Economic Impact of Credit Card Competition Act on U.S. Travel and Tourism

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OXFORD ECONOMICS

EPC Electronic Payments Coalition

Preface

Oxford Economics modelling approach

Oxford Economics has modelled a scenario and sensitivities to assess the impact of the Credit Card Competition Act (CCCA) on the U.S. economy. Oxford Economics was provided assumptions on the impact to businesses and consumers by the Electronic Payments Coalition (EPC), as well as first order impacts to specific sectors (retail trade, transport services, health, arts, and hotels) based on discretionary spending. See Appendix I for more information on these assumptions.

These assumptions were input into the Oxford Global Economic Model and Global Industry Model in order to capture second order impacts and measure the total impact on Gross Domestic Product (GDP), employment and industry sectors GVA.

About Oxford Economics

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Oxford Economics has since become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools in more than 200 countries, 100 industries, and 8,000 cities and regions. Our best-in-class Global Economic Model and Global Industry Model, and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social, and business impact.

Headquartered in Oxford, England, with regional centers in New York, London, Frankfurt, and Singapore, Oxford Economics has offices across the globe in Berlin, Belfast, Boston, Cape Town, Chicago, Dubai, Dublin, Hong Kong, Los Angeles, Mexico City, Milan, Paris, Philadelphia, Stockholm, Sydney, Tokyo, and Toronto. We employ over 650 staff, with more than 400 professional economists, industry experts, and business editors— including one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base comprises over 2,500 international organizations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

About the Electronic Payments Coalition

The Electronic Payments Coalition represents the credit unions, community banks, payment card networks, and institutions who support the backbone of our economic system: electronic payments.

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Executive Summary

The Credit Card Competition Act (CCCA), introduced to Congress by U.S. Senators Richard Durbin (D-IL) and Roger Marshall (R-KS) in 2022 and again in 2023, would require that financial institutions with assets exceeding $100 billion provide at least two unaffiliated payment networks[1] on their credit cards.

The Senators' stated goal is to increase competition and, as a result, lower merchant acceptance costs for credit card products. The following report seeks to quantify the unintended impact in the U.S. of the CCCA to the U.S. economy with specific emphasis on travel and tourism sector categories and locations that benefit from credit card rewards-driven consumer travel and spending. In doing so, this report aims to offer a more holistic assessment of this legislation's potential impact, one that accounts for not only the stated intentions but also the likely outcomes.

To calculate the impact of the assumed changes to credit card rewards and therefore discretionary spending on the economy, the report uses a proprietary macro-economic model developed by Oxford Economics. The U.S. debit experience was used as a benchmark with an assumption for purposes of analysis that merchants would aspire to a potential credit interchange reduction of around 100 basis points (bps) in average interchange fees with an average decline of ~50% from current metrics.

Among the findings:

- The hypothetical reduction in interchange fees almost eliminates returns for non-exempt issuers. To remain profitable, issuers would likely reduce value-added services and rewards and employ measures like APR and annual fee increases.
- The reduction in rewards and benefits expenditure in this potential outcome of CCCA would impact incentives for consumers to use credit cards, potentially leading to a decrease in consumer discretionary spending by an estimated $80 billion.
- Under this scenario, Oxford Economics calculates a decline in consumer spending that significantly impacts the U.S. economy, with an estimated loss of up to $227 billion in economic output over four years, [2] and job losses peaking at 156,000 in the second year after the CCCA's implementation.
- Historical data from Regulation II, international cases, and Federal Reserve studies suggest that most of the savings from interchange fee reductions accrue to large merchants, with acquirers also benefiting to a lesser extent. It remains inconclusive whether cost savings will eventually be passed on to consumers.[3]

[1] The legislation specifies that one of the two networks must be outside of Visa or Mastercard. It is important to note that the CCCA only applies to Visa and Mastercard, and does not impact American Express or Discover.

[2] Our analysis covers the first four years after CCCA implementation. Results after that point are too difficult to accurately predict for reasons discussed later in the report.

[3] Assessment of publicly available research reports and economic studies including by the Federal Reserve Bank of Richmond, Government Accountability Office, and International Center for Law and Economics yielded little empirical evidence of pass-through of cost savings to consumers.

