

# 2008-2009 Consumer Internet Purchase Study: Key Highlights

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Conducted by Analytica Inc.



## Background

In late 2008, NYCE commissioned marketing research firm Analytica Inc. to survey 2,500 consumers regarding their behaviors and preferences related to Internet purchases, as well as their interest in SafeDebit™ — a new Internet purchase payment method. SafeDebit is a service, offered by NYCE, that enables consumers to purchase goods and services over the Internet by securely taking payment straight out of a checking account using a single-use virtual card number.

NYCE commissioned the research to learn the answers to several key questions:

- What are the most important considerations for consumers when choosing a payment method for online shopping?
- What are consumers using most now?
- How loyal are consumers to their favorite payment methods? Would they be willing to switch to new options such as SafeDebit?
- Are there consumers who don't purchase online today but would consider it if they could use SafeDebit?
- Who is most likely to be interested in using SafeDebit?
- What do consumers need from their financial institution to consider a switch?

## Methodology

The 2,500 surveys were partitioned into two samples:

1. 1,500 surveys were to come from a stratified random sample of a population of U.S. e-mail addresses, conducted over the Internet.
2. Using the same survey questions, 1,000 interviews were to be conducted over the phone with a U.S. representative RDD (random digit dialing) sample.

Both samples were representative of the U.S. population by geography, ethnicity, age, income and gender. Surveys were completed between December 2008 and February 2009.

NYCE received 1,608 Internet surveys, for a total of 2,608 responses. By conducting a portion of the survey using RDD and not limiting it to Internet users, NYCE was able to eliminate an Internet bias and gain additional insights by comparing responses from current Internet users with those from a completely representative U.S. population.



## Highlights of Results

NYCE's research demonstrates that security when shopping online remains a significant concern for many consumers. For some, concerns about security prevent them from purchasing online at all. For others, security concerns limit the frequency with which they purchase online.

Many of these consumers expressed an interest in a secure Internet purchase payment method, offered by their financial institution, especially if they *understand how* it makes them safe. If consumer concerns are addressed, there is compelling evidence to suggest that a product like SafeDebit will **increase online purchases and associated revenue for both financial institutions and for online merchants.**

While traditional payment methods (credit and debit cards) remain the most frequently used payment methods on the Internet, consumers that shop online frequently have tried a variety of alternative payments. Interestingly, most consumers would be willing to replace their current payment method if their financial institution offered them a new, safer way to purchase online. Those who would be willing to switch expressed strong interest in the SafeDebit product.

### Among the report's findings:

- **Consumers remain very concerned about the security of online transactions.**
  - Of the 322 consumers that had *never* purchased on the Internet, 43.5% cited security concerns as the reason. This group expressed concern about exposing account and personal information that could lead to identity theft.
  - Among consumers that had purchased infrequently (fewer than three times annually) on the Internet, 26% cited security as the reason they don't shop online more often. Again, the potential for identity theft was a frequently mentioned concern.
  - Of the frequent purchasers (more than three times annually) who identified PayPal as their preferred method of payment, 59.1% cited security as the primary reason behind their choice.
- **Yet while security is important for many consumers — it is not the only, or even the most important, consideration when choosing a payment method.**

