

Online Bank Transfers:
Slashing Merchant Costs At
The Checkout, a PYMNTS
and Nuvei collaboration,
explores consumers'
readiness to try new payment
methods, such as online
bank transfers, for making
payments. We conducted a
census-balanced survey of
2,466 U.S. consumers from
May 25 to May 30 to measure
consumers' experience with
and expectations from online
bank transfers and other
payment methods.

Online Bank Transfers:

SLASHING MERCHANT COSTS AT THE CHECKOUT

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Introduction

Though the checkout process signifies success for merchants, locking in critical revenues that keep a business healthy and secure, it also contains a covert foe that can quietly harm businesses' bottom lines. The processing fees that eat into merchants' sales, which could seem harmless at just 2% to 3% of each credit or debit card transaction, totaled \$138 billion in 2021, a sum that has more than doubled over the past decade.

To fight back, merchants have tried suing the card networks, and state legislatures have enacted laws permitting merchants to recoup their processing costs with surcharges on the customer. But the ultimate answer may come from new developments in payments technology, namely online bank transfers. This emerging technology is largely untapped in the U.S. for shopping but has inbuilt familiarity via the popular feature of automatic bill pay.

In addition, a host of instant payment technologies have taken hold in markets around the world. In the U.K., the Faster Payments Service has been available since 2008. In 2018, the European Central Bank unveiled TARGET Instant Payment Settlement. On the Pacific Rim, Australia introduced its New Payment Platform in 2018, and in Asia, India's Immediate Payment Service has been available since 2019. The U.S. already facilitates real-time payments through the Automated Clearing House, but this capability is set to get a major upgrade in 2023 with the launch of the Federal Reserve's FedNow instant payment service that will enable businesses and individuals to make instant payments.

The path to broad retail acceptance of online bank transfers may depend upon consumers' willingness to experiment with new payment methods. PYMNTS' data suggests the willingness is there: 29% of consumers already say they are very or

extremely interested in giving a new payment method a try. Moreover, the greatest interest in trying new payment methods is among younger and wealthier consumer demographics — those that are most sought after by merchants and financial institutions (FIs).

Online Bank Transfers: Slashing Merchant Costs At The Checkout, a PYMNTS and Nuvei collaboration, explores consumers' readiness to try and willingness to use new payment methods, particularly online bank transfers. We conducted a census-balanced survey of 2,466 U.S. consumers from May 25 to May 30 to learn what consumers want from payment methods they can use for online shopping and how those perceptions may affect their potential adoption of online bank transfers.

This is what we learned.



As consumers are already familiar with the method and have a general interest in payment innovations, online bank transfers give merchants a real opportunity to offer consumers a successful, new payment method at the online checkout.

Though it is an emerging payment technology, online bank transfers have already developed a notable user base among U.S. consumers and merchants. In fact, 37% of consumers had used it in the preceding month to pay recurring bills, and 26% say it is their preferred payment method for recurring bills.

Outside of that sphere, the payment method has a long way to go before becoming mainstream. Just 9.3% of consumers had used an online bank transfer for online shopping in the preceding 30 days. Only 1.8% say that an online bank transfer is their preferred method for shopping via the web or a mobile app.

Consumers currently use many payment options, although aside from a handful of widely used methods — such as credit cards, debit cards, cash and PayPal — no more than a relatively modest proportion of consumers are likely to use just one method. These market conditions may indirectly prepare consumers and merchants

to accept a new method such as an online bank transfer, so long as it provides them with clear advantages relative to their other options.

