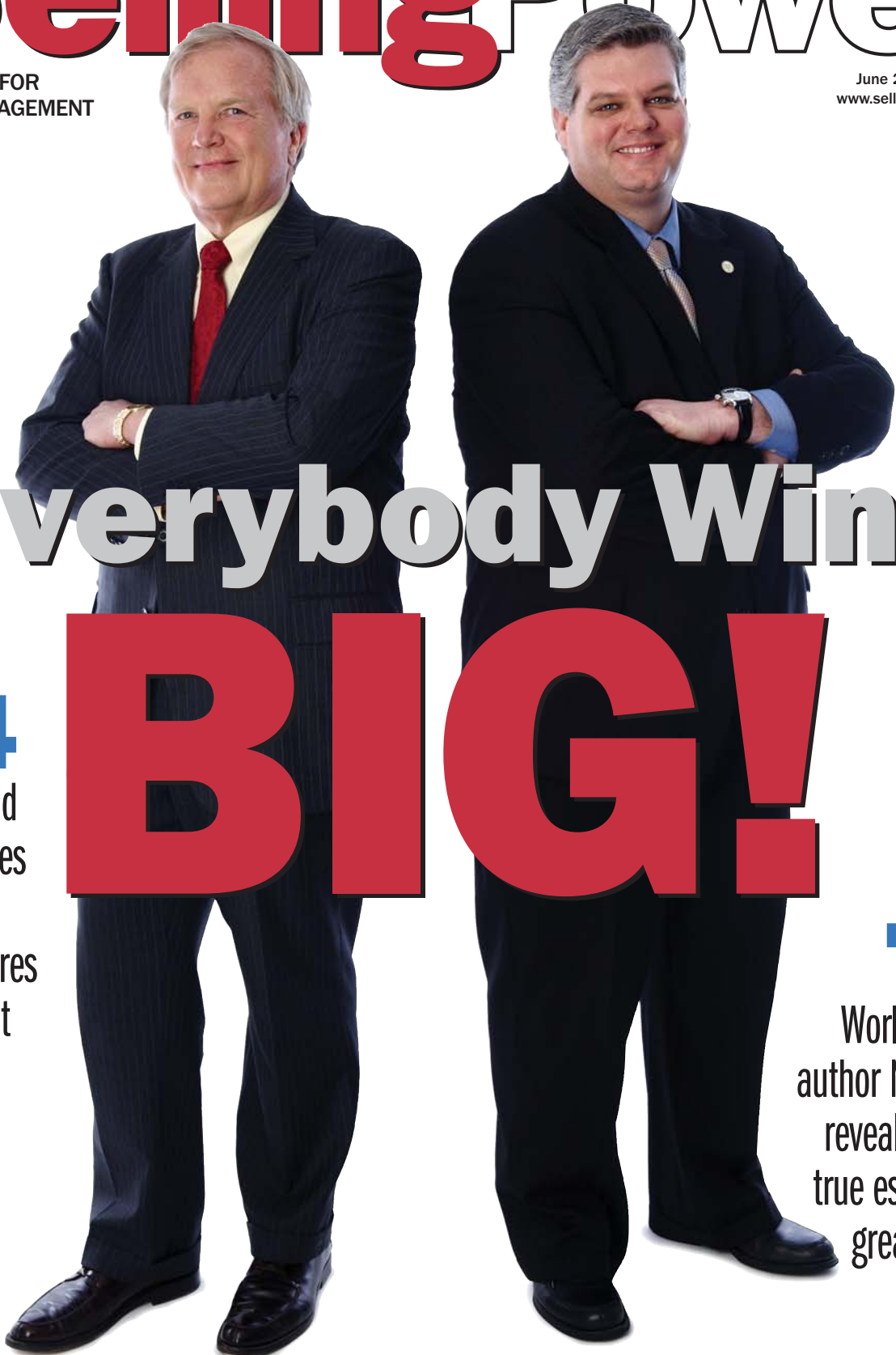


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## Everybody Wins

# BIG!

How  
**84**  
Heartland  
employees  
became  
millionaires  
overnight  
p. 52



World-famous  
author Noel Tichy  
reveals the one  
true essential of  
great leaders  
p. 62



Bob Carr  
Founder and CEO

The average **credit card** transaction takes fewer than 10 seconds

# Everybody Wins **BIG!**

How 84 Heartland  
Payment Systems  
employees became  
millionaires overnight

**By Lisa Gschwandtner • Photography by Jeff Weiner**

to authorize. When purchasing is that **fast and easy**, it's no wonder

## A PIECE OF THE PIE

The banks and credit card companies take their share of each transaction, of course. But there's also the telephone company that transported the call to authorize the purchase. And the "gateway" company that hooked up the merchant to the telephone system. Sometimes an independent sales organization (ISO) takes a cut. Sometimes ISOs work with independent contractors that charge their own fees. Oh, and the company that sold the computer system the merchant used to process the payment also makes a little off the deal.

