



Cash is more expensive than card – fact or fiction?

- A study of the Swedish market -

June 3, 2013

Occam Associates AB
Regeringsgatan 38
SE-111 56 Stockholm

T: + 46 8 463 07 00
info@occam.se
www.occam.se

OCCAM ASSOCIATES

In Sweden usage of cards is increasing at the expense of cash

25 billion euro in ATM cash withdrawals

- The amount of cash in circulation decreased by 14% between 2007 and 2012
- The value of ATM withdrawals decreased by 30% between 2004 and 2011
- However, the number of withdrawals did not decrease to the same extent meaning that the size of the withdrawals is smaller

71 billion euro in POS transaction value

- The use of cards has increased rapidly in Sweden in recent years
- In 2011, the number of card transactions in point of sales terminals was seven times higher than the number of ATM cash withdrawals
- Cards are increasingly being used to pay smaller amounts – acting as a substitute for cash

30% of bank branches are cash-free

- Only one out of the four major banks offers cash service at all its branches
- The other major banks have reduced cash handling dramatically and plan further reductions
- The banks' arguments are that they rather focus on advisory services than on basic banking services and that the risk branch robberies decreases

25% increase in number of ATMs over six years¹⁾

- The number of bank operated ATMs is decreasing...
- ...but independent ATM operators are providing new ATMs, often close to bank branches have quit offering cash services or ATMs have been closed

Why perform this study?

- A debate is ongoing in Sweden on the costs of handling cash compared to card payments
- The common opinion is that cash is more costly than cards for retailers and restaurants
- However, since limited facts and figures are available the debate is primarily based on opinions
- Therefore, Nokas and Loomis requested Occam Associates to perform a fact based study to contribute to the debate
- The objective of the study was to get a more detailed understanding of the costs associated with handling payments for stores and restaurants

The study has four cornerstones

1

50 companies participated

- 40 stores and 10 restaurants
- Different type of businesses: fast food restaurant, grocery stores, jewellery stores etc.
- Variety in business sizes with annual sales from 120 KEUR to 27 MEUR
- Full geographical coverage of Sweden

2

Analysed all payment related costs

- Receiving payment – labour costs and fees
- Administrative work – counting cash, pre-work, etc.
- Equipment – card terminal, cash register, etc.
 - *(American Express and Diners were excluded from the study)*

3

Interviewed all participants

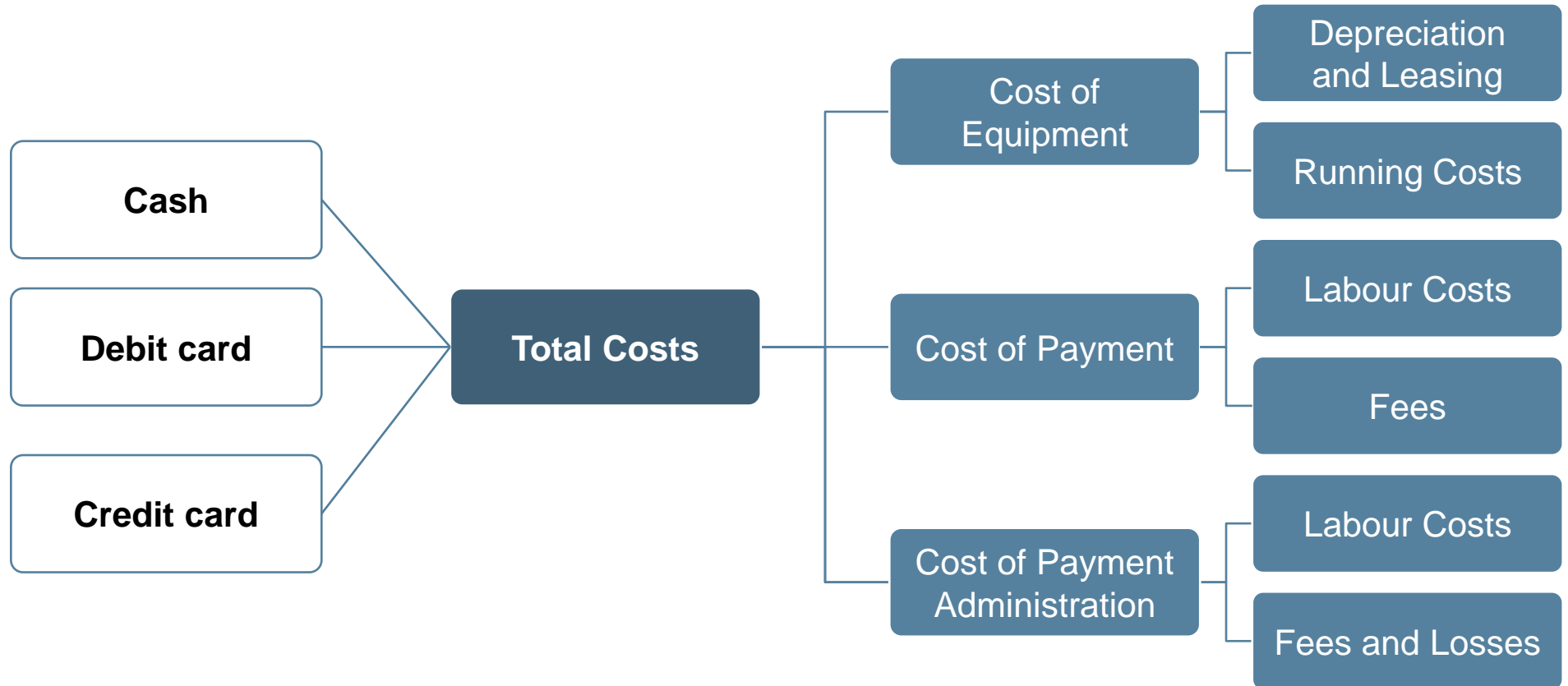
- Questionnaire was sent out in advance
- Face-to-face and telephone interviews reviewing questionnaire (1–2h)
- Follow-up questions over telephone

