



# ETA

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FORUM

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payments today*

# Tracy Hampton



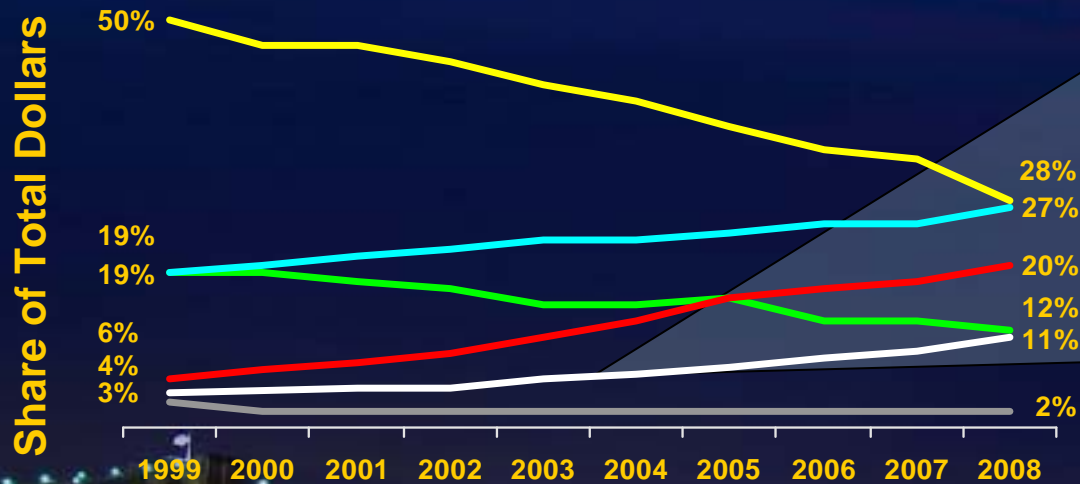
Global Head of Research  
Visa Inc.



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# Consumers Have Chosen Plastic as the Preferred Way to Pay as the Preferred Way to Pay

Paper products, especially checks, have eroded significantly over the last decade



| Other Payment Methods | 2004  | 2008 |
|-----------------------|-------|------|
| Merchant Direct       | 2.2%  | 4.2% |
| Online Bill Pay       | 1.2%  | 3.2% |
| Prepaid               | 0.3%  | 0.5% |
| Online Providers      | 0.2%  | 0.4% |
| Bank Direct           | <0.1% | 0.6% |
| All Other*            | 2.8%  | 2.4% |

Note: \*Includes Travelers Cheques, ATM Cards, Convenience Checks, Gift Certificates, Money Orders, and all other payment methods

— Cash — Check — Credit — Debit — Other — Private Label

Base: Adult Consumers Owning Plastic, HHI of \$10K+

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# In Retail, Consumers have Shifted from Paper to Plastic



% Change from 2004 to 2008

| Merchant Category Share of Spending | Cash | Check | Credit | Debit | Private Label | Merchant Direct | Online Providers | Prepaid |
|-------------------------------------|------|-------|--------|-------|---------------|-----------------|------------------|---------|
| Total Retail                        | - 15 | - 46  | + 20   | + 45  | - 28          | + 67            | + 100            | + 125   |
| Grocery Stores                      | - 14 | - 50  | + 29   | + 29  | - 20          | -               | -                | + 200   |
| Discount Stores                     | - 15 | - 59  | + 9    | + 39  | - 22          | -               | -                | + 80    |
| Drug Stores                         | - 20 | - 47  | + 8    | + 59  | - 13          | + 500           | -                | + 111   |
| Department Stores                   | + 11 | - 30  | + 26   | + 27  | - 27          | + 300           | -                | + 217   |
| Gas Stations                        | - 31 | - 39  | + 18   | + 28  | - 35          | -               | -                | + 83    |
| Toy Stores                          | - 22 | - 53  | + 6    | + 20  | + 86          | -               | -                | + 217   |
| Online Only Retailers               | - 60 | + 10  | - 15   | + 38  | -             | + 100           | + 131            | + 400   |

Base: Adult Consumers Owning Plastic, HHI of \$10K+

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# Plastic and Electronic Payments have been Displacing Paper in Key Categories



