

# JUST TAP TO PAY

OCTOBER 2019

HOW WE WILL PAY BRIEF SERIES

CONTACTLESS PAYMENTS



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The How We Will Pay Brief Series is part of the How We Will Pay Study, a PYMNTS and Visa collaboration, and asks consumers a variety of questions about specific behavioral patterns, buying habits and shopping preferences related to connected commerce. Detailed analyses of the study's findings are listed in full in the report. The study was conducted among a panel of approximately 5,050 users aged 18 or older within the United States. In the 2019 edition, we build upon the findings from our 2018 analysis, mapping the evolution of connected consumer spending habits.

The How We Will Pay Brief Series was done in collaboration with Visa, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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# INTRODUCTION

## HOW WE WILL PAY

Every new payment method needs a use case to ignite it. For contactless cards, that use case was transit.

Hong Kong was first introduced to contactless card payments in 1997 with its launch of the Octopus card for the city's transit system. By 2016, Octopus cards could be used to buy a wide assortment of retail goods and services — from haircuts to medical checkups — and process more than 14 million transactions each day collectively valued at more than HK\$189 million.<sup>1</sup>

The United Kingdom was also early to adopt contactless transit cards. The London Transit Commission launched the Oyster card for the Tube in 2014, allowing riders to make tap-and-go

payments that automatically charged their accounts based on their desired destinations. The card originally supported the transit transactions of just 70,000 London bus passengers,<sup>2</sup> but U.K. consumers had developed enough of a taste for open-loop contactless payments by 2018 that nearly 119 million such credit and debit cards were in circulation.<sup>3</sup> Those cards now support transactions in virtually every commercial ecosystem in the country.

The move to contactless transactions has taken more time here in the United States. Merchants had to install point-of-sale (POS) terminals that accepted contactless cards, and banks had to issue them. There were only 15 million contactless cards shipped within the country just five years ago,<sup>4</sup> and approximately 32 percent of

<sup>1</sup> Singh, H. Hongkongers will soon be able to use phones in place of Octopus cards. South China Morning Post. 2017. <https://www.scmp.com/news/hong-kong/economy/article/2123878/hongkongers-will-soon-be-able-use-phones-place-octopus-cards>. Accessed October 2019.

<sup>2</sup> Topham, G. London tube introduces contactless payments. The Guardian. 2014. <https://www.theguardian.com/money/2014/sep/16/london-tube-contactless-payments-underground-oyster>. Accessed October 2019.

<sup>3</sup> Frangoul, A. Contactless tech helps debit card use in UK outstrip cash for first time. CNBC. 2018. <https://www.cnbc.com/2018/06/18/contactless-tech-helps-debit-card-use-in-uk-outstrip-cash-for-first-time.html>. Accessed October 2019.

<sup>4</sup> Contactless payment card shipments surge. PYMNTS.com. 2015. <https://www.pymnts.com/news/2015/contactless-cards-see-wild-growth-in-2014/>. Accessed October 2019.



merchants used POS terminals that could process them.<sup>5</sup> Nearly all brick-and-mortar merchants in the U.S. today accept contactless payments, and 50 percent of all Visa transactions take place at merchants that have contactless terminals.<sup>6</sup>

Visa expects there will be as many as 100 million contactless cards in the U.S. before the end of 2019, and three times that number by the end of 2020.<sup>7</sup> This push among banks and card networks to issue contactless cards is poised to create a seismic shift in U.S. consumers’ card payment habits. The volume of transactions made using contactless cards is unsurprisingly small, but it might not be for long if consumers’ interest in tap-and-go payments is any indication.

So, what will drive consumers’ interest in using contactless cards, and who is most interested in using them?

These are some of the many questions PYMNTS sought to answer in our 2019 How We Will Pay Study, an annual Visa collaboration. It analyzes survey response data from more than 5,000 U.S. consumers to learn about how they use connected devices to shop and pay and in which new connected commerce experiences they are most interested. Just Tap To Pay delves deeper into our study’s findings on contactless payment cards.

This is what we learned.

<sup>5</sup> Daly, J. The U.S. EMV migration produces a windfall for POS terminal producer VeriFone. Digital Transactions. 2014. <http://www.digitaltransactions.net/the-u-s-emv-migration-produces-a-windfall-for-pos-terminal-producer-verifone/>. Accessed October 2019.

