

New Payment Options: The Lure of Payment Method Rewards, a PYMNTS and Nuvei collaboration, examines consumers' willingness to use online bank transfers for recurring bill payments and online purchases if rewards are a factor. The findings are based on a census-balanced survey of 2,056 U.S. consumers conducted from Jan. 10 to Jan. 13 about their concerns with making recurring bill payments and online transactions and the features that would encourage them to use online bank transfers.

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New Payment Options:

THE LURE OF PAYMENT METHOD REWARDS



May 2023

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ACKNOWLEDGMENT

New Payment Options: The Lure of Payment Method Rewards was produced in collaboration with Nuvei, and PYMNTS is grateful for the company's support and insight. **PYMNTS** retains full editorial control over the following findings, methodology and data analysis.

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New Payment Options:

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Introduction

For paying recurring bills, the consistency and ease of use of online bank transfers have already made the method popular. Online purchases are far from bills, however, and as they are less consistent and much harder to forget in the moment, consumers may not immediately see the alignment between the payment method and their shopping habits.

Only a minority of consumers tried online bank transfer for the first time in the last year, yet one-quarter of these consumers did so for a very specific reason: because they could earn reward points. For banks promoting online bank transfer (also known as pay by bank transfer), this means that offering rewards is a key aspect of the initial push into adoption.



Using rewards as an incentive is not new: PYMNTS' data finds, for instance, that earning rewards motivates 7 out of 10 consumers to use their credit cards. Furthermore, 26% of consumers express interest in using pay by bank transfers for retail transactions if offered the ability to earn rewards, with millennials the most likely to say so. Our data also finds that more than half of consumers who have used pay by bank transfer in the past would be very or extremely likely to use it again when making retail purchases if offered rewards. This news bodes well for the future of pay by bank transfer — if providers can kick rewards programs into gear.

These are some of the key findings in New Payment Options: The Lure of Payment Method Rewards, a PYMNTS and Nuvei collaboration. The report examines consumers' willingness to use online bank transfers for recurring bill payments and online purchase if rewards are a factor. The findings are based on a census-balanced survey of 2,056 United States consumers conducted from Jan. 10 to Jan. 13.

This is what we learned.

1 Reward points motivate about one-third of consumers to use their preferred payment methods for online payments. This share goes up to nearly 70% among consumers who prefer paying with credit cards.

PYMNTS' data finds that 32% of consumers cite the ability to receive rewards as reason to make a payment with their preferred payment method, and 13% say this is the most important reason to use their preferred payment method. Credit cards are by far the most preferred payment method for those who choose between several payment options because of its ability to earn reward points.

2 Younger, high-income consumers are most likely to say the inability to earn reward points is a problem when using any payment method. Those who only pay recurring bills online are less likely to cite the lack of reward points as an issue.

Although 14% of consumers report that being unable to earn reward points is a problem regardless of the payment method, 22% of Generation Z and 20% of millennials report this. On the other end of the spectrum, only 7.5% of baby boomers and seniors agree. Consumers do not seem to associate bills as heavily with rewards, as just 9.4% of consumers who only pay recurring bills identified the inability to earn reward points as an issue.

3 A minority of consumers tried pay by bank for the first time in the last year, but about one-quarter of these consumers did so because they could earn reward points.

Rewards meaningfully boost consumers' adoption of new payment methods. Although only 5.5% of consumers used pay by bank transfer for the first time in the last year, 27% cited the ability to earn rewards as the reason they started using the payment method. Moreover, 15% of consumers cite the ability to get better rewards as a reason they started using any new payment method in the last 12 months. Millennials and high-income consumers are the most likely groups to start using a payment method if offered rewards.

4 More than one-quarter of consumers are at least somewhat interested in using pay by bank transfer for online shopping if they are able to earn rewards.

Twenty-six percent of consumers express interest in using pay by bank transfer for retail transactions if offered the ability to earn rewards. For 10% of consumers, rewards are the most important reason they are interested in using pay by bank transfer for online shopping. Millennials are the most likely generation to be interested in earning rewards for pay by bank transfer payments. Most consumers who have used pay by bank transfer in the past would be very or extremely likely to use it again when making retail purchases if offered rewards, while 25% of consumers who have never used pay by bank transfer would be very or extremely likely to use it because of rewards.

Consumer interest in reward points

Reward programs are familiar to most consumers, and many prefer a specific payment method because they are able to earn rewards for online payments. This is especially true for credit card holders.

Among all consumers, 32% cite the ability to earn rewards points as a reason to make a payment with their preferred payment method, with 13% identifying rewards as the most important reason. Bridge millennials and Generation X consumers are more likely than other generations to cite rewards as a reason to use their preferred payment method — 35% of each did so. Rewards are the most important reason why 12% of millennials and 15% of Gen X consumers use their preferred payment methods.

