Choosing Between Flat Rate or Interchange Plus

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Flat Rate vs. Interchange Plus (IC+) Rates

RetailEdge integrates with several payment processors that offer both flat rate and interchange plus (IC+) pricing models. These providers can help you decide which option best fits your business. If you're choosing between flat rate vs. interchange plus pricing models, this guide outlines key differences and considerations so you can make an informed decision and secure the best possible rates.

Interchange Plus (IC+)

Interchange plus pricing is based on the card networks' base rates (Visa, Mastercard, American Express, Discover) plus an additional markup charged by the processor, sales organization, and any associated services such as gateways.

Things to Consider with Interchange Plus

Interchange plus can provide very competitive rates. However here are somethings to consider.

Transaction Volume

Your monthly sales volume can influence both your markup ("plus") and the impact of fixed statement fees. Lower volume typically results in higher markups and makes additional fees more noticeable.

Average Ticket (Sale Transaction) Value

Your average transaction amount plays a major role in determining your effective rate and can influence whether IC+ or flat rate pricing is more cost-effective.

Your Customer's Card Mix

The types of cards your customers use matter. Premium rewards cards and American Express generally carry higher interchange fees. If your customers frequently uses these cards, your overall costs will increase.

Debit Card Usage

PIN debit transactions typically have much lower fees (often around 1%). Encouraging debit usage can significantly reduce processing costs.

Added Fees

Statements may include various fees, some of which are unnecessary. Review them carefully and ask your processor to explain each one. In some cases, fees can be removed or reduced.

Flat Rate

Flat rate pricing uses a fixed percentage plus a per-transaction fee (for example, 2.5% + $0.05 per transaction). Many modern processors such as Square and Clover use this model.

Things to Consider With A Flat Rate

Transaction Fees

Flat rates are typically structured as a percentage (2.5%) and a per transaction fee ($0.05/transaction). RetailEdge's integrated partners have very competitive rates. and can usually beat Square or Clover.

Example:
A $100 sale at 2.5% + $0.05 results in a $2.55 fee, or an effective rate of 2.55%.

Average Ticket

Low-dollar transactions are more affected by the per-transaction fee. For example, a $1 sale with a $0.05 fee results in a 7.5% effective rate, which is quite high. Flat rates tend to be more favorable when average transactions are above $20–$30.

If your average ticket is low, the effect of the transaction fee has a significant impact.

Let's say you are getting a flat rate of 2.5% and $0.05/transaction. If you have a lot of sales for $1.00, your effective rate would be $0.075 or 7.5% effective rate. Not that good.

So you can see that flat rates are not as good as interchange plus depending on what your true average transaction is. In the chart below you can see the flat rates work better in the over $20-$30 transaction range. This is also why some retailers required cash only under $5, so that they can limit their exposure to transactions that can really affect your effective rate.

Transaction Amount	Fee	Effective Percentage
$ 1.00	$ 0.075	7.50%
$ 2.00	$ 0.100	5.00%
$ 3.00	$ 0.125	4.17%
$ 4.00	$ 0.150	3.75%
$ 5.00	$ 0.175	3.50%
$ 6.00	$ 0.200	3.33%
$ 7.00	$ 0.225	3.21%
$ 8.00	$ 0.250	3.13%
$ 9.00	$ 0.275	3.06%
$ 10.00	$ 0.300	3.00%
$ 20.00	$ 0.550	2.75%
$ 30.00	$ 0.800	2.67%
$ 40.00	$ 1.050	2.63%
$ 50.00	$ 1.300	2.60%

Transaction Volume

A high number of small transactions increases the total impact of per-transaction fees.

Other Fees

Some providers add monthly or gateway fees. These may seem small but can have a big impact on low-volume businesses. For example, a $15 monthly fee on $500 in sales equals an additional 3% cost before processing fees.

Card Mix

Some flat rate plans separate pricing for American Express versus Visa/Mastercard, while others use a blended rate. Understanding your customers' card usage will help determine which structure is more cost-effective.

Swiped or Non-Swiped Transactions

Many flat rate providers charge higher fees for card-not-present transactions (online or phone orders) compared to in-store swiped transactions. Features like storing and reusing customer cards functions in RetailEdge can improve convenience but typically come with higher processing costs.