

# Adding Business Value with Integrated Payment Solutions

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## ADDING BUSINESS VALUE WITH INTEGRATED PAYMENT SOLUTIONS

### Key Takeaways:

- Technology is evolving rapidly, and is quickly reshaping customer expectations and how business is transacted.
- As the types of payments and payment devices as well as transaction volumes multiply, manual re-entry and reconciliation of payment information with accounting and ERP solutions becomes time-consuming and error-prone.
- Integrated payment solutions that connect the payment process with accounting, ERP and other business solutions reduce time and labor costs.
- Sage Payment Solutions survey respondents estimate that they save almost five minutes per transaction on average by processing credit card payments directly in their accounting and ERP systems.
- Integrated payments also provide better visibility into cash flow, and help SMBs be more responsive to changing payment preferences.
- SMB demand for a simple but comprehensive integrated payment solution is rising. Future integrated payment capabilities—such as the ability to view all payment transactions in real time, from one place, and to have a single username and password for all payment systems—will offer SMBs additional value.

Small and medium businesses (SMBs) have always been under pressure to meet the key challenges required to grow and keep their businesses healthy. But while business challenges remain fairly similar from year to year, the world is changing. Technology is evolving rapidly, and is quickly reshaping the world and how business gets done.

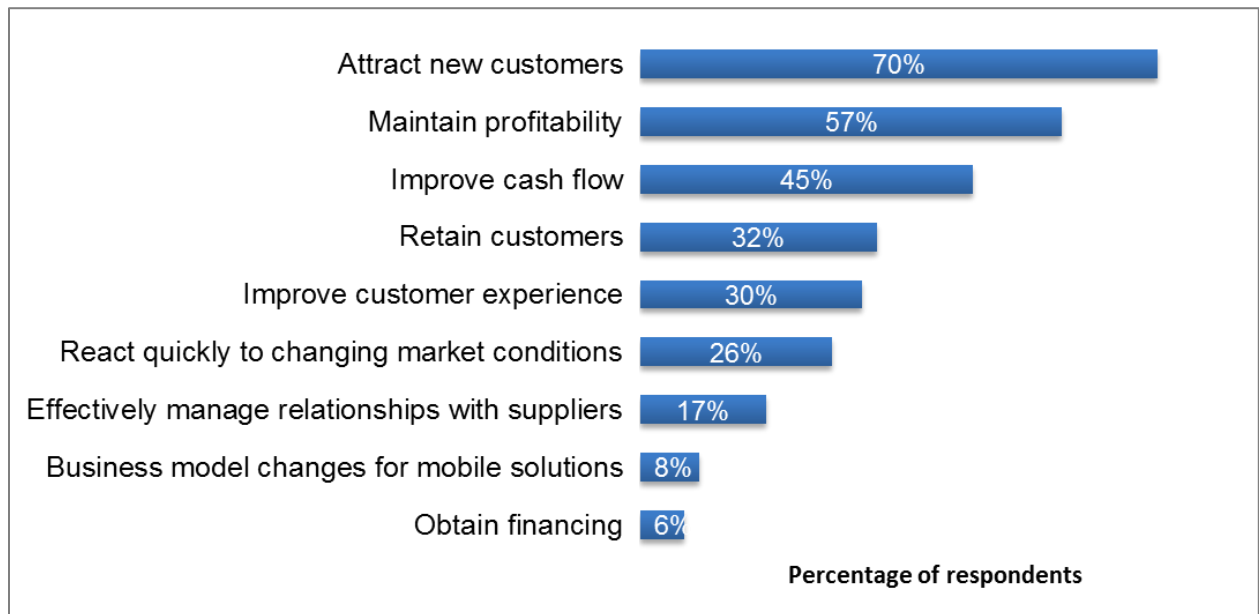
To compete effectively and stay ahead of the curve, SMBs need to improve efficiencies and satisfy changing customer expectations. Integrated payment solutions—which connect accounting, enterprise resource planning (ERP) and other business applications to payment processing—can help SMBs streamline the internal payment process, improve the payment experience for customers, and keep pace with new payment preferences.

