Payment Platforms and Consumer Choice: Competing for Consumers’ Mind
Chicago Federal Reserve Payments Conference
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“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

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

*CAGR is the compound annual growth rate.

2004 Federal Reserve Payments Study
Debit Card Usage by Age

(Base = 1,013 total respondents)
Online Bill Payment by Age

(Base = 1,013 total respondents)
Largest Purchase Amount to Use Cash

2006 Avg: $19.43
Payment Methods for POS Purchase Under $5

(Base = 1,013 total respondents)
Preferred Pymt. Method for Purchases Under $5

- Cash: 52%
- PayPal/Other Svc: 10%
- Credit Card: 21%
- Debit Card: 18%
- Biometric: 10%
- Prepaid/Gift Card: 6%
- Contactless Card: 8%

POS
Online
Usage of Cell Phone, PDA, or MP3 for Financial Activities

No 89%

Used Cell Phone, PDA or MP3 11%

(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

- 24/7: 56%
- Done Out of Town/Vacation: 54%
- Almost Anywhere: 52%
- Emergency: 48%
- Save Postage: 45%
- Save Time: 44%
- Pay Bills on Due Day: 42%
- Info Up-to-Date: 34%

(Base = 1,013 total respondents)
Mobile to Replace Cash & Plastic?

When do you think wallets will become redundant?

- 28%: Within ten years
- 19%: Within ten to twenty years
- 18%: Within twenty to fifty years
- 35%: Other or never

NTT DoCoMo 2006 study
All consumers are not alike.....

DONE!

I downloaded a menu to my cell phone, then texted our order to the delivery center and put it on the wireless bill.

SWEET!

WHY IS THE PHONE COMPANY CHARGING US FOR TWO ORDERS OF MOC SHOO PORK?

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