

# DIGITAL ECONOMY PAYMENTS

February 2023 U.S. Edition

THE ASCENT OF  
DIGITAL WALLETS



## 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 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

**A**s the economy's digital shift continues, eCommerce growth in Q4 2022 stands above pre-pandemic projections for this period and is on its way to returning to pre-pandemic levels. Consumers' widespread demand for digital payments has contributed to much of this growth.

Although credit and debit cards are still the payment methods of choice for most consumer purchases, the availability of alternative options, such as digital wallets and buy now, pay later (BNPL), are becoming increasingly important — particularly for online shoppers. PayPal, for instance, holds a 13.5% share of online spending on retail products but just 2.7% of in-store transactions.

Digital Economy Payments: The Ascent of Digital Wallets reviews new data on consumers' purchasing and payment preferences during the past quarter. From Dec. 9, 2022, to Dec. 14, 2022, we surveyed 2,748 United States consumers about their shopping habits, the products they buy in-store and online and the payment methods they use.

**This is what we learned.**





## U.S. consumers spent a total of \$182 billion buying groceries online in Q4 2022.

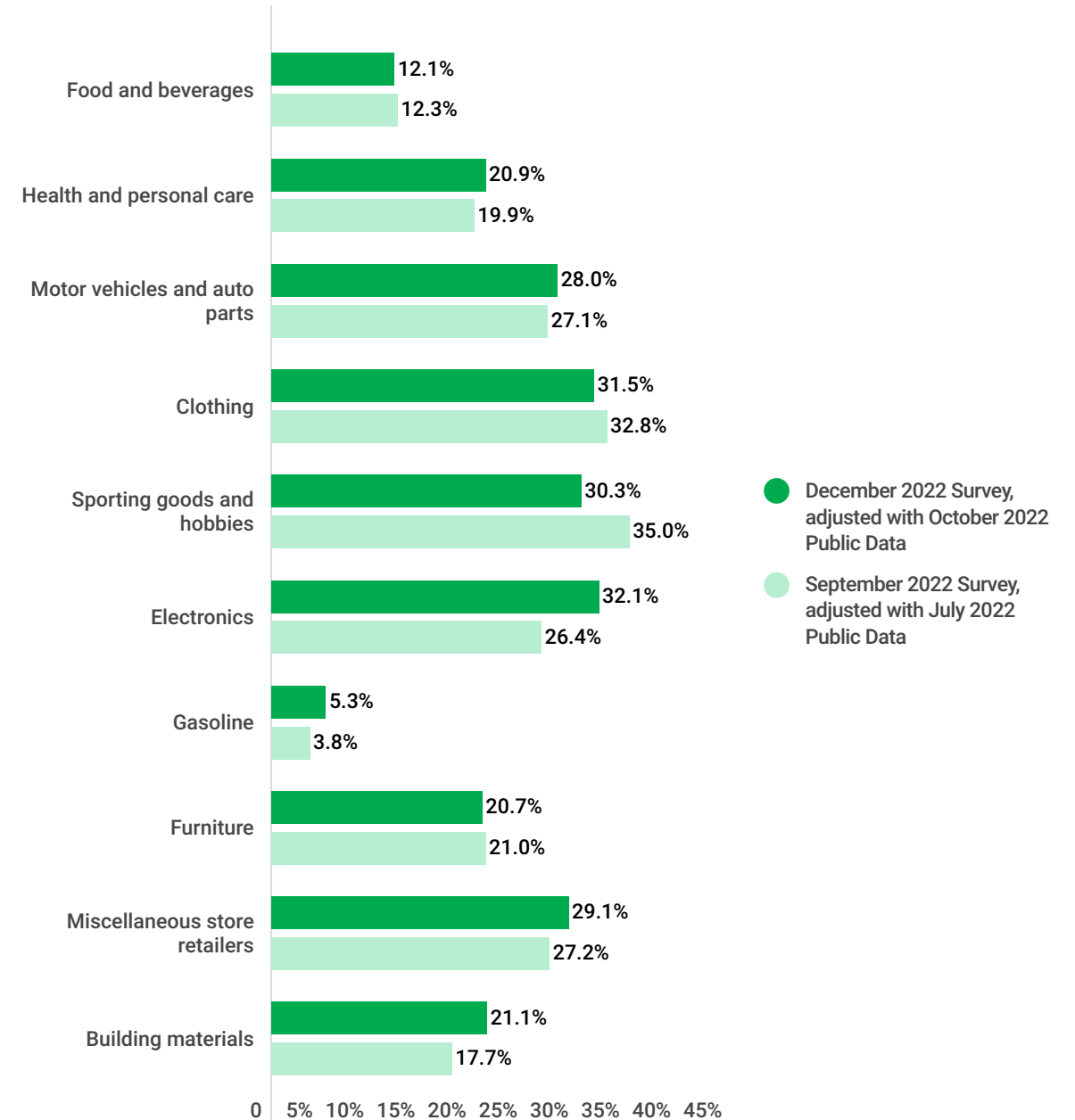
PYMNTS' Quarterly Payments Survey data finds that consumers purchased 12% of all retail spending on groceries through online channels in 2022, while eCommerce represented 25% of non-grocery retail purchases. In dollars, this amounts to \$182 billion in consumer purchases for groceries and \$1.1 trillion for other retail products. Although it ranks as the highest in total retail sales, grocery's share has decreased slightly compared to data from Q3 2022.

