THE PAYMENTS SHOW

http://thepayments.show

E80:
TRANSPARENCY IN PAYMENT PROCESSING AND BREAKING DOWN THE BARRIERS TO FAIR MERCHANT SERVICES: PAYBRIGHT

GUEST
Dustin Magaziner
Founder

HOSTED BY
Satwant Phull

[Important] - This transcript was produced with machine learning and has *lots of errors and omissions.*

These timestamps are for the *audio version* of the podcast

[00:00:00] Introduction

[00:00:00] **Satwant:** Hi, I'm your host Satwant, and welcome to this episode with Dustin Magaziner from PayBright. If you'd like to watch the video version of this podcast, get the transcript in PDF format, or start a discussion about the episode, please click the link in the show notes. If you can't see the link, simply open a web browser, type thepayments.show into the address bar, and click on the latest episode to see the link. Thanks and enjoy the episode.

[00:00:31] **Satwant:** Great to meet you Dustin. Welcome to The Payments Show.

[00:00:34] **Dustin:** Likewise, thanks for having me here.

[00:00:36] **Satwant:** I have not come across your company before. But it seems that the, the company was founded on some very core principles to, to bring some justice to merchants and the payments world. So it'll be really interesting to go through your story and how you ended up where you are today and what your plans are for the future.

[00:00:56] **Satwant:** So, so thanks for joining. And before we start, where are you joining from today?

[00:01:01] **Dustin:** I am here in Raleigh. I didn't book a conference room, so apologies, but I'm, I'm here in, in our office in Raleigh, North Carolina right now.

[00:01:08] **Satwant:** No apologies for the office. I'm also in not my usual place. The house is being decorated right now. So this is the one place right at the top of the house, which is free.

[00:01:17] **Dustin:** Heh heh

[00:01:18] **Satwant:** we'll kick off.

[00:01:19] Start

[00:01:19] **Satwant:** I'll give you a quick introduction and then we'll take it from there. So, so Dustin, you're the CEO I believe in co founder of Paybright. Is that right?

[00:01:27] **Dustin:** I'm the founder. Yeah, I didn't have a, a co founder, so to speak. I, kind of, you know, started PayBright, you know, somewhat accidentally. So you know, I think with no planning, you know, kind of goes the, the idea of bringing anyone in at that stage. It was somewhat accidental, but yes, I did I did start PayBright.

[00:01:42] **Satwant:** Great stuff. And. My understanding at a high level is Paperite advises businesses on merchant services to basically help them save on average 30 percent on their payment processing costs. And the founding story, which was around the frustration and dishonesty in the industry.

[00:02:00] **Satwant:** So I'll, I'll hand over to you to understand where your companies come from.

[00:02:05] **Dustin:** Yeah, so, you know, PayBright's story has, has evolved as has any over, over, you know, the time we've been doing this.

[00:02:15] Founding Story: Poor Industry Practices

[00:02:15] **Dustin:** You know, when I first started, PayBright was, was, you know, the traditional side hustle so to speak. I don't even think I knew what that term was at that time, but it was 2012. I was 19 years old.

[00:02:27] **Dustin:** I was getting ready to go back to college for my sophomore year, and I realized I had gone through the savings I had my freshman year. Not that it was a whole lot, and I needed a little bit of income to pay for, not school, but for fun, right? Food, pizza, whatever. And so, you know, I knew this thing called credit card processing was a way to Make something called a residual income and I just went out and kind of just started door knocking, right?

[00:02:53] **Dustin:** Going door to door talking to businesses and just chatting with them and realized it was pretty like bad industry I hate to say it but a lot of unethical practices Or at least what I consider unethical I guess to some extent that that in and of itself can be debated, right? I think things other companies do that they will try to defend all day long.

[00:03:14] **Dustin:** I think are largely unethical but just a lot of practices that I didn't find were ethical and certainly business owners didn't like. And so, I was just going around really saying, here's how I can help you. I was, you know, okay at that time really making no money, which was a huge benefit as well.

[00:03:31] **Dustin:** Because I could invest back into the businesses, I didn't have to nickel and dime anyone, and I realized, you know, there was something here. If you just give people what you're promising them and what just makes sense... It works out. Like, I remember early on, so many of the, you know, businesses I was talking to would say things like, It sounds too good to be true.

[00:03:50] **Dustin:** That was probably one of the most common objections I'd get, and I remember thinking to myself and saying to them, Is it too good to be true, or isn't this just how it should be? I think if you're conditioned to expect something that's not good, it shouldn't be too good to be true when somebody just brings you something that's right.

[00:04:06] **Dustin:** But we've been, you know, or at least the industry had been conditioned a different way for so long. So, you know, started with Just this very low expectation approach of how do I just help people and make a few dollars along the way and You know was was successful, and I think we were successful early on because that mission was the right mission

[00:04:29] **Satwant:** So when you were going door to door, you're basically asking businesses, are you happy with your payment processing solution or do you want something competitive? Is that the general gist of it? And then you sort of had a menu of options. Is that right?

[00:04:43] **Dustin:** Well in the earliest days. I was going into businesses kind of saying something along the lines of hey there. My name is Dustin I'm new to merchant services and don't know a whole lot about it But what I can tell you is that I'm only going to make about 10 a month on the account at the pricing I'm offering you.

