



Lost in Transaction:

Gen Z expectations
at the checkout



How the attitudes of younger
consumers are dictating the
future of payments

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Executive summary

Consumers under 40 now favour shopping online using their smartphones

The shift away from a dependence for online shopping on a desktop or laptop towards mCommerce has been evident for some time, but we have now reached a tipping point of adoption with younger consumers.

More than seven out of ten Generation Z (72%) and Millennial (79%) consumers regularly shop online using a smartphone, compared to 54% of Generation X and only 27% of Baby Boomers. This means that a greater percentage of Generation Z (72% vs. 68%) and Millennials (79% vs. 70%) regularly shop online using a smartphone rather than a desktop or laptop computer.

And almost half of Generation Z (47%) now shop more on a mobile device than any other technology. This is significantly higher than those who shop most frequently on a computer (38%), and also the percentage of other consumers that most frequently shop on mobile (32%).

Younger consumers are driving the diversification of the payments landscape

The payments ecosystem continues to fragment as preferences for alternative payments grows. This growth is being driven disproportionately by younger consumers.

When asked about their familiarity with a number of alternative payment methods Generation Z consumers are consistently more aware than the rest of the population; this includes in-app payments (84% Generation Z awareness vs. 76% for the rest of the population), mobile wallets (83% vs 82%), prepaid vouchers (61% vs. 57%), and online cash solutions (61% vs 55%).

40% of Generation Z consumers have some experience of in-app payments, and 15% make in-app payments regularly. This is significantly higher than all other consumers (27% of consumers have some experience, of which 9% make in-app payments regularly). Over one third of Generation Z consumers (34%) have used a mobile wallet (vs. 26% of other consumers) and 14% (vs. 10% of other consumers) make payments using a mobile wallet regularly; 29% (vs. 24% of all other consumers) have made online purchases using a cash system such as Paysafecash and 10% do so regularly (vs. 8% of other consumers); and 25% have some experience of a prepaid pin (vs. 17% of the general population). 7% make these payments regularly (compared to 6% of other consumers).

Cashless in-store, cash solutions online

Generation Z consumers have a dichotomous relationship with cash.

Although cash usage is prevalent, in a store they have a clear preference for alternative payment methods. 53% of Generation Z consumers prefer to shop in stores that accept contactless payments. This is higher than all other consumers (48%) and particularly higher than Baby Boomers (39%). Generation Z consumers are also more aware of checkoutless stores such as Amazon Go (75%) than other consumers (70%), and a significantly higher percentage of Generation Z consumers have made a payment using this method (20% vs. 12%).

However, online Generation Z is very receptive to using cash-based solutions as an alternative to traditional card-not-present payments. Two fifths of all Generation Z consumers (40%) habitually either make purchases online using cash or a cash replacement system such as a prepaid pin, a 33% increase on the percentage of other consumers that do so regularly (30%).

Generation Z consumers are more positive about eCommerce innovation

In general, Generation Z consumers are much more positive about the evolution of payments technology. For example, two thirds (67%) of Generation Z consumers believe that automated payments will mean less time at the checkout and this will make shopping more enjoyable.

Also, more Generation Z consumers can see themselves using cryptocurrencies to make purchases in the next two years if they know more about them or they become more widely available (30% vs. 23%) and fewer consumers say they would never consider cryptocurrencies as a payment method (35% vs. 42%).

Younger consumers are also more familiar with biometric payment authentication and more comfortable with making payments using voice-activated technology.

Introduction

The pace of innovation in consumer payments continues to accelerate as retailers and their payment services providers (PSPs) compete to offer the most secure and convenient checkout experience in the market. This transformation is predominately driven by three factors; the launch of new technology, changes in regulation, and heightened expectations of consumers. In this report we take a look at how the third of these factors is influencing the direction payments innovation might be heading in the near future.

Since 2017, Paysafe has published a series of research reports studying changing consumer and business attitudes to the shifting payments landscape. In this latest edition of our *Lost in Transaction* series, we take a closer look at whether various age demographics of consumers differ when it comes to their attitudes and concerns relating to online payments and eCommerce. More specifically, we focus on the payment trends and expectations of consumers aged 16-24 – also known as Generation Z (Gen Z).

Not only is this group a target market for online retailers¹ due to its spending power and influence, it also represents future generations of shoppers that will be key to the ongoing success or failure of each online business.

This group is perceived as being unique in its approach to money management, so understanding how it operates is no easy task.

For this report we surveyed 6,000 consumers from the UK, the US, Canada, Germany, Austria, and Bulgaria to assess whether consumers of various age demographics have different attitudes to eCommerce and the future of payments innovation.

We split the respondents into four age ranges; Generation Z (16-24-year-olds), Millennials (25-39-year-olds), Generation X (40-54-year-olds), and Baby Boomers (over 55-year-olds).

¹ <https://www.forbes.com/sites/forbescommunicationscouncil/2018/07/03/why-gen-z-is-on-the-a-list-for-e-commerce-marketers/#41a55901c7b4>



