



Smart Card
Alliance



Contactless Payments: The Retailer Experience

STORES
KNOWLEDGE SERIES™

FD FIRST
DATA

ti TEXAS
INSTRUMENTS

vivotech®

Seminar Topics

- Retail segments accepting contactless payments
- Consumer adoption
- New opportunities enabled with contactless payments
- Key business drivers for retailers
- Key implementation considerations



Today's Speakers and Sponsors

- Randy Vanderhoof, Executive Director
Smart Card Alliance
- Gavin Waugh, Senior Director of Treasury
Arby's Restaurant Group, Inc.
- Mark Jackson, Vice President Immediate Consumption
Cadbury Schweppes Americas Beverages
- Michael Verdesca, Division Vice President
Jack in the Box, Inc.
- Sahir Anand, Lead Analyst, Retail Practice
Aberdeen Group
- Sponsors





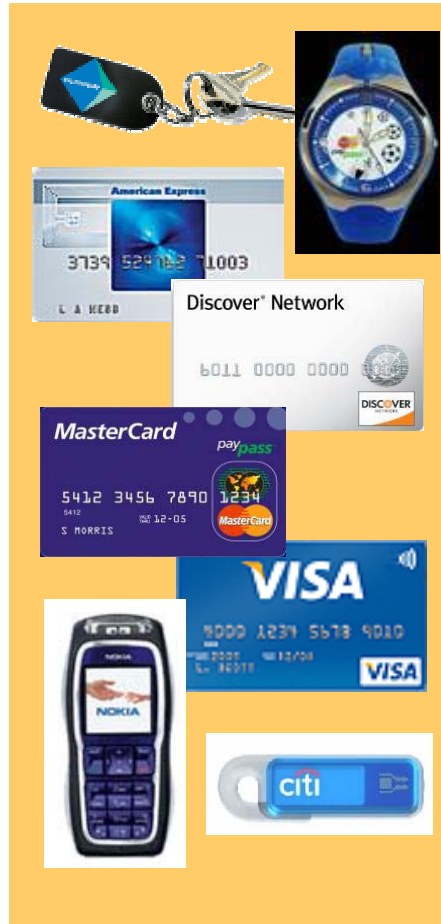
Smart Card
Alliance



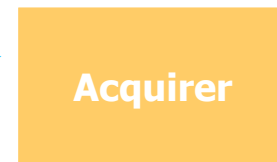
Contactless Payments: The Retailer Experience **Market Overview**

Randy Vanderhoof, Executive Director, Smart Card Alliance

How Contactless Payment Works



Fast, convenient payment using cards or devices with an embedded smart card chip and antenna



Transaction is processed through existing secure payment processing networks

Contactless read range only <10cm (<4 inches)
– differs from RFID tags for read range and security

The Shift from Cash to Cards

Consumers carry less cash

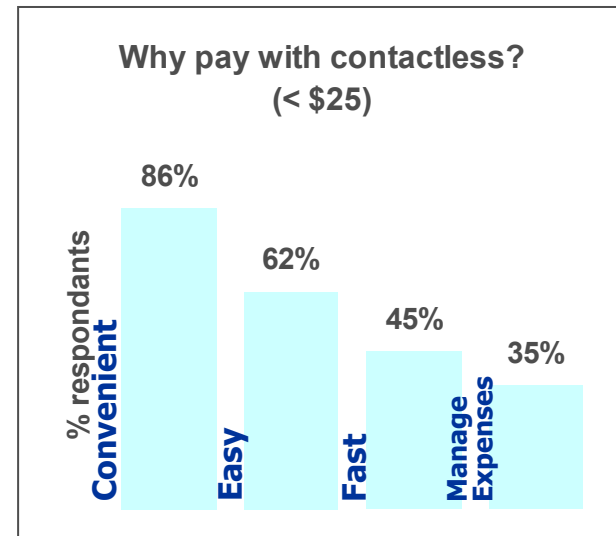
- 60% have \leq \$20
- 75% see no need to carry large amounts of cash
- 62% purchase with cash less often

Contactless payments changes consumer behavior:

- More loyal to merchants
- Spend 20-40% more
- Use cards more often vs. traditional cards

