

Securing the Revolution:

The next step in
contactless transactions

tieto *EVRY*

Securing the revolution: the next step in contactless transactions

COVID-19 has launched a revolution at the retail point of sale.

Firstly, we've seen a massive shift from physical retail to online payments, which increased by a third in 2020¹. Even more dramatic, however, has been the switch from chip and PIN to contactless transactions. Now issuing banks, acquirers and merchants face a new challenge: to deliver secure contactless transactions as the contactless limits imposed by regulators continue to rise. With consumer concerns about safety growing as they spend more via contactless cards, the first banks to deliver effective security for contactless transactions will score significant market advantage.

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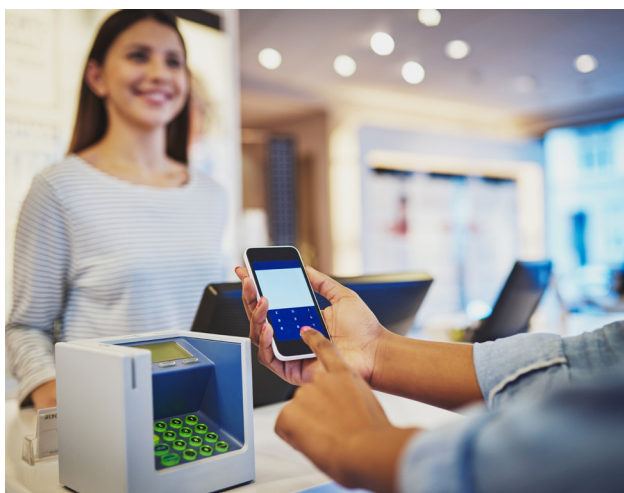
The first banks to offer secure contactless cards will score significant market advantage.

Contactless: consumer's first choice after COVID

New data from TietoEVERY shows that contactless payments are now the habitual choice of 78.3% of UK consumers, with fully 90% having used contactless at some point in the last three months. Compare this early 2021 figure with 2019 information from UK Finance suggesting around 60% of UK adults used contactless, and the surge in contactless cards for payment becomes clear. Increases in the contactless transaction limit reflect this rising usage: last year, both the EU and the UK increased the contactless limit to £45 and €50, respectively, with the UK authorities expected to announce a further increase to £100 (€110) from 6th April 2021.

A global and permanent change

This huge switch to contactless payments isn't just confined to the UK. In the highly sophisticated Nordic markets, contactless is now used for around three-quarters of all payments (72% in Sweden, 77% in



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Data from across Europe and the US shows contactless payments' dominance – and suggests the switch to contactless is permanent.

¹ JP Morgan, "UK e-commerce report 2020": <https://www.jpmorgan.com/merchant-services/insights/reports/uk-2020>

Norway) according to data from TietoEVERY and Zwiipe. Meanwhile consumers in the USA, where contactless adoption has been slower, now use contactless cards for 60% of all in-person spending, according to Visa². Intriguingly, 27% of US consumers also report they intend to use contactless payments more after COVID – suggesting that the switch to contactless payments is permanent.

New research from industry market intelligence hub, Payments Cards and Mobile, shows that 85% of Europe's POS terminal base is now contactless-enabled³. Although some have predicted that mobile wallets will rise to challenge the dominance of payment cards, the most optimistic forecasts do not see wallets accounting for more than five percent of all retail payments by 2026. Even in super-sophisticated Norway and Sweden, mobile wallets still only account for around 10 to 14% of all POS payments.

Consumers' contactless concerns

Given this data, it's safe to assume that contactless cards will continue to dominate retail payments in the foreseeable future. However, that doesn't mean consumers are entirely satisfied with the contactless experience. Research commissioned by TietoEVERY shows 83% of UK consumers are concerned about infection risk when it comes to shopping and paying in-store. The same research also shows more than half (55.3%) of consumers are concerned about the safety of their payment cards as transaction limits increase. With the new proposed limit of £100 (€110) per transaction in the UK from April 2021, it becomes possible for thieves to spend significant sums of money on unprotected contactless cards, even if theft is reported quickly.

² Visa/TSG, "Purchasing in a Pandemic": <https://usa.visa.com/dam/VCOM/regional/na/us/partner-with-us/documents/purchasing-in-a-pandemic.pdf?linkId=101336009>

³ Payments, Cards and Mobile: "European Payments Market Overview" www.paymentyearbooks.com

“ As contactless limits rise, thieves can steal more, even if theft is reported quickly. That's why secure contactless matters.



WHAT IS YOUR PREFERRED TYPE OF TRANSACTION LIMITS WHEN MAKING CONTACTLESS PAYMENTS?

