



**Unveiling the true cost of payment processing**  
– and how we can save you money.



*It's All About Results!*

## MERCHANT ACCOUNT BASICS

With the advent of Internet and booming of e-commerce, it has become imperative for online business owners to have a reliable and flexible merchant account. A merchant account is nothing but a special account in a bank or a merchant account provider, where money from sales via credit card is routed and held before transfer to your business account. Any merchant who wants to take credit card orders must establish a merchant account since they are usually required for accepting customer credit card and electronic payments.

Setting up a merchant account usually involves approaching a bank or a merchant service provider. An agreement is then made between the credit card processing agent (service provider) and the business owner, which establishes the rules for accepting credit card purchases and transferring funds. Money may be transferred into your business account either as a real-time transaction or during different times in a 24-hour period.

Before you settle for a merchant account provider, you may, among others, want to consider the essential features provided such as fees for merchant services (it may be monthly or per transaction fees), gateway (the interface that connects your website to your merchant account) and the length of payment processing (the time taken to transfer money from the buyers account to your account). Whatever be the size of your business, you need the services of a good merchant accounts provider, as having a merchant account is a crucial part of e-commerce. More often than not, online shoppers drift over to other sites if your business site does not offer them their preferred choice of payment. And losing even a single customer can spell disaster for your business.

At JBD Consulting, we provide you advanced, efficient and flexible access to cost-effective merchant services - credit card processing solutions, credit card machines, and speedy online applications. Since we constantly monitor merchant account services, you can be sure that you always receive the best possible price on credit card processing solutions. We are confident in our ability to satisfy the needs of our clients and their customers. So, now you can truly offer customers more flexibility in online payments. Whether customers want to pay by MasterCard or Visa, it's their choice and let it be so. When you offer convenience of payment, you add another dimension to your business. Add that new dimension – get in touch with JBD Consulting for the best in merchant services.

## GUIDE TO SELECTING MERCHANT SERVICES

Choosing merchant account, like shopping, involves looking around, comparing various features, prices and services provided by merchant account providers. You have a choice of

opening a merchant account with a bank or with private merchant services providers. But, whichever you choose, ensure that it suits your business needs.

The Internet is flooded with numerous merchant account providers but to narrow in on the one that is right for you, you need to do a little research. To start with, make inquiries to some of the merchant services providers. You can get a good idea about the services provided, by the kind of response you receive. Take timely and unambiguous response as a green light signal and proceed ahead. Study the various charges levied and see its suitability for your business. In particular note if/how much the merchant accounts provider charges for:

- Application fees - for the application process
- Setup fees - fees once your application has been accepted
- Statement - fees charged for issuing monthly transaction statement
- Transaction fees - is it monthly, annually or per transaction
- Discount rate - percentage deducted for each product sold
- Fees for fraudulent transactions
- Reserve that you need to maintain in your account

Also look into these important aspects:

- Approval rating - read reviews and feedbacks on the company site
- Customer service
- Reliability and level of security provided
- Speed of service
- Clauses in fine print

Your credit history is an important aspect that merchant account providing companies will look into. Again, the acceptable level of credit history varies from one merchant services provider to another. If you find it difficult to find a service provider who accepts your credit history, the services of a broker could alleviate your problem. You may have to pay the broker an up front fee or a per transaction fee.

Whatever be your type of business or whatever your credit history, JBD Consulting guides and helps you to select a solution that is right for you. Your worries of finding a reliable and efficient merchant services provider ends right here - at JBD Consulting.

## **BENEFITS OF OBTAINING A MERCHANT ACCOUNT**

If you own a business online, irrespective of its size, you need to have a merchant account. Here are the reasons why:



