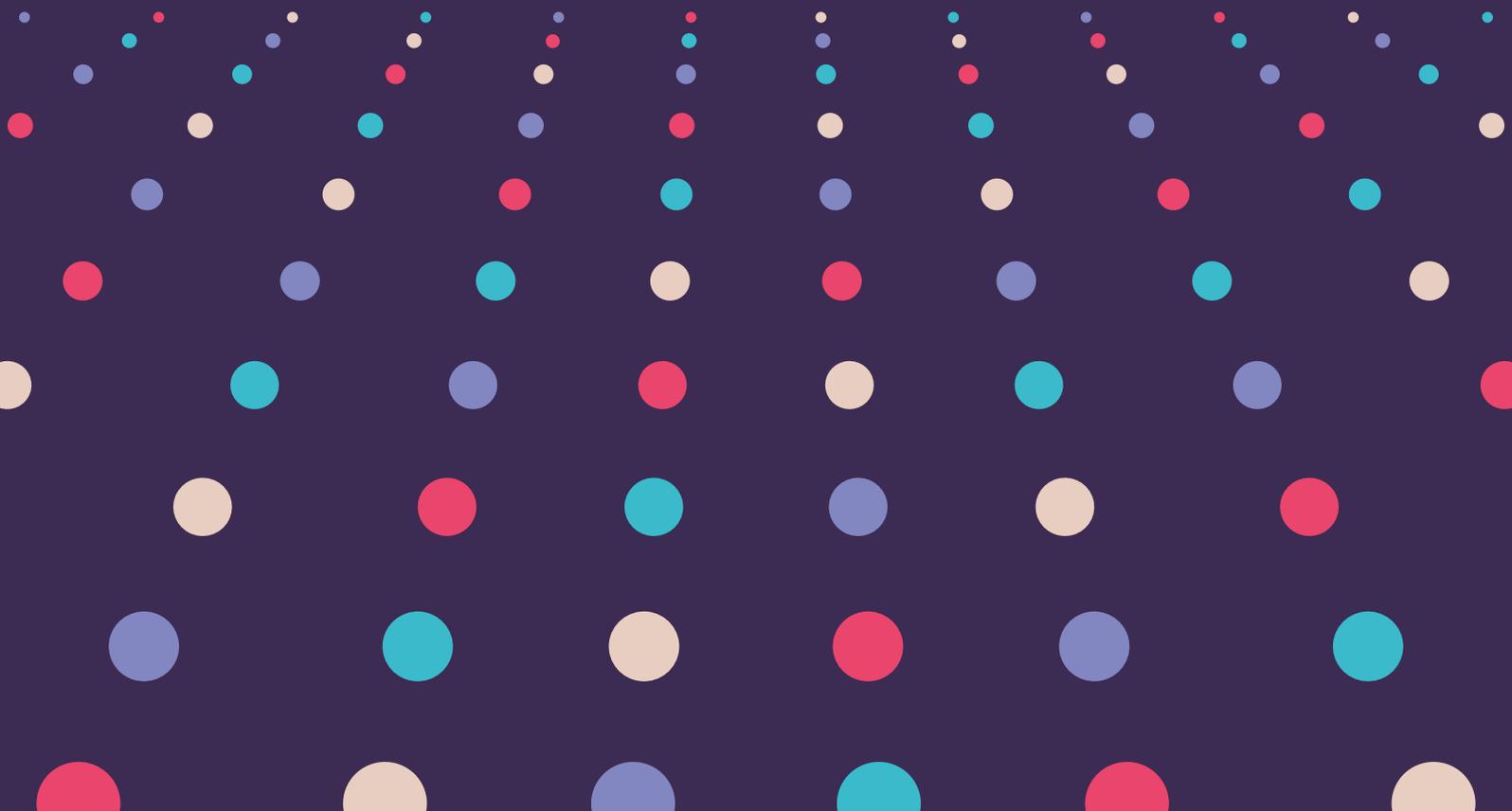


Paysafe:

Lost in Transaction: Payment Trends 2018

Will consumers get to grips with frictionless?



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Lost in Transaction: Payment Trends 2018

Introduction

In 2017, Paysafe published the first two volumes in its *Lost in Transaction* series; reports which looked at payments trends in the UK, US and Canada from both consumer and merchant perspectives. This new volume, *Lost in Transaction: Payment Trends 2018*, updates some of the findings from those reports – in particular the ongoing popularity of cash, the merging of cash with new digital payment formats, and the rise of contactless and digital wallets. It also adds two new countries to the mix, Germany and Austria, where some important trends around cash replacement systems and payment by invoice are emerging.

This report also includes new data on the frictionless payment technology that is being widely hailed as the future of retail. From stores that track the items you pick up and bill you for them transparently, to fridges that automatically re-order food items as stocks become low, advances in frictionless payments are coming thick and fast – the latest digital trend to disrupt centuries-old retail models.

On the face of it, such advances seem to offer unequivocal benefits to consumers. For years, brands such as Uber and Netflix have demonstrated exactly how powerful transparent payments can be as part of the process of attracting new customers and building consumer trust. But just how widespread is their success, and how easy is it to replicate? Are consumers really ready for a world in which they abandon visibility of their financial affairs, or are they too attached to their established payment methods to make the leap and adopt new frictionless services?

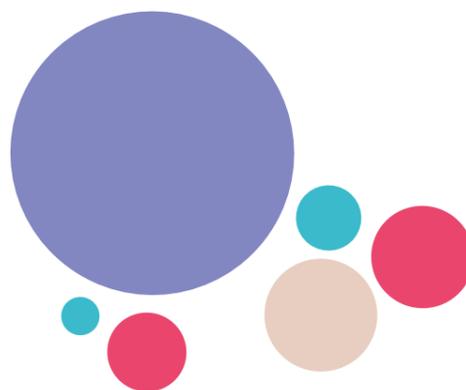
This report, based on research conducted in April 2018, seeks to answer some of those questions. It looks not just at consumer willingness to adopt new frictionless models, but the attachment to existing ones too; cash and online cash replacement systems, credit, contactless cards, digital and mobile wallets, and payment by invoice. It also looks at the latest fraud trends, and consumers' attitudes to them.

