

# DIGITAL ECONOMY PAYMENTS

July 2022 U.S. Edition

## THE PITFALLS OF PAYMENT DIVERSIFICATION



### PYMNTS.com

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# INTRODUCTION

**W**hile inflation continues to rear its ugly head, surging to 9.1% by some calculations, PYMNTS' data finds that some aspects of consumer spending — such as the share of consumers in the United States purchasing travel and average retail product spend — are bouncing back after recent drops during spring.<sup>1</sup> Also rebounding, unfortunately, are payment troubles, such as payment declines and payment fraud that can cause outsized harm for consumers with low or over-drawn account balances.

We also find that these payments pains are particularly on the rise for consumers who use many different payment methods, those with what we call “high payment diversification.” Though consumers who take advantage of the market’s always growing payments choice should be having the most seamless and streamlined experiences, we find that payment declines and payments fraud each affect highly diversified consumers more than average.

Consumers have fueled a resurgence of travel purchasing that — while not exceeding April peaks — signifies some economic recovery and highlights some demographic trends, including which payment methods may be catching on with Generation Z. These are just some of our findings in this report, which is based on a survey of 2,789 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 June 10 and June 16.

#### **This is what we learned.**

<sup>1</sup> Cox, J. Inflation rose 9.1% in June, even more than expected, as consumer pressures intensify. CNBC. 2022. <https://www.cnbc.com/2022/07/13/inflation-rose-9point1percent-in-june-even-more-than-expected-as-price-pressures-intensify.html>. Accessed July 2022.

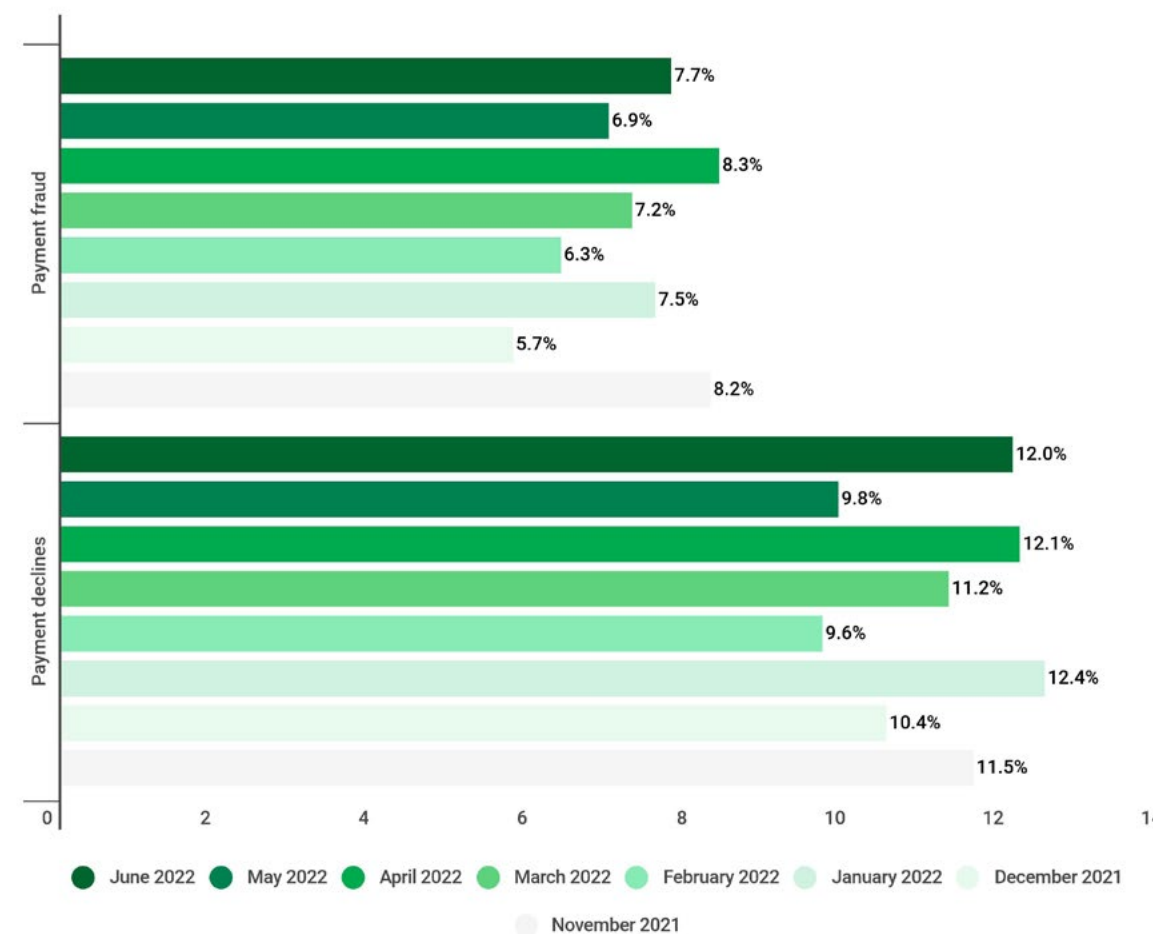
## After dropping in May, the share of consumers who experienced declined payments and fraud rose back up in June, nearly to April levels.