- Regionally, areas dependent on travel and recreation spending will be the most affected by the CCCA. Total loss of economic output over four years is estimated to be $6.5B in Miami, $5.8B in Las Vegas, $3.7B in Orlando, $3.5B in Nashville, and $2.3B in Hawaii. At their peak in year 2, job losses would also be disproportionately affected, estimated at 6.8K in Miami, 12.5K in Las Vegas, 8.7K in Orlando, 2.5K in Nashville and 3.4K in Hawaii.

- No other country or market has imposed this type of regulation outside of the U.S, or has the level of complexity, scale or potential risks as the U.S payments industry.

Industries reliant on discretionary spending, such as entertainment and recreation, hotels, dining and catering, retail trade, and transport services, are estimated to be most affected by the CCCA for several years beyond the four-year scope of the study.

Increases in costs associated with the regulation, including the potential investment required for interoperability between networks and issuing new cards, are not factored in this analysis.

Introduction

Background on the Credit Card Competition Act (CCCA)

The Credit Card Competition Act (CCCA) was first introduced in Congress by U.S. Senators Richard Durbin (D-IL) and Roger Marshall (R-KS) in July 2022 and was subsequently reintroduced in June 2023.

The legislation directs the Federal Reserve to require credit card-issuing banks with assets greater than $100 billion to offer at least two unaffiliated networks on their cards. Crucially, at least one of these networks must be neither Visa nor Mastercard.

Proponents of the CCCA argue that the intention of this legislation is to reduce interchange fees paid by merchants for credit card payment processing, with these savings being eventually passed on to consumers.

In the context of the CCCA, it is important to understand the current U.S. credit card landscape. There are currently four major U.S. credit card networks: Visa, Mastercard, American Express, and Discover. Among these, Visa and Mastercard are “four-party” networks – the four parties being cardholders, issuers, acquirers, and merchants. In a four-party model, rates and fees beyond interchange are set by the card issuer and the merchant acquirer, not the payment networks. American Express and Discover are “three-party” networks – as the issuer and the network are the same entity that sets rates and fees (both use third parties as “acquirers” to some extent).

Interchange fees exist in four-party models and are typically paid by the acquirer to the issuer. The stated role of interchange is to compensate issuing financial institutions for the cost of acquiring and managing credit card accounts. These costs include portfolio management, credit risks, rewards, marketing and other costs. Merchants do not pay interchange directly. Instead, merchant discount rates are paid directly to acquirers and are usually calculated as a percentage of each transaction.

This legislation is similar to one aspect of the debit card competition regulation enacted by Congress in 2010, which included Regulation II (Debit Card Interchange Fees and Routing) codified at 12 CFR part 235. Regulation II included provisions prohibiting issuers from restricting the number of networks for processing debit transactions to fewer than two unaffiliated networks. It also prevented issuers from inhibiting a merchant's ability to direct the routing of a debit transaction over any network enabled by the issuer. Furthermore, the Durbin Amendment to Regulation II, implemented on October 1, 2011, introduced an interchange fee price cap of $0.21 per transaction plus 0.05% of the transaction amount for debit issuers with assets exceeding $10 billion.

Calculating the cost of the CCCA

Since the CCCA has been proposed in the U.S., we have mirrored this study off of the impact that regulation on debit card payments, Regulation II (Reg. II), has had in the U.S. over the last 10+ years. As a result of Reg. II, the reduction in interchange fee income has been approximately 50% across affected issuers that account for more than 60% of U.S. debit transactions (see **Fig. 1**[4]**)**. This has resulted in an immediate loss of debit rewards programs.

Figure 1: Federal Reserve Data shows impact of Reg. II in the U.S. market on interchange

U.S. Regulated Debit Rates

	2011 (Before Reg II)	2011 (Oct-Dec after Reg II)	Reduction vs 2011 Before Reg II	2021 (Regulated)	Reduction vs 2011 Before Reg II
IRF Fees as % of transaction Value	1.12%	0.60%	-46.4%	0.52%	-53.6%
IRF Fees per Transaction ($)	$0.44	$0.24	-45.5%	$0.25	-43.2%

Source: Federal Reserve

While the Durbin Amendment did reduce debit card acceptance costs for some merchants, it remains inconclusive whether cost savings were eventually passed on to consumers.[5] Furthermore, the amendment's impact on card issuer economics removed key benefits that consumers received, including rewards on debit card spending.