The data behind this report is based on interviews with 5,056 adult consumers from five countries: the UK, US, Canada, Germany and Austria. The interviews were conducted using an email invitation and an online survey.

Executive summary

- **Cash is still thriving.** 87% of consumers used cash to make purchases in the last month, while 83% visited ATMs, and cashback remains strong. Overall, 41% of consumers are not interested in hearing about cash alternatives, a clear indication of its ongoing influence.
- **Cash replacement systems are showing great promise.** 12% of Austrians and 9% of Germans use these systems for shopping in-store, an illustration of their utility as alternatives to notes and coins.
- **Contactless is strong, but it is highly localised.** The UK leads the world in contactless shopping, with 54% of consumers using it in the last month – compared to just 3% of US shoppers.
- **Digital wallets are thriving, but payment by invoice is hard on their heels in Europe.** Overall, 50% of survey respondents used a digital wallet such as Skrill or NETELLER for online purchases, more than either credit or debit cards. But in Austria and Germany, payment by invoice is more popular than card payments too, used by 38% of Austrians and 29% of Germans.
- **Smartphone payments are lagging behind other methods.** Just 9% of consumers use mobile wallets for shopping in-store, due to a lack of awareness and scepticism about security and convenience. But usage for payments is high among smartphone owners, at 44%.
- **Frictionless payments are proving slow to grab consumers' attention.** Only 23% of consumers have used frictionless payments in apps such as Uber, despite widespread awareness. At the same time, only 18% of respondents use voice-activated payments systems.
- **Smart re-ordering polarises consumers.** Data security and privacy are major concerns in the frictionless world. 43% of shoppers are comfortable using smart buttons to order often-used single items. But equal numbers would not do so, and only 33% would let fridges automatically re-order food.
- **Fraud continues to rise in many countries, but shoppers are getting wiser.** Canadian and UK shoppers reported a rise in fraud in 2017, of 7% and 6% respectively. Overall, though, consumers are making sensible choices when it comes to security, with 74% of people avoiding shopping on public or unsecured networks and 66% accepting the need for two-factor authentication systems.

Part 1: Payment preferences



Cash: still thriving after all these years

It comes as no surprise that cash remains a significant force in the consumer payments world. 87% of the people we surveyed for this report had used cash to buy something in the previous month, a clear illustration that it remains deeply entrenched in our culture and habits.

Their commitment to cash extends beyond actual notes and coins. Across the five countries surveyed, several alternatives to hard cash are in widespread use, as consumers start to understand the value of alternative cash-based systems. In Austria and Germany, for example, cash replacement systems are used by 12% and 9% of respondents respectively, compared to 6% in the UK. Payment methods that allow for purchases to be made in cash online, for example Paysafecash and paysafecard, are also extremely popular in Germany and Austria, further demonstrating the importance of cash in this region. In North America, prepaid cards are the most popular cash alternative, used by 18% of Canadians and 16% of Americans respectively.

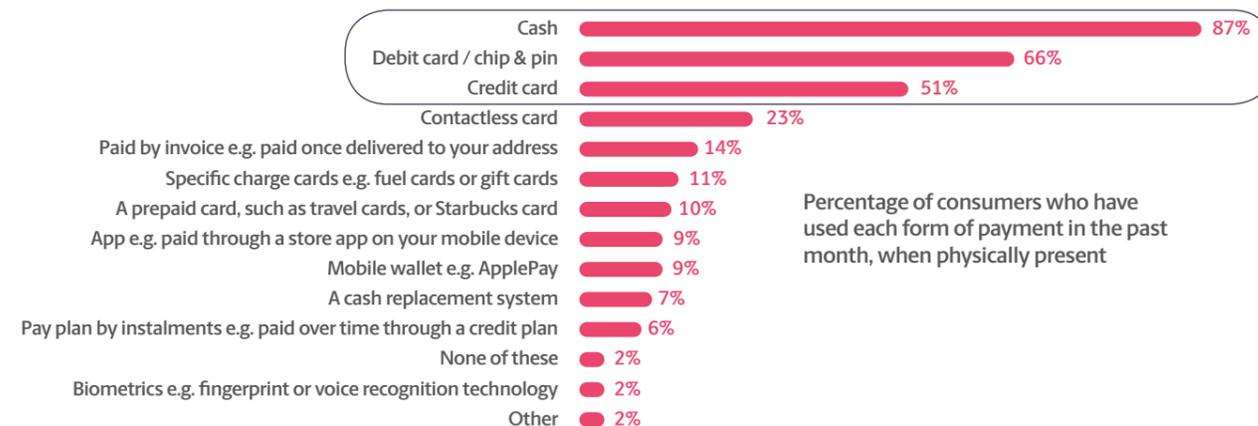
With the increasing popularity of cash-driven solutions, it's perhaps unsurprising that consumers now carry less actual hard cash around with them. In every country in the survey, consumers reported that they carried less cash than they did in the previous year; 62% of Britons, 56% of Canadians, 55% of Americans, 38% of Germans and 34% of Austrians.

The precise drop in the amount of cash consumers carry varies a good deal between countries, with the UK in particular showing a clear movement towards other payments methods. In 2017, the average Briton carried £33 in cash, but that figure has fallen to £21 in 2018 – perhaps because of the surge in contactless payments in the UK, as outlined in the next section. That trend is visible but far less pronounced in North America, where contactless is much less prevalent, and the infrastructure far less evolved, than in the UK. In the US, consumers carry \$8 less than they did in 2017, the amount falling from \$50 to \$42; Canadian consumers carry just \$2 less on average than they did in 2017, from \$45 to \$43.

