



# Comment: How to choose a payment service provider

Payment service providers play a key role in in the overall payments ecosystem, but are they all the same and how should a retailer assess them? Payments consultant Mark McMurtrie has his say.

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In my recent article about **the rise of the Payment Service Providers** (PSP) we investigated the important role PSPs play today in allowing retail merchants to accept card payments securely in-store, online or via phone. PSPs are the organisations bringing increased competition to the payments marketplace as well as delivering the innovation being encouraged by the new UK Payments Regulator. Without the support of PSPs and their continued investment in research and development we would not see wide-scale acceptance support for new card types, technologies, devices and transaction types.

## The pan European omnichannel battleground

With retailers increasingly focused on selling internationally and via an expanded range of sales channels the need is growing for a PSP who can address all of their payment processing needs. Currently they tend to have separate arrangements with multiple suppliers: one for face-to-face transactions generated in-store, another for eCommerce transactions as well as further PSPs to address international market needs. It is increasingly recognised that this model is inefficient, costly and reduces a retailer's financial negotiating powers with their acquirers.

Leading PSPs have entered into a race to expand their current capabilities in order to be able to offer clients a single source pan-European omnichannel payment processing service. This is being done both through acquisition as well as through organic growth. Each PSP is at different stages on this journey, with no clear winner currently acknowledged. Some PSPs are slower at addressing this growing market driver and as such are putting their existing business and customer loyalty at risk in the medium term.

## Service quality should be the number one selection criteria

When assessing potential PSPs it is service quality that you should be looking into most closely. This comes in two forms: service reliability and customer support.

Payments have become a mission critical business service. The inability to accept a card for payment for whatever reason will result in lost sales and customers who never return. Consumer expectations are far higher and systems downtime is no longer ever acceptable or forgiven. So ask for details from potential PSPs about their actual performance over the last 12 months, their SLAs and the contractual penalty clauses they will agree to. How often have their systems been down, for how long and what changes have been put in place to prevent re-occurrence. If they are reluctant to share these details then ask yourself why? How important will pricing terms be, if you are unable to accept card payments during peak trading periods?

The quality of customer service received is equally critical. When you need help, you want to be able to speak to UK-based individuals with specialist skills immediately. Email support addresses, access only via answerphones

or pagers, helpdesk call loggers, or restricted hours support is simply no longer sufficient. Check out the details of the customer support you can expect and take up references from similar sized retailers to learn their direct experience.

Transaction processing speeds can vary considerably between PSPs and these can degrade noticeably at high processing rates so again ask the right questions upfront. The price of the payment processing service although important should not be the primary decision factor.

### **How important is independence?**

Two of the largest eCommerce PSPs have been acquired by the international card schemes, another PSP is a major acquirer in its own right and the major point of sale (PoS) terminal manufacturers own a further two PSPs. The scale offered by these PSPs may well be attractive to you, as you will benefit from access to multiple products and services from a single supplier. Alternatively, you may prefer the benefits of truly independent advice, enhanced flexibility, negotiating power and avoiding potential supplier lock-in. An independent PSP maximises your choice of hardware devices, allows you to change acquirer whenever you wish and gain access to the best processing rates. My advice would be to make sure you retain choice and are not boxed into any corner.

### **Understanding of your business**

Business needs vary considerably dependent on the sector you operate in, the products and services you offer, the size of your business, and your brand values. Therefore you will benefit most by picking a PSP who has prior experience of your sector, tier and customer needs. You will also benefit from pre-existing partnerships that a PSP has in place with sector specific PoS software and business application providers. Pre-integration of systems and proven ways of working together will deliver clear benefits to you. You will also likely avoid service functionality gaps and the regrettably common finger pointing across separate support teams as they will have pre-established and agreed processes and relationships.

### **The latest in security**

PSPs have needed to invest in ever-stronger data security protections levels in order to prevent criminals from stealing card numbers from your environment and processing system. This is an ongoing requirement and a very costly exercise. Make sure the companies you are considering have kept up to date and take data security as a top corporate priority. Tokens offer significant advantages for online businesses whereas point-to-point encryption can be the silver bullet for retailers with physical stores as this would take them out of PCI DSS scope. Ask for details about security technologies employed and look at their PCI certificates, making sure these are not just about to expire! Your compliance costs and transaction processing rates will be directly attributable to your choice of PSP and acquirer. So check carefully or bring in independent experts.

### **Are ISOs and MPoS providers PSPs?**

The term PSP originated in the eCommerce space but is now being much more widely applied. As previously discussed it now equally applies to face-to-face transactions. Independent sales organisations (ISOs) who place standalone payment terminals into small-sized retail businesses do not provide any transaction processing themselves. Although they facilitate the payment processing their direct involvement is strictly limited and as such I would not consider them to be part of the PSP community. The new breed of mobile point of sale (MPoS) providers who offer smartphone based payment solutions to micro-merchants could make a claim to be PSPs but they are probably better off categorising their business as MPoS as this provides greater clarity as to their core focus and business model.

### **Making the right choice**

There are around 50 companies operating in the UK today who claim to be PSPs. Their service capabilities vary considerable. They all have USPs and charge in different ways and at different price points for their service. So make sure you undertake a thorough evaluation, with a particular emphasis on quality of customer service, before

signing any long-term contracts. Consider bringing in an independent expert to guide you in supplier selection and make sure you take-up references from your peers.

*Mark McMurtrie is an independent consultant focussed on consumer payments and technologies. He provides a range of advisory services for retailers through his company Payments Consultancy Ltd [www.payments-consultancy.com](http://www.payments-consultancy.com) He helps with strategy development, market assessment, technology reviews and supplier selection. Mark acts as the official payments consultant for RBTE.*