Debit Cards in the U.S., 5th Edition

Description:

In the wake of the Great Recession, Congress took steps to significantly reregulate the U.S. payments industry. And years later the industry is still working to fully understand the impact of these new laws and rules.

All forms of payment – including debit cards – were affected. But the debit card interchange has promise, and Packaged Facts projects that it can exceed $20 billion as soon as 2015, supported by moderate volume and transaction growth assured over the next several years. New legal developments may throw through debit cards another curveball, but Packaged Facts expects debit volume and value to grow more than 7% in 2014 and 2015, as the market continues to chip away at the more than $3 trillion of cash and check expenditures that remain ripe for electronic conversion. Traditional banks need to keep strong debit options available to their customers, since they're losing them to direct banking operations and alternative banking concepts.

Debit Cards in the U.S., 5th Edition gives industry participants needed guidance on trends shaping the U.S. debit card market. The report:

- Provides a debit card market size and forecast through 2015, with supporting analysis of debit transaction and value growth within the context of card payments; debit transaction and volume by exempt and non-exempt issuers and by PIN versus signature debit network; and debit interchange revenue broken out in the same manner.
- Reviews regulations affecting debit interchange, debit card routing, and overdraft protection that continue to shape the debit card and consumer banking competitive landscape. We also examine a recent court ruling that could upend the current debit framework, providing explanation and potential outcomes.
- Assesses issues and trends challenging debit card and consumer banking revenue growth, along with possible solutions. Themes covered included safety and security, checking accounts, overdrafts and hi-to-low-balancing; and simplicity and transparency, with related analysis of checking accounts entering the market.
- Assesses 2008-2013 debit card, credit card and prepaid card usage trends, including degrees of debit purchase engagement and credit card usage engagement; 2008-2013 checking account trends, including the degree to which checking account holders have investments and loan products over time; 2008-2013 debit card/credit card trends that explore the influence of debit card usage and engagement on credit card use and engagement; and 2008-2013 bill payment methods and payment instrument choices, comparing choices of checking account holders and debit cards holders to the average adult.
- Assesses 2010-2013 debit card usage and usage frequency trends, by card association brand, as well as credit card, debit card, checking and prepaid trends by key demographic groups: 18-24s, <$50K HH income consumers, and $100K+ HH income consumers.
- Analyzes Discover, MasterCard and Visa, three industry participants increasingly vying for debit network share. To assess the effects of regulatory change, we assess MasterCard and Visa quarterly debit volume and transition metrics; to assess consumer usage, we use survey data to trend MasterCard and Visa debit usage, purchase frequency, and cash back frequency during 2010-2013; and to provide associated demographic analysis for 2013 Relying on consumer survey data, Packaged Facts assesses various debit card usage rationale and influences, including consumer perceptions about debit convenience and safety in relation to cash and check, as well as spending control; bank account opening motivators, framed around the following themes: account costs, account maintenance thresholds, convenience, transparency and education, mobile capabilities, and prepaid options; checking account fee reduction incentives; and consumer attitudes toward debit card usage fees, pay-per-use fees, and inactivity fees. Most chapter analysis is performed according to a variety of demographics, and filtered by whether or not the respondent has a checking account/debit card.

Contents:

