

Done Eating And Ready To Pay? A Payment Terminal Is On Its Way

BY KATE FITZGERALD

Illustration: Getty Images



Despite the sour economy, several North American restaurant operators are making a fresh run at testing wireless pay-at-table terminals that enable on-the-spot acceptance of diners' debit or credit cards.

Besides improved efficiency and the ability to prevent card skimming

>>

More restaurants slowly are enabling servers to accept card payments at customers' tables.

<<

that can occur when handing a card to a waiter, pay-at-table devices offer restaurants the allure of incremental cost savings. By enabling customers to enter their personal identification numbers at the table, restaurants could for the first time shift some transactions from signature-debit and credit cards to PIN-debit transactions, which cost less to accept, observers say.

Pay-at-table technology in the U.S. has been languishing without

much growth for the last few years, while it has become well-established in parts of Europe and Latin America (*see story on page 50*). But the possibility of capturing more PIN-debit transactions recently has sparked more interest from U.S. restaurants.

Debit is the fastest-growing payment method in the U.S., according to MasterCard Worldwide and Visa Inc., and consumers using debit cards carrying those card-network brands can use either a signature or a PIN. Merchants can configure their terminals to prompt for a PIN when consumers swipe a debit card, says Red Gillen, senior analyst with U.S.-based Celent LLC.

"Merely by providing a PIN pad-equipped terminal, restaurants would be taking the first step toward capturing more PIN-debit transactions because sit-down restaurants do not typically provide that payment option," he says.

The U.S. has approximately 414,000

restaurants, according to a recent report by U.S.-based research firm GfK Retail & Technology.

Full-service casual-dining chains, including Claim Jumper, Carrabba's and others such as Canada-based Cara Operations Ltd.'s Swiss Chalet Restaurants are testing or have fully deployed VeriFone Holding Inc.'s TablePay and CarsidePay terminals. Ruth's Chris Steak House, a U.S.-based fine-dining chain, also is testing TablePay.

France-based Groupe Ingenico this fall also is launching new efforts to get its Pay@Table system off the ground at several North American restaurants. And U.S.-based Hypercom Corp. recently announced the availability of a device designed for pay-at-table use in the U.S., where it foresees potentially strong growth for the service in the casual-dining sector within the next few years. Hypercom would

Continued on page 48

Continued from page 46

not disclose details of any pilots.

"We will eventually see widespread adoption of pay-at-table technology in North America, and although it is progressing very slowly, the benefits for restaurants are increasing," says Rajiv Shah, vice president of financial practices in the New York office of consulting firm A.T. Kearney.

Over the past year, the cost to install terminals has dropped to below \$1,000 per terminal, while integration of the technology into existing software systems has eased. Moreover, increased publicity about card fraud has heightened restaurants' need to shore up card security, Shah says.

"The business case for pay-at-table has improved," he says.

But adoption still remains slow. "Restaurants that actually try pay-at-table love it, but the industry is slower than molasses when it comes

“
We see pay-at-table as an interesting area that will eventually catch on, primarily because of the convenience factor for consumers.

—Farhan Ahmad,

*Director of Emerging Markets and New Product Development,
Discover Financial Services*



to change," says Curt Waite, president of U.S.-based Equity Commerce LP, an independent sales organization that has persuaded several small and independent restaurant operators to use Ingenico's Pay@Table devices.

The hand-held terminals enable processing of diners' debit or credit cards at their tables, and restaurants usually integrate them with their point-of-sale software systems. Payment information is sent wireless-

ly to a central communications base within the restaurant, which transmits the information to the restaurant's transaction processor. VeriFone's system transmits information via an encrypted Wi-Fi connection, while Ingenico's system uses an encrypted Bluetooth wireless connection.

Both systems are effective in any restaurant size, but Bluetooth-enabled pay-at-table often is easier

Continued on page 50

ADVERTISING MAY BE UP NEXT FOR TERMINALS USED FOR PAYING AT TABLES

REVENUE-GENERATING advertising, promotions and entertainment could be the next frontier for pay-at-table devices, some industry observers and analysts say.

If such innovations could pay for themselves, restaurants might be more interested in funding a new payment-terminal infrastructure, says of Farhan Ahmad, director of emerging markets and new product development for Discover Financial Services.

"Pay-at-table devices could do more than just handle payments. What if an ad appears while the customer waits for card authorization? What if a promotion or a loyalty program is involved? These kind of revenue streams could really spur development of pay-at-table in the U.S.," Ahmad says.

