

Consumer Payment Preferences – Emerging Payments

Key Insights

1. Consumers Express Moderate Interest in Contactless Payments

Of those consumers who do not have a contactless device, 20% say they would use one if it were given to them.

2. Gas Stations and Grocery Stores Most Common Places to Use Contactless Payments

Gas stations/convenience stores and grocery stores are the top two places current and potential users of contactless payments would use that form of payment.

3. Decoupled Debit Does Not Offer Compelling Value Proposition for Consumers

Most consumers' interest levels were lukewarm with only 8% being "Extremely" or "Very" interested in decoupled debit.

4. Younger Consumers Most Interested in Contactless Mobile Payments

45% of consumers under age 35 expressed some level of interest in using their mobile phones as a contactless payment device.

About this study

First Data was one of the sponsors for the 2008 Study of Consumer Payment Preferences conducted by Hitachi Consulting. 3,308 U.S. consumers completed an online survey in June 2008 which was administered by the Harris Poll Online. The survey was designed to collect primary consumer data profiling the current payments environment and future outlook. The survey instrument included five parts: 1) In-Store Payment Preferences; 2) Internet Payment Preferences; 3) Bill Payment Preferences; 4) Cards (including credit, debit and prepaid); and 5) Emerging Payments. This Market Brief provides key findings for Emerging Payments Preferences.

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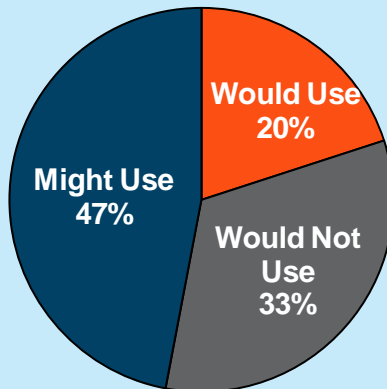
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Key Insight #1: Consumers Express Moderate Interest in Contactless Payments

Contactless payments have achieved a limited footprint in the U.S. with only 11% penetration among consumers, up from 8% in 2005. Of the 11% that indicate they have a contactless device, 58% have used it at least once (6% of consumers overall). Of those consumers who do not have a contactless device, 20% say they “would use” one if it were given to them.

Potential Use of Contactless Device



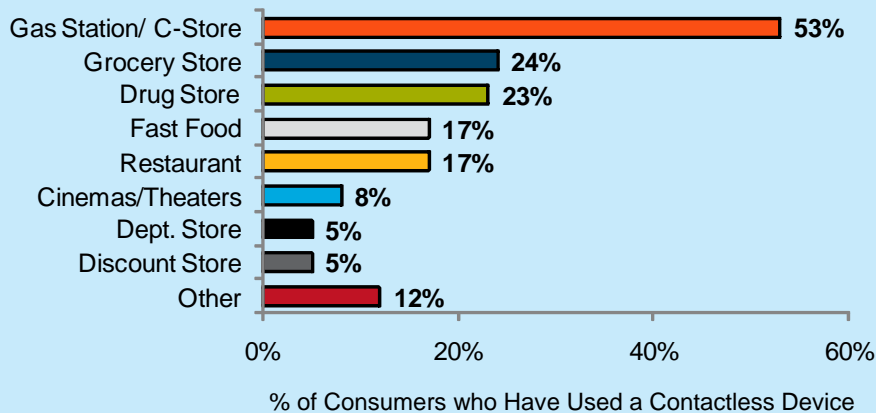
Date: June, 2008

N = 1,480

Key Insight #2: Gas Stations and Grocery Stores Most Common Places to Use Contactless Payments

53% of consumers with contactless devices use that form of payment at gas stations/convenience stores. Consumers who “would” or “might” use a contactless form of payment if provided to them indicated that would potentially use the device at gas stations/convenience stores as well as grocery stores.

