CASE STUDY: London – New Technology Enhances Successful System

PROBLEM: Operating costs for the Oyster card system were significant, with each transaction placing a burden on the system.

SOLUTION: Transport for London (TfL) joined with Cubic to introduce the newest way to pay – by contactless bankcard.

London is the cultural and commercial hub of Europe, drawing hundreds of thousands of visitors each year. In fact, every three days, the city adds the equivalent of one full Tube train – or roughly 100,000 new residents each year – to its rapidly growing population. An efficient and reliable public transportation system is imperative for this bustling metropolis of 8.5 million residents and its visitors.

Continuous customer improvement and quality of service were the main drivers for the evolution to a cashless ticketing system that began over ten years ago. In partnership with Cubic Transportation Systems, TfL introduced the now-iconic Oyster smart card, which allowed customers to load passes or an electronic purse onto a smart card, resulting in the virtual removal of cash from the system.

Despite the widespread adoption and success of Oyster with about 90% transactions being made using the card, it still represented a business model from the 19th century. Oyster operated on a closed-loop system where one currency (the customer’s money) was exchanged for another (the TfL fare) that could only be used for a single application – to pay for one’s journeys. As a result, each day 30,000 people were boarding buses in London with insufficient balances on their Oyster cards, and therefore unable to travel. TfL aimed to eliminate the need for customers to convert their currency to its currency in order to use their services.

A New Direction
What if, TfL asked, you could get to a point where no separate ticket was needed? What if customers could use the bankcards already in their wallets or in due course, on their mobile phones, to pay their fares?

KEY STATS
- Over 1 million contactless bankcard journeys are made every weekday
- Around 25,000 unique new cards being seen every day
- Contactless payment is growing by 2-3% each week
- 14 million taps are made by Oyster cards, and 1.8 million by EMV bankcards daily
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The contactless bankcard scheme was introduced on London buses in 2012 and was extended in September 2014 to cover all modes of travel on the world’s largest contactless pay-as-you-go network, covering bus, rail, Tube and tram.

Cubic’s card reader, Tri-Reader 3, became the pivot point for a seamless payment transition that would incorporate bankcard technology alongside Oyster payment. This award-winning reader became the first contactless smart card device that is compatible with all major industry standard transportation schemes and contactless payment cards. More than 20,000 of the Tri-Reader 3 devices were retrofitted ahead of the contactless launch with upgrades made to buses, gates, validators and point-of-sale terminals.

With 10 million users, it was imperative for a seamless transition with minimal disruption to customers. This was handled extremely successfully between Cubic and TfL, leading to customer confidence and satisfaction knowing the system works as intended.

Customer-Focused Innovation
TfL’s motivation has been to achieve a paradigm shift in the existing model in public transport to pay with a smart card exclusive to the system (closed loop) and transform the customer experience to one that is more familiar to them in the typical retail interaction (account-based open payment). TfL envisioned that in the new paradigm, paying for transport would be identical to paying for goods in a retail environment and the successful adoption of the contactless bankcard payment system for transport has achieved just that.

KEY BENEFITS

For TfL:
- Reduce cost of revenue collection, which is being achieved
- Maximize revenue – no need to issue cards; fewer personnel
- Improve customer experience – everyone has a card already
- Reduce complexity of readers – transaction intelligence moved to the back office

For TfL’s customers:
- Save time – currency exchange eliminated and queues reduced
- Better customer service – refunds generated automatically
- Be assured of best value – weekly capping

For other partners:
- Issue fewer smart cards – reduce the cost of system management
- Pay reduced commissions – reduced requirement for agent networks
- Open standards requiring less customization enabling wider range of commercial and integration opportunities