

# Online Security

AND THE  
DEBIT-CREDIT DIVIDE

JANUARY 2021 ■

Online Security And The Debit-Credit Divide, a PYMNTS and Elan collaboration, examines how the pandemic is impacting the ways consumers shop and pay, with a special focus on their use of and attitudes toward debit and credit cards. The report is based on a wide-ranging survey of 2,466 U.S. consumers.





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# INTRODUCTION

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The past year has brought profound changes to many aspects of consumers' lives, and nowhere perhaps have these changes been more significant than in how they shop. The share of United States consumers who have shifted to online shopping channels has quadrupled since the start of the pandemic, to the point that close to half of them now mostly use online channels to purchase retail products. This seismic shift has important — if underappreciated — implications for how consumers pay online.

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It has been widely reported that more consumers have been turning to debit cards since the pandemic's onset due a disinclination to use cash and concerns around keeping spending in check.<sup>1</sup> This story becomes more complicated when it comes to online

spending, however. PYMNTS' research shows that consumers not only continue to prefer credit cards more than debit cards when they shop online, but that they are also more likely to have increased their online use of the former versus the latter.

A key factor affecting consumers' online payment method decisions is security. Consumers are more concerned that their funds are vulnerable to theft when they use debit cards online, and they believe that credit cards offer greater protection from fraud.

These are among the key findings to emerge from Online Security And The Debit-Credit Divide, a PYMNTS collaboration with Elan. The report assesses the state of the digital shopping shift as the pandemic continues and examine how — and why — payment preferences and attitudes are shifting along with it.

Our research indicates that credit cards will remain an essential and growing component of the online payment mix: 41 percent of consumers prefer credit cards when paying online, making it the most commonly used payment method, and 28 percent have increased their online usage of the cards since the pandemic's onset. Our research also indicates that how consumers pay online is in flux. Debit and credit cards as well as digital wallets have seen net increases in use since the pandemic began, yet at least 10 percent of the users of each of these payment methods report using them less.

These findings have important implications for card issuers. Consumers may have an ingrained tendency to reach for their credit cards when shopping online, but issuers must do more to keep their cards at the top of consumers' wallets as the field of payment methods grows more crowded and competitive, such as by providing uniquely compelling, valuable and secure spending tools and services. Online Security And The Debit-Credit Divide is based on a survey of 2,466 U.S. consumers.

## **This is what we found.**

<sup>1</sup> Bary, E. Visa and Mastercard have a lot in common, but COVID-19 puts one key difference in focus. MarketWatch. 2020. <https://www.marketwatch.com/story/visa-and-mastercard-have-a-lot-in-common-but-covid-19-puts-one-key-difference-in-focus-11604090026>. Accessed January 2021.





PART I:

# A lasting digital shopping shift

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# The use of digital shopping channels has increased fourfold since the start of the pandemic and has continued to grow, even as business restrictions have eased.

The digital shift in shopping was propelled largely by necessity in the early days of the pandemic, when lockdowns forced businesses to close, yet this seems to have served as a catalyst for the adoption of enduring shopping habits. The share of consumers shopping for products digitally increased roughly threefold in the first two months after the pandemic took hold, going from 12 percent in early March 2020 to 39 percent in May 2020. The use of

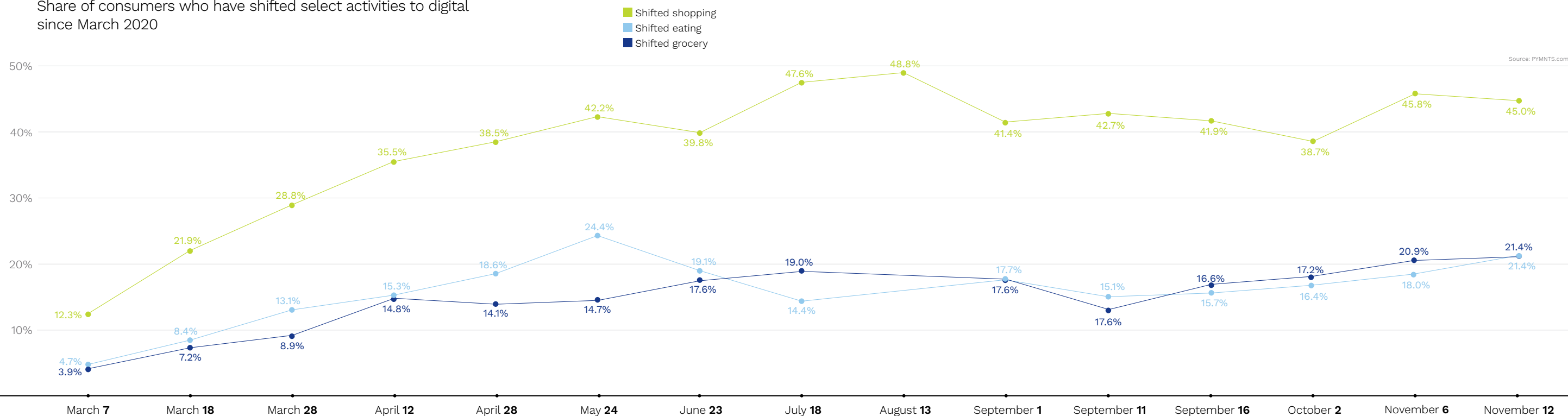
digital shopping channels has steadily climbed even higher following this initial surge: 45 percent of shoppers reported shifting to digital channels as of November 2020.

