

## **Study Shows Drop in Credit Card Use**

Consumers are using credit cards less than in the past, at least according to data just released from Javelin Strategy and Research. According to the results of a November 2009 Javelin survey, 56 percent of consumers said they used a credit card in the last month, down from 87 percent in the same period in 2007. The 56 percent figure is the lowest since Javelin started conducting the annual surveys about six years ago, and Javelin said it expected the figure to drop to 45 percent in this year's survey. James Van Dyke, Javelin's president and founder, said the decline is part of a longer-term shift among consumers away from credit cards and toward more alternative payment options like debit cards and reloadable prepaid cards. But, he said, the weak economy has sped up the shift.

While "credit card usage was going down, the recession is causing it to drop more sharply," he said. He said the drop in credit card usage is particularly pronounced among 18- to 24-year-old consumers, who, Javelin has found, seem to prefer more immediate, real-time payment options. Meanwhile, he said credit card usage generally tends to be more resilient among people with higher incomes — those more likely to use their cards to obtain rewards and pay their balances off every month. "The more you earn, the less likely you are to decrease your credit card usage," Mr. Van Dyke said, "and the opposite is true."

According to Javelin, the usage trends have positive implications for consumers, especially as issuers may try to spur credit card use in response to new debit card regulations. "The upside is that consumers can look forward to new offers such as lower fees, increased rewards and reduced rates as credit card issuers scramble to adjust their strategies and look for new ways to court consumers and reinvigorate spending," Mr. Van Dyke said in a statement. As for how data from the card and payment industry line up with Javelin's findings, spokesmen from Discover and the American Bankers Association said they had seen similar trends. Spokesmen for Chase, however, said that while the company's debit card business had continued to grow, purchases on its credit cards had also remained steady.