

GUIDE

# The Small Business Owner's Guide to Getting Started With Payments

What You Need to Know



# Table of Contents

<b>Welcome to Payments</b>	2
<b>Payments 101</b>	3
Payments Gateway	4
Contactless Payments	5
Automatic Payments	6
<b>Global Payment Method Options &amp; Costs</b>	7
1. Credit / Debit Cards	8
2. Digital Wallets / Mobile Payments	9
3. Bank Credit Transfers / eChecks	10
4. Text-to-Pay	11
<b>Your Industry’s Preferred Payment Method</b>	12 - 13
<b>What Customers Love</b>	14
1. Credit / Debit Cards	15
2. eWallets / Mobile Payments	16
3. Bank Transfers / eChecks	17
4. Text-to-Pay	18
<b>Additional Resources</b>	19

# Welcome to Payments

Think about the last time you bought something.

Were you at the store? Did you purchase the items online? What did the payment process look like? Did you pay with a credit card? What was the refund policy?

These are important factors that consumers think about before, during, and after making purchases.

It's helpful for small business owners to think of these things from a consumer's perspective when choosing a payment processor.

With this in mind, we created **The Small Business Owner's Guide to Getting Started With Payments**, where we'll walk you through:

1. **Payments 101: A high-level overview of what you need to know**
2. **Global payment method options & costs**
3. **Your industry's preferred payment method**
4. **What customers love**
5. **Additional resources**

We hope these straightforward insights will help you better understand payments and find the right solution for you and your business.



# Payments 101

**Payments** – the steady freeflow of “cash” between consumers and merchants—are the lifeblood of our economy.

Though, as we see cash being used less and less these days, the term payments is applied to avenues, such as:

- Credit cards
- Debit cards
- eWallets
- Mobile apps
- Bank transfers
- eChecks
- Text-to-pay technology

But before we dive in further, there are a few helpful terms to familiarize yourself with.





# Payment Gateway

A **payment gateway** allows transactions to happen. It acts as the liaison between a payment processor and the bank by either approving or denying a transaction. Both in-store payment processing systems and online payment processing portals use payment gateways.

Choosing the right system is crucial because the payment gateway is what keeps consumer payment information encrypted and secure. On top of this, a streamlined payment gateway system makes the checkout process easier, which significantly improves the customer experience.

Details on specific payment gateway options are available [here](#).

# Contactless Payments

Another term to know is **contactless payments**. Just like it sounds, these refer to payment methods that don't require any physical contact between the buyer's payment method and the seller's payment processor.

The idea of contactless payments has been blossoming for years with mechanisms, such as online payments, eWallets, and tap-to-pay technology. Meanwhile, the effects of COVID-19 have only caused an influx in demand for these payment technologies.

From the consumer perspective, contactless payments are easier, faster, more secure, and flexible in which payment method you can use. For example, if you forget your credit card, you can easily perform a contactless payment using your smartphone.

Business owners also love contactless payments because they are more secure against fraud, inexpensive to implement, and more flexible payment options keep their customers coming back.



# Automatic Payments

**Automatic payments** are recurring payments automatically deducted from a consumer's bank account on a regularly scheduled basis. These are most commonly used for recurring monthly payments such as bills and subscriptions.

Depending on your industry and the services you provide, a payment processing method that's compatible with recurring payments may make sense for your business.

Customers find value in automatic payments because it saves them from having to remember to manually make payments each week, month, or year. Instead the money is deducted automatically, which saves them the worry about missing a payment or being charged a late fee.

Meanwhile, as the business owner, you get to have the peace of mind knowing you're set up with a consistent flow of income and will be paid on time regularly.



# Global Payment Method Options & Costs

Thanks to ever-evolving technology, there are countless different ways for people to make purchases these days. Digital payments have become so increasingly common that projections estimate cash payments will only make up **11% of North American transactions** by the year 2022.

With this in mind, let's go over some of the most popular non-cash payment options for your small business.



# 1

## Credit / Debit Cards

Credit cards are one of the most widely used payment methods. In fact, [\*\*70% of Americans\*\*](#) enjoy using credit cards for their daily purchases.

