



UNLOCKING GROWTH:

A Guide for SMEs on

Accepting Card Payments



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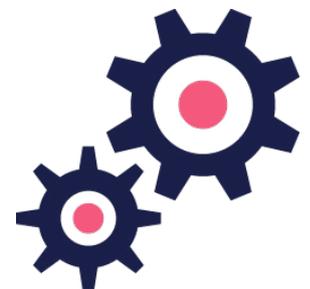


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A GUIDE FOR SMES ON ACCEPTING CARD PAYMENTS

As a small or medium-sized enterprise (SME), accepting card payments is essential for staying competitive, increasing customer convenience, and unlocking new growth opportunities. In just March 2023 alone, there were 2.1 billion debit and credit card transactions in the UK according to research by UK Finance. There is a large section of consumers that rely on being able to use card payments, so it becomes a necessity to have comprehensive and consistent card systems if a business wants to grow.

However, navigating the world of card payments can be overwhelming for SMEs with limited resources and expertise. But with valuable advice and actionable steps, SMEs can learn to make card payments successfully. In this article, we will cover all aspects of implementing and improving SMEs' card payment systems.



1 Understanding the Benefits of Card Payments

1.1 EMBRACING THE DIGITAL SHIFT:

Card payments have the ability to enhance your customer's experience, boost sales, and expand your customer base.

With the best card payment systems, it will open up options to consumers to pay any way they want- not just by card. Through contactless and digital wallets, you can offer customers the choice of payment- reducing friction and improving transaction rates.

From a sales perspective, it also removes the limit placed on customer spending by the amount of cash in their wallet- encouraging higher spending. Impulse purchases are far more common as well, with the ease that card payments bring, customers are more likely to make purchases they may not have without them.

Card systems also open opportunities for owners through the customer data compiled by the system. Looking at spending habits and overall trends, SMEs can more easily target marketing at the consumers most likely to spend money with them- or even look at who they are not appealing to and attempt to expand their appeal.

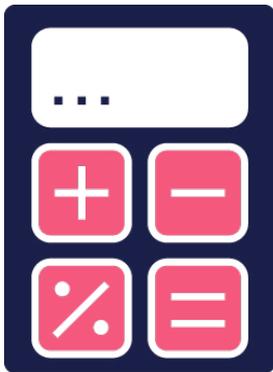
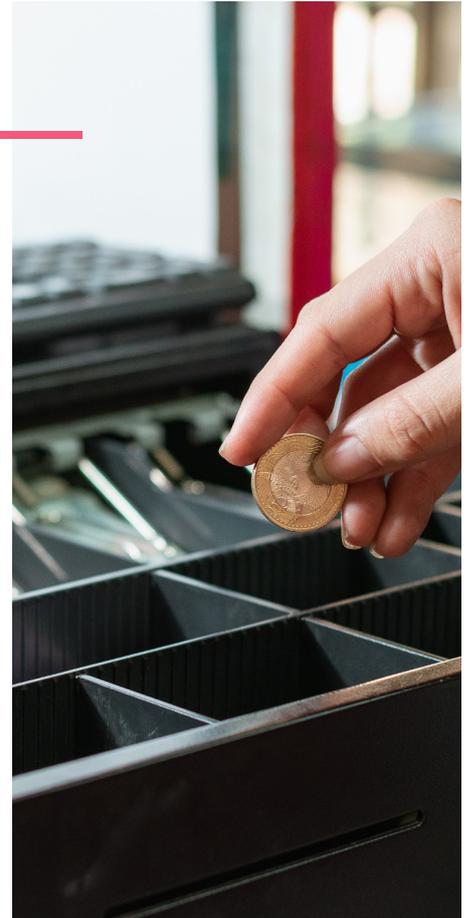


1.2 CONVENIENCE FOR ALL:

Customers benefit enormously from the availability of card payments. As previously stated, the options opened are already a plus for the consumer, but as a payment method, it is more convenient overall.