[4] Federal Reserve (2023). Interchange Fee Revenue, Covered Issuer Cost, and Covered Issuer and Merchant Fraud Loss Related to Debit Card Transactions. https://www.federalreserve.gov/paymentsystems/regii-data-collections.htm.

[5] Assessment of publicly available research reports and economic studies, including by the Federal Reserve Bank of Richmond, Government Accountability Office, and International Center for Law and Economics, yielded little empirical evidence of pass-through of cost savings to consumers.

Potential Economic Impact of Legislation

Scenario Overview

As stated in the executive summary, this report seeks to shed light on the CCCA's potential impact on the overall U.S. economy with specific emphasis on the travel and tourism industries.

We use the U.S. debit experience as a benchmark and assume for purposes of analysis that legislation could lead to a potential credit interchange reduction of around 100 basis points (bps), an average decline of ~50% from current metrics. We do not attempt to predict whether this level of impact is likely to occur.

Empirical evidence from Regulation II, international precedent cases, and Federal Reserve economic studies show that consumers don't benefit greatly from reductions in interchange rates. Instead, most savings are retained by merchants, with acquirers also benefiting to a lesser extent. Among four precedent case reports, covering the United States (Regulation II), United Kingdom, Australia, and European Union, none were able to find evidence of significant benefit to consumers through price reduction.[6]

Interchange reductions (~100 bps) in this scenario would lead to a near-elimination of returns for non-exempt issuers. To restore profitability, issuers would rely on reducing value-added services and incentives such as rewards and benefits. Issuers would also utilize revenue generating levers such as increasing APR and annual fees, although to a much lesser extent.

The concern among issuers and networks is that the proposed legislation could have a negative, circular effect – lower interchange results in reduced rewards and higher fees that suppress spending, lowering issuer revenue through interchange further. For example, the reduction in rewards and benefits would lower incentives for consumers to continue using credit cards for their purchases. This report estimates that the potential reduction in rewards and benefits expenditure in response to the CCCA would result in a decrease in consumer discretionary spending by approximately $80 billion annually.

Estimated Impact on Overall U.S. Economy

The impact of the CCCA could have significant repercussions on the U.S. economy. Given an approximately 100 basis point reduction in interchange and a fall of $80 billion in discretionary spending, Oxford Economics estimates the legislation could lead to an loss in economic output of up to $227 billion over the span of approximately four years (see **Fig. 2**[7]).

[6] Federal Reserve Bank of New York. (2005). The Economic Effects of Australia's Regulation of Interchange Fees.
American Bankers Association. (2019). Durbin Amendment's Effect on the Cost and Availability of Core Financial Services.
International Center for Law and Economics. (2022). The Effects of Price Controls on Payment Card Interchange Fees.
Federal Reserve Bank of Kansas City. (2006). Interchange Fees in Australia, the UK, and the United States: Matching Theory and Practice.

[7] Based on results from Oxford Economics analysis of impact to overall economy.

