

Top 10 ways to save money on credit card processing



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1. Don't Lease Equipment

Breaking a lease is expensive

Credit card processing equipment isn't as expensive as most people think, so just buy the equipment outright. You will pay a lot more by leasing the equipment than you will by just buying it. Many processing companies also send you a huge bill for breaking a lease agreement.

Terminals aren't expensive

A basic terminal costs around \$200, and a high-end wireless terminal up to \$700. Most businesses spend \$250-\$350 on their terminal. Make sure your merchant provider bids your equipment at their cost. Don't let them tack on any additional mark-up into the terminal pricing.

Avoid proprietary terminals

Make sure when shopping for a terminal that you do not buy proprietary equipment. This will hurt your chances when shopping around for better pricing from different providers.

2. Use a specialist

Not a bank

Get your merchant account from a company that specializes in merchant services, and you'll save yourself a lot of money and hassles later down the road. Let your bank handle your checking and savings accounts because that is what they are good at.

Avoid the middle-man

I'm not saying banks are bad, but they just aren't the best choice when it comes to credit card processing. Banks really don't provide their own merchant services, and their focus is often on generating revenue through loans and deposits. They often contract merchant services out to a third party and maybe even another partner for a gateway. They just charge you additional money to hand your business off to someone else. Why pay them for nothing?

Don't be re-routed for support?

Using a bank can also create additional problems for you when trying to track down someone for support.

3. Read before signing

Knowledge is power

When you first started your business up you were flooded with calls from merchant service providers offering you a ‘great deal’ on credit card processing. If you just took one of these offers, you are probably not getting the best deal. Before you sign a contract with a provider, shop around. Continue to learn about how merchant services work and what you should and should not pay for.

No fees – No contracts

Make sure there is no cancelation fee and no long term contract. There are so many credit card processing companies out there in competition; you can easily find several good companies with affordable rates with no contracts.

Ask for lower rates

If you didn’t shop around before signing a contract, give your provider a call and ask them to see if they can lower your rates; most of the time your provider will review your rates and do their best to help you out. If they won’t, then you should go find a new provider.

4. Chose Fixed Rates not Tiered Pricing

If it's too good to be true...

Before you sign a contract, make sure that your provider isn't going to raise your rates. There's nothing worse than signing with a merchant provider and finding out six months later that the deal really was too good to be true. The only time you should see a rate change is when Visa or MasterCard raise the amount that they collect from each transaction. When that happens, your rate will increase because the entire industry (no company is excluded) has to pay this extra amount.

Chose Interchange Plus pricing

Make sure you sign up for Interchange Plus pricing versus tiered pricing. Interchange Plus pricing is cost plus pricing where tiered pricing includes rounding which you want to stay away from since most companies round to their favor and not yours. It can also make it easier to compare pricing from different providers.

5. Be PCI Compliant

Make sure you're PCI Compliant

There is a fine for not being PCI Compliant. This fine is usually small but adds up and is not worth it. The fine is usually between \$19.95 a month to \$300 a month depending on the size of your business.

Many merchant services companies don't care if you are PCI Compliant because they end up making more money from you anyway if your not so if your working with a company that is not trying to get you PCI Certified, you should probably shop around and find another provider.

But don't overpay

Some merchant service companies believe that they can charge a premium for PCI compliance. PCI Compliance should cost between \$45 and \$100 annually depending on your business and how you accept credit cards. Let me repeat annually! Many merchants are paying this amount or more monthly which is outrageous. You may also see high pricing disguised as \$19.95 a month, which is \$239.40 annually and way too high. Don't be fooled by this monthly breakdown and keep more money in your pocket.

6. Chose the right solution for your needs.

How it gets complicated

You have one merchant account for the first brick and mortar store you opened 15 years ago. You then got a second merchant account for your website but you also had to get a gateway from someone else to make it all work. Now you want to take mobile payments from your smart phone and you are looking into a 4th provider? At this point you are paying 4 different companies. This overcomplicates things, but it happens all the time.

Find a provider that can do it all! This way if you have any problems you only have one phone number to call. This also cuts out the ability for different companies to start finger pointing at one another when you are the one that is losing sales. Another way this helps your business is your single account with one company does more transactions. The more transactions you do, the better pricing your business is eligible for and more providers will want your business. This is always good.

7. Watch for small additional fees

Merchant service providers love fees

The only thing they love more than fees, are small fees that you don't notice and don't understand what they are for. There are a number of fees that are required but there are many that are not.

Watch for fee padding

Fee padding is when merchant providers increase the price of monthly fees to make additional money for low volume accounts.

