ePAYMENT SECRETS

HOW TO UNLOCK UP TO 30% MORE PROFIT MARGINS OVERNIGHT
PLUS OTHER INSIDER SECRETS FROM A PAYMENT PROFESSIONAL

THOMAS BUTTINO

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DEDICATION

To Jan...

You were a friend and a colleague who showed me that you really can see the world, while putting family and friends first.

To Jimmy...

Thank you for teaching me that the time we have here is limited, so always make a point to let those we love know just what they mean to us.

To my Mother & Father...

The best education I could have ever received was watching you both create successful businesses from the ground up. For that, I'm eternally grateful.

Finally, to my Wife, Jenny, & Son, Roman

I'm so blessed to have you in my life, and your unwavering love and support give me a purpose beyond anything I could've ever imagined possible.

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"This book is a roadmap that lays out the exact steps you can take to master the art of getting paid, and how you can use this skill to achieve greater scale in your business virtually overnight."

— *James Buttino*, CEO, Systems East, Inc.

This book gives you an unprecedented, behind the scenes look into the inner workings of the credit card industry. Why does this matter? Well, whether you realize it or not, accepting credit cards, or any form of electronic payment (ePayment) has a direct and profound impact on your bottom line.

Every year, businesses spend as much as 30% or more of their entire profit margin on accepting ePayments. What this book uncovers is why that number is so high, and how you can legally and ethically overcome them overnight. Most importantly, this book will tell you *exactly what to do next*.

No matter what type of business you run, this book might just be one of the best tools available that you didn’t know you needed, until now.

Before Thomas reveals all these industry secrets, I first want to give you some background on how this all got started...

In 2004, my software development company, Systems East had already been in business for 23 incredible years. I use the word “incredible” because we launched the business back in 1981 when personal computers (PCs) were still quite novel for everyone. Both Microsoft and Apple had only been founded a few years earlier, and neither were the household names they are today. We were leveraging some of the latest tech in the world to grow our company, and it was an amazing time.

Fast forward 23 years to 2004, and although we were consistently profitable over the years, one major project we were heavily invested in had been seriously derailed. We were developing a custom accounting system, but had been met with numerous curveballs, making it near impossible to deliver the solution. After over a year of program updates and untold effort, the project ended abruptly, and we lost one of our largest clients.

We had to get back on track, fast. Although we had created one of the most advanced solutions on the market, it was so specialized that we couldn’t sell it to anyone else because of how radically different it was. When the project met an early demise, so did the revenue it generated. That meant we were experiencing a perilous negative cash flow.

Something had to give.

Faced with the harsh reality that our once thriving company was now in a financial backslide, I was forced to let two employees go. Though this may be a common practice for some companies, it was not at all for ours. To make matters worse, the first employee we had to let go had been with us for over 12 years. The other was my son. He had joined us after following a plan that he had forged in high school to be a part of the company, and carried it through his college years. Now, I was forced to lay him off just one year after hiring him. Needless to say, that was an extremely bad day for both of us.

When you only have eleven employees, letting go of two was no small deal. We've never been in that situation before, or since, and to me, all of our staff are more like family than employees. I've always promoted the concept of growing as a team to reach the success we are all striving for with our clients, resellers, and staff. What made it even harder was knowing these folks also have families depending on this firm to provide for them. These layoffs were a very unsettling experience that I'll carry with me forever.

Rather than accept defeat, I decided to meet with some close personal friends to try and figure out what happened. I was discussing our state of affairs with my friend Matt. His new glass business was in a similar position and he was also not happy with his progress. After a long discussion, we made a pact to both start a new project that would set the course for our new paths ahead. He would start by branching out into the commercial glass business, while I committed to focusing on launching an online payment solution that would work for virtually any organization.

With a new focus, I began working with my team to develop a flexible online payment system that would help our customers leverage cutting edge Internet technology to scale their businesses faster than ever. Keep in mind, this was 2004. People were still reeling from the DotCom bubble burst, and online payment services were incredibly novel. eBay and PayPal were pretty much the only mainstream services offering an online payment option, and even they weren't that big yet.

Either way, my team and I got right to work with laser focus. We researched how electronic payments worked. (Hint: It's not as simple as swiping a card, but more on that later.)

Next, we researched the industry's major players, processors, and banks involved, what services our potential customers wanted, various price points for each, the features we should offer. Plus, we looked at countless other details needed to launch a successful ePayment solution.

What we found was “ePayments” are not merely a product. It’s an entire industry and one that should not to be taken lightly. Why? Because ePayments entail everything from programming, software integrations, extensive layers of security, certifications, compliance, and a host of other factors. It was a formidable undertaking, but we were an innovative and scrappy bunch from the start, and we were determined to make this project a huge success.

The months that followed were filled with numerous webpage mock-ups, revisions, and countless phone calls and emails to collaborate with my team. Almost all of the design elements like logos, the site layout, and other aspects were done in-house to make sure we got exactly what we wanted.

Almost a year to the day later from that fateful conversation with my friend Matt, we were finally ready to release one of the first commercially available online ePayment solutions ever, called – ***Xpress-pay.com***

The excitement of going live with this new product was contagious. The team was beaming with pride with what we had accomplished. Our beta clients loved what they saw, and we couldn't wait to see what kind of response we'd get from our other customers and everyone else waiting for something like this.

Our market research told us this would fly off the shelves. What we couldn't have been prepared for was just how uninterested the world was in accepting payments online in 2005. I know how strange that must seem today, where buying, selling, and paying for things online is second nature, but back then the only other online player was eBay. They had just started to become the website to visit about a year earlier, and people were still adjusting to the idea of trusting the Internet, and transacting online.

We also weren't prepared for just how cutthroat certain aspects of the payments industry were (and still are). Over the next 15 years, we spent millions of dollars establishing our reputation and a national network of clients, resellers, and brand advocates. It's been a crazy ride.

Here we are today in 2019 and Xpress-pay has grown into one of the leading and most versatile online and mobile payment solutions available in the U.S. and Canada. We also partner with some of the most trusted brands and banks in the payments industry to provide this solution to more businesses than ever. Moreover, we've connected millions of merchants and consumers, making it easier for them to transact, and help them securely process billions of dollars every year.

Internally, we've also transformed from a small, regional firm into an international force leading the charge in the payments industry. Plus, we've substantially elevated our revenue and profits, all without any venture capital, loans, or outside funding. As a result, we're able to maintain our focus solely on creating new ways to help our clients. Every. Single. Day.

In addition, our staff has expanded significantly, and yes, we did rehire the two employees we let go earlier. That means we are now helping secure the financial futures and freedoms of more families, which is what life and business are all about… at least for me.

Why do I tell you all this? I promise, it's not to toot my own horn. Since you're reading this book, I want you to know just what kind of an impact understanding and leveraging the power of ePayments can have on your business. Plus, by reading this book, you'll get to skip the massively expensive uphill battle that we experienced on our path to success with ePayments. That means you'll get to jump right into growing your business from day one (maybe day two, depending how quickly you start applying the techniques in this book).

Join us now as we take a lighthearted, deep dive into the world of ePayments, which will unlock some of the secrets they hold to help you scale your business. Hopefully, you'll find as much success with them as we have. Also, if what you learn helps grow your business, or if you have any ePayment tips you'd like to share, head over to **www.xpress-pay.com/epaymentsecrets**. We'd love to hear from you!

Sincerely,

James L Buttino

James L. Buttino

ePAYMENT SECRETS

CHAPTER 1

ePayments:
Why Are They So Important?

Thanks Jim!

Hi everyone. Wasn't that an incredible story from Jim? If you happened to read the book jacket you may have noticed that Jim and I share the same last name. Just to confirm, yes, he's my father, and yes, I was the son he had to "lay off" all those years ago. But here we are, almost 15 years later and having an amazing time helping so many companies grow, and leverage the power of ePayments (including our own)! Watching our company go on this rollercoaster of ups and downs through the years has been quite inspiring. I can't wait to share the secrets in this book with you so hopefully you too can benefit from everything we've learned.

Before we dive into what ePayments are, how they work, and how to become an *ePayment Master*, I first wanted to discuss why ePayments are so important. Important enough they warrant an entire book.

Also, while the term ePayments can include everything from credit cards, electronic checks, bank transfers, and a host of other ways to move money electronically, for the purposes of this book we're simply going to focus on processing credit cards.

To get started, I have to ask you a question. Think hard, because it's really important we get on the same page, so the rest of what follows makes sense.

Let me ask you, **"What do you think is the most important function of any business?"**

When I ask folks this, they usually come up with some variation of the following...

Businesses need to:

1. Deliver the greatest product/service imaginable

2. Provide the greatest customer service ever

3. Innovate regularly

Yes, these are all important elements of running a solid business that will endure, but are they really *the most critical* business functions? Let's see...

First, is delivering the greatest product/service vital to running a successful business? Well, I'd say that *McDonald's* has proven there are billions of dollars to be made even when offering a fairly mediocre product compared to the millions of other restaurants in the world.

Compare the cut of meat you get at a Mickey D's to something like *Ruth's Chris Steakhouse*. I don't have to say anymore, and I bet you see my point. Right? Both companies are extremely successful, both sell beef, but the difference in the quality of products they put on their customer's plates couldn't be anymore stark. (Wait, does Mickey D's even have plates?) See what I'm saying?

Okay, so if delivering a stellar product is not the key to running a successful business, then providing top-notch customer service must be imperative, right?

Well, let me ask, when was the last time you had a stellar customer service experience at a Walmart? Walmart did over half a TRILLION DOLLARS in revenue in 2018 alone. Half a TRILLION!!! That's a "T". $500,000,000,000 is more than twice the revenue of the next company on the Fortune™ 500 list, Exxon Mobile. Keep in mind that Walmart did this despite the fact that almost no one who works there can help you find anything, ever. I'm not saying the people who work at Walmart aren't the salt of the Earth, folks, I'm guessing they're just not trained or paid enough to care.

My point is, it's clear that most folks would rather save money, even if it means getting less than ideal customer service. That's evident by the fact that Walmart generated more cash than any other company in the world last year, despite their lack of customer service.

