



TTS eGuide to Online Payment Services

An Introduction

September, 2023

Introduction

Accepting online payments and dealing with the ever increasing number of payment options are critical to any company involved in eCommerce.

The eGuide is designed to set out:

1. The difference between Payment Service Providers and Merchant Account Providers.
2. The considerations you should take into account when deciding which service(s) are best suited to your business requirements.
3. Practical examples of those differences by comparing PayPal, Stripe and Adyen.
4. Lists of a few Payment Service Providers and Merchant Account Providers for your consideration (if neither Stripe, PayPal or Adyen cover your requirements).

Payment Service Providers vs Merchant Account Providers

One of the first things to understand is the differences between:

1. Payment Service Providers (PSPs) – aka 3rd party payment processing companies or payment aggregators; and
2. Merchant Account Providers. (MAPs)

While both make it possible for businesses to accept online payments:

1. MAPs designate a separate account and Merchant Identification Number (MID), for each business they serve.
2. PSPs combine multiple businesses under a single account and MID umbrella.

What does this mean in practice?

1. **MAP accounts take time to set up.** Because MAPs give each business its own separate account, it is very likely that you can expect a thorough vetting process as your business is assessed for risk. Therefore, it can take some time before the service is approved. (For example, you will have to become PCI Compliant see [TTS' eGuide to PCI Compliance](#).)
2. **PSPs accounts can be instantaneous to set up.** As they take on the combined risk of all their customers, the approval process is simple and very fast.

Why choose an MAP?

The main reasons are

1. **Risk reduction.**
 - MAPs offer individual accounts. These therefore remain (barring extreme circumstances) separated from the risk of the service provider. (If it fails, your money should still be safe.)
 - PSPs represent a collective risk. Therefore, if the PSP fails, your money may be at risk as well.
2. **Tailored Service.**
 - MAPs often offer customisable solutions tailored to the unique needs of each business.

- PSPs typically provide a turnkey solution.

Why choose a PSP?

- They usually offer a comprehensive suite of tools e.g. invoicing, reporting, loyalty programmes etc.
- Price: They are usually less expensive to set up with options for no monthly fees.
- Faster setup.
- No additional security fees: PCI security compliance is typically included with no extra charge.
- Simplified accounting.
- No minimum monthly transaction values.
- Multiple currencies and payment methods.
- They are easier to integrate into your website.

Cons of PSPs

- **Less account stability:** increased chance of having your account frozen or cancelled if your business is suddenly deemed too risky. This could mean weeks of waiting before you're up and running again. The extra vetting process merchant account providers require may be stressful, but it helps ensure that your account will stay in force over the long haul.
- **Volume limits:** PSPs tend to have set limits on transaction size and processing volume.

Costs of an MAP

These will of course vary according to the specific MAP. However, typical expenses cover:

- Set up fee: A one-time fee to set up the account.
- Credit card processing fee: Usually a % of the payment received; can also be or include a flat charge.
- Batch Fee: A flat fee paid when all your transactions for the day are batched together.
- Chargeback fee: A fee the merchant pays when a customer disputes a charge on their credit card.
- Early Termination Fee: A fee for breaking the terms of an agreement or ending a long term contract earlier than the termination date.
- Monthly minimum fee: A minimum amount that you are required to pay each month in processing fees.
- Monthly or Annual Fee: An ongoing fee for the services provided by the MAP.
- Statement Fee: An administrative fee for mailing statements.

Not all MAPs charge these fees. Therefore, you should check exactly what fees an MAP charges before signing any contract with them.

Costs of a PSP

Usually, just credit card processing fees. However, these do vary from PSP to PSP and you should also check out any foreign currency transaction costs. Typically, these are a % of the payment plus a fixed fee. For small volumes PSPs work out cheaper than MAPs.

So, MAP or PSP? Which is the better option for your business?

MAP

Use an MAP when:

1. You require personalised customer servicing, pricing and scalability.
2. You have high sales volumes and/or process a high number of transactions each month.
3. You do business in a high risk business

PSP

Use a PSP when:

1. You want to start accepting card payments quickly.
2. You are just getting started or have low sales volumes.
3. You are not ready to get locked into a contract.

To give some practical examples in Appendix One – PayPal vs Stripe vs Adyen, we provide comparisons between 2 major PSPs and (probably) the biggest MAP.

Conclusions

1. Define your needs – including whether you also need to be able to process face-to-face transactions.
2. Research your options. (See Appendix Two - Some Payment Service Providers and Appendix Three – Some Merchant Account Providers.)
3. If you choose an MAP, gather your documents as if you were to open a bank account.

