

# Global Trends in Payment Systems

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## *Summary of 2010 Survey Findings*

*May 2011*



**Edgar, Dunn  
& Company**

*Management Consultants*



# Global Payment Trends Survey Overview

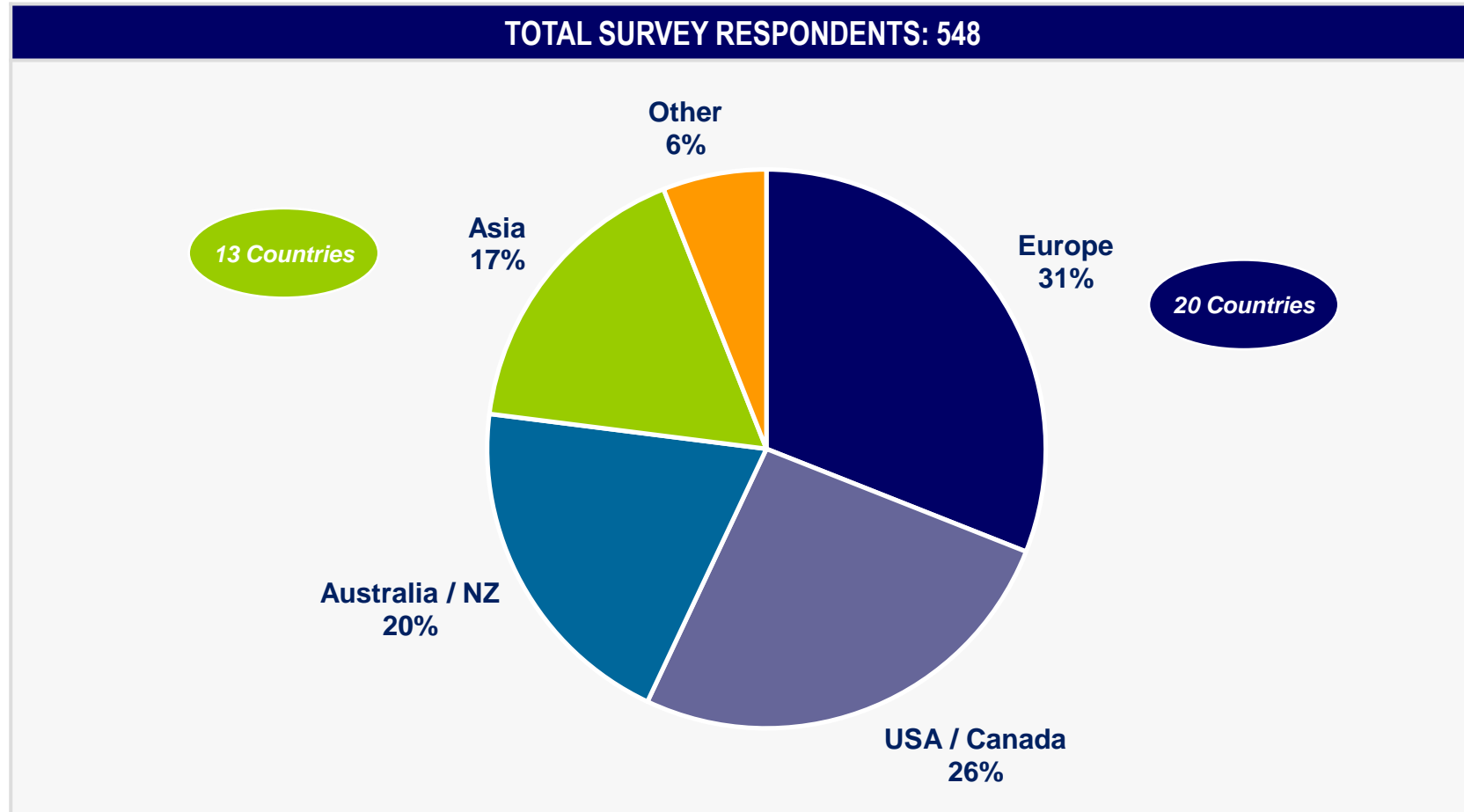
# For the 3<sup>rd</sup> year running, Edgar, Dunn & Company has conducted a survey of payments professionals globally on key industry dynamics in their markets

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The questions asked revolved around five main topics:

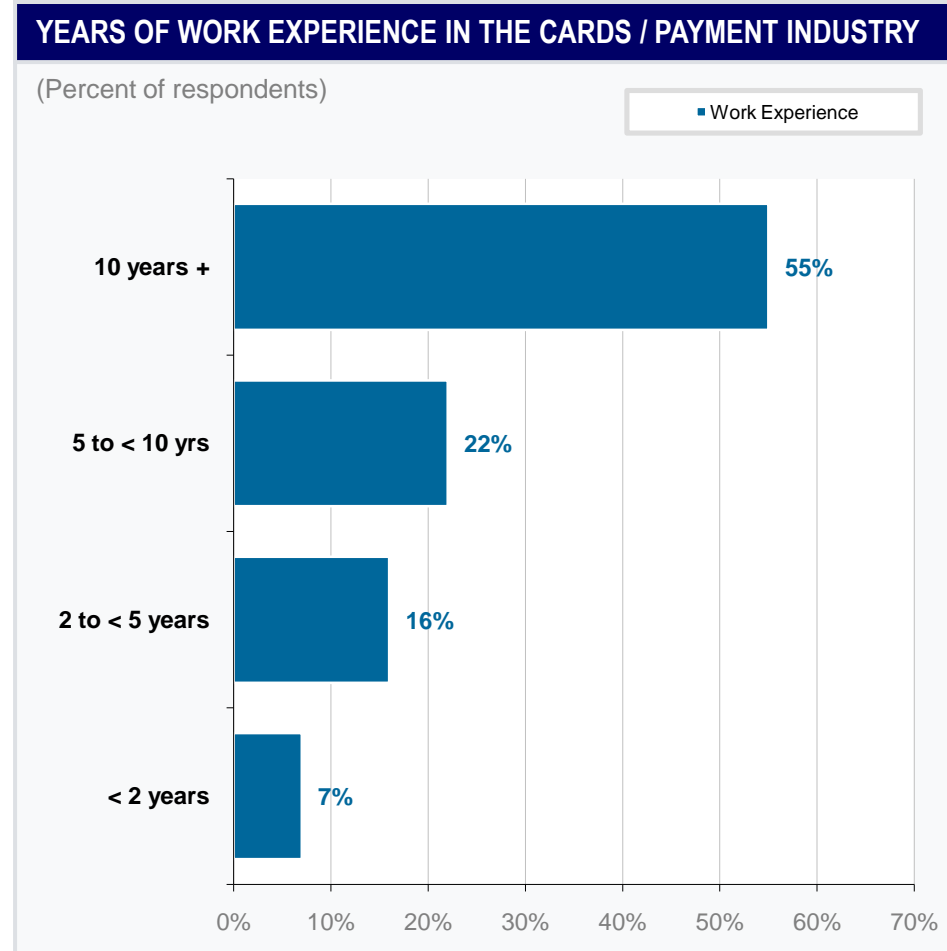
- Current & future importance of individual payment products
- Current & future importance of individual payment channels
- Expected future importance of payment technologies
- Most influential market participants
- Key industry events that will shape payments markets

