

Driving Business Growth and Efficiency with Integrated Payments

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DRIVING BUSINESS GROWTH AND EFFICIENCY WITH INTEGRATED PAYMENTS

In today's rapidly changing economy, small and medium businesses (SMBs) must be nimble and flexible to attract customers, and to grow revenues and profits. To help achieve these goals, SMBs need a speedy, secure and flexible way to accept and process the increasingly diverse range of payment methods that customers want to use.

But for many SMBs, payment processing is an inflexible, manual, time-intensive exercise that results in errors. Outdated payment processing approaches also make it challenging to keep up with newer payment methods that customers increasingly prefer, such as mobile payments, gift cards and at times, PayPal.

By integrating payment solutions with their existing accounting and enterprise resource planning (ERP) system, SMBs can take time and errors out of payment processing. As important, they can gain the flexibility required to keep pace with customer demands to process a widening range of payment methods.

In this report, we examine why more SMBs are adopting integrated payment solutions. We explain how integrated payments work, and discuss how three very different organizations use and benefit from Sage Payment Solutions.

SECTION 1: DRIVERS FOR INTEGRATED PAYMENT PROCESSING

If your business manually processes more than a handful of payment transactions per month, it's likely that the process requires duplicate entries, which can too often result in costly mistakes. Meanwhile, if your business relies on point solutions to handle diverse payment types, the time it takes to link these different solutions to your accounting/ERP system can further compound processing complexity and breed more errors.

Meanwhile, without a flexible, integrated payment processing approach, SMBs are hampered when it comes to accepting and processing different and newer types of payments. While checks and credit cards dominate today, the payment landscape is evolving rapidly. If your company cannot accept and process payments in all the places the customer wants to buy, then customers may very well choose to take their business to more accessible merchants.

Of course, as transaction volumes grow and customer expectations rise, these issues become more critical. Consequently, more SMBs are deciding that they need a more efficient, streamlined and flexible approach to process payments. These SMBs are integrating payment solutions with accounting/ERP systems to:

- **Slash processing time and costs.** Having to manually post payment transactions back to accounting/ERP systems can easily double the time it takes to process a payment. Verifying data, such as credit card information, each time a customer uses his or her card consumes time—and time is money. By automating and integrating payment processing, SMBs can shift resources from tedious back-office data-entry chores to focus on areas that can accelerate business growth, such as marketing, sales and customer service. Controllers can shift their energies from lengthy closeouts for accounts receivable to spend more time on strategic financial planning.
- **Reduce errors and improve financial control.** Duplicate entry also increases the likelihood of errors, which, in turn, take time to untangle and reconcile. When payments automatically post back to accounting, managers gain timely access to accurate information for better decision-making.
- **Create and maximize new revenue opportunities.** Businesses don't want to risk losing sales because they are unable to accept new or different forms of payment, whether mobile, gift card or PayPal. In addition, to capitalize on a new market opportunity, businesses might need to open new sales channels and start processing additional types of payments. For instance, if a business has recurring, commercial customers, the ability to process paper checks, credit cards and electronic funds transfer (ACH) in as many ways possible is important. But if a business wants to start selling directly to consumers, it may need to add capabilities to process sales on its website, consider gift cards and look to mobile solutions to increase channels and maximize revenue opportunities.

“We need to be there for our customers, and able to sell to them whether they're buying just a few items with a credit card or franchising a whole school through a contract and ACH. They expect that.”

*—Joe D'Ambrosio, controller,
Charles J. Becker and Brothers Inc.
(Sage Payments and Sage 100 user)*

SECTION 2: WHAT TO LOOK FOR IN INTEGRATED PAYMENT SOLUTIONS

Integrated payment solutions enable businesses to save time and potentially reduce labor costs. Integrated payment solutions also connect accounting/ERP, customer relationship management (CRM) and other back-office solutions with payment applications and devices to eliminate redundant data entry, and improve the timeliness of financial performance information.

