

Making a purchase at retail a confusing mess, thanks to tech transition

May 3 2016, by Troy Wolverton, The Mercury News

The seemingly simple process of making a purchase at a retail store hasn't been so simple lately.

It can be hard to know whether to swipe your credit card or insert it in a slot. When you do insert it, you can expect to wait and wait - and wait.

You've got to remember to not pull out your card before the process is done for fear that the [payment](#) terminal might beep at you or a clerk might yell at you, or both.

And if you're savvy enough to have Apple Pay or Android Pay set up on your phone, good luck finding a merchant that accepts either. Heck, you may even have a tough time finding a merchant that knows about either one.

In terms of how to pay or which way you can pay, "you don't really know what to expect when you go into a store," said Jordan McKee, a senior analyst who covers the payments industry for 451 Research, a tech industry consulting firm. "It's an absolute mess."

The chaotic state of the retail cash register experience is due to a technology transition in the payments industry. To prevent fraud, card issuers, payment processors, technology companies and retailers have been trying to move the industry toward more secure forms of payment. The problem is that we're in the middle of the changeover to the new technology and issues like cost, the complexity of upgrading to the more

secure systems and even a kind of politics are delaying its completion, leaving chaos for us consumers.

The transition is a response to the growing problem of fraud, which costs the payments industry billions of dollars each year. Around two-thirds of payment card fraud is due to the use of fake cards.

The new secure systems, which are designed to prevent counterfeit card fraud, come in the form of the [mobile payment](#) services like Apple Pay and the new [payment cards](#) that have microchips embedded in them. You probably have a few of the latter in your wallet; they typically have a silver- or gold-colored chip visible on the front of the card.

Both of these new forms of payment represent upgrades over the old magnetic stripes that we've used for years to make card-based payments, because they generate unique codes when you make purchases. Because the codes are only good for one transaction, they're worthless to hackers.

To spur the adoption of these new payment methods, the payments industry shifted the responsibility for fraudulent purchases. Since Oct. 1, retailers are responsible for fraud costs if their technology is less secure than that of the card issuer. So, if a bank has issued a chip card to its customer, but the retailer doesn't yet have a chip card reader, the retailer would have to eat any charges made with counterfeit cards.

Out of the 1.2 billion payment cards in use in the United States, about half of them now are chip cards, according to the Electronic Transactions Association, which is the payment industry's trade group. And hundreds of banks, including all of the largest, now allow their cards to be stored in Apple Pay.

The problem has been at the retail end of things. Of the 8 million locations that accept payment cards, only 1.2 million of them can take

chip-based payments. Many of the retailers that do take chip-based payments don't accept mobile payments, even though almost all the new terminals are technically capable of taking them.

Many retailers haven't upgraded their terminals because they don't want to pay for them and they don't have to - there's no law or contractual obligation forcing them to move to the new systems. Coffee shops, dry cleaners and other retailers that typically see small transactions of little value don't have much to worry about when it comes to card fraud, and the hassle factor is significant: back-office and payment processing systems must be compatible with the new payment methods, and new terminals have to get certified by an industry group, a process that can take months.

And then there's the politics. A group of major retailers including Wal-Mart, Target and Best Buy is working on a mobile payment alternative to Apple Pay and Android Pay. Although many of these large retailers have upgraded their payment terminals, they've refused to turn on the mobile payment function until their own effort, dubbed CurrentC, is ready nationwide.

The situation is likely to improve in the future, but only gradually, industry experts say. Last fall's shift in fraud liability was a "start, not an end," said Jason Oxman, CEO of the Electronic Transactions Association.

Here's hoping the transition gets smoother from here on out.

©2016 The Mercury News (San Jose, Calif.)
Distributed by Tribune Content Agency, LLC.

Citation: Making a purchase at retail a confusing mess, thanks to tech transition (2016, May 3) retrieved 20 April 2024 from <https://phys.org/news/2016-05-retail-mess-tech-transition.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.