Five Key Payment Processing Considerations For Merchants

Payment processing provider choices abound, but there’s much more to the decision than qualified rates.
Overview

In today’s merchant environment, the card processing infrastructure is an absolute requirement. According to the Diary of Consumer Payment Choice, 60 percent of U.S. consumer transactions are made with a payment form other than cash. Combined, credit and debit card usage are the U.S. payment vehicle of choice, accounting for 42 percent of all consumer transactions. Card payments are also still growing rapidly. According to the 2013 Retail Point of Sale Update and Forecast from Javelin Research, both credit and debit cards are expected to increase their share by 2018, to 35 percent and 32 percent respectively, at the expense of cash and checks.

Consumers’ growing propensity for card payments makes the choice you make in a payment processor a critical one, because all payment solutions are not created equal. While you might be able to lock in low rates with a featureless payment service provider, there’s immense return in doing business with a payment solutions provider—one with an extended partner platform that offers a broad spectrum of features and benefits that drive loyalty and help you grow your business. In this paper, we’ll offer five key factors that should play into the payment processing platform decision.
1. Support

Given the growing criticality of card-based payments, the merchant’s first concern should be assurance that the card processing environment is well-supported. The seamless acceptance of card payments requires a carefully orchestrated combination of POS, payment processing, and network hardware and software. Therefore, it requires equally concerted effort among the professionals who support each piece of the payments ecosystem.

When it comes to payment processing, using a payment platform that is integrated to the POS system provides the greatest functionality. “Integrated” means that the software needed to process payments is built-in to the system, rather than being an add on or a gateway to a payment platform. In terms of support, there are at least two significant advantages of choosing an integrated POS/payment processing system. The first is preemptive: when a payment processing provider and a POS provider work together to develop integration to demanding specifications—and when they validate that integration through thorough testing—the merchant wins as the very need for support is minimized via proven pre-integration.

In the event support is needed in an integrated environment, the existing POS provider/payment processor/dealer relationship ensures the merchant won’t be left with nowhere to turn when questions and issues arise. Your POS/payment processing support community should work together for you, and that team-based approach to your support should include a clear issue resolution protocol. When vetting a payment processor, demand a clear understanding of who will support you with specific issues (dealer/VAR, payment processor, or POS software provider), when that support is available, and how much that support will cost. Are costs all-inclusive, a-la-carte, or tiered for different service levels? A great payment processing partner will offer direct, 24/7, U.S.-based customer phone and email support. It will also serve as the clearinghouse for any number of payment-related questions and support issues, such as how to handle difficult funding and bulk processing requests. What’s more, choosing a payment processing partner with deep POS integrations experience gives you the proverbial “one throat to choke” for virtually all POS, electronic cash register (ECR), and terminal-specific support issues. Your integrated payment processing provider’s integration experience building a processing platform that works with myriad POS systems will result in a distinct advantage when it comes to coordinating the timely resolution of your problem.

2. POS Flexibility

Choosing a payment processing partner with direct integrations to a wide range of POS systems not only minimizes the support burden, it sets you up for trouble-free transition to your next POS. With that said, choosing which integrated payment processing company to work with requires caution. Among several of the payment processors billing themselves as “integrated,” merchants must choose from a very limited assortment of POS platforms. Getting locked into a specific POS platform doesn’t bode well in an industry exposed to constant technological flux.

Choosing a stand-alone processor and building it into your POS system is equally risky. Ensuring critically-connected retail systems will “play nice” together is a time-consuming and costly exercise, and one that will likely need to be repeated due to today’s rapidly advancing technology environment. To minimize disruption to your future POS plans, seek an integrated payment processing solution from a provider that’s willing to demonstrate its integration portfolio. Ideally, that portfolio will number in the hundreds and include practically every POS platform you’ve ever heard of, and some you haven’t.

Even if you’re convinced you’ll be running your current POS system for years to come, choosing a processor with direct, verified integration to that platform ensures it will be quick to deploy and easy to learn, both important factors in the ROI equation. But POS environment flexibility isn’t limited to assurance that your payment processor works with a variety of POS software suppliers. It also means ensuring your payment processing partner is equipped to help you prepare for the future. The emergence of mobile payments and EMV (Europay, MasterCard, and Visa) chip and PIN card technology provide prime examples.

According to the aforementioned 2013 Retail Point of Sale Update and Forecast from Javelin Research, mobile adoption and the retail industry’s push for mobile payments will drive an increase from the $398 million in mobile payments we saw in 2013 to $5.4 billion in 2018.1 And with EMV quickly coming on the horizon, it’s important to be sure your processor is working in lockstep to prepare you for the future.

When evaluating payment providers in the context of your existing and future POS infrastructure, consider which of the following questions apply to you and narrow your choices accordingly:

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1 According to the Javelin Research, “Mobile Payments Update and Forecast,” 2013.
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• Does the solution support IP and dial-up payment network connectivity?
• Does it support POS, ECR, and simple terminal environments?
• How much hardware and software must I purchase and support to enable integration to my POS, and at what cost?
• Which payment types (credit, PIN debit, EMV, check services, ecommerce, MOTO, EBT, FSA, PayPal, etc.) does the provider support?
• Will the provider support mobile payments now, or when I’m ready to adopt and implement them?

As card usage grows and new payment methods emerge, merchants must be accountable to the consumers demanding them. In turn, your payment processing partner must be accountable for supporting—and flexible enough to support—those demands.

3. Uptime

As with any software, payment processing platform uptime is subject to the stability of mainframe resources. While modern mainframes are incredibly dependable, the payments environment extends to networked data communications distributed across potentially several processor datacenters. The higher the volume of card payments you process, the more revenue you stand to lose by the minute if your authorization network goes down.

