



## Company Profile

### Making Electronic Check Conversion Sales Easy

Even though debit cards have been getting a lot of headlines lately, besides cash, checks are still the most popular payment method in the United States, with billions being written every year. BancTech, a 6-year-old payment services company, offers a wide variety of check solutions to help merchants accept more checks and realize increased cash flow, while reducing their risk from check fraud and insufficient funds.

Retail clothing stores, automobile dealerships, convenience stores, jewelry stores and many other merchants that accept checks can benefit from BancTech's products and services.

BancTech, a privately held company founded in 1998, got its start in electronic check recovery and check services such as verification and guarantee. The owners of BancTech saw an exciting and potentially exploding opportunity with the advent of electronic check conversion said Bruce Woods, President and CEO of BancTech Processors, Inc.

Today, BancTech offers a full line of electronic check services including conversion, guarantee, verification, collection services, accounts receivable conversion and recurring payments. In the last 12 months, the company has authorized more than \$1,000,000-a good portion of that volume being check conversion transactions.

"For some merchants, check conversion may not be the best application-for instance, where the merchant doesn't have consumer face to face at the point of sale, or where the majority of the merchant's checks are business checks that can't be converted," Woods said. "That's why we still offer check guarantee and check verification, but the market we're primarily pursuing is check conversion."

As the Federal Reserve Board explains, electronic check conversion is a process in which a check is used as a source of information-for the check number, an account number, and the number that identifies the financial institution. This information is used to make a one-time electronic fund transfer, or EFT, from a checking account. The check itself is not the method of payment.

When a customer pays by check at the check out, a clerk runs the check through a check reader and hands the voided check back to the customer with a receipt.

Merchants like electronic check conversion because it makes accepting checks as quick and easy as accepting credit cards; it reduces or eliminates any losses from bad or fraudulent checks; it improves their cash flow by making funds available within two banking days; and it eliminates returned check fees and reduces bank fees.

"In many ways it's the perfect version of check guarantee," Woods said. "If you think about it, check conversion removes the things that merchants didn't like (historically) about check guarantee."

"With check conversion, they never see a returned check, and as a result they never see returned check fees from their financial institution; they no longer have to pay any deposit fees because they are physically not depositing the paper item; they have access to the funds within 48 hours; and they don't see any returns-any returns that do come back hit our clearing account."

BancTech has a partnership with Electronic Clearing House, Inc. (ECHO), using ECHO's clearing house services for back end ACH processing. Their partnership dates back to 2000.

"Together, we were some of the first to go out to the market (along with TeleCheck), and do electronic check conversion at the point of sale," Woods said about its partnership with ECHO.

BancTech works with a network of more than 25 ISOs/MLSs across the United States, but also has a salesperson on staff, that only targets large and middle market merchants.

"Our experience has been that many of the ISOs aren't pursuing the middle market and national accounts from a check services perspective, and this is because you're looking at customized programs, customized pricing and as a result, the sales cycle can be considerably lengthy," Woods said.

"Our primary concerns are to be able to pursue those opportunities and to make sure that we're not in competition with our ISO partners."

On occasion, though, BancTech will work with ISOs that are pursuing middle market opportunities by providing them with custom programs and custom pricing. BancTech provides both buy-rate and commission programs to its sales partners, and additional incentives for specifically targeted industries. Most partners opt for a buy-rate program that allows them to keep 100% of the revenue above the buy-rate. This residual or commission is calculated and paid monthly for the lifetime of the account.

MLSs selling electronic check conversion to merchants typically can get an equipment commission because ECT requires a check reader or imager.

BancTech resells, supports, and maintains point-of-sale terminals and check readers from manufacturers such as Ingenico, Lipman, MagTek, Digital Check Corp., TASQ Technology and VeriFone, Inc.

"By reselling this equipment, we make our volume pricing available to our ISO partners," Woods said. "We buy from the manufacturers and then resell to the ISOs and allow them basically to buy at our cost."

The company provides its agents with product manuals, merchant materials, sales collateral and sales training. Woods oversees all sales training and support in order to educate BancTech's reps on how to sell its solutions while Victor Rodriguez contributes to this support with more of the technical aspects.

One other aspect of BancTech's commitment to ISO/MLS partners is that it provides ongoing personalized support. The company's technical and customer service departments will assist sales

reps in equipment deployment, application downloads and new merchant training to ensure successful installation. Its customer service department assists in coordinating any issues with merchants and sales reps to ensure all parties are satisfied.

"We like working with BancTech because we always talk to a live person when we call the 1-800 number," said Shannon Coy of Business Development Solutions, an ISO based in Vancouver, WA. "Not only can we actually talk to a real person on the phone, we can talk to the President at anytime if we are having a problem."

From the President and Administrator of the company to members of its sales staff to its product development operational team-everyone at BancTech contributes expertise to supporting and developing any customized programs.

"We're very happy with the relationship that we have with BancTech," said Jerry Meredith, an ISO based in Fayetteville, AR. "They are very responsive to our merchants and to our sales staff that call them with questions; they have a very 'hands' on' approach. Merchants always have different needs, and they are willing to adapt to what our customers need."

Early this year, BancTech rolled out its latest services offerings, which include accounts receivable check conversion (ARC) and recurring payments. They have partnered with Jara Diversified, a payment solution provider specializing in checks, for the accounts receivable solution.

"Right now, about the only people doing ARC are the credit cards issuers-there are two or three firms pursuing the high market, but no one really has gone out to the middle market. We think there is a great opportunity there," Woods said.

"We've got a lot of knowledgeable people here that have a lot of experience; we know how to make money in the business, and we know what can be done and what can't. We will make ourselves readily available and 'shoot straight' with our partners. If we say we're going to do something, you can bet we'll do it; if you ask for something that we know we can't support long term, then we'd rather walk away from the deal than cut corners at the expense of the ISO or end use the merchant."