



**STORES**  
KNOWLEDGE SERIES PRESENTS



# Contactless Payments: A New Era of Payments for Retailers

Smart Card Alliance  
Contactless Payments Council





# Webinar Topics

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## ❖ **Industry, issuer, retailer and payment processor perspectives on:**

- ❖ Who is leading the way in issuing and accepting contactless payments
- ❖ Why consumers are changing the way they pay
- ❖ What benefits retailers are seeing in accepting contactless payments
- ❖ What retailers need to do to update their POS systems to accept contactless payments



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# Today's Speakers & Sponsors

- ❖ Randy Vanderhoof, Executive Director, *Smart Card Alliance*
- ❖ David Sanderson, Vice President, *KeyBank, N.A.*
- ❖ Bob Riesenbach, Manager of New Initiatives, *Wawa*
- ❖ George Wilcox, Group Executive, Retail Product Management, *Chase Paymentech*
- ❖ Webinar Sponsors





# **The What, Who & Why of Contactless Payments**

**Randy Vanderhoof  
Executive Director  
Smart Card Alliance**





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# Smart Card Alliance Overview

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## ❖ **Smart Card Alliance mission**

*To stimulate the understanding, adoption, use and widespread application of smart card technology through educational programs, market analysis, advocacy, and industry relations . . . .*

## ❖ **Over 140 members, including participants from financial, retail, government, corporate, and transit industries and technology providers to those users**

## ❖ **Major activities**

### ❖ **Industry and Technology Councils**

- **Contactless Payments Council**
- **Healthcare Council**
- **Identity Council**
- **Physical Access Council**
- **Transportation Council**

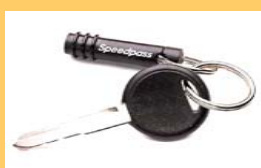
### ❖ **Conferences, symposia, web seminars and educational workshops**

### ❖ **Web-based resources and email newsletters**



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# Some History...



## ❖ ExxonMobil SpeedPass

- ❖ Introduced in 1997 with over 6 million users



## ❖ Contactless transit cards

- ❖ Used by more than 100 cities worldwide



## ❖ MasterCard® PayPass™

- ❖ Nationwide launch through MasterCard issuers



## ❖ American Express ExpressPay

- ❖ Nationwide launch of ExpressPay keychain devices and American Express Blue Card with ExpressPay



## ❖ Visa Contactless

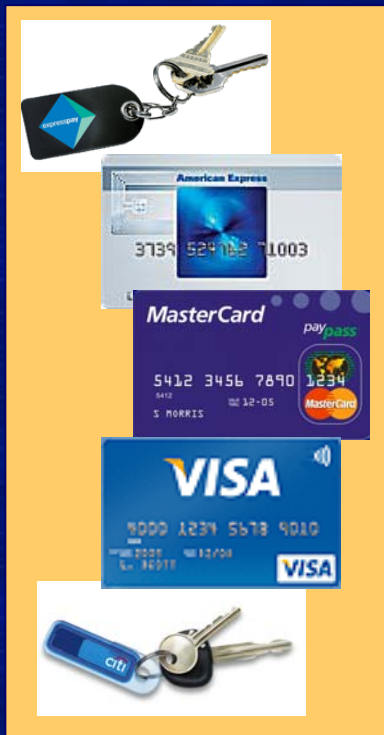
- ❖ Nationwide launch through Visa issuers



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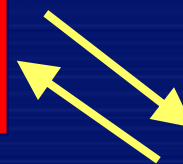
# What Is Contactless Payment?

Fast, convenient payment using cards or devices with an embedded smart card chip and antenna



Contactless read range from  
0-10cm (0-4 inches)

Issuer



MasterCard  
Visa  
American Express

Acquirer



Transaction processed through  
existing secure payment  
processing networks



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# Who's Issuing in the U.S.?

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❖ Millions of contactless American Express, MasterCard and Visa credit and debit cards have been issued in the U.S. since mid-2005

❖ American Express

❖ Citibank

❖ HSBC Bank

❖ GE Consumer Finance

❖ JP Morgan Chase

❖ KeyBank

❖ MBNA





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# Who's Accepting in the U.S.?

