

THE Passwordless FUTURE

Decoding Consumers' Device-Based
Authentication Preferences

The Passwordless Future: Decoding Consumers' Device-Based Authentication Preferences, a PYMNTS and Entersekt collaboration, investigates how consumers use mobile banking apps in their everyday lives and explains how financial institutions can tailor their app feature offerings to boost their engagement. We surveyed a census-balanced panel of 2,719 adult U.S. consumers to provide a comprehensive overview of consumers' drive to use mobile banking apps and the features that will most encourage their adoption and usage.

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The Passwordless Future: Decoding Consumers' Device-Based Authentication Preferences was done in collaboration with Entersekt, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Trust drives consumer choice in banking and eCommerce. Every interaction a consumer has with a financial service impacts trust and loyalty, whether the individual decides to surrender personal data to complete a transaction more efficiently through a passwordless login or selecting a financial institution (FI) to manage their money.

Trust is often born of context — the in-the-moment specifics of each transaction that either affirm or dispel the idea that an FI or financial service merits their business. FIs must earn the privilege of consumer trust continually, not just one time.

PYMNTS' research has found that consumer trust tends to build organ-

ically due to FIs' ability to provide integrated cross-device experiences that are efficient, secure and consistent in performance all at once. The customer experience is still compromised if a brand's website login works seamlessly, but its eCommerce app often fails.

Today's consumer is not just particular when it comes to user experience but is also aware of the value of their personal data and wary of circumstances when its misuse might occur — especially given bad actors' ease of breaching password-based security.

Recent PYMNTS research finds that most consumers — 90 percent — want new, robust authentication measures in place for transactions they might

view as particularly vulnerable, such as sending money to friends or family.¹ Despite decades of using passwords to shop and bank, PYMNTS' research found that nearly half of United States consumers are now comfortable with the idea of using passwordless technology to access their financial accounts.

The Passwordless Future: Decoding Consumers' Device-Based Authentication Preferences, a PYMNTS and Entersekt collaboration, presents findings from a survey of 2,719 U.S. adult consumers with online financial services accounts (retail or commercial banks with physical branches, online-only banks, insurance com-

panies, brokerage firms and FinTech companies) on their authentication preferences.

The survey was conducted between Sept. 10 and Sept. 27 to examine consumers' preferences when accessing or transacting with their bank accounts.

The study confirms consumers' preference for authentication methods that do not involve passwords and for consistent payment experiences across channels and devices. This study also confirmed that consumers view their data as valuable and trust banks that emphasize data security.

This is what we learned.

¹ 90 Pct Of Consumers Want More Authentication Options From Mobile Bank Apps. PYMNTS.com. 2021. <https://www.pymnts.com/authentication/2021/90-pct-of-consumers-want-more-authentication-options-from-mobile-bank-apps/>. Accessed November 2021



PYMNTS' research reveals that 51 percent of digital financial account owners access their accounts daily and that one-quarter of consumers prefer to access their digital financial accounts through more than one device.

Millennials and bridge millennials are the most likely of all account holders to use multiple devices to access their accounts, at 36 percent and 37 percent, respectively.

Many consumers use different devices or channels to interact with their financial services providers, and integration across these channels is common but not universal. Fifty-six percent of online financial service account holders say their current cross-account experiences are either “very” or “completely” integrated, and 62 percent are satisfied with the level of integration between their financial services accounts. Still, 13 percent of all respondents reported that they needed more integration than their FIs currently provide, with 17 percent of multichannel users saying they need more integration than their FIs currently offered.

