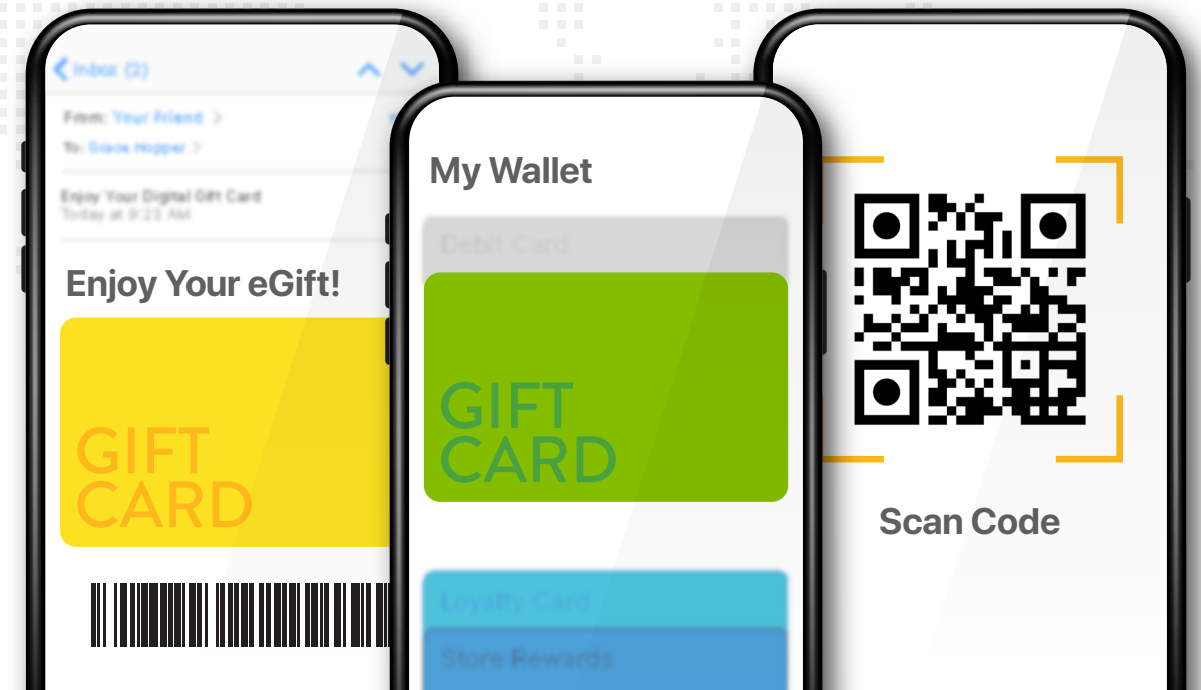


Global Digital Payments Insights

Consumer insights on branded payments, digital evolutions and shopper behavior trends show **digital adoption surging three years ahead** of expectations since COVID-19.





INTRODUCING BLACKHAWK NETWORK PAYMENTS EQ

The way consumers shop and pay can provide deep insights for a brand—illuminating passions, motivations and even hurdles, to help drive your business forward.

That's why we created Blackhawk Network Payments EQ.

This dedicated new insights series will harness our rich proprietary data and research to uncover unique and motivating trends at the intersection of payments, commerce and consumer experiences.

Blackhawk Network Payments EQ helps brands build lasting relationships through payments.

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INSIDE THE REPORT

Global Digital Payments Insights

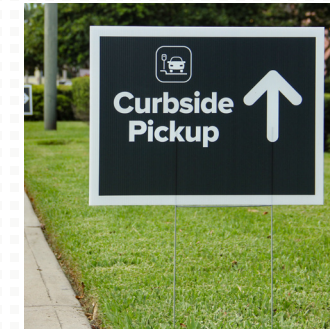
The COVID-19 pandemic caused a lot of chaos and change in 2020.

Looking back, we see now that it also accelerated broad digital payment adoption and contactless payments three years ahead of our expectations.

Payments including digital wallets, digital gift cards and digital reward programs all saw notable increases in both initial trial and usage.

Digital payment trends that catalyzed out of necessity over the past year show that consumers prefer brands that embrace digital payments. Shoppers are more likely to shop with merchants that accept digital payments across both online and in-store shopper journeys.

This report explores and provides insights into these trends. This research, an internet-based survey from market research and analytics firm Leger on behalf of Blackhawk Network—conducted between March 2 and April 5, 2021—is based on the responses of an online panel of 13,006 respondents from nine countries: the United States, Canada, Mexico, Brazil, the United Kingdom, Germany, the Netherlands, India and Australia. These countries account for nearly half (43%) of all debit card and credit card payments worldwide.¹



The survey provided a global view into the following:

- The impact that the COVID-19 pandemic had on eCommerce and digital payments in 2020, including the **adoption of digital gift cards, digital wallets, QR codes and barcodes**
- How consumers are using digital wallets and where there are **opportunities for growth**
- What **digital payment factors motivate consumers** to shop with a specific retailer
- How **shoppers may deepen their loyalty to retailers** that offer and accept digital payment options
- How **gift cards, rewards and points fit into shopper motivations** and loyalty towards retailers

These insights will better prepare retailers for how and why shoppers are motivated to use a particular digital payment method—and how those methods influence where consumers shop.



Key Findings

1

Online-only retailers thrived. Consumers are turning toward online-only retailers at a more frequent pace.

2

Digital payments expanded. Digital wallets, digital gift cards and QR codes and barcodes were used for the first time by some consumers during the pandemic.

3

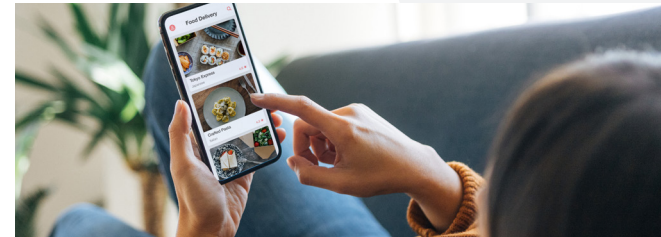
Digital wallet users say **digital payments made shopping easier** and reported shopping more often.

4

Gift cards helped people connect to eCommerce in 2020. In particular, digital gift cards made it easy for consumers to shop, gift and pay online.

5

QR codes or barcodes on a mobile device emerged as a digital payment tool with new digital wallet users during the pandemic and were used more frequently at grocery stores and online-only retailers.



THE PANDEMIC'S DIGITAL IMPACT

eCommerce Trends & Payment Behavior

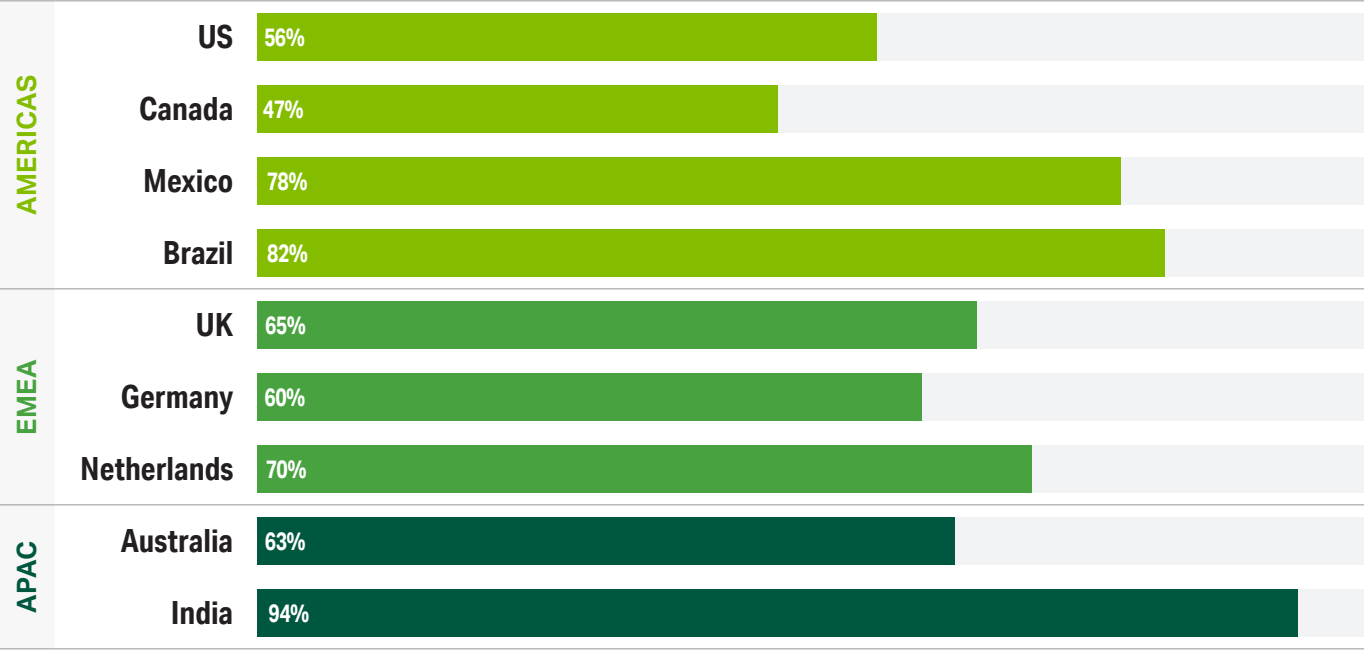


The Majority of People Are Making Purchases Online

As the world locked down at the start of the pandemic, shoppers went online, causing a surge in eCommerce activity and digital payment adoption. How consumers shopped with and paid retailers evolved rapidly. Online payments trends already gaining traction accelerated at staggering levels with a majority choosing online purchases for home delivery in every surveyed country, except Canada where it is just shy of the majority.

