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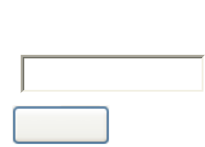
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ISO/MLS benefits:

- Free Web page design service for clients
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CompanyProfile

Love at first call

Guided by her patient resolve, Velocity Merchant Services founder and President Dema Barakat continues a steady climb she began as a youngster. She entered the payments industry when she was 19, founded an ISO at 21 and became registered eight years later.

Now 33, Barakat remains at the helm of her Illinois-based company - an outfit of 60 employees, 4,000 active merchant accounts and, waiting in the wings, a potential heir.

Barakat is three months pregnant. "A lot of people in the industry who know me say, 'no, you can't be pregnant - you're a business girl,'" Barakat said. "Well I am pregnant. I have the same needs to be a mom, too, one day."

Barakat started in the industry selling credit card processing over the phone and quickly fell in love with a job that not everybody falls in love with. "I was good at cold calling and telemarketing," she said.

"I just loved being on the phone and was very intrigued by speaking to new merchants."

A leasing legacy

A year later, she borrowed \$1,000 to obtain some business leads and began working out of her home as a merchant level salesperson (MLS) under Merchants Choice Card Services. Her specialty: leasing POS terminals to small merchants she boarded. At 22, she joined EVO Merchant Services in the same capacity and said her business "started to grow tremendously" in the following years.

"It all started with leasing," Barakat said. "Without leasing we wouldn't be where we are today, because we focus on new, small to mid-size businesses that do not have startup money [to buy terminals]. That's been our emphasis since day one."

Barakat said it is important to keep leasing in the merchant services mix. "I think for anyone who started off in this industry or who wants to get in this business, you do need some other type of cash flow besides trying to build a residual stream," she said.

Barakat purchased a small office in Oak Lawn, Ill. in 1998, and in 2002, her business relocated to a larger building in Oak Brook - a "more central area" where the company remains. In 2006, Barakat made the leap to become a registered ISO, giving her business autonomy and marking the official beginning of VMS.

"You grow and you're growing and you need better pricing," she said. "So it made a lot more sense for me to take 100 percent liability on all our accounts and to handle our risk and our underwriting and deployment. So I decided to take on all the risk."

Live service



The Green Sheet

WINNER



When she assumed a full-time managerial role, Barakat was influenced by her early telemarketing experience. Devoted customer service, beginning with the phone, had been at the root of her career; now she made it the heart of her company.

"A good thing about our company, and what I think makes us stand out, is when you call here, you're always going to speak to someone," Barakat said. "I hate calling companies, like my phone company, for example, and talking to five different machines.

"I think that's something that's made us very successful - just being very customer-oriented and always picking up that call and always answering their questions. It starts with the phone."

VMS reps place a lot of calls, too. Barakat said that each month "about 100,000 new leads go into the system" and that existing clients get regular calls about upgrades.

"When we do sell a terminal or service to the merchant we basically sell them top of the line equipment, where it's going to last them and they are PCI [Payment Card Industry Data Security Standard] compliant for a long, long time," she said.

Yet, as VMS has added merchants and expanded its services (among other things, it now deals in gift cards, cash advances, check guarantee and wireless terminals), what hasn't changed is the company's predominant client base: merchants who are, like Barakat's next of kin, on the small side or recently established.

VMS opened a new division in 2008 to pursue larger accounts, but even so, Barakat stressed that, "We're going to keep our bread and butter, the smaller merchants and the ones just starting out.

What made us who we are today is going to be [who we are] 20 years from now."

And according to Barakat, about 80 percent of the company's terminal placements are leases rather than sales; VMS also continues to work mostly with brick-and-mortar merchants ("they're low risk"), further evidence of the company's commitment to its origins.

"We probably approve about 98 percent of our merchants," Barakat said. "As long as they don't have any bankruptcies or any judgments or any liens, we're willing to work with them."

Changing times

Of course, some changes are unavoidable, and Barakat noted two significant developments in the industry from the time she started. One has been the proliferation of ISOs and the resulting increase in competition.

"Before you would be able to make more money on a lease than you would today because it wasn't so competitive," Barakat said.

"Many different things have changed in the last, I would say, 10 years, which makes it a lot more challenging for anybody to get into the industry."

The second is an increase in the number and complexity of payment options and services, which Barakat said has made the jobs of both merchants and MLSs significantly more difficult and, at times, confusing.

Many of these additions are direct corollaries of heightened competition - like the use of interchange-plus pricing and other cost-saving devices to entice merchants. "Equipment has changed; the method of selling has changed; residual streams have changed," Barakat said.

"There's plus costs and different rates, and there's so many card types out there, and you have to go over the specific rates for them ... and if they get a business card that's nonqualified, there's going to be a nonqualified rate. You have to train your sales reps to truly understand and be 150 percent knowledgeable of interchange.

"So it is a little bit more difficult, but we've managed. Merchants are smart. When you explain it to merchants the right way and you don't try to confuse them ... and you train your staff to take the extra time to be detailed and thorough, it actually saves a lot more merchants in the long run, because they know exactly what they're looking for on their statement."

While Barakat called these changes healthy, she also expressed concern that with some vendors the changes have given rise to disingenuous salesmanship - noting, for example, the growing commonness of free terminals, which she said amounted to an illusory promise.

"Nothing is for free," she said. "And if someone says something is for free, there is something somewhere hidden. ... I don't do charity work when it comes to free terminals. A lot of people have made a bad reputation on the free terminals. I value being 100 percent upfront."

VMS does offer a couple free services of its own: The company's Web designer builds pages for clients who request them, and merchants using non-PCI compliant equipment issued by VMS are entitled to an upgrade.

Both services come with no strings attached, Barakat said.

She added that merchant-friendly practices are important for a company that works with up-and-coming merchants and specializes in long-term associations. And she looks for those values in people who are interested in working with her.

"I have merchants from when I started still on my books that still call me after all these years," she said, adding that she also embraces the challenge of finding new ways to attract merchants.

Challenge within a challenge

"The nice part about [the payments industry] being so challenging is that ... every day there's something new that you're learning about the industry itself ... for me obviously for the better because I can learn more and more about what I can do as an ISO," she said, adding that being a woman in the industry has been a considerable challenge in itself.

"Some people will say, 'oh she's a girl; she won't be able to last in the business; it's a man's business,'" she said. "And it is a male dominant business. But you can't think of it as being a male dominated industry. It's a business that you love, and it's a business that's been very, very good to me."

"If you know how to handle yourself and you have respect for yourself and you believe in what you do, nobody's going to bring you down. I love being a woman and being in this industry. I love going to the conferences and seeing other successful women in this industry, and I love the fact that I'm, I would say, not old. I'm only 33 - I still have another 30 years in this industry, hopefully another 30 years."

Always looking ahead, Barakat will apply the same focus she forged a career with to another long-term enterprise. "I'm going to have a legacy, and I tell my employees every time they see my belly grow, I say, 'Well, meet your new boss.'"