People may be carrying less cash, but they show few signs of abandoning it altogether. Indeed, one particularly interesting finding from this report is that 41% of respondents said that they were not interested in hearing about faster and easier alternatives to cash, a sentiment that was perhaps understandably more prevalent in older age groups. One measure of cash's popularity is the sustained usage of ATMs across the territories surveyed in this report. 83% of respondents obtained cash from an ATM at least once in the previous month, up from 75% of respondents in *Lost in Transaction Volume I*. That figure rises to 93% in Austria, with consumers typically making between three and four monthly visits to an ATM. Cashback, too, remains popular across the board, with 55% of Americans using it in the previous month. In the UK, more people are using cashback now than they did last year; 52%, against 45% of respondents in last year's *Lost in Transaction Volume I* report. Even if people are carrying less hard cash, they are finding other ways to keep cash at the forefront in the overall mix.

Globally, cash is still widely used to pay when shopping in person, followed by debit cards and credit cards

Contactless methods are yet to gain critical mass, however contactless cards (23%) are proving more popular overall than mobile wallets (9%).



	US	Canada	UK	Germany	Austria
The average person carries	\$42	\$43	£21	€50	€60
	<\$8 than 2017	<\$2 than 2017	<£12 than 2017	-	-
Number of ATM visits per month	2	2	3	3	3
% who have used cashback in the last month	55%	46%	52%	49%	41%
% of persons carrying less cash than they did in 2017	55%	56%	62%	38%	34%

Although people in US, Canada and UK carry less cash than they did a year ago, getting cash from an ATM is still very common

93% of Austrians have taken out cash from an ATM in the last month.

	US	Canada	UK	Germany	Austria	Total
Used a prepaid card or cash replacement voucher	48%	42%	40%	46%	41%	43%
Taken out cash from an ATM	69%	77%	89%	88%	93%	83%
Used cashback to get cash when purchasing using your bank account	55%	46%	52%	49%	41%	49%
Written a cheque/check	56%	39%	32%	48%	44%	44%

The contactless dichotomy: UK says yes, US says no

Perhaps unsurprisingly, the forces driving cash usage models vary considerably across territories, depending greatly on cultural and infrastructural trends. Contactless payment, in particular, is probably the force exerting greatest pressure on cash usage in the UK, where 54% of respondents had used contactless in the previous month. That's in stark contrast to the US, where just 3% of consumers had done so; this is especially surprising given the fact that 40% of Americans reported having tried contactless in 2017. The same trend is visible in Canada, where 58% of consumers had tried contactless in 2017 but only 19% reported using it in the last month. Indeed, only Austria demonstrates anything close to the UK's contactless commitment, with 32% of consumers using it compared to just 9% in neighbouring Germany.

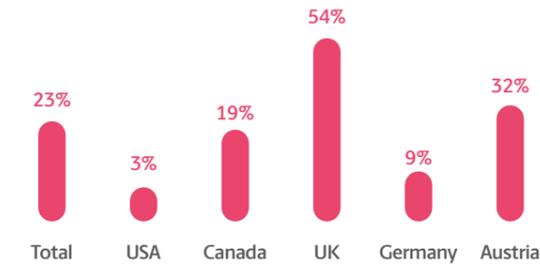
It's clear, then, that the benefits of contactless are not unilaterally agreed upon. And in North America, where contactless technologies are still being rolled out to merchants and are thus less widely available to shoppers, many consumers have yet to experience those benefits at all. But where it exists, comparatively large numbers of contactless users in every country prefer to shop in places where contactless is accepted – 61% in the UK, 58% in Canada and between 50-60% in the other territories.

Consumers also worry about the rise in contactless fraud, thanks to the ease with which stolen cards can be used by unauthorised people. More US respondents expressed concerns about security than anywhere else; 67% compared to 64% in the UK. Those figures have remained remarkably consistent in the year since the publication of **Lost in Transaction Volume I**, when 68% of UK shoppers, 64% of Canadians, and 63% of US shoppers cited concerns about contactless security. Contactless is clearly seen as convenient, but it is also seen as potentially unsafe; the trade-off between risk and convenience evidently remains a powerful force in determining consumer attitudes and behaviour.

Whatever their relative security concerns, consumers across the board want to see contactless spending limits raised, especially those who are already active contactless users. Americans lead the pack here; 79% of active users say that they want to see a raise in the \$50 limit. In Canada, which has the highest limit of the surveyed countries at \$100, nearly half (46%) of consumers want it to be higher still. And in the UK, the most active contactless user base surveyed here, over half of active respondents say that they want an increase on the £30 limit, further evidence of their appetite for this technology.

In the past month, UK consumers were the greatest adopters of contactless as a form of payment

54% of UK consumers have used contactless in the past month. Only 3% of US consumers have used contactless as a payment method in the same period.



Use of contactless as a payment method in the past month

In 2017, 58% of Canadians and 40% of Americans reported that they had tried contactless. However, this has clearly not translated into habitual usage.

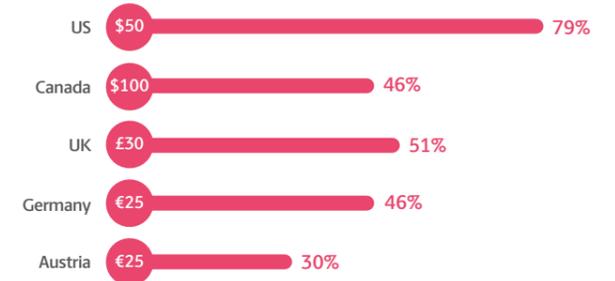
As contactless gains acceptance, a significant percentage of consumers would like to see the limit for contactless raised

In the UK, 45% of consumers would like to see the limit for contactless raised, up from 37% in 2017.



Of those that use contactless, there is an increase in approval of an increased limit

Only in Austria is there hardly any change in opinion, going from 29% of the general population to 30% of those that use contactless.



Attitudes towards contactless methods by those who use it

61% of Britons who use contactless prefer to shop in places that accept this method of payment. 58% worry that fraud from contactless is on the rise.

