

British Retail Consortium

Presentation to ICCOS 2009

“The Cost of Collection”

23 March 2008

BRITISH RETAIL CONSORTIUM
for successful and responsible retailing



Who are the British Retail Consortium ?

The British Retail Consortium (BRC) is the lead trade association for the UK retail industry representing :

- * Large Multiples
- * Department Stores
- * Independent Shops

selling a wide selection of products through centre of town, out of town, rural and virtual stores.



Background to Cost of Collection Survey

- First undertaken by the BRC in late 90s'
- Driven by :
 - Need to represent an Industry view on payment costs & split of cost components
 - Need for BRC to inform and respond to Regulatory Authorities
- Background of commercial sensitivity and secrecy prevented any meaningful dialogue
- Different cost models used by retailers created a need to agree a common way to present



The submission form

Please complete the following questionnaire providing figures for the 2008 Calendar year.

If you have any queries please email Alisdair Gray at alisdair.gray@brc.org.uk

Only those cells highlighted in YELLOW need to be completed

Period Covered : 1st January to 31st December 2008

Company Information

Company Name		Contact Name		Contact Tel No.	
Type of Business		Number of Stores		% of Total Turnover on Internet	
	Books/CTN	Food & Drink	Department Stores	Clothing	
	Footwear	Furniture & Carpets	Chemists	Jewellery	
	Electrical	Other Specialist Non Food	DIY & Hardware	Supermarket	

METHOD OF PAYMENT	(A1)	(A2)	(A3)	(A4)	(B1 = Sum A1 to A4)	(B2)	(B3)	(B4 = B1/B2 %)	(B5 = B1/B3)	(B6 = B2/B3)
	Bank Charges	MSC & Auth.	Bad Debt / Fraud	Cash-in-Transit	Total Cost of Collection	Tender Turnover (VAT inclusive)	No. of Transactions	Cost as % of T/O	Cost per Transaction	ATV
	£000's	£000's	£000's	£000's	£000's	£000's	000's	%	p/tranx	£
Cash					0			0.00%	0.00	0.00
Cheques					0			0.00%	0.00	0.00
Credit Cards					0			0.00%	0.00	0.00
Debit Cards					0			0.00%	0.00	0.00
Amex / Diners					0			0.00%	0.00	0.00
TOTAL	0	0	0	0	0	0		0.00%	0.00	0.00

DEFINITIONS

A1 **Bank Charges** - Service charges, night safe costs, etc.

A2 **MSC & Auth.** - Card Merchant service charges, authorisation call costs and Transax costs (if applicable)

A3 **Bad Debt/Fraud** - All write-offs including losses arising through till and banking discrepancies, cash equivalent discrepancies (such as those associated with Lotto, Paypoint and coupons), chargebacks, unpaid cheques, etc.

A4 **Cash-in-transit** - Costs incurred in using a CIT service and external processing services such as Prime Count, including provision of coin if applicable

General : Only those fields highlighted in yellow need to be completed. However, if you are unable to provide an accurate split of data, for example to be able to differentiate cash from cheques, then it would be helpful if you could simply provide your best estimate of what you think the split would be.

Please send completed returns to
alisdair.gray@brc.org.uk
by Monday 16th February 2009
ALL DATA WILL REMAIN
STRICTLY CONFIDENTIAL

Objectives of the Survey

- Provide retailers with a range of figures to allow them to benchmark and improve their own cost structure
- Compare results with prior years to see how collection costs have changed
- Consolidate data in a standard format for communication to the regulatory authorities within the UK and Europe



Credibility of the Results

- Retailers responded represent
 - over 50% of total UK Retail sales
 - circa 16,000 outlets
- Combined Sales Turnover of US \$197 billion



