

Cashflows



Unlocking eCommerce payments for you



Simple solutions for smart businesses.



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Introducing eCommerce

It's fair to say that eCommerce has had quite the year! Due to COVID-19, thousands of businesses turned to online channels to reach customers who could no longer visit them in person. Very quickly, digital payments, including cards and wallets, have become the dominant way to pay across Europe.

It makes sense then that every smart business needs a digital payments strategy. But if you're trying to navigate eCommerce and payments, maybe for the first time, it can be a bit of an information overload. Payments generally can seem complicated, but when you deep dive into eCommerce, you open up a world of terms and tech that can easily make you feel out of your depth.

Finding and understanding the right information can be time-consuming and confusing, but at Cashflows, we don't think that should be the case. So, to help you feel more informed and prepared for the digital revolution we're living through, we've created a simple guide that breaks down the eCommerce basics.

Is this guide for you?

Whether you're thinking about launching a new website, looking to improve your checkout, or just want to get a handle on how eCommerce can help your business, it's important to think about your end-to-end customer experience – and that includes online payments.

This guide has been written as a resource for anyone with responsibility for payments in a traditional or digital business, either as an introduction or refresher.

We'll help you to understand the eCommerce basics and what you need to think about when connecting payments to your website or app. We'll walk through the features you'll need from your payments provider, give examples of best practices, and outline your business obligations around security. By the end, we hope you have a good grasp of the nuts and bolts of eCommerce and increased confidence when making decisions for your business.

Why take card and wallet payments?

Payments cards are such a huge part of our every day that it's hard to imagine life without them. For eCommerce businesses looking to establish and grow, accepting card payments is a no-brainer. Almost the entire UK population holds multiple cards, with Visa and Mastercard the two dominant card scheme brands, but we've also seen huge growth in the adoption of digital wallets, like PayPal, Apple Pay, and Google Pay.

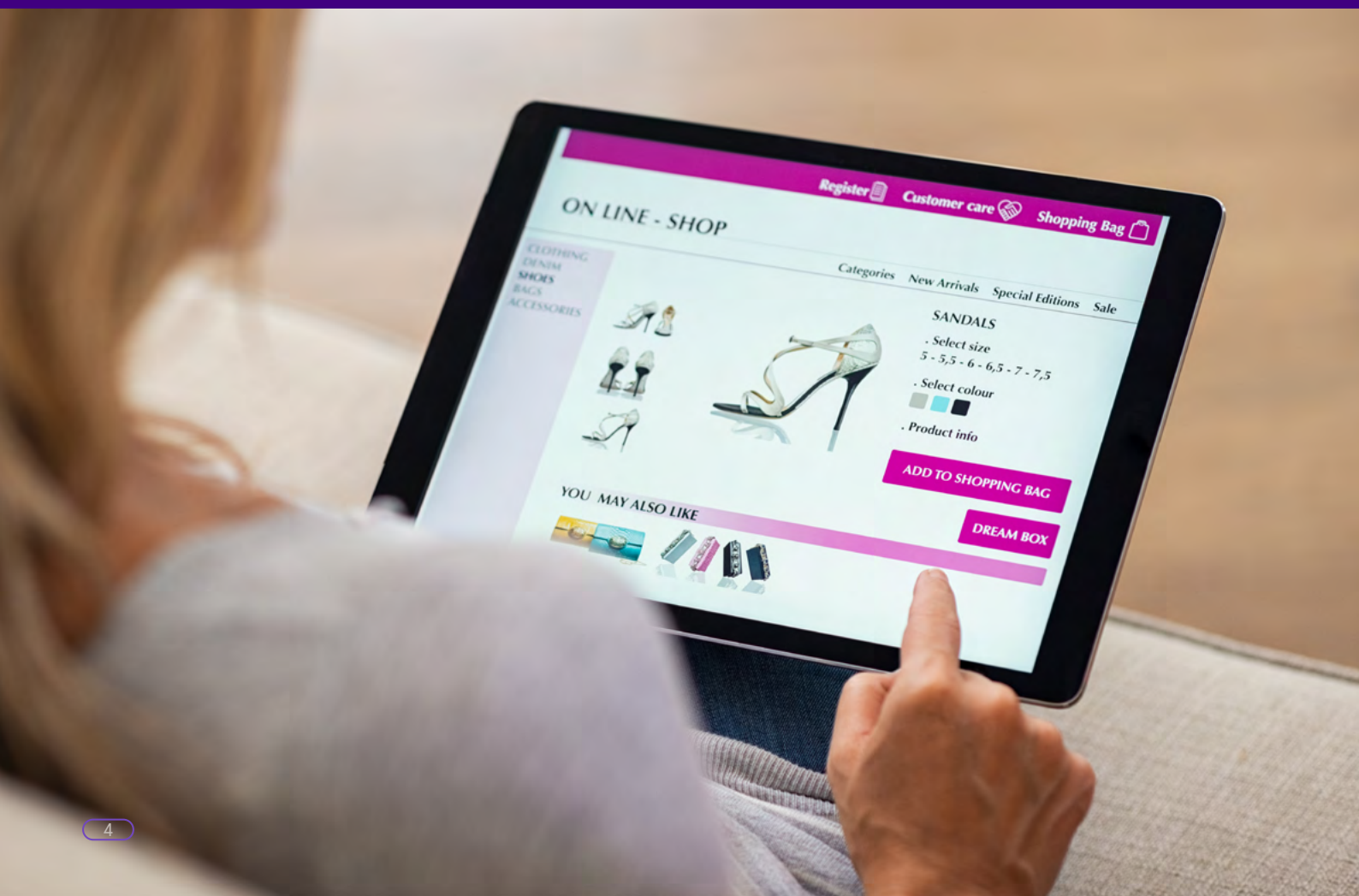
20 million shoppers in the UK use PayPal each year, and by 2020, 17 million UK adults had registered for one of the three leading mobile wallets¹.

