



# Worldwide Opportunities for Debit

A First Data Research Report  
Executive Summary

## Introduction

Debit is growing significantly across all major global cards markets. This trend is being driven by several factors, including cash replacement, an increasing preference for debit in traditionally credit card markets, and an expanding electronic payments acceptance infrastructure in emerging markets.

This First Data study examines the global growth of debit, assessing both the growth drivers behind this trend and its implications for banks' debit business.

It highlights the main opportunities and challenges across a variety of countries – mature debit markets, countries with strong credit markets, as well as developing markets.

First Data commissioned research and advisory services firm TowerGroup to conduct in-depth interviews with 34 banks across 10 countries, to understand the impact of the growth of debit and what this means for their payments strategy into the future. Fifty five percent of participants are top ten debit issuers in their markets. Others are leading regional banks, tier two national banks, debit issuing consortia or subsidiaries of multinationals. Other leading advisory firms in the United States, Europe, Latin America and Asia also contributed insight on the opportunities and challenges in debit markets around the world.

First Data hopes that this study will be of value to financial institutions as they develop their debit business in an increasingly competitive, challenging and uncertain marketplace.

## Executive Summary

Debit has become the most important access instrument to the payment account. Yet, despite its crucial role in the retail banking relationship, there is still a lack of clarity about debit economics and an under-investment in both product innovation and efforts to enhance the customer experience. This is true of all markets, whether they are dominated by debit or credit cards, or whether their payments industry is mature or under development.

Among the main findings from the First Data global debit study:

- Debit transaction volumes and values have shown impressive growth in recent years. This is likely to continue as there is significant upside potential in the continuing shift from cash and cheques to electronic payments, as well as a growing preference among consumers for debit over credit cards.
- Efforts to build card acceptance infrastructures and increase card usage are key to developing debit in emerging markets. This study highlights the low level of card activation and usage rates at the point of sale in many developing and even some mature markets. Cash still dominates in many markets, highlighting the need for a more vigorous approach by banks to both customer education and co-operation with retailers.
- In many western economies the economic downturn has led consumers to use debit for more control of their budgets and to use credit only where they wish to revolve their balances.

- Debit is not yet benefiting from the same levels of investment in innovation as the credit side of the cards business. Much remains to be done on product development and service delivery.
- Contactless, mobile and e-commerce have the potential to increase debit revenues and profitability. These applications are especially relevant to the youth market, which is comfortable paying with debit cards across a wide range of channels.
- Mobile and prepaid will be central to bringing electronic payments to the unbanked and underserved populations in developing markets. Many people in these countries have mobile phones and are familiar with prepaid, making both viable options to drive up the use of debit.
- Regulation is having an increasing impact on debit markets worldwide. Many banks interviewed for this study are concerned about the potential impact of regulation on their debit business. Banks in the United States are dealing with regulations on both debit interchange and overdraft fees, while European banks confront the implications of the Single Euro Payments Area (SEPA). Rapidly developing markets such as Brazil and India are also impacted by regulation that will have an effect on debit.
- Fraud levels on debit transactions are giving cause for concern. EMV alone has not been enough to eliminate fraud. Significant fraud levels still exist in card-not-present channels and fraud is also migrating rapidly to non-EMV markets. Given the tight margins on debit, fraud levels can determine whether a debit business is profitable or not.
- The economics of debit are unclear for many banks. Many cannot accurately estimate revenues generated by debit, nor what it costs to operate debit programmes. Banks that have outsourced their debit processing say they now have a clearer idea of costs and revenues. While banks are aware of the imminent threats to their debit business models, there is little sign of pro-active strategic change to take account of these threats.
- Banks will need to develop effective strategies to segment their customer base, stimulating cardholder loyalty through effective and commercially viable rewards programmes. Given debit card economics, reward programmes are likely to be profitable only if they are integrated with other retail banking loyalty programmes or if issuers partner with other organisations as part of a wider rewards scheme.

In summary, market trends point to a secular growth trend in debit. But there is no room for complacency. Banks will only succeed in growing profitable debit programmes if they increase card activation, improve the customer experience and invest in innovation to provide a more valuable proposition to cardholders.



## A global leader in electronic commerce

First Data powers the global economy by making it easy, fast and secure for people and businesses around the world to buy goods and services using virtually any form of payment.

Whether the choice of payment is a debit or credit card, a gift card or a cheque, First Data partners with clients to unlock the full value of payments by delivering innovative solutions that improve profitability and drive customer loyalty.

For more information, visit [www.firstdata.com](http://www.firstdata.com)

To find out how First Data can help you grow your debit business, please contact:

Gerard Lysaght  
Tel: +44 (0) 1268 297 032  
Email: [glysaght@firstdatacorp.co.uk](mailto:glysaght@firstdatacorp.co.uk)