

# Innovations in payment instruments: a (too) fast moving pace?

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Alex Maple  
Budapest, 14<sup>th</sup> May



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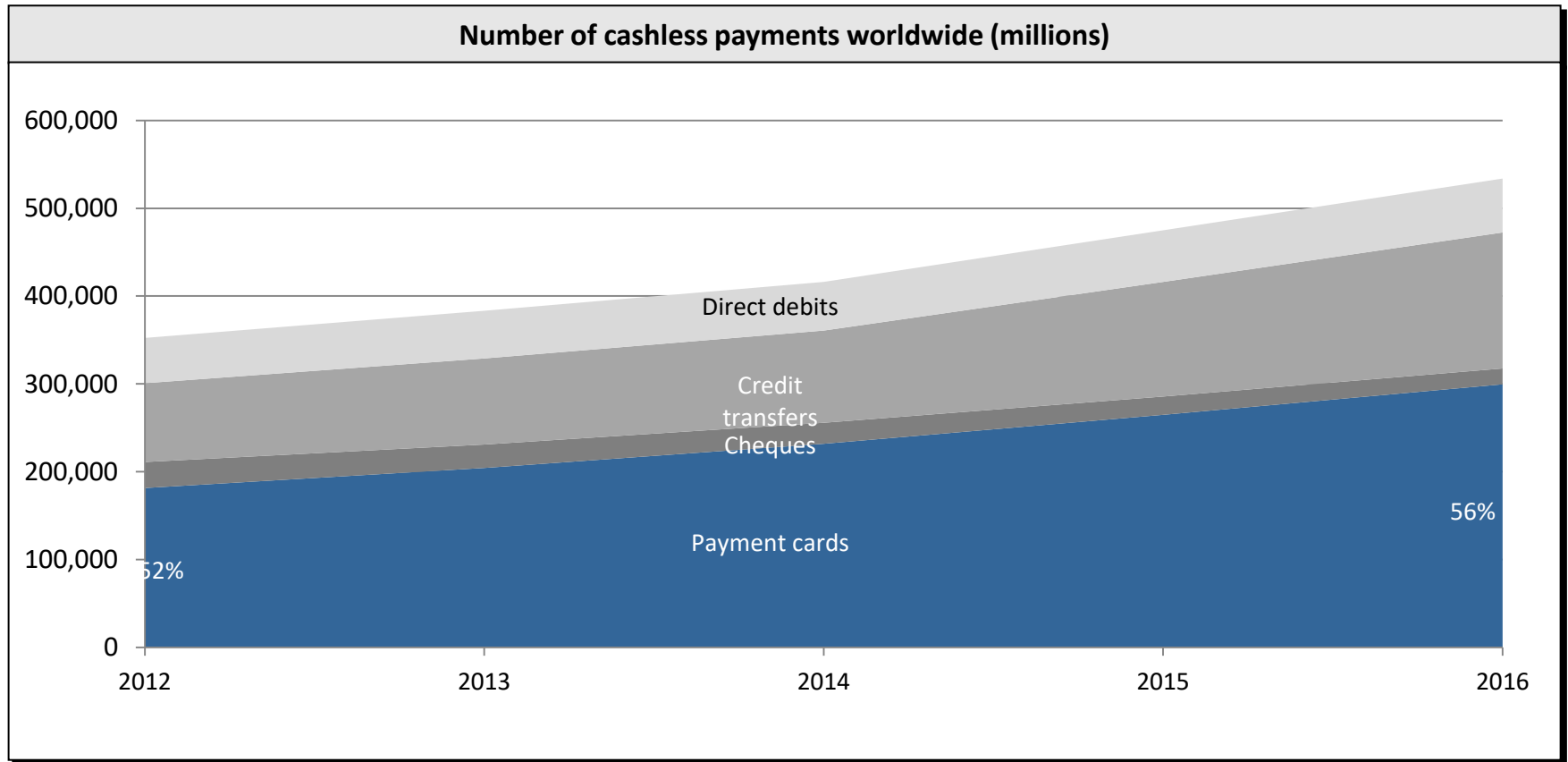
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## Agenda

