

Opening Remarks: Finding Your Way in a Changing Payments Ecosystem

Opening Remarks: 20TH Annual Card Forum and Expo

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Good morning everyone.

And, welcome to the 20th annual card forum.

During those twenty years the card industry has exploded.

The volume of transactions on payment cards has grown an astounding X percent. But there's plenty more room to grow.

Electronic payments account for only 43 percent of consumer spending. We're really fortunate—we're in a growth industry, one with tremendous energy and vibrancy.

A lot has happened over the last two decades. Yet, today, we are looking forward to a massive transformation of the card industry as the winds of creative destruction, to use phrase coined by the famous economist Joseph Schumpeter, are sweeping the landscape. Change—in all the ways that it will affect your businesses, your vendors, and your customers—is the theme of this year's Card Forum.

Just three weeks ago Visa did a massively successful IPO. That completed its transformation from a bank card association to a publicly owned financial corporation. Indeed one valued by the market at more than \$50 billion. That event is seminal. The associations have ruled the payment card ecosystem since 1966. They are now largely dead and gone. We have entered a new world. And just like the Pilgrims didn't know what to expect when they landed on the shores of America, none of us really knows what the new payment card world will look like.

Change brings opportunity.

And to my mind that's what makes today the most exciting time to be in the payment card industry.

Just think. In a couple of years this industry will have its 60th birthday. Many industries - like people - kind of slow down by then. They get into a rut.

Not this one.

There is great technological innovation.

Mobile phones, contactless, biometrics, and all sorts of things on the internet will—or at least try—to revolutionize this business.

New products are being introduced that are challenging old ways of doing things: such as decoupled debit and prepaid money transfer.

New countries like China and soon India are shaking things up.

And SEPA promises to knock down the barricades between the 27 national payment card systems in the European Union.

Change brings risk too.

And as with any exciting sport there will be winners and losers.

But we'll all have fun playing the game.

Let me reiterate some of the advice for playing the game that I gave last night.

First, many of you are feeling financial pain from the subprime crisis. So you should leverage what's cheap. That's where the web comes in.

And there's lots of inexpensive ways to mobilize the web. Almost everything you'd want to do can be done with open-source programs that are essentially free. Everyone should be thinking about using social networking technology to acquire and keep customers.

And the savviest will work creatively to figure out ways to combine social networking with customer acquisition strategies.

Second, whenever markets are changing rapidly there's hype about the next new thing. That's because everyone knows there's going to be a great new thing. They just don't know what **IT** is. So don't fall for the hype. And don't think that you build your business on the backs of your PR people.

The poster child for caution is Pay By Touch. They couldn't crack the chicken and egg problem even with \$300 million of investor money. They didn't have a value proposition for merchants and consumers—the two pillars on which the card industry is built.

Third, with all the great uncertainty, all the risks, you might be tempted to just pull the covers over your head and see what the payment card landscape looks like when you wake, Rip Van Winkle like, in a few years.

My advice: Don't hide under the covers. Yes, there's so much turmoil in the business that it is hard to know what the right step is. But, unfortunately, few of your businesses have the luxury of just waiting it out. The next five years will see a radical transformation of this industry. You have to decide what you want to do, who you want to ally with, and where you want to fit into the new industry.

Now is the time to take a serious look at where you'll get the biggest bang for your buck. So buck up and move forward. Hide and you will die.

And lastly...don't forget what's made you great. You are part of one of the most innovative industries of the 20th century. It is one that was built on solving complex data processing problems—and in coordinating millions of merchants and consumers throughout the world.

Politicians and consumer advocacy groups complain about this industry. And sometimes they have legitimate gripes.

Most of the businesses in this room though have made money by offering great value to cardholders, to merchants, and to the other stakeholders in the payment card industry.

Keep on doing that and you will navigate your way through this beautiful storm that has engulfed the payment card industry at the beginning of the 21st century.

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