

ONLINE PAYMENTS PROCESSING: HOW PRICING REALLY WORKS

Here's what you're paying for, and what types of fees you can expect.

FEES

Let's say you just sold a (snazzy) pair of high tops for \$100. To process that transaction, you'll pay several fees.

INTERCHANGE FEE

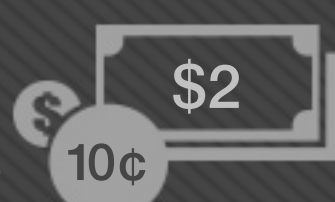
When your customer uses a credit card to pay, the bank that issued the card charges a fee, usually a percent of the sale amount and a fixed transaction fee. If it's 2% + \$0.10, you pay...

ASSESSMENT FEE

Associations such as Visa or MasterCard will also charge a fee. If it's 0.1% + \$0.02, you pay...

MARKUP FEE

Everyone else who moves the transaction through the network, such as your merchant bank, gateway and payments processors, will also charge a set of fees. If it's 0.25% + \$0.10, you pay...



+



+



In the case of the \$100 high tops, the fees were \$2.57. That's \$97.43 in your pocket.

\$2.57

MARKUP FEE PRICING STRUCTURES

Markup fees are the only fees that are negotiable. Generally, they're structured in one of three ways.

A

FLAT RATE

You pay one flat rate for every transaction, which covers all the fees mentioned above.



Processing fee (% of transaction)

+



Transaction fee (fixed charge)

B

INTERCHANGE PLUS

Your payment processor adds a fixed markup on top of the interchange fee, instead of bundling a fee directly into the interchange.



Interchange fees

+



Markup fees

C

TIERED

The processor lumps fees into one of three buckets, based on many different factors. For example:



Qualified — for credit card swipes



Mid-qualified — for key-entered transactions, some specialty cards, and others



Non-qualified — for all other transactions, including online sales

WATCH OUT!

Some processors charge additional fees or offer teaser rates to entice you.



CANCELLATION FEE

Look out for any charges to terminate a contract—especially if you were unhappy with the service.



WITHDRAWAL FEE

Beware any fees for moving funds from your payment processing account to your business bank account.



TEASER RATE

Avoid being lured into a tiered pricing program by a low rate. The rates you end up paying for your transaction types may be higher.

IT PAYS TO DO YOUR HOMEWORK. Know your pricing models, and read the fine print, so you find a payment processor that's right for your business. And if you happen to sell high tops, we'll take a pair!