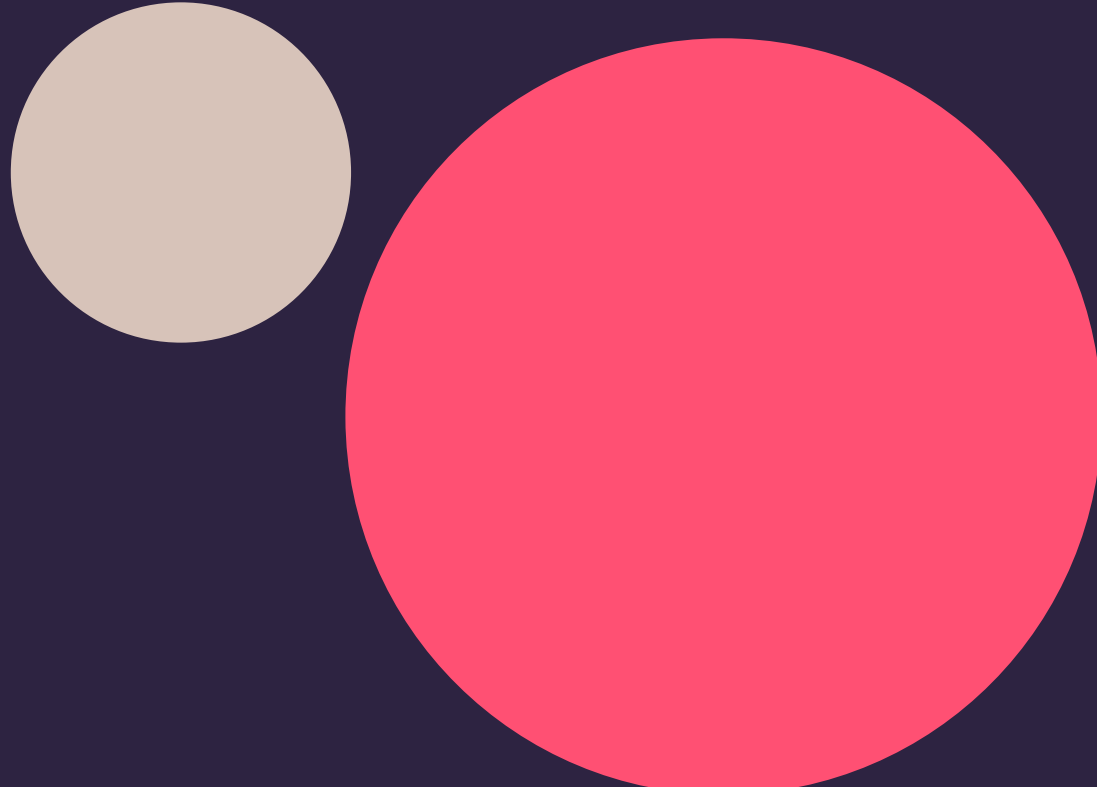


Paysafe:

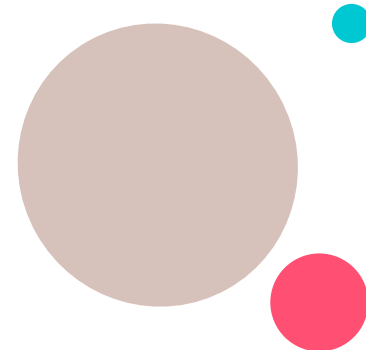
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Lost in Transaction: Consumer payment trends 2021

How COVID-19 has changed the payments landscape,
and what that means for the future of commerce

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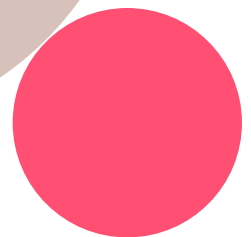
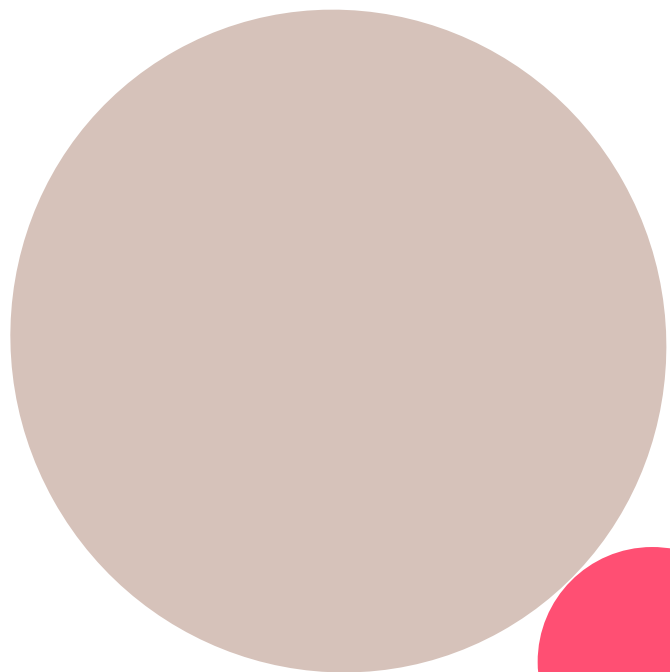
Executive Summary



