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MOBILE WALLET ADOPTION 2020

MOBILE WALLET USE
AMID THE COVID-19 PANDEMIC

APRIL 2020

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METHODOLOGY

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INTRODUCTION

Apple Pay was launched more than five years ago, prompting speculation that mobile wallets would soon spell the demise of traditional credit cards. PYMNTS has been closely tracking the progress of Apple Pay and other mobile wallets since then, including those offered by Google, Samsung and Walmart. Our latest research confirms that talk of the credit card's imminent death was greatly exaggerated, however. Mobile wallets still struggle to gain traction. Apple Pay is being used in only 5.1 percent of eligible point-of-sale (POS) transactions, marking a modest decline from 6 percent in 2019. Walmart Pay's usage has fallen to an even greater extent, with the wallet being used for just 3.3 percent of eligible Walmart transactions in 2020, down from 4.5 percent in 2019.

Technical barriers likely played a large role in limiting mobile wallets' use at physical POS terminals in the beginning, as consumers needed phones that supported them and merchants required terminals that accepted them. This is no longer the case, however, with our latest research showing that the technology has made great strides in overcoming such hurdles. Apple Pay now works on almost 93 percent of all iPhones in the United States — up from 39 percent

in 2015 — and it is accepted by merchants that represent nearly two-thirds of all retail sales. The share of iPhone and Android devices capable of supporting Walmart Pay, the other focus in our latest survey, has risen to 81.2 percent. The potential sales volumes that could be transacted on these two wallets is close to \$3 trillion, but it is clear that mobile wallets are not living up to their market potential.

The Mobile Wallet Adoption 2020 Report is based on a survey of 5,557 U.S. consumers who reported shopping in physical stores at least once in the previous seven days. Our study was conducted between March 10 and March 18, when large-scale restrictions on nonessential businesses and social gatherings due to the COVID-19 outbreak had just begun, and stores remained open and accessible to most consumers. We found that 80.2 percent of respondents reported making in-store purchases within the past seven days, slightly higher than the 78.1 percent reported in 2019. One might expect a greater share of the consumers in our 2020 survey to have paid via touchless mobile wallets to minimize physical contact, but our findings reveal that this was not the case.

THIS IS WHAT WE LEARNED IN OUR LATEST EXAMINATION OF MOBILE WALLET USAGE.

MOBILE WALLET USAGE

MOBILE WALLET ACCESS
AND IN-STORE POS ACCEPTANCE
ARE HIGHER THAN EVER.

The share of consumers with Apple Pay-capable iPhones — which include the iPhone 6 and later models — has continued to climb. The mobile wallet can now be used on 92.8 percent of all iPhones in the U.S, up from 39.3 percent in 2015 and 89.8 percent in 2019. The overall share of consumers with Apple Pay-capable smartphones has risen to 36 percent, up from 34.8 percent in 2019.

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FIGURE 1: U.S. IPHONE USERS WITH MODELS THAT SUPPORT APPLE PAY^{1, 2}
Share of iPhone users with iPhone 6 or later models

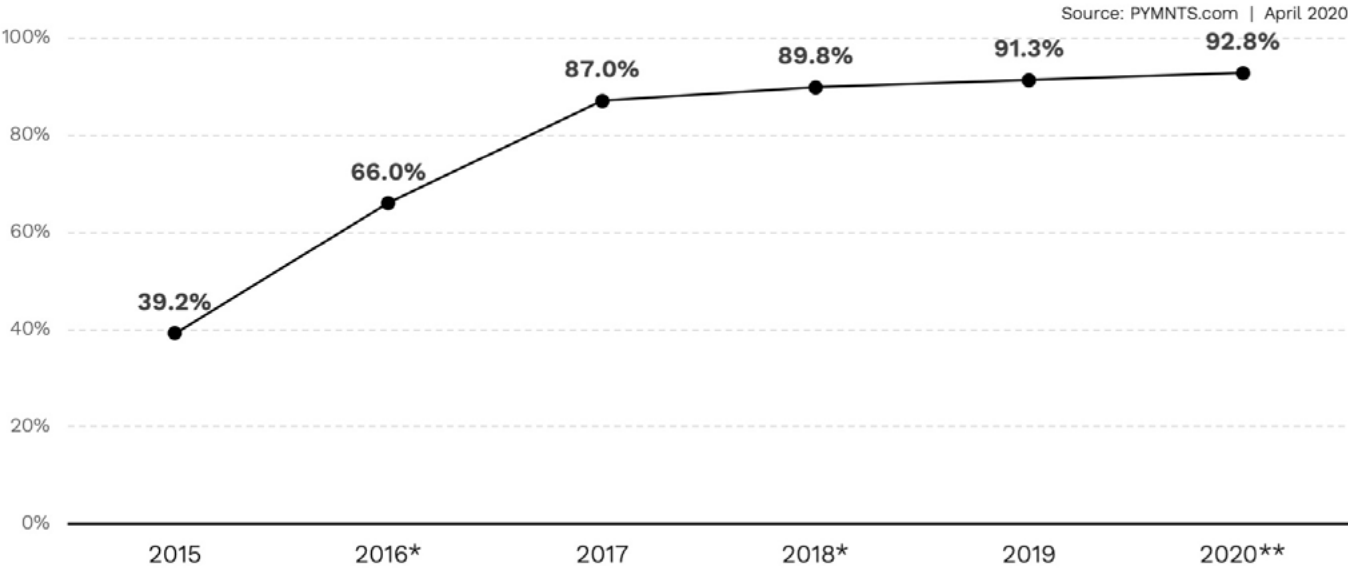
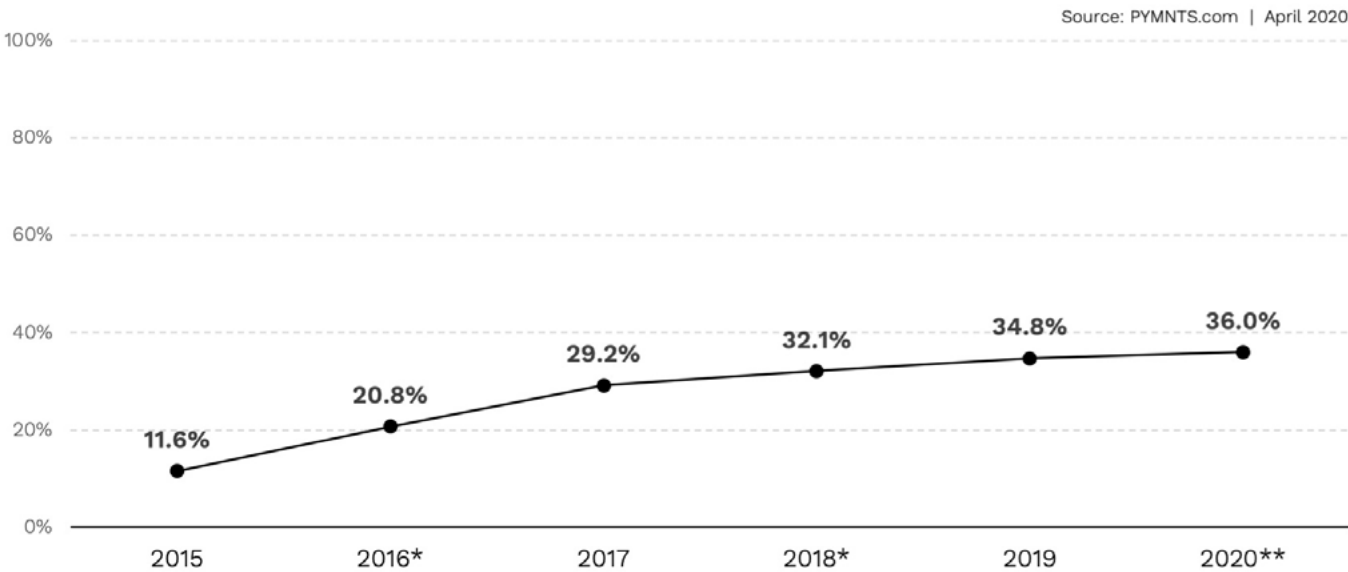


