

Virginia merchants bank case study

Business



The Commerce Tavern restaurant business opened back in 1982 in Williamsburg historical Merchants Square area offering the finest colonial-cuisine food and ales. The restaurant location was a stop on the free bus route through Colonial Williamsburg and had enjoyed brusque business since its opening favored mostly by the locals- townspeople as well as faculty and students of the College of Williams and Mary. The tavern was featured in several gourmet magazines and had received three stars from a popular guidebook.

The tavern offered a limited menu of well-prepared, authentic Colonial soups, vegetables of the season, a green salad, breads of the house and a choice of desert with a selection of coffees and teas. It is indicated in the case summary that all transaction between customers and the tavern are presently being done on cash only basis. Virginia Merchants Bank is offering H Franklin Nilsson- Owner of the Commerce Tavern the standard bank credit-card-participation agreement.

The bank charges 4 percent to all new participants and had assured Nilsson that this rate would remain In effect for a year, at the end of which they would review the account. The rate would probably be lowered at the beginning of the following year if the total credit-card sales for the year were greater than \$500, 000, or the rate would be 3 percent for totals between \$200, 000 and \$500, 000. The bank had Indicated that there were no set period for subsequent reviews for Interest rates but had hinted that this new rates would remain In effect for at least a couple of years.

The bank had claimed that most businesses saw an Increase In sales after honoring Visa and Mastered cards, onetime up to 50 percent, but did not have any concrete data to back up the claim. Unison Investigated the claims put forward by the bank by talking to other business owners he knew who accepted the credit cards but he could not find anything substantial evidence that would Indicate an Increase In sales figures directly related to accepting credit cards. He knew that the decision to start accepting credit cards rested on the trade-offs between the Increase In sales and the discount taken by the bank.