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# EYE ON PAYMENTS 2022

Choice and Variety Drive Payment Preference Amid Economic Uncertainty

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# Introduction

As the payments landscape continues to rapidly evolve amidst an uncertain economic outlook, PSCU set out for the fifth year in a row to gauge payment preferences among credit union members and other financial institution customers ("non-members"), including how they evolved over the past year. 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 1,750 credit union members and non-members from across the U.S. The online survey, conducted in June and July 2022, was taken by participants ages 18 to 65+. Of those surveyed, 44% were male and 56% were female, and demographic characteristics of those surveyed align with consumer data from CUNA's Member Profile.

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

- The factors that influence consumer behavior when it comes to the choice and usage of traditional and emerging payment methods across multiple payment scenarios
- How current and anticipated 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 income levels and generations
- Recommendations for credit unions to better fulfill member payment preferences and needs, based on these findings

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# Consumers are demanding choice and variety when it comes to making payments and transacting.

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It should come as no surprise that the economy has been top of mind for consumers throughout 2022. Even as the unemployment rate approached pre-pandemic levels over the summer, the Federal Reserve announced monthly interest rate increases to help curb inflation and hopefully avoid a recession. Nonetheless, when the survey was fielded, nearly nine out of 10 respondents (87%) agreed they were worried about the economic outlook, while three-quarters (74%) also reported they were concerned about their personal finances. Younger consumers are more concerned about their personal finances than those ages 58 and above.

As preferences continue to evolve in the face of economic uncertainty, choice and variety have emerged as important factors driving consumer preferences and behavior. A 2022 study by Deloitte on shopping preferences and trends noted, "Consumers are not interested in a one-size-fits-all shopping experience. They want choices, both online and offline, that allow them to tailor their shopping experience to best match their needs."

For many consumers, having the option to choose the product, service or offering that fits their needs at a particular time makes them feel more in control. And, at a time when unpredictable events are impacting the economy and – in turn – personal finances, it makes sense that

**87%**

**Nearly nine out of 10 respondents agreed they were worried about the economic outlook**

**74%**

**also reported they were concerned about their personal finances**

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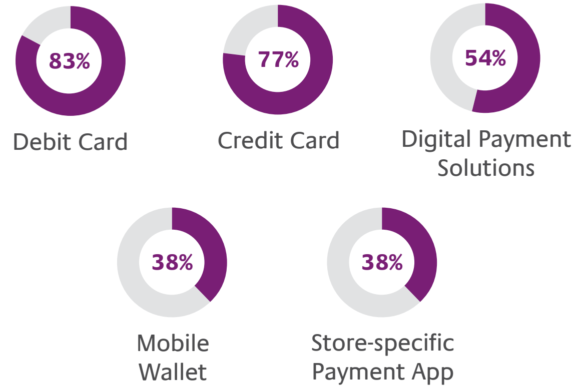
choice and variety are also influencing how consumers are making purchases and transacting. A majority of consumers (61%) said they are using a greater variety of payment methods than they did a few years ago. This desire for variety is further evident in how consumers intend to pay: When asked how likely they are to use a particular payment method in the next six months to pay for goods and services, more than 75% said they planned to use at least one of the methods most readily available – debit, credit and cash.

But consumers aren't just reaching for their traditional wallets: over half plan to use a digital payment solution like Venmo in the next six months and approximately four in 10 expect to use their mobile wallet or store-specific mobile payment app to pay for goods and services. In addition, nearly one-third (32%) of respondents have both a debit and credit card loaded into their mobile wallet, up from 25% in 2021, further illustrating the importance of flexibility when it comes to payment choice. The uptick in digital payments solutions could also explain the 30% decrease in cash as the first preferred payment method since 2018.

**4 in 10**
**expect to use their mobile wallet or store-specific mobile payment app**

**50%+**
**Over half plan to use a digital payment solution like Venmo in the next six months**

**What payment methods are credit union members likely to use in the next 6 months?**

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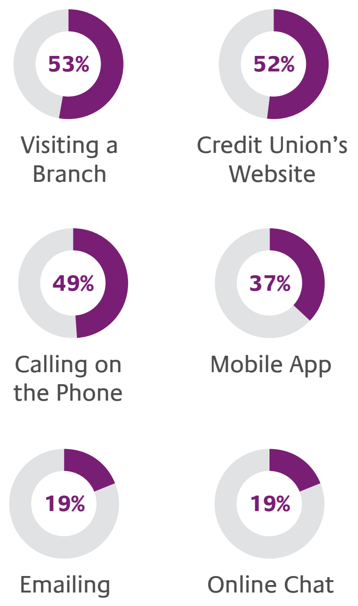
When asked how they prefer to make a transaction at the point of sale with a credit or debit card, consumers want the flexibility to choose: 56% report they prefer to insert an EMV chip and 35% report they prefer tap-and-go technology. Additionally, as more consumers shop online, they are choosing both debit and credit cards to pay for online purchases, with 40% reporting they typically use credit and 34% reporting they typically turn to debit, consistent with data from 2021.

The need for variety and choice also rings true when it comes to how consumers prefer to interact with their trusted financial partner. At least half of credit union members report they interact with their credit union by visiting a branch (53%), on the credit union's website (52%) and/or calling on the phone (49%). Nearly four in 10 (37%) use the credit union's mobile app, followed by 19% emailing or utilizing online chat functions. In addition, 54% of all respondents say they make payments or conduct banking via their mobile phone, an increase of almost 15% since 2019. Nearly three out of four respondents (74%) report they also set up alerts on their mobile phones to better manage their credit or debit card.