So what about the last point about viable businesses needing to “innovate regularly”? Honestly, this point can be argued in so many ways, even down to how each of us defines the word “innovate”. I’m not kidding. Someone from the west coast of the U.S. is going to have a much different interpretation of the word “innovate” than someone from, say, China, Europe, or Ethiopia.

Even those in the U.S. are going to vary drastically in how they label something as “innovative”. Allow me to present one product that I think has been grossly mislabeled as “innovative” for years now. So much so that consumers have been persuaded into spending BILLIONS of dollars for no good reason.

What is this seemingly magical product, you ask? None other than the Apple *iPhone*. I don’t mean the original *iPhone*, as that was truly revolutionary in many respects, and helped catapult smartphones to become as mainstream as breathing.

However, in my opinion the iPhones 4 thru 9 were just the same phone with slightly better cameras and screens than previous versions. Sure, there were other enhancements, but nothing as truly groundbreaking, or "innovative" as the original.

It didn't matter though. Apple's marketing is so incredibly effective, and their followers are so personally vested (or devout) in the brand that no matter what they put out, someone will label it as "innovative". Case in point, this gem of an image from the 2019 Developer's Conference that perfectly captures Apple's culture (note: the root word of culture is "cult")...

#1: A computer monitor stand is not art. It's just not... mmmmkay?

#2: A stand should never cost ***$999***, but here we are. **Thanks, Apple!**

Anyway, knowing all this now, I again ask...

"What do you think is the most important function of any business?"

Wait for it . . .

Almost there...

One more sec...

GETTING PAID!

That's it. Without this one critical act, it's certain death for any business. Seriously.

Did you know that the #1 reason why businesses fail is under-capitalization? In other words, they don't have enough money in the bank to keep their doors open. Not getting paid = no money = no business. Period. End of story. It doesn't matter if you're running a business, a charity, a government office, or a food truck. If you don't get paid, you don't have a business.

If McDonald's doesn't get their $2 for the burger and fries you just ordered they wouldn't be able to pay their staff. They won't be able to market and sell new franchises around the world. They won't be able to continue spreading their brand. Finally, they won't be able to keep marketing all those amazing new products to you and the masses.

[Fun fact: Did you know that, to-date, we've never gone to war with a country that's allowed a McDonald's within their borders? I guess that "special sauce" really is pretty special. I always thought it was 1,000 island dressing?]

This principle of getting paid applies to ***every other business in the world***, including the behemoths mentioned above, ***and your business***. Without getting paid Ruth's Chris' wouldn't be able to buy those fine cuts of meat; Walmart wouldn't be able to open more warehouses; and Apple wouldn't be able to position their $999 ~~works of art~~ computer stands to the masses.

Given that "getting paid" is such a fundamental concept, you'd think it'd be the focus of every organization. However, it's almost always completely overlooked by even the savviest business owners. Why? I believe it's because most of us take it for granted. We all think, "Hey, I provide a better service than anyone else on the planet, so customers will love paying me for it, right?" Good luck with that. 😉

Another reason? Take this extremely common accounting practice for example:

Anyone who took Accounting in business school was taught about the concepts of Accounts Receivables (A/R), Aging A/R, and the practice of writing off bad debts. "Writing off bad debts" means once your aging A/R reaches a certain point, usually 365 days past due, you should write it off as bad debt. That way, you claim it as a loss on your corporate taxes at the end of the year.

Wait, what?!

Write it off so you can intentionally take a loss? I don't think anyone started a business and said, "I'm going to put my blood, sweat, and tears into this business (yes tears, as we heard in Jim's intro), to make a killer product that everyone will consume (but not pay for), and hopefully the government will give me a break on our taxes so we can stay in business."

Instead, how about we flip this idea on its head and think about it this way – "*What if we made it so incredibly easy for customers to pay, that we have no problems with Aging A/R again?*"

I know this is possible because we've helped our clients do it. In fact, we helped a smaller beach community in South Carolina add an online payment option for their parking tickets and they reduced the number of outstanding tickets by 51%. Imagine getting 51% of your overdue money in the bank tomorrow. Take that to the bank!

Most bills don't get paid simply because customers don't always have an easy way to pay their bill. The reasons can vary, but most can be traced back to the fact that the customer didn't have a simple way to settle the bill:

1. Maybe they lost the original invoice?

2. Maybe it got lost in one of the 200 emails the average person gets in a single day now?

3. Maybe they didn't know where to mail the check because it wasn't clear on the invoice? (It's 2019, who even knows where their checkbook is?)

I could go on, but I think you get my point. Don't get me wrong. I'm not saying that by making it easier for customers to pay that means they always will.

However, for the most part, customers want to pay so they can move on with their day. Especially if you provide them with a quality product, friendly service, and maybe something new and exciting every once in a while. 😉

So, it's my contention that getting paid, or more specifically, turning you into an *ePayments Master* will lead to more money in the bank, happier customers, and help you scale your business faster than ever.

Now that that's settled, let's pull back the curtain to get a baseline and see what's happening behind the scenes in the ePayments industry, and shed some light on how all this work helps you make more money.

CHAPTER 2

ePayments Part 2:
Behind the Curtain

Some folks say that, “Ignorance Is bliss.” I’d say that’s the battle cry of the meek. That may sound harsh, but anyone that’s not regularly trying to learn and better themselves on a regular basis is destined to lead an ordinary life.

“Knowledge Is Power”. Being armed with the knowledge of how to properly navigate the ePayments industry will not only help your business survive, but THRIVE! That’s what this book is all about – giving you more power to grow your business, so let’s dive right in.

It’s no secret that the ePayments industry is clouded in mystery. Between the vast number of players in the industry, the countless fees that can apply, and a thousand other variables involved, it can be a lot to handle.

Let’s geek out for a minute though and look at the three main reasons electronic payments are so complicated. After that, we’ll break it all down into something that’s a lot easier to understand. Don’t worry, we won’t get lost in a lot of techno-babble. This is just an overview of how ePayments get processed so we’re both on the same page.

Why are ePayments complicated?

1. The numerous organizations involved in processing a single payment
2. The endless fees that can apply to each transaction
3. Confusion = ability to charge more

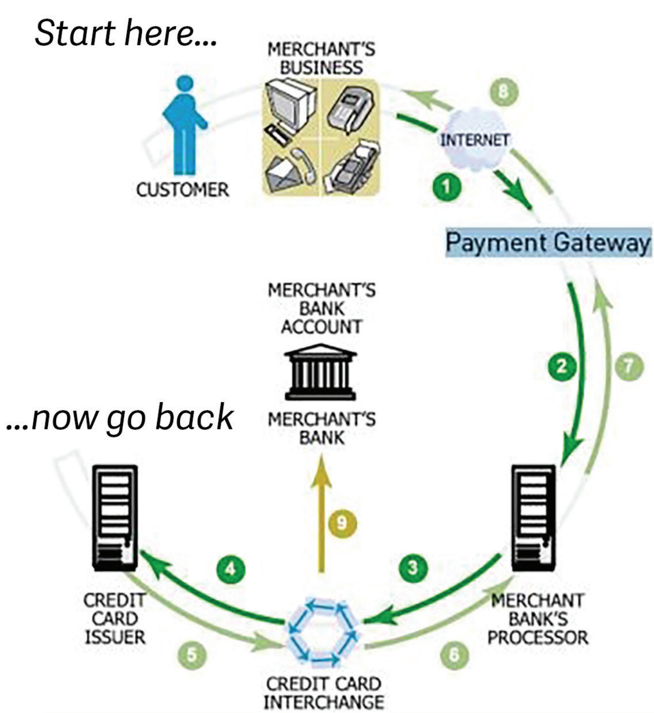
Let's look at each of these, and how they apply.

1. The numerous parties involved in a single transaction:

To give you an idea of why ePayments are inherently confusing, let's first look at how any ePayment gets processed. Whether a consumer swipes a card at the counter or clicks to pay on a website, the process is pretty much the same. The only difference is the layers of security used at the point of sale versus on a website.

When a customer is ready to buy, they enter their card information by either inserting their card into a terminal or entering it into a checkout page. Those payment credentials are then sent through a series of institutions that make up the credit card financial network. This includes payment gateways, merchant acquirers, the card brands, banks, and card Issuers. All of these organizations work together to authorize the transaction, assess the fees, and complete the process.

Once a payment is approved, the customer is given a receipt, and the funds are moved from the institution who issued the credit card to the bank account of the organization who accepted the payment. Typically, most transactions are settled and funded within 1-2 business days. The process looks similar to this visual model...



At the end of the month, the organization that accepted the electronic form of payment will be assessed a series of fees, the largest being what's called a "discount rate". The discount rate is the percentage a business is charged for the "privilege" of being able to accept credit cards as a form of payment.

That's right, I said *privilege*. The word *discount* is derived from the fact that you'll now be selling your goods and services for less than if you accepted cash or check as the form of payment. Welcome to the club!

Another term for this is "Interchange Fees". An *Interchange Fee* usually includes both a % you'll pay, *plus* a flat, per-transaction fee. This typically looks something like a fee of 3.0% + $0.20 to process a payment.

Of course, this is an ***extreme*** over-simplification of how ePayments work, but it is an accurate overview of what's going on behind the scenes.

What I really want you to take away from this is the number of layers it takes to get a simple payment processed. All of these organizations (layers) involved have their hands in the process, which adds complexity and costs. At the end of the day these costs are built into the discount rate you pay. We'll get more into the hard costs later, but for now I just want you to understand where these costs come from.

Speaking of costs, let's take a brief overview of them to see what's involved.

2. **The endless fees that can apply to each payment**

Let's look at the fees that can apply to each transaction. At the time of writing this book, there were over three hundred (300) different discount rates that can be applied to any ePayment. Yes, 300! Again, the discount rate is how much your business pays for the privilege of being able to accept credit cards.

Why so many different rates? Mainly because there's a different rate assessed for each type of card that can be used for payment. For example, debit cards are the cheapest for you to accept because they're essentially the same as a consumer writing a paper check. The funds are debited (i.e. come directly from their bank account), and there's no credit being extended to fund the payment. This is why grocery stores and gas stations ask you multiple times if you're paying with a debit card. It's annoying, but they're trying to keep their fees as low as possible so they can protect their extremely thin margins.

