



## ***Contactless Payment Card Best Practices: Living within Constraints***

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# ***Large scale contactless payment issuance continues to elude us.***

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- Large scale contactless payment issuance continues to elude us – Issuers, Merchants and Consumers
- Associations push huge events like FIFA, Olympics
- Issuers push local events
- Processor technology demonstrations
- We think up new ways to widen the acceptance footprint - unattended vending, nutrition kiosks, satellite POS in supermarket prepared foods section

# *But economics remain the major challenge*

- Issuers:
  - 10% of contactless cards used as contactless payments
  - Average transaction is < \$20
  - Contactless card costs are 6X over plastic, \$1.25 v. \$ 0.\$20
- Merchants:
  - Contactless interchange slightly higher than magstripe-based payments
- Associations:
  - The disconnect between contactless transactions and network rules, i.e. signature-less transactions
- Given low usage rates, cannot afford to "over-market"
  - Cardholder education through targeted campaigns have not worked
  - Must use existing communications resources, i.e. card carrier, statements and online

# *That, and finding the elusive Consumer Value Proposition*

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- "Cool factor"
- Modest speed improvement over typical POS interaction
- Multiple cards on a US contactless card still in early days
- Transit systems not accepting open loop contactless payments
- "Cool enough?" or this just a technology attempt to drive transaction volume or true convenience for the consumer?

# ***Successful contactless card programs require careful program management***

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- Depending upon the complexity, contactless program roll-out period is 9 to 18 months long
- Planning should be the longest phase
- Development steps are reasonably well understood
- Pilot and Test discovers the "gotchas"
- Scale up to general availability

# *Planning should be the longest*

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- Many possible goals
  - Enhance brand with "cool factor"
  - Build brand awareness and loyalty
    - Gain real estate on a key chain?
    - Grab real estate on the consumer's mobile phone via a sticker?
  - Drive new customer acquisition
  - Increase current customer spend
  - Target a specific demographic
  - Improve customer experience
    - Line busting
    - Upsell the cardholder

## *Development steps are well understood*

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- Always long the first time
- Development of subsequent general purpose credit card programs is very fast
- New niche focused programs take longer
  - The learning curve for the program manager
  - Beyond payments to include loyalty and customer experience management
  - What's the integration level required?

# *Pilot and Test discovers the "gotchas"*

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- 2 - 4 months
- Not the time to re-prioritize the goals

# *Scale up to general availability*

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- 3 - 6 months
- And hopefully the planning process reduced the need for program changes

# *General Credit Card Issuance: Stair Stepping Deployment*

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# *Lessons Learned*

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- Leverage card association go-to-market recommendations
- Program complexity is NOT the issue
  - Processors ready for contactless
  - Chip personalization well understood
- But blanket issuance to cardholders is a non-starter
- Contactless credit cards are not a candidate for stand-alone marketing campaign
  - Aggressive, i.e. costly, programs to drive contactless usage do not drive activation and usage sufficiently to justify cost

# *A Modeled Approach*

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- A thorough planning process is required to get to the real goals of the program, i.e. spend, loyalty
- Target Recipients
  - Geography
  - Spend
  - MCCs, i.e. QSR, C-Stores, Transit
- Will skew to younger demographic
- Leverage Merchant Co-Branding
  - Merchant with strong contactless acceptance
  - Subset Cardholders by Spend and Activity

# *#1 - Leverage the Re-issuance Cycle*

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- Minimizing the incremental cost of card is the best avenue
- 6X card cost = 6X activation and usage?

