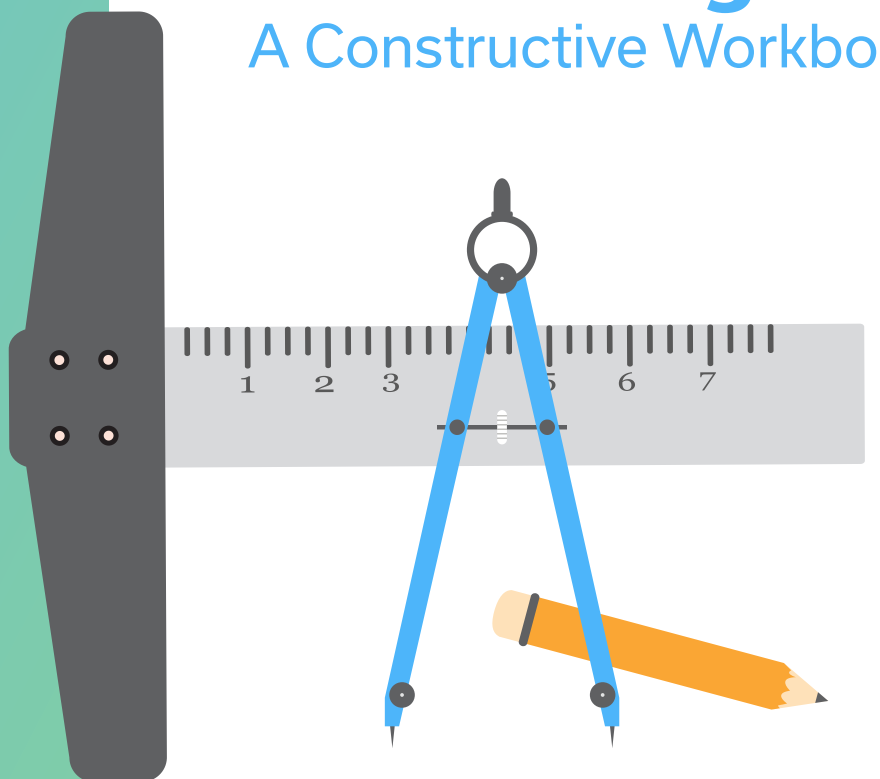
WORKBOOK

How to Achieve a **PayFac-like Merchant Onboarding Experience:** A Constructive Workbook for ISOs



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Achieving the Golden Standard of Experience

Why does this matter?

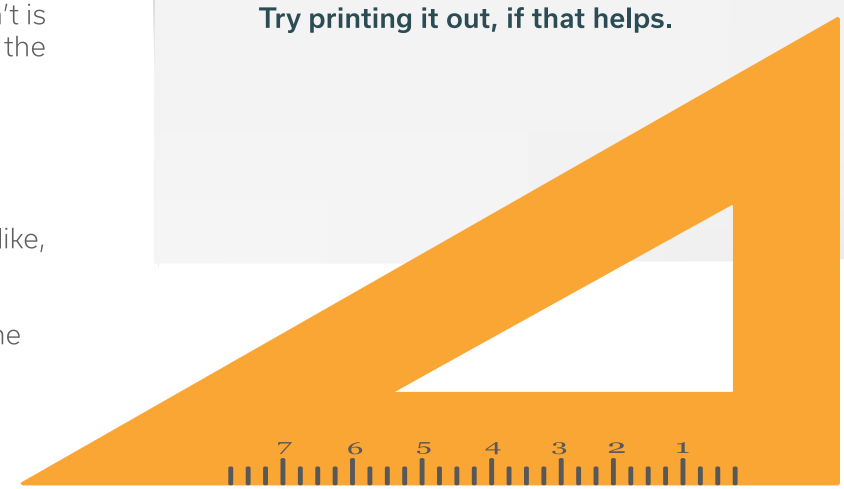
PayFacs and ISVs are emerging in the merchant acquiring space with tremendous speed. In the United States alone, they already number in the thousands and threaten the existence of traditional ISOs. In some cases, PayFacs offer more than one product or service, which enhances their "stickiness" in their merchants' businesses. They also offer the acquirer a break, taking on risk and underwriting themselves. ISVs, on the other hand, offer acquirers a customized merchant experience where they maintain control. A big part of what both PayFacs and ISVs offer that traditional ISOs don't is a seamless, digital customer experience during the onboarding process.

