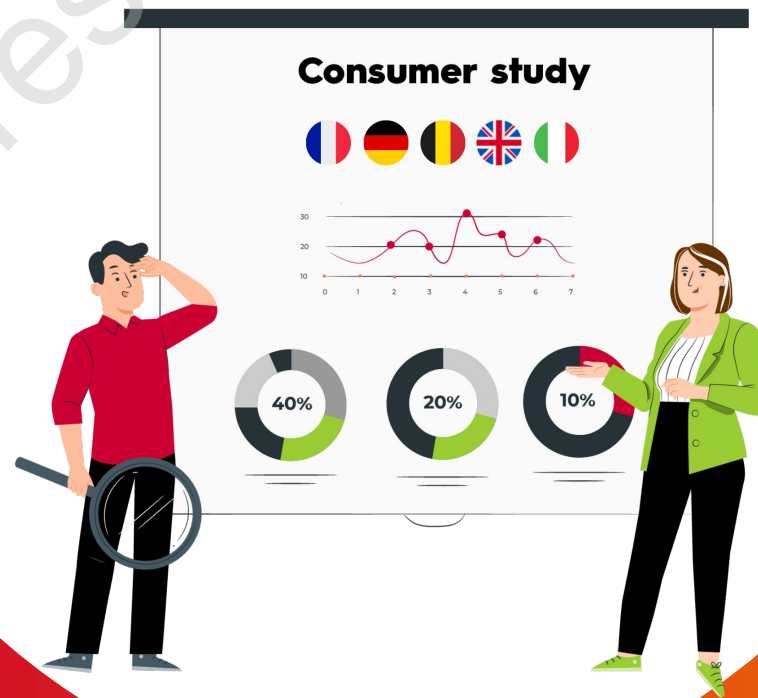


# Galitt PayObserver 2022

# Results UK

JUNE 2022



Passion for payments

 **galitt**  
a Sopra Steria company

\* Passiommént, paiement

# Agenda

- 01** Payment Players
- 02** Payment Methods
- 03** Focus on-line
- 04** Payment Innovations
- 05** Conclusion

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# 01- Payment players

# The younger generation in the U.K. are especially willing to replace their bank with new players

## I HAVE...

*Breakdown by Age Group of where consumers have their payment account(s):*

	High Street Bank	Online digital bank	Neobank / Fintech	Retailer	Big Tech
51-65	92%	13%	12%	8%	10%
26-50	94%	17%	40%	10%	21%
18-25	88%	12%	34%	2%	20%

Gen-z in the U.K. Are more likely to move away from High Street Banks (88%) and gravitate to Neobanks/fintechs (34%) and Big tech (20%). This can be explained by the fact that their financial needs are more simple.

Although the age category of 26-50 are comparable to Gen-Z when it comes to Neo-banks/Fintechs (40%) and Big Tech (20%), they differ in that they are less willing to abandon their High Street Bank.

