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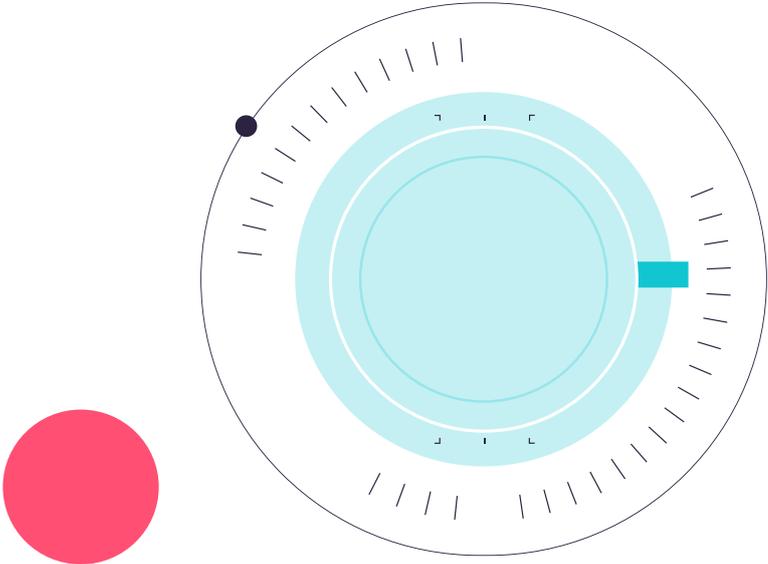


Lost in Transaction: The US in-store business payments outlook for 2023

Customer experience and payments modernization are topping the agenda for in-store small and medium-sized businesses (SMBs) in the U.S.

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Editorial Note

In the constantly changing market landscape, brick-and-mortar businesses have learned to quickly react and adjust to the shifting demands of their customers.

In October 2022, we commissioned a survey of 200 small and medium-sized brick-and-mortar businesses across the U.S. to map payment trends and explore merchants' appetite for new technologies. This forms the latest edition of our Lost in Transaction research series which we have been running since 2017 to explore the changing payment preferences of both businesses and consumers in light of evolving macro-economic environments, and track year-on-year trends.

The results of our survey reveal that merchants acknowledge the need to adjust to the market and offer a prime customer experience. They recognize that their customers' experience is highly impacted by the checkout, therefore understanding this is a vital part of their offer to retain and attract more business.

Most merchants are neutral or optimistic about the 2023 outlook and believe their business to be flexible and resilient. After two years of disruption amid the pandemic, this sentiment of preparedness among merchants is an important one to note.

There's opportunity for a proactive approach to adapt business models in response to customers demanding premium service and changing market conditions. This study showed that merchants echo this attitude. They are adjusting their initiatives such as increasing digital marketing activities and expanding the services and/or value they offer to customers.

The findings from this survey will help us understand merchants' priorities and enable us to support them to fully embrace opportunities ahead.

I hope you enjoy the insights.

Afshin Yazdian

President, Merchant Solutions, Paysafe



Summary – the key trends

- **Optimizing the customer experience is a priority.** With a competitive market, businesses are looking to ensure their customers have the best experience possible. Nearly two-thirds of respondents surveyed are thinking about optimizing their customers' journeys by complementing the in-store experience with digital capabilities. And 70% are planning to incorporate new payments technology in-store.
- **Businesses are focusing on updating their checkouts.** Fixed terminal card readers are used by 65% of respondents, but businesses are exploring more modern systems. For example, 49% want to offer smartphone-driven solutions – such as QR codes, which allow customers to scan and pay for items on-site using their phones – within the next two years.
- **Cash remains important.** Cash is offered by 91% of the in-store businesses in our survey – slightly more than reported in our 2021 survey, which indicated 89% offered cash as a payment method. Almost all of the companies that currently offer cash plan to do so in the future: 85% say it will still be an option at checkout in the next 1 to 2 years.
- **SMBs are modifying their business models to adapt to the market.** While the pandemic is behind us, the market conditions still challenge merchants to keep their businesses relevant and competitive. Merchants have indicated a good level of resiliency, optimism and flexibility in adjusting their businesses to the markets quickly evolving landscapes. For example, 39% are increasing the service offered or value delivered to their customers.
- **The checkout has become a competitive differentiator.** There's consensus among SMBs that the checkout plays a big part in their success. 86% say that payments and the checkout experience are important for retaining existing customers and 82% agree it helps in attracting new customers.