[00:05:02] **Dustin:** And there's probably no one else crazy enough to offer merchant services for a profit of 10 a month. You will want to try this out with me. It's no contract, so if I'm wrong or you're unhappy, you can cancel at any time. There's no risk to you, Mr. Business Owner. No upfront cost or anything. And I had some businesses that were just like, Okay, we'll try it out.

[00:05:23] **Dustin:** And I remember having no idea what I was doing. They give me their statements and say what am I paying and I tell them the truth, I don't know, I, I can't read these things yet, I, I'm so new to this business, all I know is I'm not going to make any money on your account, I just need the experience, are you willing to try that out?

[00:05:37] **Dustin:** And they said yes, surprisingly. I remember being at a, an early adopter of ours who we still have to this day twelve, you know, probably eleven, twelve years later, who I was sitting in his store, you know, for hours trying to figure out how to program a machine, because I didn't know what I was doing.

[00:05:53] **Dustin:** You know, this is probably a 20 minute process for somebody with experience. It probably was a 4 hour process for me. Because you gotta learn somehow, right? So, you know, that was really the early day approach was, I was just honest about it. I didn't know what I was doing, but I wasn't trying to make any money early on.

[00:06:13] **Dustin:** Well, it's not that I wasn't trying to make any money, it's just I thought making 100 a month was the goal of success. And so, if I had 10 merchants at 10 a month, I thought I was doing really well. So, that was really what it was. Then, of course, I started to learn what I was doing, and I started to see two sides to this.

[00:06:29] **Dustin:** One, I was helping businesses actually more than I was expecting to help them. Like, I thought when I went into the average business, if I could go in and say, Hey, I can save you 30, 50, 80 a month on your processing, that was a huge win, right? I was thinking of it like phone service. You know, we all have, you know, a cell phone of some sort.

[00:06:45] **Dustin:** If I... It came to you tomorrow and said, Hey, I can save you on just one phone plan, 50 a month. The average person is probably going to say for my phone, that's a lot. And I thought payment processing was similar for the terminal that sits on the counter. Who would want to pay 40 or 50 more every single month?

[00:07:01] **Dustin:** Then I realized we were saving businesses hundreds of dollars a month, thousands of dollars a month. In some cases, it was way more than I even expected when I first started. So you know, of course the goal changed, right? You know, we were able to make a little bit more still. I still believe that the goal in this business is not to get rich on a single client, it's to have a long term portfolio of a lot of clients, you make a little bit on a lot of people for a long time, and that's the model.

[00:07:27] **Dustin:** I think our competitors still don't think that way, it's how much money can we make as quickly as possible, and if we lose them, we lose them. Just not my philosophy but, you know, our model changed, obviously, where we knew more, the more we know, knowledge is power. You know, we were a little more dangerous in the sales world once we started to understand what we were actually doing.

[00:07:45] **Satwant:** Sure. That's great.

[00:07:47] **Satwant:** One quick question before we move on, I'm missing where you've just got this idea, it seems like There was some reason why you then went, hit the streets. Is it because you had a conversation with somebody saying that this is, we're getting ripped off or how did that come about?

[00:08:03] **Satwant:** Because on the face of it so far, it just seems you had a dream and you went and hit the streets. And ISO,

[00:08:08] **Dustin:** Yeah, so I can connect that dot. So, my family owned retail businesses of sorts, or just businesses in general. My dad owned a real estate business as well as a pharmacy, and then got into, you know, a clothing store and a restaurant at one point and a liquor store later on. But every summer he would, you know, be a little less in the business as, you know, I'm in high school at this time.

[00:08:31] **Dustin:** As he would hand things off to me, and I was doing things, you know, at a young age that was a great experience, and again, in those circumstances, I had no idea what he was doing. One of those things, right, had to deal with looking at certain bills and figuring out certain things, and it had to deal with, at one point in time, processing.

[00:08:47] **Dustin:** And, although I knew very little about it, what I came away from it was most business owners have very little idea what they're doing here, have no idea why they're paying what they're paying, there's a fair amount of competition. Which was interesting. And there's this thing out there that you can become an agent or an ISO and go and sell it and earn commission in residual formats.

[00:09:06] **Satwant:** What does that stand for?

[00:09:07] **Dustin:** It stands for independent sales organization, so you can essentially go out, I like to think of it as kind of like licensing their, you know, existing solutions and offerings. And being able to go resell it to, you know, your local market, so to speak. Almost like white labeling a processor, kind of, sort of.

[00:09:25] **Dustin:** And so, I didn't really know what that entailed, didn't really know a whole lot about it, but knew I could kind of do that. Again, what I had no idea is that it could be a real business. I didn't know that you could make real money doing it. I didn't know how much money you could save a business and any of that.

[00:09:40] **Dustin:** I just figured, hey, maybe there's 10 a month in it per customer, right? But it was residual and for me as, you know, being in school, I thought that was awesome because, at the time I remember, my main concern was... If I went and got a job and I was making 10 or 20 an hour, great. That was great when I could do it, but what if I was in finals?

[00:09:59] **Dustin:** I was really active in, in something called mock trial, which is like a law competition. What if I'm traveling for nationals or we're in California for a competition? How do I make money that week or that month? And so, hey, something with residuals is perfect. I can make 100 every month, and if I can work this month, I work, and if I can't the next month, I don't.

