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Forget about payment apps: the new battle is around payment terminals

Image Credit: Poynt

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In order for Apple Pay to become the payment of the future, merchants actually need to be able to accept it. A new crop of competitors are popping up to provide the most affordable, technology-savvy solution for businesses eager to adopt Apple Pay and EMV chip cards.

EMV stands for Europay Mastercard and Visa and is a relatively new standard for securing debit and credit card transactions.

Already in the last several years new payment processors have emerged to address the needs of small businesses. But the eventuality of chip and pin cards and the dissolution of swipe and sign is bringing some new competitors to the forefront.

Verifone has long been the leader in payment terminals worldwide, second only to Ingenico, based in France. Though Verifone has suffered declining sales in recent years, it still sold 4.2 million terminal units in 2013, according to a Nilson Report (http://www.4yoursoul.com/ArrowEye/arroweye/news_articles/Full_June_Nilson_Report.pdf). The company says 75 percent of the units it sells are equipped with EMV readers.

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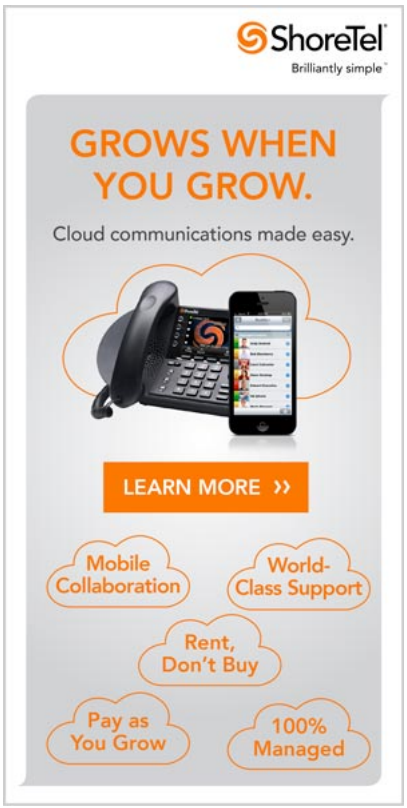

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Part of the reason for declining sales, at least in the U.S., is due to the development of easily installed plastic swipe card readers — the item that launched Square (https://squareup.com/). Since then PayPal, Amazon, and even Etsy have developed their own card readers to cash in on brick-and-mortar commerce from retailers who use their services online.

And those businesses are expanding. Besides acting as the payment terminal for local coffee shops, Square is starting to tackle bigger clients like Whole Foods, Uniqlo, and chocolatier Godiva, as we reported earlier this year (http://venturebeat.com/2014/02/12/whole-foods-is-1-of-3-major-deals-square-announced-in-the-past-week/). More recently the company struck a deal with fashion retailer Burberry, which used the mobile payments terminal in a pop-up shop (https://twitter.com/Square/status/524368454564868097), as well as yoga outfitter Lululemon, which used the app at a trunk show earlier this year.

Getting a foothold in mobile payments has been easy because the technology involved is cheap to produce. But that won't be the case come October 2015, when major credit card providers like MasterCard and Visa relinquish responsibility for fraud associated with magnetic stripe transactions. EMV technology is much more expensive to make, which may give Verifone an opportunity to regain sales.

Verifone relies on its network of banks and payment-processing partners that already have relationships with retailers big and small to sell its units, giving it an edge on the competition. And the company already has EMV/NFC-reading terminals on the market. Just this week Verifone announced (http://global.verifone.com/company/press-room/press-releases/2014/vantiv-and-verifone-launch-secure/) that payment processor Vantiv will be selling its EMV/NFC-enabled VX 520 terminal as a part of a campaign to appeal to merchants interested in chip cards and mobile wallets like Apple Pay. But price also plays a part in the terminal game. Verifone's VX 520, which has been on the market for a few years, costs around $250.

Square announced an EMV reader in July, but hasn't yet revealed the price yet. However, sources close to the matter say that the chip reader will be well below $300. A low-cost EMV reader would also be consistent with Square's other offerings.

But that's because card reader vendors like Square and First Data's Clover are increasingly focused on becoming a full point-of-sale (POS) provider with back-office applications and analytics.

That's a fine business model, but may make their technology hard to adopt. While merchants may be keen to upgrade terminals so they can accept new forms of payment, overhauling an entire payment infrastructure is a far more costly endeavor. Clover's terminals for example start around $1000 (http://www.merchantservice.com/shop/pc/viewPrd.asp?idproduct=95&gclid=Cj0KEQjw_byiBRCu9qm5lc28ufgBEiQAWq-ta9XExLiWZ5v5Qzv6gaia_mCW_QoRQmUZv9pjjEP1I5YaAtdI8P8HAQ).

A new entrant, Poynt, will be announcing its new EMV- and NFC-reading terminals today at a price point of $299 per terminal. Poynt (http://poynt.co/) is a project of former Google Wallet head Osama Bedier, who left Google (http://venturebeat.com/2013/05/08/google-wallet-head-out/) a year and half ago.

"It's like the Android model for merchants," says Bedier.

A hybrid of sorts, the terminal features a 7-inch touchscreen and an application platform, like Square and Clover. The product is a terminal first, but it can act as a POS as well. Bedier recently showed me around the device, which was set up for use as POS at a coffee shop. In a small coffee shop I could see how a small interface could be fine for inputting latte and espresso shots. But at a larger service establishment, say a fine dining restaurant, this interface could drive a person crazy. As for retail establishments, which rely on the ability to scan items rather than key them in manually, this solution might also work as a POS — but what if that scanner fails?

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Still, Poynt is a payment terminal first and can integrate with an existing POS. But its open platform for developer apps means that Bedier hopes it will act as more than a terminal: a device that provides a slew of services, from analytics to industry specific sales interfaces.

And while 300 bucks is a lot to shell out for a new terminal, it's cheaper than installing a whole new POS system, tablet-based or otherwise. Poynt will be selling its smart terminals through its website and through bank partnerships — like Verifone does. Though as of yet the company is keeping mum about who those might be.

With all the enthusiasm around Apple Pay and the October 2015 deadline for EMV adoption, it's not a matter of whether merchants will be purchasing new payment terminals. The only question is which one.

More information:

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