

Global Insights Report: September 2022

Supporting global consumers during an economic shift

As inflation puts pressure on the global economy, consumers are anticipating increases in their online spending as well as a growing need for credit. Our latest research dives into how consumers and businesses are navigating the economic shift and the likelihood of fraud and consumer need increasing apace.

For this second wave of 2022 research, we surveyed 6,000 consumers and 2,000 businesses from 20 countries worldwide about their online activities, fraud concerns, and financial inclusion programs. The results reveal that the new digital consumer is here to stay and that their expectations for security, privacy and personalization are only growing.

However, while businesses reported continued investment in fraud prevention technologies—a smart move as fraud often increases with economic uncertainty—the investment doesn't seem to alleviate their concerns.

Read on to discover:



The willingness of consumers to take their business elsewhere if businesses don't meet their online expectations



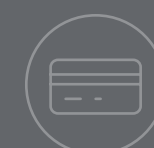
The growing trust consumers are placing on emerging recognition tools



The opportunities and risks presented by BNPL solutions



The potential for technology to further financial inclusion efforts





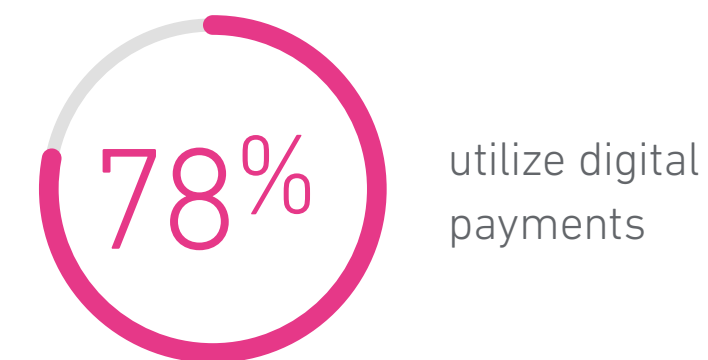
In response to the economic shift, consumers continue to manage their financial lives online and seek more credit.

With inflation raising prices on goods and services in multiple regions, consumers are taking a dual approach to managing their financial lives. First, they remain highly engaged with the digital world, as online banking and shopping are now a universal part of the consumer experience.

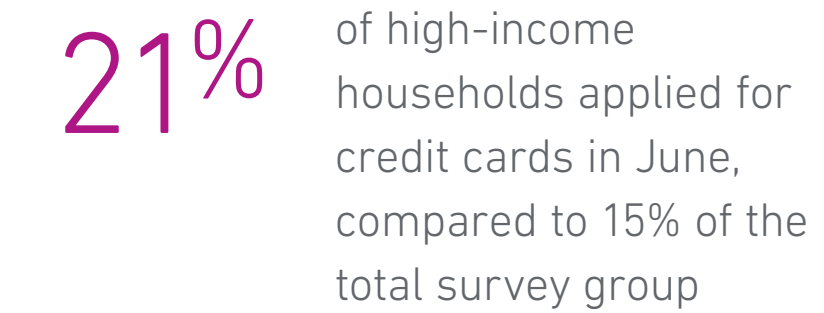


Consumers are also seeking more credit in terms of loans and credit cards. This may be a response to the increased cost of living impacting food, housing, and fuel or preparation for an economic downturn.

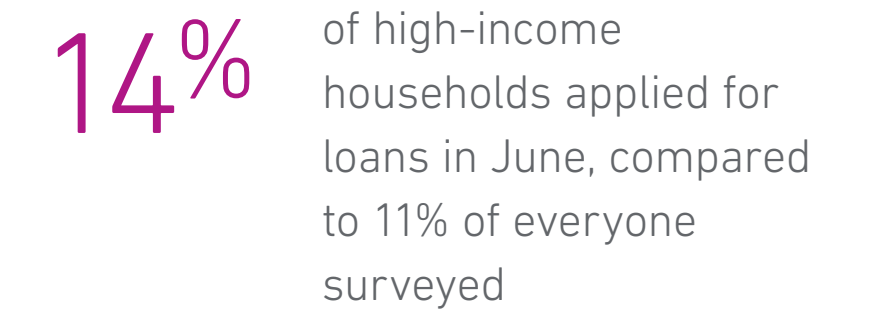
The digital consumer holds steady



More consumers are applying for credit online, especially among high-income households



↑ Up from 17% in March



↑ Up from 13% in March

As consumers look to digital solutions—especially during times of financial uncertainty—providing a quality experience is paramount.



