

**Payment Platforms and Consumer Choice:  
Competing for Consumers' Mind**  
Chicago Federal Reserve Payments Conference  
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# Who Has the Power?

**“Perhaps nowhere else in banking do consumers have as much influence as they do on the retail payments sector”**

**Bank Systems & Technology**

## The Future?

- ❑ All cards on one chip- card number and type, expiration date, and some means of authenticating
- ❑ Cardless world- Biometrics tied to your payment accts
- ❑ Smart Cards- Card issuers now have smart credit cards that are "pre-approved" for a certain number of transactions and a certain amount of credit
- ❑ Electronic Purses- Smart card that actually stores money rather than account information

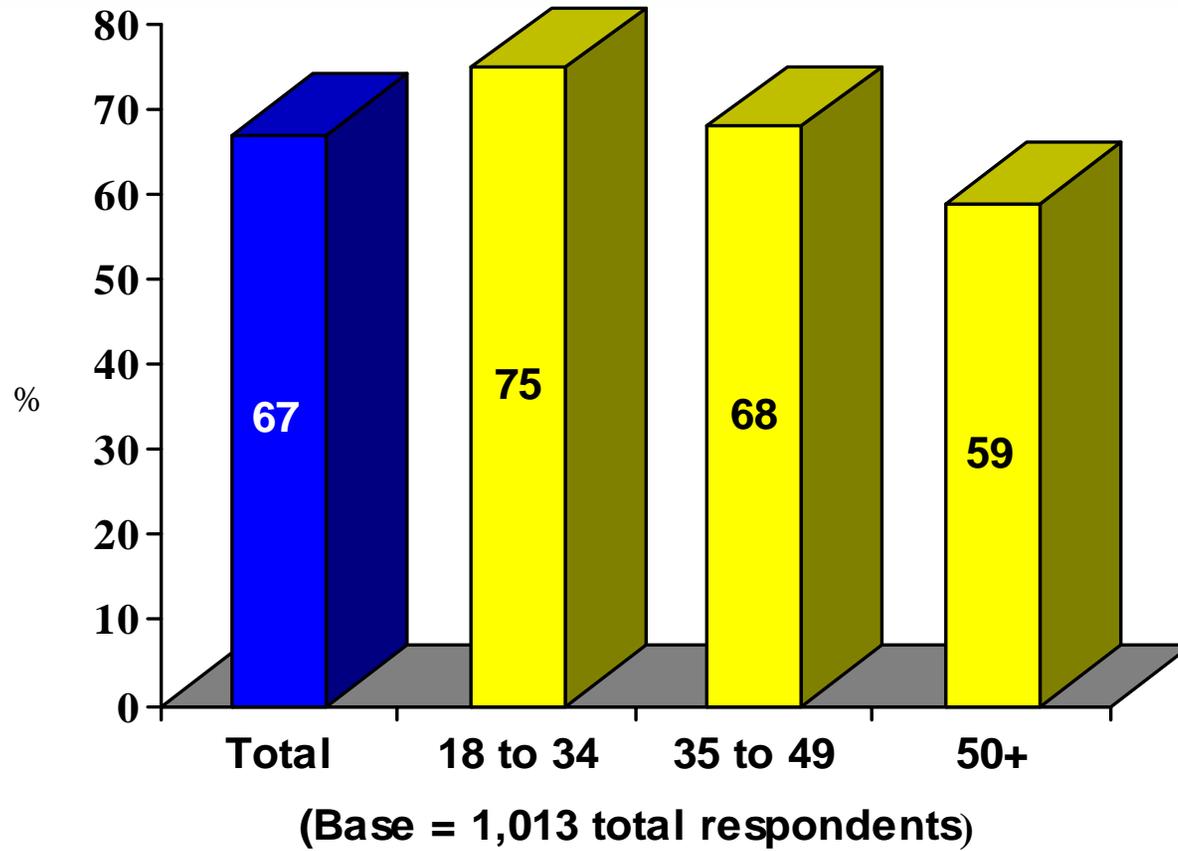
## Annual Number of Noncash Payments in 2000 and 2003

