

Driving Business Efficiency with Integrated Payments Solutions

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DRIVING BUSINESS EFFICIENCY WITH SAGE EXCHANGE, SAGE PAYMENT SOLUTIONS' INTEGRATED PAYMENTS PLATFORM

Every business owner would like to have a speedy, secure and flexible way to accept and process payments. But for many small and medium businesses (SMBs), processing payments is a time-intensive, manual exercise, involving duplicate entries that result in lost time and increase the likelihood of errors. Without an automated process in place, it's also challenging to keep up with and ensure compliance with changing security regulations. As newer payment methods such as mobile payments and PayPal gain in popularity, it can make matters even more complex and time consuming.

Integrated payment solutions can help streamline the payments process by integrating accounting software with payments processing. But, if you're like most small and medium business owners, while you've probably heard of integrated payments, you don't yet have a clear picture of how integrated payments work, or exactly how to map out an efficient, flexible integrated payments solutions strategy for your business.

This paper will help bring this topic into sharper focus. We start by examining the reasons that SMBs seek out integrated payments solutions, explain what integrated payments are, and discuss some of the nuances that can make this topic difficult to understand. We examine how SMBs are benefitting from Sage Payment Solutions and in particular, Sage Exchange, and reference the experiences of several specific Sage customers that use these solutions. Then, we provide an overview of how the Sage Exchange platform will evolve to serve SMBs going forward, and wrap up with our perspective on this important area.

"I wanted less steps in the process, pre-authorizations, and certainty that transactions would go through and notification of when the transactions were processed."

*— Kara Schmucker, Controller,
Electronics, Inc. (Sage MAS 90 user)*

SECTION 1: IDENTIFYING THE NEED FOR INTEGRATED PAYMENTS SOLUTIONS

While no two businesses have exactly the same requirements, most SMBs start thinking about integrated payments solutions as transaction volumes grow, and they become frustrated with the time, cost and errors that result from manually entering and reconciling payments with their accounting or ERP systems. They realize that they need to find a way to process payments more efficiently and turn to integrated payments solutions to:

- **Reduce processing time.** Duplicate entry in both a payments acceptance solution and a business solution doubles the time it takes to complete the payments process. Having to

verify data such as credit card information each time a customer uses his or her card eats up time too. By freeing up time spent on accounts receivable (A/R) processing, employees can focus on things that help the business get ahead—such as customer service or marketing.

- **Cut down on manual errors and gain better financial control and visibility.** Duplicate entry also results in more manual errors, which someone has to untangle and reconcile. When payments automatically “post-back” to accounting, errors are reduced and posting and reconciliation are streamlined.
- **Save money.** Businesses need to trim costs, and recognize that time savings and increased accuracy translate into cost savings.
- **Help facilitate new revenue opportunities.** To take advantage of a new market opportunity, businesses sometimes have to open up new sales channels and start processing additional types of payments. For instance, a business primarily serving recurring, commercial customers may have been fine with paper checks and electronic funds transfer (ACH). But to expand sales opportunities—for instance, to consumers—a business may need to be able to process online and/or phone orders. In this situation, customers expect to use a credit card and get sale approval within seconds, and businesses must be able to accommodate this.

“We launched a web storefront for our new B2C business, and wanted to make it easy for consumers to buy with a credit card—and make it easier for us to process these orders.”

*— Jessica Granda, Treasurer,
Grandall Distributing Co., Inc. (Sage
Peachtree user)*

“Ultimately, it would be great if we could shift the majority of the employee’s time to focus on other things, like customer service.”

*— Courtney Gregory, Treasurer,
Carroll Plumbing & Heating, Inc.
(Sage ACCPAC ERP user)*

In many smaller companies, one employee may wear several hats. For instance, a business owner may want an employee to spend more time on revenue-generating or customer-centric activities, such as marketing or customer service, and less on back-office data entry chores. Or a controller or treasurer may also need to handle the daily, weekly or month-end closing out of the accounts receivables. At a certain point, the business owner or another decision-maker will decide that the employee needs to spend less time on back-office and A/R tasks and devote more time to other responsibilities that are vital to growing the business.

