



# 2017 TSYS® U.S. *Consumer Payment Study*

**TSYS**®

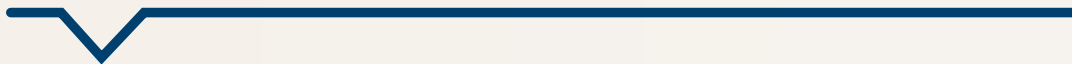
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# Introduction

Monitoring the fast-changing technology landscape — and how consumer behavior is evolving as a result — is critical to improving the customer experience. That's why as part of this year's U.S. Consumer Payment Study, we tracked consumers' key attitudes and behaviors around payments.





## INTRODUCTION

For the seventh year in a row, we surveyed a representative sample of approximately 1,200 U.S. consumers to identify and track important trends in payment behaviors and attitudes. Respondents were required to have at least one credit and debit card to participate in the study. (A full breakdown of respondent demographics can be found in the Appendix, on page 45.)

Insights from the study offer a valuable consumer perspective, allowing financial institutions (FIs) to make more informed decisions about product offerings, channels for customer communication and marketing programs. FIs that invest in creating increasingly positive experiences for their customers across the distinct phases of the cardholder life cycle will be rewarded with increased engagement along the way.

This year, we took a closer look at emerging payments. This includes peer-to-peer payments (P2P), also known as person-to-person payments. We also included artificial intelligence (AI)-enabled personal assistants – such as Amazon’s Alexa® and Google Home® – to assess this technology’s potential influence on the shopping experience.

Mobile is changing the way businesses operate and continues to shape the payments landscape. Consumers’ choices remain heavily influenced by their use of smartphones, allowing them to perform almost any task, anytime, from anywhere. From banking apps to customer loyalty programs, consumers expect to engage with FIs through digital experiences and increasingly on mobile devices.

While emerging payment technologies and mobile payments provide people with more choices than ever before, traditional payments remain highly relevant. Debit, credit and cash continue to be consumers’ preferred ways to pay. In fact, consumers are increasingly holding two or more credit cards, most likely sparked by their love of rewards programs, and adoption of mobile devices to handle life’s everyday needs.



# Key Insights

## Six Insights From Our Study:

Every payments player wants to maintain a competitive edge. Those who actually succeed in this realm will do so by understanding what consumers want and being willing and ready to integrate new technologies into their strategies.

# 1

## Intelligent Personal Assistants – The Future of Shopping

Today's news is filled with headlines about the impact artificial intelligence will have on our lives. Consumer adoption of AI-powered intelligent personal assistants accessed through voice activated speakers, such as Google Home, Amazon's Echo®/Dot® (Alexa) and Microsoft's Cortana®, remains in its infancy, with 26 percent of study respondents reporting they own a voice-activated speaker. Among those who own these devices, they primarily used them for questions and answers, or music and entertainment. FIs are just starting to tap into the ability of intelligent personal assistants to access accounts to verify balances and make transfers. We anticipate that within three to five years, ownership of voice-activated speakers will be more mainstream and intelligent personal assistants will be used regularly to shop and make purchases.

# 2

## Mobile Wallets Gain on Physical Card Payments

Paying by digital wallet from a smartphone is going mainstream, especially among younger consumers. Generally, consumers are more likely to load a digital wallet with a credit card than a debit card. Not surprisingly though, age heavily influences whether a card is loaded at all. When asked about the likelihood of making in-store purchases using their phone's digital wallet, 68 percent of consumers who have already loaded their debit or credit card to a mobile wallet or are definitely or likely to do so, indicated that within two years they will make 50 percent or more of their in-store purchases using a digital wallet.

# 3

## Use of Mobile Banking Apps Increases

Consumers' use of banking apps continues to increase, with usage increasing from 46% in 2015, to 63% in 2017. Most people use mobile banking apps to verify balances and transactions and transfer funds. Our study found consumers increasingly use banking apps to verify investments and contact customer service.

# 4

## Rewards Poised to Gain Traction with Mobile

Seventy-five percent of consumers have a credit card with a rewards program. High rewards participation, combined with increasing reliance on smartphones to handle everyday tasks, suggests rewards should be an integral part of the mobile experience. Whether earning points or redeeming them with a mobile wallet when checking out, the challenge for financial institutions (FIs) will be to design intuitive and easy user experiences for consumers. This suggests rewards programs must create integrated experiences that make rewards accessible through mobile wallets and in-app purchases.

# 5

## Email and Text are Preferred Communication Channels

Consumers again preferred to receive information from their FIs via email and text messages. And our study findings suggest communication preferences do vary by age, yet across the different age groups people use multiple channels. While more and more people are online and embracing digital, the traditional channels should not be overlooked. Furthermore, when card issuers market special offers, they should consider how communication could be personalized for the individual. Increasingly, consumers expect a customer experience that is personalized, integrated and consistent across traditional and digital channels.

# 6

## Coupons and Offers Should Be Personalized and Relevant

Similar to last year, half of consumers expressed an interest in receiving special offers and coupons based on their information. This, together with the fact that consumers increasingly find it important to have multiple accounts with the same FI, presents a real opportunity to cross-promote other offerings such as mortgages or checking accounts, or communicate about card benefits or rewards programs. In order to be effective, these offers should be personalized and highly relevant to the individual.



A hand holding a smartphone over a payment terminal, with a coffee cup in the foreground. The background is a blurred image of a person's face, all overlaid with a blue tint.

# Findings & Insights



# Emerging Payment Technology

Smartphones continue to offer innovative tools and applications, driving adoption of emerging payment methods. For the first time this year, we incorporated questions about P2P payments and ownership of voice-activated speakers and usage of intelligent personal assistants.

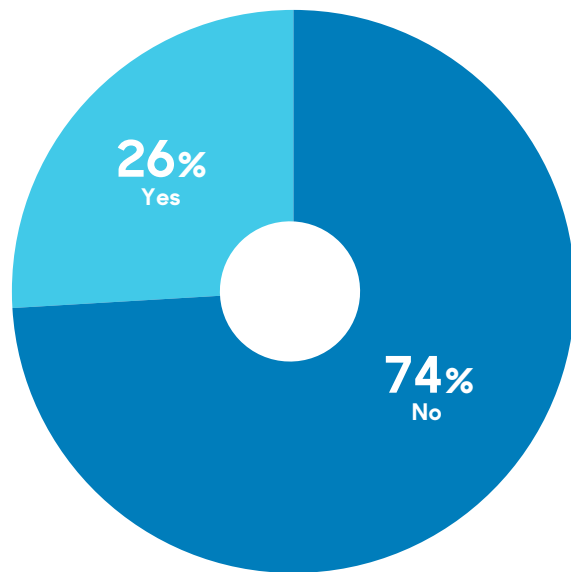
## ARTIFICIAL INTELLIGENCE (AI) POWERS LATEST INNOVATIONS

AI is no longer relegated to sci-fi movies and research labs. AI technology can be found powering some of the latest home innovations, offering huge potential to help companies customize the user experience. Voice recognition software allows consumers to command their AI-driven intelligent personal assistants accessed through voice-activated speakers – including Google Home, Amazon's Echo/Dot (Alexa) and Microsoft's Cortana – to perform a variety of tasks, from playing music to ordering groceries.

### *Who owns voice-activated speakers to access intelligent personal assistants, and how are they using them?*

Despite the potential of these devices to transform the consumer experience, the majority of consumers, 74 percent, do not currently own one. See Exhibit 1.

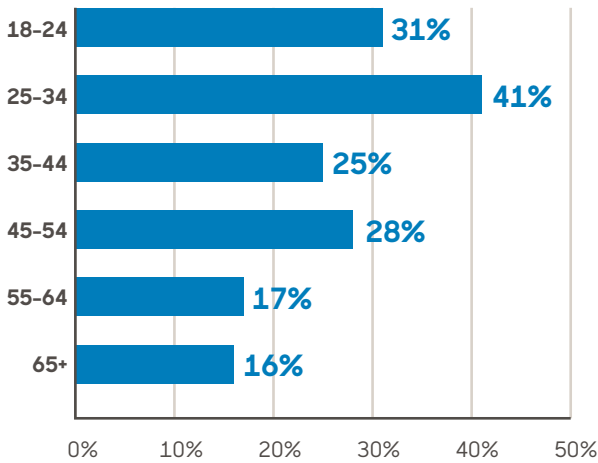
**Exhibit 1:**  
*Ownership of Voice-Activated Speakers*



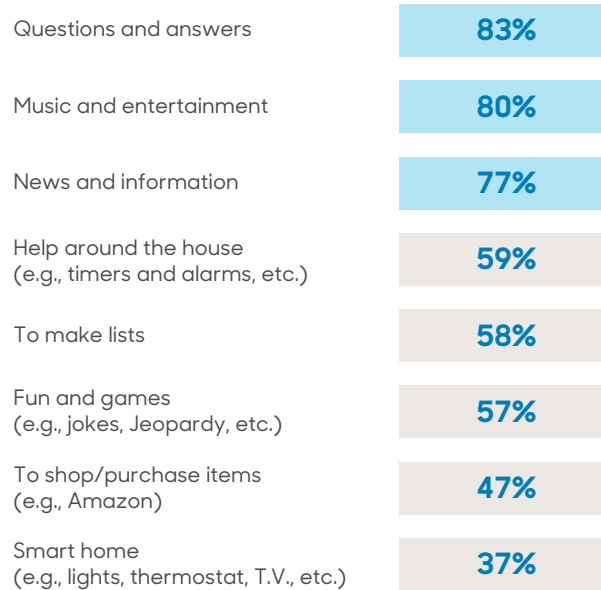
**FINDINGS & INSIGHTS**

Not surprisingly, reported ownership is highest among 25-34 year olds and lowest among consumers aged 55+. See Exhibit 2. The majority of these early adopters are using their devices primarily for "questions and answers," "music and entertainment," and "news and information." See Exhibit 3.

*Exhibit 2:*  
Ownership of Voice-Activated Speakers – by Age



*Exhibit 3:*  
How Consumers Currently are Using Intelligent Personal Assistants Accessed Through Voice-Activated Speakers (Among Voice-Activated Speaker Owners)



## FINDINGS & INSIGHTS

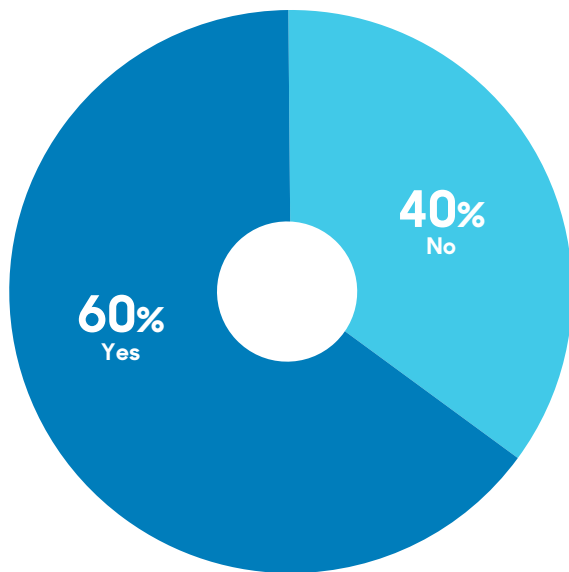
Seeing the potential for integration of intelligent personal assistants into the customer experience, FIs recently started offering the ability for consumers to check balances, make transfers or view recent transactions. We believe a strong potential exists for intelligent personal assistants to facilitate payments as adoption increases. While Exhibit 4 shows, 60 percent of those who currently own a voice-activated speaker said they would use it for payments or purchases if available. As you would expect, those aged 25-44 are more likely to do so than consumers 55+.

### ***What holds consumers back from using intelligent personal assistants?***

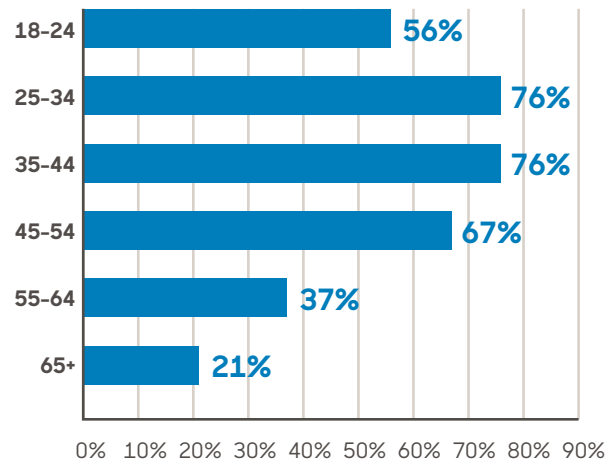
While our study identified security as the primary concern, previous experience tells us that it is more than that. With emerging technologies, the user experience needs to be effortless to spur consumer adoption. A tipping point could be reached once consumers gain confidence with the technology, particularly around security. Currently, of the different authentication methods for a banking or payment app – voice recognition, camera, finger print and passcode – people are least comfortable with voice recognition. See Exhibit 9. Despite this, without a doubt we expect new intelligent personal assistant and voice-activated speaker technologies to continue to influence people's lives during 2018 and look forward to monitoring their impact on payment offerings and marketing.

