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How much is too much to pay in credit card fees?

Restaurant Payment Processing

Running a restaurant is no cheap endeavor. After considering the breakdown for labor, rent, utilities, and more the annual cost of running a restaurant add up fast. One of the most important (and costly) expenses restaurant owners deal with is credit card processing and payment fees. With an uptick in popularity for contactless payment options like chip readers, QR codes, and personal devices; credit and debit card fees just keep rising.

2021 credit card usage statistics:

There are
1.06 billion
credit cards in use in the United States

Americans are
40% more
likely to use a credit card on a purchase

60%
of Americans believe the US will soon become a cashless society

Over half the credit card market share belongs to Visa with
335 million credit cards
in circulation

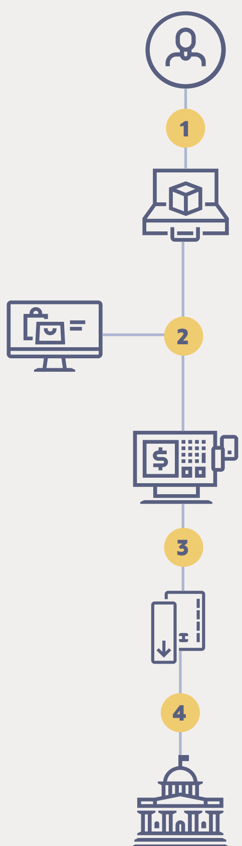
Baby boomers
have the most amount of credit cards per person, with Gen Z having the fewest

In an increasingly cashless society, payment processors are necessary for quickly and efficiently handling customer tickets and generating revenue. But understanding the true cost of these fees, as well as the hidden charges most payment providers won't warn you about isn't easy. In this guide, we'll break down the basics of restaurant payment processing and the most common fees, so you can understand what you're really paying for.

The basics of restaurant payment processing

There's no way around it—if you want to accept credit, debit, and other digital payments at your restaurant you'll need to partner with a payment processor. A payment processor provides merchants with payment terminals and hardware that allow businesses to accept payments. These companies also act as the middle manager between all parties involved in the transaction.

Who's involved in a restaurant credit card transaction?



Customer
Your customer paying with a credit card, debit card, or digital payment.

Merchant
The business accepting the payment—(that's you!).

Payment Processor
The company that provides the payment terminals and manages the routing and payout of funds after the transaction.

Merchant Acquirer
Also known as an acquiring bank. This is the bank that holds your merchant account where proceeds from you sales are deposited.

Card Association
The organizations that facilitate the transactions and regulate card usage (e.g., Visa, MasterCard, Discover, American Express). These are also referred to as Card Networks.

Issuing Bank
The financial institution that issues credit and debit cards to consumers (e.g., Bank of America, Chase, Citibank). Some Card Associations such as American Express and Discover also act as Issuers.

When customers swipe or tap their card the payment processor collects their credit card information via the payment terminal. The payment processor then confirms the validity of the card information before forwarding the card details to the card association. Finally, the card association works with the issuing bank to authorize the payment. After all of those steps have been completed, the restaurant receives the funds from that transaction (minus the fees associated with the transaction).

How are restaurant transaction fees determined?

How much your restaurant pays in total fees is determined by the payment gateway, credit card processor, credit card association, and the issuing bank. Everything from the size of your business to the number of transactions you plan on processing can drastically impact processing rates. To simplify things a bit, most processors offer one of the following pricing models: flat-rate pricing, interchange-plus pricing, and tiered pricing.

With flat-rate pricing, the merchant pays a flat fee with a fixed percent per transaction added on top (e.g., 2.7% + $0.19 per transaction). Tiered pricing charges you according to the type of transaction you run with different types costing varying amounts. And interchange-plus pricing determines the cost based on the interchange fee charged by the card associations (Visa, Mastercard, etc.) and then add the fees taken by your merchant services provider.

Who charges what?

