

Paysafe



Lost in Transaction: Consumer payment trends 2023

How consumers' shifting priorities are impacting the experience economy.

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Executive Summary

How do consumers prefer to pay in 2023? What do they think of emerging payment technologies like virtual reality, the Metaverse, and AI? And how has the ongoing economic uncertainty impacted their payment preferences and spending behaviour?

Every year since 2017, Paysafe has been surveying consumers to find out more about their payment habits and preferences as part of its Lost in Transaction series. This latest report captures research conducted in April 2023 with 14,500 consumers in the US, UK, Canada, Germany, Austria, Italy, Bulgaria, Mexico, Colombia, Argentina, Peru, Ecuador, Chile, and Brazil.

Here are the highlights:

- **The experience economy continues to grow.** Demand for travel, leisure, online video-gaming, and other experiences is strong despite the uncertain economic climate, with 51% of respondents prioritising them over other discretionary spending. That said, consumers are becoming more selective about what they spend. The top spending categories are eating out and takeaways (27%), clothes (25%), streaming services (25%), and travel (17%).
- **Debit cards are the most popular payment method.** 70% of respondents who pay online with debit cards are using them more often than they did 12 months ago. This jumps to 71% among respondents who have changed their payment habits due to the cost-of-living crisis. Debit cards are also the preferred way to pay for many experiences, including takeaways (42%), online video-gaming (30%), and online gambling (26% for smaller bets and 23% for larger bets).
- **Trust in the payment method is paramount for consumers in online video-gaming and online gambling.** 66% of respondents say their level of trust in the payment method influences how much they spend on online video-gaming, and 67% say it influences how much they spend on online gambling.
- **Cost-consciousness is driving buying decisions.** 67% of respondents are more likely to make purchases during Black Friday and other seasonal sales or discounting events, 61% are more likely to repair than replace an item, and 47% have abandoned their cart due to budget constraints.
- **Consumers are increasingly uncomfortable sharing their financial data online.** 52% of respondents prefer not to share financial details online and 68% prefer using online payment methods that don't require them to share their financial details.
- **eCash usage has shot up.** 31% of respondents who have used eCash are paying with it more often than they did a year ago. This goes up to 60% among respondents who have changed their payment habits due to the cost-of-living crisis. 23% of respondents who say eCash is their preferred online payment method would abandon their cart if eCash weren't available at the checkout.
- **Mobile wallets like Apple Pay and Google Pay are edging out cards.** 52% of respondents are comfortable leaving the house without a physical wallet and relying on their mobile wallet to pay for everyday purchases. Even more significantly, 55% think mobile wallets will replace cards completely within the next 10 years.
- **Despite the technology's potential, AI-driven payments are still a largely untapped opportunity.** While the benefits of AI are much discussed, only 14% of respondents indicated they had knowingly used AI-driven payments, such as AI-powered checkouts, smart wallets, and payment chatbots. Appetite is also still fairly low, with only 10% telling us they'd be comfortable using AI-driven payments in two years' time if they became more established. That said, most consumers are aware that merchants use AI for risk-scoring, fraud prevention, and personalisation.
- **Appetite for augmented reality (AR) and virtual reality (VR) payments is growing.** While only 3% of respondents are currently using AR and VR, 27% see themselves using VR payments and 28% see themselves using AR payments within the next two years if these technologies become more widely available and they learn more about them. 26% also see themselves making a purchase in the Metaverse in the next two years if the technology becomes more widely available and they learn more about it.

An aerial, high-angle photograph of a busy pedestrian crossing. The crossing is marked with white diagonal stripes on a dark asphalt surface. A large, white, stylized number '1' is overlaid on the right side of the image, partially obscuring the crossing. The scene is filled with many people walking in various directions, some carrying bags or suitcases. The overall lighting is somewhat dim, suggesting an overcast day or late afternoon.

In search of better payment experiences

Paysafe:

Despite tighter household budgets and an uncertain economic outlook, our research found that demand for travel, leisure, online video-gaming, and other experiences is still strong, with 51% of respondents prioritising them over other discretionary expenditure.

That said, consumers are increasingly discerning, both when it comes to which experiences they're choosing to spend on, and how they're choosing to pay for them.

1.1 How are consumers choosing to prioritise their discretionary spend?

According to our research, consumer demand is strongest for eating out, takeaway meals, clothes, and streaming services.

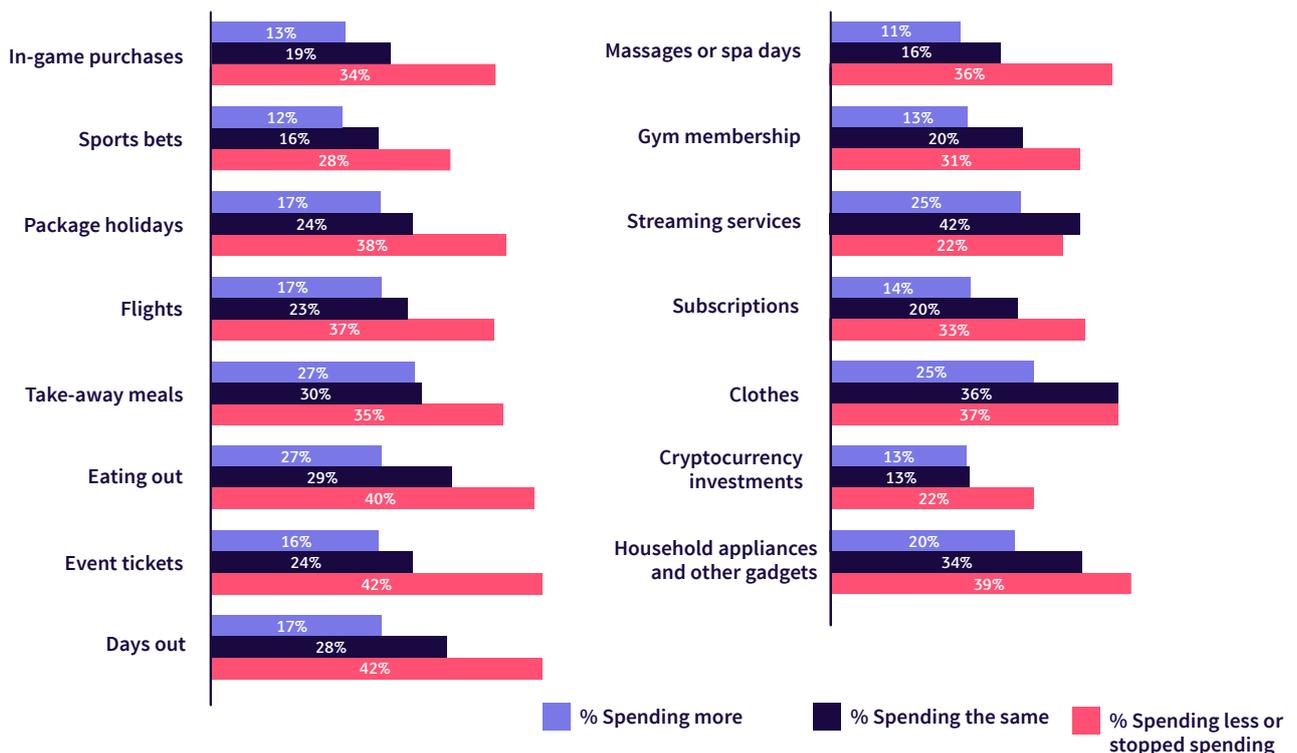
27% of respondents told us they're spending more on takeaways than they did before the cost-of-living crisis, while 30% are spending about the same. The numbers are similar for eating out, with 27% spending more and 29% spending about the same as they did before.

