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How does Switzerland pay? Issue 2/2022 - Survey May 2022

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Sandro Graf, Nina Heim, Marcel Stadelmann, Tobias Trütsch
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Authors

Sandro Graf, Lecturer Marketing, Head of Service Lab & Swiss Payment Research Center, Institute of Marketing Management, ZHAW School of Management and Law

Dr Nina Heim, Senior Research Consultant, Institute of Marketing Management, ZHAW School of Management and Law

Dr Marcel Stadelmann, Senior Research Consultant, Project Manager Swiss Payment Research Center, Institute of Marketing Management, ZHAW School of Management and Law

Dr Tobias Trütsch, Managing Director Center for Financial Services Innovation, Head of Swiss Payment Behaviour Lab, University of St.Gallen

Contact

Dr Marcel Stadelmann | marcel.stadelmann@zhaw.ch | +41 58 934 46 46

Dr Tobias Trütsch | tobias.truetsch@unisg.ch | +41 71 224 71 55

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Summary

The debit card remains the most-used payment method in Switzerland in the first half of 2022, both in terms of frequency of use and turnover. The use of cash is stabilising in second place: in the face-to-face business, every third payment continues to be settled with cash - mostly the smaller amounts. The popularity of mobile payments continues to grow. In distance selling, every second payment is now processed via a mobile device, which also benefits the credit card as a billing product. The frequency of mobile payment is also increasing in the face-to-face business. However, it still lags significantly behind the debit card, cash and credit card. Neobanks are steadily gaining awareness and popularity in Switzerland. One third of the Swiss population has already used offers from a neobank, mostly as a supplement to the services of traditional financial service providers. Around half of the Swiss population is basically open to the new "Buy Now, Pay Later" offers. In a hypothetical online purchase, however, they are rarely chosen as the preferred payment method.

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1 Introduction

The measures to contain the coronavirus have now all been lifted in Switzerland. During the pandemic phase, contactless payment options in particular became the preferred method of payment. Cash was replaced as the most popular means of payment. What does the payment behaviour of the Swiss population look like in the "New Normal"?

This question is addressed in the sixth edition of the Swiss Payment Monitor (SPM), which is published jointly by the Swiss Payment Research Center (SPRC) of the ZHAW School of Management and Law and the Swiss Payment Behaviour Lab (SPBL) of the University of St.Gallen. The focus is on mapping current payment behaviour and its development over time. In addition, this issue takes a closer look at the Swiss population's intention to use the emerging "Buy Now, Pay Later" (BNPL) offers.

In May 2022, an online access panel was used to recruit a sample of 1415 people aged between 18 and 78 from all three parts of the country, representative of the Swiss population, who were surveyed using an online questionnaire and then invited to take part in a three-day diary survey on their payment behaviour.¹ This report summarises the most important findings from the current survey.

The results are also available on the project homepage www.swisspaymentmonitor.ch. In addition, with the help of an interactive dashboard, the homepage provides a continuous graphic insight into the current data on digital payment transactions published by the Swiss National Bank.² The project homepage thus enables a holistic analysis of payment behaviour in Switzerland.

In addition to the two research institutions ZHAW and the University of St.Gallen, the SPM is funded by the Swiss Payment Association (industry organisation of all major Swiss issuers of credit cards from international card organisations) and the industry partners Nets (Nets Schweiz AG) and Worldline.

This report is structured as follows: Chapter 2 describes the data basis. Chapter 3 shows the development of payment behaviour in Switzerland based on the turnover and transaction shares of the different payment methods. Chapter 4 highlights various aspects of the use of mobile payment solutions. Chapter 5 looks at cash usage, while chapter 6 presents various aspects of the use of neobanks. The results on the use of "Buy Now, Pay Later" offers are discussed in chapter 7. Chapter 8 summarises the most important findings and gives an outlook on future developments.

¹ A detailed overview of the study design can be found in the appendix of the report.

² Cf. www.swisspaymentmonitor.ch/snb-daten

2 Data basis

In the sixth edition of the SPM (issue 2/2022), 1415 people aged between 18 and 78 from German, French and Italian-speaking Switzerland completed the online survey. The study participants were recruited via an online access panel. The sample is representative of the Swiss population regarding the characteristics gender, age, language region and level of education.

In the first step, the participants were asked to answer questions about the topic of "payment". The focus was on the respondents' self-perception and assessment of various aspects of their payment behaviour. The online survey lasted approximately 20 minutes and was conducted in stages at the beginning of May 2022. Subsequently, all participants in the online survey were invited to take part in the second part of the survey on different days of the week during the first two weeks of May. For three consecutive days, the subjects recorded all payments (except for recurring expenses) and cash withdrawals that occurred during the course of the day and classified them according to predefined characteristics in the form of a diary. In May 2022, all measures to contain the coronavirus in Switzerland had been lifted. Consequently, there were no restrictions on purchases. Therefore, a normalisation of consumption and payment behaviour can be assumed, which allows a comparison of the new reality to the time before the pandemic.

772 people (55% of the online survey) took part in the second part of the survey. In total, they recorded 4403 transactions with a total amount of around CHF 212,000 in Switzerland and abroad (cf. Table 1).³ This corresponds to an average of 1.9 transactions per person per day and an average amount of around 48 Fr. If only domestic transactions are considered, the two values are somewhat lower (1.8 transactions and around 46 Fr. amount). Compared to the SPM 1/2022, the respondents made purchases more frequently per capita and day, but for lower amounts overall. In other words, they spent less per transaction on average (cf. Table 1).

The transaction volume is similarly pronounced across the last four surveys (cf. Table 1). The share of online and on-site transactions is almost constant in terms of the number of transactions. However, in the November 2020 survey, online shopping was more frequent with a share of 18 per cent.

The volume of sales, on the other hand, fluctuates more strongly; in particular, the respective total expenditures were higher in the two surveys in November. The higher online turnover shares in November 2020 and 2021 indicate that larger online expenditures were made (cf. Table 1). This can possibly be explained by the fact that people tend to shop online for larger amounts in November due to promotions such as "Singles Day" or "Black Friday". In November 2020, this effect was probably amplified due to the pandemic, the measures in place to contain it and the fact that the survey was conducted in the second half of November, somewhat closer to Christmas.

³ The foreign currency amounts were converted into Swiss francs according to the average monthly exchange rate.

Table 1: Overview of the payment diary

Survey	Nov. 2020 (1/2021)	May 2021 (2/2021)	Nov. 2021 (1/2022)	May. 2022 (2/2022)	Change 2/2022 to 1/2022
Duration of the diary survey	3 days	3 days	3 days	3 days	
Number of participants	701	837	841	772	-8.2%
Turnover volume in Fr.					
Domestic	Fr. 281,149.-	Fr. 208,761.-	Fr. 234,706.- ⁴	Fr. 190,190.-	-19,0%
At home and abroad	Fr. 308,134.-	Fr. 229,756.-	Fr. 251,435.- ⁴	Fr. 211,746.-	-15,9%
Online	47%	29%	39% ⁴	34%	
On site	53%	71%	61% ⁴	66%	
Transaction volume					
Domestic	3'991	4'051	4'269	4'137	-3,1%
At home and abroad	4'232	4'211	4'571	4'403	-3,7%
Online	18%	14%	15%	14%	
On site	82%	86%	85%	86%	
Average number of transactions per person per day					
Domestic	1,9	1,6	1,7	1,8	+5,9%
At home and abroad	2,0	1,7	1,8	1,9	+5,6%
Average amount per transaction					
Domestic	Fr. 70.45.-	Fr. 51.55.-	Fr. 55.00.- ⁴	Fr. 46.00.-	-16,4%
At home and abroad	Fr. 72.80.-	Fr. 54.55.-	Fr. 55.00.- ⁴	Fr. 48.10.-	-12,6%

⁴ Note: In SPM 1/2022, the transaction amounts for the November 2021 survey were adjusted for extreme outliers (i.e. trimmed to the 99th per centile). To ensure comparability across all surveys, this report uses the original data without adjusting for outliers. For this reason, the volume of sales reported here from the November 2021 survey is higher than that reported in the SPM 1/2022. Accordingly, the relative turnover shares for November 2021 in this report also differ slightly from the values presented in the SPM 1/2022.

3 Payment behaviour

3.1 Preliminary remarks

Due to the increasing dynamics in the area of mobile payments and the associated interconnect- edness with regard to the instrument used to initiate the transaction and the actual billing product, payment behaviour is evaluated in the following according to two different typologies.

On the one hand, the "regular means of payment" (cf. sections 3.2.1, 3.3.1 and 3.4.1) focus on the process of initiating the transaction with a specific payment instrument. All three types of mobile payment are classified as mobile payments (cf. Box 1). This means that all forms of payment with a smartphone⁵ with different underlying billing products such as credit and debit cards or direct account connection are summarised under this means of payment (cf. Box 1). The smartphone is therefore regarded as the actual means of payment - an approach that has been reported in the SPM since the start of the measurement in 2019 and thus enables a comparison of the shares of means of payment over time.

According to the definition of "means of payment" described above, the payment shares of mobile payments are higher compared to a restriction to mobile payments "in the actual sense" or "in the narrower sense" (see Box 1). For this reason, the payment behaviour in this edition of the SPM is additionally evaluated according to the underlying billing product or the definition of mobile payment "in the strict sense" (cf. sections 3.2.2, 3.3.2 and 3.4.2). This analysis was applied retro- spectively for every diary survey since SPM 1/2021.⁶ The share of cash payments remains unaf- fected by the distinction between "means of payment" and "billing product".

Since the means of payment used differ greatly depending on the payment situation - i.e. for on- site versus online payments - the payment behaviour is analysed in addition to the overall market according to presence (cf. section 3.3) and distance business (cf. section 3.4) that are shown sep- arately. In the case of payment behaviour according to the total market (cf. section 3.2), it must be considered that the turnover shares of online and on-site payments differ greatly between the various surveys.

⁵ Including with a tablet or smartwatch.

⁶ The data structure of the diary survey before 2021 does not allow an evaluation by billing product for the years 2019 and 2020.

Box 1: Definitions "Mobile Payment"

In all editions of the Swiss Payment Monitor, mobile payment is basically defined as payment transactions that are initiated with or on a mobile device such as a mobile phone, tablet or smartwatch. This also includes transfers to private individuals, such as via Twint or Revolut. This broad definition of mobile payment includes three different types of mobile payment:

1. Payment apps on mobile devices such as Twint, Alipay or WechatPay can be linked directly to the bank account and thus correspond to mobile payment in the *true sense*.
2. In most other cases, payment apps are based on the credit card and, less frequently, the debit or prepaid card as the means of payment (e.g. Apple Pay, Samsung Pay and Google Pay), which corresponds to mobile payment in the *narrower sense*.
3. Many merchant-specific apps, such as SBB Mobile, enable payment in the app installed on a mobile device (in-app payment). This payment can be based on a card payment, a bank transfer or a payment app payment in the actual/narrower sense. In-app payment thus corresponds to mobile payment in the *broadest sense*.

From the respondent's perspective, these differences are often difficult to understand. An in-app payment with a credit card, for example, can be declared either as a credit card payment or as a mobile payment, depending on the respondent's understanding. The chosen study design takes into account the individual understanding of the means of payment from the respondents' perspective.

However, mobile payment can be represented in any way due to the existing granular information structure in the SPM. In addition to the broadest definition of mobile payment "according to means of payment", the payment behaviour in the SPM "according to billing product" is also evaluated according to the definition of mobile payment "in the actual sense".

3.2 Total market

3.2.1 According to means of payment

With the help of the diary survey, effective behaviour with regard to payment habits can be depicted. Figure 1 and Figure 2 show the development of the share of turnover (measured by the total expenditure⁷) and the share of transactions (measured by the total number of transactions) of different means of payment over time.⁸

The debit card (non-mobile use) continues to maintain its position as the payment method with the highest turnover as well as the most used in Switzerland during the survey period in May 2022. While its relative share in the more fluctuating total turnover⁹ has increased to 28.1 per cent (+4.0 percentage points [PP]) compared to the last survey (cf. Figure 1), their share in terms of the number of transactions has fallen to 30.7 per cent (-1.1 pp) (cf. Figure 2).

This decline is mainly due to the relative growth of mobile payment¹⁰: With an increase in the revenue share of 2.7 PP to a new 14.5 per cent (cf. Figure 1) as well as the transaction share by 3.3 PP to a new 16.6 per cent (cf. Figure 2), mobile payment has again grown strongly according to a broad definition. This puts mobile payment in fifth place among all means of payment in terms of turnover, only slightly behind the bill (14.6%).

Measured by the number of transactions, mobile payment is now in third place ahead of non-mobile credit card use (15.8%; -0.6 PP). The relative share of non-mobile credit card use is also stable in terms of turnover, with a slight increase of 0.6 pp to 21.8%. The turnover shares of bill and cash are most strongly influenced by the distinction between presence and distance business, which is why they are only discussed in more detail in the following sections.

In terms of the number of transactions, cash has ranked second behind the debit card since the survey in May 2021 (cf. Figure 2). The share of cash payments has settled at a lower level after the sharp decline since the end of 2020 around 30 per cent. Compared to the last survey, which showed a small growth in cash payments, the share of cash payments has now fallen again by 1.2 percentage points to 29.0 per cent. Overall, the frequency of use of the means of payment shows a stabilisation after the structural break triggered by the pandemic, with only the relative growth of mobile payments continuing unabated.

⁷ The results of the SPM show how this expenditure is distributed in relative terms among the various payment means and settlement products. The absolute figures on the volume of sales or the total number of transactions with cashless means of payment (settlement products) can be classified using the following dashboard with data on digital payment traffic in Switzerland: www.swisspaymentmonitor.ch/snb-daten.

⁸ The data of SPM 2019, 2020, 1/2021 and 1/2022 refer to the survey in October/November of the previous year respectively, while the data of SPM issues 2/2021 and 2/2022 refer to the survey in May 2021 and 2022 respectively.

⁹ Compared to the less fluctuating transaction volume.

¹⁰ The category "mobile payment" includes all payment transactions that are initiated with or on a mobile device such as a mobile phone, tablet or smartwatch. Accordingly, mobile payments also include card payments that are triggered within a payment app or merchant-specific mobile app (cf. Box 1 in Section 3.1).

