

DIGITAL ECONOMY PAYMENTS

Report: November 2021 US

HOW CONSUMERS PAY
IN THE **DIGITAL WORLD**



PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is re-inventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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INTRODUCTION

Consumers' purchasing habits have been all over the map during the past 20 months, and those looking for insights into why can learn a lot from San Francisco, California.

The County of San Francisco issued a shelter-in-place order for the region's residents on March 16, 2020, to curb the spread of the novel coronavirus. Then, later that spring, the county began easing some of the restrictions — only to reinstate them once again in October¹. San Francisco has since shifted its mask requirements and capacity restrictions several times as viral cases ebb and flow and new COVID-19 variants emerge, tasking residents with navigating a revolving door of requirements that can profoundly impact what they buy, where they buy it and how they pay.

San Francisco is far from the only municipality feeling the effects of ever-changing safety and health requirements. The constant easing and tightening of pandemic-related mandates nationwide has — perhaps unsurprisingly — thrown the \$555 billion that United States consumers spend each month on groceries, food, retail products and travel-related services into flux.

To better understand how consumers' shopping and payment preferences are evolving in tandem with technological and socio-economic realities of their lives today, PYMNTS surveyed nearly 3,600 consumers in November. PYMNTS' inaugural Digital Economy Payments Report is the first in a monthly series that will map consumers' changing payments behaviors and unearth insights that can answer the why behind the what.

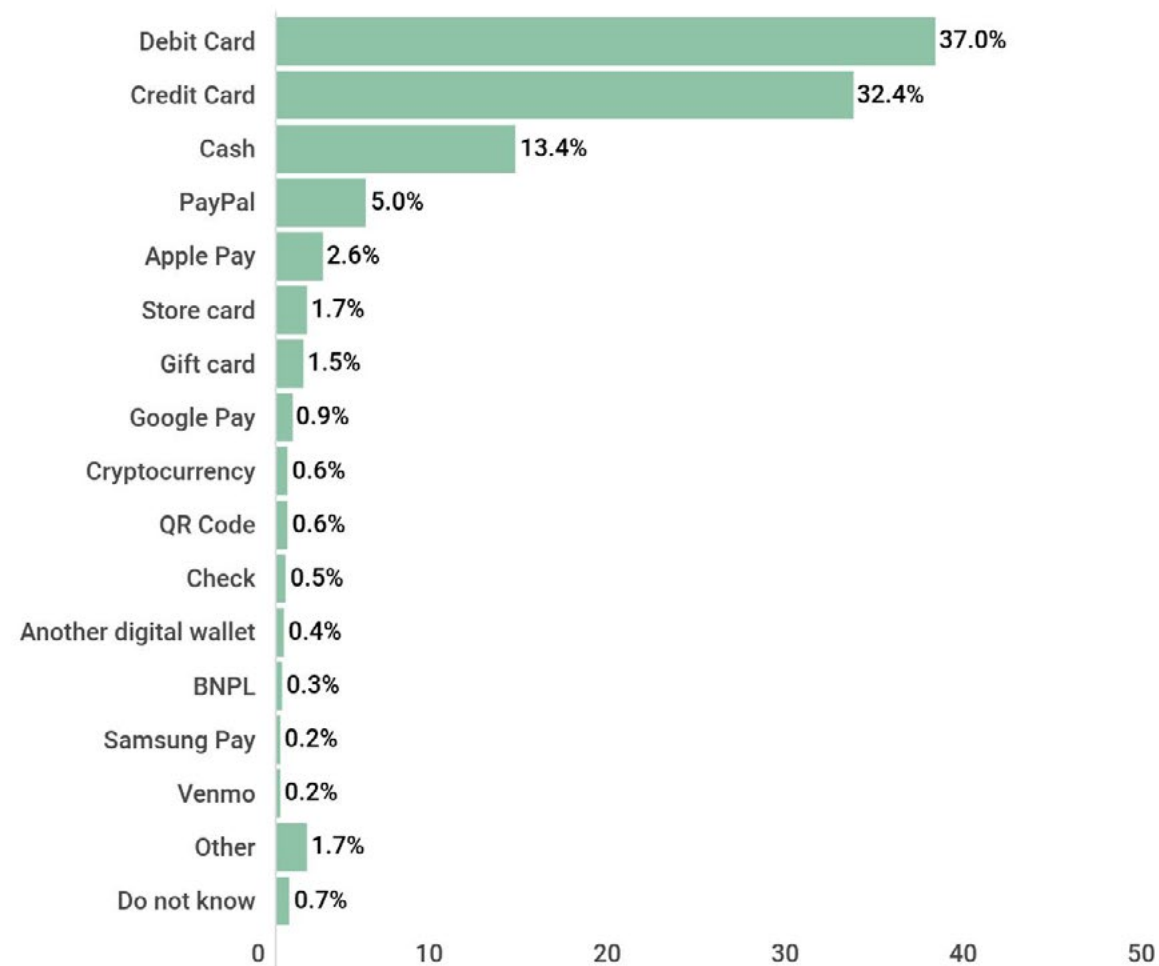
This is what we learned.

¹ Rodriguez, O. San Francisco Bay Area to drop some indoor mask mandates. ABC News. 2021. <https://abcnews.go.com/Lifestyle/wireStory/san-francisco-bay-area-drop-indoor-mask-mandates-80461655>. Accessed December 2021.

Debit trumps credit usage when consumers shop in physical stores.

Credit cards are the most popular payment method for online purchases, however.