[00:10:19] **Dustin:** So, that hopefully connects the dots, but, but truly I went in very blind, very, knowing very little. I, you know, had never done anything up until that point, like, you know, I, I joke around with people. I've never had a real job. I worked from 14 to, you know, college, so about 18, over the summer in my dad's businesses.

[00:10:39] **Dustin:** And then started PayBright the next summer. I've never done anything else. I've never had a real job. Never gotten a paycheck in my life. So you know, I didn't know a whole lot. And kind of stumbled upon it, really.

[00:10:52] **Satwant:** It's the total opposite of my career. I've had the uniform career until I branched out and tried to do something myself in 2019. And then the lockdowns happened. So it's kind of crazy how things work out, but there you go. That's a great story. I love that. So, you're just sort of using something around your immediate environment to figure out, well, what can we potentially do? That's great.

[00:11:15] PayBright's Main Services

[00:11:15] **Satwant:** the business has really got. I've got three parts to it from, from what I've seen in addition to the merchant services, you've got gift and loyalty cards and also mobile payments as well. one interesting stat I've... found prior to the call was, 18 percent of gift cards remain unredeemed, which is a bit of a headache for companies on the balance sheets put it mildly.

[00:11:39] **Satwant:** I'm guessing that obviously merchant services is the biggest I guess that merged with, with the mobile payment side of things or is it discrete?

[00:11:47] **Dustin:** So mobile payments is really just a... A carryover of, of merchant services, right? It's, it's just a, a mechanism for businesses to accept payments. They can do it on a mobile device, so that's more of the device or the mechanism for which they're accepting the payments or merchant services that we, we offer all day, every day.

[00:12:04] **Dustin:** You know, I think some of the other things that we, we help facilitate for businesses these days as well are things in the software space, P o ss, and, and specialized softwares for businesses a as well as, you know, Cash advances, and at times small business loans are some additional products that we'll offer.

[00:12:21] **Dustin:** But, the overwhelming majority of our revenue and what we do here at PayBright is payment processing, merchant services, credit card processing, whatever we want to call it. It's all the same thing really, but that's really what we are. Everything else is to facilitate that or provide value. And gift cards are, are really one of those things, right?

[00:12:40] **Dustin:** They, they're oftentimes processing through the same devices as credit cards, so it's something we offer as a service to our businesses as a value prop. But it's not something that generates revenue for us. In fact, we, we largely do it for free. So it's, it's not really like a, a business, you know, so to speak.

[00:12:56] **Dustin:** It's, it's a value proposition to continue to support and expand our merchant service base.

[00:13:00] **Satwant:** Yeah. Great.

[00:13:02] ROI and Lifetime Customer Value

[00:13:02] **Satwant:** So let's talk about the details of the advantage that you offer. So no contract or early termination fees no annual rate increases, affordable pricing from day one, not after people start thinking there's something wrong and complaining. maybe you wanted to talk about some of those in context with some case studies that you have, for example.

[00:13:23] **Dustin:** Yeah, sure. So, all of what you mentioned there, I could talk about all day long. And I think also, as part of that, I'll also explain somewhat of our go to market strategy and how we sell, because I think that's something that matters in this context. So, when I was out selling, right, when I was doing this myself, as I mentioned before, I had businesses all the time tell me, it's too good to be true, you're going to give me a free machine, there's not going to be a contract, and you're not going to raise my price.

[00:13:51] **Dustin:** How do you guys make money? My answer is, well, let's just do the math. If I give you a 100 terminal and I make 20 a month, and I save you 100 a month, that means your previous company was making 120. Okay, well, I make 20 a month. I gave you a 100 machine. It means I break even at five months. But if I don't raise your price and I service you properly, how long are you going to be in business here?

[00:14:13] **Dustin:** Five years? Ten years? Twenty years? I should make that money back plus, plus, plus, right? It's about lifetime value. These other companies, I don't get it. But they're, they're building their models on, you know, 18 month, 24 month time frames. But then because of that, they do things, it's, it almost becomes, you know, circular reasoning.

[00:14:32] **Dustin:** They do things that then create that. If I think, you know, I'm only going to have a merchant for 12 months, well then I increase the rate at 6 months to make more money in what I perceive as my last 6 months with them. Well now I inadvertently cause that merchant to leave because I raise their price. It, it almost, It makes no sense to me.

[00:14:50] **Dustin:** So for us, it was all about the idea of how do we become this business's last processor? The last one they ever have. If we can do that, we can invest more. I don't care about contracts, right? I believe the only contract we need is good service and good pricing. If we deliver what we promise, why would a client leave?

[00:15:08] **Dustin:** And if they want to leave, great. One of the great stats that we've seen is a really high percentage of these merchants that do leave will come back. Right, that, I, I'm a big believer that you treat people well going out, they remember how that was, and they're that much more likely to refer to you or come back.

[00:15:24] **Dustin:** I remember personally, I lost a merchant, one of my own, not because of price or service, but because they, they got a, a new POS system that we couldn't integrate with, and unfortunately, I didn't know that they were looking for a system, and, and it's just, it's part of the business. But, they refer probably a new merchant to us every 6 to 12 months.

[00:15:43] **Dustin:** To this day, they refer business to us because they recognize we were a great processor. And I imagine at some point when they get tired of that system, they'll come back too. But that'll take a little longer. So, it's all about how do you retain these merchants for as long as possible. So, with that, right, it really formed our go to market strategy.