# *Merchants and Niche Strategies*

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# *Niche Focused Strategies*

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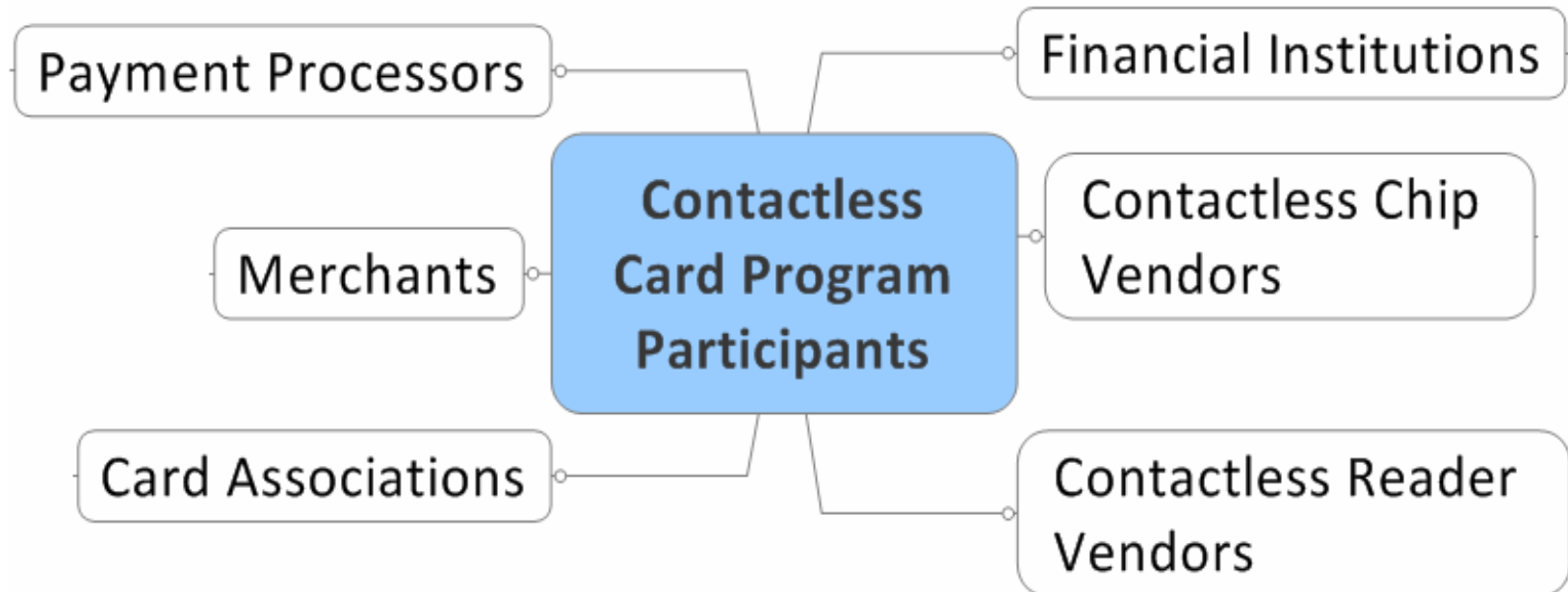
- Merchant programs can have many purposes
  - Branding
    - Real estate on a key chain?
    - Your brand on a mobile phone via a sticker?
  - Rewards and loyalty program support
  - Drive new customer acquisition
  - Increase current customer spend
  - Target a specific demographic
  - Improve customer experience, i.e. line busting, ordering

# *Merchant-driven contactless card and prepaid card programs have multiple similarities*

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- Comparatively small volume
- Address very specific business goals
- Well defined target markets
- Programs that change frequently
- Flexibility is a program requirement and a difficult attribute to accommodate
- Many variables to accommodate:
  - Merchant categories
  - Merchant POS systems
  - Enterprise integration challenges
  - Existing loyalty and rewards programs
  - Long-term processor contracts

