



MEDIA RELEASE
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RETAIL NZ WELCOMES VISA AND MASTERCARD INTERCHANGE MOVES

Retail NZ says it welcomes moves by Visa and Mastercard to reduce interchange rates, and says this should lead to lower merchant fees for contactless debit transactions.

“Retail NZ has been campaigning for lower merchant fees for some years, and we are delighted that Visa and Mastercard are leading the way by reducing some of the interchange rates that banks pay each other when processing credit and contactless debit transactions,” Greg Harford, Retail NZ’s Chief Executive said today. “The changes by Visa and Mastercard should lead to lower merchant fees, which is great news for retailers and customers alike.

“Mastercard and Visa are both reducing interchange rates for contactless debit effective 1st and 15th of August respectively. Visa is also reducing interchange on contactless credit*, and scheme fees.

“The reductions in interchange should flow through immediately to merchants who are on an Interchange Plus arrangement, and merchants who are on a bundled rate should talk to their bank about what it will mean for their pricing.

“We have seen substantial movement in merchant fees over the last few years. A big myth is that contactless payments are prohibitively expensive - but they shouldn’t be. While we know that some merchants pay too much for contactless payments, this is probably because they are on the wrong kind of bundled rate for their business.

“What’s not commonly understood is that, while there is a charge for contactless debit transactions, the charges for most contactless credit transactions are substantially lower than for traditionally inserted or swiped credit transactions. So, while on one hand, there will be higher fees for debit, if retailers encourage their customers to go contactless, the cost of processing credit cards should go down - and we would expect this to help balance the costs overall.

“The precise fees charged will depend on the size of the business and the kind of cards used by customers. However, in broad terms, on a weighted average basis, a merchant should generally be paying no more than around 0.6 per cent for in store contactless debit and 1.4 per cent for credit transactions. If a retailer is paying more than this, then he or she needs to have some solid conversations with the bank to understand why that is, and what can be done about it. The good news is that the changes by Visa and Mastercard should lead to further reductions overall in merchant fees for in-store transactions over the next few months, assuming that the banks pass on the reductions to merchants.

“Customers love the simplicity and convenience of contactless payments, and there is strong growth in the use of contactless cards. In fact, research shows that 35 per cent of Kiwis have increased their use of contactless since the COVID 19 pandemic began. Retail NZ recommends that merchants consider making contactless payments available to customers, but it is really important that merchants talk to their bank and make sure they are on the right kind of

pricing plan. Retail NZ's Advice Service is available to help Retail NZ members with information on this issue.”

Notes for editors:

Retailers pay a merchant service fee to their bank every time a customer uses a contactless debit or a credit card. The merchant fee is comprised of interchange fees (paid by one bank to another), and an acquiring fee charged by the bank to cover the costs of scheme fees and processing costs. Historically, these have been bundled together into a single flat charge for all transactions, but banks are increasingly moving towards an “Interchange Plus” arrangement.

* Mastercard has historically made similar changes.

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