

Merchant Life Cycle

As a payment facilitator, processor and/or acquirer, the relationship with your merchants will determine not only your bottom line but your reputation in the market place. Their positive perception of your support at the different stages of a 'Merchant Life Cycle' is critical. Conversely, your merchants' performance in transaction volume and quality will need to provide the necessary margin to run your systems and provide first-class customer support. In my experience there are four important stages that will define your success:

1. Customer/Merchant Identification and Sales Process
2. Customer/Merchant Engagement, Pricing and Signed Service Agreement
3. The first 90 Days of Processing
4. Chargebacks and Disputes

The following is an excerpt of observed problems in these stages:

1. Customer/Merchant Identification and Sales Process
 - Sales Team was not focusing on target merchants and they were also not able to communicate the unique value proposition of the offered solution
 - Willing merchants would not fit the desired criteria: wrong industry/vertical, experienced first party fraud too high, merchant/third party fraud occurred, and/or processing volume too low
 - Sales Team would not collect all necessary customer documentation, i.e. historic processing statements or transaction details; as a result, Risk Team could not model the merchant-specific risk, and Finance could not deliver appropriate pricing
 - Incentive/commission scheme was not effective and would reward problematic behavior
2. Customer/Merchant Engagement, Pricing and Signed Service Agreement
 - Merchants would not provide a complete set of required documentation
 - Underwriting did not have sufficient tools nor an established review process and was not able to respond within acceptable time frame
 - Underwriting would get involved too late and potentially reject merchants at a late stage
 - Different and outdated Service Agreements were used by the members of the Sales Team, confusing customers and increasing workload for Legal department
 - The Service Delivery Team was notified too late, delaying onboarding of merchants
 - Pricing policy was not adhered to; Finance/Risk teams were often not involved or notified too late
3. The first 90 Days of Processing
 - Merchant would not go live although all systems were ready
 - Transaction volume would not ramp-up as expected
 - Acceptance rates were too low
 - Fraud was higher than expected
4. Chargebacks and Disputes
 - Dispute selection criteria were outdated, and not all chargebacks were addressed
 - Dispute Team was managed like a cost center
 - Disputing process was not scalable and inefficient

If these issues resonate with you/your organization let's talk about the remedies: michael@mwbt.biz