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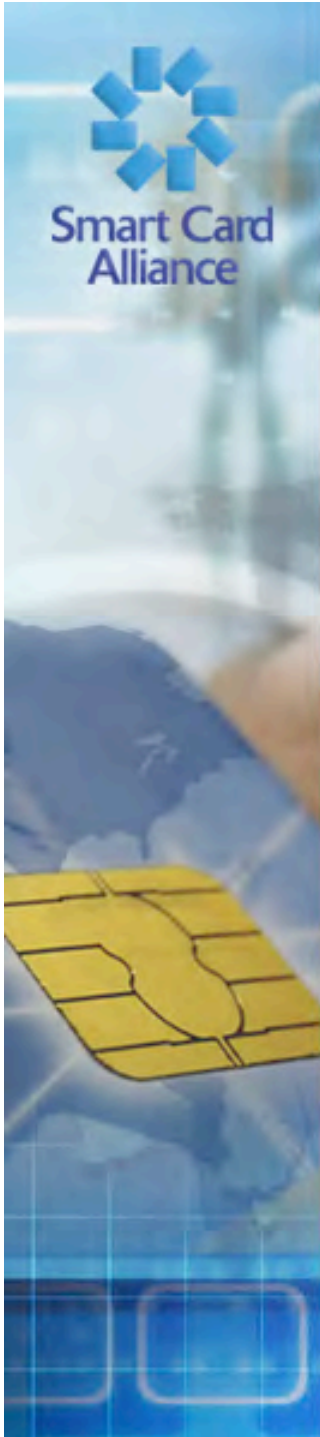
# Contactless Payments: The Retailer Experience

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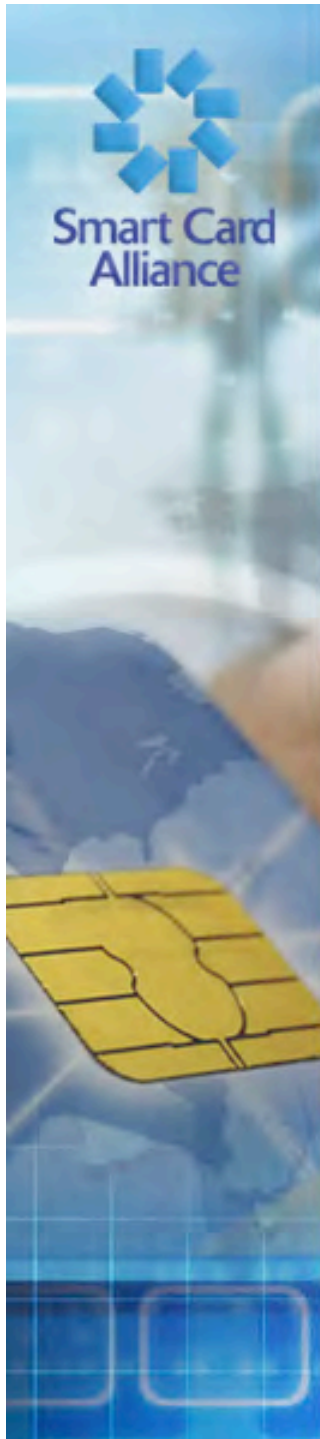
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# Seminar Topics

- Retail segments accepting contactless payments
- Consumer adoption
- New opportunities enabled with contactless payments
- Key business drivers for retailers
- Key implementation considerations



# Today's Speakers and Sponsors

- Randy Vanderhoof, Executive Director  
*Smart Card Alliance*
- Gavin Waugh, Senior Director of Treasury  
*Arby's Restaurant Group, Inc.*
- Mark Jackson, Vice President Immediate Consumption  
*Cadbury Schweppes Americas Beverages*
- Michael Verdesca, Division Vice President  
*Jack in the Box, Inc.*
- Sahir Anand, Lead Analyst, Retail Practice  
*Aberdeen Group*
- Sponsors





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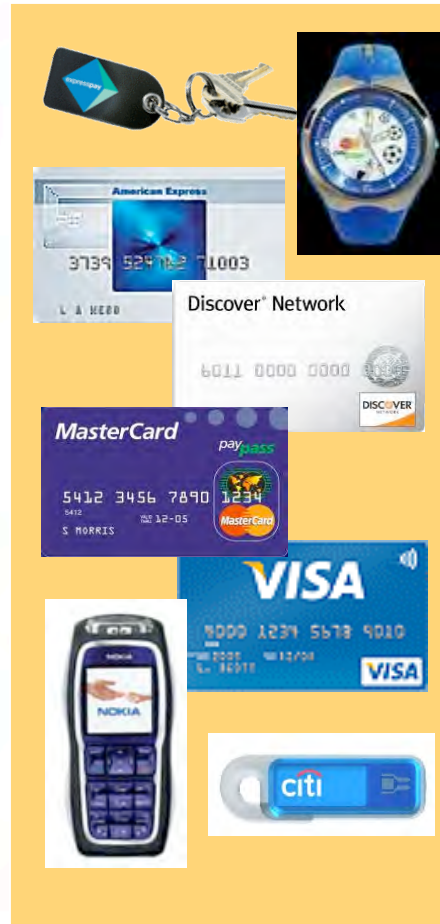
# ***Contactless Payments: The Retailer Experience*** **Market Overview**

Randy Vanderhoof, Executive Director, Smart Card Alliance





# How Contactless Payment Works



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

**Issuer**

**MasterCard  
Visa  
American Express  
Discover Network**

**Acquirer**



Transaction is processed through existing secure payment processing networks

Contactless read range only <10cm (<4 inches)  
– differs from RFID tags for read range and security



# The Shift from Cash to Cards

## Consumers carry less cash

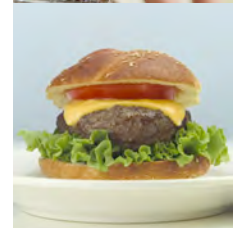
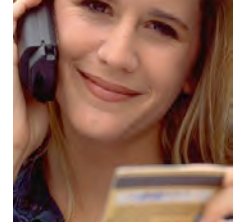
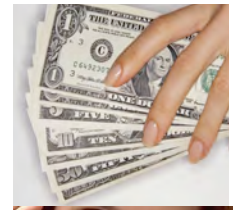
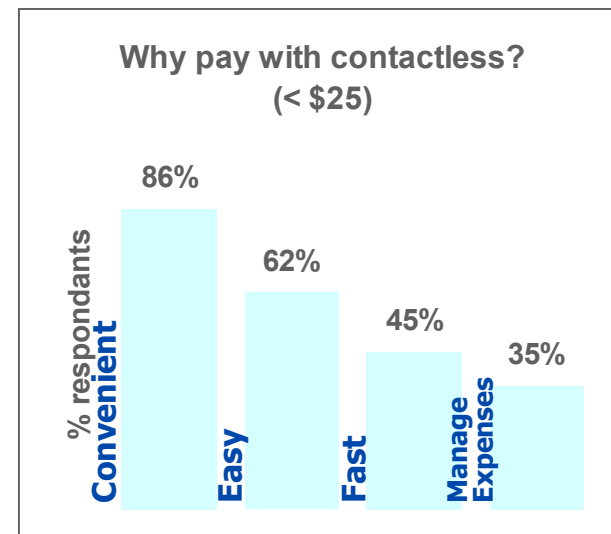
- 60% have  $\leq \$20$
- 75% see no need to carry large amounts of cash
- 62% purchase with cash less often

## Contactless payments changes consumer behavior:

- More loyal to merchants
- Spend 20-40% more
- Use cards more often vs. traditional cards

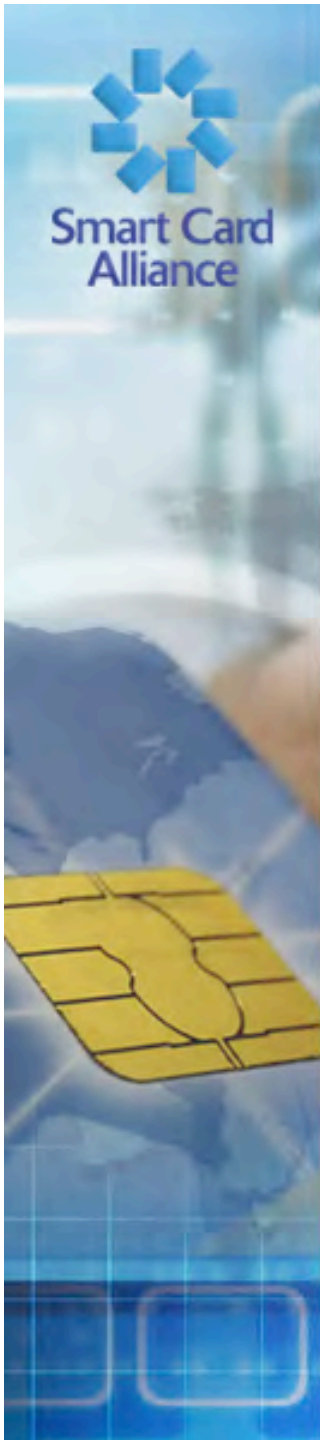
## Appeals to youth market (ages 18 to 25):

- 60% prefer to use cards for purchases of  $\leq \$25$
- More interested in paying with mobile phone
- 4X as likely to carry phone vs. cash
- 50% want to send money to friends via phone

