

CREDIT SURCHARGES CAN HELP SALVAGE DECLINING PROFIT MARGINS



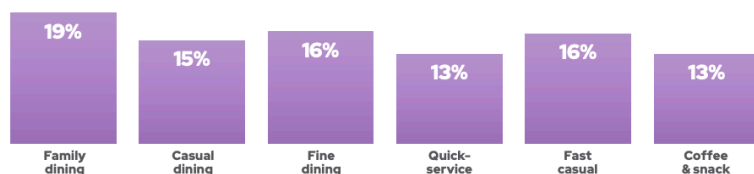
Credit card processing fees have more than doubled over the last decade. For many Iowa restaurants swipe fees rank as their third highest expense—just behind food and labor costs—and above rent or mortgage. As fees continue to grow exponentially, more operators have made a decision that once seemed unthinkable—adding a surcharge for credit card use on customer checks.

MOST CUSTOMERS UNDETERRED BY SURCHARGES

Today, 15% of restaurant operators are charging a fee to customers who use credit cards. The vast majority of those (80%+) believe the practice will likely continue into the foreseeable future. It is more common in larger markets such as the Des Moines area, where the practice became commonplace after a few well-known operating groups implemented the surcharge across multiple concepts all at once. Nearly all of these operators have expressed surprise at how little, if any, pushback they've received from customers about the new charge. Some operators will remove the fee if customers balk at the fee. However, the number of disenfranchised customers is negligible at best, and those who are bothered generally choose to pay with cash.

\$100+ MILLION
IN CREDIT CARD FEES PAID BY IOWA
RESTAURANTS & BARS IN 2022

% of restaurant operators who say their restaurant is currently adding fees or surcharges to customer checks as a result of higher costs



Source: National Restaurant Association

WHAT THE EXPERTS SAY..

“Surcharging has allowed small business owners to recapture the profit margins they’ve lost over the last couple of years due to inflation and rising operating costs. For some restaurants operating on tight margins, a surcharge can be the difference in them being profitable for the month. Because of this, the popularity of surcharging programs has dramatically increased over the last two years. However, there are certain rules you must follow if you’re considering passing on a surcharge to your customers. First, you must register with your processor 30 days in advance of implementing the surcharge. Then, you must post signage about your surcharge, as well as show it on your receipt. One last thing, to be compliant, the maximum allowable surcharge allowed is 3%. If you have any questions regarding the program, and its rules, be sure to talk to your current provider.”

Steve Casteel, is president of Payteva, a solutions provider of credit card processing, payroll processing and point of sale systems.

