



Comment: Will it be a contactless Christmas?

Contactless payment technology has come a long way in the last six months, partly thanks to tier one retailer adoption. Mark McMurtrie investigates what role it will play in retail this Christmas.

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Will it be a contactless Christmas? Well I hope not from a personal capacity as I enjoy meeting up with colleagues, friends and family, catching up on their news, eating festive food and perhaps having a glass or two of beer or wine. But that's not the theme meant for this article. I am meaning contactless payment cards. Will we as consumers be using contactless cards more ourselves as we are out and about buying presents, celebrating or when travelling? And how important will they be to retailers in serving customers and as a payment method

What's the current state of play?

The banks have been busy issuing their customers with debit and credit cards that include a contactless payment capability. These allow a card to be tapped on top of a reader rather than needing to be inserted into the device. They are intended for transactions of £20 or less and no Pin entry is required, reducing transaction times. There are currently over 36 million contactless cards issued in the UK, almost four million more than there were six months ago. Barclays is leading the way, but others are now ramping up their card issuance rates particularly at card replacement times. In 2014 we can expect to see millions more contactless cards sitting inside consumer wallets. So from an issuing perspective we are reaching critical mass. It has been a long wait since first launch back in 2008 but they appear to finally be here and will become even more important over time.

But where can they be used?

Again the picture is getting better, but not quite as rosy as the issuing side of the coin. For many years we have been in a 'chicken and egg' scenario. Why should I invest in new card reading equipment when there aren't many cards issued? With 36 million cards now issued this position should no longer exist. There are now over 164,000 devices that can accept a contactless card transaction. This is 17,000 more than six months ago but we have a long way to go before acceptance can be seen to be the norm. Coffee shops and food outlets have been the early adopters and now these are believed to include: Caffe Nero, Starbucks, Costa Coffee, Coffee Republic, Eat, Pret a Manger, Greggs and Subway.

What was really needed was for the UK's national tier 1 retailers to rollout contactless payments infrastructure across their estates. This rapidly boosts acceptance numbers and helps consumers become familiar paying by contactless card, rather than it just being an occasional thing. McDonald's should be congratulated in leading the charge and they have been followed by the familiar high street names of Boots, Marks & Spencer and The Co-operative Group, among others like Aldi, Superdrug, WH Smith, Ikea, Spar and Waitrose, who are now busy rolling out contactless across their store networks.

During 2014 we can expect far higher numbers of acceptance locations to be available in the UK as currently planned rollouts get completed and new large and medium-sized retailers agree to include contactless within their regular technology refresh programmes.

And transportation?

Yes, the decision of Transport for London (TfL) to adopt Visa and MasterCard contactless card acceptance on their buses has been a big boost and resulted in transaction volumes escalating. I understand that TfL plans to extend this in 2014 to the tube as well so this will be very significant boost for contactless. **The Merseyrail announcement shows contactless is not just a London and south-east story.** It was always a shame when the National Trust shops were claimed as examples of national retailers highlighting contactless acceptance. When driving you can make contactless payments on the M6 toll, at Little Chef restaurants, as well as of course at McDonald's.

So will it be a Contactless Christmas?

For some retailers yes they can expect to see significant increases in transaction volumes. This will include the Post Office, which upgraded its national network and can be used when buying your Christmas card stamps and when sending presents to friends and family. Many others can benefit from the faster transaction times by encouraging their customers to pay by contactless, thereby reducing queues in store. If like me you get exhausted when buying Christmas presents then you can rest at one of the many coffee chains and eateries that accept contactless.

And to the future?

Well we should all plan to make contactless just another standard payment method sitting alongside Chip & PIN. It has many benefits to retailers such as lower card fees, improved customer service and operational efficiency improvements in addition to the benefits to consumers. Also, contactless transaction volumes will increase as more consumers start to use their latest smartphones that include a NFC capability, as an alternative to the traditional plastic card format. But more about that in another article...