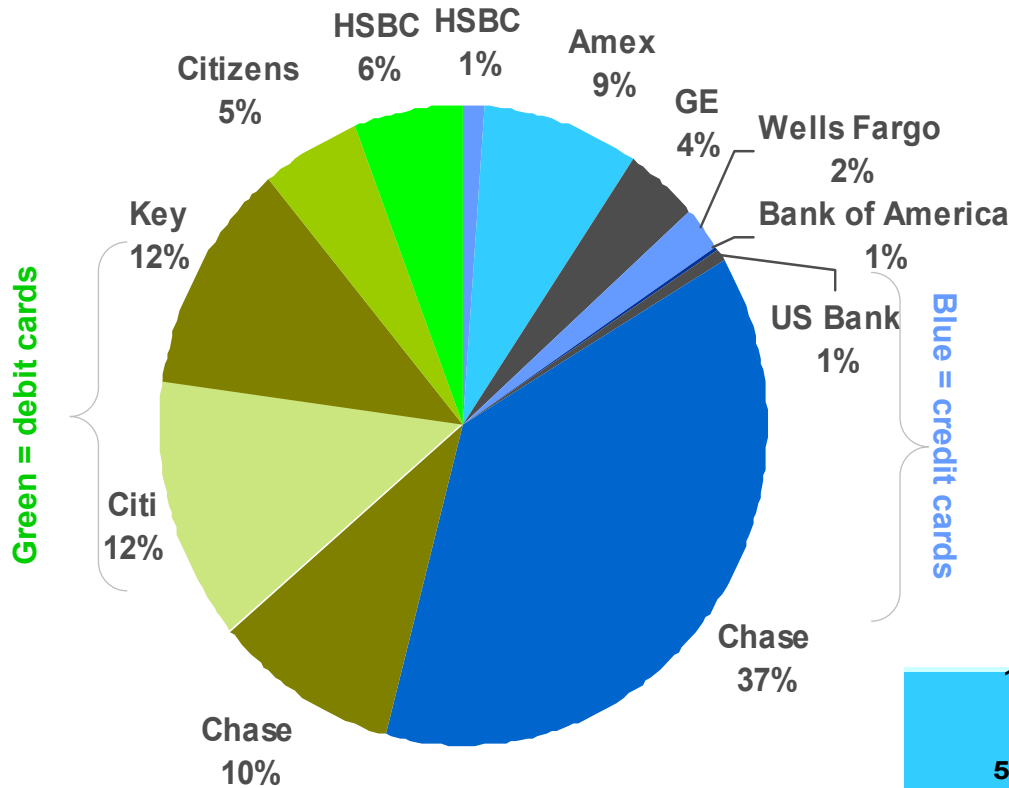
Appeals to youth market (ages 18 to 25):

- 60% prefer to use cards for purchases of \leq \$25
- More interested in paying with mobile phone
- 4X as likely to carry phone vs. cash
- 50% want to send money to friends via phone



Source: re:ID Magazine, Fall 2006, ePayments News Network, 7/06, 5/06 Ipsos Insight/Peppercorn telephone survey of 1,001 adults, Visa, MasterCard, IBM analysis

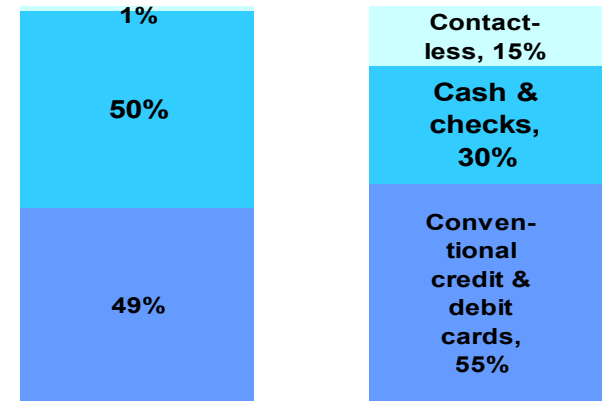
Contactless Payments By Numbers



US Contactless Cards Issued, 2006

Total US cards in circulation as of 11/15/06:
18.8 million

Contactless Payment Share of Spending



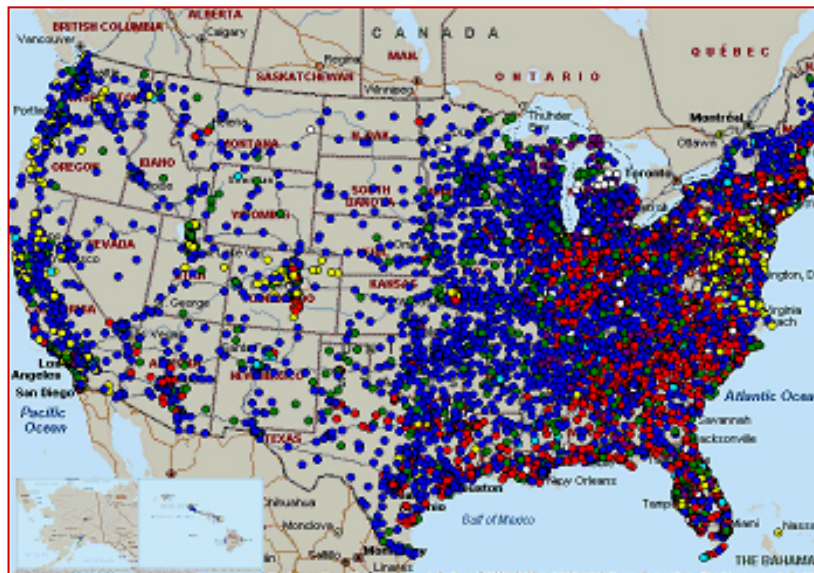
2006

2011

Total 2006 spend = \$1.4 trillion

Contactless Merchants Spreading Across the U.S.

