

ARTICLE

What's Next for Cards:

Contactless Cards, From Novelty to Essential Capability in Six Weeks



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The world is reconsidering how we do things. Over the course of a few short weeks, new realities have reshaped our thinking. We have suddenly become acutely aware of the spread of viruses, and the role that contact plays in their spread. As a result, demand for technologies that eliminate the risk and alleviate the fears of consumers and merchants is skyrocketing.

About 38% of consumers now view contactless as a basic need or feature of payments — *up from 30% a year ago.*¹

It's far too early to understand all the long-term effects social distancing, in-home sheltering, and a closed economy will have on consumer lifestyle and behavior. Nonetheless, the recent surge in contactless payments will not reverse as the pandemic fears subside. There is quick and tangible evidence that contactless payment capability powers a better customer experience. It is faster, easier and more convenient in addition to the obvious safety benefit of avoiding contact with common surfaces — *like cash and payment terminals.*

Experts estimate about **65%** of U.S. merchant locations *accept contactless payments.*²

What the payment industry needed to drive adoption was trial. It needed consumers to try it once, and those benefits would present themselves.

The pandemic sparked that trial and is quickly turning consumers into adopters of this better payment experience.

Contactless Card Technology Has Now Fully Emerged

While still considered an emerging technology by some, contactless, or tap-and-go, credit and debit cards currently comprise more than half of all payment cards issued in the world.

Millions of consumers enjoy the speed and convenience of contactless payment technology for everyday purchases.

Start Offering Contactless Now to Stay Ahead of a Flattening Curve

Consumers want it. Merchants support it. And no longer can issuers afford the luxury of time. Keeping your card top-of-wallet with cardholders means staying ahead of a flattening curve. The good news is, as a result of the U.S. EMV® Liability Shift of 2015, you probably already issue chip-enabled cards, which means you are halfway to offering customers the security and convenience of dual-interface.

Consumers Demand the Freedom of Choice

Dual-interface cards offer consumers the choice of payment technologies — contact (EMV chip) and contactless (tap-and-go antenna). The flexibility of payment

options is one of many reasons why dual-interface cards are widely considered the base card payment technology moving forward. Here are a few more of the combined benefits of dual-interface cards:

They're secure. The contactless technology of dual-interface offers the same protection as a contact-only EMV card. Making them more secure than a magstripe card or cash.

They're just plain fast. Contactless transactions average 15 seconds or less. The reality is we live in a fast-paced, Amazon®-effect world. Time is precious; lines and waiting are unacceptable. In order to keep up, you must offer your customers a payment option that lets them tap and go.

They're easier than cash. Ease of use could be a large contributing factor for adoption, particularly for transactions under \$25, of which 80 percent are currently made with cash.⁴

The World Health Organization (WHO) *recommends consumers use contactless payments* whenever possible to help reduce the risk of spreading the coronavirus.³

They put the cardholder in control.

Contactless payments allow a cardholder to complete a transaction while maintaining possession of their card and without touching the point-of-sale device.

Consumers love their cards. For many of your customers, it's about time for first-gen chip card replacement. What better way to replace outdated technology than with state-of-the-art dual-interface technology that delivers a better cardholder experience that pays off for customers every day.

Contactless cards offer many benefits to your institution, as well. Industry research shows cards that contain both the chip and antenna grow interchange revenue, increase average card spending, support top-of-wallet status, and increase the potential to convert traditional low-cost, on-the-go cash purchases to cards.

Historically, technology has been a key driver of human behavior — interestingly, this time, it's the other way around.

Consumer demand for contactless payments is increasing. It's exciting just to be a part of it. It's making lives better, easier, more secure and safer. It's putting power into consumers' hands and peace into their minds. All this makes delivering a complete card program more critical than ever.

Let's continue the important discussion about making the move to dual-interface cards for your customers.

Nicole Machado is the Executive Director of Card Services for Harland Clarke. Nicole is responsible for the overall strategy and operations of Harland Clarke's card business, which includes card manufacturing, central issuance, instant issue, and prepaid solutions.



¹ "Impact of COVID-19 on Contactless Payments," The Futurist Group, May 2020

² Fitzgerald, Kate, "Coronavirus brings lessons to retailers, issuers about contactless payments," PaymentsSource, April 15, 2020

³ Gardner, Bill, "Dirty banknotes may be spreading the coronavirus, WHO suggests," The Telegraph, March 2, 2020

⁴ PR Newswire, "Checkout Turbulence: Ingenico and FreedomPay Study Reveals Shoppers' Frustrations and Desires at the Point of Sale," January 2020



Find out how innovative card solutions from Harland Clarke can help you meet the growing demand for contactless card technology from consumers and merchants.

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