

## Why Choose Visa & MasterCard?



Imagine having to run your business without credit cards. Instead of Visa/MasterCard billing your customers and tracking their payments, it was your job to set up an account for each client who wanted your product, but didn't want to pay you for a minimum of 30 days. Additionally, you had to mail them statements, track their payments, update their information when they move, and gently remind them when they forget to pay. That's how it was in 1960.

While the concept of credit cards is relatively new, it has so involved everyone in its path that it is hard to imagine life without the present realities of credit cards. Credit cards, especially Visa and MasterCard are a very significant part of business, as well as recent contemporary life. They were only introduced in the late 60's and usage now doubles every 3 to 5 years.

The concept is a simple one: a bank makes loans to its customers based around a number of small purchases, consolidated collectively through a credit card. This credit card enables the customer to have more convenient buying power – purchasing with more frequency and, many times in larger amounts when compared with checks and cash.

This helps most merchant businesses with a more successful transaction with each customer. Imagine trying to run your business and having to tell your customers you no longer accept Visa and MasterCard? The impact in most cases would be a significant decrease in sales (both in frequency, as well as amount).

What does this cost? As you know, the card holder must pay interest on any loans they take in the form of charges on their card. The merchant pays a "discount rate" – the sale is discounted for use of a credit card. (In the early days before electronic processing, this was 3.00% - 5.00%, and even higher for new or high risk merchants.)

As credit cards proliferated, to manage the volume as well as the risk, Visa and MasterCard wanted to take advantage of the new, automated technologies.

To encourage everyone involved in the process, including the merchant to invest in the automation of the equipment (electronic draft capture) and expenses, the discount rates were cut significantly during the 80's to 1.50% to 3.00% in most cases. By the 90's all merchants with significant volumes were electronic, and those who weren't paid even more of a price for paper processing.

The advent of credit cards signaled a true revolution in how merchants interact with their customers, and the revolution continues today with even more options for payment services. At Axia, we stay on the leading edge of the electronic funds transfer industry, offering our clients access to payment options that will reduce costs, reduce headaches, and increase revenues. If you are interested in any of the new options or enhancements available, call your Axia consultant/representative.