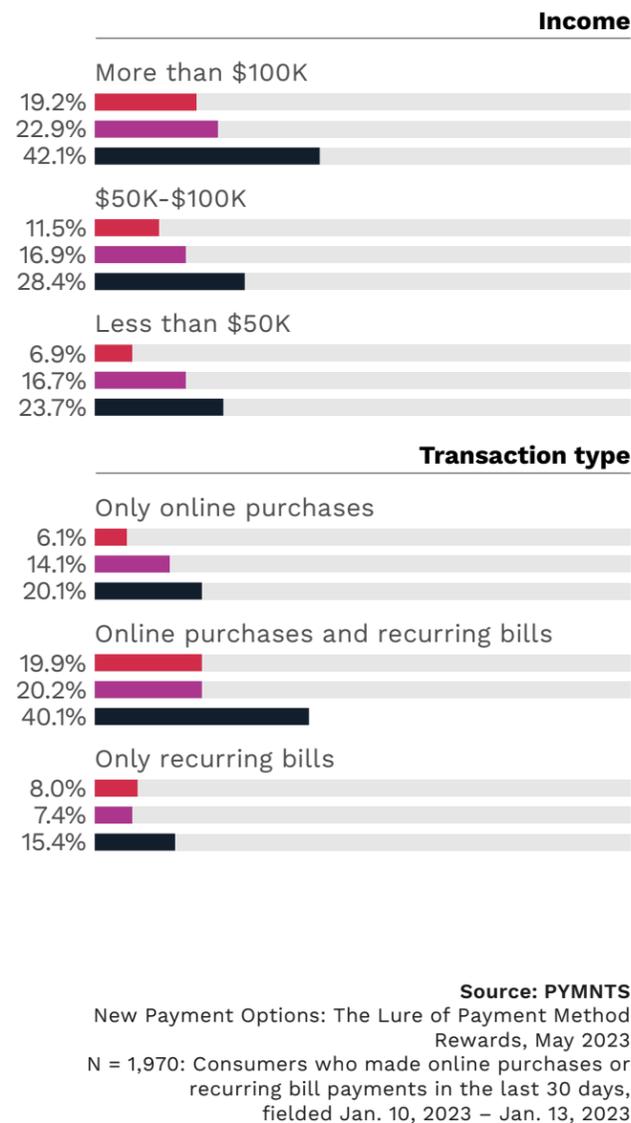
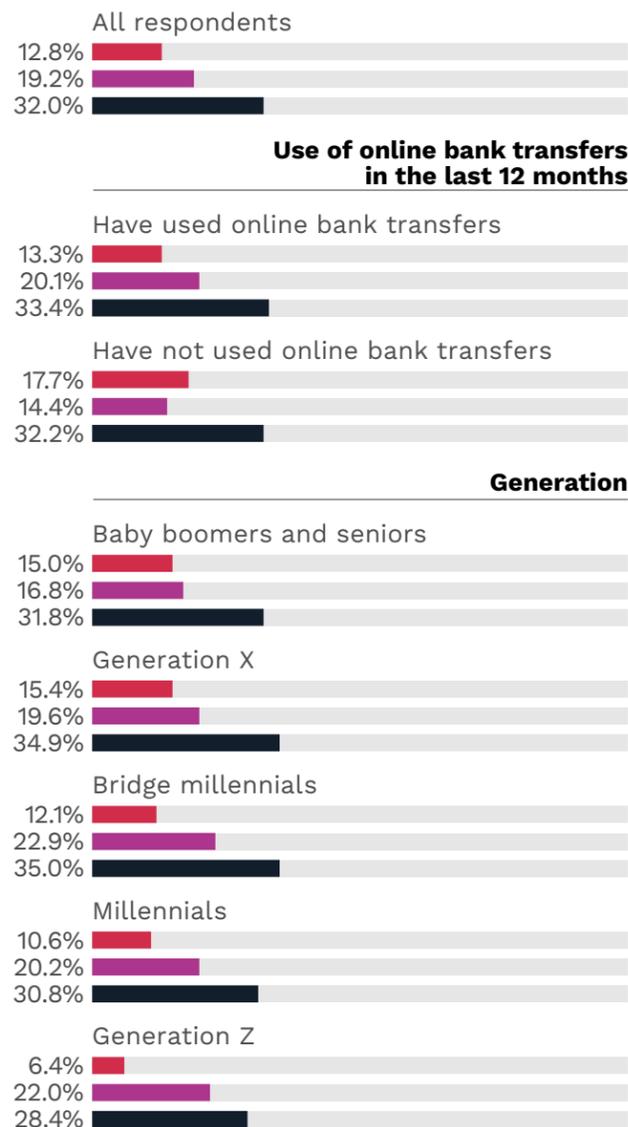
Credit cards remain extremely popular as a preferred payment method for their ability to earn reward points. Data shows that 69% cite credit cards as their preferred payment method for online purchases to earn reward points, and 68% select them for recurring bill payments for the same reason. Another indicator of the history and staying power behind rewards incentives is how fully baby boomers and seniors have bought in. Because they receive reward points, 84% of baby boomers and seniors prefer to use credit cards for online purchases and 75% for recurring bill payments.



FIGURE 1A:
Why consumers prefer a payment method

Share of consumers who prefer to use a payment method because of the ability to earn points or rewards, by demographic

