



Merchant
Fraud
Journal



2023 CONSUMER PAYMENTS SURVEY REPORT



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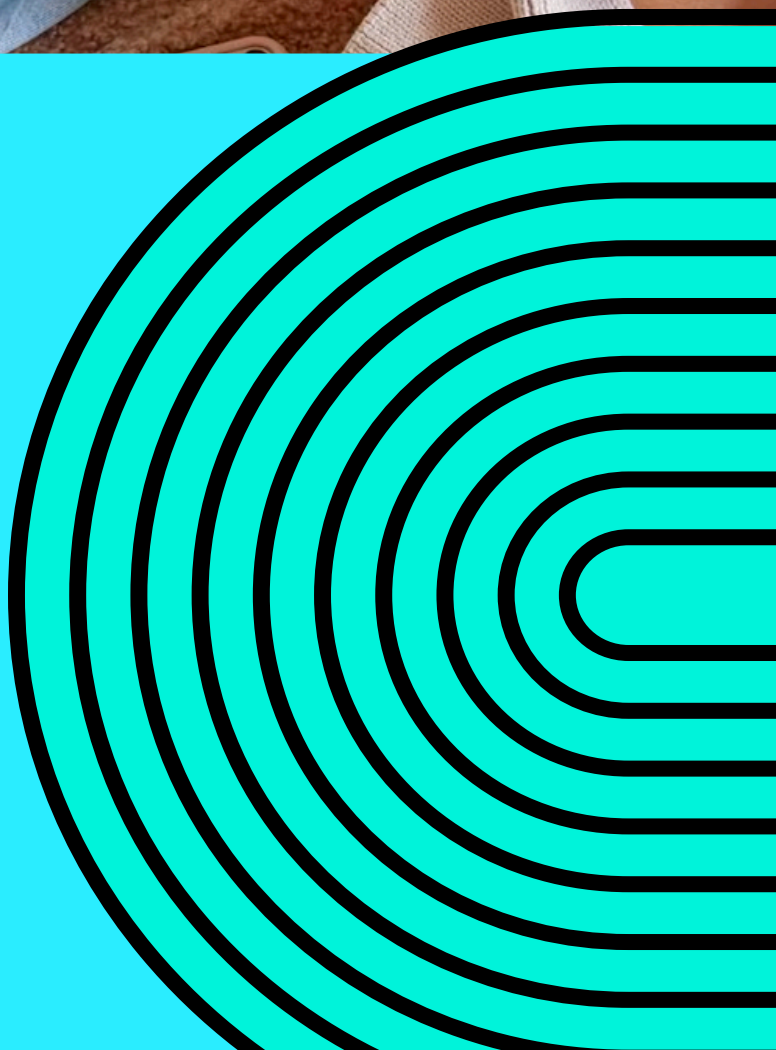


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Intro

Understanding consumer behavior is a crucial factor for merchants to succeed. Since eCommerce introduced novel ways to reach global audiences, the merchant who could deliver what the customer wanted earned the largest market share. The consumer experience has taken center stage — those who develop a personalized sales journey and smooth user experience, attract and retain priority clients.

Luckily, consumer behavior is traceable through data. Collected information offers hints and insights into the attitudes of different demographics and cohorts. To that end, Merchant Fraud Journal developed a consumer survey exploring current expectations towards online payments. How has the way consumers pay online and offline changed in the last 2–3 years? What are the implications of consumer preferences for businesses? How must organizations adjust their fraud prevention posture in light of recent findings?

The following report will discuss the insights and trends discovered from data given by respondents. Use the information to understand market expectations in 2023 and to develop a business strategy according to forecasted consumer preferences.