Although the concept of integrated payments is fairly intuitive, many capabilities might need to be factored into the equation to build a strong solution that can evolve to meet changing requirements. These include:

- **Flexibility and extensibility:** To develop the agility they need to grow, businesses must gain the flexibility to process multiple payment types. Point solutions enable some payment forms, such as a check or credit card, on a specific device, such as a POS terminal or a check scanner. But they fall short when it comes to processing the different types of transactions a business needs—or will need—to retain customers and/or enter new markets. Integrated payment solutions accommodate a broad range of payment forms, such as credit cards, debit cards, paper checks, e-checks, ACH, gift cards and sometimes PayPal. They also need to work with different payment methods and devices, including point-of-sale (POS) terminals, virtual terminals, Internet shopping carts, check imagers/scanners and, increasingly, mobile devices such as smartphones and tablets. Finally, solutions should be able to grow and evolve to accommodate new payment forms.
- **Integration:** Another key consideration is whether and how well a payment solution integrates with accounting/ERP solution, banks and software, and other third-party applications. Cobbling together multiple standalone solutions and then having to re-enter this information across disparate solutions, especially the accounting system, can become a nightmare and audit risk. Banks and other service providers typically provide core credit card services and check options, but lack the capability to integrate these payments with a business's accounting software.

“Every time you have someone that has to re-enter data somewhere, the potential for error rises. If the data can go all the way through the system without human intervention, you’re better off.”

*— Burkhardt Ledebuer, sole proprietor,
Ledebuer Farms
(Sage Payments and Sage 50 user)*

- **Credit card processing options:** More and more, business software solutions are upping the game by offering integrated payment services. These will offer a superior level of integration delivering many back-office best practices. Some business software providers partner with payments companies where the user experience can be a bit bifurcated. Other business software solutions are also integrated payment companies where the user experience is much more streamlined.
- **Security:** It only takes one security breach to ruin a business's reputation with a customer forever. Therefore, ensuring compliance with PCI security standards—which mandate that businesses safely encrypt and store personal identification numbers (PINs), CVV2 numbers, magnetic stripe data, and other data—is a critical component for integrated payment solutions. Strong, integrated payment solution providers stay current with the ever-evolving regulatory requirements.
- **Reporting and analysis:** When all payment transactions integrate automatically with the accounting/ERP system, businesses gain real-time, unified visibility into payments. Having a complete picture of money coming in and going out enables stronger business decision-making, plus better financial control and audit reporting.

SECTION 3: SAGE PAYMENT SOLUTIONS

Using Sage Payment Solutions, customers can process payments directly within the Sage software applications they already use and outside the Sage solution with physical POS terminals, and mobile and web-based terminals, helping them to reduce time, costs and errors. Today, Sage Payment Solution's Sage Exchange platform integrates with all the major Sage accounting/ERP packages, plus a growing number of third party accounting, CRM, retail/POS, and e-commerce solutions. Sage Payment Solutions also streamlines bank account reconciliation because transactional data, such as authorization codes, dates and amounts, is captured and stored within the Sage application.

Built on an extensible, secure, cloud-based platform, Sage Payment Solutions accommodates multiple payment methods and forms—including paper-to-e-check conversion, POS credit card terminals, and online web and virtual terminals, plus mobile payment devices such as smartphones and tablets. This comprehensive, forward-thinking approach provides businesses with the flexibility to accept new types of payments as

customer preferences change, enabling businesses to take advantage of new market opportunities.

Sage Exchange is an online payment management system for businesses that want to consolidate and streamline their payment programs (Figure 1). Accessible through the web and optimized for tablets and touch screen interfaces, Sage Exchange enables Sage Payment customers to view and manage all their credit card and ACH payment accounts, including the devices and applications connected to their payment accounts, from a single location.

Figure 1: Sage Exchange



Source: Sage Payment Solutions

Sage Exchange operates in a secure Payment Card Industry (PCI)-certified environment, providing assurance that all payment data exchanges are secure and PCI-compliant. The solution also tackles the problem of having to remember multiple username and password combinations by streamlining access to accounts, reports, billing statements and connected payment applications with single sign-on access.