	2000 Estimate (billion)	2003 Estimate (billion)	CAGR*
<b>Noncash Payments</b>	<b>72.5</b>	<b>81.2</b>	<b>3.8%</b>
<b>Check</b>	<b>41.9</b>	<b>36.7</b>	<b>-4.3%</b>
<b>Credit Card</b>	<b>15.6</b>	<b>19.0</b>	<b>6.7%</b>
<b>ACH</b>	<b>6.2</b>	<b>9.1</b>	<b>13.4%</b>
<b>Offline Debit</b>	<b>5.3</b>	<b>10.3</b>	<b>24.9%</b>
<b>Online Debit</b>	<b>3.0</b>	<b>5.3</b>	<b>21.0%</b>
<b>EBT</b>	<b>0.5</b>	<b>0.8</b>	<b>15.4%</b>

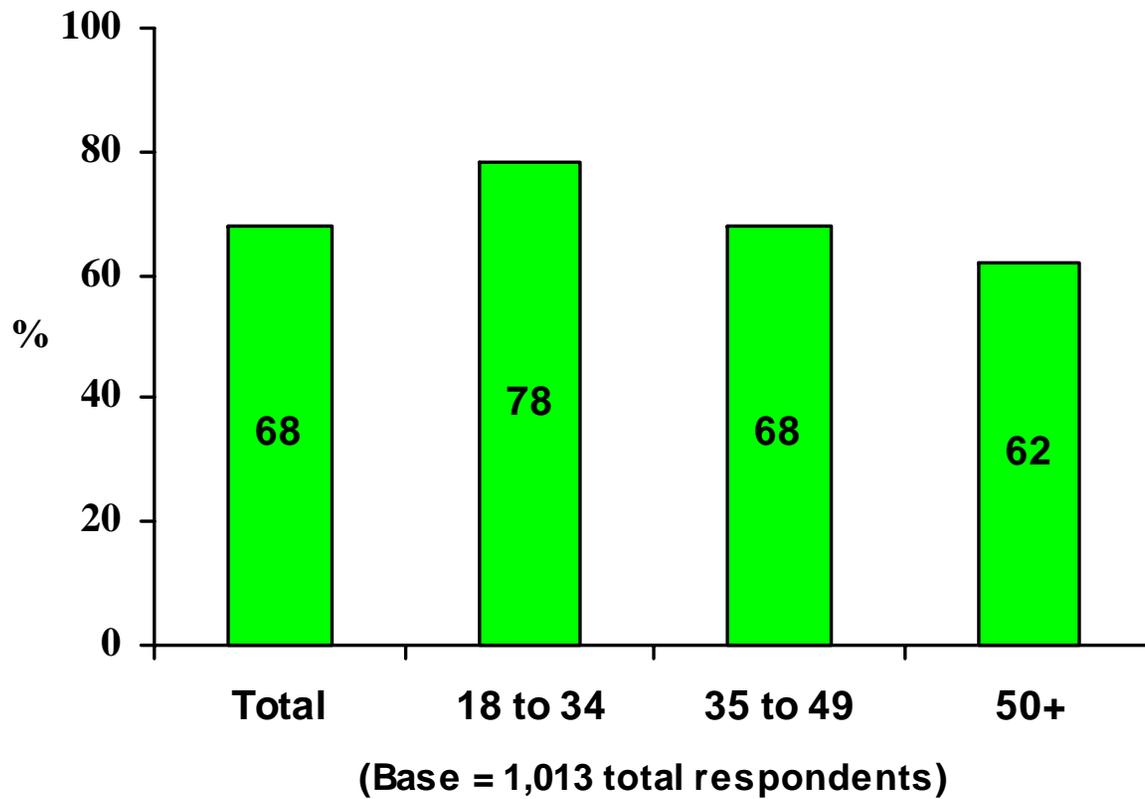
\*CAGR is the compound annual growth rate.