- Obtaining a merchant account makes it easy for you to carry out financial transactions online. It provides efficiency to the business owner and convenience to the customer. Customer has a choice to pay in any medium including payments made via credit cards or electronic transfer of money.
- Your business boosts due to increased sales. Customers mostly spend more with a credit card than with cash or checks.
- You receive your payment instantly when your account can accept credit cards. When compared to conventional methods, the process of receiving a payment is simplified and faster since all transactions happen electronically. If you use a credit card machine to receive your payments, you can rest assured that the number of customer's buying your products or services will increase substantially and so will the money that flows into your account.
- With a merchant account you also gain from the shopping psychology. Customers trust more in the credibility of a business when they see that the business accepts credit cards. Customers think that the business is authentic and is trusted by credit card companies who they are associated with.
- When compared to the benefits you receive, the price you pay for the services of merchant account is hardly anything. Moreover there are many companies you can choose from based on your business type and unique requirements.
- A merchant credit card account is easy to open and operate and most account providers offer you 24/7 services. You also receive a unique user identity number and password, which ensures that only authorized persons have access to the account.
- With a merchant account, it becomes easy for you to maintain the financial documentation of your business. Since credit card payments come through the merchant account, organizing the financial database becomes more orderly and efficient.

A merchant account with one of our partners is sure to give you increased credibility and sales. The costs of opening a merchant account with one of our partners is easily affordable and hardly anything when compared to the profits it will bring to your business. Our ability to deliver low cost processing options make it easy for you to make the decision confidently. Use our services and see for yourself what difference it can make to your business.

## **REQUIREMENTS FOR GETTING A MERCHANT ACCOUNT**

The requirements for getting a merchant account vary from firm to firm. A bank is usually more stringent with their requirements when compared to other merchant account service providers, especially if the business is small. However, the basic requirements for opening an account with most merchant services providers are:

- Documents such as copy of your business license, business name filing, seller's permit, articles of incorporation, tax privilege license, trade references, copy of your driver's license or passport, vendor's license and business bank account. Merchant account providers also look into the type of business apart from its size and extent.
- An Internet gateway, which is required to connect to your merchant account. Gateways include credit card machines, merchant account soft wares etc. You could get more information about this from the merchant account provider.
- Fees are required to be paid during the set up stage and later, on monthly, yearly or per transaction basis. Processing fee may be levied on all card types for support and maintenance. Most companies have a host of payment plans that you can select as per your business needs.
- Once you have applied for the account it may take a while to get your account approved and set up. The time period may range from a couple of weeks to a month or more. If you don't want to end up in a long wait, it is advisable to find out about this aspect beforehand.
- Most merchant account companies check your credit history before letting you open an account with them. Here again, what may be acceptable may vary from firm to firm.

Apart from the basic requirements you may also want to look into these aspects to ensure that you make a right business decision:

- Avoid high up front fees, high discounts (i.e. the percentage commission the firm keeps), high monthly fees and expensive credit card processing software rental. Also check on the reliability and credibility of the merchant account provider.
- Assess beforehand your business processing needs, i.e. what type of card you want to accept (Visa, MasterCard, Discover or American Express), which firm is offering what features, and your monthly budget for the processing. Keep an eye on hidden charges that may be levied.
- Read through the merchant contract thoroughly. Never overlook the fine print. Also check the time period of transaction and the security offered.

We will make sure that you will not find the whole process of opening an account difficult or time consuming. You will be helped and guided to select a solution that is right for you. JBD Consulting will guide you towards a merchant account you had been looking for – an account, tailor made to your unique business needs!

## **RESPONSIBILITIES THAT COME WITH A MERCHANT ACCOUNT**

Opening a merchant account, gives you a lot of power. Hence it becomes imperative that you exercise utmost care in all dealings and follow rules set by the credit card associations. Failure to

understand and execute your responsibilities, apart from giving you problems may also end in the termination of your merchant account. When you accept credit cards from your clients, you store their credit card numbers in your database, and have the power to access their wealth. Hence you need to insure that you conduct your business ethically and maintain security of your client's data. You may use the credit card numbers from the database only to verify the facts.

That said, there may however, be many cases where in the client tries to outsmart you and gives you fraudulent credit card numbers. In a retail environment, the presence of credit card machines makes it possible for the credit cards to be inspected and swiped, which in turn ensures that no fraudulent payments are made. But in a complete online environment, it becomes impossible to inspect the card, swipe the magnetic strip or compare signatures. This sometimes results in the delivery of goods without payments being made by the clients. And that means incurring financial loss for your business. This usually happens when the site is new and the business owner doesn't understand the intricacies of e-commerce.

