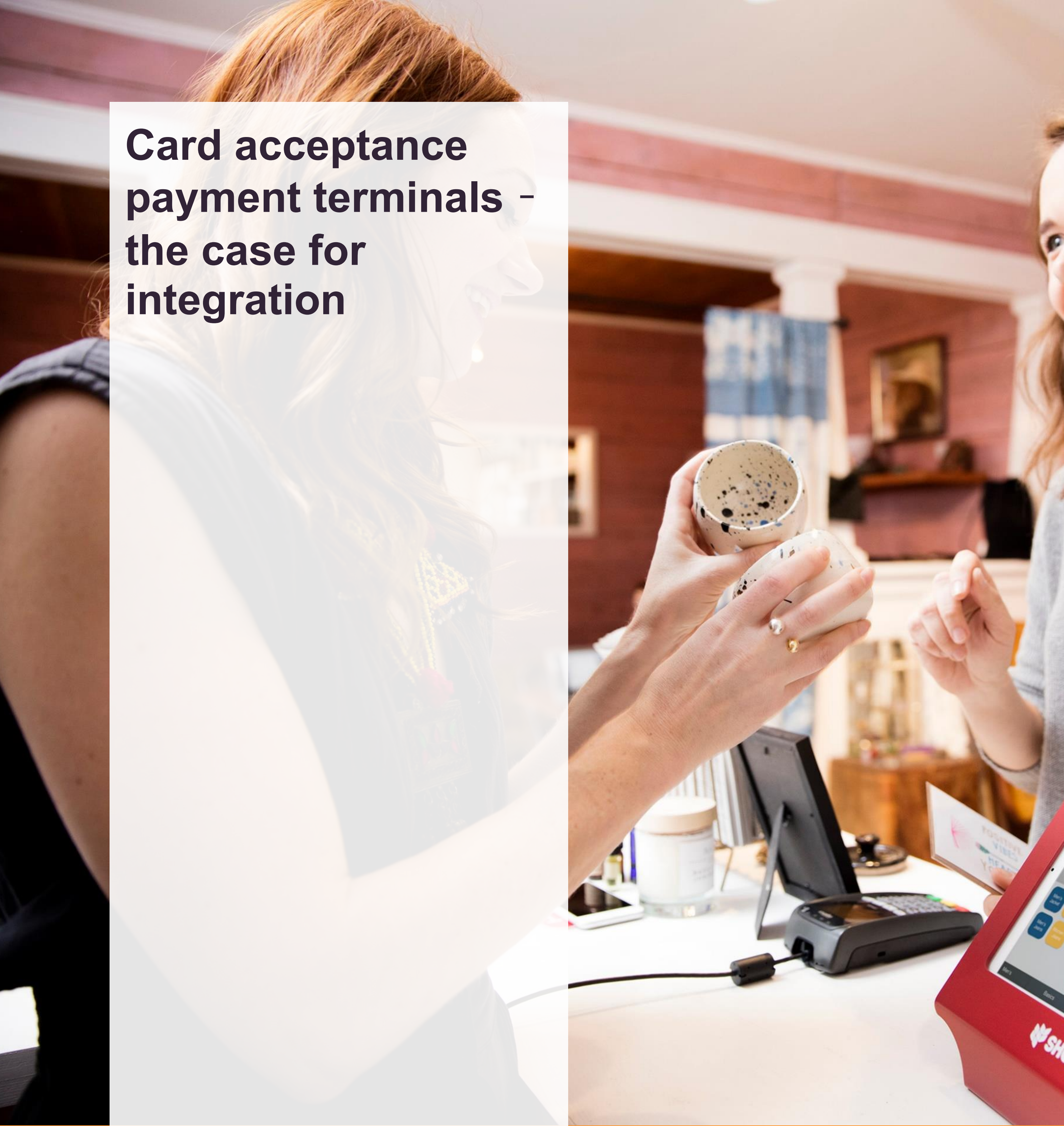

Card acceptance payment terminals – the case for integration

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What is payment terminal integration?

