

Collective Dynamics



March 2004

PIN (Online)/Signature (Offline) Debit Card
Research Prospectus

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PIN (Online)/Signature (Offline) Debit Card Research

Introduction

Last year's legal settlement between Visa/MasterCard and retailers has created a stronger product differentiation between PIN-based Debit (online) and Signature Debit (offline). These changes have 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 identify and address the factors used by the cardholder as to whether they do the transaction with PIN debit, Signature debit, or use another method of payment. Previous research studies conducted by Collective Dynamics (Choice of Payment Types – 11/03 and Micropayments – 5/02) that touched on general debit card usage has indicated confusion in many consumers' minds about the advantages and disadvantages of each debit card product. This study will explore those issues in greater detail so issuers will be able to better understand and educate their customers. Additionally, the value of other card features will also be examined including: transaction pricing, liability limits, dispute resolution timeframes, and usage incentive programs.

We believe the results of this research will be of great benefit to financial institutions, financial services providers, debit card transaction processors, merchants, and merchant transaction acquirers in better understanding consumer attitudes, issues, and preferences regarding PIN and Signature debit; thereby allowing more focused 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 early subscribers to the study.

Topic

This consumer research will focus on consumers' usage and preferences for PIN and Signature debit cards. The study will seek to determine the level of understanding of consumers of the differences between the two products, as well as understanding the advantages/disadvantages of debit cards over other payment methods. Some of the questions that the research will address are as follows:

- ◆ How well do consumers understand the differences between PIN and Signature debit cards relative to float, liability, dispute resolution, security, etc.?
- ◆ How frequently do consumers use their cards for ATM withdrawals; PIN debit and Signature debit transactions? What is the transaction mixture?
- ◆ Do consumers prefer one type of debit card product to another? Why?
- ◆ For those who do not activate their debit card: Why don't they activate the card? (open-ended question and selects) Are there things that would make them consider activating and using? How do the demographics of non-activators compare to those who activate?
- ◆ How well do consumers understand the differences in cost to the merchant for the two types of card? Does this knowledge impact their preference for one type of debit card over another?
- ◆ Do consumers view one card type as more 'convenient' than the other?
- ◆ What types of purchase venues does the consumer prefer to use their PIN/Signature debit card? Why?
- ◆ Are there certain types of purchase venues that don't currently accept PIN/Signature debit cards that the consumer would like to use their debit card? Which ones?
- ◆ Has the 'cash back' feature of PIN debit cards impacted the consumer's usage of ATMs? How much?
- ◆ Do consumers view one card type as more secure than the other? Why?
- ◆ How will incentives/disincentives impact the preference for one debit card type over another?
- ◆ Are there demographic or other metrics that are good predictors of which consumers are more likely to prefer a specific type of debit card product?
- ◆ What are the drivers that would cause a change of payment behavior?

Approach/Methodology

Collective Dynamics will utilize on-line interviewing of approximately 1,000 U.S. consumers to gather both qualitative and quantitative information. Conjoint analysis may be utilized after specific research goals are established with early subscribers. 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
 - Conclusions and recommendations
 - Strategic implications
- ◆ 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 April and will be completed by the end of May.

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:

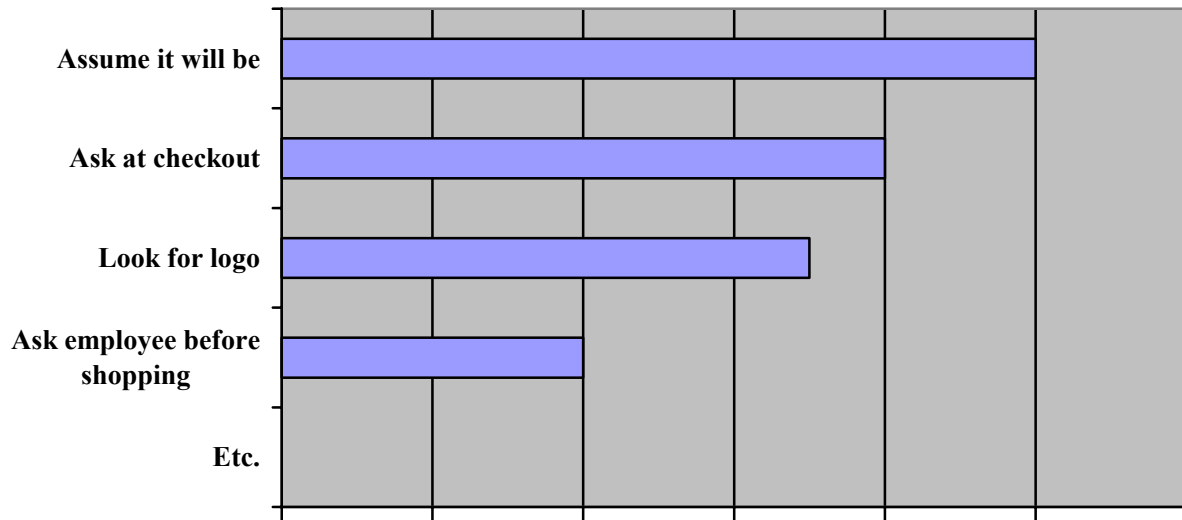
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Debit Card Consumer Research

Example Output

The following charts are based on example data and are intended solely to illustrate the types of insights that are being investigated in the research. They are not intended in any way to represent actual survey results.

How do you determine if your card will be accepted by a merchant?



How satisfied are you with the level of information provided by your bank?