❖ Over 25,000 merchant locations are accepting contactless payment cards and devices

## ❖ Convenience Stores

- ❖ 7-Eleven
- ❖ RaceTrac
- ❖ Sheetz
- ❖ Wawa

## ❖ Theatres

- ❖ AMC Theaters
- ❖ CineMark USA
- ❖ Regal Entertainment Group
- ❖ United Artist Theaters

## ❖ Pharmacies

- ❖ CVS/pharmacy
- ❖ Duane Reade
- ❖ Eckerd
- ❖ Walgreens

## ❖ Quick Service Restaurants

- ❖ Arby's
- ❖ Carl's Jr.
- ❖ Cold Stone Creamery
- ❖ Good Times Burger
- ❖ KFC
- ❖ McDonald's
- ❖ Subway

## ❖ Sports venues

- ❖ FedEx Field
- ❖ Giants Stadium
- ❖ Lincoln Financial Field
- ❖ M&T Bank Stadium
- ❖ Qwest Field
- ❖ PGA Tour/Prom Catering

## ❖ Other

- ❖ Boater's World
- ❖ Fry's
- ❖ Meijer Stores
- ❖ Ritz Camera
- ❖ Sony Style
- ❖ USA Technologies (vending)

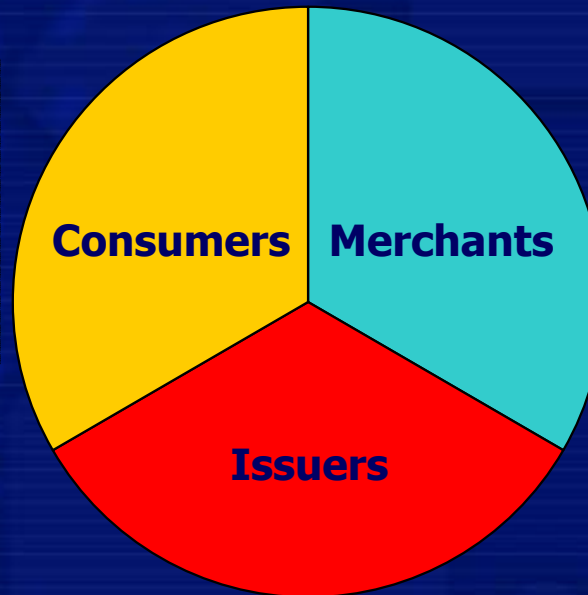


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# Why Is Contactless Catching On?

## ❖ Proven benefits for consumers, retailers and issuers

- ❖ Faster checkout
- ❖ Convenience
- ❖ Easy to use
- ❖ Secure - consumer control



- ❖ Faster throughput
- ❖ Increased spending per transaction
- ❖ Customer satisfaction
- ❖ Operational efficiency
- ❖ Differentiation
- ❖ Customer loyalty

- ❖ Differentiation
- ❖ Increased transaction volume
- ❖ Customer retention and loyalty
- ❖ Co-branding



# For Retailers: Straightforward Implementation

- ❖ **PayPass, ExpressPay, and Visa Contactless – all use the existing payments infrastructure**
  - ❖ POS terminals
  - ❖ Transaction processing networks
- ❖ **Use magnetic stripe payment data format (Track 1 & Track 2)**
- ❖ **Existing POS systems can accept contactless payment with little effort**
  - ❖ No POS hardware replacement required
  - ❖ A contactless RF reader can be easily attached
  - ❖ Small POS software changes may be required







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# Recent Contactless News...

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## ❖ ***NYC Subway Pilot***

- ❖ MasterCard and Citibank are working with the Metropolitan Transportation Authority and MTA New York City Transit to conduct a trial of contactless payments in select New York City subway stations

## ❖ ***Atlanta Mobile Phone Pilot***

- ❖ Cingular Wireless, JP Morgan Chase, Nokia, Philips, Visa USA and ViVOtech are implementing contactless payment with NFC-enabled mobile phones at Philips Arena, home of the Atlanta Hawks of the National Basketball Association and the Atlanta Thrashers of the National Hockey Association

**Look for other market innovations (e.g., loyalty, rewards, value-added offerings) enabled by the use of contactless smart chip technology!**





