

## Ready for Growth in Credit Card Use and Related Interchange Fees?

Do you like your credit card rewards program? For the majority of us, the primary reason we use our credit card as a form of payment is the rewards program. It is not because we cannot pay the bill with a check, or from our bank portal, or from the merchants webpage...we simply want the rewards. Of course, in the business-to-business (B2B) process, customer logic is no different.

When we consider the various payment technologies in the marketplace today—cash, checks, ACH, wire transfers, EDI, credit cards—we must come to the realization that credit cards are the only payment technology that your customers can be incentivized for using. Today, in the retail market, credit card use typically exceeds 90% of a merchant's total revenue. However, in the B2B marketplace, they only represent about 3-5% of all receivables. Due to the extremely high levels of use in the retail market, we must realize that the “green grass” for the card networks is in our backyards. VISA, MasterCard, Discover, and AMEX are all seeking greater market share, and there is very little way for them to successfully hit their sales goals without penetrating the B2B markets. Let's not forget that they are now public companies that need to show a nice return for stockholders. Therefore, the card networks are aggressively pursuing your customers with new incentives for B2B merchants. B2B rewards are most often kickbacks of some percentage of dollars paid with purchasing, corporate, commercial or business cards. Federal Reserve data shows that card usage is up, growing almost 14% each year and our statistics supports these numbers.

Perhaps you have received many more inquiries from customers, or the bank that issued them their credit card, wanting to pay with a credit card number. Both VISA and MasterCard have released new accounts payable programs that generate a great deal of efficiency for AP departments. More importantly, because of the rewards, perhaps these programs permit the monthly AP process to become a revenue stream for your customer. Thus, the battle continues to rage between your customer's AP department and your AR department. As we all know, AP represents the customer and the customer is “always right.” Therefore, merchants are often forced to accept cards when they certainly would prefer not to because of the price.

A little good news: the interchange rates associated with these AP programs can be quite favorable when compared to traditional B2B rates. Additionally, when payments are generated out of AP credit card programs, merchants will receive the remittance information and the transactions are very secure. Lastly, no special data input is necessary.

As the card networks seek more transactional volume in the B2B market, it is more important than ever that we learn more about the dynamics of processing. The card networks do not help you reduce your price by implementing best practices or giving you “do-overs” when you overpay on processing. It is incumbent upon us to learn, implement, and put into practice the best possible solutions.

If the card networks are successful and hit their sales goals, imagine what your costs will be if they double their volume. Amazingly, they hope to hit 10-times the volume in the next decade. Are you ready? They are.

*By Rudet Fountain, vice president of channel marketing at United TranzActions.*