

Consumer & Merchant Chip Card Transition Tips



In the wake of numerous large-scale data breaches and increasing rates of counterfeit card fraud, U.S. card issuers are migrating to new chip card technology to protect consumers and reduce the costs of fraud. EMV chip cards – which stands for Euro, MasterCard, Visa – is the global standard for cards equipped with computer chips and the technology used to authenticate chip-card transactions.

For merchants and financial institutions, the switch to EMV means adding new in-store technology and internal processing systems, and complying with new liability rules. For consumers, it means activating new cards and learning new payment processes.

"It's important for merchants to take into consideration the generation of their future customers, millennials, who value the efficiencies of modern technology, yet still hold their standard for customer service as a priority," said Kevin Beckemeyer, President of Legence Bank.

The percentage of EMV debit cards in consumer's hands is expected to reach 73 percent by the end of 2016 and 96 percent by the end of 2017. Over the next two years, all Legence Bank customers will have made the switch to chip cards. As debit cards are coming up for renewal, it's important for both consumers and merchants to keep in mind several tips in the transition:

1. Have a plan in place. Despite the October 1, 2015 goal set forth for all retailers who accept credit cards in their brick-and-mortar stores, it's anticipated that just 59 percent of retailers were equipped with EMV terminals by the deadline. It may take several years before a vast majority of merchants are EMV-enabled. For most businesses, converting EMV requires upgrading or replacing older checkout terminals, which can be an expensive process, so it takes some time. Note there are a few exceptions with gas stations having until 2017 to replace readers at pumps.
2. Learn about liability shifts. If your business has not yet upgraded to the EMV payment terminal, you will be liable for fraud that occurs on an EMV-ready credit card. Merchants that can't accept chip-enabled debit and credit cards will have to eat the cost of fraud on such cards.
3. Be patient. Consumers are creatures of habit and, as cardholders, we are used to swiping. In the age of instant gratification, consumers will need to understand that the process of "dipping" does take a little longer to make a transaction. Merchants will need to create a better customer experience during the transition phase by practicing patience and educating their customers on why the switch to EMV-enabled technology is pertinent. Ultimately, the EMV payment process is a more secure transaction for consumers, and a smart business strategy for businesses.

Chip Cards, By the Numbers

1.2 Billion: Estimated number of credit and debit cards that have to be upgraded to chip cards.

12 Million: Estimated number of point-of-sale terminals that have to be upgraded to accept chip cards.

400-500 Million: Estimated number of chip cards that will be in consumers' hands by the end of 2015.

670,000: Estimated number of merchant locations currently ready to process chip card payments.

25%: Percentage of US. debit cards that will be issued as EMV cards by the end of 2015.

60%: Percentage of consumers with a chip card as of October 31, 2015.

\$3.50: Average cost for issuing a new EMV card.

\$500-\$1,000: Average cost of an EMV-compliant point-of-sale terminal.

Sources: Aite Group, Payment Source, 2015 PULSE Debit Issuer Survey, Payment Security Task Force, VISA; Ingenico Group; Smart Card Alliance