FIGURE 1:
How consumers access financial services
Share of consumers who most frequently use select devices to access select digital financial services accounts

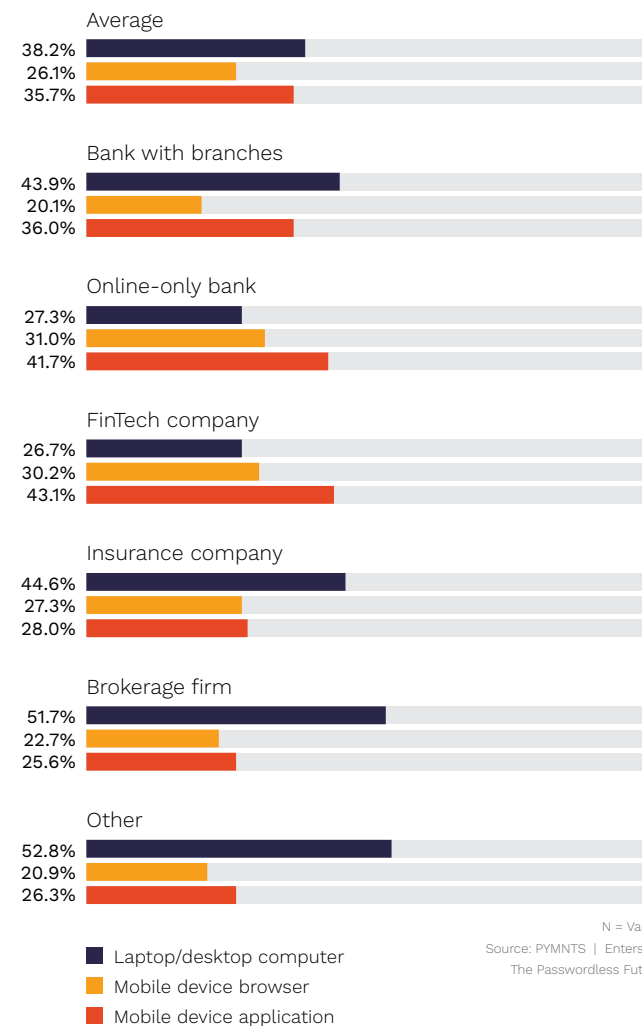


TABLE 1:
Consumers' preferences for accessing digital financial services accounts

Share of consumers who mostly use select devices to access digital financial services accounts, by generation

	COMPUTER BROWSER	MOBILE DEVICE BROWSER	MOBILE DEVICE APPLICATION	MULTIPLE OPTIONS
AVERAGE	29.8%	17.1%	28.5%	24.6%
• Generation Z	11.6%	36.0%	38.9%	13.5%
• Millennials	12.6%	17.6%	34.1%	35.6%
• Bridge millennials	14.2%	21.1%	27.4%	37.3%
• Generation X	21.8%	17.1%	31.3%	29.8%
• Baby boomers and seniors	65.0%	9.1%	14.9%	11.1%

N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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TABLE 2:
How often consumers access digital financial services

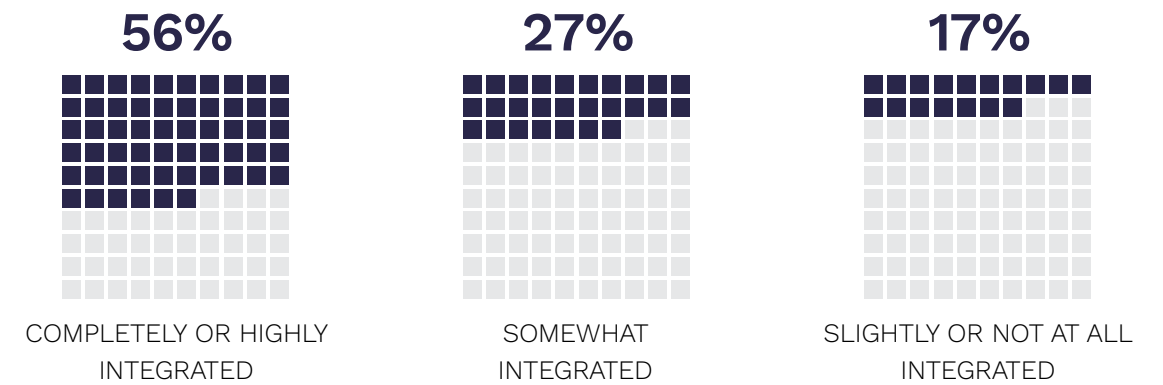
Frequency of logging in to digital financial services accounts, by generation

