

CyberCalc Merchant Services

Credit Card Processing Buyer's Guide

About CyberCalc

Based in Dallas, Texas CyberCalc is a leading provider of software solutions for the automotive leasing industry.

In 2005, the company partnered with Gateway Payment Services and began offering the highest quality Credit Card Merchant Services and Equipment as a part of its already impressive product and service portfolio.

With CyberCalc you can be sure that you will receive supreme customer service and prompt response for any problem or question you may have.

Give us a call and let us show you how working with us can save you money and be one of the most rewarding vendor relationships you will ever experience.



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Credit card processing introduction

When Western Union first gave charge cards to their best customers in 1914, no one would have guessed that over \$2 trillion would be charged in 2003. As ubiquitous as credit cards are today, their use is still growing. The exploding world of online commerce is playing a part, as is the increasing usage of credit cards in business-to-business transactions. While some businesses could not open their doors without a credit card processing service, it is more of a question for others.

The world of merchant services can be confusing, especially for small businesses who have never accepted credit cards before. This buying guide is designed to help you choose a merchant account provider for your company, as well as avoid some common bait-and-switch tactics that can cost you much more than you expect.

Accepting credit card payments

If your company is successfully invoicing your customers, you may be put off by the costs of merchant services, which take a percentage of all your sales. However, avoiding potential loss from non-payment can quickly make up for the expense. Plus, you will no longer have to spend staff time issuing late invoice notices or wait 30, 60 or even 90 days for invoices to be paid. Credit cards allow funds to be transferred to your bank account in less than a week. This can be a welcome relief for businesses that experience a tight cash flow.

If you are selling to consumers, merchant services will allow you to expand your customer base and provide a more convenient method of payment than cash or checks. And if you are interested in selling over the Internet, credit card processing is a must-have.

It is possible to accept credit cards over the Internet without establishing your own merchant account. Third party merchants like PayPal or cc:Bill can accept credit cards on your behalf, without requiring a credit check. However they typically batch your money into regularly scheduled payments, negating the advantage of quick turnaround. In addition, their rates tend to be higher - significantly higher, in some cases - and they can make your business seem like a small-time operation.

Not every company needs to accept credit cards, though. If your per order cost is typically in the thousands of dollars and your customer base is stable or subject to credit checks, you may find it cheaper to continue invoicing your customers.

Types of credit card processors

There are several types of companies you can turn to for credit card processing.

Bank

The bank you use for your business finances should be the first place you contact. Banks can be the easiest source to turn to for credit card services; many offer service packages for businesses that include merchant services. Most banks do not process credit card transactions themselves, though. Instead, they outsource credit card processing to a third party processor. It can be tough to get approved from this channel and Banks are likely to scrutinize your business more closely before deciding whether or not to accept your application.

Third Party Credit Card Processors

Third party credit card processors dedicate themselves to handling credit card processing. As such, they take care of different aspects of the transaction process such as authorization, billing, reporting, and settlement.

Independent Sales Organization

CyberCalc is an independent sales organization (ISO). Our service comes to you through our partnership with Gateway Payment Services. We set up and service credit card merchant accounts, but do not provide the actual processing. Instead, we are your focal point for dealing with installation, ongoing operations and problem resolutions.

Financial Service Provider

MasterCard and Visa require you to establish a merchant account through one of the three types of organizations above. You can establish merchant accounts directly through American Express and Discover but this increases your exposure and opens the door to delays in response to any questions or issues that may arise with your account.

Associations

Small business and trade associations often offer credit card merchant processing at discount prices but often lack the expertise and infrastructure necessary to provide you with timely customer support..

Qualifying for merchant accounts

Before giving you a merchant account, a merchant services provider will want to make sure that you are a legitimate business. This can start with a basic background check and will most certainly include a thorough credit history review of the owners or officers listed on the application. Credit references from two to three suppliers may be required.

The most important question providers want answered is whether your business is likely to have a high incidence of chargebacks. A chargeback is a reversal of a sale that was credited to your account, usually because of an error made by the cardholder's bank, a misunderstanding by the customer, or fraud. For the most part, tangible products are considered to be much safer than services. Also, businesses that deliver purchased goods immediately in exchange for payment are viewed as being less risky. The amount of risk involved with each type of transaction is directly proportional to the rate you can expect to pay for authorizing and settling each transaction.

Providers will also consider the type of credit card transactions that your company performs. As a general rule, card-present transactions that allow you to swipe the credit card and obtain a signature in person are considered to be much safer than card-absent transactions that take place by phone, by mail or over the Internet. Being a higher-risk merchant does not necessarily prevent you from getting a merchant account - but it will drive up your costs.

Finally, if you have accepted credit cards in the past, providers will require previous merchant statements to better gauge your charge and chargeback volume.

Some companies advertise high acceptance rates in an effort to impress - do not be lured; 99% acceptance rates are common among ISOs.

