

DIGITAL ECONOMY PAYMENTS

June 2022 U.S. Edition

PAYMENT METHOD DIVERSIFICATION



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' adoption of new payment methods follows the same pathway to general acceptance as many new products: After launch and initial promotion, word of mouth drives shoppers to check out products that will be successful. These items have their early adopters — the curious individuals willing to experiment — and data shows that nascent payment methods have these critical early adopters as well.

PYMNTS finds that the consumers who are most willing to employ multiple payment methods, a group we describe as exhibiting high payment diversification (HPD), tend to be younger, earn higher incomes and have a college education. Overall, 44% of the consumers in this HPD category are millennials, and 41% earn more than \$100,000 annually. On the other end of the spectrum, low payment diversification (LPD) consumers tend to be older: 44% of the consumers in this category are baby boomers and seniors.

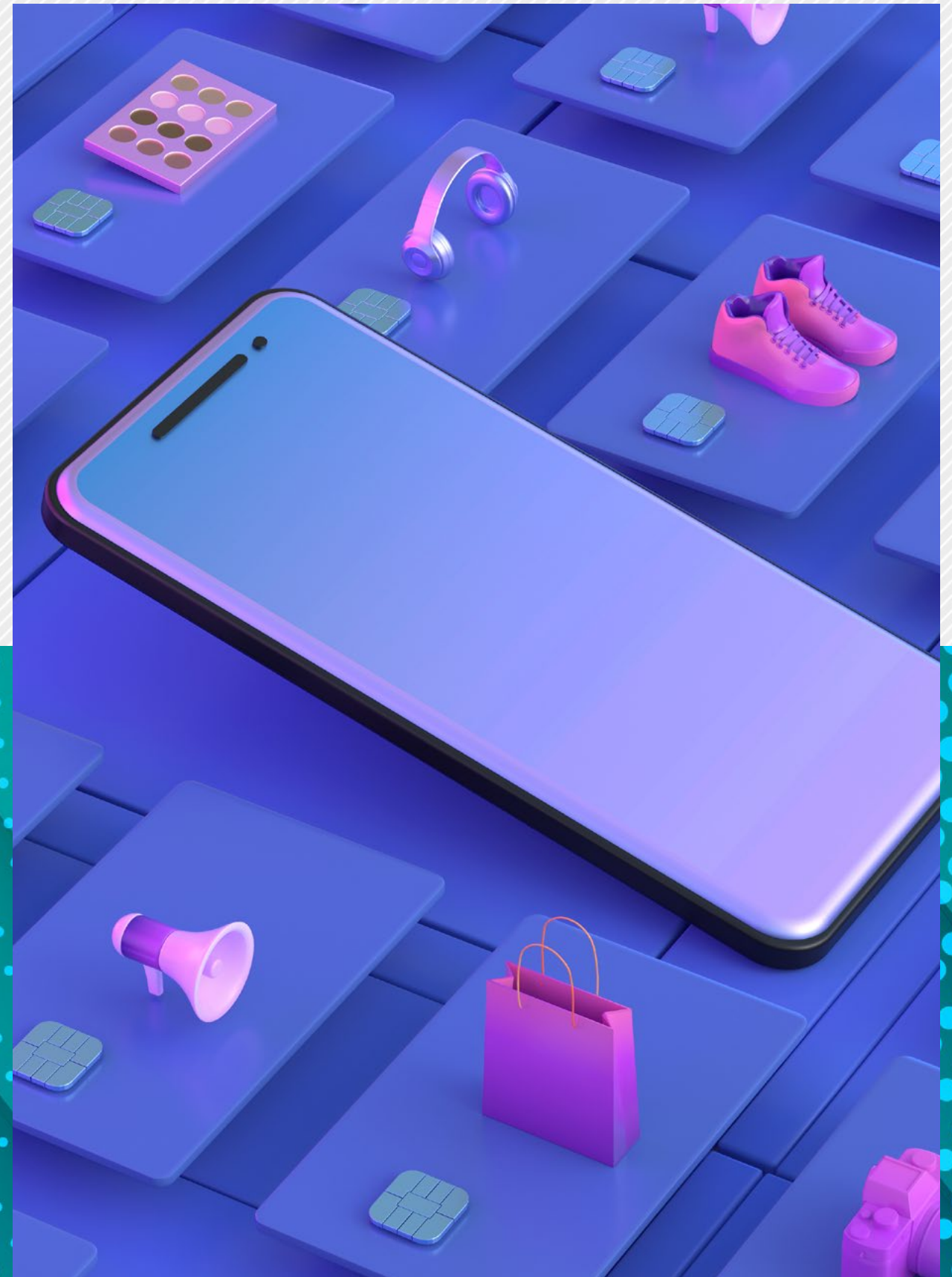
These are just some of the findings in our June report, based on a census-balanced survey of 2,771 United States consumers conducted between May 10 and May 18. Consumers were asked about the payment methods they use when shopping online and in-store for retail products and groceries.

This is what we learned.

The June edition of the Digital Economy Payments report groups consumers into three categories: those with high payment diversification (HPD), mild payment diversification (MPD) and low payment diversification (LPD). The categories are intended to help readers assess how different types of consumers use various payment methods.

Consumers exhibiting HPD (or HPD consumers) use at least three payment methods, with at least two being nontraditional methods, such as digital wallets, cryptocurrency or buy now, pay later (BNPL). MPD consumers use at least two payment methods, with at least one being a nontraditional method. LPD consumers typically use only traditional payment methods, although some LPD consumers fall into this category because they use just one payment method, even if it is a nontraditional method such as PayPal.

