

Big Merchants Surcharge Sooner

(25th July 2011 – Australia) Research produced in East & Partners' latest Merchant Acquiring & Cards Market report has shown that there are various dollar values at which merchants begin surcharging and that a customer has to spend more with smaller merchants than larger merchants before a surcharge is levied on the card transaction.

Institutional merchants who do surcharge have been found to have the lowest average threshold of only A\$22 before they apply a surcharge to a customers' transactions. The dollar amount triggering surcharges steadily increases as the size of the surcharging merchant decreases through the Corporate, SME and Micro merchant segments. When buying from a Micro merchant, a transaction has to, on average, be over A\$66 before a surcharge is applied; this value drops to A\$57 for SME merchants and even further for Corporate merchants, where, on average, any transaction over A\$31 will have a surcharge added onto the price of the product.

The East & Partners research did identify a group of merchants, ranging from institutional merchants through to micro businesses that apply a surcharge to all transactions, irrespective of the underlying transaction value.

Paul Dowling, East & Partners' Principal Analyst said "These results are especially interesting in the context of the current RBA call for submissions on surcharging behaviours in the market. Quite clearly, merchants are carefully identifying trigger points which activate surcharging across the spectrum of their card based payments transacting, including the channel being used by the customer, the card type being used in the transaction and perceived pricing power held by the merchant".

"We have now identified a fourth key trigger point influencing surcharging practices – the value of the underlying transaction, which appears to display a close correlation with the size of the merchant accepting the payment; bigger merchants apply a lower threshold than smaller merchants. This may well reflect the RBA's original contention in removing the "no surcharge rule"; namely that competitive forces would help limit the extent of surcharging. It certainly appears to be doing so in terms of the value at which some smaller merchants apply any surcharge at all" Mr Dowling added.

East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia
p: +61 2 9004 7848 f: +61 2 9004 7070
www.east.com.au
ABN: 76 072 374 406

About East & Partners' Australian Merchant Acquiring and Cards Market report

The six monthly produced reports is a demand research service focussed on the Australian Merchant Acquiring market covering the Top 500 institutional, corporate, SME and micro business merchant markets, the service is based on direct interviews with approximately 2,700 companies every six months.

Market analytics reported to clients of this program include transaction and dollar value volumes in merchant payments, merchant relationship development and management, terminal population, merchant channels, product penetration, share of mind, market size and forecasts analytics, acquirer market share, service pricing and competitive merchant service satisfaction and churn opportunities.

Note: Merchant Segments

Institutional – A\$530 million plus

Corporate – A\$20-530 million

SME – A\$5-20 million

Micro – A\$1-5 million

For more information or to interview our Principal Analyst Paul Dowling please contact:

Sian Dowling

Marcomms & Client Services

East & Partners

t: +61-2-9004 7848

m: + 61-420 583 553

e: sian.d@east.com.au

East & Partners Pty Ltd

Level 39, 2 Park St Sydney NSW 2000 Australia

p: +61 2 9004 7848 f: +61 2 9004 7070

www.east.com.au

ABN: 76 072 374 406