	DAILY	WEEKLY	MONTHLY OR LESS
AVERAGE	50.7%	39.1%	10.2%
• Generation Z	60.7%	36.4%	2.9%
• Millennials	64.7%	30.9%	4.4%
• Bridge millennials	63.3%	33.0%	3.7%
• Generation X	45.7%	42.8%	11.5%
• Baby boomers and seniors	33.5%	45.3%	21.3%

N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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FIGURE 2:
Cross-account integration

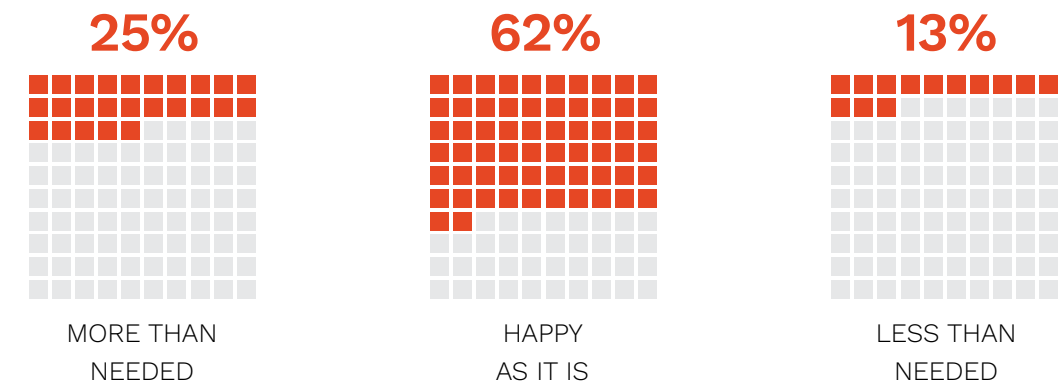
Consumers' reported level of integration for their digital financial services accounts



N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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FIGURE 3:
Consumers' opinion of current cross-account integration

Share who believe the current level of integration is more or less than needed



N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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Driving consumer choice is trust, which is often influenced by their assessment of how well their FI anticipates, protects and responds to their ever-changing needs for security and frictionless transactions.



Digital trust is now a core element of Americans' financial lives.

Seventy-one percent of consumers have digital accounts with at least one financial services provider, and 69 percent of all adult U.S. consumers with digital accounts see their financial services providers as “very” or “extremely” trustworthy.

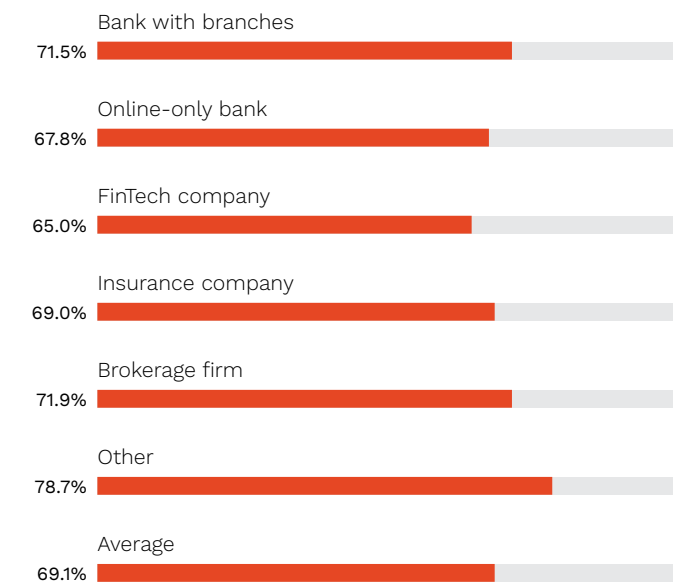
Consumers' perception of security measures enhances their trust. Sixty-five percent of consumers said an emphasis on data security had an “extremely or very big impact” on their trust in a financial services provider, and 60 percent said the same about information on how transactions are secured. Fifty-six percent rated having a detailed data protection and privacy statement as a factor that would have an “extremely or very big impact” on their trust. PYMNTS found that consumers rated consistent experiences across all platforms to be nearly as important as a sense of data security when influencing their trust in their financial services providers.