However, if businesses fail to meet digital expectations, consumers will move on.



↑ This increases to 4 in 10 businesses U.S.



Introduction



The continued digital transition



The BNPL opportunity



Emerging recognition methods



Growing customer trust



Technology for financial inclusion



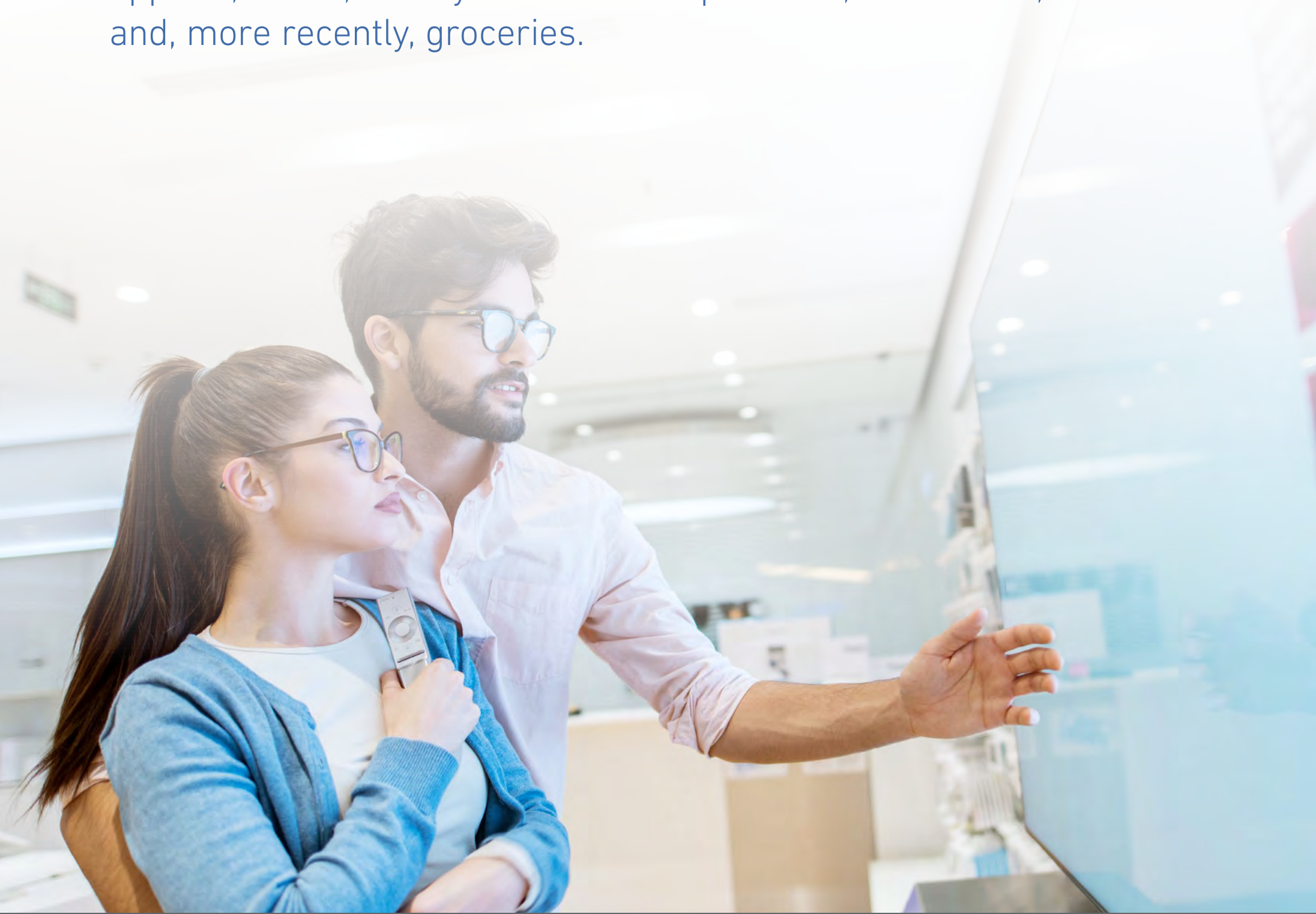
Digital consumers, digital opportunity





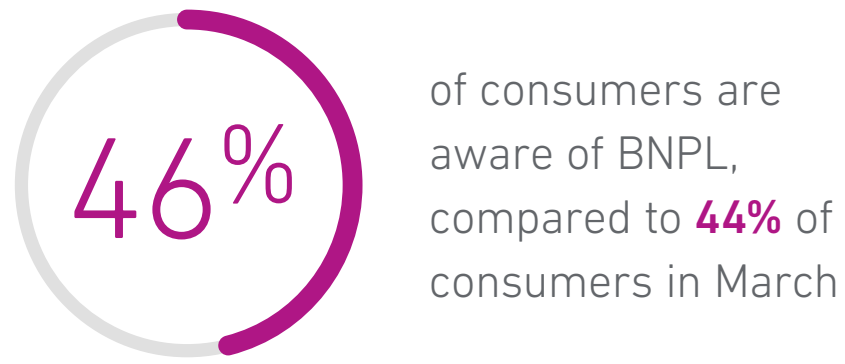
BNPL usage is uncovering opportunities and risks for consumers and businesses.

As consumers look for credit, they're increasingly turning to BNPL options provided by retailers. This emerging credit option is prevalent among middle-to-high income consumers, who use BNPL to buy apparel, shoes, beauty and wellness products, electronics, devices and, more recently, groceries.



