

# **Collective Dynamics -- 2004 Research Information**

Collective Dynamics (CD) is a management and technology consulting company, with a payment/card focus, dedicated to automating processes, exploiting technology and improving service, while increasing revenue, controlling costs and creating quality and competitive advantage. We have a deep understanding of payment systems and card related products/services from both a business as well as a technology perspective. Collective Dynamics' consultants have held key management and consulting roles in the payments and card industry for over thirty years, so we bring a deep understanding of the evolution and issues associated with these products as well as knowledge of current best practices.

The partners of Collective Dynamics each have over 20 years of experience in delivery channels, card products, electronic consumer payments and information technology. The cornerstones of our business are our values and our people. Each of us tries to live them and we hold each other accountable to them. We like working with world-class organizations, which typically share our values. They challenge us and stimulate our thinking.

## **Section Guide & Contact Information**

Thank you for your interest in the 2004 Research offerings of Collective Dynamics. The following information describes our traditional market research and conjoint analysis studies in the financial services/payments arena.

- 2004 Syndicated Research & Forum
- Reports Currently Available
- Proprietary Research
- Research Capabilities

Our research supports product development; marketing strategies; pricing; and general business planning. If you would like to know more about any of the information in this catalog, please call us or visit our Web site.

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## **2004 SYNDICATED RESEARCH TOPICS & FORUM**

In 2004, Collective Dynamics will conduct six syndicated consumer surveys. Each of these surveys will involve 1000 respondents representing the general population of the U.S. These six surveys will be available for purchase at a price of \$10,000 each, plus any travel expenses to present the findings at your location. In addition to the report, each subscriber will also receive the actual data to perform any additional analysis.

CD offers also offers a Research Forum. Members of the Research Forum receive four of the six syndicated research projects for \$30,000, in addition to any travel expenses to present the findings at your location. This is a 25% discount off the regular syndicated study prices. Forum members will also have input into the actual survey design and content and, in addition, Forum members can also direct up to 1000 of their own customers to the survey Web site for participation in each study. The six topics we will research in 2004 are:

### **Check 21 -- Results available, April 2004 / Price: \$10,000**

The primary objective of this research would be to determine the pros and cons of check electronication / truncation from the consumers' perspective. Will consumers want substitute checks for all their checks or just on an 'as-needed' basis? How much would they be willing to pay for substitute checks? How do those who currently get returned checks attitudes differ from those who already have their checks truncated? Will this change encourage consumers to consider alternative payment methods like cards or electronic payment? What questions are consumers likely to have for their banks? What are the consumer's biggest issues or concerns?

### **Debit Card Payment Research -- Results available, June 2004 / Price: \$10,000**

The settlement by VISA and MasterCard with the retailers has created a stronger product differentiation between online (PIN-based) debit and off-line (signature-based) debit with significant financial implications. Since the ultimate decision is made by the consumer as to what payment method they will utilize when presented with both options, the study will address factors used by the cardholder as to whether they do the transaction online (PIN) or offline (signature). The value of other card features will also be examined including: liability limits; dispute resolution timeframes; rewards programs.

### **Benchmarking Payments -- Results available, July 2004 / Price: \$10,000**

Consumers are making choices about payment instruments for specific obligations/purposes. What are the key drivers of those choices now, and what are they going to be in the future? What factors are influencing this changing behavior? This could be a recurring benchmarking study showing trends and changes in the future. Payments would include: check, ACH (including the check conversion, debit card, and credit card, PayPal, etc.

### **Overdrafts -- Results available, September 2004 / Price: \$10,000**

What are consumers attitudes/preferences regarding overdraft policies and fees? What would be the value of 'alerts' in such situations? Banks have generally paid the highest dollar value items first assuming these payments are more important; but consumer groups charge such a practice only serves to enhance bank revenue by creating additional fee revenue. How do consumers rate the value of their payments? The research would probably include a conjoint analysis based on specific scenarios.

### **Small Business Market Needs -- Results available, October 2004 / Price: \$10,000**

The Small Business market can be lucrative to a bank's growth, but the segment has a number of servicing challenges. What are the financial services needs of the small business? How are they different from and similar to consumer needs? What are their biggest financial service issues and needs?

### **Bank Customer Service -- Results available, December 2004 / Price: \$10,000**

An analysis of: What is considered 'good' customer service? Do expectations differ between face-to-face interactions and remote (i.e. telephone, e-mail)? Which channels do they prefer for customer service and when/why? What is the proper role of self-directed services online? What is the role of communicating with customers via e-mail in providing good customer service? How do customer perceptions of banks compare to other specific best-practices consumer companies or industries?