The trends are less pronounced in the case of groceries and restaurants, which is not surprising considering food products are less amenable to shipping. A similar pattern prevails nonetheless. The use of digital channels for grocery and restaurant purchases has increased steadily

**FIGURE 1:**

**The digital shopping shift**

Share of consumers who have shifted select activities to digital since March 2020

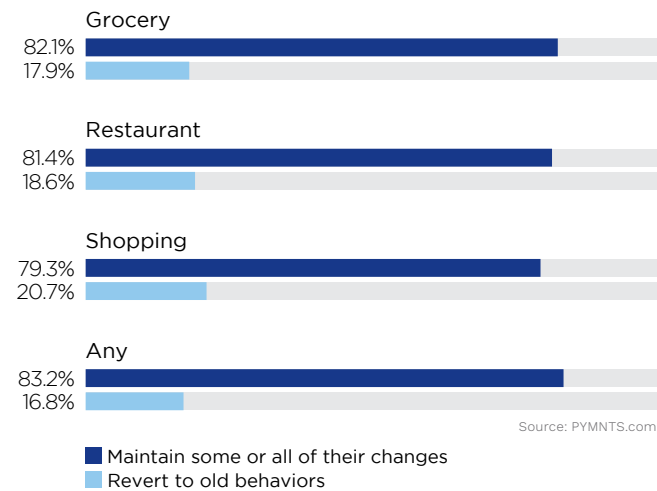


Source: PYMNTS.com



**FIGURE 2:****Plans to maintain digital shopping habits**

Share planning to maintain changes for select shopping categories



since the early days of the pandemic, climbing to approximately 21 percent in November — a roughly fourfold increase from March 6, 2020.

These trendlines are poised to continue. Approximately 83 percent of consumers who shifted to digital channels for at least one type of shopping activity say that they plan to maintain the practices they adopted. Consumers who adopted digital practices for purchasing groceries are slightly more likely to maintain them than those who bought other types of products. Eighty-two percent of

them plan to continue shopping for groceries through digital channels compared to 79 percent who plan to continue to do so when shopping for other products. This suggests that consumers may be particularly interested in avoiding the frictions associated with in-store grocery shopping.

Significant shares of consumers have thus grown accustomed to shopping online for all manner of products, including food items, and they are more likely to reach for their credit cards than their debit cards when it comes time to pay.

