



Contactless Payment - Will It Catch On?

technology payments business customers

Summary: Contactless payment has struggled in the US. But, it appears that is about to change.

Earlier this year, the ICBA asked community bank executives to rank their biggest challenges (up to 3 responses). Those at the top were: increasing loans (38.8%), keeping up with technology advancements (35.6%), complying with regulations (34.4%), increasing earnings (30.0%) and attracting/retaining qualified staff (30.0%). Given market shifts and changes through June, we are not sure how your bank stacks up now on these, but it is interesting nonetheless to compare.

Another interesting comparison in banking surfaces when you consider the status of contactless payment cards 12Ys ago when they hit our shores vs. today. It took over a decade, but it finally seems the forces are aligning to drive much greater acceptance and usage of contactless payment cards throughout the country.

Contactless payment occurs when the cardholder, using a card with a dual-interface chip card or a near-field-communication (NFC) enabled smartphone, waves their card or mobile device within an inch of a point-of-sale (POS) terminal. This action creates a digital linkage that initiates payment and does not require the cardholder to swipe or dip their card.

While contactless payments have caught on like wildfire in other countries, including the UK, the US has been slow to catch on to the contactless wave.

Contactless payment has struggled here for reasons including: a lack of contactless enabled cards and POS terminals to support them; insufficient card issuer and merchant support; and a lack of education on the benefits of contactless payment for users. All of this is about to change though, according to industry experts.

Earlier this year, [Visa predicted that there will be 100mm](#) contactless cards in circulation by the end of 2019, as several factors drive heightened adoption/usage:

Big card issuers getting onboard. American Express has already issued 38mm contactless-enabled US retail cards, according to its Q1 2019 earnings report. Capitol One has added contactless to all its Quicksilver, Savor and Venture cards. JP Morgan Chase has issued 20mm contactless Visa-brand cards and plans to roll out more this year. Wells Fargo and other large bank issuers have announced they will add contactless payments. This rapid rollout by big issuers will impact community bank card issuance too, as it will quickly drive down the cost and seed the market with cardholders who understand the benefits.

Tailor-made programs attract attention. Starting at the end of May, New York City's Metropolitan Transportation Authority, the country's largest transit system, began accepting contactless payments, and it plans to add contactless throughout the whole system over the next 1.5Ys. Fast-paced transit access is a perfect fit for the greater speed promised by contactless transactions. Again, these efforts will seed the market and get more people to try and use them.

Merchants are doing their part. Seeing the benefits of speedier payments, more and more large retailers like Target and CVS are accepting contactless payments. Here again, a rising tide of contactless payment options will lift all boats. A trickledown effect will make more people apt to utilize this option and demand it even at small local businesses.

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