The merchant

services survival handbook

BNA

The new merchant's survival handbook

What to know about merchant services and payment processing when starting a new business

TABLE OF CONTENT

WELCOME TO THE WORLD OF PAYMENT PROCESSING!

Congrats on starting your new business! Whether you're selling goods or services, you're going to need a way for your customers to make payments. That means you'll need a merchant services provider.

There are many choices to be made and many things to understand about the payment industry before you begin working with a merchant services provider. Payment processing is an integral part of your business. Take the time to understand it.

SELECTING A MERCHANT SERVICES PROVIDER

What is a merchant account?

A merchant account allows you to accept debit cards, credit cards, and other types of electronic payments. This account is an intermediary between your business bank account, the credit card networks, and your customers' issuing banks. To get started, you'll need to open an account with a merchant services provider. To use the provider's services, you'll pay a fee for every payment that's processed.

Know your rights as a merchant

Before you choose a provider, it's important to understand your rights as a merchant by being aware of the PCI Code of Conduct. Merchants can save time, money, and headaches by being more familiar with their rights as outlined in this code.

In May 2011, the Code of Conduct for the Credit and Debit Card Industry in Canada was updated to outline certain new rights for merchants. This Code of Conduct took new strides towards promoting awareness about costs associated with accepting credit and debit card purchases, providing merchants increased flexibility in choosing payment plans and allowing merchants to freely decide which payment options they can accept.

The code outlines increased transparency and disclosure on the part of payment card networks and acquirers to merchants. In other words, merchant statements must include the following information in a clear, simple, and non-misleading way:

- Effective merchant discount rate for each type of payment card from a payment card network

- Interchange rates and, if applicable, all other rates charged to the merchant by the acquirer

- The number and volume of transactions for each type of payment transaction

- The total amount of fees applicable to each rate

- Details of each fee and which payment card network they relate to

Another important component in the Code of Conduct is that merchants must receive notice of a rate increase a minimum of 90 days before the increase goes into effect. Following the notice of a rate increase, you're allowed to cancel your contract without penalty.

Be aware!

An important detail to be aware of is that the Code of Conduct only deals with increases in processing fees for credit and or debit cards. It does not apply to charges regarding terminal lease payments, terminal rental fees, airtime fees for wireless terminals, or service call fees, among others. You should also be aware that if a processing fee does increase and you choose to cancel, the Code of Conduct does not relieve you of your obligations to your terminal leases.

A word on PCI compliance

When choosing a merchant services provider, it's important to consider PCI compliance. Your provider will help you keep your customers' data safe and your reputation intact by enabling you to store customer payment data in a manner that satisfies the Payment Card Industry (PCI) compliance. You should also consider working with a provider that offers a suite of PCI features that can help you further prevent costly breaches and additional fees.

PART 2:
UNDERSTANDING PROCESSING FEES

What should transactions really cost?

As a new business owner, you probably don't know much about payment processing fees. Unfortunately, being unaware of fee variations can translate into unwanted contractual agreements or high fees. The good news, however, is that these problems can be avoided by using common sense and asking the right questions before entering into an agreement. The best advice is to remember the old adages like "buyer beware," "you get what you pay for," and "if it sounds too good to be true, it probably is."

For example, if a certain type of transaction costs a merchant services provider 1.54%, that provider cannot possibly process that transaction for the merchant and charge only 1.39%. A low transaction rate such as 1.39% would mean that the merchant services provider is losing money. In reality, the provider needs to take into account the costs dictated by the credit card company, as well as the costs of providing service and support when you need it. So, a merchant services provider who claims to be charging 1.39% is, in fact, making up for this low rate somewhere else in their charges to you.

Listed below are a few questions that are going to help merchants get the answers needed to help make the right decision and enter into a more transparent working relationship.

9 MUST-ASK QUESTIONS WHEN SHOPPING FOR A MERCHANT SERVICES PROVIDER

01 What are the MDR rates for Visa and Mastercard?

MDR stands for merchant discount rate. The MDR is the most important pricing consideration. It's the basic rate applied to a VISA or Mastercard transaction that is card present (in store) and read into a payment terminal.

Beware of processors who present ridiculously low MDR rates to get your attention. They'll simply apply other fees to make up the difference – or they'd be losing money. That's also why there's no value in comparing rates individually. The only true comparison is the total monthly cost.

02 What are the non-qualified card fees?

Any non-consumer card (such as business cards, VISA Infinite, etc.) and card-not-present transaction (online, over the phone) have surcharges added to the MDR. They vary wildly depending on the processor and can add significant costs, so it's important to understand what you'll be paying. A pricing model that applies the appropriate Interchange rate is typically the most transparent.

