

CONTACTLESS DEPLOYMENT GUIDE





On the road to contactless success

Dear reader,

The guide you now hold in your hand is the result of a series of in-depth interviews conducted with key stakeholders at financial institutions that have issued contactless payment cards. By sharing ours and their combined market insights we aim to help your bank succeed with your upcoming contactless deployment. Furthermore, if you've already rolled out, this guide will provide useful hints to assist you in taking the next step.

As you may know, Gemalto has contributed to contactless payment deployments since the technology first appeared. From early pilots to large-scale rollouts, we have accompanied over 60 financial institutions in more than 30 countries with their contactless programs.

Throughout this guide you will find quotes from our key customers, all with their unique experiences of contactless payments. With respect to these customers' competitive edge, we have chosen not to disclose their identities. We do, however, share information concerning their positions and departments within the bank.

We hope you will consider this a helpful step-by-step guide towards a more successful contactless payment deployment. It is a workbook, designed to help you start asking the right questions, make the correct choices, and allocate the resources and time necessary for success.

I wish you pleasant reading and many contactless successes.

Philippe Cambriel,
EVP Gemalto Secure Transactions Business Unit

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Throughout this guide
you will come across
quotes presented in
bubbles looking like this.

These are actual quotes
from our interviewed
banks.

01

Why contactless is more



Why contactless is more

The world has seen many successful launches of contactless payments worldwide. The prerequisites, market conditions, end-user demands and legislation vary, but results all point in the same direction; great benefits for banks, merchants and users alike. Contactless offers a new and safe way to pay – opening doors for creativity and differentiation to flourish in the highly competitive banking market.

For the end-user

In a fast-paced world, consumers value speed and time savings, in the world of payments, this not only means actual transaction time but time spent lining up to pay as well. Needless to say, contactless payment technologies allow us to speed up these processes in a convenient and secure way. Being equipped with contactless credit or debit cards means consumers will benefit tremendously – especially by no longer having to carry cash. With rapidly increasing adoption rates, contactless payments will soon be accepted in more and more locations such as parking lots or vending machines. For citizens, contactless payments basically make everyday shopping more efficient and pleasant.

»The payment experience when using contactless takes just over 12 seconds, which is twice as fast as the average over-the-counter transaction.«

Payments Strategy and Business Development Director

For the merchant

Contactless payments are really all about providing an improved service combined with the highest possible security. Merchants will be able to decrease the time of an average transaction and increase the average transaction value. Research shows that consumers spend up to 30% more with contactless compared to credit cards!¹ Merchants will also reduce the cost of cash handling, and position themselves as competitive innovators before other merchants. Furthermore, contactless schemes also mean that merchants will be able

»Purchases made with contactless technology can be up to 25% faster than those made with cash.«

Marketing & Product Development Director

¹Source: MasterCard, Press Release "New MasterCard Advisors Study on Contactless Payments Shows Almost 30% Lift in Total Spend Within First Year of Adoption", May 3, 2012

Why contactless is more



to more easily gather information about, understand and analyze their customer's behavior. In this time of data-mining and consumer insights, information generated by these technologies implies merchants knowing their customers better, and can adapt the payment experience to better serve them.

»70% of people will walk out of a shop if the queue is too long. Thanks to contactless, queues could be reduced by 20 to 40%.«

Payments Strategy and Business Development Director

For the bank

For banks the many benefits of contactless technology is quite clear. It generates increased revenue from previously untapped cash markets and from interchange fees from each and every transaction. It also opens the door to lucrative commercial partnerships, reaching new markets by greater presence and strategic positioning as an innovator compared to competitors. Contactless technologies can also aid in valuing bank portfolios and help banks have their card become "top of the wallet". And all this without any changes to existing IT infrastructures.