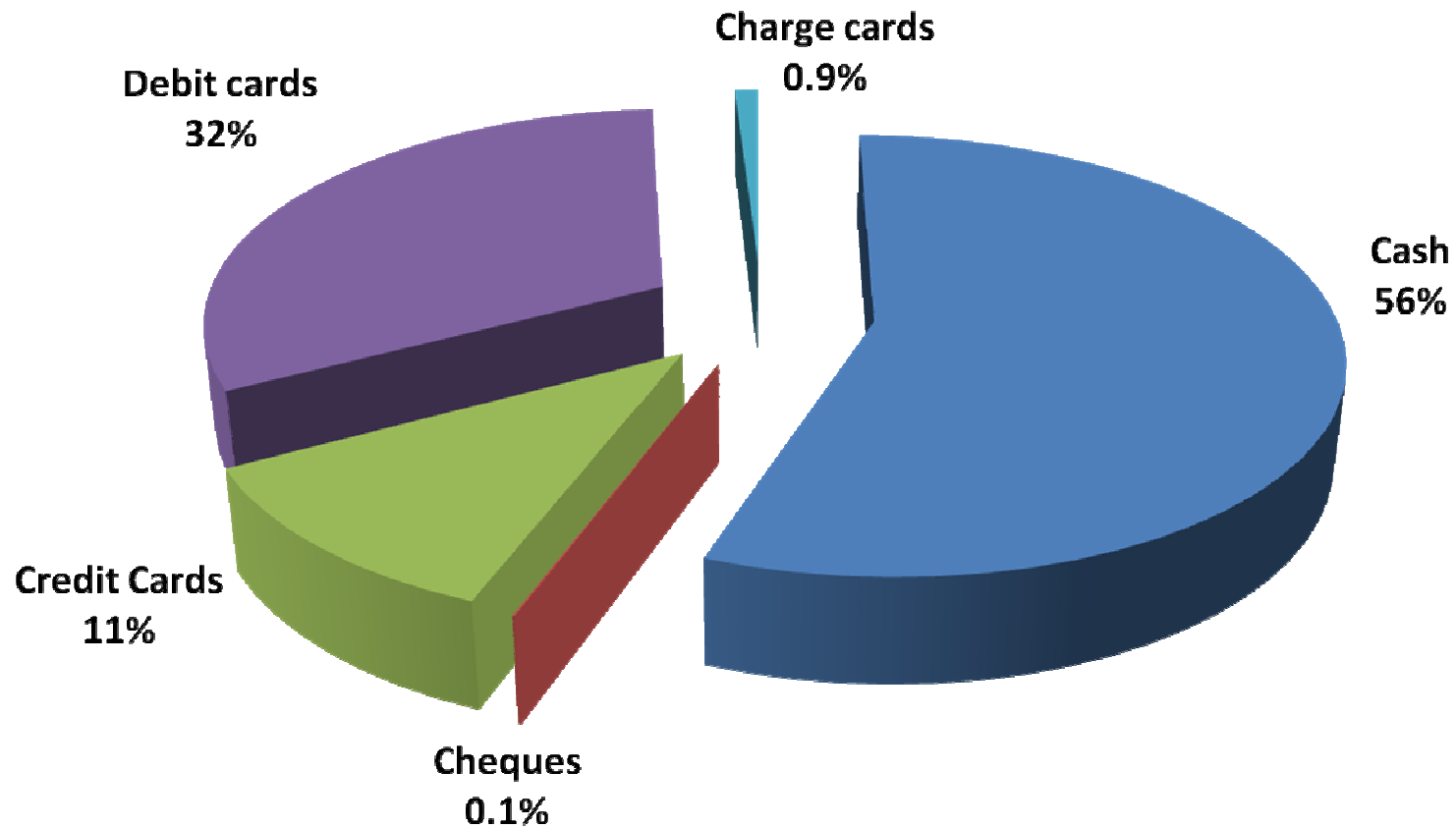
What Payment Methods are covered ?

