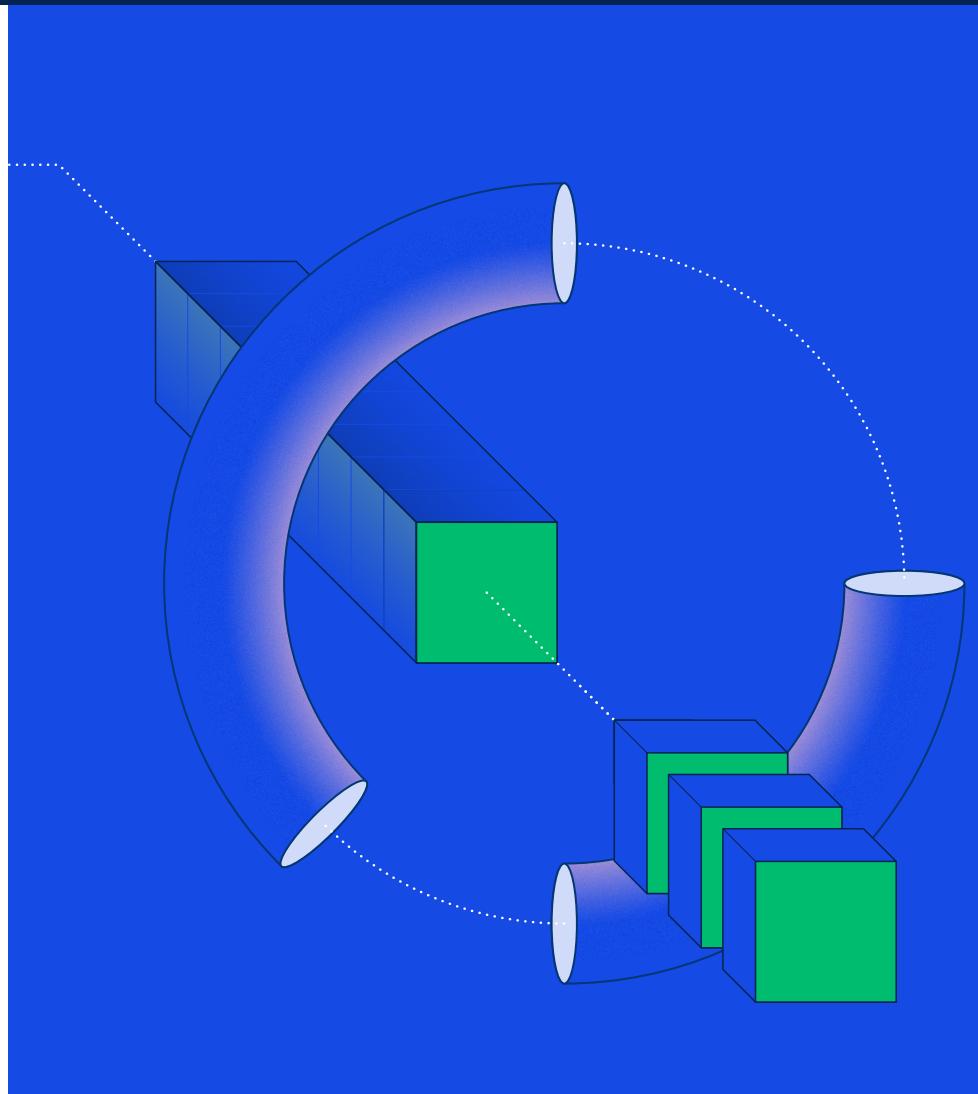


How do consumers prefer to pay?

Consumer payment preferences in 2021

Discover:

- Which payment method you should add next
- Which payment methods are poorly suited to your business
- The best payment methods for expanding internationally



Executive summary

Which payment methods your customers prefer to use is an important consideration in any business' payments function. Ignoring your customers' payment preferences can introduce friction into their buying journey and make your competitors a more welcoming alternative. Addressing them, however, can increase conversion, improve customer loyalty, and reduce churn.

But payment preferences can significantly differ by market and use case. GoCardless partnered with YouGov to survey 15,424 consumers across the US, Canada, UK, France, Germany, Australia, and New Zealand. These are the key findings.

Bank debit dominates in the UK, Europe, and Australia

Bank debit (Direct Debit in the UK, SEPA Direct Debit in Europe), comes in first place by a significant margin in most use cases across the UK, Europe, and Australia. Outside of these markets, it tends to hold a strong second place, even in card-heavy North America (where it's known as ACH debit).

Card payments win in North America

They also tend to hold second place preference in markets where bank debit wins. But how much longer will cards remain competitive? Loss, theft, and expiry put them at a frustrating disadvantage for consumers and the merchants who serve them.

Credit cards are divisive

Preference for card payments is strong, globally, but credit cards also tend to be nominated amongst the least preferred payment methods of consumers, even in North America.

PayPal's brand may be big, but love for it isn't

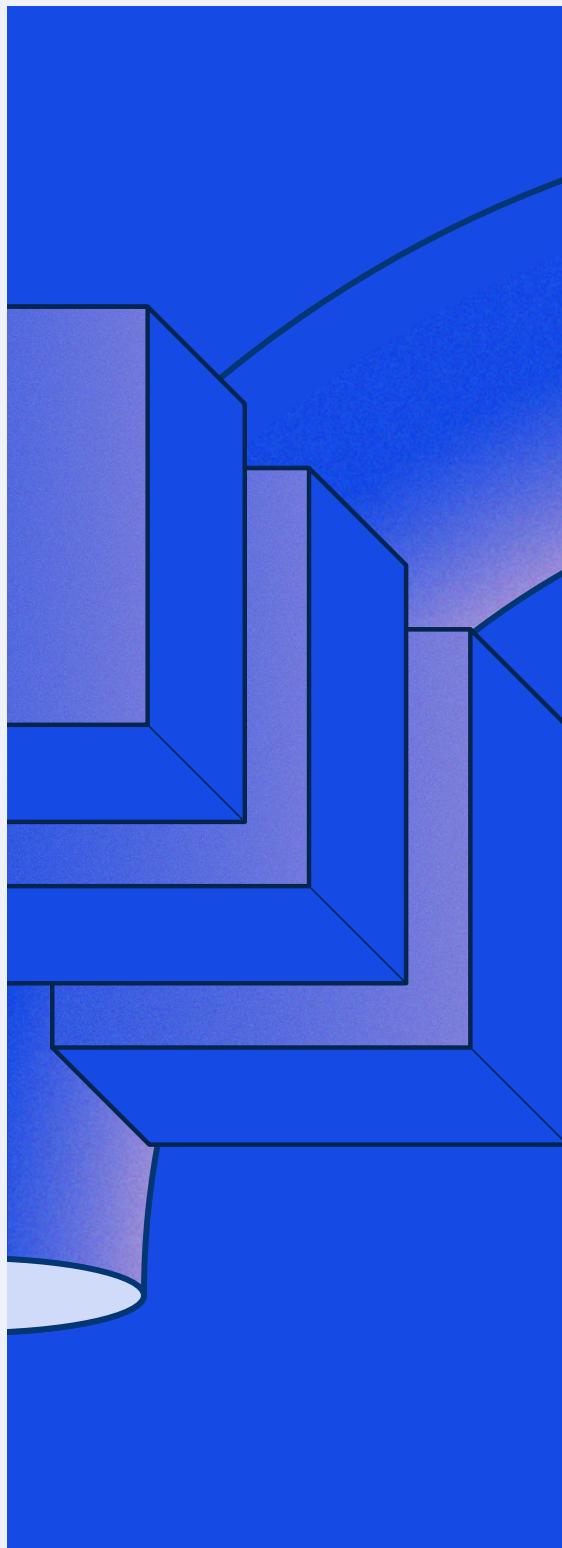
Despite being synonymous with digital wallets, PayPal sees near-universal low preference - often well below 10% of consumers nominating it as their preferred payment method. Germany is the only notable exception.

Consumers want easy, automatic, widely-accepted payment methods

These are the top three reasons, globally, why consumers opt for their preferred payment method.

There's no 'one size fits all' payment method

No single payment method has 100% market adoption, nor are any close to 100% payer preference. To fully cater for payer preference, and give your customers the best experience, you need a multi-method payments arsenal. Which methods make up your arsenal should be guided by preference data - and those figures will be different depending on the type of business, and markets it operates in. Be sure to also consider the trade-off with other payment dimensions that matter to your business, such as cost or payment success.



About this report

Who this report is for

Businesses that collect recurring payments from consumers in North America, the UK, Europe, or ANZ. (Or *plan to collect*, in the case of international expansion.)