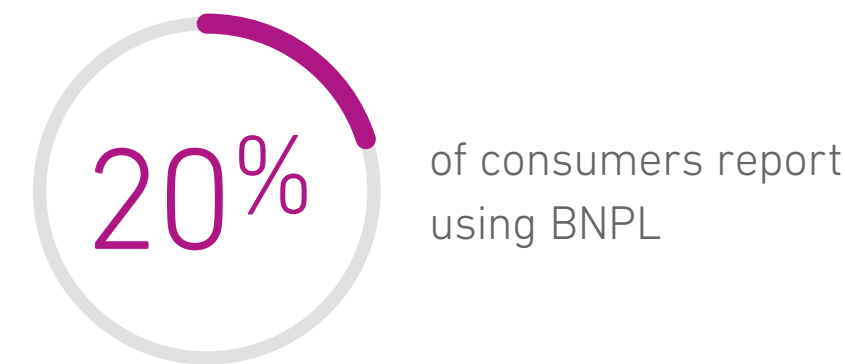
Consumers look favorably at businesses that offer BNPL. The survey results show that this alternative payment allows companies to improve brand opinion among current and prospective customers. However, BNPL may also come with some risk for those extending the credit and those using it.

BNPL awareness and usage are still trending upward



That jumps to 54% for middle income and high income households

52% of consumers ages 55 to 64 are aware of BNPL, the most of any age group



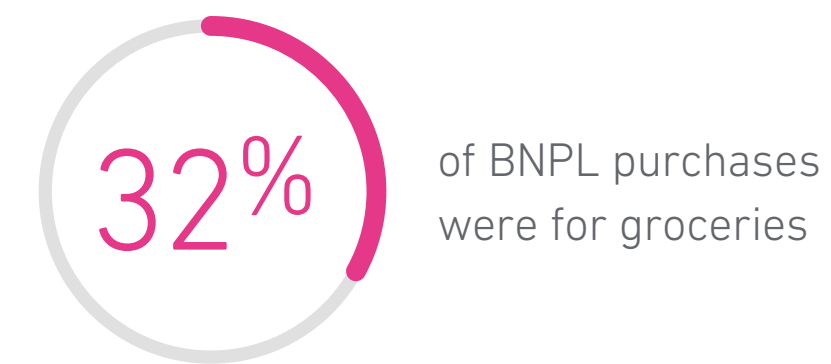
↑ This is up from 18% in March

The growth in usage was **highest in the U.S. and U.K.** (each increased 7 percentage points)