2004 Federal Reserve Payments Study

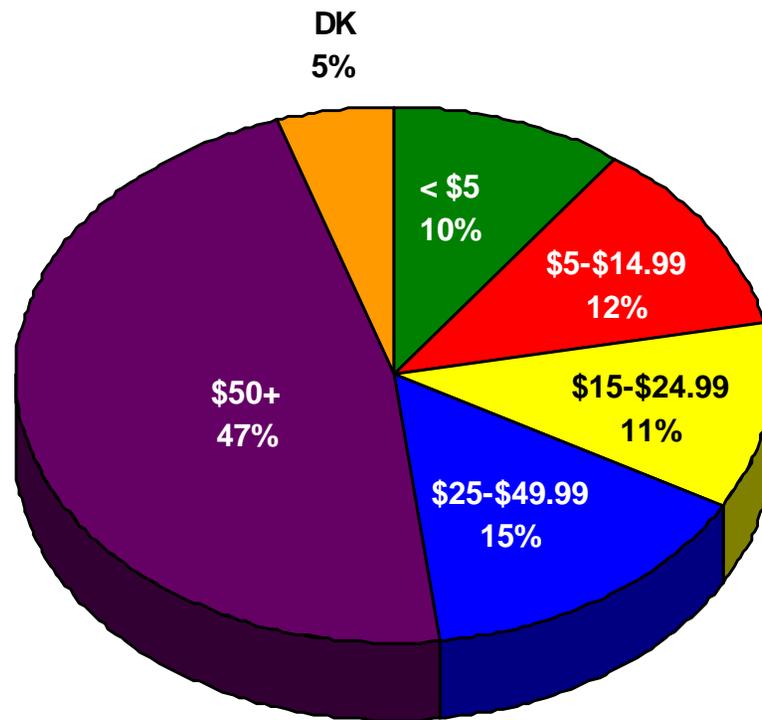
# Debit Card Usage by Age



# Online Bill Payment by Age

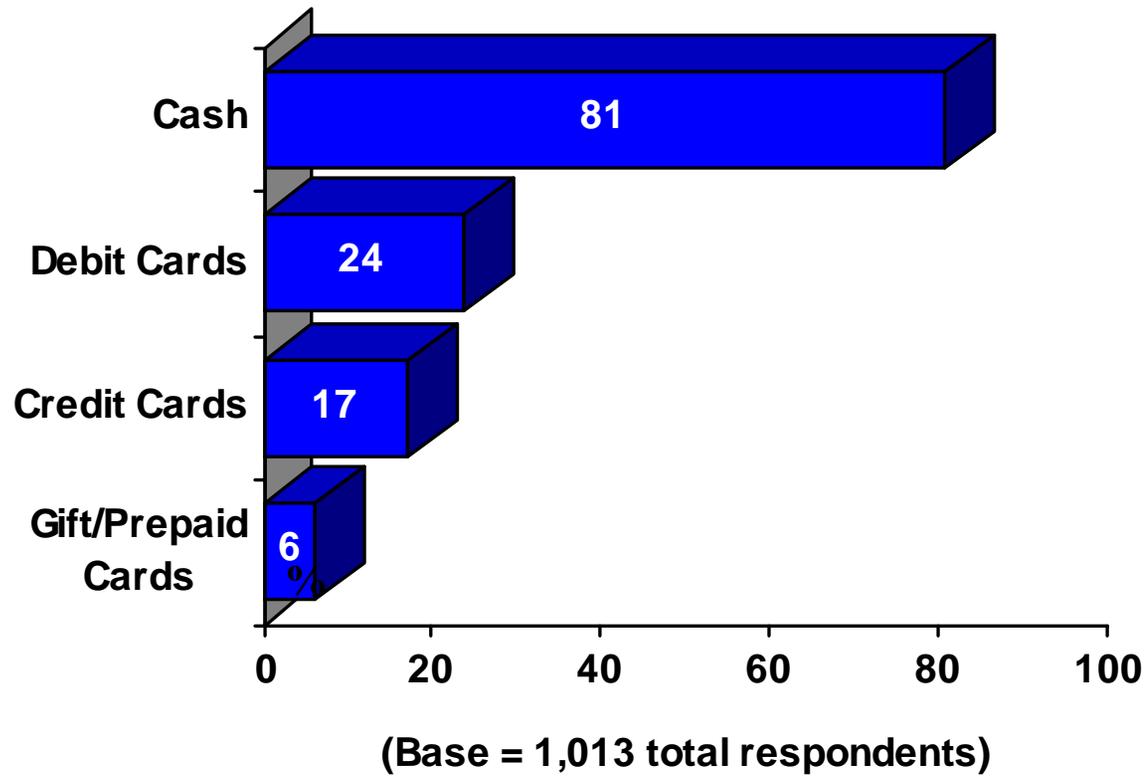