### How do members interact with their credit union?



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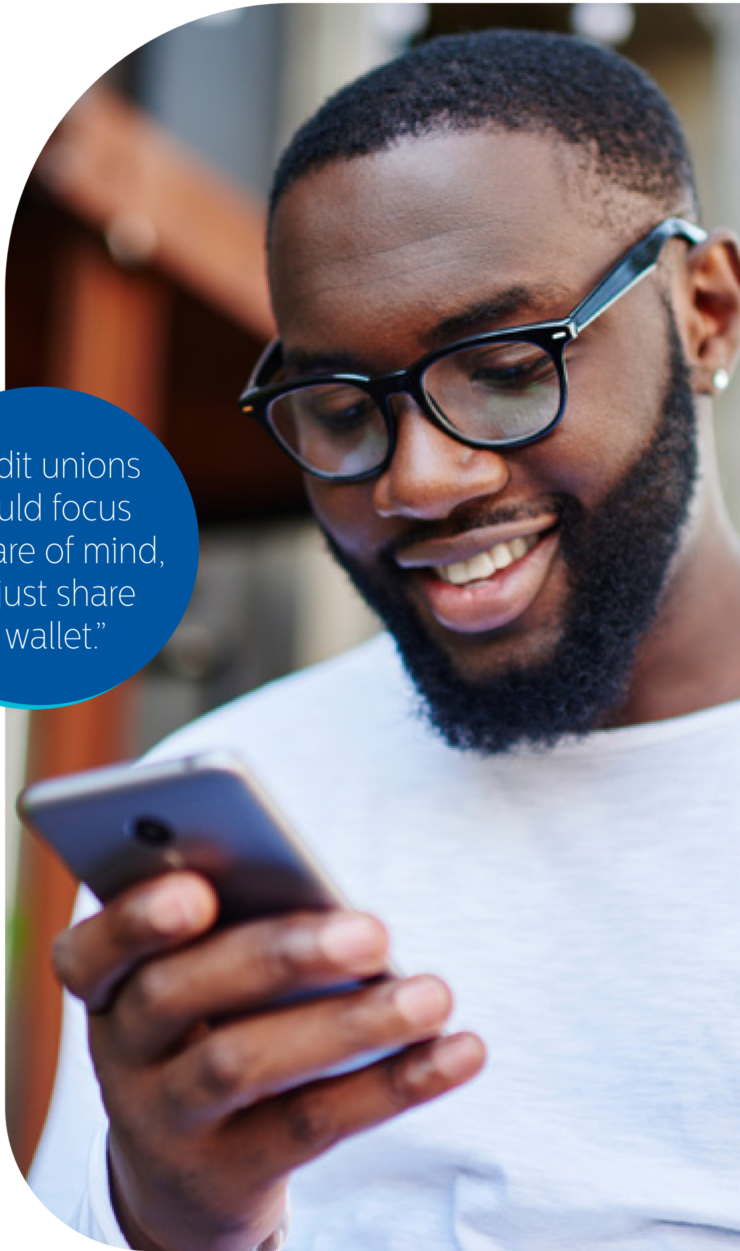
While consumers want variety and choice, personalization is still key. Eight in 10 credit union members agree they want to do business with a financial institution that knows them personally and 74% report they prefer a small institution as opposed to a large financial institution.

## Key Takeaways:

As consumers seek variety, choice and personalization, it is no longer enough for credit unions to focus on share of wallet. Today, they must also fight for share of mind – as where share of mind goes, so does share of wallet. Consumers expect the highest level of service and variety of offerings, and they want different channels in which to make purchases, transact and interact with their financial institution, among other activities. Credit unions must make an effort to understand what types of payments offerings and services are of interest to their current membership base, as well as to potential members they hope to attract.

Increasingly, consumers are using fintechs and other banks, such as neobanks, for their everyday payments needs, which means that losing out on share of mind and wallet is a huge risk for credit unions. It is more important than ever to meet members where they are, while also providing an exceptional experience in the channels of their choice.

> "Credit unions should focus on share of mind, not just share of wallet."



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Nonetheless, debit remains the preferred payment method.

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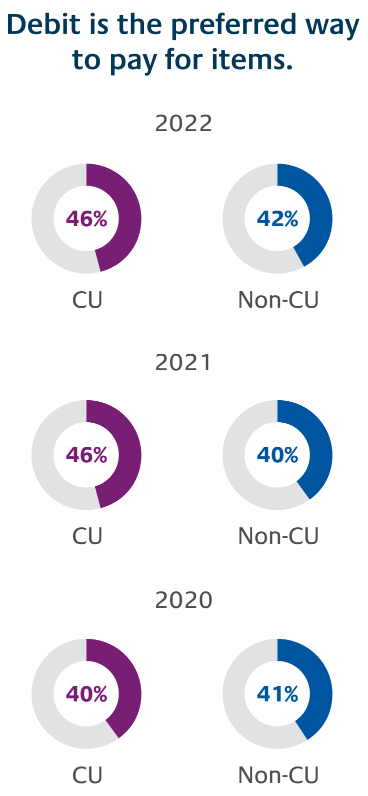
For the fourth year in a row, debit remains the overall preferred way to pay, with credit union members favoring debit cards (46%) slightly more than non-members (42%). Moreover, debit cards are the clear choice for every purchase type, ranging from full-service restaurants to local retailers, pharmacies, grocery stores and more.

That said, variety and choice are still playing a role. While credit union members report using their debit card most often in every scenario, non-members prefer credit cards at full-service restaurants and at the gas pump, while cash is preferred for coffee shop purchases.

**46%**

**of credit union members favor debit cards – slightly more than non-members at 42%**

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In addition, all respondents report they turn to credit cards for major purchases and cash when paying for services or purchases under $10 – trends that have remained consistent since 2018.

There is also a difference emerging between what members are reporting as their preferred payment method compared to what they are actually using, which could be explained by economic concerns. While debit might be the preferred way to pay, when asked what type of payment method respondents had actually used in the past 60 days for an in-store purchase of any kind, the same percentage of respondents (68%) report using debit and/or cash, followed closely by credit at 63%. When asked what payment method they are most likely to use in the next six months, nearly the same percentage reported they would turn to credit (76%) as debit (80%).

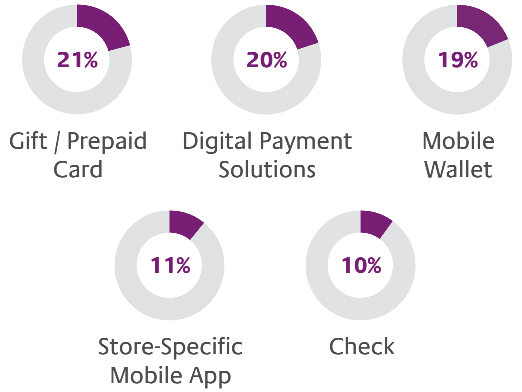
Data from the monthly PSCU Payments Index aligns with a shift toward credit, finding consumer spending on credit cards was outpacing spending growth on debit cards when the survey was fielded in late June and early July. Credit purchases were up as much as 13% year over year,

"Behaviors slightly vary from preferences."

**68%**

**of respondents report using debit and/or cash, followed closely by credit at 63%**

**Other payment methods used in the past 60 days**



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compared to debit cards at only 4%, with inflationary pressures most likely pushing growth in purchases to outpace growth in transactions. During July, credit transactions were up 10% and debit transactions were up just 1%. These trends have continued into the fall.