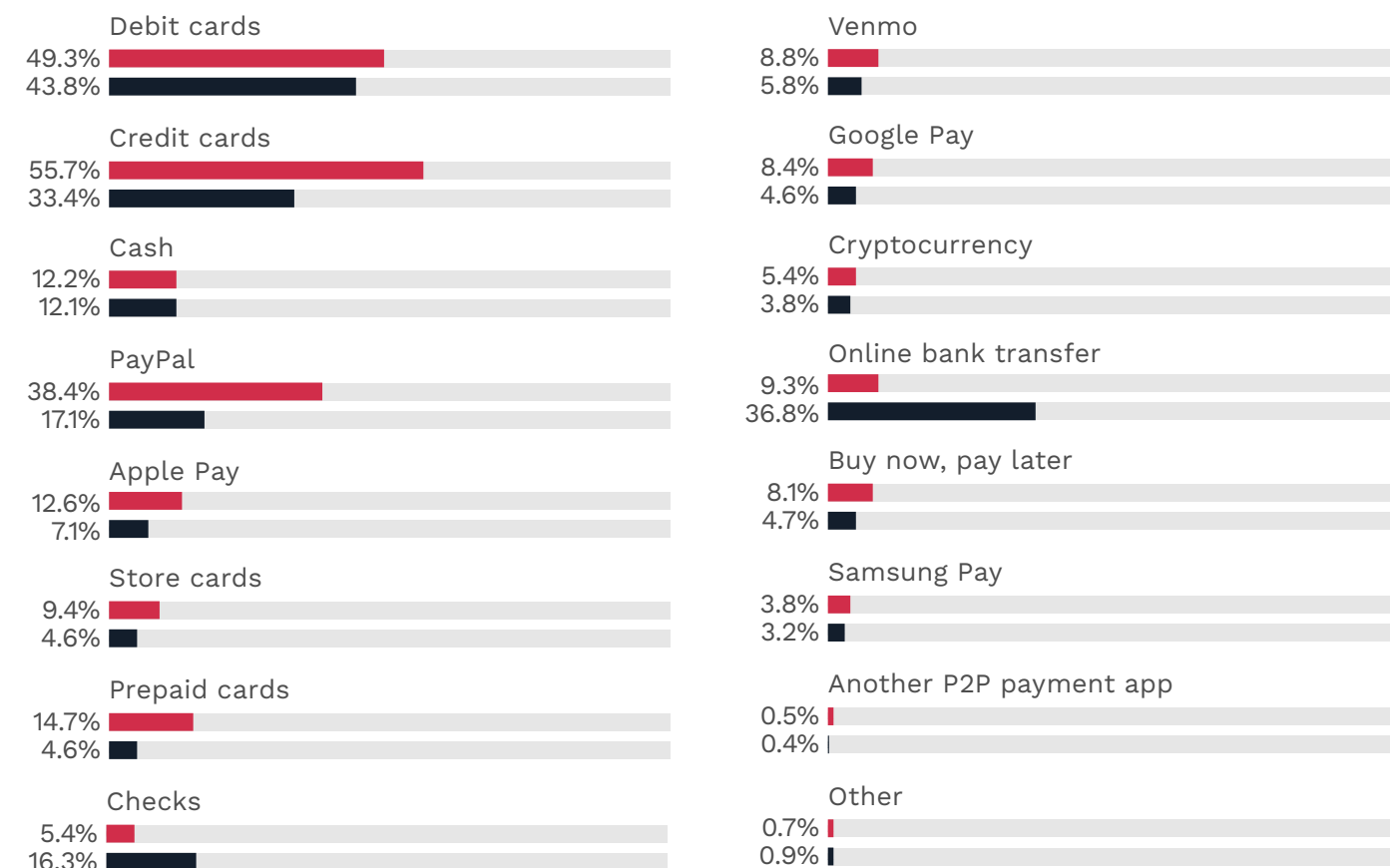
The data suggests that consumers are already keeping an eye on payment innovations. Nearly 30% of consumers already say they are very or extremely interested in trying a new payment method. In addition, the demographic groups that FIs and merchants most seek — younger and high-income consumers — are interested in new payment methods at a much higher rate.

Forty-eight percent of millennials, consumers who are between 26 and 41 years old, and 42% of bridge millennials, those between 34 and 44 years of age, say they are very or extremely interested in trying new payment methods, as are 38% of the consumers with annual incomes greater than \$100,000.

FIGURE 1A:
Popular payment methods

Share of consumers using select payment methods for recurring bills and online shopping

