

Questions When Considering a Surcharge Program

1. Is the operational cost of credit card processing already factored into the prices of your goods and services?

If yes, a surcharge program would result in overcharging your customers for something that has already been factored into your prices.

If not, are you better off adjusting prices before presenting the final bill of sale?

2. How will your customers react?

As a consumer how do you react to surcharges? Your customers likely will have a similar response – they won't like it – particularly if you have already raised prices due to inflation. Simply because a customer doesn't complain about the surcharge doesn't mean they accept the added cost. Your strategy may drive your customers to your competition.

Surcharging could cause customers to have a negative perception of your business as they may assume a well-managed business already has its operational costs factored into prices.

If you opt to proceed with surcharging, make sure your employees are trained on how to handle potentially difficult interactions with customers.

3. What is your average credit card transaction amount compared to your average cash transaction amount?

Research suggests 11% of customers will switch payment methods to avoid a surcharge. Cash is the most popular type they choose. The difference between credit card spend and cash spend will give you a better understanding of the potential sales impact of surcharging.

4. Does the impact on sales (calculated in Question 3) exceed the cost savings of passing processing fees to your customers?

Depending on your type of business, people spend more money when they use credit. Surcharging creates a disincentive to use credit and therefore a disincentive to spend more with you.

Even if the spend levels are equal, consider that checks and cash come with costs as well. Checks are higher risk for a business due to their potential for fraud and bad debt. Cash comes with a greater risk for theft and is time consuming for the back office to balance and manage. Both checks and cash can slow down the transaction time at point of sale.

5. What are your competitors doing?

If your competitors are not surcharging, you are risking customer attrition – particularly if there is little or no perceived difference between you and your competition. Ecommerce merchants are particularly vulnerable as your competitor is only a click away.