Appendix One – PayPal vs Stripe vs Adyen

Please note that these comparisons were valid at the time of writing and may change as the 3 companies develop and extend their services.

1. In the first section of this Appendix we compare two PSPs – PayPal and Stripe.
2. In the second section we compare Stripe (a PSP) with Adyen (an MAP). (Stripe was chosen over PayPal for this section of the Appendix as it has more to offer in terms of customisation and therefore was felt to be closer to the services offered by Adyen.)

Stripe vs PayPal

Essentially, both are PSPs and so offer a very quick sign up process. The choice of Stripe or PayPal comes down to a few core issues:

1. what payment types and currencies you need to accept;
2. how much customisation you need; and
3. whether you need in-person payments & POS support.

Similarities

In addition to both being PSPs, they both have plug-and-play eCommerce support. They also work on a global scale. And both companies have pay-as-you-go pricing that works for businesses of nearly any size.

Both offer:

- Developer Tools & API (but Stripe’s are considered by many to be better than PayPal’s).
- Invoice generation.
- Plug and play integrations for online checkouts.
- Sand-boxes – where you can test your check out processes before launching them.
- Subscription modules with automated renewals.

Face-to-Face Payments and BNPL Options

	Stripe	PayPal
Card Reader & Mobile POS	➤ Stripe Terminal	➤ PayPal Zettle
Buy Now Pay Later Options	<ul style="list-style-type: none"> ➤ Affirm ➤ AfterPay ➤ Klarna 	<ul style="list-style-type: none"> ➤ PayPal Pay In 4 ➤ PayPal Monthly

Payment Channels

Although both offer a range of payment channels, and there is some overlap, there are also differences. Whether these differences are important will depend upon your own business model.

	Stripe	PayPal
ACH Transfers	✓	✗
AliPay	✓	✗
Apple Pay	✓	✓
Credit\Debit Cards	✓	✓
Google Pay	✓	✓

Localised Payment Methods	✓	✗
PayPal Payments	✗	✓
Wire Payments	✓	✗

Foreign Currencies & International Support

	Stripe	PayPal
Currencies	➤ 135+ currencies	➤ 25+ currencies
International Support	➤ 47 countries	➤ 200 countries

Stripe allows businesses to avoid exchange fees by specifying “presentment” currencies when you set Stripe up. Stripe will accumulate separate balances for each currency you’re paid with, which it can then route to different bank accounts. If your presentment currency differs from the settlement currency, Stripe will automatically make the conversion for you.

PayPal handles things a little differently. To accept international payments, you simply toggle on the feature from your account. You can then specify whether you want all foreign sales to be automatically converted to US dollars or do so manually. You can hold foreign currencies in your PayPal Commerce account until you want to convert them. PayPal currently supports 25 currencies and also supports numerous local payment types, though not as many as Stripe.

Pricing

Stripe’s current pricing plan is slightly cheaper than PayPal’s, especially for low value transactions. International sellers who have to contend with cross-border and currency conversion fees will especially benefit from Stripe’s pricing over that of PayPal.

However, for physical sales PayPal’s transaction fees are lower than those of Stripe.

Which Service To Choose?

Which is better? The answer depends very much upon your business model, the volume & range of your international business and access to web developers.

Choose PayPal if:

- Having a virtual terminal is a top priority.
- In-person sales are a significant part of your business.
- You do not have developer help.
- You want access to the largest possible feature add-ons library.
- You want to accept PayPal digital payments.

Choose Stripe if:

- You want advanced customisation and have the services of a web developer.
- You want ACH processing.
- Your business depends on international sales.
- Pricing is a concern.

To summarise:

- Stripe allows for an extraordinary amount of precise control over how you want your international payments handled.

- PayPal makes it pretty easy so long as you don't need to do anything fancy.

So, Stripe has most in terms of (international) potential but PayPal wins in terms of ease of use.

Can I Use Both?

You can use both Stripe and PayPal to process payments as a business. You will need to create and manage separate accounts for both and decide where it makes the most sense for your business to use each specific payment method.

Stripe vs Adyen

Getting Started

As Stripe is a PSP, it's much easier and faster to sign up for a Stripe account. You only need your name, email and password to create one. As Adyen is an MAP, you'll have to apply for an account and go through the processes necessary to receive a dedicated merchant account for your business.