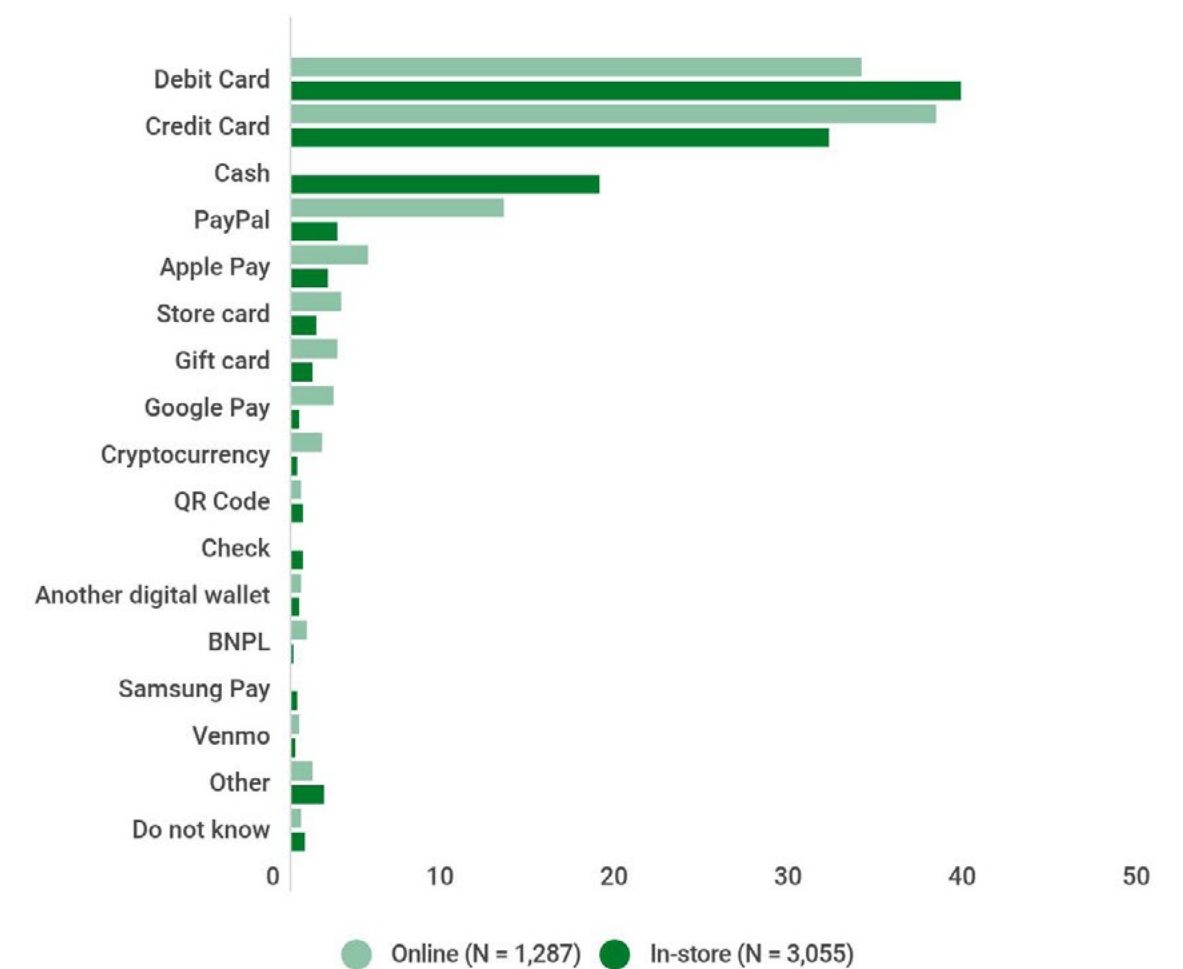
Figure 1A: Consumers' use of various payment methods for their most recent purchases



Source: PYMNTS.com

More than 38% of U.S. consumers use debit cards to pay for their purchases in physical stores, while nearly 33% use credit cards. The opposite is true when making online purchases, with 37% of consumers using credit cards to pay and 33% using debit cards. Overall, 37% of consumers used debit cards to pay for purchases, while 32% said they used credit cards. Cash, used by 13% of consumers, is the third-most popular payment method.