Payment Processor	Flat Fees
Merchant Acquirer	Incidental Fees Flat Fees Transactional Fees
Card Association	Transactional Fees
Issuing Bank	Transactional Fees

Regardless of which pricing model you choose through your payment processing provider, most restaurant fees you'll see will fall into one of three categories: transactional fees, flat fees, and incidental fees. Together, these fees comprise the total cost of your merchant account and can show you how much you'll pay monthly.

Transactional fees

The payout for the majority of fees doesn't actually go to your payment processor—it goes directly to the issuing banks and card association (e.g., Bank of America, Chase, Citibank) in the form of transactional fees. Transactional fees refer to fees that your business incurs anytime you complete a credit card transaction. It's usually the responsibility of the payment processor to pay out fees to all parties involved. While your payment processor is the party that ultimately sets the merchant fees, the card issuer, and the card association help determine the fees that are ultimately taken out of the transactions you process. These fees will vary greatly depending on which card brand your customer uses—with additional charges added for certain types of commercial or rewards cards. For this reason, it's difficult to know just how much you'll be charged per transaction upfront. This makes it difficult for businesses on the Interchange-Plus pricing model to anticipate their credit card fees and sometimes they find costs vary greatly month-to-month.

Flat fees

In addition to monthly transactional fees, you may spot additional charges on your statement in the form of flat fees. These fees are issued by your payment processor and will vary depending on which provider you choose. Far too restaurateurs are surprised to find that they are paying significant fees for things like reporting fees, monthly maintenance fees, etc. Many of these fees are negotiable if discussed before signing a contract, so it's important to compare the flexibility of offers from different payment providers.

Incidental fees

Incidental fees are fees that you're charged by your payment processor or merchant account provider as a result of specific occurrences—like in the case of fraud, chargebacks, or insufficient funds. Because these fees are triggered by specific events you may go months without dealing with incidental fees.

Even if you plan every detail of your payments strategy, there are hidden costs most payment and credit card providers aren't transparent about.

Examples of credit card fees

While credit card fees are the biggest issue on most restaurateurs' minds when it comes to payment processing – there's also the hidden cost to your back office. How much time (and money) is lost every day to credit card disputes and working with your bank over the phone?

List of others/hidden charges:

- Set-up Fee
- Installation Fee
- Payment Gateway Fees
- PCI Compliance Fees

Annual fees:

- Early Termination Fees
- Monthly Fee
- Monthly Minimum
- Statement Fees
- Terminal Lease
- IRS Report Fees (1099K issuance)

Online reporting fees:

- Association Fees
- Cancellation Fee

Chargeback/dispute:

- Address Verification Service (AVS)
- Voice Authorization Fee (VAF)
- Retrieval Request Fee
- Batch Fee
- Non-Sufficient Funds Fee

Oracle charges
only a flat fee per transaction
plus a percentage fee

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How integrated payment processing can transform the customer experience

Most businesses view their payment processor as a small piece of their larger tech stack; when in reality your choice of payment provider can make or break your customer experience. Slow transactions, technology issues, and hidden fees; choosing the wrong payment processor for your restaurant can be detrimental to your brand. A single negative payment experience can change a customer's opinion about your restaurant.

96% of customers

will take action that hurts your profits as a result of a single bad experience.

Consumers expect speed, responsiveness, and multiple options when it comes to ordering and paying. There is a direct correlation between the functionality of your payment processor and your business's ability to scale locations, explore new revenue channels, and improve customer loyalty. Restaurants need a payment partner that can help them create a more cohesive guest experience that also generates strong profit margins. And while your payment processor's primary function is to help your restaurant accept and manage payments through your restaurant POS, there is so much more a payment processor can do for your business.