## Key Takeaways:

Keeping products relevant to what consumers are demanding is paramount to sustaining relationships with credit union members. But credit unions need to remember they do not have to go it alone. Partnering with a CUSO or other like-minded provider can help credit unions meet and exceed member expectations, from delivering the latest payments offerings and digital features, to robust debit and credit card programs to mobile wallet provisioning, tap-to-pay, cardholder alerts and controls and more, helping credit unions stay competitive.

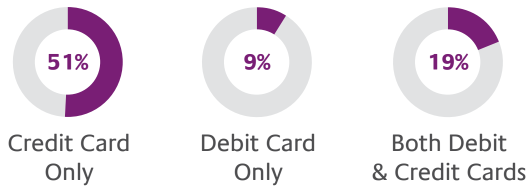
Credit unions also need to ensure value propositions like rewards and promotional rates are competitive enough to keep up with other financial institutions. In fact, nearly six in 10 respondents reported rewards were important when it comes to their debit or credit usage. Keeping a pulse on the value proposition of what the competition is offering, and adjusting your offerings accordingly if needed, is paramount to winning and retaining share of mind and wallet.

With economic concerns potentially driving a shift in usage from debit to credit, the credit union industry should also anticipate impacts elsewhere. An increase in credit card usage might explain the increase in reported disputes, up from 18% in 2021 to 22% in 2022, a trend that may become more exacerbated if the move to credit continues. If economic conditions deteriorate, there could be an uptick in first-party or "friendly" fraud, when consumers report legitimate purchases as fraud in order to benefit financially. With the economy at the forefront of consumers' minds, it will be key for credit unions to have strong delinquency management tools, services or partners in place.

**58%**

**Rewards are important or very important to credit union members**

**Get Rewards On:**




**90%**

**of credit union members and 88% of non-credit union members report their disputes were resolved**

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Potentially driven by the economy, income level influences preference between credit and debit.

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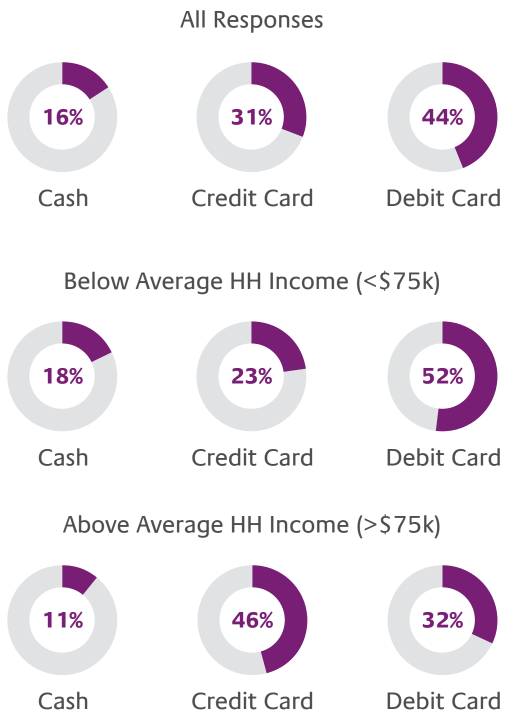
In addition to variety and choice, income is also impacting how consumers are choosing to pay. Respondents with an annual household income below $75,000 have a very strong preference toward debit (52%), as opposed to higher income respondents (32%). Credit is preferred by 46% of respondents with an average or above average household income, compared to only 23% of those with below average income. Similarly, 59% of respondents with below average household income reported they are paying more with debit cards than they did a few years ago, while those with an average household income of $75,000 or above prefer credit, with six in 10 (59%) reporting they pay more with credit cards now than a few years ago. This trend could be explained by views of the economy: 76% of respondents with a lower annual household income agree or completely agree they are concerned about their personal finances as a result of the economy.

Economic concerns could also be a contributing factor in the continued usage of and interest in Buy Now, Pay Later (BNPL) or installment payments. Of those who know their financial institution offers a BNPL solution, 60%

**52%**
**of respondents with an annual household income below $75,000 have a very strong preference toward debit**

**46%**
**of respondents with an average or above average household income have a very strong preference toward credit**

### First Preferred Method of Payment



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report they have used it. Of those who do not know if their financial institution offers BNPL or know it does not, 32% indicate they would be likely or extremely likely to use it, a 39% increase over last year. Younger Millennials expressed the greatest likelihood to use BNPL, with 55% reporting they are likely or extremely likely to use it, an increase of 57%.

## Key Takeaways:

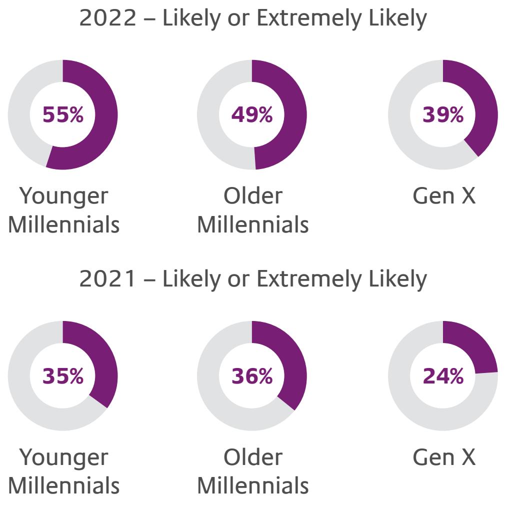
In the face of an unpredictable economy, credit unions, whose founding philosophy is the business of financial well-being, have a unique opportunity to differentiate themselves by focusing on improving members' financial health. Credit unions have access to data and community connections that allow them to craft and implement actionable strategies. From surveys to gauge the financial health of members, to balance transfer campaigns, behavior modification alerts and more, credit unions have the tools to help improve their members' financial health. It is also important to provide counseling around newer payments offerings – like BNPL – and the associated risks when these newer payment types are utilized in excess. Plus, financially healthy members are more likely to be satisfied with their credit union as their primary financial institution and rely on their credit union as their trusted financial partner.

Now is also 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 connected experiences specific to each member and their individual needs based on the value the member represents to the credit union. Harnessing member data to better understand how they interact with their credit union – including how, when and through which channel they transact – helps fuel proactive connection via multiple channels. Integration of consumer-focused processes across all available channels, while optimizing each channel experience, will create intelligent engagement in which experiences are more proactive and personalized.

**60%**

**of those who know their financial institution offers a BNPL solution report they have used it**

### Buy Now, Pay Later – By Generation



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Consumers are turning to digital payment solutions...