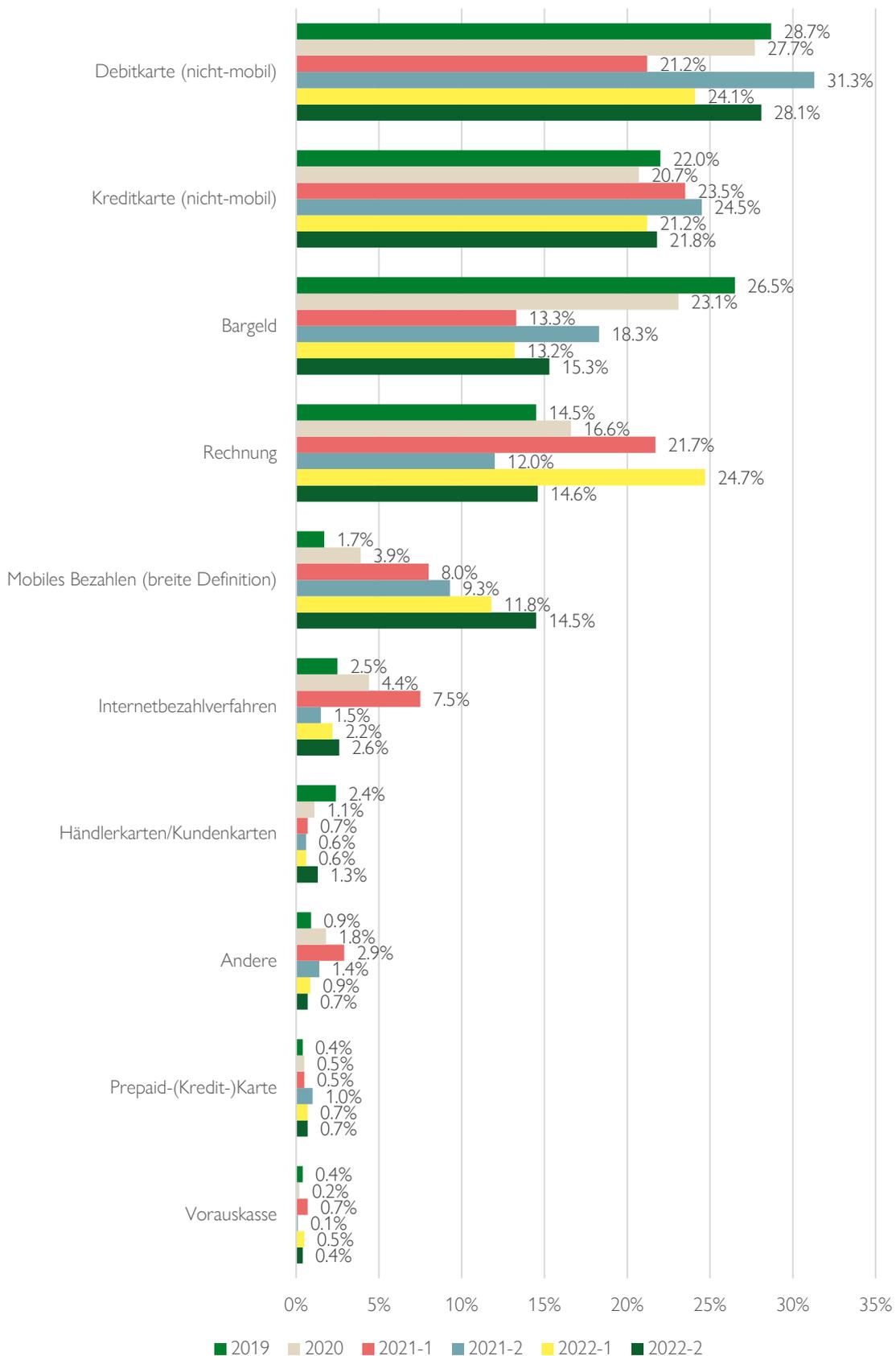


Figure 1: Payment instrument shares by turnover in the total market according to payment means
 Remarks: According to diary entries, only domestic payments. The category "mobile payments" also includes card payments that are initiated within a payment app or merchant-specific mobile app (see definition in Box 1). As explained in footnote 4 the values for 2022-1 differ slightly from the SPM 1/2022 report.

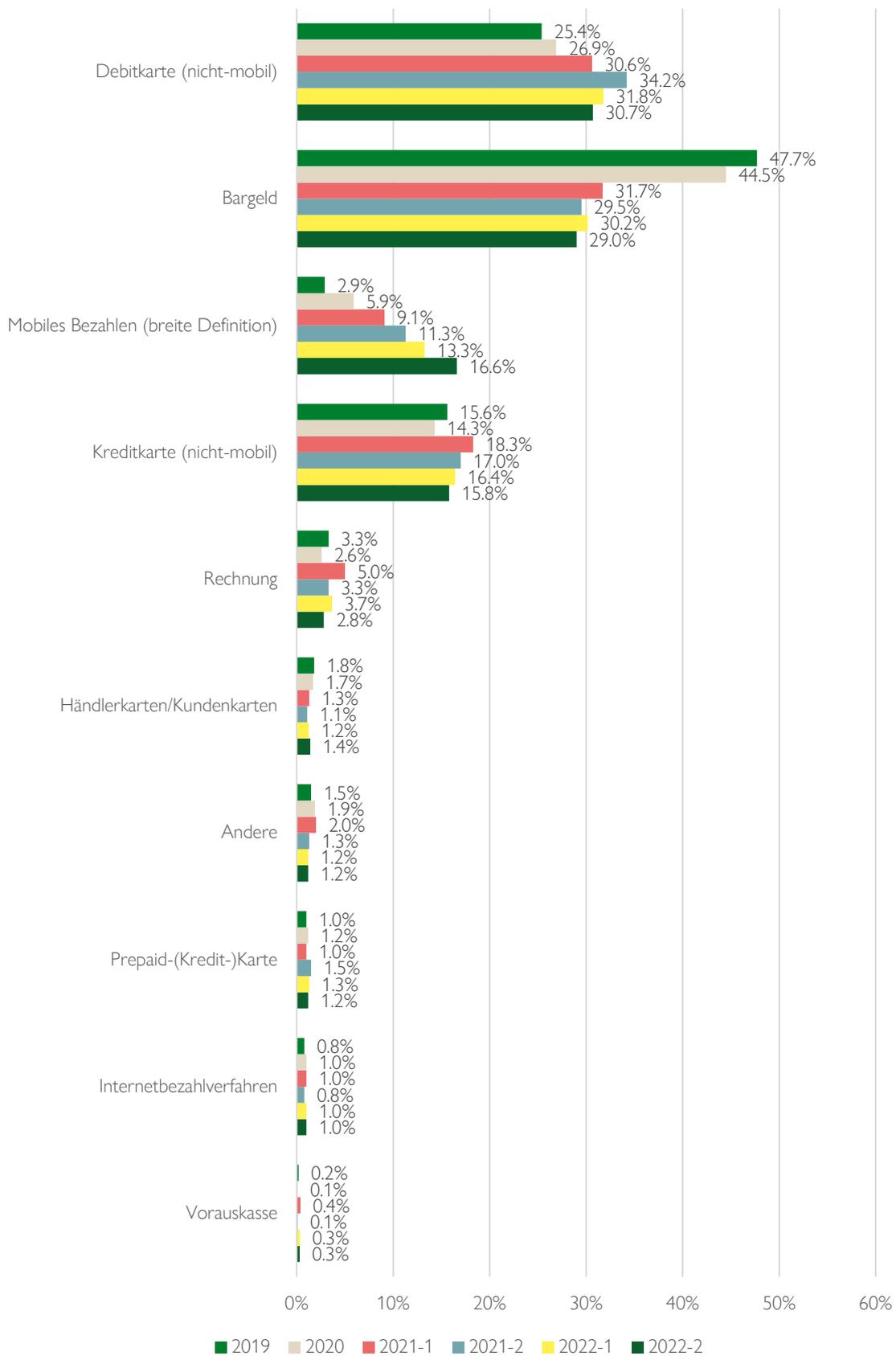


Figure 2: Payment instrument shares by number of transactions in the total market according to payment means
 Remarks: According to diary entries, only domestic payments. The category "mobile payments" also includes card payments that are initiated within a payment app or merchant-specific mobile app (see definition in Box 1).

3.2.2 According to billing product

The effective behaviour with regard to payment habits can additionally be represented according to the actual billing product of the payment, which is particularly relevant for mobile payments (cf. Box 1 in section 3.1). Figure 3 and Figure 4 show the development of the share of turnover (measured against total expenditure) and the share of transactions (measured against the total number of transactions) of different billing products over time.

The rankings of the turnover and transaction share of the five most popular payment products remain practically unchanged compared to the evaluation "according to means of payment" - with the exception of the credit card, which "according to payment product" displaces mobile payment in the actual sense from third place in terms of frequency of use. Many mobile payment solutions are based on the credit card as a billing product.

For this reason, the sum of the revenue share of mobile payment in the actual sense¹¹ (11.7%) and mobile payment by prepaid (0.4%) is lower at 12.1% than according to the broader definition (14.5%) (cf. Figure 1 and Figure 3). In contrast, the relative turnover shares of credit cards (27.2%; +5.4 PP) and debit cards (29.2%; +1.1 PP) are higher compared to the "according to means of payment" observation. In terms of the shares measured by the number of transactions, the difference between means of payment and billing product between mobile payments and card payments is even more pronounced.

Compared to the last survey, the revenue share of mobile payments in the actual sense - i.e. Twint - has more than doubled from 5.5 per cent to 11.7 per cent (cf. Figure 3). However, this effect is difficult to classify when considering the market as a whole, as it is primarily due to the decline in the share of the bank/postal account as a billing product for bills and transfers, which is strongly influenced by the online share of total sales.

Measured by the number of transactions, around one in three transactions (32.4%) is settled via a debit card, while cash is used as a settlement product for 29 per cent and the credit card for just over one in five payments (22.1%) (cf. Figure 4). The difference of around 8 per centage points between the transaction shares of debit and credit cards as settlement products and non-mobile card use as a means of payment (cf. Figure 2) is due to transactions via e-wallets such as Apple Pay, Google Pay or Samsung Pay or in-app payments.

Mobile payments in the actual sense are used for 8.6 per cent of payments, which corresponds to a significant growth of 3.3 per centage points compared to the last survey (cf. Figure 4). This is mainly at the expense of the bank/postal account as a settlement product for bills and transfers (-2.1 PP), mobile payment with prepaid (-1.2 PP) and cash (-1.2 PP).

¹¹ Mobile payment in the true sense includes all payment transactions that are processed via payment apps on mobile devices and are directly linked to the bank account (cf. Box 1 in section 3.1).

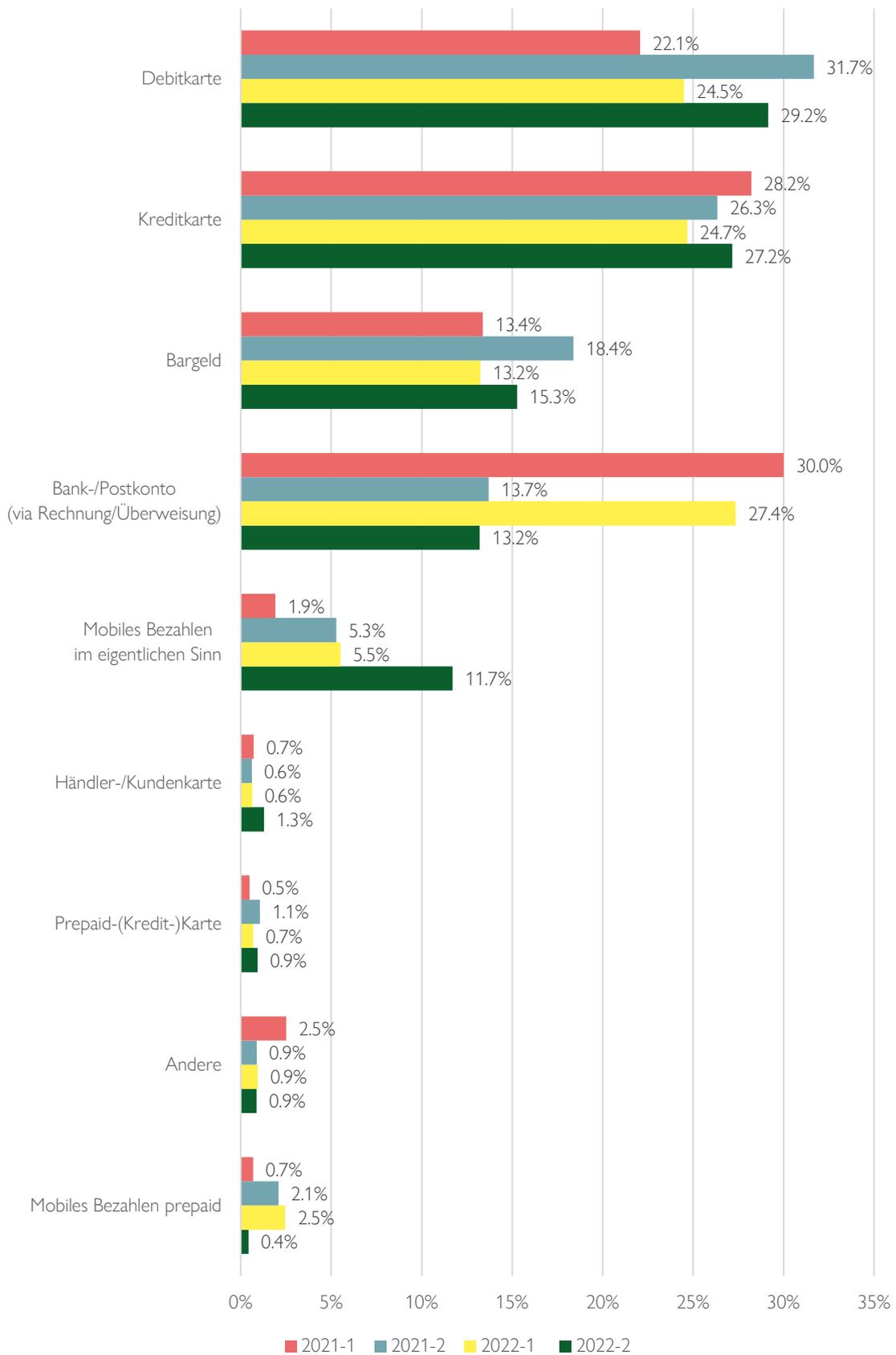


Figure 3: Payment instrument shares by turnover in the total market according to billing product
Remarks: According to diary entries, domestic payments only.

