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Consumers Divided on Interchange Issues, says Auriemma Consulting Group

NEW YORK, N.Y. — As advocates of the payments industry and retailers battle over proposed changes to interchange, neither side will find it easy to rally consumer support, according to Cardbeat®, a syndicated market research report published by Auriemma Consulting Group (ACG). “Even among heavy credit card users, reaction to the concept of discounts for paying cash is neutral to positive; however, few expect that merchants would pass along the savings,” says Nancy Stahl, editor of Cardbeat.

About 60% of consumers knew that merchants have to pay credit card companies a fee to process each transaction: their average estimate of the amount the merchant pays was 2.66%, with the most putting it between 1% and 2%, a relatively accurate answer, Stahl noted. On the other hand, Cardbeat respondents tended to overestimate the importance of merchant fees: on average, they guessed that 41% of the money that credit card companies make comes from merchants. In a standard credit card portfolio, the contribution of interchange is usually less than 25%, she said.

When asked about whether it is appropriate for merchants to charge less to customers who pay with cash, only 20% voiced opposition, while 42% were neutral and 38% approved of the idea. “Somewhat surprisingly, heavy credit card users and holders of rewards cards were no more likely than the overall population to oppose the idea of differential pricing,” said Stahl. However, when they were asked how merchants would respond if Congress passed a law that reduced or capped the amount of merchant fees, only 14% thought it was likely that they would pass along the savings to customers by reducing pricing.

While the payments industry has battled the practice of two-tier pricing at gas stations, Federal and State governments have familiarized consumers with a 2.5% surcharge for paying taxes with a credit card. “Our survey asked about the fees merchants pay for credit card transactions, whereas the Durbin Amendment is focused on debit card interchange,” Stahl cautioned. “Nevertheless, these findings show that most consumers don’t object to the idea of differential pricing *per se*.”

The information in this release includes data from a survey of 408 credit card holders conducted in July 2010.

About Auriemma Consulting Group

Auriemma Consulting Group (ACG) is a full-service management consulting firm serving the payments and lending industries since 1984. Cardbeat is ACG’s syndicated market research study of credit card holders, conducted monthly in the U.S. and quarterly in the U.K. With offices in New York and London, ACG consultants are experienced practitioners, drawn from the credit card, private label, auto finance, mortgage, and retail banking industries that we serve. For more information, contact Pat Sahm at 212-323-7000 or patricia.sahm@acg.net.