**79%**  
of consumers plan to continue the **digital shopping practices** they adopted during the pandemic.







PART II: \_\_\_\_\_

# The changing online payment mix

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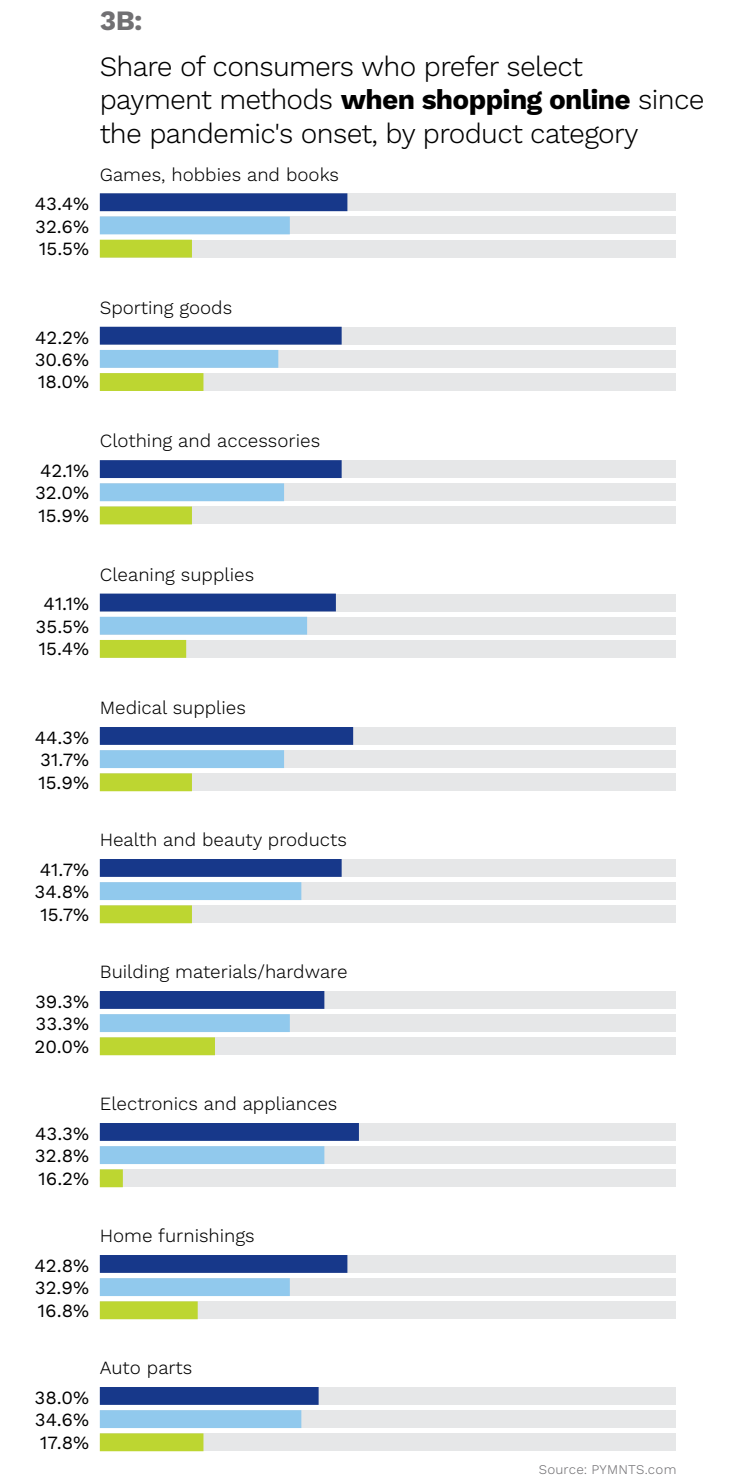
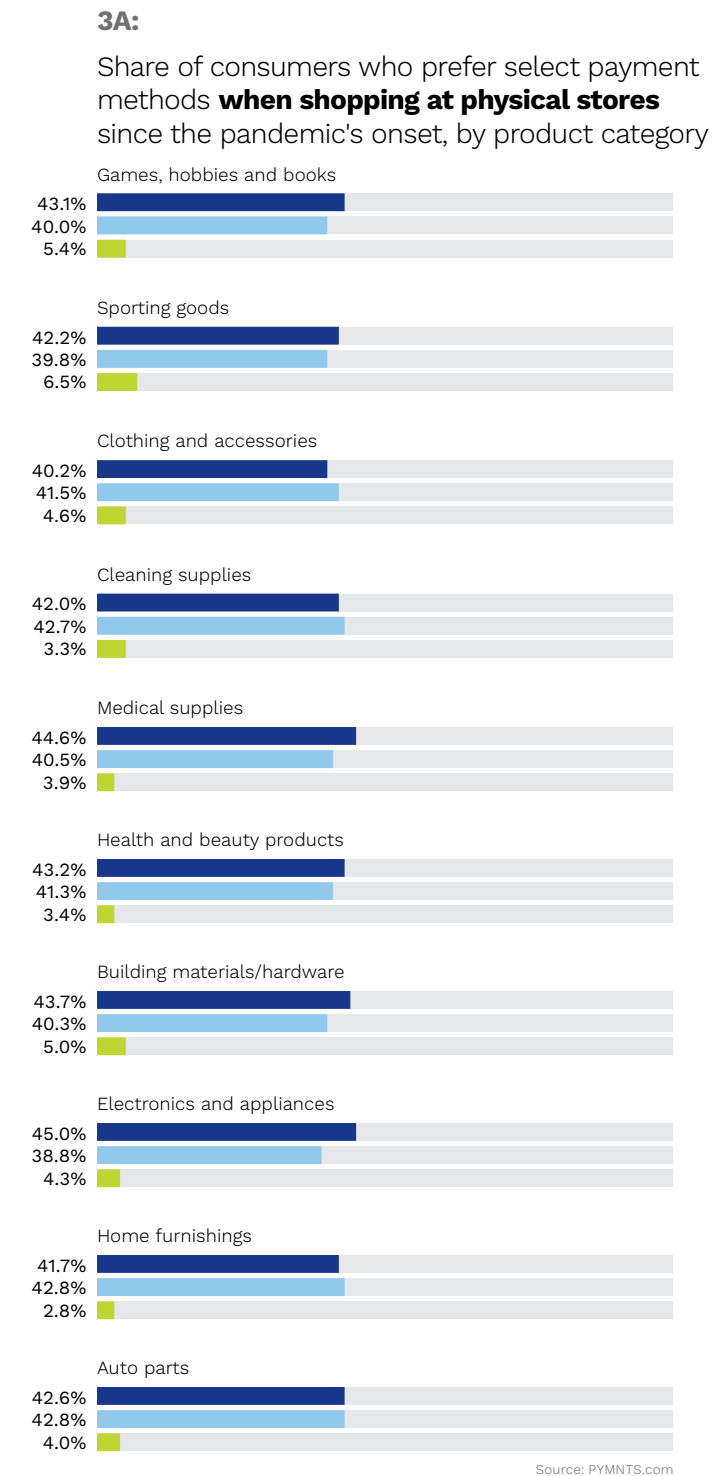
# Consumers utilize a more diversified payment mix when shopping online. They are less inclined to use debit cards and more inclined to wield credit cards and digital wallets.