# Largest Purchase Amount to Use Cash

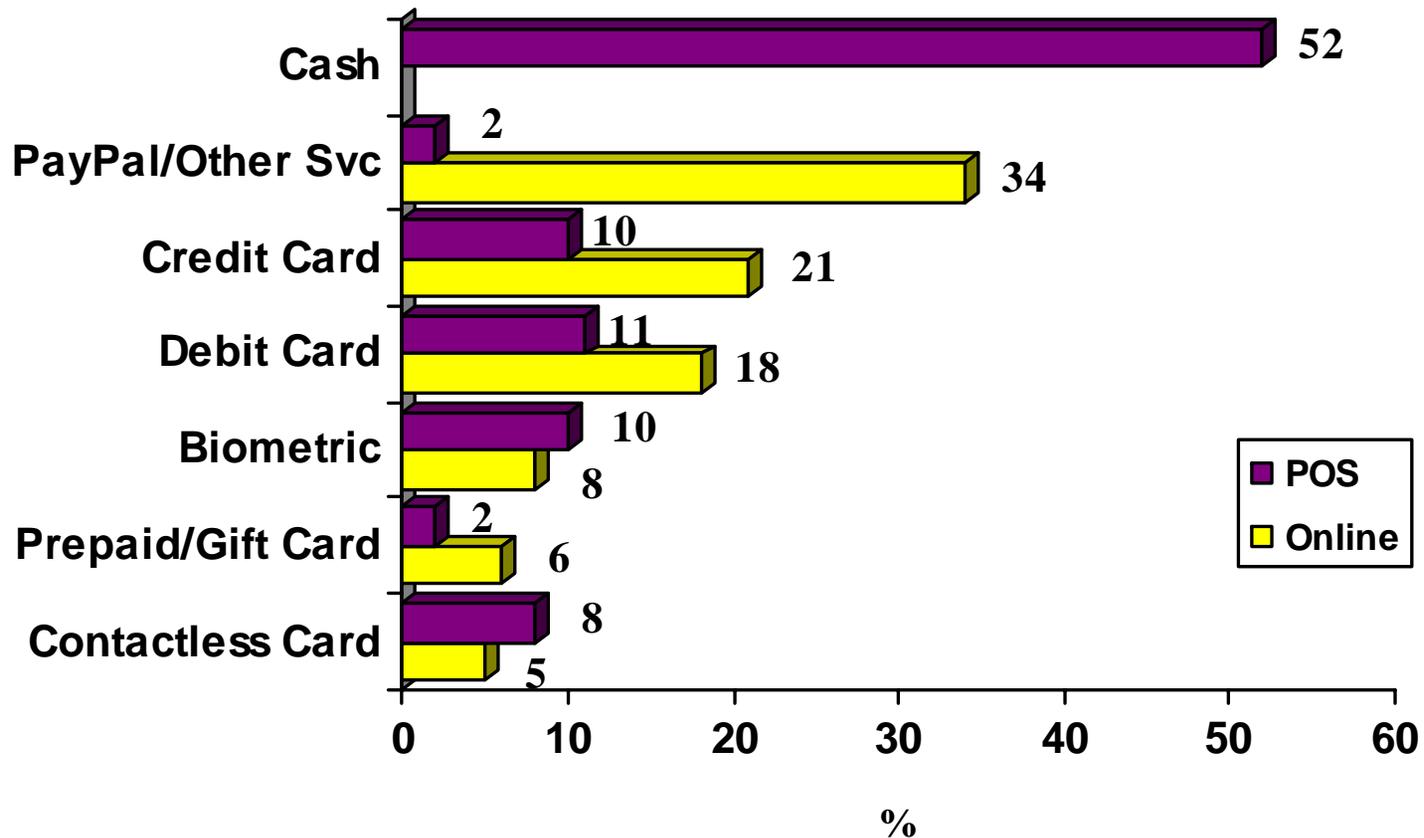


2006 Avg: \$19.43

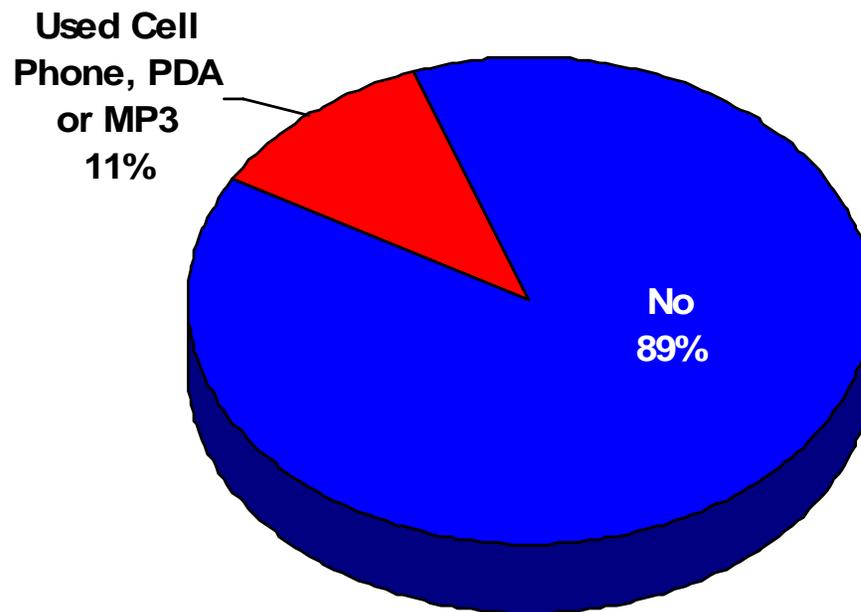
# Payment Methods for POS Purchase Under \$5



