Get with the flow.
How payment processing affects cash flow.

Qualpay
It pays to know quality

The bottom line isn't the only thing you need to keep your eye on. You need to watch your cash flow too. And understanding how payments are processed can improve your cash flow.

We all know that cash flow is crucial in keeping a business up and running profitably. That of course means keeping a close eye on accounts payable and receivable. For any business, it also means increasing traffic and improving conversions in your retail store, website and mobile applications.

But there's another key element in effectively controlling cash flow that you might not have considered: It's how you manage your payment processing system.

What you don't know about how your payments are processed can cost you.

Ask yourself this question:

When you take a payment in your retail store, on your website or mobile application, how do you go about tracking this sale from the moment a customer makes a purchase to the time you are finally paid in one lump sum at your bank's checking account?

And ask yourself this:

How do you take the amount deposited and match it to your sales?

If you or the people who handle your payments processing aren't entirely clear as to the answers to these questions, you owe it to yourself and the continued success of your company to learn all you can about this crucial component of your business operations.

The truth is, processing payments can be very complicated.

The fact is there are numerous vendors, a variety of fees and points of contact during the processing of a payment transaction that you probably don't know much about. And with all the new payment services on the market these days like Apple Pay and Samsung Pay, the process has gotten more complicated than ever.

Still, given how important payment processing is to the day-to-day operations of any business, it makes sense that you would want to learn as much as you can about payment processing and how it affects your cash flow. Why? So you can start maximizing your cash flow and minimizing your costs.

Important Questions To Ask

Did I receive all the cash for each sale item?

What is the processing cost of each item sold?

Have I accounted for all processing costs and hidden fees?*

To help you answer these questions, it helps to understand the entire payments process from sale to cash.

*These might include the cost of a reserve, how long it takes to get funded and chargeback costs.

In just two seconds a lot happens.

From the time you take a payment in your retail store, on your website or mobile device to the moment you actually receive money in your deposit or business checking account, a lot goes on. It might not seem like a lot because the credit card approval process happens so fast—less than two seconds generally. And the final transaction events by which funds are ultimately deposited into your account occur automatically with seeming ease.

But in the very short time all of this processing is happening, quite a few connections and transfers have taken place. Also a variety of actors have participated in the transaction.

And here's the thing—each of those connections and touch points have a cost. They aren't large costs as a single sale goes. But over time as sales build, these costs do add up.

Which is why it is important that you understand how a credit card payment travels from beginning to end—from the moment a credit card number is entered; to when a real-time approval is given; to the batch process that moves the sale along; to money finally ending up in your checking account.

Knowing all this can help you learn not only whether you are getting paid what you are owed, but it will also help you find out if a more efficient process could save you money.

Follow the Money —
Or in this case, follow the payment transaction steps.

The credit card payment process begins when a customer presents his credit card for payment for goods or services and you or the customer enters into your payment solution. Your payment solution could include a physical point-of-sales terminal, a shopping cart or mobile application. Here is where you encounter the first of many data transfer point in the payment transaction process.

If you are selling via a mobile app, you are likely using a mobile platform vendor such as MobiCart or Shopgate. For other e-Commerce solutions, it may be a vendor like Shopify or BigCommerce. Either way, these are the companies that provide you with your digital shopping cart or other front-end payment entry capabilities.

1. Your journey starts at your payment entry point.

The front-end entry point is where your customer's data begins its journey through the credit card transaction process. Next up, the payment gateway.

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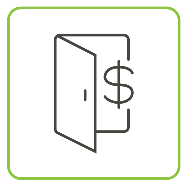


2. The payment gateway is a hub for electronic transactions.

The payment gateway is the next vendor involved in the credit card transaction process for your e-Commerce or mobile application payments. It is what allows you, the merchant, to easily verify credit cards and ultimately perform a sale.

In short, the payment gateway is how transactions are shuttled from the front-end entry point to the appropriate processor. The processors in turn move the entered data information to the card brand networks for an approval. The payment gateway is able to do this because it speaks the language of the processors.

