

Debit card sales rising rapidly

(8 July 2009 – Australia) Amid continued strength in the retail sector, latest research from East & Partners finds there has been a significant rise in merchant sales paid for by debit card.

The findings come from East's six-monthly Merchant Acquiring and Cards Markets research program, based on direct interviews with 2,277 Australian merchants. Some 60 percent of the merchants interviewed are from the retail sector which has continued to buck the downturn experienced in other parts of the economy.

The research conducted during June 2009 reveals that 28.9 percent of merchant sales are now paid for with debit cards, a substantial increase of 18.6 percent since December last year.

"While credit cards are the dominant method of payment, their dominance has been declining as consumers react to the tougher economy, high credit card interest rates and increasing surcharging of credit cards," said East & Partners' financial markets analyst Zoran Knezevic.

"If this latest growth momentum continues for the next six months, debit cards will become the biggest source of merchant receivables before the end of the current year," he added.

"Big growth in debit card sales and the decline in credit card sales volumes suggests that some payments previously made by credit card are now being shifted to debit," Mr Knezevic said.

"Recent efforts to promote Scheme Debit – that is, Visa and MasterCard debit cards – appear to have won over consumers, with merchants' Scheme Debit receipts growing by 37.5 percent during the past six months alone," he commented.

The rapid adoption of Scheme Debit means that Australians can now substitute credit cards with debit cards in most situations, even for online payments.

"Online payments have traditionally been the mainstay of the credit card but with the rapid adoption of Visa and MasterCard debit cards, this advantage of credit cards has been somewhat eroded."

East's findings are consistent with the April 2009 payments data released by the RBA showing a moderation in credit card transaction volumes and strong growth in Scheme Debit payments.

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These payment trends mirror international experiences. Debit cards are a dominant payment method in many countries including the United Kingdom and the United States. Similarly, credit card use in these countries has suffered under the weight of the financial crisis.

“Credit cards remain a staple payment method. However, their role is becoming more specialised and debit cards are emerging as the preferred payment method for everyday transactions,” Mr Knezevic concluded.

About East & Partners’ Merchant Acquiring and Cards Market Program

East & Partners’ Australian Merchant Acquiring and Cards Markets program is an ongoing six-monthly research service which delivers accurate market intelligence on Australia’s merchant acquiring and cards markets. The report provides a range of relevant analytics including clear measures of card receivables trends, merchant acquiring market share, satisfaction with acquirers and merchant churn. Each biannual report is based on a structured sample of merchants reflecting the actual distribution of merchants by industry and geographic location. The merchant segments covered in this research program, based on annual turnover, are:

- Institutional (Top 500) A\$340 million plus
- Corporate.....A\$20–340 million
- SMEA\$5–20 million
- Micro Business.....A\$1–5 million

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