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# Study: Small Businesses Not Ready for EMV Credit Cards

by Teddy Nykiel (<http://www.nerdwallet.com/blog/author/teddy/>) on June 2, 2015 |  
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The credit card industry is preparing for a major shift to make payment transactions more secure, but small businesses aren't ready to handle it, according to a new survey.

Starting in October 2015, businesses that don't accept EMV-chip credit cards (<https://www.nerdwallet.com/blog/tips/abcs-of-emv-credit-card-chip-tech/>) will be responsible for paying for fraud that occurs at the point of sale. EMV stands for Europay, Mastercard and Visa and is the global standard for credit cards with encrypted chips rather than magnetic stripes.

Sixty-four percent of small businesses are aware of EMV-chip cards, but only 42% are committed to accepting EMV payments, according to the Intuit survey of 504 small business owners and managers — and just 19% know about the October liability shift. Credit card issuers now are typically liable when fraud occurs.

Businesses need to update their credit card terminals to be able to accept EMV cards from customers.

"The biggest barriers for small businesses to become EMV compliant are cost and lack of time or resources required to research terminals," Eric Dunn, an Intuit senior vice president, said in a news release.

The hardware and software updates can cost from hundreds to thousands of dollars, depending on the point-of-sale system the business uses, says Philip Andreae, a vice president at Oberthur Technologies, a global digital security company.

Simple credit card readers, like those that plug into a smartphone headphone jack, are the easiest to update; businesses just need to order an updated version. For example, Square sells a portable EMV card reader for \$29, and Intuit QuickBooks is offering a mobile EMV card reader for \$30.

Other businesses, however, have much more complicated systems that are more difficult to update, Andreae says. Those business owners should talk with their credit card processors, as well as their terminal hardware and software vendors, about their options for updating to EMV technology, he says.

## To switch or not to switch?

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October marks the start of the EMV card liability shift, but accepting the chip cards won't be mandatory for businesses. Most EMV cards still have magnetic stripes, so businesses can swipe those cards if they're willing to risk fraud. When it comes to deciding whether to update to EMV technology, Andreae's advice to small business owners is, "Don't run blindly forward."

Businesses should consider both the cost of switching to EMV technology and the likelihood of fraud. For example, a dry cleaning business with a relatively new credit card terminal doesn't necessarily need to rush to purchase a new EMV terminal. But if a business has to replace its credit card terminal anyway or has a history of customer credit card fraud, it makes sense to invest in EMV technology, he says. He cites a jeweler as a business that might be more susceptible to fraud.

Beyond updating the credit card terminal hardware and software, businesses need to train employees to use the new EMV technology, Andreae says. For example, employees should get into the habit of reminding customers to take their cards out of the EMV reader. (Unlike with magnetic stripe cards that customers use with a simple swipe, EMV-chip cards require customers insert the card in the reader and leave it there until the transaction is complete.)

## Decreasing fraud

Credit card losses due to fraud in the United States are expected to reach more than \$10 billion in 2015, according to data from The Nilson Report and used in a graphic by First Data Corp.

([https://www.firstdata.com/downloads/pdf/FirstData\\_EMV\\_TimelineAS.pdf](https://www.firstdata.com/downloads/pdf/FirstData_EMV_TimelineAS.pdf)), a global payments technology company.



(<http://assets.nerdwallet.com/blog/wp-content/uploads/2015/06/First-Data-copy-graphic.jpg>)

Graphic by First Data Corp.

([https://www.firstdata.com/downloads/pdf/FirstData\\_EMV\\_TimelineAS.pdf](https://www.firstdata.com/downloads/pdf/FirstData_EMV_TimelineAS.pdf))

EMV-chip cards are designed to decrease credit card counterfeiting

(<https://www.nerdwallet.com/blog/tips/emv-cards-skimmed-magstripe-cards/>) by making them more difficult to copy. Unlike magnetic-stripe cards, which store unchanging data in their stripes, EMV-chip cards generate a new code for every transaction. Cardholders also have to verify their EMV card purchases with either a signature or by entering a PIN.

But EMV-chip cards won't eliminate fraud altogether, says Richard Crone, founder of Crone Consulting LLC, a mobile payments consulting firm.

"You cannot get rid of the risk until you get rid of the card," Crone says.

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