

# Merchant Cost Consulting

Presented By Matt Smith

Merchant Cost Consulting  
Your Payments Watchdog  
[www.merchantcostconsulting.com](http://www.merchantcostconsulting.com)

## Outline

1. About MCC
  2. Understanding payment processing ecosystem
  3. Payments overview / different pricing options
  4. Ways to reduce your overall cost structure and best practices
  5. Q & A Understanding how the credit card processing industry works
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- Founders worked for a credit card processing vendor – iPayment a subsidiary of Paysafe Group
- Launched MCC in 2016 to bring transparency to the credit card processing industry
- Independent consulting firm, based out of Boston, MA
- Our team is made up of industry experts who used for work for a credit card processing vendor – 60 + years combined in the payments industry
- No direct affiliation with any specific credit card processing vendors
- Our job is to help our clients reduce their processing costs without changing vendors, software etc

# About MCC

## Understanding of the Payments Industry

### How it works

- Card brands pass the fees on to processors who add a markup and pass those fees on to merchants
- Rewards cards are more expensive
- Fees tend to increase every 6 months

### Ecosystem

- Card Issuer
- Card Network
- Merchant
- Acquirer
- Credit Card Processor/ ISO/ MAP
- Gateways
- Payment Facilitator



## Understanding of the Payments Industry

### Types of Credit Card Merchant Fees

#### Interchange Fees

INTERCHANGE FEES/ AMERICAN EXPRESS PROGRAM FEES					
03	218.00	VS BUSINESS RETAIL @ 2.80% + \$0.10	.00	6.40	
09	113.50	VS CPS SMALL TKT PREPAID @ 1.60% + \$0.05	.00	2.27	
104	12,116.75	VS CPS RETAIL PREPAID @ 1.15% + \$0.15	.00	154.94	
18	1,245.50	VS ERF PREPAID @ 2.30% + \$0.20	.00	32.27	
80	5,499.00	VS TRANSACTION INTEGRITY FEE	.00	16.00	
03	368.00	VS COMMERCIAL RETAIL PP @ 2.65% \$0.10	.00	10.05	
02	222.50	VS INFINITE RETAIL @ 2.60% + \$0.10	.00	5.99	
03	208.00	VS BUSINESS RETAIL T4 @ 3.00% + \$0.10	.00	6.54	
754	72,938.50	BASE II SYSTEM FEE	.00	2.22	
02	76.00	MC WRLD ELITE MERIT I @ 3.00% + \$0.10	.00	2.48	
41	3,946.50	MC WRLD ELITE MERIT III @ 2.70% + \$0.10	.00	110.66	
11	1,166.00	MC ENHANCED MERIT III CR@1.73% + \$0.10	.00	21.27	
02	107.00	MC ENHANCED MERIT I - CR@ 2.54 + \$0.10	.00	2.92	
03	407.00	MC HIGH VALUE MERIT 3 @ 2.70% + \$0.10	.00	11.29	
06	445.50	MC MERIT I PREPAID @ 2.26% + \$0.20	.00	11.27	
01	99.00	MC BUS LVL 1 DATA RATE 1 @ 3.15% + \$0.10	.00	3.22	
03	343.50	MC MERIT 2.39% \$0.10	.00	8.51	
13	1,191.00	MC MERIT ILL - CR @ 1.58% + \$0.10	.00	20.12	
44	4,022.00	AMEX DISC - SVCS, WHS/OT 2.89% + \$0.15	.00	122.84	
09	983.50	DISCOVER ASSESSMENT FEE	.00	1.52	
09	983.50	DISCOVER INTERCHANGE FEES	.00	26.35	
262	25,562.98	MC ASSESSMENT FEE	.00	38.34	
71	6,187.73	MC REGULATED DB FA @ 0.5022	.00	18.71	
01	99.00	MC CORP DATA RATE I @ 3.20% + \$0.10	.00	3.27	
02	139.00	MC MERIT I - DB @ 1.05% + \$0.15	.00	3.29	
86	9,465.75	MC MERIT III - DB @ 1.05% + \$0.15	.00	112.29	
04	341.00	MC WORLD MERIT I @ 2.25% + \$0.10	.00	9.10	
16	1,549.00	MC WORLD MERIT III @ 1.77% + \$0.10	.00	29.02	
751	72,392.50	VISA ASSESSMENT FEE	.00	112.22	
46	5,408.50	VS CPS RETAIL- DB @ 0.80% + \$0.15	.00	50.17	
09	571.00	VS ERF - CR @ 2.80% + \$0.10	.00	16.89	
07	581.00	VS ERF - DB @ 2.25% + \$0.20	.00	14.47	
20	2,509.50	VS CPS RETAIL- CR @ 1 + \$0.10	.00	39.89	
37	3,830.00	VS CPS REWARDS 1 @ 1.65% + \$0.10	.00	66.90	
06	83.00	VS CPS SMALL TKT - 1.65% + \$0.04	.00	1.61	
03	28.50	VS CPS SMALL TKT - @ 1.55% + \$0.04	.00	.52	
06	392.00	VS SIGNATURE STANDARD @ 3.45% + \$0.10	.00	14.12	
378	34,378.25	VS REGULATED DEBIT @ 0.05% + \$0.22	.00	100.35	
98	10,117.50	VS SIGNATURE PREF RETAIL @ 2.60% + \$0.10	.00	272.86	
Total Interchange Fees / American Express Program Fees:				1,483.15	