*Exhibit 4:*

*Use of Intelligent Personal Assistants/Voice-Activated Speaker to Make Purchases or Payments (If Available)*



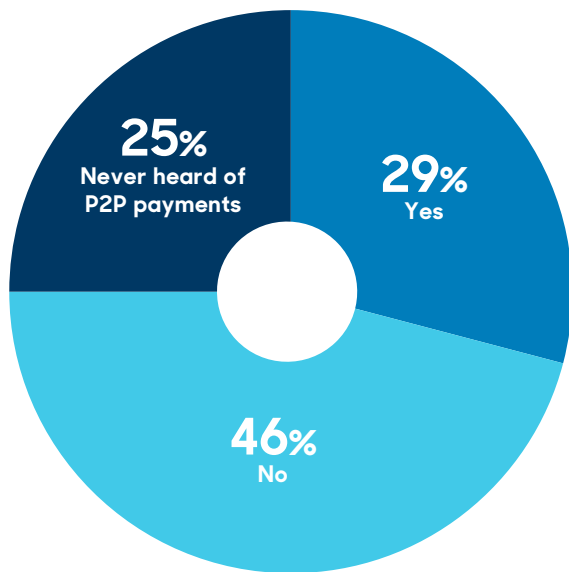
*Percentage of Voice-Activated Speaker Owners Who Would Use it to Make Purchases or Payments – by Age*



**P2P PAYMENTS GAINING GROUND WITH YOUNGER CONSUMERS, SECURITY HOLDS SENIORS BACK**

Imagine no longer having to scrounge around for exact change or be the one who always picks up the restaurant tab when out with friends. For a growing number of consumers, that is now a reality. Splitting a bill or paying a babysitter is easier than ever using P2P payments. For the first time, our study looked at consumers' usage of P2P to assess how it is likely to change the payment landscape in coming years.

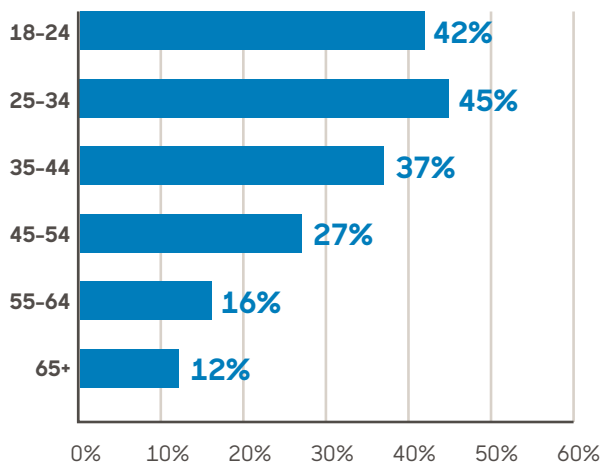
*Exhibit 5:*  
*Have You Used P2P Payments?*



We defined P2P as "the ability to transfer funds from one's bank account to another individual's bank account or digital wallet, electronically via the internet or a mobile phone, using the recipient's account number, email address or phone number." Some of the popular providers we referenced included PayPal®, Venmo® (owned by PayPal), Zelle® and Square Cash®.

Twenty-nine percent of consumers who participated in this study have sent or received a P2P payment. See Exhibit 5. As expected, younger consumers are more likely to have used this payment method.

*Exhibit 6:*  
*Have You Used P2P Payments? – by Age*





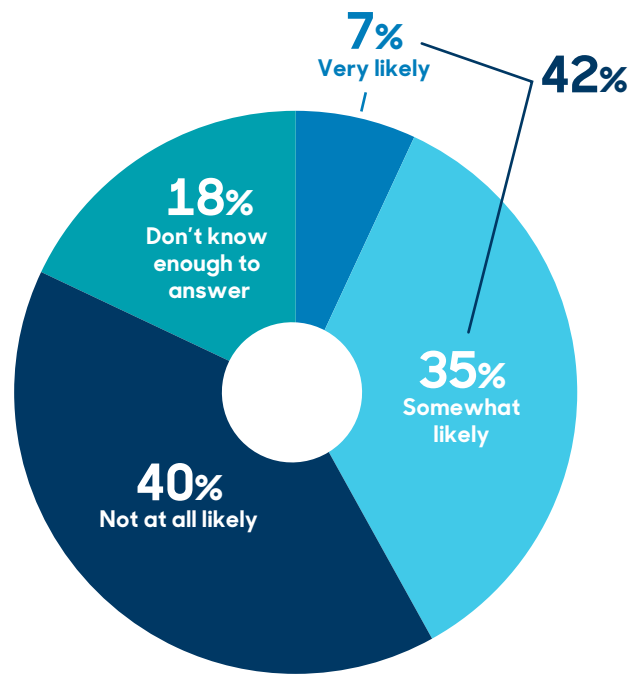
**FINDINGS & INSIGHTS**

Of the 71 percent of respondents who have not used P2P, a significant portion, 42 percent, would be "very likely" or "somewhat likely" to use it in the next year. Among those 25-34 years old, 64 percent said they would be likely to use P2P. See Exhibit 7.

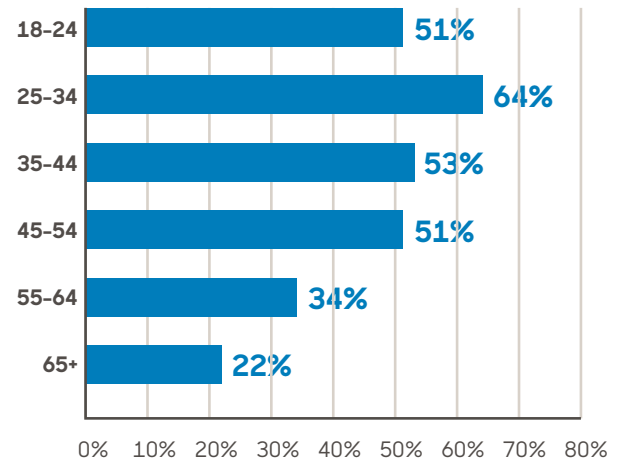
Many of those holding back are doing so based on security concerns. The group with the greatest concern about security, at 45 percent, is 55+,

compared to 29 percent of the 18-24 age group. Another reason people hold back on using P2P payments is the belief that "it's just as easy to pay by cash or check." Surprisingly, the age groups most likely to hold this belief are those aged 18-24, at 52 percent, and 35-44, at 50 percent. This suggests a lack of awareness may exist around the simplicity and security with the P2P experience.

*Exhibit 7:  
Likelihood of Using P2P in Next Year*



*Very Likely or Somewhat Likely to use P2P in the Next Year - by Age*





## Mobile Update: Digital Wallet, In-App Payments and Banking Apps

Smartphones increasingly offer the ability to help consumers accomplish many tasks while on the go, anytime and from anywhere. Yet, a majority of consumers do not yet leave home with just their mobile phone to complete their daily purchases at the gas pump, restaurant or grocery store. Even so, with the high penetration of smart phones, consumers' awareness and interest in using digital wallets on their mobile phones continues to rise. This year we measured the impact of popular mobile phone features and took a deeper look at digital wallets, in-app purchases and banking apps.

With the high penetration of smartphones, consumers' awareness and interest in using digital wallets on their mobile phones continues to rise.

**FINDINGS & INSIGHTS**

**CONSUMERS ARE INTERESTED IN CARD SECURITY FEATURES ENABLED BY SMARTPHONES**

We asked study respondents to rate their interest in various features across a five-point scale from "not interested" to "very interested." Exhibit 8 includes the percentages of those that were "slightly interested," "very interested" and "already using it."

Consumers continue to be most interested in mobile features that allow them to instantly identify and stop unauthorized credit and debit transactions. Specifically, consumers most value the ability of their mobile phones to immediately stop a transaction that was not made by them. Other top features include viewing transactions made with their credit cards and the flexibility to turn off a card to prevent unauthorized use.

Another security-related feature gaining consumers' interest is the ability to change one's

credit and debit card personal identification number (PIN) by using a mobile app. This is most likely a reflection of the increased usage of smartphones in an era of security concerns driven by data breaches, but it is also consistent with the mobile mindset of immediacy.

Consumer interest in digital wallets that allow consumers to pay in-store with a tap of their smartphone saw the second biggest jump, with an 12-percent increase over 2015. While merchant acceptance still has room to grow, it's a positive sign that consumers will use digital wallets as merchants continue to upgrade their point-of-sale solutions to payments from NFC-enabled digital wallets.

Looking across the age groups, in general, younger people are more comfortable adopting new ways to use their mobile phones. In general, consumers 25-34 are most likely to be interested in or already using mobile features.

**Exhibit 8:**  
**Interest in Various Mobile Phone Features**

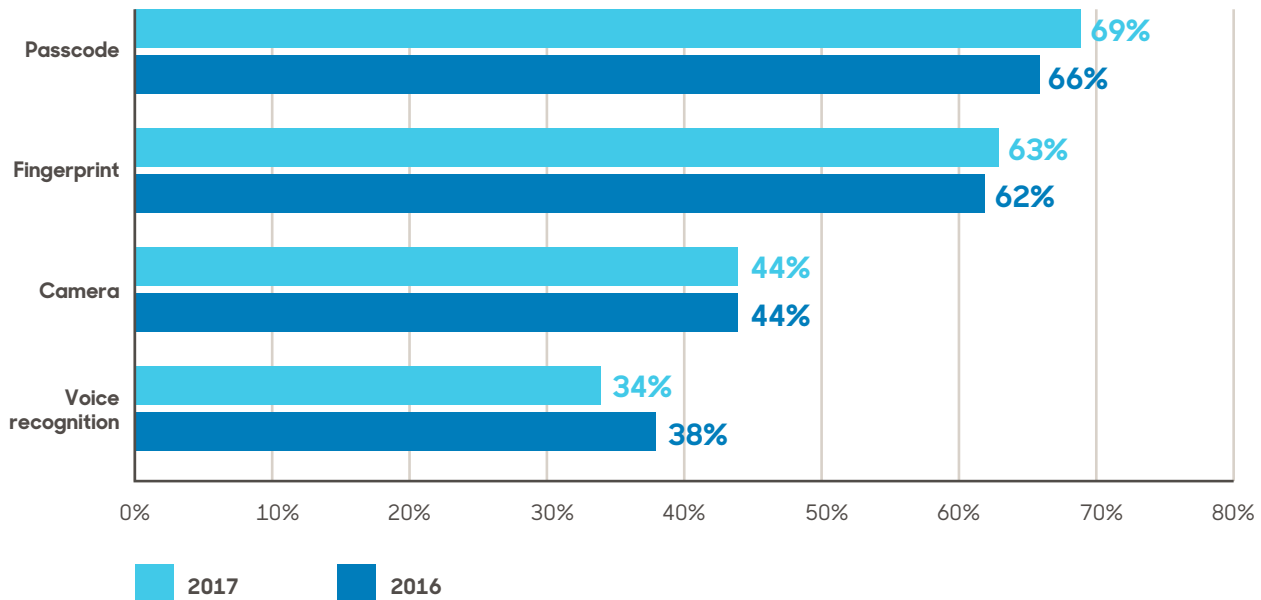
	2015	2016	2017
Use your phone to immediately stop a transaction that was not made by you	66%	69%	80%
Instantly view transactions made with your debit or credit cards	60%	62%	72%
The ability to use your phone to turn your payment card on or off based on time of day, location, or type of merchant*	50%	51%	64%
Receive instant offers and promotions for the store you are visiting	47%	52%	59%
Keep all your loyalty/rewards cards on your phone	47%	49%	58%
Transfer money to another person, such as a family member or friend	47%	48%	56%
Use your phone instead of a payment card to make purchases when checking out	39%	40%	51%
Use a mobile app to change the PIN on your debit or credit card	39%	41%	51%
Store your government issued identification, such as a driver's license, on your phone	35%	37%	40%
Use a wearable device, such as a smart watch, to make a payment	29%	31%	33%

\*Note: The 2015 and 2016 percentages are averages of responses to individual questions about time of day, location and type of merchant. The 2017 figures reflect an additional category "already using it" was added whereas that the 2016 and 2015 study responses percentages reflect those who are "slightly interested" and "very interested."