A tipping point for mCommerce

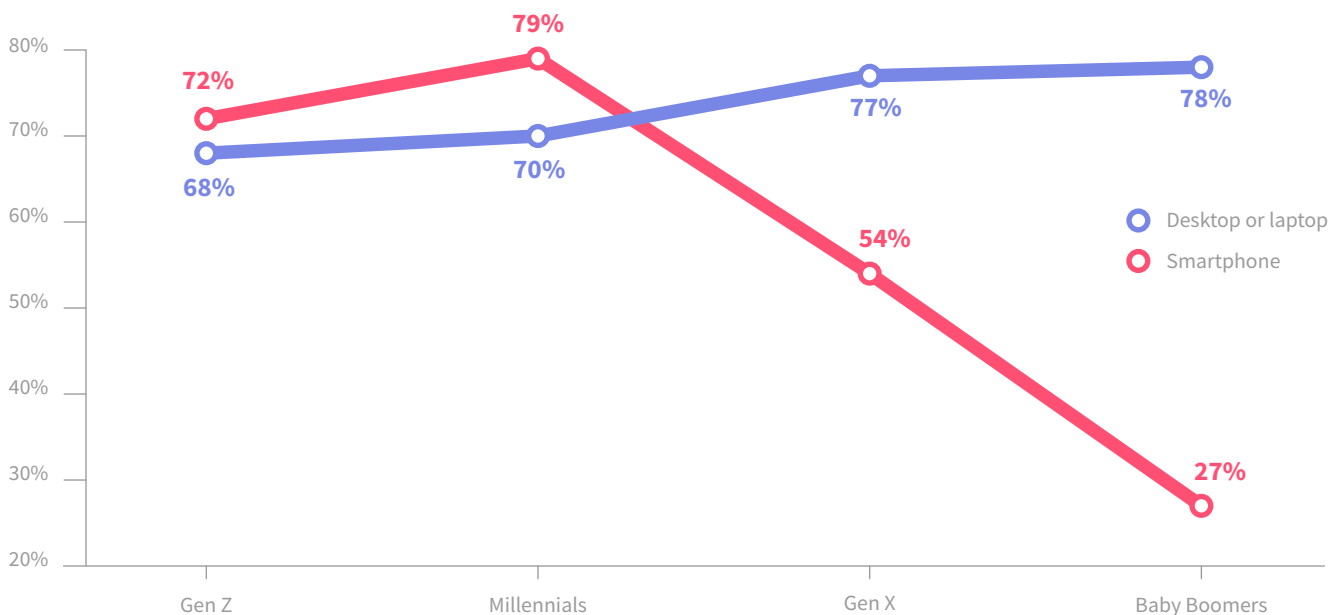
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The growth of mCommerce as a legitimate consumer preference is a trend that has been evident for many years. This has not only been supported by the proliferation of smartphones and rapid enhancement of smartphone technology, but also by a shifting consumer expectation to be able to make purchases whenever and wherever they want.

For example, in 2018, the value for mCommerce in the UK was 55.9 billion euros and increasing by 16% annually². This trajectory would see the value of mCommerce rise above 100 billion euros by 2022. In the US, it is predicted that mCommerce might account for over 44% of all digital commerce by the end of 2019³.

For older consumers who developed online spending habits via traditional eCommerce channels before the advent of mCommerce, there are benefits of shifting from desktop to mobile for purchases, and many have done this. But the greatest driver for the increase in mCommerce activity is mobile natives; younger consumers who have grown up always being able to make payments via a smartphone either through a browser or an app.

Devices consumers use to shop online



When asked about the technology they use to shop online, there is a substantial divide in adoption of mCommerce between the mobile natives – Gen Z and Millennials – and older age demographics. More than seven out of ten Gen Z (72%) and Millennial (79%) consumers shop online using a smartphone, compared to 54% of Generation X and only 27% of Baby Boomers.

Most significantly, today a greater percentage of Gen Z (72% vs. 68%) and Millennials (79% vs. 70%) regularly shop online using a smartphone rather than a desktop or laptop computer.

² <https://ecommercenews.eu/uk-is-the-third-largest-mcommerce-market-in-the-world/>

³ <https://www.statista.com/statistics/249863/us-mobile-retail-commerce-sales-as-percentage-of-e-commerce-sales/>

Overall, the percentage of Gen Z that regularly shops using a smartphone is significantly higher than the population at large (58%); the percentage of Gen Z that shops using a computer is significantly lower (75%).

This divide is expanded even further when consumers are asked about the technology they most frequently use to make purchases online. Almost half (47%) of Gen Z consumers most frequently shop using a smartphone; this is significantly higher than all other consumers, of which less than one third (32%) most frequently shop on a smartphone currently. Preference for shopping on a smartphone is significantly lower for both Generation X (28%) and Baby Boomers (10%).

Which platform do you use the most frequently when shopping online?

| | Gen Z | All non-Gen Z | Millennials | Gen X | Baby Boomers |
|-------------------|------------|---------------|-------------|------------|--------------|
| Desktop or laptop | 38% | 52% | 37% | 58% | 70% |
| Smartphone | 47% | 32% | 47% | 28% | 10% |
| iPad or tablet | 9% | 11% | 12% | 11% | 10% |
| Smart technology | 4% | 1% | 2% | 1% | 1% |

Many eCommerce businesses and specialised verticals are already committed to a mobile-first or omnichannel approach to product development; this now appears to be critical to futureproofing any online business.

This is a circumstance that has been visible on the horizon since the launch of mCommerce. But now more younger consumers shop more regularly on a mobile device and substantially more say this is their preference when making any online purchase, so perhaps 2019 can be viewed as a tipping point in the competition between eCommerce and mCommerce.