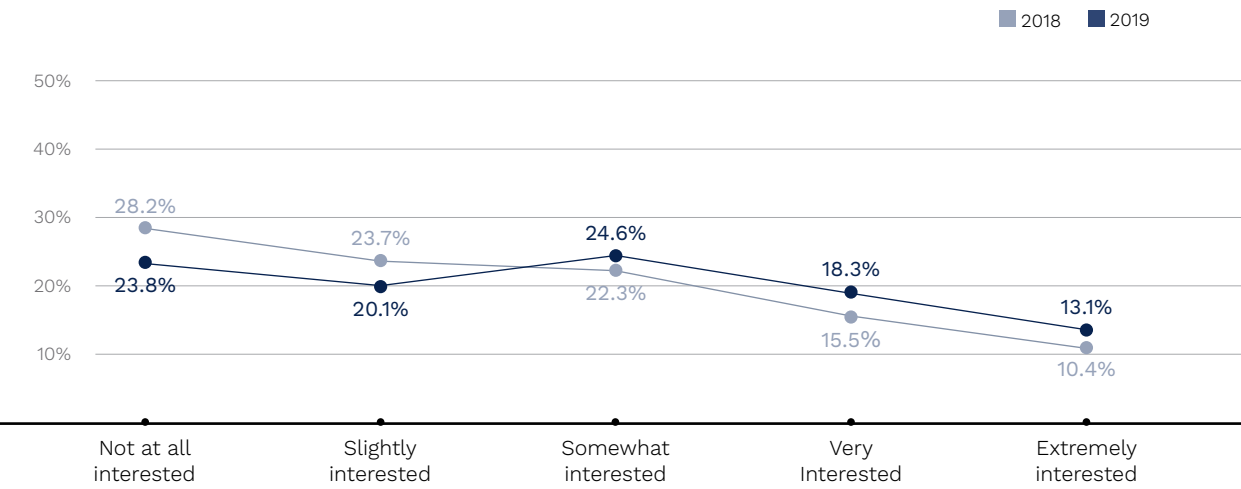
<sup>6</sup> Author unknown. The future of checkout starts with a tap. Visa. 2019. <https://usa.visa.com/dam/VCOM/regional/na/us/partner-with-us/documents/visa-contactless.pdf>. Accessed October 2019.

<sup>7</sup> Armstrong, R. At last, US banks are introducing contactless cards. Financial Times. 2019. <https://www.ft.com/content/445a308c-02f3-11e9-9d01-cd4d49afb3>. Accessed October 2019.

**One-third of all consumers are interested in using contactless cards to pay, representing an increase of more than 20 percent in the last year.**

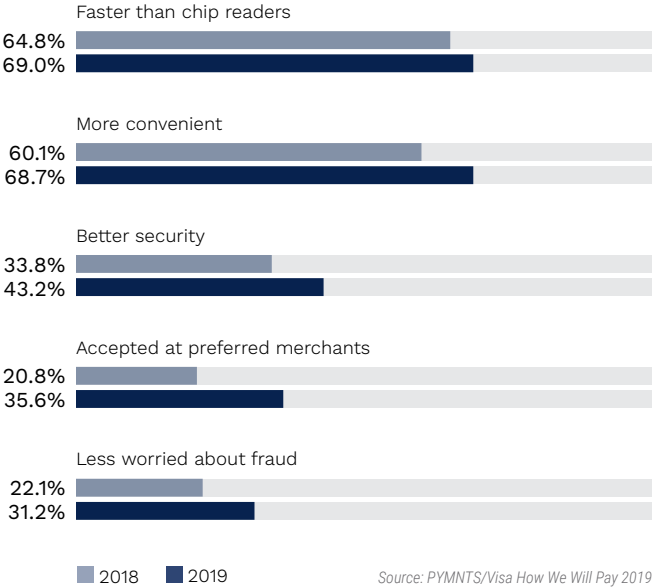
Thirty-one percent of consumers are “very” or “extremely” interested in using contactless cards in 2019, a year-over-year increase of 21 percent from 2018 figures. The share expressing no interest in contactless cards has simultaneously decreased, falling from 28 percent in 2018 to 24 percent in 2019. This presents a huge opportunity for merchants to attract new customers by providing them with the contactless cards that meet the market’s snowballing demands.

**FIGURE 1:**  
**Consumers’ interest in contactless payment cards**  
Share of respondents citing select levels of interest in contactless payment cards, by year



Source: PYMNTS/Visa How We Will Pay 2019

**FIGURE 2:**  
**Why consumers want contactless payment options**  
Share of consumers who express select reasons for being interested in contactless payments, by year



**Consumers view tap-and-go technology as a more efficient way to check out in stores.**

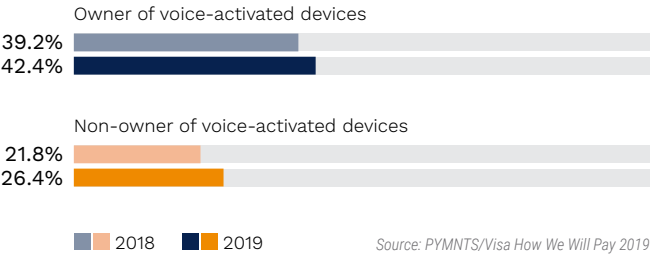
Consumers are largely drawn to payment methods that offer speed, convenience and security. Sixty-nine percent of those who express interest in contactless payments prefer contactless cards because they are faster than inserting chip cards, up from 65 percent last year. Sixty-nine percent also cite such payments’ convenience, compared to 60 percent last year.

Another factor driving interest is that consumers believe contactless cards are more secure. Forty-three percent of those who express interest in contactless cite feeling the options are secure, and 31 percent say they are interested because using such cards makes them less worried about fraud. These figures represent 28 percent and 41 percent increases from last year, respectively.

