

# TRACKING THE DIGITAL PAYMENTS TAKEOVER

CAN NEW USE CASES DRIVE CONSUMER  
USE OF DIGITAL WALLETS?

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February 2024

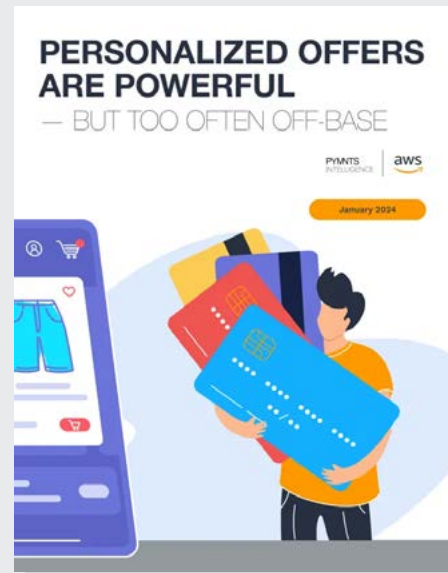
**Tracking the Digital Payments Takeover: Can New Use Cases Drive Consumer Use of Digital Wallets?**, a PYMNTS Intelligence and AWS collaboration, examines consumers' increasing use of digital wallets when using mobile devices to shop in-store and online. We surveyed a census-balanced panel of 2,501 U.S. consumers between Nov. 14, 2023, and Nov. 26, 2023, to discover what they expect from digital wallets and what drives them to use digital wallets over other payment methods when making online and in-store purchases.



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## Tracking the Digital Payments Takeover:

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Tracking the Digital Payments Takeover: Can New Use Cases Drive Consumer Use of Digital Wallets? was produced in collaboration with Amazon Web Services, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

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# Introduction

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During the pandemic, using contactless debit and credit cards emerged as a safe and convenient way to pay for in-store purchases. It has remained a popular payment method since. Meanwhile, digital wallets — such as Apple Pay and Google Pay, which use near-field communication tags, or Amazon Pay and PayPal, which use QR codes — provide shoppers with another contactless option that uses stored debit or credit cards to complete the purchase. Apple Pay, Google Pay and PayPal also provide convenient and secure ways to make online purchases by removing the cumbersome process of entering credit or debit card details at checkout.

The adoption of digital wallets for in-store purchases has been slower, with usage tending to be more prevalent among both younger and higher-income consumers. More importantly, data shows a correlation between changes in debit and credit card usage with the emergence of digital wallets. While using physical debit cards has dropped, using a debit card via a digital wallet is on the upswing. In fact, more than half of in-store digital wallet payments use debit as the underlying payment method, and debit card usage via digital wallet dominates for online grocery purchases.

However, digital wallet apps, such as PayPal, that enable consumers to store cash balances in their digital wallets have surpassed debit card usage for online retail purchases. This suggests that consumers are interested in using digital wallets to access financial services beyond stored card information. In fact, data shows that more than half of consumers are interested in using at least one additional digital wallet feature for moving money, such as auto-paying bills, transferring money or investing. Younger consumers are the most interested in such use cases. Even so, the question remains whether such features can increase adoption of digital wallets, since many consumers still worry about storing personal information on a single platform.

Tracking the Digital Payments Takeover: Can New Use Cases Drive Consumer Use of Digital Wallets?, a PYMNTS Intelligence and AWS collaboration, examines consumers' increasing use of digital wallets as a payment method when making online and in-store purchases. We surveyed a census-balanced panel of 2,501 U.S. consumers between Nov. 14, 2023, and Nov. 26, 2023, to discover what they expect from digital wallets and to learn what drives them to use digital wallets over other payment methods when making online and in-store purchases.

