



## **Partnering With a Merchant Banking Services Firm to Enhance Your Business Operations**

By Michael Berman

Having spent my entire career in corporate America I envy the nation's small business and shop owners. On the flip side, I also have pity for them. Huh? Allow me to explain.

For nearly a quarter of a century I have worked with hundreds of thousands of people who maintained an uneasy truce with their employer, working for a living but never really loving what they do or feeling overly appreciated. Yet, I haven't met a merchant who is not in a business he or she absolutely loves. Even if these merchants put in long hours and fight hard to earn every dollar, the florist loves flowers, the gift shop owner thrives on the creativity of these unique stores and the auto mechanic loves cars. Remember how Howard Cunningham on "Happy Days" loved hardware as much as he did his family -- Marion, Richie, Joanie and even The Fonz! Those of you who have been able to marry your passion and your income are the most fortunate. Each of us who commutes to and from our offices each day occasionally wishes we could find that same bliss.

Yet as much as I may have nothing but admiration for America's merchants, I also recognize that they have been underserved, possibly even abandoned, by those best positioned to provide assistance. I am referring to suppliers who concentrate on the "back of the counter" responsibilities.

A shopkeeper is focused on and preoccupied about the front-end of the store. He should be -- that is where the merchandise, displays and customers are. I don't know any merchant who began his business because he was excited to take the order for that first credit card or POS terminal or proudly display a check processing capability. These are all necessary inputs, byproducts of being a business owner. While these may be obligatory pieces of operating a store, they are marketed in a way that does not well serve merchants.

Store owners are forced to spend far more time dealing with back of the counter stuff than necessary. These merchants need strategic partners who can help them solve their genuine business problems.

Corporate America has excellent lessons to teach the merchant banking industry, many of which I've brought with me into the merchant services sector. A few notable examples include:

- UPS once was defined as a company that only handled boxes of 70 pounds or less providing surface only delivery of parcels in the U.S. Today UPS is a fully integrated global logistics company;
- Pitney Bowes evolved from a manufacturer of mail meters to a full service solution for managing all aspects of a company's print and distribution operations;
- Xerox is the document company, not simply a manufacturer and seller of copier machines.

These are just a few examples that I've purposefully selected for several reasons. UPS, Pitney Bowes and Xerox were established in the early 1900s (unlike a revolutionary start-up such as Google.) For nearly a century these intelligently-run companies illustrate that they understand their markets and have a defined mission. Over time these companies have been able to transform themselves to deliver the goods and services their customers want and need. They are devoted to developing and maintaining successful long-term business partnerships with their customers.

Merchants should also demand that their key back-of-the-counter providers engage in effective and strategic partnerships. At a minimum, this requires that back-of-the-counter providers offer a wide range of goods and services rather than focus only on a key product or resource. Merchants should also do their part by strategically evaluating how the back of the counter should be approached. This brief planning exercise will save a shopkeeper significant time and money in the future; a matter of *working on the business rather than always working in the business*.

Most merchants are aware of the cash advance product, and while it might not be something every business owner wants or needs all the time it is something a shopkeeper may want access to. Cash advance is tied to credit card processing, so the next time you look at your credit card terminal think of it less as a required tool for taking customer credit cards but as an ATM for your business. You might not ever need that cash advance, but if you do, working with a provider that offers both cash advance and credit card processing capabilities is a strategic and smart thing to do. But remember, cash does not stop there.

All stores should offer gift cards, one of the most significant and successful trends and cash flow enriching business opportunities of this era. According to Comdata, in the 2007 holiday season, the average gift card buyer was projected to spend \$203 on cards, a \$23 increase from 2006. Sell a \$50 gift card today and take in that revenue today for a purchase which will be redeemed at a later date. It is essentially a supply of ready cash!

However, gift card, credit card processing and cash advance are typically most often sold by providers in a silo as a particular transaction and owners are nearly conditioned to accept it this way. Merchants are the customer and they ought to demand that back-of-the-counter providers offer these three bundled services, and a range of other services, to help them meet and exceed their strategic efforts.

The key to look for is a well established, full service merchant financial services company—meaning cash advances, credit card processing, gift cards and ancillary services. Who you do business with matters. You want a large, credible firm that can demonstrate a track record. Ask how long have they been in business and who some of their customers are, particularly from your market so they can demonstrate their experience and understanding of your needs.

Owning a business has too many other pressing issues to worry about to accept anything less than a full-service, qualified, business partner for cash advance, credit card processing and the myriad of other services connected to the back of the counter.

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