Credit cards are linked to a user's bank account and work off of a predetermined spending limit. To use a card, a buyer simply swipes, inserts, or taps their card at a payment terminal, or enters their card information if making an online purchase.

Debit cards work similarly, though they're directly linked to a user's bank account and any money spent is automatically withdrawn from their checking account.

Since cards are such a widely-used payment method, card processors are a good investment for most businesses. They are low-cost and support recurring, automatic payments.

### Costs:

You will want to consider the initial and recurring costs associated with credit and debit cards:

- Point of Sale (POS) systems. This is the hardware required for retail transactions, which doubles as a card processing unit.
- POS system software and its associated subscription fees.
- Credit card processing fees. These vary slightly across different providers, you can learn more about specific rates outlined in [this article](#).
- Payment Gateway software. This software is required for online payment portals.



## 2

## Digital Wallets / Mobile Payments

Digital wallets work similarly to credit cards. The difference? These wallets are digital forms of a physical credit card.

Just like credit cards, digital wallets and mobile pay apps are linked to the user's bank account and are used to make purchases the same way.

Mobile payments are convenient for customers, as they are linked to a phone and don't require consumers to carry around their actual wallet—hence the nickname.

Mobile payments, like credit cards, can easily be set up for automatic payments as well.

### Costs:

- The costs of digital wallet processing is the same as for credit cards because they are simply digital versions of a credit card.
- They require touchless payment processors (i.e. tap-to-pay technology) to transact in person, or payment gateway software to transact online.



### 3

## Bank Credit Transfers / eChecks

Money transfers and eChecks are both payment methods directly linked to a user's checking account.

You may have used one or both of these methods when making large payments online, such as for rent or utility bills.

To use, customers link their routing and account information to a secure payment portal, then follow prompts to enter the amount they'd like to transfer.

Depending on the bank, they might not support recurring payments, but bank credit transfers and eChecks are convenient for customers to use in certain instances because they don't have as many associated fees. They're also not expensive for businesses to implement.

### Costs:

- Accepting this form of payment may significantly decrease your business costs because the flat rate is anywhere from \$0.50 to \$2.00.
- Another "cost" to consider here is that it may take longer to receive your money if acquiring it through a bank transfer or check because the bank often puts these on hold for verification purposes.

## 4

### Text-to-Pay

Text-to-pay technology works extremely well across most small business sectors. It is its own form of payment gateway technology that allows users to invoice customers through SMS messages on their phone.

Instead of having a physical card swiper, accepting a check (that may bounce), or taking a large sum of cash, text-to-pay technology lets you request the money from them by sending a text message.

This payment system is helpful for customers because they can pay immediately and with their credit card—which is the most preferred payment method. It's also helpful to business owners by allowing them to be paid on time, accurately, and at little cost to them.

Text-to-pay is also compatible with recurring payments.

Did we mention you can get paid from anywhere at any time with this method?

