and free PIN pad swap out and conversions, as well as free copies of Authorizenet – worth about \$99 a merchant – to agents who sign merchants that sell on the Internet.

In addition to pushing direct economic benefits, some ISOs are emphasizing their ability to service the sales representative's clients. "A lot of sales representatives only

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**—Ed Freedman
Total Merchant Services**

look at the bottom line," DeLeve says. "They need to look more at the how the acquirer can support their clients. Do they have a 24-hour help desk? Are they pro-active in dealing with the merchants in terms of retention and support. If an acquirer can't keep and support the sales representative's merchant clients, then the sales representative will lose out on a lot of commissions."

As part of keeping and supporting merchants, DeLeve says ISOs have to be able to show that they are continually adding such new value-added services as wireless services, loyalty programs, and conversions, which not only attract merchants, but give the sales

representative additional means on which to sell services and collect commissions.

Finally, as part of their efforts to attract new agents, some ISOs are offering bonuses to agents who refer colleagues. TMS, for example, pays a \$2,500 referral bonus after the referred agent activates 50 new accounts. It pays a second \$2,500 bonus after that agent activates 100 accounts.

EMS also pays referral bonuses, the amount varies depending on the size of the referred agent and the volume of business it brings. "Our referral bonuses are dependent upon the size of the portfolio involved. We share the added revenue with the referring party but the bonus is based on actual performance of the referred agent," DeLeve says.

In the end, however, most ISOs and agents realize that the best deals for both parties are those that inspire long-term relationships and compensations. ISOs don't benefit from paying a lot of upfront cash to an agent who is gone after a few months and sales representatives typically want the security of a long-term revenue stream.

"We spend a lot of money training our representatives, so we want long-term relationships. And most of the good representatives know that a long-term relationship with a reputable company outweighs any short-term bonuses they might receive," DeLeve says. "The best sales representatives – the ones we all want working for us – understand the need to evaluate the long-term benefits of any relationship."

Lauri Giesen is a Libertyville, Ill.-based freelance writer who specializes in financial services and technology. She has more than 20 years of experience covering business-related trends and technology, including 13 years covering payment systems. She is the former editor of Financial Service Online magazine, Bank Network News newsletter and POS News newsletter.