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# B2B Credit Card Acceptance



February 11, 2016  
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UTA / Vantiv

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## AGENDA

**B2B Trends**

**Credit Card Acceptance Survey Results**

**Network Rules & Acceptance Policies**

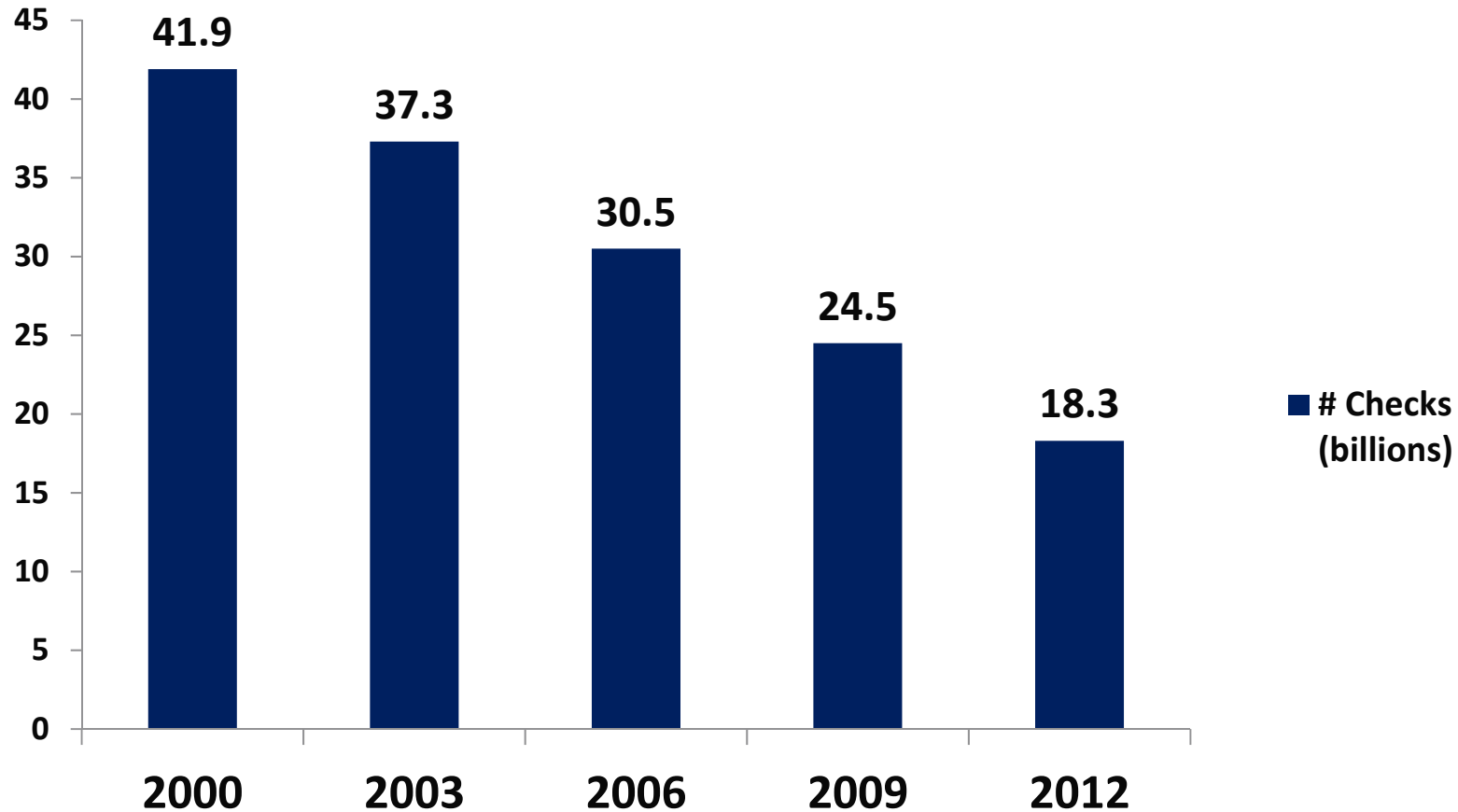
**Reducing Fees**



## Card Growth\*

- Credit, debit, and prepaid general purpose consumer and commercial payment cards issued in the United States generated \$4.530 trillion in purchases of goods and services in 2013, and increase of 7.8% from 2012. Source: The Nielson Report