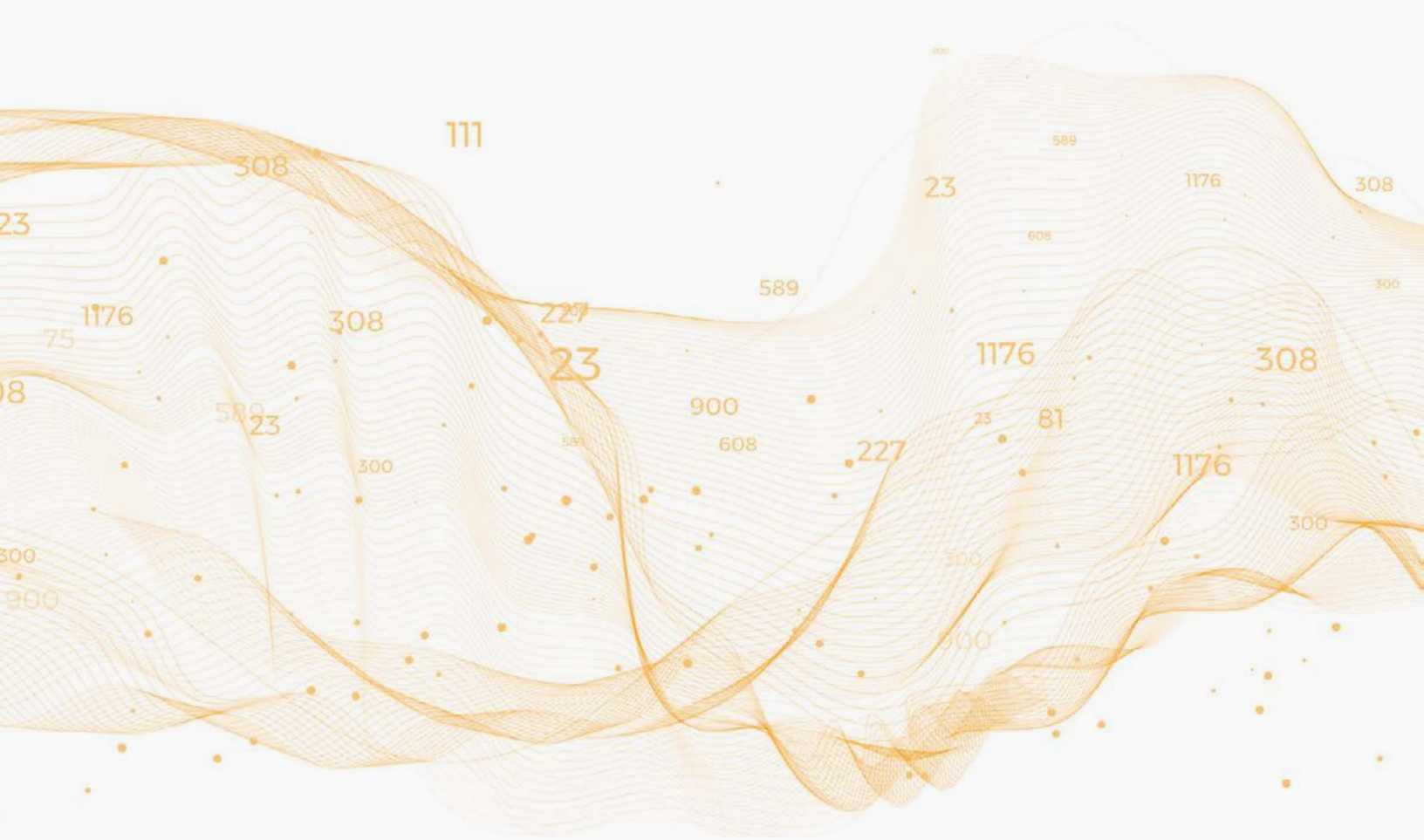
## **This is what we learned.**

## Physical debit card usage for online purchases declined in November 2023, but debit card usage via digital wallets shows a more stable pattern.

After hitting all-time highs of 34% and 48%, respectively, in October 2023, physical debit card usage for online retail and grocery purchases dropped below historical averages in November 2023. We saw a 9 percentage point decrease in debit card usage for online retail purchases and a 12 percentage point decrease in debit card usage for online grocery purchases in this period. This drop can mostly be attributed to a rise in credit card usage for online purchases. Even as debit card usage dropped for online grocery sales, it remains robust for in-person grocery purchases.

Debit card use remains prevalent as the underlying payment method in digital wallets. Over half of in-person retail (54%) and grocery (51%) digital wallet payments used debit as the underlying payment method in November 2023. Both shares increased from 50% in October 2023. Debit is also the primary underlying payment method when paying via digital wallet for online purchases. For online grocery shopping, 38% of purchases paid with digital wallets use debit as the underlying payment method, while credit cards follow, at 24%.

Yet, paying via PayPal balance leads in online retail, surpassing debit. While 31% of online retail purchases paid via digital wallet use debit as the underlying payment method, paying via PayPal balance takes the lead, at 35%. Moreover, debit card usage as the underlying payment method for online retail purchases decreased from 45% in October 2023, while PayPal balance usage increased from 12%. This suggests that there is growing interest in using cash balances stored within digital wallets, especially as providers, such as PayPal, now offer financial services in partnership with banks.