Our research shows that there is near parity between credit cards and debit cards when consumers shop at brick-and-mortar stores: 43 percent prefer the former and 40 percent prefer the latter. Consumers shopping online are considerably less likely to use their debit cards, however: 31 percent prefer to pay with debit online while 41 percent prefer credit cards. The most notable difference between physical and in-store shopping is found in the use of mobile wallets, including the likes of Apple Pay, which can be used online and in store, and digital wallets like PayPal, which are primarily used online. Digital wallet use is low

compared to credit and debit cards, but it still makes up a sizable share of online purchases, with at least 15 percent of consumers preferring it overall — especially when purchasing certain items, like building materials.

Our research reveals that differences between credit and debit card use are most pronounced in discretionary categories, like games and books and sporting goods. **Forty-two percent of those who made sporting goods purchases prefer credit cards for online purchases while 31 percent prefer debit cards.** This points to another likely driver of credit card use online: Consumers may rely on them to finance bigger-ticket purchases.

**FIGURE 3:**  
**The physical versus online payment mix**



■ Credit card  
■ Debit card  
■ Mobile wallet

■ Credit card  
■ Debit card  
■ Digital wallet



# Consumers have increased their use of all card and digital payment methods online since the pandemic began, but PayPal and mobile wallets have experienced the greatest gains.

Our research shows that 28 percent of credit card users increased their use of the payment method online since the pandemic's onset while approximately the same share boosted their use of debit cards. Debit card users were slightly more likely to have cut down on using the payment method, however, and credit cards have experienced a net increase in use of 16 percent as a result while debit card use has grown by 15 percent.

Digital-native payment methods posted the greatest gains, not surprisingly. PayPal users have boosted their use of the payment tool

to the greatest extent as 36 percent of consumers report that they are using it "more" or "much more" since the pandemic began, resulting in a net increase of 22 percent. The use of mobile wallets, such as Apple Pay and Google Pay, remains comparatively low but increased the most among users: 46 percent report using them "more" or "much more." That growth was partially offset by one-quarter of digital wallet users reducing their use of the wallets at the same time. All of this data suggests that the payment methods consumers use online is in state of flux, with consumers reducing their use of their customary payment types and switching to others.