	% Agree					
	US	Canada	UK	Germany	Austria	Total
I prefer to shop in places that accept contactless payment	61%	58%	61%	62%	47%	57%
It's now so easy to pay for things using contactless or a mobile phone that I hardly have a need for cash	61%	74%	74%	67%	58%	69%
I worry that fraud from contactless is on the rise	67%	59%	64%	59%	47%	58%

Payment by invoice: challenging convention

Contactless is clearly the up-and-coming technology in the in-store shopping world. But online, where very different forces are at work, digital wallets such as Skrill and NETELLER are now the payment tools of choice for shoppers – a reflection of their great all-round utility, not just for payments but as tools for sending and receiving money too. 50% of respondents to this survey made an online purchase using a digital wallet in the previous month, compared to 43% using credit cards and just 33% using debit or chip & pin cards. They're especially popular in the UK and Germany, where 61% and 60% of consumers respectively report using them, and least popular in the US, at 39%.

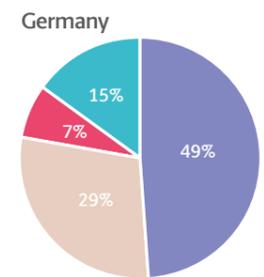
These three long-standing methods continue to completely dominate online shopping, almost certainly a reflection of their familiarity among consumers. While other methods are certainly important – in Austria, for example, online cash replacement systems such as paysafecard are used more widely than mobile wallets, prepaid cards or instalment plans – it's clear that consumers are gravitating towards what they know. The importance of that familiarity becomes clearer in light of online shopping trends. 60% of respondents say that they shop online rather than visiting stores much more often than they did a year ago; and overall, 58% of shoppers now actually prefer to shop online, rising to 68% in the UK. Against this backdrop, the predominance of the longest used and most trusted online payment methods is unsurprising.

A very important exception to this trend is seen in Germany and Austria, where payment by invoice solutions such as those offered by Paysafe's Pay Later brand (formerly known as payolution) are more popular than debit card payments. 38% of Austrians now use payment by invoice, compared to just 18% using debit cards. Perhaps even more remarkably, in Germany payment by invoice is more popular than either debit or credit cards to buy goods online; it's used by 29% of German shoppers, compared to 20% for debit cards and 25% for credit cards.

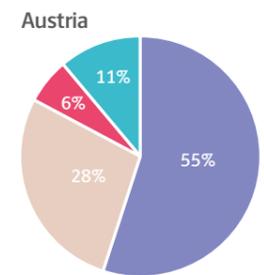
What's behind this notable trend? Security seems to be the underlying driver here; 49% of Germans and 55% of Austrians think that payment by invoice is a safer way to pay for goods and services, presumably due to the fact that the goods have already been dispatched by the time payment is due and delivery is therefore guaranteed.

While numbers for payment by invoice are still low elsewhere, they are nonetheless on the radar – 5% in the UK and 4% in the US – a sign that merchants in these countries are beginning to offer this additional layer of reassurance. Far more common are credit-based “buy now, pay later” instalment schemes, which commonly allow consumers to spread the cost of high-value items, manage cashflow more effectively, or take advantage of low-interest offerings. Over a third (38%) of consumers use such schemes for these three reasons in the US, 22% of them to spread the cost of high-value items; similarly, 39% of UK consumers, 31% of Canadians, 30% of Germans and 24% of Austrians use pay-later schemes at some point in their regular shopping lives. Having access to flexible pay-later options is clearly important to respondents across this survey, a reflection of their ability to make spending more manageable for large numbers of people.

Consumers in Germany and Austria paid by invoice more than debit card when shopping online in the last month. 55% in Austria did so because they feel it is safer, compared to 49% in Germany



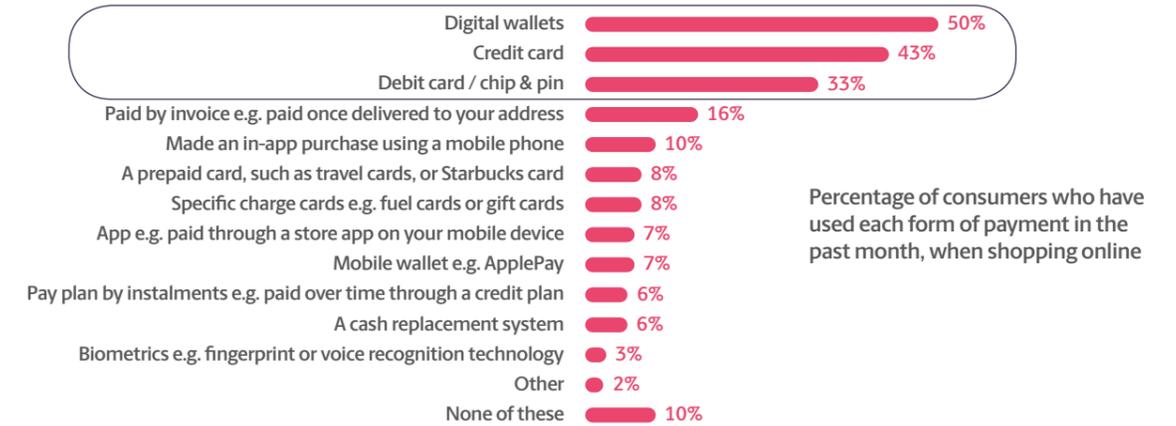
- It is a safer way to pay for goods and services
- It is a more convenient way to pay for goods and services
- It is a less safe way to pay for goods and services
- Don't know



- It is a safer way to pay for goods and services
- It is a more convenient way to pay for goods and services
- It is a less safe way to pay for goods and services
- Don't know

Digital wallets are preferred over credit and debit cards for shopping online

In the last month, 50% of consumers have made a purchase online using a digital wallet.



Percentage of consumers who have used each form of payment in the past month, when shopping online

Consumers in Germany and Austria favour pay by invoice because of perceived security

61% of consumers in the UK and 60% in Germany have used digital wallets in the last month. In Canada, 61% have used a credit card, compared to 42% using a digital wallet.