## Understanding of the Payments Industry

### Types of Credit Card Merchant Fees

#### Assessments

##### Visa Assessments:

Visa	Statement Descriptor	Rate	Fee Definition
Visa US Acquirer Service Fee (Assessments) Credit	Visa Assessment Fee Credit	0.14%	Assessed to all Visa credit sale transactions
Visa US Acquirer Service Fee (Assessments) Debit and Prepaid	Visa Assessment Fee DB	0.13%	Assessed to all Visa debit and prepaid sale transactions

##### MasterCard Assessments:

Mastercard	Statement Descriptor	Rate	Fee Definition
Mastercard Acquirer Brand Volume (Assessments)	Mastercard Assessment Fee	0.1375%	Assessed to all Mastercard sale transactions. This fee is comprised of the Mastercard Acquirer Brand Volume fee of 0.13% and the Mastercard Annual Acquirer License Fee of 0.0075%
Mastercard Acquirer Brand Volume (Assessments) Consumer Credit and Commercial transactions greater than or equal to \$1000 USD only	MC Assessment Tran Amt >=1K	0.01%	Assessed to all Mastercard Consumer Credit and Commercial sales transactions greater than or equal to \$1000 USD.

##### Discover Assessments:

Discover	Statement Descriptor	Rate	Fee Definition
Discover Assessment	Discover Dues/Assessment Fee	0.13%	Assessed to all Discover Network Card sale transactions.

# Understanding of the Payments Industry

## Types of Credit Card Merchant Fees

### Markup Costs

Fees	05/31/19	AMEX AUTH FEE 1 TRANSACTIONS AT 150000
Fees	05/31/19	BATCH SETTLEMENT FEE 14 TRANSACTIONS AT 350000
Fees	05/31/19	MONTHLY WIRELESS FEE
Fees	05/31/19	VISA AUTH FEE 2 TRANSACTIONS AT 150000
Fees	05/31/19	VISA NETWORK FEE CNP 2-06
Fees	05/31/19	AMEX AUTH FEE 242 TRANSACTIONS AT 150000
Fees	05/31/19	BATCH SETTLEMENT FEE 74 TRANSACTIONS AT 050000
Fees	05/31/19	CNP AVS FEE 313 TRANSACTIONS AT 010000
Fees	05/31/19	DIGITAL ENABLEMENT FEE .000100X 291 TRNS \$64,514.88
Fees	05/31/19	DISCOVER AUTH FEE 57 TRANSACTIONS AT .150000
Fees	05/31/19	MASTERCARD AUTH FEE 385 TRANSACTIONS AT .150000
Fees	05/31/19	MC CVC2 TRANSACTION FEE 310 TRANSACTIONS AT .002500
Fees	05/31/19	MC MONTHLY LOCATION FEE
Fees	05/31/19	MC PIF DETAIL REPORT 2 TRANSACTIONS AT .15000
Fees	05/31/19	MC PROC INTEG PRE AUTH 2 TRANSACTIONS AT .045000
Fees	05/31/19	NETWORK AUTHORIZATION FEE 55 TRANSACTIONS AT .02500
Fees	05/31/19	US CROSS BORDER FEE 23 TRANS TOTALING \$7,012.89
Fees	05/31/19	VI TRANSACTION INTEGRITY FEE 8 TRANSACTIONS AT .100000
Fees	05/31/19	VISA AUTH FEE 1.085 TRANSACTIONS AT .150000
Fees	05/31/19	VISA INTL SERVICE FEE - BASE 35 TRANS TOTALING \$10,788.88
Fees	05/31/19	VISA MISUSE OF AUTH FEE 9 TRANSACTIONS AT .090000
Fees	05/31/19	VISA NETWORK FEE CNP2-06
Fees	05/31/19	VISA NETWORK FEE CP 1B-01