Ensuring uptime takes significant investment and coordination on the part of the solution provider, a fact that quickly narrows the list of providers suited to ensure the constant stability of mission-critical payment environments. Merchants should rule out any payment processor that doesn’t have direct control over their platform stability, or accesses other platforms via gateways.

In addition to platform stability, understand how a processor handles uncontrollable authorization network outages. All processors are subject to outages within the authorization network, which includes the card issuing bank, the card brands, the payment processor, and any gateways involved. A processor can’t prevent certain outages, such as one occurring within the card brands themselves, but they can help mitigate the impact an outage has on merchants. When evaluating a payment processor, it’s important to know the historical stability of the platform, as well as how the processor mitigates potential loss during uncontrollable network outages.

4. Payment Security

According to the 2014 Trustwave Global Security Report, the retail industry is the hacker’s primary target, accounting for 35 percent of the attacks Trustwave investigated in 2013. According to the security report, 50 percent of reported payment card breaches in 2012 involved small merchants, and nearly 80 percent of those reported breaches occurred in food, beverage and retail businesses. When a merchant suffers a breach, it faces the burden of at least three significant costs imposed by the card brands:

• Reimbursement of cardholder losses.
• Any costs associated with the notification of affected consumers.
• Case management fees and penalties from card brand networks ranging from $5,000 to $500,000.

The security of cardholder data has become a critical responsibility for merchants. But the requirements of compliance with industry standard regulations such as those put forth by the PCI DSS are difficult, if not impossible, for a retailer to tackle alone. To accept card payments, your business must follow card brand rules and regulations.

Your payment provider should demonstrate an ability to guide you through the compliance process, step-by-step, and provide monitoring and reporting to help protect your business from a breach. Look for proven, secure payment technologies such as end-to-end (E2E) encryption and tokenization. Test the provider’s commitment to your security by assessing its stake in the game. Is the provider certified compliant? Does it offer monetary breach assistance to cover certain costs in the event your customers’ data is compromised on your watch?

While PCI compliance is the current benchmark of payment security, it’s a fast-evolving discipline. To ensure the security of your payments environment today and tomorrow, choose a provider that’s equipped to help you “future proof” through the planning and implementation of new secure card processing protocols, such as EMV chip and PIN.

5. Integrated Promotional Capabilities

Stored value cards are hot, and the sale and acceptance of such cards is big business. According to the National Retail Federation, holiday gift card spending has steadily grown from $26.8 billion in 2006 to $28.8 billion in 2012, when total annual gift card spending hit $145 billion, according to Javelin Research. That’s to say...
nothing of the first-time and repeat visits gift cards generate, and the additional dollars consumers spend when they redeem them. Your payment processing provider should be equipped to help you capitalize on this opportunity. Again, choosing a payment solutions provider with tight integration to your POS platform can make gift card adoption and acceptance seamless, whether for a single store or an entire chain.

Implementing a gift card program through a payment processor who offers them, as opposed to a stand-alone solution, often results in some cost-saving benefits to the merchant. Look for a payment processor that offers:

- Unlimited free gift card transactions for merchants who also process credit cards on its platform.
- Affordable, customizable gift card designs and merchandising materials, such as displays and marketing collateral, to help promote the offering.
- A flexible card offering that functions either as a gift card or a reloadable stored-value card.
- Social sharing and member customization options, which allow consumers to share personalized, preloaded cards with friends and family through social networking sites.
- Gift and stored value cards that easily traverse the physical and digital retailing realms.

Those last two bullets are important for cross-channel merchants, because digital, phone-based gift cards are a hot commodity that help establish the “any channel” brand connection consumers seek. According to InComm, 57 percent of last-minute holiday shoppers preferred giving virtual gift cards over plastic last year. Your payment processor should be equipped to enable that consumer demand.

Today’s leading gift and stored value cards feature a QR code that allows customers to convert cards into digital gift cards via Apple® Passbook® or an Android marketplace app. Customers can download the QR code onto their smartphones and use their phone, rather than a card, to complete transactions. Cards should also feature a URL that directs customers to a merchant-branded website hosted by the platform provider, where shoppers can learn about the card’s features, track their balances and points, and set their cards to reload automatically when the balance falls under a preset amount.

To ensure the success of your gift card program, seek a payment processing partner that not only offers the modern mechanics of gift card giving and acceptance, but the marketing and promotion support necessary to sell them.

Conclusion
As long as there are payment processing companies leading with price, and as long as there are merchants who consider payment processing nothing more than a necessary cost of doing business, the payment processing price wars will continue. Leading integrated payment processing providers like Mercury don’t sell a service—they sell solutions. When evaluating the highly competitive payment processing landscape, look beyond price to the features, flexibility, and functionality the solution provider offers.

Why Choose Mercury?
Mercury’s long track record of success enabling merchant card acceptance is continually recognized by leading industry associations and publications. We’ve been named a “Best Channel Vendor” by Business Solutions magazine for six years running. We’ve been the proud recipient of the Retail Solutions Provider Association’s (RSPA) Vendor of Excellence Gold Medallion award as the best overall provider across six categories every year since 2010, and we’ve been named the RSPA’s “Top Vendor of Excellence” in payment processing for six consecutive years.

About Mercury Payment Systems
Mercury works with thousands of resellers and developers to offer small- and medium-sized businesses a comprehensive portfolio of integrated payment products and services that help control costs and increase revenue.

Founded in 2001, Mercury’s mission is to provide tech-enabled services that help small-to-medium-sized merchants compete and thrive. We are dedicated to providing our merchant and partners with the best customer service and technical expertise in the industry, 24/7.

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