SMB Group recently fielded an in-depth survey of 247 Sage SMB customers (using both Sage Payment Solutions and Sage accounting/ERP solutions) to gain an in-depth view of current payment processes used and benefits derived from Sage integrated payment solutions, and a glimpse into future requirements. In this report, we highlight key findings from this study.

## SECTION 1: SMB BUSINESS CHALLENGES AND OPPORTUNITIES

The challenges of running any business are constant and complex. SMBs, in particular, are always under pressure to attract new customers, maintain profitability and improve cash flow (Figure 1). At the same time, they need to ensure that they keep their customers happy and coming back amid rapidly changing market conditions.

**Figure 1: Top SMB Business Challenges**



**Source: SMB Group, November 2013**

But while business challenges remain fairly constant from year to year, the world is changing rapidly. Major technology trends—from mobile to cloud to analytics—are dramatically reshaping the world and how business gets done.

Technology is transforming customer expectations about shopping for and purchasing goods and services. Think about it: There are 6.8 billion people on the planet. 5.2 billion people own a cell phone, but only 4.2 billion own a toothbrush. When it comes to

payments, customers are increasingly likely to expect that a business can just as easily process a mobile payment as a check.

In addition, as defined by the U.S. Small Business Administration, there are 28 million small businesses; within that space, there is a micro-market sub-segmentation. It is clear that countless very small companies share many of the same needs and concerns as larger ones (e.g., inventory issues, chargebacks), and the successful micro-market business owner will embrace that business model.

To meet today's business challenges and prepare for those ahead, SMBs must get ahead of the curve. They need solutions that help them streamline operations, and provide the agility required to meet new and rising customer expectations.

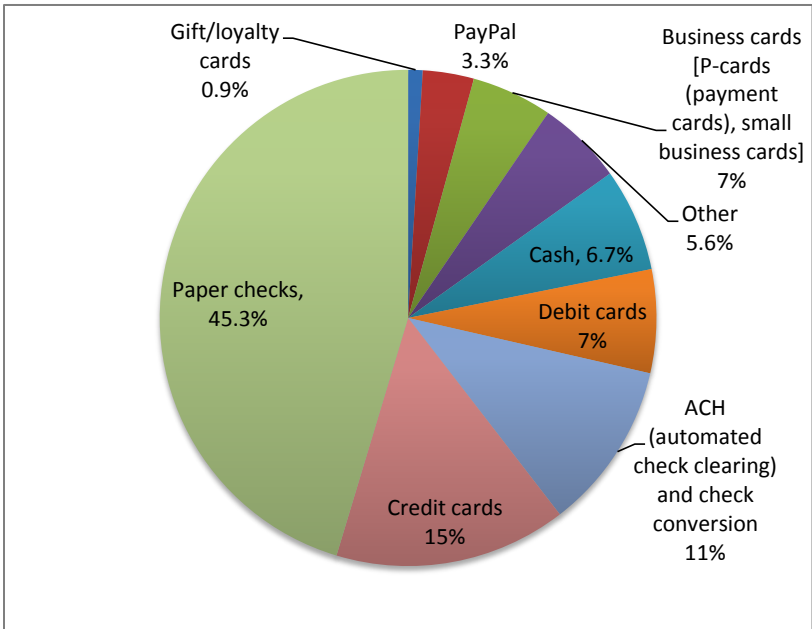
Regardless of size, growth-oriented SMBs are turning to technology to fuel their success. SMB Group has identified a distinct correlation between SMB investments in technology and business performance. Progressive SMBs view technology as a business enabler and invest more in technology solutions. They are also much more likely to anticipate revenue gains than peers whose tech investments are flat or declining. Even sole proprietor businesses are combining business savvy with the right technology solutions to create new business models and capitalize on new market opportunities.

## **SECTION 2: DRIVERS FOR INTEGRATED PAYMENT SOLUTIONS**

This trend is driving increased SMB adoption of integrated payment solutions. Growing SMBs realize that they must be able to process an expanding variety of payment types (Figure 2).

