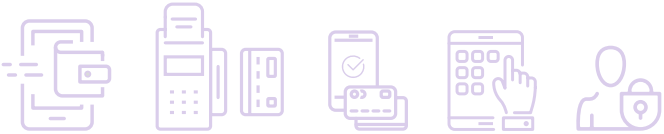


Digital Card Usage: A Path Forward, a PYMNTS and IDEMIA collaboration, draws from a census-balanced panel of 2,244 U.S. consumers. This survey was conducted between May 12 and May 15, and its data allowed us to examine the key drivers behind digital card adoption and identify the barriers that may be hindering market growth.

DIGITAL CARD USAGE: A PATH FORWARD



PYMNTS.com

IDEMIA
augmented identity



DIGITAL CARD USAGE:

A PATH FORWARD



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Digital Card Usage: A Path Forward was done in collaboration with IDEMIA, and PYMNTS is grateful for the company's support and insight. **PYMNTS.com** retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Starbucks changed the way consumers ordered and paid when it rolled out its mobile payment app 12 years ago. Cash payments began to give way to those from digital wallets, and counter-based ordering started losing prominence to mobile order-ahead services. The lines between the physical and digital worlds are becoming increasingly blurred thanks to the connected economy, and how consumers pay is no exception.

Starbucks’ app is a prime example of how digital cards have been integrated into mobile apps and digital wallets, and this has played an important role in how consumers make payments — especially at the point of sale (POS). The coffee giant has even expanded the digital payment options available on its digital wallet, and consumers can now use its app to

pay with cash, cards or mobile wallets, such as Apple Pay, Google Pay or PayPal. Its efforts are paying off: The Starbucks Rewards member base grew 10 percent in 2020, compared to a year prior.¹

Companies like Starbucks have made headway in integrating digital cards into digital wallets, and Apple Pay and



Google Pay make it easy for consumers to make in-app payments as well as payments online and at the physical POS. Despite this utility and convenience, consumer digital card adoption is leveling off. PYMNTS research finds that 41 percent of consumers have a credit or debit card in a digital format registered in one of the different available digital wallets, but physical cards remain the most popular form of payment. Sixteen percent of consumers who do not have digital cards say they are at least somewhat interested in having one, yet just 5 percent say they are “very” or “extremely” interested in them. There is still much room for growth in digital card activation and usage. Consumers are drawn to the instant accessibility, convenience and ease of use of digital cards, though many are not aware of

digital cards as a payment option. Card issuers must present a path forward by overcoming important gaps in consumers’ understanding of how digital cards work and their concerns about security.

Digital Card Usage: A Path Forward examines the state of the digital card market and outlines opportunities for growth, especially among generations such as millennials and bridge millennials who are enthusiastic about the ease of use and convenience of digital cards and groups such as lower-income consumers (those who earn \$50,000 or less annually) who are interested in digital card use as a complementary payment option to the physical card. These are the primary drivers of interest and adoption.

This is what we learned.

¹ Mastering Multichannel Commerce: The Multichannel Guide To Boosting Digital Wallet Adoption. PYMNTS.com. 2021. <https://www.pymnts.com/study/mastering-multichannel-commerce-playbook-digital-wallets-mobile-payments-global/>. Accessed July 2021.



104 million consumers have cards in a digital format.

Forty-one percent of consumers in the United States have a credit or debit card in a digital format registered in their digital wallets, and usage is tied to the POS.

Consumers can now access digital cards in a variety of ways, including mobile wallets like Apple Pay, Samsung Pay and Google Pay, mobile banking apps, popular retailers' digital wallets or online pay buttons such as Amazon Pay, PayPal and Click to Pay. Though 41 percent of consumers have at least one digital credit or debit card, penetration appears to have peaked. Of those who do not have digital cards, 5 percent are “very” or “extremely” interested in using them. Eleven percent who do not have digital cards — 27.6 million Americans — are “somewhat” interested in using digital cards.

