



## Merchant Accounts... Who can understand the ins and outs ?

by Joel Meyer

Why does every client of ours squirm, fidget, mumble and start cursing under their breath when we bring up merchant accounts? Could it be the sheer complexity and hidden fees and, to put it mildly, outrageous pricing that merchant accounts get away with? I've got an MBA and a CFA, so for me, the self-proclaimed Financial Know-it-all at ASA, it only took a few years of in depth work and exposure to finally get a grip on these things. So I don't expect our clients to know or even want to know all the details about merchant accounts to avoid making mistakes when signing up for one. So what do you need to know before you look around for a merchant account? Let's see. How about we try and keep this to a somewhat lighter read instead of the 5-ton novel I could write about this nightmare.

### Important Points:

1. **Merchants fees you will get charged. Let's stay really basic and high level here:**
  - a. **Interchange or what is called discount rates:** this is the % of the total bill you process. Each type of card (debit, credit, rewards, corporate) has a different rate. Let's just leave it at that.
  - b. **Transaction fees:** this is a dollar charge, usually \$0.10 to \$0.75 per transaction. Every time you process a card, whether for a charge, a refund or to try again after mis-typing the numbers into the machine, you pay this fee.
  - c. **Monthly fees:** these could range from statement fees to batch fees to you name it. Easy to get lost here and spend \$30 to \$50 a month on these little get-you fees.
2. The merchant provider must make money or it goes out of business. So all that matters to it is that it makes money on your merchant processing. Thus transaction volumes are all that matter to it. Do you do lots of small transactions (i.e. think Redbox or iTunes) or, do you process millions of dollars every year (think Costco with average transactions over \$500). Those accounts mean cash money to merchant providers. If you aren't either one, you will end up paying more for your merchant processing. The more transactions and/or money you process, the more power you have to negotiate.
3. You know those rewards points you love to collect? Those miles? Those hotel upgrades? What? You thought the credit card companies gave that away for free? Get real! Wake up! The merchant pays for it. When a customer uses a Visa Signature Rewards card and earns huge points, you pay a HUGE rate. If the customer uses a debit card, you pay a low rate. That's it. Plain and simple.
4. **Gateways:** any e-commerce merchant account needs a "gatekeeper" to check the card and make sure it is okay to process (read: not stolen). Some merchant accounts have their own, custom built gateway. Others use the standard bearer of the industry, Authorize.net. A gateway has its own fees such as monthly fees and transaction fees.
5. **Refunds:** when you do a refund, you still lose all the fees you paid on the original purchase. So keep refunds to a minimum and institute a Refund Policy where you can recoup some of these costs when a customer makes the election to get a refund versus you providing a refund because you canceled a class.



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**What should you watch out for? This is as easy as I can make it.**

· If you are an organization that has LOTS of small dollar value charges (\$25, \$50, \$75), then Transaction Fees will make up most of your fees.

· If you are an organization that has bigger dollar value charges (\$200, \$500, \$1000), then the Interchange Fees will make up the bulk of your fees.

What type of organization are you? Focus on the fees that are the biggest impact to your bottom line and negotiate from there. There are hundreds of merchant providers out there. Competition is fierce. Which is great news for you, the merchant looking for a vendor.

**We wanted to focus on two things at ASA:**

1. **Be a Resource:** Offer ourselves as a resource to our clients. We deal with merchant accounts every day. So we know a lot! Pick up the phone and ask.
2. **Offer Flexibility:** Offer flexible options to our clients. We cannot possibly work with every merchant provider out there. But we carefully selected a choice few so our clients can have several options and take advantage of the competition in the market.

Merchant accounts are a complex beast that is vital to your organization. Don't let the complexity lull you into making mistakes. We are here to help so give us a call. **Administrative Software Applications, Inc.**



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( source: member Submission )

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