

Paper or Plastic?

BUSINESS HOW-TO

Accept credit cards

When making a purchase in the 21st century, the query “Cash or credit?” has been replaced by “Credit or debit?” If you don’t have the latter two as an option, you could be losing clients to your competitors who do.

For years, some financial gurus have claimed that consumers tend to buy more with credit cards than with cash. The reason is obvious: when cash runs out, they’re broke; but with a credit card, they can keep on charg-

ing until they reach their limit. They’re still broke, but the vendors have been paid.

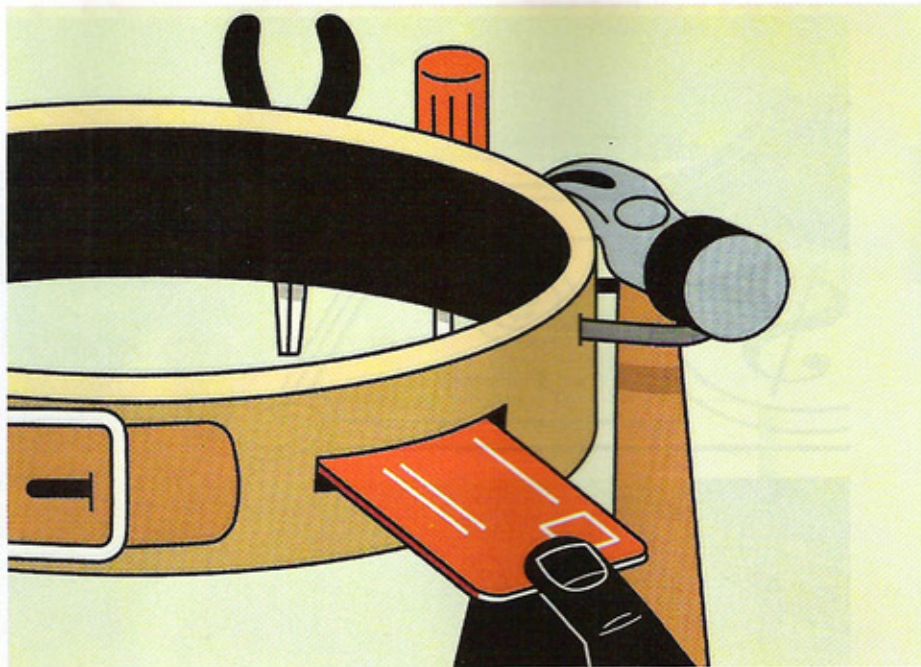
Also, let’s not forget the incentives that credit card companies provide – cash-back rewards, airline miles, gas credits, the list goes on. Many people deliberately maximize credit card purchases to reach incentive goals. After all, if they need just 28,000 more miles for that trip to Cancun, charging their remodeling job can help get them there! Olé!

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Are Credit Cards Right for You?

This is really the first thing you have to ask yourself. If you're trying to grow your company and expand your customer base, then accepting credit cards would be a logical next step. Similarly, if you've lost business because you do not accept plastic, then that is another consideration. Then again, if the transaction fees, equipment fees, or other fees are significantly cutting into your margins, well you have your answer, don't you?

Carlisle Classic Homes, in Seattle, used to accept credit cards, but not anymore, according to owner and president Rob Carlisle. "I would still do it if we typically did smaller jobs — \$5,000 and under — but most of our jobs are north of \$10,000 and our average job cost is \$65,000 to \$75,000," he says. "When we used to take them, we increased our price by 2%, then offered a 2% cash discount. Everyone



was just paying with cash and we were wasting our \$20 per month fee to accept credit cards." Carlisle added that he might reconsider accepting credit cards again since cash has gotten tight for a lot of people.

Cheri S. Perry, president of Total Merchant Concepts, a merchant services company based in Vancouver, Wash., says that **if you're bidding on a kitchen remodeling job, a client may elect to use your services and even expand the scope of the project if they know you accept credit cards, especially if they are cash poor but credit rich.** "They may really like what you have to offer but may be forced to use the services of another contractor who accepts plastic so they can pay for the entire project on their credit card," she says, adding that contractors who wish to do more government work have another reason to consider accepting credit cards.

Embracing Change

Orfield Design & Construction, in Minnetonka, Minn., accepts credit cards simply to give its clients another payment option, according to co-owner Laura Orfield-Skrivseth. "I don't think any remodeler wants to finance their

clients' projects," she says. "So if they can pay us by credit card, then they are making payment plans with their credit card company, and not us!"

Graham Tamplin, owner of Energy Miser, in the greater St. Louis area, started accepting credit cards at the same time that he upgraded the company's cell phones to smartphones. "We take credit card info from the homeowner and input via the smartphone app," he explains. "The customer is sent a copy of the transaction by e-mail. The transaction

is funded overnight and the fees are less than they were before." He added that his company is a small (\$500,000+) remodeling and energy audit business. "This was absolutely a smart move for us," he says.

