

TWO MINUTES

Bob Gigliome



Card game

Michael Nardy
scores with processing payments

As CEO of Calverton-based Electronic Payments, Michael Nardy manages 30 employees and processes more than \$2.5 billion in credit card sales each year. Lately, his business is being recognized for more than just its impressive volume. Nardy a few weeks ago was selected as a finalist for Ernst & Young's entrepreneur of the year competition and in 2009 was named one of Inc. Magazine's 30 under 30 Entrepreneurs.

Where did you get the idea to start a credit card processing company? I started it out of my Boston College dorm room. I was in college, and was doing some software programming for a web-based application that I wrote and that system needed credit card processing. I got hooked up with a bank and the network for credit card processing, and I created this in-house operation.

You started your business in 2000, making you about 20 years old at the time. How did you get your clients to trust you? Looking at my business, it's not just Michael Nardy, it's a company of almost \$43 million last year and we process \$2.5 billion per year in sales. I'm 30, but it's a lot more than just me. I don't find it difficult to get people's attention because the accolades of the company speak for themselves. Early on, knocking on doors, I said you could save money, and I always was professional with business attire and I respected the confidentiality of the business. I didn't go to my friends and blab about it, and even at 19 and 20, I was signing on new merchants.

What exactly does Electronic Payments do? Well, our primary business is processing credit card, debit card and gift card transactions. It's more cost-effective for banks to focus on core competencies, like lending and DBA (doing business as) accounts and mortgages, but some have

merchant programs and use them as a revenue source. But a customer could come to us and cut out a bank. We do work with banks, though. We're agnostic when it comes to them – if they're doing a merchant program and select us, we're happy. If the merchant wants to come directly to us, we're happy as well. We have 450 sales agents and we get more business that way. We also work with associations of other businesses. About 80 percent of our business comes from outside sales agents, 10 percent from banks and 10 percent from associations.

What's a growth area for Electronic Payments?

We're seeing growth in the amount of new businesses opening and the amount of businesses switching to our service for rates and our better processing platform. We also have a gift and loyalty card platform (like Waldbaum's and Stop & Shop cards, for example) for merchants, and there's a lot of interest in that because it's the loyalty side of things. They want their card in the customer's wallet. The whole ability to track user purchases and the contact with the customer, you can't do that with a credit card. A gift card is stored value, meaning it will be redeemed for future use. It allows merchants to have cash flow. It allows them to buy inventory. In addition, there's the loyalty aspect of a gift card. You can take a card and attach a loyalty function to it

so that as a merchant, you know how many times a customer has been in a store, how much money they spend with you.

Does the new law going into effect in July called the Durbin Amendment, which modifies the fees associated with the use of debit cards, change your business at all? Any new regulation affects our business because it brings it into the regulatory spotlight. We will have more work and we will have to accommodate two different levels of pricing, one on the small-bank side and one on the big-bank side. We will have to explain it to merchants, and we will have to hire more customer service people. We'll probably have to double the customer service staff from five to 10 to answer all the questions that will arise.

Where do you see Electronic Payments in 10 years?

Will you go public? We prefer being a private company, though we're always getting inquiries from venture capital and private equity firms. They want to talk to us and see if there are any synergies. We're getting, on average, 10 calls a week. Hopefully, we'll be able to innovate enough to stay relevant with the payments business. The business changes very rapidly, and I want to make sure I'm on the forefront of the change and not trying to play catch-up.

— JESSICA DINAPOLI