FIGURE 2: CONSUMERS WITH APPLE PAY-COMPATIBLE IPHONES^{1, 2}
Share of all consumers with models that support the mobile wallet



¹ Projections based on: Apple iPhone device market share worldwide by model from 2015 to 2018. Statista. 2020.

² Projections based on: Mobile Fact Sheet. Pew Research Center. 2019.

MOBILE WALLET USAGE

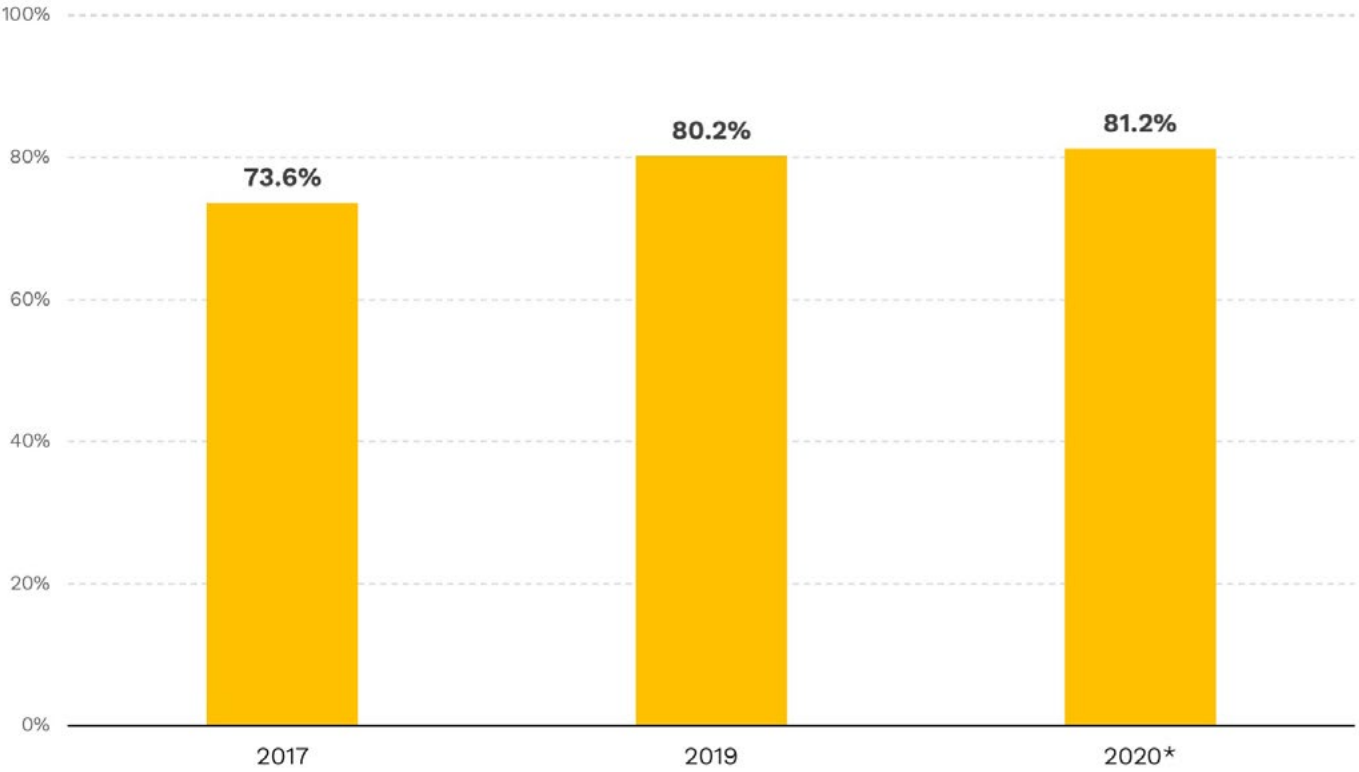
THE SHARE OF CONSUMERS WITH
WALMART PAY-CAPABLE SMARTPHONES
HAS ALSO GROWN.

