



# Payment Talk

## Tap into contactless



**Verifone**<sup>®</sup>



## Europe's 'Tap and go' society

Digitisation has had a lasting impact on customer expectations – especially when it comes to paying. New technologies that create a modern, convenient and connected shopping experience are now a dominant theme across the payment and retail industry, and the focus is repeatedly on contactless payments.

With contactless payment, transactions are accepted at a payment terminal by simply holding up a chip carrier e.g. payment card. Communication is made possible by Near Field Communication (NFC) – the international standard for wireless data transmission over short distances.

Debit cards, credit cards and smartphones equipped with this technology must be no more than 4 cm from a payment terminal in order to transmit data. Most smart phones and payment cards, and many wearables (including smartwatches), are NFC-enabled. Older generation mobile phones and debit cards without an integrated NFC chip can easily be upgraded with a special sticker.

### Why 'Tap and go' appeals to users

- Contactless payments are quick and convenient.
- Transactions take less than a second.
- For small amounts under 25EUR/30GBP, transaction authorisation via PIN or signature is not necessary.
- Eliminates manual exchange of cash and waiting for change.

## Contactless growth and mobility

'Contactless' describes the electronic payment process via NFC – regardless of whether the transaction is via a mobile phone, contactless card or wearable. Payments are processed by holding up NFC-enabled devices. Amounts above 25 Euros are authorised by an additional PIN entry.

In Europe, around 48% of daily purchases are below the €25 contactless threshold<sup>1</sup>. Many Europeans now have contactless enabled bank/credit cards. Visa alone has over 131 million contactless cards circulating in Europe<sup>2</sup>. It also now processes more than three billion European contactless transactions annually (Apr 2015-Apr 2016)<sup>2</sup>.

This makes contactless of interest to many merchants. Contactless payment options are now available in over 40 European countries and over 3 million terminals are now contactless enabled<sup>1</sup>. This is destined to rise rapidly in the next 4 years. Both MasterCard and Visa have mandated that all new terminals must be contactless capable from 2016 with all existing terminals to be converted by 2020.

Contactless/NFC is also helping to grow mobile based payments including:

### mPOS

In mobile point-of-sale (mPOS), a mobile terminal – for example a smartphone or tablet – is combined with a secure payment module and used as a checkout. Payment is made on these mobile checkouts through contact by debit or credit card or contactless via NFC. It's expected that the global mPOS market will grow 50% annually from 2016 to 2020<sup>3</sup>.

### Mobile payment

Mobile payment refers to cashless payments via smart devices. Here, the mobile phone replaces a physical debit card. Payments can be made on stationary or mobile terminals. So far, it is mostly used for small amounts, but high value payments are also possible. Mobile payments are frequently made via mobile wallet apps – such as Apple Pay – on the smart device.

### Mobile wallet

Mobile wallets are smartphone apps that can be used as a digital wallet. Physical payments via debit or credit cards are handled digitally through the app, and the necessary transaction data is stored in the app. Mobile wallets are used for online payments as well as for contactless payments at payment terminals. Apple Pay, for example, is a mobile payment and digital wallet service that lets users make payments using their iPhone 6, Apple Watch and other enabled devices.

### Using contactless to pay in bricks-and-mortar retail – fast, easy and convenient.

The customer briefly holds an NFC-enabled payment card up to the payment terminal. Payments below 25 Euros don't require additional authorisation. Higher amounts are processed once a PIN or signature has been entered. Contactless transactions via smartphone function in a similar way.







## Contactless across Europe

The contactless trend has already been adopted by many European merchants. And consumer demand is being driven across all types of sales environments, wherever convenience and fast throughput is a priority.

In Europe's restaurants, contactless transactions have grown 153% year-on-year, followed by general retail (146%), supermarkets (119%) and other food and drink outlets including fast food (96%). Consumers in Poland, Spain and the UK are now the biggest users of contactless technology<sup>4</sup>.

From April 2015-2016, British adoption grew by 300% from 51 million transactions to 153 million – fuelled by a roll-out across the Transport for London network, plus the launches of Apple Pay and Barclaycard's bPay offerings<sup>4</sup>.