For these reasons and more, SMBs are looking for integrated payments solutions to help streamline and manage the payments process.

SECTION 2: WHAT ARE INTEGRATED PAYMENTS SOLUTIONS—AND WHY ALL THE CONFUSION?

Integrated payments solutions offer businesses the tools they need to take time and labor out of the payments process. By linking accounting, customer relationship management (CRM) and other business software with payments processing, the resulting integrated payments solutions can eliminate redundant data entry, take time and errors out of posting the payments, and provide management with more real-time financial performance visibility, financial controls and more trusted audit reporting.

On the surface, the definition and value of integrated payments are straightforward. However, you don't need to scratch too far below the surface to see why this area is perplexing to most people. There are many moving parts and players involved in processing payments, starting with the fact that businesses process payments in a multitude of ways:

- **Forms of payment** that a business can accept include credit cards, debit cards, paper checks, e-checks, ACH, gift cards, PayPal, and more.
- **Methods of payment** that companies can use include point-of-sale (POS) terminals, virtual terminals, Internet shopping carts, check imagers/scanners, and increasingly, mobile devices such as smart phones and tablets.

Unfortunately, there aren't many solutions that encompass and integrate payments across the breadth of payment forms and methods—and are also geared to SMB needs and budgets. Integrated payments solutions for SMBs tend to be point solutions, which enable a particular form of payment, such as a check or credit card, using a specific device, such as a POS terminal or a check scanner. Point solutions satisfy specific payments processing requirements, but don't address all the other payments processing variations that your business needs—or will need—to broaden your sales channels and keep customers happy. As a result, many businesses end up cobbling together multiple, standalone solutions from different vendors to take care of payments processing requirements.

"I needed to decode the credit card processing industry. There are no real standards, each merchant processor tweaks it to show what they want, so it's difficult to compare apples to apples."

*— Kara Schmucker, Controller,
Electronics, Inc. (Sage MAS 90 user)*

Furthermore, there's the question of whether and how well a payments solution integrates with your accounting software, and with third-party applications, especially as upgrades are introduced. Banks and other service providers typically provide core credit card services and check options, but often require that you hire a consultant to integrate payments with your

accounting software and have them on retainer to keep the disparate solutions connected. In other cases, integrated payments solutions require hardware. Some integrated payments solutions require that you use their credit card processing provider—even if you can get a better rate from the one you already work with. And let's not forget the dizzying array of rates, terms and industry jargon you need to sort through in the first place.

Finally, while most business owners know that security is important, ensuring compliance with PCI security standards that mandate that businesses safely encrypt and store personal identification numbers (PINS), CVV2 numbers and magnetic stripe data can be challenging. Keeping up with evolving regulatory requirements and fees for different types of payments is another headache. For instance, Congress is now considering dropping the fees on debit cards, which, in turn, may force the banks that issue debit cards to assess hefty fees on consumers, thus vastly driving down debit card use—and necessitate that businesses come up with ways to offer alternative forms of payment, such as pre-paid gift cards.

With all of these variables in play, it's no wonder that many business owners and financial decision-makers find integrated payments a complex and puzzling area to sort through and manage.

"I know payments security is important, but I don't think I knew what measures needed to be in place to be compliant at the outset."
— Jessica Granda, Treasurer,
Grandall Distributing Co., Inc. (Sage
Peachtree user)