Methodology

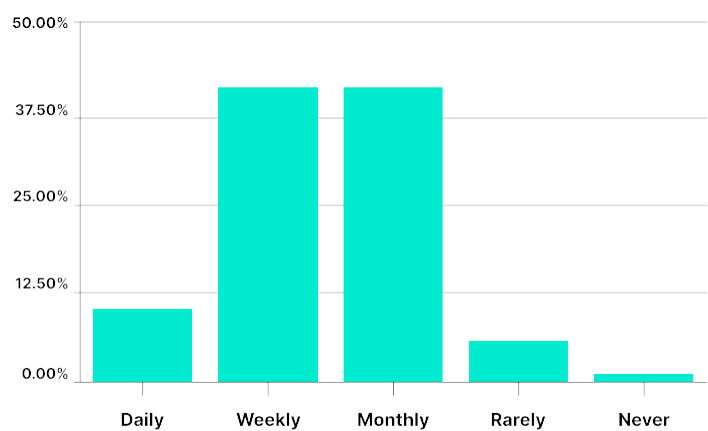
- **Survey Background:** Merchant Fraud Journal conducted the survey on 1500 U.S.–based consumers across all demographics in order to gather data on consumer attitudes towards online payment methods. Survey respondents were recruited and verified by Pollfish Survey Systems.
- **Sample Members:** 1500 consumers from across the United States. To achieve high generalization for the U.S. population, differing demographics were selected, with no exclusion due to background characteristics (ethnicity, age, marital status, etc).
- **Administration:** Self-administered questionnaire
- **Confidence Level:** A lower margin of error is achieved by stratifying sampling for greater accuracy.

Findings

Digital Payment Adoptions and Usage

Online Payment Frequency

Survey Question: How often do you make payments online?



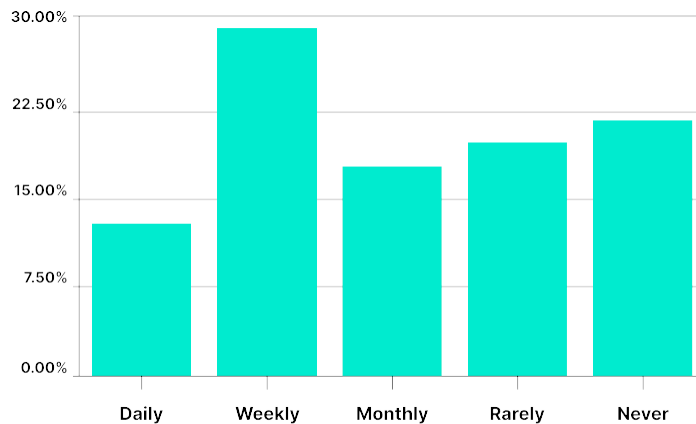
Key Finding: Consumers continue to increase the frequency of online payments.

Summary: The number of consumers who regularly use online payment options to shop and pay their bills continues to grow. When asked about online payment frequency, over 40% of survey respondents stated they engage in monthly digital transactions. Another 40% declared a weekly usage of online payments. Only 2% of consumers noted that they never make online payments, demonstrating how mainstream digital payments have become.

Global trends confirm such findings, as the total transaction value of digital purchases continues to follow an 11.8% Compounded Annual Growth Rate (CAGR). Convenience, speed, and lowered costs are known factors for widespread user adoption. Consumers are likely using digital options for numerous types of purchases, including both necessities (bills, food) and luxury buys (shopping). Contactless payment methods from banks and retailers will likely drive further growth, especially in the wake of Covid-19 and the development of new innovations in financial technology.

Digital Wallet Usage Frequency

Survey Question: How often do you use digital wallets like Apple Pay and Google Play?



Key Finding: While consumers prefer other online payment options, digital wallets continue to grow in popularity.

Summary: In 2016, Statista reported that 57% of consumers never used a digital wallet. Survey results now show that close to 30% of Americans claim to use a digital wallet on a weekly basis. Adoption rates are skyrocketing, with more than two-thirds of Americans expected to use a digital wallet within two years. Experts believe Apple Pay and Google Pay usage rates in North America will double between 2020 and 2025.

Still, acceptance is not thorough. Even with the increasing popularity, many consumers still prefer debit or credit cards. Credit cards hold a 40% market share as a payment option for in-store purchases, a number far stronger than the 12% earned by digital wallets. A prominent cohort (21% of survey respondents) state they have never used a digital wallet as a payment method.

Current barriers to widespread acceptance are likely related to security concerns and lack of awareness. Demographics may also play a role, as younger generations are more open to new options (66% of Gen Z used a digital wallet in 2021).

Adoption of Buy Now, Pay Later by Consumers

Survey Question: Have you used Buy Now, Pay Later (BNPL) services in the past year?
If Yes, how often do you use BNPL services?