- Cash
- Cheques
- Credit Cards
- Debit Cards
- Charge Cards



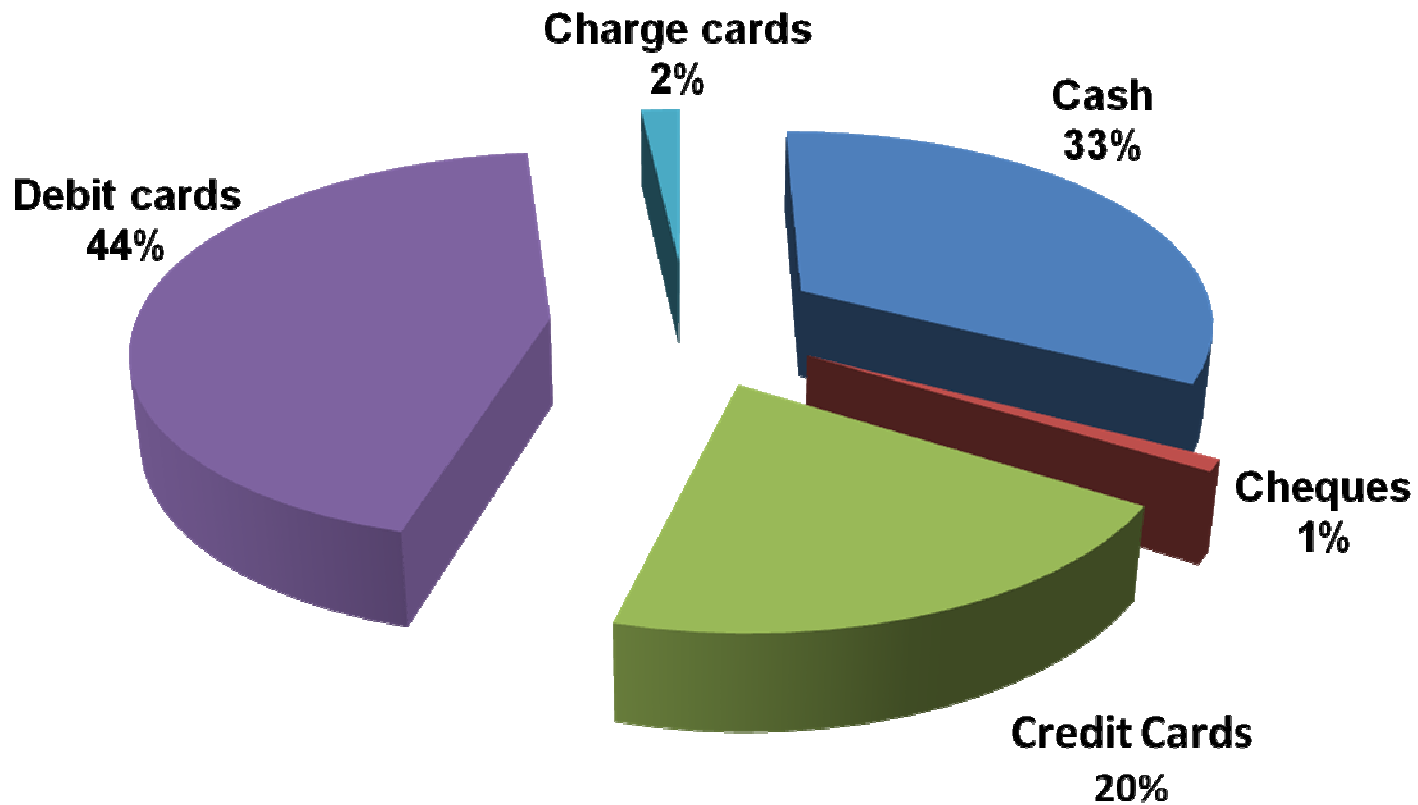
Cash is still the most popular method of payment with UK customers

% Transactions by Number 2008



UK Customers want to “Pay Now”

% Turnover by Value 2008



What Costs are included ?