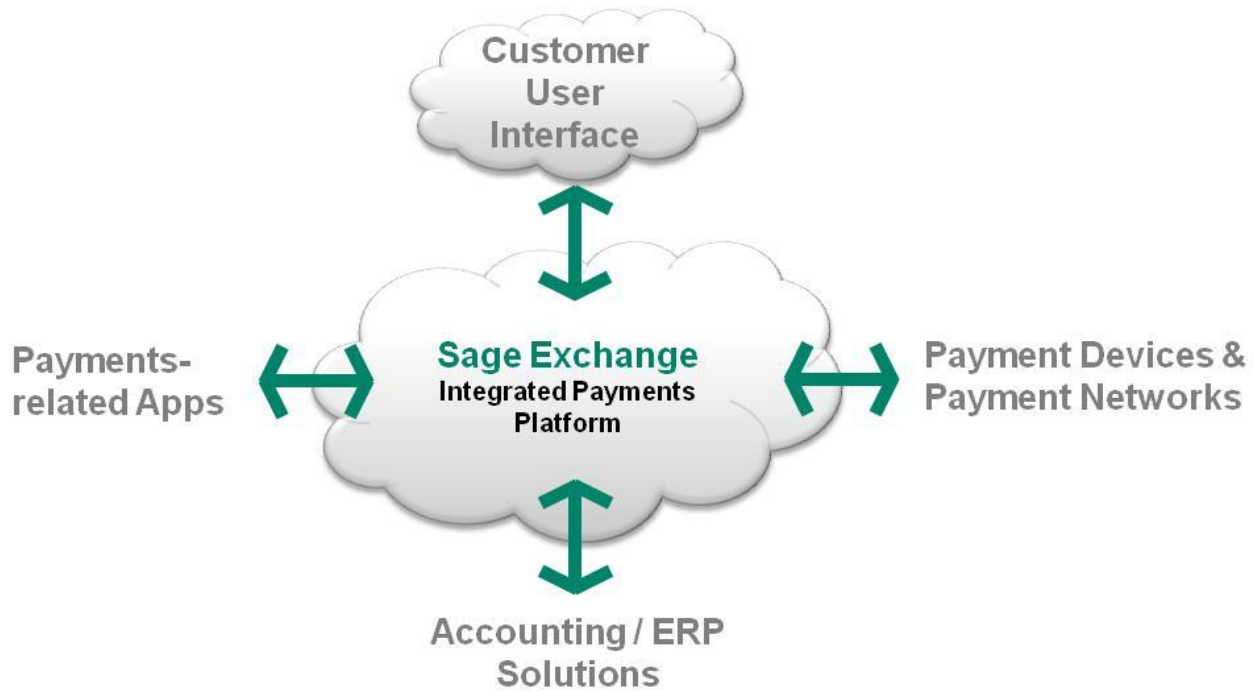
SECTION 3: SAGE EXCHANGE—AN INTEGRATED PAYMENTS PLATFORM

What if there was a way to cut through all of this confusion and pick an integrated payments solution that will serve your payments processing needs today and tomorrow—securely and flexibly? *Integrated payments platforms* enable you to accept, process and integrate different payment methods and types with your business software. Until recently, however, these platforms were typically too expensive and complex for most SMBs to implement and use.

In June 2010, Sage North America launched Sage Exchange to enable SMBs and other organizations to accept all forms and methods of payment integrated into their Sage accounting or ERP solution. In its initial phases, Sage Exchange offers Sage's SMB customers the ability to accept credit and debit cards in a secure, PCI-compliant environment while automatically updating accounts receivable records in Sage and other accounting/ERP software solutions.

Sage Exchange is built as an extensible, secure, cloud-based platform that can account for and track multiple payment methods and forms—including paper to e-check conversion, POS credit card terminals, web payments and virtual terminals, and mobile payment devices, such as cell and smart phones, as shown in **Figure 1** and discussed in detail in **Section 5**.

Figure 1: Sage Exchange Integrated Payments Environment



Sage Exchange is run in Sage's PA-DSS (Payment Application Data Security Standard) validated environment, ensuring that all exchanges of payment data are secure and PCI compliant. Sage has also partnered with Trustwave to give Sage users a fast, easy and inexpensive route to validate PCI compliance—a requirement for any business processing credit or debit card transactions. The initial release of Sage Exchange focused on integrating all means of incoming payments with 13 Sage business solutions, and several additional third-party software solutions. In 2011, Sage Exchange will continue to add integrated payments-related applications and services for both the incoming payments side (A/R) and the outgoing payments side (A/P), and expand its tight integration to more Sage and third-party business software solutions.

