

Don't let your Annual Budget Planning **SPOOK** you— Here's one line item you **CAN** control!

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It is perhaps appropriate that for most businesses Annual Budget Planning and Halloween occur in October each year. Reviewing year-to-date successes, failures and profits needed to meet year end goals is reminiscent of receiving a scholastic report card. Worse, with almost a full quarter to go managers and business owners are compelled to look into their crystal ball and attempt to commit to the following year's performance. In some organizations it is – in a word--terrifying.

One line item that organizations have more control over than they thought is merchant service expenses (credit card processing). Here's a quick breakdown of typical payment processing fees and your ability to impact them:

Interchange (60-70% of Total Fees)

Interchange is simply the "cost" of the card which are determined by:

- Transaction amount
- Type of card
- Industry Type
- Card present or Card not present
- Method of processing

Due to Federal legislation via the Durbin Amendment, interchange rates for regulated debit cards is 5 basis points and 22 cents per transaction. Do you know if your processor is compliant with this law? You need to understand if your organization is paying "full freight" on debit card transactions. The savings could be substantial.

Love your American Express Delta miles card? How about your VISA black card or your Capital One 3x cash back card? These and other "high value" cards come at a price for merchants which are passed onto consumers and businesses. Rule of Thumb—The more "bells and whistles" that a credit card offers, the higher the interchange rate. Always remember that a credit card transaction is an unsecured, 182- day loan from the bank to a merchants' customer. The bank holds the most risk, therefore the bank receives the majority of the fees.

Which MCC code was utilized by your processor when the account was initially established? An MCC code is similar to a SIC or NAICS code. Different industries have different classifications based on risk. Contact your processor to ensure that you have the correct MCC code associated with your account.

Card present vs. Card not present also slightly effects rate. Card present will always have a lesser rate. If you have the ability to collect a swipe or "dip a chip" card vs. keying in card information you will save a bit of money. Near frequency devices—Apple Pay and the like—qualify for card present. Some merchants such as plumbers, electricians, landscapers should consider a mobile option to do so—Every bit adds up!

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Do you sell your goods and services primarily to other businesses? If so you may qualify for **Level II** and **Level III** billing. This is truly the only way to directly impact interchange rates regardless of industry.

Dues and Assessments (5-10% Total Fees)

Dues and Assessments are fees levied by the card *brands*. For instance, if you have a Chase VISA credit card—VISA collects these fees.

Processor Fees (20-30% of Total Fees)

Discount rate, basis points, tiered pricing, transaction and authorization fees are just a few components that make up a potpourri of these fees. A savvy merchant can materially impact their overall effect rate here. Some “processor fees” are pure profit to the processor and entirely unnecessary. Having these fees disclosed and thoroughly understood is key to saving money on your processing. Long story short, if you are utilizing tiered pricing you need to find another processor immediately.

Taking the opportunity to perform an annual review of any vendor’s performance is a fiscally responsible activity for any organization. Some expenses such as CPA and legal services may come at a premium because of their expertise and your trust earned over time with that professional. Your merchant service provider should also be a trusted financial provider WITHOUT a significant premium—All Treats and no Tricks!

For an absolutely free, no-obligation consultation to fully explain your processing charges and rates, please give us a call at National Processing Solutions.