TABLE 1:
U.S. consumers' card distribution
Share of consumers with or without digital cards

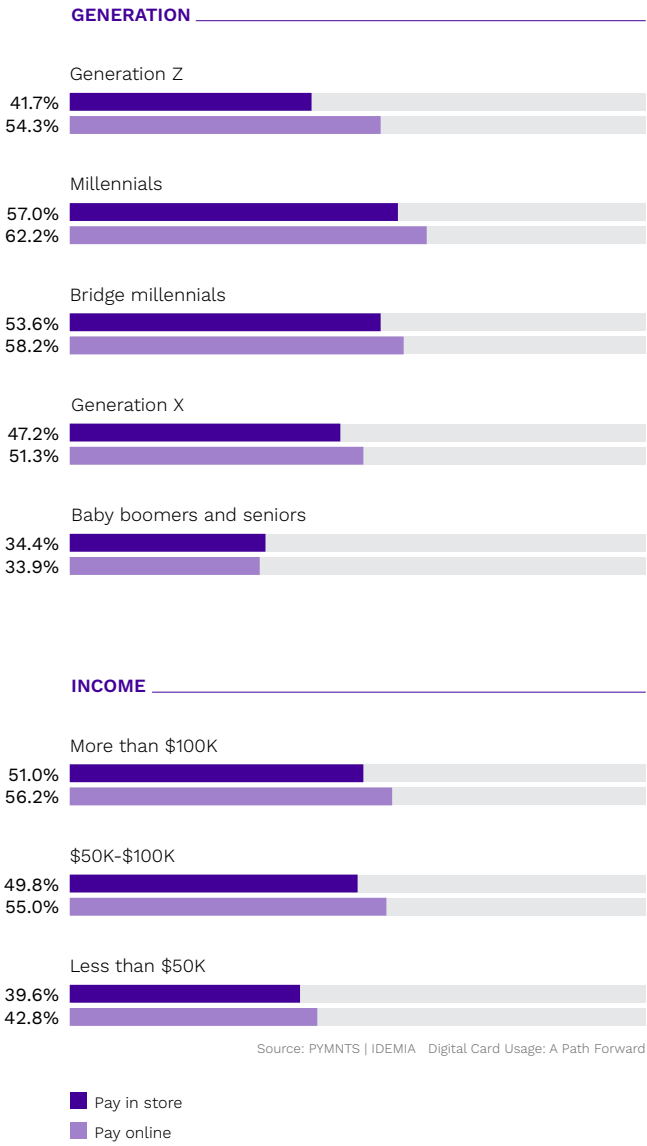
CUSTOMERS		
	Distribution of respondents	Estimated U.S. adults
WITH CARDS		
• With at least one digital debit or credit card	40.8%	103.7M
	“Very” or “extremely” interested in having digital cards	5.3% 13.5M
• Without digital cards	“Somewhat” interested in having one	10.9% 27.6M
	“Slightly” or “not at all” interested in having one	37.8% 95.9M
WITHOUT ANY TYPE OF CREDIT OR DEBIT CARDS		
	5.2%	13.3M

Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward



FIGURE 1:

Consumers' interest in digital cards
Share of consumers who are “very” or “extremely” interested in using digital cards, by generation and income



This still represents a sizable market, and interest in digital cards remains healthy, especially among younger generations. Forty-seven percent of consumers are highly interested in using digital cards for in-store payments over the next year, and interest is highest among millennials: 57 percent of this group are interested in using digital cards in this way, as are only 34 percent of baby boomers and seniors. Almost half of middle-income respondents — those earning \$50,000 to \$100,000 annually — are highly interested in paying with digital cards at the point of sale, compared to 40 percent of those that make less than \$50,000 per year. Fifty-six percent of those who make more than \$100,000 are notably interested in using digital cards to make payments online, as are just 43 percent of those who make less than \$50,000.

Among respondents who have digital debit or credit cards on their smartphones, 54 percent of bridge millennials and 52 percent of millennials use them for in-store purchases and 48 percent and 50 percent, respectively, use them online. These shares are just 22 percent and 16 percent, respectively, for baby boomers and seniors.

