

## REPORT REPRINT

# Coronavirus could be a contactless payments catalyst for US financial institutions

**MARCH 3 2020**

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The coronavirus outbreak is occurring during the largest and most aggressive period of contactless card issuance in US history. Large credit and debit card issuers are making multimillion-dollar investments to reissue their portfolios, and have already put more than 300 million cards into the US market with dual-interface (e.g., chip and contactless) capabilities. Their objective is largely to displace cash usage by increasing the attractiveness of cards as an alternative for low-value transactions.

451 Research finds that 98% of consumers have used cash for a purchase in the last 90 days, making it the most widely used payment method in the US by a considerable margin. Somewhat serendipitously for card issuers, cash is quickly coming under fire as a high-risk vehicle for spreading the coronavirus (COVID-19), given its widespread use and inherent person-to-person qualities. Hard-hit countries like China have begun disinfecting their national currency and keeping it stored in isolation for up to 14 days prior to recirculating. The precautions aren't unwarranted. According to a 2002 study executed by researchers at Ohio's Wright-Patterson Air Force Base, 94% of banknotes tested contained bacteria, including some contaminated with deadly pathogens.

Card marketers at US financial institutions will like the recent guidance given by the World Health Organization. In a recent interview with The Telegraph, a WHO spokesperson proclaimed, "When possible, it would also be advisable to use contactless payments to reduce the risk of transmission." Indeed, the coronavirus may prove to be a unique messaging opportunity that banks can harness to encourage contactless card take-up. This could be particularly useful for converting the two in five cardholders that we find possess a contactless card but are not yet using the tap-to-pay capability. It could also be beneficial for changing the minds of the 37% of cardholders that don't yet have a contactless card, and don't plan to make tap-to-pay purchases if/when they receive it.

Over the next several months, we expect opportunistic card issuers – and networks – to build marketing messaging around the sanitary benefits of contactless payments. This is most likely to occur first in metro areas, especially in those like New York that are undergoing a transition to open-loop contactless ticketing in their public transit systems.