## I USE...

*Usage across all accounts are consistent*

*Those consumers that use their account*

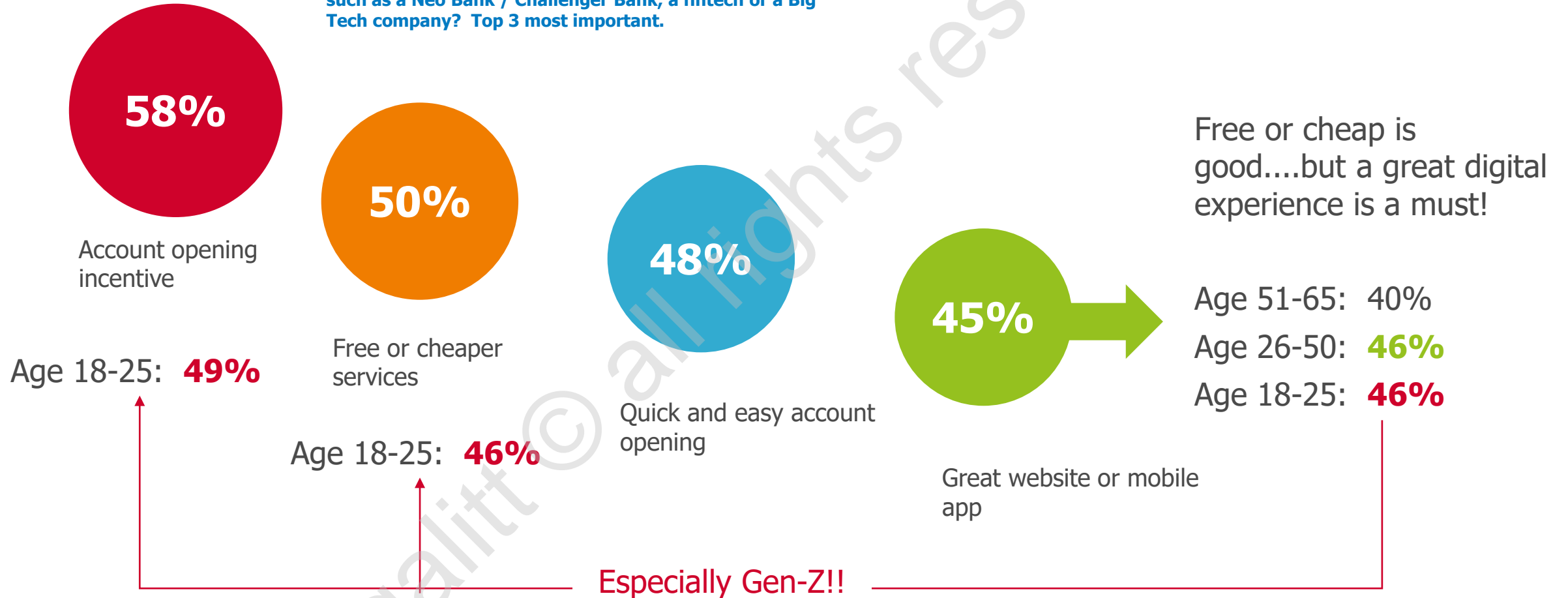


### One exception!

Gen-Z: Of the 12% of Gen-Z that said they have an online digital bank, only 60% actually use it. They much prefer to use their neo-bank/fintech account (93%) and their account with Big Tech (100%)

# Digital experience nearly as important as the financial aspect in the U.K.

Which services or incentives would motivate you to open a financial account with a new financial services provider such as a Neo Bank / Challenger Bank, a fintech or a Big Tech company? Top 3 most important.



# Each player has their own unique challenge to overcome in the UK, and shouldn't ignore the age group it matters to the most

Which of the following reasons would deter you from using the financial services providers listed below?