Walmart Pay can be used on both Android and Apple smartphones, and the share of devices that can support the wallet thus tracks closely with the overall rise in smartphone ownership. We found that 81.2 percent of consumers had Walmart Pay-capable devices in 2020, up from 80.2 percent in 2019. This rise was likely driven by the expanded market share of Android and iPhone devices, which have risen since 2017 relative to other phone makers.

MOBILE WALLET ADOPTION 2020

FIGURE 3: CONSUMERS WITH WALMART PAY-COMPATIBLE SMARTPHONES³
Share of all consumers with devices that support the mobile wallet

Source: PYMNTS.com | April 2020



³ Estimates based on: Subscriber share held by smartphone operating systems in the United States from 2012 to 2019. Statista. 2020.

MARKET ANALYSIS

DIGITAL WALLETS' EXPANDED MARKET PENETRATION CORRESPONDS WITH HIGHER POTENTIAL RETAIL SALES VOLUMES WHEN USING THEM.

The estimated share of merchants that accept Apple Pay has risen dramatically since 2015, but has leveled off at approximately two-thirds since 2019. Our findings indicate that 65 percent of all 2020 retail sales, excluding vehicles, were made at merchants that accept Apple Pay, which is about the same level as in 2019 but up from 19 percent in 2015.

This represented a market potential of \$2.3 trillion in 2019, had all sales been made via Apple Pay. The market was projected to grow to \$2.9 trillion in 2020 based on pre-COVID-19 estimates, though the pandemic will almost certainly diminish actual sales.

Walmart's sales climbed to \$350 billion in 2019 and are projected to reach \$356 billion this year. The COVID-19 outbreak is unlikely to affect Walmart as severely as smaller retailers — and some have speculated it may even be a boon for the company.

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FIGURE 4: RETAIL SALES AT STORES THAT ACCEPT APPLE PAY⁴
Total sales at merchants capable of accepting the mobile wallet, by year

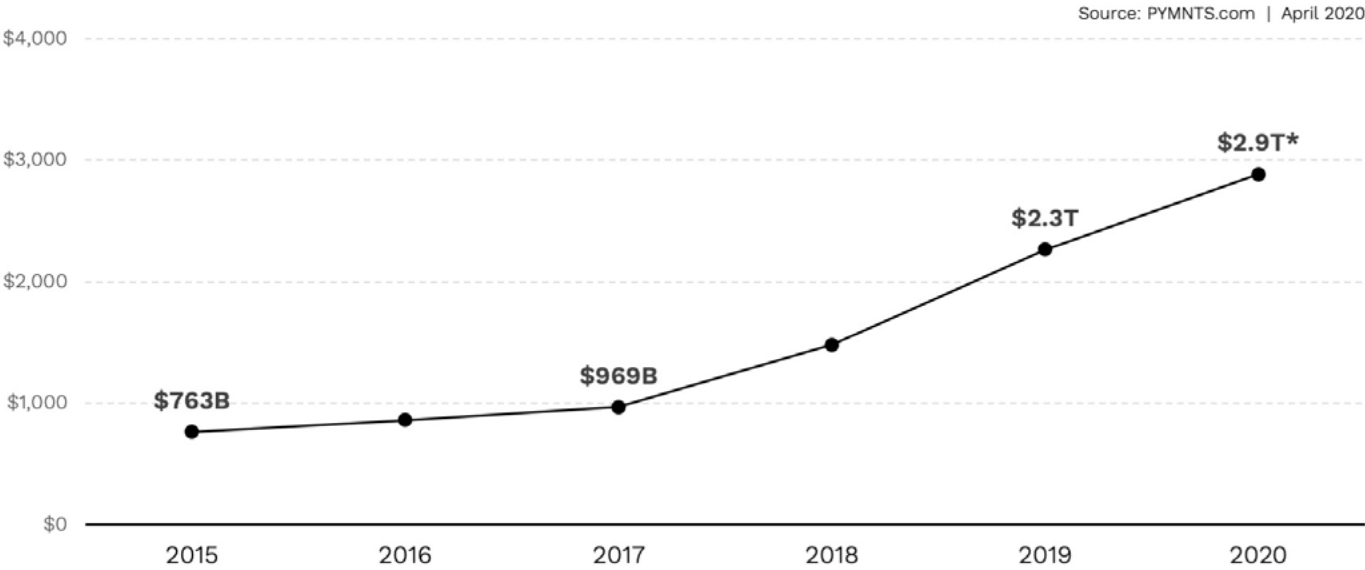
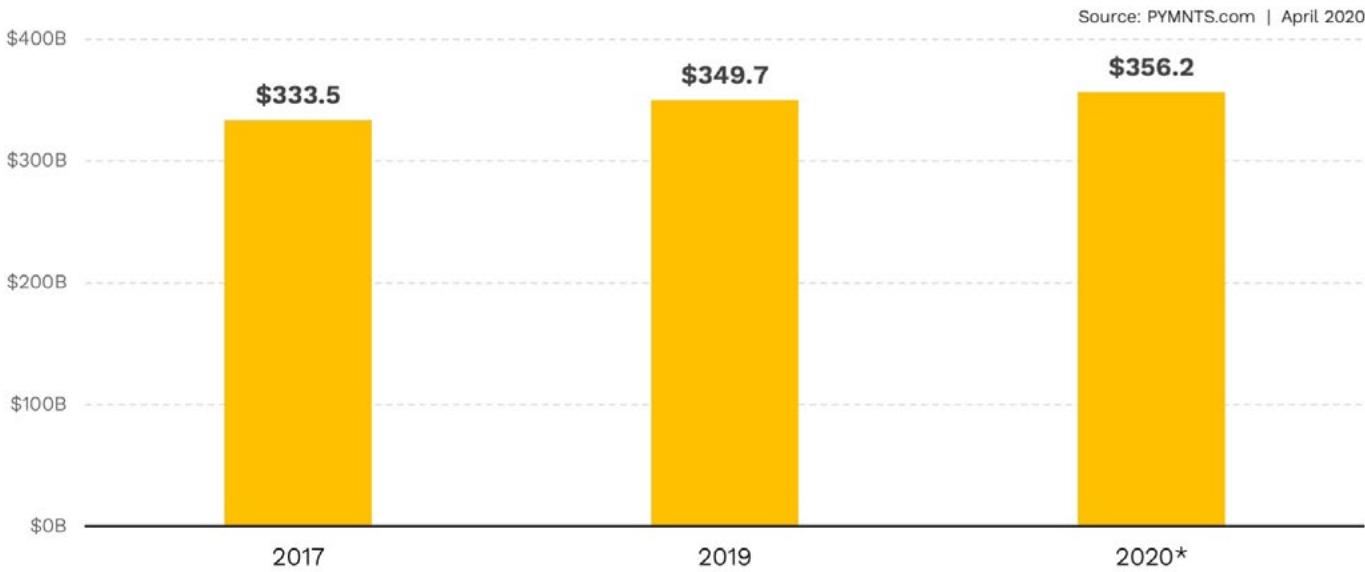


