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MAY 2022 ■

# DIGITAL ECONOMY PAYMENTS

May 2022 U.S. Edition

HOW CONSUMERS PAY IN  
THE **DIGITAL WORLD**





# TABLE OF CONTENTS

Introduction .....	03
Key Findings .....	06
Methodology .....	24

## DIGITAL ECONOMY PAYMENTS

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THE DIGITAL WORLD

# INTRODUCTION

**S**pending less on goods may still feel like spending more for many Americans, as the rising cost of living has made myriad consumers appear to have less cash on hand than in previous months. Consumers spent less on their average grocery and retail purchases in April, suggesting that they are migrating to lower-priced brands or products after last month's uptick in grocery spending, yet many remain unable to pay for essential items. Payment declines rose by 43% between March and April, most commonly because consumers had insufficient funds in their accounts.

These trends track with recent data from the United States Department of Labor and the Federal Reserve: consumer prices rose by 8.5% by the end of March — the highest increase since 1981 — and despite a 6% rise in wages, the cost of living has far outpaced wage boosts in the past 12 months.<sup>1,2</sup> This means that rising costs are even erasing the benefits of recently earned raises, and for many, reducing spending in one area, such as grocery shopping, may still not leave enough funds left over to cover other expenses.

The inflated prices facing consumers are uneven but uniformly significant: the costs for everything from electricity, which has become approximately 14% more expensive, to gas for heat and cooking, which has risen by 22%, to gasoline, which has spiked 48%, have begun eating away at consumers' disposable incomes.<sup>3</sup>

<sup>1</sup> Author unknown. Wage Growth Tracker. Federal Reserve Bank of Atlanta. 2022. <https://www.atlantafed.org/chcs/wage-growth-tracker>. Accessed May 2022.

<sup>2</sup> Author unknown. Consumer Price Index Summary. The U.S. Bureau of Labor Statistics. 2022. <https://www.bls.gov/news.release/cpi.nr0.htm>. Accessed May 2022.

<sup>3</sup> Ibid.

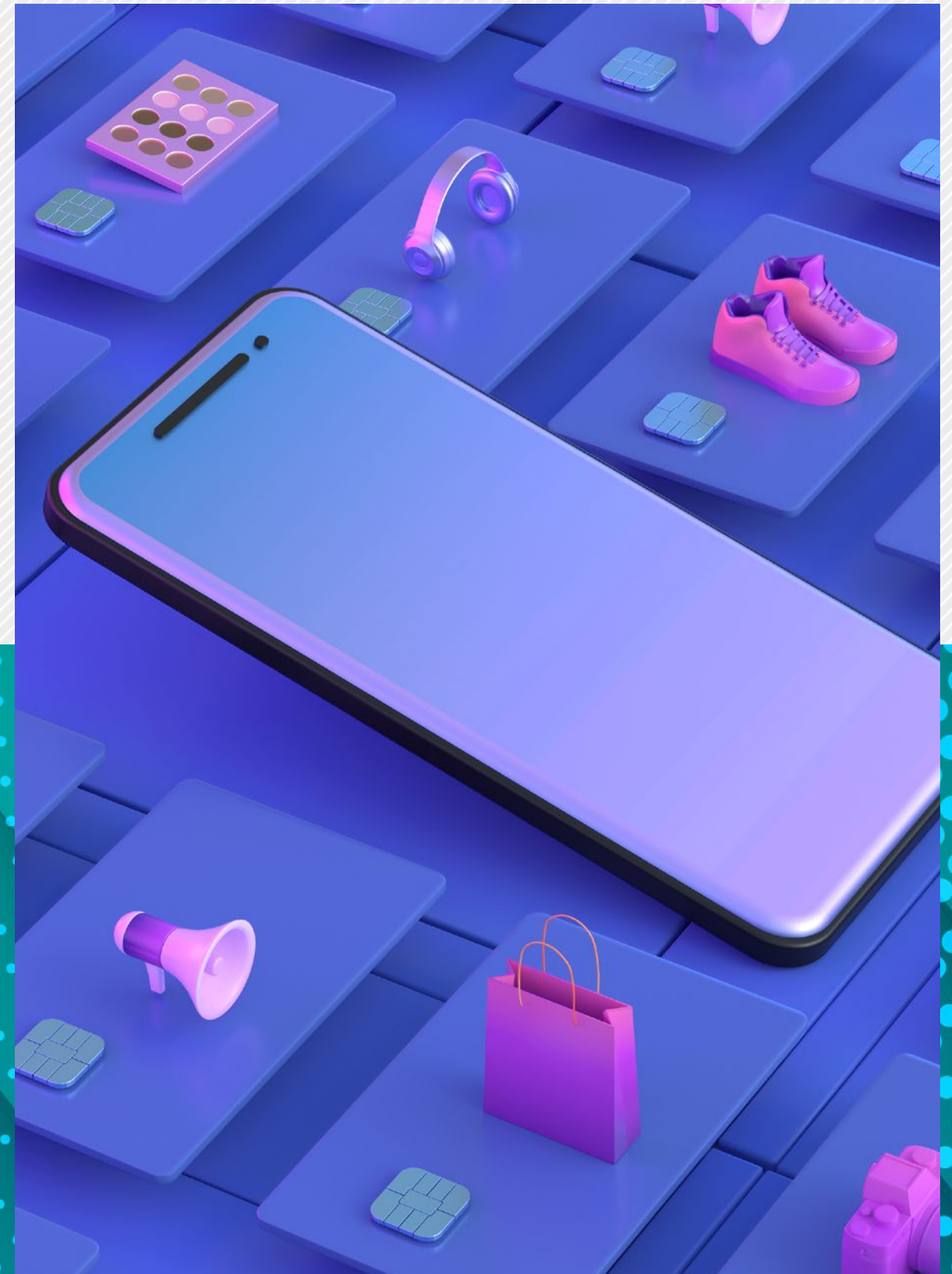


As many families grapple with tighter budgets, consumers are also becoming the victims of fraud more often, as payment fraud reports rose by 30% between February and April. Consumers reported stolen card data as an increasing reason for payment card transaction decline in April, mirroring this overall increase in payments fraud.

As consumers face heightened fraud risk and economic uncertainty, check-out friction — whether due to insufficient funds or suspicious transaction flagging — will continue to be a key indicator of how consumers are faring economically.

These are just some of our April findings in this May report, based on a census-balanced survey of 3,067 U.S. consumers. Conducted between April 8 and April 17, 2022, this survey asked respondents about their shopping behaviors and preferences, as well as their go-to forms of payment.

**This is what we learned.**





## Many consumers are struggling financially, and it is causing checkout friction. Insufficient funds have become the leading cause of payment declines.

In April, a larger share of shoppers found that their attempted transactions failed to complete. PYMNTS learned that 12% of consumers experienced a payment decline in April, a rise from the 9.3% who experienced one in February. The most common reason for payment declines in April was insufficient funds, which stands at 26% of all transaction declines, an increase of 45% from March rates.

Recent PYMNTS research revealed that a stunning percentage of consumers lived paycheck to paycheck in March 2022: 64%.<sup>4</sup> Consumers struggling to make ends meet are not exclusively lower-income, either: 49% of Americans earning more than \$100,000 per year lived paycheck to paycheck in March.<sup>5</sup> Sudden upticks in prices can devastate consumers already under financial pressure.

