

## Revolutionising the face of business with chip cards

***\*Ian Povey of CardsConsult writes about the difficulties in changing the culture of cards issuers despite the real threat of disintermediation and 'new age' service providers.***

**A global trend of organisations, governments and service providers working together has ensured the future of multiple application 'card' propositions. Simultaneously, they seek to provide their consumers with secure and convenient access to multiple services. Yet, recognising and unlocking these opportunities continues to taunt the 'card centric' issuer.**

Multiple applications are not solely within the remit of chip cards. The solution may take one of three form factors – chip embedded cards (chip cards), chip embedded devices (mobile phone/PDAs) and server-based (virtual) solutions. The innovative and forward thinking organisation will recognise that the **card centric** business must develop into an **application centric** model. Owning and controlling the application across multiple access points is central to owning the customer relationship. An application centric attitude opens a new approach to business for both issuers and service providers alike.

However, carded solutions remain prevalent and will exist into the future. Issuers will be focusing on managing their application as the key to owning a customer relationship and the branding opportunity at the transaction point, rather than focusing on the card as this link. There is a growing concern amongst issuers on how best to address the commercial arrangements as pressure mounts to migrate from magnetic stripe cards to chip in a number of key sectors, notably payments and mass transit. Card businesses are being reinvented!

Cynics will ask, "*Is multiple application ever really going to happen?*" That is co-residing multiple services onto one card or device. This is the legacy attitude of a decade of forums and trials all touting the technology path for chip cards, with no tangible efforts to address perceived business or commercial inhibitors. Yet chip cards are not the sole driver for change, these are merely the catalysts for change. Revolutionising the commercial framework is essential to remain relevant in an increasingly dynamic environment. Market drivers for multiple applications propositions irrespective of platform include:

- Industry convergence – globalisation, technological developments, deregulation and indeed new regulation
- Disintermediation of core industry capabilities
- The consumer argument to manage their affairs more effectively, and
- The search to more efficiently exploit chip technology to address the development of a robust business case

Recognising that the technology to support multiple applications is available, there remain a number of hurdles that must be overcome to move forward. Understanding and working collaboratively across sectors to resolve each of the following is essential to unlocking many new opportunities and enabling viable and effective alliances between cards issuers.

- Commercial – fees and charges, revenue and cost sharing, building the partnerships, establishing the business case and investment levels, and business process implications eg do you block a card or application, multiple expiry dates and the mix of dynamic or statically loaded applications
- Marketing – branding, identifying the mix of applications
- Legal – privacy and regulation
- Infrastructure – establishment, ownership and capability
- Standards and specifications – open, international and fair
- Technology – security systems, legacy system integration, resource management and sheer volume of competing immature solutions

### **Breaking the mould**

Today's players in the multiple application game are usually single sector led initiatives. That is, the dominant party is a transit operator, government, telco or financial services player. For multiple applications to truly succeed on a mass-market scale, this model must change.

As we enter an increasingly networked world, pundits who view chip cards as a 'delivery channel' will realise that it may become no more than an access device or token to services in the online world. The implications of digital certificates stored within a chip, delivering secure access to services via a number of devices are significant, as consumers become inherently aware of the power of the networked environment. While globally, ATMs and Point Of Sale devices are prevalent, the dominant infrastructure is now consumer owned devices eg mobiles, set-top boxes and PCs. Take up of ADSL, 3G and other fast broadband solutions will only encourage this phenomenon.

Today, consumers already assemble their key applications or services within "Favourites" on their Internet browser and as server side wallets or portal solutions take on more sophisticated forms, the education and awareness will become more widespread. Accordingly, the argument for or against 'white plastic' is already becoming redundant.

At stake, is the opportunity to successfully identify the bundle of applications that a particular segment or individual cardholder will desire to manage their lifestyle categories. Success here will ensure at least for the short to medium term, issuers can still remain in control with a 'push' proposition model, rather than cardholders gaining control through a 'pull' proposition model.

A revolution in the approach to multiple applications is required when identifying a strategy that manages the variables of a model driven by a single- versus multi- sector, accounts for issuer versus consumer centric views, addresses card versus application centric approaches and will support multiple form factors. Facilitating propositions that may bring together four key application groups – payments, identification, ticketing and loyalty under a multi-lateral agreement will likely require a commercial framework that is open, viewed as neutral and addresses minimum security and standards profiles.

Ensuring that each of the sectors is talking and working together is central to capturing the unique requirements of each. Believing that one sector can dictate the standards, protocols, branding and pricing structures to another equates to the belief that co-branding facilitates lasting and amicable partnerships, unfortunately the statistics highlight that this is not the case.

Herein lays the challenge! Who is willing to invest the time, materials and funds required to resolve the commercial issues? Is this the remit of incumbent issuers to lead or independent third party organisations? Holding an anchor application is not necessarily attractive to other application owners, so how will you court issuers and service providers from outside your sector?

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