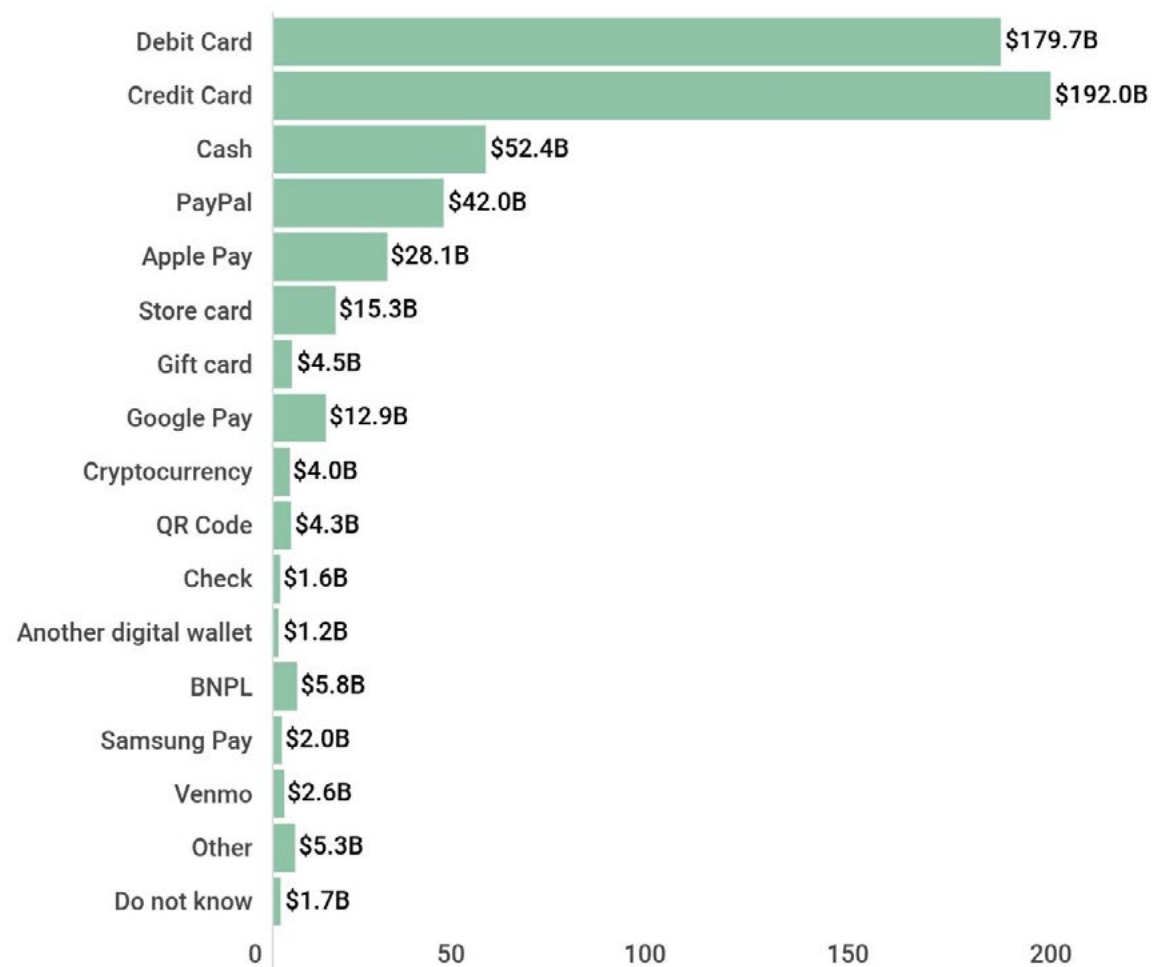
Figure 1B: Consumers' use of various payment methods for their most recent purchases, by channel



Source: PYMNTS.com

It might seem surprising that mobile wallets such as PayPal and Apple Pay trail cash usage in physical stores by a significant margin, but there is an explanation for this trend. PYMNTS' extensive research in the past 20 months has shown that consumers favor contactless cards over mobile wallets when it comes to shopping in a touch-free manner in physical environments.