Paper checks continue to dominate a fragmented payment landscape, accounting for 45% of all payments SMBs receive. Combined, credit and debit cards are the second-largest payment processing type, totaling almost one-quarter of transaction volumes. Clearly, having the capability to process checks and credit card transactions can streamline processing and save SMBs time and money, plus reduce costly errors based on redundant data entry.

**Figure 2: Average Percentage of Payment Types**



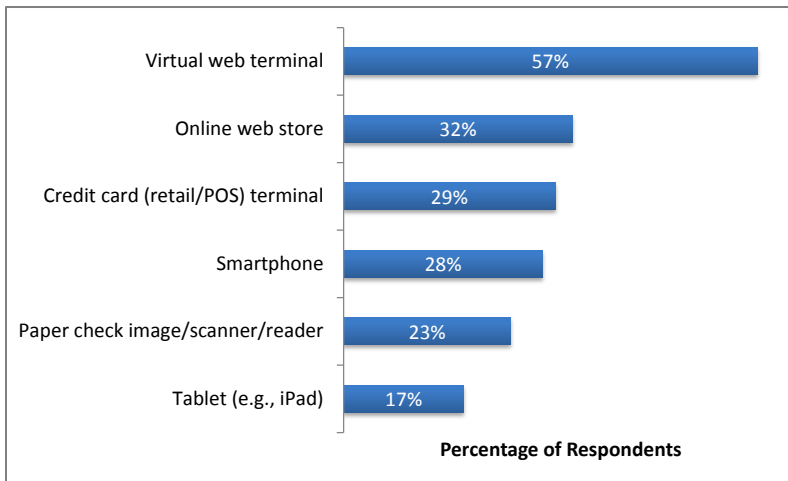
Although checks and credit/debit cards still dominate the payment landscape, evolving customer payment preferences are driving SMBs to broaden the types of payments they accept. Depending on the type of business, SMBs are adding other payment types such as ACH, PayPal, payment cards and gift cards to meet customer requirements.

**Source: SMB Group, November 2013**

Likewise, SMBs are also processing transactions on a wider range of devices (Figure 3) to make the purchasing process easier and faster for their customers.

Although mobile payments tend to receive more publicity than other types of payments, most SMBs realize that mobile payments are just another piece of the mobile puzzle. The mobile revolution isn't only about smartphones and tablets. The bigger value comes from being able to accept and process customer payments wherever your customers are—whether on the web, in the field or in a retail store—and have them integrate with your accounting/ERP system.

**Figure 3: Preferences for Accepting Credit Cards**



As the types of payments and payment devices as well as transaction volumes multiply, more SMBs find they're spending too much time manually entering and reconciling payment information with ERP, accounting or other business solutions.