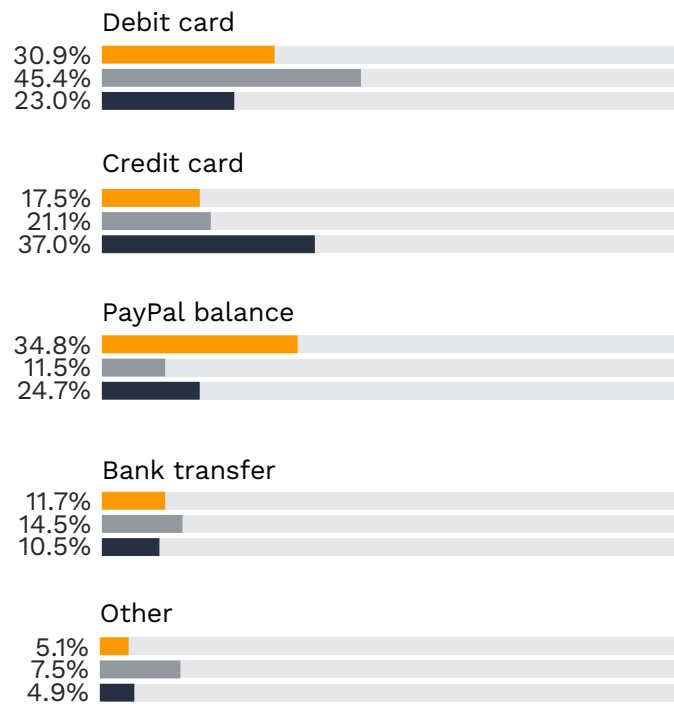


**FIGURE 1A:**

**The payment methods powering digital wallets**

Share of consumers using select underlying payment methods when using a digital wallet to pay for non-grocery retail product purchases online

- November 2023
- October 2023
- August 2023



**Source: PYMNTS Intelligence**

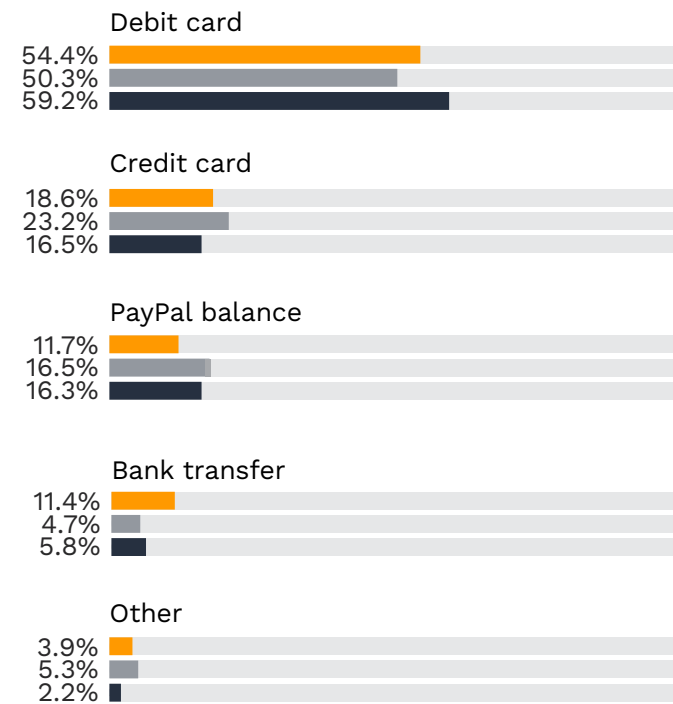
Tracking the Digital Payments Takeover, February 2024  
 N = 1,410: Consumers who have made select purchases at least one time in the 30 days prior to being surveyed, fielded Nov. 14, 2023 – Nov. 26, 2023

**FIGURE 1B:**

**The payment methods powering digital wallets**

Share of consumers using select underlying payment methods when using a digital wallet to pay for non-grocery retail product purchases in-store

- November 2023
- October 2023
- August 2023



**Source: PYMNTS Intelligence**

Tracking the Digital Payments Takeover, February 2024  
 N = 1,410: Consumers who have made select purchases at least one time in the 30 days prior to being surveyed, fielded Nov. 14, 2023 – Nov. 26, 2023

**31%**

Share of **online retail purchases paid via digital wallet** that use debit as the underlying payment method



