

## E-COMMERCE

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**13% pa growth in the MINTEL E-Banking Index\* sees consumers embrace E-Banking, not to bank, but for \$11,500 pa cash purse from E-Banking coffers**

### PRESS RELEASE

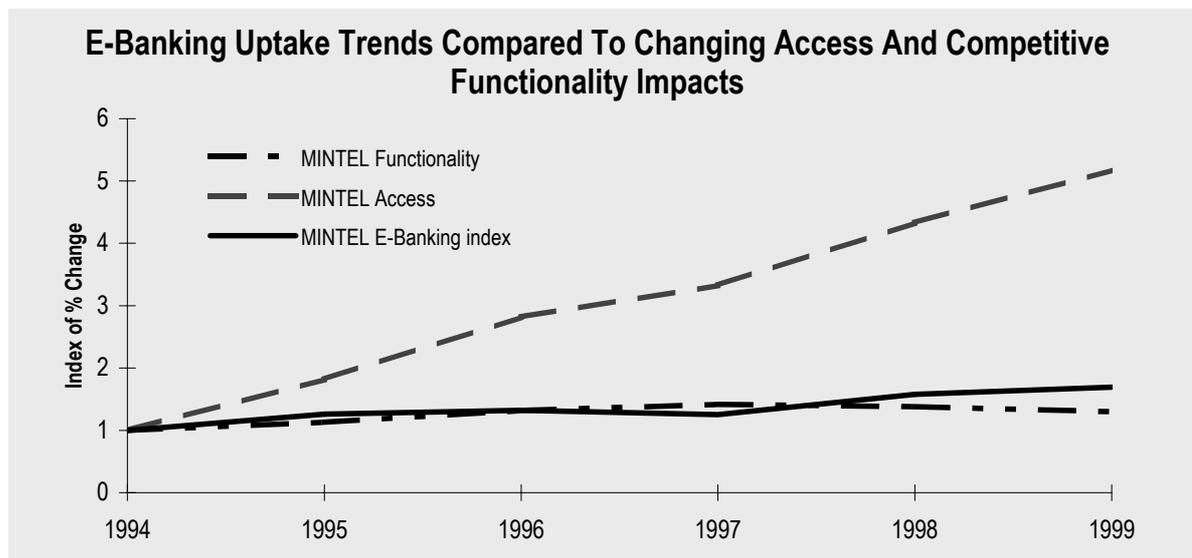
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## 13% pa growth in the MINTEL E-Banking Index\* sees consumers embrace E-Banking, not to bank, but for \$11,500 pa cash purse from E-Banking coffers

While Banks and Financial Institutions continue to close branches in an effort to drive consumers towards remote and E-Banking options, MINTEL's just released E-Banking research study reveals that a 13% growth in all E-Banking transaction uptake (measured by the unique MINTEL E-Banking Index) occurs largely because households take a \$11,500 cash purse from E-Banking coffers each year. This represents 62% of the value of all E-Banking transactions. MINTEL says that this \$81 billion of E-Banking cash come from cash EFTPOS transactions while shopping, withdrawals from ATMs, via the Internet (from E-Wallets eg St. George), from Australia Post or even giroPost. Such cash transactions compare to many other E-Banking channels now on offer which include: Bpay, account enquires, PC transaction transfers, direct debits, PC enquires and telephone banking.



Note: 1994 used as base year for index of % change

\*1) **E-Banking Index:** The MINTEL 'E-Banking Index' is a weighted measure of up take of E-Banking facilities, by assessing four indicative concepts, namely: The trend in depositors funds from traditional banking accounts, to those allowing access to E-Banking channels; The accessibility of E-Banking Facilities to customers; The value of E-Banking transactions; The perceived value versus cost of E-Banking function

**Functionality Ratio:** Level of E-Banking function cannibalisation of traditional banking products

**Access:** Total site distribution increase accounting for population and retailer co-efficients

**Source:** MINTEL Electronic Banking Research Programme 2000



Each day more than 1.7 million Australians, with or without knowing it, will have an E-Banking experience, be it at a shopping centre, in a taxi, at an ATM, on the internet, in a post office, over the telephone or even unknowingly<sup>1</sup> via some automated preset transaction. MINTEL says that E-Banking in its numerous forms now captures 130 billion dollars.

