

Merchant Accounts Simplified for Small Business

Bringing Transparency and Clarity to Merchant Services Processing

I. What is a Merchant Account?

As a small business owner, you can enjoy increased revenue if you are equipped to accept credit cards. According to the U.S. Census, 181 million Americans held credit cards during 2010. By offering credit cards as a payment option, and setting up a merchant account for your business, you can expand sales and broaden your customer base. In considering the fees to operate a merchant account, some businesses may reason that they do not transact enough commerce to afford a merchant account. However, the reality is you cannot afford to refuse credit cards as a form of payment as many Americans rely on them

Before accepting credit cards, it helps to understand the basics of merchant account processing. A merchant account or merchant processing system allows businesses to accept credit and debit cards for the payment of goods and services. While payment options like PayPal and ClickBank can also process credit card purchases, their terms do not accommodate increasing or large sales volume well, nor do they allow much flexibility in controlling the purchasing process.

Although specific credit card processing events and activities vary from one merchant to the next, the basic transaction life cycle is the same. Education is essential in determining the fees associated with each type of account. Fees vary depending upon the level of associated risk, along with the way in which payments are processed. The following table provides an overview of the various types of merchant accounts.

Type of Account	Description
Retail Merchant Account	Suited for businesses that operate at a physical location and typically use a payment terminal to swipe customer transactions
Wireless Merchant Account	Suited best for businesses that rely on transactions occurring outside of an office or brick and mortar establishment, such as food vendors and crafts people at fairs and festivals
MOTO (Mail order & Telephone orders)	For Businesses that take more than 50% of their orders (transactions) via phone or through mail order
Internet/ Ecommerce Account	Allows businesses to accept secure payments online for services or goods
High-Risk Merchant Account	Suited for businesses that incur considerable risks (i.e. custom upholstery, casinos & travel agencies) caused by fraud and chargebacks
Offshore Merchant Account	Suited for businesses that transact with international customers

II. Credit Card Processing – How Does it Work?

If you plan to accept credit cards, it is best to understand how credit card processing works, as well as the path money takes before it ends up in your bank account. Here is a brief overview of the credit card transaction life cycle:

- A. Customer chooses to make a purchase using a credit or debit card and the transaction is initiated when credit card number is submitted.
- B. Credit card data is transmitted via a point of sale system, terminal or payment gateway.
- C. Credit card issuer approves or declines the transaction.
- D. If approved, authorization response is sent to merchant and transaction is completed.
- E. At the end of each day all transactions are batched out (sent virtually through a secure system) for authorization and processing at which time final authorizations are made and fees are assessed and processed.
- F. Within 2-business days of the initial transaction, funds are deposited into the merchant's business bank account.

III. What are the Benefits of Small Businesses Accepting Credit Cards?

By working with the right merchant service provider to accept credit cards, you can:

- Attract more customers to increase cash flow
- Lower administrative costs by eliminating postage fees associated with your invoicing process, thereby gaining quicker access to cash
- Make your accounts receivable turnaround more efficient
- Provide your customers with a more convenient way to pay

The bottom line is, the more difficult it is for your customers to make purchases, the more likely they are to take their business to your competitors.

An added bonus is that your business can increase retention by offering customers with reoccurring charges the opportunity to make automatic, regularly-scheduled payments and you can expand your customer base by integrating electronic incentives, such as gift cards and reward programs. These options can greatly increase sales and customer loyalty, if used correctly.

IV. What are the Costs and Hidden Fees of Accepting Credit Cards?

According to a recent study conducted by Forrester Research entitled, Customer Advocacy 2010: How Customers Rate US Banks, Investment Firms, and Insurers, consumer trust in large banking institutions is low. This is due in large part to the financial meltdown of 2008 but also because of the many hidden fees that are inherent in big bank service offerings. Merchant services are no exception. The following chart shows a variance of fees that a small business can incur when accepting credit cards as payment.

Example of the variance of Fees for Merchant Accounts (Depending on your processor)

Initial Fees
Application Fee - \$0 - \$300.
Shipping Costs for Terminals - \$15 - \$100
Monthly & Annual Fees
PCI Compliance Fee \$0 - \$100
Service Fee \$5 - \$50
Statement Fee \$10- \$45
Annual Fee \$0-\$100
Usage Fee
Discount Rate and Interchange – 1.75% - 5.0% per trans
Authorization and Associated Fees - \$0.20 - \$1.00 per trans
Equipment and Associated Fees
Equipment Lease - \$15 - \$50 monthly
Purchase - \$200 - \$1,600
Virtual Gateway - \$25 - \$75 monthly

Before you Accept Plastic Workshop Participant Testimonials!

“Your workshop was very helpful. I learned about the different levels of fees and interchange”. –Renee

“I found the training so insightful. I learned how billing works and what I need to know and look out for to protect my business” - Jean

V. How does Hope Solutions Help Small Businesses Prosper?

As a merchant service provider, Hope Solutions specializes in working with small-to mid-size businesses, helping them understand how using the appropriate payment solutions to accept credit cards, can positively impact their bottom line.

- We provide customized payment solutions to meet unique business needs. Unlike traditional merchant services sales teams – our representatives do not have monthly minimums, are trained to give full disclosure of all fees associated with each merchant account and gain rewards based on customer retention and quality service delivery.
- We do not recruit payment card industry sales people who have been schooled in traditional predatory practices. We focus on hiring and training individuals from the local community, investing resources and training in Oakland residents who are dedicated to developing a career in professional sales and customer service.
- We help the local business community by working as a partner to strengthen economic development by arming merchants with education, while dispelling misconceptions that exist regarding the electronic payment industry.

VI. Help spread the word and help Hope Solutions to Educate Businesses!

Hope Solutions is passionate about educating the local business community regarding merchant service options.

- Join our mailing list by emailing info@hopesolutionsms.org to stay updated on current events, new informational materials and upcoming trainings
- Like us on [Facebook](#) or follow us on [Twitter](#) to stay up-to-date on how recent and upcoming industry changes will affect you and your business!
- Check out our website at www.hopesolutionsms.com for more info or call a representative today to set up a free 30-minute consultation at **(888) 507-9942** local **(510) 788-5103**