

# THE *BLUE PAPER*

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## NEW STATISTICS INDICATE THAT DEBIT CARDS WILL SURPASS ALL FORMS OF PAYMENT IN 2010!

It's Time To Take Advantage of  
These Latest Projections and  
Market Your Debit Card Once Again

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Route to:

- EVP
- VP Operations
  
- VP Finance
- VP Marketing
- VP Lending
- Newsletter Editor
- E-Coordinator
- Marketing Manager



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Within the past two months, new information and new statistics indicate that there will shortly be a major shift in debit card use.

The Federal Reserve and the national media have come up with data that indicate for the first time that we are actually coming closer and closer to a cashless society.

### **SUDDENLY THERE ARE MORE PLACES THAT WON'T TAKE CASH**

The indicators appear almost daily. Many airlines, following the lead of United, no longer accept cash for any food, services, or gifts bought while flying. Now payments for that lunch (which formerly was free) or for that cocktail or soft drink can no longer be made with dollar bills. You must have a debit or credit card — or you don't eat!

Telephones and service kiosks (where one can have a cell phone recharged or pay for that extra suitcase on the next flight) no longer have any way to take cash or give you change. They want a card now.

And here's what appears to be the crack in the last holdout. Many payments to individuals (for fruit at the farmers market or to a friend who wants to split the tab for lunch) can now be made by credit or debit card. Impossible? No, it's done with a small (postage stamp size) attachment for your cell phone.

### **NEW TECHNOLOGY IS ON THE HORIZON**

A *New York Times* article (April 29, 2010, page B1) uses this example to explain the new product:

Brian Kusler polished off grilled lamb and zinfandel at a San Francisco restaurant recently. His dining companion paid the bill and asked him for his share. Instead of hunting down an ATM, the two bumped their phones together and Mr. Kusler wireless-transferred his part of the bill. The small attachment that hooks up to a phone has a slot to swipe a debit card.

With the new invention, anyone with a cell phone will be able to take a card for payment. That includes the person at the corner newsstand, the taxi driver who formerly refused charge cards, and (someday) even the young person who offers to mow your lawn.

### **BUT THERE IS EVEN BIGGER NEWS**

The *Nilson Report* (February, 2010) released even bigger news.

For the first time, consumers with debit cards (80% of the population) actually exceed those with credit cards (78%). Financial experts have projected this for years. But now it's a fact.

Even though the total dollars used for transactions by credit cards (\$1.76 trillion, down 9% last year) still exceeds those used for debit cards (\$1.63 trillion, up 8% in 2009), the gurus expect 2009 to be the last year in which that is true. The total number of credit card purchases has been declining year after year (20.2 billion uses in 2009, down 4%), while the number of debit card purchases has been increasing (36.2 billion uses in 2009, up 13%).

The recent *Nilson Report* shows that within two years (by 2012), debit cards are projected to account for almost two-thirds of the card market (60.9%).

## DEBIT CARDS ARE THE NEW PAYMENT METHOD OF CHOICE

The Federal Reserve released some additional statistics in January that surprised a lot of Credit Union executives. The numbers are from their *Survey of Payment Choice Study* (January 2010).

The idea of a cashless society has been circulating since credit cards were introduced in 1958 and debit cards in 1973. Today we are closer to that than at any time in the past.

Debit card transactions now exceed those by cash, check, or credit card. It is now, truly, the payment method of choice.

Most important, recent studies have found that debit card use is especially favored by younger people. Younger groups rely on a debit card to a greater extent. This is especially true with that prized demographic market — 18 to 34 year olds. Consequently, we can expect this transaction use to skyrocket in the next 20 years.

According to Mark Fenner, Senior VP at TNB Card Services, there is a noticeable shift from going to an ATM (and getting cash) for small purchases to using a debit card for things like “filling the gas tank or picking up the dry cleaning.”

A study by the Raddon Financial Group also found that shoppers were more inclined to use a debit card for purchases of less than \$25.

The debit card may really have put us on the brink of a cashless society.

## THE TWO BIG ADVANTAGES FOR CREDIT UNIONS

The bottom line, of course, is that this is the perfect time to begin a major marketing campaign for your debit card — for two reasons:

First of all, an increase in income from debit card use will be needed to offset any decrease in income from your credit card activity.

Second, as stated by the Texas Credit Union League, “The more your Members use your debit card, the more likely they are to consider your Credit Union to be their primary financial institution.”

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*The debit card is now the most popular method of payment.*

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## HOW ARE THE SUCCESSFUL CREDIT UNIONS MARKETING THIS?

Successful Credit Unions have found a variety of ways to put their debit cards into the hands of Members. Here are a few of the advantages pitched to their Members:

- There's no annual fee.
- You pay no interest.
- You are not incurring a debt.
- You are limiting yourself to only what you can afford.
- Debit cards can have all the advantages of a Visa or MasterCard.
- It's the ideal "travel card." (Travel guru Rick Stevens recommends using a debit card. An American Express TravelFunds card — the new "travelers check" — requires one go to an Amex ATM, which can be difficult to find, he states.)
- It's ideal for students. (More than 40% of all college students now have debit cards, up 11%.)
- Some debit cards have a rewards program.
- In foreign countries, a withdrawal at an ATM delivers local currency so one does not need to pay to convert funds.
- Debit cards require no credit check.
- It's at your own Credit Union.

For more suggestions, request a copy of the AIL *Blue Paper* for February 2008, titled "**THE PREPAID DEBIT CARD: SEVEN MARKETING STRATEGIES.**" You can request a copy from your local AIL representative or get a copy from the AIL Credit Union Center at [CUCenter@AILife.com](mailto:CUCenter@AILife.com).

## CONCLUSION

The debit card has come of age. It is now the most popular method of payment — surpassing cash, checks, and credit cards.

This, of course, makes it the ideal time for a major promotion by every Credit Union. ◆

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