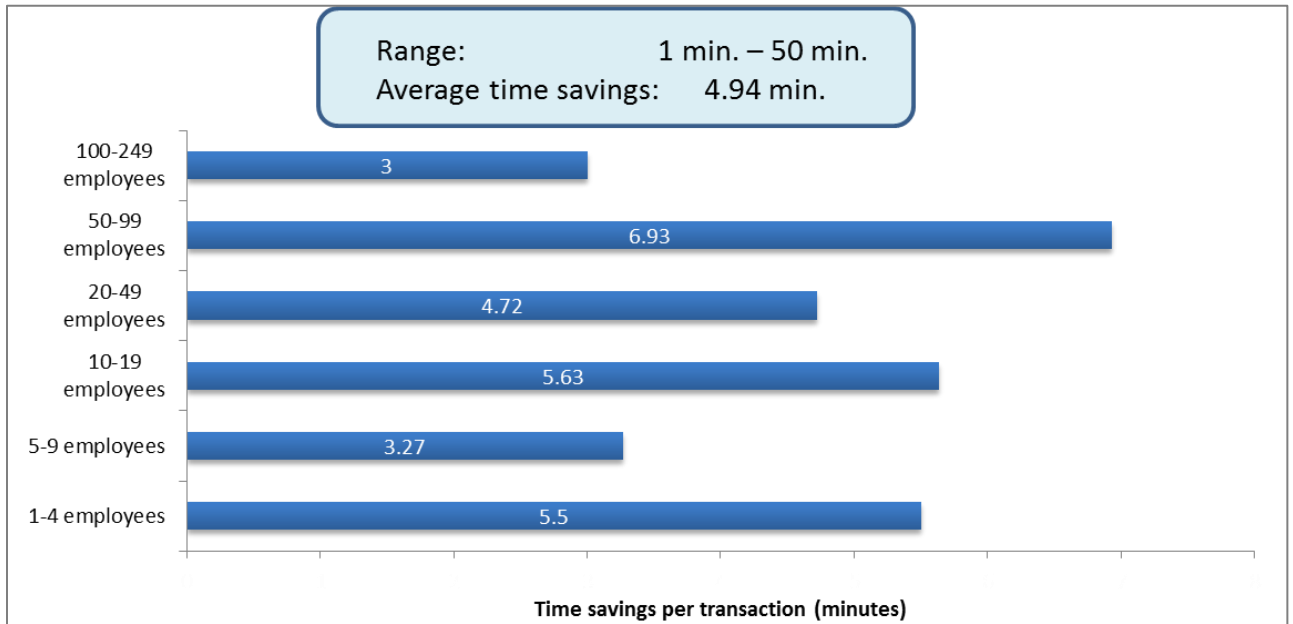
**Source: SMB Group, November 2013**

### SECTION 3: BENEFITS OF INTEGRATED PAYMENT SOLUTIONS

Survey respondents are adopting Sage integrated payment processing to streamline and automate the payment process, and keep pace with customer requirements and expectations.

Sage integrated payment solutions are helping to reduce redundant data entry as well as the time it takes to verify and reconcile credit card payments so businesses can decrease processing time and get paid faster. As shown in Figure 4, survey respondents estimate that they save almost five minutes per transaction by processing credit card payments directly in their accounting/ERP systems.

**Figure 4: Time Savings from Taking Credit Card Transactions Inside Accounting/ERP Applications with Sage Payment Solutions**



Source: SMB Group, November 2013

SMB Group calculates that a company that averages 50 credit/debit card transactions per week will reduce processing time by about 214 hours per year. At \$25 per hour, this translates to a \$5,350 in savings in labor costs per year (Figure 5). As important, the business can refocus this resource on higher value-add functions, such as customer service or planning. As transaction volumes rise, so do cost and time savings.

**Figure 5: Estimated Annual Time and Cost Savings from Taking Credit Card Payments Inside Accounting/ERP with Sage Integrated Payment Solutions**

Transactions per week	Transactions per year	Time savings per year (hours)	Credit card processing cost savings per year
25	1,300	107	\$2,675
50	2,600	214	\$5,350
100	5,200	428	\$10,700

Source: SMB Group, November 2013

SMBs can also save time and money with integrated point-of-sale (POS) check conversion. This service enables businesses to accept and process consumer checks electronically as easily as processing a credit card transaction. Using a check reader or imager connected to a credit card terminal, businesses can process and deposit checks without making a trip to the bank, and have the transaction posted back to their ERP or accounting system.

In addition, when payments are integrated with accounting and ERP, businesses gain better visibility into payments to help improve cash flow. Finally, integrated payments give SMBs more flexibility to process different forms of payments on different devices more easily. This can help SMBs be more responsive to changing customer preferences for payments.

#### SECTION 4: CONSIDERATIONS FOR SELECTING INTEGRATED PAYMENT SOLUTIONS

While the rationale for integrated payment solutions is clear, SMBs that are unfamiliar with the topic may find it somewhat confusing. This isn't surprising because the payment area is complex. Different vendors offer different solutions that tackle different parts of the payment pie, such as mobile payments. They may or may not integrate with different software solutions and brands. Some require businesses to use the vendor's merchant service provider for accepting credit and debit card payments, and others let the business choose. On top of that, the payment industry has its own language, which takes time to decipher.

Businesses should evaluate their own payment needs to help determine what kinds of integrated payment solutions will not only serve them today, but also provide the flexibility to adapt to and accommodate future requirements.