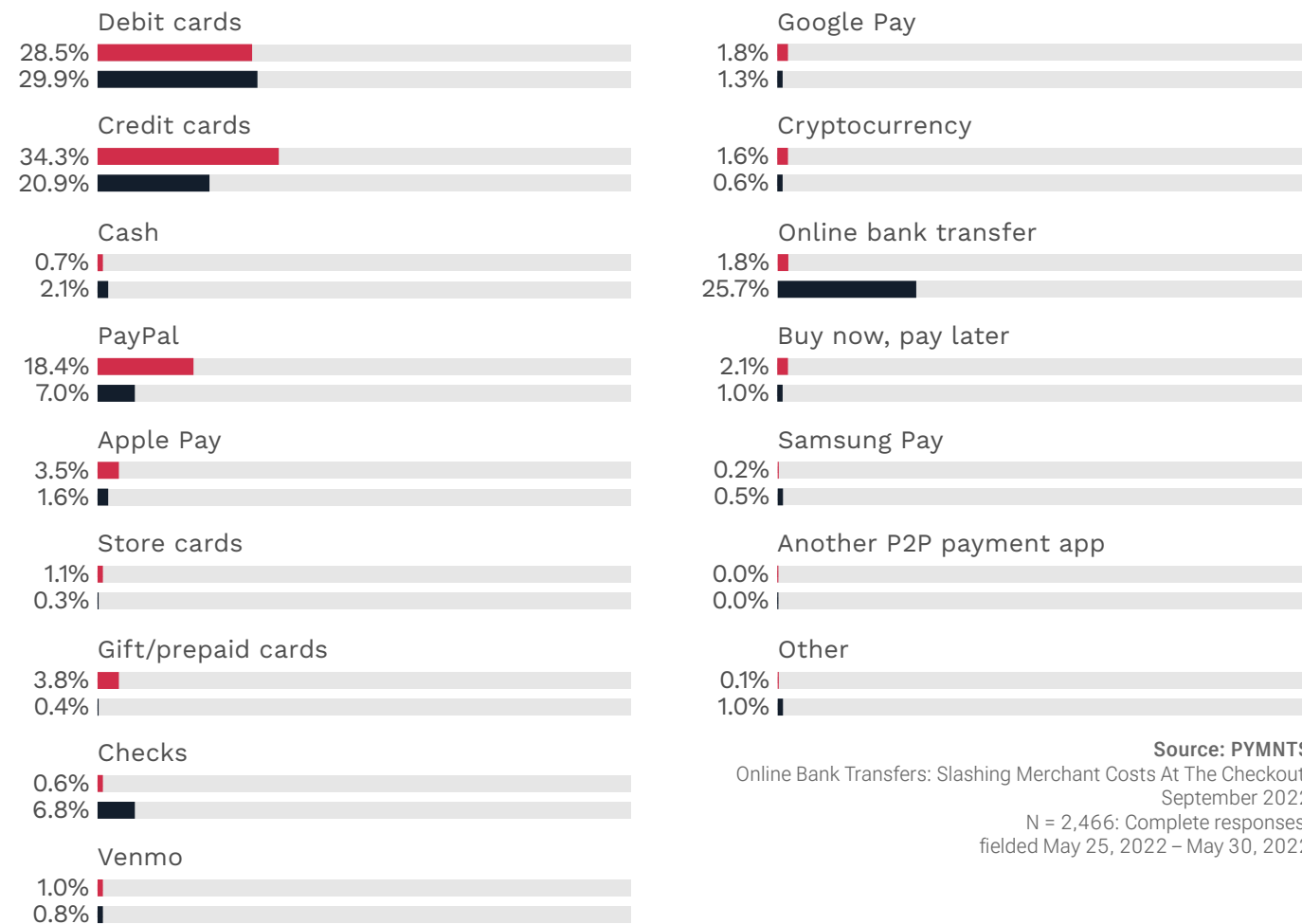
■ Online
■ Recurring bill



Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout,
September 2022
N = 2,466: Complete responses,
fielded May 25, 2022 – May 30, 2022

FIGURE 1B:
Popular payment methods

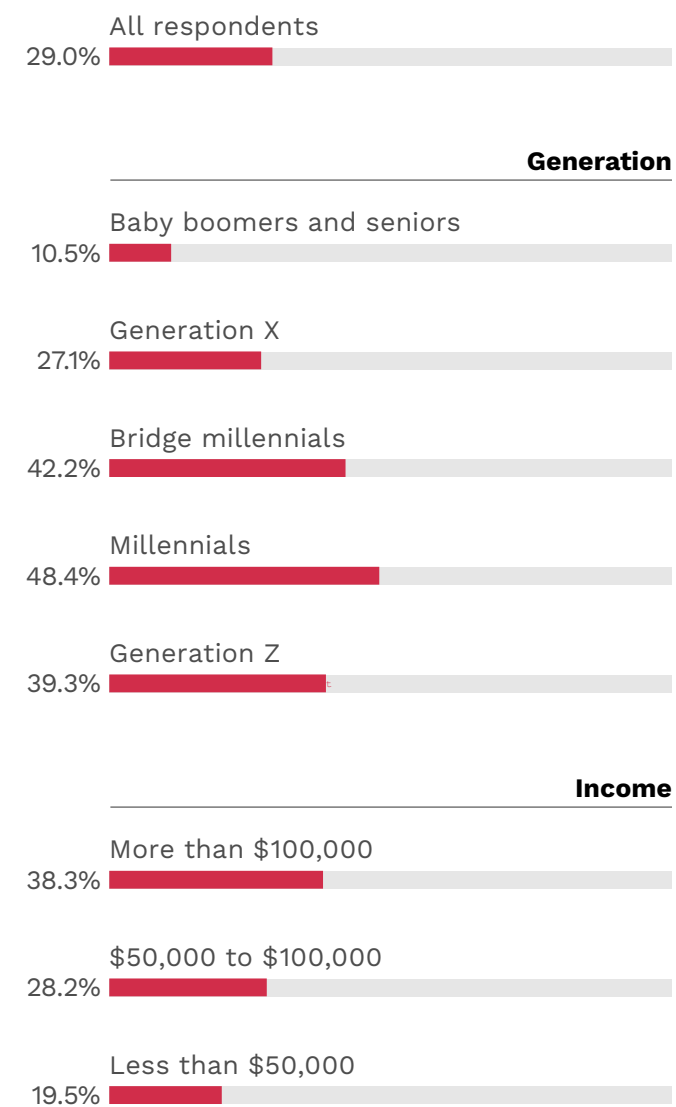
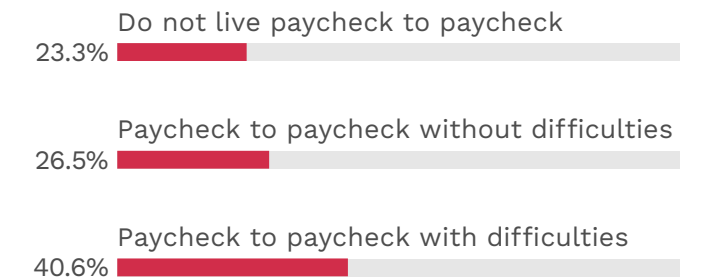
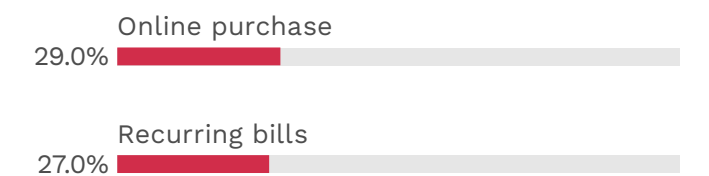
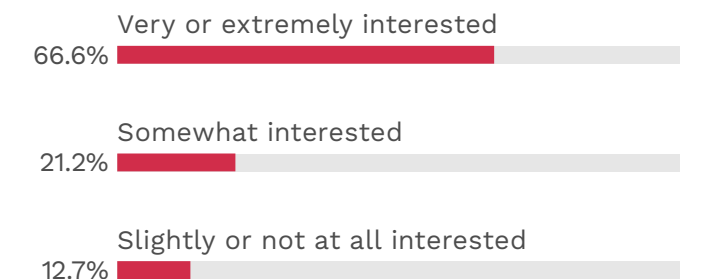
Share of consumers who most prefer select payment methods

