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GAME CHANGERS

3-D Printing
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Cloud-Based Technologies
A New Way to Grow

EMV Deadlines Approach
Where We Stand

PLUS:

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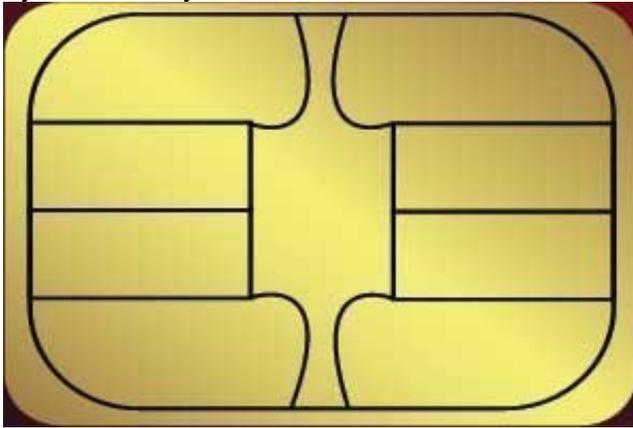
NEW NOZZLE LISTINGS



EMV on the Horizon: Where we are and what's Ahead?

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by Chris Santy



A global shift in the way fuel marketers and other retailers conduct business is poised to change the way Americans pay for goods and services.

In 2015, the term "EMV" —an alien concept to most American consumers just a year ago— will become synonymous with a new standard of payment card security. No longer will "chip" and "dip" be simply appetizers at a party; instead, they will become the main course in a worldwide bid to vanquish the credit card fraud that has created headlines, damaged brands, cost card processors billions of dollars and frightened consumers.

Understanding the Basics

EMV— which stands for Europay, Mastercard and Visa—represents an effort initiated by these three dominant card issuers to create a global standard for payment security.

EMV uses a technology called "dynamic data encryption" (DDA). Through DDA, a consumer "dips" his or her card into a next-generation terminal. A chip embedded in the card communicates data through a process called tokenization. In milliseconds, data are encrypted, transmitted, analyzed and verified (or rejected). To handle the huge amount of

data that is dynamically generated during the transaction, retailers will require much greater bandwidth than is used today on pre-EMV transactions.

Across the globe, consumers have already been dipping their way to a greater sense of reassurance. In the U.K., for example, where more than 95 percent of retail transactions are conducted via the EMV standard, card fraud is reported to have dropped by 40 percent, according to a study by Financial Fraud Action U.K.

In Canada, Asia, Europe and South America, EMV transactions now, or soon will, comprise the majority of credit card commerce.

EMV in the U.S.

No official federal regulations govern the adoption of EMV, although President Obama recently signed an executive order to ensure EMV compliance of all government-issued credit cards. In fact, even card issuers have stopped short of mandating EMV conversion as a condition of card acceptance.

Instead, the major credit card companies are using something called a "liability shift" to encourage the change to EMV. After certain deadline dates, fraudulent transactions conducted on magnetic strip equipment become a potential liability to the merchant.

The first deadline is just around the corner. On October 15, 2015, retailers' in-store terminals in the United States must accept EMV cards to avoid liability for fraudulent transactions. By October 15, 2017, pay-at-the-pump terminals, known in "payment-speak" as unattended payment terminals (UPTs), must also be EMV-enabled for the retailer to avoid liability.

Ready—Or Not?

Of course, if our industry's experience with PCI adoption is any indication, deadlines are hardly an indicator of readiness.

"There is much to be defined, planned and executed—and retailers are behind the curve already to try to make the October 15 liability shift," said Tom Cerovski, vice president of products and technology services for Wayne Fueling Systems. "But some larger retailers with well-known brands are putting plans in place to have their AFDs (automated fuel dispensers) EMV-enabled ahead of the October 2017 EMV liability shift."

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— Tom Cerovski, Wayne Fueling Systems

"Some first-mover retailers have done what they need to do, but a significant number of customers seem intent on waiting until the deadline," said Michael Tyler, senior director of

petroleum channel sales for Verifone.

Manufacturers and major oil brands have been traveling the country, conducting road shows for jobbers, marketers, dealers, service technicians and distributors to educate them on the fundamentals of EMV. A key point in the dialogue has been the significant risk for retailers who wait.

"We are building as much equipment as we can possibly build, but we can't overbuild to a forecast that doesn't exist," said Tyler. "If hardware becomes a constraint, you'll see a demand-based economy that will increase prices."

Additionally, some observers project a technician shortage that could further impact the ability to meet demand. "Quality service technicians are already in high demand, and the industry does not have a large, untapped stable of talent to draw from," said Ed Perkins, vice president of retail sales for Raleigh, N.C.- based Jones & Frank.

"It is hard to gauge the additional manpower required to meet demands," Perkins continued. "Industry estimates indicate that EMV work could require 50 to 100 percent growth over the next several years."



Risks of Waiting

Even riskier for those who wait is the potential marketing disadvantage of not offering customers the latest in consumer card fraud protection. In America, the epicenter for such fraud in recent years, the fuel industry alone lost more than \$250 million to credit and debit card fraud in 2014 according to research by Conexus. Techniques that criminals are using to

defraud us—skimming, counterfeiting, data breaches—are becoming more sophisticated and harder to combat.

This situation has created an understandable reluctance by some consumers to patronize retailers that have garnered the most headlines. In a recent study by CreditCards.com, nearly half of the consumers surveyed were unwilling to return to a hacked merchant.

