

*Plus ca change....*



## *Cash in a Changing World*

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Director



# There is a French expression...

- One year ago we met and...
  - Many of our banks were on life support;
  - We were worried about the future of Europe;
  - The Techno-Pundits were forecasting the imminent death of cash;

*“Plus ça change...plus c’est la même chose”*

*“The more things change...the more they stay the same”*

# An Experiment

- IF YOU HAVE BANKNOTES IN YOUR WALLET, POCKET OR PURSE...
  - **PLEASE STAND UP NOW**
  
- IF YOU REGULARLY (at least 2x weekly) USE A CONTACTLESS PAYMENT CARD OR YOUR MOBILE PHONE TO MAKE PAYMENTS (not transport)
  - **PLEASE SIT DOWN NOW**



Welcome to the Cashless Society!

*Plus ça change...*

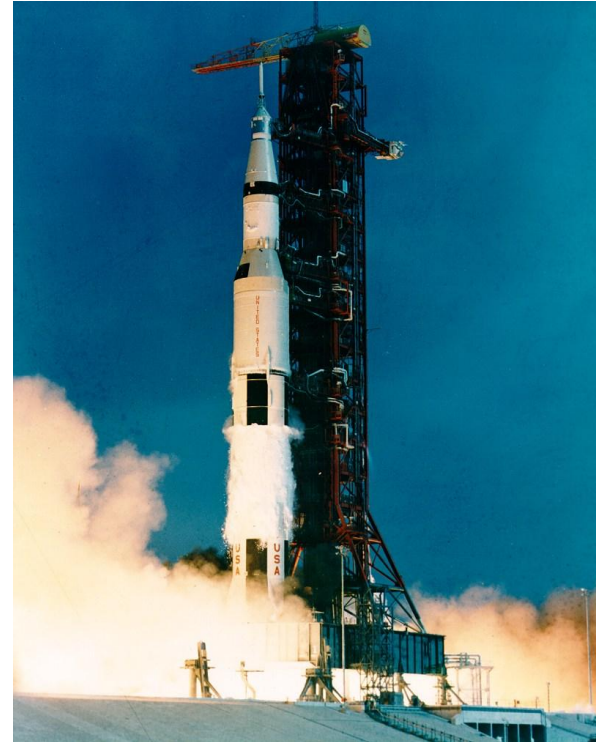
# Gimmicky....BUT:

- Despite the massive marketing hype contactless cash substitution is in its infancy and uncertain
- Techo-Pundits are rarely right about technology's consequences upon society



*"I think there is a world market for about five computers"*

# An Argument



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# Lets not forget

- Before the PC, the early pundits thought home computers would revolutionise education and automation in the home
  - Not gossip, games & porn!
- Steve Jobs was a genius...but what made Apple's business was NOT the Mac but...
  - A personalised music delivery system



# We are more conservative about payments than the pundits think

The  
Economist

May 19<sup>th</sup> 2012

## Mobile payments: *A wealth of wallets*

- Digital payments pose a serious threat to banks

### The way to go

2

Online banking penetration\*, February 2012, %



Source: comScore

\*Among total internet users



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# Another interpretation

- Internet banking simply remotely replicates what happens in a bank branch
- The first European internet banking systems were introduced separately in France & the UK around 1983
- So...
  - General internet usage has exploded
  - The banks are still closed when you want them!
  - The market penetration for internet banking OF PEOPLE WHO USE THE INTERNET after almost 30 years is around 60%
- Its hardly Facebook growth rates!

# We should NOT be Complacent

- The payments market IS changing

BUT:

- The techno-pundits & PR spinners are vastly outpacing reality;
- IF cash will decline it will have a very, very long slow tail.

# Part of the role of a Consultant

- The Tough Question

IN A TIME OF  
UNPRECEDENTED  
PRESSURE UPON BANK'S  
FINANCES WHY HAVE  
THEY NOT OUTSOURCED  
MORE OF THE PHYSICAL  
CASH CYCLE TO THE CIT  
INDUSTRY?



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# External Factors

- Attitude to Control & Risk
- Lack of Balance Sheet Relief Mechanisms
- Fragmentation of suppliers in some markets

# Internal Factors?

- Cash is a form of PAYMENT not simply physical notes & coin: we need to understand banking and payments drivers and language?
- Partnership behaviours?
- Current revenues v Future opportunities?
- External v Internal innovation?
- Perception of the industry?

# Thank You

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