As important, Sage and its large network of experienced local solution partners are available to supply customers with assistance. Whether it's helping to demystify the world of payments processing, providing detailed rate and price quotes, or lending business process expertise, Sage and its partners understand their customers' needs and can offer the personalized support that ensures positive results.

SECTION 4: GETTING RESULTS FROM SAGE INTEGRATED PAYMENTS AND SAGE EXCHANGE TODAY

Most Sage accounting customers can start benefitting from Sage Exchange and Sage integrated payments solutions today. Many are already gaining operational efficiencies with these solutions, and laying the groundwork that they can build on as Sage Exchange adds new capabilities. Let's look at two cases in detail:

Grandall Distributing Co., Inc., is a 43-year-old health and beauty products distributor in Southern California. Grandall supplies mom and pop stores, national chains and consumers with beauty supplies geared towards the Hispanic community.

Jessica Granda, co-owner and treasurer, has used Sage Peachtree accounting since 2003. In 2008, Grandall decided to launch a web site to make it easier for retail customers to shop online. Granda wanted to be able to accept credit card payments directly on the new site. "We wanted something that would integrate with Peachtree, and safeguard our customers' data," according to Granda. She considered a credit card processing option from her bank, but it didn't provide her with the Peachtree integration she wanted. Her IT consultant recommended Sage Virtual Terminal integrated with Peachtree via Sage Exchange, and Granda decided to try it.

"We are very satisfied with Sage Exchange...it's helping us increase sales and get paid more quickly."

*— Jessica Granda, Treasurer,
Grandall Distributing Co., Inc. (Sage
Peachtree user)*

In just few days, Grandall was using the solution to process consumer payments on its site. Customers enter their credit card info online, and behind the scenes Sage Exchange automatically accepts or declines the payment and prints a receipt. The system sends an email to customers informing them that their purchase is being processed. Purchases are posted back to Peachtree, where Granda can create the order and fulfill it. At the end of the day, she closes out these transactions as a batch, and the money is automatically deposited into her corporate bank account. "Without any additional work, we've also started to accept credit card payments from some of our commercial customers, both online and over the phone, as well," notes Granda.

Carroll Plumbing & Heating, Inc., a full-service plumbing, heating and cooling contractor based in Richmond, Virginia, has been using Sage ERP ACCPAC for the past 10 years. The company had been processing credit card transactions via a credit card terminal, and manually re-entering the data into its ACCPAC A/R system. Courtney Gregory, treasurer, realized that "this two-step process was leading to input errors. There was also too much paper floating around, and we were wasting time on double-entry."

As a small company without IT staff, Carroll Plumbing & Heating turned to Sklar Technology Partners, its service provider for ACCPAC. Sklar told the company about Sage Virtual Terminal, which would integrate credit card payments with Sage ERP ACCPAC software, take care of credit card pre-authorization and capture the pre-authorized amount when a credit card order is invoiced.

It took Carroll Plumbing & Heating about a week to make the transition. "The Sklar people set it up in ACCPAC, and were there to help us. Sage called to make sure things were going smoothly, but it was really very simple," according to Gregory.

Using Sage integrated payments, Gregory has cut credit card processing time from 45 minutes to less than 20 minutes. Credit card numbers are securely stored, and Gregory adds, "We can easily run a report to tell us what credit cards are about to expire."

"Our ACCPAC A/R is now automatically updated when we process credit card payments, cutting processing time by more than half and helping us cut down on personal errors."

*— Courtney Gregory, Treasurer,
Carroll Plumbing & Heating, Inc.
(Sage ACCPAC ERP user)*

SECTION 5: MOVING AHEAD WITH SAGE EXCHANGE

Integrating electronic payments networks and devices with third-party software applications and accounting/ERP systems is a challenge faced by most businesses. Sage Exchange is a comprehensive platform that goes beyond standalone payments processing solutions, giving SMBs the ability to securely accept and make payments across the spectrum of their payments environment with seamless integration.

