



Small Merchant Data Security Survey Results

January 2011

Conducted by:
First Data and National Retail Federation



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EXECUTIVE SUMMARY

Executive Summary

Key Findings

- Merchant Understanding of Specific Types of Liability is Mixed
 - More than half of the respondents are aware of: the requirement to notify customers about a breach; the potential of being sued by customers impacted by a breach; and the possibility of losing their ability to accept VISA/MC
 - However, more than 60% are **not** aware of additional liabilities such as: fines from the card companies; liability for fraudulent charges; and per-card fees for every canceled card
- Two-thirds of Merchants are Aware of PCI DSS
 - 60% of merchants had heard about the PCI DSS regulations and an additional 6% indicated they were aware when provided with a more detailed description of the PCI DSS
- Total Merchant PCI DSS Compliance is Less Than Half
 - 49% of merchants surveyed completed a PCI DSS self-assessment. This value increased to 74% of merchants aware of PCI DSS
 - Among merchants aware of PCI DSS, 59% know that all merchants are obligated to complete the self-assessment annually. 41% have heard of recent regulation changes that require all merchants to submit their completed annual PCI DSS self-assessment to a qualified audit firm for review

Executive Summary (cont)

Key Findings

- Nearly All Merchants Care About Keeping their Customers' Card Data Secure.....Two-Thirds Don't Believe They are Vulnerable to Card Data Theft
 - A large majority of respondents (79%) feel that their customer information is secure the way it is
 - Nearly one-quarter (24%) believe that PCI DSS does NOT benefit their business
 - More than half (53%) rate their knowledge about card data security as average (or neutral)
- Anti-virus Software and Restricted Physical Access Used by Three-quarters of Merchants to Protect Card Information
 - More than half (55%) have installed a firewall to protect cardholder data
 - Less than one-third (31%) perform background checks on employees who handle customer card data
 - 68% of merchants who electronically store data also take steps to protect the data with 53% using encrypted technology



DETAILED FINDINGS

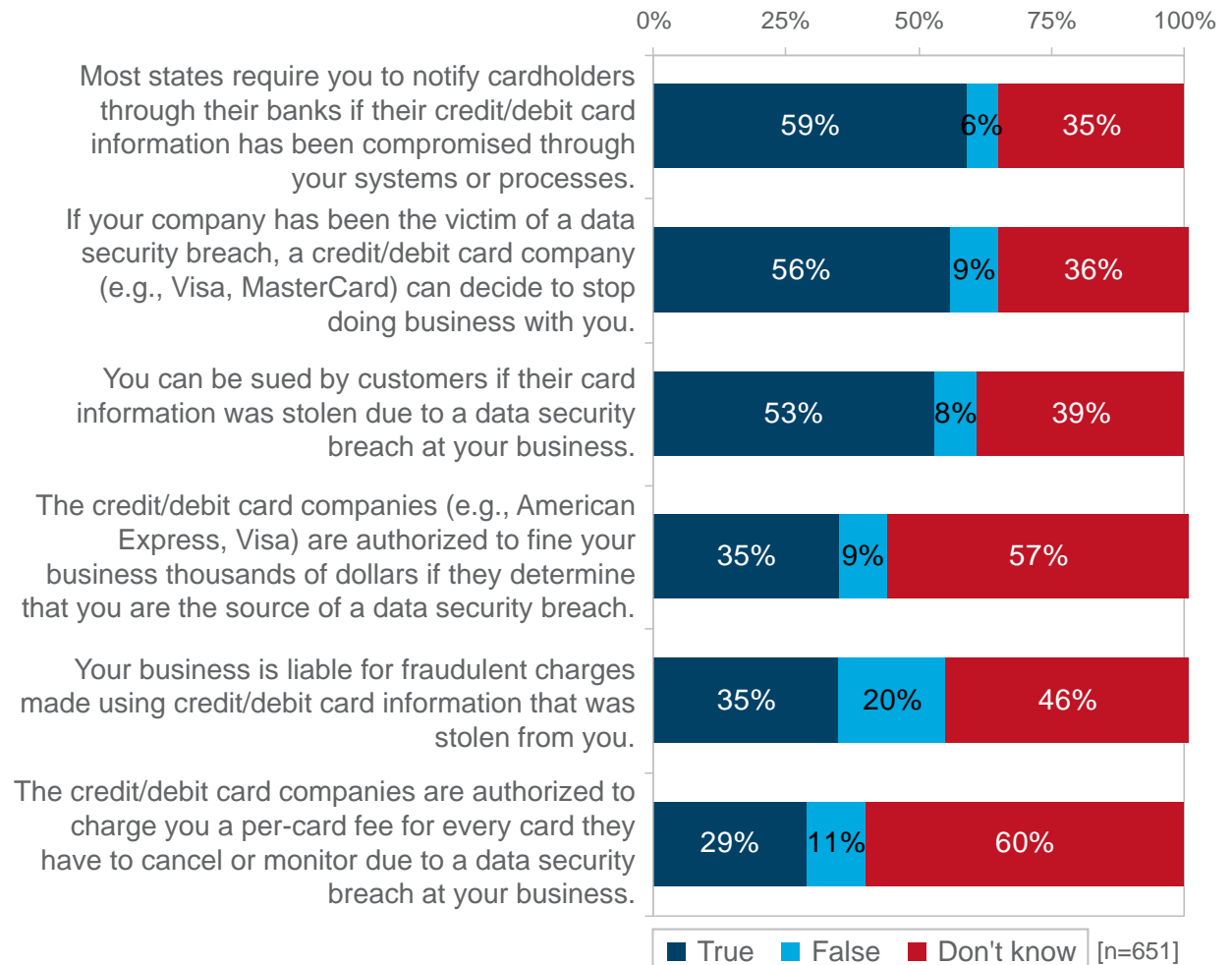


Knowledge & Awareness of Data Security Issues

Merchant Understanding of Specific Types of Liability is Mixed

- There appears to be considerable confusion among merchants regarding specific types of liability in the event of a data security breach
- Substantial minorities (and in half of the cases, majorities) do not know the correct answers to the six true/false quiz questions asked regarding liability
 - (The correct answer to all six questions is “True.”)

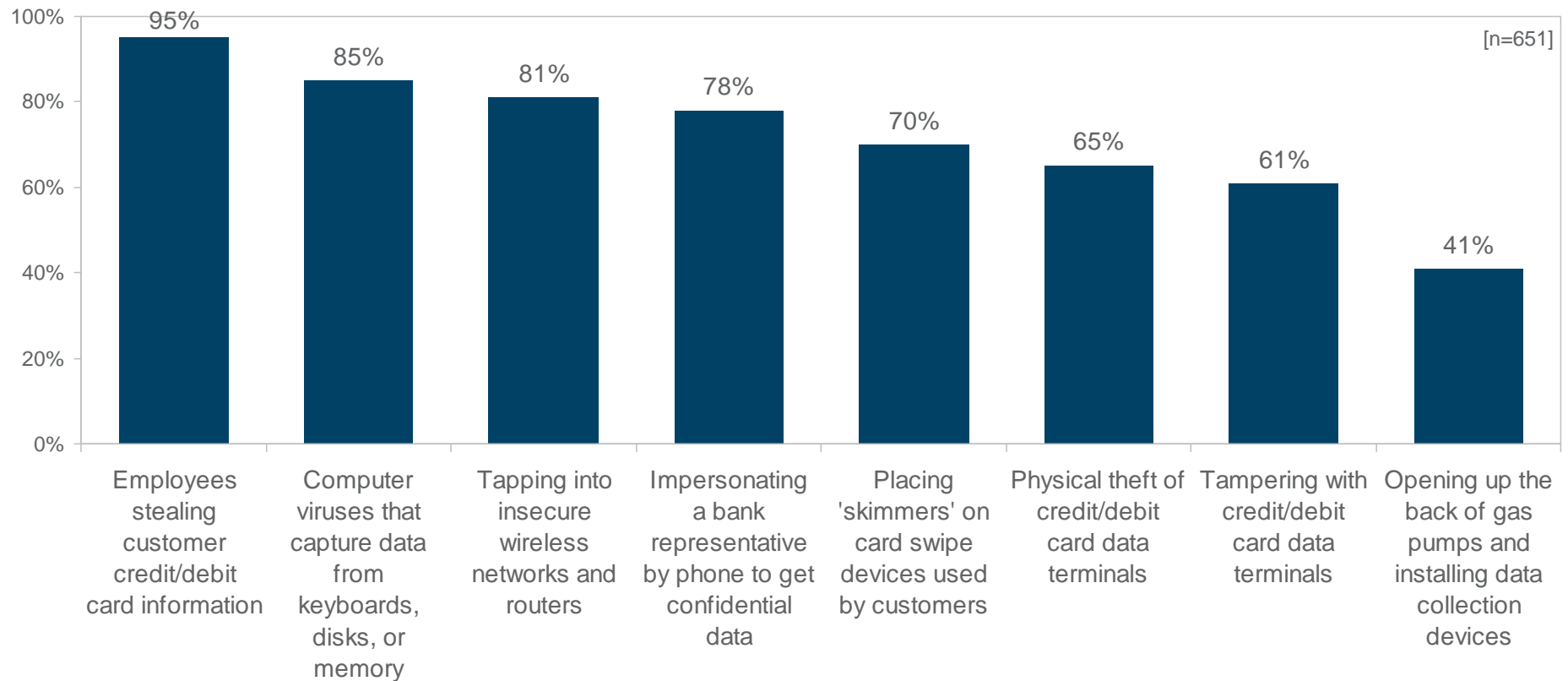
Please indicate whether you think each statement is true or false.