#### Costs:

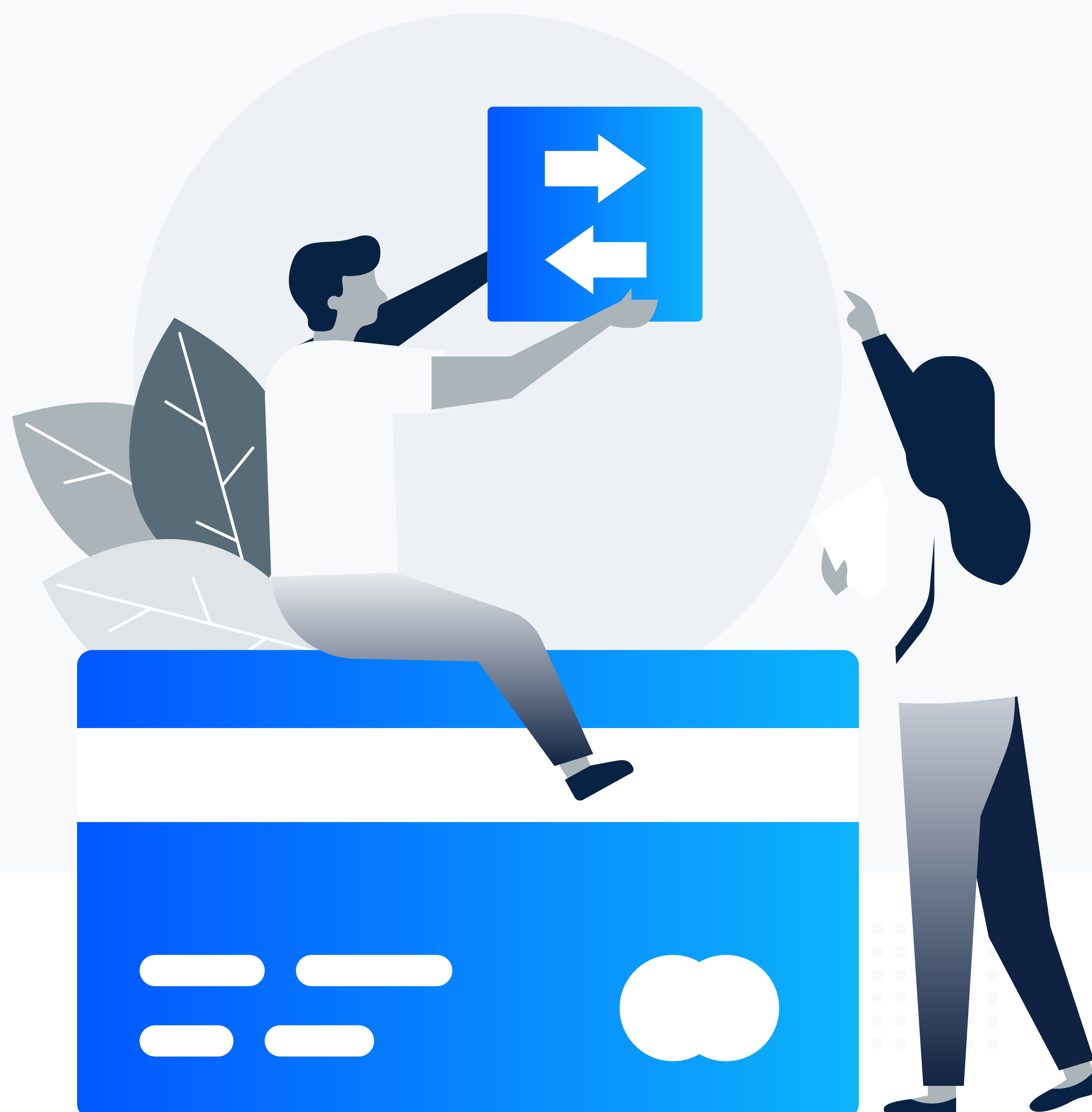
- Accepting payments as a small business requires that you partner with a company that supports mobile payments. This typically means a monthly or annual subscription cost for small business payment processing services.
- Depending on your service provider, you may also be required to pay the credit card processing fee which is about 1.3% to 3.4% as standard.



# Your Industry's Preferred Payment Method

When deciding what small business payment processing method is right for you, it's important to consider things, such as your company's:

- **Offering:** Are you selling products or services?
- **Purchase mode:** Are you selling online or in person?
- **Business model:** Are your payments one-time or recurring?
- **Industry**
- **Customer base**





To help you break it down, let’s go over which payment methods are most suitable for each of these features.

	Credit/Debit Cards	eWallets / Mobile Payments	Bank Transfers / eChecks	Text-to-Pay
Offering	Products & Services	Products & Services	Services	Services
Purchase Mode	Online & In Person	Products & Services	Online	Online & In Person
Business Model	One-time & Recurring Payments	One-time & Recurring	One-time	One-time & Recurring
Industry	Ecommerce, Retail, On-demand Services, & Subscriptions	Ecommerce, Retail, and Subscriptions	On-demand Services	On-demand & Subscriptions
Customers	Preferred	Preferred	Not Preferred	Preferred

Whichever you decide on, it’s important to choose a method that’s feasible for you to implement and easy for your customers to use daily.