Figure 1C: Estimated total monthly amount consumers spend, by payment method



Source: PYMNTS.com

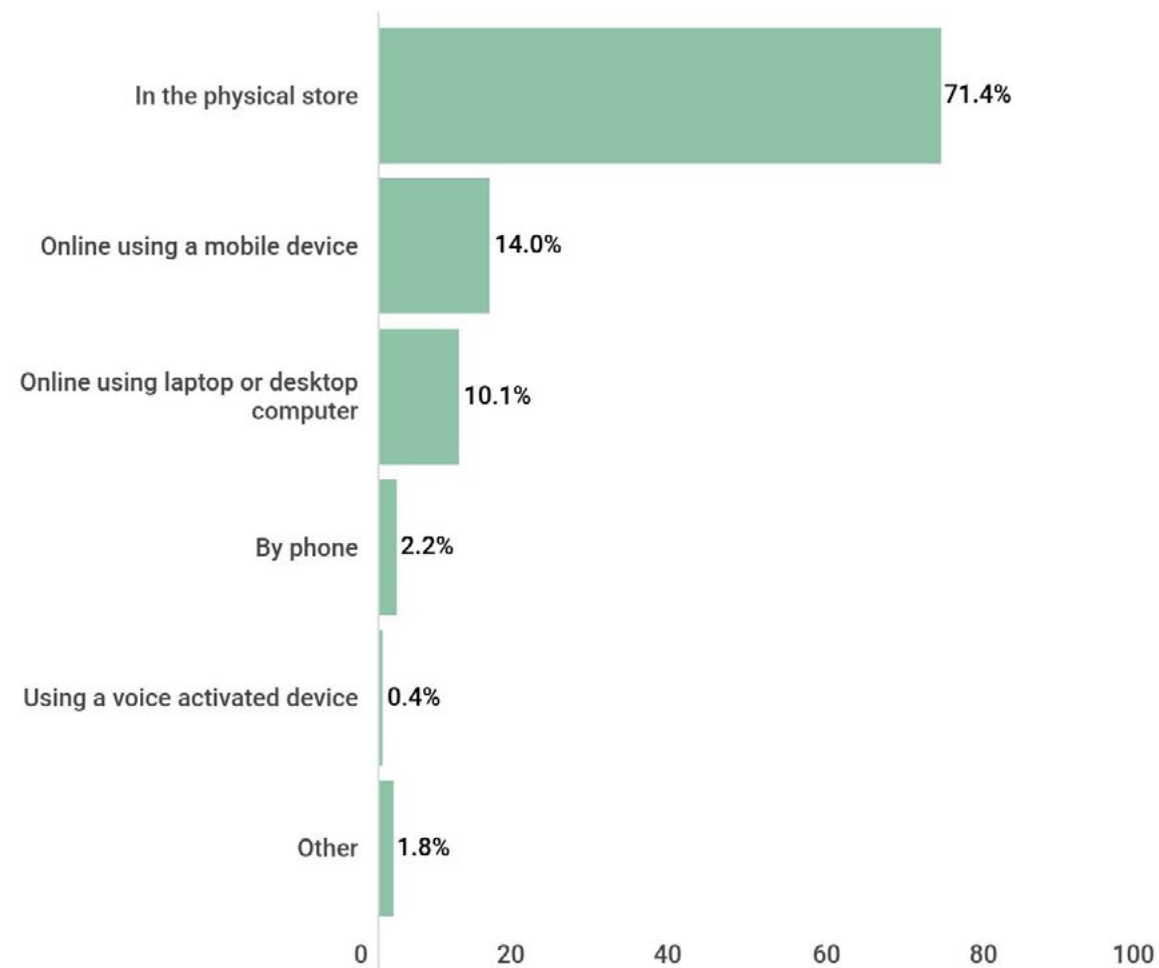


Nearly one-quarter of consumers are buying their groceries online.

More than 40% use debit cards to purchase groceries both in stores and online.

Online delivery services and features that take the pain out of buying groceries are becoming a more prominent consideration for today's digital-first consumers. Fourteen percent of consumers now use their mobile devices to buy their groceries, while another 10% use their computers to shop for them.

Figure 2A: Consumers' usage of various channels to make purchases



Source: PYMNTS.com

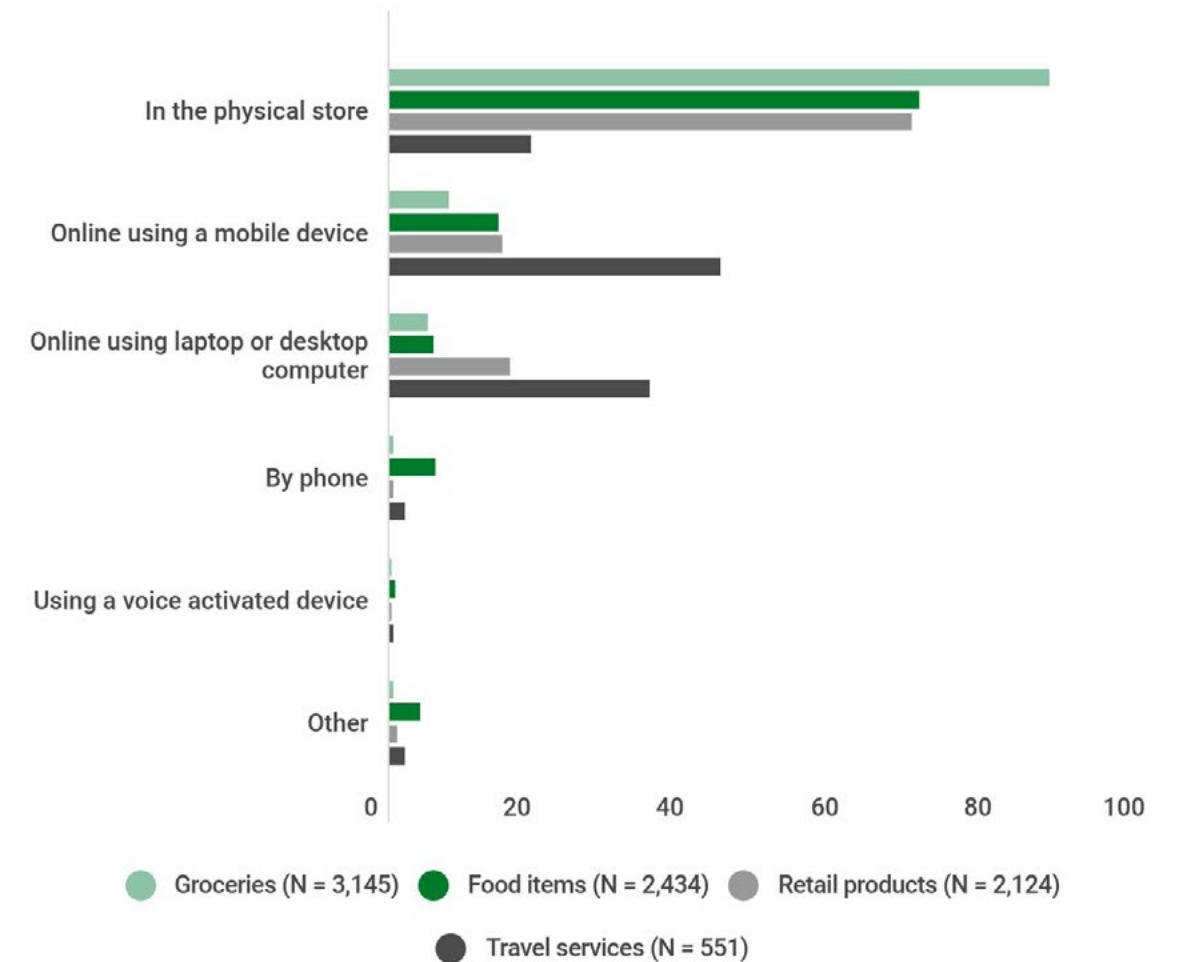
When it comes to paying for their groceries, our research shows that consumers typically use debit cards regardless of whether they are buying them in a physical store or online. Overall, consumers spend \$85.3 billion monthly on buying groceries in physical stores and nearly \$19 billion when using mobile and online channels.

On the other hand, consumers vastly prefer paying with credit cards when making retail

purchases. Our research shows that consumers buy more than \$127 billion worth of retail products using credit cards and just more than \$100 billion using debit.

