

Payment processing integration:

The smart

and easy way

to manage payments

Overview

Chances are high that integration between payment transaction processing and accounting software is not one of the first things merchants and other businesses will mention when asked what they want from their electronic payment processing provider. Security, faster payments, ease of use, and the ability to accept multiple forms of payment no doubt top their lists.

Having a payment processor that automatically and seamlessly integrates credit/debit card and other electronic payment data into a general ledger or ERP system is one of the most important features businesses can have to operate more efficiently, saving valuable time and eliminating costly mistakes. Integration provides the means to easily manage cash flow and consolidate data from multiple sales channels. It eliminates the need for the manual entry of card transactions into the accounting system and streamlines account reconciliation.

This paper describes payment processing integration and presents the benefits and cost savings that can result from having credit/debit card and other electronic payments seamlessly flow directly into business accounting software.

What is payment processing integration?

Quite simply, payment processing integration allows for payment transaction data derived from credit/debit card or other electronic payments (such as those made over the Internet or on mobile devices) to automatically flow into a business' general ledger or ERP system when a sale is made. It does away with the need to manually enter payment transaction data and reconcile accounts, saving valuable time and/or reducing labor costs and eliminating the prospect for human error. With payment processing integration, the data for each sale seamlessly posts into the accounting software, similar to how the money from a transaction is directly deposited into a business bank account.



Why is payment processing integration important?

The changing environment for payment transactions

In simpler times, most business transactions were conducted strictly on a cash basis. Even as credit cards became more prevalent, many merchants elected not to accept credit cards because of the resistance to pay transaction fees to credit card companies. Other businesses, particularly those in the service industry – wholesalers who sold only to distributors and business-to-business companies – continued to bill clients through invoices with payment terms and took payments by check.

Customer payment preferences have changed everything. These days, every type of business, both in the business-to-consumer (B2C) and business-to-business (B2B) sectors, must offer their customers the ability to pay in a multitude of ways, and thus accepting credit/debit cards as well as mobile payments, gift cards, and even PayPal payments is no longer merely an option but a necessity. According to a recent study from Community Merchants USA, an educational nonprofit project of the electronic payments industry, 66 percent of all point-of-sales (POS) transactions are done with plastic – credit, debit, or gift cards.¹ Businesses that sell goods and services to other businesses are realizing the importance of accepting electronic payments as well. While payment by check remains the most popular form of payment accepted by B2B businesses, B2B credit card usage represented 10% of all payments in 2014, and those numbers should grow, with nearly 70% of business executives predicting an increase over the next three years and 90% anticipating a change from traditional paper check.²

The shift away from cash and check transactions has created challenges for small and medium businesses. Before the ability to integrate the payment process, merchants would have to wait for a batch report from their transaction provider, and every transaction had to be manually entered into the accounting system, a task that could take a day or more depending on the number of transactions. The reliance on manual data entry also created greater risk for human error, which impacts financial reporting and account reconciliation.



1 <http://communitymerchantsusa.com/resources/the-benefits-of-small-business-card-acceptance/>

2 <http://www.paymentsleader.com/innovation-making-b2b-payments-easier/>

“Managing and recording all these different payment types can be painful for a small business if they are not using an integrated payment solution,” says Jon Zimmermann, senior product manager for Sage Payment Solutions, a long-time leader in payment services for accounting solutions for small and medium businesses.

Now with the capability to have transaction data from a multitude of sales channels seamlessly flow directly into their accounting software, accounting tasks that were once labor intensive are now done automatically and error-free. Smart businesses have come to realize that customer preferences for multiple forms of payment actually provides them with the opportunity to optimize accounting operations and provide access to real time data that can help them run operations more efficiently and manage cash flow more effectively through payment integration.