25% of respondents are spending more on clothes than they did before the cost-of-living crisis, with 36% spending about the same. And 25% are spending more on streaming services, with 42% spending about the same. Demand for travel has also remained strong, 17% of respondents are spending more on days out, flights, and package holidays than they did pre-cost-of-living crisis, while 28%, 23%, and 24% respectively are spending about the same.

Very few respondents have stopped their discretionary spending altogether. For streaming services, takeaways, and eating out, for instance, it's 7%. For clothes, it's 4%. And for flights, package holidays and sports bets it's 13%.

This suggests that most consumers are simply being more cautious and selective, rather than cutting this type of spending out of their budgets completely.

Changes in spending compared to before the cost-of-living crisis



1.2

How do consumers pay to play?

Consumers are as clear about their payment preferences as they are about how they should prioritise their discretionary spending.

Preferred payment method for various online purchases

	Small online gaming purchases	Small online gambling bets	Bigger online gambling bets	Take-away meal	Hotel stay	Long-haul flight ticket	Holiday	Book or other small item	Household appliance	Rent or mortgage	Big-ticket purchase
Debit card	30 %	82 %	60 %	49 %	48 %	32 %	75 %	34 %	66 %	82 %	57 %
Credit card (manually entering credit card details online)	17 %	46 %	54 %	73 %	38 %	54 %	34 %	47 %	45 %	50 %	67 %
Digital wallet (e.g. Skrill, NETELLER)	15 %	37 %	29 %	26 %	40 %	36 %	42 %	36 %	27 %	24 %	35 %
Credit card stored in a mobile wallet (e.g. Apple Pay, Google Pay)	7 %	24 %	19 %	13 %	33 %	43 %	25 %	28 %	32 %	41 %	42 %
Prepaid card	4 %	33 %	24 %	17 %	15 %	20 %	25 %	14 %	12 %	12 %	14 %
Direct bank transfer or ACH	4 %	6 %	9 %	7 %	40 %	42 %	14 %	7 %	12 %	8 %	34 %
Pay by invoice	3 %	7 %	19 %	15 %	9 %	11 %	10 %	47 %	11 %	19 %	10 %
eCash (online cash or electronic cash) e.g. paysafecard, Paysafecash, Barzahlen, viacash, PagoEfectivo	2 %	4 %	11 %	6 %	11 %	14 %	11 %	6 %	22 %	14 %	9 %
Cryptocurrencies	1 %	17 %	10 %	3 %	22 %	20 %	6 %	5 %	4 %	3 %	3 %
A pay-by-installments plan (e.g. Klarna, Affirm)	1 %	4 %	11 %	6 %	6 %	10 %	17 %	4 %	8 %	5 %	6 %

Debit cards are the preferred payment method for takeaway meals (42%), small online gaming purchases (30%), online gambling bets (26% prefer it for placing small online bets, and 23% prefer it for a larger online bet), and books or other small items (41%).

Credit cards, on the other hand, are the payment method of choice when paying for long-haul flight tickets (34%) and holidays (34%). And, when it comes to hotel stays, it's a fairly even split between debit cards (34%) and credit cards (33%).

The type of experience inevitably impacts how consumers choose to pay, particularly in the case of online video-gaming and online gambling.

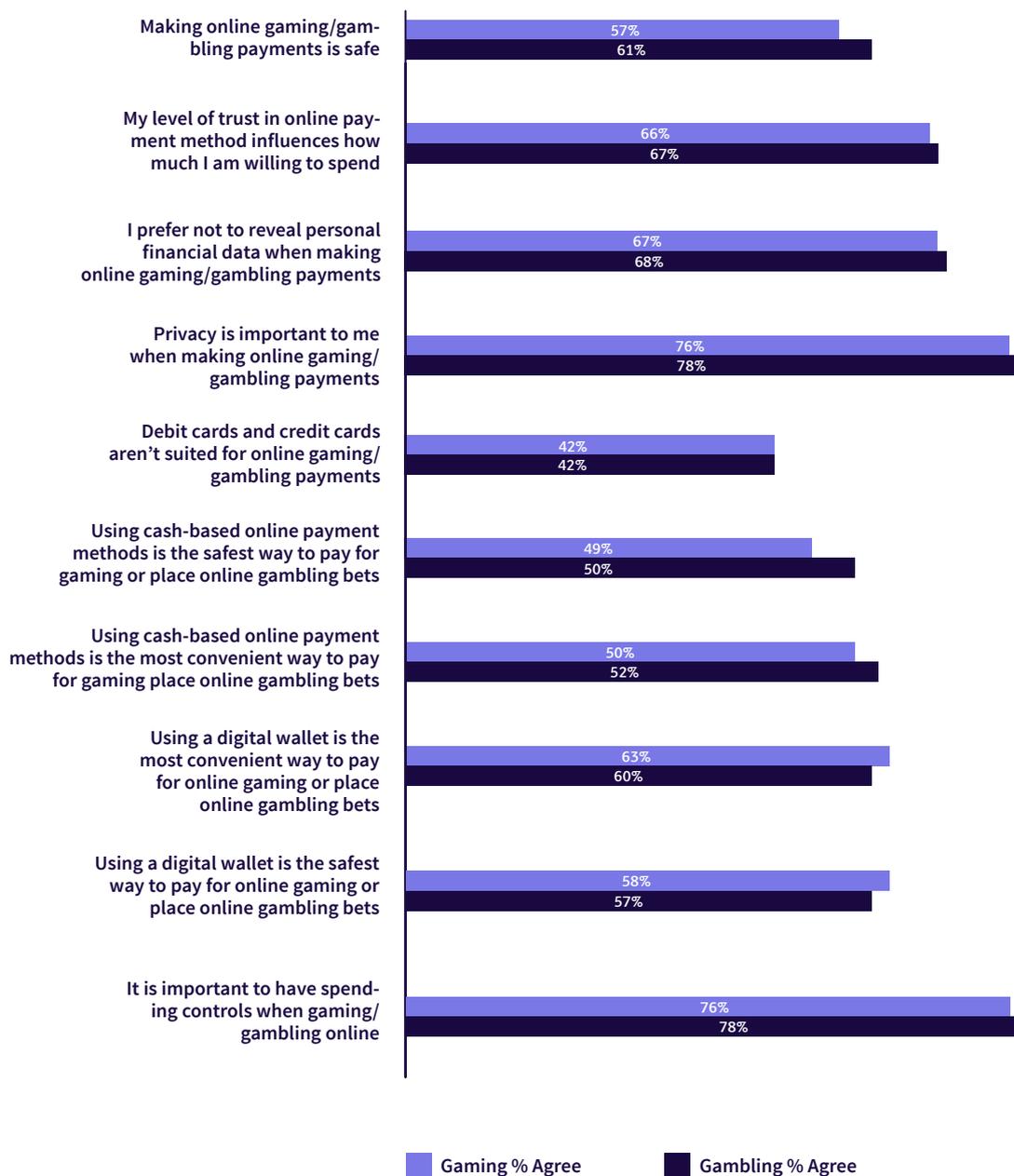
Trust is paramount. 67% of those who make online gambling purchases say their level of trust in the payment methods available influences how much they spend on online gambling, while 66% say it influences how much they spend on online gaming.

