

Syllabus for Dual Pricing

Pricing credit cards where the merchant continues to pay for credit card processing fees is now obsolete. Why? These fees are very expensive for the merchant. Consumers are now understanding that there is a cost associated with the usage of credit cards. The new methods eliminate merchant fees and pass them on to the consumer. The elimination of merchant fees can save thousands up to millions of dollars to the merchant. The surcharge or cost to the consumer is very inexpensive and very little difference in a customer choosing an establishment. This helps a merchant keep prices down on their goods and services. The new pricing methods also free up cash for the merchant to put money back into the business. For example, the elimination of merchant fees can be used for expansion, paying higher wages to their staff and therefore improving staff retention, cover the costs of increasing prices of their inventory, or advertising.

What are my new choices?

1. **Dual Pricing** (about 50% of the new credit card processing)

a. **Advantages:**

- i. Dual Pricing shows on the credit card screen or check two prices: Card 104.00 and Cash 100.00
- ii. Disclosure is clear and concise.
- iii. Disclosure is compliant with both Visa and Mastercard regardless of the type of card one uses (debit or credit)
- iv. Consumers understand the pricing better.
- v. A merchant does not need to post signage as they did before
- vi. There is no chance of a consumer paying the wrong amount.

b. **Disadvantages:**

- i. The bearing of merchant costs is now understood to be on the consumer; however, the consumer knows that they clearly have a choice.

2. **Cash surcharging** (about 34% of the new credit card processing methods): This is where you see on your bill your order and then a “non-cash surcharge” added onto your bill. This used to be the most popular.

a. **Advantages:**

- i. Eliminates merchant fees
- ii. Discloses the price on the bill as a charge

b. **Disadvantages:**

- i. Some consumers feel that the price is required to pay regardless of how a consumer pays.
- ii. This method is non-compliant with Visa and Mastercard. They have set rules that surcharge is only allowed on credit cards and not debit cards.
- iii. Most merchants are not too concerned in that as of now, Visa and Master Card do not have compliance officers checking on merchants. The fine for non-compliance is high. A first-time offense is up to a \$10,000 fine.

3. **Compliant surcharge** (about 11% of the new method sales)

a. **Advantages:**

- i. Eliminates credit card merchant fees only.
- ii. Discloses on the bill the amount using a credit card
- iii. Disclosed that a debit card has no charge.
- iv. Meets compliance rules set by Visa and Mastercard

b. **Disadvantages:**

- i. Merchant is now responsible for the Merchant fees on all debit cards. The merchant fees are reduced, but not eliminated.
- ii. Sometimes it can be confusing to your customers.

4. **True Cash Discounting** (about 4% of the new methods)

a. **Advantages:**

- i. Merchants have a markup on all the prices of their merchandise that has the price of the items if they pay using a debit or credit card.
- ii. Merchants offer the discount at the point of sale if customer chooses to pay cash.
- iii. Follows compliance

b. Disadvantages:

- i. The merchants would need to re-price all of their merchandise. This is time consuming.
- ii. The cashiers may make a mistake in offering a cash discount. This can make merchandise appear more expensive.