

Lost in Transaction: Consumer payment trends 2022

Navigating online payments in the age of uncertainty

Paysafe has been interviewing consumers about their payment preferences for our Lost in Transaction research series since 2017.

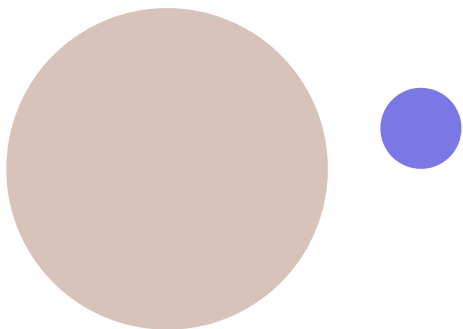
In April 2022, we commissioned a survey of 11,000 consumers in 10 countries across Europe and the Americas to find out how their payment preferences are evolving. In particular, we explored the impact of the rising cost of living, the role of cash, consumers' attitudes towards security and convenience in online payments, the adoption of embedded payments, and how people perceive neobanks.

Here are our main findings:

- **Consumers want more control over their spending.** The cost-of-living crisis has forced 44% to change their online payment habits, with 40% shifting toward payment methods that allow them to track spending more accurately and 21% avoiding buying on credit.
- **Debit cards, credit cards, and digital wallets remain the most popular online payment methods.** 59% of customers use debit cards, 51% use credit cards, and 33% use digital wallets. Debit cards have seen significant growth over the past 12 months, even in countries where credit cards have traditionally been more widely used. That said, consumers mainly use them to pay for small-ticket items. Credit cards remain the preferred way to pay for high-value purchases. Cryptocurrency has also seen an increase in use.
- **Cash is going digital.** 47% of consumers think it would be easier if they could pay for online purchases in cash. And those who don't use eCash see themselves doing so within the next two years if they learn more about it or if it becomes more widely available. Crucially, 70% of consumers would be worried if they could no longer access cash, proving that it continues to play a fundamental role in people's everyday lives.
- **Security is winning the battle over convenience in online payments.** Security is the primary consideration for 44% of customers when choosing an online payment method. 70% prefer not to share their financial details online, and 62% feel anxious if they're not asked to provide any security information before payment.
- **While security is a priority, there's little appetite for more payment friction.** Only 19% would be prepared to jump through extra hoops to make payment safer, and 23% would accept additional payment security measures only if it involved minimal inconvenience. Significantly, 44% think merchants are striking the right balance between payment security and convenience compared to only 26% who thought so last year.
- **Embedded payments are an untapped growth opportunity.** 49% of consumers have never heard of the term 'embedded payments' even though many have probably used them without realising it. The good news is that many are open to the technology if they learn more about it. And out of those who have heard of the term, the majority (38%) think the technology is more secure than traditional payments.
- **Neobank adoption has reached a tipping point.** Now that both traditional banks and neobanks are operating largely online, neobanks' superior customer-facing technology is giving them an edge. 41% think neobanks have a better digital user experience than traditional banks. Customers also prefer neobanks because of lower fees (41%) and advanced features that help them control their spending (40%).
- **Relationships continue to be traditional banks' biggest competitive advantage.** 57% of consumers think traditional banks have better customer service than neobanks, and 56% value being able to go to a branch and speak to a professional.

Contents

| | |
|--|----|
| Introduction | 2 |
| 1. The cost-of-living crisis is reshaping online payment habits | 4 |
| 2. From coins to bytes: cash's digital transformation | 11 |
| 3. In the battle between security and convenience in online payments, security is winning hands down | 15 |
| 4. Embedded payments: a largely untapped growth opportunity | 19 |
| 5. Neobanks are on the cusp of mass-adoption | 21 |
| Looking ahead: giving customers more control, flexibility, and security | 25 |
| Survey methodology | 26 |
| About Paysafe | 27 |



The cost-of-living crisis is reshaping online payment habits



Record inflation and hefty increases in the prices of everyday essentials¹ have forced significant numbers of consumers to reconsider how they pay for their online purchases.

44% of respondents told us they've changed their online payment habits, with 40% shifting towards payment methods that enable them to track their spending more accurately and almost a quarter (21%) avoiding buying on credit.

Has the rising cost of living impacted your choice of payment method for online purchases?

| | UK | US | Canada | Germany | Austria | Bulgaria | Italy | Peru | Chile | Brazil | |
|--|------|------|--------|---------|---------|----------|-------|------|-------|--------|------|
| Yes, I have changed the way I use certain payment methods | 44 % | 36 % | 44 % | 30 % | 33 % | 30 % | 45 % | 33 % | 67 % | 60 % | 61 % |
| No, I'm still paying for online purchases using the same payment methods I always have | 48 % | 58 % | 46 % | 61 % | 59 % | 62 % | 44 % | 58 % | 24 % | 35 % | 33 % |
| Not sure | 8 % | 5 % | 11 % | 10 % | 8 % | 8 % | 12 % | 9 % | 8 % | 5 % | 6 % |

The most popular payment methods overall are debit cards, credit cards, and digital wallets. Cryptocurrencies are also making inroads, albeit to a lesser extent.

How have your payment habits changed?

| | UK | US | Canada | Germany | Austria | Bulgaria | Italy | Peru | Chile | Brazil | |
|---|------|------|--------|---------|---------|----------|-------|------|-------|--------|------|
| I'm paying in cash less often | 52 % | 57 % | 36 % | 55 % | 49 % | 54 % | 52 % | 47 % | 58 % | 58 % | 55 % |
| I prefer payment methods that allow me to track my spending more accurately | 40 % | 28 % | 37 % | 35 % | 30 % | 30 % | 48 % | 37 % | 48 % | 41 % | 45 % |
| I prefer using contact-free payment methods like contactless and mobile wallets | 36 % | 40 % | 26 % | 36 % | 39 % | 37 % | 39 % | 35 % | 39 % | 41 % | 35 % |
| I prefer using payment methods that don't require me to share my details online | 33 % | 24 % | 36 % | 31 % | 26 % | 25 % | 33 % | 25 % | 43 % | 32 % | 34 % |
| I prefer paying for online purchases via digital wallets | 24 % | 18 % | 24 % | 17 % | 26 % | 19 % | 19 % | 19 % | 31 % | 24 % | 28 % |
| I'm avoiding credit cards and other credit products | 21 % | 19 % | 24 % | 21 % | 16 % | 13 % | 21 % | 10 % | 24 % | 22 % | 24 % |
| I make more online purchases using eCash (online cash or electronic cash) e.g. paysafecard, Paysafecash, Barzahlen, viacash | 18 % | 8 % | 22 % | 15 % | 19 % | 22 % | 17 % | 12 % | 24 % | 16 % | 20 % |
| I've signed up for more subscriptions | 17 % | 10 % | 17 % | 16 % | 13 % | 15 % | 12 % | 9 % | 24 % | 23 % | 17 % |
| I prefer paying in cryptocurrency | 6 % | 3 % | 12 % | 7 % | 5 % | 7 % | 10 % | 4 % | 6 % | 4 % | 4 % |
| Other | 1 % | 1 % | 2 % | 3 % | 0 % | 1 % | 0 % | 0 % | 1 % | 1 % | 2 % |

¹ <https://qz.com/2153852/inflation-rates-are-rising-around-the-world/>

Debit card payments are on the rise

Debit cards are the preferred payment method for an overwhelming majority of respondents in the UK (82%), Chile (82%), and Bulgaria (75). But their use has increased across the board.

