

— HOW TO —  
**SELECT A  
MERCHANT  
ACCOUNT**

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**FINDING THE RIGHT  
MERCHANT ACCOUNT  
IS KEY.**

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# Shopping For A Merchant Account?

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Using the right merchant account can have a big impact on the success of your business. As online and mobile payments grow in popularity, merchant account providers have become more competitive. There are many payment processing companies, each with their own strengths and industry specific benefits. However, it's important to understand that all merchant accounts are not created equal.

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Looking for the right merchant account can be overwhelming. We're here to help.  
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Looking for the right merchant account can be overwhelming, that's why we created this guide to help merchants navigate the entire process.

This guide is designed to help merchants pinpoint their specific needs. We have included everything you need to consider when selecting a merchant account provider. As veterans of the merchant account selection process, we're here to make it as transparent as possible for prospective account holders.

# MERCHANT ACCOUNT BASICS

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*An essential part of any business is the merchant account.*

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Merchant accounts are a necessary tool for merchants looking to accept anything other than cash. A merchant account is the middle man between your business, your bank, and a credit card network. Merchant accounts make it possible for buyers to make a purchase using credit or debit.

Every dollar you make on a sale flows through your merchant account. For a business owner, it's important for the account to function properly. Using the right type of account that suits your needs ensures the security of your funds.

As businesses differ, so do the types of merchant accounts. From high risk to low risk, there are dozens of types of merchant accounts to choose from. Ultimately, your merchant account should enhance your business. Merchants often find themselves trapped using accounts that come with hidden fees or volume caps. Your merchant account should work for your company not against it.

When looking for a merchant, always keep your business's best interest in mind. Envision how you see your merchant account functioning. How do you see your business growing ten years from now?

These types of questions are not usually the first that comes to mind when shopping for a merchant account. However, they're important factors that are impacted by the type of merchant account you are using.

# GET TECHNICAL: How Merchant Accounts Work

A merchant account is a special type of bank account that can accept debit and credit card payments. The account establishes an agreement between the merchant (account holder), their respective bank, and a card processor. The account allows for funds to be seamlessly transferred after a purchase is made from a merchant.

When a credit card is swiped, the payment processor retrieves the funds from the payee's bank. Sensitive information is encrypted before being transmitted. The processor gets a signal whether or not the buyer has adequate funds. Once the transaction is approved, the funds are released from the payee's bank and drop into the merchant account.

The merchant account is the final destination for payments being processed. The account does not process the payment itself but does play a vital role. The merchant account can be thought of as a holding place.

However, funds are not permanently held in a merchant account. Merchants typically transfer their balance to a business bank account on a daily or weekly basis. Only once the funds have been transferred to a business bank account, they can be used or distributed as needed.

Implementing a merchant account is easy. Merchant accounts can be linked to most types of payment processor you choose to use. Be sure to select compatible components for a streamlined setup process.

# IDENTIFYING YOUR RISK CATEGORY

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*When you're on the hunt for a merchant account, the best place to start is understanding what risk category your business falls into.*

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Understanding the risk factor will help to better select a merchant account provider based on your needs. Risk categories are determined by a number of factors. The type of industry your business associates with is one of the biggest determining factors.

The second most important factor would be how much your business processes a month. Not only does it matter how much your business is charging, but a merchant account needs to know what percentage of these sales turn into chargebacks. Chargebacks are the dispute of funds paid by the buyer. Regardless of the chargeback reason, a reverse money transfer must be made. Each and every chargeback comes with a fee that is non-negotiable. Depending on your monthly chargeback volume, chargeback fees can be a big burden on a merchant.

Other factors that influence your risk category include the average ticket size. Merchants with tickets averaging under the \$50 threshold can expect to be low risk. Anything higher is considered high risk due to the chargeback potential. The amount of fraudulent activity that happens to your business is a big factor. Even your country of operation plays a role in risk determination. The United States would be considered a low risk country of operation while, for example, India may be considered a higher risk. This determination also depends on where the merchant account provider is based. Personal credit history is also used as a determining factor of your risk level. If you're filing for a merchant account with poor credit history, odds are merchant account providers will see you and your business as a high risk.



# IDENTIFYING YOUR RISK CATEGORY

## CONTINUED

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It's important to understand that qualifying as a "high risk" merchant does not mean that you will have a harder time finding a merchant account. Being high risk means you have more specified needs. High risk merchants process transactions that are higher risk. Even the services provided are a higher risk, like firearms. Traditional merchant accounts like PayPal and Stripe simply do not have the expertise that a high risk merchant needs. So, it's important to find merchant account providers that are willing to take on the risk and have experience doing so.

### Typical High Risk Industries

- |                 |                   |
|-----------------|-------------------|
| Accounting      | Insurance         |
| Adult           | Lending           |
| Airlines        | Mining            |
| Alcohol         | Pawning           |
| Agriculture     | Restaurant        |
| CBD/ Cannabis   | Retail            |
| Dating          | Staffing agencies |
| Debt Collection | Utilities         |
| Gambling        | Wholesaling       |

# DO YOU NEED A HIGH RISK MERCHANT ACCOUNT?

## Underlying Factors



- The Likelihood of Chargebacks
- Percieved Reputation
- Legal Issues



## Future Stability

- Penalties
- Service Quality
- Merchant Services
- Payline Data
- Will a high risk merchant account make your business stronger?



