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**Upfront Trend: Beyond the Holiday Flurry**

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Robert Livingstone

As 2011 begins, many retailers will be exhausted after a busy winter season of sales. Merchants saw an increase in credit card payments compared to 2009, making the season pass in a whirlwind of activity.

Unfortunately, that euphoric feeling will likely stop when owners open their merchant statements and find out how much they paid to accept this flurry of credit cards from customers, and this is only the tip of the iceberg.

Merchants will continue to be impacted from specific changes to the industry for months to come. The following three credit card processing trends will most affect the credit card processing industry and American businesses for the rest of the year:

- 1. Outside players will attempt to gain traction in the payments industry.** AT&T, Verizon, and T-Mobile have been in talks to implement technology that will allow customers to waive their cell phones in front of a compatible card reader rather than swiping a credit card. Similar technology is already in place throughout Europe and Asia.

It is not clear how much merchants will be billed for these transactions, but these cell phone carriers will clearly try to gain marketshare by significantly undercutting the existing credit card processing system. I still do not believe that this will scare the credit card processors into lowering their rates or the credit card companies from lowering wholesale rates to processors.



A couple of years ago, after crushing the music business, Apple filed patents to try and circumvent the entire banking system with regard to payment processing. This move went largely under the radar, but 2011 seems like a perfect time for them to attempt to gain marketshare.

- 2. Merchants will suffer from increased chargebacks and data breaches.** Throughout 2010, many customers scammed merchants by calling their credit card company to dispute legitimate sales after the fact. While the credit card issuer usually protects the customer, it is often at the expense of the merchant.

To date, the credit card processing industry has not shown any true initiative to change this trend or to punish cardholders submitting false disputes. And although no data breach has surpassed the damage of the Heartland Payments incident in early 2009, several merchants have seen increases in compromises this year.

These incidents proved costly, and small businesses were forced to pay tens of thousands of dollars to rectify the breaches and purchase expensive new equipment. With this trend increasing, expect to see several larger data breaches throughout the country in 2011.

- 3. Significant rate increases will occur.** With the passing of the financial reform bill this year, many businesses believe there is an end in sight for unfair rate increases as the Federal Reserve has been ordered to perform checks and balances on all debit interchange-related fees.

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- Shoppers Drug Mart Corporation
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- Walgreens
- Walmart Stores
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Unfortunately, credit interchange-related fees are going unchecked. The Fed has proposed drastic rate reductions up to 90%, but that only guarantees that credit interchange rates will increase by at least as much and likely much more. Also, don't be surprised if the government steps in and creates an additional credit card processing tax, which would be passed onto merchants.

*Robert Livingstone is the president and founder of IdealCost.com, a national merchant consultancy that assists businesses across America in reducing their credit card acceptance fees through renegotiating with their existing merchant provider. He is considered one of America's leading experts in the credit card processing industry.*

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