## FINDINGS & INSIGHTS

Understanding that security is top of mind, Exhibit 9 monitors consumers' comfort with authentication methods based on them rating it "very comfortable" and "slightly comfortable." When using a banking or payment app, consumers continue to be most comfortable authenticating by passcode or fingerprint. Consumers will need to become more comfortable with voice recognition in order to propel payments through intelligent personal assistants.

*Exhibit 9:  
Different Authentication Methods and Comfort Level  
with Them*

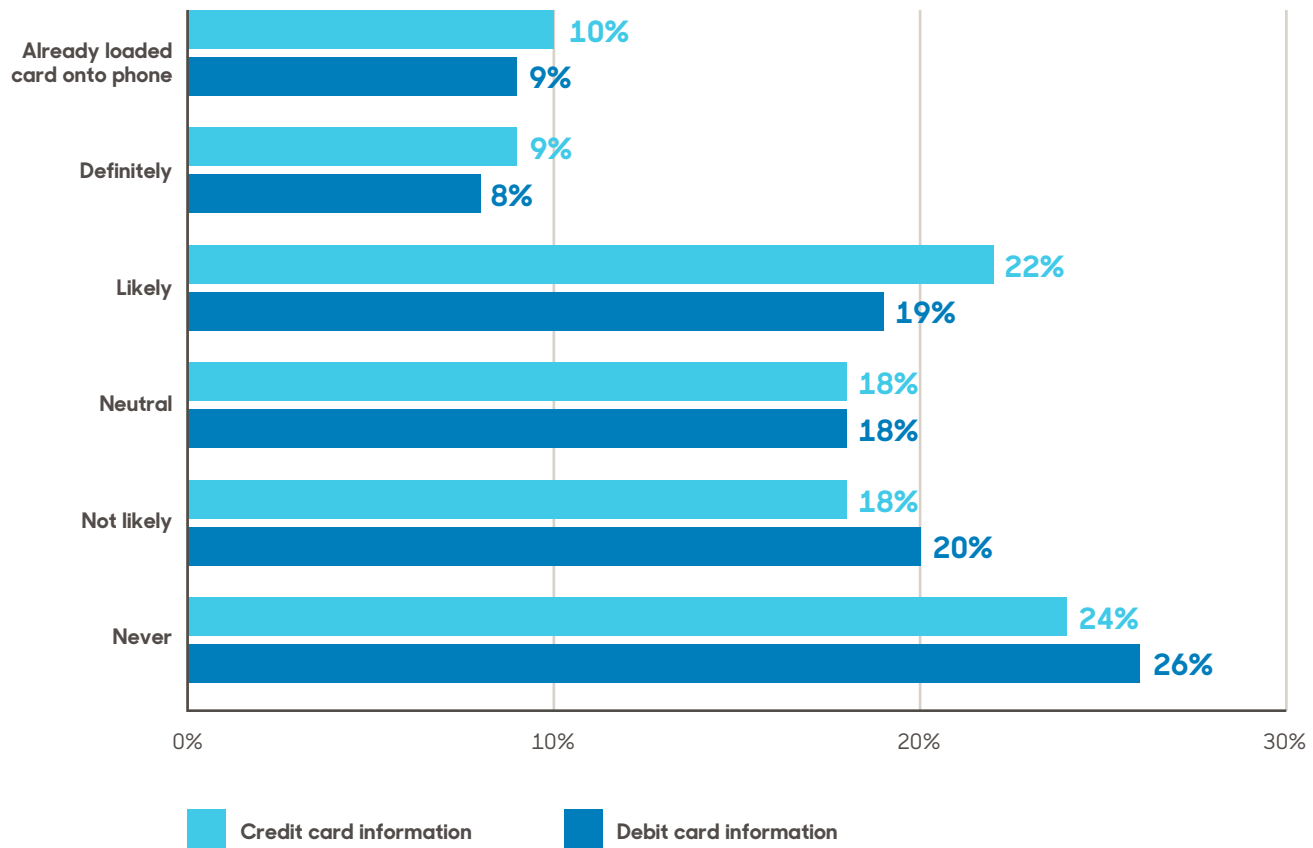


*\*Note: "Percentages based on rating "very comfortable" and "slightly comfortable."*

**AGE HEAVILY INFLUENCES WHETHER A CARD IS LOADED INTO A DIGITAL WALLET**

As interest in paying by mobile phone increases, about one in 10 consumers under 45 has loaded a credit or debit card into their mobile digital wallet. As you might expect, younger consumers are more likely to "definitely" or "likely" do so. See Exhibit 10.

*Exhibit 10:  
Likelihood of Loading Card into a Mobile Phone or App (Mobile Wallet) to Make Purchases (Among Smartphone Owners)*





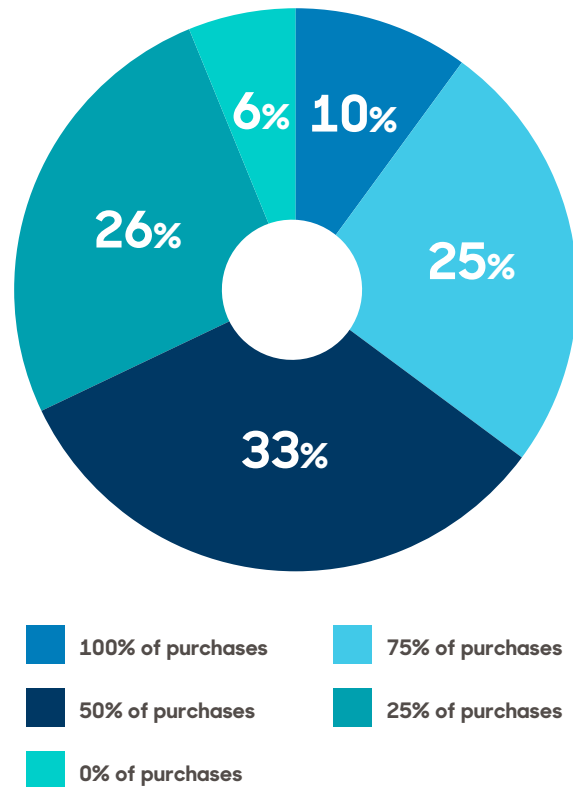
## FINDINGS & INSIGHTS

Among consumers who have already loaded their debit or credit card to a mobile wallet or are definitely or likely to do so, 68 percent of consumers plan to make 50 percent or more of their in-store purchases using their digital wallet within two years. This suggests the tipping point for mobile wallet usage may be just around the corner. See Exhibit 11.

It will be interesting to monitor these numbers as loyalty rewards, points and other incentives entice consumers to start using digital wallets. As more consumers go digital, mobile wallets offering the best experience will win with consumers. Meaning their mobile applications and experiences are intuitive, easy to use and secure.

Among consumers who have already loaded their debit or credit card to a digital wallet or are definitely or likely to do so, 68 percent of consumers plan to make 50 percent or more of in-store purchases using their digital wallet, within two years.

**Exhibit 11:**  
*Percentage In-Store Purchases Made with Your Phone Will Replace Use of Physical, Plastic Credit and Debit Cards?*



*Note: Percentages based on respondents who were "likely," "definitely" or "already have" loaded a credit or debit card into their digital wallet.*

**CONSUMERS CHOOSE CREDIT WHEN SHOPPING ONLINE AND INCREASINGLY SHOP IN-APP WITH FAVORITE ONLINE MARKETPLACES AND RETAILERS**

Online commerce growth continues to accelerate as online marketplaces like Amazon and mega retailers such as Walmart® provide people with convenient and easy-to-use online experiences where they can effortlessly order almost any item they might need. There’s a growing preference for using credit cards online, particularly on online travel sites, which increased to 47 percent in 2017 up from 36 percent in 2015. See Exhibit 12.

When shopping online, consumers are increasingly shopping in-app with their favorite retailers and choosing to use their mobile devices instead of a laptop or desktop. Those brands that chose to deliver an outstanding user experience that is intuitive, easy and fast will gain a competitive edge.

*Exhibit 12:  
Payment Type – Preference by Online Category  
(Top Three Preferences Displayed)*

Online shopping

	Credit card	Debit card	PayPal
2017	<b>48%</b>	<b>28%</b>	<b>12%</b>
2016	<b>47%</b>	<b>25%</b>	<b>12%</b>
2015	<b>43%</b>	<b>30%</b>	<b>14%</b>

Online travel sites

	Credit card	Debit card	PayPal
2017	<b>47%</b>	<b>17%</b>	<b>2%</b>
2016	<b>42%</b>	<b>16%</b>	<b>4%</b>
2015	<b>36%</b>	<b>17%</b>	<b>2%</b>

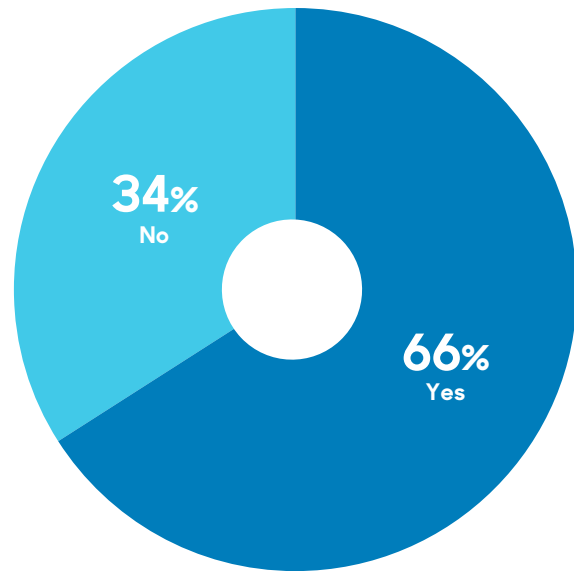
## FINDINGS & INSIGHTS

Our study found that 66 percent of consumers are familiar with in-app mobile payments. See Exhibit 13. As expected, younger consumers are the most familiar: 85 percent of those in the 18-24 age group and 88 percent in the 25-34 age group. Awareness drops significantly to 51 percent in the 55-64 age group and 39 percent among those aged 65+.

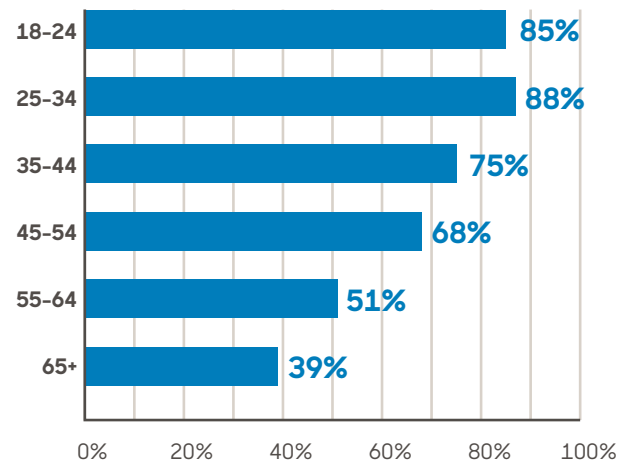
Of course, shopping in-app means consumers save their preferred cards on file with their favorite retailer for a faster checkout process. When presented with a list of actions and asked which ones they took in the past year, 59 percent of consumers made a purchase using a credit card on file, up from 46 percent in 2016. See Exhibit 22 on page 29.

Security remains a leading concern for consumers and high-profile breaches most likely reinforce this concern when shopping online. Credit is perceived to be the safer option for online transactions – whether e-commerce or m-commerce – most likely due to consumers' knowledge of bank-provided protections, such as zero liability for fraudulent transactions or loss.

**Exhibit 13:**  
*Familiarity with In-App Mobile Payments*



*Familiarity with In-App Mobile Payments – by Age*



**FINDINGS & INSIGHTS**

**Exhibit 14:**  
*How Often Use a Banking App from Your Financial Institution on Your Mobile Device – by Age*

	Age Range					
	18-24	25-34	35-44	45-54	55-64	65+
Weekly or more	48%	35%	30%	33%	15%	11%
Few times a month	21%	22%	24%	14%	12%	9%
Once a month	10%	13%	9%	11%	8%	4%
Less than once a month	7%	15%	10%	11%	7%	9%
Do not use	13%	16%	26%	32%	58%	67%

**MORE CONSUMERS ARE USING BANKING APPS MORE FREQUENTLY**

Sixty-three percent of consumers are using banking apps from their financial institution to access their information on their mobile device. The percent of those using banking apps has increased from 46 percent in 2015.



**Who’s using the banking apps the most?**

Younger consumers – 48 percent of the 18–24 age group and 35 percent of those 25–34 age group – are using banking apps weekly or more. Usage by older segments drops off significantly, with about two-thirds of those 65+ reporting they do not use a banking app. See Exhibit 14.