[00:16:02] **Dustin:** What I realized is, you know, there's only so many businesses I can personally go into. Only so many businesses I can sell to. And so we use, the same model that I started on, this agent ISO model. So we have over 700 active sales partners today. These are largely independent agents across the country.

[00:16:20] **Dustin:** I like to think of it as insurance. There are lots of insurance agents around the country representing large, large insurance companies. It's a similar type of thing. We have these independent agents all over the country who sell merchant services, usually as a full time job. This is what they do for a living.

[00:16:35] **Dustin:** and their local markets, and then we are, who's powering them behind the scenes. And we wanted to take what worked so well for us, and just give that to more people. And it's proven to be really successful, because we have competitors, again, in the agent ISO space, right? People that compete for these same salespeople, and we've had a lot of success attracting these people, because again, our value proposition to the merchant is better, which means our value proposition to that independent agent is better.

[00:17:03] **Dustin:** So, you know, now we see our customer as this agent and the merchant as their customer. But ultimately it's the same thing. If they're the customer of my customer, they're kind of my customer in a sense, right? I need to make sure I deliver top quality support and products for them.

[00:17:17] **Dustin:** So I just think thought it was important to kind of mention that because it's, it's, you know, how we, how we go to market. I'm not personally talking to businesses anymore, nor is anyone here in the office. We deal with the people that, that go to these, you know, business owners. So, you know, that, that outlines that.

[00:17:33] **Dustin:** But yeah, to me, the, the idea of, of some of what you mentioned and, and I've covered, you know, no contract, no rate increases, largely offering free, equipment, picking up the phone when people call, like this is just business 101. I don't think it's rocket science and yet it shocks me what percentage of professors don't do these things.

[00:17:52] Introductory Rates: Bad for Both Parties

[00:17:52] **Dustin:** the whole, like what I call starter rate game is still really prevalent in our business and it's something I fundamentally don't believe in. It's the idea that I'm gonna come to you, I'm gonna offer you a really attractive rate, however, that rate may only be good for three months or six months.

[00:18:09] **Dustin:** And then you're back to square one all over again. And all that processor is banking on is that you won't notice it. And it seems, just to me, a little dishonest. They'll try to say, to justify it, Oh, well we put it on their statement, a little message at the bottom. To me, that's not right. You know, if I go and I agree to a price with you, we should be able to honor that price and stick to it.

[00:18:29] **Dustin:** Not, you know, put a little message that you probably don't pay attention to, nor should you have to pay attention. to know that your price went up. And in some of these cases, these price increases are, I've seen price increases that are thousands of dollars a month. A month. Businesses paying tens of thousands of dollars a year more in processing fees from one month to the next.

[00:18:53] **Satwant:** That's

[00:18:53] **Dustin:** 30 days different. And that's, that happens in this business, unfortunately.

[00:18:59] **Satwant:** And I'd imagine that's easy to get away with because you're dealing with small to medium enterprises. And they have a lot on their plate.

[00:19:07] **Dustin:** Yeah, and the other problem, right, is, like, these businesses are processing, right? They're using their equipment. And so, So, the, the fees get incurred as they use it, right? The more you use it, the more it incurs. But if my rate goes up, let's just pretend, by 1%, and I process 50, 000 a month, that means my rates just went up 500 a month, right?

[00:19:30] **Dustin:** But I don't necessarily know that until the damage is done, because if I didn't see that message saying the price went up, I continued to use it, and now I owe an additional 500. And that's if the merchant's doing 50, 000. What if they're doing 500, 000? I've seen it, right? There are businesses... Doing 500, 000 all over.

[00:19:48] **Dustin:** Now they just went up 5, 000 a month in fees. And sure, they can switch. It's probably going to take them a week or two or three to find a new processor. So they didn't know about it the first month. They just got burned for 5, 000. Now they need another two to three weeks. That's another 2, 000 to 4, 000 they're going to lose.

[00:20:02] **Dustin:** Before they can get out of it, they just lost 5, 000 to 10, 000 because there was a little message at the bottom of the statement that they shouldn't be expected to have to review. They should be able to trust it. I used to love the line, trust but verify, right? You should be able to trust it, but every once in a while verify it, but that's tough for business owners.

[00:20:20] **Dustin:** They really should be able to run their business and not have to look at the statement message at the bottom of their little processing statement. That probably isn't even mailed to them anymore. Probably have to know where to log in, have a unique dashboard they never otherwise need to go to, just to see, is my processor raising my price this month?

[00:20:37] **Satwant:** Yeah. and we're not even counting the fact that it's not just a switch. You've got to then integrate it to your accounting and so the switching cost isn't higher than just signing a new contract.

[00:20:49] Industry Consolidation: Pros & Cons

[00:20:49] **Dustin:** That is one of the areas that I'm most nervous about for the industry, just like from an ethical perspective. For PayBright, this is not necessarily a disadvantage, this actually helps us. But one of the things that's happening right now is the consolidation between technology and payments, which is not always great for businesses.

[00:21:12] **Dustin:** And what I mean by this is, it used to be more common that technology was what we would call in the industry, agnostic. Meaning, I could take this solution and integrate multiple payments companies. So if Processor 1 or Payments Company 1 wasn't the right fit for me, or they weren't ethical, or they didn't do what I liked, or whatever, I could switch to Company 2.