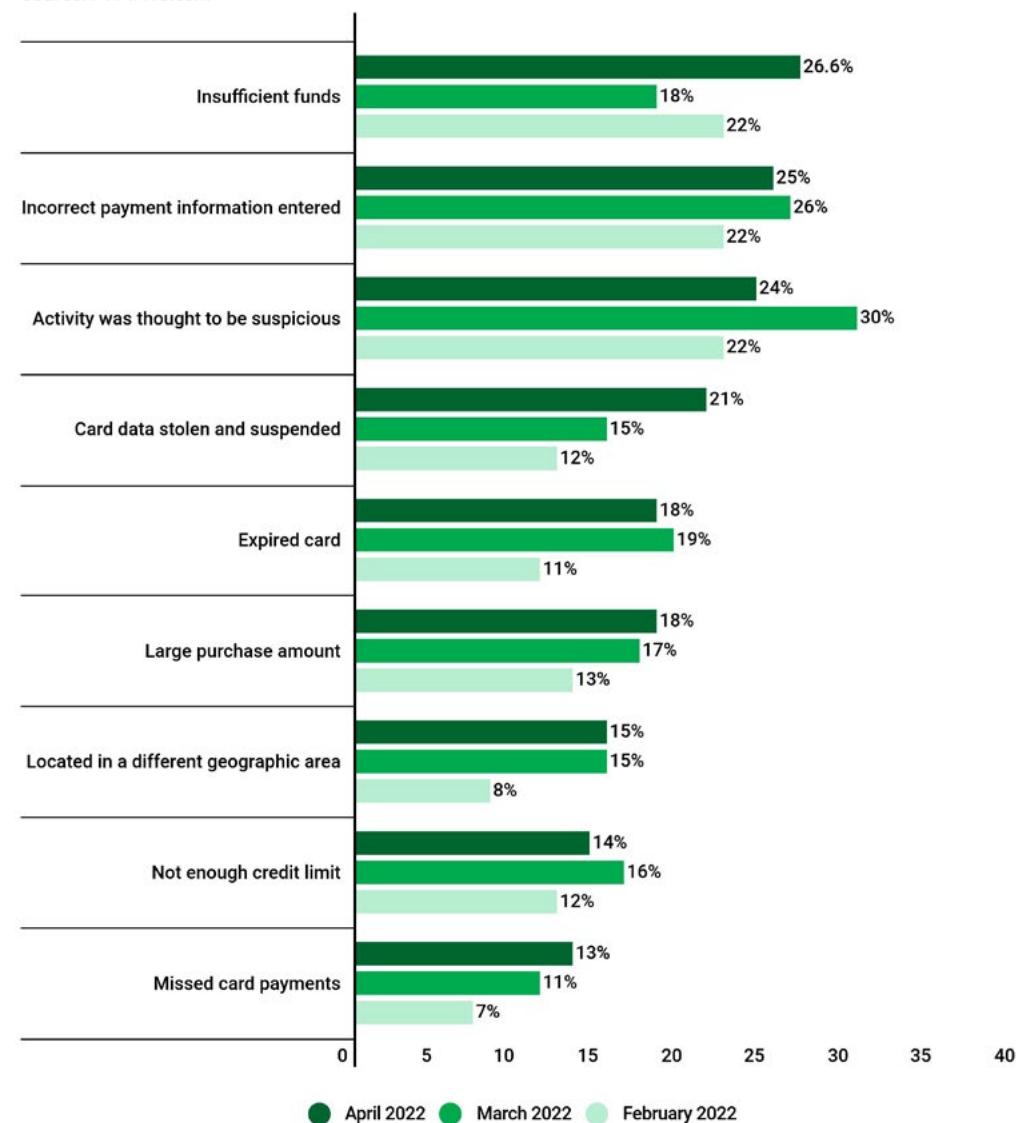
Online, however, human error was the most prominent cause of transaction failures. Entering incorrect payment information was the most prevalent factor in online declines, causing 30% of canceled transactions. This may indicate the need for more intuitive checkout processes, as poor user experience design may be at fault. Repeated incorrect data entries may result in a user’s account being flagged for suspicious activity, causing transaction declines from a legitimate customer and blocking of the account.

<sup>4</sup> NEW REPORT: Paycheck-to-Paycheck Consumers 3x as Likely to Take On Credit Card Debt. PYMNTS.com. <https://www.pymnts.com/consumer-finance/2022/new-report-paycheck-to-paycheck-consumers-3x-as-likely-to-take-on-credit-card-debt>. Accessed May 2022.

<sup>5</sup> PYMNTS defines living paycheck-to-paycheck as using all or most of one’s salary to pay for expenses with little to nothing left over to save or invest.

**Figure 1A: Consumer payment declines**  
Share of consumers who recently experienced declines for select reasons, by month surveyed

N = 360: Respondents who experienced any payment declines in the last 30 days  
Source: PYMNTS.com

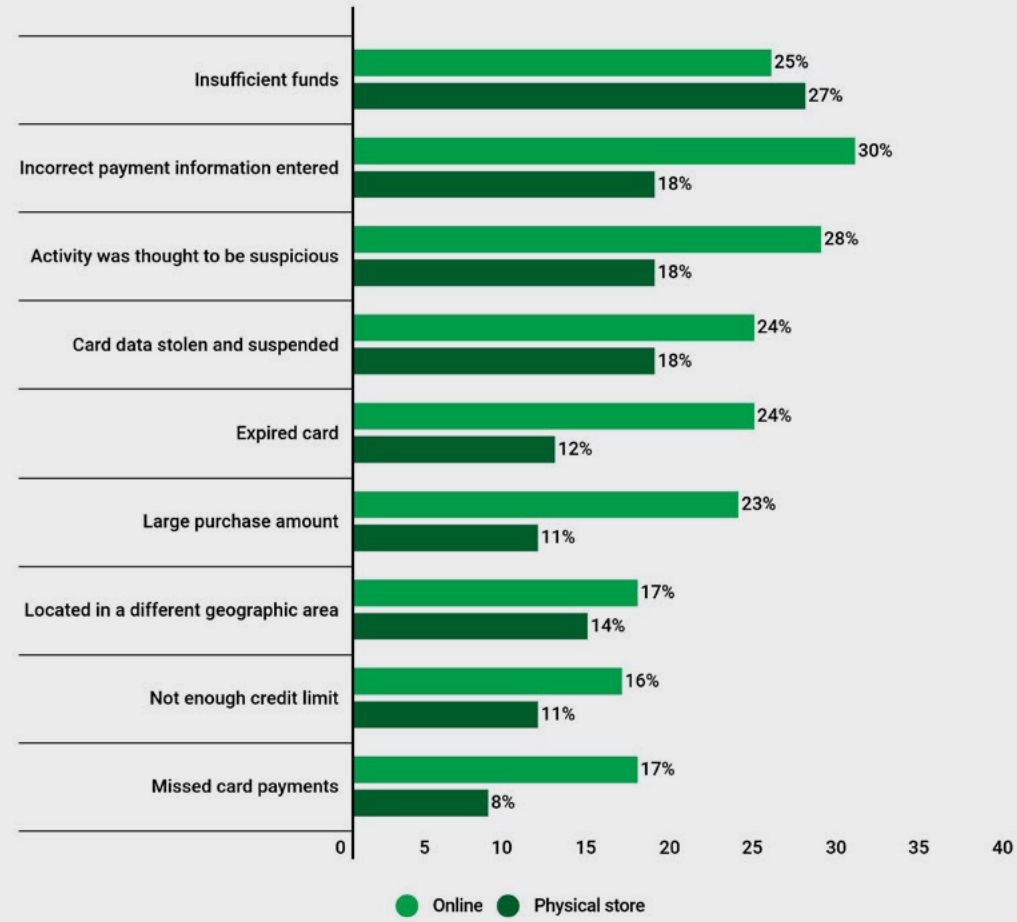


**Figure 1B: Consumer payment declines**

Share of consumers who recently experienced declines for select reasons, by channel

