

Meeting your cardholders on the go

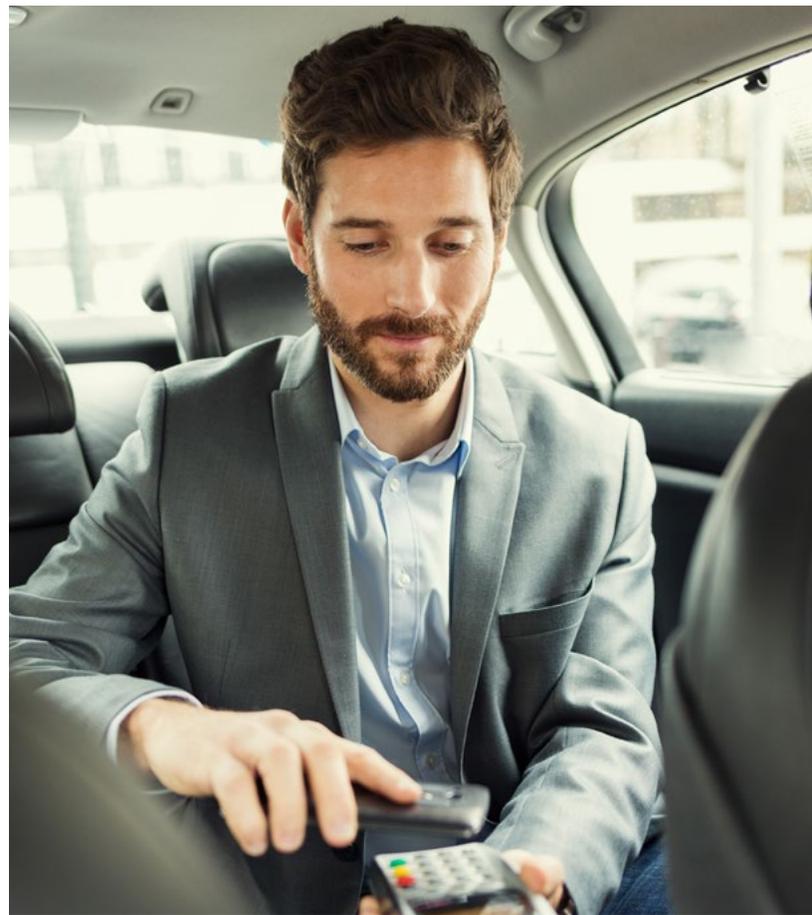
# New payment solutions support a fast-paced digital economy



# Abstract

Cardholders live increasingly active and fast-paced lives. Whether at the gym, at work, in transit, or at the store, cardholders demand payment solutions that can keep up with their “on-the-go” lifestyles.

In this CPI Card Group® (“CPI”) white paper, we discuss the challenges issuers face in meeting cardholders’ growing demand for exceptional convenience, speed and security in their payment options, and explore the latest solutions available to meet these expectations.



## The on-the-go cardholder - a day in the life

Noah starts his day at the gym. After a quick shower, he grabs a drink at the café, waving his fitness band over the terminal for payment. On the way out the door, he checks his phone - “Yes! Scored a free drink!” Dashing to the train station, Noah clicks through the turnstile with a wave of his contactless transit card. After work, he picks up his car in the parking lot (paid for with his mobile app), and he’s off to a concert. With the event tickets preloaded to a wristband, Noah will enjoy easy access in a flash.

### A cashless economy - today’s cardholders are busier than ever

With the impending arrival of the “cashless economy,” Noah’s “on-the-go” day is becoming increasingly commonplace. Companies are spurred by a public starved for convenience and speed, enabled by the digital economy, and new contactless technology at the point of sale.

