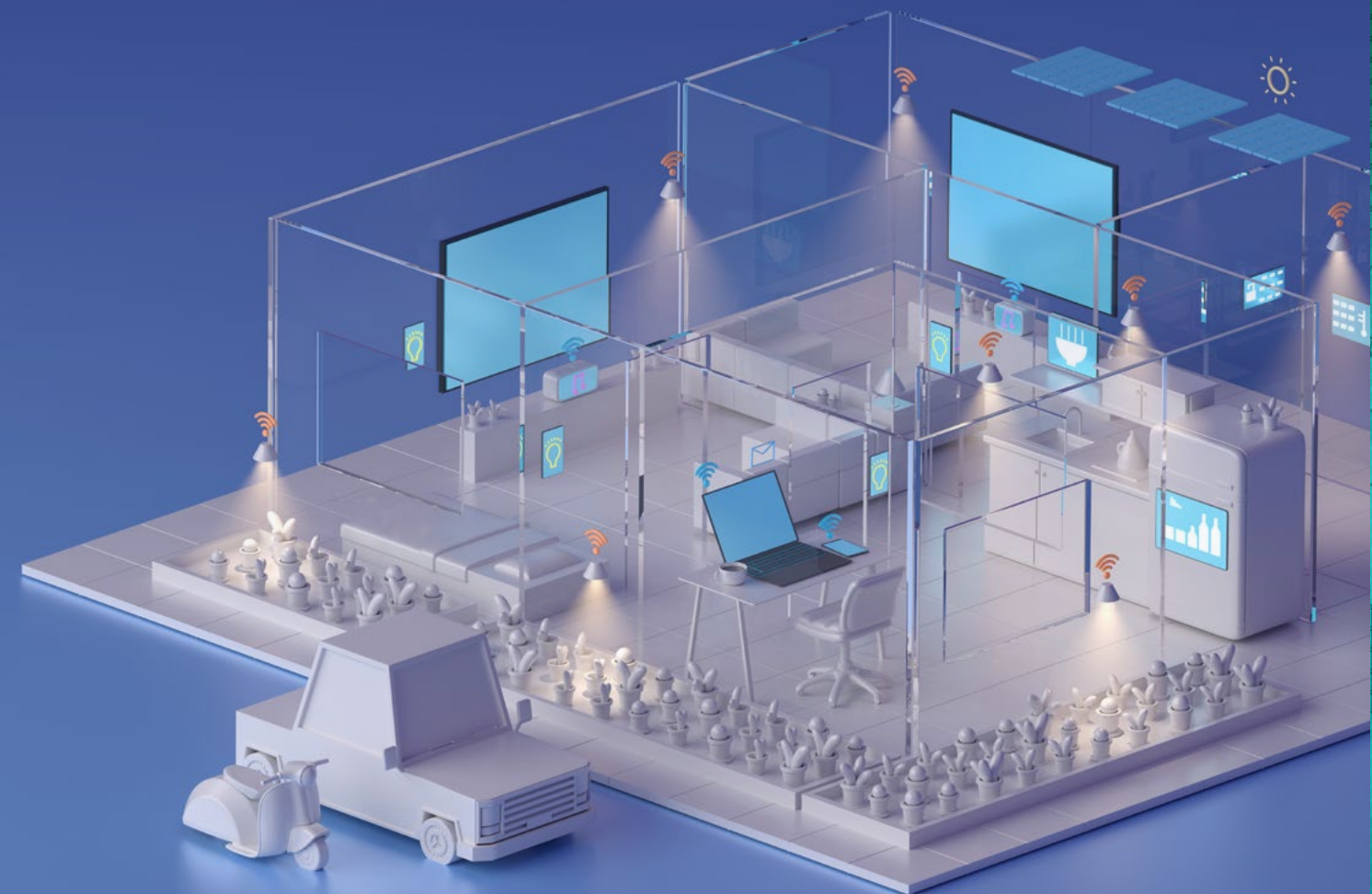


DIGITAL ECONOMY PAYMENTS

April 2022 U.S. Edition

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 are buying less and spending more. The dollar has less buying power, and many consumers are restricting their spending. PYMNTS' data finds that consumers spent more on groceries and retail items last month, and retail spending amounts reached an all-time high for this study. This could spell trouble for retailers if inflation continues and consumer spending trends down.