N = 360: Respondents who experienced any payment declines in the last 30 days

Source: PYMNTS.com

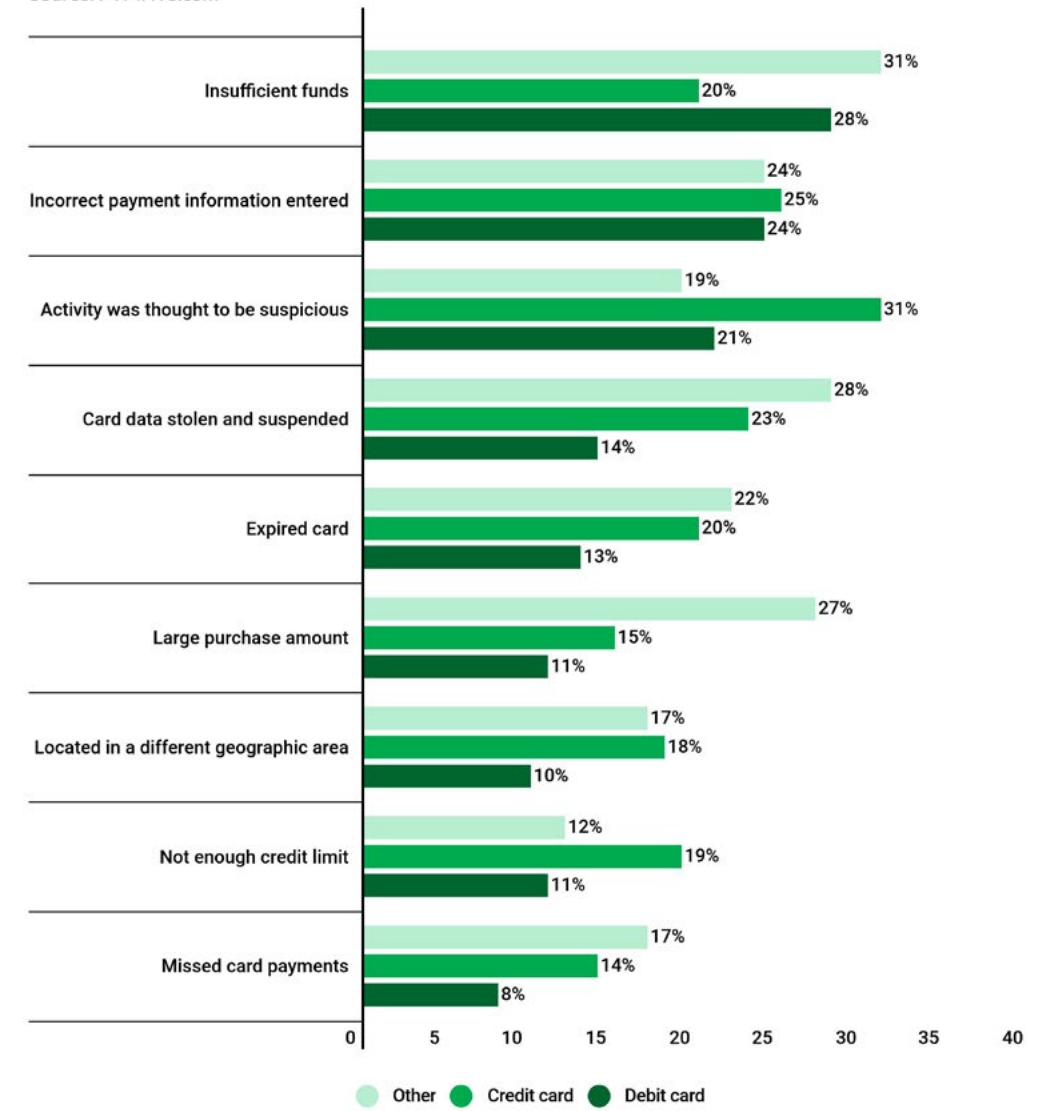


**Figure 1C: Consumer payment declines**

Share of consumers who recently experienced declines for select reasons, by payment method

N = 360: Respondents who experienced any payment declines in the last 30 days

Source: PYMNTS.com





## Fraud and data thefts are reportedly on the rise, and those consumers living paycheck-to-paycheck have been hit hardest, with 18% experiencing payments fraud in April.

PYMNTS found that consumers in our highest income bracket — those earning more than \$100,000 — were the most likely to experience payments fraud, at 12%. In addition, millennials stood out as the most frequent victims of payment fraud by age group, as 16% have encountered fraudulent activity in connection with their accounts.

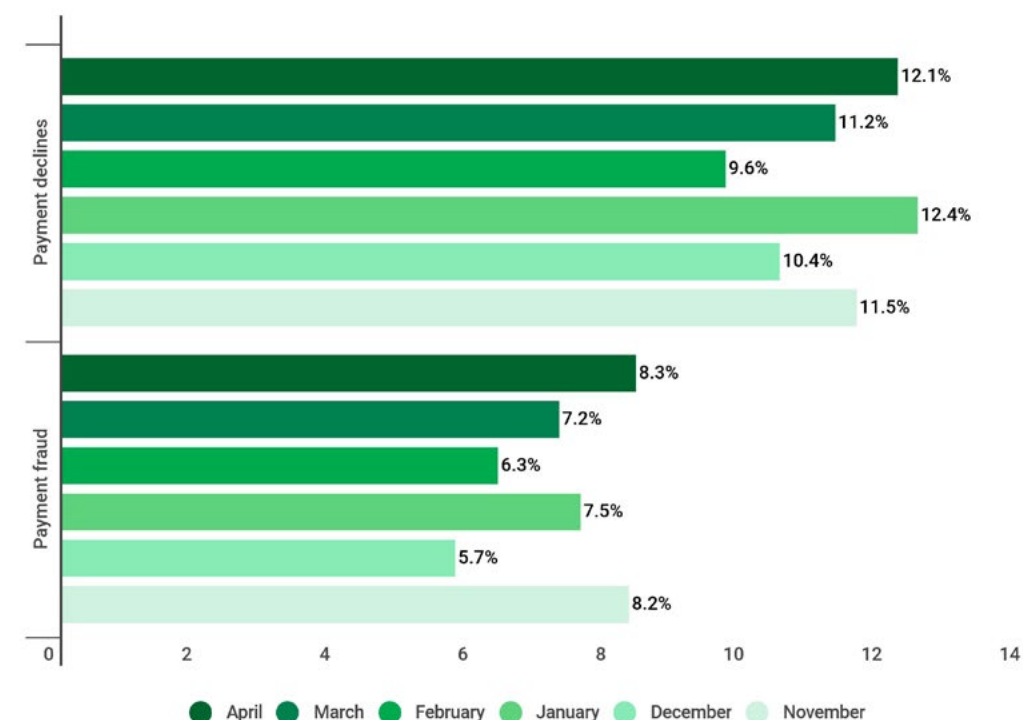
While affluent consumers are the income group who have experienced fraud the most, consumers living paycheck to paycheck with issues paying bills represent the financial lifestyle segment most likely to report having experienced an incident of fraud in the last 30 days, at 18%.

