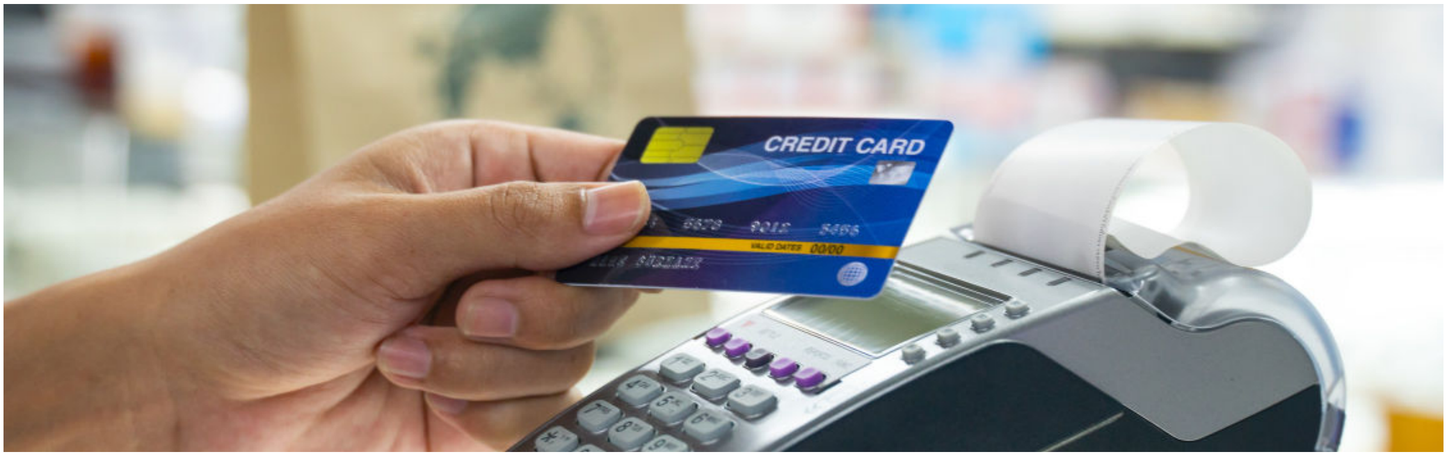
IntelliPay™

Your Fees to Process Cards Might Be Higher Than You Think!

Every time you accept a card, you pay for processing the transaction. You might be able to quote a percentage rate, but when was the last time you calculated your actual transaction cost?Never right? You might be surprised to learn when you calculate your actual transaction cost, you are paying up to 4.4% on each sale.

Fees are Fees, I Need to Accept Cards, What Options Do I Have?
More options than you realize, but be careful. State-of-the art payment processing platforms and recent changes in regulations make it possible for anyone who accepts payments to pay lower fees, and in some cases, eliminate them altogether. Unfortunately, many business owners aren't aware that there is a way to reduce or eliminate their processing fees.



Busy decision makers often turn to well-known payment processing brands who appear first in their search results. The promise of a “quick and easy” solution is as attractive as their “get started now” button. These “quick and easy solutions” do not offer a way to reduce or eliminate processing costs and can cost more per transaction.

Not All Transactions Are Created Equal
The offer of a flat fee for every card present transaction is appealing. Appealing until you understand that all credit and debit card present transactions don’t cost the same to process. In other words, the processing company pays less on some transactions and you pay the same flat fee on all transactions.

Since processing costs include a percent and fixed amount, it can be difficult to know what the actual transaction cost is or the cost when the percent and fixed amount are added together.
Before we do the calculation, let’s define the terms used in our tables below:

- Percent is the percentage rate charged per transaction
- Fixed Amount is the per transaction charge expressed in cents
- Actual Transaction Costs are the sum of the percent and fixed amount charges
- Percent of Sales is simply the percent the actual transaction cost is of a sale, in this case a $20 sale

In the table below we calculate the actual transaction cost of a retail $20 sale for three card types using only published VISA interchange fees as a comparison.

