



ZonePayments

Payment Gateway Paradox Guide

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Even with the best payment gateway, your initial success can be outweighed by internal reconciliation problems. Knowing how to efficiently navigate the payment gateway paradox is crucial not just to avoid accounting problems, but to achieve the long-term, sustainable growth you want for your company.



Introduction

Although the online marketplace was already thriving before the pandemic, there's no question that e-commerce has grown at a staggering and exponential rate in the last few years.

The competition between e-retailers is fierce, and [success often depends on providing your customers with numerous payment options](#) that are processed accurately and efficiently. So it's no wonder that payment gateways—cloud software that operates as a point-of-sale between customer and online merchant—have become essential to that success. But like most things in life, payment gateways come with their own set of problems.

Because if you choose the right payment gateway you'll likely see a greater volume of transactions—leading to a huge increase of payment reconciliation tasks for your accounting department. And if your payment reconciliation system isn't ready for that increase—either due to outdated technology or manual methodology—it won't take long for your accounting and operational processes to become overburdened and eventually start breaking down.

In short, the better your payment gateway works, the more problems for your payment reconciliation. That's the payment gateway paradox. And while it might be tempting to get distracted by your success and increased profits—they're a lot more exciting than dealing with accounting hiccups—bogged-down payment reconciliation systems, if ignored, will start to eat your company from within.

In this guide, we'll discuss various topics, including operational challenges caused by payment gateways, how to spot the signs that your accounting reconciliation systems are in trouble, tips on how retailers can choose the right payment gateway, and why automation might be the best gift employers can give their employees.

Because even with the best payment gateway, your initial success can be outweighed by internal reconciliation problems. So knowing how to efficiently navigate the payment gateway paradox is crucial not just to avoid accounting problems, but to achieve the long-term, sustainable growth you want for your company.



The Gateway Paradox of Payment Reconciliation: Finance's Bermuda Triangle

Great news! You've seen the numbers. And your business is growing. Fast.

And the next step is to spend some time and money to finesse your processes and get the information you need to make better decisions to scale that growth.

Especially when it comes to improving how you process payments. Whether you use portals or just a "pay now" button, it's becoming nearly impossible for an online business to succeed without a payment gateway, a cloud-based software that connects a customer to a merchant. A payment gateway captures the customer's payment information, ensures the funds are available and transfers the requisite funds to the merchant's bank account.


So you shop around and find the perfect payment gateway provider for your company. And because you're making your customers' lives easier, you'll sell even more, grow faster and become more profitable.

You're saving so much time and selling so much more! Revenue is up and you expect to grow exponentially faster and bigger.

Sure you have a sinking feeling, a sixth sense, that a new problem is on the horizon. Payment gateways aren't foolproof. Data can be mistakenly entered, badly read, or moved to the wrong day. Oversight is still necessary. You know that managing change—whether more staff or software or some other adjustments—is [also necessary for sustainable growth](#). So far, your payment gateway is working great; because it's easier for customers to buy and pay for your products, so you're pulling in \$1000 a day rather than \$700.

But eventually, the payment reconciliation problems are impossible to ignore.

Because the more efficient your payment processing gets, the more transactions need to be reconciled. And if the number of transactions per day increases from 100 to 500, that's a payment reconciliation nightmare. Soon, your accounting team is overburdened with unreconciled transactions until you have to start diverting time, money and labor just to catch up. And those are resources that could have been spent on packaging items, shipping orders on time, marketing to more customers, or setting objectives that can grow your business.



Suddenly you realize the honeymoon phase is over; you've drifted into finance's dreaded Bermuda Triangle: the **payment gateway paradox**.

Because the better your payment gateway works, the more transactions you do per day, the more your accounting team has to work to reconcile those transactions. And if you grow too fast without updating your payment reconciliation processes, you'll face delays, frustration, inaccuracies and eventually, the exact kind of operational inefficiency you were trying to avoid.

And as exciting as it is to have so many new customers, [you can't ignore these payment reconciliation problems](#). Sure, it can be tedious and laborious, but you need accurate data about your cash flow and up-to-date financial insights to be proactive with your financial strategy. Without those details, your payment reconciliation problems will grow from nuisances to serious problems with long-term consequences.