# Contactless Program Managers Have Yet to Emerge to Coordinate the Crowd

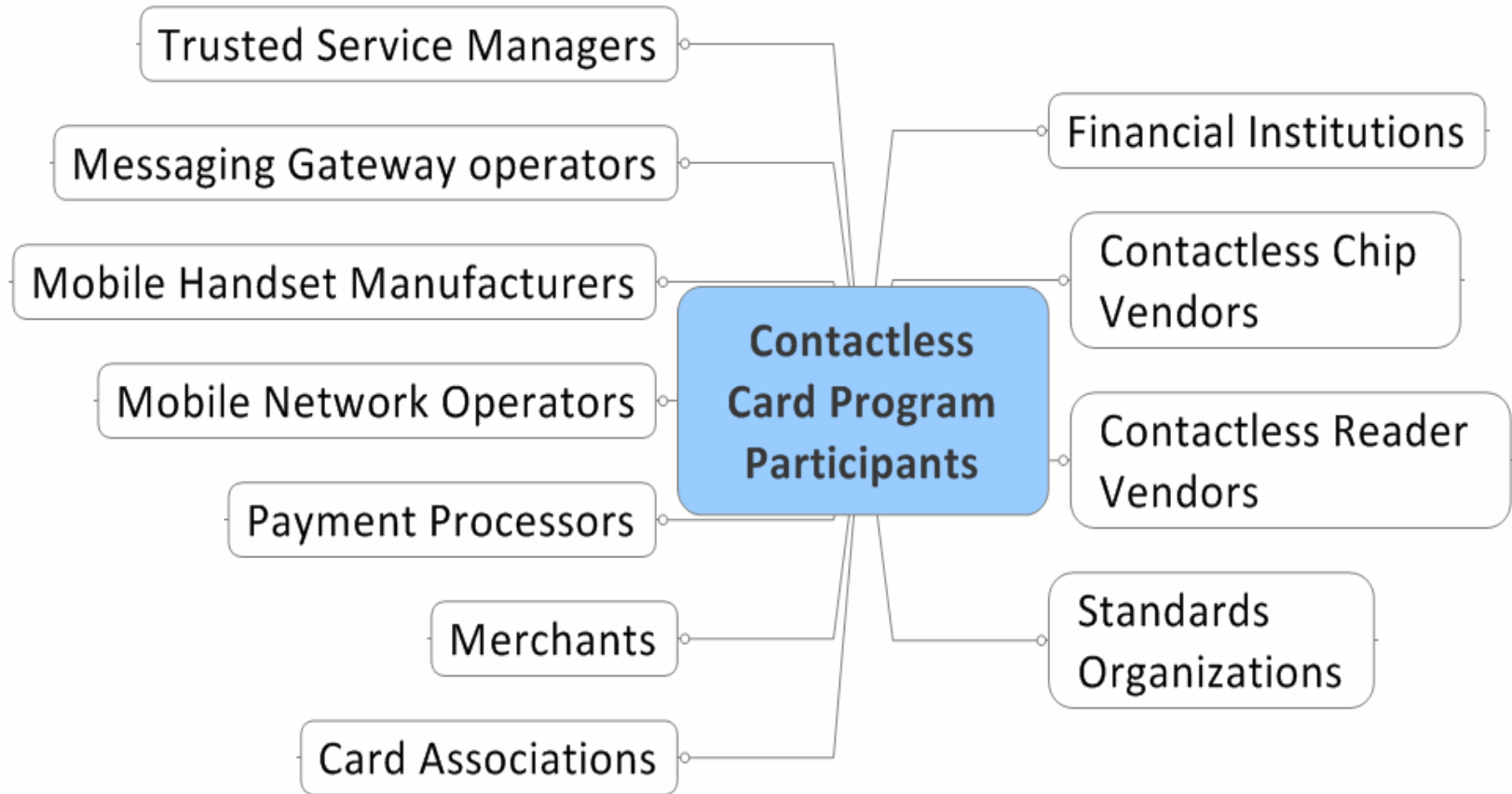


# *Ready expertise for contactless deployment is not abundant*

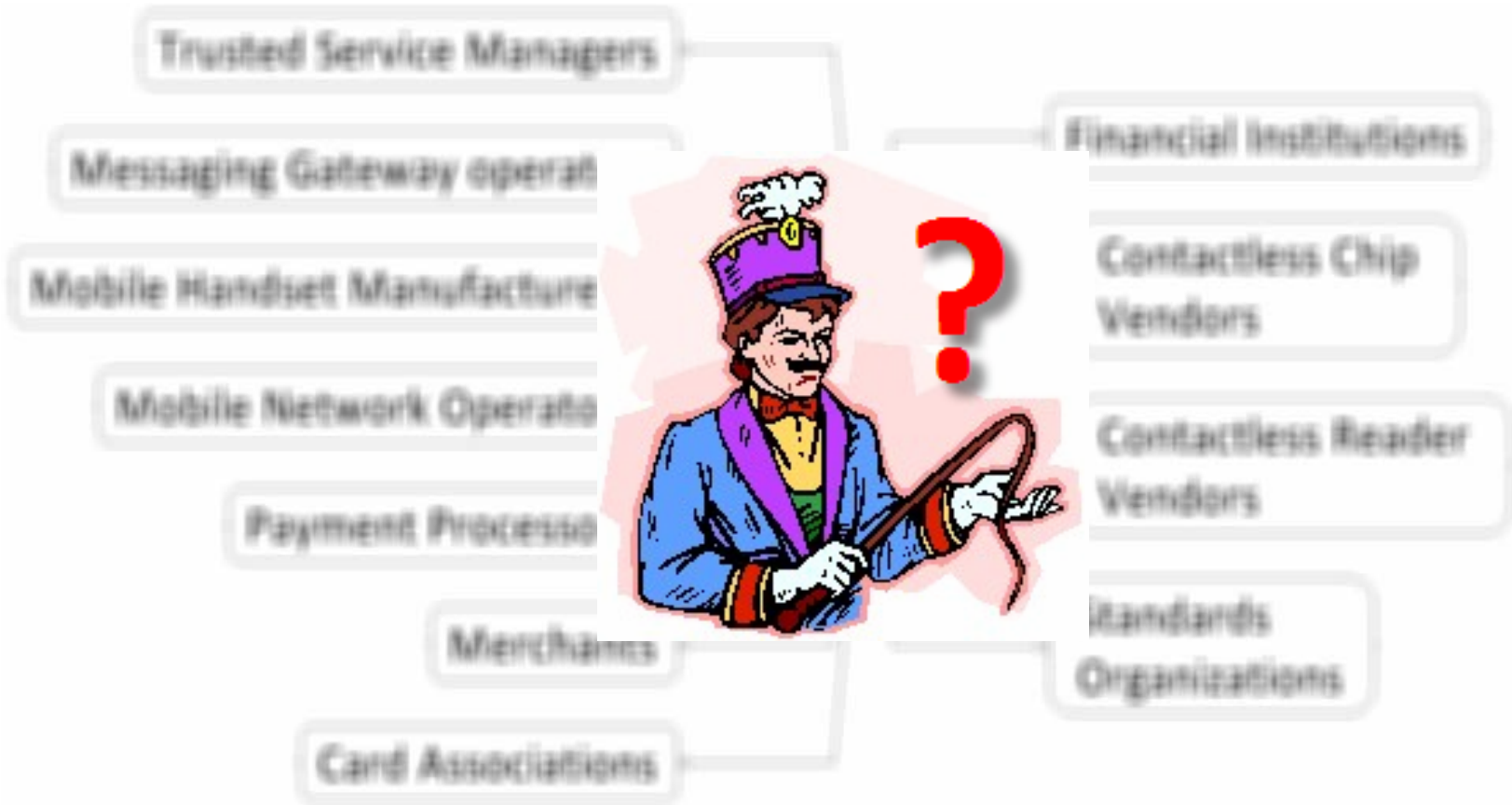
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- Given the modest roll-outs to date, the contactless supply chain is fragmented and deployment expertise is not widely available
- Conflicting business goals – scale vs. solutions
- Processor infrastructure is built for volume, not program flexibility
- Systems integrators have not caught on to the small scale opportunity

# *Now Add NFC: 10X the Complexity, 10x the Opportunity*



# Now Add NFC: 10X the Complexity, 10x the Opportunity



# Contactless is the training ground for NFC deployments



Your C-Store  
Logo Here



# *Going Forward – Waiting for Mobile?*

- Waiting for the mobile business model battle to begin in earnest?
  - Some financial institutions are using the coming NFC Age, and today's confusion, to justify a pause in card issuance
  - Which subset of the m-payments ecosystem will move first?
- Smartphones (software-only) and mobile + NFC represent alternative technologies of interest to everyone



*Thank you!*

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