

New Ways To Pay: Aligning Consumer And Merchant Payment Preferences, a PYMNTS and Nuvei collaboration, explores consumers' readiness to try new payment methods, such as online bank transfers, for making payments. We conducted a census-balanced survey of 2,466 U.S. consumers from May 25 to May 30 to measure consumers' experience with and expectations from online bank transfers and other payment methods.



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ALIGNING CONSUMER
AND MERCHANT
PAYMENT PREFERENCES

November 2022

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Introduction

The cost of accepting debit and credit cards has more than doubled in the past decade as consumer spending has grown dramatically at both the digital and physical points of sale. Merchants have historically struggled to balance the cost of acceptance with consumer preference for using cards, in addition to offering protections in the event of fraud or service issues. Some merchants have added a surcharge to credit card purchases, while others are exploring new, lower-cost alternatives.

One such option is paying for purchases directly from a checking account through an online bank transfer. While this method has yet to gain much traction in the United States, some believe it could help improve margins without compromising the opportunity to make a sale.

Interest in and demand for speedier payments has been on the rise in recent years. Real-time payments have seen significant growth in the U.S., some driven by automated clearing house transfers. The volume of real-time payments is predicted to quadruple by 2026, and the U.S. is set to launch its own instant payment service in 2023

with the Federal Reserve's FedNow.¹ Outside the U.S., a host of instant payment technologies have taken hold in markets around the world, including the U.K.'s Faster Payments Service, the European Central Bank's TARGET Instant Payment Settlement, Australia's New Payment Platform and India's Immediate Payment Service.

On the heels of this real-time payment growth, broad retail acceptance of online bank transfers will depend on consumers' willingness to experiment with new payment methods.

New Ways To Pay: Aligning Consumer And Merchant Payment Preferences, a PYMNTS and Nuvei collaboration, explores consumers' readiness for new payment methods, such as online bank transfers. PYMNTS conducted a census-balanced survey of 2,466 U.S. consumers from May 25 to May 30 to learn what consumers want in a payment method when shopping online and how those preferences may affect their potential adoption of online bank transfers.

This is what we learned.

1. Real-Time Payments Tracker®. PYMNTS. 2022. <https://www.pymnts.com/tracker/real-time-payments-digitization-faster-disbursements-finance/>. Accessed October 2022.

Consumers — particularly younger and high-income earners — are interested in trying new payment innovations to pay merchants and bills.

The data suggests that consumers are already keeping an eye on payment innovations. Nearly 30% of consumers are very or extremely interested in trying a new payment method.

The groups most willing to use new payment methods are millennials, who are between 26 and 41 years of age, and upper-income consumers. Forty-eight percent of millennials and 42% of bridge millennials, who range in age from 34 to 44, are very or extremely interested in trying new payment methods, as are 38% of consumers with annual incomes of more than \$100,000.

Younger and more affluent consumers tend to use more than the average 3.4 payment methods. In the month prior to our survey, bridge millennials used an average of four payment methods and millennials used 4.1 payment methods.