Offering multiple payment options on your site can help you reach a wider audience and could reduce your costs. And by embracing digital security, it becomes easier for you to look after your customer data and to comply with your data security obligations.

In 2019, around

49% of UK online shoppers used their PayPal account to make payments

1. <https://www.ukfinance.org.uk/news-and-insights/blogs/rise-mobile-payments-2020>





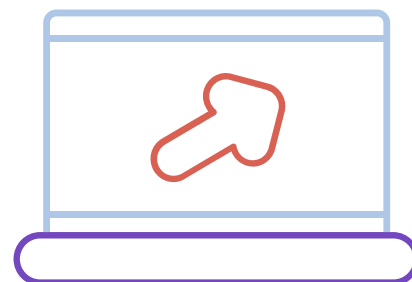
Your gateway and merchant account

There are two parts to your eCommerce payments service: An online payment gateway and a merchant account. Depending on your setup and how you choose to work, you may have both services from the same supplier.

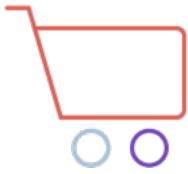
Your merchant account, also known as your acquiring service, is the processing part of your payment service. It's often thought of a bit like a bank account, but actually, its main function is to send and receive authorisation messages.

When you accept payments, card details from your customers are sent through your merchant account by your acquirer, to card schemes like Visa and Mastercard, for authorisation. They then send their transaction response, approved or declined, back through your acquirer to your business.

Your online payment gateway is the way you securely connect your website to your payments service. Like a software layer, the gateway will integrate to your website's checkout to capture card data securely so it can be sent onwards. All gateways are different, with a wide range of features and functionality, so working out which parts matter most to you and your business is an important place to start.

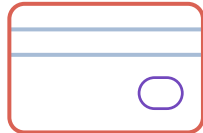


How businesses get paid



1. Purchase

A shopper comes to your website and selects to make a purchase, adding items to the 'shopping cart' or 'basket'.



2. Payment

At checkout, the customer completes their contact and shipping details and is asked to provide payment details – secure fields for this can be provided by your gateway as a hosted payment page. You may be asked to provide additional identity confirmation – this is called two-step authentication (more details below).



3. Processing

Card details are processed securely from your gateway through your merchant account to the card schemes, who then ask the card issuer to check that the shopper has enough funds in their account and their details are valid.



4. Authorisation

Within seconds, the purchase is authorised and the shopper's money is held on your behalf. Once your website receives the authorisation message, you can confidently ship the goods to your customer.



5. Settlement

Money is transferred from your customers' bank account to your merchant account, and then it's sent to your business bank account. This can take a few days.

When paying, customers might be asked to complete an additional security check, known as two-step authentication, and managed through a protocol called 3D Secure. Gateways use card scheme-managed tools like Verified by Visa, Mastercard Secure Code, and American Express SafeKey to do this. The latest version of 3D Secure (3DS2) includes improvements that help deliver a better experience for customers.



You should make sure you have 3DS2 in your eCommerce checkout as from March 2022, it is required by law.

Understanding payments pricing

There are different pricing models in the payment industry, and the larger your business gets, the more options you'll have to choose from. Before we get into the types of pricing, it's worth understanding where the charges come from and what they are for.



There are three parties on the processing side of payments –

1 Card issuer
who provided the card to the shopper, such as a bank.

2 Card scheme
who determines the type of card – such as Visa or Mastercard.

3 Acquirer
or processor, such as Cashflows (who by now you are probably familiar with).

Each of these parties has a role in processing a payment for which they charge a fee – although typically, it's all included in the charge you pay to your acquirer.

There are a number of terms used in pricing to explain the different charges, and it's the combination of these that you as a business end up paying for your payments service.

Merchant Service Charge (MSC)

Could be charged as either a flat fee or a percentage of your card turnover.

Tiered pricing

Gives a rate per card or transaction type. Rows on different charges might look complicated on a proposal, but as long as your invoices and reporting are clear, it's quite straightforward to compare. Your rates may also get lower as your transaction volume increases.

