



[The Difference Between an ISO and a Sales Agent](#)

In this industry, you will often hear the words “sales agents,” “Member Service Providers,” and “[Independent Sales Organizations](#)” used in a similar context, as if all three of these things are the same. The truth is that these terms actually refer to distinct roles in the credit card processing business. If this seems confusing to you, don't worry; all of these terms will be explained in this article, as well as their relationships to the credit card associations. We will also go over how you might go about becoming an ISO or an MSP.

After we've sorted all of that out, we'll go over what the advantages and disadvantages are of working in the industry as each of these roles. Getting an idea ahead of time of what each of these entails will hopefully save you from making a lot of mistakes early on in your business ventures.

What Every Term Means

First of all, let's get everything perfectly clear by defining the terms that we've mentioned so far:

ISO (Independent Sales Organization) – This is basically the credit card processor, the company that serves as the middle man between the credit card companies and the merchant. It will often provide terminals to the merchants, as well as tech support, training, and customer service. Another common term for this is “merchant service company.”

MSP (Member Service Provider) – ISO is a term often used by Visa, and so MSP is basically MasterCard's version of this. They both mean roughly the same thing. However, to make things a little more obscure, MasterCard also uses the term ISO, but it means something different. Basically, in their case, an ISO offers services that are not processing and transaction services, like customer service and lead generation. For our purposes, though, don't worry too much about these subtle distinctions. They are basically the same thing. For the sake of simplicity, let's just assume that we're including MSPs when we use the term “ISO” from now on.

Sales Agent – This role is completely different from the above mentioned roles. A sales agent is a third party that sells the services of ISOs and MSPs. Since merchant services companies often like to concentrate on processing credit cards and offering POS solutions, they will contract sales agents to find merchants to work with. A sales agent doesn't have to pay the high association fees like an ISO does, but he can't do business in his own name and must be partnered with an ISO or MSP company.

What is the Relationship Between an ISO / MSP / Sales Agent and the Processing Banks

You probably realize that ISOs are not banks, and that these organizations need banks to ultimately perform the transactions. Every ISO will need a sponsoring bank, one who is a member of Visa and

MasterCard's respective associations. In practice, these banks will usually not take on small merchant service companies, and actually most ISOs use larger ISOs as intermediaries between them and the banks.

An ISO can also have several sponsor banks. Though this can be extra costly, it also gives ISOs the advantage of being able to take on different kinds of merchants. For example, some banks might be averse to what they see as “high-risk” businesses, while others are not (though these usually charge higher fees).

By the way, these sponsoring banks don't really *need* ISOs at the end of the day. They could cut out the middle men and sell directly to merchants if they wished, but most of these companies prefer to focus their energies on processing transactions and don't want to bother with customer service and other issues.

If you're curious about what acquiring bank a given ISO uses, simply check out their website. They are actually required to make this information public, and it will usually be apparent in the footer of the page.

Now, how about sales agents? Well, agents are indeed registered with the credit card associations, but of course it is much less complex and expensive than it is for ISOs. Sales agents are basically contractors and the ISOs that they work with usually take care of the heavy lifting when it comes to paperwork.

How Do ISOs Go About Registering With Visa and MasterCard?

If you're an ISO, you'll have to swim through a rough sea of bureaucracy before your business can start processing credit cards. First, you need to find a bank that is a member of the credit card associations—usually both, but sometimes one—and you need to show the bank that you know what you're doing.

The banks will have to put you through a vetting process before the Associations are comfortable taking you on. You will usually have to submit all kinds of information on your business, and what type of business you are running, whether it is a “high risk” business, and what sort of services you provide to customers can all be a factor.

Usually, the bank and credit card companies will want to see:

- Your financial history
- Your business plan
- Incorporation documents
- Who your agents are
- Promotional material that you use to sell

After all of that is squared, you'd be required to pay \$5,000 for each of the credit card associations. This is a yearly fee, by the way, and your application gets reevaluated every year as well. By contrast, an agent pays a bit of pocket change—maybe \$50 once a year—to stay in business.

Should You Be an ISO or a Sales Agent? Which is Better?

Now, you might be curious about what path to take when it comes to your merchant services business. Should you become an ISO, or take the safer and cheaper route and [become a sales agent](#)? Really, it comes down to your revenue. Do you have the sufficient merchant volume to be able to afford all of the crazy fees that ISOs have to pay? Then maybe it would be worth the trouble for you. If not, you should probably stick to the path of a sales agent, at least until you have more capital.

[Becoming an ISO](#) might seem really expensive and complicated to you right now, so you might be wondering why you would even want to become one. Well, basically you have the potential to make way more money. As an ISO, you are working directly with the processing banks (or at least with a larger ISO that is working with the banks), so you get a very low price in terms of transaction costs because there are less middle

men between you and the bank. Your profit margins are higher than that of a sales agent. Sales agents get less of a share and they also have higher fees to deal with. It's like the difference between wholesale and retail, to give a somewhat awkward analogy.

However, not everything is rainbows and sunshine when it comes to being an ISO. There is a lot of responsibility and a lot of bank fees to dodge, things that sales agents don't really worry about. For example, you would need to watch out for so-called minimum processing fees. Basically, these are fees that the bank will charge you if you don't make a certain amount of transaction fees. Even worse, some banks will increase these fees year after year, and you will lose your residuals if you can't keep up. In fact, you might even have to pay a penalty out of your own pocket!

In order to avoid these minimum fees, you need to have a substantial portfolio of merchants. The minimum threshold that you are required to meet may be thousands of dollars, and since you're making pennies per transaction, you're going to need a huge volume of transactions. This is why it's not very wise to become an ISO if you have no experience in the business and no clients yet. It is just too risky.

As mentioned, the bank can also decide to increase the minimum every year, so that you're constantly trying to catch-up. This can be bad news for you because you can lose everything that you worked for. It's hard to escape having minimum fees of some kind, but steer clear from the kind of agreement that increases it every year if you can.

There are also some companies that will require you to sign up a certain minimum amount of new merchants per month, or you could lose all of your residuals. Don't sign up for such a deal, either, or you could see all of your income disappear quickly through no real fault of your own.

What We Have Learned

What's the best way to get started, then? Well, like anything else, that really depends on you and where you are with your business. If you're starting from square one, it's advisable to avoid the risks of [becoming an ISO](#), and to simply stick to being a sales agent until you have decent enough income. There's something to be said about gaining experience and learning the business as well.

No matter what you do, make sure to read every single contract before you sign anything so that you can avoid being taken for a ride. Don't jump into anything until you are ready. If you're not confident enough to negotiate with sponsor banks, then don't [become an ISO](#) just yet and spend some time as a sales agent building up your portfolio. Take things slow and you will avoid costly mistakes.

BECOME AN AGENT

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