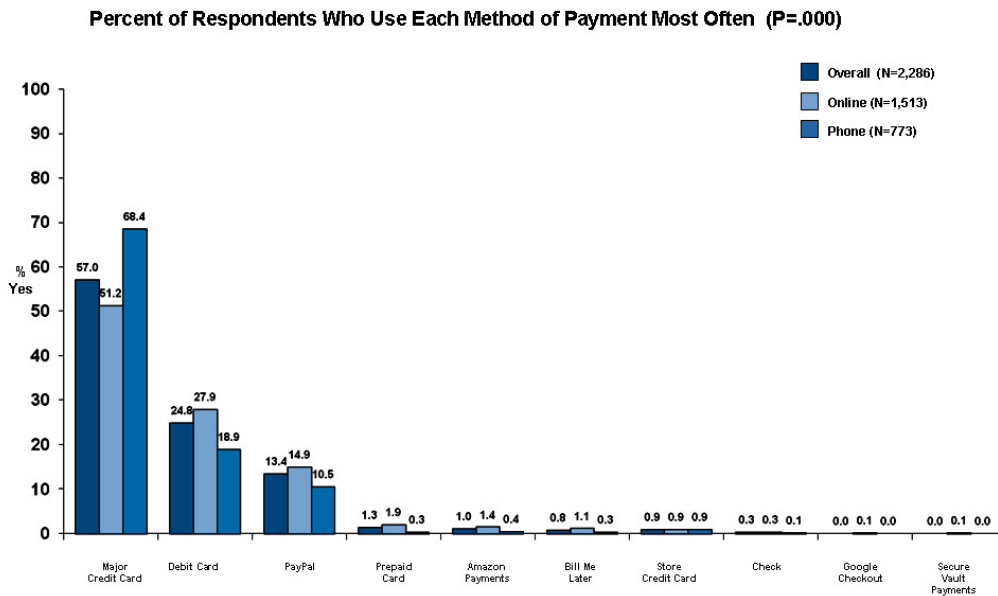
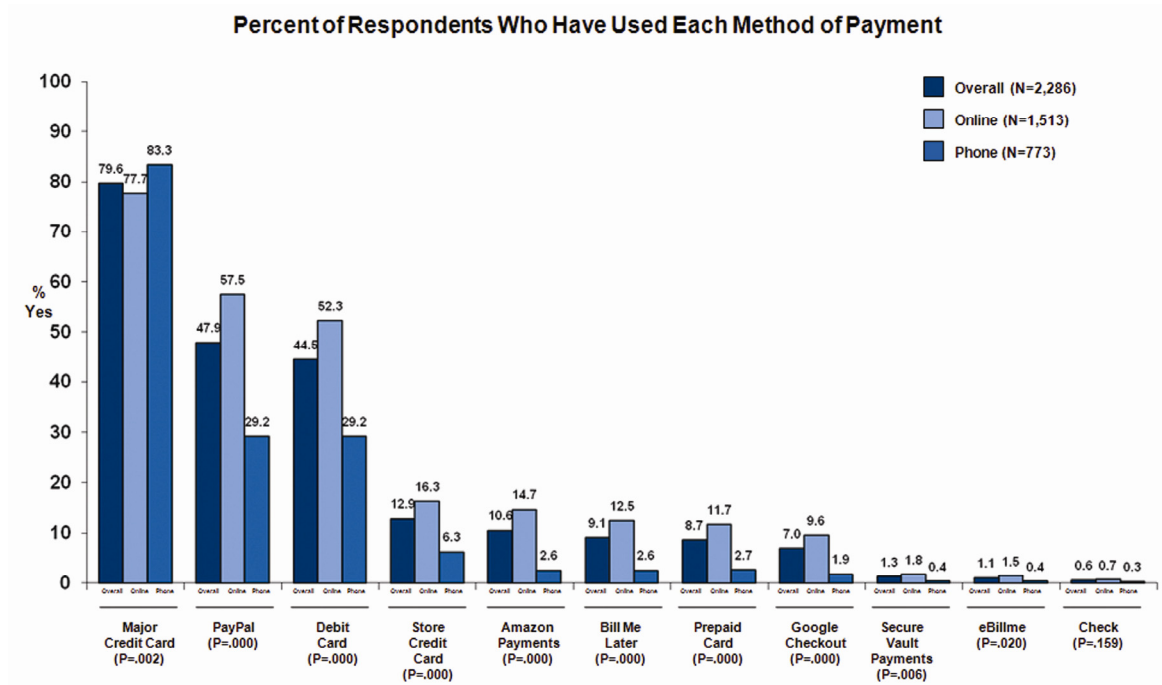
Consumers that purchase frequently on the Internet (more than three times per year) cited the following reasons for their preferred payment method:

Credit Cards	Debit Cards	PayPal
Convenience (47.9%)	Control over spending (31.6%)	Security (59.1%)
Security (20.9%)	Convenience (25.3%)	Convenience (39.8%)
Incentives (12.9%)	Directly from checking account (18.5%)	eBay usage (9.8%)