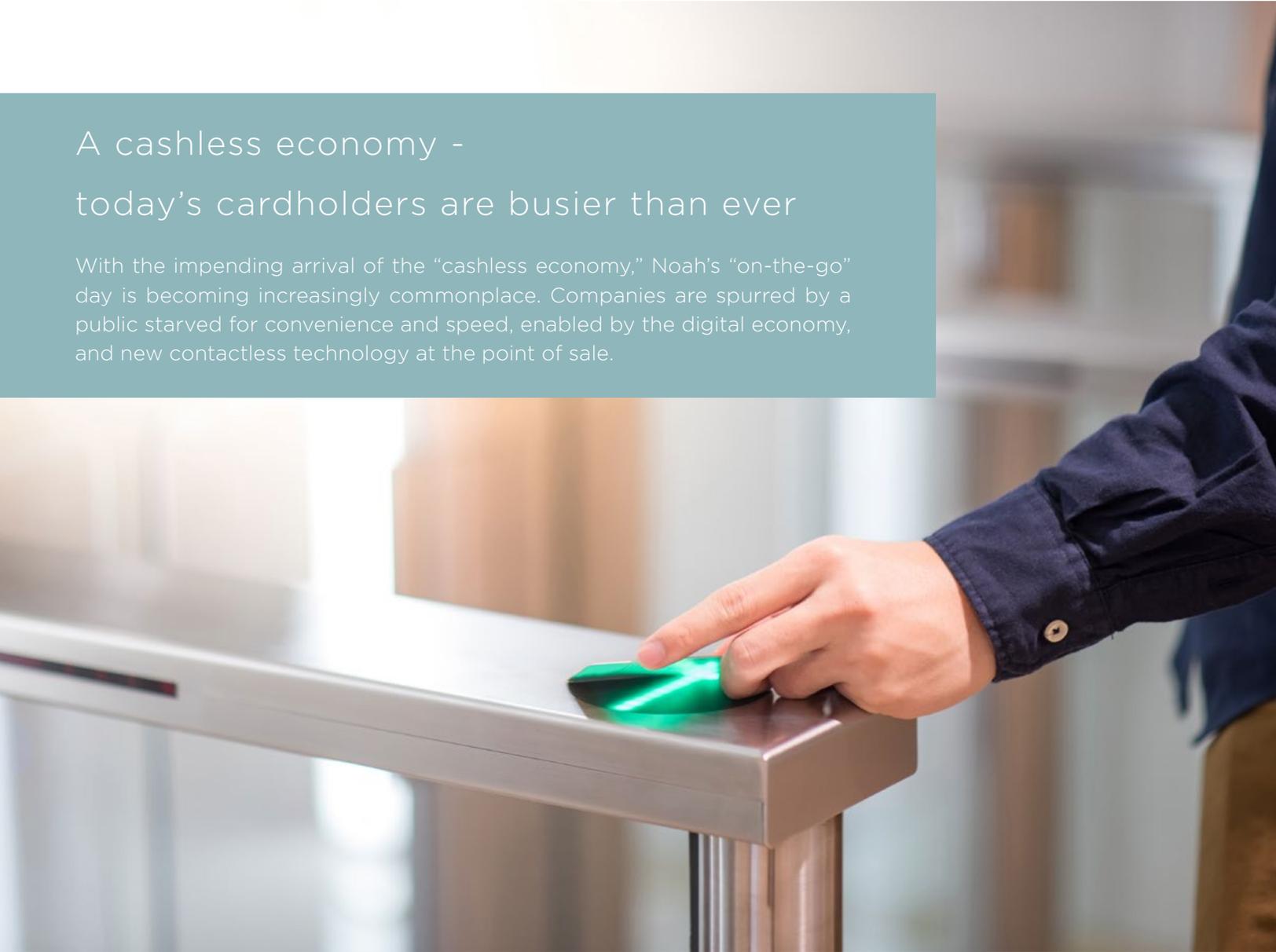
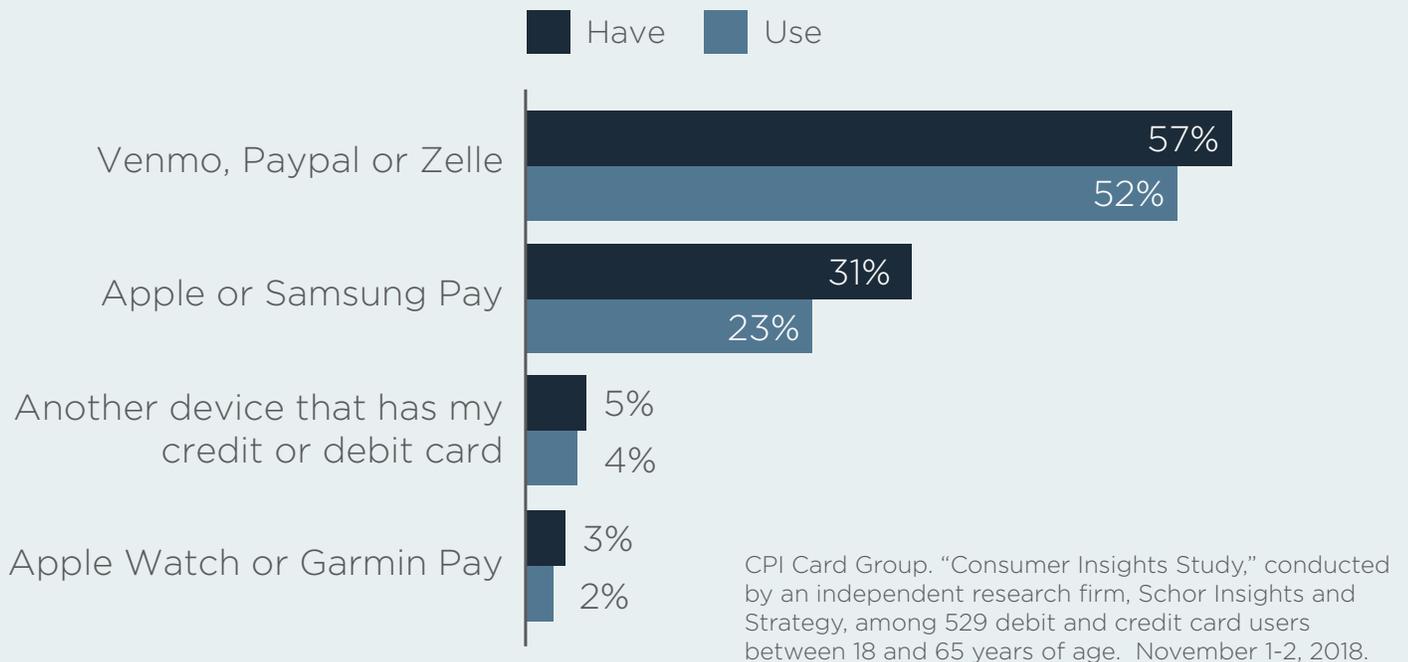


