



News Release

PULSE Study: Debit Payments Continue to Grow and Go Digital *Momentum building for e-commerce, person-to-person and other payment types*

HOUSTON, August 1, 2019 – Consumers are paying with debit more often, and in a wider variety of ways, including e-commerce purchases, online bill payments and person-to-person (P2P) payments. This was a key finding of the *2019 Debit Issuer Study*, commissioned by Discover Financial Services' [PULSE®](#) debit network and conducted by Oliver Wyman.

Consumer debit use continues to grow, driven primarily by purchases made without physical cards, according to the 14th annual installment of the study. E-commerce and other digital transactions grew nearly 24 percent year-over-year – more than five times faster than debit transactions initiated with a physical card. One in four debit transactions took place without the presence of a card in 2018, compared to one in five in 2017.

Consumers are increasingly using debit for P2P transfers, business-to-consumer “push” payments and cardless consumer-to-business payments, most of which take place in mobile apps or online. Push payments are used for the disbursement of funds in cases such as paying gig-economy workers and settling insurance claims.

As a result of shifting payment patterns, debit use climbed to an average of 24.8 transactions per month per active card in 2018, compared to 23.7 in 2017. Annual spend per active card averaged \$11,684, a nearly 8 percent increase year-over-year.

“People are increasingly turning to debit whether they’re inserting a card at the point of sale, using an app or shopping online,” said Steve Sievert, executive vice president of Marketing and Brand Communications at PULSE. “Looking ahead, we expect the debit landscape to continue to evolve as issuers enhance anti-fraud measures, respond to changing consumer payments behavior and meet the consumer expectation of a frictionless payments experience.”

Additional study findings include growing interest in issuing contactless debit cards and developing digital customer-service capabilities.

Growth in Funds Transfer Services

Although P2P transfers, push payments and other funds transfers account for just 6 percent of all debit payments made without a physical card, according to the study, the numbers are beginning to add up. An estimated 1.2 billion such payments were completed via debit cards in 2018, nearly all of which was incremental growth.

“These are truly ‘faster payments’ that enable individuals and companies to send and receive funds quickly and easily,” said Judith McGuire, executive vice president of Product Management at PULSE. “We’ve had tremendous success with our account credit transfer service, for example, which uses a debit transaction to push money to consumer accounts.”

Interest in Contactless Cards

The percentage of debit issuers that say they are interested in offering contactless cards nearly doubled year-over-year, with 70 percent planning to issue contactless cards by the end of 2020. Another 10 percent already issue some contactless debit cards. Only 20 percent of respondents said they have no plans to offer contactless cards.

“Merchant acceptance of contactless cards has increased since the introduction of mobile wallets a few years ago,” said Tony Hayes, partner at Oliver Wyman and study principal. “Many issuers also said they don’t want to risk being left behind when it comes to contactless.”

Contactless cards are projected to represent as much as 60 percent of U.S. debit cards by the end of 2021 if financial institutions replace their existing card bases at their expected rates.

Focus on Digital Transformation

Enhancing digital capabilities is an important area of focus for issuers. When asked about their digital strategies, issuers reported offering, or planning to offer, an array of digital services that fall into four categories:

- Providing effective, uninterrupted access to funds through offerings such as self-service card replacement and issuance of virtual cards into mobile wallets upon account opening.
- Driving debit use and wallet share through services such as cardless ATMs, P2P payments and a listing of merchants with which a cardholder has stored his or her card data.
- Enhancing customer engagement through services that include self-service transaction disputes and card freezes.
- Increasing security and controls by providing real-time account holder alerts and implementing multi-factor authentication for online or mobile purchases.

Decline in Fraud Losses

For the third consecutive year, debit issuers' average net fraud loss per debit transaction declined, sinking to 1.1 cents from 1.3 cents in 2017. Issuers' average net fraud loss per active card declined to \$3.24 per year in 2018 – about 10 percent less than in 2017.

Fraudsters are focusing on transactions initiated without a physical card, which accounted for 69 percent of fraud claims but only 24 percent of debit transactions in 2018. This compares to 66 percent of claims and 20 percent of transactions in 2017.

“Effective fraud mitigation requires a layered approach that encompasses products, processes and people,” said McGuire. “We’re working internally, and with others in the payments ecosystem, to employ a range of solutions to help financial institutions identify and block fraud on a broader range of debit transactions.”

Further study details are available [here](#).

About the Study

The *2019 Debit Issuer Study* is the 14th 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. Sixty-three institutions – including large banks, credit unions and community banks – participated in the study. The participants collectively issue approximately 158 million debit cards and represent 44 percent 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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