

Win with Level 3 processing
Acquire more government and
corporate customers while reducing
your payment transaction fees

sage



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Introduction

From consumers to businesspeople and from magazines to high-tech equipment, online or remote transactions take place frequently, all across the world. While the capacity, volumes, and types of purchases made by consumers or businesses vary, the process is typically the same: A buyer places an order and provides a credit card to a merchant or vendor, and the merchant or vendor provides the goods or services along with a receipt. What can differ in this process, dramatically, is the information that gets passed along from these purchases on the back end.

Many businesses are comfortable with their transaction process and with their payment processing systems and procedures. What merchants and vendors may not know is how to increase their business by taking purchase cards while saving on their credit card transaction fees. Buyers within a business may not know how to classify and manage their purchase card, or P-card, expenditures.

There are various types of information that can pass on the back end of credit card transactions depending on the payment processing levels utilized. Level 3 payment processing takes transactions to a whole new level, allowing customers to collect information beyond typical transaction data and allowing for more robust data capture and information disbursement, which is very beneficial in business-to-business (B2B) or business-to-government (B2G) operations. For enterprises looking to grow, Level 3 processing provides the necessary edge to remain competitive in a growing marketplace by providing data needed to improve expense analysis and lower the overall transaction fees owed.

Level 3 payment processing can be easier than you expect

This type of payment processing differs from its less robust counterparts in that it provides more in-depth data collection, also known as line-item detail, for the operators. Level 1 payment processing is a simple transactional module that provides merchants with the name of the buyer, the dollar amount of a transaction, and the transaction date. Retailers, restaurants, and other business-to-consumer (B2C) functions primarily take advantage of this method. Level 2 adds the customer code and total tax to the transaction amount, date, and buyer's name. It is slightly more robust and is primarily used for B2B transactions. The additional information helps companies with visibility in regards to monitoring internal and external spending, as well as providing customers with more detailed transaction reports.

Level 3 offers the same features as Level 1 and Level 2, but it adds valuable insights such as item product code, product or service description, quantity, tax rate, invoice number, commodity code, freight amount, and ship to ZIP information.

P-card usage is increasing; don't miss this important segment of the market

To the average buyer, the complex data sets may seem unnecessary, but for corporate and government purchasers, the benefits of Level 3 processing are extraordinary. For example, the additional details for each transaction give buyers the chance to better monitor and record purchases made on the company card, and it does so at a lower rate than its counterparts. These efficiencies have led P-card usage to become more popular for corporations and government organizations. Since B2B and B2G transactions are considered lower-risk payments, the fees are lower for companies that use Level 3, plus, instances of fraud and chargebacks are reduced.

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On the other hand, merchants can use the extra data provided to create a more personalized experience, hence creating strong, long-lasting relationships with their government and corporate clients. The extra payment data also enables operators to better organize high-volume purchases. Level 3 transaction processing typically deals with larger quantities of product at a time, and the extra line items provide buyers the ability to organize and manage the incoming product or service.

Level 3 payment processing helps identify the who, what, when, and how of a transaction. Combined with basic payment functions, Level 3 also provides both merchants and customers with the benefit of being able to make custom classifications from information such as commodity codes.

Leverage Level 3 payment processing to improve your customers' experience

Purchasing cards are issued by credit card companies with the specific intent for government agencies and businesses that take part in larger transactions. P-cards provide vendors a better opportunity to win competitive bids and government contracts as their funds are made available more quickly.¹ Since Level 3 payments are electronic, they can reduce the invoice time from one to two months to two to three days. Businesses receiving payment can access their money more quickly and won't have to float funds in the interim.

Moreover, the supplemental data makes it easier for large enterprises to reconcile a transaction, while receiving parties offer lower rates to those who provide Level 3 data with their transactions.

The need to organize and optimize purchasing power in a fluid marketplace is an advantage that cannot be understated. However, enterprises that utilize purchase cards can also directly benefit from Level 3 processing because of the visibility it provides their company in regards to employee and corporate spending.

Offering Level 3 processing creates a win-win situation

Manufacturing and distributing companies can save up to 40 percent on their total expenses by properly managing their payment processing systems.² Level 3 transactions are particularly beneficial to companies with robust enterprise resource planning, ERP, software because the electronic purchases can be integrated with these systems, and payments can be collected through a seamless, secure network. No longer do businesses have to create payment processing gateways as standalone terminals. They can integrate Level 3 capabilities into ERP infrastructures, which ultimately save both the buyer and merchant time and money.

By referring to credit card company websites for processing fees by levels, you can determine what your transaction fees are for your businesses transaction volumes. Using an averaged transaction fee rate, a midsized vendor that processes roughly \$10,000 each month would save \$480 a year by moving to Level 3 payment collection methods. A large-sized vendor that processes \$100,000 a month would subsequently save \$4,800 a year by making the same switch.

Transaction fees aren't the only advantage vendors have. For instance, a tobacco vendor may choose to implement Level 3 payment processing solutions because the information collected can help identify different tax rates based on locations. This makes it possible for the company to make informed decisions on how many taxes they're paying. In addition, the same business can use Level 3 data to judge the most cost-effective regions in which to explore new opportunities.

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Conclusion

Level 3 payment processing provides a number of benefits for both corporate and government buyers as well as the merchants themselves. The former can create better visibility for both internal and external transaction information, and the latter creates longer lasting, stronger relationships with their clients. As technology continues to grow, cutting-edge software now accepts Level 3 payment data and can be integrated into business intelligence tools, saving commercial enterprises both time and money.

About Sage

Sage ERP

Sage offers one of the largest selections of scalable, integrated enterprise resource planning software solutions available. Our extensive network of 40,000 accountants and 26,000 business partners provide you with industry expertise and on-site support to help you select, plan, and implement the ideal mix of solutions to run your business your way.

Sage Billing and Payments

Helping companies provide better customer service while improving accounts receivable processes, cloud-based Sage Billing and Payment connects with Sage ERP systems to reduce redundant data entry and days to pay. With the ability to electronically send bills and receive payments, customize invoices and receipts, as well as give customers 24/7 online access to their accounts, businesses can have a twenty-first century presence at an affordable price. Sage Billing and Payment not only reduces A/R costs, but also improves visibility into receivables thanks to real-time invoice stats like sent, opened, and paid—giving employees time to focus on other tasks.

Sage Payment Solutions

Sage has been providing businesses and organizations with electronic payment systems for more than 20 years. Through its payments division, Sage Payment Solutions, the company allows nearly 150,000 merchants to accept multiple forms of payment, including credit and debit cards, electronic checks, Check21, gift and loyalty cards, and automatic recurring payments. Sage Payment Solutions provides a wide range of secure standalone and integrated payment processing solutions, including Sage Exchange, Sage Virtual Terminal, Sage Mobile Payments, Sage Check 21+, Sage Gift and Loyalty Cards, and Sage Point of Sale Conversion.

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