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# Cashless Comforts

## Automated Collections Equal Higher Profits

By Jennifer LeClaire

One are the days when cold, hard cash and handwritten checks were the predominant payment methods. In today's busy world, more consumers are looking for alternatives that offer time-saving convenience—and banks are serving up plenty of options.

Debit cards give customers with poor credit the ability to make online reservations. Services like PayPal® allow customers to e-mail funds. And, of course, credit cards have penetrated even the smallest retail outfits. While customers hardly expect self-storage operators to accept PayPal, they do expect to be able

to slap a credit or debit card down on the counter to settle their storage bills. What's more, many want the convenience of automatic monthly payments so they can avoid late fees associated with forgetting to offer up the monthly fee on the designated day.

The evolution of payment systems can be a boon for forward-thinking self-storage operators who understand the lay of the electronic land. Credit cards offer self-storage operators plenty of advantages. They bring in cash-strapped customers, allow for online customer reservations, and make kiosks a realistic option for operations that lack 24/7 labor. Automatic bank drafts, also known as electronic checks, are also helping

operators squeeze more profits from payments.

The only problem is that credit cards cut into your profits. Indeed, escalating card transaction fees can take a chunk out of your bottom line. No worries, though. There are plenty of vendors targeting the self-storage market with innovative solutions that allow you to keep taking those credit card payments—and all the advantages they offer—without paying an arm and a leg, or even a large percentage, for the privilege. Electronic checks are opening the door to exponential advantages for customers and operators alike.



## The Payment Gateway

Getting more profits from payments may begin with a payment gateway—a combination of software and hardware that provides an interface to the bank processing network. Provided by a billing processor, this service allows credit card information to be collected and passed over the Internet. A payment gateway can be thought of as a digital equivalent to a credit card processing terminal. This online system provides real-time charging of credit cards when a customer places an order.

Round Rock, Texas-based C&A Solutions, offers e-Pay Manager, a virtual terminal payment gateway that puts merchants in control of all transactions by allowing them to process one-time bank drafts electronically. It also gives merchants the ability to do recurring credit card payments at any frequency from a customer's checking account using e-Pay Manager PayPoints on C&A's Web site.

Payment gateways offer more profits from payments by eliminating the expense of purchasing a credit card terminal. They also save labor costs by doing away with the tedious job of manually entering credit card numbers into a terminal for monthly credit card payments. "I would encourage storage companies not to buy credit card machines because it's a waste of money. You can process all your credit cards through payment gateways and just keep a mini-card reader at your PC to swipe the card," says C&A Solutions President Claudia Miller.

The payment gateway allows you to create a database so the recurring monthly check or credit card transactions process automatically. This is critical because keying in the numbers manually every month puts the operator at risk. If a hacker cracks your network and steals the data, you could be calling in a crisis communications counselor to clean up the public relations nightmare. Payment gateways encrypt the card numbers and run them automatically each month.

## Lowering Swipe Rates

Perhaps one of the most compelling hard cost savings is the transaction fees themselves. The payment gateway allows you to get swipe rates when customers are present and the lowest possible non-swipe rates when they are not. Retail swipe rates typical-

ly run at least one percent lower than non-swipe rates.

"You get the lowest rates when customers physically swipe their credit card," says Miller. "Non-swipe rates from customers who call in over the phone or pay over the Internet are always higher. There is a greater risk since you don't have the actual card." The payment gateway will also automatically default to address verification, so you will benefit from getting the lowest non-swipe rates for recurring credit card payments.

The payment gateway is able to handle multiple merchant accounts and can route payments to multiple business bank accounts, whether Automated Clearing House (ACH), a nationwide electronic funds transfer (ETF) system that facilitates the inter-bank clearing of credit and debit transactions among participating financial institutions, or traditional credit card payments. This is helpful for a self-storage operator who has several sites with different names and specific individual bank accounts.