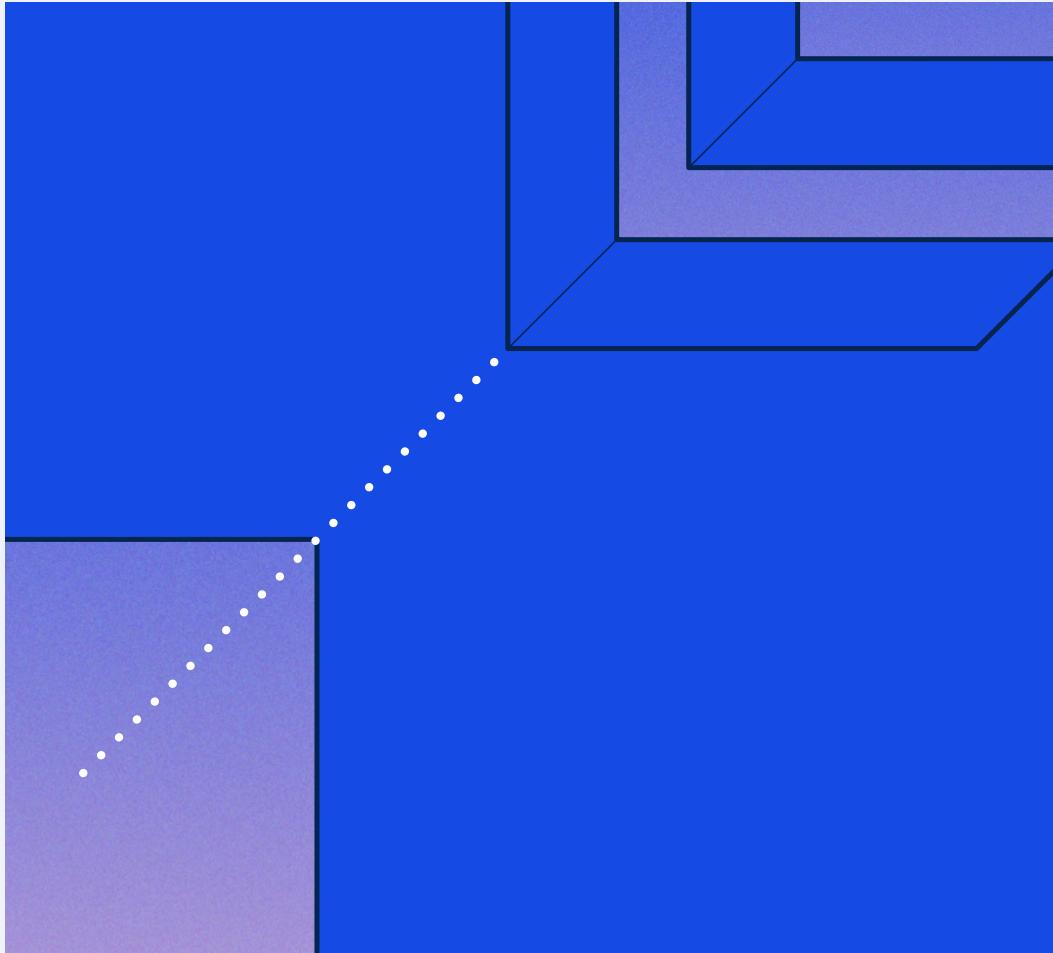
Not everyone thinks in this terminology, but many businesses collect recurring payments. For major, mainstream subscription businesses like Netflix, it's obvious that what they're collecting is a *recurring payment*.

But accountancy firms, marketing agencies, cleaning companies, gyms, energy providers, and countless more are also collecting recurring payments from their customers. It's simply collecting more than one payment from a customer, over the lifetime of their relationship with you. If that applies to your business, this report is for you.

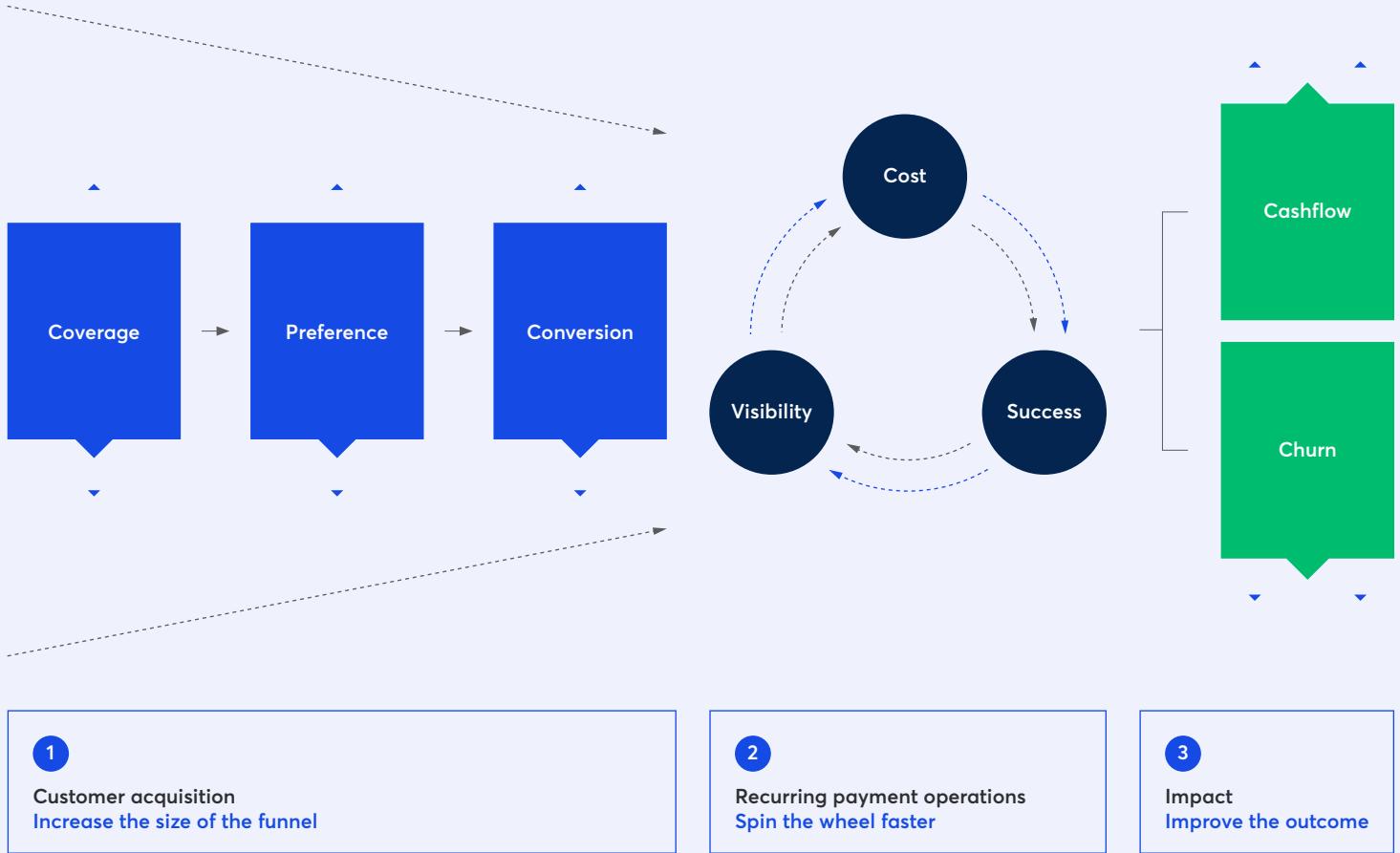
There are 8 factors you need to consider for recurring payments

We call them the *8 dimensions of recurring payments*, and they're our way of assessing not only our own payments product, but also the payments technology landscape.

The *8 dimensions of recurring payments* provide a holistic view of the payments function and illustrate the full impact that it has on your business. From your customer acquisition, through to the cost of processing payments, all the way to getting cash in your bank account quicker, and retaining your customers for longer.



The 8 dimensions of recurring payments



Want to learn more about the 8 dimensions of recurring payments? Check out our [video guide](#).

This report specifically focuses on the second payment dimension - preference.

Essentially answering the question:
which payment method(s) do your customers prefer to use?

Why payment preference matters

For most businesses, their customers don't make instant purchasing decisions. There's a journey they go on, from becoming aware of a problem or need, through to paying you to solve that problem or satisfy that need with your products or services.

Because this takes time, and costs you in the form of sales and marketing, you should do everything in your power to stack the odds in your favour. Payment preference is one of those levers you can pull to help you achieve this.

