

The main trends of the credit card market

L'explosion du commerce en ligne, la percée toute récente de la carte à puce et le développement des cartes de crédit structurent les nouvelles stratégies du marché.

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— *In the US, what are the main trends of the credit card market ?*

• **The increased use of technology for both operations and customer targeting.** As consumers use their cards in new environments – the Internet is the most popular example – there is a need to respond with advanced risk management tools. Examples of our own Issuer responses include such things as advanced fraud detection efforts and the introduction of verified by Visa payer authentication technologies.

We have many Issuers that have ef-

«The smart card allows us to add even more security and convenience to a product that has achieved great consumer confidence.»

fectively made use of macro data warehouses that allow them to service their prospective and current customers more completely. Prospective customers are found through not only previous purchase behavior (akin to old style list management services) but also through affiliations. An example of this is the success of affinity cards that allow a consumer to support their alma mater or their favorite non-profit organization. Once a customer is acquired, the Issuers are spending a great deal of effort ensuring that their customers are retained and serviced well. This may be reflected through on-the-phone credit limit adjustments which allow a consumer to respond to an emergency funding need, or something as simple as getting access to transaction statements online, twenty-four hours a day.

• **The increased consolidation of the marketplace.** In the US, a small number of Issuers control a very large portion of the credit issuing marketplace. Even those small local banks that provide a credit line to their consumer often do so through an alliance with a larger Issuer that is capitalizing on their processing scale.

• **The expanding set of opportunities provided by alternative payment tools.** In the US debit is a relatively recent widespread alternative. Our credit Issuers are not all debit issuers and so the rise of debit products has presented new strategic questions for the market. Similarly, the advent of electronic checks in the physical world provides a new alternative to a plastic card. Since

Visa is owned by the banks here, we are aggressively supporting all these alternatives -our mission being to improve profitability of our members, through credit, debit or checks.

— *What kind of evolution are emerging today?*

We believe that much of what will be defined as the future will look very similar to the current marketplace. Quality service, consumer choice with reliance on security and ease of use. What will change is the technologies that allow us and our members to deliver these attributes. For example, the chip card provides opportunities to improve the security of an Internet transaction. But

Key Visa statistics (as of december 31, 1999)

	Visa International	Worldwide year/year - Growth (%)
Cards :		
Total cards (1)	997,808,437	
Visa (incl. electron) only	735,295,539	12.1
Volume (purchase+cash) (US\$) Visa (incl Electron)	1,590,379,000,000	18.8
Volume (purchase only) (US\$) Visa (incl Electron)	1,087,081,000,000	18.9
Volume (cash only) (US\$) Visa (incl Electron)	503,297,000,000	18.7
Transactions (purchase+cash) Visa (incl Electron)	21,371,826,598	20.0
Transactions (purchase only) Visa (incl Electron)	16,930,653,071	19.0
Transactions (cash only) Visa (incl Electron)	4,441,173,527	20.0
Acceptance :		
Merchant Outlets	18,016,861	11.2
Member offices	387,995	0.6
ATMs	627,447	28.4
Total acceptance	19,036,020	11.3

(1) Total cards = Visa, Visa Electron, Interlink, PLUS, and Visa Cash cards.

the basic operations of that transaction – authorize the transaction, fund the appropriate accounts, support recording of the appropriate data – are the same in the chip environment as they were ten years ago when a magnetic stripe was your only option.

One significant change that we do see is our ability to provide valuable new services to our merchant partners. Our Acquiring members have long supported the operations of their merchant clients. But with the advent of new technologies and a broad array of payment environments (Physical and Virtual Worlds, for example), those merchants are looking for even greater value from the payment system. Direct Exchange is an example

of how we are planning for a future revolution of how the merchant business is serviced by our Acquires. New and more robust data can be passed as part of the payment, bringing improved efficiency to back office operations and new revenue generation opportunities via options like loyalty programs.