² <https://www.paysafe.com/gb-en/paysafe-insights/lost-in-transaction-consumer-payment-trends-2021/>

The other top three priorities for consumers when making online gaming purchases or placing online bets are privacy, security, and control:

- 76% think privacy is important when making online gaming payments, with 78% thinking it's important when placing online bets
- 67% prefer not to reveal their financial details when making online gaming payments, with 68% preferring not to when placing online bets
- 76% think it's important to have spending controls when making online gaming purchases, and 78% of those who have made online gambling purchases also think it's important

Changes in spending compared to before the cost-of-living crisis



Cost-consciousness is driving buying decisions



Paysafe:

While consumers still have an appetite for experiences and other discretionary spending, the current economic uncertainty is influencing their buying behaviour.

Most consumers are streamlining their budgets and rethinking when and how they should spend. As a result, their priorities and preferences have shifted in two important ways. First, they're increasingly on the lookout for deals. And second, they're switching to payment methods that give them more control.

2.1 Looking out for a bargain

Two-thirds of respondents (67%) told us they're more likely to make purchases during Black Friday and other seasonal sales or discounting events, where they have a greater chance of getting a better deal.

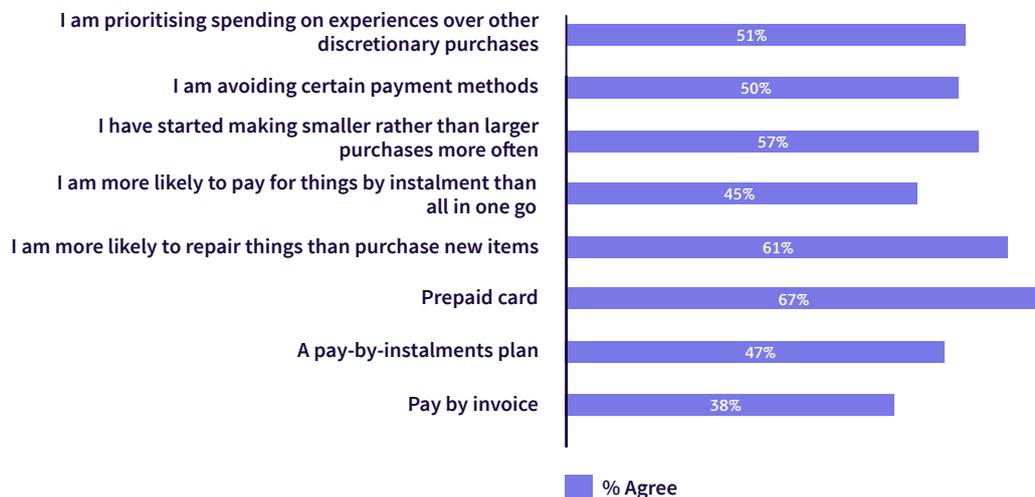
Customers are also more mindful of whether they should shop at all. 61% are more likely to repair an item than replace it with a new one, while 47% report having had second thoughts and abandoning their carts due to budget constraints.

These findings are a strong indicator that compelling promotions will likely be hugely important for incentivising more customers to buy moving forward.

Equally, the need to streamline the checkout experience is more pressing than ever.

Consumers were already comfortable abandoning their carts before the cost-of-living crisis hit. Now that they have the additional concern of tight budgets on their minds, they'll be even more likely to do so if they're hit with surprise shipping fees, can't use their preferred payment methods, or encounter other friction points at the checkout.

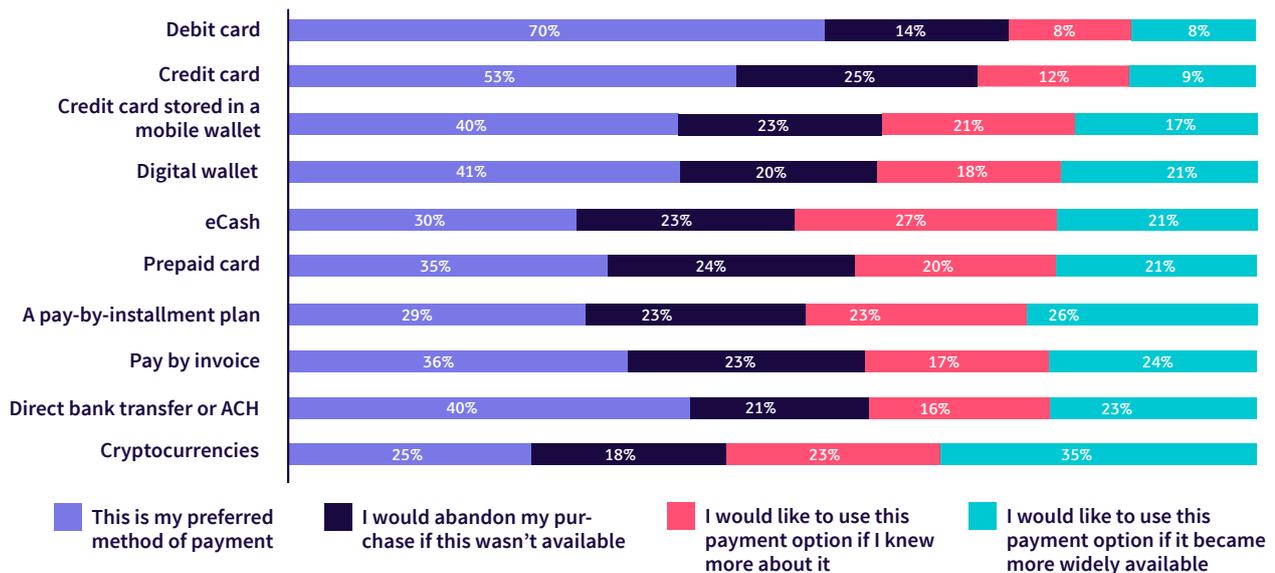
Consumers' agreement with the following statements



