

Credit card surcharges increasingly common

(4 August 2008 – Australia) A growing share of merchants are choosing to apply a surcharge on credit card payments according to the latest Merchant Acquiring and Card Markets report from East & Partners.

Surcharging is most common at the top end of town where up to 26 percent of merchants have already introduced surcharges and a further 38.7 percent are planning to do so in the coming months.

But even the smallest of merchants have embraced surcharging. More than 11 percent of Micro Business merchants – those with annual turnover between A\$1 million and A\$5 million – now apply surcharges, up from 5.3 percent in June last year.

The latest report has also found that transaction charges paid by merchants, known as merchant service fees, have begun to stabilise after a period in decline.

“Only about 21 percent of merchants saw a recent decrease in their merchant service fees,” said East & Partners’ financial markets analyst Zoran Knezevic.

This is down from more than 90 percent of merchants reporting such fee decreases back in December 2007.

Moreover, 18.9 percent of SME (A\$5 million to A\$20 million turnover) and 22.5 percent of Micro Business merchants said their fees actually went up, a substantial increase from about one percent of these merchants reporting fee increases six months ago.

“Australian consumers’ affair with credit cards is all but over and credit cards still account for a large share of merchant receivables,” Mr Knezevic said.

“Merchants’ banks have been facilitating these credit card payments at transaction fees which have been relatively steady for the past two years and are finding it increasingly necessary to bump up these charges,” he continued.

High volume and higher fees mean that costs of accepting credit card payments will start to add up for merchants, giving them further cause to surcharge credit cards.

“This will be especially felt by small merchants who pay more to accept card payments and surcharge mainly to recover the cost of accepting credit cards,” Mr Knezevic said.

“In theory, the rise in surcharging should produce a shift from credit cards to other forms of payment which are relatively less costly.”

“Although credit cards are declining as a source of merchant receivables, this decline has been relatively slow,” he concluded.

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About East & Partners' Merchant Acquiring and Cards Market Program

East & Partners' Australian Merchant Acquiring and Cards Markets program is an ongoing six-monthly research service designed to deliver accurate market intelligence on Australia's merchant acquiring and cards markets. The report provides a range of relevant analytics including clear measures of competitive market share, customer satisfaction performance and merchant churn and is based on a structured sample of the merchants in each segment, reflecting the actual distribution of merchants by industry and geographic location.

The segments covered in this research program, based on merchant turnover, are:

- Institutional (Top 500)..... A\$340 million plus
- Corporate A\$20–340 million
- SME..... A\$5–20 million
- Micro Business..... A\$1–5 million

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