

Lost in Transaction

Is your business getting lost in the rapidly changing payments landscape?

Volume One



Contact us

insight@paysafe.com

www.paysafe.com

 [@PaysafeGroup](https://twitter.com/PaysafeGroup)

 [paysafegroup](https://www.linkedin.com/company/paysafegroup)

Contents

- Contradictory perspectives 4
- The evolution of payments 5
- Executive summary 6
- Cash culture clash 12
- Why people don't buy 20

Contradictory perspectives

The most common view about money and payments today suggest impending doom for cash payments.

Hard currency is being phased out as Main Street shopping is over. Bricks and mortar stores are becoming increasingly irrelevant in a consumer market focused on e-commerce. Since 2002, US department stores have lost 448,000 jobs (representing a 25% decline), while the number of store closures this year is on pace to surpass the worst depths of the Great Recession.ⁱ

Yet, Amazon has opened several physical retail outlets, including the first-ever checkout-free store, and [acquired organic grocery retailer, Whole Foods](#). Black Friday is still every bit as chaotic on the floor as it is online. While [The Wall Street Journal](#) opines about the struggle to completely replace cash with digital alternatives and [Bloomberg](#) reports on the Danish government now allowing some shops to refuse cash payments amid its move toward a 'post-cash' society. Consumer card payments surpassed cash payments for the first time in 2016, registering USD \$23.1 trillion globally.ⁱⁱ

It can be challenging to know which narrative to believe, but one thing is certain: digital payments are standard. The success story for commerce today is about meeting the permutations and combinations of payment methods and customer experience that shoppers have come to expect.

On average, 75% of 18-34 year-olds in Canada and the United States said they preferred to shop online rather than going into physical stores.



The evolution of payments

A fast-paced and versatile payments environment is taking shape, where cash is evolving to merge with digital formats so that people can spend it easily, both online and in-store.

Developments in this new environment are so fast that some businesses face the risk of becoming irrelevant and potentially obsolete, unless they stay on top of this evolution. Reworking business capabilities, redesigning operating models and managing change to accommodate the new payments environment is the entry ticket to maintaining healthy customer relationships in a global system where attitudes to how one makes purchases with cash, card and credit are fluid.

To get to the heart of what is really going on in this fast-moving, disruptive payments ecosystem, Paysafe Group commissioned an independent research study to investigate consumer buying habits, attitudes to cash and the preferred payment choices across the United States, Canada and the United Kingdom.

Online shopping is yesterday's news: for nearly twenty years, commerce has adapted to the fact that the customer journey is no longer linear and the final transaction isn't necessarily a cash exchange. So, where is the next market disruption coming from?

According to our study, the key trends unfolding include:

- Increased consumer confidence in mobile payments
- A proliferation of new ways to process a transaction
- Consumer behaviour that is increasingly fluent in 'multi-browsing' on the move, that is, walking into a store to buy something and walking right out again if they find a better deal on their mobile phone.

For travel and leisure purchases, Americans prefer online shopping, but apps are favoured over mobile sites and now dominate online cab bookings.



Executive summary

Lost in Transaction is Volume One of a new independent research project conducted by Paysafe in conjunction with Loudhouse, a London-based research agency.

It reveals that attitudes towards buying and payment in Canada, the United States and the United Kingdom are changing rapidly. In all three markets, consumer behaviour, particularly amongst 18 to 35-year-olds, shows a confidence in mobile shopping and a demand for multi-platform payment options. In order for businesses to succeed, they must

offer choice, convenience, reach and flexibility in their payment solutions.

Read on to learn more about current changes in shopping habits, attitudes to cash, the uptake of new payment methods, and how businesses can meet multi-faceted consumer demands when it comes to an age-old transaction: payment.

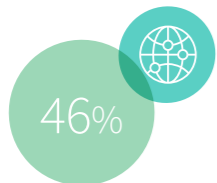
Key findings



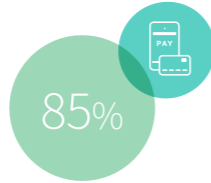
Security remains a concern for continued contactless & mobile wallet payment adoption for the UK, US and Canada



42% of respondents cite hidden transaction fees and delivery charges as the main reason for abandoning their online shopping carts



46% are dual-browsing – looking for better deals on their mobile while browsing in a physical shop



There's a generational shift to mobile wallets, with over 85% of 18-34 year-olds expecting to use them more over the next two years



54% of consumers expect to stop using cash for shopping in the next two years

A seismic shift

Businesses thrive or die based on their ability to forecast market trends and to adjust accordingly in order to capitalise on 'the next big thing'. Within the payments industry, businesses are witnessing a seismic shift toward digitised transactions. Five years ago, contactless payments barely existed in the UK, yet today, [a third of card payments are now contactless](#). A total of £4.5 billion was

spent via contactless in May 2017, up 12% in just one year.ⁱⁱⁱ

At the heart of this behavioural shift is the consumer's desire for greater choice and convenience. Additionally, completing a purchase on a mobile phone is becoming mainstream behaviour, rather than one relegated to early adopters of technology.

