



Contactless Payments: Merchant ROI Model User Guide

The Smart Card Alliance Contactless Payments Council Merchant Work Group has created this Excel model to assist merchants in calculating the return on investment for accepting contactless payments.

These user instructions provide an overview of how to use the model. As you enter data in the model, the definition of the type of data to be entered is also shown in the spreadsheet.

1) Download the Model

A beta version of the model is now available for download.

- Download the Excel model from the Smart Card Alliance web site (<http://www.smartcardalliance.org>). You can also download the model with example data that is intended to be representative of a regional quick service restaurant chain.

Important note: This model works with Excel 2002 or later versions only.

2) Launch the Model

Open the Excel file ' Smart Card Alliance - Merchant ROI v1-2.xls.'

Please note that to use the model, you must have macros enabled in Excel. To do this, go to the Tools menu and select Options. Select the Security tab and then Macro Security button. Set the Security Level to Medium, which will have Excel prompt you to allow macros to be run.

3) Enter Revenue, Transaction and Cost Data

The model allows you to enter revenue, transaction and cost data that are unique to your business. The types of information to be entered are shown in Table 1. You must make an entry into all yellow fields (including Company Name) for an ROI to be calculated. Fields that are gray are calculated values.

As you move to each worksheet cell that requires data entry, a definition of the data that is to be entered is shown in the gold-colored cell at the top of the worksheet.

Table 1: Input Data for Merchant ROI Model

Revenue, Sales and Store Information (for Years 1, 2 and 3)	Transaction Information (for Years 1, 2 and 3)	Contactless Penetration Information	Infrastructure Costs	Ongoing Costs
<ul style="list-style-type: none"> • Annual revenue • Revenue growth (%) expected • Number of 	<ul style="list-style-type: none"> • Total payment transactions • Transaction growth (%) 	<ul style="list-style-type: none"> • Percent of total transactions that will be contactless in years 1, 2 and 	<ul style="list-style-type: none"> • New hardware cost • Installation cost 	<ul style="list-style-type: none"> • Current annual cost related to chargebacks • Current cost to

stores • Average number of POS devices per store	expected • Percent of transactions using credit/debit cards • Average amount of a cash transaction • Cash transaction growth rate • Average transaction speed • Estimated time savings using contactless	3 • Percent of contactless transactions that were converted from cash, check, credit/debit cards and gift cards	• Annual service/support cost • Training cost • In-store material cost • Software development cost	handle cash, coin and check • Interchange for credit/debit transactions • Credit/debit transaction fee
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4) Calculate the ROI

When you've completed data entry, click on the **ROI Results** button at the top of the spreadsheet to show the ROI.

The model shows:

- The resulting ROI data (sales and transactions) for years 1, 2 and 3.
- Monthly benefits from card lift (higher transaction value due to use of contactless credit/debit card vs. cash), chargeback savings, reduction in cash handling, and improvements in operational efficiency.
- One time costs for hardware, installation, marketing and training, and software development.
- Ongoing operations costs from terminal support and conversion of cash to credit/debit transactions.

The ROI is shown graphically with monthly cumulative revenue and costs.

To assist you in understanding the model results, the gold box at the top of the worksheet provides a description of how each line item is calculated. To use this feature, click on a number in the First Year, Second Year or Third Year column and the calculation method is shown in the gold box.

To return to the data entry page, click on the **Return to Data** button at the top of the page.

In addition to viewing the three-year projections, you can also view the monthly details by clicking on the **View Monthly Details** button at the top of the worksheet.

5) Send Us your Feedback

We'd like feedback on the beta version of the merchant ROI model.

- Did you have any problems using the model?
- Does the model include the key decision factors that you would use in determining the ROI for a project?
- When you entered data, did the model generate a realistic ROI?
- Are there other benefits, cost savings or costs that should be included in the model?

Send an email to ROI-model@smartcardalliance.org with your feedback.

Disclaimer

This ROI analysis is provided as an analysis research tool and should not be considered financial advice. The Smart Card Alliance and its members are not responsible for any errors, assumptions or any conclusions drawn from the information provided. The data provided is meant to provide a picture to be considered when making a business decision. It is not intended as strategic advice or as an investment-related projection.

About the Smart Card Alliance Contactless Payments Council

This Excel model was developed by the Smart Card Alliance Contactless Payments Council Merchant Business Case Work Group to provide a tool for merchants to determine the return on investment of contactless acceptance. Publication of this document by the Smart Card Alliance does not imply the endorsement of any of the member organizations of the Alliance.

The Smart Card Alliance wishes to thank Brent Bowen, INSIDE Contactless and Merchant Business Case Work Group Chair, for leading the project and for developing the model. The Alliance also would like to thank Merchant Business Case Work Group members for their contributions: Chase, First Data Corporation, Discover Network, INSIDE Contactless, Ubiq, Inc., USA Technologies, VeriFone, ViVOTech.

The Contactless Payments Council (<http://www.smartcardalliance.org/pages/activities-councils-contactless-payments>) is one of several Smart Card Alliance technology and industry councils. The Contactless Payments Council was formed to focus on facilitating the adoption of contactless payments in the U.S. through education programs for consumers, merchants and issuers. The group is bringing together financial payments industry leaders, merchants and suppliers. The Council's primary goal is to inform and educate the market about the value of contactless payment and work to address misconceptions about the capabilities and security of contactless technology. Council participation is open to any Smart Card Alliance member who wishes to contribute to the Council projects.