Some restaurants are experimenting with such ideas.

At U.S.-based uWink Bistro, customers use touchscreens installed at each table to place their own food and beverage orders, play games, and pay with credit or debit cards. Servers merely deliver orders and handle cash transactions.

UWink Inc. last month opened its third California casual-dining restaurant and recently began marketing its proprietary touchscreen and pay-at-table technology to the hospitality industry, a spokesperson says, declining to disclose cost or other details.

U.S.-based TableTop Media this year installed pay-at-table devices equipped with full-motion video at all 50 tables in a Texas location of the nine-unit Cozymel's Mexican Grill casual-dining chain. Customers can use the seven-inch diameter touchscreen to watch videos describing food and beverages. A server takes their order, and they can use the device to pay for their meals with a credit or debit card.

TableTop Media says it would cost a 50-seat restaurant \$3,000 to \$5,000 to install its system, plus a service charge of \$8 to \$10 per seat each month thereafter. Restaurants would get a share of revenue from advertising and sponsorships, says Shawn Gentry, the company's president and chief operating officer.

Microsoft Corp. has participated in a sponsorship of Cozymel's videos, and TableTop Media is in talks with other local and national sponsors, Gentry says.

"So far our test has lifted sales of food and drinks promoted on the video, and it also provides a rich channel for feedback when we offer surveys about the food and the experience," he says. "The system knows exactly what you ordered and who served it."

Though TableTop Media is talking with other restaurant chains, so far it has no plans to expand the system, Gentry says.

Continued from page 48

for small restaurants to implement, observers say.

Customers can swipe their cards through the terminal themselves and opt to enter their PINs if selecting PIN debit as their payment option.

Because cards never leave diners' sight, pay-at-table devices can cut the risk of dishonest waiters illegally capturing data off of cards' magnetic stripes using hand-held skimming devices. Restaurants are a major source of card-skimming crimes, according to research by TransUnion LLC, a U.S.-based credit bureau.

More Turnover

Pay-at-table devices offer restaurants other benefits, such as eliminating time-consuming steps in the card-payment process and enabling them to serve more customers in peak periods by turning tables more quickly. Most pay-at-table devices are configurable so customers can select from a menu of tip options, including predetermined percentages, eliminating the need for customers to perform their own calculations.

Consumers seem to welcome the

devices. A survey conducted last year by the U.S.-based National Restaurant Association found that 53% of consumers would like to use pay-at-table devices if they were made available, but only 1% of restaurants currently offer them.

Pay-at-table devices also are proving useful for restaurants eager to meet another trend: payment for vehicle-bound customers' takeout meal orders from chains that do not support fast-food offerings.

Technomic Inc., a U.S.-based restaurant-consulting firm, recently reported that curbside delivery of takeout food from casual eateries is one of the restaurant industry's fastest-growing channels. Pay-at-table devices enable faster turnover of curbside orders because servers can deliver food to customers and accept payment in one step while customers idle in dedicated food-pickup parking spots.

VeriFone acknowledges that the economic downturn has slowed some restaurants' planned tests of the technology, but the company is optimistic about the potential for pay-at-table



VeriFone's wireless TablePay device uses Wi-Fi connectivity to transmit encrypted payment data to a central payment-processing system.

market growth over the next year.

"We're still getting a lot of interest and activity in testing our latest generation of pay-at-table devices, and we haven't seen a dramatic drop in interest in TablePay," says Robbie Lopez, VeriFone senior vice president of software solutions. "In a tough environment like this, restaurants that can't push the top line on sales are

Continued on page 52

PAY-AT-TABLE SERVICE IS ENTRENCHED IN EUROPE AND LATIN AMERICA

MANY U.S. RESTAURANTS have hesitated to implement pay-at-table technology. However, many restaurants in Europe and Latin America made the leap years ago.

At restaurants in non-U.S. markets where debit and chip-and-PIN transactions are common, pay-at-table terminals often available so that diners may key in their personal identification numbers.

"Restaurants that had to meet chip-and-PIN requirements had no choice but to develop terminals they could bring to customers' tables," says Tony Hayes, a partner with U.S.-based consultancy Oliver Wyman. He asserts that pay-at-table devices are increasingly common in certain European and Latin American markets.

A variety of terminal makers supply European and Latin American restaurants with pay-at-table devices, including France-based Groupe Ingenico and U.S.-based Hypercom Corp. Hypercom says most terminals it sells to restaurants outside the U.S. communicate directly with banks and are

not integrated into restaurants' data systems.