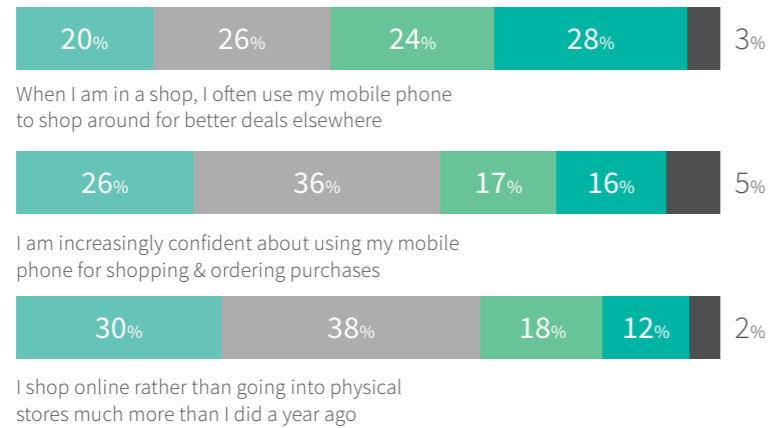
“ The world is a different place to the one where traditional hard currency was the only option. Today, people shop in new ways. Mobile is a preferred device and physical stores are showrooms as much as they are outlets.

Danny Chazonoff, Chief Operating Officer, Paysafe



Fig.1: Changes in shopping habits

● Strongly agree ● Agree ● Disagree ● Strongly disagree ● Don't know



From dual-screening to dual-browsing

The emergence of dual-browsing – when people browse and buy online, while physically in-store – was inevitable. However, some businesses have prepared for it far better than others. The Apple Store is a prime example of the reimagining of the retail customer experience. The physical store is no longer just a place to buy products, but rather, a space to nurture customers. In May 2017, Apple announced its ‘Today at Apple’ educational programme, designed to drive brand loyalty by providing creative classes such as photography and coding. This was effectively a shift towards a showroom experience, where customers immerse themselves in the brand, rather than simply buying products off the shelves.

Other stores which have embraced the online shopping experience with the in-store encounter have done more than just survive – they’ve prospered. For instance, traditional

catalogue businesses, such as the ‘warehouse’ retailer Argos, have maintained or expanded their space on the UK retail map in recent years.

The basic lesson is that new modes of shopping have big implications and they become bigger when audience demographics are brought into the equation. This is primarily because businesses that fail to prepare their ground for the shoppers of tomorrow (whether through ignorance or stubbornness) will almost inevitably miss out on huge opportunities. The iconic Canadian retailer, Eaton’s, didn’t move with the times and foresee changing consumer taste filed for bankruptcy in 1999. In the United States, popular electronics retailer [RadioShack filed for bankruptcy twice since 2015](#) because it couldn’t respond to the competition that online retailers such as eBay and Amazon presented to the market.

Accessing emerging consumer segments

Age plays a significant role in today’s consumer shopping behaviour. Across all three markets, those under the age of 34 are the most confident mobile shoppers, comfortable with using a phone to browse while scanning the aisles.

The flip side of this trend is that with just a few modifications to a payment suite (either in-store or online), companies can make their products or services immediately more accessible to these emerging consumer segments.

Within this context there are many disruptors intent on providing new shopping experiences. The Amazon supermarket demonstrates that one can shop in the real

world while paying in the digital – turning their original proposition on its head. [Target](#) are now following suit with an in-store mobile payment offering. Many more retailers will surely follow the showroom model, while there are others that will lose custom to them.

It’s clear that these retail giants are catering for buyer types emerging from the millennial and Generation Z – people who prefer dual-browsing and consider the convenience it offers as essential to their retail experience. These retailers understand the experiences consumers will expect in five years from now, and are creating prototype versions of tomorrow’s technology.

Levelling the playing field

A few modifications to the payments suite can mean that a business will immediately be able to offer the same options at the checkout as established competitors. This is particularly

true for smaller companies. And by being able to provide a similar range of payment, pricing and shipping options, a local bookshop can be on the same footing as Amazon.

“ New payment technologies are now levelling the playing field. Even smaller businesses can rely on first-rate capabilities in payment, authentication and security. It’s a springboard they can use to compete with the big guys.

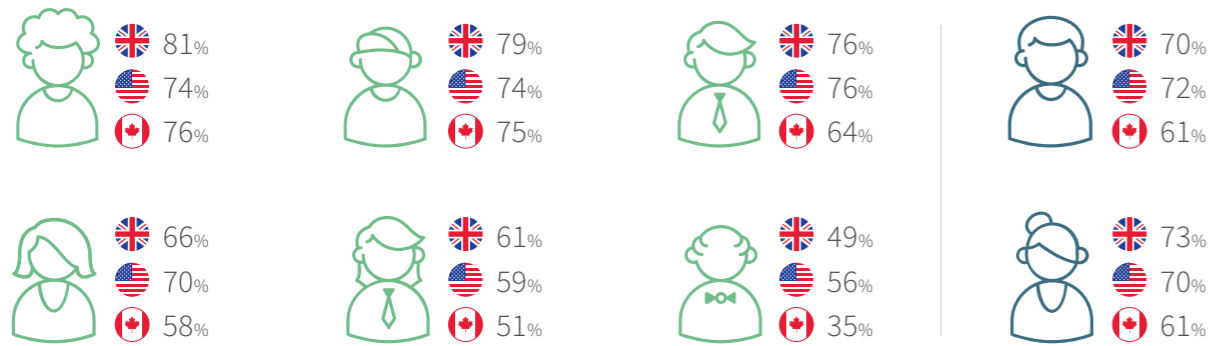
Jean-François Noël, CEO of FANS Entertainment and GOLO