## High Street Bank:

The number one deterrent

## NEOBANKS / FINTECHS

The number one deterrent

## BIG TECH

The number one deterrent

**The onboarding process is too long: 37%**

Age 51-65: 28%

Age 26-50: **40%**

Age 18-25: **39%**

**I am afraid I won't be able to reach customer support: 30%**

Age 51-65: 27%

Age 26-50: **33%**

Age 18-25: 24%

**I don't trust them: 27%**

Age 51-65: **35%**

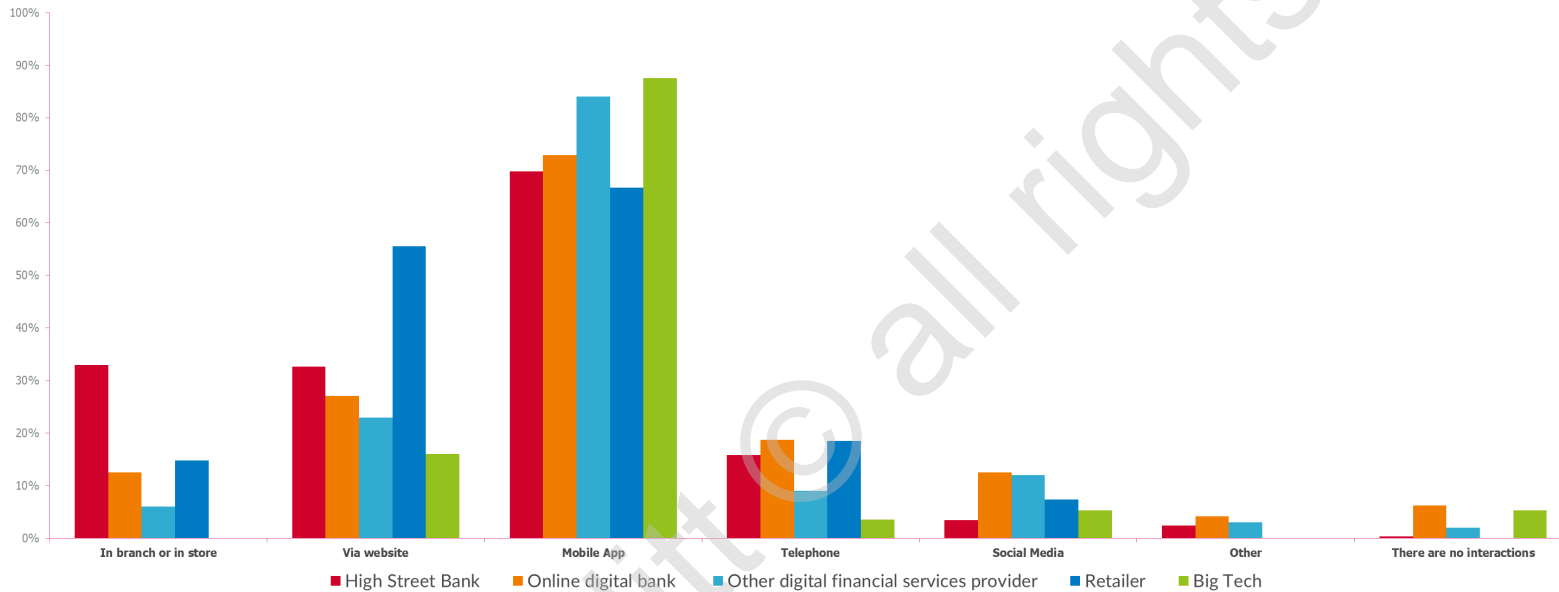
Age 26-50: 24%

Age 18-25: **32%**

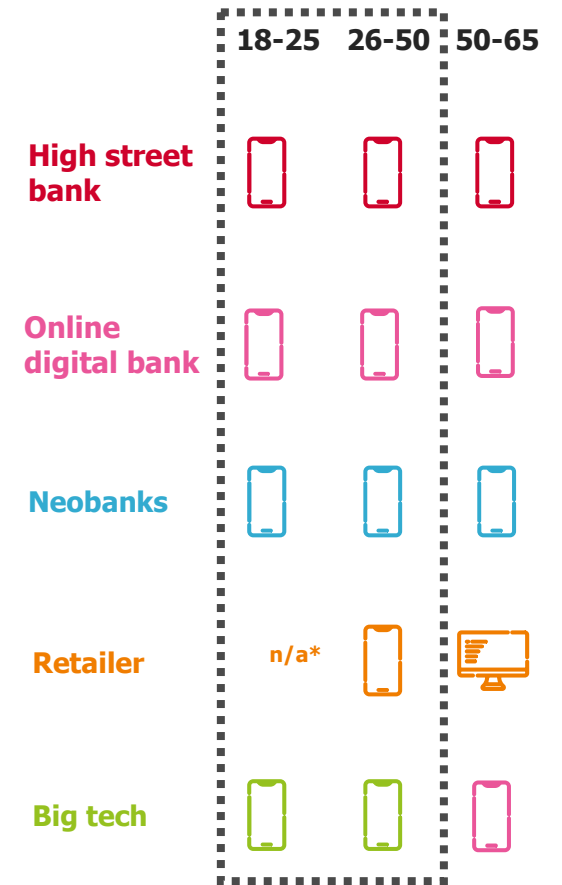
# Mobile first in the U.K. is the new normal among all age groups

Wider results showed that people prefer the ease of contract and management through a mobile app and that the key to provide options for customers to suit their preferences – in line with the portfolio in which customers have options to build their own experience to meet their needs. One exception: Retailers where their website plays an important role for Age 50-65.