Benefits of payment processing integration

Integration saves time

Of all the advantages that an integrated payment processor offers small and medium businesses, the time saved by no longer requiring individuals to manually enter credit card and other electronic payments into accounting software is without a doubt the most valuable cost-saving feature. Prior to the ability to integrate, a business would receive a batch report at the end of each business day or early the following morning and then have to recreate each separate credit card transaction into the general ledger or ERP software system. The situation became more complicated as consumers began using multiple forms of payments and reports came in not just for counter sales transactions, but also mobile and online payments. This process could take several hours each day, depending on the number of transactions.

“As a result of integration,” explains Doug Smith, product marketing manager for Sage Payment Solutions, “the batch information that used to be delivered from the payment processor and needed to be recreated now immediately appears in the accounting software or ERP system that a business has set up. That’s a real advantage. Rather than having to look at an Excel spreadsheet or, say, screen number one, which gives the sales totals, and then bringing up screen number two, which is where the transaction information is entered manually, the transaction data automatically flows into the system without any employee or business owner interaction.”

“Without integration, the accountant, bookkeeper, or sole-proprietor has to go into the accounting software and recreate every credit card or electronic payment transaction. If they don’t do it in a timely manner, say a day or two or a week later, mistakes happen, things get fuzzy, and information gets lost, and those postings are no longer accurate.”

— Jon Zimmermann,
Senior Product Manager,
Sage Payment Solutions

Integration reduces human error

Adding the human element into the payment transaction process increases the opportunity for errors to be made, either in the form of entries' being duplicated or data entered incorrectly or applied to the wrong account. The results could lead to time lost trying to locate the error as well as frustrated customers as a result of overbilling or not having a payment properly attributed against their account or erroneous tax reporting. The seamless flow of data from the point of transaction directly into the general ledger or immediately credited against an invoice, no matter where the payment is taken, eliminates entry errors and provides confidence that accounts are accurate.

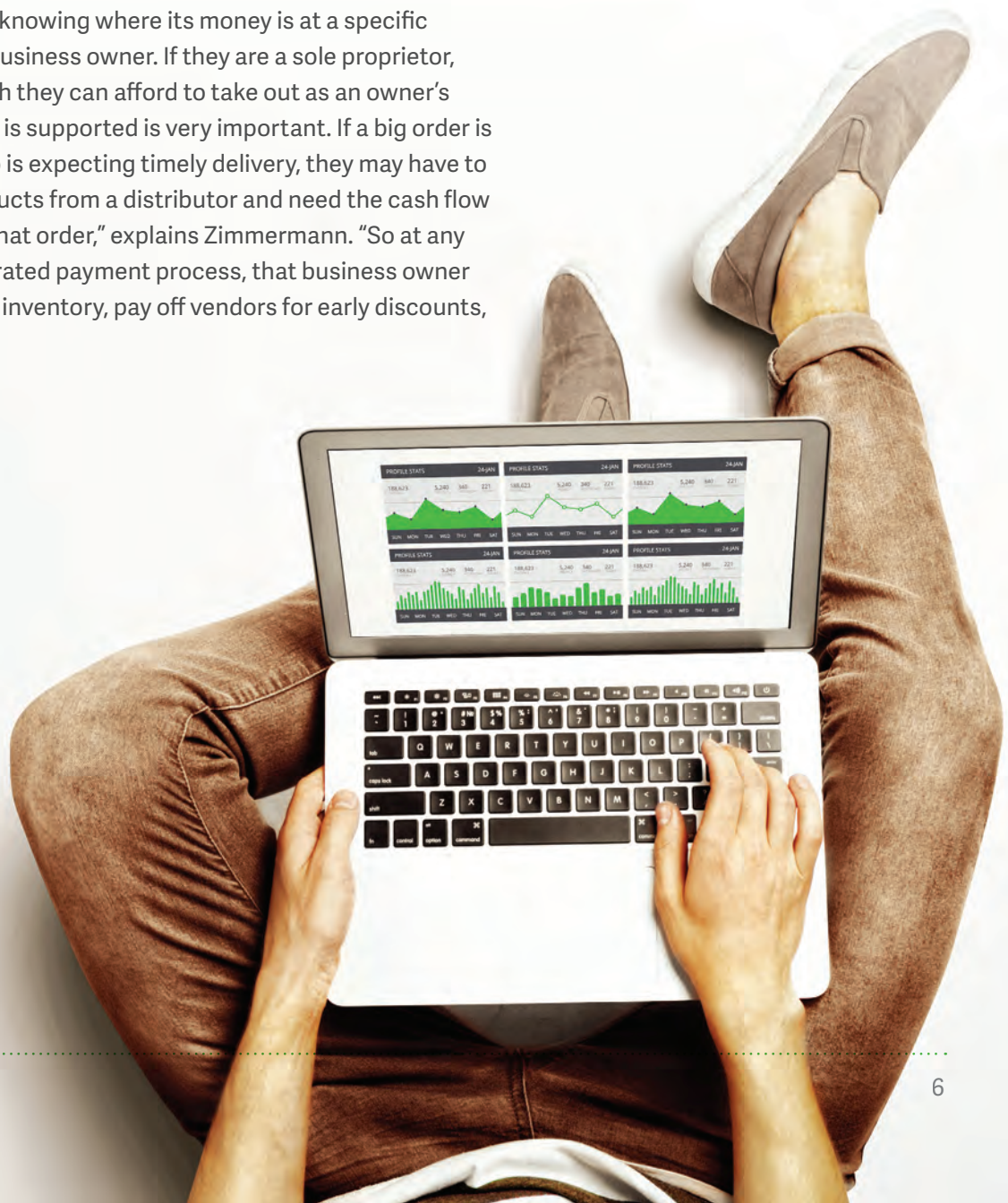
The ability to integrate mobile payments into their accounting system provided immediate dividends for RE Suspension, a North Carolina company that provides shocks and front-end systems to race teams at tracks across the state. "I think from the very beginning it was like 'Wow! Integrating our mobile payments makes things a lot easier,'" says Carrie Ender, office manager for RE Suspension. "Integration makes it a lot less stressful on the guys taking payments away from the store because before they would come back and I would say 'Why isn't this invoice paid? Who is this guy?' and they would have done so many transactions that they couldn't always remember who they sold exactly what to. Now when the guys are at the track, as soon as they swipe a credit card transaction, I get an email saying that it has been run, and it's immediately posted into our system here."