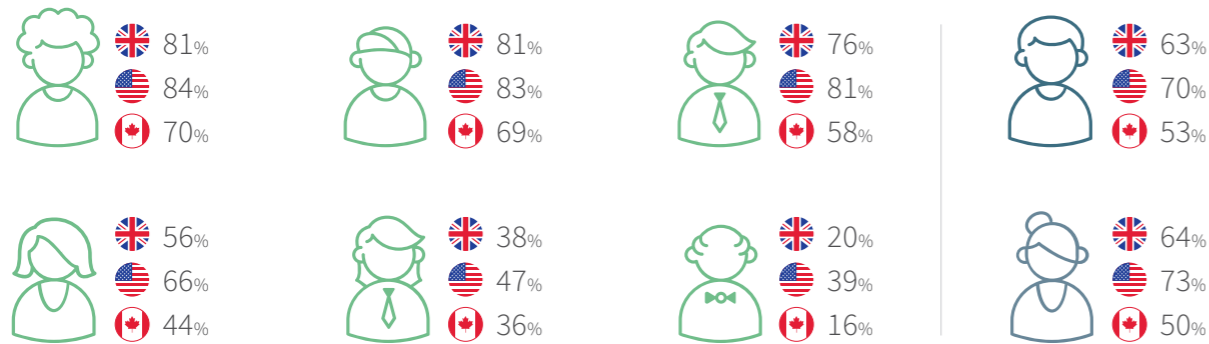
Fig.2: How shopping behaviour is changing



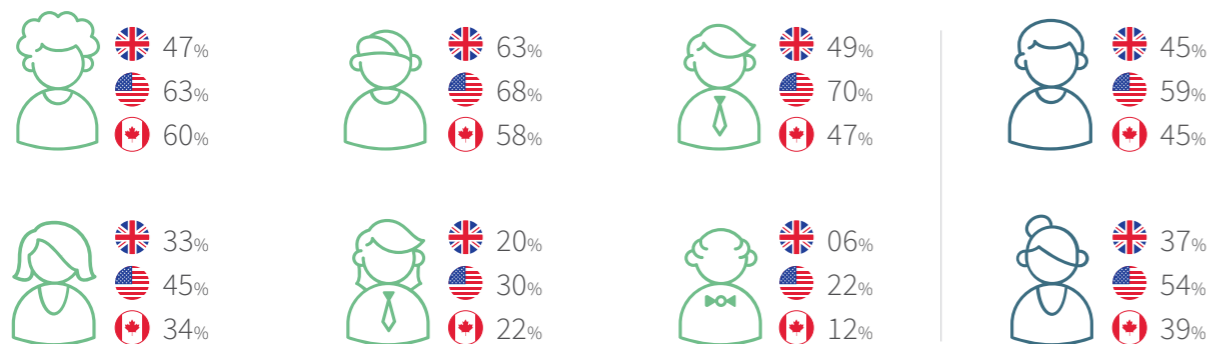
I shop online rather than going into physical stores much more than I did a year ago



I am increasingly confident about using my mobile phone for shopping & ordering purchases



When I am in a shop, I often use my mobile phone to shop around for better deals elsewhere



A whole new world

The research challenges businesses to reimagine the shopping experiences and allow for behaviours that were almost unthinkable ten years ago. Particularly because the emerging typologies of shoppers from the millennial and Generation Z demographics will expect it.

leveraging them. While Netflix and Amazon Prime created a new normal in viewing behaviours, network television quickly caught on and adjusted the broadcast model to how content is consumed: on demand, on the move and in a multitude of formats.

It's tough. But there's a parallel in the lesson TV companies learned from dual-screening. It's not about merely tolerating new behaviours. It's about embracing and

The payments equivalent of this journey starts with merchants understanding how consumers use money, where they use it and which formats they prefer.

64% of Canadians we surveyed buy their flights online.

What we're buying



The research uncovers some general trends across regions. For example, most people still prefer to buy their groceries in person (94% in the US, 96% in the Canada and 78% in the UK). And even though a taxi service can be paid for in cash, the trend in this payment behaviour is shifting, particularly in the UK where half of those surveyed use an app to order a cab.

However, there are certain regional trends.

UK consumers are the most likely to buy goods such as clothes, furniture and gifts online (either via a PC/laptop, tablet or phone). While in the US, it's becoming common to use an app (19%) or PC/laptop (24%) to order lunch. And Canadians are the most likely to buy flights and holidays on the internet.

