

Michigan CFO Associates

The CFOs for *Small Business*

Newsletter 2

President's Message

Now that it's working, let's stop doing it



Todd Rammler

Most of the time when we start a new engagement with a client the first phase involves some amount of clean up or prep work. Some require more, some less, but almost all require some. Cleanup can be any number of things: in extreme cases, bank accounts haven't been reconciled in years or the company is still using a paper ledger system. Not many of those

anymore. In most cases it involves G/L structure changes, putting together a month end closing process, designing a more robust reporting package, building a budget or forecast, and perhaps doing a cash plan. Of course there are many more items, but those are the typical ones.

After the cleanup phase we get into a routine of month end closing, and regular financial statement reviews with the owner or management team. The cleanup phase provides the foundation necessary to have useful regular review meetings. Without timely, accurate, clear data, it's impossible to make good decisions and recognize problems and react quickly— making it impossible for a CFO to be effective.

After a year or two with the initial problems fixed and things running well, we sometimes have a client suggest we stop doing this or that because "we don't really need that". I recently had one of these discussions with a client who told me we don't need to do a budget this year because "it's a waste of time".

OUCH.

We traded a few emails debating the merits of budgeting, and I was clearly not getting through. So I decided to wait for our next review meeting and address the subject in person.

When I met with the client, I didn't lead off the meeting with that topic, but instead went through our normal financial review. In the course of the discussion, the client asked a really great question as he was thinking through different plans & initiatives for the year. In order to answer the question accurately, a budget (or forecast) was required. I smiled, and said "Well, Mr. Client, that's a really great question, and this is a PERFECT example of why we need to have a budget in place." And then the light went on and we finished the budget.

It is interesting to self-reflect on our short attention spans, the quest for new, shiny objects, and how quickly we take for granted a process that works simply because it has become routine. It's easy to forget what "messy" really looked like. I am equally guilty of finding a solution to a particular problem, getting results, and then stopping it altogether -- **even though it's working** -- because of boredom, finding a new shiny object, or any number of reasons. Frankly, it's crazy. "Hey that thing we did worked, so let's stop doing it now". I've done this with direct mail marketing several times. We send out a campaign, get results, add some business and then stop. A marketing coach asked me "So why'd you stop?" Because it worked. We got the business. "And you don't need any more business???" Hmmm....

When facing these conversations, I gently remind people of what things looked like before we put a PROCESS in place to eliminate whatever the problem was that they were facing. I was told early on, after launching Michigan CFO, that selling "prevention" is a difficult proposition, and that has proven to be true. But the fact is that having your accounting department running a predictable PROCESS with regular review points is not exciting, sexy, or likely to satisfy the shiny object syndrome. But it is VERY likely to provide you with fewer surprises, peace of mind, and a feeling that things are under control. It ain't sexy, but it works.

What we provide is a process that delivers consistent, accurate, reliable, CLEAR financial data so that quality decisions can be made based on prior experience and professional judgment. In order to make good decisions, we need to trust the information and the review processes it went through. Big, well run companies do this. And smaller companies can, and should too.

If you want to eliminate surprises, maximize return and minimize risk, you have to actively manage your finances to achieve these goals. And as with most things, it takes boring consistent discipline to get it done.

And we get it done.

So when it comes to finance, resist the temptation to re-break what's already fixed. Leave the shiny objects to the R&D department and stick to the boring, predictable, yet *effective* plan.

Best Regards,

Todd Rammler, CMA, MSA, President

U.S. NATIONAL DEBT AS OF:

April, 2015

\$18,152,367,511,357

April, 2014

\$17,576,842,289,814

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Our CFO's:

Todd Rammler

Brian Bach

Jennifer Orow

David Leo

View past

newsletters online!

<http://michigancfo.com/newsletter-archive>



What's Happening?



Brian at the Walsh College Internship Connection event. Notice the stack of cash on his table!



Todd C. and Paul W. at the 'Best in Business' honoree's reception. To hear the spot featuring Michigan CFO Associates on WJR please go to our website at www.MichiganCFO.com



Todd & Brian with Chris Hogan at Dave Ramsey's Entree' Leadership workshop



Welcome, New Clients!

- January** **VendTek Wholesale Equipment, www.vendtek.com**
Vending Equipment Distributor
- February** **BenePro, www.benepro.com**
Employee Benefit Advisors

April Anniversaries

- 3 Years** **Austin Benefits Group, www.austinfq.com**
Employee Benefits
- 3 Years** **Unitex Direct, www.myunitexdirect.com**
Security Uniforms, Public Safety & Career Apparel

May Anniversaries

- 1 Year** **Sellers Auto Group, www.sellersautogroup.com**
New and Used Car Dealer
- 5 Years** **Giffels-Webster, www.giffelswebster.com**
Civil Engineers, Landscape Architects, Planners & Surveyors
- 9 Years** **Michigan Custom Machine, www.mcm1.com**
Design & Build Industrial Test Machines



UPCOMING EVENT: **2nd Annual Roundtable Luncheon:** Michigan CFO Associates will be holding a Roundtable Luncheon on **May 6th at Loccino Italian Grill in Troy**. In this event we will explore the practical application of using **Key Performance Indicators** to drive performance in your organization. Topics will include choosing the right metrics, interpreting the data, reporting formats & frequency, and accountability. **Note to Professionals:** Bring a client & join us!