Which of the following payment methods have you used in the past month when paying for online purchases?

| | UK | US | Canada | Germany | Austria | Bulgaria | Italy | Peru | Chile | Brazil | |
|---|------|------|--------|---------|---------|----------|-------|------|-------|--------|------|
| Debit card | 59 % | 82 % | 60 % | 49 % | 48 % | 32 % | 75 % | 34 % | 66 % | 82 % | 57 % |
| Credit card | 51 % | 46 % | 54 % | 73 % | 38 % | 54 % | 34 % | 47 % | 45 % | 50 % | 67 % |
| Digital wallet (e.g. Skrill, NETELLER) | 33 % | 37 % | 29 % | 26 % | 40 % | 36 % | 42 % | 36 % | 27 % | 24 % | 35 % |
| Direct bank transfer or ACH | 29 % | 24 % | 19 % | 13 % | 33 % | 43 % | 25 % | 28 % | 32 % | 41 % | 42 % |
| Mobile wallet (e.g. Apple Pay, Google Pay) | 19 % | 33 % | 24 % | 17 % | 15 % | 20 % | 25 % | 14 % | 12 % | 12 % | 14 % |
| Pay by invoice | 17 % | 6 % | 9 % | 7 % | 40 % | 42 % | 14 % | 7 % | 12 % | 8 % | 34 % |
| Prepaid card | 16 % | 7 % | 19 % | 15 % | 9 % | 11 % | 10 % | 47 % | 11 % | 19 % | 10 % |
| eCash (online cash or electronic cash) e.g. paysafecard, Paysafecash, Barzahlen, viacash, PagoEfectivo, SafetyPay | 11 % | 4 % | 11 % | 6 % | 11 % | 14 % | 11 % | 6 % | 22 % | 14 % | 9 % |
| A pay-by-instalments plan (e.g. Klarna, Affirm) | 9 % | 17 % | 10 % | 3 % | 22 % | 20 % | 6 % | 5 % | 4 % | 3 % | 3 % |
| Cryptocurrencies | 8 % | 4 % | 11 % | 6 % | 6 % | 10 % | 17 % | 4 % | 8 % | 5 % | 6 % |
| Other | 2 % | 3 % | 2 % | 3 % | 3 % | 1 % | 3 % | 2 % | 2 % | 1 % | 3 % |
| None | 5 % | 2 % | 7 % | 5 % | 5 % | 3 % | 4 % | 5 % | 7 % | 3 % | 4 % |

Debit cards are the online payment method that has seen the biggest jump in usage over the past 12 months. They're also the most popular online payment method overall.

59% of respondents told us they used a debit card to pay for an online purchase during the previous month — a 5% jump over 2021². And 36% are using them more often than a year ago.

² <https://www.paysafe.com/gb-en/paysafe-insights/lost-in-transaction-consumer-payment-trends-2021/>

Which of the following online payment methods are you using more frequently now than a year ago when paying for online purchases?

| | UK | US | Canada | Germany | Austria | Bulgaria | Italy | Peru | Chile | Brazil | |
|---|------|------|--------|---------|---------|----------|-------|------|-------|--------|------|
| Debit card | 36 % | 39 % | 32 % | 23 % | 29 % | 21 % | 45 % | 21 % | 49 % | 65 % | 40 % |
| Credit card | 28 % | 20 % | 26 % | 32 % | 20 % | 25 % | 22 % | 26 % | 31 % | 29 % | 47 % |
| Digital wallet (e.g. Skrill, NETELLER) | 25 % | 24 % | 24 % | 18 % | 29 % | 29 % | 24 % | 26 % | 26 % | 20 % | 31 % |
| Mobile wallet (e.g. Apple Pay, Google Pay) | 17 % | 27 % | 19 % | 14 % | 13 % | 16 % | 20 % | 14 % | 15 % | 12 % | 19 % |
| eCash (online cash or electronic cash) e.g. paysafecard, Paysafecash, Barzahlen, viacash, PagoEfectivo, SafetyPay | 13 % | 6 % | 11 % | 6 % | 12 % | 14 % | 13 % | 7 % | 24 % | 17 % | 19 % |
| Prepaid card | 13 % | 6 % | 16 % | 8 % | 9 % | 9 % | 11 % | 28 % | 14 % | 16 % | 14 % |
| A pay-by-instalments plan (e.g. Klarna, Affirm) | 11 % | 16 % | 12 % | 5 % | 15 % | 15 % | 8 % | 8 % | 8 % | 6 % | 12 % |
| Pay by invoice | 12 % | 5 % | 10 % | 7 % | 18 % | 18 % | 10 % | 7 % | 13 % | 9 % | 27 % |
| Direct bank transfer or ACH | 20 % | 15 % | 17 % | 11 % | 16 % | 20 % | 16 % | 13 % | 31 % | 35 % | 34 % |
| Cryptocurrencies | 8 % | 4 % | 11 % | 6 % | 6 % | 9 % | 10 % | 5 % | 9 % | 7 % | 8 % |

Out of those who told us they've changed their online payment habits as a result of the cost-of-living crisis, the majority (53%) have also started using debit cards more often.