Some of the key considerations include:

- **Transaction volumes:** As the calculations in Section 3 indicate, the value of integrated payments increases as transaction volumes rise. Businesses should consider current as well as future volumes. Also, although higher accounts receivable (A/R) volumes are the initial driver for adopting integrated payments, SMBs may also want to use an integrated payment solution to process accounts payable (A/P). If so, a solution that can integrate both types of transactions with accounting, ERP and other business solutions is in order.
- **Diversity of payment methods and devices:** Although checks, credit/debit cards and cash are the dominant forms of payment today, many SMBs plan to add new payment



forms and different payment device types in the future. This highlights the importance of selecting an integrated payment solution that will evolve and grow as business needs change.

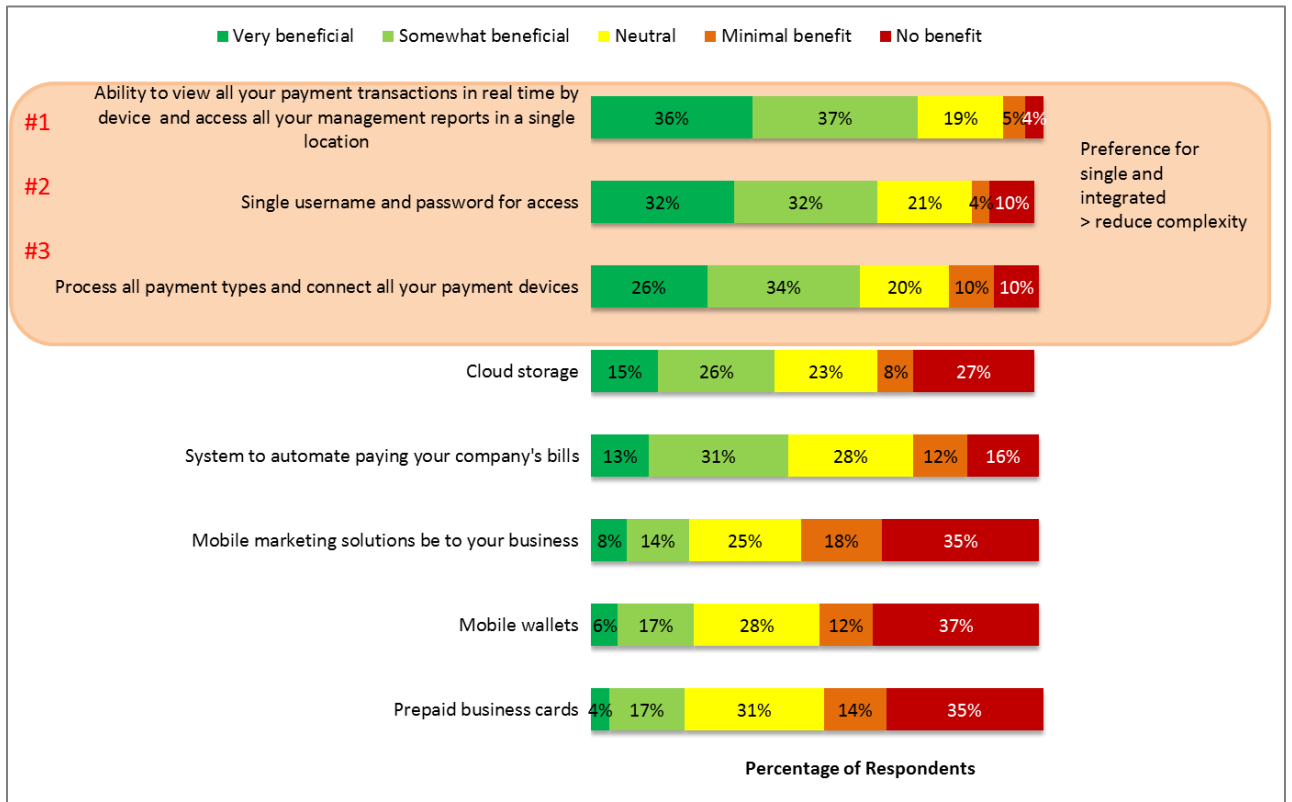
- **Level of integration between payment and accounting/financial applications:** Tight integration between payment and business applications is what drives time and errors out of the process—which, in turn, reduces labor costs for data re-entry and resolving data errors. Many SMBs select Sage integrated payment solutions because Sage offers deep integration with its portfolio of accounting/ERP solutions.
- **Costs:** Businesses should factor in initial set-up fees, monthly service fees and credit card processing “swipe” rates when comparing solutions.

