

MERCHANT SALES INSIGHT

What is Dual Pricing
The New Opening
The New Rebuttals



SELLING DUAL PRICING

THE CASH DISCOUNTING ALTERNATIVE

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07/06/2022
EDITION 27



Future of Payment Technology



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I recently went into the field to try my hand at selling dual pricing. **I greatly enjoy talking to merchants and walking into a business on a cold call.** There is something so exciting about the experience - especially when I close the deal!

I recently posted pictures with my son, Donnie, as we installed some terminals (Valor Paytech devices, of course!) We had a great time in the field. I plan to share what I found interesting, and even surprising, about selling dual pricing versus selling cash discounting.



I reached out to Valor Paytech for this edition, because I couldn't think of a better sponsor for this topic! Not only did I sell Valor terminals in the field, but the installation process was seamless. I loved the merchant / consumer experience of dual pricing on the terminals.

**** Please Note:** I am not an attorney. Nothing contained in this document should be considered legal advice.

What is Dual Pricing?

For those accustomed to selling cash discounting, traditional pricing, or compliant surcharging, you may be wondering what dual pricing is.

The concept is very simple. We have all experienced true dual pricing at a fuel station that offers a cash price and a card price. That is dual pricing, two different prices.

This is different from non-cash adjustment and compliant surcharge programs. There is no separate line item added to the cash price when a card is used. Instead, there is a cash price and a card price. Only the total is listed for each.



The good news is that the economics are the same in terms of **residual income / margin**. For a non-cash adjustment or compliant surcharge account, the cash price might be \$100. A separate line item of 4% (called a non-cash adjustment, service fee, or surcharge) is then added. The total would then be \$104.00 when the consumer uses a credit card.

For dual-pricing, the customer or merchant would choose either the cash price of \$100 or the card price of \$104 at the beginning of the process, usually before the receipt is printed. Then, the receipt prints with only one price: “Cash Price: \$100” or “Card Price: \$104.”

EXAMPLE: On the Valor terminals,

- **the merchant keys in the cash price.**
- **the terminal displays both the cash and card price.**
- **the terminal prompts the user to select one.**

This is generally done in one of two ways.

1. **The merchant turns the terminal to the consumer, asking for a choice of payment option.**
2. **The merchant verbally asks the method of payment and may provide two different prices.**

At this point, the merchant or customer selects either Cash or Card, and a receipt prints.

Where should the cash and card price be listed?

In a recent Merchant Sales Insight, I did a deep dive into this and other compliance questions. Make sure you read, “The Case for Dual Pricing.”

At a high level, the cash / card price definitely should to be listed on the terminal screen or POS screen. **Beyond that, the answer to this question depends on several factors, including state laws.**

Some people still argue that the cash and card price must be listed on the shelf or menu. This argument does hold some validity in certain states. However, in my opinion, showing it this way on the terminal and receipt, along with compliant signage, is a big step forward.



Why the switch to dual pricing?

Several large payment processors have offered dual pricing for a while with tremendous success. I was watching and researching these programs with plans to create content. Then Visa decided to show their teeth in a recent memo! They called out the non-cash adjustment programs as non-compliant surcharging. Thus, that seemed the right time to make a pivot. Again, refer to “The Case for Dual Pricing” edition of the Merchant Sales Insight for more information on this point.

Initially, the paragraph above was my only rationale for going with dual pricing. It was a program with identical economics as the non-cash adjustment, without the compliance headaches. Why Not? Surprisingly, I found many other reasons to offer dual pricing when I went into the field. The following chapter will be an explanation of those reasons.

I. The Opening Pitch

Many of the elements of my old cash discounting pitch were still with me as I started in the field, but I quickly got rid of them! In the past...

- I walked into the business,
- Engaged in some small talk,
- Asked if the merchant was still paying processing fees or had eliminated them like most local businesses.

While I still like this approach, I quickly found a much better one. Almost everyone is familiar with dual pricing at fuel stations. I have found leveraging something familiar with a positive correlation to what you are selling, is a good direction to explore.