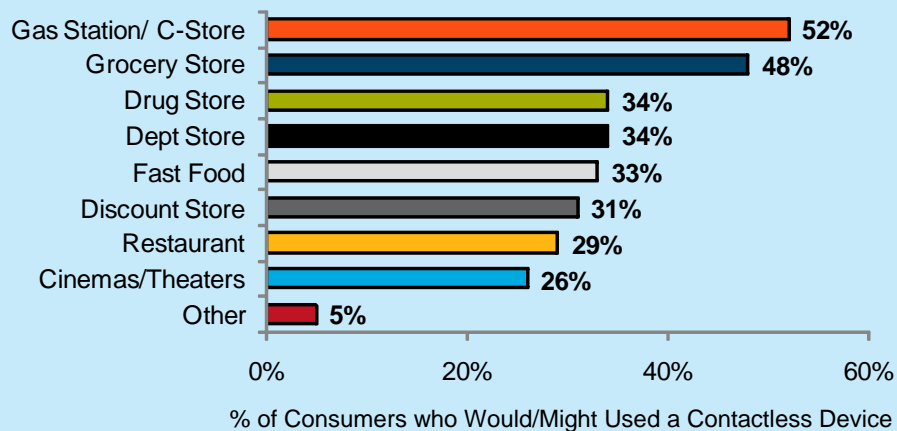
Use of Contactless Device by Location



Date: June, 2008

N = 102

Use of Contactless Device by Location



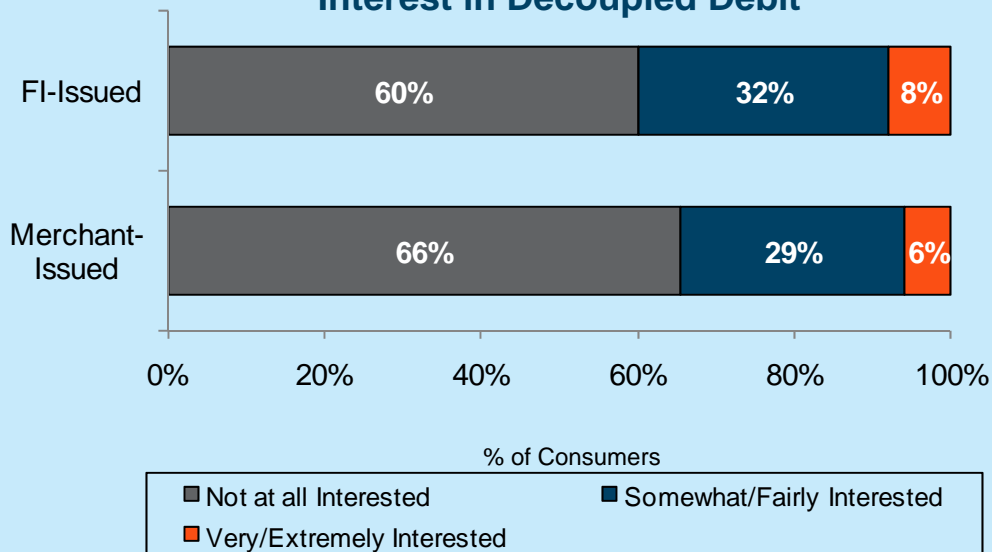
Date: June, 2008

N = 1,480

Key Insight #3: Decoupled Debit Does Not Offer Compelling Value Proposition for Consumers

Awareness in the availability of decoupled debit offerings is relatively low with 30% of consumers indicating that they were aware of the product. Most consumers' interest levels were lukewarm with only 8% being "Extremely" or "Very" interested in decoupled debit. The majority of consumers are "not at all" interested in the product.

Interest in Decoupled Debit *



*Consumers were asked how interested they would be if an FI or merchant offered them a debit card with an attractive rewards program that would withdraw funds from their existing checking or savings account.

Date: June, 2008

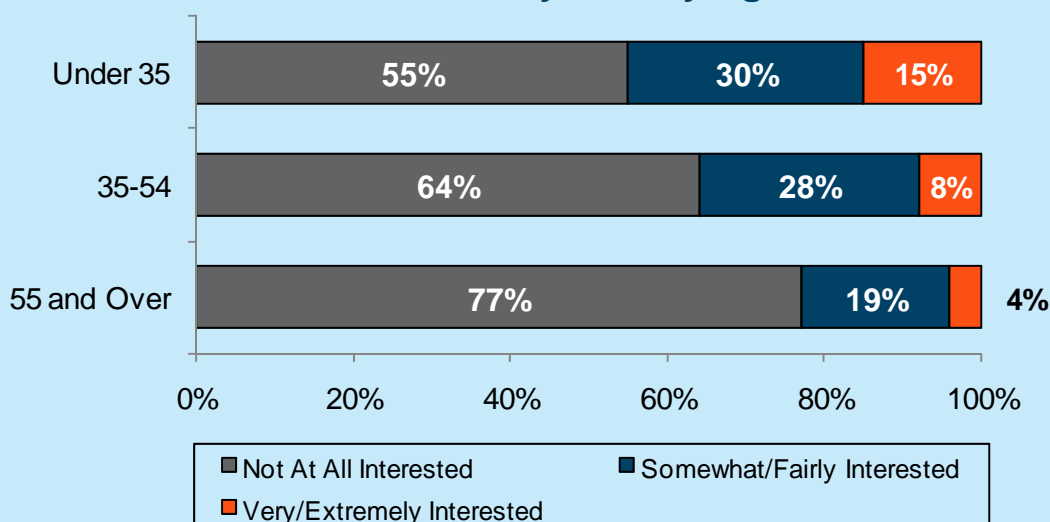
N = 1,102



Key Insight #4: Younger Consumers Most Interested in Contactless Mobile Payments

Overall, only 9% of consumers are “Extremely” or “Very” interested in using their mobile phone as a contactless payment device. An additional 26% are “Fairly” or “Somewhat” interested. This compares to 15% of consumers under age 35 who expressed they were “Extremely” or “Very” interested and an additional 30% who are “Fairly” or “Somewhat” interested.

Interest in Using Mobile Phone for Contactless Payment by Age



Date: June, 2008

N = 1,654



Sample Size

All 3,308 respondents were asked core questions related to their payment behavior in stores, online and to pay bills. In addition, respondents were randomly divided into subgroups to answer questions related to particular areas of interest. The following table summarizes the sample sizes by payment method:

		# Respondents	% Respondents
All	Core Survey Questions	3,308	100%
Or	Cash	1,654	50%
	Contactless	1,654	50%
Or	Credit	1,105	33%
	Debit	1,102	33%
	Gift/Prepaid	1,101	33%