

Best Payment Practices

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**It's called payments but it's
so much more...**

How to get the most out of your payment partner

Agenda

- A brief history of credit
- The components of a transaction
- How fees are calculated
- How to find the best pricing for your business

Decisions... Decisions

When building an e-commerce site there are so many things to consider:

- Domain
- Hosting
- E-Commerce platform
- Design
- Social Media
- SEO



...and PAYMENTS is often an afterthought

Brief history of credit

Seeds lent to farmers
on credit



A small amount of
department stores and oil
companies began to issue
metal store cards.



1792 BC

1800's

1900's

1946



Merchantiles & Hotels
began to offer credit to
trusted customers



The "Charge-it" card was
issued by Brooklyn NY based
Biggins Bank

Modern credit cards have this guy to thank...



Then came the card brands....



DEBIT

VISA

The first online transactions

First online exchange Via
ARPANET

1972

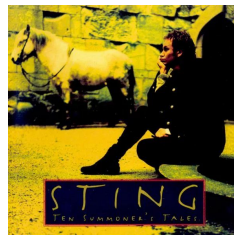


1984

Jane Snowball used a Videotex
to order provisions from her
local grocery store which once
delivered she paid in cash

Dan Kohn owner of Netmarket
sold a CD of Sting's *Ten
Summoner's Tales* album for \$12.48
to a friend in Philadelphia