	Adyen	Stripe
Notable features	<ul style="list-style-type: none"> ➤ Accept payments in over 30 currencies and almost 100 countries. ➤ Emphasis on omnichannel payments and unified commerce experience. ➤ Advanced risk management and revenue optimisation tools. 	<ul style="list-style-type: none"> ➤ Accept payments in 135 currencies and 47 countries. ➤ Includes Stripe Billing for invoicing and recurring payments. ➤ Advanced API tools. ➤ Additional services (Atlas, Sigma, etc.) are available for associated costs.
Integrations	Over 100 partners including BigCommerce, NetSuite, Oracle, and Salesforce.	Hundreds of partners including Xero, BigCartel, Zoho product suite, and Shopify.
Best for	Online businesses with high transaction volumes that want to make the most out of their payment transaction processes.	Smaller businesses that need fast access to an easy-to-use solution, especially as a payment integration with another system.

Payment Channels

Although both offer a range of payment channels, and there is some overlap, there are also differences. Whether these differences are important will depend upon your own business model.

	Stripe	Adyen
ACH Transfers	✓	✓
AliPay	✓	✗
Apple Pay	✓	✓
Credit\Debit Cards	✓	✓
Google Pay	✓	✓
Localised Payment Methods	✓	✓
Wire Payments	✓	✓

Foreign Currencies & International Support

	Stripe	Adyen
Currencies	➤ 135+ currencies	➤ 37 currencies
International Support	➤ 47 countries	➤ 60 countries

As mentioned above, Stripe will accumulate separate balances for each currency you're paid with, which it can then route to different bank accounts.

Adyen's payment solution also works in multiple currencies. Therefore, you won't have to integrate with multiple providers or local acquirers; instead, Adyen will allow you to accept everything through their platform and receive your funds in the currency you prefer.

How Adyen and Stripe compare

Where Adyen offers more:

- **Better sales support.** Adyen uses online and offline payment data to provide additional sales insight and create a consistent shopping experience.
- **Potentially cheaper pricing.** Adyen uses interchange-plus pricing, which is typically the most affordable model — especially as you make more sales. If you have a high-transaction business.
- **Emphasis on security.** Adyen doesn't offer as many integrations and tools as Stripe, but it does offer a lot of security options, such as customisable risk rules and settings, as well as industry-specific risk tools.

Where Stripe offers more:

- **Easier to understand pricing.** Adyen's pricing system makes comparisons dependent on a variety of factors, but Stripe's flat-rate pricing can make it much easier to estimate potential fees.
- **Faster and simpler sign-up.**
- **Better customisation.** Stripe's API-focused approach means greater flexibility, a variety of integration options and notable scalability, especially for tech businesses.

Conclusions

Adyen is better for midsize or large companies where sales volumes are higher, pricing is a concern and where the customer has access to web developers.

Stripe - and other PSPs - are better for faster implementation and easier integration.

Appendix Two - Some Payment Service Providers

- **Opayo:** Formerly Sage Pay. We are one of the UK's most trusted payments providers, helping businesses grow and accept payments from customers. In 2019, our gateway processed £40bn worth of card payments for over 50,000 merchants, online and in-store.
- **PayPal:** PayPal Commerce Platform is a comprehensive solution designed to help serve the needs of your business and your customers, whether you're just getting started or already a thriving enterprise or marketplace.
- **Shopify Payments:** Accept credit cards and other popular payment methods with a payment provider that's ready to go when you are.
- **Square:** Accept payments quickly, easily and securely.
- **Stripe:** Millions of businesses of all sizes—from startups to large enterprises—use Stripe's software and APIs to accept payments, send payouts, and manage their businesses online.
- **SumUp:** Get paid easily, process orders quickly, sell online instantly and manage your money more efficiently. SumUp creates the tools you need to make your business thrive.
- **Worldpay:** Payments at the speed of light. Begin processing payments today from any location.

Appendix Three – Some Merchant Account Providers

- **Adyen:** End-to-end payments, data, and financial management in a single solution. Meet the financial technology platform that helps you realize your ambitions faster.
- **Amazon Pay:** Boost your brand visibility for millions of Amazon customers with the fast, familiar and secure Amazon.com checkout solution.
- **Handepay:** Whether you need card payment solutions for face-to-face, online or phone payments, we've got the tools to help your business run to its full potential, adapting to your customers' payment needs.
- **Revolut Business Account:** Do business globally with a Revolut Business account.
- **takepayments:** Card payments for small businesses made easy.
- **Worldpay:** Payments at the speed of light. Begin processing payments today from any location.