globalpayments

Payments made easy

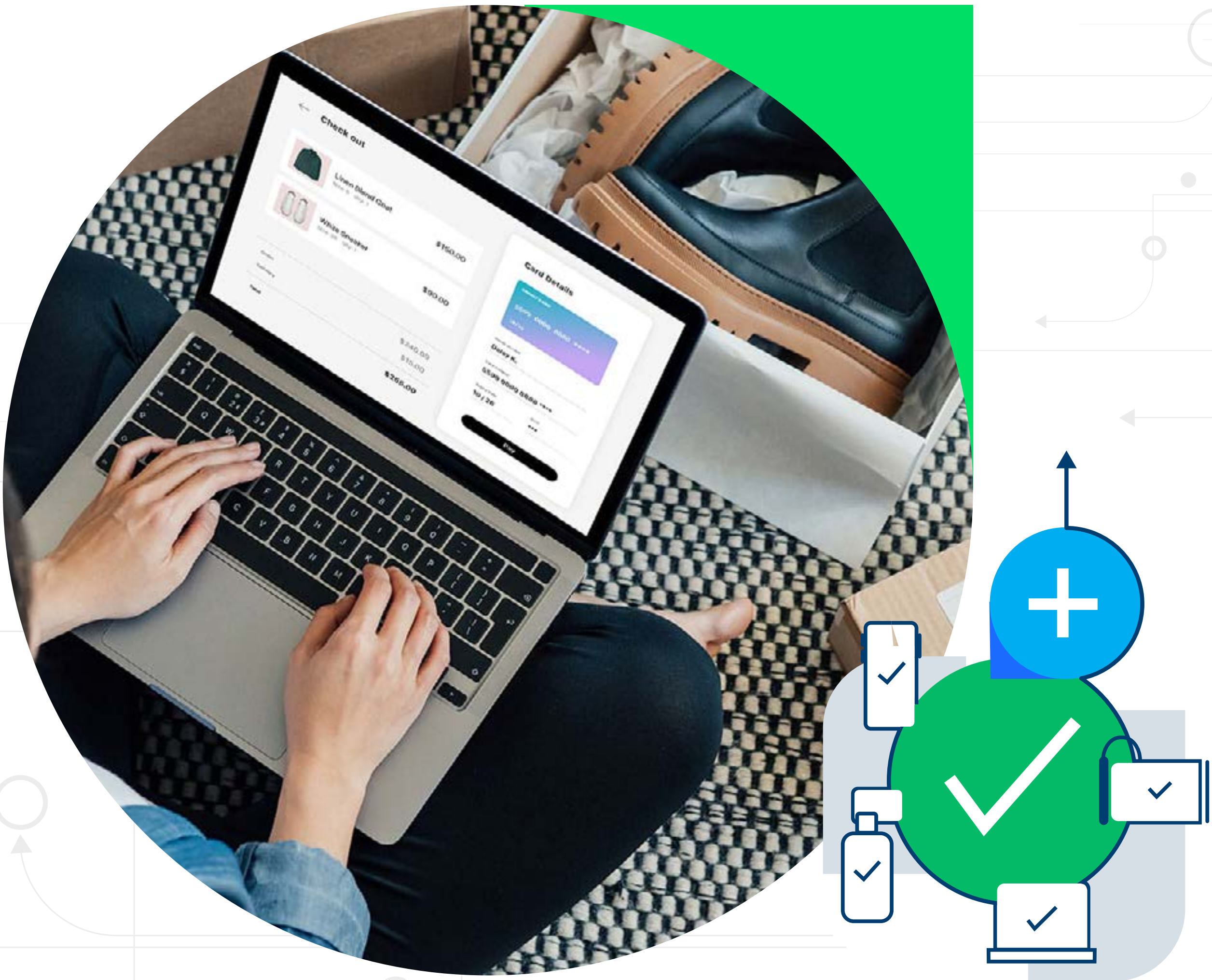
A small business guide to accepting payments

Introduction

As a small business owner, managing payments can be overwhelming, especially when you're trying to launch a new venture or expand your current one. Fortunately, we've got you covered. We understand that payment processing can seem complicated, so we've put together this straightforward guide to simplify the process. Our goal is to help you find the right payment solution that fits your business needs.

Getting started:
simplifying the payment process

From traditional cash and cheques, payments have evolved over the years to include many digital options like payment links, digital wallets, and even buy now, pay later. It can seem complicated for small business owners who are just starting out, especially when you consider the different payment preferences across channels and around the world. However, there are ways to make it more manageable.