# Checks are on the Decline



Source: 2013 Federal Reserve Payments Study

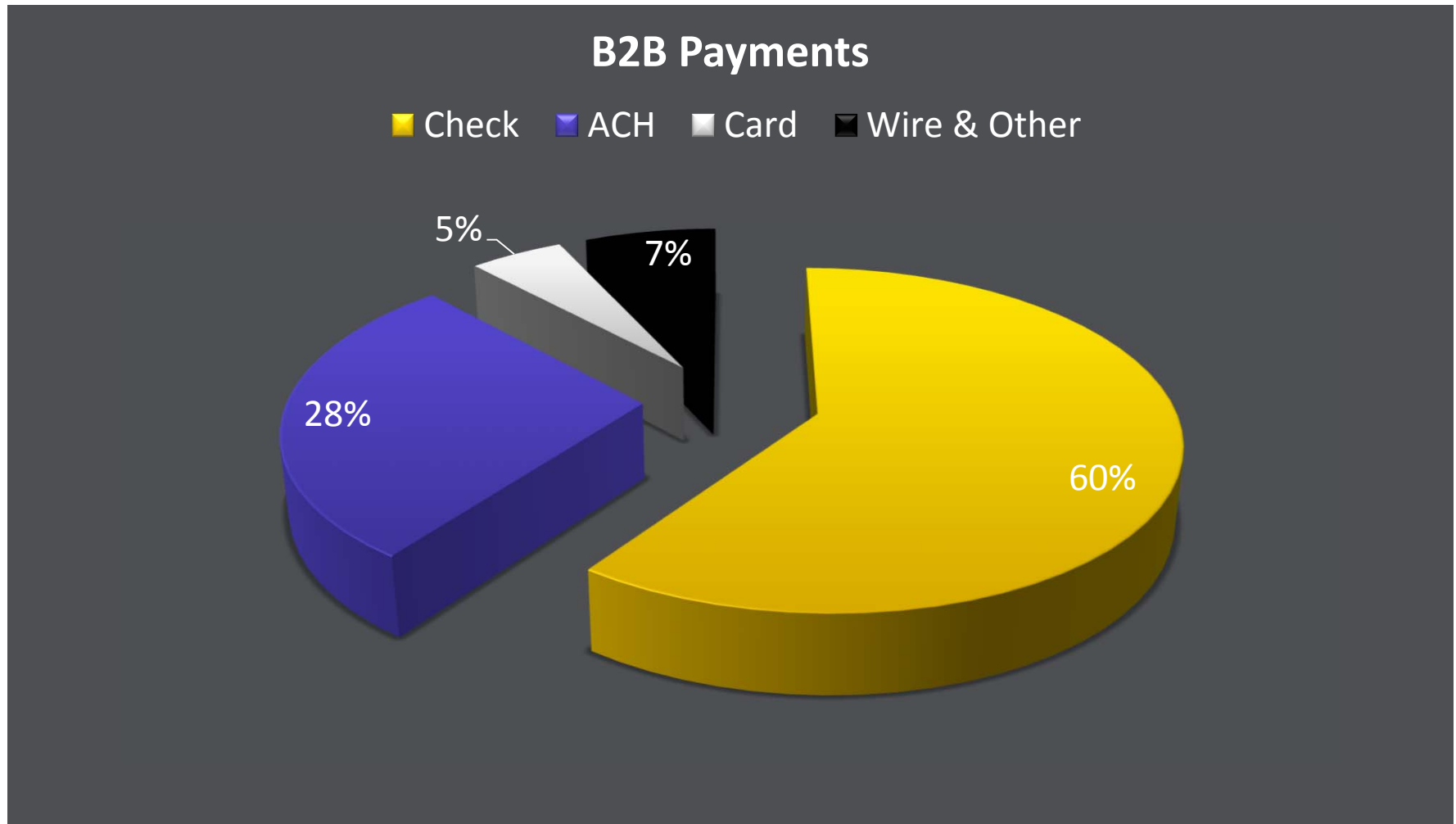
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# Commercial Card Growth