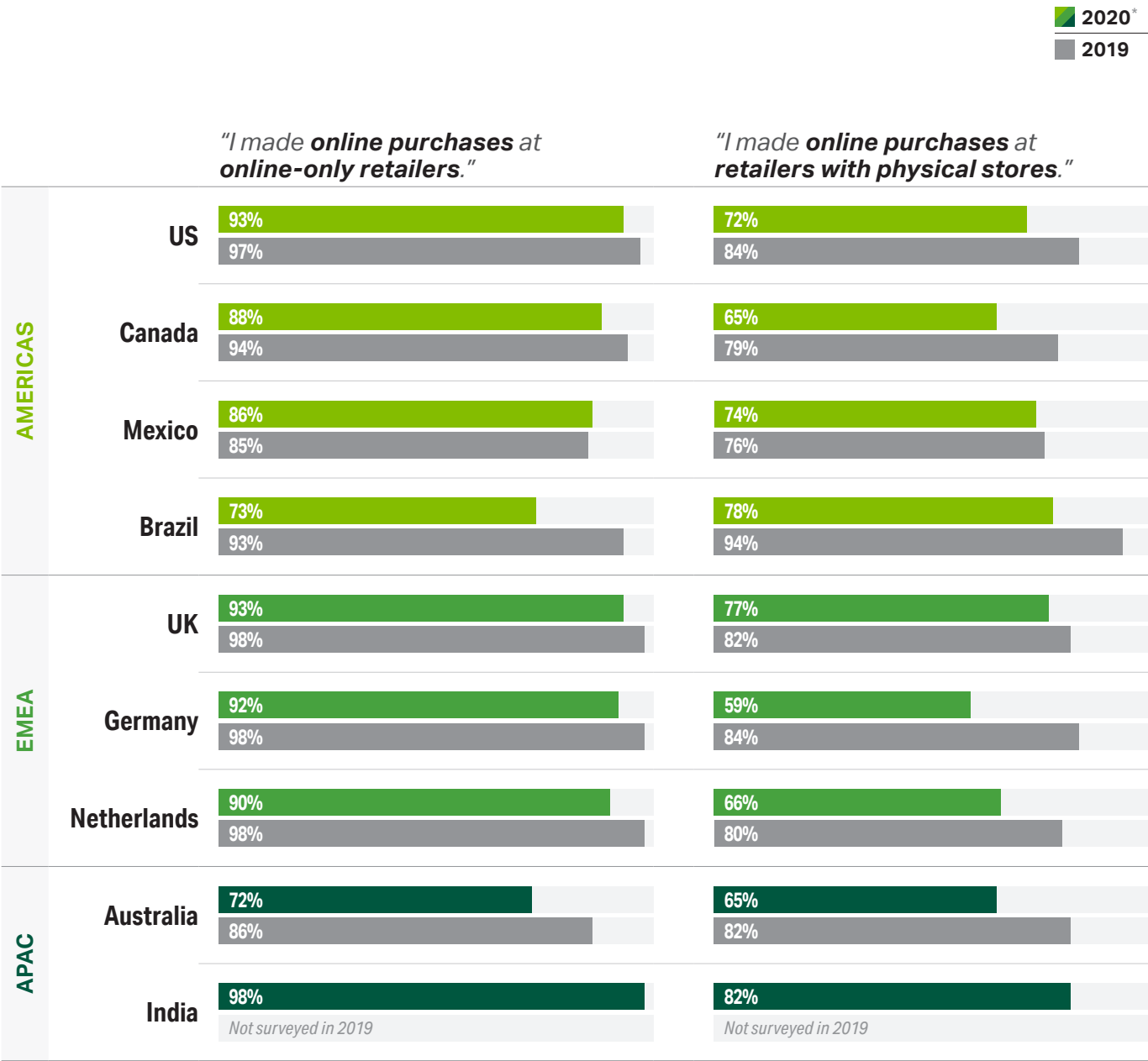
In 2020, more than two billion people worldwide purchased goods or services online², and online retail sales surpassed \$4.2 trillion. eCommerce website traffic recorded 22 billion monthly visits around the world during that same time. Mobile online shopping is the main driver of this shift, but digital wallet adoption is another significant factor. Specifically, shoppers embraced the ability to seamlessly load funds, including funds from both physical and digital gift cards, into a digital wallet to be used through a number of payment methods—QR codes, barcodes and via a retailer’s mobile app.

*"I have been making **online purchases for home delivery** since the pandemic began."*



A Dip in Online Shoppers

While eCommerce gained during the pandemic, the percentage of shoppers making online purchases declined globally highlighting the economic impacts many felt over the past year. Mexico was the exception, staying essentially flat.

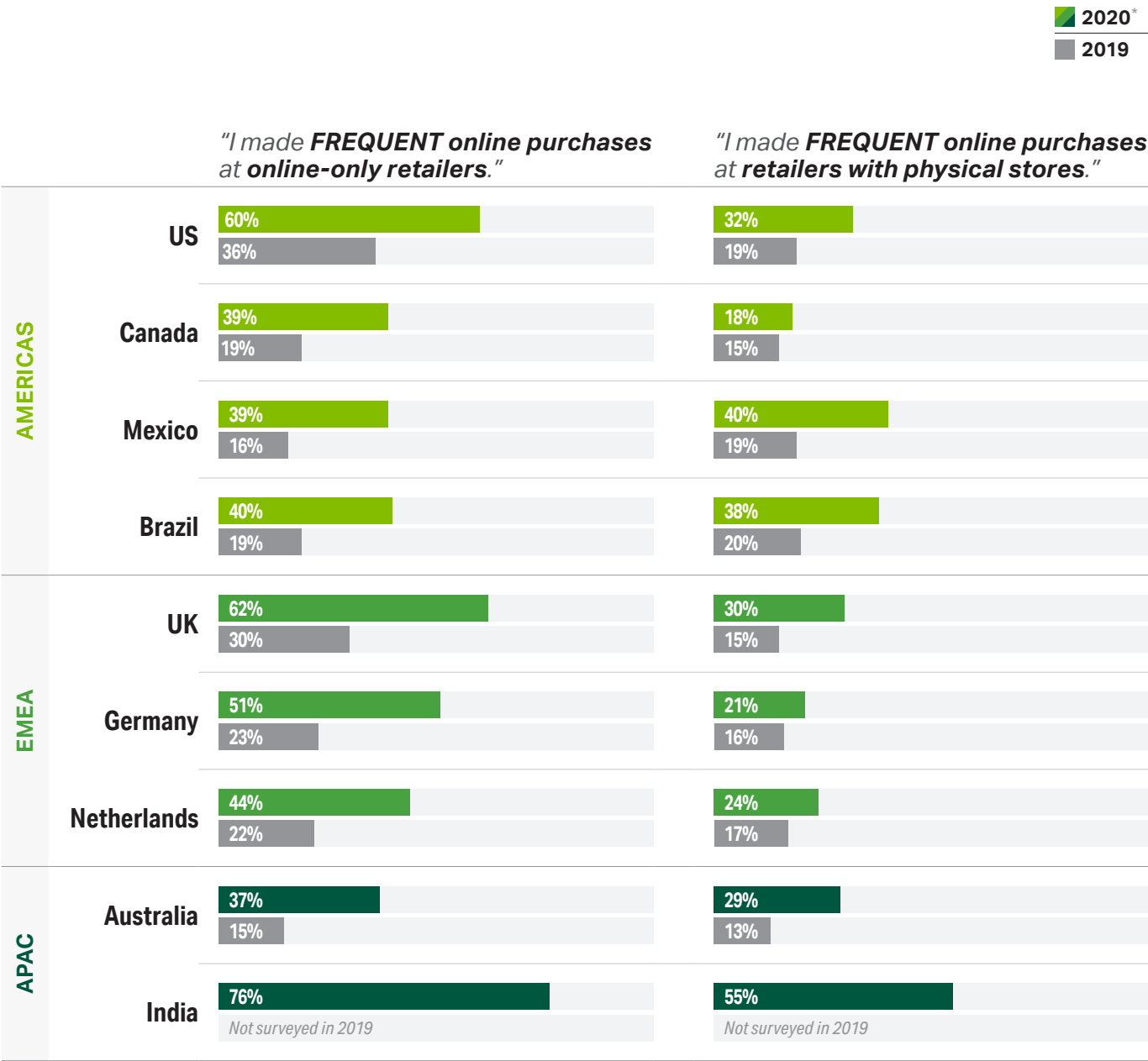


*2020 respondents were required to own a mobile phone.