Payments with transaction limits and more secure payment methods, as I am willing to have less convenience for more security in-store



To use a type of payment that delivers MORE SECURITY while eliminating the need for transaction limits and PIN codes



There be no transaction limits and NO ADDITIONAL security on my payments

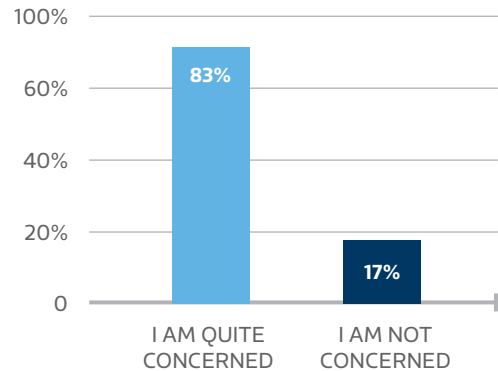


Fully 72% of UK consumers surveyed said they would be interested in a contactless card solution which offered more security without having to touch PIN pads. Just one in four (25%) of consumers believe the current situation, with lower transaction limits and PIN security, is sustainable. Clearly, the market is keen to keep using contactless cards – provided that a touch-free security solution can be implemented.

Biometric cards: valued by consumers

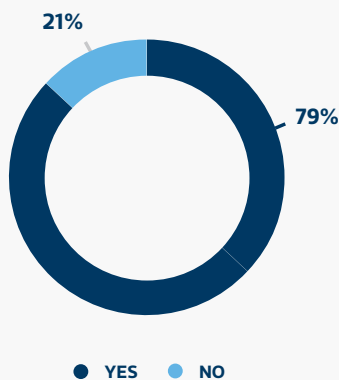
Although fewer than one in five (16%) of UK consumers had heard of biometric cards before being presented with the concept, almost 80% of consumers said they want their next card to include biometric factors once they understood how they work. Furthermore, more than half (55.4%) said they would be prepared to pay more for a biometric card product. Enthusiasm for biometrics is such that 81% of those surveyed said they would be prepared to take part in a trial of biometric cards, and 66% said they wanted a biometric card either immediately (34%) or at some time in the next twelve months (32%).

WHEN CONSIDERING COVID-19, HOW CONCERNED ARE YOU ABOUT THE RISK OF INFECTION WHEN IT COMES TO SHOPPING AND PAYING IN-STORE?

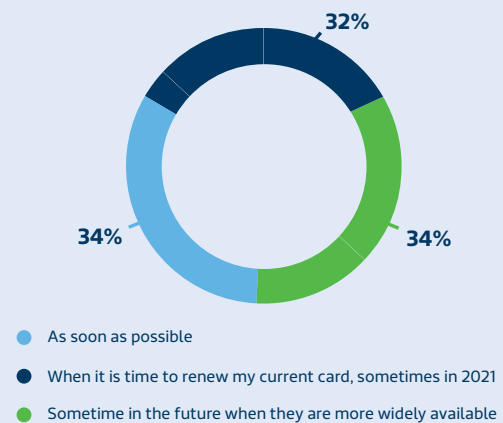


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80% of UK consumers said they wanted biometric cards: more than half said they would pay more for them.”

BASED ON THE SHORT VIDEO OF THE BIOMETRIC PAYMENT CARDS PRESENTED, WOULD YOU WANT YOUR NEXT PAYMENT CARD TO BE BIOMETRIC ENABLED?



WHEN WOULD YOU LIKE SUCH A PAYMENT CARD TO BE OFFERED TO YOU?

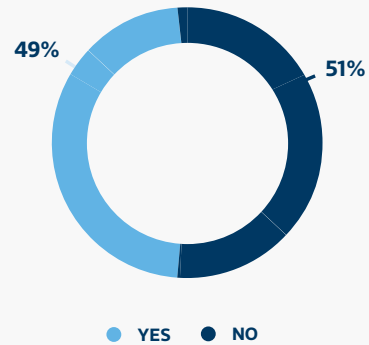


Competitive advantage in a shifting market

Historically, retail banking markets across the developed world have been stable, with few consumers willing to switch bank. However, the advent of digital-only players with innovative new services have changed this, with Insider Intelligence claiming in June 2020 that 20% of UK bank customers are considering switching bank for better services⁴. TietoEVERY's research shows that just under half of those surveyed in the UK (49%) would switch banks to get hold of a biometric payment card.

These findings are replicated across Nordic markets, with around half of Swedish and Norwegian consumers willing to make a similar switch. Surveys also found that three-quarters of Swedes and seven in ten Norwegians are looking to use biometric-enabled contactless cards, and more than two-thirds of consumers in both countries want to get hold of a biometric contactless card at some point in 2021.