**TABLE 1:**

**Change in use of payment methods since the pandemic began**

Share of consumers indicating they use select payment methods either more or less since the pandemic's onset

	CHANGE IN USE OF SELECT PAYMENT METHODS FOR ONLINE SHOPPING			
	Credit card	Debit card	PayPal	Mobile wallet
I use this method somewhat less.	-6.4%	-6.2%	-6.4%	-11.2%
I use this method much less.	-3.6%	-3.8%	-4.9%	-9.2%
I have stopped using this method since the pandemic began.	-2.0%	-2.6%	-2.1%	-4.7%
I use this method somewhat more.	21.4%	17.8%	25.6%	27.8%
I use this method much more.	6.9%	9.7%	10.0%	17.8%
<b>Net increase</b>	<b>16.3%</b>	<b>14.9%</b>	<b>22.3%</b>	<b>20.4%</b>

Source: PYMNTS.com

# 28%

of **credit card users** are using this payment method more since the pandemic's onset.



PART III:

# The security motive

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# Consumers value the convenience and wide acceptance of both credit and debit cards, but they have reservations about the latter when it comes to protection against online fraud.

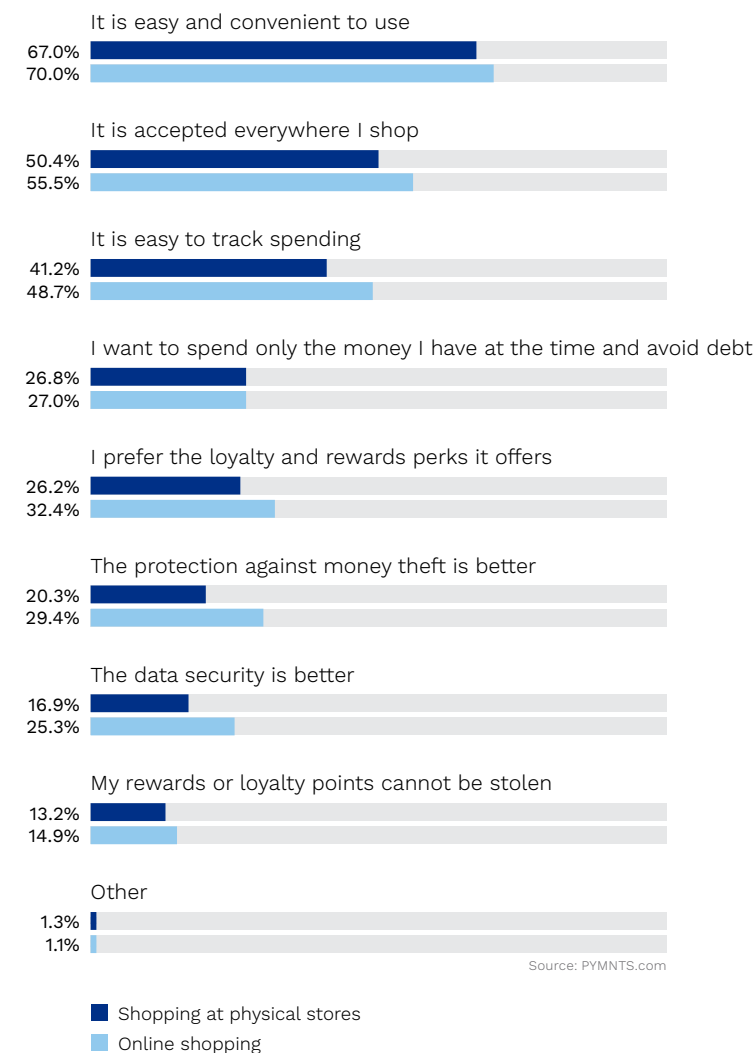
Consumers want certain basic qualities from their payment methods — namely convenience and wide acceptance. These are the reasons consumers most often cite for using the payment options they do online and in stores. Sixty-seven percent cite ease and convenience in the case of in-store shopping and 70 percent cite the same in the case of online purchases. This is followed by universal acceptance, which 50 percent cite as a motivator for in-store purchases and 56 percent cite for online ones.

Credit and debit cards tend to check the key boxes of convenience and wide acceptance for many consumers. Our research shows that 73 percent of credit card users consider convenience a reason for using the payment method, as do 69 percent of debit users. Another 63 percent of credit card users and 64 percent of debit card users cite universal acceptance.