Despite inflation, travel has experienced a historic resurgence among consumers. Our data reveals that Americans are not only traveling more but also completing more of their travel-related purchases — such as booking hotels and flights — online.

Although consumers have definitively shifted towards digital channels when it comes to managing their travel activities, digital wallets — a key enabler of convenient, contactless payments — are struggling to gain traction for in-store purchases. Yet outside stores and among friends and family, digital payments continue to gain ubiquity, as almost one-third of Americans have adopted peer-to-peer (P2P) payments, with Venmo besting PayPal as the platform of choice for the second month in a row.

These are just some of the findings detailed in this report, which is based on a survey of 3,017 U.S. consumers drawn from a census-balanced pool of respondents. Consumers were asked about their shopping behaviors and preferences as well as their go-to forms of payment. This survey was conducted between March 10 and March 14.

This is what we learned.

Consumers are shopping less but spending more when they do, with the highest increase occurring when making retail purchases.

PYMNTS data finds that the average amount consumers spent on retail, groceries and food from restaurants rose, even as the share of consumers reporting shopping decreased in those three categories.

Inflation may have influenced the rise in expenditures. The share of consumers who stated that they shopped for groceries decreased from 89% in February to 88% in March and retail shopping decreased from 62% to 60%, yet the average spend increased in March for each. Grocery spend rose \$11 to \$110, and retail spend rose \$24 to \$103. Restaurant purchasing followed suit, albeit to a significantly reduced degree, as the share of respondents who stated that they made a restaurant purchase dropped from 71% to 70% and average spend slightly increased \$1 to \$40.

Travel made a notable comeback: 19% of consumers purchased travel services in March — an all-time high for the series. Consumers' average travel spend was \$363, a lower figure than in previous months.

While consumers favored in-store shopping over other channels to buy groceries, they did use laptops and mobile devices to shop at meaningful rates. A greater share of consumers used computers (8.5%) than mobile devices (5.5%) to shop for groceries online last month. Mobile device grocery shopping rose slightly, from 4.8% in February to 5.5% in March, while online grocery shopping via computer remained effectively static, nominally rising from 8.4% to 8.5%. In retail, 15% of sales were made through computers and 14% via mobile devices, with both channels exhibiting similar percentages of sales over time.

Figure 1: Consumer purchasing channels

Figure 1A: Share of consumers who used select channels for their most recent retail purchases, by month