## **REPORTS CURRENTLY AVAILABLE**

Collective Dynamics has an inventory of completed reports that are available for immediate purchase. Descriptions of those reports are below. Each of these surveys was consumer-based and conducted using online research methods. All prices listed here are for the electronic delivery of the presentation and the supporting data. If you wish for CD to present this research at your location, there will be an additional charge for the travel expenses related to the visit. A detailed Prospectus of research goals, methodology, etc., is available for each study upon request, or on the Web site.

### **Product-Channel Analysis -- Survey date: December 2003 / Price: \$10,000**

Many banks are still trying to understand the relationship and interaction between banking channels and what strategies/configurations optimize customer appeal and bank performance. This study is an examination of the relationship between banking products and delivery channels. Consumers were asked about their preferences related to shopping for products and services, purchasing or applying for products and services, transacting, and getting customer service. The results of this project will help financial institutions and financial services providers in better coordinating products, services and delivery channels.

### **Choice of Payment Type -- Survey date: November 2003 / Price: \$10,000**

Banks have a wide variety of payment products, and often numerous groups within the bank are promoting different products to the same customers with different and often conflicting messages. This study looks at how consumers decide what payment types to use for purchases. Current payment choices and preferred payment choices. Card ownership and usage. Debit card usage and preferences. Etc.

### **Customer Loyalty & Retention -- Survey date: October 2003 / Price: \$10,000**

Increasing customer loyalty and retention can have a dramatic impact on bank profitability. This study is an in-depth look at how Customer Perceived Value (CPV) -- which is a consumer rating of what they get for what they pay -- impacts loyalty and retention. Loyalty and retention was defined as the likelihood a customer is to continue doing business, buy more products and services, and to tell others about their experiences.

### **Recurring Payments -- Survey date: June 2003 / Price: \$7,500**

Recurring payments options still offer tremendous potential for a variety of stakeholders. Billers have an opportunity to streamline their billing processes, better manage receivables, and reduce float. Financial service providers have the opportunity to offer payment services and serve customers through more efficient channels. Customers can benefit by eliminating time consuming bill payment chores, reducing postage expense, and eliminating late payment fees. This survey examined consumer habits, behaviors, preferences, and attitudes surrounding recurring payments; the usage of automatic payment methods; etc.

### **Electronic Billing Presentment & Payment -- Survey date: Aug. 2002 / Price: \$7,500**

There are over 27 billion recurring bills to consumers each year. It is estimated that presentment and payment processing costs for businesses are in the range of \$1.00 per item for a paper-based transaction versus \$.50 or less for an electronic item. Electronic Bill Presentment and Payment (EBPP) has the potential to greatly reduce this processing cost and also provide significant convenience to consumers. This study addressed the business questions impacting stakeholders and the consumer receptiveness to various combinations of EBPP brands and feature/function alternatives.

### **Micropayments -- Survey date: May 2002 / Price: \$5,000**

There are trillions of dollars in cash payments below \$20 in value in the US annually. Beyond payments at traditional brick and mortar locations, the Web/Internet provides a new and growing venue for additional micropayment growth. This research was conducted to better understand the business drivers and issues in and surrounding non-cash micropayments. Micropayments as used here are low dollar amount (less than \$20) non-cash consumer payments, purchases, or transactions.

## **PROPRIETARY RESEARCH**

Understanding what your customers think about a particular topic is a powerful way to make sure that your efforts and strategies meet the needs and desires of your customer base. A Proprietary Research project goes beyond the general consumer opinions of a syndicated survey and allows you to focus on ways to continually improve the experience of those consumers who already look to you for providing their financial services.

CD will survey approximately 1000 of your customers on any topic of relevance to the financial services and payments industry for \$25,000. These surveys will be conducted online, and you would be responsible for directing your customers to the survey site and paying any incentives if applicable. You will receive a detailed PowerPoint presentation containing the survey findings; as well as all the survey data should you wish to perform any additional analysis. If you would like for CD to recruit your customers for the survey, the cost of obtaining those respondents would simply be passed through to you. As an option, a representative of CD will travel to make a personal presentation of the findings at the location of your choice with only the travel expenses being passed on to you.

