

Payment Insights

Episode 2: Contactless Payments Take Center Stage

Host: Erica Denham, Bank of America

Guest: Nicolle Wilson, Bank of America

Guest: Juan Garrido, Bank of America

- Erica: 00:00
You're listening to Payment Insights from Merchant Services at Bank of America. With a continual emergence of new technology every year, you can easily argue that this is one of the most exciting times in payments - potentially ever! Today, we're going to take a close look at what is quickly becoming one of the most dominant payment methods in the industry: Contactless. Welcome everyone! I am your host, Erica Denham, Strategy & Initiative Executive at Bank of America, and with me today, I have two of Bank of America's very own experts in payment technology: Nicolle Wilson, Vice President of Product Management, and Juan Garrido, our Product Management Executive. Hello to both of you.
- Nicolle: 00:42
Hi Erica. Thank you so much.
- Juan: 00:44
Thank you, Erica. It's a pleasure to be here.
- Erica: 00:46
Thank you both for being with us today. Okay, Juan, I'm going to kick it off with you, and I really want to lay a foundation for our conversation that we're going to have. So can you help me set a baseline about what we're talking about when we say contactless payments?
- Juan: 01:01
Absolutely. And that's a great question just to level set with, so the term contactless payments includes any type of debit, credit, smartcard or other payment device that has the ability to process a payment just by tapping it next to a card reader.
- Erica: 01:16
Thank you, Juan. Yeah, that's great. I think a lot of people think contactless payment and they only think of the credit card, but using your Apple Pay®, Samsung Pay® or any method is considered contactless payment when it comes to technology and integration. Okay. So let's move into more of the why Nicolle, I'm going to turn this

over to you and I really want to help our merchants understand and look at in the market today. What are the current trends that you're seeing for contactless?

Nicolle:

01:43

Absolutely. So I think it's important to understand the US was really the last major economic region to adopt contactless transactions. And what we saw with the introduction of EMV into our market, um, along with that came EMV contactless. Um, merchants really struggled with that here in the US to enable that. So we saw a huge industry efforts starting in about 2016, um, to increase the acceptance of contactless, uh, by helping merchants enable contactless at their terminals. And then we saw an increase in card issuance for contactless support. Bank of America alone has over 60 million contactless cards in the market today. The next step is what we're seeing now, which is a big effort for consumer education and merchant education as well. Uh, we're starting to see signage at point of sale devices. Um, I received flyers in my credit card statements telling me all about the wonderful benefits of contactless payments. Um, and it really came at a perfect time, um, for the industry, given that we then entered into a global pandemic in 2020, um, and there was a big focus between consumers, merchants, our frontline workers trying minimize physical contact with each other, but also common surfaces. And contactless payments lets you make it, a really clean transaction, uh, you know, really sanitary from a health perspective. And we saw contactless usage, which was really fairly minimal grow from about 4.7% in July of 2020 to 15.9%, almost 16% in February 2021. That's a 238% increase in six months. Um, you know, we also have a great story for the industry. Um, you know, Juan and I'd, I'd like to ask you to share your experience with the New York Metro transit going open loop with contactless support.

Juan:

03:42

Yeah, absolutely. So, you know, we've definitely seen that there's been an uptick overall in contactless and really what's happening is, is that consumers are taking a hold of the fact that it's easy to use at the point of sale. Uh, they finally have an understanding that all you do is you tap a card or you tap a mobile device. And the payment goes through. Not to mention, of course, the fact that we've had the impacts of COVID and the current environment and because of the pandemic we're being told to limit contact with others, and consumers have taken note. So, you know, as Nicolle mentioned, you know, I consider myself a payments geek and I play, I pay very close attention to the payment experience when I'm out and about. I live in New York City, so, uh, I've been able to see a payment evolution when it comes to the New York City subway. So they recently installed a contactless payment system called ONMY, where you simply tap your contactless card or a contact device next to a card reader at a turnstile, and you walk right onto the platform. So let me compare that versus the

experience before. Before I would have to carry around a MetroCard. Whenever my funds were low, I would have to go to a kiosk. I would have to enter my MetroCard. I would have to enter the amount that I want to fill on my MetroCard, and then also insert my credit card, not to mention the fact that I mentioned I live in New York City. So there's millions of people around me. So, uh, of course the lines are long in order for me to be able to refill my MetroCard. So, take into comparison the whole contactless experience, the fact that I can run down to the station, I can tap my phone, tap my credit card, and I'm on the platform, versus my experience before where I had to wait in line. It was my time. And, you know, it was just very difficult for me to be able to get in and refill my MetroCard that just shows how contactless was able to revolutionize the industry in terms of the New York City subway system.

