

Cash Discount Program

Administration Requirements

11/3/2017

What is the Cash Discount Program?

- ▶ Consumers are notified via signage checkout, that a percentage rate customer service charge is applied to all store sales; and as an incentive for paying with cash, consumers would receive an immediate discount equal to that percentage rate customer service charge.
- ▶ All prices posted within the business represent the Cash Discount Price. The merchant is not required to change price tags on their inventory when they administer their Cash Discount Program signage as outlined above.
- ▶ At the point of sale, a Non-Cash Adjustment (percentage rate) is applied to the sale and displays on the merchant copy and customer copy of the sales receipt.
- ▶ The total settled transaction amount is the sum total of the original sale amount and the Non-Cash Adjustment amount.
- ▶ The merchant account is **setup on Daily Discount Billing** so that the discount rate applied to the pricing of their merchant account is deducted from the batch deposit.
- ▶ The net result for the merchant is the experience of **significantly reduced processing costs at month end**, while receiving the full deposit of their original sale amounts on a daily deposit basis.

What are the requirements for the administration of the Cash Discount Program?

- ▶ A Non-Cash Adjustment is applied to all transaction Credit and Signature Debit transactions across all card networks. PIN Debit is optional.
- ▶ Program disclosure must be posted at the point of sale and printed on all receipts.
- ▶ The point of sale receipt must state the following: Non-Cash Adjustment.
- ▶ The merchant must understand that they may still owe processing fees as agreed upon in the Merchant Processing Agreement.
- ▶ The Non-Cash Adjustment must be a percentage rate up to 4% and cannot exceed the merchant's total processing costs.
- ▶ A program pricing structure that includes Consumer Non-Cash Adjustment Rate and respective Merchant Discount Rate must be selected by the sales representative and disclosed to the merchant via the **Non-Cash Adjustment Addendum**.
- ▶ This program must be administered on a Dejavoo Z Series point of sale device utilizing the Custom Fee Feature, which would be labeled as Non-Cash Adjustment.

Disclosure to Consumers via Receipt

Merchant ABC
 1129 Northern Blvd
 Suite 303
 Manhasset, NY 11030

08/01/2017 15:31

Sale

Trans: #4 Batch: #1

American Express CHIP
 *****1105 **/**

AMOUNT: \$27.65
 Non-Cash Adjustment: \$0.97
 TOTAL AMT: \$28.62

Resp: Approved
 Code: 1234567890

App Name: American Express
 AID: A000000025010801
 TVR: 0000008000
 TSI: E800

Thank You!

CUSTOMER COPY

CASH DISCOUNT TEST
 1234 Main St
 Conroe TX 77380
 888-888-8888

10/26/2017 22:05

Sale

Trans #: 1 Batch #: 1

MASTERCARD CHIP
 *****0319 **/**
 Non Cash Adj
 1710261234567890

BASE AMT: \$10.00

SUB TOTAL: \$10.00
 Non Cash Adj \$0.35
 SUB TOTAL: \$10.35

TIP AMT: \$-----

TOTAL AMT: \$-----

TIP Sugg. 1: 10% 1.00
 Tip Sugg. 2: 15% 1.50
 Tip Sugg. 3: 20% 2.00

Resp: TRAINING MODE
 Code: 1234567890

App Name: Debit
 MasterCard
 AID: A0000000041010
 TVR: 8000008000
 TSI: 6800

Cardholder acknowledges receipt of goods and obligations set forth by the cardholder's agreement with issuer.

X
 CARD7P-D-S-TEST7-----
MERCHANT COPY

Tip Adjust receipt with tip line



Note: Non-Cash Adjustment is not calculated against the tip. It is only calculated against the base amount of the charge.

Tip Prompt receipt with no tip line



CASH DISCOUNT TEST
 1234 Main St
 Conroe TX 77380
 888-888-8888

10/26/2017 22:05

Sale

Trans #: 1 Batch #: 1

MASTERCARD CHIP
 *****0319 **/**
 Non Cash Adj
 1710261234567890

BASE AMT: \$10.00
 TIP AMT: \$2.00

SUB TOTAL: \$12.00
 Non Cash Adj \$0.35
 SUB TOTAL: \$12.35

TOTAL AMT: \$12.35

Resp: TRAINING MODE
 Code: 1234567890

App Name: Debit
 MasterCard
 AID: A0000000041010
 TVR: 8000008000
 TSI: 6800

Cardholder acknowledges receipt of goods and obligations set forth by the cardholder's agreement with issuer.

