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CIS 320-02 Assignment 2

Payment Management Systems Benchmarking

In order to make an appropriate recommendation for a payment system to Surgery On Sunday Louisville, I have reviewed and assessed various options with my team. By analyzing the different payment system options, SOS may be able to save money on processing fees by switching to a different system. This would be valuable because the additional donation amount saved with lower fees can go towards surgeries, advertisements, surgeon licenses, and other essentials. This way, donations to SOS are being used in the most efficient way possible and no fees are paid unnecessarily. Donors could be assured that their generous offers aren’t being wasted.

A payment system is responsible for transmitting sensitive payment information of a customer to the end receiver and financial institutions associated with the customer. Such information may include credit card numbers, routing and account numbers, names, billing address or zip code, security code or PIN, and more. Sending this information electronically allows vendors and customers to validate payments with PIN or security code, make sure there is enough in the account, make payments without using tangible cash or checks, and allow financial institutions to track your credit score.

There are several pros and cons to consider when choosing a payment system. These electronic systems are capable of allowing various types of computers and mobile devices to let users make online purchases. It is convenient that people can order something on Amazon from their smartphone or tablet. Additionally, electronic payments greatly reduce the need to order checks or take out cash from an ATM. Previously, mail catalogues accepted checks or written credit card numbers by mail, which took a long time to process orders and delayed shipping even longer if there was an error or issue with the tangible payment. Unlike cash and checks, credit card payments made through a payment processing system can be validated by the customer with a PIN, chip reader, security code, billing address, and more. Cash can be stolen and it is not easily traced. Checks can be forged or lost in the mail. Certain payment accounts with Google, Apple, or PayPal can store payment information for later so the user doesn’t have to re-enter it for every purchase. This is convenient, but may pose security risks.

Since sensitive information about the customer’s identity is sent over the Internet, online payments can sometimes be less secure than offline payments. Anything keyed into a computer or mobile device can be keylogged, phished and intercepted, or hacked on the receiving end. This is one major limitation to consider because a customer’s financial information can become a liability if the computer has poor data security. Weak security leads to lawsuits and loss of business. Payment management systems also charge fees per transaction. This includes credit card companies, who charge the vendor either per transaction or if the amount is too low. Payment systems used for online purchases such as PayPal also charge per transaction. These fees can add up quickly for expensive payment systems.

A comprehensive look at the payment system options is necessary to make the right choice. Dwolla is a payment network that only charges a flat fee of .25 cents per transaction with no additional commission rate. As a bonus, donations of $10 or less have no fees at all. However, Dwolla does not allow for the use of credit or debit cards; money can only be transferred between bank accounts. As stated previously, only a flat fee of .25 cents applies to each transaction that is greater than $10.

PayPal is a trusted and well-known brand for processing payments online. Also, PayPal’s donation button allows for the collection of donor information (with some knowledge of HTML). However, every donation has a flat fee and rate regardless of the amount of the donation. Standard processing fee per donation is a flat fee of .30 cents and 2.2% of the donation given. Also, no monthly fees or hidden charges.

Braintree, a PayPal company, accepts a variety of different payment methods outside of traditional credit and debit cards, including but not limited to Apple Pay and Bitcoin. However, Braintree is not as straightforward as other payment processing services and may take more effort for SOS to set up and maintain. Pricing is similar to PayPal, .30 cents per transaction as well as 2.9% of every transaction.

iATS Payments works exclusively among the nonprofit sector, and has partnered with dozens of software providers making integration easy for any site. Also, if iATS detects fraudulent activity they will not freeze SOS’s bank account, and will instead seek to resolve the issue directly with SOS. A con though, is that iATS’s credit card processing fees range per card and therefore are not as straightforward as fees charged by other providers. They charge a flat fee of .26 cents per transaction as well as a percentage of every transaction (ranging from 2.49% to 3.2% depending on the type of card used). However, there are not set-up fees or hidden charges.