03 Is there a sign-up fee or application fee?

Many merchant services providers charge a sign-up or application fee, which is usually non-refundable if the merchant gets declined (such as after a credit check). Ideally, you'll want to work with a provider that doesn't charge this fee.

04 What is the monthly administration fee? Does that also include the statement fee?

You may be charged many different types of additional fees, including admin, statement, push fund, PCI compliance fees, and more. These types of fees usually run between $5 and $10 per month each. Compare these fees among different providers, since some tend to charge more than others.

05 What are your monthly minimums for credit and debit?

Monthly minimums apply to merchants that are not processing many transactions, but not all processors apply them. They are typically $10 for debit and $30 for credit. They are frequently not mentioned in a quote, so it's a good idea to ask about them.

06 What is the cost and length of contract to lease a terminal? Do you have an option to purchase?

Most processors now rent terminals as opposed to leasing them. A typical lease would run for a five-year term. Typical rental fees run from $25 to $60, depending on the terminal. In some circumstances, the processor can reduce or eliminate these costs. In contrast, terminals can be purchased for between $700 and $1,000. Most merchants rent.

07 What is the warranty on the terminal if I lease versus purchase?

The warranty does not matter on a rental, but it's important on a purchase or lease. On a rental plan, if the terminal breaks down, the processor will just send a replacement. On a purchase, if it breaks down outside of the warranty period, the merchant will need to acquire a new terminal.

Very few merchants purchase their terminals, and the typical warranty period is two years.
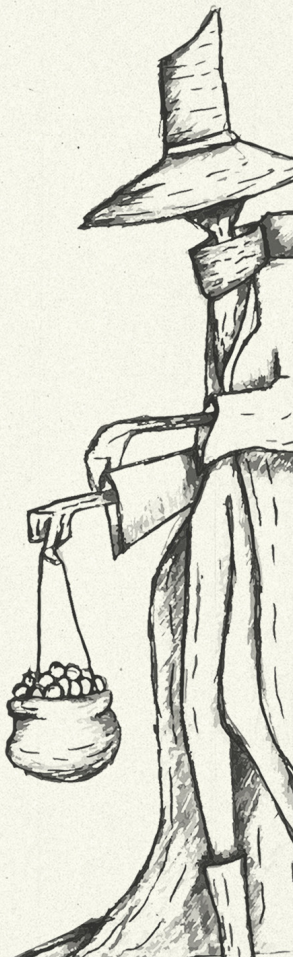
08 What type of customer service will I receive?

Customer service can vary widely by company. Specifically, larger companies and banks often struggle to give their customers the personalized touch their customers want and need. Customers often have to deal with outsourced call centers and long wait times.

That's why it's so important to understand the service you'll receive once you sign on. Ideally, you want a dedicated customer service team for your account. You want a team that will build a true relationship with you over time. You should know your agents' first names, and they should know yours. Get to know the framework of the company you plan on working with, such as how the payment processing company runs, what their values are, and how important customer service is to them.

In a world that is becoming increasingly automated and online, customer service may seem like an outdated philosophy, but it's actually more important than ever. There is nothing more satisfying than having an issue, picking up the phone, or sending an email and having a response almost immediately from an agent willing to take the time to find a solution. Whether it's troubleshooting a problem or simply answering inquiries, customer satisfaction should be an important facet of your choice.

09 What is the contract length for my agreement? Are there cancellation fees?

The typical contract length is three years with a one-year grandfather clause. In most contracts, you'll have to advise the processor three months prior to the expiration date of the contract of your desire to cancel. Otherwise, the grandfather clause kicks in.

Most contracts aren't flexible and lock you in. Early termination would generate a cancellation fee of $300 to $500. Work with a provider that doesn't apply contract terms, so you can cancel at any time without penalty.

CHOOSING THE RIGHT PAYMENT TECH

Hardware

Smart terminals

Today's payment terminals are more advanced than ever before, and they can do more than just accept card payments. Smart terminals feature full-colour touchscreens, are app-enabled, and offer rich multimedia possibilities. They accept nearfield communication (NFC) transactions to enable customers to pay with their preferred payment methods (like WeChat Pay, Alipay, Google Pay or Apple Pay, for example).

Smart terminals also go above and beyond. You can download hundreds of apps that can help you manage your business more effectively. For example, you can download apps to simplify payroll, for data analytics, to add loyalty programs or gift cards, and more. Smart terminals also look sleek and modern, and most allow for greater customization, so you can add your logo on the screen.

