

Merchants differentially surcharging

(10 June 2011 – Australia) The latest merchant payments research carried out by East & Partners has revealed that as well as over half of all businesses planning or actively considering applying a surcharge, the 28 percent of merchants who are currently surcharging are also applying different rates dependent on the card used in the transaction.

Diners Club experiences the highest level of merchant surcharging with Micro merchants applying an average rate of 5.0 percent on the transaction value and SME merchants 4.1 percent. By contrast both Institutional and Corporate merchants surcharge at the highest rate on AMEX card transactions at 2.9 percent.

As well as different surcharge rates, the top end of town are also more likely to apply a surcharge in the first place in comparison to their SME counterparts with 39.0 percent of Institutional merchants applying a surcharge on their customers using Visa during a transaction while only 19.9 percent of SMEs do the same. Interestingly, fully 53.6% of SME's apply a surcharge on AMEX users compared to only 21.0% of Micros.

The research also revealed that online businesses were surcharging up to three times the amount than their over the counter equivalent. "Online merchants evidence substantially more aggressive surcharging behaviour than high street...retailers" Paul Dowling, East & Partners' Principal Analyst commented.

Mr Dowling continued, "Whilst, as the RBA has rightly noted, there is a proportion of "blended surcharging" occurring in the market, we see significant levels of differential surcharging by merchants, both in terms of the proportion of merchants surcharging and the level at which they are doing so."

"Surcharge incidence and rates vary not only by card type but also very significantly by merchant type (where a merchant segment has some pricing power, both incidence and rate tends to be much higher) and the payment channel involved (online merchants evidence substantially more aggressive surcharging behaviour than high street, terminal present retailers – typically twice as high)" Mr Dowling concluded.

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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.

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

- Institutional (Top 500) A\$530 million plus
- Corporate A\$20-530 million
- SME A\$5-20 million
- Micro Business A\$1-5 million

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