You have said you have changed the way you use certain online payment methods. Which payment methods are you using more often?

| | UK | US | Canada | Germany | Austria | Bulgaria | Italy | Peru | Chile | Brazil | |
|--|------|------|--------|---------|---------|----------|-------|------|-------|--------|------|
| | 4838 | 364 | 875 | 298 | 334 | 302 | 448 | 327 | 674 | 602 | 614 |
| Debit card | 53 % | 57 % | 51 % | 49 % | 52 % | 37 % | 63 % | 36 % | 54 % | 69 % | 51 % |
| Credit card | 42 % | 39 % | 44 % | 53 % | 39 % | 46 % | 36 % | 39 % | 35 % | 39 % | 52 % |
| Digital wallet (e.g. Skrill, NETELLER) | 41 % | 40 % | 44 % | 42 % | 50 % | 53 % | 45 % | 40 % | 34 % | 29 % | 43 % |
| Mobile wallet (e.g. Apple Pay, Google Pay) | 32 % | 42 % | 38 % | 37 % | 31 % | 37 % | 41 % | 32 % | 26 % | 21 % | 27 % |
| eCash (online cash or electronic cash) e.g. paysafecard, Paysafecash, Barzahlen, viacash | 26 % | 15 % | 26 % | 21 % | 31 % | 31 % | 30 % | 20 % | 29 % | 22 % | 29 % |
| Prepaid card | 26 % | 16 % | 35 % | 30 % | 22 % | 23 % | 21 % | 50 % | 22 % | 26 % | 20 % |
| A pay-by-installment plan (e.g. Klarna, Affirm) | 22 % | 32 % | 31 % | 16 % | 36 % | 29 % | 22 % | 19 % | 13 % | 12 % | 20 % |
| Pay by invoice | 26 % | 16 % | 28 % | 19 % | 42 % | 40 % | 25 % | 18 % | 19 % | 13 % | 41 % |
| Direct bank transfer or ACH | 39 % | 32 % | 36 % | 34 % | 38 % | 39 % | 32 % | 30 % | 43 % | 46 % | 46 % |
| Cryptocurrencies | 16 % | 8 % | 25 % | 15 % | 16 % | 24 % | 23 % | 13 % | 9 % | 9 % | 11 % |

In the US, debit cards account for 60% of online transactions, with 51% of those who have changed their payment habits because of the rising cost of living using them more often.

And in Canada, which has the highest incidence of credit card use of any country we surveyed (73% used a credit card in the previous month), 49% of respondents who changed their payment habits because of the rising cost of living are paying online with debit cards more often than a year ago.

Customers most frequently use a debit card to pay for their weekly grocery shop online. This suggests the increase in debit card use is likely linked to the fact that customers are buying online more often since the COVID-19 pandemic, including purchases they'd previously have made in physical stores.

Other purchases consumers prefer to pay for with debit cards include take-away meals (36%), rent or mortgage payments (27%), a small charity donation (24%), and digital subscriptions (23%).

How would you prefer to pay for the following online transactions?

| | Debit card | Credit card | Digital wallet (e.g. Skrill, NETELLER) | Mobile wallet (e.g. Apple Pay, Google Pay) | eCash (online cash or electronic cash) e.g. paysafecard, Paysafecash, Barzahlen, viacash | Prepaid card | A pay-by-installment plan (e.g. Klarna, Affirm) | Pay by invoice | Direct bank transfer or ACH | Cryptocurrencies | Other |
|---|------------|-------------|---|---|--|--------------|--|----------------|-----------------------------|------------------|-------|
| A small donation to a local charity | 24 % | 13 % | 13 % | 4 % | 4 % | 4 % | 0 % | 3 % | 8 % | 1 % | 7 % |
| A subscription to a digital entertainment service | 23 % | 23 % | 12 % | 5 % | 4 % | 6 % | 1 % | 4 % | 5 % | 1 % | 2 % |
| A takeaway meal from an independent restaurant | 36 % | 22 % | 9 % | 5 % | 5 % | 5 % | 1 % | 2 % | 2 % | 0 % | 4 % |
| Your weekly grocery shop from a national chain | 42 % | 24 % | 5 % | 5 % | 4 % | 4 % | 1 % | 2 % | 2 % | 1 % | 4 % |
| A long-haul flight ticket | 20 % | 39 % | 7 % | 3 % | 4 % | 4 % | 2 % | 3 % | 3 % | 1 % | 2 % |
| A household appliance | 29 % | 33 % | 6 % | 3 % | 4 % | 4 % | 4 % | 5 % | 2 % | 1 % | 3 % |
| A rent or mortgage payment | 27 % | 14 % | 4 % | 3 % | 5 % | 3 % | 3 % | 5 % | 19 % | 1 % | 5 % |
| A holiday | 24 % | 37 % | 6 % | 3 % | 4 % | 4 % | 2 % | 3 % | 5 % | 1 % | 3 % |
| A huge-ticket purchase | 19 % | 37 % | 5 % | 2 % | 3 % | 3 % | 4 % | 5 % | 7 % | 1 % | 3 % |

Credit card is king for big-ticket purchases

Despite the 33% of respondents who are avoiding buying on credit, credit cards still have broad appeal.

With 51% of respondents using them within the previous month, credit cards are the second most popular payment method for online purchases. 28% of respondents are using credit cards more often than they did a year ago. And, out of those who have changed the way they pay because of the cost-of-living crisis, 42% are using credit cards more often.

Interestingly, credit card use has spiked in traditionally debt-averse Germany and Austria among those who have changed their payment habits to cope with the rising cost of living. 39% of German respondents and 46% of Austrian respondents who have changed their payment habits are paying with a credit card more often.

Customers typically pay with a credit card when they make a high-value purchase.

The items most likely to be paid for with a credit card were a long-haul flight (39%), followed by a holiday (37%), a big-ticket purchase (37%), and a household appliance (33%).

Digital wallets continue to trend upwards

Digital wallet use has been growing slowly and steadily for years, and the past twelve months have been no different.

A quarter of respondents (25%) told us they're using digital wallets to pay for online purchases more often than they did a year ago. And 33% used them within the previous month, cementing their position as the third most popular payment method after debit cards and credit cards.

Growth has been most significant in Brazil, Germany, and Austria. 31% of Brazilian respondents, 29% of German respondents, and 29% of Austrian respondents told us they're using digital wallets more often than they did a year ago.

But digital wallets have also become popular with those who have changed their payment habits as a result of the cost-of-living crisis, with 41% of them saying they're using digital wallets more often than a year ago — a sign that consumers value digital wallets' money management features.

Cryptocurrencies' banner year

2021 has, without a doubt, been one of the best years on record for cryptocurrencies. Bitcoin, Ether, and countless other cryptocurrencies and tokens skyrocketed in value, collectively becoming worth over \$3 trillion³.

