

MERCHANT PROCESSING NEWS



PURPOSE OF THIS NEWSLETTER

It is my desire to both educate and assist business owners on the subject of “merchant services”.

WHAT IS A DEBIT CARD?

A Debit Card is a bank issued card that allows an account holder to make payment for goods and services and the funds deducted directly from the account without the use of a check. The transaction is authenticated by a Pin Number that is entered using a pin pad device attached to a POS terminal. (Keypads on some terminals can be used thus eliminating the use of a pin pad device.) Debit Card Network fees work differently than credit card fees and in most cases are less expensive. Be aware that most banks cap the daily usage to \$300 or less.

WHAT IS A CHECK CARD?

A Check Card is similar to a Debit Card except it has a Visa or MasterCard logo on the lower right hand corner. Transactions are conducted the same as credit cards and have a Discount Rate and Authorization Fee attached. Rates and Fees may be slightly different depending on the service provider. Be aware that most banks cap the daily usage to \$700 or less.

Note: Though an ATM, Debit and Check Card may appear the same they differ in that they are processed on different networks that are

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What's Inside:

- Purpose of this newsletter.
- What is a Debit Card?
- What is a Check Card?
- What is a Gift Card?
- What is a Loyalty Card?

unrelated. Often the terms ATM and Debit are synonymous.

WHAT IS A GIFT CARD?

A Gift Card has a stored dollar value which enables the merchant to provide a gift certificate via a card that utilizes a POS device to store value and debit value from the card. Unlike paper gift certificates, the merchant never gives cash back if the purchase is less than the value of the card. All funds stay in the merchant's business. Terms like “Ticket Lift” and “Breakage” are important to understand as it adds additional revenue to your bottom line.

FACT: Did you know that \$17.24 billion was spent on pre-loaded plastic cards during the 2003 holiday season? What percentage do you want?

WHAT IS A LOYALTY CARD?

Loyalty Cards are designed to promote and reward customer loyalty and frequency of shopping at a merchant's business. Providers of gift cards are also loyalty card providers and often times use the same card for both types of transactions. Loyalty Cards are a great method to both create repeat customers *AND* increase customer retention rate!

... *More next month* ...

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