globalpayments

SMB guide to payment processing

A handbook to spot transparent processing

Contents

1

You deserve transparent, fair credit card processing

At Global Payments, we're passionate about helping small business owners succeed. If you don't know all the ins and outs of payment processing, it can seem confusing — and expensive. But you shouldn't have to be an expert to get everything you need without getting ripped off.

Whether you use Global Payments or choose one of our competitors, you deserve to know how payment processing works, why it costs money, how to tell if what you're paying is fair and how to pick a good provider, so you can grow with confidence.

This guide will show you what you need to know to ensure you get a payment processor that will deliver the value your small business deserves.

2

Streamline, scale and succeed with Global Payments

A decade ago, many consumers still used cash to make purchases. Today, 95% of adults in developed countries use digital payments[1]. By 2026, the most popular global ecommerce payment methods[2] are expected to be digital wallets (54%), credit cards (16%) and debit cards (10%).

Whether you're selling pottery in Poughkeepsie or outdoor apparel around the globe, you need a solution that lets your customers pay the way they want. In fact, paying should be so simple, your customers don't even have to think about it.

Trusted by over 4.6 million companies, 1,500 financial institutions and 4,000 tech partners across more than 100 verticals, we're the payments partner built to help you do business online, in person or any other way.

To meet consumers' expectations and stay ahead of what's next, you need a complete commerce experience through a simple API to help you optimize for today and get ready for tomorrow.

Trusted by

4.6M
Companies

1500+
Financial Institutions

4000+
Tech Partners

100+
Verticals

[1] https://www.worldbank.org/en/publication/globalfindex
[2] https://www.statista.com/statistics/265767/number-of-cashless-transactions-worldwide-by-region/

3

Explore every way to pay

When you're selling online, through an app or over the phone, experience matters — and Global Payments delivers with global expertise. Let's look at the many ways you can get paid simply, securely and quickly.

Online

Your website is built out and you've marketed your offerings, and now you're ready to make your first sale. This is where a payment service provider enters the picture. When you set up your online shop, you'll need a payment gateway in order to take the customer's credit card information and get paid for your goods or services.

Payment service providers help facilitate the transaction from this gateway to all the necessary parties in the card authorization network so that you get paid. You'll want to make sure that the payment processing solution you're using is compatible with your ecommerce platform so that payments are seamless for your customers.

While you're focused on growing your business and offering the best customer service, you can count on us to take care of the rest.

Deliver the fast, frictionless customer experience buyers expect with a variety of solutions, from quick, no-code plugins to custom integrations that give you complete control.

In-store

Whether you're a new retail shop on Main Street or a bustling restaurant group scouting additional locations, accepting credit cards onsite requires some hardware. You've got some options.

An EMV®-enabled chip card reader. Card readers let you accept physical credit cards in person and work by reading a chip on the credit or debit card, which boosts your credibility and reduces your fraud liability (versus cards with magnetic stripes). Many EMV chip card readers also provide tap-to-pay and smart payment options like Samsung Pay® and Apple Pay®, allowing customers to pay you even when they don't have their wallet with them. EMV chip card readers can be used alone or in conjunction with a cash register or point of sale system.

POS system POS systems allow you to do much more than just accept credit card payments. With a POS, you can run your entire business, including tracking and managing inventory, offering online ordering, maintaining a customer database with robust reporting and so much more.

Mobile

Mobile credit card readers have gained popularity because they're easy to tote around and use on the go when synced to mobile apps, plus they fit right in your pocket and connect to your phone quickly and safely. Whether you have a booth at a holiday craft fair or serve up your sushi burritos at a beach-side food truck, a mobile payment solution lets you take your business wherever opportunities arise.

4

How much does credit card processing cost?

You're paying a payment processor to accept credit cards. All of the money goes to them, right? Not so fast. There are a lot of players and different costs involved with credit card processing. The payment processor is one small link in a much larger chain. Let's go through the fees you can expect — and who collects the coin for each.

