

6 Areas Most Companies Can Improve in Merchant Services

By Curtis Kleinman

Most of the costly mistakes merchants make can be corrected at little or no cost. Often a lack of knowledge, proper guidance or laziness can cost a merchant a significant amount of money in the long run. Not to mention the amount of wasted time by not doing things right the first time.

- 1. Billing Descriptors:** Using a proper and accurate billing descriptor is an easy and free way to fight chargebacks. The billing descriptor is how your product's charge appears on your customer's credit card billing statement. Your billing descriptor should include the name of your website or product and your customer service phone number. Most marketers that sell a diverse line of products set up unique billing descriptors for each. You will save money, time and effort if a customer can easily identify your purchase as valid. Make it convenient for your customer to call you for resolution instead of their credit card company.
- 2. Net Effective Rate:** Most customers sweat every penny spent along the way, watching every cost. When it comes to payment processing, merchants usually have low rounded budgets. You must account for all costs in your net effective rate — the total processing volume divided by all rates and fees combined. All rates and fees include the processing rate, chargeback fees, retrieval fees, statement fees, licensing, reversals, transaction charges and more. You must factor downgraded surcharges — what extra merchants are charged when your customer's credit cards have perks attached like rewards, mileage, cash back and gas benefits — in your budget. Corporate and international cards will also cost you a higher rate to accept. Even with proper business practices and a safe, working product, chargebacks and refunds will usually occur. Marketers should factor approximately 3.5-4 percent for their "net effective rate" just to be safe.
- 3. Customer Service:** Many customer service reps concentrate primarily on closing

and saving precious sales. But, if there is too much focus on saving the sale and your customers feel pressured, they'll call their credit card company immediately to initiate a chargeback. Return customer service calls should be considered just important as those placing new orders. Customer service must be accessible, respond quickly and be helpful to your consumer's issue.

- 4. Your Refund Policy:** As a business owner, everything you do is centered on protecting yourself and your assets. It is never wise to give away more than you have to or are required to — unless the detrimental effects of protecting yourself too well cause more time and expense down the road. Make returns easy for your customers. Give refunds before you receive your product back — if you want it back at all. Don't stand on principle. Giving a refund quickly can stop a chargeback, even before it's attempted.
- 5. Multiple Merchant Accounts:** Many merchants don't realize they can keep multiple merchant accounts. Changing or adding a merchant account requires no pain and suffering. Opening multiple merchant accounts is a great idea for many. Owners should keep multiple merchant accounts for many reasons. Security, first of all — if you experience high chargeback rates, you can still process payments. If sales increase quickly, you'll have enough processing volume for all the orders. In case of fraud, you can transfer all processing you require to your functional merchant account.
- 6. Banks Familiar With Direct Response:** Certain credit card processors' underwriting departments don't have a deep desire to accept direct response, continuity and upsell programs. There are many negative consequences associated with utilizing one of these processors. Some who use the wrong payment processors experience higher reserves, lower chargeback tolerance, unexpected termination and lower processing limits. Banks' underwriting and risk departments may end up not being comfortable with the product or billing model associated — or sometimes it's a technical incompatibility issue, a spike in sales volume or just a few returns and chargebacks occur. ■



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