The players: who's involved in the payment process

As you explore the right payment solution for your business, you'll likely have many questions such as which technology do I choose? What are the fees? You may even be wondering, what exactly is a Point of Sale solution? Don't worry, we've got you covered.

Let's start by defining some key terms to help you navigate this complex landscape.

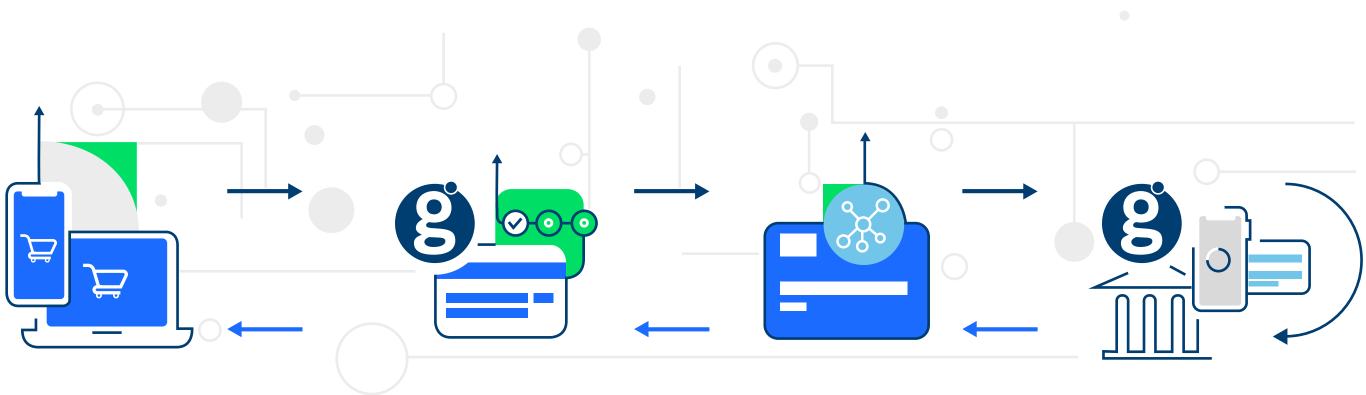
- **Payment processor:**
  A payment processor routes transactions for authorisation and facilitates the transfer of funds. Most payment processors provide technology for card acceptance, such as point-of-sale devices for in-store payments and gateway options for online payments.
  - **Point of Sale (POS):** A Point of Sale system is the hardware and software that enables consumers to make a purchase.
  - **Payment gateway**: This is the technology you use to accept online debit or credit card purchases from your customers. The gateway sends payment data to your payment processor to authorise the payment transaction.
- **Merchant acquirer:**
  Also known as the acquiring bank, this is the financial institution where you have your merchant account that processes payment transactions for your business.
  - **Merchant:** That's you - your business.
  - **Merchant account:** This is the account provided by your payment processor where your card payments are initially deposited to be transferred to your business bank account, where they can be accessed.
- **Card scheme:**
  Also called a payment scheme (think Visa, Mastercard, American Express), this is the company that provides the credit or debit card to the cardholder (your customer). The card scheme is responsible for requesting payment from the issuing bank.
- **Issuing bank:**
  This is your customer's bank, the one that issued them a credit or debit card and holds the money in their account. This is who will verify there are sufficient funds to cover the payment.

Putting it all together: the lifecycle of a payment

Now that you know the different components that make up your payment processing system, let's put it all together.

The payment begins when a customer initiates a transaction by making a purchase or paying a bill with you, the merchant. The payment then goes through a process of authorisation and verification to ensure that the customer has sufficient funds and the payment is legitimate. While it may seem like your customer is paying you directly, it's not coming directly from them. Instead, the issuing bank authorises the transaction by making sure the funds are there. Once the payment is authorised, it is processed by the payment processor and transferred to your merchant account.

Finally, the payment is reconciled and recorded in your reporting tool for tracking and insights. The payment processor is the key player behind the scenes, making it all happen smoothly.



How transaction fees work

When sending or receiving payments, it's important to understand how transaction fees work. During the payment lifecycle, the multiple parties each receive payment for their role in the process. The fees can vary based on a number of factors, so it's important to be aware of the specifics of each payment you make or receive.

