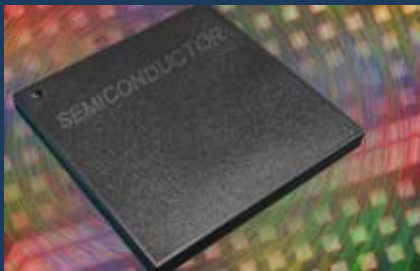


*what's next in connectivity*



**Outlook on the Retail  
Adoption of Contactless  
Payments**

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- **North American Contactless Payment Market Size Snapshot**
- **Retailers Increasingly “Touching” Contactless**
- **Who Benefits from Contactless**
- **A Simple Survey Question Yields Interesting Results**
- **Meanwhile, Last Night On Bankrate.com**
- **Is the US a Contactless Laggard?**
- **So, What is Needed in the US?**
- **Going Beyond the Card: Mobile Payments**
- **Questions?**

- Roughly 35-40 million contactless payment cards in the US to date
- Between 50-60 million card expected to be issued in US this year
- Fobs fizzle: AMEX discontinues form factor by July
- Estimated 400,000+ readers at 80,000 merchant locations to date
- More than 200,000 readers expected to be deployed this year
- Key environments include:
  - Quick Service Restaurants (QSRs)
  - Gas/Convenience Stores
  - Stadiums
  - Vending Machines
  - Theaters
  - Pharmacies
  - Groceries
  - Coffee shops

### North American Contactless Payment Systems Revenue

	<b>2007 (\$M)</b>	<b>2013 (\$M)</b>	<b>CAGR (07-13)</b>
Cards/ Fobs	\$39	\$208	32%
Readers	\$19	\$161	43%
Software	\$4	\$19	33%
Services	\$13	\$75	34%
<b>Total</b>	<b>\$75</b>	<b>\$463</b>	<b>36%</b>

**Retailers Supporting Contactless Payments****7-Eleven, Inc.****A & B Vending****ACE Hardware****AMC Theaters®****American Airlines Center****Arby's®****Arrowhead Stadium****AT&T Park****Boater's World Marine Centers®****BP****Braum's Ice Cream and Dairy  
Stores****Burritoville****Busch Stadium****Cadbury Schweppes Americas  
Beverages****Carl's Jr.®****Central Parking Corp.****CineMark USA****Citizens Bank Park****Clearview Cinemas****Coca-Cola Bottling Company  
United****Cold Stone Creamery®****CVS/pharmacy®****D'Agostino New York City****Dallas-Ft. Worth Airport****Dodger Stadium****Dolphin Stadium****Duane Reade****Eckerd****FedEx Field****Fenway Park****First Class Vending****Ford Field****Fry's****Giants Stadium****Glendale Arena****Good Times Burger****Great American Ballpark****Great-Plains Coca-Cola Bottling Co.****Jack in the Box®****Jacobs Field**

**Jason’s Deli****KFC****Lincoln Financial Field****Loews Cineplex****M&T Bank Stadium****McDonald’s®****Meijer Stores****Mid- Atlantic Vending****North County Vending****PETCO Park****Petro Canada****PGI Services****Philadelphia Coca-Cola Bottling Co****Philadelphia Parking Authority****Prom Catering****QuickChek****Qwest Field****Rabba Fine Foods****RaceTrac****Regal Entertainment Group****Ritz Camera****Sandbar Concessions****Shea Stadium****Sheetz****ShopRite****Smoothie King****Sodexo****Soldier Field****Sony Style****Spartan Stores****Subway®****STAPLES Center****Taco Bell****Tully’s Coffee****Turner Field****United Artist Theaters****United Center****University of Phoenix  
Stadium****U.S. Cellular Field****USA Technologies  
(vending)****Walgreens****Wawa****Wrigley Field****XCel Energy Center****Yankee Stadium****Source: Smartcard Alliance**

- **Retailer/Merchant Benefits:**
  - The sizzle of contactless is speed, particularly at high-volume, cash-driven locations such as movie theaters, fast-food vendors, sports venues and mass transit (25% faster than cash transaction)
  - Plays into merchant segments where there is high throughput and generally low-ticket transactions, given the current \$25 limit for contactless purchases
  - Enables an alternative form of payment for customers
  - Greater spend per transaction vs. cash
  - Fast-paced American lifestyle continuing to put pressure on retailers to serve customers more efficiently
  - One thing is certain: the "small ticket item" business is worth hundreds of billions of dollars in the US alone so it is not surprising that issuers, banks, and merchants are targeting the contactless opportunity
- **Consumer Benefits:**
  - Speeds up transactions at the point of sale
  - Eliminates need to have card leave possession/sight, helping to mitigate concerns over theft of information and skimming
  - Contactless store-branded cards could present additional benefits such as loyalty points, rewards, discounts, "card purpose duality" (serves as credit and member card), etc.