FIGURE 5: RETAIL SALES AT WALMART⁵
Total sales made at the retailer, by year



⁴ Estimate based on: Monthly Retail Trade. U.S. Census Bureau. 2020.

⁵ Top 100 Retailers 2017. National Retail Foundation. 2017.

MARKET ANALYSIS

IN-STORE MOBILE WALLET USE **HAS NOT GAINED TRACTION,** DESPITE FAVORABLE TECHNICAL AND MARKET CONDITIONS.

Our research indicates Apple Pay usage reached a high point in late 2017. The digital wallet is now used in only 5.1 percent of eligible transactions, however, slightly lower than the 6 percent registered in 2019. It is perhaps unsurprising that the total value of Apple Pay-enabled sales has risen significantly since the wallet's launch in 2015, when there were \$4.5 billion in such sales. This number rose to \$46.9 billion in 2019, but sales projections are expected to climb modestly to \$52.7 billion in 2020 — without taking COVID-19's impacts into account. The increase in potential sales volume reflects a larger pie, but Apple Pay's slice remains very small, at just 0.9 percent of total retail sales, excluding online and vehicle sales.

The portion of sales made via Walmart Pay is projected to decline even more dramatically. The share of consumers using the digital wallet in 2020 stands at 3.3 percent, which equates to \$9.6 billion in sales based on our pre-COVID-19 outbreak projections. This is down from 4.5 percent in 2019.

MOBILE WALLET ADOPTION 2020

FIGURE 6: CONSUMERS' USAGE OF APPLE PAY-EQUIPPED IPHONES
Share who used the mobile wallet to make in-store payments over time

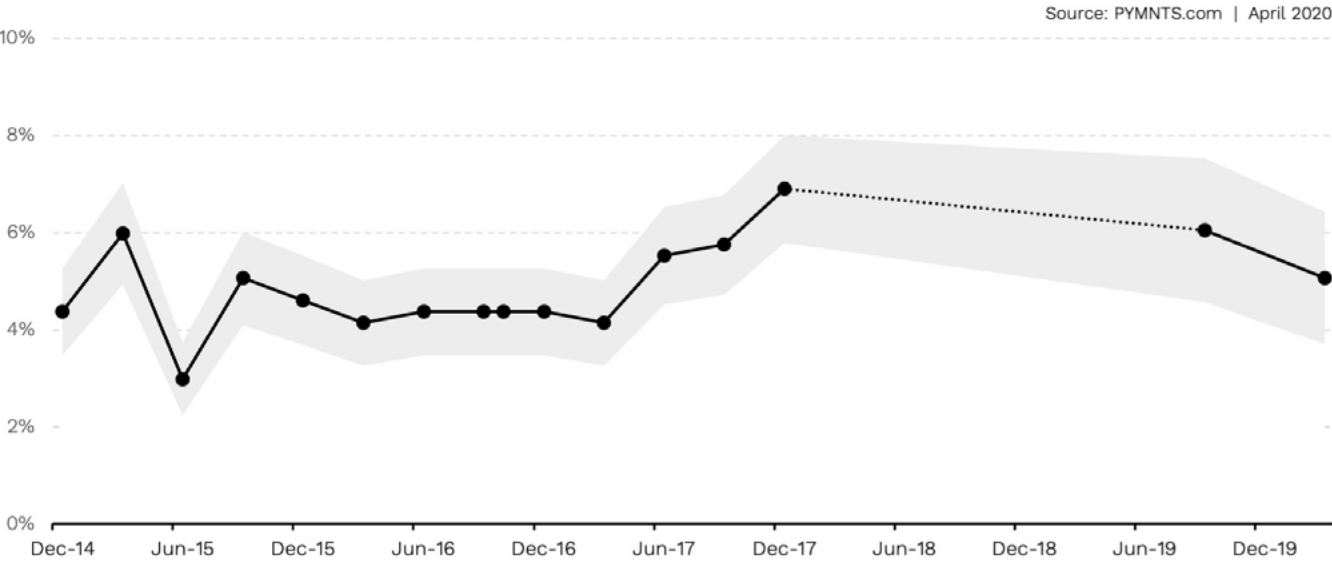


FIGURE 7: CONSUMERS' USAGE OF WALMART PAY-EQUIPPED MOBILE PHONES
Share who used the mobile wallet to make in-store payments at Walmart over time

