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Four Ways EMV Will Liberate Retailers

By Alok Bhanot, Chief Technology Officer, Verifone — September 08, 2015



It's down to the wire on the deadline for retailers shifting to EMV. As October 1 approaches, the FUD factor – fear, uncertainty and doubt – continues to obscure the benefits of this essential industry transition.

Certainly we've all had time to prepare for EMV. What's slowing EMV adoption isn't the effort or expense needed from merchants to get ready, but misinformation and wariness. The term, "liability shift," we use to describe the move to EMV contributes to this. A better phrase would be, "liberation shift." Transitioning to EMV not only frees merchants to do business more securely, it opens the door to improving customer service and creating new revenue opportunities.

Here are four ways the EMV transition will help liberate merchants to better manage their businesses:

1. Freedom from Fraud

Preparing for the so-called liability shift – transferring responsibility for credit fraud from banks to merchants – is the most important liberation of all. Card fraud in the U.S. cost \$7.1 billion in 2013. If moving responsibility for these costs over to merchants isn't keeping them up at night, it should. Hackers target the U.S. precisely because it hasn't yet adopted EMV as the standard method of payment; the percentage of fraud relative to total payment card transactions is higher in the U.S. than anywhere in the world, according to the *Nilson Report* and other sources. While EMV on its own won't mitigate fraud and payment network breaches, it represents the first step toward embracing a full portfolio of technologies—including encryption and tokenization—that help to prevent fraud and secure consumer and merchant data. These advanced technologies are now more affordable and easier to install than commonly understood.

2. A Path to Contactless Mobile Payment

Increased data security and protection against fraud are essential, but equally important is the potential for greater customer value that EMV delivers. EMV offers a gateway to contactless payment, which *Forrester* projects will reach \$90 billion in the U.S. by the end of 2017. Awareness and adoption of contactless mobile payment are growing quickly. More than half of Americans say more stores need devices that allow customers to use smartphones to pay, according to a survey conducted by Wakefield Research for Verifone; 67% of Americans under the age of 40 agree with this statement. Merchants who transition to EMV today are getting a head start on the technologies that prepare them for mainstream adoption of mobile payment tomorrow.

3. Meet Changing Consumer Expectations

By the end of 2015, 70 percent of U.S. credit cards will feature embedded EMV chips, says research firm *Aite Group*. While the cards still allow for the traditional magnetic stripe method of payment, the consumer education campaign for EMV's improved security features is well under way. National retailers are also leading a broad payment evolution that's transforming the customer experience. Enter any Starbucks to see the future of payment firsthand – if you're not using contactless payment, the web designer in front of you is. Consumer expectations are rising, for better security, convenience, speed and ease of use. Merchants who modernize their payment technology now, beginning with EMV, can gain a competitive edge.

4. Payment Terminals Will Become Dynamic Consumer Touch Points.

Similar to smartphones in the consumer electronics industry, payment devices are increasingly becoming

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66% The annual compound annual growth rate (CAGR) of detected security incidents has increased

53 Million The number of e-mail addresses taken during The Store Dept's password data breach.

50% Retailers surveyed said to never pass the get technology security up to their organizations.

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network end-points and serving as gateways to a new era of exciting possibilities in the retail environment. Technology providers like Verifone are evolving from vendors to partners in enabling this future. An array of new incentives – from loyalty programs to e-coupons to spot POS discounts – is emerging from this rapidly evolving ecosystem to enhance customer loyalty and stimulate new revenues. Today's EMV-ready payment devices offer a migration path to delivering these promising new business-generators.

Without doubt, the transition to EMV places temporary burdens on merchants. Cost, effort, and re-certification are all legitimate concerns. At the same time, the liberation shift for merchants makes an investment in EMV and other new technologies one that will pay dividends many times over. With the October transition in sight, the sooner our national payment infrastructure migrates to EMV the better.

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