Interchange fees

$$$

These go to: Card issuers (banks)
An interchange fee is charged by card-issuing banks to cover the basic processing costs of each transaction. The amount charged depends on the card type.

Interchange is likely the bulk of what you pay to process, around 70% to 85%. Whether or not that's transparent will likely come down to your pricing structure choice and how transparent your processor is (more on that later). Interchange rates are:

✔ Set by the credit card brands

✔ Non-negotiable for merchants or processors

✔ Public knowledge — many credit card companies list them on their websites

✔ Generally updated twice per year

✔ Determined by a business' MCC code

Dues and assessments

$$

These go to: Card brands (Visa®, Mastercard®, etc.)
Dues and assessments are likely the second-largest cost of processing, and are charged to cover the card brands' operating costs of managing their networks. Assessments are flat-rate percentages that card brands charge against total gross monthly sales. Sometimes they are a separate line item on your monthly statement, or they can be divided by and bundled into the interchange rate on each individual transaction. Dues is the term for the rest of the various, small miscellaneous fees charged by the card brands. Dues are mostly per-item transaction fees that are charged per authorization and settlement of a sale. Some dues are charged on every transaction; others are based on a transaction's characteristics.

Processing fees

$ or $$ or $$$

These go to: Payment processors

This is what your processor charges for the ability to access the credit card authorization network necessary for processing transactions and for value-added services like PCI compliance assistance, EMV capabilities, etc.

Other fees associated with payment processing vary by processor. Some common miscellaneous fees include:

✓ **Chargeback fees:** The fees you have to pay to return the customer's money to their account due to a chargeback

✓ **Setup fees:** One-time fees to get your account started with the processor

✓ **Non-sufficient funds fees:** These are charged in the event that your bank account doesn't have the funds to cover the payment processor's charges

Keep in mind that there could be equipment costs, either as an initial cost or as a rental fee, depending on your situation.

Interchange is the bulk of what you pay — you can't control that. But you can control the pricing structure and processor you work with.

Payment processors don't receive any portion of interchange fees, dues and assessments. Unfortunately, some processors will add inflated costs, markup or hidden fees to what they already charge. Being choosy when selecting a processor and considering the right pricing structure for your business and its goals are the first steps in controlling your costs as much as you can.

5

How to choose the right pricing structure for your business

Since payment processors don't keep any part of interchange — the fees they collect for the service they provide can vary. Some processors add markup fees to each payment — and what you pay to your processor can vary based on the pricing structure of your processing contract. Let's walk through the four pricing structures you're likely to encounter and the pros and cons of each.

Interchange-plus pricing, also known as "cost-plus pricing"

This structure is widely considered to be an industry standard. The name tells you exactly what the processor does: charges a small fee in addition to interchange. This is usually a percentage amount (think 0.4% of the transaction amount) and a flat fee per transaction ($0.09). You'll also have monthly fees associated with any services or subscription add-ons you get from a processor.

This is the only pricing model where you'll only pay for the amount you process.

PROS

- ✓ It's easier to compare rates between processors and see where your money is going, especially if your merchant statement is transparent.

- ✓ Some transaction types are more affordable, like debit, and the savings are passed on to you.

- ✓ Interchange fees may be returned on customer refunds.

CONS

- ✓ It's complex — some processors go out of their way to be as non-transparent as possible, padding interchange with hidden markup.

- ✓ Some transaction types are pricier, such as rewards or elite cards, and can make certain transactions cost more than a flat rate fee.

