



2021 Eye on Payments

Consumers Demand Personalized
Payments Experience

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Introduction

Nearly 20 months after its emergence, the COVID-19 pandemic is still impacting the U.S., its economy and consumers, as well as the global economic landscape. As consumers have grown more accustomed to change over the past year and a half, the economy continues to demonstrate its resilience – and the payments industry is no different. For the fourth consecutive year, PSCU set out to gauge payment preferences among credit union members and other financial institution customers (“non-members”), including how they evolved over the past 12 months.

Through this annual research, PSCU explores the factors that influence consumers when it comes to their choice and usage of different payment methods, how these factors may vary among different life stages and economic events, and how credit unions can better serve their members and optimize their offerings to adapt to these evolving preferences and needs – both now and in the future.

PSCU surveyed more than 1,750 credit union members and non-members from across the U.S. For the first time, we also conducted a deep dive into select states to better ascertain payment preferences in various parts of the country. The online survey, conducted in July 2021, was taken by participants ages 18 to 65+. Of those surveyed, 50% were male and 50% were female, and demographic characteristics align with consumer data from CUNA’s Member Profile.

Through research gathered in *Eye on Payments*, PSCU will share the following:

- Factors that influence consumer behavior when it comes to the choice and usage of traditional and emerging payment methods across multiple payment scenarios
- How social and economic events impact payment choice
- The evolution of how consumers are interacting with their credit union or other financial institution, and how they anticipate doing so in the future
- How and why payment method preferences differ among generations and regions
- Recommendations for credit unions to better meet evolving payment preferences and member needs



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Personalization is critical.

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Throughout 2021, the economy and its outlook have ebbed and flowed, ranging from tepid to rapid growth. Varied consumer confidence and spending levels, coupled with labor shortages and supply chain issues, also arose from the dynamic pandemic environment. When the survey was fielded in July, 78% of all respondents – both credit union and non-credit union members – agreed they were concerned about the economy as a result of COVID-19. At that time, many parts of the U.S. had seemingly turned a corner and begun to emerge from the pandemic, even as vaccination rates slowed. But then the Delta variant emerged, bringing with it renewed uncertainty among U.S. citizens.

What has become increasingly clear is that consumers want and expect personalization across all facets of their lives. Tech giants like Amazon, Netflix and Spotify, among others, have introduced extreme personalization to consumers when shopping online, ordering groceries, watching TV or listening to their favorite podcast – so it should come as no surprise that this type of customization is now expected from consumers’ financial partners. In fact, nearly eight out of 10 survey respondents agree or completely agree that they want to do business with a financial

institution that knows them personally. At the same time, 91% of credit union members believe that credit unions are good places to get advice and guidance on financial matters.

In line with this, more and more consumers are choosing how they transact and with which payment method based on personal preferences. More than half of all respondents (62%) noted that they use a greater variety of payment methods than they did a few years ago.

“I Use a Greater Variety of Payment Methods than I Did a Few Years Ago.”

Responded Agree or Completely Agree



“Nearly eight out of 10 survey respondents agree or completely agree that they want to do business with a financial institution that knows them personally.”



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State Spotlight
Texas

Across the board, modern consumers expect personalization. But when it comes to individualization and banking

relationships, Texas residents surveyed stand out from the rest of the nation. In fact, 87% of respondents from the Lone Star State say they agree or completely agree that they want to do business with a financial institution that knows them personally. The data is even more compelling for credit unions, with 94% of credit union members from Texas in agreement with the statement.

“I Want to Do Business with a Financial Institution that Knows Me Personally.”



Key Takeaways

Credit unions have a number of channels to consider when it comes to delivering personalization. For example, setting up personalized, automatic emails based on rules can successfully target segments of consumers who need additional financial assistance or reminders to maintain their financial health. Proactive and meaningful connections like this can reduce anxiety, strengthen engagement and increase loyalty through the entire lifecycle of the relationship.

Now is the time for credit unions to shift the narrative and define how they can effectively leverage the right tools and data to establish a different kind of engagement model driven by analytics: an opti-channel approach, which enables credit unions to use data to create experiences specific to each member and their individual needs based on the value the member represents to the credit union. While current tools enable users to start activities in one channel and complete them in another, today's members are conditioned to expect more. Integration of consumer-focused processes across all available channels – and optimizing each channel experience – will create intelligent engagement in which experiences are more proactive and personalized. Harnessing member data to better understand how they interact with their institution – including how, when and through which channel they transact – helps fuel proactive connection via multiple channels.

In addition, consider leaning on industry partners and organizations to provide members with the customized experiences they now expect. PSCU's Lumin Digital, for example, is a cloud-native digital banking platform built using elite technology that provides members with a tightly integrated and customized experience. In creating a truly personalized journey, the company helps credit unions and banks better engage with their members, increase value and deepen relationships.

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While consumers are utilizing them differently, usage of mobile wallets, digital payments and contactless cards continues to increase.

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Despite the uncertainty driven by the pandemic, several trends identified by PSCU in 2020 have continued to proliferate in 2021. More and more consumers are turning to mobile wallets, digital payments and contactless cards or tap-and-go payments offerings to make purchases, as cited by survey respondents and tracked throughout PSCU's monthly [Payments Index](#).

Respondents who reported using a mobile wallet in the past 60 days have increased 50% from 2019 (14%) to 2021 (21%), with 30% of those reporting they use a mobile wallet at least a few times per month. Four in 10 respondents are likely or extremely likely to use a mobile wallet at some point in the next six months to pay for goods and services. In addition, 47% of respondents agree they like the idea of using their mobile phone as a form of payment. Similar to previous years, respondents who use a mobile wallet do so primarily because they are convenient (60%), easy-to-use (59%) and fast (52%). Those who do not use a mobile wallet report not doing so because they do not know what it is or how to use it (40%), they believe it is not secure (32%) or they feel it is inconvenient (20%).



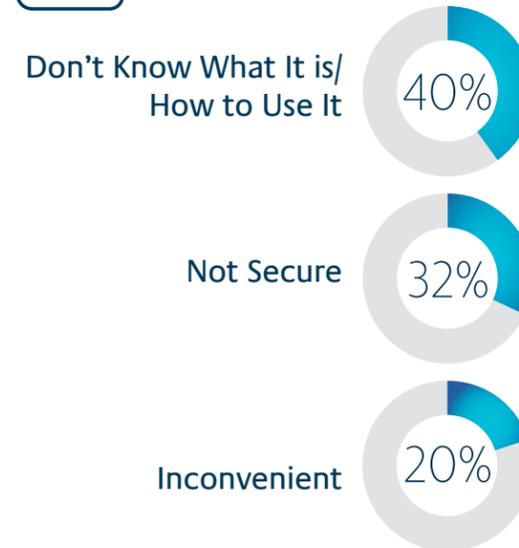
Top Three Reasons for Using a Mobile Wallet

All Respondents



Top Three Reasons for **NOT** Using a Mobile Wallet

All Respondents



“Respondents that reported using a mobile wallet in the past 60 days have increased 50% from 2019 (14%) to now (21%).”



