The B2B Opportunity
By Peter Scharnell

Visa estimates that the B2B (business-to-business) and government markets will generate $14.4 trillion in spending by the end of the year. That's a tremendous amount of opportunity for ISO's in a surprisingly underserved market segment. The B2B space includes businesses that are selling to other businesses, large corporate clients, and the government. This sector is progressively seeing credit cards gaining payment market share. There are many reasons for both the B2B buyer and seller to use and accept credit card payments. Benefits include, enhanced reporting and reconciliation, not having to extend credit, receiving payment quicker and reducing collection problems. There are also more and more instances where large corporate and government contracts require that businesses that work with them accept purchasing cards. With the advent of level 3 processing programs, ISO's can now address the needs of these large corporate and government accounts and focus on a new frontier of payment processing sales opportunities.

What is Level 3 Processing?
There are three primary types of credit cards recognized in the processing industry; consumer cards (level 1), corporate cards (level 2) and procurement cards (level 3). Level 3 line-item detail is designed to support business-to-business and business-to-government credit card use. Level 2 processing requires that the merchant enter prompts for the customer code and the tax amount in addition to the standard level 1 payment information. Level 3 line-item detail provides more specific purchase information such as; item description, quantity, price, freight amount and other specific detail. This information is extremely valuable to finance personnel in order to help them streamline accounting and business practices and to merge payment data with electronic procurement systems. Level 3 information contrasts with the standard data that appears on a typical consumer credit card statement that consists of the dollar amount, transaction date, merchant name, city, and state. Level 1 information is often insufficient to document business-to-business and business-to-government transactions. Similar to an invoice, Level 3 line-item detail defines exactly what is being purchased and links that information with the payment transaction and delivers it electronically to the appropriate personnel.

Corporate and government customers often use procurement cards (p-cards) that are typically more expensive to process than other credit cards, that is, unless they include the additional line item data with the card transaction. Purchase cards are rapidly being adopted to improve the efficiency, lower the cost and decrease the time associated with the handling of purchase orders. Additionally, there are large ticket interchange rates available from Visa and MasterCard that will significantly reduce the transaction costs on average of around 30%. Merchants that are processing Level 3 data with their transactions will realize considerable savings by always receiving the best available processing rate.

There are also additional benefits of accepting p-cards as payments such as, improved profitability and efficiency by reducing payment time from 30 to 60 days to 2 to 3 days. This results in reducing collection expenses through electronic authorization, as well as reducing the cost of floating funds until the payments are received. This translates into some compelling ROI opportunities for customers, which in turn means new sales prospects for ISO's looking to expand their merchant portfolio.

How to Provide Level 3 Processing

Level 3 processing will increase the sales agent's competitiveness in winning new business and addressing a rapidly growing and lucrative market segment. In order for your prospective merchants to manage interchange qualifications to obtain the lowest rates available, you need an system that will support Level 3 data. EXS recommends a comprehensive solution like 3 Delta System's (3DSI) payment solution for commercial and government purchase card programs. The system is specifically designed for suppliers and merchants providing goods and services to corporate and government personnel who pay for their orders using purchase cards. While the system is designed to meet the special requirements of purchase card transactions, all standard consumer credit cards may be processed as well. This translates to a single comprehensive solution for your customers processing needs. Because many business models exist in the B2B space, you will need to be able to offer several methods of processing the transactions. A solution like 3DSI can provide a very simple web-interface or virtual terminal as well as more complex gateway integration into backend accounting systems. Because the B2B space typically deals with larger and more complex customers, it's important to get a detailed understanding of the specific needs of each customer so that you can provide the correct solution. ISO's should work with their processors to get the proper training and support for B2B sales opportunities.

Providing level 3 processing will allow you to offer a new service to a customer base that you most likely have not yet sold to. You can educate these new prospects on the benefits of level 3 processing and show them how they can significantly reduce their processing rates and increase profitability by improving cash flow and reducing operating cost. Keep in mind that the B2B sales cycle can be much longer than the typical retail merchant sale however the rewards can be tenfold!

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