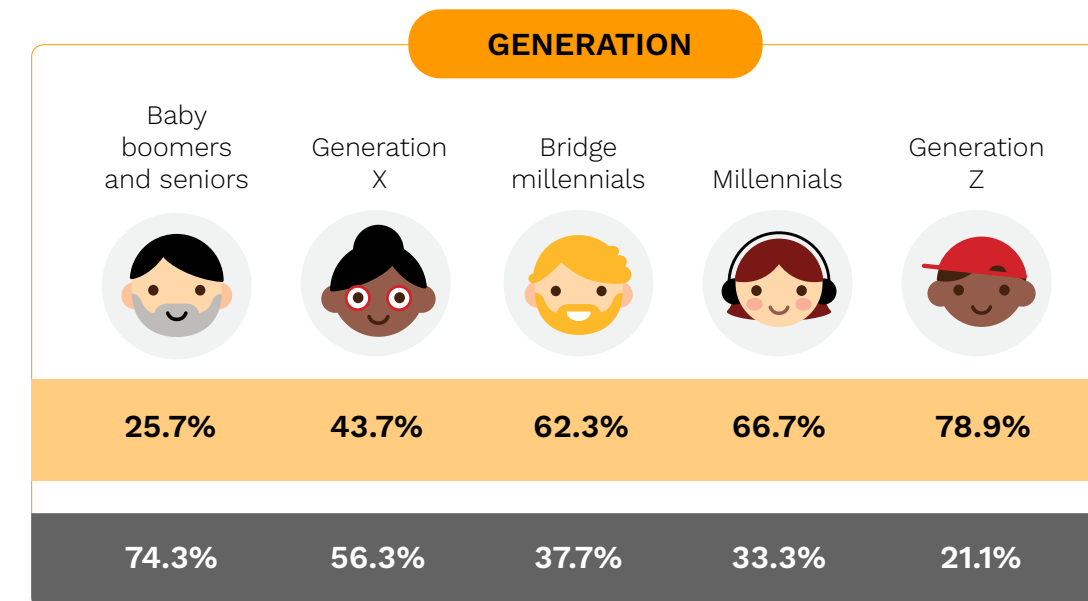
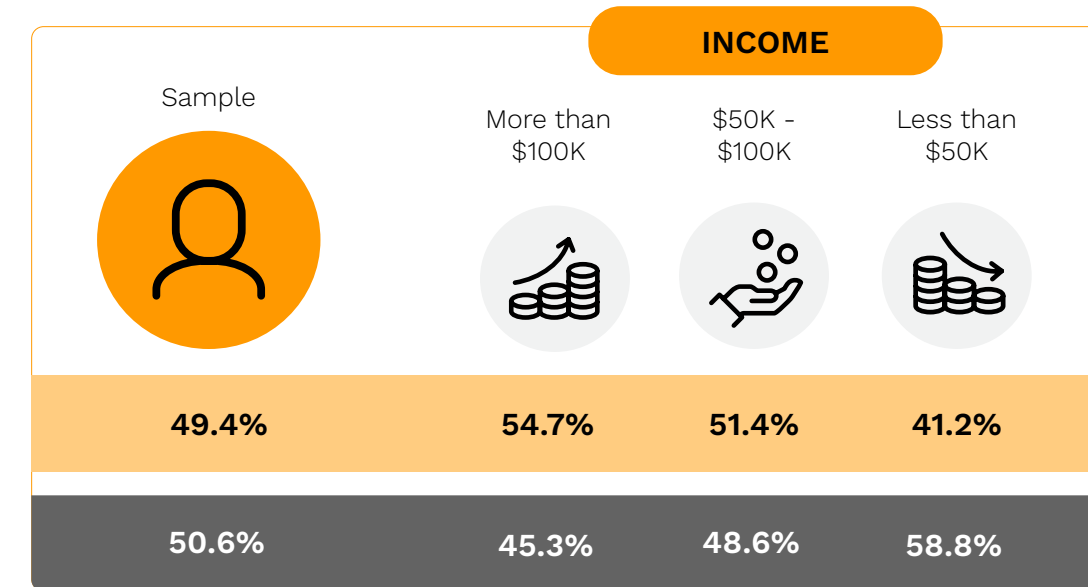
# Across all purchase types, digital wallet users spend 31% more, on average, than nonusers. Younger consumers pay via digital wallets at higher rates than older consumers.

While 79% of Gen Z consumers are digital wallet users, this share decreases with each older generation, reaching a low of 26% among baby boomers and seniors. Moreover, this share correlates with the payment method that consumers used for their last purchase: 19% of Gen Z consumers used a digital wallet to pay for their most recent grocery purchase, while just 1.7% of baby boomers and seniors did so. Interestingly, the opposite trend is observed in credit card usage. The older the generation, the higher the use of credit cards. While 35% of baby boomers and seniors paid for their most recent grocery purchase with a credit card, this share decreases to 13% among Gen Z. At 57%, consumers earning more than \$100,000 annually are more likely than those in all other income brackets use to a digital wallet, but they are also, at 39%, the most likely to have used a credit card for their last grocery purchase. That significant shares of consumers use digital wallets to pay for grocery purchases highlights the extent to which consumers have adopted digital wallets and rely on them to pay for essentials.

FIGURE 2:

## Digital wallet usage

Share of consumers who use and do not use digital wallets, by demographic



Digital wallet user  
 Not a digital wallet user

**Source: PYMNTS Intelligence**  
 Tracking the Digital Payments Takeover,  
 February 2024  
 N = 2,501: Complete responses,  
 fielded Nov. 14, 2023 – Nov. 26, 2023

Digital wallet users spend more than nonusers. The average retail purchase among digital wallet users is \$95, and it is just \$81 among nonusers. In November 2023, digital wallet users also spent 33% more, on average, on restaurant purchases than nonusers, 17% more on retail and 4% more on groceries. Data also shows that the higher spending trends in these three categories are consistent over the year for digital wallet users. The trends for travel are somewhat less clear. In November 2023, digital wallet users spent 22% more on travel, but nonusers spent more in October 2023. This suggests that large, infrequent purchases are more equally spread across consumers regardless of digital wallet use.

