



# Making Lemonade from Lemons

Brian Goudie  
Senior Vice President

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# What happened?

- US consumers became over-leveraged
- Slowed consumer spending
- Drove down asset values
- Pushed financial institution & systems under duress
- Contracted the credit market
- Drove unemployment and slowed GDP

# In other words...



~~Over Spent  
Over Borrowed  
Under Saved  
Rode Home Equity~~

# Diving into the Numbers



# Consumers

Consumer confidence has rebounded slightly

49.3 in June (54.8 in May; 25 in February)\*

Personal savings rate is up

\$337.4 billion in Q408 from \$42.4 billion in Q407#

Consumer spending up 0.2% in May, but down over the past 12 months#

U.S. unemployment at 9.5% in June^

# Debt

Consumer debt delinquencies are at a **record high**

Bank card delinquencies: **+23 basis points in Q109**

Home equity delinquencies: **+49 basis points in Q109**



Source: American Bankers Association  
Consumer Credit Delinquency Bulletin

# Credit

Consumer credit down annual rate of **7.5% in April**

Revolving debt: **-11%**

Nonrevolving: **-5.25%**



# Retailers

Q1 retail sales **down \$20.8 billion** over same period in 2008\*

Expected May retail sales<sup>#</sup>

+0.5% over April

-10% from 2008



Sources: \* US Census Bureau Quarterly  
Financial Report Large Retail Trade  
Corporations; # Census Bureau Advance  
Monthly Sales for Retail and Food Services

# National

GDP estimated to have **shrunk 5.7% in Q109\***

Total national debt has risen to **\$11.5 trillion#**



Sources: \* Bureau of Economic Analysis –  
GDP and the Economy Preliminary  
Estimates for the First Quarter of 2009 ; #  
TreasuryDirect

# How Does the Economic Condition Effect ISO's

- Capital is harder to come by
- Consolidation through Portfolio Acquisition (bank and ISO) and ISO's going out of business
- Partnerships such as FDC/BofA. More and more financial institutions outsourcing merchant.
- More qualified talent pool to recruit from for agents and ISO's

- Legislation such as HR 2695
- Will the ISO model be moved away from?
- Margin compression
- Tighter credit underwriting
- More businesses closing up shop under financial duress



# How Can ISO's Stay Afloat in These Tough Times

- Want/need principle
  - I know you WANT it, but do you **NEED** it?
- Diversification...you are more than a merchant credit card sales company
  - **How do you define yourself?**
- Eliminate organizational duplication
- Specialize
  - You don't have to be all things to everybody – **be the best at one thing!**

- Introspection
  - Are you really prepared to take on risk?
  - Can you really support 20 reps much less 10 reps?
  - Are you doing the same marketing efforts with little to no ROI?
- Be Unique
- Acquire...**there has never been a better time to grow** through acquisition if have access to capital. Blue Pay/Landmark



# How to Pick the Right Processor/ISO Partner

- Make sure your potential partner is on solid financial footing
- Ask for testimonials...don't believe everything the salesperson is telling you...validate and verify
- Does the partner afford you the opportunity to be unique, diversified and specialized?
- What level of training, marketing and day to day support are you afforded?

- Where do you want to be in 5,10-20 years?
- You will buy or sell one day...make sure you are in the best place for your long term goal
- **READ THE LEGAL!!!**
- Don't get intoxicated by the pricing



Brian Goudie  
Senior Vice President, Partner Sales  
First Data  
1-800-844-8801  
[Brian.goudie@firstdata.com](mailto:Brian.goudie@firstdata.com)

