



# The Importance of Understanding Consumer Spending Habits.

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Understanding consumer spending habits is vital to businesses making the most of their payment trends, and focusing on evolving consumer needs.

# Understanding Consumer Spending

## How it Can Help You Provide Better Payment Solutions

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As the world continues to develop digitally, many businesses are realigning their payment platforms to cater to the needs of their consumers. According to [Accenture Forecasts](#), 11.6 billion transactions in the UK will move from cash to cards and digital by 2023, and more and more consumers wish to do so.

Despite these statistics, the state of payments in the UK has been surprisingly cluttered. Data from the [Post Office](#) discovered that as a result of the cost of living crisis, cash is making a comeback. Furthermore, the volatile crypto market is pushing customers to use more than one payment method to meet their spending needs.

Although numerous payment channels can be an advantage for consumers, it can be challenging for payment solution providers to track consumer behaviour and, in turn, offer valuable advice to merchants to help them keep up with consumer demands and drive competitiveness. Moreover, consumers can also find it hard to track their spending if it's stretched across multiple payment methods and providers.

The lack of information and data on consumer habits can damage businesses. Trust Payments has surveyed 2,000 customers in partnership with Perspectus Global to better understand consumer behaviour and has created this report to demonstrate how businesses can create products and services that cater to these behaviours. By getting a hold of how customers manage their payments and their views on the industry, businesses can look to building future-proof services that actually benefit consumers.



# The Landscape of Payments in the United Kingdom

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Over the years, the UK has witnessed a sustained and significant decline in cash use. In 2010, over [half of all UK payments](#) were made with cash. However, by the end of 2017, the rise of contactless payments helped debit and credit cards overtake cash as the primary payment method in the country.

Since 2020, in line with the ongoing pandemic, around [77%](#) of consumers in the UK replaced their physical wallets with digital wallets as businesses slowly implemented contactless and digital payment-only schemes for products and services.

Today, credit and debit cards, bank transfers, and mobile wallets are among the most popular payment methods in the country, although other methods of payment are still present in consumer spending habits.

## Consumer Spending Habits in the UK

For any business, understanding the needs of consumers is a priority. It is imperative to remember that understanding consumer spending habits allows businesses to provide better services and payment options for their purchases.

This section will highlight the spending habits of consumers in the UK, how they manage their finances, and how they perceive their relationships with businesses.



## Choice of Payment Platforms

While the number of payment options grows, research shows that customers use three primary payment channels for costs such as food shopping, bills, and other household expenses during a typical month:



**Debit or Credit  
Cards 91%**



**Cash  
72%**



**Mobile Payments or  
Digital Wallets 46%**

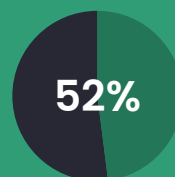
The scale of debit card users in the UK dominates other payment platforms, with some individuals having two to three debit accounts at a time. Our research shows that participants between 18 – 29 years old are more inclined to use debit or credit cards, favouring digital and cashless payment methods.

Unsurprisingly a large portion of cash users in the country are still prevalent amongst older generations, with over 77% of participants aged 60 and above favouring cash payments over cards and digital methods.

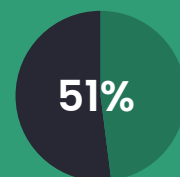
The widespread use of digital wallets and mobile payments in the UK is also growing steadily with products such as PayPal, Apple Pay, and Google Play, as over [35% of British consumers](#) claim to have access to digital wallets. Among these platforms, 46% use Apple Pay, 41% use PayPal, 9% use Google Pay, and only 3% use Samsung Pay, so having a [strong mobile payment gateway](#) is key.

Under the same bracket of digital payments, Buy Now, Pay Later (BNPL) has become increasingly popular, particularly in retail, entertainment, and travel. [Klarna](#) alone is now said to have over 150 million active users. The payment option grew immensely over the COVID-19 pandemic, as it offered consumers an alternative to spending without immediately managing the impact of the product costs. In 2021 alone, the scheme generated around [£2.7 billion](#) in 2021.

**Mobile payments  
are most popular  
among younger  
Brits.**



**30 - 44 year olds**



**18 - 29 year olds**

## Cross Border and Inter-Currency Payments in the UK

Purchasing products overseas is a common practice among consumers in the UK, with over [15%](#) of UK shoppers buying from overseas vendors every day. However, interbank transfers and cross-border payments can be tricky and often involve more than one intermediary bank or platform to carry over transactions securely.

