

MERCHANTS COULD BE PAYING AN AVOIDABLE **\$67M** EACH MONTH DUE TO LACK OF ACCESS TO DEBIT ROUTING.



82%

of card transactions today are unable to be routed by merchants



7%

of transactions are being optimally routed by merchants today



\$67M/MONTH

in excess cost to merchants from this lack of routing availability

The Problem: Routing Restrictions in Australia

Australian merchants do not have access to least cost routing on the majority of transactions, which is when merchants (via their acquiring bank) can select which card scheme to send a particular transaction through – given the effectively equivalent customer experience, the least cost route can be selected to save merchants hundreds of millions of dollars each year.

In fact, CMSPI analysis suggests that just 18% of card transactions have the potential to be routed, and less than 8% (7.32%) of these are actually being routed today.

The Impact: Losses for Merchants

CMSPI has calculated that excessive charges due to lack of routing availability could now amount to over \$67m every month for Australian businesses.

CMSPI has calculated the potential benefit of true optimal routing using a combination of its data insights and the [RBA's data](#) on average merchant fees. This, applied to the number of transactions in August 2021 which are not currently routed, results in a net loss to merchants of over \$67m.

The Solution: What Can Merchants Do?



OPTIMISATION

Merchants can optimize their payments by regularly reviewing and analysing their current card mix, paying particular attention to any strategic rates they could achieve or lose with any decision, and optimally route whatever volume they can of the 18% currently available, on average.



TRUE LEAST COST

However, without proper action by regulators, card transaction fees will continue to be an issue. CMSPI's calculations show the clear impact of retailers not being able to access competition within their payments supply chain, and utilize true least cost routing, or merchant choice routing.



INTERVENTION

This suggests the RBA must take stronger action against members of the payments supply chain that currently do not offer or cannot support routing for merchants, and – perhaps more importantly – must mandate that routing be available in all scenarios where a debit card is presented, including digital wallets and ecommerce transactions.



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About CMSPI •

CMSPI is a global leader in retail payments consulting. Our expert team works to empower the retail community with insights, expertise, benchmarking, and analysis to drive value in their payments supply chain. This analysis was constructed by CMSPI's market-leading 'Insights Team', which is made up of economists, data and statistical experts, and experienced payments professionals.

Data Disclaimer •

CMSPI has modelled billions of transactions using its internal analysis tools and data insights to identify the average available cost saving a transaction would see from true least cost routing, compared to default arrangements today. This accounts for strategic rates, pass-through costs such as interchange and scheme fees, as well as overall blended merchant fees that retailers face today.

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