548 payments professionals participated in the survey and represented a total of 48 countries



# Respondents to the survey covered a wide cross section of roles within the industry, and generally had extensive cards / payments experience

RESPONDENT'S ROLE	% OF RESPONDENTS	
• Financial institution	14%	35%
• Card issuing	14%	
• Merchant acquiring	8%	
• Payment processor	13%	21%
• Payment scheme	8%	
• Professional services	22%	34%
• Industry vendors	12%	
• Merchant	5%	10%
• Telecommunication Network	3%	
• Regulator	2%	



# USA / Canada – Overview of Findings



## OVERVIEW OF FINDINGS

### USA / Canada

- The current importance of domestic (PIN) debit cards and prepaid cards ranks significantly higher than other regions
- Internet and Mobile will be the future growth products, whilst Contactless card payments are lagging
- Online and Mobile payment channels will continue to experience strong growth, at the expense of the more costly face-to-face channels such as branches and agencies
- The USA / Canada was the only region to rate the consumer as the most influential market participant. Interestingly, telecommunications organisations also ranked highly in terms of market influence
- Not surprisingly regulatory changes to interchange are expected to have the greatest impact in shaping the payments market over the next 3 years

# Europe – Overview of Findings



## OVERVIEW OF FINDINGS

### Europe

- Similar to other regions, Internet based payments was the product that experienced the greatest increase in current relative importance compared to last year's survey
- Compared to all other regions, Europe has higher expectations in relation to the future importance of Mobile NFC and Contactless products
- Electronic bill payment also grew in importance since last year's survey (driven primarily by Germany, France and Italy), but still lags significantly in importance compared to other regions
- In the coming 5 years, Merchants are expected to be the most influential market participant, overtaking regulators/central banks (possibly an effect of SEPA)
- Payments professionals in Europe view competition to have the greatest effect on the payments landscape, with new market entrants and merger & acquisition events higher than other regions

# Asia – Overview of Findings



## OVERVIEW OF FINDINGS

### Asia

- The current importance of remittance products rates significantly higher than other regions, and these are now considered to be as important as credit/charge cards
- Debit cards have experienced a significant increase in importance, which has been driven by international scheme debit cards at the expense of domestic debit cards
- Electronic bill payment products also experienced a significant increase in importance and are now considered to be one of the top 3 payment products in Asia. Further growth is also expected – significantly more so than in any other region
- Non-electronic payment methods (cash & cheque) continue to be perceived to be more important relative to other regions – possibly the growth in debit cards may change this in the future
- Mobile transfers and Internet payments are the products expected to experience the greatest growth in importance over the next 5 years. Contactless cards will continue to struggle
- Regulators are still expected to be the most influential market participant over the next 5 years – most likely in the area of domestic processing (as opposed to Interchange, which other regions are now experiencing)

# Australia & New Zealand – Overview of Findings



## OVERVIEW OF FINDINGS

### Australia & New Zealand

- Compared to last year's survey, Internet based payments (P2P and ecommerce) experienced the biggest increase in current importance of all payment products
- Contactless still lags in its current importance, but in the next 5 years is expected to experience significant growth – far greater than in any other region
- There are relatively lower expectations in relation to the future importance of Mobile payments (NFC, SMS, transfers) compared to other regions
- Driven by increased smart phone usage, the Mobile channel is expected to experience the most growth in importance in the next 5 years (e.g. iPhone5 with rumoured inbuilt NFC capability)
- In contrast to other regions, payment associations and schemes are predicted to exert the most market influence in the next 3 years (e.g. EPAL changes in scheme fees)
- Technology advancements are expected to have the greatest impact on payments going forward, indicating expectations of further payments innovation (e.g. NFC, BPay MAMBO)



# Detailed Survey Findings

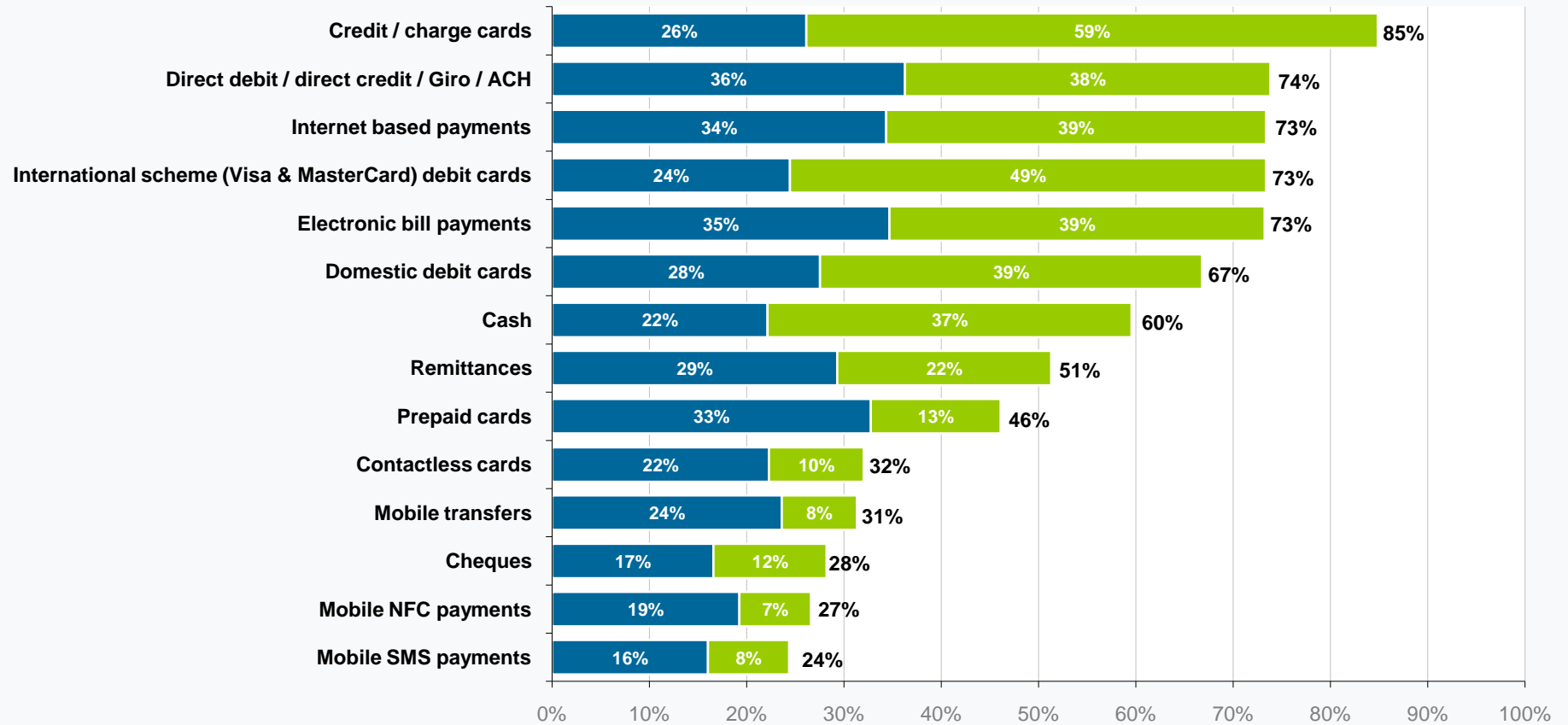
# Globally, credit and charge cards continue to be perceived as the most important payment products

