



How to Choose The Right
Payment Processor for
Your Retail Business?

The Ultimate Guide for Merchants

In the world of retail, every penny counts. One wrong move (like choosing the wrong payment processor) can lead to a cascade of financial setbacks.

Meet Sarah, the owner of a small retail gift shop business. Excited to open her doors to customers, Sarah eagerly set up her payment processing system without much thought. She didn't take the time to research different options or negotiate rates, assuming all processors were created equal.

Little did Sarah know that her chosen payment processor came with exorbitant processing fees and hidden charges. With every transaction, a significant portion of her hard-earned revenue was slipping away unnoticed. Weeks turned into months, and the mounting costs began to take their toll on her business's profitability.

Only after speaking with KORONA POS did Sarah realize her mistake; there were other options out there. Determined to find her a better fit, the KORONA POS team worked with Sarah to find a **better processing solution** for her business. In the end, the difference was astounding – she saved thousands of dollars annually in processing fees.

Those savings allowed her to invest in marketing initiatives, expand her inventory, and provide a better overall experience for her customers. Sarah's story serves as a powerful reminder of how crucial it is to choose the right payment processor. It's not just about accepting payments; it's about making sound financial decisions that impact the growth and success of your retail business.

Try out our processing cost calculator [here!](#)

For a simple illustration of how a small change can make a big impact, check out the next page for a few cost breakdowns that might surprise you.



Cost Breakdown #1 - Added Per Transaction Fees

Old Processing Rate	New Processing Rate
Flat 2.7%	Flat 2.6% + \$0.10 fee per transaction
A coffee shop has an annual revenue of \$730,000	A coffee shop has an annual revenue of \$730,000
Average transaction value is \$10	Average transaction value is \$10
Total processing costs: $\$730,000 \times 0.0275 = \$20,075$	Total processing costs: $\$730,000 \times 0.026 = \$18,980$
	Per transaction processing costs: $73,000 \times 0.10 = \$7,300$
	Total processing cost: \$26,280

Final Difference: \$6,205 (31% INCREASE)

Cost Breakdown #2 - Flat Rate Increase

Old Processing Rate	New Processing Rate
Flat 2.5%	Flat 3.0%
A liquor store has an annual revenue of \$1.5 million	A liquor store has an annual revenue of \$1.5 million
Total processing costs: \$37,500	Total processing costs: \$45,000

Final Difference: \$7,500 (20% INCREASE)

Try out our processing cost calculator [here!](#)

Assessing Your Retail Business Needs

As a retail business owner, you need to **choose a payment processor** that meets your current needs as well as your potential growth plans. Here are a few key considerations:

- ▶ **Identifying transaction volume and frequency:** Determine how many payments you expect to process each month. It's also important to understand payment frequency — daily or weekly — so you can ensure the processor you choose can handle large volumes of transactions simultaneously.
- ▶ **Determining types of payments you need to accept:** You may need to accept payments online, in person via retail point of sale (POS) systems, or both. Consider what type of card payment methods — debit or credit — would be best for you and whether you'll accept eChecks, **contactless payments**, keyed in payments, QR code payments, or other digital forms of payments, like Apple and Android Pay or PayPal.
- ▶ **Analyzing integration requirements with existing systems:** Review how compatible the processor is with major card networks, eCommerce platforms, POS systems, and other applications many retailers use today.



Why Is Point of Sale Integration So Important?

Considering point of sale integration is essential when choosing a payment processor for a retail business due to several reasons:

1. Seamless Transaction Experience

- **POS payment integration** enables a smooth and streamlined transaction process.
- Customers can make payments directly at the register, reducing friction and checkout time.
- This eliminates the need for manual entry of payment details, minimizing errors and enhancing efficiency.

2. Inventory Management and Reporting

- POS integration allows for **real-time inventory management**.
- Payment processors that integrate with POS systems can update inventory levels automatically, reducing the risk of overselling.
- Accurate inventory tracking enables better decision-making regarding restocking, pricing, and product management.
- **Detailed reporting and analytics** provide valuable insights into sales patterns, customer behavior, popular products, promotions, and more.

3. Customer Relationship Management

- Integration with the POS system allows for better customer relationship management (CRM).
- Payment processors that sync with CRM software enable tracking of customer purchase history and preferences.
- Retailers can personalize customer interactions, offer tailored promotions, and provide a more personalized shopping experience.

4. Omni-Channel Capabilities

- Integration between payment processors and POS systems facilitates **omnichannel retailing**.
- Retailers can accept payments through various in-store, online, and mobile channels.
- A seamless payment experience across different channels improves customer convenience and satisfaction.