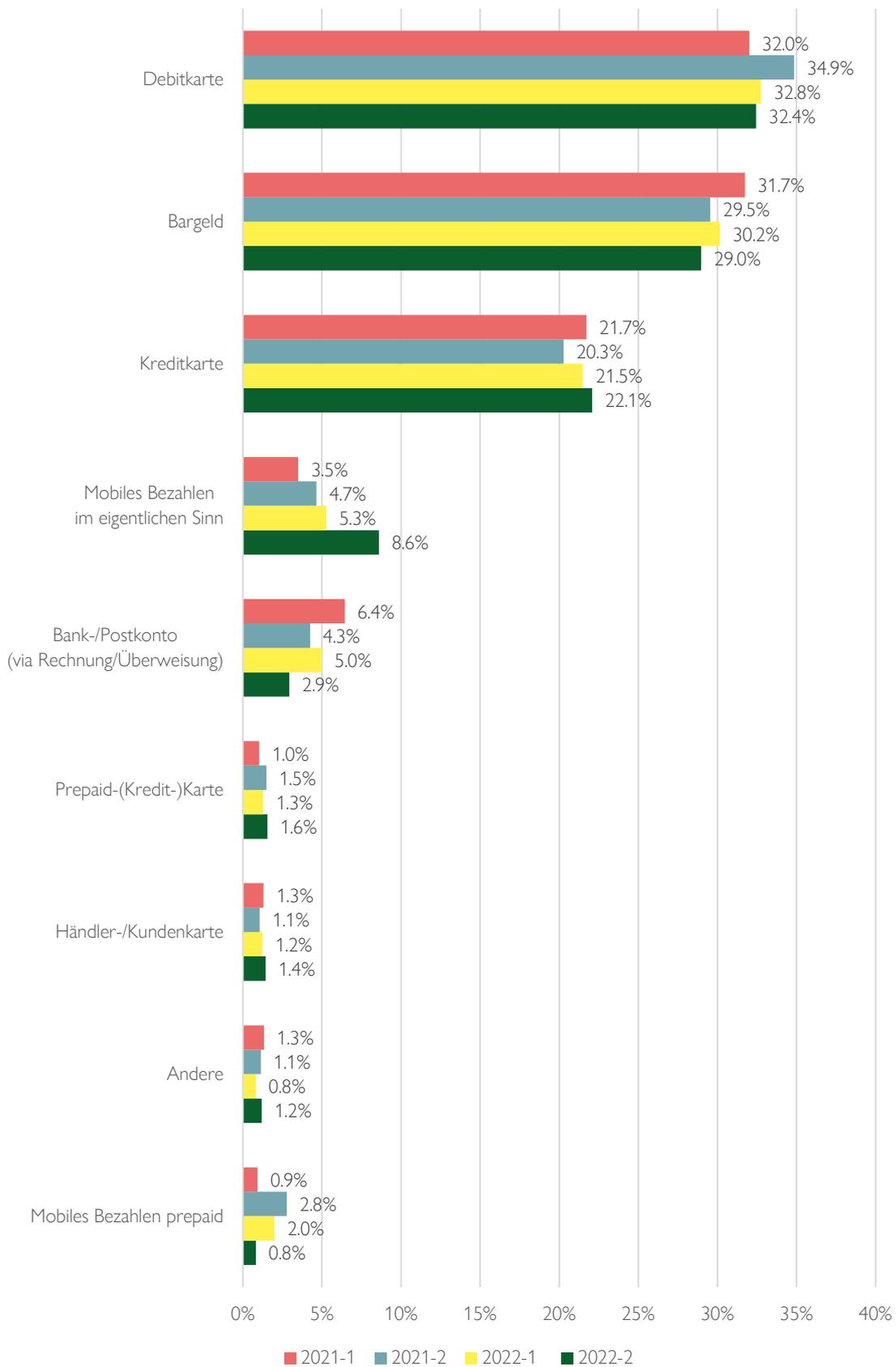


Figure 4: Payment instrument shares by number of transactions in the total market according to settlement product
Remarks: According to diary entries, domestic payments only.

3.3 Presence business

3.3.1 According to means of payment

The payment situation plays an important role in the choice of means of payment and payment habits. Face-to-face business refers to all transactions on site in a physical shop or at a physical machine. This is in distinction to distance business, where payer and payee are physically separated from each other, which mainly includes online payments (cf. section 3.4).

Table 1 shows that in terms of volume, the majority of transactions (86%) are concentrated on face-to-face business. Measured in terms of turnover, the share of face-to-face business in the 2/2022 survey is dominant (66%), as in the previous waves, although less pronounced than in the frequency of use. Due to the high weighting of face-to-face business, the results in this section are similar in many respects to the results presented in the section on the total market. 3.2.1 especially with regard to the use of cash, which can only be used in face-to-face business.

Figure 5 and Figure 6 show the development of the share of turnover and the share in terms of number of transactions of different means of payment in the retail business over time. It is noticeable that mobile payment, according to a broad definition, is the only frequently used means of payment that has been able to increase both in terms of revenue share (+0.7 PP; 8.3%) and share measured by the number of transactions (+3.6 PP; 11.2%). Nevertheless, the use of mobile payment at the stationary point of sale continues to lag significantly behind the non-mobile use of debit and credit cards as well as cash.

The non-mobile use of the debit card and cash each lost 1.7 percentage points (to 34.8% and 33.2% respectively) in the share by number of transactions in the presence business compared to the last survey (cf. Figure 6). In terms of turnover share, however, the two payment methods increased by 2.1 percentage points (41.4%) and 0.9 percentage points (22.7%) respectively (cf. Figure 5). This means that relative to the other means of payment, larger amounts were increasingly paid with the debit card and with cash.

The non-mobile use of credit cards at the stationary point of sale declined both in terms of turnover (-4.3 PP; 24.1%) and in terms of the number of transactions (-0.9 PP; 16.5%) (cf. Figure 5 and Figure 6). As the evaluation by billing product in section 3.3.2 shows, this decline is not entirely due to the mobile use of the credit card, but also to substitution by other means of payment.

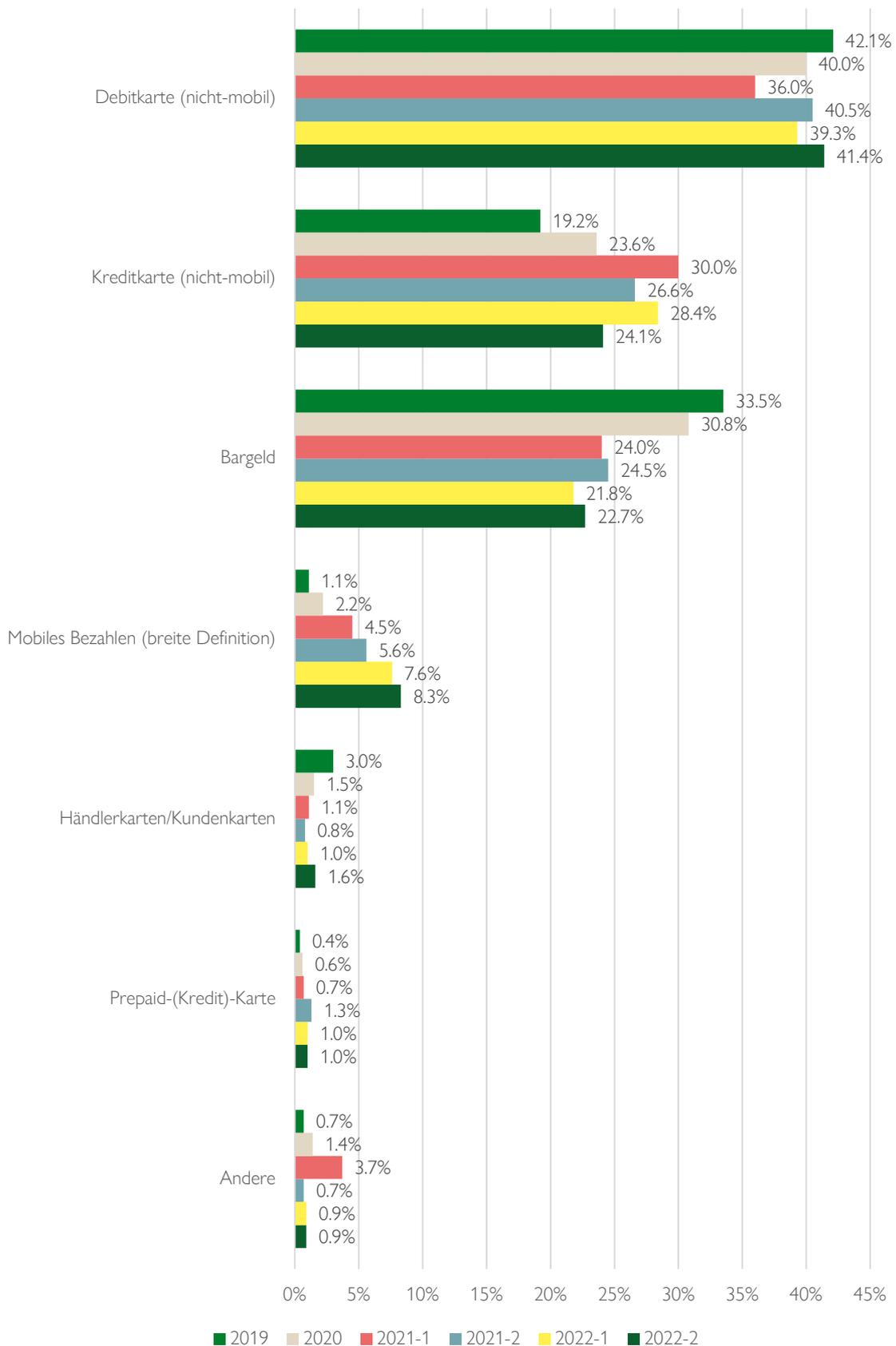


Figure 5: Payment instrument shares by turnover in the presence business according to means of payment
 Remarks: According to diary entries, only domestic payments. The category "mobile payments" also includes card payments that are initiated within a payment app or merchant-specific mobile app (see definition in Box 1). As explained in footnote 4 the values for 2022-1 differ slightly from the SPM 1/2022 report.

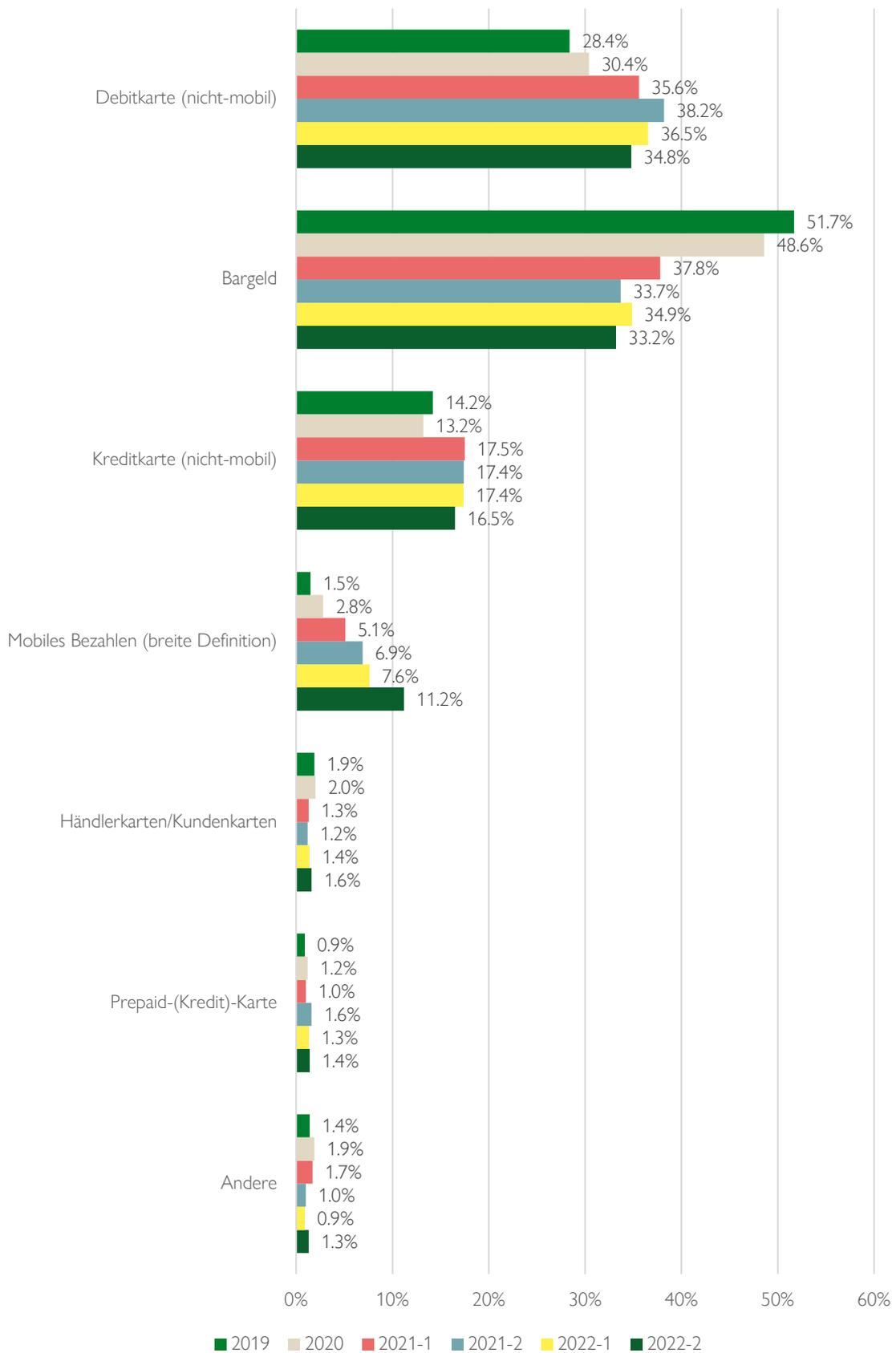


Figure 6: Payment instrument shares by number of transactions in the face-to-face business according to the means of payment
 Remarks: According to diary entries, only domestic payments. The category "mobile payments" also includes card payments that are initiated within a payment app or merchant-specific mobile app (see definition in Box 1).

3.3.2 According to billing product

The order of the turnover and transaction share of the four most popular settlement products in the presence business remains unchanged compared to the evaluation "according to means of payment" (cf. Figure 7 and Figure 8).