Shopping Frequency at Online-Only Retailers Surged

Those who continued purchasing online shopped more frequently, especially at online-only retailers.

This is an important detail: it shows that **people did not simply move to a brand’s online portal when physical stores closed**. In many countries surveyed, frequent shopping at online retailers with physical stores grew in 2020—but frequent shopping at online-only retailers grew much more over the same time period.



*2020 respondents were required to own a mobile phone.

8

2020 TREND

Digital Payments Expanded

Shoppers Prefer Using Digital Payment in Online-Only Retailers and Grocery

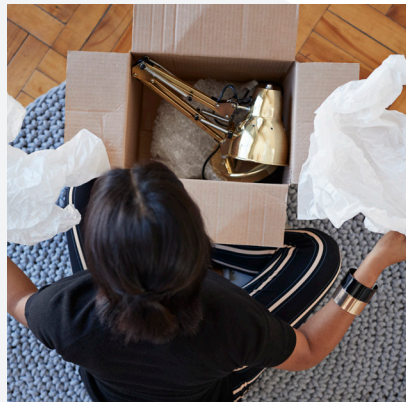
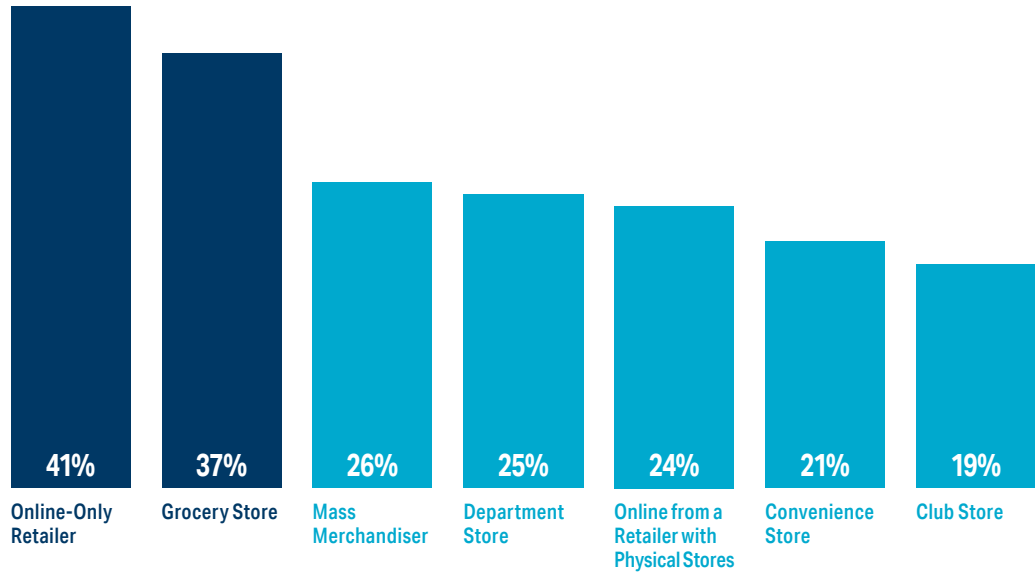
Digital wallet acceptance, digital gift card usage and QR codes and barcodes adoption have been growing for many years. Previous adoption trends were driven by special deals and convenience, but in 2020 the urgency came from wanting to avoid touching payment terminals in public spaces.

Digital payment acceptance came to be associated with cleanliness, flexibility and public safety. According to survey data, adopting these payment options had a real impact on how shoppers felt about retailers.



Where Shoppers Used Digital Payments

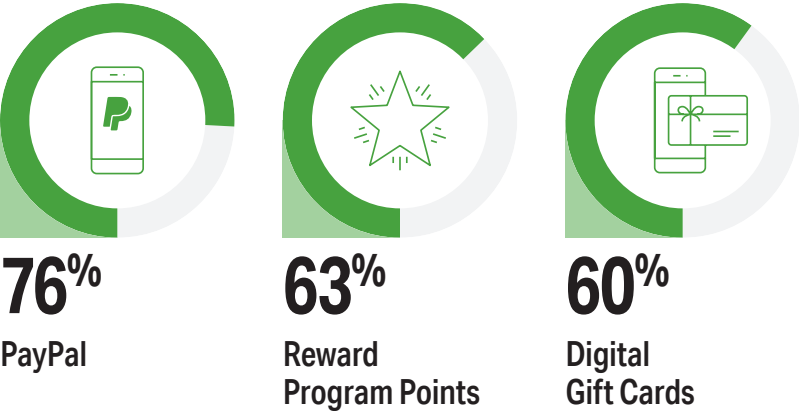
Online-only retailers are still the most common place for people to use digital payment methods. However, grocery stores saw a huge increase in digital payment usage during 2020.



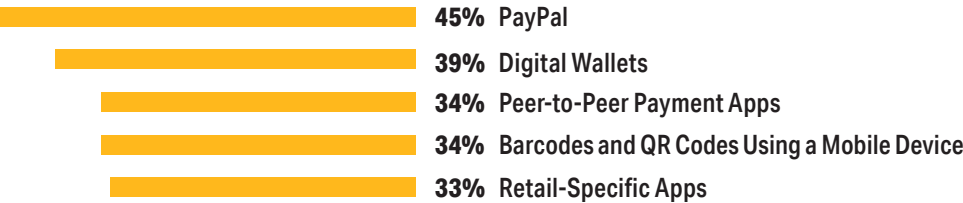
Top Digital Payment Methods

Respondents used a variety of digital payment methods. PayPal is the clear leader worldwide, used at least once by a majority of shoppers in all surveyed countries. Other methods had much more varied adoption. Barcodes and QR codes, for example, were used by 85% of Indians but only 24% of Canadians. Though digital payments grew overall, people are still exploring payment options as they become locally available.

