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Changes Ahead in the Consumer Card Payment Experience: JPMorgan Chase to Launch Contactless Cards

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The consumer card payment experience is about to undergo some transformative changes. Chase, the consumer banking division of JPMorgan Chase & Co., has announced that it will soon issue cards with a so-called contactless feature, which will allow consumers the option of tapping them at stores' payment terminals rather than inserting the chip. Chase has reportedly stated that the change is intended to simplify and speed up the consumer checkout process.

Contactless payments use short-range proximity technology to securely complete payments between a contactless card and a contactless-enabled checkout terminal. Contactless payments use the same NFC (Near Field Communication) technology as mobile wallets, such as Apple Pay and Google Pay. Consumers will be able to tap to pay where they see the Contactless Symbol at checkout.

While other U.S. banks have offered such card products, Chase's entrance into the contactless card arena could influence the direction of the industry going forward, especially given its position as the largest U.S. credit card issuer as measured by purchase volume. Dan Sanford, Visa's vice president for consumer products, reportedly stated that he sees Chase's entrance into the contactless card market as “the beginning of an industry move.” Chase is planning to add the contactless feature to all of its Visa Inc. credit cards and debit cards. Chase customers whose credit cards are up for renewal and those who sign up for new credit cards will reportedly be among the first to receive contactless cards beginning in the first half of 2019. Chase will start issuing contactless debit cards in the second half of 2019.

According to Visa, consumer payment transactions that involve inserting chip cards into the payment terminal take an average of approximately 10 seconds, while tapping a contactless card at the payment terminal takes an average of 1 second.

The Aite Group, an independent research and advisory firm focused on business, technology, and regulatory issues and their impact on the financial services industry, estimates that only approximately half of the chip-based payment terminals at U.S. merchant locations accept contactless payments, but that has increased from 33% two years ago. “If there's a flood of contactless cards in the market next year, that may drive up interest by the merchants” to accept contactless payments, stated Thad Peterson, senior payments analyst at Aite.

Chase's particular focus is on expediting consumer adoption in places where consumers need to pay on the go and

quick checkout experiences are especially important and valuable, such as fast food restaurants, grocery stores, convenience stores, and pharmacies. With respect to transit, which could become another popular market for contactless payment cards, the Metropolitan Transportation Authority (which is the public benefit corporation responsible for public transportation in the metropolitan New York area), expects to start enabling these capabilities once it introduces new contactless turnstiles at New York subways next year.

A recent study by A.T. Kearney found that, among other benefits for merchants and consumers, U.S. banks could increase earnings by more than $2 billion between now and 2022 and curb certain expenses by transitioning to contactless cards.