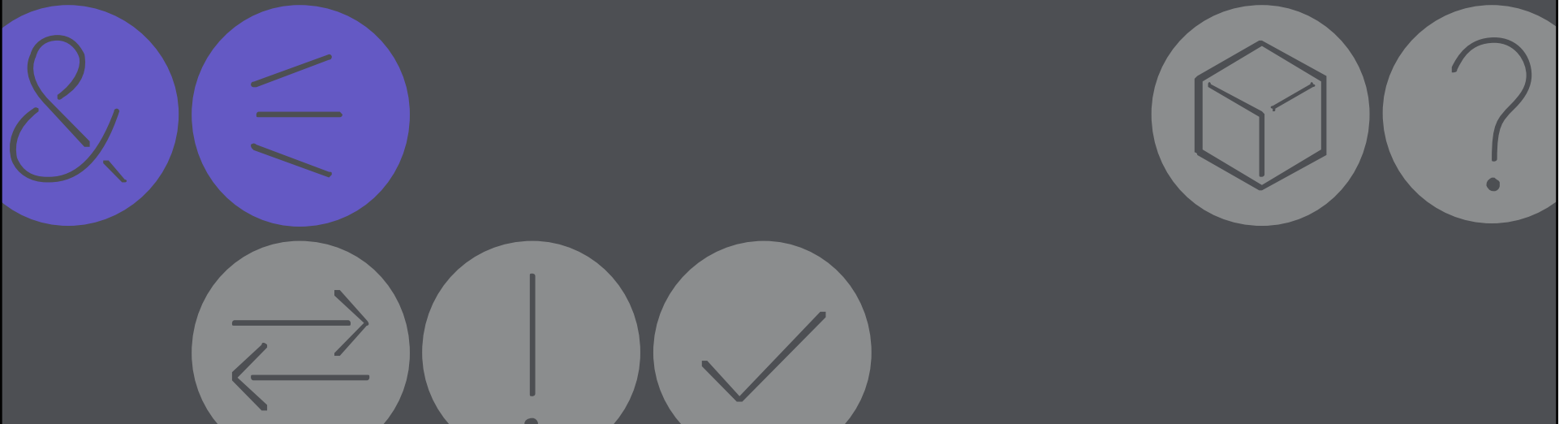
- Business/Commercial Card usage is increasing at a rate of 14% year over year. 2013 Federal Reserve Payments Study
- In 2008, \$665 billion worth of goods and services were purchased using Commercial Cards Getting Down to Business: Commercial Cards in B2B Payments, 2011
- Packaged Facts forecasts global Commercial Card purchase volume to grow by 13% in 2014 and in 2015, rising from \$1.4 trillion to \$1.79 trillion. David Morris, Packaged Facts, 04/02/2014\* In 2008 it the volume was \$665 billion.
- Annual Purchasing Card spending is expected to increase to \$290 billion by 2016 with an expected 8% to 10% compound annual growth rate (CAGR). RPMG Research Corporation\*
- The number of companies using virtual purchasing cards in 2014 is expected to increase 21%, as compared to 2012.\*
- In 2012, 37% of small businesses used credit cards to meet capital needs National Small Business Association Small Business Access to Capital Survey, 2012

# B2B Payments





# NETWORK SURCHARGE RULES







# Survey Questions

**If your company accepts credit cards, do you charge the customer a surcharge fee to offset card processing costs? 15%**

**Would your company like to have a solution that easily gives you the ability to surcharge the credit card payments? 63%**

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# What is a Surcharge?



A surcharge is an additional fee that a merchant adds on to a transaction when a customer uses a credit card for payment.



# Surcharging Operating Rules



- Effective January 27, 2013, U.S. merchants will have the option of adding a surcharge to Visa and MasterCard credit card transactions.
- Merchants who surcharge credit card transactions will be subject to the following requirements:

# Surcharging Operating Rules

- Visa and MasterCard will permit surcharging of **credit** card transactions only.
- The settlement does NOT change current restrictions on the surcharging of debit transactions (signature or PIN).
- Merchants will be able to surcharge credit card transactions at the brand level or product level.
  - › Brand Level = Merchant charges same % on all Visa and/or MC credit cards
  - › Product Level = Merchant charges a % on particular types, such as Rewards Cards, Signature, World Cards, etc.

# Surcharging Operating Rules



Merchants are only allowed to assess a surcharge that does not exceed their effective rate for the applicable credit card surcharged.



Merchants can surcharge up to their cost, capped at 4%.



# Surcharging Operating Rules

- Calculating the effective rate/surcharge amount:
  - › The average effective Interchange Reimbursement Fee rate plus the average of all fees imposed by Visa on the Acquirer or Merchant, expressed as a percentage of the Transaction amount, applicable to Visa Credit Card Transactions at the Merchant for the **preceding one** or **twelve months**, at the option of the Merchant
- Merchants that elect to surcharge must provide advance written notice to Visa, MasterCard, Discover, and the merchant acquirer 30 days prior to surcharging.