Transactions become quicker and simpler through cards, cutting out cash reduces time spent counting out change and contactless payments are even speedier. And if customers had to pay by cash but did not have enough in their wallet, they face the choice of having to find a cash machine or giving up on the transaction. SMEs without card payment systems doubtlessly lose countless sales through this sticking point.

The security offered by cards is a vast improvement over cash. Counterfeit notes are entirely removed as an issue - an issue that in 2022 reached 199,000 fake notes in the UK. Similarly, staff theft becomes a non-issue as well, and this costs UK businesses £140,000 a year.



1.3 TRACKING AND STREAMLINING:

The whole business can benefit from the more modern payment system style. By digitising a large number of payments made - accounting becomes a more manageable task. It reduces the risk of human error in the counting and tracking process, and if there is an error then the process of correcting it can be smoother too.



2 Choosing the Right Payment Provider

2.1 ASSESSING YOUR NEEDS:

Having made the decision to implement a card payment system, SMEs will still need to face the complicated process of choosing a provider. However, there are key areas to look at that can make the decision easier.

By looking at the key features a payment system offers and assessing what your business needs, you can narrow down which system may be right for the business. One such feature is what payment methods are accepted- of course most payment providers will accept Visa and Mastercard, it is wise to check what other methods can be accepted like digital wallets. Also, for those shopping online, making sure your payment service accepts a variety of currencies can allow for customers around the world and increase the scope of your business immensely.

Another feature to look at will be the ease of use. One of the most important things will

be to make sure that the payment process is quick and simple. Too many customers will be turned off by an overcomplicated payment process and quit the transaction prematurely- friction must be reduced here as much as possible.

Other aspects to take into consideration: what kind of accounting tools are offered? What security is there? Working out what your business needs in these areas and others will help focus the process of picking a provider.



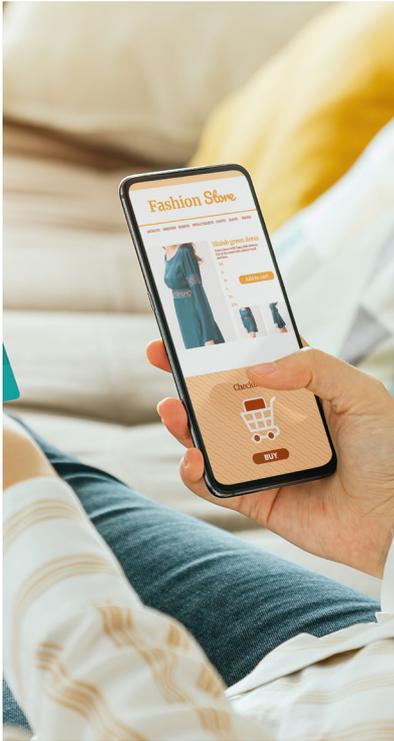
2.2 TRANSPARENT PRICING:

The pricing and costs associated with card payment providers can be complex and unnecessarily obtuse, which will discourage many business owners. However, understanding them can bring clarity to choosing providers.

All providers will have their own flat rates charged for each sale made. Depending on the size of transactions being made, this means that different providers may be more or less expensive than others, so this is an area to watch. These fees will also vary based on the type of sale, like in-person, online, etc.

Not all providers will, but some charge monthly fees to use their service. This usually comes with those providers that offer payment services alongside larger services or platforms.

Additionally, the software and hardware associated with the card payment system will incur costs too. Sometimes these will be one-time payments, though other times it may be a subscription model. Assessing which is more affordable for the SME will be key.



2.3 INTEGRATION AND SUPPORT:

Whatever system is chosen, integrating it into the customer experience seamlessly will be key. For online shoppers, this could mean making sure that they do not have to leave the page to complete the transaction. The friction that could be created here means that how a system is implemented can be just as important as which system is chosen.