Key Finding: While BNPL adoption continues to increase, regular consumer usage is limited. Consumers remain cautious, especially as macroeconomic concerns loom (lack of regulation, changing interest rates).

Summary: BNPL is a short-term financing option that jumped in popularity over recent years. American consumers tripled the number of BNPL loans in 2021 over 2020, and total BNPL transactions are expected to increase by 450 million between 2021 to 2026. Future interest by surveyed consumers has jumped from 11% to 15% (especially amongst younger millennials and Gen Z).

Surprisingly, survey findings show only 33% of respondents in the last year opted to pay with BNPL. And of those who did use the service, only about 48% said they only used it occasionally. This means adoption rates remain relatively low. Security concerns, potential regulation changes, fluid macroeconomic conditions (increased interest rates), and lack of awareness are probable barriers to acceptance. In 2022, Sift network data showed that Buy Now, Pay Later fraud attacks surged by 211% compared to 2021 — better consumer protections can help BNPL earn greater consumer confidence and eventual usage.

Consumer Use of Cryptocurrency as a Payment Method

Survey Question: Have you ever used cryptocurrency to make a payment?
If you answered 'Yes' to the previous question, how often do you use cryptocurrency for payments?

Key Finding: Cryptocurrency experienced impressive growth, but customers remain wary of the technology and its benefits for payments.

Summary: Survey findings show a distinct wariness of cryptocurrencies. Over 85% of consumers said they have never used crypto to make a payment. And of the minority who do use crypto, only 37% stated occasional use. Consumers have numerous concerns about the payment method, including security issues, lack of liquidity, exorbitant fees, and limited customer support. Sift reports that crypto exchange fraud attacks increased by 45% in 2022 from 2021 levels, deterring consumer adoption. Sift's research shows 56%–74% of consumers would permanently abandon a brand due to becoming a victim of fraud if their account was hacked.

Still, the United States ranks as the country with the highest amount of cryptocurrency payment offerings. And major businesses such as Microsoft, Paypal, Burger King, and Subway accept cryptocurrencies. The global crypto user base increased by 190% between 2018 and 2022, with further acceleration noted through 2022. Crypto will grow, but consumers want strict regulation and less fraud first.

Consumer Attitudes Towards Digital Payment Methods

Consumer Preference for Online Purchases v.s In-Store

Survey Question: Of all the purchases you make, approximately how many are done online?

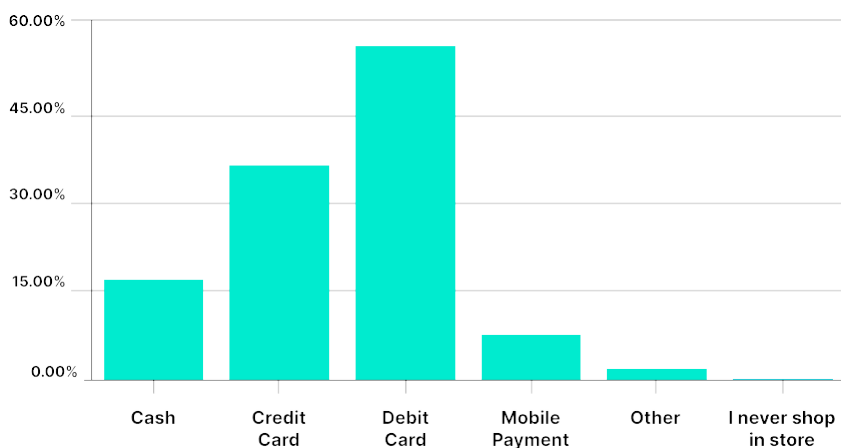
Key Finding: Consumer desire and use of online payments surpasses in-store purchase avenues. Of all survey respondents, 94% stated they had completed a purchase online in some capacity during their lifetime.

Summary: Only 6% of American consumers stated they only shop in-store. The overwhelming majority use online sales avenues, and 12% of that cohort noted that they exclusively use online channels. More tellingly, 44% of respondents stated they completed a purchase online even if they often shop in-store. Consumers will shop at physical locations to assist a buying decision, but then buy that item online instead.

Pandemic restrictions likely helped change consumer buying habits as everyone became accustomed to a digital-first experience. This has opened the gates to more online fraud, as many businesses are not equipped to handle the increase in order volume. Product type also can affect consumer preferences. For example, retail enjoys the benefits of eCommerce but digital grocery shopping is far less adopted by consumers (9–12%).