Most businesses have security concerns but may be unfamiliar with PA-DSS (Payment Application Data Security Standard) compliance and security certification standards (which specify that all exchanges of payment data are secure and PCI-compliant) and how they impact their businesses. Look for vendors with documented and rigorous compliance measures that can also provide clear information and education on this area.

Finally, businesses should assess their future needs. Does the vendor roadmap add new capabilities, such as those in Figure 6, which can add value to the business over time? SMB demand for simple but comprehensive integrated payment solutions is rising. For instance, at least half of all survey respondents identify several new capabilities as very or somewhat beneficial to their companies, including:

- Viewing all payment transactions in real time by device and accessing all management reports in one place (73%)
- Using a single username and password for access to all payment systems (64%)
- Processing all payment types and connecting all payment devices (60%)

**Figure 6: Perceived Benefits of Additional Payment Solution Features**



Source: SMB Group, November 2013

## SUMMARY AND SMB GROUP PERSPECTIVE

Sage integrated payment solutions can help SMBs reduce costs and improve efficiency to meet growth goals and to operate more profitably and competitively.

Customers that adopt Sage integrated payment solutions also gain the flexibility to take advantage of changing market requirements and preferences. They can offer capabilities to simplify and integrate more forms and methods of payment, including check scanning and mobile devices. In addition, Sage has a well-defined roadmap to enhance upcoming versions of Sage integrated payments with new features to further streamline the payment process.

By providing a unified payment processing solution that integrates with the spectrum of Sage business solutions, Sage Exchange and Payment Solutions offer SMBs a comprehensive yet flexible approach that will support SMB payment processing requirements now and in the future.

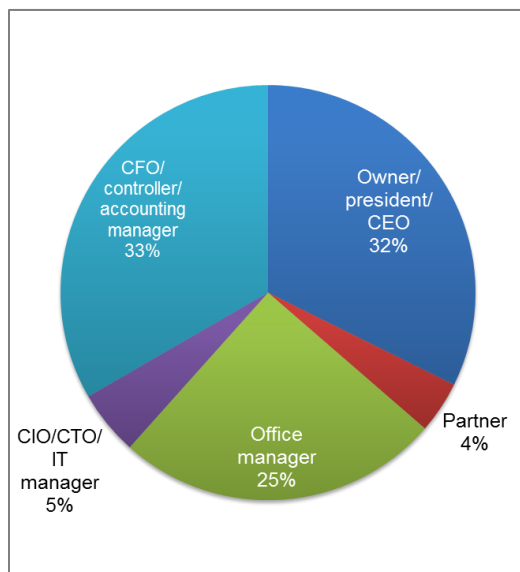
## ABOUT THIS STUDY

This study was designed, fielded and analyzed by SMB Group on behalf of Sage Payment Solutions in October 2013. The survey was developed to deepen Sage's understanding of Sage Payment Solutions and Sage Accounting/ERP customer perspectives about:

- Payment practices and pain points
- Use of/plans for integrated payment solutions
- Time, cost and productivity savings, plus other benefits that customers achieve with integrated payments
- Future payment solution requirements

The sample included 247 Sage Payment Solutions and Sage Accounting/ERP customers that are currently using Sage integrated payment solutions (Figure 7).

**Figure 7: Roles of Respondents Answering the Sage Payment Solutions Study**



Source: SMB Group, November 2013

This is the second 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 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. The first report, *Driving Business Growth and Efficiency with Integrated Payments*, is based on qualitative customer discussions, and examines how three customers are using Sage Payment Solutions in their businesses.



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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.