Future Looks Bright for the $2 Debit

Contributed by MINTEL
Thursday, 21 December 2006

Future Looks Bright for the $2 Debit

Mintel Reports Smaller Debit Purchases Set to Explode

Chicago (December 13, 2006)-- Debit purchases have experienced a boom over the last five years, rising from $421 billion in 2001 to an estimated $1 trillion this year, according to a recent Mintel report. According to Mintelâ€™s survey for this report, 76 percent of respondents now have or use a debit card, up from 73 percent in September 2005.

As American consumers become more comfortable using debit cards, Mintel reports that the tendency to use them for smaller purchases is growing. From packs of gum to lattes, close to a quarter of Mintel respondents reported pulling out their cards for $2 to $10 purchases throughout the year. Ten percent of respondents reported using debit cards for purchases under $1. With companies launching vending machines and other outlets that are more debit-friendly, the number of transactions using cash and checks is expected to continue to decline as debit cards capture more transaction categories. The increasing prevalence of reward programs is also expected to buoy card usage. At present, almost one quarter of Mintel respondents report having some type of rewards program with their debit card, and 68 percent of respondents feel that debit card rewards are valuable.

â€œConsumers are more accustomed to using debit cards in their everyday lives,â€• said Susan Menke, senior financial analyst for Mintel. â€œDebit cards are much more convenient than cash for most transactions. Some people prefer not to carry cash at all, and increased acceptance of debit cards is definitely a welcome opportunity for them. However, cash will continue to liveâ€”our research shows that there are still people who are not convinced that debit cards are a viable option.â€•

According to Mintel Comperemedia, a competitive intelligence service that analyzes direct mail and print media, several debit card issuers are touting rewards programs and sweepstakes. Visa Extras is one of the most visible debit cards rewards programs, according to Mintel Comperemedia experts. The program is structured to encourage people to use their debit cards on everyday purchases to gain rewards points. In addition, other issuers are offering extra incentives and points for holiday purchases to further stimulate consumer usage. These types of mailings have continued to edge out fraud protection mail, once a major direct mail generator.

However, consumer concerns about card fraud may still be negatively impacting usage. â€œIn reality, the likelihood of fraud occurring with debit card usage is quite low,â€• Menke said. â€œHowever, fraud is always a key concern for any cardholder.â€•

In fact, of the respondents who said that they do not use debit cards, close to one fourth cited concerns about fraud or identity theft. Close to 40 percent of these respondents said that they did not use debit cards because they prefer to use credit cards. This indicates a key opportunity for financial institutions to address these concerns and convert new consumers.

â€œThese consumers need to know that their debit transactions are safe,â€• said Menke. â€œThey also need to understand mo about the distinctions between credit card and debit card usage. There is space for consumers to use both, but they need to learn how the two products can work well for them.â€•

About Mintel

Mintel is a worldwide leader of competitive media, product and consumer intelligence. For more than 35 years, Mintel has provided key insight into leading global trends. With offices in Chicago, London, Belfast and Sydney, Mintel's innovative product line provides unique data that has a direct impact on client success. For more information on Mintel, please visit their Web site at www.mintel.com.