**Consumers who like contactless cards also like new ways to pay that offer speed and convenience — like voice.**

Forty-two percent of consumers who own voice-activated devices report being interested in trying contactless cards in 2019, up from the 39 percent who said the same last year. Twenty-six percent of those who do not own voice-enabled devices also report interest, an increase from 22 percent last year. These consumers represent the largest area for potential market growth for connected commerce experiences that can deliver on demands for convenience.

**FIGURE 3:**  
**Consumers’ interest in contactless payment cards**  
Share of respondents interested in contactless payment cards, by device ownership

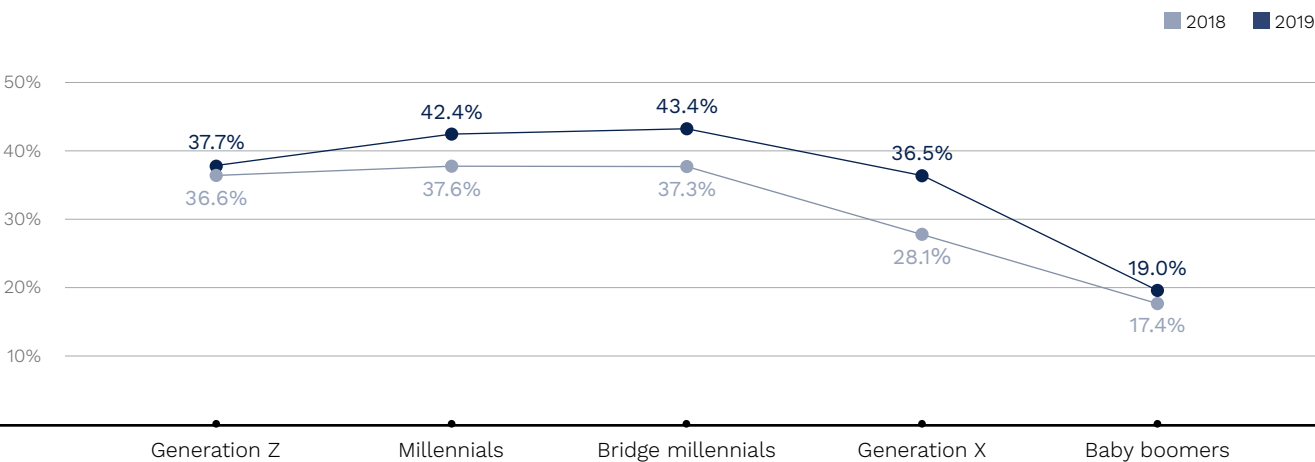


### Bridge millennials are early tap-and-go payment adopters.

Convenience, security, speed and other appeals of contactless payments appear to transcend generational divides. Interest in contactless payments is particularly high among bridge millennials, a group that has emerged as a veritable market force on the cutting-edge of connected technology adoption. It is composed of consumers aged 30 to 40 years who have grown up using connected devices, are professionally established and earn higher incomes. Forty-three percent of consumers in this cohort say they would like to use contactless cards, up from 37 percent in 2018.

Millennials and Generation X consumers are not far behind, with 42 percent of the former and 37 percent of the latter saying they would like to use contactless cards in 2019. This compares to just 38 percent and 28 percent, respectively, who said the same last year. Even Generation Z consumers express high levels of interest in using contactless cards, noted by 38 percent. This portion is likely to increase as consumers in this generation come of age and grow more financially independent.

**FIGURE 4:**  
**Consumers' interest in contactless payment cards**  
 Share who are "very" or "extremely" interested in contactless cards, by generation



Source: PYMNTS/Visa How We Will Pay 2019

## CONCLUSION

**B**anks and card networks are working together to unlock a new wave of consumer interest in contactless payments, and all by simply making it possible for users to tap and go with the cards they like to use at the stores in which they like to shop. Consumers are eager to use contactless cards not only because they provide fast and convenient payment experiences, but also because they believe contactless payments offer stronger transactional security. A growing number of U.S. consumers value familiar, reliable and trusted form factors that provide speedy, convenient and secure payments. As such, issuers must understand it is critical to deliver those experiences if they want to remain top of wallet.



# ABOUT

## PYMNTS.com

**PYMNTS.com** is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

## VISA

Visa Inc. (NYSE:V) is a global payments technology company that connects consumers, businesses, financial institutions and governments in more than 200 countries and territories to fast, secure and reliable electronic payments. The company operates one of the world’s most advanced processing networks — VisaNet — that is capable of handling more than 65,000 transaction messages a second, with fraud protection for consumers and assured payment for merchants. Visa is not a bank and does not issue cards, extend credit or set rates and fees for consumers. Visa’s innovations, however, enable its financial institution customers to offer consumers more choices: pay now with debit, pay ahead with prepaid or pay later with credit products. For more information, visit [usa.visa.com/about-visa](https://usa.visa.com/about-visa), [visacorporate.tumblr.com](https://visacorporate.tumblr.com) and [@VisaNews](https://twitter.com/VisaNews).

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