- ✓ Not all businesses will qualify for this type of processing.
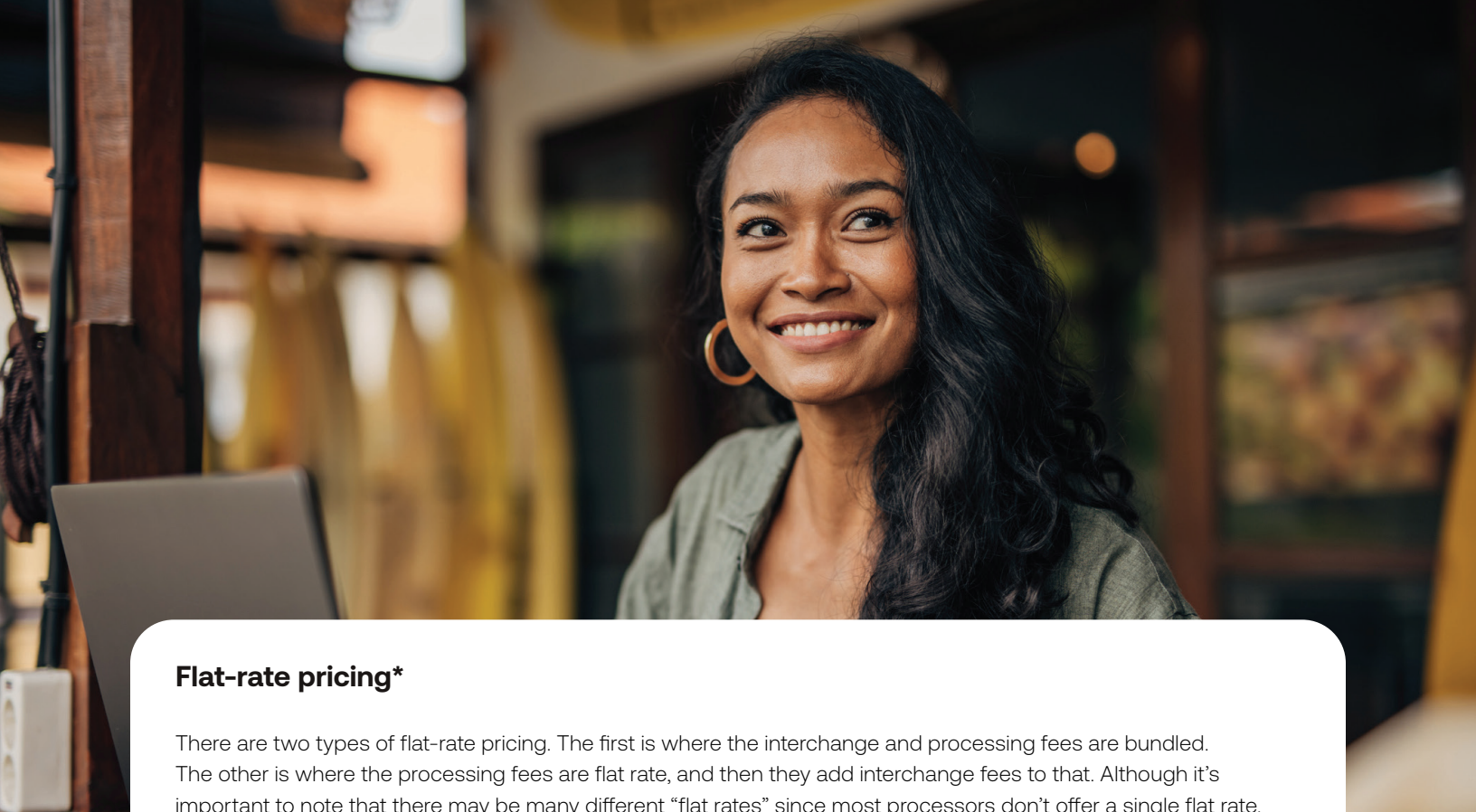
Flat-rate pricing*

There are two types of flat-rate pricing. The first is where the interchange and processing fees are bundled. The other is where the processing fees are flat rate, and then they add interchange fees to that. Although it's important to note that there may be many different "flat rates" since most processors don't offer a single flat rate.

PROS

✓ It's easy to understand. No matter what card you accept, you're paying the same fee.

✓ It's predictable. It may be easier to budget and forecast your processing costs because of the simple fee structure.

CONS

✓ It's hard to compare processors because interchange rates for your transactions and the processor markup aren't itemized separately. You can't shop for better processing prices when you don't know you're overpaying.

