Blog

Understanding Payment Gateways: A Guide to Selling Online for Singapore SMEs

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For ambitious SMEs, eCommerce isn't just a trend; it's a strategic gateway to accelerated growth. By going online, you break free from geographical limitations, reaching local and international customers without significant investment in physical infrastructure.

Building your SME's eCommerce presence is now easier than ever, with support from the Singapore government and tools that set up your digital storefront in weeks. Yet venturing into eCommerce involves a lot of decision-making, such as choosing the right payment gateway.

Payment gateways serve worldwide markets, enabling businesses to accept a diverse range of payment methods from customers across the globe. As simple as it might seem, there's a lot to think about when choosing a payment solution, such as security, integration with your existing website, and ease of maintenance.

Whether you're new to eCommerce or looking to optimise your existing operations, it's worth exploring payment gateway options in Singapore and learning how to choose one that meets your SME's needs.

What is a payment gateway, and how does it work?

A **payment gateway** is a digital tool that lets customers send payments through your website, mobile application, or digital invoice. It works just like a physical card terminal at a brick-and-mortar store.

Let's say a customer is purchasing a product or service from your website. The payment gateway is the secure tool on the checkout page that takes the card number and checks if it's valid.

It then forwards the transaction details to a **payment processor** (also known as a **Payment Service Provider or PSP**). This behind-the-scenes system facilitates the transaction by bridging communications between the payment gateway, card network, and cardholder's bank.

If you're wondering about how to choose between a payment processor vs payment gateway, you actually need both to accept card payments online. A gateway without a processor can't complete a financial transaction, while a processor without a gateway can't capture customer information.

Fortunately, many fintech payment specialists bundle both systems together, which means you don't need to worry about which PSP can be used with the eCommerce payment gateway of your choice.

3 challenges of accepting payments online

Accepting online payments comes with unique challenges. These issues can have a huge impact on SMEs operating with few technical resources or small margins.

Hidden fees

Payment gateways often charge fees for their services. While many of these costs are transparent and upfront, such as one-time setup costs or fixed transaction fees, some can be less obvious.

Hidden fees can include transaction fees for international payments or additional fees for alternate payment methods. Many payment solutions also charge a fee for converting and settling foreign currency in Singapore dollars.

Technical integration issues

Sometimes, the payment gateway may be incompatible with your chosen eCommerce platform (e.g. Shopify/WooCommerce) or with your mobile application. This will require custom coding or additional plugins, which can drive up costs and integration time.

Another common issue is inaccurate syncing with existing business systems, which can lead to delays in order fulfillment or accounting errors.

Chargebacks

Online payments are susceptible to **chargebacks,** a form of consumer protection against fraudulent card transactions.

A chargeback can occur for a variety of reasons, such as failure to deliver goods, cancelled subscriptions, or when the delivered goods are damaged. They are also initiated by the cardholder when they want to dispute an unauthorised charge on their credit or debit card.

Fighting chargebacks can be resource-intensive, as you need to show evidence of a legitimate and successful transaction. If a chargeback gets approved, you lose the full value of the sale and pay a chargeback fee. In extreme cases, and if this happens in high frequency, a business can lose the ability to accept card payments.

5 benefits of using a payment gateway for your business

Despite these challenges, digital payments offer benefits that can outweigh its drawbacks. Here are reasons why it's worth integrating a payment gateway to your business:

Increased sales

Offering multiple payment options appeals to a wider range of customers, which can drive up your sales. Besides credit or debit card transactions, payment gateways also support payments from FAST transfers (i.e. PayNow), digital wallets (i.e. Apple Pay or Google Pay), and more.

Some payment gateways also accept region-specific payment methods like Alipay in China or GrabPay in South East Asia, making it easier to access overseas customers.

Easier access to overseas markets

Payment gateways are a must for SMEs venturing beyond Singapore. They allow international transactions without the complications of handling foreign cash, and even support regional payment methods. However, you'll want to use a multi-currency specialist like Airwallex to maximise this benefit, as they're designed to help you save on exchange rates and transfer fees.