FIGURE 4:
Consumers' trust in financial services providers
Respondents who have digital accounts with select financial services providers



N = 3,997; Entire sample
Source: PYMNTS | Enterspekt
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FIGURE 5:
Consumers' trust in financial services providers
Share of online account owners who find their financial services providers to be “very” or “extremely” trustworthy



N = Varies
Source: PYMNTS | Enterspekt
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Most consumers already trust their financial services providers, yet PYMNTS' researchers found that the performance quality of financial services products (such as apps and homepages) across devices enhanced their trust. Most consumers saw product performance as central to their overall customer experience and perception of their financial services provider.

TABLE 3:
Why consumers trust or distrust financial services providers

"Very" or "extremely" impactful factors on consumers' trust in financial services providers

■ Highest percentage

	EXTREMELY OR VERY BIG IMPACT	MODERATE IMPACT	SLIGHTLY OR NO IMPACT AT ALL
SECURITY			
• At least one option	82.8%	13.4%	3.8%
• Emphasis on data security	65.3%	22.6%	12.1%
• Secure transaction information	59.9%	26.0%	14.1%
• Able to approve transactions before processing	56.4%	29.5%	14.2%
• Website quality	55.5%	30.0%	14.5%
• Login without password	44.2%	31.9%	23.9%
USER EXPERIENCE			
• At least one option	80.2%	15.6%	4.1%
• Provide detailed data protection statement	55.7%	27.0%	17.3%
• Personalized real-time customer support	54.5%	29.6%	15.9%
• Consistent experiences across platforms	53.4%	31.2%	15.4%
• Marketing communication opt-out	50.3%	31.1%	18.6%
• Seamless communication channels	50.2%	32.5%	17.3%

N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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65%

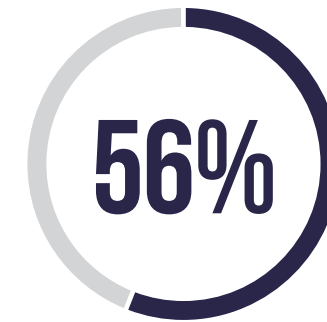
Share of consumers who said an emphasis on data security had an "extremely" or "very" big impact on their trust in a financial services provider

Most consumers saw product performance as central to their overall customer experience and perception of their financial services provider.



Fifty-three percent of consumers reported that consistent experiences across different platforms have an “extremely” or “very” big impact on trust in financial services.

Another 31 percent reported that it had a “moderate” impact. This share is higher among consumers who access their accounts mostly using mobile apps (60 percent) or multiple environments (58 percent).



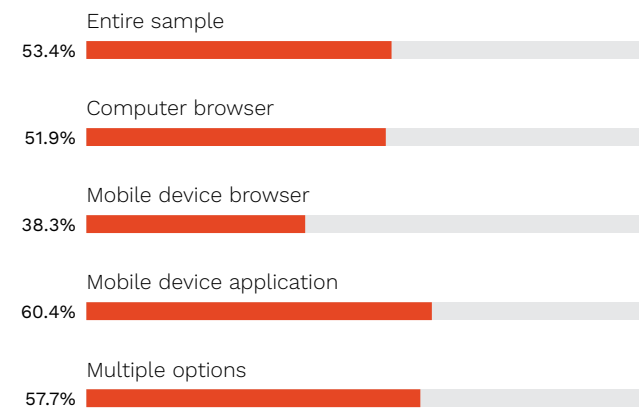
Share of consumers who see a detailed data protection statement as highly important to brand trust

PYMNTS also found that consumers saw the “consistency” of user experience across devices as inclusive as core priorities such as data security, the ability to approve payments before they are processed and a transparent data privacy policy.

