



SHOPPING WITH

LESS - MERCHANTS

GO CONTACTLESS



FOREWORD



Payment technologies have advanced greatly over the last few years and more and more merchants understand the potential these have on their overall business performance. As one of the largest payment processors in the world, Global Payments supports merchants of all sizes to navigate through the constantly changing world of payments to help them grow their businesses and find payment solutions that are right for them. This white paper looks at current trends in the payments sector suggesting how merchants can take advantage of the payments revolution by adopting card readers which accept Contactless and mobile payments. We hope that you find our insights helpful.

A handwritten signature in black ink, appearing to read 'Chris Davies', written in a cursive style.

Chris Davies
Managing Director
Global Payments



CONSUMERS ARE

DUMPING CASH IN FAVOUR

OF ELECTRONIC PAYMENTS



A Contactless payment is a quick and easy way to pay for purchases that cost £30 or less.

Cash is being phased out from many places where it was once considered the only way to pay. For example, parking meters increasingly provide drivers with telephone numbers to call for cashless payments. Londoners use Contactless payments for all bus journeys as cash is no longer accepted, and travelling on the underground just requires a quick flash using Contactless or an Oyster pre-payment card.

A Contactless payment is a quick and easy way to pay for purchases that cost £30 or less. Any debit or credit card that is enabled with Contactless technology can be used, as well as a number of other devices. These include stickers, key fobs, wearable devices (such as watches and wristbands) and mobile devices such as smartphones. Contactless cards and other devices enabled with Contactless technology all work in the same way. They all contain an antenna which safely transmits the purchase information when it is touched against a Contactless terminal. If the debit or credit card has a symbol with radiating curved lines, then the card has Contactless technology, enabling faster payments within seconds. However, other Contactless devices might need to be activated before they will authorise payments. On a smartphone, for example, an app might need to be downloaded in order to use the phone for Contactless payments. Paying for shopping simply by waving a phone at a Contactless reader and authorising payment via a fingerprint is an incredibly fast way to pay.

Carrying around heavy coins in our bags and pockets no longer seems to make sense. Data from Global Payments shows that average transaction values for card payments in retail stores has decreased by 85p since last year. The most likely reason for this is that more people have decided that Contactless technology is easier to use than digging around for change when paying for lower cost items. Increasingly, time-strapped consumers wave Contactless debit cards in front of merchants' card readers to pay for coffees and lunch.

All the signs of a payments industry in the midst of radical change are visible. Consumers are dumping cash in favour of electronic payments. Banks and technology providers are continually innovating. Merchants realise the power of adopting new and innovative payment technologies, and investors are piling into the sector to support thousands of payments start-ups.

Ca around heav long



Carrying only coins no longer makes sense

The introduction of cards around 50 years ago both disrupted and propelled the global economy. Now eCommerce, including shopping and doing business across the internet, has the power to take the world's economy to new heights. In the UK, the value of Contactless transactions for the first half of this year was £2.5bn – beating the £2.32bn spent in the whole of 2014.¹ Payments UK, the industry trade body, believes that the volume of cash transactions is likely to drop as much as 30 percent over the next ten years as Contactless payments and cards continue to be adopted by consumers and merchants alike.²

Research by Lloyds Bank shows that two in five people believe they will no longer need to use cash in ten years and one in three people expect to be using a mobile phone for payments within five years. A quarter of those surveyed thought their need for cash would be entirely redundant in five years³ when paying for goods and services.⁴ The UK payments industry has responded to consumer demand for Contactless as the £20 limit on transactions rose to £30 in September 2015.⁵

Apple, in particular, is likely to play a pivotal role in popularising mobile payments. The firm, which is the world's most valuable company by market capitalisation, has also launched its mobile wallet service Apple Pay into the UK. Essentially this allows someone to spend money by carrying only a mobile phone rather than requiring someone to carry physical cash. Once an iPhone user adds their card details onto Apple's platform, customers can pay for anything from coffees, cinema tickets and low value shopping in high street stores simply by tapping their phone on to the merchant's Contactless reader. The Contactless limit does still apply and the wallet needs to be open in order for Apple's fingerprint sensor to confirm a customer's the identity. And it uses NFC (Near-Field-Communication) technology so outlets do not have to update their Contactless terminals to accept it. Samsung Pay and Android Pay are already planning to enter the UK market with their mobile wallets.



Pingit

has now received

3.7M

Downloads

£2.9 billion is transferred every week using mobile banking apps.



In fact – not only are mobile phones a major device for Contactless payments – but they are at the centre of a revolution within banking. Mobile banking is a high growth area for banks, and the British Banking Association (BBA) says 23 million banking apps have been downloaded in the UK – a rise of 8 million in one year.⁶ £2.9 billion is transferred every week using mobile banking apps.⁷ Mobile phones are clearly rapidly continuing their ascent as the focus for all forms of social interaction. It is no surprise that customers want to use their phones as their payment devices. As so many meaningful social interactions take place on phones, the high degree of convenience they offer, combined with their security features, make them an ideal choice for customers.