Figure 2A: Consumer payment issues

Share of consumers who have experienced select events in the previous 30 days, by month surveyed

Whole sample: N = 3,593 for November; 3,291 for December; 2,846 for January; 3,466 for February; 3,213 for March; 3,334 for April

Source: PYMNTS.com

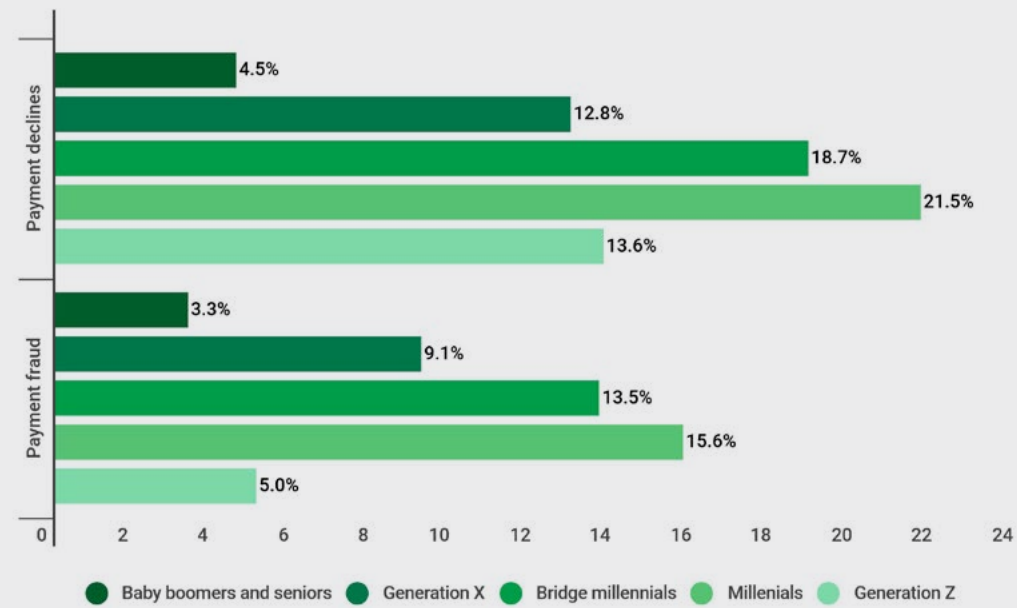


**Figure 2B: Consumer payment issues**

Share of consumers who have experienced select events in the previous 30 days, by generation

Whole sample: N = 3,593 for November; 3,291 for December; 2,846 for January; 3,466 for February; 3,213 for March; 3,334 for April

Source: PYMNTS.com

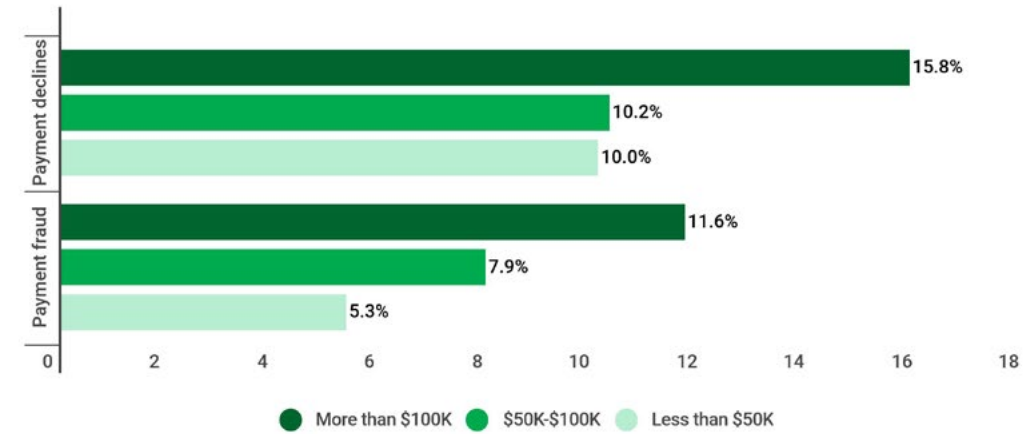


**Figure 2C: Consumer payment issues**

Share of consumers who have experienced select events in the past 30 days, by income

Whole sample: N = 3,593 for November; 3,291 for December; 2,846 for January; 3,466 for February; 3,213 for March; 3,334 for April

Source: PYMNTS.com

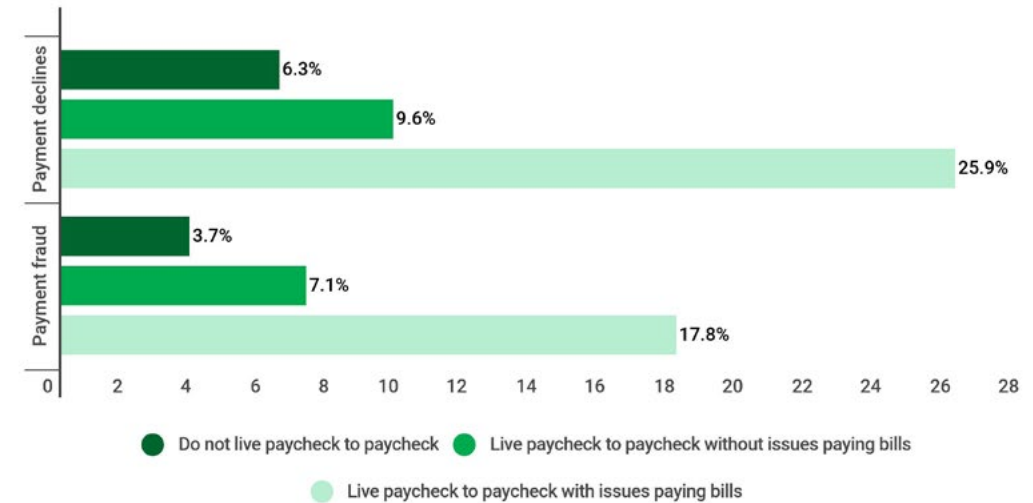


**Figure 2D: Consumer payment issues**

Share of consumers who have experienced select events in the past 30 days, by financial lifestyle

Whole sample: N = 3,593 for November; 3,291 for December; 2,846 for January; 3,466 for February; 3,213 for March; 3,334 for April