What can be done?

Whether an ISO wants to become more PayFac-like, or more ISV-like, they will need to streamline and automate their merchant onboarding process to stay relevant in the payments industry, both to the merchant and to the acquirer.

What is this for?

This workbook is designed for ISOs to lay out a practical plan to overhaul their old onboarding systems and reimagine a new, faster, easier process to remain competitive. It's meant to be interactive to help plot out current processes and inspire new ones. Try printing it out, if that helps.



Metrics that matter

Before embarking on your onboarding overhaul plan, you might need to make a business case for why you need such a change first. If the impending threat of PayFacs isn't convincing enough, here are three key metrics that can add instant credibility to your case.

Use these metrics to benchmark your current process, then measure again two months after you've streamlined the process, with the tactics outlined in this workbook. If you see an improvement (and even small wins count), highlight the gains in your push for an investment in automation.

1. Lowest possible time to complete and return application.

The average PayFac application takes 10 minutes to complete, while the traditional acquirer's application forms can take several hours. How to measure:

$$\text{Time it takes to fill out the application, in minutes} + \left(\text{Number of times application returned due to error} \times \text{Time it takes to make each fix, in minutes}\right) = \text{Time to complete an application, in minutes}$$

2. Lowest possible time for a customer to return the application.

The average PayFac receives merchant applications back in under 15 minutes, while traditional acquirers often wait 1-5 days. How to measure:

Minutes (or hours) it takes the customer to return a complete application after a salesperson has it sent to them

3. Lowest possible cost per application.

The average PayFac can board a merchant for under $15, while it tends to cost traditional acquirers $90 per application. How to measure:

$$\left(\frac{\text{Cost of platform}}{\text{Number of applications}}\right) + \text{Per application data costs} + \left(\frac{\text{Cost of underwriting FTEs}}{\text{Number of applications}}\right) = \text{True per application cost}$$

Streamlining Your Systems

In truth, creating a digital merchant application form isn't that difficult. The hard part is creating the flow of the merchant onboarding process and determining what to do with the merchant data.

The very first step in creating a faster, more intuitive, cost-efficient onboarding process, is to design a minimum viable process. This concept involves doing the least work possible to achieve the most effective result. It's always important to consider your return on investment, regardless of whether it's time, money, or people resources you're investing in.

A minimum viable onboarding process should...