Chapter 1: Executive Summary
Report Scope
Report Summary
Market size and forecast
Growth drivers and challenges
Regulatory analysis and impact
Debit-driven trends, innovations & strategies
Safety and security
Checking account trends
Transparency and simplicity
Debit cards in context: the consumer payments universe
2008-2013 debit card, credit card and prepaid card usage trends
2008-2013 checking, investment and loan product trends
Debit card and credit card engagement
Bill payment method trends
Bill payment: payment instrument choice trends
Debit card usage trends
Debit card usage breadth: 2010-2013
Debit card usage frequency: 2010-2013
Credit card, debit card, checking and prepaid trends: key demographic groups
Debit card usage rationales & influences
Debit's competitive advantages: Convenience, safety & spending control
Views of checking account/debit card holders & higher-frequency debit card users
Bank account opening motivators
By segmentation group and demographic
Account fee reductions influence on opening a checking account
By segmentation group/demographic
Fees to use a debit card
By segmentation group/demographic
Card association debit trends & strategies
Discover Financial Services, Inc
MasterCard Incorporated
Visa Inc.
MasterCard and Visa performance analysis
MasterCard and Visa debit card usage analysis
Chapter 2: Introduction and Overview
Placing the debit card within context of consumer payments universe
Debit card defined
A simple transaction triggers a Byzantine process
Industry Structure: Participants and Processes
Demand deposit account (DDA)
Card issuer
Electronic Funds Transfer (EFT)
Merchant acquirer
Fees
Signature-based (offline) transactions
Table 2-1: Path of a Typical Signature-Based Debit Card Transaction
PIN-based (online) transactions
Automated Clearing House (ACH)
Chapter 3: Market Size and Forecast
Debit card payment and transaction volume: market size & forecast
Payment volume growth
Graph 3-1: U.S. Debit Card Payment Value: 2006-2015
Transaction volume growth
Growing share of card-based payments
Table 3-1: U.S. Credit Card, Debit Card & Prepaid Card Transaction Value, Transaction Volume & Average Value, with Share Change: 2003-2012
Non-exempt issuers have two-thirds market share
Signature debit vs. PIN debit
Table 3-2: U.S. Debit Card Value and Volume: Exempt vs. Non-Exempt Banks, Signature Debit vs. PIN Debit, 2012
Interchange declines in 2012, but could pass 2011 high water mark by 2015
Table 3-3: U.S. Debit Card Interchange: Exempt Issuers vs. Non-Exempt Issuers, with Signature Debit & PIN Debit Share, 2012
Growth drivers and challenges
Cash and check opportunity translates to continued growth
Many arguments in favor of continued growth
Credit cards for the affluent, well qualified & (hopefully) a resurgent middle class
Prepaid cards for historically underserved and youth
Signature v. PIN
Chapter 4: Regulatory Analysis and Impact
The Durbin Amendment & Debit Interchange
In a nutshell: what is it?
The Durbin Amendment & debit interchange
Network exclusivity prohibition and routing provisions reshape competition
What does it mean for the payments industry?
Debit savings for retailers—but not for all of them
It depends on what you were charged before the regulations
And whether you typically generate small-dollar transactions
And whether you generated high debit volume
And the degree to which you accept PIN vs. signature
Signature-only merchants lose out
Visa Interlink suffers from increased competition
PIN allegiance shifts from banks to merchants
Network non-exclusivity: it's about freedom of choice
Freedom to route
Merchant control shifts network incentives lower
Merchant price steering: theory versus reality
In theory, merchants in driver's seat
But in practice, it's just not that simple
Debit versus other methods
Courtroom litigation could change the landscape
Court decision striking down debit interchange
What exactly did the judge say?
Interchange fee costs too broad
Small dollar transactions get scrutiny
Non-exclusivity: Still too exclusive
Potential fallout
The Dark Horse: Discover
2014 Fed data may help tell the story
Let's get a handle on all of the costs
Table 4-1: Banking Associations' Suggested Debit Card Cost Data, December 2013
Bureau of Consumer Financial Protection
What is it and what is it supposed to do?
What is the scope of its authority?