People increasingly use banking apps. While most people use banking apps to verify balances and transactions, and transfer funds, how they use them is changing. They are increasingly using them to “transfer funds,” “verify investments” and “contact customer service.” See Exhibit 15.

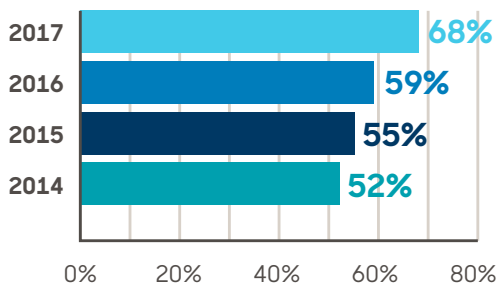
**Exhibit 15:**  
*How Consumers Use a Mobile Banking App*

	2016	2017
Verify balance	73%	77%
Verify recent transactions	52%	63%
Make bill payments	34%	44%
Make deposits	38%	51%
Transfer funds	47%	53%
Verify investments	29%	36%
Contact customer service	28%	34%



# Loyalty + Rewards

**Exhibit 16:**  
*Rewards Remain Top Credit Card Feature When Asked About Most Attractive Features on Consumers' Preferred Credit Card*



## LOYALTY PROGRAMS ARE TOP CARD FEATURE, ESPECIALLY FOR THE AFFLUENT

Each year we ask consumers to select the features they find most attractive on their preferred credit card. This year, 68 percent of consumers rated rewards as one of the most attractive features on their preferred credit card, an increase from 59 percent in 2016. See Exhibit 16. Across age groups, everyone loves rewards. More affluent consumers, those with incomes of \$75,000+, seem to love rewards more than others. See Exhibit 17.

**Exhibit 17:**  
*Rewards Remain Top Credit Card Feature – by Income*

	Income					
	Less than \$25,000	\$25,000 to less than \$50,000	\$50,000 to less than \$75,000	\$75,000 to less than \$100,000	\$100,000 to less than \$150,000	\$150,000 or more
Rewards	55%	62%	71%	80%	80%	78%

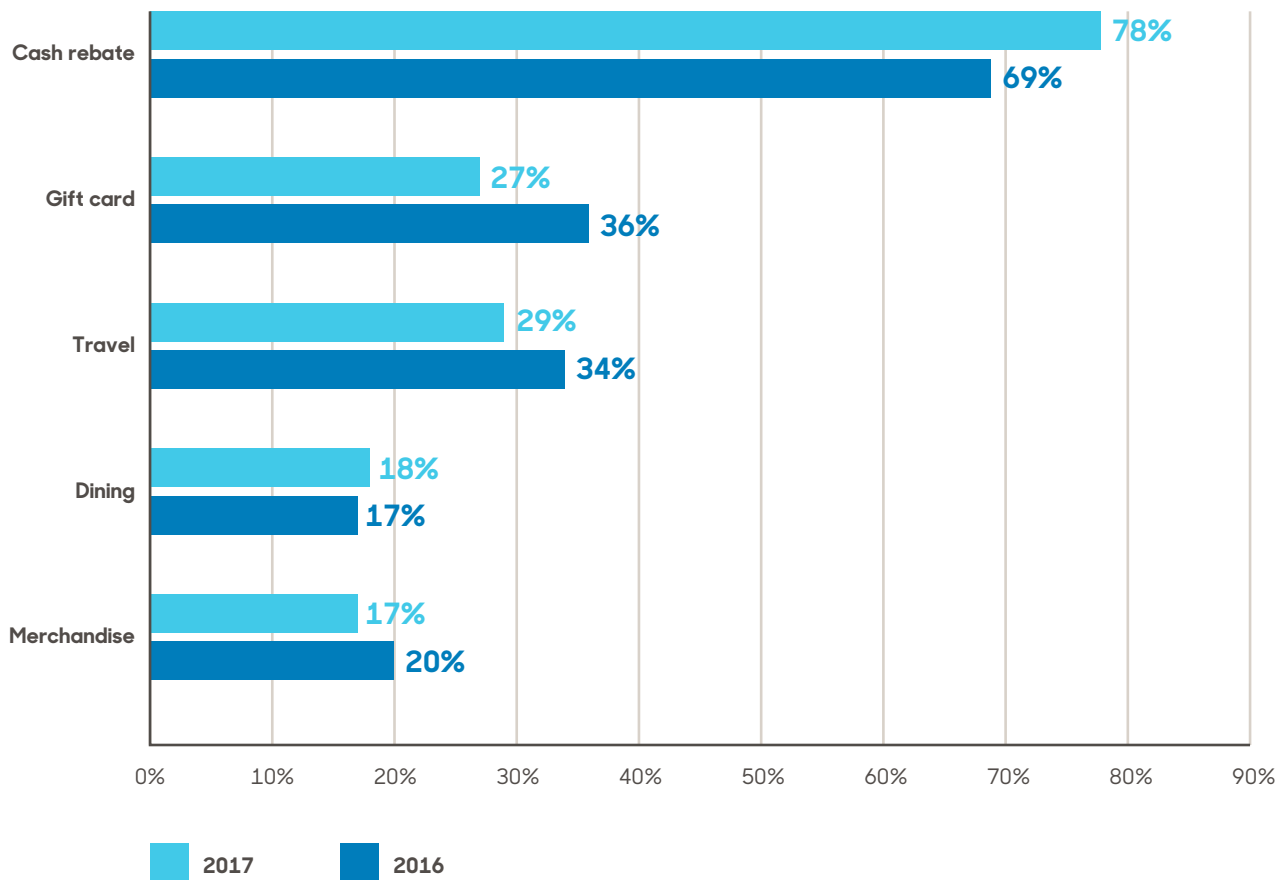


**CONSUMERS STILL LOVE CASH BACK**

Consumers love rewards programs. This year's study found 75 percent of consumers have a rewards program attached to their most-used card, up from 58 percent in 2015.

What types of rewards are tied to consumers' preferred cards? "Cash rebate" continues to be the most popular and growing, followed by "travel" and "gift cards." See Exhibit 18.

Exhibit 18:  
Type of Rewards Program on Most Preferred Credit Card



As technology advances, we expect consumers will increasingly want to instantly redeem reward points at the time of purchase.

Consumers are redeeming cash-back rewards more frequently, underscoring the importance of this type of reward. The cash-back trend is most likely attributed to the ease of using this type of reward. See Exhibit 18.

As with previous studies, we asked consumers to rate, on a scale from 1 to 7 (7 being very valuable), the value of different payment card features. Findings are reported based on the percentage of consumers rating each feature/

capability a 6 or 7. New to the survey this year, "Use of loyalty/reward points for immediate discounts when making a purchase," followed just behind cash back, with 56 percent rating it valuable. As we suggested in a May 2017 TSYS<sup>1</sup> article, instant redemption of rewards points is no longer a stretch of the imagination. As technology advances, we expect consumers will increasingly want to instantly redeem reward points at the time of purchase.

Exhibit 19:  
How Frequently Cash Back is Redeemed

	2016	2017
Once a month or more	15%	24%
A few times a year	30%	32%
Once a year or less	20%	25%
Infrequently or never	35%	19%

<sup>1</sup><https://www.tsys.com/news-innovation/whats-new/Articles-and-Blogs/nGenuity-Journal/instant-rewards-redemption-at-the-point-of-sale-is-it-ready-for-prime-time.html>



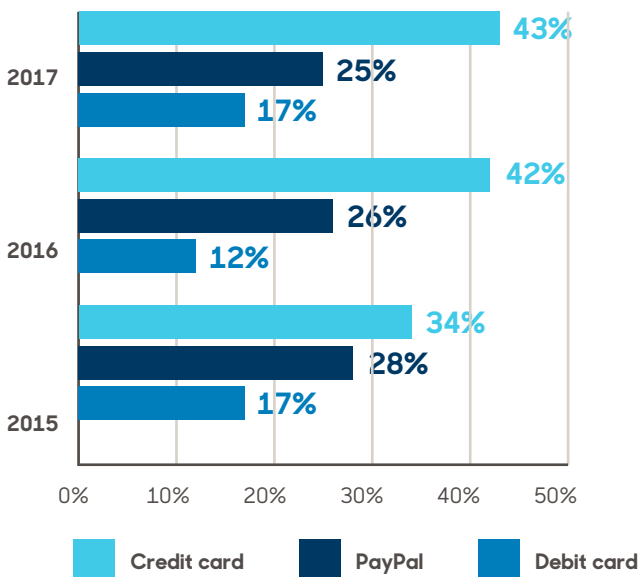
# Security is Top of Mind and Critical

Our study findings suggest that security may impact the pace at which consumers adopt new payment technologies. In general, consumers continue to care about security. Our survey asked consumers about the safest form of payments for in-store and online purchases.

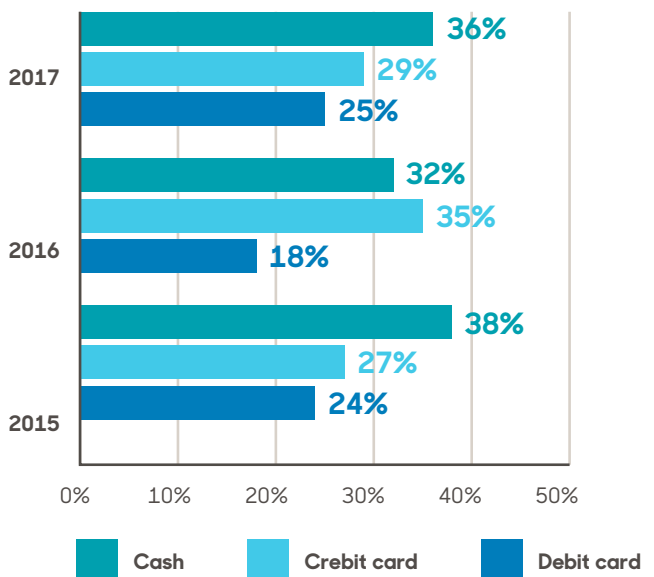
This year, consumers felt cash was the safest option for in-store purchases, a change from last year's perception that credit cards were the safer option. Online consumers continue to feel credit cards are the safest payment option, followed by PayPal. See Exhibit 20. These perceptions around security may be attributed to credit cards' zero liability features for unauthorized transactions, and PayPal touting its transaction security "by not sharing full financial information with sellers."<sup>2</sup>

**Exhibit 20:**  
*Payment Type Perceived as Most Safe*

Online purchases



In-store purchases

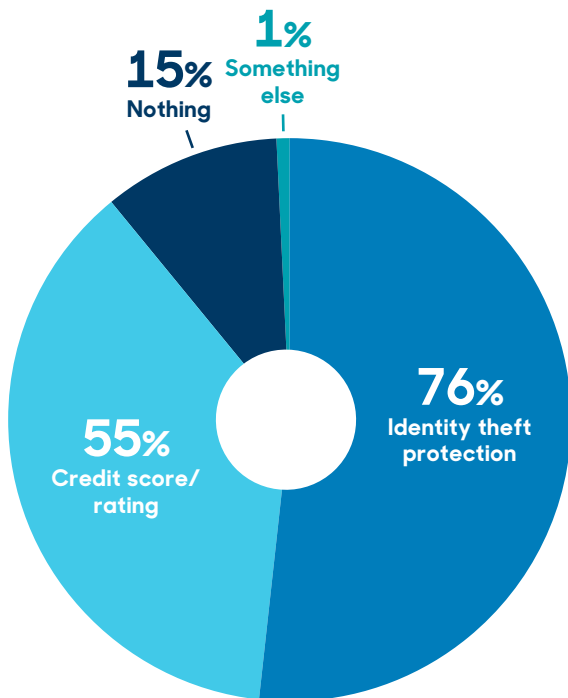


<sup>2</sup> <https://www.paypal.com/us/webapps/mpp/paypal-safety-and-security>

## FINDINGS & INSIGHTS

Data breaches continue to touch the lives of consumers and our study found people are taking measures to protect themselves. Given consumers' increasing concerns in the wake of this year's high-profile breaches, it should not be surprising that 76 percent of respondents would be interested in their bank offering identity theft protection products. This is driving consumers' increasing desire to have solutions from a known and trusted FI, as evidenced by their interest in having multiple accounts with the same FI. Those rating it "very important" or "important" increased to 56 percent in 2017 up from 47 percent in 2016. See Exhibit 29 on page 35.

*Exhibit 21:*  
*Product and Services Consumers Would Like Their FIs to Provide*





## Actions Taken in the Past Year by Consumers

Each year we track the actions consumers take by asking respondents to, "Select the following statements that best describe the actions you took in the last year." This year we included two new statements about opening a credit card account to take advantage of the rewards, and making a purchase at a merchant that used a mobile phone or tablet to accept payment.