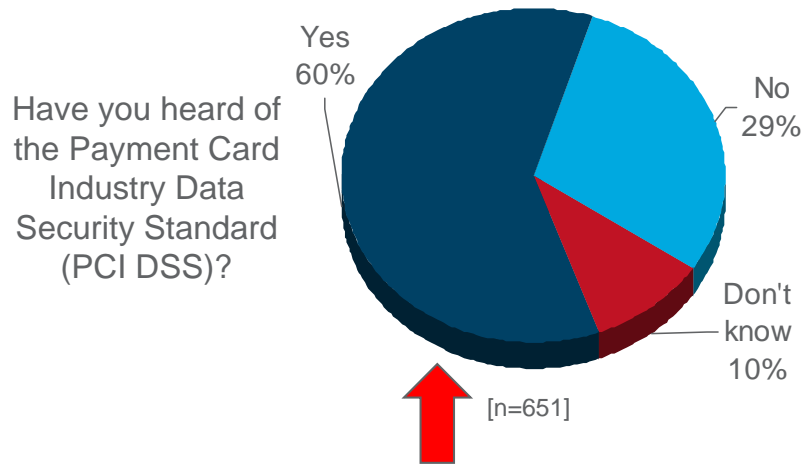
Merchants are Familiar with Most Fraud Practices

- Physical theft practices are less familiar compared to hacking and malware practices

Which of the following kinds of credit/debit card data theft have you heard of?

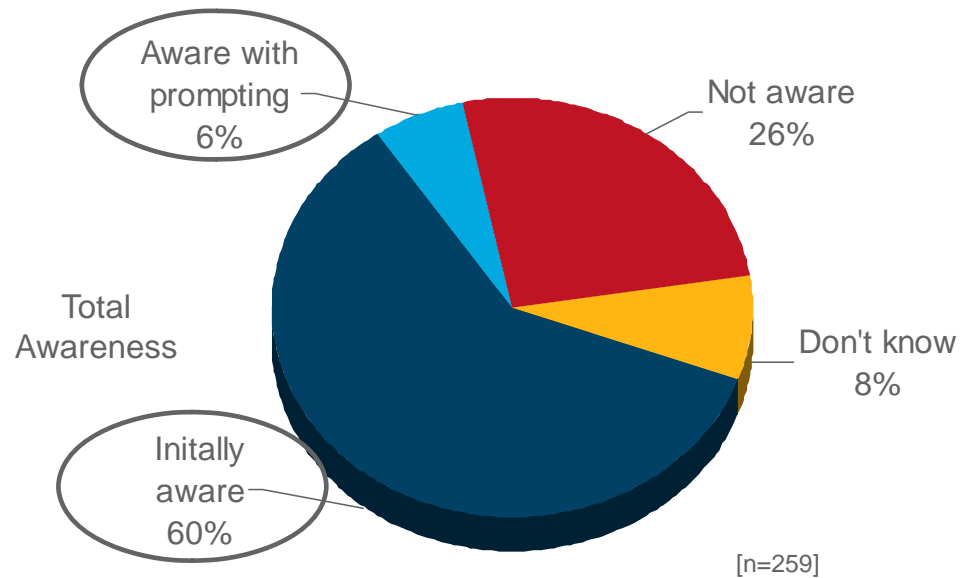


Two-thirds of Merchants are Aware of PCI DSS



The Payment Card Industry Data Security Standard (PCI DSS) is a set of technical and operational requirements to protect cardholder data for any business that accepts or processes payment cards. Have you heard of this? (among respondents initially unaware)

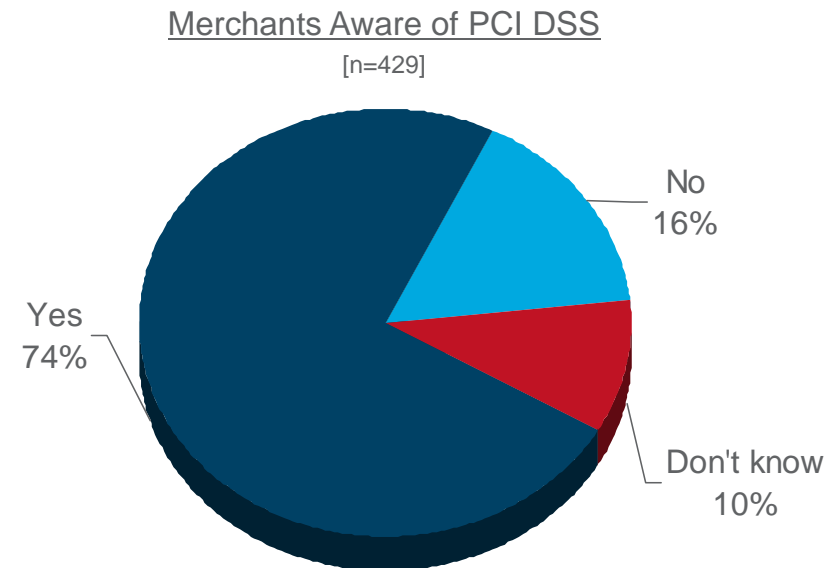
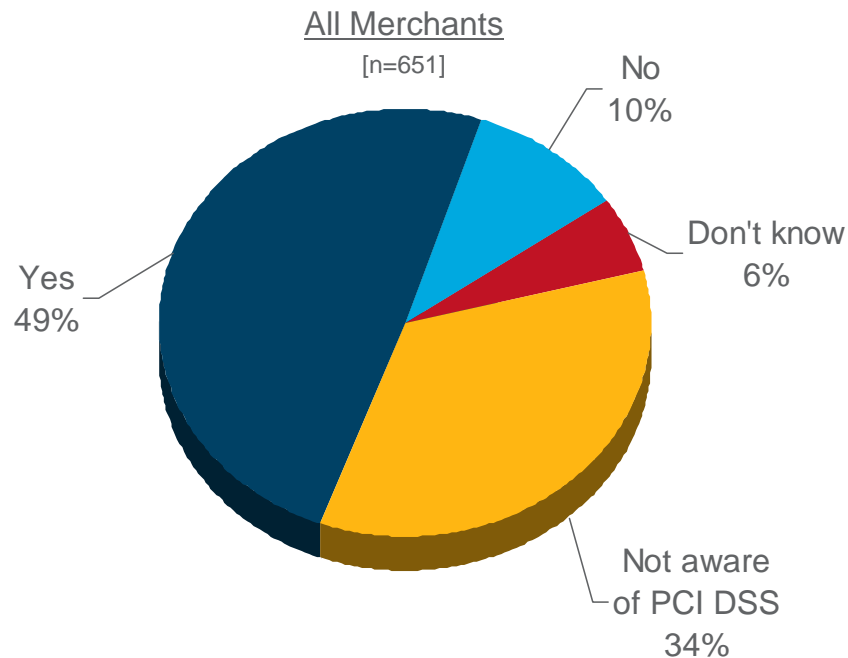
- 60% of respondents claimed awareness of the PCI DSS (unaided)
- Those who were not aware were prompted with a more detailed description of the PCI DSS, and asked again if they had heard of it, bringing the **total awareness to 66%**



Total Merchant PCI DSS Compliance is Less Than Half

- Just under half of **all merchants** in the study have completed a PCI DSS self-assessment
- **Among those who have heard of PCI DSS**, almost three-quarters have completed a self-assessment

Has your business ever completed a PCI DSS self-assessment or audit?

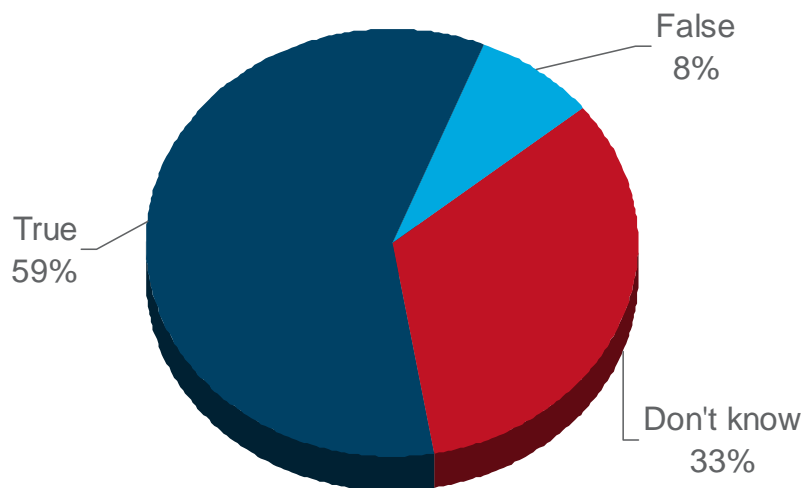


6 out of 10 Merchants who are Aware of PCI DSS are also Aware of the Annual PCI DSS Requirement

- Among those who have heard of PCI DSS, more than half know that all merchants are obligated to complete the self-assessment annually, while **less than half have heard of the recent change in regulations**

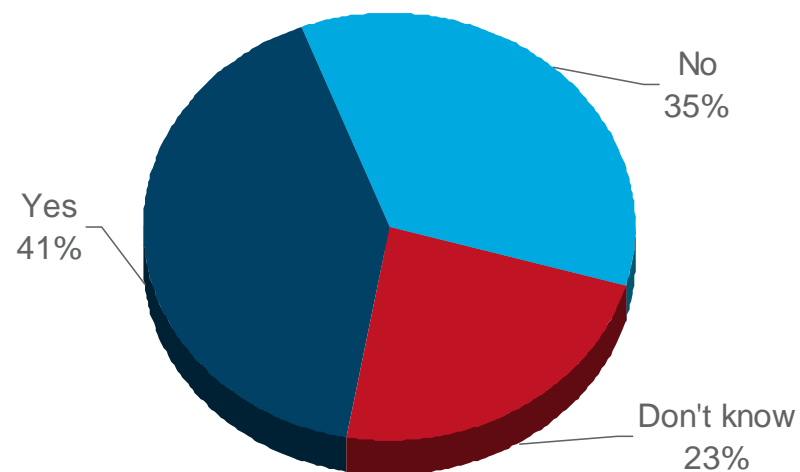
All merchants are contractually obligated to complete a PCI DSS self-assessment survey annually.