■ Online purchase
■ Recurring bill

Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout,
September 2022
N = 2,466: Complete responses,
fielded May 25, 2022 – May 30, 2022

FIGURE 2:
Interest in payment innovation

Share of consumers who are very or extremely interested in trying a new payment method in the next 12 months, by demographic

**Financial lifestyle****Transaction type****Interest in using online bank transfer**

Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout,
September 2022
N = 2,466: Complete responses,
fielded May 25, 2022 – May 30, 2022

Online bank transfers present **significant savings for merchants because they avoid the interchange fees** required for card payments, slashing payment processing costs.

Merchants have accepted credit and debit card payments for years because the cards enable consumers to easily make purchases. Unfortunately, that convenience comes with costs, mostly interchange fees to the major card networks that take 2% to 3% of every card transaction.

The fees for processing card transactions cost merchants \$138 billion in 2021 alone. But it gets (and will likely get) worse, as the fees are on a long-term upward trend. The 2021 total is more than double the \$64 billion in fees imposed on merchants in 2010, for example.

It is not likely that card issuers will do away with interchange fees anytime soon. But as emerging payment technologies promise merchants a fee-free checkout scenario, we suspect that more leading merchants may opt for newer alternatives to cards, such as online bank transfers, that make it easy for consumers to spend money without risking financial performance.

FIGURE 3A: What interchange fees cost merchants

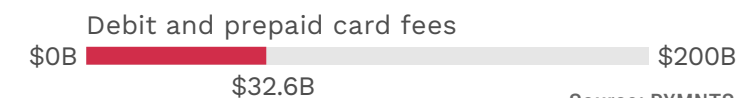
Growth in total interchange fees from 2010 to 2021 (in billions of dollars)¹



Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout, September 2022

FIGURE 3B: What interchange fees cost merchants

2021 total processing fees paid by merchants for all credit and debit cards (in billions of dollars)²



Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout, September 2022



¹ Author unknown. Testimony of Doug Kantor, General Counsel, National Association of Convenience Stores Before the U.S. Senate Committee on the Judiciary, Hearing On "Excessive Swipe Fees and Barriers to Competition in the Credit and Debit Card Systems." Committee on the Judiciary, 2022. <https://www.judiciary.senate.gov/imo/media/doc/Kantor%20testimony.pdf>. Accessed August 2022.

² Author unknown. Merchant Processing Fees in the United States — 2021. The Nilson Report, Issue 1216. 2022. <https://nilsonreport.com/mention/1586/1link/>. Accessed August 2022.