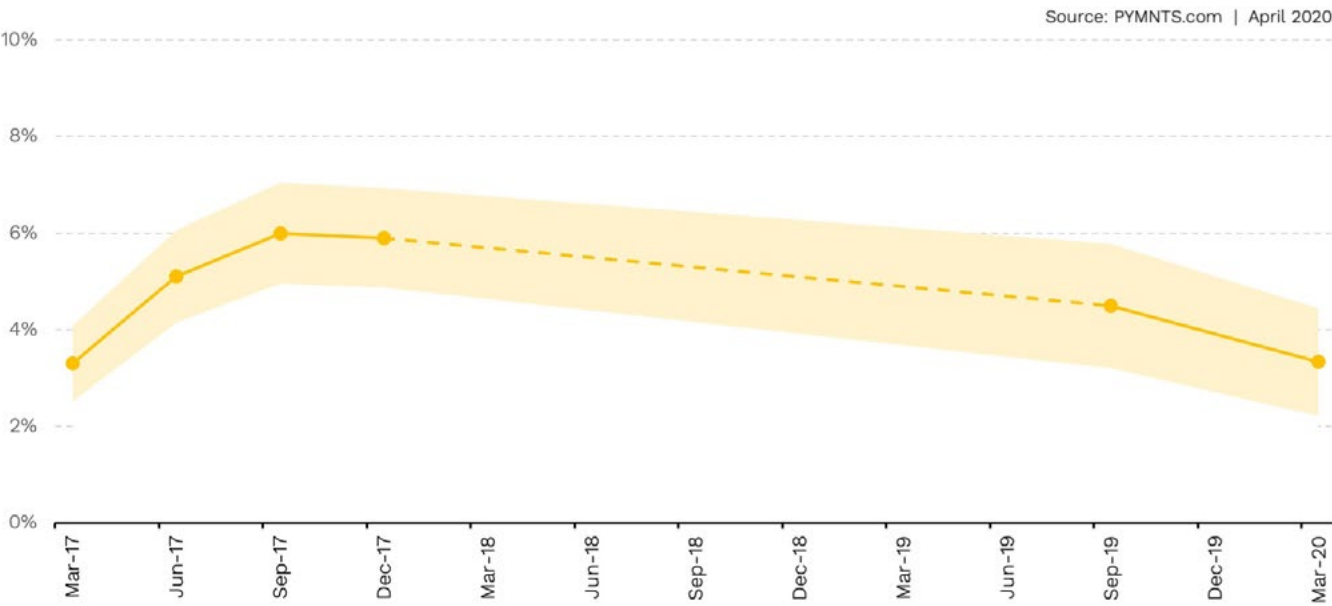


FIGURE 8: CONSUMERS' USAGE OF APPLE PAY- AND WALMART PAY-EQUIPPED SMARTPHONES

Share who used select mobile wallets to make in-store payments over time

Source: PYMNTS.com | April 2020

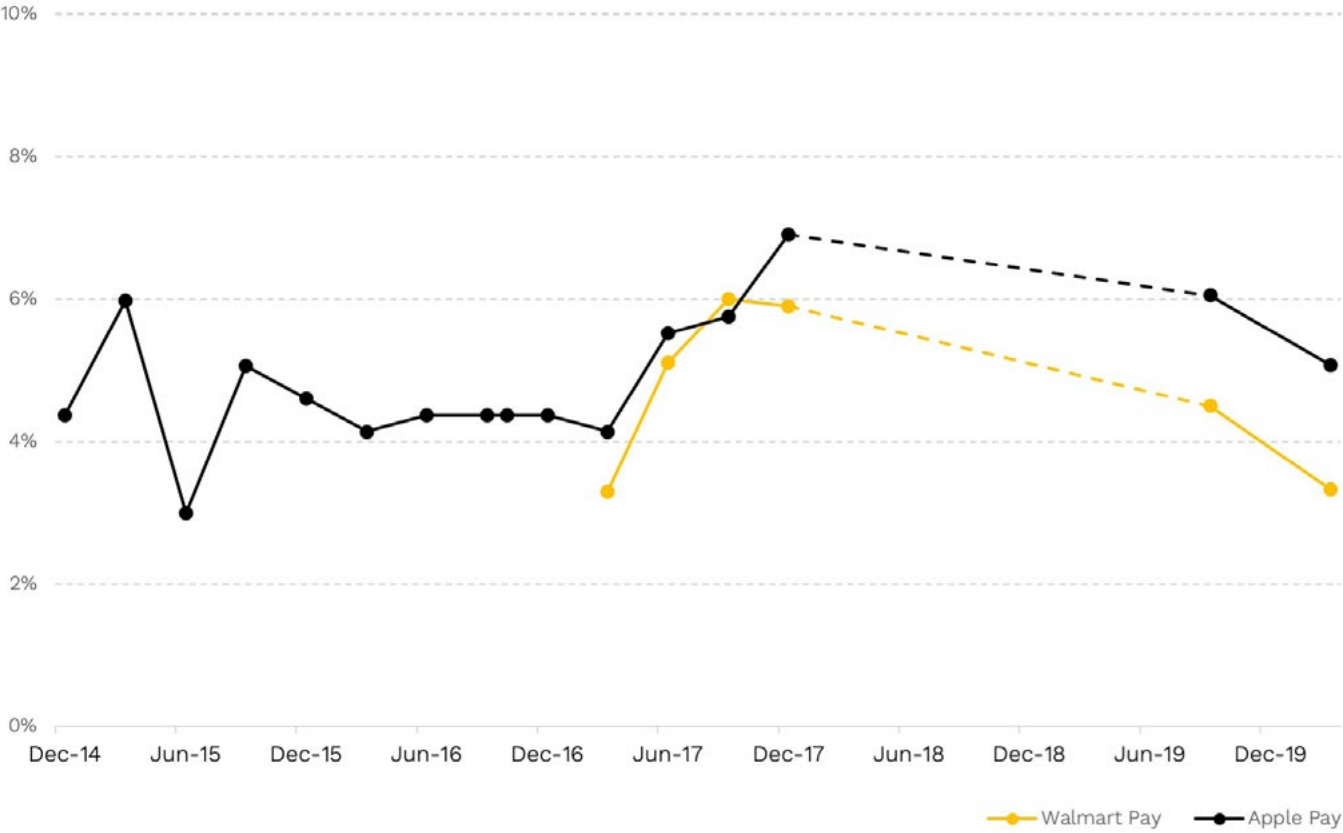


TABLE 1: SUMMARY OF FINDINGS⁶

	Apple Pay				Walmart Pay		
	2015	2017	2019	2020*	2017	2019	2020*
Share of U.S. adults that have an eligible device							
• Portion of adults who use smartphones	69.0%	77.1%	81.0%	81.9%*	77.1%	81.0%	81.9%*
• Portion of smartphones with appropriate operating systems	42.7%	43.5%	47.0%	47.4%*	95.5%	99.0%	99.2%*
• Portion of Apple Pay-eligible phones	39.2%	87.0%	89.8%	92.8%*			
• Portion of consumers with eligible devices	11.6%	29.2%	34.2%	36.0%*	73.6%	80.2%	81.2%*
Total estimated eligible sales							
• Total retail sales, excluding automobiles and eCommerce	\$3.93T	\$4.15T	\$4.43T	\$4.44T	\$4.15T	\$4.43T	\$4.44T
• Share of merchants where the wallet is accepted	19.4%	23.4%	51.1%	65.0%	8.0%	7.9%	8.0%
• Total sales at merchants that accept select wallets	\$762.7B	\$968.8B	\$2.27T	\$2.89T	\$333.5B	\$349.7B	\$356.2B
Total estimated sales at eligible merchants to U.S. adults who have capable devices							
• Potential value of sales via select wallet's use	\$88.1B	\$282.7B	\$775.0B	\$1.04T	\$245.6B	\$280.5B	\$289.3B

