



Visa Consulting & Analytics

Future of payments



Insights from Visa's research promises an exciting future for all

March 2023

VISA

The UK has a dynamic banking landscape

We surveyed 2000+ consumers across the UK to see what drives payment preferences and deliver insight on the future direction of UK payments

When asked about banking, we found the majority have one current account, whilst 24% are now multi-banked. Only 5% do not have a bank account.

In recent years, banks have been actively transferring customer service functionality to digital channels, especially in mobile apps. These efforts are reflected in consumer behaviour.



69% prefer to solve issues online or in-app

When it comes to how people choose to pay, cards remain most popular but we predict a continued shift to digital in the future. We believe card credentials will still play a major role in payments. However, it may no longer manifest as a physical card but instead integrate into digital journeys through mobile devices and digital applications.

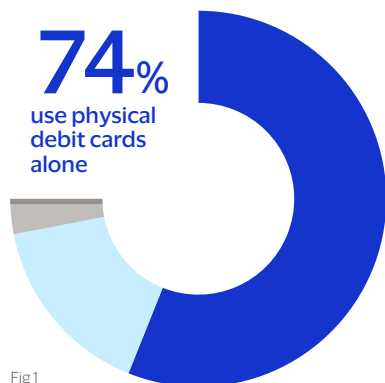


Fig1

- 21% use physical and virtual cards
- 4% use virtual cards only
- 1% don't know

Fig1. Question: "Do you have a physical debit card or only a 'virtual' one?"

Research commissioned by Visa Europe, conducted among UK adults aged 18 and above, between 14 September 2022 and 7 October 2022. See appendix for details and methodology.

Today's UK consumers are well banked and accustomed to choice, there's a lot on offer, from cash, cheques and physical cards to digital solutions and cryptocurrencies.

We evaluated payment behaviours through a series of consumer payment scenarios and payment methods, representative of different levels of regularity and a variety of purchase channels.

Some consumer scenarios such as "paying in-store for day-to-day products", "paying bills" and "paying rent or mortgage" were more traditional. While others, such as "paying online", "subscriptions" or "using app-only services" reflected more modern interactions.

Traditional payment methods such as "physical debit/credit cards", "cash or cheques" and "Direct Debits or standing orders" were evaluated. While other payment methods were more modern, such as "digital payment apps", "Buy Now Pay Later" and "Cryptocurrencies".

From the range of payment methods offered, there are dominant preferences



30-56%

prefer debit cards for day-to-day expenses, both online and in-store.



45%

use credit cards when making more expensive purchases.



9-14%

turn to digital payments apps when they need to make money transfers or in-app payments.



49-61%

choose Direct Debit to make recurring payments such as subscriptions, facility bills, mortgage or rent payments.



32%

use cash for daily spending when travelling or spending time abroad.



Demographic nuances influence payment preferences, primarily age and affluence

Age and affluence appear to have a high association with usage of differing payment methods

Method	Age			Affluence			Location		Gender	
Cash	●			45% <20k	35% 60-80k		49% Urban	40% Rural	●	
Physical card <small>All forms incl. Credit and Debit</small>	77% 18-24	91% 65+		●			●		●	
E-wallet	85% 18-24	45% 55-64+	30% 65+	51% <20k	75% 60-80k	88% 100k+	68% Urban	52% Rural	●	
Debit <small>All forms incl. physical and e-debit</small>	100% 18-24	88% 65+		●			●		●	
Credit	74% 18-24	87% 25-34	80% 65+	73% <20k	93% 80-100k		●		●	
PayPal	60% <45	49% 45+	39% 65+	74% 40-60k	38% 100k+		●		●	
BNPL <small>Buy Now Pay Later</small>	39% 25-34	44% 55-64	3% 65+	17% <20k	28% 60-80k		23% Urban	11% Rural	13% Men	21% Women
Equal & more than 8 pp variance	Less than 8 pp variance			pp = percentage points						

Fig 2

Fig 2

Some key differences are also observed when applying a demographic lens to payment use cases



App-only services
People under 45 are more than twice as likely to make in-app purchases than those over 45. They are also used by a higher proportion of city dwellers.



Online (day-to-day)
Those who earn between 60-80k per year are 13 pp more likely to make higher day-to-day online purchases compared those earning less.