4

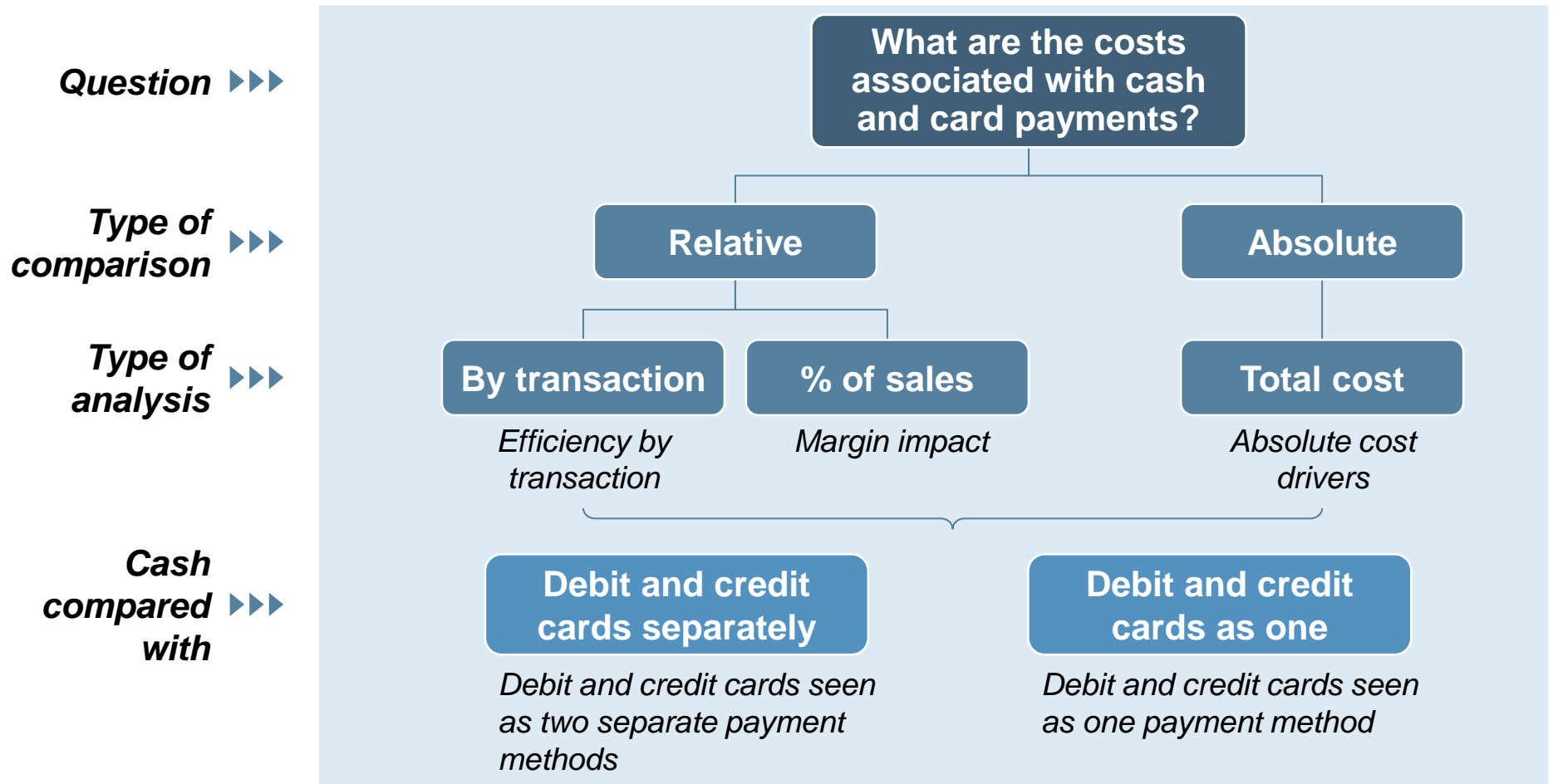
80 data points per participant

- More than 80 data points per participant were collected
- Allowing for detailed analysis

All costs associated with handling payments were included to enable thorough analysis