# Understanding of the Payments Industry

## Different pricing structures

### 1. Tiered Pricing

- **Qualified**
- **Mid Qualified**
- **Non Qualified**

Example: A Tiered/Bundled pricing model would look like this: **Qualified Rate: 1.75% Mid**

**Qualified Rate: 2.25% Non Qualified Rate: 3.40%.**

The Interchange rate for a debit card is often 0.05% + \$0.22/transaction. If you are on tiered/bundled pricing, the processor will categorize this card in a Qualified bucket, charging you the **Qualified rate (1.75%)**. 1.75% is a significantly more than 0.05% + \$0.22/transaction.

## Understanding of the Payments Industry

### Different pricing structures

- Flat Rate Pricing

Example: The Interchange rate for a debit card is often 0.05% + \$0.22/ transaction. If you are on Flat Rate pricing, the processor will charge you a flat fee of 2.75%. That means the CC processor makes in profit the difference of 2.75% and the cost of the interchange rate of the card your business accepted. This can be an extremely lucrative pricing model for credit card processing companies. Stay away at all cost.

## Understanding of the Payments Industry

### Different pricing structures

- Backbill/ERR

Example: As a business, any credit or debit card you accept from your customer that has interchange rate LOWER than 1.75%, your business is charged the 1.75%. Your credit card processing provider makes the difference between the two in profit. Any credit or debit card you accept from your customers that has an interchange rate HIGHER than 1.75%, you are charged 1.75% PLUS an additional surcharge that was determined by your credit card processing provider.

## Understanding of the Payments Industry

### Different pricing structures

- Subscription/ Membership Pricing

Example: A subscription pricing model would be as follows: Interchange Rates + 0.00% + \$0.15/transaction + \$199/month fee.

## Understanding of the Payments Industry

### Different pricing structures

- Interchange Plus Pricing

Example: An Interchange Plus Pricing model would be as follows: Interchange Rates + 0.50% + \$0.10/transaction. To use the debit card example mentioned, the interchange costs for a debit card is 0.05% + \$0.22/transaction. On Interchange Plus Pricing, you are charged the debit card interchange PLUS whatever the mark up costs of the credit card processing company. In this example, it is 0.50% + \$0.10/transaction.

## Understanding Fees



### March

					Inflated Rates	
GP FEE-VS INTL SVC ASSESS-BASE	141	32,061.02	227.38	.8900	.0000	285.34
GP FEE-VISA INTL ACQUIRER	141	32,061.02	227.38	.8900	.0000	285.34
GP FEE - MC ASSESSMENTS	744	122,228.34	164.29	.1200	.0000	146.67
GP FEE-MC CROSS BDR DOMESTIC	110	24,717.38	224.70	.8900	.0000	219.98
GP FEE-MC ACQ PROGRAM SUPPORT	110	24,717.38	224.70	1.2500	.0000	308.97

### May

					Negotiated Rates	
GP FEE-VS INTL SVC ASSESS-BASE	157	43,452.96	276.77	.8000	.0000	347.62
GP FEE-VISA INTL ACQUIRER	157	43,452.96	276.77	.4500	.0000	195.54
GP FEE - MC ASSESSMENTS	922	167,082.82	181.22	.1200	.0000	200.50
GP FEE-MC CROSS BDR DOMESTIC	126	29,347.97	232.92	.6000	.0000	176.09
GP FEE-MC ACQ PROGRAM SUPPORT	126	29,347.97	232.92	.8500	.0000	249.46

### December

					Processor Increase	
GP FEE-VS INTL SVC ASSESS-BASE	126	28,454.45	225.83	.8900	.0000	253.24
GP FEE-VISA INTL ACQUIRER	126	28,454.45	225.83	.8900	.0000	253.24
GP FEE - MC ASSESSMENTS	847	138,922.73	164.02	.1900	.0000	263.95
GP FEE-MC CROSS BDR DOMESTIC	115	24,348.25	211.72	.8900	.0000	216.70
GP FEE-MC ACQ PROGRAM SUPPORT	115	24,348.25	211.72	.8900	.0000	216.70

## How to Lower Credit Card Merchant Fees



1. Ensure a credit processing rate increase has not occurred
2. Evaluate if your are under contract and for what length of time is remaining
3. Do your homework
4. Push Back
5. Monitor your credit card merchant fees monthly

# Questions

Thank you for attending! We greatly appreciate it. If you have any other questions, I have provided my contact info below

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