Source: PYMNTS.com





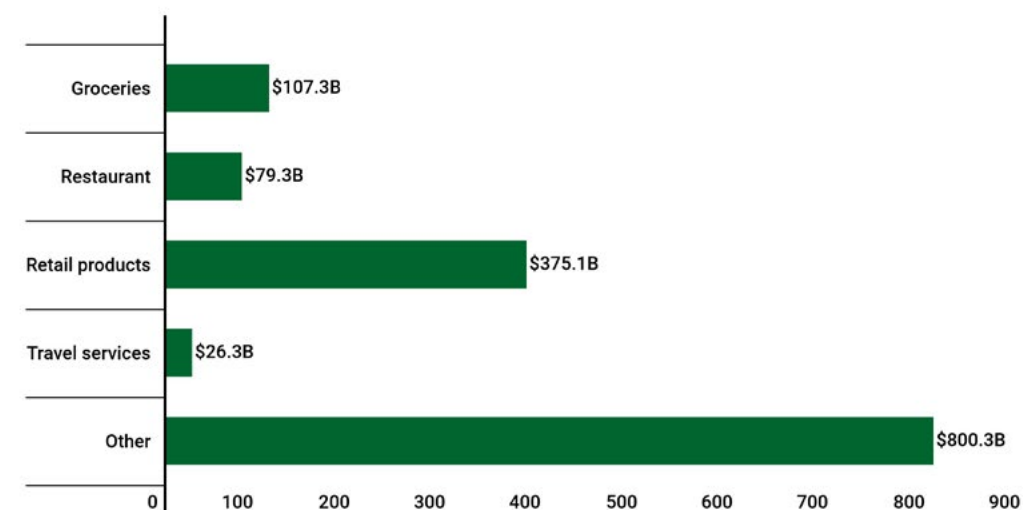
## Despite rising prices, consumers spent 10% less on their average grocery and retail purchases in April, indicating sensitivity to inflation.

Consumers are changing their spending habits in response to economic trends. PYMNTS found that consumers spent \$95 on average for their last grocery purchase in April, down from \$110 in March.

With inflation rates still uncertain, consumers are likely shifting their purchasing preferences to prioritize bargains or retailers that cater to price-conscious shoppers. Shoppers also reduced their retail spending from \$103 in March to \$98 in April.

Bucking this trend, however, is restaurant spending. PYMNTS data shows that 69% of consumers made restaurant purchases, and their average per visit spend rose from \$40 in March to \$43 in April.

Figure 3A: Consumers' expenditures  
Total monthly expenditures, April 2022  
N = 3,334: Whole sample  
Source: PYMNTS.com





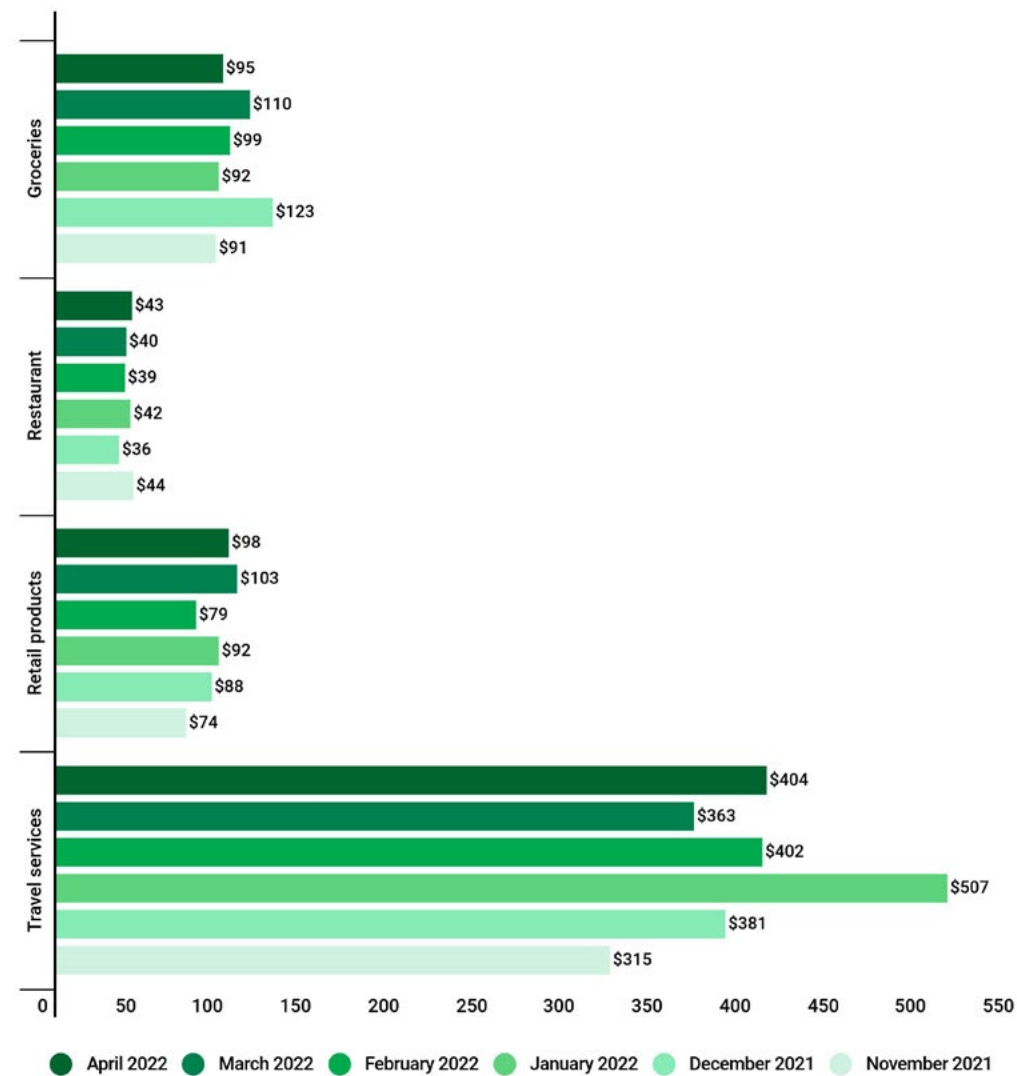
**Figure 3B: Consumers' expenditures**

Average amount consumers spent on most recent purchase, by month surveyed

*N* = Consumers who have made select purchases at least one time in the past 30 days.

Groceries: 2,918 ; Restaurant: 2,353; Retail: 2,064; Travel: 612

Source: PYMNTS.com



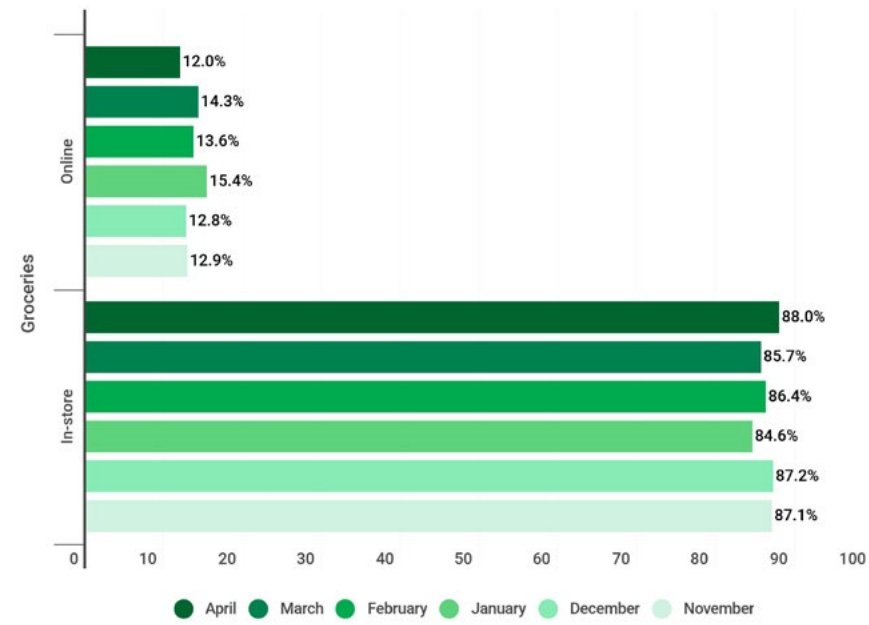
**Consumers are shopping more in stores and less online for groceries. The opposite is true for retail: 33% of all retail purchases now occur online, and most consumers use debit or credit cards for these purchases.**

