

FORGET THE PAPER CHECKS

Swift, Secure Transactions With ACH

By Joe Schwartz

A decade ago, most self-storage facilities handled client data, sent out bills, and collected payments in the same way typical businesses did at the time: Information about tenants, including names, addresses, bank accounts, and credit card numbers, were written down and stored in filing cabinets, file drawers, or even on 3-by-5 cards. Bills were typed or written by hand and those invoices were mailed out. Clients then wrote paper checks and mailed them back to the facility. The cycle from invoice to payment was usually seven to 30 days.

Today, billing cycles—from invoice to payment received—is usually complete in 48 hours or less thanks to automatic clearing house (ACH) transactions, sometimes referred to as electronic check payment. ACH transactions today are capable of automatically billing the client on a regular basis, receiving payment, and updating accounts receivable. Such transactions have numerous advantages: Self-storage operators can check on an account instantly, time and money are saved, and the entire process offers far more security and cost savings for the operator and tenant than traditional paper billing and payments.

“ACH transaction for the storage industry was virtually non-existent 10 years ago when I started my business. Many storage businesses were not even taking credit cards at that time,” says Claudia Miller, president of Austin, Texas-based C&A Solutions, LLC, a company that offers a full array of electronic payment solutions such as side-by-side ACH/credit card processing for recurring or one-time payments, automatic bank drafts, credit/debit card services, Web site payments, payment kiosk services, phone checks, electronic NSF recovery, point-of-sale electronic check conversion, and Check 21/ARC accounts-receivable check conversion.

Companies such as C&A essentially make the entire billing process fast, paperless, and literally hands-free. That situation is



tailor-made for self-storage and businesses such as Internet service providers, mortgage companies, health clubs, and other enterprises that require regular, periodic billing.

Self-storage owners and operators didn't embrace this technology overnight. And many today still prefer the traditional, paper approach. “It took a lot of work on my part to introduce the convenience and benefits of offering recurring payments by drafting the customers' bank accounts, as well as point out the time value of having the payments in their bank accounts on time—in addition to the value of being able to offer convenient payment options to their customers to help distinguish their business from the competition,” says Miller.

Terry Bagley, president and CEO of Centershift, Inc. based in Salt Lake City, notes that ACH offers self-storage owners a list of advantages that continues to grow. It saves them time, offers more security, and is more economical than traditional methods of billing and receiving payment. Centershift offers STORE, a Web-based rental management and point-of-sale software for multiple-facility self-storage businesses.

For example, if a storage unit rents for \$100 per month and the customer pays with a credit card, the processing charge to the self-storage site is typically about three percent. “For a \$100 rental on a unit, a credit card transaction costs \$2 to \$3, depending on how you negotiate your rates and your volume,” says Bagley. Unlike the percentage charge of a credit card, an ACH transaction uses a flat fee for each transaction, whether it is for \$100, \$150, \$200, or more. “An ACH transaction costs between 35 and 50 cents per transaction.”

Did you know that automatic clearing house transactions are more secure and post faster than traditional checks at a much lower cost than credit card transactions?

Technological Advantages

Several evolutionary steps have enhanced the marketability of ACH over the years. First, electronic “NSF” recovery allowed for checks returned for non-sufficient funds to be recovered electronically using the ACH network. Next was Point of Sale Electronic Check Conversion in which the identifying “MICR” line of a check is electronically recorded by a machine similar to a credit card terminal so that the paper check can be converted to an ACH transaction. The original check is then handed back to the customer as a receipt.

Later, electronic payment systems became more sophisticated, to the point where a self-storage owner/operator could set up recurring automatic bank drafts along with recurring credit card payments. These same systems could also provide for online payments in the owner/operator’s own Web site. Next came the ability to process checks that are

to industry experts, is the real challenge. ACH needs to be marketed to not only self-storage owners and operators, but to the tenants themselves.

“I would characterize ACH as being in its infancy in the self-storage industry,” says Bagley. “It is not that widespread. The real problem, from my perspective, is the marketing and acceptance of ACH with tenants. A lot of facilities do not offer ACH. Those that do need to market it better.”

Better marketing entails the use of good point-of-purchase material such as stickers at the door, colorful and informative brochures in site offices (and wherever tenants will go), and site managers who tactfully market ACH to current tenants and new tenants.

Another major obstacle standing in the way of ACH, especially among self-storage tenants, is the fear of identity theft. Hence, education about identity

While cards in a recipe box may be comfortably familiar with some operators, that method of data storage entails a huge risk for their businesses and their clients. Tenants are at risk of identity theft and credit card fraud from a burglar, an unscrupulous site employee, or even another tenant.

The solution to the “recipe box” scenario and other paper-based record keeping and billing is to take the critical information out of human hands by capturing it electronically. This shuts out crooked employees or burglars, eliminates human error that occurs from manually “keying in” information, and makes information capture virtually instantaneous.

Electronic capture and leading ACH systems also offer greatly enhanced security: Card readers instantly capture the information, which can then be masked, so site employees only see a few digits of a Social Security number or credit card. Then, the electronically captured data can be encrypted, so even if someone hacked in to the system, they would just get gibberish.

What will the future hold? “We’re eventually going to the point where we do not keep the credit card numbers in our database, we will simply pass on a key to the [credit card] processor,” says Bagley. Enhancements such as e-mail and address verification also are just around the corner.

Clearly, such emerging technologies offer clear advantages in efficiency, convenience, and security. Self-storage owners and operators who have not yet embraced such technology would do well to contact providers of electronic payment solutions, educate themselves, and put their business on the fast track toward more efficiency, a competitive edge, and, ultimately, profitability.

“The more you can distinguish your business from your competitors, the better off you are,” says Miller. Many operators are finding that ACH systems are well worth the investment. ■■■

Joe Schwartz is a freelance writer based in Ithaca, New York, and a frequent contributor to the *Mini-Storage Messenger* magazine.

As the capabilities of ACH systems continue to improve, self-storage operators and owners will benefit from increased efficiency and security—provided they use such technology.

mailed in via ARC (Accounts Receivable Conversion). The initial drawback to ARC was that it only allowed personal checks to be converted and it did not image the check. However, the advent of “Check 21” products provided that capability.

According to Miller, Check 21 is the best solution of all for processing mailed-in checks as it allows you to image and convert any item that can be deposited at a bank. ARC and Check 21 are a more secure way to process checks that are mailed in because the check doesn’t have to go through the current system in which there are six to 10 people handling the check.

Future Challenges

As the capabilities of ACH systems continue to improve, self-storage operators and owners will benefit from increased efficiency and security—provided they use such technology. And that, according

theft must continue as a chain, starting with the ACH software service providers, to the self-storage owners and operators, and to the tenants themselves.

“As software providers, we also have to make sure we are providing good security to protect the end-user tenant from the potential of identity theft,” says Bagley, noting that there have been examples of that in the self-storage industry, and usually not from software flaws. For instance, there is the possibility of site managers stealing checking account information or credit card numbers and then going on a spending spree.

Then, there is the fear of technology itself that can obscure the advantages of ACH. “We have self-storage facilities where site managers have written the name, address, contact information, and credit card numbers all on a 3-by-5 card in a recipe box kept behind the desk,” says Bagley.