PAYFIRMA FINSIGHTS

TOP 10 QUESTIONS TO ASK A PAYMENT PROCESSOR

Payfirma

THE **10** QUESTIONS

You've got your list of payment processors narrowed down. Now it's time to evaluate each one in detail to find the payments partner that best suits your business. To help you do that, we've compiled a list of the Top 10 Questions you should be asking.

We want this Finsight to be your ultimate resource as you search for a payment processing partner. We've included checkboxes ☐ *checkbox sample!* throughout the document to help you to keep track of which processors meet your requirements.

01 What type of processor are you?

It's important to know which payment processor will best align with both your short-term and long-term business goals. First, identify where you want to take your business, as this will help determine which type of processor is the best fit for you. If it's to grow bigger and expand, then you'd benefit from your own merchant account. If you're a seasonal business, an aggregator may be a better fit.

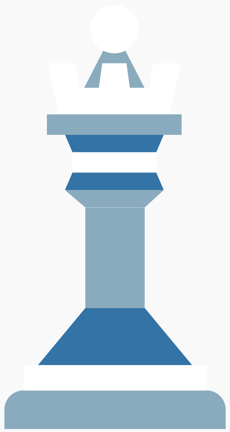
AGGREGATOR

MERCHANT ACCOUNT PROVIDER

AGGREGATOR

Aggregators are ideal for smaller businesses who process a lower volume of credit card transactions per year, want to start accepting within a few days, or are just getting started. Aggregators allow you to accept payments without a merchant account and shoulder more risk because they group you with other businesses and allow you to accept payments using their merchant account. Your funds are initially deposited into the aggregator's merchant account, then distributed to your bank account. **CAUTION:** This means that they have the ability to hold your funds if they suspect fraudulent activity to do their due diligence. Aggregators' names may also appear on your customers' statements, which may create confusion and lead customers to stop payments.

VS.



MERCHANT ACCOUNT PROVIDER

Merchant account providers are best for businesses that are more established or are interested in accepting payments in multiple ways. If you're processing over $40k a year in credit card transactions or if your business is expanding rapidly, a merchant account provider can provide you with tailored rates and a wider suite of payment tools that help you grow your business. As the name suggests, merchant account providers provide you with your own merchant account and walk you through the application process. With merchant account providers, you'll receive lower rates, multiple payment channels, higher processing limits, and detailed payment data.

02 What level of customer service do you offer?

Customer service is a critical factor when evaluating payment processors. With so many different entities involved in processing a payment from end to end, having a single go-to partner for all of your questions and issues is invaluable. Some points to consider:

- [ ] **24/7 CUSTOMER SUPPORT**

  Technical difficulties will arise; it's inevitable. What you want to avoid is lengthy downtime and lost sales. When you're faced with faulty equipment and impatient customers, you want to be able to access immediate support.

- [ ] **RESPONSIVE SERVICE**

  Choose a processor with real people promptly answering your calls as well as one that has multiple support channels: phone, email, live chat, and social media.

- [ ] **MULTILINGUAL SUPPORT**

  If another language is your primary form of communication, look into whether there are representatives that can communicate with you.

- [ ] **SELF-HELP TOOLS**

  Nowadays, a plethora of payment processors have an extensive self-help section in the form of support or FAQ pages.

03 What are my contract terms?

Sometimes contracts are unavoidable, make sure all of the contract terms are disclosed to you before you sign on the dotted line. Ensure you are clear on:

→ **The contract term:** know exactly how long your contact is and whether or not there is an automatic contract renewal clause in the fine print.

→ **Any cancellation or early termination fees:** some contracts include early termination fees that you incur if you opt out before the expiration of the contract. Some processors may not disclose this fee.

→ **Whether there is a liquidated damages clause:** if a processor has this clause, they can charge you an amount equal to your average monthly payment times the remaining months in the contract. This represents the money they expect to lose when you cancel your contract early.

→ **If they have the ability to raise rates without notification:** check whether it states in your contract that your processor will notify you in the event that your rates increase.

04 What is your pricing structure?

We've summarized the different pricing structures that processors can offer you below:

INTERCHANGE DIFFERENTIAL

With this pricing model, you pay:

- The qualified rate (the rate for a basic, non-rewards credit card)
- The non-qualified fee (if it's anything other than a basic card, i.e. a rewards card)
- The card brand fee
- The interchange differential fee

BILLBACK/ERR (ENHANCED RECOVER REDUCED)

You pay the qualified rate on the first statement and another charge for non-qualified cards, which shows up in the next statement. It's difficult to break down the fees you are actually paying since this pricing structure is a lump sum.