According to the experts at Heartland Payment Systems, an electronics processing company based in Princeton, NJ, up to a dozen companies can be involved in collecting funds related to a single credit card transaction. That's a lot of hands competing for a slice of the payments pie.

## A 'CULTURE OF SALES'

Heartland doesn't use ISOs or independent contractors or agents. Why? As the company's name might suggest, Heartland Payment Systems defines value as more than dollars and cents.

"We have a culture of sales in our company," says Heartland CEO and founder, Bob Carr, who is proud to proclaim that Heartland's commission-only sales structure has held steady since the company's founding in 1997.

"We have a sales team that believes it's going to be treated right, just as its customers are going to be treated right. The customers are the people the team members go to church with, the people who live next door, their family members, and their friends. They can confidently go out to sell to those people and know that their promises are going to be kept."

This philosophy has made Heartland the sixth largest player in its industry. With 2,900 employees, Heartland operates satel-

## SEEKING 'BEST IDEAS'

Through Heartland's Best Idea Award, employees send in ideas, which Carr personally vets.

"We get a lot of input from our employees through that mechanism," he says. "Our employees are pretty open. I think they trust us enough that they can tell us the bad news without getting fired because they are telling us something we don't want to hear."

"There is no fear of retribution if they come to Bob or to me or to our CFO and say, 'Hey, this doesn't seem right. Will you help me understand it better?'" says Brown. "And that's created a culture, I think, where people act on information much quicker when it is brought to their attention than they would in a lot of organizations."

Some of the simplest ideas have made the best and biggest impacts in the company. Carr relates, "Somebody just today asked if we could please truncate the merchant number on the receipt. I mean, everybody else in the world prints the merchant number on the receipt. That means a smart crook can take your merchant number, key it into a terminal, buy a terminal on eBay, and process a bunch of fraudulent transactions. I've been in this business 20 years, and it never occurred to me."

only about five that also perform the processing itself. Heartland is unique among its competitors for both selling a payment processing plan and performing it. It also offers merchant customers payroll services, gift and incentive programs, and point-of-sale devices and supplies.

Managing these services can get very complex, very quickly. Too often, Carr says, the electronic payment system oper-

ing. It's a very complicated system," Carr says. "We fully disclose the way the system works, we fully disclose how much money we're making, and we disclose how much money is going to these credit cards and the banks that issued the cards."

Even salespeople may not fully grasp the intricacies of the system before they start hitting the pavement.

"I tell people that they can learn enough in a week to go out and do a decent job of making a sales call if they have any sales experience whatsoever," says Heartland's chief sales officer, Sanford Brown. "But it's so complex that, 10 years from now, they won't know everything there is to know. They could continue to find new verticals, nuances, and niches to follow."

Heartland puts so much faith in transparency that the company has created a Merchant Bill of Rights, which is posted on the company's Website at [merchant-billofrights.com](http://merchant-billofrights.com).

On the site, customers can watch a video titled, "How to Tell If Your Rights Are Being Violated." Among the questions posed: "When Visa and MasterCard fees go up, does your processor add markups that raise your rates even higher?"

## WALKING THE TALK

The markup question isn't just rhetorical. In 2003, when VISA and MasterCard lost a hefty lawsuit with the Department of Justice, they decreased their rates. Some processing companies simply pocketed the money, but Heartland took the opportunity to pass the savings on to its customers.

"Our agreement with our customers is that we are going to tell you what we are going to charge you. We're not going to change the rules in the middle. If our costs go up because VISA or MasterCard raises its rates, you'll have to pay that extra. But if they go down, we're going to give you a discount."

"Our board members thought we had

# electronic payment processors funnel \$3 trillion through their

lite offices in North Olmsted, OH; Frisco, TX; and Phoenix. Its service center in Jeffersonville, IN, provides 24-hour customer support and technical service. Last year the company processed 1.2 billion transactions, working through VISA and MasterCard, and earned \$1.3 billion in gross revenue.

## FULL DISCLOSURE

Although several thousand organizations sell payment processing plans, there are

ates at the expense of customers who must rely on processing services to stay competitive in their markets.

The hidden charges, markups, and one-size-fits-all service can be the death knell for the small to midsize businesses (mostly retail stores, hotels, and restaurants) that make up Heartland's customer base.

"Our main advantage is that we explain how the system works to the business owner, and they appreciate understand-

lost our minds," says Carr. "But we did it. And it just sort of validated both to our customers and to our salespeople that, hey, these guys really mean it."

Heartland's business practices haven't made them too popular among competitors.

"They say that we're taking the profit out of the industry for them," says Carr. "And I think that's a good thing. I think that's what capitalism is all about - having a better mousetrap."