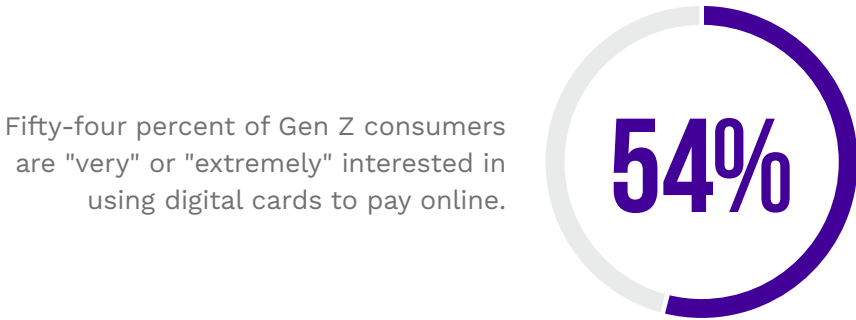
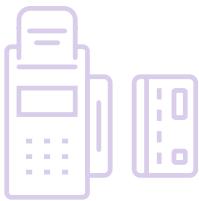


TABLE 2:

Frequency of digital card use
Share of consumers who have digital debit or credit cards on their smartphones who use them in store and online

	FREQUENCY			
	A few times per week	Once a week to once a month	Monthly to once a year	Do not use digital card to purchase
PAY IN STORE	45.8%	35.2%	9.0%	10.0%
• Generation Z	49.0%	30.2%	5.5%	15.3%
• Millennials	52.2%	32.4%	9.1%	6.3%
• Bridge millennials	53.8%	29.0%	10.4%	6.7%
• Generation X	42.8%	38.0%	9.8%	9.5%
• Baby boomers and seniors	22.5%	47.3%	12.1%	18.1%
PAY ONLINE	42.7%	43.7%	6.7%	6.8%
• Generation Z	48.1%	43.4%	5.7%	2.7%
• Millennials	49.9%	38.6%	5.4%	6.0%
• Bridge millennials	48.1%	38.3%	6.4%	7.2%
• Generation X	38.5%	46.8%	7.2%	7.6%
• Baby boomers and seniors	16.0%	57.5%	12.1%	14.4%

Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward



Physical card usage influences digital card growth.

Digital card usage lags physical card usage, but this also means there is room for growth in digital card usage — especially among millennials and bridge millennials.

Of those who use digital cards, 81 percent use them at least once per month for in-store purchases and 86 percent do the same for online purchases. Old physical card habits may be hindering digital card adoption, however. Our research reveals that 71 percent of all consumers feel comfortable using physical cards for in-store purchases, whereas 46 percent feel the same about using digital wallets. Our data also finds that 30 percent of consumers prefer to access their cards via their digital wallets, yet 39 percent prefer using physical cards. This number increases to 33 percent among bridge millennials and 37 percent among Generation Z consumers, however.



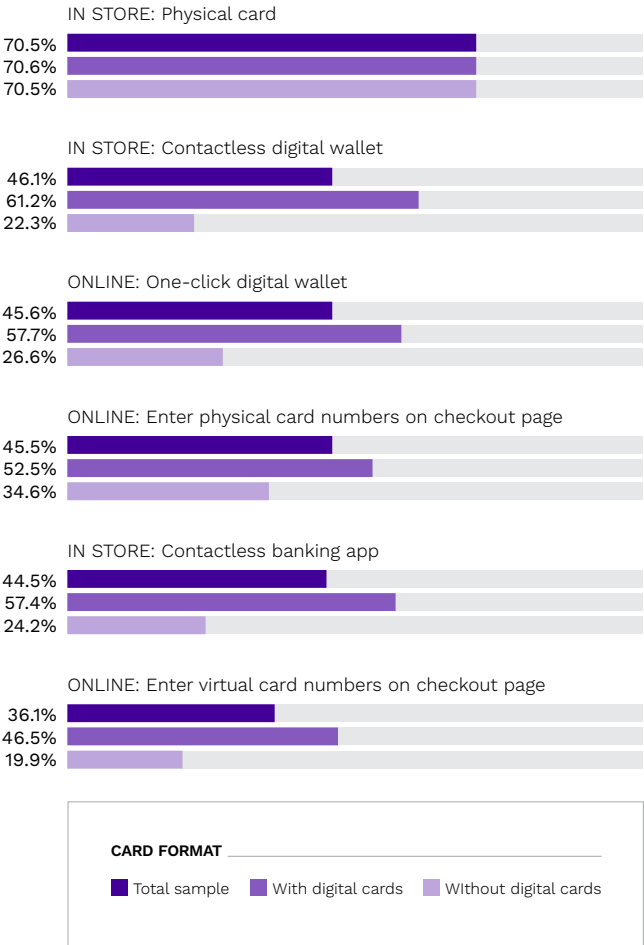
TABLE 3:
How consumers prefer to access cards
Consumers' most preferred method to access cards, by generation