- Most important reason
- Important, but not most
- Total

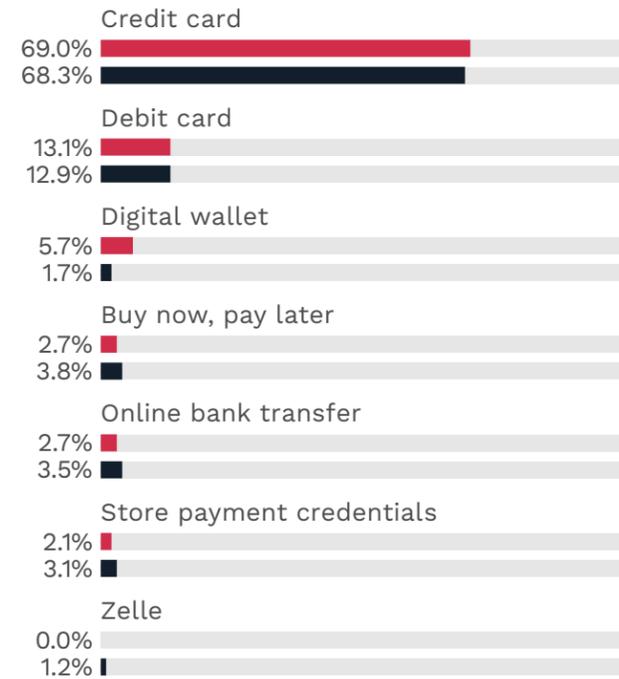


Source: PYMNTS
New Payment Options: The Lure of Payment Method Rewards, May 2023
N = 1,970: Consumers who made online purchases or recurring bill payments in the last 30 days, fielded Jan. 10, 2023 – Jan. 13, 2023

FIGURE 1B:
Why consumers prefer a payment method

Share of consumers who prefer to use a payment method because of the ability to earn points or rewards, by preferred payment method

- Online purchases
- Recurring bill payment



Source: PYMNTS
New Payment Options: The Lure of Payment Method Rewards, May 2023
N = 1,970: Consumers who made online purchases or recurring bill payments in the last 30 days, fielded Jan. 10, 2023 – Jan. 13, 2023

32%

Share of consumers who cite the ability to earn rewards points as a reason to make a payment with their preferred payment method

Conversely, consumers being unable to earn rewards points can impact their choice of payment method, especially younger and high-income consumers. Among all consumers, 14% report that being unable to earn reward points is a problem regardless of payment method, with 9.1% identifying the lack of rewards points as the most important issue they experience with online purchases or bill payment.

Only 7.5% of baby boomers and seniors say that being unable to earn rewards points is an issue when they choose a payment option, but younger generations are more likely to consider a lack of rewards to be a negative. Nearly three times the share of Generation Z consumers and millennials (22% and 20%, respectively) consider the inability to earn rewards as an issue. Moreover, 13% of each of these two age groups cite being unable to earn rewards points as the most important issue when choosing a payment option.

Consumers' expectations are generally a bit lower for bill pay than for purchases. Among consumers who only pay recurring bills, just 9.4% identified the inability to earn reward points when making their most recent bill payment as an issue — a smaller share than the corresponding 12% of those who only make online purchases and 16% of those who do both.