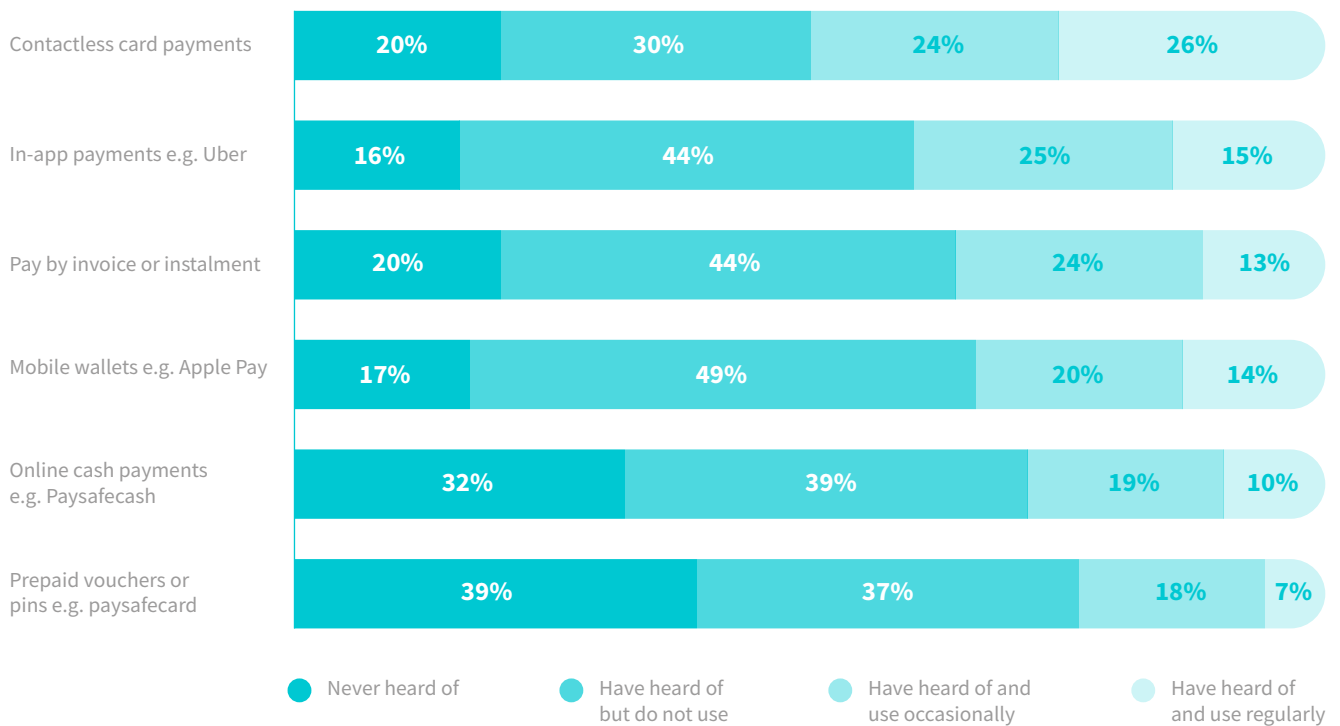
It is evident that mobile natives clearly have a preference for mCommerce and, although this is increasing at a slower rate, the adoption rate of mCommerce by older generations is also continuing to grow. Offering the best customer experience through this technology, including at the checkout through optimised in-app payments, has to be priority for online businesses moving forward, particularly as we move forward into a new world of 5G. This will not only enhance the capabilities of mobile devices and the mCommerce experience, it will also strengthen consumers' dependence upon their smartphone as the increased bandwidth and functionality impacts more of their day-to-day lives.



Embracing alternative payments online

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Gen Z awareness and adoption of alternative payment methods

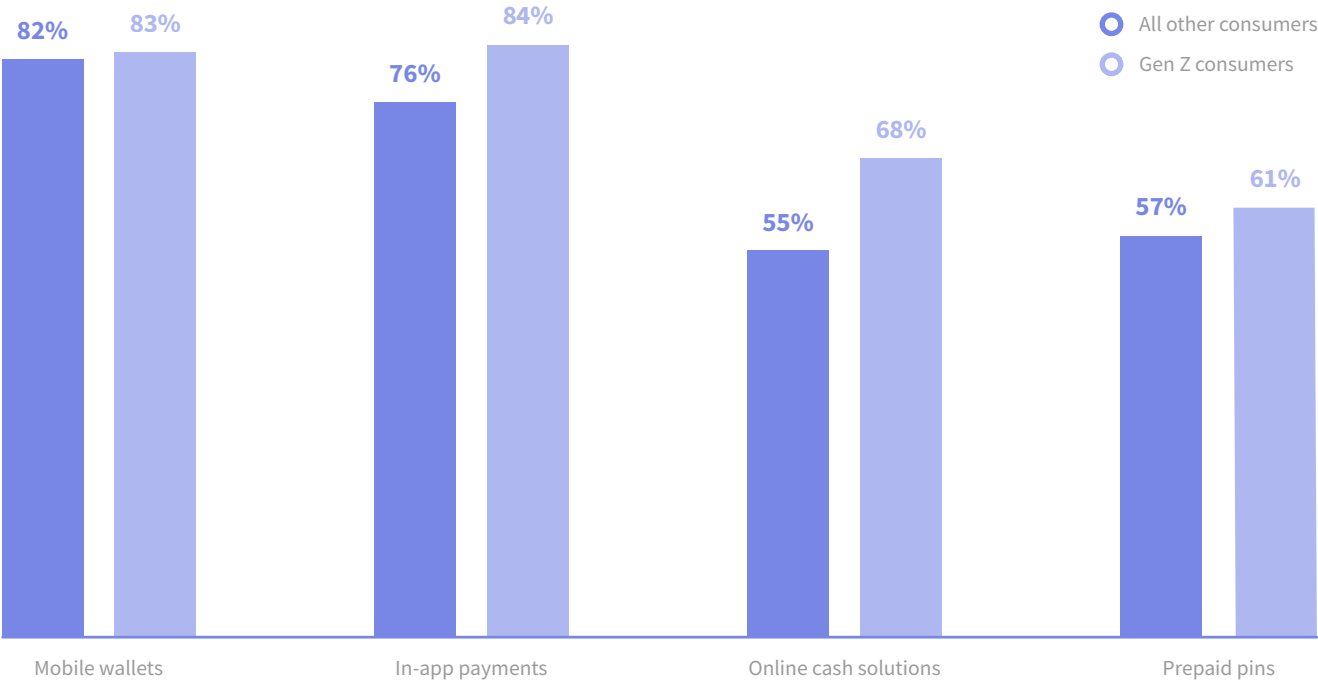


In addition to gravitating toward mCommerce, a further significant difference between age demographics when it comes to online spending habits is awareness and adoption of alternative payment methods. Where older consumers appear to be content to shop predominantly using a credit or debit card, or a digital wallet as a primary alternative when they don't want to share their financial details, younger consumers are much more likely to embrace a wider range of alternative payment methods.