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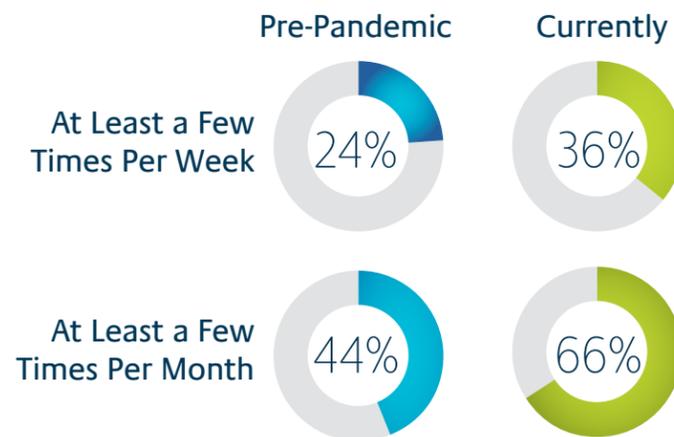
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Contactless card distribution and usage have grown significantly in recent years: The number of respondents that reported they have a contactless card increased by 124%, from just 25% in 2019 to 56% in 2021. All generations surveyed report using their contactless card more now than they did before the pandemic, and 86% of respondents with a contactless card report using it at least a few times per year, as opposed to only 65% pre-pandemic. Most often, credit union members reported using a contactless card at large/big-box retailers (45%) or grocery stores (55%).



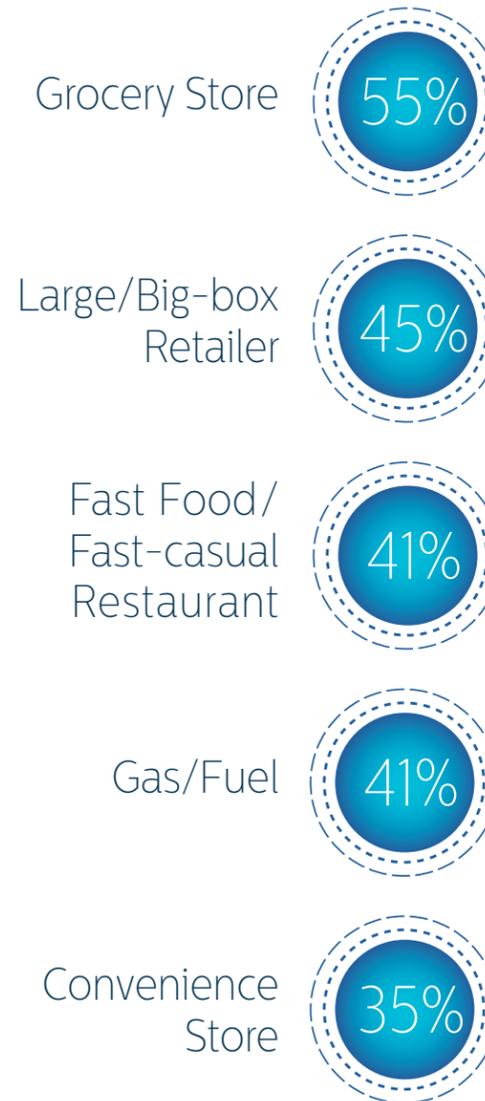
How Often Do You Use a Contactless Card to Make Purchases?

Credit Union Members



Contactless Card Usage: Top Five Locations

Credit Union Members



In addition, 57% of all respondents report using digital payment methods such as Venmo, Zelle, Apple Pay or another payment app at least periodically, as opposed to 49% in 2020 and 42% in 2019. Over one-fourth of respondents ages 33 to 40 say that digital payment methods are their primary payment method. While a majority of users are more likely to use PayPal in the next six months to make a purchase (85%), Venmo, Zelle and Apple Pay are the next most likely to be used at 55%, 44% and 44%, respectively.

While a majority of consumers (59%) still prefer to insert an EMV chip into a point-of-sale device when conducting a transaction in-person or in-store, 29% prefer to pay with a tap-and-go contactless card, mobile wallet or wearable, with only 12% preferring to swipe the magnetic stripe at the point-of-sale.

Use of mobile banking has also risen steadily over the years, increasing from 47% in 2019 to 54% in 2021. Consistent with last year's findings, 73% of consumers continue to utilize mobile alerts and controls to better manage their credit or debit cards.

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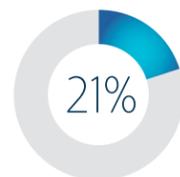
State Spotlight
Georgia

Over half of Georgia residents surveyed agree or completely agree that they have steered away from using cash as a result of COVID-19, and

it appears they have gravitated more toward emerging payment options. Most notable is the increase in adoption of contactless card technology. Forty-three percent of Georgia residents with a contactless card say they never used it before the pandemic. Now, a whopping 92% of respondents from Georgia say they use their contactless card at least a few times per year and nearly four in 10 of those are frequent users (a few times per week or daily). Georgia consumers are more open to using digital payments, with only 45% saying they have no plans to use digital payments in the future, as compared to the national average of 57%.

“I Use My Contactless Card at Least a Few Times per Month.”

Georgia Respondents
Pre-Pandemic



Georgia Respondents
Currently



Key Takeaways

Now more than ever, members expect their credit union to have robust digital payments offerings. Digital is now one of the first avenues members turn to when interacting with their trusted financial provider, leading to a heightened focus on usability for credit unions. Along with leveraging data to provide members with personalized experiences, credit unions should also be sure to incorporate these findings into their digital strategies.

The financial services marketplace is crowded, with innovation playing a key role in who succeeds. Credit unions not willing to prioritize and invest in digital solutions and other payments innovations will ultimately fall short of member expectations. If they have not already, credit unions need to focus on the strategies and solutions that will allow them to serve evolving member needs to achieve sustained growth. When innovating on behalf of their members, credit unions should leverage one of their most valuable assets: trust. As mentioned previously, nine out of 10 credit union members believe credit unions are good places to get advice and guidance on financial matters, making credit unions well-positioned to meet or exceed members' payments expectations.