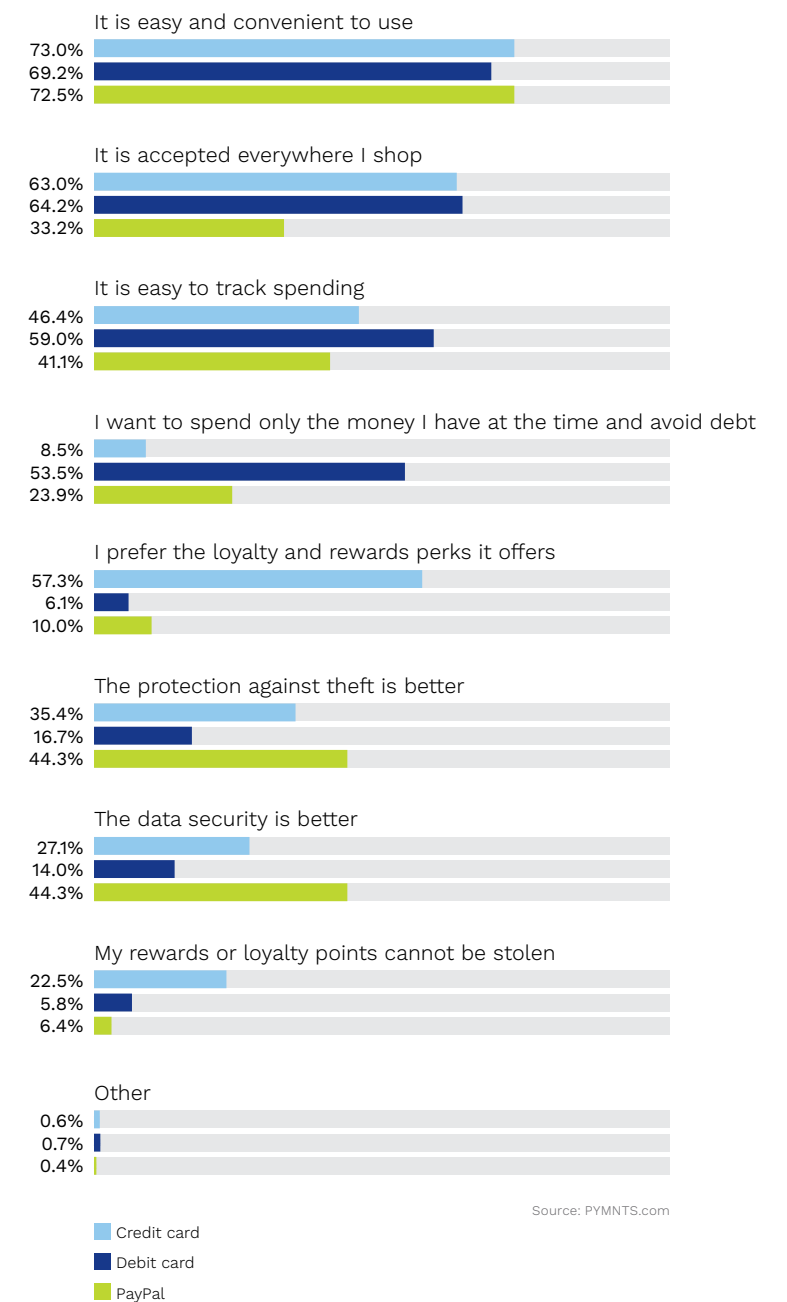
A key difference in motivations for using these two types of card payments emerges when we examine attitudes toward online security, however. **Our research shows that protection against theft of funds is a motivating factor for 35 percent**

**FIGURE 4:**  
**Motivations for using payment methods**

**FIGURE 4A:**  
Share citing select reasons for using payment methods when shopping in store versus online



**FIGURE 4B:**  
Share of credit card, debit card and PayPal users citing select reasons for using a payment method when shopping online



**of credit card users — twice the share of debit card users with this view. Consumers also appear to have more confidence in the overall data security of credit cards: 27 percent of credit card users cite data security as a motivating factor while only 14 percent of debit card users do the same.** This suggests that, while both debit and credit card issuers could do better in assuring consumers of the security of their offerings, such concerns are elevated among debit card users.

It bears noting that rewards is also an important differentiator between credit and debit cards: 57 percent of those who use the former cite rewards as a motivator while only a fraction of debit and PayPal users do the same. This reflects the fact that credit cards tend to have more robust rewards programs than other payment types — and rewards could loom as an even greater incentive at a time when consumers are doing a lot more shopping online amid a challenging economic climate.



35%

of credit card users believe this payment option offers protection against online fraud.