Cash culture clash

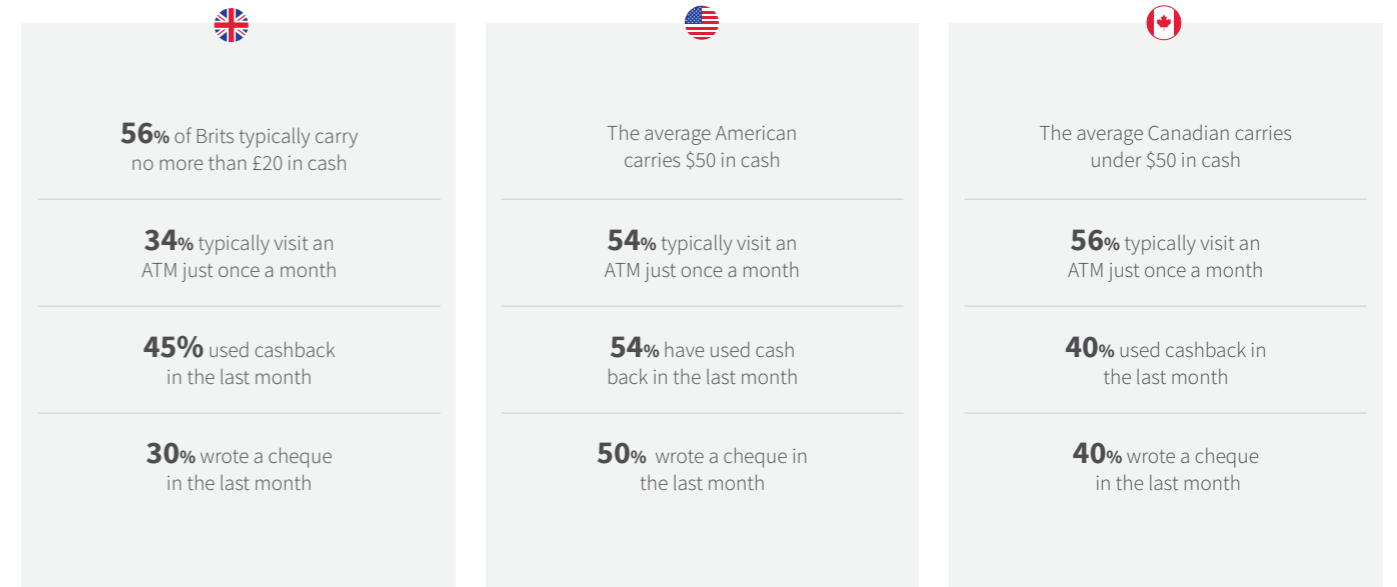
To understand a little more about the changing nature of cash, and why this affects consumers and businesses alike, we asked respondents about their relationship with money, what they carry and what they use. A comparison of American, British and Canadian wallets is shown in Figure 3.



One in four Canadians between the ages of 18 and 34 are cash-free. One in five Americans aged between 56 and 64 are also cash-free.



Fig.3: What's in my wallet?



“

The days of withdrawing enough cash for an evening out are no more, with many happy to pay on a card. There's more trust in new technology and alternative cash payments.

Lorenzo Pellegrino,
CEO - Digital Wallets & Income Access, Paysafe

“

The US may still favour writing checks, but don't let that mislead you. Americans are embracing new payment methods quicker than most. One in seven have used cryptocurrencies; one in six biometrics. These early adopters are creating momentum for wider adoption and change.

Joe Daly,
Chief Operating Officer, Paysafe Payment Processing, North America

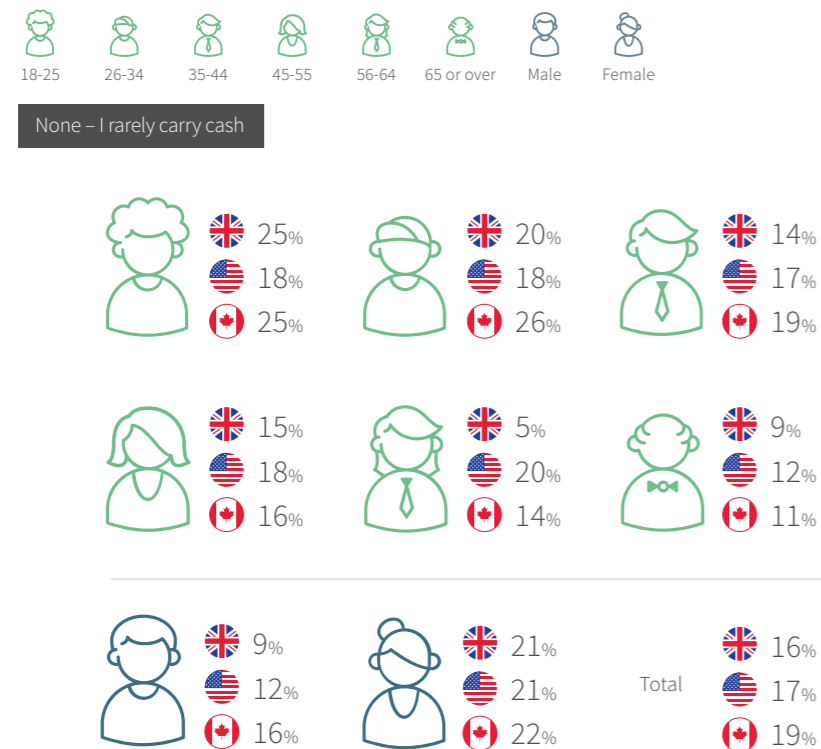
“

With younger Canadians adopting a less cash-centric approach, the opportunity for innovation is becoming clearer. Contactless payments and mobile wallets are now normalised and growing payment methods.

Daniel Kornitzer,
Chief Product Officer, Paysafe



Fig.4: How much cash do you carry on a typical day?

