

Preparing your payments for the future





The importance of designing digital payments fit for digital natives

As our world becomes increasingly digital, consumers are demanding slicker, quicker, more personalized experiences that fit conveniently into their lifestyles. Today's consumers are digitally-savvy, know what they want – and they will shop around to get it.

Merchants need the ability to adapt to changing customer demands, integrate new technologies, introduce innovation and take advantage of growth opportunities – all while meeting their compliance obligations and keeping costs under control. A truly tough challenge.

Payments form an important part of the customer experience, but can also be one of the most complex areas to navigate. Merchants are experts in their markets and on their customers- and the resources to hurdle all these payments challenges are often thin on the ground.

Our aim in producing this report, is to highlight the key trends that are shaping the future of payments and consumer expectations. We hope this will help

you determine which initiatives to prioritize and which will make a real impact in enhancing the customer experience.

Catering for consumers – present and future

We surveyed over 1000 merchants across 7 major European markets, to understand the key payments challenges they face in preparing their business for future growth.

We also surveyed 10,000 consumers across 10 major markets, to understand what matters to them most when it comes to the checkout experience and to build a view of how their preferences should shape merchants' ongoing payments strategy.

In the following report, Trustly marries those two views and introduces the value that online banking payments can deliver for merchants and consumers.



- 1** Key payments challenges
- 2** Online banking payments: the checkout game-changer
- 3** Supporting the biggest generation of buyers – and those who follow
- 4** Summary

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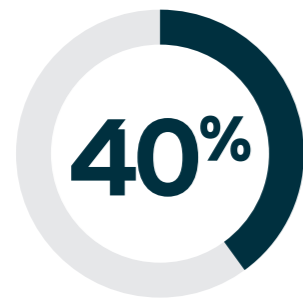
Key payments challenges

Savvy ecommerce merchants are fully aware of the need to innovate and introduce new payment options in line with customer demand. There's also an increasing recognition that, while cards still dominate in many markets, they were created for use at in-store point-of-sales and have been retro-fitted to work with newer, digital channels.

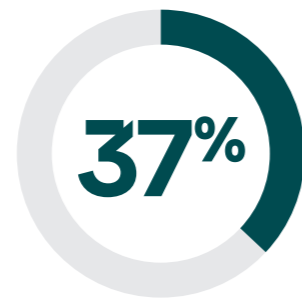
There are now an array of more digitally-appropriate payment methods available at both a local and international level – and these are key to offering the slick, convenient checkout experience that consumers now expect.

Unfortunately, introducing innovation is often a tricky task and our survey showed that the associated payments challenges are topping the list of merchant concerns.

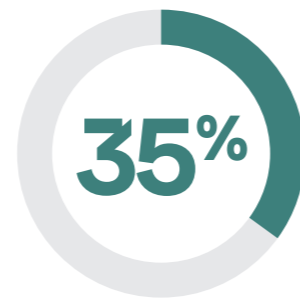
Ecommerce merchants believe that the top three most significant challenges in the coming years related to payments are:



Implementing new payment technology into existing technology platform¹

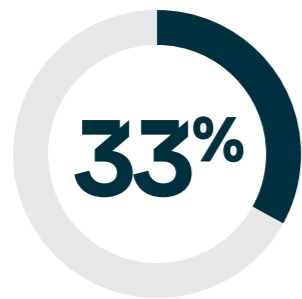


Satisfying local payment preferences with local payment methods

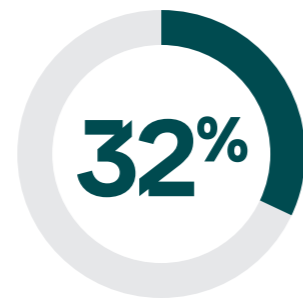


Diversifying payment methods away from cards

Also featuring strongly on the list of payments challenges, among the merchants in our survey:



Are looking to ensure more efficient reconciliation



Need to reduce the cost of payments

▶ This clearly reflects that ecommerce merchants are fighting to balance checkout innovation with cost to serve.