In Australia there are almost 1 million retail credit and debit card acceptance terminals. Fewer than 1/3 are integrated with POS Software, however this is expected to double by 2023.

A merchant can choose to have a standalone payment card acceptance terminal, completely separate to the point of sale (POS) system (historically a "cash register"); such that after the sale has been rung up on the POS, the total amount then needs to be manually entered into the card acceptance terminal, prior to the payment card being presented by the customer. The terminal then needs to print out a receipt.

In many cases an itemised register receipt will also be printed out by the POS.

Alternatively, a merchant can choose to have an integrated card acceptance terminal, where the total $ amount is automatically communicated by the POS to the terminal.

And, when the card acceptance terminal is integrated, only one itemized payment receipt is printed by the POS, which includes the card payment details.

Standalone

Transaction is manually keyed into terminal

Two Receipt Dockets

THE LOCAL BAR
The Local Bar Castlereagh
161 Castlereagh Street
Sydney, NSW, 200
Tax Invoice
ABN 37 145 761 057
Order# 404409
Table: 15
Date: 11/3/19, 5:04 pm
*3 MALBEC Alma Moro GLS $33.00
$11.00 each
*300ml Asahi Draught $9.00
Mad Monday: -$3.00
Subtotal: $39.00
Total Tax Included: $3.55
Total: $39.00
Order Balance due: $39.00
You saved $3.00
* indicates GST inc
NO SPLIT BILLS
NO DINERS CARD
Thank You!

Itemised receipt printed out by the separate POS system

GG ABN 87106444222
161 Castlereagh Street
Sydney NSW 2000
CUSTOMER COPY
Tyro Payments EFTPOS
AMERICAN EXPRESS
AID: A000000025010801
Card: xxxxxxxxxxx1015 (t)
Purchase AUD $39.00
APPROVED 00
No pin or signature required
Table number: 15
Terminal ID: 3
Transaction Ref: 854876
Authorisation No: 826818
11 Mar 2019 at 06:13 PM
Retain copy for your records

Transaction receipt printed out by the card terminal, including the payment card details

Integrated

Transaction electronically transmitted

Single Receipt Docket

Coles Supermarkets Australia Pty Ltd
Tax Invoice ABN: 45 004 189 708
coles
Store: 5791 - CS MACQUARIE
Store Manager: George
Phone: 88702300
Served By: Kanchan
Register: 001 Receipt: 2213
Date: 28/02/2019 Time: 10:59

Description	$
% QUILTON 3 PLY TOILET 20PACK	10.00
% FINISH DWT 100 20 FR 120PACK	35.00
*%FLUFFY ULTRA AQUA DE 1LITRE	3.49
*%FLUFFY FABRIC SOFTEN 900ML	3.49
*%FLUFFY VAN COCONUT 900ML	3.49
*%REXONA ANTIPERSPIRAN 250ML	7.00
2 @ $3.50 EACH	
*%REXONA ANTIPERSPIRAN 250ML	7.00
2 @ $3.50 EACH	
*%SARD COLOUR CATCHER 15PACK	7.00
2 @ $3.50 EACH	
% BEROCCA EFFERVESCENT 45PACK	19.50
% COLES CHLDRN STRIPS 20PACK	1.60
*%CADBURY BARS CHOCOLA 55GRAM	1.00
% TWIX 50G 50GRAM	2.00
COUPON WEEK 6 1EACH	0.01
Coupon offset	-$0.01
Total for 16 items:	$100.57
EFT	$100.57
GST INCLUDED IN TOTAL	$9.14

Coles NSW AU
28/02/19 10:59 22543854 NW9101
***** 2016 AMERICAN EXPRESS
AMERICAN EXPRESS
APSN 0000 ATC 0057 A000000025010801
PURCHASE AUD$ 100.57
RRN 000010221300 (00)APPROVED
flybuys Card NO: 279******0717
* = Specials
% = Taxable items
Total Savings $21.49
Total Savings include any Promotional and Loyalty Discounts.
flybuys points as of yesterday: 466

A single itemised receipt printed out by the integrated POS system, including the payment card details

Is integration popular?