3. The processor connects credit cards and approvals.

Next up, the processor is responsible for connecting to the credit card brands and allows for transactions to be approved in real-time. Physical point-of-sales or new EMV devices may connect directly to a processor. Once approval is given by the credit card brands, this information is returned to the processor.

The processor then relays this information back through the same path to return the results to the initial data entry point. The data entry point is now the spot where both the merchant and the customer can view whether a sale has been approved. If it has, goods and services are then exchanged and everyone is happy. (But of course!)

At this point the real-time nature of payment processing ends. The customer has left satisfied. (We shouldn't expect anything less!) But the payment gateway and processor remain engaged in another function—settling all the transactions that have occurred during the sales day. This is called batch processing.

4. The batch — A daily collection of transactions at the end of the day.

At the end of the day, the payment gateway initiates a collection of all the sales transacted. The batch as it is called is then sent on to the processor. The processor settles each of these transactions with the corresponding credit card networks and subsequently forwards the results to the acquiring bank. The transference of these transactions to the acquiring bank also informs them that money needs be deposited to a business.

The processor works closely with what is interchangeably called the merchant acquirer or the acquiring bank. The acquiring bank is responsible for underwriting the risk of a business to credit card payments, as well as depositing funds and debiting fees. And to make things more confusing, the processor and acquiring bank may be one and the same thing.

Any of the players may perform more than one role. And one less player in this complex web of transactions and approvals is a good thing.

About the Credit Card Brands

The credit card brands are the backbone to credit card processing system. Each brand has somewhat different rules, and may work a little differently. However, they all share the same essential responsibilities.

Allowing consumers to conveniently pay with credit cards.

Making it possible for merchants to accept credit cards.

Connecting the banks or companies that first issued the credit card to the merchant's acquiring bank.

Making sure the merchant gets paid by the card issuers through the merchant's acquiring bank.