## Please score the *current* relative importance of these payment products in your country?

(Percent of Respondents)

Global

■ Important    ■ Very Important



# The current importance of individual payment products varies significantly by region, with the exception of credit cards and direct debit / Giro / ACH

■ 'Notably' higher than global average
 ■ 'Notably' lower than global average

## Please score the *current* relative importance of these payment *products* in your country?

Product	% Respondents who rated the product as 'important' or 'very important'				
	Global	Europe	USA / Canada	Asia	Australia / NZ
Credit / charge cards	85%	78%	92%	83%	92%
Direct debit / credit / giro / ACH	74%	73%	73%	77%	76%
Internet based payments	73%	66%	73%	76%	83%
International scheme debit cards	73%	75%	70%	62%	83%
Electronic bill payments	73%	51%	85%	85%	84%
Domestic debit cards	67%	61%	81%	49%	78%
Cash	60%	64%	46%	70%	56%
Remittances	51%	39%	49%	82%	41%
Prepaid cards	46%	36%	64%	47%	42%
Contactless cards	32%	31%	25%	40%	40%
Mobile transfers	31%	22%	36%	48%	25%
Cheques	28%	22%	33%	45%	16%
Mobile NFC payments	27%	25%	31%	34%	21%
Mobile SMS payments	24%	22%	24%	34%	18%

# The perceived importance of Internet based payments and international debit increased cards significantly from 2009 – at the expense of domestic debit cards

■ 'Notably' higher than global average
 ■ 'Notably' lower than global average

## Difference in % of respondents answering 'important' or 'very important' between 2010 and 2009 surveys

Product	Global	Asia	Europe	USA / Canada	Australia / NZ
Internet based payments	↑ 25.4%	28.6%	28.2%	28.3%	18.2%
International scheme debit cards	13.4%	20.6%	9.2%	20.4%	4.2%
Electronic bill payments	9.2%	17.1%	15.1%	8.3%	4.2%
Direct debit / direct credit / Giro / ACH	8.8%	16.0%	7.4%	4.3%	9.8%
Mobile NFC payments	5.6%	7.7%	14.2%	6.3%	(2.7%)
Credit / charge cards	1.9%	(1.2%)	2.7%	4.2%	3.5%
Cheques	0.2%	(2.7%)	8.5%	(3.0%)	(3.2%)
Prepaid cards	0.1%	0.1%	9.0%	3.3%	(7.1%)
Contactless cards	0.0%	(2.8%)	5.9%	(4.6%)	4.0%
Remittances	(0.7%)	10.6%	0.4%	(9.3%)	(1.9%)
Cash	(1.4%)	(4.9%)	(1.5%)	1.1%	(2.2%)
Mobile SMS payments	(6.6%)	(10.5%)	6.6%	(8.9%)	(14.3%)
Domestic debit cards	↓ (9.2%)	(14.2%)	(14.1%)	(4.1%)	(1.1%)

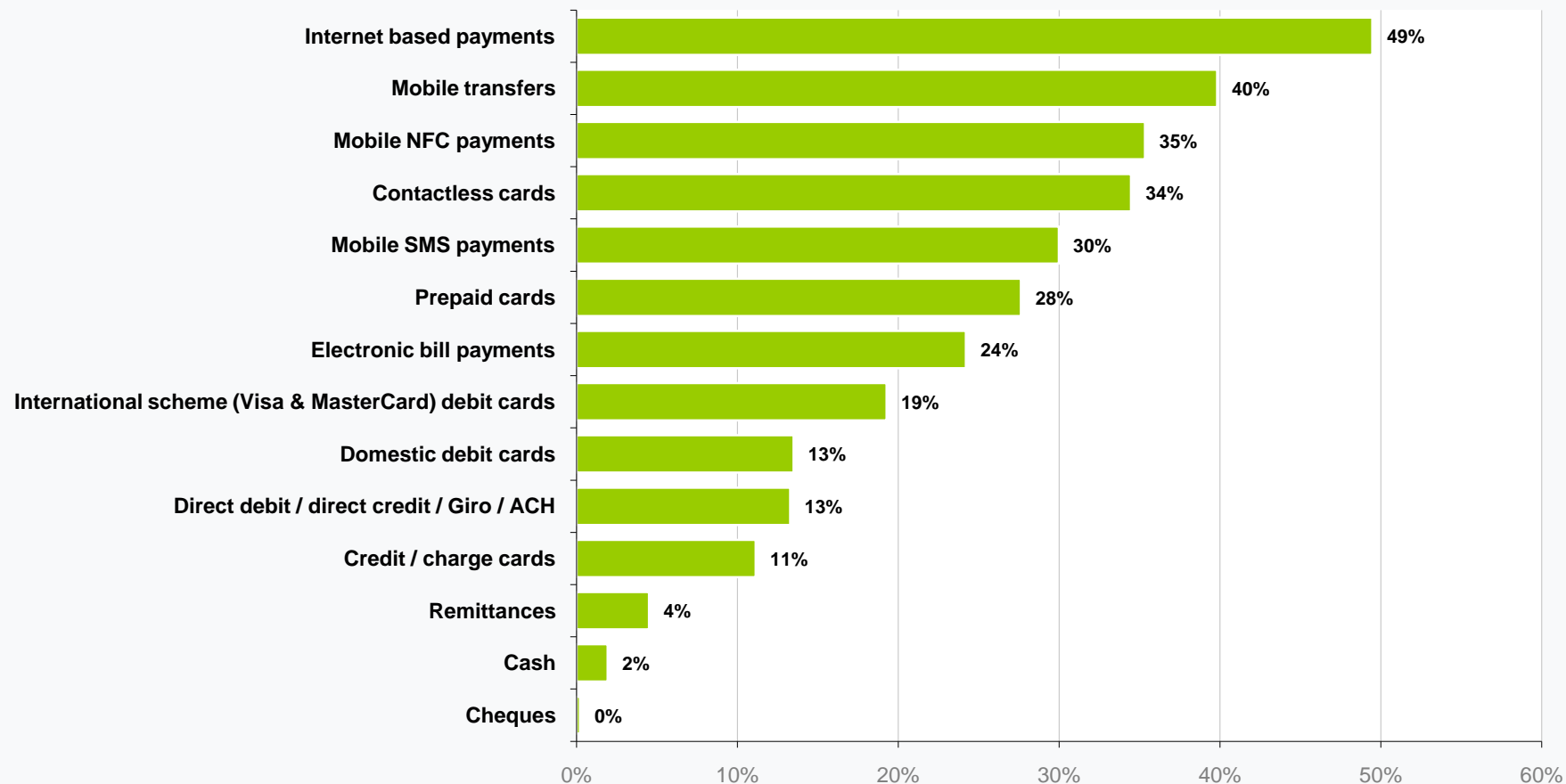
Note on methodology: The percentages given in the table represent the difference in the % of respondents answering important or very important in the 2010 and 2009 surveys. For instance, in the 2009 survey, 48% of global respondents indicated important or very important, whereas 73.4% of respondents indicated the same in 2010, for a net difference of 25.4%, as shown in the table.