You want the absolute best for your business all the time, but nothing is 100% without some drawbacks. And that includes your new payment gateway.

So what can you do about it?

Sometimes it means taking things one at a time—analyzing your data and maybe even spending more money to improve the process. Other times, you have to take the human element into account—more training—or focus on better technical integration. Or maybe you have to increase shipping times—which the customers won't like—or change accounting deadlines. Perhaps you need more automation or just different software.

But there's some good news. Cloud computing and an ERP (Enterprise Resource Planning) system, like NetSuite, can transform your payment reconciliation methods so you waste fewer resources. And ZonePayments can help you accept Stripe payments seamlessly through NetSuite so that payment reconciliation becomes more efficient.

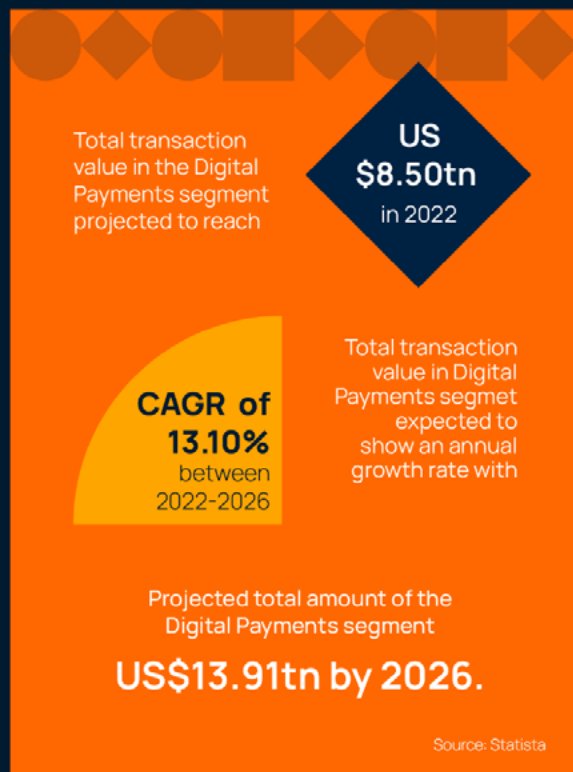
So, you don't need to give up hope! But while there are numerous ways to navigate the payment gateway paradox so that you can scale your payment reconciliation with the growth rate of the rest of your company, how do you know when to make these updates? Sure, in an ideal world, you'd integrate your payment reconciliation the minute you install a gateway and see growth.

Unfortunately, making changes too early or too fast can be just as problematic as scaling too late or too slowly. Keep reading for some tips on how to spot red flags with your reconciliation methods so you can make timely changes before they become huge problems. And remember that a Zone Apps expert is always here to help!

Payment Reconciliation

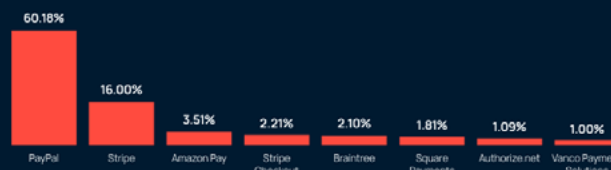
As more and more businesses shift from cash to online payment methods, the payments industry undergoes a significant transformation as it prepares for a bright future.

Nowadays, the payment gateways* are a necessity for almost every business, even service focused ones who want to take online payments.



Top online payment gateways, by market share

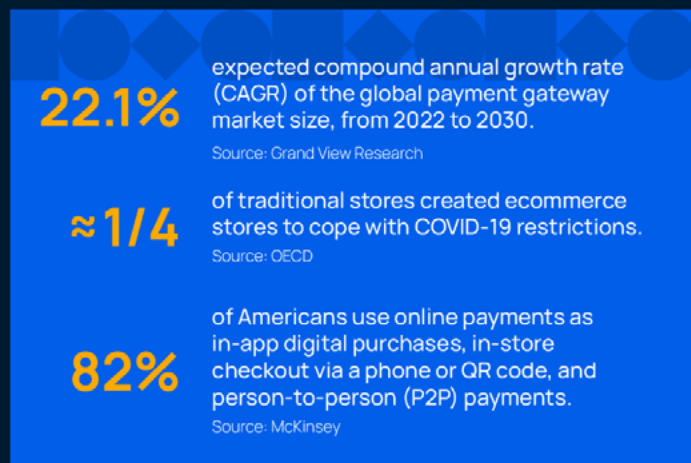
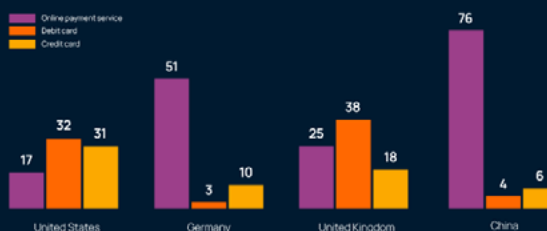
Source: Datanyze