Partnering with a like-minded organization can ensure that credit unions have access to the most updated research, cutting-edge technology, innovative products and services, and more. Fintechs, for example, are typically small start-up companies that develop technological solutions in areas including online and mobile payments and big data, and partnerships with fintechs can give credit unions quick and cost-effective access to innovative tools and technology. A CUSO, like PSCU, understands the unique needs of credit unions and can help vet and facilitate fintech partnerships – or, in some cases, is a financial technology organization itself dedicated to innovation.



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Online shopping, which surged in response to COVID-19, has now become routine...

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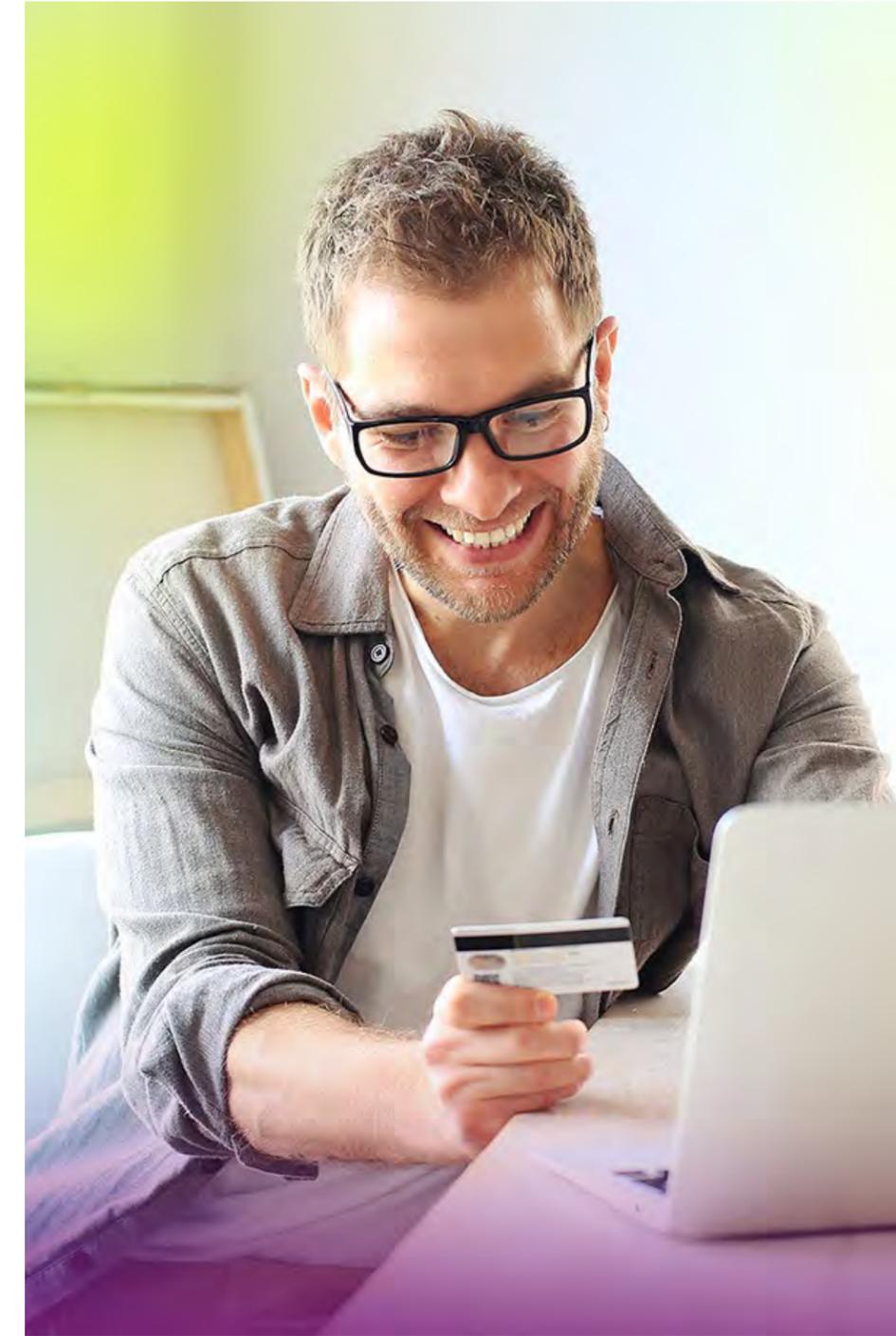
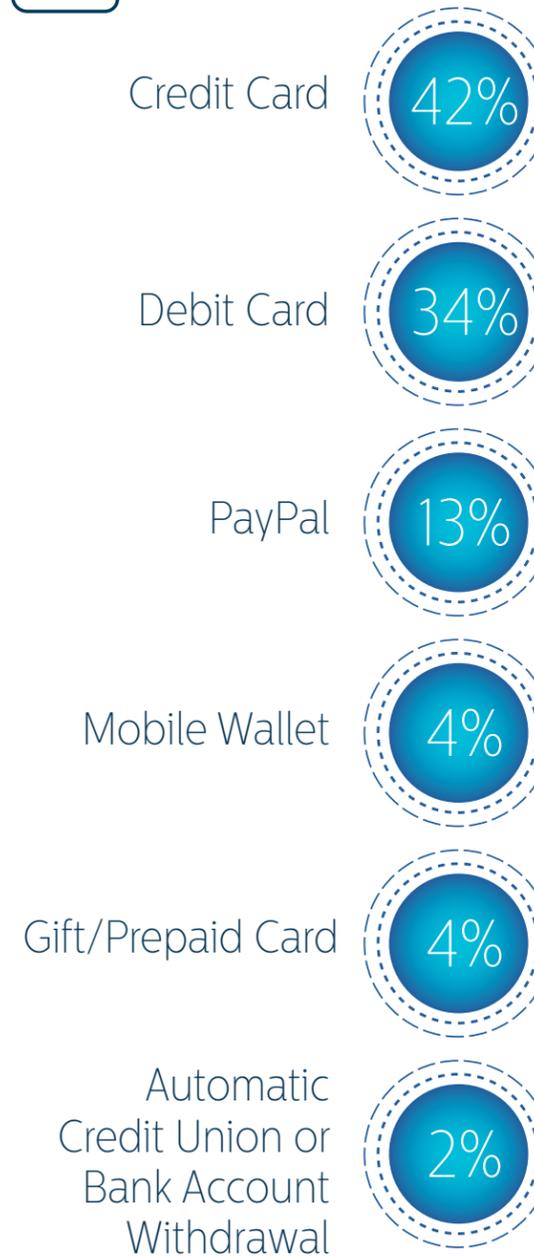
Ninety-one percent of all respondents shop online at least a few times per month, and nearly one in three shops online at least once a week or more. Respondents' use of ordering ahead for grocery or food pick-up/delivery online or through a mobile app has continued to increase as well, from 24% doing so a few times per month before the pandemic to 33% doing so in 2021. Non-members are more prone to use their credit card for online purchases, while credit union members use both credit and debit cards equally.

