

Features

3/1/2019

Payment Methods Move Forward

Ellen C. Wells



Throughout human history, payment methods have changed as societies change. At its most basic, payments are an exchange of property or services that parties within the transaction deem of equal value. I'll mow your lawn if you wash my windows, for example, or I'll give you \$20 (currency that represents property) for taking my dog for a walk. At one point in time, salt was worth more, or more accurately valued more, than gold. You can't preserve meat with gold,

after all.

We don't exchange gold coins—nor salt—for a loaf of bread anymore, and bartering is largely a family or small community activity. If you want to make a purchase, you've got to pony up the cash—or check, or credit card or a number of digital payment methods typically involving a smartphone. In other words, the types of payment options available to retailers have expanded.

"Payment option' is a key phrase," said Sid Raisch. "Cash and checks are now minor options, and the 90% or so who don't want those options want [the option] they want and use what the merchant will accept." More importantly, these payment options—whether it's cash, check, card or mobile device—need to be integrated at the point of checkout, or, Sid says, "the option is lost, and convenience just became inconvenience. Nobody can afford to offer inconvenience to their customer now."

Let's consider the pros and cons of current payment options as they exist today:

Cash

According to a 2018 PYMNTS.com report, cash is still king when it comes to day-to-day purchases. The report says the Boston Federal Reserve Bank's "Diary of Consumer Payment Choice" (DCPC) found that 31% of consumers pay with cash, with debit card and credit card usage trailing at 27% and 18%, respectively. From the retailer's perspective, cash offers one huge pro: It doesn't incur any usage fees such as with the acceptance of credit cards. And it's a relatively quick transaction process. The drawbacks, however are many: Forged bills, counting errors along the acceptance stream, the risk of robbery during peak seasons, employee theft, continuous trips to make bank deposits and running out of change. And despite what the Reserve Bank says, not everyone carries cash at all times, and when they do, it's often in amounts that limit the purchase; i.e. cash payers wouldn't spend as much per transaction as they would if they pay with another form of payment.

Check

There's not much that's appealing to retailers about accepting checks. The fact that they don't incur fees like credit

cards might be the only benefit. But considering the time spent writing the check at the register—especially on a busy May weekend—retailers might gladly incur that fee to help the line move through the tills more quickly. Another bummer is the risk of someone writing a bad check, or a check that gets sent back. It's a payment option that has such insignificance that store owners don't worry about implementing a "no personal checks" policy.

Credit Card

It's a safe assumption that most garden center customers have a bank account, and thus are eligible for a credit card. While the major con for credit cards is the fee incurred for the transaction, Sid says the fee percentage is one that can be negotiated down.

As for which credit cards to accept, it was at one time routine to not accept American Express due to their much higher fees. According to Sid, most retailers have gotten over that, and here's why: American Express makes a pretty good case for customers not wanting to use an alternative card. "Most people use the excuse of, 'Well, they do carry a backup [card] because not everyone takes American Express,'" Sid says. "That's not the problem. They don't want to use a MasterCard or Visa. If you force them to, how does that feel? And will they come back?"

The question becomes which do you choose, the higher AmEx credit card fee or the potential loss of customers? This same question is asked in general of retailers who accept only cash.

Mobile Payments

Some consumers, for whatever reason, don't carry a wallet. Perhaps they've been a victim of a pickpocket or are running out for a quick errand, so the wallet and purse stay home. These folks have come to rely on their smartphone's digital wallet capabilities for daily purchases. A tap of the phone and a thumbprint at the point of purchase, for example, is all they need for the transaction. Apple Pay seemed revolutionary when it appeared in 2014. Now it and other mobile wallet options are ubiquitous.

"We started accepting Apple Pay because customers were asking us," says Amy Lukas, garden designer at Sprout Home in Chicago, Illinois. "It wasn't something we implemented on our end, more so customers coming in and saying, 'Hey, I have Apple Pay, do you accept this?'" Sprout Home's POS system could easily incorporate Apple Pay so they began to accept it. The transaction is run through just like a regular credit card transaction, so the only difference is that it's a convenience to the customer who wishes to pay that way.

Christy Webber Farm & Garden, another hip urban Chicago store, only accepts cash and credit. "So far we've had just one person ask about Apple Pay," says store manager Renee Young. "I think we haven't seen the need for it, but once we do then we'll certainly consider it." What they do have the need for, however, is a Square reader, the card reader that plugs into a smartphone or tablet to accept payments. They use the reader at off-site pop-up events and it works seamlessly with the phone or tablet's Intuit Quickbooks app.

Completely Cashless

The drawbacks of cash mentioned above—especially the risk of robbery and protection while making bank runs—have prompted some stores to keep their payment options to credit and mobile only. One such garden center that tried the cashless option for employee and customer safety is Countryside Greenhouse in Allendale, Michigan. "We tried it for one season and it didn't work out," says manager Justin Buist. "It angered a whole lot of people and we decided to change back." The move created some misunderstandings and confusion on the customer level, and some folks, Justin says, were just attached to the cash option. The fact is, they never went completely cashless, but just didn't advertise the fact that one lane did accept cash payments. To lower theft and robbery risk, they'll limit the number of lanes that accept cash and he's hoping more and more customers will switch to the card. "For those who really want [cash] we will continue to have four lanes open." Countryside accepted Apple Pay and Google Pay during their cashless season, and will do so again this coming year, just in a different implementation. "A lot of people just

show up without a credit card because they plan on using their phones," Justin adds.

A February "CBS This Morning" segment reported on the controversy surrounding cashless stores, mainly quick-serve chains, in Philadelphia. According to the report, a Philadelphia councilman Bill Greenlee sees that stores that don't offer the option to pay with cash are, if not discriminatory, then elitist, at the least. The report cites a Pew Research Center survey that found that 34% of blacks, 17% of Hispanics and 29% of people earning less than \$30,000 rely on cash for all or most of their purchases. The councilman introduced a bill in Philadelphia that would level a \$2,000 fine on businesses that don't accept cash. Similar proposals are on the docket in New York City, Chicago and Washington, D.C., and statewide ban on cashless stores is await the New Jersey's governor signature. Massachusetts state law has required all retailers to accept cash since 1978. **GP**