Coming Soon: A Cashless World

But is your practice ready for electronic payments?

BY JAMES D. KRICKETT

The continued use of cash is surprising given its inconveniences and the risk that consumers face carrying it around. However, love it or hate it, cash is playing an increasingly less important role in society and in many podiatry practices. In other words, cash may be well on its way to becoming obsolete. Are you ready for the new cashless world?

While a number of countries are working to make payment systems less dependent on cash, many podiatry practices and businesses that remain dependent on cash are finding income and profits declining. That's right, many podiatrists and other professionals who are ignoring developments such as the recently introduced EMV Smart Card technology, Apple's mobile wallet and other mobile payment vehicles, cyber currencies and the like may find their practice's bottom-line affected.

The Road to Cashless

The Federal Reserve estimates that there will be $616.9 billion in cashless transactions in 2016. That's up from around $60 billion in 2010. Not too surprisingly, governments have been increasingly pushing for a cashless world.

In Germany, strong moves are underway toward limiting cash transactions, while Sweden is already far advanced towards a cashless society with many museums prohibiting cash payments for admission. In other ways, Sweden has advanced far along the cashless path as many banks will no longer accept or dispense cash, and bill and coin transactions now represent only two percent of Swedish commercial activity.

While the elimination of cash is not yet a government policy in Canada, many consumers within the country are voluntarily moving toward credit and debit card payments at a remarkable rate with a whopping 77 percent of responders to a recent survey preferring to eliminate cash.

On the Home Front

The movement to cashless is something that hasn't been lost on consumers in this country as they increasingly move to the many alternate forms of payment, including:

- Contactless payment for in-person transactions through a mobile phone (such as Apple Pay or Android Pay).
- Credit cards and debit cards in a system such as the new EMV technology that is interoperable with contactless credit and debit cards.
- Some providers allow credit cards to be stored in a phone's SIM card or secure element.
- Some providers are starting to use host card emulation, or HCE (e.g., Google Wallet and Softcard).
- Some providers store credit card or debit card information in the cloud, usually in tokenized form. With tokenization, payment verification, authentication, and authorization are still required, but payment card numbers don't need to be stored, entered, or transmitted from the mobile device.
- Stored-value cards such as the government's food stamp cards are often used with mobile-device application stores or music stores (e.g., iTunes).
- Premium-rate telephone numbers, which apply charges to the consumer's long-distance bill, and Mobile-Operator Billing, which allows charges to be added to the consumer's mobile telephone bill, including deductions to pre-paid calling plans.

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Hello Plastic, Goodbye ATMs

Illustrating the escalating trend towards a "cashless" world, data shows that consumers are increasingly embracing technology for transactions, which may mean ATMs are on borrowed time. According to the Federal Reserve, banks in the U.S. have been progressively scaling back the number of ATM machines. In 2015, ATM withdrawals dropped by a record 7.2 per cent.

Hoping to reverse this trend, Android Pay is looking to change the

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way users interact with their ATMs by taking plastic debit cards out of the equation. As part of an effort to have more users find value in using Android Pay in their everyday purchases and finances, the mobile wallet will now allow users to get cash out of an ATM without having to actually put in a debit card. Instead, users can simply use their mobile device with Android Pay, tap at the ATM and proceed with the process as usual. No more carrying around a plastic debit card to go to the ATM.

The Need for Security

Along with the convenience of a cashless world comes a growing awareness of security with all types of payments. Reducing the financial impact of card fraud while supporting the ever-increasing demands of consumers is essential in the marketplace and can be accomplished by properly researching for new cutting-edge technologies that bring true solutions. A good example is provided by the new "Smart" credit cards. It is estimated that almost 90 percent of consumers will have the recently introduced chip encoded cards.

By now, every podiatrist should be aware of the so-called "liability shift" that occurred when the new EMV (Europay, Mastercard & Visa) technology was introduced. No longer will the credit card companies be liable for fraudulent use of the old credit card technology.

In essence, podiatry practices and card processors that continue to use the old technology will find themselves, not the credit card companies, liable for fraud. In fact, those podiatry practices not prepared for the new security demands of patients and credit card processors may lose revenue, potentially face fines and, most importantly, lose patient trust as consumers become more diligent and vocal with their demands for security.

Currently, it appears that finding a suitable approach for transitioning from conventional credit cards to the new EMV smart card technology has been daunting. Some merchant processing companies are attempting to persuade businesses to use so-called "semi-integrated" solutions, selling the marriage of existing place-of-service systems with the new "smart cards" as an instant problem solver when, in fact, it is not always the case.

Fortunately, there is finally good news for both merchants and podiatry practices in that true integrated solutions have recently emerged, allowing the new credit card terminals to communicate with a merchant's POS system, or a podiatry practice's payment system. These newly-introduced tools offer a cutting-edge implementation of technology that takes data from the current system and migrates the communication with a chip-processing device. Thus a new streamlined process that meets regulations, consumer demand, and the bottom-line concerns of those accepting credit cards has been created.

Electronic money, or E-money, is the money balance recorded electronically on a stored-value card.

Mobile Payments

The rise of mobile and electronic payments means faster, convenient, and more efficient payments. Innovations in technology, in particular PayPass and Paywave, have drastically reduced the need for consumers to carry cash. Anyone can now use their smartphone devices to pay for goods in stores or for services much like swiping a debit card.

Mobile commerce, or M-commerce, is the buying and selling of goods and services through wireless, handheld devices such as cellular telephones and personal digital assistants (PDAs) and represented 34 percent of all eCommerce transactions globally in 2015.