[n=429]



Have you heard that as of July 2010, all merchants are required to submit their completed annual PCI DSS self-assessment survey to a qualified audit firm for review?

[n=429]





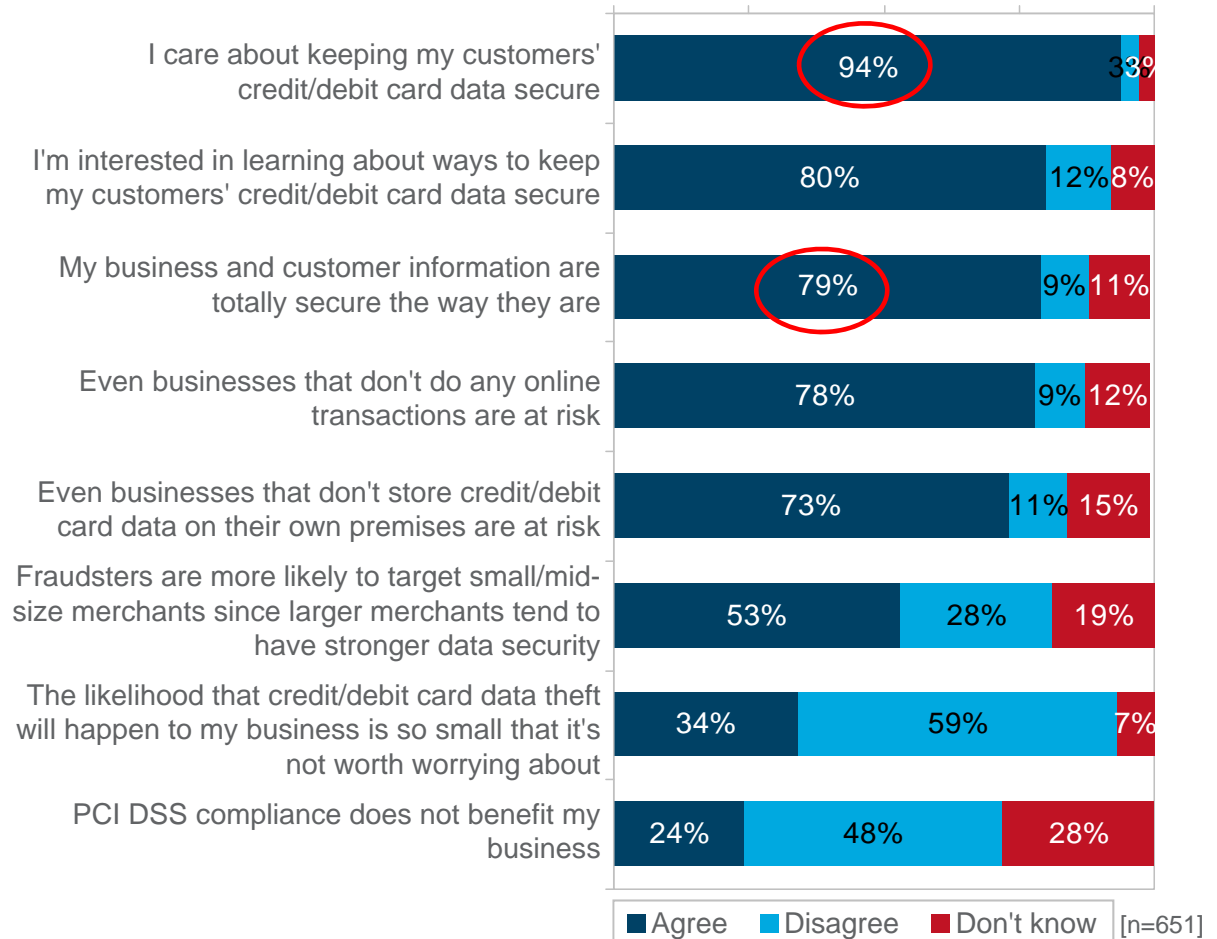
Attitudes Toward Data Security & Fraud Prevention

Nearly All Merchants Care About Keeping their Customers' Card Data Secure.....Two-Thirds Don't Believe They are Vulnerable

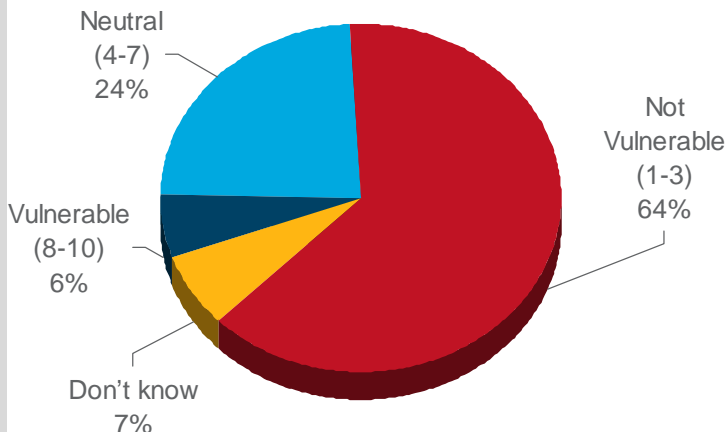
- The overwhelming majority (94%) of respondents care about keeping their customer card information secure
- However, a large majority of respondents (79%) feel that their customer information is secure the way it is and nearly two-thirds don't believe their business is vulnerable to card data theft

How strongly do you agree or disagree with each of the following statements?

0% 25% 50% 75% 100%



How vulnerable do you feel your business is to credit/debit card data theft?

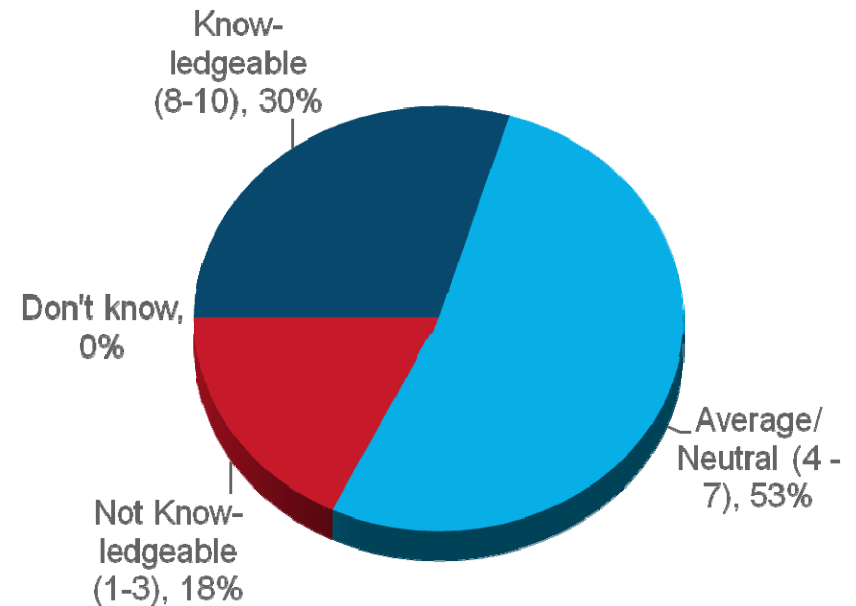


More than Half Rated their Card Data Security Knowledge as "Average"

- More than half of the merchant respondents (53%) rated themselves as average (or neutral) when asked to evaluate their own knowledge about credit/debit card data security

How knowledgeable do you feel you are about credit/debit card data security?