»It's the same card, but a new way to pay, still as secure but more convenient.«

HEAD OF STRATEGIC MARKETING DEPARTMENT

»It is a "win, win, win" situation.«

PAYMENTS STRATEGY AND BUSINESS DEVELOPMENT DIRECTOR



02

Tapping into history



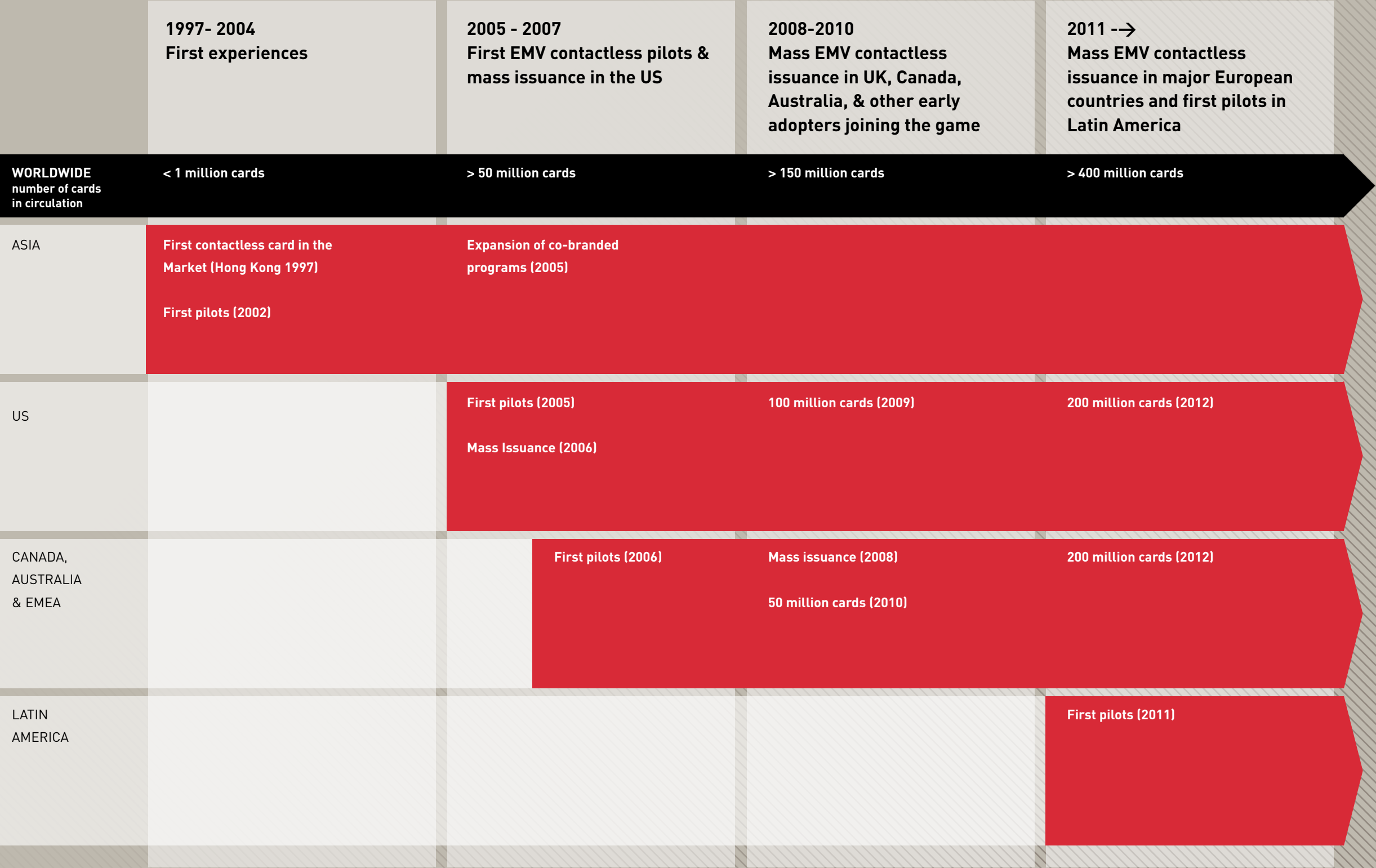
Tapping into history

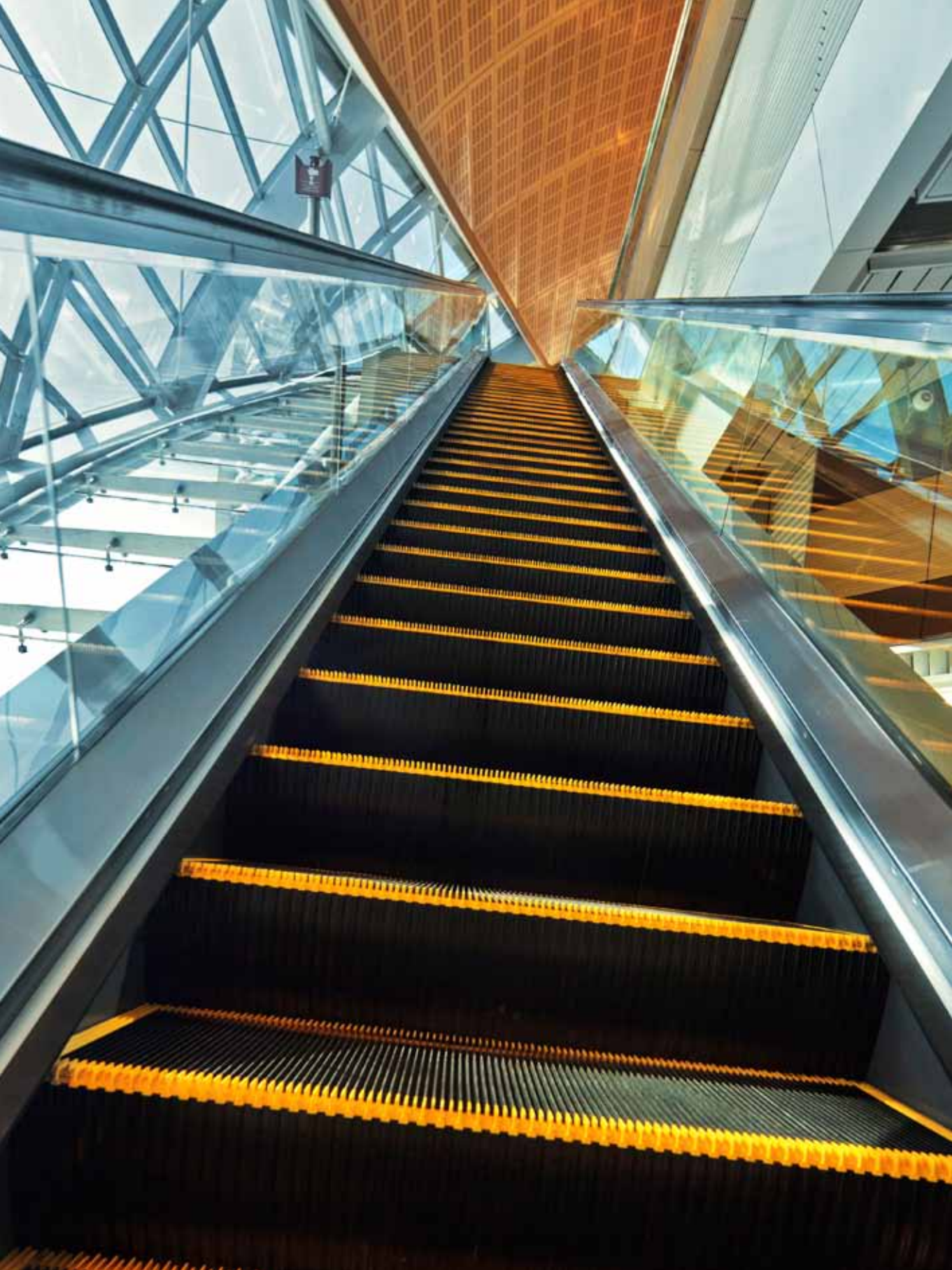
Looking back over the history of contactless, it is easy to see that quite a lot of success has already been accomplished by the stakeholders.

Contactless technology is now well-developed, widely deployed and field-tested. Furthermore, contactless payment deployments have proven to be highly time resistant. With many market opportunities still untapped, the time is here to join in and take part of the accumulated experience and knowledge.

The diagram on the next page illustrates the key milestones of contactless technology deployments from the very first experience to the large-scale roll-out of EMV contactless.

CONTACTLESS PAYMENT DEPLOYMENTS





TAKE AWAYS

- + Contactless technology is well-developed, widely deployed and well-tested in the field.
- + Contactless payment programs have proven to last over time.
- + It is time to join in realize the possibilities.

03

What's in it for you?



What's in it for you?

Contactless deployment decisions can be triggered for many reasons – all influenced by a bank's market situation and overall strategy. Among them, our experience shows that two drivers are in the forefront: brand image and new revenue opportunities.

Innovation as a competitive advantage

Banking is an ever-changing business. By offering contactless payment, banks portray themselves as in the forefront. By bringing value-added applications and a renewed payment experience, contactless invites creativity and differentiation strategies to flourish in the competitive card industry.

For most banks, keeping up with new technologies is a true commitment to their customers. By offering the latest in payment experiences you are sure to strengthen your competitive differentiation and build brand awareness. Banks often cite market positioning as their primary reason for deploying contactless payment. In retail banking, market leadership cannot be solely based on price; with low margins it would not be a winning strategy. Instead, using contactless payment provides an opportunity to remain one step ahead of the competition.