Consumers at all levels of payment diversification employ the more traditional payment methods of checks, cash, credit and debit cards.



Twenty-five percent of millennial consumers use at least three payment methods, more than any other age group that PYMNTS surveyed.

With 25% of millennials having HPD, they have the most payment diversification of any age group. Just 15% of overall consumers are considered HPD. Thirty-one percent are in the MPD group and 54% fall into the LPD category.

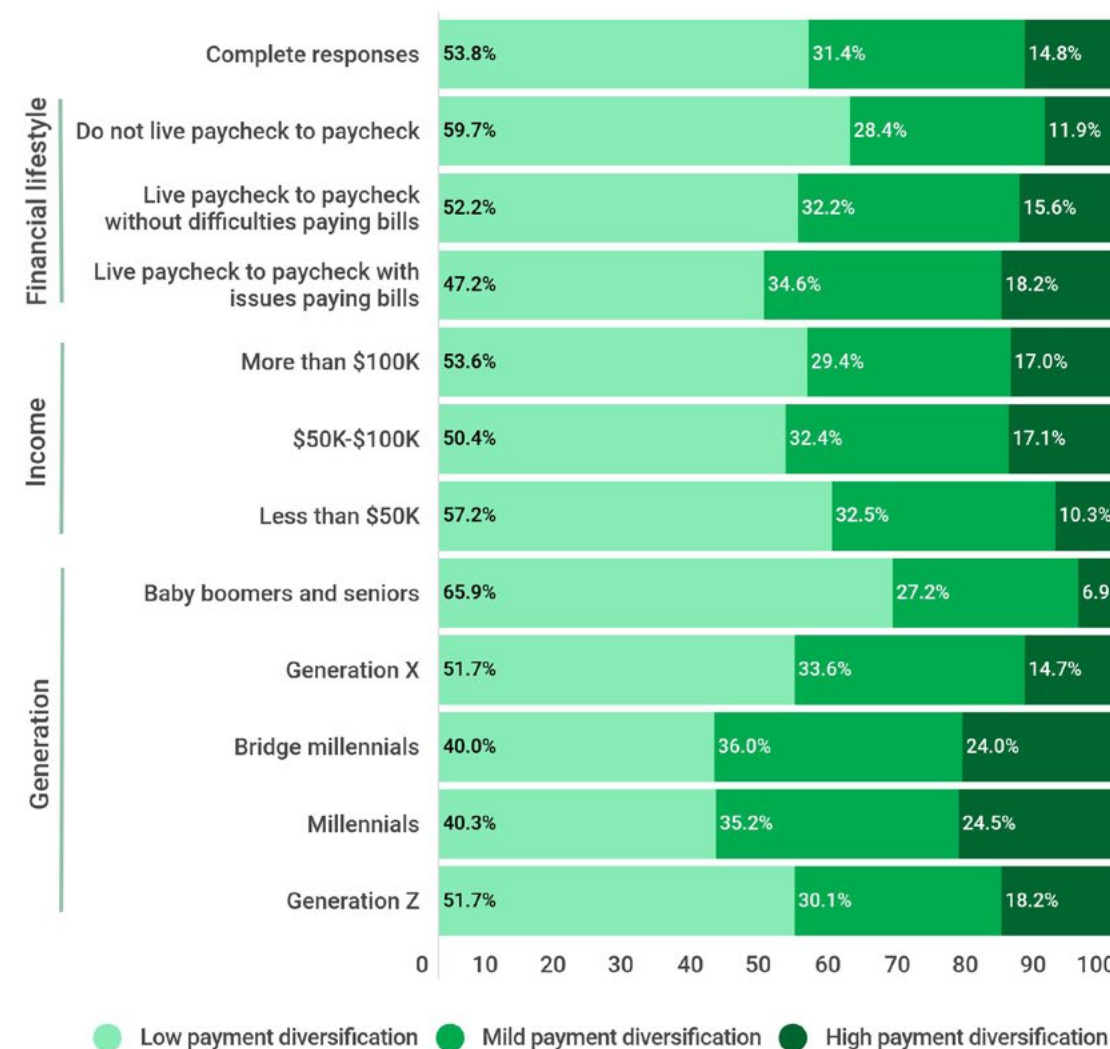
PYMNTS' data shows that a consumer's age and financial lifestyle are the strongest factors influencing their level of payment method diversification. After the 25% of millennials who exhibit HPD, Generation Z and Generation X have the next highest concentration of HPD consumers, at 18% and 15%, respectively. Just 6.9% of baby boomers and seniors are HPD consumers.

Data shows that 18% of consumers who live paycheck to paycheck and have issues paying their bills are in the HPD category. This share exceeds the 16% of consumers who live paycheck to paycheck without difficulties paying bills and the 12% of consumers who do not live paycheck to paycheck who are also in the HPD category.

There is somewhat less differentiation among consumers' payment diversification when income level is analyzed. Seventeen percent of consumers with annual incomes greater than \$100,000 are in the HPD group, as are 17% of consumers with incomes between \$50,000 and \$100,000. Perhaps due to a lack of resources, just 10% of consumers with incomes less than \$50,000 can be classified as HPD.

Figure 1: Identifying consumers who use multiple payment methods

Share of consumers who exhibit select payment diversification levels, by demographic



N = 2,771: Complete responses

Source: PYMNTS.com

PayPal is the most used payment method among the consumers who use three or more forms of payment.

