

# Newsletter

IIIIII April 2010 - Financial services & retail



## News

- Contactless gains momentum in Italy
- Transdev Cle'TAM

## Focus

- US travelers need chip cards

## Best practices

- Learn how BRED gets the best out of packaging in France

# Edito



IIIIII Philippe Cambriel  
EVP Secure Transactions, Gemalto

**During the year 2009, our main focus has been to help you, our customers, to get closer to your cardholders, leveraging on the payment card and the transport card as individualized relationship vectors. This increasingly user-centric model will pave the way for further more innovations moving forward.**

In times of economic turmoil, we kept helping our customers in many core aspects of their cards business:

- First, we continuously improved the card issuance process for Banks dealing with multiple personalization centers. We also supported customers to improve their secure cards deliveries with our instant issuance solution when facing complex geographical constraints.
- Second, and thanks to the experience acquired by Gemalto with EMV migration programs, we were able to accompany new customers going from Magnetic Stripe cards to EMV chip cards in a cost efficient and seamless manner.
- Third, we re-emphasized the importance of the card body as a communication tool to promote the Values of your Brand. Gemalto's investment in ServerSide, a leading provider of card Marketing solutions such as picture-on-card and affinity program deployments demonstrates that it is possible to make billions of unique, personal products totally in sync with the life style, the personality and the profile of each individual end-user.

Gemalto recently published its full year 2009 results, showing a solid performance for the Secure Transactions Business Unit. In 2009, Gemalto lead the market and delivered 313 Millions Microprocessors payment cards, a 8% increase from year 2008. And this growth is sustainable: only 18% of the total amount of payment cards in circulation are cards with a secure chip today. There is still a lot of potential to replace magnetic stripes cards in the future by more secure, more applications-rich cards with a smart-chip. The EMV migration is set to accelerate that replacement trend.

For 2010 and moving forward, Gemalto will continue to focus on the three pillars that are Operations Efficiency, Customers Satisfaction and Key Innovations to make your payment cards and your transport cards even more instrumental to your success with your customers. As you know Gemalto is involved in all aspects of Digital Security for several markets such as Mobile Communication, Government programs and Enterprise IT, in addition to Payment Solutions and Transport. Our goal is to improve our portfolio of innovations across the traditional borders of these markets we serve. Solutions for mobile payment services, for secure internet access are good examples on how we plan to help our customers to explore new market opportunities and reach success.

Philippe Cambriel

## Contactless payment cards are gaining momentum in Italy

When thinking about the future, especially about all these digital services we foresee coming and making our life easier, several key words come to mind and contactless is clearly one of them. Today, with **Setefi (Intesa San Paolo Group)** deploying EMV contactless payment cards, Italian citizens are already one step closer to that future. Contactless is a success already for Transport applications in large municipalities, bringing speed and convenience to users, fraud reduction and cost efficiency for the Transit Operators. Payment is the second largest natural application for Contactless, with a triple-win for the consumers, the merchants and the banks. The card holders can speed up their payment checkout experience but replacing cash with card payments for amounts below 25 euros. Merchants can serve their customer faster and also experience a higher average expenditure per customer, simply by dematerializing cash. Last but not least, the banks can capture a chunk of the cash-payment market and offer more convenience to their customers.

According to Eurosmart, the voice of the smart card industry, 150 millions contactless payment cards will be issued worldwide in 2010. In Italy, Intesa San Paolo is a major Bank serving 11 million customers. Working with Gemalto who already had **50** references in **25** countries

for contactless, Setefi is leveraging on the Mastercard Paypass infrastructure to offer a new service to its clients base.

Indeed, brands of national or European relevance with a presence in Italy's major cities, spanning from fast food restaurants and supermarkets, to sports and home improvement stores, will provide acceptance points. Hundreds of smaller merchants are also expected to join in the program as it unfolds.

Gemalto, as the EMV contactless market leader, has been very proud to bring its unrivalled background in EMV contactless deployments to Setefi (Intesa San Paolo Group) for this first large scale contactless deployment in Italy, hence contributing to the success of this project.

We are convinced that Intesa San Paolo customers will confirm that Contactless is truly a revolution in the way we pay for small amounts. It will also prepare the market for the multiplication of contactless payment devices, like the cell phone for example.