»It's innovate or die! You cannot just stay comfortable, you must remember that there is a market around you.«

Cards & Payment System Strategy Manager

What's in it for you?

Digging into new revenue streams

Undoubtedly, finding new sources of revenue is a powerful motive for banks to go contactless. Nowadays, the need for speed and convenience has made standard cards a less-than-ideal solution for low-value payments in a traditionally cash environment. But with contactless technology bringing clear and present opportunities for banks to capitalize on the previously untapped cash market, perhaps it is time for us all to reconsider cash's leading position.

As to further emphasize this transition, banks will undoubtedly enjoy the fact that everyday conversions from cash to card payment guarantees new earnings from additional interchange fees on each transaction.

The benefits are even more tangible since the number of card transactions and total amount spent prove greater when the customer uses a contactless card.

Furthermore, our experience shows that banks have obtained additional benefits from deploying contactless technologies.

Reducing the cost of cash handling

The cost of cash handling is apparent to banks, retailers and consumers. But much of the time it is also underestimated. Cash is increasingly becoming more of a burden than a simple form of payment.

Contactless payment is the key to cost savings in cash transactions. It is important to stress that the complete removal of cash is not the goal. What we see is a more effective management of it. Contactless cards lessen the need for cash in small transactions, allowing retailers to avoid the hassle of handling, storing and banking large quantities of money.

»Savings on cash handling were not necessary... But it was the cherry on top [of the cake].«

Cards & Payment System
Strategy Manager

»A customer pays three times as much with contactless credit cards as with common credit cards.«

STRATEGIC MARKETING MANAGER

It's more about retaining than acquiring customers

Perhaps surprisingly, contactless payment deployments are not seen by banks as a way to acquire new customers. Those kinds of expectations are considered too ambitious. Banks do, however, count on it for better customer retention. In today's competitive environment, banks have to make sure their customers benefit from the newest and best solutions. Satisfying your customers and providing the best deal for their money is essential when expanding and broadening your offer.

With this said, however, some banks confessed they just couldn't overlook deploying contactless solutions as it would have meant leaving an unattended segment ready to be served by the competition. Our experience shows that innovation is the key not only to keeping customers happy, but also to ensure their loyalty.

You live and you learn

Beyond its immediate benefits, contactless payments have the advantage of placing banks in an ideal position for the future. Contactless opens the door to new form factors and value-added services. Some banks see the ordinary card form-factor as only the first step to deploying other forms of contactless payment, such as watches, stickers or mobile solutions.

By issuing contactless cards, banks keep all possibilities open while gaining experience for new payment systems and business fields in the future. As part of their respective projects, our surveyed banks have already gone through a number of major steps, such as introducing contactless terminals and educating the end-user. They have basically paved the way for the future.

»We were not so focused on getting new or different customers, but just wanted to offer the existing ones the best service on the market.«

Cards & Payment System
Strategy Manager

»If such decision was made today, the deployment would be much easier due to technological advances and a larger network of merchants.«

Payments Strategy and Business
Development Manager

You snooze, you lose?

So, your competitors have already deployed contactless before you and you are afraid of being unable to benefit from an innovative market positioning? Well, this needn't be the case. There are always two sides to a story. If others have launched before you much of the preparation is done, meaning you can take advantage of existing terminals, customer awareness, field-proven technology and merchant education. Investments will be much lower for you than it was for them. Early birds will have eliminated hurdles on their way, paving your way. First-mover advantage is of course always a strong incentive, but in contactless deployments being runner-up does not necessarily mean you are the loser. Quite the opposite, it seems.

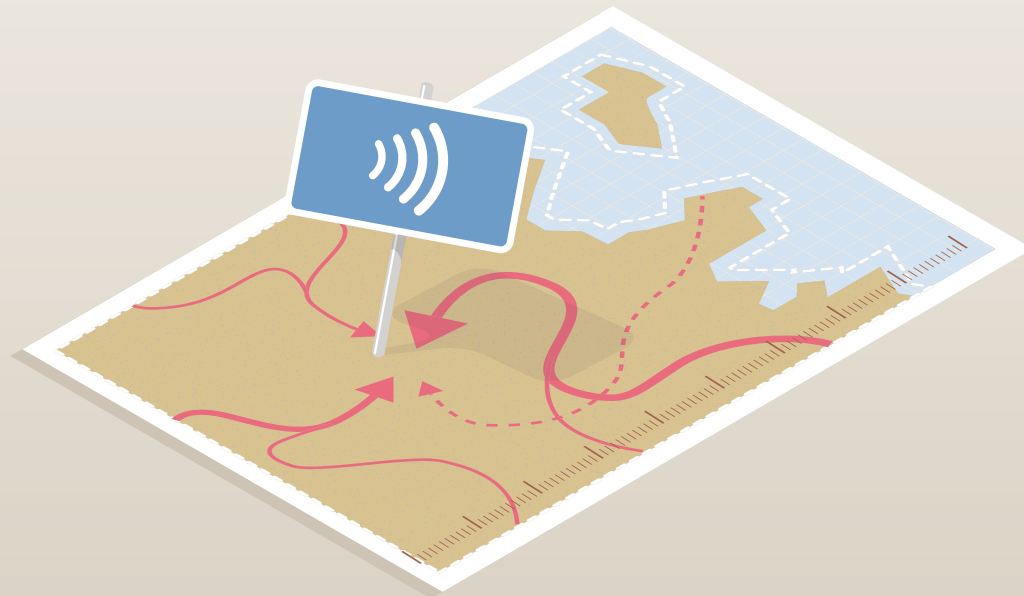


TAKE AWAYS

- + If you are first-to-market, take full benefit of your competitive differentiation.
- + If you are a follower, benefit from a smoother deployment.
- + The benefits of contactless technology are not only tangible in terms of opening new doors and reducing present costs. They also prepare you for the future.

04

All roads lead to
contactless.
Which one's yours?



All roads lead to contactless. Which one's yours?

So, time to make a move? Before you get going, remember to take some time to think things through. You see, there are many ways to begin and many roads to choose from.

Start by analyzing your market and objectives for the future:

As any strategic move, the decision to launch a contactless payment program should take into account key market factors, such as your market position, your competitors' strategy regarding contactless, and your future objectives.

Understand your customers' expectations: We've witnessed many issuers who have dedicated a significant amount of effort and internal resources on studying consumer behavior and reactions to contactless technology, and quite rightly so. It is important to have an idea of the level of interest and uptake you can expect from your customers to assess both the potential barriers as well as the drivers for initiation.