Hassle-free payment across ordering channels

Oracle research shows the latest breakdown of customers' payment preferences:

33% of customers

want the option to pay for their meal directly from their personal device

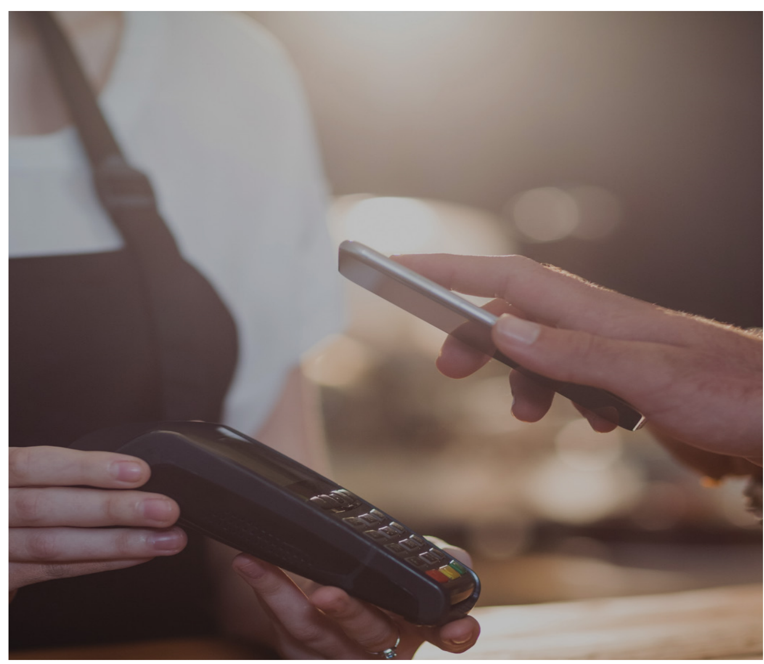
33% want contactless payment

options from a self-service kiosk or a customer facing tablet directly at the table

With integrated payments, guests can use their payment method of choice, such as contactless or NFC phone payments, authorize meal payments and include tips in a single transaction. This in turn can prevent long lines and queues, reduce operating costs, and increase your speed of service. Customers will be thrilled by their quick and convenient service, while your business can turn tables around quicker, generate more profit and better tip rates.

A more flexible, efficient payment system for staff

Oftentimes, non-integrated payment systems require staff to manually enter check and tip amounts before running customer cards. Staff then have to manually mark the purchase as paid and log the sale in your POS system. Integrated payments work with your POS system to simplify payments and reduce the risk of human error. And when paired with tablets staff can spend less time punching in and processing orders at fixed workstations and spend more time with customers. Staff can also easily accept numerous forms of magnetic stripe, chip cards, or contactless payments. Integrated payment solutions give your staff the ability to process payments on the dining floor, manage multiple tickets at once and serve customers — all from a single solution.



How is Oracle making payments easier?

Payment processing fees for restaurants can be difficult to understand at first. Breaking down the core elements that contribute to the overall cost, as well as how incorporating an integrated payments strategy into your current POS technology stack can create a more streamlined customer experience. Some payment providers claim to offer transparent pricing custom-built to fit your needs. What those providers won't warn you about are the hidden fees, upcharges, and questionable pricing models you'll end up paying for later.

Oracle is removing the guesswork from payments by offering

Fixed percentage fee + per transaction fee

with no monthly payments for the service

Flexible pay-as-you-go model

with no monthly payments for the service

This means no long-term contracts or cancelation fees. While other payment processing providers slap merchants with fees for canceling their contract, you can pause, stop, or cancel your Oracle Payment Cloud Service at any time without incurring a single penalty or cancelation fee.

And when you choose Oracle for payments, you can eliminate what is typically a large upfront capital expense with our One for One initiative for Payment Devices—where customers can acquire fully certified, EMV-compatible payment devices for one dollar with every Simphony subscription. This includes a one-year warranty or optional premier support for 15% or parts exchange for 12% of the net hardware selling price per year.

Oracle customers can add payments to their current Simphony subscription today and access our new simplified, end-to-end payments solution all under a single contract. Our competitive fixed-rate pricing means you never have to worry about how much you're really paying per payment.

Interested in learning more about payment processing for restaurants?

Speak with an Oracle product expert today.

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Connect with us

Call **+1.800.ORACLE1** or visit **oracle.com**. Outside North America, find your local office at: **oracle.com/contact**.

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