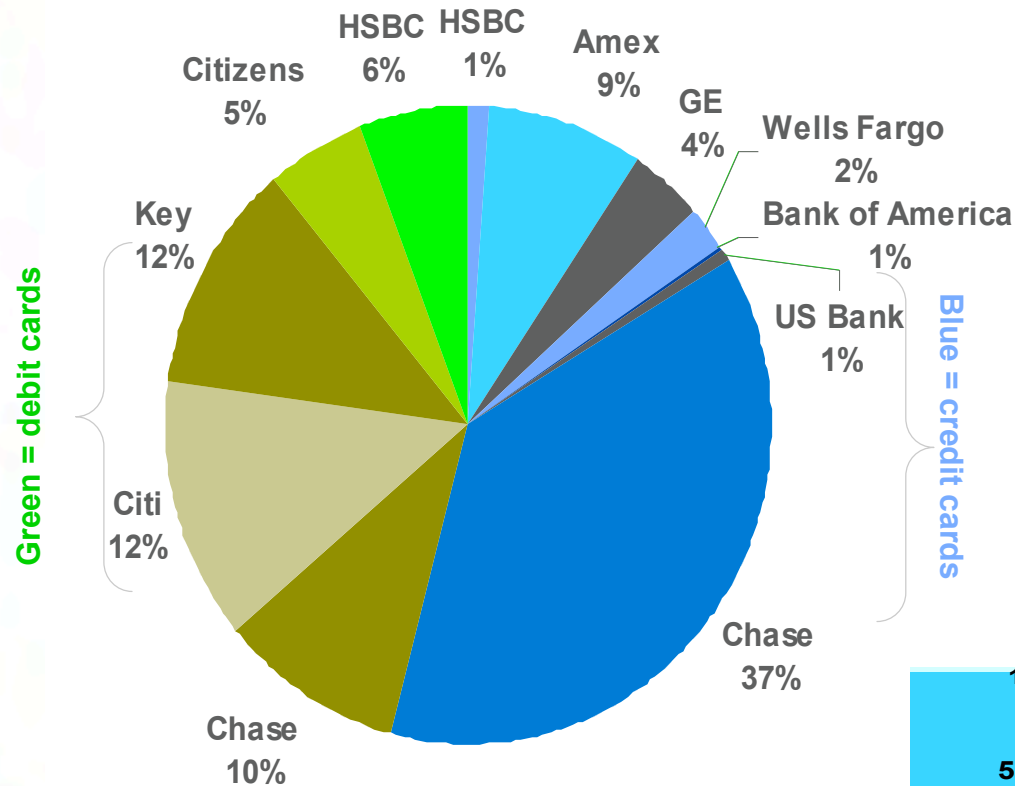


Source: re:ID Magazine, Fall 2006, ePayments News Network, 7/06, 5/06 Ipsos Insight/Peppercoin telephone survey of 1,001 adults, Visa, MasterCard, IBM analysis

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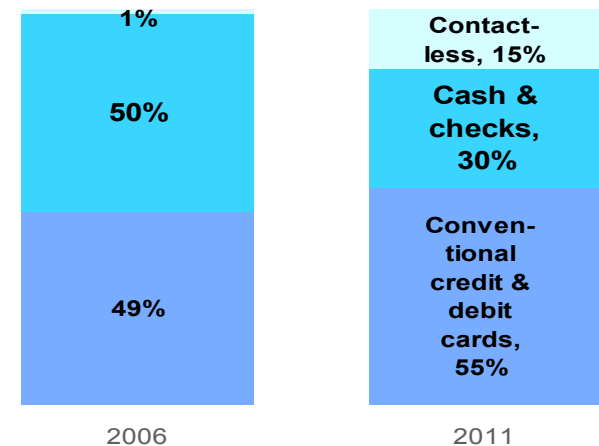
# Contactless Payments By Numbers



## US Contactless Cards Issued, 2006

Total US cards in circulation as of 11/15/06:  
18.8 million

## Contactless Payment Share of Spending



Total 2006 spend = \$1.4 trillion

Source: Vivotech, Source of Map: MasterCard 2006, Celent 2006, Cardline 9/1/06, Forrester July, 2005, Nilson Report #868, 11/06, IBM analysis

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# Contactless Merchants Spreading Across the U.S.

US Contactless Merchants, June 30, 2007



Total merchants enabled worldwide: >51,000

Source: Mastercard, June 2007; IBM analysis





# All Benefit – Retailers, Issuers, and Consumers



## Retailers

**speed, spend, cost, insight**

- Simpler and faster than cash
- Shorter queues
- Increased spend
- Improved customer satisfaction
- Increased customer loyalty
- Reduced cash handling fees
- Ability to capture data on customer buying behavior

## Issuers

**revenue, differentiation, and loyalty**

- Increased spend results in increased interchange revenue
- Customer retention and acquisition
- Captured cardholder data for marketing and rewards programs

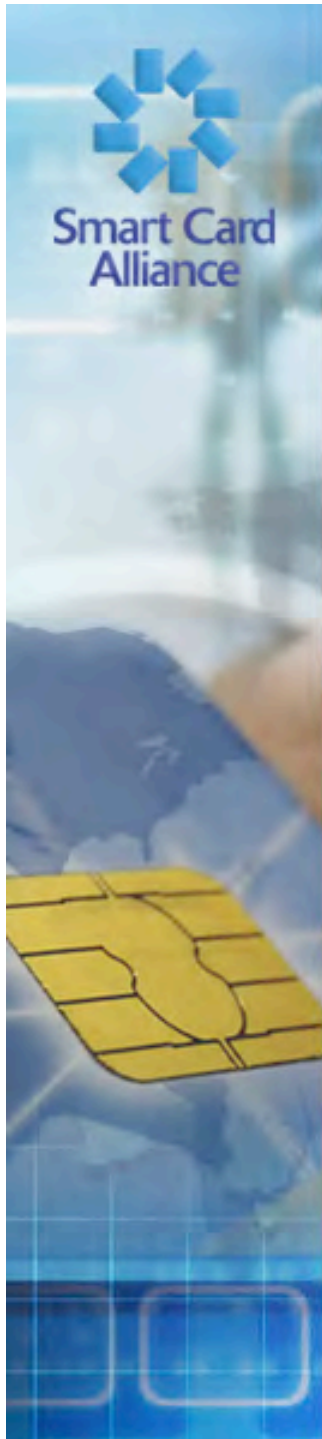


## Consumers

**speed, convenience, security**

- Speed
- Convenience
- Better able to track spend
- Security

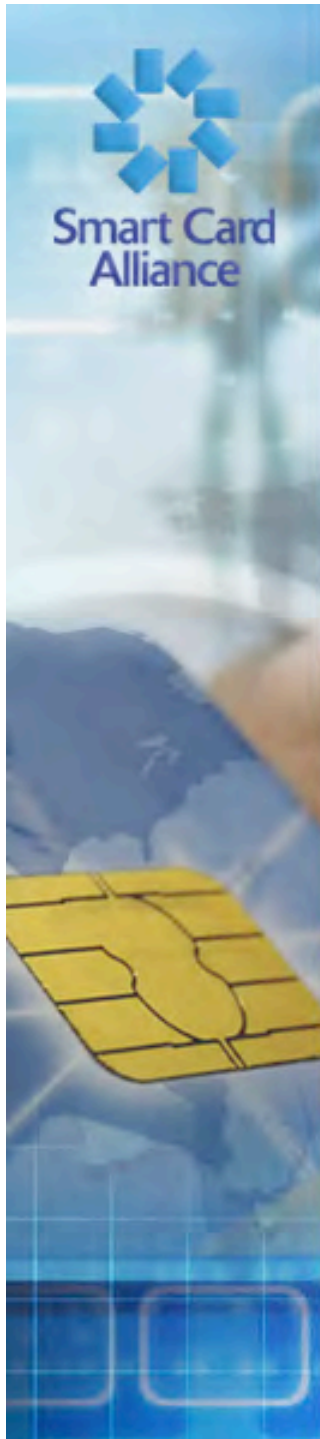




# Contactless Market Innovations

- New York City subway pilot
- Ohio Turnpike pilot
- Contactless in taxis
- Contactless for vending
- Mobile payment pilots





# Smart Card Alliance

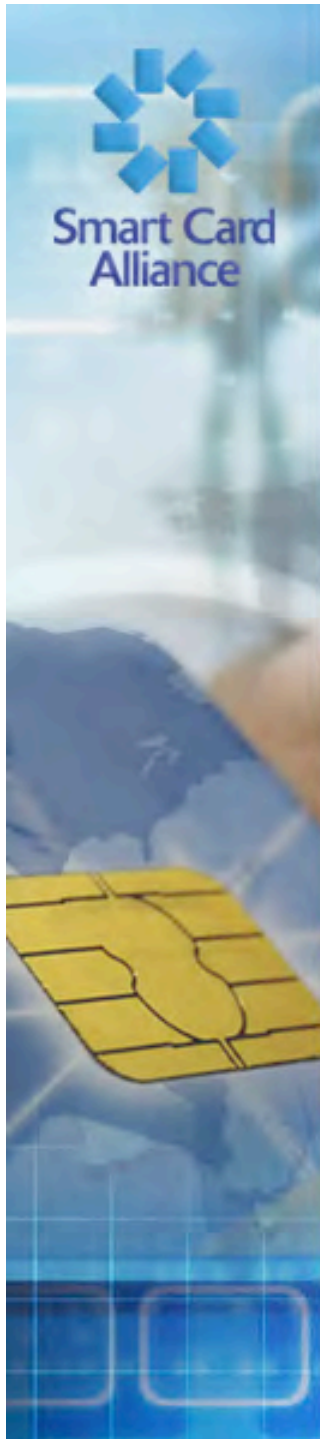
## Smart Card Alliance mission

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

**Over 170 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**



# Contactless Payments Council

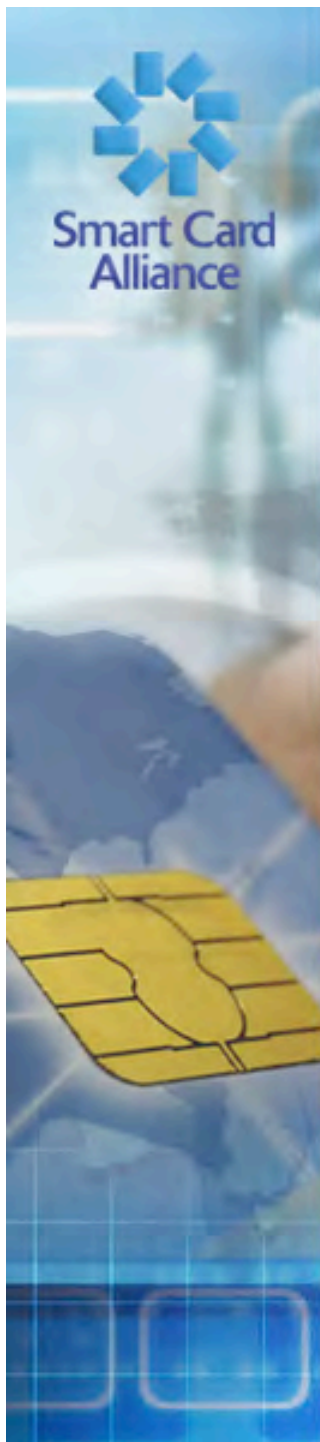
**Mission:** *Facilitate the adoption of contactless payments in the U.S. through education programs for consumers, merchants and issuers*