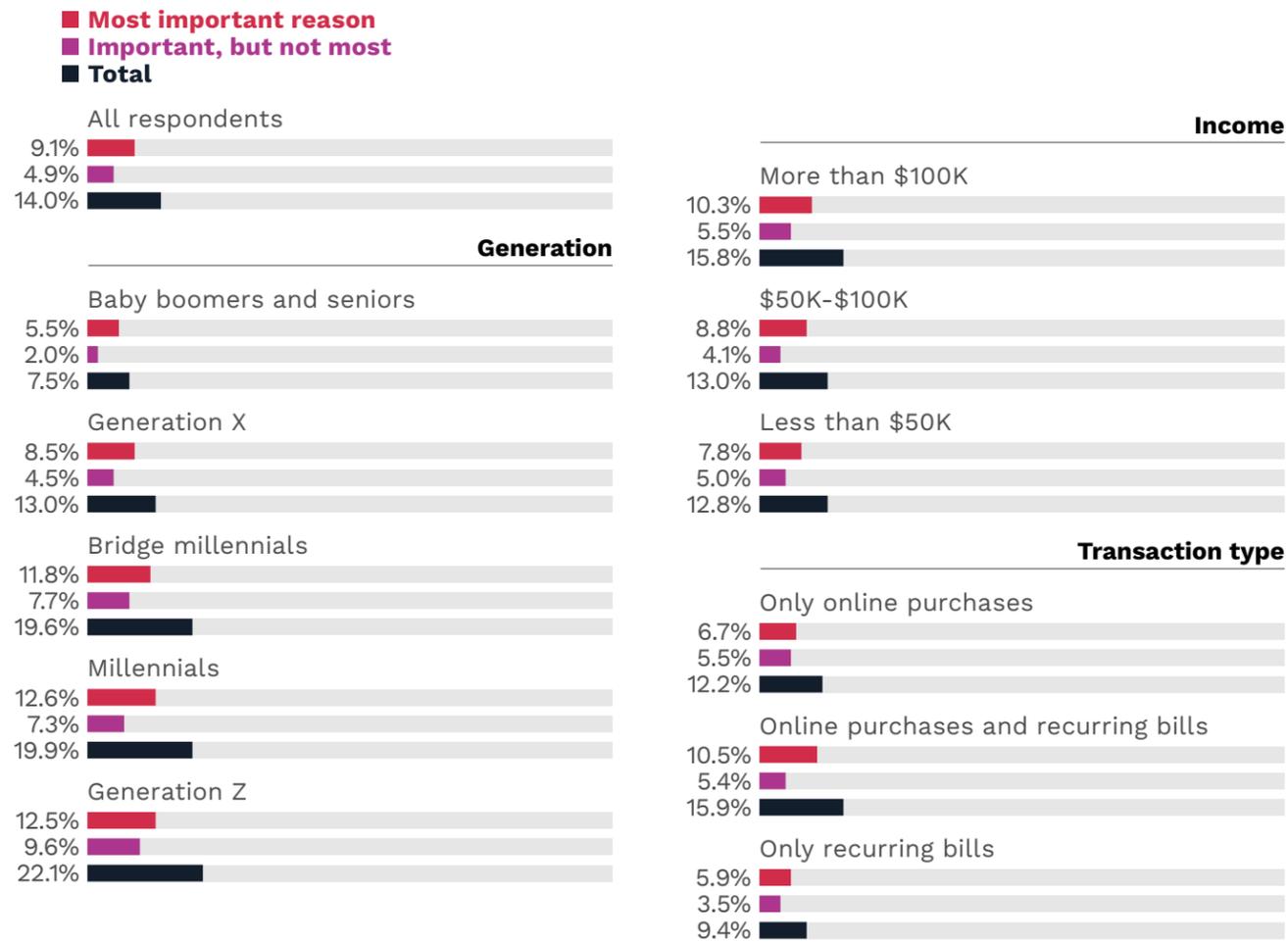


Not surprisingly, consumers who prefer to pay using debit cards are the most likely to be unable to earn reward points. Yet 38% of consumers have issues using debit cards for recurring bill payment due to a lack of reward points — slightly more than those using debit cards for online purchases, at 35%. These shares each drop to 20% among credit card users. This suggests that consumers expect to earn rewards as they do when using a credit card.

In contrast to debit card users, just 15% of consumers whose preferred payment method for online purchases is pay by bank transfer say they have an issue with this method because they are unable to earn reward points, as do just 13% of those who use pay by bank transfer for recurring bill payments, indicating that many online bank transfer users currently do not expect to earn rewards for these transactions.

FIGURE 2A:
Why consumers do not select certain payment methods

Share of consumers who do not use a payment method because of the inability to earn points or rewards, by demographic



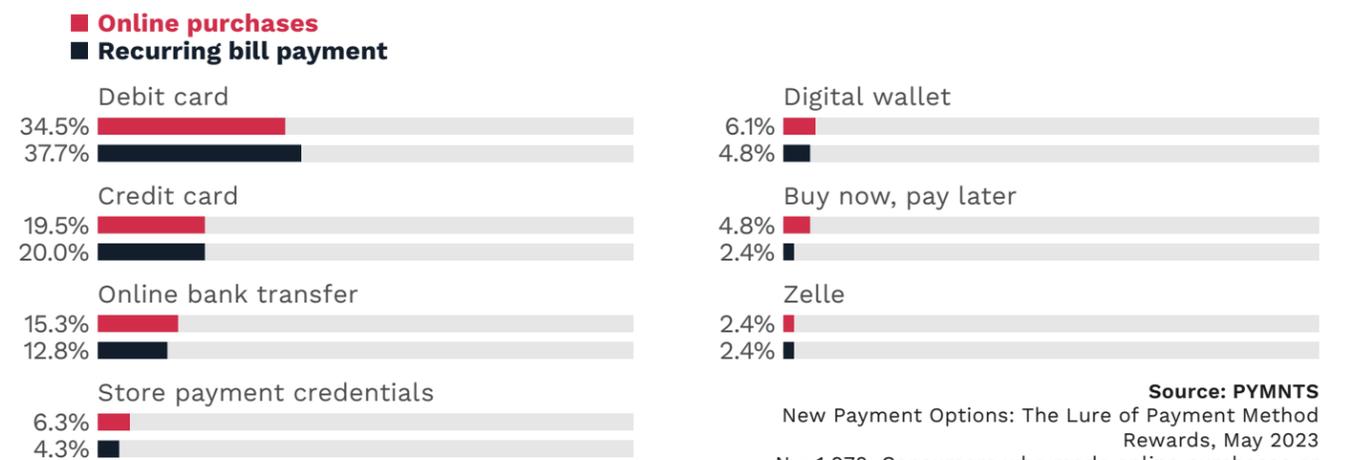
Source: PYMNTS
 New Payment Options: The Lure of Payment Method Rewards, May 2023
 N = 1,970: Consumers who made online purchases or recurring bill payments in the last 30 days, fielded Jan. 10, 2023 – Jan. 13, 2023

14%

Share of consumers who report that being unable to earn reward points is a problem regardless of payment method

FIGURE 2B:
Why consumers do not select certain payment methods

Share of consumers who do not use a payment method because of the inability to earn points or rewards, by preferred payment method



Source: PYMNTS
 New Payment Options: The Lure of Payment Method Rewards, May 2023
 N = 1,970: Consumers who made online purchases or recurring bill payments in the last 30 days, fielded Jan. 10, 2023 – Jan. 13, 2023