At 3.7 and 5.4 per cent, the on-site revenue and transaction share of mobile payments in the actual sense is more than half lower than according to the broader definition (8.3% and 11.2% respectively), while mobile payments by prepaid are negligible with 0.2 and 0.4 per cent revenue and transaction share respectively (cf. Figure 7 and Figure 8). This shows that the use of Twint in face-to-face business is not as widespread as in distance business (cf. section 3.4). Instead, a considerable share of mobile payments is made "according to payment method" (cf. Figure 5 and Figure 6) using e-wallets such as Apple Pay, Google Pay or Samsung Pay. Accordingly, the turnover and transaction share of the credit card as a billing product, at 27.5 and 20.5 per cent respectively, are significantly higher than in the consideration of the non-mobile use of the credit card as a means of payment.

Compared to the last survey, there is nevertheless a clear growth of mobile payment in the actual sense in stationary trade by 1.6 per centage points measured in terms of turnover and by 2.5 per centage points measured in terms of the number of transactions (cf. Figure 7 and Figure 8). For the other payment products, the picture of the analysis according to means of payment repeats itself: the share of turnover increased for debit cards (42.4%; +2.8 pp) and cash (22.7%; +0.9 pp), while the share according to number of transaction decreased by 0.9 and 1.7 per centage points respectively (cf. Figure 7 and Figure 8). The shift in turnover shares occurred partly at the expense of the credit card as a billing product: its turnover shares declined by 4.8 per centage points, while the credit card's share in terms of number of transactions remained almost stable (-0.3 PP) at 20.5 per cent (cf. Figure 7 and Figure 8).

In summary, the Swiss population more often paid small amounts on the spot by Twint instead of cash or debit card. Larger amounts, on the other hand, were paid less frequently by credit card in the most recent survey in face-to-face transactions and instead more frequently by debit card or also in cash.

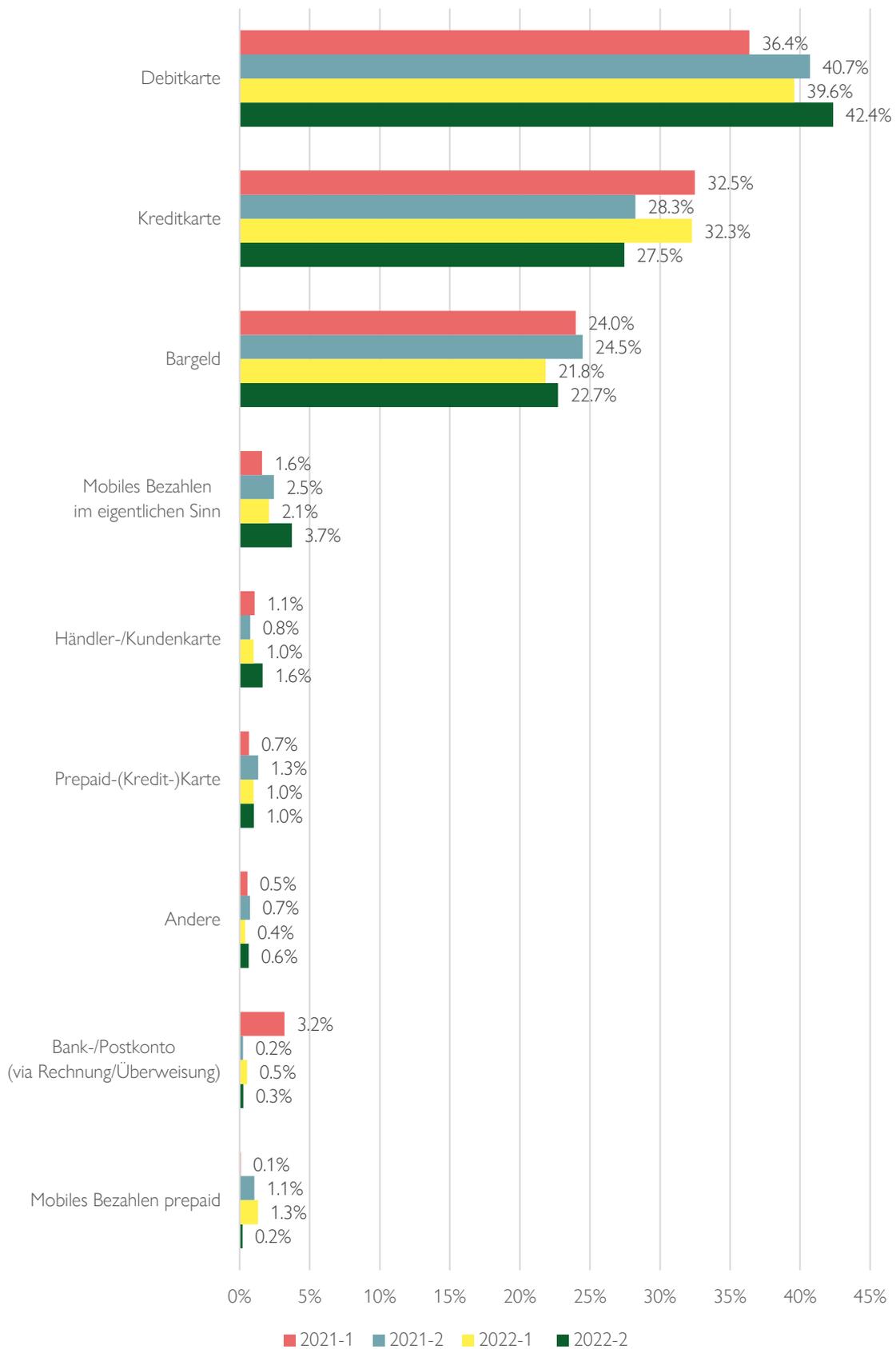


Figure 7: Payment instrument shares by turnover in the presence business according to settlement product
 Remarks: According to diary entries, domestic payments only.

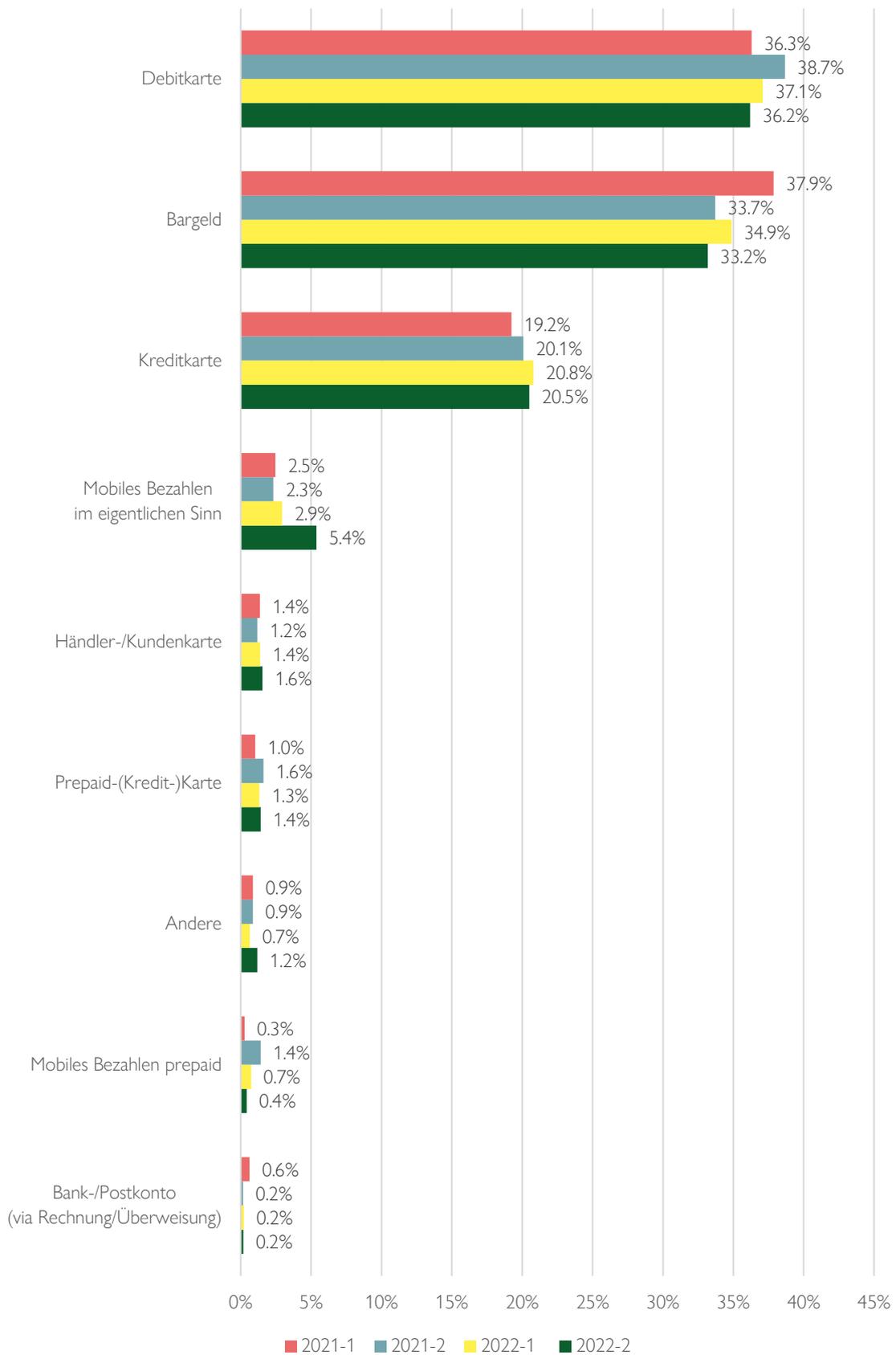


Figure 8: Payment instrument shares by number of transactions in the presence business according to settlement product
Remarks: According to diary entries, domestic payments only.

3.4 Distance business

3.4.1 According to means of payment

Figure 9 and Figure 10 show the development of the share of turnover and the share by number of transactions of different means of payment in the distance selling business over time. It is noticeable that in the current survey, invoices continue to account for by far the largest share of turnover in distance selling with 44.5 per cent, followed by mobile payments with 27.1 per cent (+6.7 pp within the year) and non-mobile payments by credit card with 17.1 per cent (-1.1 pp within the year) (cf. Figure 9).¹²

An examination of the shares by number of transactions shows that more than every second (53.5%) distance payment is now processed via a mobile device, which corresponds to an increase of 4.4 per centage points compared to the last survey (cf. Figure 10). Just under half of mobile distance payments happen via an app with an integrated payment function. These include, for example, apps for booking travel, shopping, ordering food and other activities that are increasingly being carried out via mobile apps instead of via an internet browser. These so-called in-app payments are usually based on a credit card, as described in the Figure 13 in section 4 shows.

The growth of mobile payments in the distance business occurred primarily at the expense of the bill as a means of payment, which lost 4.2 per centage points in terms of the number of transactions to a share of 21.8 per cent (cf. Figure 10). The relative transaction shares of non-mobile use of credit card (11.1%; +0.8 PP) and debit card (2.1%; +0.5 PP) as well as internet payment methods (8.0%; +0.6 PP) remained almost at the same level as in the last survey.

¹² In all comparisons of the share of turnover in distance selling, we prefer to make a comparison with the penultimate survey (SPM 2/2021), since in the last survey (SPM 1/2022) some very large amounts were paid by invoice and thus the relative share of invoices was strongly distorted upwards (and at the same time the relative shares of all other means of payment were distorted downwards). The number of transactions is not affected, which is why the shares of SPM 1/2022 are compared here.

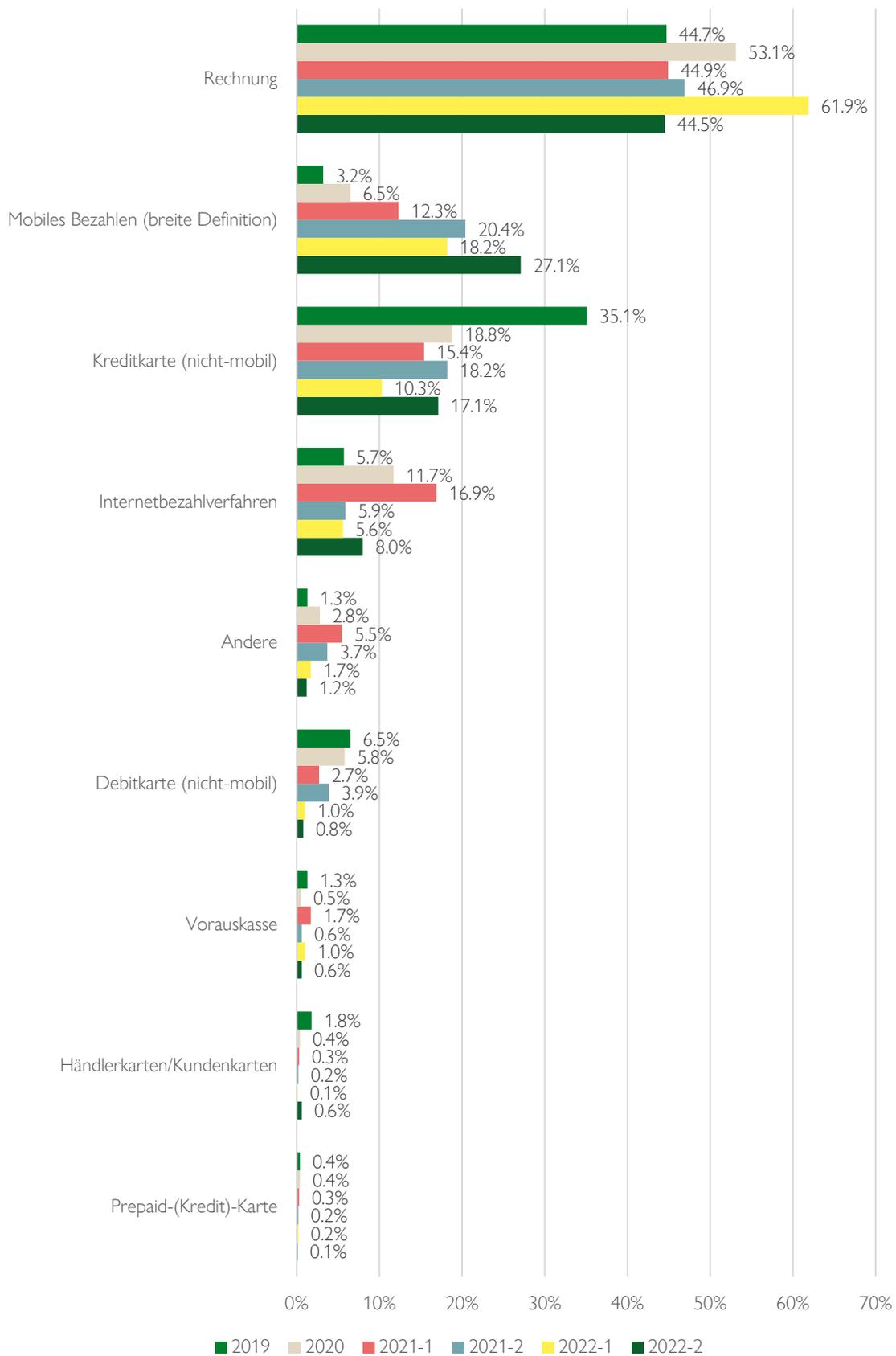


Figure 9: Payment instrument shares by turnover in distance business according to means of payment
 Remarks: According to diary entries, only domestic payments. The category "mobile payments" also includes card payments that are initiated within a payment app or merchant-specific mobile app (see definition in Box 1). As explained in footnote 4 the values for 2022-1 differ slightly from the SPM 1/2022 report.

