



## Small Business Chip Card Payment Survey October 2015

Credit and debit cards are an important method of payment accepted by many small businesses. About half of small employers accept electronic payments. However, acceptance varies greatly by industry. For instance, a large percentage of small businesses in the retail and services industries accept card payments compared to very few in construction and manufacturing. For those industries that rely heavily on electronic payments, recent changes to card payment technology and guidelines are of particular interest in how those changes affect their business.

Electronic payment security has received heightened attention over the past few years. Large retailers such as Target and Home Depot have both been in the news due to information theft of thousands of credit and debit cards. The electronic payment industry is currently transitioning from the traditional magnetic stripe credit and debit cards to ones embedded with a chip, often termed a “smart card”. The chip adds an additional layer of data security to each transaction that makes card information theft more difficult.

The key difference in using chip cards is that instead of swiping the card through an electronic payment terminal, the employee or customer will “dip” the card into a slot on the terminal, similar to using an ATM machine. All new chip cards will continue have the magnetic stripe on the back, so businesses with older, non-chip payment terminals can still process electronic transactions. Small business owners are not required to buy chip enabled terminals to accept credit cards, but as of October 2015, they will incur additional cost if fraud occurs on their non-chip enabled terminal. This is often called the “merchant liability shift”. The risk of additional fraud generally depends on the type of business. Those businesses that incur a higher percentage of chargebacks now might be more susceptible to additional fraud with non-chip enabled terminals, and those with few chargebacks will generally be at low risk of additional fraud costs. But it is important for business owners who accept card payments to know about the changes in the payment industry so they can make informed decisions based on their specific circumstances.

The electronics payment industry has developed a variety of platforms for small businesses to accept card payments including attachments to mobile devices, computer configurations, online, and stand-alone terminal. While new advancements allow for easier card transactions for small businesses that might typically be confined to only cash payments, most small businesses process their card transactions from a traditional terminal. Today, 91 percent of small employers accepting card payments use a

terminal while 9 percent use an attachment on a mobile device. The number of payment processors varies greatly by firm size. The vast majority of employers in the smallest firm size category use just one device while 59 percent of those in the largest firm size category have four or more payment devices.

Most small employers own their processing equipment (63 percent) as opposed to leasing (20 percent). About 17 percent didn't know whether they leased or owned. Of those who owned, 22 percent purchased it within the last 12 months. These processors are likely equipped with chip enabled technology and comply with the merchant liability shift guidelines. About 18 percent purchased 1 - 2 years ago. These processors might also be chip-enabled. But 35 percent have owned their processor(s) for more than 5 years and are likely not compliant. Estimating the percent of compliant leased equipment is more difficult. However, about 25 percent of leases are up in a year or less and will be compliant with new technology soon. About 20 percent of small employers have leases extending three years or more. It is not clear if those leases are new and chip-enabled or if they hold long term leases with non-compliant processors. Forty percent didn't know when their lease was up.

Another component of the transition to chip technology is training employees on how to process the payment card to ensure smooth customer transactions. It appears that for the smaller firms, most of their employees are capable of processing customer card payments. Most of the larger firms have over nine employees able to process card payments. As non-chip processors are replaced with new ones, employers will have to spend some time training employees and making sure they are able to assist confused customers, as many will also be chip card novices. The survey found that the owner or manager is the most likely person to train employees on new processing technology, while 10 percent of small businesses are trained by someone from a payment processing company.

Small employers' primary source of information for new card payment policies, standards and products is from a payment processing company. About 34 percent get their information from them compared to 30 percent from a bank and about 19 percent from a card payment company (e.g., Visa and MasterCard). While chip cards are universal for most card carrying customers outside of the United States, they are a new concept and just recently introduced in the U.S. market. But as more and more card holders are receiving chip cards their familiarity is increasing including among small business owners. Currently, 31 percent of small employers accepting electronic payments are very familiar with chip cards and another 46 percent are somewhat familiar. Just under a quarter (23 percent) are not at all familiar. When it comes to familiarity with the merchant liability shift, about 56 percent of small employers accepting electric payments know about the October 2015 deadline. And just under half (43 percent) of those aware of the liability shift found out through a payment processing company; about one-quarter from a bank.

Interestingly, a higher percentage of smaller, small businesses already use chip enabled payment terminals. About 43 percent of businesses with 2-9 employees have the new technology compared to 36 percent of firms with 20-249 employees. Larger businesses likely have more expensive, complicated electronic payment systems that will take more time and resources to transition. Of those with chip-enabled terminals, about 65 percent support a PIN pad.