The future is Mobile, Contactless, Trustworthy and... most of all... simple for people to enjoy many new digital services. Gemalto is working hard for this. Italy is stepping into that future.

Read more on contactless payment at: [www.gemalto.com/php/pr\\_view.php?id=690](http://www.gemalto.com/php/pr_view.php?id=690)

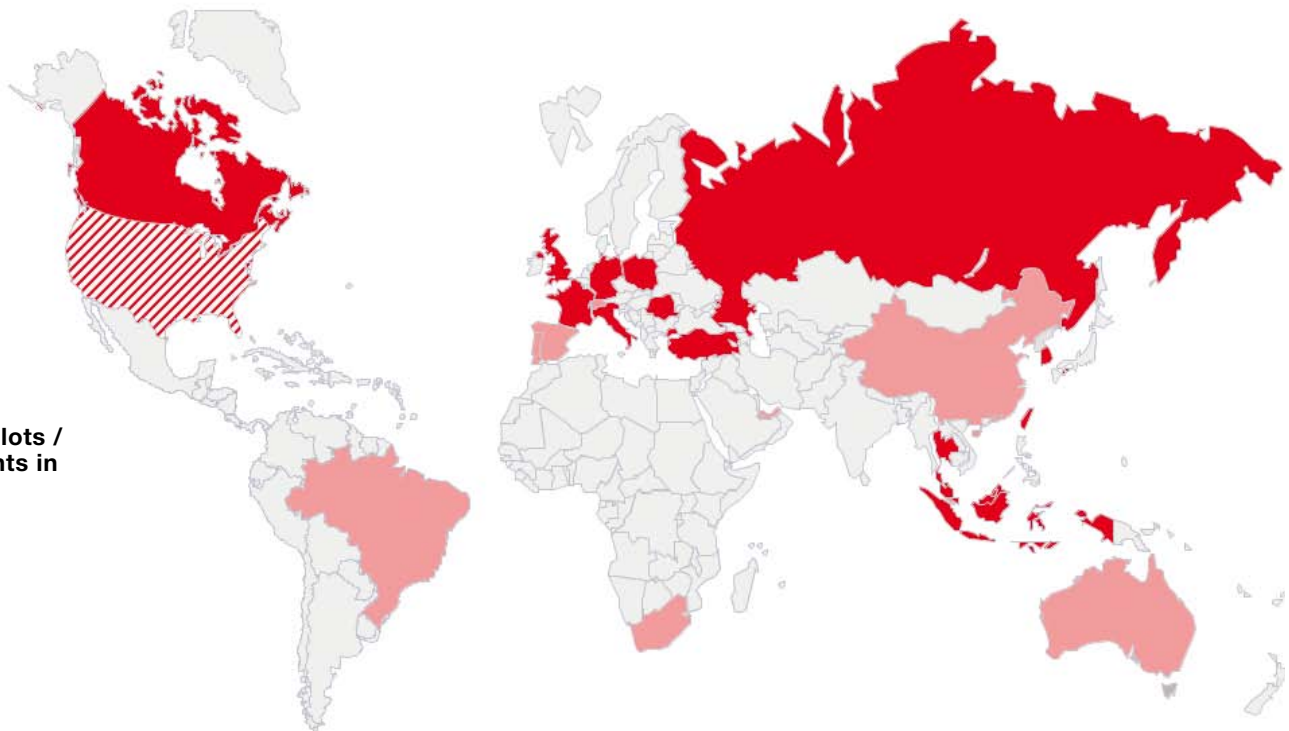
## Contactless deployments in 2010

### Contactless mass deployments in 2010

- The UK
- Poland
- Italy
- France
- Germany
- Russia
- Turkey
- Canada
- South Korea
- Taiwan
- Malaysia
- Indonesia
- Singapore
- Hong-Kong

### Contactless pilots / pre deployments in 2010

- Spain
- Portugal
- Romania
- Switzerland
- Brazil
- South Africa
- Australia
- Thailand
- China



**TAM (the Transport network of the city of Montpellier) is working with Gemalto to experiment Cle'TAM: A device that is both a USB stick to buy credentials from your home PC and a contactless card to access the mass transit system.**

