



New MIC BankCard Program: More Savings, Better Service

By Arlo Redwine

According to the MIC BankCard program, dealers enrolled with it for payment processing can now save an additional 30 percent on their annual costs. But those dealers must ask for it. Nobody will be contacting them.

The cost reductions are due to a new long-term contract between the program and First Data, the country's largest credit card processor. The program pairs new enrollees with First Data automatically. But as for dealers already enrolled, unless they ask, they will remain with what used to be the program's only processor, Tsys.

MIC BankCard has agreed with Tsys not to solicit dealers for the free switch. Tsys, after all, is still the 13-year-old program's primary processor. To compete with First Data, it even may start lowering its own fees and rates for dealers who negotiate.

Dealernews spoke with the MIC BankCard program's director, Matt Tanzy, to get caught up on all these behind-the-scenes dealings. He makes a strong case for enrolled dealers to switch to First Data, calling the new program a major improvement (which makes the program a bigger draw for dealers not already participating).

First Data benefits not only from economies of scale, but also from owning its own Visa/Mastercard bank and several other businesses related to processing. Virtual terminals, a loyalty program, a gift card program, electronic payroll deposits and other services are available from this one source, making customer service and troubleshooting easier. In fact, dealers switching to the new processor will receive first-tier help desk services usually available only to retailers processing more than \$500,000 per year, Tanzy says.

But before we delve into that, let's define what the savings are, and how they come about.

First Data's Big-Dog Leverage

First Data owns the network that processes the vast majority of U.S. transactions. "Ninety cents of every dollar that gets processed in credit cards goes through First Data," Tanzy says, "and 8 cents of every dollar goes through Tsys. So it's a huge difference in the volume. The remaining 2 cents goes through little specialty networks."

As mentioned, First Data is the only network that is also a bank, and it owns a bunch of other stuff in the processing channel, making it an end-to-end solution.

First Data is selective about with whom it partners, usually going after big boxes like Wal-Mart. Tanzy had to negotiate with the company for a year, even though the MIC BankCard program processed more than \$1 billion in 2008. An agreement was finally reached, and First Data began offering its services at the beginning of the year. Atlanta-based Boaz Group, the manager of the BankCard program, and for which Tanzy is president, changed its name to First Payment Systems to reflect the change. *(Continued)*

As with Tsys, a small percentage of the revenue generated by the First Data program is given to the MIC, which earmarks the funds for land-use lobbying.

So just how much will dealers save? Tanzy says dealers will see a 29 percent to 32 percent decline in their annual costs, depending on the “rate bucket” for which they qualify. So 30 percent on average.

Tanzy says recent dealer enrollees are saving about \$4,800 annually with First Data compared to the costs of their previous provider. So the average Tsys dealer is saving only \$3,360, a \$1,440 difference.

First Data’s discount rate for card-present “qualified” transactions (i.e., most of those taking place in-store) is actually not much different than that of Tsys. Both average about 1.23 percent. The savings come about for “mid” and “nonqualified” transactions. Examples include Internet and mail-order transactions as well as those involving rewards cards and corporate business cards. Tanzy says that in the powersports industry, the split between mid or nonqualified transactions and qualified is 48/52.

Dealers also save on their debit card fees. “In the olden days when a dealer took a debit card,” Tanzy says, “he just paid a quarter for the transaction and no discount fee. Now over half the banks in America [including Tsys] are charging a 1 percent fee on top of the quarter. We’re not doing that with First Data. We’re running debits for still the same quarter.”

The \$1,440 yearly difference between Tsys and First Data may not sound like much to some dealers. But there are other ways that First Data could save them not only money, but time.

For example, a Tsys dealer may already be using TeleCheck, a company owned by First Data, for his or her check services. “TeleCheck works with Tsys,” Tanzy says, “but it definitely doesn’t have all the bells and whistles you get with being on their own network.”

That same dealer may offer gift cards through yet another company (most BankCard dealers use Valutec Card Solutions). “So you have three different companies involved,” Tanzy says. “If you have an issue and you call us, we have to figure out whether it’s a network issue or a TeleCheck issue because all this software is lobbed into one machine. If the TeleCheck data gets corrupted, it could mess up your gift cards. We do a lot of troubleshooting.”

But now BankCard dealers can receive all their services — card processing, check services, gift cards and electronic payroll — from First Data. It’s all in-house. “So in literally one phone call, we can troubleshoot and see exactly where the issue is and solve it,” Tanzy says.

First Data is providing all dealers its 24/7 platinum-level help desk service. Whereas Tsys dealers may be transferred once or twice while using Tsys’ first-level help desk, First Data dealers speak immediately to a third-level representative. *(Continued)*

One company instead of three also leads to better terminals because each company requires its own software downloads. “Now when we reprogram terminals,” Tanzy says, “there is just one solid piece of software, so it’s more stable. It’s like an Abrams tank. It’s much less to support and easy to troubleshoot. It goes down less.”

Dealers who sign up for First Data could also save money on their phone bill. The terminal software used by Tsys supports only dial-up connections. “So if you have four places where people can check out, you’d have to have four separate phone lines,” Tanzy says. “Well, those phone lines cost \$50, \$60 per month, so you could have \$200 in phone lines.”