2.2 Understanding consumers' online payment preferences

As in 2022, debit cards are the most popular online payment method. 70% of respondents who have used debit cards for online purchases in the last year say it's their preferred way to pay online. 53% of credit card users rank this as their most popular payment method, followed by 41% of digital wallet users saying this is their preferred way to pay, making these the second and third most popular payment methods.

How do consumers feel about the following payment methods at the online checkout?

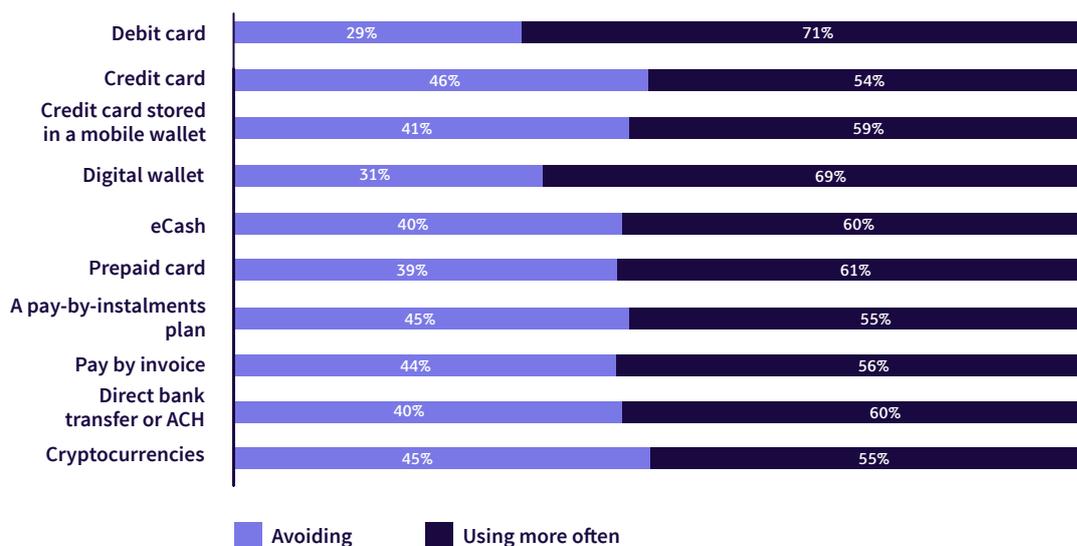


Debit cards are also the most popular online payment method among respondents who told us they've changed their payment habits, with 71% saying they use them more often than they did a year ago.

Other payment methods that consumers, who changed their payment preferences as a result of the cost-of-living crisis are using more often than a year ago, are digital wallets (69%), prepaid cards (61%), and online cash, or eCash (60%).

eCash has seen the biggest jump in usage. In 2022, only 26% of respondents who changed their payment habits because of the cost-of-living crisis said they were using eCash more often.

If consumers' spending patterns have changed as a consequence of the rise in cost of living, which payment methods are they avoiding and which are they using more often?



1 <https://baymard.com/lists/cart-abandonment-rate>

Will wallets replace cards as consumers' preferred payment method?



3

While debit cards and credit cards remain the two most popular payment methods overall, mobile and digital wallet usage has shot up.

52% of respondents now feel comfortable leaving home without a physical wallet and paying for everyday purchases with a mobile wallet — Apple Pay, Google Pay, or another app that enables them to pay with their smartphone.

And while consumers still prefer manually entering card details when paying for online gaming, online gambling, leisure, travel, hospitality, e-commerce payments, and crypto, overall more respondents are using credit cards stored in a mobile wallet (40%), rather than physical credit cards (36%) when paying online. This goes up to 59% among people who have changed payment preferences due to the cost-of-living crisis.

Even more significantly, 55% of respondents believe mobile wallets will fully replace cards within the next 10 years.

Adoption of digital wallets i.e. eMoney accounts that enable you to pay online without sharing your financial details, like Skrill, and NETELLER, is also on the rise.

40% of respondents told us they're paying online with digital wallets more often than they did a year ago. This goes up to 69% for respondents who have changed their payment habits because of the cost-of-living crisis.

3.1

Alternative payments: customer attitudes to mobile wallets by location

Latin American respondents were the biggest adopters of alternative payments. The research found they're more likely than respondents in other countries to feel comfortable leaving the house without a physical wallet, and the most likely out of all respondents to believe mobile wallets will fully replace cash within the next 10 years.

Peruvians are the heaviest mobile wallet users, with 67% relying on their mobile wallets for everyday purchases, followed by Argentinians (66%), Brazilians (65%), Mexicans and Colombians (both 63%), and Chileans (56%).

The least likely to feel comfortable leaving their physical wallet at home and paying with their smartphone were Canadians (34%), followed by Brits and Austrians (both at 39%).

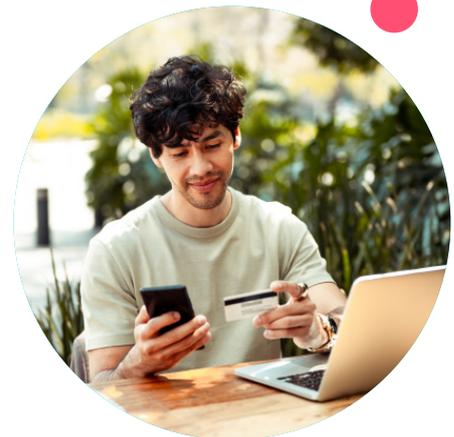
While we stopped short of asking respondents why they felt comfortable (or not) replacing physical wallets with mobile wallets, it's likely that differences in the accessibility of banking services has a part to play.

The International Monetary Fund estimates that around three quarters of Latin America's 300 million digital payment customers and 30 million digital banking customers were previously unbanked.

Because the companies through which these customers have gained access to cards and other payment services are digital-first, they've essentially leapfrogged plastic and gone directly to mobile wallets.