5. Faster and More Secure Checkout

- POS integration with a payment processor enables faster and more secure checkout experiences.
- Transactions can be completed quickly, reducing customer wait times and improving overall satisfaction.
- Integration ensures that payment information is securely transmitted, protecting the customer's sensitive data and the business's reputation.
- Faster and more secure checkout experiences contribute to a positive shopping experience, encouraging customer loyalty and repeat business.

6. Guidance in Choosing the Best Payment Processor

- A good POS provider should offer guidance and assistance in selecting the best payment processor for your retail store.
- They possess expertise and knowledge in the industry, understanding retail businesses' specific needs and requirements.
- Your POS provider can analyze your business model, transaction volume, and other factors to recommend a payment processor that aligns with your needs.
- With their guidance, you can make an informed decision, selecting a payment processor that integrates seamlessly with your chosen POS system and meets your goals.
- This support ensures you have a reliable, secure, and **compatible payment processing solution** that enhances your retail operations and maximizes your profits.



Payment Processor Features and Services

Choosing the right payment processor for your retail business means understanding the core features, additional services, and integration options they provide.

Core Features to Consider

When evaluating payment processor solutions, first look at the core features each one offers:

- **Transaction types** – What types of payments does the processor accept (e.g. credit/debit cards, digital wallets)?
- **Security** – How secure are transactions? Does the solution **comply with Payment Card Industry Data Security Standard** (PCI DSS) regulations?
- **Transaction fees** – How much does the processor charge per transaction, and what pricing model is used? Are there any hidden charges or fees?
- **Fraud protection** – Does the processor offer fraud protection tools? Can you leverage additional security measures like data encryption and tokenization to protect customer data?

Additional Services and Functionalities

Depending on your business requirements, you may need other services like recurring billing, invoicing capabilities, virtual terminals for manual entry, or online shopping cart integration. Ensure the payment processor can provide these functionalities. You should also consider other services and functionalities offered by payment processors:

- **Mobile payments** – Does your solution enable customers to purchase via their mobile device or an app?
- **Reporting tools** – Does your payment processor have reporting features to help you gain insights into customer activity and spending patterns on your site or app?
- **Data analysis capabilities** – Can you use data and analytics to gain further insights about customer behavior and identify areas for improvement in your online store or app?
- **Multi-currency support** – Does your solution allow you to accept payments in multiple currencies so customers can pay in their local currency regardless of where they're located worldwide?



Payment gateway integration options

Verify if the payment processor offers different [payment gateway options](#) to suit your specific needs. This is crucial for secure and seamless online transactions.

Compatibility with various platforms and devices

Whether you operate online, in-store, or through mobile devices, ensure the payment processor is compatible with your platforms and devices. This provides a consistent and convenient payment experience for your customers.



Potential Roadblocks to Integrated Payment Adoption

Establishing integrated payments may be challenging, especially if you currently use a payment processor and prefer to avoid making a change to your operations (luckily, it's easier than it may seem!).

Nevertheless, the benefits of time and cost savings that come with integrated payments can justify the additional effort. If you are still determining whether to move forward with integrated payments due to your existing processor think about these important factors:

Existing contractual obligations with your current payment processor

If you're already working with a payment processor, you may be under contractual obligations that prevent you from switching. The good news is that there's a way around this.

First, it's essential to understand what your current contract says. Then, you'll need to negotiate with your existing processor to determine if it's possible to terminate the agreement earlier than originally agreed upon—and at what cost. If the cost of doing so is too high, consider asking your current payment processor to switch you to an integrated payments provider instead. Depending on their policies and processes, they may not always agree, but it doesn't hurt to ask.

Another option is for your current payment processor to partner with an integrated payment provider. This would mean that you could get the benefits of an integrated payment system while keeping your existing payment processing relationship intact. However, just like in other scenarios, there might be costs associated with this solution that must be considered before making any decisions.

Problems with switching banks

You may need to switch banks, but it's not a guarantee. Payment processors can often deposit money into any bank account you choose. If you can't switch to an integrated payment processor, you can still accept debit and credit cards.

However, this will lead to more work for you and your staff. You'll have to manually enter the transaction amount into your card reader for every card payment you accept and then manually reconcile your payments at the end of the day. This means extra work for you and your staff and can also increase the chances of human error.

Navigating Regulatory Requirements for Different Payment Types

What happens if you want to add integrated payments but have already established a payment processor? Sure, integrated payments make it easier for customers to pay your business online, but you need to navigate the associated compliance challenges.