US Contactless Merchants, June 30, 2007



Total merchants enabled worldwide: >51,000

All Benefit – Retailers, Issuers, and Consumers



Issuers

revenue, differentiation, and loyalty

- Increased spend results in increased interchange revenue
- Customer retention and acquisition
- Captured cardholder data for marketing and rewards programs



Retailers

speed, spend, cost, insight

- Simpler and faster than cash
- Shorter queues
- Increased spend
- Improved customer satisfaction
- Increased customer loyalty
- Reduced cash handling fees
- Ability to capture data on customer buying behavior



Consumers

speed, convenience, security

- Speed
- Convenience
- Better able to track spend
- Security

Contactless Market Innovations

- New York City subway pilot
- Ohio Turnpike pilot
- Contactless in taxis
- Contactless for vending
- Mobile payment pilots





Smart Card Alliance

Smart Card Alliance mission

To stimulate the understanding, adoption, use and widespread application of smart card technology through educational programs, market analysis, advocacy, and industry relations

Over 170 members, including participants from financial, retail, government, corporate, and transit industries and technology providers to those users

Major activities

- **Industry and Technology Councils**
 - **Contactless Payments Council**
 - **Healthcare Council**
 - **Identity Council**
 - **Physical Access Council**
 - **Transportation Council**
- **Conferences, symposia, web seminars and educational workshops**
- **Web-based resources and email newsletters**

Contactless Payments Council

Mission: *Facilitate the adoption of contactless payments in the U.S. through education programs for consumers, merchants and issuers*

Over 34 active members, including financial industry representatives and technology suppliers

Resources

- **Merchant and Issuer Advisory Groups**
- **Educational publications on contactless payments**
 - *Merchant Implementation Guide*
 - *Proximity Mobile Payments*
 - *The What, Who and Why of Contactless Payments*
 - *Market Survey: Consumer Attitudes and Acceptance*
 - *Contactless Payments: Frequently Asked Questions*
- **Contactless payments resources and news**
- **Issuer and merchant web seminars**



Council Participants

American Express
Arby's Restaurant Group, Inc.
Assa Abloy ITG
Atmel
Bank of America
Booz Allen Hamilton
Chase
Citizens Bank
CPI Card Group
Datacard
Discover Network
First Data Corporation
Gemalto
Giesecke & Devrient
Gotham Financial Services
Hypercom
IBM
Infineon Technologies
INSIDE Contactless
JCB
KeyBank

MasterCard Worldwide
NYC Transit
NXP
Oberthur Card Systems
OTI America
Petro Canada
PricewaterhouseCoopers
Racetrac
Sheetz
Skyetek
Texas Instruments
Thales Group
USA Technologies
VeriFone
Visa U.S.A., Inc.
ViVOtech
Wells Fargo
WMATA



Web Seminar Sponsors





**Smart Card
Alliance**



Thank you!

Randy Vanderhoof, Executive Director, Smart Card Alliance
rvanderhoof@smartcardalliance.org, 1-800-556-6828



**Smart Card
Alliance**



The Arby's Perspective on Contactless

Gavin Waugh, Senior Director of Treasury, Arby's Restaurant Group, Inc.



Contactless Benefits

Speed / Efficiency

Convenience

Security / Reduced Fraud

Differentiation / Loyalty

NFC Introduces New Opportunities



Contactless Challenges & Costs

Early Adoption

- Level of Issuance & Target Markets
- Customer Education

Equipment

- Initial Cost
- Integration with Existing Equipment
- Ongoing Maintenance
- Firmware Updates

Calculating ROI

- Reporting
- Measurement
- Availability of ROI Models

The Arby's Experience

Background

- Pilot: Feb thru Mar 2006
- Roll out: April thru Jun 2006 – 1,000 corporate owned restaurants
- Franchisee adoption not mandatory but picking up

Roll Out Challenges and Key Learnings

- Training challenges: cashiers *and* customers
- Tech support challenges
- Certification complexity
- Building configuration challenges

The Arby's Experience

Results so far

- Contactless average ticket is lower than mag. stripe – emphasizes the small ticket focus of the technology
- Customer usage largely follows issuance pattern

Next steps for Arby's

- Currently rolling out improved training materials
- Measuring program effectiveness & refining ROI model
- Working with hardware vendor on hardware improvements and new applications
- Continued “pressure” on issuers to boost issuance
- Monitoring developments with Contactless, NFC and OTA deployments





**Smart Card
Alliance**



Gavin Waugh
Senior Director of Treasury
Arby's Restaurant Group, Inc.
1155 Perimeter Center West
Suite 1200
Atlanta, GA 30338
gwaugh@arbys.com



**Smart Card
Alliance**



Credit / Debit Vending Program

Mark Jackson

Vice President Immediate Consumption

Cadbury Schweppes Americas Beverages

Who are we?

Cadbury Schweppes is the world's largest confectionery company with a strong regional presence in beverages in North America.

- Our global employment is approximately 70,000 people.
- Beverage Brands we sell include:
 - Dr Pepper, Snapple, Seven Up, A&W Root Beer, Canada Dry, Sunkist, Mott's, Hawaiian Punch and Schweppes.

Why Offer a Cashless Option?

- Credit Card purchases are up 70.7% from 2000 to 2005.
 - Increase of over \$1.1 billion.
 - Projected to increase another \$2.1 billion by 2010.
- Credit and Debit purchases are becoming the preferred method of payment for consumers.
 - Purchases totaling less than \$5.00 per transaction are increasing.
 - Moving more and more towards a cashless society.

Why Offer a Cashless Option?

- Provide our customers the payment system options they prefer.
 - Coin, Paper or Debit/Credit.
 - Latest vending technological applications.
- Provide a point of difference versus competition.
- Expand distribution and drive incremental purchases.