Enhancing the in-store customer experience is a key driver for businesses

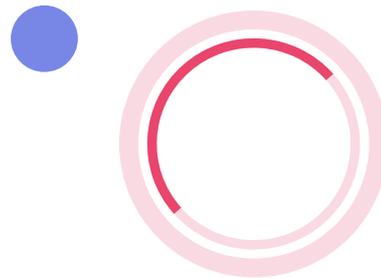


In-store businesses are focused on providing the best experience they can for customers, and the checkout is central to this. 70% of SMBs say it's a priority for them to integrate new payments technology in-store to enhance customers' experiences. And 69% agree that they'd like to reduce the time their customers spend at checkout.

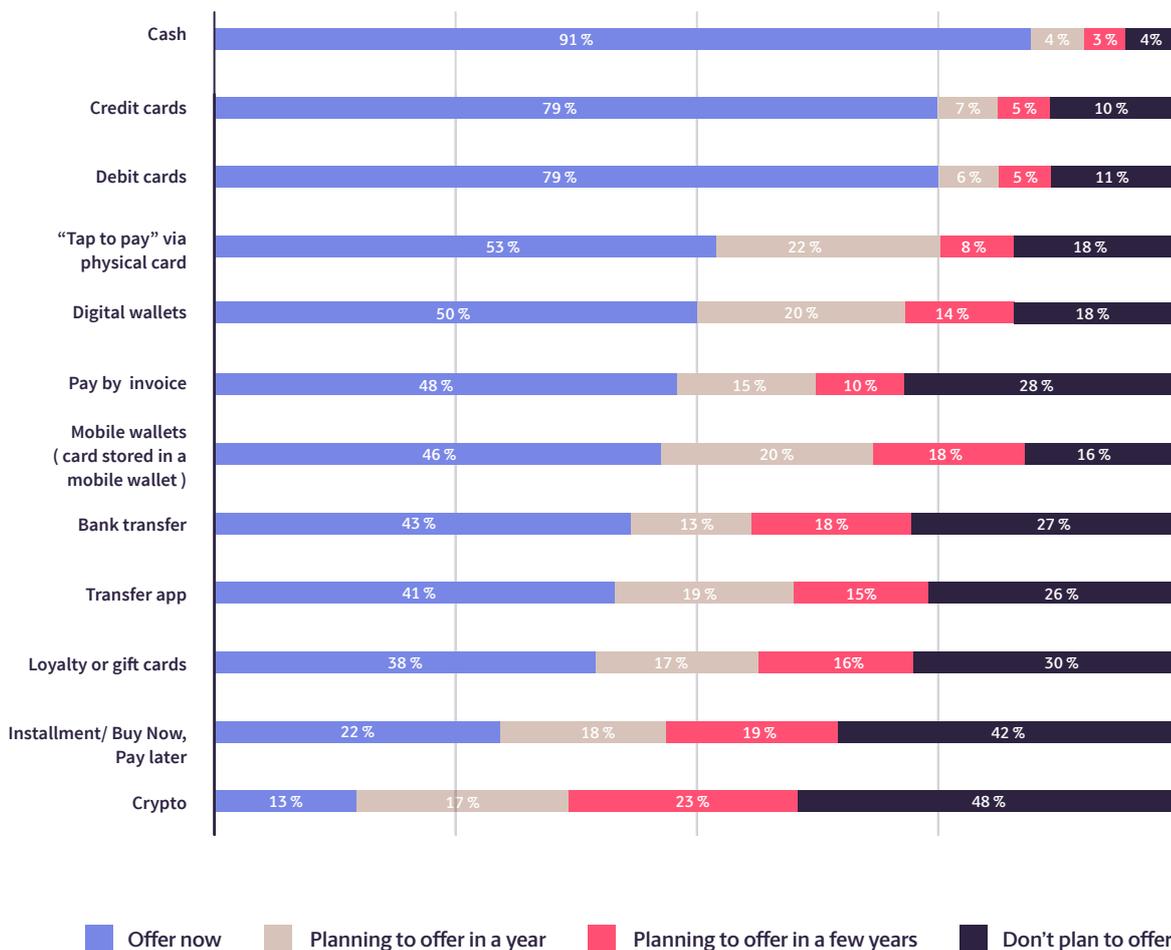
Just over half (55%) of merchants think their payments offering is in line with their customers' expectations. But around two in five (41%) feel that there could be room for improvement in the payment methods they offer, acknowledging that they've missed out on sales for not accepting payments in a certain way.