There may be a number of reasons for this. Much like the slower adoption of mCommerce, older consumers that have relied on card payments for years may be less willing to change their spending habits, or they may be electing to stick with the payment method they trust. At the opposite end of the spectrum, younger consumers may be turning to alternative payment methods because they are financial excluded from certain traditional payment methods, particularly a lack of access to traditional credit and debit cards.

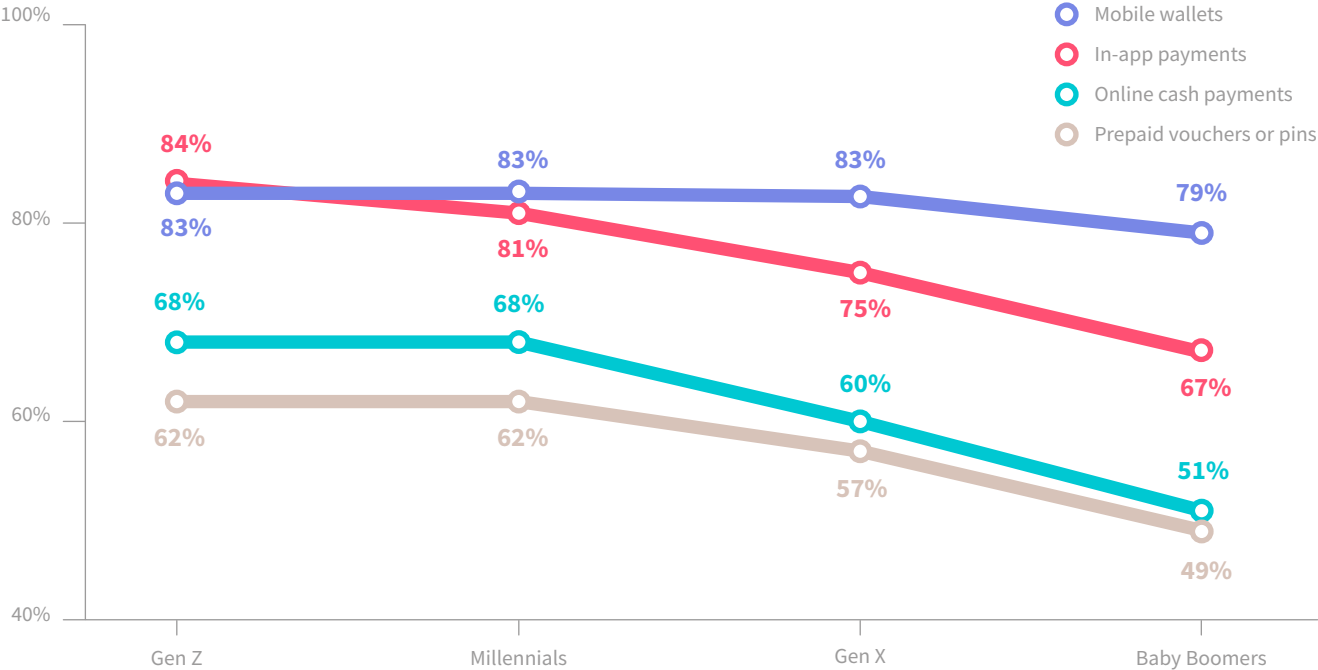
However, certainly one reason younger consumers are more open to adopting alternative payments is that they are more aware of their existence. When asked about their familiarity with a number of alternative payment methods Gen Z consumers consistently were more aware than the rest of the population; this includes in-app payments (84% Gen Z awareness vs. 76% for the rest of the population), mobile wallets (83% vs 82%), prepaid vouchers (61% vs. 57%), and online cash solutions (61% vs 55%).

Gen Z awareness of alternative payment methods vs all other consumers



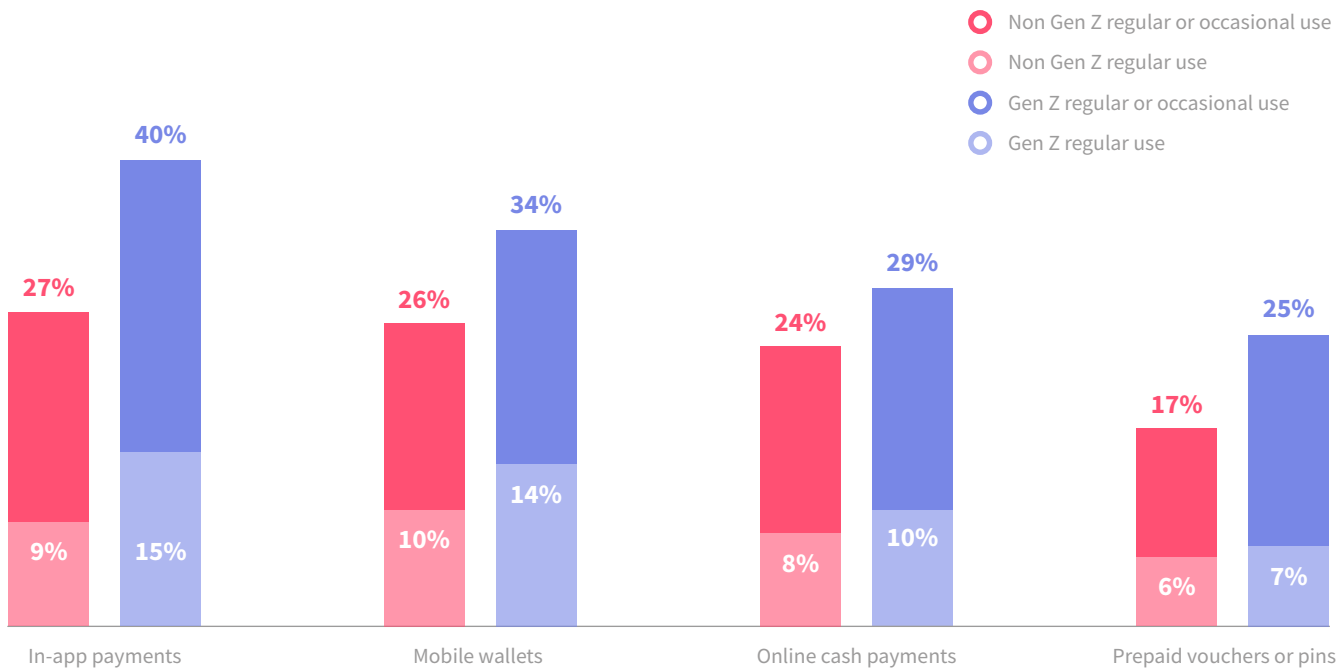
When comparing each age demographic individually, awareness of alternative payments is comparable in Gen Z and Millennials but then falls significantly for older age brackets.

