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Does the Company or Person Initiating a Payment Actually Understand the Costs Being Borne by the Payment Accepting Organization?

Susan places an online order with Amazon for \$200.00 and proceeds to the shopping cart. There, she makes a choice from the three (3) payment cards she has stored with Amazon. Card 1 is a Chase VISA Debit Card linked to her checking account. Card 2 is an American Express branded Platinum card. Card 3 is a Capital One Rewards Master Card. What is the basis for Susan checking out with any one of the 3 cards?

Susan's decision is most definitely NOT based on what Amazon would like her to do. Amazon's preference is that she proceeds through the checkout and uses her Chase Debit Card. Why? The answer is simple to those in the industry, but not to the consumers who actually use payment cards.

Susan's choice may be based on a multitude of factors, including but not limited to, the following: 1) the cash balance in her checking account; 2) her vacation plans and the need for miles and/or points on her Capital One rewards card; 3) the interest rate on one of her credit cards; 4) the balance on her American Express Card; 5) the billing cycle on one of the credit cards, i.e. when will the payment be due; or 6) no preference at all. She may just use the card that automatically pops up as the last one used.

All of this begs the question: Do consumers ever consider the merchant's point of view when a payment card type is used to make a financial transaction? Or do they even know that the merchant bears a cost to accept their payment type? The sad truth is this: since there is very little consumer awareness, education or knowledge around payment cards and the merchant side of things, consumers do not care.

Consumers, like Susan, make a basic assumption: any company must factor in all of their operating costs, from salaries to marketing to rent to utilities to any and all costs and fees, into the price of their product. This is exactly why merchants are in an uproar over the ever increasing costs of payment acceptance. Not only have they failed to factor in the costs of payment card acceptance, they never could have planned on the expensive Consumer Rewards Cards, Commercial Cards and the problematic American Express Card.

How did this all come about? Many years ago, we were a mostly cash and check society. Then credit cards became very popular. Cash, checks, and the early years of payment card acceptance were not burdensome to most organizations. However, roll the clock forward, and

we are now primarily a credit card, debit card, e-check and ACH payment society. The result: the cost to accept all types of financial payments has skyrocketed over the last 10 years.

If an organization wants to operate in a cost efficient and best practices payments environment, it must understand payments for what they truly are: a very large part of the cost to do business. They must evaluate, analyze and study their approach to payments. There is no singular solution. First, they must have a deep understanding of payment types, payment habits and payment channels. Second, they must truly understand the “total cost” to accept financial payments; third, companies need to know how to recoup and reduce their payment costs without impacting top line revenue. Fourth, they must know the preferences of their customers and, fifth, they must know how to manage, manipulate and migrate payment types and payment decisions.

Only a company that is a thought leader and true expert in all aspects of financial payments can truly navigate through the payments ecosystem. Vizant has been engaged by leading companies across the United States and in almost every industry and market sector to evaluate, consult, advise and implement solutions that result in companies attaining maximum cost efficiency in the area of financial payments. We are unique in the realm of professional services providers, as we provide our guidance and insight on a strictly “results based performance” business model.