Figure 2: Potential impact of the CCCA on the US economy

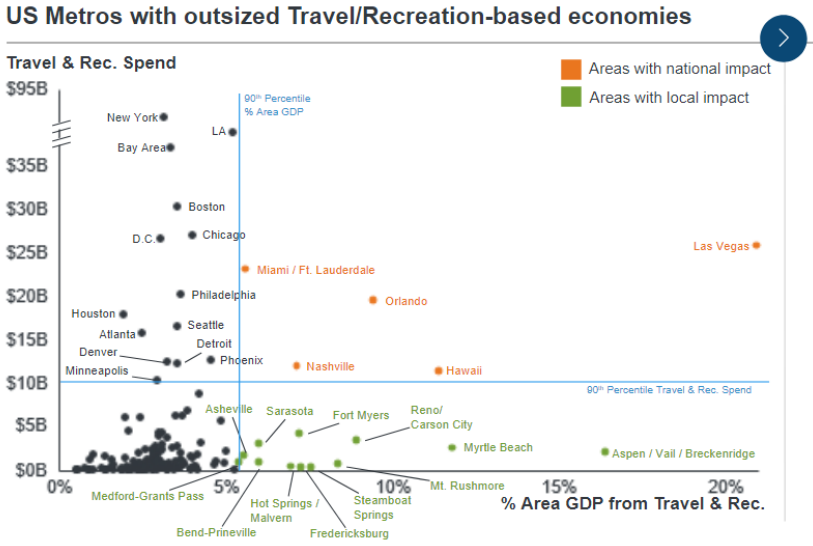
Overall impact of CCCA relative to baseline	Year 1	Year 2	Year 3	Year 4
GDP $B	27,246	28,484	29,813	31,067
GDP change $B	(65 - 89)	(69 - 103)	(17 - 23)	(4 - 13)
GDP growth change bps	(24 - 31)	(0 - 4)	19 - 29	4 - 5
Unemployment rate %	4.85	4.80	4.45	4.40
Job gain/loss #K	(89 - 118)	(110 - 159)	(33 - 36)	(10 - 11)
Consumption %	(0.3 - 0.4)	(0.4 – 0.5)	(0.3)	(0.2 - 0.3)
Business investment %	(0.2 - 0.4)	(0.2) - 0.1	0.8 – 0.9	1.1 – 1.2
Baseline GDP $B	27,323	28,570	29,832	31,076
Baseline Unemployment rate %	4.79	4.72	4.43	4.39

Source: Oxford Economics, based on inputs provided by the Electronic Payments Coalition

Estimated Impact by Geography

Because the potential impact of the CCCA on discretionary spending disproportionately affects industries such as entertainment, travel, and recreation, geographic regions reliant on these industries are more susceptible to unintended outcomes. Geographies that could be most affected by the CCCA's potential impact are Miami (FL), Las Vegas (NV), Orlando (FL), Nashville (TN), and Hawaii. Total loss of economic output over four years is estimated to be $6.5B in Miami, $5.8B in Las Vegas, $3.7B in Orlando, $3.5B in Nashville, and $2.3B in Hawaii (see **Fig. 3**). At their peak in year 2, job losses would also be disproportionately affected, estimated at 6.8K in Miami, 12.5K in Las Vegas, 8.7K in Orlando, 2.5K in Nashville and 3.4K in Hawaii.

Figure 3: Potential impact of the CCCA on the US economy by geography



Outsized impact on select geographies

	Delta in economic output over 4 years	Delta in economic output as % of Y1 GDP
United States	$227B	- 0.84%
Miami, FL	$6.5B	0.52%
Las Vegas, NV	$5.8B	1.24%
Orlando, FL	$3.7B	0.69%
Nashville, TN	$3.5B	0.64%
Hawaii	$2.3B	0.70%
Cape Coral / Fort Myers, FL	$1.17B	0.97%
Reno, NV / Carson City	$728MM	0.65%
Myrtle Beach, SC	$470MM	0.70%
Aspen / Vail / Breckenridge, CO	236MM	2.15%
Mt. Rushmore, SD	$114M	1.49%

Estimated Impact on Consumers

Beyond credit card issuers, consumers are the stakeholder group most negatively affected by the CCCA. For example, as issuers pare down credit card rewards programs, consumers will have less incentive to spend not only on their credit cards, but across all payment methods. This impact may be experienced by cardholders across income levels, as 86% of all cardholders and 77% of lower-income cardholders have an active rewards credit card.[8]

In this scenario, the net impact of the CCCA is estimated to be a reduction of $80 billion in total consumer discretionary spending. Most of this reduction in consumer spending is driven by rewards redemption, including cash back, ($66B), followed by benefits ($15B), with a less predictable portion coming from APR and annual fees (assumed for purposes of this analysis to be $0-0.9B and $0.4B, respectively). These consumption shocks are netted from the potential savings realized by consumers from merchants, equivalent to $1.9B.

The estimated impact of reduced rewards on discretionary spending is a combination of the direct and indirect impact of the CCCA – the direct impact being the lost rewards that consumers would have otherwise spent ($16B[9]), and the indirect impact being the multiplication effect (assumed to be between 1:2 and 1:3) as consumers reduce discretionary spending because they lost their rewards ($50B[10]).

