

# Visa Takes War on Cash to Restaurants

By AnnaMaria Andriotis | Published July 12, 2017 | [Features](#) | Dow Jones Newswires

Visa Inc. has a new offer for small merchants: take thousands of dollars from the card giant to upgrade their payment technology. In return, the businesses must stop accepting cash.

The company is announcing the initiative this week as part of a broader effort to steer Americans away from using old-fashioned paper money. Visa says it is planning to give \$10,000 apiece to up to 50 restaurants and food vendors to pay for their technology and marketing costs, as long as the businesses pledge to start what Visa executive Jack Forestell calls a "journey to cashless."

"We're really viewing this as the opening salvo," said Mr. Forestell, Visa's global head of merchant solutions, of the potential total \$500,000 commitment.

Consumers at those stores would be able to pay for goods or services only with debit or credit cards or with their cellphones. In exchange, Visa is offering to pay for upgrades to merchants' technology at the checkout line so that they can accept contactless payments, such as Apple Pay. The \$10,000 incentive can also help cover some of the merchants' marketing expenses.

Visa will pick the participating merchants from an application process that starts in August. Online-only shops are excluded.

Visa has long considered cash one of its biggest competitors and has been taking steps to chip away at it. Getting rid of cash is a priority for Visa Chief Executive Al Kelly, who took over late last year, especially as cash and check transactions continue to grow globally.

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"We're focused on putting cash out of business," Mr. Kelly said at Visa's investor day last month, adding that converting check and cash to digital and electronic payments is the company's "number-one growth lever."

Visa processes credit and debit card payments on behalf of banks and merchants. The company makes money when consumers use their Visa-branded cards. An increase in transactions and payments volume over its network typically results in rising revenues.

The company accounted for 59% of purchase volume on U.S. general purpose credit and debit cards last year, compared with rival Mastercard's 25% market share, according to the Nilson Report, a trade publication.

Still, cash remains a formidable competitor. Check and cash transactions totaled \$17 trillion world-wide in 2016, up about 2% from a year prior, according to Visa.

Cards have made a dent in cash in the U.S., but cash remains the most widely used payment form among Americans, accounting for 32% of all consumer transactions in 2015, compared with 27% for debit cards and 21% for credit cards, according to a November report by the Federal Reserve Bank of San Francisco.

Visa is trying to turn those numbers more in its favor. In the U.S., it is going after spending categories, such as parking and rent, that have been entrenched in cash and check payments for decades. Abroad, it is partnering with governments to move more payments onto its network, including an agreement that it recently signed with the Polish government to move the country to a cashless system.

Some merchants have already stopped taking cash. New York City-based 2nd City, a Filipino taqueria, hasn't accepted cash since it opened its doors in 2016. Michael Ryan, the co-owner and co-founder, said he never ordered cash drawers or a safe. By not having to count cash, visit a bank or order change, Mr. Ryan estimates, the manager on duty saves about 23 hours a week.

The restaurant, which mostly caters to millennials, has had "very little" push back from customers, Mr. Ryan said. He added that the downside is the fees that his business pays to the card issuers.

Indeed, many merchants prefer cash because they don't have to share the revenue with card companies. Credit-card interchange fees, which networks like Visa set and that merchants pay to the banks that issue their cards, are on average around 2% of the transaction amount, according to the National Retail Federation, the largest trade group that represents merchants in the U.S.

"The idea that merchants don't want to accept cash is a myth," said Mallory Duncan, senior vice president and general counsel at the National Retail Federation.

Visa says merchants making the move stand to benefit from higher sales and lower theft risk. Some, though, are skeptical that Visa can take the cashless push much further.

"Getting rid of things like rent checks is difficult," said Chris Donat, a managing director who covers credit-card companies at Sandler O'Neill + Partners.

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