Pitching for Funds — The Different Routes

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Who really pays for coupons?

You clip a manufacturer's coupon for a $1 off a gallon of bleach. You go to the store. You select the bleach, which is $1.79, and take it with your coupon to the cashier. She then subtracts the $1, and the new bill before tax is $0.79.

Who pays for the coupon? The store? No. It electronically captures all the coupons for the month and forwards them to Johnson & Johnson, Proctor & Gamble or some other manufacturer. Then they get a check for the amount of the coupons that were offered by the manufacturer, and the process repeats.

Not the circle of life, Elton John sang about, but still the world goes on turning. However, the story changes completely if we change one thing: you go to the store; you buy whatever you buy with no coupons. You go to the cashier. You give her your Sky Miles card, rewards card, bonus-back card, etc., and the cashier rings you up. You get your Sky Miles, bonus points, cash back or whatever, the company who gave you the card gets all the glory, and who foots the bill? The card company right? After all, it's the company's card, kind of like going in with its coupon. Right? Wrong.

Think of the business where you bought your groceries, gas, meal, clothes, crafts, insurance, business supplies and everything else just picked up the check. And it had no choice. If it takes Visa and a customer goes in with a Visa rewards card of any type, it costs the business substantially more money than if you had a regular card.

Why is this? Why is the local burger joint where you go every Saturday paying your Delta Sky Miles? Why is your Delta Sky Miles card shouldn't Delta be picking up the extra? If you are a business, beware. Better yet, be aware. Be aware of where your fees are going. This is not your merchant-services group gouging the daylights out of you. It's the deals made with MC-Visa, Discover and Amex. What's worse is if you take Visa or Mastercard, and its your place of business, you can't turn away a Visa Rewards card without running the risk of being delisted. Delisting means your merchant account just got cut and you can no longer accept credit cards. It is a damning process at best.

Be aware. Know that your business pays for someone else's coupon. Know that your rewards card punishes businesses where you like to shop. Be aware that people are foolish and make bad decisions that look good for the present, but are bad for the future.

We are continuing this trend of punishing businesses by making rewards debit cards. The cards that used to save businesses money will soon help tighten a stranglehold.

If you think this is OK, go back and look at the housing market over the last four years. Predatory lending was great for the people doing the lending, always. You can only be beaten so many times before its back is broken. Forgive the ugly sentiment.

And forgive me for editorializing, but America's businesses are the ox that pulled us out of the mud. We can strangle them or reward them. One gets us out of the sinking mud; the other drowns the ox with us.

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