Preferred In-Store Payment Method by Consumers

Survey Question: What is your preferred payment method when shopping in-store?



Key Finding: While new payment methods are growing in adoption and use, in-store transactions remain dominated by debit and credit card transactions.

Summary: Consumers certainly desire the benefits of online payments, but they do not choose digital transaction methods for in-store payments. Mobile wallets may have a 32% market share of eCommerce transactions, but credit and debit cards together facilitate over 70% of physical store payments.

Only 6% of survey respondents stated that they used a digital wallet, which is even less than the 12% who opted to use cash. According to the Federal Reserve, in 2021, debit cards narrowly edged out credit cards as the most popular method of payment, with 29% of consumers using them to make purchases, compared to 28% of consumers using credit cards to make their purchases.

Security concerns may also be impacting consumer behavior. Card-not-present (CNP) fraud is predicted to siphon \$9.49B from digital merchants. That's a 57% increase in losses from 2019 and will make up 73% of all card-related losses in 2023. Consumers have clearly expressed interest in digital-first payment methods, and card issuers have done well to earn extensive consumer confidence with strong security.

As a result, credit cards manage most transactions conducted through physical point-of-sale systems. Once Apple Pay, BNPL, PayPal, and crypto payment methods become more trusted, we could see adoption rise.

Consumer Preferences Post COVID-19

Survey Question: How has the COVID-19 pandemic affected your payment behavior?

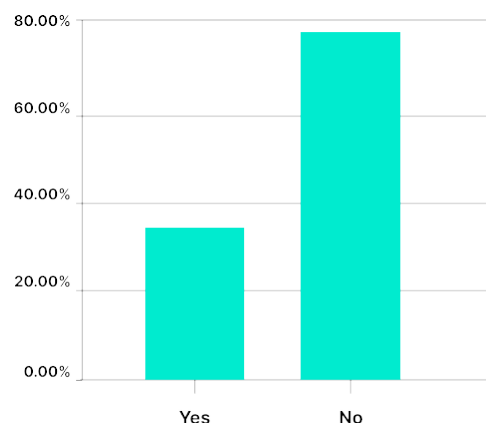
Key Finding: Consumers want hygienic and contactless payment options. More than half of respondents stated that COVID-19 impacted their decision to use online methods.

Summary: The onset of Covid-19 and pandemic restrictions accelerated online payment acceptance, as forecasted. Even with a contraction in economic activity, mobile money grew twice as fast as forecasts at 12.7%. Over 50% of surveyed consumers confirmed such findings, stating that the pandemic increased their use of online payments and contactless purchase methods. Another 14% cited it decreased their use of cash.

Of the 79% of people who say they opt for tap-and-go payments, safety and cleanliness are cited reasons for use. And nearly half of worldwide consumers now consider contactless payments an important health safety measure. Health concerns helped drive a digital-first mindset and demand for sanitary payment options. Contactless online payments will likely enjoy sustained adoption in the future.

Consumer Aggressiveness Toward Chargebacks

Survey Question: Have you ever filed a chargeback with your payment provider as a way to get a refund for a purchase?



Key Finding: Outside of a minority who use chargebacks to commit fraud, most consumers do not take advantage of chargebacks for personal gain and consider them a helpful safety net.

Summary: While the growth of eCommerce offered merchants novel methods for profit optimization, it also presented the growing threat of chargebacks.

False chargeback claims cost an estimated \$125 billion in annual losses. The MRC found 34% of merchants have experienced first-party fraud (friendly fraud), costing an estimated \$35 for every \$100 in disputes. And over half (62%) of merchants reported an increase in friendly fraud since 2021. These figures are in line with Sift's recent consumer survey results, where 23% of consumer respondents who have disputed a purchase have filed a chargeback in the last year and listed fraud as the reason for doing so, even though they received the item and were satisfied with the purchase.

But, our survey found 72% of American consumers stated that they did not use a chargeback to recoup losses and claim a refund. This suggests that friendly fraud remains a prominent issue but that losses are due to a complex range of reasons outside of pure malicious intent (e.g. forgetfulness, lack of education, etc).