Broad rule-making authority
Broad enforcement authority
Consumer Overdraft Protection: Challenges & Strategies
The Key Provision: Regulation E
What is it?
Amendments and their effect
Revenue and earnings context
Earnings estimates
Still in play
Chapter 5: Debit-Driven Trends, Innovations & Strategies
Safety and security
The Target breach
Fallout
Broad and deep ramifications
Banking distrust
Table 5-1: Consumer Trust in Giving Money to Banks, 2008-2013
Table 5-2: Consumer Trust in Giving Money to Banks, by Demographic, 2013
Revenue generation practices
It's a free country, but checking is conditional
Free checking alive and well, if you're at an exempt bank
Exempt versus non-exempt
Free checking
Caveat
Conditional free checking
Availability
Pricing and features
Changes in average fees
Changes in requirement thresholds
Fees common to all accounts
Overdrafts
CFPB weighs in
Opting in increases vulnerability to increased costs and involuntary account closures
Policies, procedures, and practices vary widely and pose comprehension issues
Revenue per customer varies significantly
What does this foretell?
Echoes of the past
Decline my transaction, please!
Congress weighs in
Creative solutions
Huntington Bancshares
What? 24-hour overdraft grace period, no minimum balance & free identify theft protection?
Injecting a sense of fairness into the mix
Sacrificing fee income for growth
And related checking matters
High-to-low balancing still playing itself out
Flashback: Wells Fargo litigation sets precedent for additional litigation
Legal conclusion: gouging & profiteering drove overdraft program changes
Fast forward: Wells Fargo still in court!
Regions Financial Corp. still practicing hi-to-low balancing
Thinking twice about writing that check
Migrating to online solutions
Shrinking the branch
Remote deposit capture as overdraft stopper
Transparency and simplicity
Product streamlining
Checking account fee transparency improving
FDIC Model Safe Accounts
Encourage adoption of “checkless” checking for underserved consumers
Table 5-3: FDIC Model Safe Accounts: Core Features/Fees & Auxiliary Services and Fees, 2013
Cost to banks: low
In practice: Citi Access Account
New York City pilot
Marketing approach
Account profitability
Distinguishing feature: remittance
In practice: KeyBank Access Account
An “access” account
Positive uptake, strong account growth
Table 5-4: KeyBank Access Account: Web Marketing Graphic, 2013
Comparing KeyBank Access Account customers to its mass customers
Table 5-5: KeyBank Access Account: Characteristics & Metrics, 2013
On the horizon: Bank of America no-overdraft account
Other debit matters
Rewards are not dead, they’re just different
Rewards for using debit card give way to rewards for saving
A rebound may be in the works
ACH debit in the wings
Merchants and service providers
Advantages and disadvantages
Debitless ATM
Chapter 6: Debit Cards in Context: The Consumer Payments Universe
Summary analysis
2008-2013 debit card, credit card and prepaid card usage trends
2008-2013 checking, investment and loan product trends
Debit card and credit card engagement
Bill payment method trends
Bill payment: payment instrument choice trends
Consumer payment products: debit uptake continues
After recession dip, credit card use increases, but penetration lags pre-recession levels
Prepaid card usage growth lower than that of debit
Table 6-1: Consumer Payment Products Usage Penetration (Percentage and Population), by Type, 2008-2013
Debit card engagement at all-time high
Debit and prepaid not (yet) likely to coexist in the wallet
But majority of prepaid users have debit or credit cards
Table 6-2: Debit Card and Prepaid Card Users, Segmented According to Whether User Has Prepaid, Debit or Credit Card, 2010-2013
Debit cards the most prevalent card-based payment method
Debit card usage frequency eclipses credit card usage frequency
Near-term credit card engagement metrics suggest usage rebound
Table 6-3: Credit Card Monthly Usage Frequency vs. Visa/MasterCard Debit Card Monthly Purchase Frequency, 2010-2013
Checking and savings account trends
On the decline
Checking and savings account usage declines among debit card holders
Debit card holders exhibit higher usage of checking and savings account products
Table 6-4: Checking, Savings, and Unbanked: All Adults, Adults w/ Debit/ATM Cards and Adults w/ Branded Debit Cards, 2008-2013