[n=651]



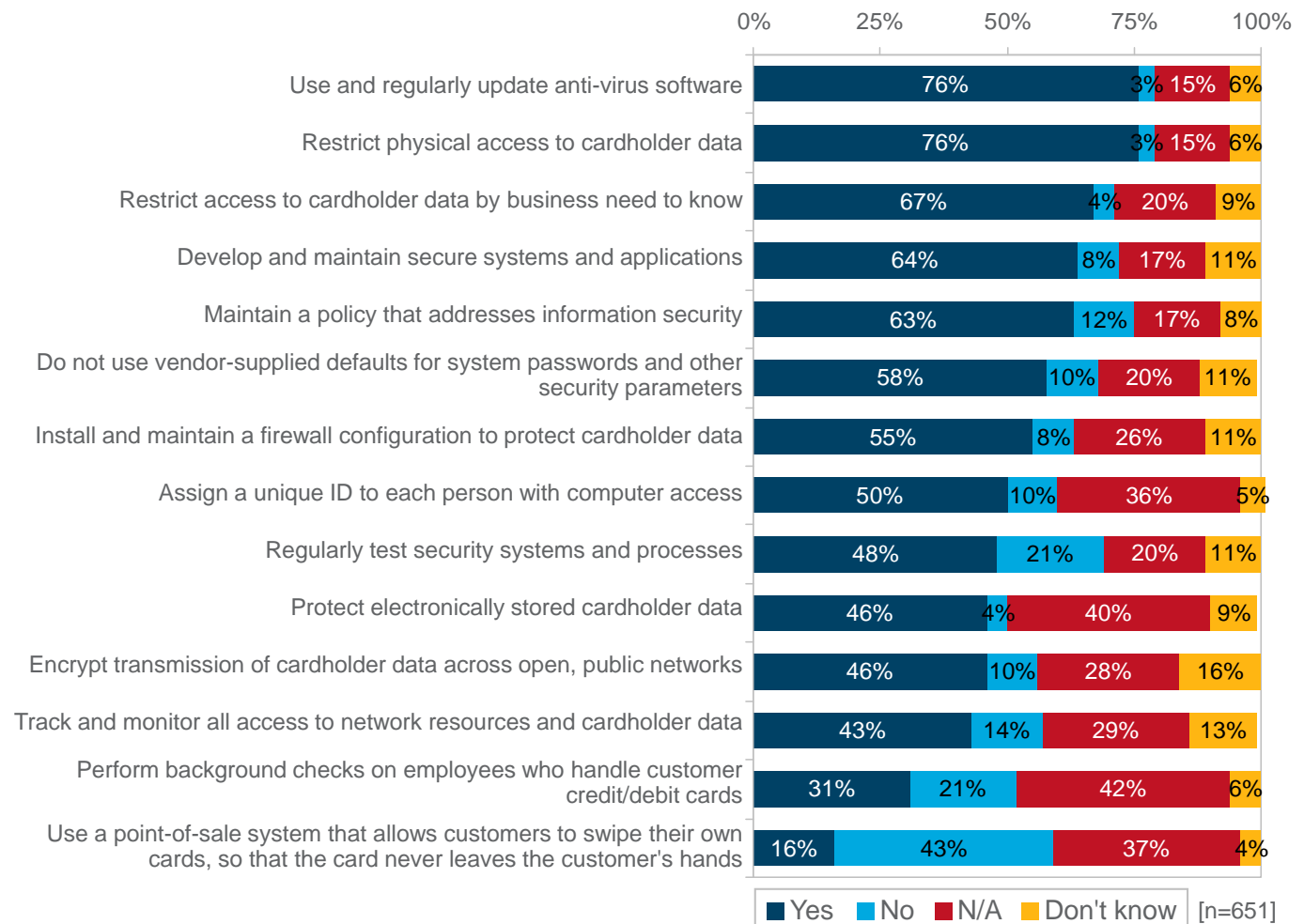


Merchant Behaviors

Anti-virus Software and Restricted Physical Access Used by Three-quarters of Merchants

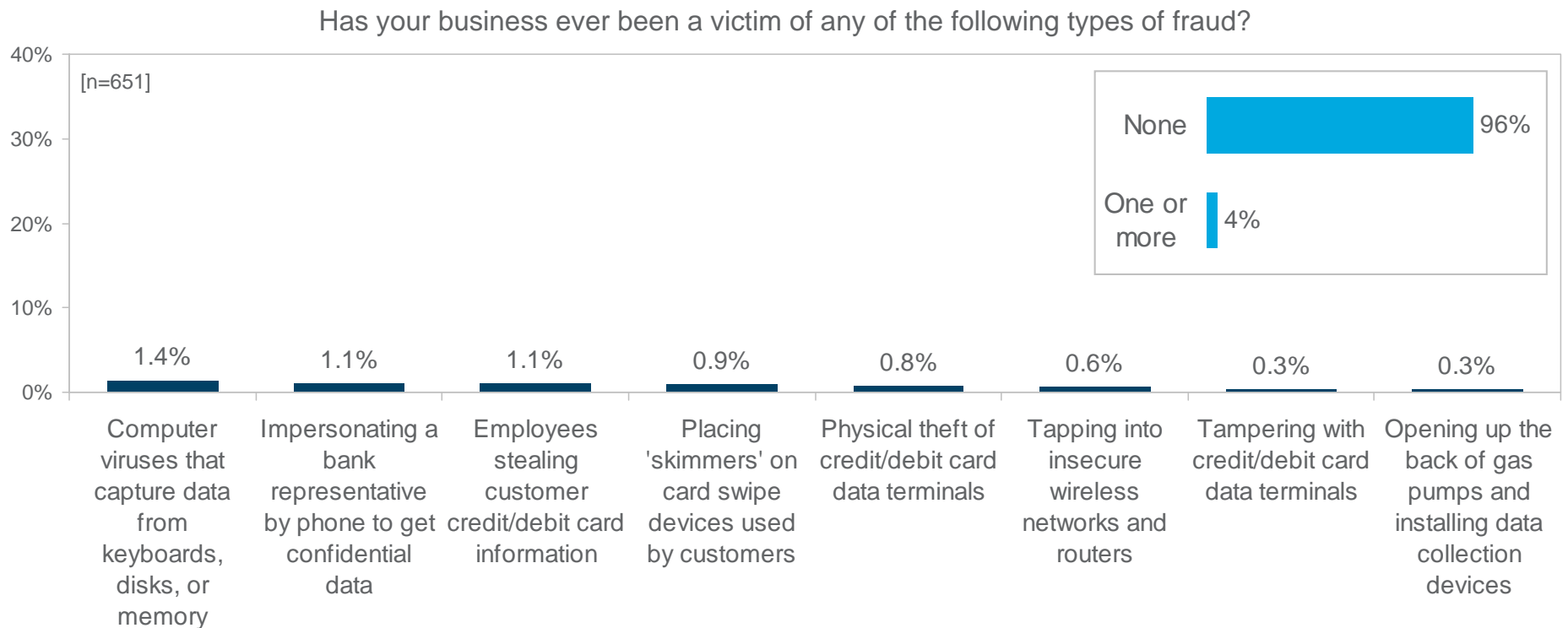
- 68% of merchants who electronically store data also take steps to protect the data with 53% using encrypted technology (data not shown)
- Less than one-third of merchants perform background checks on employees who handle customer card data

Please indicate whether your business does any of the following in order to protect customer credit/debit card information.



4% of Small Merchants Report Being a Victim of Fraud

- While the reported level appears relatively low at 4%, this equates to roughly 1 Million small businesses in the U.S. (assuming approximately 25 million small businesses)





APPENDIX



OBJECTIVES & METHODOLOGY

Objectives

- Assess the knowledge, behaviors, and attitudes of small to mid-size merchants regarding **credit/debit card data security and fraud protection**

Methodology

Online Survey of Small/Mid-Size Merchants

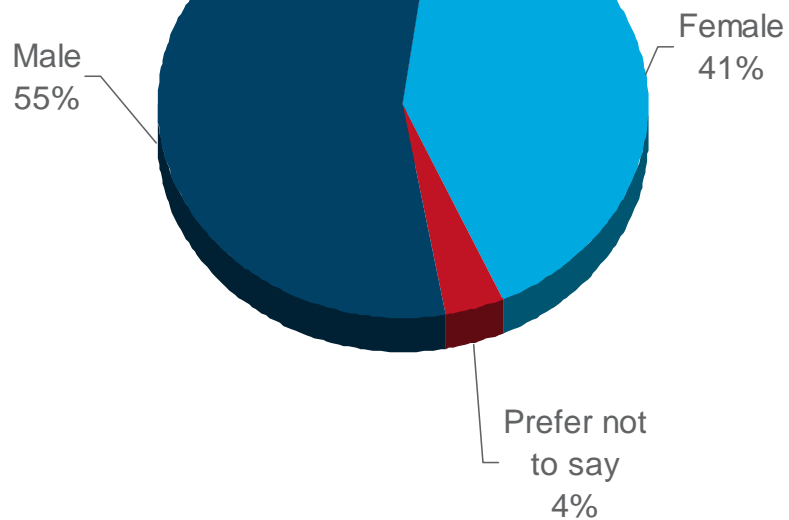
- Total n=651
- All screened to meet the following criteria:
 - Primary or joint responsibility for determining how their business keeps customer credit/debit card information secure
 - Less than \$10M in annual credit/debit card revenue
- Survey conducted by Applied Research and Consulting from October 26 – November 29, 2010



