



First Data Study Reveals Banks Missing Out On Major Opportunity to Improve Profitability of Their Debit Programmes

Opportunities Can Be Found by Applying “Credit” Strategies to Debit Programmes; Fraud and Increased Regulation Seen as Threats to Growth; Innovation Greatest in Emerging Markets

ATLANTA, July 15, 2010 – Banks must apply more energy and innovation to developing their debit programmes, to make debit usage a more valuable proposition for themselves and their cardholders, according to a multinational study released today by [First Data Corporation](#), a global leader in electronic commerce and payment processing.

‘Worldwide Opportunities for Debit’ is one of the first studies to examine the growth of debit around the world and assess both the drivers behind this increase and its implications for the banking industry. The report incorporates data from interviews of 34 banks across a mix of 10 mature and emerging markets around the world. Interviews were carried out for First Data by TowerGroup with participants from Australia, Brazil, Germany, Greece, India, Mexico, Poland, Turkey, United Kingdom and the United States. In addition, industry analysts from Asia Pacific, Europe and the Americas contributed perspectives and insight.

Beyond confirming the emergence of debit as the primary instrument to the payment account, *Worldwide Opportunities for Debit* also recommends growth strategies banks should adopt and warns of impending threats to their ability to take full advantage of the opportunity debit programmes represent.

“Banks can capitalize on consumers’ move to debit if they develop a sophisticated understanding of the economics of their debit offerings and put the same innovative energy behind debit as they do behind credit,” said Paul Stanley, SVP Financial Services, EMEA, First Data. “However, our study warns that fraud and increased regulation could dampen the debit experience for both banks and their customers.”

Key findings from the study include:

Growth Trends

- In emerging markets, banks need a more vigorous approach to both customer education and co-operation with retailers to increase debit card usage, especially at the point of sale (POS). Debit card usage at the point of sale is as low as 10 percent in some emerging markets compared with 70 to 80 percent experienced by participating banks in the United States.
- Real opportunities exist to improve the profitability of debit programmes through the use of new payment channels such as mobile, prepaid, contactless and e-commerce. These are particularly relevant to the youth market.
- Mobile and prepaid solutions will be central to bringing electronic payments to the unbanked and underserved populations in developing markets – and are already being introduced for this purpose by banks in Brazil, Mexico and Turkey.
- There is little evidence that banks are using the best practices developed in support of credit cards to drive debit growth and performance. Banks that are doing so are realising success.

“We found a disappointing lack of product innovation and analytics in debit, even among institutions that are sophisticated on the credit card side,” said Brian Riley, Research Director, Bank Cards, TowerGroup. “In emerging economies, there is more focus on the opportunities, and on innovation.”

-more-

The Need to Understand Debit Economics

- Bundling debit offerings with other products makes it very difficult for banks to truly understand the economics of their debit programmes.
- Greater awareness of the relationship between channels and products, the alignment of credit and debit strategies and improved account packaging are all essential to driving profitable consumer behaviour.
- Banks that have outsourced their debit processing appear to have the clearest view of debit costs and revenues and, therefore, the best opportunity to focus their efforts on driving profitable growth.

Maximising Debit Profitability

- Segmentation and rewards programmes will become more important to promote customer loyalty but are likely to be profitable only when integrated with other retail banking offers or in partnership with retailers and other third parties.
- Increasing debit usage at the point of sale is a clear priority for banks in Europe, and in emerging markets where ATM withdrawals can account for up to 90 percent of debit card transactions. In India, banks reported that a one-percent increase in debit activation can drive a 20-percent increase in transaction volumes, demonstrating the potential upside for banks.
- Lotteries, instant rewards, advertising and in-branch promotions are being used to promote cards at the point of sale in multiple markets. Major retailers can also help to drive debit in emerging economies by socialising the use of cards at the POS.

The Impact of Regulation

- Regulation of debit usage is increasing in nearly all of the markets included in the study and is challenging current debit business models.
- Regulation in many markets threatens to reduce revenue opportunities and increase costs of debit programmes.
- Regulation could threaten banks' abilities to fund the very programmes that would make debit a better experience for their customers – and more profitable for themselves.

Managing Fraud

- Tight margins on debit mean fraud levels can make the difference between profit and loss.
- 'Chip and PIN' is an effective weapon against fraud for card-present transactions, although limited merchant acceptance undermines the business case in the United States.
- The innovative use of card-not-present channels for debit brings increased risk of fraud. Banks need to consider encryption and tokenization technology to help keep payment card data secure in these environments.

For more information on *Worldwide Opportunities for Debit* or to download the full study, please go to http://www.firstdata.com/en_us/insights/global-debit-study

-more-

About First Data

First Data powers the global economy by making it easy, fast and secure for people and businesses to buy goods and services using virtually any form of electronic payment. Whether the choice of payment is a gift card, a credit or debit card or a cheque, First Data securely processes the transaction and harnesses the power of the aggregate data to deliver intelligence and insight for millions of merchant locations and thousands of card issuers in 36 countries. For more information, visit www.firstdata.com.

Contacts

Helen Owen
+44 1268 297278
+44 7904 574113
howen@firstdatacorp.co.uk

Nancy Etheredge
+1 402 222 6214
+1 402 321 2603
nancy.etheredge@firstdata.com

###