Consumers may be shopping for grocery bargains in stores rather than online: consumers who shopped for all or most of their groceries in-store rose from 86% in March to 88% in April. Retail consumers decreased in-store shopping from 71% to 67% between March and April and shifted slightly towards digital, meaning the share of online shopping rose from 29% to 33%.

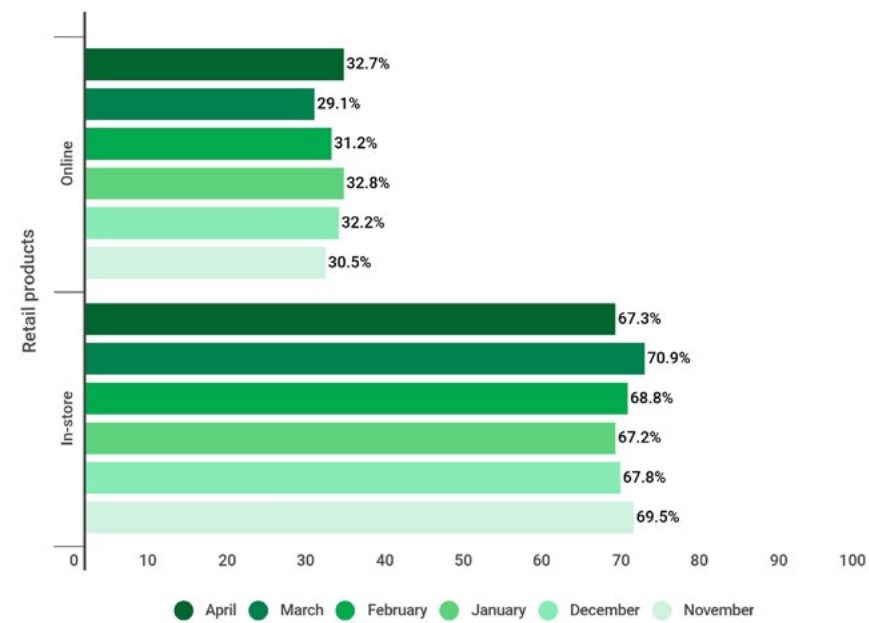
Consumers are now using debit and credit cards at nearly the same rate for retail purchasing, with each hovering around 34%. This represents a decrease in debit card use for retail purchasing, dropping from 37% in March. Grocery purchasing reveals that consumers still favor debit cards in this sphere, where 42% of consumers use debit cards and 32% pay with credit cards.



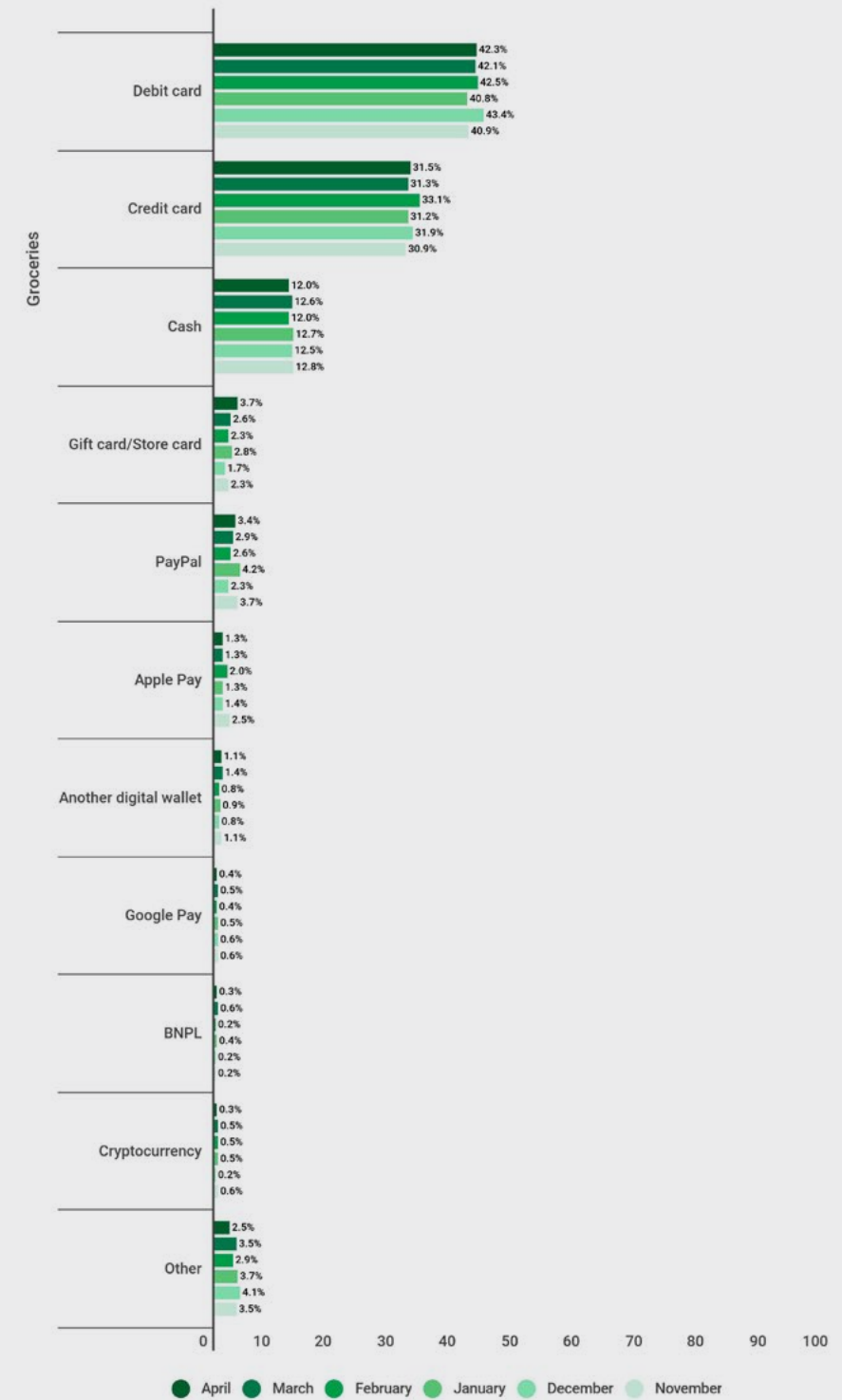
**Figure 4A: How consumers are paying for groceries and retail goods**  
 Share of consumers who used select channels for their most recent grocery purchase, by month surveyed  
 N = 2,918: Consumers who have made grocery purchases at least one time in the past 30 days  
 Source: PYMNTS.com