Credit card payment system pricing

Getting started

For card-present transactions, the biggest up-front cost will be for the terminal, the machine used to swipe cards. Basic terminals typically go for between \$150 and \$300, terminals with printers are \$200 to \$600, and wireless terminals can run from \$600 to \$1000. You may want to lease a terminal instead. Leases can be as little as \$35/month, although prices can vary depending on the sophistication of the terminal and the length of the lease.

Terminals are not required for card-absent transactions. Instead, you can get software to verify transactions from your PC for as little as \$150. Some providers even support card verification directly over the phone.

Be careful with application fees. Some providers charge application fees of up to \$200, and they may be non-refundable, even if your business is turned down for an account. You may also have to pay setup or account activation fees. Make sure you understand exactly what you will be paying for before you sign anything.

Recurring costs

The primary fee on a merchant account is the discount rate, a small percentage the provider charges on each transaction. Banks and larger providers will base this fee on criteria including: your company's evaluated risk, average sales ticket, transaction type, and total charge volume.

Because of the difference in risk, most providers have two different rates, one for card-present transactions and one for MOTO (mail order/telephone order, also includes Internet transactions) or card-absent transactions. Currently, card-present transactions usually carry a discount rate of 1.5% to 2.0%, while card-absent transactions are at 2.2% to 3.0%. Some companies set a monthly minimum fee ranging from \$20 to \$35 per month, so if you do a low volume of credit-card transactions, be sure to ask about this.

Another processing fee charged by the merchant bank is the per transaction fee. The per transaction fee is generally \$0.20 to \$0.30 for card-present transactions and \$0.30 to \$0.50 for card-absent transactions.

There is also a fee to cover the cost of issuing monthly credit card transaction summaries, usually around \$10.

Still more costs?

In addition to these basic fees, there are an astonishing number of fees that merchant services providers can charge: annual fees, programming fees, Internet processing fees, shipping and handling, American Express setup fee, customer support fees, etc. Essentially, these are arbitrary-jack-up-the-bill fees. We cannot stress this enough: make sure you have a complete understanding of all the charges you will incur before making your decision.

Negotiating with merchant providers

If you do not expect to charge more than a few thousand dollars each month, focus on lowering the set-up and monthly fees for your credit card service. At this low volume, these fees can significantly boost your effective discount rate. Also, when asked to estimate your monthly sales, be conservative. You may be asked to keep a percentage (or even a full month's estimated order total) in an account to cover fraud.

For larger credit card volumes, reducing per-transaction costs is a higher priority. A particularly good area to focus on is the discount rate. Since your average sales ticket helps to determine your discount rate, you should be more aggressive in estimating your average sales ticket. It can also be helpful to learn what average ticket sizes you need to qualify for even lower discount rates.

Some pitfalls to avoid: be wary of long-term leases with early termination fees - if you are unhappy with your provider, you should be able to switch. Also watch for a tactic borrowed from the consumer credit card industry: low introductory rates that bump up after a few months. While all providers will reserve the right to raise prices (MasterCard and Visa often change the rates they charge the providers), you should not go with one that signs you up for an increase.

Choosing a credit card transaction service

Obviously price is an important factor in choosing a provider - but it should not be the only factor.

Customer support can be essential - problems in credit card processing can quickly impact your bottom line. The best way to learn about a provider's level of customer service is to obtain customer referrals from current clients. Request referrals to merchants that are comparable to your company in size and industry. Then ask these important questions: do they have to wait several minutes before reaching a customer support rep? Are their needs serviced quickly? How does the provider deal with chargebacks? Also ask the provider about their level of support - do they have phones staffed 24 x 7? Do they charge per incident?

If your business will be selling over the Internet and you do not have a secure server that can encrypt credit card information, make sure your provider can offer secure ordering through SSL (secure sockets layer, a widely-used web standard for security). Setting up your own secure site is expensive and technically challenging.

Finally, if you are not using a bank or financial company you recognize, make sure you verify that the company you are investigating is legitimate - there are con artists and scammers who set up fake processing companies just to collect setup fees then vanish. Contact the Better Business Bureau to check the company's status if you are unsure, and if you find a provider on the Web, make sure you get a physical address and phone number.

Merchant services buying tips

Learn how long it takes for funds to be transferred

Providers differ on how long it takes for funds to be deposited to your account. You will want to specify whether it is a retail or MOTO transaction, since MOTO transactions usually take substantially longer to clear.

Compare variable fees

Check on fees that tend to vary between providers and may be negotiable. Such fees include set-up, cancellation, and monthly minimum.

Get the complete picture

Once you know all the fees a provider will charge you, figure out what your total cost would be based on your best and worst recent months.

Read the contract

Make sure to read the contract in detail to understand all fees, minimum charges, the term of the agreement, and termination clauses. Some providers will not cover every point and leave it to you to uncover the details.