# Conclusions

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- ❖ **Market results show that contactless payments delivers significant benefits to issuers, consumers and retailers.**
- ❖ **Retailer implementation is straightforward – with POS vendors providing integrated terminal support and payment networks supporting contactless payments.**
- ❖ **Contactless payments are the most important payment card innovation in the last decade, creating new opportunities for delivering a new type of secure and convenient payment.**



# Value to Forming a Contactless Payments Council

- ❖ **Mission:** *Facilitate the adoption of contactless payments in the U.S. through education programs for consumers, merchants and issuers*
- ❖ **Over 25 active members, including financial industry representatives and technology suppliers**
- ❖ **Resources**
  - ❖ **Retailer and Issuer Advisory Groups**
  - ❖ **White papers on contactless payments**
    - *The What, Who and Why of Contactless Payments*
    - *Contactless Payments: Delivering Merchant and Consumer Benefits*
  - ❖ **Contactless payments resources and news**
  - ❖ ***Foundations of Card Technology in Payments Transactions, Cardtech Securtech Workshop, San Francisco, May 2, 2006***



# ***PayPass™ – The Simpler Way to Pay!***

**David Sanderson  
Vice President  
Debit Card Product Manager  
KeyBank NA**





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# Who Is KeyBank

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KeyBank, with assets of approximately \$93 billion, is one of the nation's largest bank-based financial services companies. KeyBank provides investment management, retail and commercial banking, retirement, consumer finance, and investment banking products and services to individuals and companies throughout the U.S. and, for certain businesses, internationally

Key's community-focused bank operates KeyCenters in 23 districts in 13 states. Headquartered in Cleveland, Key has 970 KeyCenters, 2,400 ATMs and 20,000 employees. Key's much acclaimed website can be found at [www.Key.com](http://www.Key.com)



# Agenda

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- ❖ *PayPass* – What is it
- ❖ The Contactless Future
- ❖ Implementation
- ❖ Benefits
  - ❖ Consumer
  - ❖ Financial Institution
  - ❖ Merchant



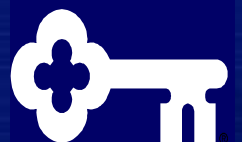


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# ***PayPass - What Is It***

## ***PayPass - The Simpler Way to Pay!***

- ❖ The *PayPass* card has built-in chip technology, as well as a standard magnetic stripe. This enables the card to be used in the traditional manner at all MasterCard acceptance locations. However, at *PayPass* accepting retail locations, the cardholder can pay with one simple touch of the card
- ❖ No swipe of the card, signature or PIN is required for most transactions under \$25.00
- ❖ *PayPass* is focused on replacing cash transactions with card transactions at quick-service environments where checkout time is critical
  - ❖ Quick Service Restaurants
  - ❖ People Centers
  - ❖ Movie Theaters
  - ❖ Petroleum





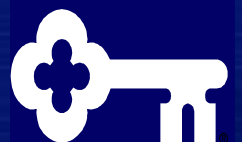
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# ***PayPass - How it Works***

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## ***PayPass - The Mechanics!***

- ❖ *PayPass* cards and devices feature an embedded chip and radio frequency antenna. After you tap or wave your *PayPass* card, the card transmits payment detail wirelessly, eliminating the need to hand your card to the merchant to swipe it through a reader
- ❖ Just one tap of your *PayPass* card on the *PayPass* reader at participating locations and the transaction is complete
  - ❖ No fishing for coins or waiting for change
- ❖ Your card never leaves your hand
  - ❖ Safe and secure
  - ❖ MasterCard's \$0.00 liability on unauthorized purchases
  - ❖ Receipt available on every purchase