Transport for London (TfL) is one of the fastest growing contactless Visa merchants in Europe. Just six months after it was launched, it peaked at one million taps per day<sup>5</sup>.



## Market accelerators

Contactless payments are being driven as retailers switch on acceptance:

Consumers in 40 European countries are endorsing the contactless payment experience as part of their day-to-day life. Over the last quarter, MasterCard has announced new acceptance deals across Europe with major retailers like Ikea and McDonald's. At the same time, Visa has announced that there are now more than 3.2 million contactless terminals in Europe up 23% from 2.6 million in Q2 2015<sup>4</sup>.

## Growing consumer demand

Contactless cards are used 360 million times a month by European consumers – that's nearly 140 transactions per second<sup>4</sup>. Here's some insight on their preferences.

### Currently popular contactless payment options in Europe<sup>6</sup>

Payment cards **68%**    Loyalty cards **45%**  
Mobile payment **39%**    Wearables **31%**

### Key benefits of contactless for consumers

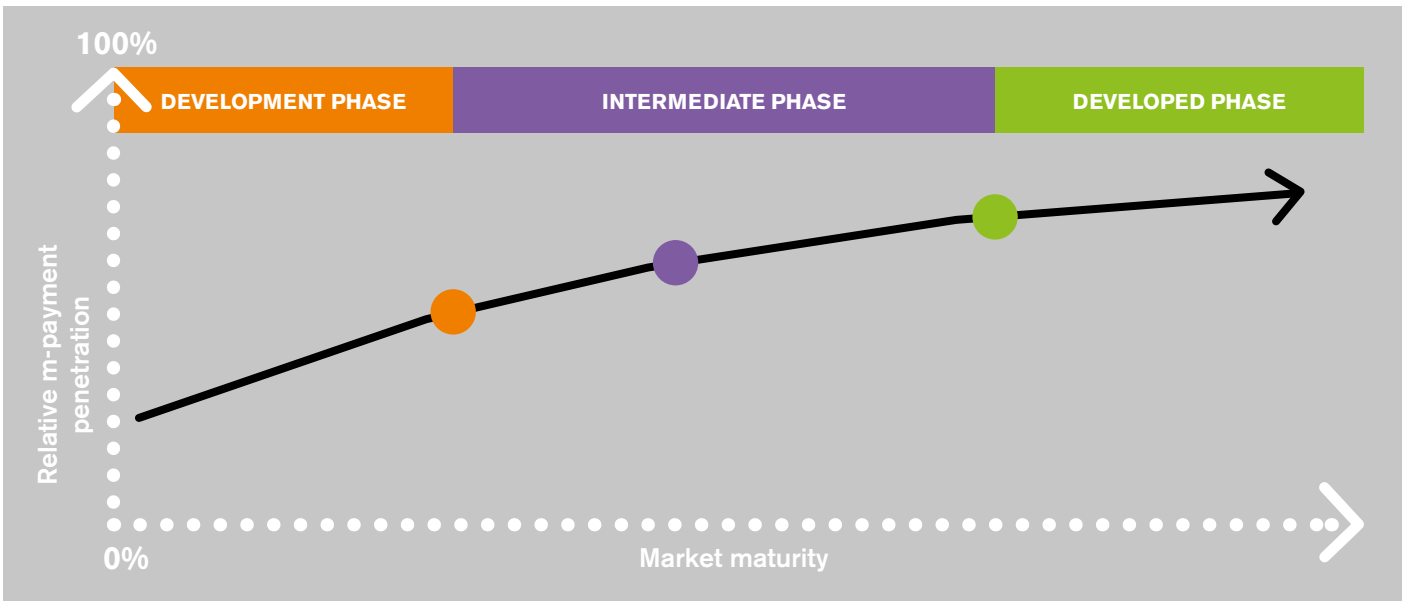
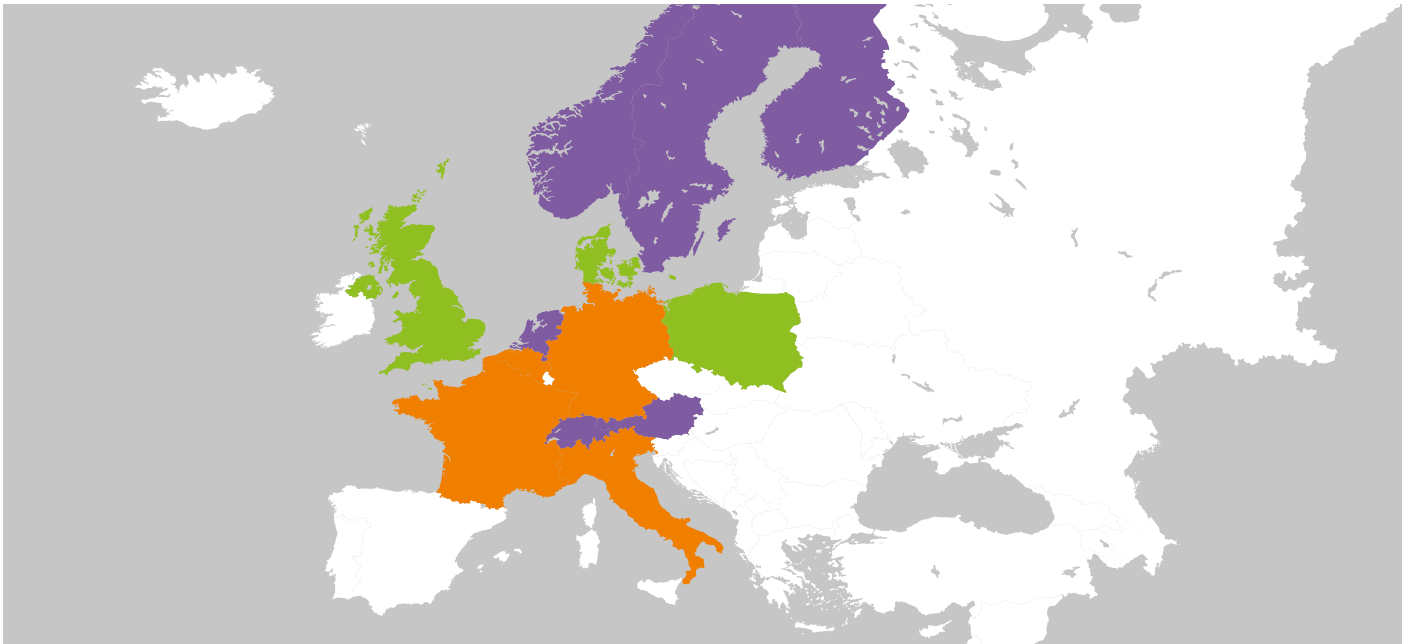
1. **Convenient** payment process
2. Can pay **small amounts** replacing cash
3. **Speed** compared to PIN entry