Consumers are expanding their use of BNPL to household staples such as groceries

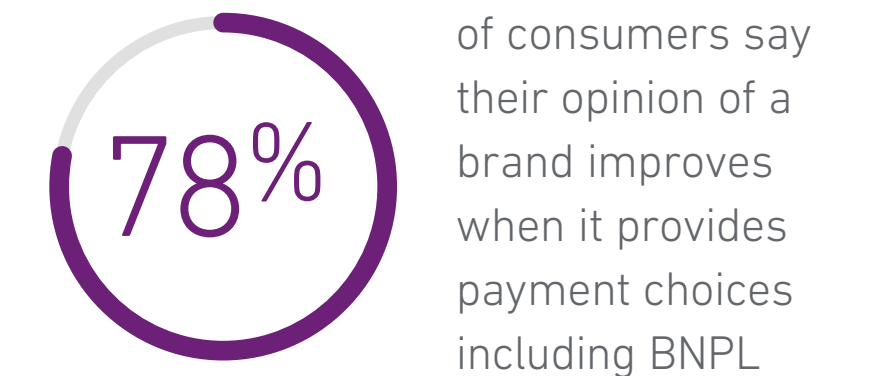
The top 5 BNPL purchases

1. Clothing and footwear
2. Beauty and wellness products
3. Electronics
4. Devices
5. Furniture and home appliances

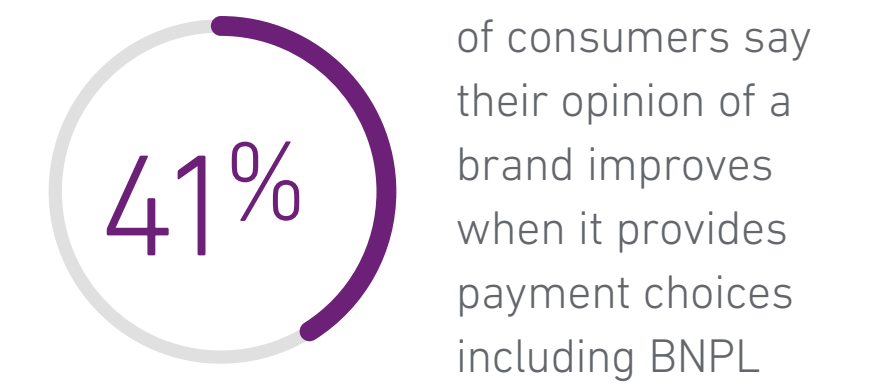


↑ Up from 27% in March

Providing BNPL as a payment option increases brand opinions, but may also increase credit risk



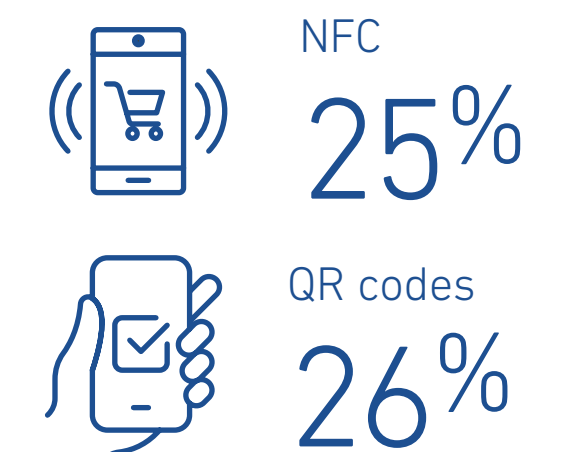
↑ Up from 74% in March



↑ This is up from 34% in March

Beyond BNPL

Near Field Communication (NFC) payments and QR codes are gaining traction as alternative payment methods. Within the past six months, the following percentage of consumers have used the following:



Introduction



The continued digital transition



The BNPL opportunity



Emerging recognition methods



Growing customer trust



Technology for financial inclusion



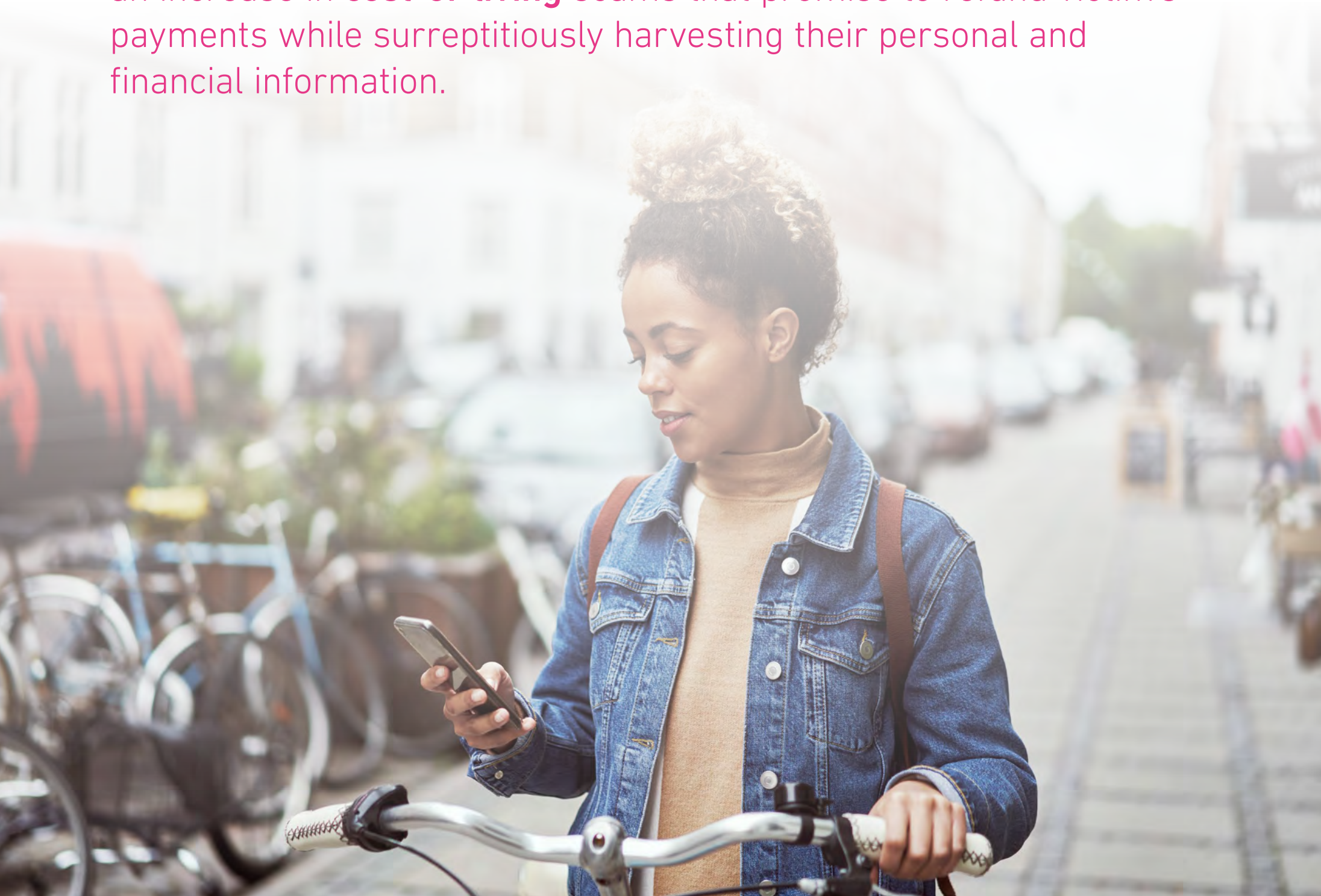
Digital consumers, digital opportunity





As fraud concerns increase, consumers and businesses increasingly rely on emerging recognition methods.

Times of economic uncertainty yield more fraud activity. Unfortunately, we are already seeing movement on this front, with an increase in **cost-of-living** scams that promise to refund victim's payments while surreptitiously harvesting their personal and financial information.



We also anticipate that rising prices will lead to more phishing, vishing and smishing attempts that offer consumers deals on their bill— and steal their information in the process. Amidst this rising threat environment, both consumers and businesses are paying more attention to fraud, and turning to emerging technology to protect accounts and personal information.

Fraud is top-of-mind for businesses

Despite past reports of increased investment to combat fraud, business concerns about fraudulent activity remain elevated. Part of the challenge is pulling together multiple fraud solutions to gain insights that improve detection and prevention.

80% of businesses say discussions about fraud are often or always taking place

35% of businesses say they're "always" having discussions about fraud, up 4 percentage points from earlier this year

92% of businesses say their fraud concern is medium-high

The sectors that report they're always discussing fraud are:

Credit card network providers

 **47%**

↑ A 7 percentage point increase from March

Retail banking

 **46%**

↑ An 11 percentage point increase from March

Fintech

 **35%**

↑ A 5 percentage point increase from March

Investing in fraud technology is a priority

Businesses say they're currently prioritizing:

1. Investments in fraud detection and prevention
2. Digital acquisition and digital engagement
3. Mobile channel and digital channel security

Notably, improving fraud detection and prevention investments moved into the top spot between the beginning of the year and now, with 94% of businesses reporting it as the top priority. This is primarily driven by credit card network providers, consumer lending specialists and Tier II businesses across sectors.