Among non-grocery retail products, consumer electronics exhibited the most considerable increase in online sales from September to December 2022. Our Q4 2022 data finds that consumers completed 32% of retail electronic sales online in 2022 — 6 percentage points higher than our estimation based on Q3 2022.

We also detected an increase in eCommerce shares for health and personal care products as well as motor vehicles and auto parts, while the share of online sales for sporting goods and clothing decreased.

Figure 2: Recent eCommerce sales numbers

Share of eCommerce sales in select industry segments, based on PYMNTS' Quarterly Payments Survey



Source: PYMNTS

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N = 2,748: Complete responses, fielded Dec. 9, 2022 – Dec. 14, 2022

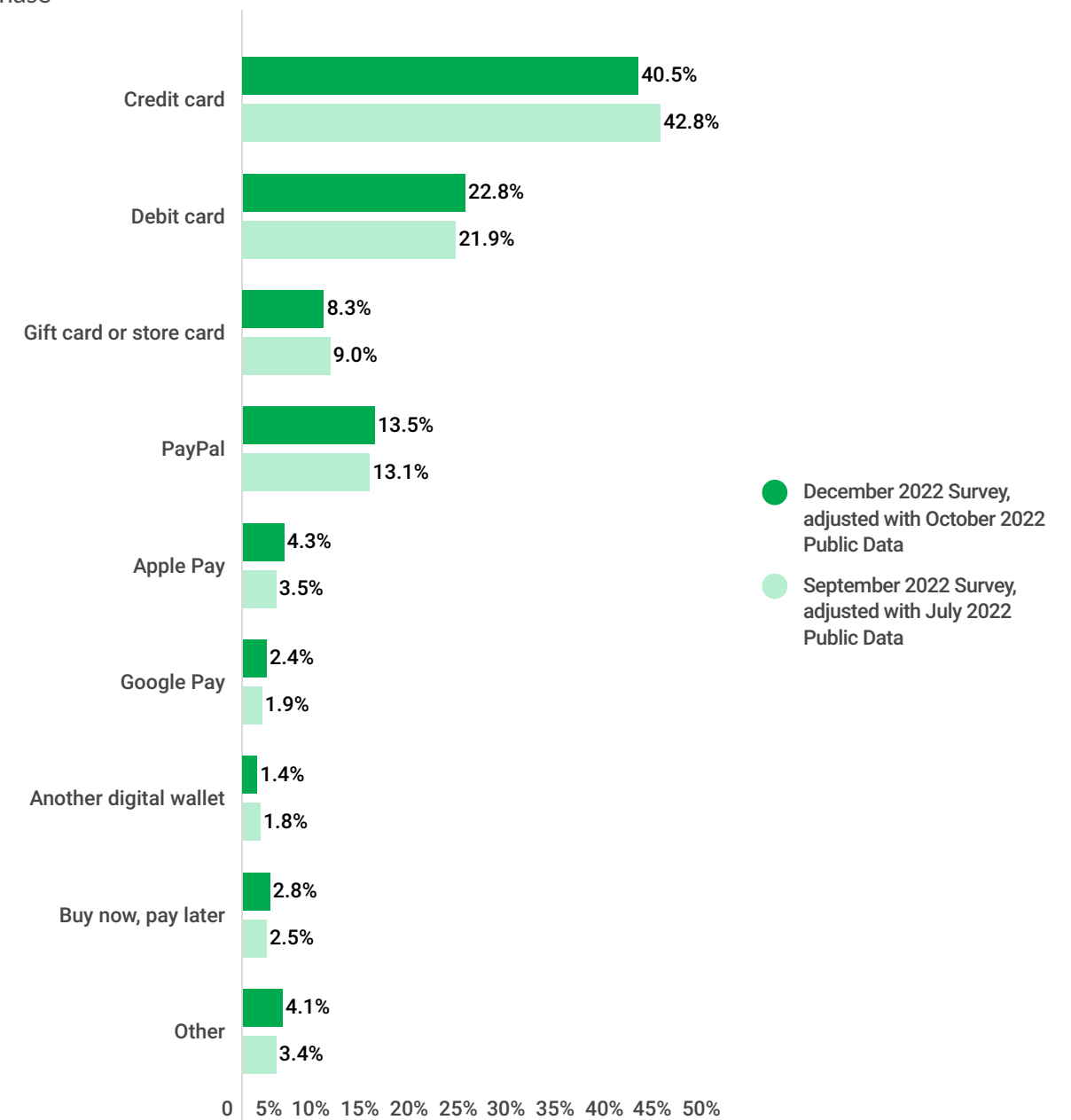
**Digital wallets cannibalize online use of debit cards across all retail categories, even though consumers continue to use debit cards for everyday purchases such as groceries.**

Consumers continued to rely on their go-to payment methods — debit and credit cards — for online and in-store retail purchases in the 12 months before December 2022, according to PYMNTS’ Q4 2022 data. We found that although 38% of consumers used debit cards for their last in-store purchase, just 23% used them online. Digital wallets are responsible for this gap, as they collectively represent a much higher share of online spending than in-store spending.

For example, PayPal represents 13.5% of consumers’ total online retail spend but just 2.7% of in-store transactions as of the close of Q4 2022. Apple Pay reached 4.3% of the total amount spent on online purchases, and Google Pay took 2.5%. Usage of these payment methods dropped by 50% for in-store transactions, at 1.9% and 0.8%, respectively. BNPL also holds a larger share of online retail purchases than in-store transactions, at 2.8% compared to 0.4%.