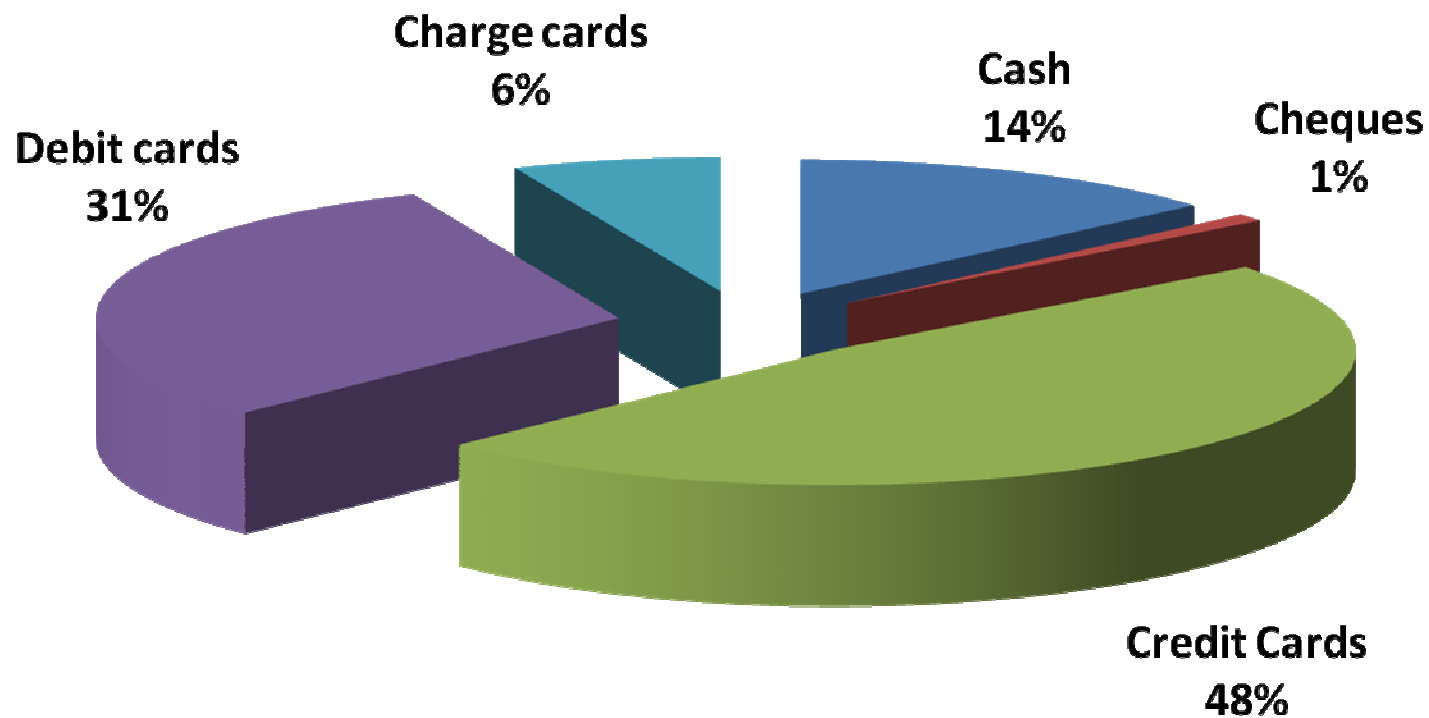
- Bank Charges
- Merchant Service Charges
including card issuer interchange fees
- Bad Debt & Fraud
- Write Offs
- Cash In Transit
- Third Party Service Providers