The payment gateway even gives merchants the option to set up the customer's preference for a second form of payment for the recurring payment to default to. So if the credit card is declined, it will default to electronic check or debit card. Much the same, if the electronic check bounces, a credit card is processed.

## Automating Your Collections

Beyond credit card processing, automatic bank drafts not only help you distinguish your storage facility from the competition, they can also save you money. ETF systems offer customers a non-interest bearing payment option—and it charges a flat fee rather than a percentage of the sale to the merchant. The benefits of automatic bank drafts are multiplied when you consider the plethora of intangibles that lead to the potential of greater overall profitability.

Let's say you rent a unit for \$80 a month. If the tenant opts to pay with credit card and you use a traditional credit card processor, you are going to pay at least two percent in fees on a monthly basis to process that payment. That's \$19.20 a year. The electronic payment, by contrast, charges a flat transaction fee of about .10 percent. That would total about \$14.50 for the year. So you saved \$5 a year on one customer. Multiply that times 500 and the cost savings is significant. Higher

credit card processing fees offer even more dramatic savings.

"Automating collections gives you real cost savings, but it also gives you labor savings and eliminates collections errors," says Glen Fromer, CPA, director of development for Treasury Software Corp., a provider of automated, secure cash management and electronic payment solutions in Weston, Florida. "You don't have to wait for the invoices to be mailed, wait for the payment to come back and wait for the check to clear. You just send the tenant a reminder e-mail that says \$80 will be taken from their account next Tuesday,"

## Automated Collections Options

When automating your collections, you have a couple of options according to Michael Fritsch, CEO of Prometheus Performance Systems and founder of QuixRent.com, a company that supports collections for self-storage operators and apartment owners. You can set up an automatic charge to the client's credit card or you can use EFT to automatically get paid from their checking or savings account.

"EFT is superior to payment via paper check because it is more secure and electronic checks typically are processed by the bank first," explains Fritsch. "This means you will be first in line ahead of any paper checks to get paid. Credit cards typically cost the self-storage merchant three percent or more in fees. EFT transfers are typically much cheaper and a better choice for most operators."

What's more, Fritsch notes that self-storage operators can also choose to charge their clients a "convenience fee" for using the automatic payment plan. This saves some money but usually results in fewer clients using the plan. "We recommend adopting EFT payments as the required method of payment since it provides so many advantages to the self-storage operator and offers convenience to the customer," he adds.

## Automatic Benefits

Automatic bank drafts, for example, help managers lower accounts receivables percentages and frees up more time to deal with new customers. Your phone lines won't be tied up with customers trying to make payments by phone and your time making collections calls is reduced. Solving

problems regarding payments is also reduced. "Just think about how many times third parties send in payments and the last name on the check does not match the customer's name," says Miller. "Your office has to spend time figuring out who the check belongs, right? With automatic bank drafts, the unit number can be used as the Customer ID and notes can be made in the invoice field."

Fritsch insists that self-storage operators can improve their cash flow and profitability from payments by automating their collections. "With automatic payments, you don't have to make multiple trips to the bank in order deposit checks. This saves time, hassles, and gas and translates into greater profits," Fritsch says. "Automatic payments mean increased cash flow. You get your money in the bank sooner so that you can earn interest on the funds or avoid having to borrow on your own line of credit."

### **Cashing In On Electronic Checks**

Electronic checks offer you quick notification if funds are not available. You will receive an e-mail notice and you can elect to run it back through up to two more times based on Automated Clearing House Association rules. And, finally, your electronic checks reduce your paperwork—every manager's dream. The benefits are hardly one sided. Your customers will be glad to enroll because they won't have to wait in long lines, play phone tag, pay late fees, pay credit card interest charges, receive reminder calls on their answering machines, or make inconvenient last-minute trips to make a payment.