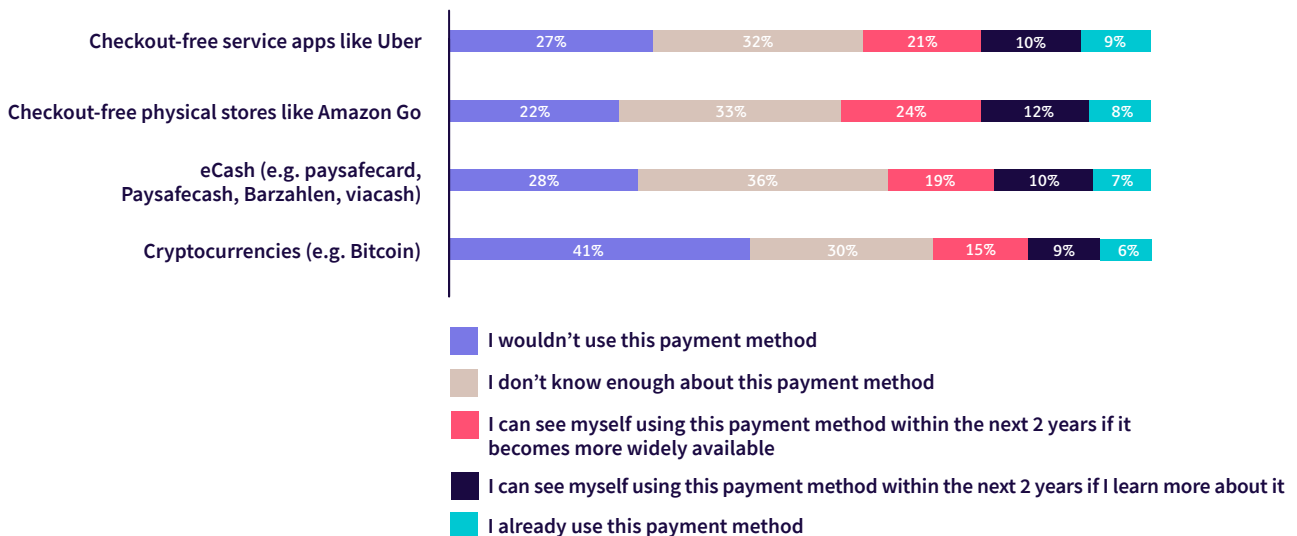
And while there's been a downturn in 2022, experts argue that this is healthy⁴ — a sign the market is continuing to mature.

Cryptocurrencies are still far from being a mainstream payment method. That said, the heightened media attention over the past 12 months has undoubtedly had an impact.

16% of respondents who changed their payment habits because of the rising cost of living told us they're paying in cryptocurrencies more often, with the biggest increase (25%) in the US.

More significantly, 15% of respondents can see themselves paying with cryptocurrencies within the next two years if they become more readily available.

For each of the following innovative payment methods, which statement most closely matches your views?



³ <https://www.cnbc.com/2021/11/08/crypto-news-ether-hit-an-all-time-high-nftnyc-infrastructure-bill.html>

⁴ <https://www.cnbc.com/2022/05/27/cryptocurrency-firms-hope-bear-market-will-remove-bad-players.html>

From coins to bytes: cash's digital transformation



After a dip in usage in 2020 as a result of the COVID-19 pandemic⁵, cash looked like it was set for a comeback in 2021. Last year⁶, only 10% of respondents told us they planned to go completely cashless once the pandemic was over. And 50% said that they planned to pay for at least a quarter of their transactions in cash. This year's survey results tell a similar story.

While 52% of respondents are paying with cash less often, it still plays an important role in their everyday lives. More to the point, an overwhelming majority of 70% would be worried if they could no longer access cash, regardless of whether they pay with it regularly or not, and 59% still perceive cash as the most reliable form of payment. And on average consumers still pay for around one third of in-person transactions (31%) in cash.

Cash in numbers

Respondents are withdrawing cash an average of 5 to 6 times a month. They also ask for cashback when paying with a debit card an average of three times a month. Cash is also the first choice of payment method for a majority of consumers in the following in-person transactions:

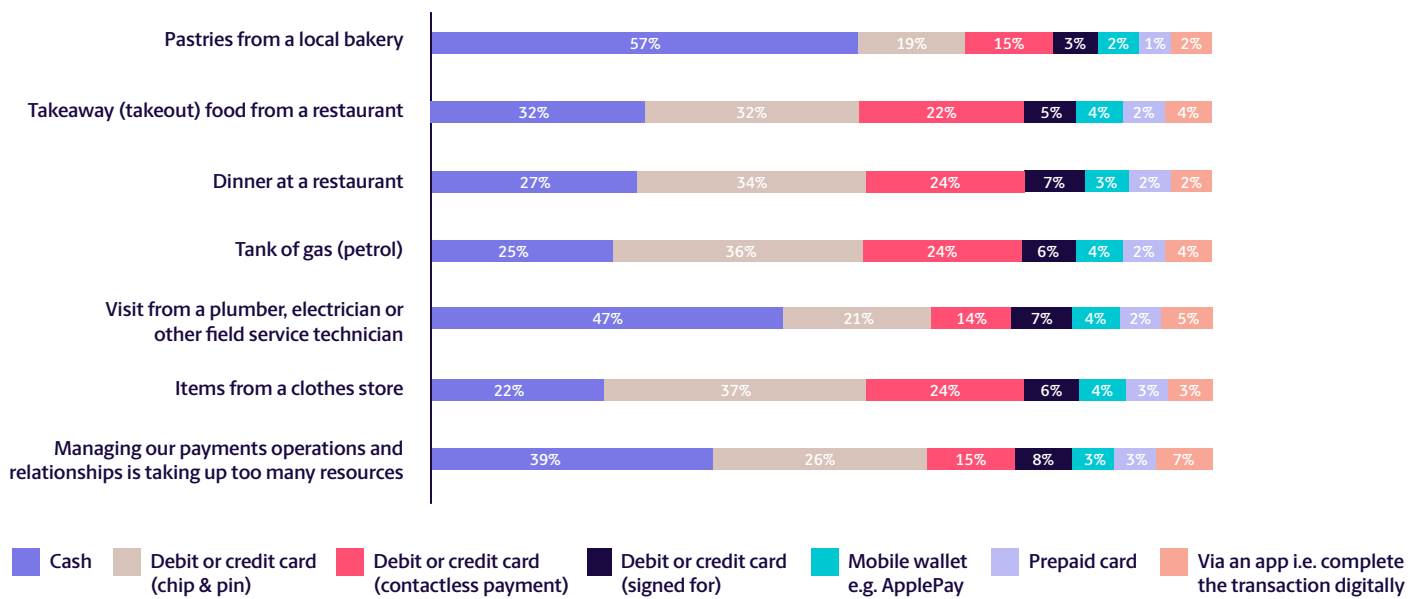
- Buying pastries — indulging a sweet tooth was the most popular cash purchase, with 57% of consumers preferring to pay with physical notes and coins
- Paying a plumber, electrician, or other tradesperson (47%)
- Paying a builder or for other home repairs (39%)

Unsurprisingly, where cash isn't the preferred payment method, respondents typically pay for in-person transactions by debit or credit card.