INTERCHANGE PLUS / COST PLUS

This is generally considered to be the most transparent pricing structure. You pay:

- The interchange rate of the card
- A fixed percentage (which can be a mixture of additional fees)

TIERED

You pay based on which tier the transaction falls into:

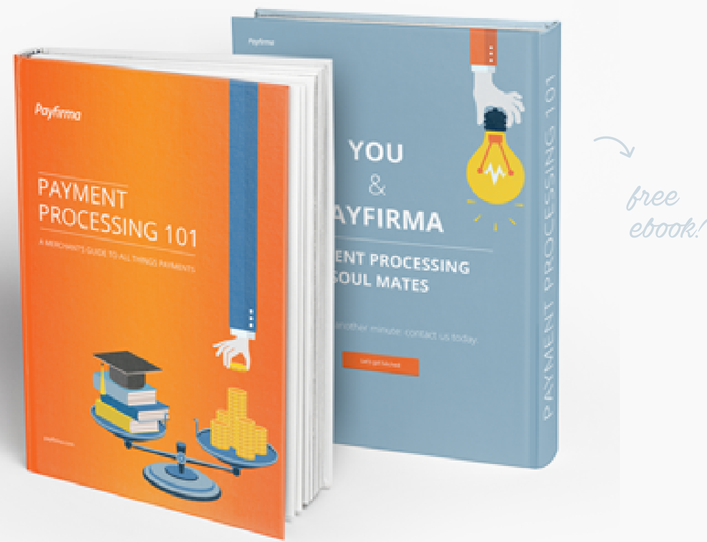
- Qualified (swiped transactions)
- Mid-qualified (keyed-in transactions)
- Non-qualified (online transactions)

With this pricing structure, it's hard to discern what fees you are paying as they're all bundled within the tiers.

FLAT

This is the most simple-to-understand pricing structure. You simply pay a fixed percentage for each transaction.

TO LEARN MORE ABOUT PRICING AND THE PAYMENTS INDUSTRY, DOWNLOAD OUR FREE EBOOK: PAYMENT PROCESSING 101.



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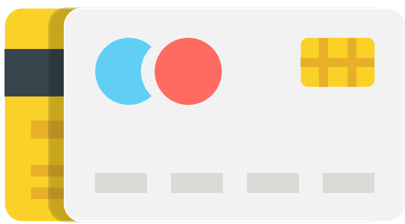
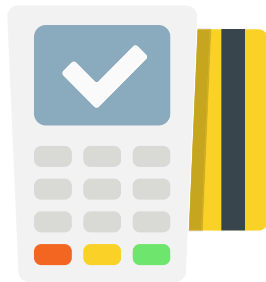
05 What will I pay?

Some payment processors are less transparent about pricing than others. Many will advertise the non-qualified rate (the lowest possible rate) to get your attention; however, it's unlikely that many of your consumers will purchase with a basic, non-rewards card, or that every transaction you process will be a swiped transaction. What you will pay depends on:



The type of credit card

(whether it's a basic card or a premium rewards card)



The way the credit card payment is taken

(whether you swipe cards, enter them manually, or accept them online)

While some merchant account providers have higher fees than aggregators on the surface, they may also offer the ability to reduce fees with increased processing volumes. Typically, aggregators have fixed rates – no matter how much you process. This means the more you process, the more fees you incur on average. Whereas a merchant account provider has the ability to tailor fees to your individual business and processing volumes.

06 What additional fees will I have to pay?

Besides the fees you pay for each transaction, there are some additional fees you may encounter. Again, some processors bury or hide their fees, so make sure you know exactly what you're paying so there are no surprises when your bill arrives. Some of the common fees that you may see layered on top are:

- [ ] **INTERNATIONAL FEE**
- [ ] **CHARGEBACK FEE**
- [ ] **PCI COMPLIANCE FEE**
- [ ] **STATEMENT FEE**
- [ ] **MONTHLY MINIMUM FEE**
- [ ] **ANNUAL FEE**
- [ ] **SET-UP FEE**
- [ ] **MONTHLY FEE**
- [ ] **CANCELLATION FEE**
- [ ] **TRANSACTION FEE**

Aggregators typically don't have many of these additional fees, so for smaller business, going with a merchant account provider may not make sense if you're not processing higher credit card volumes.