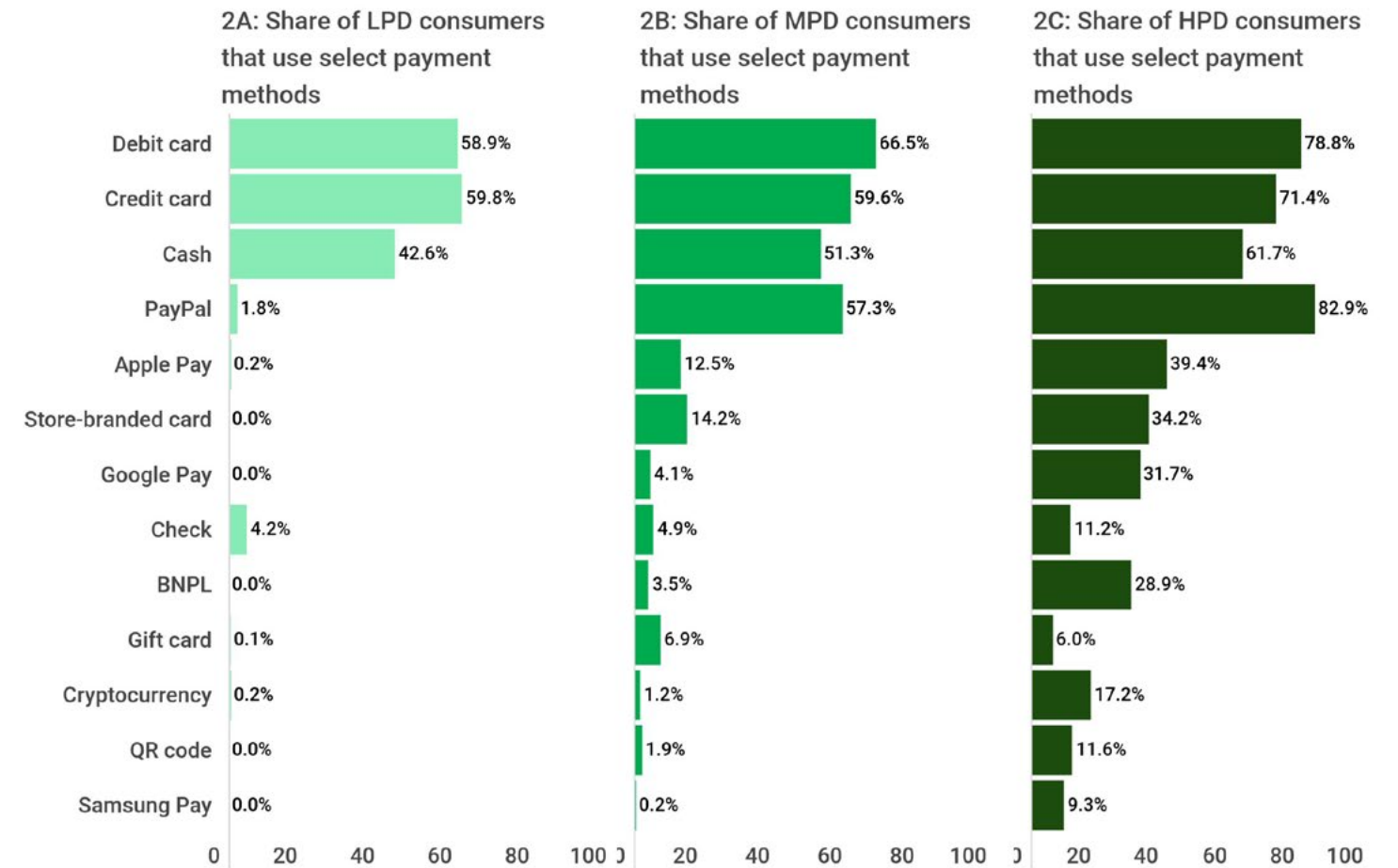
HPD consumers tend to use traditional payment methods, just as less-diversified consumers do: 79% use debit cards, 71% use credit cards and 62% use cash. In addition to tried-and-true methods, however, HPD consumers also favor more innovative methods that have come to the fore during the digital payments era. PayPal, which 83% of HPD consumers use, is simply the most popular of this group. In contrast, 39% use Apple Pay, 32% use Google Pay and 29% use BNPL.

Overall, HPD consumers use an average of 4.8 payment methods each month. MPD consumers use 2.9, and LPD consumers use just 1.7 payment methods on average in that span.

The usage of credit cards and debit cards outpace the use of more innovative payment methods among MPD consumers, although their usage of PayPal, at 57%, outpaces their use of cash, at 51%.

LPD consumers rely upon credit cards, debit cards and cash almost to the exclusion of all other payment methods.