Most consumers prioritize security over convenience. Consumers are apprehensive about privacy and security risks, and their concerns about how third parties access and use their data have influenced their perceptions about financial account information management. PYMNTS’ research revealed that 79 percent of account holders believe that a host of entities want access to their personal data, including everything from charitable organizations to credit card-issuing banks to retail merchants and financial services providers they do not use.

FIGURE 6:
The impact of consistent user experiences on consumer trust

Share who consider user experience consistency to have an “extremely” or “very” big impact on their trust in their financial services providers, by most frequently used device

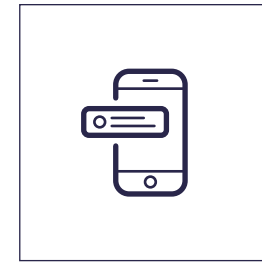


N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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Consumers would choose security over convenience when managing their financial accounts.

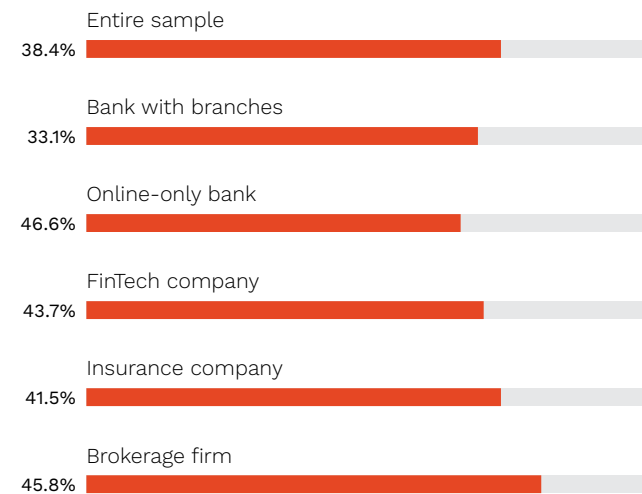
PYMNTS research discovered that 72 percent of online insurance account holders prefer security over convenience, while 75 percent of online brokerage firm account holders prefer security over convenience.



Most consumers prioritize security over convenience.

FIGURE 7:
Data security and digital financial services accounts

Share of consumers who are “very” or “extremely” concerned about data security when using online financial services accounts, by type of financial services provider



N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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Most digital account holders in America see data security as “very” or “extremely” important when sharing their personal data. PYMNTS found that 38 percent of consumers are “very” or “extremely” concerned about data security when using accounts for digital financial services. Respondents with online-only bank accounts are concerned in the largest share (47 percent), while those with online accounts at traditional banks are concerned in the smallest share (33 percent).



Portion of consumers who believe that many entities other than their FI want access to their data

TABLE 4:

Data security and digital financial services accounts

Share of consumers who prefer more convenience or security, by type of financial services provider

	PREFER MORE CONVENIENCE	NEUTRAL	PREFER MORE SECURITY
ENTIRE SAMPLE	8.7%	23.8%	67.5%
• Bank with branches	9.1%	22.9%	68.0%
• Online-only bank	9.8%	23.2%	67.1%
• FinTech company	9.4%	22.3%	68.3%
• Insurance company	7.1%	21.1%	71.9%
• Brokerage firm	7.1%	17.7%	75.2%

