SALON IRIS

TCOB: Master Your Money

A Business Owner's Guide to Payments

Evolving consumer expectations, technological advances (and the pandemic!) have changed the way small businesses run, and the challenges that owners and managers now face. Owners must modernize their operations to ensure success in a digital, post-pandemic world.

Many small businesses have made headway by adopting online booking and incorporating mobile apps. One area that too many owners overlook is payments. Sure, everyone loves to get paid, but thinking about credit card contracts is a lot less appealing.

As a small business owner, you cannot afford to ignore payment processing. As credit card processing options evolve, such as portable POS systems and contactless payments, it's easy to feel like payments are modern enough. Maybe your bank provides a solution that connects right to your business account, or you get free hardware from a Silicon Valley startup. **The world is rapidly changing - and payments are becoming a more important part of the customer experience - so modernizing payments not only improves your bottom line, it can upgrade the client experience.**

The Need for Modern Payment Options

Since the COVID-19 pandemic began, the checkout process has been under new scrutiny. Contactless payments and digital wallets that once seemed interesting or nice to have are now must-haves. COVID-19 brought a new level of attention to touching surfaces and being in common areas. People are now aware that cash, credit cards, POS systems, PIN pads and even pens may not be as sanitary as they once thought. Suddenly, the checkout experience is seen as risky.

That said, even before the pandemic, payments were undergoing a transformation. The digital world was making cash-less popular as consumers searched for quicker, more convenient options. As a result, many small businesses were considering an update – a switch that is now more necessary than nice-to-have.

In this eBook, we'll cover how to modernize and future-proof payments for a post-pandemic world, including:

- **An Introduction to Integrated Payment Processing (pg. 4)**
- **How to Set Up Integrated Payment Processing (pg. 6)**
- **How to Find the Right Payment Processor for Your Business (pg. 12)**
- **Best Practices for Payments in a Pandemic (pg. 15)**
- **Credit Card Payment Processing Term Glossary (pg. 17)**

How Plastic Powers Payments

Step 1:
Client Incurs Client Service Fees

Step 2:
Client Pays with Credit Card

Step 3:
Merchant Requests Card Transaction

Step 4:
Card Issuing Bank Approves Charge

Step 5:
Merchant Account is Credited

Step 6:
Transaction is Submitted for Settlement'

Step 7:
Back-end Processor Debits the Card Issuer

Step 8:
Back-end Processor Pays the Acquirer

Step 9:
Acquirer Funds the Merchant Account

Step 10:
Issuer Posts Transaction to Client Account

Step 11:
Client Repays Issuing Bank

Introduction to Integrated Payment Processing

First things first: cash registers and siloed credit card processors are tools of the past. Operations that still use cash registers are losing valuable time and money. And that's not the only loss: manually tallying up services and add-on products is time-consuming and increases the likelihood of human error. Even credit card processors still require an extra step to manage tips, cancellation fees, membership billing or the business' finances as a whole.

Today, 9 in 10 Americans use debit or credit cards to pay for transactions.

About 50% of Americans surveyed in 2019 say they only carry cash with them about half the time.

Integrated payment processing is a staple for modern small business operations.

What is integrated payment processing?

Essentially, it's when a payment system communicates with all other critical software your business uses, such as Salon Iris. In fact, your Salon Iris software comes complete with integrated credit card processing. Apply for CardConnect, and after a short application process, you'll be accepting cards and closing tickets with a simple swipe. In addition to a great rate, integrated payments brings other benefits and new, recurring revenue opportunities.

What are the benefits?

Integrated payment processing simplifies checkout, so receptionists don't have to switch between systems as the client waits. As a result, small businesses see several benefits:

- **Speeding the checkout process:** Today's customers want convenience and the faster a checkout is, the happier customers are. Securely storing card information for future visits can facilitate quicker, touch-free transactions. It also allows small businesses to easily charge for no-shows or cancellation fees.