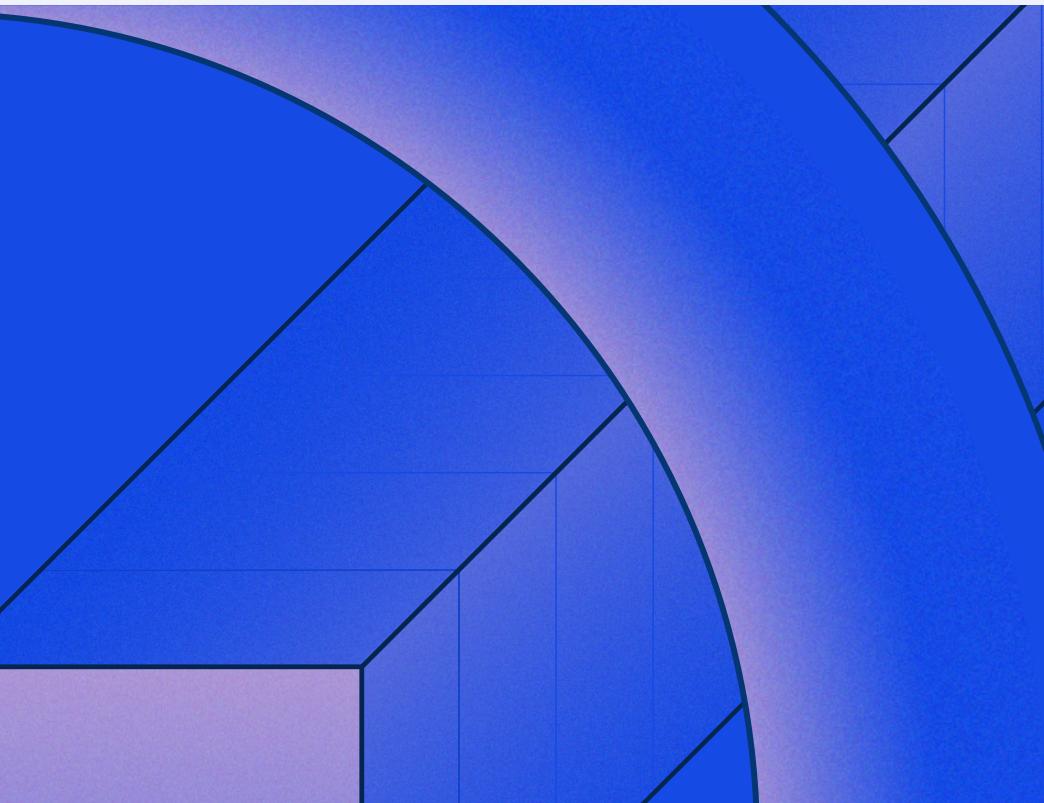
By accounting for the payment preferences of consumers in your market, you can increase conversion, improve customer loyalty, and reduce customer churn.

How the research was conducted

We partnered with YouGov to survey the payment preferences of 15,424 consumers across the US, Canada, UK, France, Germany, Australia, and New Zealand. For each of four major recurring payments use cases, we asked respondents to select their favourite and least favourite payment methods to use.

Fieldwork was undertaken between 14 December 2020 and 22 January 2021. The survey was carried out online. All figures, unless otherwise stated, are from YouGov Plc. The figures have been weighted and are representative of each individual market's adults (aged 18+).

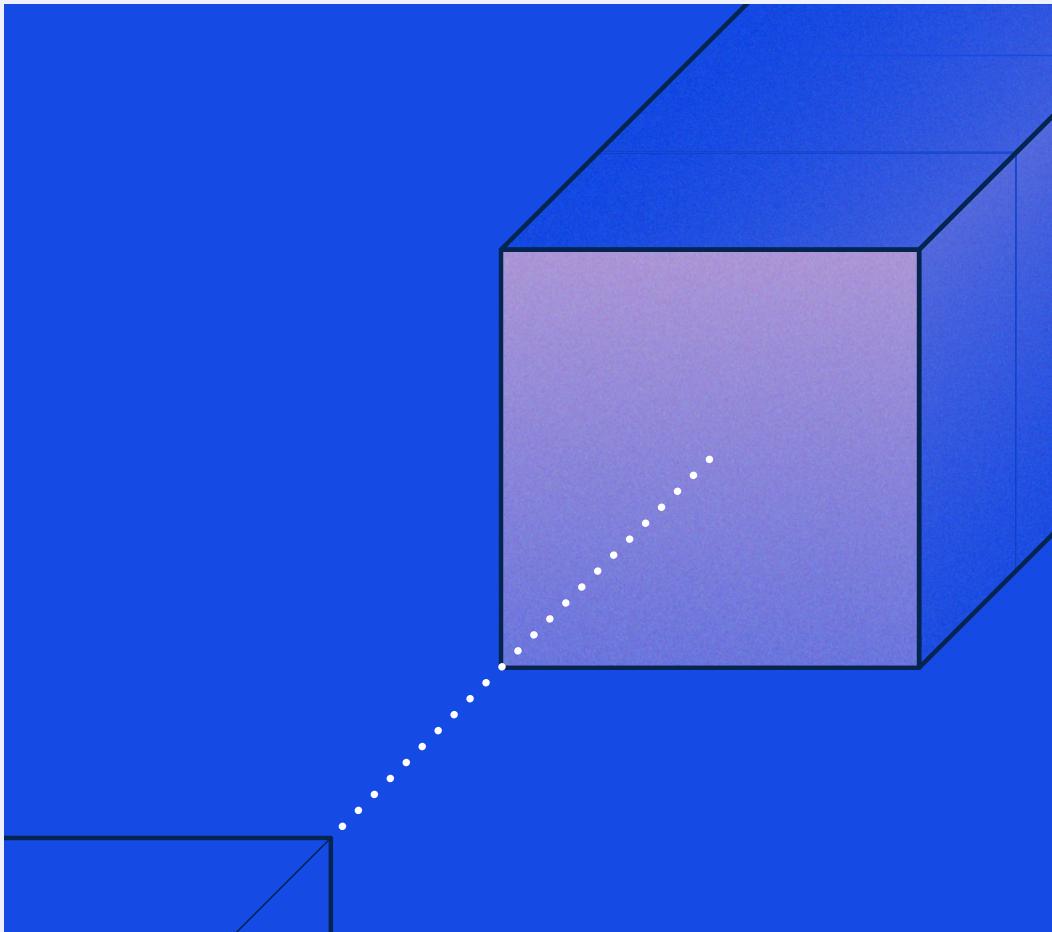
All data displayed has been rounded to the nearest whole percent. Where it does not provide interesting insight, data relating to responses of "Don't know" (or its equivalent) has been omitted from this report.



If you have any questions about this report, please don't hesitate to reach out to the team at content@gocardless.com

What you'll find in this report

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Payment methods: What's available to your customer?



The global view

Cash, debit cards, bank accounts. Unsurprisingly, these top the list of payment methods consumers have available to them right now.

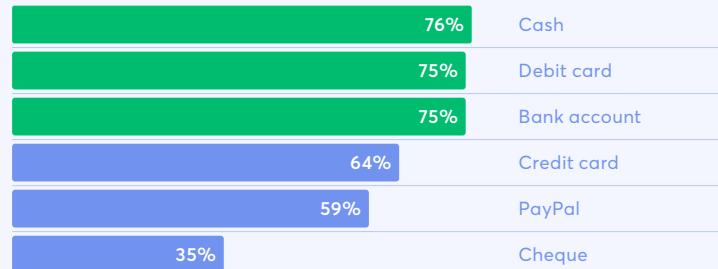
Credit cards fall a little behind, but what is surprising is it's not the US holding that figure up. Highest credit card availability is instead seen in Canada (77%). In fact, both the UK (66%) and New Zealand (64%) beat the US (63%) in terms of credit card availability.

Even more interesting is the dichotomy seen with PayPal and cheques. These are what respectively feel like the most and least modern payment technologies in the eyes of today's consumer (although this isn't literally true), and both sit at the bottom of the availability list.

It's easy to suggest cheques are on their way out, being replaced by quicker and more convenient payment technologies. PayPal, however, is a different story. Despite being a modern finance product, and despite significant marketing spend (\$1.4bn in 2019, according to [Statista](#)), adoption is significantly lower than that of bank accounts and debit cards - around 20% fewer consumers report having a PayPal account, by comparison.

What's worth taking away from this is that no single payment method gives you complete market penetration. There are many factors to consider in which payment methods make up your arsenal - and preference is a significant one - however, that arsenal should rarely consist of a singular payment method.

Global average access to payment methods, looking across the seven countries surveyed:



27%

more consumers have access to debit cards or bank accounts (for bank-to-bank payments) than PayPal

>2x

as many consumers have access to debit cards or bank accounts (for bank-to-bank payments) than cheques

Payment preferences in the US



Card payments are popular

They are the most preferred choice in three-quarters of major recurring payment use cases.

But card payments are divisive

Anywhere from 14-17% of American consumers nominated credit card as their least favourite payment method, depending on the use case.