	US	Canada	UK	Germany	Austria
Digital wallets	39%	42%	61%	60%	48%
Credit card	44%	61%	34%	25%	49%
Debit card / chip & pin	46%	24%	57%	20%	18%
Paid by invoice	4%	3%	5%	29%	38%
Made by an in-app purchase using my mobile phone	11%	9%	10%	10%	9%
A pre-paid card, such as travel cards, or Starbucks card	13%	13%	8%	5%	4%
Specific charge cards e.g. fuel cards or gift cards	11%	9%	7%	7%	5%
App e.g. paid through a store app on your mobile device	9%	6%	9%	6%	7%
Mobile wallet e.g. ApplePay	10%	6%	10%	4%	4%
Pay plan by instalments e.g. paid over time through a credit plan	6%	2%	8%	7%	6%
A cash replacement system	6%	4%	4%	5%	8%
Biometrics e.g. fingerprint or voice recognition technology	2%	2%	4%	3%	2%
Other	2%	1%	1%	2%	3%
None of these	12%	14%	7%	11%	8%

The mobile wallet anomaly

So far, the payment methods discussed have been characterised by their need for some kind of consumer action. Traditional cash payments require consumers to visit ATMs or cashback outlets to acquire currency; credit and debit card payments involve pin number entry offline, and more complex entry and authentication processes online. Even digital wallets that store card or bank details require the input of a single password or a one tap payment process.

Contactless technologies are starting to remove some of the friction from payments, as we have seen, with far greater impact in some countries than others. So how do consumers view mobile wallets, an adjacent branch on the contactless evolutionary tree?

The short answer is that mobile wallets have yet to start maximising their potential within the payments landscape. Just 9% of respondents to this survey said that they used mobile wallets while shopping in stores, with more UK shoppers using them (13%) than elsewhere. Mobile wallet penetration is especially low in Germany and Austria, at 6% and 5% respectively. And in every territory, mobile payments are well behind most other payment methods; a clear indication of a widespread reluctance to use mobile devices to pay for goods and services.

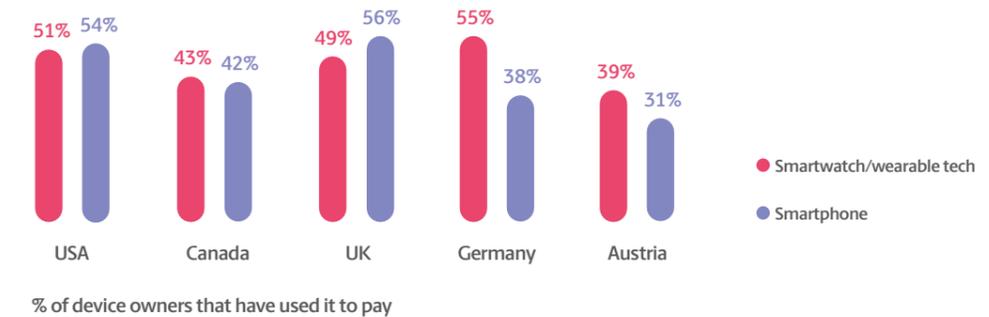
What's behind this reluctance? Smartphones in particular seem ideally suited to use as payment devices, thanks to rapidly improving security and advances in built-in biometric authentication. Still, 30% of respondents cite concerns about their phone or watch being stolen as a barrier to using these devices for payments, almost exactly the same figure reported by respondents in 2017. Awareness, too, is a problem, with 28% of people citing ignorance of mobile payments facilities. And contactless debit cards are seen as being just as convenient by 26% of users, a fact perhaps bolstered by greater familiarity with cards as payment tools.

But there are signs that consumers are considering changing their smartphone payments behaviour, particularly if they can buy more expensive items. 74% of respondents said that they would be willing to use mobile wallets to pay for goods if the limit was raised – clear evidence of their perceived usefulness among smartphone owners.

Despite these barriers, many of the people who own smartphones and smartwatches have used them to pay for goods at some point. Among smartphone owners, 44% on average have used their device to pay, a good illustration of their appreciation of the benefits of mobile wallet technology. Penetration of smartwatches is much lower, at just 23%, yet nearly half (48%) of owners have used them for payments. As a rule, the people who do use smartphones and wearables for payments are great evangelists for them; 77% say that they're more convenient than contactless and 84% that they're more convenient than cash. At the same time, 85% of users say that they'll be using them much more in two years' time – a good indication that overall usage is set to grow rapidly, probably driven by the trend revealed in *Lost in Transaction Volume II*, that 26% of merchants are planning to introduce mobile wallet payments over the same period. There may be a significant gap between early adopters and the rest of the consumer base now, but the numbers speak for themselves; once people are exposed to the benefits of the technology, adoption rates and attitudes improve extremely quickly.

Half of smartwatch users have used their watch to pay

While penetration of smartwatches remains relatively low, 48% of users have used their watch to pay.



Fears over personal security prevent a significant number of users from paying with their smart device

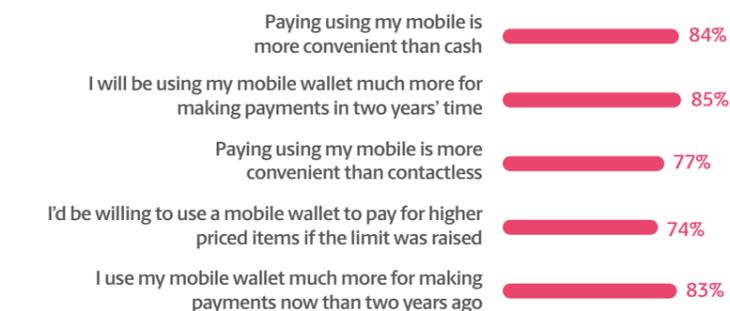
Consistent with last year, the top three concerns are security, lack of awareness, and lack of interest.

Barriers to paying using a mobile device



Those using mobile wallets value the convenience.

