



THE STRAWHECKER GROUP  
The Trusted Advisor To The Payments Industry



**SMALL CHANGES  
BIG RESULTS**  
MWAA ANNUAL CONFERENCE 2014

# Merchant Attrition & Retention

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## *The Attrition Challenge in today's Acquiring Market*

### **a. Market Disruption**

- Industry faces increasing competitive pressures, price wars and non-traditional market entrants

### **b. Card Acceptance**

- Card acceptance in the U.S. has reached saturation, putting pressure on merchant acquirers' ability to achieve volume, growth and margin targets

### **c. Mergers and Acquisitions Common**

- Less organic portfolio growth pressures net operating margins



## *The Attrition Challenge in today's Acquiring Market*

- a. These challenges are creating new pain-points for acquirers:
  - Sales acquisition performance is declining
  - The cost of sales acquisition is increasing (higher residuals, \$900 merchant acquisition cost)
  - Added merchants are priced lower than those that are attritting
  - Net margins are shrinking
  - Meanwhile, attrition has gotten worse
- b. These challenges demand better retention strategies to keep current merchant customers



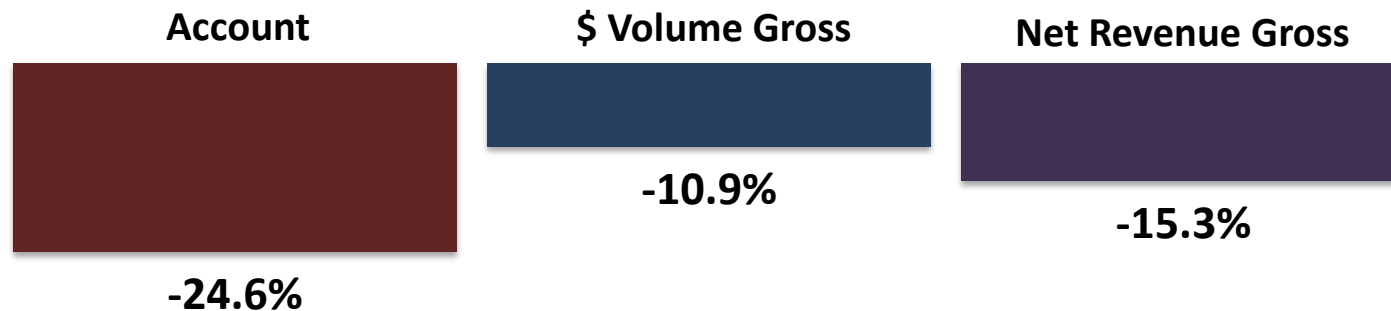
## *What is Average Attrition in the Market?*

There are three ways to measure attrition:

1. Account Attrition
2. Dollar Volume Attrition
3. Net Revenue Attrition

### 2014 Gross Attrition Numbers:

Annual (TTM) Average Account, Volume Gross, Net Revenue Gross Attrition: 2014

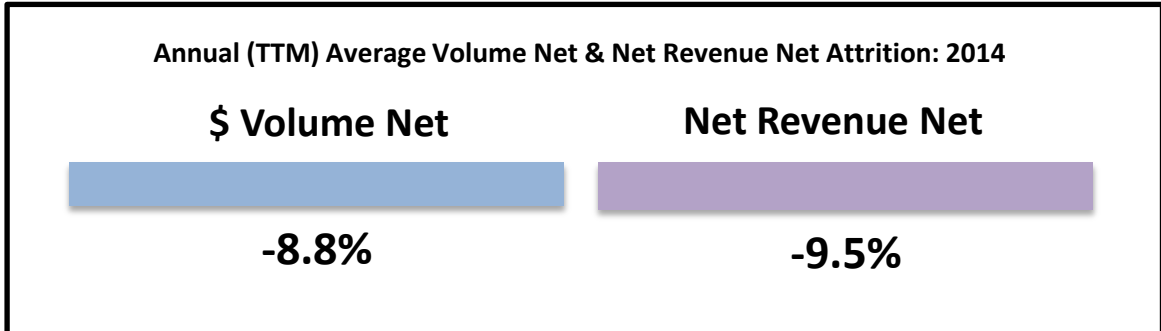
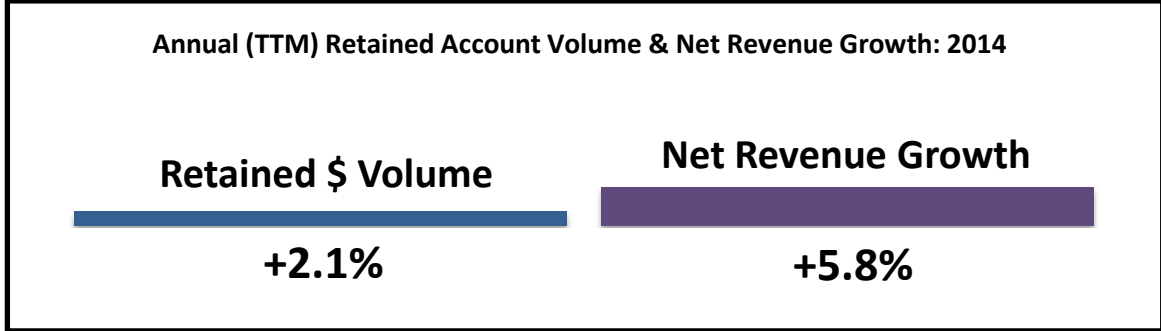
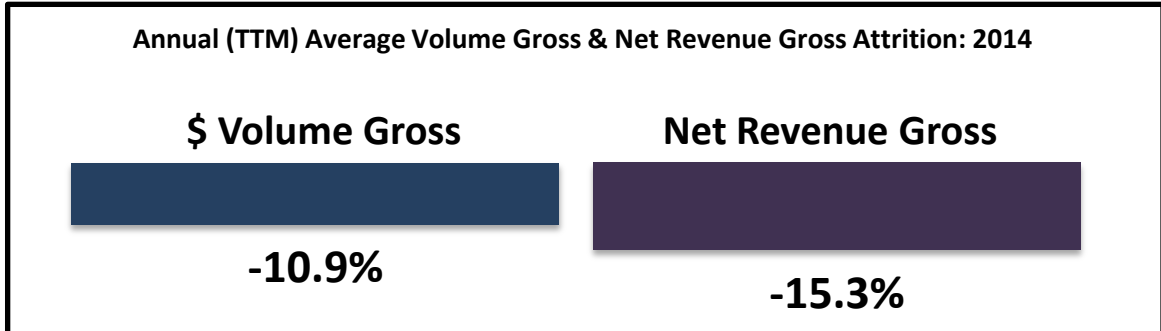


