

Hearing Entitled “The EMV Deadline and What it Means for Small Businesses: Part II”

Testimony of Jami Wade, Owner, Capitol City CORK and Provisions and Executive Director, Capitol City Cinema

Before the U.S. House of Representatives Committee on Small Business

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Good morning, Mr. Chairman, Ranking Member Velazquez, and other Committee Members. My name is Jami Wade, and I am the owner of Capitol City CORK and Provisions, a wine shop and restaurant in historic downtown Jefferson City, Missouri, just a few blocks from the Missouri State Capitol. I am also the executive director of the Capitol City Cinema. I would like to thank the Committee for the opportunity to speak today about the matter of small businesses upgrading their payment card terminals so that those terminals can read the new chip-enabled payment cards.

I began my adult life as a high school teacher in Columbia, Missouri. Five years ago, I moved from Columbia to my home town of Jefferson City and opened Capitol City CORK and Provisions. I have five employees at the restaurant, and we serve a seasonal and changing menu with locally sourced food. We can only seat 32 patrons at our tables, so we truly are a small business. Next door to Capitol City CORK is the Capitol City Cinema, a single-screen movie theater that specializes in showing independent, foreign, and documentary films. It is a non-profit, community-based, member-supported movie theater.

As the owner of one small business and manager of another, I have to rely on myself to exercise sound business judgment. Any misstep could have serious consequences for the businesses I run and the people I employ. The manner in which we get paid is essential to our ability to generate

cash flow, pay the bills, and stay in business. Acceptance of payment cards is the life-blood of our operations. First of all, approximately 90 percent of the restaurant's sales are made through debit or credit card transactions. When a customer pays with a card, I always know I am going to get paid, get paid quickly, and get paid without hassle. My restaurant has never even had to deal with a disputed card transaction. Also, it may just be the result of basic human nature, but it seems that customers are willing to spend a little more—maybe an extra glass of wine or dessert—when they are paying with cards instead of cash. For a small business, that's valuable. On the other hand, we don't accept checks other than for special events and, even then, we only accept them from well-established clients. We cannot run the risk that checks will bounce and we won't get paid, leaving us to come out of pocket to cover costs.

At Capitol City Cinema, many of our customers still purchase their movie tickets with cash. But, we do accept cards, and we often see customers making purchases of higher-priced items with cards. For example, they might sign up for an annual membership giving them discounted admissions and other perks throughout the year. These purchases are essential to the business, because without our member support we could not remain operational.

At both Capitol City CORK and Capitol City Cinema, we have been fortunate never to have been the victim of payment card fraud. I know first-hand, however, that the threat is real. A few years ago, my husband was the victim of a breach at a grocery store in Jefferson City. His card information was stolen, and the hackers ran up seven thousand dollars in charges. I am glad to say that we were not held responsible for paying for those transactions, because those fraudulent charges would have done serious damage to our personal finances. Both of my businesses rely

on card payments, particularly my restaurant, and I will tell you that it would be a very big deal for us to absorb the costs associated with even one major incident of fraud. The potential liability would be seriously detrimental to our business, especially at Capitol City CORK. This is why I have made the business decision to upgrade to terminals that can read chip-enabled payment cards at Capitol City CORK and Capitol City Cinema.

As a bit of background, I'm lucky to have a good relationship with my processor, another small business located a block away from the restaurant and the movie theater. The processor is the company that sells and services the technology for my businesses to be able to accept card payments and get connected to a merchant acquirer. Because I talk to my processor on a regular basis, I was able to learn about the new chip-enabled terminals that were becoming available and my processor explained to me about the liability shift well before it went into effect on October 1. For now, it seems that most of the local banks and credit unions in Missouri have not issued cards with chips on them, but I understand that this is coming soon. When it happens, I want to be prepared and I want to be protected by the liability shift—this means putting in new terminals.

The total cost for a new chip-enabled terminal at Capitol City CORK is about three hundred dollars. Yes, this is an out-of-the-ordinary expense for the restaurant, but I do not consider it to be a financial burden given the peace of mind that a new terminal will provide. I look at it as paying a small premium for an insurance policy to protect the restaurant against a potentially significant downside. After having survived the first few years running my own business—a period in which many new start-ups fail—I cannot imagine leaving my business vulnerable to external threats when there are reasonable steps that I can take to protect it. Furthermore, from

all of the information I've received from my processor, I expect the process to upgrade to the new terminal to go seamlessly, without any disruption to our everyday business. In fact, we have the new terminal on site. It just hasn't "gone live" yet but should by the end of this month.

I also learned that a chip-enabled card reader is available for only fifty dollars for the Cinema. I have voiced my support for making the upgrade, and the decision whether to make the purchase is currently pending before the Cinema's board of directors.

I am a person who left her job to pursue a vision of running her own business. When I get out and talk to other members of the downtown Jefferson City community, every small business owner has a story that is unique, but most of us have in common that we accept payment cards because they are valuable to our businesses. In light of the recent headlines about several data breaches over the last few years, many other small business owners in Jefferson City and I wonder, what's to stop it from happening here? They share my concerns and want to do everything they can to protect their businesses and their employees—and I suspect that this sentiment is widespread across the country. I do believe that it is up to each business owner to make the proper decision for his or her own business. Some small business owners will no doubt choose not to upgrade their terminals, whatever the reasons. In my opinion, they are putting their businesses on the line by leaving them susceptible to fraud in card transactions. As I started out saying, as a small business owner, I have had to rely on myself and my own sound judgment in making my vision a reality. I will continue to do so as I look ahead, and upgrading to chip-enabled technology is the right decision to ensure that my business is around long into the future for my family, my employees, and my customers.

I appreciate the opportunity to share my experience with the Committee today, and I welcome any questions that you may have.