In contrast to debit cards are business rewards credit cards, which are the most expensive to accept. Let's take a look at just how much difference in cost there can be when accepting a debit card versus a business rewards credit card for a $100 transaction.

Option 1 – Accepting Debit Cards
Currently, certain debit cards offer a discount rate as low as **0.05% + $0.22**. So, if a customer pays a $100 invoice using their debit card, you can expect **a fee of $0.27**, and will receive **$99.78** in the bank.

Not bad, right? Twenty-seven cents to automate how you get paid is a great deal. Sign me up!

Seriously. You can't hire someone to help with your Accounts Receivables for ten cents per transaction. It's impossible. We've tried.

However...

Option 2 – Accepting Business Rewards Cards
Let's say that same customer pays their **$100 invoice** with a business rewards card that offers a 2% cash back reward on every purchase. Put on a diaper and get ready for this...

The rate your business will now pay for the *very same transaction* skyrockets.

Typical Debit card payments cost:
0.05% + $0.22

Typical Credit card payments costs:
2.80% + $0.20.

Bear with me as I run the numbers to illustrate my point.

This means for the exact same transaction your **fee will be $3.00 compared to the 27-cents** it costs for accepting a debit card, and you'll end up with just **$97.00**.

That's more than an 1,100% increase in your cost to process the EXACT SAME TRANSACTION!

In the payments industry, a higher discount rate is known as a "Downgrade". The rate you pay is higher for these types of cards, so the rate gets downgraded (that's code for a much higher cost for your business).

Why? Remember how I mentioned that this card earns the customer a 2% cash back reward? Guess who gets to pay for most of that reward? Yup, YOU!

Let’s recap that. When a consumer uses any rewards card to pay, the company that issued the card (typically a bank) has promised the consumer some sort of reward (in this case 2% cash back) so they’ll use this card over the five others in their wallet. (Fun Fact: The average American has six credit cards in their wallet. How many do you have, honestly?)

To pay for those rewards, you get charged more! (Your “discount rate” gets downgraded, meaning more fees.) Not a trivial amount either – 1,100% more.

Ouch!

So, at the end of the day you’re footing the bill for all these rewards programs being offered to consumers and businesses. All so they can build up their cash back bonuses, fly across the country for less, etc. It’s crazy, right?

Don’t be fooled by the gimmicks merchant account providers use to “hide” these costs either. A popular one currently used is offering you the ability to pay just one flat rate for all transactions. Most providers are pricing these offers around 2.90% + $0.30 per transaction.

First off, that's not even true, because that "lower rate" is for swiped transactions that only occur when someone is standing in front of you and pays with their card in-hand. If they're not, the rate increases to around 3.5% + $0.40.

Of course, a flat rate also means you can't get a break on the fees when someone pays with a debit card. That's a double whammy. Unless you're taking 100% business rewards cards, you'll be getting hit in the bank account twice with these programs.

So…what can you do?

Well, there are really three options you can pursue:

1. **Do nothing.**

Doing nothing is always an option no matter what anyone says. If the fees you're paying aren't that high then don't worry about it.

However, I would strongly suggest setting an annual reminder to review what you're paying. While the fees might not be an issue now, one day they will be. Rising costs are a reality for every business, and transaction costs can add up to some serious money. Typically, processing cards will take anywhere from 3-20% off gross revenue for your business. When you compare those costs to your profit margin things can get ugly fast. We'll review just how ugly in Chapter 5.

2. **Assess how much credit cards are costing you now, or what they will cost when you start accepting them.**

I've seen rates as low as 1.5% in our clients' businesses, and sometimes as high as 16% of gross revenue. If you're ok with giving up as much as 16% of your hard-earned $$ then more power to you.

[Note: To calculate your true costs of accepting cards, divide the total net sales by the total fees paid. More on this in chapter 4, or head to **www.xpress-pay.com/epaymentsecrets**.]

3. **Use a trusted payment technology partner that helps you legally and ethically overcome all the expenses mentioned above.**

There are solutions out there that will help you eliminate the costs associated with accepting ePayments, but they're not all created equally. Be sure to get to know them before signing anything.

Find out how long they've been in business, and who's using them. There's a lot at stake here, so be sure to proceed with confidence. We'll take a closer look at how to select a good partner in Chapter 4.

Remember how I mentioned that the payments industry is inherently confusing, which helps certain companies increase costs for everyday business folks like you? Why is that you ask? Well, to put it simply...**Confusion = Ability to Charge More**

Over the last few years, accepting ePayments has gotten considerably more expensive AND confusing. Personally, I don't think that's a coincidence.

Business owners are busy, and whether our company's doors just opened, or we've been in business for 50 years, our time is at a premium. If we get a merchant account statement that's written in Sanskrit, chances are it's going to get tossed aside and forgotten about.

Merchant account providers know this and have used it for years to tack on all sorts of one-time fees. I've personally seen them add fees for things like "PCI compliance", "Tax Preparation", and many other completely frivolous reasons. They're only there to pad their profits, so be sure to be on the lookout for what we call "rate creep." Over time, the amount you pay to process credit cards can add up to astronomical rates.

I can't tell you how many clients we've shown what they *thought* they were paying, versus what they *actually* had paid and their jaws have hit the floor. I mention this so you are aware that the practice does exist, and can be vigilant with your own bill.

Look at your statements often to be sure the fees are in-line with expectations. If they're higher than they should be, contact your sales rep immediately. If they're not willing or able to help, don't be afraid to start shopping around for a new provider. It's just good practice. Be aware though, as most merchant account agreements carry a 3-year, early termination fee.

For more information on the players involved, the fees that can apply, and other ePayment info, head over to **www.xpress-pay.com/epaymentsecrets**.

Okay, now that you know how ePayments work, and what to watch for when accepting them, let's shift gears and see what role security plays in all of this...

CHAPTER 3

Security: Why All the Fuss?

Have you ever gone into a store or online to buy something and worried about how secure your credit card information is? If you're like almost every other human being on planet Earth, probably not.

Why?

Because there were card brand stickers in the storefront window, or there was a lock icon 🔒 somewhere on the checkout page, right? I know, I'm the same way. All of these are designed to give us a warm and fuzzy feeling that this is a legitimate business, and they care about my sensitive information.

Moreover, even if a card gets compromised, by law, cardholders are only on the hook for $50-worth in fraudulent transactions. That's right, by law, consumers are only responsible for *$50 worth of fraudulent transactions*.

Knowing that, why would anyone care about how secure their credit card information is? They don't.

Okay, you're probably saying, "Well, that's great for consumers, but how does this affect me as a business owner?" Great question. Let's flip the conversation around and see what kind of exposure there is when you’re on the receiving end of an electronic payment.

First, to even be able to accept credit card payments in your business you must apply for a merchant account. Unlike traditional bank accounts that are used to store money, merchant accounts are used to move it from elsewhere into your bank account.

Since you’ll be receiving money into this account, the merchant providers require that you complete an application and provide information such as your social security number, driver’s license information, and other details about you and your business.

They ask for this sensitive information not because they want your data, but because legally they are required to. This is, in part, because of the Patriot Act. After the 9/11 attacks on New York City, the government wanted to make sure people weren’t funding terrorist groups overseas or abroad, so they tightened the rules regarding who could move money and when.

These guidelines dictate when and how businesses can send and receive money electronically. The process is known as “Know Your Customer” (KYC), and are in place to ensure the legitimacy of every business moving money in and out of accounts.

That's some real-world stuff, eh?

Here's why all these details are so important for you as a business owner. The merchant account application you're signing is also an agreement between you AND the entire credit card and financial network involved in processing transactions. Part of this agreement clearly states (in legal jargon) that you will now take full responsibility for the privacy and security of all card data your business comes in contact with. All those 16-digit numbers, expiration dates, CVV numbers, addresses, etc. It's all in your hands to keep secure.

Sound scary? Well, it's not meant it to be. However, it's important you understand why security is so crucial to your business when it comes to accepting credit cards.

There are literally millions of hackers looking to crack your system wide open and steal every bit of data you have. Accepting electronic payments puts a much larger target on your back. Worse, the fines that you'll face after a breach are far more expensive than the price of implementing proper security.

Worst case scenario: what happens if hackers gain access to your sensitive data to sell on the black market? Well, once a breach is discovered, you must **report it**

to the FTC immediately, ***and*** **shut down any parts of your business that are affected**. Unless you have another means of income, your business will be shut down until the breach can be settled.

Fixing a breach also requires hiring an expensive 3rd party security team to come in and patch your entire system.

Next, your system will have to be completely upgraded and certified to the highest level of security laid out in the Payment Card Industry Data Security Standards (PCI DSS). This entire process can take months or even over a year to remedy.

While all that is happening there will also be some serious 6-digit fines coming down the pike from the major credit card brands, and some inevitable civil litigation suits.

On day-one of reporting the breach you could also be slapped with a fine as much a **$100,000 from Visa** alone for not keeping this information secure.

Ouch!

How deep is this hole really? Well, **a survey done by**

IBM in 2018 showed that a typical breach will cost the business at fault an average of $7,900,000.

Curious what a breach would mean for your business? The average breach will cost you **$233 per card breached**. How many customers do (or will) you have making card payments? Multiply that number by $233 and it'll give you a general idea of what a breach could cost.

Remember, $7.9M is only the average amount. When Target was breached back in 2016, that cost them over $300,000,000 when it was all said and done. Over a quarter billion dollars went up in smoke all because someone hacked their system by dropping malicious software into their HVAC systems during a "routine" servicing. Since the system that controlled the HVAC system shared the same network as the payment terminals, hackers used this connection to steal millions of card numbers. As you can see, hackers are out there and they're extremely clever. They also could look like anyone, even the air conditioning repair person, and they're out there to steal your data.

Target wasn't the only breach in 2016 either. They were just the unluckiest ones to get serious press coverage. In fact, in 2016 alone there were **4,149 reported breaches** in total, exposing 4.2 billion records. That's more than 4-times the previous record of 1 billion stolen records in previous years. That's also 1 record for every other person in the world. These breaches aren't limited to retail shops either. They happened across almost every sector, from government, to medical, to financial, and many others who store data.