**\*This data is sourced from TSG's database of more than 2 million merchants**

# Average Attrition



With Volume and Net Revenue Attrition, Same Store Sales need to be considered



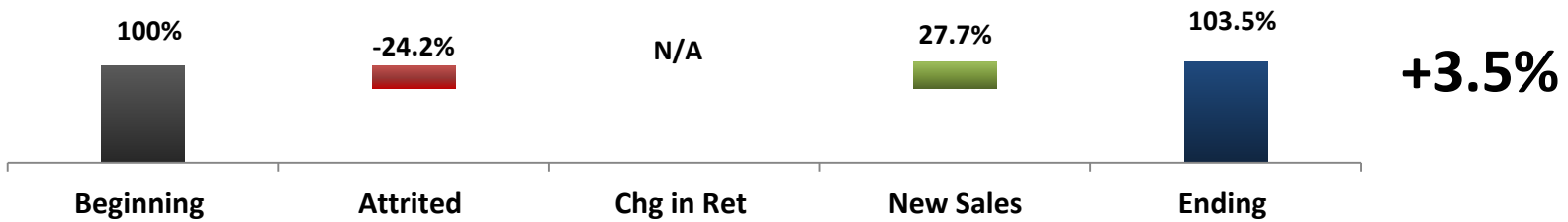
# Average Attrition



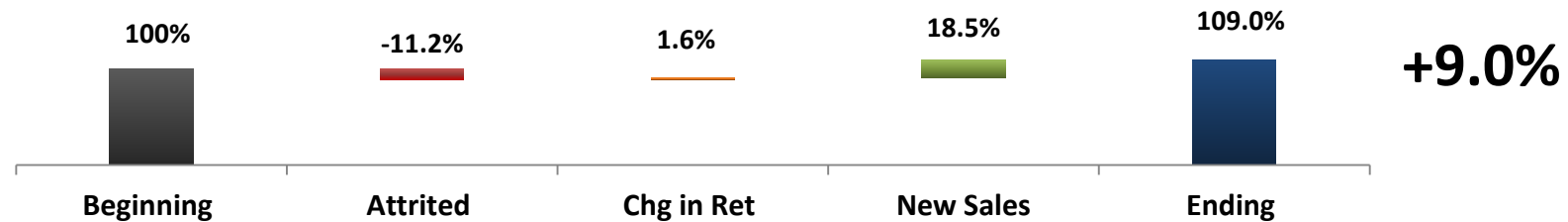
To get the full picture on a portfolio, new sales is then added to the equation

## Average – Q1 2014 Attrition & Growth

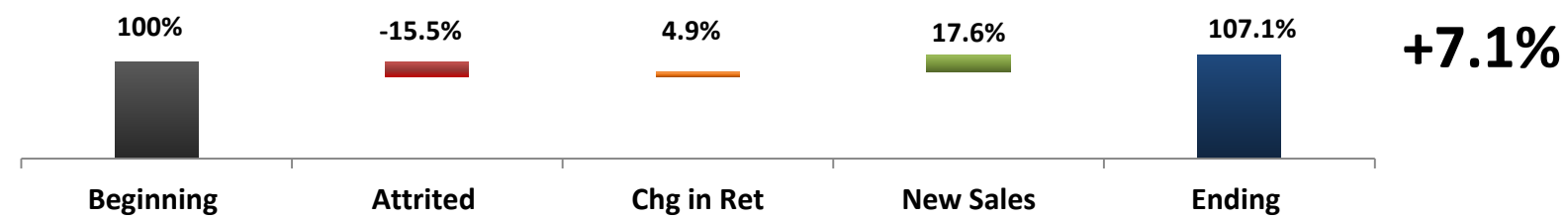
### Account Attrition & Growth



### Volume Attrition & Growth



### Net Revenue Attrition & Growth



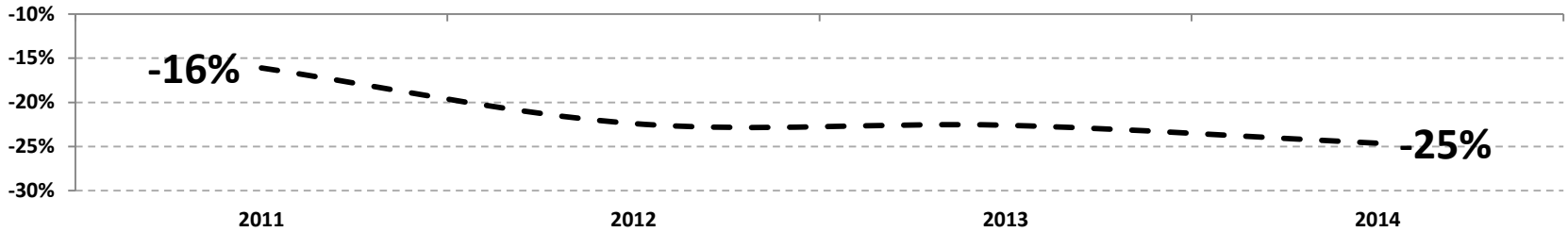
NOTE: Metrics shown on various slides may not match as they are calculated for different time periods