Overall, the higher spending habits for digital wallet users suggests that these consumers — especially those from Gen Z — could be valuable for merchants and other businesses to pursue.

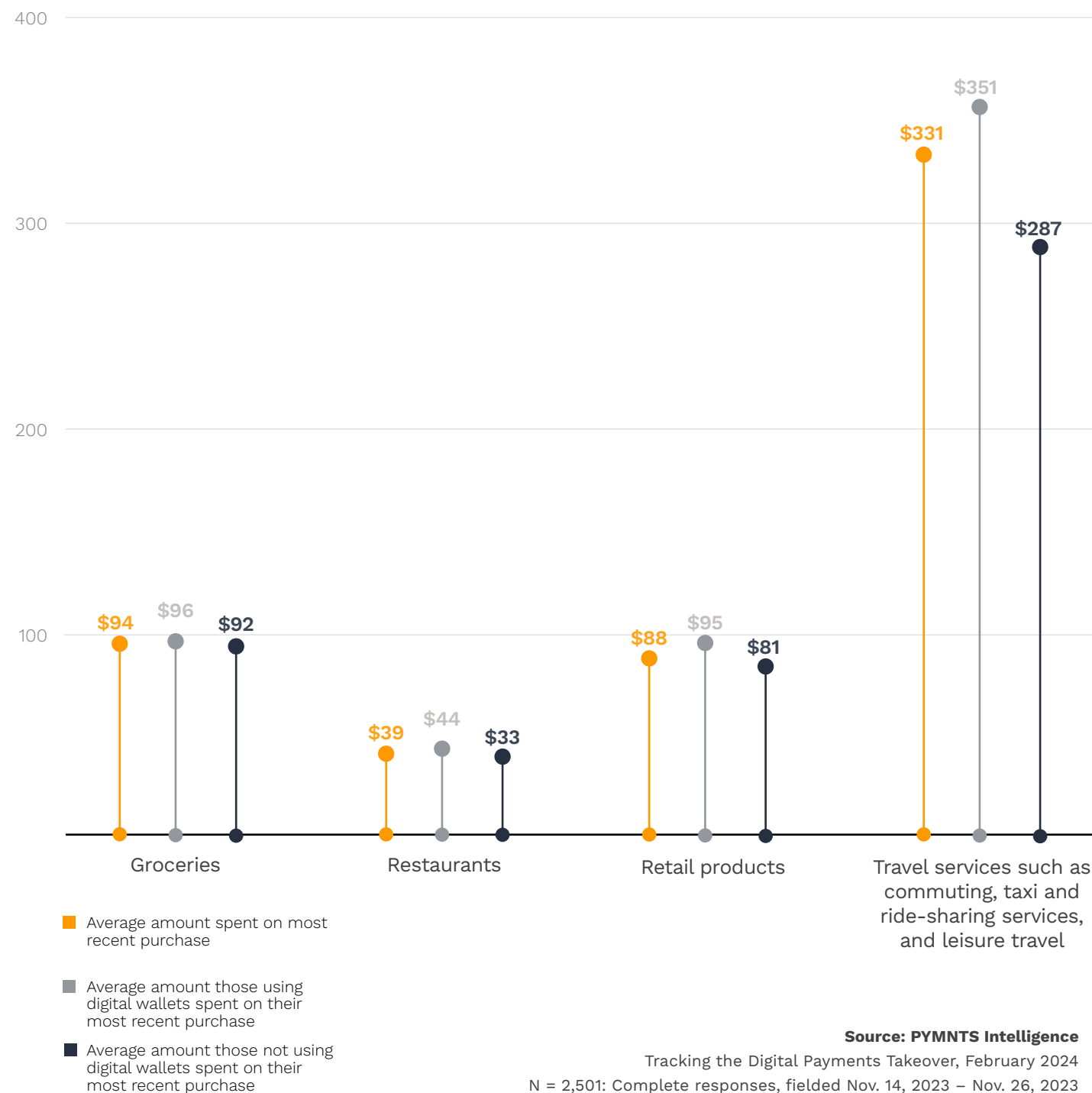
# 33%

Share more that digital wallet users spent on restaurant purchases than non-digital wallet users, on average

**FIGURE 3:**

**How much consumers are spending**

Average amount consumers spent on their most recent purchases, by category of purchase and type of payment method



# Digital wallets are more than a convenient way to pay: Half of consumers are interested in using digital wallets' other features.

Digital wallets provide features beyond simple payments, including the ability to store information such as driver's licenses, passports and event tickets. While 51% of consumers show at least some interest in using digital wallets' other features, interest rises to 78% among Gen Z and 75% among millennial consumers, with half of these younger consumers being highly interested. Adults with children also show a relatively high level of interest, with 52% saying they are very or extremely interested. In addition, interest in utilizing digital wallets in new ways rises with income, peaking at 59% among consumers who earn more than \$100,000 per year.