Figure 1

## Digital formats cardholders have and use



According to a TSYS study, 77% of consumers prefer to pay with debit and credit cards.<sup>1</sup> However, more than half of respondents in a recent CPI Consumer Insights Study have used digital payment formats like Venmo®, PayPal® or Zelle®.<sup>2</sup> (Figure 1)

Contactless payments are taking the world by storm. According to Visa, more than 40 percent of in-store Visa transactions outside of the U.S. occur with a tap.<sup>3</sup> The global value of contactless transactions was projected to reach \$1.3 trillion by 2019, more than doubling in two years.<sup>4</sup>

Although contactless has yet to take hold in the U.S., many merchants are ready. Sixty-four percent of U.S. grocers, 81 percent of quick-serve restaurants and 92 percent of drug stores and pharmacies already accept tap to pay at checkout.<sup>5</sup> It's now falling on issuers to offer contactless functionality

on payment cards, along with wearables, mobile devices, and other payment objects to take advantage of this growing network. Visa indicates that the U.S. market is poised for significant contactless growth due to expanding merchant adoption and the acceleration of contactless issuance by Visa's largest clients.<sup>6</sup>

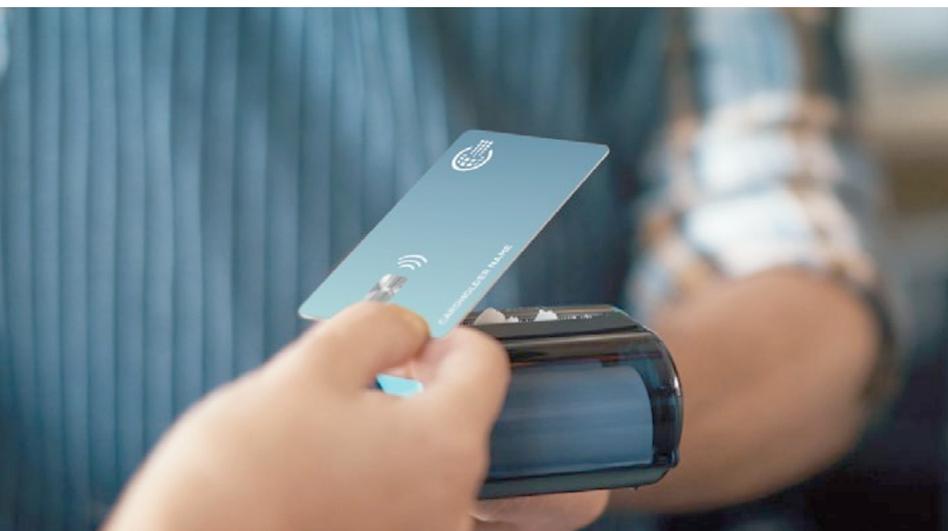
Globally, the wearable technology market is also expanding fast. According to IDC, global wearable device shipments grew 85.2 percent in the second quarter of 2019, totaling 67.7 million units.<sup>7</sup> As fitness trackers and smartwatches gain popularity, consumers are more comfortable with using them for a variety of applications, including payments. Twenty-four percent of Europeans expect to start making payments with wearable devices in the future.<sup>8</sup>