Factors that impact fees

- **Channel:**
  Fees can vary based on whether the transaction was conducted online or in person. Online payments are considered Card-Not-Present (CNP) transactions and are normally more expensive for a variety of reasons.
- **Merchant type:**
  Your business has a Merchant Category Code (MCC), which classifies your business according to the type of goods or services provided. Businesses with a higher risk MCC typically have higher fees because they carry a higher risk profile.
- **Transaction size:**
  The average transaction size of your business also impacts card processing fees.
- **Location:**
  If the payment originates from a different country than your own, cross-border transaction fees are applied.
- **Payment type:**
  Different types of payment carry different fees. For example, a transfer directly from the customer's bank account may carry a lower fee than a credit or debit card payment.
- **Card scheme:**
  Different card schemes determine their own fee structure.

Types of transaction fees

Your fees will be made up of interchange, card scheme and acquirer fees. Not all providers list these out separately so be careful to ensure you are comparing like for like. Some providers also offer fully 'blended' rates where percentage advertised costs are flat, yet charged at a higher percentage rate. It's important to note that these flat rate products often attract additional charges for non-standard card types, for example, for payments made with cards from banks outside of the UK.

When considering payment processing options, it's important to keep transparency in mind. Be sure to compare setup fees and rate per transaction fees to ensure you get the best deal. Additionally, opting for a blended (or bundled) rate that includes interchange fees can help stabilise costs and avoid fluctuations.

Payment solutions: the POS that's right for you

Now that you understand the lifecycle of a payment and how fees are structured, it's time to choose the payment solution that's right for you. With so many options available, it's important to consider which solution best suits your business' specific needs.

Not only can a POS system help you take payments, it can also offer additional benefits such as Customer Relationship Management (CRM) and reporting tools.

To get started, ask yourself some initial questions.

- **Is employee productivity important to your business?**
  POS systems can offer more than just payment acceptance. CRM and reporting tools can save you time and help you grow your business. There are tools available that can help you build out your marketing programmes.

- **Do you have a lot of stock to manage?**
  Inventory management tools give you a real-time view of your stock levels, saving you the time and hassle of manually checking inventory. And it helps you make sure you're fully stocked to deliver a consistent service to your customers.

- **Do you struggle to find time for accounting and filing your taxes?**
  A POS system can provide simple accounting tools that can help you set up, track and manage sales tax on all your transactions, making end-of-year filing much easier.

- **Do you retain your customer preferences?**
  Consider whether you retain information about customer preferences to help better understand them. A POS system can simplify tracking customer preferences, and it's one of the most effective ways to deliver what they need, when they need it. Remember, your POS system should not only facilitate payments, but help you manage your sales data to give you useful business insights.

In store, online or on the go: a POS to meet your needs

Do you have a physical storefront, or is your business mobile or online only? Or is it a combination of all three? Your answer will help you decide which POS is right for your business.

In store: The flexibility you need

If your business has a physical location, a standalone register or a mobile POS solution may be the most suitable option. Alternatively, compact terminals allow for the choice to pay at the counter, in the field or at the table. For businesses on the go, a mobile POS paired with a simple card reader and app is often the simplest and most cost-effective solution.
If you process payments across many channels, you can provide a seamless experience for your customer regardless of the channel by using a unified payment solution.

Take your business online

Are you ready to take your business online, with online payments?
It's easier than you think.

Website or app: If you have an ecommerce website or app, accepting payments is a breeze. From ready-made, drop-in payment pages to fully customisable checkout options, there's a solution to fit your business' unique needs.

No website, no problem: By simply sending a payment link to your customers, you can accept payments online from anywhere.
Send the link by text or email, place it on your website or on social media, or embed a link in an online ad.

Go mobile: Build a mobile-first POS

Building a mobile-first point of sale is essential in today's world. Mobile commerce allows your customers to shop from anywhere, whatever they may be doing. Make sure your mobile checkout process is simple with these key considerations.

- Adopt a mobile-first mindset: Don't think of your mobile checkout as an extension of your website. Instead, build it with a smartphone in mind to simplify navigation, increase button size, reduce the amount of text, and minimise form fields.

- Integrate digital wallets: By integrating wallets like Apple Pay, Alipay and Google Pay, you can make the checkout process quick and easy for your customers.

Make paying online seamless

Regardless of where you do business, deliver a seamless online payment experience. Your customers will thank you.

22%[1] of respondents under the age of 35 will abandon a purchase because it takes too long to input card details. Don't lose your customers to the competition!

When building your online checkout, consider the list below to make paying seamless while encouraging repeat sales. With these top tips, you'll be well on your way to setting your business - and your customers - up for online payments success!