- **The online payments landscape is continuing to diversify, and COVID-19 has been an accelerant. Consumers have changed the way they pay online during COVID-19, and plan to make these changes permanent. In many cases, consumers now have a new preferred payment method.** Only 14% of consumers' spending habits have not changed during COVID-19, and 59% have tried at least one new payment method online in the past 12 months. A third (33%) of consumers say their change in behaviour is being influenced by making less in-person payments generally, and 9% were not making any payments online before COVID-19. Increased familiarity with alternative payment methods (21%) has also contributed to a change in behaviour, as have heightened fears about being a victim of fraud during the pandemic (25%).
- **Overall, consumers appear to be slightly more confident in the security of online payments than this time last year.** 63% of consumers would advocate tightening security processes to make payments safer, and 40% are willing to accept whatever security measures are required if it eradicates fraud. Only 26% of consumers believe the correct balance between security and convenience of payments is currently being struck. However, 12 months ago more than three quarters of consumers (76%) demanded more secure payments even at the expense of convenience, with only 18% agreeing that the balance was right.
- **This may explain a shift towards more frictionless payment methods.** The number of consumers that are searching for a more seamless payment experience, even if it means the security of their transactions was lower, has increased 110% in the past 12 months. 19% of consumers that have changed their payment habits during COVID-19 did so because they were looking for a more frictionless payment method.
- **At the same time tolerance for being a victim of fraud is lower.** Less than half (45%) of consumers agreed that a certain level of risk of fraud is inevitable when shopping online, compared to 56% that agreed the same in 2020. And this lower tolerance for fraud is universal across every market; even in the U.S., where the highest percentage of consumers accept some risk (53%), this has fallen from 63% in 2020.
- **The use of cash has dipped during COVID-19, but looks likely to bounce back once the pandemic is no longer an issue.** Prior to the pandemic, 44% of consumers made less than 25% of their in-person payments using cash, and 9% were completely cash free. During COVID-19 this rose to 58% and 14%. However, when consumers are asked to project their cash usage once the pandemic is over, only 10% plan to be completely cashless, and 50% plan to make at least 25% of their transactions using cash.
- **Contactless adoption continues to be an identifiable consequence of the pandemic, but the U.S. is significantly behind other countries.** In every European country, the percentage of consumers that have never used contactless has fallen in the past 12 months, as has the percentage of consumers that have not used contactless in the past month. And those that are using contactless are doing so more frequently; the percentage of consumers that pay via contactless at least ten times a month has increased, as has the overall average number of contactless transactions per consumer. The U.S. is still lagging behind Europe, with a third of U.S. consumers still yet use contactless for the first time.
- **In-person spending is already bouncing back, but appears unlikely to return to pre-COVID-19 levels. However, only a small minority of consumers plan to only shop online in the future.** Only 7% of consumers are not shopping in stores at all currently, compared to 11% in April 2020. At the same time, only 12% of consumers are currently shopping in stores as much as they did pre-COVID-19, but this is higher in the U.S. (17%). Nearly half (48%) of consumers say they are already shopping or plan to shop in stores as frequently as pre-COVID-19, and a further 8% plan to shop in stores more. But of the 44% of consumers that are planning to shop in stores less, only 9% plan to only shop online.

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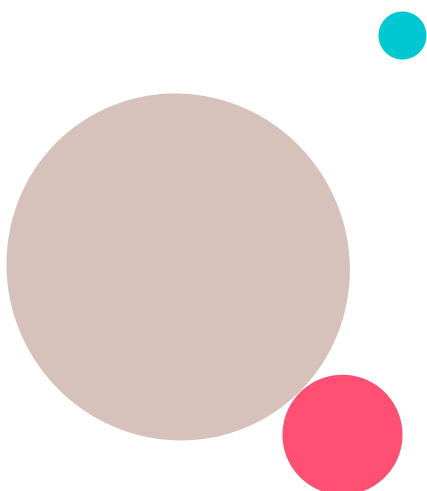
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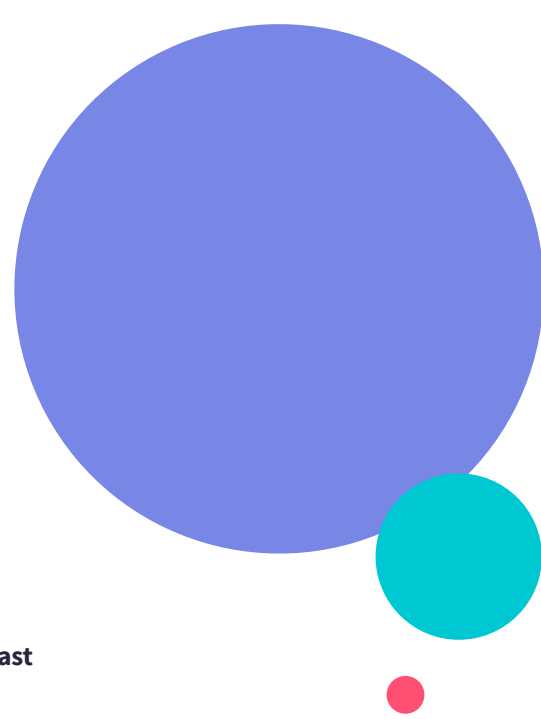
COVID-19 has permanently impacted payment habits

The online payments landscape is continuing to diversify, and COVID-19 has been an accelerant. Consumers have changed the way they pay online during COVID-19, and plan to make these changes permanent. In many cases, consumers now have a new preferred payment method.

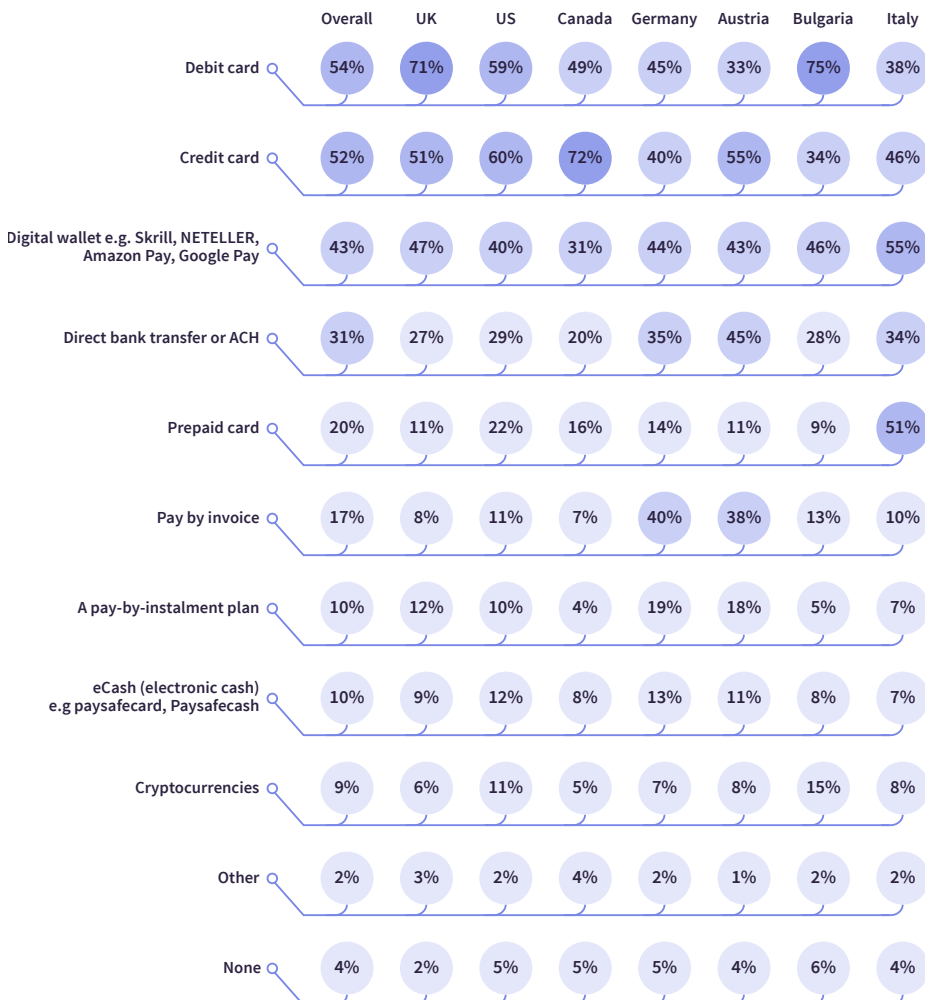


Is COVID-19 changing the way people pay online?