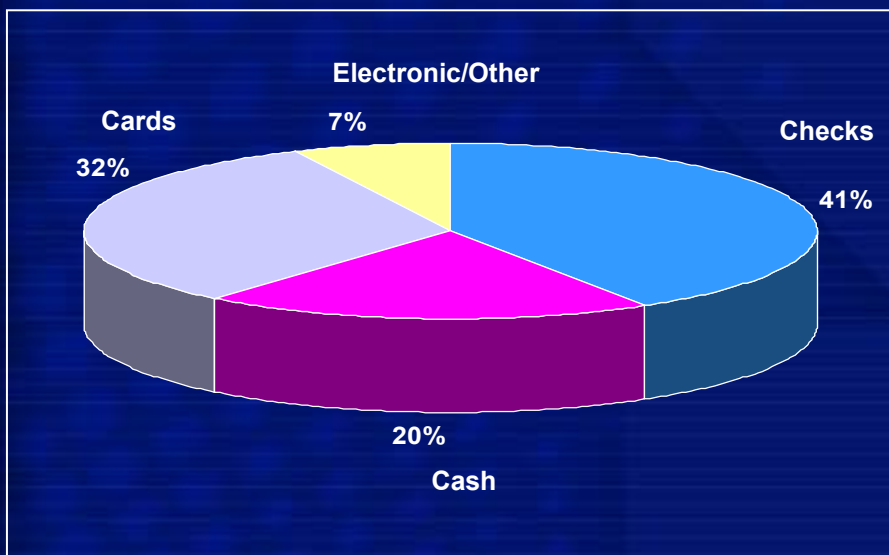


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# The Target - Cash

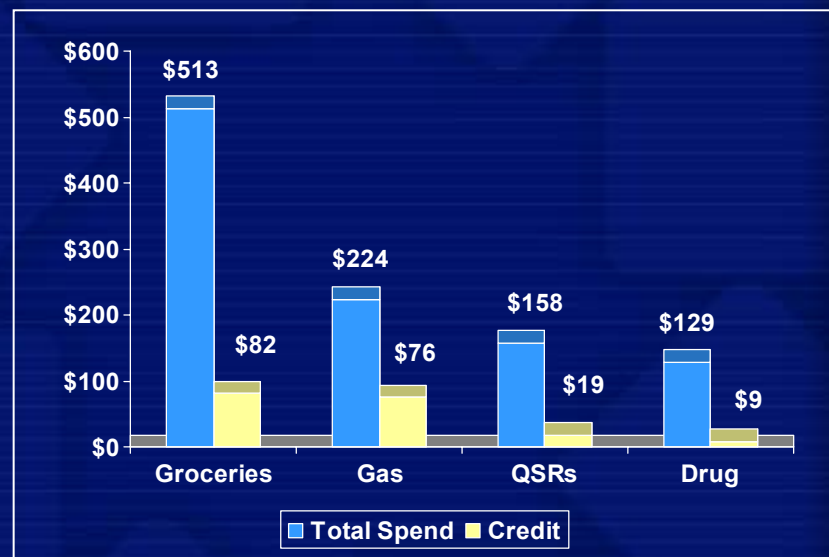
61% of Total Consumer Payments Are Conducted with Cash and Checks

U.S. Consumer Payment Systems  
2003 Market Share \$5.417 trillion



Source: American Banker 2004

U.S. Spend in Select Convenience Categories  
(\$ billions)



Source: GMAPS, ES Reports, Forrester Research 2002, SPG analysis





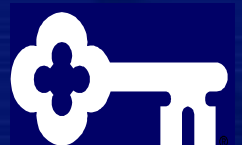


# Contactless – The Opportunity

## Revenue Growth for All

- ❖ Penetrates cash-only environment, where speed is essential
  - ❖ 20% of consumer payments in 2003 were conducted with cash
  - ❖ Displace cash transactions used to make purchases from \$0.00 to \$25.00
- ❖ Cardholders not previously using their debit card will become active users
  - ❖ Transactions tend to be at least 10% higher when using a card instead of cash
- ❖ Increase in the number of debit card transactions per cardholder

**More transactions. Bigger transactions.**

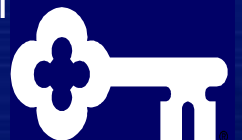




# Contactless – The Opportunity

## Competitive Difference

- ❖ Assists in new checking account acquisition
- ❖ Study on Consumer Payment Trends and Preference found:
  - ❖ 40% carry less cash than 5 years ago and 77% do not want to carry cash
  - ❖ 63% said that they would likely use a contactless card
  - ❖ Most likely population to use a contactless card
    - ❖ 18 – 34 and 45 – 54
    - ❖ Annual household income of \$75,000 or more
    - ❖ College or graduate school education
- ❖ Most consumers are ready for a payment alternative to cash
- ❖ Enhances consumer feeling of security, the card never leaves their hand
- ❖ Contactless devices are not limited to just a card. They can also be built into a cell phone, key chain tag, key fob, PDA or other device