Relationship to consumer loan products
Table 6-5: Consumer Loan Products, by Type: All Adults vs. Checking Account Holders, 2008-2013
Checking account holders w/ debit cards also less apt to have investments
Table 6-6: Percent of Consumers with Investments: All Adults, Checking Account Holders, Checking Account Holders w/Debit/ATM Cards, 2008-2013
401Ks gain ground; other major types of investments lag
Table 6-7: Checking Account Holders' Investments, by Investment Type, 2008-2013
Debit card engagement and effect on credit card use
Credit card engagement trends: flat over time
Engaged debit card purchasers
Table 6-8: Degree of Credit Card Engagement, by Degree of Debit Card Engagement, 2010-2013
Degree of debit card engagement: relationship to credit card use, by brand
Have/use credit cards
Engaged debit card purchasers
Table 6-9: Consumers Who Have Credit Card (by Card Brand), by Degree of Debit Card Engagement, 2010-2013
Table 6-10: Consumers Who Have Used Credit Card in Past 30 Days (by Card Brand), by Degree of Debit Card Engagement, 2010-2013
Table 6-11: Consumers Who Have Used Credit Card 20+ Times in Past 30 Days (by Card Brand), by Degree of Debit Card Engagement, 2010-2013
Bill payment method trends
Down, goes mail! Up, goes online, automatic debit and phone!
Table 6-12: Bill Payment Methods Used: All Adults, Checking Account Holders, Checking Account Holders w/ ATM/Debit Cards, 2008-2013
Tendency to use checks declines but remains prevalent
Credit/debit/prepaid bill payment trends
Table 6-13: Bill Payment: Cash, Check, Credit, Debit/Prepaid, Money Order: Degree of Use: All Adults, Checking Account Holders, Checking Account Holders w/ Debit Cards, 2009 vs. 2013
Chapter 7: Debit Card Usage Trends
Summary analysis
Debit card usage breadth: 2010-2013
Debit card usage frequency: 2010-2013
Credit card, debit card, checking and prepaid trends: key demographic groups
Debit card usage penetration picks up steam
Non-bank threat?
Branded momentum
Table 7-1: Debit/ATM Card Usage: Visa, MasterCard & ATM-Only Debit Cards: Cash Withdrawal vs. Purchase,
2008-2013
Visa and MasterCard debit card use and engagement trends
Engagement rate approaches 90%
Branded debit cards gaining usage share
Table 7-2: Debit Card Users & Engaged Users: Visa/MasterCard, Visa & MasterCard, 2010-2013
Low-, mid- & high-frequency debit card cash withdrawal & purchase trends
Consumer engagement with debit cards has strengthened
The purchase side of the equation
The cash side of the equation
Table 7-3: Debit Card Engagement: Purchases & Cash Withdrawal Frequency: Visa/MasterCard, Visa, MasterCard and ATM-only Cards, 2010-2013
Credit card, debit card, checking and prepaid trends: key demographic groups
18-24s: ominous trends afoot?
Harnessing debit to lasso youth?
Table 7-4: 18-24s: Credit Card & Debit Card Engagement, Checking Account Use, and Prepaid Card Use, 2010-2013
<$50K HH income: prepaid taking a bite out of checking, but debit remains strong
Table 7-5: <$50K HH Income Adults: Credit Card & Debit Card Engagement, Checking Account Use, and Prepaid Card Use, 2010-2013
$100K+ HH income consumers
Table 7-6: $100K+ HH Income Adults: Credit Card & Debit Card Engagement, Checking Account Use, and Prepaid Card Use, 2010-2013
Chapter 8: Debit Card Usage Rationales & Influences
Summary analysis
Debit’s competitive advantages: Convenience, safety & spending control
Views of checking account/debit card holders & higher-frequency debit card users
Bank account opening motivators
By segmentation group and demographic
Account fee reductions influence on opening a checking account
Fees to use a debit card
Debit vs. other payment types: Convenience, safety, spending control
Convenience over cash and checks fuels debit card use
Safety also a positive factor—for now
Useful tool to control spending
Just as good as a credit card?
Graph 8-1: Debit Card vs. Check, Cash & Credit Card: Convenience, Safety, Spending Control, 2013
By segmentation group and demographic
Checking account/debit card holders & higher-frequency debit card users
Table 8-1: Debit Card vs. Check, Cash & Credit Card: Convenience, Safety, Spending Control: Checking/Debit Card Holders & Non-Holders, High-Frequency Debit Card Users, 2013, By age
Table 8-2: Debit Card vs. Check, Cash & Credit Card: Convenience, Safety, Spending Control: Checking/Debit Card Holders & Non-Holders, High-Frequency Debit Card Users, by Age, 2013,