Of those small employers with non-chip terminals, 56 percent plan to replace or adapt their payment processing equipment to accept chip cards in the next six months. While chip is still a relatively new concept for many small business owners, the transition to chip enabled technology is occurring rather quickly even though many did not meet the liability shift deadline.

The main concern for those with the new technology, and also those without, is the cost of new equipment. About 20 percent of small employers accepting electronic payments cite cost as their main concern. By firm size, cost is a bit more prevalent with larger firms at 24 percent.

On the consumer side, about 38 percent of small employers have had customers use or tried to use chip cards at their business. The proliferation of chip cards is still limited in many areas but likely to increase in the coming months.

The transition to chip-based payment technology is slowly permeating the small business community. Many small employers are already equipped with the new technology, but over half are still processing electronic payments on non-chip terminals. As more business owners are aware of the transition, renew their leases and replace older terminals, chip will become more the norm for the small business community.

The data for this survey report were collected for the NFIB Research Foundation by Mason-Dixon Polling and Research. The interviews were conducted between September 16 - 29, 2015 from a sample of small employers in the retail and services industries. "Small employer" was defined for purposes of this survey as a business owner employing no fewer than two individual in addition to the owner(s) and no more than 249. The sampling frame used for the survey was drawn at the Foundation's direction from the files of the Dun & Bradstreet Corporation. The full methodology of this survey is located on page 15.

## Executive Summary

- About 30 percent of small employers accepting electronic payments are very familiar with chip enabled credit and debit cards. Just under half (46 percent) are somewhat familiar and 23 percent are not at all familiar.
- About 56 percent of small employers accepting electronic payments are aware of the “merchant liability shift”.
- About 43 percent of small employers accepting electronic payments have chip enabled processing equipment.
- Of those small employers with chip enabled processing equipment, 65 percent are equipped with a PIN pad.
- Of those small employers who do not have chip enabled equipment, 56 percent plan to replace theirs in the next 6 months.
- About 20 percent of small employers lease their processing equipment compared to 63 percent who own it.
- Of those who own their processing equipment, almost half have owned it 3 years or more. Twenty-two percent have owned their equipment for less than one year and 18 percent 1-2 years.
- While half of small employers accepting electronic payments have not experienced or do not anticipate any problems with chip enable processors, 20 percent cite cost and 14 percent lack of information as their primary problem.
- Thirty-eight percent of small employers accepting electronic payments have had customers use or try to use a chip card in their business.
- About 18 percent of small employers accepting electronic payments require a minimum purchase. Smaller firms are more likely to require a minimum purchase than larger ones.
- About 9 percent of small employers accepting electronic payments use a mobile attachment to process payments.
- Just over 1/3 of small employers accepting electronic payments (35%) offer gift cards specific to their business.

## NFIB SMALL BUSINESS CHIP CARD PAYMENT SURVEY

	Employee Size of Firm			<u>All Firms</u>
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	
<b>1. Which type of credit and debit card processing device do you use for most transactions?</b>				
1. Credit card terminal	90.7%	88.9%	92.4%	90.7%
2. Attachment on a mobile device	9.3	11.1	7.6	9.3
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750
<b>2. Do you require a minimum purchase for customers to use credit or debit cards?</b>				
1. Yes	21.5%	10.1%	5.1%	17.9%
2. No	78.0	89.4	92.4	81.3
3. (DK/Refuse)	0.6	0.5	2.5	0.8
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750
<b>3. How many payment terminals or mobile attachments do you use at your business?</b>				
1. One	75.1%	46.0%	14.6%	63.8%
2. Two	15.0	27.8	9.1	16.0
3. Three	5.1	12.1	16.7	7.4
4. Four	1.4	7.1	18.2	4.2
5. Five or more	1.7	6.6	40.9	7.1
6. (DK/Refuse)	1.7	0.5	0.5	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750
<b>4. Do you own or lease your payment processing equipment?</b>				
1. Own	64.4%	58.1%	58.6%	62.9%
2. Lease	20.9	15.7	15.7	19.6
3. Both	0.6	1.0	1.0	0.7
4. (DK/Refuse)	14.1	25.3	24.7	16.9
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

	Employee Size of Firm			
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	<u>All Firms</u>