1994



2003

WordPress is released as a
fork of b2/cafeolog

Today, online transactions are more complex



Website/online location



ShoppingCart/ecommerce platforms

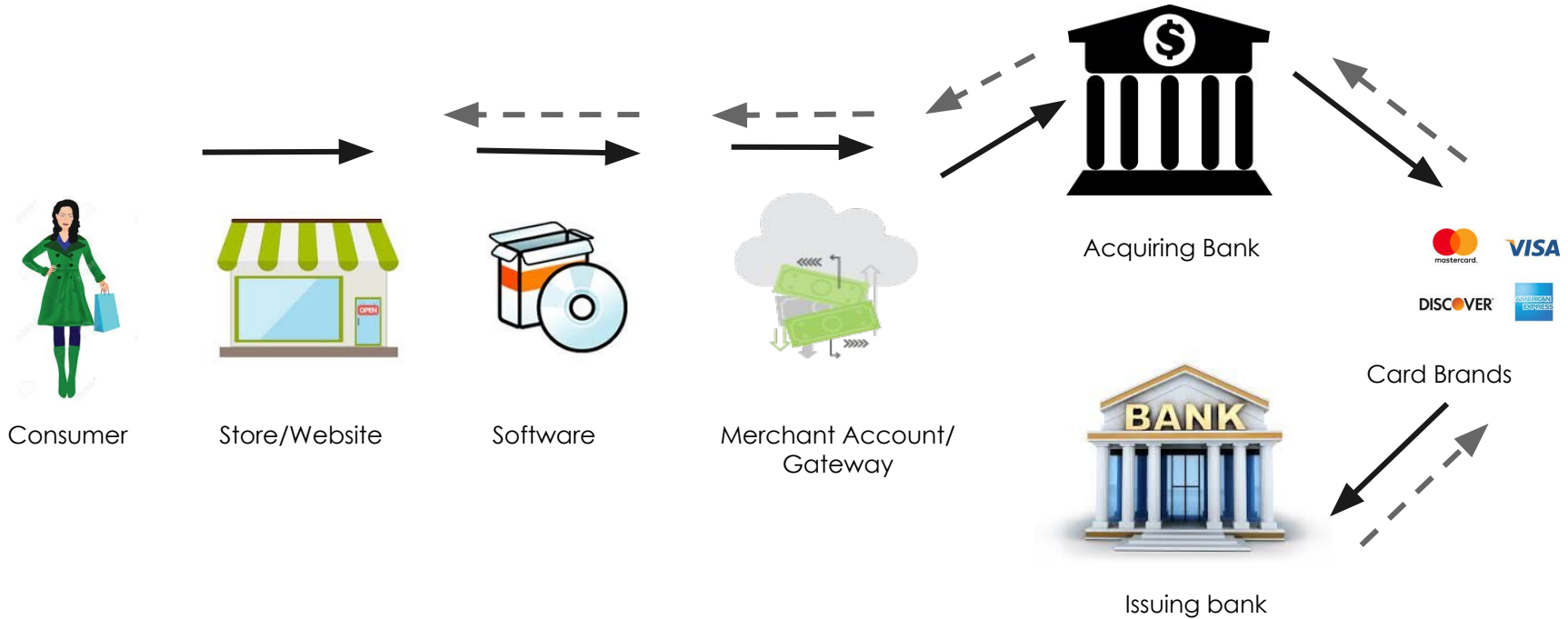


Payment Gateway



Merchant Account

High level transaction flow



Payment processing options

