

# Why cash is so popular

**Keith Blogg** looks at recent statistics and finds a marked contrast between those who prefer cash and credit card borrowers with mountains of debts.



Cash or plastic? As the credit and debit card industry stridently predicts the end of payment by banknotes, people around the world are obstinately sticking with the folding stuff.

It is a phenomenon which is as true in China as in the United States; as significant in the Gulf as in the European Union.

King Cash, the rustling, satisfying, honest bankroll which is exactly what it looks like – real money – still reigns in our hearts and in our wallets.

In the Philippines, ATM transactions in one day nudged the million mark for the first time during December 2007.

The phenomenal growth of ATMs in the tiger economies of Asia underlines the fact that preference for banknotes is not confined to the West. For example, in China and India, ATM percentage growth has hit double digits for each of the past five years. And the peak has not been reached.

By 2010 it is predicted that the number of ATMs in the two countries will have risen from 125,000 in 2006 to 350,000, pumping banknotes into the eager hands of millions more people.

Such is the demand that in the United Arab Emirates (UAE) the first specially designed ATMs for people in wheelchairs have been installed in Sharjah, bringing ready cash to a new group of users.

In Europe, a recent survey by banknote printers De La Rue found that 58 per cent of people in the UK preferred cash as a means of payment, particularly for smaller items. Meanwhile, the World Payments Report found a similar preference Europe-wide, with the value of ATM withdrawals rising from an annual increase of 5.9 per →

## Even Santa agrees: it's not a job for reindeer

Santa Claus, as we all know, relies on a small army of helpers, as well as a team of reindeer, to make all his deliveries on time. And one of his most important allies is G4S Cash Services, which keeps bank branches and ATMs topped up with all the cash that is needed for the annual spending spree.

But the link between Santa and G4S is not confined to the High Streets and shopping malls of Europe and those other countries which celebrate Christmas. They even work together in Lapland, the Arctic wilderness of ice and snow that is Santa's traditional home.

In fact, Lapland has become a dynamic growth area for tourism, with increasing numbers of families visiting Santa Claus Land – the recently upgraded successor to the old Santa Park – during the Christmas holidays.

Young and old enjoy the unique experience of meeting the white-bearded gentleman himself, as well

as his reindeer and husky dogs, and taking a snowmobile ride in deep snow. In 2006, 60,000 tourists made the trip and this season's figures are expected to break all records.

The Santa boom – in partnership with Lapland's growing ski industry – has created a demand for more hotel space with some hoteliers expecting a ten per cent increase in the number of overnights next year. Charter tourism has been rising by 20 per cent annually and the Lapland's regional council has estimated that tourism will increase by around 5.6 per cent a year until 2020. In two years' time, overnight visitors will number 2.6 million. Most visitors are from Britain and Russia, although other nations, such as India, are now showing interest.

The number of reservations in the area of the main town, Rovaniemi, has risen eight per cent in one year. It all adds up to millions of euros and pounds which must be transported securely, often across long distances and in atrocious conditions.

In a land where the temperature

has been as low as -51°F and a snow depth of 190 cm has been recorded, the familiar G4S Cash Services (Finland) cash vehicle has needed major adaptations.

CIT vehicles which routinely travel hundreds of kilometres into the Arctic circle are equipped with snow tyres, usually studded, together with extra headlights and, of course, snow shovels. All the vehicles are equipped with engine and cabin heaters.

Kalevi Alaoja, area manager of G4S Cash Services in Rovaniemi, says: "Being an international company, we have benefited from the growth of tourism. The largest entrepreneurs understand the risks involved in cash processing and transportation and realise that having cash logistics professionals deal with their takings is easier and safer than handling it in house.

"The demand for tailor-made cash operations and security services is increasing. CIT operations are exceptionally demanding due to the long distances alone."





cent in 2000 to 7.1 per cent in 2004.

According to APACS, the cash card industry's own organisation, some 91 per cent of British payments under £10 were made in cash during 2006, while for payments over £50 there were 700 million cash payments compared with 400 million on credit cards. Cash even came to the rescue of plastic-oriented British shoppers during the run-up to Christmas, the western world's annual spending spree (see panel).

People who had their credit or debit cards lost or stolen were offered an 'emergency cash' service by the Royal Bank of Scotland – they were issued with a PIN number which would produce real money from ATMs.

Everybody wants banknotes. The demand is reflected in the soaring amount of cash in circulation. In the US, the \$268 billion in circulation in 1990 had risen to \$783 billion by the end of 2006.

The euro zone matched this by more than doubling the value of issued notes between 2003 and 2007 – from €103,613 million to €260,000 million.

So what is it about a bundle of "readies" (ready cash) that triumphs in this electronic era?