By contrast, Canada, Austria and the UK had high proportions of consumers with access to cards before mobile wallets went mainstream. In the UK, for instance, the first contactless cards were issued in 2007 — seven years before Apple Pay's launch.

Consumers in these countries may simply have not seen much reason to switch so far, since swiping or tapping their cards has served them well for a long time. But the growing numbers of people who are comfortable using their smartphone as a physical wallet replacement suggests they're starting to warm up to the benefits, specifically greater security and convenience.



Consumers agreeing with the statements about digital wallets and mobile wallets

	% Agree	EMEA	LATAM	North America
I value the financial insights/analysis I can gain from digital wallets	51 %	41 %	63 %	41 %
I value being able to connect a digital wallet to 3rd party apps to make quick bank transfers	54 %	44 %	66 %	46 %
I value being able to connect a digital wallet to 3rd party apps to gain quick access to loans	44 %	36 %	55 %	36 %
I value being able to connect a digital wallet to 3rd party money management tools	48 %	38 %	58 %	40 %
I feel comfortable leaving my house without a physical wallet or cash and relying on the mobile wallet on my smart device to make payments	52 %	44 %	63 %	39 %
I believe paying with digital wallets is more secure	49 %	40 %	59 %	41 %
I am comfortable with the idea of my digital wallet replacing several services, including my bank	48 %	42 %	58 %	38 %
I feel more comfortable using a digital wallet that has been around for a long time or is part of a well-known brand	61 %	54 %	69 %	55 %
I feel mobile wallets will fully replace card and cash payments in the next 10 years	55 %	47 %	64 %	48 %

3.2

The quest for control: why digital wallets are an increasingly popular online payment option

As with mobile wallets, there's been a significant uptick in payments using digital wallets over the past 12 months. Our research found digital wallets to be consumers' third payment method of choice, after debit and credit cards, when paying for online gaming, online gambling, travel, hospitality, leisure, and crypto.

More to the point, 41% of respondents who had used a digital wallet in the previous 12 months told us it was their preferred online payment method. And 20% will abandon their cart if their favourite digital wallet isn't available, which means merchants who don't accept digital wallet payments risk losing a considerable chunk of business.

Interest in digital wallets is also on the rise. 39% of respondents told us they'd pay with them more if they knew more about the technology or it became more widely available.

The fact consumers are more security-conscious than ever before is undoubtedly a large part of the reason for the increased adoption of digital wallets.



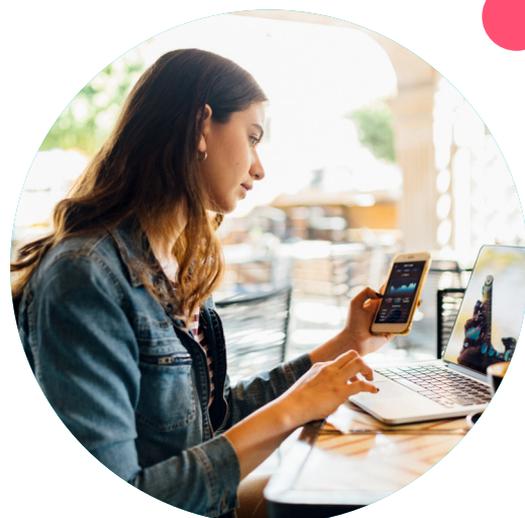
49% of respondents think paying with a digital wallet is more secure than using other payment methods. This is likely due to the fact that paying with a digital wallet doesn't require you to enter your financial details whenever you pay online, which is something 52% of respondents told us they don't feel comfortable doing.

Our research suggests the cost-of-living crisis is likely also a factor, with 51% of respondents telling us they value the financial insights they can gain from digital wallets. Insights that can help them stay on budget and make their money stretch further. Digital wallets' ability to integrate with third-party service providers is important to consumers, too.

54% of respondents told us they value being able to connect to third-party apps to make quick bank transfers. 48% value being able to connect to third-party money management tools, while 44% value being able to connect to third-party credit providers for quick access to loans.

That said, while the appetite for digital wallets is greater than ever, the power of incumbency is very much at play.

61% of respondents told us they feel most comfortable using digital wallets that either have been around for a long time or belong to large, well-known brands. So, despite growing appetite for the technology, new and untested digital wallet brands are at a disadvantage compared to established providers.

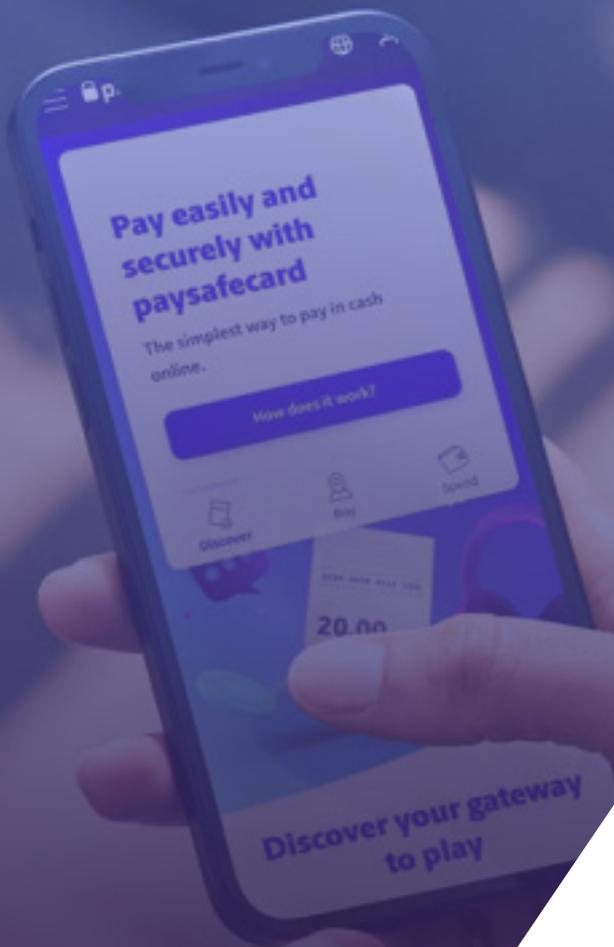


2 <https://www.elibrary.imf.org/view/journals/063/2023/003/article-A001-en.xml>

3 <https://home.barclaycard/insights/2021/10/a-brief-history-of-contactless-payments/>

4 <https://www.apple.com/uk/newsroom/2014/09/09Apple-Announces-Apple-Pay/>

eCash comes of age



4

Paysafe:

While appetite for digital cash, or eCash, has been rising steadily for years — in our 2022 Lost In Transaction report, for instance, 47% of respondents told us it would be easier if they could pay for their online purchases with cash — our 2023 data shows that usage has exploded over the past 12 months.