The investments, however, provide the most impact when the solutions are integrated and orchestrated. This gives businesses the flexibility to manage evolving strategies and mitigate threats.



Introduction



The continued digital transition



The BNPL opportunity



Emerging recognition methods



Growing customer trust



Technology for financial inclusion



Digital consumers, digital opportunity





50% of consumers say they're concerned about their online transactions

Simultaneously, their confidence in the security of emerging recognition tools increases

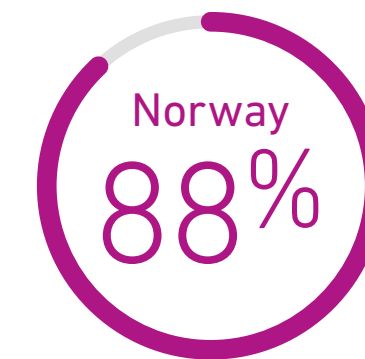
The Top 3 recognition methods

These are the recognition methods that consumers consider most secure across all the methods they encounter. The methods below now consistently rank higher than passwords, security questions, and social media account logins.

1. Physical biometrics
2. PIN codes
3. Behavioral biometrics [CS, 41]



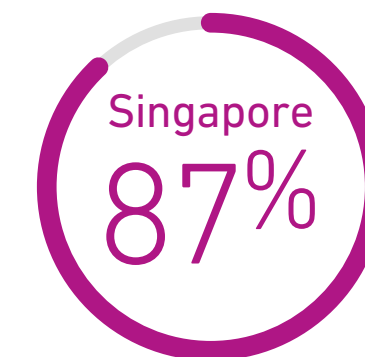
UK
84% say physical biometrics are most secure



Norway
88% say behavioral biometrics are most secure

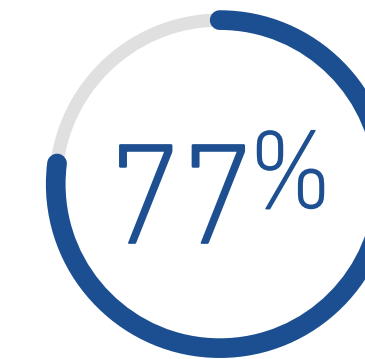


US
91% say physical biometrics are most secure



Singapore
87% say behavioral biometrics are most secure

Still the recognition gap continues



77% of businesses have high confidence in their ability to identify customers digitally



33% of consumers have high confidence in businesses ability to recognize them on a repeated basis

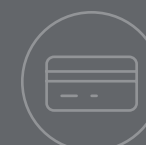
The disconnect may reflect that businesses consider a consumer recognized after they've passed authentication challenges. However, consumers may view the challenges as an obstacle to recognition. This gap is worth business's attention as an organization's ability to recognize consumers may not match with consumer expectations for the experience.



Introduction



The continued digital transition



The BNPL opportunity



Emerging recognition methods



Growing customer trust



Technology for financial inclusion



Digital consumers, digital opportunity





Businesses can grow consumer trust by providing choices for recognition and authentication

Consumers continue to expect that businesses do what it takes to protect their online personal data, account information and privacy. In fact, our research shows that they'd prefer that businesses assume the responsibility of online security over themselves.

By meeting that expectation, companies can grow consumer trust. Yet, many organizations are falling short. Offering personalization along with improved security may provide the answer.



Consumers that trust businesses are more willing to provide them with data, which companies can use to offer additional personalized choices. The choices should also include varied recognition and authentication solutions, which improve security (and thus, trust) that much more.

Consumers want businesses to take the lead when it comes to security



of consumers agree that businesses should "take the necessary steps to protect me online rather than me taking the required steps"

But only **25%** of consumers are very confident that businesses will address their concerns related to online security

In the U.S. 51% of consumers are very confident, up from 38% earlier this year.

What's behind U.S. spike in confidence?

Over the course of the pandemic, companies focused on improving their digital customer experience, including enhancing online security and staffing up teams to support digital channels. U.S. consumers have noticed—and appreciated—the enhancements.

In some regions, consumers are valuing security and privacy equally

For consumers around the world, the top priorities for online experiences are:



Security



Privacy



Convenience

All these factors contribute to improving the digital experience and increasing consumer trust. However, in this wave of surveys we also witnessed consumers in some regions reporting that security and privacy are now on par.