Improved customer security

At the core of payment gateway security is data encryption. When a customer enters their payment details, the gateway encrypts this information so that it's securely transmitted to the payment processor, protecting both the customer and the merchant.

Fraud prevention

Online transactions can sometimes be riskier due to the increased likelihood of fraud. However, some payment gateways minimise chargebacks with built-in fraud-prevention tools. These tools analyse each transaction in real-time for suspicious patterns, and block transactions that seem particularly risky.

Improved operational efficiency

Payment gateways enhance operational efficiency once they are integrated with your existing systems. They can automate processes like invoicing, bookkeeping, and inventory management. For businesses that offer subscription-based services, some payment gateways accept automated recurring payments, which simplifies the billing process.

Different types of payment gateways available

There are four types of payment gateways, and the difference between each lies in their integration and upkeep.

Hosted payment gateway

A hosted payment gateway is where the customer completes the transaction on the payment service provider's (PSP) page instead of your website.

When your customer is ready to check out and pay, the hosted payment gateway takes the consumer to the PSP's page. The customer enters their card details here and hits the "Pay Now" button. They are redirected back to your website once the transaction is successful.

Airwallex and Paypal are some payment platforms that offer hosted payment gateways.

Self-hosted payment gateway

With a self-hosted payment gateway, payment details are collected directly on your website or app, using a form that you've fully customised. However, the payment processing is still handled by a PSP.

Once the self-hosted payment gateway collects the payment details, they are forwarded to the PSP to process the transaction. The payment gateway receives a response from the PSP and forwards it to your website, which then displays a "thank you" page to the customer. During this entire process, the customer stays on your website and isn't redirected anywhere else.

Airwallex, Shopify and Stripe offer self-hosted payment gateways.

API-hosted payment gateway

An Application Programming Interface (API) allows two or more applications to talk to each other so they can access specific features or data. Therefore, an API-hosted payment gateway uses APIs to integrate your payment form with a PSP, so that payment processing happens directly on your website. This means customers can complete the payment journey without being redirected to a different site.

Local bank integration

A local bank integration is where the customer is redirected to a bank's online platform to complete a transaction. This service leverages the bank's technology and security measures, while facilitating transactions from customers who prefer paying through their bank.

DBS Paylah is an example of a local bank integration.

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Get started

How to install a payment gateway: a step-by-step guide

Adding a payment gateway to your website is a straightforward process. The specifics can vary according to the solution you've chosen or the platform you're using, but they generally fall under these steps:

Step 1: Create and set up a merchant account

Some online payment services will ask you to create and configure a merchant account within their platform. This is an account that holds funds from customer card payments before they're transferred to your primary bank account.

Step 2: Install the gateway plugin or obtain API keys

If you're using an eCommerce platform like Woocommerce, adding a payment gateway is as easy as installing a plugin. Go to your platform's app store, search for your chosen gateway, and click “install”.

Custom-built sites and self-hosted gateways may require you to download **API keys**, a unique identifier made up of alphanumeric codes. API keys establish a secure connection between your eCommerce store and the payment gateway, so that transaction data is safely communicated between the two.

Step 3: Test the payment gateway

Conduct several test transactions to ensure everything is working as it should. Most gateways offer a sandbox or test environment for this purpose. Check if the funds are getting credited to the merchant account and if the customers receive appropriate confirmation messages.

Step 4: Go live

Once all bugs and errors have been ironed out, it's time to go live. Switch the gateway settings from 'test' or 'sandbox' mode to ‘live' or 'production' mode. And just like that, you're ready to accept digital payments.

5 things to look for in a payment gateway provider

As you evaluate different payment solutions, look out for the following details:

Transaction fees and fixed fees

Payment gateways generally have two types of fees: transaction fees, and fixed fees. Transaction fees are the variable costs associated with every transaction handled by the gateway. They are typically a combination of a fixed fee and a percentage of the transaction’s value.

