

Revenue Management

All You Need to Know About “Junk” Fees, Statements and Selecting a Processor

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Mr. Carr

The majority of your reservations and payments are likely made over the phone or online with electronic forms of payment such as debit and credit cards. Accepting multiple forms of payment makes the reservation, check-in and checkout process more convenient for your guests, but processing these payments is a huge expense — exacerbated by the sometimes exorbitant fees payments processors sneak past you. There are three key things you can do to help contain these costs:

- 1) know what “junk” fees to beware,
- 2) understand how to read confusing statements and
- 3) learn how to effectively select a payments processor.

Junk fees

One way to reduce your costs is to recognize the “hidden” or “junk” fees many processors are notorious for charging. These charges are hard to decipher - especially if you lack the resources to thoroughly analyze statements. Yet, it is critical to identify all of the fees and surcharges - and who you're paying them to - so you can control your expenses and save money.

One of the primary card processing fees is interchange - the fee card brands charge for passing financial transactional information back and forth between themselves and your hotel, your payments processor and the banks that issue credit and debit cards. Many processors take advantage of interchange rate adjustments from the card brands - which usually happen in April and October. When the card brands increase their fees, many processors take the opportunity to mark those increases up even more, discreetly improving their own bottom lines without full disclosure and unfairly blaming the brands for the entire increase. Likewise, when card brand fees are reduced, you should see an associated decline in processing fees. Yet, many processors neglect to pass reductions onto their customers.

Security fees, membership fees, access fees and compliance fees are just a few examples of the many junk fees you may find on your processing statement if you take a closer look. There are many of them, so beware of:

- Administrative fees
- AVS fees
- Bad ACI/auth CPS disqualified fee
- Batch fees
- Batch header fees
- Capture fees
- Data breach service plus fees
- Debit monthly fees
- GAA monthly fees
- Global ATL fees
- Membership fees
- Mid-qualified interchange surcharge fees
- Missing tran ID IN settlement fees
- Non-qualified credit card fees
- Non-qualified interchange surcharge fees
- Non-verification of PCI compliance fees
- PCI compliance fees
- PCI non-compliance fees
- Peak season fees
- Profit sharing merchant account fees
- Retrieval/12B fees
- Returns/refund fees
- Re-underwriting fees
- Security scanning fees
- Settlement fees
- Trans does not qualify
- Underwriting fees
- Warranty fees

Often, some of these fees don't appear until the month after the transaction occurs, making reconciling your bill difficult. Better understanding how to read your processor's statements will help you identify other junk fees.

Understanding statements

Interpreting your card processor's statements can be a challenge, but learning more about them will help you control what you're really paying. A helpful tool for understanding statements is CostOfABurger.com, an educational site that explains the complexities of card processing statements and offers a fictional monthly statement to use as a tutorial when reviewing yours.

Start by getting to the bottom of what you are actually paying for each transaction by trying out this easy formula:

- Step 1 – Add up your Visa® and MasterCard® fees.*
- Step 2 – Divide that number by your total Visa and MasterCard sales volume.*
- Step 3 – Multiply that number by 100.

*American Express®, Discover®Network or personal identification number (PIN)-based debit card transactions are not included in these calculations as they may be billed separately.

The resultant percentage is your true - or "effective" - rate. It includes the interchange fees you pay card companies - as well as the fees you pay your payments processor. Odds are your effective rate is higher -perhaps a lot higher - than you think because many card processors hide fees behind cryptic codes, indecipherable jargon and fine print in offers and contracts.

There are several common "tricks" some processors use that increase your per-sale cost enormously with no added value to you — and line their pockets. They:

- **Charge inflated rates for lower-cost card transactions.** One way processors do this is by marking up transaction fees for signature debit cards - which generally cost less to process than credit cards. Your processor should actually be passing these savings along to you
- **List "total card fees" that don't represent the real total on statements.** This requires you to add the "less discount paid" line item (the fee you pay your processor) to the "total card fees" line item (the interchange you pay) to arrive at your real bottom-line costs
- **Sell you on low introductory rates** for which most of your transactions won't qualify
- **Assess arbitrary charges** often classified as "bill-backs" and "surcharges"
- **Randomly charge other fees** from per-transaction to batching, authorization, annual charges and more
- **Inappropriately charge for Address Verification Service (AVS).** AVS compares a guest's address with the billing address linked to the credit card - lowering costs by decreasing the risk of fraud. This savings should be reflected in what you owe your processor

It pays to understand your statements. They are confusing, but ask your processor to explain any fees you don't understand. Also, review your statement with your accountant or a competing processor to help you uncover hidden fees and learn more about where your hard-earned money goes.

Selecting a processor

A good card processor should be able to openly review your statement with you, explain what and why you are charged and never saddle you with junk fees. A lot of processors will try to make more and more money from you on a continual basis and blame any increases on the card brands, but transparency and full disclosure are your rights as a card-accepting merchant. [The Merchant Bill of Rights](#) - founded by Heartland Payment Systems® — can help you effectively manage card processing costs, find a provider that best meets your needs and realize significant savings.

One of the most important rights is the right to encrypted card numbers and secure transactions. Find a processor with the most up-to-date robust data security and encryption solutions built into its system because protecting guests' payment card data is a major point of vulnerability. In fact, hotels are particularly susceptible to data security breaches due to the use of point-of-sale systems, shared systems among chains, wireless networks and the high volume of card transactions. If your hotel's data is compromised, private information — stored in your property management or other systems - may be illegally accessed and could lead to theft of sensitive information, fraud and financial loss.

With the right payments processor protecting your data and helping you understand your statements and the different charges on them, you'll gain a partner who can help you navigate the complexities of card processing - and control the associated costs

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