Additionally, 5% say that they don't offer all the payment methods their customers want, and their business would benefit from accepting more.

Currently, cash is still the most widely offered method of payment and accepted by the vast majority of in-store businesses – 91% (compared to 89% in our 2021 survey). Credit and debit cards are the next most offered payment method at 79% each. More than half of respondents offer “tap to pay” (53%). Digital wallets and mobile wallets are offered by 50% and 46% of businesses respectively. And 43% offer direct bank transfers.

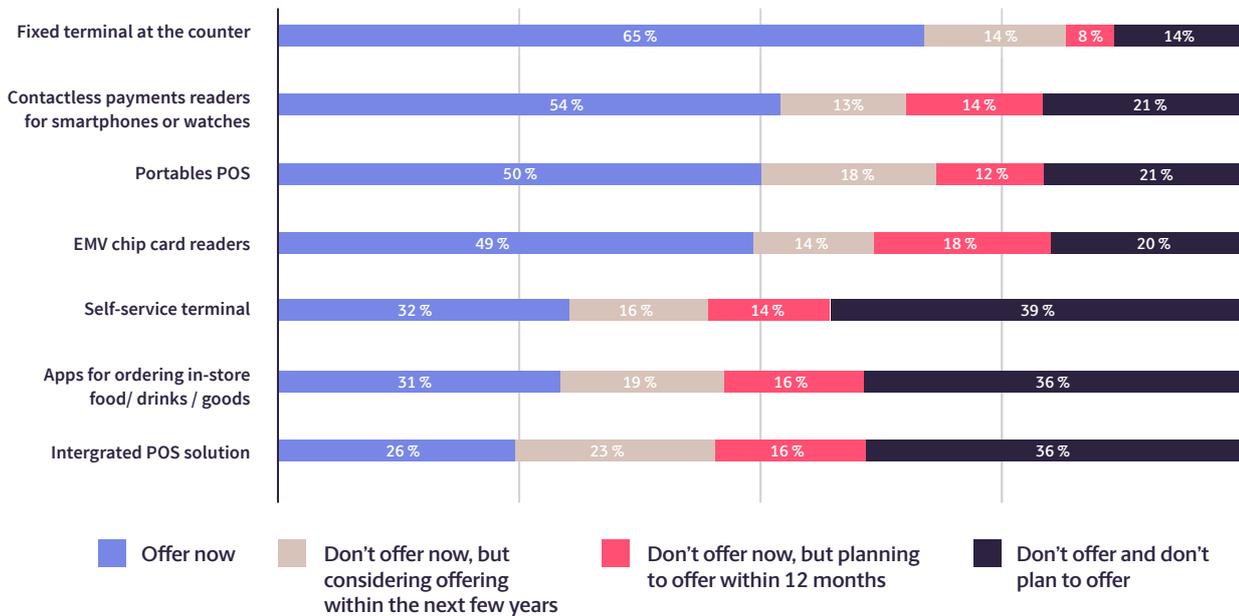


Which of the following payment methods do you currently offer in your in-person checkout, and which, if any, are you planning to offer in the future?



