



Merchant Acquiring: Leading Practices in Retention Management

Study Developed by Sherry Seetram in cooperation with TSG

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PREVIEW



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Report Overview

The first merchant acquiring retention management study, conducted in late 2013, surveyed a cross-section of merchant service providers (acquirers and ISOs) that collectively transacted \$550 billion in bankcard sales¹ for more than 1 million merchants. The study revealed important trends and challenges that impact the merchant acquiring industry.

Key industry challenges specifically impacting retention management organizations:

- Increased growth in merchant attrition
- Improvement in value proposition is needed to maintain relevance and sustain margins
- Gaps in technology and loose operational processes contribute to higher costs and poor service levels

Key findings gleaned from the study indicated an increasing trend in merchant attrition across all portfolio sizes with attrition rates ranging from 20 to 25%. Respondents that utilized proactive tactics to detect and manage merchant retention fared better than those that utilized reactive tactics. There is a critical need to address key operational pain points that were identified; however, the study shows that more companies invest in new account acquisitions compared to investments in retention management.

Overall, the merchant business model is experiencing competitive pressure that is driving margins in the wrong direction. Merchant service providers need to transform into service-oriented providers and offer their merchants an arsenal of compelling value propositions. The need is greater now than ever before for merchant service providers to invest in technologies and operational improvements that will make it possible for them to offer customers personalized services that will increase customers' perceived value and, ultimately, customer loyalty.

About the 2013 Study:

This study was developed by Sherry Seetram in cooperation with The Strawhecker Group. There were 18 respondents, with a mix of Independent Sales Organizations (ISOs) and Acquirers. The survey was administered via email and teleconferences during the third quarter of 2013. Responses were collated, analyzed, and anonymized to produce the summarized results included herein.

Notes:

- For the purposes of this report, an ISO is defined as a non-bank acquirer whose primary focus is selling merchant services that utilize third-parties for most payments functionality. An Acquirer is defined as a merchant acquirer that provides most acquiring functions in-house, including processing.
- Percentages of survey results were calculated based on actual responses received from respondents, unanswered questions were not calculated in the results.

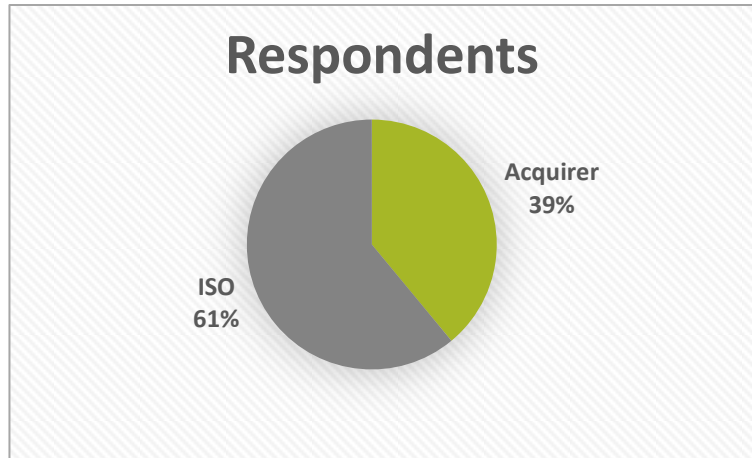
¹Bank Card sales is defined as Visa, MasterCard and Discover credit and signature debit card volume.