In the past year, consumers increasingly made purchases using credit and debit cards on file with the online retailers they shop with most often.

### **CONSUMERS SHOPPING ONLINE MORE THROUGH MARKETPLACES AND FEWER RETAILERS, SAVING MORE**

As consumers continue to embrace shopping online increasingly through online marketplaces like Amazon, their payment behaviors are shifting to reflect this trend. In the past year, consumers increasingly made purchases using credit and debit cards on file with the online retailers and marketplaces they shop with most often. Consistent with perceptions that credit cards are safest for online shopping, a significant portion, 59 percent, said they made a purchase using a credit card on file when shopping online, up from 46 percent last year.

## FINDINGS & INSIGHTS

Saving more and paying down debt continues to be a strong focus for many consumers, with younger consumers saving more and older ones paying down debt. Exhibit 22 details all actions taken in the past year compared to previous years.

*Exhibit 22:*  
*Actions Taken in the Last Year*

	2014	2015	2016	2017
I made a purchase(s) using a credit card I have on file with the online retailer I shop with most often	47%	47%	46%	59%
I registered my debit card with the online retailer I shop with most often	21%	22%	20%	27%
I opened a new credit card account to take advantage of the rewards being offered	NA	NA	NA	21%
I sent money to another person utilizing a P2P service separate from my bank's online bill pay service	21%	18%	23%	15%
I paid down debt	NA	33%	31%	34%
I began saving more	NA	28%	26%	33%
I made a purchase and the merchant or individual used a mobile phone or tablet to accept my payment	NA	NA	NA	15%
I paid for in-store purchases using a mobile phone	9%	7%	13%	12%



# Marketing, Communications and Customer Service

## WEALTH OF CONSUMER DATA SUPPORTS PERSONALIZATION

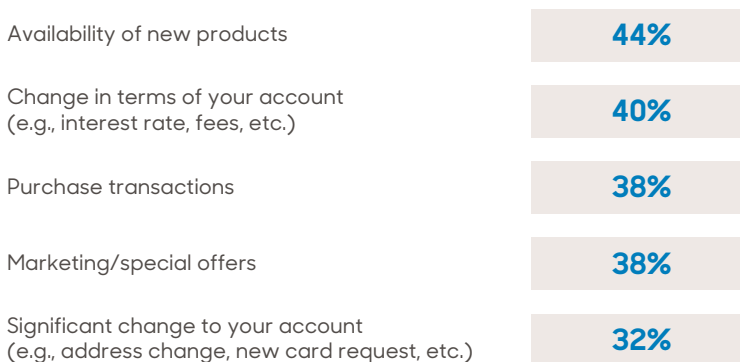
It's no secret that consumers trust their FIs with their personal information, including some that don't share with other brands, or even their closest friends. Card issuers have access to so much customer data, which uniquely positions them to provide communication that offers the right level of personalization. This year's study continued to monitor how consumers want to interact with their FIs.

## EMAIL AND TEXT ARE PREFERRED COMMUNICATION CHANNELS, CONSUMERS SHIFT TO TEXT FOR SECURITY CONCERNS

People continue to prefer information from their FI via email and text messages. More specifically, email remains the preferred channel for receiving "marketing/special offers," "information about new products," "changes in account terms," "significant account changes" and "purchase transactions." See Exhibit 23.

**Exhibit 23:**

*Email Remains Preferred Channel for Many Types of Communication*



*Note: Percent preferring email as preferred channel of communication.*

## FINDINGS & INSIGHTS

Marketing communication preferences for receiving special offers do vary by age. See Exhibit 24. Those 55+ are more likely to prefer mail while younger consumers are more likely to prefer text messages. In general, there's been a shift across all age groups toward text messages when FIs are communicating about an individual's account.

**Exhibit 24:**  
*Communication Preferences with Marketing/  
Special Offers – by Age*

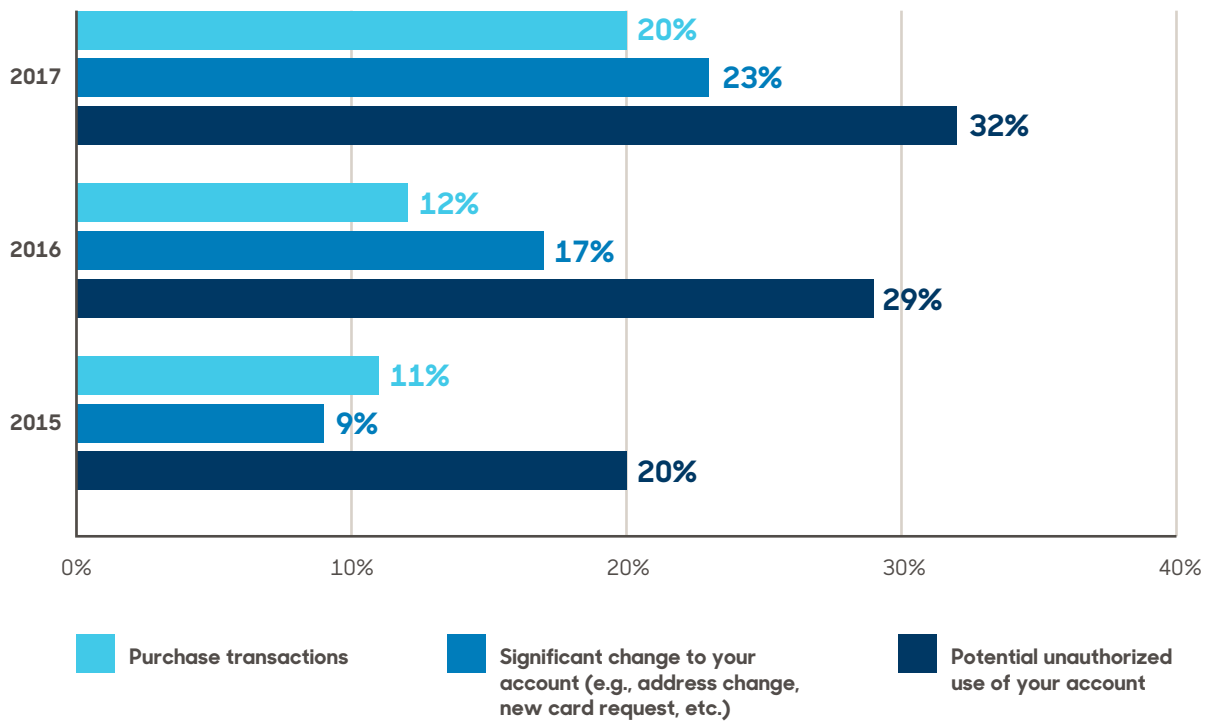
	Age Range					
	18-24	25-34	35-44	45-54	55-64	65+
Do not send	35%	30%	28%	24%	31%	37%
Mail	6%	8%	14%	18%	22%	25%
Email	35%	38%	42%	45%	36%	31%
Phone/text	14%	11%	8%	6%	7%	2%
Phone/voicemail	2%	2%	1%	0%	3%	2%
Mobile alert	3%	6%	5%	5%	0%	1%
Social media	4%	5%	3%	1%	0%	1%



## FINDINGS & INSIGHTS

Exhibit 25 highlights the emerging preferences for text for "unauthorized usage of accounts," "purchase transactions" and "significant account changes." This shift is consistent with people's perception about text messaging being more immediate than email. This is especially important when card issuers are communicating about transactions that indicate an individual's account or sensitive information has been potentially compromised.

**Exhibit 25:**  
*Text Grows as Preference for Security-Oriented Communications*

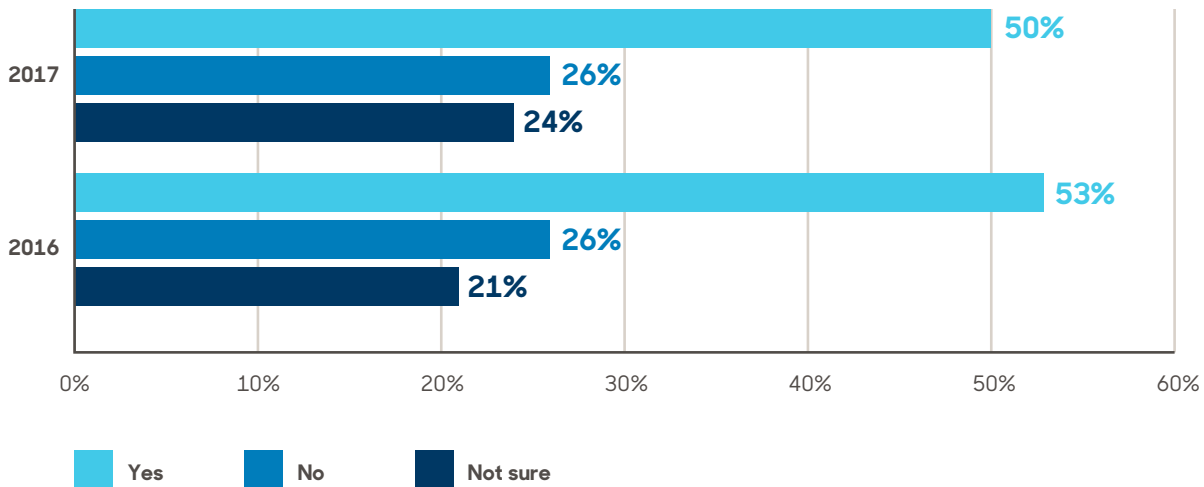


**CONSUMERS WANT TO RECEIVE PERSONALIZED SPECIAL OFFERS AND COUPONS**

Exhibit 26 highlights the importance of relevancy when it comes to presenting offers. Fifty percent of consumers are willing to receive coupons/special offers based on information their FI knows about them, and 24 percent are unsure. Together, this 74 percent suggests a sizable population for FIs to tap into with personalized offers. Designing programs that reflect customer preferences is proven to lead to more engaged customers and deeper relationships.

It's increasingly important for FIs to recognize existing customer relationships through personalization. It offers FIs the opportunity to communicate about balance updates, card program benefits and rewards offerings, as well as cross-promote other offerings such as mortgages, checking accounts or other products. In order to be effective, these offers should be personalized and highly relevant to the individual. For example, if an existing cardholder just opened a checking or savings account, presenting an offer a month later for a checking account would not be relevant. Rather it would tell the person that the FI doesn't really know them.

*Exhibit 26:  
Willingness to Receive Coupons/Special Offers  
Based on Information FI Holds*

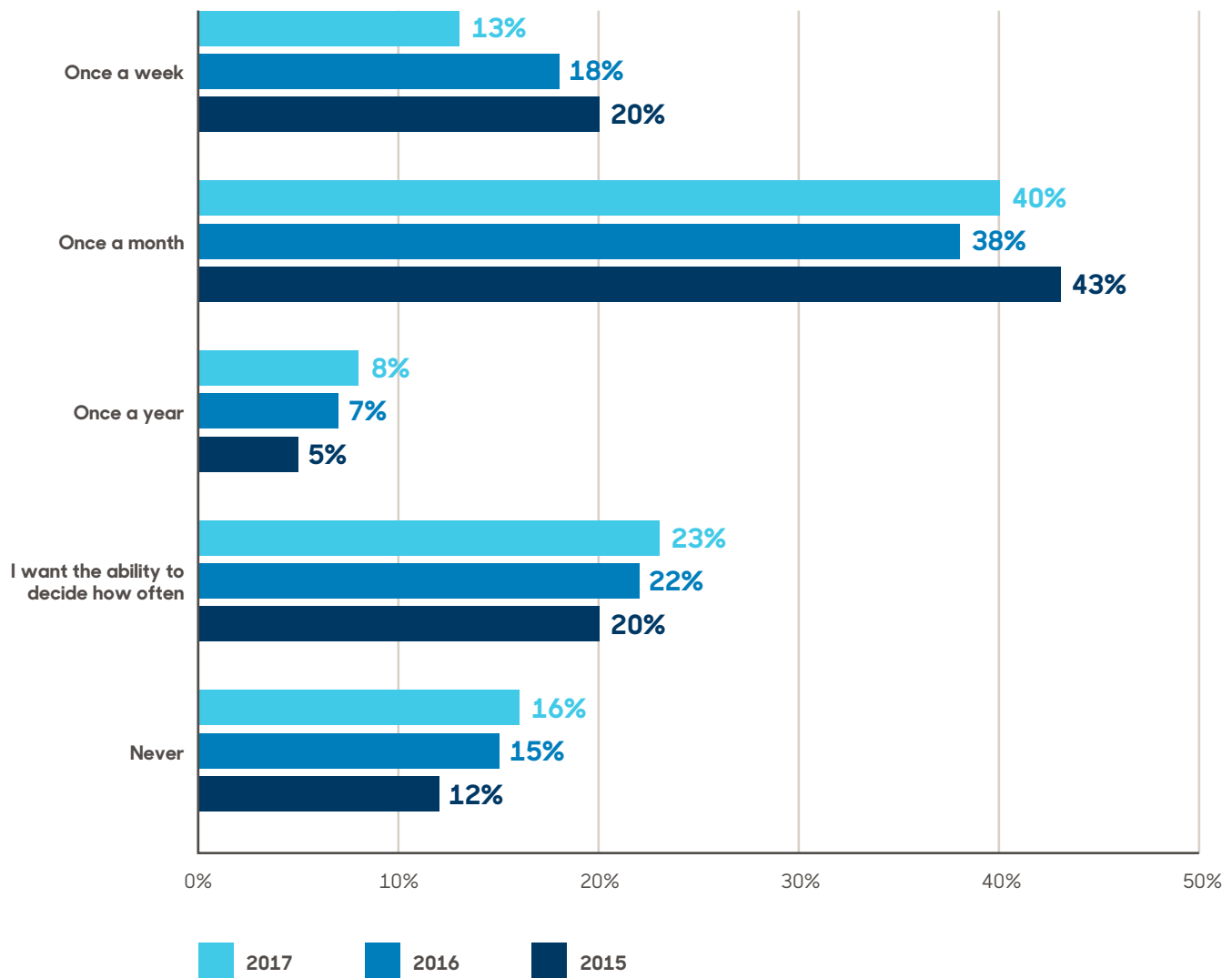


**MOST CONSUMERS WANT TO HEAR FROM THEIR FI MONTHLY**

Understanding consumers' communications preferences (by channel) is important, but so is the desired frequency of communication. When asked how often they want to receive marketing/special offer communications,

40 percent of consumers preferred monthly. Given the variety of preferences, however, value exists in personalizing the customer experience by communicating with people how and when they prefer. In fact, 23 percent of consumers want to be able to decide this. See Exhibit 27.