Blended pricing

Means you receive fixed pricing based on card type. This can be more expensive than other models but is easy to understand and plan for.

Gateway service fees

Are usually a fixed monthly fee or a per-click fee on top of your processing fees. This often includes access to features like Virtual Terminal or Pay by Link. (more later).

Interchange++

Is a bit more complex but highly transparent. Card scheme and issuer fees are passed on directly to you, with an agreed mark-up applied by your processor (acquirer). For businesses transacting at volume with some payments know-how, this is likely to be good value. The risk and benefit here are that the impact of increases/decreases in card schemes and issuer fees is immediately passed on to you.

What's on a gateway?

The gateway connects your website to your payments processing, with a set of tools and features to use for taking payments and reporting. It's worth thinking about the needs of your business and your sales model, as there may be specific features you'll need more than others.

Here are a few questions to ask yourself:

- How do you want to integrate? Do you want to build your own payment pages or use a third-party hosted pay page for additional security?
- Do your customers sign-up for a subscription or regular payment?
- Do you need to offer payment wallets such as PayPal and Apple Pay?
- Do you need to take payment over the phone?
- Do you need to include a link to pay on your invoices, quotes, or booking forms?
- Do you need to monitor transactions in real-time?
- Do you need to download your payment data for use in other systems?





Checking out gateway features

Integration

One of the very first questions you'll be asked is how you want to integrate your payments to your website. You have a few different choices here, depending on the Content Management System (CMS) platform you use. You might want your own payment page that captures and sends data to your gateway. Or maybe use a gateway-hosted payments page that captures card data directly, reducing your obligations around payment card data security.

Payment methods

Check that your gateway can accept all the card types and wallets that you need for the country you are selling to. Visa and Mastercard are the main card types used in the UK, with PayPal and Apple Pay the most popular wallets. American Express is also popular among certain UK demographics. American Express and PayPal require your business to set up an account directly with them, creating extra steps and costs.

Virtual terminal

Most gateways come with access to a virtual terminal for taking payments over the phone. This can be useful to eCommerce businesses who don't use physical terminals as it gives another way to sell. Staff can make sales from their desk, with customers entering card data on the screen directly to the gateway portal. There's usually no limit to the number of users, so enabling telephone payments for your office-based teams by a virtual terminal can be a great way to increase your sales capacity.

Pay by Link

With Pay by Link, you send a 'pay now' button by email or add the link to invoices or quotes. It's easy for customers to enter their card details into a secure online form, which removes the need for you to capture personal data and helps you to stay compliant. It's also a great short-term solution while you're setting up your website, and many businesses find Pay by Link especially useful as a credit control tool to help chase late payments.

APIs and plug-ins

Think about the APIs plug-ins available and how easy it is to connect payments to your site. Without the right interfaces, development and labour time might delay your project, while the right connections will keep your developer happy and your costs down.

Reporting dashboard or online account

Gateway reporting gives you a record of all the transactions you made through your website and related charges. Some gateways provide a basic view, while others provide more sophisticated analytics tools that help you compare time periods and analyse sales channels. Work out how you will use the data available, for example, whether having real-time access to sales performance is useful – as not all gateways offer this. Think about your needs and check in with other users, like finance and accounting teams, who might also value this information.



Let's talk about security and compliance

Card fraud and malicious attacks are much more commonly experienced by businesses that trade online. This means, when choosing an online payments partner, you'll want to make sure their platform is secure and that you're operating your business in line with industry requirements.

Taking card payments means more responsibility for businesses. You must be able to prove that you are protecting your customers' data, and this can take time and effort.

PCI DSS

In payments, we love an acronym, and this is a firm favourite. Payment Card Industry Data Security Standards (PCI DSS) is a set of standards applied to all businesses taking and processing payments. Your processor (acquirer) will usually guide you and offer a helpful solution, but the final responsibility lies with your business - so it's worth getting familiar with what you need to do.

Chargebacks

A chargeback happens when a shopper contacts their bank or card issuer to claim a transaction is fraudulent. The issuer then takes back the funds from the payment. You'll see a chargeback on your payments invoice. You can contest chargebacks if you can prove that you took the necessary care when processing. If 3D Secure is applied at checkout, then the good news is that your liability for chargebacks is removed.



The end... or the beginning?

Whatever and however they sell, every business wants to create smooth and rewarding experiences for its customers, so they return again and again. eCommerce is no different, and the incredible recent growth of digital consumer and business spend means that designing and delivering an outstanding online experience should be a priority for every business.

We hope our guide has helped you to grasp the basics of eCommerce payments. We appreciate it's a

tricky subject, but understanding the key points will help you to make better decisions for your business. The even better news is that there are more tools available to help you than ever before.

At Cashflows, we want to make things easy for every business, and our service and support teams and tools are here to help. Take a look at what we offer and get in touch with our sales team.



