



# Navigating Surcharging for Financial Stability

A Strategic Opportunity  
for Veterinary Professionals



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# Executive Summary

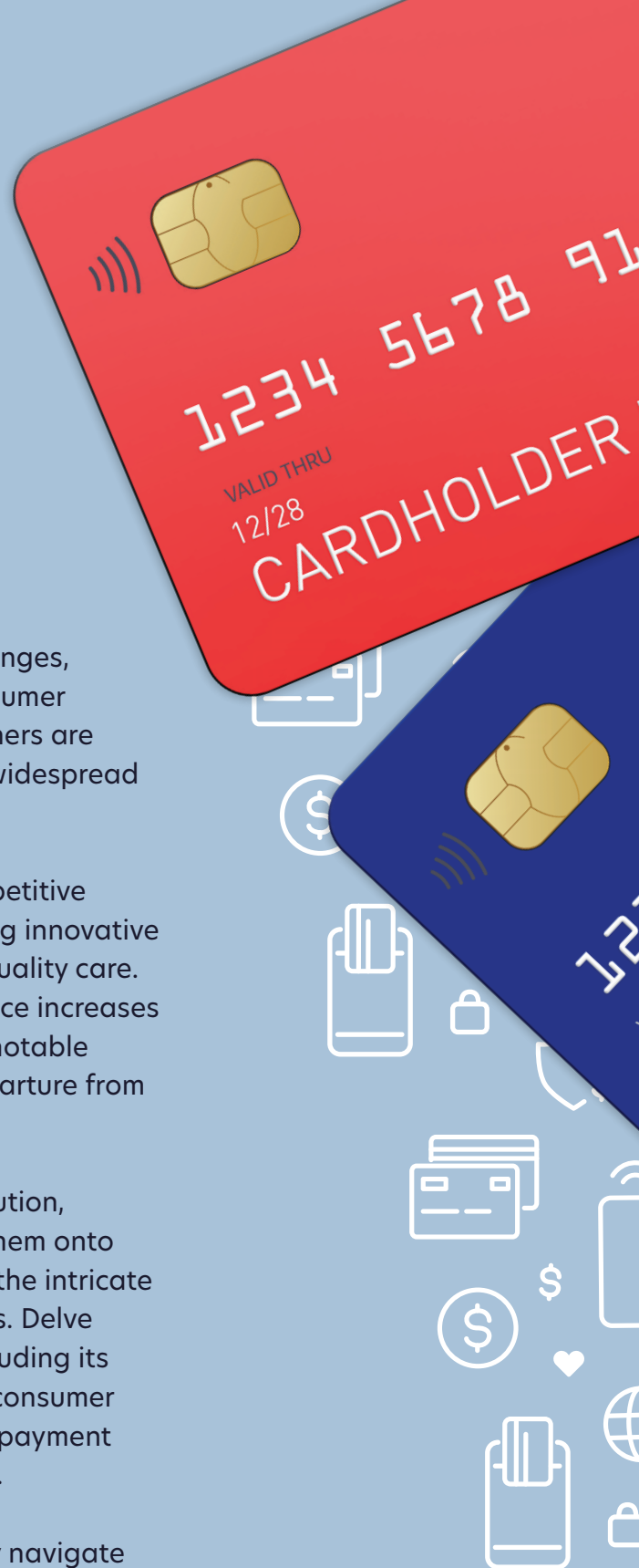
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Veterinary practices face significant financial challenges, including rising operational costs and evolving consumer behaviors. Faced with these pressures, practice owners are confronted with difficult choices: either implement widespread price increases or absorb the escalating costs.

As the preferences of pet owners shift and the competitive landscape evolves, practices find themselves seeking innovative solutions to maintain profitability while delivering quality care. Due to consumer reluctance to accept consistent price increases in services, veterinary practices are experiencing a notable year-over-year decline in foot traffic, marking a departure from previous trends.

In response, surcharging emerges as a targeted solution, allowing practices to offset costs without passing them onto all clients indiscriminately. In this guide, we explore the intricate world of surcharging and its role in modern business. Delve into the complexities of credit card surcharging, including its benefits, regulatory considerations, and effects on consumer perception. We offer practical insights on choosing payment partners and communicating with clients effectively.

With this guide, veterinary practices can confidently navigate surcharging, securing financial stability while fostering positive client relationships in today's dynamic market.





# Why Consider Credit Card Surcharges

U.S. businesses paid a record \$160 billion in processing fees last year, mostly from credit cards.