Instead of switching phones, Ethan Home

Repair & Remodeling, in Seattle, made the move to plastic when the company switched banks, according to owner Milt Rye. "We got all our setup and equipment fees waived so it didn't cost much to get started," he says. "The system has a virtual terminal so I can key in deposits and payments from my smartphone right in front of customers."

According to Rye, the fees per

2% to 4%

Average transaction fee for each job charged to a credit card

Privacy Please

According to Richard Feeley of Feeley Mediation & Business Law, in Marietta, Ga., and a REMODELING contributor, **the biggest concern when a smaller business begins accepting credit card payments is ensuring customer privacy.** "I have seen several instances where contractors have created all sorts of liability for themselves and their companies by failing to secure credit card information," he says.

"At a minimum," Feeley adds, "the remodeler considering accepting credit cards should obtain information from the credit card companies, the bank he is going to work with, and potentially his business lawyer to assure that he has all the information he needs to build compliant and secure processes and procedures to protect confidential consumer information, including credit card numbers."

transaction can be around 3% depending on the card the customer uses, but he factors that into his quotes on the front end. "I am happy to accept cards, as it has helped me land several recent projects that otherwise may have gone to less-expensive competitors," he says.

Easy Does It

Los Angeles area construction company Thomas Towne Reavey started accepting credit cards after it created a new division geared strictly toward aging-in-place services, which are mostly smaller jobs with shorter schedules. "We pay between 3.5% and 4.0% for each transaction when all the fees are added up," says company president Tom Reavey. **"Clients can pay us by credit card but we need to add a 4% service fee to each invoice."**

Chuck Solomon, president of Remodel & Repair Solutions, in Raleigh-Durham, N.C., gives his customers the option to use credit cards

but only via PayPal or Google Checkout. "I let the customer know that I add the 2.9% processing fee that I have to pay onto their bill for that convenience," he says. "These are both very easy to set up and there is no monthly fee involved."

Solomon points out that he only offers this as a convenience for the relatively few customers who ask to pay by credit card. Orfield-Skrivseth echoes that sentiment. Her firm has not received a credit card payment in quite a while. "I was constantly asked if our company accepted credit cards, and some jobs were lost when we didn't," she says. "I think those very people are most likely now in financial hardship since they only had the means to pay by credit for their projects."

The decision as to whether your business should accept credit cards or not depends on your bottom line: Can you afford to do it? Or, more importantly, can you afford not to?

6 Reasons Why I **Do** Accept Credit Cards

1. Want to offer customers more flexible payment options
2. Want to provide convenience for our clients
3. Want to make it as easy as possible to do business with us
4. Helps us be consumer-friendly on projects up to \$10,000
5. Would rather the credit card company finance the project than us
6. Gives me the certainty of being paid

6 Reasons Why I **Don't** Accept Credit Cards

1. Margins are too thin to absorb credit card fees
2. Very little demand for it
3. Don't want to give up the 4% to 7% it would cost
4. Most of our projects are in the \$100,000 to \$150,000 range so, it doesn't make a lot of sense
5. Very few clients have a credit limit that would cover the job
6. Process can sometimes slow cash flow

Finding a Credit Card Processor

According to Jerry Wagner, Discover Card's vice president of global acceptance, once you decide you're going to accept credit cards, it's never been easier to get started. Here are Wagner's suggestions for getting set up to take plastic:

- **Take it to the bank.** Ask your financial institution if it is equipped to handle credit card transactions for your company. Odds are that if the bank extended you a line of credit, it would be more than willing to help you maintain and manage credit card transactions.
- **Get advice.** Many contractors use an independent sales organization (ISO) or merchant services provider for credit card transactions. These companies will help you select the best processing method, arrange for funds to be deposited to a checking account of your

choice, provide 24/7 technical support, and keep you updated on changes in the merchant services industry.

- **Shop around.** Pop into your local Sam's Club or Costco. Not only do they sell the equipment to scan credit cards, they offer the services as well via ISOs. (Turn to page 25 to read about Square, a mobile payment service.)
- **Reach out.** There are a variety of professional associations that have negotiated contracts on behalf of their members to provide credit card transaction services at a discounted rate. For example the National Association of Home Builders has a discounted rate with Solveras, an ISO that specializes in the needs of small businesses.
- **Ask your peers.** Before there was Google, there was your Rolodex and a



telephone. Call one of your remodeling cohorts and ask them if they take credit cards and what company they would recommend. Striking out in a new direction can be nerve-racking, not to mention time-consuming.

No matter how long you've been in business, it's always good to get input from someone who's been in your boots.