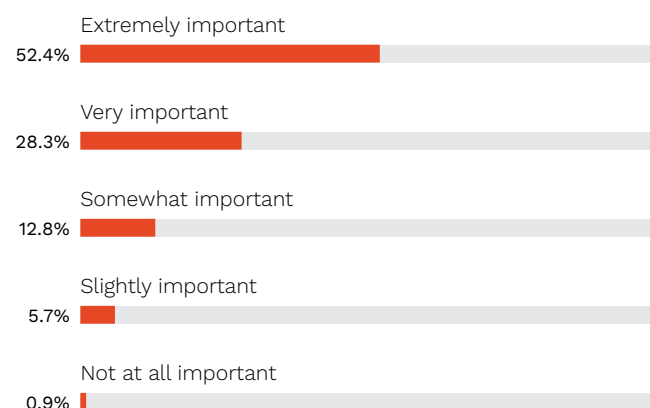
■ Highest percentage

N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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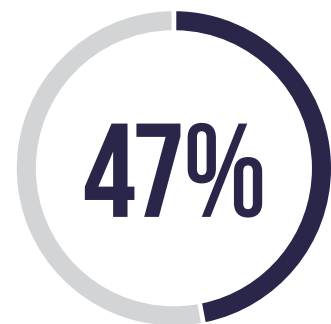
FIGURE 8:

Consumer data privacy concerns

Share of consumers citing select levels of importance for data security when sharing personal data online



N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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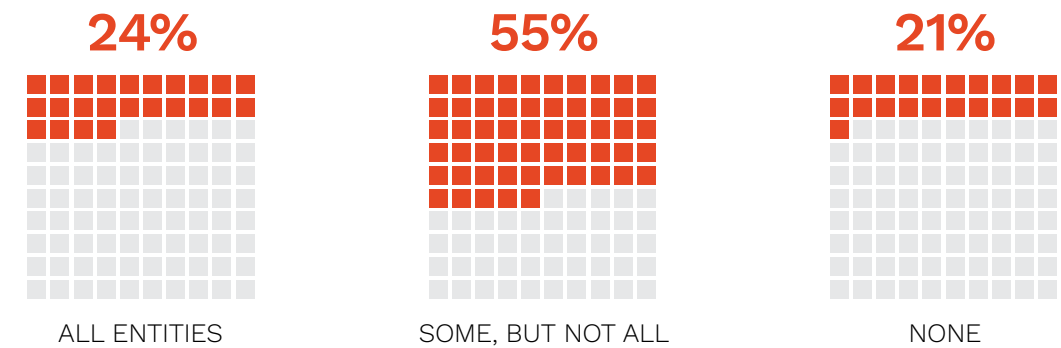


Share of online-only bank customers who are very concerned about data security

FIGURE 9:

Consumers' belief that non-FI entities want their data

Number of entities that consumers think have a strong interest in their personal data



N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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FIGURE 10:

Consumers' belief that non-FI entities want their data

Share who think personal data is "very" or "extremely" valuable to select entities



N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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Consumer concerns about data security and third-party data access have created a sea of change in how consumers conceptualize financial account security.



Concerns about data privacy have transformed how consumers conceptualize financial account security.

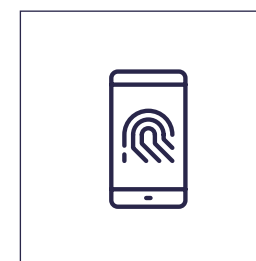


Forty-five percent of financial services account holders would be very comfortable logging in without passwords,



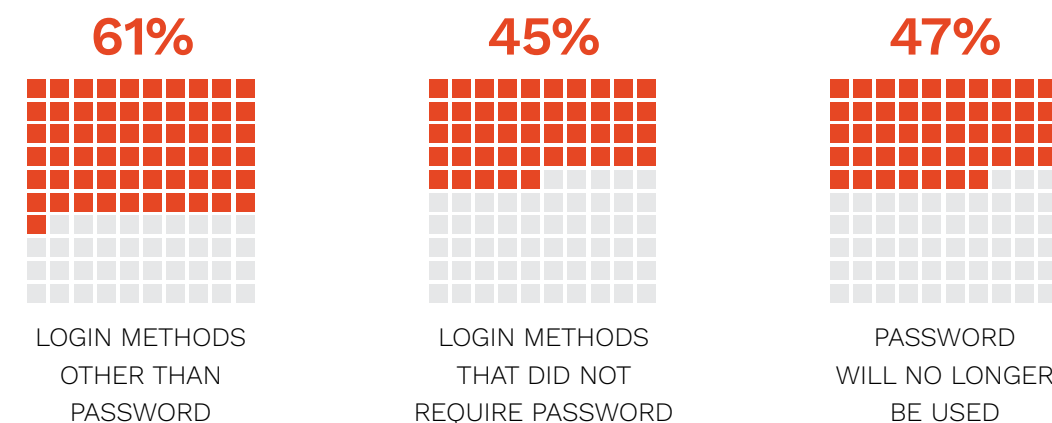
even though it is still the most common identity authentication method.