Similarly, making sure there is robust customer support in place will help put customers at ease and again, reduce the risk of losing customers when they face issues. Ensuring that employees are familiar with the system and how to use it can frequently mean the difference between a lost transaction and a sale.

3 Setting Up Your Payment Infrastructure

3.1 POINT-OF-SALE (POS) SYSTEMS:

Choosing the right Point-of-Sale system can be a big part of a business' payment infrastructure, so it is important to get it right when picking a POS that suits your business' needs.

In a world with ever increasing options for how to pay, the best POS systems will accept a wide variety of cards, digital wallets, and more. Working out which methods are commonly used amongst your consumers will help clarify what is necessary for your business from a POS system.

That is not all that POS systems offer, however. Many will come

with analytical tools that handle inventory management, sales data, and more; picking a system that has the right features to enhance your business can be vital.

The system itself consists of the software and the hardware. The software securely processes the transaction, while the hardware is the physical components, the card reader, for example. Picking out a system that fulfils all your software needs while also being compatible with the payment types frequently used is a key step in setting up the payment infrastructure of any seller.



3.2 ONLINE PAYMENT GATEWAYS:

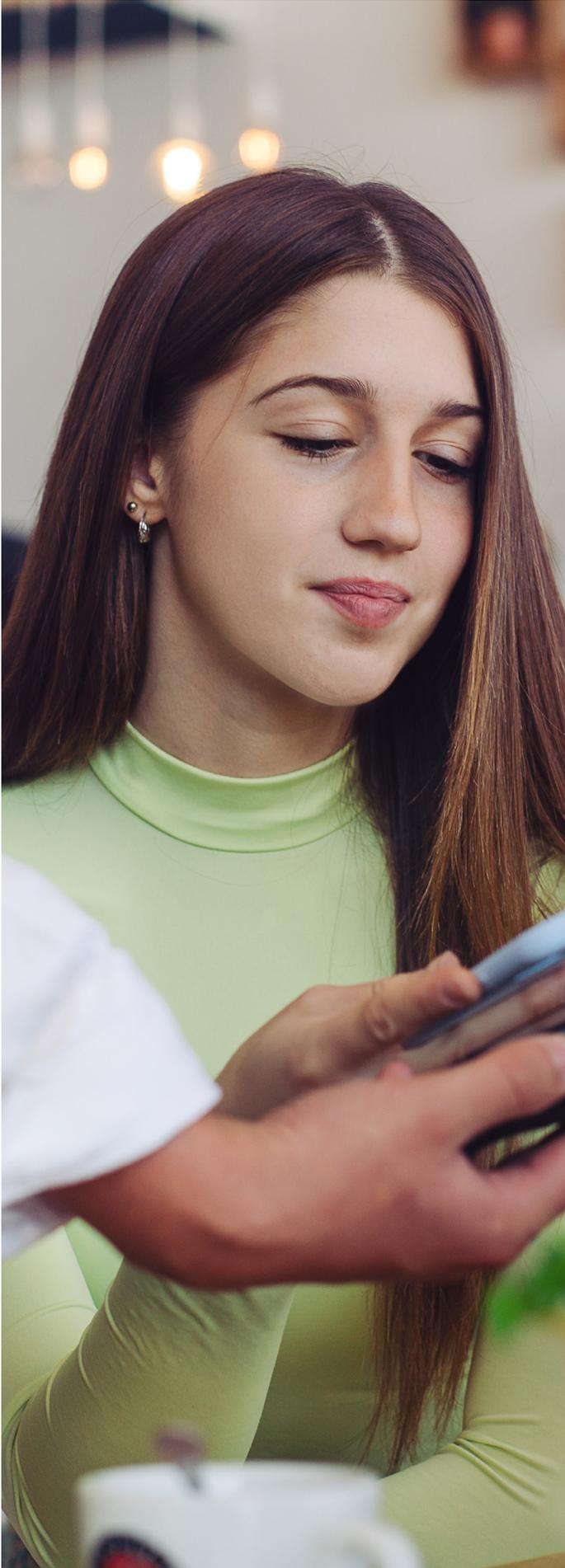
For e-commerce, the payment gateway is the equivalent of a virtual card reader. It will handle the reading and transmitting of information to the payment provider. Like any step in the process, choosing the right gateway and integrating it can be challenging, but it is important to creating a user-friendly and secure check out process for the customer.