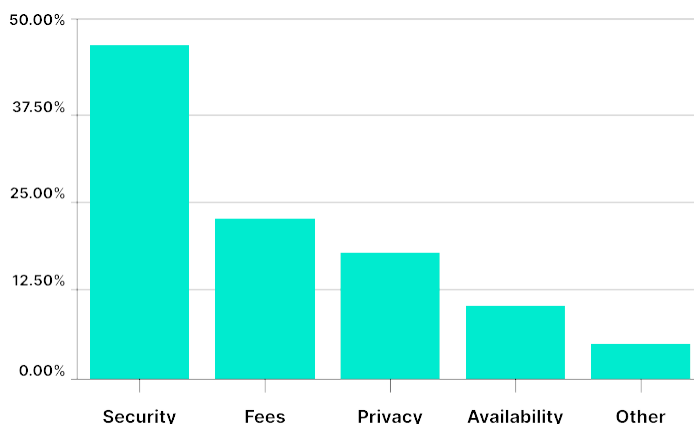
A small (and growing) cohort certainly is taking aggressive and harmful action to recoup losses via chargebacks. But most consumers consider it a helpful consumer protection that ensures confidence in the payments industry. Thirty-two percent of respondents said that their payment account was used to make payments they did not approve of. And of that group, 75% continued to use the same institution.

Consumer confidence in card issuers is high, and the chargeback process contributes to that trust. Continued robust security for businesses/merchants at every customer touchpoint will be crucial as the issue of chargebacks grows.

Security

The Importance of Digital Security to Consumers

Survey Question: What is your primary concern when using digital payments?



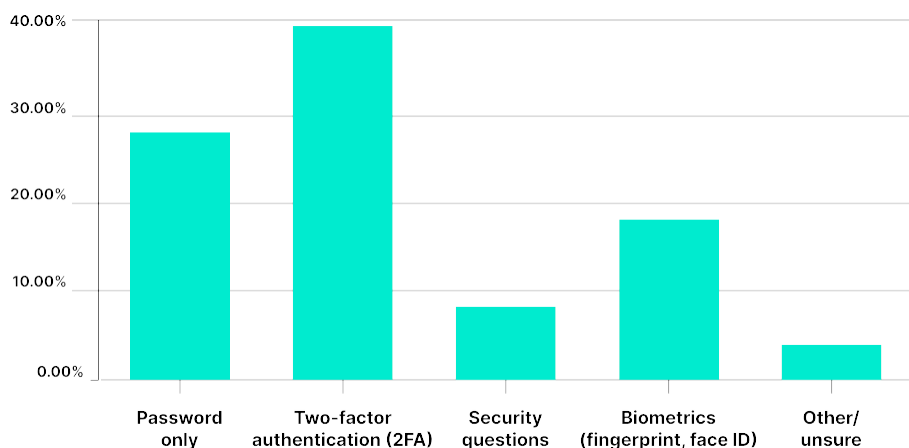
Key Finding: Security remains the primary worry for users who use online payment methods.

Summary: Nearly 44% of respondents listed security issues as the chief concern when using online payments. And when asked about the level of their worry, 45% stated they rated their concern as “somewhat high,” with an additional 23% as “high.” Security is taking on radical importance for consumers. Secondary sources confirm such findings, with 85% of consumers saying it’s important to know a company’s data and security policies before making a purchase. Over 50% of consumers will look for a brand that has a strong reputation for security before making an online purchase.

Clearly a shift has occurred — consumers appear to value security more than convenience. And for good reason: Sift found that 43% of consumers recently fell victim to payment fraud, with 62% experiencing payment fraud 2–4 times in the past two years. Data breaches and phishing scams are on the rise, so security is a top concern for many consumers. As the fraud economy expands and bad actors operate with greater levels of sophistication, merchants need to invest in better security practices.

Preferred Method for Account Security

Survey Question: What is your preferred method of securing online accounts that house payment information?



Key Finding: Consumers prefer a robust set of payment protections, though the adoption of new technical innovations remains low, likely due to a lack of awareness and education.