Top 3 Digital Payment Methods Used at Least Once

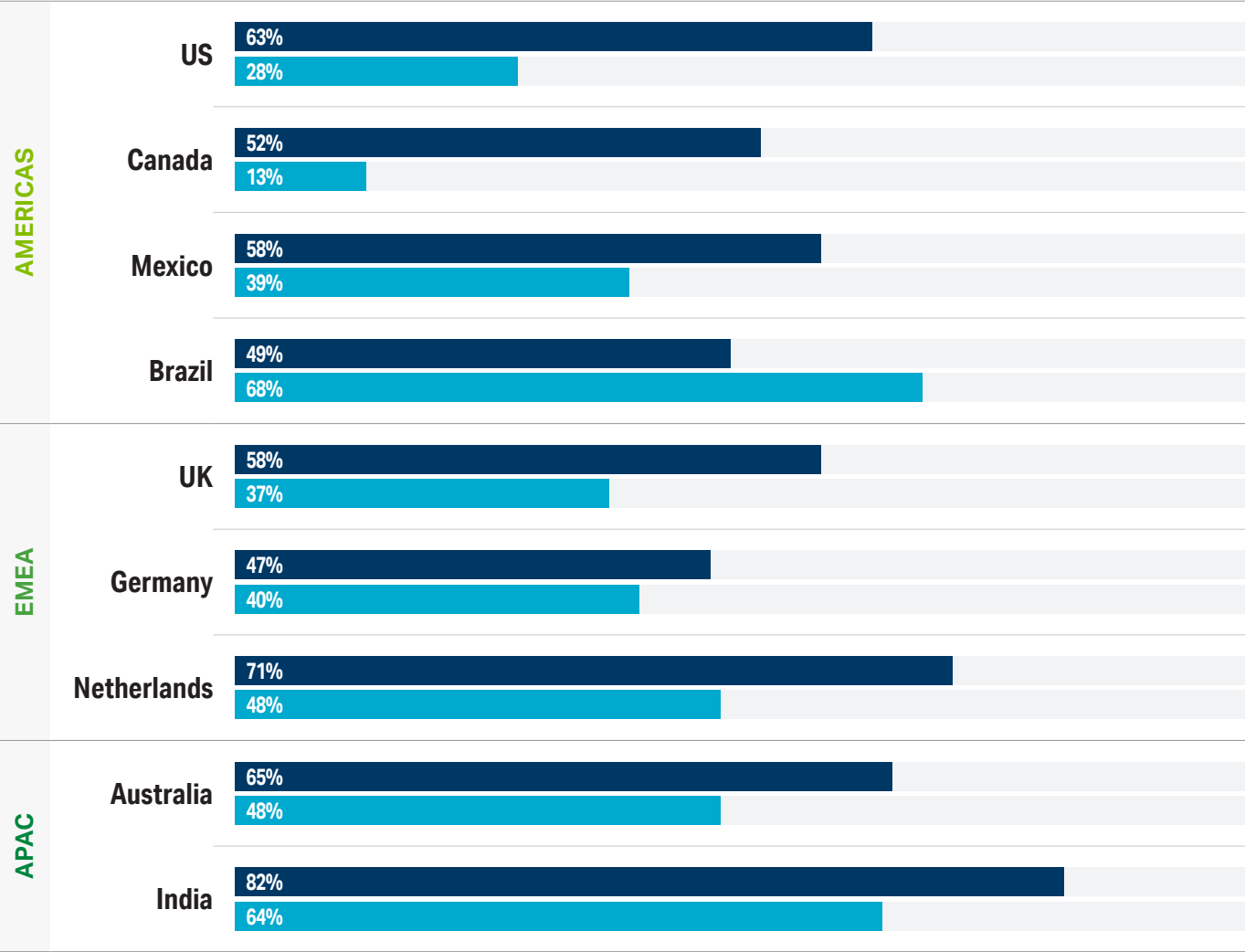


Digital Payment Methods Used Frequently



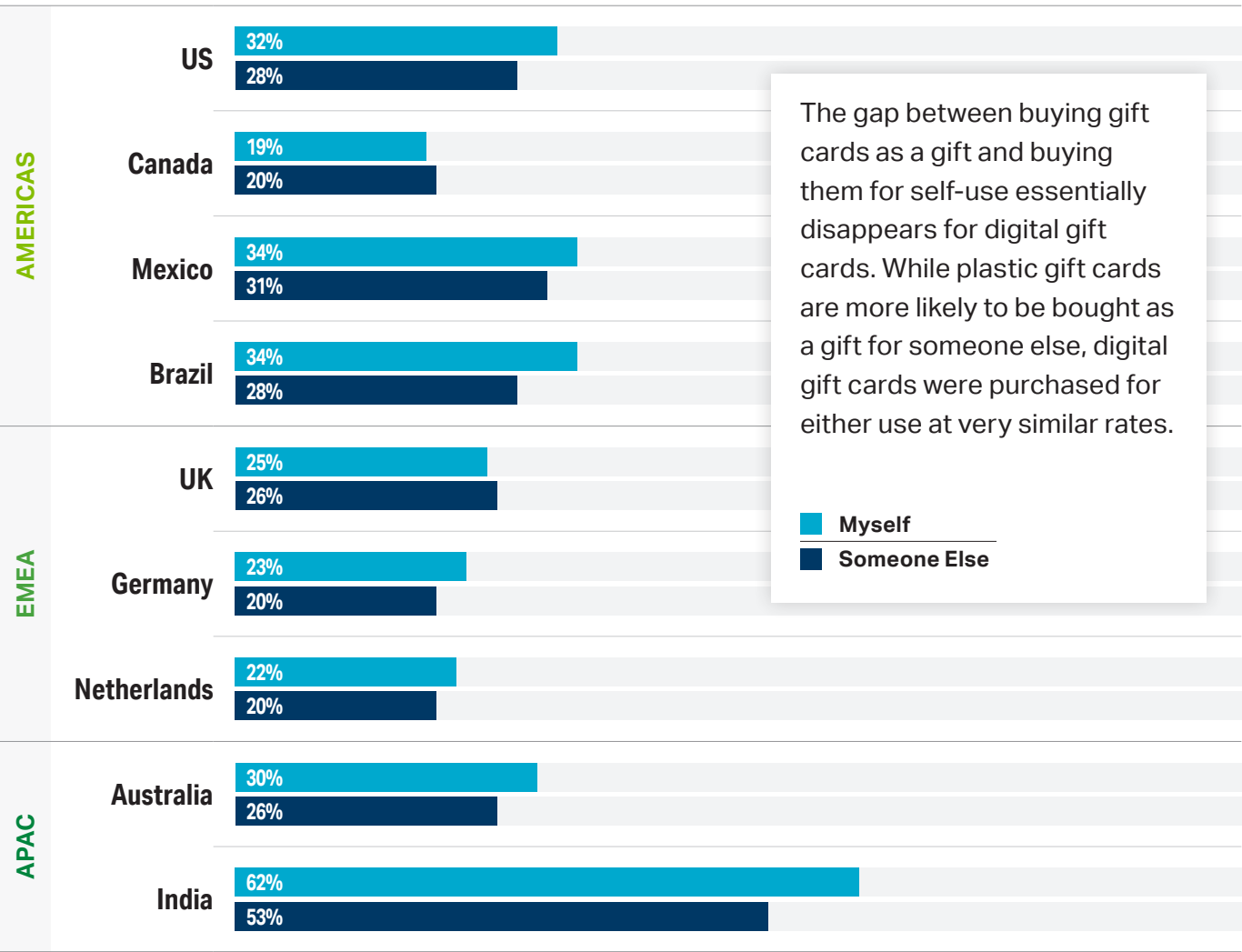
Digital Gift Card
Buy Now, Pay Later

"I used a **digital gift card** or **buy now, pay later** payment method in the last 12 months."



Digital Gift Card Purchases Mostly Split Between Self-Use And Gifting


"I purchased a digital gift card for **myself** or **someone else** in the last 12 months."



37% 
purchased a digital gift card to receive a discount or take advantage of a deal

37% 
purchased a digital gift card as an easier way to purchase things

46% 
purchased digital gift cards to make a purchase online

52% 
received a digital gift card from someone else

Speeding into eCommerce


Digital gift cards were a gateway to help people connect to eCommerce in 2020 since they are easily purchased and used through online-only retailers and essential businesses — such as grocery stores — and shoppers embraced this payment method.