Buy now, pay later (BNPL) payment options are also increasingly resonating with shoppers, but just 4% of consumers use them to pay for retail products, and 1% or less use them to pay for food and grocery purchases.

Figure 2B: Consumers' use of various channels to make purchases, by type of products or services purchased



Source: PYMNTS.com

More than 40% of consumers who made travel-related purchases used their mobile devices.

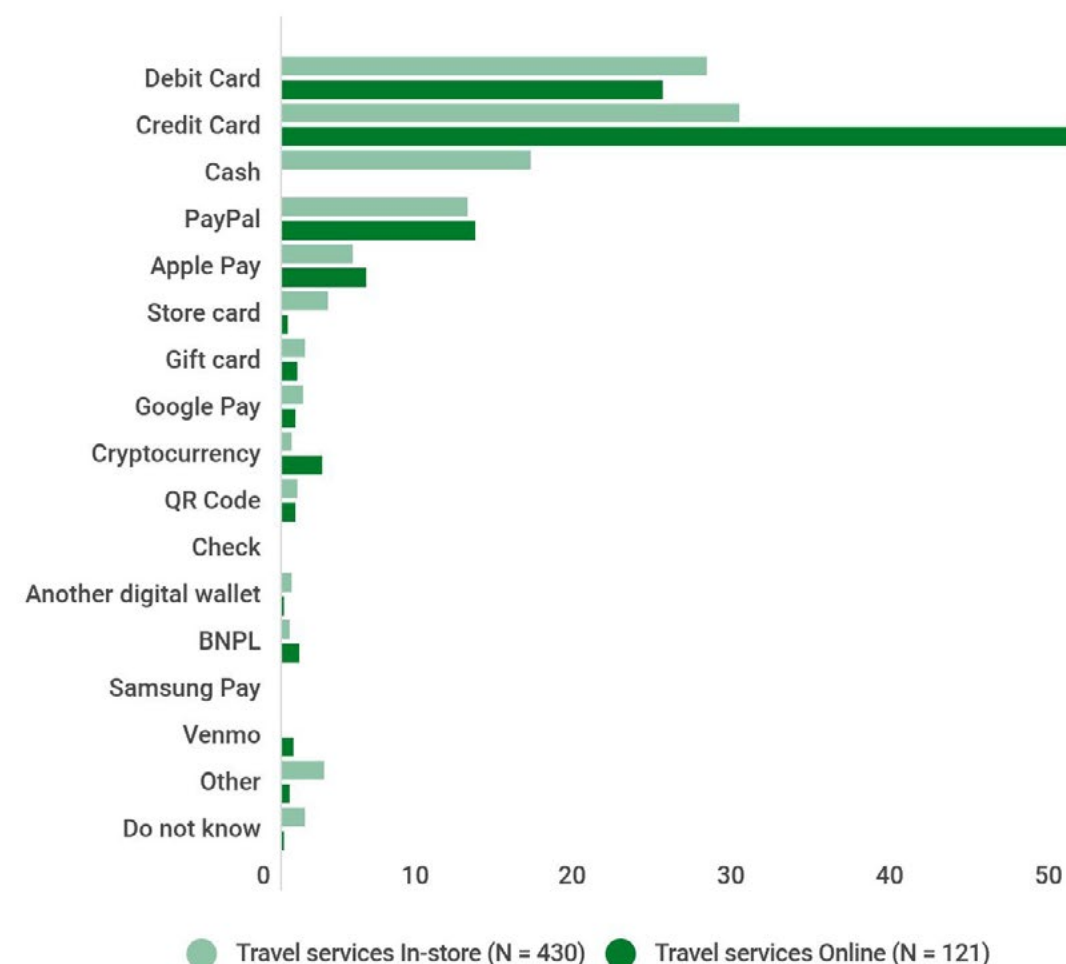
Forty-six percent of consumers who made travel purchases paid for them using a credit card.

Consumers use their mobile devices to do more than find travel recommendations. Forty-three percent said they are using them to make travel-related purchases. This could suggest that consumers are becoming more mobile-savvy, but relatively few are using mobile wallets to pay for their travel-related purchases. Just 12% of travel-related transactions are paid for via PayPal, while Apple Pay is used for just 5% of transactions.

Credit cards are by and large the most popular payment method for these purchases — perhaps because consumers are accustomed to using them for their travel expenses or because many credit cards offer travel protection. Travel purchases also tend to be more expensive, and credit cards allow consumers to make big-ticket transactions now and worry about payments later.

Meanwhile, a notably smaller share of 3.5% are turning to BNPL plans to cover their travel expenses.

Figure 3: Consumers' use of various payment methods for their most recent travel-related purchases



