

xero

Collecting payments: A guide to getting started



Why are payments so important?

Taking payments can feel like a tick-the-box activity in the day-to-day of running a business but getting it right can be the difference between survival, growth or potential disaster. As consumer behaviours change, it's important for small businesses to cater to their customers' payment preferences to ensure they're paid on time and secure repeat customers.

Credit and debit cards, Apple Pay, Google Pay, direct debit and more – there are so many options available today, and customer behaviour can change so often. It can be difficult to know which direction to go in.

To help small businesses understand the current state of payments, we asked 2,500 small business owners and more than 6,000 consumers around the world how they like to pay, and what would help or hinder them from hitting the pay button.

Our research shows clearly that giving customers choice is vital: some 25% of the consumers we talked to said they would consider visiting another business that offered more payment options if their preferred method was not available. But providing the right choice of payment method can also assist businesses with the cash flow issues that many experience, especially if they offer tools such as automatic payment reminders and one-touch payments from an online invoice.

Our research found:

- **Consumers want choice in how they pay:** The top frustrations for customers are in not having their preferred payment option available (38%) and limited or lack of payment options accepted by businesses (26%).
- **Mobile payments are shaping up as a big need for Gen Zs:** One in two Gen Z consumers use Apple Pay or Google Pay to make purchases, significantly higher than Gen X (20%) and Boomers (11%).
- **Hidden fees are a big bugbear for customers:** Two-thirds (66%) of consumers said hidden fees and surcharges are one of their biggest concerns as shoppers, and in fact, 37% of consumers would try to change payment methods to avoid paying a surcharge when making purchases. This highlights the need to be upfront about any fees or surcharges.

You can find the full report, insights and findings on how payments are changing across the world [here](#).

How Xero makes payment options easier

You can easily set up different types of online payments in your Xero account to enable easier payments from your customers. These range from embedded integrations with partners like [Stripe](#) for card payments to [GoCardless](#) for direct debit, and dozens of other payment integrations that are available through the [Xero App Store](#).

With payment methods being added regularly to Xero, we recommend you visit www.xero.com/campaign/invoice-payments for the most up-to-date ways to pay in your country.

	US	AU	UK	NZ	SG
Stripe	✓	✓	✓	✓	✓
• Credit card	✓	✓	✓	✓	✓
• Debit card	✓	✓	✓	✓	✓
• Apple Pay	✓	✓	✓	✓	✓
• Google Pay	✓	✓	✓	✓	✓
• Klarna*	✓		✓	✓	✓
• Other buy-now, pay later (BNPL) options*	✓	✓	✓	✓	✓
• Tap to Pay*	✓	✓	✓		
GoCardless	✓	✓	✓	✓	
• Direct debit	✓	✓	✓	✓	✓
PayPal	✓	✓	✓	✓	✓
Xero App Store integrations and custom URL	✓	✓	✓	✓	✓

*Published August 2024. These payment methods are coming soon.

Online payments: Payments are conducted through an online platform using a payment gateway or payment processor, such as Stripe, GoCardless, or PayPal.

Direct debit: Direct bank-to-bank payments enabled through local payment networks or a payment gateway like GoCardless. The speed and method of establishing direct debit will change depending on the country and local infrastructure.

Credit and debit cards: Card payments like Visa, Mastercard and American Express, which can be enabled for online invoices through a payment gateway like Stripe, and available on online invoices inside Xero.

Mobile payments (Apple Pay or Google Pay): Apple Pay and Google Pay are two online payment gateways provided by the technology giants that you can access through setting up Stripe. These are considered safer alternatives than using credit cards and debit cards, and allow customers to make payments with phone numbers and QR codes.

Buy now, pay later: Buy now, pay later (BNPL) services allow customers to break up purchases into more manageable, smaller chunks which are most often interest free. While some BNPL services charge account fees to customers, your business will receive the full amount instantly, and the customer will then owe a debt to the BNPL provider. These are a popular alternative to credit cards, especially with younger customers.

Getting started: Simple steps to get paid

Ready to get moving on improving the payments experience for you and your customers?

Here are a few simple steps you can take to enable new payments, selecting the right ones for your customers and your business. Setting up a payment system in a small business can be very simple. For example, in the case of buy now, pay later (BNPL) options or online payment gateways, it may only take a matter of minutes to have them integrated to your website or invoices, and it's free to sign up!

Choosing the right payment options for you comes down to a couple of things: what payments can you accept in your country or industry, what do your customers want, and are they the right costs and structure for you?

1 First things first, what payments can you accept?

The payment methods available will depend on your country of operation, industry and customer type. Look at the payment methods you have available and think about the things most important to you:

- What payment methods do you offer already?
- What are customers asking for? Are you noticing any trends?
- What payment options are available to you for domestic or international payments?

It's safe to say, based on customer preferences, that almost every business needs a way of accepting credit card payments and cash, but beyond these options it depends on the specifics of your business, and your customers.

2 Consider your customers

Every business is different. And customers make decisions about how they want to pay for specific reasons. For example, some customers prefer to pay larger amounts in cash out of habit, whereas others use credit cards for in-person and online purchases for convenience, rewards and as a potential safeguard for privacy and payment security.

Direct debit is another good option if your small business requires a recurring payment from your customers (for example, you're a personal trainer who runs weekly sessions with your clients). With direct debit, you're offering a set-and-forget solution for both you and your customers. They don't need to worry about remembering to pay, and you can be assured your payments come through on time.