Program Details

- Partnered with USA Technologies and MasterCard to install up to 1,000 e-Port Debit/Credit units on vending machines in select cities across the US.
 - New York, Chicago and Dallas initial rollout
 - Columbus, Houston and Los Angeles

e-Port Enabled Vender



Brooklyn Superior Court Building.

Results

- Initial measure March – May:
 - 330 vending machines
 - Three markets
 - +12% volume improvement
- Wide variance in performance by account type:
 - Debit/Credit percent of revenue ranged from 3% to 24%.
 - Best results - Colleges, Recreation, Hospitals and White Collar offices.
 - Poorest performers - Government and Retail locations.
- Offering the Debit/Credit option resulted in:
 - Additional vender placements.
 - Great response from Managed Services companies.

Learnings

- Initial results indicate the addition of Debit/Credit:
 - Drove double digit volume increases.
 - Provided opportunity to gain incremental placements.
 - Opened new venues.
 - Gave us an advantage over competition.
 - Account selection is critical.



Expectations

- Debit/Credit will continue to become more widely accepted.
 - Resulting in improved volume and margin.
- As we continue to refine our approach we expect:
 - Better than 12% increases.
 - To gain more distribution.
 - To expand into other marketing areas.



Next Steps

- Continue to monitor results over the next six months.
- Identify underperforming assets.
- Redeploy units to more appropriate venues.
- Expand beyond test markets.



**Smart Card
Alliance**



Mark Jackson

Cadbury Schweppes Americas Beverages

5301 Legacy Drive

Plano, TX 75024

Mark.Jackson@cs-americas.com



Smart Card
Alliance



Jack & Contactless Payments

Michael Verdesca
Division Vice President
Jack in the Box Inc.



Why Jack Went Contactless

Image

- With Jack being cool and technology savvy, contactless payments fit well with our brand image

Service

- Give customers additional choice for payment
 - Increases speed of service
 - Potentially converts more cash customers to credit
 - Keeps customers cards in their possession
 - Leveraged program to install outside mag-stripe readers at the drive-thru



Why Jack Went Contactless

Platform for the future

- As issuance and consumer adoption of contactless cards increases, we are ready
- NFC technology is coming
 - We are participating in a trial with a major cell carrier in the bay area that includes our pre-paid “Jack Ca\$h” cards loaded on phones
 - Most customers in our target demographic have cell phones, even those without bank accounts or credit cards
- Loyalty is on our future roadmap
 - Gives us the option of contactless cards, fobs, NFC phones, etc.



Jack's Experience with Contactless

Implementation

- Jack has a consistent POS platform across all locations including franchisees, made installations much easier
 - We did experience hardware incompatibility with some models of our registers that required additional components
 - Unable to use USB connectors with Windows NT
 - Hard to get 100% compliance as many of our locations are in areas which have few or no cards issued so non-working readers are not reported.
- Optional for franchisees but had 95% adoption rate
 - A few small operators opted out for security concerns
 - Some operators use external debit /credit



Jack's Experience with Contactless

Other Issues

- Our POS is not architected to capture credit card data until we tender an order, so if a customer taps their card before we are ready, we have to ask them to do it again
- We had to complete a significant POS upgrade to get to PCI compliance and Contactless capabilities

Summary

- We are excited to be involved in this initiative and believe we are positioned to leverage this emerging technology to grow our and increase our customer loyalty





**Smart Card
Alliance**



Michael Verdesca

Division Vice President, Systems Development

Jack in the Box Inc.