To guard against frauds, you need to ensure that payments are credited to your account before deliveries are made, especially in the case of high value products such as jewelry or electronic goods. You also need to ensure that you receive a confirmation of delivery, so that there is no scope left for false claims by clients.

Ensure that credit card processing or transactions are never done for another merchant. Although it may seem harmless, this can complicate transactions. Also buying your own goods or obtaining cash from one of your own credit cards, through your credit card processing system, is not a good idea. Avoid charging fee or surcharge for purchases paid by credit card and any tax that is required to be collected on a sale must be included in the credit card transaction rather than separately. It's best not to establish a minimum or maximum transaction amounts for credit card purchases.

Once you understand your responsibilities and take necessary precautions, you truly unravel the power of your merchant account. There's surely nothing to beat it, in speed, efficiency and convenience.

## **TYPES OF MERCHANT ACCOUNTS**

Based on your business type and size, you can choose from a variety of merchant accounts. These merchant accounts enable you to accept credit cards or electronic checks through various channels such as storefront, credit card terminal, on the Internet, via online credit card processing or on the telephone. Rates and fees may vary from firm to firm but are generally determined on business model classification. The most common types of merchant accounts are:

- Internet Merchant Accounts - This account is used for transactions over the Internet i.e. for business owners who have services or products advertised, marketed and sold online.



This account enables you to accept credit cards over the Internet. Your basic requirements in this include a payment gateway or virtual terminal and an account processor to process your credit card transactions.

- **Retail Merchant Accounts** – A retail merchant account enables you to use a credit card-processing machine. Credit cards of customers can be inspected, swiped and signatures can be matched before you accept payments. This type of account offers minimum scope for fraudulent payments since the credit card and details can be visually inspected.
- **Mail or Telephone Order** - Many business owners also offer the choice of placing orders by phone or mail. Although this often means higher risk of fraudulent activities, this kind of arrangement works best with restaurants and other service providers.

Apart from the aforesaid basic types, some firms also provide additional offshore merchant account (for a business spread globally) and high-risk merchant account (for businesses dealing in high value products) among many others. The kind of account you choose will largely depend on whether you sell products or services, have a global business or a small business, the risk you are willing to take as regards accepting payments and the budget that you can keep aside for the merchant account services fees/surcharges.

If you have a business spread over a large area and conduct most of your sales online, an Internet account can prove to be very useful, since it allows you to accept payments easily and fast. It also offers convenience to your customers. A little risk is involved here however, since physical checking of the credit card or the magnetic strip is not possible. If you want to steer clear of any fraudulent payments, the best option is the retail merchant account, which enables inspection of the customer's credit card, and matching of signatures before accepting payments. Whichever is your choice, ensure that it suits your business needs and contributes to your growth.

## **USING YOUR MERCHANT ACCOUNT:**

### **TERMINALS, GATEWAYS, AND PAYMENT SERVICES**

The process of e-commerce, starting from making orders online to receiving delivery, involves many processes. A merchant who wants to take credit card orders must establish a merchant account since it is required for accepting customer credit card and electronic payments. Once you have your merchant account ready, you need tools to transfer funds to your bank. Hence you need to have terminals and gateways. Terminals and gateways enable smooth and speedy financial transactions, irrespective of distance and geographical location. Terminals are broadly classified as physical terminals, software terminals, and virtual terminals.

A physical terminal consists of machines for receiving credit card and checks. Credit card machines, keypads or other equipments may be used for this purpose. At a physical terminal, the

credit cards of customers can be inspected, swiped and signatures can be matched before accepting payments. This type of terminal ensures that there are minimum fraudulent activities since the credit card and details can be visually inspected.

Software terminals, as the name suggests, uses software applications to accept credit card charges and credits. A computer is mandatory this system and it is used to transfer data to the processor using modem and telephone lines. It is a low cost alternative, but at the same time efficient and fast.

A virtual terminal uses the web browser and the Internet. This terminal performs the functions of checking and validating payments through a web page interface on the Internet. An Internet payment gateway is used in a virtual terminal to take the credit card information from the virtual terminal to the credit card processor, and returning the information of approval/disapproval. Gateways also store the client's credit card information on the processor's server. For efficient functioning, the payment gateway service must be compatible with the shopping cart package. Security maintained in this system is high, since the validation is done in a real time manner over the Internet.