Overall, card payments continue to be the most popular payment methods online, with more than half of all consumers having used a debit (54%) or credit (51%) card to complete a transaction in the past month. Paying via a digital wallet (43%) is clearly the most popular alternative payment method to credit and debit card payments, especially in Europe.

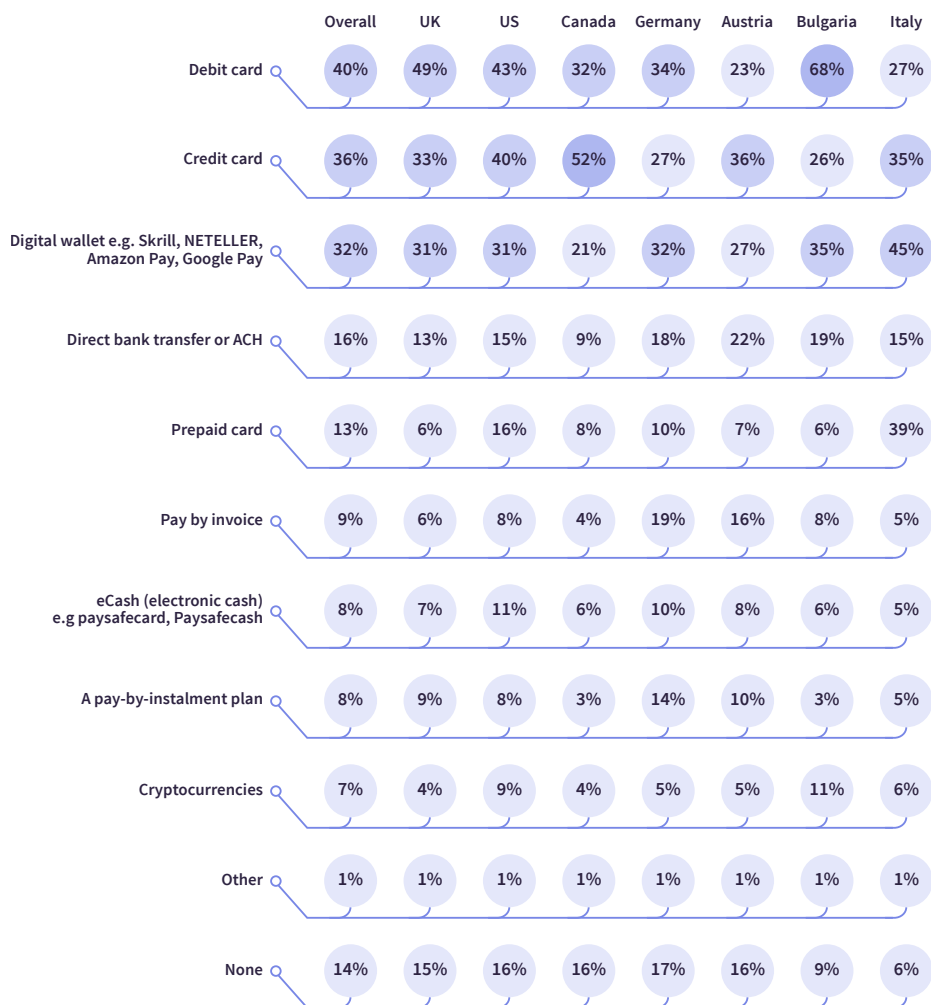


Which of the following payment methods have you used in the past month when making payments online?



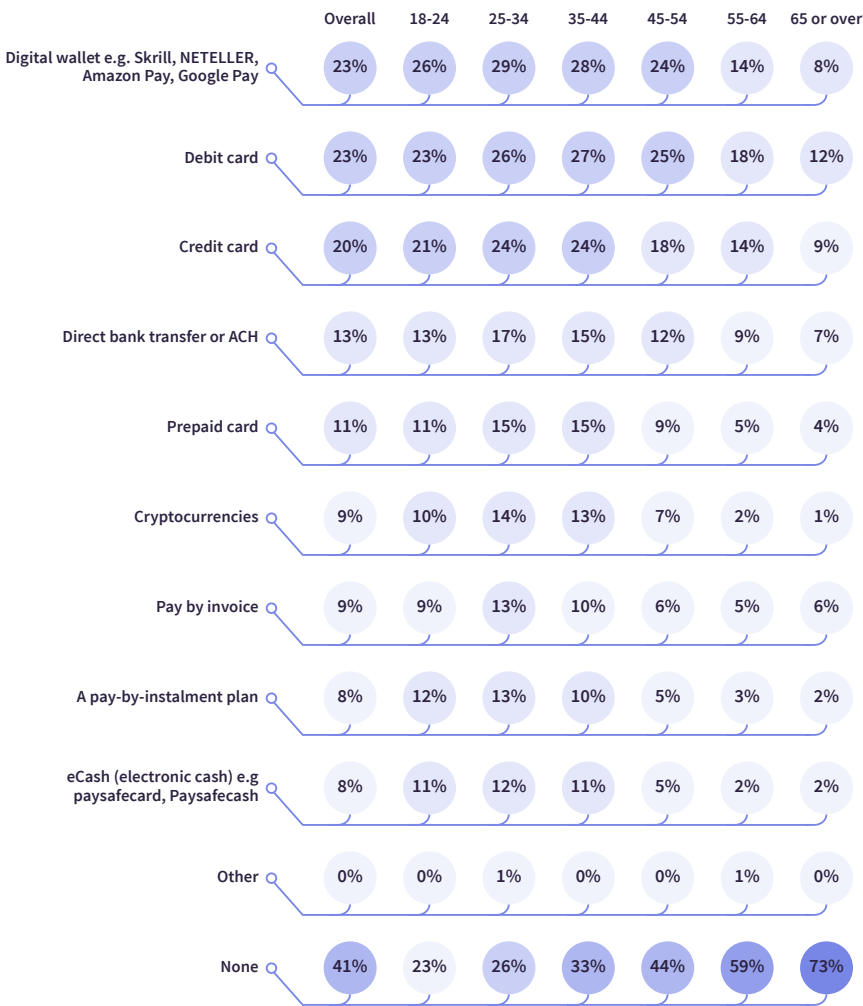
Of the significant majority (86%) of consumers that confirmed their spending behaviour had changed, there was no overwhelming preference for any particular payment method. Again debit (40%) and credit (36%) cards are the most popular, followed even more closely by digital wallets.