Sage Exchange builds on Sage's integrated payment platform, and offers advanced services such as international wires, converting checks to electronic bank deposits, donation payment services, embedded shopping cart, recurring ACH payments, invoice payments, private label in-store gift cards and the Sage Business Visa Prepaid Card program. Additional capabilities include the ability to:

- Connect payment applications and devices with Sage accounting/ERP software to automatically post and reconcile payment transactions.
- Query a Sage accounting system to view and take payments on invoices via smartphones and tablets.
- View balances of all payment accounts sorted by store location, payment device and product in a simple cash management layout.
- Easy access to real-time reporting tools with the ability to extract transaction data mapped to third party systems facilitating data integration across any solution.
- Create permissions-based user roles to enable businesses to determine employees' level of access to the features, information and available services within the Sage Exchange payment management system.

SECTION 4: FUELING EFFICIENCY AND GROWTH WITH SAGE PAYMENT SOLUTIONS

Sage accounting/ERP customers are gaining significant benefits from integration with Sage Payment Solutions, as evidenced by these customer stories.

Charles J. Becker and Brother Inc., founded in 1928, sells school supplies via three channels: retail, catalog and web. Employing more than 160 workers, the family-owned business offers a full-line Early Childhood Catalog and a Classroom Essentials Catalog for elementary schools. It also operates eight Becker's Parent/Teacher Stores in Pennsylvania, New Jersey and Delaware, offering thousands of specialty products to children, teachers and families.

Joe D'Ambrosio, controller for the company, has used Sage 100 (formerly MAS 200) for many years. When he upgraded to a newer version of Sage 100 in June 2013, D'Ambrosio also switched to Sage Payment Solutions. "Support from Sage has been good. All things being equal, they made the transition smooth, which is especially important for the people in our stores, because they process over 212,000 retail transactions a year," says D'Ambrosio. "It takes about five seconds 'at most' to process each credit card transaction with the Sage solution. And at the end of the month, our accounts always balance within an hour or two."

"We are saving a lot of money because if we had to go back and re-enter payment data, that costs us. So you might as well do it right."

*— Joe D'Ambrosio, controller,
Charles J. Becker and Brother Inc.
(Sage Payment Solutions and Sage 100 user)*

Goodwill Industries of Southern New Jersey and Philadelphia has served the area since 1948. Over the past 10 years, the branch has grown from six or seven retail locations to 22 stores. Today, it processes more than one million sales a year, with transactions averaging about \$13 each. The stores don't take paper checks because of the high costs associated with check processing in the thrift sector. However, the stores accept debit and credit cards, which together account for the majority of payments.

The organization uses Sage 100 (formerly MAS 200) for accounting, and it began using Sage Payment Solutions to integrate credit and debit card processing at its retail stores about two years ago. The solution enables Goodwill to automatically process credit and debit card transactions directly from the cashier to MAS 200, "so all we need to do is the reconciliation at the end of the day," asserts Steven Castro, CFO.

"With the high transaction volumes in our stores, integrating payments with accounting is a must. No one really needs to touch the data again once the cashier enters it."

*— Steven Castro, CFO,
Goodwill Industries of Southern New Jersey
and Philadelphia
(Sage Payment Solutions and Sage 100 user)*

Goodwill is also developing a new durable medical equipment e-commerce business, and would like to accommodate customers who want to use flexible health spending account (HSA) cards and PayPal to purchase these goods. According to Castro, "We will be talking to Sage to find out if we can get these cards set up as viable payment methods, and integrate back into Sage 100 as well."

Ledeboer Farms operates grass seed production and sod farms in Aurora, Oregon. Sole proprietor Burkhart Ledeboer has used Sage 50 Accounting (formerly Sage Peachtree) since founding the company 18 years ago.