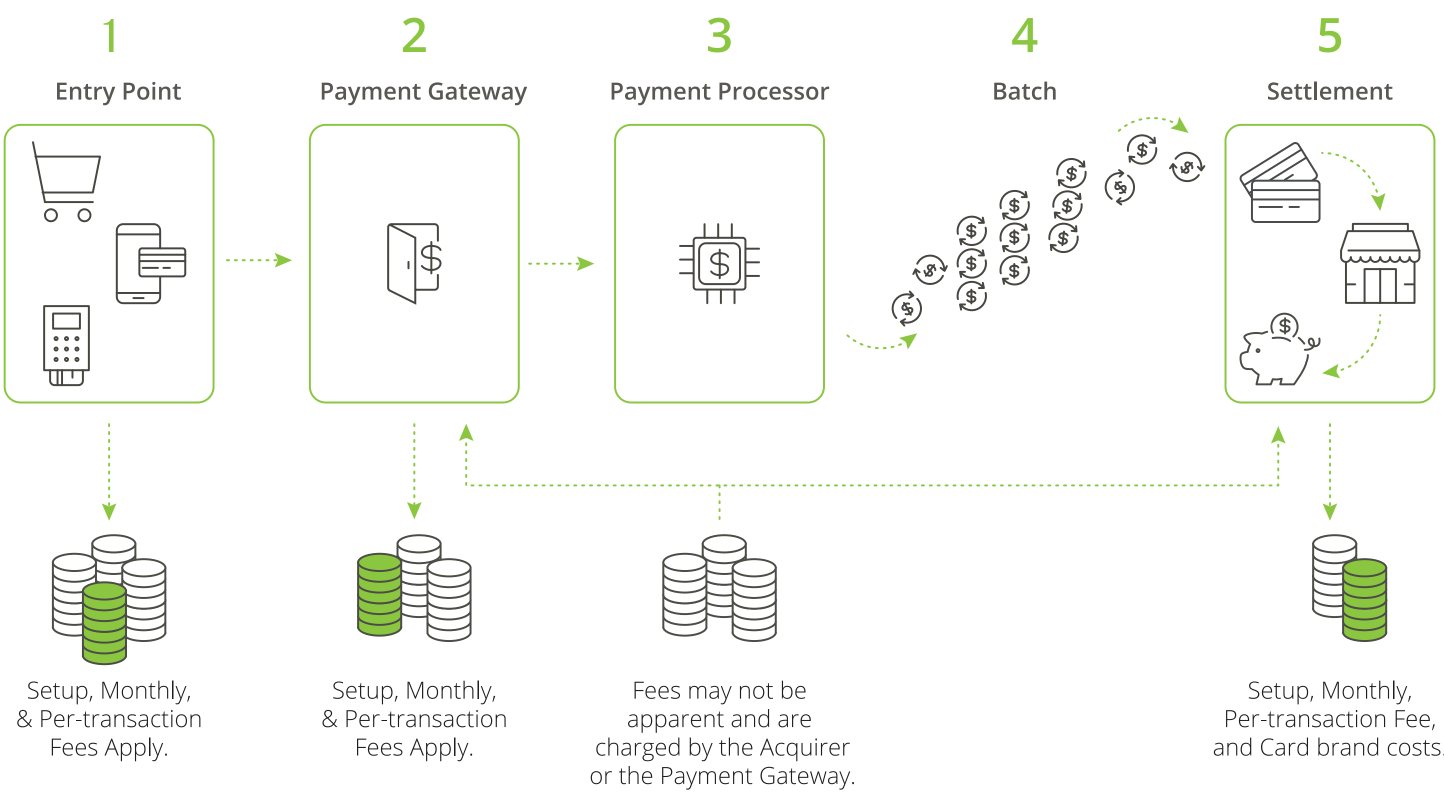
5. The Final Steps—Settlement

Once the card brand network has been notified by the processor that transactions are to be settled, funds will be forwarded to a business' acquiring bank, the card network takes money from the bank or company that issued the customer's card and places it in the acquiring bank's settlement account.

The last step for a business is to make sure the money he or she is owed has been deposited into his or her checking account. A whole other network called the Automated Clearing House (ACH) is responsible for moving money from the merchant's acquiring bank to the merchant's checking account.

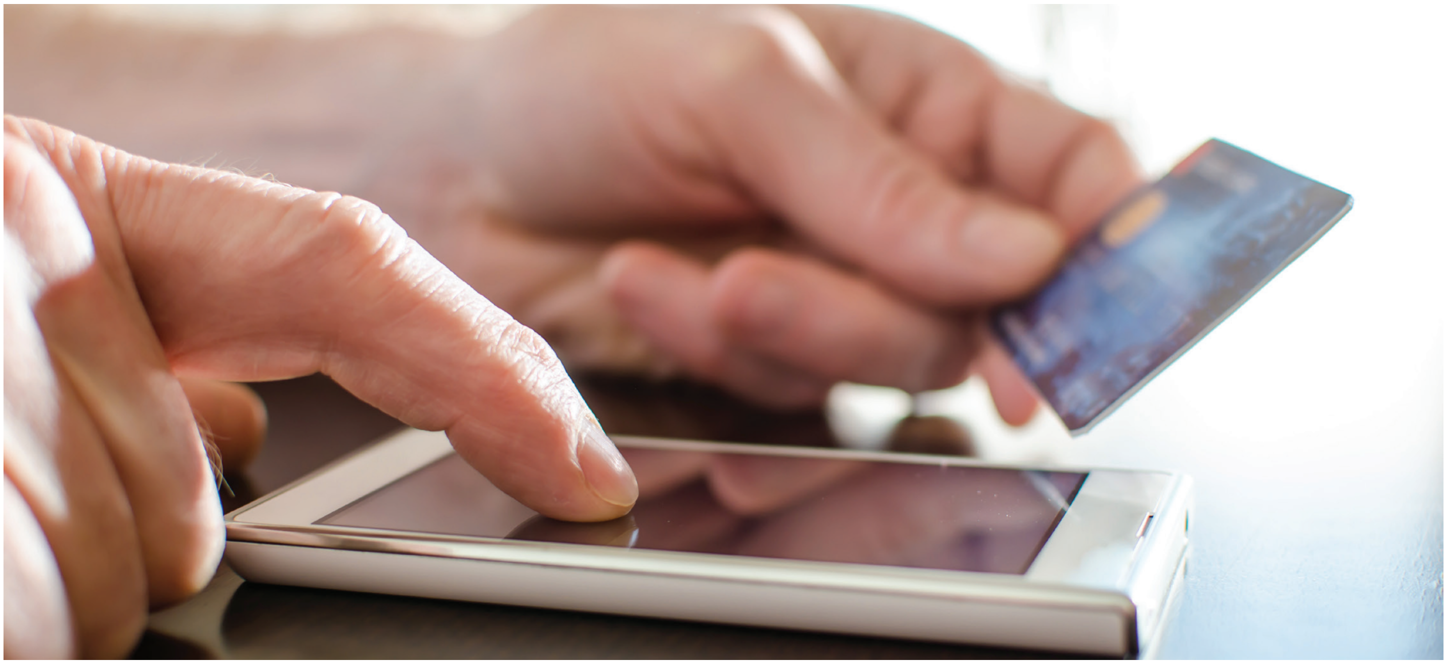
The time it takes for money to move from the business' acquiring bank to the their checking account will vary from one acquiring bank to another. In addition, be aware of hold days on the funds being deposited.

