

For Your Information

Payments Market Evolves Amid Credit Constraint

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By [Staff Writer](#)

Not only is the use of debit cards overtaking credit cards, but other forces are reshaping the U.S. payment landscape, David Stewart, senior expert at McKinsey & Co., told the Association for Financial Professionals' Retail Treasury Forum recently in New York City.

To cope with these converging trends, companies will need to anticipate and adapt to ongoing liquidity constraints, as well as to the impact on customers of reduced access to credit. Companies will need to seek efficiencies, streamline and integrate systems and renegotiate payment terms, he said.

The economic slowdown is, of course, the overarching factor, with GDP expected to contract 3.4% this year, inch up to 1.2% growth in 2010; rise to 4.3% in 2011; and creep to 5% in 2012, Stewart said. The accompanying retreat from risk means banks are tightening credit standards or getting out of lending altogether, decreasing the supply of credit or making it available at a premium, he said.

More aggressive regulations that require greater disclosure are causing issuers to contract the supply of credit even more. The price of credit is going up, which means a transformative shift in the use of credit, he said.

A proposed regulatory change would require customer consent when courtesy overdraft protection fees are triggered. This development, along with the increased use of debit cards and tight credit, could increase bad customer experiences as more funds are likely to be declined at the point of sale, leaving customers embarrassed and angry. "This significant experience needs to be managed and it is an opportunity to steer customers to different alternative instruments," Stewart said.

Meanwhile, the market is consolidating, with the five largest banks—J.P. Morgan Chase, Bank of America, Wells Fargo, Citi and PNC—now holding 37% of total U.S. deposits. That has brought more scale-driven pricing, and Stewart expects ACH origination fees to continue to drop.

In addition, the maturing electronic payments market means that imaging will be key, as 85% of payments are now cleared electronically. “Suddenly, the economics of remote deposit capture [RDC] now make sense,” Stewart said. “It provides cost savings by streamlining the receivables process, increases liquidity and allows for better use of working capital.” He predicts RDC products will be in the highest demand.

Careers

Turnover Decreases For CFOs

Many who still have jobs in this uncertain economy are hanging on to them, and that seems to be true for CFOs as well.

Statistics on turnover at publicly traded companies compiled by Liberum Research show just 113 CFOs changed jobs in April, down 39% from the number in April 2008. For the first four months of the year, Liberum counts 445 CFO moves, down 43% from the 777 during the same period last year. April CEO changes were off 32%.

Given the state of the economy, boards would prefer not to change top executives unless they must, says Richard Jacovitz, a senior vice president at Liberum, who adds that executive turnover has declined during previous severe recessions. “There tends to be less turnover at the top during really serious times,” he says.

Tom Kolder, president of executive search firm Crist/Kolder Associates, says the numbers might also reflect executives’ reluctance to make a change. “People who are in relatively stable positions are riding out the storm, if you will, in their current situation,” Kolder says.