



Are You Losing Money on Credit Card Processing?

EXPERT TIPS CAN HELP PROTECT YOUR BUSINESS FROM NEEDLESSLY LOSING MONEY ON CREDIT CARD PAYMENTS

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The system that allows you to collect money from your clients can also be costing you more money than it should—sometimes a lot more. That's because there are hidden costs that reduce your bottom line without you realizing it!

We all know that running a business costs money. You have all the typical expenses, such as rent, employee salaries and benefits, insurance, marketing, equipment, etc. Furthermore, if you accept credit cards—and almost everyone does—you have an expense that comes with this capability. What most don't realize is this revenue collection system can also cost you significantly more money than it needs to, acting as a “silent siphon” that slowly takes money out of your business.

There are ways to reduce this cost and to optimize the fees that you pay. Unfortunately for most people, the credit card industry has made it impossible to really understand exactly what it is you are paying for. To start with, there are hundreds of different cards (there are now over 700 different VISA®, MasterCard®, and Discover Card® categories at last count), many of which have different costs spanning a very wide range: from 0.05 percent of the transaction total to over three percent of the transaction total.

On top of the hard cost of the credit card used, there are dues and assessments imposed by the card associations, monthly fees tacked on by the processor, costs for equipment (most of you have heard of free credit card equipment, however we all know nothing is truly free), gateway fees, transactions fees, PCI compliance and non-compliance fees; the list can go on and on!



YOUR RATE VS. ACTUAL COST

Choosing a credit card processor is not all about your rate. Many times, I've been told, "I have the lowest rate, as we have looked at this expense many times." While that might in fact be true (although many times it isn't because it's not always that simple to see what your true rate is), it doesn't mean that you have the lowest cost. Other factors make up the total cost of accepting credit cards besides the markup your processor is charging you, and there is almost no way a business owner will ever be able to digest and understand the intricacies of this industry.

So, what do you do? You need to find a third-party expert that understands every aspect of the industry, knows all the costs behind accepting cards, and is someone that can help your businesses digest the information and make sure you are processing both optimally and at the lowest cost. I want to share just a few of the factors you need to understand.

WHAT ELSE IS THERE BESIDES PRICE?

First, your business must use proper procedures when accepting a card. It is entirely possible that the same card taken by your business can cost you different fees depending on how it is accepted. Most businesses should already understand that if the customer presents you their card and it is swiped into the terminal, it cost less than when you have to take the payment at a later date and the card is not present (unfortunately many businesses can't avoid this issue, as it is just the nature of the industry); what most businesses don't know, however, is that the information you enter into your system when you charge the card that is not present will determine the cost of the transaction. There can be several reasons why your business is not getting the lowest rate possible on each and every card not present:

The individuals charging the card were not educated on proper procedure. Your staff is too busy to be worried about the details. Your processor did not set you up correctly, because they will make more money when your staff is not paying attention. Yes, this can be true. Depending on your rate structure, it is actually more profitable for the processor when you don't enter in all the important information for each transaction! Unfortunately, some sales people in the industry will either not understand this and you end up with equipment that is not programmed correctly, or they will intentionally set up your equipment improperly because they know they will make more money.



Not knowing proper procedure can siphon off anywhere between 0.5 to three percent of your gross profit, which can translate to over five percent of your net income. Imagine that adding a few simple steps to your daily procedures can increase your income five percent!

Another example is proper coding. Once again, the credit card processing industry has made things difficult. There are a couple of simple coding errors that can cost you thousands of dollars a year. When you initially sign up for processing services someone will usually help you fill out the application. Even though this person might have completed it perfectly and you double-checked everything, the application now has to be entered manually at the processor in order for your account to be activated. If the person entering this information is not paying attention, or had a bad morning, is under the weather, or maybe didn't get enough sleep, they can make mistakes, such as: Making an error when entering your SIC (standard industry code) incorrectly. This can potentially increase the cost to accept certain types of credit cards. I have seen this happen many times in my career. One particularly bad example I recall is a medium sized business being charged thousands of dollars a year over what they should have because someone entered the wrong code.

Making an error when entering how you accept cards. If the ratio between how often you swipe a card vs. how often you take payment over the phone or through the internet is not accurate, this seemingly little mistake can once again cost you thousands of dollars a year.

Unfortunately, these and other errors will normally go undetected as no one monitors your account to ensure that you are processing optimally. Once you are signed up and processing, you will rarely talk to your processor unless something goes wrong. What all merchants need is someone who works for them, who is on their side, and whose incentive is to keep their processing costs as low as possible.