#### SUCCESS PAYOUTS

To succeed, Brown says, you must first help others succeed. "Like Zig Ziglar said, 'You can get anything you want providing you help enough other people get what they want.' Help enough people meet their dreams, and you'll meet your dream."

payment systems each year. Convenience, however, **has its price.**

Sanford Brown  
Chief Sales Officer

## MAKING MILLIONAIRES

One group that's not complaining – Heartland's sales force, and not just because they're selling services they truly believe in. Last year, about 14 of its 1,600 reps made more money than Carr himself, thanks in part to Heartland's commission-only sales compensation structure, dubbed the "signing bonus approach," which has not changed in 14 years.

"The salespeople get paid an upfront cash signing bonus on the Friday after the installation," he explains. "Then they get paid a percentage of the profitability every single month, beginning on the first day of processing, through the life of that relationship. So they are incentivized to give good service to our customers."

In 1998, Carr vowed to create 100 millionaires out of his sales team. Since the company went public, he's added 84 names to the high-rollers list.

## FIGHTING CHALLENGES WITH INNOVATION

Heartland has not escaped unscathed from the recent economic downturn. The company missed its fourth-quarter earnings forecast, and its stock dipped to about 59 percent of its initial value.

Like any great competitor, however, Heartland has responded to challenge with innovation. "We're trying to find ways to make our offering unique. One is a product we call 'Express Funds,'" says Carr. "This is a product with which businesses can scan their checks and allow us to overnight-deposit those funds to any bank in the country. It allows us to sell to a much larger group of businesses than just card payments. That speeds up cash flow and saves [merchants] a trip to the bank."

Another product is Heartland's "Campus Card Solution," which allows college students to pay for purchases using their cell phones. "What's great about it is that students always have their cell phones, whereas they might not have their wallet or purse," Carr explains. "The reason the community likes it is because we charge the merchant less to take this card than to take a VISA or MasterCard. The merchants pay less, and the money they do pay goes back into the community, to nonprofit organizations as well as to the cardholder, who gets a cash-back component."

## REAL-TIME REWARDS

Among thousands of organizations selling processing services, Heartland has broken historic ground in the industry by reaping billions in revenues through organic growth. Carr attributes this growth to Heartland's relatively young platform, which offers "Main Street, America" merchants the latest technology. By contrast, many Heartland competitors operate with systems built in the 1970s and '80s.

"We built our platforms starting about five or six years ago. So we're using client server technology instead of mainframes, and that allows us to be cheaper and faster than our competition. Other companies may have been in business for 30 or 40 years, but our salespeople are out with the lowest price. So our salespeople like that."

Heartland offers customers real-time reporting, which makes catching mistakes a more efficient process. Recently, when a Wendy's clerk accidentally keyed in an \$11.11 purchase as \$1,111.00, a Heartland controller spied the error and corrected it immediately.

"Sometimes employees will put through credits or returns, defrauding the business," says Carr. "So, again, the business owner can look at those before they get processed. So we have the only real-time system, we have the only client-server system in the industry, and those are competitive advantages."

"We now have salespeople who are becoming millionaires just based on the value of their monthly residuals, which is very exciting to me. We measure sales by the margin added per month. It used to be that \$10,000 was considered to be a great sales month. Last month, our top salesperson did \$80,000."

That means their commission payment plan has become an expensive proposition. "We don't make any money whatsoever until the fourteenth month of a relationship. So if a merchant leaves us six months after they start, it is not a good thing for us. But that doesn't happen often. We have been in business long enough now and we have enough merchants that have been with us for more than 14 months that our profitability continues to grow."

Can newly hired salespeople become millionaires in the company? Yes, says Carr, but only after many years of hard work and successes to get to the upper echelons of the sales force. He admits that the bar has been raised since the company went public. After all, you can only take your shares from 30 cents to \$25 once.

"At the same time, we have a more competitive product," he says. "We can go after bigger customers. We have more products. And so we just have some salespeople who are doing extremely, extremely well."

## ENTREPRENEURIAL SALESPEOPLE

What kind of reps perform best at Heartland? The common thread is an entrepreneurial spirit. Within the Heartland team, chief sales officer Sanford Brown estimates that perhaps 20 percent are first-generation immigrants.

"Some of my favorite stories are of the top sales performers in our company who used to own their own restaurants or dry cleaning stores," he adds. "Or they were managers of restaurants or hotels working 80 hours a week. What predicts sales success in our company is not sales-based, it's behavioral."

"This may sound a little hokey, but a lot of people who come work for us are looking for the American dream. They want an opportunity to be able to do something financially rewarding for an organization that they can feel good about. And they want to do so in a way that they are contributing something meaningful and that over time they can look at it and say, 'Boy, I see my mark on it.'"

Heartland's approach to sales makes it unique in an industry that often treats its sales forces as an afterthought. "I think a lot of CEOs think their company exists because of their great name," Carr says. "Maybe that's true for some companies, but when you are providing financial services to small-business people, they want to do business with somebody they can rely on, who gives good service and gives them a good value for their money. We think we have a very competitive product that way."

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