# Preferred Pymt. Method for Purchases Under \$5

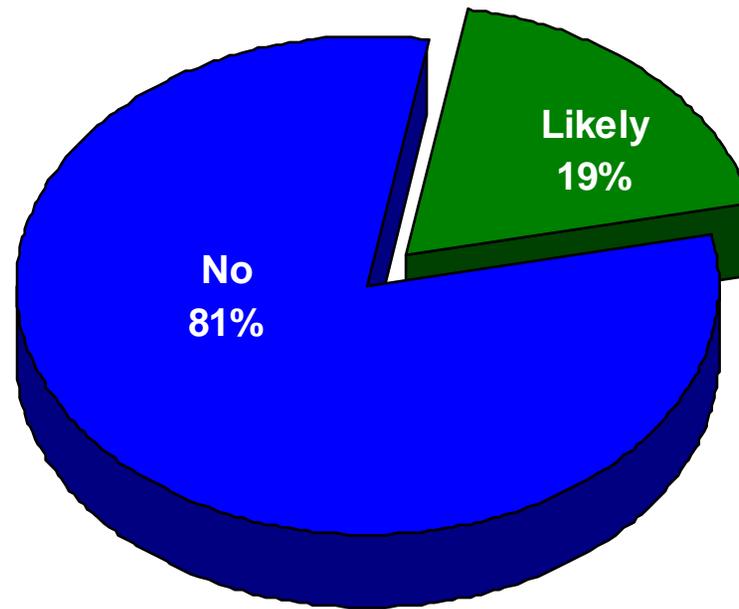


# Usage of Cell Phone, PDA, or MP3 for Financial Activities



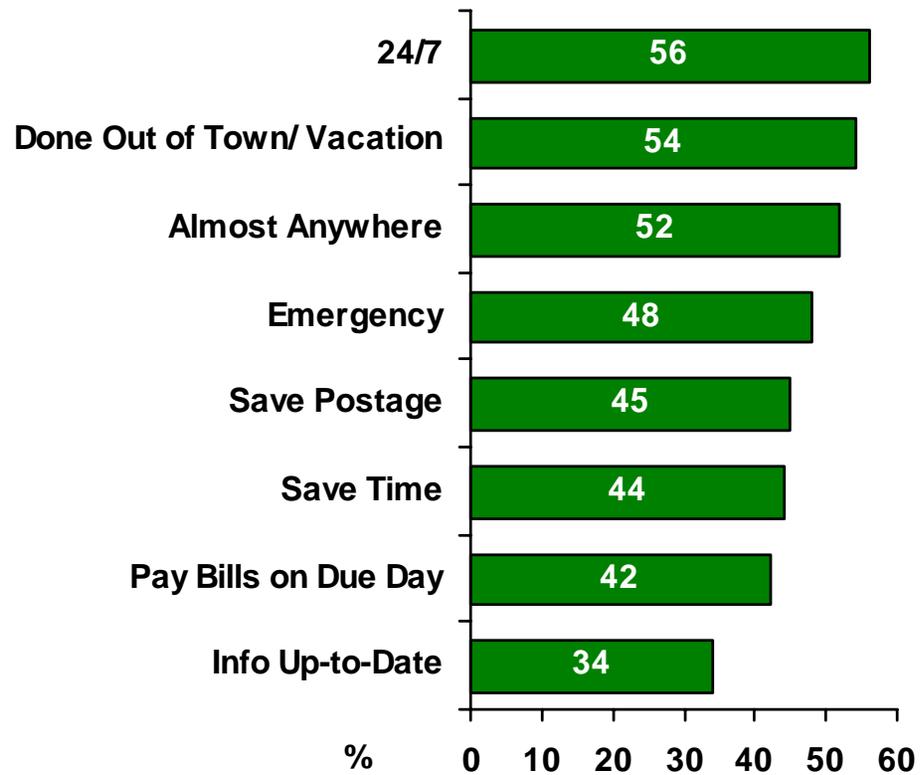
(Base = 1,013 total respondents)