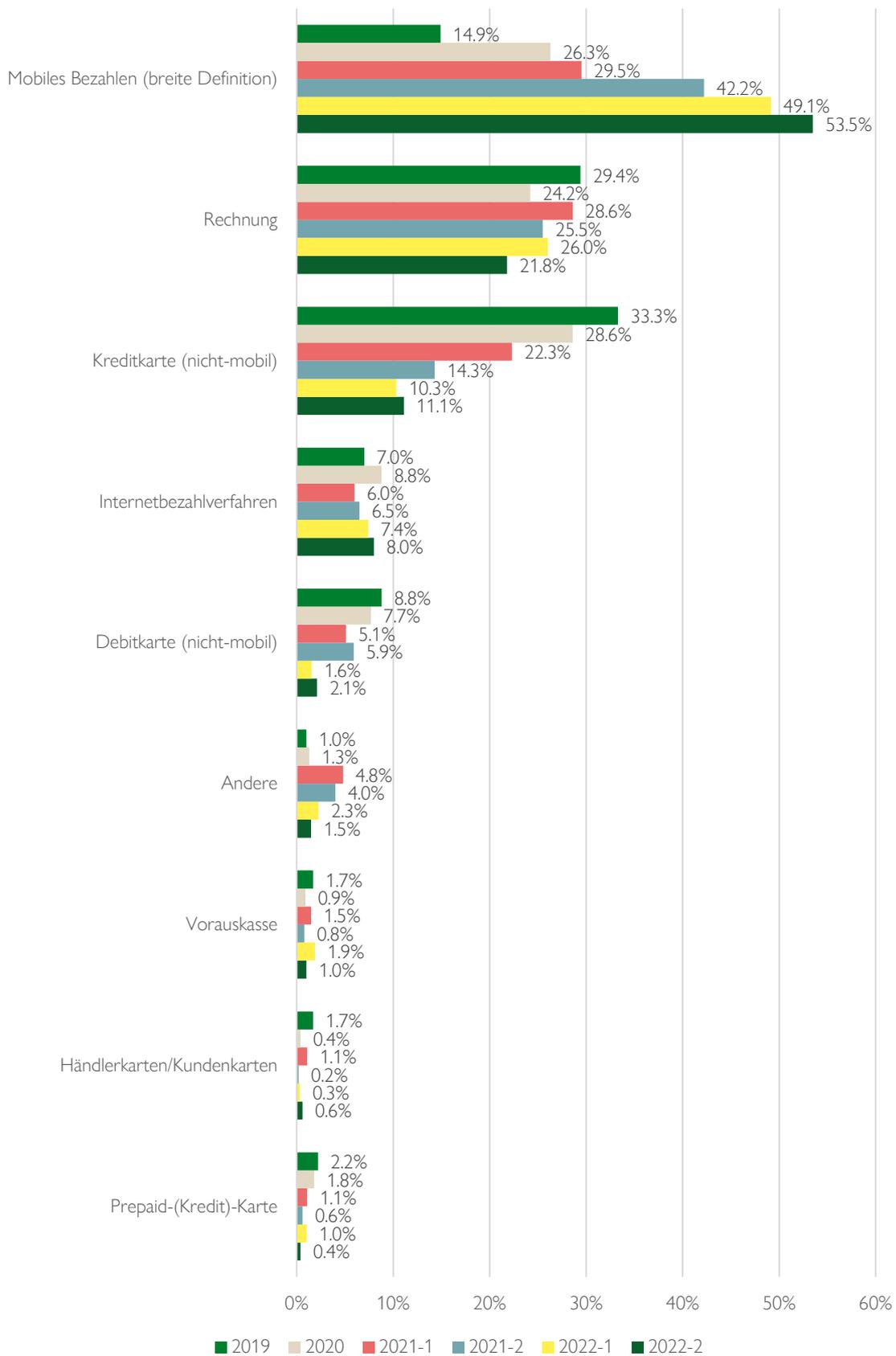


Figure 10: Payment instrument shares by number of transactions in distance business according to means of payment
 Remarks: According to diary entries, only domestic payments. The category "mobile payments" also includes card payments that are initiated within a payment app or merchant-specific mobile app (see definition in Box 1).

3.4.2 According to billing product

The analysis of the distance business according to billing product makes it clear in comparison to the analysis according to means of payment that the credit card is the billing product for many online payments via a mobile device. In this view, the credit card is the most frequently used payment product with a share of 32.9 per cent, followed by mobile payments in the actual sense with a 30.8 per cent share of the number of transactions (cf. Figure 12).

Measured by turnover, on the other hand, the bank/postal account as a billing product for bills and transfers in the distance business is the most popular billing product with a share of 39.7 per cent, followed by mobile payment in the actual sense (28.1%) and the credit card (26.6%) (cf. Figure 11). This makes it clear that, in relative terms, large amounts are paid more frequently by bill and thus settled via the bank/postal account.

A year-on-year comparison of the share of turnover shows a clear decline in the bank/postal account as a billing product for bills and transfers to 39.7 per cent (-14.6 PP), while mobile payment in the actual sense (+14.3 PP) and the credit card (+6.8 PP) as a billing product have increased significantly (cf. Figure 11).¹³ Compared to the last SPM 1/2022, this development is even more significant: on the one hand, due to very large amounts in the last survey and the associated high turnover shares (see footnote 12), on the other hand, due to the shift in the distance business with regard to the frequency of use of the billing products (cf. Figure 12).

Measured in terms of the number of transactions, the share of credit cards in the distance business increased by 7.0 per centage points and that of mobile payments in the actual sense by 10.6 per centage points compared to the last survey (cf. Figure 12). This as a substitution of the bank/postal account (-13.5 PP) and of mobile prepaid solutions (-6.4 PP) as billing products (cf. Figure 12).

In summary, this shows that the increased use of mobile devices for online transactions led to a decline in the use of the classic invoice as a means of payment and thus the bank/postal account as a billing product for invoices and transfers - and this also for larger amounts. Instead, mobile payments in the actual sense (where the bank account is usually used) and payments with the credit card as a billing product in distance business increased significantly.

One possible explanation for this is that when a transaction is initiated via a mobile device (i.e. mobile payment "according to payment method"), payment via Twint or with a credit card stored in the app or e-wallet does not require a change of media. This could reduce the perceived advantage of ordering online by invoice in relative terms, which is why the invoice option for online orders is used less frequently with increased use of mobile devices.

¹³ In all comparisons of the share of turnover in distance selling, we prefer to make a comparison with the penultimate survey (SPM 2/2021), since in the last survey (SPM 1/2022) some very large amounts were paid by invoice and thus the relative share of invoices was strongly distorted upwards (and at the same time the relative shares of all other means of payment were distorted downwards). The number of transactions is not affected, which is why the shares of SPM 1/2022 are compared here.

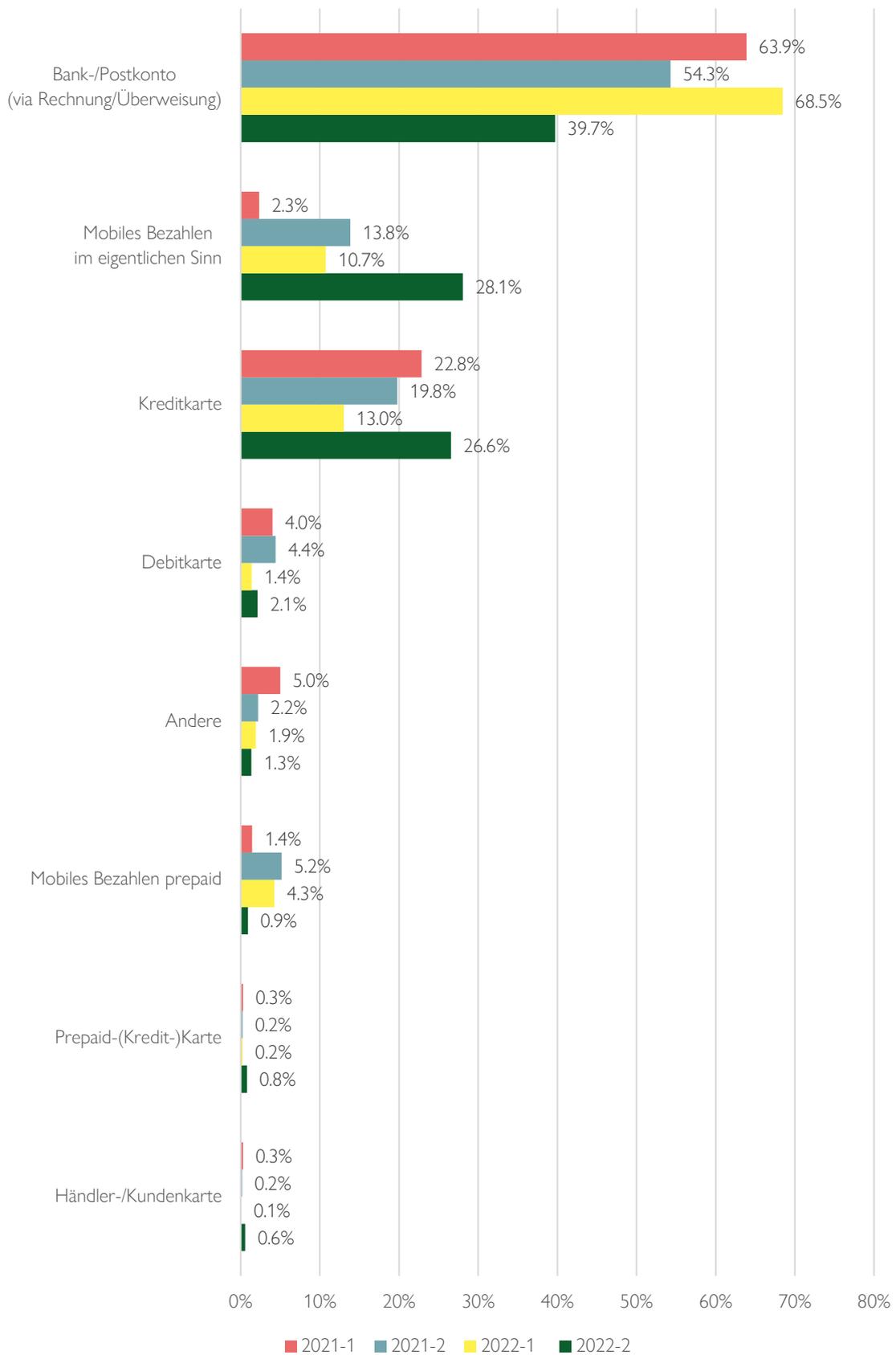


Figure 11: Payment instrument shares by turnover in distance business according to billing product
 Remarks: According to diary entries, domestic payments only.

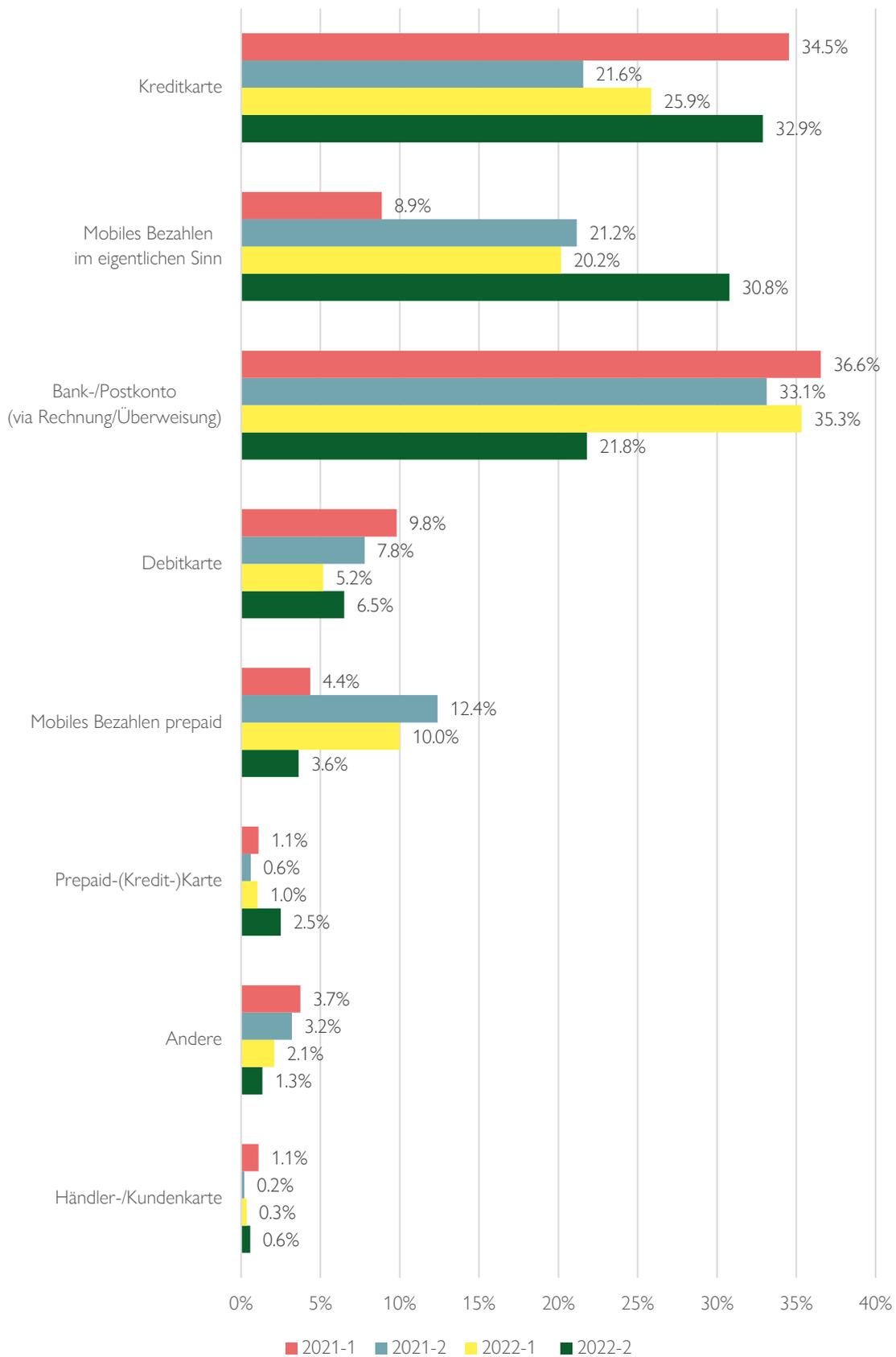


Figure 12: Payment instrument shares by number of transactions in distance business according to settlement product
 Remarks: According to diary entries, domestic payments only.

