

# Banking Automation **BULLETIN**

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## **Inexorable rise of contactless far from complete**

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Canadians opt for speed, security and convenience

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## Inexorable rise of contactless far from complete

RBR's research (see page 4) shows that the number of contactless cards in circulation worldwide grew by 20% in 2019 to reach 7.8 billion, 45% of all payment cards in issue. Growth is particularly strong in the Americas and Middle East and Africa, but contactless penetration (the share of cards with contactless functionality) remains low, dragged down by some very large markets with low penetration – Brazil (2%), Mexico (3%) and the USA (8%). Even in Europe where penetration rates are generally high, there are notable exceptions such as Belgium (38%) and Germany (54%), where contactless payment card functionality is not fully established.

Contactless has garnered extra attention recently because of its role in minimising physical interaction during in-person point of sale payment transactions, but the attraction of contactless has been clear for other reasons for some time. From a consumer perspective, the convenience of not having to enter a card (or PIN in many cases) into a card reader is significant, while for merchants, especially those with high throughput such as those selling fast food, the speed of transaction creates a material business case. Contactless fits well with some of the latest electronic payments trends too – for example integrating seamlessly with the latest phones for mobile NFC payment.

So why do so many cards still not have contactless functionality? Partly this is a question of timing – it is relatively expensive to roll out replacements early, and replacement cycles are usually several years. There is also the matter of acceptance – the case for issuers to invest in contactless only really makes sense once a critical mass of acceptance terminals has been upgraded. And, of course, there is the question of EMV migration – many of the countries with the lowest contactless penetration are those which were the last to embrace EMV.

And why does any of this matter? The growth in contactless has huge implications for multiple stakeholders in the payments industry. Contactless has been a major driver of moves away from cash around the world, especially in more developed markets, which has implications for retail and commercial banks, retailers, CIT companies and a wide range of cash automation suppliers, among others. Technology suppliers more widely will be impacted if card readers are no longer required and payments can simply be conducted using NFC, with or without a PIN (or other form of authentication).

The question is therefore not whether contactless will become universal, but when. We are seeing rapid change, but the history of contactless suggests a full migration is still several years away.

Dominic Hirsch, Editor

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Annual subscription (12 issues):

Printed and electronic (1-5 users) £1,500

Printed and electronic (6+ users) £3,000

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ISSN 1748-5304

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