*Payment gateways allow customers to make online payments safely by transferring their financial information to the payment processor. The response is then sent back indicating whether the transaction was approved or denied.

Share of respondents preferring the following payment methods for online purchases (in %)

Source: Statista



Updating Payment Reconciliation: When Is the Timing Just Right?

Timing is everything. Especially when it comes to change.

These days, [most online merchants know the benefits of payment gateways](#). They improve customer service, protect your shoppers' data, and manage issues like chargebacks and insufficient funds. In fact, it's becoming almost impossible to process online payment effectively without the right payment gateway.

However, with that said, you need to be prepared to have a solution for the problems that payment gateway software causes in your payment reconciliation process. For example, maybe your web store transactions live in a different system than your ERP. So even if you're able to sync the systems, you run into other questions, such as:

- ✓ Are all the orders properly transferring from my web server to my ERP?
- ✓ Are all those orders being accurately paid out by my payment service provider?
- ✓ And what kind of fees does that service incur?
- ✓ How can I track an individual transaction that has already been paid out and reconciled?

In an ideal world, you probably want to find solutions for these questions the minute they arise—or, preferably, even before any of these complications occur.

But that isn't always possible. **Why?**

Because a payment service provider is one of the first elements online businesses install. That means you're probably going to run into payment processing problems almost immediately. So even though your payment reconciliation system is showing signs of strain, you have to time your changes and upgrades carefully, before the tipping point.

And if you make those changes too early, you could find yourself bogged down with training and implementation on features that your team has no need for yet—if at all.

But wait too long and you might already be struggling with pretty expensive mistakes that require all your resources and a lot of panicked scrambling to fix.

So how do you know where that tipping point is? What factors indicate that it's the best time to change your payment reconciliation process?



Well, there are a couple of things to consider.

One is when your focus is clearly shifting from go-to-market to a more forward-thinking strategy. You're now at that stage where it's necessary to access order-level details, sales per day or week, or details of which products were sold.

In other words, it's not enough just to monitor the end-of-the-day lump sum from payment gateway reports. What you need now is [organized, real-time transactional data to make those decisions](#).

And if the data you want isn't available or is full of discrepancies, or too difficult to access to find because it's all located in different systems, that's a sure sign that your payment reconciliation process isn't cutting it anymore and that immediate changes are necessary.

The second factor to look out for is that despite company growth, too many accounting tasks are still being done manually. Sure, the payments are being reconciled, but it's a tedious process that takes hours because it's still being done on Excel spreadsheets. Your payment processing methods are just not scaling with your business, and the only thing that's growing is the backlog of other projects that your accounting team never seems to be able to get to.

Adding a new link to your workflow chain is almost definitely going to come with its challenges. But red flags could indicate it's the right time to upgrade your payment reconciliation process. Automating your payment reconciliation process is just the first step. You need long-term solutions that work for future issues as well as the current payment reconciliation problems you're facing. That might mean anything from creating or implementing a new payment tracking workflow, further consolidating your payment reconciliation methods, analyzing your current and future staffing needs or implementing a new training curriculum.

It's not always easy to hit that sweet spot between making changes too early (and slowing down growth) or too late (when problems are already causing chaos). But if you're alert and ready for change, you can minimize any reconciliation issues that your payment gateway might be causing.

And that means more than avoiding future problems. It means you're setting up a system of operational efficiency and accurate forecasting that can support future improvements for your financial team.

It's the difference between coping with trouble and speeding towards more growth.

And who doesn't want that?