4 Mobile payment

4.1 Underlying means of payment

To differentiate between means of payment and billing product in section 3 the underlying means of payment of the mobile transactions was collected in the diary survey. Figure 13 shows an overview of the underlying means of payment separated by Twint, other mobile payment apps and in-app payments.

Among all Twint payments, around 82 per cent are directly linked to the bank account, followed by credit card (11.0%) and prepaid or prepayment (2.2%) (cf. Figure 13). This means that the proportion of Twint payments with a direct account link has risen again by around 4 percentage points compared to the last survey.

Other mobile payment apps such as Apple Pay, Google Pay or Samsung Pay are mainly linked to the credit card: 67.6 per cent of transactions with other payment apps (excluding Twint) are based on credit cards, followed by direct account link (14.8%) and the debit card (11.9%). For in-app payments such as SBB Mobile, Starbucks or Zalando, a credit card is also used most frequently, at 66.7 per cent, followed by direct account connection (20.0%) and the debit card (13.3%) (cf. Figure 13).

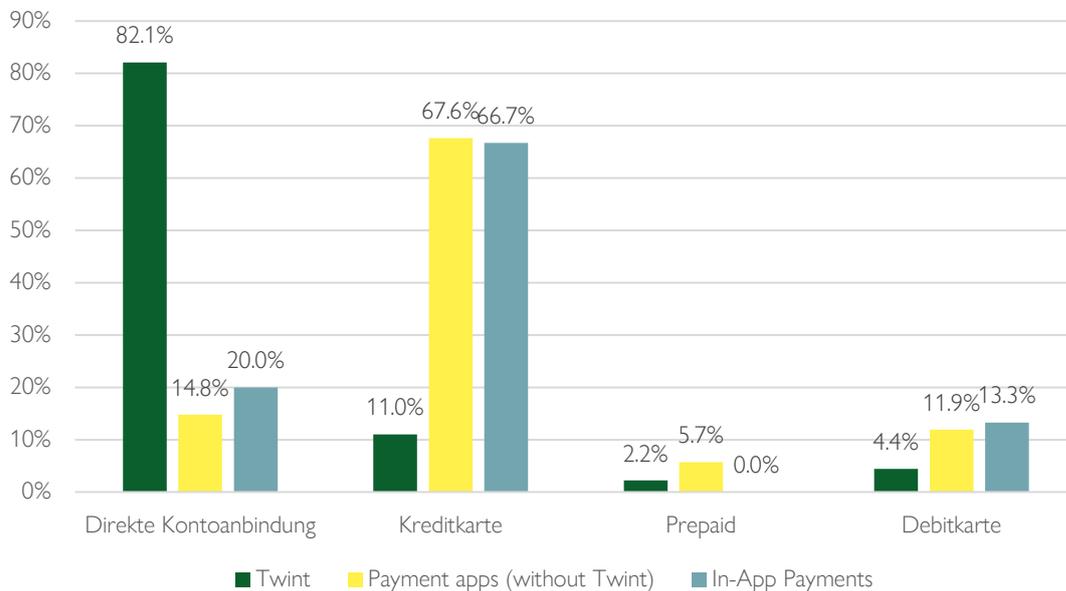


Figure 13: Underlying means of payment for mobile payments
Remarks: According to diary entries in May 2022, domestic payments only.

4.2 Mobile payment according to payment method

In the current survey, mobile payments were most frequently made on site in shops using QR codes (29.3% of the number of transactions) or via NFC (23.7%), followed by apps with an integrated payment function (22.0%) (cf. Figure 14). This shows that mobile payments are also increasingly being made on site in shops, most frequently with Twint, which uses QR code technology for stationary payments.

Twint is by far the most used mobile payment solution in Switzerland overall: 71.3 per cent (+8.4 PP) of turnover and 61.4 per cent (+0.1 PP) of the number of transactions with mobile devices are processed with Twint. Apple Pay, the second most-used mobile payment solution, also grew significantly compared to SPM 1/2022: it accounts for around 13.3 per cent (+5.4 PP) of turnover and 18.6 per cent (+6.6 PP) by number of transactions with mobile devices.

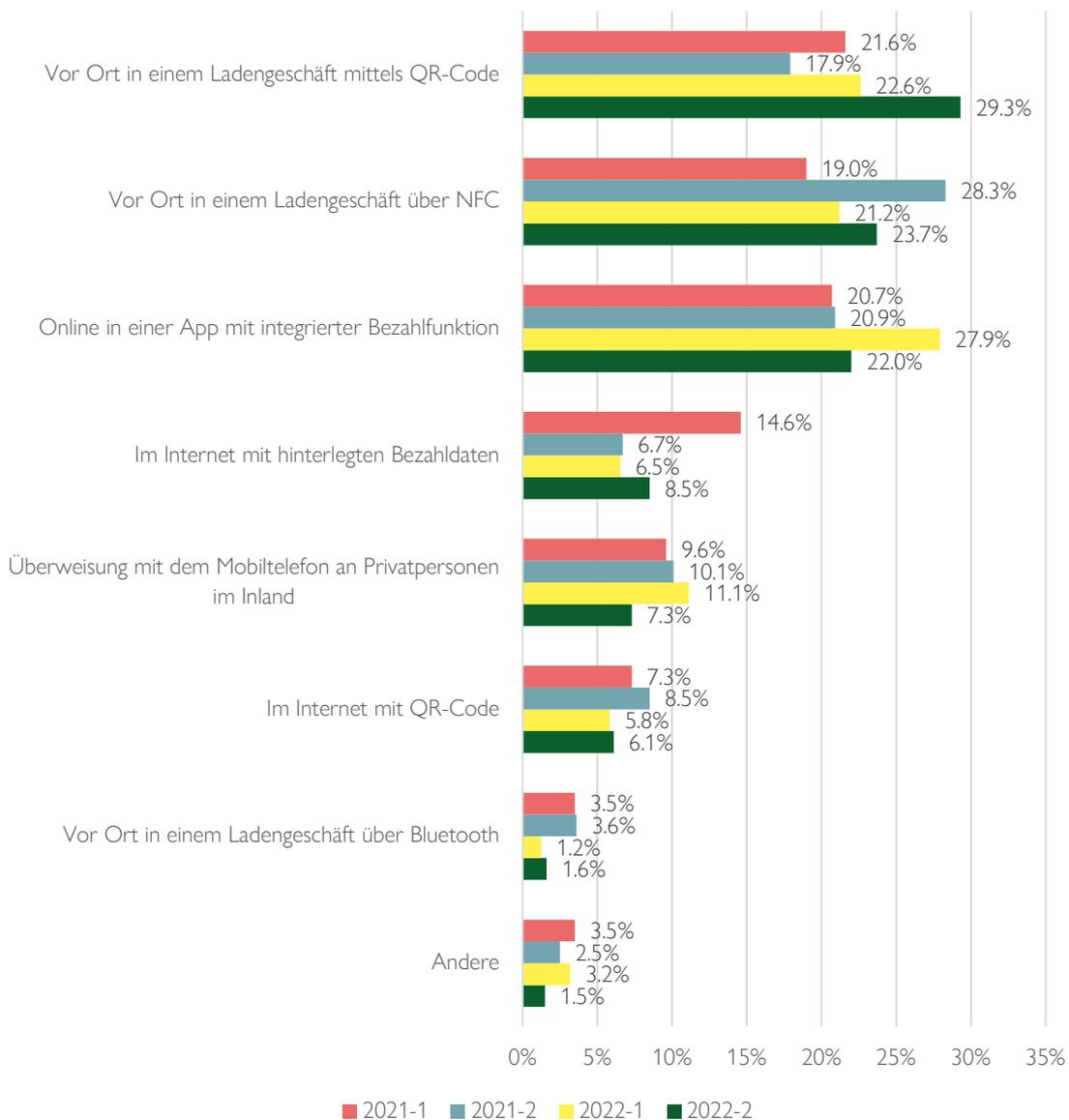


Figure 14: Share of mobile payments by payment type/procedure according to number of transactions

Remarks: According to diary entries in May 2022, only domestic payments. Definitions of mobile payments according to Box 1.

5 Cash use

The importance of cash has declined sharply among the Swiss population, especially since the outbreak of the corona pandemic. In the course of 2021, however, cash use has levelled off at a still relatively high level (cf. chapter 3). In the meantime, one in seven people surveyed (15%) has completely dispensed with carrying cash in their wallet (cf. Figure 15). This proportion has remained relatively stable since the 1/2021 survey.

This also applies to the amount of cash carried in the wallet, which was at a median of 50 Fr. in each survey and slightly above 80 Fr. on average. 39 per cent of respondents said they did not usually keep or hoard cash at home (cf. Figure 15). This proportion shows a slight downward trend in the last one and a half years, which could be due to various social crises such as the pandemic and the war in Ukraine. The amount of cash kept at home remained constant at a median of 200 Fr.

Cash is used significantly less frequently in Switzerland than it was two years ago (cf. chapter 3), this has hardly had any influence on its status among the Swiss population. As Figure 16 shows, 61 per cent of respondents expressed a critical view of a possible abolition of cash, with a strong opinion among 38 per cent of respondents. Only 7 per cent of respondents would clearly welcome a complete abolition of cash (cf. Figure 16). The share of respondents without a clear preference on the topic of abolishing cash is rather small at 19 per cent. This shows that this topic is polarising and that most respondents have a clear opinion on it.

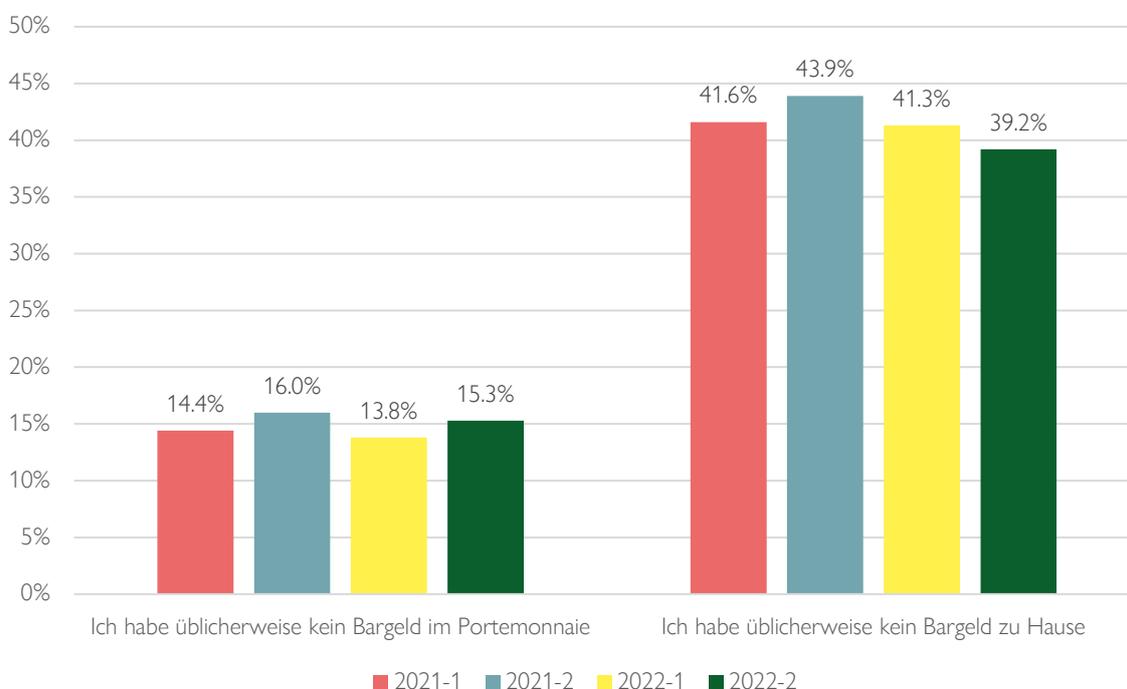


Figure 15: Cash possession

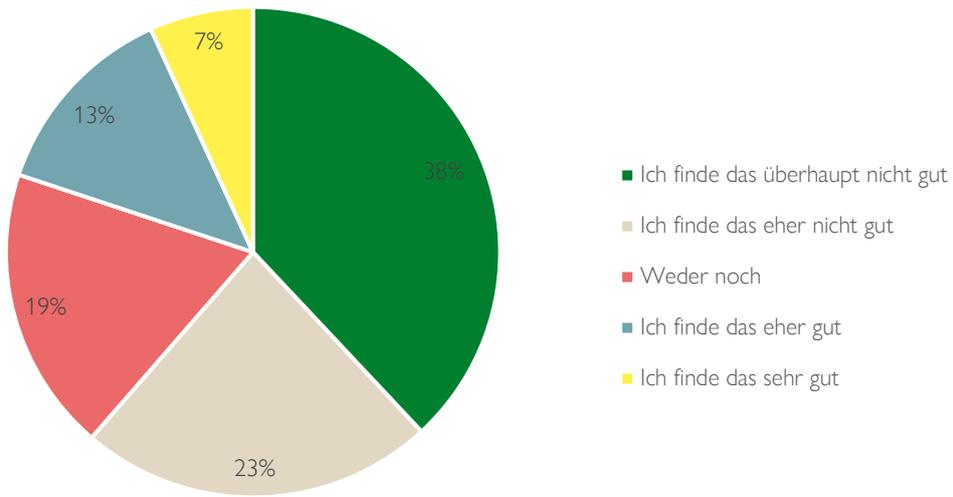


Figure 16: Assessment of the abolition of cash
 Question: "Imagine that cash is completely abolished. What do you think of that? "

6 Neobanks

Overall, 75.5 per cent of people in this country know at least one of the most common neobanking providers, which is almost identical to the last survey in November 2022. The best-known providers are Revolut (50.1% awareness rate), Credit Suisse's CSX¹⁴ (49.1%), Neon (39.0%) and Zak (38.4%) (cf. Figure 17). Compared to the last survey, Revolut (+4.3 PP) and Neon (+3.7 PP) have once again strongly increased in awareness. Awareness of the newer Neobank Yuh¹⁵, which is already known to 25.3 per cent of respondents (+7.3 PP), has also risen sharply (cf. Figure 17).