Figure 2: The payment methods consumers choose



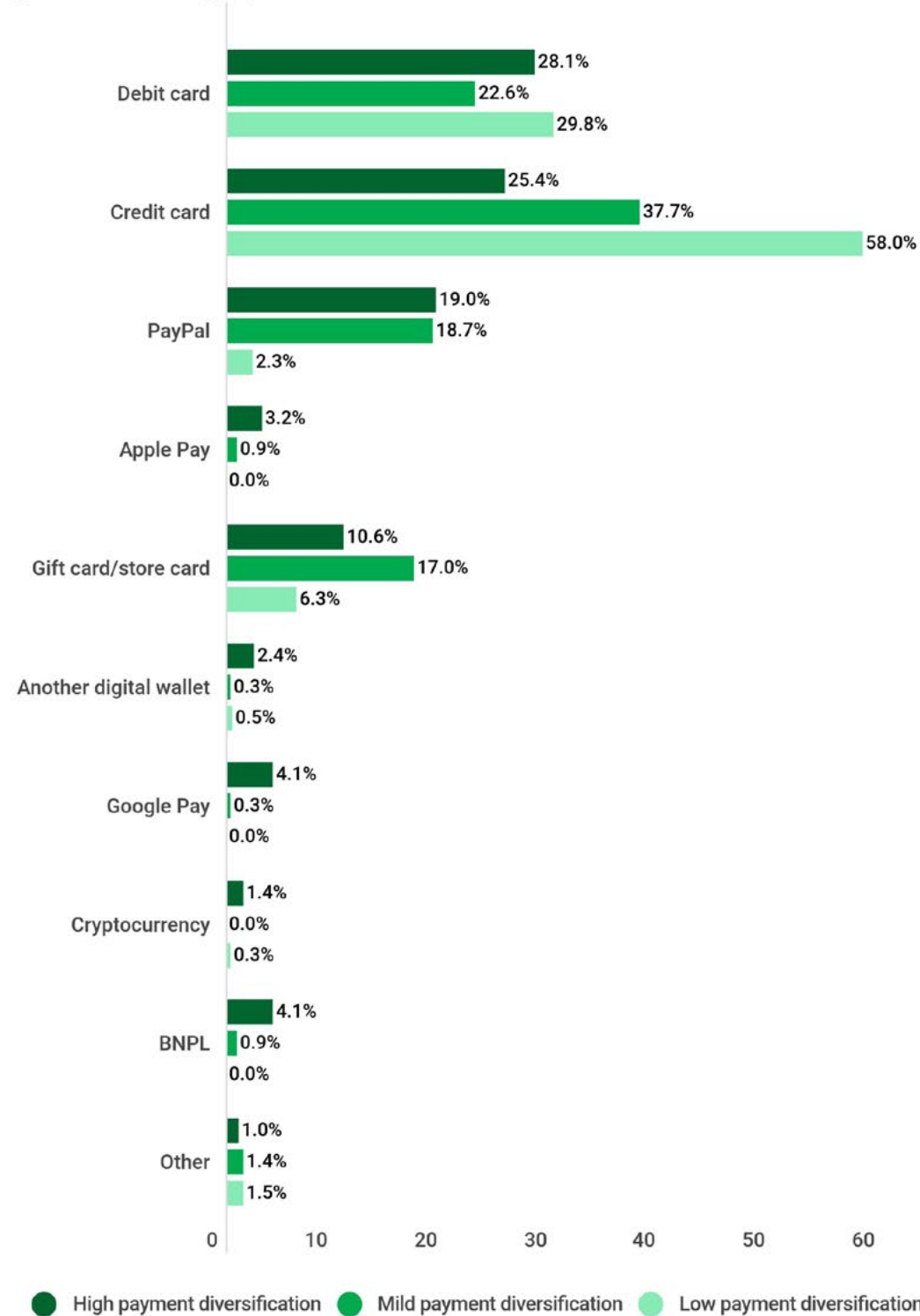
N = 2,771: Complete responses

Source: PYMNTS.com



Figure 3: The payment methods consumers choose when shopping online

Share of consumers that use select payment methods when shopping for retail products online, by payment diversification level



Consumers who have made select purchases at least once in the past 30 days.
May 2022 : Retail N = 1,873

Source: PYMNTS.com

Millennials and high-income consumers make up a large share of the consumers who use multiple payment methods.

Forty-four percent of HPD consumers are millennials. Forty-one percent have annual incomes greater than \$100,000, and 46% live paycheck to paycheck but still comfortably pay their bills each month.

PYMNTS' data shows that HPD consumers tend to be younger. HPD consumers' average age is 43, a full five years younger than the overall survey average. They also tend to be better educated, as 45% have college educations. Just 17% of HPD consumers are baby boomers and seniors.

The consumers who are the least diversified tend to be older: 44% of LPD consumers are baby boomers and seniors, which is well ahead of the shares of LPD consumers from other age demographics. Just 9.1% of LPD consumers are from Generation Z.

There is a somewhat narrow distribution of income among LPD consumers. Thirty-five percent earn less than \$50,000 annually, while 35% have incomes higher than \$100,000. The remaining 30% earn between \$50,000 and \$100,000.

Table 1: How income, age and financial lifestyle affect consumers' choice of payment methods

| | Census | Sample | Complete responses | Low payment diversification | Mild payment diversification | High payment diversification | |
|---------------------|---|--------|--------------------|-----------------------------|------------------------------|------------------------------|-------|
| N | | 2,995 | 2,771 | 1,465 | 887 | 419 | |
| Female | 51.5% | 51.5% | 53.1% | 53.1% | 55.1% | 49.2% | |
| Average age | 48.1 | 47.6 | 47.6 | 48.5 | 47.3 | 42.7 | |
| College | 32.3% | 32.3% | 33.1% | 31.0% | 31.4% | 44.6% | |
| Income | Less than \$50K | 33.0% | 33.0% | 32.8% | 34.9% | 34.0% | 22.8% |
| | \$50K-\$100K | 30.9% | 30.9% | 31.6% | 29.7% | 32.7% | 36.6% |
| | More than \$100K | 36.1% | 36.1% | 35.5% | 35.4% | 33.3% | 40.6% |
| Generation | Generation Z | | 10.7% | 9.5% | 9.1% | 9.1% | 11.7% |
| | Millennials | | 27.7% | 26.8% | 20.0% | 30.0% | 44.3% |
| | Bridge millennials | | 19.6% | 19.4% | 14.4% | 22.3% | 31.5% |
| | Generation X | | 26.4% | 27.5% | 26.4% | 29.4% | 27.2% |
| | Baby boomers and seniors | | 35.2% | 36.3% | 44.4% | 31.4% | 16.9% |
| Financial lifestyle | I live paycheck to paycheck and have difficulty paying my bills each month. | | 21.2% | 21.2% | 18.6% | 23.4% | 26.0% |
| | I live paycheck to paycheck but can comfortably pay my bills each month. | | 43.3% | 43.3% | 42.0% | 44.4% | 45.6% |
| | I do not live paycheck to paycheck. | | 35.5% | 35.5% | 39.4% | 32.2% | 28.4% |

N = 2,771: Complete responses

Source: PYMNTS.com

Consumers who use at least three payment methods tend to shop via mobile apps more frequently than those who are less diversified in the forms of payment used.

