Everything You
Need to Know About

Accepting Online Payments

bambora

Introduction

Today just about anybody can start a business selling their products and services online. Better yet, buyers are already there. 80% of Canadian consumers are shopping online yet only 17% of Canadian SMBs are selling online.

Why such a big difference? 30% are worried about sliding customer service, 21% fear online fraud, and 19% lack the technological understanding.

All these concerns can be easily alleviated by payment solutions, but it can be tricky for small business owners to understand the payments industry and the various solutions available.

The good news? Your company can overcome these challenges by selecting a payment provider who is equipped with the technology to tackle these issues head-on. In this eBook we've outlined everything you need to know about how to accept credit card payments online.

Table of Contents

How the payment process works

For newcomers, the payment process can seem confusing. Let's break it down, here's what happens step-by-step, including the key players and where they sit in the payment process:

Step 1

A customer makes a purchase
A customer goes to your company's online store and finds the perfect present. She adds it to her shopping cart and begins the checkout process. She enters in her credit card and billing information and hits purchase.

Step 2

The customer's web browser encrypts data and sends it to your payment provider
After she hits purchase, the payment form encrypts the sensitive data. The encrypted data is sent to your payment provider, keeping it completely off your server! This is critical, as you must oblige by certain online payment security standards.

Step 3

Your payment provider works with two banks and a card brand
Your payment provider then works with the customer's bank (eg. FirstData, TD, Bank of America) and card brand (eg. Visa, MasterCard, Amex) to retrieve the required funds from the customer and credits your merchant account.

Step 4

Settlement and funding
Your company will then receive the amount due in your regular business bank account. How long it takes depends on your contract. The industry average is t+3, which means 3 business days after the transaction.

Payment Definitions

Merchant Account:
a type of bank account that is required to process credit card transactions online.

Settlement:
the process of how money transfers from a payment provider to your business bank account for money due.

Your questions about accepting payments online, answered

How much does it cost to process payments?
While the exact cost may vary between providers, you should expect to pay a fixed fee per transaction (around 20–40¢) and a small percentage (around 2.75–2.95%) of the total purchase amount. This would mean if you processed a payment of $100, you would pay anywhere between $2.95–$3.35 in fees. You might also see providers charge a setup or monthly service charge. As you grow your business and your online sales volumes increase, your pricing typically goes down as you unlock better rates.

We have been in the payments game for a while, and we've noticed that many newcomers ask the same kinds of things. Here are some of the questions they ask:

What is a payment provider, anyway?
A payment provider makes it possible for businesses to accept many different forms of payment through a single online platform. As a single platform, payment providers offer a range of payment tools (eg. a responsive payment form, recurring billing software, or fraud defense tools) that make accepting online payments a whole lot easier.

In simple terms, these payment providers can be thought of as an armoured train that runs back and forth between businesses, banks, and card brands—picking up the payment information from one and safely delivering it to another.

How do you accept credit card payments online?
There are two options a business has when setting up their online business.

1. **Work with a payment provider, like Bambora.**

Why: Most businesses find that partnering with a payment provider is a lot simpler than going it alone. Payment providers remove the often cumbersome tasks associated with payments by taking them on, like becoming PCI Compliant, on behalf of a business. Especially if you're not certain about all the moving parts that come with accepting payments online, working with a payment provider is a safe way to go. They will be able to help guide you through the whole process. They can explain the different ways you may want to accept payments, either through a simple payment form like Checkout, or through a custom integration which would require a developer.

2. **Work with a software solution, like Lemonstand.**

Why: Going with a software solution can be easier for some businesses especially if they don't have their own website or a tool that is industry specific (ie. Campbrain, a camp registration software). Some also provide support to other business functions, like marketing, branding, and web hosting. Most of them still require you to sign up with a payment provider and plug in your merchant account details to accept payments.

We'll cover more of the benefits of partnering with a payment provider in the upcoming sections.

How can you keep payment information safe?

All payment providers should follow industry standards and offer tools to keep your transactions safe, such as:

PCI Compliance

Every business accepting credit or debit cards (on or offline) is required to follow Payment Card Industry Data Security Standards (PCI DSS). Businesses can become PCI-compliant by partnering with a certified payment processor. Typically to become compliant you need to fill out a 34 page form. Payment providers take on most of the burden and you may only need to complete a one page form upon signing up.

Tokenization

Tokenization protects sensitive data by replacing the content (like a credit card number) with a series of randomly-generated numbers and letters called a "token". Tokens can be sent safely across the Internet, between a business and its payment provider, without exposing the actual banking details. That means that even if a fraudster somehow discovers a token, it will be useless to them. The real banking information is safely stored on the payment providers PCI Level 1 server (the highest level).

What happens when someone puts through a fraudulent charge?

