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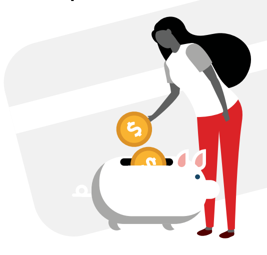
# Five Myths – and the Truth – About Becoming a Payment Facilitator

Being a payment facilitator is not for everybody. The timing might be too early. Or it just might not be the appropriate model for a particular business.

But the single biggest thing that gets in the way of becoming a payment facilitator is a lot of obfuscation (lies, TBH) in the industry about what it takes to be a PF. We want to unpack what's real and what's not with a look at some of the most common myths.

## MYTH #1

### It costs over a million dollars in capital expenditure.



**FACT:**

**Virtually no CapEx** is required.

We've seen some in the industry say that it costs a million - or even millions of dollars – to be a payment facilitator. Um, no.

It is true that, when pioneers such as Stripe and Square became PFs, they had to build everything from the ground up. They didn't have the option to use software as a service or existing APIs to do things like merchant KYC, underwriting and onboarding, reporting, or managing fees and funding. So, while building a PF business may once have required such an investment, that's just not true anymore.

In fact, making any capital expenditures at all is optional. There are certainly things you might choose to do to better make the merchant experience your own.

But there are options to become a PF with no capital expenditures, particularly if you already have a connection into a processor. You may be able to use technology you've already built – to deal with tokenization, gateway access and moving transactions – for your PF business without having to rebuild anything.

Also, white label merchant application and white label merchant portals are available from a number of companies, including Infinicept.

## MYTH #2

### You have to hire a huge team.

**FACT:**

Many companies can manage with **one additional full-time employee.**

It can be scary when payments people talk about compliance and risk. This can create an image of needing an army of people to build a payment facilitator business.

The fact is, if you're handling less than a couple hundred million dollars in payment volume, you may only need one person. Why do we say "may"? Because there are always exceptions. If you're operating in a high-risk industry, your needs will be different.

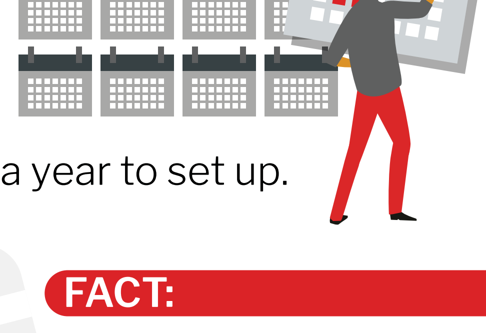
If you're in travel, for example, you'll need to be prepared to handle some additional liability. That's because consumers pay for travel when they book it, but they might not take that trip for months. All that time between the payment and the delivery of the service leads to more risk of something going wrong (a provider that goes out of business, for example).

Restaurants, on the other hand? They incur virtually no losses from taking payments. In fact, most card present businesses (think: in-person businesses where you physically use your card to pay for the good or service) have very low losses. Lots of card not present businesses (think: online or phone orders, where just the card data is used) do too.

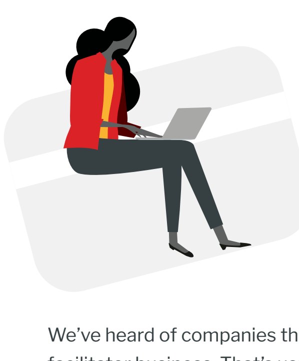
This means that, in many cases, one person can do things like run the payments operation and manage the underwriting. With a good underwriting toolset, one individual can typically handle taking a look at any merchants flagged by the system if anything looks anomalous.

If your company reaches a couple hundred million dollars in payment volume, that's when you start to consider adding additional staff, depending on what the risks are in your industry.

## MYTH #3



### It takes over a year to set up.



**FACT:**

Most payment facilitators **go live in a few months.**

We've heard of companies that take a year or two to set up their payment facilitator business. That's usually when they're trying to build a whole new set of tools. A much more typical timeframe is around four months.

The time to go live depends on the processor the software company chooses, the tech stack, and how prepared the business is to take the right steps. This is where partners like Infinicept or other similar companies become very important, helping you be sure you have what you need to get started.

## MYTH #4

### The risk associated with payments is too high.

**FACT:**

Losses from any source are typically **below 0.01%**

Companies new to the payments industry always express concern about the risks. And rightfully so – to a point. Managing risk is a fundamental part of managing payments.

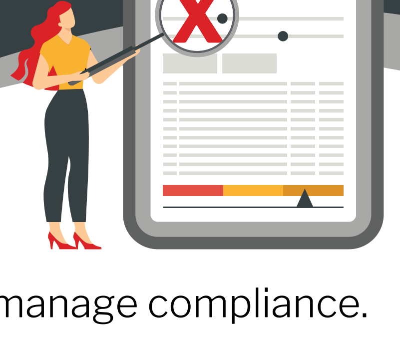
But it's important to keep that risk in perspective. For a 2017 study of what payment risk looks like, the authors interviewed risk managers at a variety of payments companies. They found that, for typical low-risk businesses (Know that practically every Infinicept customer is in what's considered a low-risk industry. Thousands of software companies from restaurants to nail or hair salons to event management are considered low risk.), losses are typically less than .01 percent, or one basis point.

One basis point. This is a tiny fraction of what the middlemen are taking when they mark up a payments offering and say that's because they'll take the risk.

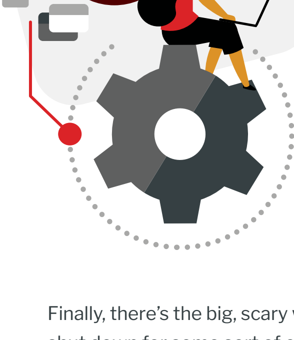
So yes, risk should be carefully considered. But how much should you worry about potential losses? We would say you should focus more of your sweat and tears on execution.

It takes focus to build a payments company, but more of that focus will be on your go-to-market strategy, learning how to sell payments, and putting together the best product. The operational and risk management considerations, with the right partner, are straightforward.

## MYTH #5




### It's too hard to manage compliance.



**FACT:**

Companies and experienced people provide the **knowledge and tools you need to comply** with laws and regulations.

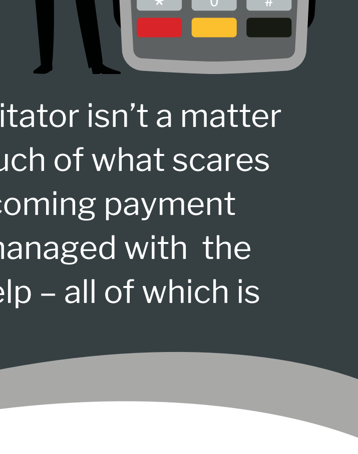
Finally, there's the big, scary word: "compliance." People worry about being shut down for some sort of compliance issue.

Let's be clear: compliance is important. It shouldn't be ignored. Being in the financial ecosystem isn't for cowboys.

But there are companies and tools to help you with this, and it's surprisingly straightforward. How do you properly make sure you know who the merchant is? You need to know what they sell, and you need to know who the owners are.

There's software that does almost all the work, and you have to be able to tell your processor how you're going to do it.

We would encourage anyone looking into becoming a payment facilitator to make sure they have a good partner for compliance. You could hire a compliance professional or use a firm that has the expertise (Infinicept offers it, and other companies do too).




## The truth:

Becoming a payment facilitator isn't a matter of flicking a switch. But much of what scares companies away from becoming payment facilitators can be easily managed with the right tools and the right help – all of which is readily available.



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