"Ninety-one percent of all respondents shop online at least a few times per month, and nearly one in three shops online at least once a week or more."



Popularity of Payments Used for Online Purchases

All Respondents



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State Spotlight
Florida

The majority of consumers indicate they are shopping online more since the pandemic, but Florida saw the greatest shift toward

e-commerce. Prior to COVID-19, only 13% of respondents from Florida said they shopped online at least a few times per week. Currently, almost one-third (31%) of Floridians surveyed say they shop online at least a few times per week, a 138% increase in frequent online shopping. Most shoppers from the Sunshine State are using a card to pay online, with 40% using debit and 30% using credit.

Key Takeaways

It is no longer enough for credit unions to simply encourage members to use their credit union-issued cards at the point of sale. With digital payments on the rise, more people shopping online, and competitor banks, fintechs and financial institutions fighting for their share of the market, credit unions need to push for members to choose their credit union-issued card first across all channels, whether that be in mobile apps, online or in-store. Once users store a card in a digital channel, it is likely they will keep it as the preferred payment method.

Consumers are increasingly gravitating to digital and online experiences, a trend that extends across all demographics. While different consumers may be utilizing digital in varied ways, e-commerce and online transactions will continue to accelerate, which will drive online fraud numbers even higher. It is imperative for credit unions to have the right tools and technologies in place to stop fraudsters, regardless of where and how they are entering, while providing a seamless experience for members. Credit unions should strive to establish this balance between risk management and member experience.

“I Shop Online at Least a Few Times per Week.”

Florida Respondents Pre-Pandemic



Florida Respondents Currently



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...But consumers are concerned about the lingering effects of COVID-19 on the economy.

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Nearly one-third (31%) of all respondents report having experienced job loss, furlough or reduced pay or hours due to the pandemic. When asked whether they are worried about the economy as a result of COVID-19, 78% of all respondents said they agreed or completely agreed that they are. Older Millennials, Gen X and Boomers indicate they are more concerned about the economy as a result of COVID-19 than those ages 32 and younger.

The pandemic is continuing to impact how consumers choose to pay for goods or services, as well as how they approach their finances. Nearly four out of 10 report they steer away from cash as a result of COVID-19 and more than half of respondents (55%) agreed they decide how they will pay for something based primarily on which is the most physically safe, clean and sanitary. At the same time, 56% report they saved more money in the last year than they usually do and 60% reported they lowered their credit card balances in the same timeframe. In addition, 51% of respondents are more concerned about fraud as a result of the COVID-19 pandemic and the current economic outlook.



"I Am Worried About the Economy as a Result of COVID-19."

Respondents Who Agree or Extremely Agree

Boomer +
(57+)



Generation X
(41-56)



Older Millennials
(33-40)



Younger Millennials
(25-32)



Generation Z
(18-24)



"Nearly one-third (31%) of all respondents report having experienced job loss, furlough or reduced pay or hours due to the pandemic."

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State Spotlight
New York

New Yorkers report having made responsible financial choices this year, yet they may have been motivated by anxiety about the economy.

Sixty-four percent of respondents from New York say they saved more money this year than they usually do – above the national average of 56%. They also stand out when it comes to credit card debt, with 68% reporting they lowered their credit card balances in the last year. Yet, survey respondents from New York also express a high level of economic concern, with 83% saying they were more worried about the economy as a result of COVID-19.

“I Lowered My Credit Card Balances in the Last Year.”



Key Takeaways

Over the last year, financial wellness has become an increasingly important topic as consumers have been faced with economic challenges, a tough job market and many other uncertainties. Collectively, the industry is well-positioned to make a positive impact as credit unions, whose founding philosophy is the business of financial well-being, have a unique opportunity to differentiate themselves by focusing on improving employees' and members' financial health.

Again, credit unions need to utilize the data and tools they have readily available to craft and implement actionable strategies. Surveys to gauge the financial health of employees and members can provide a baseline to understand the pain points both are experiencing, which can then help guide actions that credit unions should take or which existing tools they should leverage.

For example, financial counseling, balance transfer campaigns and behavior modification alerts built into payment tools and digital banking platforms can all help improve financial health, while predictive analytics can help identify members headed for financial hardship and enable credit unions to proactively intervene and assist. In addition, financially healthy members are more likely to be satisfied with their credit union and continue relying on it as their trusted financial partner and primary financial institution.

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Consumers are reporting strong interest in emerging payments and offerings such as cryptocurrency and installment payments or Buy Now, Pay Later (BNPL).

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Overall, credit union members report they are generally more open to emerging payment methods than non-members. One in three overall respondents report they would be interested in learning more about cryptocurrency, with more credit union members citing they are already active (24%) or interested in cryptocurrency (36%) compared to only 13% and 25% of non-members, respectively. More than one-third (36%) of Millennials ages 25 to 44 have invested in or hold cryptocurrency, compared to 27% of Gen Z, 11% of those ages 45 to 64, and 4% of those 65 and older. In addition, over half (53%) of Gen Z respondents and 49% of Millennial respondents want to learn more about cryptocurrency from their financial institution.

