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Retail Payment System Consultation Team
Commerce Commission
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Retail Payment System Consultation: Costs to Business and Consumers of Card Payments

Background

The Barkers Group is a New Zealand retail group consisting of Barkers Clothing, Max Fashions who have a total of 64 stores across NZ and 2 E-commerce stores, as well as Clique Fitness an online women's fitness apparel brand.

We welcome and support the Commerce Commission reviewing with the aim of lowering the merchant service fees for card payments, as these are a significant cost to our business costing our group [REDACTED]. However, it is not just the interchange fee, but the total of the interchange + additional acquiring fees and margins that make the current fee structure unreasonable and costly to retailers.

Currently our group does not on charge any merchant fees to the end customer, however given the quantum of this cost to the business with no apparent benefit from the service providers that justify this cost, and as such we are seriously considering introducing a surcharge to our customers for debit and credit card transactions. Whilst we do not want to introduce further fees to our customers, the cost is such that the business cannot simply bear the brunt of these exorbitant fees any longer.

We are aware that these fees are not charged equally across retailers and that the Interchange fee structure heavily favours large strategic merchants despite the exact same service provided being the same for SME's which presumably costs the merchant service providers no more.

Submission Questions

1. Do merchant service fee complexities drive challenges in determining whether and how you surcharge

Yes - The complexity and unfairness of MSFs for SME's vs Strategic Merchants has made it difficult to assess what would be a reasonable surcharge, however as mentioned previously - until now our business has opted to not on-charge our customers and instead absorbed this as an operational cost. We can no longer carry that cost and unless there is a change and significant reduction on the MSFs as a result of the Commerce Commission review then we will be introducing a surcharge.

2. Would you consider lowering or even ceasing to surcharge if your merchant service fees were less than 1% for in person card payments?

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Yes - if the total MSF was reduce to less than 1% then we would subsequently review our decision to surcharge our customers. Currently our total MSF costs are [REDACTED] when considering the Interchange + acquiring fees + margin [REDACTED]. We simply cannot carry these costs in a severely depressed retail environment where margins are squeezed and the cost of doing business in the past 3 to 4 years has skyrocketed.

As it currently stands, we are looking to introduce a surcharge [REDACTED] which is less than the cost we are charged by the service providers, and our objective is not to make any profit from a surcharge, but simply recover the majority of the costs that the banks charge us.

If the outcome of the Commerce Commissions review was to reduce our total MSFs below 1% then it would likely result in us to reconsider not introducing a surcharge to our customers. As such our strong recommendation is that there is a cap on the total MSF fees, and that all merchants regardless of their size should be charged the same capped fee. There is no justification or reason an SME should be charged more than a large strategic merchant given the costs to the service providers is the same.

Yours sincerely
James Whiting
Group Managing Director

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