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When the infamous liability shift happened in October 2015, credit-card companies pushed the burden of Europay MasterCard Visa (EMV) fraud to retailers. The sound of that shift may have been silent, but the noise was heard across America.

To encourage the timely adoption of EMV, the leading payment networks initiated an EMV Fraud Liability Shift that took effect in October 2015. Its proposed goals were to safeguard transactions and protect consumers against fraud. However, in a move that is still being battled in court by the likes of Walmart, Home Depot and Kroger, EMV chose not to go with the most secure method, use of a chip card with personal identification number (PIN) and instead allowed use of a chip card with a signature.

According to the lawsuits filed by Home Depot and Kroger, not only is EMV insisting on a technology that they say falls short of providing customers with the most complete levels of security against fraud – but they have pushed the burden of fraud liability onto the retailer.

So, where does that leave the car wash operator? In many cases, if you

refer to the courts, EMV liability is still a gray area being sifted through on a daily basis. If you ask EMV, who stands to make a considerable profit from the new chargebacks that are the result of less secure chip and signature methods, their way is the best way. Car wash operators are faced with making a considerable investment based not on a law, but on EMV policy.

According to the National Association of Convenience Stores (NACS), the upgrade to EMV will cost the convenience and fuel retailing industry an estimated \$6 billion. And with such a hefty upfront investment, the painful reality is that there are still uncertainties and considerable liability left on the small business C-store and fuel retailers.

The EMV investment is not like adding a new feature that car wash customers can experience. There is no special wax treatment or shining wheel rims to point to. The painful truth is that it would be difficult to try to pass the expense of upgrading to EMV compliance to the car wash customer.

Another deadline looming

An October 2017 deadline has been set for fuel dispenser upgrades,

Navigating THE GRAY EMV WATERS

EMV PROS & CONS FOR CAR WASH OPERATORS

IMAGE: PDQINC.COM

which will be required to utilize the chip-card EMV system. With such uncertainty in the first rollout of the EMV upgrades, many C-Store merchants have chosen a wait-and-see approach that may be safe for the short-term, but may also open them up to compliance concerns as well as continued chargebacks.

While it is true that the losses from \$5 to \$15 car washes might take some time to add up to covering the cost of an EMV upgrade, the 2017 deadline for refueling stations will undoubtedly put additional pressure on C-store operators. At a single fuel pump, where an \$80–\$100 charge is the norm, the potential liability of an operator, who may have anywhere from four to 18 pumps, could easily justify the upgrade investment.

Pros and Cons of Adopting EMV

As car wash operators consider when, or whether to upgrade their payment systems to meet compliance status with EMV, they must also weigh the costs of the upgrade, the timeline to comply, and the overall benefits it provides to their bottom line. Some car wash operators have made the leap, while others may choose to wait. Here are a list of the pros and cons for compliance.

Pros for Adopting:

- Puts liability back on the card processors for fraudulent transactions
- Significantly limits chargeback risk
- Provides secure card processing that consumers expect
- Dramatically increases the security of the card processing while decreasing risk of fines/chargebacks = peace of mind for the wash operator
- Eliminates possibilities for thieves to attach skimmers and try to steal credit card information from your site
- Utilize contactless payment acceptance for Google Wallet, Apple Pay, etc.

Cons for Adopting:

- Significant cost to upgrade with limited ability to raise wash prices to accommodate the expense
- Constant changes in EMV are leading to uncertainty — buy this now, will I have to buy something else later like a PIN pad? Some systems, like Access® from PDQ, already include a PIN pad in their upgrade)
- Liability risk and chargebacks in the car wash are lower than in the C-store and at the pumps

- Pending lawsuits could lead to more changes, possible requirement for PIN entry

Pros for Not Adopting:

- Save money and take a “wait and see” approach
- There is no requirement to be EMV compliant so the wash operator can put that money into other areas of their operation that can lead to increases in revenue
- Liability risks are lower for car wash price points so the lost money at the wash would be less than it would in other areas of a business, such as fuel pumps

Cons for Not Adopting:

- Risk for chargebacks, penalties, and fines go up exponentially
- Increasingly savvy consumers, who come to expect secure chip card transactions, may be wary of your site if they see that you aren't using EMV readers
- EMV is not going away, so operators will have to make the investment eventually, why wait and risk the financial penalties now when you know in the end you'll be investing in the upgrade

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Certification means security

When it comes to a car wash EMV solution, certification matters because it signifies the card is being engaged off a chip, rather than a magnetic strip. In today's market, the difference in card security resides in that certification.

EMV providers such as Moneris and Payment Express provide end-to-end encryption of card data that ensures the highest levels of security. When choosing a car wash EMV solution, be certain to find a provider who offers certification and the widest range of banking institution affiliation.

Regardless of the provider, any car wash considering an EMV solution will be looking at four essential components to the system. PDQ's system is comprised of:

- Encrypted Card Reader
- Nearfield Communications Mobile Pay Device
- Encrypted PIN Pad
- Software Upgrade (if necessary)

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Fraudsters will look to the easy targets and if they see your entry station isn't using a chip reader they may target you for attaching skimming devices to steal credit card information from your site, which carries with it significantly higher penalties than someone just using a stolen card to buy a wash

Processors are beginning to charge additional fees for not using chip reader technology

Miss out on the next wave of technological advancement with mobile payments acceptance like Apple Pay, Google Wallet, etc.

EMV changes down the line

In times of great change, the smart business move is not always the most obvious, nor the cheapest solution. Car wash operators who make the move to invest in EMV upgrades will still have to recognize there may be more changes in the future.

For now, car wash operators will be able to make the decision to invest and avoid potential liabilities, or to wait and see whether policy becomes law. Gambling on potential liability is not necessarily a strategy for success, but it may be the best option for some operators. ■



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