Table 1: Total Transaction Cost Comparison Card Present (Interchange Fess Only- No Markup)

Transaction Type	Percent	Fixed Amount	Acutal Transaction Costs	Percent of Sales
Debit Exempt*	0.80	.15	.31	1.6
Debit Regulated	0.05	.21	.21	1.0
VISA Signature Rewards	1.65	.10	.43	2.2

Source: VISA Interchange Tables APril 2019 *percent fees up to1.9% for certain transactions

Now in Table 2 below, we will compare a flat fee structure, or the same fee across the board for the same three card types in Table 1.

Table 2: Total Transaction Costs – Card Present (Flat Fee All Card Types)

Transaction Type	Percent	FIxed Amount	Actual Transaction Costs	Percent of Sales
Debit Exempt	2.6	.10	.62	3.1
Debit Regulated	2.6	.10	.62	3.1
VISA Signature Rewards	2.6	.10	.62	3.1

Table 2 reveals there is 105% difference between the interchange cost and percent charged for a debit exempt transaction, and a 192% difference between the interchange cost and the percent charged for a debit regulated transaction. The 45% difference in the VISA Signature Rewards actual transaction costs is the smallest of three, but still significant.

The difference in the actual transaction costs between the two tables are the fees charged by third-parties involved in card processing, and the mark-up charged by the processor.

If your business has a mix of debit card and credit card transactions and you process over $2,000 in transactions per month, there is a lower cost alternative to the widely advertised "quick and easy" one flat fee solution.

Understanding the Actual Cost of Card Not Present Sales

As you know, card not present manually keyed and online ecommerce payments have higher interchange fees to compensate for the bank's increased risk. On top of that, card not present interchange fees vary by, size of merchant, type of business, and a host of other factors.

In table 3 below we calculate the actual transaction cost of a retail $20 sale using the published rates of a popular "quick and easy" processor for comparison.

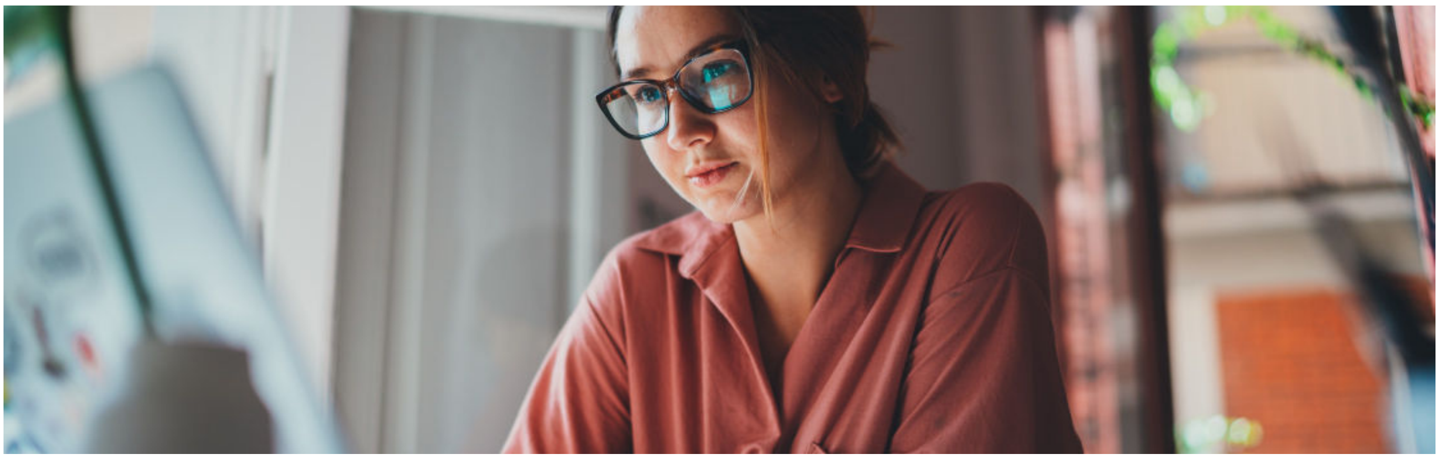
Table 3: Total Transaction Cost Comparison – Card Not Present