5. How many years have you owned your current processing equipment?

1. Less than one year	21.7%	27.4%	20.3%	22.3%
2. 1-2 years	19.1	16.2	15.3	18.3
3. 3-4 years	13.5	14.5	13.6	13.6
4. 5-8 years	14.3	14.5	15.3	14.5
5. More than 8 years	19.6	14.5	22.0	19.2
6. (DK/Refuse)	11.7	12.8	13.6	12.1
Total	100.0%	100.0%	100.0%	100.0%
N	230	117	118	465

6. How long until you need to renew your current lease?

1. Less than one year	12.2%	--	--	11.7%
2. 1 year	14.9	--	--	13.5
3. 2 years	13.5	--	--	12.1
4. 3 years	2.7	--	--	4.1
5. 4 years	5.4	--	--	5.3
6. 5 or more years	10.8	--	--	11.5
7. (DK/Refuse)	40.5	--	--	41.8
Total	100.0%	100.0%	100.0%	100.0%
N	74	31	31	136

7. Including you, how many employees are trained to process credit and debit card payments?

1. One	11.9%	0.5%	--	8.9%
2. Two	17.8	3.5	1.5	13.9
3. 3-4 employees	41.8	21.7	3.0	34.4
4. 5-9 employees	28.0	37.4	10.1	27.0
5. More than 9 employees	--	35.4	84.3	15.0
6. (DK/Refuse)	0.6	1.5	1.0	0.7
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

	Employee Size of Firm			
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	<u>All Firms</u>

8. Who trains your employees to process credit and debit cards?

1. Owner/Manager	72.4%	58.4%	41.4%	66.2%
2. An employee	12.5	29.9	46.5	19.6
3. Payment processing company	10.9	7.1	6.6	9.8
4. Someone else	3.2	2.0	4.5	3.2
5. (DK/Refuse)	1.0	2.5	1.0	1.2
Total	100.0%	100.0%	100.0%	100.0%
N	312	197	198	707

9. What is your primary source of information for new credit and debit card policies, standards and/or products?

1. Bank	31.4%	30.8%	24.2%	30.4%
2. Credit card company	18.9	23.2	14.1	18.9
3. Payment processing company	34.5	26.3	35.4	33.5
4. Professional business association	3.4	6.1	6.1	4.1
5. General media	0.3	2.0	0.5	0.5
6. Other business owners	2.0	3.0	2.5	2.2
7. Other	3.7	2.0	5.1	3.6
8. (DK/Refuse)	5.9	6.6	12.1	6.8
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

10. Are you familiar with chip enabled credit and debit cards?

1. Very familiar	30.5%	27.8%	37.4%	31.0%
2. Somewhat familiar	45.2	53.0	39.9	45.6
3. Not at all familiar	24.3	19.2	22.7	23.4
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

	Employee Size of Firm			
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	<u>All Firms</u>

11. (If familiar in Q10) Are you aware of the card payment industry's effort to transition from the magnetic stripe credit and debit card that most people currently use to a chip enabled card?

1. Yes	88.1%	92.5%	90.8%	89.0%
2. No	11.9	7.5	9.2	11.0
Total	100.0%	100.0%	100.0%	100.0%
N	268	160	153	581

12. Is your credit and debit processing equipment currently able to process chip cards?

1. Yes	44.1%	44.9%	36.4	43.2%
2. No	42.7	40.9	45.5	42.8
3. (DK/Refuse)	13.3	14.1	18.2	14.0
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

13. (If yes in Q12) Does your chip terminal support a PIN pad?

1. Yes	59.6%	83.1%	76.4%	64.6%
2. No	26.9	13.5	20.8	24.4
3. (DK/Refuse)	13.5	3.4	2.8	11.0
Total	100.0%	100.0%	100.0%	100.0%
N	156	89	72	317

14. (If no in Q12) Have you already planned to replace or adapt your payment processing equipment to accept chip cards sometime in the next 6 months?