Having efficient payment reconciliation is particularly important in the e-commerce and online retail industries. After all, there are few better ways to improve sales than to make it easy and fast for your customers to make purchases online. And retailers who can't successfully manage the payment gateway paradox aren't just facing operational challenges or dissatisfied customers, but the very real possibility of going out of business. That makes choosing the right payment gateway—one that helps sales while minimizing negative impact on payment processing—even more important for retailers. In the next section, you'll find out more about what features online retailers should look for in researching a payment gateway.

How Retailers Can Prevent Payment Reconciliation Traffic Jams

Pssst...! Do you work in retail? Well I've got the secret to retail success. Just for you.

It's...make the customer's life easier!

Okay, okay, don't throw things at me. It's not a secret if it's a basic truth that literally every online retailer knows.

But here's another one: if you don't have [a simple checkout and payment experience for your online shoppers](#), nothing else will matter. Customers will find something they like, put it in their cart...and then get frustrated as their payments are refused or take too long. More likely than not, you'll end up with what every online retailer dreads most: the completely full, but totally abandoned, shopping cart. And no amount of follow-up emails or texts will induce the customer to complete their purchase if your process is too inefficient or slow.

So what's the answer? Here's what savvy online merchants know: over the last few years, as online shopping has boomed exponentially during the pandemic, two things have become increasingly clear.

1 After a certain point, it's almost impossible to efficiently take online payments without a payment gateway.

BUT

2 While the payment gateway makes payments easier, it makes account reconciliation a lot more complex.


And if you're flummoxed by this contradiction, you're not alone. So let's break it down a little.

Payment Gateways: The Future of Retail

The growth of online shopping shows no signs of decreasing. Over 90% of internet customers have purchased products online and over half of all shoppers have bought from retailers located overseas. It's likely that in the next few decades, most—if not all—purchases will be done online.

Payment gateways allow various and flexible methods of payment, including bank accounts, credit/debit cards, gift cards or digital wallets. And because they use secure encryption, payment gateways can help reduce chargebacks, protect your customers' data and reduce the risk of fraud.

The result?



Quality customer service, faster payments and fewer abandoned checkout carts. In fact, it's pretty hard to be competitive in the online marketplace without the right payment gateway.

But like anything in life, payment gateways have flaws. Heavy traffic during peak shopping periods, like the holidays, can cause the gateway to experience frequent timeouts or cause payments to get stuck or fail repeatedly until processing is delayed.

And the best payment gateway won't help you if it doesn't integrate well with your accounting software. Without seamless integration, you face copious amounts of time and money trying to implement an integration solution, as well as training and management challenges.

As if that's not scary enough, payment gateways can also cause huge problems for your payment reconciliation processes.

When Payment Reconciliation Falls Behind

You know reconciliation means making sure all your numbers—sales figures, billing invoices, account ledgers—match up with the bottom line of your bank account.

With a payment gateway platform, you'll receive a daily report of all payments and debits. Many online retailers are realizing that a payment gateway integrated with an ERP can further reduce overheads and minimize manual processes.

So you'll sell more, to more customers.

And that means more transactions per day.

And that means more transactions for your accounting department to reconcile.

And if your team doesn't have the staff, equipment and other necessary resources they need to process these additional transactions, they'll soon fall behind.

So what are some of the red flags you should look out for to identify if it's time to add capability to your payment gateway software?

- ✓ Unreconciled packing, shipping or commission charges or overcharges
- ✓ Missing internal controls to standardize the payment process workflow
- ✓ Incomplete details regarding electronic payment and refund transactions due to these activities being processed in different channels
- ✓ Incorrect or missing information regarding in-store purchases and returns

- ✓ Missing information regarding value of marketplace discounts
- ✓ Mistakes reconciling returned orders or multiple deductions on a single order
- ✓ Problems reconciling details of missing or damaged inventory
- ✓ Difficulty reconciling partially paid invoices

Payment Processing Features Every Retailer Needs

The payment gateway paradox is proof that growth means increasing complexity in all parts of your company, including finance and billing. But the account reconciliation nightmare can be managed with a payment software setup that causes as little disruption to your payment processing as possible. Here's a list of key features we recommend being on the lookout for in your payment gateway provider search:

- ✓ Product life cycle monitoring, from onboarding to editing to deleting
- ✓ Internal controls to standardize the payment process workflow
- ✓ Ability to import and compile the transactional data from various platforms
- ✓ Reliable backup of payment records for audits
- ✓ Configuration options to alter checkout, relevant fields and customer portals
- ✓ Omnichannel payment options that are uniform and consistent
- ✓ Comprehensive sales data and analytic insights on individual transactions
- ✓ Responsive technical and customer support (preferably 24/7)
- ✓ Record retrieval that immediately locates signed receipts in the gateway



Conclusion

Online businesses need to be able to assimilate across platforms without losing the personal touch or skipping out on fresh content. This means you need a payment gateway [that can deal with a high volume of transactions and work with as many payment methods as possible](#).

Because the worst-kept secret in retail is that nothing creates success faster than great customer service. That's why payment gateways are here to stay. So now it's time to ask yourself the question: Does your payment gateway work for you, or against you when it comes to your internal financial processes?

And how about when it comes to your employees? Because as you're dealing with new technology and trying to update old processes, you might lose sight of the very real people who are going to be managing these systems. Organization can help, but will they be able to embrace all this change? In fact, though it might seem intimidating at first, your employees will probably end up thanking you. In the next section, you'll learn the surprising truth—that innovating processes and automating more mundane tasks will make your employees happier and make your company a better place to work.

Surprise! Automation Might Be the Best Employee Benefit No One Knows About

“It doesn’t make sense to hire the best people and tell them what to do. We hire smart people to tell us what to do.” –Steve Jobs

One of the biggest mistakes a business owner can make is frustrating their employees with tedious, inefficient and low-level processes.

And there are few things more inefficient than manual account reconciliation.

Is that really why you tried to find the best, most talented, most experienced people for your accounting teams? Why you offer yearly bonuses and great benefits and sell them on your company culture? To sit them in front of one Excel spreadsheet after another, combing through data until their entire work day is just click...click...click...error...fix...click...new spreadsheet?

If so, don’t be surprised when you get constant staff turnover. Because bogging down the talented people you hired with repetitive, mundane tasks is the fastest way to get them to re-think their career paths.

Which leads us to a surprising conclusion about automation.


It’s the best way to improve your employee’s lives.

Don’t Worry—Machines Will Not Replace Us

That isn’t what you usually hear, right? Since the industrial revolution, all people have talked about is how too many technological advancements will ruin humanity. And science fiction cinema and books haven’t helped. Will robots turn against us like they do in Isaac Asimov’s short stories or in the movie Blade Runner? Will our artificial intelligence turn murderous as it does in 2001: A Space Odyssey or in Terminator (1984) and its sequels? It’s no wonder that businesses are nervous about automation in the workplace. That, somehow, we still see smart tech as the enemy of human workers.

And that’s not just inaccurate. Instead, in many cases, moving away from manual processes and towards automation is probably the best thing you can do. Not just for your company and your bottom line, and not just for your customers and future growth, but for your employees as well. And this is particularly true when it comes to payment reconciliation.

Everyone knows the faster your company grows, the more transactions there are to reconcile and record and the more your payment reconciliation gets bogged down. And if you’re a growing business that’s still doing payment reconciliation manually, you’re consigning your talented accounting staff to long, tedious days of tracking more and more transactions.



And the financial professionals you hired can't get to other tasks—the ones necessary for your business growth, that make better use of their time and talents. Like keeping organized and transparent sales records, tracking weekly and monthly cash flow, or creating detailed financial reports. Or providing forward-thinking analysis and financial strategizing to increase profits or identify long-term problems.

These are projects that could make you a marketplace innovator or get you through leaner times. Instead, all of your accounting team's time and resources are being spent reconciling and cross-checking transaction after transaction into hundreds of Excel spreadsheets, trying to find individual transactions or convert different file formats.

Meanwhile, customers who want to return an item, or have a problem or question are met with red tape, lack of communication and other delays while waiting for an answer. It quickly becomes clear that when you manually reconcile your payments and accounts, it will bog down your customers as well.

That's where automation comes in. By automating many of the more tedious manual tasks of payment reconciliation, you're freeing up your accounting team's time for more valuable projects.