The process of verification takes only a few seconds. On verification, the funds are received and the deliveries of goods may be done. In this system however, there is a certain amount of risk involved (for fraudulent payments), since physical and visual inspections of credit cards are not possible.

Payment services include all services such as web hosting to sell goods online, accepting credit card/debit card payments and using shopping cart system. Services may also include other features such as keeping track of customers orders and updating inventory among others.

## CREDIT CARD PROCESSING FOR INTERNET SHOPPING CARTS

**Credit card processing** is the process of getting the authorization of a credit card purchase when ordering online. Credit card processing online usually involves a payment gateway, a merchant account, and a **credit card processing** company. Processing of credit cards requires equipment and software. Equipment may include credit card machines, keypads or computers and software's used will depend on the type of merchant account, the type of products sold and the compatibility of the web site.

Many types of technologically advanced credit card machines are available these days that run programs to accept credit cards, accept debit cards, accept checks and ATM cards. Some also check guarantee, check verification and check truncation. Most are compact with built-in printer and capable of supporting the many technologically advanced credit card processing applications of merchant accounts such as credit cards, debit cards, checks, electronic transfers, phone cards, and smart cards. Modern credit card processing machines can be used in both retail and electronic environment to accept credit cards. When in a retail environment, the credit card may be swiped in the credit card machine, but it also has a keypad enabling manual keying of credit card numbers for Internet or ecommerce merchant accounts.



A shopping cart is the software used as a company website interface for online business. It is used as an online store, catalog and ordering mechanism. It allows clients to select products, review, modify, add and purchase online. Shopping carts may be sold as independent pieces of software so that companies can integrate them into their websites or they can come as a feature from a merchant accounts service.

Most commercially available shopping carts will have configuration settings that permit a number of gateway choices. The payment gateway checks the validity of the card and processes the transaction. In order that your shopping cart can work seamlessly with the payment gateway, a connection is established between the two. Since each connection is different, carts usually support a limited number of payment gateways. Although most support more than one gateway, the choice of payment gateways will be limited by the shopping cart you use. For your business, you need to choose a merchant account that works with both i.e. your payment gateway and your shopping cart.

Our clients are delivered options for complete merchant account services that enable them to begin processing credit cards immediately. Speed, efficiency and reliability – with JBD Consulting it is “All About Results!”

## **WHAT TO LOOK FOR IN A CREDIT CARD PROCESSOR**

When you buy a product online, a lot goes on behind the screens. The shopping cart program gathers the order information and compiles them into a form that the credit card processing company accepts. If the credit card is cleared for purchase, information is received from the company and fund transfers are initiated. The customer receives information of acceptance and deliveries are made. Credit card processing is what occurs behind the screens. It is nothing but the process of getting the authorization of a credit card purchase when ordering online. And that explains how a credit card processing company plays a major role in e-commerce.

When looking for a credit card processing company for your business, make sure that you look into every aspect. Look for credit card processing companies that have been in the business for a while and have a good reputation. This is perhaps the best way to avoid fraudulent companies who may lure you with low overall fees, but may cause great business losses. And also ensure that your credit card processing company accepts most credit cards such as Visa, MasterCard, American Express, Discover, and also debit cards.

The fees and prices charged by credit card processing companies may vary. However, the most commonly charged fees are:



### **Transaction Fee:**

As the name suggests, it is the fee charged for a transaction. Check from the credit card processing company if/the amount of fees, they charge for the type of merchant account you want.

### **Discount Fee:**

This is the regular percentage charged per transaction. A higher discount rate would mean adding extra expenses to your business. Also look out for credit card processing companies that may offer low discount fees but compensate by charging high amounts for their application fees and statement fees.

### **Upfront Fee:**

Most credit card processing companies charge up front fees in the form of application fees, set up fees or software fees. Find out beforehand as to what are the up front fees the company charges and compare them with those of other companies.