# Over the next 5 years, the greatest growth is expected to continue to be in Internet based payments, as well as Mobile and Contactless technologies

What are the 3 payment *products* which will experience the *greatest growth in importance* in your country over the next 5 years?

(Percent of Total Respondents)

Global



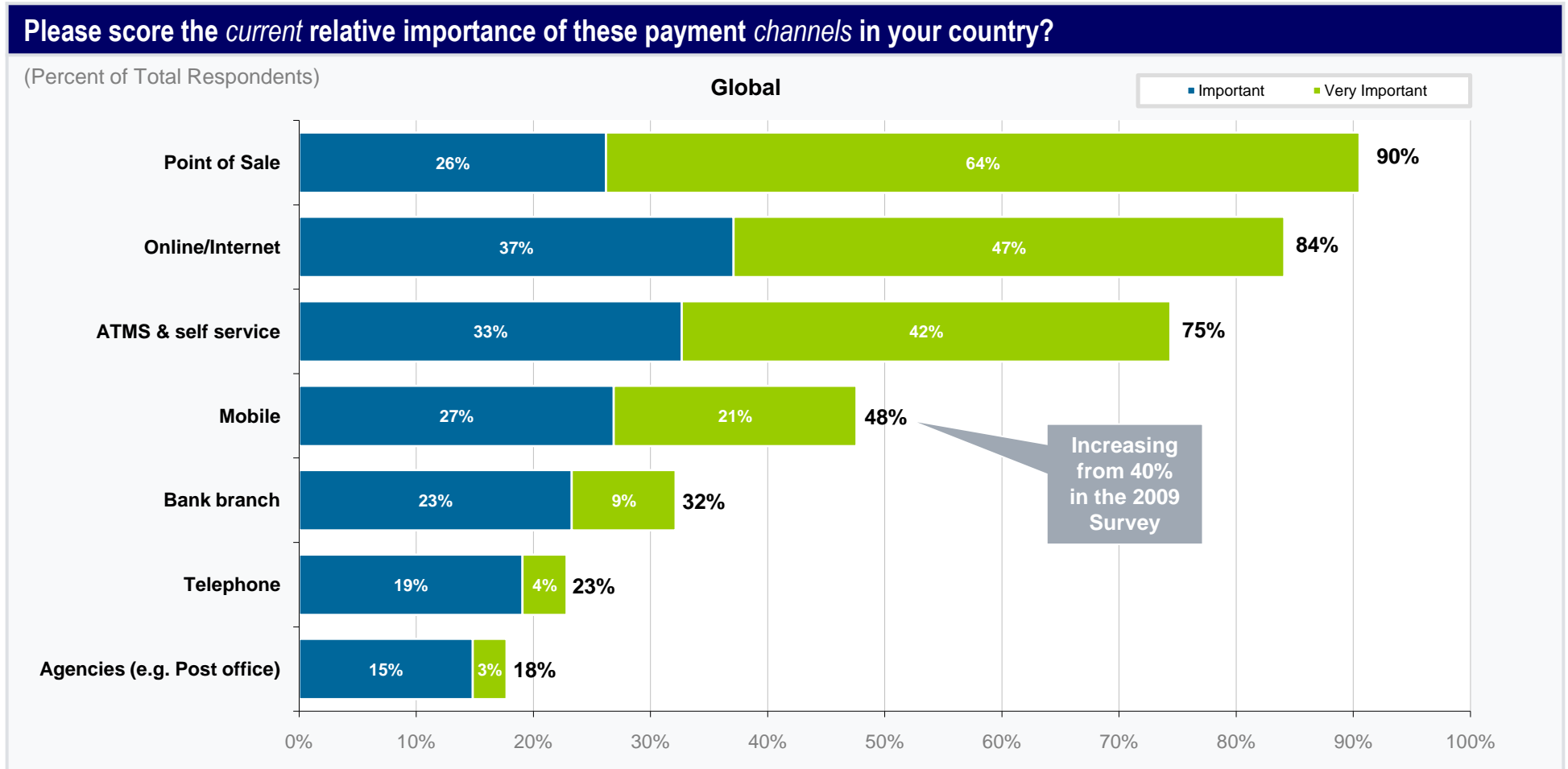
# The growth in contactless payments is expected to be most rapid in the European and Australia / New Zealand markets

■ 'Notably' higher than global average
 ■ 'Notably' lower than global average

## What are the 3 payment products which will experience the greatest growth in importance in your country over the next 5 years?

Product	% Respondents who rated the product as 'important' or 'very important'				
	Global	Europe	USA / Canada	Asia	Australia / NZ
Internet based payments	49%	52%	52%	46%	52%
Mobile transfers	40%	35%	40%	49%	34%
Mobile NFC payments	35%	46%	41%	24%	29%
Contactless cards	34%	47%	22%	13%	59%
Mobile SMS payments	30%	26%	34%	31%	27%
Prepaid cards	28%	29%	33%	25%	17%
Electronic bill payments	24%	17%	24%	37%	21%
International scheme debit cards	19%	18%	12%	22%	25%
Domestic debit cards	13%	7%	18%	20%	14%
Direct debit / direct credit / Giro / ACH	13%	14%	13%	14%	11%
Credit / charge cards	11%	7%	7%	20%	11%
Remittances	4%	1%	4%	13%	1%
Cash	2%	1%	1%	1%	1%
Cheques	0%	0%	0%	0%	0%

# The Internet as a payment channel is now perceived to be as important as the 'traditional' Point of Sale terminal – Mobile is also growing quickly



# Asia had the smallest differential when comparing the current importance of the Internet and Mobile channels for payment

■ 'Notably' higher than global average
 ■ 'Notably' lower than global average

Please score the *current* relative importance of these payment *channels* in your country?

