

The Ultimate Guide to *Credit Card Processing*

Traditional processing is a thing of the past, now **merchants want and deserve options**. Small business owners should not only understand the fees associated with their credit card processing but have the option to avoid them altogether. Explore this guide to better understand credit card processing and the options available.

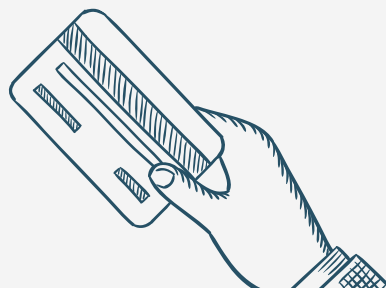
Industry History

Why are credit card fees so expensive?

- Credit and Debit cards make up 80% of businesses sales. Whenever a business accepts a card there is a fee involved, the average fee is 3%.
- The more benefits given to the card holder the more the business pays to accept this card. Visa/MC/Disc./Amex are using the higher cost they collect to pay for the benefits card holders receive. The business also pays more for card not present transactions (internet sales or phone in orders.)
- There are a lot of parties involved that need to make money through a business card acceptance.

What is Interchange?

This refers to the **Card Brands and Card Issuers cost of acceptance**. There is a cost or interchange associated with every card a business accepts and that's how the brands and issuers make money from acceptance. Interchange also increases twice a year. Once in the spring once in the fall.



What Options do Merchants Have?

Traditionally merchant account acquisition is done by offering business savings on their merchant account.

Before the implementation of Cash Discount, there was nothing anyone could do to reduce or eliminate interchange. When a merchant has the correct provider Interchange, Surcharging, and Cash Discount are great options.



Cash Discount

What is the Cash Discount Program?

The Cash Discount Program allows you to process unlimited credit cards for one flat, low fee. It is a method of implementing an increase in price to all customers while giving a discount to those who pay with cash. When a customer pays with a card, technology isolates the price increase and immediately applies it to your processing fees so that you never again have to worry about an unpredictable processing bill, all while keeping you within card network guidelines.

Why is it fair for businesses to cover processing cost through price increase?

- All other costs but processing are built into the price point
- A business is more negatively impacted by paying the processing fees compared to the individual consumer
- The customer regardless of the pricing increase still receives all the benefits for using their card



Implementation:

1. Raise prices by at least 4%.
2. When someone pays with a card, the 4% price increase is immediately isolated and applied towards their processing fees.
3. Because the customer is now covering their fees at the time of the transaction, the business avoids the credit card fee and receives the full amount for that item. The business will no longer receive a processing bill.
4. The business has the discretion to offer a 4% discount to cash-paying customers.



Benefits for the Merchant:

Offset 100% of processing fees

Never worry about a credit card bill again

Now a **fixed rate** for the merchant rather than an unpredictable bill

Available and compliant in all 50 states

Virtual terminal compatible

Program is fully automated after the one-time price increase

Proprietary applications available that **streamline** program



Possible Merchant Savings

Monthly Volume	Monthly Savings	Annual Savings
\$10,000	\$300	\$3,600
\$20,000	\$600	\$7,200
\$50,000	\$1,500	\$18,000
\$75,000	\$2,250	\$27,000
\$100,000	\$3,000	\$36,000
\$250,000	\$7,500	\$90,000

Correctly Implementing Cash Discount

In order to correctly implement the Cash Discount Program, you will need to simply post the **proper signage to promote your new cash discount**. You must place signage in a conspicuous location at both the point of entry and sale.

Why the business should **NOT** do it themselves

- The need to still worry about- if I am getting the best deal?
- When you increase yourself, you pay more money on the increase through processing.
- Always behind the problem.
- The more you process, the more taxes you pay; certain Cash Discount programs can properly offset it.
- They are still receiving a processing bill.



Perfect for Any Business

Food/Beverage

Restaurants, Pubs, Delis, Food Trucks, Bars, Nightclubs

Automotive

Transmission, Oil/Lube, Bodyshop, Tires, Detail

Services

Cleaning, Home Improvement, Construction, Healthcare, Hospitality

Novelty

Boutiques, Gift Shops, Tourist Shops



What should a merchant tell their customers?

If someone is not excited about the Cash Discount Program ... remember you are giving them the option! Your customers can choose to save by paying with cash! Simply tell them: we started this program in an effort to keep our prices low. Rather than raising our prices, we can now keep our costs lower for cash-paying customers!

Surcharging Vs. Cash Discount;

What's the difference?

The biggest difference between surcharging and cash discount is when the price increase is applied.

For cash discount, you are applying a cash discount pre-priced into all items and services. Any purchase made with a credit or debit card will remove the discount and be displayed as a "NCC (Non-Cash Charge) on your receipt.



Surcharging

What is Surcharging?

A surcharge is a fee imposed upon the customer during a credit card transaction that covers the cost to accept the payment method. The POS system or terminal automatically detects when a customer is paying with a credit card and imposes the surcharge on that transaction type only.

CREDIT

Customer is responsible for a certain percentage of credit card fee (usually 4%). This covers the processing fees on **credit transactions**. Terminal will automate credit card fee.

DEBIT

Merchant is responsible for swiped debit transactions at the cost of 1%+\$0.25 per transaction. No credit card fee is added. **Surcharging debit cards is illegal**.



Benefits of Surcharging

- 40-60% potential savings over traditional interchange programs.
- Customers will be covering their own credit card fees.
- With certain providers, this program can include no annual fees and no leasing requirements for equipment.



Compliance with Surcharging

The process of surcharging at your business comes with a few regulations. Currently surcharging is illegal in only two states.

- Connecticut
- Massachusetts

To ensure your business is fully compliant, review these questions -



Can I add credit card fees to card transactions?

As a result of a legal settlement to resolve claims brought by a group of U.S. merchants, merchants in the U.S. and U.S. territories may add a surcharge to certain credit card transactions, starting January 27th, 2013. **Merchants who choose to surcharge must follow consumer disclosure and other requirements agreed to as part of the settlement.**

Am I required to disclose credit card fees to my customers?

Yes. U.S. merchants that charge a credit card fee must **disclose the fee** dollar amount on every receipt. In addition, disclosure that a merchant outlet assesses a fee on credit card purchases must **post a sign at all the points-of-entry and points-of-sale.**

Can I assess a fee on both credit and debit card purchases?

No. The ability to assess a fee only applies to credit card purchases and only under certain conditions. U.S. **merchants cannot assess a fee on debit card or prepaid card purchases.**

How long do I need to wait before I can pass on my credit card fees?

Merchants are required to be registered with the card brands for **30 days prior to passing on their credit card fees.**

Is there a limit to how much I can pass on to my customers?

Yes. Currently, merchants are limited to a **cap of 4%.**



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Flat Rate

When a merchant pays a flat fee for every single card swipe - regardless of the transaction type or amount

Tiered

Determines how much merchants pay processing companies for each transaction -

- Qualified
- Mid-qualified
- Non-qualified

Interchange - Plus

The type of interchange that most businesses will be using is Interchange Plus.

Usually expressed as a percentage + a fixed fee markup

Interchange (cost of acceptance) + mark up (by processor)



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PROS

- Most transparent form of traditional processing.
- All major credit card networks set their interchange prices (cannot be changed).

CONS

- Interchange rates are increased bi-annually every year (October & April).
- Statements can be more confusing.
- Race to zero.

Credit card processing can be a confusing and stressful process for merchants, but it doesn't have to be!

With the right Payment Processing company, your business can accept cards with ease, and you'll be able to focus on what's important to you - **your business.**

Questions? Reach out to VizyPay's Solutions Architects
1-888-899-0918