IF YOU WERE OFFERED A BIOMETRIC PAYMENT CARD BY A BANK THAT WAS NOT YOUR CURRENT BANK, WOULD YOU CONSIDER SWITCHING TO THAT BANK IN ORDER TO HAVE SAFER AND MORE SECURE PAYMENTS?



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Just under half of UK consumers would switch bank to get a biometric payment card.

As comfort with contactless payments continues to grow, we'll see consumer demand for biometric security on card build in other markets globally, including Germany, France, the US and Japan.

How it works

Contactless biometric cards work by including a fingerprint sensor on the card which captures an image of the cardholder's fingerprint, then compares this with biometric template information stored securely in the card's data element. In the event of a successful match, the transaction is permitted. This data flow is powered by the same circuit which powers the POS terminal's near-field communication (NFC) with existing contactless cards, making for minimal terminal update requirements. Upgrades to a bank's back-end transaction processing systems to permit biometric contactless cards are likewise minimal, making the integration costs of such systems as low as possible.

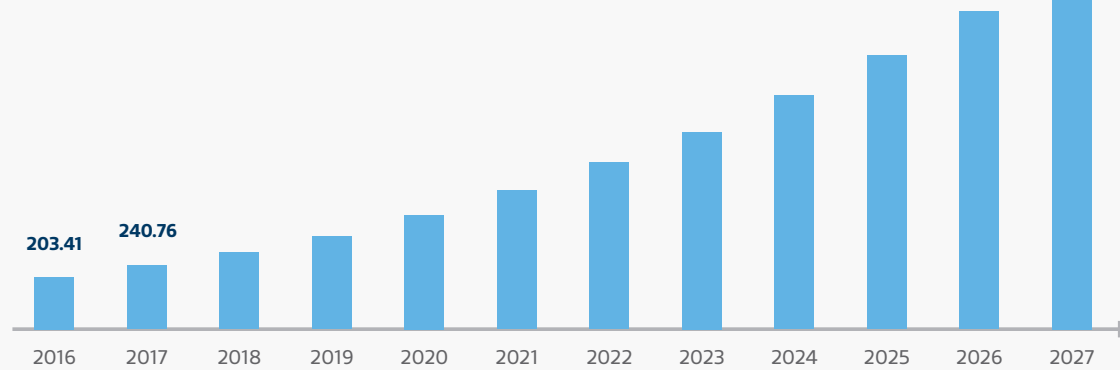
Securing contactless: key to the future

A new study from Juniper Research⁵ predicts biometric factors will be used to authenticate more than US\$3 trillion (€2.49 trillion) of transactions by 2025, up from just \$404 billion (€335 bn) in 2020, an increase of over 650 percent. With figures like these, it's clear we are on the cusp of a revolution in payments authentication – and that consumer demand for biometric cards is leading the way. A 2020 study from Grand View Research amplifies this prediction, stating that the contactless payment market will continue to grow by a compound rate of 19.8% through to 2027.

⁴ Insider Intelligence "One-fifth of UK consumers are considering switching savings accounts" <https://www.businessinsider.com/one-fifth-of-uk-consumers-considering-switching-savings-accounts-2020-7?op=1>

⁵ The Evolving Enterprise, 3 February 2021: "Biometrics to secure \$3trn by 2025" <https://www.theee.ai/2021/02/03/7779-biometrics-to-secure-3trn-in-mobile-payments-by-2025/>

EUROPEAN CONTACTLESS PAYMENTS MARKET, 2020-2027



Credit: Grand View Research

Such statistics demonstrate that contactless payment card transactions are here to stay. Given this new landscape, consumers are looking for a clean and safe method of authenticating contactless transactions, especially as transaction limits are increased and the risks of compromise through theft or fraud increase. In an increasingly competitive retail banking market, those issuers who move first to offer biometric security on card are going to score significant advantage with their existing customers – and make themselves more attractive to the growing number of consumers looking to switch bank over the next few years.

To find out more about **TietoEVRY's contactless biometric card solutions**, please visit:

<https://www.tietoevry.com/en/industries/financial-services/card-services-and-processing/card-production-and-personalisation/>

or get in touch with our Head of Sales:

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TietoEVERY creates digital advantage for businesses and society. We are a leading digital services and software company with local presence and global capabilities. Our Nordic values and heritage steer our success.

Headquartered in Finland, TietoEVERY employs around 24 000 experts globally. The company serves thousands of enterprise and public sector customers in more than 90 countries. TietoEVERY's annual turnover is approximately EUR 3 billion and its shares are listed on the NASDAQ in Helsinki and Stockholm as well as on the Oslo Børs. www.tietoevery.com

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