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Palm Beach Merchant Services helps businesses save on processing fees



Robert Livingstone, president of West Palm Beach-based Palm Beach Merchant Services

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WEST PALM BEACH — Hidden credit card fees called "interchange fees" cost consumers as much as \$2 for every \$100 they spend.

The credit card companies and their banks charge merchants the fees, sometimes called "swipe fees" every time a credit or debit card is used. Like every other cost of doing business, the fees, averaging about 2 percent, are reflected in the price of goods and services.

While Congress considers reform of merchant fees with HR 2382, the Credit Card Interchange Fees Act of 2009, introduced in May, merchants are doing what they can to fight back.

Jean Ehrbar, owner of Wholesale Verticals on Georgia Avenue in West Palm Beach for 29 years, wanted to do something to lower the fees that cost her as much as several hundred dollars a month. But as a busy business owner, she didn't have the time to tackle it, couldn't decipher the complex processing agreements and didn't know where to begin.

Then she heard about Robert Livingstone, president of West Palm Beach-based Palm Beach Merchant Services, which deals directly with credit card processors on behalf of businesses. Livingstone, 24, who previously worked as a processing company representative, founded the company in January. Processors are essentially the brokers between the credit card companies and the individual merchant, Livingstone said.

"Processing fees are one of the most painful things for a business. Home Depot called it one of their five largest expenses, and 7-Eleven has said it is paying more in processing fees than it's making in profit," Livingstone said.

With more than 150 rates of interchange and terms that are unfamiliar to most people, making sense of merchant account bills isn't easy. For example, a supermarket might be charged just 0.62 percent plus 13 cents for a debit card transaction, while a high-volume retailer might pay 1.48 percent plus 10 cents for a credit card transaction that is face-to-face with the customer present with his or her card. Rates vary by type of business and its volume, type of card and more.

Livingstone examined Ehrbar's merchant account bills and identified which interchange fees were most frequently used. He then contacted the processor and obtained 0.5 percent adjustments in her favor on the most relevant interchange fees. He also updated her credit card machine's software so it was more secure and made other money-saving changes.

Each month Ehrbar splits the resulting savings of \$100 to \$200 with Livingstone. When seasonal business kicks in, she expects she will be saving even more.

"You don't know how to talk to these companies, but Robert has a way to do it. It does work. I got better rates. I wouldn't know how to do that," Ehrbar said. "We have been totally satisfied."

Livingstone monitors his 200 or so clients' statements each month to make sure the adjustments are continuing and sends them a monthly executive summary of each statement that is easier to read.

"We see which types of cards are used the most. We look for patterns and find where the merchants are being overcharged. Maybe the merchant is accepting cards incorrectly. It is more expensive to key in the numbers than to swipe the card. There is more risk if the card is not swiped. It's riskier because someone could have found the credit card number," Livingstone said.

"We are constantly renegotiating. It's a process. The merchant does not have to worry about what they are going to see. We see their statements before they do. We don't charge unless we can save them money, then we take 50 percent of the savings," Livingstone said.

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Livingstone said merchants sometimes try on their own to switch to another processor in hopes of getting a better deal.

"With the downturn in the economy, we saw that it was too tough for companies to switch from one provider to another, due to the startup and ending costs, such as cancellation fees of \$300 to \$500," Livingstone said. "Some businesses get 10 calls a day from processors trying to solicit their account. They get too scared to change and hate everybody associated with the industry."

Bill Bateskas, owner of Boynton Lighting, Boynton Beach, also found some relief from fees with Livingstone's assistance. In a tough economy, every dollar saved helps, he said.

"In August and September, we saved 15 to 25 percent of our fees," Bateskas said. "It doesn't cost us any money. Whatever he saves us, we split. He is making money on saving us money."

The truth about interchange fees

- The fees are set by credit card networks Visa Inc. and MasterCard Inc., but are paid by retailers to card issuers such as Bank of America and Citigroup Inc.
- The reason some businesses prefer customers pay with a debit card and a PIN is that card processors charge merchants more for credit card transactions.
- A credit card with rewards, such as airline miles or cash back, costs a merchant more to process than one without rewards.
- A business, corporate or foreign card carries even higher processing fees.

Sources: *Unfaircreditcardfees.com*, *electronicpaymentscoalition.org*, *National Association of Convenience Stores*