**Figure 3A: How consumers paid when shopping**

Share of payments for which consumers used select payment methods for their most recent online retail purchase



Source: PYMNTS

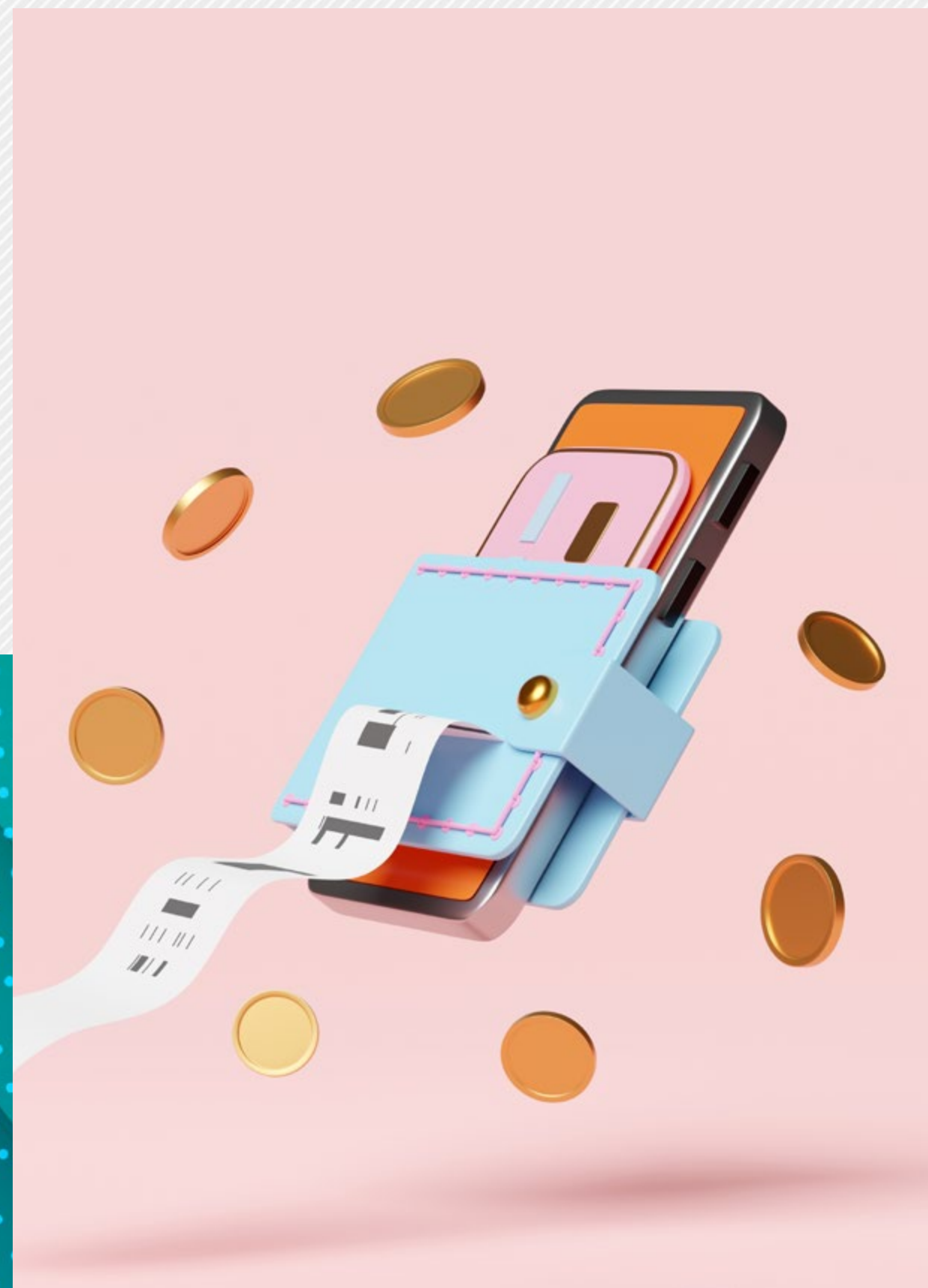
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PAYPAL, GOOGLE PAY,  
APPLE PAY AND BNPL'S  
**SHARE OF ONLINE  
SPENDING IS MUCH  
HIGHER** THAN THEIR  
SHARE OF IN-STORE  
SPENDING.