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- ▶ **Cashless payments**
- ▶ **Global cards market trends**
- ▶ **Cards penetration and usage**
- ▶ **Contactless cards**
- ▶ **Impact of regulation on cards industry**
- ▶ **Cash usage globally**

# Payment cards are rapidly increasing their share of the number of cashless payments, but they represent a much lower proportion of cashless expenditure



Source: Global Payment Cards Data and Forecasts to 2022 (RBR)

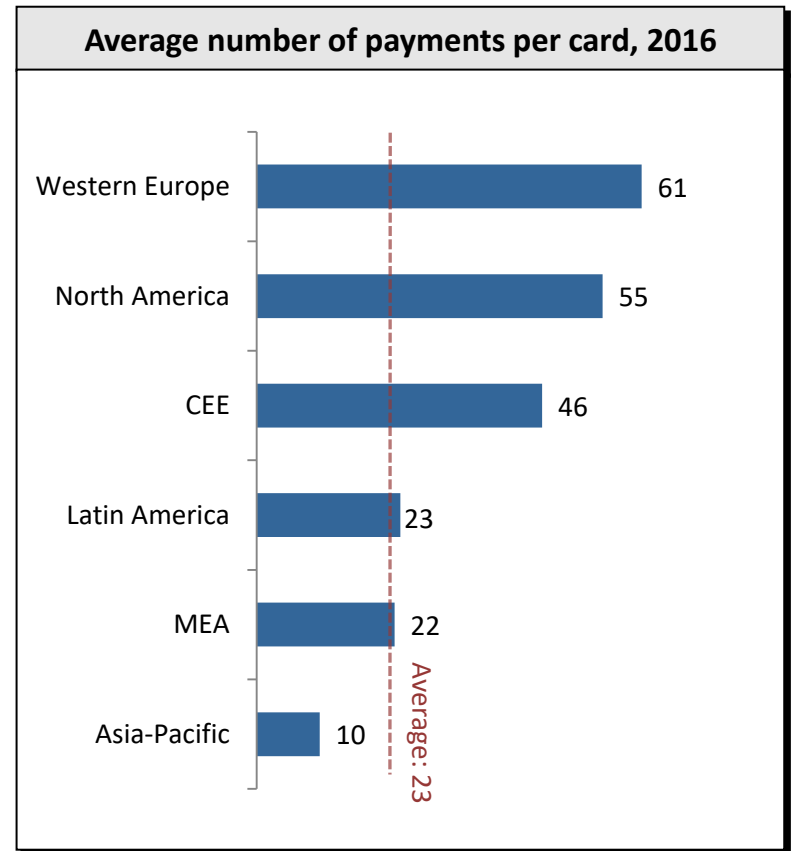
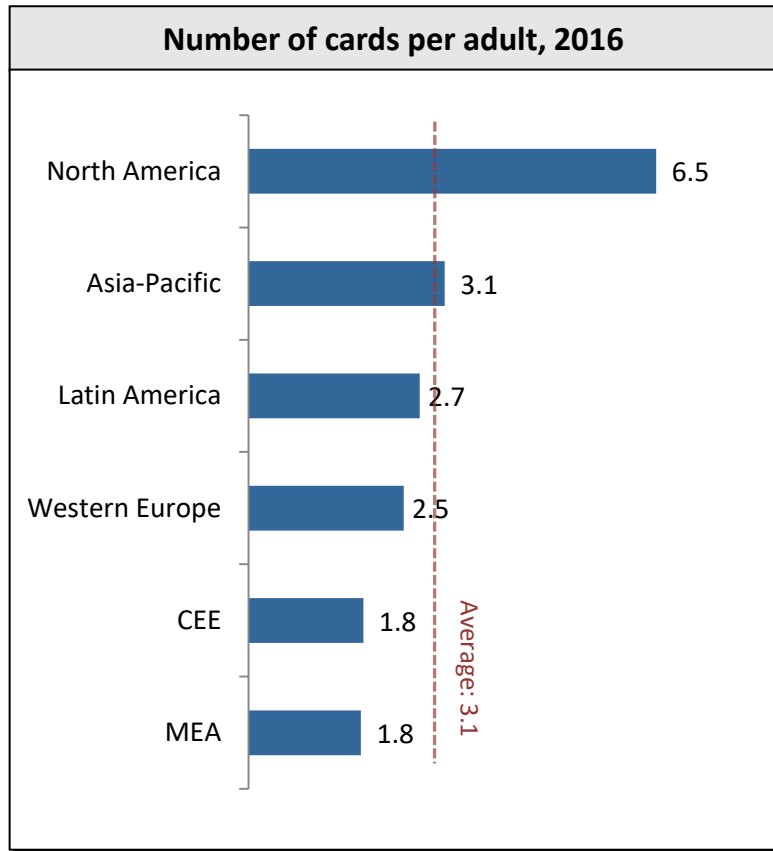
## Number of card payments is rising twice as quickly as card numbers worldwide as a result of expanding acceptance and greater use of cards for low-value payments