## Likely to Use Cell Phone, PDA or MP3 for Financial Activities



(Base = 1,013 total respondents)

# Advantages of Using Wireless Devices for Financial Activities



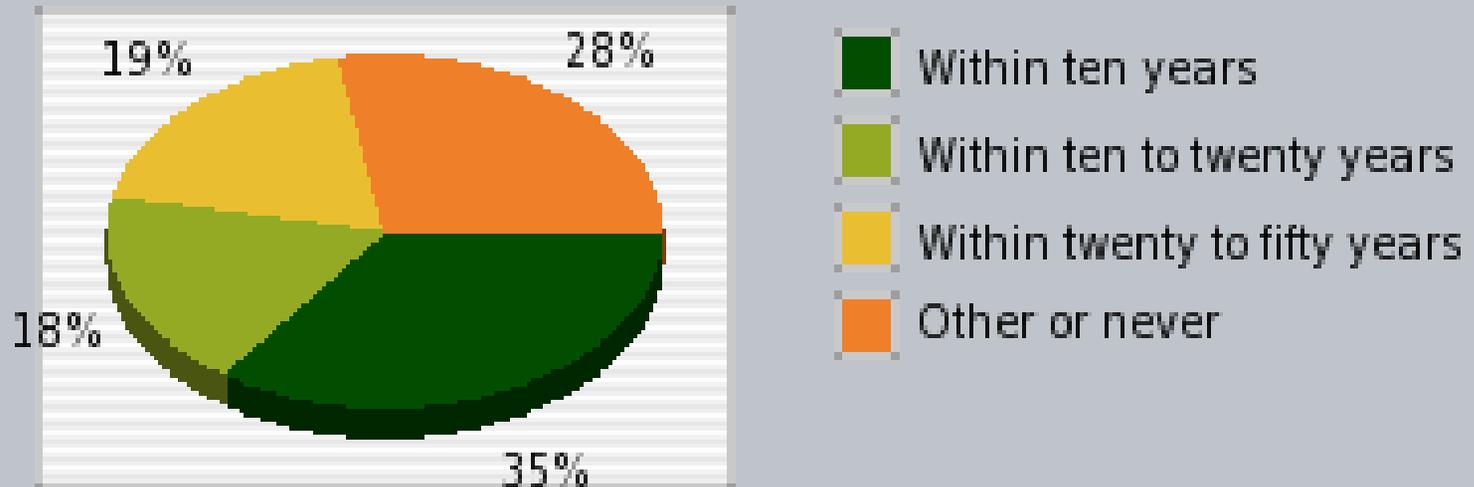
(Base = 1,013 total respondents)