Fixed fees, on the other hand, are costs that do not change with the volume or value of your transactions. These are your monthly account fees, setup fees, or minimum fees.

You should evaluate these fees in the context of your estimated sales volume and average transaction value to determine the most cost-effective solution.

Multi-currency support

If your goal is to accept overseas payments, multi-currency support is a must. This lets your customers see the final price in their own local currency, which can positively influence their purchase. On your end, you can accept and hold a wide variety of currencies, and convert them to Singapore dollars at market-leading rates. For cross-border eCommerce, seek a solution that offers **like-for-like settlement.** This allows you to receive and hold funds in a foreign currency instead of being forced to convert to Singapore dollars. For example, if you charge USD to a customer in the US, you can receive and hold those funds in USD. You avoid unnecessary conversion fees, and you get full control over when you want to convert funds to a different currency.

Payment methods

Offering diverse payment methods caters to a wider audience and potentially leads to higher conversion rates. Apart from card payments, e-wallets, and bank transfers, payment methods can include payment links, QR codes and recurring payments.

When selecting a payment gateway, check that they support the relevant payment methods for your business. While credit and debit cards might be universally accepted, the popularity of other payment methods can vary based on the region or industry.

Supported platforms and integrations

As you compare payment gateways, ensure that your top choice supports platforms you currently use or plan to use in the future. This will help with ease of setup and streamlining operations.

For example, if you run an eCommerce business on WooCommerce, you’ll need a payment gateway with WooCommerce plugins. If you use accounting software like QuickBooks or Xero, syncing these with the payment gateway automates accounting with every transaction. Finally, connecting the payment gateway with inventory management systems ensures real-time updates on stock levels and order statuses.

Security

Look at the systems put in place to ensure the safe transmission and handling of customer payments. At the bare minimum, the payment gateway should strictly adhere to PCI-DSS requirements, a set of security standards for accepting, processing, or storing credit card information. There should also be an SSL protocol to safeguard the transmission of sensitive data. On top of data security, a good payment gateway offers fraud protection and authentication processes like Card Verification Value (CVV) checks and 3D secure protocols.

Payment gateway providers in Singapore and globally

SMEs in Singapore have plenty of online payment services to choose from. Here’s an overview of payment gateways that serve worldwide markets:

Airwallex

Airwallex's payment gateway is designed for SMEs with global ambitions. Its standout feature is like-for-like settlement in 11 foreign currencies. This means you're not forced to convert currencies to the Singapore dollar, which protects you from fluctuating exchange rates and unnecessary conversion fees.

With competitive fees and ease of integration, Airwallex's secure payment solution is a great choice for both new and established eCommerce businesses.

PayPal

A familiar name in online payments, PayPal offers a secure way for businesses to handle online transactions. Its eCommerce payment gateway allows customers to pay using their Paypal accounts, which saves them the trouble of entering their card details.

Paypal's merchant fees are among the highest in the market, which is currently 3.90% + S$0.50 fixed fee for receiving payments from Singapore buyers.

Stripe

Stripe's payment gateway is a popular choice because of its ease of integration and ability to accept various payment methods, including credit cards and digital wallets.

Fees start at 3.4% + S$0.50 per successful card charge, though custom pricing and volume discounts can be arranged. Another disadvantage is that Stripe only supports 46 countries and does not support all Southeast Asian markets.

Why Airwallex is the best payment gateway for your business

If you're ready to reach overseas customers and operate globally, Airwallex's robust payment gateway can support your ambitions. Here's how:

Offer 160+ global and local payment methods

Although credit cards are globally recognised and accepted, they might not be the preferred option in every market. Shoppers are more likely to abandon their transaction if they see an unfamiliar payment option at checkout.

With Airwallex, you can offer 160+ payment methods and build trust throughout the checkout process. This is particularly useful when you're entering a new market. A transparent fee structure helps you make informed decisions about how best to structure your pricing and payment options. By accommodating local payment methods, you're showing the customer that you understand and cater to the local market's needs, which can drive differentiation and sales.