Fixed terminal card readers are present in 65% of the stores surveyed. Contactless payment readers are offered by 54% and portable point-of-sale (POS) terminals 50%. This compares to a 2021 top-three of fixed terminal (59%), EMV reader (51%), and contactless payment reader (47%).

Which of the following payment equipment do you use in your in-person checkout, and which, if any, are you planning to offer in the future?



The tipping point

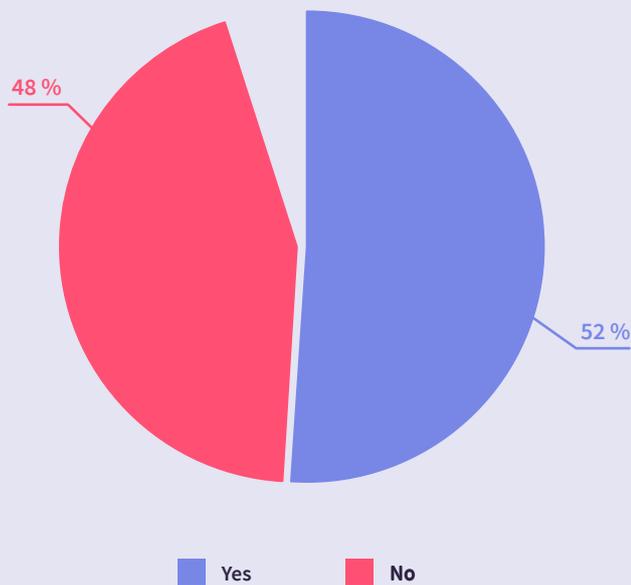
More than half (51%) of merchants indicated that their businesses handle tips. Of those merchants, 71% said that their point-of-sale systems already pre-suggest tips, with 75% agreeing that this increases the amount received in gratuities. In addition, 84% found that suggesting tips helps motivate their personnel. Of the 25% that don't have a system that pre-suggests tips, 50% said that they'd like their system to do that.

Digital Presence

Nearly two-thirds of businesses are thinking about optimising their customers' journeys by complementing the in-store experience with digital capabilities. 62% agree that an online presence is critical to their business surviving and thriving in the future – whether that's making connections on social media, offering promotions, or virtual checkouts. 73% of merchants already have an online presence, whereby consumers can pay for products or services online.



Does your business involve the handing of tips?



Does your POS system already pre-suggest tips?



Of those with POS system that pre-suggest tips:

- 75% agree that it increases the amount received in tips.
- 84% find suggesting tips helps motivate personnel.

Would you like your POS to pre-suggest tips?

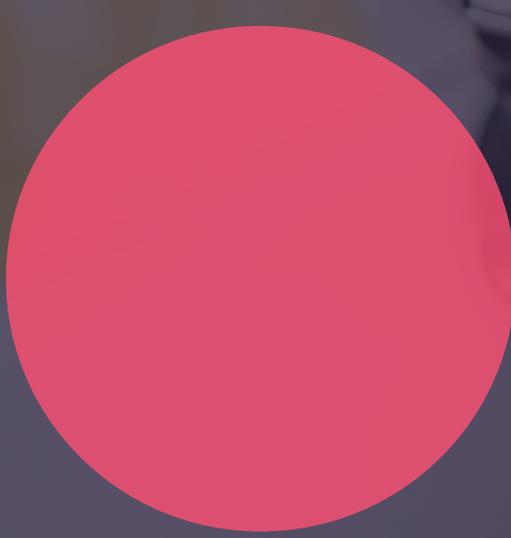
- Yes: 50%
- No: 42%
- Don't know: 8%

Cash remains important

In our survey, 24% of merchants said they give discounts to customers who pay in cash. However, 19% of merchants indicated that they've been moving in the direction of not accepting cash, and 19% agree that they can offer a better customer experience by eliminating cash from transactions or that they can be a victim of crime with cash on the premises. Looking forward, 85% of businesses plan to still be offering cash as a method of payment in the next one or two years, indicating that cash remains an important part of the brick-and-mortar merchant's payment offer.