After a few trips into the field, I clearly understood how I should change my opening pitch. Asking if the merchant has eliminated payment processing fees is often surprising, or worse. Merchants have heard of surcharging / cash discounting and don't like the idea. I decided to go in a familiar direction.

I started asking, "Have you ever visited a fuel station that had a cash price and a card price?"

Only one person so far couldn't answer "yes." Then I say, "What many business owners don't know is that this exact same set-up is now available to almost all business types after some recent changes. I help business owners with the set-up. Their current price becomes the cash price. Then the point of sale system at the counter is used to create a card price just a tiny bit higher. My company collects that small amount of extra revenue on each transaction to cover credit card processing fees, so you don't pay anything. Does that make sense?"

The response to this opening pitch has been great - much better than my old cash discounting pitch! Evidently the idea of the fuel stations is a familiar mental connection that makes most business owners feel more comfortable with the concept.

Try some variation of this pitch in your market and see how it works for you! I don't say the paragraph above word-for-word. Depending on the business owner's personality and body language, I might ask, "Why do you think fuel stations do this?" or, "How do you feel about this practice by fuel stations? Do you support their right to charge a lower price for cash?"

Pro Tip: Bring a Valor terminal with you to the merchant's location as a demo unit. This can backfire if the merchant sees it before your opening, so leave it in the car. **After the initial conversation, offer to show what the terminal looks like with dual pricing.** Demo how it would work for the merchant. He/she will intuitively understand the dual pricing.



The Objection

Anyone who has sold cash discounting or surcharging knows the objection you'll hear is some version of, "My customers will be upset."

With dual pricing, you can use psychology to your advantage in the opening to dramatically decrease the negative effect of this objection. Use the fuel station example. As you talk, reinforce the idea that this practice has been widely accepted for decades.

Example: "Are you familiar with fuel stations offering a cash price and a card price? They have been doing that for the last twenty years!" Response: "Yes"

"This practice of having two prices has been accepted by consumers for decades. You can be sure that every single one of your customers has, at one time or another, paid the slightly higher card price at a fuel station, right?"

I found that although the objection was still mentioned, it was phrased more like a question with this approach:

- **“How are my customers going to respond?” That is actually a buyer sign and shows interest.**
- **“I don’t know about this; I’m afraid my customers will be upset.” The “I don’t know about this,” means the merchant wants to do it but isn’t convinced yet.**

When the objection surfaces, here are some tips I wish someone would have told me a long time ago.

First of all, recognize this objection for what it is. **The merchant isn’t saying there’s concern about losing money or that customers will not shop anymore.** Usually the objection is some version of, “My customers will be upset.” In other words, the concern is customer experience.

Small business owners want their customers to have a great experience! Rather than convincing merchants that consumers either won’t notice the fee or won’t care, try instead to convince them that this program is the best thing for their customers, that it is the fair thing to do.`

Here is how I do this using a price increase pitch.

“I’m sure there have been times when you had to implement price increases of some kind, right?”

“Now, let’s say your lease on your building or your payroll costs went up significantly, and you needed to raise prices to cover this cost. What is the best, most fair way to implement this increase? Should you increase the price only on certain customers? Or should the prices go up slightly across the board for everyone, because everyone’s experience is affected?”



“What if your cost on one item went up significantly? How would you handle that?”

“The cost of accepting cards has gone up every year for a decade now. Obviously, you are already passing this cost to your customer within your current prices. However, I think the real question is, how should you pass this cost to your customers? Is it fair that everyone should pay a little bit more because only some people are getting cash-back rewards? Or should only those who get the rewards pay the slightly higher price?”

Experiment with this approach. You will find it is very effective.



Our Sponsor

Valor Paytech is by far my personal favorite terminal. Selling them was easy. On one sale, I set-up the virtual terminal and physical terminal so my new merchant could email or text invoices. He loved this feature!

Valor supports dual pricing, as well as all the other various forms of passing the cost to the consumer. They support non-cash adjustment and compliant surcharging. All these options, including dual pricing, are available on all of their devices, as well as the virtual terminal providing a true omni-channel solution.

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