## Cardholders want frictionless shopping and security

Today's "on-the-go" lifestyle is driving a revolution in customer expectations. On the move, cardholders expect to pay for goods and services quickly, conveniently, and with minimal friction. Gen Z cardholders prefer debit and credit cards over cash and mobile/P2P as convenient ways to pay.<sup>9</sup>

Consumers' desire for multiple payment options creates opportunities for issuers. Consumers might use two or three forms of payment on one account, because they are purchasing online, at a retail store, or in transit. These varying purchase scenarios prompt the diversification of payment options and development of new products, apps, and specialized software. Keeping pace with these trends and the expanding field of choice, issuers can counter third-party apps and new entrants from cannibalizing their share of transactional interchange revenue.

Cardholders remain concerned with issues of privacy, card fraud, and data security. The introduction of EMV<sup>®</sup> (contact and contactless) in the U.S. as well as enhancements associated with tokenization in wearable and mobile solutions have helped reduce card-present fraud at the point of sale. However, fraudsters have adjusted by moving their primary targets from in-person sales to card-not-present (CNP) transactions.



## A world of payment solutions awaits

To address challenges and meet the needs of their cardholders, financial institutions have the opportunity to offer new payment solutions, including:

- **Dual Interface Cards:** Payment cards reign supreme among the broad scope of users.<sup>10</sup> Cardholders can now enjoy the best of both the contact and contactless worlds, thanks to new dual interface cards containing both an EMV chip and an antenna that leverages Near Field Communication (NFC) technology.

Dual interface cards bring enhanced convenience and faster transaction speed to debit and credit cards. Standard EMV transactions require the user to insert the card into a reader. With a contactless transaction, the cardholder waves or taps their card at the POS terminal. As the card never leaves the cardholder's hand, the customer experience is simple and quick.<sup>11</sup>

EMV<sup>®</sup> is a registered trademark in the U.S. and other countries and an unregistered trademark elsewhere. The EMV trademark is owned by EMVCo, LLC.

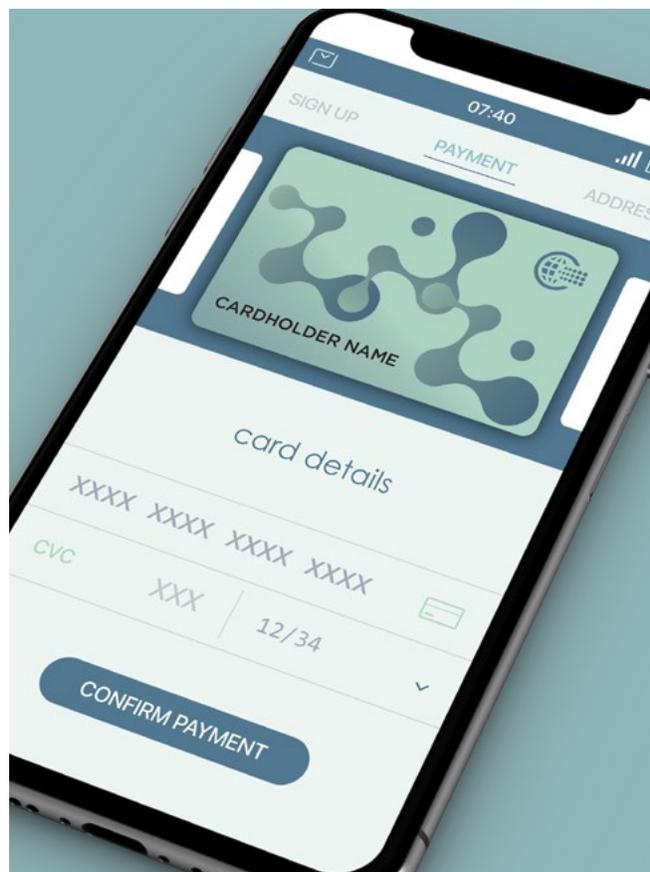


• **Wearables and Payment Objects:** Consumers are getting comfortable using wearables for a range of uses, from fitness tracking to scrolling through text messages to payments, representing the next frontier. The wearable technology market is projected to reach approximately \$57 million by 2022,<sup>12</sup> and sales of wearable technology rose 29% in 2018.<sup>13</sup>