Awareness of alternative payment methods by age demographic

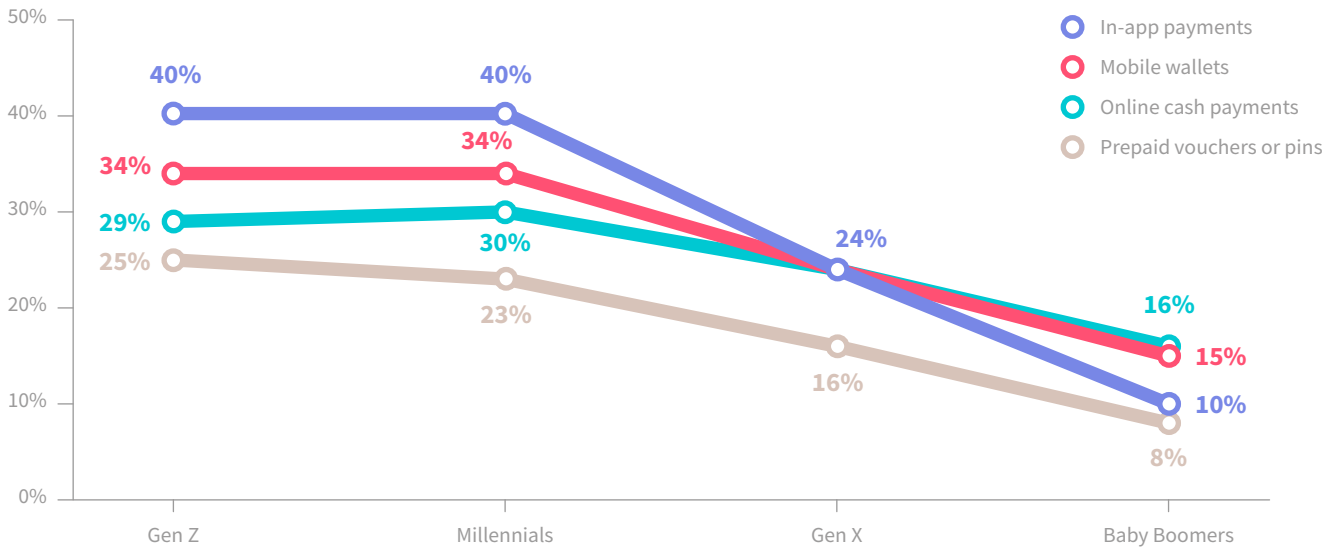


This pattern is repeated when consumers are asked about their experience of using alternative payment methods. 40% of Gen Z consumers have some experience using in-app payments, and 15% make in-app payments regularly. This is significantly higher than all other consumers (27% of consumers have some experience, of which 9% make in-app payments regularly). Over one third of Gen Z consumers (34%) have used a mobile wallet (vs. 26% of other consumers) and 14% (vs. 10% of other consumers) make payments using a mobile wallet regularly; 29% (vs. 24% of all other consumers) have made online purchases using a cash system such as Paysafecash and 10% do so regularly (vs. 8% of other consumers); and 25% have some experience of a prepaid pin (vs. 17% of the general population) and 7% make these payments regularly (compared to 6% of other consumers).

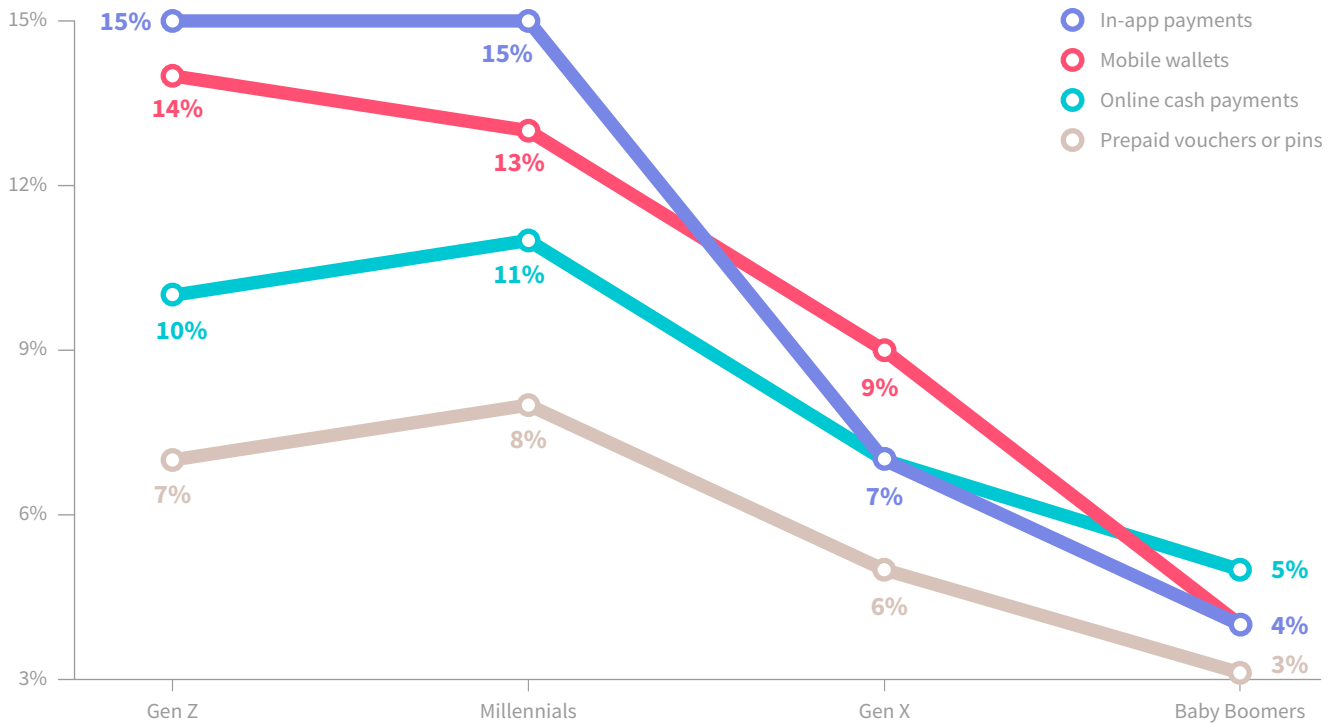
Gen Z regular or occasional use of alternative payment methods vs all other consumers