Respondent Characteristics

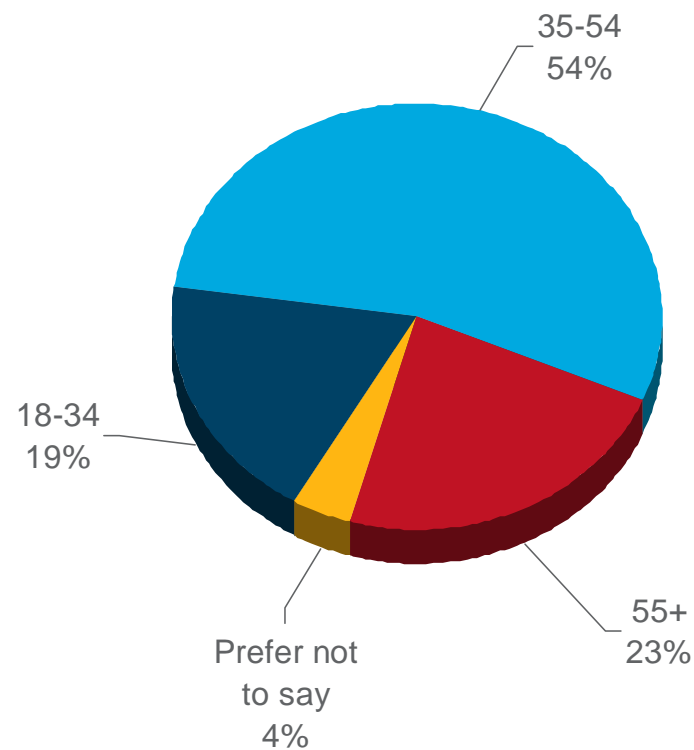
Respondent Characteristics

Gender



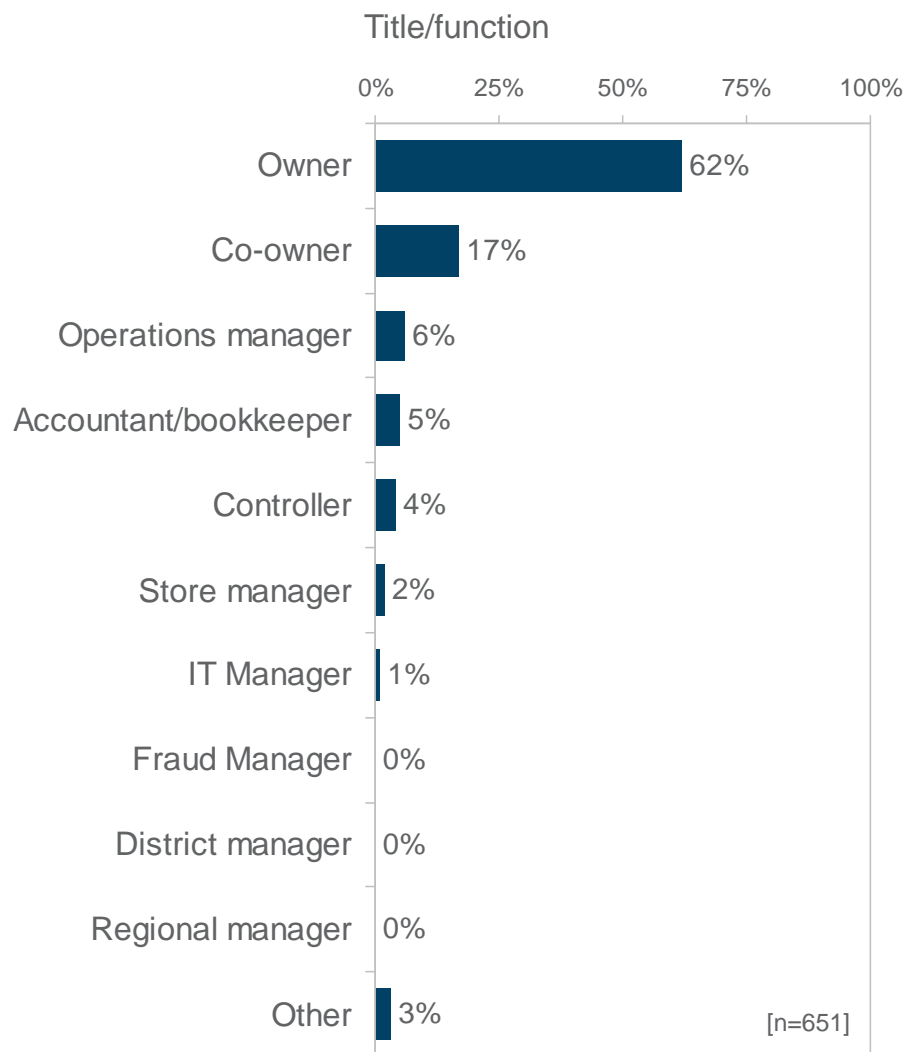
[n=651]

Age



[n=651]

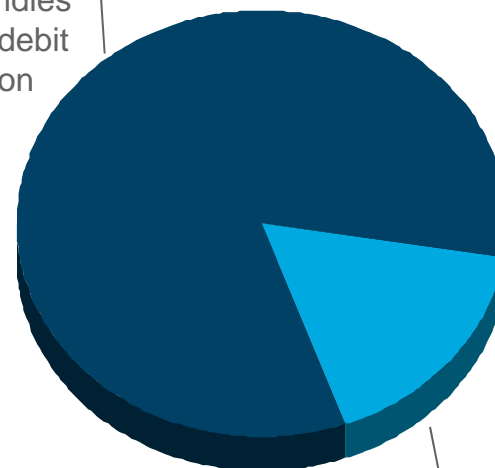
Respondent Characteristics



Which of the following best describes your role in determining how your business keeps customer credit/debit card information secure?

I am the person primarily responsible for determining how our business handles customer credit/debit card information

83%



I share the responsibility with others

17%

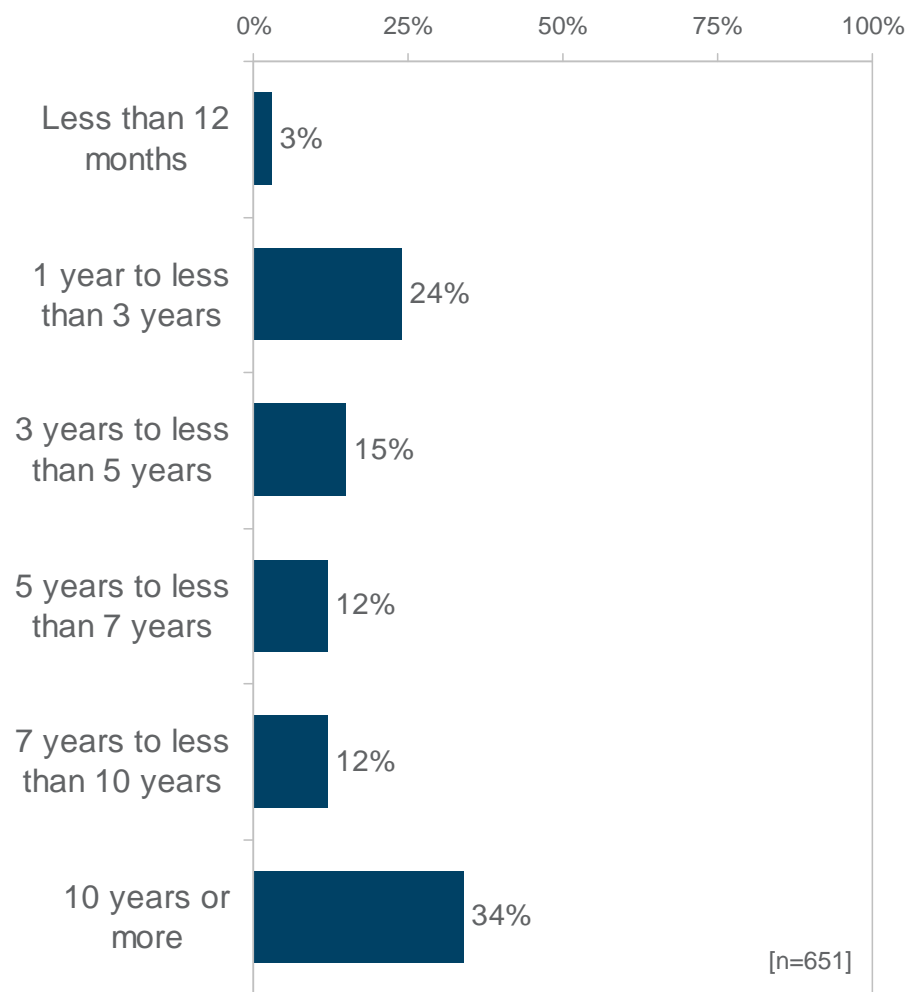
[n=651]