# Surcharging Operating Rules

- Merchants will be required to disclose their surcharge policy at the point of store entry....

We impose a surcharge on credit cards that is not greater than our cost of acceptance

...and the point of sale prior to the purchase transaction being completed.

We impose a surcharge of \_\_\_\_ % on the transaction amount on Visa and MC payments.

We do not surcharge Visa & MC debit cards.

# Surcharging Operating Rules

- The Surcharge amount must be included in both the Network Authorization Request and in Settlement.
- The Transaction Receipt must show the Surcharge amount separately on the front of the receipt in the same type font and size as the other items, after the subtotal (allowing for any discounts) and before the final Transaction amount.



# Surcharging Operating Rules

- American Express – A merchant must not impose a fee when the card is presented unless that fee is imposed equally on all other payment products, except for electronic funds transfer, cash, or check. **No registration required, no separate surcharge field/amount required in authorization or settlement.**
- Discover – A merchant may assess a surcharge on a card sale provided that (a) the amount of the surcharge does not exceed the merchant fee paid to Discover for the card sale and (b) the merchant also assesses surcharges on card sales conducted using other cards accepted by the merchant. **Same authorization/settlement requirements as Visa/MC.**

*The foregoing is based on general information available to Vantiv. Each merchant should check their own requirements with respect to the networks in which they participate.*

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# Surcharging Solution Example

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Dashboard Profile Menu Help Log Out

Process Transaction | View Transactions

**▼ Credit Card Information**

Friendly Name:	<input type="text" value="Matt Fluegge"/>	Name on Card: *	<input type="text" value="Matt Fluegge"/>
Card Number: *	<input type="text" value="xxxx-xxxx-xxxx-9275"/>	Card Brand: *	<input type="text" value="VISA"/>
Security Code Status:	<input type="text" value="Not Provided"/>	Card Security Code:	<input type="text"/>
Expiration Month: *	<input type="text" value="December (12)"/>	Expiration Year: *	<input type="text" value="2016"/>

Update Stored Credit Card

Customer Name: Matt's Supply Co.

Transaction Notes

Customer Notes: **Notes you want to pop up when choosing this customer, such as - do not charge more than \$10,000 on one transaction**

**▼ Cardholder Information**

First Name:	<input type="text" value="Matt"/>	Last Name:	<input type="text" value="Fluegge"/>
Title:	<input type="text" value="Manager"/>	Email:	<input type="text" value="matt.fluegge@vantiv.com"/>
Address Line 1:	<input type="text" value="5155 JB Farm Rd."/>	Address Line 2:	<input type="text"/>
City:	<input type="text" value="Sun Prairie"/>	Country:	<input type="text" value="United States"/>

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# Surcharging Solution Example

▲ Dashboard

▲ Administration

▲ Customer Accounts

▼ EC-Zone

▶ Credit Card Processing

Create Templates

Manage Templates

▲ Reports

▲ News & Information

Process Transaction | View Transactions

Notes: notes tied to the transaction, this transaction is being surcharged 2.50%

## Transaction Totals

Net Amount:	\$750.00
Sales Tax: <input type="text"/> %	<input type="text"/> \$0.00
Freight Amount:	<input type="text"/> \$0.00
Freight Tax: <input type="text"/> %	<input type="text"/> \$0.00
Duty Amount:	<input type="text"/> \$0.00
Surcharge Amount: <input type="text"/> 2.5  %	<input type="text"/> \$18.75
Total Amount (USD):	\$768.75

Update Template

Template Name:

Submit Transaction

Clear Transaction

# Surcharging Operating Rules

- Can merchants pick and choose how they will surcharge based on:
  - › Size of transaction **No**
  - › The customer/cardholder **No**
  - › Products being sold **Maybe...**

... MasterCard says: **A merchant with multiple business units/divisions may opt to impose a surcharge on credit transactions at all, some, or none of its business units/divisions. The lines of business must be distinct.**

# Violating the Surcharge Operating Rules

- Currently, all complaints are coming from the cardholder, but Visa has “secret shoppers” in the market place.
- Cardholder may initiate a MC chargeback / Visa compliance case to recover an invalid surcharge.
  - › MC = standard chargeback fees
  - › Visa = fee of \$2 up to \$600
- If the merchant fails to become compliant after notification:
  - › MC = up to \$25,000/month
  - › Visa = up to \$5,000/month
  - › Both can increase the fines until merchant is compliant