- It is straightforward: you don't need electronic gadgets, issuing companies, banks and all the paraphernalia of a card transaction. When the cash is handed over or dispensed, the deal is done – no invoices and, better still, no demands for interest.
- It is anonymous and non-discriminatory. No one can trace the progress of banknotes as they pass from hand to hand, whatever the purchase or transaction being made.
- If you have cash, it does not matter who you are, it has the same value; it works without credit checks or spending limits.
- Credit card transactions attract

a surcharge on shopkeepers and – increasingly – on customers as well. Not only that, but cards cost substantially more to process than King Cash. The Federal Reserve Bank has estimated that the average cost of a credit card payment for a retailer and a credit card company in the US is \$2.38, whereas the cost to the economy of every cash transaction is just 22 cents.

- It is secure. In 2005 the Bank of England took 505,000 counterfeit notes out of circulation with a face value of £10 million. In the same year, total UK credit card fraud reached almost £440 million. A European survey in 2006 found that 11 per cent of adults across eight countries had had their cards stolen or used without their permission. That equates to 22.8 million people Europe-wide.
- It is magic. There is something about the sight of a wad of notes which attracts even the most frugal among us. Produced at the →

## Small change

Businesses which do not generate enough cash to warrant the traditional large-scale armoured vehicle collections enjoyed by major enterprises have become big business for G4S Cash Services (Canada). The three-year-old Express Deposit service, targeted at smaller entrepreneurs, has proved a runaway success as franchisees and stand-alone businesses realise the value of letting the experts handle their cash.

A low cost alternative to the traditional G4S service, Express Deposit uses a non-armoured vehicle fitted with a bolted drop safe and is crewed by a single armed guard/driver. The safe can only be opened on return to a G4S facility.

Express Deposit was developed by G4S Cash Services to:

- Differentiate the company from its market place competitors;
- Service the small/ medium business market where employees were used to take cash to the bank.

The largely untapped market is estimated to be worth \$37m (£19m) based on Canada's top 20 franchised businesses which, among them, have 15,000 locations. Fast food restaurants and petrol stations have been quickest

to see the advantages.

Wendy's, a large fast food chain with 377 locations in Canada, was the first to pilot Express Deposit. They began with a few locations and are currently using the service in 17 out of the 19 locations which G4S serves.

Burger King, with 311 Canadian outlets, uses Express Deposit in 35 of the 50 sites served by G4S. This is a 68 per cent increase in G4S business with the company – and there is likely to be further expansion this year.

Tim Horton's, a large coffee and doughnut shop, with over 2,500 locations in Canada, was also an early adopter of Express Deposit. Miles Mattatall, the company's franchise retailer, explained: "After one of our employees had a troublesome incident while making a bank deposit, I signed on to have G4S Cash Services provide the Express Deposit pick-up service for all my stores.

"The peace of mind it affords us and our employees cannot be underestimated. I highly recommend the service to other retailers."

Suncor gas stations were also early Express Deposit users. Of the 50 sites serviced by G4S, 35 are using the service and the number is growing as it is promoted to the franchise group.

Take-up has been boosted by new legislation which makes an employer accountable for lack of action or failure to ensure employee or public safety.

If an employee is injured while taking a deposit to the bank, his or her boss can be charged under the Criminal Code if a safer means of protecting the employee, such as a CIT service, is available.

right moment during a haggle over price, a plump bundle of notes can clinch the deal. It's far more impressive than a collection of credit cards, since it demonstrates that you have the money, whereas the credit on your cards has yet to be put to the test.

You know where you are with cash. If you've got it you can spend it; if you haven't, you can't. A sinister spin-off for card users is the credit trap which lures the unwary or the unsophisticated into a quagmire of high-interest debt from which it is difficult or even impossible to escape.

In Britain the problem is increasingly acute. One in five card users were still paying for Christmas 2006 as 2007's spending got under way – and fewer than one in three had cleared Christmas debts when their January bill arrived.

The Bank of England estimated that 12 per cent of households found their unsecured debts a "heavy burden" while the Citizens Advice Bureau (CAB) reported they were approached with 15 per cent more debt problems in January 2007 than a year previously. More than a million bills went unpaid that month as a result of excessive spending during the holiday season. One estimate put the number of insolvencies as the result of over-spending at 10,000.

Debt is now the number one issue for the CAB, accounting for one in three enquiries and equating to 6,600 new debt problems a day.

Small wonder, then, that one in four Britons resolved to avoid credit cards over Christmas. For them Cash was still King, bringing with it peace of mind, solvency and a firm grip on their own finances.

It is a lesson that many have learned, while others have still to learn it – the hard way. ■