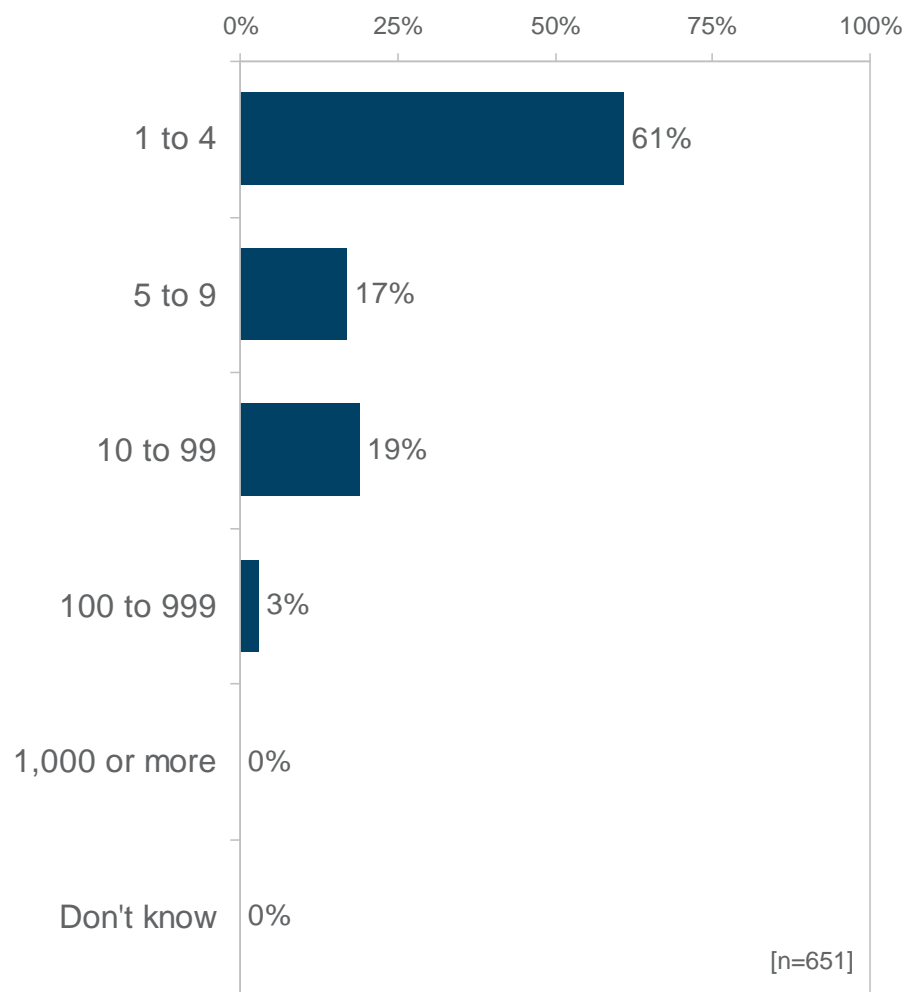
Business Characteristics

Business Characteristics

Age of company

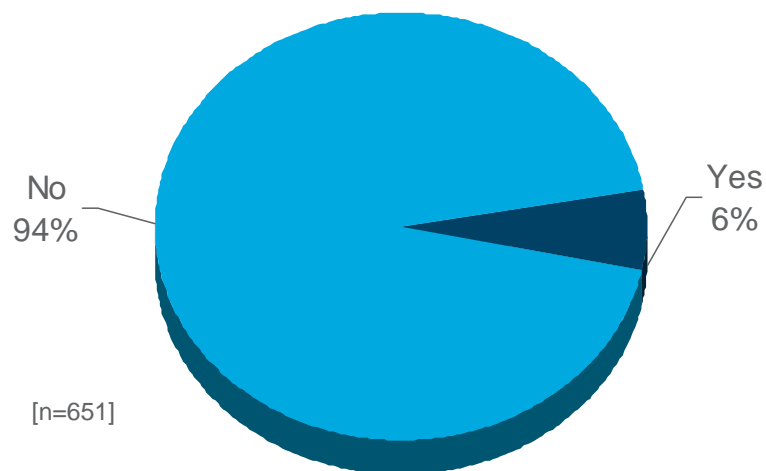


Number of employees

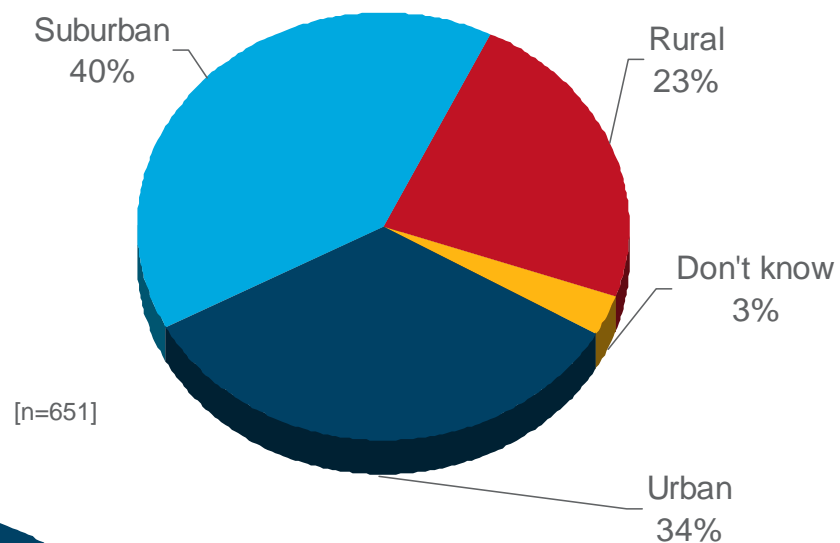


Business Characteristics

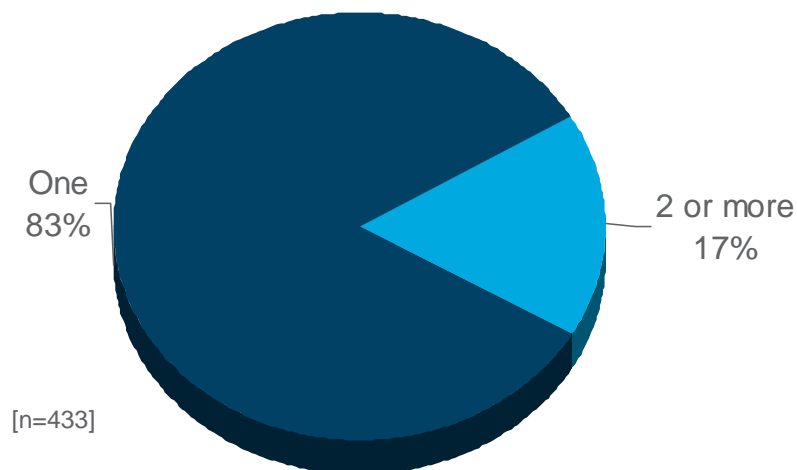
Is your business a franchise operation?



Which of the following best describes the area where your business is located?



Number of locations/stores (among merchants with in-person transactions)

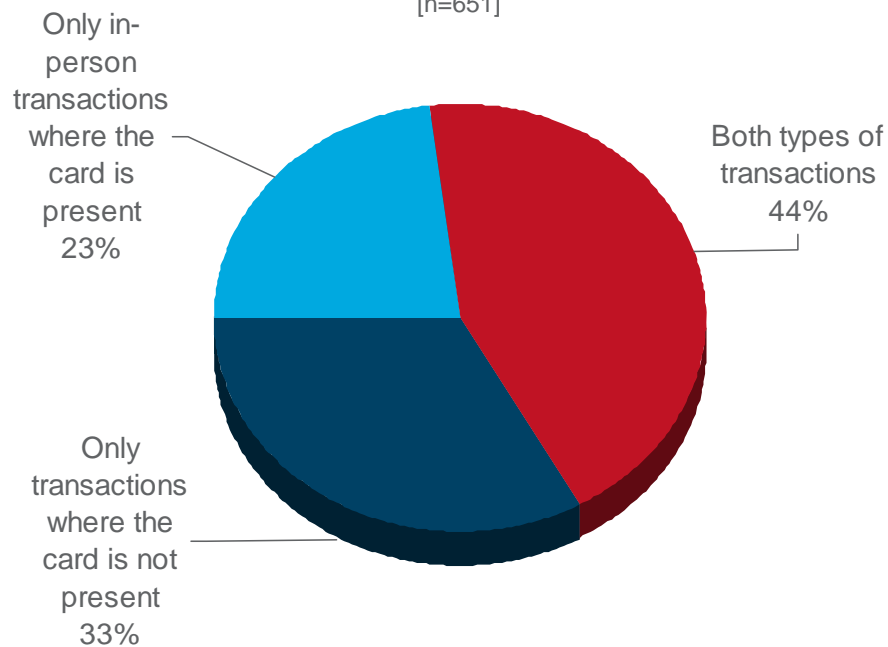


Types of Credit/Debit Card Transactions

- The plurality of respondents do both Card Not Present and In-person transactions

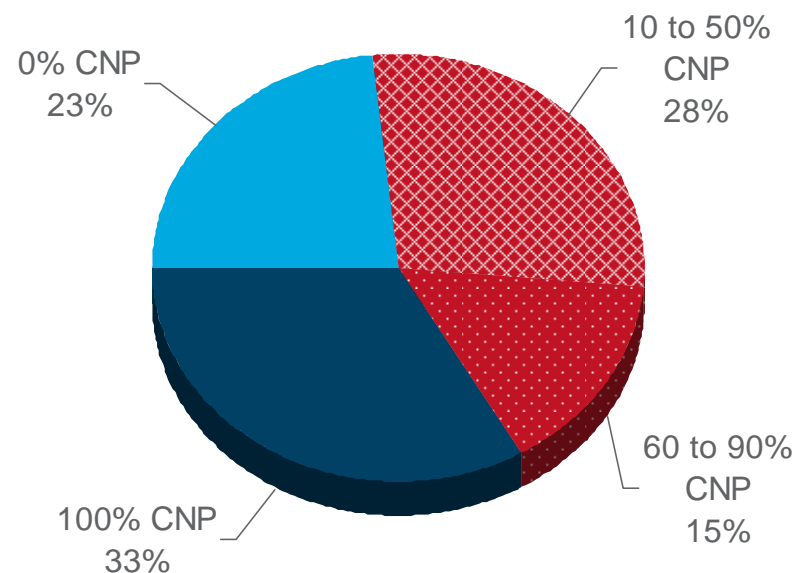
Which of the following best describes the types of credit/debit card transactions your business does?

