

Level 3 Credit Card Processing for B2B & B2G Payments



Securing the best rates on B2B and B2G transactions

What are B2B Payments?

Any transaction that happens between two businesses is an example of a Business-to-Business (B2B) payment.

Mechanically, it's very similar to a B2C (Business-to-Consumer) transaction, but there is an entire layer of complexity on the B2B side that isn't there for B2C.

The biggest difference, when it comes to credit card processing of B2B payments, is that these transactions are priced differently than consumer payments and, even more importantly, this cost can adjust based on certain data points embedded in the transaction itself.

This additional data is graded on a scale of three levels. Level 3 transactions are the most advantageous (think cheapest) for businesses to accept, but qualifying the transaction for Level 3 rates isn't easy and in some cases, impossible based on the equipment or software being used to accept the payment.

What is Level 3 Processing?

Level 3 B2B payment processing lowers processing rates for qualified B2B and B2G (Business-to-Government) transactions. There are criteria that have to be met in order for transactions to qualify at Level 3 processing rates.

The first major piece of the puzzle is that the merchant (the business accepting the payment) must be categorized in a special four digit code marking them as a B2B eligible merchant. This is called the Merchant Category Code or MCC.

Next, the transaction itself must contain several pieces of data outside what is traditionally passed to the networks for Level 1 or even Level 2 processing transactions. This additional data has historically been used for comprehensive reporting and allows for monitoring of spending (checking payments against invoices or purchase orders, etc.).

Benefits of B2B Payments

- ✓ Revenue Acceleration
- ✓ Faster Approval
- ✓ Reduced Admin Cost
- ✓ Improved Visibility
- ✓ Improved Reporting
- ✓ Frictionless Transactions
- ✓ Improved Cash Flow
- ✓ Reduced Acceptance Cost
- ✓ ERP Integrations
- ✓ Accounting Integration

B2B Payments Power Tip

Over 70% of qualified companies do not use Level 3 processing despite it being around since 2012. It is the big secret the issuing banks don't want you to know.

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How does my business get Level 3 processing rates?

Level 1 vs. Level 2 vs. Level 3 Payments

The chief difference between Level 1, Level 2, and Level 3 is the amount of data contained inside the transaction. Keep in mind, you may pass all of the required data to qualify for Level 3 Processing rates and not get it for two possible reasons:

- ⊗ Your processing software or gateway is not certified to supply level 3 data. The data is collected at the gateway or in the software, but it is not sent or it is not sent with proper mapping to the processor.
- ⊗ Your business could be set up with an ineligible MCC code. An example we have seen often is restaurant food and beverage distributors being coded as a restaurant. It sounds like it would be a mistake only an inept newbie would make, but sadly many so-called payments professionals know very little about MCC classification, interchange, the impacts of not being thorough.

	L1	L2	L3
Merchant Name	●	●	●
Transaction Amount	●	●	●
Date	●	●	●
Tax Amount		●	●
Customer Code		●	●
Merchant Postal Code		●	●
Tax Identification		●	●
Merchant Commodity Code		●	●
Merchant SIC Code		●	●
Ship from Postal Code			●
Ship to Postal Code			●
Invoice Number			●
Item Product Code			●
Item Commodity Code			●
Item Description			●
Item Quantity			●
Item Unit of Measure			●
Item Extended Amount			●
Freight Amount			●
Duty Amount			●

Level 1 is designed for consumer card purchases. These are typically card present and only include very basic data.

Level 2 is for B2B transactions where issuers offer discounted interchange in exchange for additional data. Not all networks accept Level 2 data and not all gateways collect or transmit Level 2 data. Only commercial cards benefit from Level 2 data.

Level 3 includes all data required for Level 1 and Level 2 and significantly more. Basically the merchant must pass item level invoice data with each transaction to be eligible for heavily discounted interchange pricing.

Why over 80% of eligible businesses do NOT get Level 3 savings





Level 3 processing and Level 3 interchange rate data requirements are not a secret to payments professionals. What is a secret is that most people who work in payments are not payments professionals. In addition to the common lack of technical knowledge is the lack of access to specialized gateways designed to collect and transmit this significant extra data. Finally, even if the gateway can transmit the necessary data, it's a pain to enter in the entire dataset on every single transaction. *This is where Tricera lives.*

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Why should my business care about Level 3 processing rates?

The Best Processing Rates for B2B Credit Card Payments

Level 1 vs Level 3 processing rates are significantly different. On a \$1,000 transaction, the processing rate on many commercial cards will drop by 1.05%. The bigger the size of the transaction, the higher the percentage savings is. See the grid later in this guide to see how it all works out. Spoiler alert - it's about a 30% cost savings.

	Time to Deposit	Support Structure	Level 2 Processing	Level 3 Processing
 stripe	2 days, large transactions typically 5+ days or more	Email, chat, must be signed in.	Unavailable	Unavailable
 Square	2 days, large transactions 10-90 days	Email, chat, phone tree general support	Unavailable	Unavailable
 <small>intuit</small> QuickBooks Payments	2-3 days, transactions over \$15,000 take longer	Support forum online, phone but hold times exceed 40 minutes	Unavailable	Unavailable
Traditional Processors	1-2 days, transactions over \$5,000 take longer	Email or online ticket system, 800 number phone tree	Manual	Manual, if available
 TRICERA	Next day funding if settled before 11pm EST*	Dedicated human rep for each account, text, call, email, tickets	Fully Automated	Fully Automated

All the Benefits Without the Headache

As discussed earlier, being capable of receiving level 3 processing rates is only part of the battle. Capability needs to meet execution and with many providers, that means that on every single transaction manually entering in over 20 different data sets. The best way to get level 3 processing rates consistently is to use a system that automates the cumbersome data entry.

The Secret Sauce: The Transaction Template

For each of Tricera's B2B merchants, a fully customized transactional template is built to embed core transaction data with every single authorization attempt - regardless of card type - to ensure that the absolutely best interchange rate is realized.

Call your processor (if you can) and ask them to walk you through the specifics of **your** business transaction template. Chances are, they will not even know what you're talking about.

Isn't it time your business had an expert in its corner when it comes to getting paid electronically?