Transaction Steps



Transaction Costs

Fees are applied either before the deposit is made or at the end of the month. One transaction is grouped into many sent to the merchant's checking account. Suspended funds and reserve monies are usually withheld out of the daily settlement.



Costs you need to know about — Especially, chargebacks and reserves.

As you can see, processing payments involves a lot of moving parts. That's simply what it takes to make the processing system work as efficiently and as securely as it does.

But lots of moving parts also means a lot of of different vendors are associated with the payment transaction flow. And the reality is that all these vendors exact a cost. These costs can range from setup, monthly and per transaction fees that combine to take a chuck out of the payments you just collected for your goods and services.

These costs can get confusing. For one thing, vendors have their own individual ways of reporting what has occurred during the course of a real-time payment transaction, so it can be difficult to know exactly what you are being charged and why. And with so much happening between so many vendors, it is very easy to lose track of all the information being transmitted long before the money you are owed finally reaches your checking account.

All the more reason you need to get a handle on hidden costs.

The cost complexity associated with payment processing doesn't mean you should throw your hands up in the air and give up. Quite the opposite. What you need to do is to develop a better understanding and more detailed focus on what you are paying. That's particularly true of what might be called the hidden costs associated with payment processing.

The hidden costs found in payment processing are those that happen outside of the actual transaction process. They are also possibly the hardest costs to reconcile. These include any monthly or annual fees exacted outside of taking the original transactions as well as the impact of chargebacks or reserves that my be automatically deducted out of your checking account.

5 Steps to Make Sure You Get What You've Got Coming to You.

1

Draw the Payment Flows.
Examine all the ways you are taking payments—online, mobile, telephone, mail and recurring. Identify all the vendors involved in processing these payment transactions. Document how you reconcile your sales to cash.

2

Reveal the Costs.
Review each and every vendor statement to understand what you are paying, to whom and when.

3

Study the Options.
Research other processing solutions on the market and find those that can play multiple roles in the transaction processing system. Review their reconciliation tools. Vendors that can do multiple tasks help streamline the transaction process and cuts costs.