% of mobile wallet adopters that agree



Part 2: A slow start for frictionless payments

The future of tech and its adoption rate

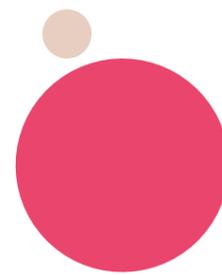
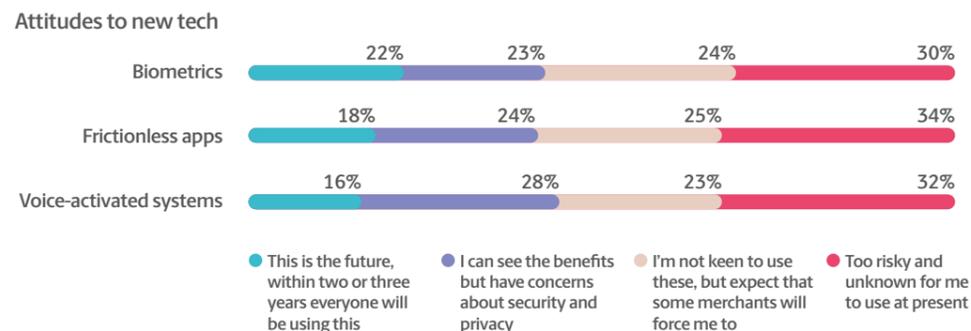
For all the apparent benefits of low-friction payment technologies, these findings show that consumers are still reluctant to really take a truly hands-free approach to paying for goods and services. In that context, it's unsurprising, at best, that completely frictionless technologies are taking a while to convince shoppers of their usefulness and safety.

Consumer reluctance to adopt these new payment methods may seem surprising in light of industry hype around apps such as Uber, which highlight many of the benefits of frictionless payments. Many of these are undeniably popular in the cities where they operate; not just global services but also more localised apps such as Paysafe's GOLO, which allows shoppers to order goods from local retailers and collect at their leisure. Such models require no user intervention whatsoever once the initial payment mechanism has been set up, a fact widely cited as one of the reasons for their success. But the reality is that usage of such apps is still relatively low, with only 23% of respondents saying that they had heard of and used them either regularly or occasionally. And surprisingly, this trend appears to be age independent, with usage of frictionless apps only marginally higher among 18-34 year olds than older users.

Interestingly, awareness of such apps and their capabilities does not appear to be a limiting factor. 55% of people have heard of these apps but have chosen not to use them, with remarkably little variation by geographic location. Similarly, awareness of voice-activated systems such as Amazon Echo or Google Home for payments is high at 65%, but actual adoption is low at only 18%. One of the reasons why adoption rates of these technologies remains low is that merchants don't yet offer them as options; in last year's **Lost in Transaction Volume II** report, which focused on merchant trends, only 11% of merchants said that they currently accepted voice-activated payments, with a further 24% planning to introduce them in the next two years.

The future of tech according to consumers

Globally, people are more comfortable with biometrics (potentially due to its prevalence in smartphone technology), than voice-activated systems and frictionless apps.



Starting small with smart re-ordering

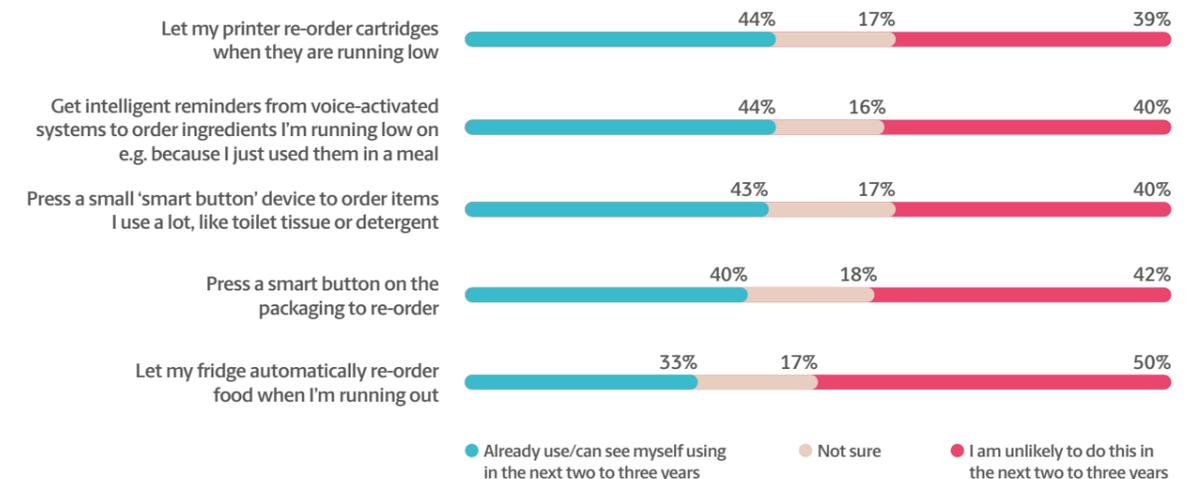
If consumers remain indifferent to well-established apps with inbuilt frictionless payments, how do they feel about newer ideas such as smart re-ordering? In its purest form, automated re-ordering of products requires no human intervention at all – a truly frictionless payments environment, potentially across a very wide range of household products.

But this study shows that the majority of consumers are currently most comfortable when it concerns just a single product – and when it involves a physical action such as pressing a button. 43% of respondents said that they are already using, or would consider using in the next two to three years, a smart button to order often-used items such as detergent or toilet tissue. Similarly, 40% said that they do or would be comfortable pressing a smart button in item packaging to re-order; and 44% said that they would let devices such as printers re-order consumables when they're running low.

Just as telling, though, is that these numbers are more or less exactly mirrored by the number of people who would be unlikely to do any of this in the next two to three years. And trust in so-called smart fridges appears to be especially low, with only 33% in favour of letting them automatically re-order food and 50% saying that they are unlikely to enable this in the next two to three years. It seems that however easy the industry makes things for consumers, they still want to be able to exercise a degree of control via physical actions such as button-pressing or card-tapping; especially when potentially expensive and/or perishable items such as food are concerned. This type of friction, it seems, is still very much in demand.

Smart re-ordering polarises consumers. They are most comfortable when it concerns a single product and includes a physical trigger

43% are open to using a smart button for frequently used items, but only 33% can see themselves using a smart fridge.