### **Monthly Fee:**

Despite charging other fees, some credit card processing companies also additionally charge monthly fees. This would generally imply that whether or not you use the service, you may need to pay a predetermined amount every month.

Apart from the afore-mentioned, some companies may also charge gateway fees for online business or other types of fees. Before deciding on your credit card processing company, it's best to compare all the features and select the one that works best for your business.

## **TIPS TO SELECT BEST CREDIT CARD PROCESSOR FOR YOUR BUSINESS**

Different types of companies offer credit card processing for businesses. Among them, banks are the most well known. Banks however, strictly scrutinize your business before accepting your application. So, if yours is a small or a start-up business, chances are dim that a bank will oblige. The other type, third party processors, accepts credit cards and carries out all the aspects of transactions. Independent sales organization is yet another type of credit card processing company that is actually a registered credit card merchant broker. They often represent one or more third party processors. They too accept credit cards and carry out all transactions. Some companies have trouble obtaining a credit card merchant status due to the type of industry. For such companies, associations such as business and trade associations, offer efficient credit card merchant processing.

Whichever you may choose, a good credit card processing company can make a marked difference to your business. It makes the whole process of online shopping a pleasure for the customers and for the business owners it provides the best combination of speed and functionality. Selecting a good company is not too difficult if you follow these simple tips:

- Look for credit card processing companies that have been in the business for a while and have a good reputation. This is perhaps the best way to avoid fraudulent companies who may lure you with low overall fees, but may cause great business losses. Carry out a little research and study the track records before deciding.
- Check out all the types of fees the processor charges. Most business owners tend to check only the discount rates (the regular percentage charged per transaction). Although this is important, you also need to compare other fees and charges such as transaction fees, monthly fees, up front fees, software fees, gateway fees or any other. Some credit card processing may try to fool you with low discount fees and charge exorbitantly for their application fees and statement fees. Watch out for these.
- Ensure that your credit card processing company can accept credit cards such as Visa, MasterCard, American Express, Discover, and also debit cards.
- Your credit card processing company must be able to provide speedy and round the clock service. The statements and procedures must be easy to understand.
- Check out about the processing equipment offered by your credit card processing company. Find out also if you will be trained to use the equipment well and understand the responsibilities you have as a business owner.

Our clients are provided advanced efficient and flexible credit card processing solutions. Since we constantly monitor the market, our clients can be sure they always receive the best possible solutions.

## **THE NUTS AND BOLTS OF CREDIT CARD PROCESSING**

Credit card processing online usually involves three components - a payment gateway, a merchant account, and a credit card processing company. Additionally equipment and software are also required. Equipment may include credit card machines, keypads or computers and software's used depend on the type of merchant account and compatibility of the web site.

So, what happens behind the screens even as you swipe a customer's credit card to make a sale? The card number and amount are sent to the credit card processor (an organization, which pro-



vides credit card processing services). From here it goes to the credit card computer network and from there to the bank that issued the credit card. The account is checked, verified and then information is received about the authenticity of the credit card. The issuing bank makes the appropriate payments for the customer and credit card processing company credits the merchant account for the transaction amount. A sale is complete.

Before you can accept payments online however, you need to open a merchant account. Setting up a merchant account usually involves approaching a bank or a merchant services provider. An agreement is then made between the credit card processing firm and the business owner, which establishes the rules for accepting credit card purchases and transferring funds. Money may be transferred into your business account either as a real-time transaction or during different times in a 24-hour period.

Terminals and gateways are the components that enable smooth and speedy financial transactions. Terminals are broadly classified as physical terminals, software terminals, and virtual terminals. An Internet payment gateway is used in a virtual terminal to take the credit card information from the virtual terminal to the credit card processing company, and check authenticity. Gateways also store the client's credit card information on the processor's server.

There are a number of companies you can consider when looking for a credit card processor such as banks, third party credit card processing companies, independent sales organizations, financial service providers and associations. Banks are often stringent especially when it comes to a small or a start-up business. For the others, you need to do a research on the features provided and fees charged for various services, before deciding.

