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## Banking News

### Surcharging now a dominant trend with merchants



(31 January 2010 – Australia) The latest merchant payments research from East & Partners has found that the number of merchants surcharging their receivables transactions has risen significantly over the past five years, with over half of all businesses now planning or actively considering applying a surcharge, in part to offset merchant fees. The depth of surcharging is also trending beyond simple recovery of Merchant Service Fees, especially with domestic online merchants.

The findings come from East's six-monthly Merchant Acquiring and Cards Markets research program, based on direct interviews with 2,294 Australian merchants.

#### Surcharging

The research, conducted at the end of 2010 and just released to clients, reveals that 28.3 percent of all merchants are currently applying a surcharge, a substantial increase from 3.7 percent recorded at the end of 2005.

An additional 52.2 percent of all merchants are planning to introduce or are actively considering adding surcharges, up from 34.7 percent in 2005.

"Merchants have now clearly become the 'traffic controller' in much high street and online payments and are actively influencing customers around how they prefer to be paid at the point of sale," commented East & Partners' principal analyst Paul Dowling.

"Surcharging is particularly prevalent where the merchant has pricing or transaction power or where a high volume, low value payments stream can be drastically improved with a 'surcharge margin' falling straight to the merchant's bottom line", he said. "Significant differences in surcharge rate are evident between payment mechanisms, with VISA and MasterCard typically at the lower end of the spectrum and AMEX and Diners at the upper. Even debit card transactions have seen surcharging start to occur."

The average surcharge applied has also increased over the past five years from 1.4 percent to 2.5 percent; with micro businesses recording the highest surcharges applied of 1.6 percent in December 2005 to 2.7 percent currently.

#### The Acquirers

The Big 4 domestic banks continue to dominate market share with merchants, collectively holding 80.5 percent of all merchant relationships: CBA, NAB, ANZ and Westpac. The fastest growth in market share over the past 6 months, however, has been recorded by Citigroup. White labelled acquiring has made substantial inroads with smaller provider such as the regional banks.

#### 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 which delivers accurate market intelligence on Australia's merchant acquiring and cards markets. The report provides a range of relevant analytics including clear measures of card receivables trends, merchant acquiring market share, satisfaction with acquirers and merchant churn. Each biannual report is based on a structured sample of merchants reflecting the actual distribution of merchants by industry and geographic location. The merchant segments covered in this research program, based on annual 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

For more information please contact:

Kimberley Burgess  
Marketing Communications  
East & Partners  
t: 02 9004 7848  
m: 0405 250 796  
e: kimberley.b@east.com.au

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