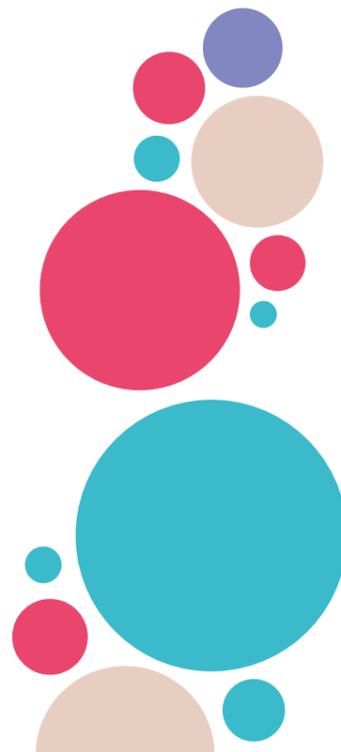
Safety first: frictionless security and privacy worries consumers

Closer examination of the reasons for this low and slow adoption of frictionless payments shows that, once again, fraud is the most widely mentioned barrier, cited by 50% of respondents. But data security is also a major concern, expressed by 48% of respondents. And uncertainty is clearly a significant worry, either over being charged for things they didn't buy (47%), control of spending (31%) or inadvertent purchases (28%).

All of these worries can be viewed against broader concerns about control over spending generally. More than a third of respondents say that they are already losing track of all their subscription-based payments such as Netflix and Amazon Prime, and are thus understandably wary of adding new services such as fridge-based ordering to their existing burden. At the same time, 65% of people think that voice-based systems are not yet secure enough for shopping. They are significantly more comfortable with biometrics, perhaps because of its existing implementations in smartphone fingerprint scanners and facial recognition systems; overall, one in five (20%) people have heard of and used biometrics to pay; at the same time, nearly one in four (22%) respondents think that biometrics will be widespread within two to three years, with another 23% able to see the benefits despite some concerns about security and privacy.

Perhaps the ultimate test of the willingness to adopt frictionless technologies is checkout-free retail stores such as the Amazon Go store in Seattle, where smart technologies are being used to record items bought by consumers without needing to scan them. Instead, customers use an app to enter the store, collect their groceries and leave without visiting a checkout.

56% of respondents to this survey said that the concept of a checkout-free store sounded too risky to use, or that they'd need to know a lot more about it before they felt comfortable using it. Conversely, only 11% of respondents said that they'd definitely shop this way if local stores offered it. That's a vivid illustration of the fact that frictionless has a long way to go before it becomes mainstream – not least because people are using their mobiles to shop around for better deals while they're in store, still an important shopping tool for 45% of respondents.



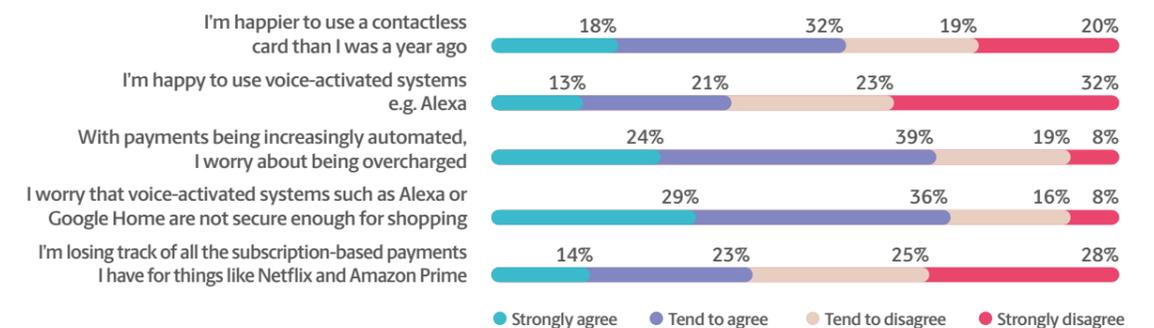
Security is a major concern for frictionless payments

Worries over fraudulent purchases are front of mind, but 48% also have fears over data security.



Attitudes towards frictionless payment methods

Almost two thirds (65%) of people are worried about the secureness of voice systems such as Alexa or Google Home for shopping, and 63% are concerned about being overcharged.

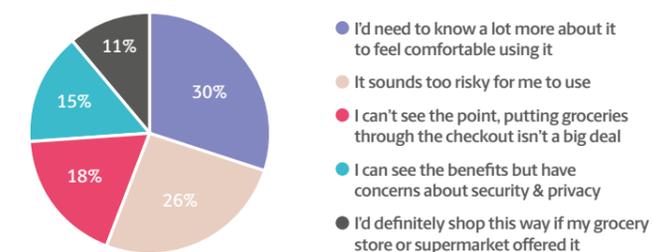


In and Out without checking out

We tested the concept of Amazon Go, but 56% feel very wary of this, while a further 18% struggle to see the benefit.

Attitudes towards automation

Retailers are increasingly turning to 'frictionless' payments, where smart technology is used to record what we have bought without the need to even scan items. An example of this is the Amazon Go food store in Seattle, where customers use an app to enter the store, choose their lunch or groceries, and just walk out, without going to a checkout.



The payments paradox: convenience vs. risk

New technologies will inevitably take some time to achieve acceptance among understandably cautious consumers, especially when they are specifically designed to be as automated and transparent as those underlying frictionless payment models. The waters are likely to be clouded by new regulation such as PSD2, the Open Banking initiative effective in the European Union from January 2018, which will enable new players to offer consumers a greater variety of banking and payment products, but which is also likely to create some unease among consumers reluctant to give unknown brands access to their bank accounts.

The fact remains that even well-known and rigorously tested payment methods still carry some element of risk. The internet continues to attract large numbers of scammers and fraudsters, who seem to be gaining the upper hand in some areas; consumers in the UK and Canada both experienced increases in the amount of fraud in 2017, with Canadians reporting a jump from 22% to 29% from the previous year. 18% of credit card users say they experienced fraud, 15% of bank card users suffered fraud on their card, and 15% of those using digital wallets were targeted on this payment method; a vivid illustration that consumer concerns about payments may be valid.

These figures highlight the most widely used methods, but they conceal the fact that other payment methods are actually less secure; 20% of mobile wallet users have suffered some kind of fraud, for example. Fraud remains an unfortunate fact of life in the payments world, whether you're using traditional physical methods or newer digital ones.