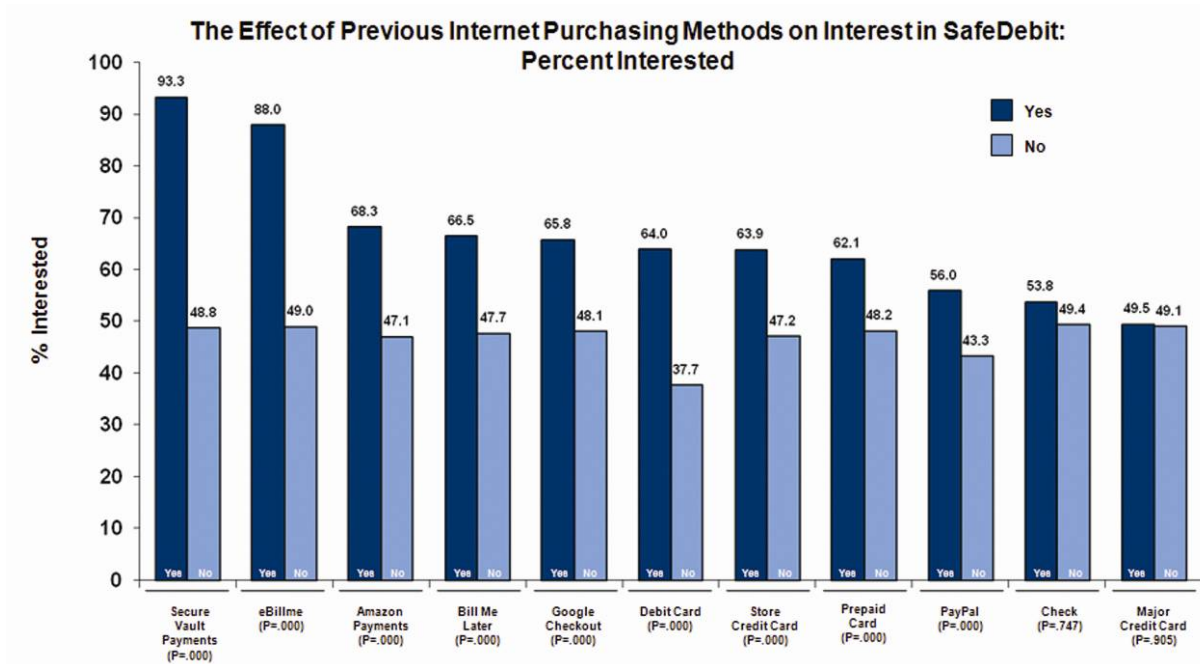
- Alternative payments are making inroads into consumer usage, but have not overtaken all traditional methods.

While PayPal had been used by almost half of the respondents, the most frequently used payment method over the Internet remained the credit card. In addition to PayPal, consumers were using other alternative payment methods, such as Amazon Payments, Bill Me Later and Google Checkout.



- Many of the consumers using alternative payment methods were interested in trying SafeDebit.

The graph below demonstrates the percentages of consumers that were very interested in trying SafeDebit based on their use of specific Internet payment methods in the past. For example, of those who said “yes,” they have used Secure Vault Payments, 93.3% expressed strong interest in SafeDebit. Conversely, 48.8% of those that said “no,” they have not used Secure Vault Payments expressed interest in using SafeDebit.



- The more frequently a consumer purchased online, the higher their interest level in SafeDebit.

Of those who purchased 3 to 24 times per year, 56.7% were interested in SafeDebit. Of those purchasing more than 24 times per year, 60.9% were interested.

- Notably, offering a secure product like SafeDebit has the potential to increase online purchases and associated revenue – both for financial institutions and online merchants – as demonstrated by the following survey responses:
  - Among those that had *never purchased online*, 18.3% were highly interested in purchasing online using a secure method of payment.
  - Among those that purchased online infrequently, 27.6% were highly interested in *making more Internet purchases* using a secure method.



- **To drive consumer Internet purchases, security concerns must be addressed.**
  - In fact, it was the top recommendation when consumers were asked what would cause them to be interested in using a system to make Internet purchases.
  - 20.2% of consumers that had never purchased on the Internet and 17.3% of consumers that purchased infrequently said, “make it secure.” They went on to describe the importance of protection from fraud and identity theft and their need to be reassured about the system’s security.
  - The following response is characteristic of a prevailing attitude: “I would need to know *how* they are going to keep my information safe,” rather than being satisfied with simply being told that the method is safe.
- **When consumers understand how SafeDebit works, they grow more comfortable with the idea of using it to pay for online purchases.**

For infrequent purchasers, their interest level increased significantly when SafeDebit was explained to them in more detail.

- When asked about using SafeDebit, which was first described as “an extremely safe way to pay using your checking account,” 19.4% of the online sample and 17.8% of the RDD sample indicated a high interest in using it.
- After SafeDebit was then described in detail, explaining exactly how it would work, the percentage indicating a high interest increased to 30.9% and 23.5% for the online and RDD samples, respectively.
- **Consumers with the following demographic characteristics expressed the greatest interest in SafeDebit:**
  - 18- to 29-year-olds, followed closely by 30- to 34-year-olds. In fact, as is the case with using debit cards to pay in stores, there is an almost perfectly inverse linear relationship between age and interest in SafeDebit – the younger the person, the greater the interest.
  - Those with income in the \$35,000 to \$75,000 range, followed closely by those with income of \$75,000 and higher.
  - Current online banking users and debit cardholders.
- **When asked what would cause them to be interested in using SafeDebit, those who purchased online frequently (more than three times annually) suggested the following top three items:**
  1. Offer incentives (22.9%)
  2. Make it secure (20.1%)
  3. Offer buyer protection/guaranty (12.2%)

