



Media Release

SMEs join the rush to credit card surcharging

(21 March 2006 – Australia) SMEs and middle market companies appear intent on emulating large corporates by surcharging on credit card transactions, new research by East & Partners shows.

East's latest six monthly Merchant Acquiring & Cards report reveals the number of companies across all market segments saying they are "planning to apply a surcharge" within the next six months has increased dramatically.

The report finds that 16.6 percent of Commercial (middle market) companies are planning to add a surcharge compared with 14.4 percent just six months ago. SMEs are also following suit with 14 percent saying they will apply a surcharge, up from 13.1 percent six months earlier.

The Top 500 Corporate segment continues to lead the charge with 19.4 percent saying they will surcharge.

The average surcharge for Corporates, Commercials and SMEs has decreased over the past six months.

"Merchants have recognised surcharging as a potential form of income and this is increasingly the case for smaller and middle market businesses, who having no doubt been on the receiving end of surcharging themselves from a telco or airline, have asked 'why don't we do it?'" East & Partners principal analyst Paul Dowling said.

"Given that surcharging is increasingly on the agenda for merchants, it will be worth keeping an eye on whether merchants actually start encouraging customers to pay by credit card, particularly in cases where terminals are not present at point of sale. We could see further change in customer payments behaviour being encouraged at point of sale.

"If customers have no other option than to pay for goods and services at a merchant's website, for example, it doesn't leave them much room for avoiding paying a surcharge," Mr Dowling said.

"The Reserve Bank of Australia re-regulation assumed merchants wouldn't surcharge as this would push customers away, but the surcharging sea change that is taking place now seems to be having the opposite effect," he said.

The report shows that while cash and cheque payments continue to fall across all market segments, website based payments are increasing, with this component set to reach 10 percent in the Corporate segment within the next 12 months.

Receivables Transaction Behaviour – Corporate Customers			
	Average % of Total Annual Receivables		
	June 2005 (N: 407)	December 2005 (N: 403)	June 2006 (estimated)
Debit Cards (terminal based)	13.5	15.0	16.6
Credit Cards			
Terminal Payments	19.6	20.7	20.9
Website Based	7.3	8.0	8.9
IVR	6.3	5.2	4.8
Mail	5.8	5.5	5.1
Other	1.7	1.3	1.1
Cash / OTC	10.4	10.2	9.2
Cheque	26.1	24.2	23.1
Direct Credits and Standing Orders	9.3	9.9	10.3
TOTAL	100.0	100.0	100.0

- CorporateA\$340 million plus
- Commercial.....A\$20-340 million
- SMEA\$5-20 million

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