



# Optimizing payments

during a time of  
unpredictable change



With Payment Optimization, it is possible to lower the cost of card acceptance.

As a business leader, you are likely redefining your business model and restructuring your operations to meet new customer expectations. Your top priority is protecting the welfare of staff and customers while still delivering an exceptional customer experience. Naturally, this extends to ensuring they have a seamless and simple payment experience. What if you could give your customers the flexibility and convenience to pay the way they want while simultaneously achieving substantial cost savings for your business?

This is the beauty of card Payment Optimization – the use of card validation practices and cost offset options to achieve the lowest costs possible for each transaction, whether it takes place on premise, online, over the phone, or through a mobile device. With the right Payment Optimization strategy, it is possible to lower the cost of card acceptance while still delivering convenience, ease and security to your customers and your business.

At U.S. Bank, we've enabled our customers to implement a card acceptance strategy tailored to their business. In this article, we'll highlight a few ways to enhance your card validation procedures and adopt card Payment Optimization techniques that benefit your unique business.



## Enhance Your Validation Options

Every business knows that there are certain fees associated with accepting card payments. Interchange rates and card brand assessments are charged by banks to cover the cost of accepting, authorizing, processing and settling payment transactions. There are hundreds of interchange categories impacting rates.<sup>1</sup> Several factors play a role in determining card interchange rates. Some factors – like the type of card used (debit, credit, reward) and card brand (Visa, Mastercard, American Express) – are usually out of the business' control. However, when businesses are strategic about the way they validate card payments and the processing procedures they implement, they can gain back some control over the costs they pay on card transactions.

### EMV Chip Validation

One of the key drivers of interchange fees that a business can exert some influence over is payment authentication. This is because typically, the riskier the card transaction, the higher the fee. For example, an in-store payment with a chip card carries less risk than an online purchase with the same card. Why? Because the chip can be used to validate that a card is legitimate when it's inserted into an EMV payment device. Meanwhile, the online payment relies on key entry by the customer, but the chip cannot be used to validate the card. In this example, the interchange fee will be higher for the online transaction than the in-store transaction.

### Card Security Code Validation

How a transaction is processed and settled can also determine the rate category. Transactions where the card is not physically presented at the time of purchase, such as online and by phone, are considered a higher security risk than transactions where the card is present. As a result, a higher interchange category may apply to the card not present (CNP) transaction. However, by gathering more information from your customers, a card not present transaction can qualify for a lower interchange rate. Capturing the card's security code (CVV, CVC, CMID, CID) in combination with using address verification can help with this. As an added bonus, collecting this information helps reduce the risk of possible cardholder fraud and/or identity theft, which you and your legitimate customers will appreciate.



# Adopt Card Payment Optimization Techniques

## Commercial Card Optimization

By capturing additional transaction details for commercial card purchases at the time of payment, companies can qualify for reduced interchange card acceptance programs. These pricing programs are offered by Visa and Mastercard to businesses who sell to other businesses (a B2B model) and/or to governmental organizations.

When additional data is collected and transmitted on each transaction, it helps to validate the authenticity of the transaction, providing information about the transaction to the purchaser and the card brand. By improving validation, the transaction carries less risk and qualifies for a lower interchange rate. Some examples of B2B purchases are office supplies, computer equipment, telecommunications, shipment and delivery, consulting services and catering.

## Fee Programs

Another way to optimize payments is through fee programs. These programs are designed to help businesses offset the costs of accepting card payments. There are three types of programs.

- **Convenience Fees.** With convenience fees, businesses can offset the cost of accepting payments over the phone, online and by mail. Convenience fees allow a business to charge a flat fee when payments are made outside the customary in-store, card present environment.
- **Surcharge.** Enables a business to charge a percentage based fee when a customer chooses to pay using a credit card. This program is available in most states but there are a few exceptions.
- **Service Fees.** Restricted primarily to government agencies and educational institutions, this fee program enables businesses to impose a fee when a customer chooses to pay using a credit or debit card.

Fee programs are typically communicated to cardholders prior to a transaction through signage or other clearly visible notification. These programs offer a proven way to expand payment choice for cardholders while also effectively managing the costs associated with accepting payments.



## Getting Started

Identifying the opportunities to optimize transaction processing within a large enterprise can be complex, which is why it's important to work with your payment processor to analyze your card payment data across all your environments. That's where we can help.

Using advanced analytics, we help customers identify areas for optimization and makes actionable recommendations to better manage card payments. By evaluating the business' entire card authorizing and processing environment, we can help you cost-effectively deliver a satisfying and secure payment experience.

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