Usage Summary	2015	2017	2019	2020*	2017	2019	2020*
(1) Share of eligible transactions in which select wallet was used	5.1%	6.9%	6.0%	5.1%	5.9%	4.5%	3.3%
(2) Share of eligible stores' shoppers who used the wallet	0.6%	2.0%	2.1%	1.8%	4.6%	3.6%	2.7%
(3) Share of in-store sales in which select wallet was used	0.1%	0.5%	1.1%	0.9%	0.4%	0.3%	0.2%
Estimated total of sales in which wallet was used	\$4.5B	\$19.5B	\$46.9B	\$52.7B	\$15.2B	\$12.3B	\$9.6B

Source: PYMNTS.com | April 2020

⁶ Data for 2020 was estimated as if January and February were representative months for economic activity for the year. The COVID-19 pandemic should make these values obsolete.

THE POTENTIAL COVID-19 IMPACT

CONSUMERS SHIFTED THEIR SPENDING TO GROCERIES AND AWAY FROM OTHER TYPES OF GOODS.

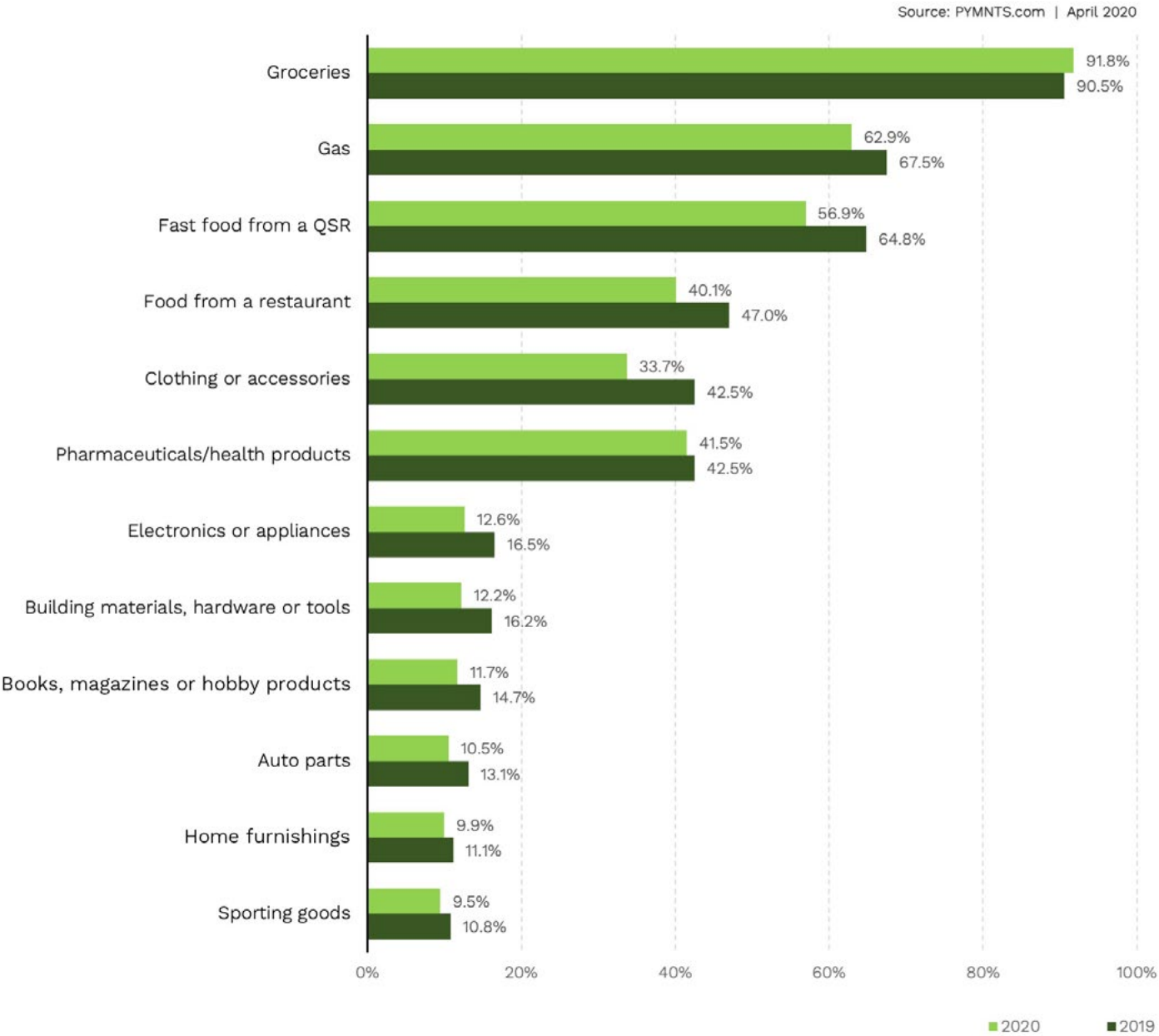
Our latest survey was conducted in early to mid-March, when social distancing policies and business closures were becoming widespread. These changing circumstances may be reflected in data showing that purchases of all goods declined — except for groceries. We found that 91.8 percent of 2020 respondents reported buying groceries within the previous seven days, compared to 90.5 percent in 2019. This corresponds to PYMNTS’ research on COVID-19’s impacts on consumer behavior.⁷

⁷ Navigating the COVID-19 Pandemic. PYMNTS.com. 2020. <https://www.pymnts.com/coronavirus-data-center/>. Accessed April 2020.

