

For B2B Companies: A simple way to cut your merchant service bill by 20 percent



Vendor evaluation is a constant process. For merchant services, B2B companies can use the evaluation process it as a straightforward opportunity to uncover savings.

“Evaluate vendors” can be a hazy, daunting item on a to-do list, so many decision-makers look at service and pricing as the main components. Doing this, even a less-than 100 percent thorough audit, can save you time and money. Is old software slowing you down? Are you paying too much for your equipment?

One often-overlooked line item in your expenses that you should review is your credit card processing company. Specifically, how they process your payments. We lay out one way to test your service provider’s knowledge and proactiveness while grabbing some discounts for your business.

Little-Known Discounts in a Commodity Business

Credit card processing is a commodity—although well-intentioned subject-matter experts can make it sound like it isn’t. The differentiators for processors that serve business-to-business companies are therefore no longer their core offerings but their service, pricing, and support.

A provider’s niche is often the most important point of difference. Most merchant service companies specialize in “card-present payments:” a credit card is dipped or swiped in front of the customer. B2B businesses should work with processors that specialize in card-not-present transactions, which encompass e-commerce payments, invoicing, and any other transaction in which a credit card is not physically present.

As a B2B company, you can lower your interchange rates--credit cards’ industry hard costs, which merchant services must use to set their service rates. You can accomplish this by tapping into level II and level III processing, two processing modes specific to B2B companies. At these processing levels, you can add more information to the transaction, which has the dual benefits of providing a higher level of security for the cards and lowering interchange rates for you. If you use level II and level III processing, you should see at least 20 percent savings on those transactions. In concrete terms, a client that processes \$500,000.00 in business, corporate, or purchasing card transactions would save \$2,950 to \$5,000.

Many companies simply aren’t aware that this savings opportunity exists because these fees aren’t regularly audited. What’s more, many processors consider them fixed costs and see no economic benefit to help clients reduce them.

HOW TO OPTIMIZE INTERCHANGE FEES

To maximize interchange-fee discounts, you need to provide additional data to qualify for level II and level III rates. Here’s how the fields for the additional data appears:

For Level II Data:

- Tax indicator (tax-exempt or tax-included)
- Tax amount (for tax-included sales)
- Customer code (for purchasing cards only)
- Tax ID

For Level III Data:

(in addition to providing level II data):

- Discount amount
- Freight/shipping amount
- Duty amount
- Item commodity code
- Item descriptor
- Product code
- Quantity
- Unit of measure
- Unit of cost
- Discount per line item and the line item total

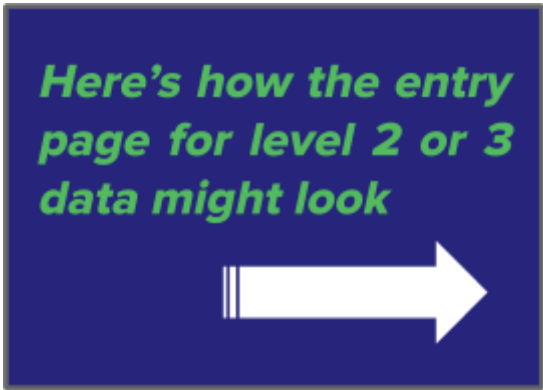


But it's not enough

to just know this data. You must also use software that can pass the additional data to the settlement platform.

Most payment-processing settlement platforms accept level II and level III data, but it often only goes as far as your reporting tools or ERP (enterprise resource planning) software. To receive discounted rates, this additional data must be actually transferred to the settlement platforms. If that's not possible, summary data that fulfills the formatting and field requirements of the card brands can work as a substitute.

The processing software required is often cloud-based. Its features will note that it supports level II or level III processing.



Don't forget that level II and level III processing are only available when your customer uses a business card. Your business must also fall under a B2B business category with your merchant account provider.

Level 2 Data	
Customer Reference ID	CustomerID <input type="text"/>
Local Tax (%)	5 <input type="text"/>
National Tax	0 <input type="text"/>

Enhanced Data	
Merchant Tax ID	MerchantTaxID <input type="text"/>
Customer Tax ID	CustomerTaxID <input type="text"/>
Commodity Code	4900 <input type="text"/>
Discount Amount	0 <input type="text"/>
Freight Amount	0 <input type="text"/>
Duty Amount	0 <input type="text"/>
Destination Zip	60606 <input type="text"/>
Source Zip	60606 <input type="text"/>
Destination Country	United States <input type="text"/>
Addtl Tax (Freight)	0 <input type="text"/>
Addtl Tax Rate	0 <input type="text"/>

Line Item Data	
Commodity Code	4900 <input type="text"/>
Description	PARTS <input type="text"/>
Product Code	MISC <input type="text"/>
Quantity	1 <input type="text"/>
Unit Measure/Code	EACH <input type="text"/>
Unit Cost	Transaction Amount - Tax <input type="text"/>
Addtl Tax Amount	0 <input type="text"/>
Addtl Tax Rate	0 <input type="text"/>
Discount	0 <input type="text"/>
Item Total Amount	Transaction Amount <input type="text"/>



Are You OPTIMIZING Your Fees and Benefits?

The three parts to the fees you receive on each transaction are interchange, processor markup, and assessments, two of which are negotiable, which means they're also optimizable.

Interchange fees are paid to banks that issue credit cards and are the largest portion of your merchant-service fees. These fees are often framed as non-negotiable, but they can be flexible for B2B companies. This is where your discounts from level II and level III processing come from.

The processor markup is generally negotiable, but if you're working with a knowledgeable processor that does consistently good work, it can be worthwhile to pay a bit more for superior service and support. Finally, assessments are paid to credit-card brands and are non-negotiable.

You know that you're receiving at least some level II or level III savings if you see interchange-cost categories on your processing statement that contains this language:

VISA

- Level II (LVL 2)
- Level III (LVL 3)
- Large Ticket (LRG TKT)

MASTERCARD

- Data Rate II (DR II)
- Data Rate III (DR III)
- Large Ticket (LRG TKT)

Conversely, the language below on your statement may be a sign that you have additional savings opportunities available:

GENERAL (NOT CARD-SPECIFIC) LANGUAGE

- Qualified (QUAL)
- Mid-Qualified (MQUAL)
- Non-Qualified (NQUAL)
- Downgrades
- Surcharges

VISA

- Card Not Present (CNP)
- Standard (STD)
- Electronic (EIRF)

MASTERCARD

- Data Rate I (DR I)
- Standard (STD)

Is Your Provider KNOWLEDGEABLE and Proactive?

For B2B businesses that accept credit cards, Level II and level III processing optimization is a no-brainer. So ask your merchant-service provider about opportunities for you to access those discounted rates. If your representative struggles to help you, is unresponsive, or worse, doesn't know what you're talking about, it might be time to find a provider that's more knowledgeable, responsive, or proactive. The best vendors are knowledgeable and bring opportunities to save money or better serve your customers better—they go beyond letting you know when there's a fee hike. Now go cut some costs.