Beyond these psychological issues, waiting to make the changes also can be costly in tangible ways, including a decreased ability to control the cost of the conversion, shortages of EMV-capable devices and the negative perception customers will have of retailers who do not offer the enhanced protection.

"Enhanced security is always good," Adam Levin, chairman of IDentity Theft 911, recently told NBC News. "Anything that helps spot and stop fraud before it happens is a lot better than having to deal with the consequences after it happens."

However, individual retailers must consider other realities as they decide when to upgrade their inside POS technology—from brand guidelines and incentives, to payment network requirements, to their own risk assessments. In many cases, the liability-shift deadline will not be the prime driver. "When the true EMV liability risk is understood," explained Wayne's Cerovski, "some site owners may elect to implement indoor EMV technology changes at the same time they perform outdoor technology changes to minimize disruption, defer costs and reduce site down time."

Financial Considerations

No major technology change comes without capital investment, and EMV readiness will require substantial capital investments. According to NACS, fuel marketers will be on the hook for \$6,000 to \$10,000 per dispenser for a complete EMV conversion—a total of \$3.5–\$4 billion, industry-wide.

For those who still remember the first wave of "pay-at-the-pump" conversions in the 1990s, planning for and executing the upgrades is a daunting prospect. The cost of these changes is heartburn-inducing for even the most profitable fuel retailers, and bank financing can be difficult or impossible to obtain.

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Fortunately, fuel jobbers with an established financial history can often be strong partners in the conversions. With supply contracts ranging between seven and 10 years, jobbers have a tangible stake in a dealer's success, as well as the ability to step up with support and financial assistance.

Value and Expertise

For distributors and service contractors, EMV represents a prime opportunity to take the lead in advising marketers about the potential benefits of increased transaction security.

"For those with the capabilities and the resources, upgrading the dispensing hardware now can put them way ahead of the curve," Verifone's Tyler advised. "Remember, fraud takes the path of least resistance. In the event retailers deploy [EMV upgrades] at the dispenser, they are in a much better position than those who don't."

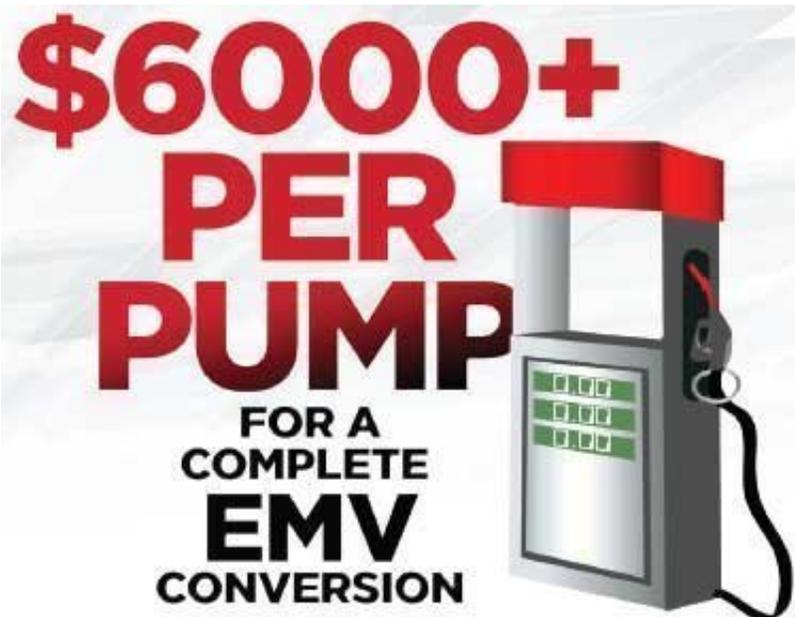
EMV upgrades also can be combined with other technological advances, including the following:

- Support for mobile payment providers such as Apple Pay and Google Wallet;
- Media at the pump;
- Expanding alternative-fuels capabilities (including higher ethanol blends) and increasing diesel hose count;
- Lottery-at-the-pump capability.

"Many of Gilbarco's customers are looking at the EMV migration as an opportunity to not only enable better security for their customers but also to implement technologies that will improve their consumers' fueling experience and drive more traffic to their sites," said Parker Burke, director of payment and media for the fuel-equipment manufacturer.

"In-dispenser media technologies are a popular solution to meet this challenge," Burke added. "This platform provides engaging entertainment and advertising content focused on the c-store consumer and can also provide a subsidized path to supporting EMV regulations."

Finally, service providers are well positioned to help fuel marketers analyze whether to retrofit or fully replace their pump equipment. Factors to look at include pump age, total gallons dispensed, flexibility to offer more fuel alternatives and aesthetics.



A Race to the Finish

The good news is that, as of this writing, there's still time to meet the October 2015 EMV inside-the-store deadline and the larger task of updating dispensers by October 2017. Each of the equipment providers who commented for this feature said they currently have plentiful supplies of next-generation equipment, and all are encouraging retailers to work with their certified technicians to develop a game plan for the next 2 years.

"After retailers assess their risk and position themselves to install the upgrades," noted Wayne's Cerovski, "our certified teams will be ready."

However, as the dates approach, the bandwagon will grow more crowded and the risk of having to pay a premium for equipment or technicians will rise."

We are letting folks know that delaying is not only likely to cost additional expense in terms of labor rates but it could also have an impact on hardware costs," said Verifone's Tyler. "We're out there trying to prevent a crash at the finish line."

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