- **Selling memberships:** Business owners can sell recurring monthly memberships to customers - an effective way to recognize customer loyalty with a small discount on recurring services. In fact, according to DaySmart Software's survey, 44% of respondents say their favorite benefit of being a regular is getting discounts and/or promotions.
- **Reducing human error:** Avoiding manual entry charges reduces errors. Without integrated payments, multitasking employees might enter a $108.80 charge as $10.80! No one might notice the error until (manually!) reconciling bank statements with closed tickets, weeks later, and now there is no card to run for the correct amount.
- **Prompting clients for tip selection during checkout:** Many small business employees rely on gratuities as a major source of income. Yet, according to a recent DaySmart Software survey of small business owners, only 53% of respondents say customers tip their employees as often as before the pandemic. Unfortunately, more than one-quarter (27%) say customers tip less often now and fewer than half (45%) of the respondents say customers are tipping pre-pandemic amounts, with 29% reporting smaller tips! Remind customers to tip - and make it easy - so customers are more likely to do so.
- **Improving customer service:** The checkout time should be used to ask clients about their experience, suggest rebooking times, or upsell products. Rather than copying data from one system to another, double checking the amounts, or asking the client to authorize the purchase on another machine, employees should leverage checkout as a value-add experience.
- **Lowering rates and increasing profits:** Processing cards is a cost. If a business processes just $2,000 a week in credit card charges and pays even 1% more in the transaction rate, that's like giving away $1,000+ every year! You may have been quoted a rate, but find yourself paying a much higher effective rate if clients buyover the phone or you incur fees of even 10 or 20 cents per transaction. These costs add up quickly.

How to Set Up Integrated Payment Processing

The value of integrated payment processing is clear – so let's discuss how you get setup.

What equipment do you need?

This is an important place to start. Here are the different types of equipment you will want to understand and consider to ensure your checkout experience is flawless for customers:

Terminal	A terminal is a small device that you'll keep at the checkout point. A terminal can be connected to the internet via a dial up or hard-wired ethernet cable connection. On a typical terminal you'll manually type the amount of the transaction into the device and swipe/tap/dip cards to satisfy the amount.
POS System	A POS (point-of-sale) system is a more robust setup. It is typically connected to more business functions than just accepting payments. They often manage payroll, inventory, accounting, appointment setting, etc. and help you run your entire business. • **A non-integrated POS system** will need to be paired with a terminal to manually enter transaction amounts (it is separate from the inventory management system that rings up the total) and reconcile payments. • **An integrated POS system** will be automatically paired with your terminal so manual entering/reconciling is not necessary. In addition to making payments easier, an integrated POS system also allows you to save customer payment information and charge customers on a recurring basis (for subscriptions, etc.).
Mobile Payments	Mobile payments may refer to either payments made over a mobile device (like a cell phone or tablet) or payments made on a wireless terminal, which can connect to the internet via 3G, 4G or a WiFi connection.
Virtual Terminal	A virtual terminal is a processing option that utilizes a secure web portal or virtual interface to accept payments. It's very similar to a simple physical terminal, but requires logging into a web portal set up for your business. From there, payments can either be keyed in manually or swiped/tapped/dipped using a computer attachment.
Shopping Cart/eCommerce	A website your customers can shop on and checkout from without your involvement is a shopping cart. The crucial difference between a standard virtual terminal and a shopping cart is that the customer handles the payment on their own. All shopping carts are virtual terminals, but not all virtual terminals are shopping carts.

Who is involved?

When you sign up to accept credit card payments, you only sign one agreement. However, there are six key players in credit card processing.

1- **The Merchant (Your Business).** When you sign up with a credit card processor, you sign a merchant processing agreement (or MPA) and get a merchant account. When you hear the word "merchant," think about you and your business.

2- **The Cardholder (Your Customer).** The physical (or virtual) credit/debit card your customers hold in their hand determines quite a lot – from which parties are involved to what fees you're charged for the transaction.

3- **The Credit Card Processor (The Payment Processor).** This is the company you signed a merchant agreement with, the one who charges you fees and the one you call when a transaction doesn't go quite right. Your credit card processor is the party who routes transactions (both the money and information) and ensures you get paid. The credit card processor sets about 10-20% of the total fees charged to your business on any given transaction.