⁵ <https://www.paysafe.com/en/blog/how-covid-19-is-impacting-consumer-payment-preferences/>

⁶ <https://www.paysafe.com/en/blog/lost-in-transaction-consumer-payment-trends-2021/>

How would you prefer to pay for the following in-person transactions?



Going digital: the rise of eCash

Over the past 12 months, eCash has slowly but surely continued to gain traction.

13% of respondents told us they're paying with eCash more often than they were 12 months ago. The average customer also pays online with eCash or deposits it into their bank account three times a month.

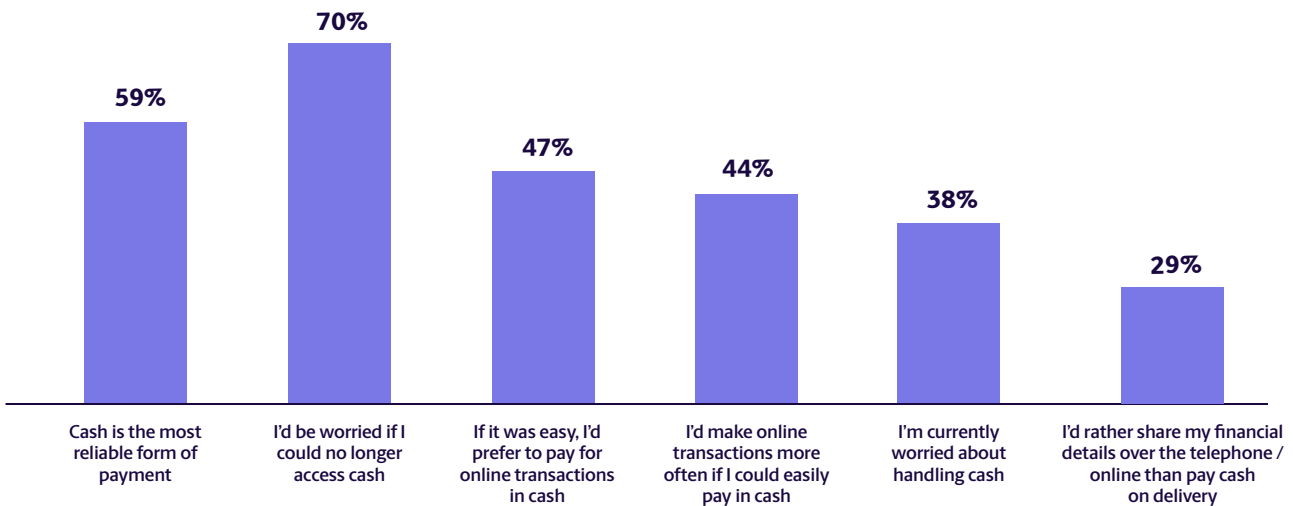
How often have you done the following during the last month?

| | Mean | Standard Error | Never | Less than 5 | 6 to 10 | 11 to 15 | More than 15 | Don't know |
|--|------|----------------|-------|-------------|---------|----------|--------------|------------|
| Withdrawn cash from an ATM | 5,41 | 0,06 | 16 % | 49 % | 16 % | 6 % | 10 % | 4 % |
| Asked for cashback when paying with your debit card | 3,01 | 0,05 | 49 % | 28 % | 9 % | 4 % | 4 % | 6 % |
| Written a cheque [check] | 1,68 | 0,04 | 69 % | 17 % | 5 % | 3 % | 2 % | 5 % |
| Paid with cash to buy a prepaid card or cash replacement voucher | 2,88 | 0,05 | 53 % | 24 % | 10 % | 4 % | 4 % | 5 % |
| Paid for an online transaction with eCash (e.g. paysafecard, Paysafecash, Barzahlen, viacash, PagoEfectivo, SafetyPay) | 2,68 | 0,05 | 56 % | 21 % | 10 % | 4 % | 3 % | 6 % |
| Deposited money into your bank account using eCash (e.g. Paysafecash, Barzahlen, viacash) | 2,59 | 0,05 | 56 % | 21 % | 9 % | 4 % | 3 % | 6 % |

But the most significant finding is that appetite for eCash is steadily increasing.

47% of respondents told us they would prefer to pay for online purchases in cash if it were easy, and 44% would buy online more often if they could pay in cash. 29% would see themselves doing so within the next two years if eCash became more widely available or they learned more about it.

To what extent do you agree with the following statements about cash?



eCash's growing popularity is likely due to a confluence of factors.

Consumers are overwhelmingly averse to sharing their financial details online (more on this in section 3). eCash allows them to avoid doing this while still being able to participate in the online economy.

Similarly, with consumers becoming more price-sensitive because of the rising cost of living, eCash offers a way for them to control their online spending, just as physical cash enables them to have more control over in-person spending. 26% of those who have changed their habits because of the rising cost of living are in fact using eCash more often.

The increasing availability of this payment method will likely encourage further adoption.

Consumers' willingness to use eCash if they learn more about it and more merchants let them pay with it suggests familiarity and access are the main stumbling blocks to greater adoption.

This becomes more evident when you look at Latin America, which has a long-standing tradition of paying for online purchases in cash. Brazil's Boleto Bancário, for instance — a system that allows consumers to pay bills in cash by scanning a barcode — has been around since the 1990s.

Here, consumers were more likely to have used eCash and to believe it's easier to pay online in cash.

**In the battle
between security and
convenience in online
payments, security is
winning hands down**

3

Consumers' decreasing tolerance for online payment risk is a longstanding trend.

As far back as 2017⁷, 58% of respondents to our survey said they wanted merchants to take tougher fraud-prevention measures, even if they made payment less convenient. And their desire for security has increased steadily since then.

From this perspective, our latest survey results, which show that customers are more risk-averse than ever, aren't surprising.

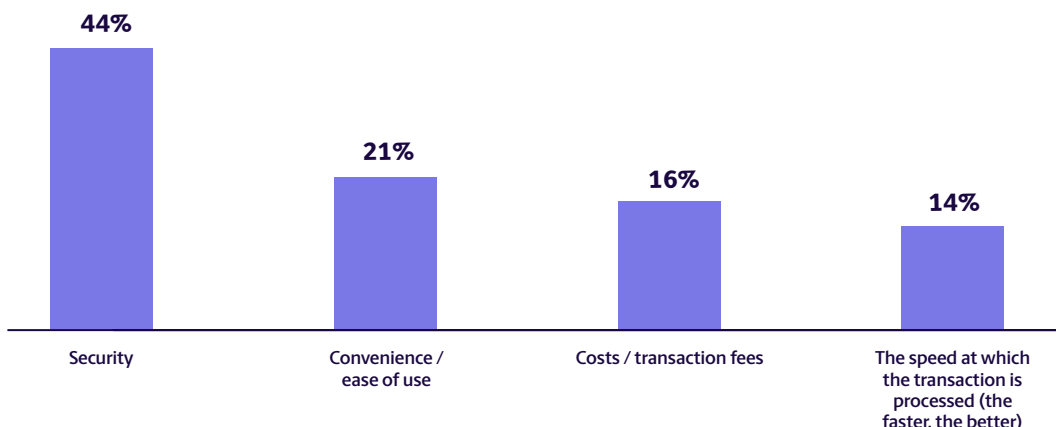
The good news is that trust in merchants is generally high, though it does come with several caveats.