Expanding on wearables, the term “payment object” refers to any portable device, article or item that a consumer can use to transact a payment. Leading payment technology firms have reduced the size of the chip and antenna combination to accommodate form factors as small and diverse as key fobs, silicone bracelets and clothing, or even coffee mugs.

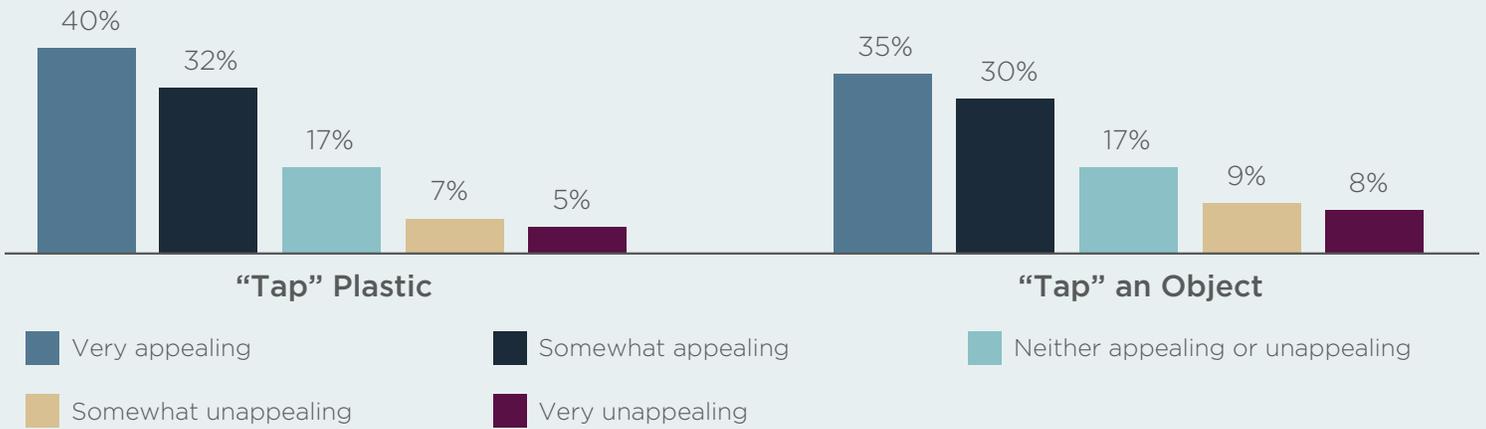
According to a CPI research study, conducted by an independent research firm, 65 percent of cardholders find the idea of tapping an object either “very appealing” or “somewhat appealing,” with only 17 percent rejecting the concept. (Figure 2). Additionally, 21 percent of millennials prefer a digital payment option, either a smartphone payment app like Apple Pay®, Google Pay™, or Samsung Pay, or a P2P app like Venmo or Zelle.<sup>14</sup>

As consumers cozy up to wearable devices like fitness trackers and smartwatches, their willingness to utilize them for multiple applications - including payments - will likely increase, following a similar trajectory to that of smartphones. A February 2018 study found that contactless spend on Mastercard® and Maestro® grew by 145 percent.<sup>15</sup>



Mastercard is a registered trademark, and the circles design is a trademark of Mastercard International Incorporated.  
Apple Pay is a trademark of Apple Inc.  
Google Pay is a trademark of Google Inc.

Figure 2  
**Appeal of tapping**



CPI Card Group. “Consumer Insights Study,” conducted by an independent research firm, Schor Insights and Strategy, among 529 debit and credit card users between 18 and 65 years of age. November 1-2, 2018.

- Instant Issuance:** Cardholders’ need for speed doesn’t stop at the point of sale. The efficient, on demand delivery of payment solutions to the end user is every bit as important as the payment transaction itself. For this reason, financial institutions are embracing instant issuance, a technology that helps cardholders obtain a new or replacement card in the branch, supporting their “on-the-go” lifestyle. Centralized card reissuance remains the standard, but it is no longer the only option available to financial institutions and their cardholders.