Only ask the merchant essential questions

Complete only the most necessary data checks

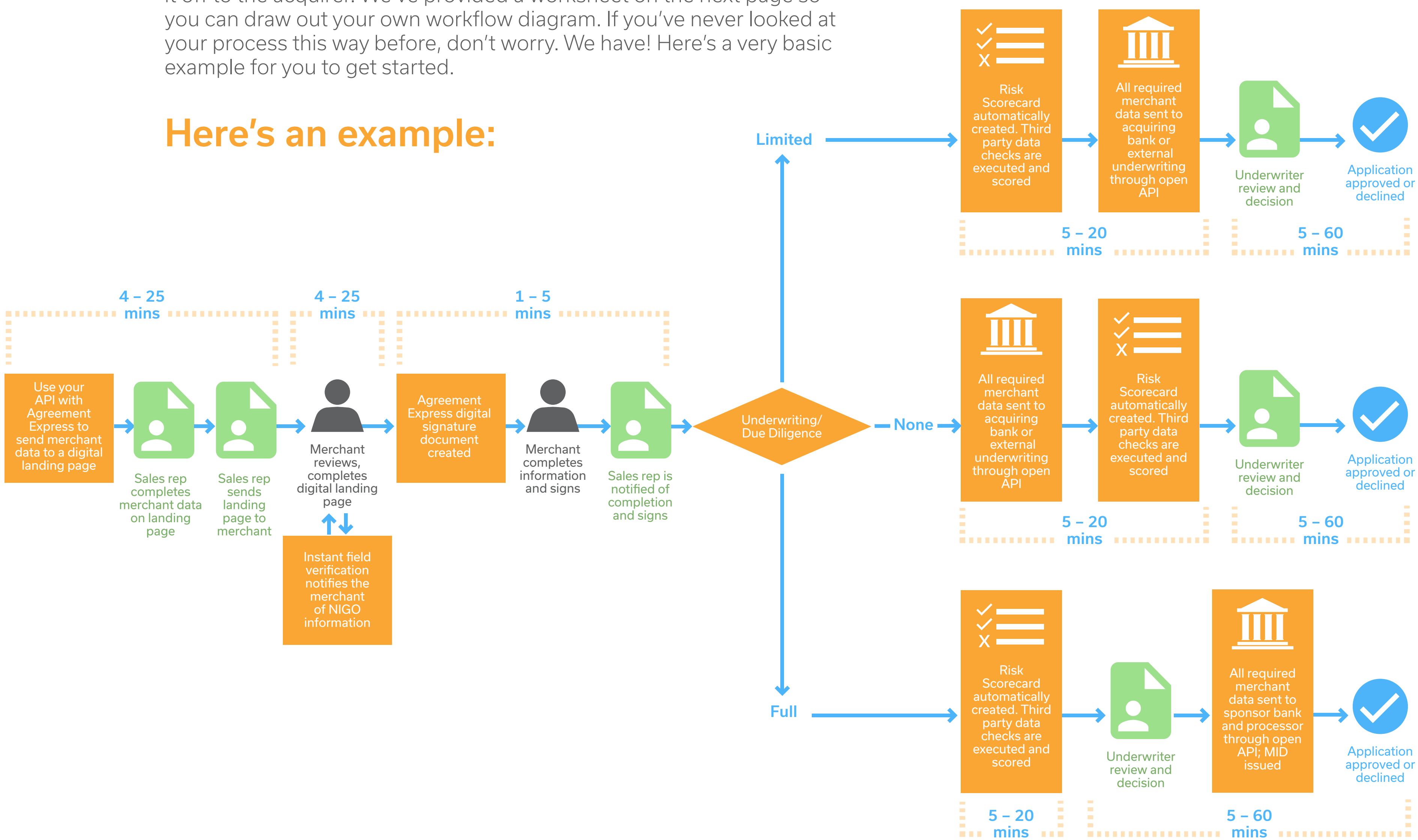
Use the fewest possible systems to house and manage merchant data

Share important data through an open platform

Have the fewest possible middlemen

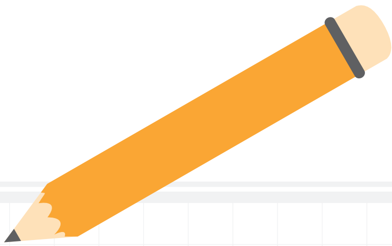
To help with this exercise, try mapping out what your existing process workflow looks like from initial merchant application to when you pass it off to the acquirer. We've provided a worksheet on the next page so you can draw out your own workflow diagram. If you've never looked at your process this way before, don't worry. We have! Here's a very basic example for you to get started.

Here's an example:

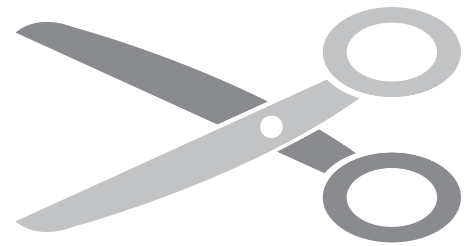


In the blank space, draw your own workflow diagram and include every single step that is involved, no matter how small, along with what triggers each step. Try adding the average amount of time it takes to complete each step, as we've done in the example.

Current Process:



Remove as many unnecessary steps as possible throughout the whole experience. Make a list of all the potential inefficiencies (we've provided space for a list on the next page), or write them in a different color next to each step they're associated with on your workflow chart.



These are the types of inefficiencies you should be looking for:

- Physical paper
- Manual lookups
- Data entry (of any kind)
- Spreadsheets
- Shared drives
- Project management tools
- Emails during the process
- Word documents
- Subjective decisions
- Manual reporting

Each one of these represents an opportunity to compress time, which will help you earn revenue faster. Before you can automate anything and start onboarding more merchants, you have to cut out or solve the inefficiencies that are slowing you down.

Note: You may come away with a long list of inefficiencies and feel overwhelmed because you have no other way of handling information. That's okay. We'll address that later in the workbook.

List of Inefficiencies:

INEFFICIENCY	PART OF THE PROCESS IT'S IN	WHAT IT EFFECTS (TIME, COST, ETC.)

New, Streamlined Process:

Now that you have identified the inefficiencies in your process, map it out again with all of them removed.

