

VIRTUAL WALLET

NEW CARD TECHNOLOGY ALLOWS CONSUMERS TO BUY SMALL ITEMS WITHOUT SHELLING OUT CASH

By Cleofe Maceda
Staff Reporter

If you always run out of coins and small bills to pay for low-value items like coffee, a newspaper or a sandwich, you may want to consider going "contactless."

Banks in the UAE have issued thousands of debit and credit cards with contactless technology, allowing users to pay for small-ticket items that cost as low as a dirham simply by tapping their plastic onto a special card reader at the cash counter.

They work like a regular credit or debit card in the sense that there's no cash involved, but no signatures and online approvals are required and the payments are said to be quicker and the queues shorter.

This "wave or swipe and pay" technology, branded as payWave by Visa and PayPass by MasterCard, is dubbed the next big thing in the cashless world.

Contactless has not really taken off in the UAE yet, but in reality, consumers have been using the concept without realising what it is.

At the Dubai Metro and public buses for instance, passengers just tap their Nol card to pay for tickets.

There are ongoing efforts to make the technology gain wider acceptance in the country.

Supermarkets, grocery retailers, coffee shops and restaurants — either currently pilot testing it or rolling it out.

HSBC in the UAE recently issued around 40,000 debit cards equipped with the technology that can be used in approximately 100 outlets of about 12 merchants that accept Visa. Emirates NBD also released similar pilot programmes are still currently in the testing phase, but so far the response from retailers and consumers has been encouraging.

MasterCard has also launched contactless payment programmes in the UAE and has issued 78 million cards and devices in 36 markets globally, according to Eiyad Al Kourdi, Vice-President and UAE Country Manager at MasterCard Worldwide.

One of the partner-banks, Emirates NBD, launched in 2007 the Dubai Internet City MasterCard PayPass credit card, allowing customers to make contactless small-ticket purchases, as well as large payments and cash withdrawals.

Last year, the bank launched the contactless watch credit card, which enables customers to make contactless payments that cost less than Dh100.

Contactless technology has been around for a while and is already established in other parts of the world.

Consumer acceptance

However, it may take some time for contactless payment cards to gain consumer acceptance in the UAE due to limited participation among retailers and cardholders' reluctance to use it due to fraud concerns.

"The [penetration rate] is still very small. A large number of retailers still need to be educated and made aware of the benefits of this technology," said R. Sivaram

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Sivaram, Senior Vice-President and Cards Business Head at Emirates NBD.

Christopher, an expert in Dubai, recently received his new debit card that is equipped with contactless functionality, but he is not excited or keen to use it.

"I haven't found anyplace to use it. I don't know how it works and frankly, I don't care. I don't know what it does better than what the traditional cards are already doing. My bank didn't explain it to me," he said.

"The only reason I got this card is because my bank told me it was the new ATM or debit card. I'm just happy to use my debit card. This additional feature makes me scared, though I read on the internet that the technology used in this card is not secure. Now I'm thinking about buying a special wallet to protect my debit card from being hacked," he said.

Low awareness

David Parker, Director of Polymath Consulting, admitted that the new payWave technology has low awareness and retailer acceptance in the UAE.

"It is a chicken and egg situation, where if cards are in the market, retailers will install contactless terminals. Banks will respond by saying, if there are contactless terminals, then they will issue cards. Which comes first?" Parker noted.

Since contactless cards are generally restricted to low-value transactions, the technology can roll out more quickly in fast-food outlets, transportation points and small retailers that do not have integrated electronic point of sale yet.

However, big retailers only replace their point-of-sale terminals every five years, so Parker said there is a lead time until they will install contactless devices.

Senior analyst, managing director at TNS Middle East, however, is optimistic that UAE retailers will embrace the technology.

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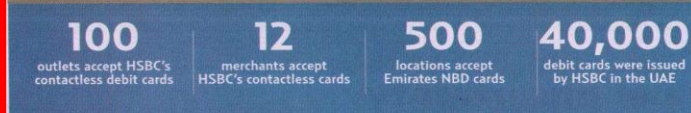
R. Sivaram
Senior Vice-President and Cards Business Head, Emirates NBD

customers will embrace the payment concept in the short to medium term, or once they fully grasp the advantages of it.

"It will take a bit of time. The urgency and speed will grow as we see what's happening in other parts of the world where this payment method has been hugely successful," Musty told Gulf News in a phone interview.

Although some card payment innovations like the chip and PIN functionality have been well received by UAE consumers, he said there's still a lot of cash in circulation in the UAE.

He noted that in other cashless societies like Hong Kong, consumers are



POINT OF SALE

Paying with your mobile phone

Pilot tests are conducted in the UAE to check its feasibility

By Cleofe Maceda
Staff Reporter

The launch of contactless cards in the UAE is the first step to mobile payments, a more technically advanced way of paying without using cash or cheque.