4

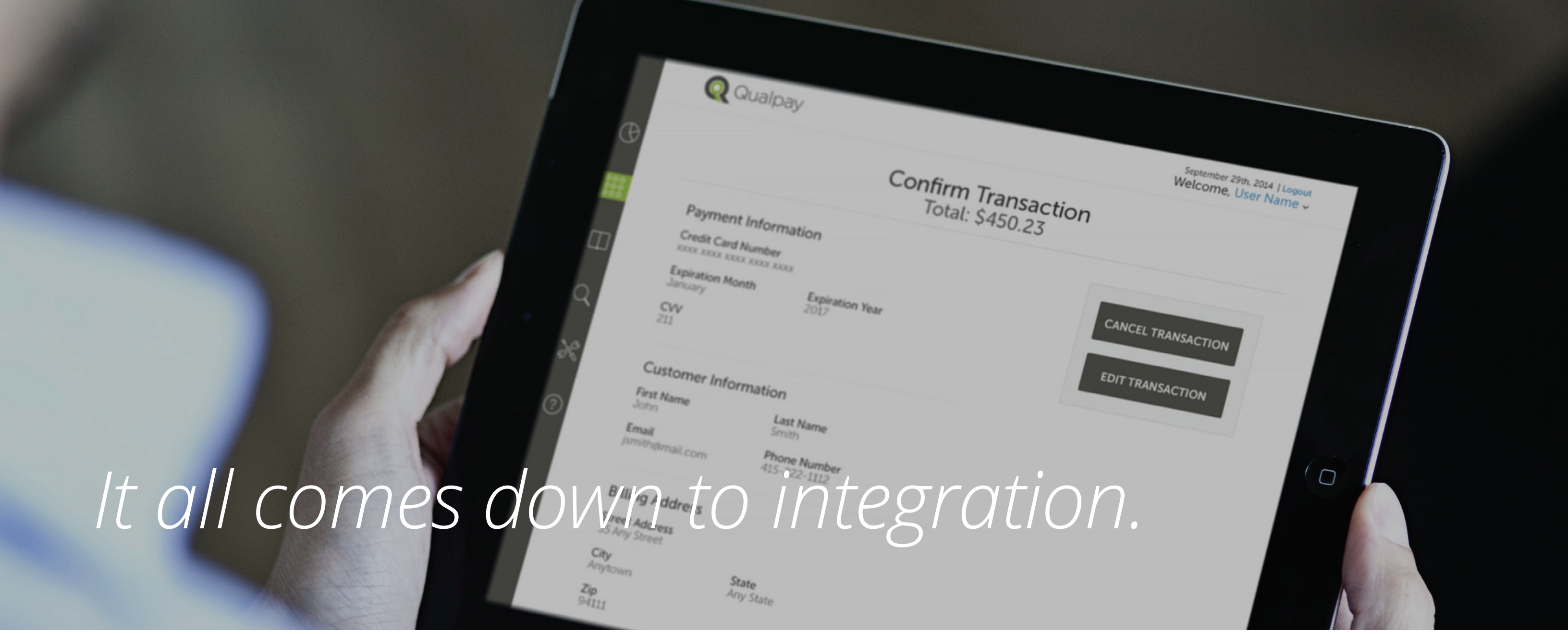
Model New Payment Processing Solutions.
Examine the potential new processing solutions, review the feasibility, and improvements to your reconciliation process. Ask for price quotes — there's no reason to pay more than you have to.

5

Implement New Payment Vendors.
Implement and then verify the benefits you have planned and have been promised are delivered. Continue to check and verify on at least a quarterly basis your reconciliation of sales to cash.

These steps will also improve reconciliation.

Implementing these five steps will help you effectively manage your cash flow. It will also improve your reconciliation. And better reconciliation means a better and more profitable cash flow for you.



It all comes down to integration.

In the end, the more integrated your credit card processing system is, the more likely it will be efficient, responsive and economical. Fewer vendors make managing expenses and reconciling a lot easier. Too many vendors lead to possible complications and that leads to a much more difficult time tracking your processing system from beginning to end.

When it comes to integration, no one has it all together like Qualpay.

To learn more, contact a company that has its integrated processing act together—Qualpay.

Qualpay makes managing your payment operations simple and economical thanks to our omni-channel payments platform. It lets you accept payments in all the ways consumer shop today—in-person, online, with their mobile devices, through the mail and over the phone. It also provides you with a merchant account along with essential payment solutions like real-time web reporting.

Go to www.qualpay.com for more information.
Or call 1-844-282-0888 and speak with one of our helpful sales associates.