[00:21:32] **Dustin:** But now we're seeing less of that, right? You've got large companies like Toast and Square, for example, just as two big goliaths in the industry, where if I buy a system from Toast tomorrow, and put it in my business, and I invest 8, 000, 10, 000 in it, I train my staff, I train my managers, I do everything with my menu, I spend a month getting used to it, I have a lot invested.

[00:21:52] **Dustin:** And I can't change processors. And so if in a year that company decides that they want to raise my price by 100%, they want to double my price, I am in a tough boat. I have to now go buy a new system, which will be expensive. I will have to get it installed, which will take probably a month or two. I will have, or at least two to four weeks.

[00:22:15] **Dustin:** I will have to train my staff and incur the costs of that, right? There's, there's a learning curve that has its own inherent costs, right? You know, customer service experience that were negative because the menu wasn't right or the item was put in wrong or the printer didn't print the order so it wasn't made in the kitchen, whatever.

[00:22:33] **Dustin:** The online ordering that wasn't set up so now I lose a day worth of online ordering, you know, orders. These things happen when you change systems, unfortunately. And so, the integration and the proprietary element of what's happening concerns me for what that means for small business owners. Nurse, I said, startle, this is actually good for pay.

[00:22:53] **Dustin:** Bright. And, and you may be wondering, well, why is it good for pay Bri? Well, what it does, it, it means that over time the aggregate rate that businesses are paying will, will likely be higher. And we already see that, that the, if I went out 10 years ago and talked to a hundred businesses, the effective rate that these businesses were paying was maybe, I don't know, 2.1%.

[00:23:12] **Dustin:** Now I see higher than that. I see, you know, probably closer to 2.7, 2.8 because companies can get away with it. Well, that's good for us because it means there's more room for us to help businesses. So, you know, it's actually easier, I think, in some areas now than it was then. We have to be a little bit more aware of technology requests.

[00:23:30] **Dustin:** So there's more tech questions, but the numbers are actually easier to navigate. So double edged sword there

[00:23:37] **Satwant:** and also with fees, you mentioned that a lot of fees potentially hitting that 3 percent mark, close to, but they're blowing past it with the Buy Now Pay Later stuff, which is becoming so much more popular.

[00:23:49] **Dustin:** yeah, we'll, we'll see where the Buy now pay later industry goes. Not a big focus here on our end obviously, but you know, the, the buy now pay later I think is, is a little bit go, it's gonna be interesting to follow, right. With interest rates where they are today.

[00:24:02] **Dustin:** Buy now, pay later, I think is in a tough boat. 'cause a lot of the buy now pay later companies kind of worked off of a fee based model where they would offer 0 percent interest, very attractive terms. However, if you missed a payment, then that's where they made their money. That was a very common model.

[00:24:18] **Dustin:** I don't know that they can afford to do that with interest rates being 5, 6, a lot of changes, in that world. With all that being said, we haven't seen a ton of buy now, pay later competition in the merchant types we work with. Our number one vertical, and we have a very diversified portfolio, which is good, but means there's not like a single industry type that represents, you know, 80 percent of our businesses.

[00:24:46] Food, Beverage and Quick Service Restaurants

[00:24:46] **Dustin:** But the number one industry type we work with is food and beverage. Restaurants, bars, quick service, those types. I don't know that we're ever going to see buy now, later, you know, buy now, pay later in a restaurant. It'd be kind of funny, right? I go out, I, I go to a sushi restaurant, I have a 30 bill, and I, I split it up over six payments.

[00:25:00] **Dustin:** Like, I don't know that we're going to see that. So in, in a lot of the industry types that we're pretty popular in, we haven't seen a ton of that. You definitely see some, right? CareCredit is, is essentially a buy now, pay later type product that's been in the, you know, veterinary and medical world for, I don't know, at least a decade or two.

[00:25:17] **Dustin:** And they've been very successful in that space, and we do a lot of veterinary and medical. Definitely exists, but I'm not sure that it's going to, you know, continue to, you know, come into the verticals too much that we focus on as much.

[00:25:32] Platform Risk: TOS, High-Risk Accounts, Getting Cancelled

[00:25:32] **Satwant:** The other aspect of platform risk I wanted to talk about, and I've... I've discussed this in many other episodes with different people as well, is, is getting cancelled or breaking terms of service. I mean, it seems nowadays it could be anything. It's not even, it doesn't even have to be anything that controversial.

[00:25:52] **Satwant:** But somebody decides that your business is high risk for whatever reason that may be and you're done. And if you've got square, I don't know about toast, but... see so many people comment on my YouTube channel that compliments this podcast that, Oh, I've been, I've just been shut down. I've been there for three, four, five years. What do I do?

[00:26:13] **Satwant:** And it's getting more and more common. And it's not just something because of something that's potentially illegal or anything. It's just, they've changed their TOS.

[00:26:22] **Dustin:** yep. So, you know, I'll first say, right, shameless plug here, we do a lot of high risk accounts. And so, you know, if there are people like this, there's a good chance we can provide some assistance.

[00:26:35] **Dustin:** The high risk, you know, and I'm putting that in air quotes because every company can have their own definition of high risk.

[00:26:41] Types of "Risk"

[00:26:41] **Dustin:** Risk is a complicated conversation or topic in our industry because the question is what makes it risky, right? A business can be risky due to the products and services they offer. That's one level of risk. It can be reputational risk. This would also be the products and services they offer, but maybe it's more reputational.