*What is your preferred communication method with your financial services provider?*



Top Choice by Age Group



\*not statistically significant

# 02 - Payment methods



# In the UK, alternative forms must contend with cash and the plastic card

Cash is not really king anymore, but it is definitely a strong Prince

Rate paying with a *plastic card* while shopping in-store



## Even buskers in London Tube take cards

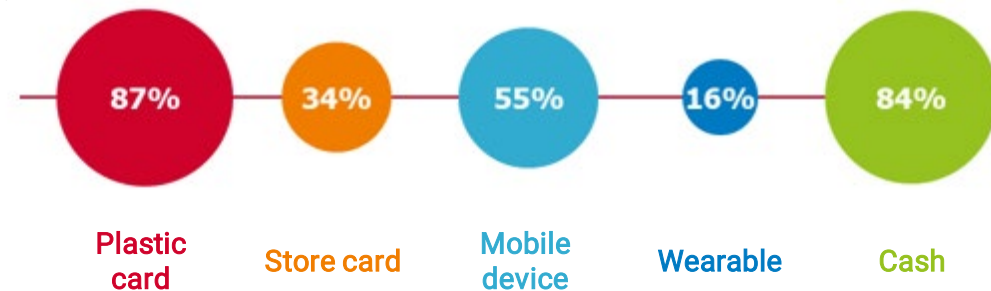
Cards and Cash have not been replaced. The key to payments is that consumers want to be able to use with ease and security any payment system at their disposal. Options and customizable are still the leading requirements of consumers, regardless of market.

## Mobile payments should be welcomed by everyone

Every provider should be delivering best in class mobile and wearable experience. Great way to reduce climate impact, but the consumer is engaged and increasing use with or without you. With geolocation and payment together is it a data goldmine.

## But mobile shouldn't necessarily be ignored

Rate the following payment methods while shopping in store: Consumers that use it all the time + Consumers that use and like it

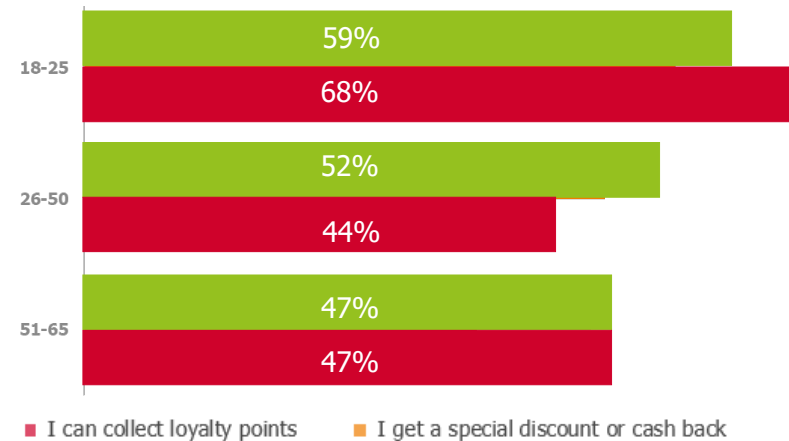


# Paying with mobile in the UK has the potential to eventually displace the plastic card

Especially for the younger generation whom value loyalty programs and personalized offers

*At in-store or online checkout, what would convince you to use a new payment method or offer other than the one you typically use?*

Cash incentives became the currency for attracting new customers – 10% first purchase, 0 fee, free transfers. This permanently changed the attraction and recruitment model. And, then we have added social media influence and action to how relationships can be played out – valued or destroyed. With data still at our disposal, you can personalise rewards, and partner with where they save their money. Creating a virtuous circle of benefits – e.g. 10<sup>th</sup> time you use us to pay for your Uber, voucher for 11<sup>th</sup> ride, surprise and delight with a Uber Eats free delivery etc. Due to lack of value of Gen Z, loyalty rewards should evolve to be based on frequency rather than just value.