¹ See more detailed data in Table 1 on page 13 data sheets



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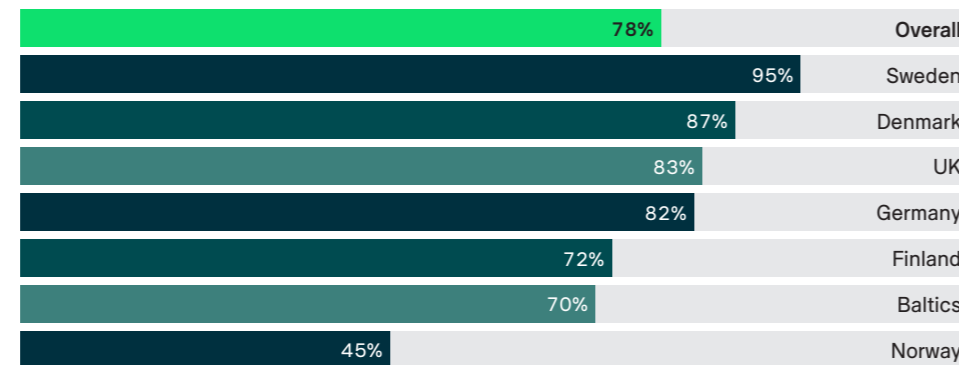
Online banking payments: the checkout game-changer

Every business understands the need to be customer-centric and that delivering the experiences and preferences that consumers want can make all difference in the competitive, fast-moving world of commerce. The first step is to understand what those customer preferences and 'pet hates' are.

Meeting growing demand

External research shows that online banking payments are now one of the fastest-growing payment methods in EMEA, where they are set to overtake credit cards and debit cards in popularity by 2023².

Merchants who have heard of open banking



Enabling cross-border growth

Where digitization and globalization meet, there's sure to be opportunity for cross-border ecommerce growth. Research shows that the global cross-border ecommerce market size was worth around USD 780 Billion in 2019 and is expected to reach USD 4,820 Billion by 2026⁴.

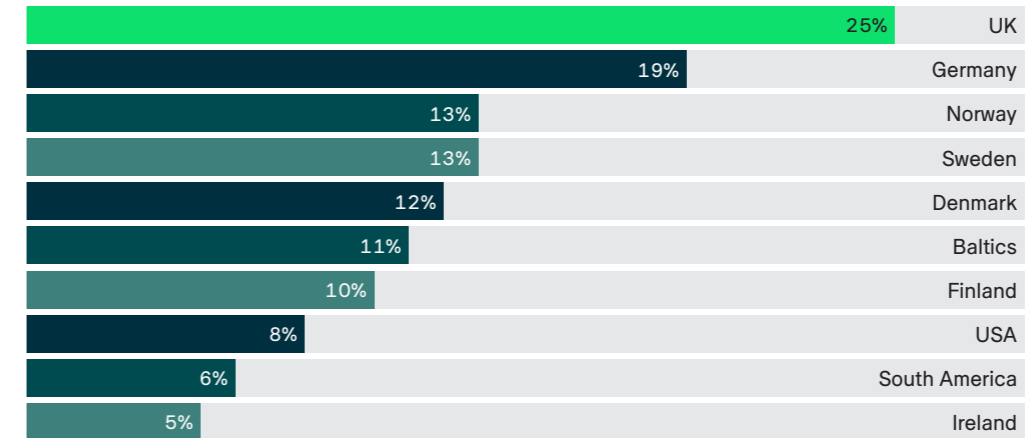
The acceleration of Open Banking and account-to-account, or online banking payments is also evident from both our 2020 merchant and consumer surveys:

Open Banking awareness is already high among merchants:

- ▶ 78% have heard of Open Banking³
- ▶ 70% of those familiar with Open Banking agree that account-to-account payments will play an important role in payments in the future

Merchants taking part in our survey considered a variety of markets as targets for growth, but the UK and Germany, followed by the Nordics and Baltics clearly came out as favourites.

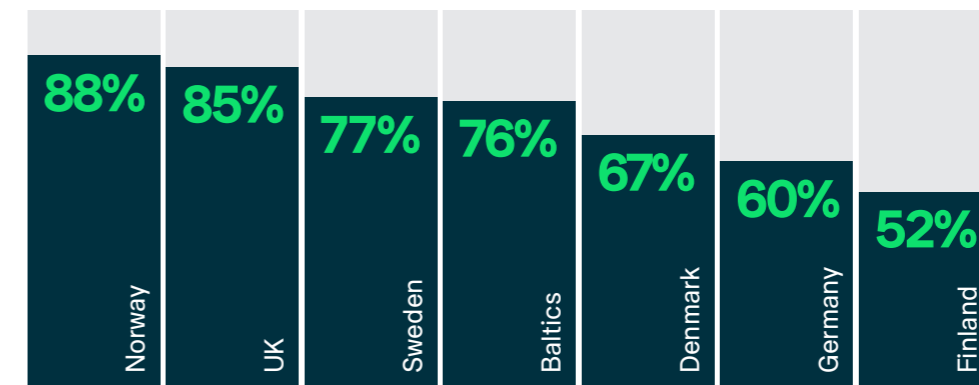
Which are your growth regions/markets? Tick all that apply