If, for your business, reliable and efficient credit card processing solutions are what you are looking for, your answer is JBD Consulting. You can get any account with ease, be it Internet merchant accounts, wireless merchant account or retail merchant account. Accept any credit card quickly and easily - Visa, MasterCard, American Express and Discover, etc. Benefit from our network of service providers. There is a whole new world of attractive credit card processing solutions waiting for you at JBD Consulting!

**JBD Consulting**

**Recommends “True Pricing Methods”**

**to Help our Clients**

**Demystify Credit Card Processing Fees/Charges**



What is your rate?" This is the most commonly asked question by businesses looking to accept credit cards or change providers. However, the more important question that merchants should be asking is, "How much will it cost me to process credit cards with you?"

***Price structure and overall cost is significantly more important than a rate quote.***

"Whether you choose to use our services or not, we encourage you to take a moment to review this document; it exposes unfavorable pricing structures used by most Merchant Account Providers.

Traditionally, a simple, easy-to-reconcile merchant services rate structure or True Pricing was reserved for large businesses with high leverage. JBD Consulting affords its clients the ability to level the playing field by granting them access to a True Pricing merchant services model, and in the process take the mystery out of the cost of card acceptance.

If you were asked what it costs your business to accept credit cards, odds are you would not be able to give an accurate figure. All of the fees associated with processing credit cards can be very confusing. To make matters worse, Merchant Account Providers profit from making fees difficult to understand; it enables them to charge more.

**Business owners are frequently puzzled by service rates and fees. They wonder:**

1. Why am I charged different amounts depending on the type of card used.
2. Who keeps the 1.5% to 3.0% of my hard-earned sales that are siphoned away as "surcharges" and "fees"?

**The answer to these questions revolves around "Interchange" and "Dues and Assessments".**

## ***INTERCHANGE***

*(What issuing banks collect)*

Interchange is a fee that Visa and MasterCard require merchants to pay card-issuing banks (e.g. Capital One, Citibank, Chase, etc.) for accepting their credit and debit cards. It is comprised of a series of a series of over a hundred different rate categories, containing requirements which must be satisfied in order for a transaction to qualify for a specific rate.

The rates are set collectively by banks that have a vested interest in Visa and MasterCard since many issue both credit and debit cards. The bulk of interchange fees are paid to issuing banks and are collected from merchants via Merchant Account Providers. The fees are deducted after merchants submit transactions for processing.





What criteria are used to determine interchange rates? Interchange rates are established at different levels for a variety of reasons but are based primarily on the level of risk involved in the transaction.

## ***DUES & ASSESSMENTS***

*(What Visa and MasterCard collect)*

Factors that effect interchange rates include:

- The type of card used (rewards or standard)
- The type of transaction (credit or debit)
- How the transaction was initiated (card-present or card-not-present)

Dues and assessments are membership fees paid by financial institutions to Visa and MasterCard to finance their roles in the following:

- Setting rules
- Establishing pricing
- Marketing/branding
- Network operations
- Technology development, fraud management, and much more

Dues and assessments have no categories, rules, or criteria. They are simply a set percentage of the amount of the sale and are the same for every transaction processed. As of March 2008, Visa's dues and assessments fee is .0925% of the transaction while MasterCard's is .0950%.

## **PRICING STRUCTURE SCHEMES**

### **Bucket Pricing**

Merchant Account Providers traditionally charge for transactions using tiered pricing schemes commonly referred to as "bucket pricing". In bucket pricing, the 100 plus levels of interchange are separated into "buckets" commonly labeled qualified, mid-qualified and non-qualified.

Transactions (where consumer credit and debit cards are swiped) will be charged the base rate (lowest fee) and likely hit the "qualified" bucket. Higher-rate transactions commonly referred to as "downgrades" will be charged more and labeled mid-qualified or non-qualified.

### **Problems with Bucket Pricing Schemes**

Merchant Account Providers use their own discretion to determine what buckets the 100 plus

categories of interchange will be separated into. And, it is often not defined in a merchant's agreement with the Merchant Account Provider. Since the criteria for this decision is proprietary, inconsistencies are common between providers. This makes it nearly impossible for merchants to accurately compare pricing from one provider to the next. Transactions that would land in the mid-qualified bucket with Provider A, may land in the non-qualified bucket with Provider B.