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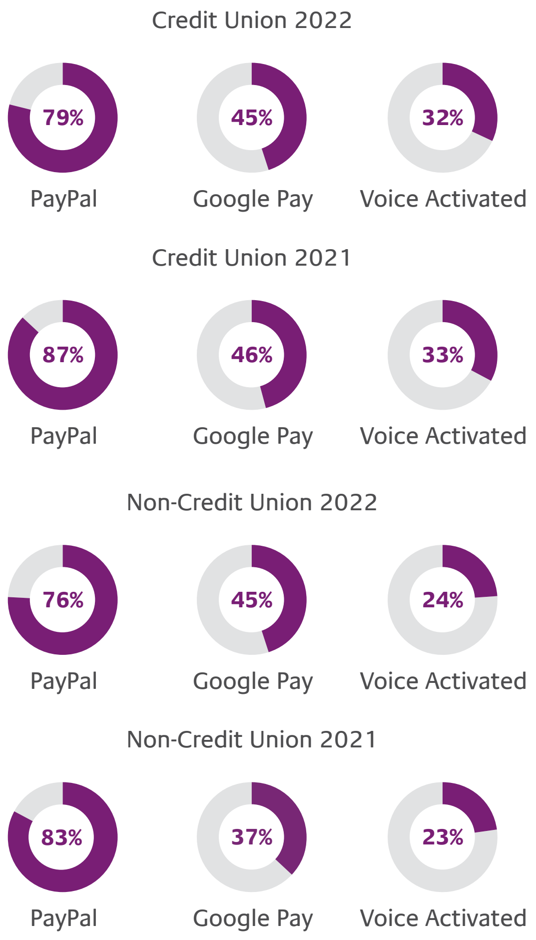
With more consumers looking for a variety of ways to pay, use of digital payments solutions – including Venmo, Zelle and PayPal, among others – is also on the rise: 59% of all respondents reported using digital payment methods at least periodically – a 40% increase from 2019 – with one in 10 citing it as their primary payment method. In addition, 20% of respondents reported using a digital payment solution in the past 60 days to pay for something in a physical store, with 56% saying they anticipate using a digital payment solution within the next six months as well. Older millennials remain the most frequent users of digital payment methods, with over half (53%) saying they use digital payment solutions regularly.

With the increase in digital channels, however, comes an increasing concern over fraud. In fact, about half (53%) of respondents say they are more concerned about fraud given the shift to digital channels and platforms. That said, reports of card fraud and identity theft in 2022 are nearly identical to 2021 and 2020 findings, with 4% reporting they had been a victim of identity theft and 8% experiencing

**59%**
**of all respondents reported using digital payment methods at least periodically**

**20%**
**of respondents reported using a digital payment solution in the past 60 days**

### How likely are you to use the following?



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card fraud. Of those who did experience fraud, 77% reported it was related to a purchase made online, with reports of in-store fraud declining by 25% from 2021 to 2022.

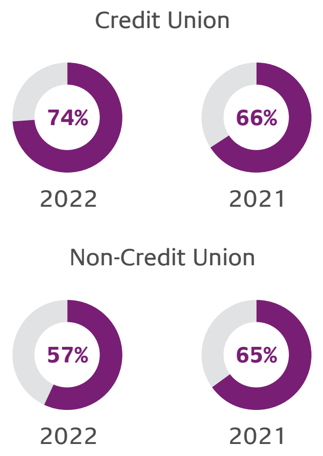
## Key Takeaways:

As more consumers turn to digital channels and solutions, it is imperative credit unions ensure their fraud offerings are up to date and effective. While account takeover and synthetic fraud are two of the fastest growing fraud areas, fraud impacts all types of payments. It is vital to proactively stop fraudsters in their tracks before members are affected.

Credit unions can no longer rely on verbal validation alone – they must also leverage data behind the scenes to authenticate members without negatively impacting the member experience. Credit unions should deliberately invest in data intelligence to protect and serve members – or work closely with a partner to do so. PSCU, for example, is working alongside credit unions to mitigate fraud risk holistically, including the implementation of machine learning to better enable authentication and using data to help credit unions identify portfolio, product and transaction risks, among other initiatives.

In addition to investing in and implementing robust fraud-fighting tools, credit unions should proudly promote their fraud-fighting efforts to their membership. It is important to inform members on what credit unions are doing to protect them, while at the same time educating members on how they can also protect themselves.

### How satisfied were you during your fraud experience?



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…and are prioritizing frictionless experiences.

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Consumers are increasingly turning to mobile wallets, contactless cards and other easy-to-use, convenient and fast – or frictionless – payments options. In fact, ease of use, convenience and speed are the top reasons consumers report turning to both legacy and newer payments offerings.

From 2019 to 2022, there was a 35% increase in respondents that reported using a mobile wallet in the past 60 days to pay for something in a physical store. In fact, consumers reporting a mobile wallet as their most preferred way to pay has tripled since 2018. Four in 10 also reported they were likely to use a mobile wallet to pay for goods or services in the next six months. Millennials are the most proficient users of mobile wallets, turning to this payment type on a monthly (31%) and weekly basis (21%).

Contactless card distribution and adoption have both become more widespread. The number of respondents reporting they have a contactless card rose by 14% from 2021 to 2022. Of those respondents that have a contactless card, 87% said they use it at least a few times per year.

**35%**

**increase in respondents that reported using a mobile wallet in the past 60 days to pay for something in a physical store**

"Millennials are the most proficient users of mobile wallets."

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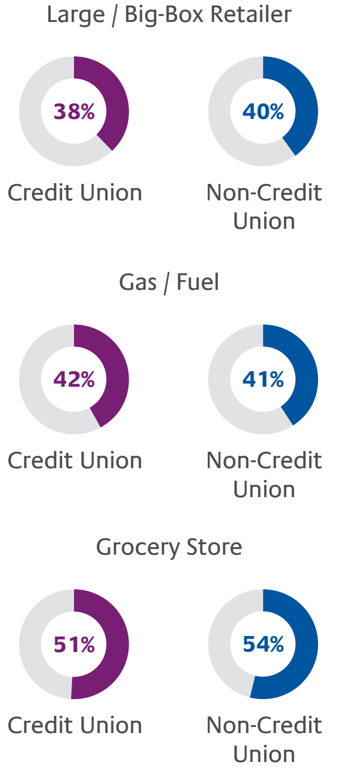
Those reporting using a contactless card a few times per week has increased by 53% since 2020. Every generation except Older Millennials – which remained the same with 92% of these generational respondents already using a contactless card at least a few times per year – reported an increase in contactless usage. Respondents report using contactless cards the most at grocery stores (52%), the gas pump (41%) or large, big-box retailers (39%). Finally, more respondents reported they would prefer to tap-and-go when making a purchase at the point of sale compared to inserting an EMV chip or swiping a magnetic stripe – up from 29% in 2021 to 35% in 2022.

