



# Consumer Payment Data



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# Consumer Research Helps to Define Payment Strategies

- ▶ First Data conducts primary research with financial institutions, retailers, and consumers about payment options
  - Brand/product attitude, awareness, usage studies
  - Product development research
  - Concept testing
  - Pilot feedback
  - Industry specific investigations
- ▶ The annual STAR<sup>®</sup> *Consumer Payments Usage Study* is our most noteworthy longitudinal study – the 2005/2006 edition is the 19<sup>th</sup> in the series
- ▶ This study has been provided exclusively to STAR clients

# Desired Outcomes of the STAR<sup>®</sup> Study

- ▶ Gain insights and information regarding consumers' payment behaviors
- ▶ Track changes over time
- ▶ Identify key trends that may guide product and service offerings
- ▶ Evaluate interest in new services
- ▶ Profile users/non-users of various services

## STAR CLIENTS USE THE FINDINGS TO:

Understand new trends

View payments through the eyes of their customers

Develop payment strategies

Prioritize projects/resources based on consumer demand

Improve training/education about payments

# Sample Characteristics of the STAR® Consumer Study

- ▶ Since 1992, STAR has focused on consumers 18 years of age or older with checking or savings accounts in the U.S.
  - n = 13,745 respondents for 2005/2006
  - Quotas were stratified by gender and age within key counties in 36 key states in the U.S. plus the District of Columbia
    - ▶ State selection driven by network presence and population
    - ▶ 400 interviews obtained in most states (n=200 for CT, ME, MA, NH, RI, VT)
  - To obtain nationwide results the state data were weighted to reflect each state's proportion of the total population using 2000 Census Bureau data for nationwide results
  - Rests were also grouped by state according to traditional ATM network regions: West, Southeast, Central, Mid-Atlantic/Upper Central, and New England

# STAR<sup>®</sup> Consumer Payments Usage Study Methodology

- ▶ Data collection occurred between October and December 2005
  - Random digit dial telephone interviews (CATI)
  - Average length of 28 minutes
  - Core set of questions posed to all respondents, with remainder randomly assigned to answer one of two supplemental question sets
  - Self-report of past 30 days of purchases
  - Seasonal bias consistent with recent years

Note: Survey respondent comments are noted here as 'Consumer' and are sometimes grouped by common characteristics for reporting results and are referred to here as cardholders, card users, active users, as defined in survey glossary

| CORE COMPONENTS                     |
|-------------------------------------|
| Card use and activity               |
| Fees and surcharges                 |
| ATM Network awareness               |
| POS Network awareness               |
| Consumer understanding of POS debit |
| Role of Financial Institutions      |
| New and enhanced services           |
| Comparison to other payment methods |

# ATM/Debit Card Usage (frequency average for past 30 days)

|                   | 2002 | 2003   | 2004    | 2005 |
|-------------------|------|--------|---------|------|
| <b>Nationwide</b> | 16.5 | 17.6   | 17.5    | 16.4 |
| Home ATMs         | 5.0  | 5.0    | 4.7     | 3.8  |
| Foreign ATMs      | 3.0  | 2.8    | 2.8     | 1.5  |
| POS               | 8.5  | 9.8 ▶▶ | 10.0 ▶▶ | 11.1 |

| <b>West</b>  | 2002 | 2003    | 2004    | 2005 |
|--------------|------|---------|---------|------|
| Home ATMs    | 5.3  | 4.7     | 4.9     | 4.1  |
| Foreign ATMs | 3.4  | 3.1     | 3.3     | 1.7  |
| POS          | 9.7  | 11.0 ▶▶ | 11.7 ▶▶ | 12.3 |

| <b>East</b>  | 2002 | 2003 | 2004 | 2005 |
|--------------|------|------|------|------|
| Home ATMs    | 4.6  | 5.3  | 4.4  | 3.6  |
| Foreign ATMs | 2.9  | 2.8  | 2.7  | 1.4  |
| POS          | 8.2  | 10.0 | 10.1 | 12.4 |