- **Offer guest checkout:** Some people prefer to check out anonymously rather than feel pressured to sign up for a new account. Make sure your customers have the choice.
- **Provide one-click shopping:** Deliver instant gratification by rewarding customers who do sign up for an account with the option to store their payment details so they can purchase items in one click on their next visit.
- **Consider the customer experience:** The fewer clicks the better. Aim to make your checkout process as easy as possible. A progress bar is a good way to show customers they are close to the finish line.
- **Store card information to make the process faster:** Auto-fill payment details to help speed up the checkout process and ensure you don't lose your customers along the way.
- **Update your customer's payment details automatically:** Card updater services can refresh customer payment information to help them save time and reduce friction.
- **Personalise your customer's payment journey:** Your online gateway can store customer details to deliver a tailored payments experience that encourages repeat sales.
- **Offer alternative payment methods:** There are many other payment options beyond credit and debit card. And many merchants are increasingly looking to payment options that use open banking technology, where businesses can receive payments directly and instantly from a customer's bank account rather than through a payment provider such as Mastercard or Visa, reducing network and interchange fees.

By accepting online payments, you'll be able to provide payment options that suit your customers' preferences - and avoid losing them to your competitors.

1. https://www.insiderintelligence.com/content/top-countries-digital-wallet-use

Accept all the payment methods your customers prefer

Regardless of where you do business, deliver a seamless online payment experience. Your customers will thank you.

26%[2] of UK based customers have abandoned an online purchase because their preferred method of payment was not offered. Don't let that happen to you.

Let customers pay the way they want to pay. Reduce cart abandonment and lost revenue by accepting your customers' preferred payment methods.

- **Accept local payment methods:** If you're selling across borders, tailor your payment options accordingly. For instance, in the US, 6% of adults use digital wallets, a number that jumps to 45% for China.[3] Payment preferences can vary between neighbouring markets, for instance, 43% of Belgian online purchases are made using local payment method Bancontact, while 60% of French household consumption goes through Cartes Bancaires.

- **Provide payment flexibility:** Offer customers a variety of payment methods and payment terms. Recurring billing, subscription services or buy now, pay later plans support payment flexibility.

- **Monitor payment trends:** Keep an eye on what's happening in the world of payments, including trends like contactless payments, omnichannel shopping and buy now, pay later. Consumer preferences constantly shift, and you'll want to keep up with the latest preferences and trends.

2. https://www.buckaroo.eu/blog/record-number-of-transactions-with-bancontact
3. https://www.trustpay.eu/2022/04/12/new-partnership-with-axepta-bnp-paribas/

The key to keeping customer data secure

Fraud is an ever-present and growing threat to your business and your customers. Keeping them safe is easier than you might think.

The following suggestions will help keep data secure.

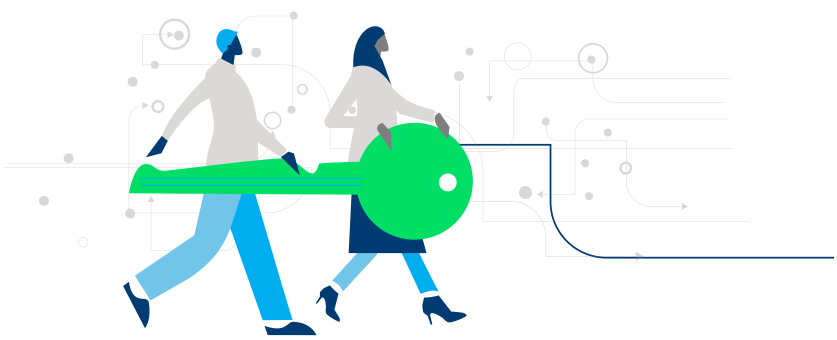
- **Payment Card Industry (PCI) compliance:**
  Mandated by the card schemes, this helps ensure the security of each card transaction. If you accept payments online and integrate payments yourself, you will need to undergo an annual card security assessment and hire a Qualified Security Assessor (QSA) to validate that you are PCI compliant. Alternatively, you can use a 'hosted fields' payment option. This enables you to accept payments online, but all payment details are captured and stored with your payment processor. This option reduces the PCI burden so that you can focus on your business.

- **Tokenisation:**
  Replace sensitive data like customer account numbers with tokens that shield access to your customers' payment data. Because your business can only interact with the tokenised version of that information, your customer data stays safe even in the event of a breach. Tokenisation is irreversible. Once the data is tokenised it cannot be reverted to its original state, reducing the ability for cybercriminals to steal customer payment data.

- **3D Secure (3DS):**
  This is the umbrella name for the card schemes' online authentication solutions. 3DS is an authentication protocol designed to reduce customer fraud, increase customer security, and decrease merchant liability for chargebacks.