The "More Data" Trap

Many organizations make the mistake of thinking that they are better protected by collecting more information and analyzing more factors. Too many data points, however, increase the chance of data overlap. This could lead to incorrectly turning away good opportunities, or accidentally passing risky merchants to the acquirer, through Specification Error.

Ensure you are collecting all the data the merchant acquirer you work with needs, but no more. If you conduct your own KYC risk assessment or underwriting, this is another opportunity for you to get more efficient.

- **Choose the 1-2 data points you believe are the most relevant for each category**
- **Double-check there are no overlapping data sources** (for example, Yelp and Better Business Bureau)
- **Then move forward confidently knowing you're avoiding the Specification Error**

What's Specification Error?

This statistical term refers to when overlapping data creates a skewed result. In underwriting, some data services provide the same information as other data services. For example, if a single customer complains about a merchant on Yelp and to the Better Business Bureau and you're collecting data from both, the overlapping customer complaint makes the merchant risk seem higher than it actually is. On the other hand, overlapping positive data could artificially decrease a merchant's risk score.

Least Cost for Gain

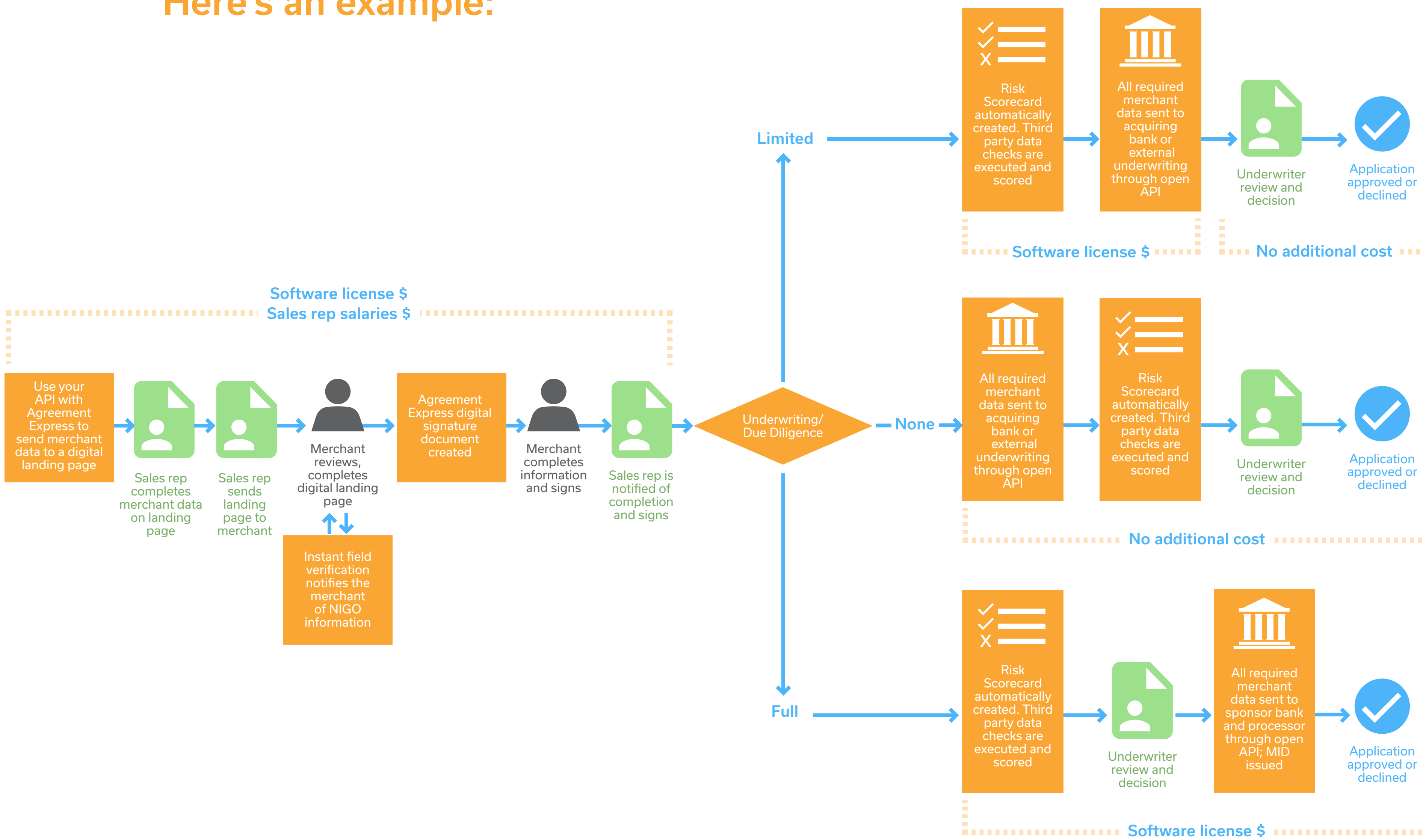
Now that you've taken steps to improve operational efficiency, examine how you can be more cost efficient. Remember, **if an onboarding initiative doesn't make you money or save you money, it's not worth doing.**

