

# Less Contact, More Engagement: How Contactless Cards Can Lead to More Transactions and Greater Engagement

Global adoption of contactless payments has soared, accelerated by the security, convenience, and economic gains for customers and card issuers alike. Research shows contactless technology leads to increased card usage and decreased dependence on cash, offering issuers lower operating costs and new avenues of engagement and revenue.

While many Americans are still getting accustomed to inserting their EMV<sup>®</sup> chip cards into the reader, leading U.S. financial institutions are pushing ahead with contactless payment options. Contactless payments have already taken hold globally, and forward-thinking U.S. financial institutions can leverage the economic and strategic benefits that contactless cards represent.

More than half of Fiserv clients surveyed in the 2017 Contactless Cards Survey Report conducted by Fiserv indicated they were interested in learning more about contactless and Near Field Communication (NFC)-enabled technology (such as contactless cards and mobile phone payment options). However, their curiosity has been curbed by uncertainty about issuance costs and lower merchant acceptance in the U.S. With support from an expert partner, card issuers can navigate the ever-changing purchasing landscape, improve customer engagement and drive business performance.

## Contactless Means No Dipping, Swiping or Waiting

Contactless payments don't require physical contact between the point-of-sale (POS) terminal and the payment device, which could be a dual-interface EMV chip card, a wearable device or mobile wallet. They are quickly gaining traction among consumers based on their speed and convenience, but industry experts such as the Smart Card Alliance, assert that card issuers are the ones who will truly benefit.

Among the touted benefits, contactless cards offer convenience, reduced fraud, greater engagement, and an opportunity to increase transaction and payment volume as consumers migrate from cash to contactless.

Contactless card issuers stand to gain:

**Speed.** Although EMV cards offer increased security, they also slow transaction times. Contactless transactions are faster and customers can return their cards to their wallets or purses without waiting for a transaction to be completed.

**Security.** Contactless cards offer the same strong security provided by EMV cards as a result of the one-time code produced each time the card is used in a transaction.

**Convenience.** Contactless cards are ideal for small purchases like coffee or lunch, and when people are on the move, such as through transit turnstiles. Top-tier food and grocery, drugstore and quick-service restaurants are already implementing contactless payment systems, as are large transit authorities in many cities including Chicago, New York and Boston. In addition, contactless terminals create a consistent (and foolproof) checkout process across devices (cards, mobile wallets and wearables).

**Cash-to-Card Migration.** Cash is still used for one-third of transactions in the U.S. Per the Nilson Report published in 2017, U.S. consumers use cash for 50 billion transactions per year, representing a \$1.6 trillion consumer spend.

Markets with higher contactless adoption, such as Europe, have also had greater cash-to-card migration. According to A.T. Kearney's 2018 report on why U.S. banks should make contactless cards a priority, the authors predicted U.S. banks could generate an estimated \$2.4 billion in incremental card-related earnings over the next five years by introducing contactless cards, which can accelerate the migration of cash transactions to card payments.

**Customer Engagement.** The cash-to-card migration not only represents an opportunity to boost the bottom line but it's also a way to improve customer service and therefore loyalty and brand recognition – and create greater customer engagement. Globally, card issuers have seen rapid contactless adoption and customers have sought out financial institutions that offer dual-interface cards.

### **A Rapidly Changing Market**

The economic gains, along with the added benefits of strengthened market leadership, increased loyalty and market share increases are accelerating U.S. contactless rollouts.

A study from Juniper Research called "POS and mPOS Terminals 2017-2022" found that more than half (53 percent) of global transactions at POS will be contactless within five years, compared with just 15 percent in 2018. The same study predicted that adoption in the U.S. will rise sharply, increasing from less than 2 percent of transactions in 2018 to 34 percent by 2022. In fact, in many markets, POS terminals must be contactless-enabled by 2020. Adoption isn't a future-tense happening – it is already well underway.

### **Is Hesitation Warranted?**

Although adoption has soared in Europe and other strong global markets, some U.S. financial institutions are taking a wait-and-see approach to contactless. Some card issuers are wary about rolling out another new payment method, citing fears of low merchant acceptance and the potential cost of contactless card issuance. However, the research continually points to contactless as a unique opportunity to make both economic and consumer loyalty gains.

Industry experts expect the U.S. banking industry to begin widespread commitment to contactless in 2018. According to Visa® and Mastercard®, 70 percent of merchant locations were capable of contactless transactions as of fall 2017 and more than 95 percent of new POS terminals shipped in 2017 were contactless capable. Thus, the market is primed for financial institutions to implement and benefit from contactless payments.

### **How to Harness Contactless Benefits**

To move forward, financial institutions need to focus on the development and launch of contactless programs, leveraging best practices and lessons learned from successful rollouts and high adoption rates around the globe. A trusted and knowledgeable partner can guide financial institutions, ensuring a contactless implementation that captures the potential economic and strategic benefits of this advanced payment technology.

## About the Author

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Jamie Topolski is director of product strategy at Fiserv. Prior to joining Fiserv, he worked for major credit card and financial service companies for nearly 20 years, where he developed merchant strategies, EMV programs and corporate card products. Jamie participates in the U.S. Payments Forum and the Secure Technology Alliance Payments Council.

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