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The Pay's the Thing for Retail Lockbox CEO Craig Dawson

Dawson's job is about ensuring customers' bills get paid promptly and correctly

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| FROM THE PRINT EDITION | [APRIL 2020](#)

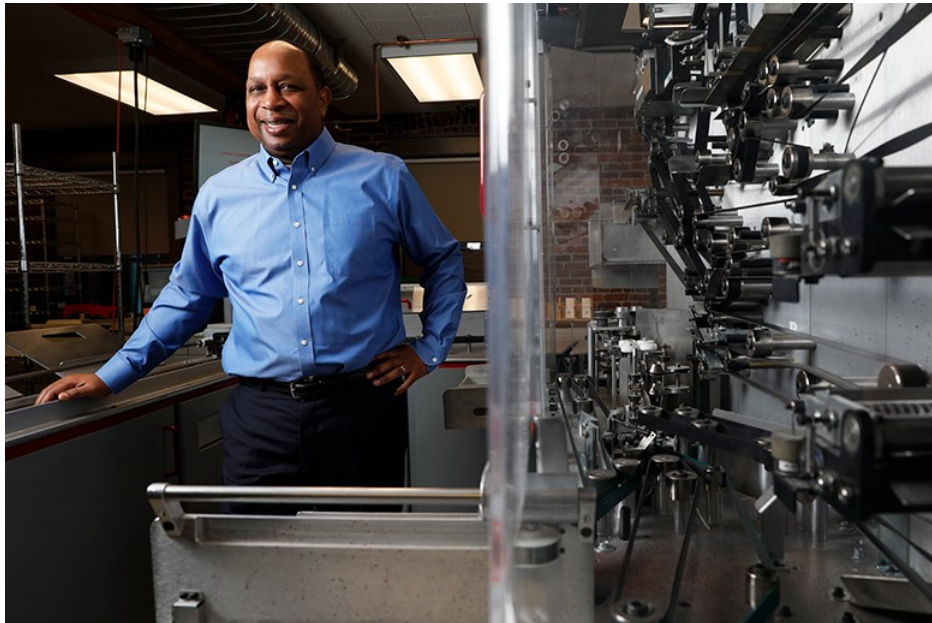


Image Credit: Hayley Young

Craig Dawson, co-founder, president and CEO of Retail Lockbox Inc., has built a thriving business ensuring that his clients' bills get paid on time and error free.

Craig Dawson is the first to admit that the business he co-founded in 1994 is “complicated.”

Dawson is president and chief executive officer of Retail Lockbox Inc., which provides bill payment and imaging services to more than 200 customers in both the public and private sectors — including health care and nonprofit organizations, telecommunications companies, property management firms, municipalities and utilities.

Seattle-based Retail Lockbox handles 1.5 million paper-based items each month, which add up to more than 5 million pages. But the system Dawson and his co-founder, Walt Townes, have created is working: When it comes to processing and billing issues, the 80-employee company makes just one error for every 400,000 transactions. “The goal is to make mistakes in our facility and catch them before they leave,” Dawson says. “That’s why we have so many steps to every one of the processes.”

Everyone has to get their accounts receivable done somehow, some way. Basically, what we do is count money all day for folks. We just have to do it at a very, very high level.

There are probably 10 to 12 steps for every piece of every item that comes through. That’s a combination of electronic and manual — somebody looking at the work.

It takes a while to learn the seven stations that we have. You have to master each one. So, it would take a couple of years for someone to be able to sort of get through, but that's how people move forward.

We've got a lot of redundancy in place to make sure we get our work done.

If you make a mistake, you're not just making one for our client, but for their customer, their customer's bank, our customer and then our client's bank. Depending on what that error is, you can overdraw a customer's account, which makes other things overdraw. That error compounds.

Our business is built around mistakes, right? We let customers know that it's an error-prone business. The best way to handle a mistake is to be honest with your customers and put steps in place to hopefully make sure you don't make that same mistake again.

We're competing with banks and other independent lockbox providers around the country for this kind of work. This business is super competitive. We have lots of folks trying to take our customers.

We started back in the '90s with an idea that the internet was going to be able to be used for payment processing. We actually bought a URL called paystation.com, and we started at that point to try to roll out an online bill-pay service for our customers.

And we spent way too much money trying to be ahead of the marketplace, so we actually backed away because we had customers saying they didn't know how it was going to work.

Then 9/11 happened and checks stopped being transported by planes all over the country for about 14 days. We realized we were dependent on the post office, and we should have a way for customers to pay a bill if they can't mail a payment in.

Millennials today have a different mindset about paying bills. We thought about float. Most everything that's happened today has been aimed at killing float.

I balance my checkbook every day, every month. My kids, and most millennials, don't. Some millennials have never had a checkbook.

Our online business is growing organically. Our goal really is to be in a position to catch those payments when they move from a paperbased environment to an electronic environment. That's inevitably going to happen.

In five years — it's hard to say — the percentage of the business online versus paper is probably going to be 50/50. Now, it's probably about 20% online and 80% paper.

The future is in electronic payments. But it's a lot easier to steal a whole bunch of data online, to steal a bunch of credit card information, a bunch of check information, than it is if you mail a check. It's also more expensive for an electronic payment than it is for a paper-based payment.

You're paying 3% to make a payment to somebody with a credit card. And if you give them a check, you know, what is it, a quarter or 50 cents? And it doesn't matter if I'm giving you a \$10,000 check or \$100 check. If I gave you \$100 and you pay with a credit card, you're going to pay \$3. If I gave you \$1,000 and you pay with a credit card, you're going to pay \$30. So that's a lot more expensive transaction.

There's such a huge consumption of data. There are just so many things out there. And to stay abreast of the industry, to continue to be an expert, you have to consume all that data.

The hard part is understanding these new technologies and how they're going to work with your customers and how they're going to adopt those technologies. It's a big deal.

Health care is the most complicated. A third of our business is health care. You have all the HIPPA [privacy] rules and everyone is big on compliance.

Some of my own bills we process, so I can just go drop them in the bin.

We have to get our customers their work on time each day. And our goal there is about 98%. That's how you keep customers for a long time.

We've got several real estate arms. We own our building and other real estate.

There are other ideas that I've had for different businesses. And it's just a matter of time.