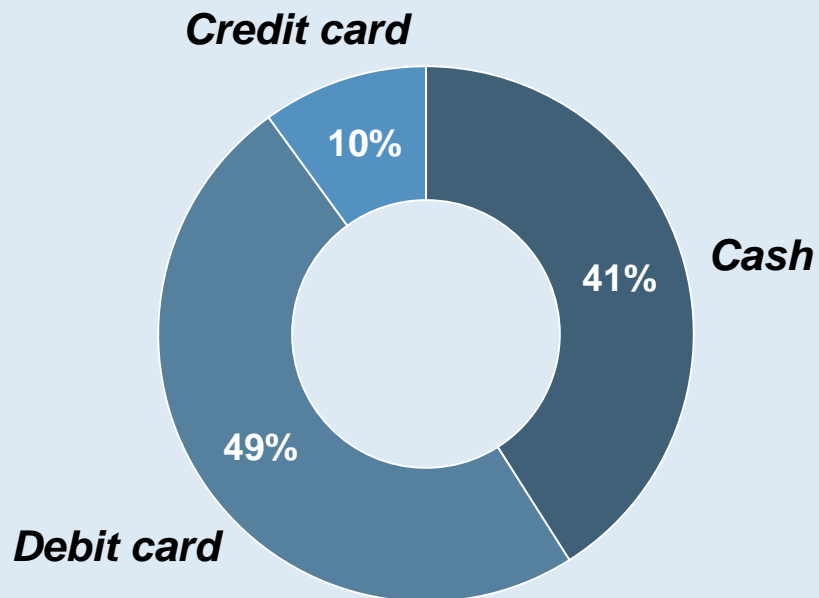
There are a number of ways to view the costs



Cash stands for 41% of the transactions and 25% of the spend

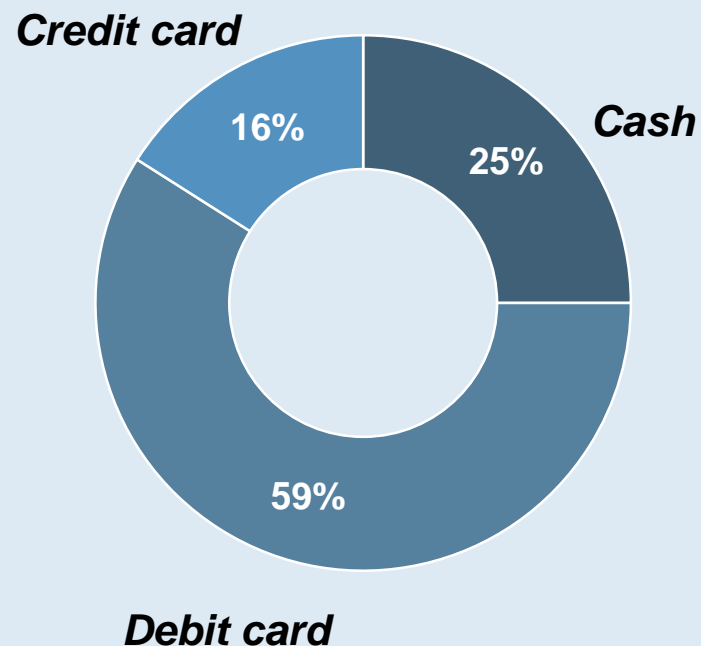
Share of transactions

Average of all companies

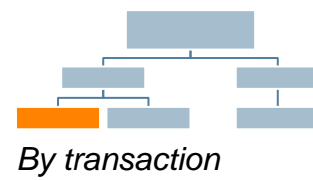


Share of spend

Average of all companies



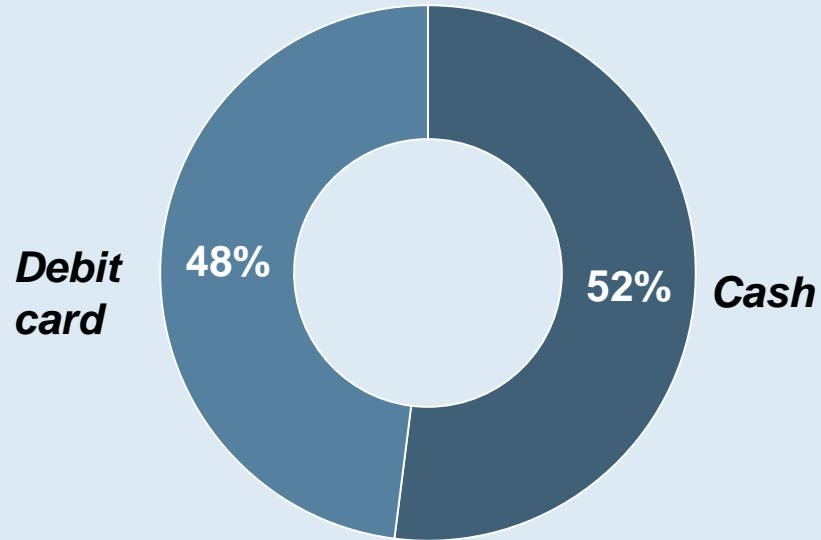
For half of the companies cash is the cheapest payment method per transaction