Report Overview

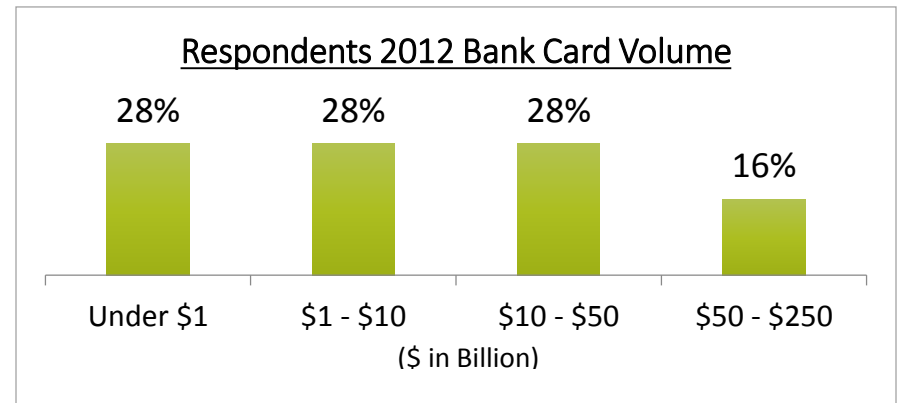
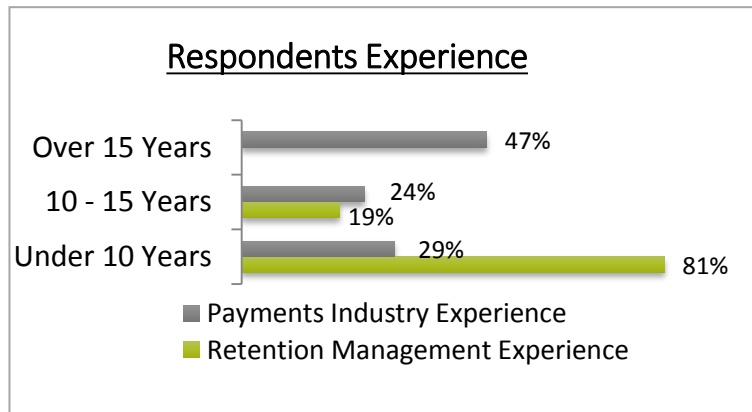
Content Listing	
Survey Respondents	4
Executive Summary	5
Section I: Understanding The Attrition Problem	6
Attrition Trends	7
Common Measures Of Attrition	8
Attrition Rates and Reasons	9
Section II: Responding To Attrition	10
Retention Management Trend	11
Retention Management vs Acquisition Investments	12
Retention Management Approach	13
Retention Triggers	14
Key Success Measures	15
Retention Organization Structure	16
Major Pain Points In Retention Operations	17
Section III: Conclusions	18
Concluding Thoughts	19
Looking Ahead	20
Appendix	21
Leading Practices: A Scientific Approach to Retention Management	22

Survey Respondents

Respondents fell into two main categories: Acquirer & ISOs



- ~13% U.S. card acceptance market
- ~\$550B in annual bankcard sales
- ~87K active merchants is the average portfolio size



About TSG

The Strawhecker Group (TSG) is a management consulting company focused on the electronic payments industry.

TSG's Service Groups

Payments Strategy - Payments Strategy encompasses the full spectrum of advisory services within the Payments Industry. The depth of these services is built on deep industry knowledge - the Partners and Associates of the firm have an average of over 20 years of industry experience. With clients from card issuers to merchant acquirers, TSG has the experience and expertise to provide real-time strategies.

Transaction Advisory - Whether buying or selling, seeking investment funding, or planning your company's exit strategy, TSG's experience can be critical to achieving success. TSG has performed more than 100 Payments Company Valuation and/or Business Assessments in the past three years - ranging in value from \$1 million to \$1 billion.

TSG Metrics - TSG Metrics, the strategic research and analysis division of TSG, provides the Payments Industry with highly focused research and industry-wide studies. TSG Metrics takes data, boils it down to information, transforms it to knowledge and presents it to provide wisdom to its client partners.

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TSG consists of Industry leaders with extensive experience leading teams through explosive growth periods, mergers and acquisitions, and international and domestic expansion within the Payments Industry. Both Partners and Associates of the firm have held key senior management positions at leading industry companies including First Data / First Data International, Visa Inc., MasterCard, TSYS, Humboldt Merchant Services, WorldPay, Heartland Payment Systems, Cardservice International, iPayment, Alliance Data, RapidAdvance, Accenture Consulting, Redwood Merchant Services, Chase Paymentech, as well as other leading financial institutions and Payments companies.

TSG's Influence Shapes the Payments Industry

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About Sherry Seetram

Sherry Seetram is president and founder of ePay Consulting Services, a specialty electronic payments consultancy with expertise in the merchant acquiring and processing industry. Sherry has more than 14 years of extensive experience in business strategy and operations. She has worked with management consulting firms and fortune 500 and 100 companies in the financial services and technology industries.

Sherry is a proven expert at developing payment strategies with actionable roadmaps (e.g., market growth, revenue optimizations, products), assessing and mitigating portfolio risks, and streamlining processes and back office automation to help improve productivity and organizational effectiveness.

Prior to launching ePay Consulting Services, Sherry worked for PricewaterhouseCoopers as Management Consultant and subject matter specialist for the Payments Advisory Practice. She led several large-scale payments engagements with major payment companies and merchants and provided industry perspectives and knowledge share to practitioners.

Sherry worked at First Data as Director of Risk Products and Programs. There she helped develop and execute the first concept of risk-based pricing in merchant acquiring. Sherry spearheaded other product development initiatives related to activation and retention management strategies and has held positions in both finance and risk management.

Currently, in addition to managing ePay Consulting Services, Sherry is an active member of NYPAY.org, a payments thought leadership organization. At NYPAY.org Sherry has helped to develop thought leadership events focused on discussing Big Data in Payments and topics related to interchange.

Sherry earned her MBA from Long Island University (CW Post) and her Bachelors of Science in Finance from St. John's University.