Swipe, Insert, Tap

A merchant's guide to accepting card payments

Practical Business Skills
by **VISA**

Digitizing your business

What is business digitization?

Digitization means powering your business with software and internet-enabled tools.

Analog records, processes, and transactions

- Cash payments
- Paper ledgers and transaction records
- Written inventory

Computer, mobile, and network-enabled tools

- Digital and card payments
- Digital accounting
- Automated inventory management

Why should I digitize?

Efficiency

- Save time with faster transactions.
- Find information quickly.
- Integrate your payments system, transaction record, and inventory tracker.

Flexibility

- Access your records from anywhere with an internet connection.
- Grow your business easily with scalable tools.

Reach

- Reach more customers and grow your customer base.
- Gather customer information to build relationships.

Customer experience

- Streamline your customer payment flow.
- Enable simple returns and exchanges.
- Help customers quickly.

Security

- Protect your business information with passwords and encryption.
- Guard against fraud.
- Back up your records to local or cloud drives.

Sustainability

- Reduce paper waste.
- Operate a leaner business and cut your carbon footprint.

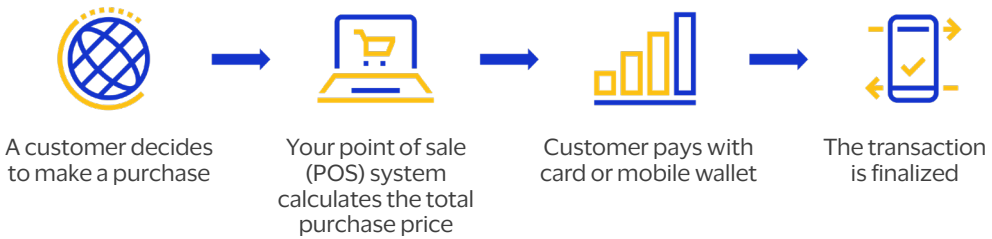# What parts of my business can I digitize?

Internal processes

Inventory	Accounting
• Use a digital inventory system for accurate counting, easier shipping, and identifying missing inventory.	• Manage your cash flow and budget with a digital tracker. • Use online banking to check account balances, transfer money, and send payments quickly.
Business records	**Employee management**
• Store transaction records, vendor and customer lists, contracts, and other important documents on a secure platform.	• Recruit from a wider pool of applicants by posting job openings online. • Automate your onboarding and training process. • Pay your employees via direct deposit.

Customer-facing processes

Payment methods	Storefront
• Enable payments with card, mobile, wearables, and QR codes. • Offer customers digital receipts.	• Create an online storefront to reach a wider audience and take online orders.
Advertising	**Customer service**
• Drive awareness of your business through advertising on websites, email, and social media.	• Take customer orders on a tablet or digital kiosk. • Address customer service requests through email, instant message, or an automated chatbot.

How do digital payments work?

A customer decides to make a purchase → Your point of sale (POS) system calculates the total purchase price → Customer pays with card or mobile wallet → The transaction is finalized

Taking digital payments

Merchants take payment with a point of sale (POS) system

- Use a POS device integrated with your POS system. This might be a card reader, a tablet, or your mobile phone.
- The POS system will store and organize your sales information and send transaction information through the payments process.
- You may have the option to send customers digital receipts instead of paper receipts, and to collect customer contact information.
- If you integrate your POS system into your accounting software and inventory management system, every time you make a sale, your financial records and inventory will be automatically updated.

Ways to pay

With digital payments, customers can pay for their purchase in a wider variety of ways.

Card payments

- Customers tap, swipe, or insert their card into your point-of sale device.

Mobile wallet payments

- Customers use their mobile phone or wearable device to make a contactless payment on your point of sale device.

QR code and P2P options

- Customers use their mobile phone to scan a QR code leading to a payment landing page.
- You may also choose to accept payments through the peer-to-peer payment platform of your choice.

The payments system

Here's what happens behind the scenes as issuing banks, merchant banks, payment processors, and card associations work together to help you get paid.

1

Authorization: Card authorization takes place at the point of sale and typically takes under a minute to complete.

- The customer presents their card to the POS system.
- The merchant POS requests a card authorization from the payment processor.
- The payment processor hands off this request to the appropriate card association, who in turn asks the cardholder's issuing bank.
- The issuing bank approves or declines the transaction.

2

Settlement: At the end of the business day, merchants settle their transactions so they can get paid.

- The merchant sends batches of authorized transactions to their payment processor.
- The payment processor sends this information to the card associations, who then communicate the transaction amounts to the issuing banks.
- The issuing banks charge cardholders' accounts for the appropriate amounts.

