Understanding Pricing Programs

Dual Pricing · Cash Discount · True Flat Rate · Surcharge

Document Type	Standard SOP	**Use**	Training & Reference
Audience	Partners · Internal Teams	**Purpose**	Program Understanding
Version	1.0	**Status**	Training Reference

1. Purpose

This SOP establishes a standardized framework for understanding and communicating the distinctions between Dual Pricing, Cash Discount, True Flat Rate, and Surcharge programs. It serves as a primary training and reference resource for internal teams and partners.

2. Program Selection at a Glance

Identify the most appropriate program by aligning it with the merchant's primary objective.

Merchant Goal	Recommended Program	Reason
Wants the lowest processing cost	Dual Pricing → Cash Discount	Both models offset processing expenses through the pricing structure.
Wants simplicity	True Flat Rate	A fixed rate provides predictable costs and simplifies reconciliation.
Wants credit-card users to pay the added cost	Surcharge	Surcharges are restricted to credit card transactions only.
Equipment cannot support Dual Pricing	Cash Discount	Serves as the secondary pricing model when Dual Pricing is unsupported.

3. Core Concepts

Effective program management requires a clear understanding of these four fundamental definitions:

Dual Pricing
The consumer is presented with distinct cash and card prices at the point of sale.

Cash Discount
Prices are posted at a higher rate; customers who pay with cash receive a discount.

True Flat Rate
The merchant pays one consistent processing rate on all transactions.

Surcharge
An added fee applies only to credit card transactions.

4. Dual Pricing Program

4.1 What It Is

Dual Pricing enables merchants to display two distinct prices for every transaction:

- Cash Price
- Card Price

The customer selects their preferred payment method based on the displayed pricing.

4.2 Example

Payment Method	Customer Pays
Cash	$100.00
Card	$103.50

4.3 Customer Experience

Consumers view both pricing options simultaneously. For example: "Cash Price: $100.00 | Card Price: $103.50."

4.4 How It Works

The merchant offsets processing costs via the premium applied to card transactions.

4.5 Why It Is Popular

- Highest level of transparency for the consumer.
- Empowers customers with clear choices prior to payment.
- Significantly reduces the merchant's net processing expenses.
- Strong retention model (harder for competitors to replace).

4.6 Merchant Explanation

Suggested Explanation
"Dual Pricing provides full transparency by allowing customers to choose between a cash price and a card price, helping you offset processing costs while maintaining customer trust."

4.7 Best Use Cases

- Retail stores
- Restaurants
- Service businesses
- Merchants wanting compliant cost recovery

5. Cash Discount Program

5.1 What It Is

The merchant displays a single posted price, typically the card price, and provides an incentive for cash payments.

5.2 Example & Customer Experience

Posted Price: $103.50

- The card customer pays $103.50.
- Cash customers receive a discount and pay $100.00.

Messaging Example: "Listed Price: $103.50; Cash Price: $100.00."

5.3 Key Difference From Dual Pricing

Unlike Dual Pricing, only one price is explicitly posted, with the discount applied at the point of sale for cash transactions.

5.4 Internal Pricing Detail

The consumer-facing percentage may differ from the merchant account rate. Because the fee is integrated into the sales total, the system applies an adjusted mathematical rate.

Consumer Fee	Merchant Application Rate
4.0%	3.846%
3.5%	3.382%
3.0%	2.913%

5.5 Merchant Explanation

Suggested Explanation

"Cash Discounting includes the cost of card acceptance in your posted price, while rewarding customers who choose to pay with cash."

5.6 Best Use Cases

- Convenience stores
- Restaurants
- Businesses with frequent cash traffic

6. True Flat Rate Pricing

6.1 What It Is

The merchant pays one consistent rate on all transactions.

Example: Rate = 3.00%

6.2 Customer Experience

The customer experience is straightforward: every transaction is processed at the same predictable rate.

Example: A $100 sale results in a $3.00 processing fee.

6.3 How Billing Works

Processing fees are billed directly to the merchant, typically on a monthly cycle.

6.4 Why Merchants Choose It

- Simple
- Predictable
- Easy statements

6.5 Merchant Explanation

Suggested Explanation

"True Flat Rate pricing offers simplicity and predictability by applying one fixed percentage to all transactions, regardless of card type."

6.6 Best Use Cases

- Professional services
- B2B merchants
- Simplicity-focused merchants

7. Surcharge Program

7.1 What It Is

A checkout-level fee applied exclusively to credit card transactions.

7.2 Important Rules

- Credit cards only.
- Debit cards cannot be surcharged.

7.3 Example

Payment Method	$100 Purchase
Debit Card	$100
Credit Card	$103 (3% surcharge cap)

7.4 Customer Experience

Customers receive point-of-sale disclosures and see the surcharge as a separate line item on their receipt (e.g., "Surcharge: $3.00").

7.5 Billing Recommendation

Monthly billing is recommended to simplify accounting and ensure clarity between debit fees, credit fees, and surcharge collections.

7.6 Merchant Explanation

Suggested Explanation

"Surcharging helps offset costs by applying a fee only to credit card users, ensuring that debit transactions remain unaffected."