Which of the following online payment methods are you using more frequently (a greater percentage of your transactions) now than before COVID-19?



In addition to using payments methods they were already familiar with more frequently during COVID-19, many consumers (59%) have also experienced using a new payment method for the first time. And younger consumers are most more likely to have tried a new payment method during this time.

Have you used any of the following payment methods for the first time in the past 12 months? Select all that apply.

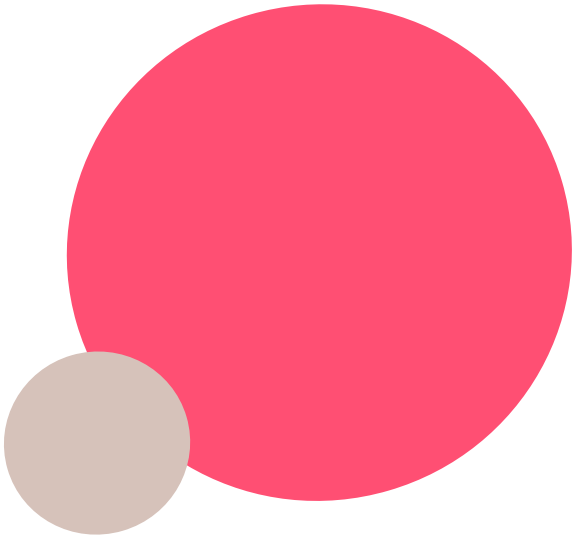


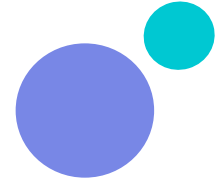


So why are consumers paying differently?

Migrating more of their spending to online due to the pandemic and social distancing is the most significant factor impacting the change of payment methods. A third (33%) of consumers say their change in behaviour is being influenced by making less in-person payments generally, and 9% were not making any payments online before COVID-19.

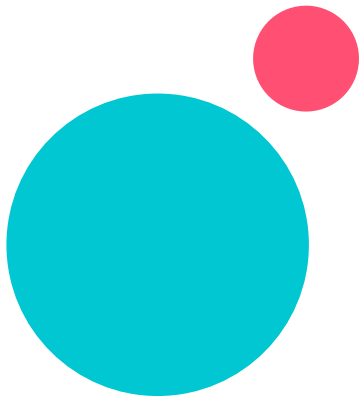
Why have your payment method habits changed during COVID-19? Select all that apply.



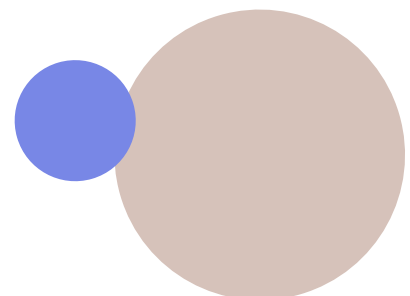
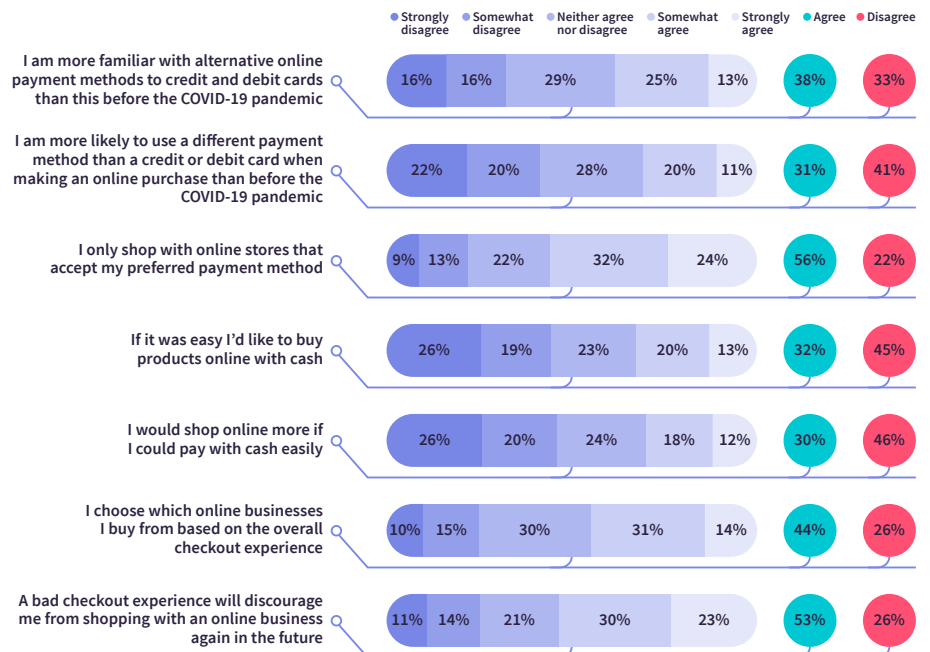


Can the checkout be a competitive advantage for online businesses?

Consumers are clear that how they pay is a decisive factor when determining whether to shop with an online retailer, and that this has become more important to them during COVID-19. Overall, 44% of consumers choose which online businesses they buy from based on the overall checkout experience, and more than half (53%) of all consumers agree that a poor checkout experience will result in them not purchasing from an online business again. This includes the breadth of available payment methods, as 56% of consumers only shop with online stores that accept their preferred payment method.



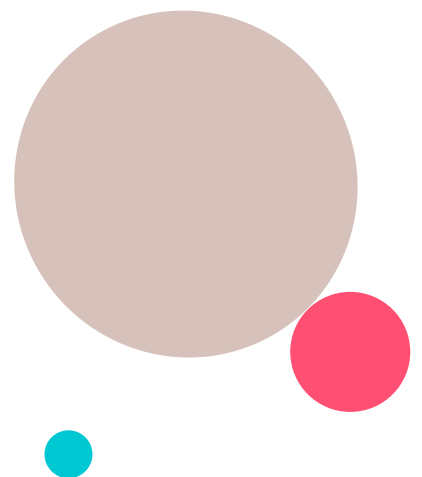
To what extent do you agree with the following statements?





