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Historically banks have played a leading role in credit card processing. Speculating the reason for this is not difficult. Merchants had been banking with traditional banks for years and it was not too tough to get them to sign up for credit card processing service. Their merchant accounts could be easily linked with point of sale machines and the bank could get a percentage for moving that money thus establishing an additional revenue stream for themselves .

In recent years however, banks have been losing their dominance to third party credit card processing companies. This is not accidental. Attractive pricing supported by solid technology has helped the third party credit card processing companies make significant inroads into the industry.

Banks were under the assumption for a long time that since the merchant account was held by them, were entitled to sell every other service associated with merchant funds. They did not understand that the customer is always shopping for the best deal and they leave if your competition is offering better rates and service.

It is inappropriate to assume that customer desires a one stop shop for financial services. Instead, they are looking for the best deal and flawless customer service. They don't care whether they get the best deal at a single place or have to source it from multiple vendors. It is here that the third party credit card processing companies scored over banks. They had a strong business proposition of bettering the banks' offering at a lower price.

This business proposition was hugely facilitated by the arrival of the internet. It changed all norms of the business world. Thanks to economical and quality connectivity provided by internet, third party credit card processing companies are able to process credit cards correctly and inexpensively . Servicing even smaller merchants became viable without charging them exorbitant rates. Earlier, such service made available only by large banks, now a multitude of technically savvy outfits which provide if not more but equal value have come up to service the merchants.

Of course, having all services provided at a single point is a great convenience. It saves a lot of time and effort otherwise spent in coordination. But it is necessary to cautiously consider the costs too. Businesses would be keen on enhancing their relationship with the bank especially if they have had their accounts with them for years. But they would want to get a good deal as well. It is important to stress the other key service areas as well in addition to rates and charges: internet processing, no signature processing etc.

The third party credit card processing companies are playing a critical role. They assist businesses negotiate better with their banks. Banks are no longer complacent due to the strong competition and are adjusting their mode of operation to take the new competitors head on. Eventual winner is the consumer - the business, irrespective of who they decide to partner with, they are assured the best deal.

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