Consult your key stakeholders to evaluate their needs and find common ground. As we will see later in this guide, success will come from the timely involvement of the right stakeholders. Therefore it is helpful to understand their expectations and motivational factors from day one.

It goes without saying that at this early stage, marketing and strategy departments play a key role. Once the context and objectives have been clearly defined, and the decision to deploy contactless payments has been taken, you will most likely find yourself considering the next step; "How do I get started?"

There are basically two alternate routes from here.

»We've decided to involve merchants early in the decision-making process to help them clarify their needs and expectations.«

Head of Card Products & Merchant Services

Route 1
Do It Yourself (DIY)

For reasons such as being the sole decision-maker, working in increased independence, being faster to market, or just being able to adjust strategy along the way, we've observed issuers deciding to launch contactless payments 'on their own'. This "Do It Yourself" approach means not engaging a specific deployment partner for strategic decisions.

For issuers following this path the question quickly arises as to "which of my customers should I target?" Judging from our observations, there are two quite different ways of answering this question:.

From no customer segmentation to segment of One

1. You choose no customer segmentation at all, based on the objective of having contactless as a standard in all future payment cards and in all Point Of Sales (POS) terminals. The natural decision here is to convert all of the bank's card portfolios into dual interface cards, and let the contactless technology be introduced systematically as soon as a card is renewed.

As we will discuss further in the communication chapter (page 42), issuers with this strategy often opt to promote the new contactless card simply as a new feature of the same card.

Undoubtedly, this approach has contributed heavily to the massive deployment of the technology over the last 3 to 4 years. It relies on the principle that the more widespread, the more widely used.

For a technology to be successful (i.e. extensively used), it needs to be forgotten: it needs to be everywhere, naturally present. In that sense, mass expansion is necessary for the launch to be a success.

2. A quite opposite approach observed is the extensive segmentation of users. The key reasons for choosing this roll-out strategy are:
 - **to test** the reaction and adoption rate on a limited sample of consumers, before deploying widely. We have an example of an issuer who decided to start several pilots where contactless payment cards were delivered to customers of prominent institutions across the city (several universities, the local football club, and a few other well-targeted populations).

In this case, the bank was also an acquirer, which of course eased the process of deploying contactless terminals exactly where these customer segments would be willing to use their cards (shops and canteen of the universities, football stadium etc.).

Through these well-targeted actions the issuer was able to communicate more qualitatively, increase customer awareness of the technology in these segments and, of course, monitor reactions. Based on the positive outcome of this pilot, the issuer is now ready to follow its second objective and convert all of its card portfolios to contactless technology.

- **to reach** a predefined objective of card usage. As the POS terminals on the field may not all be contactless (nor appear to become so shortly), there could be risks associated with deploying cards extensively and simply waiting for transactions to start rolling in. This reasoning basically becomes the exact opposite of well-known "if we build it, they will come" strategies. Issuers who follow this path prefer to target consumers who will have the opportunity to be in contact with the existing contactless terminals instantly. This will lead to higher card usage rates and a higher number of contactless transactions.

»Thanks to our closed-loop and pre-paid well-targeted programs we are the leader in terms of transaction numbers – despite a smaller amount of contactless cards issued.«

Head of Cards & Payments

All roads lead to contactless. Which one's yours?



In all cases, customer segmentation must be consistent with the value proposition of contactless payment: a new, easy and quick way to conduct low-value purchases. This is why we often see students or young people targeted, as it is believed that they perform more low-value transactions (such as coffee, bus tickets, fast-food, etc.). It is however interesting to reflect over the fact that in the end, contactless 'transaction makers' are not always (and not only) young people!

A highly segmented approach is often an opportunity for the bank to offer a new payment product, such as a pre-paid payment card for tourists or for university students. While debit cards are often the first portfolio to be converted to contactless (being the main card for everyday, small value payments), pre-paid cards provide the ability to reach out beyond the existing customer base. It allows for the bank to address new customer populations such as youths, unbanked or under-banked, but also – as previously mentioned – tourists, students, or transport users, to name but a few.

To fuel this further, pre-paid is highly relevant to contactless users, and vice versa. Banks often view this as a perfect fit between the product's marketing positioning and the technology. This is probably why we have observed these categories of cards to be more and more frequently deployed.

» We were the first to be surprised to see that the average age of contactless users was 52.«

HEAD OF MARKETING, SHARING WITH US RESULTS FROM THE BANK'S FIRST YEAR OF MASS DEPLOYMENT



Route 2 Join forces

Even though it might present some advantages to be the sole decision-maker in regards to your strategy and the deployment of your contactless payment program, issuers often prefer a partnership approach for their contactless deployments.

Establishing a contactless payment program in close cooperation with a key partner comes with numerous appealing benefits: costs can be shared to limit the investments for the issuer, communication campaigns can be wider meaning stronger impact on the brand image, and benefits arise from deploying in a more limited environment where the bank's customers will be in contact with the partner's contactless acceptance points.

Deciding to go with a partner is the easy part; finding the right partner is the critical part. Certainly, it is vital to find the partner who will contribute the most in launching your contactless payment cards successfully on the market. It is essential that this partner also benefits from the value proposition of contactless payments, such as speed of payment transactions or the reduction of cash handling.

We have observed, mainly, three types of partnerships:

- **Co-branding programs with one specific retailer.** This implementation strategy has been commonly chosen in Asia, especially at the very beginning of EMV contactless payment roll-outs. Issuing banks have extensively partnered with large, national retailers to promote, launch and accept a specific co-branded contactless payment card. The retailer ensures that contactless acceptance points (POS terminals) exist; the bank ensures that the retailer's consumers hold contactless payment cards. And of course both will benefit from the positive effects of bringing together a contactless card and a contactless terminal. Usually, these co-branding initiatives come with benefits for the cardholders, such as loyalty programs or rewards, which lead to good consumer adoption

»If you look at the most successful contactless roll-outs across the world, the countries involved have been predicated around transit: getting to work and back is 4 taps a day. We know it takes 3 taps to get used to contactless, so one day and that's it – you're used to it!«

Marketing & Product
Development Director

and usage. On the communication side, both issuer and retailer contribute to the communication efforts, meaning stronger impact on both brand images.

- **Partner programs with transport authorities.** It's probably true to say that partnering with a transport authority to promote and launch contactless payments is not just an alternative strategy but truly a major trend we see more and more of in many contactless payment markets. Transport, with its small value tickets and requirements of high throughput at gates, is the perfect fit for contactless technologies. This is why transport authorities in many countries have already adopted contactless payments, and quite often long before banks have even started to look into the topic.

When banks realized that the transport environment provides them with a population of users often already trained in using the technology – i.e. seeing the full tangible benefits of speed and convenience and confronted with small value purchases several times per day – they became eager to build strategic partnerships with their local or national transport authorities.