While you may choose any topic of interest to you, some potential Proprietary Research topics already suggested to CD include:

### **Accounts Receivable Conversion (ARC)**

Accounts Receivable Conversion (ARC) turns paper checks into an ACH transaction, thus reducing the costs and time it takes to clear checks. Overall, the ARC process offers many benefits for the financial services industry. The next obvious question then is, “How do consumers feel about the process?” This study would provide answers to this question and will be of great benefit to financial institutions, financial services providers, and billers in better understanding consumer needs and concerns on this subject. Armed with this information, the stakeholder would be able to focus their strategies and resources on meeting these needs more effectively.

### **ATM - Expanded Functionality**

ATM owners are planning on spending millions of dollars to upgrade their ATM delivery channel to include Web-enabled ATMs, and support Triple DES and ADA compliance. While much of this effort is compliance related, it will provide many ATMs with the capability of providing additional functionality in the way of additional services. Some ATM owners have implemented “value-add” functionality including dispensing alternative media such as postage stamps and account statements. In addition to technical considerations, upgraded ATMs can provide what has been termed “high-value” transactions such as check cashing, currency transfers, deposit imaging, etc. Conjoint research could be used to determine how important these services are compared to the traditional and current “value-add” service offerings. Of the many enhancement features/services that an enhanced ATM can deliver, which are the most important to the consumer? How appealing is the bank brand vs. convenience stores and other potential competitors? How likely is it that customer would pay for these services and what is a realistic price range?

### **ATM - Pricing**

ATMs have become a mature consumer delivery channel for a bank's customers, as well as for customers of other financial institutions. The steady increase in Surcharge fees has shown signs of leveling off as the number of “surcharge-free” ATMs has increased. What are the key drivers to a consumer when selecting an ATM to use? A pricing study would determine how much consumers (customers and non-customers) would pay for various ATM services and features.

### **Consumer/Household Relationships**

Many banks have expanded their sales efforts to include investments and insurance, with varying levels of success. This research could help the financial institution increase the value of consumer/household relationships. What relationships do consumers currently have at their primary financial institution? What products or services do they have at other financial institutions? Why? What awareness exists of the ability to purchase investments and insurance products? Are there incentives that would drive consumers to consider moving more products & services to your financial institution?

### **Credit Card Payment and Balance Behaviors**

The credit card market in the United States is saturated, and there is a tremendous amount of churn in revolving credit account driving up acquisition and retention costs. This research would look at a number of the key cardholder segments: Revolving Behavior - Assuming consumers revolve on one card and transact on another, how is that decision made? Are there advantages to the consumer to do both behaviors with the same bank? Are there disadvantages? Balance Transfer Decisions - What key factors drive the decision to transfer a balance? Why do some people surf from promotional rate to promotional rate, while others take the rate and stay? What causes the cardholder to become aware of better deals? (Timing of competitive offers, weak relationship with existing issuer, focus on financial matters, etc.)

### **Remote Customer Service: Call Center vs. Internet**

Companies that interface with customers clearly understand the need to provide good customer service to maintain a satisfactory relationship with the customer. While banks have physical facilities that can provide face-to-face customer service, most offer remote customer service through a call center or through the Internet. The primary objective of this study would be to understand what constitutes "high quality" in a call or contact center and what constitutes "high quality" in an Internet alternative. When do consumers prefer a telephone option and when might they opt for an e-mail or Web-based alternative? What enhancements could be made to online customer service to make it a more acceptable alternative to telephone (for example: electronic images of statements and cleared checks, and expanded forms of electronic notifications about account activity)? What response levels do consumers expect from the various customer service channels?

### **Debit Card Branding Research**

There has been discussion over whether the consumer now thinks of it as their "Visa Check" card, "Bank Name" card, or more generically; and if this impacts the way they think about their relationship. Who really owns the ATM/debit card relationship? With Visa/MC branding on dual-purpose debit cards, are people thinking of the card now as a Visa or MasterCard as opposed to how they used to think about their ATM card as their bank's card? If some brand other than the bank owns the card, its features and services, liability protection etc., does this undermine the consumer relationship?

### **Evaluating Financial Institutions: Female vs. Male**

Understanding differences between male and female decision criteria for selecting and evaluating financial institutions across a variety of areas, such as: primary checking, loans, mortgages, investments, credit cards, etc.

### **High Income Households**

What are the financial services needs of high income households? How are they different from, and similar to, general consumer needs? How are banks versus other financial services providers servicing these needs? How many accounts are at their "primary financial institution" vs. others? What is the opportunity for consolidation to the primary financial institution?