9330 Balboa Ave

San Diego, CA 92123

michael.verdesca@jackinthebox.com



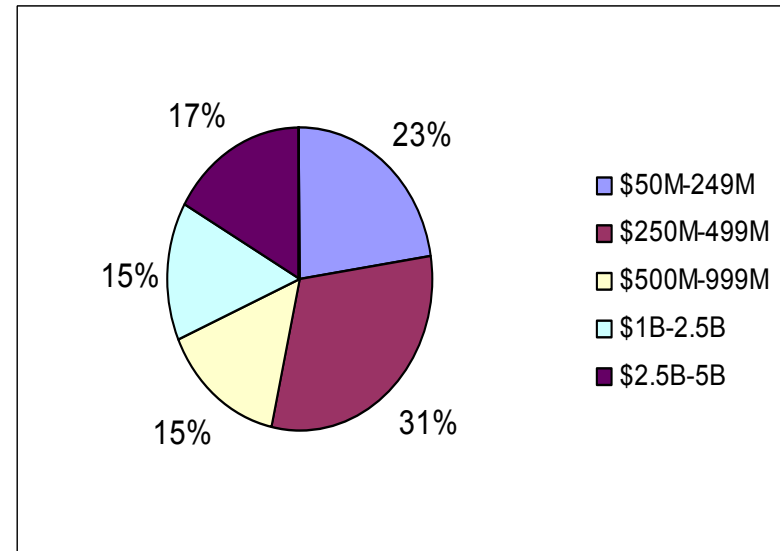
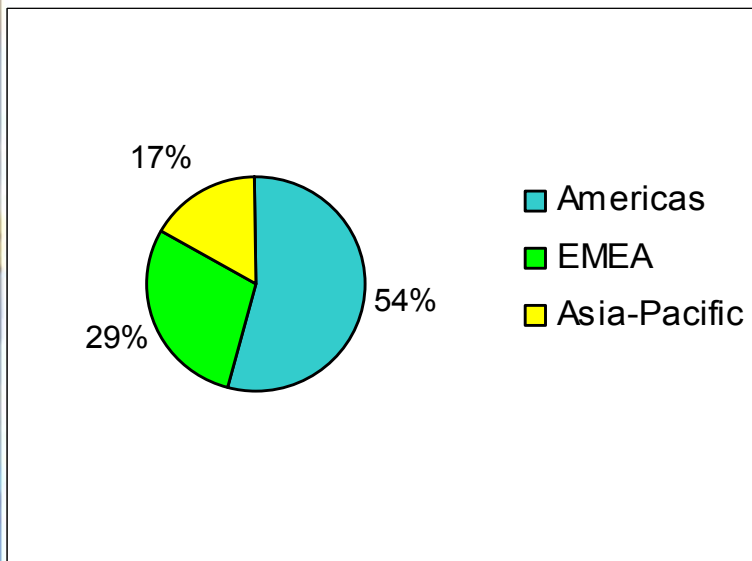
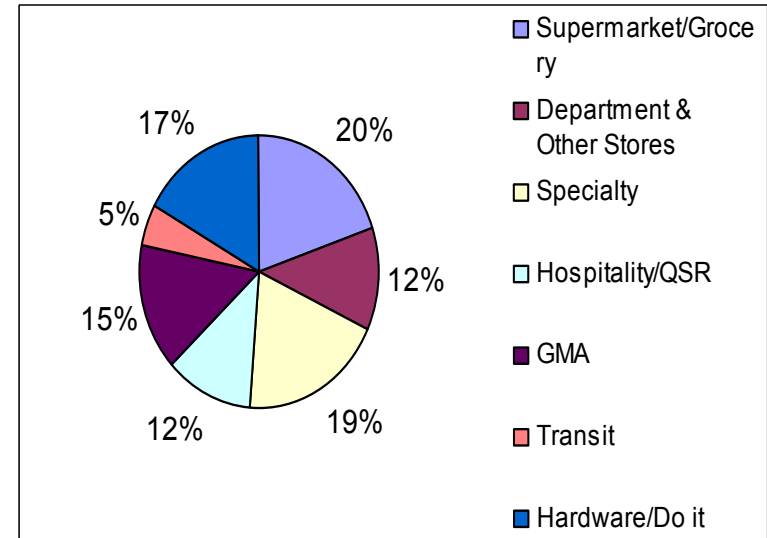
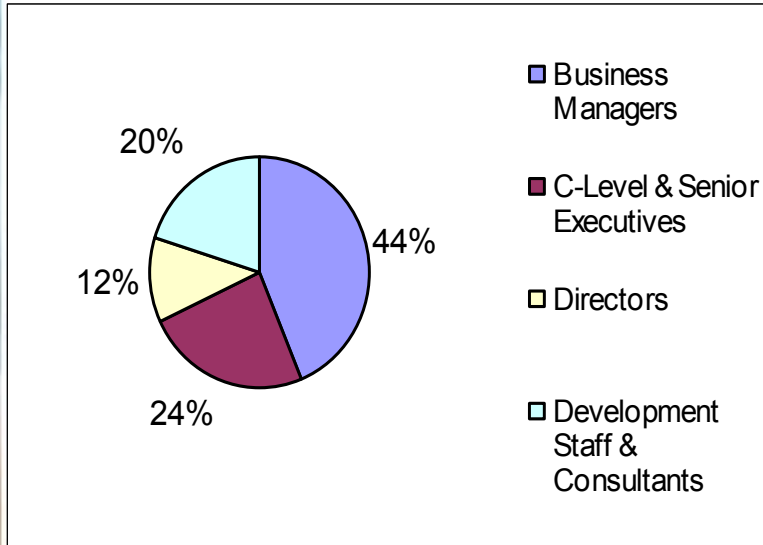
Smart Card
Alliance



