



Insight Paper

Contactless & “the Pays”: the catalyst for digital payments growth

Synopsis: Contactless and “the Pays”¹ replace cash

Getting consumers to change the way they pay and move away from cash, a payment method they trust and are familiar with, has proven to be an ongoing challenge. But there is strong evidence that Contactless is achieving this. Through card, and more latterly mobile, the consumer has a proposition that meets their needs of convenience, speed, security and control, better than cash does.

In the GCC markets, a younger, more technologically savvy population that is open to change provides a significant opportunity, and **results in the UAE market show that Contactless and “the Pays” are driving a real transformation in the way that many consumers pay. For example, after activation, Contactless increased transactions by 56% and with “the Pays” the increase was even greater at 150%.**

Contactless and mobile implementations, both locally and across the globe, have provided some valuable lessons that issuers can take on board to ensure they optimize their return from their own offerings.

Here are three key learnings:

- **Target certain customer segments.** Affluent and Millennial segments are outperformers.
- **Incentivize initial usage.** Required to effect a significant behavioral change.
- **Work closely with influencer merchants.** Whether the customer uses Contactless at the point of purchase will be mainly down to them.

Propositions that allow payments to be made contactlessly are clearly resonating with consumers. Combine this customer “pull”, with the significant cash displacement opportunity that remains in the majority of countries, and it becomes clear why many issuers are harnessing Contactless to drive their payment volumes and, in turn, deepen their customer relationships.



1. "the Pays" are mobile digital payment wallets, such as Apple Pay, Samsung Pay or Google Pay, in which payment cards are held.

The shifting payments market landscape

Across the globe, many consumers have already been converted from paying in cash to purchasing through using a card. But changing engrained consumer behavior can be difficult to do, whether that is changing what they buy, where they buy it, or indeed, how they pay for it.

To succeed, your payment proposition must deliver the convenience and speed that consumers perceive cash provides. Like many markets in the world, cash is still the most popular way to pay across all GCC markets, but the ongoing digitalization of payments has reshaped what's possible and your ability to deliver what your customer is looking for has never been greater.

In the two biggest markets across the GCC - the Kingdom of Saudi Arabia (KSA) and the United Arab Emirates (UAE), population demographics, smartphone penetration levels and consumer openness to change is fueling the demand for a better alternative to cash.

- **Millennials (18 to 34 years old and technologically savvy) account for 40% of the population of the KSA, and almost 30% of the UAE².**
- **Both markets have some of the highest smartphone penetration levels:** nearly 74% in the KSA and 79% in the UAE³.
- **There is an overall desire to try new solutions.** In recent research⁴, 80% of respondents in the KSA that had performed a Contactless transaction were willing to do so again. While in the UAE, consumers have high consideration levels (70%) for mobile wallets such as Apple Pay.