**Over 34 active members, including financial industry representatives and technology suppliers**

## Resources

- **Merchant and Issuer Advisory Groups**
- **Educational publications on contactless payments**
  - *Merchant Implementation Guide*
  - *Proximity Mobile Payments*
  - *The What, Who and Why of Contactless Payments*
  - *Market Survey: Consumer Attitudes and Acceptance*
  - *Contactless Payments: Frequently Asked Questions*
- **Contactless payments resources and news**
- **Issuer and merchant web seminars**

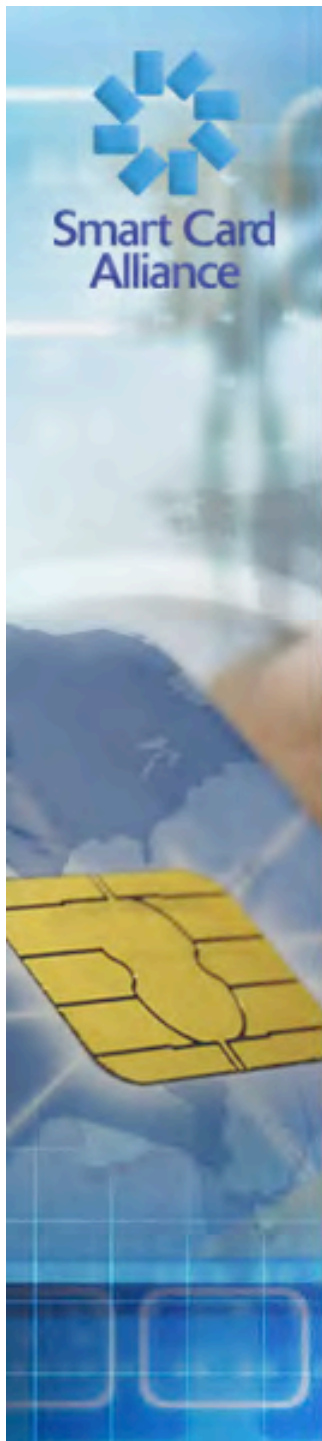




# Council Participants

American Express  
Arby's Restaurant Group, Inc.  
Assa Abloy ITG  
Atmel  
Bank of America  
Booz Allen Hamilton  
Chase  
Citizens Bank  
CPI Card Group  
Datacard  
Discover Network  
First Data Corporation  
Gemalto  
Giesecke & Devrient  
Gotham Financial Services  
Hypercom  
IBM  
Infineon Technologies  
INSIDE Contactless  
JCB  
KeyBank

MasterCard Worldwide  
NYC Transit  
NXP  
Oberthur Card Systems  
OTI America  
Petro Canada  
PricewaterhouseCoopers  
Racetrac  
Sheetz  
Skyetek  
Texas Instruments  
Thales Group  
USA Technologies  
VeriFone  
Visa U.S.A., Inc.  
ViVOtech  
Wells Fargo  
WMATA



# Web Seminar Sponsors





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# **Thank you!**

**Randy Vanderhoof, Executive Director, Smart Card Alliance**  
**[rvanderhoof@smartcardalliance.org](mailto:rvanderhoof@smartcardalliance.org), 1-800-556-6828**



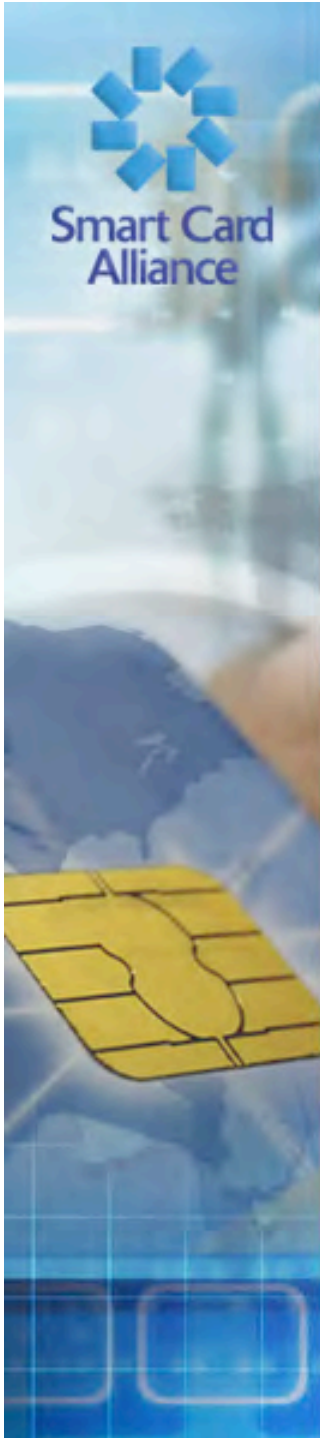
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# **The Arby's Perspective on Contactless**

**Gavin Waugh, Senior Director of Treasury, Arby's Restaurant Group, Inc.**





# Contactless Benefits

**Speed / Efficiency**

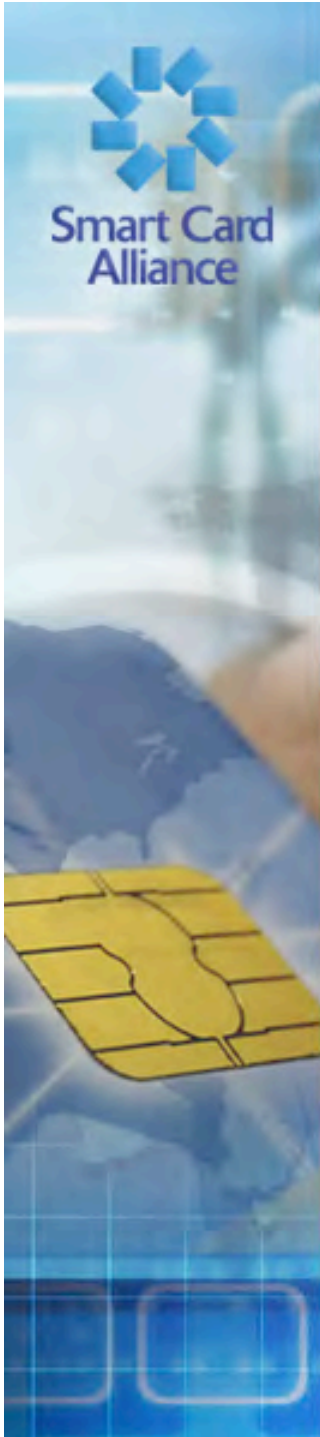
**Convenience**

**Security / Reduced Fraud**

**Differentiation / Loyalty**

**NFC Introduces New Opportunities**





# Contactless Challenges & Costs

## Early Adoption

- Level of Issuance & Target Markets
- Customer Education

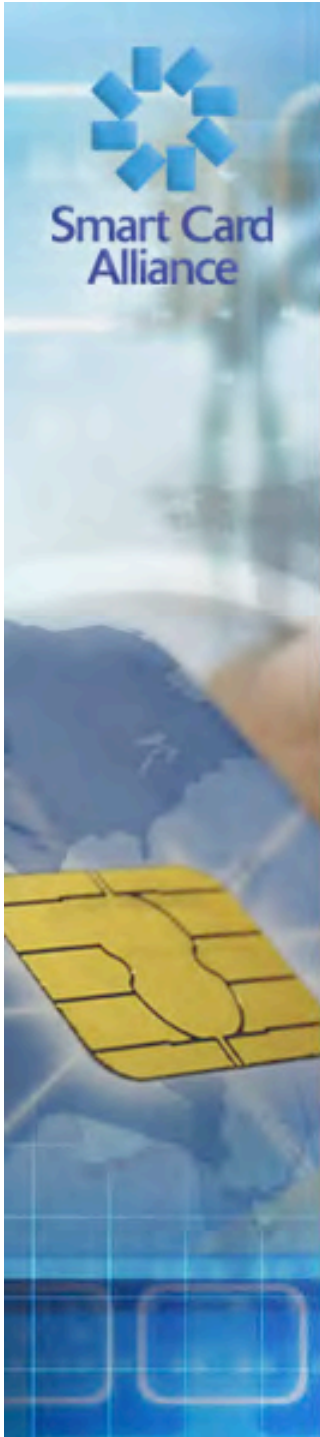
## Equipment

- Initial Cost
- Integration with Existing Equipment
- Ongoing Maintenance
- Firmware Updates

## Calculating ROI

- Reporting
- Measurement
- Availability of ROI Models





# The Arby's Experience

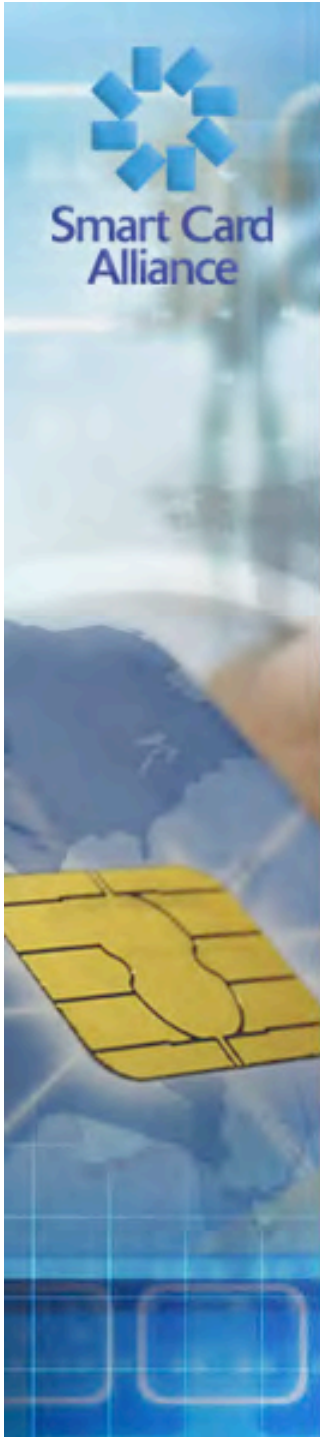
## Background

- Pilot: Feb thru Mar 2006
- Roll out: April thru Jun 2006 – 1,000 corporate owned restaurants
- Franchisee adoption not mandatory but picking up