[00:27:01] **Dustin:** An example is certain banks and processors these days don't want to process Firearms transactions because of the reputational risk. It's not financial risk, whereas other things could be financial risk, right? Like subscription based or telemarketing type services have a very high financial risk associated with them.

[00:27:21] **Dustin:** Different type of risk. You can also have risk due to risk of fraud, and that's a whole different level of risk. And this might be the inability for a processor to validate or verify the business. And sometimes that's by no fault of the business. If I can have a very successful business that's very niche, without a huge following or, social profile or Google presence, then it can be very hard to validate that business.

[00:27:47] **Dustin:** And so that can be its own level of risk, right? Our ability to verify a business sometimes. So there's a number of things that can impact risk. With that said, I think that business owners, can, can learn from, podcasts like this about where to go for the types of businesses they are.

[00:28:07] Risk Analysis & Managament with PayBright

[00:28:07] **Dustin:** From my perspective, and of course I am biased here, Square and Stripe are probably not the best fit for most businesses. They're convenient, they're easy, I can go online, they have great tools, they're big companies. But at the end of the day, they use very, what I'll call, automated or robotic risk type of systems because there isn't manual there.

[00:28:31] **Dustin:** With a company like ours... We have a risk department. We have an underwriting department. Our risk department talks to merchants. Any processor that exists will have risk issues because we also see fraud, right? We sign merchants up that look good and they run a bunch of fraudulent sales. Then the merchant runs away with the money and we are on the hook.

[00:28:50] **Dustin:** It happens. Hopefully it doesn't happen often, but it is the industry and it is what everyone is trying to protect from, largely. So, you know, we need to be able to validate and verify things. But if you work with a company who has the ability to ask the right questions, understand your business model upfront, you can avoid my, you know, this, what I hear all the time.

[00:29:11] **Dustin:** I have funds on hold. They won't give me the deposits. They're holding 50 percent of my sales. There's no one to talk to. And those types of things can be catastrophic for a business, right? A $50,000 sale and can't get the money for six months. That can be pretty hard to deal with. So, you know, the key is I think having a good risk department to deal with.

[00:29:33] **Dustin:** They could. It could. I mean, look, there will be circumstances with every processor where there's a transaction they can't approve. But even working with the right company can be the difference of being stuck and having an option. Here's an example. We had a business who, again, every processor is with us approved, or every merchant, I'm sorry, is approved with us to sell certain products and to have certain transaction amounts, right?

[00:29:55] **Dustin:** High ticket, monthly volume, and high ticket. And we can adjust those and based on what that merchant is asking for, they might need to provide... Additional documents. We just did an account, I just got a message actually, I can probably pull it up really quickly for you, from one of our sales partners. He's been doing this a long time, years, and it's just relevant because this was Monday or Tuesday, and he quite literally texted me out of the blue, just wanting to thank us, underwriting and support working with, PayBright has, been a great, he was just, he just got approved a high ticket for a merchant of 250, 000 and a 1 million a month, processing amount.

[00:30:31] **Dustin:** 250, 000 ticket size. They can run up to 250, 000 transactions approved, you know, with us for what they're doing. Not having to submit for an account, run the transactions, and hope, cross my fingers, and just hope that the processor doesn't flag it or have a problem with it. They know exactly what it is.

[00:30:48] **Dustin:** When they get approved, they get an email from us saying, Here's what your approved parameters are. Stay with them. Even when parameters go over. We still have a process to get it done. We research it and we usually turn that around within 24 hours, not weeks. But even when we have one that's going to be difficult, right?

[00:31:07] **Dustin:** Hey, this merchant was approved for 5, 000 and ran a 50, 000 transaction and we asked for some supporting docs and they're not great. This merchant has 300 in the bank. I don't think we should do a 50, 000 sale. You might be wondering why. That customer has the money. The reason for our process is what if there's a dispute between the customer and the business?

[00:31:27] **Dustin:** The customer is going to charge it back. The banks will decide who wins. That's not the processor. And if the bank sides with the customer, not the merchant, and the merchant only has 300 in the bank, where does the other 49, 700 come from? It's going to come from the processor. And so we obviously want to mitigate those losses.

[00:31:46] **Dustin:** And so even if we have something like that, what we can say, and again, some of these merchants the resources to even know this, is we'll say, hey, we'll cancel the transaction. So we're not going to hold it for, you know, six months, we'll cancel it and have the customer, they're going to get their money back, have them wire it to you or ACH it to you, take payment a different way, rather than now it's being frozen.

[00:32:06] **Dustin:** And that's the tough part, right, is the customer thinks they've paid, it's off their card, the merchant hasn't gotten it, it's sitting with the processor and no one wins. So we always want to help do it, you know, however we can to help. Not just freeze an account, shut them down that, that's not, that's not the best approach.

[00:32:20] **Dustin:** Everyone loses in that scenario so we, we really try to, you know, work with our business owners and, and our sales partners to, to accommodate.

[00:32:27] **Satwant:** Yeah. I'd like to know the extent to how bad this is getting, because obviously you see the volume. I mean, there were stories here a couple of months ago when de banking was all in the news. I mean, weapon suppliers to the UK Ministry of Defence, like the DoD in the States, they were having their bank accounts shut down because the bank said, we don't want to deal with defence.

[00:32:47] **Satwant:** Reputational risk, I guess that falls under. I mean, that's just crazy. I mean, What are you seeing in terms of the general trend?