- ▶ ATM/debit card growth consistently driven by an increase in POS use
- ▶ Consumers report lower use rates in newer STAR® network regions\*

|                | 2002 | 2003 | 2004 | 2005 |
|----------------|------|------|------|------|
| <b>Central</b> | 16.7 | 17.8 | 19.8 | 18.1 |
| Home ATMs      | 5.3  | 4.8  | 4.5  | 3.9  |
| Foreign ATMs   | 2.7  | 2.7  | 3.2  | 1.3  |
| POS            | 8.7  | 10.3 | 12.1 | 12.9 |

| <b>MAC/CS</b> | 2002 | 2003 | 2004 | 2005 |
|---------------|------|------|------|------|
| Home ATMs     | 5.1  | 5.0  | 4.6  | 3.6  |
| Foreign ATMs  | 2.6  | 2.3  | 2.3  | 1.5  |
| POS           | 7.4  | 8.0  | 8.6  | 9.3  |

| <b>New England</b> | 2002 | 2003 | 2004 | 2005 |
|--------------------|------|------|------|------|
| Home ATMs          | N/A  | N/A  | 5.3  | 4.0  |
| Foreign ATMs       | N/A  | N/A  | 2.3  | 1.5  |
| POS                | N/A  | N/A  | 7.3  | 8.4  |

**Sample Finding**

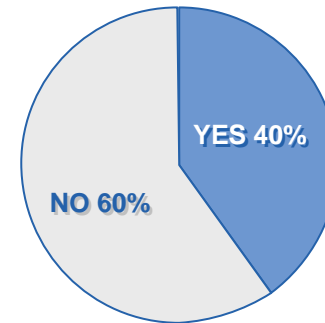
Source: 2005 STAR® Consumer Payments Usage Study

# Changing Dynamic of Check Record

## Sample Finding

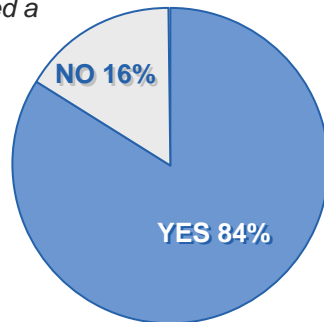
- ▶ 40% of check writers already exposed to check electrification at retail location
- ▶ More than 4 out of 5 (84%) check users that had checks handed back received an explanation, up from 80% in 2004

### Those That Had Checks Processed and Returned to Them by Retailer



### Check Users That Had Checks Processed and Returned Who Received an Explanation from Retailer

Base: Those that used a check in the past 30 days



### Type of Retailer Where Check Was Handed Back

| Type of Retailer    | %   |
|---------------------|-----|
| Specialty Retail    | 33% |
| Discount Stores     | 22% |
| Grocery Stores      | 10% |
| Doctor/Vet/Pharmacy | 8%  |
| Gas Stations        | 6%  |

Source: 2005/2006 STAR® Consumer Payments Usage Study

# Electronic Growth Drivers: Bill Payments

## Sample Finding

| METHOD OF ELECTRONIC BILL PAYMENT |      |      |      |      |      |
|-----------------------------------|------|------|------|------|------|
|                                   | 2001 | 2002 | 2003 | 2004 | 2005 |
| Pay online                        | 18%  | 22%  | 28%  | 32%  | 40%  |
| Pay via phone                     | 18%  | 21%  | 21%  | 20%  | 21%  |

| TYPE OF ONLINE BILL PAYMENT USED             |            |
|--|------------|
| Financial Institution's Bill Payment Service | 57%        |
| Directly with the biller                     | <b>45%</b> |
| Third party payment system (AOL, Checkfree)  | 5%         |
| Other  | 1%         |

► More consumers are paying directly with the biller (37% in 2004)

Source: 2005/2006 STAR® Consumer Payments Usage Study



# Potential Opportunities to Enhance Usefulness

- ▶ Sample nationwide
- ▶ Narrow the study to core components that are relevant today and release in alternating years
- ▶ Address other knowledge gaps with new research in “off years”
- ▶ Communicate more of the key findings to industry participants (full report still for STAR® clients)
- ▶ Conduct more in-depth analyses regarding preferences and reported behaviors
- ▶ Provide more demographic profiles to further understanding of the consumer:
  - All ATM/debit cardholders
  - Both ATM and POS users
  - ATM/debit card users (all)
  - Only ATM users
  - ATM/debit card non-users
  - POS debit users (all)
  - Only POS debit users
  - POS debit non-users
  - POS cash back users
  - POS cash back non-users

# In Closing....

- ▶ First Data and The STAR<sup>®</sup> Network are committed to understanding consumer payment preferences and sharing this data with our clients
- ▶ We validate our results by comparing to other industry research
- ▶ We are seeking new ways to add value around our consumer payment research



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