The good news is that there are options to overcome potential regulatory roadblocks. Depending on the type of [integrated payment system](#) you choose, some providers may offer peace of mind in terms of compliance – either handling it all for you or offering assistance in dealing with the various requirements and standards that apply in your region or country. It's worth asking if this is an option when selecting an integrated payment provider for your business.



Evaluating Reputation and Customer Support

To evaluate a payment processor's reputation, you should always do the following:

- Read customer reviews and testimonials on their website to understand better what customers think about the payment processor and third-party websites like Trustpilot, Yelp, G2, Capterra, and other popular software review sites.
- Research how long they have been in business.
- Look into any awards they may have won or industry recognition.
- Check financial security certifications.
- Talk to other retail business owners who had or are still using the solution
- Assess the **customer support** options and responsiveness of the payment processor to ensure that any issues you have can be addressed quickly and effectively.

You should find out what kind of customer support is available (e.g., phone, email, live chat) and how responsive it is (e.g., response times). Many payment processors also offer user forums where you can ask questions and get advice from experienced professionals who understand the complexities of processing payments online.





Interchange-Plus Pricing

There are several different structures of processing plans, including tiered, subscription, and flat rate models. However, interchange-plus pricing consistently offers merchants the most transparent and fair pricing possible.

Simply put, **interchange-plus pricing** takes the interchange fees and adds a small additional fee for the processor's services. The interchange fee is a non-negotiable fee determined by the major card networks (VISA, MasterCard, American Express, etc.), though the total varies based on several conditional factors, such as the card type, rewards program, input method, etc. The additional fee from the processor is typically about 0.5%.

Below, you'll find the interchange fees for all major card networks.

VISA INTERCHANGE FEES

Visa Debit Card	Swipe Rate (card present)
Visa Debit (small bank)	0.8% + 15¢
Visa Debit (big bank/regulated)	0.05% + 22¢
Visa Debit Prepaid	1.15% + 15¢
Visa Debit Card	Keyed Rate (card not present)
Visa Debit (small bank)	1.65% + 15¢
Visa Debit (big bank/regulated)	0.05% + 22¢
Visa Debit Prepaid	1.75% + 20¢
Visa Credit Card	Swipe Rate (card present)
Visa Credit Basic	1.51% + 10¢
Visa Rewards Traditional	1.65% + 10¢
Visa Rewards Signature	2.30% + 10¢
Visa Rewards Signature Preferred	2.1% + 10¢
Visa Business	2.20% + 10¢
Visa Corporate	2.50% + 10¢
Visa Credit Card	Keyed Rate (card not present)
Visa Credit Basic	1.80% + 10¢
Visa Rewards Traditional	1.95% + 10¢
Visa Rewards Signature	2.70% + 10¢
Visa Rewards Signature Preferred	2.40% + 10¢
Visa Business	2.25% + 20¢
Visa Corporate	2.70% + 10¢
Visa International	Interchange Rates
Visa International	1.10%
Visa International Premium	1.80%
Visa International Corporate	2.00%
Visa International Keyed	1.60%

MASTERCARD INTERCHANGE FEES

Mastercard Debit Card	Swipe Rate (card present)
Mastercard Debit (small bank)	1.05% + 15¢
Mastercard Debit (big bank/regulated)	0.05% + 22¢
Mastercard Debit Prepaid	1.05% + 15¢
Mastercard Debit Card	Keyed Rate (card not present)
Mastercard Debit (small bank)	1.60% + 15¢
Mastercard Debit (big bank/regulated)	0.05% + 22¢
Mastercard Debit Prepaid	1.76% + 20¢
Mastercard Credit Card	Swipe Rate (card present)
Mastercard Consumer	1.58% + 10¢
Mastercard Enhanced	1.73% + 10¢
Mastercard World	1.77% + 10¢
Mastercard World Elite	2.2% + 10¢
Mastercard Corporate	2.70% + 10¢
Mastercard Credit Card	Keyed Rate (card not present)
Mastercard Consumer	1.89% + 10¢
Mastercard Consumer	2.04% + 10¢
Mastercard World	2.05% + 10¢
Mastercard World Elite	2.5% + 10¢
Mastercard Corporate	2.70% + 10¢
Mastercard International	Interchange Rates
Mastercard International	1.10%
Mastercard International Keyed	1.60%