Modernizing the checkout: new tech, new experiences



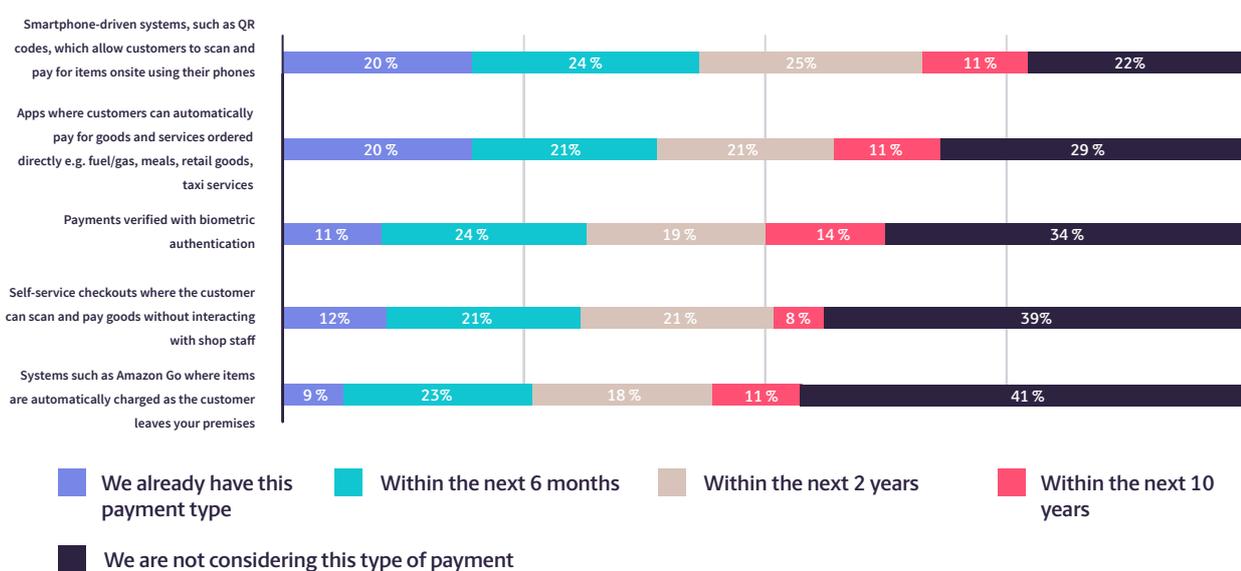
From the responses from the SMBs we surveyed, we can see there's significant willingness to modernize payments systems and give customers more choice.

While fixed terminal card readers are still the most popular type of payment equipment at in-store checkouts (65%), many are looking to implement more modern systems within the next two years:

- 49% want to offer smartphone-driven systems, such as QR codes, which allow customers to scan and pay for items on-site using their phones.
- 42% plan to offer self-service checkouts where the customer can scan and pay for goods.
- 42% are looking at apps where customers can automatically pay for goods and services ordered.
- And 41% are anticipating being able to offer checkouts like Amazon Go, where items are automatically charged as the customer leaves the premises.



How soon do you anticipate that you will be able to offer the following types of payments, if at all?



Fraud is still a sticking point in the pursuit of frictionless transactions, however, with 56% saying they worry that fraud rates will rise if they adopt models such as Amazon Go.

Crypto at the in-store checkout

The intrigue around cryptocurrencies at checkout is growing marginally:

- 39% say crypto is the future of payments (down from 42% in 2021).
- But 50% agree that they don't know enough about it to make any sort of informed decision.