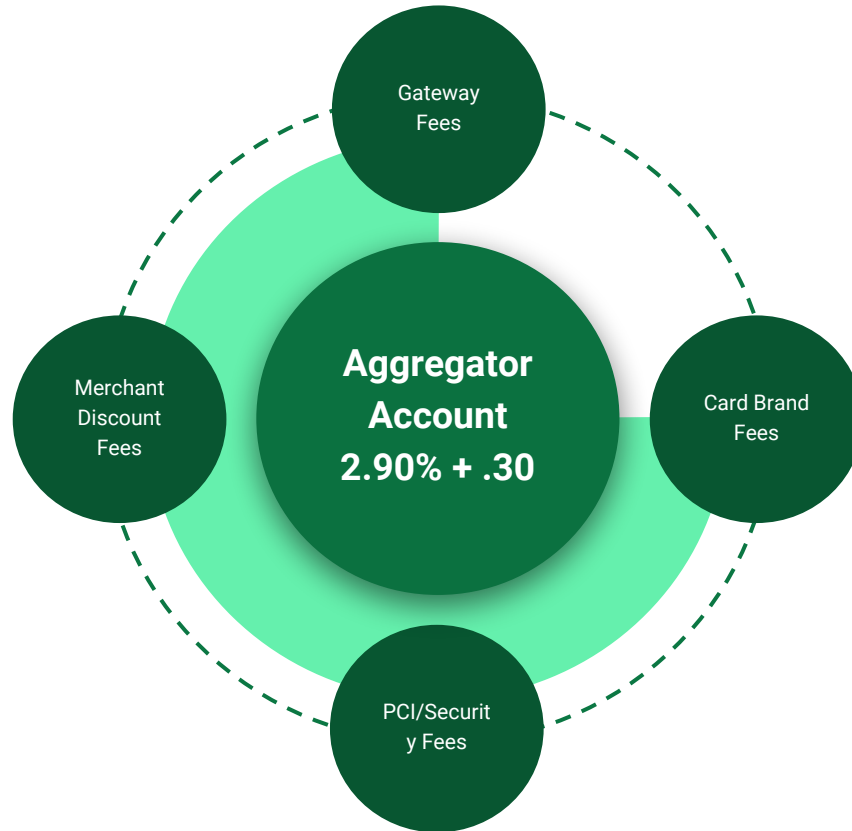
Payment aggregator

- Easy signup
- Simple to understand rates
- Great for low volume
- Ubiquitous

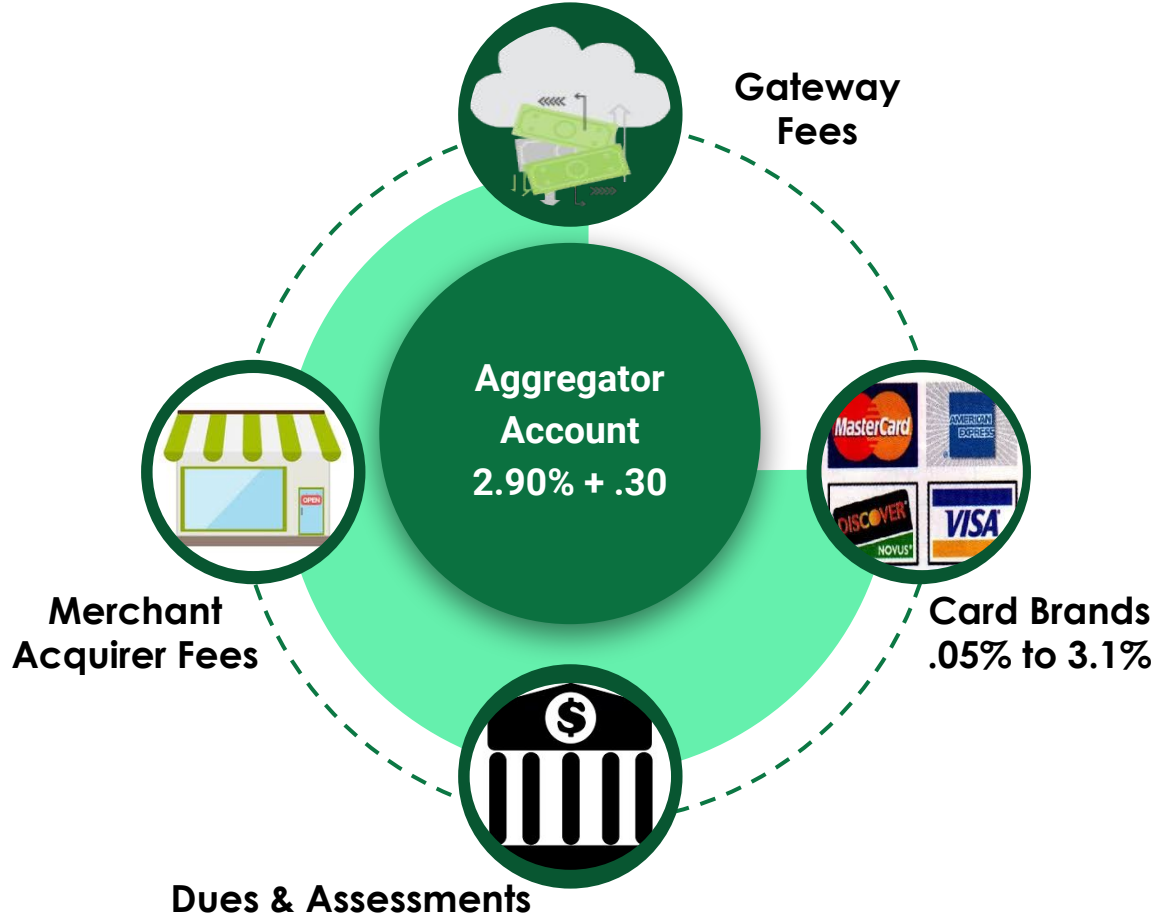
Merchant account

- Due diligence
- Customized rates
- Advanced reporting
- Hands on support for developers or merchants
- Affiliate Program