People-Centric Automation: Your Company's Secret Weapon


There are some inarguable benefits to automating your payment reconciliation systems:

- ✓ Less human error and more accurate financial records
- ✓ Reduced administrative burden and the finance department's workload
- ✓ Identifying fraud, negative cash flow, or revenue leakage
- ✓ Real-time and visible cash-flow data that is visible to your whole team
- ✓ Reliable backups of documents so you can audit at any time
- ✓ Order-tracking of damages, write-offs and payment adjustments

Another bonus is a division of labor, because the customer does most of the work for you by placing the order and making the payment. Then automation takes over, emailing confirmations and updates to the customer, sending shipping notifications to the warehouse, and closing off the transaction after it's delivered.

But here's the secret benefit to automation that you don't hear about much: happier people.

Because automation can reduce the amount of low-level repetitive tasks that need to be done manually, it can [make your employees happier, more productive, and less stressed](#). That means better job satisfaction and improved retention rates.



Not to mention happier customers who can use various payment methods, expect quick shipping and be notified quickly about delays and problems. And if for some reason they need a refund, they get great customer service and the money back in their accounts before they know it.

So, despite fears about automation—robots putting us on the unemployment line, AI running amok or breaking down—smart companies are realizing that the right automation will help their growth and their company culture. And as other time-consuming, labor-intensive processes beyond payment reconciliation are automated, it will probably just get better.

NetSuite is [one of the few solutions that's flexible and comprehensive enough to provide this kind of all-inclusive financial technology](#). Furthermore, by adding ZonePayments, your company can seamlessly integrate payment processors like Stripe with the NetSuite platform. It's a win-win-win-win: for you, your company, your customers and your employees!

Conclusion


Both online merchants and customers benefit from the automation that payment gateways provide. And the continued growth in online shopping as well as the increasing number of payment methods means that payment gateway technology will continue to evolve in more complex and more sophisticated ways. But what does better payment gateway technology mean for your payment processing and reconciliation methods? Is your accounting department just doomed to face more headaches, more work, more hidden problems? Or will payment gateway technology actually improve your reconciliation methods rather than overburden them?


The answer might not just be about technology, but how we incorporate automation into our work life and find new ways to provide payment processing that meets both your customer's and company's needs. But one thing is clear: sooner or later, those older methods of manually tracking cash flow in innumerable spreadsheets won't be able to scale with your growth. Digital and online payments are here to stay, and being able to accept a variety of payment methods and work with a variety of banks is a prerequisite for success. But to enjoy that success, companies need better payment collection and reconciliation methods for the increased volume of transactions.


And that's where a NetSuite ERP—and ZonePayments—can help you deal with the payment gateway paradox. With automation of bank and credit card data, NetSuite ERP has the functionality to deal with higher transaction volumes, complex data and international currencies. And with [ZonePayments](#), there's less chance of human error and less potential for fraud. Because growth is more than choosing the right payment gateway; it's also having an accurate and efficient payment reconciliation system that can keep up with it.


Further Reading


Zone Articles:

 **E-Invoicing In NetSuite:
The Next Evolution of AP
Automation**


 **ZoneBilling**


 **Order to Cash: The Definitive
Guide to a Complex Process**


 **About Zone**


 **ZoneCapture**

Zone Videos:

 **Why We Chose NetSuite**


 **ZonePayments Explainer Video**

 **Overview of The Gateway
Paradox of Payment
Reconciliation Podcast Episode**

 **Welcome to Zone and Co.**

Zone Podcasts:

 **Breaking Down Payments:
How Did Processing Payments
Get So Complicated?**

 **Is Automation the Future of
Finance?**

 **NetSuite 2022 Release:
Improvements Highlights and
Tools to Help You Prepare**

 **The Gateway Paradox of
Payment Reconciliation**

External Links:

-  **Firms With Manual AP Processing Miss Out On Early Payment Discounts**
-  **Reconciliation Software Market Size, Share and Covid Impact Analysis 2022-2029**
-  **Nearly Half of Accounting Firms Outsource Client Accounting Services As Ecommerce Reconciliation Becomes More Complex**
-  **Challenges Faced By Payment Processing Businesses**

-  **On-Demand Webinar: Payment Operations in 2022: Key Challenges And How To Solve Them**
-  **Payments Reconciliation Defined: How it Works And How To Automate**
-  **Challenges Online Payments Are Facing and How to Solve Them**