

Retailer News – May 2016 Keeping Retailers up to date

Tony's Take – Economic commentary from BNZ Chief Economist Tony Alexander

New Zealand's dairy sector is undergoing a substantial and increasingly sustained period of weakness which will hit dairying regions as farmers and the businesses which service them cut back on spending. Clearly this has negative implications for retail spending. However as we have highlighted for some time now, New Zealand's economy relies on a lot more than just the 45,000 people directly employed on dairy farms, and plenty of other sectors are growing extremely strongly. Such sectors include most non-dairy primary exports such as wine, honey, pip fruit, Kiwifruit and to a slightly lesser degree, red meat. Tourism is going gang-busters with visitor spending ahead 31% in the past year, providing a strong boost to the hospitality sector. Construction is booming in some parts of the country with a lot more to come over the next three years, and falling debt servicing costs from further easing of monetary policy by the Reserve Bank means cash available to spend in most non-dairy sectors will improve in the near future. It adds up to a good outlook for retail spending but with downside risks in prime dairying locations.

Visibility of Credit Card Authorisation for Customers

In 2014 we made merchant settlement payments available on the same day that transactions occurred. These changes were part of an initiative to provide real time visibility and availability of transactions to our customers. Recently we made further changes so that our BNZ credit card customers could have immediate visibility of payment authorisations and pre-authorisations. In account statements these are referred to as "Pending" transactions until they are fully processed. The way we process BNZ credit card transactions has not changed.

What does this mean to your business?

Here is some information to help with any customer enquiries:

- › **Hold on funds:** When banks receive credit card transactions they generally place a hold on funds for the transaction amount – to ensure funds are available to our merchants when the transaction is fully processed.
- › **Pending transactions:** The cardholder's bank will determine how long the pending transaction stays in place on the cardholder's account, but generally this will only be until the completion is fully processed, or within a few business days.
- › **Pre-authorisations:** Generally pre-authorisations will drop off when the completion is processed, but if this doesn't happen the cardholder may see what appears to be two transactions, and/or available credit on their credit card may be less than they expected. The card issuing bank will remove the pending transaction within a few business days.
- › **Non-completion:** If you do not process a completion (or it is processed but does not match the original authorisation at the cardholders bank), then it should be removed by the card issuing bank within a few business days.

Info for E-Commerce Merchants

Some E-commerce gateways may process a \$1 pre-authorisation to check that the card number is valid, and the card has not been reported lost, stolen or blocked for use. Where the \$1 pre-authorisation is successful the full value of the transaction will normally be processed. In this case, the \$1 pre-authorisation generally stays in place on the cardholder's account for a few days, meaning Customers may see both the \$1 pre-authorisation, and the full value transaction.

Info for Hotel/Rental Vehicle Merchants & Others Pre-Authorising Transactions

If your business practice involves pre-authorising credit card transactions (as is common practice in businesses like hotels and rental car companies), best practice is to let the customer know you are placing a hold, inform them on the amount of the hold, and if asked, provide a brief explanation as to how the amount of the hold is determined. E.g. to cover (or part cover) the cost of the booking made, and if applicable, any allowance which has been made for incidentals that may be incurred.

Any questions?

If you have any questions, or need some help, please contact our EFTPOS & Internet Merchant Sales and Services team on **0800 737 774**, Option 4.