Similarly, point of sale electronic check conversion and acceptance can save you the time and trouble of taking deposits to the bank and will get your money into the bank account quicker than traditional check deposits. Designed to mirror the process currently for credit cards, the ECC/ECA service converts paper checks into electronic items at the point of sale and automatically deposits these funds into your bank account. "The check is handed back to the customer as a receipt," Miller says. "For companies that accept checks through the mail or a drop box, this service allows you to convert all paper checks to electronic transactions for deposit."

Generally a Web-based system EFT system is your best choice, Fritsch says. A

Web-based system allows you to log in wherever you have an Internet connection. This allows self-storage operators to work from the office or from home. You can even monitor the status of your payments when traveling. A Web-based system avoids the cost and hassle of installing software and keeping it updated.

"Your system should also be easy to use," Fritsch says. "Make sure it's intuitive. Look for systems that lay out the screen like a check. That makes it easy to enter the client's information. You want to make sure that the system allows you to set up the automatic payment plan with a start and end date. That way you don't have to re-enter data each month or worry about turning the payment plan off when the customer's storage agreement is over."

### **Taking Processing In House**

Want even more savings? Payment switch technology from ISD significantly reduces payment acceptance costs of retailers by handling routing of card-based electronic transactions in house on Web-based networks. These transactions can be consolidated over a retailer's wide-area network and sent directly to the various payment providers, thereby eliminating transaction fees that would normally be charged.

Specifically, ISD Corporation peddles Payment Switch Software for authorizing credit, debit, and private label transactions. It's called the Payment Switch Framework, and it's a collection of software suites designed to give merchants more control over their payment systems. ISD accomplishes this by interfacing with third-party payment processors and allows the merchant to choose the payment processor of choice so they can manage processing rates.

The ISD software also gives merchants greater flexibility. It allows you to manage payments from cash registers, e-commerce applications, mail/telephone order systems, and wireless devices on a single platform. Companies like GNC, The Armani Group, and H&R Block use the software. "Among the many benefits of ISD's software is the capability to quickly and easily adopt new payment types, usually without any POS changes," says John Filby, president and CEO of ISD Corporation. This solution comes with a greater cost, but for multi-unit operators it may be worth the investment.

### **Counting On Kiosks**

Kiosks are also helping operators get more profits from payments by eliminating the middleman, so to speak. Scottsdale, Ariz.-based OpenTechAlliance's Insomniac 900, for example offers a built in fingerprint scanner, signature pad, driver's license scanner, digital camera, and check and credit card scanner. The system has allowed Beth Schroeder to run her Rockford, Ill., facility by herself, despite her full-time mom status. She has three young children.

"Insomniac frees me up to be able to step away without worrying about losing business," says Schroeder. "On days when I have other obligations, it's nice to know Insomniac is there to greet customers. In fact, the kiosk took five rentals on a recent Saturday." Schroeder says the kiosk made the difference between selling her A Place for Space facility and opening two more—and generating much more revenue than she ever could with only one. The kiosks handle most of the rentals. But it's not just the extra income from the extra stores; it's extra income from each transaction that excites Schroeder.

"We are getting more payments on time because our cash-paying customers don't have to worry about meeting us during business hours," Schroeder explains. "We would have to make special trips to meet them there to get payments. Now, they have no excuse, so we don't wave late fees and we are seeing more revenue from late fees as a result."

Kiosks provide plenty of tangible intangible cost savings, says OpenTechAlliance President and CEO Robert Chiti. He reports some of his customers, including A Place for Space, have reduced their manager employment costs to three hours a day. Customers can fill out a storage contract in eight minutes. "Let's say you are spending 20 percent of your time taking payments. It's a cost of rendering that service to take the payment," he explains. "Kiosks eliminate that cost and save you money."

The common thread in getting more profits from payments is this: Be open to new technologies. Automating processes, whether it's recurring monthly payments, turning paper checks into digital files or investing in a self-service kiosk, can pay dividends even in the short term. There is a way to get more profits from payments. It's up to forward thinking storage operators to exam-

ine all the options and compare vendor pricing to get the best possible, most profitable solution.



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