U.S. — 84% say security is most important, **84%** say privacy is most important

Brazil — 97% for security and **97%** for privacy

Chile — 91% for security and **91%** for privacy



Introduction



The continued digital transition



The BNPL opportunity



Emerging recognition methods



Growing customer trust



Technology for financial inclusion



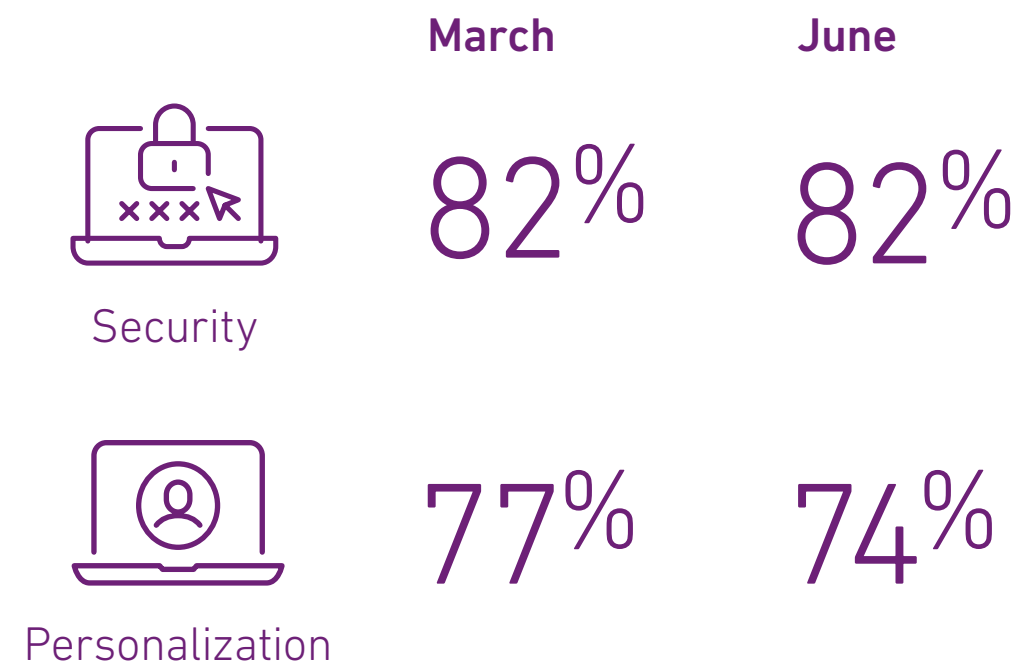
Digital consumers, digital opportunity





Businesses are emphasizing personalization over convenience

For the first time, companies cited personalization as the second most important factor contributing to a quality online experience, surpassing convenience. Personalization is also catching up to security.



Consumers also want personalized offers—and they're willing to provide data to receive them



↑ This is an increase from **44%** in March

Personalization is even more important to high-income consumers



↑ This is an increase from **48%** in March

Consumers will share data for the right reasons

64% of consumers globally say they'll share data to improve personalization

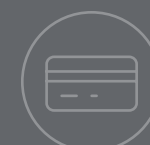
In China, **25%** of consumers say they're "very willing" to share data, a jump from **15%** in March



Introduction



The continued digital transition



The BNPL opportunity



Emerging recognition methods



Growing customer trust



Technology for financial inclusion



Digital consumers, digital opportunity





An economic shift may drive the need for financial inclusion programs and technology that uncovers more creditworthy consumers.

Business confidence in credit risk management capabilities continues to grow, driven by emerging technologies that provide more complete views of their customers. The rise in confidence is especially notable among fintechs and Tier II financial service companies, which are leveraging technology to improve their competitiveness.



Our research also shows that a small, but meaningful, contingent of companies have already embarked on initiatives aimed at improving financial inclusion. Looking ahead, technologies such as artificial intelligence and automated decision management will be essential for helping scale these programs in the face of an economic shift.

Business confidence in their credit risk management continues to increase

4 percentage point growth in businesses that are “extremely confident” in their ability to manage credit risk [BS, 9]

Some regions experienced significant increases in extreme confidence

- China — increase **32** percentage points from March, from 28% to 60%
- Peru — increase **15** percentage points, from 18% to 32%
- The Netherlands — increase of **12** percentage points, from 13% to 35%

The use of emerging technology is improving credit risk capabilities

1. Behavioral profiling — up 9 percentage points
2. Automated decision management — up 7 percentage points
3. Artificial intelligence — up 6 percentage points

The confidence tees businesses up for increased financial inclusion at a time when customers may need it most.