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### General trends in cards market:

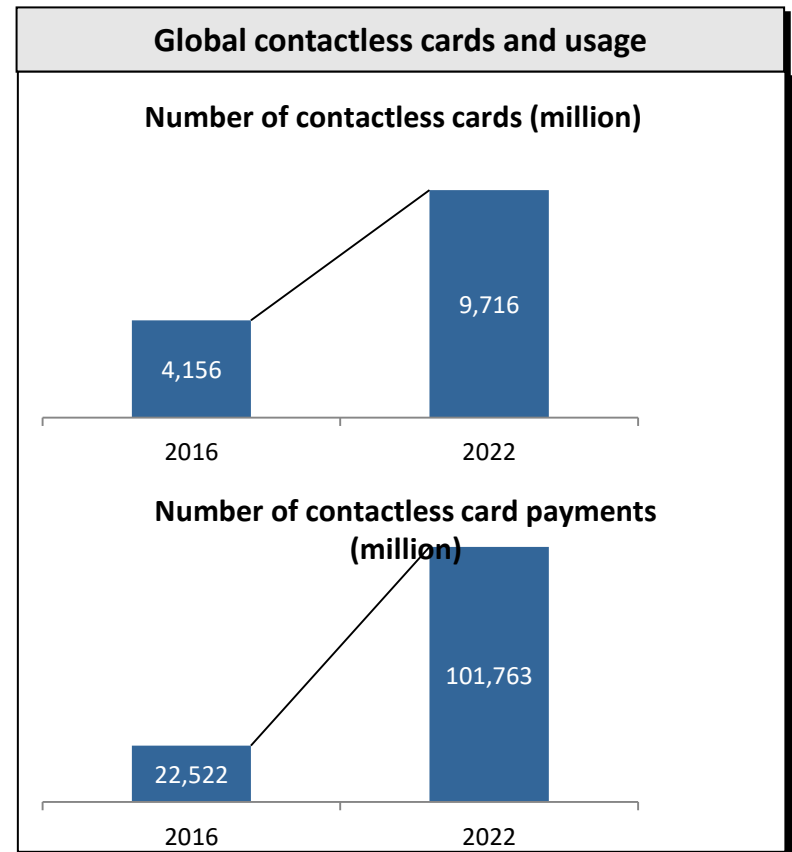
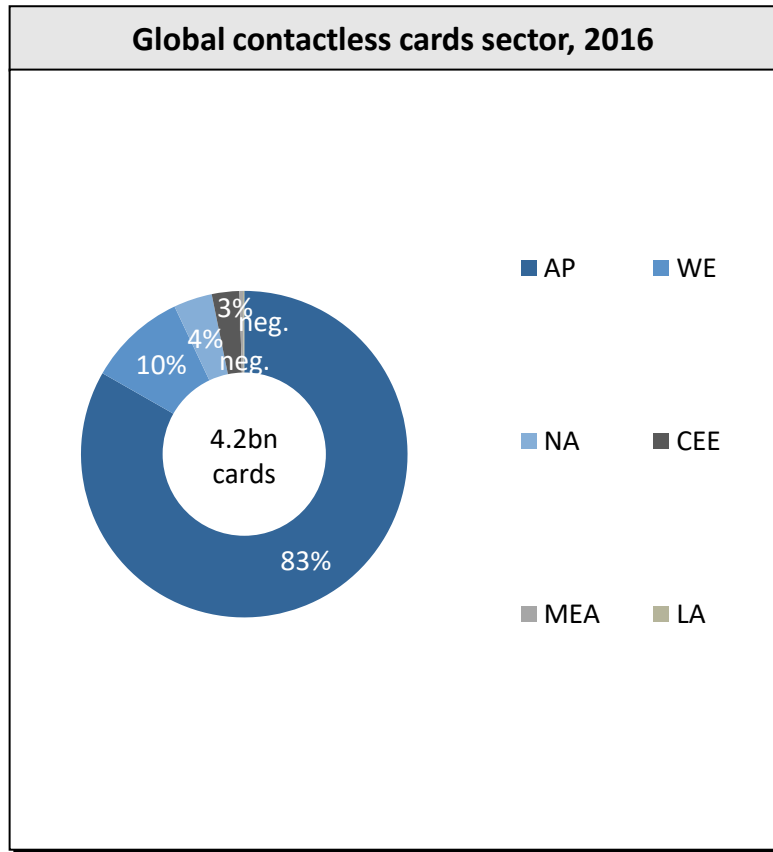
- 1 Number of payments is rising twice as rapidly as the number of cards as acceptance increases and as cards are used more frequently for lower-value payments
- 2 Debit cards continue to gain share of the total card base as more people come into the banking system, while regulation and economic uncertainty impact pay-later sector
- 3 Domestic schemes are seeing rapid growth in a number of large markets worldwide
- 4 e-commerce card expenditure set to double over the next six years thanks to enhanced convenience and security
- 5 Contactless cardholding and usage soar as consumers embrace a quick and easy means to make low-value payments and as the contactless option becomes more widely available at merchants
- 6 Increasing regulation is impacting the card industry; this typically restricts card issuance but encourages acceptance

# Card usage at POS is much better established in Europe and North America than in the other world regions



Source: Global Payment Cards Data and Forecasts to 2022 (RBR)

# 21% of card payments worldwide are forecast to be contactless by 2022, compared with 7% in 2016



Source: Global Payment Cards Data and Forecasts to 2022 (RBR)

## Many regulations affect the card industry, including those that impact upon card issuance, but these will also drive up card acceptance levels

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### ▶ **Regulations encouraging or mandating card acceptance**

- In some countries, most merchants are required by law to accept card payments
- In Russia, the criteria in terms of turnover has been reduced for accepting cards
- In London and Madrid, among other cities, cards must be accepted on taxis
- Requirement to keep electronic records of sales is boosting card acceptance in certain countries

### ▶ **Regulations restricting cash usage**

- The value of cash payments is limited in some countries

### ▶ **Regulations inhibiting prepaid card issuance**

- In some countries, identification is required for prepaid cards to be issued
- In others, prepaid cards may not be used for cash withdrawals