# Contactless - Merchant Business Drivers

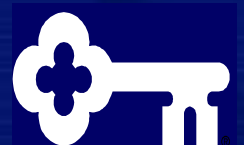
***Speed of Payment***

**+**

***Customer Convenience***



- 1. Movement from Cash to Card = Increased Spend***
- 2. More Customer visits = Increased Revenue***
- 3. Greater Customer Loyalty = Increased Visits***

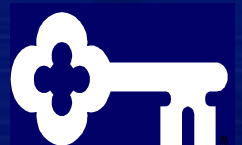




# Contactless - Benefits

## Merchant Acceptance

- ❖ No major changes to the card processing infrastructure required. Operates over existing networks
  - ❖ Seamless integration – all hardware has been designed to merge with existing devices with minimal changes to the software and cost to the merchant
- ❖ Contactless devices enhance the customer's experience by adding greater convenience and payment options. It helps merchants to attract new customers
- ❖ Quicker transactions mean shorter lines and shorter lines attract more customers, particularly at peak periods
- ❖ The power of chip technology brings added security and assists in managing fraud
- ❖ Minimizes the cash handling expense every business incurs







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# Contactless - A Winning Proposition

## KeyBank

- ❖ New acquisition tool
- ❖ Improve retention and usage
- ❖ Penetrate cash market
- ❖ Drives revenue growth – today and tomorrow
- ❖ Innovative

## Cardholder

- ❖ Fast and convenient
- ❖ Simple to use
- ❖ Purchase satisfaction
- ❖ Addresses card security
- ❖ It is perceived as “cool”

## Contactless Payments

- ❖ Tomorrow's payment medium offered today

## Merchant

- ❖ Not expensive or resource intensive
- ❖ Replaces cash transactions with card transactions
- ❖ Improve operational efficiency
- ❖ Increase in spend
- ❖ Increase in repeat visit





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# The U. S. Contactless Payment Landscape

Merchant	Type	Locations
Mc Donald's	Fast Food	13,500
CVS	Drug Store	5,400
7 - Eleven	Convenience Store	5,300
Ritz Camera	Camera Store	1,100
Regal Entertainment	Cinemas	558
Wawa	Convenience Store	500
Sheetz	Convenience Store	318
Duane Reade	Drug Store	254
RaceTrac	Convenience Store	51
KFC	Fast Food	50
Arby's	Fast Food	49
Pro Football Teams	Football Stadiums	5
Issuers with announced rollout plans		
Issuers	Type (brand)	Projected Number
Citibank	Debit key fob (MasterCard <i>PayPass</i> )	2.5 million
J.P. Morgan Chase	Credit card (Visa, MasterCard <i>PayPass</i> )	2.0 million
KeyBank	Debit card (MasterCard <i>PayPass</i> )	2.0 million
HSBC	Debit card (MasterCard <i>PayPass</i> )	1.0 million
American Express	Credit and charge card (ExpressPay)	2.0 million
Source: Card Technology, Smart Card Alliance		