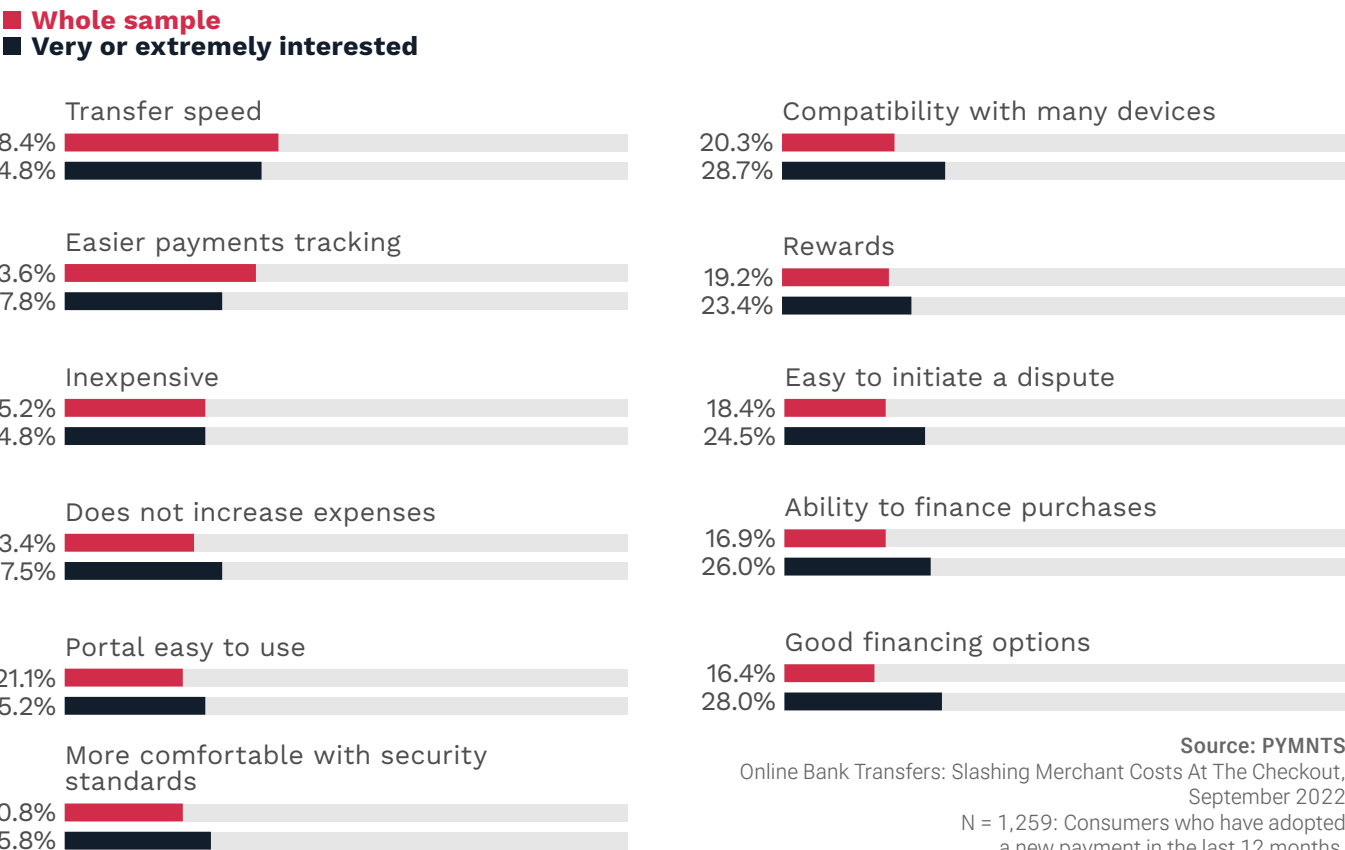
Online bank transfers appeal to consumers for their speed, trackability and low cost, although some consumers worry about security and would miss the rewards programs of other methods.

Because there is a correlation between consumers with high interest in the method and knowledge of its many benefits, merchants that offer online bank transfers can increase acceptance if they educate consumers about their advantages. One of online bank transfer’s most appealing factors is its speed. Thirty-five percent of consumers who are highly interested in using online bank transfers say they want to use it because of its faster speed. Consumers also identify a host of other benefits that come with online bank transfers: 28% say it will be easier for them to track their payments and 25% cite the method’s low cost. (Although we have already discussed the cost savings for merchants, it is important to note that no interchange fees for merchants also means no reason for surcharges, a consumer-facing lever for recoupment that can prove as troubling to consumers’ financial health as interchange fees are for merchants.)

The consumers who have high interest in shopping with online bank transfers tend to

recognize nearly all benefits; between 23% and 35% of this group cited 11 reasons to use the method that we tracked. On the other hand, one of the factors that may discourage consumers from using on-line bank transfers is their lack of comfort with its security, which 39% of consumers cited as an issue. Proper education from merchants can likely raise comfort levels, however. Programs to inform consumers about shopping with online bank transfers may be necessary regardless: 14% of consumers considered the expense of online bank transfers to be the most important reason they are reluctant to use them, suggesting that they do not yet understand how the payment method works. Beyond education, the data shows that consumers may need a bit of direct encouragement: 26% cited the lack of points or a rewards program as a reason for reluctance.