Depending on the gateway, it will either be hosted on your site, or the gateway provider's. On the one hand, hosting it on your own site streamlines the process for the customer, but leaves handling the technical problems to you. Alternatively, gateways hosted elsewhere will come with guaranteed technical support, but will redirect the consumer to another site to enter payment details- potentially creating more pain points

in the check-out process. The last option is to use an API to host on your own site, but this leaves businesses to handle the security themselves- taking responsibility for compliance and any data breaches.

The issue of hosting will certainly be important when deciding how to implement the payment gateway, but there are other things to consider when selecting the right one. Price, security, and payment options will all play a factor in which one to choose. Additionally, finding a gateway that easily integrates into the rest of the payment infrastructure will be crucial. Making the whole process as secure and as seamless as possible will be the number one factor in making sure the customer is willing to trust the payment process.





3.3 MOBILE PAYMENT SOLUTIONS:

A form of payments rising in popularity is mobile payments. Using NFC (Near Field Communication) reader technology, customers can pay with cards, mobile wallet apps, and any other form of mobile payment. This method is quick and low cost, and it is rapidly gaining traction amongst consumers.

The global mobile payments market has been predicted by multiple studies to top \$3 trillion in total by 2024, and thanks to the push to contactless payments from the pandemic, it has seen a boom in popularity. Of those that were already using contactless payments, 7 in

10 have used them more since the beginning of the pandemic in 2020, according to a one survey in Spain.

Leveraging this recent growth lets SMEs take advantage of the many benefits that come with mobile payments. These include the previously mentioned low costs, but also the access to customer data that it provides gives businesses a leg up in marketing and bookkeeping. Mobile payments also help integrate rewards systems through the data they store in-app; this, combined with the convenience and speed, make this an ideal way to pay for consumers too.

4 Ensuring Security and Compliance

4.1 PCI DSS COMPLIANCE:

As any merchant must, SMEs need to make sure they are fully compliant with payments regulations- in this case PCI DSS (Payment Card Industry Data Security Standard).

PCI DSS ensures payment data is secure, reassuring customers and stakeholders alike. The requirements within the regulation are split into 6 control objectives:

Build and maintain a secure network and systems

Protect cardholder data

Maintain a vulnerability management program

Implement strong access-control measures

Regularly monitor and test networks

Maintain an information security policy

Failing to meet the requirements can result in financial penalties, but more than that, it will damage customer trust in a business- something not easily regained.

Depending on the complexity of the business, compliance can be relatively simple- or more complicated. With in-store payments, doing things like keeping till receipts safely secured and frequently checking card readers and other equipment for tampering go a long way ensuring compliance and data safety.

E-commerce requires more complex safety measures, but protecting data is still achievable. Using strong passwords, and up to date anti-virus software can help protect against hackers- but since businesses will be relying on third party software for the payment systems themselves, ensuring your providers are secure as well is vital. Checking providers' PCI DSS compliance will be important in ensuring you are compliant as well.

4.2 FRAUD PREVENTION:

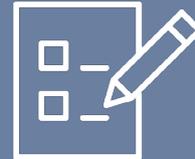
Fraud represents a serious threat to SMEs, with UK Finance reporting that UK SMEs lost £59.2 million to fraud in the first half of 2021 alone. Fraud prevention should be a priority for any SME, and some of the strategies to help are relatively simple.

