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Finding the best payment solution for the retailer

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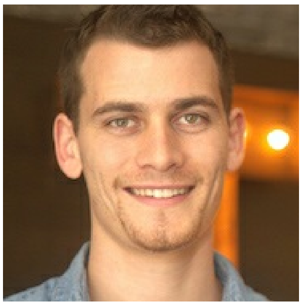

Udi Oster

By Udi Oster

Reliance on technology shows no signs of slowing down, and consumers have demonstrated a relentless demand for convenience. With just a few clicks, customized goods and services appear at the location of their choosing.

From the front end, things are great. On the back end, tech companies are working around the clock to provide uninterrupted service as on-demand requests are sent and fulfilled at all hours from users all over the world.

This era of on-demand ecommerce is closely correlated to the shift away from traditional payments processors and toward more innovative solutions, such as those developed by Stripe or Braintree.

The old purchase model was confined to a transaction between a merchant and their customer: money was routed from the customer to the merchant in exchanged for a good or service.

The new marketplace requires that payments be routed from the customer to the goods or service provider, with the added obstacle of paying the various other partners of each entity, such as delivery couriers.

With the introduction of more players to the commerce ecosystem, tech companies looking to drive growth and reach new markets must find and adopt the latest innovations in payments.

Card-not-present solutions
While there are several payment processing services, the majority of them are designed assuming that a physical point-of-sale terminal will be used. In industry-speak, this is referred to as a "card present solution."

Today's market has moved away from the inconvenience of physical necessities, and toward the "card not present" solution. This method is far more popular among tech companies, and requires the user to input their credit card information.

Payment processors view the shift toward card not present as a risky move and, coupled with the perception that startups are also risky, tend to require extensive indemnities in the service agreement.

If the risk is too great for the payment processor, they may simply not provide card- not-present solutions at all.

Fortunately, Stripe and Braintree have been designed specifically products for the modern use case, and are easier to implement upfront.

Furthermore, if the tech company is successful and needs to scale, early implementation of a solution such as Stripe Connect will require less maintenance in the future.

Solution accounting for routing and revenue-sharing needs
In the new, on-demand economy, technology serves as a marketplace that facilitates convenience and expedited service, but in doing so, introduces a layer of complications as more parties are involved.

Within this new marketplace, payments must be routed from the customer to a variety of goods and services providers. These can include the merchant, which is a food service provider, the campus, in which it operates, delivery couriers, who provide the service, and the merchants' employees. Furthermore, payments must be routed to the other various partners of each of these entities.

In addition to partners, a payments system must also account for any and all revenue sharing models.

To accommodate merchants, couriers, partners and rev-share models in a timely and accounting-friendly manner, the on-demand economy requires Stripe capabilities.

Stripe Connect is the only product designed specifically for marketplaces that serve and transact with users on many sides.

Understanding all costs associated with switching
Knowing that a modern solution is necessary, the next thing to consider is cost. But the cost of switching anything, especially at a startup, weighs heavily on everyone's mind.

You will want to assess every option and reassure the finance team that this is necessary and well worth the cost.

To navigate concerns about burn rate, determine the true processing costs incurred by your current processor.

You will find it is much more expensive than you initially thought.

By analyzing past statements, you will find that most traditional processors charge annual fees or have monthly processing minimums.

Additionally, traditional processors charge a subscription fee to access gateways for card-not-present transactions.

When we determined the apparent and hidden costs of our previous processor, we were even more appreciative of Stripe's clear, straightforward pricing.

Make most of solution
The implementation of a new solution is an opportunity to reassess, reevaluate and reallocate.

There is so much more to Stripe Connect than its immediate selling points.

To understand its full capabilities, have the entire team, including non-programmers, read over the API docs. This can lead to unanticipated outcomes.

For example, we did this during the decision-making process, and learned that Stripe could streamline many more of our processes than just credit card payments from customers.

Also, Stripe supports ACH (automated clearing house) and ApplePay.

Ensuring quality of user experience during switch
Once you have decided to switch, the migration process begins.

Implementing a comprehensive migration plan will ensure that the user experience is not compromised.

For us, the quality of our user experience would be negatively impacted if users were required to re-enter their card data. Therefore, a successful migration to Stripe Connect meant that our users' data, past and present, would be automatically transferred.

This entailed extracting user data from our previous payment processor and uploading it to Stripe, all while maintaining compliance with PCI standards and regulations.

Being extra cautious, we chose to deploy Stripe in phases to eliminate downtime during the transfer.

Final checklist
The implementation of technology to solve universal challenges should create a win-win situation.

Consumers are offered a better, more convenient way to buy, and merchants gain a competitive advantage to drive growth and increase revenue.

For tech companies developing and managing the platforms that make this possible, routing payments to multiple parties is absolutely crucial.

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