


MASTER YOUR CARD

Electrifying Business Growth

A community empowerment program sponsored by  mastercard



Once you understand the variety of payment processors and determine the best fit for your business, you can negotiate the best rates. There are many ways to accomplish your goals — for example, you can negotiate in a group or enter into direct negotiations with an electronic payment network. Some of your options include:

Comparison shopping. Businesses of any size can easily comparison shop for the lowest costs from thousands of payment processors/acquiring institutions. More than 500,000 businesses switch processors every year. A simple online search for “credit card processing” brings up many options for comparison shopping, like www.paymentsrus.com.

Explore local business associations and buying groups. Depending on your company resources, you may benefit from engaging in some negotiating support and leverage. Just as with other costs of doing business like insurance and supplies, small businesses often join together through different associations to negotiate discounts.

Auction. Utilizing an online auction service like www.feefighters.com to solicit competitive bids can lower costs for your business.

POINTS TO NEGOTIATE

Things like liability, indemnification and merchant responsibilities are usually not negotiable. However, you can negotiate terms and prices. Here are some things to know that will help:

COMPARE

Find out how services are priced. Find out whether or not the processor is passing through direct costs or if they have to pay other service providers. How much are they charging you for this service? Would it be cheaper to do it in some other way?

Gain perspective with multiple bids from a variety of processors. Do not let them talk you into signing a non-disclosure agreement until you have competitive bids and you are sure you understand all the costs. Look at the full range of fees so you can be sure to save across the board rather than pay less on one particular service and more on another.

SAVE MONEY

You don't have to pay extra fees. Just because your processor pays a fee to someone else does not mean you have to reimburse the processor for the fee. Understand the purpose of the additional fees, eliminate them or use the competitive process to negotiate them down to an acceptable level.

Look at penalties. Contracts are binding, but not so much that you should have to pay for termination fees should the processor prove to be negligent or incompetent. Make sure your rights are protected.

Don't get "nickled and dimed" to death. Make sure you look at the full range of fees. Fees for statements, minimum billing and reporting may be negotiable given modern digital transactions and online reporting. Ask for bids without these fees and insist on seeing a full list and explanation of any extra fees.

CONSIDER TIME

The longer the contract, the lower the rate should be. Most contracts last two or three years, but some are shorter. Longer contracts may be more valuable to the processor because they lock in fees. Use this as leverage for negotiating lower rates. If you enter into an exclusive agreement, you may have more power to negotiate costs.

Determine payment timing. Transaction settlements range from one to five days, with two days as the norm for a small business. You can negotiate for quicker settlements. That change may increase the costs, but you will gain an understanding of how fast the processor can settle your transactions and decide accordingly.

Use exclusivity as leverage. If you're locking into a relationship, make sure it serves both of your interests. Exclusivity gives the processor control and steady profit while reducing liability. Make sure you have negotiated more flexible termination terms in the event that that you decide to change processors because of poor service.

RESPECT AND WORKING RELATIONSHIPS

Look at reserves and holdbacks. Sometimes processors demand a reserve to guard against refunds and chargebacks. Make sure you understand the reserve or holdback amount in advance. Make sure you know what circumstances trigger reserves. You have the right to generate interest on reserve funds and should be clear about how you can recover them or move past them when account behavior no longer triggers the need for a reserve.

Chargebacks. Under electronic payment network rules and policies, businesses typically are not liable for certain chargebacks for in-person "card present" transactions. There is some exposure for remote or "card not present" transactions. Be sure to clarify how a potential payment processor will handle chargebacks for your business. Find out what type of access you will have to their customer service personnel to get your questions answered and any problems resolved. Also, find out what type of information reporting you will receive on chargeback issues.

Understand the benefits of your track record and face-to-face card transactions. Established businesses with good credit histories and an in-person card payment environment (as opposed to remote card transactions by phone or online) represent a more favorable underwriting and term situation for processors. In each case the underwriting criteria for most face-to-face small merchants will be the same unless they are a new business and/or have poor credit. Underwriting sometimes varies in the non-face-to-face environment.