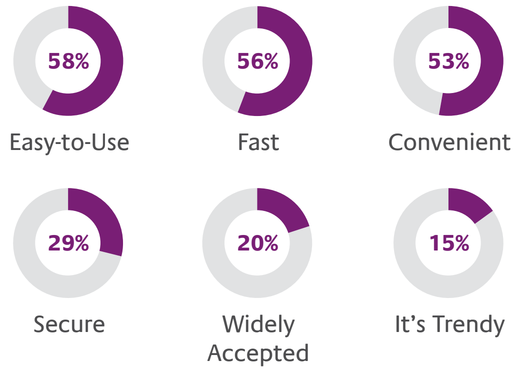
Although more consumers are utilizing frictionless payments offerings, there are still some that do not understand the different options, how they work and what benefits they offer. For example, of those who do not use a mobile wallet, 42% say it is because they do not know what it is or how to use it, followed by 30% who feel mobile wallets are not secure.

### Where do you use a contactless card?




**53%** increase in using a contactless card a few times per week

### Why do you use a contactless card?



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For contactless cards, while 38% of respondents reported using them in 2020 because they were physically safe, this year's survey uncovered a 34% decrease in this same metric.

Consumers expect the same level of ease, convenience and speed associated with frictionless experiences when interacting with their financial institution in other situations. Twenty percent (20%) of all respondents applied for a new credit card within the last 12 months. Of those who applied, 75% received approval or denial in real time and nearly 90% of respondents who received a real-time response were at least somewhat satisfied with the process, as opposed to an 82% satisfaction rating from respondents who did not receive an approval/denial in real time.

When it comes to digital card issuance, consumers are interested in utilizing this tool to continue transacting when their card is lost and/or stolen. According to the survey, only one in four respondents were issued a digital card while waiting for a physical card to arrive. Eighty-eight percent (88%) of those consumers said they used it, with that number being even higher among credit union members (92%).

**69%**

**of Gen Z respondents were at least somewhat satisfied with the real-time application process**

**95%**

**of Boomer respondents were at least somewhat satisfied with the real-time application process**

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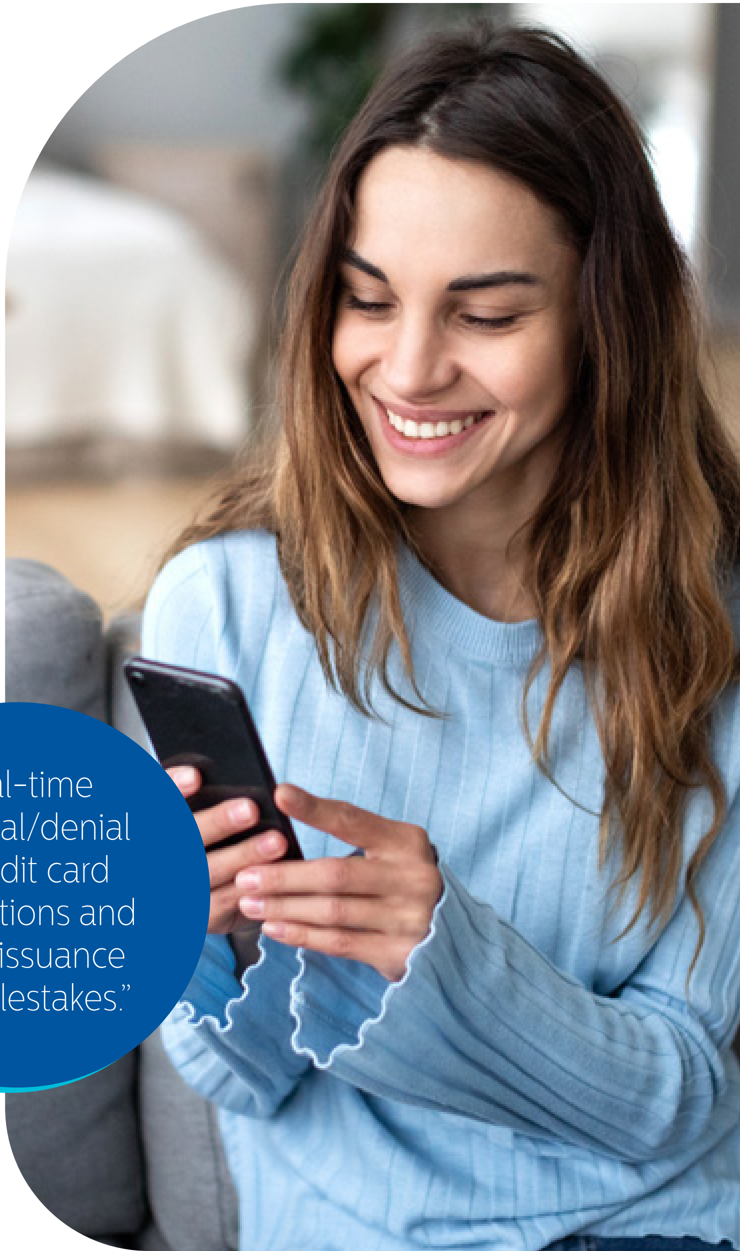
## Key Takeaways:

Given consumer demand for immediacy, credit unions should explore programs that offer real-time approval or denial for credit card applications and digital issuance capabilities that make it possible for members to continue transacting seamlessly with their credit union-issued card. Real-time and faster payments is another rapidly developing area in the frictionless payments arena, with new entrants and use cases for moving money faster quickly accelerating. Credit unions should be prepared to educate members and employees on key changes and milestones, especially as FedNow prepares to roll out in 2023. PSCU's partnership with Amount and acquisition of Juniper Payments, respectively, will solve pain points for Owner credit unions by providing real-time lending approvals and enable them to directly participate in faster and real-time payments innovation.

There is also a significant opportunity to educate members on the holistic benefits and advantages of frictionless payments options. Given physical safety has become less important as we shift to post-pandemic life, now is the time to promote other and equally important benefits, from convenience and ease of use to security, speed and more. As consumer priorities shift, it will be critical for consumers to have a comprehensive understanding of these new payments options in order to ensure their stickiness in the future.



"Real-time approval/denial of credit card applications and digital issuance are tablestakes."

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While interest remains strong, adoption of emerging payments and trends like cryptocurrency and the metaverse remains low.

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Respondents continued to report interest in cryptocurrency, but only 19% of all respondents have actually invested in or hold crypto. Twenty-six percent (26%) of respondents say they are likely or extremely likely to use cryptocurrency as a method of payment as more merchants begin accepting it. As might be expected, younger generations express more interest in learning about cryptocurrency, with Millennials investing or holding cryptocurrency more than other generations. Respondents with an average or above average household income also have a greater interest in and experience with cryptocurrency than those with below average income. Of those who do hold cryptocurrency, a majority are invested in bitcoin.