[n=651]



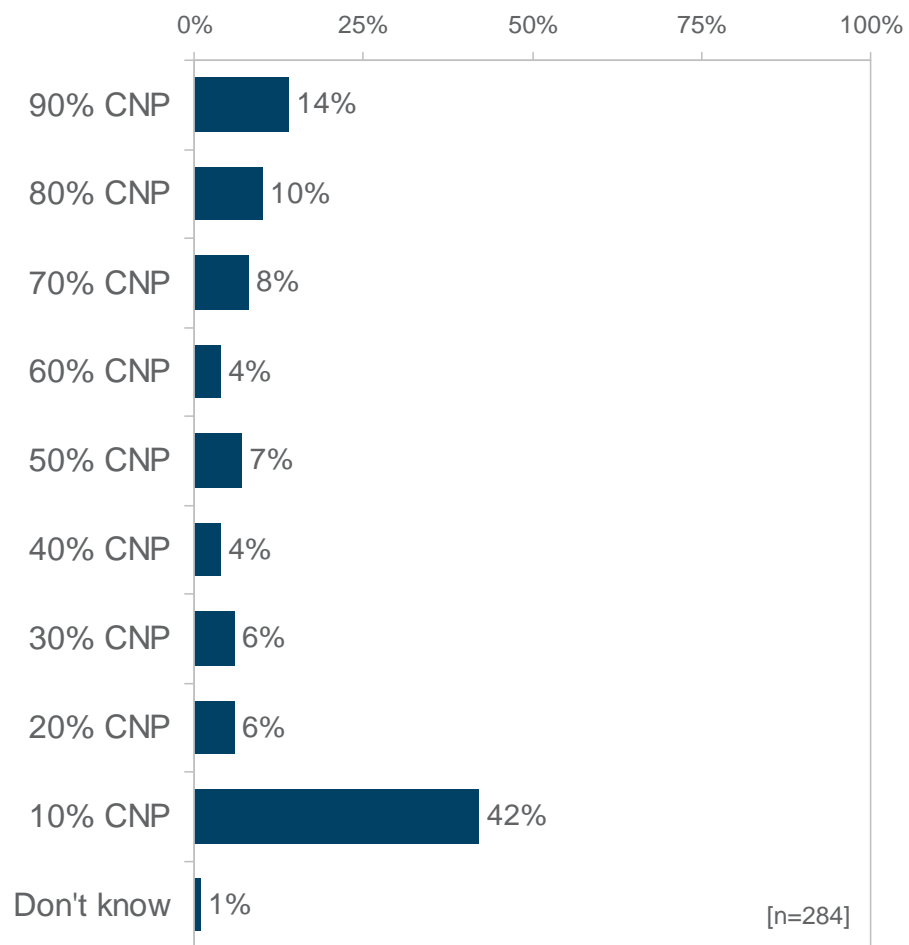
Percentage credit/debit card revenue from CNP transactions

[n=651]



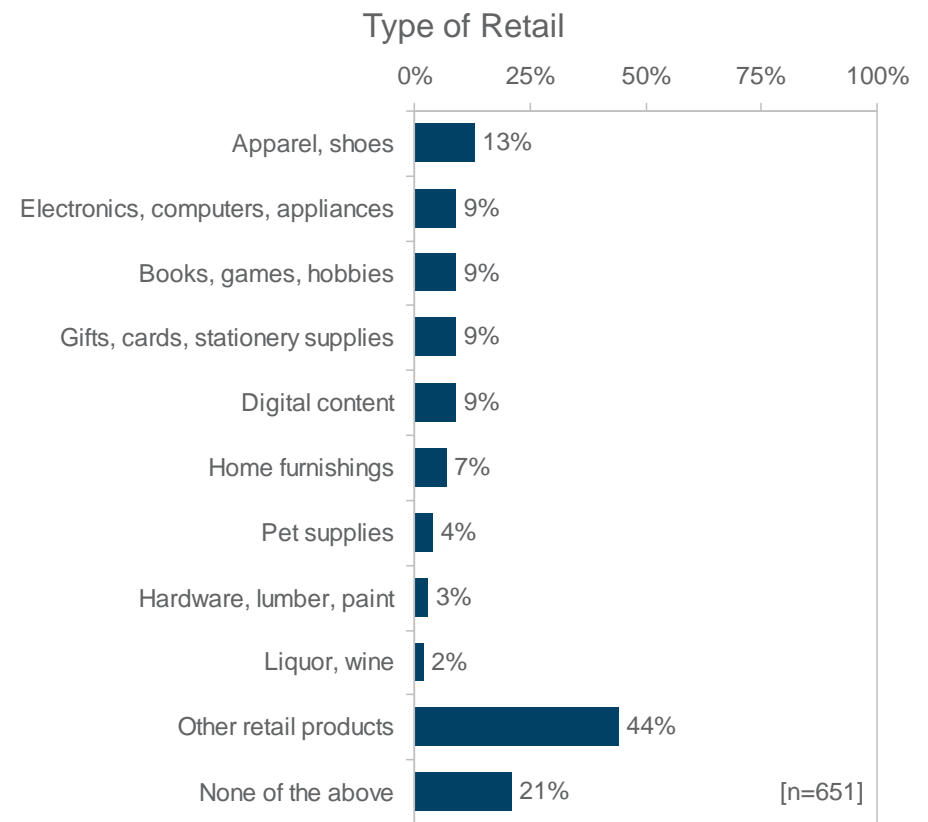
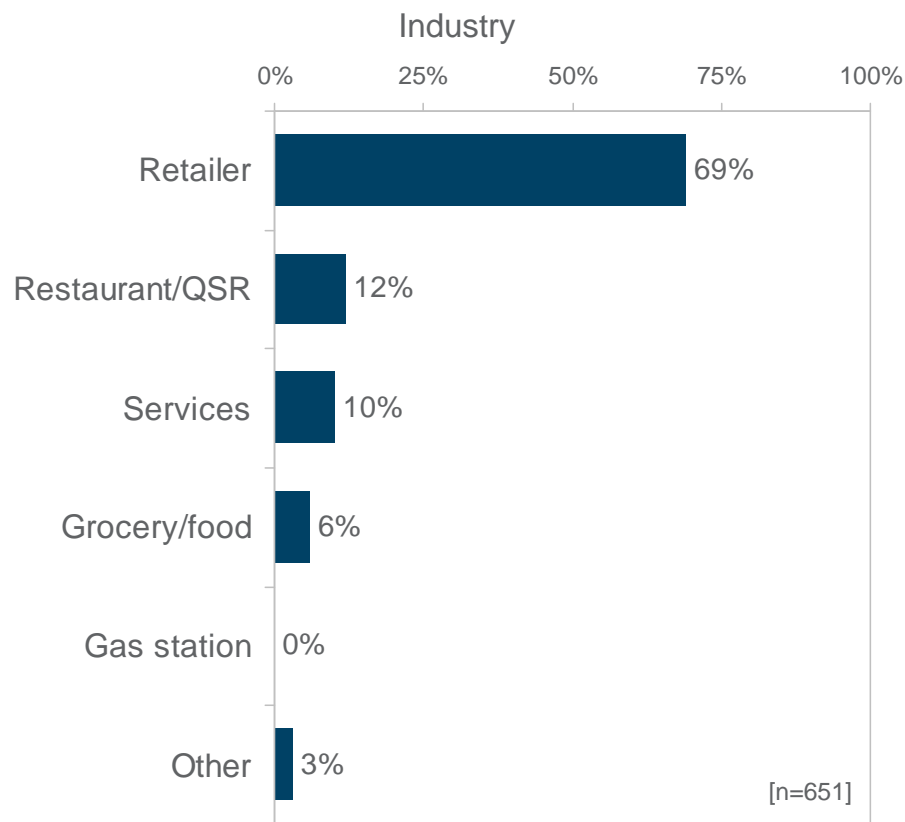
Business Characteristics

Percentage credit/debit card revenue from Card Not Present transactions (among merchants with both types)



Types of Businesses

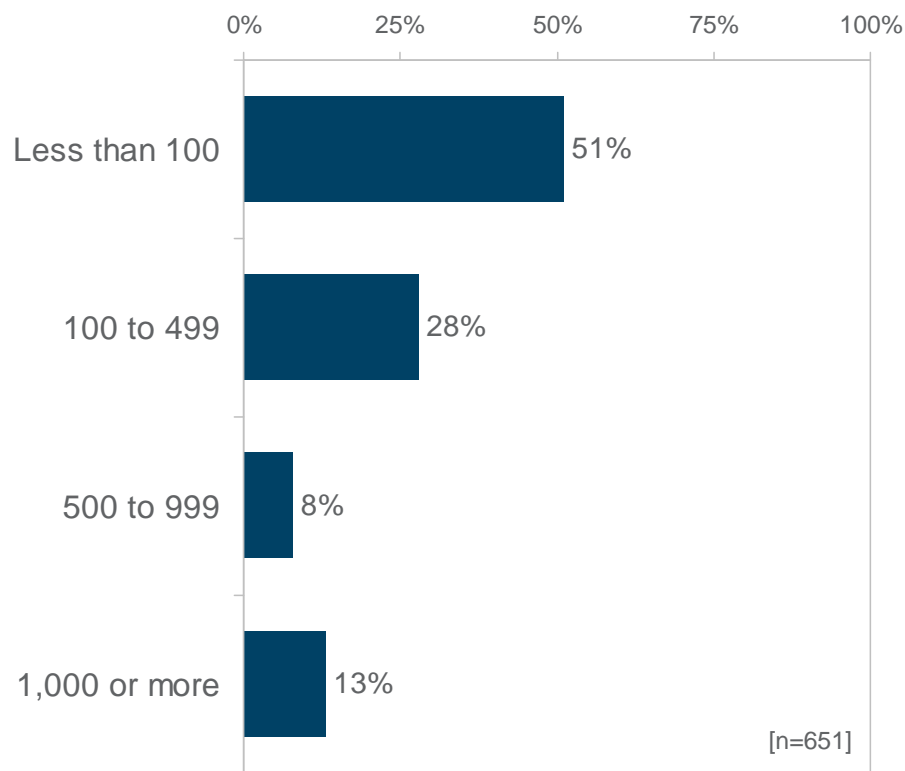
- Just over two-thirds of the sample are retailers, representing a diverse range of retail goods offered



