



# **Towards a Cashless Society**

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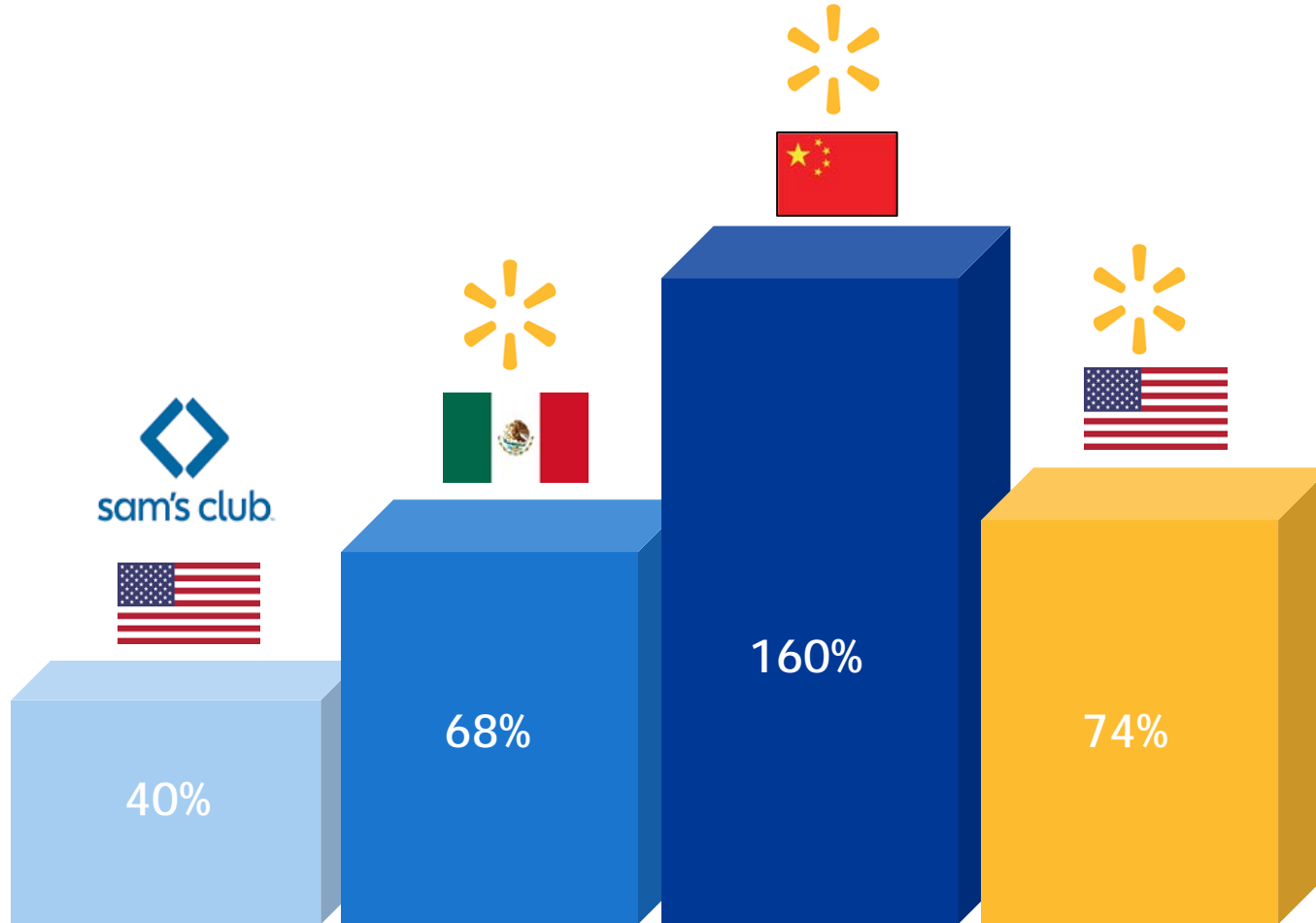
June 10, 2020

# COVID-19 has accelerated channel and tender shift



**IN Q1, WALMART CUSTOMERS HAD A GREATER LEVEL OF STOCK-UP ACTIVITY, WITH E-COMMERCE DEMAND ACCELERATING**

**... AND NEW / EXPANDED SERVICES REQUIRING CASHLESS TENDERS**



**Growth in e-Commerce, Q1 FY21**

## New or Expanded Services

- ✓ Express Delivery (US)
- ✓ Ship from Store (US)
- ✓ Same-Day Delivery (Mexico)
- ✓ Pickup (China)
- ✓ Scan & Go (UK)
- ✓ Online grocery capacity (UK)
- ✓ Touchless grocery delivery (Canada)

# Example of Impact Long Settlement Timeframe



Every morning I purchase one can of coffee from the convenience store outside my apartment



WHEN I PAY WITH CASH...

- Convenience store receives payment at the time of purchase and can use those funds to purchase more inventory and cover other operating costs

## June 2020

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

# Example of Impact Long Settlement Timeframe



Every morning I purchase one can of coffee from the convenience store outside my apartment



## WHEN I PAY WITH CREDIT CARDS...

- Convenience store does not receive first payment for up to 30 days
  - First half of June sales are paid on July 1
  - Second half of June sales are paid on July 15
- Convenience store must have sufficient capital to pay for 15 - 30 days of inventory and operating costs

In addition to this delayed settlement, Japanese merchants already pay one of the highest MDR fees in the world

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28	29	30	July 1		July 15	

## UNINTENDED IMPACTS OF CASHLESS PAYMENTS...

- **MERCHANT IMPACT:** Moving tens of millions of Japanese consumers to cashless payments will increase the capital requirements on merchants creating a burden to fund inventory and operating costs
- **CONSUMER IMPACT:** Consumers will pay higher prices as merchants are forced to raise prices in order to create and pay for more capital
- **OPPORTUNITY:** Accelerating the settlement of electronic payments would be an instant stimulus for merchants with no cost to the Japanese government

# Summary



- Countries benefit from a stable, secure and efficient payments system
- Electronic payments offers many potential benefits to banks, merchants and consumers
- Despite these benefits, the expense of electronic payments must be addressed in order to support merchant adoption.
- The settlement timeframe of electronic payments in Japan far exceeds the rest of the world and places higher capital requirements on Japanese.
- As adoption of electronic payments grows, failure to address the higher fees and slower settlement timeframes will raise merchant operating costs and ultimately increase consumer prices.