The objective of the banks then becomes having their banking contactless card accepted in the local/national transit system, as this allows the end-users to have only one card for both transit and retail payments. For the bank this guarantees that their specific card will be used more often, even several times a day in the transit space, thus making it the 'top of wallet' card.

For the transport authority, it means less transit-only cards to issue and hence quite a significant cost saving. Having first been launched in a few selected cities, it has proven over time a valuable, win-win situation for both parties.

Now banks are definitely seeing transit as the "killer application" that will boost the usage of their cards.



All roads lead to contactless. Which one's yours?

- **Affinity card programs, in partnership with small-scale communities.** This third partnership strategy we have chosen to highlight is definitely less widespread and on a lower scale than partnership with transport or retail chains. However, it has its place in the contactless world, ever since the early pilots, and even in today's mature contactless markets. In this category we see partnerships with clubs or communities of consumers and/or city authorities. The payment product is usually an affinity card such as a football club card, or more often, a tourist card. The card usually comes with tangible benefits for the card-holder (e.g. discounts, fast-lane access to tourist zones etc.), which leads to strong card activation rates and usage. We also observe one-off activities, such as specific sporting events or festivals, to be good opportunities to issue contactless payment cards to a population who will see the value of speed for small value payments on this specific occasion.

Overall, choosing to deploy contactless payment together with a key partner always relates to delivering cards to users wanting to use it where convenient.

In the end, it is important to say that there are no correct or incorrect implementation strategies. It is more a matter of defining clear objectives and searching for the most efficient way of reaching these objectives given the market context. And, of course, you can always combine two or more strategies to reach different objectives!

TAKE AWAYS

- + There is no right way: several routes have proven to be successful.
- + It is worth dedicating time and effort to find the one that suits you best.
- + Partnerships and customer segmentation decisions should be based on your strategic thinking.



05

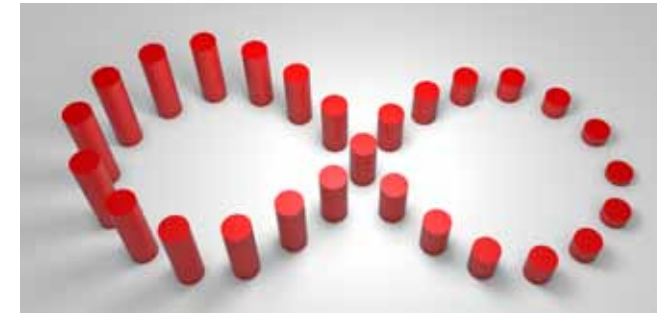
United we stand



United we stand



Make sure to build a strong and consistent ecosystem around you.



The successful deployment of contactless payments requires the involvement of several key contributors whose input and coordination are critical throughout the project's lifetime. It is important to make sure you have them all on-board with you from the very first steps. Who might they be? Here's a round-up of the usual suspects:

- **Payment Schemes:** certainly payment organizations such as Visa and MasterCard have played a major role in the early contactless deployments, and are still key contributors of all contactless payment programs.
- **National Regulation Schemes:** their existence and level of influence can vary significantly from one country to another. But if national regulation schemes are present in your country it is important to ensure that your project plans take their involvement and regulation process into account.
- **Implementation Partners:** As previously described, unless you Do It Yourself, partners such as transport organizations or retailers will prove a key part of your deployment strategy. Once carefully selected, your deployment partner needs to share the project's objectives and be totally on-board with you.

- **Industrial Partners:** It is essential to involve your preferred industrial partners early on so specific product requirements can be anticipated. Your industrial partner will play a critical role in cooperating to define your product specifications. This is particularly important when considering national payment schemes.
- **Merchants/Acquirers:** It takes two to tango. A contactless card cannot be used without a contactless Point Of Sale terminal. In the next section of this guide we will highlight the importance of having the right retailers and merchants on-board. The bottom line, however, is that they need to be synchronized with your contactless initiative.

Success comes from the inside

The success of your contactless project depends on it being well-founded and considered important by your personnel. Before getting your customers' blessings you need to make sure your staff is aligned with you.

When launching a contactless project, some departments have proven to be more influential than others. Your IT department can tell you a lot about integrating new solutions into an existing system while your strategic marketing department can contribute with customer insights. Make sure the project is supported by the board as well as the local agencies, and has the backing of all the departments you need to be involved, such as risk management, helpdesk, and both issuing and acquiring sides.

Banks that are especially aware of the importance of customer proximity tend to ask their branch's network to take part in the elaboration of the offer – and how it will be launched. Basically you have to make sure that everyone is committed to the success of the product launch.

Learn from your staff

Furthermore, members of your staff are not only employees, they are also consumers and cardholders. They will see the benefits or drawbacks from both sides, and can provide valuable feedback. Different people have different perspectives on a single project. Ask for opinions and initiate discussions about aspects such as user-friendliness and efficiency of communication strategies.

It is quite common to see banks conduct internal trials with their own employees prior to the actual launch, and this serves three specific purposes: firstly, it is an efficient way to train employees. Secondly, it involves them more directly in the project leading to a higher commitment to success. Finally, it is a way of testing the product itself and providing feedback on consumer acceptance, behavior and usage.

Communicate, train and motivate your employees

Spend some time focusing on your customer-facing employees, thus the success of your contactless project depends on their ability to explain to customers why you have implemented a new technology and how it works. They need to be knowledgeable and confident when facing your clients. Make sure the purpose and benefits of the change are clear and relevant to all.

At this stage it is also a good idea to organize training for your helpdesk and for the employees at your branch offices. You cannot afford to have employees being surprised by a customer asking questions they can't answer.

»Doing all that collectively made it a lot easier.«

Solutions Architect –
Card & NFC Technology

TAKE AWAYS

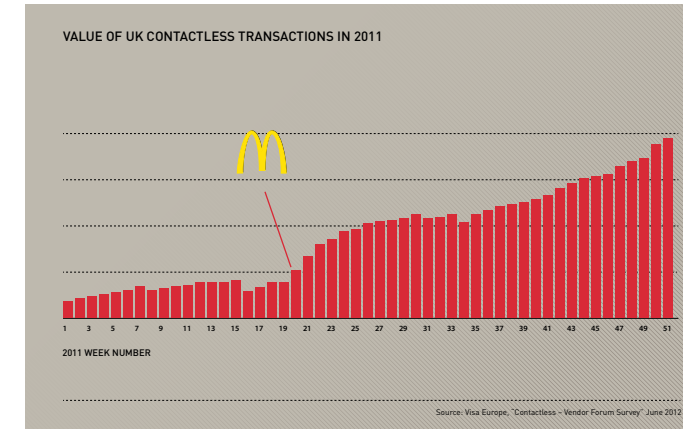
- + Eco system coordination is key for the game to flow smoothly.
- + Pay attention to every area of expertise and business.
- + A contactless project is a source of internal motivation for the team; this, in return, saves the project time and energy.