How rewards can drive interest in online bank transfers

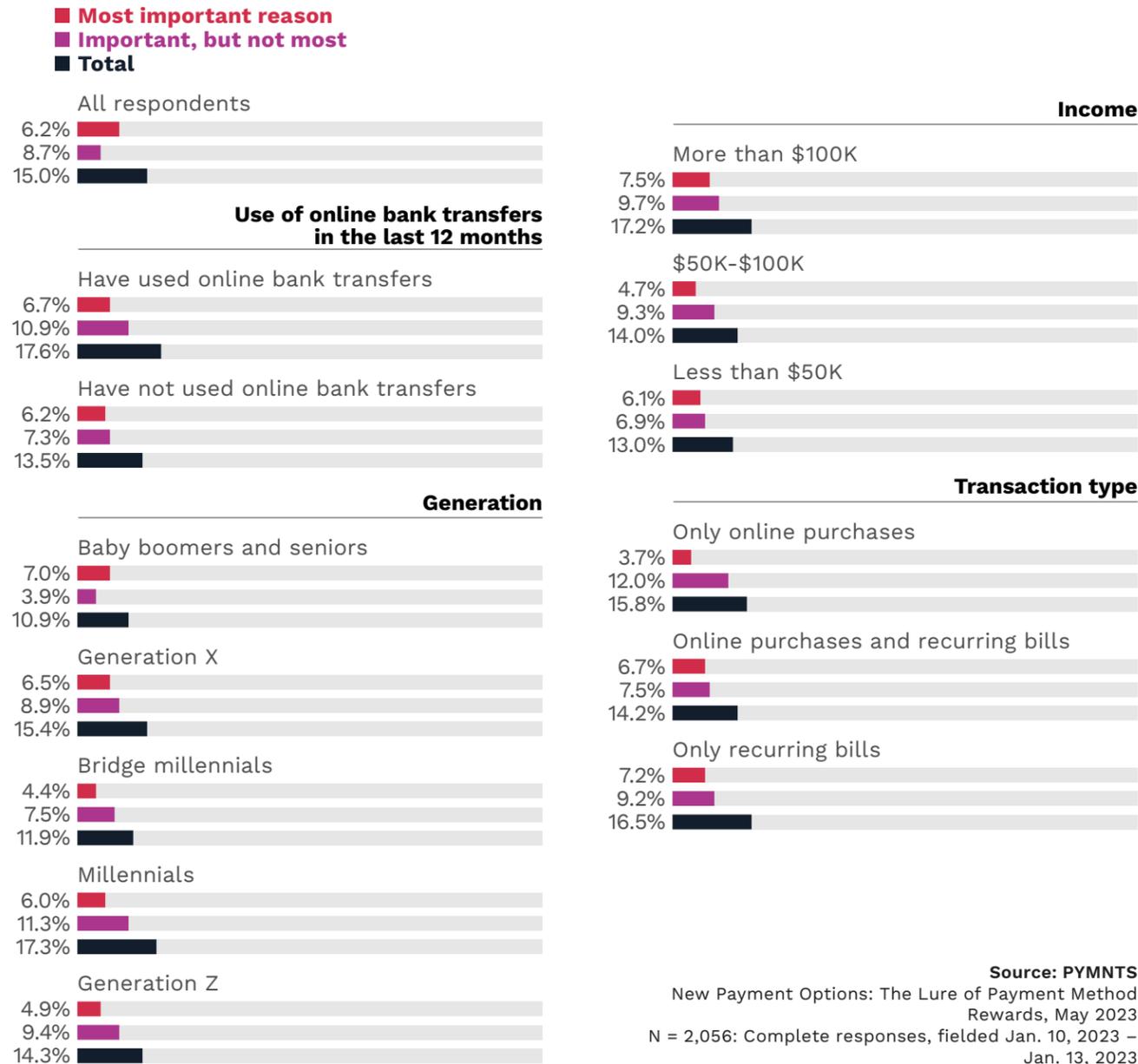
Time and time again, history has shown that if anything can help drive the adoption of new payment methods, it is the ability for consumers to earn reward points, and although online bank transfers are relatively new on the scene, this is no different. PYMNTS' data finds that while only a handful (5.5%) of consumers report to have tried pay by bank transfer for the first time in the last year, 27% of these consumers did so because they could earn reward points.

Rewards opportunities will put consumers on the lookout for all types of new payment methods. In fact, 15% of all consumers cite the ability to get better rewards as a reason they started using a new payment method in the last 12 months. At 17% each, millennials and high-income consumers are the most likely groups to start using a payment method due to the ability to earn rewards. While those figures speak to the wide-ranging appeal of rewards across payment methods, PYMNTS' data finds that those who have used pay by bank are even more likely than average to be swayed by rewards: 18% of consumers who have used online bank transfers cited the ability to get better rewards as a reason to start using a new payment method, whereas only 14% have not agreed.

What can drive consumers to some payment methods can also drive them away from others. Data shows that 21% of consumers reduced their use of online bank transfers because another payment method offered better rewards, while 24% reduced their use of digital wallets for the same reason. PayPal was the digital wallet that lost the most transaction volume to pay by bank transfer in the last year. All of these behavioral patterns suggest that reward programs can be a major driver behind consumer adoption of new and established payment methods.