✓ You'll pay more for certain transactions. While it's likely you'll pay less for transactions with premium cards or rewards cards, it's also likely you'll overpay for lower-cost transactions with debit cards, etc.

*Not all businesses or transactions will qualify for flat-rate pricing; additional fees may apply. Increases in assessments by card associations may apply.

Tiered pricing

This is an older processing model, which breaks transaction types into three groups depending on the card type and level of risk a transaction presents: qualified, mid-qualified and non-qualified. Each group has a different rate.

PROS

✔ Easier to understand — you know what you're paying based on the transaction type.

✔ In theory, if you only accept cards in person via EMV-enabled card readers, and don't often accept corporate or rewards cards, you could save money by having mostly qualified transaction assessments at the most favorable rate.

CONS

✔ It's hard to compare processors. Like with flat-rate, you'll have a hard time knowing your true costs because the interchange and processor fees are blended and less transparent.

✔ It's hard to predict pricing because you don't have control over the type of cards customers use, and processors have the ability to determine and change which tier a transaction will fall under.

✔ Damaged chip cards and/or card readers that result in card swipes or keyed transactions will be processed at the highest non-qualified rate, which can quickly drive up costs.

Subscription or membership pricing (or 0% processing)

This is a version of interchange-plus pricing where the processor charges two fees, a monthly membership fee for the service and a flat-rate transaction fee.

PROS

✔ It offers a "simplified view" of interchange-plus.

✔ You can compare processors between interchange-plus and subscription plans because of similarities.

CONS

✔ Businesses with high transaction volume or larger ticket transactions may save money over interchange-plus pricing.

✔ Monthly subscription fees can add up fast.

Things to consider when selecting (or shopping for) a pricing structure

- How many transactions do you plan to complete in a month?
- What is an average ticket for your business?
- Are there any trends in how your customers pay?
  - Debit vs. credit cards
  - Card brand types

- How will you take payments?
  - In-person
  - Online
  - Over the phone

6

How to choose a
credit card processor

Payment processing is likely to be one of your biggest business expenses aside from labor, product costs and rent. It's really tempting to go with whichever provider can get you up and processing cards ASAP. Before you lock yourself into a one-to-five year processing agreement (that likely comes with a pricey early termination fee clause), consider shopping around and evaluating where you're likely to get the processing rates, tech and hardware that will meet your business' needs.

We know your time is precious, but it's a smart move to take time to shop around. If you're already working with a processor, it's a good idea to routinely evaluate what you're getting for the cost — and negotiate where possible.

7

A checklist to help you choose a payment processor

Payments tech is an investment — so take the time to ask questions and really get to know your processor.

- ☐ **What pricing structures are available to me?**

- ☐ **What fees exist with your platform?**
    - ☐ As discussed, payment processors can impose various fees that you may or may not be aware of. **Do you have hidden fees?** or **Do you pad interchange?**
    - ☐ **Are different fees associated with different card types or payment types (for example, if a customer is using Apple Pay)?**
    - ☐ **Explain your chargeback fees and your chargeback process.**

- ☐ **How long do payouts take?** You will want to know how long the transaction process will take from start to finish. Having this information will help you in preparing cash flow projections, and the time it will take for various payment methods to fully process.
    - ☐ Do they offer things like instant or same-day deposits?

- ☐ **What is the contract length? Long-term, monthly...?**

- ☐ **What hardware would I need?**
    - ☐ You should understand what types of hardware are required to connect to the payment processor and if they provide these tools or if it is something you need to purchase separately.

- ☐ **What kind of customer support do you offer?**
    - ☐ Is it right for your business?
    - ☐ Can you quickly get a question answered by phone — or will you be required to use online resources first?

- ☐ **What security options are available?**
    - ☐ Will they validate your PCI DSS compliance with the processor or will they expect you to find a vendor on your own (which can be expensive)?
    - ☐ What is their expertise in fraud management?
    - ☐ What fraud prevention measures has the processor built into their system for ongoing prevention?