We asked merchants whether they considered their home market to represent their main opportunity for growth. While there was overwhelming

agreement that domestic markets are the priority for most merchants, it was interesting to note that this varied considerably in each market:

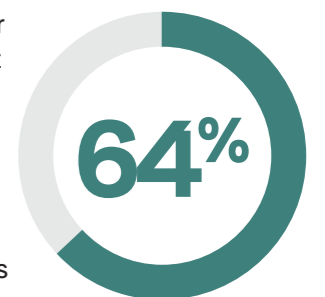
Percentage of merchants who consider their home market to be their priority growth area:



To grab a piece of the cross-border opportunity, ecommerce merchants need to understand and cater for market-led preferences at a local level. When it comes to payment method preferences, these can change significantly in each market.

Open Banking has helped to power a more standardized way to accept payments across Europe, without having to enable multiple payment methods in each country. This is why online banking payments can offer ecommerce merchants a huge helping hand when it comes to cross-border growth.

For instance, our consumer survey highlights that 64% of online shoppers prefer to pay with debit options⁵. However, in certain markets, this preference is even stronger:



Prefer debit options when paying online



⁵ See more detailed data in Table 4 and 5 on page 13 and 14 data sheets

² Global Payments report 2020, Worldpay from FIS

³ See more detailed data in Table 2 and 3 on page 13 data sheets

⁴ Cross-Border B2C E-Commerce Market

3

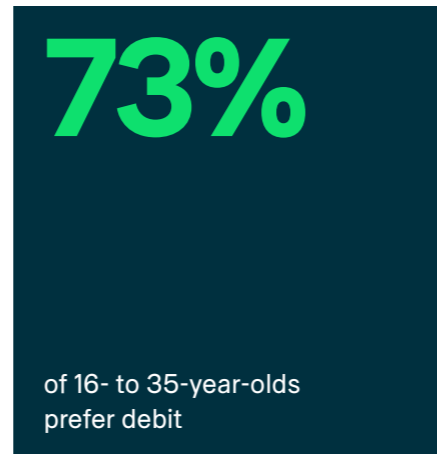
Supporting the biggest generation of buyers – and those who follow



Generation Z are now coming of age, entering the workplace and spending their money, becoming the biggest buying generation so far. Alongside Millennials, these digital natives have grown up with technology at their fingertips - and their expectations are high.

Of course, it's important to cater for all customer groups. But, preparing for the future- whether near-term or further ahead – means understanding and meeting the preferences and demands of the youngest groups of consumers. As they rise through the ranks and become the most valuable customer group for ecommerce merchants, their preferences will also influence the generations that follow.

Our consumer survey found that:
The youngest shopper groups have an even stronger preference for debit payments, particularly among Millennial and Gen Z consumers:



Payment preferences vary across age groups, for instance ⁶:

▶ 73% of under 35s versus 49% of 66 – 75 year olds want to pay immediately to utilize existing funds

Overall:

- ▶ 61% find it more convenient to pay immediately without the hassle of future admin
- ▶ 56% want to be in control of their spending – the second biggest motivator for choosing debit payments