Also, consider whether you're interacting with customers in person, or online. If you're in online retail, do you need to add online payment methods to make the checkout experience as smooth as possible for your customers?

If you're a small independent grocery store or fruit shop, most customers who are buying in person will prefer to pay either cash or credit cards, so you might not need to invest in options such as buy now, pay later services.

Adding a Tap to Pay payment option to your invoice can also make it easier for customers to pay quickly and make the process seamless, especially if you're a business who needs to accept payments onsite. For example, tradespeople working at a customer's house can use Tap to Pay to take payments on the spot.

Ensuring you're giving customers the payment options they want will help ensure faster payments and potential improvements to your sales.

3 Check costs, security and reliability

When it comes to the cost of doing business, not every payment method is the same. Some charge service or processing fees or transaction costs, which are often a percentage of the transaction cost or a subscription amount to your business.

Surcharges need to be considered when setting up. More than 20% of customers globally indicate they would reconsider shopping with a business if surcharges are too high, and 16% indicate surcharges might make them halt the transaction altogether. Businesses using credit cards and debit cards need to weigh up whether they absorb the costs, or pass them on to customers. More than a third (35%) of businesses choose not to pass surcharges on, while 42% build these into the costs of goods and services, and 9% charge the fees separately. Not every country allows surcharging, so consider what is possible in your country or jurisdiction and what's best for you and your customers.

4 Enable payments and integrate with your Xero invoices

Once you've decided what types of payments you want to set up, it's easy to get started. It's free to set up payments with Xero and takes minutes. You only pay when your customer uses online payments, and depending on your region, you're able to pass on some or all of the surcharges or fees.

Xero provides [easy setup guides](#) for most popular payments methods like Stripe for online payments and credit cards and GoCardless for direct debit (in some regions). You can also choose other third-party payment options from the [Xero App Store](#) that integrates with your accounting platform.

Connecting these payment options directly in Xero will mean you can add a pay now button to your invoice, making it easier for your customers to pay on time. You can also customise which payments you offer to specific customers based on their location, preferences or your personal choice.

5 Enable bank reconciliation on your accounting ledger

A huge benefit of integrating your payments directly with your invoices is that it makes it easier to reconcile payments and bank transactions with your accounting ledger. Once a payment is made and shows up on your bank statement, Xero matches it with the invoice, ready for you to reconcile so you can easily identify which invoices are settled and those that are still awaiting payment.

6 Forecast your income with inbound invoices

Knowing your upcoming cash flow is a vital part of ensuring you don't outspend the money due to come in from the invoices you've issued. When you use invoicing and payments in Xero, the data enables you to forecast your cash flow up to 90 days ahead using [Analytics Plus](#).

Chasing payments: Tips and tricks to get paid faster

With more than two decades' experience in accounting and bookkeeping, Tara McGowan, director of 5 Star Admin, has seen her fair share of payment debacles. Specialising in working with trades businesses, Tara has helped countless owner-operated businesses to fix their invoicing and payments, and make sure they don't have leaky cash flow.

Tara sees a few common problems across small businesses, and has a couple of tips to combat them: ensuring online payments are enabled, invoices are sent correctly, and they're reconciled appropriately in their accounting software.

“In the worst-case examples, some clients are just paying whatever amount is on the statement without ensuring it matches a purchase order in Xero. This causes challenges when reconciling the supplier statement to invoices or credits, resulting in inaccurate payments,” McGowan says. “In one case a client paid over \$7000 more than necessary to a major hardware store – they wondered why they were always in credit!”

Tara has three pieces of key advice for small businesses who want to adopt new payment technologies:

Don't be afraid of the unknown

While the technology may seem complex, many of the most commonly used payments apps integrate seamlessly into Xero and take a matter of minutes to set up.

Turn on [automatic payment reminders](#)

The need to call customers and chase money can be daunting for many people. A lot of stress comes with not knowing when a client is going to pay, because even though you sent an invoice a while ago, it may have fallen off their radar. Using payments technologies can enable automated payment reminders, and simple click-through payment options take the emotional stress out of the interaction and help ensure steady cash flow.

Payment services costs are often outweighed by improved cash flow

Often clients are worried that the cost of new payment technology will need to be absorbed or passed on to clients. However, this cost is far outweighed by the improved cash flow generated by making it easier for customers to pay on time. Using payment services can also save the business money by reducing staff's time chasing payments and putting it towards more important tasks like growing the business.



Tara McGowan
Director, 5 Star Admin

This is a general guide only and isn't advice. As always, please consider your own circumstances and seek advice from your professional advisors as appropriate.

Find the right payment methods for you and your customers

Payment preferences are as unique as the people making them. And while it's true that payment preferences can depend on the location, demographic, and purchase type, small businesses that provide their customers with options stand to benefit most.

Helping customers pay their way is good for business. That's why we've made it even easier to offer your customers more ways to pay.

Our software integrates with trusted, secure payment providers so you and your customers can make payments, with ease and confidence.

[Xero](#) makes using online payment options simple, secure, and seamless. Plus, there's no setup cost - only pay as you go.

If you're interested in adding more payment options or streamlining how to make payments, you can learn more by clicking on the relevant region here:

[Click here](#)



United Kingdom



United States



Australia



New Zealand



Singapore

[Click on a flag to find out more](#)



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