# Anti-Surcharging Legislation

- Several states laws currently prohibit or restrict surcharging. **Please consult your legal counsel for review of state laws and how they may or may not impact your ability to surcharge.**
- 10 states:  
**California, Colorado, Connecticut**  
**Florida, Kansas, Maine, Massachusetts**  
**New York, Oklahoma, and Texas**

# Convenience Fees vs. Surcharges



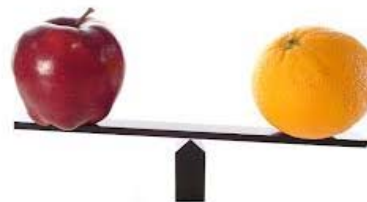
*The Convenience Fee Rules listed below are based on Visa's rules, as they are the strictest. Other rules apply if accepting only MC and AMEX*

## CONVENIENCE FEES

- Allowed only on CNP transactions
- Through an alternative channel from merchant's normal payment channel
- Fee is a flat or fixed amount
- Applicable to all forms of payment
- Disclosed prior to the completion of the transaction and the cardholder is given the opportunity to cancel. Included as part of the total sale.
- Allowed on credit and signature debit.
- Special programs for government and higher education

## SURCHARGES

- Allowed on CNP and CP transactions.
- Fee is a percentage of the sale
- Applies only to credit cards, not debit
- Competing brands should be surcharged, if contract allows.
- Disclosure surcharge policy
- Merchant must provide prior notice before implementation.
- Be mindful of state laws.



**\*Surcharges & convenience fees cannot be applied on the same payment.**

# Discounts



In the U.S. Region, any purchase price advertised or otherwise disclosed by the merchant must be the price associated with the use of a Visa Card.

A U.S. merchant may offer a discount as an inducement for a Cardholder to use a means of payment that the merchant prefers, provided that the discount is:

- \* Clearly disclosed as a discount from the standard price
- \* Non-discriminatory, as between a Cardholder who pays with a Visa Card and a cardholder who pays with a "comparable card" (MC, AMEX, Discover).



# Is the following allowed and in compliance with the Network Rules?

I am a B2B merchant and on our invoicing we currently offer a 5% discount if paid within 30 days (no matter what the payment type). I want to change our terms to 5% discount if paid within 30 days by cash and check & provide a 3.5% discount if payment is by credit card.

**Yes**

# Is the following allowed and in compliance with the Network Rules?

At this time we only accept credit cards for parts orders. We will not accept credit cards for custom manufacturing. Are we allowed to accept credit cards only on the parts orders and refuse credit card payments on custom manufacturing?

**Yes**



Whether you choose to impose a surcharge or not, merchants are looking to reduce the cost of card acceptance. How can this be done?



# Payment System

## *Roles & Responsibilities*



### Three key entities manage the payment system:

1

#### Issuers:

- Issue cards
- Assume buyer's credit risk
- Generate reports
- Provide customer service

2

#### Networks:

- Provide systems/operations
- Develop products
- Provide risk management
- Offer advertising and promotions
- Set standards and rules

