


THE ROAD TO SAVINGS

HOW TO SAVE MONEY ON CREDIT CARD PROCESSING

At **Host Merchant Services** we guarantee to save your business money every month on credit card processing. We're going to take a little road trip to show you exactly how we do that:

Why Accept Credit Cards?

 Credit cards are the most popular form of payment. Studies show that customers spend more when paying with a card than they do when paying with cash.

180 MILLION 180 million Americans carry credit cards.

66% 66 percent of in-store transactions are made with credit, debit or pre-paid cards.

STEP ONE: PRICING SYSTEM

The first step to understand how **Host Merchant Services** saves you money is to look at the pricing system. We utilize the **"interchange plus"** or **"cost plus pricing."** It uses a set of rates and fees determined by the card associations (Visa, Mastercard, and Discover). Merchants are able to clearly see what categories they're in.

Here are some different interchange categories that merchants pay with the same consumer visa credit card:

Supermarket Credit	1.22% + \$0.05
Small Ticket	1.65% + \$0.04
Standard Retail	1.51% + \$0.10
Restaurant	1.51% + \$0.10
Charity	1.35% + \$0.05
Service Station	1.15% + \$0.25
e-Commerce	1.80% + \$0.10
Mail Order/Telephone	1.80% + \$0.10

STOP: And take a closer look

Interchange plus is the most transparent form of pricing for Merchant Account services. The formula is simple, Merchant Services Providers add a flat markup rate to the interchange fees that are listed by Visa and MasterCard.

INTERCHANGE
Rates established by Visa and MasterCard



MARKUP
Rates established by the Merchant Services Provider

And here's how that saves you money

- Using the average rate of 1.77% as an example ...
- ▶ 1.77% BASE RATE + QUOTED MARKUP RATE.
 - ▶ THAT'S IT.
 - ▶ NO ADDED TIERS. NO HIDDEN FEES. NO SURCHARGES.

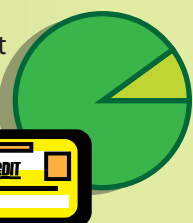
DETOUR: More statistics to consider

82% AMEX members
79% Visa, MasterCard agree merchants should offer as many payment options as possible.

\$3.663 TRILLION
in purchases were made in 2009 using credit cards at US merchant locations.

Over 875,000,000 consumers shopped online.

90% of all Internet Sales are made with credit cards.



STEP THREE: EFFECTIVE RATE

How to Calculate your Effective Rate:

$$\frac{\text{TOTAL AMOUNT OF FEES YOU PAY}}{\text{AMOUNT YOU PROCESS IN SALES + REFUNDS}}$$

The next step in saving money is learning how much money is currently being spent on average to take in each dollar on credit cards. This is called your **Effective Rate**.

STEP FOUR: AVERAGE TICKET

The average ticket size or average transaction amount is also critical to understanding your rates.

It's a matter of **BIG VERSUS SMALL**

Here's an example of how Average Ticket Size varies, and thus your processing rates vary:

\$1,000 in Transactions Processed	
BUSINESS A	BUSINESS B
Number of transactions: 100	Number of transactions: 10
Processing fee of \$0.20 per transaction for both businesses	
Average Ticket = \$10	Average Ticket = \$100
Effective Rate: 2.00%	Effective Rate: 0.20%

STEP FIVE: ALL THOSE FEES

Fees to watch out for in the fine print from credit card processors:

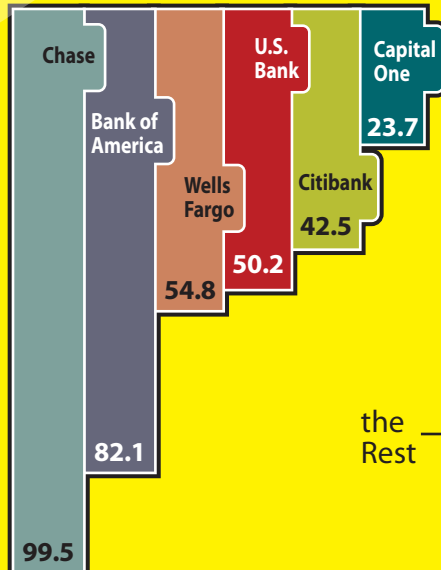
- Monthly fees
- Statement fees
- Administrative fees
- Regulatory fees
- Product fees
- Equipment Rental fees
- PCI fees
- Annual fees

The last step on the road to savings is added fees. You need to examine your statement closely to find added fees that may not have been mentioned to you during a sales pitch when you first signed up for processing.

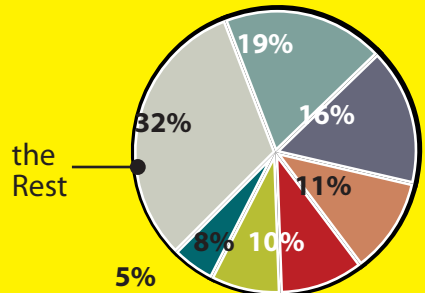


Top Issuers of Commercial Cards

Ranked by Purchase Volume in \$Billions.



Market Shares of Industry Total



HOST MERCHANT SERVICES



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Visit us today and let one of our industry experts analyze a current merchant statement. We will save you money!