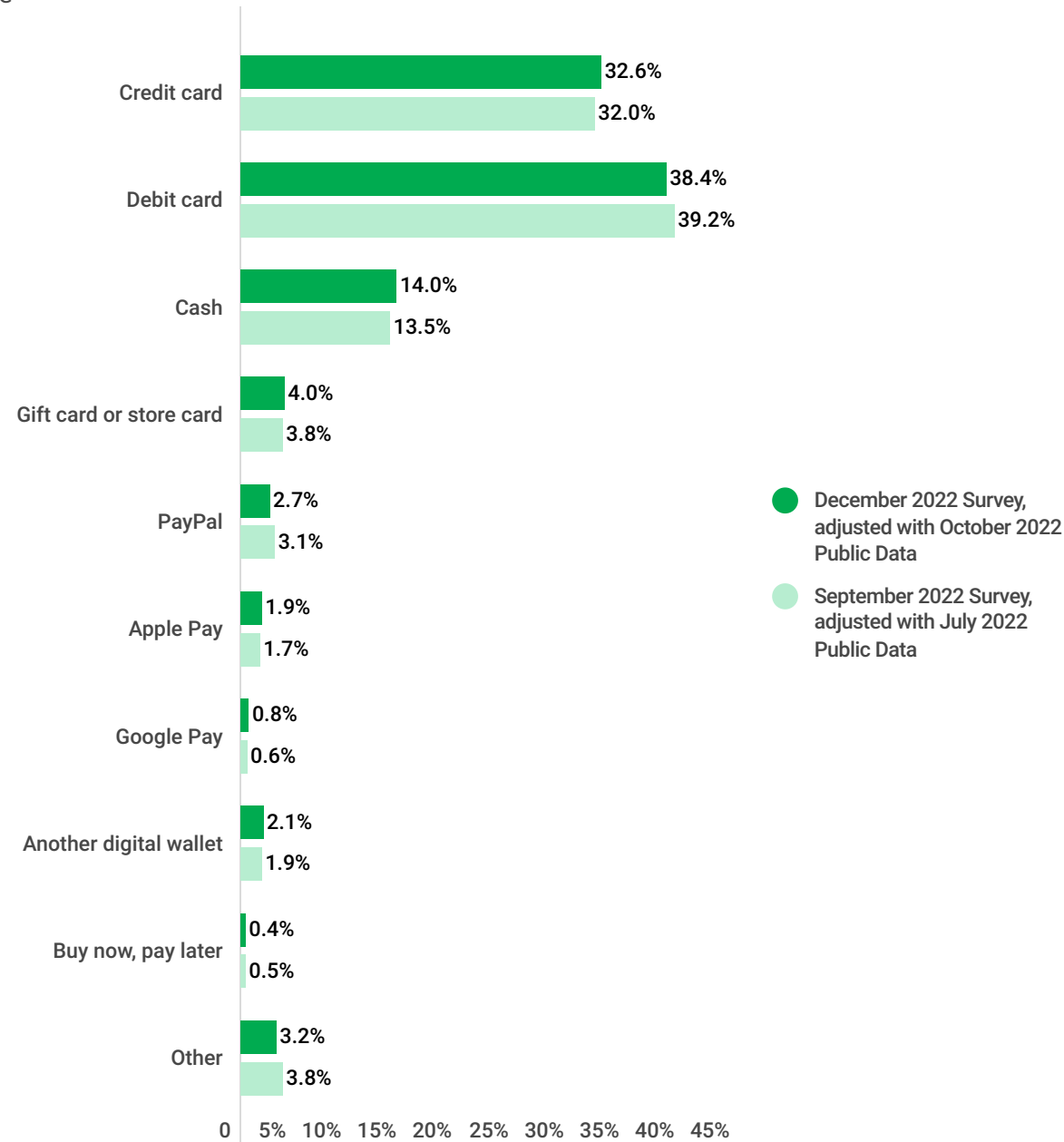
Moreover, our data finds that the usage of digital wallets for online purchases saw a slow but gradual rise in the 12 months before December 2022. PayPal increased from 13.1% in Q3 2022 to its current share, while Apple Pay and Google Pay rose from 3.5% and 1.9%, respectively. BNPL increased from 2.5% in the last quarter.

Among traditional payment methods, consumers are also more likely to use credit cards for online purchases, representing 40% of all spending, higher than the 33% share of in-store spending. In contrast, debit cards had a 38% share of in-store spending but represented just 23% of online spending in Q4 2022.



**Figure 3B: How consumers paid when shopping**

Share of payments for which consumers used select payment methods for their most recent in-store retail purchase



Source: PYMNTS  
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Debit cards still dominate for everyday essentials such as groceries, leaving little room for alternative payment methods. Consumers used debit cards to pay for 43% of in-store grocery retail sales and 40% of online grocery sales in the last 12 months. Credit cards maintained a 31% share of all grocery retail this quarter, both online and in-store.

The grocery market share for Apple Pay and Google Pay increased in the 12 months before December 2022. Apple Pay represented just 1.3% of the total amount spent in-store on groceries in Q4 2022, and Google Pay represented 0.5%. For online purchases, Apple Pay captured 4.7% of spending and Google Pay 1.9%. These online shares had increased from 3.1% and 1.4%, respectively, in Q3 2022, while in-store usage barely changed. PayPal usage for online grocery purchases was 9.2%, decreasing from 10.7% in Q3 2022. In-store PayPal usage for grocery purchases also decreased, falling from 2% in Q3 2022 to 1.9%.





## Higher-income consumers favor digital wallets, while BNPL is popular among middle-income consumers for all retail purchases.

