

## **Debit Card – Training**

### **What's Up With Debit? Behind the Fastest Growing Form of Payment at the Point-of-Sale**

Debit transactions at the point-of-sale are up - and still climbing. In fact, whether the transaction is secured by a PIN or authorized by a signature, using an ATM card to debit funds from a checking account is the fastest-growing form of payment at the point-of-sale.

Three quarters of all adult account holders in the United States have an ATM/debit card - a total of 250 million cards - and last year, 87 percent of ATM/debit cardholders used them to make purchases at the point-of-sale.

The number of purchases made with those cards has been increasing at about 25 percent a year and debit cards are on track to become the most popular form of non-cash payment by 2008, eclipsing both checks and credit cards.

This is great news for the thousands of retailers who are already accepting debit cards. Retailers not yet offering customers this payment option will be interested to know that, according to a survey recently conducted, consumers spend considerably more when they pay with an ATM/debit card: 17 percent more than when they pay by check; and 1.24 percent more than when they use cash.

#### **Consumers surveyed prefer PIN-secured debit.**

Of the two types of debit-card transactions - PIN-secured and signature-authorized (see next page for more information on these two types of transactions) - the majority of consumers recently surveyed prefer PIN-secured. Among those who prefer PIN-secured, 51 percent like it because they feel it provides more security than signature-authorized debit.

Other consumer advantages of PIN-secured over signature-authorized debit include the popular cash-back option and the fact that no identification is required, making checkout faster. Debit transactions at the point-of-sale are up - and still climbing. In fact, whether the transaction is secured by a PIN or authorized by a signature, using an ATM card to debit funds from a checking account is the fastest-growing form of payment at the point-of-sale.

#### **PIN-secured debit also benefits retailers.**

Retailers who offer PIN-secured debit provide their customers an increasingly popular payment option. And the added security of a PIN helps reduce the incidence of fraud, a benefit to both retailers and customers. In addition, because customers' accounts are debited in real-time, retailers also can benefit by receiving their funds faster.

Another advantage to retailers is that processing costs for PIN-secured debit are lower - an average of only 34 cents per transaction, compared with an average of 36 cents for checks and 72 cents for both signature-authorized debit and credit.

**It's no surprise that PIN-secured debit is growing in popularity.**

The benefits of PIN-secured debit for both consumers and retailers is fueling an expansion of this popular payment option. Initially found mostly in service stations, pharmacies, grocery and discount stores, terminals for PIN-secured debit transactions have begun cropping up in video rental stores, wholesale clubs, department and specialty stores, restaurants, and fast-food outlets. In some areas of the United States, consumers are even using their debit cards to pay utility bills.

As customers increasingly demand the convenience of paying with ATM/debit cards, the number of debit transactions is expected to continue to grow. The speed and security of PIN-secured transactions is expected to make that option more popular than ever with consumers, reducing processing costs for retailers.

Sources:

- 1 The Nilson Report
- 2 2001 STAR Consumer Survey
- 3 ATM & Debit News
- 4 The Nilson Report
- 5 FMI 2001 Activity Based Cost Study