See the enclosed flyer or register at:

<http://michigancfo.com/events/20/2nd-annual-roundtable-lunch>

CFO Tips: Understanding and Managing Credit Card Processing Fees



Brian Bach

If you're a typical business, chances are you accept credit cards as a form of payment. Easy, fast, and convenient are just a few reasons for accepting plastic payment but the astute business owner knows that convenience comes with a catch. The catch is you have to share a portion of each payment with the credit card companies in the form of a processing fee.

Processing fees, as a percentage of sales, run from 2 – 4%. While at first glance they appear to be small, remember these dollars are coming off the top line and have a direct impact on profitability. If you're able to shave off some points it directly helps your bottom line. So the first step to managing processing fees is to understand how you incur these costs.

Processing fees are made up of the following component costs.

- 1.) Base Processing fees—broken down into two areas:
 - a.) Interchange fees charged by card-issuing banks when you accept their credit cards
 - b.) Assessments – charges assessed by the credit card company on every processed transaction

The Base Processing Fees account for around 75-80% of the cost of processing. One thing to note is that **no processor can give you a lower rate, or better deal on base costs, because these same base fees apply to all processors regardless of volume.**
- 2.) Markup – profit margin added by the credit card processor over and above the interchange and assessment fees. Markup accounts for around 20% of the total processing fee and is the only area where you can negotiate for a better deal

Now that you understand the pricing components hopefully you see there is little opportunity to negotiate large savings.

Pricing Models

There are two approaches to pricing offered in the marketplace:

- 1.) Interchange Plus (or pass through) – the processor passes through the cost of interchange and assessment and simply adds their markup. This separation of costs keeps the processor's markup the same regardless of the type of card you accept, or how the card is processed
- 2.) Bundled (or tiered) - the processor uses something called an interchange qualification matrix to route interchange fees into three tiers of qualified, mid-qualified, or non-qualified. The bundle approach combines the interchange, assessment and markup fees into set pricing or price tiers

CFO Tips:

- 1.) Go With Interchange Plus (or pass through)
We found the Interchange Plus (or pass through) is the better choice. The reason is the transparency of separating the base fees from the markup. Then you can negotiate on the 20% of the fee, which is their markup. You are also able to compare quotes because costs are broken down.
A big problem with bundled, or tiered pricing, is that interchange fees are often not disclosed and the processor doesn't tell you into which tier individual interchange fees are being routed. This leaves you with no way to calculate exactly how much you're paying above the actual processing costs of interchange and assessment.
- 2.) Insist All Interchange and Assessment Fees Are Shown on Statements
Make sure the processor discloses all the pass through fees on the statement. Have them review the statement and explain how interchange and all the various card types are shown. If you want to shop your account, you'll have complete transactional data.
- 3.) Ask for Processing Fee Refunds on Credit or Refund Transactions.
It's common practice in the industry to not return processing fees when a merchant processes a credit or return transaction. Call your current processor, or ask prospective processors if they return processing fees on credit card refunds.

Credit card processing and pricing can be complicated and confusing if you're not familiar. Give your current processor a call and cover these items with them. You may save a few real dollars on those plastic payments.

You're Invited to an Exclusive Event!

**2nd Annual
Roundtable Luncheon
Wednesday, May 6, 2015
11:30 a.m. — 1:00 p.m.
Loccino Italian Grill & Bar**

Presented By:

Michigan **CFO** Associates
The CFOs for *Small Business*

Key Performance Indicators, Metrics & Dashboards. . . What does it all mean, and how do I use it? In this Roundtable Luncheon we will explore the practical application of using KPI's to Drive Performance in your organization. Topics will include choosing the right metrics, interpreting the data, reporting formats & frequency, and accountability.

**TO REGISTER PLEASE COMPLETE THE FORM BELOW OR VISIT:
www.michigancfo.com/events/20/2nd-annual-roundtable-lunch**

FAX COMPLETED FORM TO 586-580-3287

First Name: _____

Last Name: _____

E-mail Address: _____

Company Name: _____

Credit Card Type: _____

Name on Credit Card: _____

Credit Card Number: _____

Expiration Date: _____

Credit Card Billing Zip Code: _____

EVENT AGENDA

11:30 p.m.— Welcome & Check In

12:00 p.m.—Lunch & Presentation:
"Using KPI's to Drive Performance"

12:45 p.m.— Participant Q&A

1:00 p.m.—Adjourned

Cost: \$25

*****NOTE: SEATING IS LIMITED TO 15 PARTICIPANTS*****

Questions? Call Kellee at (586) 580-3285 x202

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below to check us out on the web!



Newsletter ②

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