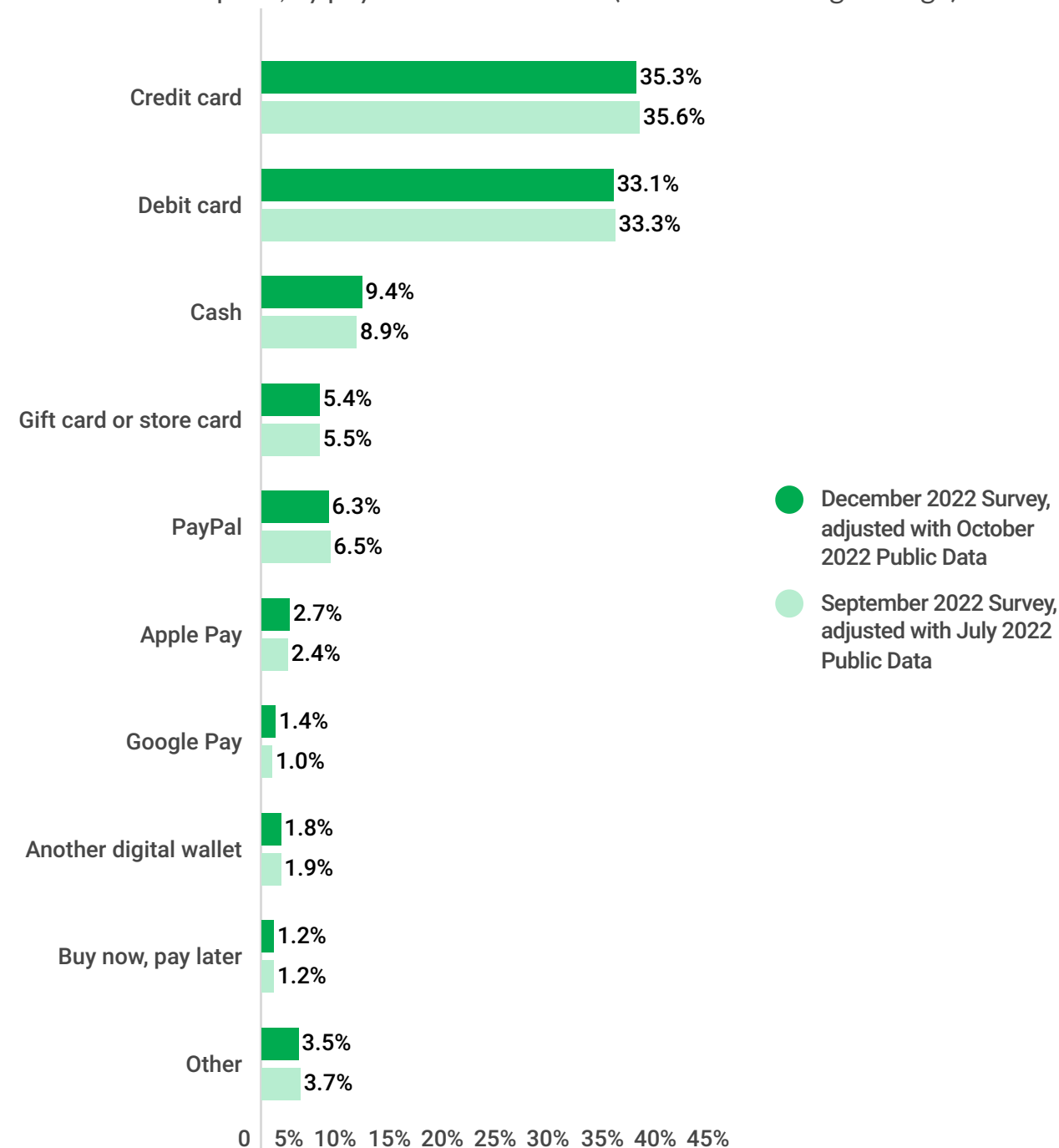
PYMNTS' Q4 2022 data finds that debit cards and cash represent more than half of the total amount spent by low-income consumers for all retail purchases. Middle- and high-income consumers are heavy credit card users, paying more than one-third of their retail expenses with this payment method.<sup>3</sup>

In the 12 months before December 2022, high-income consumers also paid with nontraditional payment methods more often, with PayPal making up 8.5% of all their retail purchases, Apple Pay 3.5% and Google Pay 2.1%. BNPL is more popular among middle-income consumers, who paid for 1.5% of all their retail purchases this way.

<sup>3</sup> For this report, PYMNTS considers low-income consumers as those annually earning less than \$50,000, middle-income consumers as those annually earning between \$50,000 and \$100,000 and high-income consumers as those annually earning more than \$100,000.

Figure 4A: Consumer payment choice

Share of retail spend, by payment method used (12-month moving average)