**Six in ten Brits willing to pay using different currencies in order to access retailers outside the country**



While complex, there is an appetite for this in the UK, with six in ten Brits willing to pay using different currencies in order to access retailers outside the country.

Despite this need, payment platforms are limited to catering to local businesses and lack the feature to convert payments automatically with little to no fees during the process. Without these key features, consumers face unnecessary transfer and conversion fees, hindering and damaging their purchase experience. Payment providers should look to implement technologies that facilitate inter-currency payments in the UK in order to allow customers to access their desired retailers at no additional expense.

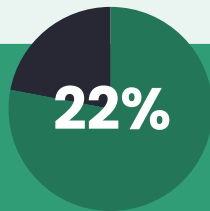


## Financial Management Behaviour

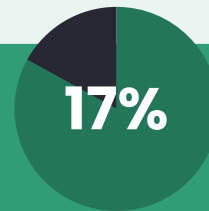
Managing finances is a vital part of spending but also the most arduous. Although numerous money management and budgeting apps are available on the market, payment platform providers often lack this feature in their services, favouring features that are of little to no use to consumers instead.

As mentioned previously, almost half of Brits (46%) are switching their payment method depending on where they purchase and what they are purchasing. A lack of loyalty can make money management practices jarring, forcing consumers to constantly review various statements of accounts, depending on how many payment platforms they use.

Of the 2000 participants surveyed, 22% admit to using contactless payments without thinking about the purchase amount, leading to mismanagement of finances, with 17% claiming to rarely review their spending in a month.



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Failing to properly manage finances can lead to an unhealthy financial lifestyle for consumers. Currently, financial management and money tracking applications on the market lack an efficient connection between consumer finance apps and payment providers.

Understanding the needs of consumers when it comes to money management allows businesses to expand services accordingly to help ensure that consumer financial well-being is in check.

Providing customers with the confidence to pay across several merchants while maximising savings and other financial aspects can boost customer retention, which has been proven to benefit businesses in the long run.

Investing in technology that allows businesses to analyse and study customer spending habits gives businesses the opportunity to align their services to ensure that they fully cater to customers' needs. Moreover, it also highlights anomalies in customer behaviours, which could prevent revenue loss in certain cases, for example, an unusually high chargeback cadence.

## Consumer Spending Concerns in the UK

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Addressing customer concerns and worries is also a vital aspect to help businesses reshape their services to known needs. Managing finances can be a laborious process and requires a significant amount of time and effort to keep up to date with many individuals efficiently.

This section will discuss the everyday consumer spending worries of the UK and how businesses can find solutions to provide ease, accessibility, convenience, and a worry-free process for customers.



## Consumer Stress on Cost of Living Expenses

Keeping track of monthly expenses is an exhaustive process, especially when customers face multiple payments and bills due on different days of the month. The sheer amount of due payments can quickly become off-putting, increasing the likeliness of missed or forgotten payments, and impacting businesses in the long term.

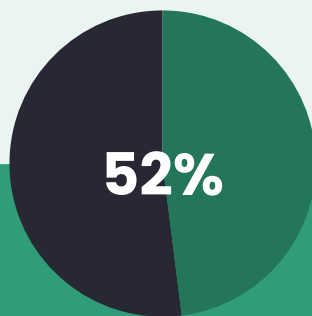
Beyond that, a significant worry for many is the rising cost of living, with rent, utility bills, and petrol prices skyrocketing since the COVID-19 pandemic. This year alone, real wages fell by 4.5%, while inflation rates rose to over 10% (one of the highest recorded in 40 years).

According to the Bank of England, inflation rates will increase further to 13% by the end of 2022, a significant concern for businesses and consumers alike.

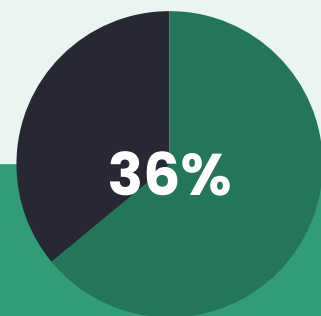
From the 2,000 participants surveyed, 24% of individuals find managing their spending stressful, bringing about anxieties when billing and payment due dates are near. Around 18% of participants claim to feel anxious when meeting their card's monthly payment totals.