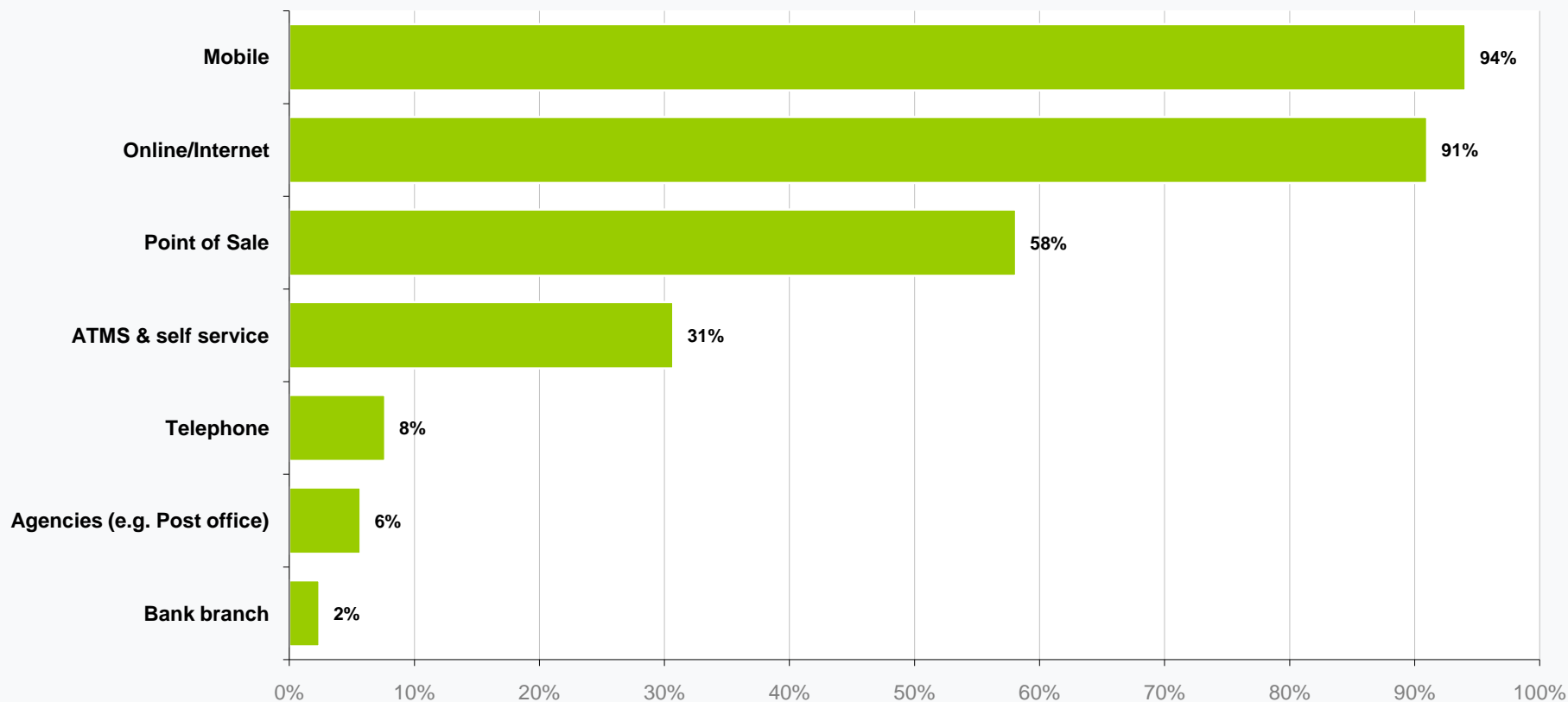
Channel	% Respondents who rated the product as 'important' or 'very important'				
	Global	Europe	USA / Canada	Asia	Australia / NZ
Point of Sale	91%	90%	93%	87%	94%
Online / Internet	84%	82%	93%	78%	88%
ATM & self service	74%	67%	66%	88%	83%
Mobile	48%	37%	55%	59%	43%
Bank branch	32%	27%	22%	55%	24%
Telephone	23%	21%	22%	22%	23%
Agencies (e.g. Post office)	18%	20%	6%	34%	15%

Given their current growth rates, the Mobile and Internet channels are expected to continue to grow in importance in the coming 5 years

**What are the 3 payment channels which will experience the greatest growth in importance in your country over the next 5 years?**

(Percent of Total Respondents)