3

Funding: The funds travel to the merchant's bank account.

- The issuing bank sends the merchant's bank the transaction amount.
- The merchant bank deposits the funds into the merchant's bank account.

Benefits of card acceptance for merchants

Card acceptance leads to increased sales

Increase sale size	Reach a wider audience
Card users tend toward larger sales • Cash tends to be used for smaller amounts, and limits what a customer can purchase. • On the other hand, research shows that when a customer uses a card, they're more likely to make a larger purchase.* • Card users are also willing to spend more on individual items, focus on and remember more product benefits rather than costs, and make more spontaneous purchase choices.*	**Accepting card payments makes it possible to sell your products online.** • With digital payments, reach new customers in more places by selling online. • An online storefront allows you to ship your product to customers anywhere, instead of requiring customers to visit your physical store.
Portability	**Accommodation**
Meet your customers where they are. • Flexible checkout: Bring your POS system right to your customer's table or meet them on the sales floor. • Make sales at large events: Bring your portable POS device to markets, festivals, conferences, and conventions to do business on the go.	**Include as many customers as possible.** • Accommodate foreign customers: Cash payments can be difficult for foreign customers. Accepting card payments allows tourists and travelers to make purchases easily. • Accommodate customers with disabilities: Eliminate the need for customers to count out and handle paper cash and coins. Also, many POS systems are designed with accessibility in mind.

*MIT Sloan study (https://mitsloan.mit.edu/press/mit-sloan-study-shows-credit-cards-act-to-step-gas-to-increase-spending), 2021."

Card acceptance improves safety and security

Security: Protect your business from fraud.

- Automated authorization: The payments process validates transactions on your behalf.
- No fake cash or bad checks: Reduce the need to verify currency or process potentially bad checks.

Safety: Reduce the risk of theft.

- Keeping stores of cash on your business' premises can make you vulnerable to theft. Card acceptance eliminates the need to keep large amounts of cash on hand.
- Secure transaction records. Control access to your point-of-sale system with passwords and biometric verification.

Health: Keep yourself and your employees healthy.

- Paper currency and coins can transmit harmful germs to you, your employees, and your customers.
- Reduce your exposure to health risks by promoting card and contactless payments.

Card acceptance helps you build a stronger business

Improved customer experience: Offer your customers a shorter, smoother experience

- Streamline the purchase process: Minimize the number of steps needed to finalize a customer purchase.

- Shorten checkout wait time: Cut the time customers spend waiting in line to check out.

- Offer digital receipts: Clear up clutter by sending a digital receipt instead of printing a paper receipt.

- Keep customers in the loop: Capture customer contact information and keep them informed of sales, deals, and events.

Improved merchant experience: Streamline your own business processes.

- Spend less time at the point of sale: Reduce the time spent ringing up customers and spend more time tending to other areas of your business.

- Simplified opening and closing: Instead of filling up a cash register at open and counting cash at closing, just turn on your point-of-sale system.

- No need to make change: Reduce miscommunication over change with card payments.

Gather valuable metrics: Improve business performance with key transaction insights.

- Analyze purchase size: Use information about the size of your customers' purchases to plan sales and product releases.

- Track inventory in real-time: Identify customer favorites, keep an eye on low stock, and prioritize your promotions.

- Monitor your daily and weekly sales: Knowing exactly how much comes into your business in a given day or week helps you manage your business's cash flow.

Using a point of sale (POS) system

What is a POS system?

A POS is an essential tool for managing your business's sales and keeping accurate records.

POS systems often include both hardware and software components.

Hardware
POS hardware is the physical toolkit that helps you take card payments and store cash. It could take the form of:
- A computer, tablet or mobile device
- A dongle (a card reader that plugs into a mobile device)
- A cash register
- A barcode scanner

Software
POS software is your command center for taking payments. It records, stores, and analyzes sales information.
- Add up total purchase prices.
- Account for local and regional taxes.
- POS software systems can also manage: customer lists, inventory, employee activity, and other elements of your business.

How do I choose a point of sale (POS) system?

There are hundreds of POS systems to choose from, and many are specialized for specific use cases (a restaurant has different needs from a gift shop, for example). You should also consider:

Cost

- Consider the upfront and ongoing costs for the system.
- You may need to purchase or rent the hardware, such as a cash register or POS device. Then, depending on your choice, you may need to purchase the POS software or pay a monthly (or annual) subscription fee.
- Additionally, POS systems may charge different fees for processing debit card and credit card and transactions. Compare processing costs between POS systems and see if the system allows you to change to a different third-party processing company later if you want more flexibility.