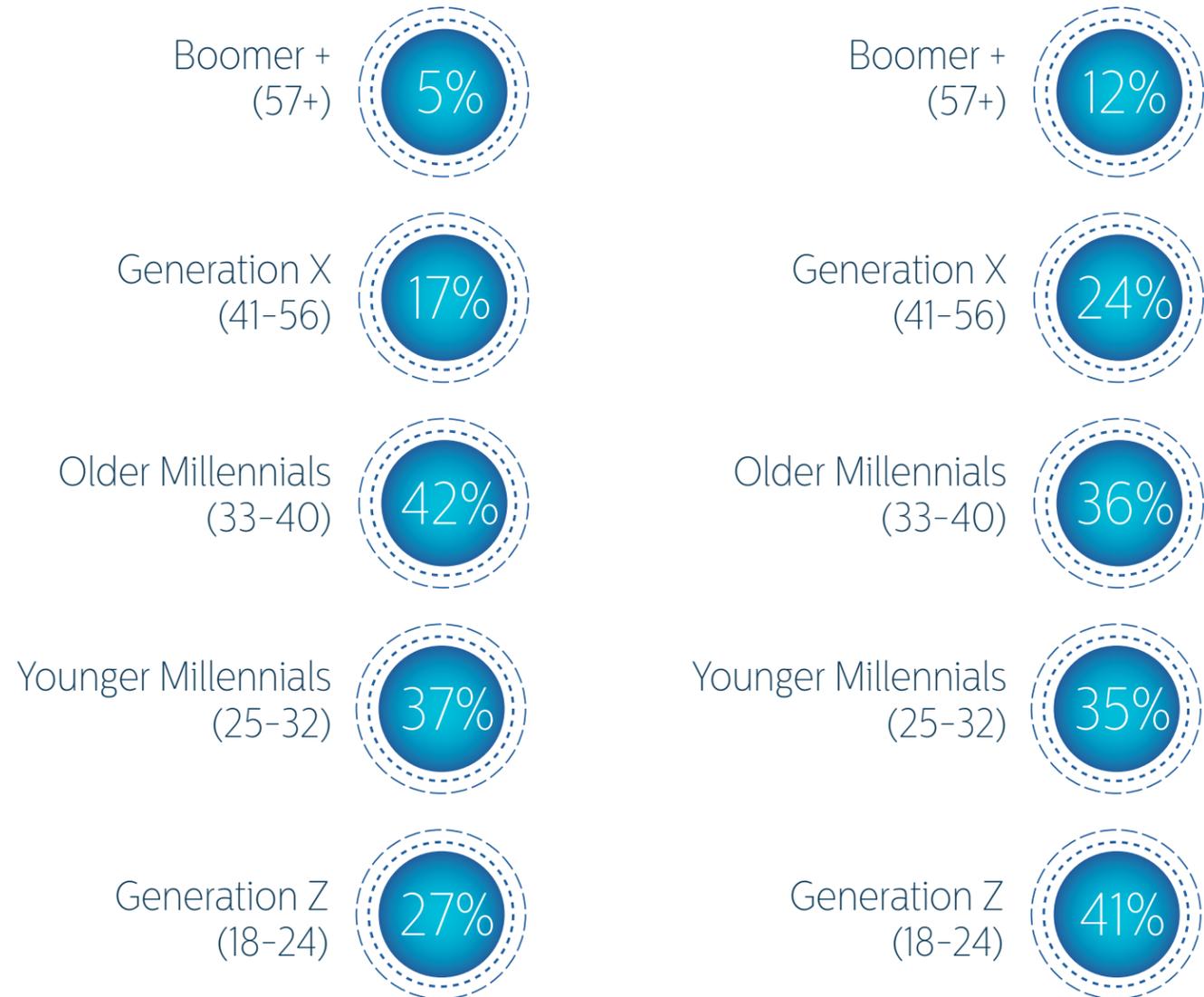
For installment payments or BNPL, of those who know their financial institution offers these services, 61% report they have used such a program. That being said, over one-third of respondents are not sure if their financial institution offers BNPL. Of those who do not know if their financial institution offers BNPL or knows it does not, 22% indicate they would be likely or extremely likely to use it if the option became available. Younger consumers whose financial institutions offer a BNPL option are most likely to use it, with 41% of Gen Z reporting they would

be likely or extremely likely to use the program, followed closely by Older Millennials at 36% and Younger Millennials at 35%.



"I Have Invested in and/or Hold Cryptocurrency."

All Respondents



"If Your Financial Institution Offered a Buy Now, Pay Later Program, How Likely Would You Be to Use It?"

Respondents Who are Extremely Likely or Likely

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When it comes to cryptocurrency, 21% of survey respondents from Illinois say they have held or currently hold crypto, which is just slightly

above the national respondent average of 19%. But Illinoisans lead the way in their interest in cryptocurrency, with 42% of respondents saying they would like to learn more from their financial institution. Credit union members are even more interested: Half of all credit union members from Illinois say they would like to learn more. It is no surprise that these consumers turn to their credit unions for insight, as 96% of credit union members from Illinois believe credit unions are good places to get advice and guidance on financial matters, and 96% also say they trust their financial institution.

“I Would Like to Learn More from My Financial Institution About Crypto.”

All Illinois Respondents



Illinois Credit Union Members



Key Takeaways

As consumers become more interested in emerging payments offerings and trends, credit unions should maximize the opportunity to provide education to members surrounding how new solutions and services work, what to expect and how they can incorporate these items into their financial lives.

Before educating members, however, credit unions should ensure board members and employees are familiar with new technologies and various use cases throughout the credit union space. Some emerging technologies, like artificial intelligence (AI), for example, can introduce new risks to organizations. In response, credit unions might need to reexamine existing policies, procedures and practices in order to ensure compliance and mitigation of additional risk exposure. Schedule a presentation from an expert at the next board retreat or planning session, as well as curate educational materials that can help establish foundational understanding for all stakeholders. Knowledge of basic terminology and concepts will prepare board members for the oversight for which they will be responsible, as well as arm employees with the knowledge to help members better understand and take advantage of the latest offerings.

Again, consider partnerships with CUSOs, fintechs or other organizations that can deliver these types of offerings. PSCU, for example, is monitoring the regulatory environment, exploring opportunities with card brands and assessing the appetite for credit unions to offer crypto-related services to their members for potential PSCU-offered services. The CUSO is also in the process of launching its BNPL installment payments solution, which will allow cardholders to pay for purchases over a fixed timeframe by dividing the purchase amount into smaller fixed payments, giving credit union members the freedom to budget as needed and have more control over their finances.

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Debit remains the preferred payment method, followed closely by credit.