Additionally, Visa and MasterCard make adjustments to interchange categories once or twice a year. These increases usually affect only one or two interchange rate categories in a bucket.

The increases negatively affect businesses by raising the cost of card acceptance and give merchant account providers an opportunity to raise rates on entire buckets. Finally, under bucket pricing each bucket is priced high enough to cover the cost of the transaction type with the highest actual interchange fee. Consequently, merchants pay higher fees for all other interchange types in the same bucket.

### A View Into a Mid-Qualified Bucket

Merchant Account Providers using bucket pricing generally place the transaction types shown in the table below into a mid-qualified bucket. Let's examine the actual interchange charges for a \$100 purchase across these transaction types and compare the actual costs to the price charged to the merchant.

Business Card Electronic Interchange Rate Processing			
Purchase Amount	Interchange	Dues & Assessments	Actual Processing Cost
\$100.00 X	(2.40% + \$0.10)	+ .0925%	= \$2.59

A customer initiates a purchase that qualifies for the Business Card Electronic interchange category of (2.40% + \$0.10) + .0925%.

This rate is also the most expensive in the bucket with an actual processing cost of \$2.59 for the \$100 transaction. Because Merchant Account Providers using bucket pricing schemes assess the same fee for all transactions in the mid-qualified bucket, (2.65% + \$.25), the merchant is charged \$2.90 to process the transaction. The Merchant Account Provider makes a profit of \$0.31 on this transaction.

CPS Retail Key Entry – Check Card Interchange Rate Processing Formula			
Purchase Amount	Interchange	Dues & Assessments	Actual Processing Cost
\$100.00 X	(1.60% + \$0.15)	+ .0925%	= \$1.84

Had the customer's transaction qualified for the least expensive rate in the bucket, CPS Retail Key Entry – Check, the actual processing cost of the \$100 transaction would have been (1.60% + \$0.15) + .0925% or \$1.84. However, the merchant would have still paid the

bucket rate (2.65% + \$0.25) and been charged \$2.90. In this example, the Merchant Account Provider would profit \$1.06 on the transaction!

Traditional Bucket Pricing			Interchange + Dues & Assessments ( I/A)		
Transaction Type	Mid-Qualified Bucket Price	Total Merchant cost on \$100.00 Transaction	Interchange	Dues and Assessments	I/A Cost on \$100.00 Transaction
CPS Retail Key Entry - Check	2.65% + \$.25	\$2.90	1.60% + \$0.15	0.0925%	\$1.84
CPS Card Not Present	2.65% + \$.25	\$2.90	1.85% + \$0.10	0.0925%	\$1.99
EIRF Check	2.65% + \$.25	\$2.90	1.75% + \$0.20	0.0925%	\$2.04
Signature Rewards 2	2.65% + \$.25	\$2.90	1.90% + \$0.10	0.0925%	\$2.09
Commercial Card Non T&E Level 2	2.65% + \$.25	\$2.90	2.00% + \$0.10	0.0925%	\$2.19
Commercial Card - B2B	2.65% + \$.25	\$2.90	2.10% + \$0.10	0.0925%	\$2.29
Corp. Card Electronic	2.65% + \$.25	\$2.90	2.20% + \$0.10	0.0925%	\$2.39
Business Card Electronic	2.65% + \$.25	\$2.90	2.40% + \$0.10	0.0925%	\$2.59

## True Pricing

**There is an alternative to bucket pricing available through Element Payment Services.**

True Pricing or “pass through pricing” is the answer to unveiling the mystery around card acceptance costs. Under this unique rate structure, JBD Consulting clearly identifies actual Visa and MasterCard fees and plainly shows our exact mark-up (profit).

***True Pricing is the most transparent way to charge for processing credit cards.***

**The costs of payment processing are revealed, easy to understand, and will save your business money.**

Under the True Pricing billing structure, the actual Visa and MasterCard charges for processing are passed through to the merchant, without mark-up as

previously mentioned. When Visa and MasterCard raise interchange rates, only the categories that are affected are increased, not an entire “bucket” containing the many interchange categories that may not have been impacted.

