

# New World, One Market

The dawn of a new  
payments era

Chapter four

# The generational divide in payments



Younger generations are more likely to favour new payment methods such as digital wallets than their older counterparts. Data also suggests that young consumers are fuelling the subscription economy, taking out more subscriptions on average in 2020 and spending more on a monthly basis.



Gen Z and Millennials are also much more likely to favour buy now pay later (BNPL) schemes, as are those who say they are likely to return to the high street to shop post-pandemic, highlighting the importance of unified commerce processes.



Almost half of the consumers say they want to use less cash or stop using it altogether following the pandemic.



# Cash is no longer king

28% of respondents said they'd like to use cash less after the pandemic than they did beforehand with 13% saying they don't want to use cash at all. 32% of people said they'd use cash the same amount as they had done previously. Millennials were most likely to say that they don't want to use cash at all following the pandemic, followed by Gen X and Baby boomers (both 14%).

Those in the South East were the least keen on cash, with 47% saying they either wanted to use cash less or didn't want to use cash at all following the pandemic. The same was noted by 44% of respondents in the North East and East Midlands.



41%

of which  
→

43%

38%

of consumers would like to reduce or completely eliminate their use of cash.

female consumers

male consumers

COVID-19 has accelerated the long-term decline of cash. According to consumer group Which?, 34% of people have been unable to pay with cash at least once since March

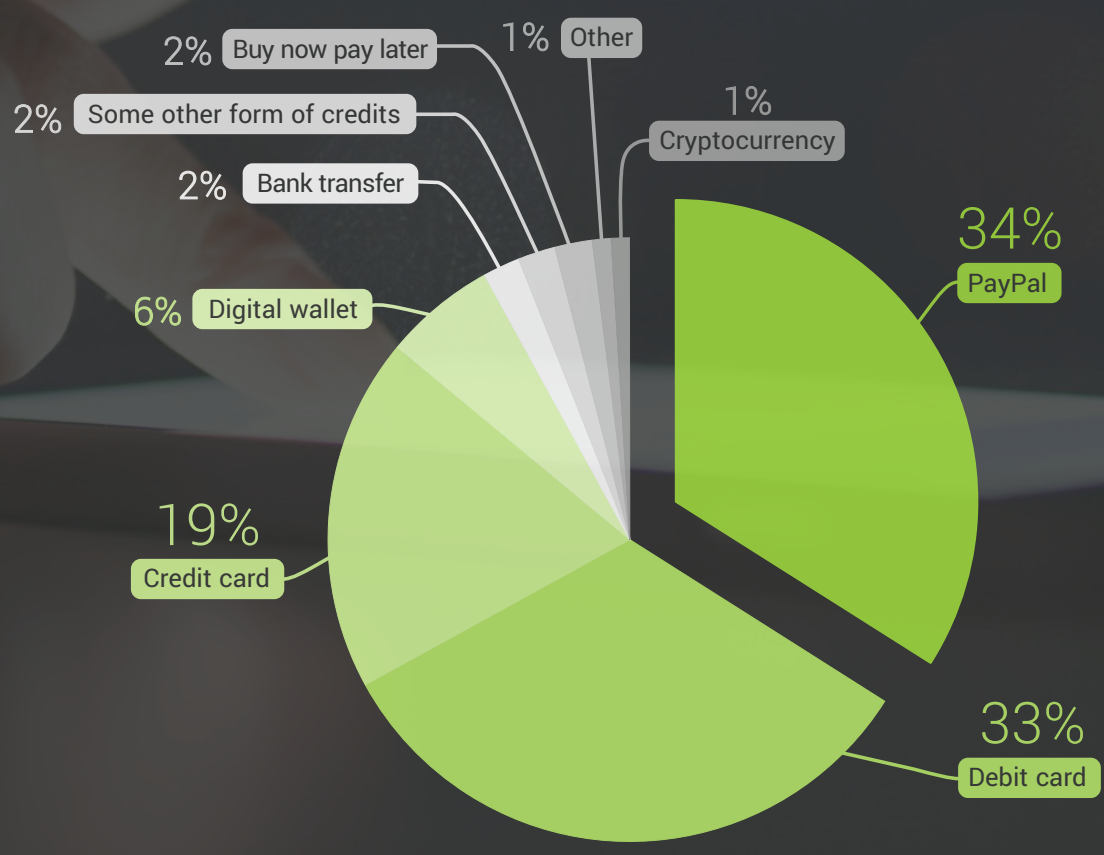
2020<sup>1</sup> when trying to buy something, proving that retailers today increasingly value the efficiency and security of card and contactless payments over cash.

