The migration to chip-based technology, or EMV (Europay, MasterCard, Visa), in the U.S. is fully upon us. But the dip and wait experience isn’t satisfying customers or merchants. What’s next? Contactless EMV: a secure, chip card that you tap on the reader instead of inserting.
Catch the contactless wave

Why is now the time for contactless? Convenience, Security and Demand.
With EMV expected to reach ubiquity by 2017, contactless technology is poised to make the next big wave in payments. According to ABI, 50% of EMV cards in the U.S. will feature contactless capabilities by 2020, so it’s safe to say that over the next few years, the U.S. will see a significant adoption of contactless payments whether card-based or mobile.

Why is now the time to make a splash with contactless?
Contactless was first launched in its magnetic stripe version back in 2005 but saw little success for several reasons: it wasn’t any faster than a traditional swipe and go, security was still a concern, and customers, banks and merchants weren’t convinced of the value add. But this time around the tide is turning in the U.S. for three main reasons:

Speed and convenience are needed: Did you know the average checkout time in a supermarket is five minutes? The current process of inserting a chip card, waiting and signing can seem painfully slow. Contactless is tap and go, meaning customers are in and out and merchants are able to reduce checkout times.

Security is here: Combining contactless payments with EMV, the global standard in security, means they are faster and safer than the previous contactless magstripe deployment in 2005. Contactless leverages near field communication (NFC) between the chip and the POS reader, and EMV ensures the communication between the two is secure.

Other mainstream EMV countries have experienced a similar trend. Gemalto, a Thales Company’s recent “State of Play for Contactless” report listed faster payments, customer demand, and the issuer’s desire to position as an innovator as the top drivers for contactless adoption in many countries. Over the past year in Canada, contactless payments more than doubled thanks to the support of seventy-five percent of large retailers. With the majority of new EMV-ready POS terminals already offering contactless capabilities, the U.S. can expect a similar boom. When we asked 400 banking professionals in the U.S. on the best time to deploy contactless EMV cards, 86% said within one year.

What is the best time to deploy contactless EMV cards?

- 86% within 1 year
- 12% within 5 years
- 2% never
Ecosystem is ready: New EMV POS terminals are already enabled with contactless functionality, making adoption easier, less expensive, and more mainstream.

Typically with EMV, the first wave of cards is solely contact-based which means the card is inserted (or dipped) into the card reader. As the market matures, contactless (or in industry speak – dual interface) will become more widespread and less of a “top of wallet” differentiation.

Contactless considerations:
1. Is your processor contactless compatible?
2. Do you have a rollout strategy for your cardholders?
3. Do you have educational information on contactless?
4. Are you working with merchants to create a mutually beneficial deployment?
5. Does your roll-out include the three to six month ramp up time for contactless EMV cards and personalization?

Is leapfrogging to mobile an alternative to contactless cards?
While all the above are reasons to deploy contactless, contactless EMV can refer to two different types of payment: mobile-based or card-based. The idea of skipping contactless cards and going straight to mobile-based payment has been an ongoing debate, but it is not a wise business decision. Not all customers are alike and can range from early adopters to cash only behavior. Contactless cards encourage user behavior to begin the transition to mobile payments. If they feel comfortable tapping their EMV plastic card, it will promote a change in mindset where tapping their mobile will seem natural.

Benefits for Customers
1. Speedy checkout experience
2. Security from the convergence of contactless and EMV

Benefits for Issuers
1. Increased spend
2. Customer loyalty
3. Top of wallet advantage
4. Security from the convergence of contactless and EMV

Benefits for Merchants
1. Faster checkout times for in-store transactions
2. Potential cost reductions from time saved
3. Security from the convergence of contactless and EMV
4. Increased spend

HOW DOES CONTACTLESS EMV WORK?

1. Contactless EMV & Mobile EMV
In a contactless or Mobile EMV transaction, the card or NFC-enabled smartphone is tapped or waved above the reader. The credentials are confirmed using the same EMV security as a contact chip card, but without having to wait with your card in the terminal.

2. Transaction Authorization
The EMV card and terminal prepare the transaction data, which includes a unique code that is only valid for that specific transaction. This dynamic data will be sent to the issuer, validated, and the transaction will be authorized.

3. Secure and Speedy Transactions
To further expedite transactions and to allow approval in the case of offline transactions, the issuer can set rules such as requirement of cardholder verification, floor limits, cumulative amounts, velocity, last online authorization, etc.
WANT TO MAKE THE MOVE TO CONTACTLESS? With contactless technology now gaining traction in the U.S., you can trust Gemalto, a Thales Company to ensure your contactless plans are a success. If you’re operating in the dynamic EMV-contactless market, you can put your faith in a company that has already delivered in excess of 900 million cards to more than 80 major customers worldwide. As the first dual-interface products certified by both Visa and MasterCard, Gemalto’s highly reliable cards have been adopted by more customers than any other in every regional market worldwide.

Our commitment to contactless can be seen in every area of our business, from solutions and services to technology R&D. Our in-depth knowledge of all things contactless, including operating system development, antenna design, card body production and personalization, makes us the first choice for companies that want to deliver the latest payment technology to their customers.