MASTER YOUR CARD

EMPOWERING YOUR COMMUNITY

FIND THE BEST PAYMENT PROCESSOR

The good news is that it is very easy for businesses to access electronic payment networks. There is a ready supply of payment processors who want to compete for your business. The challenge is that costs can vary among processors and some business owners find it hard to get an apples-to-apples comparison between them.

You can open a merchant account with a variety of providers. Knowing your options in card payment processing is the first step toward finding the best processor for you. For more information visit: **https://www.mastercard.us/en-us/business/overview/start-accepting/benefits-of-accepting.html**

WHO PROCESSES CREDIT, DEBIT AND PREPAID CARD PAYMENTS

Electronic payment networks are proprietary networks built and maintained by technology companies like Mastercard. They provide the instantaneous and secure connections between consumers' Payment cards and the businesses from which they purchase goods and services.

Businesses choose the electronic payment networks they will accept and then hire a payment processor with the network access and customer service that they need. There are four basic groups of payment processors a business can choose from:

#1. Acquiring Banks. These are local, community, regional or national banks that participate in the electronic payment networks on the merchant side of processing customers' payments. Just as consumers have checking and savings accounts with these groups, so do businesses.

A direct electronic payment processing account through one of these banks, has many advantages if you already have a broad banking relationship. In addition to the type of business you run, your existing relationship will factor into the bank's underwriting policies. Some banks have in-house payment processing resources and others may outsource those processing services.

#2. Third-party Payment Processors (TPPs). These are companies that interface between the merchant (you) and a merchant services provider, so you can accept payments without setting up a merchant account. TPPs have one big merchant bank account for all of the businesses they work with, so they generally let you start processing customer transactions the same day you sign up. This eliminates the extensive business analysis and underwriting process you need to open a merchant account. Setting up a TPP is quick, easy and has no long-term cancellation process. However, while there isn't a lump sign-up or monthly fee, TPPs will deduct around 2.7% or more from each transaction. That equates to dollars from almost every sale. So, if you operate a full-time retail business, you'll probably end up paying more in the long run by opting to go with a TTP.

TPPs can be more cost effective and flexible for large businesses because the processors have direct access to electronic payment networks through an acquiring bank and provide all the support on large businesses' accounts. These TPPs don't have consumer brands the general public would recognize, as they function exclusively in a business-to-business environment between businesses and acquiring banks.

#3. Independent Sales Organizations (ISOs). These organizations specialize in soliciting smaller business accounts and then contracting with acquiring banks or TPPs to provide the actual processing services. One step removed from the electronic payment network, ISOs may specialize in specific business sectors—making it easier to get a merchant account from someone who knows your field. ISO costs can be higher than other options, as they have to pay a transaction fee to the acquiring bank or TPP with which they partner to deliver your services.

#4. Online Payment Service Providers. This provider will work with a TPP or acquiring bank to provide payment services to you. They focus on small or medium-sized Internet-based businesses—usually providing technical support on proprietary payment platforms. The cost of specialized services, TPP fees and acquiring bank fees add to their overhead and your costs.

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WHY CARD COSTS VARY

Differences in the card products can create variances in how much you pay per transaction. Some cards, for example, are designed for more affluent cardholders. These cards may cost merchants more because the consumers who use these cards tend to spend more and thus are more valuable to businesses.

The other source of variation in your card processing costs comes from the variety of payment processors competing for your business. They have different business models, risks and overhead—and therefore may have different pricing and other terms—that's part of why you may feel like it's hard to get an apples-to-apples comparison.

FIND THE BEST FIT FOR YOUR BUSINESS

There are many different payment processors because there are many different business models. Competing for business, payment processors tend to focus on specialized services that fit particular business needs. If you have a good relationship with your local bank, that is often a good place to start because you will be working within a known relationship and leveraging your entire bundle of services to your mutual benefit. The list below includes a few things to think about and questions to ask processors in order to find the best fit for your business.

Business profile. Do you offer goods, services or both? Does the payment processor have expertise and experience with your type of business? Are your payment card transactions in-person, over the phone, and/or online? You may find advantages in dealing with someone who has a track record and client references in your market and who operates in your geographic area.

Transparent billing. Businesses that accept all the major payment brands can be subject to several types of fees. From pricing to reporting, you need a breakdown of your fees that is intuitive and transparent so that you understand what you're paying for and what services you receive for your money. Are your rates tiered by volume or by dollar amount? Are the processor's costs passed through? Where are the mark-ups? Is it easy and timely to get details on individual transactions or to search for specific categories of sales and information? Talk with your accountants about what they need as well as what they would like, and then ask processors for sample reports to compare.

Support. How much support do you need? Do you anticipate wanting around-the-clock access? By email, phone or both? Are electronic reports, transaction details and chargebacks available online? What are the typical wait times? Are there line item fees for services and reports?

Data security. Businesses rely on processors to ensure their security meets standards and best practices. You want one that is certified as Payment Card Industry Data Security Standard (PCI DSS) compliant. In addition to the customer and brand impact of failing to protect customer and client information, there are fines and penalties you may be liable for if security is breached. What assistance will they provide in ensuring that your operating environment is compliant with PCI DSS?

For more information check out: https://www.mastercard.us/en-us/business/overview/start-accepting/payment-facilitators.html or https://www.mastercard.us/en-us/business/overview/grow-your-business.html