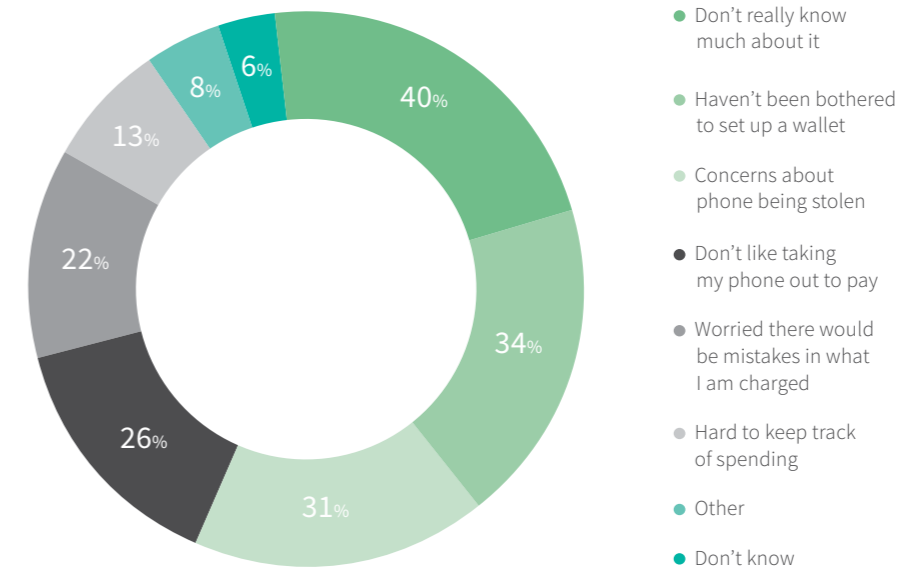


These are clear signs that change is afoot. Cash in its traditional form of notes and coins is losing traction among consumers in all markets, and particularly among the younger demographic. As these newer generations become the dominant consumer force, this shift away from traditional cash will become the established order. Savvy businesses will

respond with agile operating models and relevant payment methods.

The question for today's businesses is, despite consumers being apparently cash-free, by what means and format are they spending their cash instead?

Fig.5: Why not using mobile wallet



NB: Respondents were able to provide multiple answers

Mobility, convenience and catching the wave

Our research shows that contactless payments (Figure 6) and mobile wallets (Figure 7) are popular among many respondents. Three in five Britons and Canadians are using contactless payment, and the younger demographics in each market are twice as likely to use Apple or Android Pay than their older peers.

Both contactless and mobile wallet solutions tick that crucial box of convenience. The majority of those who have used a mobile wallet agree that it is more convenient than carrying cash. And out of those surveyed,

only US respondents were slightly sceptical about its convenience (with only 49% rating it as easier to use).

This is the crest of the first wave of behavioural change when it comes to mobile payments. Our research shows that while nearly four in five people carry less cash than they did a year ago, consumers still aren't wholly comfortable with contactless payments – they'd rather pay with their mobile. Across all respondents, we are seeing behaviour that is leap-frogging card payments and going straight to digital wallets.

AltCash: Barriers to entry

While innovators and early adopters are moving to contactless payment and cryptocurrencies, the path towards cash alternatives – or AltCash – isn't entirely smooth for the remaining consumer base. For example, the main barrier to faster adoption of contactless payment is security, according to respondents across the US, UK and Canada (63%, 68% and 64% respectively).

As illustrated by Figure 5, poor knowledge and general apathy are the most prevalent barriers to the wider adoption of mobile wallets. However, with a third of respondents citing concerns about phone theft and a quarter preferring not to take their phones out when paying, security issues are also very much top of mind.



Fig.6: Regional differences in cash and contactless behaviour



I expect to still be using cheques to make payments in 2 years' time



I worry about being charged the wrong amount with contactless



I worry about how secure contactless is



Contactless is a much quicker, easier, more convenient way to pay for everyday things



I prefer to shop in places that accept contactless payment



I have used contactless payments more and more often in the past 6 months



In 2 years time, I doubt I will need to carry any cash at all for shopping



I carry less cash than I did a year ago



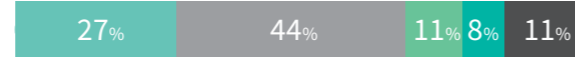
I expect to still be using cheques to make payments in 2 years' time



I worry about being charged the wrong amount with contactless



I worry about how secure contactless is



Contactless is a much quicker, easier, more convenient way to pay for everyday things



I prefer to shop in places that accept contactless payment



I have used contactless payments more and more often in the past 6 months



In 2 years time, I doubt I will need to carry any cash at all for shopping

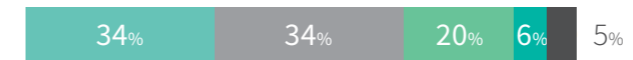


I carry less cash than I did a year ago

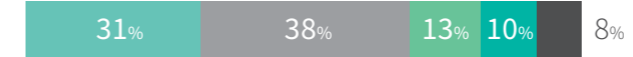
As very few merchants accept them as payment, Lost in Transaction did not ask UK respondents about cheques.



