



The payments guide for SMEs

By Nick Ogden

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It is evident that although the banking crisis may slowly be subsiding, the after effect on all businesses, especially SMEs, is undeniable and support is still required to assist the recovery. One of the key sources of support for businesses may surprisingly come from payment providers, who traditionally have been seen as no better than the banks, and offering no more comfort or co-operation. This is finally shifting.

In the past, SMEs have been offered the most basic service when it comes to payments and this has often meant using up to 8 providers ranging from high street banks to online companies in order to secure all the payment services they need to support their business. Of course, these services come at a hefty price ranging from monthly fees of up to £30 for a PDQ machine to transactional fees of up to 3.4% on credit card transactions and nearly £1 for debit card transactions. These prohibitive fees, coupled with the traditionally inconsistent service, created a very unsupportive service for SMEs and raised the question of why any small business would want to move away from traditional payment methods of cash, cheque and paper invoices.

Whilst SMEs continue to face challenging times, cash flow will always be one of the key parts of ensuring a successful business. Just last week, Adam Jackson from the Department for Business, Innovation & Skills revealed the results of a government survey that highlighted that 49% of SMEs perceive cash flow is their main barrier to growth. This coupled with a recently published BACS report stating that £32,000 is the average amount owed at any given time and waiting on average 40 days for invoice payment the issues and challenges are clear.

The Security Challenge

In deciding to accept card payments in person or online, an SME must also take into account the continuing threat of security. Businesses today are faced with not only ensuring their consumer's payments are safe but their own funds and payments are secure too.

There are various regulations in the financial sector such as PCI DSS (Payment Card Industry Data Security Standard) to safeguard customer payment data and SMEs must ensure that any company they use to process payments are compliant with these regulations. Added to this is the gap that remains for solutions to safeguard consumers when making online payments with SMEs still not seeing solutions that will meet their needs. The growth in fraud is cited by businesses as the biggest threat facing their online growth plans. However SMEs are challenged to strike an often tricky balance between an effective fraud reduction programme and providing a comfortable customer experience.

In taking the decision to trade online, SMEs face not just a commercial threat in abandoned basket rate and the cost of transactions being disputed but also be mindful of the issues facing their customers who wish to shop on their website. This is not only a consistent fear of fraud but also frustration that the process for payment takes so long compared to their experience in a bricks and mortar shop. The average online shop takes 11 minutes, and with payment taking up to 30% of this time, there is plenty of potential to lose trade and customers if they are subjected to an uncomfortable shopping experience.



Solutions that attempt to tackle this perennial issue include a range of sophisticated risk monitoring and management tools provided by online payment gateways – although often expensive – as well as emerging technology including voice biometrics, which permits a shopper to authenticate a payment anytime, anywhere and from any device. 2012 is likely to be the year when such emerging technologies will take centre stage in the ongoing battle against online retail fraud.

Trends for 2012

Undoubtedly the financial climate is changing and shifts in national and European legislation has resulted in new organisations emerging within the financial services industry. These companies are genuinely supporting businesses growth and finally have the ability to compete alongside the big banks in the industry.

Challenging the lack of innovation and solutions geared towards SMEs, these new players are more often responsive to customer need and demand, a greater track record of innovative solutions that assist businesses but underpinned by the same financial safeguards and guarantees a business would expect from their bank.

The good news is there are now several new solutions out there in the market place that are aiding this shift in the financial and technological sector and actively supporting SME businesses improve cash flow and maintain growth. Developments include:

- E-invoicing – There are many of these useful tools out there in the market place which allow businesses to send invoices electronically and receive online payment, dramatically decreasing payment settlement time by up to 70% compared to paper invoicing. If your business has a merchant account (required to accept payments online), check whether the e-invoicing solution can be integrated into this, as this functionality rapidly saves SMEs money and time by accelerating payment and cutting down the hassle of chasing overdue invoices.
- Innovation in E - Commerce – The momentum of this channel has gained tremendous speed in the last few years and those SMEs who have harnessed its potential have reaped the benefits. Combining a company website with the ability to accept payments and including the ability for customers to pay via telephone opens up a whole new revenue stream for businesses. There are many tools out there to help you set up your website and payment pages and some companies also can integrate the system that takes the payment on your website directly to your merchant or business account.
- Mobile Commerce – There are a variety of ways this channel can support and improve your business and real changes and advances are happening in this space. Businesses can now download mobile apps that allow them to accept card payments straight after completing a job and being able to check and manage their funds on the move.

Moving Towards Mobile

One of the many changes in recent times is in the way customers use smart phone technology to shop online and to check high street prices. As part of this changing market place, many larger businesses have created a mobile strategy where it offers their repeat customers' price reductions and a mobile experience tailored to their profile and this is gradually becoming more accessible to SMEs too.

However to fully engage with the customer and create a seamless experience, businesses are required to understand the scale of the M-Commerce payment channel. M-commerce has until recently only been viewed as shopping online with your mobile phone, however the full potential of M-commerce is in the mobilising of money.

Mobilising money requires a range of solutions to enable businesses to both accept payments on their mobile phone and from their customers phone.

Accepting payments on your mobile requires either a Chip and PIN device or an authorisation from an e-wallet like PayPal or VoicePay. The ability to convert a mobile phone into a portable payment terminal has provided businesses with new ways to sell their products and services on the move. It has also enabled certain industries and trades to start accepting card payment where previously no such option existed.

To enable businesses to accept payments from a mobile phone, many of the mobile phone manufactures and operator are including NFC technology (contactless) into their phone as standard. This enables a small percentage of businesses who take contactless payments to accept payments of up to £15. The next step in m-commerce is in the placement of a mobile wallet onto the phone. This will enable customers to top up their wallet directly from their bank account or for the customers payment details to be represented on the phone allowing them to make purchases securely and with no limitations.

The real power of m-commerce is in the enabling of customers to make instant purchases not just from a physical shop but from offline marketing material like TV ads, magazines, exhibitions and brochure ware. Using QR Codes, customers can receive both additional product details but also they can make an instant purchase using either the funds loaded onto their phone/e-wallet or by being redirected to the businesses online payment page.

The landscape of how businesses accept payments is continuing to evolve rapidly and may seem peripheral to the day-to-day management of an SME. However by partnering with payment organisations that offer solutions designed specifically for smaller businesses at costs that are not prohibitive, an SME is able to offer an improved customer experience and generate more sales through a greater range of payment channels. We are convinced that 2012 will be the year that better payment solutions appear that greatly improve an SME's ability to make, manage and maximise their money.



Biography

Nick Ogden is the CEO and Chairman of CashFlows, part of the Voice Commerce Group