Most respondents (78%) have not engaged in a metaverse experience in the last year but, of those who have, 73% purchased, monetized or sold real or virtual products or services. Similar to crypto, Millennials are the most likely to engage in a metaverse

**19%**

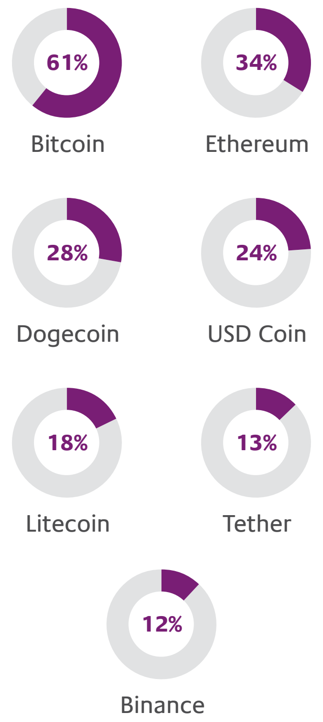
**of all respondents have actually invested in or hold crypto**

**26%**

**of respondents say they are likely or extremely to use cryptocurrency as a method of payment as more merchants begin accepting it**

**What type of cryptocurrency do you currently hold?**

All Respondents



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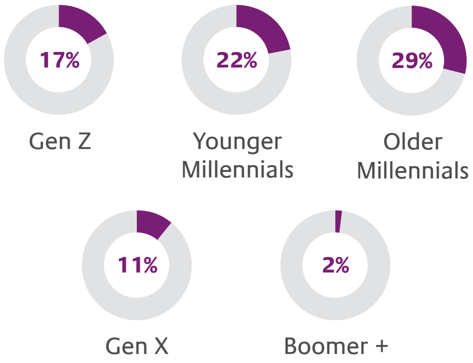
experience and purchase, monetize or sell real or virtual products or services. In addition, nearly two in 10 respondents with average or above average household income have engaged in a metaverse experience and, of those, an impressive 86% purchased, monetized or sold real or virtual products or services.

Finally, about a quarter (26%) of respondents are interested in learning about NFTs from their financial institutions, skewing more heavily towards Millennials and those with average or above average household income. And there is still a significant educational opportunity surrounding these emerging payments trends as nearly half (44%) of all respondents say they don't hold cryptocurrency because they don't know what it is or how to use it. The good news: One in four (26%) respondents would be likely or extremely likely to utilize educational classes or resources from their financial institution if offered.

**Over the past 12 months, have you engaged in a metaverse-type experience?**

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## Key Takeaways:

While cryptocurrency and other emerging payments trends continue to receive quite a bit of buzz, there are still a lot of unknowns. Will cryptocurrency remain mostly an investment? How stable is it really in the long term? Will it go mainstream for purchasing at the point-of-sale? Right now, cryptocurrency is mainly used as an investment tool. But with how rapidly it has evolved over the past decade and coupled with the recent market volatility, only time will tell what its future holds.

Keeping in mind that credit unions currently cannot hold digital assets on their balance sheets until further regulations or legislation are established, it is important for credit unions to educate their own staff and members on the opportunities – and alternatively, the potential pitfalls – that are associated with playing in the cryptocurrency, NFT or metaverse spaces, among other emerging payments areas. Resources like PSCU's cryptocurrency microsite host a wealth of information and materials specifically curated to help credit unions and their staff stay informed on behalf of their members.

Across the board, convenience and ease of use are drivers of credit and debit programs, contactless cards, mobile wallets and more. It will be important for emerging payments to take their cue from these options. For emerging payments offerings to become mainstream and achieve the longevity of other more established products, prioritizing convenience and ease of use, while balancing risk and reward, will be key.

"Convenience and ease of use are critical drivers of successful payment forms – and they will be in the future as crypto and the metaverse move mainstream."

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# Payments through Generations

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# Baby Boomers: Ages 58+

Most respondents in the Baby Boomer generation report stability regarding their life events, personal finances and payment preferences. In fact, while 90% of people in this generation say they are worried about the current economic outlook, a smaller number (69%) are concerned about their personal finances as a result.

Boomer respondents favor debit (39%) and credit (40%) about equally as their most preferred payment method, but only 8% say they have applied for a new credit card through their financial institution in the last 12 months, far less than younger consumers. Among those who applied and received a real-time approval or denial, 95% were at least somewhat satisfied with the process, more than any other generation.

For the second year in a row, respondents ages 58 and above reported a notable increase in contactless card adoption. Among those who have a contactless card, 82% say they use it at least a few times per year, up from 77% in 2021. When asked why they use a contactless card, the top three reasons are ease of use (58%), convenience (56%) and speed (53%).

## Key Takeaways:

This generation is enjoying a season of stability after having experienced its share of economic downturns and life's challenges over the years. Credit unions can offer these members continued peace of mind by providing tools and resources to help them maintain their financial security in times of economic uncertainty. Boomers are open to emerging payments technologies, and credit unions should seek opportunities to engage with them in the digital space: many enjoy interacting with their credit unions online and achieve a high level of satisfaction in doing so.

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# Baby Boomers

| | |
|---|---|
| Top two most preferred ways to pay: | Credit card (40%), Debit card (39%) |
| Frequency of contactless card usage: | Few times per month (33%), Few times per year (28%), Few times per week (18%) |
| Frequency of digital payment method usage: | Don't use at all (68%), Use periodically but not the primary method (27%) |
| Frequency of mobile wallet usage: | Few times per year (11%), Few times per month (6%), Few times per week (2%) |
| Likelihood of using a Buy Now, Pay Later (BNPL) option: | Likely (14%), Extremely likely (3%) |
| Have invested in or hold cryptocurrency: | Yes (5%) |
| Interested in learning about NFTs from their financial institution: | Yes (8%) |
| Engaged in a metaverse or metaverse-like experience in the last six months: | Yes (2%) |
| Payments trends and economic impact statements with which this group most agrees: | "I am worried about the current economic outlook" (90%), "As a result of the current economic outlook, I am concerned about my personal finances" (69%), "I tend to pay more with credit cards than I did a few years ago" (44%) |
| Major life events experienced in the last 12 months: | Retired or left the job market (6%), Purchased a home or changed residences (4%), Changed jobs (3%) |

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## Generation X: Ages 42 to 57

GenXers are more debit-leaning in 2022. In fact, half of this generation says debit cards are their first preferred payment method. Debit use is up, too, with 62% of respondents saying they tend to pay more with debit cards than they did a few years ago, as opposed to 54% last year. Only 24% of Gen X respondents say credit cards are their first preference, down from 30% in 2021.