To cope with shrinking profits due to inflation, more are adding surcharges or convenience fees. Around 5-10% of 8 million small businesses in the U.S. now charge credit card fees, up from 2% five years ago. About 15% of new card-accepting merchants have implemented surcharge policies, signaling a rising trend.<sup>1</sup>

According to estimates from Mercator Advisory Group Inc., a payments research and consulting firm, some 92% of all U.S. credit-card purchase volume is currently charged on rewards credit cards, up from 86% in 2013 and 67% in 2008. This surge in the use of rewards credit cards has significant implications for merchants. When shoppers pay with Visa or Mastercard credit cards, merchants are charged interchange fees that are set by the card networks and funneled to the banks that issued those cards. These “swipe” fees vary widely but are higher on rewards credit cards—sometimes around 3% of the cardholder’s purchase price. Yet, while rewards credit cards are popular among consumers, merchants assert that the most generous rewards credit cards with the highest fees are cutting into their profits.<sup>2</sup>

**400-800K**

Small Businesses in the U.S.  
charging credit card fees

**92%**

of all U.S. credit card purchases are  
currently charged on rewards credit cards

<sup>1</sup>Source: Financial Times

<sup>2</sup>Source: The Wall Street Journal





# Benefits of Credit Card Surcharging

## Recovering Processing Costs

Where permitted by law, Merchants may impose a surcharge, typically around 3%, on customers who use credit cards, allowing them to recoup the exact expenses incurred in processing these transactions, without exceeding the full cost.

## Uniform Price Adjustments for Credit Card Users

This strategy applies an equal surcharge to all customers who opt to pay with credit cards. By implementing this approach, businesses can achieve their financial goals without disproportionately affecting any specific group of credit card users. However, it's important to note that this creates a price difference between credit card transactions and other payment methods, such as cash or debit cards.

## Customer Choice

Credit card surcharging gives consumers a clear choice, allowing them to decide whether to pay the surcharge or opt for alternative payment methods.

## Omnichannel Support

Applying a credit card surcharge across all acceptance channels maximizes savings. By working with payment service providers supporting surcharges for omnichannel payments such as made face-to-face, online, over the phone, or recurring payments, results in increased savings.

# Considerations

## Customer Perception

Credit card surcharging offers benefits for businesses, but may raise customer concerns. It's important to note that surcharging practices and displays can vary, and not all implementations explicitly inform cardholders about cost transfers. Businesses should ensure full compliance with regulations, including transparent communication where required. By carefully implementing surcharging policies and educating customers about the reasons behind them, businesses can better manage perceptions and maintain positive customer relationships.





## Transparent Communication and Compliance

It's essential to transparently communicate the credit card surcharge to customers and ensure compliance with local/state regulations regarding surcharging practices from a point of sale perspective (including any necessary displays prior to the point of sale).

## What type of businesses should consider surcharges?

Businesses across various industries, including veterinary practices, may consider implementing surcharges as a strategic approach to managing costs.

**Veterinary practices, in particular, have the potential to establish profound emotional connections with pet owners. This emotional attachment can serve as a foundation for introducing credit card surcharges effectively.**

By emphasizing the role of surcharges in maintaining service standards and ensuring access to veterinary care, practices can address potential customer objections. Presenting surcharges as essential for sustaining standards reinforces the bond between pet owners and the practice, aligning with principles of consumer behavior and facilitating acceptance of additional expenses. Veterinary practices are well-positioned to integrate credit card surcharging into their operations in a way that resonates positively with their clientele.



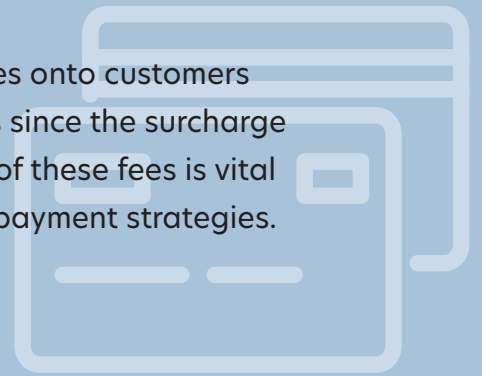
# Understanding Surcharging Regulations\*



In the United States, the legality of credit card surcharging is often determined at the state level, leading to variations in permissions and restrictions on its application. Some states prohibit surcharging altogether, while others impose specific requirements on surcharge practices. Even in jurisdictions where surcharging is permitted, strict guidelines typically apply to ensure transparency and fairness in surcharge implementation.

## Credit Card Surcharge vs. Cash Discounting

Credit card surcharging involves passing actual processing fees onto customers who use credit cards, while cash payments lead to lower costs since the surcharge fee will not be applied. Understanding the legal implications of these fees is vital for veterinary businesses seeking to implement cost-effective payment strategies.