15%



used digital gift cards for the first time in 2020

43%



are using digital gift cards more frequently than before the pandemic began

33%



believe digital gift cards are a faster way to pay for things

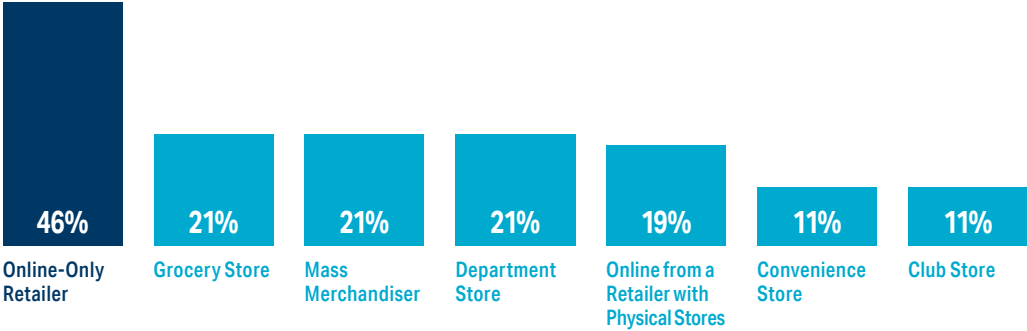
34%



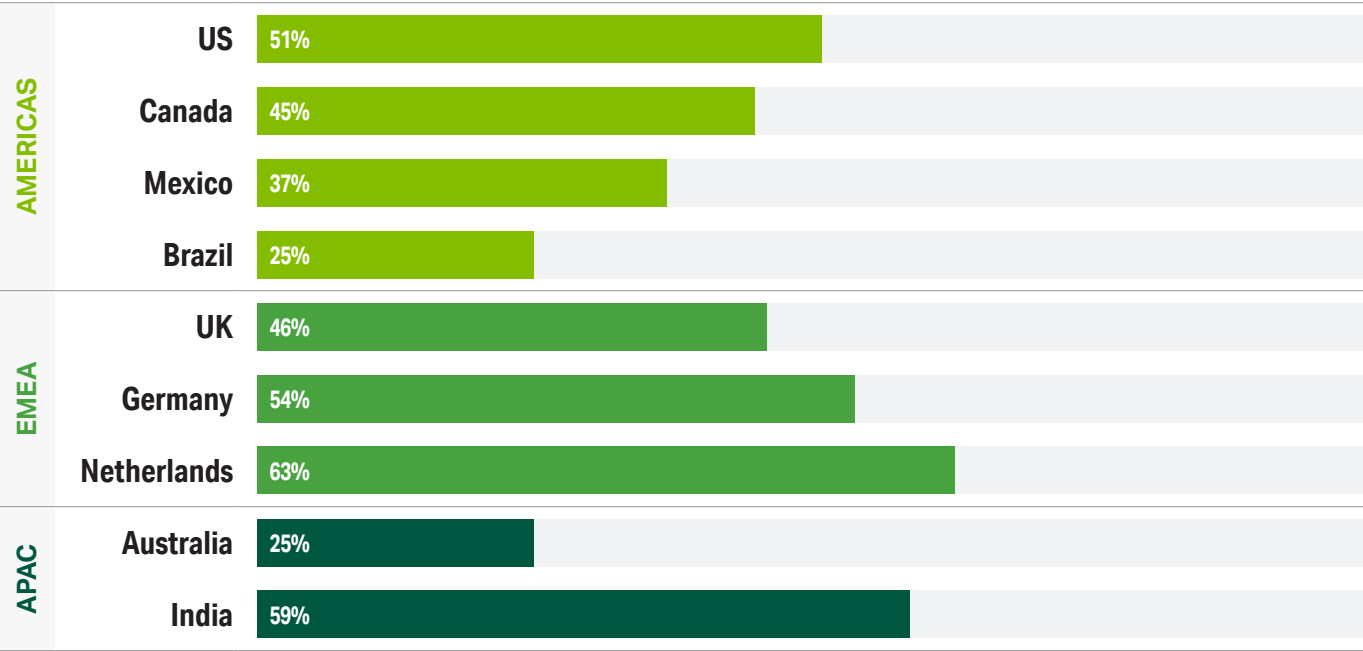
loaded a digital gift card into a retailer's mobile app

Where Digital Gift Cards Were Used

Digital gift cards were used at online-only retailers more than twice as much as the next retailer type.



*"I used a digital gift card to purchase from an **online-only retailer** in the last 12 months."*



The Majority of Shoppers Are Using QR Codes

QR codes were one of the most-used emerging digital payment tools during the pandemic. In the US, they were widely adopted by restaurants as contact-free menu replacements. These changes may become permanent, as one study showed that almost 90% of restaurants were considering switching to all-digital menus linked by a QR code.³

A majority of shoppers surveyed (58%) said they were using QR codes and barcodes more often than before the pandemic. Another 18% were using QR codes and barcodes for the first time.

Where Shoppers Scan QR Codes and Barcodes



35%
Grocery Store

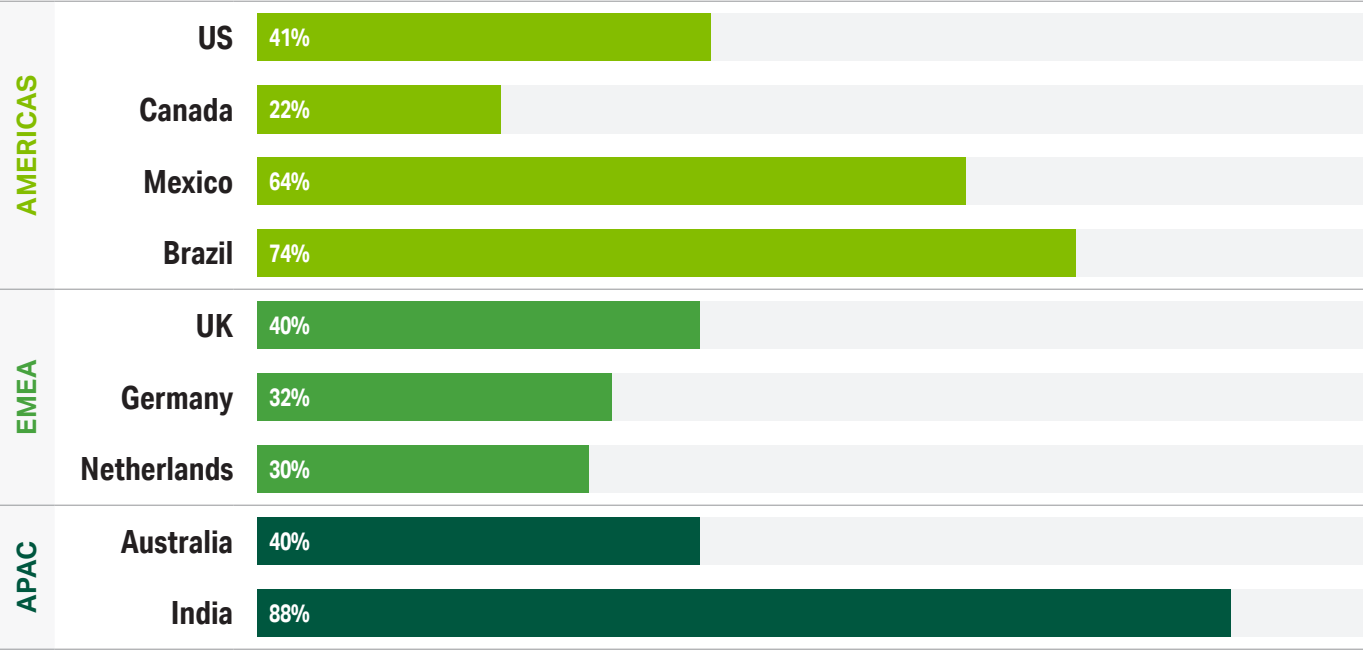


28%
Online-Only Retailer



25%
Department Store

*"I am likely to **scan a QR code to add funds** to my digital wallet."*

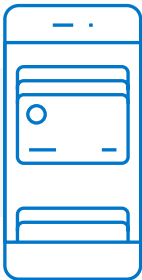


Digital Wallet Adoption Going Mainstream

The rise in digital payments is a bright spot for retailers that embrace the digital shift. Survey data indicates that shoppers will spend more money and have deeper connection to retailers that offer more digital payment options.

Digital Wallet Usage in 2020

55% of shoppers surveyed used a digital wallet of some kind in 2020



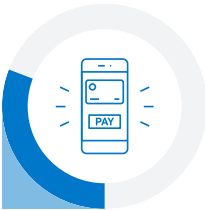
84%
Want to be able to redeem money stored in their digital wallet when shopping in-store or online