# 03 - Online Payments

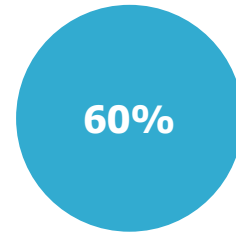
# Biometrics for authentication could soon be the new normal in the UK

How do you describe the following validation processes when purchasing online?  
Figures are those consumers that indicated that they feel reassured.

51-65

26-50

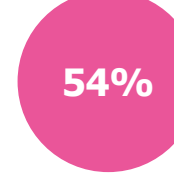
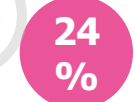
18-25



Authentication via my bank application



Fingerprint authentication



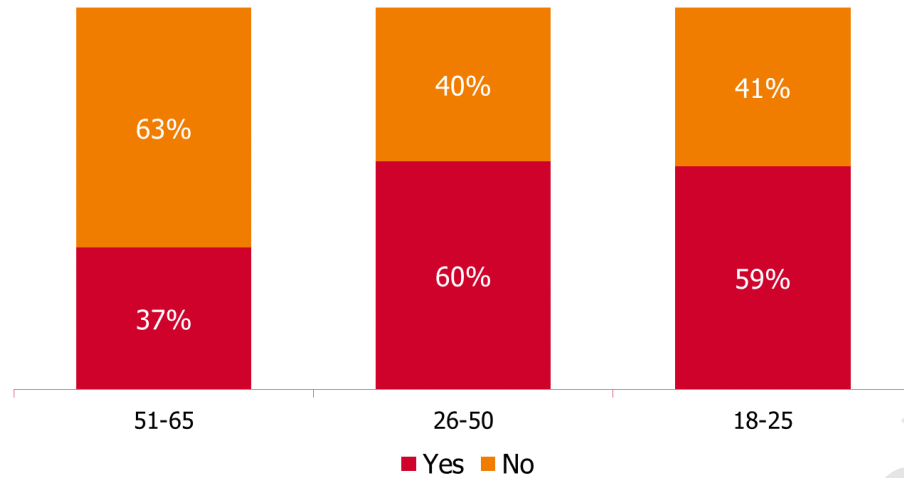
Facial Authentication

Authentication via bank application mostly appreciated by all age groups overall ranks higher than biometric (fingerprint and facial).

However, biometrics overall doesn't trail far and with an appreciation being stronger as we move through generations. The UK has been using fingerprint authentication for travel since 2009, and so it is not surprising to see consumer more at ease when it comes to payments.

# The shift to wallet payments in the UK will become more apparent in the future as Gen-Z gravitate away from cards

Have you ever abandoned your cart when shopping online if a specific payment option that you use generally is not available?

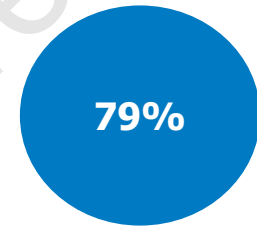


Although debit and credit card ranks number one in the UK as the preferred payment method, this is highly driven generationally.

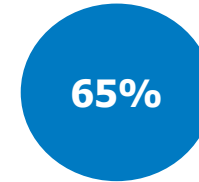
The younger generation has a much higher expectation to be able to pay for their wallet and they are gravitating away from debit and credit cards when shopping online. They also have a high abandonment rate if their preferred option is not available.

What is the most important payment option that you require when shopping online?  
Top Choice.