Countertop terminals

Countertop terminals are fixed terminals that are hard wired into a point of sale (POS) system and are usually in the designated checkout area.

Needless to say, a countertop terminal is usually the solution that best suits many brick-and-mortar businesses.

We say that countertop terminals are "usually" in the designated checkout area because it is not uncommon for a store to have customers pay in an unusual part of their shop – in a back corner of an auto repair garage, or next to the bar of a restaurant, for instance. Having a customer go out of his way to pay with a credit card or debit card because the terminal can only be accessed in a specific area might not be inviting for that customer to use their credit or debit card.

Be aware of the customer experience, and ensure that your checkout setup is flawless because having customers wait in line to pay for something might send the message that you do not appreciate their business, and it might be a cue for them to find a new place to spend their money.

Wireless terminals

There are many instances in which merchants might want to take a payment terminal to the customer instead of requiring the customer to go to the point of sale. That is what wireless payment terminals are for. Having a wireless payment terminal instead of a fixed one could free up counter space in your place of business. Think about it: If you don't have your payment terminal firmly fixed to a designated area, you might be able to use that space for something else.

Not all businesses have a clear, designated space for a customer to check out or even a public place of business or storefront, for that matter. Contractors, event services, auto dealers, and many more types of businesses could benefit from the freedom offered by a wireless payment terminal. Of course, it goes without saying that any type of delivery service, such as pizza, parcel, and flower delivery services, can also greatly benefit from having wireless terminals so payment can be conveniently collected upon delivery.

Mobile terminals

Mobile terminals are perfect for accepting payments on the go, like at trade shows and festivals. They're also great to have as backups.

These portable terminals work in conjunction with your smartphone or tablet, so you can process card payments from anywhere. The transactions made at the terminals are then automatically and immediately submitted to your phone or tablet for processing.

SHOULD YOU OWN, LEASE, OR RENT A PAYMENT TERMINAL?

Merchants might be able to choose whether they would like to own, lease, or rent a payment terminal. But how do you know which choice is right for your business?

Let's look at the pros and cons of each option. Before we do, note that not all payment processors rent or lease terminals, and likewise, not all processors offer the option to purchase a terminal. Ask your payment processor which options are available to you.

Rental
If you opt to rent your machine, you should be able to return the terminal at any time. On the other hand, you will pay more for a rental than a lease over time. This might be a good option if you're not yet ready to commit to one specific payment processor.

Lease
Leasing a terminal enables you to own the terminal. This should cost less to you over time than renting. You can also choose to write off the lease expenses. However, you will not be able to use this terminal with another processor or terminate your lease contract. Therefore, this might be a good option if you intend to work with the same payment processor.

Purchase
If you purchase the terminal, you will save the most money over time out of any of these options, provided you have the funds or credit to purchase it upfront. It's also possible to write off the expenses of purchasing a terminal.

Maintaining your terminals

Many companies depend on handheld payment terminals every day. Did you know that some quick, routine upkeep will help keep these portable devices in good working order and even prolong their lives? Here are some routine maintenance tips for handheld terminals:

- Ensure all terminals are batched prior to starting your day or shift

- Delivery personnel should return the terminal to the store or restaurant at the end of every day or shift to ensure that the terminals can charge fully before the next day begins

- Replace the batteries at least once every three years

- Use a carrying case to protect the equipment from weather and other potential damage

- Read all checklists, recommendations and user manuals prior to using the device

   For best results, you may want to follow these suggestions:

- Do not move batteries from one terminal to another

- Lithium batteries do not work well in cold temperatures: do not leave the terminals in a cold car and keep them in a covered case (holster)

- Have a clean, clutter-free designated charging area for all terminals in your place of business

- Keep extra supplies, such as printer rollers, batteries, charger cords, and car chargers on hand at your place of business

- Do not carry or balance a terminal on top of a delivery bag: it may fall off and get damaged

Optimize the life of your terminals with cleaning cards

Each time a credit or debit card is swiped or inserted in a payment terminal, debris on the surface of the card transfers to the magnetic reader or chip contacts inside the terminal. Even though it is not visible, the buildup of dirt, which includes oils, oxides, pollution, and other debris, inside the terminal can affect how well the terminal will function in the long term.

A dirty card reader can result in error messages and can even cause the reader to fail over time.

Much like cleaning the dirt and grime out from between the keys on your computer keyboard, cleaning a card reader can make a big impact, helping the machine to work well and even prolonging its life. Special cleaning cards will perform the task and are almost as simple to use as swiping or inserting a regular credit or debit card into the machine.