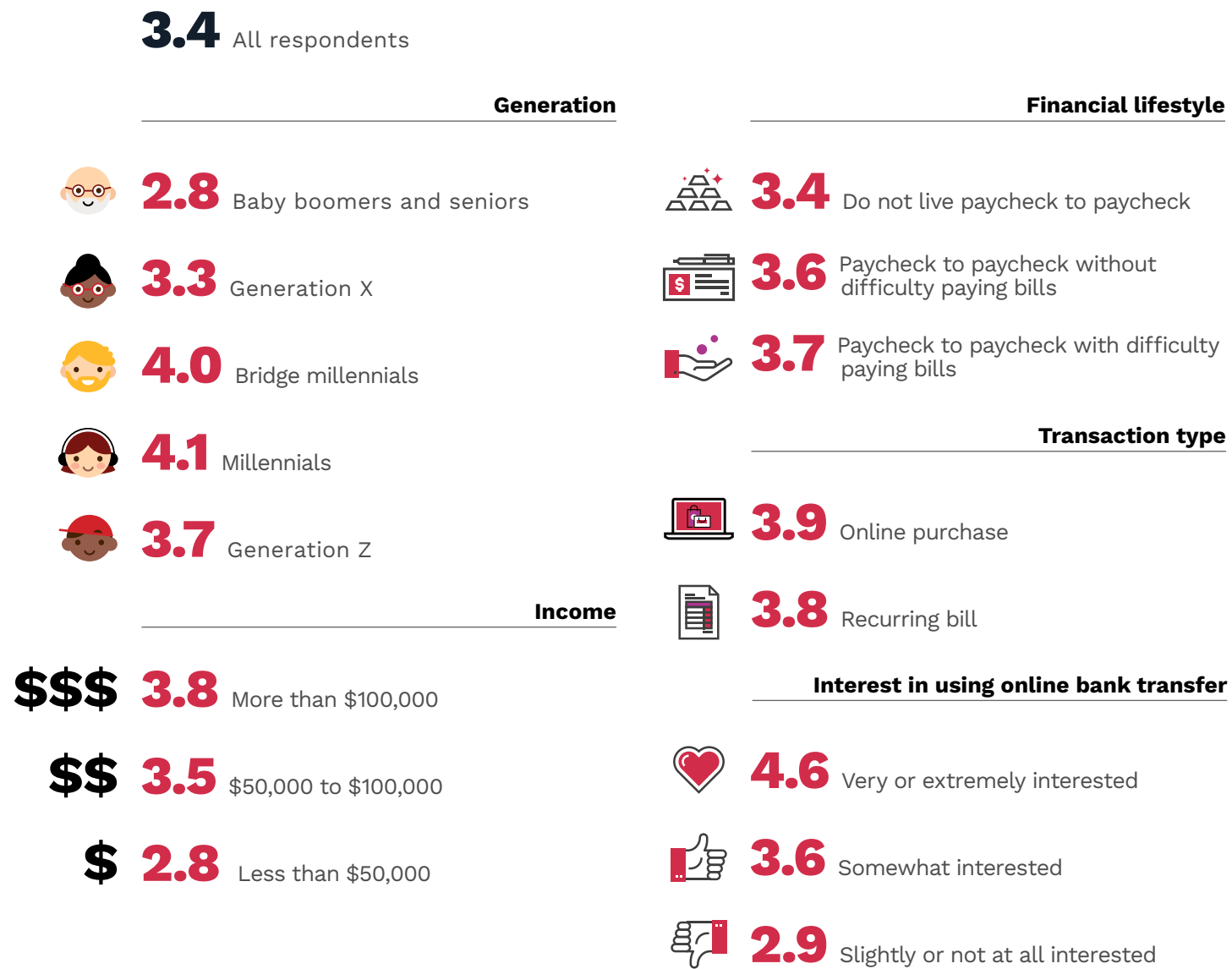


When looking at consumers by income, those annually earning more than \$100,000 used 3.8 payment methods in the past 30 days, while consumers with annual incomes between \$50,000 and \$100,000 used 3.5 payment methods. Consumers earning less than \$50,000 a year used 2.8 payment methods.

Consumer interest in new payment methods is relatively consistent across the different payment use cases: 29% of consumers are interested in trying new payment methods for online shopping, 28% for in-store shopping and 27% for recurring bill payments.

FIGURE 1:
Measuring consumers by the number of payment methods used

Average number of payment methods used by consumers in the past month, by demographic



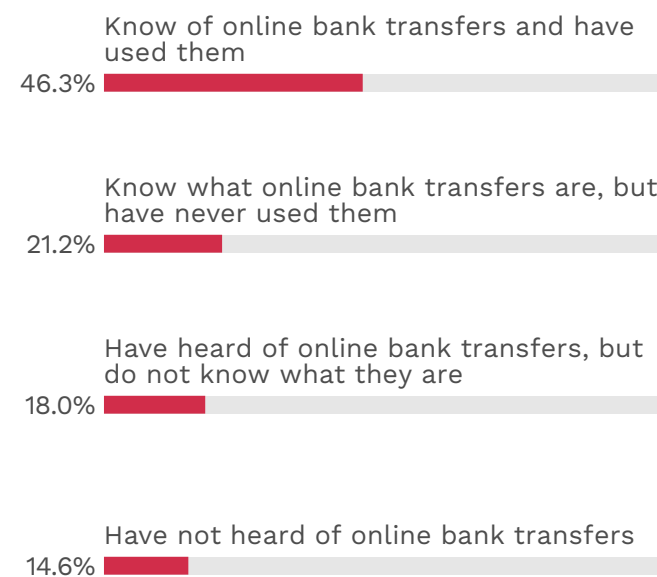
Nearly half of consumers have used their bank accounts to pay a bill, and two-thirds of that group are interested in using their bank accounts to make other purchases.