Source: PYMNTS.com

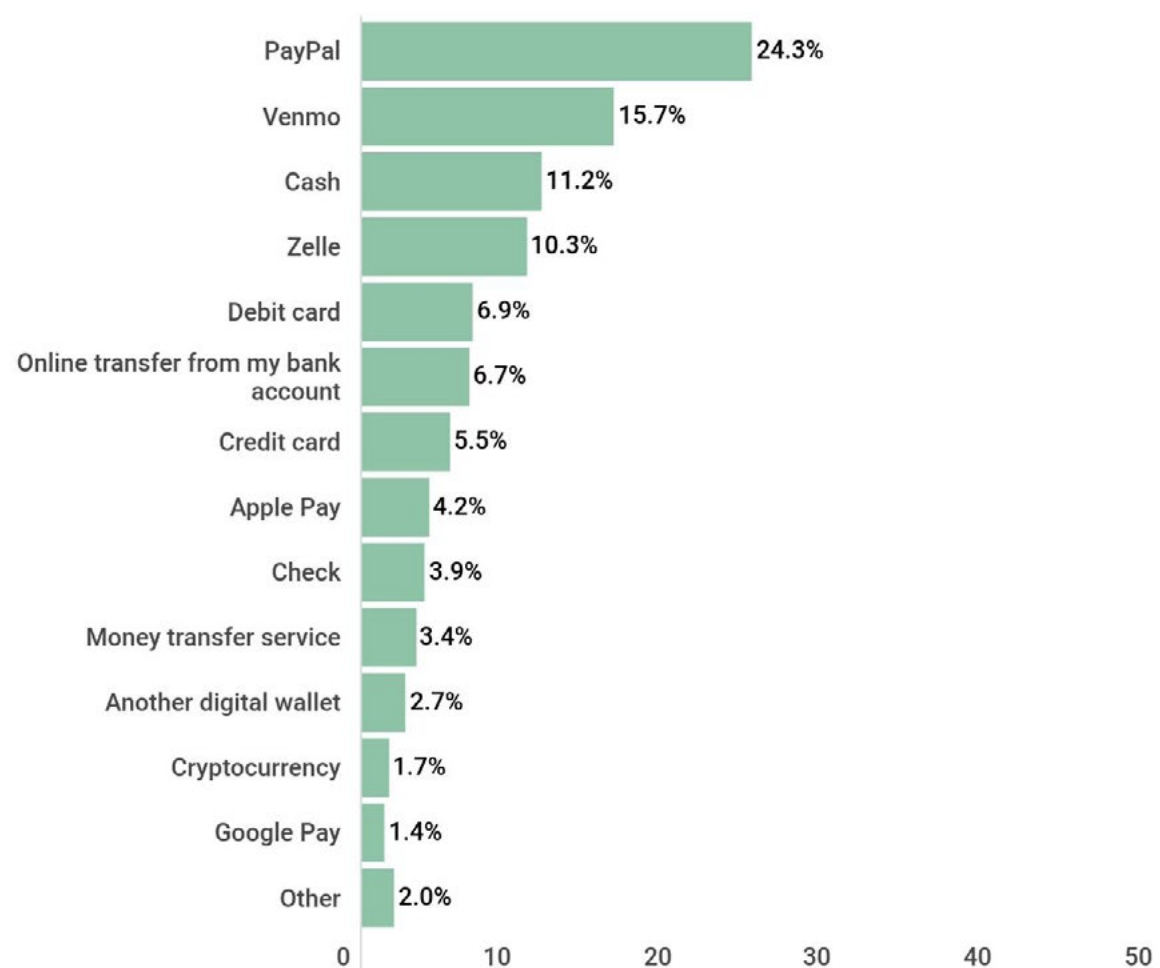


Nearly one-third of consumers made peer-to-peer (P2P) transactions during the past month.

PayPal was used by approximately one-quarter of consumers for their most recent P2P transactions, making it the most preferred P2P payment app.

P2P payment apps have fast become a popular method for consumers paying their friends, families and acquaintances, with 29% using these apps in the past month alone. These apps are particularly popular among bridge millennials and millennials, as more than 44% report using them to make P2P transactions. PayPal is the most popular of the various P2P payment