Trust in payments security is growing, but not in all areas

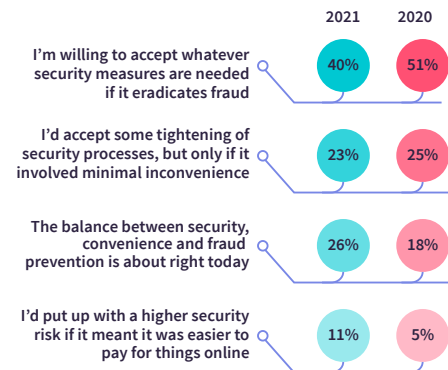
Overall, consumers appear to be slightly more confident in the security of online payments than this time last year. This may explain a shift towards more frictionless payment methods. At the same time, tolerance for being a victim of fraud is lower.



How are consumers balancing security and convenience?

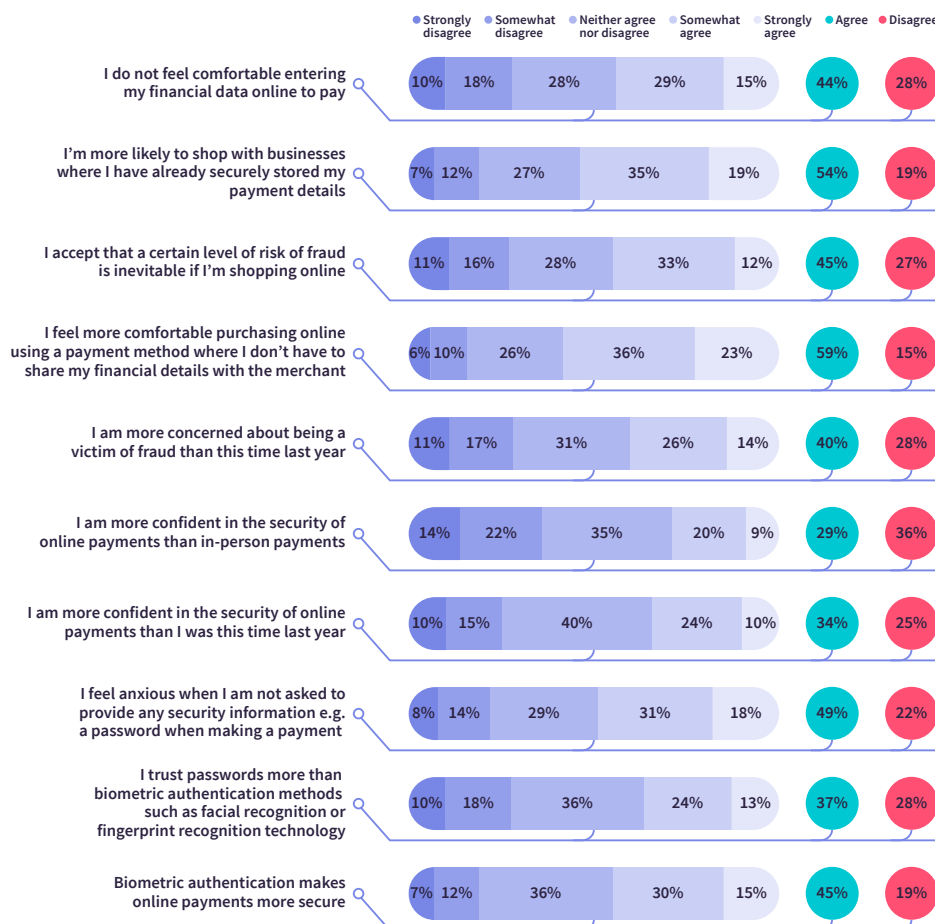
Overall, consumers still prioritise the security of their transaction over its ease. When asked how they would assess competing priorities, 63% of consumers would advocate tightening security processes to make payments safer, and 40% are willing to accept whatever security measures are required if it eradicates fraud. However, in 2020 more than three quarters of consumers (76%) demanded more secure payments even at the expense of convenience.

When weighing up convenience vs. security of financial data when making a purchase online, what element of risk would you be willing to accept?



So do consumers trust online payments more than last year?

To what extent do you agree with the following statements?



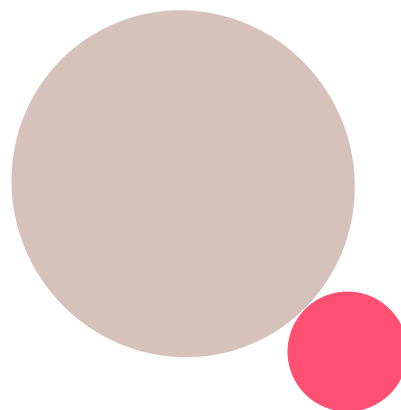
40% of consumers are more concerned about being a victim of fraud than this time last year, and 44% feel uncomfortable when entering their financial details to pay online, but these figures have fallen from last year. In 2020 48% of consumers said that they were more concerned about being a victim of fraud than the previous year, and the same percentage did not feel comfortable entering their financial data to pay online.

A consequence of the growth in trust of online payments is a lower tolerance for being a victim of fraud. Less than half (45%) of consumers agreed that a certain level of risk of fraud is inevitable when shopping online, compared to 56% that agreed the same in 2020.



Cash is set for a comeback, but contactless continues to grow

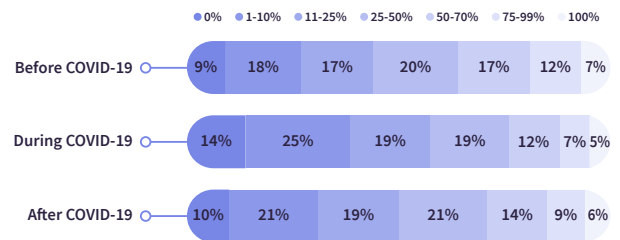
The use of cash has dipped during COVID-19, but looks likely to bounce back once the pandemic is no longer an issue. Contactless adoption continues to be an identifiable consequence of the pandemic, but the U.S. is significantly behind other countries.



Is the move away from cash a permanent trend?

Cash remains an important element of the payments landscape, with only a very small minority of consumers committing to going completely cashless. And while the pandemic has clearly had an impact on cash usage in the short term, the long-term picture tells a different story.

What percentage of in-person transactions would you complete using cash...