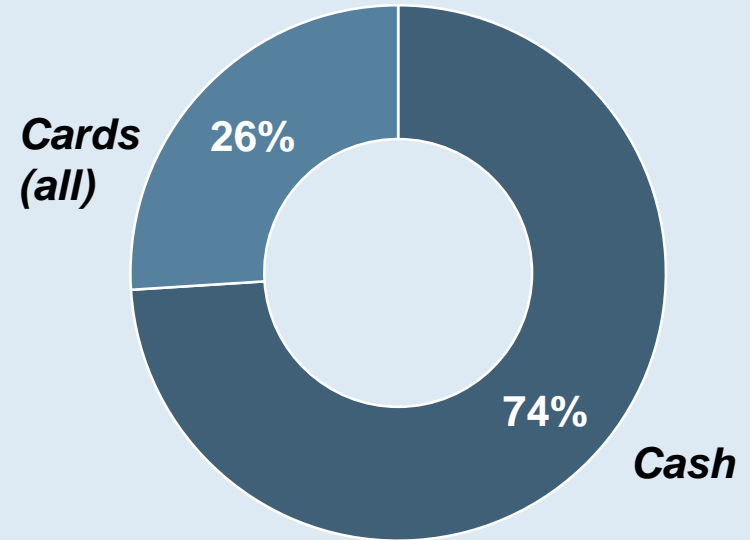
Lowest cost per transaction...

...and debit and credit card combined

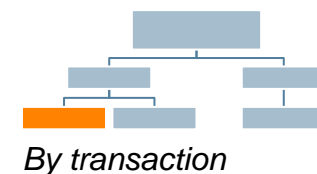
Percentage of companies



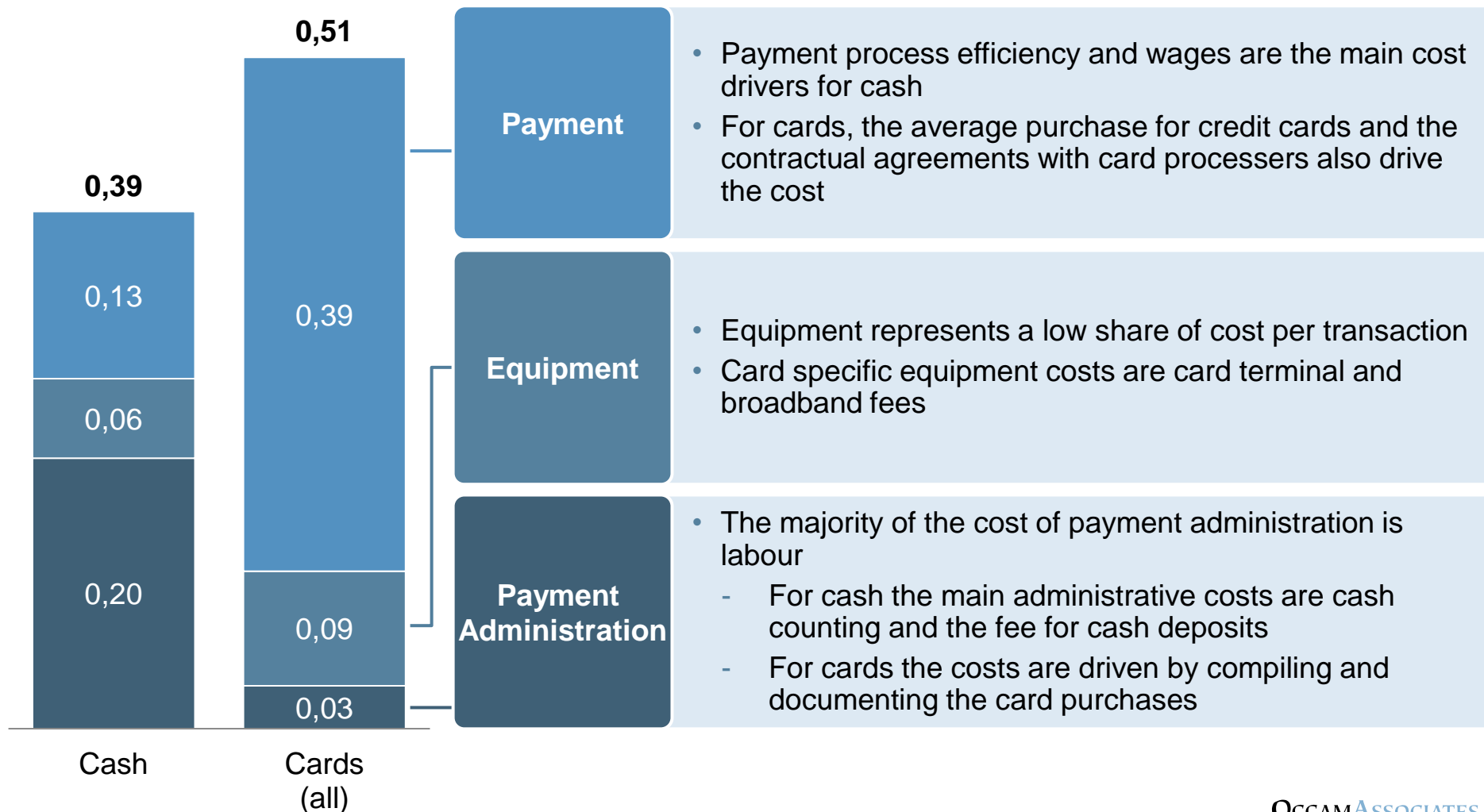
Percentage of companies



Cash's largest cost driver is administrative work while for cards it is transaction fees