[00:32:55] **Dustin:** Yeah, so, you know, I am a big believer that my position here is not to get into politics, right? Like, not, I shouldn't say it that way. Paybright isn't... To get into politics, right? We want to stay very neutral when it comes to these things, but the banks aren't necessarily, right? They are making decisions based on political, I don't want to say affiliations, but maybe leanings?

[00:33:20] **Dustin:** Part of that is, you know, reputational risk, and I get it, right? Like, it would be a horrible story if, if this were to happen. If there was some sort of horrible event, like some sort of, you know, shooting or some, something like that, and it came out that XYZ Bank was the bank that facilitated that transaction.

[00:33:41] **Dustin:** However, one, I don't know that people would blame the processor, right? They would expect that, you know, a credit card's going to be used. It's not like Visa is saying, Hey, we're not going to allow credit card transactions at firearms businesses anymore. So, you know, I don't fully understand that element.

[00:34:01] **Dustin:** But I think that's what's happening, right? They want to protect themselves from the reputational harm that could come from it.

[00:34:07] **Satwant:** I gave an extreme example, but I'm talking about how big is the cancellation problem in general for SMEs, Because of things like terms of service one example I had, somebody contacted me. They said they've been running a business on Stripe for many years in Hawaii, I think they were.

[00:34:24] **Satwant:** And they said we opened a store and we added the URL for that. And then they got shut down because they said, well, you didn't tell us that that was part of that store. So,

[00:34:33] **Dustin:** hmm.

[00:34:33] **Satwant:** moving away from defense and firearms, even I'm saying, how bad is that problem? Is it, how, how

[00:34:39] **Satwant:** how is it growing or shrinking now?

[00:34:43] **Dustin:** yeah, so statistically, I would say this is industry wide, not what I would consider a major issue. I don't have a statistic on it. You know, to say 1 percent of merchants or 0. 5 percent or 2 percent or whatever it would be of merchants run into a situation where they're being shut down. And I don't know that one exists.

[00:35:08] **Dustin:** What I'll say is that the issues are largely bigger with some of these companies like, like the stripes of the world, because it's just a term of service. There's, there's not a representative, there's not a holistic view. That issue of a URL is potentially an issue with most, most processors, because we, at times need to understand what products and services are being sold through our, our products. You know, I can't facilitate transactions for certain things, and if I don't know about a website, I don't know if I'm facilitating those transactions. But we're not going to just shut an account down. We're going to say, hey, you know, you need a separate account for that website. We understand it was a mistake.

[00:35:51] **Dustin:** Let's fix it. We're going to give you 14 days to get it fixed, and we'll be fine. Right? It's a difference in approach. So, I think these, Goliaths don't necessarily have the resources or the personnel. To them, it's more cost effective to not employ a team of people for risk and things like that than it is to just say, we're going to close the account.

[00:36:13] **Dustin:** It's probably an economic decision. We take the other approach, which is, we're going to try to handhold these businesses through these experiences to minimize that churn. Because think about it, if you shut an account down for risk... Or Terms of Service, that's attrition, right? It's lost revenue. We want to avoid that.

[00:36:31] **Dustin:** In fact, we see it as the opposite. Hey, Mr. Business Owner, you know what? Let's set you up with a new website, a new account. Now it's not attrition, we turn it into a positive. It's a win. Let us help you grow your business, not shut it down and hold your funds. So, statistically for the industry, it's probably not considered, you know, statistically a huge issue.

[00:36:49] **Dustin:** You know, for all the businesses there are, most of them aren't going to run into these problems. However... Numerically, there are tons of business owners who are running into these problems, and most of them are running into these problems because most of them are using these types of companies. These companies that are, you know, underwriting accounts through automated processes, through automated merchant account approval and automated issuance.

[00:37:10] **Dustin:** It's fast, it's convenient, it's the name brands they know about, and instead they're not going to, you know, a merchant service provider who's going to underwrite their account for exactly what it is. We ask you, what are you selling? We ask you for your website URL address. We ask you how much you're going to process, what your high tickets are, what your average ticket is.

[00:37:30] **Dustin:** These are things that, if you are running a business, I would tell you, you want your processor to ask you these questions. And it's funny, you know, when we have merchants come over from Stripe, You know, using them as an example, they say all the time, I don't think I had to answer these questions with Stripe.

[00:37:44] **Dustin:** They never, I don't think, asked me this question. And we'll say, you're right, they didn't ask you these questions. And in a lot of instances, that's not a good thing, right? When they don't ask you questions across, or like, how much money do you process a month? They're assuming a number, and if you do ten times that, or five times that, or three times that, whatever their algorithm tells them, they're going to flag your account.

[00:38:08] **Dustin:** Wouldn't you rather tell us how much you need to process, rather than us assuming how much you're going to process? So, it's just a different approach, and I think in a lot of instances, it comes down to, similar issues as other things, is, the education of what business owners are able to understand, and marketing dollars.

[00:38:26] **Dustin:** These companies have a lot of marketing dollars, so they make sure these business owners are, are coming to them.

[00:38:32] **Satwant:** Sure. I wanted to, to, to focus a bit more on the street level now.

