



Regulatory Comments of the National Restaurant Association

ON: FR DOCKET NO: 2012-21960; FEDERAL RESERVE SYSTEM: PROPOSED AGENCY INFORMATION COLLECTION ACTIVITIES; COMMENT REQUEST: FR 3066A, B, C, & D.

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Introduction

On behalf of the members of the National Restaurant Association, we appreciate the opportunity to submit comments on the proposed agency information collection activities of the Board of Governors of the Federal Reserve.

The restaurant industry is extremely supportive of increasing competition and transparency in the United States payments systems marketplace. We believe a strong first step in increasing transparency is to have more public, readily-available information on U.S. payments systems trends, and we are pleased with the voluntary information collection surveys proposed by the Federal Reserve Board of Governors.

We believe the proposed surveys will help provide the Federal Reserve with valuable information on current payments systems trends, and will also provide the restaurant and retail communities with some very valuable insight into different payments volumes, values, and emerging technologies as we explore the different transaction preferences of our customers, and how those preferences may trend in the future. A comprehensive review of consumer and business payment preferences is a critical component to business planning in today's rapidly changing payments landscape with the advent of mobile payments technologies and other major business and consumer cultural shifts in the U.S. payments environment.

Overall, the National Restaurant Association is supportive of the added data transparency these surveys have the potential to deliver, and we appreciate the opportunity to provide the Federal Reserve with our comments and feedback regarding potential ways to enhance the quality, utility, and clarity of the information to be collected.

Background On The U.S. Restaurant And Food Service Industry And The Characteristics That Make It Unique

The National Restaurant Association is the leading business association for the restaurant and food service industry. Our mission is to help our members establish customer loyalty, build rewarding careers, and achieve financial success. The industry is comprised of 970,000 restaurant and food service outlets employing 12.9 million people.¹

Restaurants are job creators – expected to add 1.4 million jobs over the next decade, with employment reaching 14.3 million by 2022. The restaurant industry is an industry of predominantly small businesses, and is the nation's second-largest private-sector employer, comprising over nine percent of the U.S. workforce.

¹ 2012 Restaurant Industry Forecast, National Restaurant Association

The restaurant and food service industry is unique for several reasons. First and foremost, small businesses dominate the industry – with more than seven out of ten eating and drinking establishments being single-unit operators. The current U.S. payments system is too complex for the average small business owner, and this is something the industry would like to see change. Increased transparency, some of which will be provided by the proposed information collection process, is necessary to achieve that change.

The restaurant industry has multiple different point-of-sale environments, including in-store counters, table-service, online catering, etc. As the U.S. payments landscape is rapidly beginning to shift around us, the industry is closely following emerging trends and opportunities to increase customer satisfaction and ease of use, enhance security, and lower transaction and infrastructure (i.e. hardware & software) costs by fostering more marketplace efficiencies. Access to sound, reliable information and research is a critical component to making informed decisions on these fronts, and we greatly appreciate the efforts by the Federal Reserve to enhance the quality and availability of such information.

Suggested Ways to Enhance the Quality of the Surveys

FR3066a

ACH: Under item number 4, we would be very interested in a survey question to capture the number of check transactions converted to ACH at the point-of-sale.

Debit and Prepaid Cards and Credit Cards: Under item numbers 6 and 7, we would be very interested in any information on the number and value of transactions for each category that are transacted on EMV or smart cards, and also on a mobile device if that is information that can be broken out. Potential challenges to segmenting that information may be addressed in item number 9.

Third-Party Payment Fraud: Under item number 10, or perhaps as a separate category, we would be interested in stratified fraud data in all categories by dollar volume. Additionally, we have concerns that the definition of “unauthorized” payments may not capture chargebacks, in which merchants and other parties spend significant time and resources to produce cardholder validation for those payments. We would strongly encourage information collection on the number and value of chargebacks issued annually, what percentage and dollar volume of fraud is borne by the merchant vs. the issuer or any other party in the payments chain, and what dollar volume and value of those chargebacks are “counterfeit” vs. “lost and stolen,” and what the variance is in chargeback liability on each type of chargeback.

FR3066b

Low-Dollar Tickets: As an industry with a number of low dollar tickets at quick-service restaurants and other concepts, we are extremely interested in information on cash substitution trends.

Emerging Technologies & Authorization methods: We believe Sections 2.ii and 4.i will provide extremely valuable background information to businesses who are trying to plan ahead for their future in-store point-of-sale experiences, especially as operators are making investment decisions on equipment with an average life span of three to five years. One item we would recommend expanding in each section that would be extremely helpful in making such decisions is what authentication methods (i.e. signature, PIN, password, etc.) are available for each of the listed emerging technologies (NFC, RFID, EMV, etc.), and what percentage of cards/devices those authentication methods are enabled on.

Prepaid Cards: Under item numbers 5 and 6, we would be interested in additional information on the number and value of prepaid cards considered “dormant,” as well as the payment vehicle used to load value to prepaid cards, and whether or not that vehicle varies based by type of prepaid card.

Mobile Wallets: Under item number 7.1, we would be interested in the number and value of mobile wallet transactions broken down by network. Additionally, we are interested in capturing information on mobile wallet infrastructure costs, such as investments in cloud computing, as well as retail investments in new POS equipment and software programming, if that information is obtainable.

Conclusion

The National Restaurant Association is very appreciative of the opportunity to provide comments on the Federal Reserve Board of Governors Proposed Agency Information Collection Activities.

We believe enhanced information collection is a strong step toward increasing transparency in the payments system to the betterment of American businesses and consumers. We appreciate the opportunity to provide our suggestions for survey enhancement and our industry looks forward to working with the Board in the future.