Erica: 05:40

Yeah, that's an amazing experience. And, and with the pandemic as a catalyst, as Nicolle mentioned, I mean the benefits to the consumer are obvious, right? The ease of use and being able to switch between payment methods very easily and getting rid of that contact where you don't necessarily need it for sanitary purposes. It's just huge. Um, so, but with that said, Nicolle, you mentioned, um, the benefits also to merchants, so we can see it with consumers, but could you talk a little bit more about what the benefits to merchants are, who are going to enable contactless at the point of sale?

Nicolle: 06:14

Absolutely. So a contactless transaction is still an EMV transaction and has that EMV security that merchants are looking for. Um, it takes a fraction of the time that a contact transaction takes where you have to actually insert your card. And there's a little dialogue between the terminal and your card. With contactless you really do is, as Juan mentioned, you just tap it and your card goes back into your wallet or whatever form factor you're using. Um, so for the merchant, they get increased throughput through their checkout lane, which reduces consumer friction. Um, it's incredibly easy. A consumer never takes their hand off the card for the reducing consumer friction. And because transactions are so easy, a consumer might pick up an extra item while they're in line and make a separate transaction because it's so fast. So it's, it's really a great benefit to the merchant and they haven't sacrificed anything.

Erica: 07:11

Thanks, Nicolle. Yeah, that's great. And Juan, I think that takes us to a very easy segue and why don't we get into the nitty-gritty and tell us a little bit more, really about the technology of contactless and how does it work?

- Juan: 07:25
- Absolutely. So it sounds like it's complicated because you think to yourself, man, I'm only tapping a card, I'm tapping a mobile phone and the payment is being processed immediately, but you know, it really is quite simple technology. When a merchant system prompts a customer to pay, the customer is going to bring their credit card or mobile device in close proximity to that payment terminal. That information is being transmitted electronically, using information, information from the chip onto the card and by using radio frequencies. If you're using a mobile device, the same is true, except you're actually using NFC rather than those uh, radio frequencies - and NFC stands for Near Field Communication. That is the chip in your mobile phone that it's used in order to make that payment. Once the system accepts the tap, it signals the customer with a beep, a green light or a check mark. And that's it, 'wa-lah' your payment is processed.
- Erica: 08:25
- Thank you, Juan. And now that we understand technically how it works, Nicolle, why don't we talk about how and what a merchant needs to do to actually enable contactless at the point of sale for their business?
- Nicolle: 08:37
- Sure. So, as I mentioned, many terminals are already equipped with contactless. So if you're a merchant and you have a terminal, I think the first thing you should do is check to see if you can accept a contactless payments. Um, if you know, you can't, um, you know, a merchant either has that point of software development in-house, or they outsource it to a third party. For a merchant who has those capabilities in-house, they want to discuss with our merchant specialists, what it would take to set up an integration project. If there is a third party that's involved, they should check with that third party. Likely the third party has already enabled contactless in their software suite, and it's a matter of a download or an upgrade. Um, for any merchant using our Bank of America solutions with the terminals, it comes ready to accept all forms of contactless payments.
- Erica: 09:28
- That's great. Ready to go out of the box. That's great.
- Nicolle: 09:31
- That's right.

- Erica: 09:32 So after contactless is enabled, uh, we've, we've talked a little bit about how adoption has so dramatically increased with the pandemic, but Juan, is there anything that merchant should be aware of that they need to do after enabling contactless to ensure adoption?
- Juan: 09:47 One word, and that is communicate. You want to communicate, communicate, communicate. Make sure that your customers know that those terminals are enabled for contactless. As Nicolle mentioned earlier, you know, put some customer signage next to the payment terminal, so customers know that they can just tap to pay. I would also encourage education. You know, Nicolle mentioned that she gets statements in the mail on how contactless work. That is a great way to ensure that consumers know how to use contactless at the point of sale. Another best practice is train your cashiers. Make sure that they A. know exactly how contactless works and communicate that to their clients. If they see a card that is enabled for contactless, rather than having that consumer either insert the card and, or swipe the card, make sure that they tell the consumer that their card is contactless and that the terminal is as well and show them how easy it is to and effortless in order to make that work.
- Erica: 10:48 Absolutely everything comes back to communication and training and making sure that the customer has that best experience, so they'll be using it again in the future over and over again. Okay. Well, Nicolle and Juan, thank you so much for joining us. It's always a pleasure working with both of you and thank you to our listeners.
- Nicolle: 11:06 Thank you, Erica.
- Juan: 11:07 Thank you.
- Erica: 11:09 Contactless evolution and adoption is a hot topic in the payment industry, and I hope you've enjoyed the discussion today. Take care everybody!
- Erica 11:17 Bank of America and Bank of America Securities are the marketing names used by the global banking and global markets. Divisions of Bank of America, corporation lending, other commercial banking activities and trading and certain financial instruments are performed

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