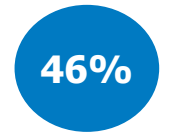
Debit or credit card  
67%



51-65



26-50



18-25

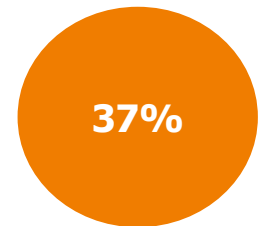
Wallet provider  
20%



51-65



26-50



18-25

# 04 - Innovations

# BNPL may be growing in popularity in the UK, but the consumer's understanding is not necessarily increasing at the same pace

BNPL feels like debt especially for the older generation (Age 51-65) and by a significant margin compared to the other age groups.



Although Gen-Z is more at ease in terms of BNPL's perception of debt, it still remains their number one deterrent. Gen-Z is also more likely to feel that the process is not secure.

BNPL providers could find that a crucial point of differentiation is providing more transparency and guiding clients in their financial well-being.

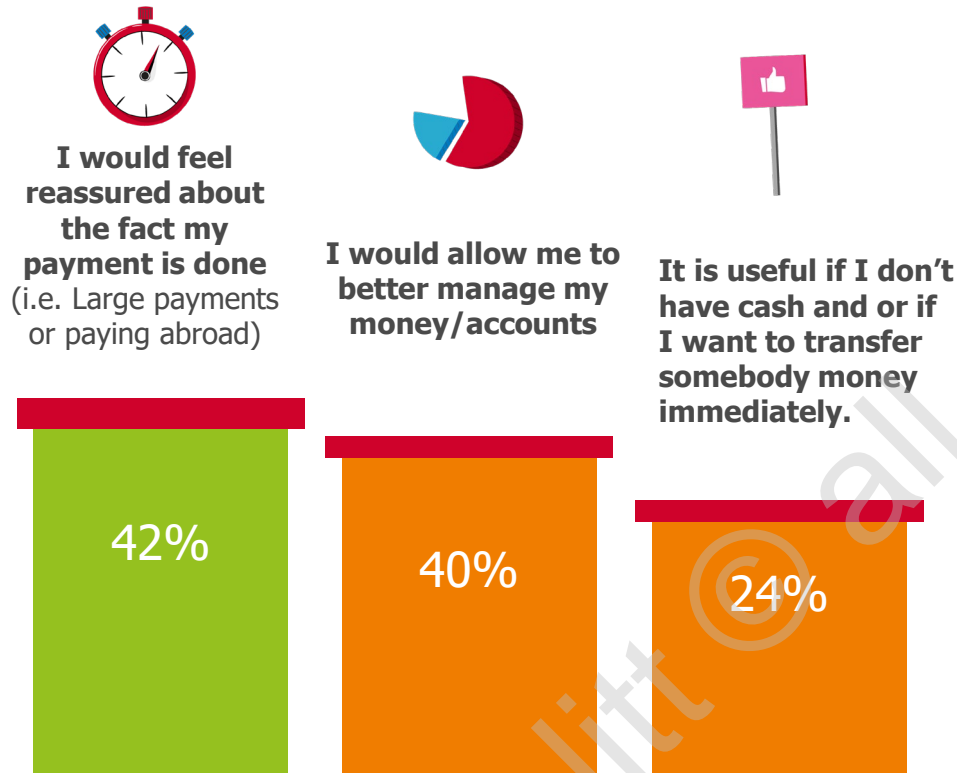
*When presented with the option to Buy Now Pay Later in full or in instalments, what would deter you from taking this option?*

	I don't want to have debt	I don't think it is secure
All	51%	12%
51-65	<b>71%</b>	9%
26-50	46%	11%
18-25	37%	24%

# The value proposition for IP in the UK should be articulated around customer in control

...keeping in mind that instantaneity is the new normal for the consumer

## Top 3 reasons consumer values paying via Instant Payment



Launched in 2008, Instant payments in the **UK Market** is by far **the most mature** in Europe with 3.4 billion Faster Payments processed, in 2021 (representing £2.6 trillion), which is a 17% increase from the year prior.