X
 CARD7P-D-S-TEST7-----

Disclosure to Consumers via Signage

(Examples)

CASH DISCOUNT AVAILABLE

SAVE BY PAYING WITH CASH!!!

NOTICE...

A Customer Service Charge of 4% will be applied to all store sales at the time of purchase.

CASH DISCOUNT INCENTIVE...

As an incentive for paying with cash money, customers will receive an immediate discount of 4% at time of sale.

CASH DISCOUNT AVAILABLE

SAVE BY PAYING WITH CASH!!!

NOTICE...

We are now offering an instant 4% Cash Discount for cash paying customers. Everything is priced at a Cash Discount price.

NON-CASH PAYMENTS...

If you use another form of payment then you will not be taking advantage of the 4% cash discount and that difference will be added to the purchase.

Cash Discount Program Addendum

CASH DISCOUNT PROGRAM ADDENDUM

By completing this form, your business agrees to strictly adhere and follow all program requirements regarding the NON-CASH ADJUSTMENT program.

Requirements

- Non-Cash Adjustment applies to Credit/Debit transactions across all the Card Brands, as well as PIN Debit unless otherwise indicated.
- Program disclosures **must be posted** at point of sale and printed on all receipts.
- Receipt must state: **NON-CASH ADJUSTMENT**
- Merchant understands they may still owe processing fees as agreed to on the Merchant Processing agreement.

I hereby certify I have read and understand & agree to strictly adhere to the information & requirements above regarding the Non-Cash Adjustment program. I understand that failure to adhere to any of the above items may result in the removal from the Non-Cash Adjustment program. I understand that the Non-Cash Adjustment program requirements are subject to change.

Program Structure

Apply Non-Cash Adjustment to PIN Debit Transactions? Yes No N/A

Consumer Non-Cash Adjustment Rate: _____%

Merchant Discount Rate (fee): _____%

Signature

Business name

Printed name

Date

- ▶ The merchant agrees to the disclosure and program structure requirements of the Cash Discount Program.
- ▶ The addendum provides guidance to the boarding department, indicating what Consumer Non-Cash Adjustment Rate to apply to the Dejavo terminal file code.

Cash Discount Program Structure (Pricing)

- ▶ The sales representative presenting the Cash Discount Program to a prospective merchant must follow the pricing structure here in this program overview.
- ▶ A sales representative must assess what program pricing structure is best for the merchant based on the merchant's business classification, transactional volume, and customer behavior.
- ▶ The “Consumer Non-Cash Adjustment Rate” and “Merchant Discount Rate” must be setup in a way that **the consumer rate does NOT exceed 0.16% above the Merchant Discount Rate**. Both rates must be disclosed to the merchant on the Cash Discount Program Addendum. The merchant discount rate must be listed in the Qualified Discount Rate field of the rates section on the Merchant Processing Agreement (MPA). This applies to Credit and Signature Debit. PIN Debit is optional.
- ▶ Merchant will also be responsible for any other fees designated within the MPA, including card association fees as listed on the “*Association Fees Summarized*” within the reference materials found on www.MerchantFoundry.com. If the sales office wants those fees removed, they must send a request to their Relationship Management team to remove “card network association fees” for Credit and/or PIN Debit. Those fees will be incurred as an expense against the residual without any direct offsetting revenue. See last bullet point...
- ▶ Since this is a bundled rate pricing structure, and Interchange costs are not passed directly through to the merchant as a statement line item, then the interchange expenses incurred should be considered when setting the discount rate and any other fees charged in order to protect the net residual income.

Cash Discount Program Summary

- ▶ By offering this solution to any merchant, the value proposition is summed up by the processing cost savings to the merchant.
- ▶ The proper implementation of this program is critical to its success and includes the following:
 - ▶ Setting accurate merchant expectations
 - ▶ Complete paperwork with pricing differential of 16 bps between Non-Cash Adjustment and Merchant Discount Rate
 - ▶ Accurate custom fee coding within point of sale device
 - ▶ Visible consumer disclosure at point of sale
 - ▶ Follow up by sales office to confirm accurate merchant account setup (especially on pass-through cost settings)
 - ▶ Send follow up request to Relationship Management team to confirm pass through disabled for Credit, Signature Debit, and PIN Debit if applicable.
 - ▶ Send follow up request to Relationship Management team to confirm daily discount billing method enabled for Credit, Signature Debit, and PIN Debit if applicable.