Figure 4A: Consumers' use of various P2P payment apps, by option

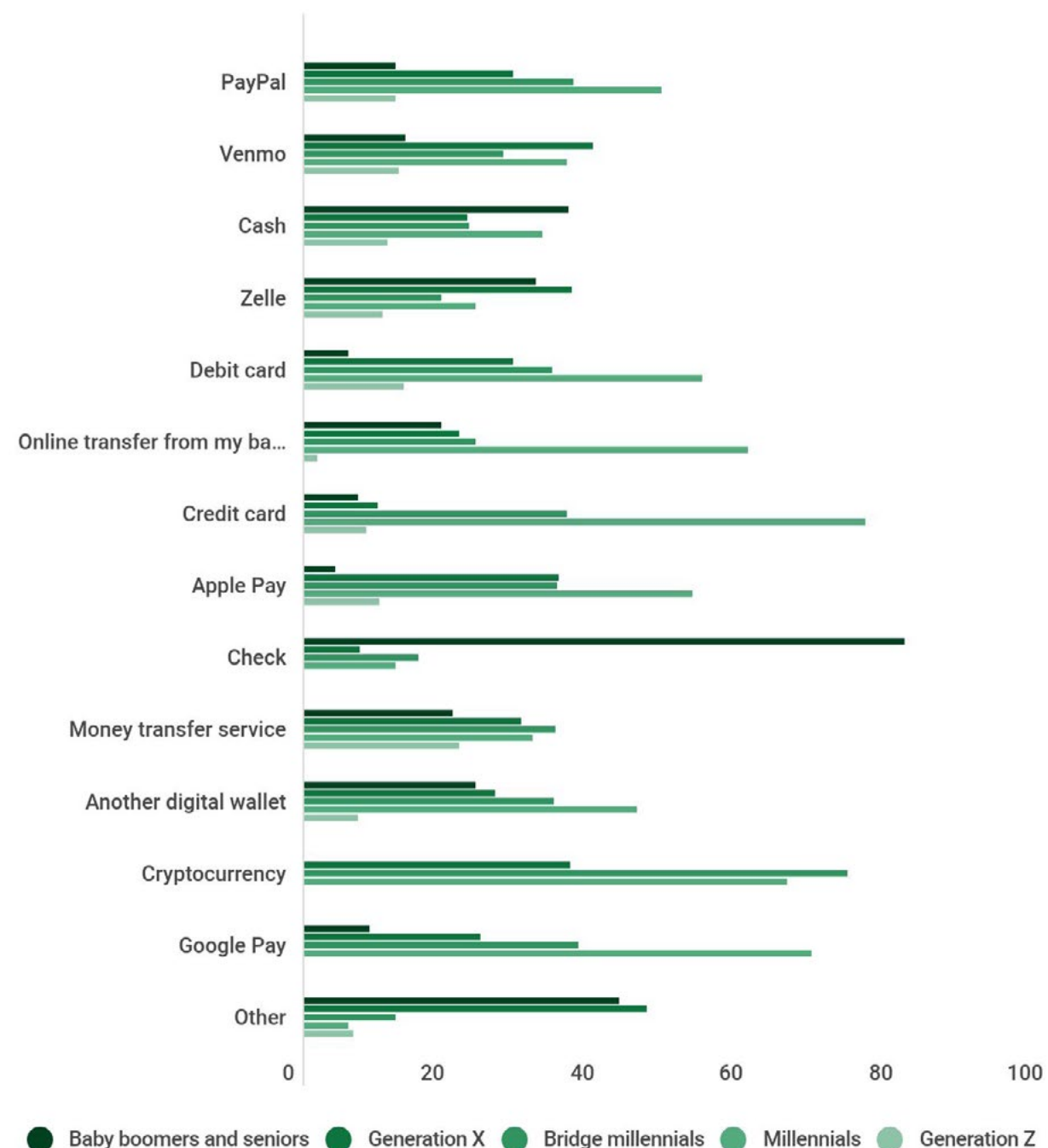


Source: PYMNTS.com

app options consumers use today, while PayPal-owned Venmo and Zelle are other popular P2P payment offerings.

Forty percent of consumers who made P2P payments using a digital wallet used bank account transfers to fund their transactions. This usage is even more prevalent among Venmo and Zelle users, 54% and 71% of whom, respectively, use bank account transfers to make P2P transactions. Almost half of PayPal users, on the other hand, link their debit cards to their accounts.

Figure 4B: Consumers' use of various P2P payment apps, by generation



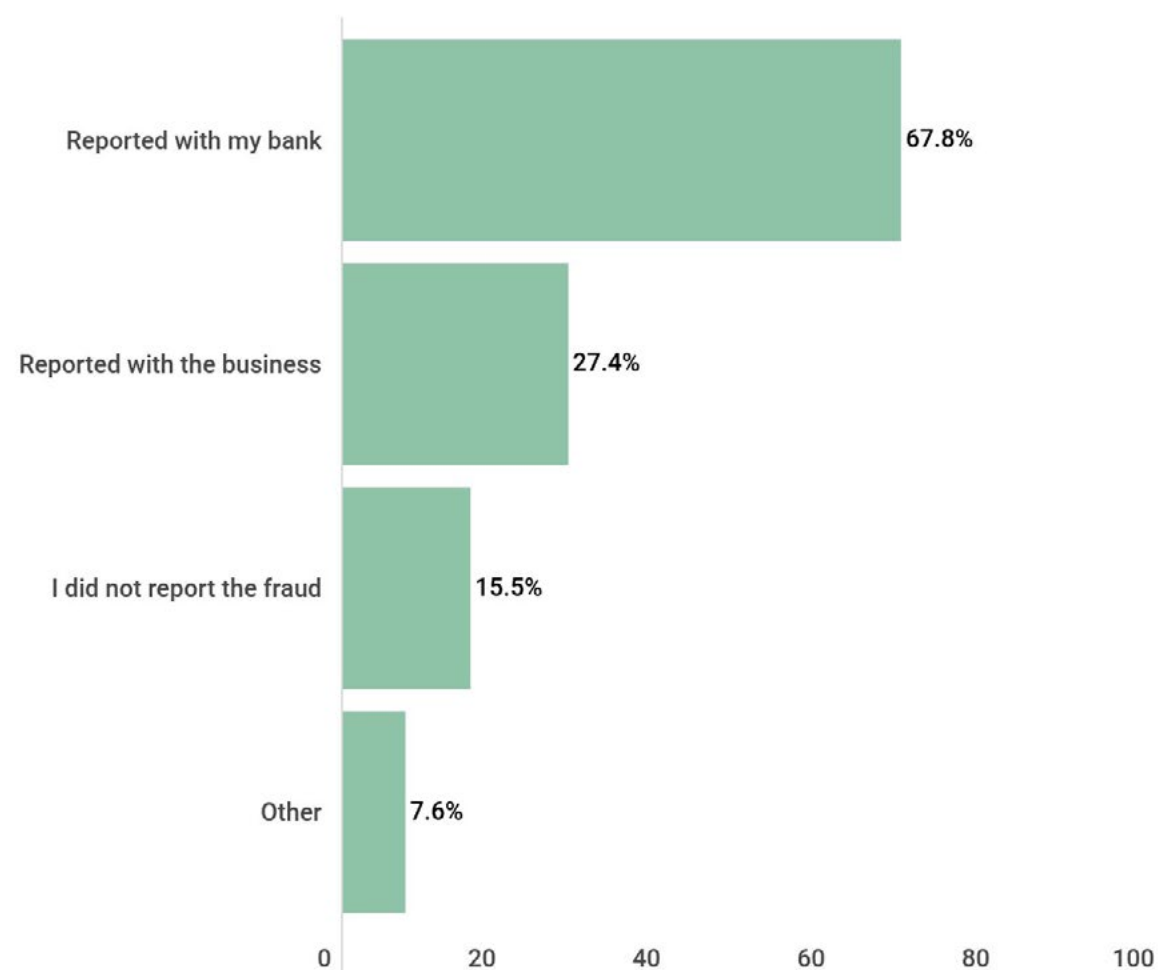
Source: PYMNTS.com

Payment declines and payment fraud affect nearly one in 10 U.S. consumers every month.