## Roll Out Challenges and Key Learnings

- Training challenges: cashiers *and* customers
- Tech support challenges
- Certification complexity
- Building configuration challenges





# The Arby's Experience

## Results so far

- Contactless average ticket is lower than mag. stripe – emphasizes the small ticket focus of the technology
- Customer usage largely follows issuance pattern

## Next steps for Arby's

- Currently rolling out improved training materials
- Measuring program effectiveness & refining ROI model
- Working with hardware vendor on hardware improvements and new applications
- Continued “pressure” on issuers to boost issuance
- Monitoring developments with Contactless, NFC and OTA deployments







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**Gavin Waugh**  
**Senior Director of Treasury**  
**Arby's Restaurant Group, Inc.**  
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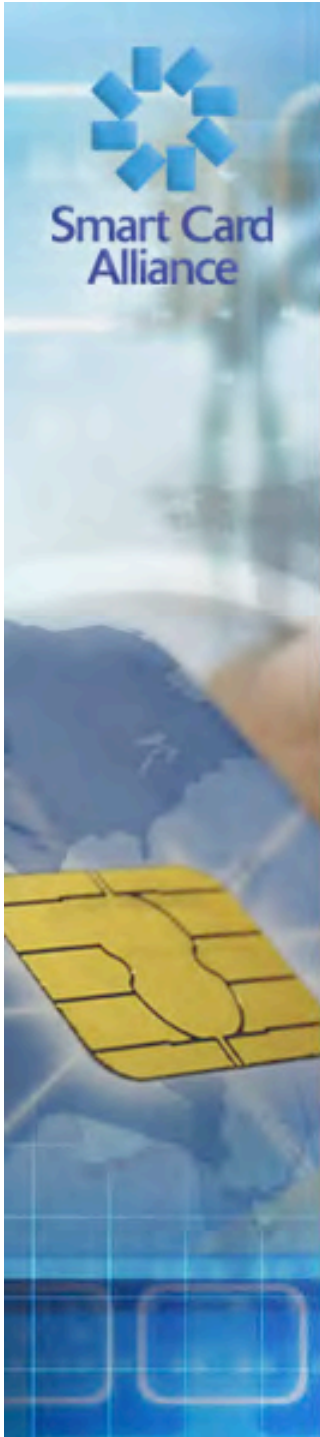


# **Credit / Debit Vending Program**

**Mark Jackson**

**Vice President Immediate Consumption**

**Cadbury Schweppes Americas Beverages**

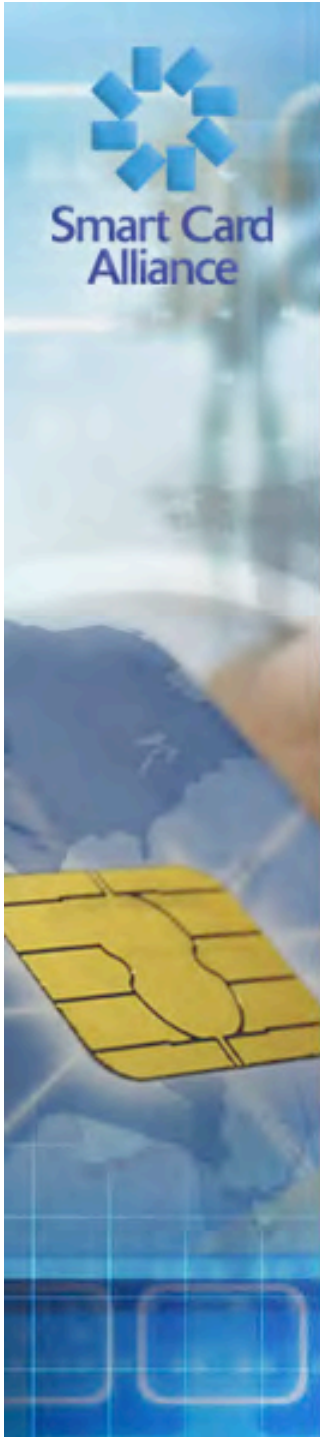


# Who are we?

**Cadbury Schweppes is the world's largest confectionery company with a strong regional presence in beverages in North America.**

- Our global employment is approximately 70,000 people.
- Beverage Brands we sell include:
  - Dr Pepper, Snapple, Seven Up, A&W Root Beer, Canada Dry, Sunkist, Mott's, Hawaiian Punch and Schweppes.

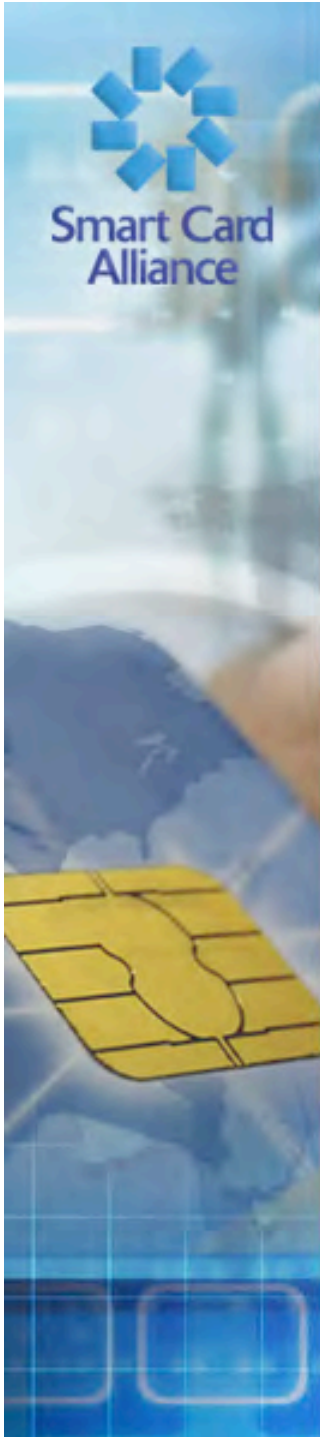
*Cadbury Schweppes*  
AMERICAS BEVERAGES



# Why Offer a Cashless Option?

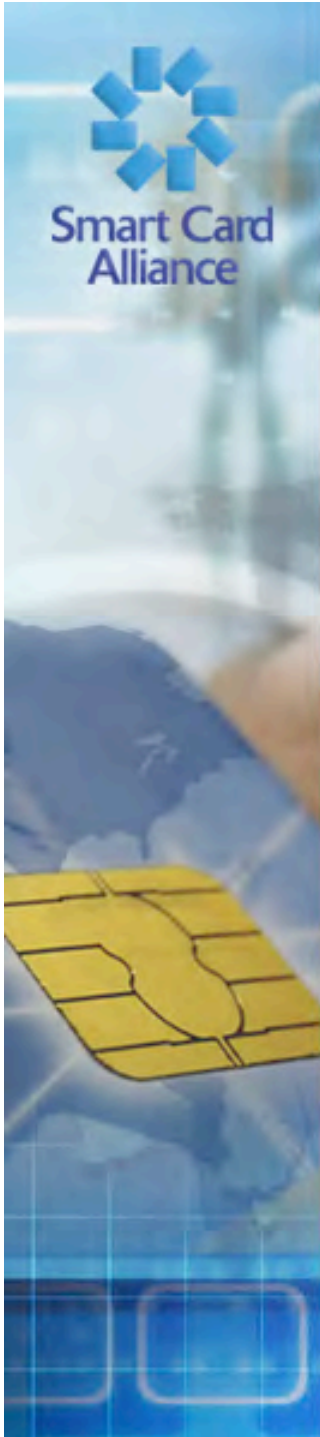
- Credit Card purchases are up 70.7% from 2000 to 2005.
  - Increase of over \$1.1 billion.
  - Projected to increase another \$2.1 billion by 2010.
- Credit and Debit purchases are becoming the preferred method of payment for consumers.
  - Purchases totaling less than \$5.00 per transaction are increasing.
  - Moving more and more towards a cashless society.





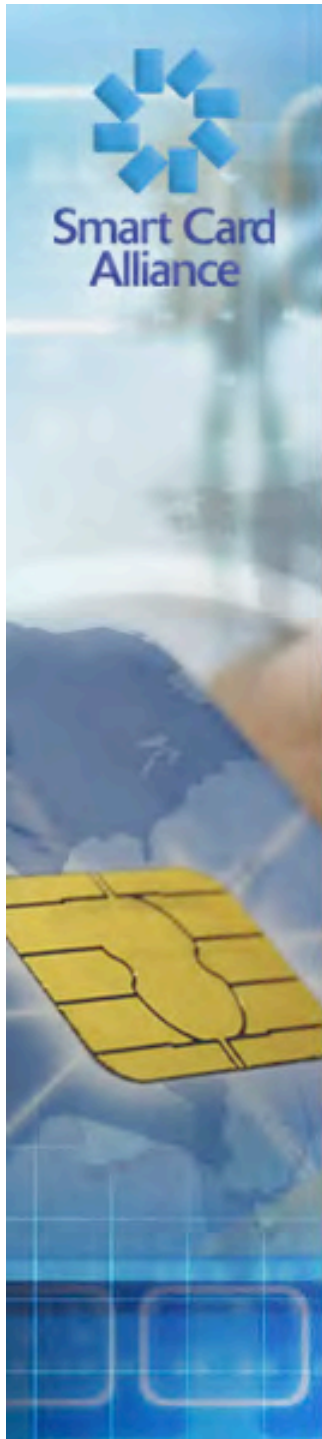
# Why Offer a Cashless Option?

- Provide our customers the payment system options they prefer.
  - Coin, Paper or Debit/Credit.
  - Latest vending technological applications.
- Provide a point of difference versus competition.
- Expand distribution and drive incremental purchases.