Source: PYMNTS

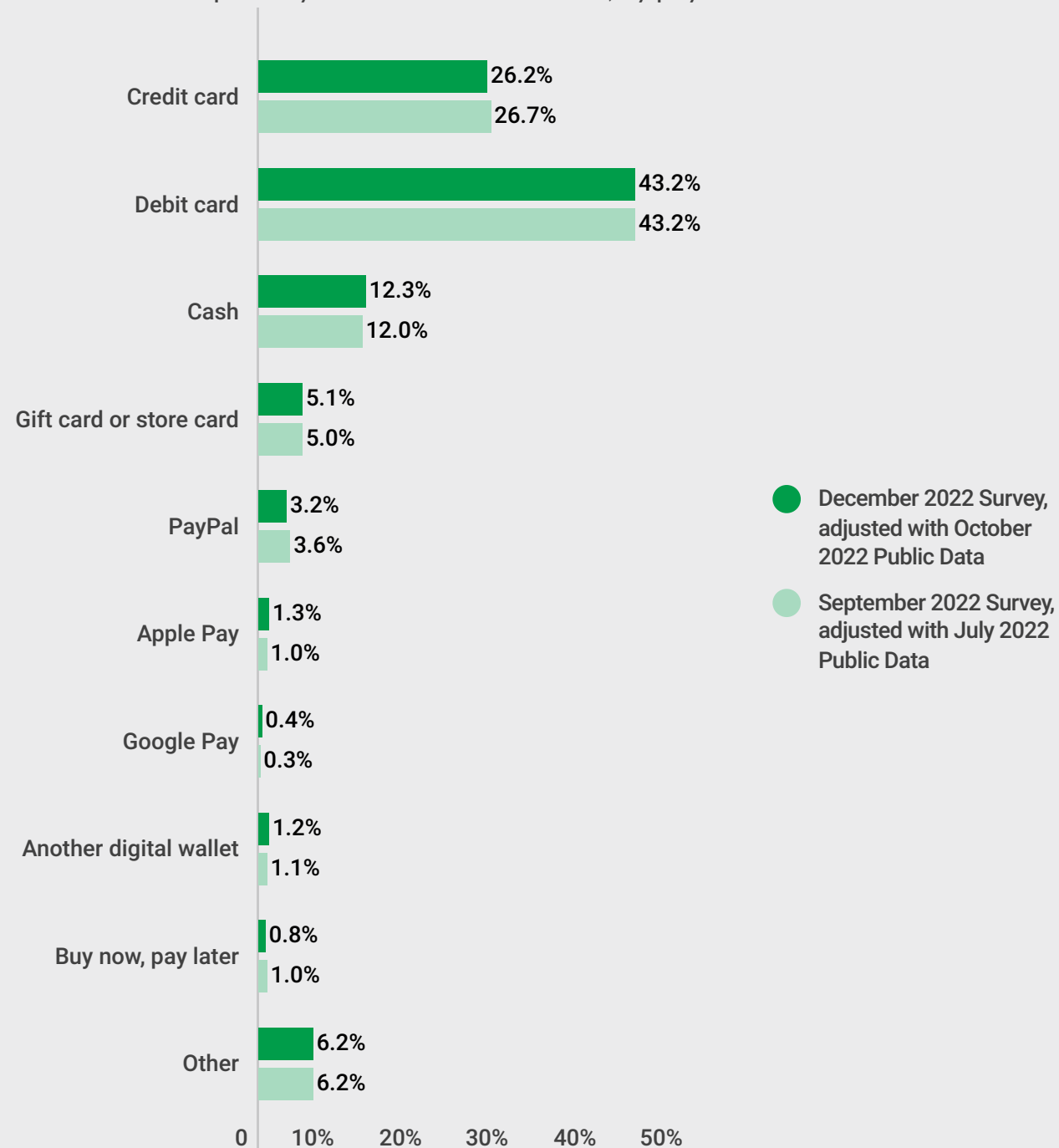
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**Figure 4B: Consumer payment choice**