Overall, 32.6 per cent of respondents - 3.6 per centage points more than six months ago - said they had already used new online banking solutions from a new bank at least once. As Figure 17 shows, Revolut is used most frequently (12.9% of respondents; +1.1 PP), followed by the Swiss providers Neon (10.6%; +1.6 PP), Credit Suisse CSX (8.9%; +2.0 PP) and Zak (7.9%; -0.2 PP). It is noticeable that Zak is the only Neobank to show a downward trend both in terms of awareness (-0.6 PP) and use (cf. Figure 17).

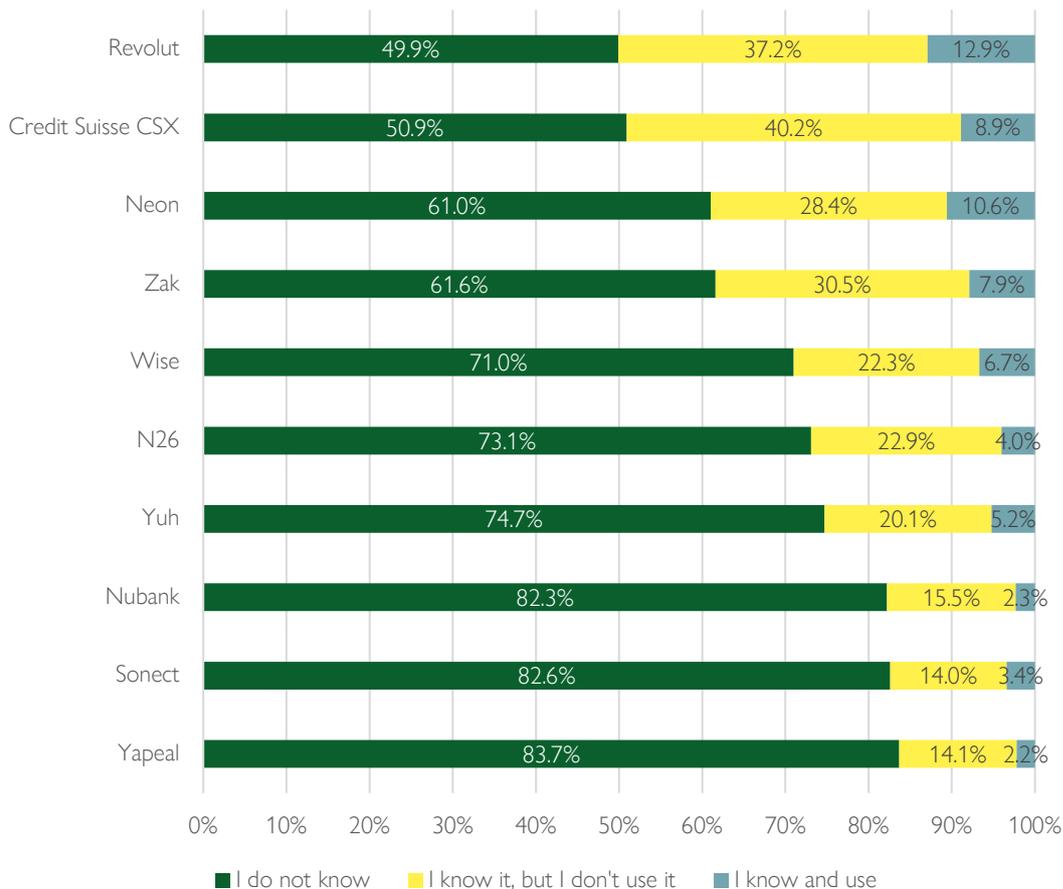


Figure 17: Awareness and use of neobanks 2022-2
Question: "Please indicate for each provider which of the statements applies to you."

¹⁴ The fact that the name of the well-known major bank "Credit Suisse" is part of the name of the purely digital banking offering could lead to the share of CSX connoisseurs being overestimated.

¹⁵ Yuh is a financial app created in collaboration between Swissquote and PostFinance in 2021.

Neobanks' services are most frequently used for money transfers (66.1% of neobank users) and for payments on site or online (60.4%). Almost half of the users also withdraw cash from their neobank account (47.6%) or use it abroad to pay or withdraw money (44.8%). All these forms of use increased significantly compared to the last survey. This shows that neobanks are increasingly being used for various services.

Nevertheless, the majority of respondents (59.8%) do not want to do without the traditional range of financial services (cf. Figure 18). The intention to give up the previous offer due to the use of neobanks remained practically stable in the past two years (cf. Figure 18).

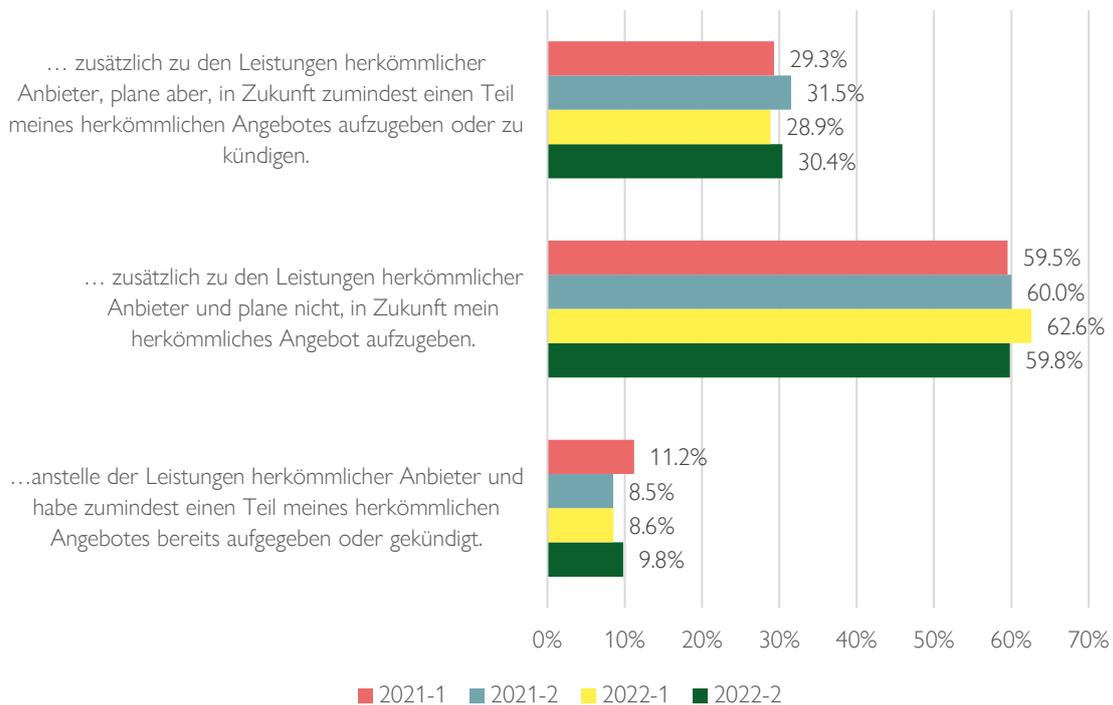


Figure 18: Substitution of traditional banking services by neobanks
Question: "I use the services of the digital/neo banks..."

7 Buy Now, Pay Later

7.1 Explanation of Buy Now, Pay Later

"Buy Now, Pay Later" - or according to the German translation "Kaufe jetzt und bezahle später" - is one of the big payment trends of the recent past. This is a purchase solution on account or in instalments, which makes it possible to decouple the time of consumption from the time of payment.

This instalment purchase solution is not fundamentally new, but the modern payment solution differs from the traditional instalment purchase in terms of the payment experience by offering more individual and quicker, simple solutions with a lot of freedom of choice. Accordingly, consumers can better adapt them to their own needs and have a lot of freedom in deciding when and how to pay for their purchases.

In addition to the Swedish financial start-up "Klarna", which entered the Swiss market last year, Apple has also launched services on a BNPL basis for Apple Pay users (currently only in the USA). Further forays by other payment service providers in Switzerland, which are already established in other countries, are also to be expected.

However, it is not yet clear how much of a response such offers will meet in Switzerland, as it is often argued that the Swiss population is critical of indebtedness through consumption on credit or instalments. Nevertheless, it is possible that more consumers will be prompted to finance their consumption through instalment purchases, not least due to rising inflation.

Against this background, the topic of BNPL was examined in greater depth in the current edition of the Swiss Payment Monitor and several questions on this topic were added to the current online survey. Among other things, the following questions were to be answered:

- What acceptance do BNPL offers have among consumers in Switzerland?
- Are there differences in preference regarding BNPL with regard to socio-demographic characteristics (e.g. gender, age, income)?
- Are there differences in the potential use of BNPL depending on different product categories or price?
- What influence do interest rates have on the use of BNPL compared to free offers?

7.2 Results

7.2.1 Direct query

In a direct questionnaire, the respondents were asked whether they could imagine buying a higher-priced product that they wanted but did not urgently need (e.g. new skis, a mountain bike or a new watch) on instalments. This shows that about a third of all respondents could not imagine buying such a product on instalments under any circumstances, even if this did not incur any interest or fees (cf. Figure 19). Another 20 per cent (rather) could not imagine making a purchase.

In contrast to this, almost half of all respondents say they are rather open to buying by instalment (cf. Figure 19). The additional comment made to half of the respondents each that the purchase would still be possible or not possible without the option of purchase by instalment had no statistically significant influence on the preference for purchase by instalment. It can therefore be assumed that people who have a negative (positive) attitude towards an instalment purchase do so even if they could not otherwise afford the product or could otherwise afford it (cf. Figure 19).

The acceptance of using BNPL is independent of age, but differs in terms of income: People with a higher income are less able to imagine buying a product on instalments that they would otherwise not be able to afford. There are also statistically significant gender differences: women (mean [MW]=3.39) are more inclined than men (MW=3.15) to buy a product on credit that they could not otherwise afford. However, if they could easily afford the product, men (MW=3.27) are more positive about an instalment purchase than women (MW=2.98).

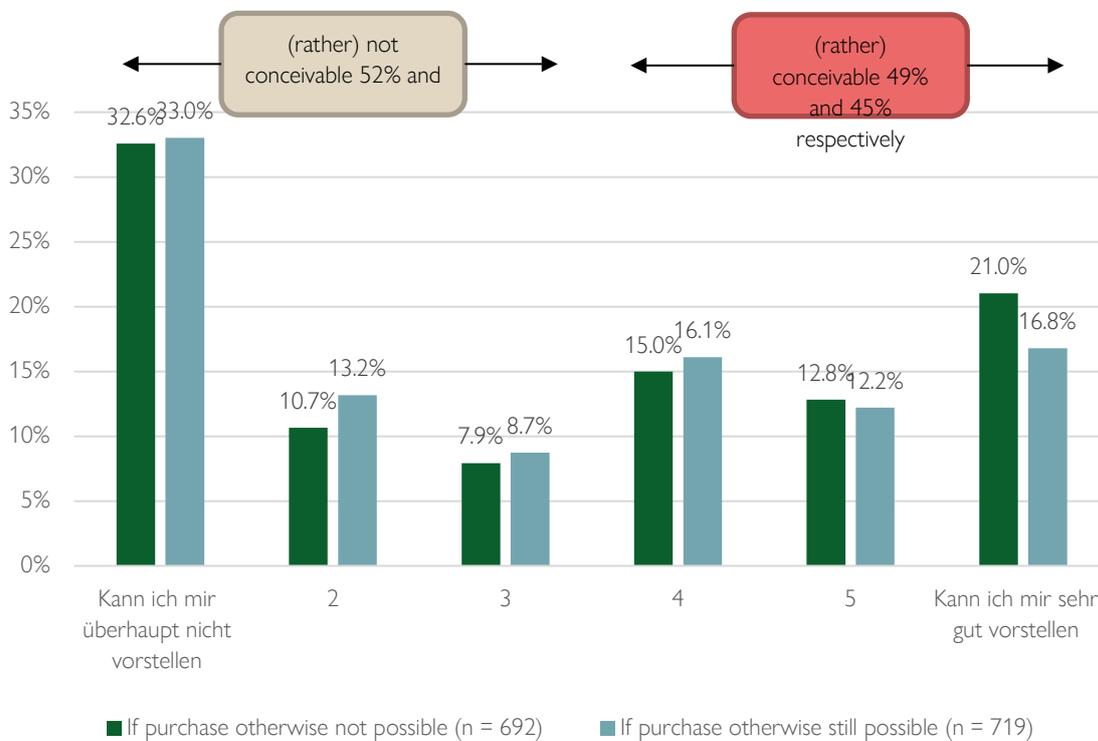


Figure 19: Preferences for hire purchase (direct query)
 Question: "[Assume you could easily afford to pay for the product immediately.]/[Assume you could not currently afford to buy the product.] Could you imagine buying the product in instalments (e.g. paying it off over the next 12 months) if this would not incur any additional fees or interest for you? "

7.2.2 Indirect query

In addition to the direct survey on the acceptance of BNPL, the preferences for an instalment purchase were examined within the framework of an experimental design (indirect survey) on the basis of various scenarios, in each case with and without interest:

- Buying a refrigerator (high price)
- Buying an airline ticket for the holiday trip (medium price)
- Purchase of sportswear (low price)

The scenario for the purchase of sportswear is exemplified in Figure 20 shown. The test persons had the following payment options to choose from:

- Credit card
- Debit card
- Invoice, payable within 4 weeks
- Internet payment methods (e.g. Paypal, Sofortüberweisung/Klarna etc.)
- Twint
- Payment in x^{16} constant monthly instalments ([0%]/[5%] interest)
- Flexible monthly instalments over x^{16} months ([0%]/[6%] interest)

In this decision-making situation, the aim was to determine which preferences regarding BNPL are actually revealed in a purchase situation that is as close to reality as possible and whether these differ for an instalment purchase depending on the product category or price and the costs of BNPL (with or without interest). The interest rate in the scenarios with interest for the instalment purchase additionally differed according to whether fixed repayment instalments (5% interest) or flexible repayment instalments (6% interest) were chosen. The interest rates were deliberately kept comparatively low¹⁷ in order to check whether even a relatively low interest rate has an influence on the use of BNPL compared to free offers. Accordingly, it can be assumed that a higher interest rate would lead to a stronger effect.