**Reassurance and Customer in Control** is the top reason that a consumer value paying via Instant Payment. Being able to better manage their money and accounts is important and progressively higher moving up generations.

### Assured that my payment is done

51-65	35%
26-50	44%
18-25	49%

### Allows me to better manage my money

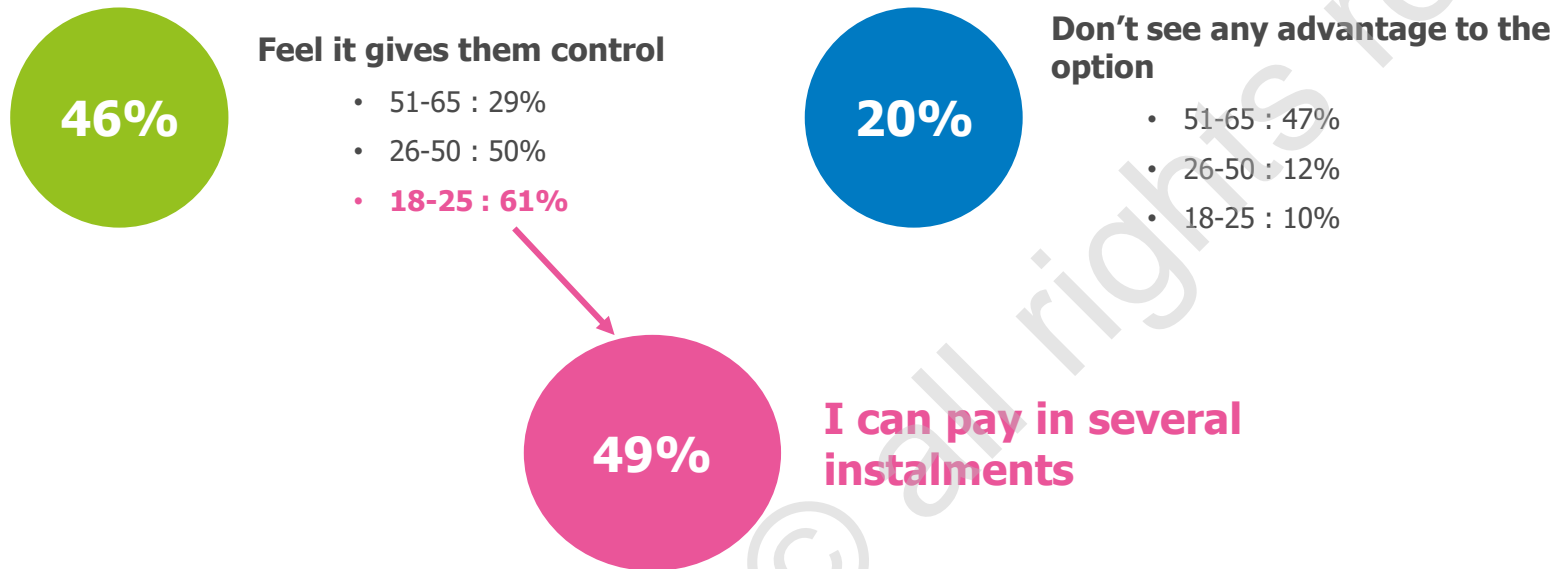
51-65	28%
26-50	43%
18-25	51%



# The value proposition based on customer in control wins, especially among Gen-Z

A credit facility is a close second for Gen-Z

Consumer perception on the advantage of Request to Pay option (e.g. to pay bills)



- Although 46% of Baby Boomers saw no advantage of using Requests to pay, other age categories see having control on when and how much to pay as the biggest benefit.
- **In fact 49% of Gen-Z stated that they would see a benefit of being able to pay in instalments with RTP.**
- RTP services in itself may prove hard to charge consumers because in general the expectation is these type of services are free. However, overlay services, for instance proposing an installment loan, has a potential to generate additional revenue streams for Banks while satisfying the consumer's desire for choice and control.