**% Change from 2004 to 2008**

| Merchant Category Share of Spending | Cash | Check | Credit | Debit | Private Label | Online Bill Pay | Merchant Direct | Online Providers | Prepaid |
|-------------------------------------|------|-------|--------|-------|---------------|-----------------|-----------------|------------------|---------|
| Bill Payment                        | - 22 | - 24  | + 58   | + 109 | - 100         | +163            | + 81            | + 75             | -       |
| Services                            | 0    | - 19  | + 26   | + 72  | + 50          | +122            | +105            | +100             | -       |
| Restaurants                         | - 25 | - 59  | + 20   | + 53  | - 50          | -               | -               | -                | + 125   |

Base: Adult Consumers Owning Plastic, HHI of \$10K+

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# Spending is Down but Overall Payment Mix is Stable

Spending per capita decreased from 1Q08 to 1Q09

- Paper and Credit lost dollar volume; “Other Payments” increased by 6%
- Credit lost share of total spend for the first time

|   | 1Q08           | 1Q09           | Diff       |
|---|----------------|----------------|------------|
| <b>\$ Volume Per Month Per Capita</b>         | <b>\$2,120</b> | <b>\$2,057</b> | <b>-4%</b> |
| <b>\$ Volume By Payment Method Per Capita</b> |                |                |            |
| <b>Checks</b>                                 | <b>\$642</b>   | <b>\$598</b>   | <b>-7%</b> |
| <b>General Purpose Credit Cards</b>           | <b>\$533</b>   | <b>\$484</b>   | <b>-9%</b> |
| <b>Debit Cards</b>                            | <b>\$420</b>   | <b>\$426</b>   | <b>+1%</b> |
| <b>Other*</b>                                 | <b>\$280</b>   | <b>\$296</b>   | <b>+6%</b> |
| <b>Cash</b>                                   | <b>\$246</b>   | <b>\$251</b>   | <b>-6%</b> |

Note: \*Other includes ACH, online bill pay, prepaid, travelers cheques, money orders, all other payment methods

| <b>Payment Method Share of \$ Volume</b> | <b>1Q08</b> | <b>1Q09</b> | <b>Diff</b> |
|--|-------------|-------------|-------------|
| <b>Checks</b>                            | <b>30%</b>  | <b>29%</b>  | <b>-1%</b>  |
| <b>General Purpose Credit Cards</b>      | <b>25%</b>  | <b>24%</b>  | <b>-1%</b>  |
| <b>Debit Cards</b>                       | <b>20%</b>  | <b>21%</b>  | <b>+1%</b>  |
| <b>Other*</b>                            | <b>13%</b>  | <b>14%</b>  | <b>+1%</b>  |
| <b>Cash</b>                              | <b>12%</b>  | <b>12%</b>  | <b>0%</b>   |

Base: Adult Consumers Owning Plastic, HHI of \$10K+

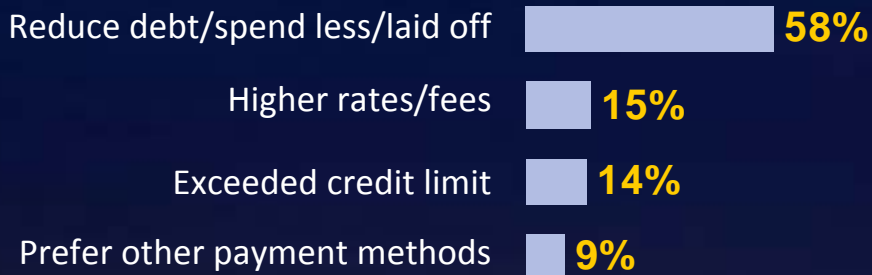
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Source: Visa U.S. Payment Panel Study, 2008-2009

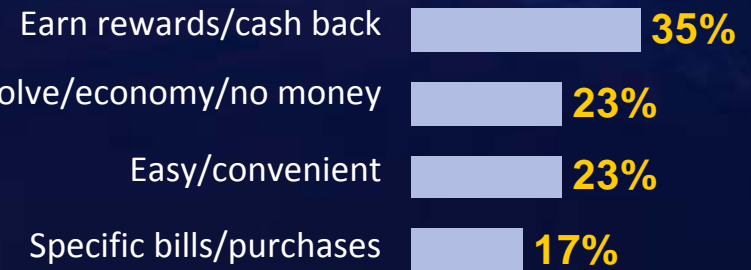
# Primary Reasons for Changes in Credit Card Usage

Cited as debt reduction, rewards and financial pressures

## Decreased Use of Credit Because...



## Increased Use of Credit Because...



*“Trying to pay off credit card balances and then not use them except in cases where nothing else will do.”*