Some of the main types of fraud to look out for are:



CEO FRAUD

Hackers send a fraudulent email, pretending to be the CEO requesting a bank transfer



FAKE INVOICING

An employee, supplier, contractor, or other fraudster submits a fake, inflated, or duplicate invoice



MANDATE FRAUD

A fraudster tricks the business into changing a direct debit, or bank transfer from someone you regularly make payments to



CYBER FRAUD

A criminal uses malicious software to send phishing emails

Businesses must be aware of these threats- fraudsters usually rely on ignorance to make their scams successful.

Training employees to be aware of threats can help reduce the risk that they'll fall victim to fraud and cost the business money. Likewise, dividing accounting duties can reduce the risk of internal fraud, making sure there are multiple employees checking invoices and payments. Finally, being familiar with your suppliers means you can keep tabs on any discrepancies in the invoicing- unethical suppliers may count on poor accounting to charge twice for the same job. Also, fraudsters may pose as suppliers, so double checking any new suppliers will be important before setting up invoices or direct debits.

4.3 CUSTOMER TRUST:

While ensuring compliance and preventing fraud can seem like money and time sinks with no active benefit, the truth is that all this builds trust with customers and can help keep hold of a loyal customer base.

SMEs rely on more personal and trusted service than larger businesses, due to their ability to have a more direct and intimate customer service style that differentiates them from more impersonal larger businesses. This is an angle that larger businesses cannot as easily take advantage of, so focusing the trust of the customer in a SME's outreach puts them at an advantage over large businesses.

On the other hand, SMEs are more damaged by data breaches and customers being harmed. Their reliance on a close and personal relationships with returning customers means that any time a customer is harmed, the business often will be held personally responsible- leading to a reluctance from customers to use the business.



5 Optimising Card Payment Processes

5.1 SIMPLIFYING CHECKOUT EXPERIENCE:

Once a payment processor is selected and in place, there are still several practices that will help streamline the online shopping process and reduce cart abandonment. The Baymard Institute calculates the average cart abandonment rate to be around 70%, so any tools a business can use to decrease this will greatly boost profits.

Reducing friction is key- the more pain points a customer encounters will increase the likelihood of abandonment. This means things like not requiring a sign-in and allowing customers to use a guest account for checkout, and maximising efficiency by letting users choose their billing address in the shipping field or vice versa.

Encouraging a purchase through good value is key too. By highlighting free shipping, easy returns, and the importance

of security to the business, the customer will trust that they are being treated well. Likewise, clear, simple, and accessible website design can be a good trust indicator for the consumer.

Giving customers choice in how they pay will help reduce abandonment, but also by keeping the payment section of the checkout until the very end makes shoppers more inclined to complete it if everything else is finalised.

But if a shopper does abandon their cart? There are still steps you can take to draw them back in. Follow up emails to remind customers of what they abandoned have a significantly higher rate for being opened than other marketing emails (48% compared to 22.8% according to SaleCycle). As such, getting a customer's email early in the checkout process is key.



5.2 EMBRACING CONTACTLESS PAYMENTS:

Even with card payments fully implemented, SMEs should not stop there. In recent years, the popularity of contactless payments has skyrocketed- both with cards and other methods. UK Finance found that in 2021, 32% of all payments were made by contactless credit or debit cards. By not supporting this option, one even more convenient than traditional card payments, many shoppers will skip out on purchases.

Contactless payments are also quickly becoming the payment method of choice for the younger generations, with Millennials and Gen Z customers adopting them far more than older customers. This presents an opportunity for SMEs to reach out to younger demographics and position themselves as in line with the trends.