DISCOVER INTERCHANGE FEES

Discover Debit Card	Swipe Rate (card present)
Discover Debit (small bank)	1.10% + 16¢
Discover Debit (big bank/regulated)	0.05% + 22¢
Discover Debit Card	Keyed Rate (card not present)
Discover Debit (small bank)	1.75% + 20¢
Discover Debit (big bank/regulated)	0.05% + 22¢
Discover Credit Card	Swipe Rate (card present)
Discover Consumer	1.56% + 10¢
Discover Rewards	1.71% + 10¢
Discover Premium	1.71% + 10¢
Discover Premium Plus	2.15% + 10¢
Discover Commercial	2.30% + 10¢
Discover Credit Card	Keyed Rate (card not present)
Discover Consumer	1.87% + 10¢
Discover Rewards	1.97% + 10¢
Discover Premium	2.00% + 10¢
Discover Premium Plus	2.40% + 10¢
Discover Commercial	2.30% + 10¢
Discover Recurring Payments	Interchange Rates
Discover Debit (small bank)	1.20% + 5¢
Discover Debit (big bank/regulated)	0.05% + 22¢
Discover Consumer	1.35% + 5¢
Discover Rewards	1.35% + 5¢
Discover Premium	1.35% + 5¢
Discover Premium Plus	1.80% + 5¢
Discover Commercial	2.3% + 10¢
Discover International	Swipe Rate (card present)
Discover International Debit/Prepaid	1.20%
Discover International Consumer	1.65%
Discover International Rewards	1.65%
Discover International Premium	1.65%
Discover International Premium Plus	1.65%
Discover International Commercial	1.9%
Discover International	Keyed Rate (card not present)
Discover International Debit/Prepaid	1.70% + 10¢
Discover International Consumer	1.70% + 10¢
Discover International Rewards	1.70% + 10¢
Discover International Premium	1.70% + 10¢
Discover International Premium Plus	1.79% + 10¢
Discover International Commercial	1.90% + 10¢

AMERICAN EXPRESS INTERCHANGE FEES

Amex Retail	
Amex Retail under \$75	1.60% + 10¢
Amex Retail under \$1,000	1.95% + 10¢
Amex Retail over \$1,000	2.40% + 10¢
Amex Services	
Amex Services under \$400	1.60% + 10¢
Amex Services under \$3,000	1.95% + 10¢
Amex Services over \$3,000	2.40% + 10¢
Amex Restaurant & Caterers	
Amex Restaurant under \$25	1.85% + 10¢
Amex Restaurant under \$150	2.45% + 10¢
Amex Restaurant over \$150	2.75% + 10¢
Amex Lodging	
Amex Lodging under \$100	2.25% + 10¢
Amex Lodging under \$1,000	2.60% + 10¢
Amex Lodging over \$1,000	3.00% + 10¢
Amex Mail Order & Internet	
Amex Mail Order & Internet under \$150	1.70% + 10¢
Amex Mail Order & Internet under \$3,000	2.05% + 10¢
Amex Mail Order & Internet over \$3,000	2.50% + 10¢
Amex Prepaid	
Amex Prepaid under \$75	1.35% + 10¢
Amex Prepaid under \$1,000	1.70% + 10¢
Amex Prepaid over \$1,000	2.15% + 10¢



You'll notice that in the vast majority of payment scenarios, the interchange fee plus the processor fee will be far lower than the offerings for most flat-rate services that typically fall between 2.6 and 4%. Instead, with interchange-plus, many transactions will be less than 2%.

It's worth noting that some rare instances might be more expensive than some flat-rate options. This is particularly true for swiped or keyed transactions with business credit cards. But these instances are entirely avoidable if your business simply only accepts chip-and-pin and contactless payments.

Check out this chart for a look at an average week for a typical retail store using interchange-plus versus flat rate pricing. We used VISA's rates for reasons of simplicity.

A Cost Breakdown between Interchange-Plus and Flat Rate Processing

Interchange-plus pricing

Transactions & Totals	Type of Card	Rate	Cost
400 transactions for \$10,000	VISA debit	0.05% + \$0.22 per transaction + 0.05% processing fee	\$188
400 transactions for \$10,000	VISA credit basic	1.51% + \$0.10 per transaction + 0.05% processing fee	\$241
200 transaction for \$5,000	VISA Signature Preferred	2.1% + \$0.10 per transaction + 0.05% processing fee	\$150
100 transactions for \$2,500	VISA Business	2.2% + \$0.10 per transaction + 0.05% processing fee	\$77.50

Overall processing cost: \$656.50



Flat Rate

Transactions & Totals	Type of Card	Rate	Cost
400 transactions for \$10,000	VISA debit	2.6% + \$0.10 per transaction	\$300
400 transactions for \$10,000	VISA credit basic	2.6% + \$0.10 per transaction	\$300
200 transactions for \$5,000	VISA Signature Preferred	2.6% + \$0.10 per transaction	\$150
100 transactions for \$2,500	VISA Business	2.6% + \$0.10 per transaction	\$75

Overall processing cost: \$825 (over 25% more than interchange-plus)



Analyzing Contract Terms And Agreements

When **negotiating the best rate** and contract terms with a payment processor provider, there are several key components you should look out for. These costs typically include a setup fee, transaction fees, a monthly subscription, and cancelation fees.

