

MASTER YOUR CARD

Europe

A community empowerment program sponsored by  mastercard

FIND THE BEST
MERCHANT
SERVICES
PROVIDER



The good news is that it is very easy for small businesses to access electronic payment networks. There are a number of merchant services providers who are eager to partner with you to process your payments and increase your sales. The challenge is that costs can vary among merchant services providers and some business owners find it hard to get an apples-to-apples comparison between them.

Understanding who is competing for your business helps you to compete. You can open a merchant account with a variety of providers. Knowing your options and who's who in merchant services is the first step toward finding the best partner.

WHO PROCESSES CARD PAYMENTS

Electronic payment network (EPN). These proprietary networks, built and maintained by technology companies like Mastercard, provide the instantaneous and secure connections between consumers' cards and the businesses from which they purchase goods and services.

Consumer banks obtain a licence from these electronic payment networks to issue credit, debit and prepaid cards to their customers. For example, HSBC, Deutsche Bank and Lloyds Bank are three of the many banks that offer customers a variety of payment cards that all use the Mastercard electronic payment network. The payment cards all have different terms, conditions and rewards that are defined by the individual banks. The banks also bill consumers and provide their customer service.

On the other end of the transaction, businesses choose the electronic payment networks they will accept and then hire a merchant services provider with the network access and customer service that they need. There are four basic groups of merchant services providers a business can choose from.

Acquiring bank. Acquirers deal directly with the electronic payment networks and can provide a wide range of merchant services. Some banks provide acquiring services and if you already have an established business relationship with a bank, it may be worth investigating the options that they can provide. However, there are also standalone acquiring businesses that focus solely on providing merchant services. It is worth noting that you are not limited to taking merchant services from your business bank.

Third-party processor (TPP). Third-party processors focus primarily on larger businesses. TPPs can be more cost-effective and flexible for large businesses because the processors have direct access to electronic payment networks through an acquirer and provide all the support on large businesses' accounts. These TPPs don't have consumer brands the general public would recognise as they function exclusively in a business-to-business environment between businesses and acquirers.

Independent sales organisation (ISO). These organisations specialise in soliciting smaller business accounts and then contracting with acquirer or TPPs to provide the actual processing services. One step removed from the electronic payment network, ISOs may specialise 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 acquirer or TPP with which they partner to deliver your services.

Internet payment service provider (IPSP). This provider will work with a TPP or acquirers 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 costs of specialised services, TPP fees and acquirer fees add to their overhead and your costs.

WHY CARD COSTS VARY

Differences in the card products can create differences in how much you pay per transaction. Some cards, for example, are designed for more affluent cardholders. These cards may cost businesses more because the consumers who use these cards tend to spend more and thus are more valuable to businesses. Additionally, transaction fees for debit cards are lower than they are for credit cards.

The other source of variation in your card processing costs comes from the variety of merchant services providers competing for your business. They have different business models, risks and overheads—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

In light of recent EU legislation, the cost of credit and debit card transactions has been lowered to 0.3 percent for credit cards and 0.2 percent for debit cards. These per transaction fees—or interchange fees—have been lowered for merchants and consumers cannot be surcharged for using their cards.

There are many different merchant service providers because there are many different business models. Competing for business, merchant services providers tend to focus on specialised 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 the merchant service provider in order to find the best fit for your business.

Business profile. Do you offer goods, services or both? Does the merchant service provider 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. EU legislation requires merchant services providers to show a breakdown of fees from pricing to reporting, so that you understand all the different rates you're paying for and what services you receive for your money. Are your rates tiered by transaction volume or by value? Are the merchant service provider'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 merchant service providers 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 (when a customer disputes a transaction) available online? What are the typical wait times? Are there additional fees for services and reports?

Data security. Small businesses rely on merchant service providers to ensure their security meets required 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?