

## **Pricing - PinPay a winning option to- PayPal, Google Checkout and Amazon Checkout! (Plus- Visa, MasterCard, American Express, JCB, Discover and CUP)**

There are many processors that service the payment needs of merchants who sell products and services online. In addition to Visa, MasterCard, American Express, JCB, Discover and CUP some of the newer ones include: PayPal, Google Checkout and Amazon Checkout. How does PinPay compete with these older and new payment processors- let us compare?

As seen in the table below, PinPay surpasses all of the newer competing payment services in every topic. Plus, only PinPay protects against- charge backs, charge back fees, and holdbacks. Data presented in the table demonstrates the baseline discount rates, or the quoted rates or published rates. These quoted rates are very misleading, they are NOT the “True” or “Absolute” discount rates (that is, the total costs of sales) paid by the merchant for each purchase transaction.

To avoid fraud losses, online stores commonly do not accept payments or purchases from customers whose credit or debit cards have billing addresses located out of the country of the merchant. This “local country only” restriction is required to assist the merchant in preventing fraud and chargebacks. Industry reports place the combination of both the direct and indirect cost of fraud, chargebacks and fraud prevention from 4% to 20% of the gross income collected from an online sale. (1) In addition, conventional payment services, such as Visa, MasterCard, American Express, JCB, Discover and CUP, add many extra (“junk”) fees to the quoted merchant discount rate, and have various triggers for automatic activation of even higher rates above the quoted rate. These extra fees and higher discount rates can increase the quoted rate by 2% to 8% of the gross sale.

In dramatic contrast, PinPay collects a single, fixed, true and absolute discount rate of 2.5% for an online transaction and 1.6% for in-store. These are the true rates for the full set of PinPay services. There are NO fraud related direct or indirect costs; and there are NO other hidden fees, junk fees, or costs.

If Visa or MasterCard quotes a payment discount rate of 1.9%, to that quoted amount the merchant must add the fraud costs of at least 4%, and at least 2% for the added fees and unexpected higher imposed discount rates on certain transactions. The true discount rate is therefore:  $1.9\% + 4\% + 2\%$  for a potential total of 7.9% of gross sales.

Using the common industry costs, PinPay, at a true 2.5% rate, provides  $(7.9\% - 2.5\%)$  a typical savings of at least 5.4% of gross sales. The difference in using PinPay vs. Visa/MasterCard can be a profit to the merchant of 5.4% on each sale. This is a very significant savings.

If the merchant is able to beat the industry average, and fraud costs are down to only 1%, and the other fees are down to 0.5%; (the total being:  $1.9\% + 1\% + 0.5\%$ ) the total is 3.4%, which is more than PinPay at 2.5%. Even at these low “true” operating rates, PinPay saves the merchant almost 1% on every sale: PinPay adds 1% profit to the merchant’s operations.

The below table addresses PayPal, Google Checkout and Amazon Checkout. The quoted discount rate is 2.9%, but in addition there is a transaction fee, and a surcharge for cross-border transactions of 1% for cross-border sales. Their quoted discount rate and the fees do not address the direct and indirect costs of fraud. Using the common industry value of 2% for fraud costs, the true rate is 4.9%, plus the transaction fees and any cross-border surcharge.

Because the true rate offered by PinPay is always 2.5%, using the true rate of 4.9%, the direct impact of choosing PinPay as the payment service is to add 2.4% in profits to the merchant with every PinPay transaction.

For every online purchase transaction, PinPay clearly provides the best pricing and fraud elimination available. PinPay also provides every online merchant the best opportunity for higher net profit on every sale.

**PinPay and the Competitors**

(Comparison of Online purchase transactions and services)

<b>Topic</b>	<b>PinPay</b>	<b>Competition</b>
Baseline Discount Rate (1)	2.5%	2.9% of transaction amount
<b>“True-Absolute”</b> Discount Rate (1)	<b>2.5%</b>	<b>3.9% - 4.9%</b> of transaction amount
Transaction fee	NONE	30 cents
Micro payments service	YES	No
Charge backs	NEVER	Yes
Charge back fees	NEVER	Yes
Holdback of funds	NEVER	Yes
Fraud elimination	TOTAL	No
Payment delivery	INSTANT	Delayed
Cross border fees (2)	NONE	1% of transaction amount
Direct and indirect costs of actual fraud plus fraud prevention (3)	NONE	<b>2% to 10%</b> of transaction amount
Monthly fee (4)	NONE	Some competitors
Annual fee	NONE	None

Text Notes: (1) Actual fraud and fraud prevention costs include: (a) the dollar loss of the stolen product or service plus the shipping or delivery costs; (b) a charge back fee, charged by the payment

processing/card issuing company; (c) labor costs and resources committed to filing and addressing chargeback claims made by the payment processing/card issuing company; (d) costs of lost sales to “good customers” who do not pass the merchant’s arbitrarily imposed fraud prevention rules and criteria; (e) the labor costs and resource spent in developing, revising, adapting and implementing the merchant’s fraud prevention rules and criteria (such as, allowing a sale only if the delivery address matches the billing address of the card being used).

Table Notes:

(1) See text for a discussion of baseline (quoted) vs. “TRUE-Absolute” discount rate. For monthly sales volume of under \$10,000 Amazon increases the baseline discount rate to 5% and the transaction fee is 5 cents.

(2) Both PayPal and Google Checkout add-on a 1% surcharge to all U.S. merchants in all cross-border transactions; Amazon Checkout cross-border charges are unknown; PinPay has NO add-on charges for cross-border transactions.

(3) Studies indicate real costs, including prevention and lost sales, can reach above 10% of actual online sales. These costs are directly deducted from the online store’s profits. Every dollar saved in payment processing fees and chargers results in a true profit for the merchant. PinPay can generate direct and immediate profit improvements for every online merchant.

(4) PayPal offers many merchant payment processing programs; some programs include a \$30.00 per month service fee. PinPay has a very simple program- No monthly fee, no annual fees, no cross-border add-on fees, and no fraud or chargeback costs.

Sources:

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Data compiled by PinPay marketing team: [www.pinpay.net](http://www.pinpay.net)

PinPay White Paper: No. 1203091

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[www.pinpay.net](http://www.pinpay.net)

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