CARD PAYMENTS AND GROCERY RETAIL

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The grocery industry is a highly competitive market with the slimmest of profit margins – under 2% annually. While grocers constantly find ways to generate savings to pass along to their customers, one expense that has continued to grow is the price of accepting credit and debit cards.

Background:
Credit card swipe fees average around 2 percent but can be as much as 4 percent for some premium rewards cards and vary according to a merchants' card volume and other factors. Applied to millions of transactions each day, they total approximately $80 billion a year nationwide (over $100 billion when you include debit swipe fees as well). Independent grocers have cited card payment swipe fees as their second or third highest cost behind wages and employee health benefits.

In addition to these escalating acceptance costs, grocers and all merchants – along with the issuing banks – are burdened with the ever-growing cost of card fraud. The U.S. has the dubious honor of leading the world in card fraud, resulting in the most expensive, most fraud prone card payment system in the world. The U.S. shoulders almost 40% of global card fraud while only accounting for 20% of purchase volume worldwide. The billions of dollars U.S. grocers and banks pay in card fraud is driving up the cost of consumer goods and banking services for all Americans.

Position:
Grocers and the entire U.S. economy need the U.S. card payments system to adapt and evolve. NGA supports card payment legislation that focuses on any of the following reforms:

- **The Federal Reserve should move to regularly update the debit fee rate** to account for the substantial decrease in issuer and network processing costs. According to the Fed, the average interchange fee on a regulated debit card transaction today is 34 cents, however banks and card networks' true processing costs are 3.6 cents. The Durbin Amendment debit fee cap was set in 2011 and has not been updated since.
- **The credit card marketplace is in dire need of reform.** Closing off the credit card payments marketplace to new entrants and technology only delays adoption of cutting-edge technology and innovative opportunities to bolster payment security. Allowing multiple routing options on credit cards would lead to increased competition, greater efficiency, and stronger security.
- **Retailers need better options for user authentication.** U.S. credit cards are not issued with any real ability to authenticate the customer in the store and the card brand rules restrict a grocer's ability to use various authentication methods to make sure the customer is the proper user of the card. These security lapses unfairly leave U.S. retailers open to lost and stolen card fraud in-store and have led to exponential growth of card fraud online (also known as card-not-present transactions).
- **Improve the standard setting process and increase participation.** Currently, two bodies set compliance standards for all parties in the card payments ecosystem: PCI (Payment Card Industry) sets security standards, and EMVCo, which set the standards for technologies like chip cards. Both PCI and EMVCo are closed standard setting bodies, with no retailers, U.S. banks, consumer groups, competitive networks or other stakeholders having a vote or voice in the standard setting and implementation process. Decisions are often based on what is best for the major card brand's business and profits over what is best for customers and card security.