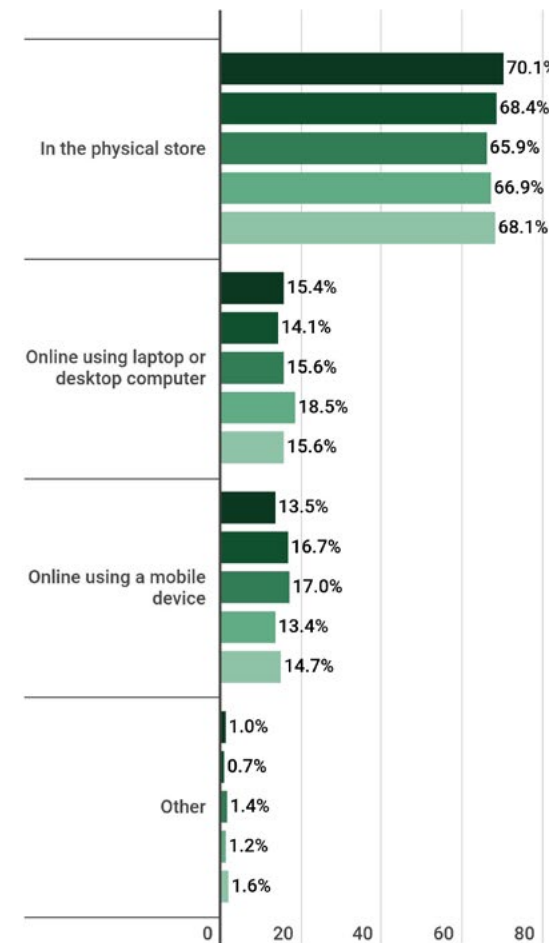
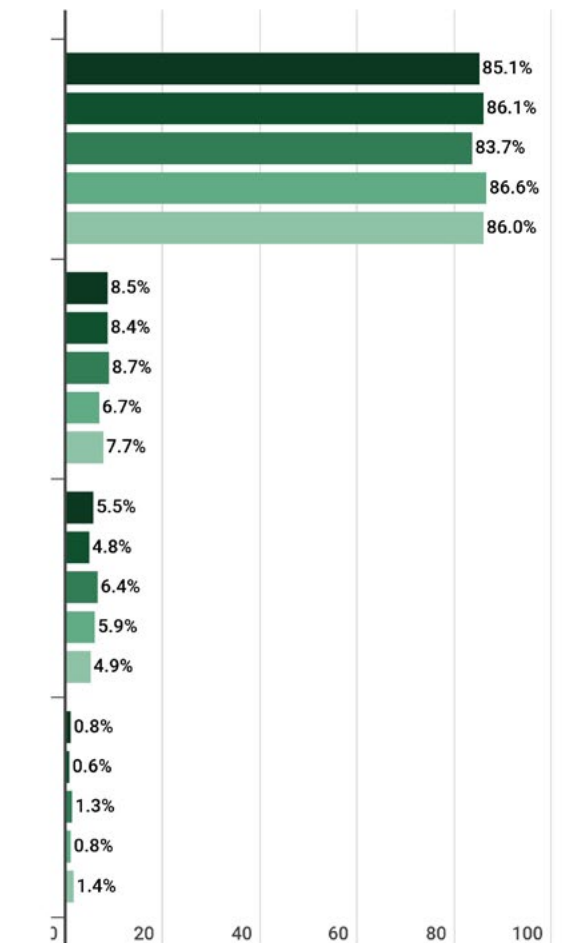


Figure 1B: Share of consumers who used select channels for their most recent grocery purchases, by month



Legend: ● March 2022 ● February 2022 ● January 2022 ● December 2021 ● November 2021

N varies: Consumers who have made select purchases at least one time in the 30 days prior to being surveyed.

Groceries N = 2,880
 Restaurant N = 2,261
 Retail N = 2,009
 Travel N = 543

Source: PYMNTS.com

Figure 2: Recent trends in consumer purchasing

Figure 2A: Share of consumers who have made select purchases at least one time in the 30 days prior to being surveyed, by month