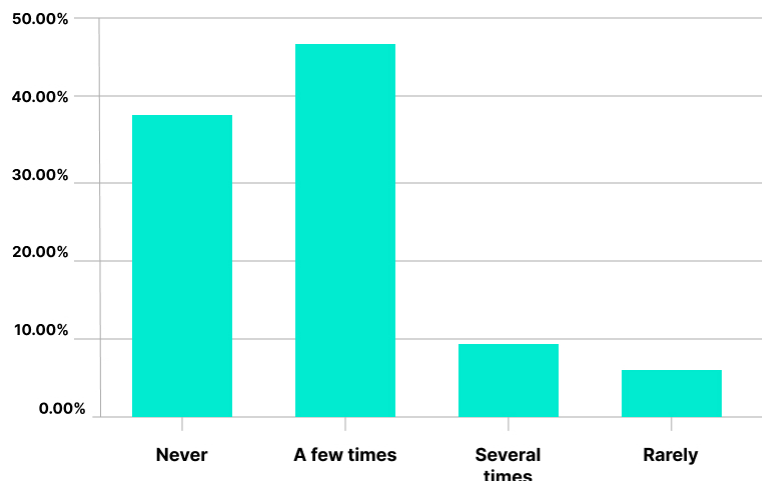
Summary: Over 90% of Americans stated they would be willing to use some security measure when accessing organization services. Security does introduce friction to sales channels, but consumers expect merchants and issuers to keep their money safe.

Of the possible securing methods, nearly 40% of survey respondents listed two-factor authentication as the preferred method, a security measure with a higher level of friction than passwords alone (a second selection option which 28% of survey respondents stated was their preference). Of note, security questions are clearly a nuisance to consumers, as only 9% listed it as a preferred security method. Curiously, biometrics garnered only 19% of consumer preferences. Biometric security is a hard-to-hack, advanced safety measure that would be highly beneficial to consumers. Privacy issues, lack of awareness, and limited government policies are likely reasons for the low adoption rates.

The data also suggests that consumers lean heavily on merchants to keep their data safe. Many users simply have bad online security hygiene (64% of people who reuse passwords are exposed in a breach for other accounts). But security is demanded: the customer just may be less likely to jump through hoops themselves when it comes to securing their information. Merchants should be prepared for such reticence when introducing security friction.

Security and Consumer Friction

Survey Question: How often has experiencing friction when making an online payment (e.g., CAPTCHA, email/SMS verification) caused you to abandon the transaction?



Key Finding: Consumers accept friction in order to attain proper security levels, but high levels will lead to purchase abandonment.

Summary: 45% of consumers stated that experiencing friction caused them to abandon a transaction “a few times.” Only 6% noted they regularly abandon a purchase, and 38% listed “Never.” Clearly, consumers remain patient if it means they achieve higher levels of security.

Still, merchants will lose consumers and revenue-earning transactions if security creates too many barriers. Almost half of surveyed consumers expect a web page to load in two seconds or less. 40% of people abandon a website that takes more than three seconds to load. eCommerce stores lose \$18 billion in sales revenue each year because of cart abandonment.

A balance can be found. Businesses must streamline the customer experience for trusted users and invest in technology that can accurately distinguish such behavior.

Consumer Trends Regarding Online Payments

The collected survey insights uncovered numerous data points regarding consumer attitudes toward the payment industry. Response information shows that the following industry trends will likely drive consumer behavior in the future.

The continued growth in the adoption of digital payment methods

First and foremost, digital payments exhibit strong growth patterns. That growth will likely continue. The total transaction value of digital payments worldwide is expected to top US\$9.46 trillion in 2023, up from 8.35 trillion in 2022. Experts also estimate that number to reach just over \$14 trillion in 2027, an explosive increase compared to the \$3.36 trillion in 2017. Online payment methods will only increase in overall acceptance.

The strength of adoption rates from novel payment methods also speaks to further growth. Crypto use, even during the current “crypto winter,” is growing and steady (up to 402 million identified users in November of 2022). And BNPL remains strong, even as government watchdogs introduce regulations and stricter financing conditions. Younger demographics are propping up the innovative payment methods (e.g. at least 1 in 4 Gen Z, Millennials and Gen X invest in crypto) and will likely continue to use such services as purchasing power increases. Expect a continued acceleration in online payment usage as the industry evolves into the mainstream.

Consumer benefits are driving acceptance

The data also indicates that inherent consumer behaviors and service preferences are the driving forces of such rapid growth. More than 70% of consumers state they now prefer to shop and pay with digital methods. The act of paying itself is part of the buying experience, and consumers flock to the services with the most benefits.