Other important factors you may want to consider when choosing your small business payment processing method are your geographic location and the age of your typical customer.

For example, it’s been shown that millennials are more likely to engage with mobile payment technology than any other age group. So depending on your particular customer base, you may consider a more or less traditional payment method.

# What Customers Love

## **Customers want two things:**

To get what they pay for and an easy shopping experience. If you can deliver both of these, then you're headed for success.

The payment process is part of your customer's overall experience. To help ensure the buyer's journey is fully tailored to them, we want to highlight what people love—and don't love—about the different non-cash payment methods.



# 1

## Credit / Debit Cards

### Pros:

- Credit cards help you build credit, which proves crucial these days for major purchases or life events, such as buying a home, taking out a loan, buying a car, etc.
- Credit card companies offer rewards and incentive programs to earn points, money, and more when using their cards for purchases.
- Cards are an easy way to keep track of spending.
- Debit cards provide an extra layer of security by requiring a pin entry.
- Credit cards don't require that a customer carries cash.

### Cons:

- There is a possibility of paying high interest rates on late payments.
- Many people are afraid of ruining their credit by spending too much on their card or "maxing out" their account.
- Card information may be stolen.
- Some people find it stressful to keep up with a credit score.



## 2

## eWallets / Mobile Payments

### Pros:

- Mobile payments help people budget more easily.
- Digital payment methods are fast and convenient modes of spending.
- Contactless payments are in high demand.
- Many eWallet and mobile payment systems offer spending rewards and incentives.

### Cons:

- Some feel that having their credit card linked to their phone makes it too easy to spend money.
- Mobile payments and eWallets require that a user inputs important financial information into online apps and platforms.
- Technology is flawed. Sometimes digital payments or terminals fail and require a backup method.

### 3

## Bank Transfers / eChecks

### Pros:

- eChecks and bank transfers are safe and secure forms of payment.
- eChecks and bank transfers make recurring payments easy to set up and facilitate.
- Fees to process eChecks are cheaper than credit card fees.
- Both eChecks and bank transfers are fast forms of payment.

### Cons:

- The processing period for eChecks and bank transfers is slower than for other payment methods.
- Customers may struggle locating their routing or account number. They may also be reluctant to input these pieces of information online.

## 4

## Text-to-Pay

### Pros:

- Text-to-pay allows a customer to make a payment anywhere at any time.
- Customers enjoy that text-to-pay is a safe and trusted way to make payments online.
- Text-to-pay fosters positive and personal customer-business relationships.
- Text-to-pay acts as its own reminder system, as companies will send a request or an invoice when it's time for a client to pay.
- Text-to-pay allows customers to use whatever card they want for a given transaction.

### Cons:

- Many people are skeptical about fraudulent activity and don't like to give their credit card information out.
- Some customers prefer to receive billing information by email rather than by text message.
- Excitement about text-to-pay technology doesn't span across all customer bases or generations.



Remember to think about your usual customers and to choose a payment method that is most desirable to them.

More importantly, offer as many payment methods as you can. Many companies have proven more successful by offering more payment method options. In fact, if you have the capability to offer multiple choices, then you are likely to increase your sales by roughly 30%.

That's no small feat! Not to mention, it always **pays** to keep your customers happy.

## Additional Resources

We want you to be successful.