Twenty-six percent of consumers in the HPD category made an online purchase via a mobile device on their most recent shopping experience for non-grocery retail goods. Just 17% of MPD consumers and 10% of LPD consumers shopped via a mobile device on their most recent shopping experience for retail goods.

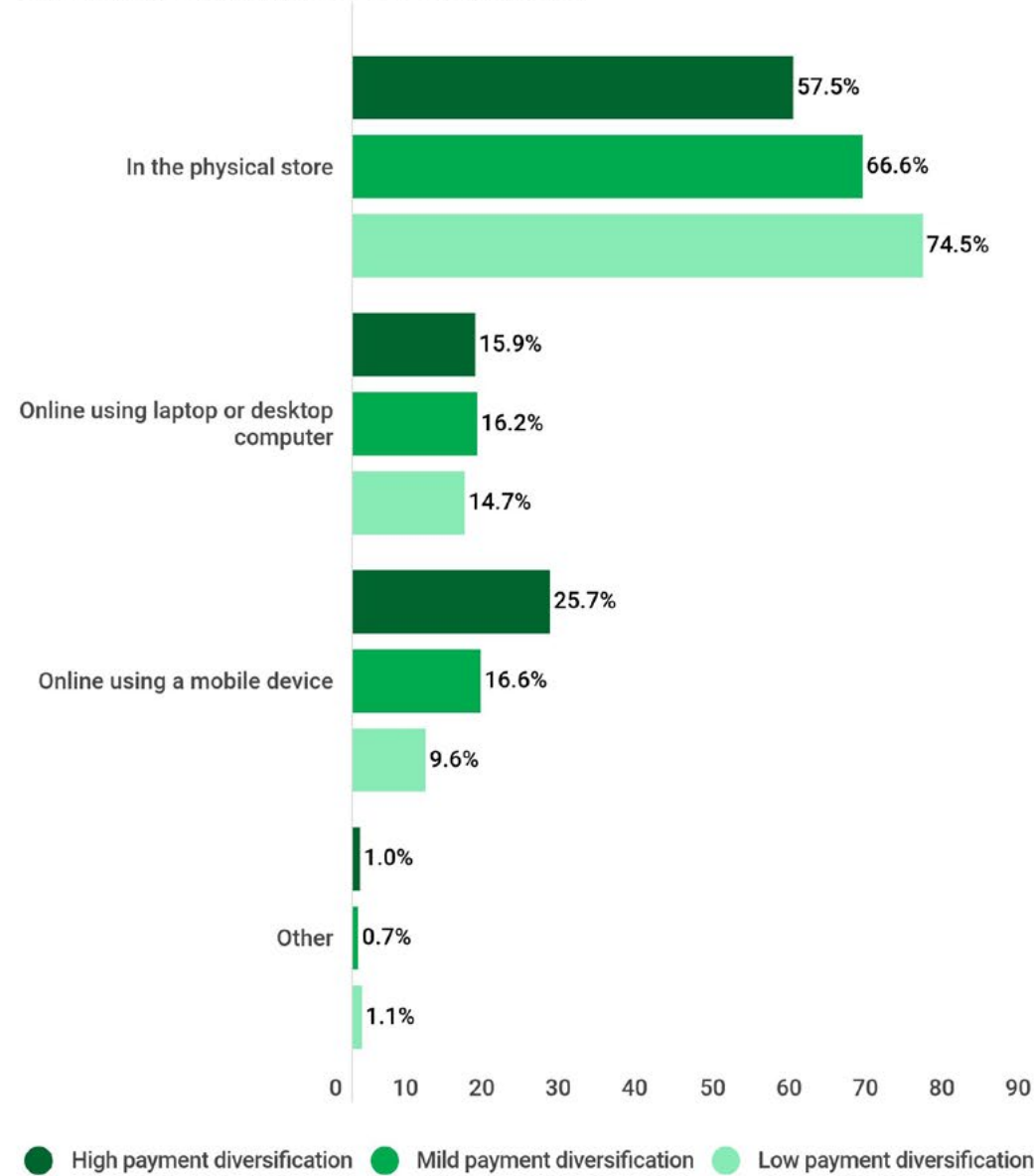
This pattern flips when considering in-store shopping. Approximately 57% of HPD consumers were in the store for their most recent retail shopping experience, as were 67% of MPD consumers and 75% of LPD consumers. There was little differentiation among the three categories when it came to shopping online via a laptop or desktop computer.

Grocery shoppers exhibited a greater tendency overall to shop in-store instead of online. Still, HPD consumers were less likely to buy groceries in-store and more likely to buy them via mobile app.

HPD consumers also tend to purchase a greater variety of products when shopping with retailers for goods other than groceries. Forty-seven percent of HPD consumers shop for two or more product categories, significantly exceeding the 26% of MPD consumers and 21% of LPD consumers that do the same.