## Credit Card Surcharge vs. Convenience Fee

While credit card surcharges apply specifically to credit card transactions across all acceptance channels, convenience fees are imposed on card-not-present transactions to offset processing costs. Veterinary businesses, separately, must adhere to specific rules governing the application and disclosure of convenience fees to ensure regulatory compliance. In some states, veterinary businesses must also separately adhere to specific rules around credit card surcharging.

\*This executive summary should not be seen as providing legal advice of any kind. It is recommended that all businesses consult with their own legal counsel on the advantages and disadvantages around surcharge fees and convenience fees (as well as requirements imposed by different states).



# Choosing the Right Payments Partner



Selecting the right payment partner is vital for veterinary businesses diving into credit card surcharging. A reliable payment partner ensures smooth transactions and compliance with regulations, protecting both businesses and customers.

## Key Criteria for Selecting a Payments Partner



**Consider the following when choosing a payments partner:**

### Experience and Industry Knowledge

Seek a partner with a proven track record in serving veterinary practices, offering tailored solutions and proactive support.

### Technology and Innovation

Evaluate technological capabilities, security measures, and support for emerging payment methods.

### Transparency and Pricing

Opt for partners with transparent pricing models to avoid hidden fees and ensure fairness.

### Compliance Support

Prioritize partners offering proactive compliance guidance on surcharging regulations.



# Role of Payments Processing Partner in Ensuring Compliance

A reputable partner assists veterinary businesses by:

## Monitoring Regulatory Changes

Keeping abreast of credit card surcharging regulations for compliance. Though partners are always encouraged to separately consult with their own regulatory advisor.

## Ensuring Software Compliance

Providing compliant check out software solutions for automated regulatory adjustments.

Partnering with a transparent, innovative, and compliant payments provider streamlines credit card surcharging initiatives, boosting operational efficiency and customer satisfaction.



# Proactive Client Communications & Monitoring Customer Feedback



Proactive client communication is vital for effectively implementing credit card surcharging. It fosters trust, reduces friction, and ensures compliance, leading to enhanced satisfaction and growth.

## Utilizing Client Communication Platforms

Email, SMS, and social media allows for proactive engagement with customers regarding credit card surcharging. These platforms offer avenues to educate clients about the rationale behind surcharging, its benefits, and its alignment with the practice's commitment to quality care.

## Tailoring Pre-Appointment Reminders

Pre-appointment reminders present an ideal opportunity to communicate changes or updates, including credit card surcharging policies.

## Benefits of Proactive Communication

Proactive communication about credit card surcharging offers several advantages for both clients and hospitals:

- **Transparency and Trust:** Clear communication fosters trust by demonstrating pricing transparency, thereby enhancing the client-practice relationship.
- **Reduced Friction:** Advance notice minimizes confusion during payments, resulting in smoother transactions.
- **Feedback Opportunity:** Proactive communication allows clients to voice concerns, aiding practices in refining strategies and improving satisfaction.
- **Compliance and Protection:** Transparent communication ensures regulatory compliance, mitigating legal risks and upholding ethical standards.

# Planning & Implementation

To implement credit card surcharging effectively in veterinary businesses, thorough planning and compliance with regulations are essential.



## Importance of Planning Ahead

Careful planning is necessary, with a 30-day notice period required for credit card surcharge regulatory compliance. This allows for preparation, effective communication with clients, and seamless integration into existing payment systems.

## Timeline for Implementation

Aligning the implementation timeline with regulatory requirements and business goals is crucial. A phased approach, starting with internal assessment and followed by staff education and client notification, facilitates a smooth transition.

## Staff Education & Training

Proper training of staff on credit card surcharging processes and regulations empowers them to provide accurate information and maintain a positive customer experience. Partners are always encouraged to seek out their own regulatory advisors around credit card surcharging practices.





# Conclusion

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Embracing credit card surcharging presents a strategic opportunity for veterinary practices to navigate financial challenges while maintaining quality care standards and client relationships.

To leverage surcharging effectively, veterinary practices should:

- 1** Prioritize transparent communication with clients regarding the rationale and benefits of surcharging, fostering trust and understanding.
- 2** Ensure compliance with relevant regulations and consumer protection laws to mitigate legal risks and uphold ethical standards.
- 3** Select a reputable payments partner with industry expertise, technological capabilities, and proactive compliance support.

Proactive client communication plays a pivotal role in successful surcharging implementation, facilitating transparency, trust, and compliance.

Thorough planning, including staff education and adherence to regulatory timelines, is essential for seamless integration of surcharging into veterinary practice operations.