	METHODS				
	Physical card	Digital wallets	Banking apps or website	Card apps or website	Other
AVERAGE	39.2%	30.0%	20.3%	10.1%	0.4%
• Generation Z	32.1%	37.0%	21.2%	9.7%	0.0%
• Millennials	33.5%	32.2%	23.0%	11.2%	0.1%
• Bridge millennials	36.2%	32.8%	19.1%	11.9%	0.0%
• Generation X	40.1%	29.2%	17.8%	12.8%	0.0%
• Baby boomers and seniors	52.2%	22.7%	18.6%	4.8%	1.7%

Source: PYMNTS | IDEMIA | Digital Card Usage: A Path Forward

FIGURE 2:

Comfort with payment methods
Consumers who are “very” or “extremely” comfortable using select payment methods, by payment type



Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward



IN-STORE CONTACTLESS

Nearly half of consumers are “very” or “extremely” comfortable using a contactless digital wallet in store.

Consumers who do not have digital cards say they would use them less frequently than current digital card owners: 36 percent of consumers who do not have digital cards say they would use them at least a few times per week for in-store purchases. In comparison, 46 percent of consumers who have digital cards use them that often. Twenty-seven percent of those without digital cards say they would make online purchases at least a few times a week with these cards if they were available, and 43 percent of consumers with digital cards would use them that often.

That said, 59 percent of consumers who do not have digital cards would use them between once per month and once per week to make online purchases if they had access to the cards.

TABLE 4:

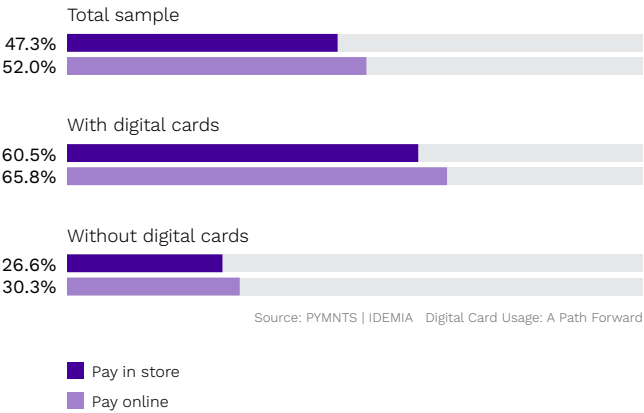
Generational comfort with payment methods
Consumers who are “very” or “extremely” comfortable using select payment methods, by generation

	GENERATIONS				
	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
IN STORE					
• Physical card	61.7%	72.1%	72.7%	71.7%	71.9%
• Contactless digital wallet	50.0%	56.0%	52.6%	44.2%	29.0%
• Contactless banking app	46.1%	53.3%	49.2%	42.9%	30.5%
ONLINE					
• One-click digital wallet	43.6%	54.0%	52.7%	46.9%	30.8%
• Enter physical card numbers	42.9%	54.6%	53.6%	45.0%	32.2%
• Enter virtual card numbers	31.3%	45.8%	44.3%	34.8%	24.4%

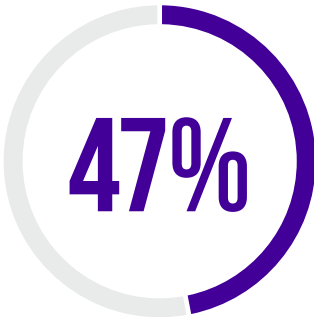
Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward

FIGURE 3:

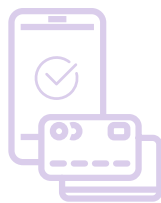
Future payment plans
Portion of consumers who are “very” or “extremely” interested in using digital cards for payment in the next 12 months



Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward



Forty-seven percent of consumers are highly interested in using digital cards for payments in store in the next 12 months.



Ease of use and convenience drive digital card interest.

Almost half of consumers use digital cards because of their ease and convenience. These drivers represent an opportunity for higher digital card penetration.