A few fees that are not required:

- Application fees / Sign up Fees
- Monthly Minimums
- Minimum transaction size
- Monthly Maintenance fees

8. Know which you should use ISO or IPSP?

What is a ISO? What is a IPSP? Why do I care? Well, you should know and you should care. Why? Because it affects your business and your cost and the security of your payments which is your business.

A ISO (Independent Sales Organization) is a merchant account specialist that has the ability to adjust the rates and fees businesses pay. Since a ISO works with credit card processors they have the ability to sign up clients for direct merchant accounts. This allows more account stability, FDIC insured transactions, and reduced processing cost to the business.

A IPSP (Internet Payment Service Provider) has their own ability to process payments but has higher cost to the business owner because instead of a bank assessing the risk of the business the IPSP assumes the risk and this directly effects the safety, security, and stability of the merchant account along with increased cost.

The proper usage of both of these types of providers depends on your business. If you have a startup business and are doing less than \$3,000 a month in sales than a IPSP is the perfect fit for your business. There is less paperwork but higher cost for this type of account. After you have determined your business is a success and you are doing more than \$3,000 a month in sales then it is time to fill out the paperwork and get a direct merchant account through a ISO. This will reduce your cost per transaction and get your business the revenue stability it needs to grow.

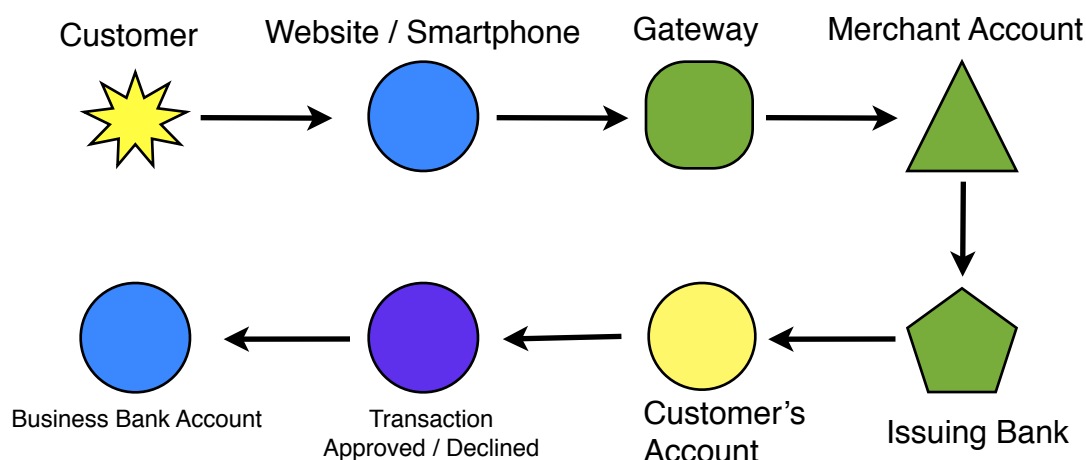
We have all heard the horror stories of a great business using a IPSP doing lots of sales then all of a sudden their account was “frozen”, “suspended”, or put “under review”. This has destroyed many businesses that could of avoided this problem by getting a direct merchant account through a ISO. With a ISO the business has already been reviewed and gone through underwriting so the risk of a business losing their ability to take credit cards has been removed. This enables the business to grow and thrive safely and securely with no risk to incoming revenue.

IPSP Examples: Paypal, Google Checkout, SquareUp.com, Stripe.com and many others.

9. Understand that Merchant Accounts & Gateways are different

Many online startup companies think that they are one and the same, but they are not. A merchant account is a type of bank account that allows a business to accept payments by debit card or credit card. A payment gateway is an e-commerce application service provider that authorizes payments for online businesses.

So how do they work?



A gateway takes payments from websites or smartphones then passes that payment to the merchant account for the issuing bank to check the customers account to verify if there is enough money in the account to be moved. The transaction is then approved or declined and the funds are transferred to the business account.

There are companies that sell merchant accounts and there are companies that sell gateways only. Save yourself the time and hassle and do business with a company that can do both. Once again. If there is a problem you only have to call one company to get it solved. No finger pointing. This is also cost savings because would you rather pay two companies to get the job done or just one? Plus you can get a better deal when working with only one.

10. Require personalized service

If you ask a merchant provider the question, “Who do I talk to for questions?” and the response is a 1-800 number or just a email address. Stop and say no thank you. This is a business partner that is handling your money! You should be able to call a person directly that you have a relationship with and talk about how your money is being handled.

Call your support number and find out how many automated prompts, wait times, and unresponsive emails occur before you get your question answered.

If a company is handling my money and I have a question. I want to pick up the phone and call “Bob Jones”. I know Bob and Bob knows me and my business and can quickly answer my questions. If not, I know Bob will get back to me with a answer quickly.

It’s surprising how many businesses will put up with less when they don’t have to.



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