- **3D Secure 2 (3DS2):**
  An advanced version of 3DS, this authentication protocol gives your customers a seamless ecommerce experience without compromising on security. Not only does 3DS2 use biometrics and other methods for quick, smooth authentication on any device, but it's also the only card authentication method that meets European Strong Customer Authentication (SCA) regulations.

- **Multi-factor authentication (MFA):**
  MFA provides an extra layer of security that is independent of a customer's password. It requires at least two forms of authentication, each from a separate category. Those include:
  - Something you know (knowledge), such as a password or PIN
  - Something you have (possession), such as a phone or credit card
  - Something you are (inherence), such as a retina scan or fingerprint.

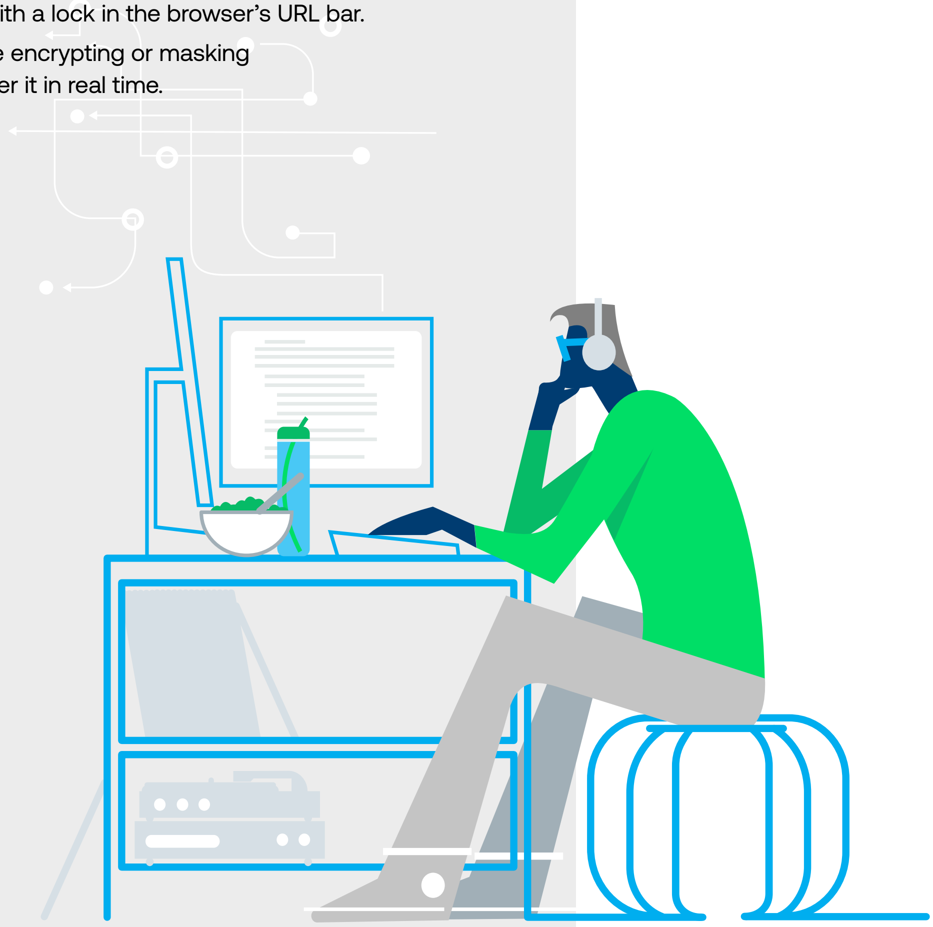


Keep customer data secure

Let customers know your payment process is secure. Highlight the security protocols you have in place - and why. This helps build confidence in your brand. And it helps deter would-be criminals who are looking for easy prey.

Easy ways to promote security include:

- Display trust logos from verified financial brands at checkout and throughout your website, including Visa, Mastercard, American Express, PayPal, Apple Pay, Google Pay, WeChat Pay and more.
- Promote that your business is PCI compliant at checkout with the PCI DSS trust logo.
- Explain why you're asking customers to verify their payment information with 3D Secure.
- Represent your SSL certificate with a lock in the browser's URL bar.
- Show your customers that you're encrypting or masking sensitive information as they enter it in real time.



Start taking payments today

Whether you're launching a new business or have ambitious growth plans, taking payments is foundational to your success. With the right payment technology, you can accept payments from anywhere and give your customers the flexibility to pay the way they want. With the right Point of Sale solution, you can easily manage your business - from inventory and tax filing to marketing campaigns and more.

If you're looking for the perfect payment solution for your business, our team of experts are here to help.

Let's get started!