Government acceptance of payment cards
The consumer’s perspective
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Summary comments

- From inception, government acceptance of payment cards has been a boon for consumers
- Based on recent research, over 75% of consumers already use or would consider using cards to pay for government services
- However – with few exceptions – empirical uptake significantly lags nearly all private sector categories
- While demographic and cultural shifts will provide a tailwind, increasing government payment card volume will require addressing underlying consumer needs and concerns
Credit and debit cards have come to dominate U.S. consumer non-cash transactions

Number of annual US non-cash transactions¹

¹ 2000, 2003, 2006, and 2009 data are presented as these are the most recent data available from the Federal Reserve, the definitive source of payments information. Studies are conducted every three years
2. Check transactions represent number of checks paid (the number of checks written declined less rapidly than the number paid)
3. Debit transactions include both Signature and PIN based debit
4. ACH stands for Automated Clearing House, an electronic network for financial transactions
5. In 2000 and 2003, only prepaid EBT was counted. The 2006 Studies count prepaid as EBT, one-time use gift cards and general purpose open-loop prepaid cards
...and yet card payments for most government agencies lag other consumer and B2B sectors

Payments mix by sector

Source: Oliver Wyman 2011 Business Finances Survey Analysis, client experience
Continued adoption of the internet as a tool for managing finances should provide positive momentum...

**Use of online tax filing**
% of individual income tax returns filed online

**Use of online banking**
Frequency of online banking usage by age (2008)

Note: Includes the Form 1040 series. Online filing defined as an individual using a home computer via filling out a form on a website or through personal tax software.

Source: IRS.gov TaxStats

Source: Oliver Wyman proprietary consumer preference survey (n=3,700)
Stimulating more rapid growth will require addressing underlying consumer needs and concerns

Key categories of consumer concerns

**Security and ease of use**
- General distrust/concern over electronic payments
- May wane with continued demographic shift toward Gens X and Y

**Timing and control**
- Inability to control when payment is debited from checking account or applied to revolving balance

**Government access**
- Concern over how the government may use its access to the individual’s debit or credit card number

**Cost**
- Typical range is 1.5-2.5% of the transaction value
- Final Durbin rules for debit may help create a lower-cost alternative and put pressure on credit convenience fees
For any questions, please contact

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