The research suggests eCash is now more popular than at any other point since starting our Lost In Transaction series in 2017. 31% of those who used eCash within the previous year told us they're paying with it more often than they did 12 months ago, compared to just 13% saying so in 2022.

4.1 eCash in numbers

Overall, 30% of respondents who used eCash in the previous 12 months told us it's their preferred way to pay online, making it the fifth most popular online payment method after debit cards, credit cards, digital wallets such as Skrill or NETELLER, and credit cards stored in Apple Pay, Google Pay or a similar mobile wallet.

Our research also suggests that, once consumers get used to paying online with eCash, they're less willing to use other payment methods when eCash isn't available: 23% of respondents who say eCash is their preferred payment method would abandon their cart if they couldn't pay with it.

In comparison, only 14% of those who prefer paying with a debit card would abandon their cart if this type of payment method weren't available, despite debit cards being the most popular online payment method overall.

eCash is most popular in Latin America, and particularly in Colombia and Brazil, where 50% and 38% of respondents who used it in the previous 12 months told us it's their preferred payment method.

Given that Latin American countries have a long-standing tradition of voucher-based payment systems, this isn't surprising. Brazil's Boleto Bancário and Mexico's OXXO, for instance — both systems that enable consumers to scan a barcode in store and pay in cash — have been around since the 1990s.

That said, eCash usage is also growing in regions where voucher-based payment systems aren't as commonplace.

In the card-loving UK and US, 25% and 27% respectively of respondents who used eCash in the previous 12 months said it's their preferred online payment method.

And in Germany and Austria, eCash is the online payment method of choice for 28% and 29% of respondents respectively, suggesting that consumers are keen to take their cash-loving ways online.

4.2 Why are more consumers paying online with eCash?

There are two key reasons for eCash's rising popularity:



5 <https://www.paysafe.com/gb-en/paysafe-insights/lost-in-transaction-consumer-payment-trends-2022/>

4.2.1 Taking charge of online spending

In times of economic uncertainty, consumers often turn to cash because it helps them exercise more control on their spending and stick to a budget.

This is partly down to cash's finite nature — you can't spend £30 if you only have £20 in your wallet.

But it's also rooted in science. A Carnegie Mellon University study found that parting with physical cash activates the pain receptors in the brain, which makes consumers think twice about spending.

With eCash becoming more widely available, it stands to reason that consumers would take the opportunity to take this money-saving technique digital, using eCash to control online spending just as they use physical cash to control spending in bricks-and-mortar stores. Our research suggests this is exactly what's happening. While eCash usage has increased across the board, the spike has been greatest among respondents who have changed their payment habits as a result of the cost-of-living crisis, with 60% of them telling us they're using eCash more often.

4.2.2 eCash as a secure online payment alternative

Aside from controlling costs, our research found consumers also view eCash as a more secure online payment option, particularly when it comes to online gaming and online gambling.

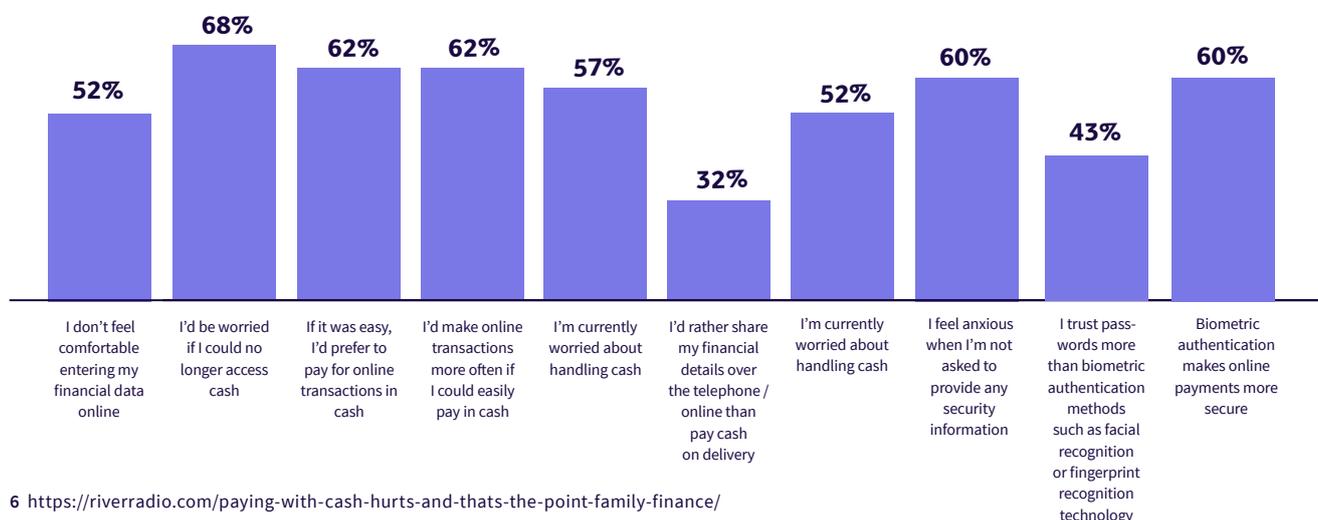
49% of respondents who pay for online gaming told us cash-based methods are the safest way to make online video-gaming purchases. Similarly, 50% who place gambling bets online said cash-based methods are the safest way to do so.

This is likely due to the fact that eCash payments don't require consumers to share any financial details online — a key concern about online payments.

When we asked respondents for their thoughts on online payment security, 52% told us they don't feel comfortable sharing their financial details online. And 68% said they prefer using payment methods that don't require them to share their financial details when paying.

By enabling consumers to generate a barcode and pay offline at a conveniently-located store, eCash addresses these concerns without adding much friction to the payment process.