Unlike rewards, benefits are assumed to have only direct impact – i.e., the lost benefits that issuers would have otherwise spent on behalf of consumers ($15B). The approach to estimating impact of APR ($0-0.9B[11]) accounts for the likelihood that when faced with higher APRs or reduced credit access, consumers may shift some (or all) credit card spending to other forms of payment to avoid incurring interest charges or reduce spending due to lost or reduced credit access. Lastly, annual fees are assumed to have only direct (no indirect) impact – i.e., the additional annual fee expenses consumers incur may take away from their available disposable income.

[8] Reported by American Bankers Association in 2021.

[9] Loss of cashback rewards assumed to have 1:1 impact on spend, as consumers typically use cash-back to pay for outstanding balances. Loss of rewards points assumed to have 1:1.25 impact on spend, as value to consumers is greater than cost to issuers.

[10] A survey conducted by Intellisurvey and EMI in September of 2023 found that the loss of credit card rewards would cause a 3.4% reduction in consumer spend. As follows, Scenario 1 assumes a 21% reduction in rewards value, implying a 0.7% decrease in total spend for impacted consumers.

[11] Range of impact driven by assumption that consumers may shift 50-100% of their spend away from credit cards to avoid incurring additional interest expenses.

Appendix I: Methodology

Introduction to Methodology

This report's assumptions on the CCCA's impact are informed by a combination of expert interviews, consumer and SMB survey responses, and precedent case studies. For robustness and accuracy, each of these assumptions were cross-referenced and triangulated using multiple sources.

In response to interchange reductions, credit card issuers may mitigate the effects on their profitability primarily through decreasing rewards and benefits. The size of this decrease is calculated in this report through a consumption and corporate profitability model that forecasts the impact of interchange fee changes to cost and revenue drivers of credit card return on investment ("ROA"). The model then calculates the effect of a decrease in rewards and benefits on disposable income and, after corroboration with expert-driven assumptions on the flow of savings from acquirers to merchants, the estimated increase in corporate profits.

Oxford Economics used these drivers to model various assessments on the wider impact to the U.S. economy. Estimates on private consumption and corporate profits were incorporated into their Global Economic Model and Global Industry Model to evaluate the total impact on GDP, employment, and industry sectors' GVA.

Lastly, specific sector and geographic-level impacts were assessed by applying Oxford Economics' outputs to data from the Bureau of Labor Statistics and the Bureau of Economic Analysis. This approach allowed for a segmentation of the overall impact across detailed areas of the economy and identified geographic regions that might experience a disproportionately large impact.

Consumption and Corporate Profitability Model Logic and Goals

The consumption and corporate profitability model mentioned above is meant to assess the impact of a drop in average interchange rates due to the CCCA on four key stakeholders – issuers, merchants, acquirers, and consumers.

This model analyzes the impact of the CCCA by looking at the unit profitability of credit cards for issuers and the potential impacts of interchange reductions on acquirer pricing and merchants, modeling how each of these stakeholders will react to the interchange impact from the legislation due to potential changes in their profitability profiles. The varying actions from the three corporate stakeholders are the levers that ultimately alter consumer behavior, directly impacting consumer spending.

Hence, the model aims to support the main goal of the study – determining the macroeconomic impact of the CCCA – by sizing how the varying reactions of key stakeholders impact aggregate levels of consumer spending and corporate profits. The model measures the impact across issuers and acquirers given that these entities' business models are directly related to average interchange rates, and indirect impacts across some merchants from possible adjustments in merchant discount. These model findings serve as inputs for Oxford Economics' model, which then sizes the macroeconomic impact of the CCCA holistically.

Consumer spending and corporate profits serve as the only two required outputs as total GDP can be broken down between corporate investments and consumer spending. The model directly sizes the consumer spending shock, and the change in corporate profits flows into corporate investments, given that profits are the biggest driver for corporate investment in expansion – these two figures flow into Oxford Economics' Global Economic Model.

Consumption and Corporate Profitability Model Architecture

On a high level, the model's architecture is split between a logic flow for issuers and a logic flow for merchants and acquirers. The sizing of the CCCA impact is split between these two stakeholder channels, given differences in IC drop pass-through effects, mitigation potential against the CCCA, and major sector of impact (consumer spending or corporate profits). The impact of the CCCA varies widely across both logic channels as well.