FIGURE 3A:
How rewards programs attract new customers

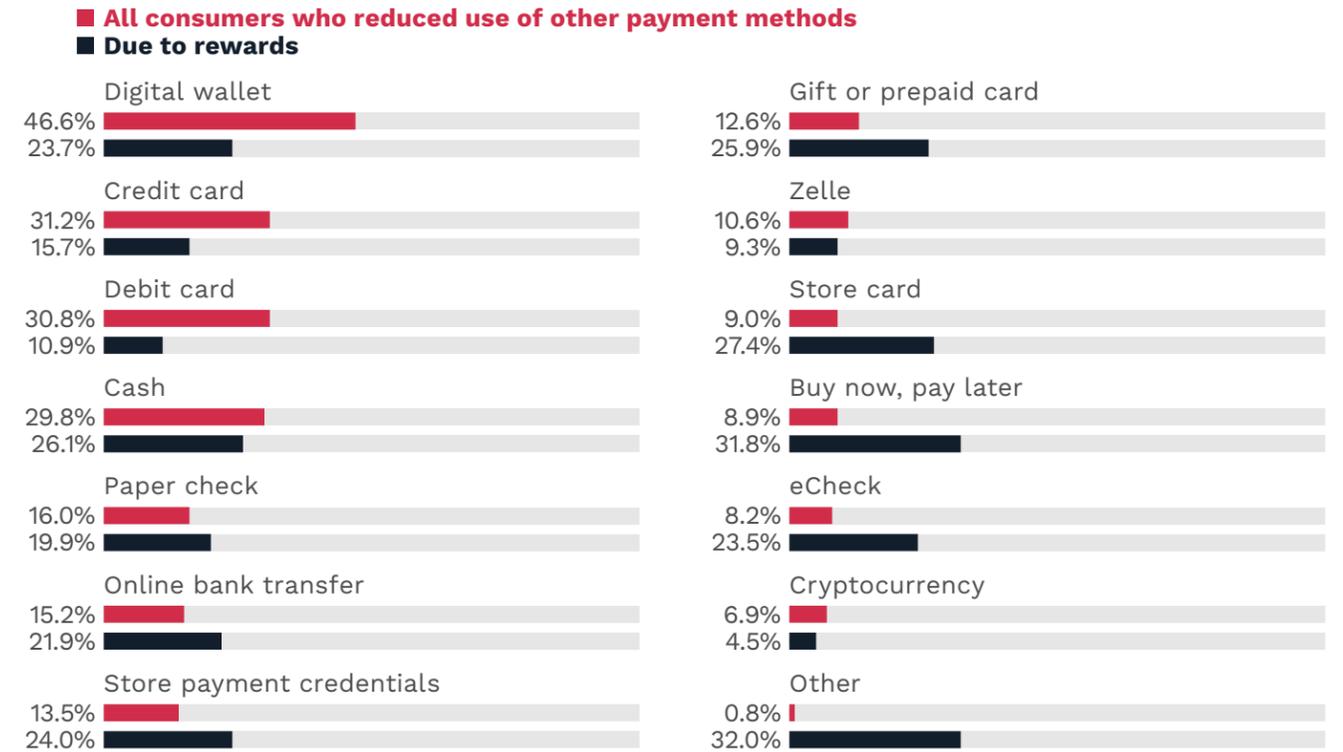
Share of consumers citing the ability to get better rewards as a reason to start using a new payment method in the last 12 months, by demographic



Source: PYMNTS
 New Payment Options: The Lure of Payment Method Rewards, May 2023
 N = 2,056: Complete responses, fielded Jan. 10, 2023 – Jan. 13, 2023

FIGURE 3B:
How rewards programs attract new customers

Share of consumers who reduced their use of other payment methods after beginning to use a new one



Source: PYMNTS
 New Payment Options: The Lure of Payment Method Rewards, May 2023
 N = 2,056: Complete responses, fielded Jan. 10, 2023 – Jan. 13, 2023

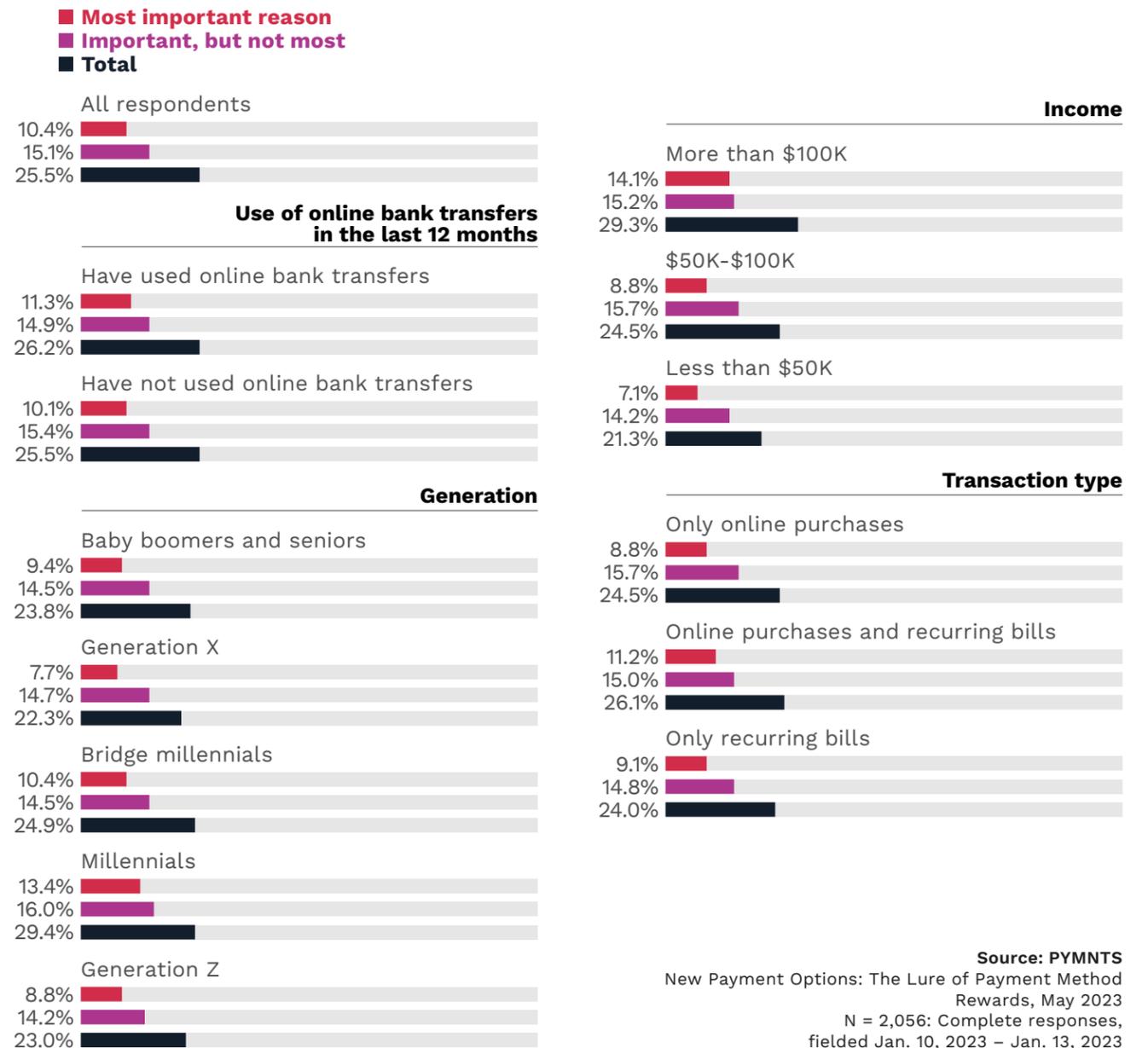
While using online bank transfer to pay recurring bills has gained traction with consumers, using the payment method for retail transactions is still less common. All indications are, however, that the ability to earn rewards points could drive interest in using pay by bank transfer for online purchases.

