



Cashless Payment in the Eyes of Management and Employees: Advancements in China and the US and Challenges for Japan (summary)

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1. Introduction: New business models with cashless payment

USA

Amazon.com, Inc. has opened its first cashier-less Amazon GO convenience store in Seattle. No checkout is required.

China

Emerging companies have been opening a stream of unstaffed convenience stores in container-like structures. Customers pay at automatic cashiers using their mobile devices. The stores function with conventional technologies such as QR codes for entry and exit control and RFID-tagged goods, which makes it easier to procure building components, lowers the industry entry barrier, and incurs less cost.

Bicycle rental

In China, bicycle rental systems have rapidly spread and have already entered the cutback phase due to excessive competition. In Japan, this service is starting to be commercialized ahead of the Tokyo Olympic Games despite some operational issues.

"Cashless" is the key to unstaffed businesses

The common denominator is cashless payment. These systems are based on payment using smartphones. To accept cash at unstaffed convenience stores, automatic checkout machines must be installed, which is expensive and increases the security risk. Cashless payment is also essential to bicycle rental, as customers rent bicycles on the public streets.

2. Effects of cashless payment

Tablet ordering systems

In recent years, an increasing number of restaurants in Japan have been introducing tablet menu and ordering systems. While these systems are labor-saving, they still require cashiers, because many payments are still made with cash.

Effect of cashier-less payment

The implementation of a cashier-less system saves labor in shop management: it saves not only time for checkout, but also time wasted in interruption of other work. It also prevents burglary and internal theft.

3. Reasons for slow progress

Difficulties in promoting credit card payment in Japan

A recent study has shown that only one out of five restaurants currently accepts credit cards.

Reasons for rejecting credit card payment systems

Restaurants list (1) equipment costs, (2) settlement fees, and (3) cash flow problems from delays in payment by credit card companies as major reasons for not implementing credit card systems.

For some restaurants where average customer spending is relatively low, the settlement fee squeezes profit, and the time lag in payment, which is usually a few weeks to a month, tightens cash flow.

4. Cashless payment: The voice of management and employees

Taxis

Most taxi drivers employed by taxi companies say cashless payment is more efficient than cash payment, while the overwhelming majority of self-employed taxi drivers prefer cash payment because of greater profit.

Supermarkets

Most supermarkets employ cashiers who process cash payment manually, but they say that cashless payment is less stressful because cash shortages and overages are a serious problem requiring their constant attention.

5. Future directions

Problems with credit cards

Implementation of credit card terminals is costly, the time lag in payment from credit card companies affects retailers' cash flow, and member stores must pay high fees.

Problems with IC cards

While IC cards focus on simpler, speedier settlements than credit cards, they still require special terminals. Smartphone use is limited to high-end models, so it is not easy to expand their use for payment.

Competitiveness of Alipay and WeChatPay

Alipay and WeChatPay settle payments by reading customers' QR codes with shop terminals. Any smartphone, including low-end models, can be used. A simple system using regular tablets is inexpensive for shops to implement. Charges are debited from bank accounts, which makes it unnecessary to include a premium for uncollectible debt, allowing lower fees.

An ultimate measure against labor shortage

As the labor market continues to tighten due to demographic aging, the promotion of cashless payment is essential in minimizing labor while offering a convenient service.

ATMs: Burdens on banks

ATM maintenance is expensive. If the current trend continues, banks will have to bear the burden of handling actual currency, while other payment service providers, in effect, simply convert money to their own e-money at little cost.

Primary concern: missing out innovation waves

The extremely high Japanese loyalty to cash today could slow the spread of cashless payment and discourage further innovative labor-saving and other services. This could impede Japan's global competitiveness.

Lower fees, simplified systems, and reduced implementation costs are critical concerns for cashless payment providers. These improvements will motivate business owners, and eventually the country overall, to employ cashless systems.

I hope the cashless movement will create more efficient and convenient new services and boost our economy.



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Mr. Miura works for a life insurance company as an instructor for sales offices.



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