Citation for published version

Laker, B. (2018) Cashless payments may be on the up, but cash is still king when it comes to the consumer. City A.M. (2204). p. 2.

DOI

Cashless payments may be on the up, but cash is still king when it comes to the consumer

MANY ECONOMISTS believe the world will someday be cashless. They point to India, which recently banned notes with lower denominations. So how long before the UK follows suit, asks Henley Business School Professor Dr Benjamin Laker.

Consumers are embracing a wide array of payment options in today's increasingly complex marketplaces. Cryptocurrency evangelists believe cash is a relic of the past but Mark Ridley, partner at global advisory firm Transform Performance International, believes that cash is "a symbol of the nation state. It will always be king."

He's right. Contrary to widely held beliefs cash is not dying out, despite the increasing use of mobile phones and contactless payment for purchases. The Bank for International Settlements said in its latest report that the amount of cash in circulation rose from 7 per cent of global GDP in 2000 to 9 per cent in 2016.

A cashless society therefore remains an elusive myth – both today and for the foreseeable future, with 79 per cent of US consumers in Cardtronics' recent research claiming that they can't imagine a world without cash. A full 83 per cent of respondents said they would miss cash if it went away, and 85 per cent believe cash will never go out of style. And while digital and mobile payment adoption is rising, a moderate pace of adoption indicates that consumers are complementing the use of cards and cash rather than replacing them large-scale.

"A cashless society therefore remains an elusive myth – both today and for the foreseeable future"

"Cash is often in the media spotlight," said the Bank of England in a recent white paper. "While some predict its impending demise, most people continue to use banknotes in their day-to-day lives. Over the next few years, consumers are likely to use cash for a smaller proportion of the payments they make, but cash is not likely to die out and aggregate demand for banknotes is increasing."

In research conducted by the US Federal Reserve Board in 2015, 32 per cent of all consumer transactions were made with cash, compared to 40 per cent in 2012. Growing consumer comfort with payment cards and the growth of online commerce, among other factors, contribute to this trend. Nonetheless, a broad range of results suggests that cash remains resilient and continues to play a key and unique role for consumers.

Cash still dominates person-to-person payments by 79 per cent. In specific scenarios, such as dining out, 55 per cent of consumers (including 47 per cent of millennials) still prefer to split the bill with cash. A separate study by the Federal Reserve Bank of San Francisco reached similar conclusions...

- Cash continues to be the most frequently used consumer payment instrument.
- Cash is widely used in a variety of circumstances
- Cash dominates small-value transactions

The third point is particularly troublesome for those pushing digital payments. Consumers see cash as the most convenient and efficient method for making small purchases – they feel it isn't worth the "hassle" to take all the steps necessary to make a digital payment when they can just slap a note on the counter. For consumers to embrace digital payments, they not only need to be as fast and as simple as cash, but must be perceived as such. Until this happens, cash will remain king. It isn't going away. Not now, nor anytime soon.

INDUSTRY VIEW
@DrBenLaker
www.transformperformance.com