Aberdeen Data on Contactless Payments: A Retail Snapshot

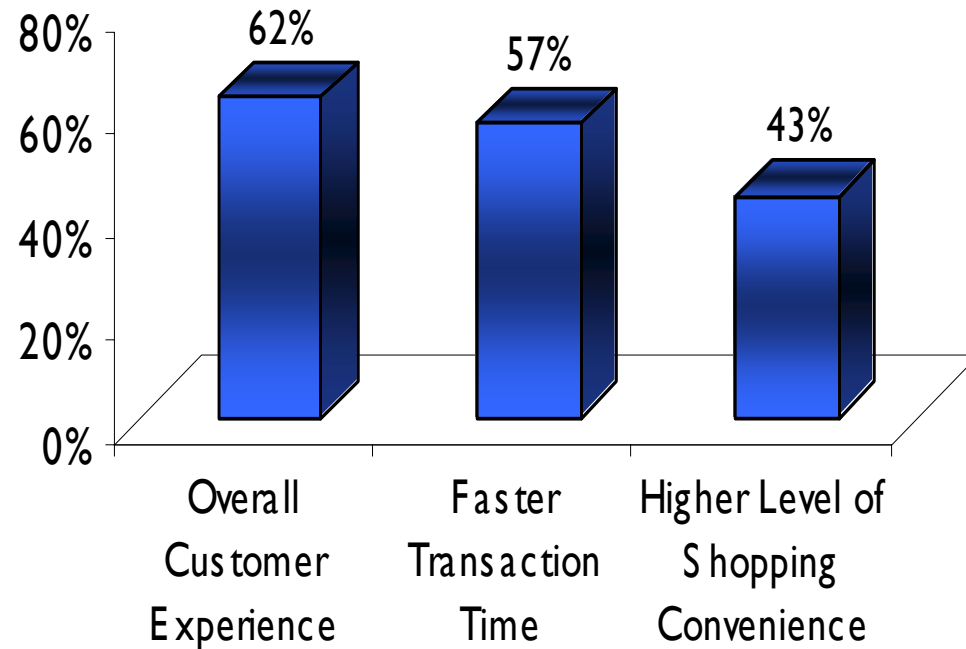
Sahir Anand
Retail Analyst
Aberdeen Group, Boston MA
Sahir.anand@aberdeen.com; 617-854-5271

Tier 1 & Tier 2 Demographics of 180 Survey Participants- Jan 2007 Benchmark Report