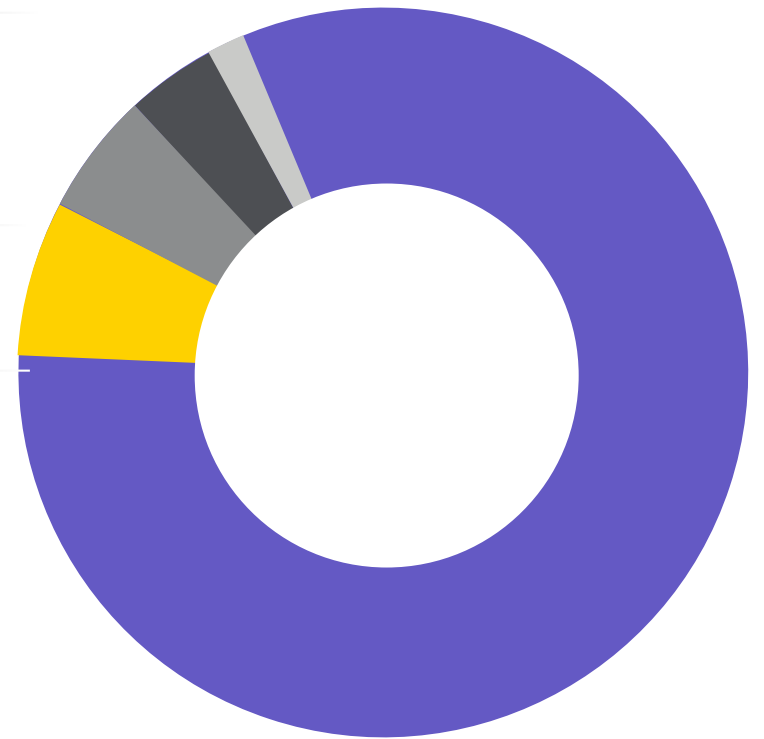
3

#### Acquirers:

- Sign up merchants
- Underwrite merchant risk
- Provide processing
- Handle authorization
- Manage Capture/Settlement
- Generate reports
- Provider customer service

# Fee Breakdown

- Interchange
- Network Assessments & Other Fees
- Processing Fee



# Interchange Management

## What is the Interchange Fee?

The largest cost component of a merchant transaction



Collected by Acquirer from the merchant for every Visa<sup>®</sup>, MasterCard<sup>®</sup>, and Discover<sup>®</sup> transaction.

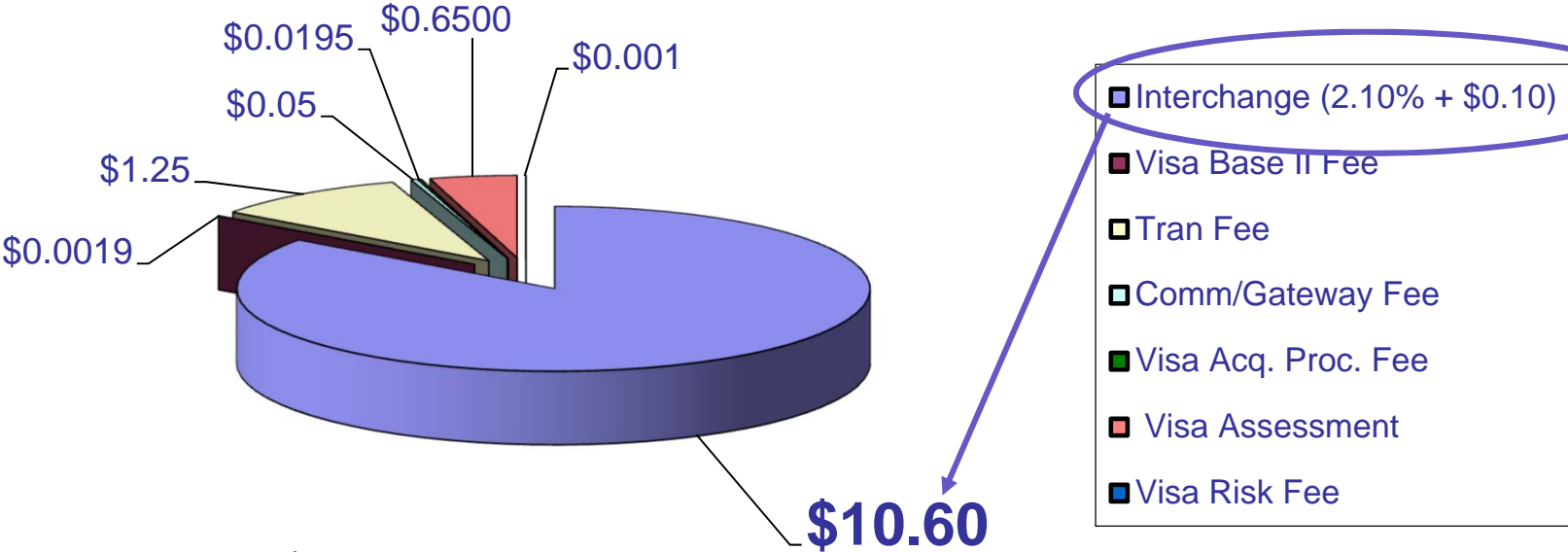


Passed through Visa, MasterCard, and Discover to the card Issuer.

NOTE: Does not include other network pass-through fees such as those for Dues & Assessments, Network Access & Brand Usage, Acquirer Processing, Network Settlement / Base II, Risk, etc.