Online bank transfers capitalize on the economy's digital shift and consumers' familiarity with established payment methods, such as mobile apps or banks' websites. Forty-six percent of consumers already know what online bank transfers are and have used them. Another 21% know what they are but have never used them.

Two-thirds of U.S. consumers who are interested in trying new payment methods are very or extremely interested in using online bank transfers, which suggests there might be an opportunity for companies to offer online bank transfers as a payment option during an online purchase. In addition, the growth in mobile wallets such as Apple Pay and Google Pay has given many consumers experience with contactless transactions.

FIGURE 2A:
What consumers know about online bank transfers

Share of consumers with select levels of familiarity with online bank transfers



Source: PYMNTS

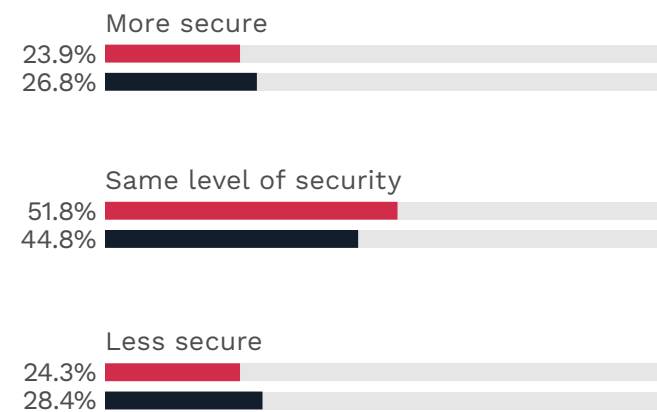
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N = 2,466: Complete responses, fielded May 25, 2022 – May 30, 2022



FIGURE 2B: What consumers know about online bank transfers

How consumers view the security of online bank transfers relative to credit cards and debit cards