**Global**



# The growth in importance of the Mobile channel was significant in all regions, and highest in USA / Canada

■ 'Notably' higher than global average
 ■ 'Notably' lower than global average

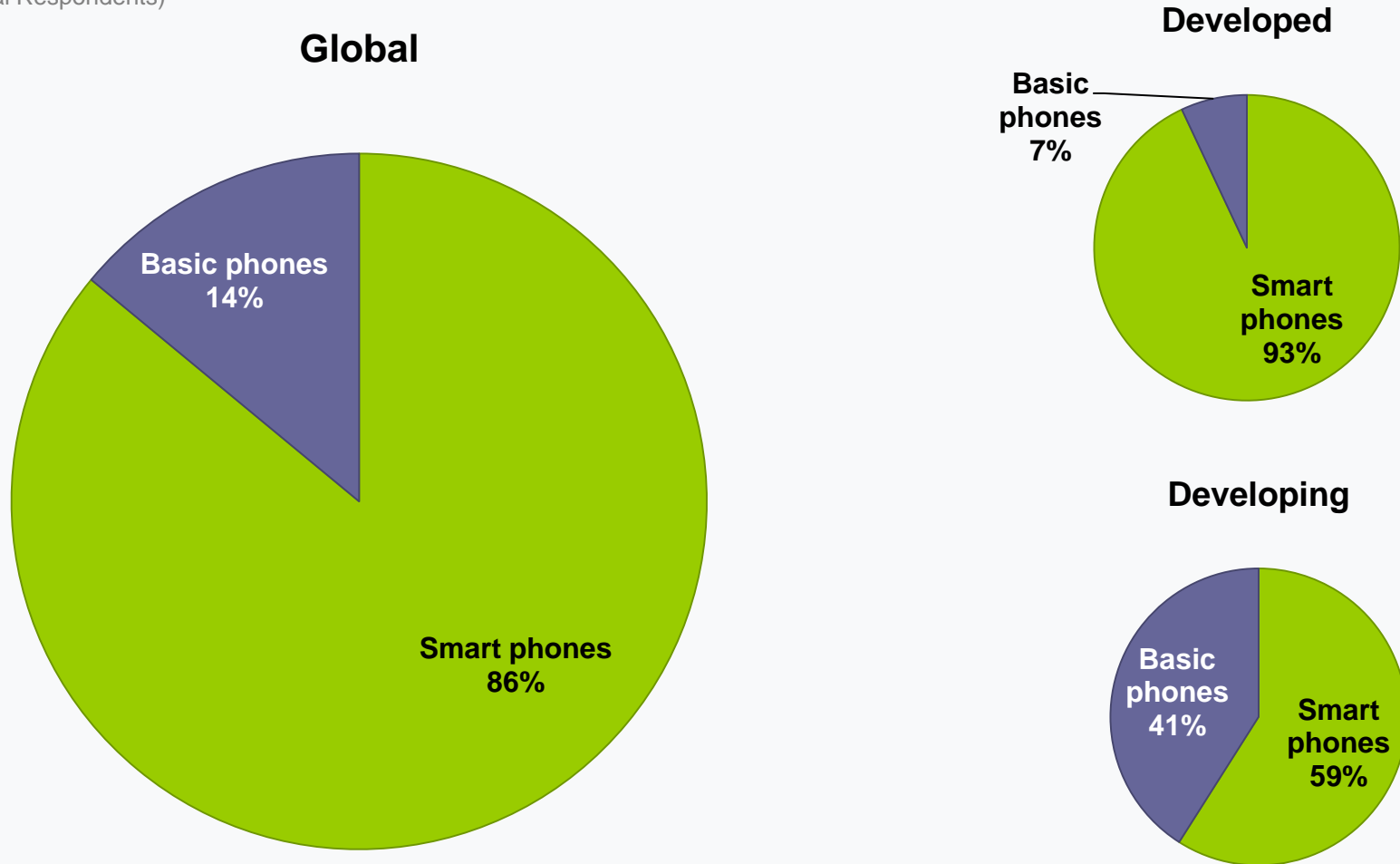
## What are the 3 payment channels which will experience the greatest growth in importance in your country over the next 5 years?

Channel	% Respondents who rated the product as 'important' or 'very important'				
	Global	Europe	USA / Canada	Asia	Australia / NZ
Mobile	94%	96%	98%	90%	95%
Online / Internet	91%	93%	92%	87%	92%
Point of Sale	58%	60%	60%	52%	58%
ATMs & self service	31%	23%	32%	45%	28%
Telephone	8%	8%	4%	5%	12%
Agencies (e.g. Post office)	6%	6%	2%	11%	4%
Bank branch	2%	0%	1%	5%	3%

Globally, smart phones will drive the growth in mobile, however basic phones will still play a key role in 'developing' payments markets

What are the mobile *channels* which will experience the *greatest growth in importance* in your country over the next 5 years?

(Percent of Total Respondents)

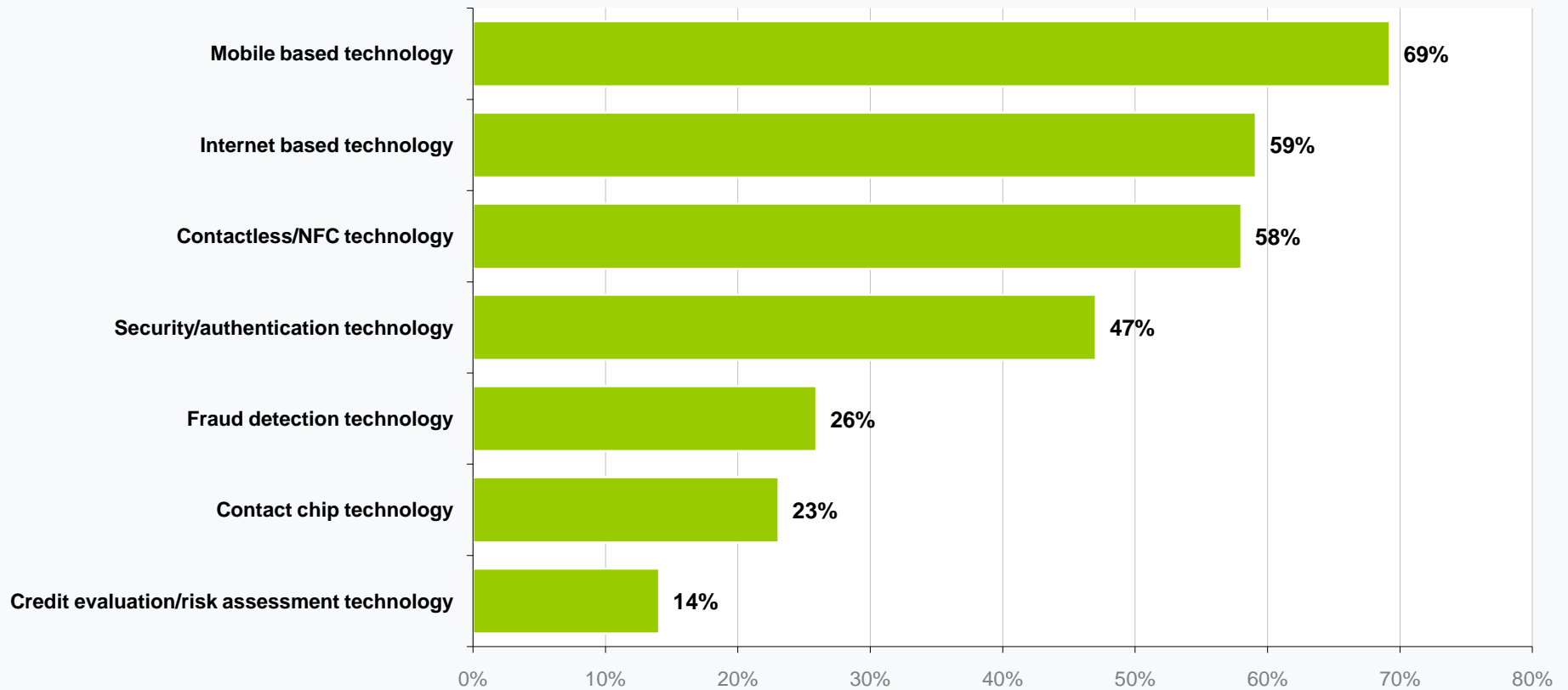


Given the expected future growth of Mobile as both a product and channel, it is not surprising that related technologies are also often mentioned

**Which 3 payment technologies will experience the greatest growth in importance in your country over the next 5 years?**

(Percent of Total Respondents)

**Global**



# Reflecting similar trends in payment products, the growth in importance of payment technologies also tends to vary significantly by region