**FIGURE 4:**

**Interest in using digital wallets' additional features**

Share of consumers citing select levels of interest in using additional digital wallet features, such as the ability to store documents, by demographic

	VERY OR EXTREMELY INTERESTED	SOMEWHAT INTERESTED	SLIGHTLY OR NOT INTERESTED AT ALL
<b>Sample</b>	<b>30.9%</b>	<b>20.0%</b>	<b>49.1%</b>
<b>GENERATION</b>			
• Baby boomers and seniors	8.6%	13.5%	78.0%
• Generation X	26.3%	19.4%	54.3%
• Bridge millennials	46.4%	21.4%	32.2%
• Millennials	51.2%	23.8%	25.0%
• Generation Z	49.0%	28.5%	22.4%
<b>INCOME</b>			
• More than \$100K	39.9%	18.6%	41.5%
• \$50K - \$100K	29.5%	21.2%	49.3%
• Less than \$50K	21.5%	20.5%	58.0%
<b>PARENTAL STATUS</b>			
• With children	51.5%	22.1%	26.4%
• No children	19.4%	18.8%	61.8%
<b>DIGITAL WALLET USER</b>			
• Yes	50.1%	22.6%	27.3%
• No	12.3%	17.5%	70.3%

Source: PYMNTS Intelligence

Tracking the Digital Payments Takeover, February 2024  
 N = 2,501: Complete responses, fielded Nov. 14, 2023 – Nov. 26, 2023