Integration increases cash flow

Having an accurate and up-to-the-moment understanding of cash flow is a vital element for small and medium businesses. No company can stay in business long if it does not have adequate cash on hand to pay vendors, employees, taxes, and other operating costs. Prior to the ability to process payments electronically and have the data from those transactions integrate directly into the general ledger or ERP software, businesses were often subject to long wait periods for invoice payments and delays in assessing current cash flow status. Having an integrated payment processing solution that provides reliable and current reports on exactly how much money a business has available at the end of each business day helps it better manage payroll and inventory, pay vendors, and make better, more informed operating decisions.

“Having a healthy cash flow and knowing where its money is at a specific time is the lifeblood of a small business owner. If they are a sole proprietor, for instance, knowing how much they can afford to take out as an owner’s equity to make sure their family is supported is very important. If a big order is coming in from a customer who is expecting timely delivery, they may have to purchase raw materials or products from a distributor and need the cash flow to float that purchase or build that order,” explains Zimmermann. “So at any moment, as a result of an integrated payment process, that business owner can decide whether to invest in inventory, pay off vendors for early discounts, or make capital purchases.”



Integration reduces labor costs

Integrating the payment process also creates savings in terms of costs allocated to the business workforce. With payments' feeding directly into the general ledger at the moment of payment, it is no longer necessary to have a dedicated accounts receivable employee on payroll or pay an accountant solely to reenter data from credit card transactions to reconcile accounts. In addition, costs and time spent training employees to process payments has been greatly reduced due to the entire operation's becoming less complicated and easier to learn.

