Consumer Payment Trends: Thoughts on Visa’s Research

Ariana-Michele Moore
Celent, LLC
Boston, MA
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Breakdown of the Consumer Payments Market

Consumer Payments in 2004
(US$6,366.2 Billion)

- Checks: 31%
- Cash: 21%
- Credit Cards: 25%
- Debit Cards: 11%
- Other: 12%

Note: Cards therefore represents US$2.3 trillion.
Source: Data from the Nilson Report
Primary Pots for Consumer Cash Payments

Transportation   Food   Meals & Beverages   Gasoline

Recreation   Gifts   Travel-related   Other
Large Issuers Have Committed to Contactless

• No longer in the pilot stage, large issuers are committed their resources to contactless.
• 2005 was the big year for announcements. In June, both American Express and Chase announced the official start of their contactless programs. Other issuers have since followed:
  – Chase: Blink credit card through both Visa and MasterCard
  – KeyBank: PayPass debit
  – Charter One: PayPass debit
  – Citizens Bank: PayPass debit
  – MBNA: PayPass credit (several co-brand cards)
  – HSBC: PayPass debit
  – Peoples Bank of Paris Texas: PayPass prepaid
  – GE Consumer Finance: Meijer Platinum PayPass credit
• Most recently Wells Fargo announced its Visa credit contactless program.
The Number of Contactless Cards in the US Is Increasing

As of 1Q06, there were over 12 million contactless cards in the hands of consumers.

<table>
<thead>
<tr>
<th>Bank</th>
<th>As of 1Q06</th>
<th>2006YE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Bank:</td>
<td>&lt;2.0 million</td>
<td>2.0 million</td>
</tr>
<tr>
<td>HSBC:</td>
<td>&lt;1.0 million</td>
<td>1.0 million</td>
</tr>
<tr>
<td>Citibank:</td>
<td>1.5 million</td>
<td>3.4 million</td>
</tr>
<tr>
<td>Chase:</td>
<td>7.0 million</td>
<td>7.0+ million</td>
</tr>
<tr>
<td>Amex:</td>
<td>2.0+ million</td>
<td>2.5+ million</td>
</tr>
<tr>
<td>Citizens:</td>
<td>&lt;1.0 million</td>
<td>1.0+ million</td>
</tr>
<tr>
<td>Others:</td>
<td>&lt;2.0 million</td>
<td>??????????</td>
</tr>
</tbody>
</table>

12.0+ million 17.0+ million

Source: Celent estimates based on card associations and media reports.
Contactless Is Still Regionally Concentrated, but it Is Expanding

Over 30,000 merchant locations equipped for contactless

*Of course all merchants can accept these cards (mag stripe)
Share of Bill Payments By Payment Type

- **2003**:
  - Mail / Lockbox: 67%
  - Auto Debit: 15%
  - Other (Collections, etc.): 0.4%
  - Phone: 0.4%
  - Biller Website: 0.4%
  - Consolidator Website: 4%
  - Walk-in: 5%

- **2005**:
  - Mail / Lockbox: 53%
  - Auto Debit: 17%
  - Other (Collections, etc.): 0.4%
  - Phone: 0.4%
  - Biller Website: 9%
  - Consolidator Website: 4%
  - Walk-in: 5%

- **2007**:
  - Mail / Lockbox: 39%
  - Auto Debit: 19%
  - Other (Collections, etc.): 0.4%
  - Phone: 0.4%
  - Biller Website: 16%
  - Consolidator Website: 4%
  - Walk-in: 13%
Concluding Points

• Keep in mind that the market does not necessarily reflect the true value of debit. Over 40 percent of credit users are non-revolvers. Industry participants are guiding consumers down the path they desire most.

• Growth in payment card usage will be fueled by new technologies (e.g. contactless); online transactions (e.g. online bill pay, eCommerce); and new merchants accepting cards (particularly small ticket industries).