

Strategic Insight Report:

The Future of Payments in Australia

October 2011

The logo for RFI (Research Financial Intelligence) is displayed in white text on a dark blue square background. The letters 'R' and 'F' are stylized and connected, with the 'i' being a simple lowercase letter.

Intelligence
to bank on

Introduction

Many industry experts believe that the future of payments lies in the Mobile Phone, but what does this mean for Cash and plastic? RFi's latest payments report shows the value of cash transactions has fallen to just 16% of total transactions, although by volume, cash payments still dominate. There can be no doubt that the payments landscape has and will continue to change dramatically. With rapid innovations Mobile Payments, NFC, PayPal and Contactless this report looks at the key trends in market to give some insight on the future of payments in Australia. A recent RFi study captured every payment made during the course of a week for over 1000 people across cash, credit and debit. Using these findings as well as drawing on the opinions of key industry experts, the *Future of Payments* report provides a picture of the current payments landscape and looks at how consumer's payment behavior and emerging technology will shift this view going forward.

Highlights

According to RFi's e-diary, the appeal of cash lies primarily in its perceived convenience and speed, and in May 2011, 85% of all Australians stated that they use cash. By volume, cash accounts for 46% of all transactions, but by value, cash accounts for less than a fifth of all transactions. Data from RFi's payments diary May 2011 shows the share of volume of ATM cash withdrawals has declined to 57%, while the share of EFTPOS cash-out transactions increased to 22%.

RBA data available since March 2008 also shows EFTPOS' gradual loss of market share since 2008, with its share of total debit transactions falling from 79% in March 2008, to 72% in July 2010 in terms of value, and from 84% to 81% in terms of volume. RFi data demonstrates that at present the security and ease of payments offered by PayPal makes it one of the most preferred ways to shop online. RFi's survey of 2000 representative Australian adults revealed that just 4% found payments via a smartphone with built in capabilities appealing.

Trends in the way consumers are obtaining cash

Method	Year	Share of volume
ATM	2010	64%
	2011	57%
EFTPOS cash-out	2010	18%
	2011	22%
Over-the-counter	2010	6%
	2011	9%

Source: RFi, e-diary results 2010 and 2011

Key Insights into:

Mobile Applications

- Jeff Nicholas, head of innovation and mobile development at Standard Chartered Bank gives an example of how Australian Banks can improve customer engagement via Standard Chartered's latest mobile phone application.

The future of PayPal

- At the Australian Consumer Finance Forum (ACFF) held in September 2011 the Managing Director of PayPal Australia, Frerk- Malte Feller further outlines PayPal's vision into the mobile banking and the direction for the future.

Is Cash Still King?

- One of the most unexpected trends seen with consumers moving away from cash and towards payments by plastic and online.

Key Questions Answered

- How have everyday payments changed in the past year, and what does this mean for the future of cash, credit and debit?
- Contactless payments-what do consumers think and what may prevent them from using the technology?
- Stickers, key fobs, watches or NFC enabled phones- where does the future of payments lie?