Payment aggregator fees



Payment aggregator fees



Merchant Fees



**Merchant
Acquirer Fees**



**Gateway
Fees**



**Dues &
Assessments**

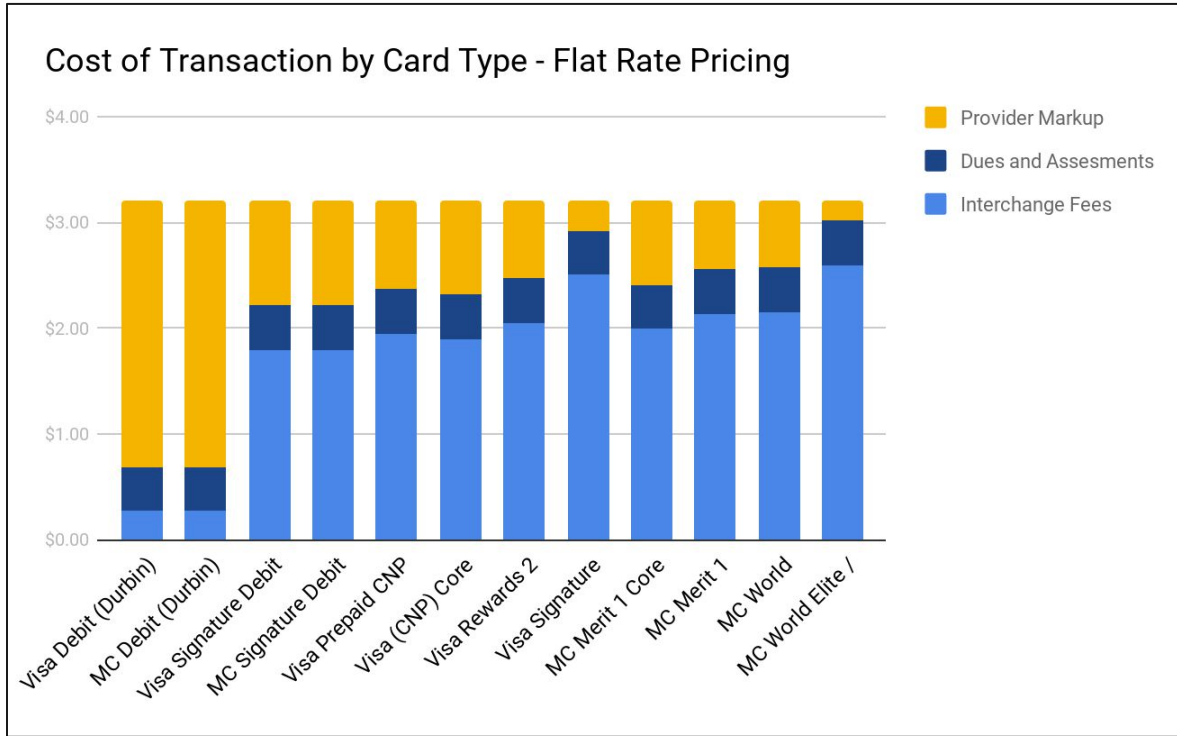


**Card Brands
.05% to 3.1%**

Pricing Methodology

- **Flat Rate Pricing**- The pricing made popular by Stripe, PayPal and Square. The Aggregator software pays the dues and assessments, interchange & merchant acquirer fees and then charges it's users a set transaction fee and discount rate. Like a salad bar you get charged the same rate regardless of the card type.
- **Interchange Plus**- Also known as cost plus. The merchant provider passes through the wholesale cost of each card, from the card brands, to the merchant plus the card brand dues and assessments and an agreed upon markup