2. Visa Consulting & Analytics analysis on Euromonitor Passport data 2018.

3. Visa Consulting & Analytics analysis on Euromonitor Passport data 2018.

4. Research conducted by TNS exclusively for Visa in the KSA and UAE in 2017.

Contactless mirrors the perceived benefits of cash

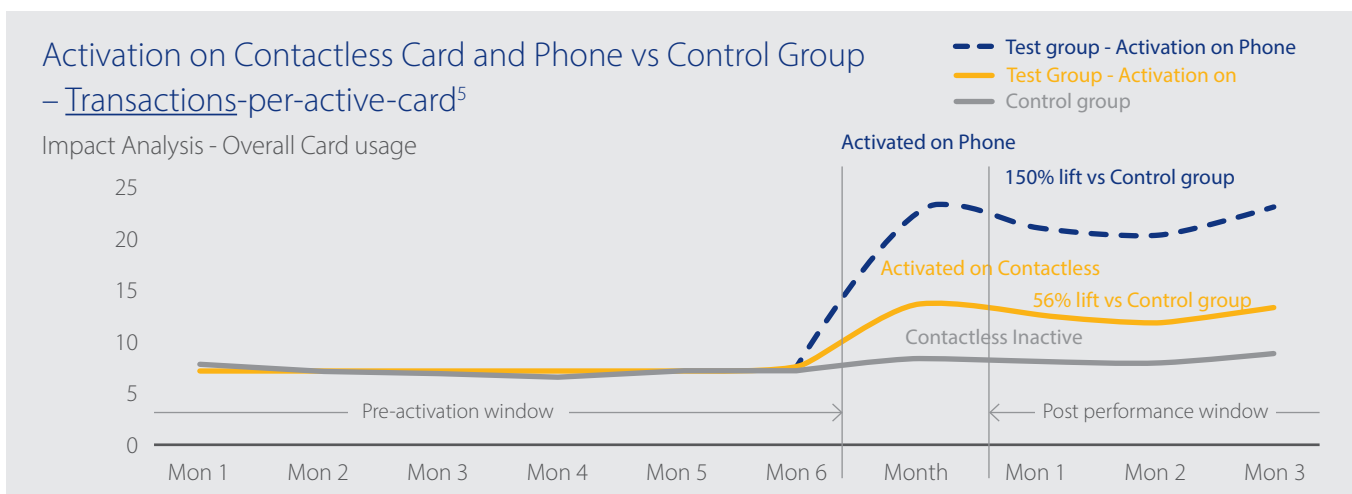
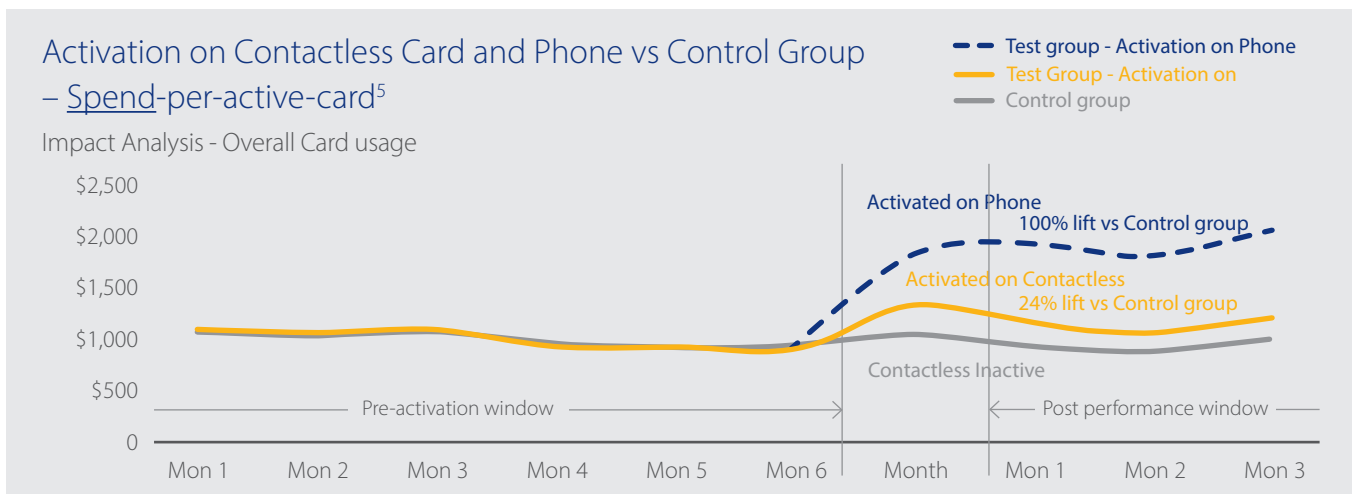
The convenience and speed that Contactless provides delivers a frictionless payment experience for both cardholders and merchants; the latter benefitting from serving customers quicker, as well as improved operational efficiency by reducing cash handling costs.

So serving customers quicker replaces increased throughput. This improved experience for the two key decision makers within the payment process, cardholders and merchants, has resulted in Contactless playing a decisive role in increased digital payment engagement.

For some years, issuers in pioneering payment markets like Australia, Russia and the UK have reported that Contactless can bring a sudden step-change in payment behavior. We are now seeing the same phenomenon in the GCC markets.

Visa conducted a study in the UAE market⁵ to observe changes in cardholder behavior following the adoption and activation of Contactless and “the Pays”. The findings are clear:

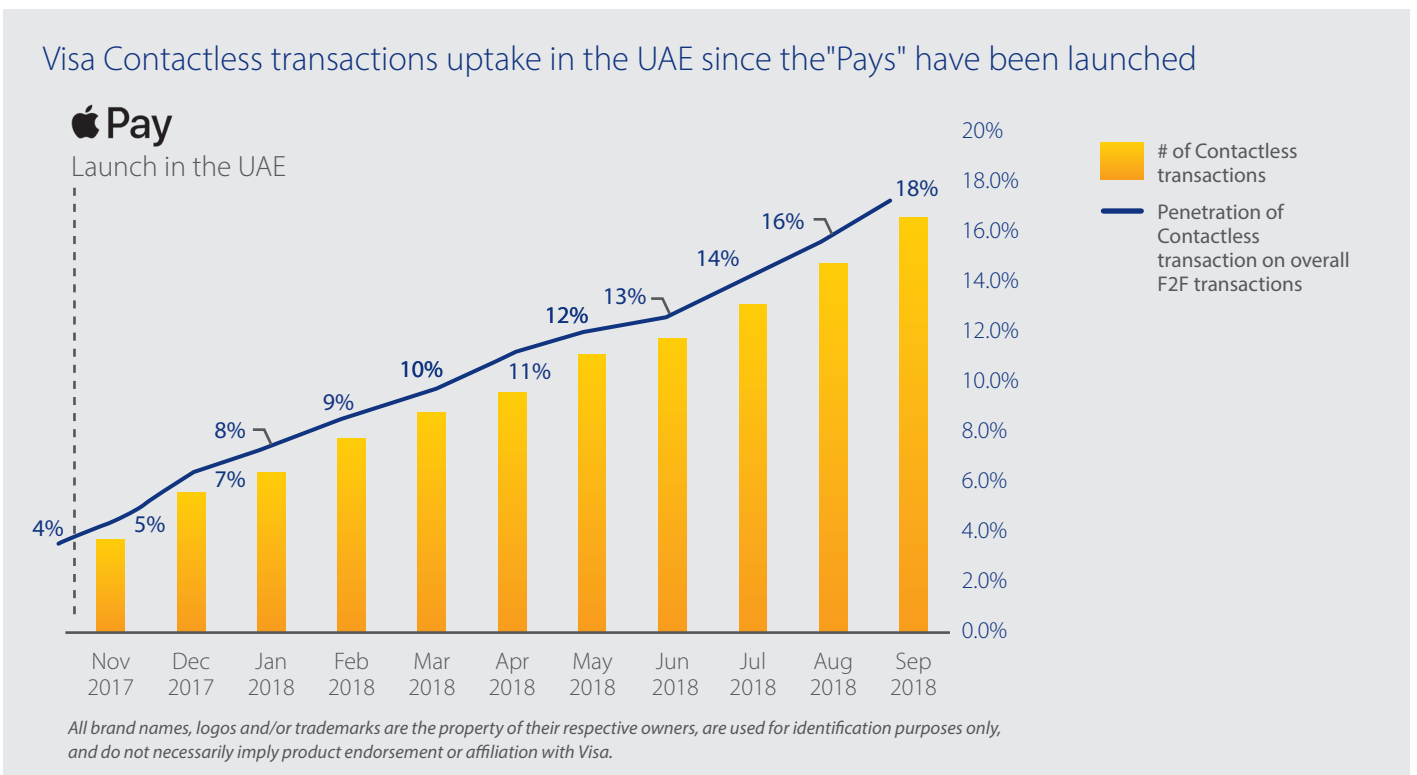
- **Once a Visa cardholder has conducted a Contactless transaction, total spending-per-active-card increased by 24% and transactions-per-active-card increased by 56%**, compared to the control group.
- **In the case of activation of “the Pays”, the impact was even more significant;** 100% increase in spend and 150% increase in transactions.
- **Smaller cash payments, traditionally difficult to shift, are being converted to card**, evidenced by transaction growth rates being significantly higher than spend growth rates. Around 60% of total transactions in KSA & UAE are <\$30.



5. Visa Product-Digital Solutions MENA analysis based on VisaNet database; Analysis period: Jun'17-Mar'18; Pre-activation window: Jun'17 to Nov'17; Activation window: Dec'17; Post window: Jan'18-Mar'18. Control group: Cards inactive on Contactless (both Phone and Card) in the pre and during period.



From the UAE launch of “the Pays” in 2017, we are able to see clear patterns of cardholder payment behavior. In fact since Pays have been launched, Contactless performance drastically increased due to the combined effect of higher merchant education to accept tap & go payments and massive marketing campaigns. We have then seen an increase from 4% penetration of Contactless transactions⁶ October 2017 (month of Apple Pay launch) to 18% in September 2018⁷.