06

It all happens at the merchant's

It all happens at the merchant's

Balance between the issuing and acquiring side is critical. In this chapter we will discuss the need of bringing the merchants on-board.



The balance between issuing cards and deploying terminals is a real chicken and egg situation: what comes first, the contactless cards or the Point Of Sales terminals?

If there are no cards out there, there is no point for merchants to equip with contactless terminals. But if there are no terminals, the cards will not be used. It seems natural to conclude that issuing and acquiring sides both need to be well balanced in their deployment. This has frequently proven to be a critical success factor.

Something interesting, yet quite self-explanatory, that our customers have observed is that the rate of adoption of this new technology is directly linked to the merchants offering the new service. For instance it was recorded that when an important retailer claimed they would not adopt contactless payments there was a very significant, and natural, drop in the use of contactless payment by customers. Inversely, if a major retailer announces its acceptance of contactless payments the level of card usage will rise significantly across the board. There are many examples of this, for example when McDonald's equipped their UK restaurants with contactless terminals in 2011 (see above).

»Contactless is a business that should be pushed by the acquiring side. Education and communication for merchants needs to be emphasized.«

Marketing Senior Vice President of a bank acting as both issuer and acquirer

Target the right merchants

Naturally, merchants with small cost merchandise and long queues are those that can benefit most from the value proposition of contactless payments.

Therefore it is important to look for the right merchants in your market, i.e. ones that will enable your customers to use their contactless cards. From large retailers to small individual merchants, different types of merchants serve different purposes. Large retailers often contribute to building customer awareness, while smaller merchants are also important as these usually are places where contactless increases the convenience of paying.

As an issuing bank, defining the contactless acceptance network might not be entirely under your control. In these cases we have observed that banks often create lists of merchant networks with which they would like to cooperate, and these are subsequently submitted to the organizations in charge of acquisition.

In any case, and throughout the project lifetime, it will be important for you to monitor what other stakeholders are doing to advance acceptance of contactless payments. This is essential to ensure a satisfying level of usage of your contactless cards.

Make sure merchants embrace the technology

Experience tells us that it is critical to get merchants to understand the contactless value proposition and to convince them of the tangible benefits the technology can bring to them.

»Large retailers drive customer awareness while small merchants expand the acceptance network.«

Head of Issuing-Acquiring coordination services

»Make sure the merchant's manager is convinced so he or she can act on training to address the high-turnover of sales employees.«

Cards & Payment System Marketing SVP

»Incentives given to Zara sales employees lead to a 300% increase in contactless transactions.«

Head of payment card systems of an issuing and acquiring European bank

One difficulty observed in major deployments is that the types of merchants usually targeted for contactless payments (such as fast food chains, large or small retail stores) experience a continuous staff turnover. Once an employee is educated on the contactless POS and its value to the customer, he or she is likely to be gone three months later. For this reason, it is very important to have merchant managers onboard, being motivated by the clear benefits it can bring to their businesses.

In certain markets, we have observed that the process of replacing terminals was being slowed down by the terms of existing leasing contracts. These often state that merchants would have to pay a penalty fee if they returned the terminals before the end of the contract. To counter this issue, one bank went as far as lending the contactless POS terminals to the targeted merchants to make sure terminals would be out there in time for the launch. Another acquiring bank decided to develop a commercial arrangement whereby they would pay for the contactless technology to be installed. They then charged a monthly fee to the merchant to recover the cost over a period of time.

Once merchants are equipped and convinced of the benefits that contactless payments will bring, it further helps to launch incentive programs to boost the usage of the contactless terminals. Some banks have been very creative in defining incentive programs and the results are impressive. A recent example from a European country saw a bank announcing that if the retail store Zara would reach a certain level of contactless transactions within one week they would offer free cinema tickets to all sales employees. Even with this relatively small incentive the outcome exceeded all expectations. Other banks have used similar methods to motivate merchants to adopt contactless payments. One surveyed bank organized an innovation workshop and competition between merchants. Each retailer was invited to present ideas, thoughts and queries around the technology, and ultimately the one who upgraded its Point Of Sales terminals first received financial support. Again, results were positive.



It all happens at the merchant's



Having merchants on board is not only a question of correct targeting. It's also a question of convincing them of the benefits of the technology in order for them to play a proactive role in developing a contactless terminal network and communicating around the point of sales. Our research shows that by doing so, your efforts will have a good chance of paying dividends. We have observed major retailers that have taken the lead in organizing their own educational workshops aimed at customers, or even building partnership with the payment schemes regarding the actual communication campaigns.

To summarize: merchants are definitely a critical factor in pushing customer acceptance of contactless technologies as they provide the primary touch points. The bank's role is to encourage and help merchants make this experience a pleasant one.

