



Testimony of Laura Karet  
Chief Executive Officer, President and Executive  
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Giant Eagle, Inc.

Pittsburgh, PA

“Excessive Swipe Fees and Barriers to  
Competition in the Credit and Debit Card  
Systems”

Before the U.S. Senate Committee on the  
Judiciary

May 4, 2022

Chairman Durbin, Ranking Member Grassley, and Members of the Committee:

I am Laura Karet, CEO, President and Executive Chair of Giant Eagle, Inc., one of the nation's largest multi-format food, fuel and convenience retailers with approximately 34,500 team members operating more than 470 corporate and independently owned and operated store locations throughout western Pennsylvania, Ohio, north central West Virginia, western Maryland, and Indiana. On April 22, 2022, with no negotiation or threat of competition constraining them, Visa and Mastercard imposed a fee increase that will cost Giant Eagle \$1.3 million annually. I appreciate the opportunity to talk to you about the impact of swipe fees on our business today.

Our company was established in 1931 by five founders determined to build better lives for their families and communities – a cause we continue to embrace.

Our purpose is to provide communities with life's essentials, so our neighbors have the opportunity to thrive. This purpose and our guiding principles of "Purpose Beyond Profit" have obviously been an extremely important driver for us throughout the past two years of the pandemic. I am so proud of all that our team has accomplished both in ensuring that food and household supplies were accessible to families during this challenging time, and also in administering COVID vaccinations and providing critical pharmacy supplies. We were one of the first pharmacies authorized to provide COVID vaccinations to our rural communities – a role we continue to play with boosters today.

I am also proud to serve as Vice Chair of FMI, the Food Industry Association. FMI works with and on behalf of the entire food industry to advance a safer, healthier, and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain — from retailers who sell to consumers, to producers who supply the food, to a wide variety of companies providing critical services —to amplify the collective work of the industry.

FMI's membership includes nearly 1,000 supermarket member companies that collectively operate almost 33,000 food retail outlets and employ approximately 6 million workers. Our industry historically operates on razor thin margins of just 1-2%. We operate in a highly competitive market, and as inflation has driven prices higher, our customers have become even more conscious of how they are spending their money, driving down profit.

During COVID, we invested in safety protocols, increased employee salaries and benefits, and other measures to ensure our industry was able to keep our doors open and serve our customers safely.

In total, food retailers invested more than \$24 billion, in the first year of the pandemic alone, on additional pandemic-related expenses, including:

- **\$12 billion** in increased payroll and incentive pay;
- **\$5 billion** in increased employee benefits;

- **\$1 billion** in non-monetary benefits and vaccine incentives;
- **\$1 billion** in personal protective equipment and other pandemic supplies;
- **\$3 billion** in cleaning and sanitation supplies and labor; and
- **\$1.5 billion** in technology and online delivery expenses.

There are three points that I want to address today.

**First, Giant Eagle's swipe fees have materially increased over time, and the April 22<sup>nd</sup> unilateral increase will only exacerbate the problem.**

Visa and Mastercard together control 85% of the market. On April 22, 2022, both Visa and Mastercard increased the fees retailers pay, and they also created new categories of fees. Every bank that issues credit and debit cards adopted these fee increases without deviation or exception. In my estimation, this cannot possibly comply with either the letter or the spirit of our nation's antitrust laws.

This latest price increase fits the pattern we have seen for years. Giant Eagle has been paying higher and higher payment fee costs. Electronic tender sales –which includes credit, debit, open loop gift cards, SNAP, fleet cards, and various online and emerging tender types sales currently make up around 82% of sales transactions for Giant Eagle. Of the 82% that are electronic tender, about 37% of the total sales are Visa and Mastercard, but when you look at the total card processing fees, Visa and Mastercard make up over 62% of those fees.

Over the past 4 years, our Visa and Mastercard fees have grown from 57% of our total fees to 62% of our total fees, while, at the same time, Visa and Mastercard sales as a percent of total sales have declined about 2%.

Visa and Mastercard used the pandemic as an opportunity to effectively increase swipe fees. While Giant Eagle went to great lengths to insure that our customers and employees were safe by providing curbside pickup and online ordering, Visa and Mastercard used this shift in shopping behavior to charge us a higher “card not present” rate for these services. This alone effectively increased the swipe fees that Giant Eagle paid.

The other members of our industry also witnessed an explosion in the growth of online sales, which are principally limited to credit or debit cards, in part due to Visa and Mastercard's efforts to insure that their cards were essentially the only form of payment that could be used for such transactions. Even before the pandemic, FMI research shows card transactions accounted for nearly 80% of grocery sales across the industry. The rise in card payments due to the pandemic remains elevated to this day, meaning the cost of swipe fees on grocery stores is higher than ever before.

In stark contrast, during the pandemic, my company and others like it were authorized by USDA to accept online payments from our customers using the Supplemental Nutrition Assistance (SNAP) EBT cards. This allowed families using SNAP benefits to purchase groceries online. This

online SNAP EBT card has been a lifesaver for some of our customers, especially during the most challenging days of the pandemic when customers were advised to remain in their homes. It is interesting to note that those SNAP electronic transactions are completed securely, without Visa or Mastercard, and without incurring any swipe fees.

It is hard for us to understand why SNAP EBT cards could accommodate the changes necessitated by the pandemic, but Visa and Mastercard used it as an avenue to increase prices.

**Second, millions of customers suffer when swipe fees increase.**

Because of the unilateral fee increases, Visa and Mastercard announced on April 22<sup>nd</sup>, my company and my customers will be paying an additional \$1.3 million just to use their cards. This fee increase came on the heels of Visa reporting in its March 22, 2022 quarterly financials that its profit was just above 50%.

I was truly shocked to hear the remarks made by Vasant Prabhu, CFO of Visa, on the company's April 26 earnings call: "And then, the last thing I'd say, net-net, historically, inflation has been positive for us." Inflation is not and should not be a positive. We in the food industry are working every day to reduce its impact. I know this Congress, the Board of Governors of the Federal Reserve and the White House also are focused on policies intended to reduce inflation. A business that benefits from price increases is not facing any competition, in my estimation, and clearly is not at all concerned about announcing that fact publicly.

**Third, there must be competition in the debit and credit card market.**

Visa and Mastercard are the only vendors that Giant Eagle cannot negotiate with. When Giant Eagle buys ketchup or paper towels, its suppliers compete to give Giant Eagle the best price. Ultimately, our customers benefit from a competitive market.

In contrast, Visa and Mastercard do not compete for merchant business. I believe companies should be able to charge competitive prices for the goods and/or services they offer, but, from my experience, there is nothing competitive about two companies collectively setting fees that are then charged uniformly by every bank in the country at a rate that ends up exceeding all our business expenses, other than the salaries of our associates and rent.

Our customers want to have the convenience of using these cards, and so merchants must pay what Visa and Mastercard set as the so-called default interchange rates. Yet, the fees associated with accepting any type of payment for a particular good should be incidental to the transaction, and certainly should not be among the highest expenses, third only to labor and rent, business owners should face.

In summary, the three points that I want to leave you with are: (1) Giant Eagle's swipe fees have materially increased over time, and the April 22<sup>nd</sup> unilateral increase will only exacerbate the problem; (2) millions of customers suffer when swipe fees increase; (3) there must be competition in the debit and credit card market.

I applaud this Committee for looking at ways to achieve robust competition in the use of credit and debit cards, similar to the robust competition we must take part in if we are to remain in business in the grocery industry, and I would be pleased to answer your questions.