Consumers agreeing with the statements about the security of online payments



6 <https://riverradio.com/paying-with-cash-hurts-and-thats-the-point-family-finance/>

AI-driven payments: an untapped opportunity with huge potential



Paysafe:

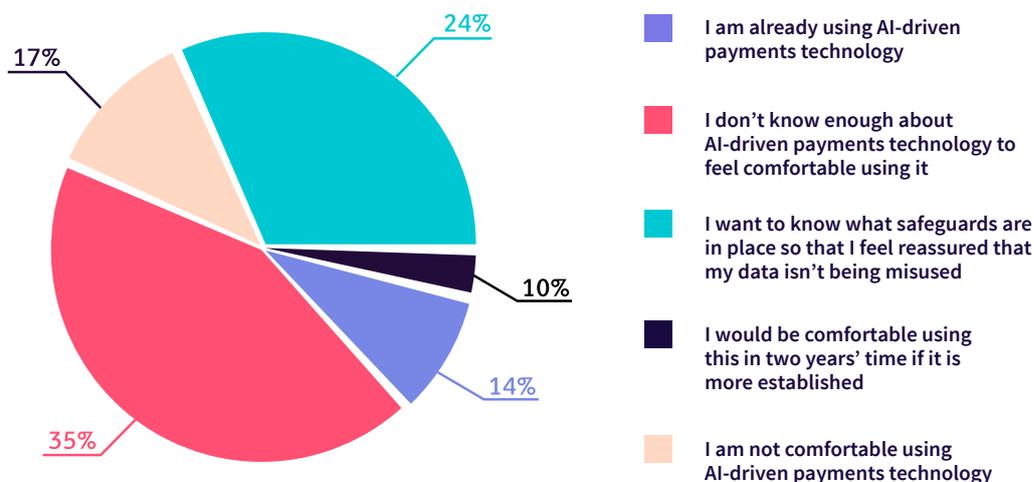
ChatGPT's release in November 2022 propelled AI into mainstream consciousness.

But if AI is, without a doubt, the hottest technology trend of 2023 — and, arguably, the most significant technological development of the 2020s so far — our research suggests its potential in the payments space is still largely untapped.

While older respondents were the least likely to have used AI-driven payments — only 7% of 55- to 64-year-olds and 4% of over 65s said they've used the technology, compared to 19% of 18- to 34-year-olds and 18% of 35- to 44-year-olds — usage was low across the board. Overall, only 14% of respondents are already paying with AI-driven technologies.

Appetite is also still fairly low, with only 10% telling us they'd be comfortable using AI-driven payments in two years' time if they became more established.

How comfortable are consumers with using AI-driven payments technology?



5.1 What's standing in the way of greater adoption of AI-driven payments?

According to our research, there are two key issues that are preventing more consumers from using AI-driven payment technologies: lack of awareness and lack of knowledge.

When we asked respondents whether they'd knowingly used three AI-assisted payment technologies — AI-powered checkouts, smart wallets, and payment chatbots — the majority (26%, 32%, and 31% respectively) said they hadn't done so.

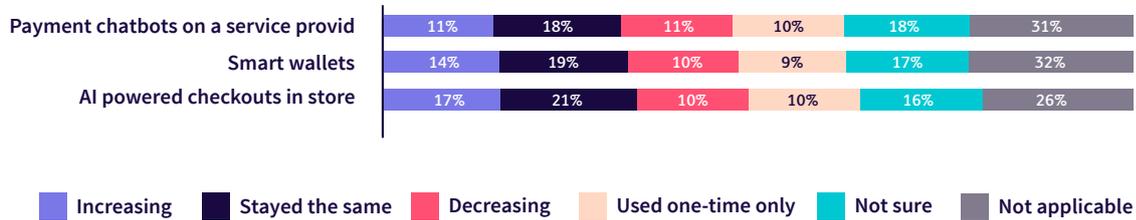
And when we asked them about their level of comfort with the technology, the majority — 35% — said they didn't know enough about it to feel comfortable using it, with a further 24% saying they want to know which safeguards are in place to ensure their data isn't misused.

Of course, 'knowingly' is the key word in our first question. AI typically works in the background. So many consumers may have used AI-driven payment technologies without realising it. Case in point, Amazon Go's 'Just Walk Out' technology, uses machine learning algorithms to work out what customers have taken off the shelves and bill them correctly.

As AI becomes more embedded into everyday life, awareness of AI-driven payment technologies will undoubtedly increase.

That said, awareness alone won't be enough to increase adoption. For payment services providers and merchants to make the most of the opportunity, they need to win consumers' trust by educating them about the benefits — a smoother, more convenient, and safer payment experience — and tackling their concerns about privacy and security head on.

If consumers have knowingly used artificial intelligence technologies in the past 12 months, how is their use of the following technologies developing?



5.2 AI and payment security

While awareness of AI-driven payment technologies is low, the majority of our respondents told us they know merchants use AI for risk-scoring, fraud-detection, and personalisation.

36% of respondents told us they know a lot or a fair amount about merchants using AI to analyse customer data, identify trends, and personalise the payment experience.

Similarly, 35% are aware merchants use AI to detect fraud, and 33% are aware merchants use AI to evaluate individual customers' risk profiles.

The relatively high awareness of these use cases could be merchants' foot in the door when it comes to increasing adoption of AI-driven payments.

Showing consumers how AI is already being used to improve the customer experience and keep their financial details safe could go some way towards overcoming their objections to AI-driven payments and persuading them they're a more secure and convenient option.

How aware are consumers about the use of artificial intelligence by merchants for each of the following purposes?



7 <https://siliconangle.com/2022/06/22/amazon-reveals-using-ai-transform-retail-experience/>

The rise of mixed reality payments

A person wearing a VR headset is shown from the chest up. Their right hand is raised in a gesture, palm facing forward. The scene is lit with blue and purple light. A large, white, stylized number '6' is overlaid on the right side of the image, partially covering the person's face and the VR headset.

6

Paysafe:

Despite having been introduced in retail settings relatively recently — clothing chain Topshop and home improvement chain Lowe's pioneered them less than a decade ago, in 2014 — Augmented Reality (AR) and Virtual Reality (VR) have become mainstays of the experience economy.

Ikea, Walmart, Amazon, ASOS, and countless other brick-and-mortar and online retailers use AR and VR to enhance the shopping experience. Customers can 'try' products or 'see' them in situ before they buy, or even participate in virtual events where they can brush up on their DIY and other skills.

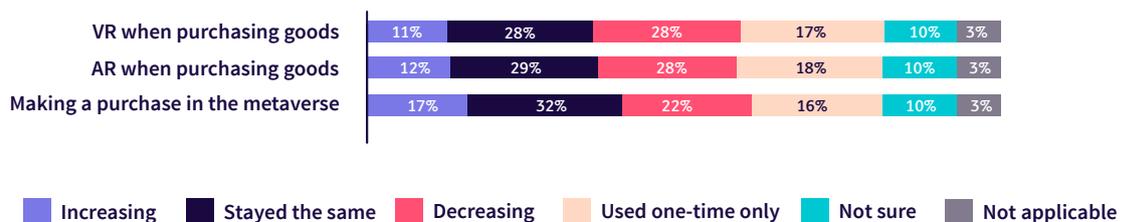
As AR and VR have matured, they've also started being adopted in other experiential settings: from travel to online gaming, online gambling, sports, cinema, and other entertainment products.

These latter developments have led to payments being integrated into AR and VR, so consumers can complete purchases without disrupting the experience.