Share of retail spend by low-income consumers, by payment method used



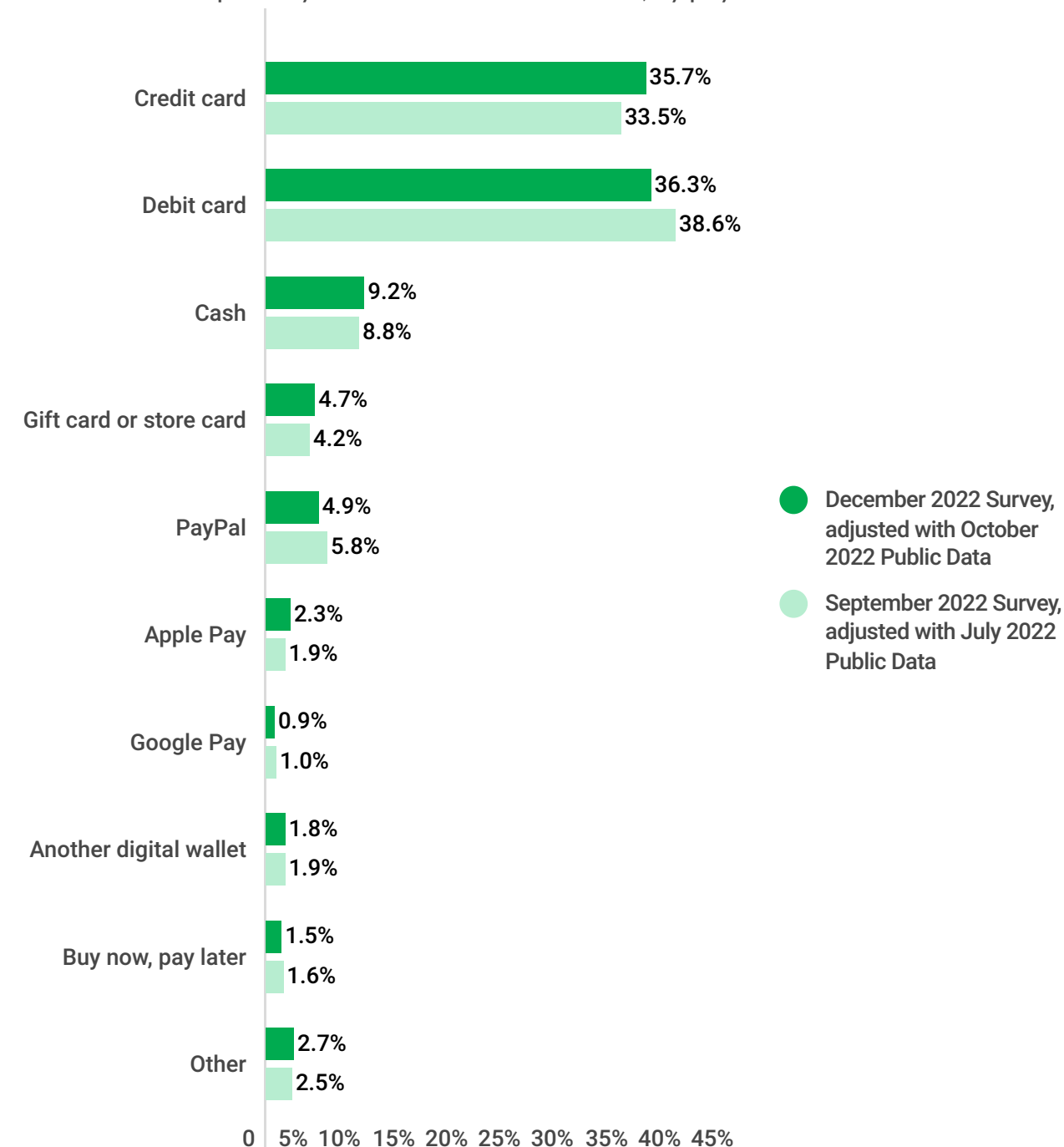
Source: PYMNTS

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**Figure 4C: Consumer payment choice**

Share of retail spend by middle-income consumers, by payment method used



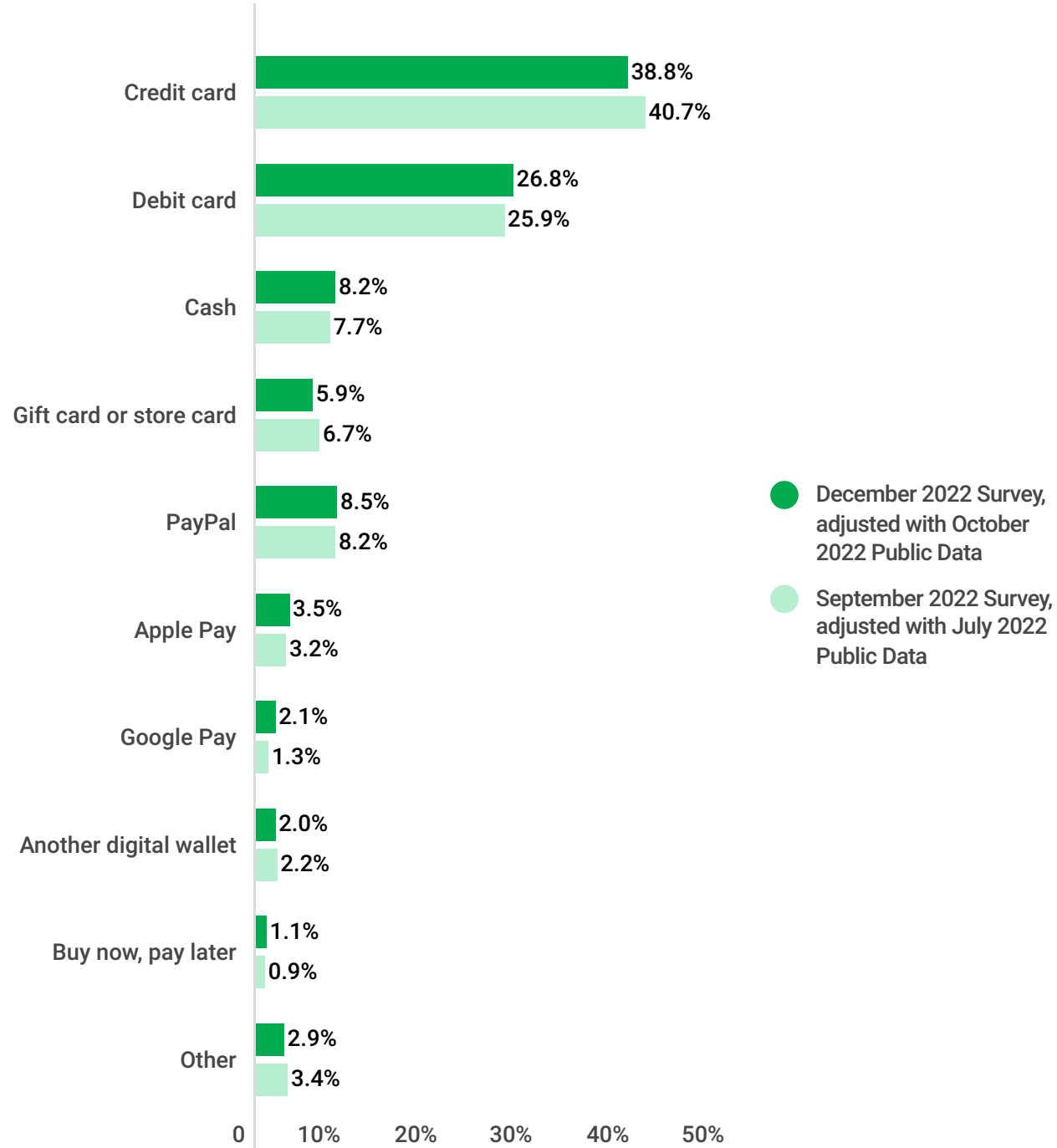
Source: PYMNTS

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**Figure 4D: Consumer payment choice**