Subscriptions
Consumers aged between 18-34 have 41 pp greater use of subscription payments vs. seniors over 65 years old.



In-store payments
Those who earn between 60-80k are 17pp more likely to make expensive purchases in-store. There is little to no difference when buying day-to-day items



Online (more expensive)
People with higher incomes are more likely to shop online. Those who earn between 60-80k per year are 10 pp more likely to make expensive online purchases



Rent and mortgage
Used by a high proportion of city dwellers. The younger generation is 60pp more likely to use than over 50 year olds.

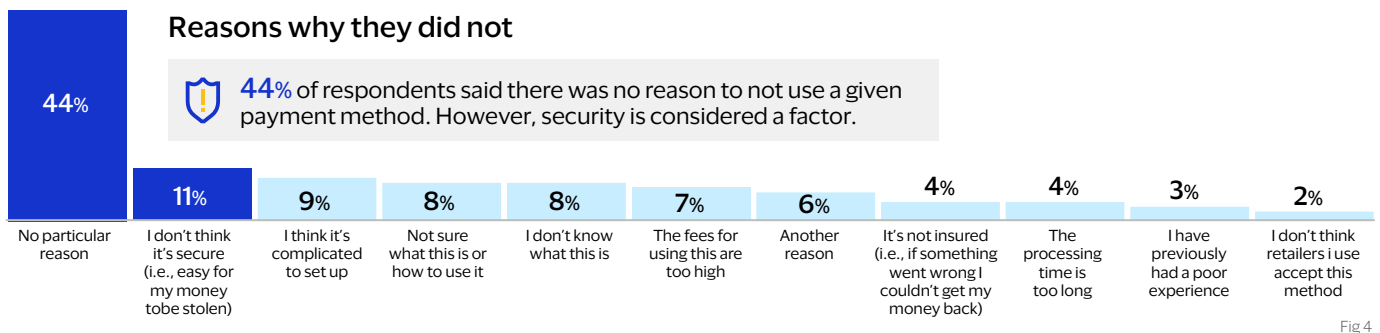
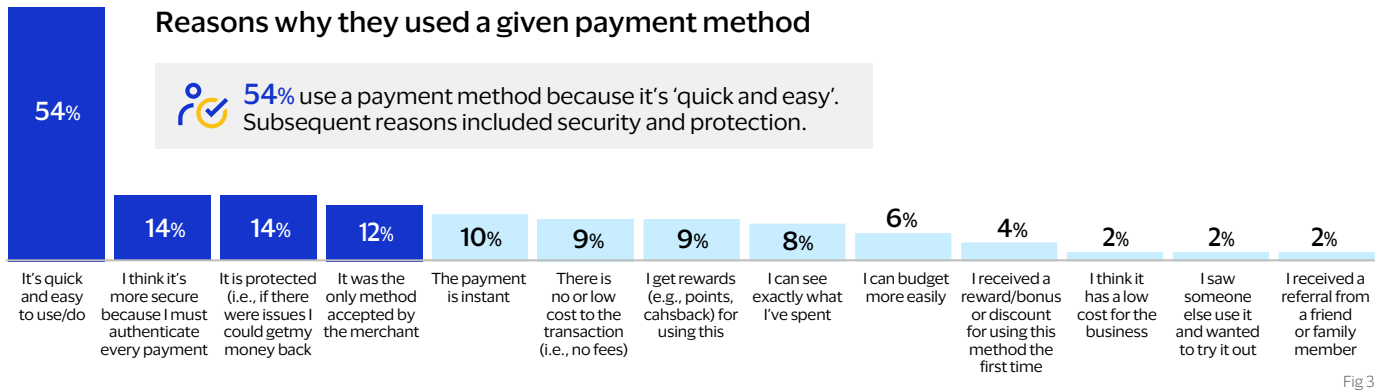


Fig 2. Question: "Below are some different things you might pay for on a regular basis. For each one, please say how often you make the following types of payments" Base: Total sample = 2052

Research commissioned by Visa Europe, conducted among UK adults aged 18 and above, between 14 September 2022 and 7 October 2022. See appendix for details and methodology.

