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# I Want To Accept Credit Cards For My Business, Now What?

Contributed by Webmaster

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Your Business is born. You have painstakingly organized every aspect of your new business. You make sure your marketing is in place, your website is up and running and your product is on the shelves. But, you've forgotten a very important part of opening your new business, opening the right merchant account so you can start accepting credit cards and other forms of electronic payments.

What is a merchant account and how does one work?

A merchant account is just that, an account, held by an acquirer that allows your business to accept credit cards. Once you accept a credit card from your customer, your equipment contacts the acquirer for an approval. Once approved, the acquirer does the transfer of funds from your customers account to your bank account. Each Card Association (Visa, MasterCard, American Express and Discover) charges a fixed amount to accept their cards. The acquirer handles the infrastructure needed to process your customer's payment, and to deposit the funds into your bank account.

American consumers have an average of 9 credit cards in their wallets. This means accepting credit cards is essential to your business success. By Accepting Credit Cards:

Your sales will triple

Several studies, including one conducted by the accounting firm PricewaterhouseCoopers, have shown that the average size of credit card purchases is up to three times larger than cash and check purchases. People buy more when they pay with a credit card.

Your payments are guaranteed

By making credit cards your preferred method of payment, you reduce or eliminate bounced checks and decrease the time it takes to process orders. Your payment is guaranteed up front and you can deliver your product with confidence.

Your customers want to pay with their credit card

Customers increasingly want to pay by credit card. Studies show that credit card payments will overtake cash and check payments within the next few years. Customers often get benefits for paying with credit cards such as frequent flier miles or other affinity points. Paying with a credit card also gives customers more flexibility to manage their cash flow.

How to select a merchant account

Before you contact a merchant processor, you should understand what type of merchant account you need. How you accept payment from your customers will have a great effect on the type of merchant account you need and the cost of

credit card processing for your business.

**Retail merchant account-** a retail merchant account is for a business that is located in a commercial location that accepts payments from their customers face-2-face. You receive your customer's credit card and swipe it on your credit card terminal or POS System. This merchant account carries the least risk, because you have the card present and you can either check signatures or the ID of your customer. This type of merchant account will carry the least cost.

**"MOTO" merchant account-** A "MOTO" mail order telephone order merchant account is for a business that accepts orders over the phone or through the mail. Your customer gives you their credit card information over the phone and you enter the information into your credit card terminal, a virtual terminal, or a POS System. This merchant account carries more risk than a retail merchant account because you never see the credit card presented for payment. This type of merchant account will cost more than a retail merchant account.

**Ecommerce merchant account-** An ecommerce merchant account is for an online business that accepts payments over the Internet through their website. A customer comes to your website, decides to make a purchase then enters their credit card information to complete the purchase. You never see the credit card therefore this merchant account carries more risk than a retail merchant account, thus costing more.

**Restaurant merchant account-** a restaurant merchant account is for a restaurant. You accept the payment in a face-2-face environment, minimizing risk. With a restaurant merchant account, you are also able to re-open a credit card sale to add a tip after the customer has left. You are not able to do this with a standard retail merchant account. This type of merchant account will cost less than both a "MOTO" and ecommerce merchant account.

**B2B merchant account-**A B2B merchant account is for businesses who sell to other businesses. These transactions may either be swiped or keyed into a credit card terminal or POS software. A business customer may have a business-purchasing card that cost more to accept than consumer credit cards. With a B2B Merchant account your equipment will need to be optimized for accepting B2B payments thus lowering your fees.

Once you have decided the type of merchant account you need, you can start shopping.

You can open a merchant account from:

**An MSP:** A merchant services representative is an independent sales agent for an ISO.

**ISO:** A registered acquirer with Visa and MasterCard, licensed to open merchant accounts for businesses.

**A processor:** A company that drives transactions. They operate the infrastructure (network) necessary to complete a credit card sale. The few available usually are not direct to business owner relationships. Processors usually do business through Registered ISO's Or Banks.

For a new business, the best channel for a merchant account is through a registered ISO.

## Pricing

You are more likely to get better pricing (ISO's are more direct than an MSP, thus less channels for markups). Although, A processor is usually larger than an ISO, they usually concentrate on their business with ISO's or Banks and will offer their best pricing to those organizations, instead of to you.

## Accountability and service

ISO's have more accountability to the card associations therefore their business practices will usually be more stable than an MSP.

ISO's customer service will usually be better than an MSP because an MSP is busy selling product and may not have time to handle the support of your account, while an ISO has the infrastructure to handle service and support. A processor will put you through corporate channels without any real connection to your business, thus offering less personalized service, which will be vital to your new business.

When shopping for a merchant account, pay close attention to:

Processing fees/Discount rates for your transactions -The percentage of each transaction it will cost you to accept a credit card.

Transaction Fees- A per item fee for every transaction you run (a dollar amount)

Monthly Fees- May include a statement Fee, Customer Service Fee, or any other miscellaneous fee billed monthly.  
Annual Fees- Fees billed annually.

Batch/Settlement Fees - A Fee charged every time you batch (send your transactions to the acquirer to remit payment to your bank account) your terminal or POS System.

Maintenance Fees-Fees to update information on your account like bank account info or address changes.

Term of Contract- Term for the merchant account contract. Cancellation Fee- The cost to cancel your merchant account before and after your term of contract is up.

Customer Service Hours- What is your merchant processors customer service hours? Are they 24 hours or 9-5? If customer service is available 24 hours per day, is it an answering service or can you get access to your account information 24 hours?

Responsiveness and wiliness to service your account. Ask about your merchant processors Chargeback policies and how responsive they are to you, the merchant.

Once you have gathered this information, you have the tools necessary to choose the best merchant account for your business. Merchant Accounts are not a one-size fits all service. Your business will be way ahead of the curve if you pick the right merchant account. The right merchant account will help your business grow, while the wrong merchant account will hinder your growth and cause you frustration, lost time and money. This guide is a great starting point to establishing your merchant account.

Gregory Cancryn is founder and President of Payment Transaction Systems, LLC a Registered ISO of Visa and Mastercard. Payment Transaction Systems offers credit card processing to small and medium sized business nationwide with an emphasis on Integrity, Service and Low Cost.

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