PYMNTS research revealed that regardless of comfort level, 71 percent of account holders would not oppose using biometrics to authenticate their identities. Consumers have begun to prioritize security over convenience, and they are now becoming open to more modern methods of accessing their financial services accounts and protecting their private data.



More than two-thirds of digital account holders would not oppose using biometrics to authenticate their identities.

FIGURE 11:
Consumers' comfort with specific login methods
Share who agree with select statements



N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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TABLE 5:
Consumers' comfort with specific login methods

Share who agree with select statements, by most frequently used device

	LOGIN METHODS OTHER THAN PASSWORD	LOGIN METHODS THAT DID NOT REQUIRE PASSWORD	PASSWORD WILL NO LONGER BE USED
• Computer browser	48.5%	30.7%	36.1%
• Mobile device browser	54.3%	40.5%	41.9%
• Mobile device application	67.9%	50.0%	47.9%
• Multiple options	73.1%	60.1%	61.0%

■ Highest percentage

N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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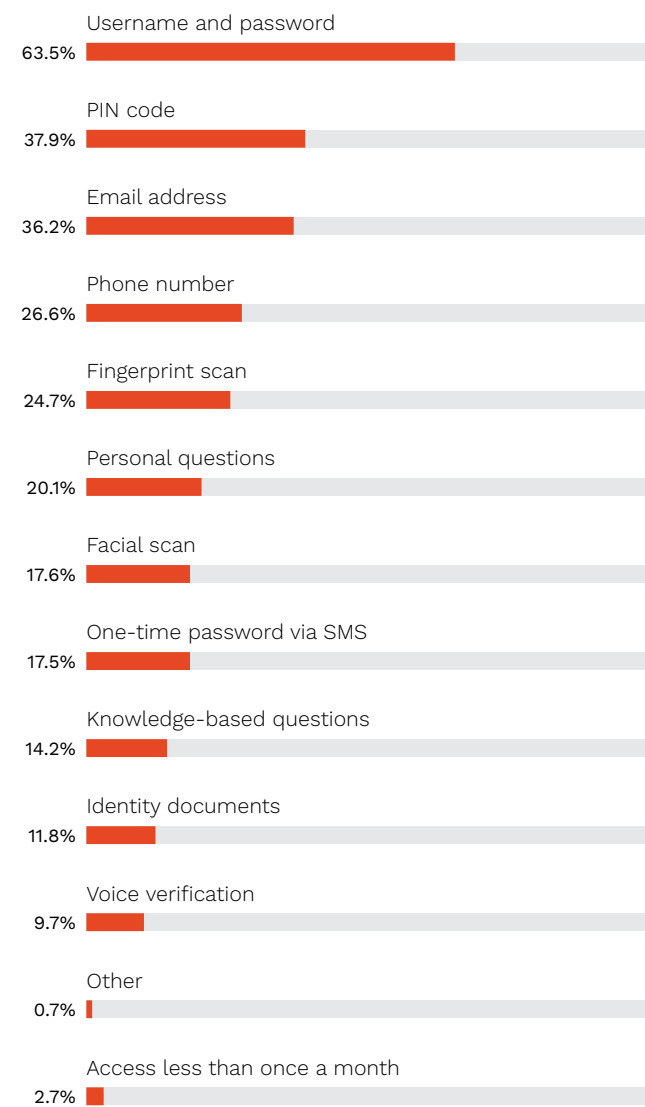
Share of cross-device users who believe passwords will eventually be phased out as an authentication method

Consumers — especially cross-device users — may be ready to retire the password. PYMNTS found that 60 percent of these users would be “very” comfortable logging in using alternative authentication factors, and 73 percent would be willing to use other factors. Multi-device users are also the most likely to say they would feel comfortable logging into their financial services accounts without passwords and would instead use alternative authentication methods. This group believes that passwords would eventually be phased out as a common authentication method.