# Average Attrition

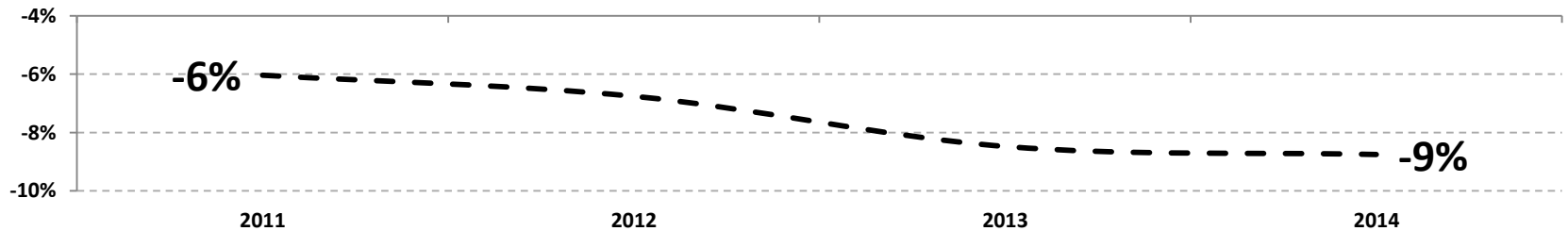


Over the past four years, Attrition has gotten worse

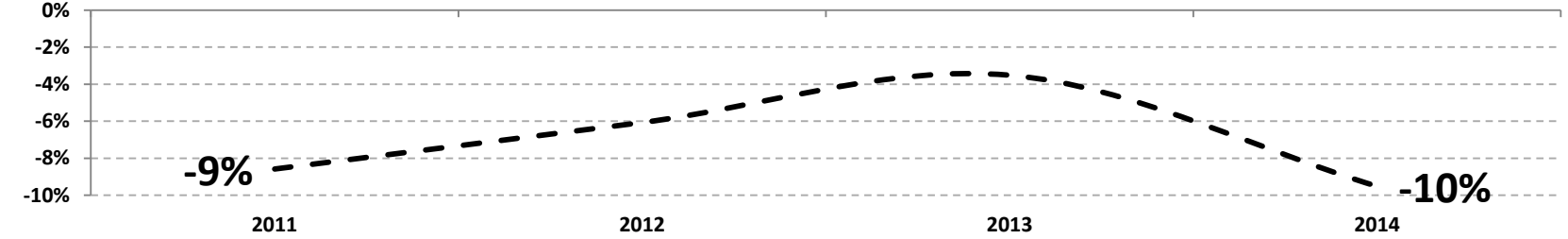
## Account Attrition



## Volume Net Attrition

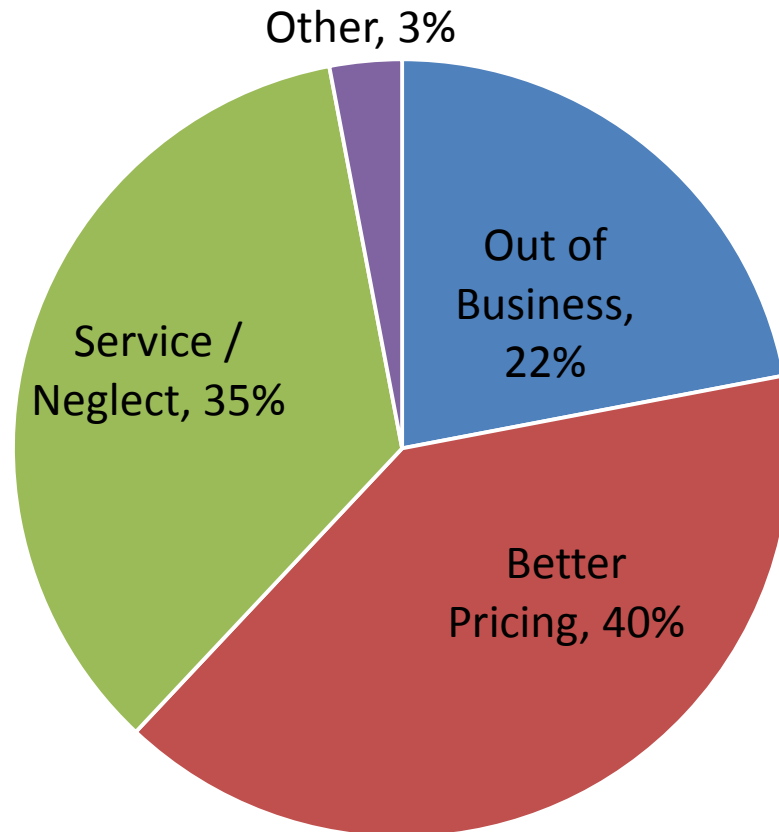


## Net Revenue Net Attrition





## *Why do merchants leave their processing providers?*



### Other notes:

- 50% of merchants call when they want to leave
- 40% of merchants that call don't tell you the reason they want to leave





*Having a Retention Strategy is now more important than ever.*

- a. Knowing where your merchants go and why they left
- b. Pricing review
  - Determine which of your merchants are over-priced vs. the market
- c. Utilize data regarding your portfolio
  - Determine weak points (SIC, Size, Geography)
- d. Best Practices review for merchant retention
  - Become more creative and adopt a scientific approach to retention management; consider a loyalty program to reward certain high value customers
  - Respond to customer needs through targeted, compelling value propositions
  - Address operational and technology gaps
  - Focus on improving service excellence by equipping retention reps with the tools, skills, and empowerment necessary for them to become the merchant's single point of contact



*TSG can help.*

- **Attrited Merchant Research**

- Research and confirm what proportion of merchants have gone out of business and what proportion have moved their processing to another provider
- In the case of changing providers, TSG will seek to understand reasons for switching and, where possible, which providers are selected

- **Portfolio Pricing Analysis**