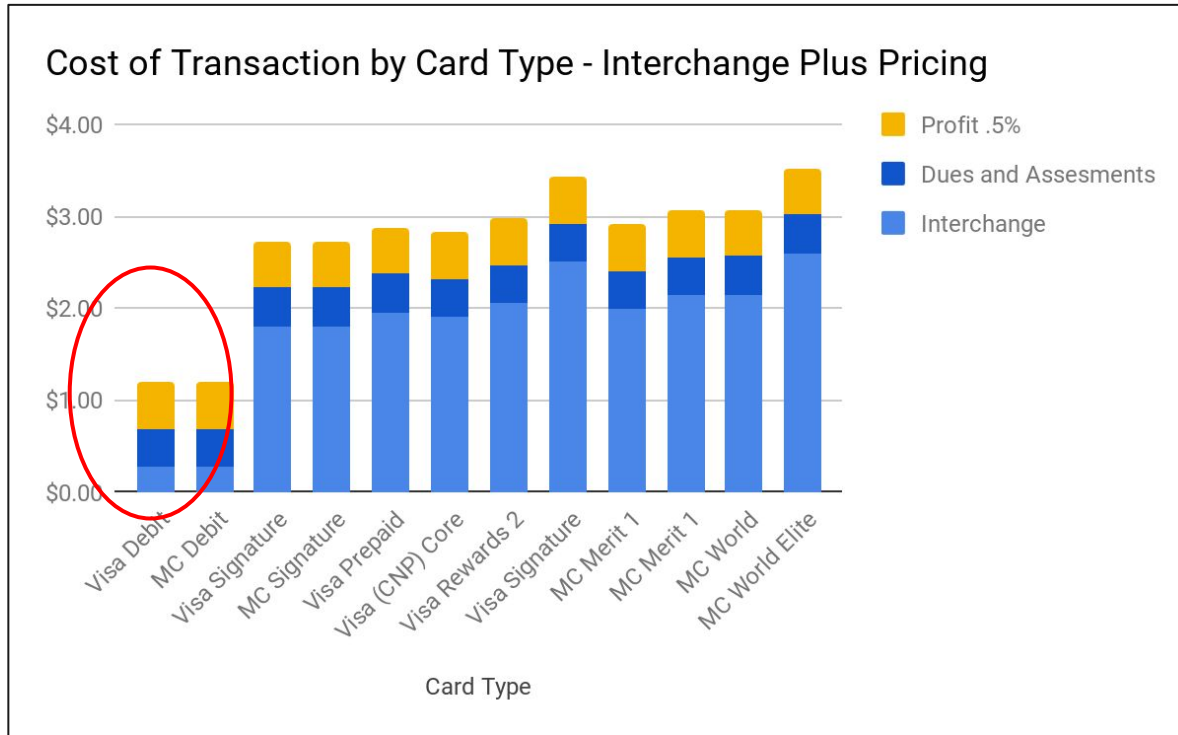
Flat Rate Pricing \$100 Transaction



Payment Aggregator Fees:

- ☐ $2.9\% \times .30$ per transaction
- ☐ $\$100 \times 2.90\% = \$2.90 + .30 = \$3.20$
- ☐ No monthly fees