*Exhibit 27:  
Frequency Consumers Want to Receive Marketing/  
Special Offer Communications from FIs*



### CONSUMERS STILL EMBRACE TRADITIONAL CHANNELS

#### Consumers Still Want Paper Statements

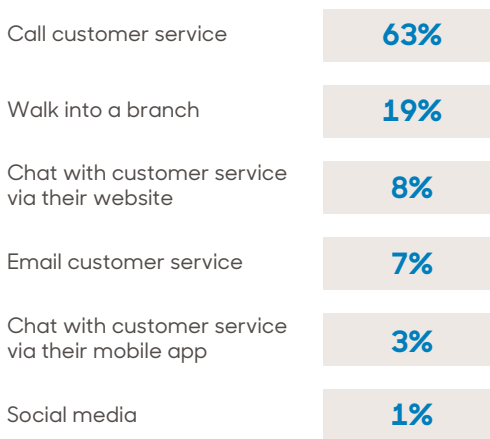
Even as consumers increasingly embrace digital, when it comes to monthly statements, many people still want paper. Fifty-one percent of consumers have not asked their bank to stop sending paper statements.

#### When Issues Arise with Cards, People Want to Call Customer Service

As consumers continue to integrate mobile into their daily lives, we felt it important to understand how people want to interact with their card issuers when there is a problem with their payment cards. Calling customer service remains the number-one choice.

Exhibit 28:

Method Most Likely Choose to Contact Your Financial Institution if There is an Issue with a Payment Card Communications from FIs

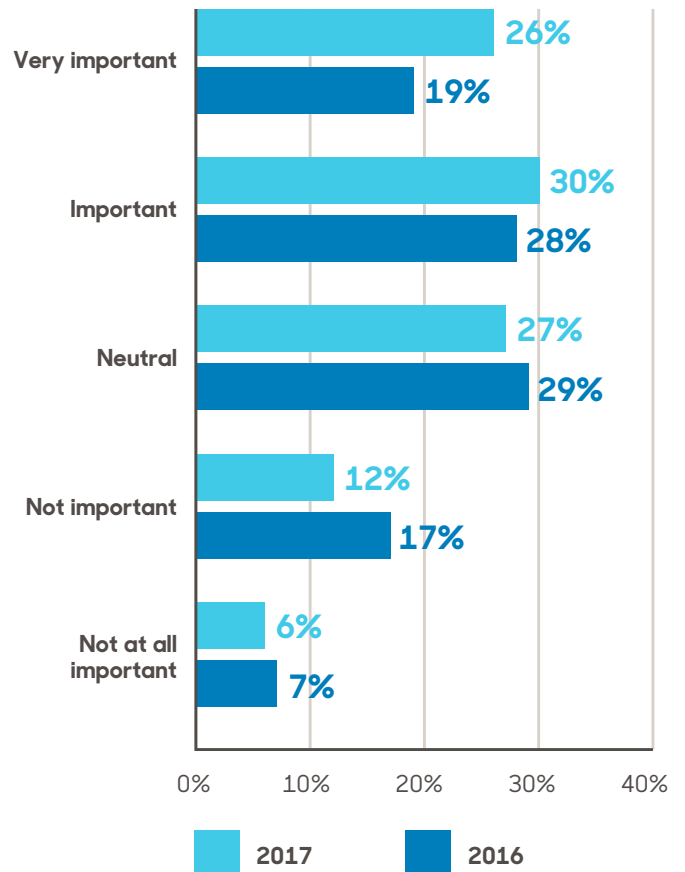


### CONSUMERS WANT ACCOUNTS WITH THE SAME FINANCIAL INSTITUTION

Last year we began tracking the importance of consumers' having all their accounts with the same FI. Fifty-six percent of respondents stated it is "very important" or "important," up from 47 percent in 2016. This is a positive trend for FIs focused on decreasing acquisition costs, increasing retention rates and looking to cross-market to existing customers. Ultimately, this trend should offer the opportunity to deepen customer relationships. See Exhibit 29.

Exhibit 29:

Importance of Having Accounts with Same FI





# Tracking Payment Fundamentals

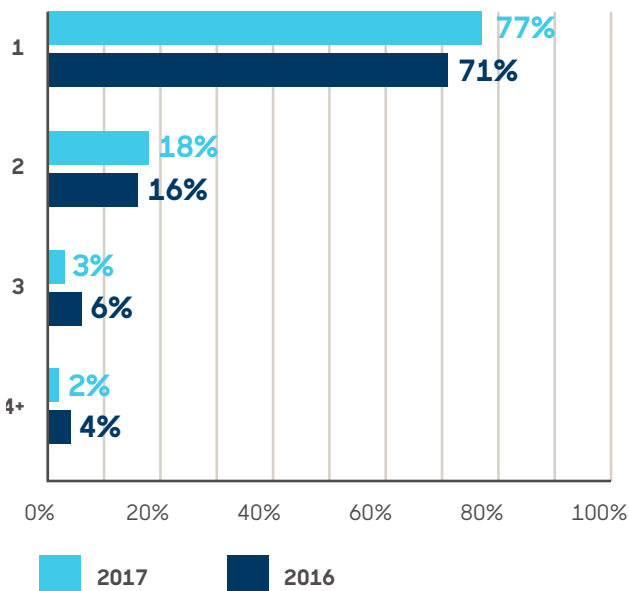
## Payment Types

### HALF OF CONSUMERS HOLD TWO OR MORE CREDIT CARDS

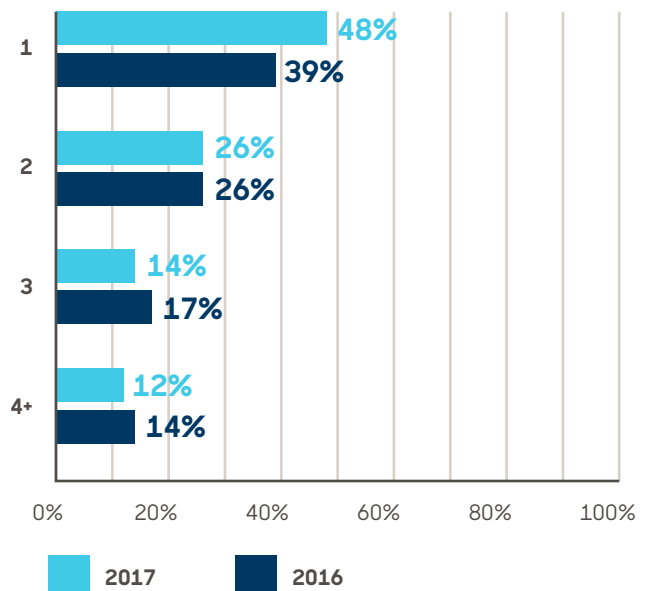
As with previous studies, we asked consumers about the number of debit and credit cards they own. Exhibit 30 highlights the increase in both

debit and credit card ownership since 2016. More respondents report owning multiple credit cards; 52 percent hold two or more. Twenty-three percent of consumers hold two or more debit cards tied to a checking account. *(Note: The number of credit cards refers to industry 'branded' cards – not private label cards.)*

Exhibit 30:  
Number of Debit Cards Held/Owned By Consumers



Number of Credit/Charge Cards Held/Owned By Consumers

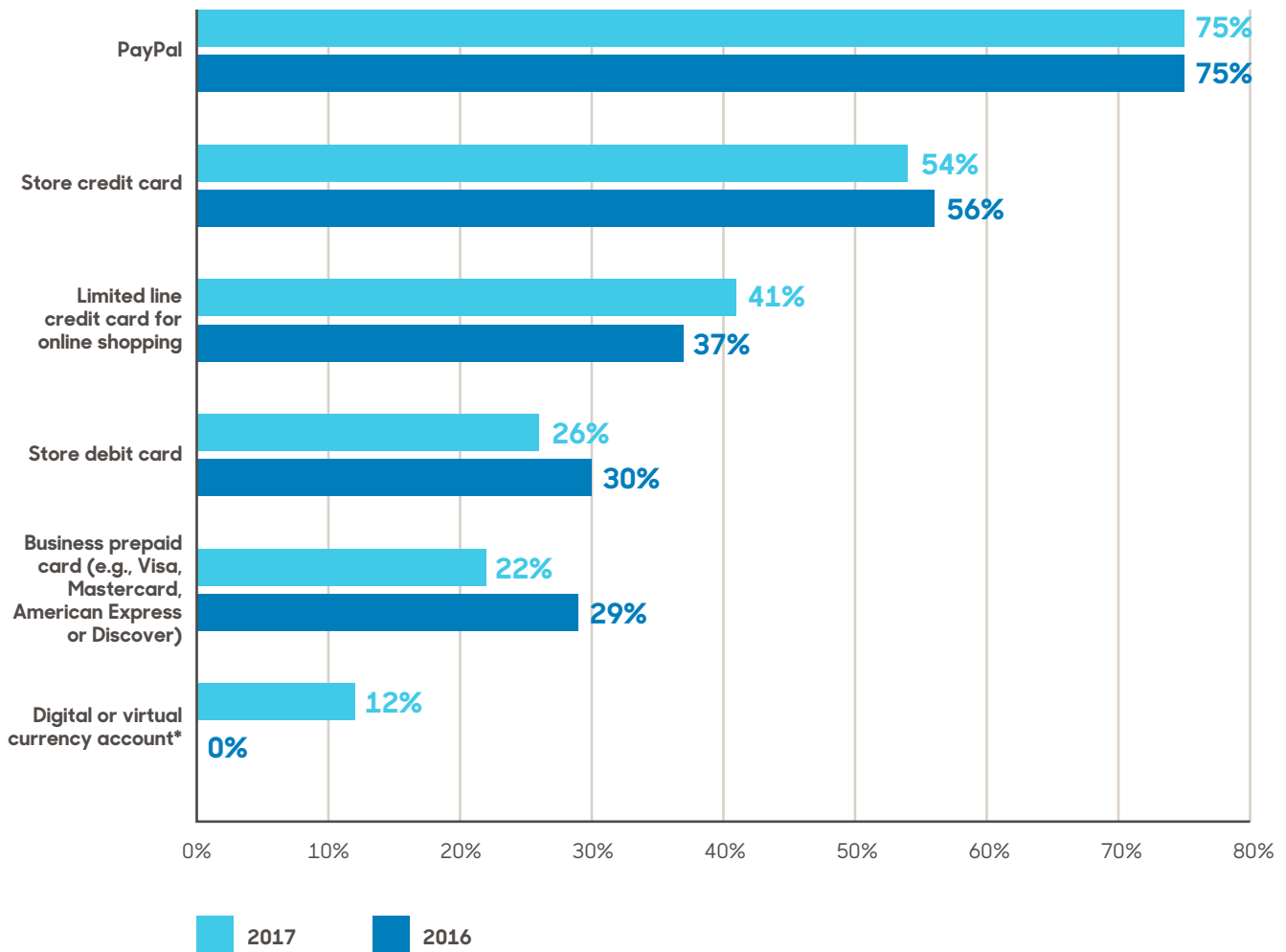


**MOST CONSUMERS USE OTHER PAYMENTS TOO**

Beyond branded credit and debit cards (e.g., Visa®, Mastercard®, American Express® or Discover®), it's important to monitor and understand consumers' ownership of other types of payments. Among these, PayPal continues to be the most popular.