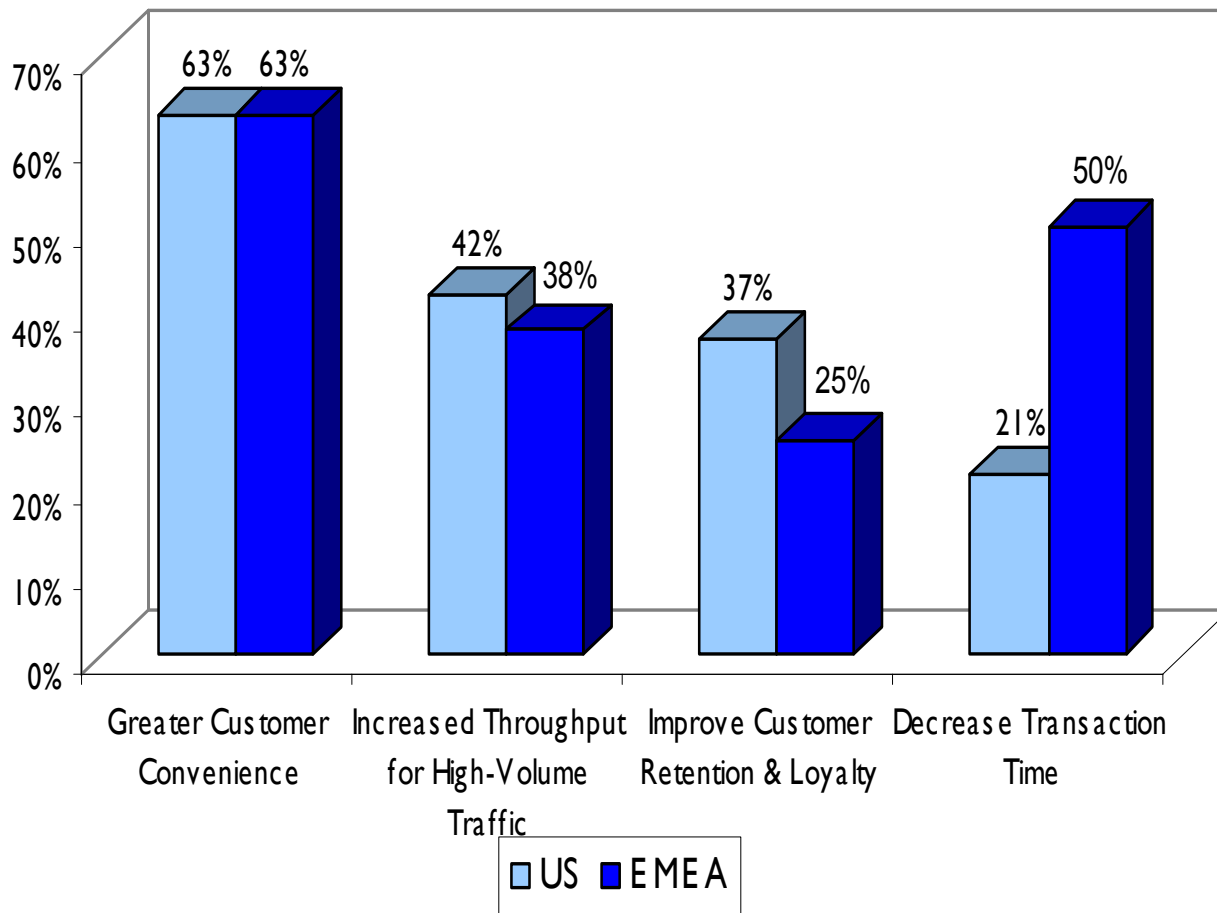
Top Benefits: Customer Experience

Top 3 Benefits for Customers Using Contactless Payments



Top Pressures: Americas & EMEA

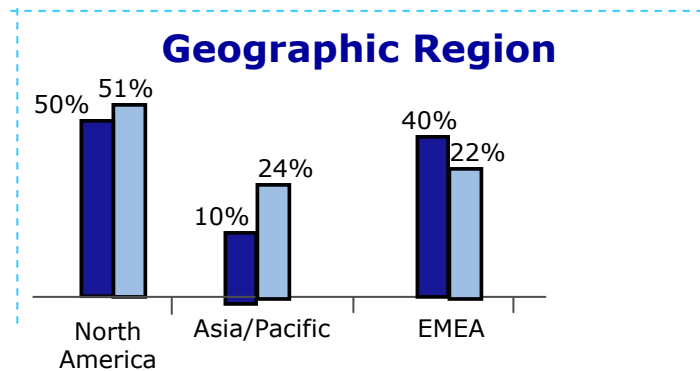
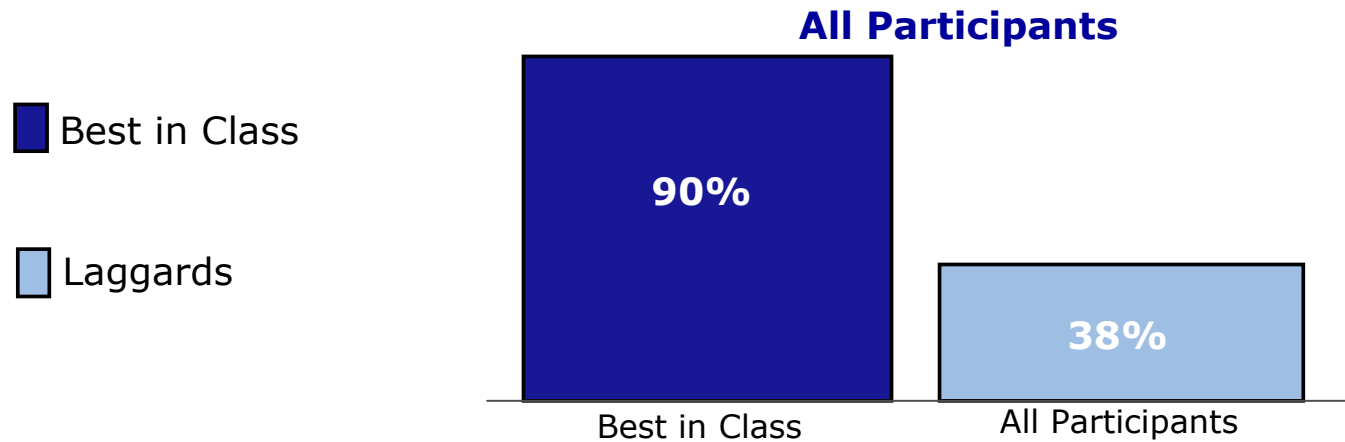
Top 3 Factors Driving Contactless Payment System Adoption



KPIs & Metrics

For more information, please visit www.aberdeen.com

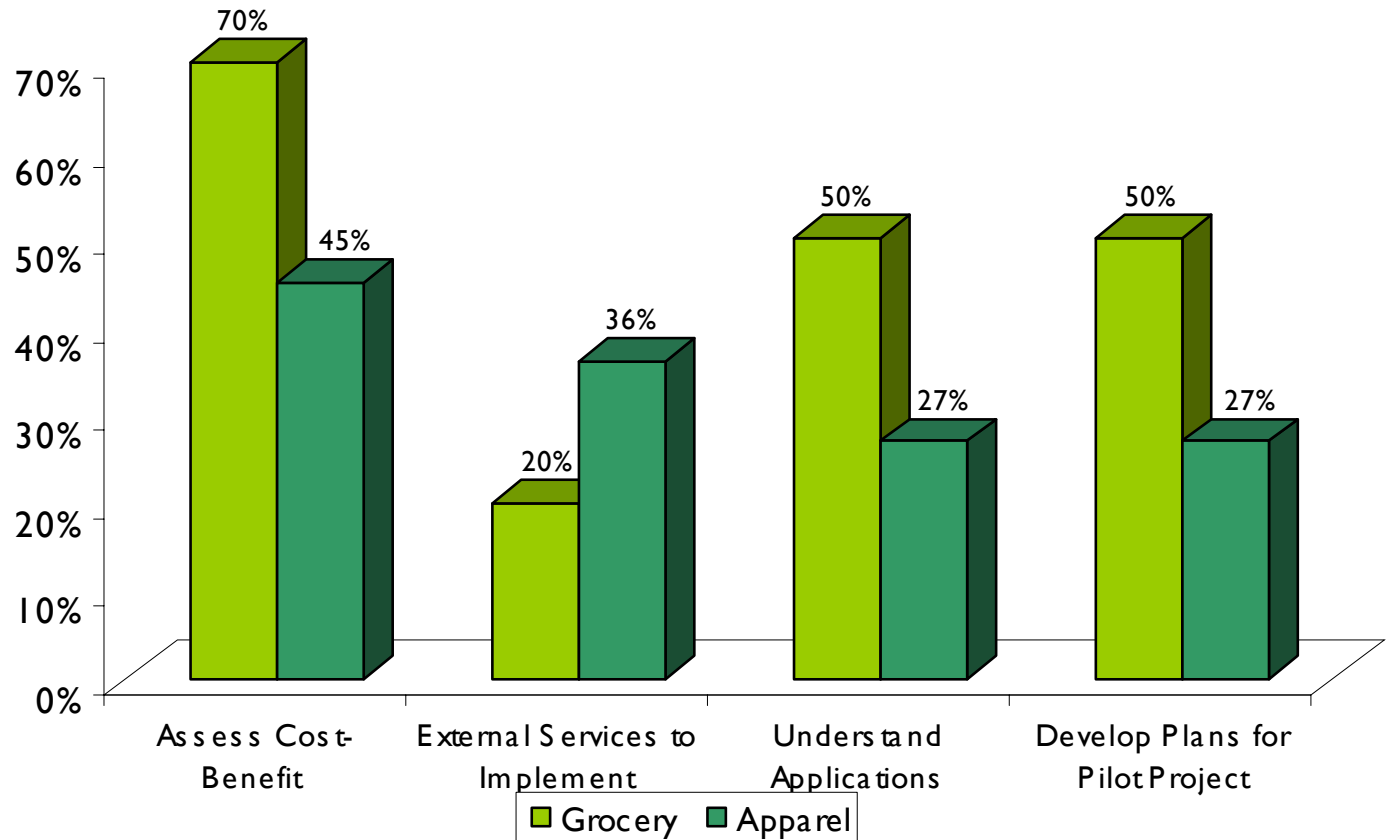
POS Transaction Time: KPI For Contactless Payments