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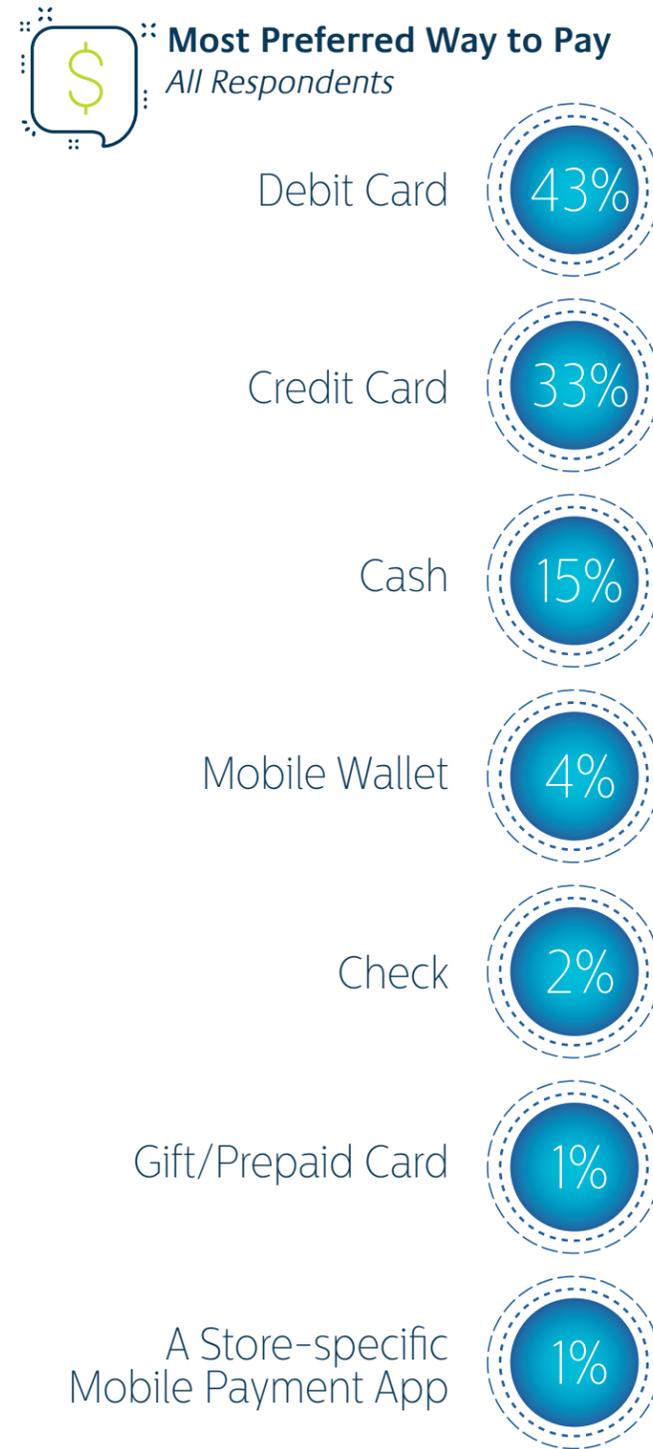
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For the third year in a row, debit remains the most preferred payment method for all respondents, with 43% preferring debit and 33% preferring credit. More than half of respondents agree they tend to pay more with debit cards (55%) and credit cards (53%) than they did a few years ago.

Credit union members indicated they are 13% more likely than non-members to use a debit card in the next six months to pay for goods and services. In line with this finding, credit union members indicate a top preference toward debit for all types of purchases and across all purchasing situations, while non-members report a mix of debit and credit. The majority use debit cards for food and grocery pick-up or delivery. Non-members report they are more likely to use their credit card for online purchases, while credit union members use both credit and debit equally. In addition, most respondents (42%) have a debit card loaded into their mobile wallet(s). Plus, 60% of respondents indicate rewards are important or very important when it comes to their credit or debit card usage, with cash back being the most preferred type of reward, mirroring findings from 2020.



"Credit union members indicated they are 13% more likely than non-members to use a debit card in the next six months to pay for goods and services."



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State Spotlight
California

Like other respondents, most consumers from California say debit is their first preferred method of payment, followed by

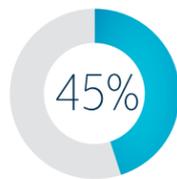
credit. In particular, Californians are most likely to use their debit cards at the grocery store (42%) and pharmacy (38%), and 75% of California credit union members say they are comfortable using their debit card for online purchases. Consumers in California are also paying for their food with debit and credit cards linked to apps like Grubhub and UberEats more frequently than respondents from other states. Fifty-five percent of credit union members from the Golden State say they use an order-ahead food app at least a few times per month and more than half (54%) use their debit card to pay for these purchases.

“I Use Debit with an Order-ahead Food App at Least a Few Times per Month.”

California Credit Union Members



California Non-Credit Union Members



Key Takeaways

Checking – which is linked to a debit card – remains the most connected payment offering for consumers, making it an important element of any credit union’s payments offerings. And, as previously mentioned, consumers are avoiding debt, which might lead to more interest in debit than credit. A compelling debit/checking product and competitive promotional strategy can do wonders for establishing the foundation for a long-term member relationship. A broad and deep belief in the value of debit/checking that permeates the entire organization – and a desire for every credit union member to benefit from checking – is key.

That said, credit unions would be remiss to focus only on debit cards when considering how to best optimize legacy programs. Credit unions should promote incentives and special offers to encourage members to use their credit union-issued cards – whether in-person, online or through a mobile wallet – over competing bank- or fintech-issued cards. Each purchase made using a credit union-issued card is a revenue opportunity, so credit unions should be sure to optimize their products to ensure they meet or exceed member expectations and offerings from competing financial institutions.

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Baby Boomers

For the purposes of this survey, consumers age 57 and above are categorized as Baby Boomers. This is the only generational group that favors credit over debit, with one in four respondents indicating credit cards are their first preferred method of payment. They cite ease of use and convenience as the main reasons why they reach for their credit cards.

Although the Boomer generation tends to favor credit cards over other payment methods, only 43% of respondents say they are using credit cards more, which is significantly less than younger consumers. They also, by far, report the fewest number of card disputes. Only 9% of respondents age 57 and above say they have had to dispute a purchase or a charge on their credit and/or debit card in the last 60 to 90 days.

Boomer consumers have been slower to adopt new payment technologies, but a significant number of respondents in this age range do use them and, in some cases, the pandemic has spurred an increase. When it comes to contactless cards, the Boomer generation showed the greatest increase in adoption since the pandemic, compared to all other generational groups. Over three-quarters (77%) of respondents age 57 and above report using their contactless card at least a few times a year, which is a 51% increase compared to pre-pandemic. Additionally, nearly one-quarter (24%) of respondents age 57 and above use digital payment methods, like Venmo or PayPal, at least periodically.

While over three-quarters of Boomer respondents are concerned about identity theft, 93% of them say they trust their financial institution. Similar to Gen X and Older Millennials, respondents age 57 and above have concerns over how COVID-19 may impact the economy. Seventy-nine percent say they are concerned or very concerned about the economy as a result of the pandemic. Over half of Boomer consumers surveyed say they received an economic stimulus payment – the largest proportion of any generation.