When asked about preferred payment online methods, most respondents chose PayPal (34%) or debit card (33%). PayPal was, however, a particular favourite for Gen X (46%), and PayPal

and credit cards shared the top spot for Baby Boomers (36% each). Of all respondents, Gen Z was the most likely generational group to say they prefer to pay by digital wallet (11%).



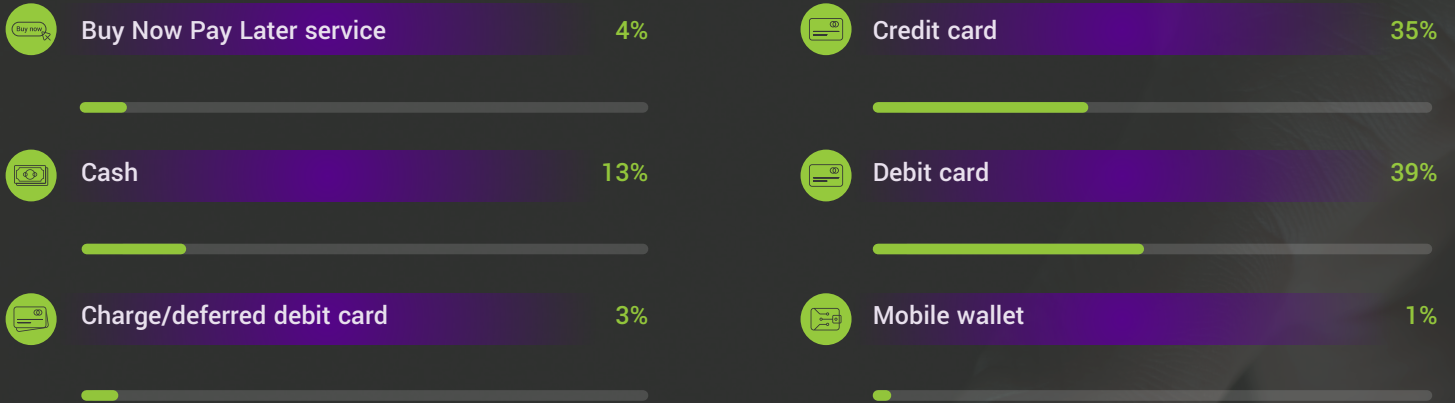
### How do consumers prefer to pay for things online?



<sup>1</sup> <https://www.which.co.uk/news/2020/10/cash-refusal-threatens-peoples-ability-to-pay-for-food-and-medicine/>



## Accepting payments in-store: out with the old, in with the new. Preferred payment methods.<sup>2</sup>



## Where are people still spending in-store?<sup>3</sup>



<sup>2,3</sup>Data source: In-Store Payments Analytics, November 2020, Global Data

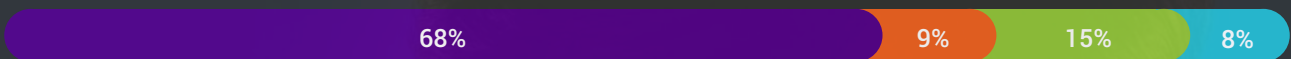


## Key considerations for consumers when paying in shops or stores.<sup>4</sup>

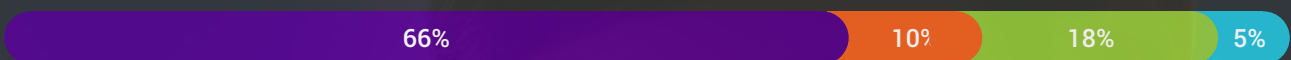
### Gen Z



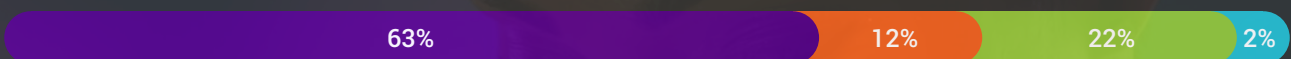
### Millenials



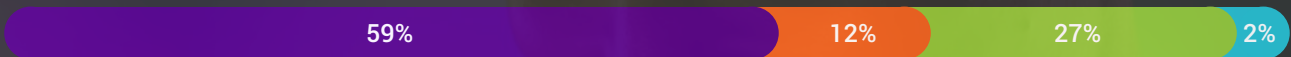
### Gen X



### Baby Boomers



### Silent Generation



Simplicity and speed



Earning rewards and benefits



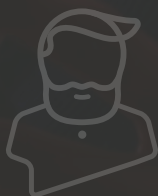
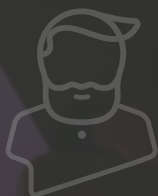
Privacy and anonymity



Ability to pay later/in installments



1 in 4 people (25%) think they will use their phone to make payments in store more often after the pandemic.