## Program Details

- Partnered with USA Technologies and MasterCard to install up to 1,000 e-Port Debit/Credit units on vending machines in select cities across the US.
  - New York, Chicago and Dallas initial rollout
  - Columbus, Houston and Los Angeles



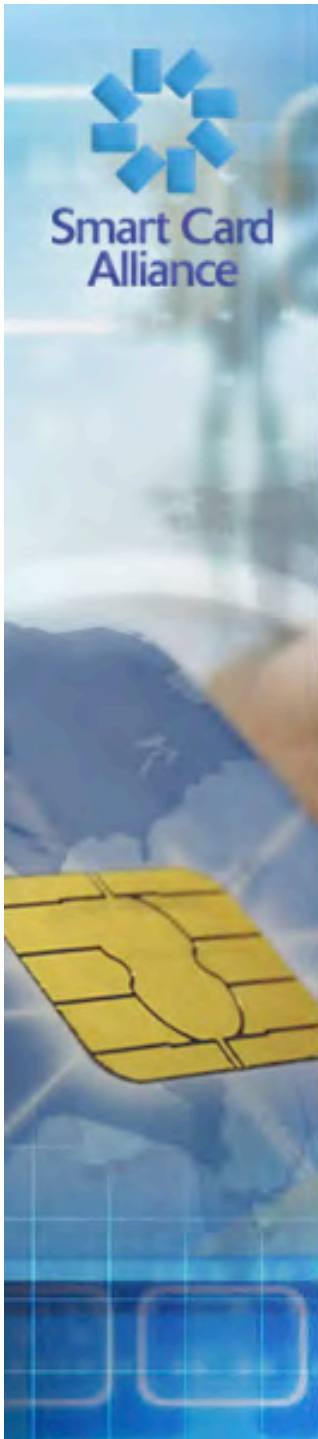
## e-Port Enabled Vender



Brooklyn Superior Court Building.

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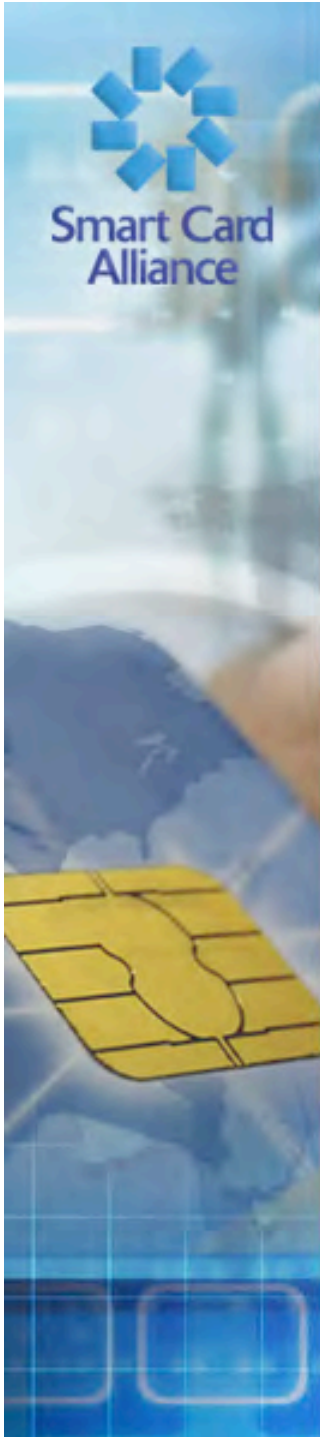
*Cadbury Schweppes*  
AMERICAS BEVERAGES



# Results

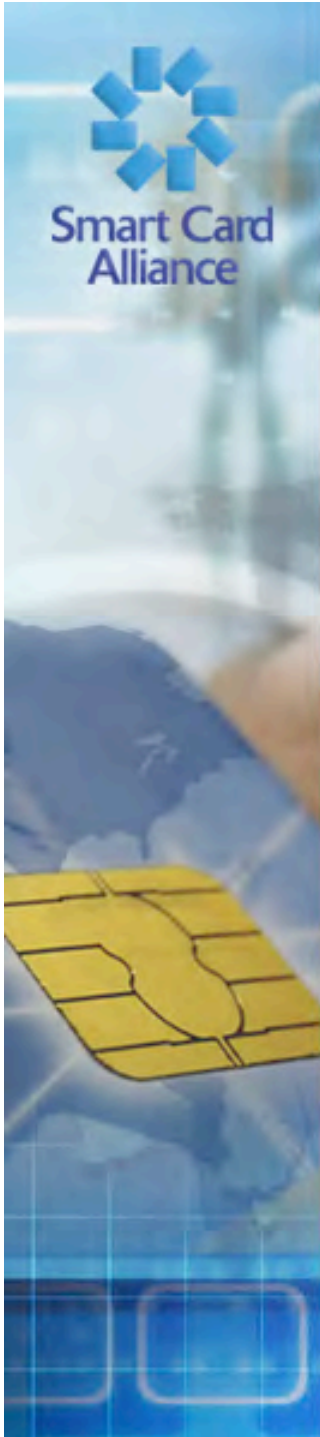
- Initial measure March – May:
  - 330 vending machines
  - Three markets
  - +12% volume improvement
- Wide variance in performance by account type:
  - Debit/Credit percent of revenue ranged from 3% to 24%.
  - Best results - Colleges, Recreation, Hospitals and White Collar offices.
  - Poorest performers - Government and Retail locations.
- Offering the Debit/Credit option resulted in:
  - Additional vender placements.
  - Great response from Managed Services companies.





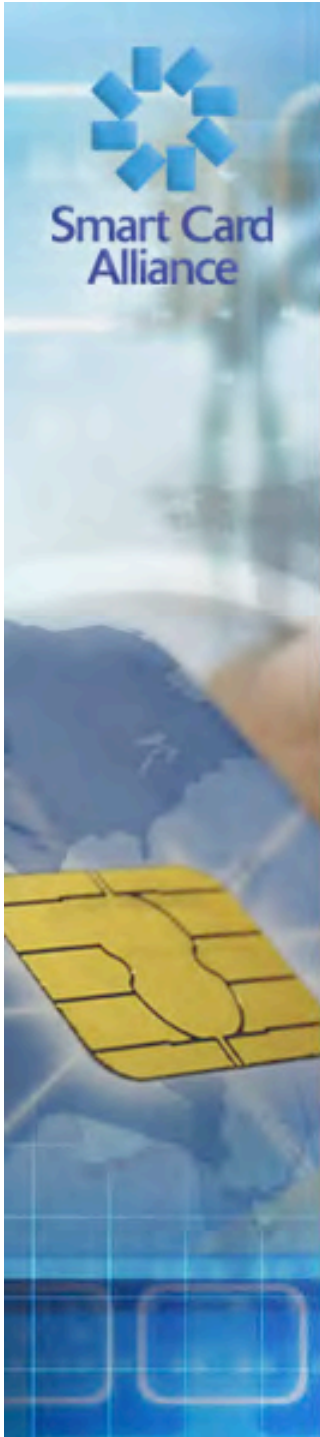
## Learnings

- Initial results indicate the addition of Debit/Credit:
  - Drove double digit volume increases.
  - Provided opportunity to gain incremental placements.
  - Opened new venues.
  - Gave us an advantage over competition.
  - Account selection is critical.



# Expectations

- Debit/Credit will continue to become more widely accepted.
  - Resulting in improved volume and margin.
- As we continue to refine our approach we expect:
  - Better than 12% increases.
  - To gain more distribution.
  - To expand into other marketing areas.



## Next Steps

- Continue to monitor results over the next six months.
- Identify underperforming assets.
- Redeploy units to more appropriate venues.
- Expand beyond test markets.



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**Mark Jackson**

Cadbury Schweppes Americas Beverages

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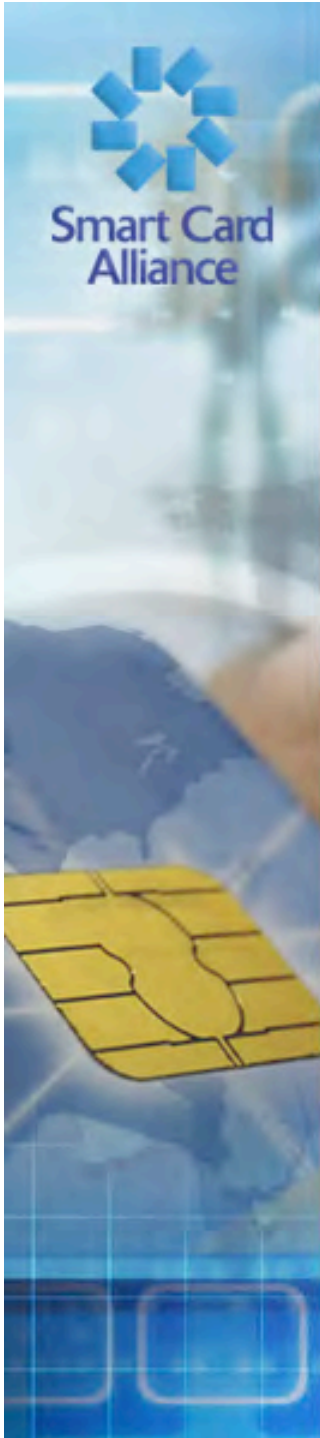
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# Jack & Contactless Payments

Michael Verdesca  
Division Vice President  
Jack in the Box Inc.

®



# Why Jack Went Contactless

## Image

- With Jack being cool and technology savvy, contactless payments fit well with our brand image

## Service

- Give customers additional choice for payment
  - Increases speed of service
  - Potentially converts more cash customers to credit
  - Keeps customers cards in their possession
    - Leveraged program to install outside mag-stripe readers at the drive-thru



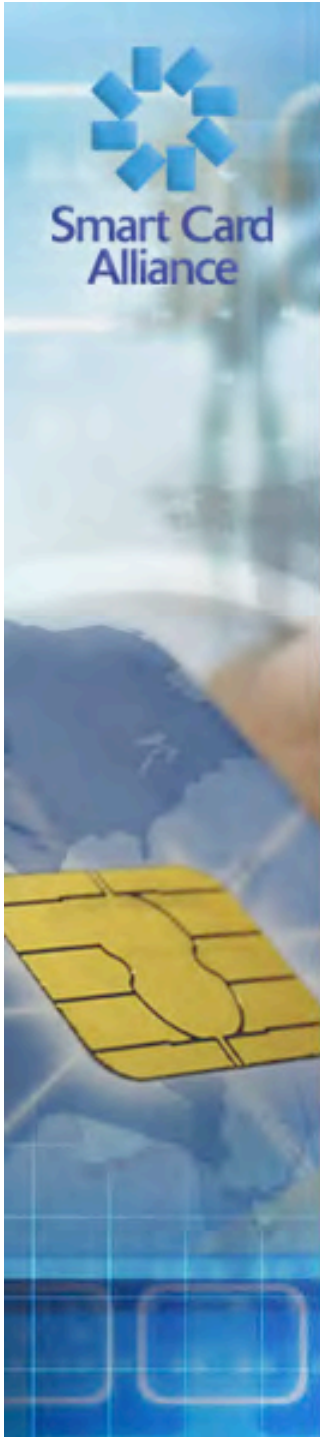


# Why Jack Went Contactless

## Platform for the future

- As issuance and consumer adoption of contactless cards increases, we are ready
- NFC technology is coming
  - We are participating in a trial with a major cell carrier in the bay area that includes our pre-paid "Jack Ca\$h" cards loaded on phones
  - Most customers in our target demographic have cell phones, even those without bank accounts or credit cards
- Loyalty is on our future roadmap
  - Gives us the option of contactless cards, fobs, NFC phones, etc.