1. Yes	56.3%	53.1%	54.4%	55.6%
2. No	38.4	29.6	27.8	35.9
3. (DK/Refuse)	5.3	17.3	17.8	8.5
Total	100.0%	100.0%	100.0%	100.0%
N	151	81	90	322



	Employee Size of Firm			
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	<u>All Firms</u>

15. What is your primary concern about your business accepting new chip cards?

1. Cost of new equipment	20.1%	16.7%	24.2%	20.1%
2. Training employees	5.6	5.6	4.5	5.5
3. Lack of information	12.7	17.2	20.2	14.2
4. Customers not knowing how to use their new chip card	7.3	6.1	6.1	7.0
5. Don't expect any obstacles	47.7	49.0	38.4	46.8
6. Other	3.1	2.5	1.5	2.8
7. (DK/Refuse)	3.4	3.0	5.1	3.5
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

16. Have any of your customers used or tried to use a chip card at your business?

1. Yes	39.5%	39.9%	29.3%	38.3%
2. No	44.1	48.0	39.9	44.1
3. (DK/Refuse)	16.4	12.1	30.8	17.6
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

17. (If yes in Q16) About what percent of credit or debit card paying customers are using a chip enabled card?

1. Less than 1 percent	20.7%	22.8%	19.0%	20.8%
2. 1-4 percent	13.6	17.7	20.7	14.8
3. 5-9 percent	15.0	8.9	10.3	13.7
4. 10 percent or more	19.3	19.0	19.0	19.2
5. (DK/Refuse)	31.4	31.6	31.0	31.4
Total	100.0%	100.0%	100.0%	100.0%
N	140	79	58	277

18. Are you aware of the upcoming shift in liability where business owners will be responsible for additional costs associated with fraudulent credit card transactions if they do not use a chip enabled terminal or mobile attachment by October 2015, often called the "merchant liability shift"?

1. Yes	58.2 %	57.1%	43.4%	56.2%
2. No	41.8	42.9	56.6	43.8
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

	Employee Size of Firm			
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	<u>All Firms</u>
19. (If yes in Q18) How did you learn about the October liability shift?				
1. Bank	26.2%	21.2%	17.4%	24.7%
2. Credit card company	14.1	9.7	19.8	14.0
3. Payment processing company	40.3	55.8	45.3	42.9
4. Professional business association	2.9	1.8	7.0	3.1
5. General media	7.3	4.4	3.5	6.5
6. Other business owners	2.9	3.5	2.3	2.9
7. (Other/DK/Refuse)	6.3	3.5	4.7	5.8
Total	100.0%	100.0%	100.0%	100.0%
N	206	113	86	405

20. Do you offer gift cards specific to your business?				
1. Yes	27.1%	47.5%	68.7%	34.9%
2. No	72.6	52.0	30.3	64.7
3. (DK/Refuse)	0.3	0.5	1.0	0.4
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

## Demographics

	Employee Size of Firm			
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	<u>All Firms</u>

D1. Which of the following best describes your position in this business?

1. Owner & Manager	63.0%	40.9%	35.4%	56.7%
2. Owner, but not a Manager	2.3	1.0	1.5	2.0
3. Manager, but not an Owner	34.7	58.1	63.1	41.3
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

D2. How many store locations does this business have?

1. One	89.3%	64.6%	39.9%	79.9
2. Two	6.8	15.2	20.2	9.5
3. Three	0.8	10.6	8.6	3.1
4. Four or more	1.7	9.1	28.8	6.0
5. (DK/Refuse)	1.4	0.5	2.5	1.4
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

D3. Please tell me your age.

1. < 25 years	3.7%	6.1%	4.5%	4.1%
2. 25 – 34 years	19.2	16.2	22.2	19.2
3. 35 – 44 years	16.1	19.7	23.7	17.5
4. 45 – 54 years	19.2	18.2	19.2	19.1
5. 55 – 64 years	23.7	25.3	16.7	23.1
6. 65+ years	15.3	12.6	11.1	14.4
7. (DK/Refuse)	2.8	2.0	2.5	2.7
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

	Employee Size of Firm			
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	<u>All Firms</u>
D4. What is your highest level of formal education?				
1. < H.S.	7.1%	3.0%	3.0%	6.0%
2. H.S. diploma/GED	20.6	25.3	13.1	20.3
3. Some college or an associate's degree	27.1	26.8	34.3	28.0
4. Vocational or technical school degree	2.0	6.1	0.5	2.3
5. College diploma	31.1	27.3	30.3	30.5
6. Advanced or professional degree	10.2	10.6	15.2	10.8
7. (DK/Refuse)	2.0	1.0	3.5	2.0
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

D5. How long have you owned/operated this business?