Security is consumers' top priority when paying online

59% of respondents are more concerned about fraud than they were a year ago. And this is impacting their choice of payment method.

Almost half (44%) say security is the single most important factor when choosing how to pay for an online purchase. By contrast, convenience is the top priority for 21%.

What's the most important factor when choosing how to pay for an online purchase?



Crucially, 70% of respondents prefer not to share their financial details when they shop online, and 62% feel anxious if they're not asked to provide any security information at all before making a payment.

⁷ <https://www.paysafe.com/en/blog/fraud-reduction-as-a-strategy/>

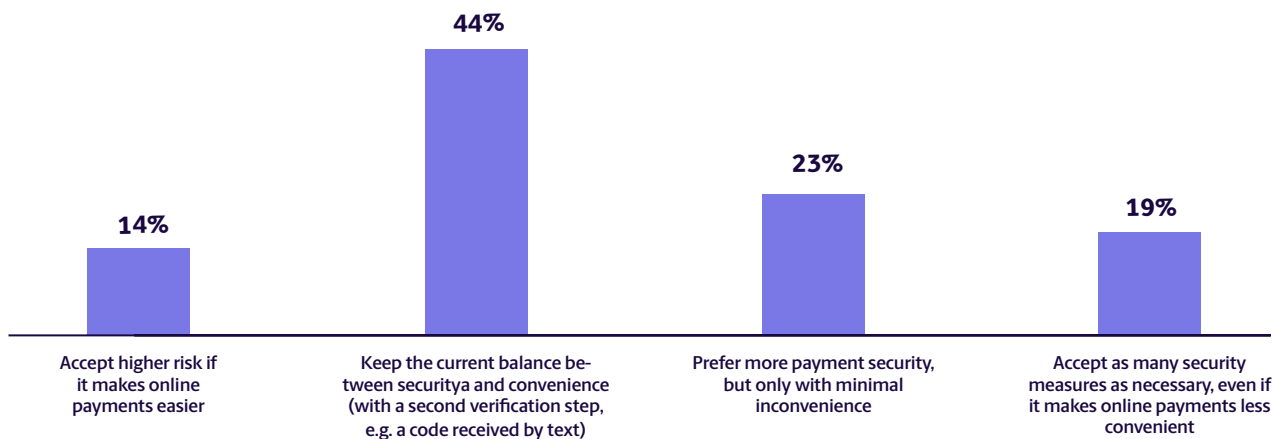
To what extent do you agree with the following statements about the security of online payments?

| | % Agree | UK | US | Canada | Germany | Austria | Bulgaria | Italy | Peru | Chile | Brazil |
|--|---------|------|------|--------|---------|---------|----------|-------|------|-------|--------|
| I don't feel comfortable entering my financial data online | 58 % | 49 % | 58 % | 53 % | 55 % | 54 % | 55 % | 55 % | 69 % | 64 % | 64 % |
| I feel more comfortable using a payment method that doesn't require me to share my financial details with merchants when I shop online | 70 % | 69 % | 71 % | 68 % | 64 % | 63 % | 68 % | 67 % | 82 % | 78 % | 74 % |
| I'm more likely to shop from businesses that have already securely stored my payment details | 64 % | 55 % | 60 % | 52 % | 62 % | 61 % | 63 % | 61 % | 77 % | 72 % | 78 % |
| Some risk of fraud is inevitable when shopping online | 62 % | 60 % | 65 % | 62 % | 53 % | 57 % | 63 % | 49 % | 77 % | 75 % | 58 % |
| I'm more worried about online payment fraud today than I was 12 months ago | 59 % | 49 % | 59 % | 52 % | 46 % | 47 % | 50 % | 51 % | 79 % | 75 % | 76 % |
| Online payments are more secure than in-person payments | 33 % | 28 % | 32 % | 23 % | 27 % | 22 % | 35 % | 27 % | 45 % | 50 % | 46 % |
| I feel anxious when I'm not asked to provide any security information e.g. a password when making a payment | 62 % | 54 % | 58 % | 54 % | 57 % | 62 % | 57 % | 64 % | 76 % | 75 % | 66 % |
| I trust passwords more than biometric authentication methods such as facial recognition or fingerprint recognition technology | 45 % | 41 % | 45 % | 39 % | 39 % | 42 % | 47 % | 39 % | 56 % | 57 % | 51 % |
| Biometric authentication makes online payments more secure | 58 % | 53 % | 48 % | 46 % | 55 % | 48 % | 57 % | 56 % | 77 % | 72 % | 80 % |
| Online payments are more secure today than they were 12 months ago | 53 % | 55 % | 49 % | 41 % | 43 % | 43 % | 53 % | 46 % | 65 % | 66 % | 70 % |

But while this makes it clear once and for all that convenience can't come at the expense of security, it doesn't follow that consumers will accept any security measures necessary, especially if they make payments less convenient.

Only 19% of respondents told us they're prepared to jump through extra hoops to make payments safer. The majority of those who were open to additional payment security measures (23%) said they'd only be prepared to accept them if the inconvenience was minimal.

What is your view on the balance between security (e.g. eliminating risk or fraud) and convenience (speed, less steps required) when it comes to online payments?



Consumers are generally satisfied with merchants' approach to security, but their trust only goes so far

While consumers are more worried about online payment security than ever before, a majority (53%) think payments are more secure than they were a year ago.

More surprisingly, there's been a considerable jump in the number of consumers who trust merchants compared to previous years.

Case in point, in 2020, only 18% of respondents were satisfied with the balance between security and convenience. And, in 2021, the results weren't much better at 26%.

But, this year, the number of respondents who are satisfied has risen significantly. 44% now think merchants are striking the right balance between security and convenience. And 64% prefer to shop from merchants who already have their payment details on file.

That said, this boost in trust is largely conditional on the amount involved.

For items costing up to £150 (or its equivalent in US Dollars, Euro, and other national currencies), 69% of respondents said they're comfortable buying from a peer-to-peer platform like Vinted or eBay, and 59% said they're comfortable buying from an online retailer like Amazon.