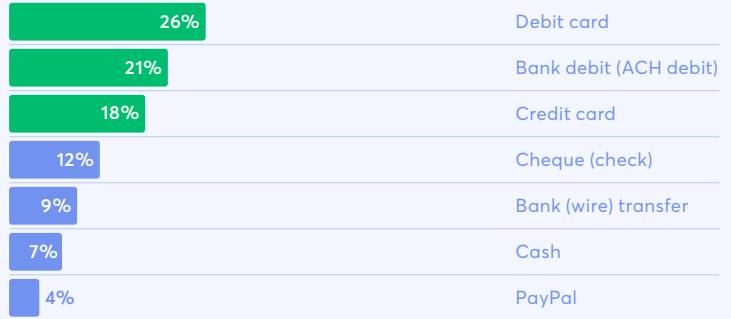
Don't ignore bank debit (ACH debit)

Not only is it the most preferred choice for instalment payments, it's the next most preferred payment method after cards in all other use cases.

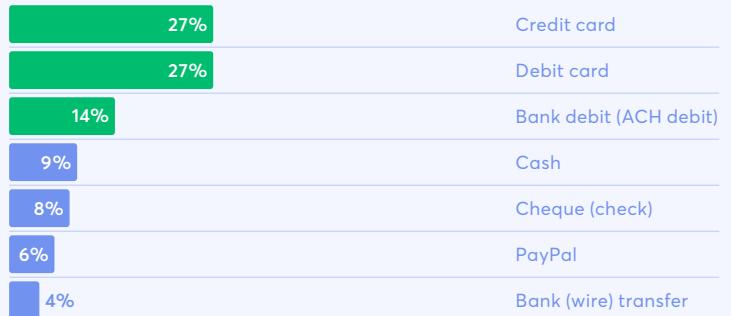
Little love for PayPal

In half of major recurring payment use cases, PayPal is bottom of the leaderboard for favourite pick. Even in the best case - digital subscriptions - PayPal is only the favourite for 9% of Americans.

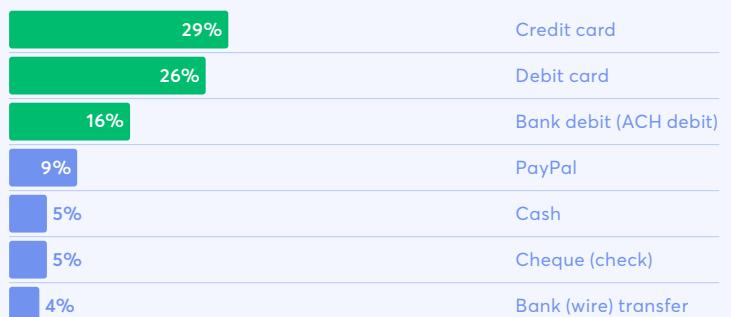
Household bills



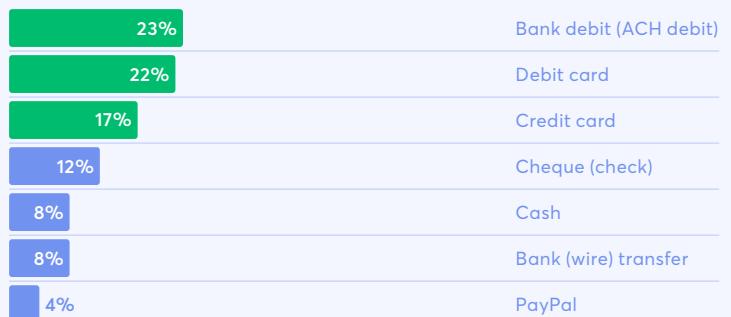
Traditional subscriptions



Digital subscriptions



Instalments



Payment preferences in Canada



Just like in the US, cards are popular

While cards are the number one choice in only half of major recurring payments use cases, they remain in the top three in the other half.

But cards remain divisive

Similar to the US, despite cards being a popular payment method, they're often significantly disliked as well. 15-19% of Canadians chose credit card as their least favourite payment method, depending on the use case.

Bank debit shouldn't be ignored

Similar to the US, bank debit is the most preferred choice for instalments, and comes in a strong second place for all other use cases.

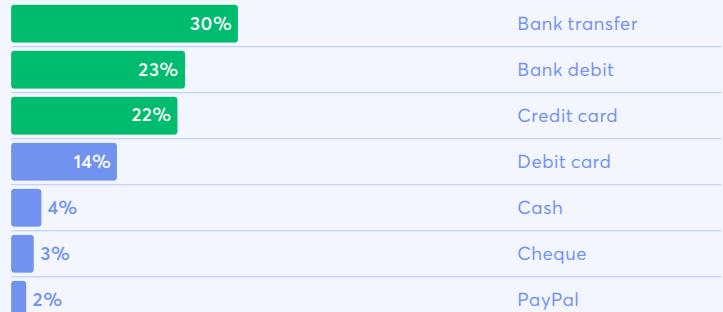
Canadians like PayPal even less than Americans

Preference for PayPal tops out at a mere 6% of Canadians (for digital subscriptions) and drops to 2-3% for all other use cases.

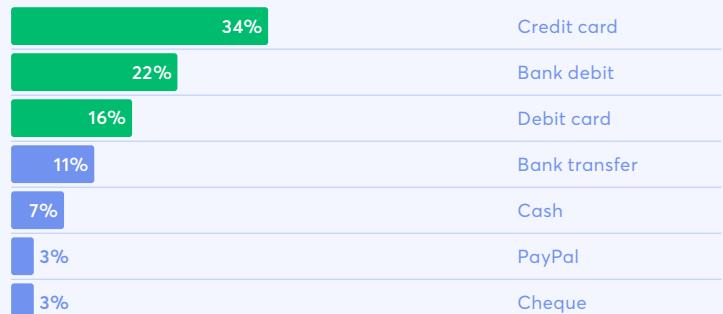
Bank transfers are 2-3x more popular than in the US

While bank transfers (wire transfers) in the US hover in the 4-9% range for preference, in Canada it's typically around 11-16%. With the notable exception of household bills, where bank transfer is the overall favourite, with 30% of Canadians preferring to use it.

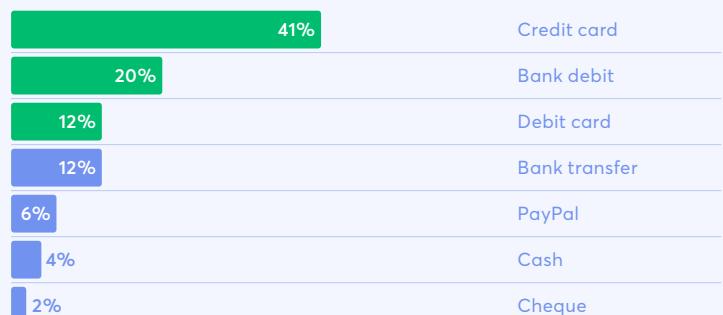
Household bills



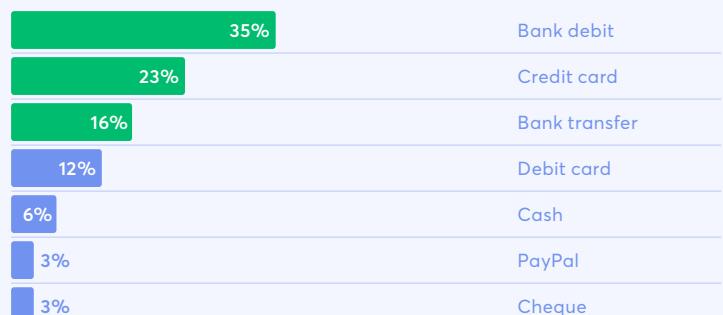
Traditional subscriptions



Digital subscriptions



Instalments



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The time is now for companies to embrace the subscription business model. Global organisations are propelling their businesses forward by embracing technology, broadening access to services, and placing the power in the hands of their subscribers – including multiple payment options.