### ▶ **Regulations restricting value of goods purchased overseas**

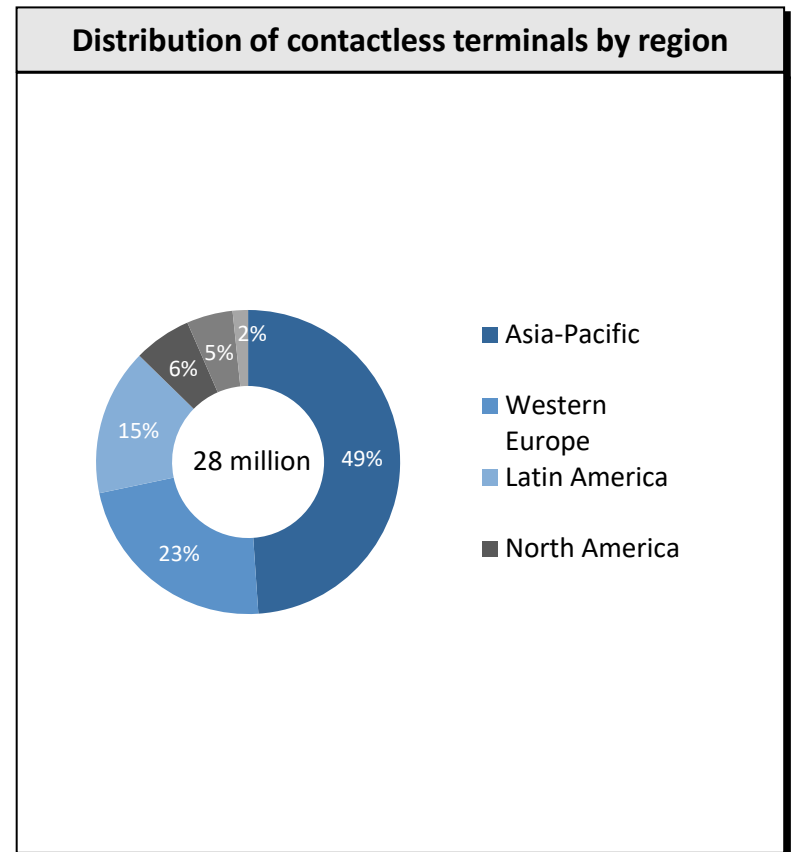
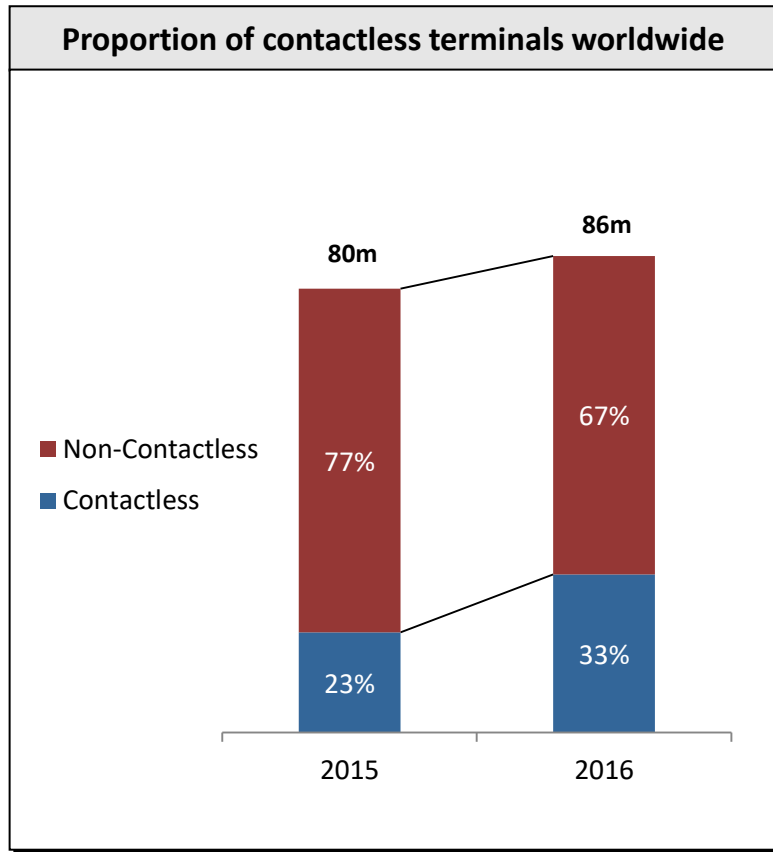
- The use of cards for cross-border e-commerce is limited in some countries