In June, 12% of American consumers experienced a declined payment. Though this represents a rise from 10% in May, looking back further reveals that it nearly matches the exact share from April: 12.1%. Insufficient funds were the most common cause.

This drop-and-rebound pattern also occurred for fraud. Eight percent of consumers were also the victims of fraud during June — an increase from 7% in May but around level with the 8% we measured in April. The factors impacting these numbers in May appear to have been short-lived.

Figure 1: Popular payment pains

Share of consumers who experienced payment fraud or payment declines in the 30 days prior to being surveyed, over time



Source: PYMNTS.com  
 Digital Economy Payments: The Pitfalls Of Payment Diversification, July 2022  
 N = 177: Consumers who experienced fraud in the 30 days prior to being surveyed; N = 265: Consumers who experienced payment declines in the 30 days prior to being surveyed; fielded June 10, 2022 - June 16, 2022



## Payment method diversification can have a downside: Consumers who use multiple payment methods are almost three times more likely to have payments declined or become victims of fraud.

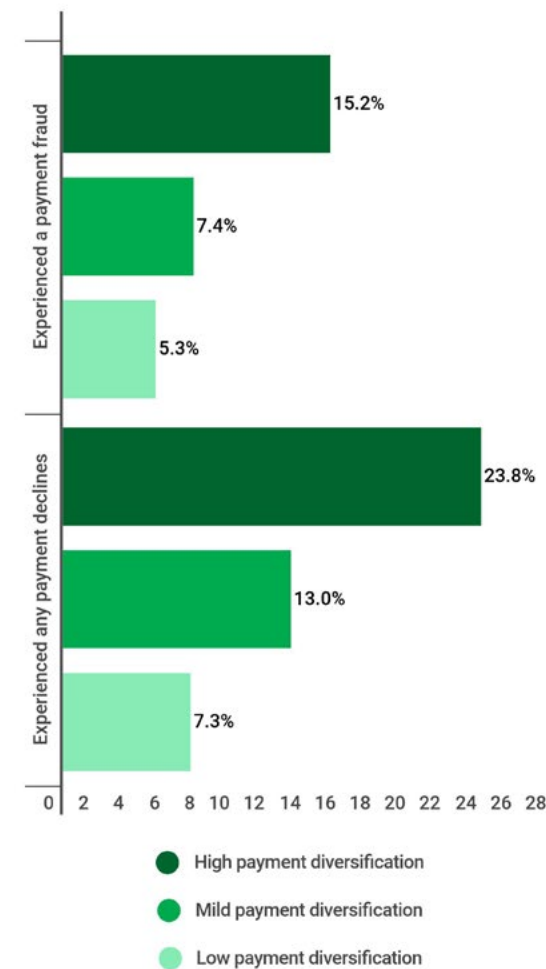
Fifteen percent of consumers who highly diversify their payment methods, defined as consumers who use more than three of them, were victims of fraud this past month, and 24% of highly diversified consumers had at least one attempted payment declined.<sup>2</sup> This is an increase from last month, when 13% of these consumers experienced fraud and 21% experienced payment declines, indicating that both are trending upwards. These consumers were almost exactly three times more likely than respondents with lower payment diversification to be victims of fraud in June.