Cost per transaction (€)

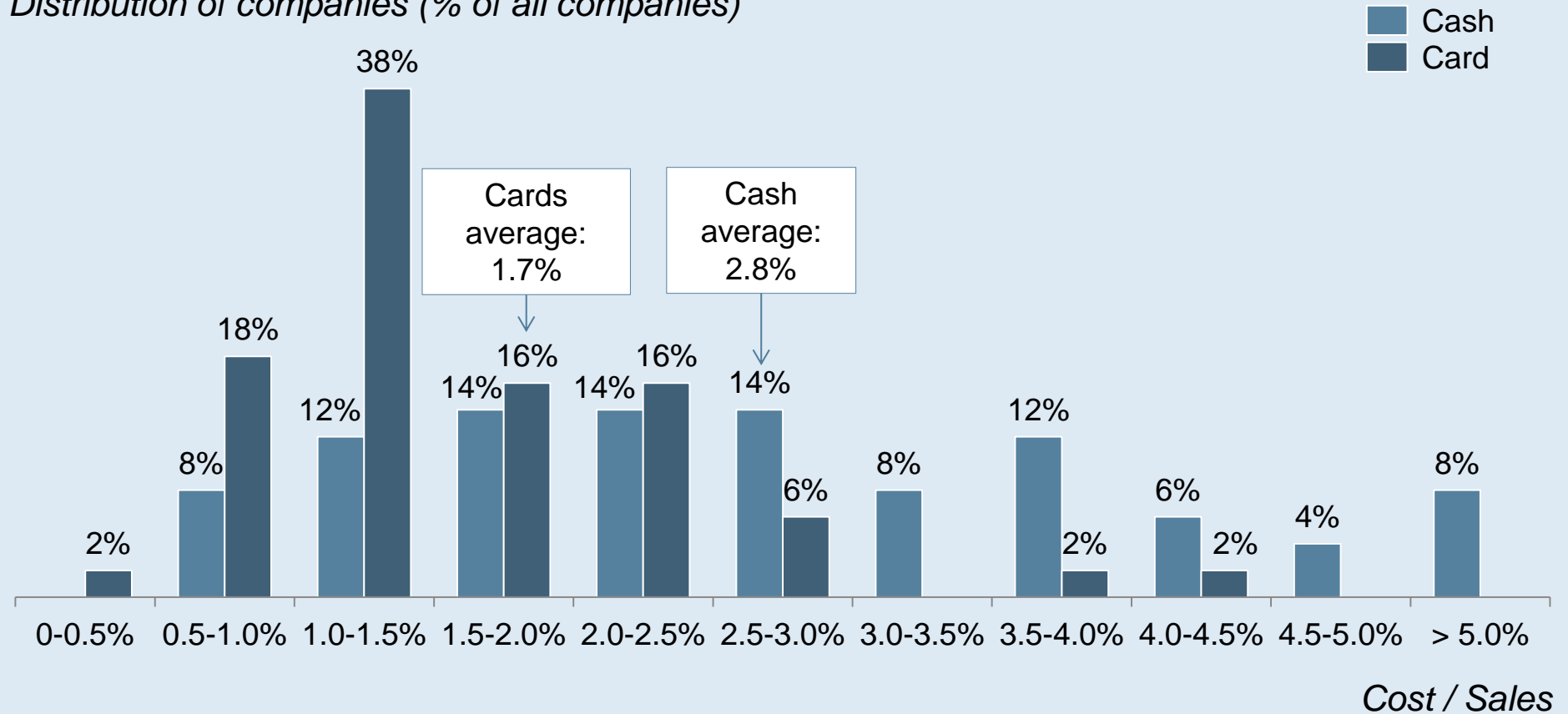


Cards' costs as a percentage of sales are lower than cash

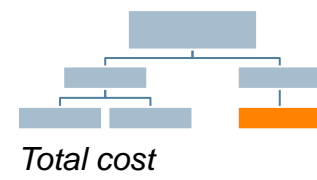


Total cost as percentage of sales for cash and cards

