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## Vast, unexploited, potential for contactless in Europe

Contactless has been the focus of much attention in the payments industry over the past few years, however, still only a small proportion of suitable European card payments are contactless, suggesting significant potential for growth. This is one of the conclusions of *Global Payment Cards Data and Forecasts 2013-2019*, a recent report from specialised research and consulting firm RBR.

### Contactless cards can reduce transaction times and MSCs

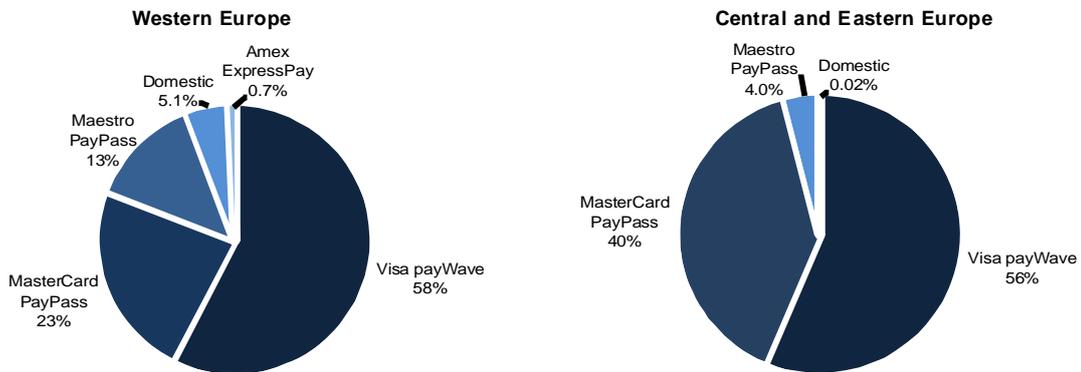
Contactless cards use radio frequency identification (RFID) technology, whereby it is sufficient to tap the card on a reader, without the need to enter the PIN, for the transaction to take place below a certain value – currently £20 (€24) in the UK. This is intended to make transactions quicker, therefore displacing the use of cash for low-value payments.

Merchants are being encouraged to accept contactless cards to take advantage of the faster transaction times and in many cases the lower interchange fees which translate into reduced merchant service charges (MSCs).

### Visa is the largest contactless scheme

At the end of 2013, there were 133 million contactless cards in issue in Europe. Visa was the most common scheme for contactless, with 56% of contactless cards in central and eastern Europe (CEE) and 58% in western Europe, accounting for 63% of the volume of contactless payments in the former and 57% in the latter. Most of the remainder is made up of MasterCard PayPass and Maestro PayPass, with a small proportion of Amex ExpressPay and domestic brand cards.

Share of Contactless Cards by Scheme, 2013



Source: *Global Payment Cards Data and Forecasts 2013-2019* (RBR)

### Contactless gaining traction in some countries

In absolute terms, the UK is the largest European market for contactless cards, accounting for over a quarter of the regional total. The next four largest markets are France, Poland and Turkey and together, these four countries account for almost two thirds of Europe’s contactless card total, demonstrating the concentrated nature of the market.

In terms of penetration, Poland and Slovakia stand out as the only countries where more than half of cards are contactless. Other countries with high shares of contactless cards include Ireland and the Czech Republic.

### Contactless card usage is expanding

The Czech Republic and Poland are the only relatively large contactless markets where usage comprised more than ten contactless payments per card in 2013. Slovakia also has relatively high usage levels with seven contactless purchases per card.

The healthy transaction volumes in these countries are closely linked to broad acceptance networks. In the Czech Republic, growth has been striking both in terms of cards and contactless terminals. Meanwhile, over half of EFTPOS terminals in Poland accept contactless payments and a MasterCard and Visa mandate for all new devices to support contactless will help drive growth here in the coming years.

Other countries are also making strides in the growth of contactless transaction volumes. In the UK, rising acceptance is encouraging usage, with major retail chains and the London transport system having already completed their upgrades for contactless.

### **Barriers to further uptake of contactless cards persist**

Despite the undoubted benefits that contactless brings and the substantial progress made in recent years, there are still certain market-specific obstacles which need to be overcome.

In Belgium, for example, there is as yet relatively limited demand for contactless payments. This is due to the “No PIN” payment method for domestic debit scheme cards, where a card is inserted into a terminal but cardholders do not enter their PIN. This allows quick payment without the need for contactless technology.

In the Nordics and the Netherlands, cash has already been replaced to a significant extent by traditional card payments, which means that contactless has taken longer to gain traction. However, banks in the Netherlands are now trialling contactless in areas where there is room for a rise in card usage and a need for speed, including in railway stations and coffee shops.

### **Contactless may facilitate the move to mobile payments**

It remains to be seen whether the establishment of a contactless infrastructure will pave the way for mobile payments to be conducted on a large scale in the longer term. Some experts believe that in certain countries (e.g. Belgium and Germany), the industry will bypass contactless and move straight to mobile for low-value purchases. In other countries contactless cards are seen as a step towards mobile payments.

### **Challenges remain before contactless can fulfil its potential**

The long term potential for contactless is high, but certain obstacles remain before acceptance spreads to merchants other than the core acceptors such as operators of transport systems, cafes and fast food outlets.

The main challenge is to offer merchants favourable enough terms and conditions in comparison with traditional cards to persuade them to accept contactless cards despite potentially expensive terminal upgrades.

The perennial difficulty of breaking the cash habit is another barrier to be surmounted before contactless payments become an everyday phenomenon throughout Europe.

For more information on “Global Payment Cards Data and Forecasts 2013-2019”, please visit [www.rbrlondon.com/globalcards](http://www.rbrlondon.com/globalcards).

### **Notes to editors**

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