Many individuals do not model their spending habits on their lifestyle choices, meaning stress about payment deadlines and bill due dates increases. Over 36% of participants worry about how much they spend in a month. A staggering 52% of those surveyed claim to worry about making purchases due to the pressing cost of living crisis in the UK.

Taking the time to analyse this data is essential in helping businesses understand how the cost of living crisis affects customer spending habits. By offering a seamless payment management system during this time, businesses support customers in keeping track of their expenses effectively. It also allows businesses to provide service or product recommendations that help their customers save money.



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## Consumer Stress and the Festive Seasons

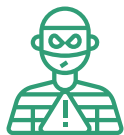
On top of living expenses, many participants expressed worry about the money they need to save or prepare for the upcoming festive season. Approximately 32% of participants expressed concerns about having enough funds for the Christmas period, covering the necessary expenses of food, drink, and gifts.

According to a survey by the [Institute of Practitioners in Advertising](#) (IPA), 53% already find Christmas shopping stressful due to the country's ongoing cost of living crisis. On the other hand, 37% believe that it will continue due to ongoing conflicts with Ukraine.

To ease financial concerns for upcoming events such as Christmas or birthdays, businesses can use this period to provide one-off product or service recommendations such as [loyalty](#) discounts.

## Consumer Worry Over Identity Theft and Data Privacy

Data privacy and identity theft issues are also significant concerns amongst many Brits. Three in ten participants (31%) expressed concerns over online payments. Around 74% are worried about identity theft, 54% about bank impersonation, and 45% about phishing scams.



**Identity Theft**  
74%



**Bank Impersonation**  
54%



**Phishing Scams**  
45%

Safety concerns naturally make consumers wary of venturing into digital and mobile payment platforms, which hinders them from gaining full access to payment methods used as standard on a global scale today.

According to [Prospect](#), bank fraud in the UK costs financial institutions over £1 billion yearly. Cybercrimes such as Authorised Push Payment (APP) Frauds (where scammers impersonate someone known to the victim to manipulate a real-time payment) are a growing worry in the UK market, especially since the COVID-19 pandemic. [UK Finance](#) figures show a 40% rise in push payment scams, and in 2021 alone, there were approximately 196,000 APP frauds in the UK, 27% higher in comparison to the previous year.

## SECTION TWO: CONSUMER SPENDING CONCERNS IN THE UK

Nearly 40% of APP fraud loss was due to impersonation scams, costing people over £214.8 million. Impersonators usually represented legitimate organisations such as the NHS, banks, and government departments via phone calls, texts, emails, fake websites, and social media posts.

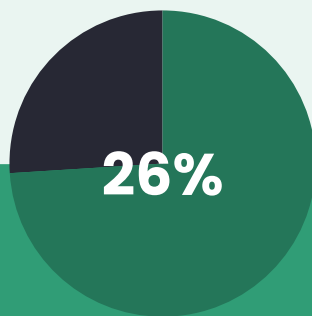
Protecting consumers from scams and fraud is a priority as a business. Integrating a [high-security](#) model seamlessly into payment schemes can help reduce the chances of fraud, instilling consumer confidence and safety within your business and industry.

### Lack of Awareness of Active Debt

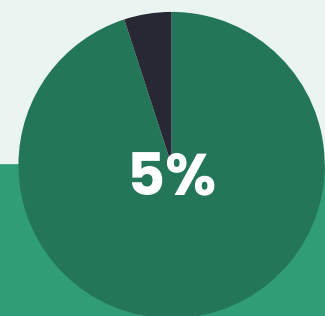
Accruing debt is a part of the financial worry of many individuals in the UK. As the cost of living continues to rise, people are pushed to borrow money from various sources such as bank loans, money lenders, borrowing from a friend, etc.

Of the participants surveyed, over a quarter of Brits claimed to be unsure of their current debt, while the same number claim that they have no idea how much they have accrued previously. Moreover, many consumers took advantage of BNPL schemes that ultimately kept individuals in debt, allowing them to purchase products in advance and pay them later on an instalment basis without necessarily having the means to do so.