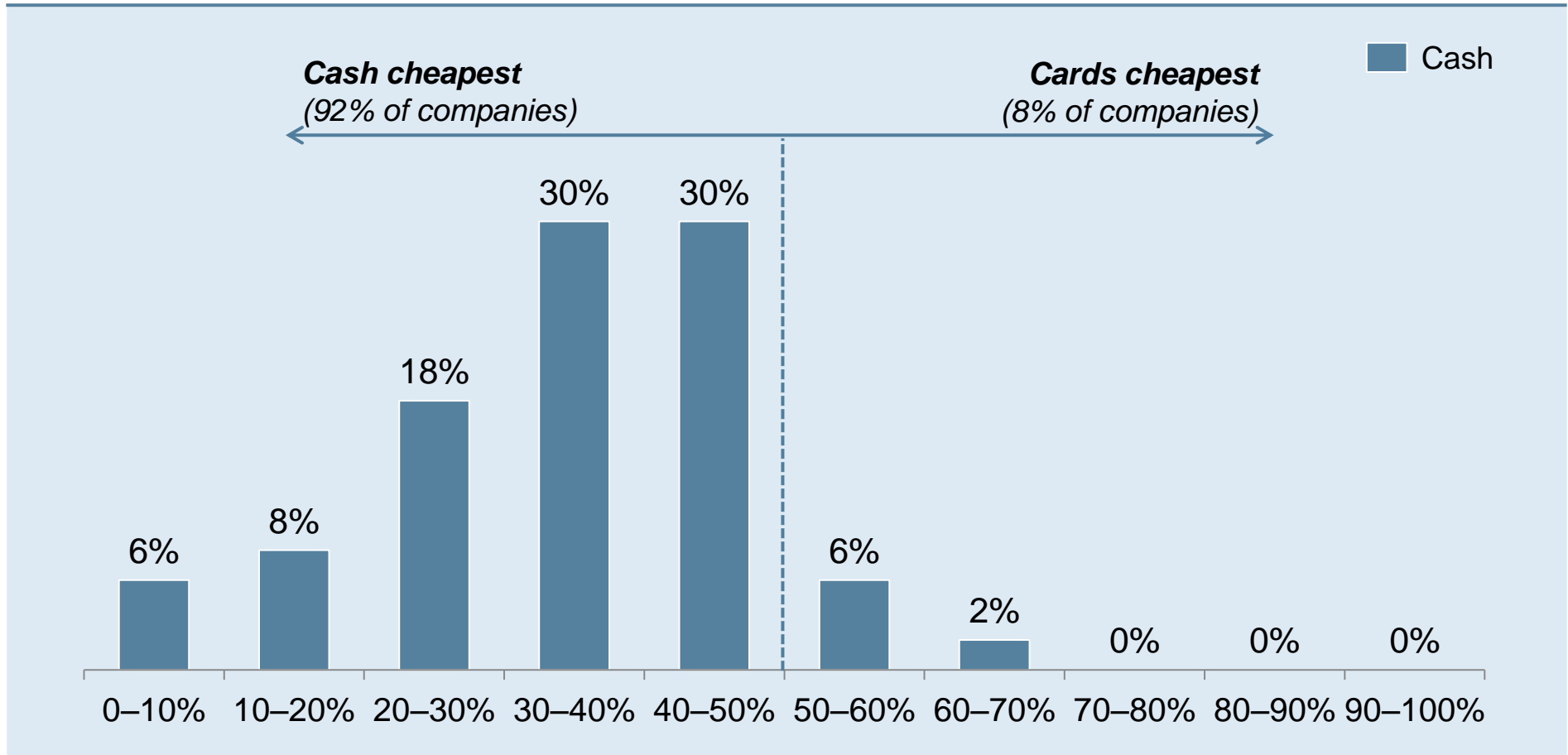
Distribution of companies (% of all companies)



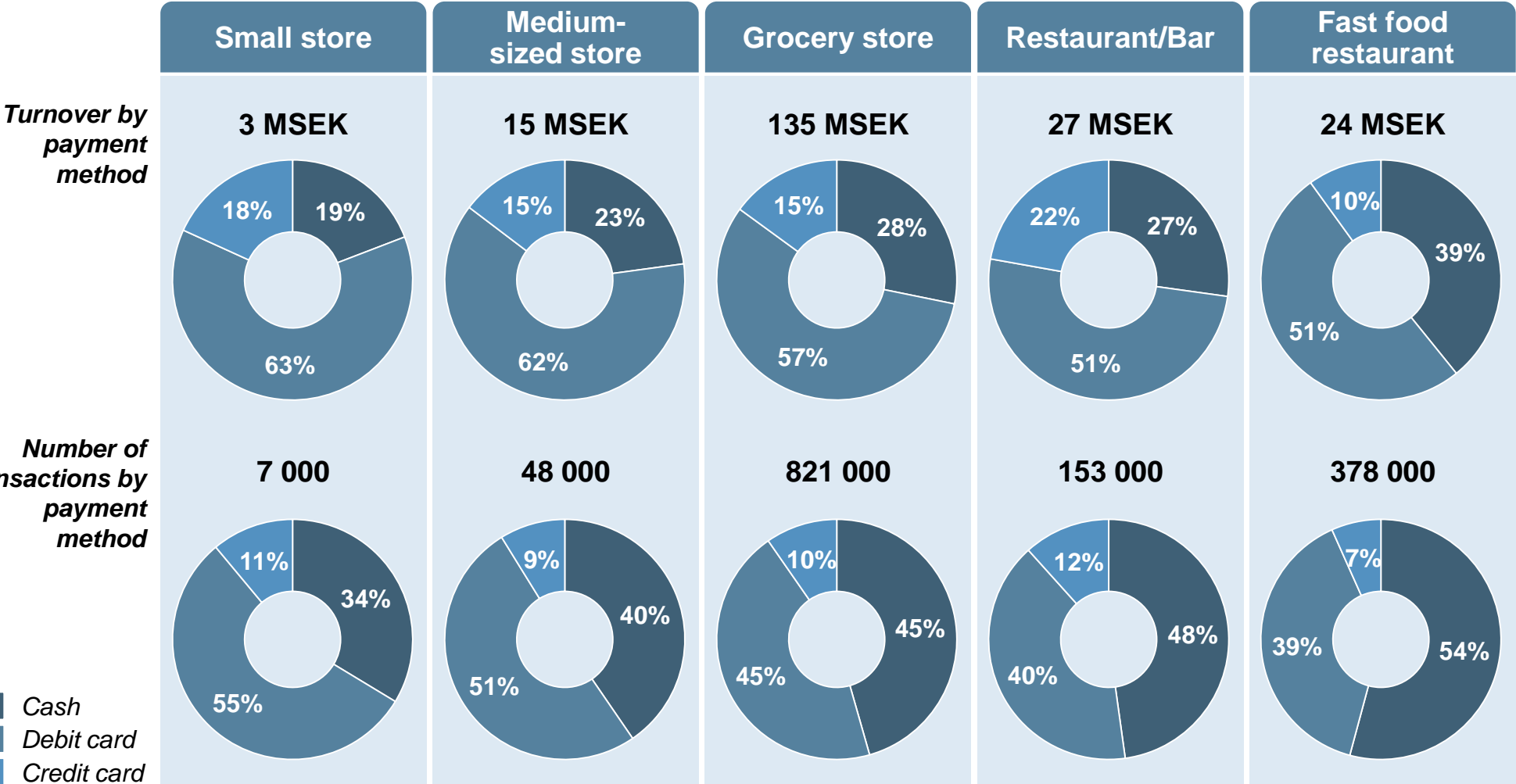
In absolute numbers cards is the largest cost driver for 92% of the companies