The experimental design can also determine whether the acceptance of an interest rate also differs depending on the product category. For example, it could be assumed that interest rates on instalment purchases for products with a purpose-oriented character, such as a refrigerator, are more likely to be accepted by consumers than for products that serve individual well-being (e.g. a holiday trip).

¹⁶ The number of months x for the instalment payments was chosen differently depending on the amount to be paid: Fridge 12 months, flight ticket 6 months, sportswear 3 months.

¹⁷ Compared to consumer loans or interest on credit card debt.

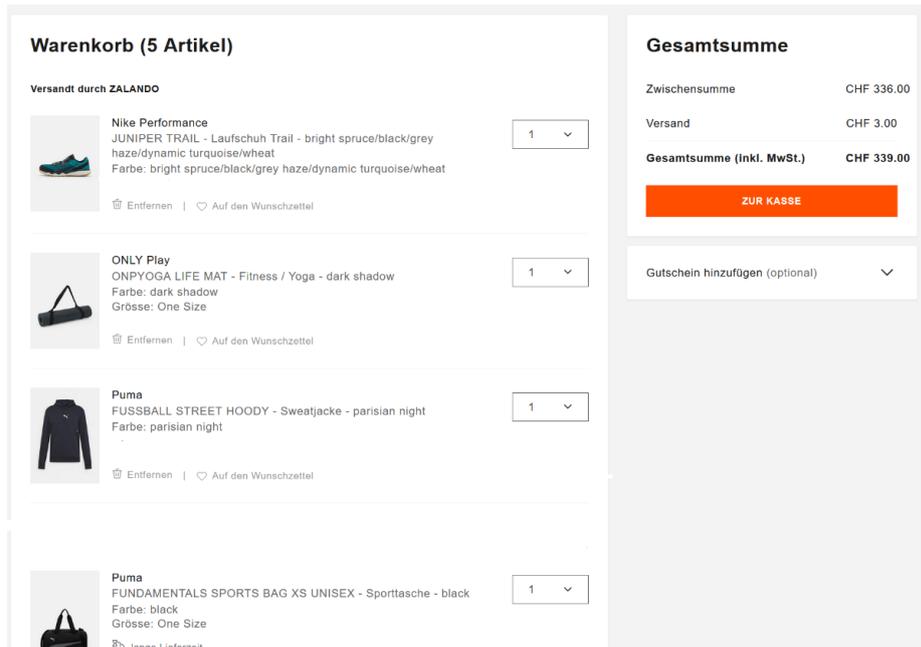


Figure 20: Sportswear purchase scenario
 Scenario: "Please imagine that you would like to buy clothing and sporting goods. After extensive research, you have chosen the following items from an online retailer:"

The results of the different scenarios show that the instalment purchase option plays a subordinate role in the concrete decision between different payment methods - even if it is free (i.e., 0% interest) for the respondents (cf. Figure 21). Overall, credit card purchase and purchase on account are chosen most frequently. This shows that this hypothetical scenario reproduces the actual payment behaviour presented in section 3.4 well.

The preferences for a means of payment differ statistically significantly between the different scenarios. As Figure 21 shows, airline tickets are paid for particularly frequently by credit card, while the majority of people choose to pay by invoice, especially for clothing, but also for the refrigerator. With regard to the instalment purchase option, it becomes apparent that this is chosen somewhat more frequently (in constant instalments) for the more expensive refrigerator than for the other two purchases. It also shows that the respondents who prefer to pay by Twint prefer this payment option regardless of the product category.

A comparison between the decision situations with and without an interest rate for the instalment purchase option shows that it is chosen less frequently with a positive interest rate for constant or flexible monthly instalments (cf. Figure 22). In particular, the introduction of an interest rate on the instalment purchase with flexible instalments leads to a statistically significant drop in the choice of this payment method by 6 PP from 7.8 per cent to 1.8 per cent across all purchase scenarios (cf. Figure 22).

This is also reflected in a more detailed look within the individual purchase scenarios. While for the purchase of the high-priced refrigerator, where the focus is more on practical use, the decline in the constant rates is rather small (from 10.9% to 8.4%), the decline in the flexible rates is relatively large (from 9.1% to 2.5%).

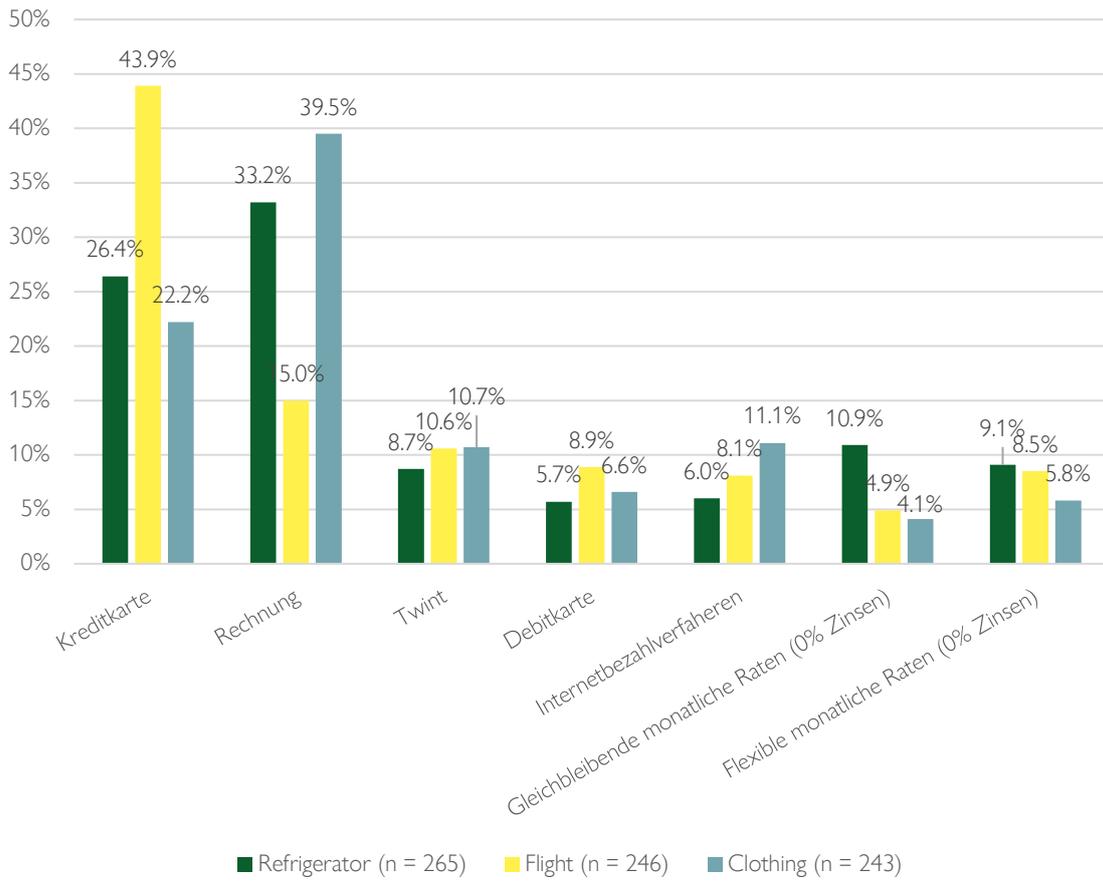


Figure 21: Payment methods chosen in the different scenarios

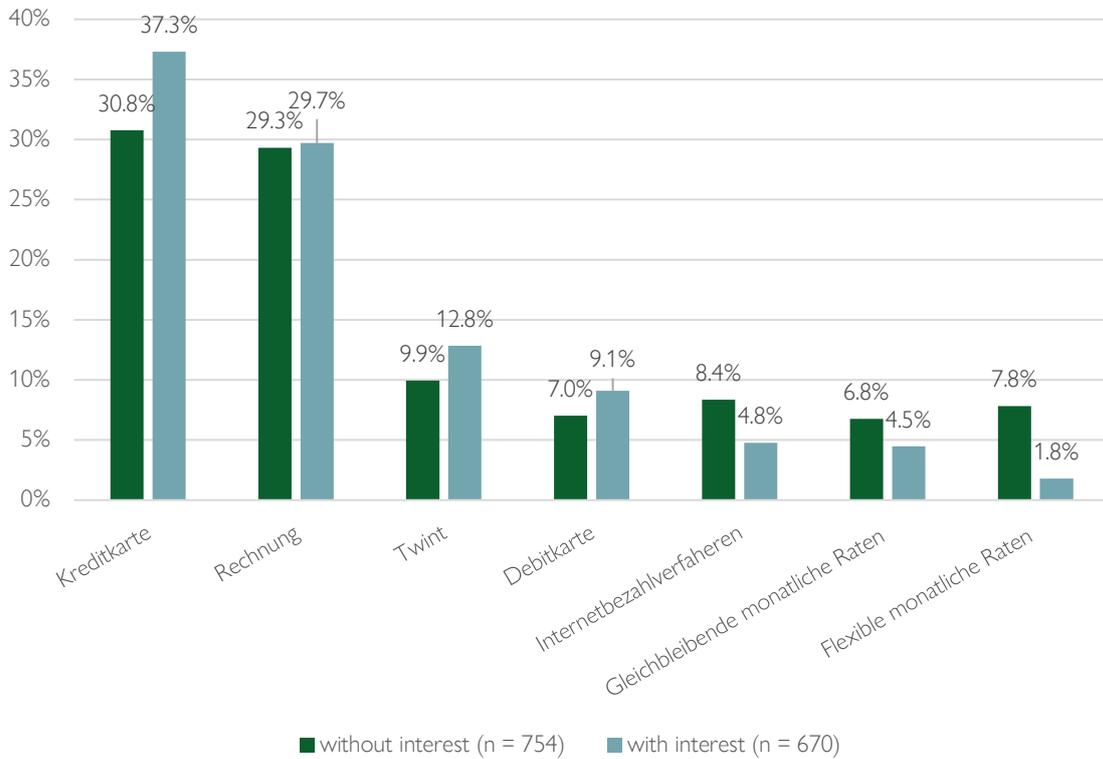


Figure 22: Selected payment methods with and without interest for purchase in monthly instalments
Remarks: Interest rate of 5% for constant and 6% for flexible monthly instalments.

For the cheaper, hedonistic goods such as the holiday trip or sportswear, the payment option at constant rates hardly played a role even without interest (cf. Figure 21). The positive interest rate for the instalment payments has a corresponding effect in these two purchase scenarios above all on the frequency of the choice of purchase with flexible instalments, which decreases significantly and ensures that the instalment payment option is de facto almost no longer used at all.

In summary, around half of the Swiss population is principally open to instalment payment options. However, when confronted with a realistic (albeit hypothetical) online purchase scenario, it becomes apparent that the instalment purchase option is hardly ever chosen, especially if the purchase price is rather low and even less so if interest accrues on the outstanding instalments.

8 Closing words

The aim of this sixth edition of the Swiss Payment Monitor was to highlight current changes in the payment behaviour of the Swiss population and to place them in the context of long-term developments. With the help of a representative online survey and subsequent diary recording of all payments by the participants, the following findings were obtained.

The measures to contain the coronavirus have now all been lifted in Switzerland, which is why this issue of the SPM offers an insight into the payment behaviour of the Swiss population in the "New Normal". It shows that the debit card is the most used means of payment and billing product in Switzerland, both in terms of frequency of use and in terms of turnover. Cash use has stabilised after the sharp decline at the beginning of the pandemic.

In the face-to-face business, every third payment is made with cash. This corresponds to 3 percentage points less than with the debit card as a payment product. The credit card as a payment product loses turnover shares in the face-to-face business, but increases significantly in the distance business. It benefits from the strong growth in the use of mobile devices, especially in the distance business. Meanwhile, every second payment in the distance business is processed via a mobile device, which is mainly due to payments in apps with an integrated payment function, which are often backed by a credit card. This also has an impact on the invoice as a means of payment, whose relative share of the number of transactions is declining sharply.

Mobile payment is also becoming more common in bricks-and-mortar business, especially for payments in a retail shop with a QR code or via NFC. Twint is by far the most used mobile payment solution in Switzerland, accounting for 71.3 per cent (+8.4 PP) of sales and 61.4 per cent (+0.1 PP) of the number of transactions with mobile devices. In the last half-year, however, Apple Pay in second place also showed significant growth.

One third of the Swiss population has already used offers from a neobank. This corresponds to an increase of around 4 percentage points compared to the last survey six months ago. Revolut, Neon and Credit Suisse CSX are the most frequently used and have continued to gain users.

Around half of the Swiss population is open in principle to the new "Buy Now, Pay Later" offers. However, when confronted with a realistic (albeit hypothetical) online purchase scenario, it becomes clear that the instalment purchase option is hardly chosen, especially if the purchase price is rather low and even less so if interest accrues on the outstanding instalments.

In the first half of 2022, the debit card established itself as the most popular means of payment in Switzerland. Cash usage stabilised (at a lower level). Among the cashless means of payment, mobile payments in all forms continue to grow, which has a positive effect on the use of the credit card as a billing product, especially for online purchases. The next survey in November 2022 will show whether this trend will continue.

Appendix

Study design

The goal of the Swiss Payment Monitor is to comprehensively illuminate the Swiss payment landscape from different perspectives. By combining different research methods, the study offers an integrated view of the payments market and enables new developments to be recorded and relevant drivers to be identified over time through regular data collection.

The study includes a micro and a macro perspective (cf. Figure 23). The micro perspective consists of an online survey with questions on payment behaviour and a payment diary filled out by the respondents over three days. The macro perspective is based on the analysis of the publicly available data material on electronic payment transactions of the Swiss National Bank. This data can be viewed interactively on the project homepage at www.swisspaymentmonitor.ch/snb-daten and is updated continuously.



Figure 23: Study design of the Swiss Payment Monitor