Remember the Equifax breach in 2017? You know Equifax, right? They're one of the 3 major credit reporting institutions in the U.S. and store, extremely sensitive data points on virtually every American. Well, nearly 147 million records were reportedly stolen during their breach, and they just settled a **$700 million lawsuit** to compensate everyone affected. To date, that's the largest settlement ever levied against a company for a data breach. This shows how serious government regulators are now taking these incidents. Keeping data secure can no longer be an afterthought.

If that's not hair-raising enough, there's a lot more to consider in keeping payments secure. First, not all solutions are created equal.

Most payment solutions are either a:

1. Local (native) application, or a…

2. Web application

Currently, the big "Pays", like ApplePay, GooglePay, and SamsungPay all operate as local apps on the respective devices they were built for.

There are a lot of pros to launching an ePayment app as a local app. Mainly, because they have the ability to control virtually every aspect of the device. On the contrary, web-based applications only have limited access to a device's capabilities.

There's one major difference, and that's *security*. When it's all said and done, stick with web apps. They leverage the same kind of security that banks and services like Amazon use to protect customer data. Given everything we discussed in this chapter, data security should be a serious goal of yours now, and that's all I want to convey here.

One last note on security costs. Did you know that if you choose to go with a 3rd party system and they don't comply, you can still be fined up to $15,000 per incident? Why? Because it's up to you to verify that the provider is maintaining their security. $15k is a lot less than $7.9 million, but I'd still rather have it in the bank. With that, be sure to check every year that your provider is on Visa's list of certified providers, and is in good standing. Otherwise, run for the hills and find another solution. More on exactly how to do this on the next page.

Maybe ask your local app developer how many devices they've tested their service on, too? Unless it's Apple, I'm guessing they're going to fail this quick survey.

Now, knowing all this would you say data security is important? I guess if you have a cool extra $8 million in the bank then no worries, just wing it.

If you're like the rest of us who like our money to stay in our bank accounts, it might be a good idea to take a few minutes now to verify how secure your systems are right now. It's fine, I'll wait.

Wondering how to verify this?

If you're taking payments over the counter, contact the terminal or POS sales representative to discuss what level of security protocols each device is running. Just to name a few, EMV chip cards, TLS protocols (not SSL), and NFC acceptance are the current accepted practices for over-the-counter swipe machine terminals.

Also, please, please, please make sure that all usernames and passwords to these devices have been changed from the default settings. One of the most common breaches is from POS systems and devices that are set up using the default usernames and passwords they came with from the factory. Please don't be "that guy."

Verifying an online payment system's security level is easy, too. If you are working with a 3rd party payment provider, be sure to verify they're a certified PCI DSS Level One provider. You can do this by simply searching for them on **Visa's Global Registry of Service Providers**. With Xpress-pay, we're listed under our company name "Systems East, Inc.". This may be the case for other providers as well, so be sure to check with your provider. If you can't find either the company or product you're working with, abandon ship ASAP! Also, if you find them and their record doesn't show them in good standing, it means they're not fully compliant or secure anymore, and you have serious legal exposure. Again, run for the hills.

If you're running an in-house ePayment system, be sure to check in with your security team to ensure your own system is both certified and has a positive status on Visa's list. If it doesn't then there's a problem that needs to be addressed immediately.

Since obtaining and ***properly*** maintaining PCI DSS Level One security will cost at least $200,000/year, it's not exactly cost-effective for most of us to develop our own in-house solution. With that, working with a 3rd party may be the best way forward. More on this in the next chapter.

How do we know all this? Because we've been on the list since June of 2012, and have spent millions obtaining and maintaining Level One certification. It's no small undertaking, and we're very proud to maintain this for our clients.

For more information on security and best practices, head over to **www.xpress-pay.com/epaymentsecrets**.

With all this madness regarding security, what about working with a 3rd party provider to give you all the technology, security, and pricing that's right for your business? Well, let's see what the options are...

CHAPTER 4

3rd Party Solutions: How to Choose?

Speaking of 3rd party payment solutions, how do you know when it's the right time to engage one, and decide which one is right for your business? Let's look at these and some other questions to help you choose.

Now that we've discussed how complex payment processing is, how imperative it is to prioritize security, and how expensive this can be to do yourself, you might be saying, "Why would anyone do this in-house?"

I ask myself this every time I hear about other companies that are "dabbling" in setting up an ePayment option inside their software, or someone's website. ePayments are not something anyone should be dabbling in. It's "go all-in" or find someone that can go all-in for you.

Enter: 3rd party payment solution providers.

In choosing an outside vendor it's important to remember that not all providers are created equal. Most systems are designed to work in specific markets, so it's not always best to use the only one you've heard of.

To choose, first you'll want to list out what your current business needs are, and what they will be a few years from now. Here are a few questions to consider when evaluating 3rd party options:

1. What kind of business do I have/want?
    a. Brick and mortar only
    b. Online only
    c. Both
2. When do I want to transact with my customers?
    a. Monday-Friday from 9:00-5:00
    b. 24/7
    c. It varies
3. How would my customers prefer to pay me?
    a. Online
    b. In-person
    c. Both

For example, if you run a start-up business that only needs to transact online, creating an account with some of the more well-known players in the ePayments space might seem like be an obvious choice. You know the ones I'm talking about. One claims to be your "Pal", while the other is the new kid on the block [NKOTB, if I'm dating myself] with a name cleverly derived from the black bar on the back of your credit card.

While these might seem like obvious choices, let me ask why? My guess is because those are simply the ones you've heard of. Fair enough. They spend hundreds of millions of dollars every year on ads to make that happen. Does doing this guarantee that they're going to be a good fit for you, or anyone for that matter? Nope.

This reminds me of another company that spends over $1 BILLION (yes, billion with a 'B') EVERY YEAR to get their marketing message out to the world. (Hint: they made "golden arches" famous.) Do they put out a quality product? If you said yes, please close this book and walk away. We can't be friends anymore. Just kidding, but see what I'm saying?

So, again I ask, "Does spending a BILLION dollars a year on marketing guarantee a company is going to deliver a quality product?" Let me take a swing at that one – Nope. That's a hard ***nope***.

Big marketing budgets do not = delivering a quality solution.

Getting back to the task at hand – how do you decide which 3rd party ePayment solution is a good fit? Below is a simple checklist you can use to see if the providers you're assessing would be a good fit for your business:

Components	Option 1	Option 2	Option 3
What are the set-up costs?			
What are the true monthly costs?			
Are there extra fees I should know about?			
What are the discount rates (%) I'll pay?			
When will downgrades apply?			
Is there a flat-fee ($) per transaction?			
Can I eliminate the per transaction costs?			
Can I customize the payment experience?			
Are they PCI Level One certified?			
Can they shut my account down without notice?			
Is there ever a time you'll hold my funds?			
Do I have the option to fight chargebacks?			
Miscellaneous section			

Using this chart, search for your top 3 providers and fill out the fields to find out which one would be the best fit. Eventually it'll become clear which is a better choice, and which ones to avoid like the plague.

Again, just because the name is familiar doesn't mean it's a good solution.

Want more insights into picking a good ePayment provider? Head on over to **www.xpress-pay.com/epaymentsecrets**

CHAPTER 5

Costs: What Should You (Really) Be Paying

In Chapter 1 we touched on why there are numerous costs associated with accepting electronic payments. Let's dig a little deeper into that so you'll have a better understanding of how they work, how to best deal with them, or even eliminate them altogether.

Forgive me as the next part does require just a little bit of math. Although, I'm going to break it down so you'll only need to run one simple calculation to really understand what it's costing you to accept ePayments.

Note: If you're currently accepting credit cards, it's probably clear that monthly merchant statements are written in some 3,000-year-old dead language. If not, here's an actual statement that's quite "normal" in the payments space... (The names of the business and merchant account provider have been removed for their protection.)

Merchant Statement

[redacted]

Page 1 of 2

Processing Month: 05-08
Association Number:
Merchant Number:
Routing Number:
Deposit Account Number:

Discount Due	15,251.76
Fees Due	5,289.40
Amount Deducted	20,541.16

Plan Summary

Plan Code	Number of Sales	Amount of Sales	Number of Credits	Amount of Credits	Net Sales	Average Ticket	Disc P/I	Disc %	Discount Due
V	467	335,500.18	01	400.00	335,100.18	718.42	.100	2.170	7,327.08
M	269	325,429.00	02	193.00	325,236.00	1,209.77	.100	2.170	7,088.72
DB	00	.00	00	.00	.00	.00	.000	.000	.00
EB	00	.00	00	.00	.00	.00	.000	.000	.00
**	**736**	**660,929.18**	**03**	**593.00**	**660,336.18**	**898.00**			**14,415.80**

Deposits

Day	Reference Number	Tran Code	Plan Code	Number of Sales	Amount of Sales	Amount of Credits	Discount Paid	Net Deposit
01	90001110213	D	T	38	25,159.50	.00	.00	25,159.50
02	90001127579	D	T	32	41,976.97	.00	.00	41,976.97
05	90001136395	D	T	25	31,928.49	.00	.00	31,928.49
05	90001147666	D	T	02	1,350.00	.00	.00	1,350.00
05	90001156691	D	T	05	3,125.00	.00	.00	3,125.00
06	90001160902	D	T	38	23,077.00	.00	.00	23,077.00
07	90001176050	D	T	28	36,315.00	.00	.00	36,315.00
08	90001189582	D	T	25	27,772.98	.00	.00	27,772.98
09	90001199861	D	T	25	18,552.00	.00	.00	18,552.00
12	90001202666	D	T	26	20,861.00	.00	.00	20,861.00
12	90001210678	D	T	02	4,000.00	.00	.00	4,000.00
12	90001220700	D	T	07	2,456.00	.00	.00	2,456.00
13	90001237162	D	T	39	26,559.00	.00	.00	26,559.00
14	90001248995	D	T	36	64,017.20	.00	.00	64,017.20
15	90001258583	D	T	38	29,415.00	.00	.00	29,415.00
16	90001262253	D	T	37	28,971.00	.00	.00	28,971.00
19	90001271240	D	T	34	48,979.94	.00	.00	48,979.94
19	90001286251	D	T	05	2,491.00	.00	.00	2,491.00
19	90001295934	D	T	05	453.00	.00	.00	453.00
20	90001305758	D	T	42	20,759.43	.00	.00	20,759.43
21	90001316003	D	T	37	15,431.44	593.00	.00	14,838.44
22	90001326844	D	T	32	35,563.94	.00	.00	35,563.94
23	90001335639	D	T	27	25,173.00	.00	.00	25,173.00
26	90001347104	D	T	23	26,800.94	.00	.00	26,800.94
26	90001359814	D	T	06	1,036.50	.00	.00	1,036.50
26	90001360637	D	T	03	861.00	.00	.00	861.00
27	90001373381	D	T	08	2,161.00	.00	.00	2,161.00
28	90001381810	D	T	33	36,512.85	.00	.00	36,512.85
29	90001396470	D	T	37	30,797.50	.00	.00	30,797.50
30	90001400085	D	T	41	28,371.50	.00	.00	28,371.50
	Deposit Totals			**736**	**660,929.18**	**593.00**	**.00**	**660,336.18**

