



Level 6, Tower B, 100 Carlton Gore Road
Newmarket
Auckland 1023
Phone (09) 523 4064
accounts@superliquor.co.nz
www.superliquor.co.nz

2 September 2024

Commerce Commission
PO Box 2351
WELLINGTON 6140

Via email: RetailPaymentSystem@comcom.govt.nz

Dear Sir/Madam

Submission: Retail Payment System Consultation

We appreciate the opportunity to comment on the Commission's Cost to Business and Consumers of Card Payments in Aotearoa New Zealand Consultation Paper.

We make this submission on behalf of our retail franchise network.

About Super Liquor

Super Liquor is a New Zealand alcohol retail franchise with 205 stores from Kaitia in the North to Invercargill in the South. Each store is a locally owned and operated business operating under a franchise agreement with Super Liquor. Our Super Liquor franchisees represent a broad spectrum of small and medium sized businesses situated in both urban and rural locations. Each franchisee receives the benefits of and honours the obligations of participating in the Super Liquor branded system. The Super Liquor franchisee offer is based on creating a long-term sustainable retail business.

Interchange fees and surcharging – general commentary

There is significant inconsistency in the current approach to interchange fees and surcharging across the retail sector. This is evident even within our own retail network, with 25 (<12.5%) of our 200+ Super Liquor stores currently applying a surcharge for Paywave transactions.

This inconsistency of the approach creates widespread confusion for customers, with customers not aware they can decline fees and not sure how to at point of payment. There is a misconception that retailers make additional margin from surcharges.

For our retailers, many are unclear how merchants charge, particularly for PayWave services. Further, there is a wide variation in fees charged between banks and merchants, and fees are

not reflective of the retailer's transaction volumes. This means that card payment services are complex to administer and the playing field is not level.

As convenience-based retail stores, our gross margins are very low, meaning the surcharge component can often prove the difference between a transaction being profitable or not.

Retail crime is on the rise and a number of our stores are facing growing security issues. This means we anticipate electronic card transactions will become a greater proportion of total turnover (currently 84%), and some stores will seek to become entirely cashless in future.

Small retail businesses are facing considerable cost pressures. Any costs that are outside their control are particularly challenging. Therefore, the less variability in interchange fees and the clearer the regime for surcharging, the better.

Consultation Questions

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

Yes, in particular:

- the inconsistency of charges and fees from merchants, banks and by card type creates significant complexities for retailers, as does whether the customer swipes or inserts their card
- the dollar value of any transaction does not affect the interchange itself, yet a 1% surcharge is considerably different between a \$10 transaction and a \$100 transaction. This is anomalous.

We appreciate the Commerce Commission's guidance for retailers as to how to manage the complexities created by variabilities in merchant service fees and ensure transparency and fairness for customers. However, we encourage the Commission to consider ways to simplify and standardize the entire card payment system so the burden of responsibility for managing the current complexity does not sit with retailers and consumers.

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

This would be up to individual Super Liquor franchisees. However, in principle, we recommend that the card payment system itself should be standardized and transparency provided to retailers and customers on a suitable "cost to serve" and margin for the fees and charges provided by the banks and merchants. This could be as a percentage or as a set valuation that is capped or graduated through various purchase value cliffs. Regardless of the formula, the intent is to eliminate the variability of surcharging between retailers altogether.

In summary, we welcome the Commission's review of the costs to business and consumers of New Zealand's retail payment system and encourage change that will reduce the system's complexity for retailers and consumers and standardize the system to ensure a level playing field for retail businesses.

We would welcome any opportunity to participate further in the review of the card payment system. Please contact me if you have any questions or would like further information.

Yours faithfully



Morgan McCann
Chief Executive Officer
Super Liquor Holdings