PYMNTS' research shows that 71 percent of consumers consider the ease and convenience of using digital cards a "very" or "extremely" important reason for using them in store over the next 12 months, and 68 percent say the same regarding using them for online payments. Nearly 83 percent of baby boomers and seniors cite this motivation for in-store purchases.

Nearly half of respondents who currently use digital cards for in-store payments (48 percent) or online payments (46 percent) do so because of their ease of use and convenience. Fifty-four percent of consumers who do not have digital cards but are interested in having one cited this as the main reason why they would want to use them.



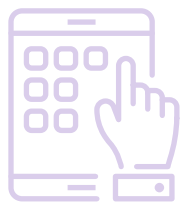
Sixty percent of consumers in the highest income bracket who do not have a digital card but are interested in having one cite ease and convenience as reasons for using digital cards for purchases.



EASE AND CONVENIENCE

More than half of consumers who do not use digital cards cite ease and convenience as reasons they want to use them.

Ease of use and convenience are particularly important to consumers with higher incomes and those who are younger. Sixty percent of respondents who do not have digital cards but are interested in having one who are in the highest income bracket — those earning \$100,000 or more — and 60 percent of nonowning but interested respondents in Gen Z cite this as the most important reason for use. Bridge millennials (19 percent) and millennials (12 percent) who do not currently use digital cards are most interested in them because they prevent them from having to wait for a physical card in the mail, and 10 percent of corresponding Gen Z consumers said the same.



Digital-first features in an "everything now" era

Consumers value digital cards for quick access to payments, allowing them to immediately make purchases.

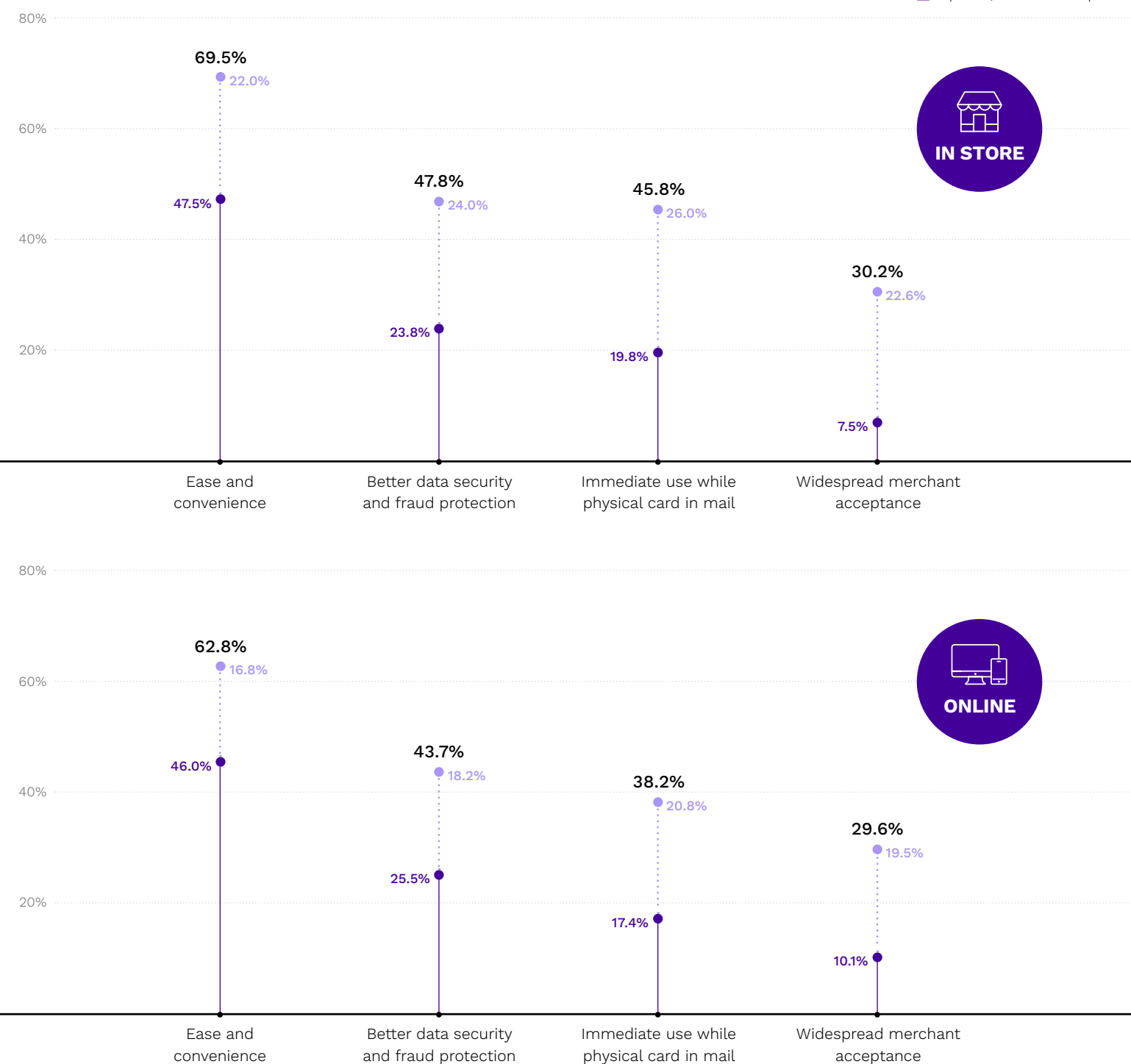
In addition to digital payments' convenience and ease of use, the ability to use digital cards as an immediate payment method is a benefit that many value. Twenty percent of consumers who use digital cards at stores and 17 percent who use them online say not having to wait for physical cards in the mail is the most important reason to own them. Bridge millennials who do not have digital cards but are interested in having one appreciate this benefit in the largest share among different generational groups, at 19 percent. Not having to wait is also cited more among consumers earning less than \$50,000 annually (18 percent) than among any other income group.