But once the amount increases, the level of comfort plummets.

26% are willing to buy an item costing up to £500 (or its equivalent in another currency) from an online retailer and 19% are comfortable doing so from a peer-to-peer marketplace.

Once the amount goes over £1,500 (or the equivalent in another currency), only 5% to 3% of respondents are comfortable buying either from a peer-to-peer marketplace or online retailer.

Embedded payments: a largely untapped growth opportunity

4

Embedded payments were one of the hottest fintech trends of 2021. But the results of our research suggest there's a disconnect between the industry and consumers: almost half of respondents (49%) told us they'd never heard of the term 'embedded payments'.

In reality, many consumers already use embedded payments on a daily basis without realising they're doing so — on e-commerce websites, through ride-sharing apps, and when paying for countless other products and services.

So the most likely explanation for this somewhat surprising result is that it's the terminology, not the technology, that's unfamiliar.

Crucially, customers are open to embedded payments. 31% of respondents told us they can see themselves using the technology within the next two years if they learn more about it or it becomes more widely available.

The upshot is that merchants, banking-as-a-service providers, and other embedded payment services players who educate their customers about the technology have an opportunity to gain a significant first mover advantage.

What are the perceived benefits of embedded payments?

As tends to be the case with unfamiliar technologies, addressing customers' concerns around security will likely go a long way towards making them more receptive to embedded payments.

Amongst respondents who had heard of the term 'embedded payments', the technology's most touted benefit (agreed to by 38% of those we surveyed) is that it's safer than traditional payments. These respondents also said they'd be most happy to use embedded payments (35%) when paying online.

To what extent do you agree with the following statements about embedded payments?

| | % Agree | UK | US | Canada | Germany | Austria | Bulgaria | Italy | Peru | Chile | Brazil |
|--|---------|------|------|--------|---------|---------|----------|-------|------|-------|--------|
| I'd prefer using embedded payments offered by a trusted merchant over a traditional bank or online bank/neobank (like Monzo or Revolut) payment services | 46 % | 41 % | 45 % | 33 % | 41 % | 39 % | 43 % | 44 % | 61 % | 53 % | 52 % |
| Embedded payments are more secure than traditional payments | 38 % | 36 % | 41 % | 26 % | 32 % | 29 % | 30 % | 32 % | 51 % | 46 % | 44 % |
| I worry I could be charged the wrong amount | 59 % | 53 % | 56 % | 53 % | 46 % | 42 % | 47 % | 47 % | 79 % | 79 % | 70 % |
| I don't know enough about embedded payments | 58 % | 58 % | 58 % | 56 % | 53 % | 53 % | 54 % | 54 % | 63 % | 60 % | 65 % |

By contrast, respondents who hadn't heard of or didn't understand the term worried most (59%) about being charged the wrong amounts.

The importance of explaining how embedded payments make online purchases safer — and tackling misconceptions born of unfamiliarity — gains even more significance when you consider consumers' lowering tolerance for online risk and their concurrent unwillingness for more payment friction.

Showing them how embedded payments can strike a better balance between security and convenience will likely have deep resonance and speed up adoption.

Neobanks are on the cusp of mass-adoption

5

Despite capturing the imaginations of digital-savvy customers and steady year-on-year growth, neobanks haven't managed to gain significant market share to date.

But that looks set to change in the aftermath of the COVID-19 pandemic.

With the bulk of day-to-day banking now taking place online — and bank branches around the world closing at a rapid rate — almost half of respondents (49%) are considering switching to a neobank.

Similar numbers of respondents also perceive neobanks as being better value and more attuned to their needs and expectations.

To what extent do you agree with the following statements about traditional banks and online banks (also referred to as neobanks or challenger banks)?

| | % Agree | UK | US | Canada | Germany | Austria | Bulgaria | Italy | Peru | Chile | Brazil |
|---|---------|------|------|--------|---------|---------|----------|-------|------|-------|--------|
| Prefer banking with an online bank/neobank over traditional banks due to higher fees | 41 % | 30 % | 35 % | 30 % | 38 % | 38 % | 42 % | 37 % | 55 % | 45 % | 63 % |
| Online banks/neobanks have a better digital user experience | 41 % | 36 % | 36 % | 29 % | 36 % | 37 % | 41 % | 40 % | 52 % | 46 % | 67 % |
| Online/neobanks offer advanced spending analytics, to control my spending | 40 % | 29 % | 32 % | 26 % | 42 % | 39 % | 42 % | 40 % | 54 % | 48 % | 62 % |
| I would use an online/neobank but worry about how to deposit cash into it | 48 % | 40 % | 44 % | 41 % | 44 % | 43 % | 41 % | 44 % | 66 % | 61 % | 58 % |
| I would use an online/neobank, but don't fully trust them with my personal data | 44 % | 32 % | 43 % | 38 % | 36 % | 40 % | 42 % | 42 % | 61 % | 56 % | 52 % |
| I would use an online/neobank, but worry about managing finances online | 42 % | 30 % | 39 % | 31 % | 36 % | 37 % | 43 % | 42 % | 61 % | 53 % | 52 % |
| I prefer traditional banks because they offer better customer service | 57 % | 61 % | 63 % | 61 % | 56 % | 59 % | 47 % | 49 % | 61 % | 61 % | 49 % |
| I prefer traditional banks because I like physically visiting the branch and being advised by professionals | 56 % | 57 % | 62 % | 62 % | 55 % | 59 % | 47 % | 47 % | 62 % | 61 % | 49 % |
| With traditional banks closing, I might switch to an online/neobank | 49 % | 36 % | 40 % | 32 % | 55 % | 53 % | 56 % | 48 % | 63 % | 55 % | 64 % |

The tipping point: why do customers want to switch to neobanks?

Now that both banks and neobanks are operating largely online, neobanks' superior customer-facing technology is giving them an edge. 41% of respondents think neobanks have a better digital user experience than traditional banks.

But the spiralling cost of living has also had an impact on consumers' attitudes towards neobanks.

41% prefer them over traditional banks because their fees are lower. And 40% like the fact they offer features, such as advanced analytics, that help them control their spending — an increasingly pressing priority as ever more households tighten their belts.

That said, while being digital-only may no longer be a deal-breaker, customers still have concerns.

42% of respondents worry about managing their finances exclusively online. And 44% don't fully trust neobanks with their personal data.

Most significantly, 48% worry about how they'd make cash deposits if they banked with a neobank, which reinforces the important role cash still has in customers' everyday lives.

Neobanks need to address these concerns sooner rather than later, if they're to catch the wave of positive sentiment and outcompete incumbents.