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Baby Boomers

Top two most preferred ways to pay:	Credit card (40%), Debit card (38%)
Frequency of contactless card usage:	Few times per month (36%), Few times per year (24%), Few times per week (16%)
Frequency of digital payment method usage:	Don't use at all (67%), Use periodically but not the primary method (24%)
Frequency of mobile wallet usage:	Few times per year (10%), Few times per month (8%), Few times per week (3%)
Have invested in or hold cryptocurrency:	Yes (5%)
Likelihood of using a Buy Now, Pay Later (BNPL) option:	Likely (9%), Extremely likely (3%)
Payments trends and COVID-19 impact statements with which this group most agrees:	“I am worried about the economy as a result of COVID-19” (79%), “I currently have no plans to use digital payments in the future” (69%), “I lowered my credit card balances during the last year” (60%), “I prefer to use a contactless card” (42%)
Life events experienced within the past 12 months as a result of COVID-19	Furloughed or reduced hours (8%)

Key Takeaways:

While Boomers gravitate toward their tried-and-true credit card, there is an opportunity for credit unions to educate these consumers on emerging technologies and other offerings that are easy to use and convenient – the main reasons for which they currently use a credit card. In line with this, credit unions should continue to act as a trusted financial advisor for this generation, as a large majority trust their financial institution to keep them safe and aware of fraudulent activity and how unexpected economic events could impact their finances.



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Generation X

Consumers ages 41 to 56 are considered Gen X. These digital immigrants continue to rapidly adopt new technologies and spend much of their lives online, just like the younger generations, but they also remember a time before smartphones, social media and apps. In an article in [Generations: Journal of the American Society on Aging](#), author Tom Kamber says of his generation: “Gen Xers stand somewhere in the middle – adept users of information and communications technology, characterized by a persistent awareness of the contradictions of the Digital Age.”

This generation consistently favors using their debit card, especially compared to their slightly older counterparts, the Boomer generation. In fact, approximately half (49%) of respondents ages 41 to 56 say that debit is their first preferred payment method. Most Gen X respondents report having their debit card linked to their mobile food and grocery apps (Grubhub and Instacart, for example) and using debit most frequently for online shopping. Gen X respondents also report a significant increase in adoption of contactless cards. Nearly 90% of Gen X consumers say they use their contactless card at least a few times per year now, a 40% increase compared to pre-pandemic.

Respondents ages 41 to 56 are also among the most worried about the economy as a result of the pandemic. Eight in 10 say they are concerned or very concerned, although only 32% have experienced job loss or reduction in hours or salary due to COVID-19, which is significantly less than the younger generations. Eighty percent of Gen X consumers surveyed also say they are concerned or very concerned about identity theft. However, similar to other generations, this generation reports low numbers of actual theft and fraud occurrences – only 5% of those ages 41 to 56 were victims of identity theft in the last year and just 10% were victims of card fraud.

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Generation X

Top two most preferred ways to pay:	Debit card (49%), Credit card (30%)
Frequency of contactless card usage:	Few times per month (32%), Few times per week (27%), Few times per year (21%)
Frequency of digital payment method usage:	Don't use at all (40%), Use periodically but not the primary method (32%)
Frequency of mobile wallet usage:	Few times per month (18%), Few times per year (16%), Few times per week (8%)
Have invested in or hold cryptocurrency:	Yes (17%)
Likelihood of using a Buy Now, Pay Later (BNPL) option:	Likely (17%), Extremely likely (7%)
Payments trends and COVID-19 impact statements with which this group most agrees:	“I am worried about the economy as a result of COVID-19” (80%), “I lowered my credit card balances during the last year” (59%), “I prefer to use a contactless card” (54%), “I currently have no plans to use digital payments in the future” (53%)
Life events experienced within the past 12 months as a result of COVID-19	Furloughed or reduced hours (13%)

Key Takeaways:

Gen X is a group that has experienced a great deal of change throughout their lives, adapting to new technologies and shifts from the dawn of smartphones to new payments offerings. This generation in particular is primed to adopt new ways to pay, making it important for credit unions to not only offer these solutions and services, but to also act as a trusted financial advisor for these consumers as they continue to face the uncertainty surrounding COVID-19.



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Older Millennials

Older Millennials fall in the 33 to 40 age range. They value conveniences like grocery delivery/pick-up services, digital payment methods and contactless cards, and they look to their financial institutions for information about new opportunities, such as investing in cryptocurrency.

This generation of consumers uses mobile apps and websites to order ahead for grocery pick-up/delivery more frequently than other age groups. In fact, over one-quarter (27%) of Older Millennials say they use a grocery delivery service at least a few times per week, and 75% say they use a service at least occasionally. This is consistent with a [recent study](#) from Morning Consult that found 25% of Millennials do most or all of their shopping online.

Digital payment methods are on the rise overall, but consumers ages 33 to 40 seem most receptive to the technology. In fact, over one-fourth (27%) of Older Millennials say they use a tool like PayPal or Venmo as their primary payment method. This generation also embraces contactless card technology, with 93% saying they use a contactless card at least periodically.

When it comes to new trends and opportunities like cryptocurrency, Older Millennials far surpass other generations in openness and interest. In fact, 52% say they are interested in learning about cryptocurrency from their financial institution, and 42% have already invested in the technology.

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Older Millennials

Top two most preferred ways to pay:	Debit card (42%), Credit card (31%)
Frequency of contactless card usage:	Few times per month (34%), Few times per week (32%), Few times per year (14%)
Frequency of digital payment method usage:	Use periodically but not the primary method (28%), Digital payment is primary method (27%)
Frequency of mobile wallet usage:	Few times per month (28%), Few times per week (19%), Few times per year (14%)
Have invested in or hold cryptocurrency:	Yes (42%)
Likelihood of using a Buy Now, Pay Later (BNPL) option:	Likely (18%), Extremely likely (18%)
Payments trends and COVID-19 impact statements with which this group most agrees:	“I am worried about the economy as a result of COVID-19” (80%), “I like the idea of using my mobile phone as a form of payment” (72%), “I prefer to use a contactless card” (65%), “I lowered my credit card balances during the last year” (62%)
Life events experienced within the past 12 months as a result of COVID-19	Furloughed or reduced hours (14%)

Key Takeaways:

Many consumers in the Older Millennials age range are looking for new, more convenient ways to transact and interact with their credit union. They already have a solid understanding of technologies like mobile wallets and contactless cards, making them more apt to utilize even newer offerings and innovations. Credit unions should keep a regular pulse on what members of this generation want and expect when it comes to innovation through regular surveys and other touchpoints.



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Younger Millennials

Younger Millennials, ages 25 to 32, are more established than their younger counterparts and have busy lives. Seventeen percent of respondents in this age group reported purchasing a home or changing residences in the last year (more than any other generation surveyed), most work face-to-face in a full-time job, and 42% are married. They value conveniences like food or grocery delivery/pick-up services and their mobile wallets.

