

Merchants Payments Coalition: Debit Card Fast Facts

Fact #12: There are significant costs borne by merchants to support the electronic payments system. In addition to infrastructure costs, merchants spend billions of dollars to protect their brand and their customers, and to comply with Payment Card Industry Data Security Standards (<https://www.pcisecuritystandards.org/>).

According to major IT security firms, there are three main categories of PCI compliance costs: 1) Upgrading payment systems and security infrastructure; 2) Verifying compliance (assessments), and 3) Sustaining compliance. Items that are often required to become PCI compliant include additional firewalls, upgraded anti-virus and anti-spyware software, secure wireless systems, data encryption technologies and file-integrity monitoring software.¹

In 2007, the *Wall Street Journal* reported:

“The biggest merchants, those that process six million or more payment-card transactions a year from any single card brand, spent an average of \$568,000 on new technologies to comply with the security standards, according to estimates from Gartner Inc. The next-biggest merchants, those that process between one million and six million card transactions, spent an average of \$267,000 on technology to become compliant, while smaller merchants spent \$81,000, Gartner says.

*Overall, the biggest merchants in the U.S. are forecast to spend \$400 million to \$500 million this year on technology to meet the payment-card industry's security standards, according to Forrester Research. In the past three years, Forrester adds, such merchants spent about \$1.2 billion to become compliant.”*²

Additionally, the 2007/2008 Food Marketing Institute Annual Financial Review found: “Independents spent anywhere from \$3,000 to \$10,000” on data security and PCI compliance. And, in 2010, NACS found that the average convenience store pays \$9,200 per year to secure its payments and data. That amounts to \$1.3 billion each year for the industry – which is 25 % of the amount the entire industry made in pre-tax profits.

Overall, merchants invest billions to protect themselves and their customers from fraud; yet they still bear a high percentage of fraud losses in the payments system, do not have a payment guarantee with credit or debit cards, and are subject to excessive PCI fines by Visa and MasterCard ranging from \$10,000 to \$200,000.³

¹ http://blog.elementps.com/element_payment_solutions/2009/02/pci-compliance-costs.html;
http://usa.visa.com/merchants/risk_management/cisp_overview.html

² Robin Sidel and Pui-Wing Tam. Security-Software Industry's Miniboom As Merchants Upgrade Systems to Meet New Rules. *Wall Street Journal*. October 2, 2007. <http://online.wsj.com/article/SB119128527341745878.html>

³ <http://pcifines.com/>; MasterCard Inc.