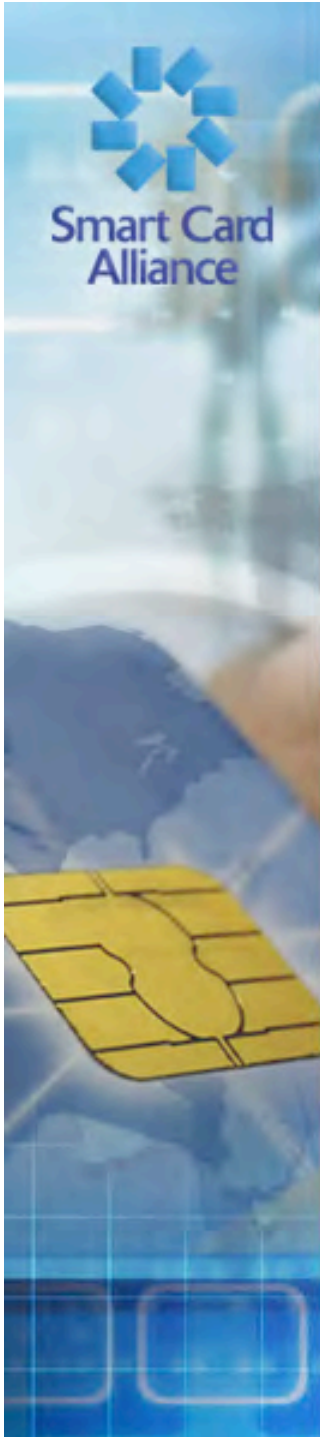
# Jack's Experience with Contactless

## Implementation

- Jack has a consistent POS platform across all locations including franchisees, made installations much easier
  - We did experience hardware incompatibility with some models of our registers that required additional components
    - Unable to use USB connectors with Windows NT
  - Hard to get 100% compliance as many of our locations are in areas which have few or no cards issued so non-working readers are not reported.
- Optional for franchisees but had 95% adoption rate
  - A few small operators opted out for security concerns
  - Some operators use external debit /credit







# Jack's Experience with Contactless

## Other Issues

- Our POS is not architected to capture credit card data until we tender an order, so if a customer taps their card before we are ready, we have to ask them to do it again
- We had to complete a significant POS upgrade to get to PCI compliance and Contactless capabilities

## Summary

- We are excited to be involved in this initiative and believe we are positioned to leverage this emerging technology to grow our and increase our customer loyalty





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**Michael Verdesca**

Division Vice President, Systems Development

Jack in the Box Inc.

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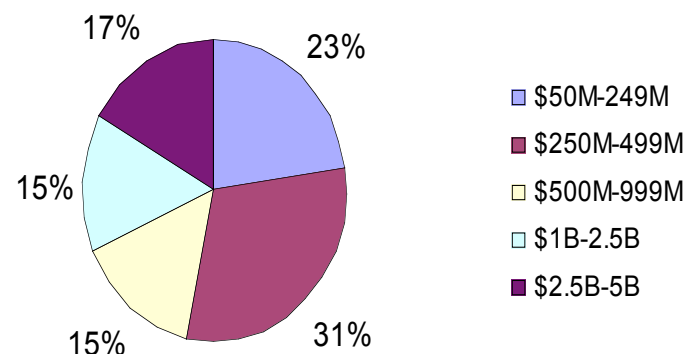
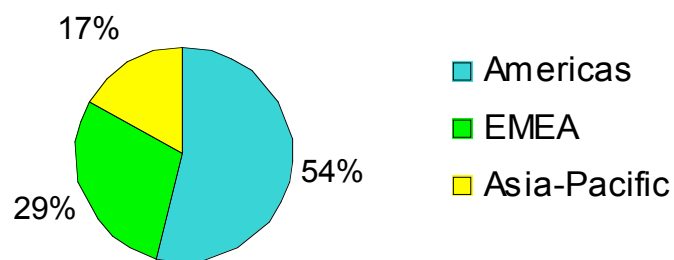
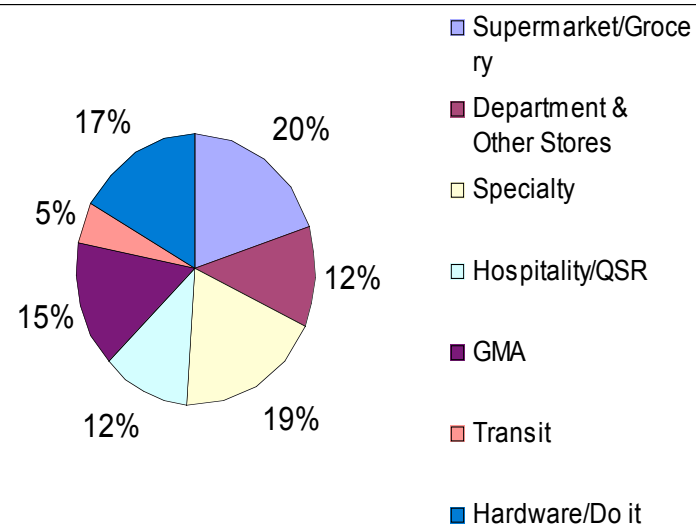
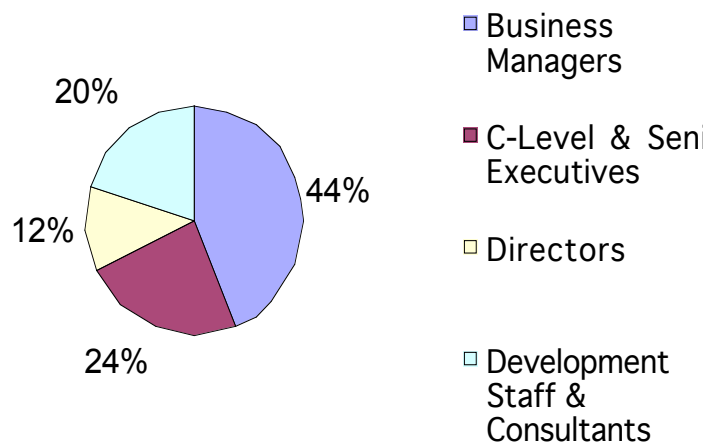
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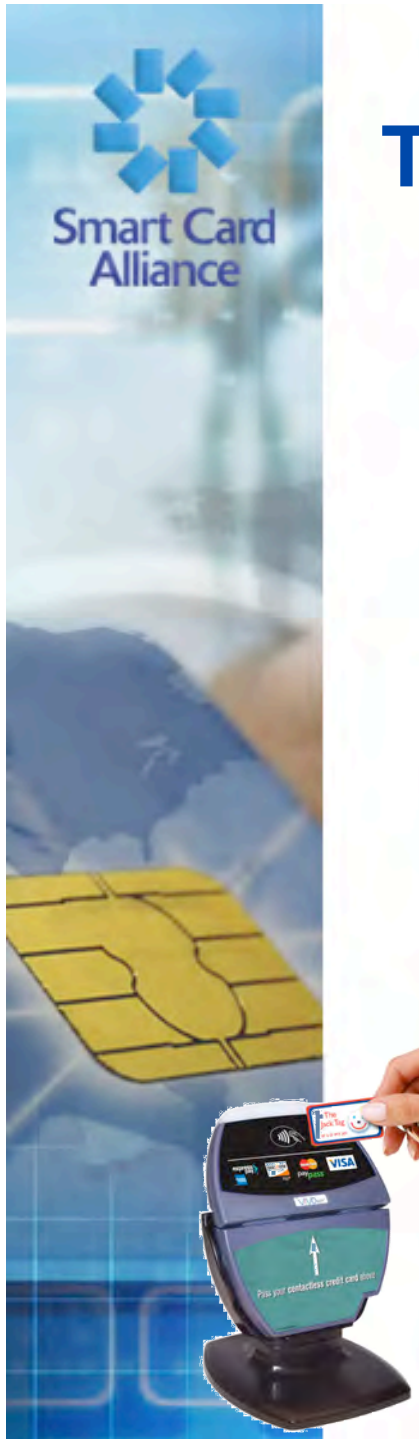
# Aberdeen Data on Contactless Payments: A Retail Snapshot

Sahir Anand  
Retail Analyst  
Aberdeen Group, Boston MA  
[Sahir.anand@aberdeengroup.com](mailto:Sahir.anand@aberdeengroup.com); 617-854-5271