Mobile payment has been popular in many parts of Asia and Europe.

It allows consumers to purchase goods and services with their handsets through near field communications (NFC) technology.

The technology has not been rolled out in the UAE yet, though pilot tests have been conducted to check its feasibility.

Visa and the National Bank of Kuwait (NBK), for instance, have partnered with Zain to launch the first EMV-compliant NFC trial in the region.

The six-month pilot was scheduled from middle of April to this month, enabling around 500 credit cardholders to make purchases with their phones at Kuwait's largest mall, The Avenues. Customers used a special phone, an NFC-enabled Nokia 6212 to make purchases.

"The trial allowed select NBK Visa cardholders to purchase items from a large selection of more than 100 outlets by simply waving their phone over [a reader] at the point of sale. Purchases were charged directly to the customer's credit or prepaid card account, just as they would have been with a card payment," said Kamran Siddiqi, Visa general manager, Middle East.

Plans postponed

Visa also partnered with Emirates NBD and etisalat to pilot NFC technology which allows cardholders to purchase goods and services using their mobile phones.

NFC-enabled phones will be available from most handset manufacturers in the UAE, and etisalat is also working to bring these to the market," added Siddiqi.

An official from etisalat earlier announced this month that they have postponed plans to launch mobile payments in the UAE by more than one year due to delays by handset manufacturers.



QUICK PAY

How does a contactless card work?
The user simply waves, swipes or taps the card onto a special reader at the cashier. Through short-range wireless technology, the reader picks up the signal and processes the transaction. No personal identification number (PIN) or signature is required.

How do I know my card offers this feature?
Check your credit or debit card and look for the symbol PayPass (for MasterCard) or PayWave (for Visa).

Which banks are offering it?
HSBC, Emirates NBD, National Bank of Abu Dhabi and ADCB, among others.

Where can I use it?
There is still a limited number of UAE retailers and merchants who have acquired the special card readers. These include Costa Coffee outlets, Cinnabon, Lulu Hypermarket, Pizza Hut, Subway, Burger King, Wild Wadi, Jumeirah, Real Cinema, Kidzania, Sega Republic and Super Care Pharmacy, among others.

Why should I use it?
It can help you save time at the cashier. Contactless transaction is processed in just four to six seconds, compared to 35 seconds with traditional magnetic strip cards, thus helping reduce average customer queuing time, according to Visa. It allows you to pay for items as low as Dh1, so it can prove useful when you feel like grabbing a sandwich or popping out for lunch.

How secure is it? What if I lose my card?
Banks manage risks of contactless transactions on lost or stolen cards. Internal security parameters have been set up to minimise risk. Hence, a PIN or signature is occasionally prompted, according to HSBC. There's also maximum limit as to how much you can spend with your card daily, which could be around Dh100, according to another bank. This will help mentor suspicious transactions.

Have your say
Have you used contactless cards for payments? Which is the most convenient form of payment for you? Tell us at readers@gulfnews.com

ALTERNATIVE

Prepaid cards are ideal for those who can't keep track of their spending

Segment has huge potential for growth

By Cleofe Maceda
Staff Reporter

Dubai Besides the contactless card, another alternative to carrying cash in your wallet is the prepaid card. This works like a traditional credit or debit card, but the difference is that the cardholder deposits money into an account in advance.

This payment tool is also a good way to control outgoing, since spending is restricted to the amount of money already in the account and there are no interest charges or late payment fees to worry about.

One example is the Dubai eGovernment prepaid card, which can be purchased at any National Bank of Abu Dhabi branch in the UAE. This pre-funded piece of plastic is accepted at over 24 million outlets worldwide, so it comes in handy not only when you're shopping in Dubai, but also in other countries.

It can also be used to make online payments through the Dubai eGovernment portal (www.dubai.gov.ae) and to withdraw cash from any ATM which has the Visa logo. You can deposit as little as Dh100, or as much as Dh5,000.

Colin Loubser, COO of NovoPay, says the prepaid sector of the market is expected to drive 40 per cent of total consumer spending globally in the future. David Parker of Polymath Consulting notes that GCC governments are introducing public initiatives, to encourage the use of prepaid cards in the region.

Other state-backed initiatives include the e-dirham card and the G2 e-dirham. Both facilitate payment of government fees and services, for example the Metro system operates on a prepaid ticket. The electronic payment of salaries known as the wage protection system is another example. "The awareness of prepaid [cards] is already huge in the GCC region," Parker remarks.

Citing research by TNS Middle East, he said almost 80 per cent of consumers in the UAE, Egypt and Saudi Arabia understand the prepaid concept and have found it useful so far.

