



As businesses attempt to become more efficient they look for ways to lower their costs. One item that often garners attention is the expense of credit card processing. To combat this, several programs have been launched to move the processing fees from the business to the customer. Let's look at how this can be accomplished.

THE TWO FORMATS

A Cash Discount is when a merchant offers a discounted price to their customers who pay with cash. This can be done one of two ways:

- 1 The merchant's displayed prices are discounted at the point of sale. For example, X item costs \$103.50 but it's \$100 if you pay with cash.
- 2 The merchant's displayed prices are the cash price and customers that do not pay with cash will have the cost adjusted ("reverse cash discount") when they pay. For example, X item costs \$100 but it's \$103.50 if you pay with a credit card. Since the customer is paying the cost of the credit card processing, it is sometimes called "Zero Fee Processing".

HOW DOES A REVERSE CASH DISCOUNT WORK?

Imagine a merchant is billed a flat 3.50% processing fee and non-cash paying customers have their purchases adjusted by 3.50%. On a \$100 sale, a non-cash paying customer would pay \$103.50 (that's \$100 + (\$100 * 3.50%)). The merchant's 3.50% processing fee is then assessed on the \$103.50 which is \$3.62. Note that the \$3.62 billed to the merchant is greater than \$3.50 charged to the cardholder. The merchant ultimately pays \$0.12 on the original \$100 sale because the \$3.50 charged to the cardholder will cover all but \$0.12 of the \$3.62 charged to the merchant.

We could leave the disparity intact and the merchant would pay just the 12 cents, or we could make it so that the merchant truly has zero cost for this transaction. We would bill the merchant slightly less than the adjustment to non-cash paying customers. In the example above, if the merchant was charged 3.38% on the \$103.50 transaction, it would cover the original \$3.50 charged on the \$100 transaction.

Regardless of which option the merchant chooses, they will need to hang signage at the point of sale disclosing the adjustment (or on their website at the checkout page). Depending on the particular platform selected, the signage would state something similar to this text: We offer a 3.5% discount to cash paying customers. All prices posted, displayed, and/or quoted represent the cash discount price. Customers who do not pay with cash will have their purchases adjusted at the time of sale.

INTEGRATION

Reverse fee processing is utilized on whatever payment platform you choose. You can choose from a normal credit card terminals, wireless terminals, and virtual terminals. Our technology partners integrate special software into your payment platform of choice that seamlessly reverse fees to the customer at the point of transaction. If a customer decides to use a credit card for their purchase only then will the additional non-cash fee be added directly to the transaction and reflected on the receipt.





COMPLIANCE

The ability to have the customers pay the processing fees is legal (even with medical practices and educational institutions) and fully compliant with card company regulations in almost every state. Regulations do require that the credit card fee and the price of the product/service must be processed together as one transaction. With our solution, the receipt shows the amount of the credit card fee as a separate line item. For example, \$100 (X item) + \$3.50 (fee) = \$103.50, and the cardholder pays a single \$103.50 transaction.

IS A CASH DISCOUNT PROGRAM RIGHT FOR YOUR BUSINESS?

It is important to note that none of these options are ideal for every business. For example, sit-down restaurants could never implement any kind of flipping the fee platform. However, many take-out food service businesses could easily have the customers pay the processing costs because it would not add more than a \$1.00 to the purchase price. One size clearly does not fit all, but we are more than happy to discuss these possibilities with you.

Our customers who did decide to flip the fees see an average savings of about 90% of what they were previously paying. Obviously, flipping the fee accounts for much of the 90%, however, just having this platform in place and known to the customers, this knowledge changes the customers' paying habits in favor of the business.

If you would like to discuss any particular option, comment on this paper, have us review your payment platform, or just say hi, please reach out to us.

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