

# Credit Card Competition Strengthens Main Street

The National Grocers Association (NGA) represents 21,000 independent community grocers and wholesalers across the United States. Independent community grocers account for 33 percent of all grocery sales, exceeding \$250 billion, and more than 1 million American jobs.

## Who are Independent Community Grocers?

NGA's members are independent community grocers that are privately-owned by families or employees. They are vital to the communities in which they are located, and more than half of our membership is classified as "small" under the Small Business Administration's definition. Our members operate in a high-volume, low-margin industry with most stores operating on just 1-2 percent net profit margins. NGA supports policies that ensure competition in the credit card market to pass on savings onto our customers.

## Credit Card Competition Helps Small Business

NGA strongly supports the **Credit Card Competition Act (CCCA)**, a bill that would make reforms to the broken credit card marketplace dominated by the Visa-Mastercard duopoly.

## What's next?

**Congress must pass the Credit Card Competition Act to support independent grocers in feeding their communities.** NGA has provided five key points to weigh when considering this legislation.

### 1. CCCA Addresses Credit Card Duopoly with Free Market Solution

- ✦ Visa and Mastercard control 80% of the credit card market and refuse to negotiate fees with independent grocers. They also block competitors from handling credit transactions by restricting processing to their own networks, prohibiting competition from innovative independent networks with lower fees and better security.
- ✦ The CCCA would address this anticompetitive behavior by requiring that credit cards issued by the nation's largest banks be enabled to be processed over at least two unaffiliated networks – Visa or Mastercard plus an independent network such as NYCE, Star, or Shazam.
- ✦ Domestic credit card networks like American Express or Discover could also be the second network, but not networks supported by foreign governments like China's Union Pay.
- ✦ Out of the 4,135 commercial banks in the U.S., the CCCA only applies to institutions with over \$100 Billion in assets – fewer than three dozen institutions nationwide but 90% of Visa and Mastercard credit card volume.

# At the HEART of the community.



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## 2. Competition Helps Level the Playing Field for Smaller Grocers

- ✦ Independent grocers face a challenging competitive environment relative to large retailers. Our members lack market power advantages at wholesale, and our cost of capital is much higher compared to our national chain competitors.
- ✦ Most independent grocers report they would use swipe fee savings generated from the CCCA to lower grocery prices and increase wages and benefits for retail associates to better compete in a challenging market.
- ✦ Credit card swipe fees average about 2.25% of each transaction. On average, large businesses pay about 1.4% while small businesses pay about 2.7%.

## 3. Credit Card Networks Have No Incentive to Invest in Security

- ✦ Independent grocers pay for fraud in the form of chargebacks in a “guilty until proven innocent” model. Because credit card networks and banks are able to pass the costs of their deficient network security onto merchants, they have long advocated against common-sense security improvements that are required on debit cards – PIN numbers and chips.
- ✦ By requiring networks to compete, they will finally prioritize security measures that save banks, credit card networks, and merchants money.

## 4. CCCA Has Nothing to Do with Rewards Points

- ✦ There is nothing in the Credit Card Competition Act prohibiting credit card networks from competing for customers via points programs as independent grocers do across the nation.

## 5. Mergers and Settlements Do Nothing to Increase Competition

- ✦ Despite Capitol One’s plan to purchase Discover, this move will not increase competition in the credit card market. That is because Visa and Mastercard control 83% and they use their price-fixing scheme and operating rules to mandate that no other networks can compete.
- ✦ The rejected Visa/Mastercard settlement does not stop cartel pricing, in fact, it approves of it and extends it into the future. The proposed changes are meager and temporary, and the provisions in the settlement are full of loopholes and ineffective.

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