43%
Report shopping more often since they began using a digital wallet

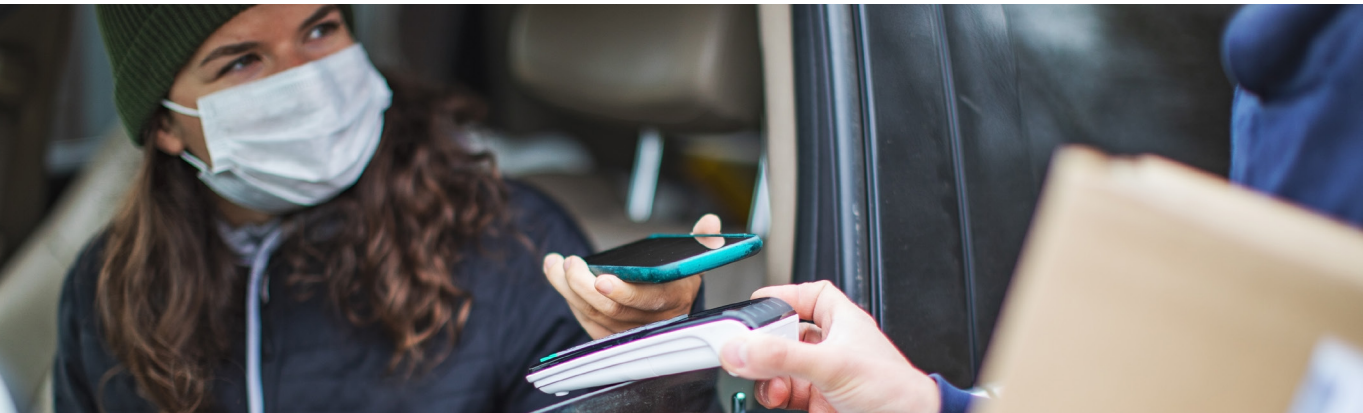
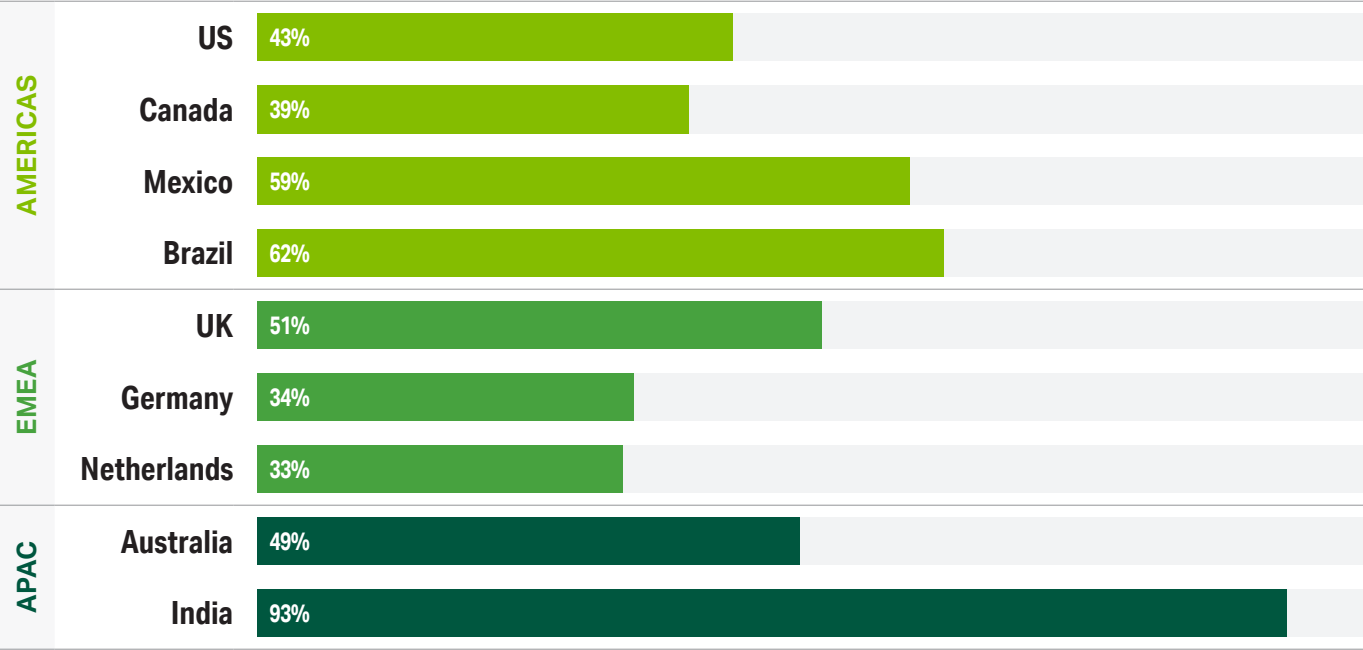


38%
Report spending more money at retailers where they can use digital payments



17%
Used a digital wallet for the first time in 2020

"I used a digital wallet in 2020."



DIGITAL WALLET ADOPTION

Preferences & Opportunities

Digital Wallet Users Shop More Frequently and Prefer Retailers That Accept Digital Payments

The pandemic accelerated broad, sweeping digital payment adoption trends, with more people starting to use digital wallets and contactless payment options. Part of this was driven by cleanliness, but a majority (85%) of shoppers think that digital wallets make shopping easier. They also want to be able to do more things with their digital wallets: a similar number (84%) want to be able to redeem money stored on their digital wallets when shopping in-store or online.

Even more important for retailers: since adopting digital wallets, 69% of respondents reported shopping more often. People from the US, Mexico, Brazil and India are particularly interested in digital wallets and were most likely to report seeing their benefits.

Types of Digital Wallet Used



62%
Digital Wallet

Visa Checkout, PayPal,
Mastercard Masterpass



43%
Bank-Specific
Digital Wallet

Chase Pay, CapitalOne Wallet



38%
Phone-Specific
Digital Wallet

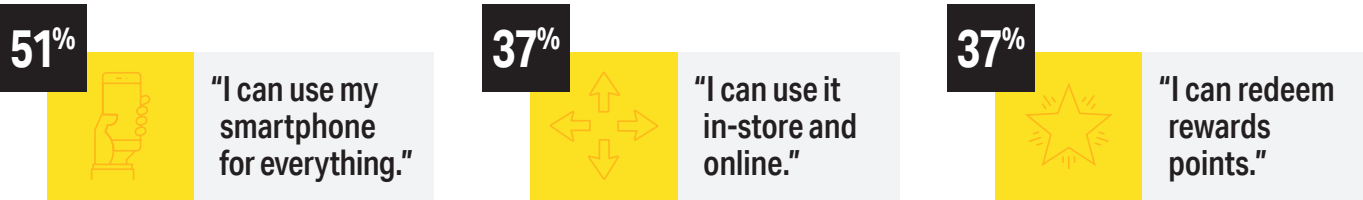
Apple Pay, Samsung Pay



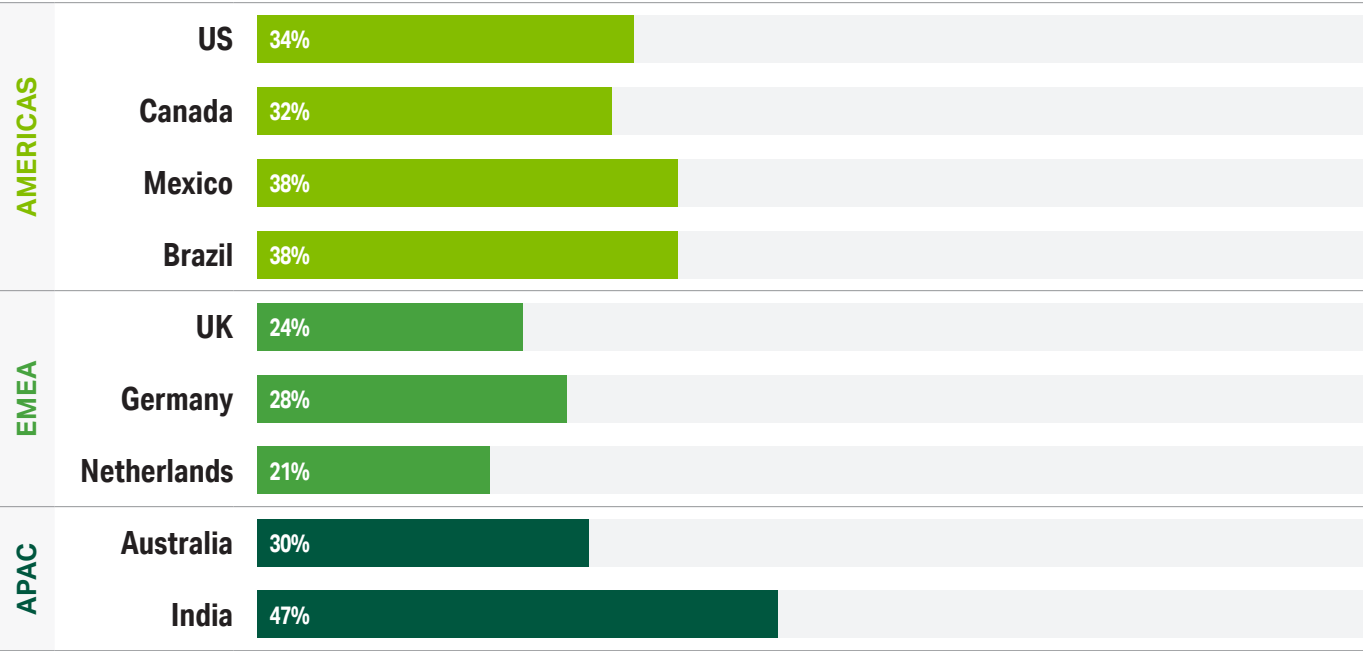
31%
Brand-Specific
Digital Wallet

Starbucks, Walmart Pay

Top 3 Favorite Aspects of Digital Wallets



"I like my digital wallet because **contactless payments keep me from getting sick.**"



2021 SHOPPER OUTLOOK

Habits & How to Motivate Behavior

Payment Methods Help Build Meaningful Connections

As people around the world emerge from long pandemic lockdowns, their shopping habits may have shifted. New shopping behaviors means new opportunities for retailers.

Since the pandemic, 40% of our survey respondents have been making in-store purchases less frequently. However, shoppers are split about what they'll do once shopping returns to pre-pandemic levels. Many customers plan to continue in-store shopping (55%), while almost as many (53%) plan to buy online and opt for at-home delivery.

Post-Pandemic Shopping Plans



IN-STORE

Respondents in Canada, the US, Germany and the Netherlands are most likely to continue in-store purchasing after the pandemic.



ONLINE

Respondents are most likely to continue to buy online and have items delivered to their homes in the US, Brazil, UK and India.