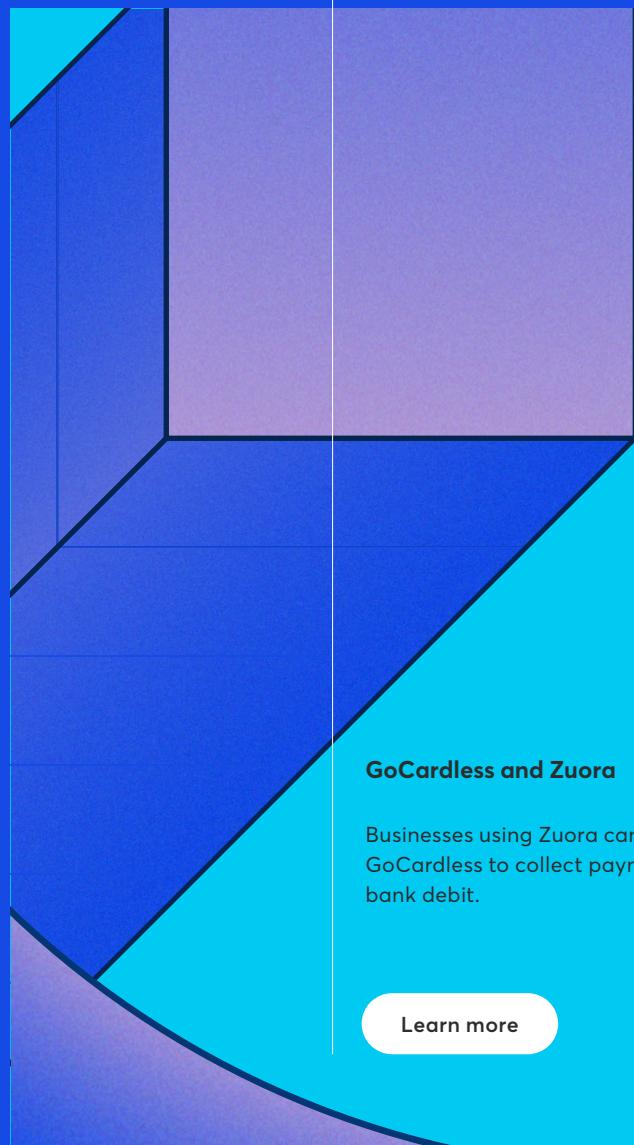
Businesses that design their offerings for ultimate consumer flexibility and freedom, such as by addressing payment preferences, are seeing upwards of 6x growth compared to their peers.



Amy Konary

Founder and Chair
The Subscribed Institute at Zuora

zuora



GoCardless and Zuora

Businesses using Zuora can connect GoCardless to collect payments via bank debit.

[Learn more](#)

Payment preferences in the UK



Direct Debit dominates

It takes the lead as the UK's favourite way to pay in all major recurring payment use cases, being 2-4x as popular as the next most popular payment method. (Especially interesting for digital subscription businesses, where the de facto default is considered to be - the less popular - card payments.)

Cards hold a strong 2nd place

And perhaps reflecting the UK consumer's penchant for having funds automatically debited from their bank account, debit cards are notably more popular than credit cards. In the case of household bills, more than 3x as popular.

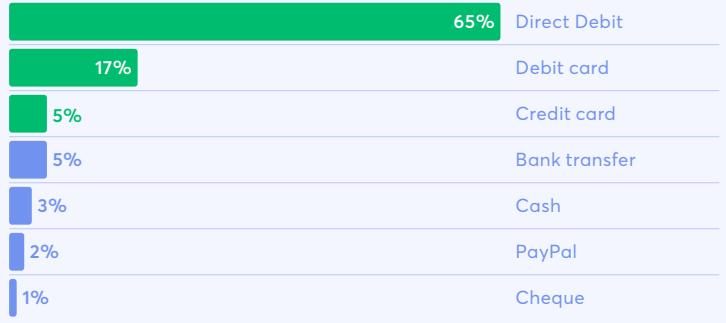
But cards remain divisive

Similar to North America, despite cards being a popular payment method, they're also significantly disliked. More than 20% of Brits chose credit card as their least favourite payment method, in every use case.

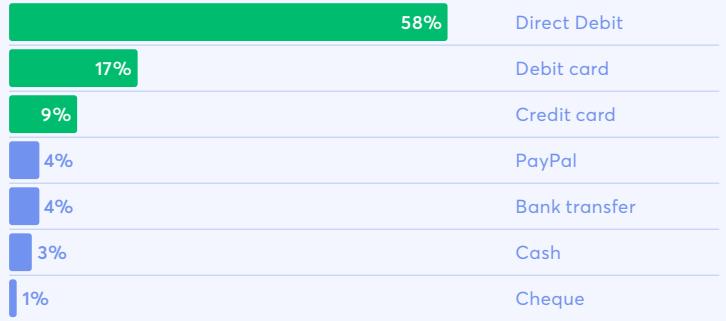
The rest don't hold much sway

Behind Direct Debit and card payments, the next most popular payment methods are the favourite of no more than 7% of UK consumers (but typically 1-4%).

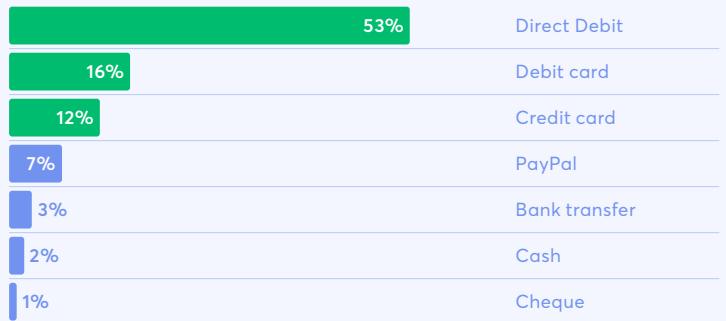
Household bills



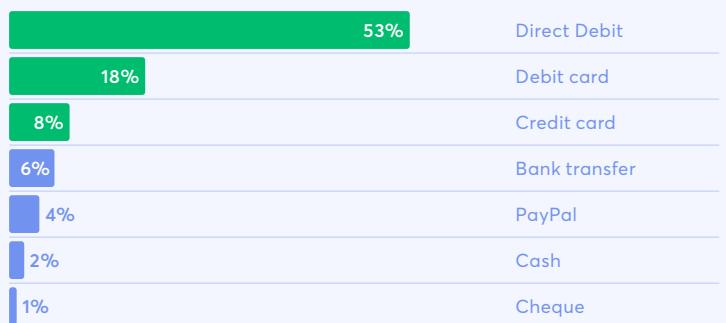
Traditional subscriptions



Digital subscriptions



Instalments



Payment preferences in France



Bank debit dominates

Like the British, French consumers exhibit a preference for bank debit by far, in all major recurring payment use cases.

Cards hold 2nd place

After bank debit, French consumers exhibit a second place preference for card payments across the board.

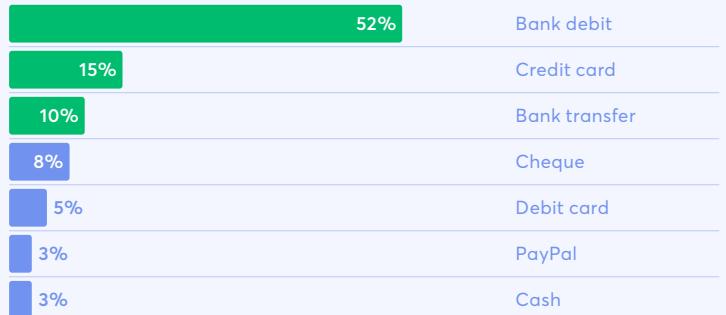
Use case matters

For household bills and instalments, bank transfers are the third most popular choice. For digital subscriptions, it's PayPal. And for traditional subscriptions, cheques take third place (being 9x as popular in France as they are in the UK).

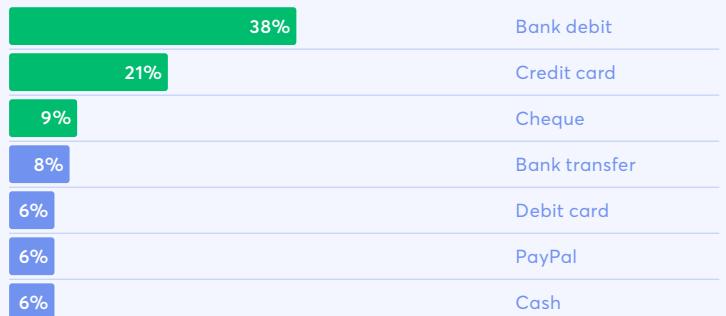
Most uncertain payers

Of all countries surveyed, the French most often chose "Don't know" as their favourite payment method (being 4-9% of consumers).

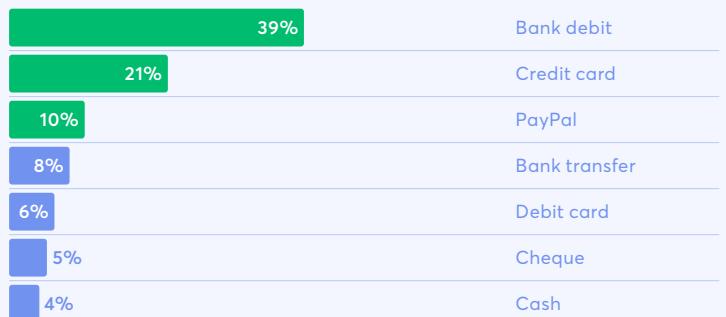
Household bills



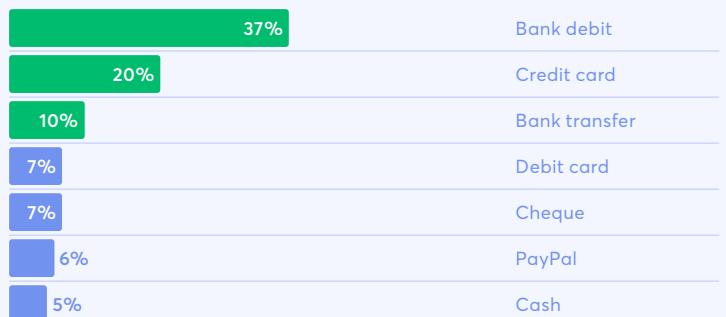
Traditional subscriptions



Digital subscriptions



Instalments



Payment preferences in Germany



Bank debit dominates

Just like the British and French, German consumers exhibit a preference for bank debit by far, in all major recurring payment use cases.

