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Scope and Themes

What you need to know

This report examines the current credit card marketplace, new influences driving the market, consumer behaviors with respect to using various payment cards, and competitive factors influencing the industry. More importantly, it identifies new opportunities for growth.

While the rate of growth in credit card acquisition is slowing, acceptance of this payment method for a broader array of usages continues to increase. It is now more common for consumers to pay for small everyday purchases with plastic. At the same time, credit cards are being used at venues that were once the province of cash payment. New technologies are being explored to make the card payment experience even faster and more convenient for consumers as credit card companies strive to increase revenues in the face of stagnant card growth.

This gives credit cards a broader reach, and the potential to capture revenues from purchases that would otherwise have been paid in cash. The challenge for credit card companies will be to offer their customers the right package of incentives to ensure that their brand becomes the “top of wallet” card used most frequently.

Moreover, although the credit card market is mature and growth has slowed amidst competitive inroads from other types of cards, there are still some untapped markets where ownership is relatively low—for example, younger consumers (those under age 30, and even more specifically, those aged 18-24), people without bank accounts, and various ethnic groups that have lower than average ownership and usage of credit cards.

There are also promising new technologies that could significantly impact credit card companies’ success in identifying potential customers and marketing to them more effectively. Credit cards continue to have advantages that other payment cards do not, and these differentials will become more important as the industry seeks out new opportunities for improving growth and retention. How can current consumer attitudes and usage behavior be used to formulate future strategies? Mintel’s extensive consumer research provides insights into how various consumer groups are using their cards, and identifies potential target groups and marketing strategies.

Abbreviations and terms

Abbreviations

There follows a list of abbreviations used in this report.

ABA	American Bankers Association
ACE	American Council on Education
APR	Average Percentage Rate
ATM	Automated Teller Machine
BoA	Bank of America
CAGR	Compound Average Growth Rate
CCE	Commercial Consumer Expenditure
EFT	Electronic Funds Transfer
FDIC	Federal Deposit Insurance Corporation
FSA	Flexible spending account
ICBA	Independent Community Bankers Association
NACS	National Association of Convenience Stores
PCI	Payment Card International
PIN	Personal identification number
POS	Point-of-sale
RFID	Radio frequency identification

Terms

The following terms are also used in the report:

Checking account	A checking account is a depository account an individual holds with a financial institution that allows them to make deposits and withdraw from those deposited funds.
Credit card	A card that offers a revolving line of credit, or that can be used to buy products and services with a minimum or the entire amount due, typically on a monthly basis. Credit cards are offered by banks and other financial services companies, as well as retail stores other types of companies.
Debit	An electronic payment method that allows cardholders to access funds from their bank account at the point of sale using a debit card.
Personal Identification Number (PIN)-based transaction	The cardholder must enter a PIN to authorize payment of goods, in which the POS terminal dials for an authorization directly to the card issuer. PIN debit and online debit are used as interchangeable terms throughout this report.
Signature-based transaction	An offline transaction in which the customer gives their authorization by signing a receipt on paper or electronically, as opposed to entering their PIN. Most often when making a purchase the customer must choose the credit option to authorize the transaction, initiating a signature-based transaction for debit as well.

Generations are discussed within this report, they are defined as:

World War II	The generation born in 1932 or before. In 2006, members of this generation are aged 74 or older.
Swing Generation	The generation born between 1933 and 1945. In 2006, members of the Swing generation are between the ages of 61 and 73.
Baby Boomers	The generation born between 1946 and 1964. In 2006, Baby Boomers are between the ages of 42 and 60.
Generation X	The generation born between 1965 and 1976. In 2006, Generation Xers are between the ages of 30 and 41.
Echo Boom*	The generation born between 1977 and 1994. In 2006, Echo Boomers are between the ages of 12 and 29.
Matrix Generation**	The generation born from 1994 to present. In 2006, Matrices are aged 11 or younger.

In order to provide a constant price value for markets Mintel uses the CPI to deflate current prices. The CPI is defined as follows:

CPI

The Consumer Price Index is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The CPI and its components are typically used to adjust other economic series for price changes and to translate these series into inflation-free dollars. Examples of series adjusted by the CPI include retail sales, hourly and weekly earnings, and components of the national income and product accounts. In addition, and in Mintel reports, the CPI is used as a deflator of the value of the consumer's dollar to find its purchasing power. The purchasing power of the consumer's dollar measures the change in the value to the consumer of goods and services that a dollar will buy at different dates.

The CPI is generally the best measure for adjusting payments to consumers when the intent is to allow consumers to purchase, at today's prices, a market basket of goods and services equivalent to one that they could purchase in an earlier period. It is also the best measure to use to translate retail sales into real or inflation-free dollars.

Based on Bureau of Labor Statistics definition.