By HH income
Bank account opening motivators
Wouldn’t we all like to have more money?
Less money to open; less money to use
Fee and penalty transparency
Mobile POS
Graph 8-2: Bank Account Opening Motivators, 2013
All consumers vs. debit card/checking holders
Table 8-4: Bank Account Opening Motivators: All Consumers vs. Debit Card/Checking Holders, 2013
Debit card & checking account holders, by gender and race/ethnicity
Table 8-5: Bank Account Opening Motivators: Debit Card/Checking Holders, by Gender & Race/Ethnicity, 2013
Debit card & checking account holders, by age
Table 8-6: Bank Account Opening Motivators: Debit Card/Checking Holders, by Age, 2013
Debit card & checking account holders, by HH income
Table 8-7: Bank Account Opening Motivators: Debit Card/Checking Holders, by HH Income, 2013
Debit card & checking account holders, by region
Table 8-8: Bank Account Opening Motivators: Debit Card/Checking Holders, by Region, 2013
Debit card & checking account holders, by population density
Drawing distinctions between underbanked, unbanked & unbanked AFS users
Underbanked and AFS users demonstrate account opening motivation
Table 8-10: Bank Account Opening Motivators: Fully Banked, Banked, Underbanked, Unbanked, Alternative Financial Services (AFS) Users & Unbanked AFS Users, 2013
Can account fee reductions influence opening a checking account?
Yes, definitely
Graph 8-3: Checking Account Fee Reduction Methods That Influence Account Opening: Influence & Most Important Influence, 2013
Demographic analysis
Age
Table 8-11: Checking Account Fee Reduction Methods That Influence Account Opening: Influence & Most Important Influence, by Age, 2013
HH income
Table 8-12: Checking Account Fee Reduction Methods That Influence Account Opening: Influence & Most Important Influence, by HH Income, 2013
Banked, underbanked, unbanked & unbanked AFS users
Table 8-13: Checking Account Fee Reduction Methods That Influence & Most Influence Account Opening: by Traditional Banking & Alternative Financial Services Engagement, 2013
What about fees to use a debit card?
Not as opposed to the idea as you might think
Graph 8-4: Consumers Who Would Pay Banks for Debit Card Fees, by Fee Type, 2013
By segmentation group and demographic
Checking account/debit card holders & higher-frequency debit card users
Table 8-14: Consumers Who Would Pay Banks for Debit Card Fees: Checking Account/Debit Card Holders & Non-Holders, & High-Frequency Debit Card Users, by Fee Type, 2013
Age
HH Income
Chapter 9: Card Association Debit Trends & Strategies
Discover Financial Services, Inc.
Let's start with its bread and butter: credit cards
Free FICO scores
Gift cards
PULSE platform expansion
Getting on the signature bandwagon
Merchant rewards
PINless POS and debit direct
EMV
Building significant alternative payments relationships
PayPal
Direct banking
Cashback Checking
MasterCard
Overview
On the debit side of the business
Wins and gains
Followed by normalization
Visa
Overview
“We are never going to regain all of the market share . . .”
Business summary
Transaction processing services
Core debit processing services
Consumer debit platforms
U.S. debit strategy
PIN Authenticated Visa Debit
Fixed acquirer network fee
Raising “no signature” limit
Streamlining dispute resolution process
MasterCard and Visa performance analysis
Quarterly trending
Tracking Q1 metrics
Tracking Q2 metrics
Table 9-1: MasterCard & Visa Debit Volume and Transaction Analysis: Q1 2011, 2012 & 2013
MasterCard and Visa debit card usage analysis
2010-2013 usage trending
Demographic analysis
Table 9-3: ATM/Debit, MasterCard Debit & Visa Debit, Use, Use in Past 30 Days & Monthly Usage Frequency: 2010-2013
Table 9-4: ATM/Debit, MasterCard Debit & Visa Debit, Use, Use in Past 30 Days & Monthly Usage Frequency, by Gender, 2013
Table 9-5: ATM/Debit, MasterCard Debit & Visa Debit, Use, Use in Past 30 Days & Monthly Usage Frequency, by Age, 2013
Table 9-6: ATM/Debit, MasterCard Debit & Visa Debit, Use, Use in Past 30 Days & Monthly Usage Frequency, by HH Income, 2013
Table 9-7: ATM/Debit, MasterCard Debit & Visa Debit, Use, Use in Past 30 Days & Monthly Usage Frequency, by Race/Ethnicity, 2013
Appendix
Methodology
Consumer survey methodology
Terms and definitions
Unbanked and underbanked
Other terms and definitions