Consumer perception plays a big part in their chosen payment method

For many people, their choice is driven by habits or the perception that well-known payment methods are quicker and easier than less familiar ones. Our research supports the argument that payments is an ingrained habit. Generally not much thought is given to how they pay. Consumer response implies a lack of reflection on how well payment methods meet their needs. They don't make active decisions about an 'optimal' method but prefer payments that are quick and easy. Most people have ways of paying that work "fine" for them - they're easy, they're efficient, and they achieve their goals.



There's little interest in change unless it's perceived as beneficial or necessary

The change is driven through a combination of drivers; motivation serves as triggers that encourage people to consider a change, while ease reflects the effort to execute the change.

Drivers of motivation

Knowledge and awareness

Advertisement and rewards improves perception on payment methods and they start considering it when they start seeing family, friends or many people using it.

Macroeconomic events

Consumers shift away and or towards payment methods based on the macroeconomic environment.

Moments of necessity

Consumers come across situations where they have forgotten, lost or their preferred method is no longer accepted and therefore need to try something new.

Previous experiences

Consumers can have bad experiences which pushes them away from these and similar payment methods.

Drivers of ease

Ease of set up

Having a speedy set up process will increase the chances of the payment methods being used.

Ease of use

They are more likely adopt methods with a seamless customer experience.

Fig 3. Question: "For each payment method please pick the three most important reasons you chose to start doing this?" Base: Total sample = 2052
Fig 4. Question: "We are also interested in why you don't use certain methods. Please pick the three most important reasons?" Base: Total sample = 2052

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Many have adopted new ways to pay but are hesitant when they look to the future



Consumers are starting to be more active in using new digital payment methods

The shift to digital has accelerated over the past few years, resulting in new digital payment methods being increasingly popular. Some consumers however, have expressed reservations.

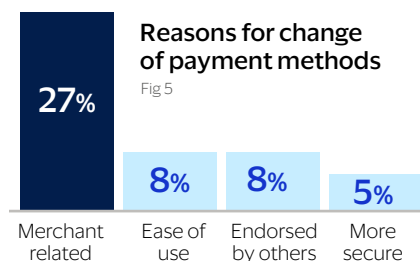
- ▲ **56%** are in favour of paying directly to merchants using A2A
- ▲ **46%** have used e-wallets more in the past 3 years
- ▶ **42%** approve of BNPL being accepted more - 48% don't agree
- ▼ **52%** rejected the idea of crypto being more commonly accepted

Despite BNPL's impressive growth, thoughts about its potentially wider adoption are mixed. Crypto payments remain niche with 6% of respondents using it. Over half reject the idea of widespread adoption and 27% were unsure about it.

Merchants play a significant role in driving changes in payment behaviour

One key insight is the prevalence of the merchant in determining payment methods. Driven by digital commerce and interactions, merchants are playing a bigger role in shaping consumer behaviour. This trend however is hardly new, consumers started to use PayPal when it was the only available payment method on eBay.

When respondents were asked why are you using payment methods more, the most common response was that 'more merchants or businesses accept it now' or they made it difficult to use alternatives.



"My local coffee shop stopped accepting cash. I didn't really have a choice, so I just had to start using my debit card."

Megan, 20, Cardiff

"It was that Ebay prompted me to set up PayPal."

Charlotte 70, Yorkshire



Fig 5. Question: "Just thinking about those payment methods you use more now than you used to, why do you think that is?" Base: Total sample = 2052

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Consumer attitudes to payments vary but ultimately, six attributes emerge as most important

These attributes determine the comfort that consumers have with a given method. In order to succeed in the future, a payment method must reflect attributes important to consumers. Our research offers actionable recommendations:



Ease and convenience

The amount of effort required to set-up and make payments is minimal

- Payments are embedded within purchasing journeys and 'just happen'



Security

The payment is safe from fraud and the consumers' money is protected

- Payments must portray the sense of protecting money e.g., authorisation, fraud



Knowledge

The consumer understands how it works, including the risks and benefits

- Payments must provide transparent information and can be adopted without new or special skills



Control

The consumer can set payment controls, for example how often and how much

- The payment provides consumers with visibility to manage money, but also flexibility to choose how they want to spend