## How Are Rates Determined With True Pricing?

Rates are based on a merchant's Visa and MasterCard average monthly dollar volume and average ticket (sale amount). Using these variables, the True Pricing rate is determined upfront at the time a merchant signs a contract for processing services and remains effective throughout the term of the agreement.

## Price Comparison Between Bucket Pricing and True Pricing

In the previous example, we compared what a merchant would pay to process a \$100 purchase landing in the mid-qualified bucket to the actual cost of processing the transaction. Now, we'll compare True Pricing to bucket pricing using the same transaction criteria.

The table below shows how the merchant on a True Pricing model would pay \$0.61 less to process the same Visa key-entered check card than a merchant on a bucket pricing model.

	Bucket Pricing	True Pricing
Transaction Type	Key-entered Visa Check Card	Key-entered Visa Check Card
Sale Amount	\$100.00	\$100.00
Interchange Rate	N/A	1.60% + \$0.15
Dues and Assessments	N/A	.0925%
Processing Fee	2.65% + \$.25	35% + \$0.10
Math	$[\$100.00 \times 2.65\%] + \$0.25$	$\$100.00 \times [(.35\% + \$0.10) + (1.60\% + \$0.15) + .0925\%]$
Cost of Merchant	\$2.90	\$2.29
<b>True Pricing Savings</b>		<b>\$0.61</b>

## Additional Comparisons: Mid-Qualified Bucket Pricing vs. True Pricing

(Each transaction is based on a \$100 Visa purchase assigned to a mid-qualified bucket)

The bucket below further illustrates the advantages of True Pricing. In this snapshot, merchants on True Pricing save on average \$0.32 per transaction.

When you factor in annual processing volume, it's easy to see how True Pricing can result in significant savings for merchants.

# SUMMARY

	Traditional Bucket Pricing		Interchange + Dues & Assessments (I/A)			True Pricing (I/A + True Pricing Charge)		Comparison
Transaction Type	Mid-Qualified Bucket Price	Total Merchant cost on \$100.00 Transaction	Interchange	Dues and Assessments	I/A Cost on \$100.00 Transaction	True Pricing Charge	True Pricing Cost on \$100.00 Transaction	Merchant Savings
CPS Retail Key Entry - Check	2.65% + \$.25	\$2.90	1.60% + \$0.15	0.0925%	\$1.84	.30% + \$.10	\$2.24	\$0.66
CPS Card Not Present	2.65% + \$.25	\$2.90	1.85% + \$0.10	0.0925%	\$1.99	.30% + \$.10	\$2.39	\$0.51
EIRF Check	2.65% + \$.25	\$2.90	1.75% + \$0.20	0.0925%	\$2.04	.30% + \$.10	\$2.44	\$0.46
Signature Rewards 2	2.65% + \$.25	\$2.90	1.90% + \$0.10	0.0925%	\$2.09	.30% + \$.10	\$2.49	\$0.41
Commercial Card Non T&E Level 2	2.65% + \$.25	\$2.90	2.00% + \$0.10	0.0925%	\$2.19	.30% + \$.10	\$2.59	\$0.31
Commercial Card - B2B	2.65% + \$.25	\$2.90	2.10% + \$0.10	0.0925%	\$2.29	.30% + \$.10	\$2.69	\$0.21
Corp. Card Electronic	2.65% + \$.25	\$2.90	2.20% + \$0.10	0.0925%	\$2.39	.30% + \$.10	\$2.79	\$0.11
Business Card Electronic	2.65% + \$.25	\$2.90	2.40% + \$0.10	0.0925%	\$2.59	.30% + \$.10	\$2.99	\$(0.09)
Average Merchant Savings with True Pricing								\$0.32

In summary, with the True Pricing structure each and every interchange category carries a consistent margin providing the business with:

- The most competitive pricing
- Lowest processing costs
- A set, disclosed and consistent profit margin
- An understanding of the exact impact from interchange increases/decreases.

For more direct examples of how True Pricing can result in savings for you, contact us today at (646) 926-6733, or [info@jbdconsulting.us](mailto:info@jbdconsulting.us), to become a client and take advantage of True Pricing Programs and reduce your costs of card acceptance.