- TSG will perform a comprehensive analysis of the current merchant portfolio gross and net revenue of the SME merchant portfolio and compare this to the TSG proprietary merchant industry database of 2 million merchants for key points of comparison and differentiation.
- Based on this comparison to 'market' using different merchant characteristics (size tier, SIC, vintage, etc.) TSG will provide recommendations for pricing that is 'over-market' and a potential retention risk as well as potential revenue opportunities.
- TSG can prepare a prioritized summary of recommendations to provide directional insights and scenarios for potential re-pricing decisions.

- **Review Current Retention Best Practices**

- Get portfolio insights and potential profit enhancement opportunities while comparing your portfolio's KPIs to industry benchmarks
- Assessment of your current retention strategies
- Gain an understanding of current state vs. retention management best practices

*Let's talk. Call 402-964-2617 or email [Info@TheStrawGroup.com](mailto:Info@TheStrawGroup.com)*



*Here are some free resources from TSG*

- [INFOGRAPHIC: The Top Ten Ways Acquirers Can Block the Breach](#)
- [TSG ANALYSIS – Vantiv’s Acquisition of Mercury Payment Systems](#)
- [Social Media Pages of the Top 25 U.S. Merchant Acquirers](#)
- [Q1 2014 U.S. Economic Indicators Report with Special TRANSACT 14 Introduction](#)
- [TSG Roundtable on the Target Breach, EMV, and the Ramifications](#)
- [TSG Analysis - Global Payments' Acquisition of PayPros at a Glance](#)
- [Brave New World in Payments - Tapping the Power of Big Data in Merchant Portfolio Management](#)
- [INFOGRAPHIC: Why are Electronic Payments Important?](#)
- [Trend Graphs of Payments Industry Google Search Terms](#)
- [Is Aggregation for Everyone?](#)
- [INFOGRAPHIC: What Benefits Me by Paying a Credit Card Swipe Fee?](#)

