

Your Payment Processing Fees Cheat Sheet

Learn the who, what, and why of your transaction fees, so you can choose the processor that's right for your restaurant.

Major Players:

Who's involved in a single transaction?



Merchant:

The business accepting payment (e.g. retailer, restaurant owner).



Card brand network:

Credit or debit card companies (e.g. Visa, Mastercard, American Express) that control where credit cards can be accepted and facilitate transactions between merchants and credit card issuers.



Payment processor:

The company that provides the payment terminal, clears and routes each debit/credit card transaction, and deposits the money in the merchant's account.



Issuing bank:

The financial institution that issues credit and debit cards to consumers (e.g. Chase, Bank of America, TD Canada Trust).

Card Authorization:

What's happening behind the scenes?



Processing Fees:

What am I being charged for each transaction?

Interchange fee:

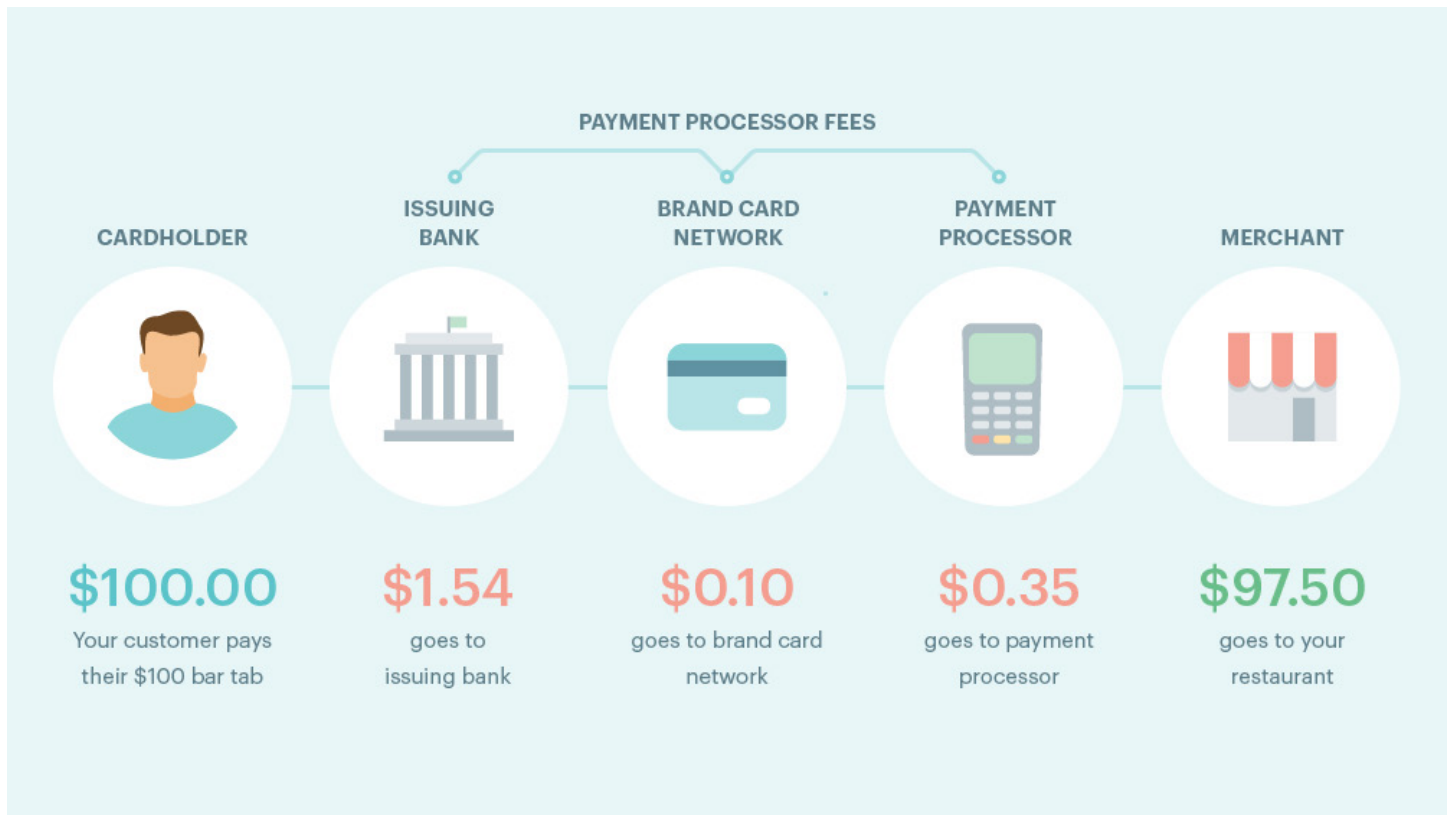
A published, percentage-based fee that card brand networks charge for for each transaction.

Card brand fee:

A small, percentage-based fee paid to the card network for each transaction.

Payment processor markup:

A percentage-based, flat, or combination markup fee for routing the money.



Processing Fee Wildcards:

How do payment processors set their fees?

A credit card's interchange rate doesn't change, but there are three other variables that come into play when payment processors set their processing rates

1. Type of credit card

A student credit card with a low limit has a lower processing fee than an international business card with perks. Brand of the card also matters (e.g. Visa and MasterCard vs. American Express).

2. Type of payment

Manual (card not present or CNP transactions), swipe, dip and sign, chip and PIN, tap, and digital payments (Apple Pay, Google Pay, etc.). The more secure the payment, the less expensive it is to offer (e.g. swipe costs more than chip and PIN).

3. Type of retailer

Transactions at grocery stores will have a lower interchange rate than those at a small bistro because the larger store will have higher transaction volumes.

Pricing Models:

What are all the fees listed on my monthly statements?

Most processors offer one of four pricing models, so merchants know what to expect every month.

Pricing Model	Breakdown	Example	Processing fees for a \$100 restaurant check	Of the \$100 check, you get...
Cost plus	Interchange fee + % of total check + card brand fee + transaction fee = total processing fee	1.54% + 0.10% + 0.10% + \$0.25 = 1.74% + \$0.25	$(\$100 \times 1.74\%) + \$0.25 = \$1.99$	\$98.01
Interchange Differential	Interchange fee + non-qualified fee + card brand fee + interchange differential fee = total processing fee	1.54% + 0.35% + 0.10% + 0.22% = 2.21%	$\$100 \times 2.21\% = \2.21	\$97.79
Flat Fee	% of total check + transaction fee = total processing fee	2.75% + \$0.25 = 2.75% + \$0.25	$(\$100 \times 2.75\%) + \$0.25 = \$3.00$	\$97.00
Tiered	% of total check at a qualified/mid-qualified/non-qualified rate = total processing fee	1.74% (qualified cards) 2.33% (mid-qualified) 3.25% (non-qualified)	\$1.74 (qualified cards) \$2.33 (mid-qualified) \$3.25 (non-qualified)	\$96.75

Choosing the Right Payment Processor for Your Restaurant:

What questions should I ask payment processors?

- What is the breakdown of all your fees? (flat, situational, and processing)
- Would I get a dedicated merchant ID or be grouped together with other businesses?
- How long will I be locked into a contract?
- Can you integrate with my POS system?
- Are your customer support agents available 24/7?