Regular or occasional usage of alternative payment methods by age demographic



Regular use of alternative payment methods by age demographic





Frictionless payments in-store, and a new role for cash online

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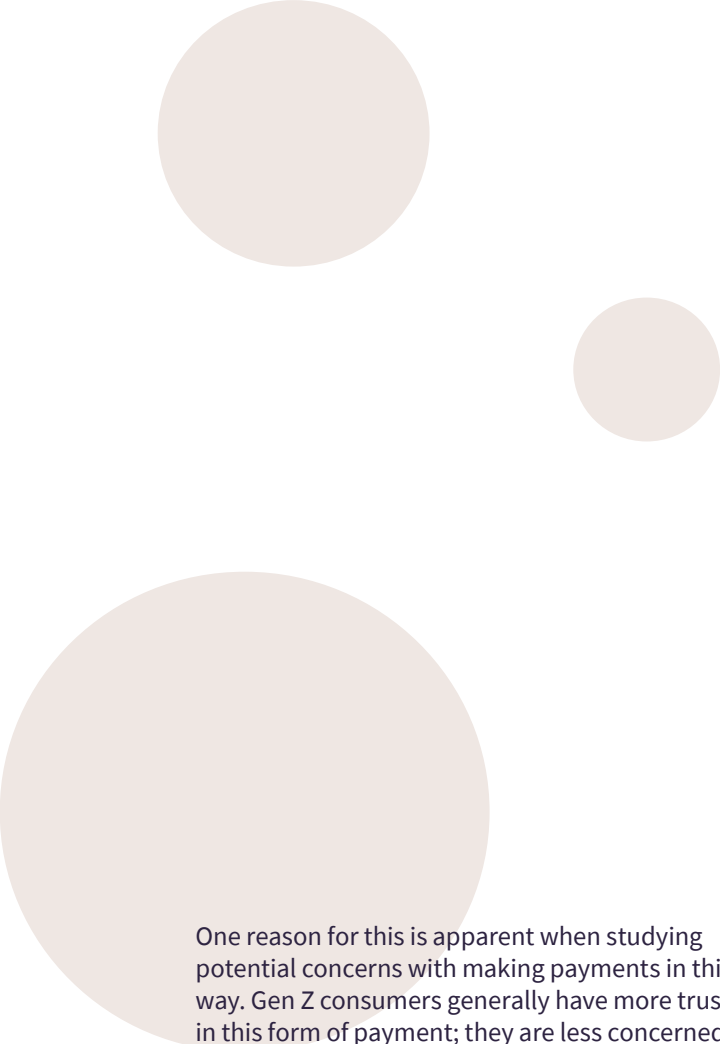
In-store, Gen Z consumers are embracing frictionless payments more than other demographics. In addition to having a higher adoption rate of mobile wallets, 50% of Gen Z consumers are using contactless cards, and more than half (53%) of consumers prefer to shop in stores that accept contactless payments. This is higher than all other consumers (48%) and particularly higher than the Baby Boomers (39%).



Gen Z consumers are also more aware of checkoutless stores such as Amazon Go (75%) than other consumers (70%), and a significantly higher percentage of Gen Z consumers have made a payment using this method (20% vs. 12%).

Experience of checkoutless retail stores

| | Gen Z | All non-Gen Z | Millennials | Gen X | Baby Boomers |
|----------------------------------------------------------------|-------|---------------|-------------|-------|--------------|
| Never heard of smart technology like this | 25% | 30% | 27% | 30% | 37% |
| I have heard of this type of smart technology but never use it | 55% | 57% | 54% | 60% | 60% |
| I have heard of this technology and I already use it | 16% | 9% | 14% | 8% | 3% |
| I have heard of this technology and use it regularly | 4% | 3% | 5% | 3% | 1% |



One reason for this is apparent when studying potential concerns with making payments in this way. Gen Z consumers generally have more trust in this form of payment; they are less concerned about the security of their data (32% of Gen Z consumers worry about this compared to 40% of other consumers) and of fraudulent activity using their financial details (38% vs. 44%).

The only ways in which Gen Z consumers have greater concerns over these types of payments are social factors; more Gen Z consumers are worried that they will be perceived as stealing (28% vs 24%) and more are concerned that they may make purchases by mistake (24% vs. 23%).

However, despite being less likely to make payments in cash – 79% of Gen Z consumers say they use cash to make an in-store payment at least once a month, compared to 86% of all other consumers – the opposite is true when making cash payments online.

Two fifths of Gen Z consumers (40%) habitually either make purchases online using cash or a cash replacement system such as a prepaid pin, a 33% increase on the percentage of other consumers that do so regularly (30%).