07 When will I get paid?

Cash flow is critical; withheld funds can seriously stall your business. Whether you go with an aggregator or a merchant service provider can significantly affect your funding time. As mentioned, aggregators group your business with other merchants and allow you to process payments with their merchant account, increasing their risk. As a result, they are more vigilant when it comes to potential fraud. Since they don't require you to apply for your own merchant account, they don't know business information like your seasonality or typical processing amounts, so they may put accounts on hold without notice to investigate "irregular" processing activity. Hold times vary from 24-48 hours to 30 days, and in extreme cases, the account can be shut down. Overall, remittance should be within 24 hours unless holds have been put on your account.

08 What do you have to offer?

To get the most out of your services, make sure you know exactly what you are getting. Your payment processor should provide you with the payment tools that help you grow. They can do this by:

ALLOWING YOU TO ACCEPT MAJOR CARD TYPES

Make sure you are able to accept the major credit and debit cards (Visa, MasterCard, American Express, Discover, Interac, Union Pay) that your customers are paying with because the last thing you want to do is turn a customer away.

GIVING YOU ACCESS TO ROBUST REPORTING

Payments reporting and transaction analytics let you monitor how your business is doing, providing you with a wealth of information and insight. Your payments data tells you pertinent information about your customers (behaviors, habits, and preferences), and real-time data on when, where, and how your transactions are occurring to help you make smarter business decisions. Make sure you can see all of your payment data in a single place and don't have to jump from system to system to piece it together.

ENABLING YOU TO ACCEPT NON-TRADITIONAL CURRENCIES

As a modern merchant, you need to keep up with your tech-savvy consumers. More and more payment processors equip you with the popular payment technologies of today, like NFC (near-field communication) to accept mobile payments (Apple Pay), and even the ability to accept the payment methods of tomorrow, like bitcoin and other cryptocurrencies that have yet to gain widespread adoption but have been lauded as the currency of the future. If you want to take your business to a global level, check to see if the processor allows you to accept international payments.

OFFERING MULTIPLE PAYMENT CHANNELS

We've seen first hand that merchants who adopt a multichannel model to their business grow much faster than those who go the traditional route of a single channel. The modern merchant has grown accustomed to convenience and cohesiveness when it comes to payments (aka. an omni-channel experience) and will expect to be able to pay however they want. We've outlined the different channels that you can accept payments through:

☐ **WEB TERMINAL**	Turn any computer with internet access into a payment terminal and accept payments in person, on the phone, or via fax wherever you are.
☐ **MOBILE PAYMENTS**	Accept credit cards on the go – with the mobile app or with a card reader attached to any smartphone.
☐ **ECOMMERCE**	Connect your shopping cart and eCommerce platform to an open payment API and accept payments securely over the web.
☐ **RECURRING BILLING**	Set up payment plans and recurring billing programs to automate repeat payments.
☐ **TABLET POS**	Store your products, photos, SKUs, and prices all in one place and turn any tablet into a full POS system with the ability to process cash, check, and credit cards.
☐ **TRADITIONAL TERMINALS**	Accept credit, debit, and other payment methods with hardware that is NFC and EMV-capable.
☐ **INVOICING**	Send invoices via email, track payments statues, and get paid on an embedded hosted payment page.

09 Will I be PCI-compliant?

As a busy merchant, you've got enough on your plate running and growing a business that the last thing you want to have to worry about is processing payments securely. PCI DSS (Payment Card Industry Data Security Standard) was put into place by the Security Standards Council, which is comprised of the five major credit card companies: Visa, MasterCard, Amex, Discover, and JCB.

PCI Compliance is a set of 12 requirements that ensure a safe environment to process credit card payments and a healthy payments ecosystem. It doesn't matter if you're a global conglomerate or a local boutique, compliance is mandatory and non-negotiable. Failure to comply results in fees, penalties, or account termination. A reliable payment processor ensures that you are PCI-compliant at all times, and DOES NOT charge extra for it.

10

Is my online shopping cart compatible?

Lastly, if you're an eCommerce business or plan to extend your business online, ensure that the payment processor is compatible with your online shopping cart. It's in your best interest to work with one payment processor for all channels (online, in-store, mobile, in-office) rather than work with multiple processors with different rates and contract terms. Some processors may have propriety software that may not integrate with your existing online shopping cart. It's a major roadblock if you can't integrate their services with your existing system, and you definitely don't want to commit to a contract before ensuring you're able to use the services.

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HAVE QUESTIONS?

Our friendly Payment Advisors would be happy to have a chat. Click below to contact us or give us a call.

Contact us today

payfirma.com | 1.800.747.6883