



News Release

PULSE® Study Confirms COVID-19 Pandemic Accelerated the Transformation of Debit

Total U.S. debit spending rose despite first-ever contraction in total number of debit transactions; card-not-present transactions soar with shift to digital commerce

HOUSTON, August 17, 2021 – The *2021 Debit Issuer Study*, commissioned by Discover Financial Services' PULSE debit network and conducted by Oliver Wyman, portrays a debit market evolving with the rapid transformation of commerce. Response to the COVID-19 pandemic prompted U.S. consumers to make fewer but larger debit purchases in 2020, resulting in a strong increase in total debit spending. The study also identifies merchant categories that expanded in 2020 as a result of the pandemic, such as digital retailers and home supply stores, as well as those that contracted, such as travel and dining.

"Several debit trends that had been gaining momentum prior to the pandemic accelerated in 2020," said Steve Sievert, Executive Vice President of Marketing and Brand Management with PULSE. "The shift to digital commerce and card-not-present transactions, adoption of contactless and use of debit for money transfers all leaped forward at warp speed."

Fewer, Larger Purchases

For the first time in the 16-year history of the Debit Issuer Study, the number of debit transactions declined in 2020 while debit dollar volume increased. Debit transactions totaled 76.1 billion, compared to 78.1 billion in 2019 – a decline of 2.5% year-over-year. At the same time, total debit spending grew by 8% year-over-year, thanks to a significant jump in ticket sizes. Average ticket size rose from \$40.50 in 2019 to \$44.80 in 2020, an increase of more than 10% – the largest upswing in the study's history. This boosted U.S. debit volume to \$3.4 trillion in 2020. When combined with prepaid debit volume of \$240 billion, total debit spend eclipsed total spend on credit cards for the first time.

"With many restaurants and retail locations closed for several months in 2020, generally people headed out less often which meant fewer debit purchases, but they stocked up when they did go out for groceries and other necessities," said Tony Hayes, Partner and Global Payments Team Lead with Oliver Wyman.

Spending Shifts

With Americans encouraged to stay home, spending patterns shifted, which benefited some merchants and devastated others. The shift to digital commerce meant that card-not-present (CNP) purchase transactions per active card boomed, increasing 23% year-over-year. All CNP transaction types combined – including account-to-account money transfers – made up 34% of debit transactions in 2020.

Among the top 10 merchant categories for debit purchases, book stores (a category that includes Amazon) logged a 57% year-over-year increase in debit transactions. Digital goods rose 41% while home-supply retailers increased 22%. At the other end of the spectrum, transportation declined by 53%, restaurants and bars by 18% and fast food by 10%.

Debit Use Diversifies

The study noted broader use of debit in three additional areas:

- **Contactless Payments** – The rollout of contactless debit cards is well underway, with contactless penetration jumping from 11% of all debit cards in 2019 to 30% in 2020. Of cardholders with contactless cards, issuers report one-third (33%) used the capability. The study projects contactless cards will make up 64% of all debit cards by the end of this year. While the number of contactless debit card transactions at tap-and-go terminals increased six-fold year-over-year in 2020, such transactions still make up less than 2% of all debit transactions.
- **Mobile Wallets** – Approximately 2 billion debit transactions were completed using the three major mobile wallets – Apple Pay, Samsung Pay and Google Pay – in the U.S. in 2020, a year-over-year increase of 51%. Apple Pay expanded its lead over the other two wallets, accounting for a noteworthy 92% of these transactions. The average ticket size of debit mobile wallet transactions jumped from \$15 in 2019 to \$23 in 2020.
- **Money Transfers** – Account-to-account (A2A) money transfers using debit are booming. These payments encompass peer-to-peer transfers, business-to-consumer transactions such as payments to gig-economy workers, and cardholders funding their digital-wallet accounts. A2A transactions per active debit card per month jumped nearly 60%, building on 100% growth in the prior year. The average active debit cardholder made about one monthly A2A debit transaction in 2020. Peer-to-peer solutions such as Venmo, Cash App and Zelle®, are the main driver of A2A volume.

Further study details are available at pulsedis.com.

About the Study

The *2021 Debit Issuer Study* is the 16th installment in the study series, commissioned by PULSE and conducted by Oliver Wyman, an independent management consulting firm. The study provides an objective fact base on debit issuer performance and financial institutions' outlook for the debit business. Forty-eight institutions – including large banks, credit unions and community banks – participated in the study. The participants collectively issue approximately 158 million debit cards and represent about 40% of the U.S. debit market. The sample is representative of the U.S. debit market in terms of institution type, geography and debit network participation.

About PULSE

PULSE, a Discover Financial Services (NYSE: DFS) company, is one of the nation's leading debit/ATM networks. Financial institutions, merchants, processors and ATM deployers across the United States and around the world depend on PULSE's comprehensive suite of products and services and its commitment to providing exceptional client service, flexibility, security and superior economics. PULSE serves as a resource for debit education, research and knowledge drawn from more than three decades of industry experience. For more information, visit pulsenetwork.com. For insights into the latest payments industry trends, visit [Payments & You](#).

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