

## Top Story

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### Do you pay too much for payments?

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By Jason Bryce

Many small and medium sized businesses are wasting money on merchant fees.

The rules have changed and there are more competitors in the market, and big savings to be made if you know where to look.

Reserve Bank regulation of the payments system has forced financial institutions to lower their interchange fees and loosen restrictions on merchants who accept their cards.

In the past, the banks had the market largely to themselves and competition was negligible. The deals from banks were so expensive that Coles, Australia's largest merchant, set up its own transaction acquiring system and joined the payments system itself.

"It's easy to let a basic business expense like merchant fees drift and then end up paying a lot more than you need to," says internet publisher Ian Rogers.

Rogers, who runs the daily banking and payments industry email newsletter The Sheet says he has cut his merchant service fees by almost 75%.

"I first organised a merchant facility with Westpac in the third quarter of 2002. In business for the first time, having not really begun trading and as an internet merchant, I wasn't at all surprised to cop a merchant fee of three point something per cent. Pretty close to 4% actually."

He says that Westpac lowered that fee when the RBA reforms first came into force three years ago.

"Even then I was still paying a fee of a little more than 3% and I kept on paying that rate until a few months ago."

His awareness of the banking industry meant he knew that he was paying well over what the market was offering, and he decided to do something about it.

"I finally took the trouble and rang around for better rates, and had four offers in a range from 0.95% from BankWest to 1.25% from Bendigo Bank," he says. "I told Westpac I had better offers and would move unless they matched the rate. As I expected Westpac did improve their rate – not all the way to 0.95%, but they did offer 1.2%."

"Since BankWest wanted to lock me into a four year contract and there was no such minimum contract with Westpac, I accepted their new rate. It also spared me the burden of managing the transition to BankWest -- not that there would have been much hassle."

The lesson from his experience, says Rogers, is that "inertia rules in banking".



Banks don't want their merchants looking for better deals, so other providers have popped up that offer to find the best deal for businesses.

One new entrant to the merchant acquiring market is Tyro. One advantage of their system is that merchants do not need a dedicated telephone line for its EFTPOS terminal.

The Tyro system is internet-based, so connection is via broadband.

Tyro's chief executive, Jost Stollman, says it wants to partner with merchants and is prepared to tailor its service to meet the needs of its customers.

"We are bringing innovation and competition to this market for the first time in 10 years" says Stollman. "We are looking for channel partners and merchants we can work with for mutual benefit."

As a new entrant to the system, Tyro has restricted its business to merchants turning over at least \$100,000 a year and that do not accept internet merchants yet.

For small and micro internet-based merchants, other options are available. Of course there is PayPal and its little known Australian competitor Paymate.

Paymate allows micro merchants to accept credit card payments and has no upfront or ongoing fees. There is a standard account fee of 2.4% for each transaction.

"You don't have to apply to a bank for a facility or purchase a payment gateway," says Dilip Rao, MD of Paymate. "Our approach is to say there is no cost to start, no delays, you can start getting payments within three minutes of signing on."

Paymate also offers a free basic shopping cart for its merchants and can assist with building a more sophisticated site as the business grows.

Business people often are pressed for time and led by their bank in choosing how to accept payments. A smart independent business person can find a wide range of competitive options simply by looking around.

Don't let inertia cost you profits. Test your bank's offering and explore how the payments market is opening up for small merchants.