Speed, convenience, and ease of use are the commonly cited advantages. For example, consumers are clearly using contactless purchase methods for peace of mind. Covid-19 changed consumer attitudes toward sanitary payment options (tap-and-go and card-not-present), and that preference has not waned. As merchants adapt to demand, digital payment acceptance continues to accelerate.

Looking to the future, new payment methods with yet more consumer benefits will likely characterize most growth metrics. For example, via social media offers new and untapped opportunities. Real-time payments embedded into social media pages present an even more convenient channel for younger generations to shop. Expect digital payment acceptance rates to increase as new methods become stable and accepted.

Confidence in digital payments extends from robust security

Survey respondents indicated that security remains a primary concern. Going forward, merchants must invest in fraud prevention strategies to maintain consumer confidence and retain customers. Adoption rates will stagnate if consumers do not feel safe (as shown by the adoption hesitation in the crypto space).

The issue will only grow more prominent due to the relative instability of novel technology. Blockchain wallets, real-time payments, and smartphone wallets still suffer from setbacks in acceptance as public data breaches and fraud activity increase in frequency. Fraud prevention tools will take on greater importance as bad actors expand in sophistication and have more opportunities to commit malicious activity.

Moreover, regulation remains slow to address such concerns. But merchants can take steps now to earn consumer trust. Security features such as biometrics, facial recognition, password security, and MFA are consumer-preferred methods.

Merchant Implications

The current trends in the payment industry offer plenty of possible opportunities for merchants. But the first clear takeaway is that merchants must adopt new forms of digital payments to remain competitive. Consumers expect a range of service offerings, and that includes novel options (e.g., crypto and BNPL).

Regardless of channel, customers want choice, especially as omnichannel retail sets new standards. Convenience and ease of use drive the customer experience — targeted services according to preference will earn buyer satisfaction. For those who want to reach a global audience, integrating accessible payment options is a must.

Secondarily, merchants need to invest in protection from fraud and security threats. The data overwhelmingly shows that security is a primary concern for online payment users. Consumers simply will not engage with businesses that do not earn high levels of trust regarding the safety of money and data.

Advancements in security do introduce friction, but customers will sacrifice convenience if it leads to safety. Since trust is crucial, dynamic friction would be a wise strategy for merchants. Increasing protective tactics based on the risk associated with a transaction can secure all data and assets while fast tracking low risk orders. Trusted consumers receive less scrutiny (and thus less friction), while the overall security posture remains robust, if not better. Risk screening paths and prevention tools may provide the secure and frictionless experience consumers desire.

In all cases, digital fraud prevention remains crucial in facilitating a positive customer experience. Merchants will do well to make investments into secure payments. Such increases in security will only grow in importance as relatively newer options that enjoy less regulation (BNPL and crypto) become consumer-preferred payment methods.

***“If everyone is moving forward
together, success takes care of itself.”***

Henry Ford



About MFJ

Merchant Fraud Journal is an independent and unbiased publication dedicated to empowering online sellers to greatly reduce the impact of eCommerce fraud on their businesses. Its core mission is to break the silos surrounding merchants' internal fraud prevention processes by bringing together industry professionals to share their knowledge with one another.

Unfortunately, the business process knowledge needed for online sellers to greatly reduce the impact of eCommerce fraud is scarcely available right now. There is no single forum and resource where merchants, payment professionals, and other industry professionals could go to get educated on the myriad of challenges they face.

We seek to fill that gap by being a resource that collects insight from industry thought leaders and fraud prevention tool experts on topics such as chargebacks, false positive declines, account takeover fraud, friendly fraud, data breaches and more. Our goal is to help honest businesses quickly understand their security options and take action, so they can get back to focusing on their core business activities.



About Sift

Sift is the leader in Digital Trust & Safety, empowering digital disruptors to Fortune 500 companies to unlock new revenue without risk. Sift dynamically prevents fraud and abuse through industry-leading technology and expertise, an unrivaled global data network of one trillion (1T) events per year, and a commitment to long-term customer partnerships. Global brands such as DoorDash, Twitter, and Wayfair rely on Sift to gain a competitive advantage in their markets.

Visit us at sift.com, and follow us on [LinkedIn](#).



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