

Holdup at Checkout

Red tape impedes grocers' EMV card implementation
— with consumer data at risk.

By John Karolefski

Point-of-sale (POS) systems in grocery stores were supposed to be able to accept Europay Mastercard Visa (EMV) credit cards for payment at checkout beginning Oct. 1, 2015.

The transition from magnetic-stripe cards to EMV cards with an embedded chip designed to protect consumer data looked like a good thing because of benefits to shoppers and grocers.

Unfortunately, shoppers in many supermarkets still can't use EMV cards at checkout terminals. The main reason for this, according to experts, has less to do with grocers not having upgraded their POS terminals than with the bureaucracy surrounding the card networks.

"The fact that grocery stores have not implemented EMV is not necessarily due to their lack of readiness. In fact, a majority of the retailers that ECRS works with *are* ready — and have been for some time," asserts Ray Steele, executive director of services at ECRS, a Boone, N.C.-based provider of solutions for retail enterprise automation.

Unlike in the past, according to Steele, the POS software, PIN pad manufacturers, and authorization providers must be certified as a complete working solution by each card type. For the payment-processing network to function, no one player can unilaterally implement a change, even if all are individually ready.

"It is the coordinated whole that matters," he explains, "and that coordination is not simple at all."



Each unique combination of POS system, payment device and processor must be carefully tested and certified. When you consider that the certification for MasterCard, Visa, Discover and American Express are all separate, there are thousands of these combinations.”

Daunting Delay

Peter Larkin, president and CEO of the Arlington, Va.-based National Grocers Association (NGA), notes that his members are frustrated with the slow pace of EMV implementation. The vast majority of members — from single-store operators to regional chains — invested tens of thousands of dollars in new hardware and software well before the October 1 deadline, “only to be left waiting on a massive backlog in the certification process, which is controlled by the card networks,” Larkin wrote in a recent essay.

“The certification process, which is mandated by the card networks, has experienced a number of delays that range from the card networks’ late delivery of technical code to other complications slowing the certification process,” Larkin said in the essay. “None of these delays are the fault of merchants, yet it’s the merchant who is facing an onslaught in new chargebacks as well as confusion among consumers who don’t understand why they can’t use their chip cards at their local supermarket.”

Merchants that have made the investment to comply with the Oct. 1 deadline should be given a “safe harbor” and shielded from EMV-specific chargebacks, according to Larkin. “It’s time for the card networks and banks to stop passing the buck onto the backs of merchants, but rather they should work together with merchants to further eliminate fraud by issuing credit cards with PINs and work to speed up the EMV certification process,” he wrote.

ECRS’ Steele says that retailers spent a lot of money buying new payment-processing terminals for their stores despite the low adoption rate of the payment processors. “Without consideration for this expense and effort, the chargebacks began to roll in late in the year,” he observes. “Retailers and their POS partners have watched powerlessly as this practice has continued into 2016.”

Other technology experts familiar with the EMV issue point to a more basic reason for the delay: cost. Bryce Austin, CISM, strategist and CEO for TCE



Strategy, based in Minneapolis-St. Paul, says that the back-end systems needed to support EMV are antiquated and need a significant upgrade — or a complete replacement.

“EMV requires grocers to invest not only in new hardware, but in software integration and operation changes to support it as well,” affirms Ken Paull, chief revenue officer at Cayan LLC, a Boston-based provider of payment technologies. “Every time a card is swiped, instead of reading generic data from old magnetic stripes, new smart chip-enabled devices are now communicating with chips to process their unique data.”

Ready — or Not?

When will payment terminals in grocery stores be ready for EMV cards?

“EMV is trending in the right direction, according to Paull, “but it is still most likely going to take most of 2016 and into 2017 for all grocers to transition to EMV. The petroleum industry was given two additional years, until October 2017, to be subject to the chargeback liability shift, due to the complexities of implementing EMV at the pump. With the complicated ecosystem, including EBT and e-WIC, in the grocery market, possibly there should have been a greater lobbying effort to attempt to gain at least a one-year extension.”

Steele, of ECRS, claims there never was — nor is there now — some specific date when the “EMV Big Bang” will occur. In general, retailers will see different solution sets come online, one at a time, over the coming months. ECRS has completed certifications for two major payment processors: First Data and WorldPay.

When final implementation is complete, there will be significant advantages for grocers and shop-

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pers. Steele points out that a chip-embedded card is difficult to forge, as opposed to a “mag-stripe” card, which can be reproduced relatively easily from stolen credit card information.

“In an EMV card,” he explains, “security information — unique to the specific card account and decipherable only by properly configured computers — is embedded in the chip itself. To forge one of these cards, you’d have to steal a consumer’s account information and know the secret information that the card issuer encoded into their unique chip. This makes those cards very difficult — some say nearly impossible — to forge.”

Future Benefits

For grocers, EMV cards provide key improvements to business-processing efforts and timing, according to Nona Cusick, SVP of consumer products, retail and distribution at Capgemini, a Paris-based global consulting and technology firm.

“Grocers can expect to increase their productivity as the EMV cards facilitate offline authentication and streamline the checkout process at POS, the cashier’s day-end book balancing, and cash handling,” notes Cusick. “In addition to fraud reduction and various

other benefits, EMV cards enable and simplify the implementation of customer retention efforts such as loyalty programs and marketing schemes.

“Perhaps the greatest benefit that EMV cards provide to shoppers is increased customer satisfaction and peace of mind,” she continues. “As EMV cards pave the way for contact-less payment, the checkout process and experience will be faster and simpler for shoppers. Just as security is a huge benefit for grocers — the EMV’s card authentication, cardholder verification and transaction authorization features enhance overall transaction security and provide shoppers with a greater sense of security with their purchases.”

Along with these benefits for grocers and their customers, there’s one glaring disadvantage of not being EMV compliant. When a counterfeit credit card was used at a store’s checkout before Oct. 1, 2015, the bank issuing the plastic took the loss. After that date, however, the liability shifted to retailers. In other words, they’ll be financially responsible for fraudulent transactions.

That should be enough to prompt every grocer in the country to be EMV compliant. But that will happen only when the card networks do their job in the transition to the new card type. **PG**

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