## Components All High Risk Businesses Need



## Different Features

- All high risk merchant accounts are not equal
- Holdbacks
- Discount Rate
- Discount Rate Factors



## Flexibility

- Contract Agreements
- Charitabl Payment Acceptance
- Physical Terminal Equipment
- Associated Banking Services
- Offshore & Foreign Services

# THE MERCHANT ACCOUNT CHECKLIST

*Now that you know your risk category, you can start narrowing down merchant account options on more specific criteria. This checklist runs down some of the most important features a merchant account should have.*

1

## **Look For Providers With a Good Reputation.**

One of the most essential factors for a merchant account is reliability. Since a merchant account aides in the payment process, it's important that the merchant you select does its job. Like any service, merchant account providers build up a reputation for how effectively they function.

There are a number of ways to check for a merchant account's reliability. A good sign to look for is longevity. Figure out the number of years the provider has been in business. Researching the provider through the Better Business Bureau is also a good way to check reliability. Google reviews can even be helpful to find consumer feedback. Lastly, one of the best ways to find merchant accounts tailored to you is to ask similar businesses who they use as a provider.

2

## **Does The Provider Offer Technical Support?**

A quality merchant account provider will go above and beyond to offer support to their clients. When looking for a merchant account provider, it's important to look at what resources are provided to merchants. Technical support should be offered with your merchant account at no additional cost.

Many merchants don't think about customer support when shopping for a merchant account provider until after a problem arises. Technical support for a merchant account is handy for linking a processor to your account, among other things. Smaller providers may have limited hours or offer no support whatsoever. Large to mid-size companies sometimes offer a live support chat that is available 24/7.

After assessing your business's needs, figure out what level of support you might need most. This will help you identify the right type of merchant account provider that you need.

# THE MERCHANT ACCOUNT CHECKLIST

## CONTINUED

3

### Look For Reasonable Rates & Fees.

Merchant accounts can greatly differ when it comes to price. But, when comparing prices on two ends of the spectrum, it's important to remember that sometimes, you get what you pay for. However, this doesn't necessarily mean the more expensive options always deliver. The goal is to find a good price balance and understand what you're paying for.

Some merchant accounts will offer super low rates only for an introductory period. After the period ends, rates are jacked up. Also, watch out for hidden fees from merchant account providers. Application fees, set up fees, monthly fees, and per-transaction fees can really add up. Some fees are non-negotiable for merchants. Find a merchant account who's fees work strategically with your business. Planning on doing high volumes of sales? Then avoid merchants that have high per-transaction fees.

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### Consider Your Needs as a Business.

It's important to consider your specific needs as a business. Merchant accounts may seem to cover a wide array of businesses with a one-size-fits-all approach. However, we know that's not the case. Understanding your specific industry and the transaction types you face the most will help you better select a merchant account.

For example, if you're a business that gets high amounts of chargebacks, it's important to look for high risk merchant accounts that specialize in this. Some high risk merchant accounts feature chargeback prevention programs that can help you mitigate your risk. If you're looking for better security or fraud detection, there are merchant accounts out there that specialize in that area.

The bottom line as a merchant seeking an account provider is to know exactly what you're looking for and what might benefit your business.

# THE MERCHANT ACCOUNT CHECKLIST

## CONTINUED

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### **Does Your Provider Have Monthly Volume Caps?**

Some merchant account accounts that offer a flat service fee have monthly volume caps. The caps make it so that you are limited to a fixed number of transactions per month. Sometimes merchants even cap the dollar amount that can be in your merchant account at a given time.

Signing up with a provider that limits your processing volume usually ends in a loss of sales for merchants. Monthly volume caps make it impossible to scale and hit goals. For example, if your business has a record number of sales within the first week of the month, you may hit a cap. Your merchant account would not process any more credit or debit payments for that month. Monthly volume caps could be damaging to your business and should be avoided at all costs.

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### **Keep Card Network Relations In Mind.**

There are 160 million credit cardholders in the U.S. Of those cards held, Visa is the top credit network among holders. It's critical to make sure your merchant account has good relationships with top card networks. A provider with a strong network is not something to compromise. Missing out on key card networks could potentially leave out a huge portion of the population who cannot make purchases with your business.

It's a good idea to ask if merchant account providers can accommodate newer networks and payment methods such as Apple Pay. If your target audience is younger, choosing a merchant provider that is up to date on the latest processing methods is important to consider.

# The Right Merchant Account Makes a Difference.

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Asking potential merchant account providers the tough questions upfront saves you from headaches later. It's much easier to establish your merchant account correctly the first time. Getting caught up with the wrong merchant account could cost you and your business a substantial amount. Not only could you lose time and money, but you also run the risk of getting your merchant account shut down.

Once you find a merchant account provider that checks all the boxes, the rest is easy. A merchant account that fits your needs will ensure your business is running smoothly. Additionally, you know that your funds are protected because you're using the account designed for your business.

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# How PayKings Can Help

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Even after narrowing down your merchant account options, you may still have questions. PayKings is here to provide you with the answers you need.

**Need more merchant account options?** PayKings can provide you with a number of merchant account providers to choose from. As veterans of the industry, PayKings knows how to expertly match a merchant with an account that truly works. PayKings can provide competitive rates without compromising on quality or security.

**Think you qualify as a high risk merchant?** PayKings specializes in high risk merchant accounts that are difficult to obtain. In as little as six hours, you could receive pre-approval for your merchant account. Look no further than PayKings to establish your high risk merchant account today.