### Cash is King / The Cash Transactional Share

	Valt (million:
Total Cash Experiences	81,115
Other E-Banking Experiences (incl. Bill Pay)	48,662
Total all Experiences	129,777
<b>Cash out % Share</b>	<b>62.5%</b>
<b>Value per Household of Cash Experience</b>	<b>\$11,497</b>

Source: MINTEL Electronic Banking Research Programme 2000

MINTEL's milestone research program, which for the first time includes a collective study of all 13 different E-Banking channels and their dozen functions. It suggests that Banking institutions have been relatively unsuccessful in communicating the benefits of all electronic banking options (not just cash) and overcoming consumer concerns about security and costs. The research suggests that the over-the-counter functions the banks have sought to replace with electronic options, for example bill paying, account transfers and cheque deposits, have not been embraced by consumers as overwhelmingly as expected and that growth in uptake\* is not as fast as other statistics suggest. Despite growth rates of 13% in total electronic uptake, more than half of these result from one function which MINTEL acknowledges may well reflect the still formative and evolving state of the market.

The quasi E-Banking consumer still prefers, it seems, to handle other banking and payment transactions personally, but will readily embrace the cash convenience the industry has offered them through more than 320,000 dispensing sites.

MINTEL's cost analysis shows that electronic cash transactions by various methods will generally cost from \$0.12 to \$1.24 (maximum charges of \$2.00 might be paid by those less wary consumers). A typical multi-activity E-Banking experience, by comparison, including other non-cash styled E-Banking activity will accrue costs of \$1.11.

<sup>1</sup> MINTEL categorises E-Banking functions into visible and invisible, the latter often passing unnoticed

## The Electronic 'Experience' (Visible & Invisible) Selected Transaction Types and Indicative Costs and Charges

	Adjusted Consumer Indicative* Costs (not actual charge)	Common Maximum Charge (not adjusted)
<b>ELECTRONIC CASH EXPERIENCE</b>		
ATM Transaction Own	\$0.12	\$1.00
ATM Transaction Other	\$1.24	\$2.00
GiroPost Transaction	\$1.18	\$1.60
Eftpos Transaction	\$0.13	\$1.00
<b>OTHER ELECTRONIC EXPERIENCE</b>		
Internet Transaction	\$0.02	\$0.11
Telephone Transaction	\$0.02	\$0.07
Telephone Enquiry	ns	\$0.01
ATM Enquiry Own	ns	\$1.00
ATM Enquiry Other	\$0.64	\$2.00
PC Link Transaction & Enquiry	\$0.12	\$0.50
Direct Debit	\$0.18	na
<b>MOST LIKELY EXPERIENCE SET**</b>	<b>\$1.11</b>	

Note: \* Indicative cost reflects usage incidence and impact of free transaction use

\*\* Includes single transaction of: EFTPOS cash out, ATM Transaction Own, Telephone Transaction, Telephone Enquiry, ATM Enquiry Other, Direct Debit, Internet transaction