Our data finds that 26% of consumers are at least somewhat interested in using pay by bank transfer for online purchases if they can earn rewards. For 10% of these consumers, the ability to earn rewards is the most important reason to use online bank transfer for retail transactions. Moreover, 57% of consumers who used pay by bank transfer in the past would be very or extremely likely to use it again when making retail purchases if offered rewards, as would 25% of consumers who have never used pay by bank transfer for online purchases.

What rewards are consumers looking for? Forty-seven percent of pay by bank transfer users reported being most interested in being rewarded with cash back. Other rewards garnering the most interest were gift cards, reward points and discounts, at 13%, 10% and 8.3%, respectively. Just 17% of all consumers say that being able to earn reward points would not affect their interest in using pay by bank transfer, and among those who have tried the payment method, only 6.5% would not be interested in earning rewards.

FIGURE 4A:
Interest in paying for retail transactions via online bank transfer

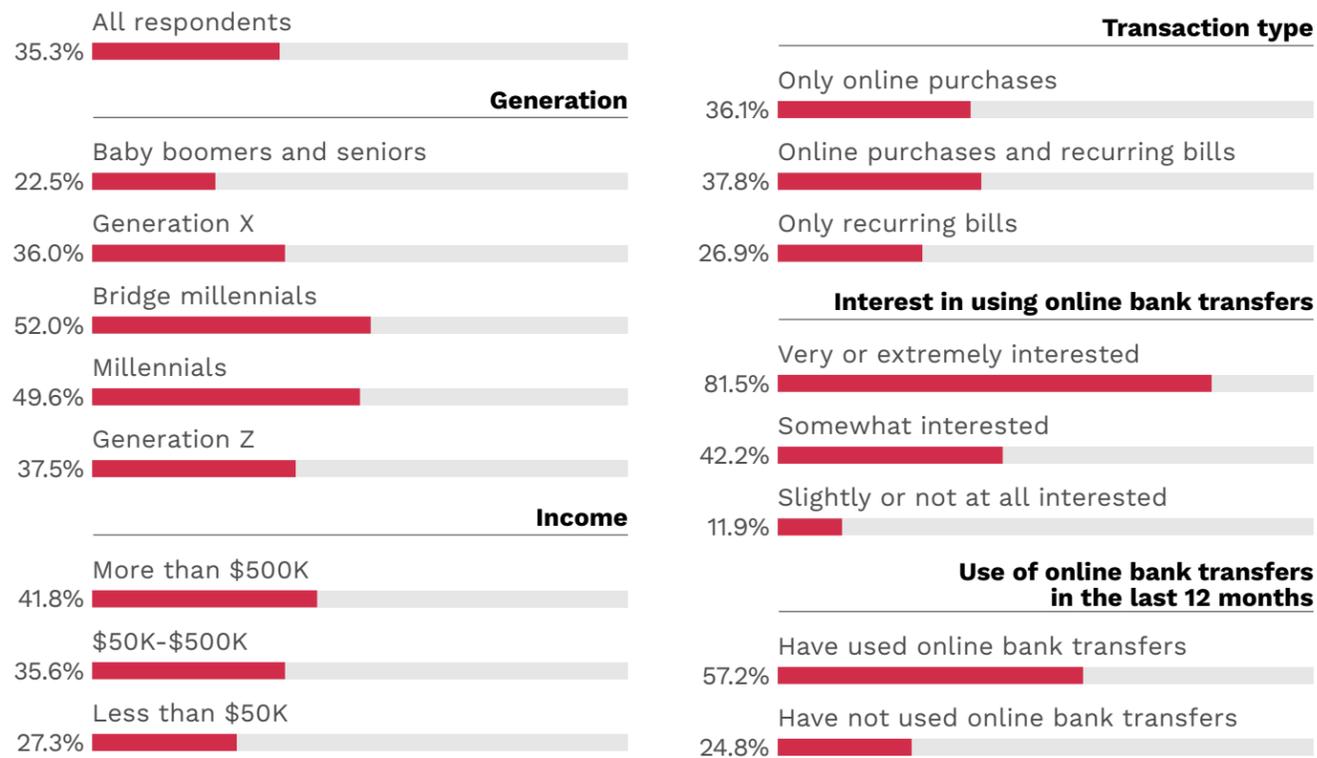
Share of consumers citing the ability to get rewards as a reason to start using online bank transfers for retail transactions