First Data software, on the other hand, requires only an Internet connection. “If you’ve got Internet access at your dealership, you don’t have to have phone lines,” Tanzy says. “You can just dial through your IP network. That’s a lot quicker to get authorization settlements, and you can trash your phone lines. Anywhere you’ve got Internet access can be a cash register for you.”

The same goes for check processing. All a dealer needs is Internet access and a PC terminal. Dealers don’t have to change their terminals, just their software.

The value of virtual terminals goes well beyond replacing phone lines. Dealers can use them to process their online transactions automatically, as well as to import transactions into their accounting system. More on these two benefits in the next section.

Going Virtual Is All the Rage

Tanzy says that until recently, dealers who wanted virtual terminals had to own a dealer management system (DMS). For example, many DMS providers charge a fee for integrating payment processing with their accounting module. This saves the dealer from having to enter the numbers manually.

"But now First Data has an end-to-end solution," Tanzy says. "You can export the daily settlement files off the First Data virtual terminal and import them into your accounting system." Tanzy says all industry-specific software and general software like QuickBooks can import the basic database files. The same goes for data pertaining to checks and gift cards.

"If you don't own a dealer management system," Tanzy says, "you can get one huge benefit of a system without buying one."

Speaking of software providers, some dealers may remember that MIC BankCard and ADP Lightspeed were once partners. The companies amicably parted ways in 2009, Tanzy says. ADP Lightspeed is now marketing its own credit card processing program. *(Continued)*

When it comes to e-commerce, MIC BankCard will continue to support Authorize.Net, the payment gateway it provides to Tsys customers. But new enrollees and dealers who switch to First Data can choose to use the virtual terminals instead.

Authorize.Net charges \$5 per month and an extra nickel per transaction (for a total of 25 cents). First Data charges \$25 per month but no transaction fee. So a dealer breaks even after just 80 transactions.

The First Data gateway can be integrated into any dealership website, regardless of the website provider (PowerSports Network, 50 Below, ARI, etc.). "Just call us," Tanzy says. "Via e-mail we set up an FTP site with an integration kit. Your Web developer then grabs that and puts it in."

The gateway consists of a generic shopping cart and "pay page" that are secured. For a fee, dealers can customize the page with their logo and contact information. **(Continued on page 2.)**

Further Details, How to Switch

Here are the nuts and bolts of the BankCard program:

- Transactions are deposited into a dealer's bank within two business days.
- There is no contract and no daily settlement fee, batch fee, annual fee or terminal programming fee.
- Dealers are not required to keep an offsetting depository account, and they can switch back to their old processor at any time, with no termination fee.
- The introductory rate will not be increased at a later date (except during Visa/Mastercard's normal increase in April).
- Discount rates come in 87 "buckets" for which dealers qualify, averaging about 1.23 percent.
- The per-transaction fee is 20 cents
- Debits with First Data have no discount rates, only a flat per-transaction fee of 45 cents.
- Check cards, gift cards, private-label cards, and "foreign cards" like AmEx and Discover have a flat fee of 25 cents.
- Although MIC BankCard has processed OEM revolving cards in the past, it's not currently handling any (see the bonus coverage below this article for more details).
- A monthly statement fee is negotiable and will never exceed \$10.

Generic gift cards cost 78 cents apiece. Customized ones cost a dollar. First Data also offers its own loyalty rewards cards. Customers earn points redeemable for store credit. They can log on to their own home page to see how many rewards points they've earned, just as they can check the balance on their gift cards.

There's no cost to sign up with MIC BankCard or to switch processing. "The greatest thing about that is that there's one set of paperwork," Tanzy says. "It's like four pages, and that can switch their check processing, their gift cards (if they choose to do so) and their merchant account. The paperwork is more streamlined because it's just one company."

Whereas switching to Tsys used to take three to four weeks, switching now takes two to three. "And that's the entire process, from the day you call us, until the day you're actually switched in processing," Tanzy says. During the transition, dealers are never without processing. There's no downtime. *(Continued)*

For dealers who need terminals (most just reprogram the ones they've got), MIC BankCard offers a large inventory. "We have just every imaginable combination of terminals," Tanzy says. "And we're real cheap. Most people sell terminals for \$800 to \$900. We sell them for \$300 to \$400. The same exact terminals. We're always much cheaper just because we don't really use it as a big moneymaking thing. For us, it's a convenience."

Because Tanzy's crew can reprogram the terminals before shipping them out, the switching time is reduced.

Remember, dealers already signed up with MIC BankCard will not be switched over to First Data automatically. "The dealers are going to have to instigate it," Tanzy says. "They're going to have to call in and ask for the rate review."

"If they want to stay with Tsys because they're happy," he continues, "they're welcome to stay. But First Data is such a better partner for us long term, my gut tells me probably in the next five to six years everything is going to migrate to First Data."

