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Electronic Cash Flow Acceleration

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Capture the Benefits of Automated Payments
For Texas Mini Storage Association (TMSA) Development Seminar
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Advancements in electronic and automated payments are available NOW to provide a cost-efficient way to receive your customers' payments on time while giving your business the opportunity to offer several convenient payment options to your customers.

The mysteries of making and accepting payments online, by phone and by fax are solved by the many features of today's electronic payment technology for both electronic checks and credit cards. Payment transactions can be done on the virtual terminal that is your PC keyboard, or online. Data can be exported into accounting programs that accept data imports, relieving the tedium of re-keying the details. With this in mind, accepting electronic payments even to the point of allowing the consumer to manager his or her own account online is rapidly emerging as a preferred business model. This is doable today whereas 5 years ago the technology did not exist outside the large companies with their own data processing departments. Today professional payment resources are making these tools available for small business entrepreneurs as well as larger companies. And the consumer is now much more familiar with the concept of electronic payments in the culture.

It is becoming increasingly important for businesses to centralize their cash management in order to reduce costs and increase the investment value of their income from the entire business. One of the best ways to accomplish this is to centralize the payment processing activities of all sites/locations/properties/departments throughout the business on a single platform. One that allows your business to manage multiple merchant accounts for the same organization with a single interface and route and transfer money to multiple bank accounts.

To increase profitability, the self-storage and apartment industry has seen the value in setting up customers' monthly payments automatically as recurring payments each month; to increase cash flow and increase the time value of money by receiving as many monthly payments as possible on the day they are due.

It is important to note that monthly rent collection has a unique aspect in the storage and apartment industry in that the customer is usually not present at the point of sale each month to pay their payment. This means that most customers have to remember to mail their payment in on time.

For decades the self-storage and apartment industry has accepted payments in the familiar form of cash or personal paper checks that must be processed, documented and physically taken to the bank.

However, in recent years, customers began asking for convenient payment options. Some customers prefer to use their credit cards to earn the 'Points' for their frequent flyer and other benefit programs. But many times when the customer asks you if you accept credit cards, they just want a convenient payment option and would actually choose the automatic bank draft option which debits their checking account over credit cards so that they don't have to pay interest. Over the years customers have a demonstrated preference for checkbooks (92% of adults have one) and credit cards (50+% of adults have one or one with any available balance on it).

The most popular automatic bank draft method has been "Pre-Authorized Checking" using paper check drafts where the customer's check is recreated each month on the appropriate day and mailed to your business for deposit into your bank. Using today's dynamic electronic payment technology, monthly

payments can be set up as either recurring credit card payments or recurring electronic automatic bank draft payments.

For clarification and to differentiate 'electronic payments' from credit card payments, it is important to clarify that 'electronic payments' refers to electronic transactions that debit a customer's checking account. Electronic payments can also be referred to as electronic checks, Automatic Bank Drafts for recurring payments (although these can be set up as paper drafts as well as electronic drafts), ACH transactions or Electronic Funds Transfers (EFT). Credit card payments can also be set up for recurring monthly payments. For those companies that would like to offer more payment options to their customers but prefer to use paper drafts rather than electronic, the recurring paper automatic bank draft program is still a popular and viable option.

By expanding your business' electronic payment options and offering electronic payments, you're offering your customers credit card-style convenience founded on a well-established preference for checking. Electronic transactions are not only convenient; they are also very secure. Work is greatly reduced. There is no need to handle each transaction. Paper statements sent in the mail are eliminated. With the right tools, they provide great data for analysis of business. Money settles into the bank in the fastest way possible. Transactions move through the Federal Reserve's Automated Clearing House network, and funds settle into your account in 24-48 hours. You're reducing paper rework, handling and filing time and therefore increasing employee efficiency. You're lowering the potential for check loss, customer identity theft, and employee dishonesty. You're improving security. And you're increasing financial accuracy, audit ability and accountability. You're also saving your business money in transaction expenses: Electronic check payments avoid bank deposit fees and process at a fixed, flat cost – a fraction of the amount charged for percentage-based credit card transactions. Electronic transactions cost less than paper and manual transactions when you include the cost of statements, invoices, postage, envelopes, stamps, time and labor to prepare them. Electronic check recovery can be accomplished with a keystroke to re-present an electronic payment that was returned NSF. For businesses, which already have computers and Internet access, utilizing electronic payment methods is yet one more way to gain more from the investment they already have in technology resources. In essence, accepting electronic payments is good money management.

Changes in technology that came about during the 1990's made electronic transactions practical for small businesses. Large businesses have done electronic payments since the mid 1970's. Faster modem speeds, more reliable communications in operating systems, availability of larger and more affordable memory and storage, and the availability of the Internet have all converged since Y2K to cause electronic payments to emerge as the payment method of choice for many. Increases in postage and labor costs have caused businesses to search for more affordable and more efficient methods for collecting payments.

Benefits that current automated payment technology provides for managers are as follows:

- Puts your business in control of when you get paid.
- Distinguishes your business from the competition by offering enhanced customer service through several convenient payment options.
- Increase Customer Retention. Industry statistics support the claim that customers on an auto-pay type of system remain faithful customers.
- Helps Managers lower their A/R percentages.
- Eliminate billing and collection letters.
- By eliminating collection work for the managers, there is more time to work with NEW customers and focus on NEW business.
- Phone lines are not tied up making collection calls.
- Time required to make A/R calls is reduced. As the manager makes 4-10 A/R calls to each customer per month that is late, it decreases the time that the manager is able to do sales.
- Solving problems regarding payments is reduced. For example, how many times are payments sent in by a third party, the last name on the check does not match the customer's name, and your office has to spend time figuring out who the check belongs to?
- Save on store administration by reducing credit card fees. When processing credit card transactions, the credit card processing fees are determined by how the transaction is made

(swipe vs. non-swipe) and your business is charged a percentage of the transaction. If the card is swiped, the cost is less than if it is manually entered. In contrast an electronic payment or automatic bank draft is a flat rate.