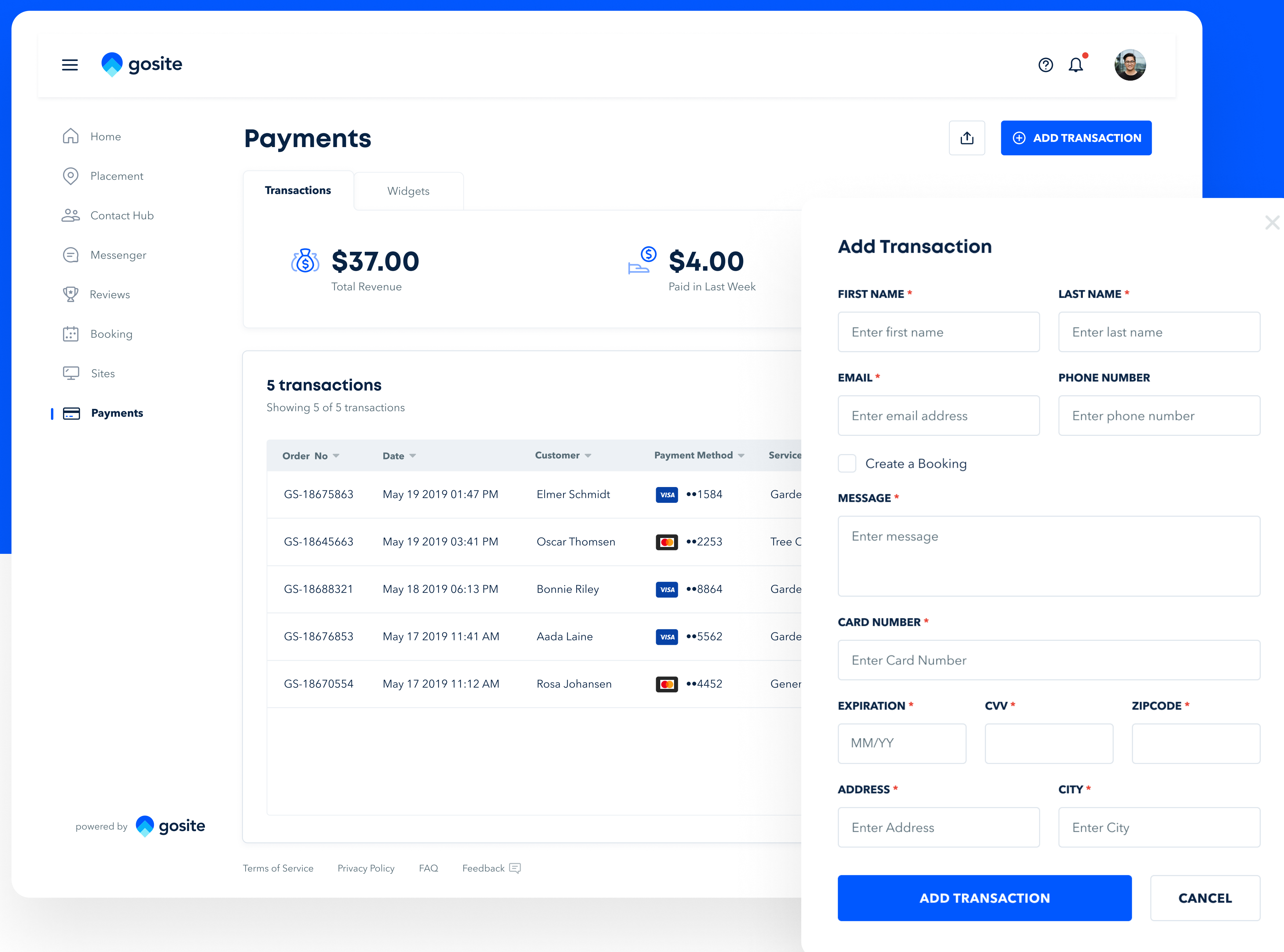
To help you out, here are some additional resources to guide you through getting started with payments:

[\*\*GoSite Payments\*\*](#)

[\*\*Getting Started with Payments\*\*](#)

Watch [\*\*AJ Construction's story\*\*](#) as well, and see how this veteran-owned construction company increased its revenue by 75% in just three months, without ever having to physically swipe a card. The results speak for themselves.

# See How Your Business Can Earn More with Payments



With GoSite Payments®, your business gains an all-in-one payments platform that helps you get paid more, faster. Sign up for our free trial to explore this tool.

[GET STARTED FOR FREE](#) →



PHONE

858-295-7995

EMAIL

[hello@gosite.com](mailto:hello@gosite.com)

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