In his legacy grass seed business, Ledeboer sells large truckloads of seeds to a small group of trusted buyers for \$40,000 and up. For this business, checks work well. But when Ledeboer started his sod business in 2013, he was concerned that he would be selling the sod to landscapers that he didn't necessarily know. He wanted a low-risk way to process numerous smaller payments for his new sod business while avoiding problems with bounced checks. Because time is his most precious commodity, Ledeboer didn't want to always have to be in his office to sell sod; he also wanted the ability to take orders in the field or from his tractor with a smartphone or tablet, and have them automatically post back into Sage 50.

After evaluating different solutions, Ledeboer selected Sage Mobile Payments because it met these criteria. It integrates easily with Sage 50 and enables him to take orders on a mobile device whether he has an active Wi-Fi connection or not. If he takes an order offline, the solution automatically uploads it when Wi-Fi reconnects. "It's amazing how much you can do on a smartphone. I can be out on the tractor, meet people in the field, swipe their card and then get back to the farm instead of spending time driving back and forth to the office."

Ledeboer adds, "The other solutions I looked at automatically deduct a transaction fee before the total is submitted to your bank. So, if I sold a \$400 order of sod, they wouldn't deposit \$400 into my account, they'd take out their fee first. So the order wouldn't match up to the invoice, making reconciliation a pain in the butt." In contrast, Sage charges a monthly merchant fee for all transactions. "The fee is broken out as an expense, so every deposit is a true deposit, and everything works smoothly."

Looking ahead, Ledeboer is developing a web site to sell his patented brand of Natural Knit Spreading Rye Grass seed, and will be exploring how Sage Payment Solutions can help him integrate payments from his new online business with Sage 50 as well.

"If I didn't have Sage Mobile Payments, I would only be able to accept cash because I wouldn't have wanted to take the risk of accepting bad checks...being able to accept credit cards from the tractor saves me a tremendous amount of time, and for me, time is money."

*— Burkhart Ledeboer, sole proprietor,
Ledeboer Farms
(Sage Payment Solutions and Sage 50 user)*

SUMMARY AND SMB GROUP PERSPECTIVE

Today's payment environment is complicated, fragmented and rapidly evolving. SMB Group research shows that although checks and credit cards are still the top payment methods SMBs accept, new payment methods are growing quickly in usage and importance. From mobile devices to mobile wallets, and from gift cards to virtual checks, SMBs will need capabilities to provide more payment options to businesses and consumers.

But most SMBs still rely on manual processes to link payments to accounting/ERP systems, and they rely on multiple point solutions to process payments for different sales channels, customers and payment types. This increases payment complexity, breeds inefficiencies and errors, and hampers growth.

Clearly, having the capability to accept and process a broader range of payment methods can help SMBs attract more customers, gain new business and even enter new markets. Consequently, forward-thinking SMB decision-makers are turning to integrated, flexible payment solutions. By integrating payments with accounting/ERP, and deploying a unified payment solution across different payment accounts, devices and applications, SMBs can reduce complexity, streamline processing and satisfy customers' purchasing needs and expectations. Integrated payment systems also offer SMBs better visibility into payment information, helping decision-makers optimize cash flow and make more informed decisions.

Sage Payment Solutions provides an easy, affordable way for Sage and other business solutions customers to gain these benefits with the payment networks they use today, and the ability to add the new payment processing modes that they'll require in the future.

This is the first of two reports that highlight key findings from research with Sage small and medium business (SMB) customers. Conducted by [SMB Group](#) and sponsored by [Sage](#), this report is based on qualitative customer discussions. The second report, ***Adding Business Value with Integrated Payment Solutions***, is based on the results of a quantitative research survey. It compares and quantifies the cost, time and productivity benefits that businesses have gained using Sage integrated payment solutions and Sage Exchange.



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The SMB Group focuses exclusively on researching and analyzing the highly fragmented “SMB market”—which is comprised of many smaller, more discrete markets. Within the SMB market, SMB Group areas of focus include: Emerging Technologies, Cloud Computing, Managed Services, Business and Marketing Applications, Collaboration and Social Media Solutions, IT Infrastructure Management and Services and Green IT. Read our [2014 Top Ten SMB Trends](#) for our views on game-changers in these and other areas of the SMB market.