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Two Months After the Deadline, Most Major Retailers Still Can't Read Chipped Credit Cards

(Boston) -- A survey by ConsumerWorld.org of four dozen national and regional retailers reveals that while virtually all have installed checkout terminals with slots to read smart credit cards with embedded computer chips, three-quarters of them have not yet enabled the technology chainwide.

Credit card issuers established an October 1 deadline for stores to begin accepting these so-called EMV cards which help reduce credit card fraud. While the rules vary among credit card brands, generally, if a store fails to process a transaction using the new, more secure system when a chipped-card is presented, it will be bear the financial liability for any fraud losses. Previously, card issuers were responsible.



To use a chip-card, rather than swipe, shoppers insert or "dip" their credit card into a special slot in the retailer's checkout card terminal that authorizes the purchase. Chipped-cards help prevent the use of counterfeit credit cards by transmitting a unique code for each transaction.

"It's seems crazy that millions of dollars have been spent to issue chipped credit cards and to install special card readers, but shoppers' security is no better than it was before because the systems haven't been enabled yet by most retailers," commented Consumer World founder Edgar Dworsky. "It is also frustrating and confusing for shoppers who see the new terminals but don't know whether to swipe or 'dip' their credit cards."

The 48 retail chains surveyed were questioned, or observed via in-store spot-checks, between December 1 - 5. All of them except Radio Shack had payment terminals equipped with card slots for chipped cards, but three-quarters of those stores didn't have them working yet. (See chart.)

Only 11 chains in the survey have enabled the system chainwide* and are processing payments using chipped-cards: Target (all stores), Walgreens (all stores), Home Depot (all stores), Rite Aid (all stores), Macy's (all stores), Best Buy (all stores), Walmart (all stores), Sam's Club (all stores), Lowe's, Old Navy, and Office Depot/Max. (*The latter three had the system enabled in at least the test stores checked but did not respond to the survey.)

Among the 75 percent of major retailers that have not yet enabled the chip technology chainwide are Sears, Kmart, Costco, Michael's, Toys 'R' Us, Bed Bath & Beyond, T.J. Maxx, Marshalls, Sports Authority, Foot Locker, Whole Foods, Stop & Shop, Petsmart, Kohl's, Staples, Safeway, Kroger, and CVS (which expects full operation by the end of the year).

Why aren't stores with card-slot-equipped terminals actually using them? According to one large chain that has fully implemented the system, it is a very complicated and expensive process to get a store's system to properly interface with all the credit card networks. Others provide various reasons: they are still testing the software, stores got specifications late from some of the card networks, some card networks are slow to certify retailers' systems, stores don't want to make system changes during the busy holiday shopping season, some need to change the module inside the card-slot reader, and some say that they are only partway through rolling out the system to their stores.

In addition, there has been controversy surrounding the introduction of chipped-cards. Transactions take longer to process. Some retailers question the security provided by the new system with respect to protecting card data from hackers. And banks have been criticized for only requiring a signature rather than a more secure PIN number when using these cards. Some large retailers like Target, as well as a group of state attorneys general are urging the adoption of both "chip and PIN" when making a purchase. On the other side, some have argued that it is too difficult for shoppers using the new cards to remember to both dip them *and* to also enter a PIN number.

Bank industry analysts estimate that 70% of credit cards will be chip-enabled by the end of the year. Stores which have not yet updated or turned on their systems can still accept chipped credit cards the old-fashioned way -- by swiping.

Consumer World[®], launched in 1995, is a Boston-based, public service consumer resource guide with over 2000 links to everything "consumer" on the Internet. **Edgar Dworsky**, the founder and editor of ConsumerWorld.org and MousePrint.org, is a former Assistant Attorney General in the Consumer Protection Division of the Massachusetts Attorney General's Office.

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Retailers' Acceptance of Chipped Credit Cards

as of December 1-5, 2015

	Seller has Card	Seller Enabled
	Terminals with	Chip-Card Readers
Retailer	Chip-Card Slot	Chainwide
A.C. Moore	yes	no
Albertsons	yes	no
Ann Taylor	yes	no
Babies'R'Us	yes	no
Bath & Body Works	yes	no
Bed Bath & Beyond	yes	no
Best Buy	yes	yes
BJ's Wholesale Club	yes	no
Christmas Tree Shops (MA)	yes	no
Costco	yes	no
CVS	yes	no ²
Foot Locker	yes	no
Forever 21	yes	no
Dollar Tree	yes	no
Express	yes	no
GNC	yes	no
H&M	yes	no
Harbor Freight Tools	yes	no
Home Depot	yes	yes
J.C. Penney	yes	no
Kmart	yes	no
Kohl's	yes	no
Kroger	yes	no
Lowe's	yes	yes ¹
Macy's	yes	yes
Michaels	yes	no
Ocean State Job Lot (MA)	yes	no
Office Depot/Max	yes	yes ¹
Old Navy	yes	yes ¹
Party City	yes	no
Petsmart	yes	no
Pier 1 Imports	yes	no
Radio Shack	no	no
Rite Aid	yes	yes
Safeway	yes	no
Sam's Club	yes	yes
Sears	yes	no
Shaw's (MA)	yes	no
Sports Authority	yes	no
Staples	yes	no
Star Market (MA)	yes	no
Stop & Shop (MA)	yes	no
Target	yes	yes
T.J. Maxx	yes	no
Toys'R'Us	yes	no
Walgreens	yes	yes
Walmart	yes	yes
Whole Foods	yes	no

Footnotes:

1. This "yes" chain was enabled in at least the location(s) checked.

(Stores that did not respond to survey were called or visited, one to three locations.)

2. CVS says it expects to finish the rollout of chip-card functionality by December 31.

source: ConsumerWorld.org