FIGURE 4A:
Draws and drawbacks of shopping with online bank transfers
Share of consumers who cite reasons for using online bank transfers while shopping

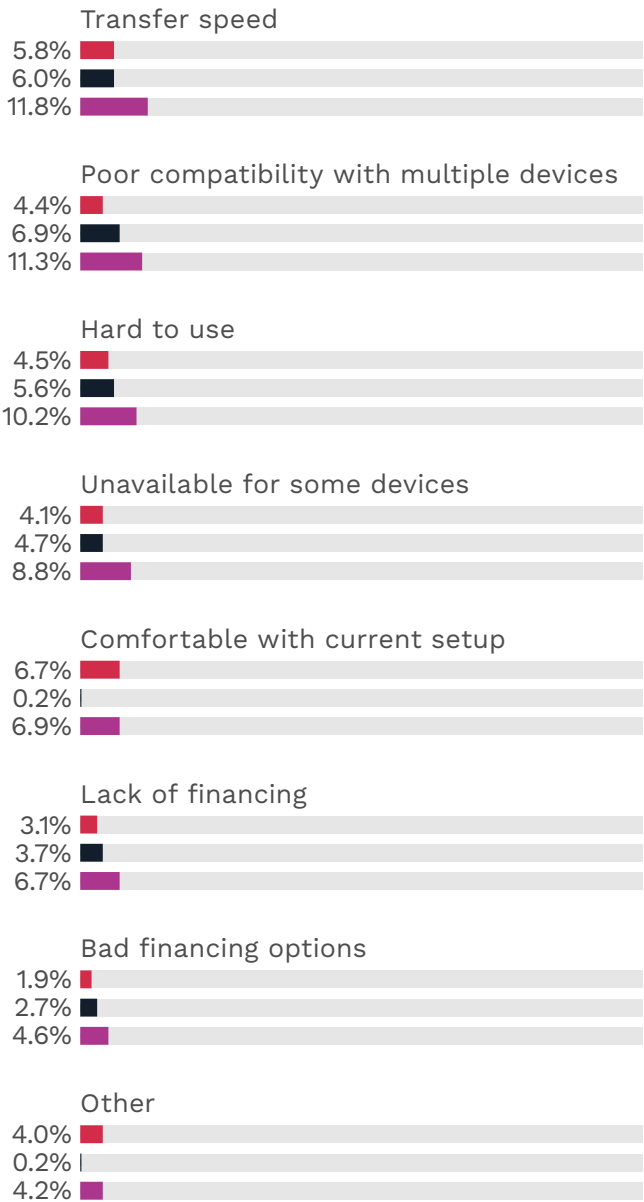
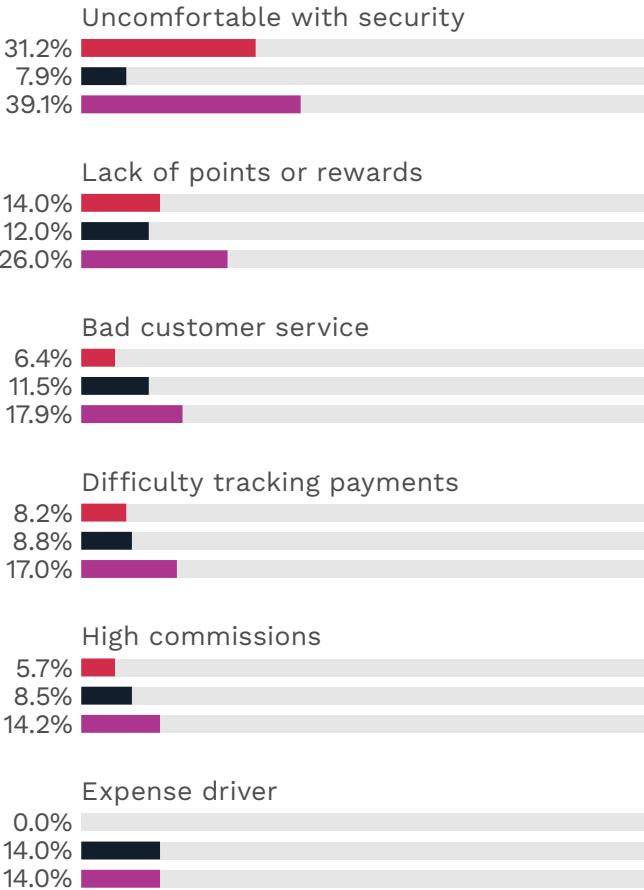


Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout, September 2022
N = 1,259: Consumers who have adopted a new payment in the last 12 months, fielded May 25, 2022 – May 30, 2022

FIGURE 4B:
Draws and drawbacks of shopping with online bank transfers

Share of consumers who cite reasons for reluctance to use online bank transfers while shopping

■ **Most important concern**
■ **Important but not most important**
■ **Total**



Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout,
September 2022
N = 2,466: Complete responses,
fielded May 25, 2022 – May 30, 2022



Consumers can likely make a **seamless transition to online bank transfers from more familiar payment methods** because of their familiarity with similar options and the method’s digital design.

Online bank transfers capitalize upon the economy’s digital shift, and they offer a seamless transition for consumers who are familiar with established payment methods such as mobile apps or banking through a bank’s website. Forty-six percent of consumers already know what online bank transfers are and have used them. Another 21% of consumers know what they are, though they have never used them.