# In the UK, Consumers are split on using crypto as a payment methods

Gen-Z projects themselves the most in terms of using crypto to pay for goods



**Merchants have yet to widely adopt accepting cryptocurrency as a payment means.** After all, this would shift the volatility risk to the merchant.



**UK Consumers, are split in their readiness ready to pay for goods with crypto.** Digital goods take the lead, especially among Gen-Z, which is not surprising because online gaming is already ahead of other industries in accepting crypto.

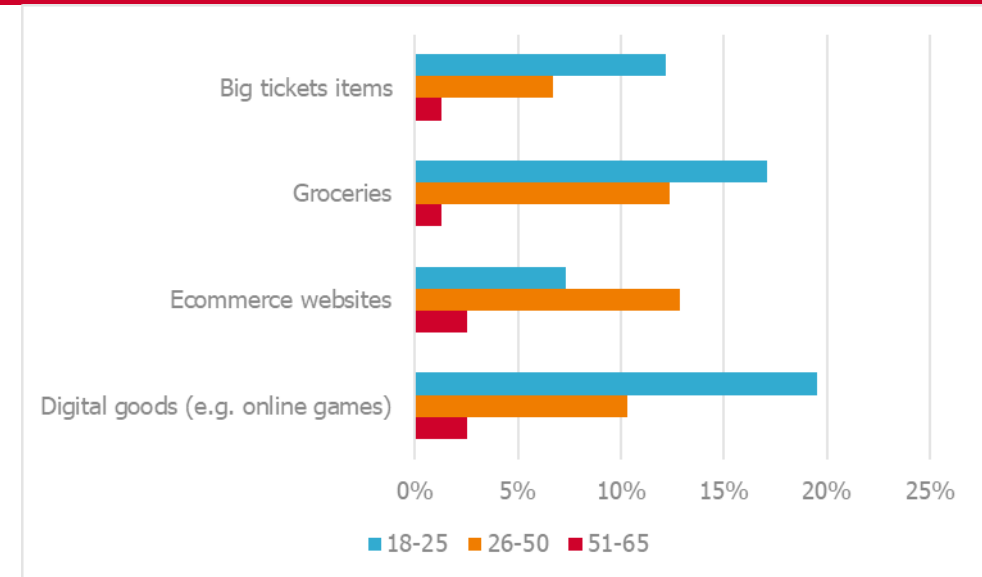
How fast crypto will become a mainstream payment means is hard to assess as there are many factors in play (volatility, competing digital currencies such as stablecoins and Central Bank Digital Currencies, etc).



## Interested in paying for goods with Crypto?\*



## To buy what goods?\*



# 05. Conclusion

# Conclusion



## Payment Players

Banks maintain their lead... for now as Gen-Z is slowly gravitating to PSPs.



## Payment Methods

Plastic is king but mobile payments creeping up



## Online Payments

Consumers increasingly seeking to have their preferred payment options offered.



## Instant Payments

Customer in control seen as the main value of IP



## Buy Now Pay Later

A transparent and ethical BNPL proposition a top need



## Cryptocurrencies

Crypto as a payment method not quite taking hold yet

# Questions ?



# Thank you

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# Appendix – Professional occupation in UK

The professional occupations have been standardized for comparison purposes

Occupation in UK	Standardized for Pan European Analysis
Higher managerial, administrative, and professional occupations	Higher professional occupations
Higher professional occupations	Higher professional occupations
Intermediate occupations	Intermediate occupations
Large employers and higher managerial and administrative occupations	Higher professional occupations
Lower managerial, administrative, and professional occupations	Intermediate occupations
Lower supervisory and technical occupations	Routine occupations
Retired	Retired
Routine occupations	Routine occupations
Semi-routine occupations	Routine occupations
Small employers and own account workers	Independants
Student	Student
Unemployed	Unemployed