Nearly all Gex X consumers (97%) shop online. Sixty-nine percent (69%) of Gen X respondents say they do so at least a few times per month, and 81% are comfortable using their debit card to complete online purchases. While this generation shows a strong preference for debit, it is not the only payment method at their disposal: 66% say they use a greater variety of payment methods than they did a few years ago, as opposed to a slightly smaller percentage of respondents across all generations (61%).

It is clear that trust and relationships are important to Gen X. Seven in 10 say they prefer a small financial institution rather than a large national institution, and most (89%) believe credit unions are good places to get advice and guidance on financial matters. An encouraging 94% say they trust their financial institution.

### Key Takeaways:

Gen X consumers trust their credit unions and look to them for sound financial advice. While this generation tends to reach for their debit cards, they are also using a variety of other ways to pay. As new payment technologies emerge, this demographic is expecting their credit unions to keep them well informed. Credit unions should be prepared to offer and educate them on new ways to pay.

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## Generation X

| | |
|---|---|
| Top two most preferred ways to pay: | Debit card (50%), Credit card (24%) |
| Frequency of contactless card usage: | Few times per month (32%), Few times per year (25%), Few times per week (20%) |
| Frequency of digital payment method usage: | Use periodically but not the primary method (39%), Don't use at all (38%) |
| Frequency of mobile wallet usage: | Few times per month (20%), Few times per year (20%), Few times per week (6%) |
| Likelihood of using a Buy Now, Pay Later (BNPL) option: | Likely (30%), Extremely likely (9%) |
| Have invested in or hold cryptocurrency: | Yes (20%) |
| Interested in learning about NFTs from their financial institution: | Yes (31%) |
| Engaged in a metaverse or metaverse-like experience in the last six months: | Yes (11%) |
| Payments trends and economic impact statements with which this group most agrees: | “I am worried about the current economic outlook” (89%), “As a result of the current economic outlook, I am concerned about my personal finances" (77%), “I use a greater variety of payment methods than I did a few years ago” (66%) |
| Major life events experienced in the last 12 months: | Purchased a home or changed residences (10%), Changed jobs (9%), Lost my job (7%) |

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## Older Millennials: Ages 32 to 41

Older Millennials stand out for embracing payments technologies and digital innovations. Like other generations, this group says debit is their first preferred payment method, but they also remain the most frequent users of digital payment methods like PayPal and Venmo, among others. Over half (53%) say they use digital payment methods at least regularly and of those, 21% say it is their primary payment method. These transactions are not just taking place online: Nearly one-third (31%) of this generation say they have used a digital payment method in a physical store in the past 60 days. PayPal, Google Pay and Venmo are the top choices among Older Millennials with 82%, 65% and 64% of respondents, respectively, saying they are likely or extremely likely to use the methods to make a purchase in the next six months.

Older Millennials take the lead where cryptocurrency is concerned. Thirty-seven percent (37%) have invested or hold cryptocurrency – more than any other age group. Bitcoin is this generation's most frequently held cryptocurrency at 54%, followed by Ethereum at 38%. As more merchants begin accepting cryptocurrency as a payment method for goods and services, 45% of Older Millennials say they will use it to pay, as opposed to the average of 26% across all generations.

This generation's interest in payment innovations extends beyond cryptocurrency. Twenty-nine percent (29%) of Older Millennials say they have participated in a metaverse or metaverse-like experience over the last 12 months, more than any other generation. And of those who participated, 78% say they purchased, monetized or sold real or virtual products or services.

### Key Takeaways:

Older Millennials are rapidly adopting new technologies and are using digital payments solutions in a big way. As these offerings and others, like cryptocurrency, become more mainstream, credit unions must be ready with solutions and guidance. While credit unions cannot currently hold digital assets, they should keep a close eye on regulations and be prepared to educate consumers when and if legislation is approved. And, with celebrities and iconic brands like Disney getting in on the NFT market and Facebook's rebrand as Meta, credit unions should understand that NFTs and the metaverse are becoming less abstract to consumers and a greater part of mainstream popular culture.

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## Older Millennials

| | |
|---|---|
| Top two most preferred ways to pay: | Debit card (45%), Credit card (29%) |
| Frequency of contactless card usage: | Few times per month (31%), Few times per week (29%), Few times per year (21%) |
| Frequency of digital payment method usage: | Use periodically but not the primary method (34%), Use regularly but also use other methods (32%) |
| Frequency of mobile wallet usage: | Few times per month (31%), Few times per year (23%), Few times per week (13%) |
| Likelihood of using a Buy Now, Pay Later (BNPL) option: | Likely (35%), Extremely likely (14%) |
| Have invested in or hold cryptocurrency: | Yes (37%) |
| Interested in learning about NFTs from their financial institution: | Yes (42%) |
| Engaged in a metaverse or metaverse-like experience in the last six months: | Yes (29%) |
| Payments trends and economic impact statements with which this group most agrees: | “I use a greater variety of payment methods than I did a few years ago” (81%), “I am worried about the current economic outlook” (81%), “As a result of the current economic outlook, I am concerned about my personal finances" (78%) |
| Major life events experienced in the last 12 months: | Changed jobs (19%), Lost my job (12%), Purchased a home or changed residences (12%) |

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## **Younger Millennials:** Ages 26 to 31

Younger Millennials are focused on building credit and gaining financial security. While this generation prefers debit cards overall, 80% agree or completely agree they prefer to use a credit card in order to build their credit, compared to the average of 61% across all generations. Younger Millennials are engaged in other healthy financial behaviors. For instance, 62% agree or completely agree that they have lowered their credit card balances in the last year and half agree or completely agree they have saved more money than they usually do. Additionally, 20% of respondents in this generation say they purchased a home or changed residences in the last year.

Consumers in this age group are the most prolific users of mobile wallet technology. Seventy-five percent (75%) of Younger Millennials report using their mobile wallet at least a few times per year, and almost one-quarter use their mobile wallet at least a few times per week. Most cite ease of use as the reason they pay with their mobile wallet (65%).

Consistent with their interest in using credit cards to build credit, Younger Millennials also seek BNPL financing opportunities more than other generational segments. In fact, 55% of Younger Millennials are likely or extremely likely to use a BNPL program, as opposed to 25% in 2021, a notable increase of 57%.