Cash is Cost Effective – Credit & Charge Cards Very

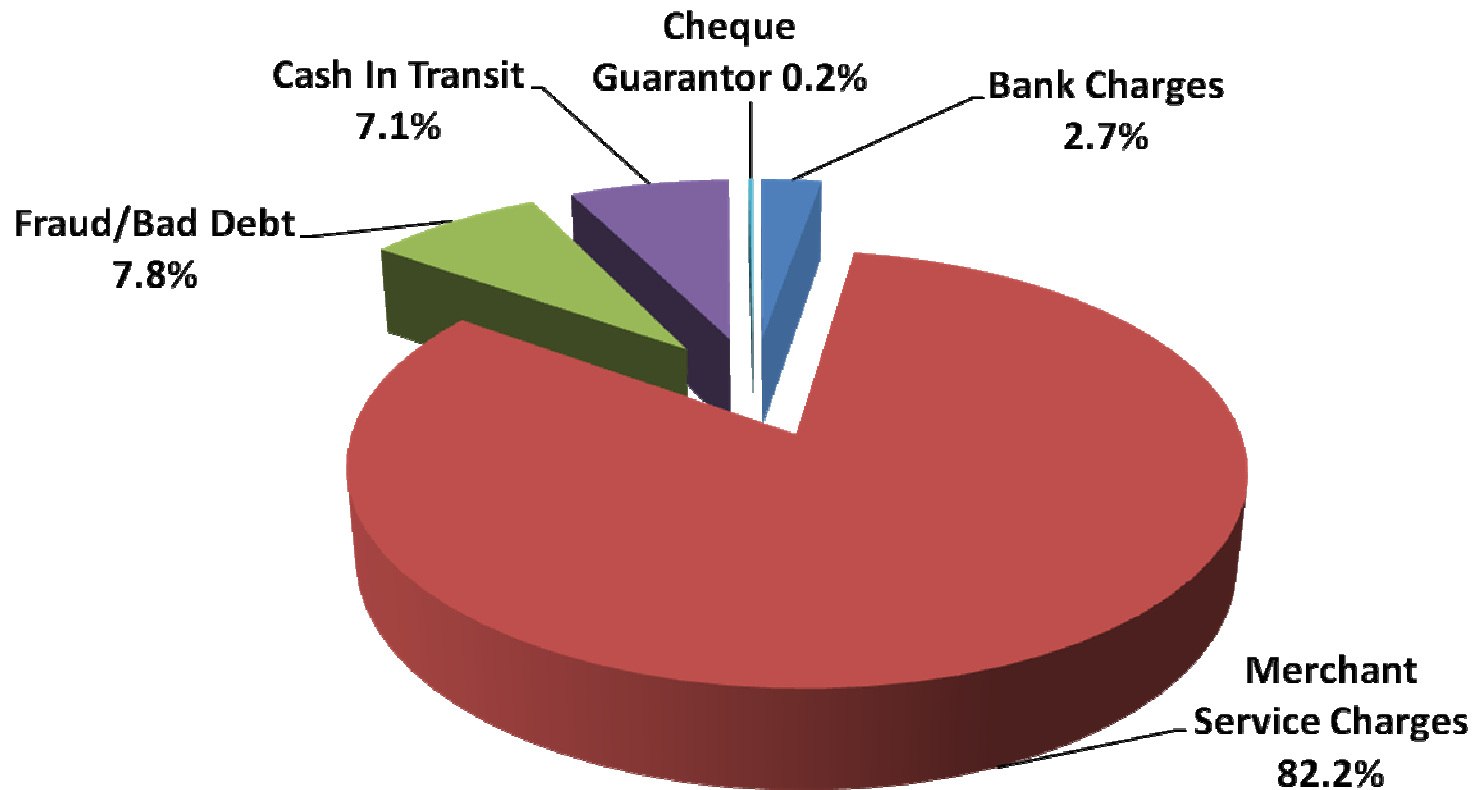
Expensive

Total Cost of Collection by Payment Method 2008



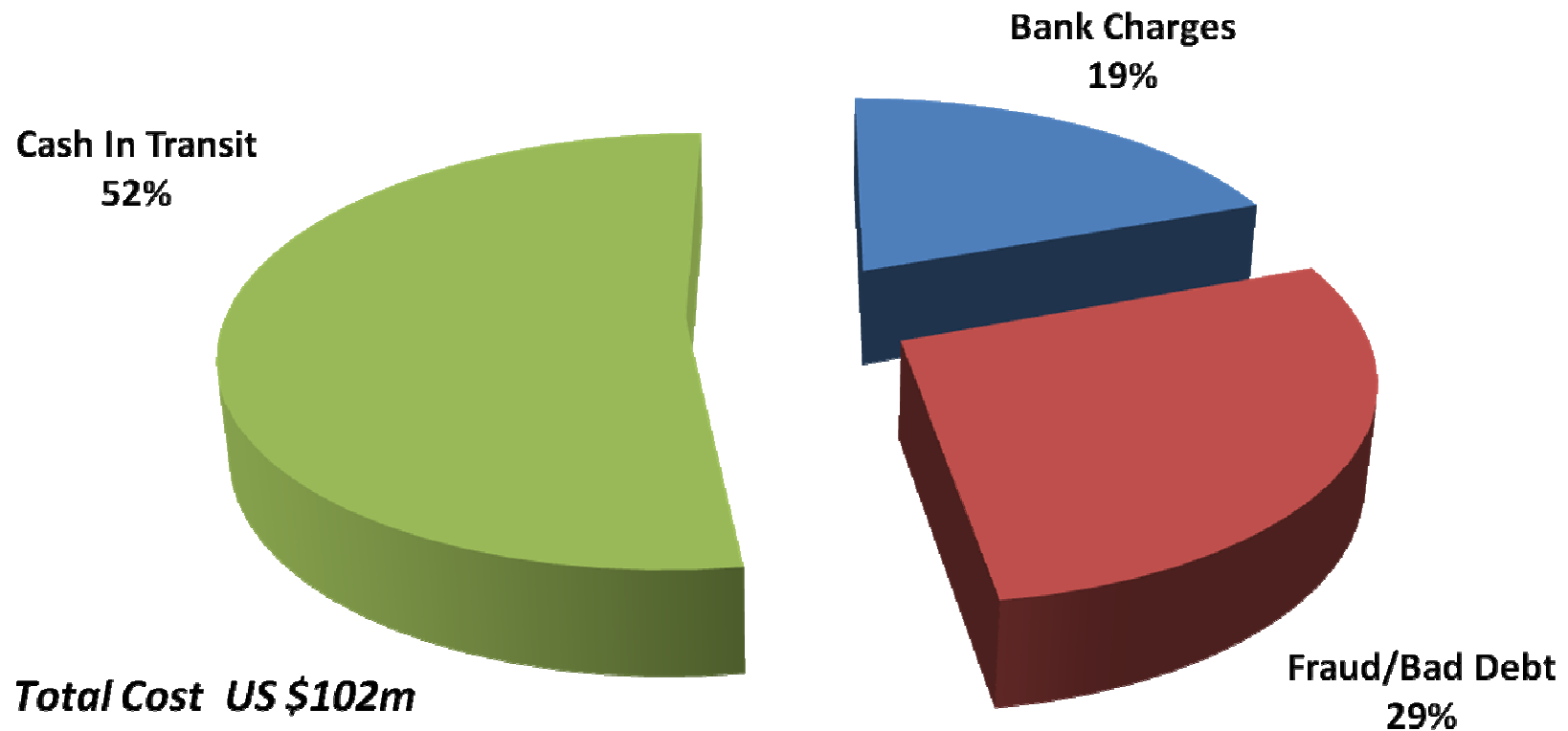
Merchant Service Charges Must be Controlled

Total Cost of Collection by Type of Charge 2008



The Management of Cash is Important

Cost of Collection - Cash 2008



2008 Transaction Collection Costs

Payment Method	Cost per transaction (pence)	Average Transaction Value
Cash	2.0	£12.82
Debit cards	8.1	£29.92
Credit Cards	35.4	£38.86
Charge Cards	57.1	£40.99
Cheques	117.5	£334.27



“Cash” a most reliable Cost Effective Product

Payment Method	Cost per transaction (UK pence) 2008	Cost per transaction UK Pence 2007
Cash	2.0	2.0
Debit cards	8.1	7.8
Credit Cards	35.4	34.7
Charge Cards	57.1	52.4
Cheques	117.5	53



Progress Must be Managed - the BRC View

- **Cash is still Dominant**
- **Any move to replace cash must take its very low costs into account**
- **Dangers facing retailers worldwide**
- **Ensure that progress and use of technology brings benefits –**
at no cost to the public and
no additional profit to the Banks