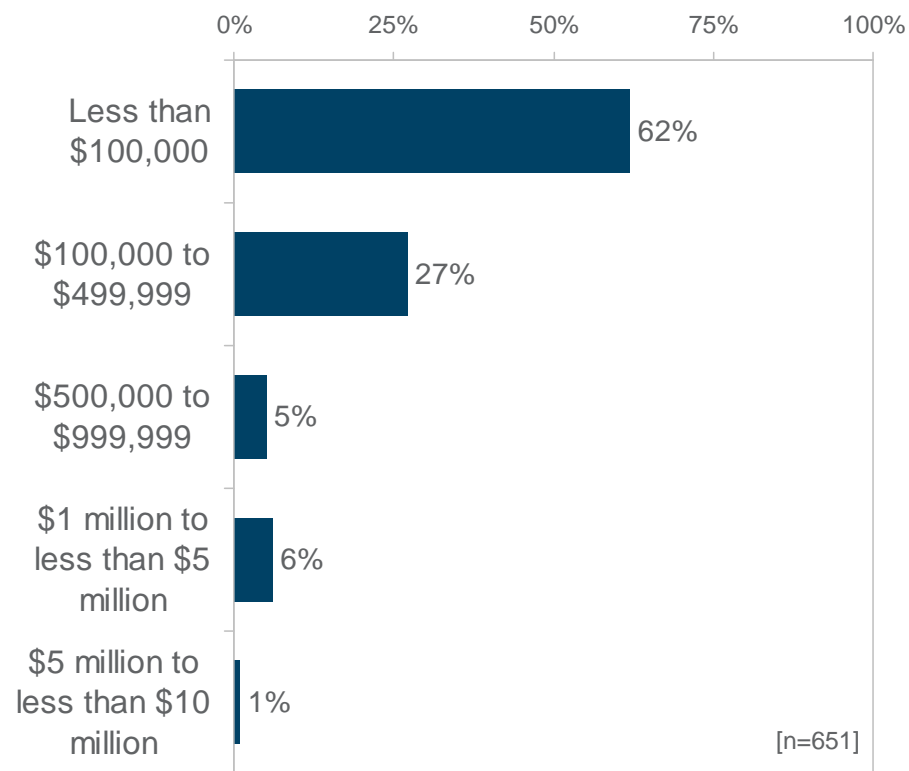
Credit/Debit Card Volume & Revenue

- The majority of respondents represent businesses with less than 100 card transactions per month, and less than \$100K in annual card sales

Monthly Credit/Debit Card Transactions



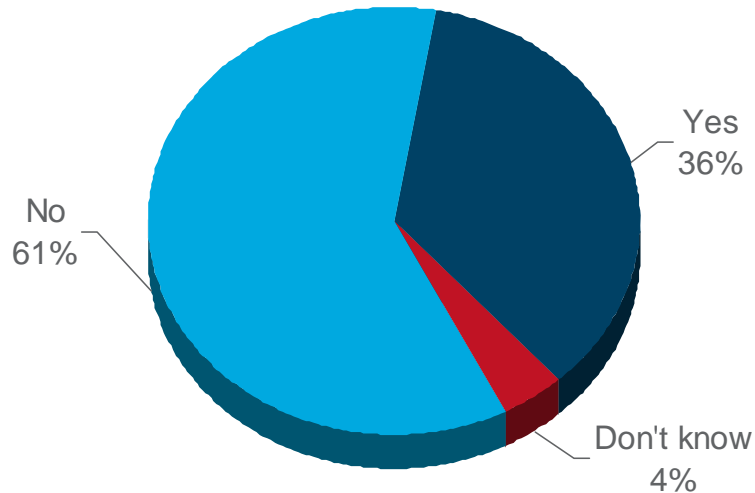
Annual Credit/Debit Card Sales



Electronic Storage of Card Data

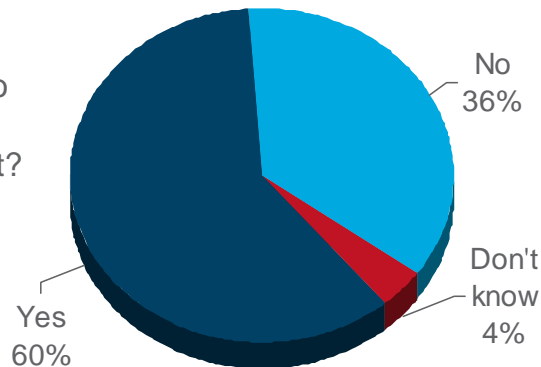
Does your business store customer credit/debit card data electronically?

[n=651]



Are the systems used to store customer data connected to the Internet?
(among respondents w/electronic card data storage)

[n=232]

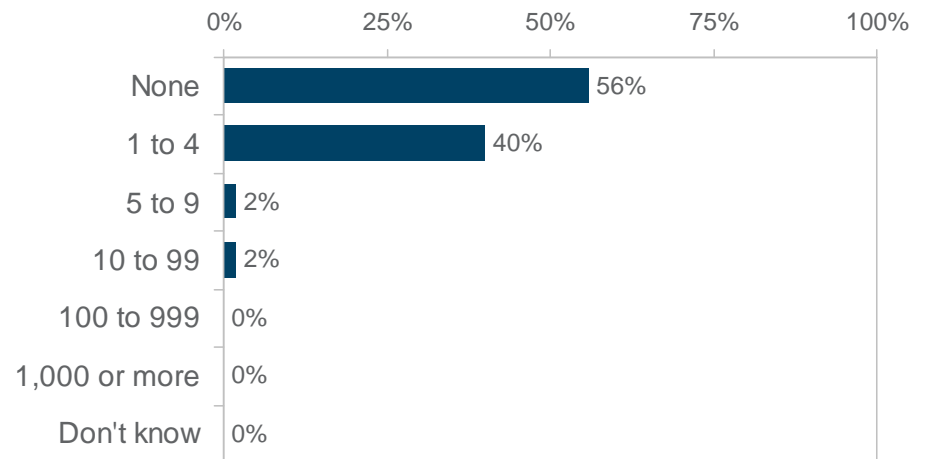


- Slightly more than one-third of respondents store customer card data electronically

- Among these, the majority are exposed to the Internet, but do not allow other employees to access the data

Other than yourself, how many employees have access to that data? (among respondents w/electronic card data storage)

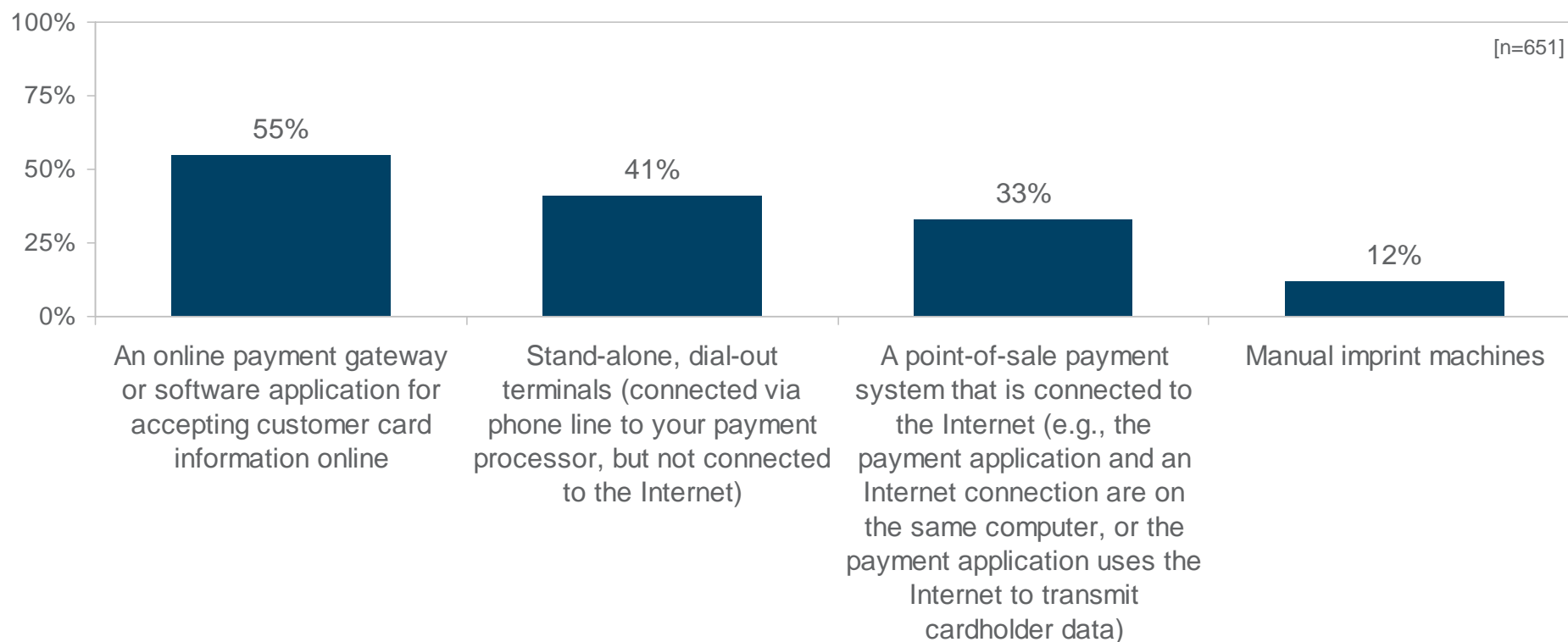
[n=232]



Payment Processing Methods

- Over half of all respondents use an online payment gateway
 - Manual imprint machines are rarely used

Which of the following types of credit/debit card payment processing methods does your business use?





Contact:
First Data
Sharon Brant
Director – Market Intelligence
Sharon.Brant@FirstData.com