# Tier 1 & Tier 2 Demographics of 180 Survey Participants- Jan 2007 Benchmark Report

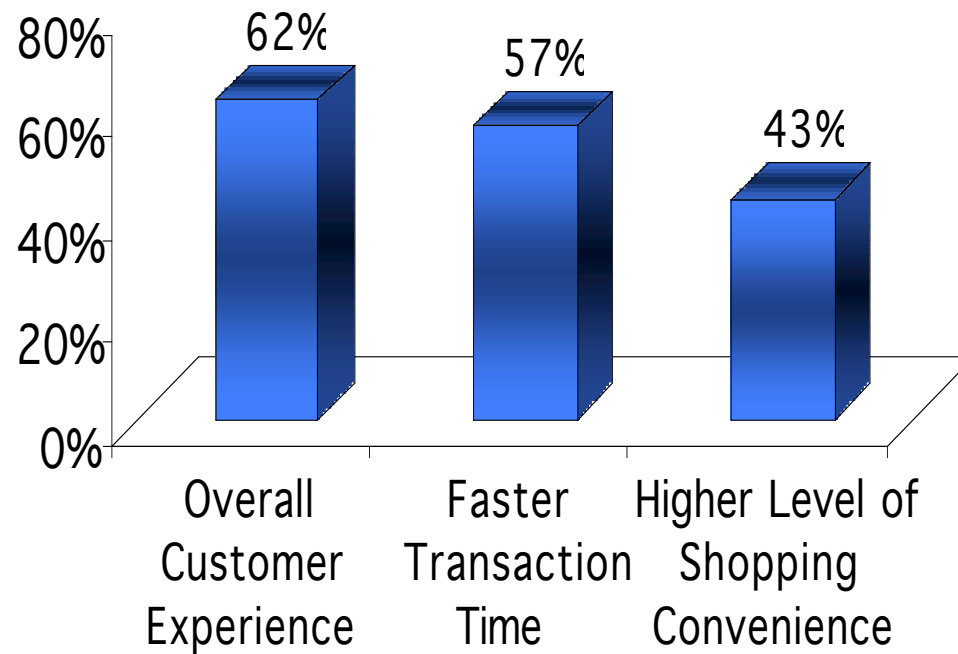


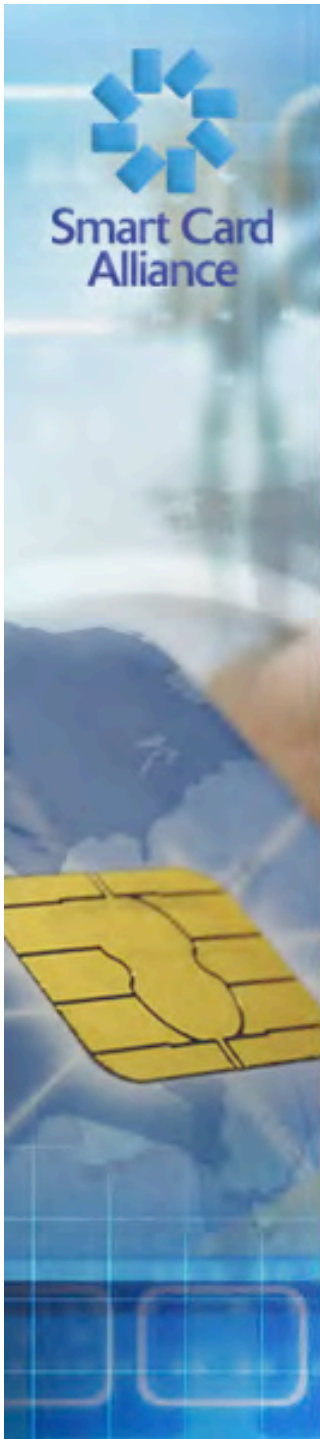




# Top Benefits: Customer Experience

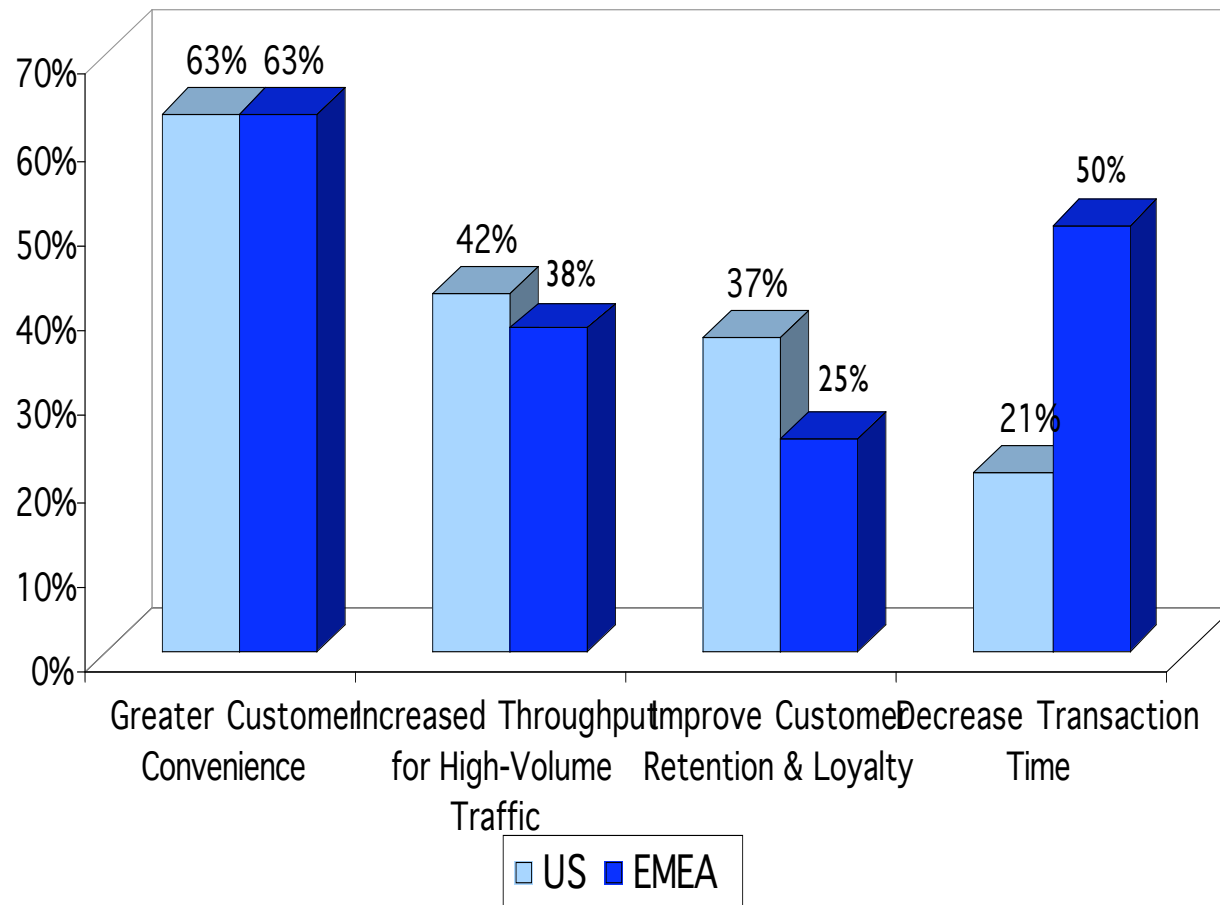
Top 3 Benefits for Customers Using Contactless

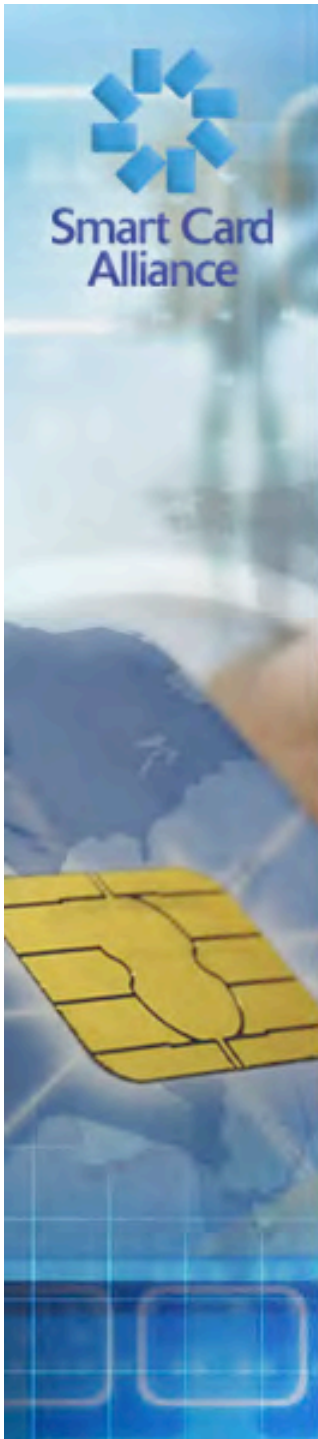




# Top Pressures: Americas & EMEA

## Top 3 Factors Driving Contactless Payment System A

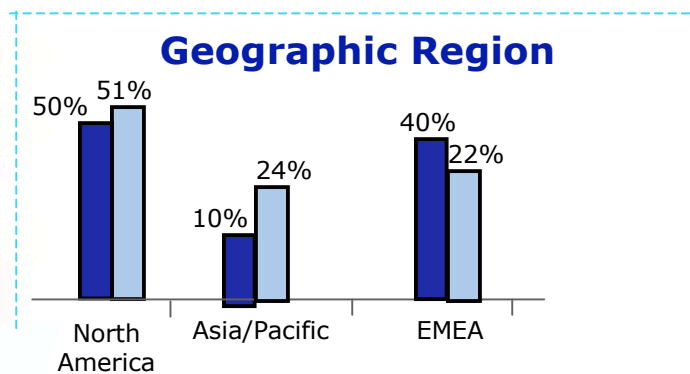
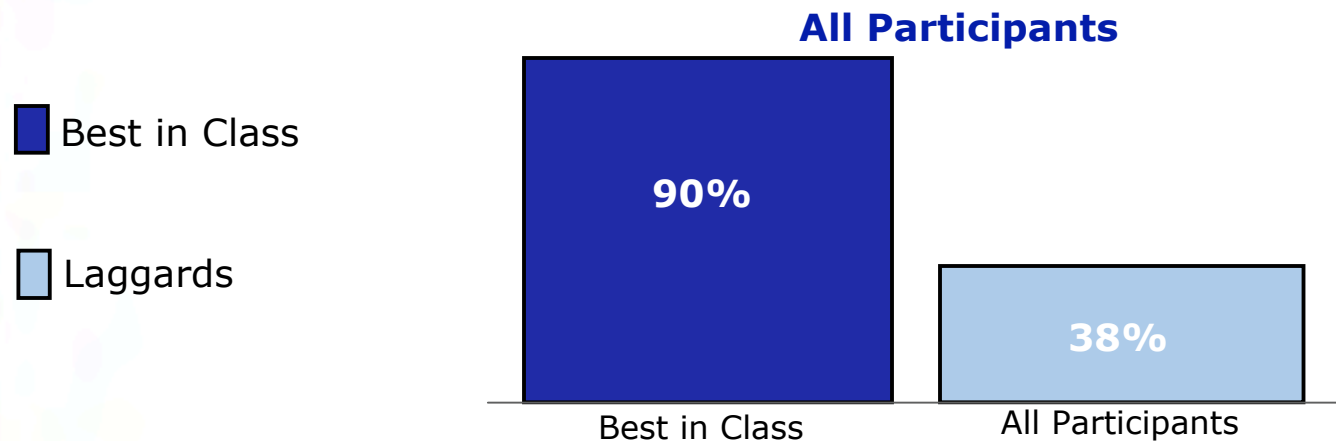