MOBILE WALLET ADOPTION 2020

FIGURE 9: CONSUMERS' IN-STORE PURCHASES WITHIN THE PAST SEVEN DAYS

Share who made select types of in-store purchases, 2019 versus 2020



2019 VERSUS 2020

A GREATER OVERALL SHARE OF CONSUMERS SHOPPED IN-STORE IN 2020 COMPARED TO 2019.

An examination of the wider survey respondent pool shows that the overall share of consumers who reported shopping in-store within the past seven days was up slightly from 2019, from 78.1 percent to 80.2 percent in 2020.

There was a marked shift in the share who reported making in-store purchases within the past 24 hours, however. We found that just 68.8 percent said they did so in 2020, compared to 80.9 percent who said the same in 2019. This suggests that shoppers may have been “loading their carts” to decrease the number of trips they made or in anticipation of wider shutdowns.

MOBILEWALLETADOPTION2020

FIGURE 10: CONSUMERS' IN-STORE PURCHASES WITHIN THE PAST SEVEN DAYS

Share who made in-store purchases at some point in the past seven days, 2019 versus 2020

Source: PYMNTS.com | April 2020

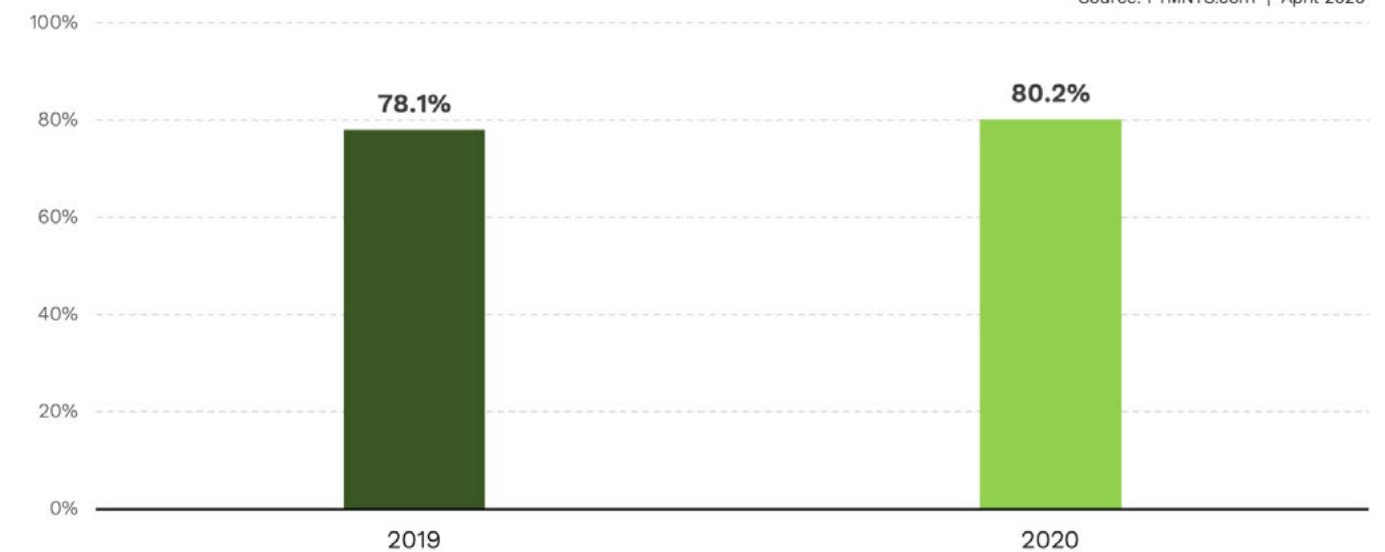
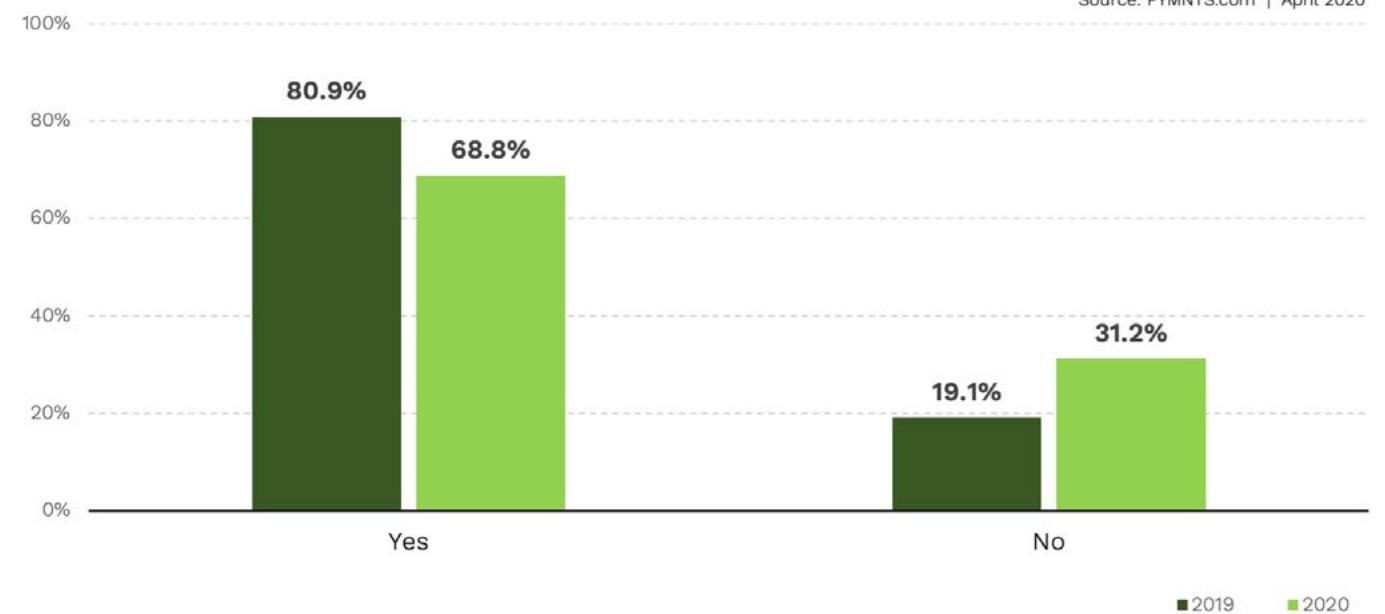


