Helpful Tips to get the Best Credit Card Processing Rates

Blog · https://retailedge.com/docs/credit-card-rate-tips

Almost every day we field questions from retailers about their high credit card fees. If you think you are paying too much, here are some simple things you can do.

Watch Your Effective Rates (it should only take a few minutes each month).

This is the number one thing you can do to protect yourself from rising credit card fees.
Every month you should be getting a statement from your credit card processor. Calculate your effective credit card rate and enter this value on a spreadsheet. The merchant statements can be long and complicated, but figuring out your effective rate can be done in minutes.

Effective Rate Percent = Total Merchant Fees/Total Sales Processed x 100

You just need to find these two numbers on your merchant statement (every statement should have them) and enter this value on a spreadsheet.

Then Drill Down If You Need To.

If you don’t have flat rate pricing, your Effective Rate will fluctuate from month to month and will depend on the card mix, your sales volume, and other fees you might be paying. If you see a significant increase (or drop) in your rates, you might need to drill down a little to see what caused the rate to change. Most statements will show a breakdown of the cards taken for the month by type (Visa, Mastercard, American Express, Visa Debit, etc.). Again, comparing this month to month when you need to, will allow you to determine where you might be getting these increases/decreases from. For instance, with this type of analysis, we helped a customer to see that if he changed his card mix from mostly credit to 50% PIN Debit, he could change his effective rate from 2.4% to 1.9%, saving

him tens of thousands of dollars each year.

Get A Rate Review.

If you find that your rate is creeping up, we suggest that you contact your merchant services provider and ask for a rate review. You should be able to do this every year if you need to. Depending on your contract terms, processors can and will increase the rates twice a year. Some of this is due to increases in card brand pricing (that platinum, sapphire, rewards card will cost you more). Market conditions and your processing patterns might have changed since your last review and it's possible that you could be eligible for lower rates. Changes in average transaction amounts, total sales volume, different mix of card types, etc. can affect your costs. Most businesses need to initiate rate reviews as processors, like insurance companies, are not motivated to review customer accounts by themselves.

Even if you are using one of our processing partners, we recommend you do this. If your current processor is unable to give you a review or you would like a competitive rate review from a RetailEdge processing partner let us know and we will get you in touch with the right people. Our partners should always be able to provide you with the lowest competitive rate.

Remove Unwanted Services.

Many processors will have services that are bundled into their offering that you can remove. One common one is a PCI compliance fee. If you demonstrate that you are PCI Compliant (something all businesses taking credit cards must do), then you can have this free removed. Some processors charge for programs that allow you to compare your business to similar businesses in the area. And although this can be a useful tool, if you don’t use it get it removed. A quick call to your credit card processing representative can help identify the services that can be removed.

Switch Processors If You Must, but Read the Fine Print.

When comparing rates, don't be fooled by promises that sound too good to be true. It's difficult and it takes effort. Beware of bait and switch tactics like seemingly low discount rates (teaser rates). Processing companies often make up lower rate structures with expensive extras like statement fees, high per transaction charges, rate surcharges, etc.

Some Things to Consider Before Switching Processors.

1. ## Hardware costs.

   A hardware terminal can be between $100 and $800, depending on the device and functionality. Some processors will rent the devices, and some allow you to purchase the device outright. This might not be a big deal if you have one POS processing sales but will be a larger expense if you have 5 lanes.

2. ## Loss of Tokens.

   RetailEdge integrations all allow recurring tokens. This allows you to re-use a customer's card from a previous transaction without storing sensitive credit card information. However, these tokens are processor specific. So, if you change processors, you will lose these tokens and have to start again.

3. ## Loss of functionality.

   Each RetailEdge integration has some core features that it supports (i.e., PIN Debit, E2E encryption, contactless, re-use customer cards). However, each RetailEdge credit card integration is a little different. Some support Line-Item Display (totals on the device), some have wireless options, signature capture, or better mobile options. A good description of these feature differences can be found here .

4. ## Overall Processing Speed.

   Not all integrations are alike. Even within our integration partners, some are faster than others and the functions you use, (i.e., confirm amount prompts, pin debit, tipping, etc.), can slow down the processing speed. If you choose to not use one of the RetailEdge integrated partners, this will slow down the process and can lead to double entry mistakes at the POS.

5. **Your Customers’ Card Mix.**

   If your clientele uses a lot of debit cards, you can significantly reduce your effective rate, by making sure your processor supports PIN Debit (all our integrations do). And if your clientele all have rewards cards, then you can protect yourself from the high fees by using a processor that supports flat rate pricing (our Card Connect integration does and is lower than Square’s flat rate pricing).