



Contactless Payment Options for Financial Institutions



One of the many concerns that has arisen out of the COVID-19 pandemic is the ability for both businesses and consumers to conduct safe transactions at the grocery store, gas station, restaurants and other merchants. As financial institutions, your credit and debit card offerings are a key component to limiting physical contact between customers and merchant terminals, or between customers and retail employees.

Your card portfolio already includes EMV chip cards that add security and remove liability for consumers and business. With contactless payment capabilities, your debit and credit card programs will make it even safer for cardholders to use their card wherever and whenever they shop.

What are contactless payments?

At a basic level, contactless payments describe a way to conduct transactions that don't require inserting chip cards into an EMV reader or swiping a card at a merchant's point-of-sale (POS) terminal. Contactless payments can function in one of two ways; cards can be used as "tap-and-go" products or as part of a consumer's overall digital wallet.

Contactless payments—both tap-and-go as well as digital/mobile wallets—can often work faster than traditional EMV chip reader payments because of the near-field communication (NFC) techniques they use. In fact, EMV transactions take around 30 seconds. A contactless payment can take anywhere from 13 to 15 seconds or less. For your busiest cardholders, that time saved can be a real lifeline.

How do NFC payments work?

NFC payments involve the chip and an antenna inside the card that sends a token to the card

reader via radio waves. This token, a random set of numbers and symbols, is distinct and recorded for individual transactions. Even if a criminal steals the transaction data, they can't use it to reverse engineer a full card number.

Tap-and-Go Payments

Tap-and-go payments, in many cases, can eliminate the need for signing for purchases as the card sends the necessary information via radio signals. As a customer places their card mere centimeters from the card reader, the information passes through and the transaction processes. Of course, offering your cardholders the convenience of tap-and-go payments is dependent upon the presence of what's called a "dual interface" chip, which is capable of both processing EMV transactions and contactless payments.

One major question consumers seem to have about tap-and-go payments is the safety and security of the model. Because the data from

the card is uniquely tied to the transaction in question, a hacker or data thief who intercepts this information is highly unlikely to back trace that information.

Another concern raised by some concerned shoppers is the viability of using an RFID-blocking wallet to protect cardholders from thieves who try to steal card information by passing by users of contactless cards. By and large, these concerns are largely unfounded. Cybersecurity experts recommend your cardholders save their money—NFC-aware cards are generally protected from this sort of fraud.

One major benefit of adding NFC-aware cards to your portfolio? It's a forward-thinking investment. Tap-and-go payment methods will only become more popular as more customers become aware of just how much faster NFC payments can be. Even if your financial institution recently converted all cardholders' cards to EMV-capable ones, it's worth rolling out a new program to take advantage of advancements in this technology. In addition to the competitive advantage you'll have over financial brands that haven't chosen NFC-capable cards, you can tout the consumer-friendly and safety-minded benefits of these cards.

Mobile Wallets

If your cardholder doesn't want to carry their card around but does want the reliability of contactless payments, offering compatibility with a mobile wallet is the key to market penetration. Using a mobile wallet—such as Apple Pay, Samsung Pay, or Google Pay—is much the same as using a tap-and-go card, with the major difference being the presence of the card on their phone or other mobile device.

The presence of mobile payments on both phones and wearable devices offers great flexibility to consumers on the go and provides



all the benefits of secure, contactless transactions. Mobile wallets such as Apple Pay aren't limited to face-to-face transactions, either. They can be used with a variety of apps and other services, including eCommerce, to streamline the payment process and allow your cardholders to shop without having to hunt for their card when trying to make a purchase.

A large volume driver for these transactions will be digital natives, who by 2026 are slated to be 59% of the consumers in the U.S. market. As major credit card companies, tech giants such as Apple and Samsung, and even retail operations like Target continue to refine their mobile payment options, adoption is slated to increase over the coming decade.

The Impact of COVID-19 on Contactless Payments

As the COVID-19 pandemic has shown, consumers in the United States who initially exhibited hesitation regarding contactless payment are now embracing the practice. A recent survey from Mastercard, for example, suggests that nearly one-third of U.S. consumers are using contactless cards more than other modes of payment.

Mobile wallet use and contactless payments will only continue to increase in the United States as a result of COVID-19, which is why it's definitely a viable alternative to both traditional EMV chip card use or tap-and-go payments. Even if your cardholders aren't using it today, that's not to say they won't want to in the future.

The Main Reasons to Transition to Contactless Payments

Transitioning to offering contactless payment options is an investment. Your financial institution will need to plan the card rollout, marketing strategies, and source the actual cards themselves effectively. But the benefits outweigh the costs.

Adopting contactless payments gives you a competitive advantage over other institutions who have yet to do so, explicitly because of the convenience they offer. Think about conversations you've had with friends, family, or colleagues about the time spent waiting for chip readers to finish processing a transaction. While advances have been made, wait times severely outstrip traditional card swipes. Contactless payments cut that difference in half and are secure and efficient. As consumers rethink their relationships with grocery stores and other merchants—particularly in the wake of public health emergencies such as COVID-19—the demand for these services and amenities will only continue to increase. In fact, consumer aversion to signing for purchases at the store has only grown throughout the course of the pandemic. Contactless payments offer a convenient solution for that.

How to Market Contactless Payments

As you consider the transition to offering contactless payments, a key component of your strategy should include effective marketing and education. Your messaging needs to be coherent and driven. In the short run, messaging built around the hygienic benefits of tap-and-go or mobile wallet payments will be effective, but the pandemic will not last forever.

By focusing not just on the ease of use and the convenience of contactless payments but also on the flexibility they give your cardholders to conduct transactions of all stripes, you can drive penetration for this exciting new technology. Given the amount of time rolling out these programs can demand, starting with a dedicated user base (your most frequent card users) can help pilot the program and offer a roadmap for implementation.

Contactless Payments: A Vital Cornerstone of Your Card Portfolio

Whether spurred by current events or as a component of your existing long-term debit and credit card portfolio strategy, contactless payments are no longer a feature or benefit that are easily ignored. At TransFund, our debit and credit card solutions take advantage of the advent of contactless technology, whether that's tap-and-go payment or the flexibility of mobile wallets and tokenization.

To learn more about how TransFund can help you roll out contactless payments — or better optimize your existing contactless payment programs — contact us today at transfund.com.