As shown in **Figure 2**, Sage Exchange will expand connectivity to several advanced payment devices with data "post-back" to the accounting or ERP solution, such as:

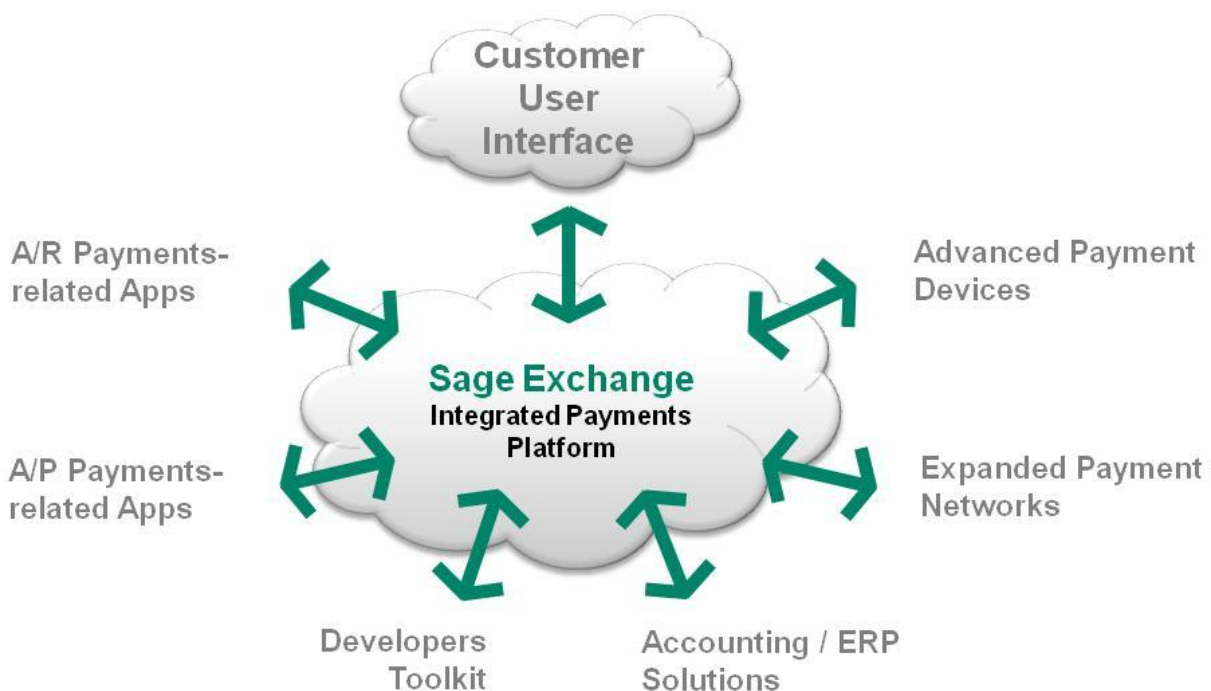
- Internet Protocol (IP) credit card terminals, which, in contrast to telephone dial-up terminals, are "always on."
- Mobile smart phone, iPad and other tablet devices.
- Advanced check magnetic ink character recognition (MICR) readers, which electronically read check account and routing numbers.
- Virtual check terminals (web-based payment apps).

"I'm excited about Sage Exchange plans to integrate other forms of payment with Sage ERP ACCPAC, particularly in solutions that will let me scan, digitize and post paper check payments to ACCPAC."

*— Courtney Gregory, Treasurer,
Carroll Plumbing & Heating, Inc.
(Sage ACCPAC ERP user)*

To go hand-in-hand with these advanced payment devices, Sage Exchange will offer expanded payment networks beyond core credit/debit card and ACH, including real-time bank wires, private label pre-paid gift cards and foreign currency networks. Advanced payments-related applications on both the incoming payments side (A/R) and the outgoing payments side (A/P) will expand customers' payments capabilities across the enterprise. In addition, developers will be able to leverage a robust API developers' toolkit to code third-party apps with Sage Exchange, benefitting from the PCI (PA-DSS) protection and the integrated Sage Exchange customer base.