Putting people first is a critical differentiator

If neobanks are outshining traditional banks when it comes to value, features, and digital experience, the latter are still perceived as being better at customer relationships.

A significant majority of respondents (57%) believe traditional banks have better customer service than neobanks. And while consumers may be increasingly comfortable banking online, 56% still value being able to go to a branch and speak to a professional when they need to.

Unsurprisingly, over 65s were the most likely to say they valued branch visits. But the number of respondents who told us they wanted to have the option of visiting a physical branch were in the majority across all age groups.

Familiarity breeds trust

While attitudes towards neobanks are fairly similar across the board, our research revealed some significant regional differences.

North Americans are the least likely to trust neobanks, with only 37% considering switching away from traditional banks. By contrast, trust in neobanks is sky high in Latin America, where 61% said they were considering switching.

There could be various reasons for these results.

Our research shows that, at 62%, North American consumers rate traditional banks' customer service much more highly than customers in other regions. Similarly, it may be that customers in Latin America are more willing to take a chance on neobanks because trust in and access to traditional banks has been historically low.

The level of familiarity consumers have with neobanks may also be a factor.

In the US, neobanks count approximately 39 million users⁸ — around 19%⁹ of the adult population. In Canada, uptake is even lower: neobank users are expected to reach 5.5 million in 2025¹⁰.

By contrast, business is already booming for Latin American neobanks.

The likes of Nubank in Brazil, Ligo in Peru, and Mach in Chile have successfully positioned themselves as viable alternatives to traditional banking for vast swathes of customers. In Brazil alone, neobanks count 63.5 million customers¹¹ — almost 40%¹² of the adult population.

8 <https://www.emarketer.com/content/chime-no-1-neobank-us>

9 <https://www.infoplease.com/us/census/demographic-statistics>

10 <https://www.statista.com/outlook/dmo/fintech/neobanking/canada>

11 <https://fintechnews.am/fintech-brazil/46262/latin-america-sees-booming-digital-banking-sector-with-brazil-at-the-lead/>

12 <https://worldpopulationreview.com/countries/brazil-population>

Looking ahead: giving customers more control, flexibility, and security

2022 was supposed to be the year we put the COVID-19 pandemic behind us once and for all.

But if the prospect of a return to widespread lockdowns seems unlikely, the spiralling cost of energy, food, and other essentials has created a host of new challenges that, like COVID-19 before them, are reshaping online payment preferences.

Consumers want to pay in ways that allow them to keep track of their spending, stay in control, and keep their sensitive financial details safe and secure. At the same time — and notwithstanding their growing aversion to online payment risk — few are prepared to sacrifice convenience in exchange for greater security.

From a merchant's perspective, this might seem like an impossible balance to strike. But what our research shows is that merchants already have the tools at their disposal to meet these shifting expectations. They just need to wield them effectively.

So what does the way forward look like?

First and foremost, education will play a critical role in the battle for competitive advantage in the months and years ahead.

Technologies such as embedded payments promise a better balance between convenience and security. But while consumers are receptive in principle, lack of knowledge is a significant barrier.

Merchants who can prove the benefits and address misconceptions before their competitors will be best-positioned to catch the wave of opportunity these new technologies create.

In particular, strengthening security while also making payment faster and more convenient will enable them to build on the trust they've already earned and encourage consumers to make more frequent and bigger purchases.

The same goes for neobank adoption.

While our research suggests we're right at the tipping point, the scales won't fully shift until customers' concerns about managing their finances entirely online — including the perceived difficulty of depositing cash — are comprehensively addressed.

But, aside from satisfying consumers' wishes, adding eCash to the online payment mix is also beneficial for merchants.

eCash payments have lower processing fees than debit and credit card transactions. They eliminate the risk of chargebacks, and boost sales by offering customers a fall-back option should their debit card or credit card payment fail.

Most important of all, accepting eCash widens merchants' reach by enabling consumers who, for whatever reason, can't or won't use traditional payment methods like debit and credit cards to participate in the online economy.

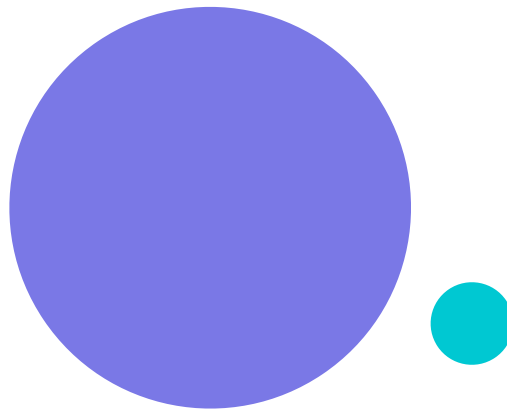
And a more inclusive online payments landscape benefits everyone.

Survey methodology

This report forms part of our annual Lost In Transaction consumer research series, which we've released every year since 2017. This year's research was conducted by Sapio Research in April 2022, using an email invitation and online survey.

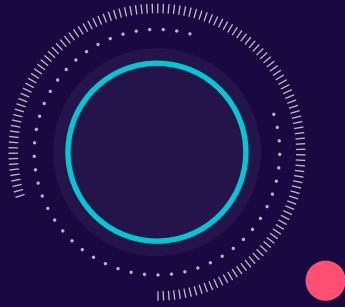
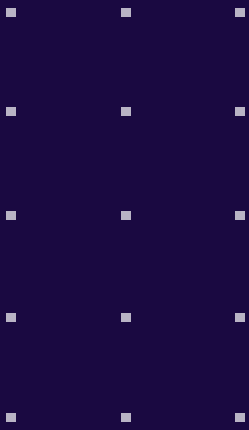
In total, Sapio Research interviewed 11,000 consumers (representative by age and gender) in the US, UK, Canada, Germany, Austria, Italy, Bulgaria, Peru, Chile, and Brazil.

The results are accurate to $\pm 0.9\%$ at 95% confidence limits. This means that, had we interviewed every single person on the planet in every group represented in our research, there'd be a 95% chance that the results wouldn't vary by more than 0.9%.



About Paysafe Group

Paysafe Limited (“Paysafe”) (NYSE: PSFE) (PSFE. WS) is a leading specialised payments platform. Its core purpose is to enable businesses and consumers to connect and transact seamlessly through industry-leading capabilities in payment processing, digital wallets, and online cash. With over 20 years of online payment experience, an annualised transaction volume of over US \$120 billion in 2021, and approximately 3,500 employees in 10+ countries, Paysafe connects businesses and consumers across 100 payment types in over 40 currencies around the world. Delivered through an integrated platform, Paysafe solutions are geared toward mobile-initiated transactions, real-time analytics and the convergence of brick-and-mortar and online payments. Further information is available at www.paysafe.com



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