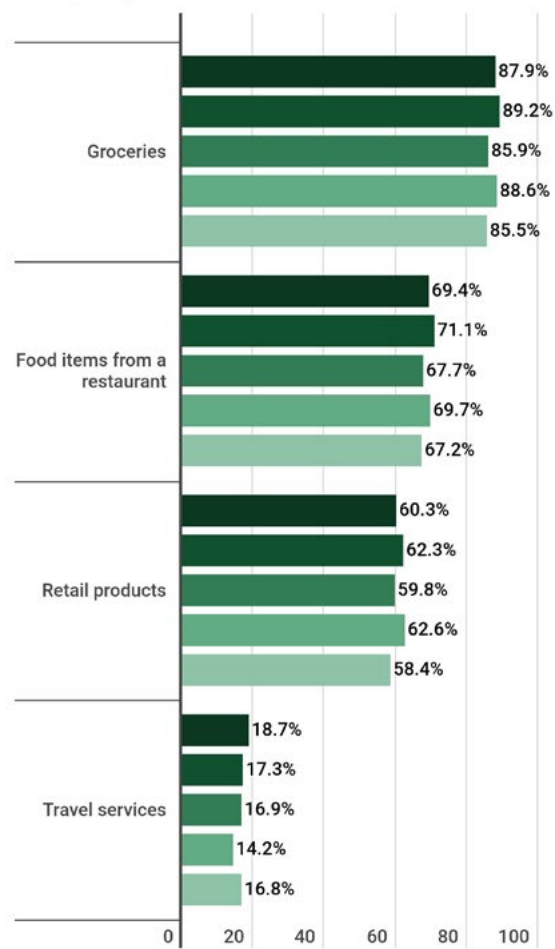
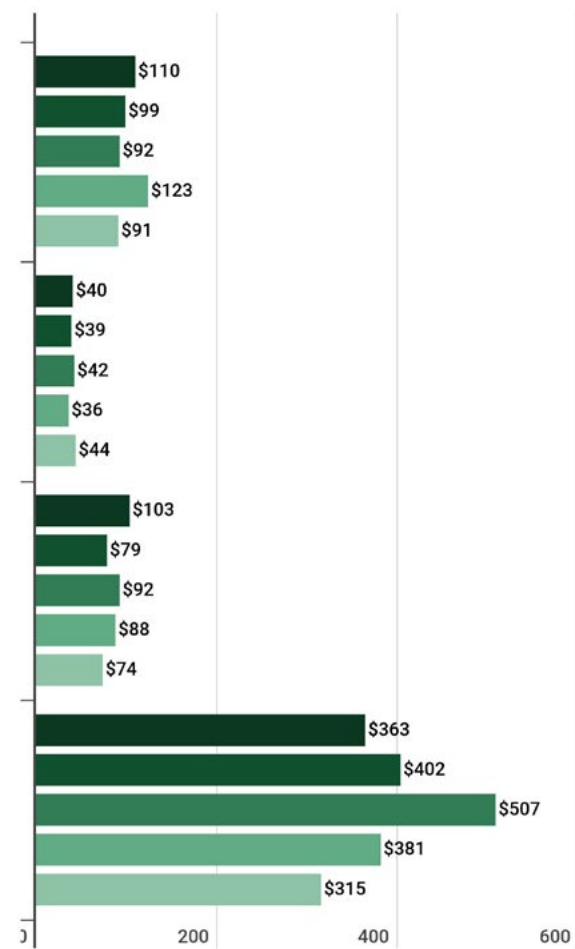


Figure 2B: Average amount consumers spent on most recent purchase, by month



● March 2022 ● February 2022 ● January 2022

● December 2021 ● November 2021

N varies: Consumers who have made select purchases at least one time in the 30 days prior to being surveyed.

Groceries N = 2,880

Restaurant N = 2,261

Retail N = 2,009

Travel N = 543

Source: PYMNTS.com

Consumers have shifted their travel services purchasing to digital channels: 82% of purchases were made online, and nearly 20% were made with digital wallets.

As restrictions on travel and public gathering continue to lift across the country, a surge in travel purchasing is occurring. The travel industry not only experienced a sizable boost in the number of consumers making purchases last month but also was the singular industry boasting a consistent trend toward digital channels. This increase was driven by hotel services, airline tickets and car rentals.

A majority of hotel services purchases and car rentals were made online at 84% and 80%, respectively, and both represent individual increases in online purchasing trends over February levels, by 6 percentage points and 11 percentage points, respectively. Consumers are also adopting modern ways to pay for their travel. Rather than use a debit or credit card directly, many consumers are leveraging their digital wallets when making travel purchases online and in-person. Our data shows that 17% of all travel purchases were made using PayPal and other digital wallets. In comparison, PayPal and other digital wallets were only used in 3.6% or less of all other retail purchases.

While digital wallets have gained popularity, debit cards hold a dominant share of grocery and retail purchasing.

Consumers made the transition from primarily using cash to using debit and credit cards to pay for common expenses decades ago, but the adoption of newer, more convenient payment products has been slow relative to the speed of the digital shift. Despite their popularity in certain segments, consumers have yet to fully embrace digital wallets as a tool to manage day-to-day expenses such as groceries.