This year we began tracking digital or virtual accounts such as Bitcoin, Litecoin® and Peercoin. As Bitcoin surged in 2017 and early 2018, it will be interesting to see whether it will continue its fast and furious upward momentum, crash or simply evolve. Exhibit 31 provides a closer look at the other types of payments.

Exhibit 31:  
Other Payment Types Owned

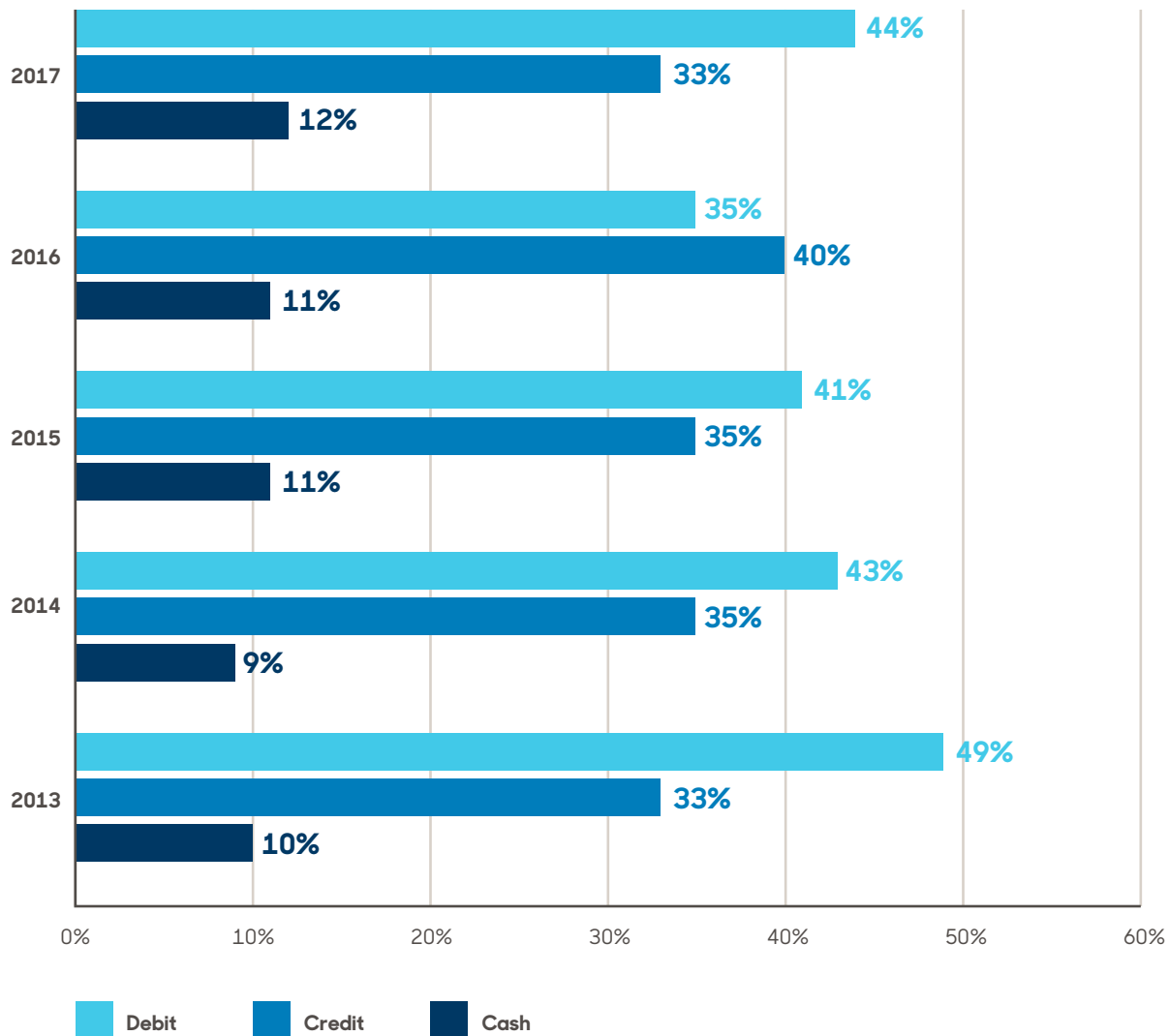


Note: \*Digital or virtual currency account\* was not included in 2016.

**Payment Preferences**

Over the years, debit has held its status as the preferred payment type, with the exception of credit briefly overtaking debit in 2016. Exhibit 32 shows responses to the question, "When given a choice, what payment form do you prefer?" over the past five years of our study. Debit has decreased since 2013, while credit and cash have remained steady. This is consistent with our findings that debit is the preferred way to pay for everyday purchases, while credit remains strong when making larger and online purchases.

*Exhibit 32:  
Most Preferred Payment Type*



**PAYMENT PREFERENCE BY INCOME**

This year we again looked at payment type by income. Exhibit 32 shows that use of credit is down in 2017 based on the percentage of consumers who report it as their most preferred payment type. Exhibit 33 shows that credit cards remain the preferred choice by consumers' with household incomes greater than \$75,000.

*Exhibit 33:  
Preferred Payment Type by Income*

	Income					
	Less than \$25,000	\$25,000 to less than \$50,000	\$50,000 to less than \$75,000	\$75,000 to less than \$100,000	\$100,000 to less than \$150,000	\$150,000 or more
Credit card	23%	25%	31%	44%	49%	56%
Debit card	44%	50%	47%	42%	40%	33%
Cash	18%	15%	12%	5%	8%	11%

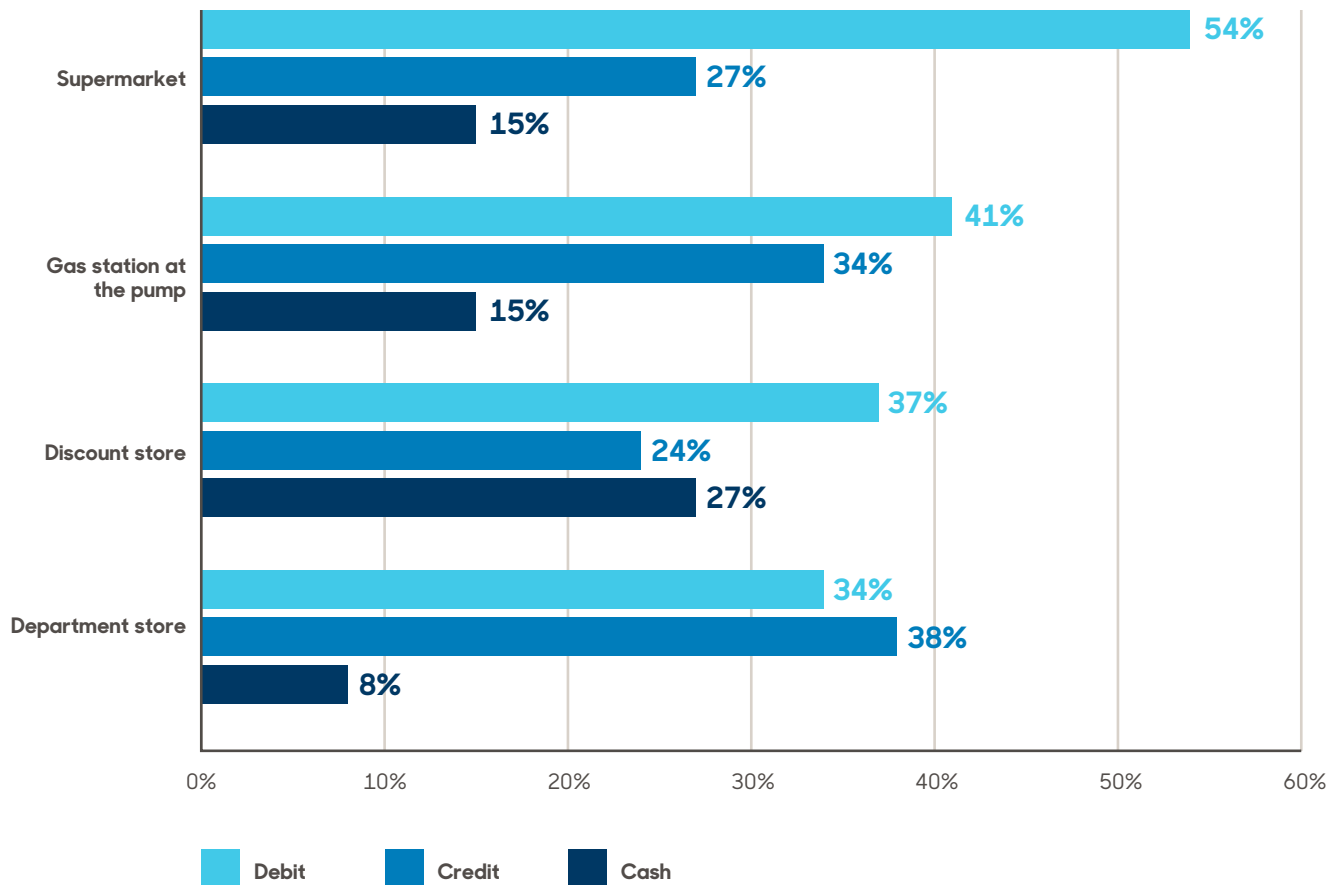


**PAYMENT PREFERENCES BY STORE TYPE – DEBIT FOR EVERYDAY PURCHASES**

We asked consumers about their preferred payment options based on the type of location. As consumers and merchants increasingly embrace mobile and P2P payments, it will be interesting to monitor the changes, particularly whether it decreases the usage of cash when paying a handyman or individual service provider, or when splitting a restaurant tab.

Consumers continue to prefer debit for daily purchases at the gas station, supermarket and discount store. Credit continues to be the preferred way to pay at department stores, most likely due to people preferring credit for higher-value purchases.

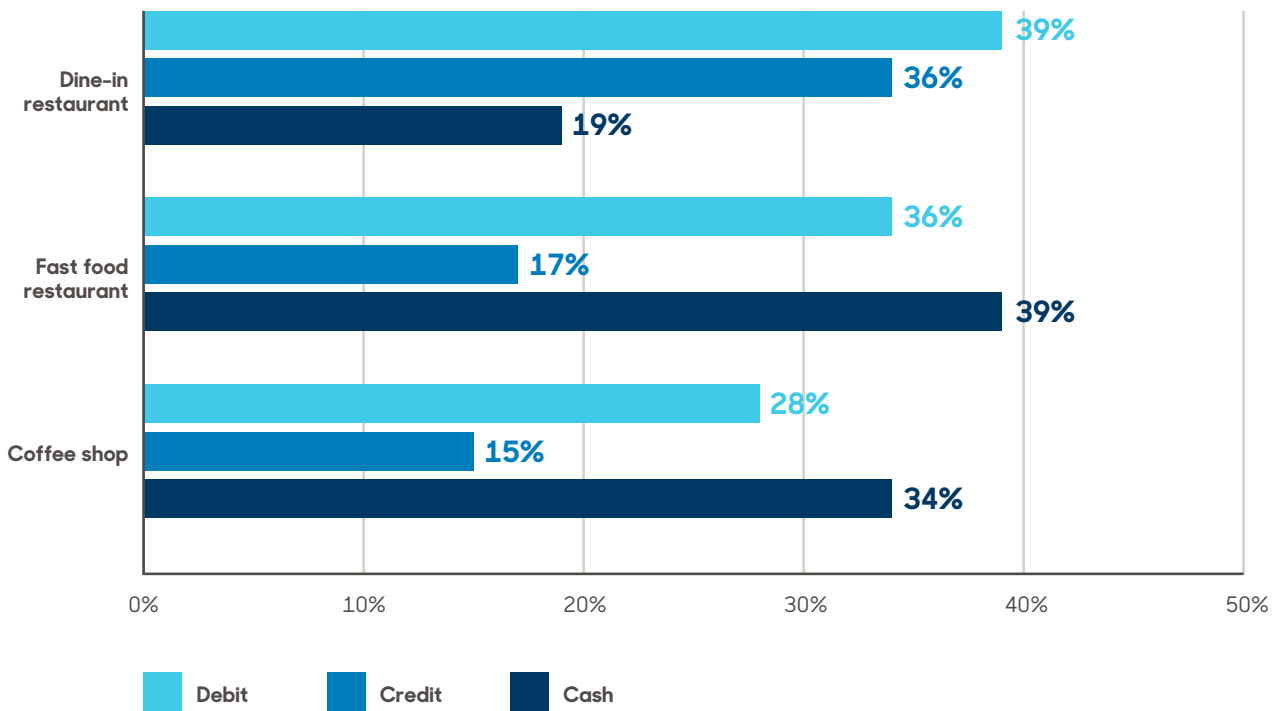
*Exhibit 34:  
Preferred Payment by Store Type*



**PAYMENT PREFERENCE BY RESTAURANT TYPE  
– CASH FOR COFFEE, DEBIT FOR DINNER**

Payment preferences at different types of restaurants are consistent with people’s preferences for cash and debit when making lower-value purchases, such as fast food restaurants and coffee shops. In fact, cash has experienced an uptick in these two scenarios.