ns - Not significant due to free transaction impacts

Source: MINTEL Electronic Banking Research Programme 2000

MINTEL argues that the lack of other function acceptance relates not only to cost, but to empowerment and trust. MINTEL's consumer research indicates that empowerment increases, in a less personal banking environment, as personal interaction and apparent control is gradually discouraged. MINTEL has measured consumer banking behavioural characteristics and believes new technology will maintain current trends unless vendors penalise consumers for paying cash (unthinkable in the past, but a reality in some institutions already, says MINTEL). MINTEL suggests that consumers want to recapture lost feelings of empowerment and see the function they favour the most, electronic cash, as providing that need. MINTEL acknowledges that the imposition of debit taxes which have discouraged cheque use may also have contributed. MINTEL identifies various horizon technologies that may perpetuate this trend, such as wrist watch activated ATMs that make it easier to draw cash from ATMs and as new ATMs, cash cheques and cash machines are located in hotels and restaurants. Furthermore, as mobile EFTPOS expansion continues, new EFTPOS technology provides personalised reloads of smart cards, and Cybercash becomes a closer reality, other mechanisms will further support the demand. The MINTEL Global E-Banking Horizon Trace picks 10 of the most likely new technologies to impact in Australia.

## New Technologies That Will Impact Upon Cash Withdrawal As The Primary Electronic Function

Year	Region	Product Development	Predicted Impact on Cash Electronic Function Demand
1998	Asia-Pacific	M.Bracelet - ATM accessed from customer information stored in wristwatch	Convenience & Novelty
1999	Australia	World's smallest portable Eftpos unit - combining mobile phone, printer and EFTPOS unit	More accessible, Service Industry implications
1998	Australia	Mini ATMs designed for off site high traffic volume areas (e.g. supermarkets)	Convenience "The One Stop Shop"
1997	Australia	St George eCash launched as an alternative to credit card purchases over the internet	Offers added convenience
1998	USA	Enhanced ATM function (e.g. coin facility, instant cheque cashing, mini-statements, split deposits)	Convenience due to increased functionality
1998	Australia	Telstra trials Smart Adelaide City Card	Offers low-value purchases to users
1998	Australia	NAB introduce Enhanced Function Flexitellers with Ministatement	Easier access
1999	Australia	Cable & Wireless Optus introduce Health Solutions Network (HealthPoint) enabling instant insurance claims & EFTPOS gap payments	Expands cash bill payment
1999	Australia	ANZ and ERG announce the development of CardCo smart cards with multiple-applications	Cash replacement
1999	Australia	Keycorp develop technology to enable user-programmable smart cards called Privacy Host	Cash substitute
1999	Australia	CBA and Woolworths introduce a combined debit/credit card and savings account	Increases purchasing potential
1998	USA	Cellular digital packet data solution for wireless ATMs.	Enabling mobile-Banking fleets which are cheaper to run
1999	Australia	St George & Fujitsu planned launch multiple smart card trails in closed environments	Cash substitute options offer one benefit
1998	Europe	Eurogiro - Affords ability to send money worldwide in almost real time	Decrease use of travel cheques and drafts
1999	Australia	Westpac upgraded functionality of ATM Network	Easier cash access

**New Technologies That Will Impact Upon Cash Withdrawal  
As The Primary Electronic Function (Cont.)**

Year	Region	Product Development	Predicted Impact on Cash Electronic Function Demand
1998	USA	Gooitech - Wireless mobile ATM fleets	Provides greater remote access
1999	Australia	Cable & Wireless Optus incorporate e-commerce capabilities into their OptusHome Internet Service	Offers added convenience
1998	Europe	Logica, De La Reu and Motorola develop mobile phone that can download cash onto a smartcard	Smart card provides alternative to cash
1998	USA	Cybercash development - Consumers use digital wallets, as Banks set up electronic cash registers at billers Internet sites	Expands Internet cash payment facility
1999	Australia	Logica develops mobile e-commerce phones which can be used as mobile ATMs	Expands site network
1998	Japan	Portable ATM's with reloadable smart cards provisioning	Substitutes cash withdrawals
1997	Australia	Telstra launched Surelink online a high security portal internet shopping site	Potential wallet
1998	France	Cartes Bancars - EMV compliant chip load with electronic first payment	Cash substitute increases Internet use
1999	Europe	Logica develops m-Commerce server that allows Visa cash download	This back end solution provides an ATM in the hand
1999	Australia	Coles Myers in-store banking kiosks	Cash accessibility due to pedestrian volumes

**Source: MINTEL Electronic Banking Research Programme 1998/99**

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