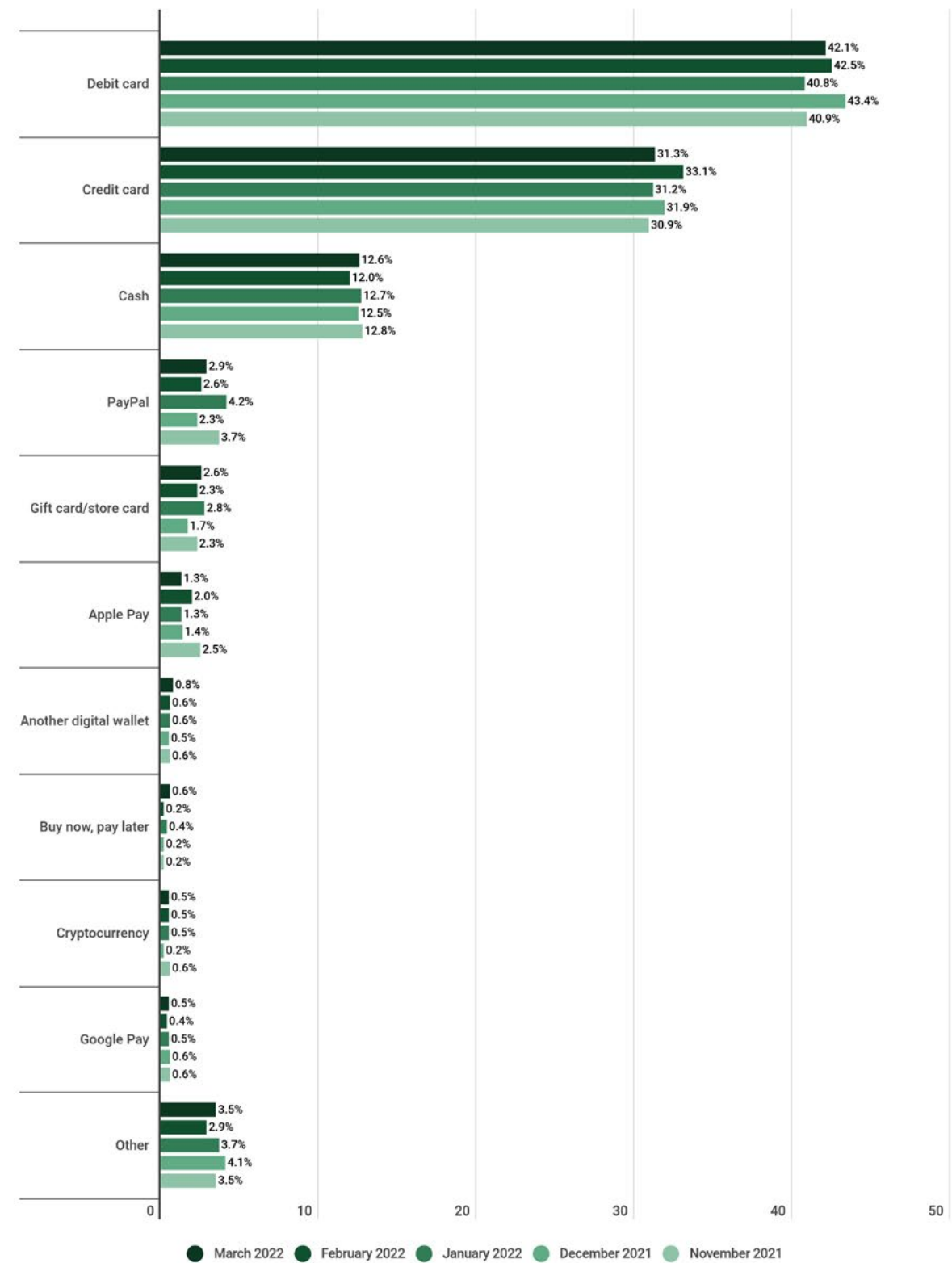
In March, 42% of grocery sales were made using debit cards, representing about \$41 billion in sales. Only 6% of sales were made with digital wallets. While PayPal and other digital wallets have meaningful shares of sales made through online channels, a lack of in-store usage brings the average down.

PayPal was used in 10% of online transactions but only 3.1% of total grocery purchases. Almost universally, digital wallets exhibit low shares of retail and grocery transactions as well as in-store transactions.

That trend may change — perhaps driven by the travel segment, where digital wallet adoption is strong and is trending up.

