

Consumers Choose Debit Cards As Most Preferred Card in Their Wallets

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New York (January 27, 2004) –**Edgar, Dunn & Company** (EDC), the global strategy consulting firm, announced today that **debit cards** beat out any single type of **credit card** as consumers' most preferred card in their wallet, according to its newly released PaymentDynamicsSM 2004 Preferred Card Study.

Consumers' preference to pay with their **debit card** is part of a fundamental shift in attitudes toward price and greater fiscal discipline. The survey also reveals that over half of consumers surveyed hold a debit or some type of **credit card** today that wasn't in their wallet a year ago with the number of cards in the wallet increasing to 4.3 in 2003 up from 3.3 in 1999.

This is the first consumer survey ever to analyze the entire wallet of **debit card** owned and used, including cobrand, loyalty, affinity, standard credit, debit and smart cards. The study identifies why a payment card reaches the status of "preferred" in a consumer's wallet by benchmarking shifts in consumer attitudes, behavior, card churn, types of purchases and usage patterns. Compiled in late 2003, EDC's consumer study was developed from a survey sampling of more than 6,500 U.S. payment card customers' usage behavior, preferences and attitudes.

"Nearly 40% of Americans say they prefer to grab their **debit card** out of their wallet when making a purchase," said F. Alan Schultheis, a director of Edgar, Dunn & Company. "Convenience and widespread availability is only part of the reason. The study shows debit card use is tied to consumers' increasing commitment to greater personal financial discipline."

For more than one-third of survey participants, card use across all categories continues to be heavily driven by reward programs. As a result, reward-bearing cards, cobrand and **loyalty cards**, are now preferred by about 2:1 over standard **credit cards**; nearly the opposite of the ratio seen in 1999. Consumers, even if they are carrying a balance on a card, like the fact they are earning airline miles, admission to and perks at a popular entertainment park, or a night's stay at a luxury hotel, according to the study. The data shows that consumers are not only more closely assessing price and reward benefits, but are also canceling and adding **credit cards** in their wallet, adjusting their personal card portfolios, to better reflect their current economic situation.

“Until now, understanding the more granular details of consumer card preferences has been elusive. This study provides clear indicators to help both the card issuer and the marketing partner better understand and respond to the consumers’ diverse payment needs and preferences,” said David Poe, CEO of Edgar, Dunn & Company.

Benchmark Highlights of the PaymentDynamicsSM 2004 Card Preference Study
Key insights in this year’s benchmark study include the following data:

Consumer PaymentCard Preference

- 38% of consumers in 2003 stated they prefer using their **debit card** for purchases.
- Shift among consumers who stated they prefer to pay with **credit cards**:
 - o 36% prefer standard **credit cards** in 2003, down from 57% in 1999.
 - o 33% prefer **cobrand cards** in 2003, up from 25% in 1999.
 - o 25% prefer **loyalty cards** in 2003, up from 10% in 1999.

Payment Card Churn During 2003

- Almost 40% of consumers report canceling or reducing the use of an average of nearly two **debit cards**.
- 56 % of consumers applied for and received an average of 1.5 new **debit cards**, and 85% of those are actively using the new cards.
- Price and attitudes toward increased fiscal responsibility are cited by 66% of consumers who have canceled or reduced the usage of cards they have owned.

Reward **Card** Preference & **Loyalty**

- Six out of ten consumers have chosen rewards-based cards as their preferred **credit card**.
- Nearly 90% of these consumers said they would not reduce usage or cancel their preferred reward card.

About PaymentDynamics 2004 Preferred Card Study

The PaymentDynamicsSM 2004 Preferred Card Study from Edgar, Dunn & Company was generated in late 2003 and benchmarked against data gathered from the 1999-2000 study.

Research data compilation is derived from a national probability sample of more than 6,500 respondents who are card owners, credit card decision makers and whose household annual income is greater than \$20,000. Survey data is obtained from on-line, opt-in surveys, with Directive Analytics providing the research and analysis expertise, and Greenfield Online conducting the actual fieldwork.

The survey study profiles demographics, psychographics, recent card acquisitions and activation, card ownership details, behavioral information, preferred benefits and enhancements, communication preferences, and consumer value received from and delivered to the partner. Market segments reported on in both the 2000 and 2004 studies include cobrand, (airline, auto, retail, Internet, hotel) loyalty, affinity, and standard credit cards; debit cards, **smart cards** and other co-brand segments were added to the 2004 study. The survey is part of EDC's PaymentDynamicsSM Intelligence Platform, designed to enable market-based assessments of the critical elements in consumer behavior that drive card program profitability.

About **Edgar, Dunn & Company**

Edgar, Dunn & Company (EDC) is a global strategy consulting firm specializing in financial services. Founded in 1978, the firm is widely regarded as trusted advisors in the payments industry providing a full range of strategy consulting services, expertise and market insight through in-depth industry and consumer benchmarking including its proprietary data intelligence platform, PaymentDynamicssm. Additional areas of expertise include new financial services channels, technologies and retail financial services. EDC's offices are located in San Francisco, New York, Atlanta, London, and Sydney and serve clients in over 30 countries on six continents. More information can be found at www.edgardunn.com.

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