4- **The Association / Network (The Card Brands).** Visa, MasterCard, Discover and American Express are all examples. The card brands set about 60% of the total processing rates and fees you're charged on each transaction. These rates are known as interchange rates and are based on, again, the type of card your customer is holding (a rewards card, debit card, business/corporate card, etc.) and how the transaction was run.

5- **The Issuing Bank (Your Customer's Bank).** The card your customer holds was issued by the issuing bank. The issuing banks set many of the fees charged to your business on any given transaction; known as association fees, these are based on the type of card (a debit card or credit card) as well as how the transaction was run (card present or entered).

6- **The Acquirer (Your Bank).** Your bank acquires funds at the end of the transaction, so in this context they are the acquirer or acquiring bank.

How does a transaction work?

The short answer: In our case, Salon Iris software integrates with CardConnect, a leading credit card payment processor. Here is what happens when the customer is at checkout: In the business software, the invoice/ticket shows the amount due. When the client presents a credit card, the card gets swiped on a processing terminal connected to the same PC and the ticket is immediately closed after a successful swipe. Reports in the business management software are consolidated, and there is no need to reconcile bank statements with other reports to ensure you've been paid for every service. Finally, the payment system could suggest tip amounts to the client, adding to your services revenue without having to ask.

How Much Does Credit Card Processing Cost?

When setting up credit card processing, it's very important to take note of the different types of fees to make sure you get the best deal for your business. Here are the three types to look out for:

1- **Transaction Fees** are based around the transaction. These can be fixed per item fees (like an authorization fee or some association fees) or flat percentage rates (e.g., processor markup percentage, interchange and some association fees). Most of your fees will fall in this category.

2- **Recurring or Monthly Fees** are not based on any individual transaction and are charged monthly. Examples include things like a PCI Compliance or PCI Non-Compliance fee, an on-file fee, statement fee, etc.

3- **One-Time Fees** are triggered by an irregular or specific event. These include things like a chargeback fee, retrieval fee, or an early termination fee.

Fees will be grouped in different ways depending on your pricing structure. You may see these all broken out individually (if you're on an Interchange + Pricing structure) or all lumped together into one flat rate.

How to Find the Right Credit Card Processor for Your Business

As you begin (or continue) your search for credit card processors, you'll realize that not all processors are created equal. There are hundreds (perhaps even thousands) of possible payment processors to choose from. It's up to you to ask the right questions to make sure you choose the right one.

Question #1: What services do you offer?

First thing's first: understand what services the credit card processor offers its merchants. For example, your business may be a standard brick-and-mortar establishment now, but that doesn't mean it will stay that way. It's good to know ahead of time how your processor can help you as you grow and evolve. If you want to add an eCommerce store down the line, how easy will that be? How are tips handled? These types of service questions will help you narrow down the right choice for your business.

Question #2: Do you offer integrated POS?

Your business may also want to upgrade to a POS software like Salon Iris as it grows. An integrated POS system will allow you to connect your POS device to a payment processor and opens up loads of possibilities for your business to scale. Things like building subscription programs, offering recurring memberships/billing and saving customer payment information for future use all become possible with an integrated system. Is this an option with your existing or potential provider?

Question #3: What will I be billed for?

This is both a question to ask and a question to fact check. Merchant services is a complicated industry and the fees you're billed for each month will likely fluctuate. There are some standard terms like, "interchange," "association fees" and "processor fees" that will likely be mentioned. The interchange and association fees are the same for every merchant services provider, so you don't need to get into too much detail here. The main question you should ask is, "what are the processor fees I'll be responsible for?"

To give a brief overview, within the "processor fees" section, there will likely be a per item (or transaction) fee, a fixed percentage rate on your volume, some monthly fees and potentially an annual fee or two. Write these down and review them once you receive your merchant services contract, so you understand exactly what you'll be paying and why.

Question #4: How secure is your payment processing solution?