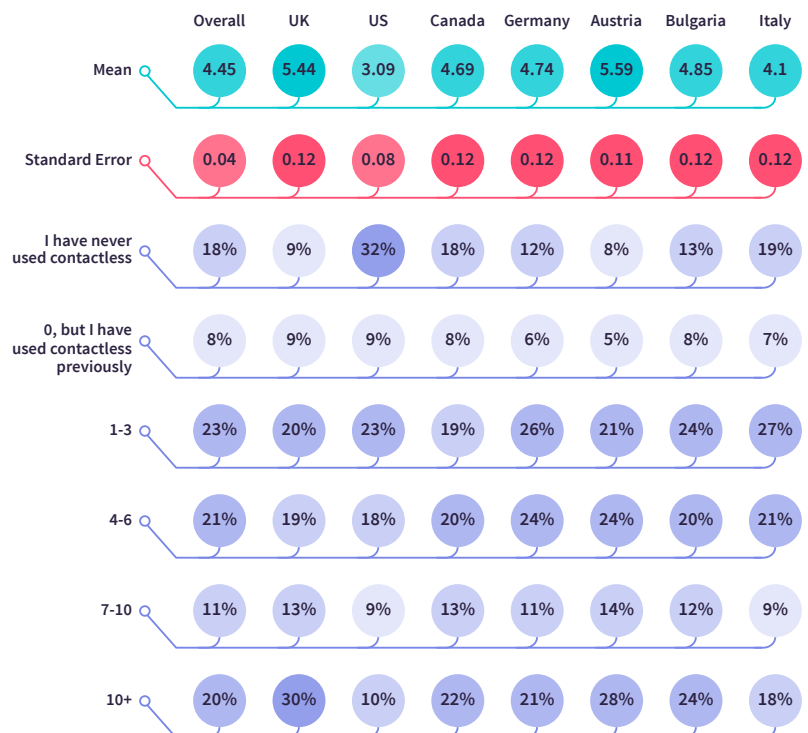


Has contactless adoption continued to remain strong throughout COVID-19?

In every European country, the percentage of consumers that have never used contactless has fallen, as has the percentage of consumers that have not used contactless in the past month. And those that are using contactless are doing so more frequently; in every European country the percentage of consumers that paid via contactless at least ten times in the past month has increased, and the overall average number of contactless transactions consumers have made in the past month has also increased.

Adoption in the U.S. is still lagging behind Europe, with a third of U.S. consumers still yet to use contactless for the first time.

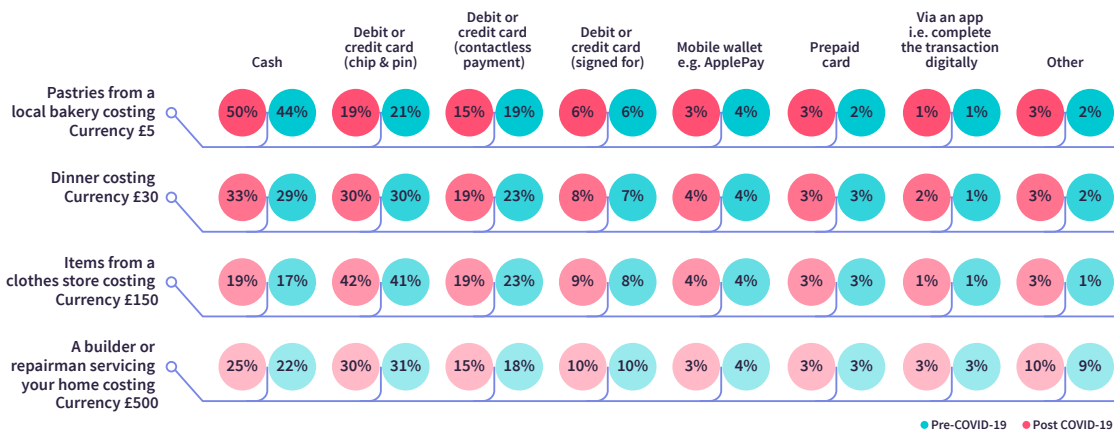
How often have you used contactless (either via card, smartphone or wearable device) as a payment method in the last month?



Is there a direct correlation between cash usage and contactless adoption?

While cash is still a popular form of payment especially for lower value transactions, where propensity to pay with cash has fallen the shift has almost entirely moved to contactless payments. Overall, approaching a quarter (23%) of consumers prefer to use contactless payment methods for purchases over £30.

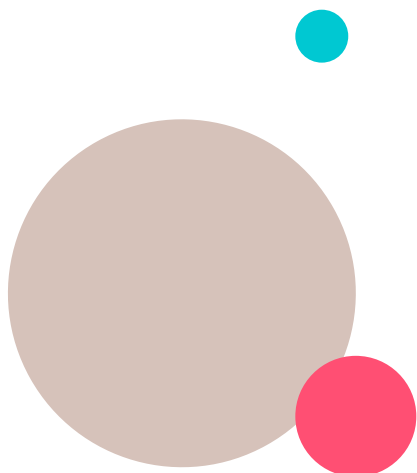
For the following in-person transactions, if available which would be your preferred payment method to use a) before COVID-19 b) now?





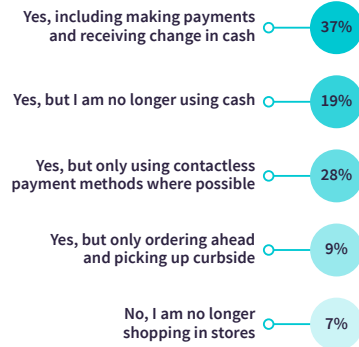
The re-emergence of in-store shopping

In-person spending is already bouncing back, but appears unlikely to return to pre-COVID-19 levels overall despite nearly half of all consumers planning to return to stores as frequently as they did before the pandemic. However, only a small minority of consumers plan to shop online only in the future.



Are consumers already returning to stores?

Are you currently buying products by visiting stores?