Confidence varies by sectors and business size, with some reporting significant increases

1 in 3

businesses are in the process of rolling out financial inclusion initiatives

1 in 5

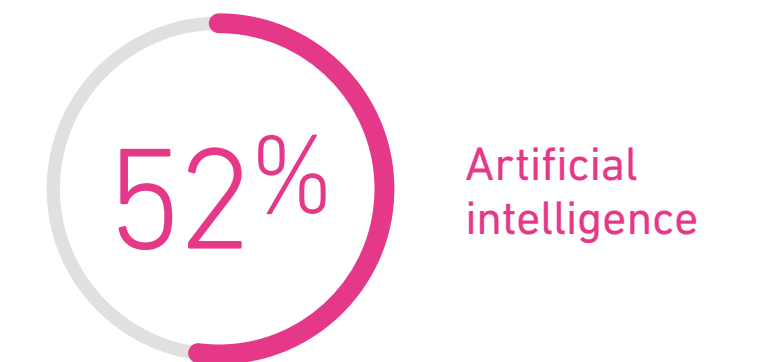
businesses are still in the planning stages

The top priorities for businesses planning financial inclusion strategies are:

1. Leveraging technology and business model innovation to scale their initiatives
2. Working with private companies to build technology and fuel innovation
3. Striving to provide access to responsible and sustainable financial services and products [BS,11]

The top technologies supporting financial inclusion programs

Businesses report they’re using the following:



Introduction



The continued digital transition



The BNPL opportunity



Emerging recognition methods



Growing customer trust



Technology for financial inclusion



Digital consumers, digital opportunity



A changing economic landscape requires a new approach

With global economies facing inflation, labor shortages and other post-pandemic issues, consumers and businesses may need additional tools and resources to maintain financial health. Consider the following guidance to set your organization up for success, despite potential economic headwinds.



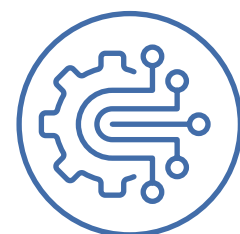
Understand consumer behaviors and pay close attention to online trends.

Follow the spending and fraud trends in your local markets and take advantage of tools that allow you to make rapid risk and authentication adjustments to your portfolio as needed.



Implement more consumer and business education around BNPL.

Make sure that your customers and the business understand the benefits and considerations of offering BNPL, especially during challenging times when consumers may find themselves overleveraged and unable to make payments.



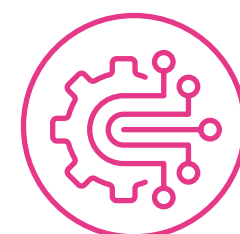
Explore how orchestration can simplify fraud prevention and detection.

While they are multiple solutions required to keep your customers safe, orchestration software simplifies your efforts and improves the customer experience as well.



Prioritize personalization as a way to deepen consumer trust.

Using consumer data to provide customers with choices that fit their needs can help them feel seen by your company—and create trust that yields more business.



Explore how financial inclusion fits in with your credit risk strategy.

With the likelihood of more consumers facing economic struggles, create more equitable and inclusive credit models and products to provide them with support and give your business a boost.

The changing global economy presents challenges for consumers and businesses. The right recognition, authentication and orchestration software can help your company get ahead—and stay in front—of these issues. To learn more, check out our [Global Insights blog](#).

Methodology

Experian routinely conducts third-party survey research among consumers and businesses. The findings in this report are taken from fieldwork that was conducted in June 2022. The survey results represent 6,000 consumers and 2,000 businesses across 20 countries, including Australia, Brazil, Chile, China, Columbia, Denmark, Germany, India, Indonesia, Ireland, Italy, Malaysia, Netherlands, Norway, Peru, Singapore, South Africa, Spain, U.K., and U.S.

Why Experian?

For more than 30 years, Experian Decision Analytics has been managing and enriching customer data to help organisations like yours make better credit risk decisions. Our powerful decisioning products and services combine data intelligence, analytics, software, reporting and consulting to turn insights into actions that improve business performance. We have clients in more than 90 countries and local offices around the world. Our expertise in analytics, software and best practices is market proven and thoroughly global.



Introduction



The continued digital transition



The BNPL opportunity



Emerging recognition methods



Growing customer trust



Technology for financial inclusion



Digital consumers, digital opportunity



