A Window of Opportunity: Transitioning to Chip Payment Technology

SCHOOLEY MITCHELL

Published by: Rich Bartolotta, Schooley Mitchell
Written by: Rich Bartolotta, Schooley Mitchell

"Credit cards embedded with a chip provide for a more secure transaction, reducing the risk of fraud."

Tom Peters once said, "If a window of opportunity appears, don't pull down the shade." This is particularly good advice for businesses soon-to-be affected by the changeover to embedded chip technology in the United States. Over 130 countries around the world currently process credit card transactions using cards embedded with a computer chip. The U.S. is not currently one of them, but that is about to change.

Credit cards embedded with a chip provide for a more secure transaction, reducing the risk of fraud. These cards are extremely difficult to counterfeit when used with a chip-enabled terminal, as they employ enhanced cardholder verification methods. Chip cards store more information than magnetic stripe cards being used extensively in the U.S. at present. What's more, the chip itself generates a unique code for every transaction. This means if a hacker were to steal data from a major retailer, for example, they would not be able to use it for future fraudulent transactions.

In the United States, the migration from magnetic stripe cards to embedded chip cards is underway. Some estimates suggest the U.S. accounts for almost half of the credit card fraud worldwide despite only representing about a quarter of all card transactions. Moving to chip enabled payment technology is, therefore, extremely necessary.

One particularly important point to be aware of is that the liability for fraudulent transactions is changing along with the migration to chip payment technology. Today, banks absorb the majority of fraudulent credit card costs, but as of October 2015 the liability equation is changing. If a customer pays for goods or services with a fraudulent chip embedded card, and the merchant processes that transaction without a chip-enabled terminal, the merchant would be liable for said fraudulent transaction.

Merchants will need to make investments in chip-enabled terminals to mitigate their liability risk. As merchants make these changes, they might also be well served to use this as an opportunity to assess their current merchant services environment. Why not review the quality and cost of your current provider? You might find opportunity to reduce costs and fund the terminal investment from savings, or come away with better services overall.

In my career I've found the best time to reassess all aspects of your business is when a business or industry experiences significant change. As the U.S. payment industry undergoes this much needed migration to chip embedded card technology, why not step back and make the most of this window of opportunity? Don't just pull down the shade.

Rich Bartolotta, Strategic-Partner
Schooley Mitchell
678.436.5740
www.schooleymitchell.com/rbartolotta