I worry about being charged the wrong amount with contactless



I worry about how secure contactless is



Contactless is a much quicker, easier, more convenient way to pay for everyday things



I prefer to shop in places that accept contactless payment



I have used contactless payments more and more often in the past 6 months



In 2 years time, I doubt I will need to carry any cash at all for shopping



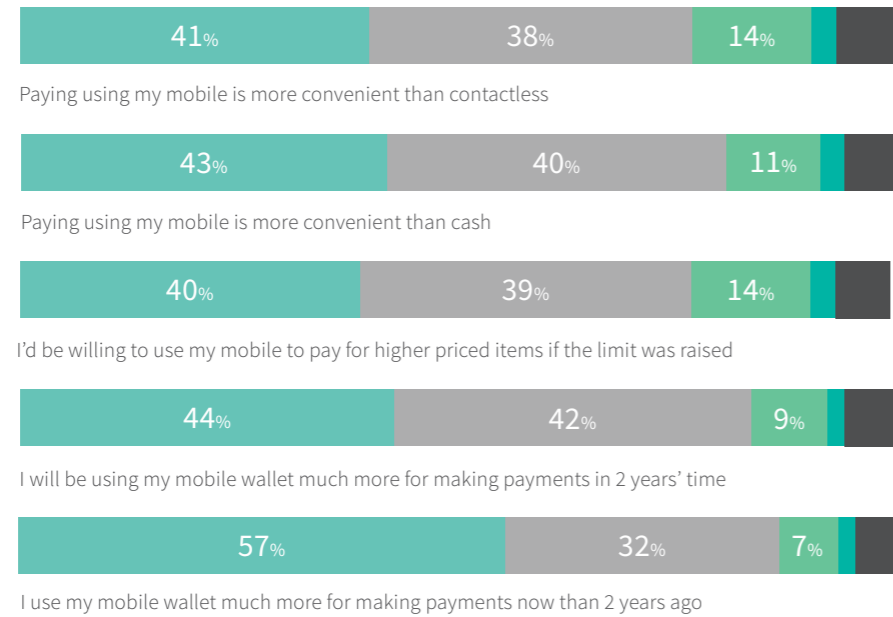
I carry less cash than I did a year ago

● Strongly agree ● Tend to agree ● Tend to disagree ● Strongly disagree ● Don't know



Fig.7: Behaviours in cash and contactless usage (combined)

● Strongly agree ● Agree ● Disagree ● Strongly disagree (under 5%) ● Don't know (under 5%)



Simply the beginning

Awareness of the more cutting-edge payment innovations is – at present – comparatively low. But, given the trends suggested by the research, early adopters set the agenda and we can expect awareness of cryptocurrencies and biometric identity verification to become more mainstream.

If online shopping was the first wave of change that radically transformed commerce, then the mechanism by which commerce is conducted is likely to be the next wave of innovation that takes hold. While Bitcoin is not yet mainstream, nearly half of those surveyed were aware of it, and expect merchants to offer it as a payment option in the near future.



Fig.8: Awareness of emerging payment and security technologies

● Never heard of ● Have heard of but do not use ● Have heard of & use a little ● Have heard of & use a lot

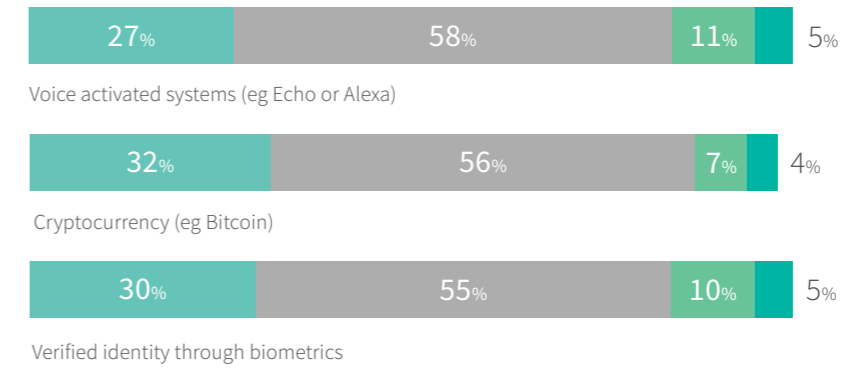
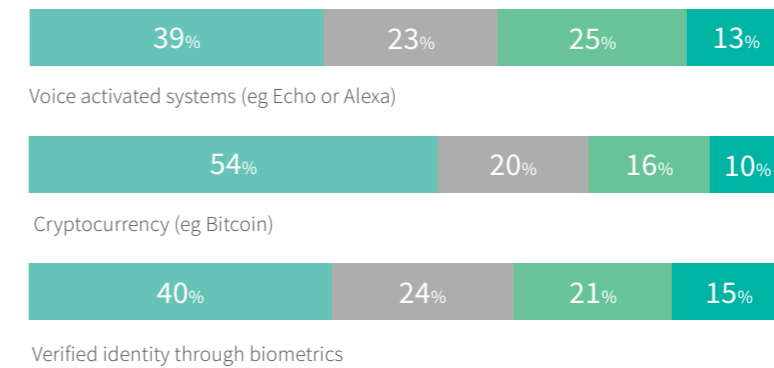


Fig.9: Attitudes to emerging payment and security technologies

- Too risky and unknown for me to use at present
- I'm not keen to use these, but expect that some merchants will force me to
- I can see the benefits but have concerns about security and privacy
- This is the future, within 2 or 3 years everyone will be using this



The payments trend

With the research showing a generational trend towards mobile wallet usage (86% of 18-25 year-olds and 89% of 26-34 year-olds think they'll be using it more in two years), the future of alternative cash payments and mobile wallets becoming the norm is clear.

As the evolution of cash continues to accelerate, so too will the demand for businesses to ensure their payments offerings keep pace in terms of choice, convenience, speed and accessibility.

Why people don't buy

Not surprisingly, if there's a payments challenge every merchant wants to solve, it's the abandoned cart. Of those we surveyed, 67% of people had abandoned an online shopping cart in the last month.