Banks and card companies are continually developing and innovating new products. As stated, customers can use digital wallets to pay via smart phones or online, saving people the time taken to delve into bags and pull out the correct card. One bank is currently trialling heartbeat ID technology for online banking. Their wristbands are worn by the bank's customers to detect heartbeats, which are then used to verify identities. This takes away any need for PIN numbers and passwords, making banking safer as electrical signals emitted by hearts have unique signatures. Other banks, such as RBS and NatWest, have enabled customers to use fingerprints for mobile banking.⁸

Banks and card companies are clearly acting to meet customers' expectations of a cashless society. However, technology companies are also developing and innovating in social spaces occupied by customers, as well as working with banks to provide customers with more payment choices. Barclays' Pingit app allows people to make peer-to-peer payments via Twitter handles. In the UK, Barclays said it will allow customers to pay each other and participating merchants. Pingit has now received 3.7 million downloads and over £1 billion has been transferred using the app.⁹ Similarly, most banks allow customers to pay each other via Paym simply by using their telephone number, saving on the need to scribble account numbers and sort codes onto scraps of paper that might easily get lost. The British Bankers Association (BBA) said more than 1 million bank customers had registered within 100 days of the launch.¹⁰ In nine months, more than 2 million people signed up and £26 million of funds was transferred.¹¹

Investors' interest in the payments landscape has also been notable. According to research into mergers and acquisition deal-making by investment bank Berkery Noyes, the first half of 2015 saw six of the ten largest financial technology deals originating from the payments sector.¹² In August, the Financial Conduct Authority (FCA) gave the green light to a \$1.2 billion offer made by digital wallet and online payment provider Optimal Payments to buy digital payments business Skrill.¹³ Optimal Payments is the subject of considerable attention from institutional and retail investors alike. In April 2015, financial technology provider DH Corporation acquired bank payments solutions provider Fundtech for \$1.25 billion.¹⁴ With the payments industry being one of the leaders in the use of innovative technologies, many investors see it as a high growth sector and are backing start-ups in addition to established businesses.

Payment technologies have advanced at a rapid rate without sacrificing customers' expectations of security as online spending continues to increase across the globe. As high street banks meet customers' demands for payments using only telephone numbers or Twitter handles, payment providers have worked to meet the challenge of ensuring that financial transactions remain safe and protected. Progress in payments has deepened and improved customer relationships as the salience of eCommerce carves out a larger space in customer-merchant interactions. The payments revolution has spurred innovation within banks and merchants alike - and this is only likely to gather pace. Merchants can take advantage of this revolution by simply adopting Contactless terminals. The growing number of cashless customers can then provide much needed additional revenues and superior customer service.



¹ [BBC Online - Contactless card limit rises to £30 as card use surges](#)

² [Payments UK - UK set to make 120 million payments a day by 2024](#)

³ [Lloyds Bank - Almost four in ten say they won't need cash in ten years time as contactless proves popular for many](#)

⁴ [Financial Times - Death of cash' predicted within a decade](#)

⁵ [The UK Cards Association - Contactless](#)

⁶ [British Banking Association - World of Change](#)

⁷ [British Banking Association - World of Change](#)

⁸ [RBS press office - RBS and NatWest customers get mobile banking at their fingerprints](#)

⁹ [Barclays press office - Barclays launches Twitter Payments through Pingit](#)

¹⁰ [British Banking Association - World of Change](#)

¹¹ [British Banking Association - World of Change](#)

¹² [Berkery Noyes' H1 2015 Trend Report - 2015 | 1st Half | Trends Report | Financial Technology and Information Industry](#)

¹³ [City AM - Optimal Payments gets go ahead for £1bn Skrill takeover](#)

¹⁴ [Reuters - Canada's D+H Corp to buy payment services firm Fundtech](#)

ABOUT GLOBAL PAYMENTS



Global Payments, a Fortune 1000 company, is one of the largest card payment processors in the world, with offices across the UK, America, Canada, Asia Pacific and Europe. We work with companies of all sizes, from large multi-nationals to owner-managed businesses to maximise sales through payment card processing. Our focus in the UK is on meeting the needs of customers with up-to-date card processing technology, whether face to face, online or over the phone. We support our customers to attract the growing overseas market with a range of services including international card acceptance, enabling visitors to pay in their own currency and tax free shopping.

If you would like to learn more about how Global Payments can help your business, please contact us on **0800 731 8921*** or visit **www.globalpaymentsinc.co.uk** for more information about the company and its services.



*Lines are open Monday to Friday, 9am - 5pm, excluding public holidays. Calls may be recorded. We also provide a Textphone service on 0345 602 4818.

Global Payments is HSBC Bank plc's preferred supplier for card processing in the UK.

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