Businesses are ready to adjust to the market

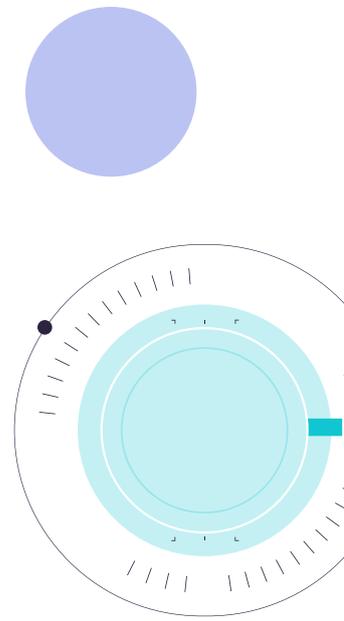


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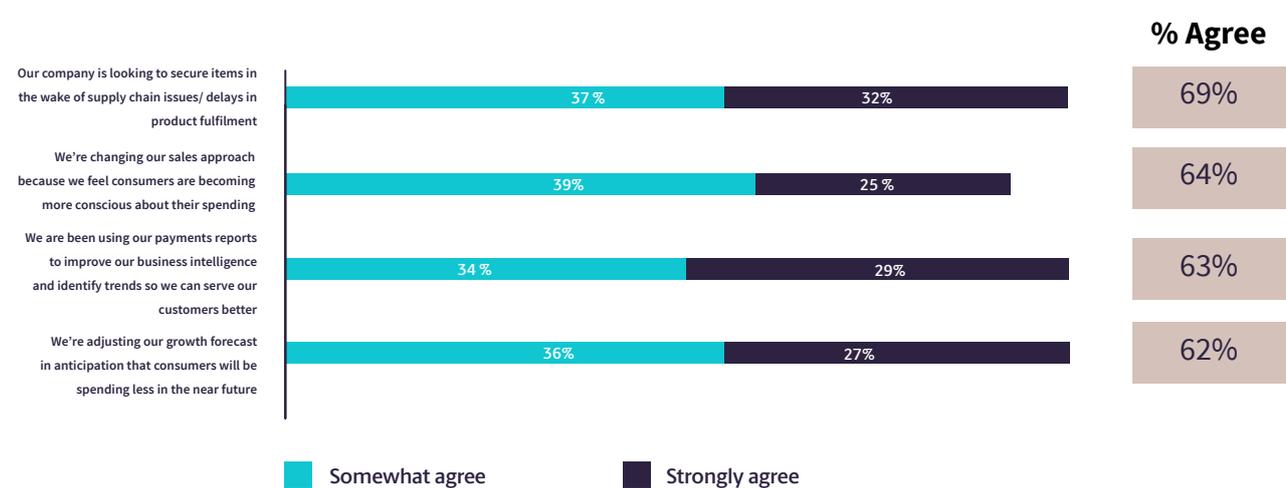
It's obvious that the impact of pandemic measures such as lockdowns had a greater impact on in-store businesses compared to online ones. They're also arguably more susceptible to downturns in the general economic climate.

Many in-store businesses are already adapting their operational models to mitigate some of the effects of economic fluctuations. Specifically:

- 69% are looking to secure items in the wake of supply chain issues.
- 64% are changing their sales approach because they believe consumers are becoming more conscious about their spending.
- 62% are adjusting their growth forecasts in anticipation that consumers will be spending less in the near future.
- 39% are increasing the services offered or value delivered to their customers.
- And the same number are reducing their spend on supplies and materials or renegotiating with suppliers, among other measures.

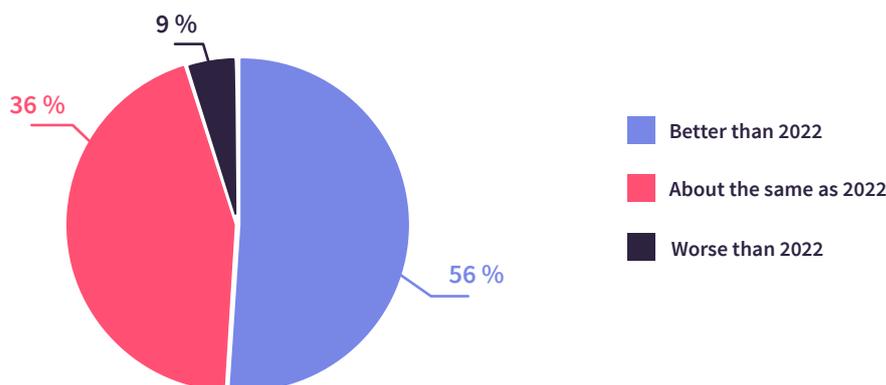


To what extent do you agree with the following statements?