*“Do not have high enough credit limit to purchase items.”*

*“I had an unpaid internship so I used my credit card until I had more money.”*

*“Paying more bills online with my credit card.”*

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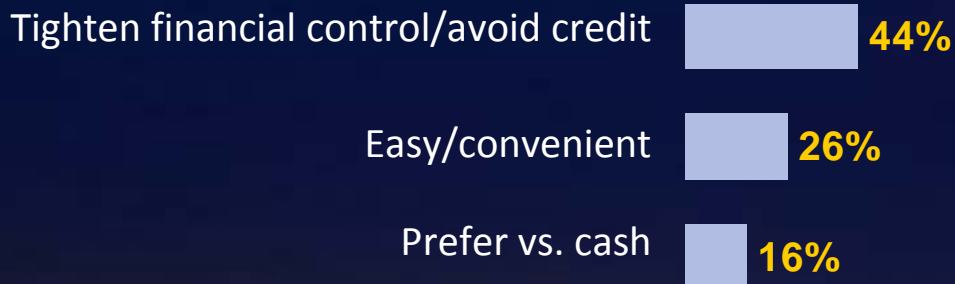
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Base: Credit cardholders who said Credit Usage had Increased/Decreased in Past 3 Months

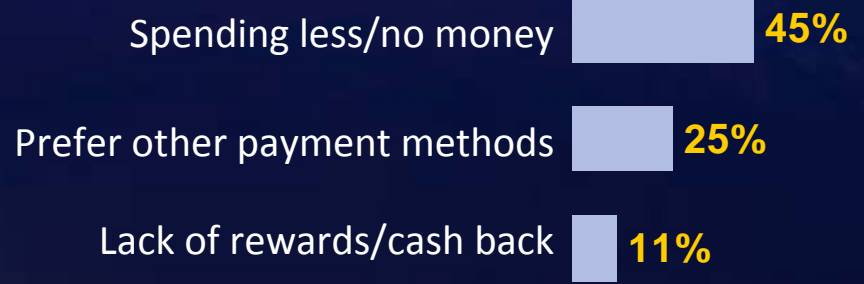
# Main Reasons for Changes in Debit Card Usage

Cited as reducing dependency on credit and having or spending less

## Increased Use of Debit Because...



## Decreased Use of Debit Because...



*"I am trying to avoid racking up excessive credit card debt."*

*"It's much more convenient and less hassle to use."*

*"I don't keep as much cash in my checking account as I used to."*

*"I'm not buying as much due to the recession."*

Base: Debit Cardholders who Said Debit Usage had Increased/Decreased in Past 3 Months

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# Convenience, Security, Acceptance Critical in Payment Choice