As M-commerce and other electronic payment methods are embraced by consumers, this move away from cash is being welcomed by many podiatrists, other professionals, and small business owners. After all, cash costs money to transact with, to secure, and there is the cost to the government to replace when notes wear out.

PayPal, the online payments system, continues to add more merchants. It now counts 14 million merchants, including recent additions, such as Crate and Barrel, Sephora, Air France, FreshDirect, and Panera Bread, to complement the platform's 170 million users. Users will be able to use their mobile phone online or in apps as well as in a store, business, or in an increasing number of professional practices.

With mobile payments making up more than 27 percent of all transactions, it is safe to say that cash is well on its way to becoming obsolete. But, is your podiatry practice ready?

Mobile Wallets

Many mobile payment systems have been introduced in the past few years, including Google Wallet and Apple Pay. Consumers with mobile devices have a "digital wallet" option (a list that's ever-growing) accepted by podiatry practices and merchants with near-field-communication (NFC) terminals up and running.

The digital era has been in full swing now for some time; yet many podiatry practices have not invested in the latest technology. NFC is one such technology podiatry professionals ought to consider as part of their marketing campaign. This method can be used to redefine the patient experience by bridging the gap between technology and everyday consumer interaction.

According to many reports, Wells Fargo Bank is expected to soon launch an NFC-based mobile payment service. With mobile wallets such as the one Wells Fargo plans, consumers will enter their credit card information in their phones before shopping, using NFC technology. The consumer holds the phone over a payment terminal and taps a button on the phone or enters a PIN.

Electronic Money

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ically on a stored-value card. Another form of electronic money, network money, is software that allows the transfer of value on computer networks, particularly the Internet.

Electronic money is a floating claim on a bank or other financial institution that is not linked to any particular account. Examples of electronic money are bank deposits, electronic funds transfer, direct deposit, payment processors, and, of course, digital currencies.

Cryptocurrencies

A cryptocurrency is a medium of exchange like so-called "normal" currencies such as the U.S. dollar, but designed for exchanging digital information through a process made possible by certain principles of cryptography. In other words, cryptocurrency is electricity converted into lines of code with monetary value. In the simplest of forms, cryptocurrency is digital currency.

Bitcoin was the first cryptocurrency when it was created back in 2009. Today, there are hundreds of other cryptocurrencies, often referred to as Altcoins.

Most cryptocurrencies are designed to decrease in production over time like Bitcoin, which creates a market cap on the number in circulation. That's different from cash and other currencies where governments and financial institutions can always create more, hence inflation. Bitcoin will, for example, never have more than 21 million coins in circulation.

While cryptocurrencies are legal in most countries, Iceland and Vietnam being an exception (Iceland mainly due to their freeze on foreign exchange), they are not free from government regulations and restrictions. China has banned financial institutions from handling Bitcoins. Russia, while saying cryptocurrency is legal, has made it illegal to purchase goods with any currency other than Russian rubles.

In the U.S., the IRS doesn't believe the fluctuating values of Bitcoins and other Altcoins are a currency. The IRS has ruled that Bitcoins are to be treated as an "asset" for tax purposes, making Bitcoin subject to capital gains tax.

A warning for those who use, or are thinking of using Altcoins to avoid taxes or mislead creditors: The Financial Crimes Enforcement Network (FinCEN) has issued guidelines for cryptocurrencies that contain an important caveat for Bitcoin users: it warns that anyone creating Bitcoins and exchanging them for cash, the so-called "fiat currency," are not necessarily beyond the reach of the law.

However, despite the recently imposed restrictions and guidelines, Cryptocurrency isn't really a federal priority. The success of cryptocurrencies has been, at best, dubious, but every podiatry professional should at least be aware of them and their increased acceptance and use, especially in large transactions.

The Demographics

Adopting any of these new and emerging payment systems is largely dependent on what a practice's patients—current and prospective—expect, prefer, and are willing to deal with. In other words, will the podiatry practice's patients embrace or reject these new payment options?

Bottom-line, however: for the poor, cashless transactions often aren't practical. Prepaid credit cards are one alternative, as are vouchers that can be bought in grocery stores for cash, and used to pay for iTunes, Amazon, Spotify, and other online services.

There are also large numbers of people who are currently "unbanked", and for a whole range of reasons would be severely impacted by a cashless society. Around eight percent of the U.S. population remains unbanked, and 20 percent of households are under-banked, meaning that "they have a bank account but also use alternative financial services (AFS) outside of the banking system," according to a survey by the Federal Deposit Insurance Company.

In 2014, according to a Gallup poll, 29 percent of Americans didn't have a credit card, and that figure is rising, in part because millennials don't like them. The consumer financial services company, Bankrate, published figures putting the number of millennials without a "major" credit card at 63 percent (this may be in part thanks to the CARD Act of 2009, which makes it harder for under-21s to get a credit card). Among the AFS used for things such as online shopping are prepaid cards, but they are burdened by high fees, further punishing the poor.

It is not surprising that many studies indicate that older people hold and use more cash, while young consumers are more likely to use new payment technologies—except in the U.S., where younger people use significantly more cash than their elders.

The differences between the worldwide trend and that of U.S. consumers may be explained by the fact that younger consumers often buy different products and services and at different venues than older individuals. All of which raises another important question: Does your podiatry practice offer options to cash that appeal to the groups that make up the demographics of the practice—or of those you would like to attract to your practice?

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The new technologies being created and improved to facilitate cashless transactions and improve security are good news for every podiatrist. But is your podiatry practice really ready for what appears to be the inevitable cashless world? **PM**

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