

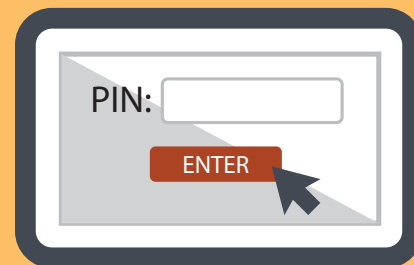
Key Success Factors for SNAP Online in Arizona

Spotlight on Technology

Access to affordable eCommerce solutions with integrated PIN-entry payment technology is a key success factor for the equitable expansion of SNAP online purchasing in Arizona. Qualifying SNAP Internet Retailers and their eCommerce platforms must meet complex system requirements including working with one of the USDA certified Third Party Processor (TPP) PIN-entry payment providers. The need for sophisticated eCommerce software and the additional TPP transaction fees create significant barriers to entry for small retailers. Furthermore, customized integration of fruit and vegetable incentive programs like Double Up Food Bucks Arizona (DUFBA) into eCommerce platforms is necessary to ensure access to affordable healthy food, which may mean further costs for technology development or added eCommerce features.¹ Overcoming these challenges by offsetting costs through funding or negotiating costs through collective buying will significantly streamline the SNAP payment process for customers and retailers, saving time and resources for both stakeholders. Expanding healthy internet grocery through SNAP online will also increase access to affordable healthy foods in Arizona by offering more home delivery and community pick-up options in USDA designated Low-Income Low-access Areas.²

Small retailers have access to **affordable eCommerce solutions** with PIN-entry payment technology

The USDA strongly recommends that retailers work with an eCommerce provider that has met all SNAP online system requirements, including the successful integration of one or more certified TPP PIN-entry payment systems. Ecommerce solutions popular among grocery stores and farmers markets that have met, or are working to meet, SNAP online requirements include Shopify, Freshop, and Local Express. Local Food Marketplace, which is popular among food hubs and farmers managing multiple sales channels in Arizona, is currently expanding to offer SNAP online purchasing. Direct-to-Consumer eCommerce providers: Farmigo, CSAware by Local Harvest, Fellow Farmer, GrownBy and WhatsGood, are also working to make SNAP online payments possible.



SNAP customers authorize benefit payments by entering their Personal Identification Number or PIN during online checkout. USDA is certifying a few TPPs to offer PIN-entry payment, severely limiting retailer options.

The limited availability of USDA certified TPP PIN-entry payment providers, and their high transaction fees, pose the most immediate barrier for small retailers. Fiserv PaySecure and FIS WorldPay are the only USDA certified PIN-entry providers as of late Winter 2022. These global payment technology companies are not designed with small retailers in mind. Novodia and Forage Technology Corporation are working to become USDA certified TPP PIN-entry payment providers and will hopefully provide more accessible and affordable options for small retailers. Considering that many small healthy food retailers pass on credit and debit transaction fees directly to their customers, even flat rate transaction fees of 2.9% may be too high for new retailers to roll into their cost of doing business. Transaction fees cannot be paid for with SNAP benefits.

MarketLink, a program of the National Association of Farmers Market Nutrition Programs (NAFMNP), was awarded \$3.7 million through the Consolidated Appropriations Act, 2021, to build out functionality, and provide assistance to direct market farmers and farmers' markets to accept SNAP benefits through online transactions. MarketLink's SNAP Online Project will launch Spring of 2022, providing retailers with direct marketing farmer SNAP permits access to one of four SNAP PIN-entry equipped eCommerce platforms for one

year free of charge. There is an important opportunity to provide similar financial support to SNAP permitted retailers that do not qualify for the MarketLink project such as delivery routes, non-profit buying cooperatives, retail stores, and online exclusive retailers (a SNAP permit that is currently in development).

The American Rescue Plan allocates up to \$25 million for USDA to establish new or expanded payment technology for both in-person SNAP EBT and SNAP online purchasing. Plans for how these funds will be implemented are currently being developed by the USDA. State and local funders can also provide access to eCommerce start-ups with SNAP PIN-entry for healthy food retailers, or help offset third-party transaction fees that cannot be covered by SNAP benefits in order to increase access to healthy internet grocery in Arizona. Collective purchasing strategies could be one way to negotiate TPP PIN-entry costs for healthy internet grocery. Operating a regional or statewide SNAP equipped "online marketplace" may be another way to provide small retailers with affordable access to SNAP online and incentive equipped eCommerce. Prioritizing EBT processors that offer affordable PIN-entry technology through the state contracts and bidding process is another potential strategy to explore.

¹ For a more detailed description of the technical requirements for SNAP online, as well as considerations for integrating fruit and vegetable incentives, please see the Technical Report at www.activatefoodaz.org/expanding-internet-grocery-snap-online

² For more on Low-Income Low-Access Areas, see www.ers.usda.gov/data-products/food-access-research-atlas