Features

- Your needs may change as your business grows, so consider which features you need today and may want in the future. Here are some of the things that POS systems can do:
  - Accept chip cards
  - Accept contactless cards and mobile payments
  - Store cash in a secure drawer
  - Scan products' barcodes
  - Track your business's inventory
  - Create sales reports
  - Manage employees' shifts and timesheets
  - Manage a customer loyalty program
  - Connect with your bookkeeping software
  - Print physical receipts or send digital receipts

Simplicity

- Some systems may take hours or days to set up, others might require you to hire a consultant to get started. Others may be much simpler to set up.
- Consider how easy the system will be to use every day, and how easy it will be to train new employees on your system.

Support

- Problems with your POS system could slow down your business.
- Some POS system providers may offer free support, while others may require you to troubleshoot independently or hire a consultant.
- Consider your own and your employees' comfort with new technologies.

What equipment and information do I need?

There are hundreds of POS systems to choose from, and many are specialized for specific use cases (a restaurant has different needs from a gift shop, for example). You should also consider:

1

Register your business
- Legally create your business by following the steps required in your region.
- This process will help you obtain the documents required to open a business bank account.

2

Open a business bank account
- A business bank account makes it much easier (and could be required) for you to accept card payments.
- Compare your options carefully before opening an account: look for annual fees, transaction fees, and other features. You might also consider opening a business savings account, which may pay you interest on your account balance.

3

Find a merchant services or payment services provider
- A merchant services provider will set you up with a payment processor and a merchant account.
- A merchant account is a special type of bank account that allows your customers' money to flow through the card processing system and get deposited into your account.
- An all-in-one payment services provider often bundles credit card processing, a POS system, and merchant account services, which makes it easier for you but may be more expensive than working with a merchant services provider.
- Compare your options, including potential cost, contract length, and transaction fees. You may be able to negotiate the terms of your contract.

4

Acquire a POS system

- This is how you track payments, and where customers will swipe, insert, or tap their card or mobile device when making a purchase.
- Your merchant or payment services provider might sell or rent you a POS device.
- If you already have a POS software system, be sure your POS device is compatible with your POS software.

5

Online storefront

- If you plan to open an online storefront, you'll need a website with a shopping cart and payment gateway.
- Your merchant services account or payment services provider might come with a payment gateway (sometimes for an added fee), or you can independently explore other options.

You'll also need:

A strong internet connection

Your POS system will rely on your internet connection, so make sure your connection is strong enough to keep your transactions running smoothly. If possible, set up a backup internet connection in case your primary connection fails. This could be an alternative internet service provider or your mobile device's network connection, which you can use through a mobile hotspot.

Awareness of compliance requirements

The Payment Card Industry Data Security Standards (PCI DSS) is an important standard related to accepting, sending and storing customers' data. Many merchant services, PSPs and payment gateways stay up to date with this standard and may charge you a monthly or annual PCI compliance fee. Make sure the merchant services company and your business practices comply with the latest laws and credit card companies' regulations.

What equipment and information does my customer need?

Card
Customers can swipe, insert or tap a bank, credit, or prepaid card into your card reader.

Mobile Wallet
Customers can tap their mobile phone or wearable device onto your POS device.

Online
Customers can input their card information (including their name, address, and card number) into your online payment gateway.

How do card payments work?

Swipe
- The oldest, likely most familiar method of paying by card.
- The magnetic stripe on the back of a payment card holds customer information.
- A customer swipes their card through your card reader to make a payment.

Insert
- In recent years, most cards have been updated to include a microchip embedded in the plastic with customer information.
- Customers pay by inserting the chip into your card reader.
- Quicker and more secure than swiping.

Tap-to-pay
- Tap-to-pay uses near-field communication (NFC) technology to enable contactless payments.

Contactless card
- Cards specifically marked with the contactless symbol have an NFC antenna embedded in them that makes them tappable.
- Customers hold their card near or on the card reader until the POS device advises them to remove it.

Mobile wallet
- Customers open their mobile wallet on their phone or wearable device and hold it on or near the card reader.
- Since most mobile wallets have an additional layer of security, like a PIN number or biometric verification, customers who check out with mobile wallets may not need additional card verification.

Example checkout flow: Tap-to-pay with mobile wallet

Checkout
Merchant enters purchase on the POS device.

Mobile wallet
Customer opens their mobile wallet on their personal device.

Contactless tap
Customer taps their mobile device to pay.

Digital receipt
Customer decides if they want a digital receipt or not.

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