

Credit & Debit Card Processing with Point of Sale System: Why “Integration” makes good dollars and sense.

As a method of making retail purchase, credit and debit cards are the most popular with consumers. As a retail store owner you probably have a stand alone terminal which you use to swipe the customer's credit card, input the total sales amount from your existing old fashion cash register, press the “enter” button and the terminal then dials out through a phone line, connecting with a transaction processor's computer which verifies the customer account status and if OK returns an approval, the terminal prints a receipt and the cash register prints a receipt which are given to the customer.

If you are just starting your store it makes no sense go through the process just outlined and if you have that existing system it still makes good sense to upgrade to a point-of-sale system with integrated credit / debit card processing.

What is Integration?

Generally speaking, in the world of Point-of-Sale there are two types of software developers; those that create software for keeping track of inventory and making sales and those that create software for transaction processing of credit and debit cards. So “integration” simply means that the process utilizes two software programs running simultaneously and at the point of tendering the sale, if credit/debit card is the method of choice for the consumer, the point-of-sale system will seamlessly integrate with the transaction processing software to quickly process the sale.

Benefits of Integration: Speed and Accuracy.

Accuracy. Transactions are much more accurate because the amount of the sales does not have to be remembered by a busy clerk from the sales terminal and correctly typed into the card processing terminal. The process of retyping is an action “fraught with peril”. All sorts of things can happen between the moment the total appears on the sales terminal and it is input manually to the card processing terminal. Was the sale \$19.69 or 19.96? “Opps!”, accidentally hit that key too many times (so that the transaction for \$22.22, became \$222.22)
Speed. There is no reentering of numbers, no turning away from the customer, no waiting for the modem to dial. The customers are much more quickly

served, lines are shorter and customer satisfaction is improved.

Next to the bottom Line, Cost.

The cost of what is probably the most popular credit card transaction processing software, PC Charge, for a single user is \$499.00. If you want a Magnetic Card Reader a good deal is a ID Tech “Mini Wedge” for \$120.00. Compare that to the cost of the Verifone systems and the price is the same or less and you get a better product. If you already have purchased dial-up processing equipment, consider the vast improvement in customer service plus the availability of a multitude of full size reports that will make your back office and end-of-the-day balancing out procedures so much easier; the little more than \$600 is for most retail businesses worth it. And keep that old dial-up processor as a backup for emergencies, temporary special needs or off site use at special functions were the high speed access is not available.

More Details.

Here is what you can expect to run into on an installation or conversion.

The Players. In any type of credit and debit card processing (dial-up or high speed) one of the complications is that there are a number of different businesses supplying a part of the process to get the dollars from the customer's credit or bank account to you, the retailer's bank account. The Merchant Account Provider. This is usually a bank that makes an underwriting decision, on the retail business owner. An underwriting decision, verifying your credit worthiness, is needed because 1) Charge-backs and 2) Fraud. Charge-backs. VISA, MasterCard, Discovery and AMEX all have fairly liberal customer satisfaction clauses with their cardholders, charge backs are fairly easy to do from the consumers standpoint often weeks or even months after the charge took place. The retailer is forced to give back the money from the sale (actually the money is electronically removed from the merchant's checking account whether the merchant likes it or not) Because, the merchant owes the money whether there is actually dollars in their account to take or not the merchant must have some ability (credit) to make good the charge back amount. Fraud. Taking credit cards issuing credits to cards has been described by at

least one banker as the ability to create money, without going into details on exactly how to illegally perpetrate fraud, suffice it to say, without a lot of difficulty an unscrupulous merchant or someone with access to a card processing terminal could do some pretty bad things. Finally the Merchant Account Provider often receives monthly account statement data from processors or receives and maintains that data on a nightly basis with which to produce, mail, bill/invoice and collect payments on the consumers account.

Transaction Processors. These are companies that create the gateways, the access network and have the computers/servers that make the transaction happen by finding the account holders information, comparing the requested transaction to the available credit or bank balance, issuing an approval (or decline) and then settling the transaction. Transaction processors may also serve the function of maintaining consumer account data with which to produce, mail, bill/invoice and collect payments on the consumers account. Note that not all Transaction Processors can get information the same way, currently only some of the processors are set up to allow a connection using TCP/IP and high speed data lines like DSL, T1 or cable.

Card Providers. VISA, Mastercard, Discover and AMEX, have the consumer contracts and provide other financial services to those consumers. Also Card providers have agreement with banks and other institutions for marketing and selling financial services.

The Consumers Bank. This is where the money comes from to pay for purchases. It may be a credit account or a bank checking account.

The Merchants Checking Account Provider. Usually a bank or credit union business account. It may be the same as the Merchant Account issuer, but not necessarily. This is where the dollars go to eventually from the consumers credit or bank account.

Hardware & Software “Terminal Services” Providers. These could be in two categories but essentially they are businesses which provide the physical and electronic methods by which the actual transaction starts and ends at the retail or in-store level. This may be the old fashion dial-up card swiper or key pad or the more modern Point-of-Sale System. This is where the rubber meets the road, (so to speak) All of the businesses involved in processing come together here, so that when a customer offers a credit or debit card for payment,

the information is correctly obtained, transmitted, captured, processed approved and a receipt printed.

Brokers and Middlemen. All along the way in the process just outlined there may be a company that does not really provide the service it sells, but markets, sells and collects a fee for arranging one of the afore mentioned services. Most typically, they are in the areas of providing Merchant Accounts or providing processing services.

How to best make it happen.

With all the businesses selling some part or even the entire credit card processing service, how do you know you are getting the services that are right for your business? Keep in mind that the absolute lowest cost is not necessarily the best. When you have a problem not being able to process transactions for any reason, your business is at serious risk, you want people you can turn to who understand the over all process, know their part in it and who don't simply point fingers at the other players. Passing the blame is very tempting in this environment where so many different players are present.

Shop around and compare firm written quote or proposals. Fee structures vary widely. Don't categorically dismiss brokers or middlemen who do not actually provide the services they sell, because of volume, overhead and marketing they may have good deals, but because they do not actually provide the services what happens when things go wrong?

Consider the services of an experienced consultant in this area, someone who has provided point-of-sale and high speed transaction processing with a proven track record and good referrals.

If you are going to do-it-yourself make sure you are going to be dealing with companies that have good telephone technical support services to guide you through the process. Call before you buy to see if you can get through. It may be a little work, but worth it in the end.

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