### ▶ **Regulations on interchange fees**

- Has impacted on card issuance and acceptance in different ways

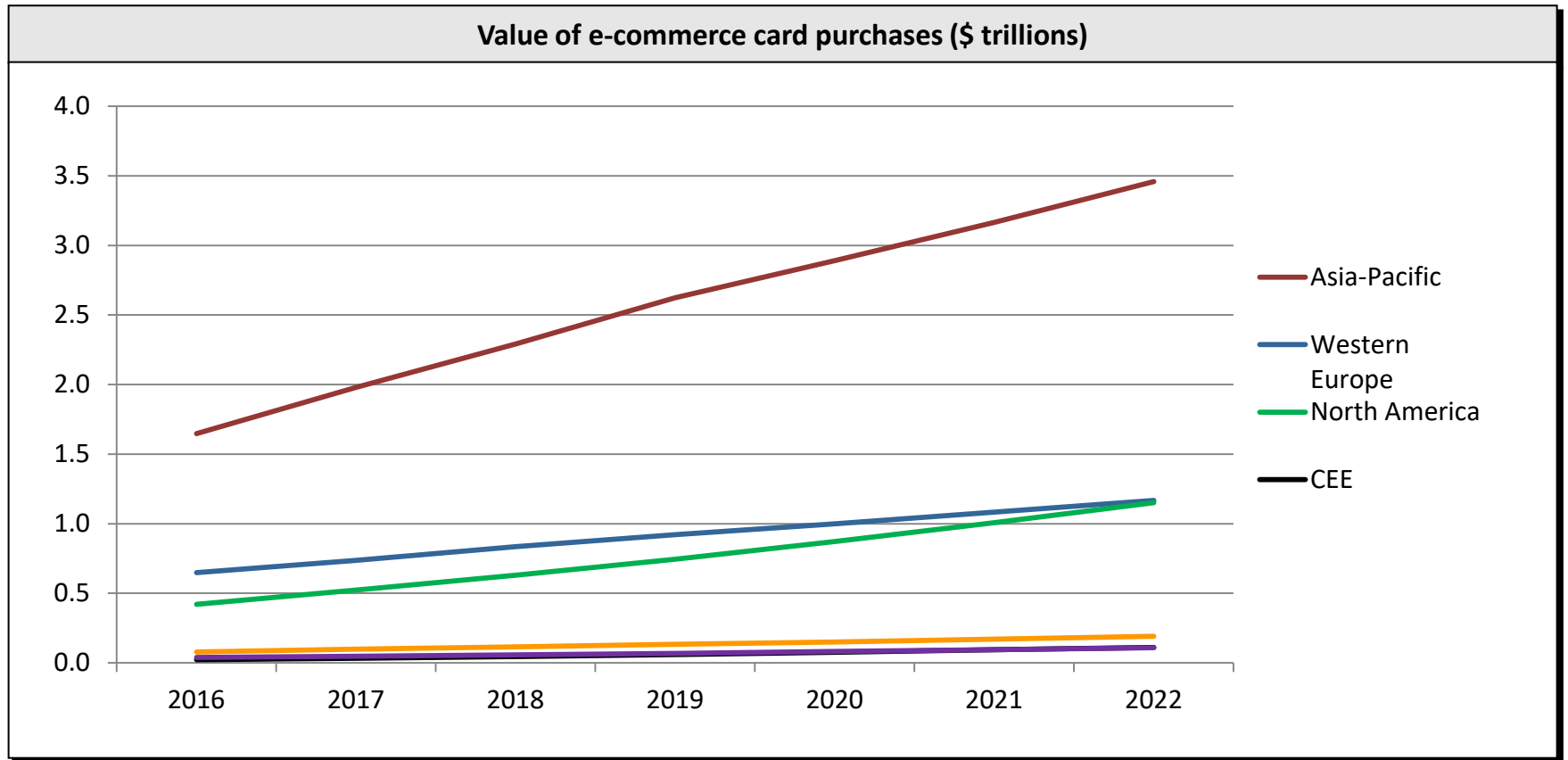


# Rapid growth in contactless-enabled EFTPOS terminals with a third of terminals supporting contactless transactions in 2016



Source: Global Payment Cards Data and Forecasts to 2022 (RBR)

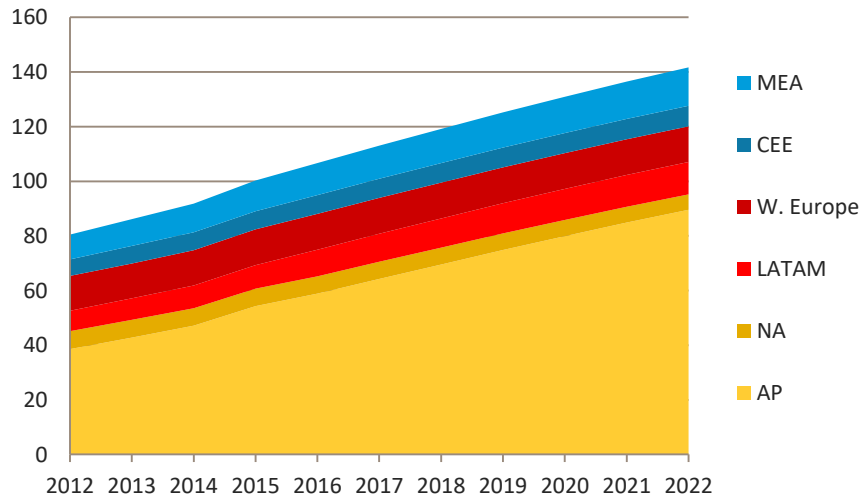
# US\$ 2.9 trillion was spent on e-commerce card payments worldwide in 2016 and this is forecast to double by 2022



Source: Global Payment Cards Data and Forecasts to 2022 (RBR)

## Despite growth in the number of card payments, cash usage will remain strong

Number of ATM cash withdrawals worldwide (bn)



**107<sup>bn</sup>**  
 ATM cash withdrawals were made worldwide in 2016

Source: Global ATM Market and Forecasts to 2022 (RBR)

## Retailers are investing in “Retail Cash Automation”, new technology that improves in-store cash management

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- ▶ **RBR’s new study reveals 250,000 installations of cash automation units across 13 countries**
  - Technology that counts, validates and stores banknotes in stores
  - Most commonly devices are designed to handle cash in retailers’ back/front offices, although some are point of sale (POS) units located at individual checkouts
  - USA by far the largest market for cash automation technology in retailers, with 140,000 installations
  - The vast majority of devices in the USA are back-office note acceptors (“smart safes”)
  - In Europe, a much more mixed picture, with a far higher proportion of POS devices, particularly in markets such as Italy, Spain and the UK
  - The main users of such technology in Europe are supermarket chains, with the concept of a closed cash cycle, involving recycling terminals at both the point of sale and the back office
- ▶ **Key reasons for deploying Retail Cash Automation**
  - Security (particularly in markets such as USA, Australia, Brazil, South Africa...)
  - Cash efficiency/closed cash-cycle (more so in European markets)
- ▶ **Challenges and opportunities for Cash In Transit providers**
  - New technology reduces need for CIT services, but providers may be able to resell and provide related services

Thank you for listening...

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