

Chip Cards: What to Know about the Checkout Experience

October 20, 2015 by Mike Dautner (<http://paymentweek.com/author/mdautner/>)



By Tom Groenfeldt

Around the world, EMV, or chip cards, are the standard for secure point-of-sale (POS) transactions. Unlike magnetic stripe cards, chip cards are very difficult to counterfeit because of an embedded microchip that exchanges unique, dynamic data with a terminal each time it's used.

According to the Nilson Report, the United States is home to nearly half of the world's card fraud. Last year, the U.S. accounted for 48.2 percent (\$7.86 billion) of global card fraud losses, but accounts for only 21.4 percent of total spending volume. It's important that the U.S. migrates to EMV, because EMV technology provides protection against losses from counterfeit cards. U.S. issuers lost a total of \$3.89 billion due to counterfeit card fraud last year, which was 23.9 percent of all global card fraud losses.[1]

To encourage the timely adoption of EMV, the leading payment networks have implemented an EMV Fraud Liability Shift that began in October 2015. From that date, merchants or acquirers who are unable to process chip card transactions because they haven't upgraded their terminals could be liable for card fraud that might have been prevented with the use of EMV-enabled terminals.

Chip cards have an added layer of security over traditional magnetic stripe cards that comes from the embedded microchip—it acts as a small computer that communicates transaction information when it is inserted (not swiped!) into an EMV-enabled terminal. In fact, some other countries have seen as high as an 80 percent drop in card-present counterfeit fraud after chip card adoption.[2]



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“Payments stakeholders across the industry share a collective goal to bring greater security to transactions and make sure the customer experience is smooth and seamless,” said Ellie Smith, Head of the Discover Chip Center of Excellence. “EMV will have benefits for both merchants and consumers alike as we all migrate to this safer technology.”

But, as with any new technology, there is a learning curve. Here are three key things to know about the shift to chip cards and the changing checkout experience.

1. Cardholders may encounter various scenarios when they go to check-out.

With a chip card, customer should insert their card face-up and chip-first into the terminal. Then, the customer should follow the terminal prompts, and only remove their card once the transaction is complete.

If a customer does swipe a chip card, an EMV-enabled terminal should prompt the customer to insert the card instead. If the terminal is not enabled for chip, the customer should still be able to swipe their card. Also, there will continue to be a variety of cards in-market that support both PIN and/or signature.

Automatic fuel dispensers are an exception to the October 2015 EMV Fraud Liability Shift, because they have two more years to make the transition by October 2017.

2. Employees will benefit from training and quick talking points.

Once a merchant enables their EMV terminals, an important step is arming their staff with talking points about why chip cards benefit consumers with greater security, and, of course, how they are used, as employees could be the first to help walk customers through the new checkout process.

Additionally, new mobile payment methods leverage both EMV and NFC, so the industry is now seeing greater interest in mobile payments among merchants and consumers.

Although it's a significant change, EMV will bring more security to payments. Ultimately, it's smart to not skimp on training—managers need to be alert to questions and ready to step in quickly to help.

3. Resources are there to help businesses make the transition.

Discover encourages merchants with questions to reach out to their acquirer and/or Discover Network representative to better understand their terminals and the changes that come with chip cards and EMV-enabled terminals. And whenever you are out shopping and checkout staff isn't busy, ask them about their experiences and see what you can learn for your own business.

For more information about EMV, visit the Discover Network EMV Resource Center (<http://www.discovernetwork.com/chip-card/index.html>).

^[1] US bears the brunt of global card fraud losses, Aug, 5, 2015, *Finextra* (http://www.finextra.com/news/fullstory.aspx?newsitemid=27687&utm_medium=DailyNewsletter&utm_source=2015-8-6)

^[2] Discover Network EMV Resource Center (http://www.discovernetwork.com/chip-card/emv_education/benefits.html)

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