Chargebacks

Day	Reference Number	Tran Code	Plan Code	Number of Sales	Amount of Sales	Amount of Credits	Discount Paid	Net Deposit
26	90001881746	C	T	01	95.00	.00	.00	95.00
	Chargeback Totals			**01**	**95.00**	**.00**	**.00**	**95.00**

PLAN CODES

V - VISA
M - MASTERCARD
P - PRIVATE LABEL
L - LARGE TICKET

T - ALL PLANS
1 - PLAN ONE
2 - PLAN TWO
3 - PLAN THREE

A - CASH ADVANCES
D - DEBIT CARD
B - BUSINESS CARD

TRANSACTION CODES

D - DEPOSIT
C - CHARGEBACK
A - ADJUSTMENT
B - CHARGEBACK REVERSAL

Huh?!

What does all that mean? What's the "Reference Number" even referencing? Could they please use a few more acronyms that make no sense?

Here's the honest truth:

Merchant account statements are designed to intentionally confuse business owners so they have no idea what they're actually paying.

Sadly, this is one of the more straightforward statements I've seen in my days. Forget about all that nonsense though. Here's what you really need to know.

To quickly decode any merchant account statement, all you need to do is calculate the "effective rate", which is how much your business is *actually paying* to accept cards.

From the statement above, the "effective rate" is calculated by dividing the "Amount Deducted" by the "Net Sales". This will show the true "discount rate" you're selling those goods and services for. In the sample statement above, the effective rate looks like this:

($) Amount Deducted ÷ ($) Net Sales
= Effective Rate (%)

[$20,541.16 ÷ $660,336.18 = 3.11%]

In other words, 3.11% of the business' revenue **($20,541.16)** went up in smoke in just one month. That's right, their discount was $15,251.76, and the additional fees added up to another $5,289.40. Whoa! An extra $5k just in additional fees for just one month? That's a ton of cash taken right off the top line.

If you annualize these numbers, this organization will pay nearly **($250,000)** for the privilege of accepting credit cards for just one year. 👀 That's the same as hiring a full-time employee for $125/hour, or buying 62,656 Big Macs, or a brand-new Lamborghini Huracan...

Yes, a Lamborghini. What would you rather spend your money on?

Believe it or not, this is a very typical merchant statement. Not so much that everyone accepting cards is paying $250k/year. But, almost every business that accepts cards is paying around 3.0% of their *top-line* revenue.

Let's recap that for a second. The credit card industry handles TRILLIONS OF DOLLARS every year in payments, and the businesses who accept them pay roughly 3% of their gross revenue to do so.

In 2018 alone, J.P. Morgan Chase Bank *processed* $1.3 Trillion in credit card payments. That's no pocket change.

On the other side, in 2013 Walmart *paid* nearly $3 Billion for the privilege of accepting credit and debit cards, according to a report from **Business Insiders**. They could've bought 12,000 Lamborghinis with that much money.

Once all the costs are factored in, the amount of money that businesses shell out for this *privilege* is really quite staggering. Ironically, the smaller the business, the higher the rate they usually pay, shrinking margins even more. I've personally seen merchant statements where the effective rate was over 16%!

Guess what? It gets even worse. How? Remember how I said the 3% businesses are paying is based on their gross revenue? Well, when you compare these costs to a company's typical profit margin (i.e. the amount they get to keep in the bank) the figures are even crazier.

Let me explain...

I don't want to get bogged down in math, so let's make this simple. Say you did 100% of your business online accepting credit cards, and last year you:

- Grossed $100,000 in sales

- Paid $3,000 in credit card fees (3%)

- Made $10,000 after deducting all other expenses

If you eliminated the $3,000 in card fees, you would increase your bottom line from $10,000 to $13,000. **That's a 30% increase in profit!** All that with no additional sales! That's what we've done for our clients, and we can do it for you, too.

Yes, it's possible to *entirely eliminate* this cost. More on that in a second.

There are plenty of ways to increase sales in a business, but to increase your profit margins by double-digits is virtually impossible for most.

Bottom line: The slimmer your margin, the larger the benefit you'll receive by eliminating your ePayment processing costs. The money saved falls straight to your bottom line, and frees you to use those funds as you see fit. That's a powerful thing.

So, how do you magically make these fees disappear? Head over to **www.xpress-pay.com/epaymentsecrets** to schedule a free call with one of our Account Specialists. They'll review your business to see if it's the right fit for our exclusive **SubscripXion Plan**.

This solution has helped keep millions of dollars in our clients' pockets by legally and ethically eliminating their transaction costs. This means they can scale their businesses faster, serve more customers, and live the lives they always wanted.

We achieve this by enacting two proprietary strategies that have served our clients well since 2005. Since you've made it this far in the book, I'll share our secret techniques with you now:

Technique #1: SubscripXion Plan Membership

When our clients join our **SubscripXion Plan**, they allow us to become their secure bill delivery service provider. With this status, we're able to charge a small security and delivery Site Fee for the use of our payment service. The business can choose to either pay the Site Fee themselves, or pass it on to their customers. Most of our clients choose to pass it on because the small fee the consumer will pay is much less than the total fee the business will pay each month. This all adds up to serious money back into our clients' bottom lines.

Remember the example we gave just a few pages ago? What could you do with an extra $250,000 in your business every year? Once you've eliminated these fees the savings add up quickly, giving you more money to scale any business faster, and better serve customers.

How much does a Site Fee cost, you ask? As of writing this book, our typical Site Fee is 2.85% + $0.40. This fee covers all the transaction costs involved, including the discount rate and per-transaction fees. Meaning, the only thing our clients pay is a $10/month **SubscripXion** fee to remain a member.

Technique #2: Accounting Assistant Add-on
Included with every ***SubscripXion Plan*** membership is access to our exclusive Accounting Assistant Add-on tool. When our clients choose to pass on the Site Fee to their customer, it creates new revenue that needs to be accounted for. To keep things as simple as possible for

everyone, we separate these additional funds from the amount that's owed to the business, so our clients receive 100% of the money they're owed. That's it!

How amazing is that? If you bill $100, you get $100 in the bank. Simple as that.

Now, if you're like most folks, three questions probably popped into your head:

1. **Could this actually work for a business like mine?**

Yes! This system is currently helping put millions of dollars back into the pockets of our clients whose businesses operate in more than 50 different industries. Industries as diverse as insurance, finance, property management HVAC, plumbing, towing, utilities, government offices, and dozens more service-based organizations. To learn more about how this model can work for you, head over to **www.xpress-pay.com/epaymentsecrets**.

The only verticals this doesn't really work for are retail and benevolent organizations. Retail builds the cost into the product, so there's no need to charge more. Non-profits and other similar style organizations shouldn't be passing the fees on to those altruistic enough to give their money away. Although, our system does allow people to choose to donate an extra 1, 2, or 3% to off-set the fees.

The other question you might be asking yourself is...

2. **I thought charging a fee for credit card payments wasn't allowed?**

In recent years, the laws governing how and when businesses can or can't charge a fee for credit cards have been in flux. In fact, certain states have completely outlawed the practice. Certain industries like insurance, financing, and others have also banned it as well.

So, what can you do?

To overcome these major obstacles, businesses are currently using one of three methods, but only one has been proven to stand the test of time – ***Site Fees***. Let's look at the pros and cons of each so you can see why:

Option 1: Cash Discounts

Cash discounts are exactly what they sound like – offering a discount to customers who pay with cash, rather than a card. Gas stations have been successfully using this technique for years. Check it out the next time you fill up. The sign will say $2.65/gallon (with cash), or $2.75/gallon after sliding a card to pay-at-the-pump (with a card). This practice can work for several other businesses, too. As long as the customer is made aware of the two different price levels at the start, it's a solid practice. Although, not everyone can place a huge sign up on the street to let the world know they have different price points for cash versus card. Especially anyone selling more than one item.

Option 2: Surcharging

Surcharging is pretty much the same as a cash discount, but presented in the exact opposite way to the consumer. It goes something like this when a customer is checking out…

Cashier: "Will you be paying by cash or card?"

Customer: "By card, please."

Cashier: "Ok, there's an additional $3.00 surcharge to pay by card. Is that ok?"

Customer: "Yes, that's fine."

See the difference? Rather than telling the customer up front there are different price points, they are presented with them when they've already decided to buy.

Most credit card companies, banks, and other payment industry folks hate surcharging because it paints them in a bad light. Especially when compared to the practice of giving someone a discount for paying with cash.

Who wouldn't want a discount rather than a surcharge?

Credit card companies dislike surcharging so much that for years they've waged legal battles to ban the practice. Even the language merchants have used to explain surcharges to their customers has been challenged in court. Seriously, this battle has even tested people's **First Amendment Rights**. That's a big deal! Surprisingly, the merchants won the lawsuit, and can now charge a fee in certain areas, but the card brands have very specific rules that govern this practice.

My suggestion – steer clear of Surcharging. It's going to be years before the courts fully vet this practice across all states, and big players in the industry still have their sights set on killing it. That may be a harsh reality, but as long as major organizations with deep pockets don't like it, anyone who practices it will be at risk.

So, what's the best way forward?