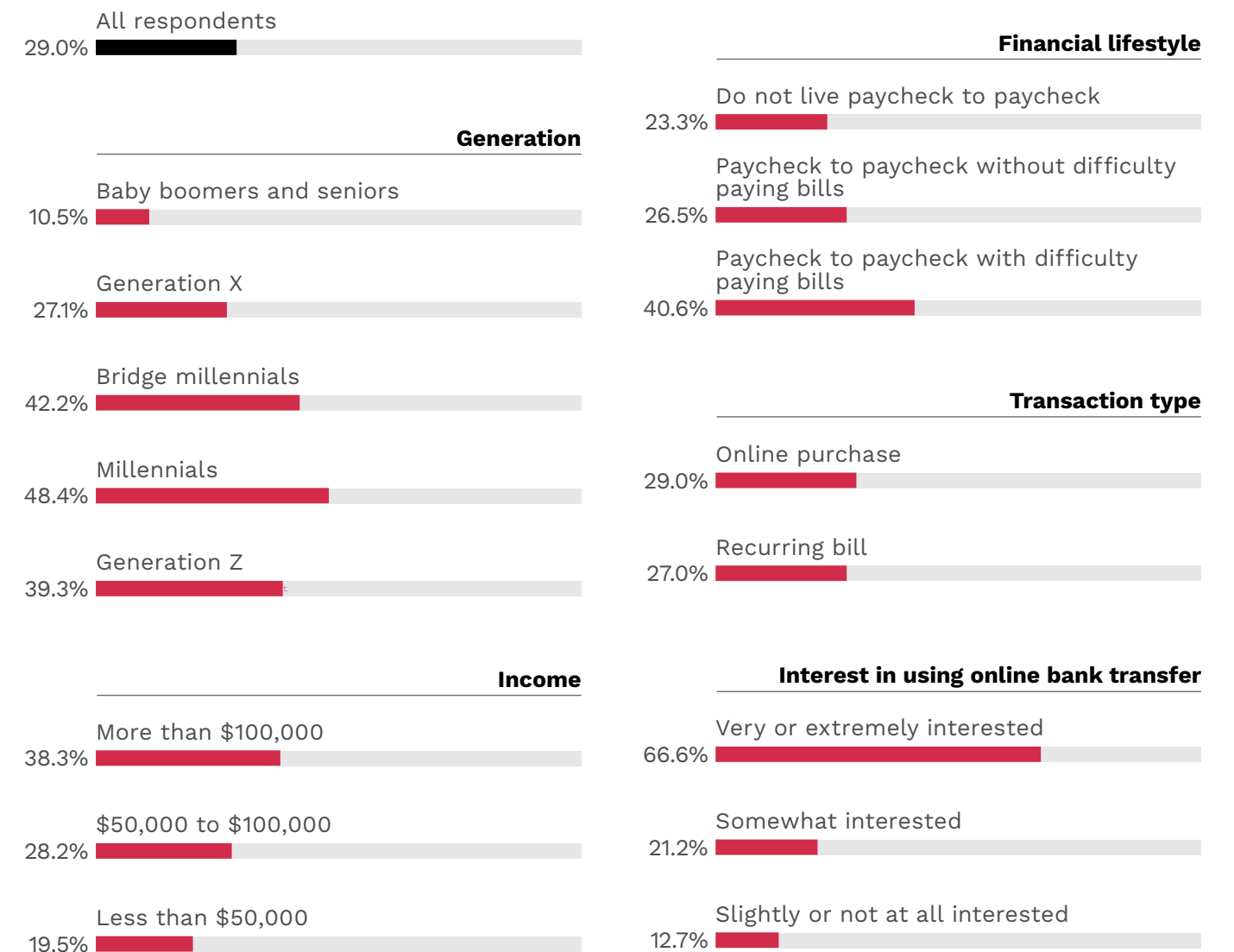
■ Debit cards
■ Credit cards



37% of consumers used online bank transfers in the last month to pay a recurring bill

FIGURE 2C: What consumers know about online bank transfers

Share of consumers very or extremely interested in using new payment methods in the next 12 months



Source: PYMNTS

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Fewer than one in 10 U.S. consumers have used their bank accounts to pay a merchant, even though online bank transfers are the second most commonly used way to pay recurring bills.

Though they are an emerging payment technology, online bank transfers have developed a user base among U.S. consumers and merchants. In fact, 37% of consumers had used them in the preceding month to pay recurring bills, and 26% say they are their preferred payment method for recurring bills. The only method with a higher share of consumer usage for paying bills is debit cards, preferred by 30% of consumers.