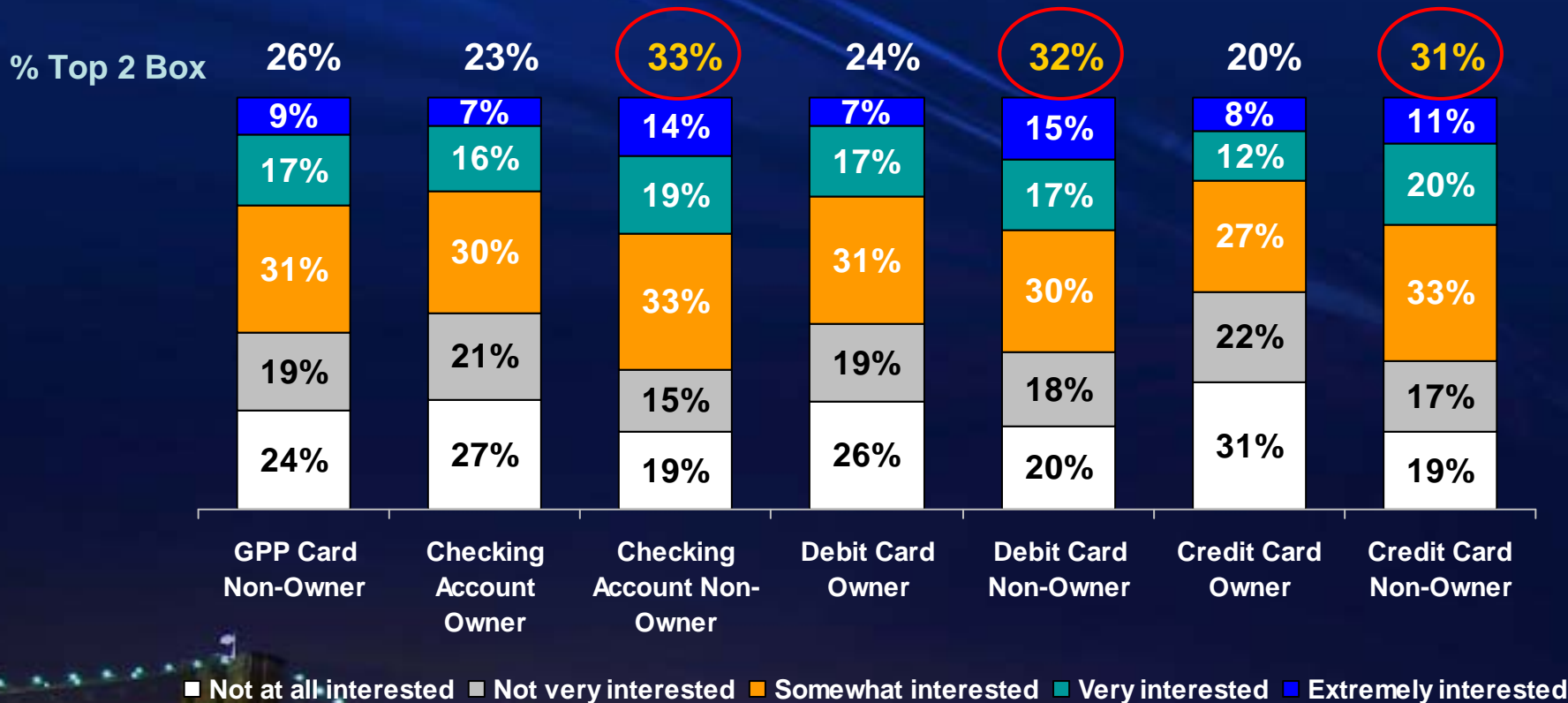
- Rewards
- Online Purchases
- Large Purchases
- Availability
- Control Spending
- Small Purchases
- Merchant Preference
- Record Keeping
- Control Spending
- Cardholder Preference

Base: Adult Consumers  
aged 18-74

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# Interest in Prepaid is Highest Among Under-Banked



Base: Adults 18-64 with HHI <\$50K, and do not own a prepaid card

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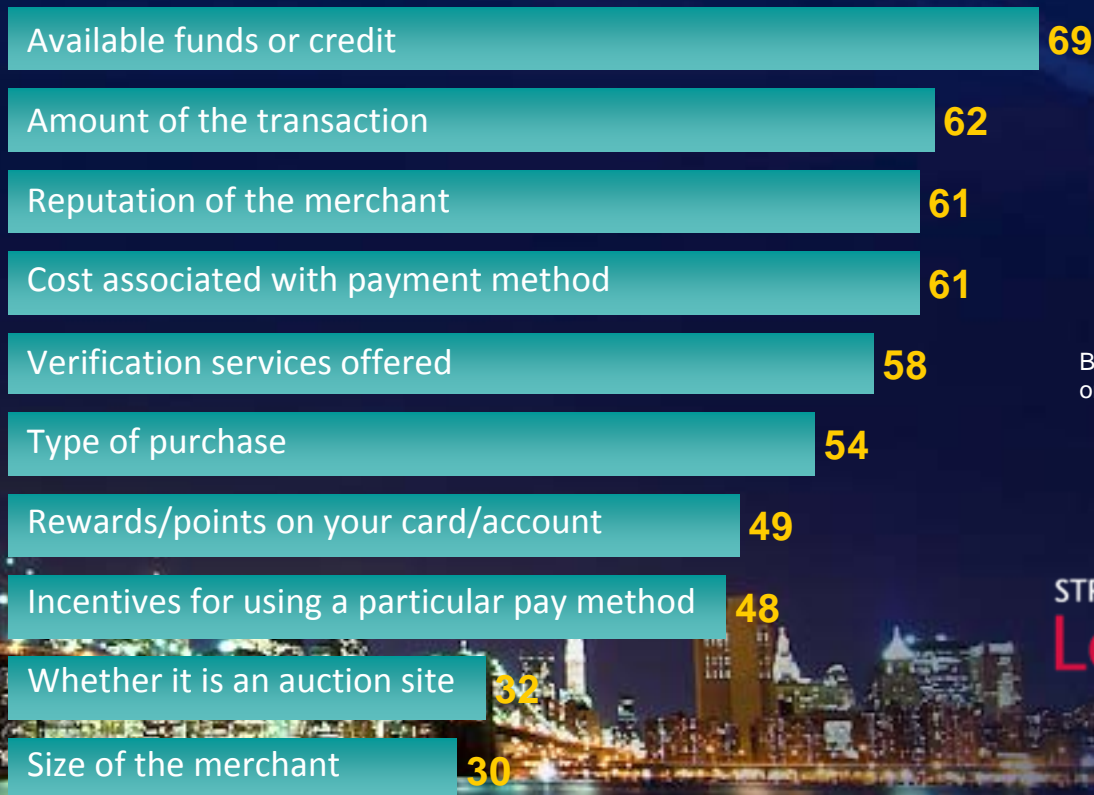
# Influence on Online Payment Method Choice