- ☐ Ask about any tax benefits that the processor supports, especially regarding compliance and reporting requirements for your business. For example, if the payment processor can generate reports for specific filings, this would be a huge advantage.

Security and payment processing

You've probably heard the saying about how great power comes with great responsibility. When you decide to leverage the power of credit card acceptance, you're signing a contract with a processor, potentially buying or renting hardware and taking on responsibilities related to security.

PCI compliance

The Payment Card Industry (PCI) Security Standards Council, which includes Visa, Mastercard, American Express, Discover and JCB, created the PCI Data Security Standards (PCI DSS) to protect sensitive cardholder data from falling into the hands of fraudsters and thieves. PCI DSS are the security standards that businesses must follow to reasonably care for and safeguard cardholder data.

By accepting credit or debit cards, you enter into a merchant agreement with your processor and bank — and you're required to maintain PCI compliance to protect cardholder data. A key aspect of PCI DSS compliance for small businesses is using fintech equipment that meets the Council's security standards for technology applications like point of sale systems.

Make sure your payment processor minimizes your liability by encrypting card data during the transaction process and using tokenization for stored data.

Failing to comply with PCI DSS can be devastating to your business: Twenty-five percent of small businesses filed for bankruptcy[3] after a data breach. The average cost to a business after a data breach is $200,000. This number includes the costs for:

- Forensic investigation into the data breach
- Fines and penalties ranging from $5,000 to $100,000 per month from the payment processor and financial institution, depending on the business' size and the scope and duration of the non-compliance

[3] https://www.scworld.com/news/data-breach-causes-10-percent-of-small-businesses-to-shutter

EMV chip card acceptance

Europay, Mastercard and Visa (EMV) banded together in 2015 to establish new standards for in-person credit and debit card security and fraud reduction. If you don't use EMV-enabled hardware, you're putting yourself at risk for liability.

Before EMV, if a fraudulent card-present transaction was successfully executed with a stolen credit card, liability for that fraud fell to the credit card issuer. The business essentially kept the money earned on the fraudulent transaction.

Those days are long gone. Since 2018, if there is a fraudulent card-present purchase with a chip card and you swiped or keyed in the card rather than processing it with an EMV-enabled device, you'll be responsible for refunding the legitimate cardholder and paying fines.

How processors can help you be compliant

Using a processor that makes it easy to maintain PCI compliance and reduce your fraud liability with EMV tech can give you peace of mind and help save your business from the devastating effects of non-compliance.

If you're currently getting hit with fees for PCI non-compliance or EMV non-acceptance fees by your processor, it may be time to update to a market-leading POS solution. Investing or renting a secure, EMV-enabled POS or getting EMV hardware add-ons may seem like a hit to the budget, but will pay for itself over time with the fees you won't pay and the fraud liability you're likely to avoid.

The bottom line? Use a provider that helps you maintain PCI compliance and offers EMV-enabled tech and chip card processing.

Finding a processor who can help you succeed

There's a lot that goes into choosing a payment processor and payments tech. But as a small business owner, you know your business better than anyone else. Stay grounded in your business' goals and your customers' needs — and you'll find your way to the right solutions.

Consider partnering with a provider who can offer you:

- Payment processing that's transparent and gives you the insights you need to save on your processing
- The secure payments technology to accomplish all your goals
- The processing pricing structure that's advantageous to your business' processing habits

We mean it when we say we want small business owners to succeed

Our global payments infrastructure carries more than 66 billion transactions a year. You can count on us to have spent yesterday thinking of what you need tomorrow, so you can stay ahead.

A partnership with Global Payments means:

- **Agile technology** that anticipates and adapts to your evolving needs
- **24/7 help** from a team of experts available whenever you need them — talk to a human, not a bot
- **Resources and connections** of a Fortune 500 company so you can scale with ease

Don't just keep up with the pace of change. Take the lead with Global Payments by your side. We're here to answer any questions you may have, and to help you determine if Global Payments is right for your business.

(globalpayments

globalpayments.com/industries/small-business