If your business processes a fraudulent charge, and the customer whose card was compromised reports it to their credit card provider, you're on the hook for the amount of the transaction. Chargebacks can be both costly and damaging to an online business and can quickly ruin a business' merchant account status. Although chargebacks do happen, businesses can reduce the frequency by using tools provided by a payment provider, like 3D Secure.

How a payment provider can help

Payment providers take the pain out of payments and offer businesses a straightforward way to sell online. Here are just a few of the features they can provide:

Accept multiple payment methods from a single platform

Different payment methods (e.g., credit cards, debit cards, eWallets) have different authorization requirements—which can quickly become complicated for businesses to navigate. Depending on your customer's preference, you may need to offer alternative payment types to nail the sale. Payment providers simplify the process by making it possible for businesses to accept a range of payment types through a single payment platform.

Responsive checkout

As the world moves further and further into mobile technologies, businesses need to offer their customers a responsive checkout experience that works both online and via mobile device. Mobile payments can either be taken within a web browser or within an app. Today's top payment providers offer responsive online and in-app payment support.

Accept and process payments in different countrie

Being able to accept payments from around the world is achievable for any online business. Payment providers can help businesses with their global growth efforts by accepting foreign credit cards, displaying prices in the local currency, and settling into a different currency.

Seamless integrations

Making the checkout process as quick and seamless as possible is critical to closing a sale. For online businesses, a big part of this includes minimizing the steps and screens a customer has to navigate to make their purchase. Payment providers can help here by integrating into a business' existing website—meaning that a customer never has to leave the online store during payment.

Best practices for setting up payments with a payment provider

There are quite a few payment providers out there today, so it's important to do your homework before picking a partner. You'll want to make sure that they are easy to work with, secure, and offer all the features your business needs. Many options offer test accounts where businesses can explore the platform's features. We suggest all businesses take advantage of these test runs before making their pick.

To make your comparison easier, we've outlined a few key features to look for when you're making your final selection:

✓ Do they accept multiple payment methods?

✓ Can they support different currencies?

✓ Do they support both online and in-app functionality?

✓ Do they have an easy-to-reach customer service team and helpful resource centre materials?

✓ Do they offer the ability to scale account types as your business grows?

✓ Do they offer numerous third-party integrations?
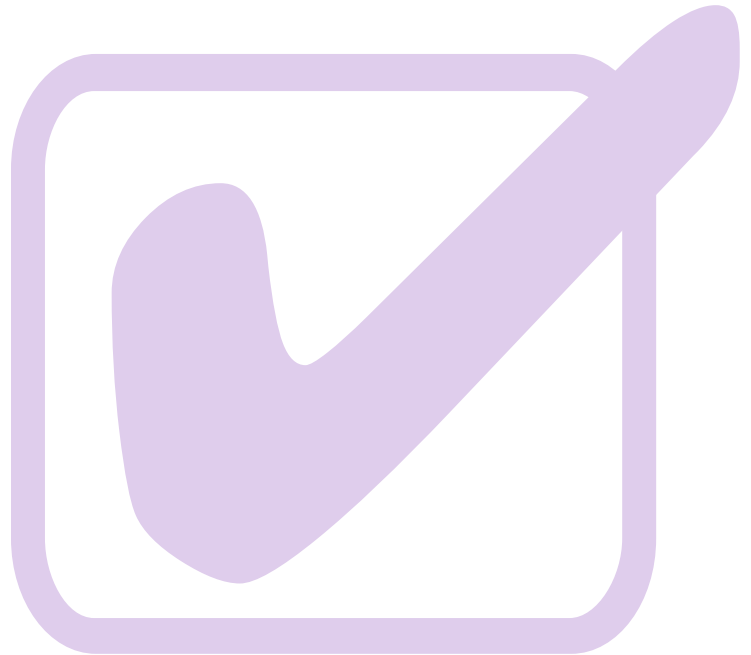
✓ Do they offer free fraud tools?

✓ What is their settlement time (how long does it take for the money to show up in your account)?

We suggest allotting a few weeks to give your team an adequate trial and comparison period, before making a selection.

Summary

So there you have it—nearly everything you need to know about how to accept credit card payments online.

Whether you're a new business setting up your online store, or an established company looking to give your customers a better payment experience, knowing the essentials of accepting payments online is critical to your success.

Luckily, well-established payment providers are around to help simplify the process. By offering a single platform for processing payments, payment providers are helping businesses reach new heights of convenience while also expanding their global reach. With the right provider, accepting online payments can become simple and stress-free.

About Bambora

Founded in 2015, Bambora is a collection of companies with decades of experience in the payments industry. Now a global presence, with over 600 employees in 64 markets, Bambora processes over $47 billion USD per year.

Bambora North America is responsible for processing 30% of all e-commerce in Canada and has equally ambitious goals

for the US market. Bambora helps all businesses grow, with simple and secure payment tools.

To learn more how Bambora can help your business reach new heights, reach out to us at www.bambora.com

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