# Mobile to Replace Cash & Plastic?

what  
japan  
thinks.com

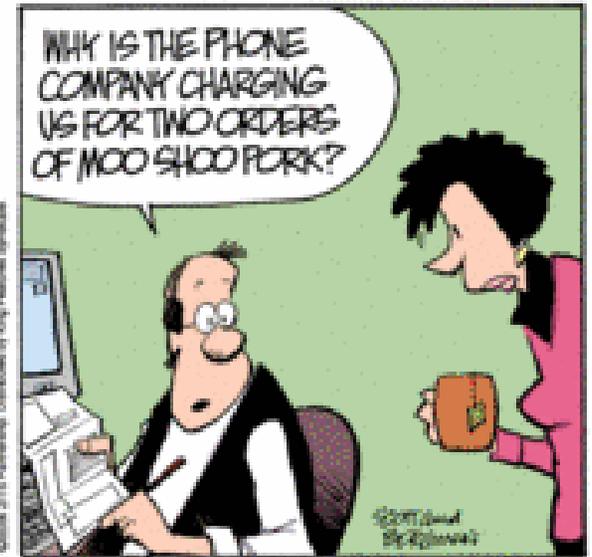
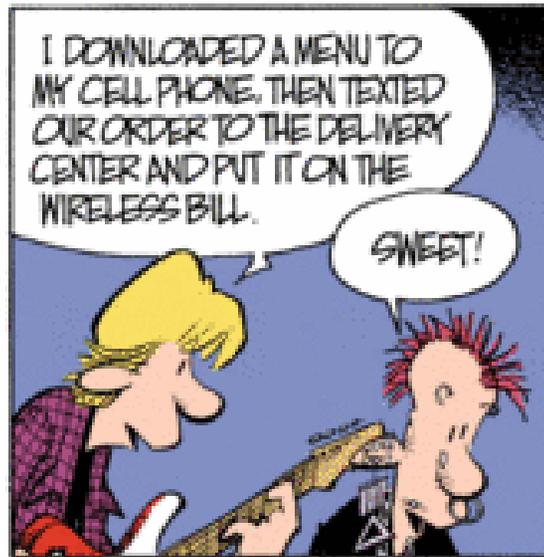


**When do you think wallets will become redundant?**



NTT DoCoMo 2006 study

# All consumers are not alike.....



Comic: Zits



# Predicting the Future is Risky

✓“I think there is a world market for perhaps 5 computers”

Thomas Watson, CHM of IBM, 1943

✓“There is no need for an individual to have a computer in his home”

Ken Olsen, President of DEC, 1977

✓“No one will need more than 637kb of memory for a personal computer. 640k ought to be enough for anybody”

Bill Gates, founder of Microsoft, 1981

✓“Heavier than air flying machines are impossible”

Lord Kelvin, British mathematician & physicist, 1895

✓“Radio has no future”

Lord Kelvin, British mathematician & physicist, 1895



# Conclusion

- **The Consumer is king! They determine the winners**
- **To increase success of a payment method.....tell them what's in it for them**
- **It is always nice to ask**