"In 2010, when we first started with Sage Payment Solutions primarily for the ability to integrate our payments coming in from three separate facilities, I had four people on my accounting staff. We are three times the size we were back then, and I presently only have five people on my accounting staff," explains Marilyn Maher of ACD Distribution, a nonelectronic game wholesaler. "And because the customer's credit card information is kept in a tokenized vault in the cloud, when payments are to be applied to an invoice, our shippers, who are not used to doing a lot of accounting work, merely pull up the customer's account without having to enter card information, apply it to an invoice, the product is shipped, and back at headquarters the customer account shows a zero balance."

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— Marilyn Maher,
ACD Distribution

Choosing an integrated payment solution

For practically every business, it is a matter of when, not if, it implements an integrated payment processing solution. The benefits are too great, and the technology to make it happen is affordable so that not having the ability to integrate payments directly into accounting software will put merchants and other businesses at a distinct disadvantage with their competitors. As customer preferences for making payments continues to evolve away from cash and check transactions, it just makes sense to have the data from electronic payments seamlessly flow into the business accounting system without the need for manual entry.

There are several factors a business should factor into the decision to adopt an integrated payment process:

Flexibility and ability to adapt to new payment methods

The payment processing landscape is in a constant state of evolution, and, first and foremost, any integrated payment processing solution should accept all forms of payment currently used by customers, such as credit/debit cards, and also have the ability to adapt to newer forms, such as ApplePay, Android Pay, and Samsung Pay. Therefore it makes sense to choose an integration solutions provider that has established the reputation of keeping up with payment trends and technologies.

Compatibility with accounting software

An integrated payment solution is only as good as the accounting software it integrates with. The best-case scenario is to turn to a single vendor that can offer a complete system that will efficiently streamline payments into the general ledger and provides faster payment posting and data reporting.

Security

The integrated processing solution must be in compliance with PCI security standards to maintain the highest level of protection required by the credit card industry. In addition, the payment system should provide data encryption to provide additional security for customer information. Merchants should also ensure they have migrated to EMV credit and debit cards in order to avoid liability for fraudulent credit card payments processed at their establishment.

Factors to factor into the decision to adopt an integrated payment process:

1. Flexibility and ability to adapt to new payment methods
2. Compatibility with accounting software
3. Security
4. Real-time reporting capabilities

Real-time reporting capabilities

Integrated payment processing offers tremendous efficiencies when it comes to analyzing customer accounts, cash flow, and balance sheet and income statements. Providing up-to-date, real-time information on sales activities, integration gives businesses the ability to make informed decisions to manage their operation better, allocate funds to maximize profits, and create accurate financial reports. Therefore it is important to find an integrated solution that provides easy access to real-time reporting tools and which can be customized to meet unique business needs.

Conclusion

Payment processing integration has quickly become the standard method for small and medium businesses to increase efficiency and prevent costly errors as a result of manual entry of transaction data. The benefits of an integrated payment solution greatly outweigh the initial cost of implementing such a system. As customer preferences trend increasingly toward paying for transactions with credit cards and other forms of electronic payments, companies now have the opportunity to process payments from the point of sale directly into their general ledger or ERP software and eliminate the need to spend hours recreating transaction data.

“Because of the changes in the payment processing industry and how dynamic the industry has been lately, it is vitally important for businesses to find a payment processing solution that allows it to keep up with the changes,” explains David Landrum, manager of customer support for Sage Payment Solutions. “A company that offers payment integration as a component of its payment processing service should provide technology that will maintain pace with EMV and online payment advances, offer immediate posting of data to business accounts, and provide a single portal for viewing and managing data. It is important to find a company that has been offering integration solutions for a long time and has experience in the payment industry.”

About Sage

Sage energizes the success of businesses and their communities around the world through the use of smart technology and the imagination of our people. Sage has reimagined business and brings energy, experience and technology to inspire our customers to fulfil their dreams. We work with a thriving community of entrepreneurs, business owners, tradespeople, accountants, partners and developers who drive the global economy. Sage is a FTSE 100 company with 14,000 employees in 24 countries. For more information, visit www.sage.com.

About payment integration

For more information about integrating payments to your accounting solution, contact us at **1-800-652-2370** or visit www.sagepayments.com.

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