5.3 EMBRACING NEW TRENDS:

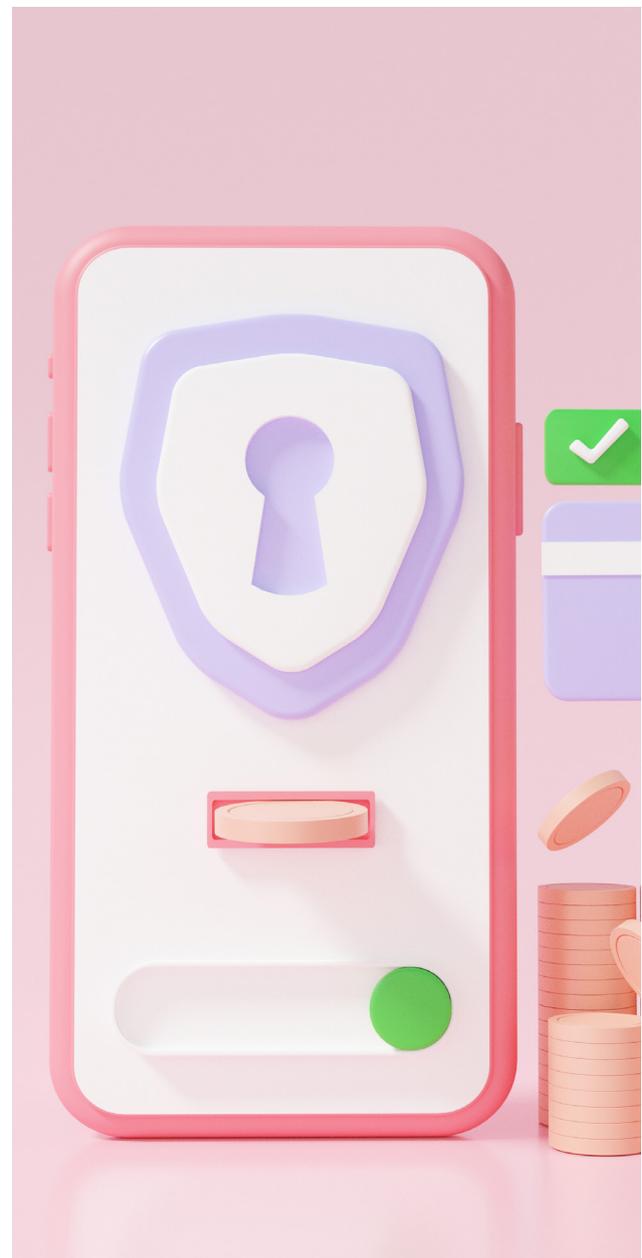
Other recent trends that could benefit small businesses include digital wallets or BNPL (Buy Now Pay Later) options. These options offer several uses for the consumer that may encourage them to make purchases, should your business support them.

Digital wallets, for one, are efficient for both the consumer and business, plus relatively low cost for a business too. Many wallets charge less to merchants than traditional methods, with some even being free to operate, and they are quick- being as efficient as contactless cards when it comes to input time while still being usable anywhere you make payments. Such a low fuss option can encourage quick and impulse purchases to great effect.

BNPL can make a significant difference to whether customers complete their purchases and the size of them too. Global research from RBC Capital Markets shows that customers with the option for BNPL are 20%-30% more likely to complete a purchase rather than walking away. Combined with the same research finding that basket sizes can be anywhere from 30% to 50% higher with a BNPL option available, it is clear the benefits of offering it in any business.

However, it is worth knowing that BNPL does come with significant downsides as well. Not everyone is able to use the service- as services will make credit checks on consumers to see if they are able to pay the costs. These costs can also be higher than paying for a product

outright, with some options having large interest rates compared to most BNPL options having 0% interest. Additionally, with the current uncertainty surrounding regulation, many BNPL providers are hesitant- even saying that with some proposed legislation in place, they would not be able to continue business. SMEs should exercise caution when considering these options.



Bringing it all together

While an intimidating prospect, card payments and how they are implemented can fundamentally change a business- opening up new growth and opportunities.

By following the steps outlined, your business can make significant gains and will be more prepared for the future and its ever-changing technological payment offerings.

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