1. < 2 years	5.9%	3.5%	3.5%	5.3%
2. 3-5 years	6.8	9.6	9.6	7.5
3. 6-10 years	10.7	11.6	13.1	11.1
4. 11-20 years	32.5	26.3	27.8	31.1
5. 21-30 years	15.8	19.2	18.2	16.6
6. 30+ years	26.3	28.3	24.2	26.3
7. (DK/Refuse)	2.0	1.5	3.5	2.1
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

D6. Is this business operated primarily from the home, including any associated structures, such as a garage or a barn?

1. Yes	8.5%	2.5%	1.5%	6.8%
2. No	91.5	97.5	98.5	93.2
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

Employee Size of Firm

	2-9 emp.	10-19 emp.	20-249 emp.	All Firms
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D7. Which of the following best describes the place your business is located?

1. Inner city	21.8%	13.6%	25.8%	21.2%
2. Urban	10.5	7.1	15.2	10.6
3. Inner suburb	16.9	28.3	18.7	18.7
4. Outer suburb	20.6	19.2	14.6	19.7
5. Small town	18.4	23.2	14.1	18.5
6. Rural	7.6	6.6	5.1	7.2
7. (DK/Refuse)	4.2	2.0	6.6	4.2
 Total	 100.0%	 100.0%	 100.0%	 100.0%
N	354	198	198	750

D8. Is your primary business activity: (NAICs code)

1. Retail trade	76.3%	57.1%	55.6	71.2%
2. Information	0.8	1.5	0.5	0.9
3. Professional, scientific, or technical services	1.1	1.0	1.5	1.2
4. Administrative support services	--	1.5	1.0	0.3
5. Health care and social assistance	0.8	3.5	3.5	1.5
6. Arts, entertainment or recreation	0.6	--	2.0	0.7
7. Accommodations or food service	20.3	34.8	35.9	24.2
8. Other	--	0.5	--	0.1
 Total	 100.0%	 100.0%	 100.0%	 100.0%
N	354	198	198	750

D9. Over the last two years, have your real volume sales:

1. Increased by 30 percent or more	6.2%	5.6%	4.5%	5.9%
2. Increased by 20-29 percent	7.3	10.1	9.6	8.0
3. Increased by 10-19 percent	21.5	28.3	21.2	22.3
4. Increased by less than 10 percent	24.3	22.7	27.8	24.5
5. Decreased by less than 10 percent	20.9	22.7	16.7	20.6
6. Decreased by 10 percent or more	6.2	4.0	5.1	5.8
7. (DK/Refuse)	13.6	6.6	15.2	12.8
 Total	 100.0%	 100.0%	 100.0%	 100.0%
N	354	198	198	750

	Employee Size of Firm			
	<u>2-9 emp.</u>	<u>10-19 emp.</u>	<u>20-249 emp.</u>	<u>All Firms</u>
D10. Regions (based on zip codes).				
1. Northeast (zips 010-219)	16.9%	18.7%	20.2%	17.6%
2. Southeast (zips 220-427)	25.4	19.2	23.2	24.3
3. Mid-West (zips 430-567, 600-658)	20.9	26.3	23.2	21.9
4. Central (zips 570-599, 660-898)	20.3	19.7	18.2	20.0
5. West (zips 900-999)	16.4	16.2	15.2	16.2
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

D11. Sex

1. Male	59.0%	60.6%	57.6%	59.1%
2. Female	41.0	39.4	42.4	40.9
Total	100.0%	100.0%	100.0%	100.0%
N	354	198	198	750

## Methodology

The data for this survey report were collected for the NFIB Research Foundation by Mason-Dixon Polling and Research. The interviews for this edition of the Poll were conducted between September 16 - 29, 2015 from a sample of small employers in the retail and services industries. “Small employer” was defined for purposes of this survey as a business owner employing no fewer than two individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation’s direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design was employed to compensate for the highly skewed distribution of small business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger small employers to interview. Since size within the small business population is often an important differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small-business owners were arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 2-9 employee size group.

**Table A1**  
Sample Composition Under Varying Scenarios

Expected from Random Sample			Obtained from Stratified Random			
Employees Size of Firm	Interview Expected	Percent Distribution	Interview Quotas	Percent Distribution	Completed Interviews	Percent Distribution
2-9	558	74	350	47	354	47
10-19	100	13	200	27	198	26
20-249	92	12	200	27	198	26

### Table Notes

1. All percentages appearing are based on weighted data.
2. All “Ns” appearing are based on unweighted data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ( )s around an answer indicate a volunteered response.

WARNING – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.