⁶See more detailed data in Table 6 and 7 on page 14 data sheets

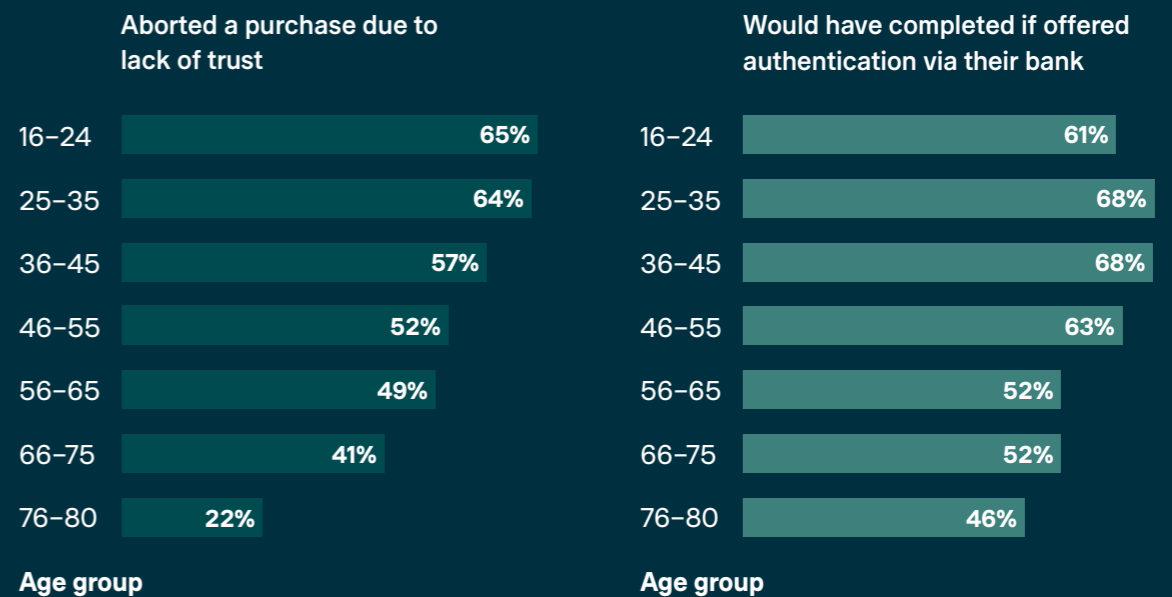
	Overall	16-24	25-35	36-45	46-55	56-65	66-75	76-80
I find it more convenient to pay immediately and not have to think about an invoice that will appear later	61%	64%	62%	59%	58%	63%	65%	59%
I want to be in control of my spending (not spend money I don't have)	56%	57%	58%	55%	54%	55%	52%	43%

Young consumers have higher demands when it comes to convenience and security – and failing to meet the right standard can result in lost sales.

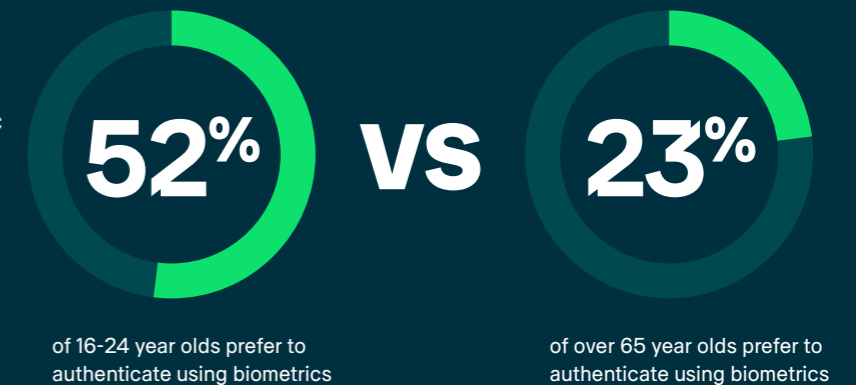
This highlights a glaring gap where merchants have missed conversion opportunities by not supporting a trusted experience.

Our research found that a higher proportion (65%) of under 35's have abandoned an online purchase due to not trusting a site with their card details, but would've trusted it if they had the option to authenticate via their bank instead ⁷.

While the difference is very significant across the generations when it comes to trusting a website, it is noticeably more consistent when it comes to those trust payment methods that use bank authentication processes.



Younger groups are most receptive to using biometric authentication to confirm a payment, rather than entering card details:



⁷See more detailed data in Table 8 and 9 on page 14 and 15 data sheets

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Summary

Our research highlights that consumers are showing a clear preference for debit options when it comes to online payments - and this preference grows stronger as we go down the age groups. Younger shoppers are also more wary of entering their card details into a website, and more likely to abandon their transaction if they don't trust the site or receive the payment options they prefer.

Making sure you have a fit-for-future checkout must include offering the fast, convenient, trusted payments experience that consumers expect - particularly the younger shopping generations. Since these consumer groups are also seeking a more digital experience and have a higher comfort level with biometrics, all these factors need to come into place.

To cater for the enormous spending power of Millennials, Gen Z'ers and the generations who follow, merchants need to take steps to modernize and digitize their payments processes now, to capture and nurture these shoppers as they mature and become the biggest, most valuable customer groups.

But, of course, the ability to roll these innovations out without significant resources, expense and complexity is absolutely vital for ecommerce merchants.



Purpose-built payments

Online banking payments are built for ecommerce - and they can offer consumers the digital debit option they crave, along with leveraging a trusted, familiar authentication method via their own bank login.