According to ABI Research's Consumer Survey....

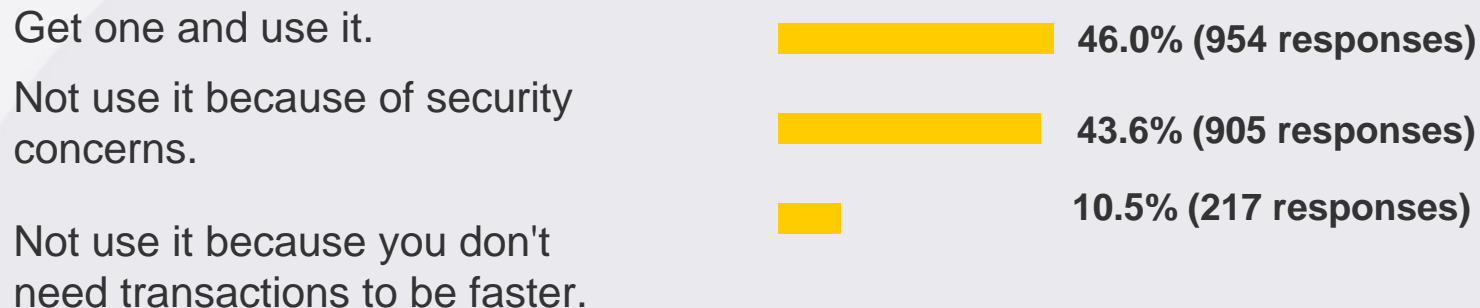
“How familiar are you with contactless payment credit cards?”

***Average Response Weightings by Age and Income***  
1,000+ US responses

Survey Respondent Age (1= Not Familiar; 5 = Very Familiar)				
18 to 29	30 to 39	40 to 49	50 to 59	All Respondents
1.48	2.20	2.00	1.98	1.69

Survey Respondent Income Categories (1= Not Familiar; 5 = Very Familiar)				
< \$25K	\$25K to <\$50K	\$50K to <\$75K	\$75K to <\$125K	\$125K+
2.01	1.97	2.06	2.00	1.91

**Bankrate.com asks readers, “Contactless cards are one of the fastest-growing segments of the payment industry. If you’re offered one, you will ...”**



**Source: Bankrate.com, latest results 5-13-08 as of 10:31 PM ET**

- Everyone points to how Korea, Japan and other Asian countries have embraced contactless and wonders why the US lags behind
  - It is difficult to compare the Asian markets with the US...
  - But compared with other payment systems, this has been the fastest rollout of a new payment technology in the US ever
  - Market estimates suggest that 3% of debit cards and 1% of credit cards are currently contactless
  - ABI Research's observation is that those numbers are likely to see a material increase in the next 12 months with the noticeable increase in contactless payment terminals in a wide array of convenience and retail locations
- In July 2007 the Federal Reserve said that purchases of \$15 or less do not require a receipt, let alone a signature
  - The rule change has ushered in a wave of vending machines and other automated payment systems that will support contactless in the US
- Major cities and regional markets seeing contactless first
  - If you don't live in New York, Connecticut, Denver, Atlanta or one of the other areas where card issuers have done pilot programs and roll outs, consumers probably have not used or do not have a contactless card yet
  - This dynamic will change with time

- The rather direct answer: More cards in field and more retailers on board
- While contactless payment and credit cards are becoming more popular, the problem is many consumers don't even know they have the cards
- Merchants need to see the business model and the benefits of spending money to upgrade to contactless
- Without merchants on board, the millions of consumers with contactless cards in consumer wallets can't really use the contactless feature
- Merchants/retailers that have contactless readers need to better train their staff to know how the technology works and what messages to convey

- Security does not need to be a dirty word in contactless
  - “Embrace and Erase” the security concerns, do not run from them
- What’s missing is more marketing and customer awareness of contactless and its benefits
  - Example: Visa launched a Visa payWave Consumer Awareness Campaign in April 2007
- Marketing and messaging **MUST** be a joint effort among:
  - Card Issuers
  - Banks
  - Retailer/Merchants
  - Industry Associations (i.e., Smartcard Alliance, NRF)
  - Media
- Increasing consumer awareness of the technological, safety, and convenience factors inherent in smart cards will only serve to make penetrating the consumer market much easier in the coming years

- The convergence of contactless payment with mobile technology is something which cannot be ignored
  - Enter Near-Field Communication (NFC) and mobile payments
- Much of the work on developing a standard application platform across NFC handsets has been geared at providing a platform capable of supporting and managing multiple payment accounts from any number of credit and debit card issuers
- ABI Research's "Mobile and Contactless Payments" survey reveals that consumers today would prefer a single account that is easy to manage on the handset
  - This provides a heads-up to existing credit and debit card suppliers that new or separate products may be required to keep customers as they move to mobile payments

**Thank you!**  
**Questions?**