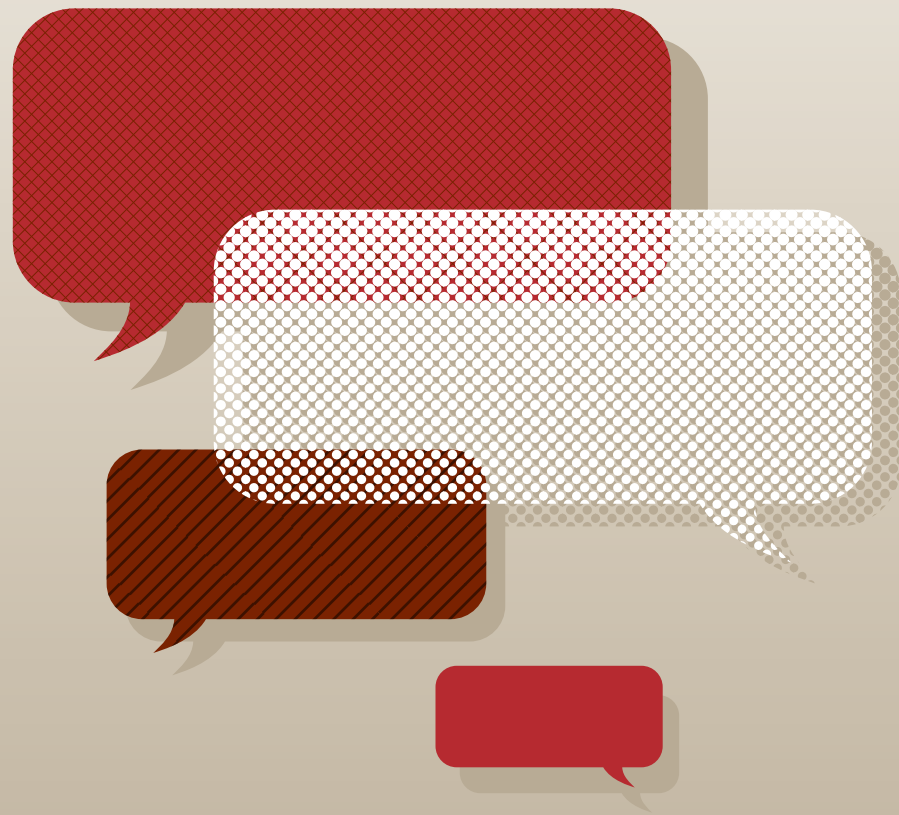
TAKE AWAYS

- + The acquiring infrastructure must be in sync with the card issuance process.
- + Improve customer service through knowledgeable customer-facing employees.
- + Bank customers' positive contactless experience relies on well-trained and motivated merchants.



07

It's time to communicate



It's time to communicate

In a competitive card market, an effective marketing and communication campaign makes you stand out amongst your competitors – and ultimately gain acceptance from your customers. We all know that well-crafted communications will help raise awareness and allow you to quickly address any consumer concerns.

Crafting the right message

In order for consumers to understand and appreciate what contactless payment technology will bring them, be sure to think through the right messages and the most salient attributes of the technology that you wish to convey. The creative process of finding your own angle is a fun exercise and should reflect your own brand more than anything else. But to help you get going, here are a few examples and pointers related to best practices in communication.

Many banks have opted to focus on how contactless technology is not a new product, but rather an improvement of an already existing offer. By leveraging the advantages of the same card, and simply highlighting its new benefits, banks have received positive feedback and uptake from their customers.

A consistent message in cooperation with the right value proposition seems to be the way to go. Your customers need to know that the product they are receiving will bring them a world of benefits, and helping them understand this is of major importance. Simple, concrete and direct messages go a long way in today's fast-paced society. Many customers will enjoy the feeling of being payment pioneers thanks to you. And in a world of first-mover advantages, communication on speed, convenience and ease all help position contactless as a must-have feature.

»It's simply a great new feature of an already existing card.«

Head of Product Marketing



» The single biggest problem in
communication is the illusion
that it has taken place.«

GEORGE BERNARD SHAWN - IRISH LITERARY CRITIC

Raising your Customers' Awareness

Customer awareness will help you bring your offer center stage. By being present in several media and channels you can guarantee recognition from your customers. Sporting events and local news often prove to be arenas in which you can ease in your communication strategy tremendously. By showing consumers, not only through your communication campaigns but also in everyday interactions what contactless payments are, you will be able to increase customer awareness and show the real benefits of the technology. Get the most out of every opportunity you have to communicate with your customers, and be sure that your message comes across consistently. By the way, don't forget that the actual card becomes a communication vehicle of its own. By having an appealing card design you can further attract consumers and create awareness.

To make sure their communication has an impact, banks often promote contactless cards through interactive and emotional experiences, leaving their customers with a vivid and stimulating memory. We have, for example, observed that many banks use humoristic ads to catch their customers' attention and make them remember the product. Messages have often been simple but lingering:

- "It's easier than drinking a glass of water"
- "Pay faster than your shadow"

»Simplicity and consistency in communication messages is the absolute key to get that awareness across to consumers.«

Head of Marketing

To turn words into action: Educate, educate, educate

This is the stage when all your communication efforts will start to pay off. By engaging consumers in their first experience with their contactless card, you will make sure that they will understand first-hand the benefits the technology will bring them. Be sure to communicate the usage of the card properly in order to make the experience a pleasant one. Simple messages on e.g. the fact that by only waving or tapping the card (instead of sliding or entering it), without any further verification (such as PIN) needed, can help avoid misunderstanding at the points of sales.

Our experience shows that customers who use their contactless cards once, and have a positive experience that time, are likely to keep using it. That's why it is essential to focus your efforts on triggering the first transaction. Do not hesitate to reward the customers that have paid with their contactless cards. Small incentives such as free coffee or a small gift have actually proved to remarkably increase the activation rate of the cards.

»We worked on the positioning of the contactless wave logo as an indication of how to use the card.«

Head of Customer Insights

»If we could change something on what we communicated, I think it would have been more training on the gesture to use the card.«

Marketing & Communications Director



Building trust for the technology

As is often the case when a new technology is being introduced, contactless has sometimes been the target of fraudulent attacks. These cases have often been picked up by the media, in an attempt to highlight perceived security weaknesses.

While industry players understand that the information brought forward in these media campaigns do not relate to real security breaches, this might not be obvious for the consumer community and may raise doubts amongst cardholders.

Therefore, do not underestimate the importance of communicating on this topic: it is important to reassure your customers of the high security of their contactless card.

Remember that your customers trust you in the way you handle their money, so it is a question of preserving this trust. In our experience, the most efficient approach is to simply explain that the contactless card you are offering them is just as secure as the contact payment cards they have received previously.


TAKE AWAYS

- + A well-constructed and delivered message will make you stand out among your competitors.
- + Push consumers to their first contactless transactions: nothing beats firsthand experience!
- + Keep up with the industry and anticipate your customers' needs and questions.

»It's all baby steps, because it's banking, it's people's money, and they need an element of trust before they can move to the next level.«