Dealers can contact MIC BankCard through its new number, 877-726-7017. "Anybody that answers the phone will be well-versed, or they can ask for me," Tanzy says. If you're ready for a free cost analysis, you can fax to the program a copy of your credit card processing statement. The fax number is 678-829-0517. You can also speak with Tanzy at Dealer Expo at Booth 4508.

BONUS COVERAGE:

MIC BankCard Shares Its Numbers

MIC BankCard has about 1,400 active merchant accounts, says program director Matt Tanzy. Because dealerships often have more than one merchant account — for store divisions like rentals, e-commerce or service — this figure is not the number of dealers.

From 2008 to 2009, the number of active accounts remained the same. Even though more dealers enrolled, the number of inactive merchant IDs increased. "In 2008," Tanzy says, "we had about 1,400 active and about 600 or 700 inactive. 'Inactive' means they're not consistent. They might process for a couple of months; then they don't process. Either they went out of business, or they're just not processing for some reason. Maybe they don't do Internet sales anymore, for example."

"Our inactive dealers," Tanzy continues, "went up to about 900, about a 28 percent increase. So all the growth we had enrolling new dealers was taken away."

The volume of processing in 2009, of course, was down. But the amount it was down may surprise you. "We're going to end up at about \$658 million, which is going to be about a 38 percent drop," Tanzy says. *(Continued)*

Last year, Visa/Mastercard and all their member banks lowered credit card limits across the board. "What I believe we started to see," Tanzy says, "was that customers stopped using their credit cards for convenience purchases, and they saved some of those credit lines for emergencies. Because of that, discretionary purchases have become more cash. I can't prove it, but logic tells me that in dealerships, cash business has increased, and credit card business has decreased."

Don't Fall for This PCI Compliance Scam

Dealers and wholesalers wishing to store their customers' credit card information must pass a set of security guidelines called PCI compliance. The process involves applications, fees and audits. What it doesn't involve is the changing of terminals, says Matt Tanzy, managing director of the MIC BankCard program.

“A scam that is happening right now,” he says, “is that a lot of credit card processors have sent letters and e-mails telling their customers, ‘Look, we need to ensure that your equipment is PCI-compliant, and you may need to purchase new equipment to remain PCI-compliant.’ They’re doing that because they want to sell a bunch of terminals.

“I’m unaware of any terminal out there that stores any credit card information,” Tanzy says. Even if the terminal software did store it, he adds, all a dealer would have to do is reprogram the terminal.

Canadian Dealers and International Sales

The MIC BankCard program is of limited use to Canadian dealers because the country’s nationalized banking system.

“The only way we can process is if a dealer has an American depository account,” says program director Matt Tanzy. “We can’t do money conversion and deposit to a Canadian bank account, so a lot of those border Canadian dealers will have a bank account in the United States. Then we can process all day long, as long as it’s U.S. currency.”

For U.S. dealers wishing to sell to Canada and other foreign countries, the risk of fraud is worse than ever, Tanzy says. To help decrease the risks, he recommends dealers follow these procedures before shipping products overseas:

- Obtain a photocopy of the front and back of a valid driver’s license or passport.
- Obtain a photocopy of the front and back (signed) of the credit card to be used.
- Ensure the name on the ID exactly matches the name on the credit card.
- Require the courier/shipping service to obtain a signed proof of delivery.

“And the proof of delivery has to match the driver’s license,” Tanzy says, adding that normal address verification works only about 20 percent of the time with international cards.

OEM Private-Label Cards: Will They Ever Integrate?

Matt Tanzy, director of the MIC BankCard program, says he wishes dealers could process their OEM private-label cards using the same system. “It’s one of those things where one day, before I retire, I want to say I finally did it. I integrated these things.” (*Continued*)

Luckily, he isn’t retiring anytime soon. Tanzy’s recent integration efforts have been thwarted by the OEMs’ changing of banks. For example, Tanzy doesn’t yet have even a contact at Sheffield, which has taken over several programs in the past two years. Another roadblock to integration comes when the banks change management.

MIC BankCard did once process Suzuki’s and Polaris’ revolving cards through the same terminal, so Tanzy’s goal isn’t unthinkable. “We want to do it,” he says. “It’s not us. We have all the programming resources. I have called these finance companies and said, ‘Guys, you don’t even have to do the programming. All you’ve got to do is give us your API, your automated protocol interface on how you talk to your guys. ... We’ll do all the work. We’ll pay for it.’”

Tanzy says the program’s new processor, First Data (see main story), has shown a lot of interest in renewing the effort. In fact, he plans to address the OEMs about it at the MIC board meeting during Dealer Expo. “I’ll tell them, ‘Guys, look, if you can put me in contact with your finance companies, we have the largest processor in the United States, and it wants — and will pay for — full integrations.’”

In the Works: Swipers for Cheaper B2B Transactions

The MIC BankCard program is beta-testing technology that would allow dealers to pay for inventory by swiping their credit cards from home. Distributors and other wholesalers would mail to dealers a USB swiper that connects to a computer.

“Then their customers could actually swipe,” says program director Matt Tanzy, “and that saves a huge amount of money because it converts it from a mid or nonqualified into a qualified transaction, which is like a savings of a hundred basis points.”