Ordering:
Order Online - [http://www.researchandmarkets.com/reports/2860042/](http://www.researchandmarkets.com/reports/2860042/)
Order by Fax - using the form below
Order by Post - print the order form below and send to

Research and Markets,
Guinness Centre,
Taylors Lane,
Dublin 8,
Ireland.
Fax Order Form
To place an order via fax simply print this form, fill in the information below and fax the completed form to 646-607-1907 (from USA) or +353-1-481-1716 (from Rest of World). If you have any questions please visit http://www.researchandmarkets.com/contact/

Order Information
Please verify that the product information is correct and select the format(s) you require.

Product Name: Debit Cards in the U.S., 5th Edition
Web Address: http://www.researchandmarkets.com/reports/2860042/
Office Code: SCPL9ZHC

Product Formats
Please select the product formats and quantity you require:

<table>
<thead>
<tr>
<th>Quantity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic (PDF) - Single User:</td>
<td>USD 4050</td>
</tr>
<tr>
<td>Hard Copy:</td>
<td>USD 4900 + USD 57 Shipping/Handling</td>
</tr>
<tr>
<td>Electronic (PDF) - Enterprisewide:</td>
<td>USD 9000</td>
</tr>
</tbody>
</table>

* Shipping/Handling is only charged once per order.

Contact Information
Please enter all the information below in BLOCK CAPITALS

Title: __________________________
First Name: __________________________
Email Address: __________________________
Job Title: __________________________
Organisation: __________________________
Address: __________________________
City: __________________________
Postal / Zip Code: __________________________
Country: __________________________
Phone Number: __________________________
Fax Number: __________________________

* Please refrain from using free email accounts when ordering (e.g. Yahoo, Hotmail, AOL)
Payment Information

Please indicate the payment method you would like to use by selecting the appropriate box.

☐ Pay by credit card: You will receive an email with a link to a secure webpage to enter your credit card details.

☐ Pay by check: Please post the check, accompanied by this form, to:

Research and Markets,
Guinness Center,
Taylors Lane,
Dublin 8,
Ireland.

☐ Pay by wire transfer: Please transfer funds to:

Account number 833 130 83
Sort code 98-53-30
Swift code ULSBIE2D
IBAN number IE78ULSB98533083313083
Bank Address Ulster Bank,
27-35 Main Street,
Blackrock,
Co. Dublin,
Ireland.

If you have a Marketing Code please enter it below:

Marketing Code: ____________________________________________

Please note that by ordering from Research and Markets you are agreeing to our Terms and Conditions at http://www.researchandmarkets.com/info/terms.asp