Aside from the potential security and privacy benefits of making payments online with cash, one reason for this may be the relatively low use of cards when shopping online. Less Gen Z consumers habitually make card-not-present payments using either a credit card (39% vs. 49%) or a debit card (41% vs 42%).

This could be due to financial inclusion. Younger consumers generally have less access to credit cards in particular but also bank accounts; for these consumers being able to use cash online either in post-paid or prepaid formats affords access to online businesses and eCommerce that they would not otherwise be able to engage with.

However, as contactless card adoption is higher with younger generations, there is an indication that financial inclusion isn't the only influence for younger consumers when it comes to making payments in cash online. Other factors such as a better consumer experience or increased acceptance rate of cash by online businesses targeting younger consumers must play at least some role in explaining the more diverged spending preferences.



A more positive outlook on payment innovation

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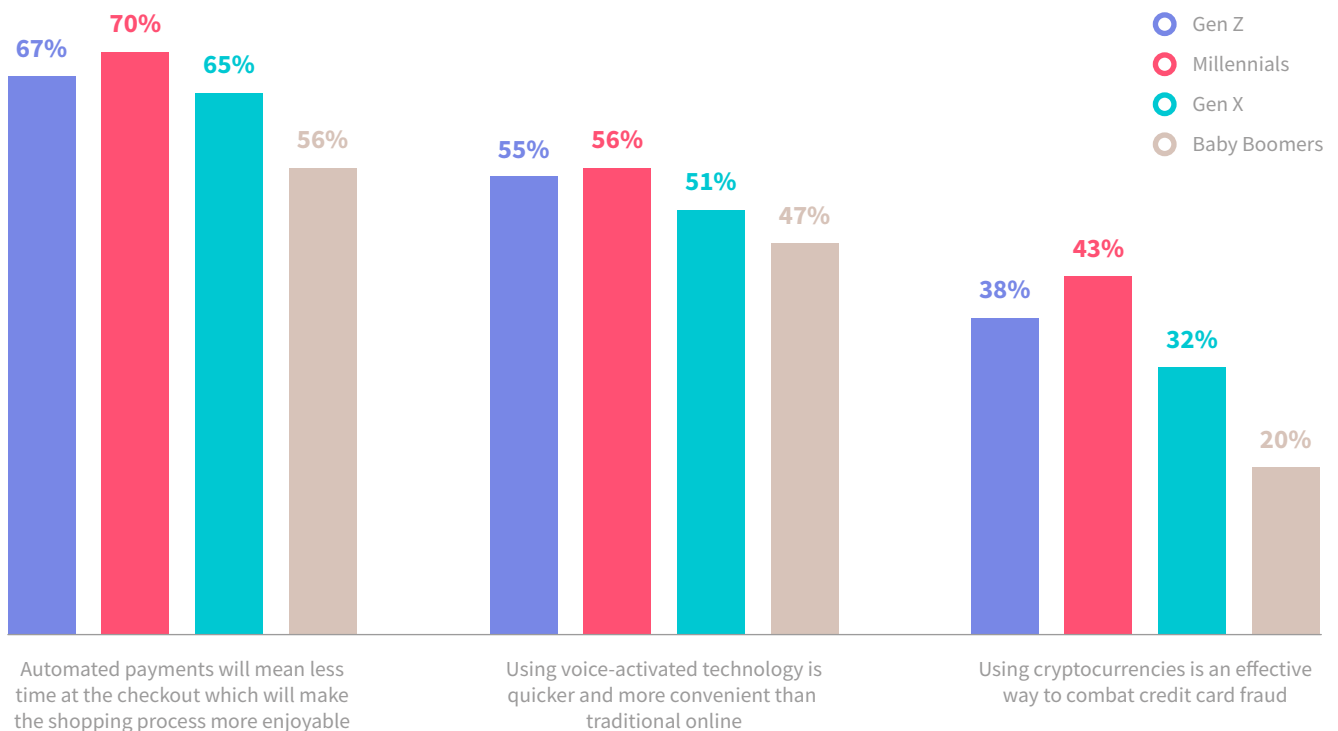
As we have already seen in this report, younger consumers have an overwhelmingly more positive attitude to new technology when it comes to payment innovation than older generations, both in current adoption and readiness to adopt at a later stage.

Their willingness to embrace Amazon Go-style frictionless shopping is just one example of this. As well as being greater adopters already and having fewer concerns about the security of these types of payments moving forward, two thirds of Gen Z consumers (67%) believe that automated payments will mean less time at the checkout and this will make shopping more enjoyable.

Gen Z consumers also have a more positive outlook on the future of cryptocurrencies than other consumers. Although the current adoption rate of cryptocurrencies is lower than other consumers (5% vs. 7%), more Gen Z consumers can see themselves using cryptocurrencies to make purchases in the next two years if they know more about them or they become more widely available (30% vs. 23%) and fewer consumers say they would never consider cryptocurrencies as a payment method (35% vs. 42%).

