

Merchants cheer for debit cards

(26 February 2009 – Australia) Australian merchants' preference for debit cards is echoing across the payments market as the growth in debit card payments continues to gain momentum.

This finding is one of the main themes emerging from East & Partners' inaugural Merchant Payments report which is based on direct interviews with Australia's merchants turning over more than A\$1 million per year.

"During the past three years the share of merchant receivables made up of debit card payments has increased by 35 percent while the share of payments coming through credit cards, cash and cheques has continued to fall," said East & Partners' financial markets analyst Zoran Knezevic.

"A lot of the growth in debit has been driven by an increase in Visa and MasterCard debit card payments, however payments with bank issued or EFTPOS cards have also grown noticeably."

This growth comes amid mounting evidence that debit cards are now Australian merchants' preferred payment option. Many merchants express a clear preference for debit cards and list this as the main future priority for the payments industry, paving the way for a continued rise in debit card payments.

The popularity of debit cards among merchants is closely linked to their sensitivity to acceptance costs.

East's report shows that debit card payments carry markedly lower transaction fees for merchants compared to fees paid for credit card transactions which have dominated merchants' collections for the past several years.

Given the large volume of credit card payments the resulting net cost of acceptance has emerged as an important driver of credit card surcharging, with a significant number of merchants already applying surcharges on credit card payments and many planning to apply surcharges in the next year.

"Credit card surcharging has continued to grow across merchants of all sizes and has emerged as one of the mechanisms by which merchant payment preferences are being communicated to consumer," Mr Knezevic said.

"Surcharging therefore adds further thrust to the move to debit cards, which have in many respects become a substitute for credit cards," he concluded.

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About East & Partners' Merchant Payments Report

The inaugural East & Partners Merchant Payments Report draws upon data gathered through direct interviews with more than 2,200 merchants, with fieldwork conducted during December 2006, 2007 and 2008. The sample of merchants was structured by turnover segment and all interviews were carried out with the individual holding primary responsibility for decision making over the organisation's payment function.

The report provides an in-depth analysis on a range of important metrics including:

- Receivables Streams Breakdown
- Payment Product Acceptance
- Credit Card Surcharging Behaviour
- Market Share of Leading Acquirers
- Average Transaction Costs

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