Summary of Issuer Impact Analysis

For the issuer logic flow, the model starts by measuring the current return on asset ("ROA") levels for general purpose credit cards, cobrand, private-label credit cards, SMB, and all cards by using the current per-card P&L of each card type. The current per-card P&L is based on an analysis of U.S. payments landscape driven by publicly available card and issuer data gathered from government reporting, bank financial disclosures, and other sources. The model measures ROA and is a direct measure of credit card profitability, which is the main incentive behind issuers' willingness to offer, market, and support these products.

The potential IC drop is then weighted based on the total share of exempt and non-exempt issuers by payment volume, resulting in the new average market interchange rate. The weighted average is taken, given that exempt and non-exempt issuers will face varying degrees of IC drop impact. The new Interchange rate is then used to calculate the new ROAs for each credit card type and determine the difference in ROA between the current and post-CCCA scenarios without any issuer mitigation.

Based on the new P&L and ROA, the model calculates the required change of each mitigation strategy (rewards, benefits, effective APR, annual fees) in isolation for issuers to return to pre-CCCA levels. That is to say, the model calculates the required change of each mitigation lever individually by assuming that issuers could only pull one of the 4 mitigation levers at a time.

Once the mitigation levers are sized independently, the model applies a scenario-dependent weight to each mitigation lever (summing up to 100%), to indicate the level of use of each lever to return to pre-CCCA ROA levels. These weights are applied with the expectation that issuers will rely on using a combination of these mitigation levers to recover ROA, instead of focusing on just one.

These weights were determined based on a sensitivity analysis of ROA to each lever as well as a qualitative analysis of the likelihood of issuers to use each lever based on precedent cases and expert interviews. Key items considered when determining the weights of these levers include potential regulatory and reputational risks, as well as value perception from consumers for each lever.

The model measures whether the combined and weighted use of all levers returns issuers to pre-CCCA ROA levels and proceeds to size the impact of each mitigation lever based on weighted change required.

For rewards, the model calculates the impact on consumer spending based on the loss in rewards value to consumer and the potential outsized impact of a rewards reduction to consumer spend. This outsized impact was triangulated through survey data analysis, federal reserve data, and academic papers. The model assumes no potential reallocation of rewards value to other payment channels, given consumer inability to spend rewards outside of their credit card platforms.

For annual fees, the model calculates the impact of consumer spending based on the loss in disposable income equivalent to the value of the increased annual fees. The model also considers the potential loss in credit card spending due to card cancellations by consumers given increased annual fees (based on survey data). The model reallocates the cancellation-based loss in credit card spending to other payment channels.

For benefits expense and effective APR, the model calculates the impact on consumer spending based on the loss in disposable income equivalent to the loss in the value of benefits and the increased effective APR. As with annual fees, the model considers varying degrees of spending substitution to other payment channels.

The total impact on consumer spending net of any potential reallocation to other payment channels is equivalent to the total loss in consumer spending given issuer mitigation actions. The dollar amount of any potential corporate losses for issuers is also calculated. These two results will be combined with the outcomes from the merchants and acquirer logic flow to determine the final consumer and corporate profits impact outputs..

Usage of Key Outputs from the Consumption and Corporate Profitability Model

The outputs of this model revolve around summing the effects of the issuer channel and the merchant and acquirer channel to forecast the total CCCA impact on aggregate consumer spending and corporate profits. Hence, the consumer spending calculation includes the potential loss in spending due to issuer mitigation actions net of the potential increase in spending due to passed-on savings from merchants. The corporate profits calculation includes the potential increase in profits for acquirers and merchants net of the potential profit loss for issuers.

Once the model analysis is done, the calculated potential impacts on consumer spending and corporate profits serve as inputs for the macroeconomic model run by Oxford Economics. Oxford Economics' Global Economic Model uses these results to forecast various scenarios, assessing the wider impact on the U.S. economy.

The macroeconomic results from the Global Economic Model using some adjustments for discretionary spend concentration utilize the Global Industry model to also forecast the distribution of this economic shock across industries, resulting in a complete industry impact analysis. These results, crossed referenced with data from the Bureau of Labor Statistics and the Bureau of Economic Analysis, are leveraged to determine the geographic impacts of the macroeconomic shocks.

