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American Express Insights 2019 Digital Payments Survey





A Delicate Balance: Providing a Secure, Frictionless Checkout Experience

American Express conducted its 2019 Digital Payments Survey among 1,004 U.S. consumers and 400 U.S. merchant business owners. The survey shows that as the payments landscape continues to evolve, successful merchants are adapting to meet their customers' needs by offering a variety of cash, card, and digital payment options. Rising consumer expectations for convenience and security when shopping online and in-store are challenging merchants to find new ways to provide a frictionless checkout process without sacrificing the security of their customers or their business.

Merchants understand the need for a multi-layered approach to security in order to reduce their exposure to payment fraud. They are looking for solutions that reduce the data security burden placed on them, while creating a fast and seamless transaction experience for their customers.



Customer Expectations For Convenience Are High

Consumers have high expectations for a quick and easy shopping experience - both in-store and online, via web or mobile. Merchants risk losing business if they cannot deliver.



79% of consumers expect checking out in store to be as simple as checking out online, and will take action if those expectations are not met.

- In-store: **62%** have left a store without making a purchase after waiting too long in line at the register
- Online: **85%** have left items in their cart and not completed the transaction when shopping online



Merchants are taking notice, reporting an increase in abandoned online sales transactions from **31%** in 2018 to **37%** in 2019.

Eight-in-ten agree that their online checkout experience needs to be simplified for customers. As a result, merchants report spending an average of **36%** of their IT budget last year investing in new technology to improve their customers' online shopping experience.



More Payment Options Than Ever

Merchants are meeting consumer expectations by offering a variety of cash, card, and digital payment options to their customers.



Card payments (**70%**) have surpassed cash (**23%**) as consumers' preferred in-store payment method.

The continuing migration to online and mobile shopping requires merchants to keep pace with consumer preferences. Cards continue to be the preferred payment method online (**77%**) and consumer use of digital payment options is growing:

- PayPal, Venmo or Zelle – used by **71%** of online shoppers
- Mobile payment applications – used by **38%** of online shoppers
- Checkout buttons – used by **37%** of online shoppers

Currently, merchants offer an average of six different digital payment options across their checkouts in-store and online to accommodate customer demand.



Merchants lose a significant amount of time and expense dealing with increasing fraud across multiple payment channels.



Nearly **77%** report their company has been a victim of some type of fraud, including:

- Stolen (**37%**) or counterfeit (**33%**) credit cards
- Card skimming (**29%**)
- Employee fraud (**36%**)
- Chargeback (**36%**) or return fraud (**31%**)
- Gift card fraud (**32%**)



Compared to last year, significantly more merchants feel that their business is vulnerable to payment fraud across multiple channels:

- **82%** agree they are vulnerable via mobile transactions; up from **73%** in 2018,
- **79%** agree they are vulnerable via payments from their website; up from **74%** in 2018,
- **66%** agree that they are vulnerable via point-of-sale payments; up from **55%** in 2018.



Merchants estimate fraudulent transactions account for an average of **27%** of their annual online sales, a significant increase from **18%** in 2018. And, **69%** agree that a significant amount of company time and expense is dedicated to dealing with fraud.



Merchants Are Not the Only Ones At Risk



53% of consumers report having been the victim of fraud, with most experiencing a fraudulent attempt to use their credit card or other payment information (**42%**). And their confidence in merchants is waning – **57%** of consumers believe that businesses generally do a good job of ensuring the security of customer data, down from **63%** in 2018.

Consumers want to keep their personal information private, but sometimes find the necessary security procedures to be cumbersome:

- **68%** of consumers are concerned with maintaining the privacy of their personal information when making purchases online, **32%** agree that the security procedures (e.g., passwords, PINs, etc.) required at checkout make the process confusing and cumbersome.



Consumers want the convenience of having their payment information available at checkout, but are skeptical about the security of merchants maintaining their card on file:

- **62%** of consumers prefer the convenience of selecting from a list of their existing personal payment methods when checking out online, yet the same proportion (**60%**) prefer not to keep their card on file.



Eight-in-ten consumers will only shop online with known, reliable merchants. However, significantly fewer (**52%**) agree that when shopping in-store they only visit known, reliable merchants. And, while **59%** of consumers say they are worried about having their payment account or credit card information compromised when making an online purchase, only **40%** worry when making purchases in-person.



Merchants Face Numerous Considerations When Implementing Payment Security Measures

Merchants continue to look for solutions that balance security and convenience for the customer.



Merchants agree that implementing multiple security procedures for their online customer transactions reduces their level of fraud (**82%**). Ironically, **74%** agree that they keep security requirements for online payments to a minimum in order to ensure a fast and easy transaction process for the customer.

This may explain why, despite increased concerns and perceptions of effectiveness, many merchants are not taking advantage of available security procedures meant to reduce their exposure to fraud.

