



# The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

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## The Importance of Merchant Education

*"If you think education is expensive, try ignorance!"*

In posting this statement many years ago, my grade school teachers had unwittingly identified a truism, which is very applicable to the merchant bank card industry today. To wit, Bank Card Law (BCL) has observed that ignorance causes tremendous, yet preventable, loss to the entire bank card industry every year. Exploring the definition of ignorance, Black's Law Dictionary defines it as "the want or absence of knowledge, [being] unaware or uninformed." If BCL had \$100 for every time we heard a merchant say, "I didn't know \_\_\_\_\_" in connection with losing their merchant account or experiencing a significant monetary loss, we would probably be comfortably retired by now.

The irony of ignorance-based loss is that preventive information is quite accessible, yet rarely used. For example, both MasterCard and Visa publish merchant education materials at relatively little or no cost and make these materials available to acquiring banks. American Express and Discover even make merchant education information readily available online at [www.americanexpress.com](http://www.americanexpress.com) and [www.novus.net.com/merchant](http://www.novus.net.com/merchant), respectively.

Merchant education materials cover such topics as: how to process different types of card transactions, achieving profitability, product offerings, and the ever-timely fraud and chargeback reduction. Some merchant education materials cover what may be termed "Merchant Best Practices," an indispensable area in which all merchants should be intimately versed and familiar.

Surprisingly, BCL has yet to hear one merchant say that their acquiring bank, ISO, or sales agent provided them with any of the above mentioned educational and training materials. From this merchant feedback, BCL opines that all entities within the acquiring bank card industry are experiencing a significant level of unnecessary loss. This becomes even more magnified when you consider that chargebacks alone cost merchants and the entire bank card industry millions of dollars each year. Conversely, some of the merchant publications dealing with fraud and chargeback prevention are either free or cost as little as 75 cents each.

What can you do to inexpensively educate merchants and reap

the return from loss prevention and account retention?

It would be overly simplistic to say that dissemination of educational materials, alone, would solve all types of merchant loss. However, it is reasonable to say that providing merchant educational materials is a very important and simple first step in preventing unnecessary loss.

It is an action which yields benefits that grossly outweigh the cost. To make use of the available merchant educational materials, every acquiring bank should contact Visa and MasterCard, procure the relevant materials, and make them available to their merchants directly or through their ISO/MSP and Sale Agents. ISO/MSPs and sale agents can request that their sponsoring member banks procure the merchant education materials for distribution.

In the extremely competitive bank card acquiring industry, the practice of educating merchants has the secondary benefit of giving the merchant additional customer service. You can distinguish your institution from others who do not similarly educate their merchants. You can also use the educational materials as a platform or an adjunct to your own merchant education program.

In conclusion, consider that no acquiring bank, ISO/MSP, sales agent or merchant likes to lose the valuable income derived from a productive merchant account. It is therefore imperative to use the readily available, low-cost merchant education materials to help stamp-out ignorance. Remember that ignorance leads to unnecessary loss, and that "a merchant account is terrible thing to waste."

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Tony Ogden of Bank Card Law provides legal and consulting services designed to facilitate merchant bank card processing. The best way to obtain more information about Bank Card Law is to visit [www.bankcardlaw.com](http://www.bankcardlaw.com). You can also call (310) 888-7746. (revised)