DELIVERY SERVICE

32% will continue to purchase through a delivery service from home. People in India are the most likely to intend to continue this behavior, followed by residents of Mexico and Brazil.

5 Essential Predictions for 2021

1

In-store shopping will rebound

55% of shoppers plan to continue in-store shopping when shopping centers return to pre-pandemic levels.



2



Payments will play a role in shopper preferences and loyalty

Shoppers are more frequently using (or starting to use) digital wallets and contactless payment options.

3

Digital gift cards can help drive deeper loyalty

35% of respondents are likely to try a new brand, product, or service, and 34% will likely buy more items than they normally would when using a digital gift card.



4

Shoppers are motivated to use digital wallets

Redeeming rewards and loyalty points more easily remains a top selling point.



5

Consumers continue to buy digital gift cards for self-use

46% of respondents reported being interested in digital gift cards to make purchases online.

Survey of Shopping Habits

Flat to Tighter Budgets Overall



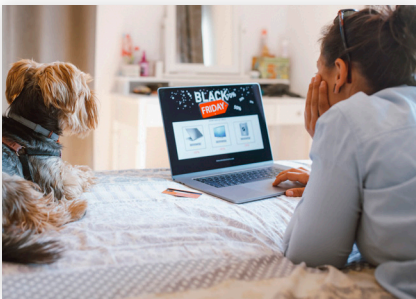
More Online Shopping



Most Effective Customer Offers



Behavior Trends for 2021



39% Seeking out more **PROMOTIONS** when shopping



39% Using rewards or **LOYALTY POINTS** to make purchases



27% Using **GIFT CARDS** to make purchases



Growth in Digital Wallets

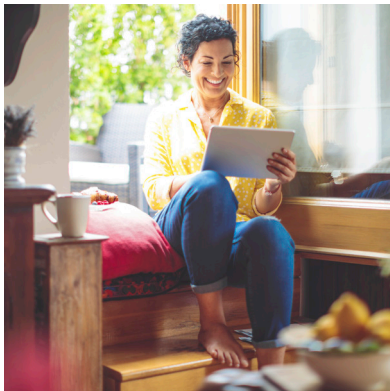
Despite the increase in digital wallet usage and acceptance, **50% of those who use digital wallets reported friction** in using them because they are not accepted everywhere—including 30% who reported not being able to use the same digital wallet at the same retailer in-store and online.

Respondents from the US, Canada, Mexico, Brazil and India were more likely than those in other countries to say that they do not like that digital wallets are not accepted everywhere. Americans, Brazilians and Indians are significantly more likely to say that they cannot always use the same digital wallet at the same retailer in-store and online.

Across all the regions surveyed, 20% reported they don't feel as comfortable using digital wallets as they do traditional payment methods.

Top Opportunities for Digital Wallet Adoption

BROADER ACCEPTANCE	SEAMLESS OMNICHANNEL EXPERIENCE	UBIQUITOUS PAYMENT OPTION	EASY CHECKOUTS
63% are more likely to shop at a retailer if it accepts the digital payments they use.	73% of those surveyed say they want to be able to pay the same way they pay online and in-store.	27% don't like digital wallets because there are too many options.	A secure (47%), fast (36%) and easy (39%) checkout process are factors that matter most.

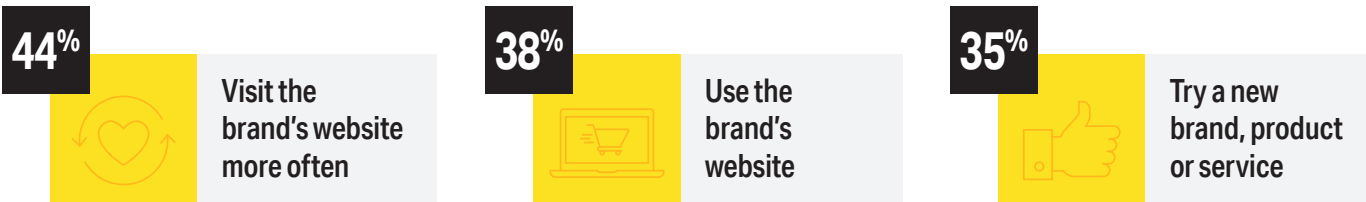


Gift Cards Drive Traffic & Spending

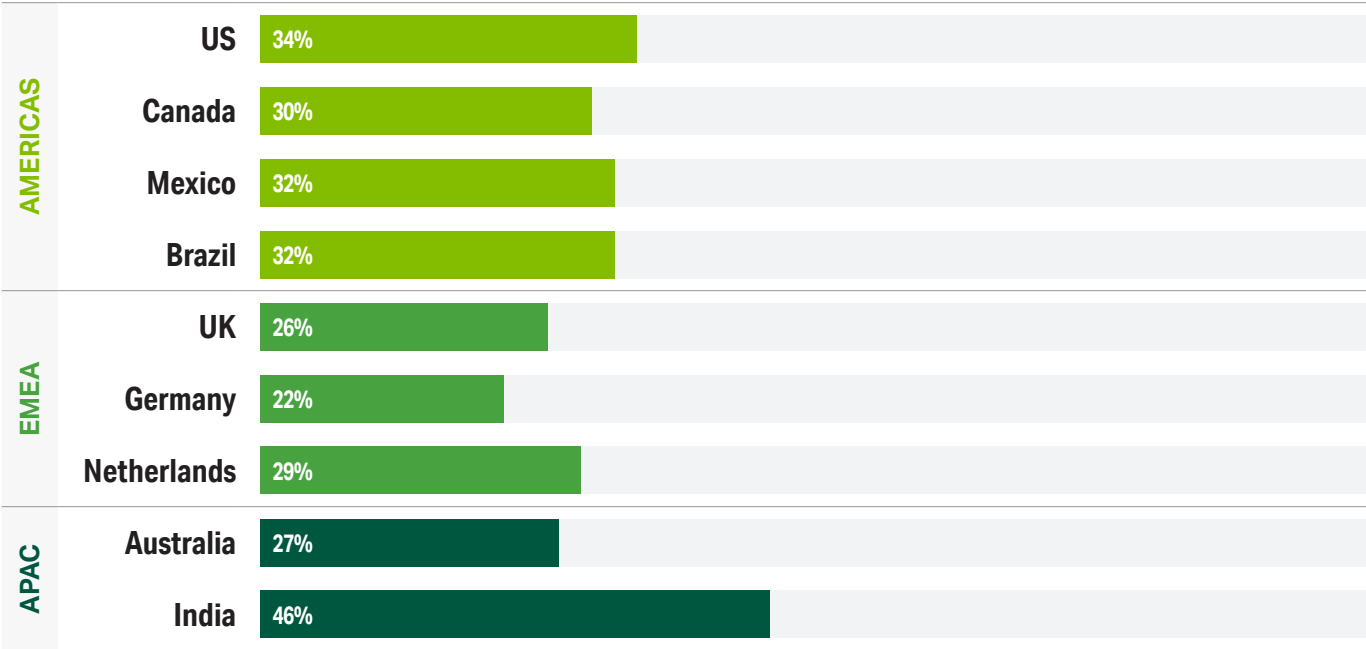
Gift cards continue to be popular with shoppers from around the world. Internal research and anecdotal experience at Blackhawk Network has shown for years that gift cards boost loyalty program sign-ups and engagement. Results from this survey show that gift cards can be especially effective at driving traffic, trial and spend for shoppers in India, Mexico and Brazil. Shoppers in these three countries were most likely to score higher than the global average for a variety of actions.



Top 3 Loyalty Effects of a Gift Card



"If a brand gave me a gift card, I'd treat myself to **something more expensive** than normal."



LOOKING AHEAD

Opportunities for Loyalty

Welcome Shoppers Back with Great Experiences

COVID-19 has drastically and rapidly driven the need for—and behaviors around—digital payments. For people around the world, this has included the accelerated adoption of digital wallets, QR codes and digital gift cards. As the landscape of consumer payments and retailer loyalty evolves, businesses must be prepared to adapt to digital shifts. Pivoting to payment options that allow for an easy, fast and secure digital checkout experience will be essential to meet consumers’ evolving expectations.

