

Pricing of Biometric EMV Cards*

From economics we know that prices of products and services are determined by market forces (supply and demand) – not by costs. For most EMV cardholders their cards are free, even though they have costs. On the demand side, feedback from the 20 biometric EMV card pilot trials around the world has shown that many cardholders would be prepared to pay for the cards, and would even be prepared to change their card supplier. On the supply side, and in common with all new technologies, the biometric technology has become smaller, more efficient, and more integrated.

Holders of premium/gold debit/credit cards pay an annual fee, even though the cost of the card is the same as a standard card. The annual fee is linked to a range of services available to cardholders, for example access to airport lounges.

For BNP (Banque Nationale de Paris) Visa Premier cardholders, the annual fee is 137 euros, with an optional extra of 24 euros for the biometric feature (in-card fingerprint verification). These cardholders are typically wealthy individuals or frequent business travellers. For the wealthy, the fees are trivial, and for the business traveller, the fees are paid by the employer, either directly or via business expense claims. In other words, for the cardholder, the card is free.

The market for adding the fingerprint feature to standard EMV cards is very different.

For the cardholder the value is the reassurance that, if the card is mislaid or stolen it cannot easily be misused by another person – unlike the standard contactless card.

The customer interface is unchanged, and PIN entry will rarely be needed.

For confidentiality, the fingerprint template (not the fingerprint itself) is held within the card – nowhere else. Unlike other biometric verification methods, enrollment is carried out by the cardholder using his/her own card.

For the card issuer there are several advantages – improved public image, additional cardholders who are looking for better contactless security, and lower levels of fraud at point-of-sale.

*See previous Smartex articles on Biometric EMV Cards

Pricing Policies

The biometric EMV card provides an opportunity for the introduction of fees for a larger proportion of the cardholder base. The fees would probably be annual, offering greater flexibility to change them based on market forces. They would also indicate that the fees are linked to the on-going cardholder benefits, rather than the cost of the card. Such a development would also provide an opportunity to introduce the new features, as in the recently published version 4.4 of the basic EMV ICC Specification, and the new EMV common terminal kernel software. These features first appeared in the previously planned set of EMV Next Generation specifications, which were never published.

There would obviously be resistance to any level of fees, and this would favour making the biometric feature a cardholder option. The easiest way of doing this would be to offer a new card product – a sort of “standard plus” card, offering biometric cardholder verification and the new features in the recent EMVCo specifications. Since the demand for this new card product would be worldwide, it would require the major involvement of the EMV card schemes.

For other EMV card-emulating devices (smartphones, wearables etc.) the price of the biometric function would be included in the price of the device.

Following the initial commercial launches in France (one Visa and one MasterCard), there has been a pause in the roll-outs. If a new worldwide EMV card product is being prepared, this would explain the delay.

Richard Johnstone
Richard Johnstone Consulting

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