

Collective Dynamics



September 2003

Choice of Payment Type
Research Prospectus

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Choice of Payment Type

Introduction

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. But what does the customer want in terms of payment options? Does this differ by payment type or venue? How many and what kinds of options does the consumer really want?

Collective Dynamics is conducting primary consumer research to understand Choice of Payment Type attitudes and preferences. We believe the results of this research will be of great benefit to financial institutions, financial services providers, and billers in better understanding evolving consumer payment needs, thereby focusing strategies and resources on meeting these needs more effectively.

The approach outlined in this Research Prospectus is a “straw man” approach, and will be refined by the Collective Dynamics Research Forum Members.

Topic

This consumer research will focus on consumer usage and preferences for payment types for a large variety of venues and payment types. This is best described by indicating the types of business questions that the research will address which are as follows:

- ◆ What is the consumers preferred payment type (credit card, PIN debit card, signature debit card, etc.)? Why?
- ◆ What is the consumers current payment choice by venue today? Why?
- ◆ Does the consumer have a preferred payment type for all occasions or does this differ by venue?
- ◆ How do consumers “compartmentalize” payments? (i.e. I always use my debit card for these type things; I always use my credit card for those type things, etc. etc.)
- ◆ What drives a consumer to use one payment type in one venue and another payment type in a different venue?
- ◆ Are the different messages from different product areas of the bank regarding payment types helpful or confusing to the consumer?
- ◆ Are there demographic or other metrics that are good predictors of which consumers are more likely to prefer a specific payment type?
- ◆ What are the drivers that would cause a change of payment behavior?

Examples of the payment types and venues under consideration for study are shown below.

Venues

Point of purchase
Fast Food
Restaurant
Department Store
Grocery
Etc.
Online
Entertainment Tickets
Travel
Books
Etc.
Remote
Utilities
Subscriptions
Etc.
Bill Payment (Biller)
Bill Payment (Aggregator)

Payment Types

Visa/MasterCard Credit card
American Express
Private Label
Signature Debit
PIN Based Debit
Check
Etc.

Approach/Methodology

Collective Dynamics will utilize on-line interviewing to gather both qualitative and quantitative information. Multiple regression may be utilized after specific research goals are established with Research Forum members. Cluster analysis will be utilized to better understand how consumer “group together” based on their preferences.

Deliverables

- ◆ Management Presentation and Report
 - Management presentation at your site
 - Presentation content and detailed appendix
 - Research findings
 - Strategic implications
 - Conclusions and recommendations
- ◆ Data -- Survey statistics, frequency counts, cross-tabs and correlations of responses
- ◆ Follow On Analysis -- One day of consulting to explore your specific questions or issues

Study Dates

The study will begin in late September and will be completed by mid-November.

Collective Dynamics Qualifications

Collective Dynamics’ staff members have over a hundred years of experience in the financial services and payments arena. We have managed a broad array of traditional and alternative payment studies (credit card, ATM/EFT/Debit, Internet banking, ACH, etc.) so we understand the core issues and challenges facing stakeholders in the recurring payments arena. Collective Dynamics staff members also have extensive market research experience and specific skills and experience in the area of conjoint analysis and predictive modeling research. In the past year alone we have delivered research to a broad range of players in the payment system, including:

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| • Bank of America | • Federal Reserve | • JP Morgan Chase | • Visa |
| • CheckFree | • FleetBoston | • MasterCard | • Wachovia |
| • Concord EFS | • Global Payments | • Unisys | • Washington Mutual |
| • Coca-Cola | • Hypercom | • US Bank | • Wells Fargo Bank |

Cost

The cost for the basic study is \$10,000, plus any travel expenses related to presenting the findings at your site. Prices to survey your actual customers for comparison to industry norms or specific peers can be quoted upon request. Please call for specific pricing and to discuss options.

Property Rights

Collective Dynamics retains all rights to the data and conclusions. Study participants are free to use the study results within their organization/holding company but may not share or divulge study information in any form with any other party without the express prior written consent of Collective Dynamics.

Contact Information

To sign up for this study or for questions or further information regarding this study, please e-mail or call:

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