Exhibit 35:  
Preferred Payment by Restaurant Type



**PREFERENCE WITH BILL PAYMENT OR PERSONAL PAYMENTS**

When paying bills and individuals, consumers are turning to debit, credit, cash and checks. Exhibit 36 shows that debit cards are preferred for bill payment, while cash continues to be the preferred choice when paying individuals. However, new P2P entrants continue to emerge. With Zelle backed by more than 30 U.S. banks, it may be the one that helps P2P reach a tipping point.<sup>3</sup> We anticipate that P2P payments will decrease the usage of cash or check, but time will tell.

*Exhibit 36:  
Preferred By Bill Payment/Payments to Individuals*

Paying bills: one time

	Credit card	Debit card	Cash	Check
2017	24%	45%	4%	15%
2016	23%	35%	6%	17%

Paying bills: recurring

	Credit card	Debit card	Cash	Check
2017	25%	42%	3%	13%
2016	23%	33%	5%	14%

Payments to individuals

	Credit card	Debit card	Cash	Check
2017	6%	13%	40%	20%
2016	8%	12%	35%	22%

<sup>3</sup> <https://www.raconteur.net/finance/who-will-win-the-battle-for-peer-to-peer-payments>



# Conclusion

This year's report emphasizes that credit, debit and cash remain consumers' preferred ways to pay, despite the rise of emerging payment technologies. Consumers' payment choices continue to be influenced by their channel of choice — in-app, in-store or online — and increasingly on perceptions of security. As consumers continue making purchases online and mobile commerce overtakes desktops and laptops, digital wallets — powered by linked credit and debit cards — are quickly gaining ground.

With new tools and services proliferating more each day, consumers will embrace the emerging payment technologies that provide value in their day-to-day financial lives. They will need to be easy to use, allow for personalization and offer them confidence with security. It's those products and solutions that provide a positive user experience — from card evaluation to reward redemption at checkout — that will earn the hearts and minds of consumers and become their go-to payment options.

# Respondent Demographics

Exhibit 37:  
Type of Device Owned (Check all that Apply.)

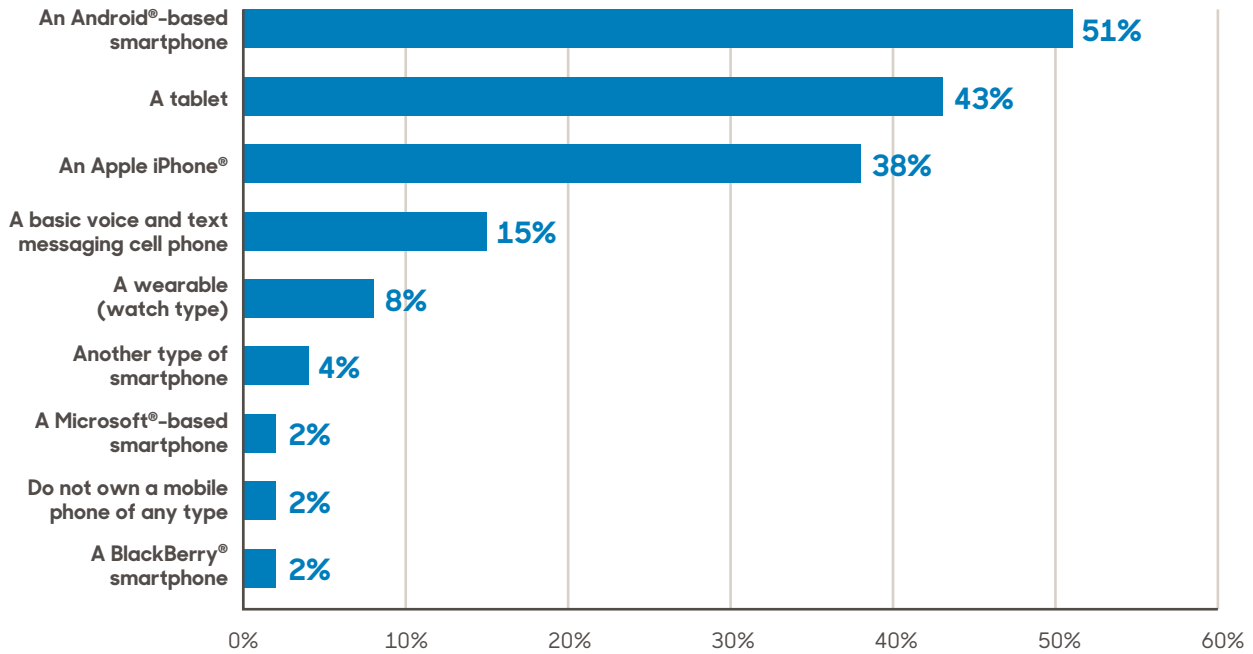


Exhibit 38:  
Gender

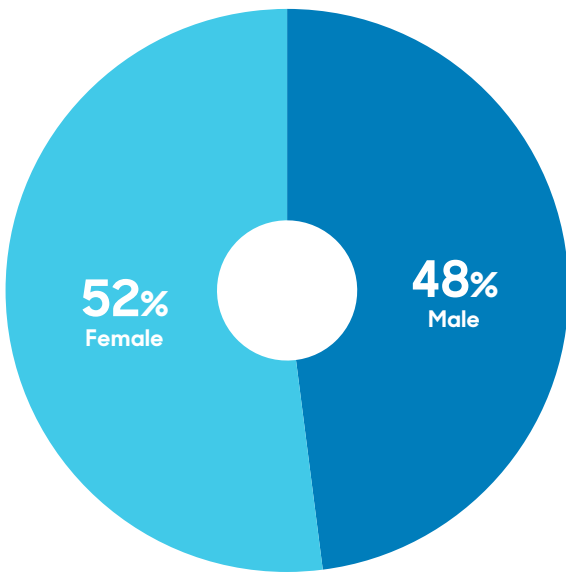
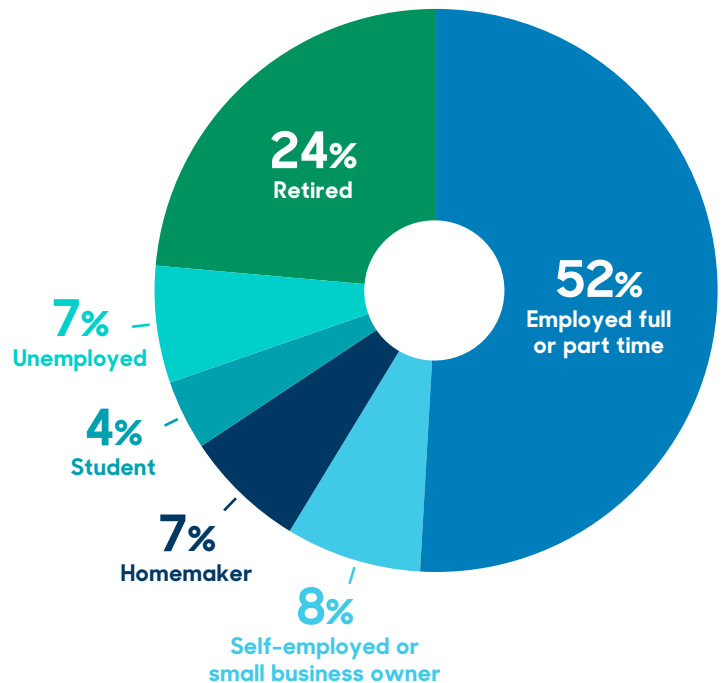


Exhibit 39:  
Employment Status



APPENDIX

Exhibit 40:  
Region

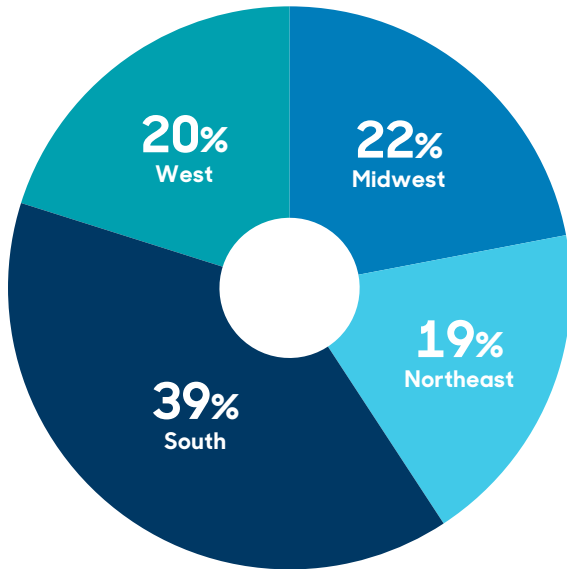


Exhibit 41:  
Age

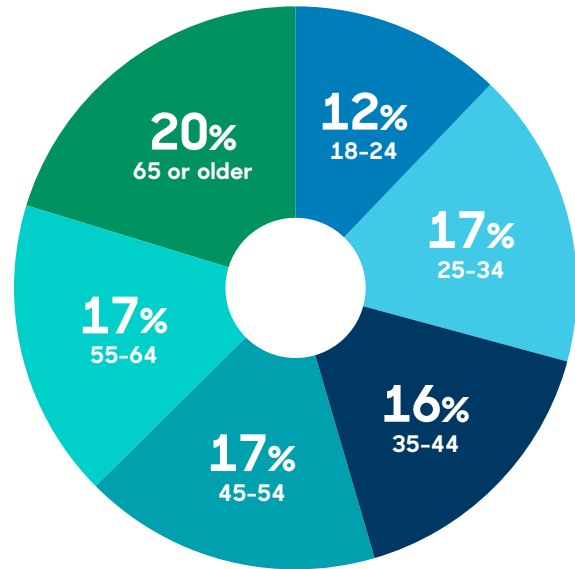
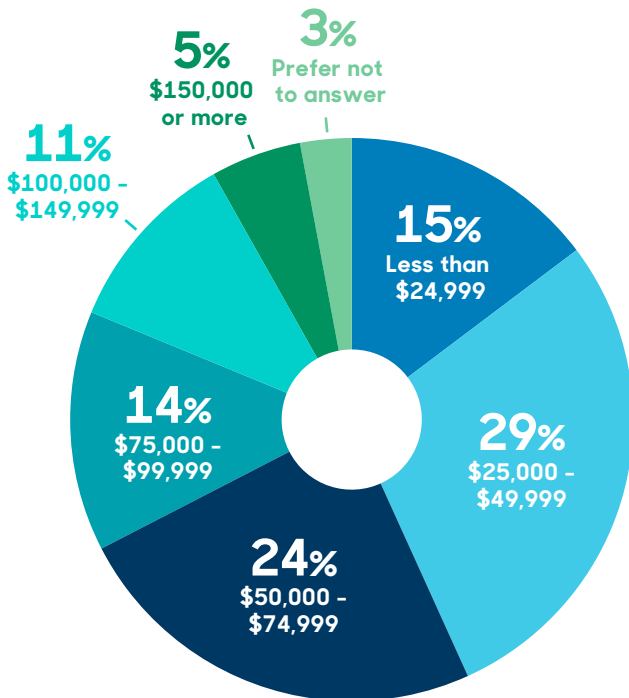


Exhibit 42:  
Household Income



## ABOUT TSYS

TSYS® (NYSE: TSS) is a leading global payments provider, offering seamless, secure and innovative solutions across the payments spectrum – from issuer processing and merchant acquiring to prepaid program management. We succeed because we put people, and their needs, at the heart of every decision. It's an approach we call 'People-Centered Payments'.

Our headquarters are located in Columbus, Ga., U.S.A., with approximately 12,000 team members and local offices across 13 countries. TSYS generated revenue of \$4.9 billion in 2017, while processing more than 27.8 billion transactions. We are a member of The Civic 50 and were named one of the 2018 World's Most Ethical Companies by Ethisphere magazine. TSYS is a member of the S&P 500 and routinely posts all important information on its website. [For more, visit tsys.com.](http://tsys.com)

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