### Many Europeans would consider settling amounts under 50 Euros on their smartphones<sup>7</sup>

Europe **47%**                      Germany **55.6%**  
France **52.2%**                      Italy **35.4%**

Nearly a **third of European consumers (32%)** have now made an 'in-store' mobile payment<sup>8</sup>.

# Europe's NFC payment evolution<sup>9</sup>



### Colour key

Belgium  
Germany  
France  
Italy

Finland  
Netherlands  
Norway  
Austria  
Sweden  
Switzerland

Denmark  
Poland  
UK





## ePayments across the continent

### NFC in the UK...

Great Britain is the first European market where Apple Pay and Android Pay are available – an opportunity merchants welcome. They are able to offer a new, modern payment option to their customers and harness the existing large consumer interest in contactless. Customers increasingly expect contactless payments to be accepted, especially since the introduction of mobile wallet apps like Apple Pay.

### ...and Poland

Poland is definitely 'contactless ready'. 80% of payment cards are already equipped with NFC chips, and by 2017 contactless payments will be possible at all POS terminals<sup>10</sup>. Universally, where quick and easy payment is desired, the development is towards contactless transactions. One of the largest music festivals, the Open'er festival, has become entirely contactless.

### Cashless in Sweden

Countries such as Sweden are leading the rest of the world in cashless payments for even the smallest items. According to Sweden's central bank, the Riksbank, cash transactions made up barely 2% of the value of all payments in the country last year. In Swedish shops, cash is now used for only 20% of transactions, half of the amount from five years ago<sup>11</sup>.



