

Choosing a Check Service for Your Business: The Insider's Guide for Competitive Advantage



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Retail payment options were once limited to cash, check or store credit card. Now payment options can include debit cards, multiple credit cards, gift cards and mobile payments, along with checks and cash. Even with a multitude of choices, checks remain an important payment method as more than 20 billion checks are written each year totaling over \$31 trillion, according to the Federal Reserve's Payments Study.

For customers, being able to pay by many methods is important and can be a deciding factor in where they shop.

For businesses, being able to accept all forms of payment can be important to serving customers and building sales. Having a check service in place lets a business accept checks with less worry and risk. New check processing technologies provide additional benefits including a reduction in paperwork and fewer trips to the bank. Here is a look at what services are available, how to get started and why a check service is important to the bottom line and customer satisfaction.

Check verification

Check verification occurs at the point of sale, upon acceptance of the check. The customer's ID information, check amount and banking information is relayed to the check provider's authorization system by phone, terminal or Internet. The information is then "verified" against the payment provider's database. This database houses information regarding the customer's check writing history. Such information is reported back to the merchant within seconds and a recommendation is made to accept the check or not. Occasionally, checks are returned from the customer's bank unpaid. At this point it is up to the merchant to take action and collect funds.



Check Guarantee

Check guarantee services have become an increasingly important service for businesses because they offer a simple and cost effective method to increase sales along with reducing risk.

A check guarantee service provides an added level of protection versus check verification because guarantee benefits offer reimbursement to the merchant should an approved check return from the bank unpaid due to non-sufficient funds. Businesses are able to approve check payments at the point of sale instantly via phone, Internet, or check terminal before they are deposited at the bank. If a check is returned for NSF reasons, the checks may be submitted to the check guarantee provider as a claim for reimbursement. The claims process usually occurs within 30 days and claims are reimbursed to the business provided all warranty guidelines are followed.

Electronic Check Processing

Recent developments in check technology now make it even easier for a business to accept and process check payments. Electronic check processing services provide a fast and simple way to accept checks and speed up the deposit process by streamlining paperwork and eliminating trips to the bank. Electronic check processing can be utilized at the point of sale for a purchase or from the back-office to process checks that are mailed in. Likewise, it can also be used to process checks presented as payment for a doctor's visit or invoice.

Remote deposit capture (RDC) and check conversion are examples of electronic check processing services. Verification and guarantee services may be added to the processing services to help reduce risk and increase revenue.



Which Check Service is Right for My Business?

Check services are not just about reducing risk. A check service can help to increase sales, save the expense of traveling to a bank for deposit and eliminate uncomfortable collection calls. Depending on your business, some check services may be better suited to your needs than others. All businesses have unique needs and services vary by provider, but here are some suggested services for different business types.

Check Verification Services

Although many types of businesses can use check verification, the following industries are more likely to use a verification service because they typically have higher volume sales from low-ticket items, which are also lower risk. Collection of returned checks become the responsibility of the business.

- Grocery and convenience stores
- Gas stations
- Car wash and oil stop locations
- Dry cleaners

Check Guarantee Services

Guarantee services include reimbursement by the check service provider of checks that are returned due to NSF reasons. Guarantee services are especially useful for businesses that accept large checks that would be difficult for in-house collections. Just about any business that accepts checks can benefit by putting a check guarantee service in place. Here are some businesses where check guarantee plays an important role in maximizing revenue while protecting the business from lost revenue due to bad checks.

- Auto dealerships
- Auto repair
- Home furnishings and appliances stores
- Building supply
- Veterinary, medical and dental practices



Electronic Check Processing

Electronic check processing and remote deposit capture (RDC) services are useful for a variety of businesses: those with a high volume of checks can save a substantial amount of time by scanning and reviewing check deposits online, eliminating handwritten deposit slips and frequent trips to the bank. Businesses with multiple or remote locations can consolidate their banking relationships by directing deposits to one main account. Businesses with hours of operation in conflict with open banking hours can use RDC to process checks on weekends and late hours and to make timely deposits, every day, for example, that may be unlikely or cost-prohibitive when a visit to a bank is required. Types of businesses that typically use electronic check processing include:

- Medical offices
- Auto dealerships
- Building supply chains
- Professional services businesses

Service Enhancements


Some providers offer service enhancements for additional coverage and payment flexibility. These include programs such as Stop Payment protection, Check On Delivery, Hold Check or Multiple Check (also known as Future Deposit) programs, and partial payment coverage. For industries such as automotive dealerships and home furnishings stores, a Multiple Check service can allow the customer to spread their check payments out over a period of time, similar to a layaway program but letting them take their purchase home at the start. Stop Payment protection is helpful for businesses that see this type of returned checks, auto repair and veterinarians, for example. Stop payment checks can be difficult for a business to collect on themselves. These service enhancements are available for a small additional charge, letting the business choose the additional protection or options they need but not having to pay for them if their business does not need them.