## Security concerns also loom large for consumers who have moved away from using debit cards for online shopping.

Our research shows consumers reduce their use of given payment types primarily because they have reduced their spending overall since the pandemic's onset: 33 percent of those who have cut back on their use of debit cards cite this as a reason for doing so, as do 43 percent of credit card users. Debit and credit card users diverge in their considerations of security, however: 24 percent of those using debit less cite concerns that their payment

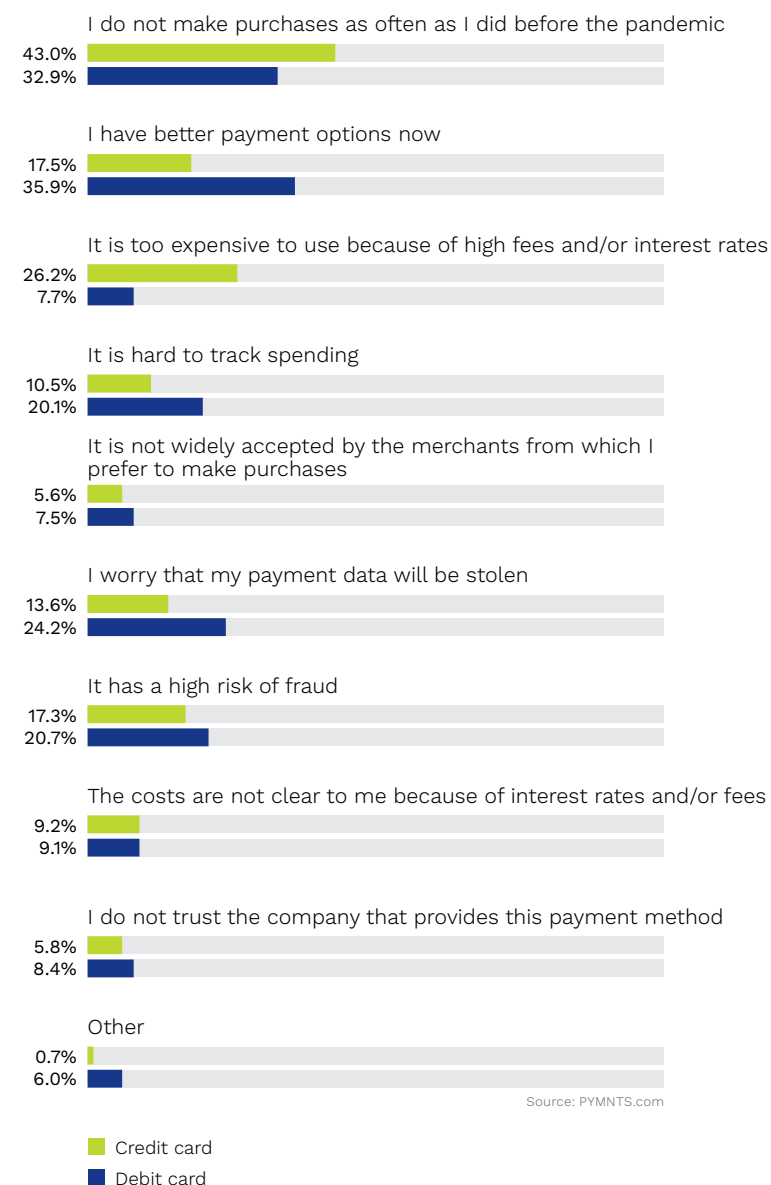
information could be stolen while just 14 percent of those who have cut back their credit card use online cite this concern.

The heightened concerns debit card users have around security may relate to the fact that debit cards are linked directly to consumers' bank accounts. Their personal funds could be impacted by fraud or theft without the delay in charges or dispute resolution procedures that typically accompany credit card purchases.

FIGURE 5:

### Motivations for reducing the use of credit and debit cards

Share citing select reasons for using cards less than they did prior to the pandemic's onset



24%

of consumers who have reduced their use of debit cards online cite **the risk of having funds stolen** as a reason why they have done so.



PART IV: \_\_\_\_\_

# The characteristics of disaffected debit users

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# Debit card users who have switched to other payment methods have shifted credit cards, PayPal and mobile wallets in similar proportions. These switchers come from both high-income and low-income brackets.

Our research shows that 44 percent of consumers who use debit cards less have shifted to other payment methods while the remainder have not adopted payment alternatives. The largest share of these shifters — 18 percent — now favor credit cards while 16 percent use PayPal and another 16 percent tap mobile wallets.