Figure 2: The Sage Payments Exchange Vision



Sage will rapidly roll out new capabilities and integrations in 2011, including:

- Online administration to view and manage multiple payment devices, such as card terminals, mobile devices, check scanners and virtual terminals.
- Check conversion and ACH payments processing integrated with Sage accounting/ERP solutions.
- Payments-related business applications, such as Sage PushPay, an e-payables solution; e-invoicing with a dynamic discounting option to encourage quick payment; payroll; and expense management, to name a few.
- The ability to instantly create custom coupons and advertisements on printed receipts via Sage Exchange-enabled POS credit card terminals.

"We're going have a web store to unload excess inventory. We are interested in evaluating Sage Payments Exchange for this once integrated with MAS 90."
— Kara Schmucker, Controller,
Electronics, Inc. (Sage MAS 90 user)

Because Sage Exchange is flexible and integrated with the kinds of business solutions you already use, it cuts time, costs and errors from the types of payments that you most commonly process. Looking ahead, it also makes it easier for your business to accept new types of payments, such as ACH (ACH payments are electronic payment transactions handled through the Automated Clearing House, an electronic network that processes very large volumes of transactions in the United States), pre-paid gift cards and advanced payment uses with mobile devices.

For example, Sage and Roam Data are partnering to offer a mobile phone payments app with an optional swiper to give Sage customers the convenience of accepting credit and debit cards on hundreds of different types of mobile computing devices, including Apple's iPhone and iPad, Motorola's DROID and Research In Motion's BlackBerry, across all major wireless carriers—with integration to their Sage accounting or ERP solutions. Giving customers the choice of easily and efficiently paying the way they want to pay can provide your business with market and competitive advantages.

SUMMARY AND SMB GROUP PERSPECTIVE

While paper checks and manual processes may be the dominant mode of processing payments for many SMBs today, many are realizing that they'll need to gain the same efficiencies that larger companies are reaping from integrating electronic payments networks with their accounting and ERP systems.

SMBs are under increasing pressure to reduce costs while improving efficiency. Forward-thinking business owners and financial decision-makers increasingly recognize that automation can drive significant benefits at an operational level and deliver business benefits at a strategic level, as summarized in **Figure 3**.

Visibility into A/R information can help businesses optimize cash flow and make more informed decisions. Visibility of A/P data across the organization can give businesses an edge in supplier contract negotiations, ensure receipt of volume discounts and provide the insights needed to make better investment decisions.

Figure 3: Summary of Integrated Payments Benefits

| Summary of Integrated Payments and Accounting/ERP Benefits | |
|--|--|
| ✓ | Cuts payments transaction processing time and costs by reducing redundant data entry. |
| ✓ | Automates accounts payables, accounts receivables, cash management and reconciliation activities to ensure accuracy and improve forecasting. |
| ✓ | Consolidates varied forms of payments including cash, checks and credit card transactions for better accounting and inventory management. |
| ✓ | Reduces paper and improves efficiency with paperless invoicing and payments. |
| ✓ | Optimizes and improves cash flow with real-time tracking of outstanding invoices and payments. |
| ✓ | Reduces days sales outstanding (DSO) by accelerating time to post receivables. |
| ✓ | Enables better financial visibility and control through real-time dashboards and reporting, which makes it easier to identify invoicing errors, payment discrepancies, late payments and other transactional issues. |
| ✓ | Enables validation of data against the accounting or ERP solution, minimizing the need for correction and validation. |

Sage Payment Solutions provides an easy, affordable way for Sage and other business solutions customers to gain these benefits with the payments networks they use today, and the ability to add new payments processing modes that they'll require in the future.



SMB GROUP, INC.

The SMB Group focuses exclusively on researching and analyzing the highly fragmented “SMB market”—which is comprised of many smaller, more discrete markets. We take a custom approach to working with clients, assessing where you are in the market today, and the steps you need to take to get where you want to be tomorrow. Our pragmatic, actionable research approach provides you with insights and recommendations you need to capitalize on shifting market requirements and trends, and create successful go-to-market outcomes. We also work closely with your marketing team to help integrate key findings and deliverables into your marketing and media outreach campaigns to boost market awareness and consideration of your offerings.