Interchange Plus Pricing \$100 Transaction

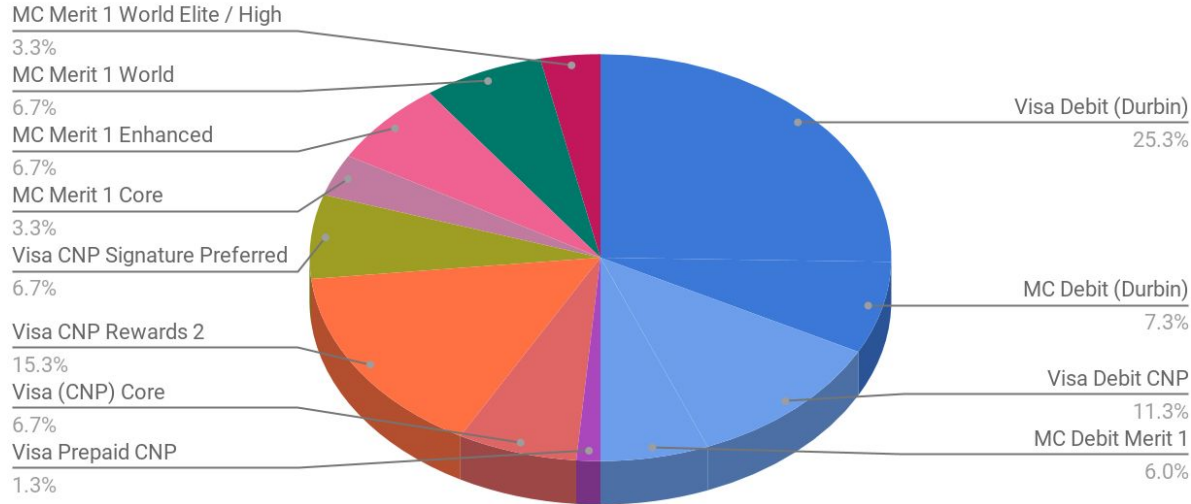


Interchange Plus fees-

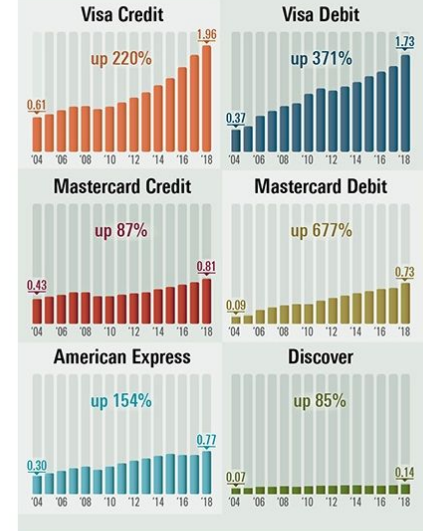
- ❑ Passthrough cost of card plus network fees (dues and assessments)
- ❑ Merchant provider markup .50%
- ❑ Monthly fees \$9.95- \$35
- ❑ Aggregated cost of all these cards is around 2.1% to 2.3% and .27 per transaction

Consumer Trends

Prevalence of Card Types for B2C Transactions

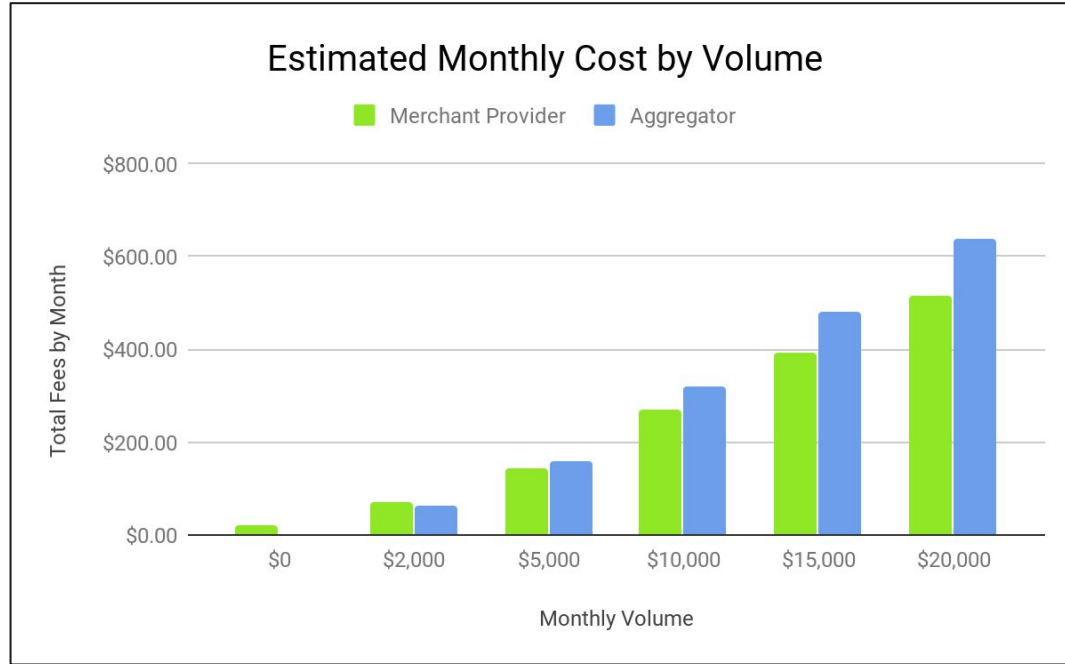


U.S. General Purpose Brands Growth in Purchase Volume 2004 vs. 2018 (\$Tril.)



Visa, Mastercard, American Express, and Discover cards in the U.S. generated \$6.130 trillion in purchase volume in 2018, up 10.5% over 2017. Growth in purchase volume is shown here.

Flat rate vs interchange plus pricing



In review

Payment aggregator

Great fit for small merchants
who run less than \$4k per
month in volume



Merchant account

Ability to reduce transaction fees
through interchange plus pricing



Thank you!



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