Qgiv offers customizable donation pages and registration forms that can be embedded on SOS’s site. Ggiv also offers unlimited donation forms, support, and training. However, Qgiv offers a few different packages ranging from $0 to $199 per month, each offering different features. Although confusing, it does offer some room for expandability. Qgiv charges .30 cents per transaction as well as a rate of 3.95% of every transaction.

Heartland Payment Systems offers exclusive discounts and pricing to registered nonprofits. In addition, Heartland offers outstanding customer service. However, donors may be wary of donating through Heartland due to a massive data breach in 2009. Also, although boasting exclusive nonprofit discounts, Heartland’s fees are somewhat elusive and one must contact Heartland’s sales team to get quotes and other pricing information.

Network For Good’s Basic DonateNow service offers options for recurrent donations as well as a fundraising page. However, their regular DonateNow service is directed towards larger nonprofits and might not work well for smaller nonprofits like SOS. Pricing is very straightforward though; there are no platform or monthly fees and only a processing fee of 4.75% of every transaction.

With any online transaction there is a risk of fraud or data theft. Because online payments are “card-not-present,” it makes it easier for thieves to poach credit card numbers or the like through techniques such as keylogging or other methods of hacking. Related to the issue of fraud are chargebacks, which are essentially a credit card company demanding a retailer to provide reimbursement for fraudulent or disputed transactions (this takes away money from retailers or in our case SOS). However, being a nonprofit, SOS is not a retailer and does not sell any goods; therefore, SOS does not have to worry as much about chargebacks as a retailer would.

Phishing is a concern when it comes to payment systems. Malicious emails or otherwise can trick unsuspecting donors into forfeiting valuable personal and payment information. This experience can discourage donors from donating in the future as well as adding legal and security issues that fall upon the payment platforms as well as the businesses or charities. Much related to phishing is website spoofing. Spoofing can trick donors, volunteers, etc. into giving up personal information as well as funds by routing them to a similarly named and/or themed website that has the appearance of the desired website or payment platform. Malicious software installed on someone’s computer can gather the user’s keystrokes, recording important information such as passwords, credit card numbers, and etc. This can render a CVV2 number useless as the keylogger can also record the CVV2 number. Using the aforementioned methods or others, hackers and other criminals can gather personal and payment information for their own use or for resale on the dark web. Sometimes data theft can lay dormant for years, symptoms of which may only appear when someone uses/sells an individual’s information. This makes the tracing of these crimes difficult and hard to pinpoint to any one source. With enough information, a criminal may even have the means to steal an individual’s identity, opening lines of credit and taking out loans in that individual’s name.

Although I foresee it to be highly unlikely that SOS will be receiving international donations, they still serve as an issue with these types of payment systems. International transactions can be costly and slow due to varying fees and compatibility issues between platforms and institutions across varying nations. A few platforms offer solutions to the problem of processing international transactions. However, I left them out of the analysis because I think the costs of processing and facilitating for international donations would outweigh the benefits of doing so. Once again, I do not foresee SOS getting many, if any, international donations. Because a myriad of online payment platforms and varying hardware exists, it makes it exceedingly difficult to facilitate intersystem compatibility between payment systems and/or between institutions. This incompatibility can make payments slow or costly and can make integrating various methods of payment difficult across institutions such as SOS. The integration and compatibility issues are important because we will be working with WordPress. Although, WordPress offers a variety of payment processing plug-ins, not all payment systems are compatible. Also, some systems may be easier to integrate and maintain than others because of SOS’s lack of IT expertise and the like.

Using the knowledge and insight gained from analyzing the important aspects of payment systems and the various types to choose from, I recommend that SOS Louisville switch from PayPal to a combination of Dwolla and Braintree. Dwolla has the lowest flat rate (25 cents) and no percentage fees at all. The main drawback is that card payments are not accepted by Dwolla. SOS should use Dwolla for large transactions from donors using their routing number and account number, which is required for a Dwolla transaction. For lower donation amounts, SOS should use Braintree’s non-profit perk of 2.2% (down from 2.9%) fee per transaction. This way, miniscule fees are paid on the highest donation amounts, and people donating less money can use their card through Braintree.