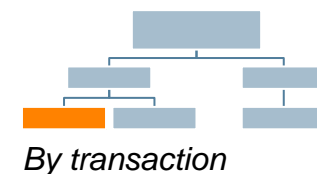
Cost for handling cash as percentage of all payment costs



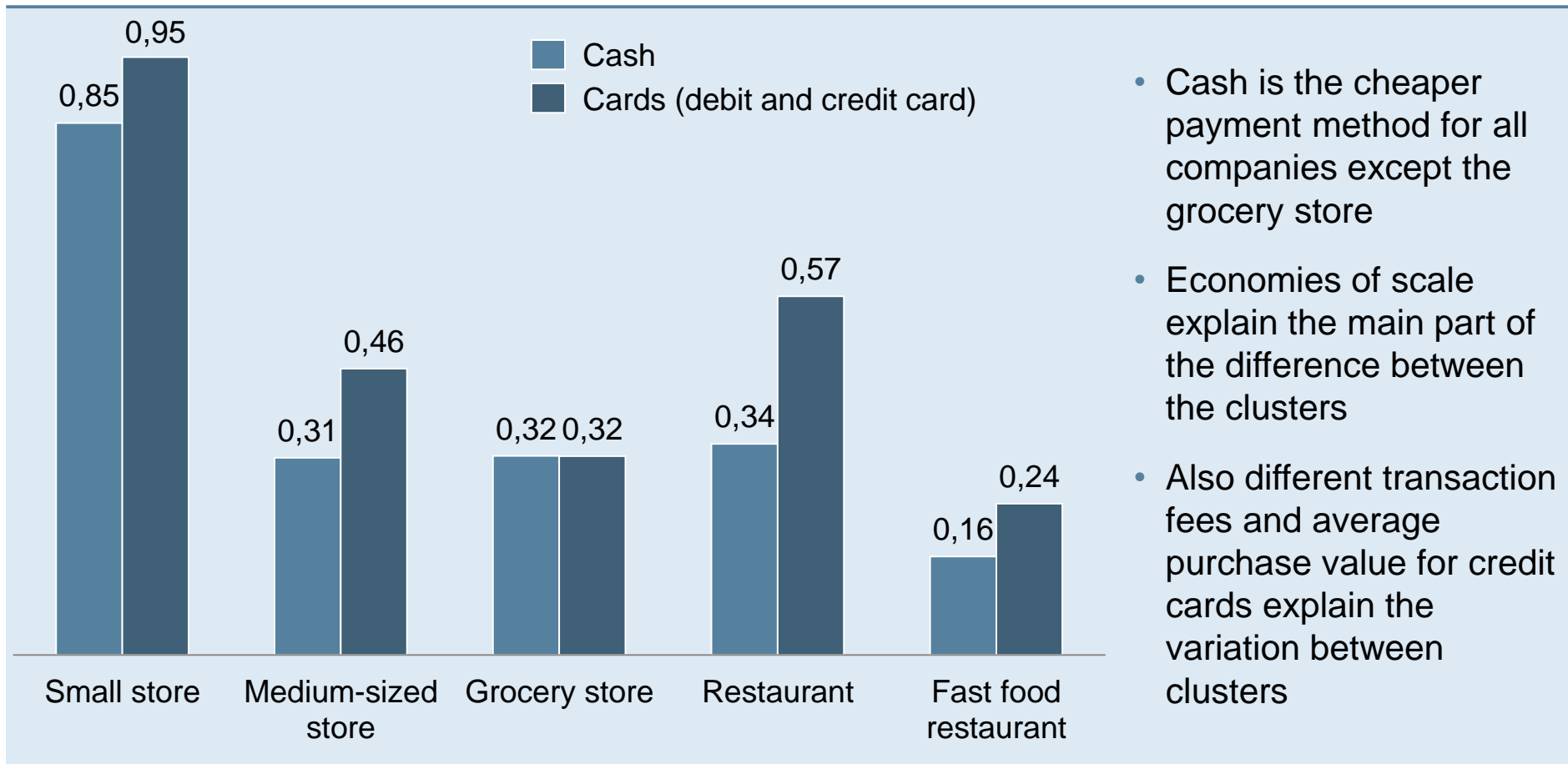
Five company clusters have been developed in order to make comparative analysis