To use a cleaning card, simply follow the instructions that come with the card based on the type of reader that needs to be cleaned. To clean a chip and pin terminal, all you need to do is insert the cleaning card into the slot as you would a normal credit card. Then, remove the card, flip it end-to-end, and re-insert to make sure any remaining contaminants are removed. To clean a swipe card reader, swipe the cleaning card in the terminal as you would a credit card.

The frequency with which a device is cleaned depends on how much use a payment terminal gets on a daily basis. If the terminal receives very high traffic, it may need to be cleaned as often as every few days. As little as a month without routine cleaning could lead to error messages. This is a simple preventative maintenance task that will help ensure that your terminals will function well for a long time to come.

ECOMMERCE PAYMENT TECHNOLOGY

Ecommerce is booming. Most people today shop online, and they do so because it offers a quick and convenient option to brick-and-mortar stores. Selling your products or services online will enable you to expand your reach, increase sales, and improve the customer experience. To start accepting payments online, there are some payment technologies you'll need.

Shopping cart integration

With all ecommerce solutions, there is an option to integrate your website shopping cart to a payment processor's payment gateway. This means that the customer has the option to choose as many items as they would like, store them into a shopping cart while they continue to navigate throughout the website, and then check out before leaving.

For your ecommerce website to have this capability, you need a shopping cart solution on your website. A merchant can integrate a shopping cart with the payment gateway.

Hosted pay page

A hosted pay page is a simple way to set up your ecommerce solution without full integration. Hosted pay pages provide a link to your products, through your public website, to a designated secure website that is hosted by your ecommerce provider. This requires little to no integration and, depending on the size of your product catalogue, may be the best solution.

Payment gateways

A payment gateway is required to connect your online store to your merchant account. This gateway allows you to encrypt and run your customers' card information online, while facilitating transaction processing among the various parties involved, so you can run secure card transactions from your website. When a customer buys something on your website, the information is sent through the gateway for authorization, so the transaction can be completed.

Essentially, a payment gateway is a digital card swipe terminal. To connect a gateway to your store, you'll need to configure your store with tokens, shared secrets, and API keys. Your merchant provider can help.

Alternative payments

Accepting alternative payments online is becoming increasingly important.
Customers are demanding more ways to pay, and they will stay loyal
to the companies that offer them payment flexibility and convenience.
Today, accepting credit cards online isn't enough. To attract the millions of
customers who don't use credit cards, and to give your customers the ease
and convenience they expect, your online store should accept alternative
payment methods.

WeChat Pay

Interac Online

PayPal

Alipay

G Pay

DIGITAL CHEQUES

Interac e-Transfer

Pay

AND MORE

Online reporting

Finally, make sure the merchant you work with offers online reporting tools
that enable you to track the transactions that are being made on your
website. With the right tools, you'll be able to monitor fraud and chargebacks,
see trends in sales and payment types, and much more. This will enable
you to not only save time on reporting, but help you make more informed
business decisions that help you grow your business.

POINT OF SALE (POS) SOFTWARE

On top of payment hardware and ecommerce solutions, your merchant
services provider may offer a full-fledged point-of-sale (POS) system.
A POS system will go beyond enabling you to process payments. It will allow
you to run reports, manage orders, manage employees, track inventory, and
so much more.

BNA

Start processing payments with BNA

When you're just starting out, payment processing can seem overwhelming. We've got you covered. BNA has the payment solutions you need to seamlessly accept all payment methods, in store, on the go, and online.

At BNA, we focus on ensuring our merchants stay ahead of the tech curve, give their customers the payment options they really want, and improve the customer experience with the right payment processing solutions. Disrupting the existing payment processing industry with innovative tech is what we do.

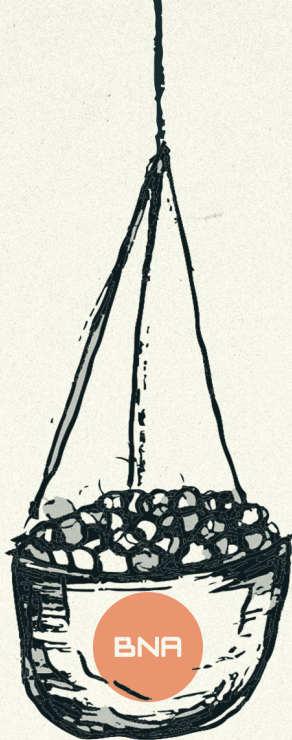**$30 BILLION**
in transactions processed

1st
in Canada to offer wireless terminals and internet-based payments instead of dialup

24/7
help desk and dedicated customer-service teams

99.9%
reliable payment processing