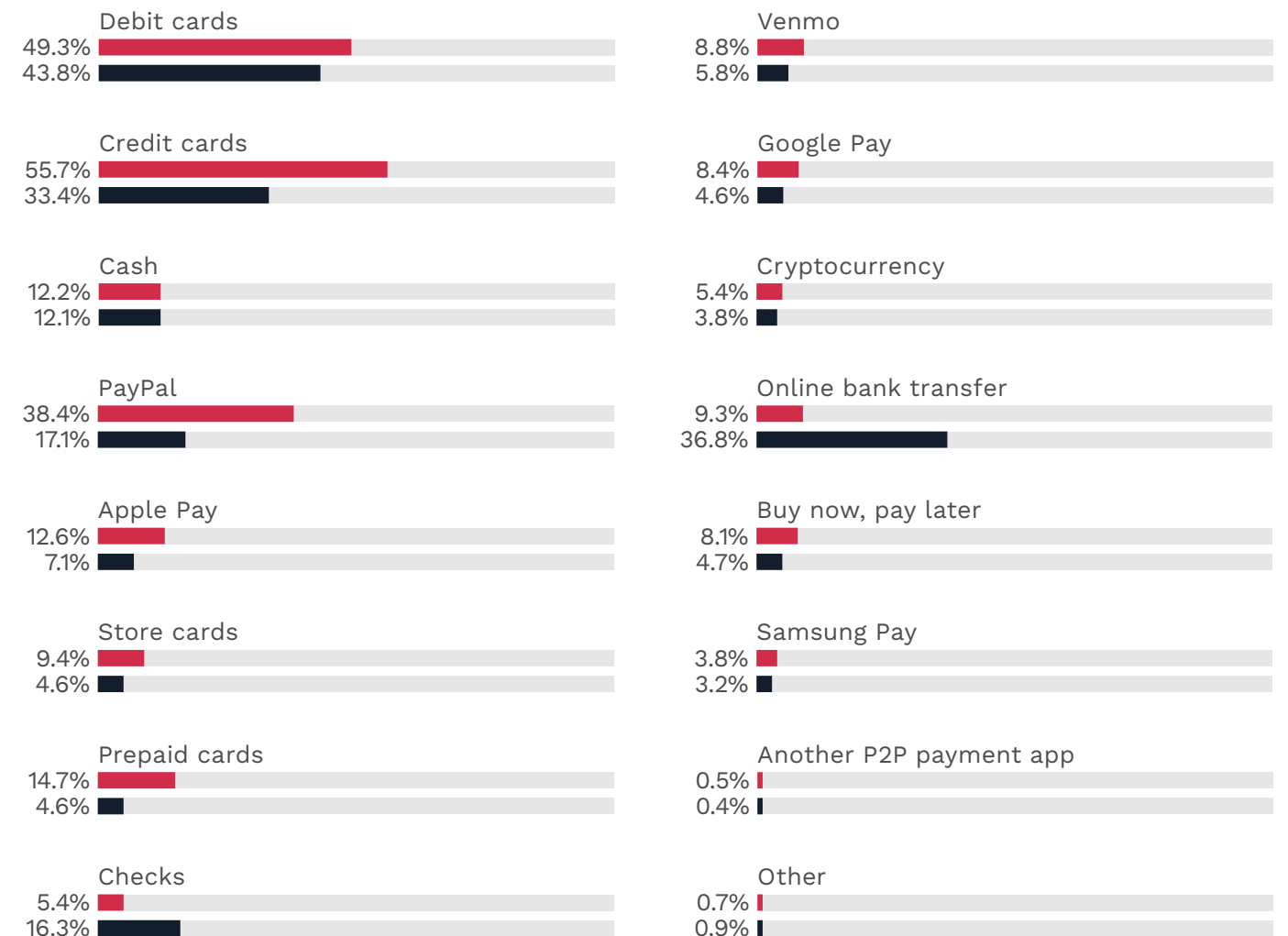
Twenty-one percent of consumers prefer credit cards for bill payments, making them the third most preferred method. No other payment method nets more than 7% of consumers' preference for paying bills.

However, online bank transfers have a long way to go before becoming mainstream when purchasing goods or services. Just 9.3% of consumers had used online bank transfers for online shopping in the preceding 30 days, and just 1.8% say that an online bank transfer is their preferred method for shopping via the web or a mobile app.

FIGURE 3:
Popular payment methods

Share of consumers using select payment methods for recurring bills and online shopping

■ Online shopping
■ Recurring bill



Source: PYMNTS

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N = 2,466: Complete responses, fielded May 25, 2022 – May 30, 2022

Security concerns and the lack of rewards keep more consumers from being interested in switching from credit and debit cards to online bank transfers.