Instant issuance is a flexible and efficient tool that focuses on the individual needs of a customer obtaining or replacing a card by allowing them to leave the branch with a card in hand. This is key when considering card activation and usage. An analysis of one bank’s

use of instant issuance showed customers using their cards within an average of 8 hours after receiving the card. Instantly issued cards show a lift in activation and usage rates compared to mailed cards. Instantly issued cards average an 83 percent activation rate, while mailed cards averaged a 69 percent activation rate.<sup>16</sup> Low activation rates represent a lost opportunity to optimize customer lifetime value and marketing resources invested in customer acquisition.

To achieve the highest ROI and meet the diverse needs of their cardholders, financial institutions can offer both instant and central issuance. Whereas instant issuance enables a financial institution to provide new and replacement cards on demand, central issuance is designed to support ongoing card reissuance cycles.

# Addressing security and fraud in payments

With regard to any payment solution, cardholders remain concerned about issues of privacy, card fraud, and data security. To address these issues, advancements are being made to further secure payment card transactions and protect privacy.

- **Tokenization:** Advances in online and mobile security are making digital payments more safe and secure. For instance, through tokenization, sensitive account information like the 16-digit card Primary Account Number, (PAN) is replaced with a unique digital identifier called a token.<sup>17</sup>

The token allows payments to be processed without sharing personal account details that could potentially be compromised.<sup>18</sup>

- **Dynamic Card Verification Value (DCVV):** Beyond EMV, which is more secure than magnetic stripe at the point of sale, new solutions like dynamic CVV address the growing threat of card-not-present (CNP) fraud. DCVV technology is designed to replace the familiar 3-digit CVV printed on the back of a card with a variable code that changes with a frequency set by the issuer. It is considered more secure than traditional, static CVV codes, since even if a criminal has possession of the card's PAN, they won't be able to verify the DCVV for an on-line CNP transaction.<sup>19</sup>

- **Biometrics:** In addition, the use of biometrics in payments is expanding. Biometrics are ubiquitous on mobile devices, initially through fingerprint recognition and more recently with the introduction of facial and iris recognition. Biometrics can enhance security in the latest Android™ and Apple® iOS devices. Issuers are exploring fingerprint along with other methods such as voice, facial recognition, and iris scans to help in payment authentication. Mastercard introduced at-home biometric card registration in 2018, offering cardholders the ability to register their fingerprints from the comfort of their living rooms.<sup>20</sup> According to Visa, consumers are growing comfortable with various biometric authentication techniques and see fingerprints and eye scans as among the most secure methods available.<sup>21</sup>

## Conclusions

Driving back from the concert, Noah reflected on a great evening. Using his secure key fob enabled with Adaptives™ contactless payment object technology, Noah effortlessly purchased dinner at the venue without missing a song. After the final encore, he beat the crowd to the transit station. Waving his contactless closed-loop wristband over the turnstile reader, Noah easily caught the subway as it pulled into the terminal. After stepping off the train, Noah popped into his local coffee shop, tapping his dual interface debit card on the POS reader to purchase a coffee for the short ride home.

CPI Card Group offers financial institutions a range of secure contact and contactless solutions to support their customers' "on-the-go" lifestyle. From dual interface payment cards to Adaptives payment object technology, along with instant issuance, CPI is here to empower your payment program every step of the way.

Issuers can embrace evolving technology to win and maintain loyal, long-term relationships while competing effectively with new, disruptive payment options their accountholders may have at their fingertips. Today's consumers live an "on-the-go" lifestyle, providing issuers an opportunity to meet them where they are now, and where they're going in the future.

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## About CPI Card Group

CPI Card Group® is a payment technology company and leading provider of credit, debit and prepaid solutions delivered physically, digitally and on-demand. CPI helps our customers foster connections and build their brands through innovative and reliable solutions, including financial payment cards, personalization and fulfillment, and Software-as-a-Service (SaaS) instant issuance. CPI has more than 20 years of experience in the payments market and is a trusted partner to financial institutions and payments services providers. Serving customers from locations throughout the United States, CPI has a large network of high security facilities, each of which is registered as PCI compliant by one or more of the payment brands: Visa, Mastercard®, American Express and Discover®. Learn more at [www.cpicardgroup.com](http://www.cpicardgroup.com).



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