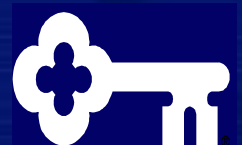


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# Contactless – Summary

## Summary

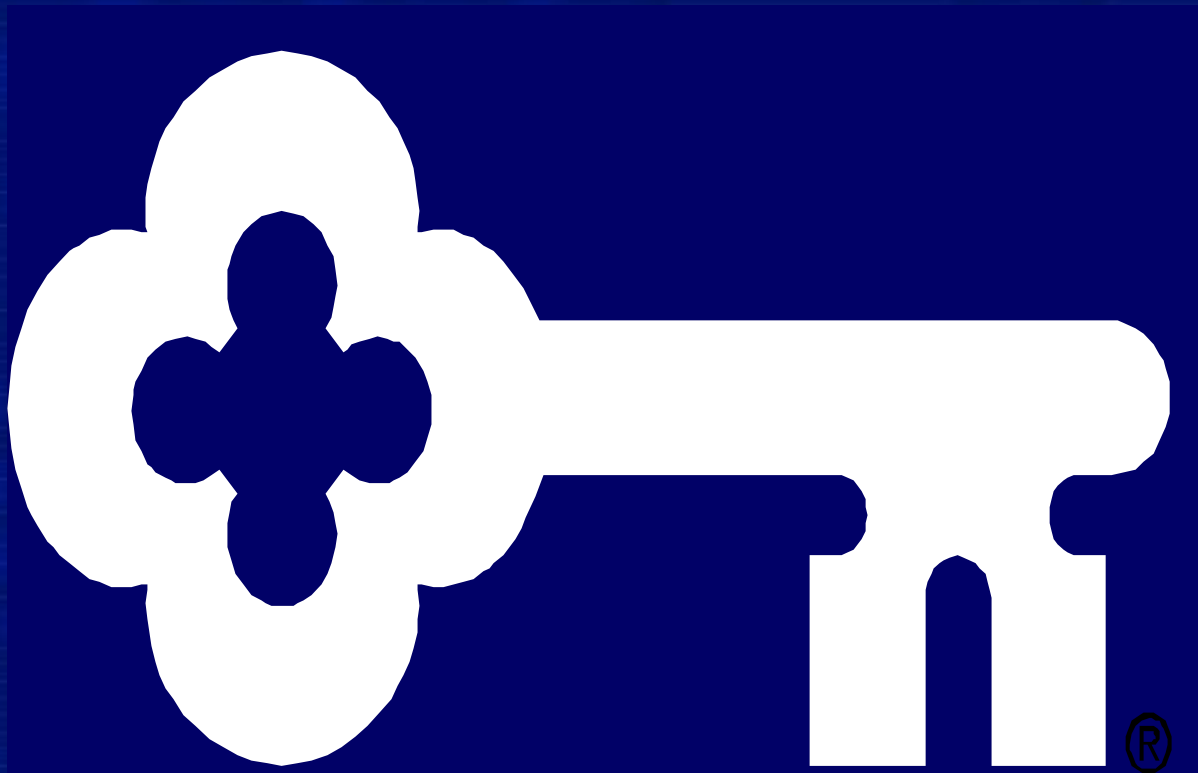
- ❖ **When a contactless offering is combined with “state of the art” POS systems, it has the capability to displace cash**
- ❖ **Contactless deployment strategies:**
  - ❖ Target ‘quick cash’ and ‘tap and go’ merchants
  - ❖ Close alignment with planned merchant POS upgrades
  - ❖ Minimize card and back-office costs
  - ❖ Support credit, debit, private label, and proprietary stored value
  - ❖ Put a contactless device in everyone’s hand
- ❖ **Complements new checking account acquisition through a enhanced competitive offering**
  - Drives revenue growth
  - Increases transaction volumes
  - Moves inactive cardholders to active cardholders





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# **Contactless Payments at Wawa**

**Bob Riesenbach**  
**Manager, New Initiatives**  
**Wawa**





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# Our Modern Day Business Started in 1964





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# 40 Years Later...

Pennsylvania

New Jersey

547 Stores

Delaware

Virginia

Maryland

180 with Fuel







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# 40 Years Later. . .



**Wawa®**





# Wawa Is Deeply Passionate about:

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## Core Values:

Value People  
Delight Customers  
Embrace Change  
Do the Right Thing  
Do Things Right  
Passion for Winning

## Core Purpose:

“To simplify  
our customers’  
daily lives”





## Which Leads to Today's Agenda

- ❖ Wawa customers and associates have been asking for a loyalty program, as well as a co-branded “Wawa Rewards” credit card, for years
- ❖ Our customers are always looking for improved convenience
- ❖ The opportunity to offer a co-brand credit card rewards program, while also speeding up service at the register, was a key factor in convincing us to “take the leap”





## Other Reasons It Made Sense

Several changes in the contactless payment market made us take notice of this opportunity:

- ❖ Convergence of specifications among major players
  - One reader for all major payment brands
- ❖ Value prop now exists for all players – payment associations, acquirers, issuers, merchants, and consumers
- ❖ Major issuers (such as Chase, Amex, and KeyBank) are investing heavily in the technology
- ❖ Opportunity to participate in bank marketing campaigns as a key merchant in the Philly market
- ❖ Industry pilots showed higher average ticket than cash transactions