— *What new opportunities has been brought up by the smart card, for the Market and for the banking community? What is your projects and your strategy towards this market ?*

The smart card allows us to add even more security and convenience to a product that has achieved great consu-

mer confidence. As the US marketplace adopts chip cards we believe we will see an explosion of new applications developed by the marketplace which allow consumers to pick and choose the «tools» that are right for them. These tools might be the standard credit and debit options that are available on the magnetic stripe card today. But they will also include loyalty, security, access control, mass transit, electronic receipts, and many more. And as mentioned above, in the same way that consumers will see new tools develop, so too will our merchant partners who we believe will benefit as greatly if not even more so as the technology spreads from the chip card, to the checkout counter, and then

	Visa AP Asie-Pacifique	Visa Canada	Visa CEMEA*	Visa Europe	Visa LAC**	Visa USA
Cards :						
Total cards (1)	183,677,098	50,482,524	16,278,115	158,219,214	100,594,983	488,556,503
Visa (incl. Electron) only	112,450,437	22,827,764	15,957,044	147,408,814	100,340,234	336,311,246
Volume (purchase+cash) (US\$)						
Visa (incl. Electron)	165,898,000,000	54,473,000,000	34,717,000,000	496,185,000,000	117,969,000,000	721,135,000,000
Volume (purchase only) (US\$)						
Visa (incl. Electron)	123,352,000,000	49,002,000,000	7,555,000,000	312,206,000,000	33,362,000,000	561,604,000,000
Volume (cash only) (US\$)						
Visa (incl. Electron)	42,545,000,000	5,471,000,000	27,164,000,000	183,979,000,000	84,607,000,000	159,531,000,000
Transactions (cash only) (US\$)						
Visa (incl. Electron)	42,545,000,000	5,471,000,000	27,164,000,000	183,979,000,000	84,607,000,000	159,531,000,000
Transactions (purchase+cash)						
Visa (incl. Electron)	1,632,208,562	811,577,532	346,600,345	7,216,076,800	1,716,740,154	9,648,623,205
Transactions (purchase only)						
Visa (incl. Electron)	1,477,382,182	773,232,402	127,652,335	5,181,080,970	734,003,586	8,637,301,596
Transactions (cash only)						
Visa (incl. Electron)	154,826,380	38,345,130	218,948,010	2,034,995,830	982,736,568	1,011,321,609
Acceptance :						
Merchant Outlets	7,360,419	562,320	418,062	3,986,143	1,648,086	4,041,831
Member Offices	61,105	7,481	21,431	169,138	43,307	85,533
ATMs	29,161	19,901	24,166	225,132	63,148	265,939
Total Acceptance	7,450,685	589,702	467,376	4,380,413	1,754,541	4,393,303

(1) Total cards = Visa, Visa Electron, Interlink, PLUS, and Visa Cash cards.

* Centural Est Europe, Middle Est and Africa.

** Latine American and Caraibe.

finally into the back office operations.

Banks in the US have always played a key role in providing consumer and the business community a trusted partner. No other industry faces greater public scrutiny, government regulation, or self-imposed standards. Our members – large and small banks, credit unions, and the like – will continue to provide the same service they have for hundreds of years: a trusted partner that uses the best of today's technology to protect your personal items, whether they are a savings account, the title to your home, or the increasingly robust data that defines your private life.

— *How do you explain the fact that smart card took so long time to be accepted in the US Market?*

In the US, where telecommunications are robust and relatively inexpensive, there has been little need for the card-based data depository that the chip provides. Our magnetic stripe technologies, advanced neural networks, and active participation by the merchant community has ensured that the US payment system was not only safe and secure, but responsive. We continue to believe that magnetic stripe cards have an important place in the payment environment, and will for many years to come. What is emerging however is cost effective chip-based cards which allow new tools to be made available at the point of sale. It is these new tools – like loyalty – that are making the business case for chip introduction.

— *How do you explain the mild success of the electronic purse in the US?*

The US has a tradition of using coinage which is widespread and deeply rooted. Altering this behaviour requires not only convincing the consumer to load money onto a chip card, but also ensuring that the merchant can complete a transaction at the checkout counter (and closing the cash register at the end of the evening!) with the same efficiency. We believe that the electronic purse will become popular in the US, but in the same way that credit and debit payments on a chip – our bank's customers will determine the speed of adoption. We primarily see electronic purse (Visa Cash) working well in closed environments like military bases. ●

Propos recueillis par Q. de F.