Aside from economic parameters, the reputation of the merchant is key, as is the verification service offered

## Prioritization for Payment Method Decision

Ranking (100= Most influence and 1=Least influence)

Most Influence



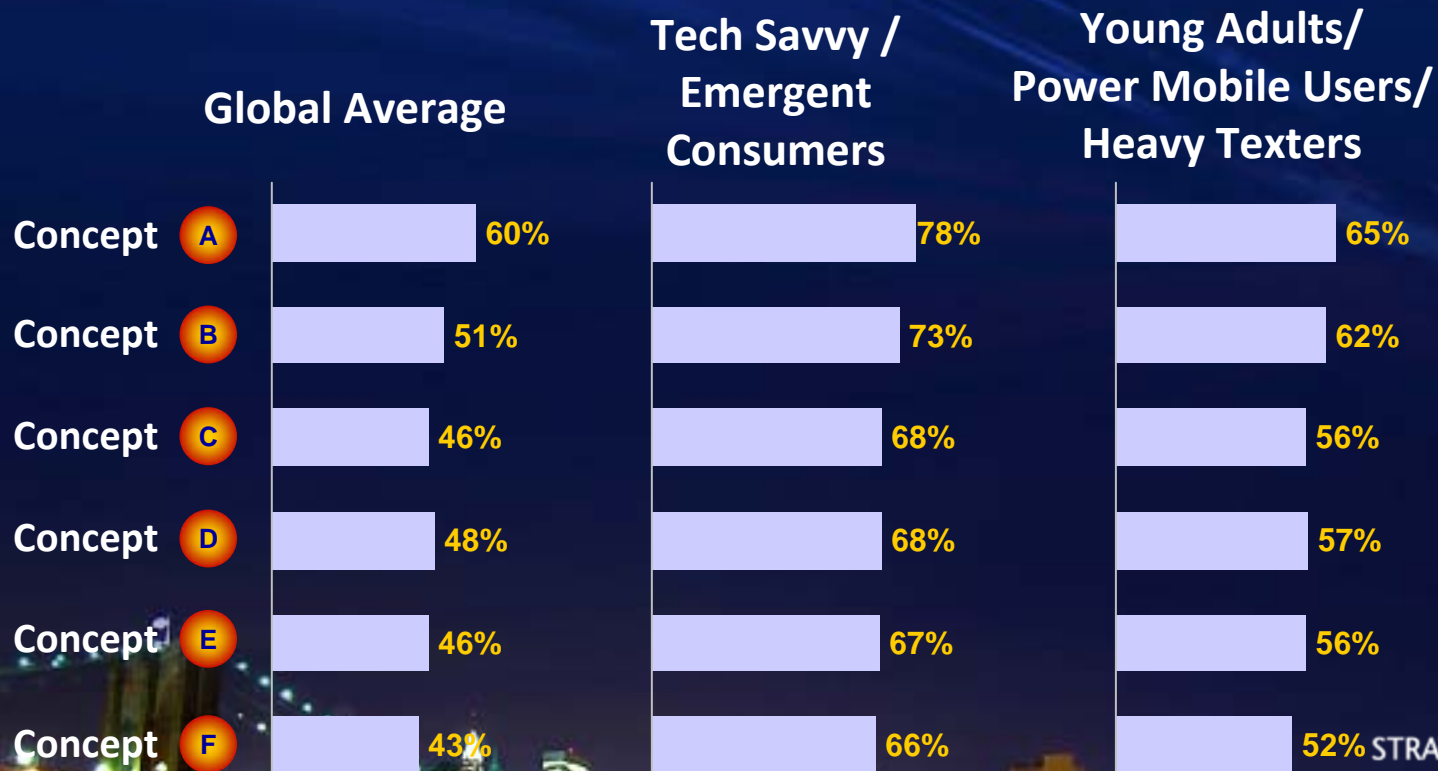
Base: Adults ever shopped online

Least Influence

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# Tech savvy and young mobile users most interested in mobile concepts