In some markets, chip-and-PIN systems have helped to reduce card-skimming, Hayes says. "The U.S. does not yet have the card-fraud levels seen in other countries, and there is no sign the U.S. will mandate chip-and-PIN systems," he says, adding that pay-at-table devices may be useful if U.S. card-fraud increases.

The U.S. custom of adding a tip separately from the price of a meal was another stumbling block in adopting pay-at-table systems there, Hayes says. Equipment manufacturers have configured U.S. pay-at-table terminals to simplify the tip-adding process.

"In most other countries, the tip is included in the final price, but in the U.S. there is a two-step process. Old habits die hard, and integrating the tip custom into pay-at-table technology has been challenging for restaurants in the U.S.," Hayes says. "In most other countries, the diner's meal price includes the gratuity, so it simplifies steps in the payment process."

Continued from page 50

looking at bottom-line improvements, and those that can convert a lot of transactions from signature cards to PIN-debit cards could see some real financial benefits from TablePay.”

Equity Commerce’s Waite says Ingenico’s Pay@Table devices cost \$650 each to purchase and install, and he estimates restaurants could save 0.5% to 1% of the sale by migrating customers from signature credit and debit to PIN-debit transactions. “That’s \$450 a month for a restaurant that does \$100,000 in revenue per month, and many larger restaurants do around \$1 million or more each month in revenues,” Waite says.

“Customers love it,” says a spokesperson at Bergie’s restaurant in Santa Clarita, Calif., which reports positive results after using a single Pay@Table device in its 40-table restaurant for a year. “Diners swipe their cards, and if it’s a debit card the

“

In a tough environment like this, restaurants that can convert a lot of transactions from signature cards to PIN-debit cards could see some real financial benefits from TablePay.

—Robbie Lopez,

*Senior Vice President of Software Solutions,
VeriFone Holdings Inc.*



device prompts them for a PIN number. Servers move the device pretty quickly from table to table, and the payment process is overall faster than with our previous system,” says a Bergie’s spokesperson. She would not disclose any savings the restaurant has captured from PIN-debit transactions.

Claim Jumper Restaurants LLC recently launched a test of VeriFone’s CarsidePay system, which speeds the process of delivering takeout-food orders, says Ted Stathakis, Claim Jumper vice president of technology. Claim Jumper is conducting the test at

“



The business case for pay-at-table has improved.

—Rajiv Shah,

*Vice President of
Financial Practices, A.T. Kearney*

”

its Laguna Hills, Calif., location, and this fall the company plans to expand CarsidePay to three other locations.

Later this fall, Claim Jumper plans to test VeriFone’s TablePay technology at its Costa Mesa, Calif., location. If that test proves successful, the restaurant likely will expand it to all 45 of its locations in six western-U.S. states, Illinois and Wisconsin, Stathakis says. The only difference between TablePay and CarsidePay is how they are marketed, VeriFone says.

widely available, we want to offer the same convenience,” Stathakis says.

Claim Jumper expects to spend about \$1,000 per terminal for pay-at-table devices, and it has not yet determined how many devices will be necessary for each restaurant, Stathakis says.

“We want to find the right balance for the number of pay-at-table terminals we need so we can turn tables quickly during the lunch hour,” Stathakis says.

VeriFone declined to discuss TablePay and CarsidePay experiences at other restaurant chains, as did the other restaurants involved.

Tabletop Assistance

To help single-unit restaurants steer customers to using PIN-debit cards with its Pay@Table tests, Ingenico provides tabletop cards explaining the enhanced card security PIN debit offers, says Grant Drummond, an Ingenico spokesperson. “In most cases, restaurants configure the device to prompt a PIN number if a customer swipes a debit card,” he adds.

U.S.-based Discover Financial Services also expects to see growth in the pay-at-table channel in the next year or two, says Farhan Ahmad, the company’s director of emerging markets and new product development. “We see pay-at-table as an interesting area that will eventually catch on, primarily because of the convenience factor for consumers,” he says, offering no estimate of how long it will be before pay-at-table becomes widespread.

Pay-at-table technology seems to offer certain benefits to the restaurant industry, especially at casual-dining chains where PIN-debit transactions may be relatively popular. But if adoption takes hold, it likely will continue to be at a very slow pace. **CP**



For a longer version of this story, visit www.paymentssource.com