<sup>4</sup>Data source: In-Store Payments Analytics, November 2020, Global Data



# Subscriptions on the rise

Subscriptions have boomed in popularity over the last few months. A range of quirky and novel businesses offering letterbox subscriptions to everything from razors to flowers have given consumers unprecedented choice and convenience. In 2020, it was estimated that the subscription economy in the UK is now worth a huge £323m<sup>5</sup>.

Our research found that almost one in three (29%) people took out more subscriptions in 2020 versus 2019. The amount spent on monthly subscriptions correlates directly with age, with younger groups spending more each month. Gen Z said they spend an average of £31.46 per month, with Millennials spending £28.52, Gen X £20.99 and Baby Boomers £16.22. Similarly, the data showed that Gen Z and Millennials take out a greater number of subscriptions than older generations.



Consumers spend around **£25** a month on product subscriptions.

**£31.46**

Gen Z

**£28.52**

Millennials

**£20.99**

Gen X

**£16.22**

Baby Boomers

<sup>5</sup> <https://home.barclaycard/insights/2020/09/The-UK-is-now-a-nation-of-super-subscribers/>

We found that respondents from Greater London had taken out the most subscriptions per individual over 2020, with 2.06 on average, followed by those in the West Midlands with an average of 1.66, and those in the South East with 1.46.

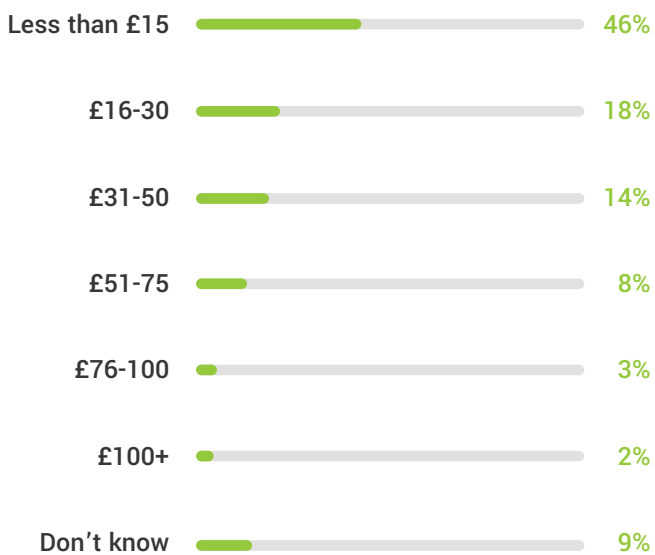
To accommodate for the rise in popularity, retailers must ensure, where relevant, that their payment service provider is able to support recurring payment capabilities. This can also help to encourage brand loyalty and open up valuable upsell opportunities.



Over the last year, how many product subscriptions have consumers taken out?



Roughly how much money do consumers spend on subscriptions (not including grocery services) each month?







# The future of payments

We asked respondents how they envisage making payments five years from now. PayPal and credit card usage were expected to be fairly similar to now at 33% (vs 33%) and 18% (vs 19%) respectively overall.

Notably, debit cards saw the biggest drop of all the payment methods, with younger generations showing the biggest change in preference. Millennials that listed it as a preference dropped from 37% now to 32% in five years, and Gen Z dropped from 34% to 27%. This reflects the forecasted shift to alternatives which provide more convenient methods of payment for this generation of digital consumer.

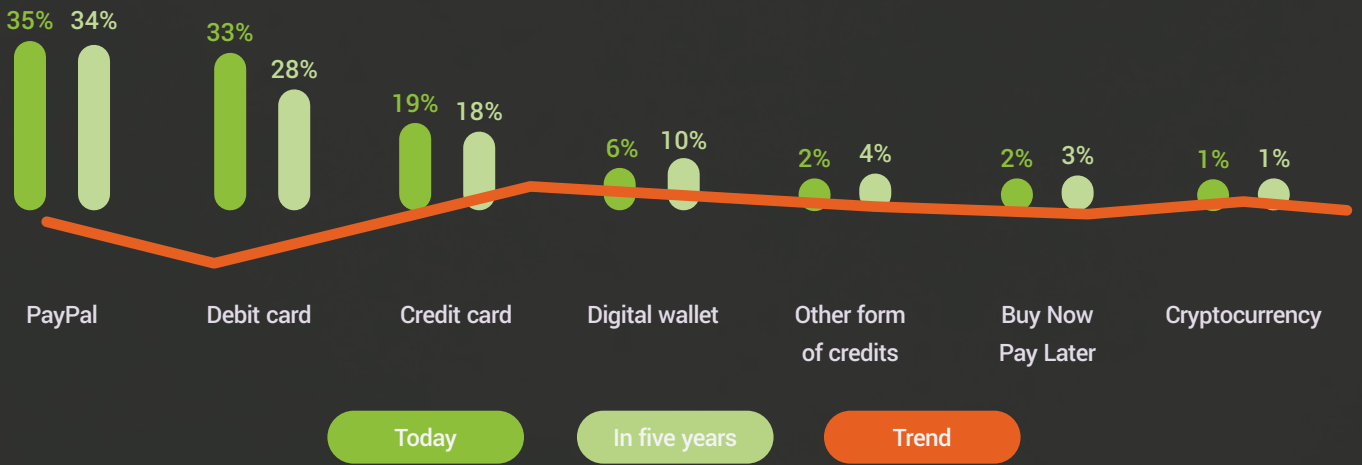
**More than a third (38%) of consumers feel encouraged to make a purchase when having Buy Now, Pay Later as an option.**



