Implementing a Credit Card Surcharging Program?
Here Are Some B2B Things to Consider

While full approval of the settlement in the Visa-MasterCard antitrust case is still pending in Brooklyn, merchants have technically been able to surcharge their credit card-using customers to cover their processing costs since January 2013, and many merchants have begun looking into it, hoping to increase their profit margins on credit card sales. However, there are a number of technical and legal hoops that companies have to jump through before they can start applying this sort of surcharge. Here are the biggest issues that all B2B vendors need to consider before assessing surcharges of their own:

- **Buyer Mood:** Some companies, like some consumers, might be willing to pay a fee to use a credit card simply because it's more convenient for them to eat the surcharge than it is to pay using a more old-fashioned instrument, like a check or wire transfer. Some companies might actually prefer to pay using a credit card because of the rewards they get for using the card, and because it basically gives them an extra 30 days to pay for goods and services while maintaining healthy relationships with their suppliers. If your card-using customers fall into those categories, a surcharging program might not be that big of a deal. However, if they use credit cards just because it's the only way they can pay for things at that moment, then a surcharging program might make them look elsewhere, costing your company sales. It depends on the purpose of such use: as an added benefit to their business or as a last ditch attempt to get through tough times.

- **Culture:** It's no secret that B2B sellers tend to lag their B2C counterparts when it comes to implementing new technologies. This is merely a symptom of the consumer economy comprising the majority of the world's gross domestic product production, but some B2B sellers are more cutting edge than others. If a company takes a look at its culture and its history of implementing or not implementing new techniques, tools and policies, the result would provide a good indicator of a surcharging program's chance of success.

- **Competition:** Surcharging in the consumer world, and particularly the retail world, was almost always a non-starter because the competition between these businesses is so fierce and consumers have so many choices when it comes to where they want to buy whatever it is they want to buy. Companies in the B2B world have to consider their industry, including how frequently credit cards are used and if other competitors are implementing similar surcharging programs. If one company in an industry surcharges while the others don't, that one company might surcharge its way out of potential sales.

- **Profitability:** How surcharging affects a company's bottom line is really the bottom line when it comes to implementing such a program. Businesses have to measure potential implementation and training costs while also considering revenue implications like how much profit the new surcharge would create and if, and by how much, it would reduce sales. Also of particular note to the credit department is how a surcharging program would affect indicators like days sales outstanding (DSO). Credit cards are quick and reliable, which is good for DSO, but implementing a surcharge could lead some credit card users to migrate to other forms of payment, which could stretch out DSO in a way that negatively affects department performance.

Source: NACM National

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