### **Internet Payments - Payment Types**

How many customers are currently performing online purchases? For those who do not, what are the key factors contributing to this behavior? Is it a payment issue or a supplier issue? For those who purchase online, how are their attitudes different from non-users? How do users compare to non-users in terms of demographic or other financial services usage patterns? What are the preferred payment types for various categories of online purchases? What are the consumers' biggest issues? Do they have security/fraud concerns and if so, what are their biggest issues?



### **Internet Payments - Online Content & Low-Dollar Purchases**

How do consumers currently pay for low-value items, whether online content or goods? How might consumers like to pay for these things? What payment options would they prefer (online and offline)? How do consumers currently pay for online content, specifically subscriptions and low-value Internet transactions (i.e. less than \$10; less than \$20)? How might consumers like to pay for content and low value Internet transactions if other payment options were available? Specifically, would consumers be interested in an aggregated billing solution where they would only be billed periodically or after their balance reached a certain amount? How would they prefer for an aggregated billing solution to work? What would be the relative value of a solution if it were specific to one biller or if it worked across billers? What role might credit cards or other payment types or brands play in such a payment solution?

### **Loyalty Programs**

While loyalty programs have been well received by customers in other industries and with credit cards, there have been mixed results with overall banking relationship programs. Some banks have implemented signature-based debit card loyalty programs in previous years; but are being faced with examining their financial value due to the decrease interchange rates. What are key attributes of the most successful loyalty programs in the U.S. from a consumer perspective? This research would probably focus on debit card or overall financial services relationship.

### **Miscellaneous Questions**

Most research is targeted on a specific subject or product. You may have questions that warrant research, but the questions individually may not be enough to constitute a stand-alone study. In this survey we would collect your questions and combine them into a single online survey.

### **Online Services - Penetration and Usage**

What is current penetration and usage of various online financial services (electronic Bill Payment; online banking; online customer service; account inquiry; purchasing of products/services; biller direct; online purchases; etc.) Why are people using these services? What do they like/dislike? Why are others not using? This could be an annual benchmarking study where we would compare/contrast penetration/usage on an annual or other basis as appropriate.

### **Security & Privacy**

Banks have consistently been regarded by consumers as being 'trusted'. Legislation and regulations over the last several years (i.e. Patriot Act, FCRA, etc.) have created an increased emphasis on Security and Privacy of consumer's information. While Privacy and Security are two separate issues, they are often interrelated and we believe they can be addressed in one study. The study would focus on: identity verification processes based on information being accessed; identity checking online; fraudulent transaction detection and investigation; customer authentication methods (i.e. identification documentation, biometrics); identity theft; safeguarding of customer information; and, other security and privacy issues.

### **Statement & Paper Suppression**

What are consumers attitudes/preferences regarding statement and paper suppression? The study's focus would be on checking statements and credit card statements. What portion of consumers would find this acceptable? What features/services would make this more acceptable? What incentive would encourage consumers to consider this alternative? How would consumers like to subscribe to this service? How much e-statement online history access is enough? Do consumers want to download to their PC or view these online? Do they want to be able to print PDF version?

### **Stored Value Cards - Chip Card**

The use of chip technology for payment cards in the U.S. has consistently failed to gain acceptance from merchants and cardholders. With the cost of the technology decreasing, and the flexibility of the technology increasing (i.e. contactless cards), is chip card technology ready for prime time? What identification, security and financial applications would consumers like to have on a chip card?

### **Stored Value Cards - Specific Applications**

An in-depth consumer study of a particular stored value card product you choose, for example: gift cards, payrolls cards, college cards, insurance claims adjustment cards, money transfer cards, etc. The study will measure consumer attitudes and preferences toward using stored value cards, and also focus on specific attributes and possible pricing scenarios.

### **Stored Value Cards - General**

This research would be a consumer study encompassing the spectrum of the various stored value card products: gift cards, payrolls cards, college cards, insurance claims adjustment cards, benefit transfer cards, etc. The study will measure consumer attitudes and preferences toward using each of these stored value cards. The study would also examine the impact of technology on card acceptance and usage including magnetic stripe and chip (contact and contactless).

### **MERCHANT RESEARCH: Merchant Payment Choices**

With the settlement of the Visa/MasterCard litigation, merchants have more power than ever in determining which payment types they will accept. What's the value proposition for merchants to accept debit or credit cards? What drives the merchants to accept one payment type over another? The study could also examine the effort to utilize the ACH system for handling point-of-sale transactions such as Debitman and, POS check conversion. How and why are they making decisions between the various alternatives for accepting consumer payments -- are they steering, providing incentives, or leaving the choice to the customer.