Despite these apparently worrying figures, the impact on consumers is limited. In the US, home to the highest percentage of fraud victims, the average loss is \$303; 60% of cases are resolved in a week, and 70% of people get their money back. While these figures are broadly representative of the wider landscape, slightly more consumers in Germany and Austria fail to recover their losses than in the UK, USA and Canada; a fact that has made them less willing to accept that fraud is inevitable when shopping online or via mobile. As we saw earlier, German and Austrian consumers are more likely to use lower-risk payment options such as payment by invoice, a clear reaction to less positive experiences in recovering funds.

Overall, consumer attitudes to security are healthy, and most are making sensible choices when it comes to ensuring the security of their transactions. 74% of people avoid shopping on public or unsecured networks, 74% would rather use systems they're already signed up for than enter payment information into an unknown website and 66% accept the need for two-factor authentication systems. At the same time, 86% of respondents would accept some tightening up of anti-fraud measures, with 55% saying that they would support any requisite changes to improve security. Shoppers are better educated about risks than they ever have been; a promising indicator of their future willingness to embrace newer frictionless technologies.

While fraud is becoming a fact of life, for most consumers the impact is limited

Most fraud is under \$100. 60% see the issue resolved within a week, and 66% get their money back.

	US	Canada	UK	Germany	Austria
% victims of fraud	34%	29%	33%	27%	21%
Average loss	\$303	\$317	£180	€245	€304
	61% lost <\$100	60% lost <\$100	74% lost <£100	70% lost <€100	67% lost <€100
% resolved in a week	60%	64%	69%	50%	50%
% who failed to recover loss	30%	25%	30%	38%	39%

Acceptance of risk when shopping online is far lower in Germany and Austria

Only a quarter of consumers in Germany (28%) accept that fraud is inevitable online, against 70% in the US.

% agree

	US	Canada	UK	Germany	Austria	Total
I avoid shopping when I am on an unsecured or public network	75%	76%	73%	72%	75%	74%
I'd rather use payment methods I have already signed up for than enter my payment details into an unknown website	72%	73%	79%	72%	74%	74%
Systems with two-factor authentication, where you have to enter a code sent to your mobile in order to make payment, are appealing to me	68%	64%	67%	58%	75%	66%
I feel more comfortable purchasing online with a prepaid pin/voucher where my financial details are not shared	69%	67%	64%	57%	57%	63%
I do not feel comfortable entering my financial data online to pay	61%	61%	54%	62%	56%	59%
I'm more likely to buy using my mobile to shop with businesses where I have already securely stored my payment details	58%	55%	59%	45%	52%	54%
I accept that a certain level of risk of fraud is inevitable if I'm shopping online	70%	64%	65%	28%	26%	51%
More security process would make wearable tech, such as watches, more appealing for making transactions online	51%	51%	57%	47%	50%	51%
I worry about not receiving my goods when shopping online	52%	54%	52%	41%	35%	47%



The challenge ahead

This report highlights some of the most important challenges for the payments industry in the coming years, as well as some of the biggest opportunities. The pace of change in the technology world continues to outstrip consumers' willingness to adopt it; a fact seen across many aspects of this survey's data. The ongoing popularity of hard cash, in particular, is a key indicator of this, and there are strong signs that cash replacement systems are capturing consumer attention in many regions. And the significant influence of payment by invoice and pay-later solutions demonstrates that however fast and smart today's payments technology may be, many shoppers are still taking a more leisurely approach to shopping, especially where high-value items are concerned.

Adoption rates of mobile wallets and frictionless payments may be lagging behind the technology's capabilities today, but most of the barriers are old and familiar ones – fraud and data security, in particular, are once again causing consumers to sit back and think hard before diving into a new and unknown world. Against such a background, it is probably unsurprising that shoppers are clinging to tried and trusted payment methods while they wait for the emerging technologies to fully mature. But there are encouraging signs that shoppers are becoming far better educated about the threats they face, and are changing their habits accordingly – a good first step towards embracing digital solutions more fully.

Some of the barriers to these ideas and technologies are cultural ones that will take some time to cross. Amazon Go looks good in principle, but its just-walk-out model is defying centuries of deeply entrenched consumer/merchant relationships and behaviour; it would in many ways be more surprising if it were being adopted more quickly. But it is teaching the industry an important lesson; if it really wants to disrupt the old way of doing things, it has to find a way of making all the underlying processes feel as secure as ever, even as they change. Consumers want convenience, as the adoption of contactless technologies is showing, but they want security too; by making literally everything invisible, merchants risk frightening people rather than enticing them.

The advent of regulation such as PSD2 in Europe is likely to amplify this challenge, as consumers are invited to trust new third parties about which they may know very little. That presents a great opportunity for Paysafe, a long-established and well-known provider of digital and cash-based payments services but an increasingly important innovator in frictionless payments too.

Paysafe's determination to give consumers the right balance of convenience and security pervades everything that it does. Its landmark digital platform has years of security expertise built into its heart, and it is evolving to meet new challenges with the integration of many new technologies; not just the frictionless recurring payments highlighted in this report but, over time, everything from voice-activated payments and biometrics to cryptocurrencies. To this end Skrill was one of the first payment service providers to obtain a licence from the PSD2 regulator. At the same time, it continues to serve and innovate for the many consumers who place high value on more traditional approaches to payments. Across every kind of retail environment – from cash to credit, from digital to mobile wallets – Paysafe is committed to making life smoother, easier and safer for consumers, both now and in the future.



About Paysafe

Paysafe is a leading global provider of end-to-end payment solutions. Our core purpose is to enable businesses and consumers to connect and transact seamlessly through our industry-leading capabilities in payment processing, digital wallets and online cash solutions. Delivered through an integrated platform, our solutions are geared towards mobile-initiated transactions, real-time analytics and the convergence between bricks-and-mortar and online payments.

With over 20 years of online payment experience, a combined transactional volume of US\$56 billion in 2017 and over 2,600 staff located in 12+ global locations, Paysafe connects businesses and consumers across 200 payment types in over 40 currencies around the world.

For more information, visit: www.paysafe.com