Source: PYMNTS
 New Payment Options: The Lure of Payment Method Rewards, May 2023
 N = 2,056: Complete responses, fielded Jan. 10, 2023 – Jan. 13, 2023

FIGURE 4B:
Interest in paying for retail transactions via online bank transfer

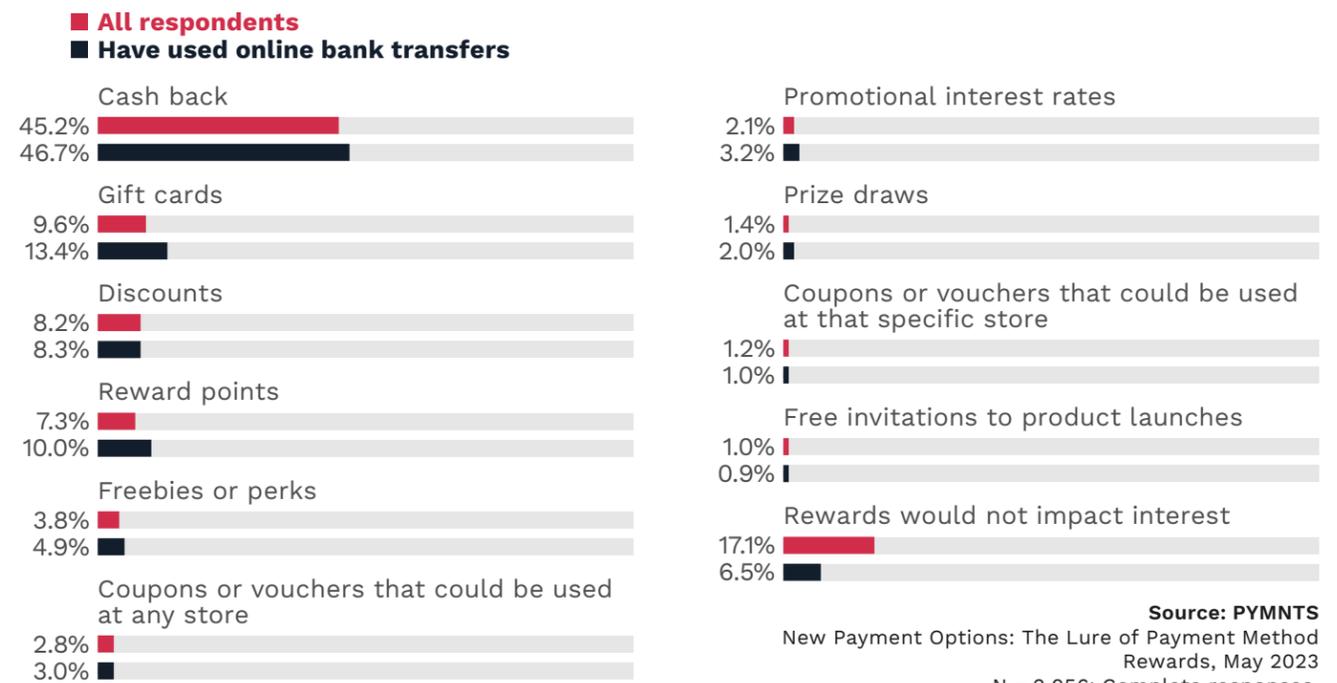
Share of consumers very or extremely likely to use online bank transfers when making retail purchases if offered rewards



Source: PYMNTS
New Payment Options: Building Stronger Customer Ties With Pay By Bank Transfer, March 2023
N = 2,056: Complete responses, fielded Jan. 10, 2023 – Jan. 13, 2023

FIGURE 4C:
Interest in paying for retail transactions via online bank transfer

Share of consumers citing types of rewards that would most increase their interest in using online bank transfers



Source: PYMNTS
New Payment Options: The Lure of Payment Method Rewards, May 2023
N = 2,056: Complete responses, fielded Jan. 10, 2023 – Jan. 13, 2023

Conclusion

While consumers have already established online bank transfer as a common way to pay recurring bills, the next frontier of its adoption is regular use of the method for online purchases. As rewards-based credit cards' popularity can attest, the ability to earn rewards can be a major incentive for consumers to use a payment method for retail transactions or bill pay. Data shows that consumers can be enticed to try pay by bank transfer with a reward program offering, and many will use the payment method again if they are able to earn reward points. Financial institutions and FinTechs that want to promote the broader usage of online bank transfer will need to motivate consumers to try the method for online purchases as well as bill pay, and it is clear that rewards programs (especially cash-back versions) could be particularly successful. How providers of online bank transfers respond to consumers' stated preferences — and move to convert new users — will determine the next stage of development for this evolving market.

Methodology

New Payment Options: The Lure of Payment Method Rewards, a PYMNTS and Nuvei collaboration, examines consumers' willingness to use online bank transfers for recurring bill payments and online purchases if able to earn rewards. The findings are based on a census-balanced survey of 2,056 U.S. consumers conducted from Jan. 10 to Jan. 13 that asked about their concerns with making recurring bill payments and online transactions and the features that would make them more willing to use online bank transfers. Respondents to the survey were an average age of 48, 52% were female and 36% earned more than \$100,000 in annual income.

About

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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.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe to this report, please email us at feedback@pymnts.com.

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