But how comfortable are consumers with the idea of making payment while immersed in an augmented or virtual world?

Our research found that, while uptake is low — only 3% of respondents have used AR or VR to purchase goods — appetite for AR and VR payments is growing in tandem with demand for AR and VR-driven experiences.

With virtual reality and augmented reality becoming increasingly commonplace in retail, how comfortable are consumers with the use of this technology?



6.1 Most consumers think AR and VR payments are secure

Invariably, the biggest stumbling block to adoption of any new payment technology is concern about its security.

Financial data is some of the most — if not the most — sensitive data a consumer can share. So, if consumers don't fully understand how a technology works, it stands to reason that they'd be less likely to trust it with that data.

Our research found that, when it comes to AR and VR payments, this challenge has been largely overcome.

While older respondents — over 65s in particular — were more likely to say AR and VR doesn't seem safe than younger respondents, concern about the technology's security was low across the board.

Overall, only 12% of respondents told us they wouldn't use AR or VR to purchase goods because they don't seem safe.

Crucially, when we asked respondents if they see themselves using VR and AR to purchase goods in the next two years, 27% said they see themselves using VR and 28% said they see themselves using AR if these technologies become more widely available and they learn more about them.

8 <https://www.campaignlive.co.uk/article/topshop-engages-vr-technology-live-stream-fashion-show-oxford-circus-shoppers/1230847>

9 <https://money.cnn.com/2014/06/12/technology/innovation/lowes-holoroom/>

10 <https://www.youtube.com/watch?v=O1YItG1RKul>

11 <https://www.technavio.com/report/augmented-reality-and-virtual-reality-market-industry-analysis>

Interestingly, while 28% of respondents said they didn't know enough about VR to use it and 29% said the same about AR, only 10% said they'd see themselves using AR or VR in the next two years if they learned more about them.

Rather, it's expanding the availability of these technologies that seems to be the key to greater adoption. 18% of respondents would use AR to purchase goods and 17% would use VR to do so in the next two years if they became more widely available.

6.2 Buying in the Metaverse

Where AR and VR are relatively new technologies, the Metaverse — a single, shared, 3D version of the internet — is still technically hypothetical (though some online video-gaming universes have been described as forming part of it).

But its novelty — the concept has been floated a mere two years ago, in 2021 — hasn't impacted consumers' views about payment safety in a significant way.

At 17%, the percentage of respondents who wouldn't purchase goods in the Metaverse because it doesn't seem safe is higher than the percentage of respondents who wouldn't purchase goods with AR or VR for the same reason. But it's low for a technology that's currently still in the conceptual phase.

Needless to say, whether these numbers actually translate once the Metaverse is released — the development timeline is a rather broad five to 15 years — remains to be seen.

That said, there's significant appetite for Metaverse payments, with just over a quarter of respondents — 26% — seeing themselves making a purchase in the Metaverse in the next two years if the technology becomes more widely available and they learn more about it.



¹² <https://www.vice.com/en/article/93bmyv/what-is-the-metaverse-internet-technology-vr>

¹³ <https://www.theguardian.com/technology/2021/oct/28/facebook-mark-zuckerberg-meta-metaverse>

¹⁴ <https://www.echoworks.io/blog/when-is-the-metaverse-going-to-be-released/>

Wrapping up: How will customers' payment preferences impact the experience economy in 2023 and beyond?

The digitalisation of commerce and payments upended the balance of power between merchants and consumers firmly in the latter's favour a long time ago. That's not news.

But the challenges brought on by the turbulent 2020s — specifically the COVID-19 pandemic, followed by the cost-of-living crisis and ensuing economic uncertainty — have arguably entrenched consumers' dominant position once and for all.

Today's customer is more knowledgeable, informed, and discerning than ever before. They have extremely clear priorities and expectations when it comes to buying and paying online, and they won't think twice about walking out of a merchant's virtual doors if the payment experience doesn't meet those priorities and expectations.

So what does this mean for the future of the experience economy and, more specifically, for merchants?

The results of our research are unequivocal.

Consumers want value for money.

They want secure, reliable, and frictionless payment experiences.

Most important of all, they want to feel in control. Which means being able to pay using their method of choice, whether that's a debit card, a credit card, or, increasingly, a mobile wallet, a digital wallet, or eCash.

That's not to say that, once consumers have decided how they like to pay, their preferences are set in stone.

At one point, for instance, mobile wallets were new and untested technologies, but their use is now so widespread most consumers believe they'll replace cards within the next ten years. Similarly, in the case of AR and VR-driven payments, our research clearly shows consumers do have open minds.

What's becoming more clear, though, is that merchants, payment service providers, and other industry stakeholders can't expect an open mind to turn into enthusiasm for a technology on its own.

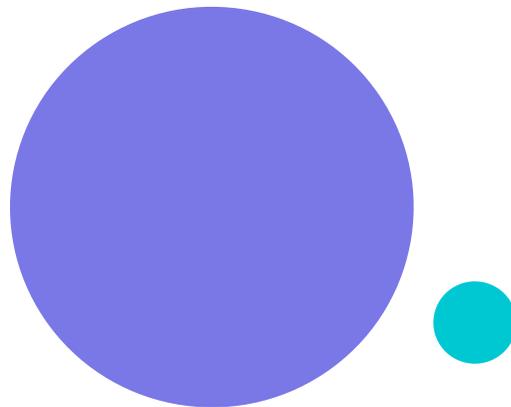
Whether consumers use a payment method and, indeed, purchase from a particular merchant depends a lot on trust. So, regardless of the economic outlook or any other challenges the coming years will bring, educating consumers about the benefits of new technologies and tackling their concerns head-on is absolutely critical to success.

Survey methodology

This report forms part of our annual Lost In Transaction consumer research series, which we've released every year since 2017. We conducted this year's research in conjunction with Sapio Research in April 2023, using an email invitation and online survey.

In total, Sapio Research interviewed 14,500 consumers in the US, UK, Canada, Germany, Austria, Italy, Bulgaria, Mexico, Colombia, Argentina, Peru, Ecuador, Chile, and Brazil. The participants were split into representative samples by age and gender.

The results are accurate to $\pm 0.8\%$ at 95% confidence limits. This means that, had we interviewed every single person on Earth in every group represented in our research, there'd be a 95% chance that the results wouldn't vary by more than 0.8%.



About Paysafe

Paysafe Limited (“Paysafe”) (NYSE: PSFE) (PSFE. WS) is a leading payments platform with an extensive track record of serving merchants and consumers in the global entertainment sectors. 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 25 years of online payment experience, an annualized transactional volume of over \$130 billion in 2022, and approximately 3,300 employees located in 12+ countries, Paysafe connects businesses and consumers across more than 250 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