Transaction Type	Percent	Fixed Amount	Actual Transaction Costs	Percent of Sales
Card Not Present	3.5	.15	.85	4.25
Card On File	2.5	.15	.85	4.25
Online	2.9	.30	.88	4.40

The percent of sale percentage is 19% to 41% higher than the initial 3.5 % or 2.9% percent rate most merchants think they are paying.

Why? Often the cost of processing is judged by quick glance at the percent charged rather than looking at the broader picture of what the merchant is paying. Calculating the actual transaction cost helps a merchant make a more informed decision about pricing and margins.

Keep in mind all these costs are before you add in equipment and other costs your business may incur to use a particular company and their software.



Other Considerations

There are companies that claim they have transparent pricing or don't charge extra or bogus fees. However, if you closely examine their pricing structures as we did in the previous section, their claim of no extra fees is pure marketing, since you are paying more and keeping less overall per transaction.

Proprietary web stores
Building a web store with the "quick and easy" solution is easy upfront with their software, but happens to your store if you decide to leave? You will need to start over and re-build your store. That's expensive and time consuming. Besides, what happens to all that accumulated transaction data?

Equipment
If your business uses POS terminals or other credit card terminals there are only certain models or manufacturers that work with a company's platform. If you have existing equipment or want to move away from the "quick and easy" solution, the money you invested in equipment is a sunk cost.

Payment Models
The "quick and easy" solution ties you into only one payment model – the one where you pay all the fees. Shouldn't you have the option to shift fees to cardholders if you choose to?

Merchant Accounts
If you set up a merchant account with a "quick and easy" solution, you might find it expensive to move it when you change companies down the road. There is a cost both in money and time in setting up merchant accounts.

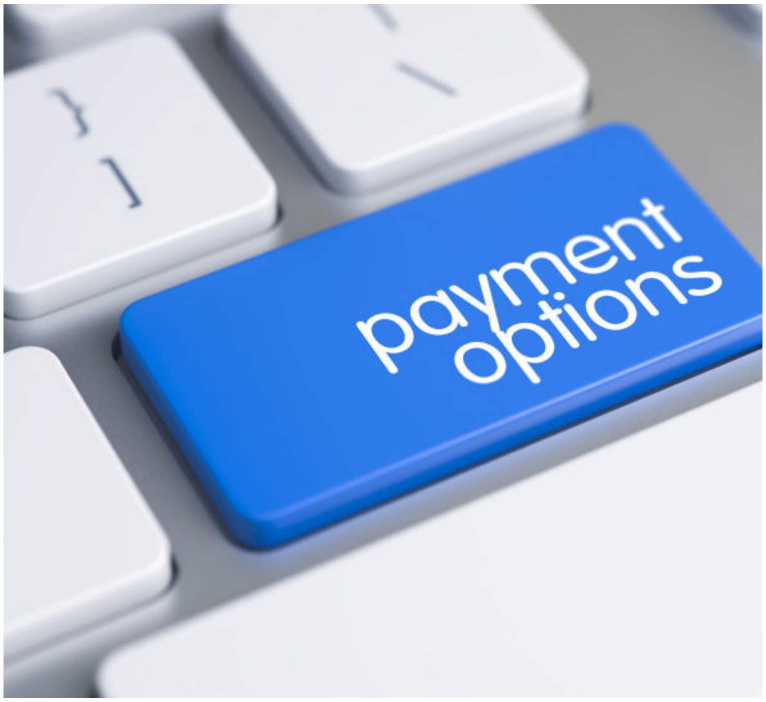
Paying for Advertising
Google doesn't give away top of page results for free, a company must "buy" them. Sound expensive? Your business will be paying for that "quick and easy" company's brand recognition in your transaction fees and equipment purchases.

