



Can Apple Pay sweeten the deal for small merchants to upgrade to EMV?

24 August 2015 By: Michael Moeser

Small merchants are unclear on how to best approach EMV, but many report that they would be willing to deploy EMV terminals if they could also accept mobile payments including Apple Pay. Are small merchants really looking for a BOGO (buy one, get one) when it comes to upgrading their terminals? Buy a pair shoes and get the socks for free? Could this be the way for merchant acquirers and ISOs to position terminal upgrades to their small biz clients?

Javelin just introduced its [Small Business Banking service](#) that focuses on needs and opportunities for banks, issuers, merchant acquirers to serve the small business sector.

Our [most recent study](#) of small (\$1 to \$10 million in sales) and micro merchants (\$100K to \$1 million in sales) shows that many of these merchants have not yet upgraded their payment terminals to accept EMV cards. Of these businesses, 36% would be motivated to do so if a terminal could both accept EMV and mobile payments. When we looked only at the small merchant segment that number jumped to 45% - almost half.

Are small merchants being hypersensitive to all the noise and fuss about Apple Pay? Clearly, media coverage is disproportionate to actual adoption. Or is the cost of a new terminal forcing a small business to get the maximum bang for the buck? Whatever the case may be, the halo effect of Apple Pay, Google Pay, Samsung Pay and other mobile payments could be a way for acquirers to sell EMV enabled terminals. Javelin will continue to track the change in adoption of EMV among small businesses and their uptake in mobile payments.

With the looming Fraud Liability shift coming in October, we are cautiously predicting that only half of these businesses will have implemented new POS hardware. Come November, they will be surprised when they get a note in their statement stating that they are responsible for the fraud costs that occurred the next month. The government and banks need to do a better job of preparing business owners for the impact EMV fraud liability shift. Otherwise, small businesses will be the weakest link in the EMV chain and will bear a significant portion of today's counterfeit card fraud costs, which could cause some to go out of business.

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