General love for banks

In addition to preference for bank debit, German consumers also exhibit high preference for bank transfers. The method takes a strong second place in three-quarters of use cases, only falling to third place for digital subscriptions.

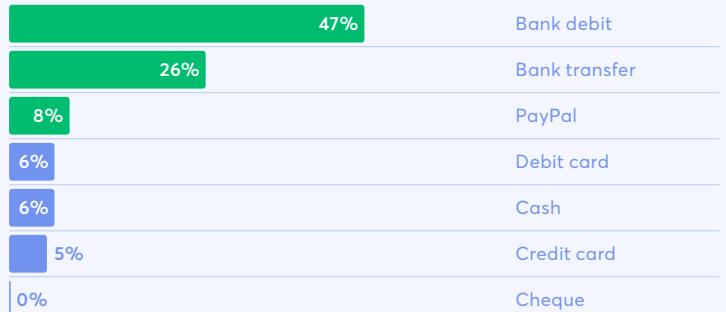
PayPal finally gets some love

Unlike in North America, the UK, or France, PayPal gets notable appreciation from Germans. It takes a medal position in all four major recurring payments use cases, being the favourite of as many as 27% of German consumers (in the case of digital subscriptions).

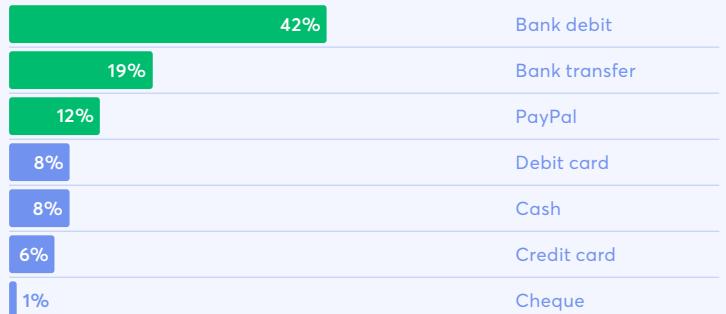
Don't bother with cheques

Of all countries surveyed, Germany exhibits lowest preference for cheques. It sees 0% of consumers' preference in three-quarters of use cases, with only 1% preferring it for traditional subscriptions. And it's universally the most disliked payment method too, with as many as 36% of German consumers saying so.

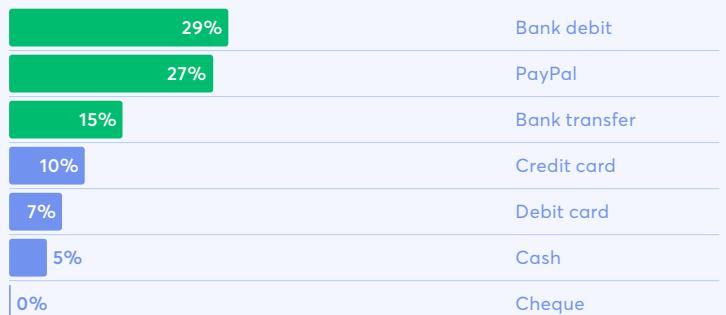
Household bills



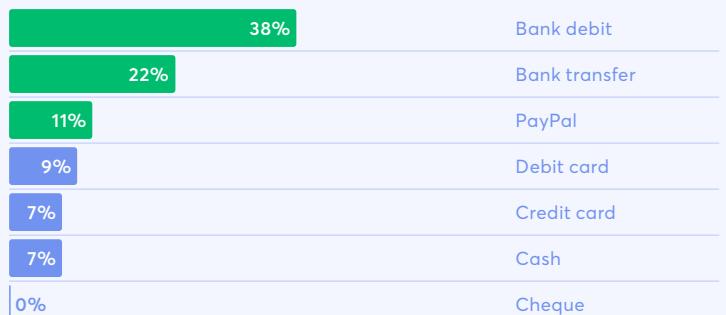
Traditional subscriptions



Digital subscriptions



Instalments



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Leading subscription brands recognise the power of billing and payments, and the effect optimising them has on their bottom line.

When it comes to optimising payments, the preferences of your customers are well worth taking into account.

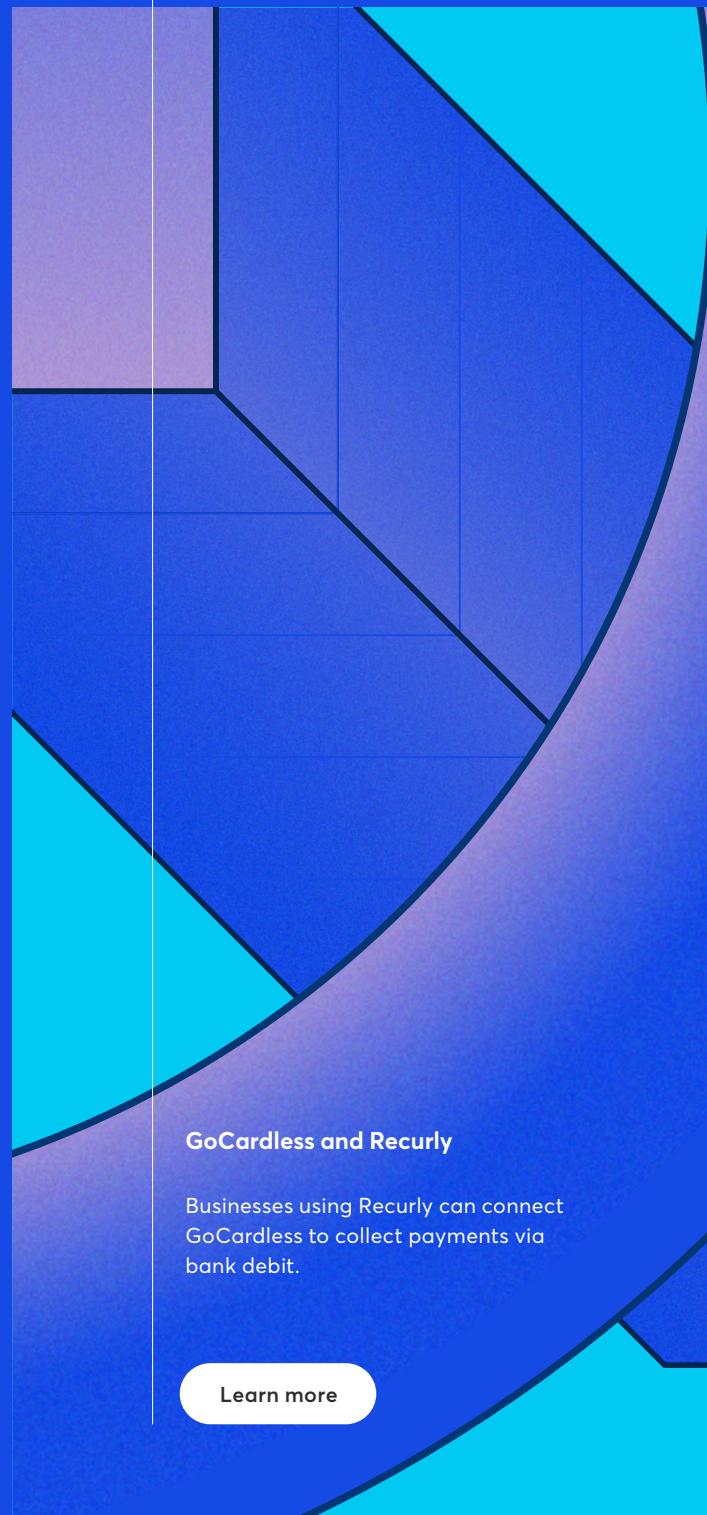
This latest research from GoCardless shows how significantly payment preference differs by country and by use case - if you're not addressing these, you're leaving improvements to your conversion and churn on the table.



Jenna Wyer

VP, BD and Partnerships &
Head of Payments Recurly

Recurly



Payment preferences in Australia



Bank debit tends to rule

Similar to the UK and Europe, bank debit tends to be preferred, only dropping to second place for digital subscriptions.

Debit cards preferred to credit cards

Australians exhibit a preference for debit cards over credit cards. Dislike for credit cards is also significant, with 25-26% of Aussies nominating it as their least favourite payment method.