"Quick and easy" has its place. If you are a new business or process less than $1,000 a month in transactions, it might make sense at first. However, there are other solutions like IntelliPay that offer many of the "quick and easy" features, and cost you less per transaction. IntelliPay gives your business more flexibility down the road in your merchant accounts, the type of equipment you use, and your processing costs.

Fee-Based Payment Models

Reducing or eliminating processing cost is 100% legal and compliant with major card brands like VISA and Mastercard, if established guidelines and regulations are followed.

Business can shift processing costs by adding a fee to each sale. The fee a business can add varies by industry, level of competition, transaction type, geography and other factors. Understanding which fee-based payment model is right for your business, requires a little explanation.



In the next section, we will examine the pros and cons of five fee-based payment models.

Traditional (Absorb) Fee

The most commonly used model. The merchant pays or absorbs all the processing costs as a cost of doing business.

Pros	Cons
• Easy-to set-up • Single merchant account • Simple compliance • No restrictions – available nationwide	• Merchant pays all the processing related costs • Cash and non-card paying customers subsidize credit card sales • Margins decrease every time rates go up – rates are reviewed twice a year

Service Fee

Service fees are subject to VISA rule ID #0029275 which spells out how governments and educational institutions can charge credit and debit cardholders a fee on each transaction. Service fees are either a fixed dollar amount or a percent of the transaction fee for payment of taxes, fines, fees, tuition, etc.

Pros	Cons
• Legal and card brand compliant way to shift processing costs to cardholders • Eliminates processing costs – a no-cost processing solution • Can be added to debit and credit card transactions • No state restrictions – available nationwide	• Only for ***government and educational institutions*** • Limited to the following merchant classifications or MCCs: 8211; 8220; 8244; 8249; 9211; 9222; 9311; and 9399 •

Surcharge Fee

This fee is for credit card transactions only and is typically a percentage of the amount owed by the customer but could be a flat fee as well. Merchants are allowed to charge up to their effective rate, calculation based on transaction volume, or up to a maximum of 4%.

IntelliPay offers a surcharge calculator at www.IntelliPay.com where businesses determine their effective rate. Under the surcharge fee option, the merchant collects the fee and uses the fee to offset their processing costs.

Pros	Cons
• 100% legal and compliant way to shift processing costs to cardholders • Eliminates expensive processing costs • Improves margins • Levels the playing field for cash and debit card paying customers • Shifts processing costs to the cardholder who chooses convenience	• Limited to credit card transactions only • Prohibited on prepaid, gift and debit card transactions • Prohibited in Colorado, Connecticut, • Kansas, and Massachusetts • Requires processor with experience in fee-based options

Convenience Fee

A convenience fee enables the merchant to charge a flat fee that is levied for the privilege of paying for a product or service using an alternative payment channel, or a payment method that is not standard for the merchant. Under the convenience fee option, the merchant collects the fee and uses the fee to offset their processing costs.

Movie theaters, for example, typically sell tickets face-to-face in the box office. However, if a movie theater gives customers the alternative option of paying by phone or online using a credit card, then that theater could charge a "convenience fee." So technically, the customer is not paying for using their credit card, but for the privilege of using the pay-by-phone or online option.

Pros	Cons
• Card brand compliant • Flat fee • Can be added to debit and credit card transactions • Eliminates merchant fees for payments made through alternative payment • channels • Improves margins • No state restrictions – available nationwide	• Fees can only be charged on payments made through alternative payment • channels • Not applicable to all industries or business types

What's Fee-Based Option is Right for my Business?

There is a lot of confusion and misinformation when it comes to using a fee-based payment option to reduce or eliminate processing costs. IntelliPay has been offering multiple fee-based options for almost a decade. Our clients range from solo entrepreneurs to large government agencies. IntelliPay's expertise can help you customize a solution that is right for your organization.

For a no-obligation evaluation or demo: call 855-872-6632 or email sales @intellipay.com