While we know the migration to online shopping has grown markedly in the last few years (an increase of 54% since 2000), the fact is that carts are still being abandoned at an alarming rate. The average consumer performs an online walkout twice a month, with 38% of 18-25 year-olds and 39% of 26-34

year-olds prone to ditching their shopping two to three times a month. And almost one in five 18-25 year-olds will do so once a week.

The question any business should ask themselves is, why?

Fig.10: In the past month how often have you left a merchant's online website with items still in your shopping cart?



The root cause of abandonment

Customers are fickle, with 40% citing their main reason for cart abandonment is to shop around elsewhere. Retailers who will win their custom therefore need to have the perfect product, website functionality, price point and service. And any business that tries to make buyers incur 'hidden' fees will find their carts abandoned in favour of those who don't.

It's not hard to imagine why. The research shows that regardless of age or region, customers find hidden transaction fees both confusing and annoying. Such fees are a

particularly hot topic in the UK at the moment, where the government has recently announced that charges for paying by credit or debit card, which can be as high as 20%, are to end. Similar conversations in the US are also underway.

However, as Figure 11 and Figure 12 show, hidden fees are not the only reason for abandoned carts. Inconvenient delivery, poor website performance and a lack of payment options are also cited as problems.

Fig.11: Which of the following have prompted you to abandon your shopping cart/trolley

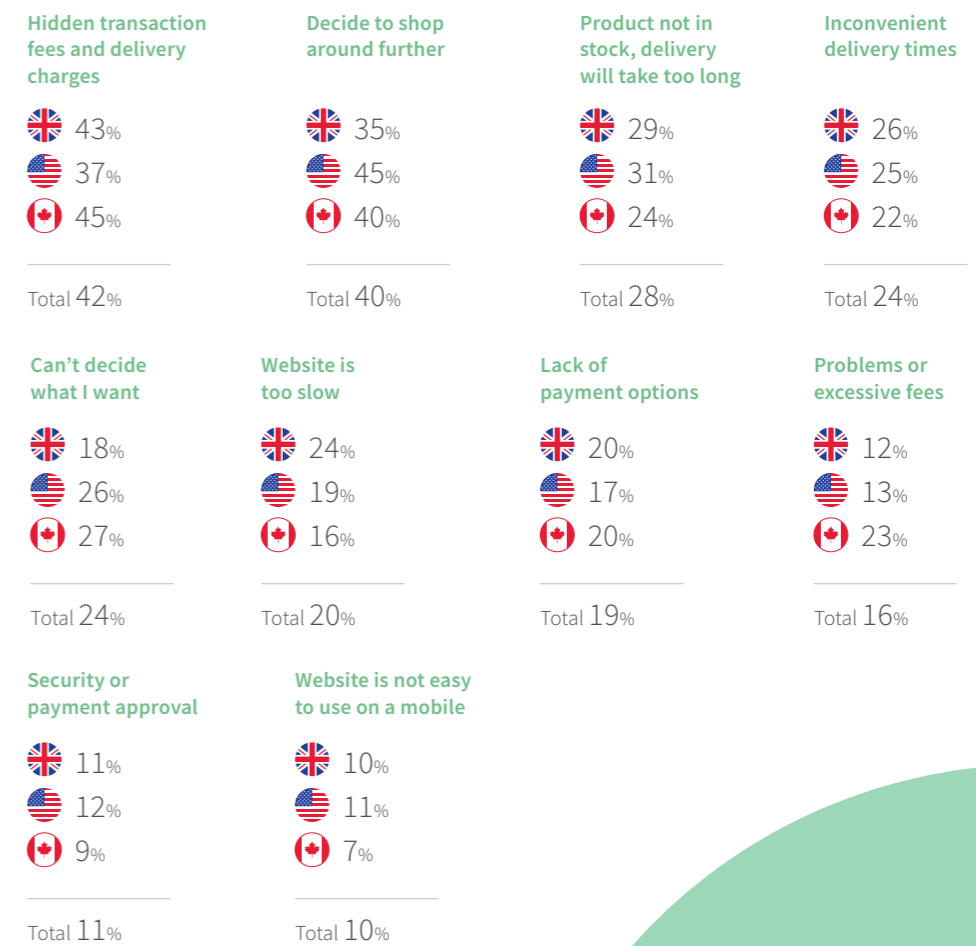


Fig.12: Shopping cart abandonment reasons (by age)



The future of payments

The consumer environment is changing. Society has nearly achieved fluency with online shopping and we are now moving towards new possibilities. Future consumers will embrace these new possibilities with gusto. Improved authentication methods and cryptocurrency will enhance security, therefore encouraging people to pay anytime, anywhere and anyhow.

However, as payment options increase, many businesses will inadvertently exclude themselves from reaching those consumers who choose not to use credit, or choose not to provide their bank details online. To stay relevant and accessible to this customer base, businesses must offer the alternative cash solutions these customers prefer.

Tomorrow's success relies on businesses being able to flex their payment capabilities and reflect the evolution of cash. Because cash-free is not the same as cash-less. At the same time, many businesses will need also to call into question what purpose, if any, a physical presence serves them. They also must accept that shopping behaviours will always be in flux, and that the customer journey will never again be a linear process.

And finally, the proliferation of different payment methods means that customers expect to be catered for when parting with their money. Those merchants who seize the opportunities provided by this new normal will be best placed for the next big wave in omnichannel retail.