Figure 3: Grocery purchase payment methods

Share of consumers who used select payment methods for their most recent grocery purchases, by month



N = 2,880: Consumers who have made at least one grocery purchase in the 30 days prior to being surveyed.

Source: PYMNTS.com

While debit and credit cards are the most used payment methods for regular expenses such as groceries, an increase in payment card fraud caused a rise in security-related user experience disruptions.

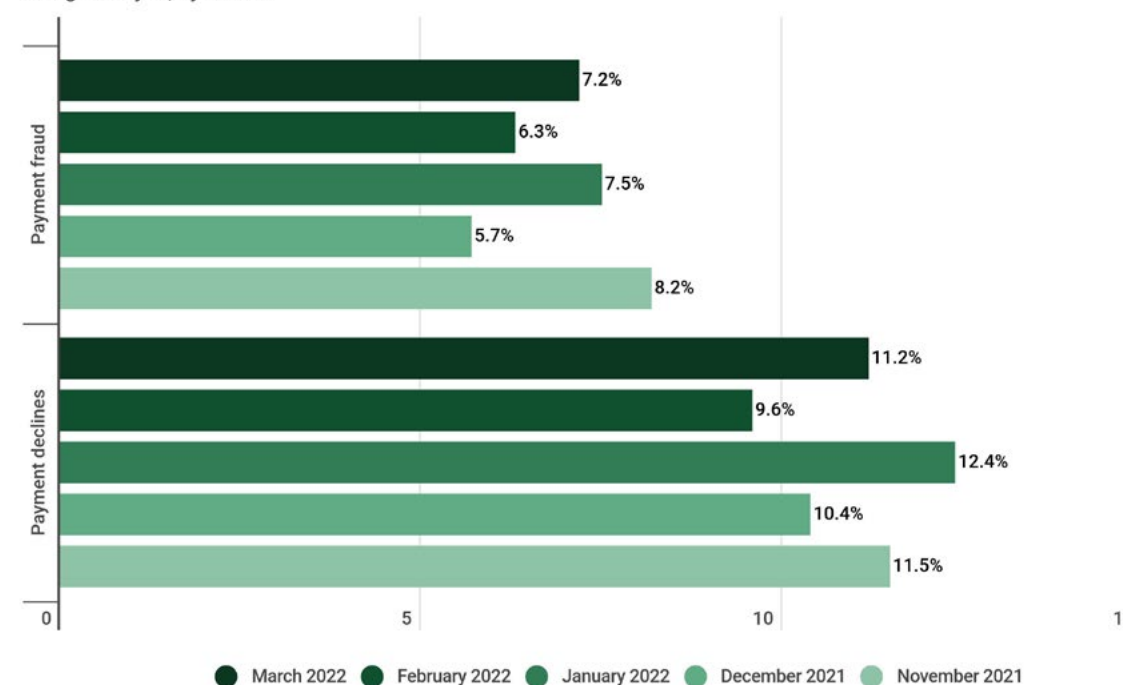
Payment card declines, which rose from 10% in February to 11% in March, add friction at checkout and can lead consumers to abandon not only their shopping carts, but merchants as well.

In March, activity thought to be suspicious was the most frequent reason for a payment card decline: 37% of payment declines occurred when a consumer used a debit card, and 33% occurred with a credit card. PayPal and other digital wallets were used in 13% of declined purchases — a relatively high share given their low use. The average amount involved in a recent payment card decline has also risen significantly, jumping from \$155 in February to \$201 in March.

We detected differences in user experiences between shopping channels. Specific security challenges in line with current trends exist online for select merchants, and card-not-present fraud was more frequent than other types of fraud. We found that 78% of consumers experienced payment card fraud in an online store and 22% encountered it in a physical store.

Figure 4: Negative card payment experiences

Share of consumers who experienced select events in the 30 days prior to being surveyed, by month



N varies: Consumers who experienced payment declines or fraud at least one time in the 30 days prior to being surveyed.
 Payment declines: N = 305
 Payment fraud: N = 198

Source: PYMNTS.com



Nearly one-third of American consumers used P2P payments in the last month, and Venmo continues to lead as the P2P platform of choice.