Figure 4: Mobile shopping's appeal to consumers who use multiple payment methods

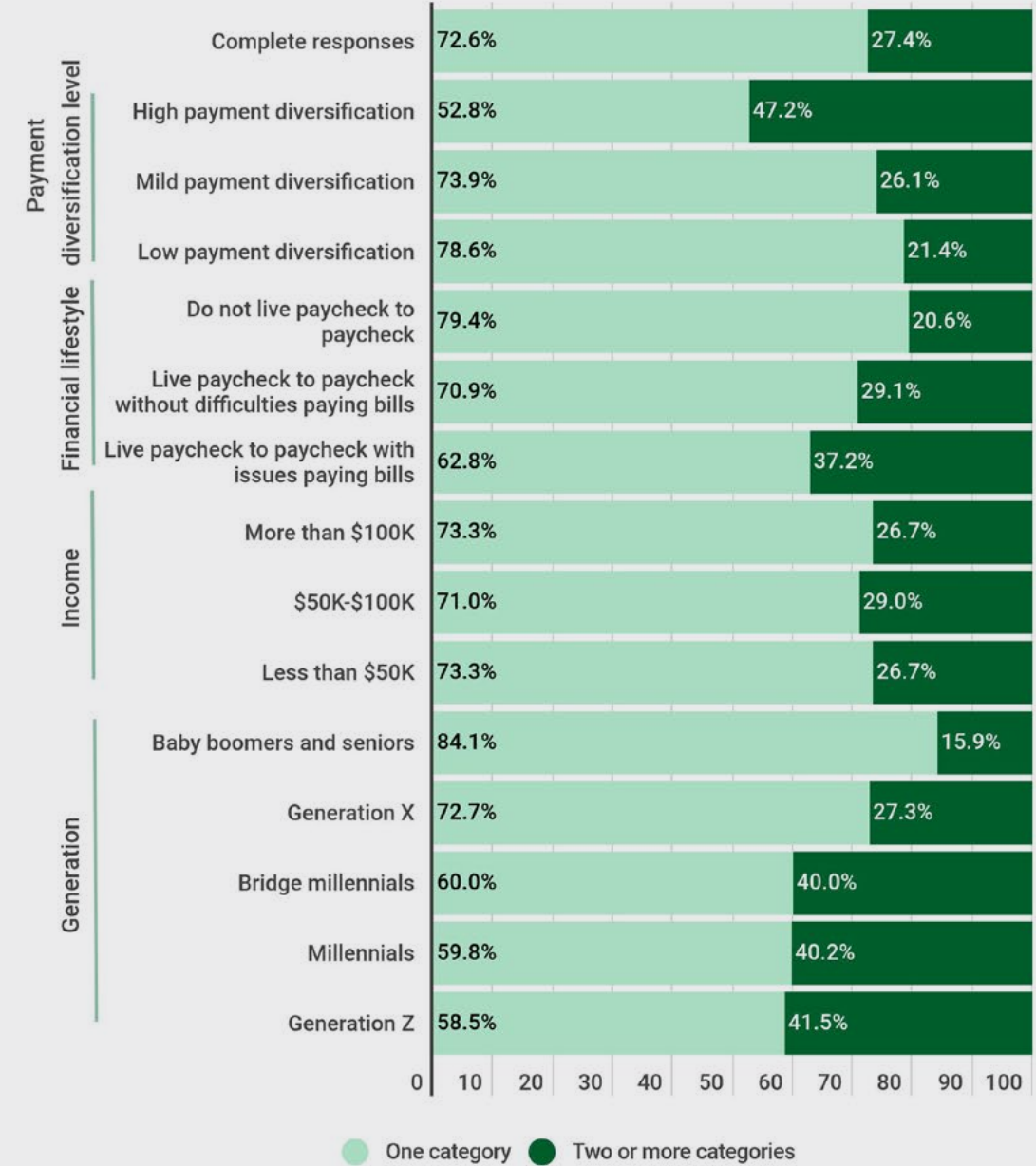
4A: Share of consumers who used select purchase methods for their most recent retail purchase, by payment diversification level



Consumers who have made select purchases at least once in the past 30 days.
May 2022 : Retail N = 1,873

Source: PYMNTS.com

4B: Share of consumers whose last purchase of retail products featured one or more product categories



Consumers who have made retail purchases at least once in the past 30 days.
May 2022: N = 1,873

Source: PYMNTS.com

Twenty-one percent of the consumers who use at least three payment methods had payments declined in the past month, and 13% were fraud victims.