This generation, along with their younger counterparts, are the most frequent users of order-ahead food services like DoorDash and the Starbucks app. Nearly two-thirds of respondents ages 25 to 32 reported using mobile apps to order ahead for food pick-up and/or delivery purchases at least a few times per month, and 30% use them at least a few times per week.

Of all the generations, Younger Millennials are the most prolific users of mobile wallet technology. More than seven in 10 respondents ages 25 to 32 report using their mobile wallet at least occasionally, and 23% say they use the technology at least a few times per week. Like other age groups, they cite convenience, ease-of-use and speed as their primary reasons for using a mobile wallet. Even though mobile wallet technology is highly adopted by this age group, over half (58%) of those who do not use a mobile wallet say it is because they do not know what it is or how to use it, so there is still an education opportunity for these digital-savvy consumers. Younger Millennials are also the most cash averse of all the generations. A mere 13% of respondents say they prefer to use cash over other payment methods, and 64% of Younger Millennials say they tend to steer away from cash now as a result of COVID-19 – more than any other generation.

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Younger Millennials

Top two most preferred ways to pay:	Debit card (47%), Credit card (27%)
Frequency of contactless card usage:	Few times per week (34%), Few times per month (29%), Few times per year (16%)
Frequency of digital payment method usage:	Use periodically but not the primary method (33%), Use regularly but also use other methods (28%)
Frequency of mobile wallet usage:	Few times per month (27%), Few times per year (21%), Few times per week (18%)
Have invested in or hold cryptocurrency:	Yes (37%)
Likelihood of using a Buy Now, Pay Later (BNPL) option:	Likely (25%), Extremely likely (10%)
Payments trends and COVID-19 impact statements with which this group most agrees:	“I am worried about the economy as a result of COVID-19” (72%), “I like the idea of using my mobile phone as a form of payment” (71%), “I prefer to use a contactless card” (69%), “I tend to steer away from cash now as a result of COVID-19” (64%)
Life events experienced within the past 12 months as a result of COVID-19	Reduced salary (17%)

Key Takeaways:

Millennials – both Older and Younger – overtook Boomers as America’s largest generation in 2019, meaning financial services providers should place a strategic focus on this group of digital natives, as well as future generations for whom digital is already the norm. Their expectations are high, and if your financial institution is not ready to meet their needs, there is likely an eager fintech that is. This group is experiencing many changes – from moving to getting married, switching jobs and more – meaning they value convenience more than ever. Credit unions should keep a close pulse on Younger Millennial members in order to change and adapt with them and provide the support and services they need, when they need them.



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Generation Z

The youngest generation of surveyed consumers, ages 18 to 24, faces the challenge of establishing their financial foundation during the era of COVID-19. Gen Z consumers are looking for opportunities to build credit, make healthy financial choices, and embrace the payments technologies that are second-nature to them.

Seven in 10 Gen Z respondents say they prefer to use a credit card to build their credit. This age group is also the most interested in BNPL options, with 41% reporting they would be likely or extremely likely to use a BNPL program offered by their financial institution.

While this generation appreciates credit-building opportunities, they also indicate the strongest preference toward debit cards of all generations, with over half (53%) selecting debit cards as their preferred payment method and nearly eight in 10 saying they tend to pay more with debit cards than they did a few years ago. While Gen Z consumers use them to build credit, credit cards are not their first preferred payment method. These findings coincide with [Experian's 2021 State of Credit report](#), which reveals that Gen Z consumers carry the lowest proportion of credit card balances to the number of credit cards of any generation, which is positive for this young generation's long-term financial outlook. Another promising indicator for Gen Z's financial foundation is their outlook on savings. Sixty-three percent of respondents ages 18 to 24 say they saved more money in the last year than they usually do. The percentage is even higher for Gen Z credit union members (68%).

It is no surprise that these digital natives are comfortable with innovations like contactless cards and mobile wallets. Gen Z respondents who have a contactless card use it more frequently than other generations (over half use it at least a few times per week) and three-quarters say they like the idea of using their mobile phone as a form of payment. Eighty-three percent of Gen Z respondents also use a greater variety of payment methods now, further suggesting that consumers ages 18 to 24 are open to new payment technologies.

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Generation Z

Top two most preferred ways to pay:	Debit card (53%), Credit card (20%)
Frequency of contactless card usage:	Few times per week (38%), Few times per month (24%), Daily (15%)
Frequency of digital payment method usage:	Use regularly, but also use other methods (35%), Use periodically but not the primary method (29%)
Frequency of mobile wallet usage:	Few times per week (22%), Few times per month (25%), Few times per year (15%)
Have invested in or hold cryptocurrency:	Yes (27%)
Likelihood of using a Buy Now, Pay Later (BNPL) option:	Likely (34%), Extremely likely (7%)
Payments trends and COVID-19 impact statements with which this group most agrees:	“I am worried about the economy as a result of COVID-19” (75%), “I like the idea of using my mobile phone as a form of payment” (74%), “I prefer to use a contactless card” (67%), “I saved more money in the last year than I usually do” (63%)
Life events experienced within the past 12 months as a result of COVID-19	Furloughed or reduced hours (24%)

Key Takeaways:

The most tech-savvy generation, Generation Z is well-positioned to quickly latch on to new and emerging payments methods and technologies. Nonetheless, they are still establishing their financial foundation, so credit unions need to be prepared to not only offer cutting-edge technologies and tools, but to also provide them with financial advice that will set them up for long-term success.



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The credit union industry has experienced rapid change over the past 20 months, with COVID-19 acting as “The Great Accelerator.” The pandemic has provided further evidence that consumer preferences and habits can be impacted by a variety of factors. Thanks to players like Amazon, Netflix, Spotify and others, many consumers already expect personalization in other areas of their lives, including financial services. Those who don’t soon will, which means personalization is quickly shifting from a “nice-to-have” to a “must-have.” Credit unions not already gearing up to keep pace with this shifting consumer expectation will get left behind.

While financial institutions must clearly remain focused on the future of payments for their organizations and members, it is also critical to keep a pulse on the future of our collective

communities. As we look ahead, we anticipate both continued acceleration and transition as consumers gravitate back to routine activities, whether that be in-person, online or through other digital channels. What many expected to be the “new normal” might be more accurately described as “normal for now.”

Credit unions are primed and ready to act with the “people helping people” philosophy at the heart of the industry. During this time of acceleration and transition, we believe a square focus on the shifting preferences and expectations of consumers – from digital and personalization to financial wellness and more – will continue to position the credit union industry for growth. As we find ourselves at a distinct inflection point, our industry has a unique role to play as we help fuel members’ financial health and success.



About PSCU

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