However, there is an opportunity here for businesses to provide a seamless payment management solution that supports consumers in being smart with debt management. For example, businesses can proactively inform consumers by providing debt analysis, how they can manage it, and how soon they can pay it off.



are not confident that they have full knowledge of any previous debts.



admit they have no idea how much debt they have.

## The Importance of Understanding Consumer Spending Habits

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Understanding customer spending habits is crucial in helping businesses adjust their services according to market needs. Beyond providing services that help them, it offers businesses invaluable insight into how they can provide a better user experience for consumers.



## SECTION THREE: THE IMPORTANCE OF UNDERSTANDING CUSTOMER SPENDING

Due to the cost of living crisis, products and services are costing more, and consumers are spending less, with around [16 million Brits](#) cutting back on food and essentials between March and June 2022. With inflation causing rent and energy bills to increase, such irregular spending behaviour will affect financial well-being in the long run.

As outlined in this report, understanding customers and the way they spend allows businesses to identify and realign their services according to the following aspects:



**Customer  
Differentiation**



**Increase Consumer  
Retention**



**Predict  
Industry Trends**



**Better Analysis of  
Competition**



**Innovate New  
Products & Services**

Numerous tools are available today to help businesses to gain a better insight into consumer spending habits and customer concerns. Investing in the right technology can help provide a better customer payment system, ultimately streamlining payment methods and financial management practices.

[TRU Insight](#) is an innovative reporting solution from Trust Payments. It delivers simple, accessible, and actionable payment insights and data to businesses without any analytical expertise required from the merchant.

Businesses can better understand buyer behaviours and tailor their offering to attract more valuable customers using customer segmentation. Within the detailed monthly report is a summary of payments, fraud, and chargeback KPIs plus the ability to benchmark their business and gain regional insights.

## Next Steps for Businesses.

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Supporting customers and providing them with the highest quality of products and services is a priority for many businesses. Getting a deeper understanding of how consumers behave must become front of mind and allow businesses to grow with their customers and provide products that fully cater to their needs, wants, and future financial goals.

### Why Businesses Should Support Consumer Spending

Naturally, consumer spending is a crucial aspect of a business. The more customers spend on a brand, the more revenue and profit it acquires.

Taking the time to pay attention to consumer spending figures and patterns makes the decision-making processes more accurate and effective. These statistics can help businesses forecast investment and policy decisions, from creating new products, streamlining processes, and improving small but crucial details to services to improve customer experience.

### Matching Services to Specific Consumer Needs

Insights on consumer spending habits can also provide valuable insight into their behaviour, enabling businesses to tailor their offerings depending on the needs of their customers. As mentioned earlier, consumer spending data brings value to consumer differentiation.

Some consumers may need specific features while others may not. Tailoring services and products provide a better customer experience, ultimately increasing consumer retention rates.

### Invest in the Right Technology

Although understanding consumers can go a long way, it is imperative to invest in the right tools and technology to help gather the necessary data and insights on consumers.

Numerous tools and services offer payment summaries, fraud checking and trend analysis. The level of insight varies among providers - industry benchmarking and consumer behaviours are more complex indicators to track and glean meaningful insights from and are not available with all payment service providers.

Investing in the right tools, which give the right level of insight and using the expertise of [acquirers](#) can give businesses rich information about consumers and spending to provide the right products and services to retain and expand their customer bases.

Trust Payments, the disruptive leader in fintech specializing in frictionless payments and value-added services for SMEs. We provide on-demand Payments and Banking-as-a-Service services to help businesses grow and scale online, in-store, and on mobile.

Trust Payments combines these services with powerful tools, such as loyalty management and instant eCommerce, engaging new innovative payment methods in crypto and bank transfers to drive Converged Commerce™.

Focusing on the small and medium-sized business sector in the UK, EU, and the US, Trust Payments drives value for our clients through personalized services, secure and frictionless payments, and innovative products.

Trust Payments has a global footprint, with over 400 people across 10 offices supporting the most demanding business sectors, from travel and hospitality to crypto, gaming, and financial services, and an acquiring network of over 50 global banks and hundreds of alternative payment methods.

Trust Payments holds Visa and Mastercard Principal Memberships in the EU for cross-border business, licensed by both the Malta Financial Services Authority and UK Financial Conduct Authority, and holds licenses in 7 US States to carry out regulated payments in gaming.

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