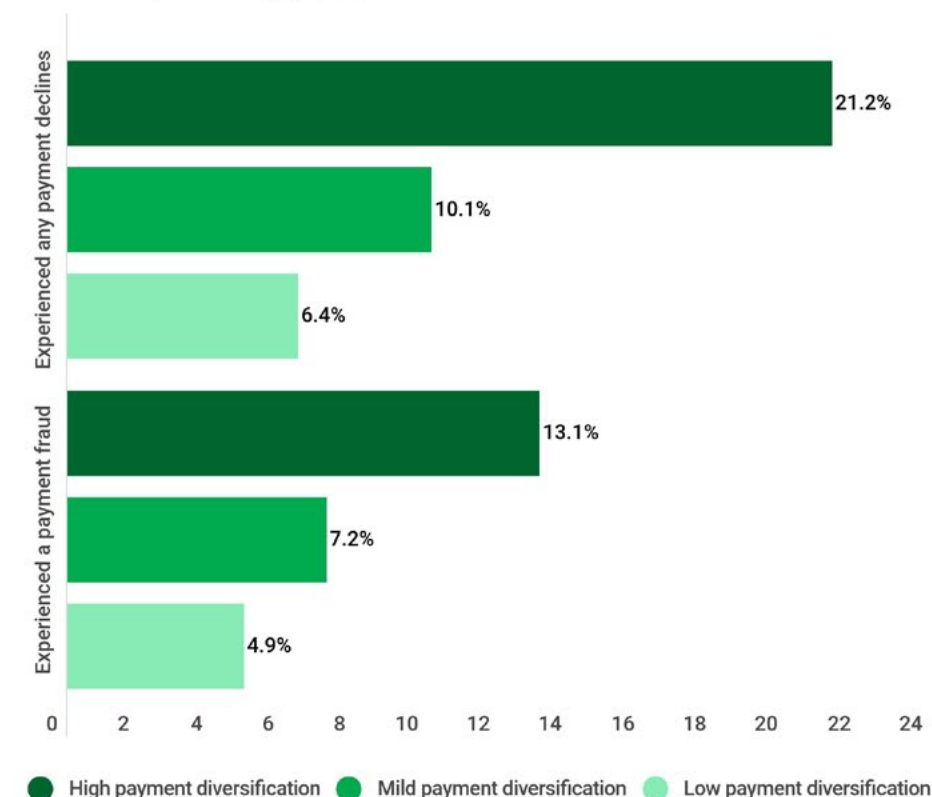
PYMNTS' data shows that the consumers who employ the widest variety of payment methods run into more problems at checkout. We found that 21% of HPD consumers had payments declined in the past 30 days, and 13% were fraud victims. In comparison, 10% of MPD consumers had payments declined, and 7% experienced fraud. LPD consumers were even more insulated from these issues, as just 6.4% had payments declined, and just 4.9% were subject to fraud.

The various causes for the declined payments may explain why HPD consumers have had more trouble than others. HPD consumers had the fewest problems with insufficient funds for a credit or debit card purchase, at 21%, whereas 29% of LPD consumers and 40% of MPD consumers experienced that problem.

But HPD consumers endured declined payments more frequently than other consumers for almost every other reason. For example, 36% of HPD consumers had a payment declined because incorrect information was entered at the checkout, yet just 14% of MPD consumers and 16% of LPD consumers had this happen. A similar pattern appeared with most of the other causes, including purchases that were suspected of being fraudulent, stolen purchases, suspended card data and attempting to purchase with an expired card.

Figure 5: Payments frictions consumers experienced

5A: Share of consumers who have experienced declined payments or payment fraud in the past 30 days, by payment diversification level