## Sign Up Intent (Top 2 Box)



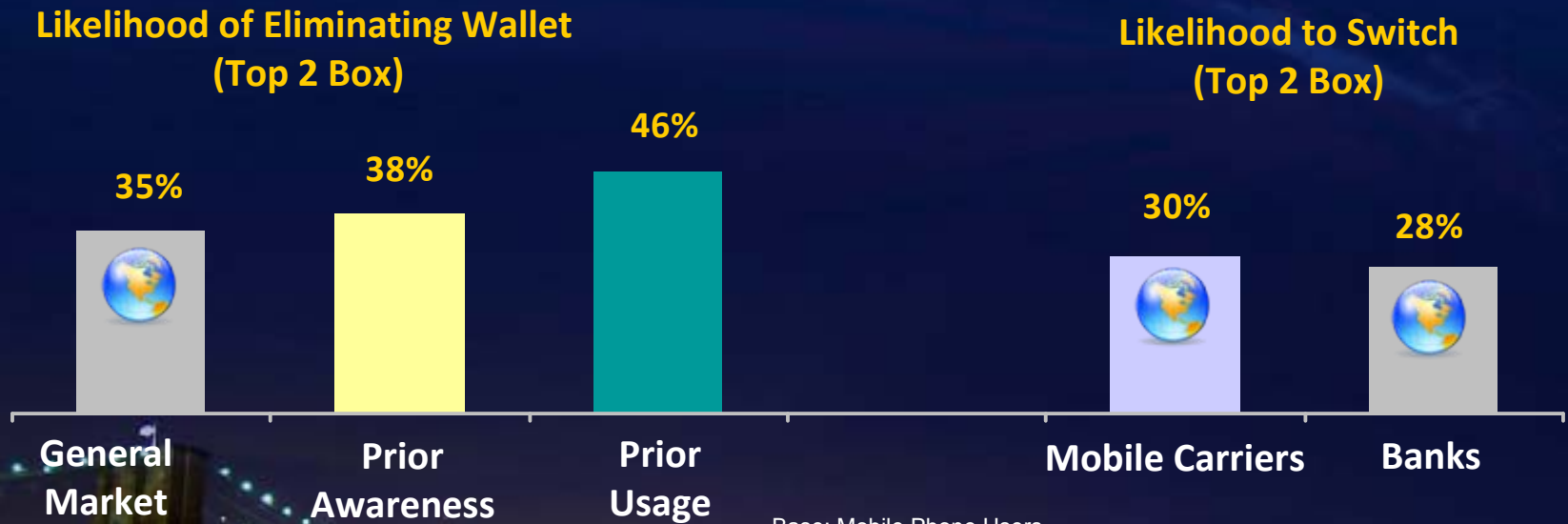
Base: Mobile Phone Users in Target Populations

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# Mobile Payment Features Could Drive Changes in Consumer Behavior

One third say mobile features will reduce need to carry wallet  
And could persuade consumers to switch providers



Base: Mobile Phone Users

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# Conclusions and Implications

- Significant growth in consumer preference for credit and debit cards, and declining loyalty to cash and checks
- Declines in card spend are in response to the recession and appear to represent a short term trend
- Key benefits driving card use are also important factors at the point of sale
- Services and tools that provide speed and convenience, safety and control will satisfy key payment needs
- New products and focused marketing support help shift consumer perceptions
- Young adults represent a key target for new products, channels and form factors

The logo for ETA (Electronic Transactions Association) features the letters 'ETA' in a bold, white, sans-serif font. A stylized white arrow curves from the top right of the 'A' back to the top left of the 'E', suggesting a cycle or flow. The background is a dark blue sky with several bright blue laser beams originating from the top left and fanning out across the scene.

# ETA

A nighttime photograph of a city skyline, likely New York City, viewed from across a body of water. The city lights are reflected in the water. A suspension bridge with green lights is visible on the left side of the frame.

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