More than half, or 56%, of merchants are optimistic about their performance in 2023, indicating that they expect their business to do better than in 2022. A further 36% say that they expect their performance to be about the same, and 9% expect to log a poorer performance compared to 2022.

How do you expect your business to perform in 2023?



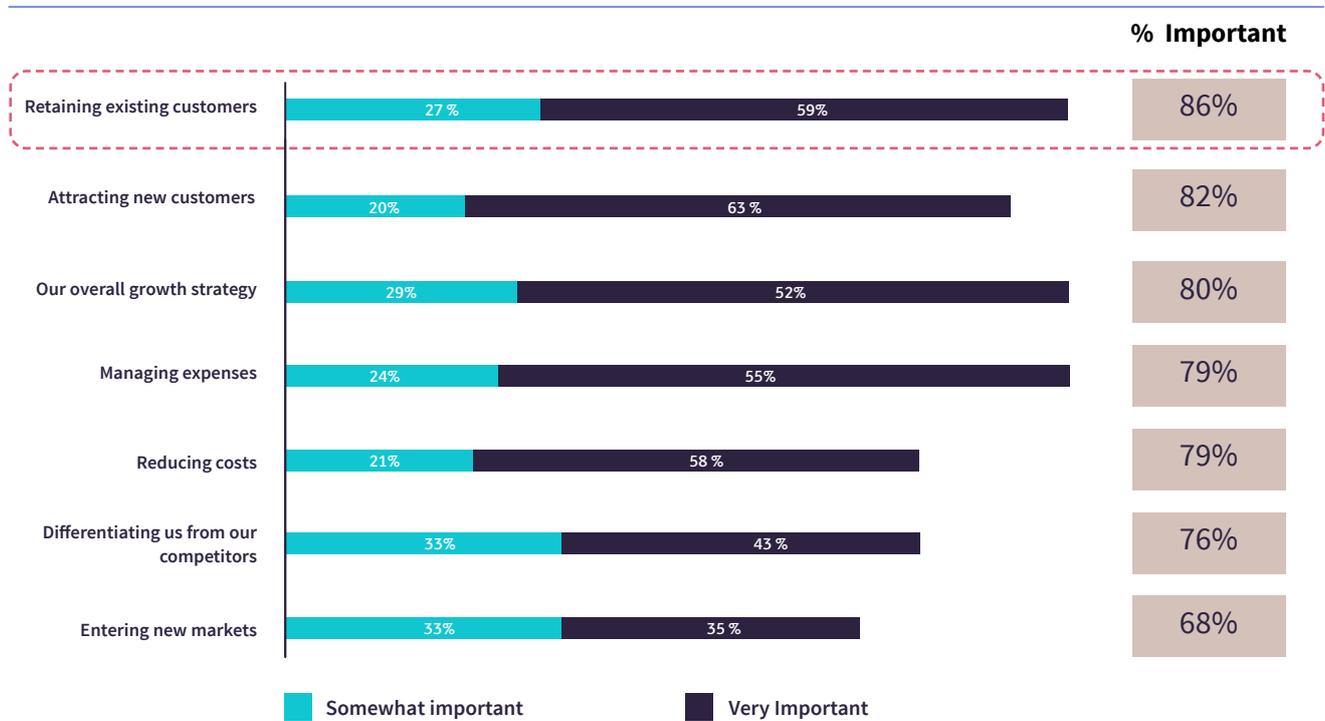
Leveraging payments for growth and competitive differentiation in 2023 and beyond