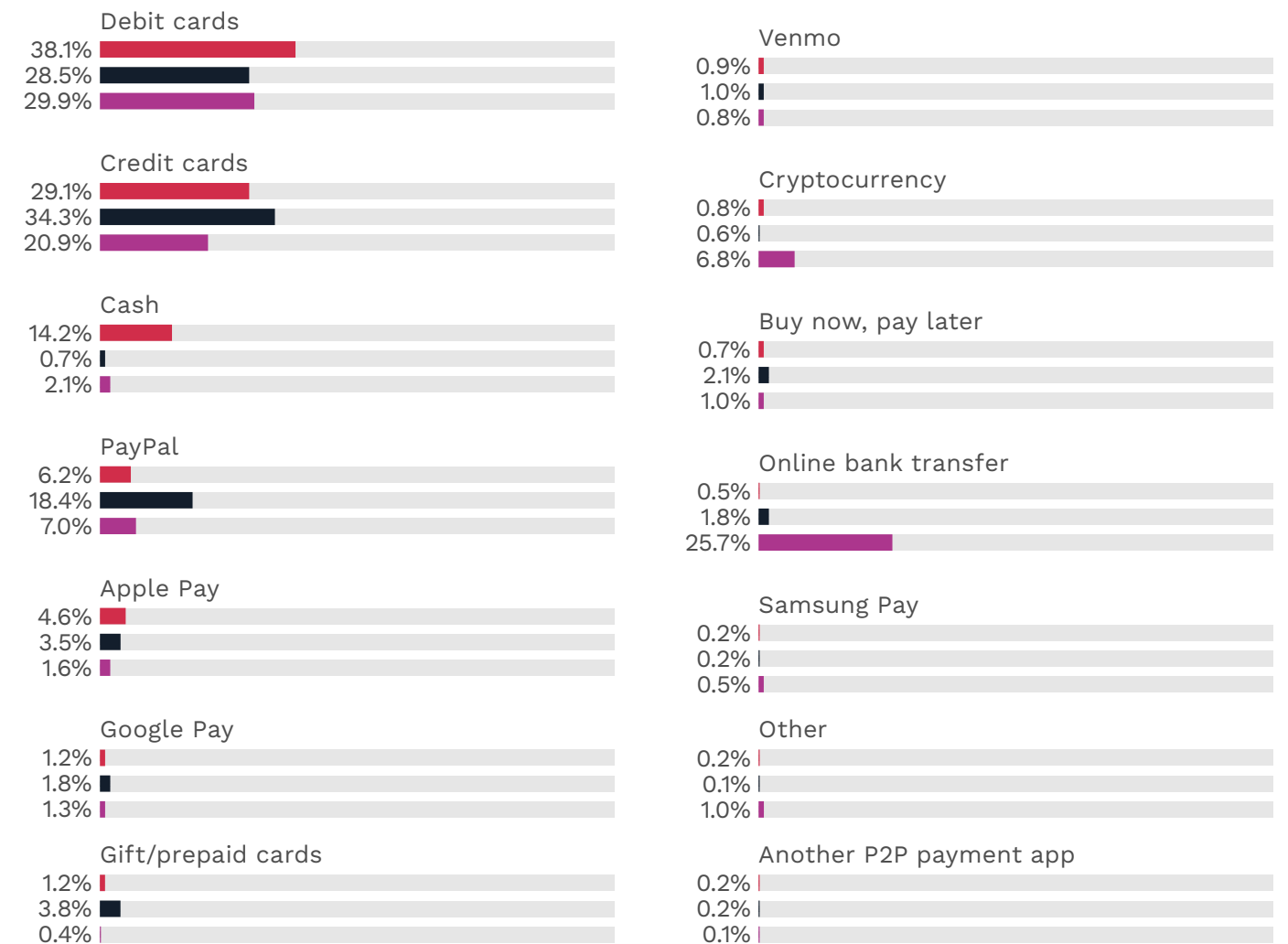
One of the factors that may discourage consumers from using online bank transfers is their concern about security, which 39% cited as an issue. Meanwhile, 26% cited the lack of points or a rewards program as a reason for their reluctance to use this payment method.

PYMNTS' data indicates that customers' concerns about the security of online bank transfers remains a hurdle that merchants will need to address before this payment method gains wider acceptance. Fifty-two percent of consumers say online bank transfers are as secure as debit card purchases, while 45% say they are as secure as credit card purchases. However, 28% think online bank transfers are less secure than credit card transactions, and 24% think they are less secure than debit card transactions.

FIGURE 4A: Paying with online bank transfers

Share of consumers who most prefer select payment methods, by how they are spending

■ In-store shopping
■ Online shopping
■ Recurring bill



Source: PYMNTS

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N = 2,466: Complete responses, fielded May 25, 2022 – May 30, 2022

FIGURE 4B:

Paying with online bank transfers

Share of consumers who cite specific reasons for being interested in using online bank transfers while shopping