This geographic analysis is done based on the understanding that reduced spending from the CCCA will have its highest impact on geographies that are heavily dependent on consumer discretionary spending, particularly travel and recreation. This approach allows for a segmentation of the overall impact across detailed areas of the economy and identified geographic regions that might experience a disproportionately large impact.

Description of Oxford Economics Approach

Oxford Economics has modelled a number of scenarios and sensitivities to assess the impact of the Credit Card Competition Act on the U.S. economy. Oxford Economics were provided assumptions on the impact to businesses and consumers by the Electronic Payments Coalition, as well as first order impacts on specific sectors based on discretionary spending. These include retail trade, transport services, health, arts, and hotels.

Discretionary split	
retail trade	41.9%
transport services	19.1%
health	4.1%
arts, entertainment, and recreation	9.8%
hotels and catering	25.2%

These assumptions were input into the Global Economic Model and Global Industry Model in order to capture second order impacts and measure the total impact on GDP, employment and industry sectors GVA. Oxford Economics applied the consumer spending shock to consumption starting in 2024, phased in over time to reach the full impact after 4 quarters. The corporate profit impact was applied to operating margins and equilibrium investment.

Appendix II: Consumer Survey

Overview of Survey Process

As part of this report, surveys of consumers and small- to medium-sized businesses (SMBs) were conducted in order to gather insights regarding behaviors and patterns on credit card usage. Nearly 2,000 consumers were surveyed between September 8-10, 2023, and 500 SMBs were surveyed between September 9-12, 2023, by Intellisurvey and EMI. The results of these surveys were intended to reflect a large representation of the US demographic.

These surveys were used as triangulation points to cross-check and validate model assumptions and learnings from expert conversations. Specifically, consumer responses to key hypothetical scenarios such as an increase in annual fees, loss of rewards on credit cards, increase in surcharge fees, and loss of credit card access were used to corroborate estimations of mitigation lever weighting and consumer discretionary spending responses to interchange reductions.

The consumer survey was comprised of the following five modules: screener, card ownership/behavior, scenarios, attitudes, and demographics. Its focus was to understand consumer credit card usage, behavioral responses to scenarios such as changes in rewards, benefits, and fees, and attitudes towards various methods of payment. Selection criteria filtered for consumers that own and use credit card(s). The small to medium-sized business SMB survey was comprised of the following five modules: screener, card ownership/behavior, scenarios, merchant acquirer pricing, and attitudes. Its focus was to understand SMB credit card usage, behavioral responses to scenarios such as changes in rewards, benefits, and fees, the prevalence of SMB negotiations with merchant acquirers for interchange pricing, and attitudes towards various methods of payment. Selection criteria filtered for SMBs less than $5 million in revenue, less than 100 total employees, and own and use credit card(s) for business.

Summary of Consumer Survey Findings

Credit and debit cards are the most prevalent methods of payment – 40% and 27% of consumer expenditure, respectively. Convenience (50%), fraud prevention (47%), and rewards (44%) are the most important reasons for consumers to use credit cards versus other payment options. Consumers place a high importance on rewards, and rewards are more standard among higher-income brackets (94%) than lower-income brackets (72%). The most valued credit card benefits among consumers are zero-liability for fraudulent transactions (48%), price protection (33%), and purchase security (31%).

Total consumer spending is also impacted by changes in annual fees and interest rates. Consumers are likely to reduce total spending in response to the loss of credit card access – a 6.5% reduction is expected. Restaurant (53%), entertainment (48%), and retail (43%) spend categories are most impacted by a potential reduction in rewards. In the absence of credit cards, consumers are most likely to reallocate their spending to debit cards, provided they have ready funds available for spending – specifically, 48% of lower-income consumers and 34% of higher-income consumers.

Consumers feel the most strongly about card protection, convenience of cashless transactions, and ease of having a credit card. Credit card access plays an important role in financing consumer discretionary

spending, protecting consumers from inaccurate or fraudulent charges, and ease of life – with 90% of respondents indicating that having a credit card makes improves their quality of life.

This study was completed with support from the Electronic Payments Coalition the macro and industry findings in the study are independent and represent the views of the impact of EPC's assessment of the credit market.