More than 15% of consumers who experience payment fraud choose not to report it.

PYMNTS' research shows that nearly 10% of U.S. consumers experience a payment decline each month, with the average declined transaction valued at \$149. This means that some \$9.8 billion worth of transactions are declined every month.

Figure 5A: How consumers handle unauthorized transactions

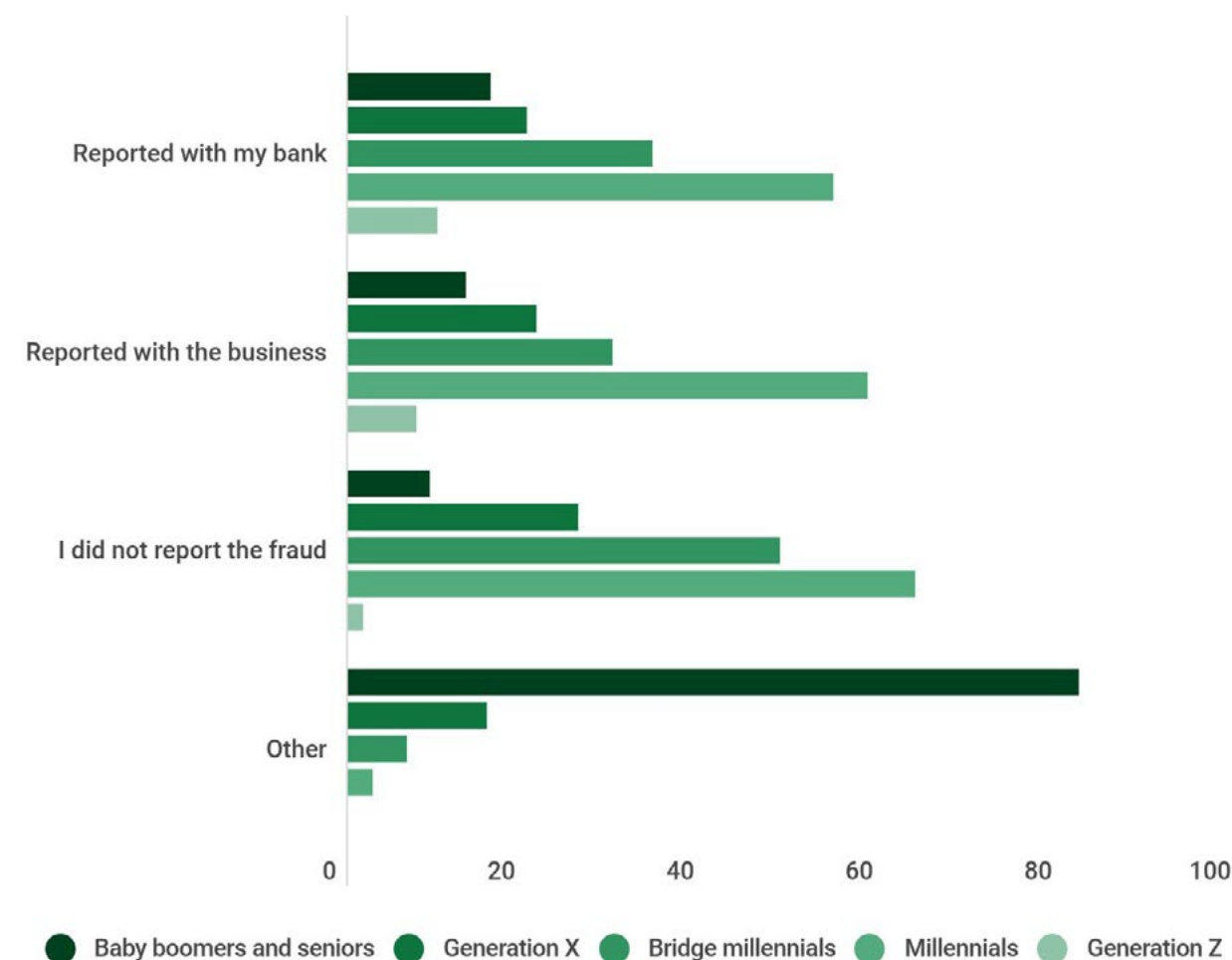


Source: PYMNTS.com

Payment fraud, meanwhile, affects fewer consumers but represents an even more significant financial problem. Just 7.4% of U.S. consumers experienced payment fraud within the past month, but the average amount involved in each transaction was \$343 — more than double the amount involved in the average payment decline. This translates to roughly \$13.3 billion lost to payment fraud each month.

More than two-thirds of consumers who experience payment fraud choose to take up the issue with their banks, with this option being especially popular among Gen Z consumers. Twenty-seven percent of consumers report fraudulent transactions to the businesses involved, while another 16% choose not to report unauthorized transactions.

Figure 5B: How consumers handle unauthorized transaction, by generation



Source: PYMNTS.com

METHODOLOGY

The Digital Economy Payments Report is based on a survey of 3,304 U.S. consumers who purchased groceries, retail products, food at restaurants or travel services during a one-month period. PYMNTS conducted the census-balanced survey between Oct. 28 and Nov. 4, 2021.

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