### **MERCHANT RESEARCH: Terminal and Vendor Preferences**

A survey of merchants that is focused on payments/acquirer issues such as: What card terminals do you use? What do you like/dislike about that terminal? What are your biggest issues relating to terminals/debit/credit transactions? What new features/functionality would you like to have? What is your perception of various vendors/providers? This survey would gauge current trends as well as future plans.

### **MERCHANT RESEARCH: Understanding ISOs and Independent Contractors**

What drives the decision-making processes of the ISOs and contractors? What are the dynamics of making equipment-purchasing decisions?

### **MERCHANT RESEARCH: Reaction to Wal-Mart Credit Card/Debit Card Ruling**

Research with merchants on what, if any, impact they have realized from the court ruling against MC and Visa. With MC and Visa having to assess member banks for the damages, how do merchants think this will impact them? What are the merchant views on credit and debit card acceptance? Etc.

## **SUMMARY OF RESEARCH CAPABILITIES**

### **Research Capabilities Overview**

Collective Dynamics conducts traditional market research and conjoint analysis studies in the financial services/payments arena to support new product development processes, improved marketing methodologies, and the development of sound business strategies. While a number of firms are experienced in the technical aspects of conjoint analysis, very few understand the issues, product dimensions and competitive environment for the financial services/payments industry as well as we do. We have gained insights in these areas - based not only on our research activities; but also through a wide array of consulting engagements and other types of research that we have performed for clients, and through the extensive experience of our team members.

### **Research Services**

Collective Dynamics conducts traditional marketing research surveys as well as conjoint analysis studies. In addition to the administration of research studies, we also offer custom analytics services to ensure our clients get the maximum business impact from the research. For more information on any of our research capabilities, please visit our web site.

### **General Research Services**

- Web Interviewing – Traditional online surveys of all types, including general consumer and business-to-business research studies, customer satisfaction surveys, product concept tests and exploratory pricing studies.
- Conjoint Analysis Studies – Conjoint is an advanced quantitative research technique used to model how customers in a marketplace make buying/choice decisions using both explicit preference ratings and trade-off analysis. Conjoint has been used for over 30 years and the data has proven valuable for a variety of research questions including new product development, marketing/customer segmentation, brand and pricing analysis, strategic planning, etc. For more information on conjoint, please visit the web site.
- Syndicated Research Studies – Collective Dynamics also conducts six syndicated research studies annually on topics we believe will be of interest to stakeholders in the financial services and payments arena. Participation in these studies is open, with design input typically given to early participants. The studies to be conducted in 2004 are detailed earlier in this brochure.
- Focus Groups -- If your organization wants to test new product and service ideas or assess topic opinions via face-to-face interaction with consumers, Collective Dynamics can facilitate focus group sessions. Pricing for Focus Groups varies depending on the particular requirements of your project, so please contact us to discuss your needs in more detail

### **Custom Analysis & Data Services**

- Simulation/Modeling – Based on the data collected via a conjoint research study, Collective Dynamics can create and execute market simulation models to test the likely preference share of new product introductions, product feature enhancements or pricing changes. These simulations allow you to run a wide variety of “what if” scenarios to test a variety of strategies or pricing options, or to better understand potential competitive threats.
- Segmentation/Clustering – Conjoint analysis data can be analyzed at the aggregate level; or by any segmentation criteria that are either included as part of a research effort (i.e. behaviors/demographics); or, that can be provided to us by our clients. We can also create a custom segmentation, or needs/preference-based segmentation, using the conjoint preference models as the basis of the segmentation effort. This allows you to identify customer segments based on their product preferences and needs (i.e. price sensitive, brand sensitive, feature sensitive and service sensitive customer segments). These segmentation analyses are especially useful for customer segmentation effort and marketing campaign planning and customization.
- Perceptual Mapping – Perceptual Mapping provides a powerful graphical representation of the interrelationship of a group of attributes to each other, as well as to other factors.



- Database Scoring – Once a custom segmentation approach has been defined, Collective Dynamics works with clients to define a model to identify/define each customer segment across a variety of behavioral and demographic variables. A model can then be developed to predict the segment a customer is likely to be in and can then be used to score other customers in the client database (i.e. those who did not participate in the survey) into relevant preference segments. This type of effort supports marketing campaign development.
- Data Mining - Collective Dynamics also performs ad hoc data mining for our clients on existing customer data sets, or research data sets, to identify the most insightful patterns in the data and the appropriate strategic response based upon the findings uncovered.

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