

The Green Sheet Interview with eProcessing Network President, Steve Sotis

On April 10, 2017, The Green Sheet released Issue 17:04:01 featuring an interview with eProcessing Network's President, Steve Sotis. Below is the article reprinted with permission from the publication. To read the original article, please visit The Green Sheet online at greensheet.com.

Green Sheet Advisory Board member Steve Sotis is the founder and President of eProcessing Network LLC, which has offered software services to the payments industry since 1996. As such, he devotes significant time to developing software and service products that meet the needs of merchants as the industry evolves. In this article, he talks about how he started eProcessing Network from his spare bedroom, how his father has influenced his success, the difference between engineering and technology, and how he maintains his competitive edge.

What inspires you in your profession?

The payments industry itself. I started out as a programmer in the graphics industry, and I had a terrific job with System Development Inc., a good company that treated me well and paid me very well. That company is still there today with the same employees. I wanted to do my own thing. I couldn't get into that company because they were top heavy with owners, so I went off on my own. I had been an entrepreneur since I was a kid doing landscaping, lawn maintenance and playing bass guitar in live music on the side. This was the next logical step. Finding this industry, to me, was inspirational because as a programmer, it's like an artist's canvas; you can just keep throwing more paint at it.

What is your opinion of the various mobile payment options today?

It's the same old hat. We have been doing mobile payments since the summer of 2000. For the Palm Pilot VIIx, we had a clip-on swiper, and we were swiping transactions through Omaha, and First Data had no idea what we were doing. We went to Nextel soon after that. We do not see anything really revolutionary on the acquiring side today at all; to me it's all the same old thing. The only thing that's new is on the issuing side – things like Apple Pay.

What memorable moments in your life have had the most impact on you?

Having children, seeing them go to college and growing the business, too. I started doing this business in a spare bedroom on my own time, quitting my job, hiring my first employee and going full time. That was a big change.

Who was the biggest influence on you when you were growing up?

My dad is a retired architect. He always had his own practice on Long Island starting back in the '50s and '60s, so there was a lot of growth, and he was pretty successful. He was very professional: he wore a white shirt, suit and tie. I looked up to and admired him. I was proud of

him and wanted to be as successful as him. He was not mechanical in any way. I was rebuilding lawnmower engines for mini bikes, go carts and car engines at the age of 13. I wanted to be as successful as he was but in a different way.

What is the biggest challenge for people in the payments industry today?

Keeping up with technology.

Is there a big push to establish technology standards in the payments industry?

My experience is there is no such thing as a one-size-fits all technology for merchants; it's just not going to happen. It is too broad. There are too many variables merchants contend with that eliminate the viability of the one-size-fits all solutions.

How does eProcessing Network help its customers be more competitive?

We don't sell direct, and we don't sell merchant accounts. We don't compete with our sales offices; we are strictly a technology play. We have our fees, pressure tries to drive the fees down, the ISOs try to drive the fees down and the credit card companies try to raise the fees. Margins on interchange don't affect us at all. If anything, I would say it's a positive thing for companies like us because it helps us defend against Square.

There was a time when we had a lot of merchants that would use our online terminal for only a few dollars per month, but they would only do one or two transactions a month. We ended up losing those merchants to Square. If you work out the interchange rates between Square and a standard merchant account, the interchange rate on a standard merchant account is always going to be lower.

But if you work out the basic fees, for gateway and statement fees, then it only works out lower if you are doing more than maybe \$1,700 a month in credit card revenue. That helps us lower margins for the merchants, because the lower the interchange is for those merchants, the more they want to use us instead of Square. It doesn't help the ISOs; it's squeezing their margins, but we are not getting a piece of that pie anyway.

How does eProcessing Network help small and midsized merchants?

With lots of tools that increase merchants' own efficiency throughout their busy day. Things like inventory management, bill pay, and accounting integration. When we populate their accounting packages with the transactions they ran through our gateway, it saves them a heck of a lot of data entry, especially with inventory management.

What advice would you give to a software developer who is just starting out and wants to enter the payments industry?

I would say learn as many languages as you can because there is nothing you can do today that can be done with one programming language. You have to have software on your

computer that is written in one programming language that communicates with servers written in a different language, and then you want to integrate it into accounting packages and that is also written in a different language.

Any good programmer will tell you after they have been programming for a few years, by learning one programming language, you can learn any other language within a matter of days.

Who has had the biggest influence on your career?

I would probably have to say my lead professor at college. He taught me the difference between engineering and technology. He taught me that there is nothing new in technology. If you look at the first payment terminal, it was a combination of a modem, a magstripe reader, a keypad and a printer. It was nothing new; it was just a new combination of existing technologies. He had a big influence on my perspective on technology and also my career.

How has the payments industry evolved since you founded your company?

I think the biggest thing is Europay, Mastercard and Visa (EMV). That's changed the focus and raised the barrier to entry for the industry for a lot of people. EMV has made it much more difficult on people who are developing software in their spare time in their spare bedroom as I did 20 years ago. However, the whole push behind EMV is clearly meeting its intended goals of securing things. You can't steal an EMV chip and burn it into another card and buy a big screen TV at Best Buy.

What do you see as especially challenging in the industry, and how is the industry affected?

Requirements like PCI, PA-DSS, QIR, and the costs to implement such things are a big challenge these days. The credit card companies are imposing these security requirements that have to be met. They charge hundreds of dollars to take a test to certify for QIR [Qualified Integrators and Resellers] that our tech support agents now have to pass to be able to do the installation of our software with a merchant. It's costing us a lot of money to be compliant with these things, and it's one of the ways that the brands are raising the barriers of entry for everyone across the board.

What books have inspired you recently?

The Hard Thing About Hard Things: Building a Business When There Are No Easy Answers by Ben Horowitz. It's the story of Ben Horowitz and Marc Andreessen, who started Netscape. They charged hundreds, even thousands of dollars for website servers and browsers even though Microsoft was giving them away for free. They still managed to continue to grow in the face of that competition. I was a big Netscape fan back in the day.