When compared with cards, online banking payments are much more secure for merchants. They also tackle the expensive and unpredictable problems of card fraud, rising chargebacks and unpredictable card processing costs.

Online banking payments also allow merchants to open up cross-border growth with ease, without having to navigate local payment methods, multiple integrations or the pain of opening domestic dbank accounts in each country.

All this means that online banking payments can help merchants cost-effectively cater for the newer, digital-natives in the biggest incoming generation of buyers. In a nutshell, online banking payments can help merchants make their payments processes fit for the future of ecommerce.

Data Sheets

1: What do you see as your most significant payment challenges in the coming years? Please select up to 3

	Overall	Sweden	Norway	Denmark	Finland	Germany	UK	Baltics
N	1006	100	101	102	101	250	250	102
Implementing new payment technology into existing technology platform	40%	35%	59%	36%	41%	37%	38%	45%
Satisfying local payment preferences with local payment methods	37%	49%	46%	35%	28%	30%	42%	33%
Diversifying payment methods away from cards	35%	39%	41%	32%	34%	33%	34%	42%
Regulatory changes (SCA, GDPR) reducing conversion	35%	31%	48%	23%	32%	36%	32%	46%
Ensuring efficient reconciliation	33%	25%	27%	36%	38%	30%	35%	46%
Reducing cost of payments	32%	33%	34%	40%	33%	22%	37%	33%
Ensuring a good customer experience	32%	29%	35%	31%	35%	28%	34%	34%
I don't see anything as my most significant payment challenges in the coming years	1%	0%	0%	3%	2%	0%	0%	3%

2: Have you heard of open banking? (Merchants)

	Overall	UK	Germany	Sweden	Finland	Norway	Denmark	Baltics
N	1006	250	250	100	101	101	102	102
Yes	78%	83%	82%	95%	72%	45%	87%	70%
No	22%	17%	18%	5%	28%	55%	13%	30%

3: To what extent do you agree or disagree with the following statement? Open banking and account to account payments will play an important role when making payments in the future. Merchants who have heard of Open banking

	All	Male	Female	16-24	25-35	36-45	46-55	56-65	66-75	76-80
N	1552	928	624	372	578	285	157	85	67	8
Strongly agree	32%	32%	33%	34%	36%	38%	24%	16%	10%	25%
Agree	43%	45%	40%	40%	45%	46%	46%	31%	39%	38%
Neither agree nor disagree	21%	19%	25%	23%	18%	14%	24%	45%	33%	38%
Disagree	2%	2%	2%	2%	1%	2%	3%	5%	7%	0%
Strongly disagree	1%	2%	0%	1%	0%	1%	3%	4%	10%	0%

4: How do you prefer to pay online?

	All	Sweden	Finland	Netherlands	Baltics	Germany	Austria	Denmark	Norway	Poland	UK
N	10031	1005	1000	1006	1003	1006	1003	1000	1000	1003	1005
Debit option	64%	52%	59%	69%	82%	54%	48%	69%	57%	84%	71%
Credit option	25%	41%	33%	19%	8%	28%	40%	18%	37%	6%	18%
Other way	3%	2%	2%	3%	2%	6%	4%	3%	2%	2%	2%
No preference	8%	6%	7%	9%	8%	12%	8%	10%	5%	7%	9%

How Trustly can help

[Book a meeting →](#)

5: How do you prefer to pay online?

	All	Male	Female	16-24	25-35	36-45	46-55	56-65	66-75	76-80
N	10031	4756	5275	1487	2513	1812	1743	1418	933	125
Debit option	64%	64%	65%	73%	73%	64%	62%	56%	49%	54%
Credit option	25%	25%	24%	16%	21%	28%	26%	29%	33%	29%
Other way	3%	3%	3%	4%	1%	2%	2%	5%	4%	7%
No preference	8%	8%	8%	7%	5%	7%	9%	11%	14%	10%

6: Why do you prefer to pay with debit?