- Decrease paper work.
- Increase cash flow and generate revenue for your business by receiving payments ON TIME!

For customers, having a payment choice is key. The biggest benefits for the self-storage and apartment industry customer are convenience and the elimination of late fees.

Additional customer benefits include:

- No waiting in lines
- No playing phone tag
- No late fees
- No reminder calls on their answering machine
- No interest (credit card)
- No costly and last minute trips to deliver payment
- Relief from writing a check every month
- No worries

With the demonstrated preference of customers toward using checks, offering recurring electronic payments as well as recurring credit card options will help you meet the needs of a larger target base of customers. The more payment options that your business offers, the more you will be able to meet the payment needs of your customers and dramatically increase your business cash flow.

With more automated payment options, come some obstacles when using credit card payments and electronic payments that managers need to be ready to face. However, with current payment technology these obstacles can be overcome so that offering more payment options are still beneficial to your business and to the customer. Some of the obstacles and ways to overcome them are discussed below.

Credit card transactions take their fees off the top of the earnings. Money can settle slowly (more than 72 hours). Fees can be hard to reconcile in merchant account statements. Unscrupulous purveyors of merchant accounts can employ hidden fees to gross up the transaction costs and pinch cash flow. As with other resources, when shopping for merchant accounts, experience and referrals from others can provide good insight.

At one time, many self-storage and apartment businesses actually shied away from accepting credit cards because they did not want to pay the associated percentage fees. Even though convenient for the customer, a disadvantage to the self-storage and apartment business to setting credit cards up for recurring monthly payments, is that the customer is usually not physically present to swipe their credit card through a credit card terminal and your storage business ends up paying the higher non-swipe credit card fees. In contrast, recurring electronic payments or automatic bank drafts are most always set at a flat fee, NOT a percentage. With new advancements in electronic payment software, credit cards can be set up for AVS (address verification system) so that the self-storage and apartment business can benefit by getting the lowest possible non-swipe rates.

If your business doesn't have software that allows you to set up automatic recurring credit card payments, your manager has to manually key in each customer's credit card number into your credit card machine each month which is very tedious and time consuming.

Credit Cards can also be disputed or reversed at the discretion of the cardholder and when set up for recurring credit card payments the credit card may be declined when the customer's balance is over its limit.

Electronic payments can bounce just like a paper check if there are non-sufficient funds (NSF) in the customer's checking account. Internet based payment software is now available to allow your business to automatically or manually represent the electronic payment to recover funds. It also provides negative verification.

Many customers are now electing to use Debit Cards at the point of sale. The debit card looks like a credit card - but works like a check. No money moves if the balance is not in the bank account. Debit cards, built on the base of checking accounts, are now emerging at a pace faster than their mature cousin, the credit cards. Debit card fees are a flat rate rather than a percentage.

However, debit cards do not work well in the storage industry for any type of recurring payments because the customer needs to be present to enter a PIN number. With recurring transactions, when the customer is not present and the debit card is run through, it will be charged your usual percentage fees that you pay for credit cards. Another drawback to accepting debit cards is that if the self-storage and apartment business is not equipped with a PIN Pad connected to their credit card terminal, so that the customer can enter the Pin number, the debit card is also charged a percentage fee just like a credit card instead of a flat rate.

Customers may be concerned about security. An electronic check payment is actually more secure than a check that is written by the customer because the electronic payment is routed directly into your bank account and doesn't have to go through the current paper check system where there are 6-10 people handling the check. Electronic checks are very secure. Special Federal Reserve rules for electronic payments provide greater protection for consumers than the rules for paper checks.

Electronic check transactions have a significantly reduced potential for identity theft (as compared to credit cards), said by the FBI to be the fastest growing form of crime in the US for the past two years.

The obstacles mentioned above can be overcome by using robust payment software designed to match the business rules and needs of the self-storage industry. With current advancements in electronic payment software, you will administer and manage precisely how it works for your business. With full import/export function to interface with your current management software, your existing database can even be imported without having to be re-keyed.

Overall, to capture the benefits of automated payments, *education is key*. The manager needs to understand the value of offering a broader choice of payment options for the business and for the customer. ***It is important to note that the customers' response will reflect your commitment level to the convenient payment options.***

Since 1997 **C&A Solutions, LLC** provides years of experience in helping the self-storage and apartment industry improve their money-management methods, **C&A Solutions, LLC** guides you quickly through the mind-boggling array of electronic payment tools and merchant account options available today.

C&A Solutions, LLC provides a full suite of electronic payment solutions, specifically designed to meet the needs of the self-storage and apartment industry. Large and small businesses alike will discover immediate benefits from these services which include: e-Pay Manager™ Internet based Virtual Terminal - Payment Gateway with side-by-side ACH (electronic checks) and credit card authorizations for one-time and recurring transactions; Pre-Authorized Automatic Bank Drafts – Paper or ACH/EFT; Credit Card/Debit Card Services; Online Payments; Electronic Check Conversion/Acceptance –a paper check is converted into an electronic deposit at the point of sale and the check is handed back to the customer as a receipt; Payment Kiosk; and Electronic Check Recovery. For more information contact Claudia Miller, President, 512-255-6961, claudia@casolutions.net, www.casolutions.net