**Convenience for end-users and cost-effective field management of Transport titles for the Operators. A straightforward win-win for TAM, a network operated by TRANSDEV, and its users.**

The city of Montpellier is receiving a serious attention from the all France these days for two reasons: First the local football team is still on track to turn a first season in the Ligue 1 into a championship title, an unprecedented performance if completed in May. Second, TAM, the local Mass Transit Operator, is testing a very innovative USB device called Cle'Tam that is both a



contactless card to access to the transport system and also a connected USB stick that plugs into the home computer to reload a weekly or monthly pass. Cle'Tam can also be used to prepay for a set of 10 one-trip tickets. Shape-wise, Cle'Tam is an hybrid between a USB key and a card: the product can still welcome either a customer picture either a branding message from the Operator. Two solutions have been developed by Gemalto: an innovative all-in-one USB stick like Celego, or a more classical transport contactless card with a USB card reader.

After a successful trial with 300 testers in Montpellier, a commercial launch for Cle'Tam was planned for February of this year.

With e-commerce now exceeding 10% of global commerce worldwide, consumers are familiar with purchases from home, on the PC, 7 by 7, 24 by 24. When offered a secure, simple and convenient solution to reload their transportation title, Montpellier citizens naturally and immediately responded by jumping into the marching train (so to speak...)

The pilot resulted into **98.6%** users expressing their satisfaction for the ease-of-use, the security of the solution and the overall efficiency and time savings. No more waiting in line, even for one-trip tickets.

For TAM, having customers managing their own title from home, securely on their PC means less updates transactions to perform in the field. For all these titles sold at merchants, over the internet or via phone services, managing the list of

these titles and making sure the smart-chip is up-to-date with the latest credentials can be a challenge and requires all terminals in the Field to having the capability to update the titles. Gemalto Celego adoption simplifies this update management and reduces cost by reducing the amount of update transactions in the field. Ultimately if all users would carry a Gemalto Celego device, none of the Terminals in the field would require to carry the Commercial keys to perform field updates, resulting into tremendous security improvements and drastic cost savings.

The two solutions: Gemalto Celego all-in-one USB stick or classical cards with a USB readers are clearly the way to offer more convenience to customers. They also drive additional traffic on the Operator's web site, opening the avenue for more services, more personalization, more customer personalization.

Montpellier's Cle'Tam is a sure win. For the football team, we'll keep you posted.

**Gemalto constantly works with Financial Institutions to introduce solutions that make your life easier when using your debit/credit card:**

Banks are increasingly issuing cards with multi-purpose payment options, so called "debit/credit" cards. As an example, the French GIE CB just published a bulletin board (Bulletin 11) in order to coordinate and ease the management of these cards at the point of sales. Consequently, the cardholder can use his card ergonomically. The Gemalto Acquiring business ("POS entity") has started to propose compliant Terminals since June 2008: within the state-of-the-art MagIC<sup>3</sup> family, the desktop Terminals (X-series & C-series) do have this capability, with or without connected additional pinpad (P-series).



Starting early 2010, the wireless devices (M-series for Mobile, W-series for Portable) of the MagIC<sup>3</sup> family are now compliant with Bulletin 11: the entire range is consequently easy-to-acquire.

## Gemalto's World Travelers Program: One very pertinent reason for US Consumers to adopt a Chip&Pin EMV Payment card.

**One of the many impressive things about the USA is that consumers are pragmatic and facts driven. If you can solve a real problem they have, they adopt your products or services right away. Faster than anybody else in the world.**

Gemalto as the leader of the payment card industry is paving the way to turn the US to EMV Chip&PIN by introducing a brand new value proposition for US Consumers involved with travelling outside the US:

**There are three questions US Travelers always ask to themselves before travelling in a foreign country:**

- 1. Will the people there speak English?**
- 2. Will my Cell phone work over there?**
- 3. Will my Payment cards work over there?**

There is nothing Gemalto can do about issue number 1. Concerning Cell phone roaming capabilities, Gemalto and the SIM card contributed to this universal, interoperable GSM networks that are so convenient today. Regarding payment, things can get really complicated for US travelers travelling abroad with cards that are only magnetic stripes. Many vending machines in parking lots, theatres, park meters and all kinds of public services will only accept chip cards. Cash is often not an option on those automates because of risks of fraud. So "issue number 3" combined to "issue number 1" can rapidly turn into a very bad experience for people.