P2P payments offer swift, secure and convenient payments between individuals, with particular appeal to mobile-first consumers who use their devices to manage everything from shopping to travel bookings to nights out with friends. In March, 31% of consumers made P2P payments. This represents a small dip in P2P use over February — 32% versus 31% — and may reflect the impact of inflation in line with other trends: Millions of consumers are shopping less and paying more because of higher prices when they do make purchases.

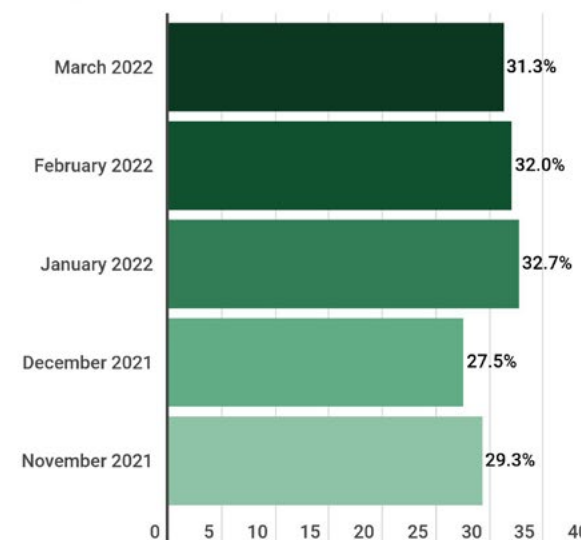
As prices increase, the shared restaurant tab for a night on the town with friends will likely cost more, thereby increasing the amount that a consumer might send via their P2P platform of choice. In February, the average amount sent via a P2P platform was \$211, but the average payment was \$292 in March.

P2P adoption was highest among younger adults: 47% of millennials, 45% of bridge millennials, and 41% of Gen Z consumers made payments through a P2P platform. Only 16% of baby boomers and seniors made payments through P2P platforms.

Venmo led PayPal as the most popular P2P platform among consumers for the second month in a row, followed by Zelle.

Figure 5: P2P payment use

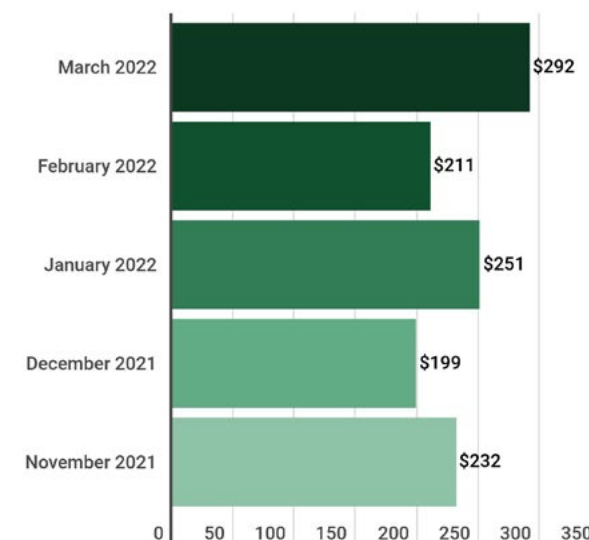
Share of consumers who made P2P payments in the 30 days prior to being surveyed, by month



Complete responses:
 N = 3,304 for November 2021
 N = 3,070 for December 2021
 N = 2,633 for January 2022
 N = 3,250 for February 2022
 N = 3,017 for March 2022

Figure 6: P2P payment value

Average value of consumers' most recent P2P payments, by month



Whole sample:
 N = 3,593 for November 2021
 N = 3,291 for December 2021
 N = 2,846 for January 2022
 N = 3,466 for February 2022
 N = 3,213 for March 2022

Source: PYMNTS.com



METHODOLOGY

Digital Economy Payments: How Consumers Pay In The Digital World is based on a census-balanced survey of 3,017 U.S. adult consumers that was carried out between March 10 and March 14. Consumers were asked questions about their purchases, payments use, payments preferences, spending habits and user experiences during the 30 days prior to taking the survey.

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