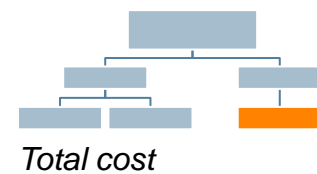
Cash has a lower cost per transaction compared to cards for four out of five clusters



Cost per transaction (€) – cash in relation to cards

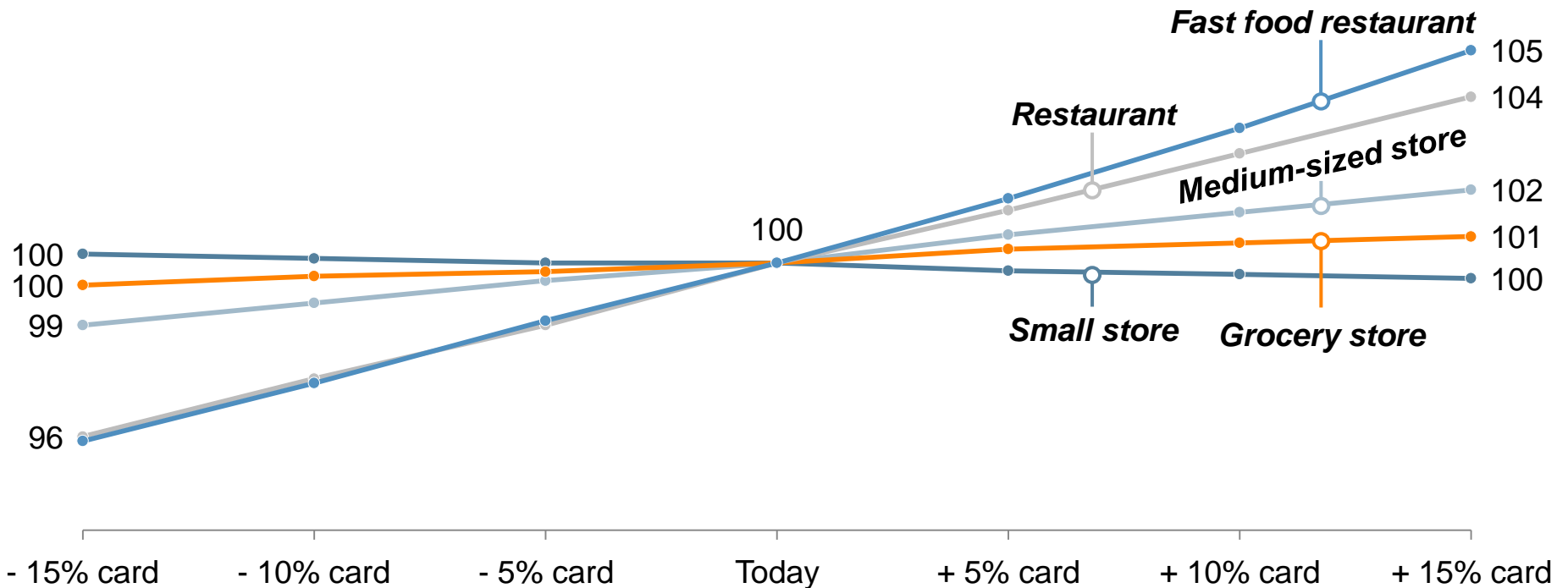


Cost rise for four out of five clusters when cards' share of transactions increases



Development of total payment cost when payment mix is changed


Index (100 = Total cost given current payment mix)



Explanation of the graph: Shows how total cost of processing payments change as the proportion of card transactions increases or decreases by 5, 10 and 15 percentage points

Cash is the cheapest payment method for two out of three metrics

Metric	Cheapest payment method	Comment
Cost per transaction	Cash	For 74% of the companies cash is the cheapest payment method per transaction
Cost as percentage of sales	Cards	The average costs of handling cards as percent of sales is 1.7% compared to 2.8% for cash
Costs in absolute numbers	Cash	For 92% of the companies cash generates less than half of the total costs for handling payments


Cash vs. cards
2 – 1

However, the results vary between the participants

Cash is more expensive than card

