Consumer Payment Preferences for In-Store Purchases

Key Insights

1. **Electronic Payments Growing and Account for Majority of In-Store Payments**
   Electronic payments account for 63% of all in-store payments. Debit now has the highest share of in-store payments at 37% compared to 22% of payments made by credit card.

2. **Card-based Payments are Replacing Checks and Cash in Stores**
   Debit’s share of payments at the point of sale exceeds both cash as well as credit cards.

3. **Debit Reigns as Consumers Favorite Payment Method for In-Store Purchases**
   37% of consumers prefer using debit cards to make purchases in stores followed closely by cash at 32%.

4. **Payment Type Varies by Retail Location**
   Payment use varies depending on where a consumer is and what they are purchasing. For example, debit remains most popular in its tradition venues of grocery stores, drug stores and discount stores.

5. **Debit Usage Expected to Increase while Checks Decrease**
   Over the next two years, consumers expect to increase their use of debit and decrease their use of checks.

About this study

First Data was one of the sponsors for the 2008 Study of Consumer Payment Preferences conducted by Hitachi Consulting. 3,308 U.S. consumers completed an online survey in June 2008 which was administered by the Harris Poll Online. The survey was designed to collect primary consumer data profiling the current payments environment and future outlook. The survey instrument included five parts: 1) In-Store Payment Preferences; 2) Internet Payment Preferences; 3) Bill Payment Preferences; 4) Cards (including credit, debit and prepaid); and 5) Emerging Payments. This Market brief provides key findings for In-Store Payment Preferences.
Key Insight #1: Electronic Payments Growing and Account for Majority of In-store Payments

Consumers’ migration from paper to electronic payments at the point of sale has continued its steady march. Electronic payments now account for 63% of in-store payments, up from 43% in 1999. Paper payments’ share has fallen from 57% to 37% in the same time period.

Debit now has the highest share of in-store purchases and checks have nearly disappeared. Signature and PIN debit represent a combined 37% of in-store transactions. Cash is now second with 29% of transactions, followed by credit cards with 22%.
2008 In-Store Payment Mix

- Cash: 29%
- Check: 8%
- Credit Card: 22%
- PIN Debit: 20%
- Signature Debit: 17%
- Gift/Prepaid: 4%

Debit: 37%

Date: June, 2008

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Key Insight #2: Card-based Payments Replacing Checks and Cash

Debit’s share of the in-store payment mix has increased from 21% in 1999 to 37% in 2008. Credit card use has remained relatively constant with an uptick in 2008 potentially due to the current economic circumstances. Use of cash has declined to 29% from 39% in 1999. Checks have seen a dramatic decrease from 18% to only 8%.
Key Insight #3: Debit Reigns as Consumers’ Favorite Payment Method

37% of consumers indicated they prefer to use a debit card at point-of-sale followed by cash at 32%. PIN debit is slightly more preferred than signature debit (22% vs. 15%). Consumers mentioned that by using debit cards, they don’t spend beyond their means, interest isn’t charged, and they can get cash back at most retailers.

Most Preferred Payment Method

Date: June, 2008

N = see page 8
Key Insight #4: Payment Type Varies by Retail Location

Cash continues to dominate in venues with small ticket sizes and where other forms of payment are not accepted. Debit remains most popular in its traditional venues: grocery stores, drug stores, and discount stores. Credit is frequently used for discretionary purchases such as department stores and restaurants, as well as at gas stations. Checks continue to be used at discount stores, grocery stores and drug stores.

Most Frequently Used Method by Retail Location

Date: June, 2008

N = see page 8
Key Insight #5: Debit Usage Expected to Increase while Checks Decrease

Consumer usage of both Signature and PIN debit for in-store purchases are expected to increase over the next two years by 12% and 10% respectively. Credit card usage is expected to decrease by 2% while paper checks will likely see a 15% reduction in usage. Most of the change will be due to consumers substituting use of one payment method for another, especially in the case of paper checks and cash. Also, a large portion of younger consumers plan to increase their use of debit over other payment forms.

**Projected Change in Use of In-Store Payments**

<table>
<thead>
<tr>
<th>Payment Method</th>
<th>Decrease Use</th>
<th>Increase Use</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature Debit</td>
<td>-9%</td>
<td>+21%</td>
<td>+12%</td>
</tr>
<tr>
<td>PIN Debit</td>
<td>-7%</td>
<td>+17%</td>
<td>+10%</td>
</tr>
<tr>
<td>Cash</td>
<td>-19%</td>
<td>+16%</td>
<td>-3%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>-12%</td>
<td>+10%</td>
<td>-2%</td>
</tr>
<tr>
<td>Paper Check</td>
<td>-19%</td>
<td>+4%</td>
<td>-15%</td>
</tr>
<tr>
<td>Gift/Prepaid</td>
<td>-23%</td>
<td>+8%</td>
<td>-15%</td>
</tr>
</tbody>
</table>

**Date:** June, 2008  
**N:** see page 8
### Sample Size

All 3,308 respondents were asked core questions related to their payment behavior in stores, online and to pay bills. In addition, respondents were randomly divided into subgroups to answer questions related to particular areas of interest. The following table summarizes the sample sizes by payment method:

<table>
<thead>
<tr>
<th></th>
<th># Respondents</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>Core Survey Questions</td>
<td>3,308</td>
</tr>
<tr>
<td>Or</td>
<td>Cash</td>
<td>1,654</td>
</tr>
<tr>
<td></td>
<td>Contactless</td>
<td>1,654</td>
</tr>
<tr>
<td>Or</td>
<td>Credit</td>
<td>1,105</td>
</tr>
<tr>
<td></td>
<td>Debit</td>
<td>1,102</td>
</tr>
<tr>
<td></td>
<td>Gift/Prepaid</td>
<td>1,101</td>
</tr>
</tbody>
</table>