Option 3: Site Fees

Site Fees. These work by acting outside the system to legally and ethically overcome all the major hurdles previously mentioned above. They're also exactly what they sound like – a *fee* for the security and delivery capabilities of a 3rd party *site* which allows customers to pay anytime, anywhere, for any reason.

If you're wondering what makes a Site Fee different from a Surcharge, that's certainly fair. What makes the Site Fee approach so different is it removes both the business and credit card companies from charging anything. How? Because now the fee is being charged by an independent 3rd party.

Since the 3rd party charging the fee is an independent contractor, the businesses are now absolved of charging this fee and can rest easy. The additional fee also never touches their bank account, so all they receive is 100% of the amount the billed. That's it! Pretty great, right?

Finally, Site Fees mean you can finally eliminate the 3% processing costs we talked about earlier, and have a road to increasing profit margins by up to 30%!

Seriously, this is a win-win-win-win-win scenario. For more information about how Site Fees can revolutionize your business, head over to **www.xpress-pay.com/epaymentsecrets**.

And finally, the third thing you might be saying right now is...

3. **My customers would never pay an additional fee, would they?**

I get this question all the time, so let me just answer it once and for all with a resounding, "YES!" Don't believe me? Well, we've based our entire business on it, and we've been consistently growing by double-digits since 2005.

That aside, there are three main reasons why people will pay an additional fee:

1. **They have to...**

No, they don't actually have to, and you should never, ever force your customers to pay extra just to settle their bill. Who would do such a thing? I'll tell you...

I'm going to throw some stones right now because I believe consumers are being completely railroaded every single time they buy a concert ticket from almost any venue in America. How? Well, these venues are locked into a contract that says all ticket sales will go through this one particular service. You know who. They claim to be the "Master of Tickets". If you've been to a concert or play in the last 20-years you probably know who I'm talking about. I have personally paid service fees approaching 50% of the original ticket price just for the "privilege" of using their site.

This is complete garbage, and I can't believe it hasn't been stopped!

#1 – If using a website is the ***only*** way to purchase tickets, including in-person sales, there is no convenience involved, and all of this is completely contrary to what's set forth in the credit card bylaws. Not only is this practice immoral, it's illegal, tantamount to a monopoly, and 100% anti-American. In my personal opinion the offending organization deserves to be pulled apart like "Ma' Bell" was back in the day. Anyway, I digress.

#2 - Don't force your customers into such an unscrupulous business practice, and demand they pay extra just to do business with you. It's immoral and will come back to haunt you one day. Seriously, don't do it.

The next reason why your customer would be willing to pay extra is…

2. For the convenience…

Let's shift gears and imagine for a minute that you live in the Northeast United States. It's mid-January and a blizzard is about to hit that's being called the "Storm of the Century!" I know, weather forecasters love using this term for just about anything that appears as a blip on the radar now, but let's pretend for a minute that a huge storm is actually about to hit.

Luckily, you've been preparing for this all winter. There's a fresh supply of water, batteries, and food in the closet, and you have so many shows from Netflix downloaded that the storm could last a month and it wouldn't matter.

But wait, the utility bill is due tomorrow and there are a few other errands you need to handle before the roads close.

What do you do?

Simple – hop online and pay the $100 bill, including the $3.25 Site Fee. Why? Because it's just easier than going down there to pay.

There are a thousand other scenarios like this that I could run through that would prove "convenience" is a major factor as to why someone will pay more for the same thing. Almost none of the other scenarios need to involve a "Storm of the Century" either.

All you need to know is that almost everyone is dealing with something in their life to warrant paying an extra $2, $3, or more to simplify their life. If this weren't the case, consumers wouldn't spend thousands of dollars for things like dishwashers and cars to make their lives easier. How about everyone paying $8.00 for a large mocha Frappuccino at Starbucks? Folks don't want to be bothered to brew a $0.44 cup of coffee at home, so they'll pay an extra $7.56/day for the convenience of not doing it. Doing that 5 days per week will cost you $1,965.60 per year just for coffee.

Again, I want to stress the fact that the $3.25 fee I keep talking about represents a nominal cost to the consumer of around 3% for every $100. Not 20, 30, or even 50% like the thieves who are forcing their customers to pay astronomical amounts extra. How are they still in business?

The final reason why customers will pay a little more to pay by card is...

3. To earn rewards!

In the U.S., rewards programs are a major driving force in the move away from traditional cash and check payments to credit cards. Not debit cards, credit cards. Debit cards offer no rewards, so for the sake of this discussion let's just say they don't matter.

Reward programs are the norm nowadays, and consumers are eating them up. I know I personally love seeing points and miles add up on my cards.

What rewards program are you obsessed with?

Entire businesses have even been formed around rewards programs to analyze them for which suits each consumer the best. **The Points Guy** is a perfect example of just how incredibly pervasive rewards programs have become. This guy has the life. Traveling the world to examine the various programs that make it easier and cheaper for folks to travel and reach new destinations. Nice!

Whether consumers are earning points, frequent flyer miles, or cash back as high as 5%, the industry is making huge strides to add new rewards programs every day. All with the goal of enticing consumers to pay by card instead of cash. Of course, as we mentioned before your business is footing the bill for these programs. Consumers don't care, or really even know about this, though. All they know is that they're racking up free stuff with every transaction.

The fact is, at the end of the day, if your business is not allowing your customers the option of earning these rewards, then they're going to do business with your competitor who will. It's that simple.

Okay, we covered a lot of ground in this chapter. Mainly because the costs are one of the biggest deciding factors in accepting ePayments. The difference is, you can either spend big dollars on payment processing fees, or work to keep those dollars in the bank and reinvest them back into your business.

Take the concept of paying these fees one step further and think about what the opportunity costs are of having to give someone 3% of your hard-earned business. Per **Dictionary.com**, Opportunity cost is defined as:

(Noun) *The money or other benefits lost when pursuing a particular course of action instead of a mutually-exclusive alternative.*

In other words, for every dollar you spend paying processing fees, you'll have to earn another dollar to be able to spend it somewhere else. Remember our earlier example of the company paying roughly **$250,000** per year in merchant fees?

Well, the opportunity cost of that is actually $500,000!!! Why? Because that company has to earn an additional $250,000 in order to make up for the original $250k that they spent in fees. Another quarter-million dollars for staff, marketing campaigns, and other business essentials.

Come to think of it, if the sample business above had been able to invest the original $250,000 in something else, like marketing instead of transaction costs, they would've seen an even greater ROI. That means, the real opportunity cost of accepting cards was over $500k for just one year.

Yowza!

Remember, the #1 reason why businesses fail is undercapitalization, not having enough money. So, ask yourself, what does reducing, or completely eliminating the fees spent on ePayment processing really mean for your business, or your life? It's probably much more than you think.

With a firm grasp on the costs and how to really overcome them in a legal and ethical way, let's shift gears a little and review some of the main pitfalls of accepting ePayments.

CHAPTER 6

Risks: Understand, Overcome, Adapt

Seriously, who didn't love the Atari game *Pitfall* back in the day? Ha! Pitfalls as a grown-up though are slightly less enjoyable. With that, let's talk about the main ones everybody should know about when it comes to accepting ePayments. This way, you'll be better prepared to deal with them should they ever come up.

1. Chargebacks

Outside of the fees we talked about earlier, chargebacks are another major topic on people's minds when it comes to accepting ePayments. "What happens if someone charges back (i.e. disputes) their transaction? Don't we lose the money?" Well, that depends on a few factors, so let's look deeper into what they are, and how to set yourself up for success.

When consumers pay using a credit card, they have up to 90 days to dispute that transaction with their credit card company. When a dispute happens it's up to the business to justify the charge, or the transaction will be reversed, and the money will be returned to the consumer. Also, your business will be charged about $20 for every chargeback, regardless if you win or lose the dispute.

Depending on the type of industry you serve, handling chargebacks can vary. While rare, when our insurance clients get chargebacks, they usually have a high success rate of winning them. Why? Because the amount the customer paid mirrors what they owed for the month on their policy. This actually holds true for a number of other businesses we work with. So, having a formal agreement showing what the customer owes will always give you a leg up when dealing with chargebacks.

That's nice for companies with formal client agreements, but what about those reading this who won't have one?

Well, we work with folks in numerous industries like this, including tow operators, car repairs, and many others that provide more one-off services. If your business fits into this category, then being proactive is the best approach.

Here are some best practices to help ward off chargebacks before they are submitted:

1. Ensure the business name on your merchant account matches the name of your organization. The name on the merchant account is what customers

will see on their credit card statement. Making your name easily recognizable will mean customers will be less likely to dispute a transaction.

2. Include a good contact phone number in your merchant account listing. This will give customers who don't immediately recognize the business name or transaction on their statement a chance to call you to discuss it.

3. Make sure your company name, logo, and graphics are clearly displayed throughout the entire payment experience. This includes both during the transaction, and on the receipt, which is provided to every customer at the end of the payment process.

Humans instinctually connect visual imagery with experiences. Having your logo prominently displayed while customers are paying will help anchor the experience in their subconscious, give them more confidence in the payment process, (which will increase adoption of the ePayment service), and help reduce disputes.

That's science!

4. Whenever possible, require full payment card data, including the zip code and CVV (3-digits on the

back of the card) when accepting ePayments. This helps prove that the cardholder was the one actually using the card, and not a fraudster using partial card data.

While enacting these policies won't stop customers from ever disputing a transaction, they will help you be on the winning side of them when the credit card companies come a-knocking.

Keep in mind, it's in the credit card Issuer's best interest to keep their customers happy by providing a refund, rather than keep you happy by protecting your profits. With that, it's best to be proactive with the intent to win more of these.

Aside from chargebacks, what other pitfalls are associated with ePayments?

2. Card Not Present Fraud

Card Not Present (CNP) transactions occur when no physical card is used to complete the payment. Mainly these include online, over the phone, and in-app payments.

Depending on what industry you operate in, CNP fraud can rear its ugly head in a number of different ways. The most common is in the retail industry, which is riddled with fraud. Here's how it typically works...