One notable factor is that the average value of fraud reported by respondents with highly diversified payment methods was \$559 — almost \$150 higher than the average amount per fraudulent incident of \$412. This suggests that having too many payment methods may make it difficult to regularly monitor transactions, and if one method is less secure than others, that discrepancy could be enough to put payment data at risk. It should be noted that highly diversified consumers are not disproportionately wealthy: Only 20% of the consumers in our study who earn more than \$100,000 have high payment diversification.

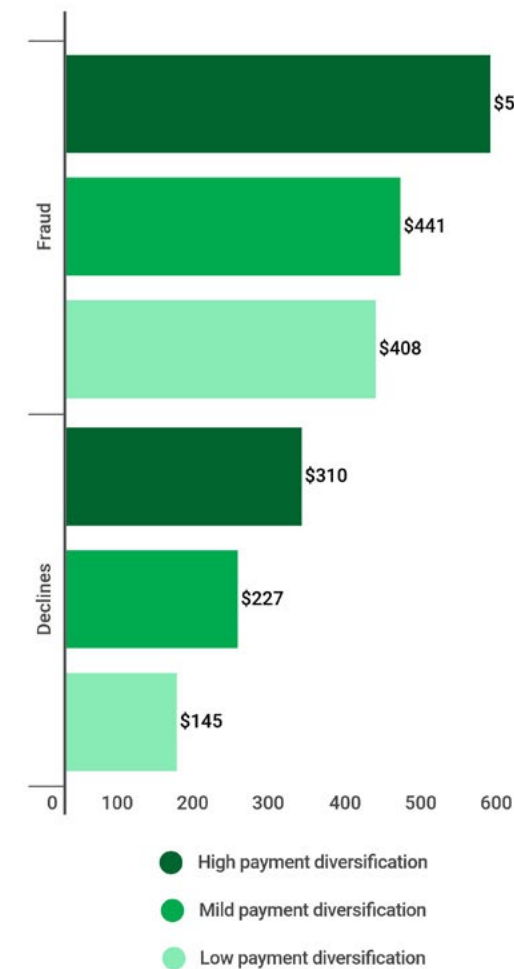
<sup>2</sup> Consumers exhibiting high payment diversification use at least three payment methods, with at least two being nontraditional methods, such as digital wallets, cryptocurrency or buy now, pay later.

Figure 2: Payment pains and payment diversification

2A: Share of consumers who experienced fraud or a declined payment in last 30 days, by level of payment diversification



2B: Average amount of money involved in fraud or a declined payment in past 30 days, by level of payment diversification



Source: PYMNTS.com  
 Digital Economy Payments: The Pitfalls Of Payment Diversification, July 2022  
 N = 177: Consumers who experienced fraud in the 30 days prior to being surveyed; N = 265: Consumers who experienced payment declines in the 30 days prior to being surveyed; fielded June 10, 2022 - June 16, 2022

After a lack of funds, the most common reason for a payment to be declined was the appearance of suspicious activity. PYMNTS’ data reveals that highly diversified consumers were more likely than average to blame suspicious activity for recent payment declines, at 33% versus 23%. Twenty-four percent of consumers who use highly diversified payment methods said their payments had been declined over the past 30 days. This may be because these respondents misremember or conflate different authentication data between their different payment methods — an easy mistake to make when using more than one or two payment methods consistently.