Availability

The payment method is accepted and can be used where needed

- Ability to pay anywhere, anytime whether online or in-person



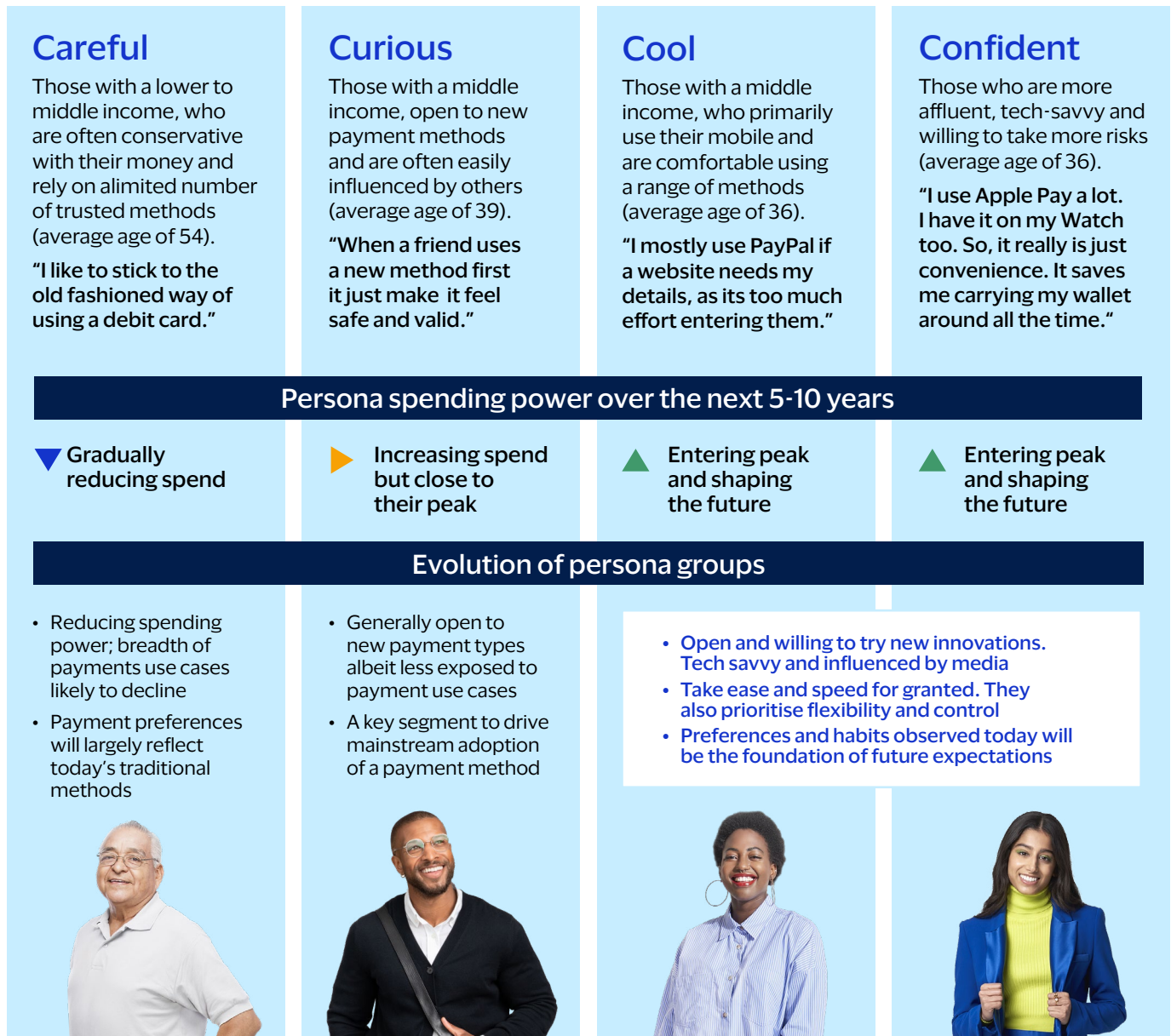
Right first time

The consumer has a positive first experience with the payment method

- Building trust from the onset

A spotlight on four payment personas

Our research highlighted four payment personas primarily differing by age, affluence and comfort with new technologies. Based on the study of behaviours and attitudes, it is possible to sense that a person's payment method is deeply personal and is what works for them. As such, it is not possible to categorically segment everybody based on demographics however there is evidence of some typical behaviours, with demographic correlation. It's likely that the four persona groups will continue to exist in the long run. However, their relative significance will change. As their spending power increases over time, we anticipate an increasing prominence in those considered 'cool' and 'confident'.