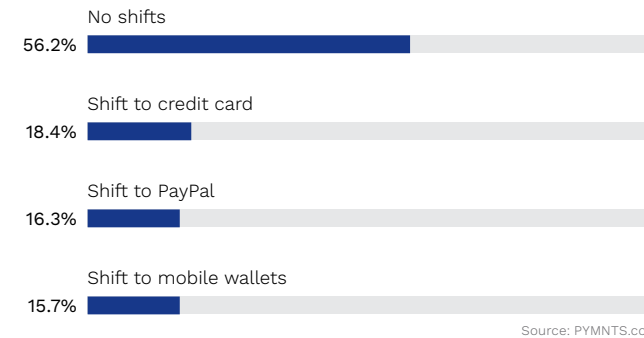
These switchers fall predominantly into either high- or low-income brackets.

We found that 45 percent who shifted to credit cards make more than \$100,000 a year while 38 percent of such shifters make less than \$50,000. These proportions are more than double the share of middle-income earners who shifted.

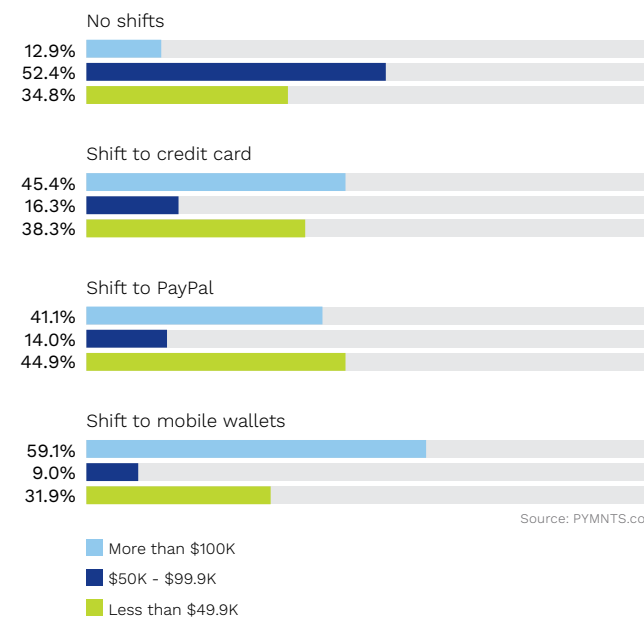
This suggests the movement away from debit cards to other online payment methods is driven both by choice, in the case of wealthier consumers, and necessity, in the case of lower-income ones who may need or want financing options for online purchases.

**FIGURE 6:**  
**The destinations of debit card shifters**

**FIGURE 6A:**  
Share of consumers who shifted to other payment methods among debit card users who are using debit less often



**FIGURE 6B:**  
Income distribution of debit card users who are using debit less often, by type of shift



# CONCLUSION

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The digital shopping shift is not a fleeting phenomenon. The share of U.S. consumers now using digital channels to purchase retail products is approaching 50 percent, close to four times the level just in early March 2020. These preferences have endured even as business restrictions have been eased. These changes appear to be lasting, and this reality carries great significance for card issuers.

Credit cards remain the most popular payment method for online shopping, even as consumers have increased their debit use overall since the pandemic began. Our research further shows that the increase in online credit card use has outpaced that of debit cards since the pandemic's onset.

Concerns around fraud and data security seem to be playing an important role in how consumers are choosing to pay online. They have greater confidence in credit cards than debit cards when it comes to two key metrics: the risk of losing funds and information security. There are also the positive incentives associated with credit card use: Close to 60 percent of credit card users cite rewards as a reason they use them to pay online.

All of this means that if card issuers want to maintain top-of-wallet status in an evolving economic reality, they must keep pace with consumers' changing spending and payment habits. Our data strongly indicates that credit cards will remain central to consumers' payment mix, but issuers must meet their rising expectations for security, convenience and value.

## Online Security AND THE DEBIT-CREDIT DIVIDE

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### METHODOLOGY

Online Security And The Debit-Credit Divide is based on a survey of 2,466 U.S. consumers selected to approximately match the demographics of the U.S. census. The survey was conducted Nov. 5, 2020, and Nov. 6, 2020, and consisted of 25 questions concerning consumers' shopping and payment habits, preferences and future plans, among other topics.



# ABOUT

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