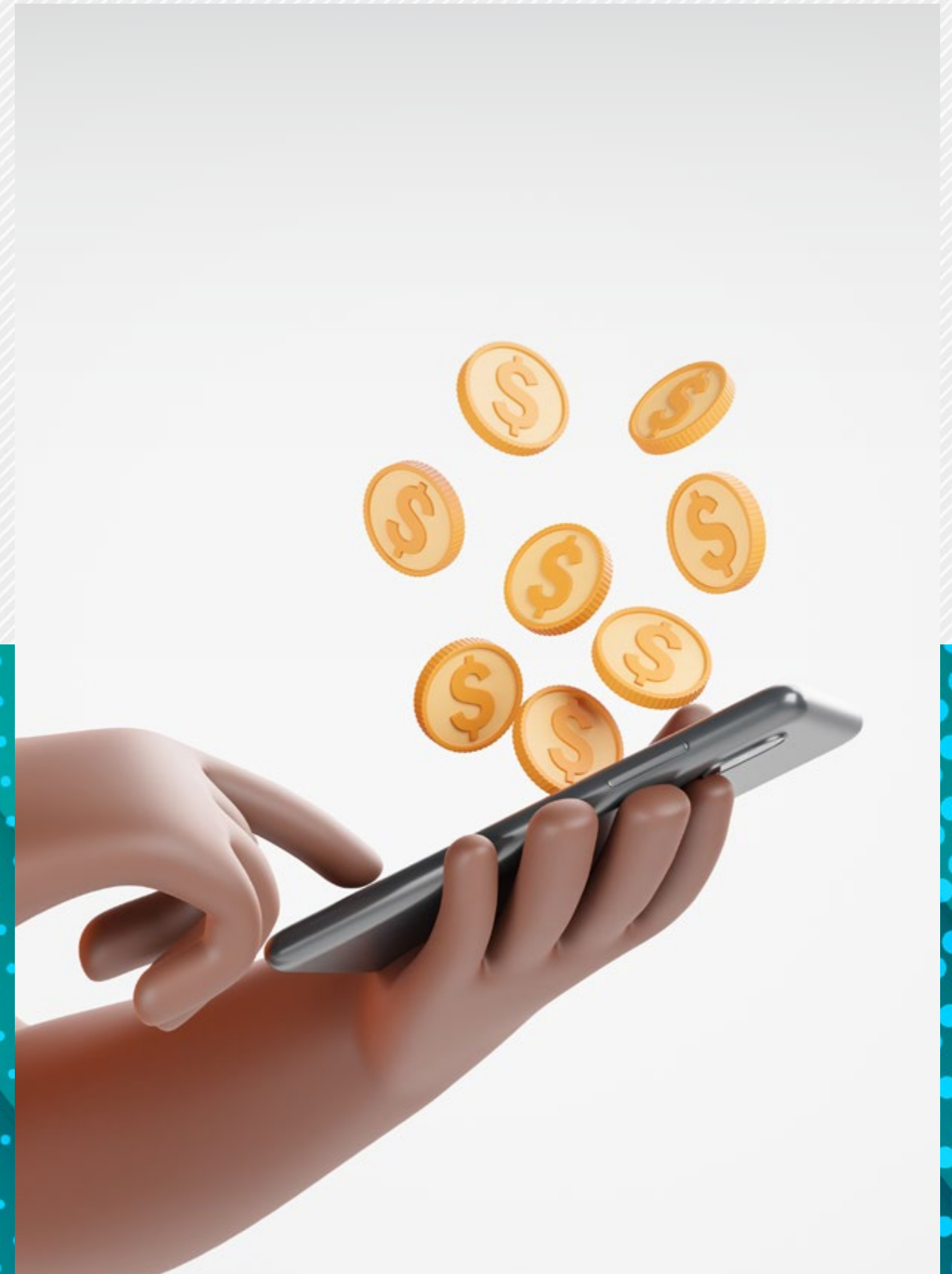
Share of retail spend by high-income consumers, by payment method used



Source: PYMNTS

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N = 2,748: Complete responses, fielded Dec. 9, 2022 – Dec. 14, 2022





# METHODOLOGY

**D**igital Economy Payments: The Ascent of Digital Wallets uses consumer spending data from the Bureau of Economic Analysis to estimate spending for each category in this study. PYMNTS surveyed 2,748 U.S. consumers from Dec. 9, 2022, to Dec. 14, 2022, to learn about their shopping habits, the products they buy in-store and online and the payment methods they use. This data was used to calculate online sales ratios for each retail segment and to estimate eCommerce volume. We also work with Census data, which retailers provide in the Monthly Retail Trade Survey, Annual Retail Trade Survey, Service Annual Survey and their own administrative records. The Census retail data was reorganized to assign sales of “general merchandise” to each specific category of products mass merchants sell, approaching this through revenue reports and publicly available data. Non-store sales, which aggregate most eCommerce sales in the census data, were recategorized using the breakout published annually for total electronic shopping and mail-order houses. Non-merchandise receipts, including customer support, advertising and shipping and handling, were proportionally assigned to each category included in the NAICS 4541 breakout. Non-store retailers that were not part of eCommerce, and of which the Census does not make any information available, were categorized using each category’s share of eCommerce sales. Finally, business and government retail purchases were calculated as a residual comparing Census to BEA data.

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