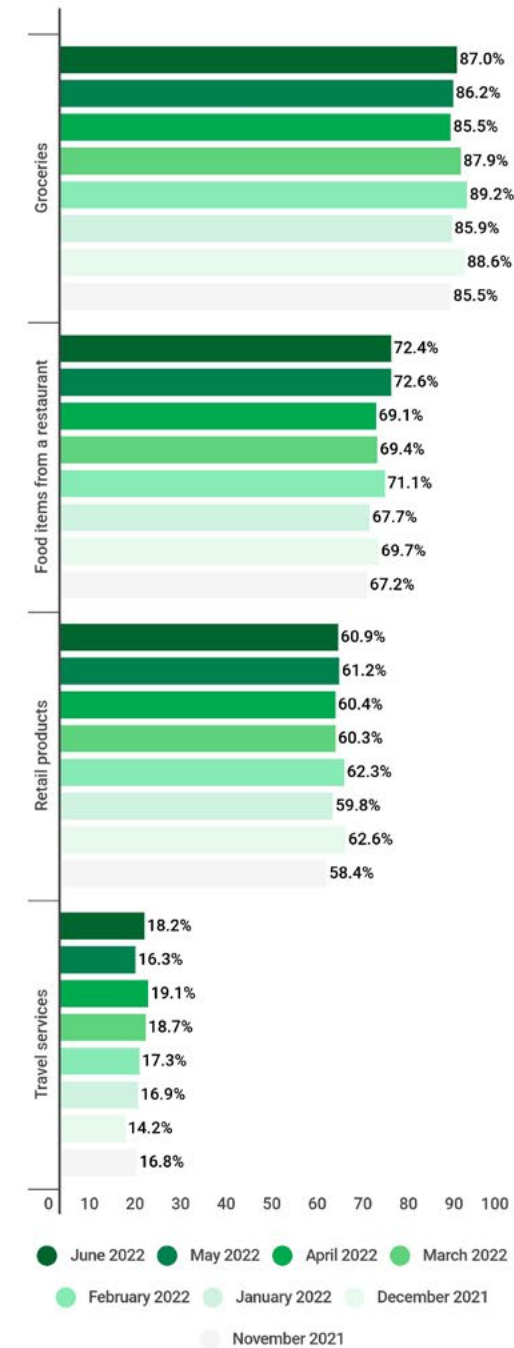
## American consumers are traveling again: The share purchasing travel and travel-related services has increased by 12% since May.

Likely influenced by upcoming summer vacations, the share of consumers making travel purchases has grown from 16% in May to 18% in June. It has not quite recovered to April levels — 19% — suggesting that some combination of the price of gasoline, airline staff shortages and the current transmissibility of COVID-19 strains are still impeding travel, or that some of these summer travelers made their arrangements earlier this year.

The average amount consumers spent during their most recent purchases generally did not change much, increasing a small amount in most segments and falling slightly for restaurants. A significant increase did occur, however, in retail: The average spend for consumers' most recent retail purchases increased 16%, even outpacing inflation, rising from \$92 to \$106.