### ...and mobile payments in Denmark

In Denmark, almost a third of the population now uses an official Danske Bank app called MobilePay, which was used to make some 90 million transactions last year. More recently, a Swedish app called Swish, has been developed jointly with the country's major banks including Nordea, Handelsbanken, SEB, Danske Bank and Swedbank. Adopted by nearly half the Swedish population, Swish is now used to make more than nine million payments a month<sup>12</sup>.

### Re-energising markets in Spain

In Spain, banks and payment companies are introducing new solutions to capture a larger share of the market. In 2015, the number of contactless cards increased to 10.4 million, equivalent to 15.5% of total payment cards, and is anticipated to reach 22.5 million by 2020. Initiatives include the launch of Samsung Pay in January 2016, and Orange Cash in May 2015. This followed CaixaBank's contactless m-payment solution which was launched in association with Visa Europe, and telecom service providers Orange, Telefonica and Vodafone<sup>13</sup>.

## Looking to the future

### In 2020...

- The volume of contactless payments in Europe is forecast to rise almost nine-fold to 12.2bn (compared to 2014)<sup>14</sup>.
- It will account for 13% of all card payments<sup>14</sup>.
- The number of contactless cards issued will treble from 2014 to 700m<sup>14</sup>.
- 40% of all cards in Europe will be contactless<sup>14</sup>.
- All POS terminals in Europe must accept contactless payments<sup>14</sup>.
- The volume of transaction processed via NFC-enabled debit cards will increase to 12.17 billion euros<sup>14</sup>.



## Time for commitment

With consumers demanding contactless, card issuers pushing it and mobile phones delivering it, there's never been a better time for merchants to embrace contactless. Yet many merchants across Europe have still to take the plunge. Even in the UK, one of the highest NFC-enabled markets, 66% of merchants still don't offer contactless payments<sup>15</sup>. Despite 78% believing their customers want it<sup>15</sup>. And 44% of consumers confirming they expect it<sup>15</sup>.

It goes without saying that retailers who are slow to embrace contactless risk sales, loyalty and profit. Not only that, they are missing a chance to deliver more convenience, choice and connected services.

At Verifone, we believe that many more retailers across Europe want to commit to contactless. So we are trying to make it even easier for them to do so. 100% of our devices and managed services are NFC contactless ready, so retailers can accept more types of payments, faster than ever before. And, to help their contactless investment deliver maximum return on investment (ROI), we are making sure retailers estates can also be managed and maintained remotely with automated cloud-based updates and online reporting; reducing expensive field services and giving sales organisations greater insight across their omni-channel transaction environments.

Undoubtedly contactless has the potential to transform the way retailers engage with consumers at the sales point. From mobile wallet acceptance and personalised content to NFC tags and beacons, contactless brings new opportunities to track, interact and reward customers; without compromising security or incurring additional risk. As contactless momentum builds, it may well be the early adopters that remain ahead of the pack, to reap the greatest rewards in terms of custom and brand loyalty.



## References

- <sup>1</sup> MasterCard, Feb 2016
- <sup>2</sup> Visa
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- <sup>4</sup> Visa Europe, May 2016
- <sup>5</sup> TfL, 2015
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- <sup>7</sup> Research Center for Financial Services, Mobile Payment – wohin geht die Reise? Chancen und Risiken für Marktteilnehmer in Europa“, 2012
- <sup>8</sup> The Fujitsu European Financial Services Survey 2016
- <sup>9</sup> Visa, Mobile Money, 2015. RBR Bank London, Global Payment Cards Data and Forecasts to 2020, December 2015. Statista, Nutzung von Mobile Payment im Ländervergleich 2013, 2014. Research Center for Financial Services, Mobile Payment – wohin geht die Reise? Chancen und Risiken für Marktteilnehmer in Europa, 2012. Arthur D. Little, Global M-Payment Report Update, 2009
- <sup>10</sup> Euromonitor International
- <sup>11</sup> Riksbank, 2016
- <sup>12</sup> The Drum, 2016
- <sup>13</sup> The Paypers, April 2016
- <sup>14</sup> RBR Bank London, Global Payment Cards Data and Forecasts to 2020, December 2015
- <sup>15</sup> Barclaycard



## Verifone enables contactless with 100% NFC contactless ready devices.

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