Over the next 5-10 years, the 'cool' and 'confident' personas will enter the peak of their spending power, so we anticipate that their habits and expectations will act as the foundation for the future of payments.

Meeting expectations while keeping abreast of innovation is key to success

We are confident card credentials will continue to underpin most payment methods. However, experiences and user journeys will become more digital-first.

The merchant will emerge as a key enabler of payment method choice, based on their checkout journeys. That said, checkout journeys will increasingly support choice of payment to give consumers the ability to pay on their terms. Meanwhile, continual advancements in security methods, such as biometrics, to satisfy consumers about the safety of their money. There's no doubt that the payments industry will continue to be disrupted. Payment methods may not change overnight but they will become more incremental in nature through the combined push and pull of innovators and adopters.

Increasing role of card credentials

The card credential will likely still underpin most payment methods, but may not manifest in a physical form.

- ▶ Ensure payment infrastructure supports tokenisation in order to facilitate instant issuance.

More choice sought by consumers

In the future, consumers will have more say on paying on their terms dictating how much they pay, and when.

- ▶ Build choice into payment journeys and provide capabilities to support control e.g., splitting payments, deciding terms, changing transactions post-purchase, PFM etc.

Importance of digital first experiences

A right first time, seamless digital-first experience will continue to determine attitudes towards payment methods.

- ▶ Modernise the payment infrastructure in order to increase the deployment agility and enhance time-to-market of new features and products.

Evolving advanced security methods

Advanced security primarily biometrics, will need to balance with frictionless user experience both online and offline

- ▶ Ensure security by design is part of new payment methods development. Optimise authorisation and fraud processes and journeys.

Ongoing influence of merchants

Merchant check-out journeys likely to continue to dictate the payment method of choice (for example, tap to pay on mobile).

- ▶ Encourage acceptance across not just large but small merchants. Ensure consumer education to overcome barriers to adoption and build awareness.

Continued disruption and innovation

Disruption will continue to be the norm in payments, with new experiences constantly put to the test.

- ▶ Keep the pulse of innovations and consumer behaviour changes to ensure payment products remain relevant.

Industry players must continuously invest in payment modernisation, retain a pulse on innovations and stay close to changes in consumer behaviours. Only then will they ensure the continued relevance of their place in payments.

Research approach

This study was underpinned by both qualitative and quantitative research

Qualitative research

With the overall group size comprising of 22 UK citizens, we held 4x qualitative depth interviews lasting up to 90 minutes each between 26 September and 7 October 2022 in Zoom group discussions with ~5 respondents in each group.



Sam, 59,
Yorkshire



Paula, 47,
Midlands



Nadia, 45,
Birmingham



Karen, 36,
Derbyshire



Carla, 28,
Southwest



Lola, 37,
Barnsley



Nazir, 22,
London



Maryam, 28,
Southwest



Charlotte, 70,
Yorkshire



Megan, 20,
Cardiff



Lisa, 34,
Birmingham



Max, 28,
Crawley



Graham, 45,
Oxfordshire



Mary, 31,
Glasgow



Aaron, 63,
Cornwall



Afua, 35,
London



Amir, 25,
Birmingham



Helen, 65,
London



Alex, 57,
Southeast



Erin, 20,
Leicester



Florian, 52,
Edinburgh



Bradley, 28,
Brighton

Quantative research

2052

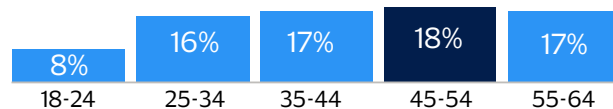
UK adults surveyed
aged 18 and above



47%

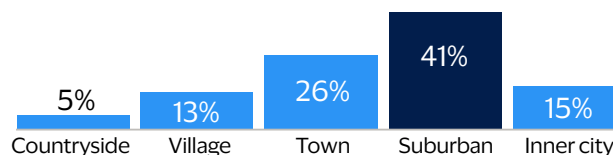


53%



~20min

online survey containing 41 questions,
between 14-21 September, 2022





About Visa Consulting & Analytics

We are a global team of hundreds of payments consultants, digital marketing specialists, data scientists and economists across six continents.

Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.

Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.

Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

For more information, please contact your Visa Account Executive, email VCA@Visa.com or visit us at Visa.com/VCA

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