FIGURE 4:

Digital card motivators

Share of digital card owners citing select reasons for using digital cards to pay in stores and online

■ Most important
■ Important, but not most important



Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward

FIGURE 5:

Most important reasons to have digital cards

Share of consumers who do not have digital cards but do have interest in having one citing select motivations as most important



Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward

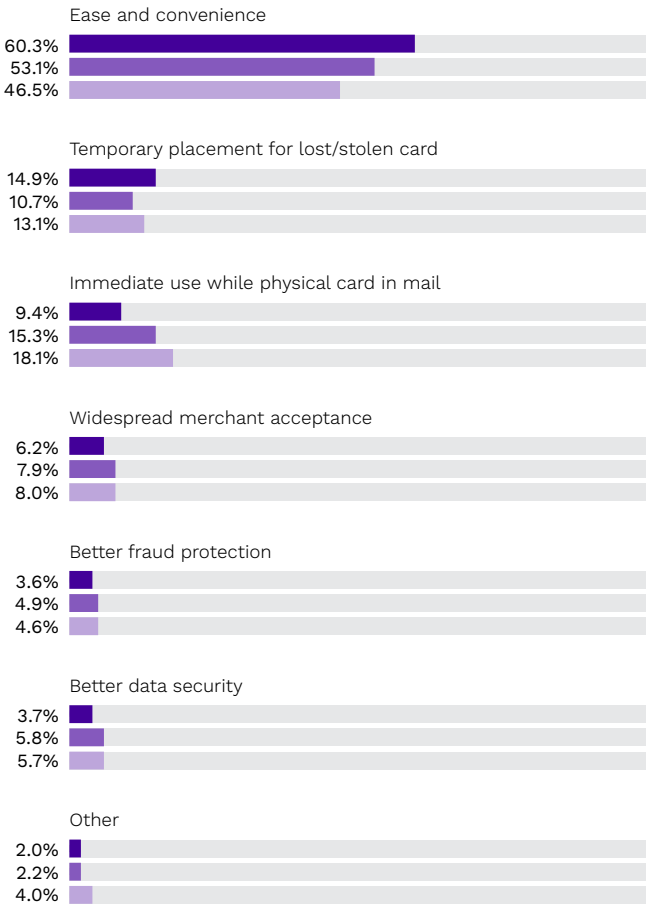


Thirteen percent of those who do not have a digital card but who have interest in possessing one cite temporarily replacing a lost or stolen card as the most important reason to have a digital card.