**Figure 4B: How consumers are paying for groceries and retail goods**  
 Share of consumers who used select channels for their most recent retail purchase, by month surveyed  
 N = 2,064: Consumers who have made retail purchases at least one time in the past 30 days  
 Source: PYMNTS.com

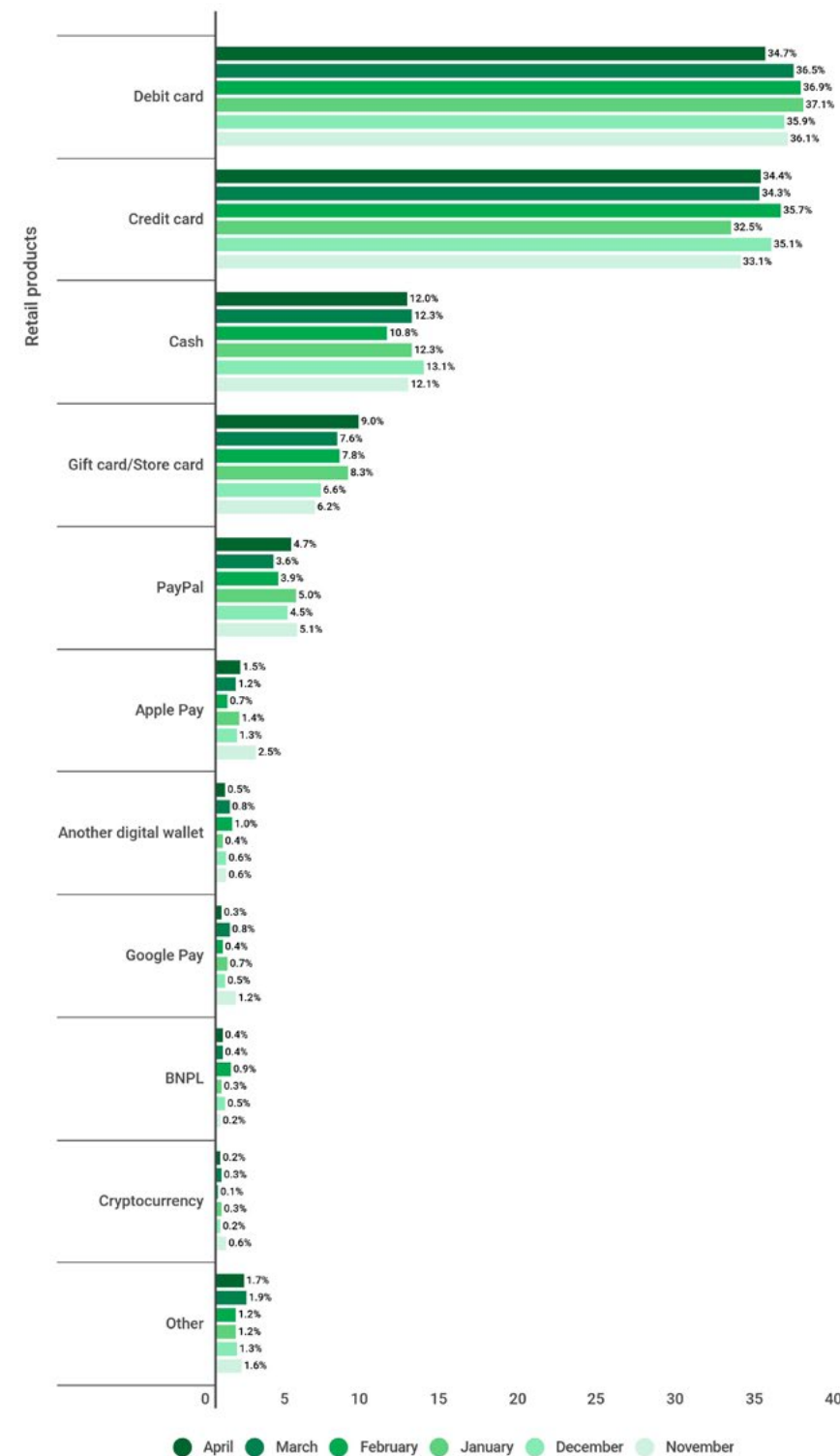


**Figure 4C: How consumers are paying for groceries and retail goods**  
 Share of consumers who used select payment methods for their most recent grocery purchase, by month surveyed  
 N = 2,918: Consumers who have made grocery purchases at least one time in the past 30 days  
 Source: PYMNTS.com





**Figure 4D: How consumers are paying for groceries and retail goods**  
 Share of consumers who used select payment methods for their most recent retail purchase, by month surveyed  
 N = 2,064: Consumers who have made retail purchases at least one time in the past 30 days  
 Source: PYMNTS.com



## Three out of 10 consumers make at least one peer-to-peer (P2P) payment each month, sending a record \$298 on average per payment.

The average value of consumers' last P2P payments was \$51 above the average of the last six months. However, P2P use remained relatively static, holding slightly above 30%. Millennials are leading the way in P2P payment adoption, exhibiting 18% higher usage rates than the general public.

Age group preferences for P2P platforms are diverse. While millennials prefer PayPal, Venmo is a platform of choice for Generation Z consumers, while baby boomers and seniors tend to favor bank-originated transfers, which often use Zelle. Just 16% of baby boomers and seniors make P2P payments.

PYMNTS found that 48% of millennials made P2P payments in April, vastly exceeding the 30% average among all consumers. Millennials also sent more funds via their last P2P payment than other age groups: \$328 on average in April.

Consumers living paycheck to paycheck are another group with high levels of P2P platform use. PYMNTS' data finds that 37% have made P2P payments in April, whereas 24% of consumers who did not live paycheck to paycheck made a P2P payment in April. High-income consumers sent the most funds via their last P2P payment, \$434 on average, and consumers earning less than \$50,000 sent an average of \$169.