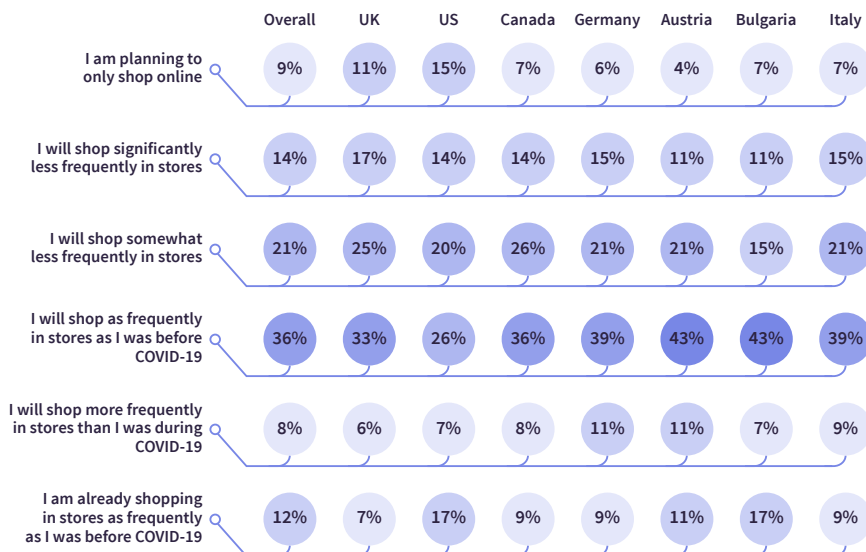


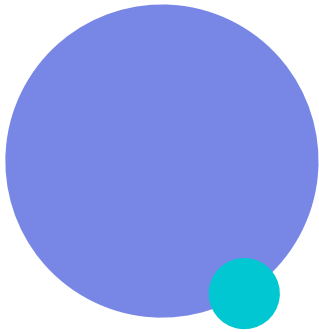
When consumers were asked about their current in-person retail activity, only 7% said that they were not shopping in stores at all. When asked the same question at the height of the first wave of the pandemic in April 2020, 11% of consumers were avoiding stores.

Will consumer retail spending return to pre-COVID-19 levels?

Only a small percentage of consumers (12%) have already returned to their pre-COVID-19 levels of activity. However, this is higher in the U.S. (17%) and Bulgaria (17%). Looking ahead, nearly half (48%) of consumers say they are already or plan to shop in stores as frequently as pre-COVID-19. Overall, 44% of consumers plan to reduce the amount of spending they do in stores, but only 9% say they plan to shop online only in the future.

Once COVID-19 is no longer considered an international pandemic, are you planning to shop in stores as frequently as you were before the outbreak?

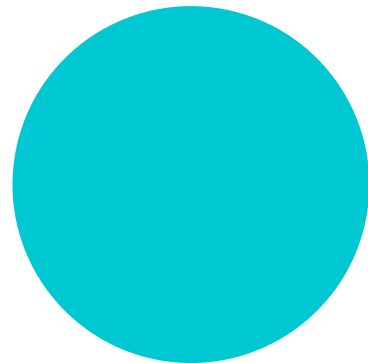
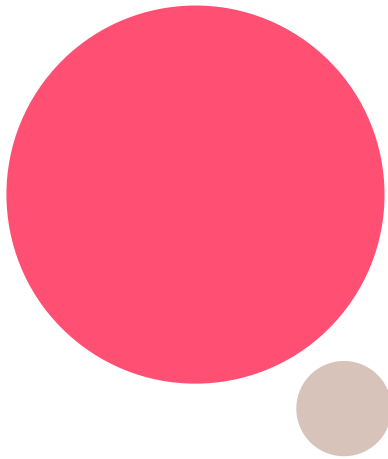
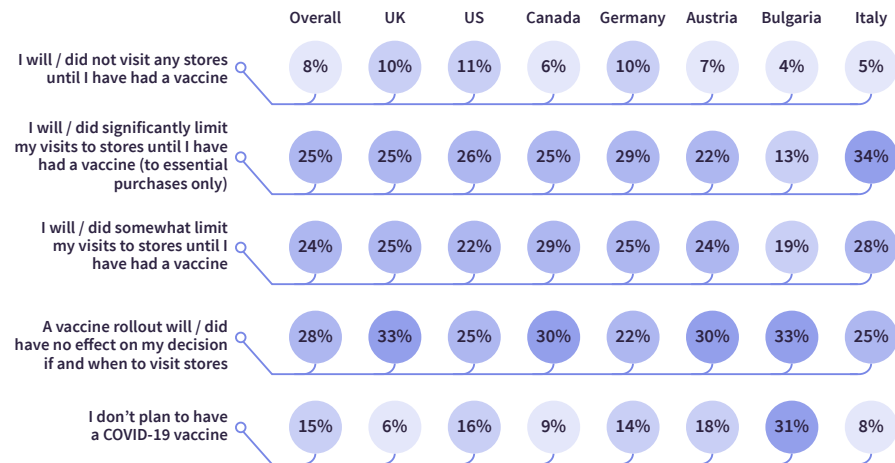




Will the rollout of vaccines shift the needle on in-store shopping?

Overall, 57% of consumers have connected their amount of in-store retail activity to the vaccine rollout, and this is significantly higher in Italy (67%) and Germany (64%).

To what extent will / does a successful COVID-19 vaccination rollout impact your in-store shopping habits?



Will different approaches to the checkout impact where consumers shop?

In addition to altering the volume of in-store spending they plan to do, consumers are also considering switching the retailers they shop with due to the experience they have in the store. This is particularly true when it comes to the experience they have at the checkout. Almost a third (31%) of consumers have already changed their preferred stores due to different approaches to customer safety at the checkout and an even higher percentage (39%) are now less likely to shop in stores that haven't adapted their checkout process to make it safer for customers.

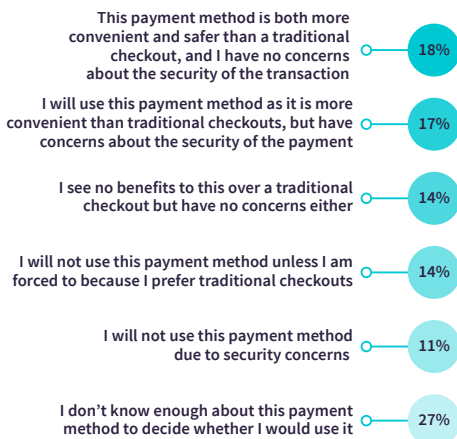
To what extent do you agree with the following statements?



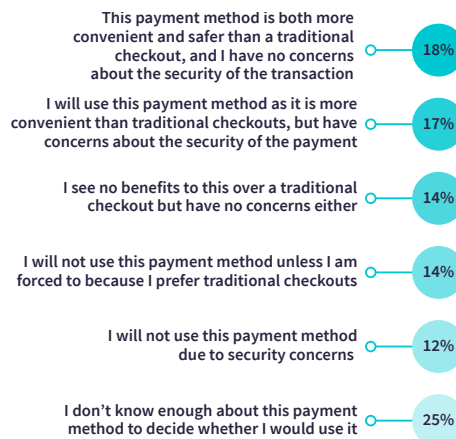
The future of in-store retail hasn't arrived yet

While speed and convenience are important for consumers, new types of frictionless checkout are still receiving mixed reviews. Many consumers don't know enough about them to have an opinion, and of those that do many remain unconvinced of the benefits.