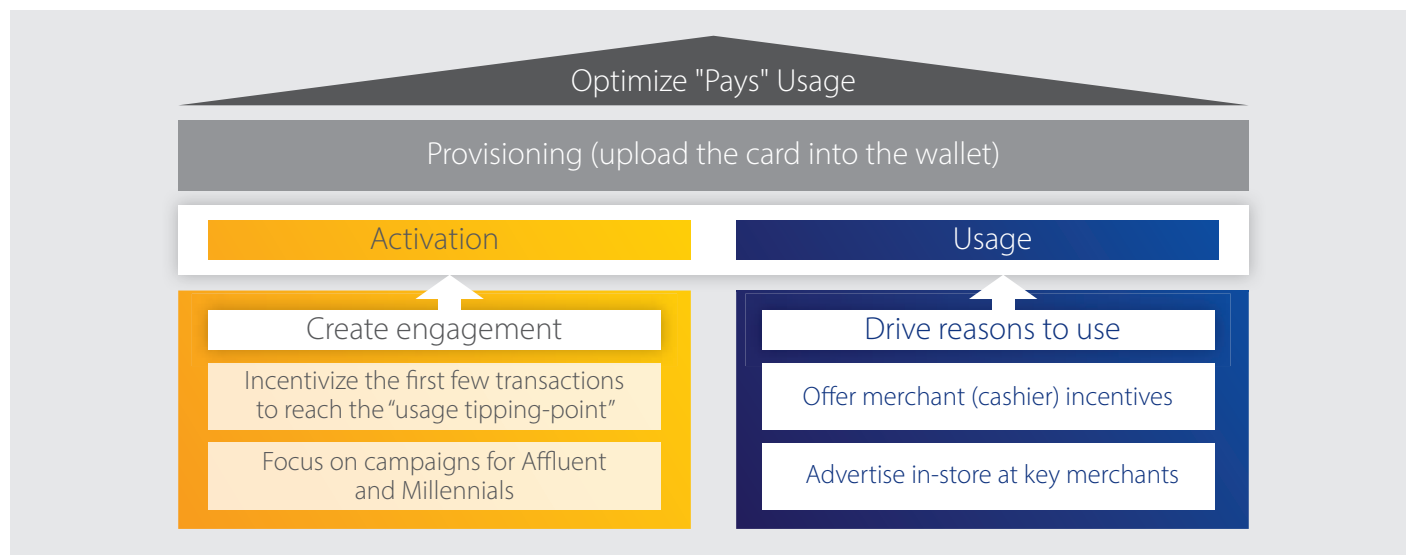


6. The analysis includes both Credit and Debit products in the UAE market. Visa Product-Digital Solutions MENA analysis based on VisaNet database, Analysis period: Nov. '17-Sep '18.
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How to get maximum value out of “the Pays”

As more issuers gear-up to launch “the Pays”, particularly in the KSA, Visa learned valuable lessons from launches in the UAE and other countries across the globe (including Russia, Australia & UK). Key patterns and strategies have emerged that will help issuers to accelerate activation and usage from their “Pay” proposition.

Optimizing “Pays” Usage Framework



Drive Activation

Experience has shown that the following activities tend to result in more sustained outcomes:

- **Lead customers to the “usage tipping-point” through incentive-based campaigns to promote the first few transactions.** We have seen that for Google Pay users, a “Tap 5 transactions” promotion delivers ongoing customer usage. While for Apple Pay users, an average of 3 incentivized transactions achieves the same outcome⁸.
- **Focus on Affluent and Millennial segments, which have a high propensity to adopt “the Pays”.** On average, Affluent cardholders “activate” 2.3 times more than Mass Market customers. While banks that target offers at Millennials, experience average activation rates of 2.4 times market norms⁹.

Accelerate Usage

Once your customer has activated their “Pay” proposition, you need to work hard to keep them engaged and embed their new payment behavior through timely and relevant communication. We have seen that merchant partnerships and promotions can play a key part in establishing this new payment habit¹⁰:

- **Incentivize the merchant (not just the cardholder).** We observed a higher uptake of usage offers and performance when cashiers received vouchers to promote usage of “the Pays”; 1.6 times uplift in spending during the campaign period.
- **Use in-store branding at key merchants, such as hypermarkets and coffee shops.** Cardholders who visited merchants with customized branding for “the Pays” delivered higher spend and transaction volumes.

8. Visa Consulting & Analytics analysis of “Pay” users based on VisaNet analysis and global experiences, 2018.

9. Visa Consulting & Analytics analysis of “Pay” users based on VisaNet analysis and global experiences, 2018. Affluent includes Visa Platinum, Signature & Infinite cards. Mass Market includes Visa Classic, Electron, Gold & Reward cards.

10. Analysis based on Visa Product – Digital Solutions MENA and Visa Marketing MENA post-campaign measurement.

Contactless can deliver transformational card payment growth

Evidence from one of our GCC markets, the UAE, has demonstrated the decisive role that Contactless, whether through card or mobile, can play in displacing cash and pushing card-based payments into the realm of everyday spending. It confirms what has been previously seen across other markets.

The introduction of “the Pays” in the UAE has resulted in Contactless transactions increasing from 2% to 18% of total national card volume. The proposition delivers what customers want; a convenient, secure and quick way to pay, meeting their needs better than cash does. **And the implementation of this new way to pay was supported through issuers working hand-in-hand with merchants to drive education, adoption and usage through targeted marketing activities.**

For many customers, it has changed forever the way that they will pay.

Our expertise

Behind our team of consultants, more than 1,000 data analytics professionals bring world-class insights based on the nearly 100 billion annual VisaNet transactions.

This level of global insight and expertise can help to address local challenges within the GCC markets, such as how to use Contactless and “the Pays” to deliver a step-change in your card payment growth.

To find out how you can leverage Visa’s analytics to optimize your business growth, contact your local Visa Consulting & Analytics representatives directly via e-mail.



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About Visa Consulting & Analytics

Our focus is on a single goal; to improve our clients' profitability and performance. We work with issuers, acquirers and merchants across the globe on the opportunities and challenges they seek to address to grow their business. Our team of over 400 experienced payments professionals and data scientists, across six continents, deliver more than 1,200 client projects annually.



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