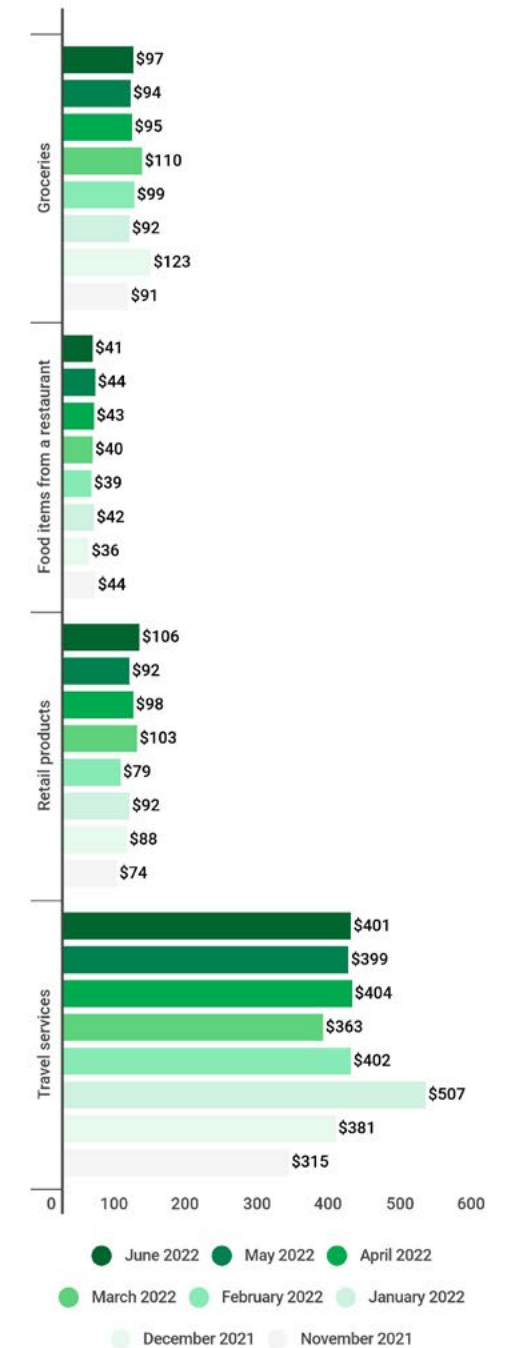
Figure 3: Recent purchasing trends

3A: Share of consumers who made select purchases in the 30 days prior to being surveyed, by month and type of purchase



Source: PYMNTS.com  
Digital Economy Payments: The Pitfalls Of Payment Diversification, July 2022  
N = 2,995: Whole sample, fielded June 10, 2022 - June 16, 2022

3B: Average amount of money consumers spent on their most recent purchases, by month and type of purchase