Note: Retail Best in Class is measured qualitatively as practices that are currently being employed and significantly superior to the industry norm.

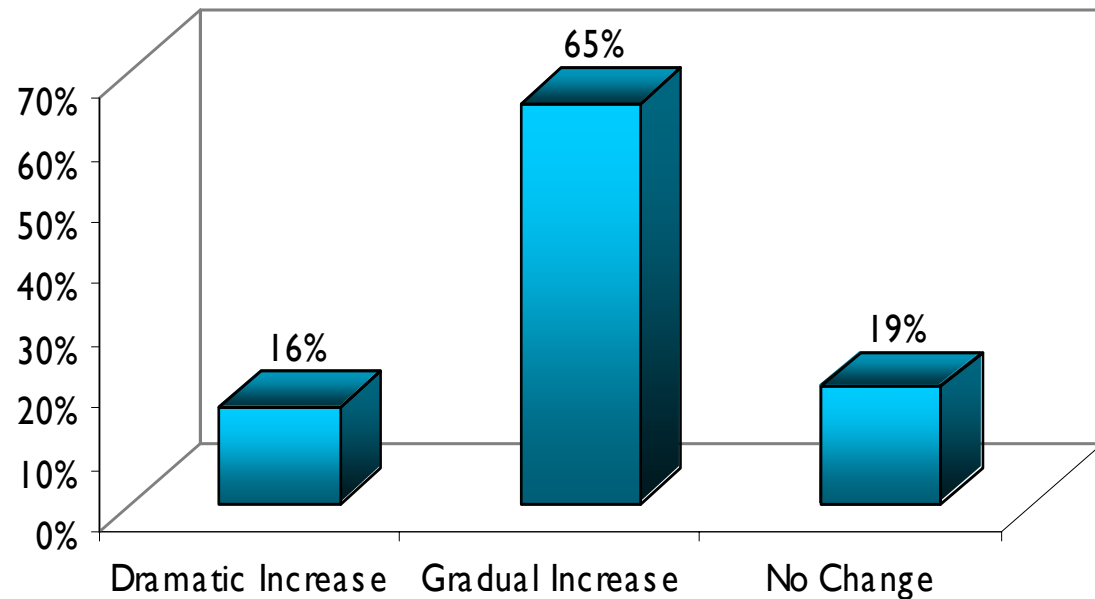
Key Strategies: A Segment Comparison

Top 3 Actions Taken in Response to Contactless Pressure



Prospective Plans of Retailers

Planned Contactless Adoption Over Next 2 Years



Companies under \$50 million are twice as likely as larger companies to hire a 3rd-party integrator to assist in implementation.



**Smart Card
Alliance**



Sahir Anand

Lead Analyst, Retail Practice

Aberdeen Group

260 Franklin Street

Boston, MA 02110

sahir.anand@aberdeen.com



Smart Card
Alliance



Q&A

Susan Reda, Executive Editor, STORES Magazine and LPinformation - Moderator



For More Information

STORES
KNOWLEDGE SERIES™



Randy Vanderhoof, Smart Card Alliance

rvanderhoof@smartcardalliance.org

(800) 556-6828

<http://www.smartcardalliance.org>



Gavin Waugh, Arby's Restaurant Group, Inc.

gwaugh@arbys.com

<http://www.arbys.com>

Cadbury Schweppes

AMERICAS BEVERAGES

Mark Jackson, Cadbury Schweppes Americas

mark.jackson@cs-americas.com

<http://www.cadburyschweppes.com>



Michael Verdesca, Jack in the Box, Inc.

michael.verdesca@jackinthebox.com

<http://www.jackinthebox.com>

Aberdeen Group
A Harte-Hanks Company

Sahir Anand, Aberdeen Group

sahir.anand@aberdeen.com

<http://www.aberdeen.com>