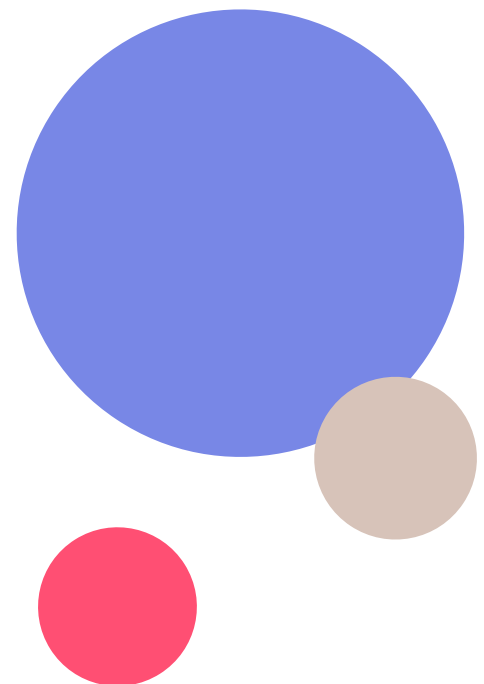
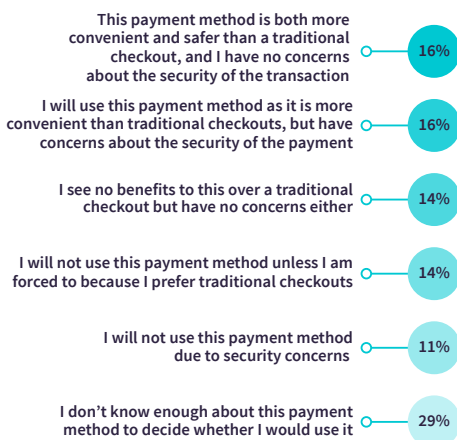
Which of the following statements most closely matches your opinion of the following payment methods? Frictionless checkouts where you remove items from the store and are automatically charged e.g. Amazon Go/Amazon Fresh



Which of the following statements most closely matches your opinion of the following payment methods? Smartphone apps that enable you to complete an in-person transaction digitally e.g. the Starbucks app, Walmart Pay, The Wetherspoons app



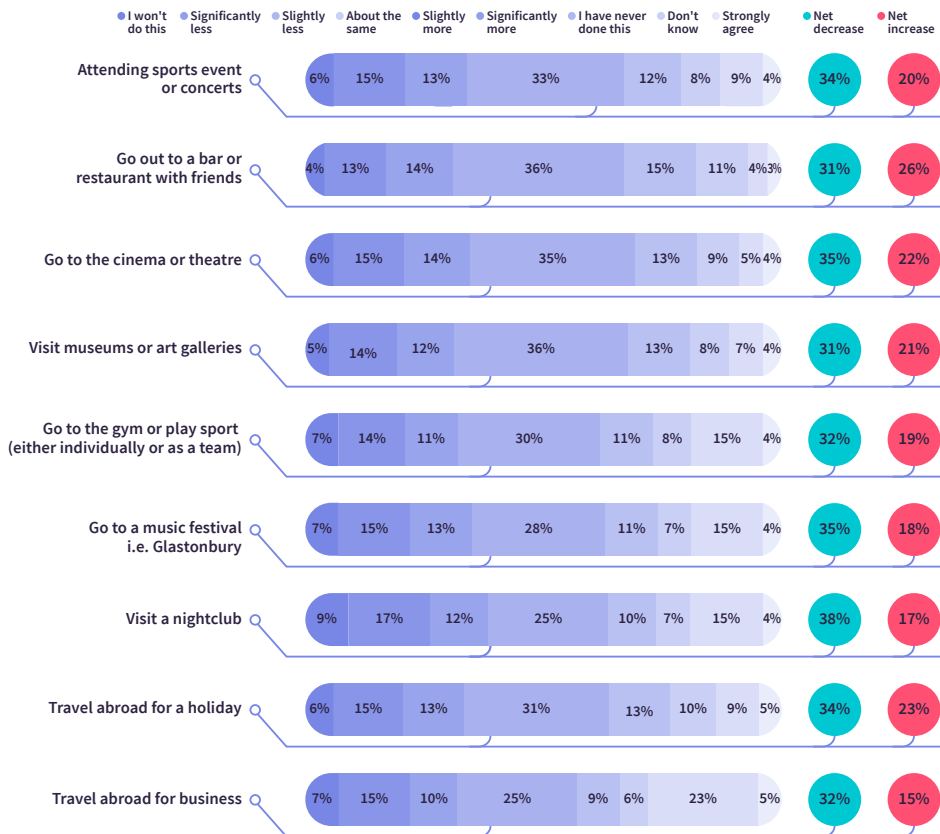
Which of the following statements most closely matches your opinion of the following payment methods? QR codes that can be scanned in a store, and the transaction is then completed online



What about other in-person activities?

Across the board, approximately a third of all consumers did confirm that they planned to reduce their volume of out-of-home activities. But this is offset to a degree by a healthy percentage of consumers that plan to increase the amount of out-of-home activities they do compared to before the pandemic.

Once you are legally permitted to do so, how frequently do you think you will do the following activities?





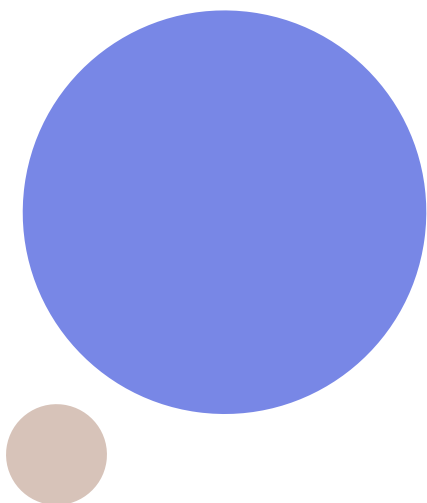
Methodology

The survey was conducted among 8,111 consumers (representative by age and gender) in the U.S. (2,000), UK, Canada, Germany, Austria, Bulgaria, Italy (all 1,000).

The interviews were conducted online by Sapio Research in March - April 2021 using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. In this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 1.1 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

Sample was selected from online partner panels.





About Paysafe

Paysafe Limited (“Paysafe”) (PSFE: NYSE) (PSFE.WS) is a leading specialized payments platform. Its core purpose is to enable businesses and consumers to connect and transact seamlessly through industry-leading capabilities in payment processing, digital wallet, and online cash solutions. With over 20 years of online payment experience, an annualized transactional volume of US \$92 billion in 2020, and approximately 3,400 employees located in 12+ global locations, Paysafe connects businesses and consumers across 70 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. Further information is available at www.paysafe.com.