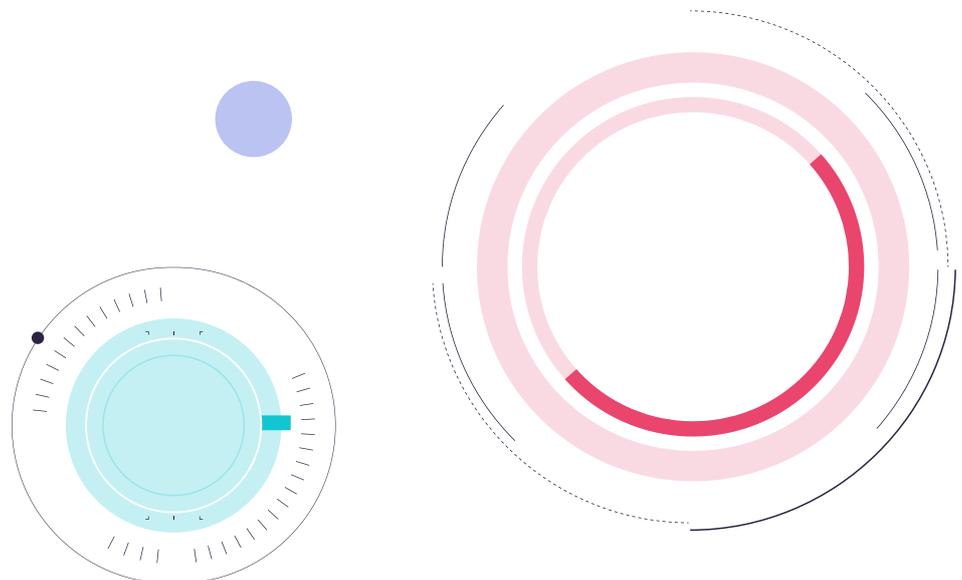
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The vast majority of in-store SMBs believe payments play a critical role in their success: 86% say that payments and the checkout experience are important for retaining existing customers, 82% for attracting new customers, and 80% for their overall growth strategy. Further, 79% consider payments and the checkout key for managing expenses, 79% for reducing costs, 76% for competitive differentiation, and 68% for entering new markets.

How important do you consider your checkout for the following?



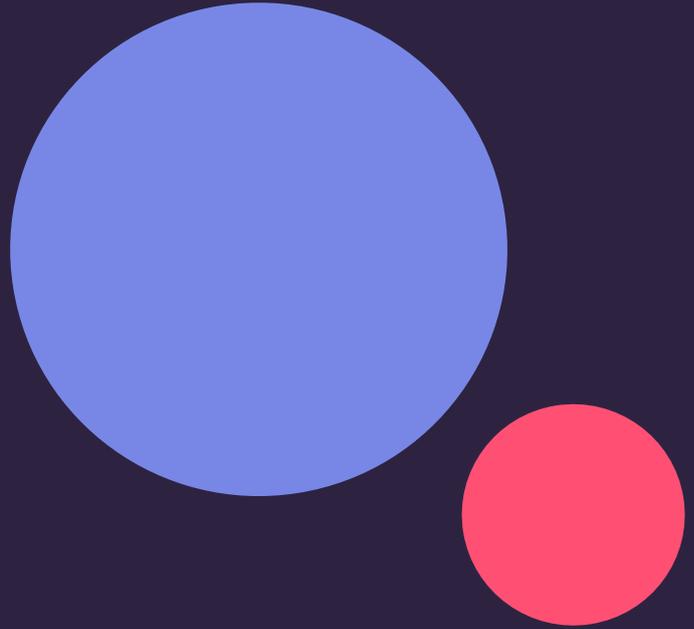
It's also clear that many businesses are looking to invest in payments to be able to get more of an edge: 58% are considering revamping their payments offering in the near future and 54% indicated that they want to integrate new payments technology, but they're worried about the cost.



Survey methodology

This survey was conducted with 200 payment method decision-makers across the US of in-store businesses with \$60,000 to \$10 million in revenue, and with between one and 50 employees. The interviews were conducted online by Sapio Research in October 2022.

Please note that due to rounding, some figures may not correspond to the totals provided.



About Paysafe Limited

Paysafe Limited (“Paysafe”) (NYSE: PSFE) (PSFE. WS) is a leading 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 over US \$120 billion in 2021, and approximately 3,500 employees located in 10+ countries, Paysafe connects businesses and consumers across 100 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