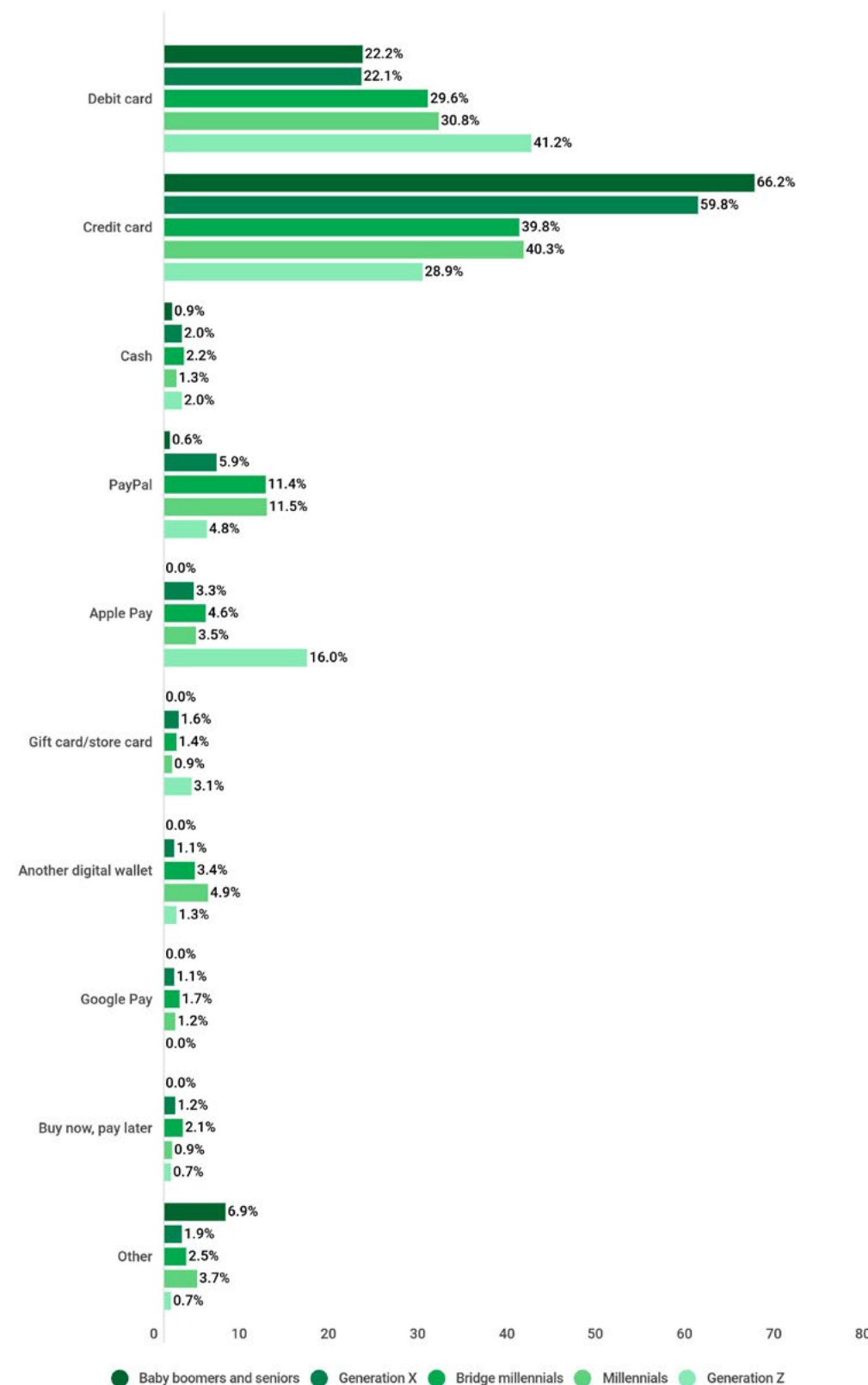
Source: PYMNTS.com  
Digital Economy Payments: The Pitfalls Of Payment Diversification, July 2022  
N = 2,633: Consumers who purchased groceries in the 30 days prior to being surveyed; N = 2,167: Consumers who purchased food from a restaurant in the 30 days prior to being surveyed; N = 1,831: Consumers who purchased retail goods in the 30 days prior to being surveyed; N = 533: Consumers who purchased travel services in the 30 days prior to being surveyed; fielded June 10, 2022 - June 16, 2022

## Gen Z uses Apple Pay to book travel at 4.6 the rate of millennials and at 3.5 the rate of bridge millennials, both of whom prefer PayPal.

Apple Pay has grown in popularity with younger consumers. Sixteen percent of members of Generation Z used Apple Pay when purchasing travel services, vastly exceeding the 4% average among all consumers surveyed. PYMNTS’ research finds a similar effect when considering the purchasing of consumer goods: Though only 1% of these purchases overall were made using Apple Pay, 5% of Gen Z consumers utilized Apple Pay.

Each generation seems to have affection for one payment method. Millennials and bridge millennials were more likely than other generations to use PayPal to purchase travel services, for example. Twelve percent of millennials and 11% of bridge millennials did, whereas Gen X, the generation next-most likely to use PayPal for this purpose, only used it for 6% of travel purchases. The oldest generations favor credit cards: 66% of baby boomers and seniors used credit for their most recent travel transactions, far more than the approximately 40% of millennials and 29% of Gen Z who used credit cards.

**Figure 4: How consumers are paying for travel**  
Share of consumers who used select payment methods for their most recent travel purchases, by generation



Source: PYMNTS.com  
Digital Economy Payments: The Pitfalls Of Payment Diversification, July 2022  
N = 533: Consumers who purchased travel services in the 30 days prior to being surveyed, fielded June 10, 2022 - June 16, 2022

# METHODOLOGY

**D**igital Economy Payments: The Pitfalls Of Payment Diversification is based on a census-balanced survey of 2,789 U.S. consumers conducted between June 10 and June 16. Consumers were asked about the payment methods they use when shopping online and in-store for retail products and groceries.

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