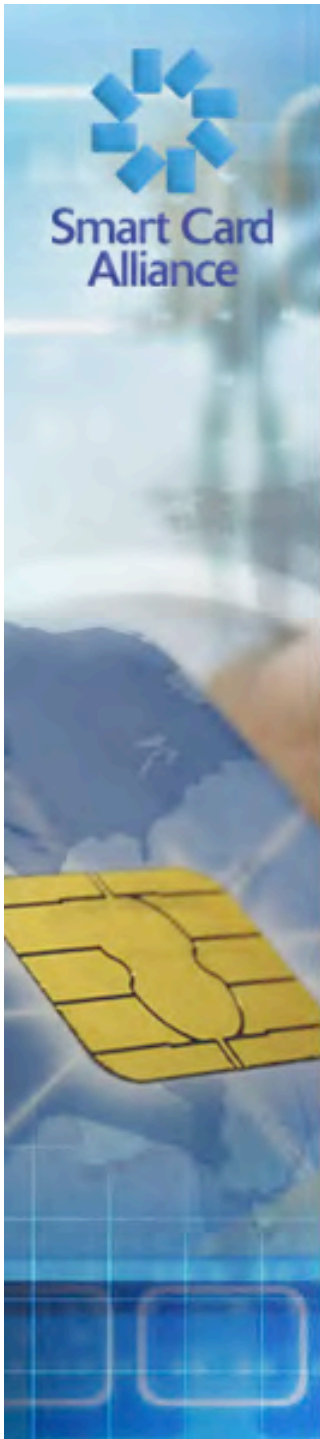
# KPIs & Metrics

For more information, please visit [www.aberdeen.com](http://www.aberdeen.com)

## POS Transaction Time: KPI For Contactless Payments

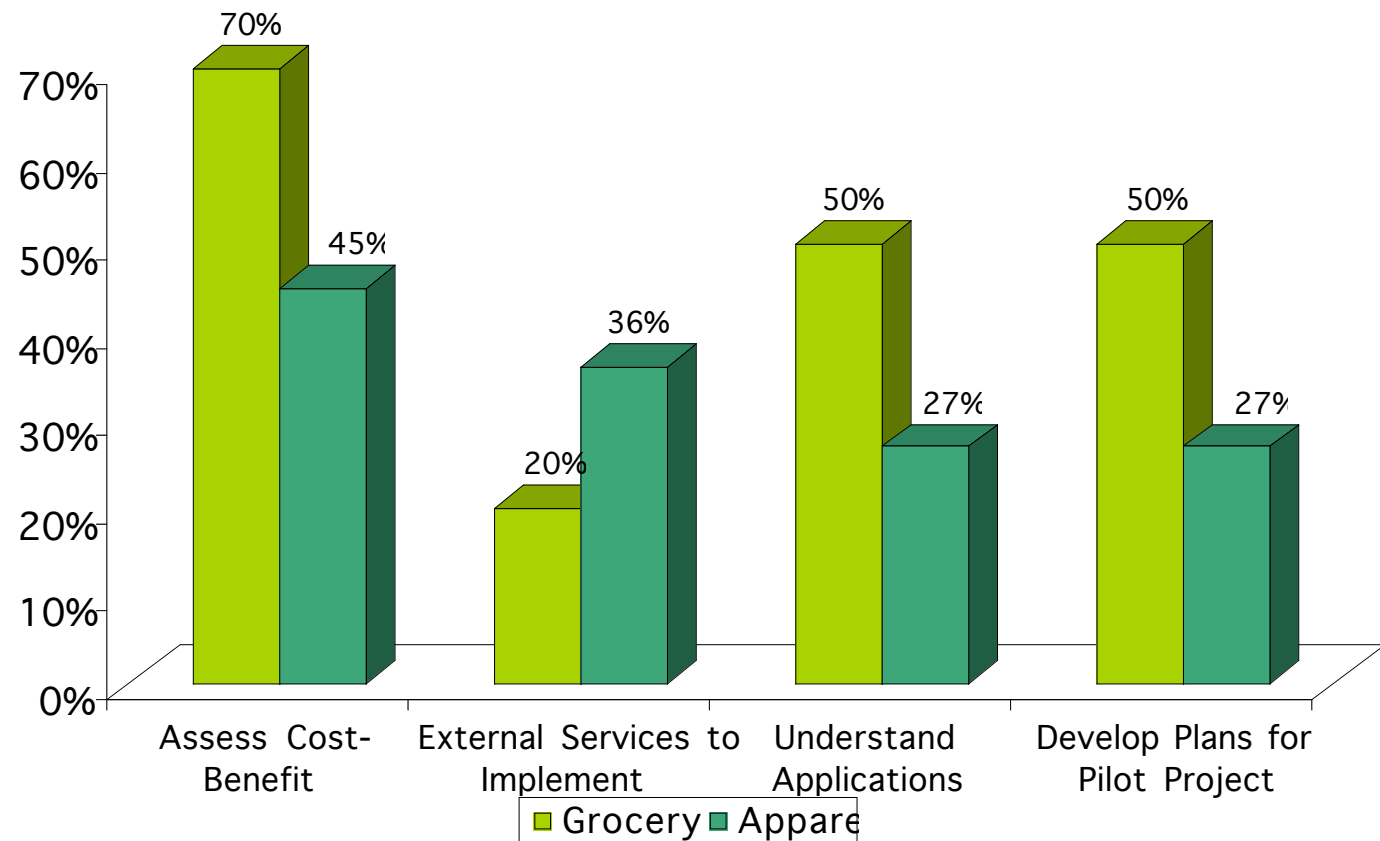


**Note:** Retail Best in Class is measured qualitatively as practices that are currently being employed and significantly superior to the industry norm.



# Key Strategies: A Segment Comparison

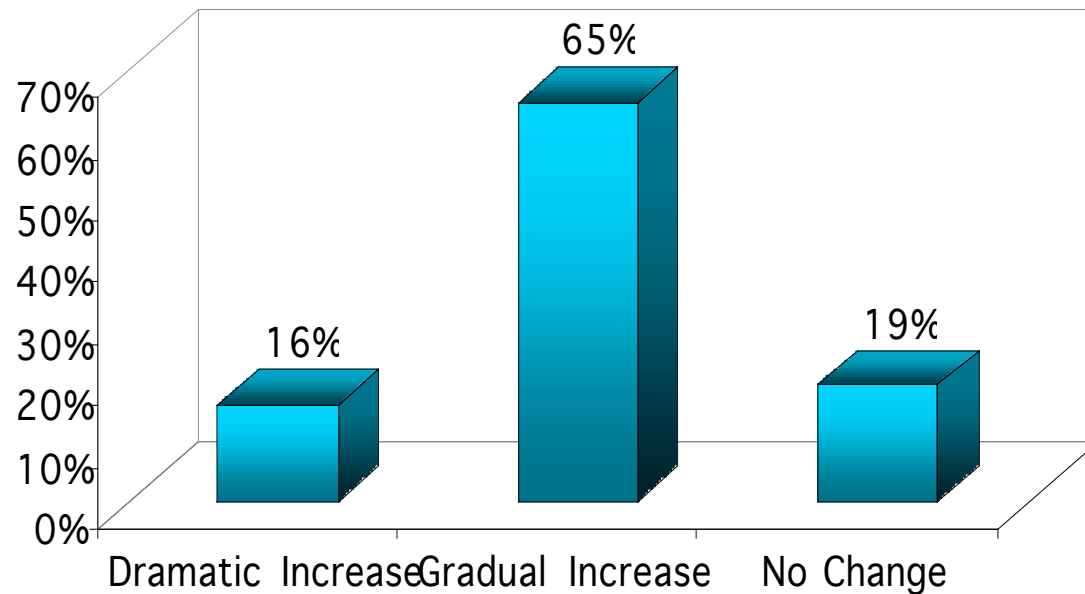
Top 3 Actions Taken in Response to Contactless P





# Prospective Plans of Retailers

Planned Contactless Adoption Over Next 2



Companies under \$50 million are twice as likely as larger companies to hire a 3rd-party integrator to assist in implementation.



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## **Sahir Anand**

Lead Analyst, Retail Practice  
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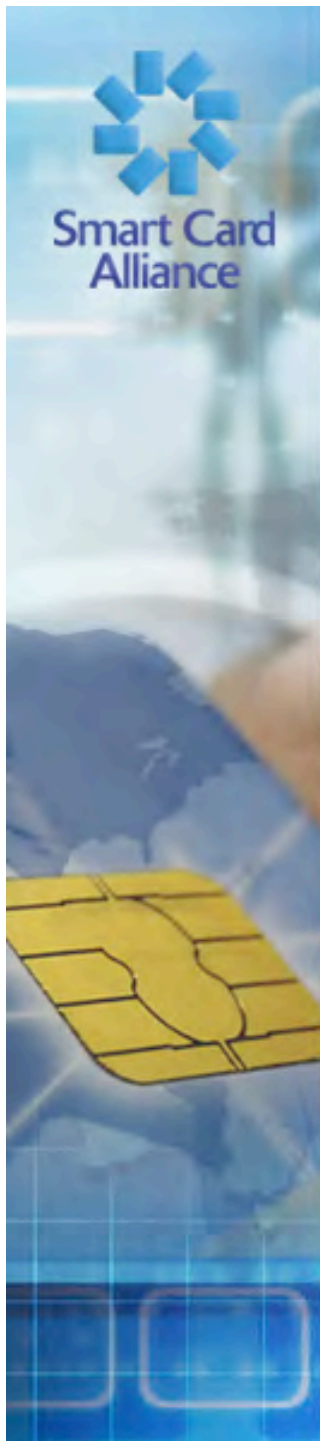


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## Q&A

**Susan Reda, Executive Editor, STORES Magazine and LPinformation - Moderator**



## For More Information

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