Do the Math...

Not sure if you need a check guarantee service? This chart demonstrates what a bad check loss can mean to your business. A \$1000 bad check can mean you will need an additional \$10,000 in sales to make up the impact to your net profit if you operate at a 10% margin. If you have a 8% profit margin and have a check loss of \$10,000 - you will need \$125,000 in sales to make up the lost amount. Check guarantee services can help prevent these losses and that can mean a big difference to your bottom line.

Take a look at the chart below to see how bad check losses impact the bottom line and what it takes to protect your profits.

 Losses or Delinquent Account	New Sales Required to Offset Losses								
	IF YOU OPERATE AT A NET PROFIT OF:								
	2%	3%	4%	5%	6%	8%	10%	15%	20%
\$1,000	\$50,000	\$33,333	\$25,000	\$20,000	\$16,667	\$12,500	\$10,000	\$6,667	\$5,000
\$2,000	\$100,000	\$66,667	\$50,000	\$40,000	\$33,333	\$25,000	\$20,000	\$13,333	\$10,000
\$5,000	\$250,000	\$166,667	\$125,000	\$100,000	\$83,333	\$62,500	\$50,000	\$33,333	\$25,000
\$10,000	\$500,000	\$333,333	\$250,000	\$200,000	\$166,667	\$125,000	\$100,000	\$66,667	\$50,000
\$15,000	\$750,000	\$500,000	\$375,000	\$300,000	\$250,000	\$187,500	\$150,000	\$100,000	\$75,000
\$20,000	\$1,000,000	\$666,667	\$500,000	\$400,000	\$333,333	\$250,000	\$200,000	\$133,333	\$100,000
\$30,000	\$1,500,000	\$1,000,000	\$750,000	\$600,000	\$500,000	\$375,000	\$300,000	\$200,000	\$150,000
\$40,000	\$2,000,000	\$1,333,333	\$1,000,000	\$800,000	\$666,667	\$500,000	\$400,000	\$266,667	\$200,000
\$50,000	\$2,500,000	\$1,666,667	\$1,250,000	\$1,000,000	\$833,333	\$625,000	\$500,000	\$333,333	\$250,000
\$60,000	\$3,000,000	\$2,000,000	\$1,500,000	\$1,200,000	\$1,000,000	\$750,000	\$600,000	\$400,000	\$300,000
\$70,000	\$3,500,000	\$2,333,333	\$1,750,000	\$1,400,000	\$1,166,666	\$875,000	\$700,000	\$466,667	\$350,000
\$80,000	\$4,000,000	\$2,666,667	\$2,000,000	\$1,600,000	\$1,333,333	\$1,000,000	\$800,000	\$533,333	\$400,000
\$90,000	\$4,500,000	\$3,000,000	\$2,250,000	\$1,800,000	\$1,500,000	\$1,125,000	\$900,000	\$600,000	\$450,000
\$100,000	\$5,000,000	\$3,333,333	\$2,500,000	\$2,000,000	\$1,666,667	\$1,250,000	\$1,000,000	\$666,667	\$500,000



Getting Started

Putting a check service to work for most businesses is a quick and affordable process. After contracting with a payment provider or financial institution, the service is easily activated, tested and put into place. The equipment needs are usually minimal. With many services checks can be authorized by phone or Internet, requiring no additional payment equipment. Authorization can also be made through a payment terminal, often the same terminal in use for credit card processing. With electronic check processing, a check imager/scanner is needed along with a PC with Internet access. Depending on the service you choose, the payment provider will confirm compatible equipment. In addition, many payment providers loan or rent equipment for a nominal amount.

Conclusion

Even with a variety of payment choices available, customers continue to write checks at the point of sale and checks remain an important payment method. Check services enable businesses to accept checks with less risk. In addition to reduced risk, check guarantee services offer payment flexibility, protection and reimbursement of returned checks and innovative programs such as Multiple Check.

Electronic check processing services streamline check handling by enabling desktop scanning and deposit of checks and may include guarantee services for a complete payment solution.



About CrossCheck, Inc.

CrossCheck, Inc., an established leader in the payments industry, processes and approves billions of dollars worth of check transactions annually for retail and dealer outlets throughout the U.S. For more than 28 years, its goal has been to increase merchants' profits by providing efficient and affordable check approval, guarantee and electronic check processing services that can help increase sales and reduce risk. The company has offices in Petaluma, California and Dallas, Texas. Their suite of services includes check conversion technology, ACH, web-based transactions and remote deposit capture products and, through subsidiary Optio Solutions, cost-effective debt management tools.

Visit www.cross-check.com for more information.

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