1. Someone's credit card details are stolen and sold on the dark web

2. Months later, the fraudster buys something small to test the card

3. If the transaction isn't disputed the card will then be maxed out

4. The ill-begotten goods are shipped to a drop-house

5. The thief collects their goods

6. The customer gets their statement...

7. Disputes the fraudulent transactions...

8. And gets all but $50 of their money back

9. The card is cancelled, and a new one is mailed out to the consumer

10. The card Issuer is out the money, and writes it off as a loss

This scenario happens millions of time per year, and costs credit card companies, card issuers, banks, and businesses billions of dollars every year.

This is also another reason why merchant account providers are becoming more vigilant in running through the KYC process we mentioned earlier. This way, they can reduce the number of illegitimate businesses and credit cards out there.

What can you do to protect yourself from CNP fraud? Well, retailers should never ship goods to unconfirmed addresses. It doesn't matter how much of a sweet-talker the person on the other end of the line is. Just don't do it. If your business provides a service, fraud like this is typically lower, but as a best practice, always confirm the person you're dealing with is who they say they are. That can be as easy as asking to see a driver's license when taking the payment.

Another pitfall to watch out for is...

3. Friendly Fraud

This one is really tricky to combat because Friendly Fraud is when an actual customer disputes a transaction they know is legitimate. However, they charge it back with the intent of simply getting their money back. It can also be when a customer returns an item, not because it's defective, but because they got their use out of it and don't want to pay for it.

As an example, Best Buy no longer accepts returns on TVs after the Super Bowl. Why? Because so many people would buy one for "The Big Game" and return it a couple weeks later, just before the 30-day return option ran out.

Unfortunate but true.

How can you combat this practice? One option is to blacklist customers who either continually dispute transactions, or return items for frivolous reasons.

Seriously, since you'll be paying a $20 chargeback fee every time someone submits one, no matter if you win or lose, eventually it might be time to stop working with some customers. Your business will survive, and likely do better because you stopped dealing with customers that aren't ideal for your business.

Another option is to do what Best Buy did, and write your return policies and money back guarantees accordingly. It's hard to imagine all the ways people will think to get one over on businesses. However, there's no reason you can't adapt and overcome them as they develop in the years ahead.

4. Account Takeovers

Account Takeovers are just what they sound like. Let's say you have a customer portal that allows customers to manage their account, addresses, authorized users, payment methods, etc. online.

Hackers use sophisticated tools to crack into these customer accounts and gain unlawful access to assume control of them. First, fraudsters will typically change the username and password once they have access. Then they'll steal any and all sensitive data, while performing a number of other illicit acts while in the account.

Account takeovers have gotten extremely popular as consumers have become overwhelmed with the number of accounts they have to manage online. Because of this, they're using the same username and password for everything, which is not good in this industry.

How can you get a leg up in this battle? First, if you do offer your customers an online portal, be sure they use longer passwords with special characters and other lesser used characters. Security experts also suggest that passwords be 14-characters or more to really be "secure". Mainly, the longer the better, but the requirements placed on passwords also have to be realistic so your customers can actually manage them.

Also, it's a good practice to make users periodically change their passwords. Every 30 days is ideal, but 90 days is a better experience for your customers. Dual-authentication is another option. Your bank probably does this, where once you log in a text message is sent with a one-time code that needs to be entered before access is granted.

There are a number of other ways to help keep client data secure, but what's another way fraudsters can get this info? Well...

5. Skimmers

Skimming is the practice of stealing someone's card data in just a couple of seconds. All a fraudster needs is a swipe reader, and a storage device that reads and stores the card information instantly.

Skimmers have been used for years on ATMs and fuel pump stations. Basically, a skimmer is placed over where you insert your card, then as you put in and remove your card the skimmer grabs the card data. Later, the thief will come back for the device, and then sell the data on the black market for a few bucks per card.

Since the creation of the *Europay MasterCard Visa* (EMV) chip cards in 1993, the card brands have been moving the industry towards making them the standard means of transacting. Thankfully, this move also means skimmers are on their way out.

The next level of stealing card data is even more sophisticated and are called...

6. Shimmers

The newest trend in card data theft is called Shimmering. Similar to the skimmers that stole card data when a card was being used at an ATM or gas station, a shimmer attacks the chip data to capture it for reproduction in a fraudulent card.

Unlike skimmers that were always placed outside the card reader though, making them easy to spot, shimmers actually work from inside the card reading device. This makes them nearly impossible to spot. Since they can also be controlled by Bluetooth, this makes them much harder for security companies to defeat, and for consumers to see and avoid using a possibly compromised device.

All this means is that companies offering ATMs and other such devices need to regularly scan their equipment for irregularities. The Bluetooth signals can also be captured and intercepted. Make sure if these are a part of your business, you're being proactive in protecting your clients' information.

In the end, while things like fraud and chargebacks are inevitable, it is possible to be proactive in combating them, while keeping your business and customers safe.

Nothing is 100% secure, but just being aware of these makes you lightyears ahead of the majority of the population. Remember how we talked about knowledge being power? It’s kind of nice being “in-the-know”, isn’t it?

CHAPTER 7

Xpress-pay:
The Tool of ePayment Masters

Okay, we've covered quite a lot of ground in this book, and I want you to walk away knowing that you can become an *ePayments Master* and scale any business faster, without getting lost in the details.

With that, before you go, I wanted to give you the keys to the castle of ePayments with a simple way to skip your way to the top.

We've discussed everything from how payments are processed, to why security is so important, and finally to understanding the costs and possible pitfalls associated with ePayments. Since you've made it this far in the book, you have a HUGE leg up on so many other business owners who are just winging it.

Congratulations! You're on your way to becoming an *ePayments Master.*

When I talk about this topic with others though, they typically ask me, "Well, with so much to consider, how can I ever get all this done quickly? It seems impossible!" Actually, it's quite easy, and that's why I'd like to introduce you to Xpress-pay. This system has turned thousands of folks just like you into *ePayment Masters*. Seriously!

When we started this book, we discussed the importance of getting paid. It's the lifeblood of every business, so the easier you can make it for your customers to pay, and the easier it is to manage these transactions, the better off you'll be. Proudly, this is exactly what Xpress-pay does.

I don't want to "firehose" you with everything this system is capable of. However, the list is substantial, and it continues to grow. You'd be amazed at how many ways businesses across different industries get paid. It's intense.

However, all you need to do right now to begin mastering the art of ePayments is ask yourself two very simple questions. These will give you a pretty good idea of what your ePayment strategy will look like:

1. How do I get paid now?
2. How do I want to handle the fees involved?

Let's break both of these down quickly to get you the right answers needed to continue on this journey.

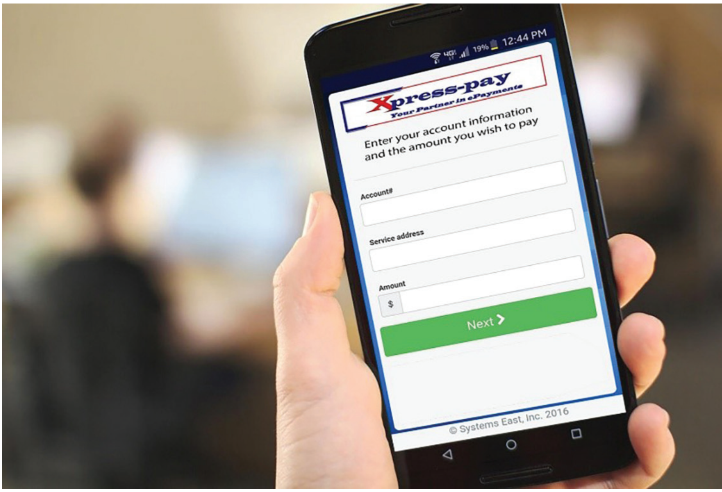
1. **How do I get paid now?**

I don't mean do you accept cash, checks, or barter for things. Instead, I'm saying ask yourself, "What are the reasons why my customers pay me?" As an example, some companies accept down payments, while others take in monthly invoices, while others might do a combination of both. Maybe you call all of the above something different? Whatever it is, people pay you for something. Otherwise, you wouldn't be in business, right?

So, what do *you* get paid for?

Once you've answered that, it's time to convert those traditional payments into an electronic format. Automating this process is one of the keys to being able to scale any business fast! When money flows in automatically, you've effectively created a cash cow, and that's what business is all about!

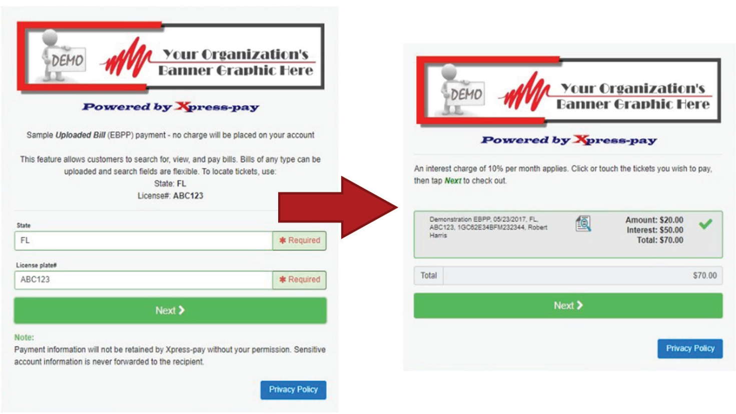
For example, if you take in some form of down payment, then we'd work with you to set up an ***Instant Payment*** within your Xpress-pay account. This tool lets you take one-off transactions instantly from customers, as soon as you know how much they owe. All of this is made possible with one simple screen, similar to this...



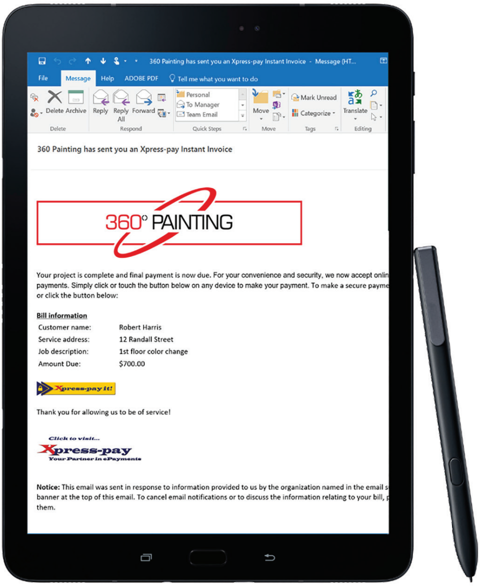
The only difference is, it'd be your logo at the top of that screen instead of ours. 😉

Pretty cool, right?