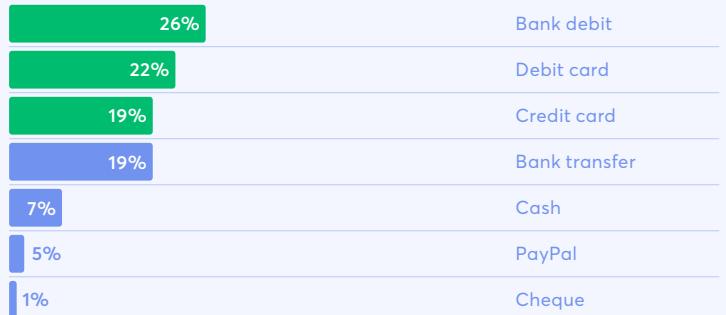
Use case matters

Like in France, there's a tendency to view particular payment methods as being tied to particular use cases. Bank transfer sees a high for household bills (with 19% preferring it), and a low for digital subscriptions (8%). In contrast, PayPal sees a high for digital subscriptions (15%), and a low for household bills (5%).

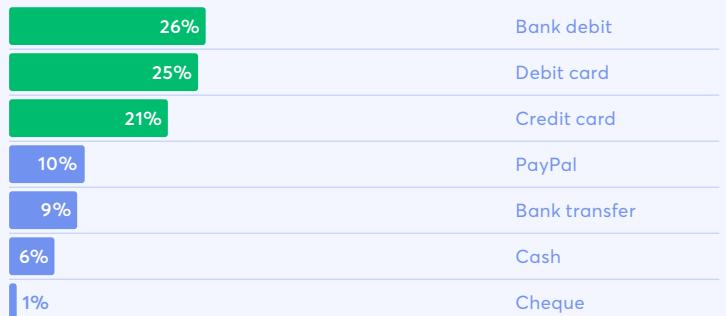
Most certain payers

Amongst the top three payment methods in any given use case, the difference in preference lies between 5-8 percentage points. Contrast that with the UK and Europe, where preference for the top three payment methods varies by as much as 60 points.

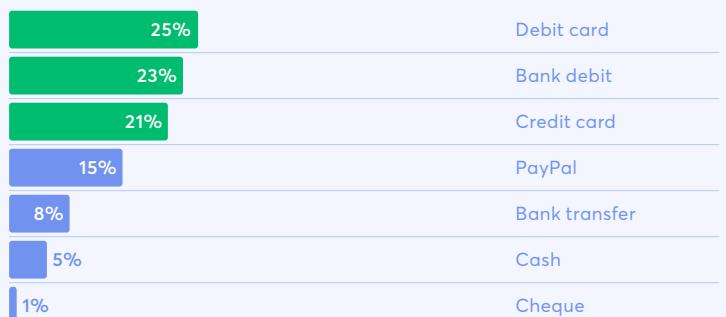
Household bills



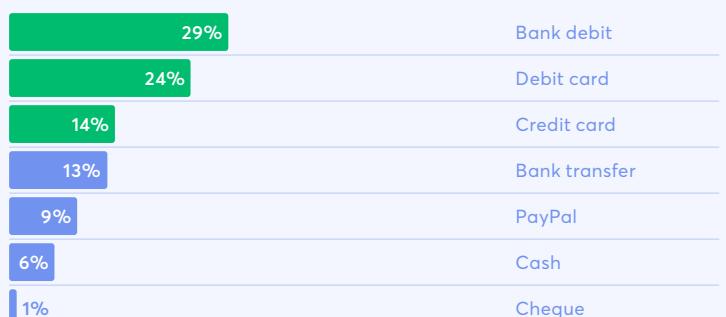
Traditional subscriptions



Digital subscriptions



Instalments



Payment preferences in New Zealand



Cards and bank payments rule

Half of use cases see credit card come in as the favourite payment method, while the other half are split between two different kinds of bank payments - bank debit and bank transfer. While bank debit remains in the top three across every use case, it's only for household bills that bank transfer holds sway.

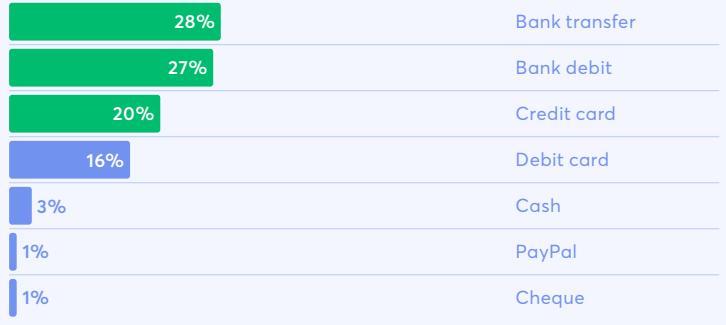
It's a split market

Among the top three payment methods in any given use case, the difference in preference lies between 5-8 percentage points. Contrast that with the UK and Europe, where preference for the top three payment methods varies by as much as 60 points.

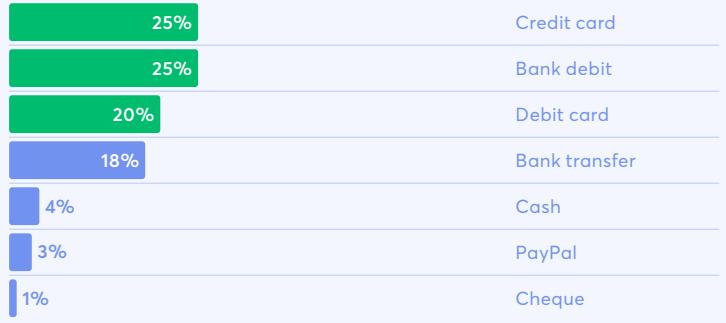
The losers really lose

The majority of payment preference is split between different card and bank-to-bank payments. Very few NZ consumers (1-5%) prefer to pay via cash, cheque, or PayPal, no matter the use case.

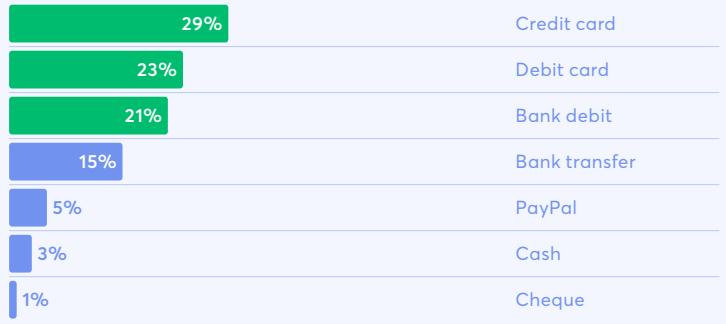
Household bills



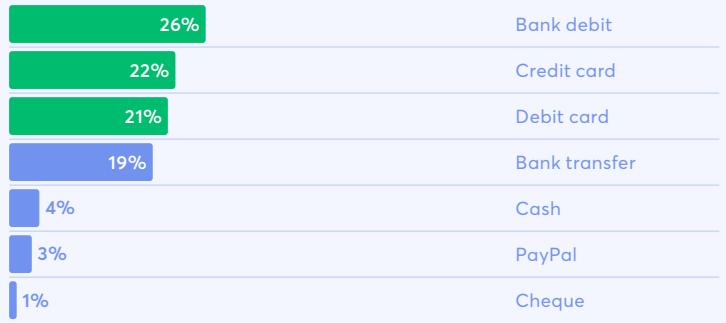
Traditional subscriptions



Digital subscriptions



Instalments



Why people prefer what they prefer

Globally, across all payment methods, the top three reasons people choose their preferred payment method are...