HEAD OF STRATEGIC MARKETING

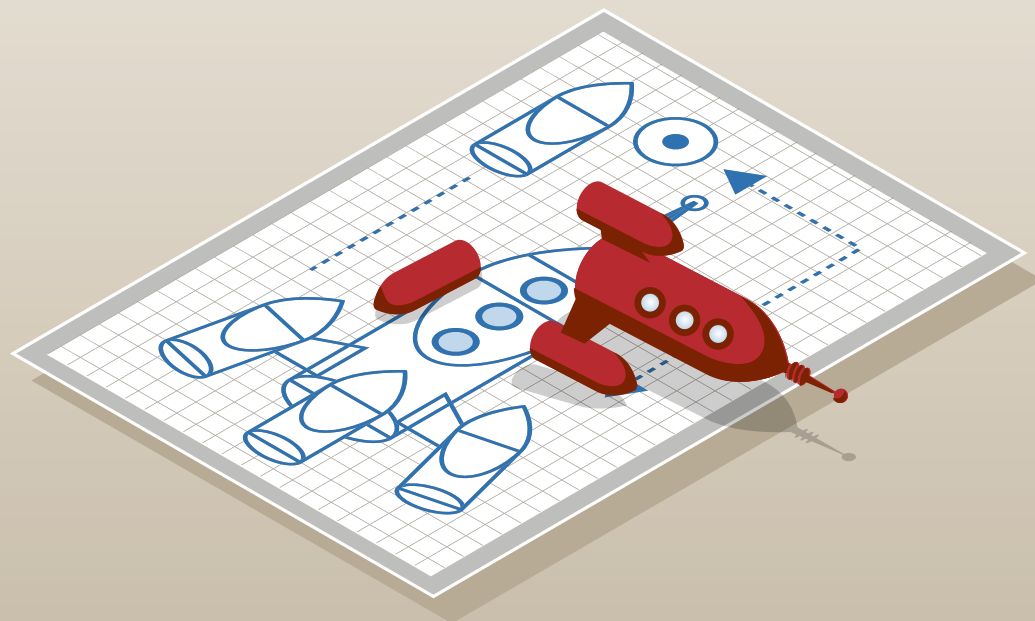




» You never get a second
chance to make a first
impression.«

08

The future's around the corner



The future's around the corner

In several countries now, contactless payments have been deployed in large volumes for the past two to three years. Issuers in these countries have been able to make first assessments of their contactless payment programs and compare results versus initial expectations.

In terms of brand image and differentiation from competition their assessment is unanimous: introducing contactless payments has helped them strengthen their brand image and position on the market.

Regarding additional revenues coming from new card transactions, results vary from one experience to another. But either way, it is clear that the level of contactless card usage is directly linked to the level of merchants equipped and number of contactless terminals deployed. Clearly, the next challenge is to increase the number of contactless transactions. Early adopters of contactless payments have already started to address this issue, and we will now focus on the main areas of improvement they are working on. You will not be surprised to find elements already introduced in previous chapters.

»The introduction of contactless payments has without a doubt been a great success and has strengthened our position as one of the most innovative banks in the market.«

Head of Payment Strategy and Business Development

Spreading the network of contactless POS

It is a commonly shared assessment that the deployment of the contactless acceptance infrastructure is generally lagging behind the issuance of cards. Significant actions have been taken in several countries to convince large and influential retailers to spread their network of contactless terminals. This led to several important communication announcements, as well as more targeted customer awareness actions to make sure end-users would realize they were having more and more places to use their contactless cards.

Working to increase the limit on contactless transactions

Another common action masterminded by large issuers globally is the task of influencing the evolution of contactless payment technologies – and in particular the desire to increase the maximum amount authorized for a contactless transaction without PIN verification.

Surveyed banks all agree that this could significantly increase the number of contactless transactions. Australia and selected Asian countries have already set higher allowed limits to contactless transactions – the Australian limit is now at AUS\$100 – believing this has certainly contributed to the fact that consumers have embraced the concept of contactless payment much faster than in other regions of the world. In 2011-2012 a couple of European countries raised the bar too, and this is certainly a path endorsed by many issuing and acquiring banks.

Moving towards mobile payments

You didn't expect us to conclude this guide without a word on mobile payments, did you? It is truly an area gaining a great deal of momentum in an increasingly converging society, and unsurprisingly the main battlefield between banks and new entrants. This topic presents, however, a very clear opportunity for banks to stand out and gain leverage in acquiring experience from contactless card deployments.

The banks surveyed have shared their thoughts regarding mobile payments. At present, issuers remain very pragmatic and conclude that today, mobile payment has not reached the tipping point whereas contactless cards have. Looking ahead, the majority of issuers see mobile payments as complementary to their contactless payment cards. It is believed that the card will provide a majority of contactless payments, while the mobile will provide services supporting it.

»Anything that will make the payment process easier and simpler for consumers, and more efficient for our retail merchants is something we will support.«

Head of Acquiring Division

»Suggesting that rolling out contactless cards first, is a great way to introduce mobile contactless payments.«

Incite market research, February 2012

»I think I would be happier with higher activation rates. We all believe that the technology will offer, to us the banks, the ability to offer customers a very neat experience, but we need the terminals out there.«

Head of Product Change Management Development

To conclude, even if issuers are not equal to the level of maturity of their plans concerning mobile payments, they all agree that having deployed contactless payment cards will certainly help them: they feel more confident and at ease in deploying the technology and are eager to gain leverage for the contactless experience acquired during their card deployments. Finally, in a world of mobile payments, banks will undoubtedly not only benefit from their own experience but from the consumer's experience of contactless technology as well.

»Existing contactless cardholders find mobile payments more appealing than non contactless cardholders.«



» Contactless payment cards meet **past, present** and **future** needs. Past because it's compatible with legacy systems, present through its business case and tangible benefits, and future because it prepares the next step, mobile payments.«

SERGE BARBE, SVP PRODUCT & SERVICES, GEMALTO SECURE TRANSACTIONS

Thank you!

Thank you for reading

So, we've reached our final curtain. We hope that you have enjoyed reading this guide, and that its purpose of depicting the key areas to keep in mind when designing your contactless payment deployment stands clear. Our ambition was, as always, to share lessons learned and best practices, to help you avoid the pitfalls and, above all, realize the possibilities.

We know, better than most, that each bank is completely unique. It would be frivolous of us to make specific recommendations without looking closely at your particular situation. We do however hope that this guide has provided an opportunity for you to exchange insights with your colleagues and raise further questions. Gemalto is always more than happy to help you and answer any questions you might have: just let us know.

Naturally, we have a lot to offer when it comes to contactless payments. Rest assured that we would be delighted to share more details about our best practices and experiences, or simply provide you with information about what we have to offer and how we can guide you towards a successful contactless deployment.

We believe we can be a key asset to your project and would be honored to be your trusted partner for contactless payment deployments and beyond.

Do not hesitate to contact us, in whatever way suits you best.

CONSULT OUR WEBSITE

www.gemalto.com/financial

Gemalto has contributed to contactless payment deployments since the dawn of the technology. From early pilots to large-scale rollouts, we have accompanied over 60 financial institutions in more than 30 countries with their contactless programs. With this guide we want to share the lessons learnt and best practices gathered from around the world.

Gemalto is the world leader in digital security operating out of 74 offices and 14 Research & Development centers in 43 countries. Gemalto is at the heart of our evolving digital society. Billions of people worldwide increasingly want the freedom to communicate, travel, shop, bank, entertain and work – anytime, anywhere – in ways that are convenient, enjoyable and secure. Gemalto delivers on their expanding needs for personal mobile services, identity protection, payment security, authenticated online services, cloud computing access, modern ticketing systems, M2M communication, eHealthcare and eGovernment services.

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