7.7 Best Use Cases

- Higher credit card volume merchants
- Low debit environments
- Professional offices

8. Surcharge Registration & Compliance

Merchants must be registered with the relevant card brands before surcharging. This process is typically managed by the payment processor during onboarding.

8.1 Before Going Live

- Confirm the merchant is successfully enrolled in the surcharge program.
- Verify that all required customer-facing signage is installed.
- Ensure the terminal is configured to exclude debit and prepaid cards from surcharges.
- Confirm the surcharge is itemized separately on all customer receipts.

Compliance Requirement

Surcharging must not commence until registration is finalized and all regulatory requirements are met.

8.2 Implementation Steps

1. Verify POS Capability

Verify that the POS or terminal supports credit-only controls (BIN-level logic). If the system cannot distinguish between debit and credit, an alternative pricing model must be used.

2. Account Configuration

During account boarding, navigate to the Features and Pricing tabs to select the Surcharge program and configure the fee percentage.

3. Compliance Guardrails

Surcharges are restricted to credit cards and typically capped at 3.00% (not to exceed actual processing costs). Merchants must display all required point-of-sale disclosures.

9. Program Comparison

Program	Who Pays Fee?	Applies To	Billing Recommendation
Dual Pricing	Consumer chooses price	Credit + Debit + Cash	Daily Preferred
Cash Discount	Consumer via pricing model	Credit + Debit + Cash	Daily Preferred
True Flat Rate	Merchant	All Transactions	Monthly
Surcharge	Consumer (credit only)	Credit Only	Monthly Preferred

10. Dual Pricing vs. Cash Discount

Dual Pricing	Cash Discount
Two prices shown	One higher price shown
Customer chooses	Cash gets discount
Highly transparent	Familiar to many merchants
Preferred go-to-market model	Strong fallback option

Comparison Summary
"Dual Pricing presents both options upfront for maximum transparency, while Cash Discounting offers a reward for cash payments against a single posted price."

11. Recommended Sales Flow

Merchant Need	Recommended Path
Merchant wants the lowest cost	1. Dual Pricing 2. Cash Discount
Merchant wants simplicity	True Flat Rate
Merchant wants credit users to pay	Surcharge
Equipment cannot support Dual Pricing	Cash Discount

12. Common Objections & Responses

“Customers won’t like paying more.”
"These programs offer customers a choice to save through cash payments. Given the prevalence of such models, most consumers are already comfortable with this structure."

“What’s easiest to understand?”
"Flat Rate is the simplest to manage. Dual Pricing offers the most transparency. Cash Discounting provides the most immediate cost reduction."

“Why not Surcharge?”
"Surcharging is limited to credit cards, meaning the merchant still incurs costs on all debit and prepaid transactions."

“What’s best for the long term?”
"Dual Pricing and Cash Discounting generally provide the most sustainable long-term savings and merchant retention."

13. Partner Talking Points

13.1 Hero Pricing = Umbrella Term

"Hero Pricing" serves as an umbrella term for cost-recovery models, including:

- Dual Pricing
- Cash Discount
- Surcharge
- Interim cost-recovery models

13.2 Why Hero Pricing Matters

In contrast to standard Flat Rate models, Hero Pricing offers:

- Increased residual revenue opportunities
- Decreased net merchant processing costs
- Stronger merchant retention

14. Internal Pricing & Quoting Reminders

Program	Internal Reminder
Dual Pricing	Ensure the correct differential pricing is displayed.
Cash Discount	Reference the conversion table for accuracy.
Flat Rate	Apply the established fixed rate.
Surcharge	Verify credit-only application and state regulatory compliance.

15. Merchant Signage & Customer-Facing Checklist

☐ Entryway Disclosure: Is there a clear, conspicuous notice at the store entrance notifying customers that a surcharge applies to credit card transactions?

☐ Point-of-Sale Disclosure: Is there a sign visible at the register/checkout area before the transaction occurs?

☐ Pricing Transparency: If the merchant is using Dual Pricing or Cash Discounting, are shelf tags, menus, and product displays showing both cash and card prices (or the standard card price with clear discount information)?

☐ Receipt Clarity: Is the surcharge itemized as a distinct line item on the customer receipt?

☐ Staff Training: Can staff explain the surcharge or price difference calmly and clearly if asked by a customer?

☐ Debit Exclusion: Has it been verified that no surcharge is applied to debit, EBT, or prepaid cards?

16. One-Line Program Summary

Dual Pricing = customer chooses cash or card price.

Cash Discount = posted price includes fee; cash gets discount.

Flat Rate = merchant pays one fixed rate.

Surcharge = credit customer pays added fee only.

17. Final Training Check

Prior to using these materials, personnel should demonstrate proficiency in the following:

☐ Can I explain the difference between Dual Pricing and Cash Discount in one sentence?

☐ Can I identify which program fits a merchant who prioritizes simplicity?

☐ Can I explain that Surcharge applies only to credit card transactions?

☐ Can I identify the Cash Discount conversion rate from the provided table?

☐ Can I explain what must be verified before a surcharge merchant goes live?

☐ Can I identify the correct internal pricing reminder for each program?

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Standard Operating Procedure • Pricing Programs Training and Reference Resource