“

Cash-free is not cash-less. Consumers have more ways than ever to spend cash online, but businesses are not keeping pace.

Oscar Nieboer,
Chief Marketing Officer,
Paysafe

“

Inclusion is key. For consumers without bank or credit cards, the ability to convert cash into e-money via voucher based systems is critical to their ability to participate in the e-economy.

Udo Muller,
CEO of paysafecard,
Paysafe

Research methodology

Lost in Transaction is an independent research project, conducted by the London-based agency Loudhouse. We spoke to 3,038 consumers in the UK, Canada and the United States about their online shopping behaviours and payment habits. Respondents came from six different age groups and a variety of professions.

Other sources:

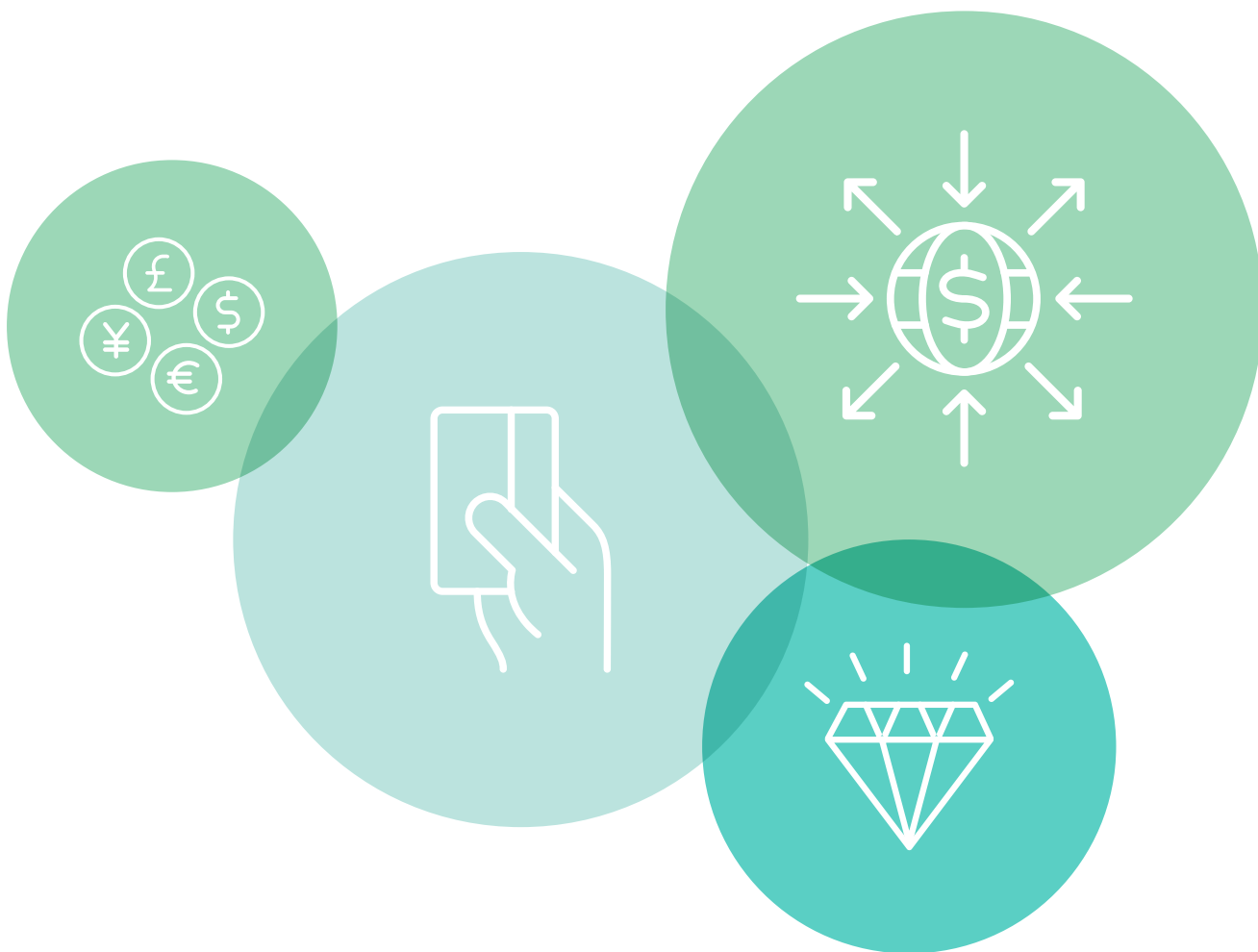
Internet Shopping in Canada: An Examination of Data, Trends and Patterns. Statistics Canada. December 2009.

Online Shopping and E-Commerce. Pew Research Center. Smith, Aaron & Anderson, Monica. December 2016.

ⁱ Why the Death of Malls Is About More Than Shopping. Time Magazine, US Edition, 20 July 2017. Sanburn, Josh.

ⁱⁱ Personal Credit Cards: Building Loyalty in a Changing Landscape. Euromonitor International. 2016.

ⁱⁱⁱ UK Finance, UK Card Expenditure Statistics. June 2017.



Contact us

insight@paysafe.com

www.paysafe.com

 [@PaysafeGroup](https://twitter.com/PaysafeGroup)

 [paysafegroup](https://www.linkedin.com/company/paysafegroup)