

Moving up a gear?

"Everything in the world is contactless," says André Delaforge, head of marketing at Natural Security, and maybe he has a point. After all, you can now start your engine without ever taking the key from your pocket, says Wayne Tuckfield

Millions of us now have a contactless bank card sitting in our wallet, but there are still differing views as to whether we have reached a tipping point when it comes to PIN-less payments. But with a cash-free Olympic Village and NFC technology looming, maybe contactless payments are about to move into the next gear.

Richard Armstrong, head of UK payment acceptance for Barclaycard, certainly believes it has. "We have seen continuous, rapid growth in contactless in terms of transactions, more than 130 per cent year-on-year and we now have in excess of 60,000 outlets across the UK accepting contactless.

"We have carried out research asking members of the public about recognition of contactless and the contactless logo, and when we asked in 2010, just 28 per cent identified the symbol. By 2011 that had increased to 44 per cent. In 2012 we have some key merchants going live, such as Pret A Manger, Eat, Wilkinson and Co-op stores within the M25."

However, others have strong doubts. John Rozek, director of Polar Moment, provider of card payment consultancy, says: "In my opinion contactless is still a long way from reaching a tipping point. Most cardholders are simply not interested. Chip and PIN works just fine, is secure and can be used in all locations.

"Many consumers do not know which of their cards supports contactless or which retailers accept it, and many checkout operators are not properly trained. There is still a lot to be done before contactless becomes the 'norm'." They also have differing views on the impact of the Olympic Village on the take-up of contactless payment.

Armstrong believes it will make a big difference, adding: "Big events like the Olympics will really serve to drive home contactless and the use of it. The village will house the largest branch of McDonald's and that will be fully contactless-enabled, and more events highlighting the method will help push it over the tipping point." But Rozek says there is "no way" the village will drive home adoption of the payments. "How many people do you know who have even managed to get tickets?" He

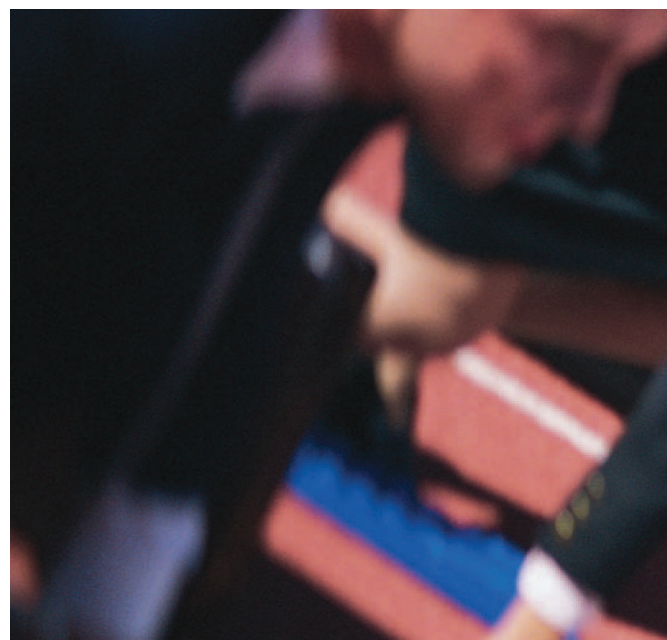
asks. "Even those that do only have one or two sessions, while everyone else will be watching on TV. People are going to be much more focused on watching the games than paying by contactless. It's going to take much more than this to drive mass adoption."

Security fears also look as though they will play a role in people's adoption of the payment method. A report produced by transaction processor Amadeus, titled From Chaos to Collaboration, looked at the uptake of contactless payments, and found there are some genuine concerns among the majority of consumers. Their data revealed a growing concern that personal information will be misused or stolen – a concern for 69 per cent of 16-29 year olds – seen as the peak market for contactless payments, rising to 81 per cent for the over-50s.

The report adds: "It's logical, therefore, to conclude that mobile payments will supplement rather than replace coins and notes to 2020 and beyond."

Alan Moss, marketing director for VeriFone, echoes the opinion that the public have some serious concerns. He said: "We have seen surveys where people have listed security fears as a reason of doubt, but that is all about communication – you need to make sure people know you are using authentication. Logically, you can show it's secure but it's harder to change people's perceptions and more information from banks may need to be considered."

Mike Bielinski, CEO of Vodat International, thinks the concerns go beyond those of the customers, and that retailers themselves may have second thoughts. "It might be ok at £15," he says. "But



when you start putting the limit up consumers won't take the risk unless companies are going to promise easy compensation procedures for rogue transactions – and that's hardly likely.

"In 2006 retailers paid a lot of money for chip and PIN terminals and were told it would solve all the problems in terms of security, now they will be expected to buy new terminals, but most just won't see the benefit of contactless. Retailers have enough on their plates just surviving without having to spend even more money."

The next step

However, he does believe the "next step" will be far more tempting for retailers. "NFC will happen. With mobile phones you have the opportunity to use more security. The convenience it brings may make retailers take a risk they wouldn't take for contactless cards."

Barclaycard's Armstrong agrees. "We see contactless migrating from cards to other technology like mobile phones. At higher values people will be able to put a PIN into their mobile. I think people will feel more comfortable using their phones than taking cards out of their wallet, but it will be down to the choice of the individual and we'll offer both services."

One other bonus to NFC, says VeriFone's Moss, is that it will offer the chance to raise the contactless limit, currently standing at £15. "For cards, the whole point is convenience for lower value transactions, but it is important to have a higher ceiling with NFC. With that technology you will be able to enter a PIN into your phone to authenticate yourself."

Raising the limit will certainly help contactless take off, adds Mr Rozek. "The current limit is far too low to encourage mass adoption. Many shops have a £5 card limit which means consumers need to spend between £5 and £15. Then they need

to opt to use contactless, and most will use chip and PIN. Raising the limit will definitely help."

However, for all the talk of contactless cards and NFC payments, maybe it is André Delaforge of Natural Security, who says the world is becoming contactless, who knows what the future holds. Natural Security has created a contactless device, which can be a smartcard, or maybe a key fob, that stays in your bag or pocket. Then, when you want to pay for an item, withdraw cash from an ATM, or even carry out online banking at home, you simply put your finger onto a reader to prove you are who you say you are.

Two pilot projects will be running in France from June, and while Natural Security is understandably cagey about their exciting technology, Delaforge says: "The main driver for contactless payments is that the world is becoming contactless. We provide a combination of two factors. You get the secure element on which you can keep all of your information, which is combined with biometrics. No-one else will be able to use your card as they will not have your biometric data. It is convenient and secure, and we hope eventually to get our technology integrated into mobile phones.

"What we are doing can be used for face-to-face payments or the internet. Every time the banks propose a new way of paying, the user has to learn a new way of authenticating himself, whether that is PIN cards or logins and passwords on the internet. We provide a way of authenticating yourself whatever you are doing."

So while the eyes of the world are focused on London this summer, with an Olympic Games that will enthral sports fans around the globe and may go a long way in determining the short-term success of contactless payment, it may just be a short hop across the Channel where its true future lies.