### Key Takeaways:

Younger Millennials are intent on making good choices where money is concerned, thereby paving the way for a stable financial future. Credit unions should arm these consumers with the knowledge and the opportunities to plan, save and build their credit. Financing opportunities are also important to these up-and-coming consumers – from credit cards and BNPL to mortgage loans – and they are actively seeking ways to borrow. Again, there is an opportunity to educate this cohort on the potential pitfalls associated with different lending options. This generation also appreciates the ease of paying with a mobile wallet and uses the technology more frequently than any other generation. Digital issuance can be a particularly effective strategy for ensuring your credit union card remains loaded in these members' mobile wallets, as they are highly unlikely to switch it to another card once provisioned.

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# Younger Millennials

| | |
|---|---|
| Top two most preferred ways to pay: | Debit card (46%), Credit card (26%) |
| Frequency of contactless card usage: | Few times per month (38%), Few times per week (32%), Few times per year (16%) |
| Frequency of digital payment method usage: | Use periodically but not the primary method (40%), Use regularly but also use other methods (26%) |
| Frequency of mobile wallet usage: | Few times per month (31%), Few times per year (21%), Few times per week (16%) |
| Likelihood of using a Buy Now, Pay Later (BNPL) option: | Likely (37%), Extremely likely (18%) |
| Have invested in or hold cryptocurrency: | Yes (36%) |
| Interested in learning about NFTs from their financial institution: | Yes (47%) |
| Engaged in a metaverse or metaverse-like experience in the last six months: | Yes (22%) |
| Payments trends and economic impact statements with which this group most agrees: | "I am worried about the current economic outlook" (83%), "I use a greater variety of payment methods than I did a few years ago" (82%), "As a result of the current economic outlook, I am concerned about my personal finances" (78%) |
| Major life events experienced in the last 12 months: | Changed jobs (23%), Purchased a home or changed residences (20%), Lost my job (10%) |

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# **Generation Z:** Ages 18 to 25

The youngest generation of adults, Gen Z experienced a year marked by transitions and concerns. Eight in 10 Gen Z respondents (81%) say they are concerned about their personal finances as a result of the current economic outlook, which is more than any other generation. Some of this uncertainty may stem from employment insecurity, as 19% say they lost their job in the last 12 months and 42% changed jobs.

Debit cards are still Gen Z's first preferred payment method, although the preference has decreased from 53% in 2021 to 48% in 2022. This nearly 10% change was spread among other payment methods with 84% of Gen Z respondents saying they use a greater variety of payment methods than they did a few years ago.

Gen Z boasts the highest use of mobile apps for ordering food for pick-up or delivery. Ninety-two percent (92%) of these young consumers use an app like UberEats at least a few times per year and, of those, 20% use it at least a few times per week. But Gen Z respondents are not just using their phones for ordering food. In fact, 81% say they use their mobile phones to make payments or conduct banking – quite a contrast from the average of 54% across all generations.

## Key Takeaways:

The youngest generation is coming of age at a tumultuous time. They are concerned about how the economy will affect them, and rightfully so. Credit unions have the opportunity to help ease Gen Z's financial woes, but they must meet these consumers where they are – on their phones. These digital natives are using their phones for banking, paying, shopping and more, and they expect credit unions to provide user-friendly tools at their fingertips. Programs promoting financial education and wellness are particularly important for this generation as they grapple with economic and financial concerns.

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## Generation Z

| | |
|---|---|
| Top two most preferred ways to pay: | Debit card (48%), Credit card (21%) |
| Frequency of contactless card usage: | Few times per month (41%), Few times per week (27%), On a daily basis (13%) |
| Frequency of digital payment method usage: | Use periodically but not the primary method (41%), Use regularly but also use other methods (30%) |
| Frequency of mobile wallet usage: | Few times per year (26%), Few times per month (24%), Few times per week (14%) |
| Likelihood of using a Buy Now, Pay Later (BNPL) option: | Likely (29%), Extremely likely (13%) |
| Have invested in or hold cryptocurrency: | Yes (25%) |
| Interested in learning about NFTs from their financial institution: | Yes (35%) |
| Engaged in a metaverse or metaverse-like experience in the last six months: | Yes (17%) |
| Payments trends and economic impact statements with which this group most agrees: | “I use a greater variety of payment methods than I did a few years ago” (84%), “I am worried about the current economic outlook” (81%), “As a result of the current economic outlook, I am concerned about my personal finances" (81%) |
| Major life events experienced in the last 12 months: | Changed jobs (42%), Lost my job (19%), Graduated from college (16%) |

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# Final Considerations

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# Final Considerations

Consumer preferences are constantly shifting in response to economic and social events. As a result of the pandemic, we saw many consumers turn to payments options that enabled touch-free checkout in the name of cleanliness and physical safety, online shopping and food or grocery pick-up and delivery. Fast forward to today: As we face an uncertain economic outlook and words like “recession,” “inflation” and “supply chain issues” remain topics of everyday conversation, many behavioral shifts initially observed as a result of the pandemic appear to be here to stay.

As evidenced throughout this study, the economy and its future outlook are now top of mind for many consumers, making it critical for credit unions to keep a pulse on inflation, interest rates, unemployment and more that could impact their members. Only time will tell how consumers will react to these larger macro trends.

Nonetheless, we anticipate the trends we have seen take hold in consumer behavior in 2022 will remain, from a desire for variety and choice, to a demand for immediacy and frictionless experiences. An increase in digital payment solutions usage, as well as interest in new and emerging payments offerings, will continue to take center stage in consumers’ share of minds and wallets.

As always, keeping your credit union membership and their evolving payment preferences and behaviors at the forefront of everything you do will ensure you deliver the products, services and experiences members expect and now demand in today’s digital-first world. Taking it a step farther and using data and analytics to drill down to the member level will enable credit unions to provide an experience that is truly individualized and optimized for each member. Working in tandem with a continued focus on financial wellness and member education, the credit union industry and its members will be well-poised to thrive, grow and adapt to the evolving, dynamic economic landscape.

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# About PSCU

PSCU, the nation's premier payments CUSO, supports the success of 1,900 credit unions representing nearly 7 billion transactions annually. Committed to service excellence and focused on innovation, PSCU's payment processing, risk management, data and analytics, loyalty programs, digital banking, marketing, strategic consulting and mobile platforms help deliver possibilities and seamless member experiences. Comprehensive, 24/7/365 member support is provided by contact centers located throughout the United States. The origin of PSCU's model is collaboration and scale, and the company has leveraged its influence on behalf of credit unions and their members for more than 40 years. Today, PSCU provides an end-to-end, competitive advantage that enables credit unions to securely grow and meet evolving consumer demands. For more information, visit pscu.com.