FIGURE 11: CONSUMERS' IN-STORE PURCHASES WITHIN THE PAST DAY

Share who made in-store purchases at some point in the past 24 hours, 2019 versus 2020

Source: PYMNTS.com | April 2020



2019 VERSUS 2020

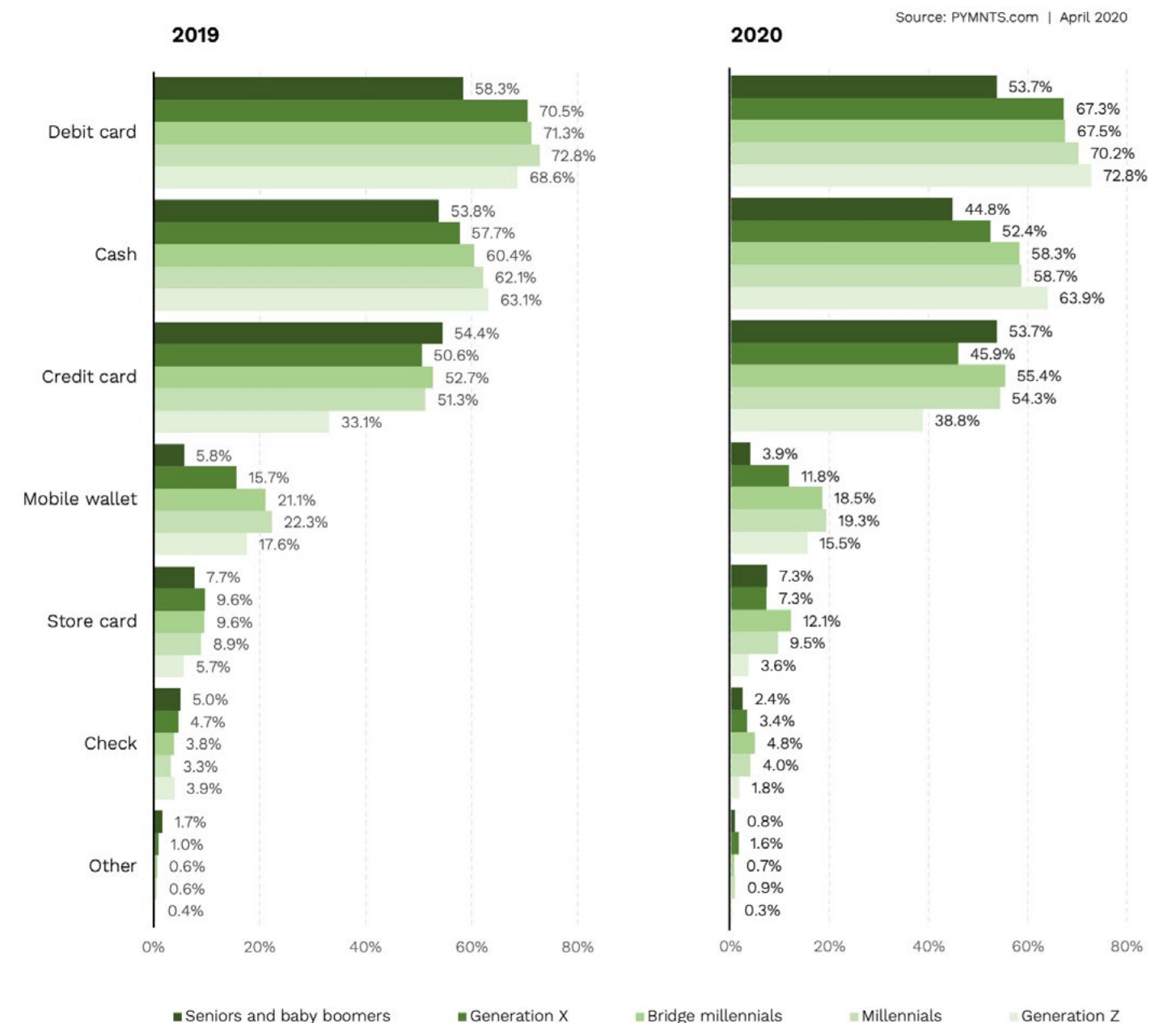
THE INCREASE IN IN-STORE SHOPPING DID NOT CORRESPOND WITH AN INCREASE IN MOBILE WALLET USE.

One might expect heightened public health concerns and the desire to expedite purchases to prompt more consumers to use contactless mobile wallets, as such technologies allow consumers to avoid having to swipe or insert cards or use keypads. Our data suggests otherwise, however. Mobile wallet usage rates are lower now than they were in 2019, and use is down among a key group of consumers: millennials. PYMNTS' past research shows that consumers from this demographic are among the most avid mobile wallet users. The decline in mobile wallet use was just as pronounced for them as it was for other generations, with just 19.3 percent of millennials using them in 2020, compared to the 22.3 percent who did so in 2019.

MOBILE WALLET ADOPTION 2020

FIGURE 12: CONSUMERS' PAYMENT METHODS FOR PURCHASES MADE WITHIN THE PAST SEVEN DAYS

Share from select generations who made payments via select methods, 2019 versus 2020



METHODOLOGY

The Mobile Wallet Adoption survey was conducted between March 10 and March 18, 2020. We received 7,023 responses. Among this group, 5,557 had made purchases within the previous seven days. The main survey sample used to determine mobile wallet usage rates was based on a smaller group — 3,230 respondents — that had Apple or Android smartphones and had made in-store purchases within the past 24 hours. The overall sample was weighted to reflect the U.S. Census, although respondents were slightly more educated and wealthier than average.

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