[00:38:37] Convenience vs Ability to Get a Merchant Account

[00:38:37] **Satwant:** So you mentioned earlier that a lot of your business through restaurants, quick service restaurants, for example. And, One of the things I remember reading in Jim, Jim McKelvey's book the co founder of Square, he was saying how a lot of small sort of mom and pop businesses loved it because they couldn't get an account with a card provider and hence that really helped a lot of their growth. so I wanted to ask, why would that be happening? And is it really that difficult for a small store to get a merchant account?

[00:39:12] **Dustin:** So, I don't think that that is inherently or entirely the case. Like, I want to define it a little more. I, I think one of the things that helped Square hugely was the convenience of getting a merchant account, not the ability to get a merchant account. That was, that was a huge thing, right? I could download this app onto my iPhone.

[00:39:33] **Dustin:** And instantly process transactions or near instant that it would at that time, especially that was not the process. In fact, at that time, it probably wasn't uncommon that you had to sign physical paperwork, fax it in and wait a few days for an account to be approved and then a machine or something be mailed to you.

[00:39:53] **Dustin:** So there was significant improvements for business owner.

[00:39:57] **Dustin:** I think that was a huge thing that Square brought to this industry, and of course, all of us have evolved because of that. Square has provided tremendous value in that element.

[00:40:09] Micro-Merchants: Where Square Succeeded

[00:40:09] **Dustin:** As for the business owners not being able to get a merchant account, I don't know that that is something I agree with at that level.

[00:40:15] **Dustin:** What I do think is hugely true was what we used to call micro merchants. I don't know that that's a term that's used as often anymore, but that used to be defined as merchants. In the 60, 000 a year volume mark, a year, 5, 000 a month or less. And processors at that time didn't really want to take these merchants.

[00:40:33] **Dustin:** And prior to Square, it used to say, hey, we'll take you, but there's going to be a 50 monthly fee. And, you know, a merchant doing 2, 000 a month to have to pay processing fees plus 50 a month. was cost prohibitive. And so that was the rub. And so Square came out with a no monthly fee option that you not only could not pay a monthly fee for, you could have a flat rate and be up and running in an hour.

[00:40:57] **Dustin:** And that was game changing. And then, because of that, I don't know, let's just say there's somewhere around 100, 000 merchant level salespeople across the United States, people that sell merchant services for a living, Square basically got a free labor source. Because all of these people were going out talking to business owners, and when they talked to a business owner that was a micro merchant, two, three thousand a month.

[00:41:16] **Dustin:** They said, oh, Mr. Business owner, you're too small for what I do, but you should just sign up with this thing called Square and Square, got all this free business. Right? I was sending people to Square once upon a time, you know, Hey, you're, you're doing, you're doing $200 a month at a, at a farmer's market.

[00:41:33] **Dustin:** That's awesome. I, I, I wanna know where you are. I wanna be your customer, but Square is built for your business. So I think that was was more so it than like, can these accounts get approved or underwritten? I think it was a price situation and the perceived revenue or profit at the processor level.

[00:41:51] **Dustin:** And so Square made an entire business out of that. They've come way further now than that, right? That was what started them off, but it's certainly not what they are known for today. You know, now they, they, they're a Goliath in the business. So, I think they revolutionized the approval and onboarding experience for your average business.

[00:42:09] **Dustin:** They gave them a... process transactions, right? They were really the first on your phone dongle option that really at least had any level of traction and success. And they gave small merchants a price point for their business that was affordable. Now, if you were doing 50, 000 a month, 30, 000 a month, 20, 000 a month, Square was not generally the affordable option, right?

[00:42:31] **Dustin:** They were significantly more expensive. As I mentioned before, when I was out selling, most of these businesses were paying, you know, I don't know, 2, 2. 1%? Square was 2. 75 for just a swipe transaction. It was more for a keyed transaction. So, for that average business, it would have been at least 70 or so basis points higher.

[00:42:48] **Dustin:** That's expensive. for a business doing 100, 000 a month, you know, as an example. So... larger merchants wasn't usually a great fit for, but these smaller, you know, micro merchant type businesses that everyone neglected for years, Square was a great fit for.

[00:43:04] **Satwant:** I do remember now that you said that with the micro businesses, he initially started looking at this because I think he was doing some woodwork in his spare time and couldn't sell what he was making. And that's what triggered it, I think, in his head. So yeah, you pretty much nailed it there. I forgot that bit!

[00:43:22] PayBright: a Trusted Partner, Not The "Best of the Worst in Payments"!

[00:43:22] **Satwant:** So, Dustin, I've talked quite a bit over the last 50 minutes or so, I wanted to ask you, is there anything that you wanted to get across, which I haven't mentioned that you feel that it was important to get across?

[00:43:39] **Dustin:** I think we've covered a lot. think the main thing, right, for people listening is you know, it's tough. I think this industry is an industry that most people associate with not good, right? They think, oh, Every processor, I'll use this word, they kind of suck you know, they, they don't care about my business, they just charge us fees.

[00:44:03] **Dustin:** And I, I hope that people can stop feeling that way. They can actually feel like they have a good payment processing partner. That has always really been what we want to deliver. And I hope people that are listening come away thinking, okay, there are good options out there for my business. I don't have to be stuck with a company that I just feel is the best of the worst.

[00:44:25] **Dustin:** I, I always hated that idea, was the best of the worst. And instead they realized there can be a company that actually delivers what I deserve. Right, it doesn't have to be too good to be true.

[00:44:37] **Satwant:** Sure. That's great. Thank you.