■ 'Notably' higher than global average
 ■ 'Notably' lower than global average

## Which 3 payment technologies will experience the greatest growth in importance in your country over the next 5 years?

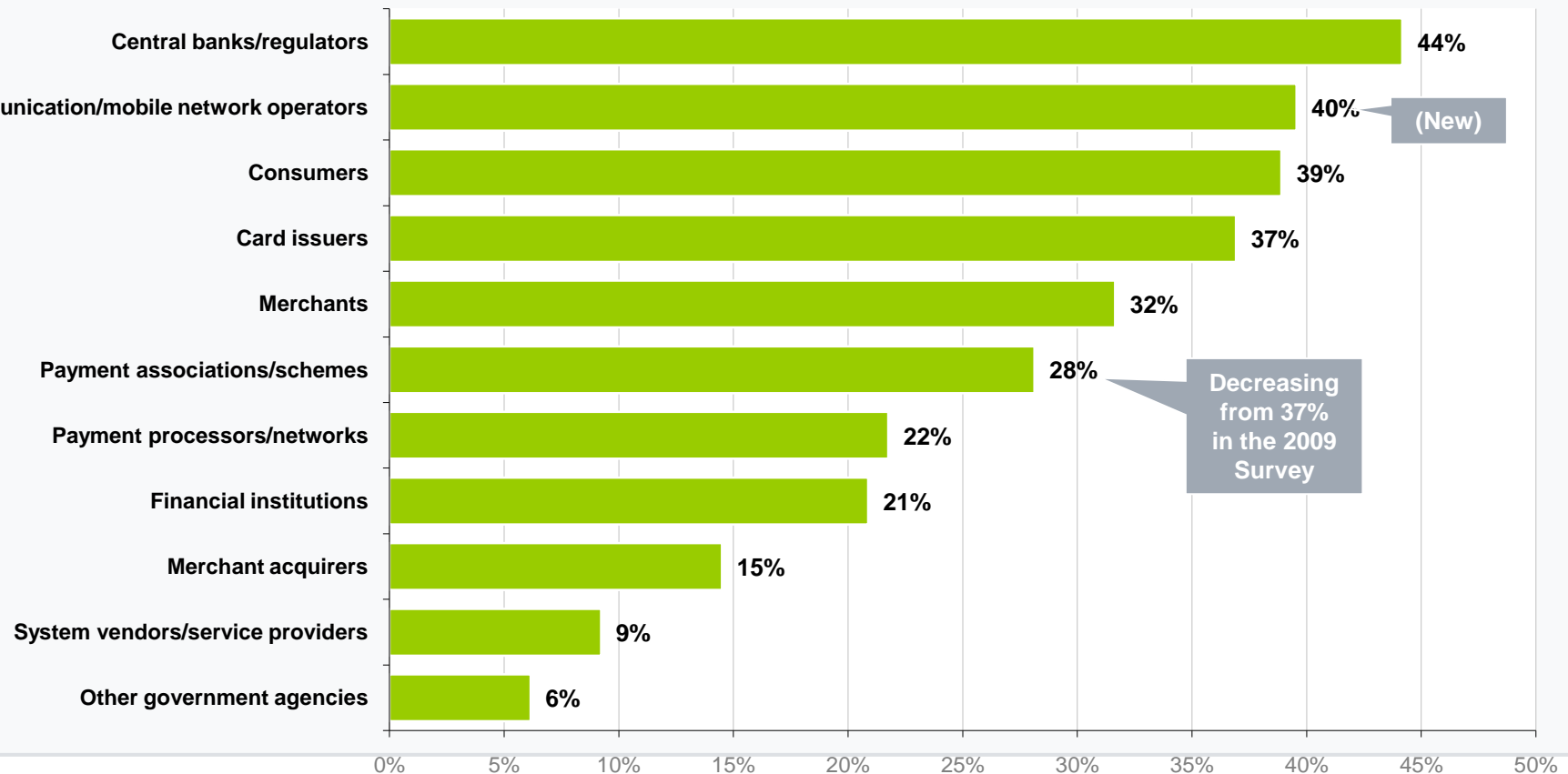
Payment Technology	% Respondents who rated the product as 'important' or 'very important'				
	Global	Europe	USA / Canada	Asia	Australia / NZ
Mobile based technology	69%	63%	79%	77%	58%
Internet based technology	59%	63%	45%	70%	57%
Contactless / NFC technology	58%	71%	53%	46%	66%
Security / authentication technology	47%	49%	50%	41%	47%
Fraud detection technology	26%	26%	33%	17%	24%
Contact chip technology	23%	14%	22%	24%	33%
Credit evaluation / risk assessment technology	14%	10%	13%	24%	8%

With the growth in Mobile, network operators are expected to play a key role, becoming more influential than card issuers and payment schemes....

### In 5 years time, who do you believe will be the 3 most influential market participants in your country?

(Percent of Total Respondents)

Global



# Having played a significant role in Australia & New Zealand, regulators in Asian markets are now expected to be influential over the next 5 years