What if you (also) send customers regular invoices, or something similar? Simple: just tap into the ***eBill Presentment*** feature of Xpress-pay to get the job done in minutes. All you need is a spreadsheet with each customer's bill details, usually their name, how much they owe, and a reference number of some sort, like an account number. Then, direct customers to your website where they can access the search tool to find and pay their bill with confidence. It’d look something like these two screens...



If the spreadsheet also has an email address, push one more button to instantly send customers their bill electronically! When someone receives their bill electronically, they’re more likely to pay the bill faster, especially if there is a “Click to pay” button (like this one Xpress-pay it!) in the email. Here’s a sample of a click-to-pay email we sent on behalf of our client, *360° Painting*...



Getting paid seriously can't get any easier than this, can it?

Well...

...if you're regularly sending bills to customers, why not give them the chance to pay them automatically?

Done! The Schedule Payment feature in Xpress-pay eliminates the need for folks to remember when and how much to pay. This means you can streamline cash flow and be better prepared for the months, even years ahead when it comes to the financial outlook of your business.

Honestly, we want to help you focus on working ***on*** your business, not ***in*** it. See the difference?

Remember that concept of Aging A/R and writing it off as bad debt that we discussed earlier? Well, Xpress-pay is a tool that's here to help you win that battle, so you can explore new and exciting ways to grow your business.

Again, I don't want this to be an entire rundown of what you'll have access to with your Xpress-pay account. However, I hope you're beginning to see that with this one tool, you can truly become an *ePayment Master* virtually overnight. How amazing is that?

So, regarding the other question you should ask yourself on the journey to ePayment Mastery? Well…

2. How do I want to handle the fees involved?

In Chapter 5, we covered almost all of the fees that could apply when accepting ePayments. I say "almost" only because there are so many hidden charges that the hundreds of payment processors have come up with over the years. There's really no way to say if I missed any, or just haven't seen them yet.

That being said, the fees associated with accepting ePayments are inevitable. While many are usually trivial (only a few dollars per month), the Interchange Fees we discussed are not. Therefore, it's important to develop an appropriate strategy to handle these fees for your business.

What do I mean by that? For example, if you run a brick and mortar retail shop and have the freedom to charge whatever you'd like, then usually the best course of action is to simply absorb the costs. Otherwise, you're stuck either having to explain a cash discount to customers, or add a surcharge. Now that you know what the risks are for both, are they really worth it? At the end of the day, it's probably best just to build the cost of processing into the costs of goods sold. In my opinion, that is.

Of course, if you're selling goods online (i.e. conducting eCommerce) then charging a Site Fee might be a good route. Why? Society as a whole is becoming used to paying a little extra for the convenience of shopping and paying for things online. Plus, they still get to earn rewards so it's really a win-win.

What if you provide a service, rather than selling goods? Well, again, there's always the option of charging more.

However, it's important to remain competitive. With that, adding a lot of upfront fees may scare off potential customers. This is where a Site Fee comes in handy.

Certain service-based industries also might not be able to charge more on the front or backend either. Insurance is a prime example of this. Once the policy is written, that's all the insurance organization is allowed to charge. If your business is like this, or even runs on slim margins, Site Fees are a perfect solution. Connect with us at Xpress-pay to discover how we can get you running with a Site Fee strategy that will help scale your business fast.

Finally, we touched on security in Chapter 3, and finding a viable partner in Chapter 4. When it comes to security, please verify that any partner you choose is a certified PCI Level One provider, and can provide you with a document called an *Attestation of Compliance* (AoC). This document is produced on an annual basis and is available only to organizations that have passed a series of rigorous tests which prove that their payment processing environment is secured according to the standards set by the Payment Card Industry Data Security Standards (PCI DSS).

As I mentioned before, Xpress-pay has been on Visa's list since 2012, and a current copy of our AoC can always be found on our support page [**https://info.xpress-pay.com/support**].

Regarding the partnership: Find a relationship that's going to deliver far more value for your business than costs. Also, be sure you can trust the folks you're working with. We're talking about people that handle your money. That's a big deal.

Xpress-pay has been a trusted name in the business since 2005. We've built our entire operation on supporting our clients, and keeping their best interest at heart. It's rare in this industry, and that's a big part of why we wrote this book. We wanted to give you a leg up no matter who you're dealing with.

We'd be happy to work with you, and you'll be able to rest easy knowing that you've not only mastered the art of ePayments, but you also have one of the most respected names in the business backing you up. How great is that?!

Okay, so how do you really master the art of ePayments quickly? Well, you could take the next 15+ years learning the hard way like we did, but that's not exactly quick. Another option is to enroll in Xpress-pay, and leverage everything my team and I have learned in the combined 100+ years we have been doing this.

That's right. My team has over a century of combined experience in making electronic payments work for businesses of all types and sizes, and can make them work for you, too!

"Xpress-pay delivers over $9,700 of value every year for our clients, but that's definitely not what they pay out of pocket. In fact, if you head over to www.xpress-pay.com/epaymentsecrets now, you can gain access to our entire suite of Xpress-pay ePayment solutions for huge discount. It's my way of thanking you for taking the time to read this book.

This also means you'll be able to master ePayments overnight, accept unlimited ePayments for just pennies per day, and show your competition how it's done. How amazing is that?!"

Thank you for your time. I hope you got everything out of this book that you were hoping for, and then some. From all of us in the Xpress-pay Family, we wish you all the best!

Sincerely,

Thomas Buttino

BONUS CONTENT #1:

Glossary:
ePayment Terms Cheat Sheet

Before you go! As you navigate the incredibly complex payment-verse you'll need to understand the common terms that sales reps and industry professionals will throw at you. Here's a breakdown of the most common terms used:

- **Merchant:**
  Any entity that is currently, or seeking to accept payments by credit card, debit card, or electronic check.

- **Deposit Account:**
  The bank account to receive the proceeds from payments. This bank account will belong to the merchant. It may already exist, or it may be a new one opened for this purpose.

- **Merchant Account:**
  A financial vehicle that identifies the merchant to the financial network and provides information relevant to the processing of transactions. Simply stated, the merchant account facilitates the routing of funds through the financial network and ultimately, into the merchant's deposit account. To accept credit and debit cards, a merchant must first obtain a merchant account.

- **Merchant Account Provider:**
  Major credit card companies (MasterCard, Visa, etc.) do not operate at the merchant level. They are essentially a distributor of credit services, relying on firms known as merchant account providers to sell and establish merchant accounts. If an organization wants to accept credit cards, they will obtain a merchant account from a merchant account provider.

- **Swipe Machine:**
  Also known as a card swipe reader, this is the device you swipe your card through, or dip it into, when making a face-to-face transaction. The action of swiping your card initiates the transaction through the financial network.

- **Virtual Terminal:**
  An online payment solution, typically provided by a payment gateway, that allows merchants to manually enter payment information to complete a one-time transaction.

- **Financial Institutions:**
  Banks are the most common underwriters of credit cards. They participate because when a charge is placed on a card, the purchaser is essentially taking out a loan for the amount paid. The cardholder is

responsible for repayment of the loan, and the proceeds of the loan are routed through the merchant account to the deposit account.

- **Payment Card Industry Standards Security Council:**
  The governing board of advisors that creates and regulates the Payment Card Industry Data Security Standards (PCI DSS).

- **Payment Card Industry Data Security Standards:**
  Comprised of Four (4) different levels of security, level Four (4) being the lowest and One (1) being the highest, these standards dictate what a secure solution entails at each level. Any organization that comes into contact with sensitive card data must enact these guidelines.

- **Processor:**
  Initiating a credit card transaction may be accomplished through various means such as swiping a card or an Internet transaction. The processor is the company on the other end who receives the transaction so that it may be approved or denied. If approved, the processor will take the steps required to initiate the "loan", record the cardholder's liability, and route the proceeds to the deposit account by

way of the information in the merchant account.

- **Discount rate:**
  The credit card companies and merchant account providers charge for their services. One fee, known as a discount, is calculated as a percentage of the payment amount. As an example, for a retail store accepting MasterCard/Visa at a discount rate of 2.5%, the fee would be $25 for each $1,000 of credit card sales. The merchant would net $975 on each $1,000 in sales. Discounts and other fees are typically deducted from the merchant's bank account shortly after the close of each month.

- **Basis Point:**
  A fractional measure of a discount rate, specifically, one one-hundredth of one percent. As an example, the difference between a discount rate of 2.00% and 2.20% is twenty basis points.

- **Transaction Fee:**
  An additional fixed amount charged for each card transaction, typically in the range of eight to fifteen cents. Merchants typically pay a discount plus a transaction fee for each sale paid by a credit card.

- **Qualified Transaction:**
  A best-case transaction, as with a standard credit card processed by a swipe reader (card present), carrying a reduced risk of fraud and no rewards to the cardholder for its usage (see next).

- **Mid-qualified or Non-qualified Transaction:**
  Transactions associated with an elevated degree of risk, such as an Internet retail purchase (card not present), or transactions offering the card holder a rewards program such as a cash back bonus or frequent flyer miles.

- **Downgrade:**
  An increase in the discount rate charged to the merchant for mid- or non-qualified transactions. Remember that an increase in the discount rate will result in an increased charge to the merchant and, as such, is undesirable. The amount of the downgraded varies, but is typically in the range of .1% to 1.2% (10-120 basis points). It is determined by the merchant provider based on a variety of factors, including the elevated risk during a retail Internet sale (card-not-present), applicable rewards programs such as cash back bonus or frequent flyer miles, as well as other factors.

- **Payment Gateway:**
  The intermediate processor who receives Internet transactions and interacts with the merchant provider to verify and initiate a transaction. To process Internet transactions, a merchant must also have a gateway account, though this may be bundled with the merchant account. Gateway providers also charge a fixed charge per transaction, typically in the range of $0.03 to $0.20.

- **Monthly Statement Fee:**
  A fixed monthly fee charged for merchant account maintenance and, in the case of Internet transactions, the gateway account. Combined, these are typically in the range of $15-$40 per month.