- **77%** agree that requiring a one-time password for additional security to complete a purchase is effective in preventing fraud, yet only **33%** do so.
- While three-quarters of merchants or more believe the measures to be effective, only three-in-ten or fewer use mobile device fingerprinting (**31%**), IP filtering (**28%**) or EMV® 3-D Secure (**27 %**).
- **Seven-in-ten** or more believe biometrics (**76%**) and tokenization (**70%**) are effective, yet only one-in-five use biometrics (**21%**) or tokenization (**19%**).



IT Budgets Increase to Accommodate Multiple Payment Channels

On average last year, merchants spent **33%** of their IT budget investing in payment data security (up from **27%** in 2018).



When deciding which security measures to implement, merchants consider many factors. Other than cost, merchants believed these were the top considerations:

- **29%**: Ease of integration
- **25%** Impact on the customer checkout experience
- **23%** Level of risk exposure
- **14%** Staff training
- **9%** Scalability



Frictionless Transactions with Contactless and EMV® Secure Remote Commerce (SRC)

As merchants and consumers continue to balance convenience with security when it comes to making payments online or in-store, solutions such as contactless payments and SRC offer frictionless transactions without sacrificing the safety of one's personal data.

Contactless Payments



Contactless payments allow customers to tap to pay with a card, without swiping or inserting the chip into the card reader or scan an app on their smartphone to make a payment. While merchants are open to offering customers contactless for point-of-sale (POS) payments, frequent use among consumers is currently limited, but both merchants and consumers who are using contactless are recognizing its benefits.

- Among merchants who accept payments at the POS, **48%** of the survey respondents currently offer contactless; **22%** plan to adopt in the next 12 months and another **22%** are considering adopting.
- **26%** of consumers have used contactless at least once within the past six months; **9%** say they use it always or almost every time. These early adopters are currently more likely to be using a smartphone app (**71%**) than a card (**30%**).



The benefits of contactless are clear to merchants who currently accept these types of payments.



More than eight-in-ten merchants agree contactless provides a faster checkout option (**83%**) and is more convenient for customers than paying with card or cash (**84%**). Those who currently offer or are considering offering contactless cite speed (**42%**) and customer convenience (**37%**) at checkout among the top three most important reasons for its implementation.

- **43%** of consumers overall believe contactless is more convenient than swiping / inserting a card for payment; this increases significantly to **70%** among contactless users.

Merchants who offer or are considering offering contactless cite security as the most important reason for offering (**46%**).



Merchants currently offering contactless payments to their customers understand the ease of implementation and integration with existing tools – **88%** agree that a contactless payment system is easy to implement.

- **87%** agree that a contactless payment system can be easily integrated with marketing tools (e.g., loyalty programs, location-based marketing).
- **86%** agree that upgrading to contactless is a minor expense when considering the benefits.
- **74%** agree that there is very little employee training necessary to implement contactless payments.



EMV® Secure Remote Commerce (SRC)



SRC is the new industry-wide standardized method for processing card payments in a secure, convenient, and consistent manner across web and mobile sites, mobile apps, and connected devices, which is now starting to roll out in the U.S. SRC allows payment service providers and merchants to offer multiple card brands for digital checkout with a single integration and eliminate the need for storing sensitive customer card information.

SRC removes some of the burden from merchants by shielding them from sensitive payment information, while creating a fast and seamless transaction experience for their customers.

Merchants would welcome technology that increases security without sacrificing convenience.



55% of merchants currently store customer profiles and card payment information for future purchases; another **22%** plan to adopt this practice in the next 12 months. Yet, **73%** of merchants agree that storing customer credit cards on file is a security concern for their business. **76%** would prefer not to store customer credit cards on file, in order to alleviate costs and security concerns.

The majority of merchants (**80%**) agree that their business would benefit from technology like SRC, which eliminates or reduces the need for storing customer payment card information (a significant increase over **72%** in 2018).



Conclusion

Merchants understand the need for implementing multiple layers of security in order to reduce fraud exposure for their business and their customers. They prefer options that remove much of the data security burden by shielding them from sensitive payment information, while creating a fast and seamless transaction experience for their customers. Implementing solutions such as biometrics, tokenization, contactless payments, and/or Secure Remote Commerce (SRC) provide the balance between customer convenience and security that businesses are looking for. Educating consumers, merchants, and industry stakeholders about the security and convenience benefits of these solutions are key to ensuring broader adoption and creating a more secure payment system.

Methodology

The 2019 American Express Digital Payments Survey is based on a sample of 1,004 respondents weighted to U.S. census based upon gender, age, education, race and region. Unless otherwise noted, responses among consumers represent those who have made an online purchase three or more times in the past 12 months based on self-report. The anonymous survey was conducted online August 15-20, 2019.

The merchant survey was conducted online among a sample of 400 business leaders in the U.S. who have responsibility for making decisions regarding customer payment options, IT/data security, or online sales strategy and planning. Respondent companies must offer credit/debit card or digital payment options to their customers in addition to online/mobile payment. The sample for the study came from an online panel. Fieldwork was conducted between August 22 – September 4, 2019.

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