15% Gen Z and 11% Millennials expected to pay by digital wallet in five years, while a small number of respondents (4%) expected to use cryptocurrencies as a preferred online payment method.



## How do consumers prefer to pay for things online?



## What do consumers value most highly in an online payment service?<sup>6</sup>



Regardless of what the future looks like, retailers should seek to understand how their target audience wishes to pay and cater to these preferences.

<sup>6</sup> Data source: Online Consumer Payments Analytics, November 2020, Global Data

# Conclusion

The following 12 months will be critical for many retailers. The pandemic has accelerated the move to eCommerce, as demonstrated by the large proportion of older consumers who say they are less likely to return to the high street than they were before lockdown.

Further, the use of non-cash payments has increased during the pandemic, and older audiences are now growing accustomed to digital payment methods. It isn't just older generations that will adopt new habits, however. Younger, digitally savvy individuals are more likely to favour non-traditional payment methods, such as digital wallets and cryptocurrency. Payment methods like crypto are modestly expanding their footprint as young consumers expect to use them more, whilst many retailers continue to question the risk of accepting crypto as a method of payment. Many consumers are also cognisant of the risk of online fraud and may be put off from buying from particular brands as a result, with significant commercial ramifications to businesses that get this substantial factor wrong. Despite being aware of the high number of inaccurate product reviews online, they continue to be influenced by them, with social media also playing a paramount role in purchase decisions. In today's consumer-driven world, younger demographics are far more likely to be loyal to particular brands than they are to British businesses.





Tomorrow's digital consumers are not just defined by age; geography also plays a key role. Those in London are far more likely to feel positive about buying from countries other than the UK. This could be reflective of London as an international hub for businesses and therefore, a greater familiarity with the idea of overseas trade. Either way, Brexit has not deterred UK consumers from buying from European businesses, delivering positive news to international businesses wanting to reach the British public.

Merchants should consider their desired audience when developing a unified commerce strategy, spanning both online and in-store platforms. First and foremost, retailer offerings must fit with the demands of their target customers to ensure not only the greatest chance of a sale, but of repeat custom in the future.

Certainly, there is no one size fits all solution that retailers can simply turn on or off.

Creating memorable, personalised experiences that consumers enjoy is of paramount importance. Especially for retailers operating in the high street and online, leveraging digital capabilities in meaningful ways will help shape their strategy in an ever-evolving picture. A successful approach combines the digital and physical touchpoints to create a compelling unified customer journey.



With so many options available in the market, payments should not be seen as a necessary evil but as a potential commercial advantage for retailers. If implemented appropriately, payments should become an invisible part of the consumer shopping experience, providing reassurance and trust in the brand that they're buying from. The ability to implement such a journey can make a consumer's first purchase the beginning of an ongoing connection with a brand. It's imperative that retailers get this right in order to make payments the beginning and not the end of a meaningful, long-term relationship with their customers.

**If you'd like to find out more about the new digital consumer and how your payments strategy can cater to them, get in touch with us today.**

# About emerchantpay

emerchantpay is a leading global payment service provider for online, mobile, in-store and over the phone payments. We work with businesses of all sizes, across various industries, to create bespoke solutions and strategies that help them increase their payment systems' efficiency and profitability. Our global payments solution is available through a simple integration, offering a wealth of features, including global acquiring, alternative payment methods, advanced fraud management and performance optimisation. With cutting-edge technology and a unique customer-centric approach, we empower businesses to design seamless and engaging payment experiences for their consumers.

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# Methodology

We commissioned Sapio Research to interview 2,003 consumers in the UK to discuss their shopping and payments habits and how they have been affected by the pandemic. Respondents were spread across the UK and spanned a range of different ages. All responses were collected in March 2021.

## Key definitions

This report examines the difference in preferences and habits between respondents according to their geographic location within the UK and by generation. Throughout the report, we refer to different generations as:

- Gen Z - 18 to 26 year olds
- Millennials - 27-41 year olds
- Gen X - 42-57 year olds
- Baby Boomers - 58 to 76 year olds
- The Silent Generation - 77+ year olds



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