1. Easiest to use: Selected by 56% of consumers

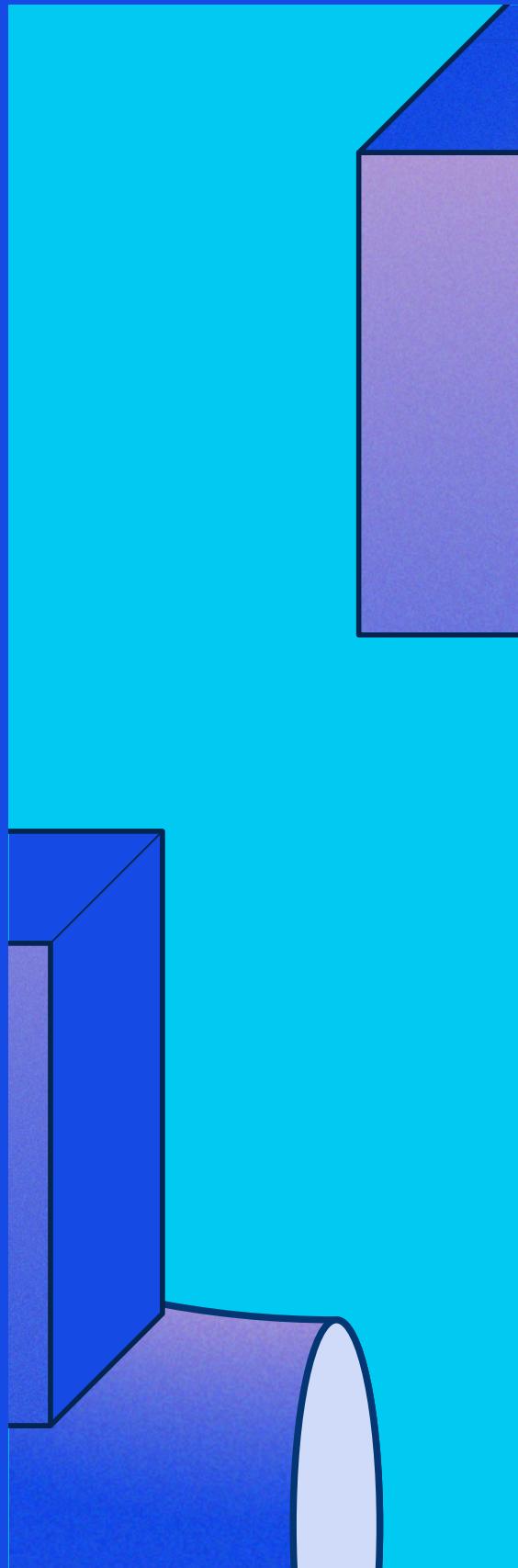
It takes fewer steps or less time to complete payment

2. Automatic: Selected by 42% of consumers

Knowing payment will be taken automatically gives peace of mind

3. Commonly accepted: Selected by 35% of consumers

The payment method is accepted by most or all businesses the consumer purchases from



How does this change for the most popular payment methods?

Bank debit

Consumers prefer it because...

Automatic

Knowing payment will be taken automatically gives peace of mind (66%).

Easiest to use

It takes fewer steps or less time to complete payment (64%).

Commonly accepted

The payment method is accepted by most or all businesses the consumer purchases from (32%).

Debit card

Consumers prefer it because...

Easiest to use

It takes fewer steps or less time to complete payment (57%).

Payment is instant

Rather than taking a few days to process (41%).

Commonly accepted

The payment method is accepted by most or all businesses the consumer purchases from (39%).

Credit card

Consumers prefer it because...

Easiest to use

It takes fewer steps or less time to complete payment (53%).

Commonly accepted

The payment method is accepted by most or all businesses the consumer purchases from (42%).

Gives points, cash back, or other rewards - (41%).

Bank transfer

Consumers prefer it because...

Easiest to use

It takes fewer steps or less time to complete payment (54%).

Payment is instant

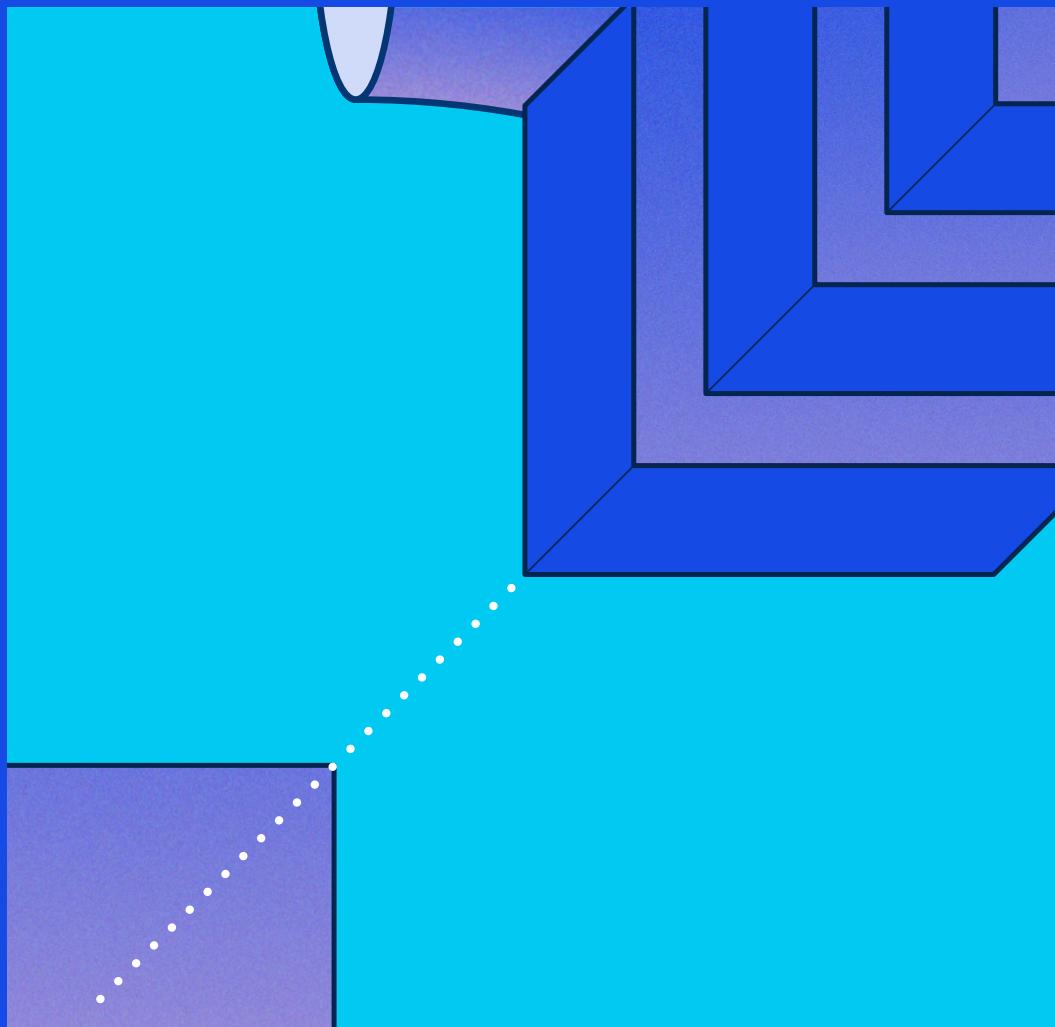
Rather than taking a few days to process (36%).

Automatic

Knowing payment will be taken automatically gives peace of mind (35%).

What can be taken away from all this is that consumers want quick, simple payment experiences.

They want them as infrequently as possible, and ideally with mainstream payment methods that have wide acceptance.



How has COVID-19 affected payment preference?

There is a lot of commentary about how COVID-19 has permanently changed the way people live, work, and consume. But has it really? We asked respondents how they expect they'll be using cash - arguably the payment method most affected by this pandemic - in a post-pandemic world.



The overarching takeaway

COVID-19 has accelerated mainstream adoption of digital payment methods. The most eagerness any country shows to return to pre-COVID cash usage is Germany, and it's only 23% of consumers that want this.

Every other market exhibited a preference to return to pre-pandemic levels of cash usage of 15% or less. That leaves a whopping 85%+ of consumers around the globe happier with cash now playing a smaller part in their lives.

The firsthand effect of this is likely seeing an increase in card payments (and likely the proportion of which are contactless payments) and mobile wallet payments (such as Apple Pay), for in-person transactions such as those in retail stores and in hospitality venues.

But what about the secondhand effects? Greater preference for newer and digital payment methods in one aspect of consumers' lives is likely to accelerate the digital preference flywheel in general. It's not unreasonable to expect secondhand effects of greater preference for convenient, modern recurring payment methods too, like cards and bank debit for bills, traditional and digital subscriptions, and instalment payments.

Using GoCardless to meet bank debit preference

GoCardless makes it easy to collect recurring payments from customers worldwide, via bank debit. Even for one-off or variable amounts.

GoCardless is suited to

- Businesses of all sizes, from global enterprises down to small businesses
- Domestic and international payment collection
- Invoice payments, subscription and membership fees, and instalments

Some of the merchants we work with



\$20+ billion

in transactions processed by
GoCardless each year

60,000

businesses around the world we're
proud to call our customers

Using GoCardless to meet bank debit preference

Results merchants see from using GoCardless

Lower churn

Around 30% of churn stems from failed payments. With GoCardless, ~97.5% of payments will be collected successfully at the first time of asking. And up to 99.5% after payment retries.

Lower operational costs

The cost of collecting payments goes beyond transaction costs. An [IDC White Paper](#) shows that GoCardless lowers the overall cost of taking payments by 56%.

Fewer international barriers

Control recurring payments across 30+ countries from one bank account, and settle it all in your home currency.



GoCardless has become a key payment option for DocuSign. And wherever we offer GoCardless, customers convert better.

Beverly Tu

Director of eCommerce Growth

DocuSign®

GoCardless integrates with software you already use

Connect GoCardless directly to your business using pre-built integrations with over 200 leading billing and CRM systems.



zuora

Chargebee



sage



[Learn more about GoCardless](#)

[Get in touch](#)