Offers that Motivate People to Try Digital Payments



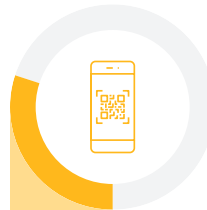
53%
Rewards Program



44%
Digital Gift Cards



35%
Digital Wallets

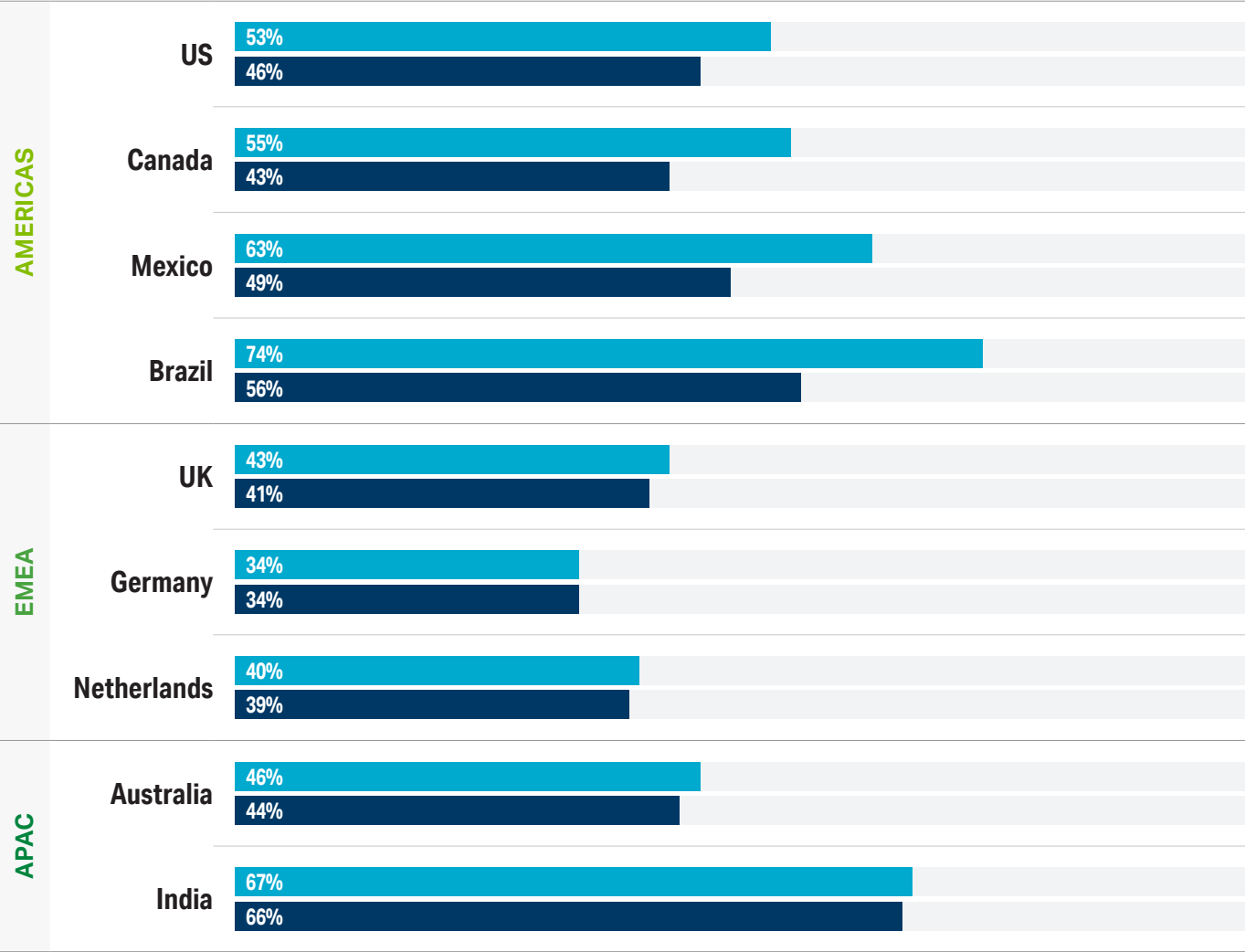


30%
Barcodes and QR codes



- Get Something (discounts, points)
- Know More (how to use, benefits)

“I would use digital payments more if I **get something** out of it or **know more** about them.”



CONCLUSION

The Future of Digital Payments

We're all looking for ways to get back to normal after a tumultuous year. Many of us are also evaluating how we spend our time, how we shop and where we live in the wake of 2020.

Right now, retailers have an opportunity to help customers make temporary spending habits more permanent.

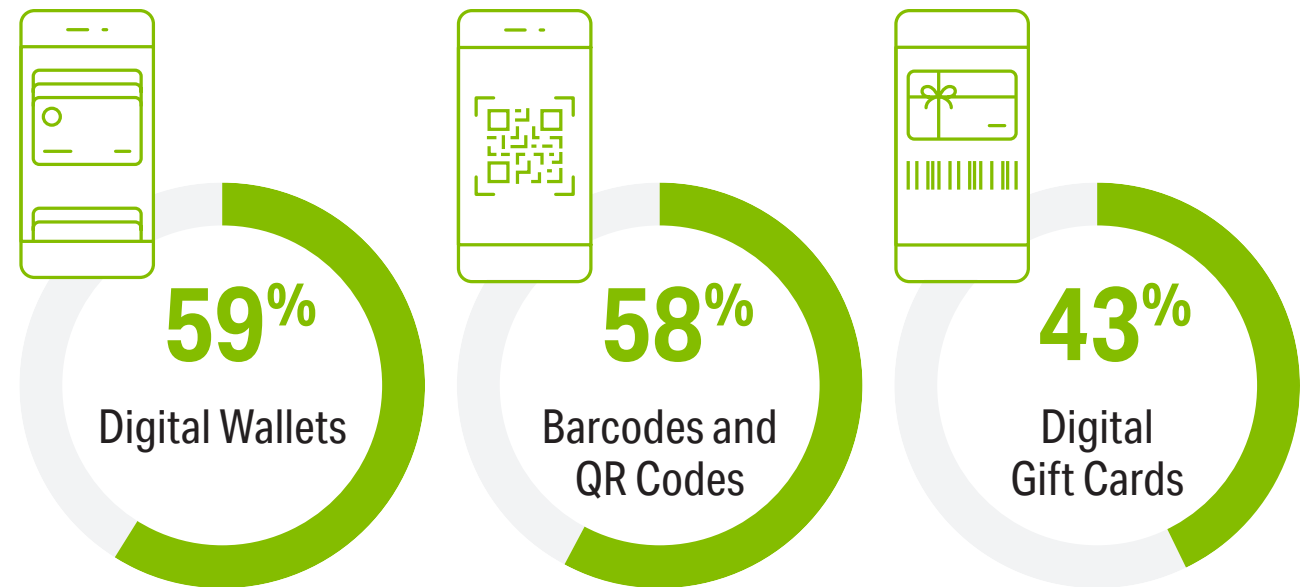
As we build new connections and discard old habits, flexible digital spending is going to have a moment to shine.

By helping them with their needs during the pandemic and helping them get back to normal in the years to come, retailers have an opportunity to build loyalty connections that will really last. Consumers are increasingly seeking retailers that have adapted the online shopping experience to be more seamless—whether that means redeeming reward points, cashing in gift cards or paying with any digital wallet customers prefer.

Shoppers continue to be motivated by these three top payment attributes as it relates to the checkout process: secure, easy and fast.

Building experiences that are secure, easy and fast will help get high levels of digital wallet usage to stick. Above all, remember the humans and what 2020 brought to all of us. Is it any wonder that shoppers are drawn to experiences that are simple, convenient and safe right now?

*"Since the pandemic began, I **started** using—or **increased** my use of—these payment types."*



The pandemic has caused a seismic shift in how people pay, propelling the digital transformation three years ahead of our expectations. This shifting digital landscape should be a focus for businesses looking to evolve with the shoppers that have embraced it.

Taking necessary steps to meet the needs of today's shoppers is the best way to meet 2021 and thrive in the new normal.





About Blackhawk Network

Blackhawk Network delivers branded payment programs to meet our partners' business objectives. We collaborate with our partners to innovate, translating marketing trends in branded payments to increase reach, loyalty and revenue. With more than 1,000 brands and card partners in more than 280,000 retail locations, we connect with more than 300 million shoppers across the globe each week. Join us as we shape the future of global branded payments.



"Global Digital Payments Insights" is based on the findings of an internet-based survey conducted by Leger on behalf of Blackhawk Network between March 2 and April 5, 2021. The sample size included over 13,000 respondents in nine countries: the United States, Canada, Mexico, Brazil, the United Kingdom, Germany, the Netherlands, India and Australia. These countries account for nearly half (43%) of all debit card and credit card payments worldwide.¹

1. Mercator Advisory Group Data Services—WWPM, "World Card payments defined as the sum of credit card and debit card 2019 \$USD volume," May 2021.
2. Daniela Coppola, "E-commerce worldwide - Statistics & Facts," <https://www.statista.com/topics/871/online-shopping/>
3. Julie Littman, "88% of restaurants considering swapping to digital menus, survey says," <https://www.restaurantdiver.com/news/88-of-restaurants-considering-swapping-to-digital-menus-survey-says/595558/>