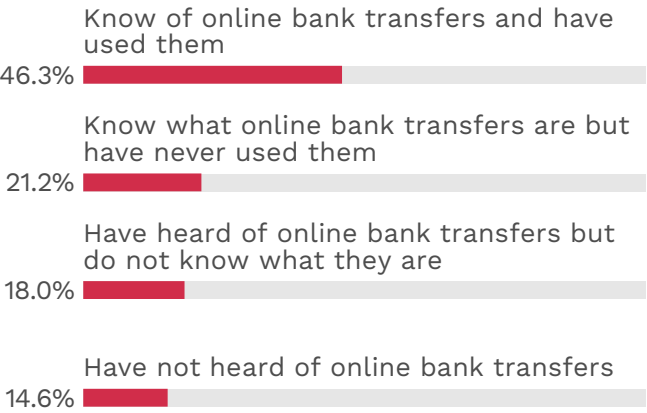
PYMNTS’ finding that two out of three consumers can state at least some familiarity with online bank transfers shows that there is a ready customer base for companies that make online bank transfers available as a payment option during online checkout.

In addition, the growth in mobile wallets such as Apple Pay and Google Pay has given many consumers experience with the type of contactless transactions they can expect with online bank transfers. This will likely make it easier for merchants to educate consumers about the advantages of online bank transfers.

As mentioned before, consumer education will be necessary to resolve some customers’ concerns about online bank transfers, particularly when it comes to security. The situation is not dire: 52% of consumers say online bank transfers are as secure as debit card purchases, while 45% say they are as secure as credit card purchases. However, 28% think online bank transfers are less secure than credit card transactions, and 24% think they are less secure than debit card transactions, showing that progress can certainly be made.

FIGURE 5A:
What consumers know about online bank transfers

Share of consumers with select levels of familiarity with online bank transfers



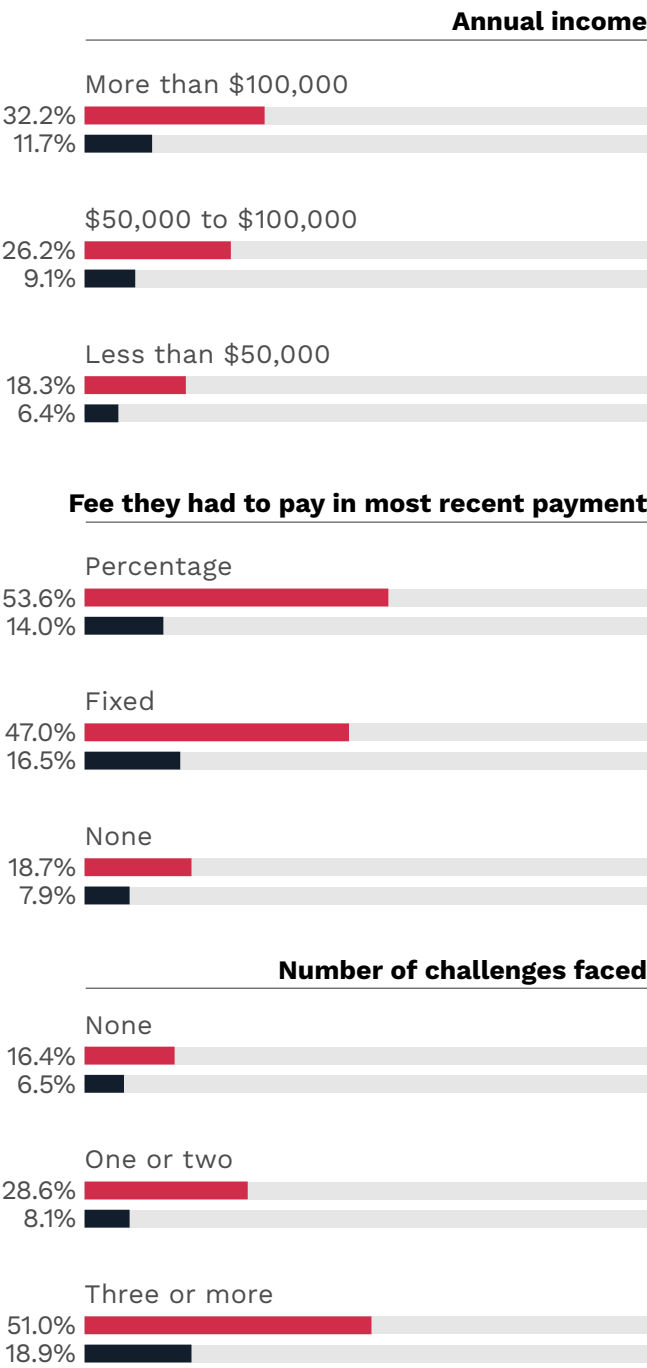
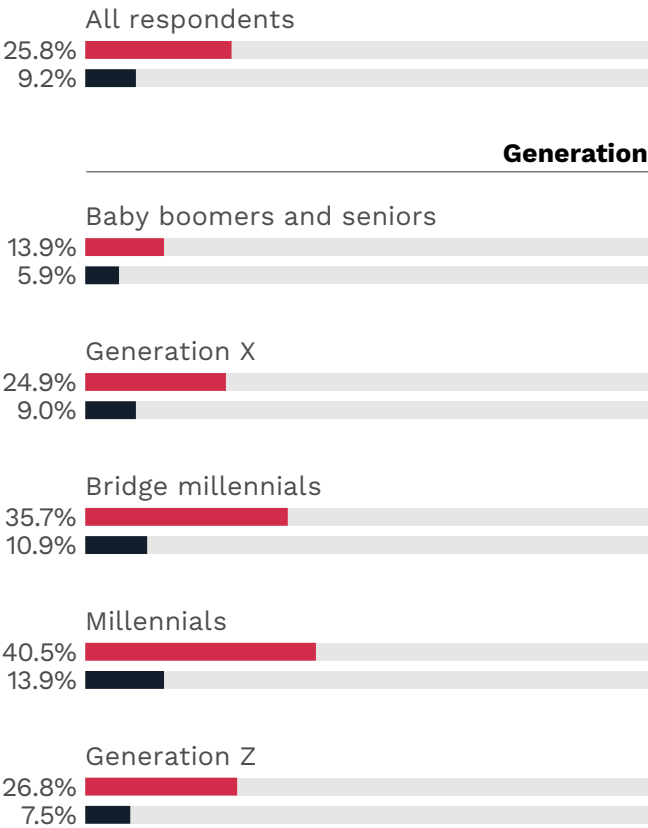
Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout, September 2022
N = 2,466: Complete responses, fielded May 25, 2022 – May 30, 2022