As a business that accepts credit cards, you'll be running sensitive information (like card numbers and addresses) through your place of business. Using this sensitive information creates some obligations for you to keep that data safe.

Click here to review our quick guide to PCI DSS compliance (Payment Card Industry Data Security Standards) to give you a more in-depth look into those obligations. In the meantime, this is what your processor should be able to tell you about their security:

1- If they've ever suffered a data breach.
2- If they (and the solutions they're offering to you) are all PCI compliant.
3- How they can help you maintain PCI compliance over time.

A merchant services provider that focuses on security is going to quickly be able to answer these questions for you and give you assurances that they will keep up with the latest security standards to keep themselves (and your business) safe from fraud and data breaches.

Question #5: How often does your service experience interruptions/how can I get hold of someone if there's a problem?

No solution is perfect 100% of the time. There will be times when your internet goes down, a broadband outage in your area takes down processing or your processor experiences an outage on their end.

What is important here is, how quickly can you get ahold of someone in the event you need assistance? While it may seem like a silly question, it's one you'll be glad you asked in the event of an emergency. A true partner will be there to help when you need it.

How the Pandemic Changed Best Practices for Payments

The COVID-19 pandemic accelerated the adoption of technology across all businesses. Any return to "normal" will not include undoing those technological advancements. In other words, tech is here to stay. Small businesses that update their payments will prove to customers that they are invested in their well-being and their loyalty. To meet evolving consumer expectations, small businesses can establish three best practices for their operations:

Implement Contactless Payments

Most credit and debit cards issued in the last five years have NFC (near-field communication) or RFID (radio-frequency identification) capabilities embedded within the card. Similarly, most payment terminals have NFC and RFID capabilities. These "tap and go" cards work similarly to Apple Pay or Google Wallet: 1) they don't require a third-party device (e.g., a cell phone) to store the credit card information, and 2) can just use the card itself.

Not every consumer may know about the possibility of contactless payments. Small businesses can support customers by providing guidelines, instructions or FAQs and displaying them by the payment terminal, on their website or via social media pages. It is especially important that small businesses reassure customers that tap-and-go payments are as secure as EMV chip payments. Similar to chip transactions, the contactless payment is accompanied by a one-time use code that secures the payment data.

Even after small businesses implement contactless payments, their payment processing system can still integrate with their Salon Iris business management software. Integrated payment processing simplifies and expedites checkout, so customers don't have to wait while employees switch between systems as your client waits. For customers still feeling uneasy in public spaces, a quick and seamless checkout will be especially appreciated.

Disable Signature Functions

Now that chip and tap-payment cards are equally secure, most major card brands removed the requirement for transaction signatures in 2018 in the U.S. and Canada. This means there are no longer fees related to processing a transaction without the signature, making it more appealing to small businesses. That said, many processing terminals and POS systems still have the signature prompt as a default setting. To fix these issues, small businesses can contact their card processor, such as CardConnect, to adjust those settings. Customers will appreciate saving a step, as it reduces time, risk and stress.

How does this work for tipping? Some small businesses may prefer to continue requesting signatures so patrons can discreetly add a post-transaction tip. Otherwise, small businesses can set up integrations in Salon Iris that"prompt for a tip" before the purchaser approves the amount. With this system, the full transaction amount is charged at once (instead of a tip adjustment after the fact).

Consider Recurring Billing

Not only can recurring billing help nurture customer relationships when it's most needed, but charging their card automatically every month—without touching the card or terminal after the initial setup—makes payments completely touchless. If small businesses don't offer memberships, they can still integrate their Salon Iris.

Besides memberships, integrated payment systems can enable online deposits which, depending on your salon, can be a lifesaver if your clients book appointments online. Having a deposit associated with it will slash your "no show" rates and protect you in cases where people book your time but don't actually make their appointment.

Future-proof Your Payments Today

Payments are no longer a passive part of your operations or the customer experience. Integrated payment processing provides an opportunity for you to add value to your business and to your customers.

If you have questions about connecting Salon Iris to our integrated payment processor, please give us a call at +1 (800) 376-0123