# Fee Breakdown

## \$500 Visa B2B Transaction



Total Cost = \$12.57

**Interchange represents 84% of the cost of this transaction.**  
*\*Based on Average Ticket currently qualifying for the Visa Commercial B2B Business Card rate*

# Interchange Management

Fees are influenced by 3 key considerations



- B2B
- Travel & Entertainment
- Fuel
- Grocery
- Other Retail
- Recurring Payments
- eCommerce
- Restaurants
- Emerging Market

- Card Terminal
- POS Software Systems
- Virtual Terminal
- Automated Fuel Dispenser (AFD )
- Key Entry
- Emerging Technology

- **Consumer Cards**
  - Credit
  - Debit
  - Rewards
  - World
  - Signature
- **Commercial Cards**
  - Purchasing
  - Business
  - Corporate
  - Fleet



# Visa Business Card Not Present Transaction



**With AVS (Address Verification)**

2.10% + \$0.10

**Without AVS and Level II data**

2.95% + \$0.10

**0.85% Downgrade**

# Interchange Management



## Incentive Interchange Programs

- Commercial Cards – Level II / III
- Commercial Cards – Large Ticket



## Savings Opportunity:

- Decreased expense
- Increased profit

# Commercial Card – Data Levels



- **Level 1:**

- › Card number, expiration date, location information, Tax ID, AVS

- **Level 2:**

- › Sales Tax Amount
- › Customer Code
- › Sales Tax Indicator
- › Tax exempt transactions cannot qualify for Level 2, but they can qualify for Level 3

- **Level 3:**

- › Line Item Detail – invoice data such as quantity, description, dollar amount. This is not a comprehensive list of level 3 data requirements.



**The greater amount of data provided, the lower the interchange rate.**

# Level 3 Data Example

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Dashboard Profile Menu Help Log Out

Process Transaction | View Transactions

**▼ Credit Card Information**

Friendly Name:	<input type="text" value="Matt Fluegge"/>	Name on Card: *	<input type="text" value="Matt Fluegge"/>
Card Number: *	<input type="text" value="xxxx-xxxx-xxxx-9275"/>	Card Brand: *	<input type="text" value="VISA"/>
Security Code Status:	<input type="text" value="Not Provided"/>	Card Security Code:	<input type="text"/>
Expiration Month: *	<input type="text" value="December (12)"/>	Expiration Year: *	<input type="text" value="2016"/>

Update Stored Credit Card

Customer Name: Matt's Supply Co.

Transaction Notes

Customer Notes: **Notes you want to pop up when choosing this customer, such as - do not charge more than \$10,000 on one transaction**

**▼ Cardholder Information**

First Name:	<input type="text" value="Matt"/>	Last Name:	<input type="text" value="Fluegge"/>
Title:	<input type="text" value="Manager"/>	Email:	<input type="text" value="matt.fluegge@vantiv.com"/>
Address Line 1:	<input type="text" value="5155 JB Farm Rd."/>	Address Line 2:	<input type="text"/>
City:	<input type="text" value="Sun Prairie"/>	Country:	<input type="text" value="United States"/>

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# Level 3 Data Example

▲ Dashboard

▲ Administration

▲ Customer Accounts

▼ EC-Zone

▶ Credit Card Processing

Create Templates

Manage Templates

▲ Reports

▲ News & Information

Process Transaction | View Transactions

## ▼ Line Item Detail

Select Line Item

Product Code	Description	QTY	AMT	EXT AMT	UOM Code	CMDTY Code	Actions
01	TheCompany's Product	1	750.00	750.00	EA	32000000	

Add Line Item

## ▼ Tracking Information

Customer Ref Value:

Order Number:

Invoice Number:

Invoice Date:

User Defined Field 1:

User Defined Field 2:

User Defined Field 3:

Ship From Postal Code:

Shipping Company:

Tracking Number:

Notes:

# Level 3 Data Example

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Dashboard Profile Menu Help Log Out

▲ Dashboard | **Process Transaction** | View Transactions

Notes: notes tied to the transaction, this transaction is being surcharged 2.50%

▼ Transaction Totals

Net Amount:	\$750.00
Sales Tax: <input type="text"/> %	<input type="text"/> \$0.00
Freight Amount:	<input type="text"/> \$0.00
Freight Tax: <input type="text"/> %	<input type="text"/> \$0.00
Duty Amount:	<input type="text"/> \$0.00
Surcharge Amount: <input type="text"/> 2.5  %	<input type="text"/> \$18.75
<b>Total Amount (USD):</b>	<b>\$768.75</b>

Update Template

Template Name:

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# Interchange Rate Examples



## Visa Purchasing Card:



- Purchasing Standard 2.95% + \$0.10
- Purchasing Card Not Present (tax exempt) 2.65% + \$0.10
- Purchasing Card Present (tax exempt) 2.50% + \$0.10
- Purchasing Level II Rate (taxable) 2.05% + \$0.10
- Purchasing Level III Rate 1.85% + \$0.10
- Purchasing Large Ticket Rate: 1.45% + \$35.00

## MasterCard Business Card:



- Business Standard 2.95% + \$0.10
- Business Data Rate I (tax exempt w/ no L3) 2.65% + \$0.10
- Business Data Rate II (taxable) 2.00% + \$0.10
- Business Data Rate III 1.75% + \$0.10
- Business Large Ticket Rate: 1.20% + \$40.00

# Sample Transaction Costs: Interchange Expense



## Visa Purchasing Card: \$500 transaction



- Purchasing Standard (minimal data): \$14.85
- Purchasing CNP (tax exempt, w/out Level 3): \$13.35
- Purchasing Level II Rate (taxable): \$10.35
- Purchasing Level III Rate: \$ 9.35

**30% - 37%** cost reduction by processing Level III data vs. minimal data

## MasterCard Business Card: \$500 transaction



- Business Data Rate I (Level I): \$13.35
- Business Data Rate II (Level II, taxable): \$10.10
- Business Data Rate III (Level III): \$ 8.85

**34%** reduction in cost by processing Level III data versus Level I



# Large Ticket Interchange Expense

## Visa Purchasing Card: \$50,000 transaction



- Purchasing Standard (minimal data): \$1,475.10
- Purchasing CNP (tax exempt, w/out Level 3): \$1,325.10
- Purchasing Level II Rate: \$1,025.10
- Purchasing Large Ticket Rate: \$ 760.00

**43% - 48%** cost reduction by processing Level III data vs. minimal data

## MasterCard Business Card: \$50,000 transaction



- Business Data Rate I (Level I): \$1,325.10
- Business Data Rate II (Level II): \$1,000.10
- Business Large Ticket: \$ 640.00

**52%** reduction in cost by processing Level III versus Level I data

# Large Ticket Example



## MasterCard Business L4 Card: \$39,829.18 transaction

- **Data Rate I (tax-exempt)**      2.96% + \$0.10      **\$1,179.04**
- **Data Rate II (taxable)**      2.31% + \$0.10      **\$ 920.15**
- **Large Ticket (level III)**      1.51% + \$40.00      **\$ 641.42**



**45.6%** reduction in cost by processing Level III versus Level I data

## \$537.62 Savings



**B2B COMPANY – PROCESSING  
FEE SUMMARY**

	Current	NACM Program	Savings
Account 1 - Sept.	\$87,508.20	\$61,768.62	\$25,739.58
Account 1 - Oct.	\$63,681.35	\$45,615.82	\$18,065.53
Account 2 - Sept.	\$3,642.60	\$2,856.15	\$786.44
Account 2 - Oct.	\$2,866.23	\$2,266.81	\$599.41
Account 3 - Sept.	\$3,389.50	\$1,367.25	\$2,022.24
Account 3 - Oct.	<u>\$6,761.06</u>	<u>\$2,305.80</u>	<u>\$4,455.27</u>
<b>TOTALS</b>	<b>\$167,848.94</b>	<b>\$116,180.46</b>	<b>\$51,668.48</b>
* <b>EFFECTIVE RATE</b>	<b>3.14%</b>	<b>2.17%</b>	\$5,347,307.72 Visa/MC/Disc Sales
Effective rate = fees divided by Visa/MC/Discover Sales			
<b>AVG. MONTHLY SAVINGS</b>		<b>\$25,834.24</b>	<b>30.78%</b>
<b>TOTAL ANNUAL SAVINGS</b>		<b>\$310,010.91</b>	<b>SAVE</b>

## Level 3 Impact



Without Level 3 Data on tax exempt payments, merchants are paying on average 0.20% to 0.90% more than they could be on every Level 3 capable commercial card transaction.

# QUESTIONS???



→ Interested in a FREE interchange qualification analysis for attending today's presentation?

Email a copy of your company's recent monthly merchant services statement(s) to:

Matt Fluegge  
[matt.fluegge@vantiv.com](mailto:matt.fluegge@vantiv.com)

888-750-6361 (fax)

608-834-2539 (phone)



## THANK YOU!!