Yes, and becoming more so. In Australia there are almost 1 million retail payment card acceptance terminals[1]. It is estimated that only 31% of terminals are integrated, but it is forecast that this proportion could double by 2023[2].

The cost of integrated terminals is coming down at the same time as the use of cards to make purchases is increasing at over 10% per annum[3]. Indeed, there is little prospect of this rate of growth in card payments decreasing as the use of cash reduces rapidly – for every ATM transaction that does not happen, approximately 12 card payments will be made. Increases in card usage will multiply the benefits of having integrated terminals.

Consumers want more ways to pay including buy now pay later (Afterpay and Zip) and loyalty points, of which there are well over $1billion worth to be spent.

What are the benefits of an integrated terminal?

There will be different benefits based on the merchant's industry, however available to all are:

1. Removal of manual keying errors – sales staff do not have to re-enter the amount into the payment terminal
2. Better customer experience
    a. Faster
    b. More accurate
    c. Only need for one receipt
    d. Simplifies ability to pay by other methods – Examples include Buy Now Pay Later schemes such as Afterpay and Zip Money, the merchant's own gift cards, loyalty points, Alipay (for Chinese shoppers)
    e. GST compliance when the customer needs details for an expense claim
3. Immediate linking of sales revenue with the SKUs sold
4. Easier/automated revenue and cost reconciliation when the POS software also links with the business's accounting software
5. The terminals themselves could be less expensive, as they do not need to have an integrated printer.

Earn and use points at over 60 Rockpool Dining Group restaurants and bars

[1] The Reserve Bank of Australia, 2018

[2] The Initiatives Group, 2019

[3] The Reserve Bank of Australia, 2019

Is integration only for large merchants?

No, the benefits of integration are available to all sized merchants, although often small merchants who take less than $10,000 per month in card payments may choose not to use an integrated terminal.

Integration is also not just for the traditional standalone terminal. Some industries are particularly suited to using the more expensive "smart" terminals (many of which look like tablets). A smart terminal gives you the ability to load and use other apps that may be of use to the business. Smart terminals also work with the newer "cloud" based POS software products.

Whilst not all Acquirers (the organisation that a merchant signs up with to accept card payments, often a bank) offer smart terminals, they can all provide integrated terminals.

The CBA Albert smart terminal features an open source 'Pi' platform that can run custom apps such as bill splitting and inventory management systems.

Will any terminal integrate with my POS software?

Most terminals in Australia will integrate with the over 500 different types of POS software platforms. However, merchants need to seek advice from their Acquirer, as well as their POS software vendor, as to the compatibility of each of their terminals with the POS software being used.

Is an IT expert required to install integrated terminals?

Large merchants with many payment terminals at many locations may need IT hardware support for installation.

For small merchants, in most cases it should be a straightforward process. All Acquirers (and POS software vendors) will provide instructions and some form of support.

Is it expensive?

Generally, no. Even small merchants with card turnover less than $10,000 per month may be able to use an integrated terminal for as little as $10 per month more than a standalone terminal (it might even be cheaper than the standalone terminal, depending on what equipment you choose). A merchant could opt to spend more, which is usually determined by the type of terminal they choose and what POS and accounting integrations they desire.

The Initiatives Group

The Initiatives Group - we help participants across the payments sector to generate more value from their markets and customers.

The consulting team at The Initiatives Group has advised participants in the payments market since the 1990’s - including issuers, acquirers, third-party processors, technology providers and associations. We help solve many of the financial industry’s most significant issues, such as payments strategies, customer profitability and retention, credit and fraud risk, leveraging new technologies, and assessing new market and product opportunities.

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