

Should you charge customers a fee for paying with a credit card?

Accepting credit cards is a virtual necessity these days, but it can come at a cost. Your small business may be drowning in an ocean of expenses, from **credit card processing equipment** to merchant fees. But is it in your best interest to pass the cost on to your customers?

The pros of surcharging

The most obvious benefit of this practice is that your customers will bear the financial burden of their credit card transactions, not you. In the end, you give your customers numerous choices in how they pay while you don't have to bear the full burden of processing fees.

One factor to keep in mind is that you can only surcharge purchases made with credit cards. If most of your customers buy your products or services using debit cards, you may not find that surcharging helps your bottom line as much as you had hoped it would.

The drawbacks of surcharging

Without a doubt, the most significant argument against making customers pay to use credit cards is that consumers vehemently dislike the practice. 71% of customers would rather patronize another business than pay a fee to use plastic. Buyers might be able to make their purchases from any number of online companies with no surcharges attached.

For these reasons, it is vital that you have a very good grasp on the competitors who are vying for your customers' dollars. If rivalry is stiff, carefully consider if what you gain back in fees will compensate for the potential loss of business that will come when customers defect to the store down the street that does not charge fees.

Want to take the plunge?

If you do decide to charge customers for using their credit cards, you need to get in touch with your processing company. They will reprogram your machines to ensure that the fees are listed as separate line items on customer receipts.

Next, contact the credit card companies to learn all of the rules you must follow. The amount you charge cannot be more than 4 percent of the transaction or your actual card processing cost, whichever is smaller. You must notify Visa and MasterCard at least 30 days before you begin surcharging. Finally, signage must be posted at the entrance to your store and at all points of sale letting customers know of the credit card fee.

The decision of whether to surcharge is a complicated one and shouldn't be made without taking the time to examine all of the pros and cons.

Question to discuss: Does it bother you as a consumer to pay merchant fees?