FIGURE 5B:
What consumers know about online bank transfers

Share of consumers who have interest in or experience with online bank transfers for purchases, by demographic

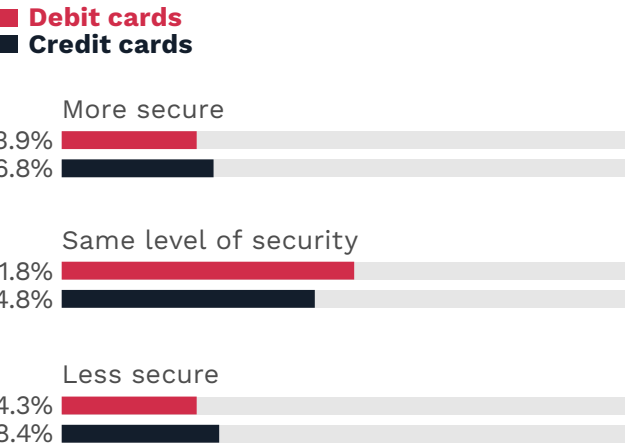
- Very or extremely interested in using online bank transfers for purchases
- Consumers who used online bank transfers to make purchases in-store or online



Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout, September 2022
N = 2,466: Complete responses; N = 2,363: Consumers who used online bank transfers for in-store or online purchases, fielded May 25, 2022 – May 30, 2022

FIGURE 5C:
What consumers know about online bank transfers

Share of consumers with select perceptions of the security of online bank transfers



Source: PYMNTS
Online Bank Transfers: Slashing Merchant Costs At The Checkout, September 2022
N = 2,466: Complete responses, fielded May 25, 2022 – May 30, 2022



Conclusion

As the adage goes, the last mile is always the hardest, and merchants have long faced a daunting task when it comes to facilitating consumers' purchases at the checkout. Merchants want to give consumers as many options as possible without missing a sale, sacrificing fees or making their own processes unwieldy. Online bank transfers can satisfy merchants' needs on several fronts. It is a low-cost option, eliminating the interchange fees merchants have been saddled with for decades. Though that in itself could be a major change, the payment method's

familiarity to consumers and similarity to other contactless methods provide a relatively seamless transition for customers. Consumers are already noting some of the method's many benefits, and educational initiatives can likely assuage more reticent shoppers. The merchants that incorporate online bank transfers into the payment options they offer at the checkout may soon find that doing so helps customers and themselves in equal measure.

Methodology

Online Bank Transfers: Slashing Merchant Costs At The Checkout, a PYMNTS and Nuvei collaboration, explores consumers' readiness to try new payment methods, such as online bank transfers, for making payments. We conducted a census-balanced survey of 2,466 U.S. consumers from May 25 to May 30 to measure consumers' experience with and expectations from online bank transfers and other payment methods.

About

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.



Nuvei is bringing payments up to speed. Our future-proof technology allows businesses to accept cutting-edge payment options, optimize new revenue streams, and get the most out of their stack. With a single integration and advanced customization tools, Nuvei delivers flexibility that enables businesses to adapt quickly and enter new markets seamlessly. From finding new opportunities to converting more sales, Nuvei is the innovative platform that accelerates your growth.

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