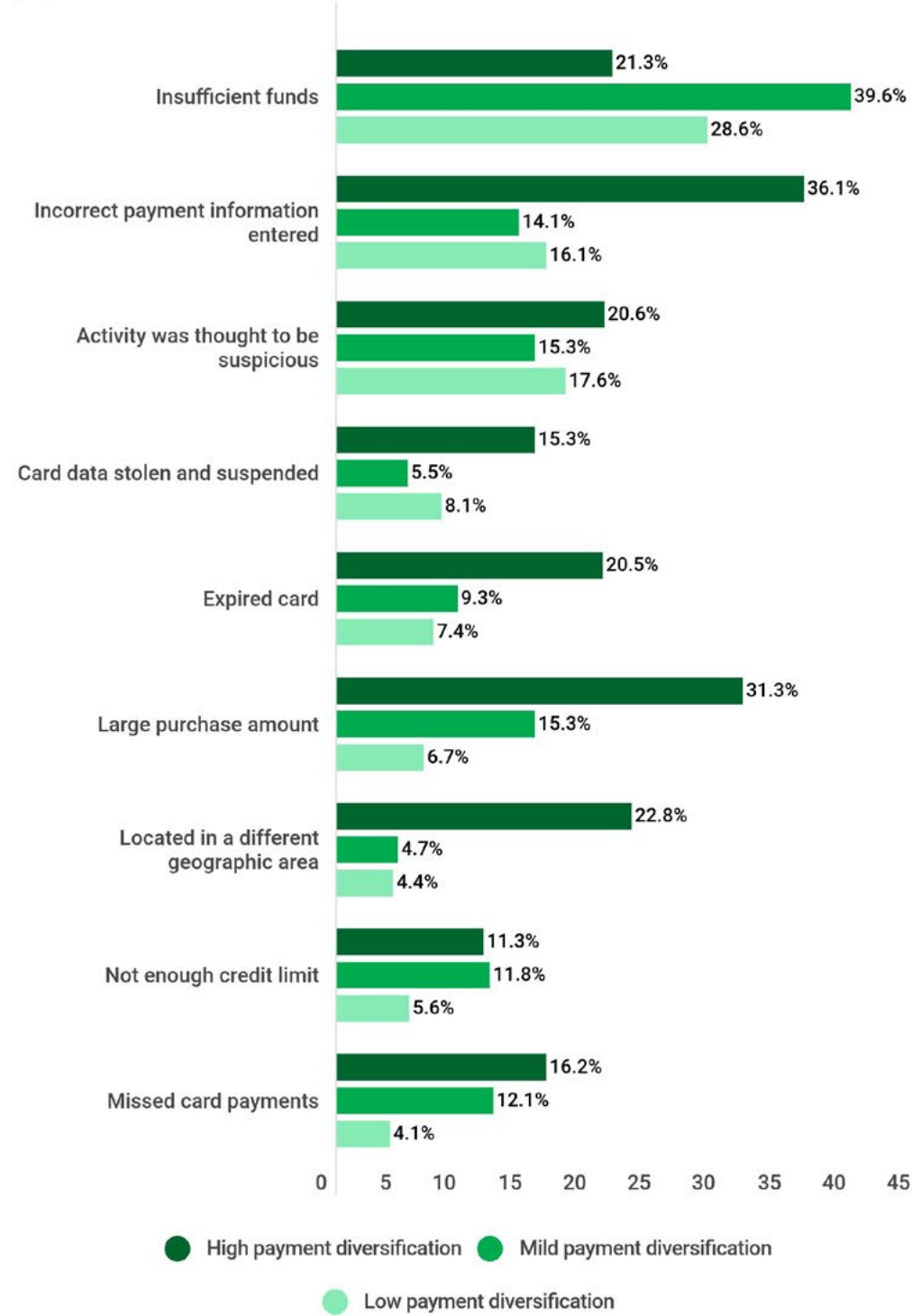


Consumers who experienced payment declines in past 30 days: N = 265
 Consumers who experienced fraud in past 30 days: N = 177

Source: PYMNTS.com



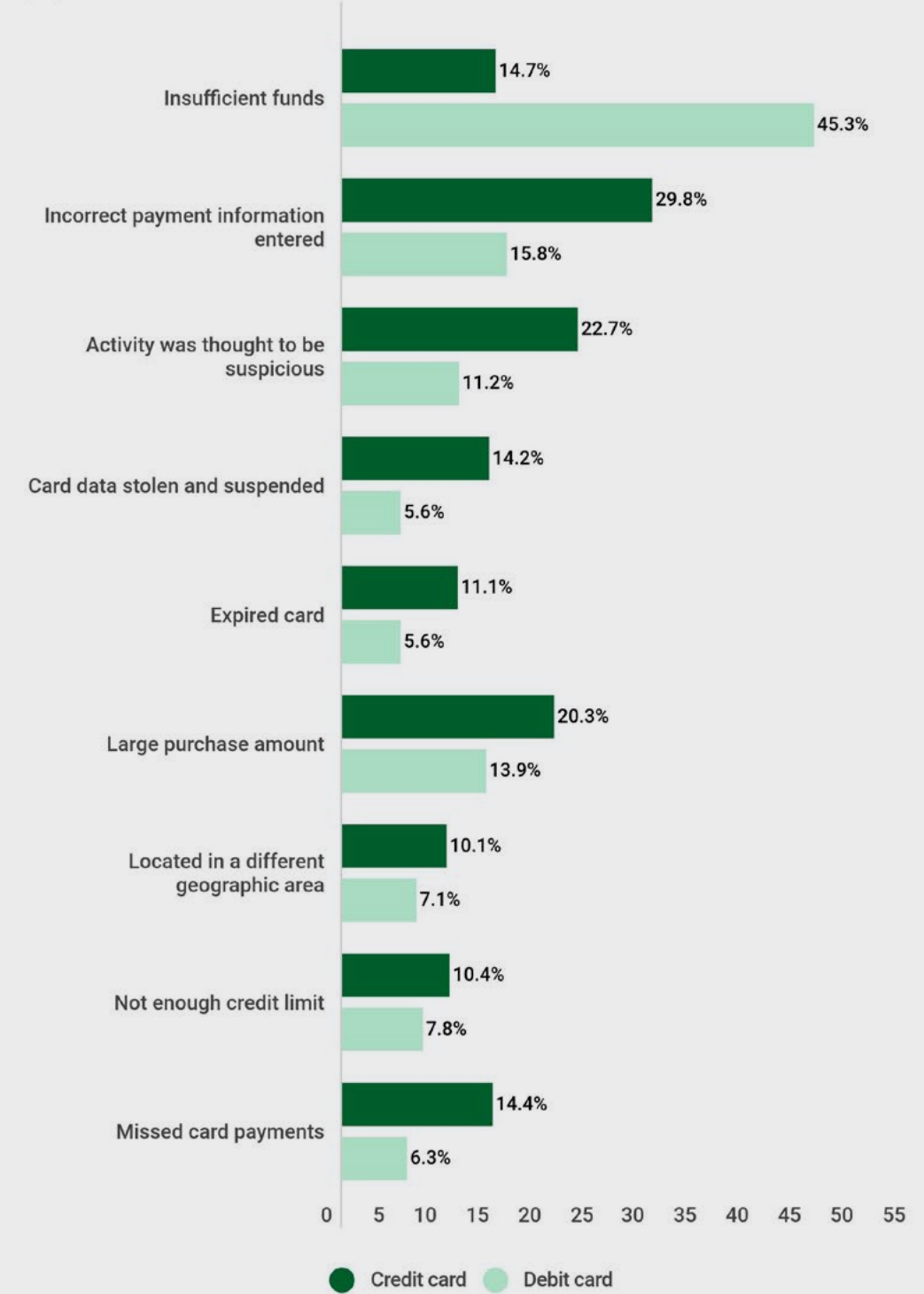
5B: Share of consumers who had a payment declined for select reasons, by payment diversification level



Consumers who experienced payment declines in past 30 days: N = 265

Source: PYMNTS.com

5C: Share of consumers who had a payment declined for select reasons, by payment method



Consumers who experienced payment declines in past 30 days: N = 265

Source: PYMNTS.com

METHODOLOGY

Digital Economy Payments: Payment Method Diversification is based on a census-balanced survey of 2,771 U.S. consumers conducted between May 10 and May 18. Consumers were asked about the payment methods they use when shopping online and in-store for retail products and groceries.

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