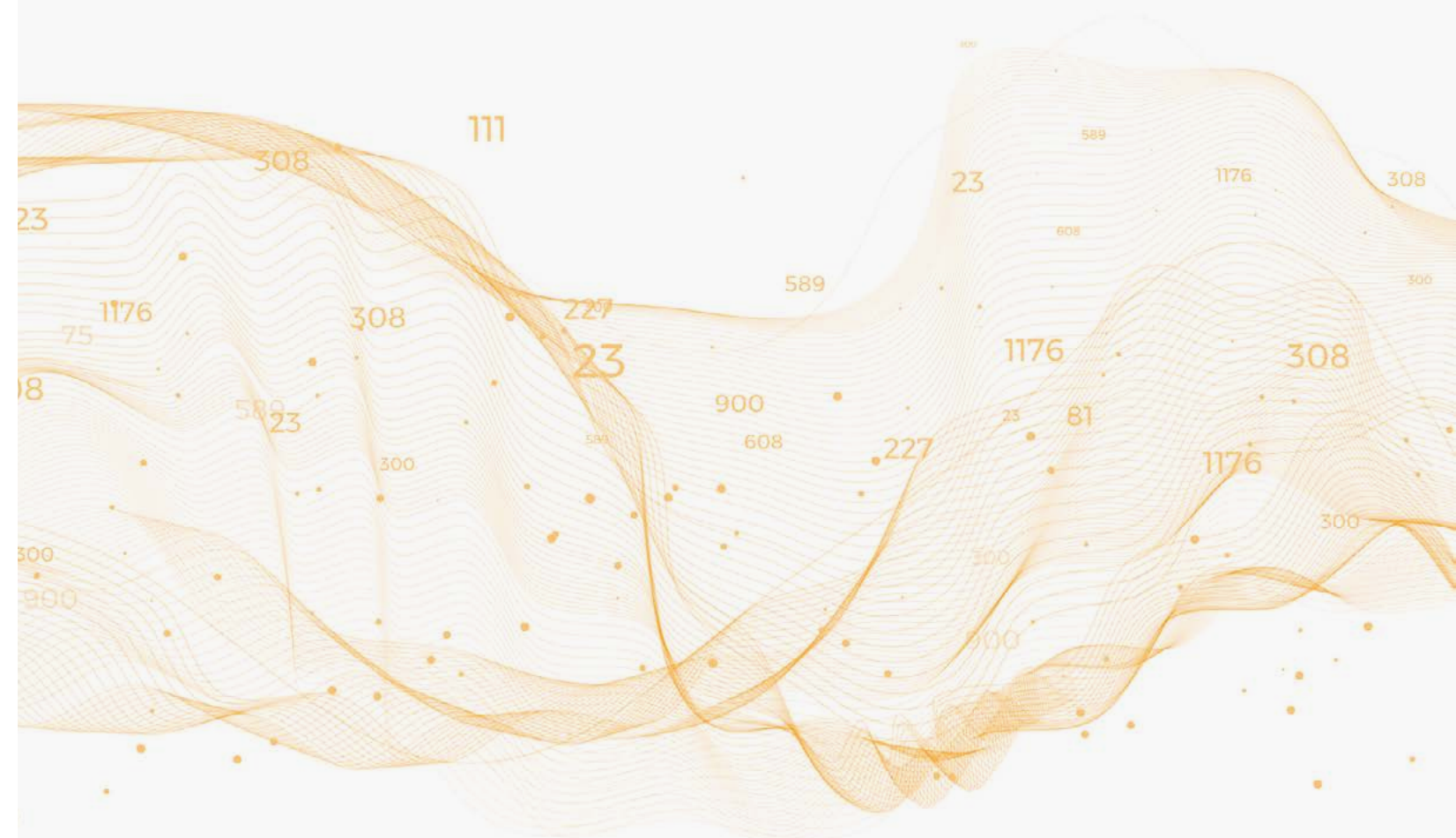


Digital wallet users show significantly higher interest in additional features than nonusers. In fact, 73% of current digital wallet users say they are at least somewhat interested in additional digital wallet features, but just 30% of nonusers say the same. This indicates that consumers already familiar with using digital wallets for a variety of financial transactions increasingly want and expect to use their digital wallets as more than a payment method.

Meanwhile, 37% of customers are willing to switch to a digital service provider that offers digital wallet features beyond one-time card payments. Such providers include digital wallet providers, bank account providers, credit card issuers, mobile device makers and merchants. Gen Z consumers, at 66%, are the most likely to say they would switch. This suggests that failing to provide new uses for digital wallets can lead to a loss of loyal customers, particularly among bank account providers.

# 37%

Share of customers willing to **switch to a digital service provider that offers digital wallet features beyond one-time card payments**



## Moving money via digital wallet

While 35% of consumers still think they would use digital wallets primarily for paying for purchases, 45% are most interested in using digital wallets to move money in new ways, such as to transfer money or make recurring payments. In fact, 18% of consumers cite transferring money between a bank account and a digital wallet’s cash balance as the top feature that could be added to a digital wallet.

Meanwhile, 12% of consumers thought paying a recurring monthly bill was the most important feature that could be added to digital wallets, suggesting that ease in paying bills is a promising feature to add to digital wallets. More than one-quarter of consumers surveyed showed interest in using this feature, with interest most concentrated among millennials (33%), those who earn more than \$100,000 (29%) and parents with children in the home (31%).

**FIGURE 5:**

### Consumers’ interest additional ways to use digital wallets to move money

Share of consumers interested in using a digital wallet to move money in select ways

	TOP CHOICE	SELECTED, BUT NOT TOP CHOICE	TOTAL
• To pay for a purchase	35.0%	8.9%	<b>43.9%</b>
• To transfer funds between a bank account and digital wallet balance	18.3%	13.9%	<b>32.1%</b>
• To pay a recurring monthly bill	12.1%	13.5%	25.6%
• To transfer money to another individual	11.0%	16.5%	<b>27.6%</b>
• To transfer between own bank accounts	10.8%	10.1%	<b>20.9%</b>
• To transfer money internationally	3.9%	5.8%	<b>9.7%</b>
• To invest in stocks, bonds or cryptocurrencies	3.7%	6.8%	<b>10.5%</b>
• I would not use a digital wallet to move money.			<b>20.5%</b>

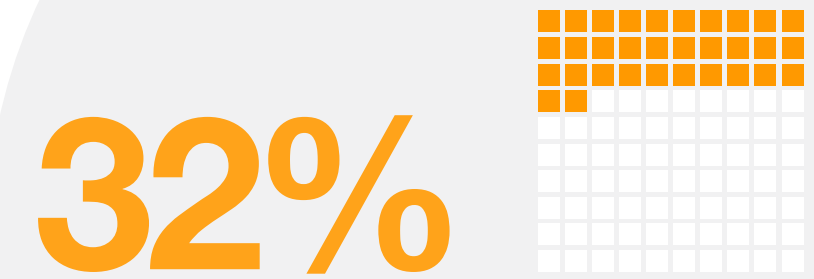
**Source: PYMNTS Intelligence**

Tracking the Digital Payments Takeover, February 2024  
 N = 2,501: Complete responses, fielded Nov. 14, 2023 – Nov. 26, 2023

## Preferring to use physical cards and security concerns drive consumers' reluctance to use digital wallets.

Among cardholders not using digital wallets, 30% note that their preference for physical cards and documents, such as driver's licenses, passports and event tickets, is their top reason for not using digital offerings. At 23%, security concerns are next-most cited reason, followed by not trusting a single platform to handle all information, at 12%.