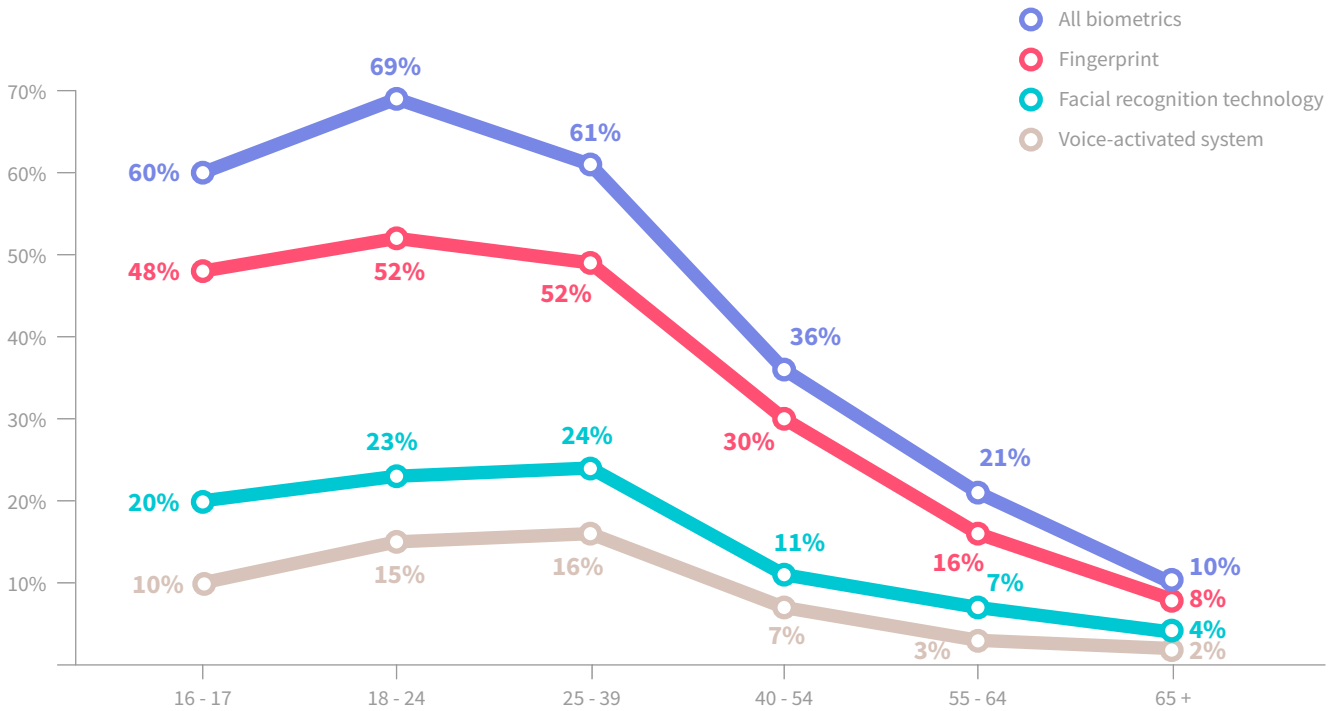
38% of Gen Z consumers believe that using cryptocurrencies would be an effective way to combat card fraud, more than the average consumer and every other age demographic except Millennials (43%).

Percentage of customers that agree with the following statements, by age demographic



We also know from our first research report of 2019, *Lost in Transaction: The future of risk?* that younger consumers are more familiar with biometric payment authentication and more comfortable with making payments using voice-activated technology.

Usage of biometric authentication methods by age group



In addition to strong adoption rates of all forms of biometric authentication, Gen Z consumers appear much more willing to embrace voice-activated technology via both Smart Homes and Internet-of-Things enabled technology.

More than half of Gen Z consumers would sign up for a subscription service such as Netflix (52%) or make a one-off entertainment purchase (51%) using voice-activated technology, and 43% would be prepared to pay for groceries using voice commands to their Smart Fridge. 39% of Gen Z consumers would make payments using their voice through their car's entertainment system.

To find out more about Gen Z attitudes to biometric authentication and voice-activated shopping, including comparisons to other age demographics, download [Lost in Transaction: The end of risk today](#).

Conclusion



For businesses, accurately predicting the future direction when it comes to consumer trends is imperative for sustainability and growth in years to come. Understanding the preferences and concerns of the most dynamic consumers in the market is perhaps the best indicator of how the appetite for change at the checkout will manifest itself in the next few years.

For this reason, eCommerce companies must focus their attention on younger consumers; not only are they the natural early adopters of new technology, but they also have the greatest potential lifetime value to businesses that can gain their loyalty, and they represent future generations of consumers that are yet to interact with the world of eCommerce.

And the trends are very clear. Younger consumers, both Generation Z and Millennials, view online spending much differently to older demographics.

Most notably, they demand more autonomy when making purchases. Their expectation is to be able to make payments whenever they want, from any location, and through any device. This means thinking mobile first when shopping online, and being prepared to engage with new technology such as Smart Homes and Smart Televisions to minimise the number of physical steps required between needing to make a purchase and completing it.

Autonomy also means having more options at the checkout. Younger consumers don't want to be forced to rely on card payments to make transactions; they are clued up when it comes to other options and they're already embracing alternatives such as online cash solutions and see the upside of other alternative payments such as cryptocurrencies. Satisfying this demand for choice as the payments ecosystem continues to diversify and consumer preference dissipates away from a reliance on card payments will be critical for all online businesses.

Furthermore, younger generations don't have the same concerns about security when it comes to both online and in-store payments. Because they have a greater level of trust in payments technology, they are much more welcoming of payments innovation and focused on achieving a more frictionless payments experience. This means being open to Internet-of-Things enabled payments, Smart Homes, and checkoutless stores, and wanting to use biometrics to authenticate payments online.

For retailers, delivering these experiences while maintaining the existing level of trust younger consumers have with innovative payments is critical to future success.

About our survey

This research was conducted in April 2019 by Loudhouse, a London-based research agency, in the following countries: USA, Canada, UK, Germany, Austria, and Bulgaria. The aim of this research was to understand how consumers shop and pay for goods and services online, and to also understand their views on new and evolving payment trends. In total, 6,197 online interviews were conducted and these were weighted in order to make the findings both nationally and demographically representative.

About Paysafe Group

Paysafe Group (Paysafe) is a leading global provider of end-to-end payment solutions. Its core purpose is to enable businesses and consumers to connect and transact seamlessly through industry-leading capabilities in payment processing, digital wallet, card issuing and online cash solutions.

With over 20 years of online payment experience, an annualized transactional volume of over U.S. \$85 billion, and approximately 3,000 employees located in 12+ global locations, Paysafe connects businesses and consumers across 200 payment types in over 40 currencies around the world.

Delivered through an integrated platform, Paysafe solutions are geared toward mobile-initiated transactions, real-time analytics and the convergence between brick-and-mortar and online payments.

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