

## New chip credit cards putting squeeze on small businesses

June 17 2015, by Joyce M. Rosenberg

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Patron Jake Kratz, of Philadelphia, pays his tab with the Rail table side credit card processing device at Tableau, a Dickie Brennan & Co. restaurant, in New Orleans, Monday, June 15, 2015. Dickie Brennan & Co., which operates four New Orleans restaurants, expects to pay more than \$25,000 to replace card readers and software once chip cards are phased in and magnetic stripe cards, which are easier for thieves to copy, are phased out. (AP Photo/Gerald Herbert)

New credit and debit cards with computer chips are putting the squeeze

on small businesses.

The cards being rolled out by banks and credit card companies are aimed at reducing fraud from counterfeit cards. As chip cards are phased in, magnetic stripe cards, which are easier for thieves to copy, will be phased out. Businesses of all sizes face an Oct. 1 deadline to get new [card readers](#) and software that can handle chips. Most estimates of transition costs for small companies vary from the low hundreds to tens of thousands of dollars due to the wide range of equipment used.

If businesses don't meet the deadline set by companies including MasterCard, Visa and American Express, they can be held liable for transactions made with phony chip cards.

The switch to new chips in credit and debit cards poses a threat for small companies because they can't get the volume discounts on the new equipment that big retailers get. And they don't have in-house tech experts to install the new systems.

"This is one of the biggest nightmares merchants are going to face," says Michael Kleinman, owner of Mason Eyewear, a store in Brickell, Florida, and Centurion Payment Services, a company that processes credit and debit card payments.

## TIP OF THE ICEBERG

The card readers shoppers see are just one part of a payment processing system. They're connected to software in a merchant's computer system that receives the transaction information and sends it to a payment processor. The processor then posts a charge or debit to the cardholder's account and a credit to the merchant's account.

The simplest card readers used in stores and other [small businesses](#) are

likely to cost at least \$100. The machines will also read magnetic stripes and some also handle what are known as contactless payments made with services like Apple Pay or Google Wallet. Most software prices start at several hundred dollars, but can run into the thousands for more [complex systems](#). Many companies have computer systems that do more than handle payments—they also manage inventory and customer and vendor information. Businesses like restaurants and those with multiple locations are likely to have the most complex systems and the highest expenses.

Dickie Brennan & Co., which operates four New Orleans restaurants, expects to pay more than \$25,000 to replace card readers and software, says Derek Nettles, the company's information technology director. The company won't raise its prices to pay for the switch; instead, it's delaying an upgrade of its security camera system.

"We're not happy about the additional expense," Nettles says.

## IT'S NOT PLUG AND PLAY

Changing card readers and software isn't something many small business owners, even tech-savvy ones, will be able to do on their own. They'll need to hire technology consultants who can charge as much as \$100 an hour or more to install the system and ensure it works.

Even with Kleinman's expertise in payment processing as owner of Centurion Payment Services, it took him five hours to install two card readers and software. And he was on the phone getting technical support from his vendor while he did it. Although the new system works, there are glitches that keep him tinkering. For example, sometimes the system has trouble accepting certain cards.

"Most people are definitely going to need to hire somebody to do it,"

Kleinman says.

It may make sense for companies with combined payment, inventory and other systems to separate the payment part to make them less vulnerable to hackers, says Scott Shedd, a technology consultant with WGM Associates in Scottsdale, Arizona.

But that will add more costs, says Avivah Litan, an analyst with Gartner Research.

"If you want to use this opportunity to secure your systems, it could cost you thousands," she says.

## **Tips to help businesses make the transition to chip cards**

Hey small business owners: If you haven't prepared for the transition to chip-embedded credit and [debit cards](#), you don't have long. Here are some tips to help you meet the Oct. 1 deadline to get new card readers and software that can handle the chips:

—Before ordering new card readers and software, be sure they'll be compatible with your payment processor's systems. Check with your processor to see which equipment you should buy. Some processors sell card readers, and they may offer discounts.

—Hire a technology consultant to install the system if you don't have an in-house tech expert. The installation can take hours and there are likely to be glitches that even a tech-savvy owner won't be able to handle.

—Companies whose credit card payment systems are combined with inventory management and other systems might want to separate the

payment part. That would make their computers less vulnerable to hackers, who have been able to gain access to customer and other information at companies like Target Corp. by invading another part of an integrated computer system.

—Your [payment](#) processor or bank should be able to answer questions about the transition and what you'll need to do. You can also get information online from:

Visa: [tinyurl.com/obkop6g](https://tinyurl.com/obkop6g)

Discover: [www.discovernetwork.com/chip-card/merchants](http://www.discovernetwork.com/chip-card/merchants)

Intuit: [tinyurl.com/nf3g23w](https://tinyurl.com/nf3g23w)

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