FIGURE 12:

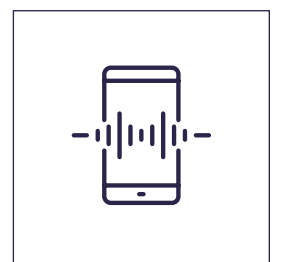
Authentication method usage

Authentication methods used to access digital financial services accounts at least once a month



N = 2,719: Digital financial account owners
Source: PYMNTS | Enterspekt
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Biometric-based authentication is an appealing alternative to passwords for many consumers. Our research revealed that account holders would be more open to authenticating their identities with fingerprint scans than any other type of biometric scan. In a private setting, 49 percent of account holders would be open to authenticating their identities with fingerprint scans, and 44 percent would be open to authenticating with facial scans. PYMNTS research found that 36 percent of cross-device consumers use fingerprint scans, 28 percent use facial scans and 18 percent use voice scans at least monthly.



Biometric-based authentication is an appealing alternative to passwords for many consumers.

TABLE 6:

Authentication method usage

Authentication methods used to access digital financial services accounts at least once a month, by most frequently used device

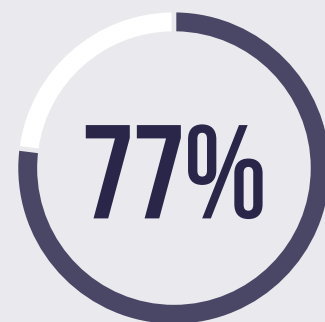
■ Highest percentage

	COMPUTER BROWSER	MOBILE DEVICE BROWSER	MOBILE DEVICE APPLICATION	MULTIPLE OPTIONS
• Username and password	76.8%	54.2%	57.7%	60.7%
• PIN code	27.7%	34.9%	45.0%	44.3%
• Email address	36.5%	37.1%	32.6%	39.4%
• Phone number	17.4%	28.5%	28.5%	34.3%
• Fingerprint scan	7.2%	25.7%	32.3%	36.2%
• Personal questions	25.9%	11.4%	15.6%	24.3%
• Facial scan	4.6%	15.8%	23.7%	27.5%
• One-time password via SMS	15.6%	11.6%	17.3%	24.3%
• Knowledge-based questions	13.6%	10.5%	10.3%	22.1%
• Identity documents	5.8%	7.7%	11.8%	22.0%
• Voice verification	4.3%	11.6%	6.8%	18.1%
• Other	1.4%	0.4%	0.4%	0.4%
• Access less than once a month	4.7%	2.3%	2.8%	0.4%

N = 2,719: Digital financial account owners
 Source: PYMNTS | Enterspekt
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Portion of mobile application users who log in with usernames and passwords



Share of users logging into accounts from computer browsers with usernames and passwords



CONCLUSION

Consumers' interest in alternative authentication methods for their financial services accounts is not born of a mistrust of FIs, but concern about data security, which they value as much as user experience.

Their preference for authentication methods is changing. More are becoming comfortable using methods other than passwords, pushing authentication into a passwordless future.

Consumer willingness to try new authentication methods and the belief that passwords will soon be phased out indicates an opportunity for financial services providers to leverage their earned trust to introduce security measures that improve the user experience while boosting customer loyalty.

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METHODOLOGY


The Passwordless Future: Decoding Consumers' Device-Based Authentication Preferences is based on findings from a survey of 2,719 adult American consumers with online services accounts. The survey was conducted between Sept. 10 and Sept. 27, 2021. Consumers were asked questions about their data privacy concerns and their financial services account management preferences with respect to confidence in their financial services providers.

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ABOUT

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