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# The Customer Experience

- ❖ Wawa customers can now use contactless payment from Visa and MasterCard issuers, as well as American Express
  - ❖ All in-store points of sale
  - ❖ All self-service pumps
- ❖ All our points of sale are branded with Visa, MasterCard *PayPass*, and American Express *ExpressPay*
- ❖ No signature is required on transactions under \$25
  - ❖ Consistent for all electronic payments to avoid confusion
- ❖ No fumbling card for proper orientation in reader







# The Associate Experience

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## ❖ Training

- ❖ We worked with Chase to administer a contactless payment “quiz” to our associates
- ❖ All participants got a premium item
- ❖ All participants were entered in a drawing for \$1,000 prize
- ❖ Very effective approach to communicating key points
- ❖ The greatest challenge has been communicating the various acceptance marks and types of form factors our Associates might see





# The Results

- ❖ Customers that use contactless payment at Wawa love it!
- ❖ Tying contactless payment to our Wawa Visa Rewards card has been a big win
  - ❖ Customers love being able to use contactless payment while earning rewards
- ❖ Store associates love it too – moves people through the lines quicker
- ❖ We are currently seeing a fair number of contactless transactions -- it is gaining more traction each week, as more cards are distributed by the banks
- ❖ We are seeing higher average ticket than cash transactions





# The Implementation Challenges

- ❖ Strong project management is critical. For Wawa, key components included:
  - ❖ Developing and “selling” the business case
  - ❖ Identifying suppliers (bank and association partners, equipment suppliers)
  - ❖ Negotiating contracts
  - ❖ Managing logistics of ordering, distributing and installing equipment in-store and at pumps
  - ❖ Upgrading POS software and working with merchant processor to upgrade processes
  - ❖ Upgrading pump / POS Interface
  - ❖ Coordinating various 3<sup>rd</sup> parties
  - ❖ Developing and implementing Training, Marketing and PR programs



**... all on an extremely tight timeline!**







# Contactless Payments

**George Wilcox**

**Group Executive, Retail Product Management  
Chase Paymentech Solutions**





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# Agenda

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- ❖ Chase Paymentech Solutions
- ❖ Efforts to date
- ❖ Implementation
- ❖ Benefits



# Chase Paymentech Solutions

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- ❖ Created by integration of Paymentech and Chase Merchant Services in October 2005
- ❖ President and CEO Michael P. Duffy, formerly president and CEO of Paymentech
- ❖ More than 15.5 billion transactions in 2005
- ❖ Bankcard volume of more than \$563 billion in 2005
- ❖ Over 541,000 merchants with nearly 1 million locations
- ❖ Largest payment processor in the industry
- ❖ 2,000+ employees in the U.S., Canada and Europe
- ❖ Integration targeted completion date of mid-2006



# Current Efforts

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- ❖ **Included in recent POS launches and planned for future launches**
- ❖ **Encouraging developers of integrated systems to include contactless when certifying to Chase Paymentech**
- ❖ **Coordinating efforts with providers of contactless hardware**
- ❖ **Long-term plan is to provide support throughout North America**



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# Implementation

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- ❖ **Insure payment processor *and* system provider support contactless**
- ❖ **Coordinate with providers to upgrade POS system to support contactless**
- ❖ **Emphasize employee training**
  - ❖ Critical to success
  - ❖ Customer contact – staff must understand contactless and its benefits
  - ❖ Possibly run contest to encourage staff
- ❖ **Work with major card issuers in area to promote usage**





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# Benefits

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- ❖ **Improves speed and convenience** (when offered in concert with QPS or EPS+ programs)
  - ❖ Merchants no longer need to obtain a signature from the cardholder on select purchases.
- ❖ **Introduces credit cards into previously cash-only environments**
- ❖ **Reduces risk of card skimming**
  - ❖ The cardholder remains in control of their card during the entire payment transaction.
- ❖ **Decreases transaction time**
  - ❖ Compared to cash and traditional credit transactions

# Time for Q&A



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# For More Information



- ❖ **Randy Vanderhoof, Smart Card Alliance**  
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- ❖ **David Sanderson, KeyBank N.A.**  
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- ❖ **Bob Riesenbach, Wawa**  
[www.wawa.com](http://www.wawa.com)



- ❖ **George Wilcox, Chase Paymentech**  
[www.ChasePaymentech.com](http://www.ChasePaymentech.com)