Multi-currency support with like-for-like settlement

On top of supporting multiple currencies and 160+ local payment methods, Airwallex lets you accept and hold transactions in leading currencies like US dollars, the euro, or yuan, and benefit from like-for-like settlement.

This means you receive payouts in the same currency that your customer used, without converting it back to Singapore dollars and paying conversion fees unnecessarily. You can hold the funds in your secure multi-currency wallet for future payments to global suppliers, which protects you from foreign exchange risk.

Flexible integrations

Airwallex offers all four payment gateway types. Whether you want full customisation or out-of-the-box solutions, Airwallex has the right solution for your business's needs.

SMEs with limited IT resources can use Airwallex's no-code plugins for eCommerce platforms like Shopify and WooCommerce. There is also the option to set up a simple Airwallex-hosted payment page on your website.

If you want full control over the customer experience, your developers can build an end-to-end solution through the Airwallex API or mobile SDKs.

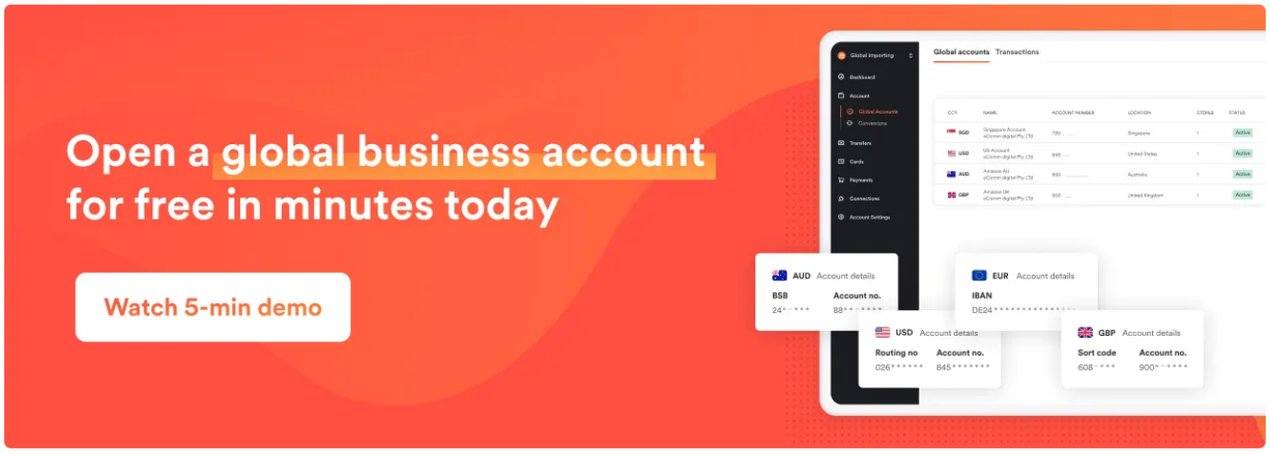
No website? No problem - you can use Airwallex to generate Payment Link that seamlessly connects with your accounting software. Simply share your link over email, SMS, or social media, and track payments as they arrive in real-time.

Security and fraud protection

No matter what kind of integration you choose, you'll benefit from Airwallex's security infrastructure. On top of PCI-DSS compliance and SSL protocols, we also use network-issued tokens to replace sensitive payment data with unique symbols. Even if a security breach happens, the actual card details remain inaccessible to hackers.

Airwallex can also minimise chargebacks with built-in fraud prevention tools. You can set a risk appetite that triggers additional security layers like 3DS. Airwallex's risk engine analyses transactions in real-time, and scores them according to the likelihood of fraud. From here, you can decide whether to accept or reject the transaction.

Go global with Airwallex and open a Business Account today.



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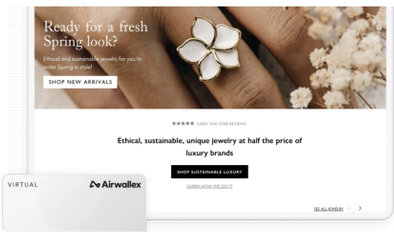

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