A simple way to improve the cost efficiency of your onboarding process is to measure the expense of each step. Different services each have different costs associated with them. We recommend going back to your new, streamlined process workflow diagram and listing each cost next to each step to ensure you've thought of everything. To get started, try listing the cost for a year.

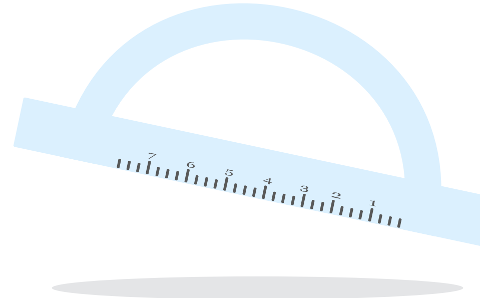
Consider:

- Paper forms
- Postage
- Re-keying information
- Digital forms services
- Landing page services
- eSignature services
- Data checks
- KYC checks
- Compliance checks
- Staff salaries

Here's an example:

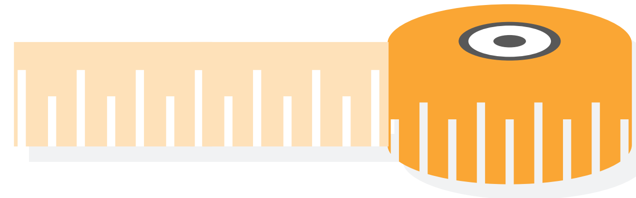


Once you have a clear picture of all your costs, list them from least to most expensive. Immediately remove any costs that are associated with processes you removed while creating your minimum viable onboarding process. After that, if you come across two services that have overlapping functions or provide overlapping data, you can cut out the more costly one with confidence.



COST Low to High	APPLICATION STAGE	DUE DILIGENCE OR UNDERWRITING STAGE	OTHER BOARDING ACTIVITIES

A strong starting point to compete with ISVs and PayFacs is to streamline and automate your merchant onboarding process.



In summary, your new merchant onboarding process should:

Ask the merchant less questions

- **Think of the bare minimum you and your acquirer need to conduct underwriting due diligence**
- **Try to stick as close to that level of information as possible**

Structure any third-party services involved from least to most expensive

- **Only include the ones you really need**
- **Search for all-in-one solutions that might be less expensive overall**

Remove inefficient data-entry and manual information tracking

- **Whether it's for your back-end, or the merchant acquirer's**

If underwriting, collect less data and make less data checks

- **Ensure no data sources overlap**
- **Perform only the most relevant data checks**

The next step is to automate your new, streamlined workflow. By automating the process, you won't have to hire new staff to take on additional workload as new merchant applications roll in. The staff you do have can focus on their specialties, rather than on data entry and mundane tasks.

Ultimately, streamlining the merchant onboarding process will help you become somewhat more efficient, but it will offer a similar merchant experience. To truly make your onboarding frictionless, it must be digital and automated. This will help you save time and costs, attract more merchants, and help you stay relevant as more PayFacs and ISVs overtake the market.

To learn more about how to stay relevant against PayFacs, what an automated merchant onboarding platform should include, and how to achieve one, read The ISO's Guide to PayFac-like Customer Experience.

Still at a loss on where to start or how to implement best practices to onboard merchants in under 10 minutes?

Email us to book a call with one of our onboarding experts at **hello@agreementexpress.com.**

Let us know you have completed our Constructive Workbook for ISOs and we will provide a **free consultation**, reviewing your boarding processes and needs.

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Agreement Express is an onboarding automation platform for the financial services industry. Within the payments space, we help organizations of all sizes achieve fast, efficient, digital merchant onboarding and underwriting processes to create amazing customer experiences.