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## Square aims to corner credit card market

BY MONICA CHEN, Correspondent

It's a simple one-inch square that's begun to appear in local boutiques, restaurants, street fairs and farmers' markets.

Square, appropriately named, is a lightweight credit card reader that plugs into iPhones, iPads and Androids, turning smartphones and tablets into mobile credit card machines.

Some Triangle merchants are switching to the device from traditional credit card machines, citing its low fees, pleasing design and convenience. The company charges a flat rate of 2.75 percent per transaction or \$275 a month, and customers sign with their fingers or with a stylus on a mobile application. The receipt is immediately sent as an email or text.

"I actually reject a lot of technology, but we use this because it's so simple," said April Chang, owner of PB Buttermilk's Clothery, a consignment shop in Durham. "There's no reason to have this giant card reader with this giant cube to swipe through. ... Whereas with Square, I have this iPad already."

Likewise, Ginna Earl, owner of Vespertine, a boutique in Carrboro, said it had cost her about \$500 to set up a traditional card reader that needed its own phone line, plus 7 to 8 percent per transaction and monthly fees. By contrast, the Square device was free and uses Wi-Fi.

"The first year I had it, I literally saved thousands of dollars in fees," Earl said.

There are 11,000 devices in the Triangle, according to Square, and the company has processed \$40 million in charges in the area to date.

But the new device and company, founded in 2009 by Twitter founder Jack Dorsey, aren't without flaws.

Merchants have filed 312 complaints on Square with the Better Business Bureau of San Francisco, where Square is headquartered. Of those, 299 have been closed.

The complaints center on two issues:



Closeup of the small Square credit card reader that plugs into iPhones, iPads and other bookkeeping technology that is saving small businesses such as Durham's P B Buttermilk's Clothery on 9th Street money on customer credit card fee transactions. hlynch@newsobserver.com

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P B Buttermilk's Clothery co-owner April Chang slides a credit card through the Square module atop her business iPad during business hours Thursday, Nov. 8, 2012. The new Square technology is helping small businesses such as Durham's P B Buttermilk's Clothery on 9th Street in Durham, NC to save money on credit card transaction fees.

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Square sometimes holds money for 30 to 60 days instead of the next-day deposit as it advertises; and the company does not provide customer service in a timely manner.

Chang and Earl said they have not encountered major problems with Square. As far as consumer security goes, there have not been major complaints with the device.

But at Francesca's Café in Durham, baristas are expressing frustration with Square. The device's dependence on wireless Internet means it's not as efficient when the café is loaded with customers on their laptops. And currently, unlike on paper receipts, the Square app's design does not allow customers to write in tips. For under \$10, customers have to choose between \$1, \$2 and \$3 for a tip.

Seaja Herfindahl, a barista at Francesca's, said many customers have been so dazzled by the technology, they've breezed right by the tips option.

"Since we've started to use it, tips have started to go way, way down," she said. "It's really frustrating for people like baristas, who depend on tips."

Other companies also have released mobile credit card readers, including Intuit and PayPal. Square is pushing for more widespread adoption by the general public with a partnership with Starbucks this fall. At Starbucks, customers will be able to pay with Square Wallet, its consumer-oriented app.

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