

ISO & AGENT WEEKLY

Tips, Tactics and Strategies for POS & ATM Sales Success

Payment Alliance Aims To Parlay Experience Into Profit

It is no secret that Payment Alliance International is recruiting well-known and experienced payment professionals. What many may not know is that the Louisville, Ky.-based ISO has quickly built up its business.

John J. Leehy III, CEO, says Payment Alliance has made an acquisition in each of the last five quarters. Leehy, citing the company's position as a privately held company, did not offer any details of those transactions, but says the ISO now has 230 employees and about 35,000 merchant customers.

Formed in September 2005, Payment Alliance made its first acquisition that same month, buying Electronic Data Resources Inc., an ISO based in West Palm Beach, Fla.

ONE A QUARTER

In January 2006, Payment Alliance bought Payment Transaction Solutions LP, a Memphis, Tenn.-based payment services company to more than 500 bank branches. In February, Bank Services Group, a Louisville, Ky.-based ATM services company was bought, followed in March by the purchase of Confluent Technologies, another Louisville company that specializes in data mining.

In September, Payment Alliance bought Peak Card Services Inc., a Florence, Colo.-based ISO.

And in January, Payment Alliance signed a multi-year deal with Data Delivery Services Inc., of Plano, Texas, which provides Payment Alliance merchants with a single access point to their processing statements, transaction history and related information.

The Texas company also will provide Payment Alliance access to a customer rela-

tionship management program that brings information from the ISO's multiple front-end and back-end processors into a single online location to make it easier for employees to monitor transaction information.

BEYOND PROCESSING

Leehy says Payment Alliance executives want to do more than build a company by only adding merchants.

"The whole idea for us is to say, 'What's going on with your business?'" Leehy says. "The focus can't be just about my business."

A primary strategy for doing that is to couple point-of-sale data from the merchant or ISO partner with operational business data, he says.

Payment Alliance's purchase of Confluent Technologies will help.

"We think there's a convergence on the information side and payment side of a business," Leehy tells *ISO & Agent Weekly*. The opportunity is to help the merchant match their sales data with operational data to understand any correlations between the two, he explains.

Another tactic is to find mid-size ISOs that want to grow, he says, and act as a business analyst to that organization. Leehy says Payment Alliance executives can draw from a variety of experiences to analyze what that client ISO needs to expand.

Leehy says another tactic is to seek out ISOs to work with.

Payment Alliance also sees community banks as an avenue. So far, Leehy's organization is working with 306 community banks as their ISO, providing card services, ATM network management, ATM branding and related products, he says.

Donna Embry, a senior vice president at Payment Alliance, considers the formation of Payment Alliance as a redefinition of an ISO. It's not unlike other periods of changes in the industry, she says, such as when banks outsourced merchant acquisition to ISOs beginning in the 1980s. She sees Payment Alliance as a company that can move away from the commodity definition.

"With our experience we see different ways of rolling out products and services," Embry says.


EVOLVING VALUE

Payment Alliance's approach symbolizes a potential new approach for ISOs beyond simply offering credit and debit card processing, says Mark Dunn, president of Field Guide Enterprises LLC, a Hartland, Wis.-based ISO consulting firm.

"The basic value that merchant service providers offer is under tremendous price pressure right now," Dunn says, "as merchants become more sophisticated and learn more about merchant bankcard processing and interchange. They start questioning how much they're paying."

Dunn says ISO profit margins are shrinking because of this and smaller ISOs are finding it difficult to compete on price.

"Everyone is looking for how do you make the process of bankcard transactions more valuable but less expensive," he says.

More value typically creates two scenarios ISOs generally like, he says. One is that the perceived value will make it easier to justify additional pricing. Second, the merchant will be less likely to switch ISOs, he says. 



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