■ All respondents
■ Very or extremely interested

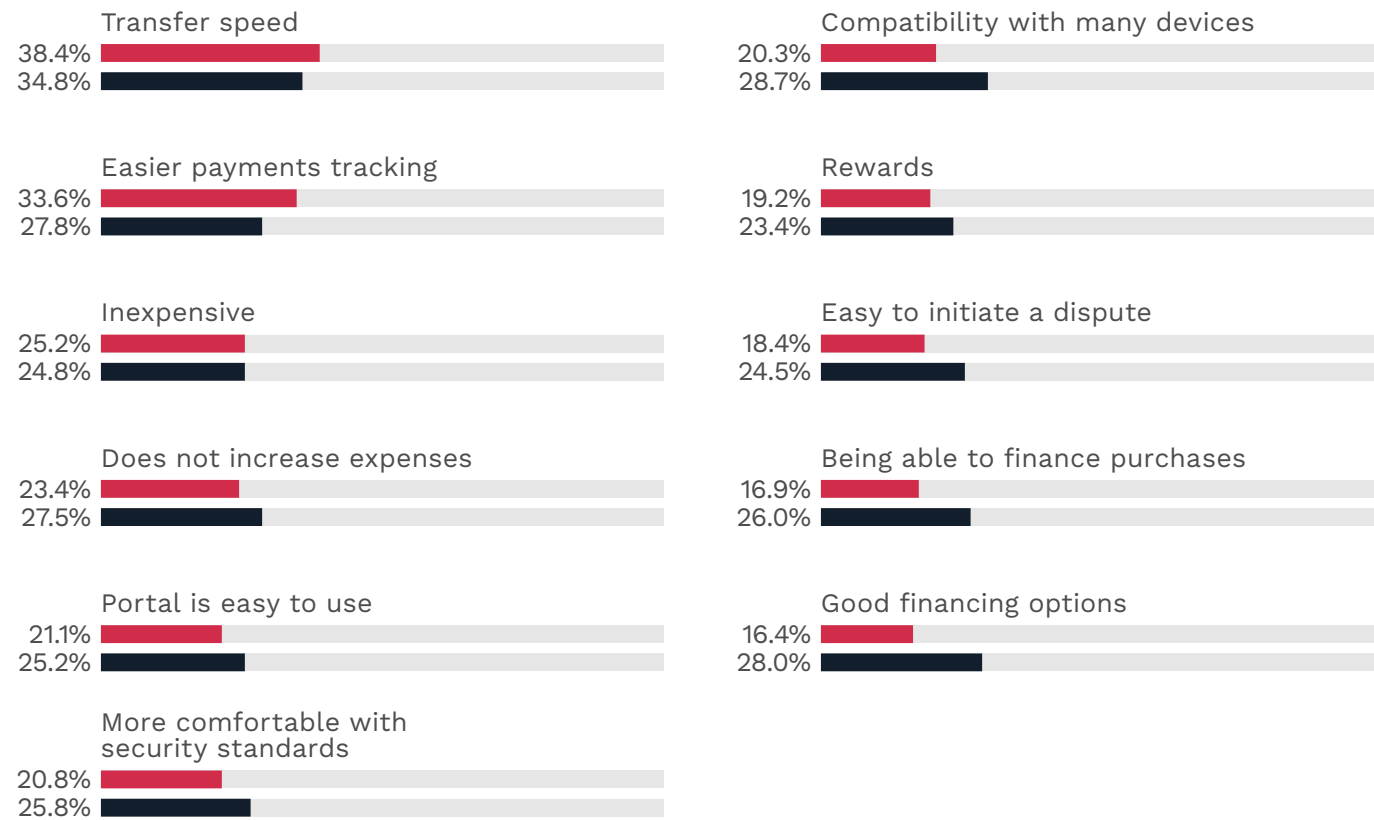
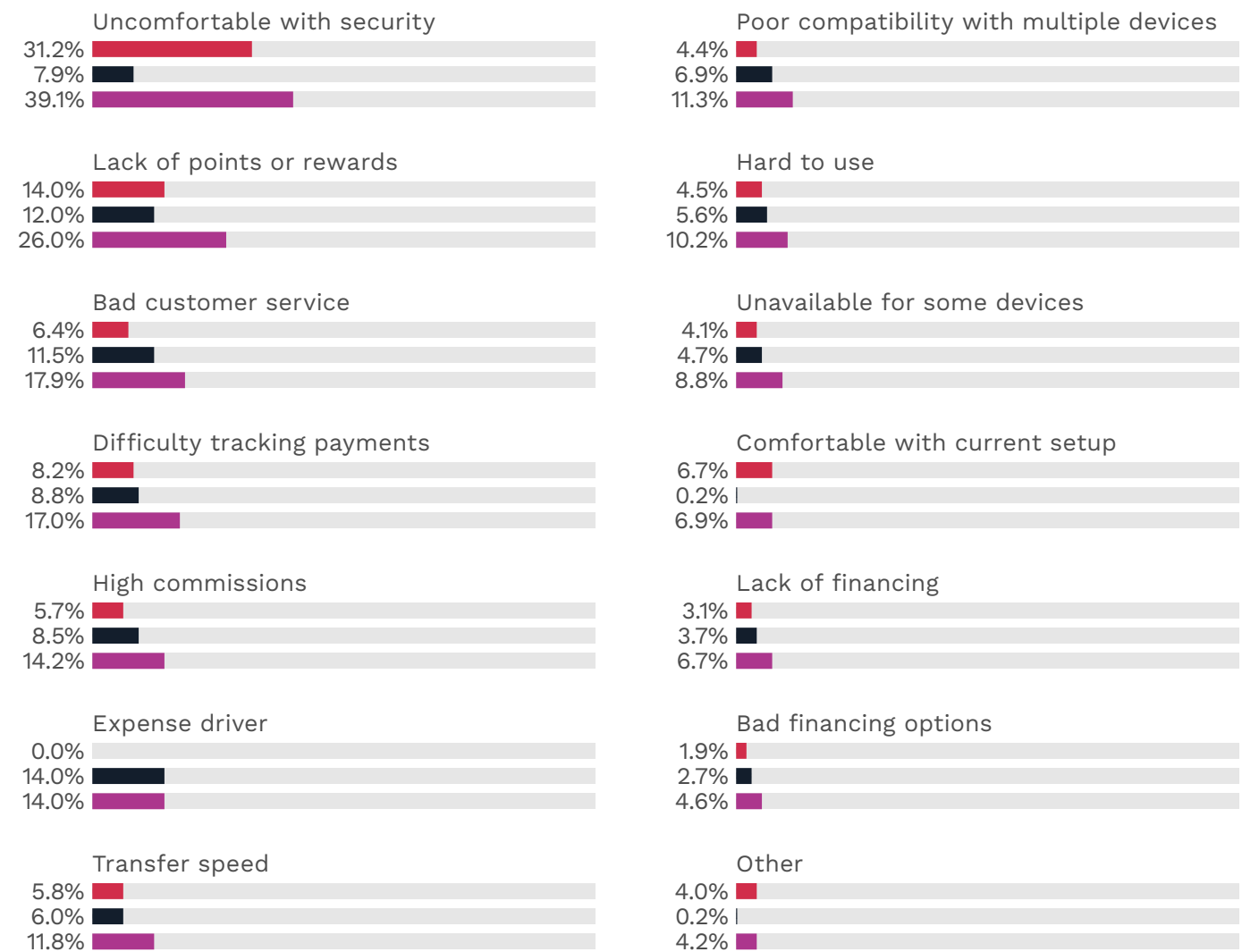