	All	Sweden	Finland	Netherlands	Baltics	Germany	Austria	Denmark	Norway	Poland	UK
N	6462	522	585	695	823	545	478	694	566	843	711
I find it more convenient to pay immediately and not have to think about an invoice that will appear later	61%	61%	70%	61%	66%	60%	71%	63%	62%	60%	42%
I want to be in control of my spending (not spend money I don't have)	56%	58%	50%	51%	54%	59%	64%	55%	59%	58%	52%
I don't want to be in debt	47%	49%	40%	53%	50%	50%	52%	47%	42%	38%	48%
I don't want to pay interest or late fees	39%	44%	41%	32%	45%	33%	40%	46%	43%	34%	35%
Other reason	1%	1%	2%	2%	0%	0%	1%	2%	1%	2%	0%

7: Why do you prefer to pay immediately? (Tick all that apply)

	All	Male	Female	16-24	25-35	36-45	46-55	56-65	66-75	76-80
N	6462	3057	3405	1092	1825	1153	1080	787	457	68
I find it more convenient to pay immediately and not have to think about an invoice that will appear later	61%	58%	64%	64%	62%	59%	58%	63%	65%	59%
I want to be in control of my spending (not spend money I don't have)	56%	53%	58%	57%	58%	55%	54%	55%	52%	43%
I don't want to be in debt	47%	46%	47%	45%	46%	46%	49%	49%	46%	46%
I don't want to pay interest or late fees	39%	40%	39%	39%	39%	40%	41%	38%	36%	32%
Other reason	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%

8: Have you ever aborted a purchase due to not trusting the site with your credit or debit card information?

	All	Sweden	Finland	Netherlands	Baltics	Germany	Austria	Denmark	Norway	Poland	UK
N	10031	1005	1000	1006	1003	1006	1003	1000	1000	1003	1005
Yes	56%	60%	63%	42%	63%	44%	56%	60%	56%	65%	51%
No	27%	23%	21%	35%	21%	34%	26%	25%	31%	22%	32%
Can't remember	17%	17%	16%	23%	16%	22%	18%	15%	13%	13%	17%

9: Have you ever aborted a purchase due to not trusting the site with your credit or debit card information?

	All	Male	Female	16-24	25-35	36-45	46-55	56-65	66-75	76-80
N	10031	4756	5275	1487	2513	1812	1743	1418	933	125
Yes	56%	54%	58%	65%	64%	57%	52%	49%	41%	22%
No	27%	30%	24%	20%	22%	26%	30%	31%	38%	54%
Can't remember	17%	15%	18%	15%	14%	17%	19%	20%	20%	24%

10:

	All	Sweden	Finland	Netherlands	Baltics	Germany	Austria	Denmark	Norway	Poland	UK
N	5622	600	630	425	635	444	561	603	563	650	511
Yes	63%	71%	73%	64%	66%	54%	58%	45%	65%	72%	55%
No	15%	9%	7%	20%	14%	20%	19%	23%	16%	9%	17%
Not sure	22%	20%	20%	15%	20%	26%	24%	31%	19%	19%	28%

11:

	All	Male	Female	16-24	25-35	36-45	46-55	56-65	66-75	76-80
N	5622	2581	3041	966	1618	1031	899	695	385	28
Yes	63%	64%	62%	61%	68%	68%	63%	52%	52%	46%
No	15%	18%	13%	17%	14%	14%	13%	18%	18%	18%
Not sure	22%	19%	25%	22%	18%	18%	25%	31%	30%	36%



Methodology

To help inform this research, Trustly commissioned Censuwide, an independent market research firm, to conduct primary quantitative research on its behalf among consumers and merchants across ten and seven European markets respectively.

Fieldwork involved an online survey conducted during October 2020 with a total of 10,031 consumers and 1,006 merchants. The consumers were distributed between Sweden (1,006), Finland (1,000), Netherlands (1,006), Baltics (1,003), Germany (1,006), Austria (1,003), Denmark (1,000), Norway (1,000), Poland (1,003) and UK (1,006). The merchants were dispersed between Sweden (100), Finland, (101), Norway (101), Denmark (102), Baltics (102), UK (250) and Germany (250).

Contact us today

To hear more about how Trustly can help your business.

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About Trustly

Founded in 2008, Trustly is the global leader in Online Banking Payments. Our account-to-account network bypasses the card networks, letting consumers make fast, simple and secure payments to merchants directly from their online banking accounts. With support for more than 6,000 banks, roughly 600 million consumers across Europe and North America can pay with Trustly. We serve many of the world's most prominent merchants within e-commerce, financial services, gaming, media, telecom and travel, which all benefit from increased consumer conversion and reduced operations, fraud and chargeback costs.

Trustly has 400 employees across Europe, the US and Latin America. We are a licensed Payment Institution under the second payment services directive (PSD2) and operate under the supervision of the Swedish Financial Supervisory Authority in Europe. In the US, we are state regulated as required to serve our target markets. Read more at trustly.com

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