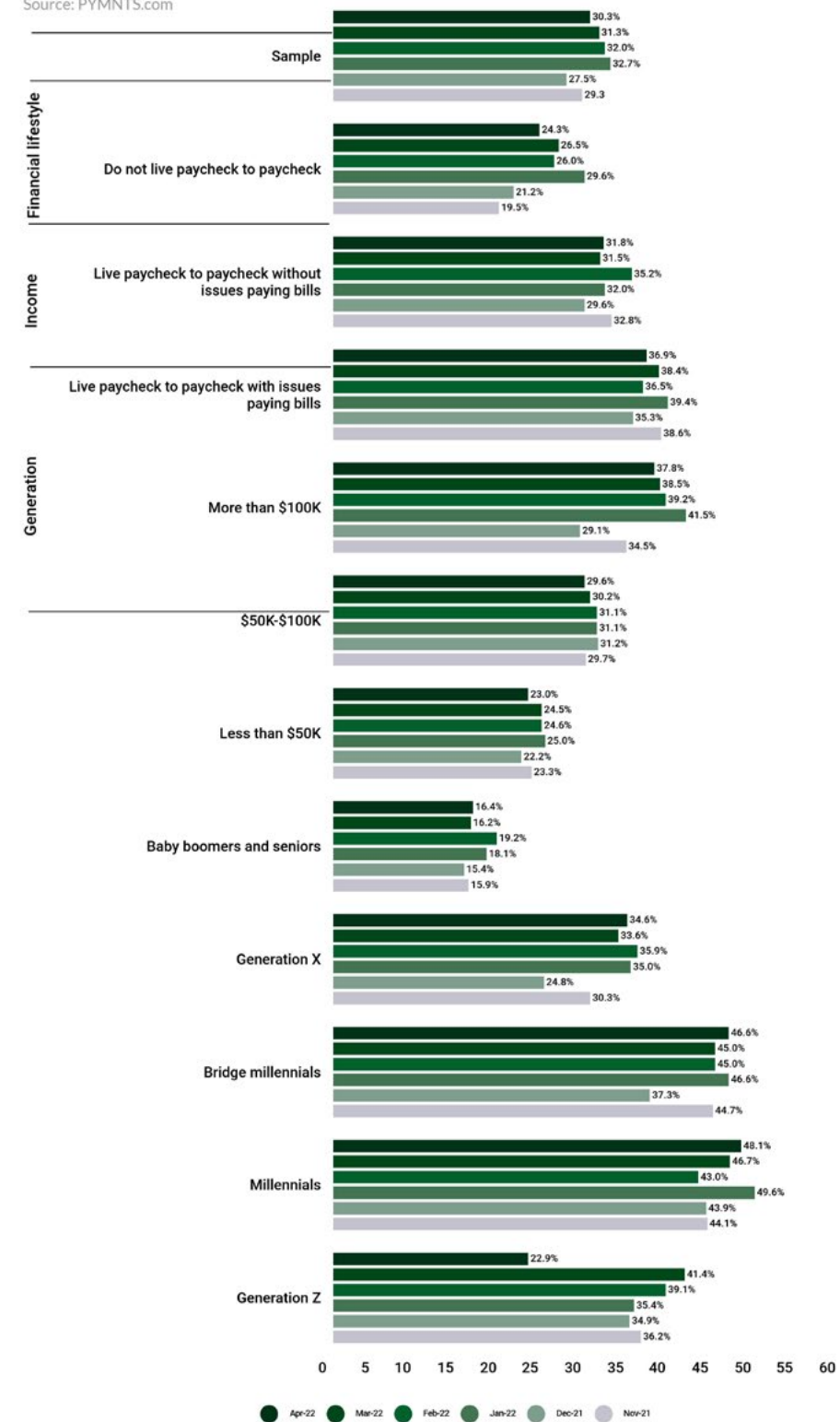


**Figure 5A: Consumer P2P payments**

Share of consumer groups who have made P2P payments in the last 30 days, by month surveyed

N = Complete responses: 3,304 for November; 3,070 for December; 2,633 for January; 3,250 for February; 3,017 for March; 3,067 for April

Source: PYMNTS.com

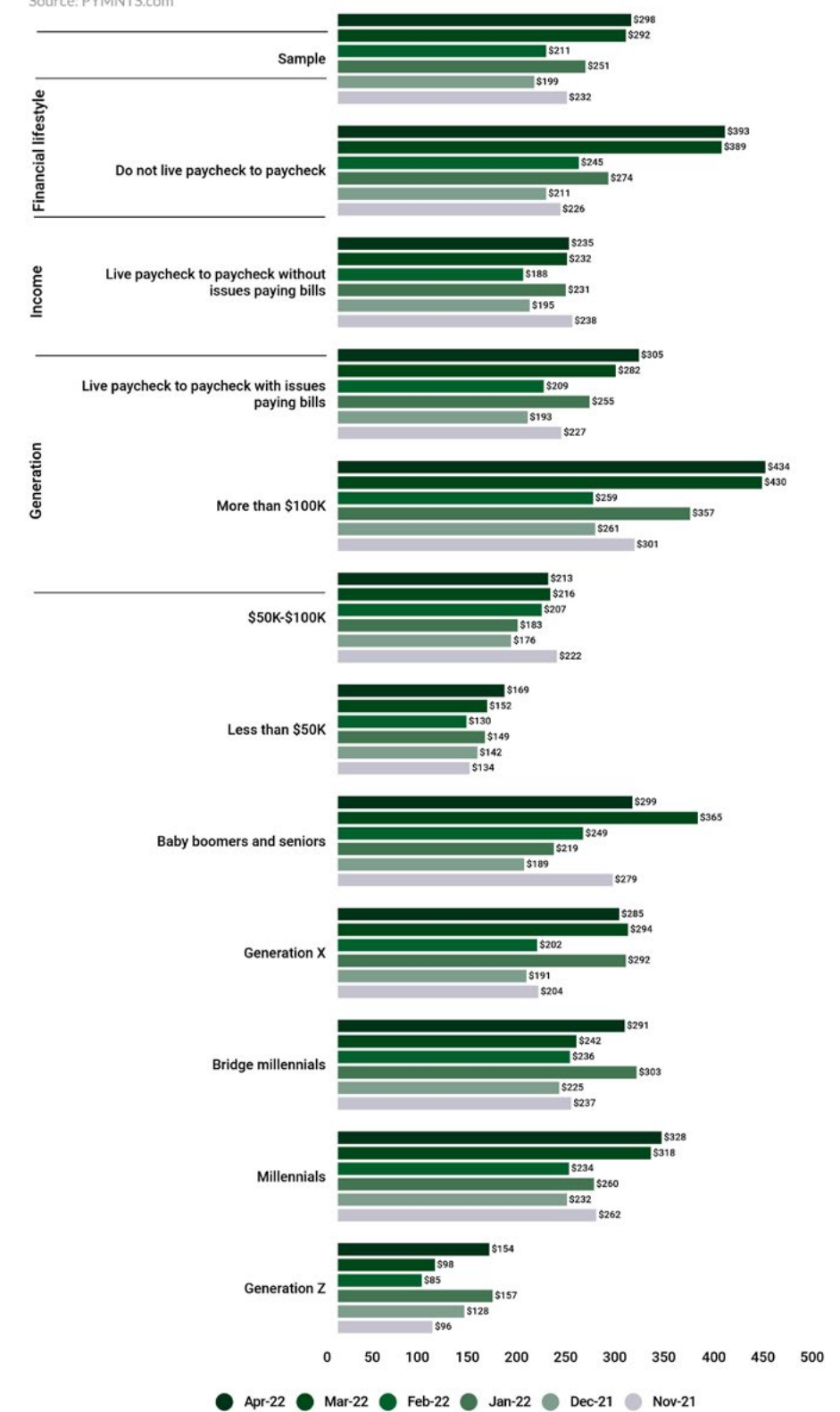


**Figure 5B: Consumer P2P payments**

Average amount of consumer groups' most recent P2P payment made in the last 30 days, by month surveyed

N = Complete responses: 3,304 for November; 3,070 for December; 2,633 for January; 3,250 for February; 3,017 for March; 3,067 for April

Source: PYMNTS.com



# METHODOLOGY

**D**igital Economy Payments: How Consumers Pay In The Digital World is based on a census-balanced survey of 3,067 U.S. adult consumers carried out between April 8 and April 17. Consumers were asked questions about their shopping behaviors and preferences, as well as their go-to forms of payment.

**DIGITAL ECONOMY  
PAYMENTS** May 2022 U.S. Edition

HOW CONSUMERS PAY IN  
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