Setup fee

This is usually a one-time cost required to get your merchant account set up and running. It could range from \$100 to \$5000, depending on the services required for setup. Generally, merchants should be able to find processing solutions on the lower end of this spectrum.

Transaction fees

This is a small fee for each successful transaction made through the payment system. The fees are usually calculated as a percentage of the total amount charged for each purchase.

But this structure depends on the type of agreement the merchant has in place with their processor. Some solutions charge a flat rate per transaction, while others charge a percentage of the total, and still, others use a combination of the two.

Monthly subscription

Most companies charge an additional fee for monthly maintenance and management of the merchant account. This cost could be anywhere between \$20 - \$50 per month.



Cancellation fees

It is common to **incur additional costs** if you cancel your contract with the provider before it has finished its term period. The cancellation fee can be as much as 25% of your remaining balance or a flat rate of \$150 or more. Similar to a search for POS software, it's typically better to find a solution that waives these fees entirely.

Hardware cost

Most payment processors require retailers to have specialized **hardware to process and facilitate payments**. This may include terminals for swipe-based payments and card readers for chip and contactless payments (NFC/Apple Pay).

Chargeback fees

If customers dispute purchases made through your store, you may be hit with chargeback fees from your payment processor. That's why it's always important to minimize chargebacks and facilitate a smooth and convenient return process.



Some additional fees

You should also look at the contractual terms and user agreements to ensure that the company offers you a fair deal. Here are some things to consider when analyzing the contract:

- **Reading and understanding the terms of service and user agreements:** Before signing on with a payment processor, make sure that you understand all of the terms laid out in their user agreement. This includes details such as dispute resolution processes, data storage policies, and contract renewals.
- **Identifying any hidden fees or contractual obligations:** Many payment processors charge both per-transaction fees and recurrent costs like setup fees or monthly active account charges. **Read through their agreement** carefully to avoid any costly surprises down the road.
- **Considering contract length and termination policies:** Most payment processors are set up for a minimum term of one year, but some go beyond that. Ensure that you will only be locked into an agreement once necessary, and check out their cancellation policy in case you need to terminate early.



Making an Informed Decision

You should have gathered substantial information about various payment processors by this stage. Now it's time to make an informed decision. Here's how to go about it:



- **Create a shortlist of potential payment processors:** Based on your research and evaluations, create a shortlist of payment processors that align with your business needs and requirements. Narrow down the options to a manageable number for a more focused comparison.
- **Conducting a side-by-side comparison:** Compare the shortlisted payment processors based on key factors such as features, security, compatibility, customer support, and contract terms. Evaluate their strengths and weaknesses and how well they meet your specific requirements.
- **Weighing the pros and cons:** Evaluate the pros and cons of each payment processor objectively. Consider factors like pricing, features, reputation, and customer support. Prioritize the most important aspects of your business and weigh them against any potential drawbacks.
- **Seeking recommendations or consulting industry experts:** If you still need to figure out your decision, seek recommendations from fellow business owners or industry experts who have experience with payment processors. Their insights and advice can provide valuable perspectives to consider.

Save Big on Retail Payment Processing with KORONA POS

KORONA POS is a **point of sale system** designed to enhance payment processing and streamline operations for retail businesses. With KORONA POS, you can expedite transactions and reduce waiting times for customers with its fast checkout functionality. The system also allows for receipt modifications, enabling you to personalize and tailor customer-facing documents, adding a personal touch to every sale.

For multi-store retailers, KORONA POS offers seamless **management across multiple locations**. By centralizing data and streamlining operations, you can easily oversee and control all branches, making your business more efficient and scalable. While KORONA POS itself is not a payment processing provider, we understand the importance of choosing the right payment processor for your needs. That's why we offer valuable guidance to store owners in selecting the best payment processing services.

Ready to optimize your payment processing and save money? Request a free cost comparison **today** to see how much you can save with our trusted processing partners. Plus, feel free to reach out to us with questions via email - inquiries@combase-usa.com - or by phone - 833.200.0213.

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