FIGURE 4C:

Paying with online bank transfers

Share of consumers who cite specific reasons for reluctance to use online bank transfers while shopping

■ Most important concern
■ Important but not most
■ Total



Source: PYMNTS

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N = 1,161: Consumers who are uninterested in using online bank transfer; N = 2,466: Complete responses,
fielded May 25, 2022 – May 30, 2022

Conclusion

As the adage goes, the last mile is the hardest, and merchants have long faced a daunting task in facilitating consumers' purchases at the time of payment. Merchants want to give consumers as many options as possible without missing a sale, sacrificing fees or making their own processes unwieldy. Online bank transfers can satisfy merchants' needs on several fronts, while the payment method's familiarity and similarity to other contactless methods ensures a relatively seamless transition for customers. As merchants make the payment method easier and more convenient — and as more consumers gain a greater understanding of the benefits — online bank transfers may become more widespread.

Methodology

New Ways To Pay: Aligning Consumer And Merchant Payment Preferences, a PYMNTS and Nuvei collaboration, explores consumers' readiness to try new payment methods, such as online bank transfers, for making payments. We conducted a census-balanced survey of 2,466 U.S. consumers from May 25 to May 30 to measure their experience with and expectations of online bank transfers and other payment methods.

About

PYMNTS

PYMNTS 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 reinventing the way companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.

nuvei

Nuvei is bringing payments up to speed. Our future-proof technology allows businesses to accept cutting-edge payment options, optimize new revenue streams, and get the most out of their stack. With a single integration and advanced customization tools, Nuvei delivers flexibility that enables businesses to adapt quickly and enter new markets seamlessly. From finding new opportunities to converting more sales, Nuvei is the innovative platform that accelerates your growth.

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