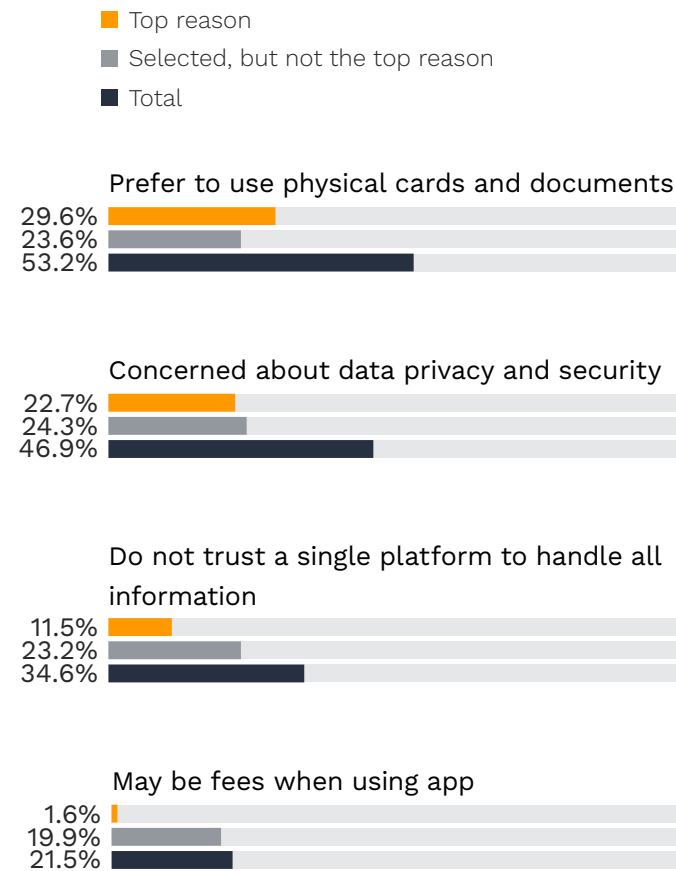
Baby boomers and seniors were the most resistant to make the digital switch, with 32% unwilling to switch from physical cards. Despite being far more likely overall to use digital wallets, 1 in 4 Gen Z consumers say they do not trust a single platform to handle their information, which was more than twice the level of concern reported by any other generation. At 9.4%, millennials are the least likely to report dependence on a single provider as a key concern.



Share of baby boomers and seniors **who prefer to pay with physical cards**

Gen Z consumers who are not interested in digital wallets are also the most resistant to paying fees: At 4.8%, they are the generation most likely to say that having to pay fees is a reason to not use digital wallets. This suggests that Gen Z consumers may have lower incomes and are not comfortable paying a fee.

**FIGURE 6A:**  
**Reasons to not use digital wallets**  
 Share of consumers citing select reasons why they are not interested in using digital wallets for additional use cases



**Source: PYMNTS Intelligence**  
 Tracking the Digital Payments Takeover, February 2024  
 N = 955: Respondents who are not interested in using a consolidated digital wallet, fielded Nov. 14, 2023 – Nov. 26, 2023

**FIGURE 6B:**  
**Reasons to not use digital wallets**  
 Share of consumers citing select reasons why they are not interested in using digital wallets for additional use cases, by generation

GENERATION	PREFER TO USE PHYSICAL CARDS AND DOCUMENTS	CONCERNED ABOUT DATA PRIVACY AND SECURITY	DO NOT TRUST A SINGLE PLATFORM TO HANDLE ALL INFORMATION	MAY BE FEES WHEN USING APP
• Baby boomers and seniors	31.7%	23.0%	10.7%	1.7%
• Generation X	26.8%	24.0%	12.3%	1.0%
• Bridge millennials	30.5%	22.5%	9.5%	1.3%
• Millennials	27.3%	21.4%	9.4%	1.2%
• Generation Z	23.1%	12.4%	26.4%	4.8%

**Source: PYMNTS Intelligence**  
 Tracking the Digital Payments Takeover, February 2024  
 N = 955: Respondents who are not interested in using a consolidated digital wallet, fielded Nov. 14, 2023 – Nov. 26, 2023



# Conclusion

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When shopping online for everything from groceries to retail items to travel, digital wallets provide a secure and convenient way to pay. Digital wallets also provide a contactless payment alternative to physical cards, although they show slower growth when it comes to in-store adoption. Still, millennials and Gen Z consumers appreciate the fast and secure check-out that digital wallets provide. They are also more interested in additional features digital wallets can provide, such as paying recurring bills or moving money between accounts. Even as older consumers remain wedded to paying via physical cards, the current generation of digital-first consumers value the convenience and frictionless payment experiences digital wallets enable. Digital wallet providers that innovate features that meet younger consumers' financial services needs can capitalize on a not-to-be missed business opportunity by not only retaining existing customers but likely attracting new ones as well.



## Methodology

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Tracking the Digital Payments Takeover: Can New Use Cases Drive Consumer Use of Digital Wallets?, a PYMNTS Intelligence and AWS collaboration, examines consumers' increasing use of digital wallets as a payment method when making online and in-store purchases. We surveyed a census-balanced panel of 2,501 U.S. consumers between Nov. 14, 2023, and Nov. 26, 2023, to discover what they expect from digital wallets and what drives them to use digital wallets over other payment methods when making online and in-store purchases. Fifty-one percent of respondents identified as women, 33% had a college degree, the average age was 47 and 38% earned more than \$100,000 annually.

# About

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