That is why Gemalto took to initiative to offer to US banks to participate to its World Traveler Program, i.e. to deploy EMV Chip&PIN worldwide-interoperable, secure and convenient payment cards. You probably don't want to wait until you end-up in a dark parking lot in the middle of the night in front up a brand new vending machine that doesn't take magnetic stripe cards to take action on this.

All Americans don't travel abroad, but it is clear that this is one of the many reasons why, the sooner the better, US Banks should adopt EMV Chip&Pin cards to replace magnetic stripe cards that are too easy to clone and to fraud.

[www.gemalto.com/emv/](http://www.gemalto.com/emv/)



## Tips to keep in mind when launching a new card body artwork and its matching packaging for the Teenagers market segment (12 to 17 years old)

Based on the experience of the Gemalto-made Wizz Card and Packaging launched by BRED, a French Financial Institution member of the Banque Populaire Group, here are several useful tips when offering a solution for Teenagers discovering their first payment card.

### TIP 1: Why a Dedicated Packaging for the Youth market segment?

Packaging as part of the offering for that segment where customers discover their first payment card is the winning strategy to benefit from viral marketing. Rather than being buried inside a wallet in a busy back-pocket of a baggy pair of jeans, or inside the un-explorably, mysterious and often recovery-less handbag of a young teen-lady, the new payment card in its cool-looking packaging will incentivize the teenager to show his/her cards to his/her "budies", entertaining the buzz about this new type of service. The world-of-mouth (translate "buzz" in modern teen language) will do the rest for you.



So more than just holding a Card, you now have a tool to increase the interactions between your client and your services.

Unlike a wallet, a packaging is a communication space for you: You can select the artwork, text and tips messages to increase your brand visibility.

You will also increase the life time of the card, compared with the hostile storage conditions described above. Last but not least, wallets are so "old dudes", so "parents". Reversely, a dedicated package with a cool artwork is "so hype-buzz-cool."

### TIP 2: Why is a choice mandatory for such an offering?

If you have a cat and ever succeeded to train it for dinner at a fixed time of the day, go to the next article. Otherwise check this out:

"Matching" is the key word for products for teenagers. They have to recognize themselves in the values, the tribal signs you put into your artworks. Bred with the Wizz cards offered **4 different card bodies artworks and corresponding packagings** to increase its chances to get this matching happen. And since Teenagers change their ideas faster than they change their t-shirts, Bred also offers the possibility to change for artwork, for 6 euros each time.

The customer perception is "freedom" and I'll always have the "cool stuff"

### TIP 3: Is Packaging, as part of the offering, making Card Issuance more complex?

Packaging by essence is not a technology product requiring the level of validations and certifications that a payment card does. The integration in the card issuance process is seamless... for Gemalto who has dedicated resources to offer these solutions.



From our experience in artwork design and management, in small batches issuance and in multiple personalization centers data flow management, packaging ads one option on a flow that we masters very well.

The pay-back, especially for the teenagers segment, is very worth the extra option in order management.

#### About Gemalto

Gemalto (Euronext NL 0000400653 GTO) is the world leader in digital security with 2008 annual revenues of €1.68 billion, and 10,000 employees operating out of 75 offices, research and service centers in 40 countries.

Gemalto is at the heart of our evolving digital society. The freedom to communicate, travel, shop, bank, entertain, and work—anytime, anywhere—has become an integral part of what people want and expect, in ways that are convenient, enjoyable and secure.

Gemalto delivers on the growing demands of billions of people worldwide for mobile connectivity, identity and data protection, credit card safety, health and transportation services, e-government and national security. We do this by supplying to governments, wireless operators, banks and enterprises a wide range of secure personal devices, such as subscriber identification modules (SIM) in mobile phones, smart banking cards, electronic passports, and USB tokens for online identity protection.

To complete the solution we also provide software, systems and services to help our customers achieve their goals.

As the use of Gemalto's software and secure devices increases with the number of people interacting in the digital and wireless world, the company is poised to thrive over the coming years.

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

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