■ 'Notably' higher than global average
 ■ 'Notably' lower than global average

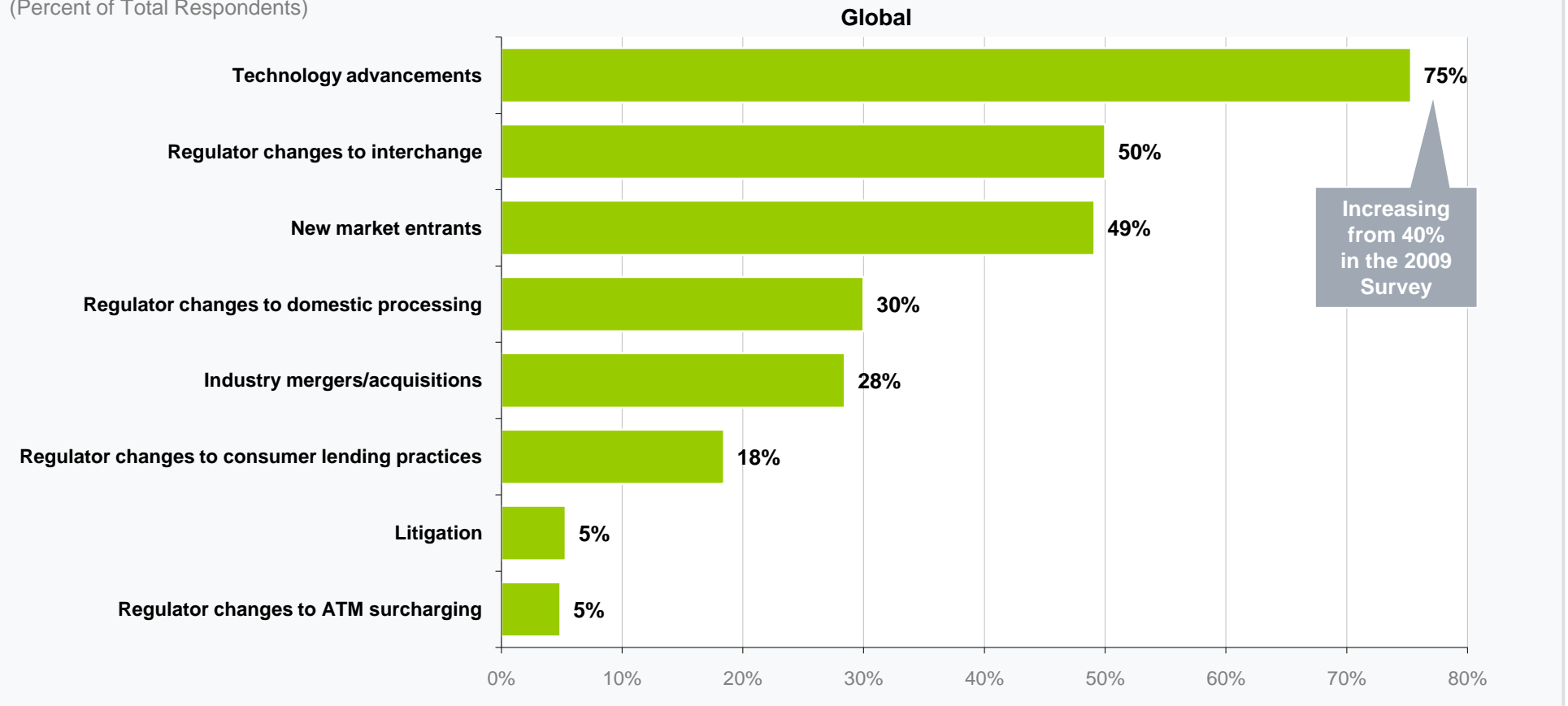
## In 5 years time, who do you believe will be the 3 most influential market participants in your country?

Market Participant	% Respondents who rated the product as 'important' or 'very important'				
	Global	Europe	USA / Canada	Asia	Australia / NZ
Central banks / regulators	44%	35%	37%	66%	43%
Telecommunication / mobile network operators	40%	41%	39%	56%	18%
Consumers	39%	38%	45%	37%	39%
Card issuers	37%	35%	36%	36%	41%
Merchants	32%	42%	38%	19%	27%
Payment associations / schemes	28%	27%	27%	17%	43%
Payment processors / networks	22%	25%	22%	30%	13%
Financial institutions	21%	20%	17%	31%	14%
Merchant acquirers	15%	19%	6%	15%	16%
System vendors / service providers	9%	10%	14%	5%	10%
Other government agencies	6%	5%	9%	6%	8%

# Payments professionals believe that technology advancements are going to be the key driver in shaping the immediate future of payments markets

## Which of the following events will have the greatest impact in shaping the payments market within your country over the next 3 years?

(Percent of Total Respondents)



# The differences in the ratings of expected impact of regulatory change highlights the focus of regulators in each of the markets

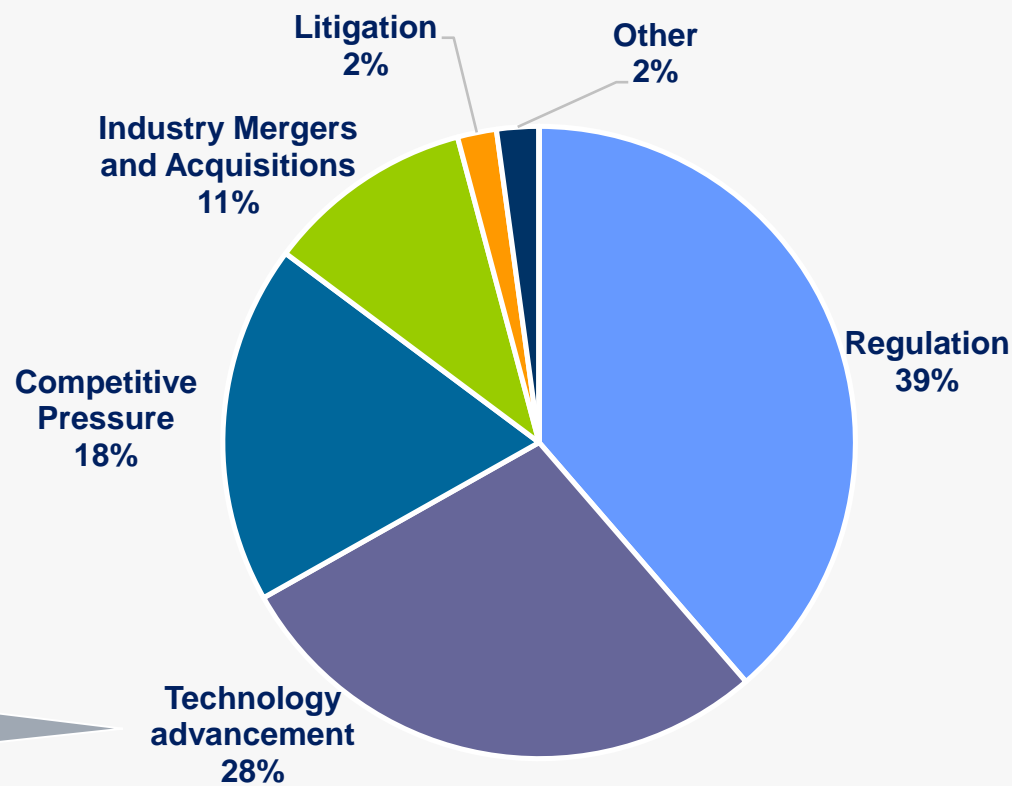
■ 'Notably' higher than global average
 ■ 'Notably' lower than global average

## Which of the following events will have the greatest impact in shaping the payments market within your country over the next 3 years?

Event	% Respondents who rated the product as 'important' or 'very important'				
	Global	Europe	USA / Canada	Asia	Australia / NZ
Technology advancements	75%	77%	69%	72%	84%
Regulator changes to interchange	50%	50%	64%	36%	46%
New market entrants	49%	57%	50%	52%	39%
Regulator changes to domestic processing	30%	20%	22%	53%	29%
Industry mergers / acquisitions	28%	36%	26%	24%	25%
Regulator changes to consumer lending practices	18%	15%	19%	20%	17%
Litigation	5%	4%	15%	0%	3%
Regulator changes to ATM surcharging	5%	5%	6%	7%	3%

Whilst regulation continues to be the most significant issue payments professionals are facing, the rapid advancement of technology in payments is now a key focus

What is the *single* most significant issue that you expect to face in your current organization over the next 3 years?



Increasing from 10% in the 2009 Survey

# Thank You

This presentation was prepared based on 2010 Global Payments Trends Survey conducted in September 2010.

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