

Merchant Guide

E-commerce Processing and Facilitation Fees for Merchants

This document provides an explanation of processing and facilitation fees associated with e-commerce transactions, a common cost associated with selling items and gift cards in your business.

*Beyond Main Technology utilizes Stripe processing and payment facilitation services

Stripe Merchant Transaction Fee Summary:

Transaction Fee: (2.9% + \$.30) + **Transfer and Deposit Fee:** (.25%+\$.25) are associated with every transaction

TOTAL STRIPE FEES: 3.15% + \$.55 on each transaction processed.

Overview:

- **Payment Processing Fees:** These fees are charged by payment processors like Stripe, PayPal, or Square to authorize and settle customer payments. They typically consist of a **per-transaction fee** (often a flat amount per sale) and a **percentage fee** (a small cut of the total transaction value). Rates can vary depending on the processor, industry, and average transaction size, but generally fall within a range of **2% to 3.5%** per transaction.
- **Facilitation Fees:** Some e-commerce platforms (like Shopify or BigCommerce) charge facilitation fees on top of payment processing fees. These fees cover the cost of using their platform's features and functionalities like shopping carts, inventory management, and website hosting. Facilitation fees can be a **flat monthly fee**, a **percentage of sales**, or a combination of both. Beyond Main technology offers annual subscription fees for platform maintenance and services provided on the platform.

Risk of Convenience Fees:

While it might be tempting to add a **convenience fee** to offset processing costs, there are potential drawbacks to consider:

- **Reduced Sales:** Customers may abandon their carts or choose competitors with lower checkout prices if they encounter unexpected fees.
- **Negative Customer Perception:** Convenience fees can be seen as an unfair additional cost, potentially damaging customer trust and brand loyalty.
- **Increased Scrutiny:** Some regulations might restrict or limit the ability to charge convenience fees. It's crucial to research local regulations to ensure compliance.

Because of the reasons outlined above, Beyond Main technology does not have a convenience fee option for merchants to pass along to customers. As a general business practice for modern retailing, Beyond Main technologists and industry consultants and experts advise business owners treat processing and transaction fees as a cost of goods and services sold and should be factored into the businesses overall pricing structure.

Understanding Gift Cards:

- **Closed-Loop vs. Open-Loop:** Closed-loop cards are specific to a retailer or brand, while open-loop cards can be used at various merchants.
 - Ex. Store Card – Closed Loop
 - Ex. Market and Platform Cards – Open Loop

Fees Involved:

- **Processing Fees (Closed-Loop):** When a customer uses a closed-loop gift card, a processor handles the transaction for a fee. Stripe fees via Beyond Main apply here in the same way they are applied against ecommerce item purchases. This fee is negotiated between the merchant and the processor. As the community grows, opportunities to unlock economies of scale/purchasing power could become available to improve rates.

*Beyond Main is commission free platform and passes along Stripe fees to merchants for ease of platform use and experience.

- **Activation Fees (Open-Loop):** These are small fees added to the purchase price to cover card production and initial processing. Also known as convenience fees, no current activation fees are charged on Beyond Main.
- **Merchant Fees (Less Common):** Some merchants might choose to charge a fee to accept gift cards as payment. No current fees are charged on Beyond Main or available for merchants to charge. It is advised for merchants to factor in a 3-5% COGS fee for all products or services offered. This allows small businesses to adopt industry best practice standards and minimize/avoid any compliance or legal risk.

Who Pays the Fees?

- Activation fees are typically paid by the gift card purchaser. Also known as convenience fees.
- Processing fees for closed-loop cards are negotiated between the merchant and processor, and may be factored into the gift card price. (This is the Stripe fee associated with transactions, transfers, and deposits)
- Merchant fees, if applicable, are collected from the customer at checkout. This is not currently available for merchants on Beyond Main.

Gift Card Industry Benchmarks:

Processing fees:

- Typically range from 1.5% to 5% of the transaction volume/gift card value.

Activation Fees:

- **Who pays:** Typically paid by the **gift card purchaser**, no customer activation fees are charged on Beyond Main.
- **Standard range:** There's no standard range, but activation fees are generally **low** (around \$1-\$5) or even **non-existent** for closed-loop gift cards. Open-loop gift cards, like Visa or Mastercard branded cards, are more likely to have a small activation fee to cover card production and initial processing costs.

Merchant Fees:

- **Who pays:** These fees are **less common**, but if a merchant chooses to charge a fee, the customer would pay it **directly at checkout**.
- **Standard range:** There's no universal standard, but any merchant fees would likely be a **small percentage** (around 1-2%) of the gift card value.

Reducing Your Costs:

- **COGS:** While a cost of running programs exists under our current financial and payment systems, by factoring in a unit cost for processing fees you can offset this expense while also saving in other areas like materials and time to manage a gift card tracking system.
- **Promotions/Markdowns:** Utilize gift cards in lieu of product/service markdowns to achieve high perceived value and encourage an extra customer shopping trip and experience for your business to build loyalty.
- **Time and Materials:** Digital gift cards streamline workflows, reduce use of raw materials for printing, production, and recycling, and also offer higher levels of convenience and access for customers and business usage and application.

Additional Considerations:

- **Dormancy Fees:** Some closed-loop cards charge fees if they are inactive for a period of time. (Beyond Main does not currently reduce card holder fees like competitors are known to do)

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