FIGURE 6:

Most important reasons to have digital cards

Share of consumers who do not have digital cards but do have interest in having one citing select motivations as most important, by income



Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward

TABLE 5:

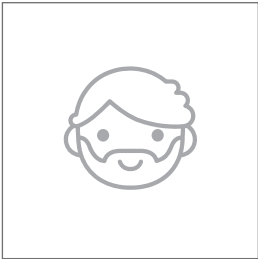
Most important reasons to have digital cards

Share of consumers who do not have digital cards but do have interest in having one citing select motivations as most important, by generation

	GENERATIONS				
	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
• Ease and convenience	59.6%	54.9%	51.3%	56.4%	50.2%
• Temporary placement for lost/stolen card	13.1%	16.1%	18.5%	13.1%	13.0%
• Immediate use while physical card in mail	9.5%	12.3%	19.2%	14.2%	13.3%
• Widespread merchant acceptance	5.7%	2.4%	2.3%	4.2%	5.4%
• Better fraud protection	5.0%	6.6%	5.0%	7.1%	8.3%
• Better data security	7.0%	6.3%	3.2%	3.4%	5.0%
• Other	0.0%	1.3%	0.6%	1.6%	4.9%

Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward

Two digital-first use cases are important for consumers who do not currently have digital cards but who have interest in having one. Fourteen percent of respondents in this group say that not having to wait for physical cards is the most important reason to have one, and 13 percent cite using a digital card as a temporary replacement for a stolen or lost physical card. Taken together, 27 percent of consumers who do not own digital cards cite these digital-first benefits as the most important reasons to have them.



BRIDGE MILLENNIALS

Almost 1 in 5 bridge millennials who do not have a digital card cite being able to immediately use while physical card is in the mail as the most important reason to have a digital card.



Poor understanding and security concerns are barriers to overcome.

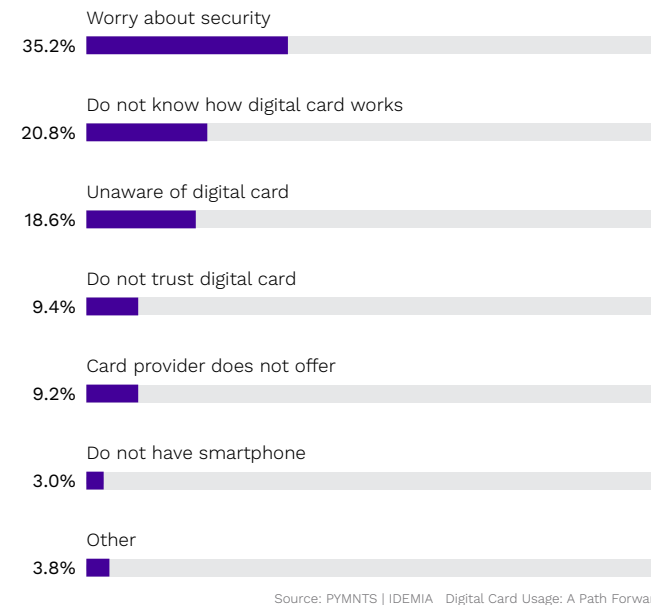
Knowledge and security concerns hamper digital card adoption, suggesting that consumer education could increase activation and usage and help reach the 16 percent of U.S. consumers who are at least “somewhat” interested in digital cards. Adoption among younger generations is key.

Thirty-five percent of consumers who do not have digital cards say security is the primary reason why they do not have them, even though digital cards are highly secure. Nearly 40 percent of respondents in the highest income bracket cite security worries as the most important reason why they do not have digital cards. This share is only 27 percent among those with annual incomes of less than \$50,000.

FIGURE 7:

Key barriers dissuading consumers from adopting digital cards

Share of consumers who do not have digital cards citing select motivations to not have one as most important



Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward



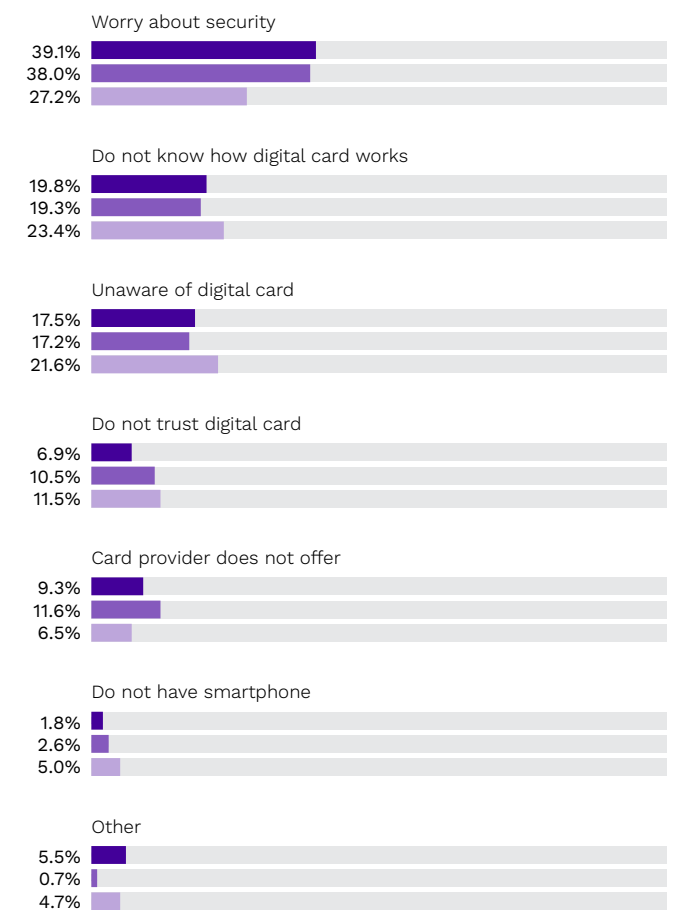
SECURITY

More than one-third of consumers who do not have digital cards choose not to have them because they worry about security.

FIGURE 8:

Key barriers dissuading consumers from adopting digital cards

Share of consumers who do not have digital cards citing select motivations to not have one as most important, by income



CARD FORMAT

More than \$100K \$50K-\$100K Less than \$50K

Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward

Twenty-one percent of those without digital cards do not know how they work, and 19 percent are not aware of the payment option. Surprisingly, 28 percent of Gen Z consumers claim they are not aware of digital cards as a payment option — a share that is quite high compared to other age groups. Twenty-two percent of Gen X consumers say the same, as do 16 percent of millennials.

These numbers point to poor general understandings of digital cards and specific misgivings about their benefits and how they are secured. There is a clear need for more education about how digital cards can benefit consumers, whether that information comes from merchants or digital card issuers.

TABLE 6:
Why consumers choose to not have digital cards
Consumers’ most important reasons for not having digital cards, by generation

	GENERATIONS				
	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
• Worry about security	25.2%	37.0%	34.1%	34.1%	37.0%
• Do not know how digital card works	16.1%	20.9%	20.5%	18.0%	24.0%
• Unaware of digital card	28.2%	16.0%	18.5%	22.4%	15.2%
• Do not trust digital card	16.4%	15.8%	15.9%	7.6%	5.4%
• Card provider does not offer	12.6%	8.2%	10.4%	13.3%	5.5%
• Do not have smartphone	0.0%	0.0%	0.0%	1.8%	6.6%
• Other	1.5%	2.0%	0.6%	2.8%	6.3%

Source: PYMNTS | IDEMIA Digital Card Usage: A Path Forward



CONCLUSION

PYMNTS’ research indicates that, even though more than 100 million consumers in the United States have a credit or debit card in a digital format registered in one of the many different digital wallets available, market penetration appears to have plateaued. Fifty-nine percent of all respondents do not have digital cards, but 16 percent of this subgroup are at least “somewhat” interested in having them, representing 41 million U.S. consumers. The functionality and benefits digital cards provide, including convenience and ease of use, security and immediate accessibility, are very attractive to today’s digital-first consumers. Consumers’ poor understanding of these cards and their unfounded concerns about security are barriers to market growth. Better education about digital cards’ benefits and integrating more functionality into digital card applications could help increase the adoption and usage of this payment method, which users agree offers significant benefits.

METHODOLOGY

Digital Cards Usage: A Path Forward draws from a census-balanced panel of 2,244 U.S. consumers. This survey was conducted between May 12 and May 15. Respondents were 42 years of age on average. Thirty-six percent held college degrees and 49 percent were female. Our data examined the key drivers behind digital card adoption and detailed the barriers that may be hindering market growth.

DIGITAL
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