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2015 North America Consumer Digital Payments Survey

When it comes to payments today,  
the customer rules.

Simple. Personal. Everyday.

Strategy | Consulting | Digital | Technology | Operations

# Toward a future of digital payments

Digital is the most disruptive force that the payments industry has seen in decades. It is unleashing profound changes and innovation—from the development of digital payment instruments to the emergence of next-generation providers. Convenient, personal and on demand, digital influences consumers to want friction-free payments that mesh with their daily lives.

As the digital payments evolution continues, payment providers can extend the payments value proposition, and with it, their relationships with consumers. Leaders will emphasize the customer experience as much as—if not more than—pure payments transactions.

As part of a multi-year survey, Accenture surveyed 4,000 consumers in North America to track trends in consumer attitudes toward making payments today and how they expect to pay in 2020.

Consumers are starting to look beyond payments transactions when choosing payments providers. They want payments experiences as individual as they are.

## Five trends reveal the opportunities and challenges defining digital payments:

1. The evolution in ways to pay continues—with no end in sight.
2. Mobile payments awareness is higher than ever.
3. Rewards can speed mobile payments adoption.
4. Peer-to-peer payments are on the move.
5. Connected commerce is worth watching.

# The customer experience is everything.



## SIMPLE

Consumers want to pay simply— one and done.



## PERSONAL

Consumers want payment options as individual as they are.



## EVERYDAY

Consumers want seamless everyday solutions.

# 1

The evolution in ways to pay continues—with no end in sight

Consumers have more ways to pay than ever. Some payment methods were not even in the market just two years ago.

Even with so many choices, consumers use traditional payment vehicles most often to complete transactions—for now. Sixty-seven percent of consumers report using cash most frequently.<sup>1</sup> Consumers also commonly use debit cards (59 percent) and credit cards (50 percent) and checks less commonly (16 percent).

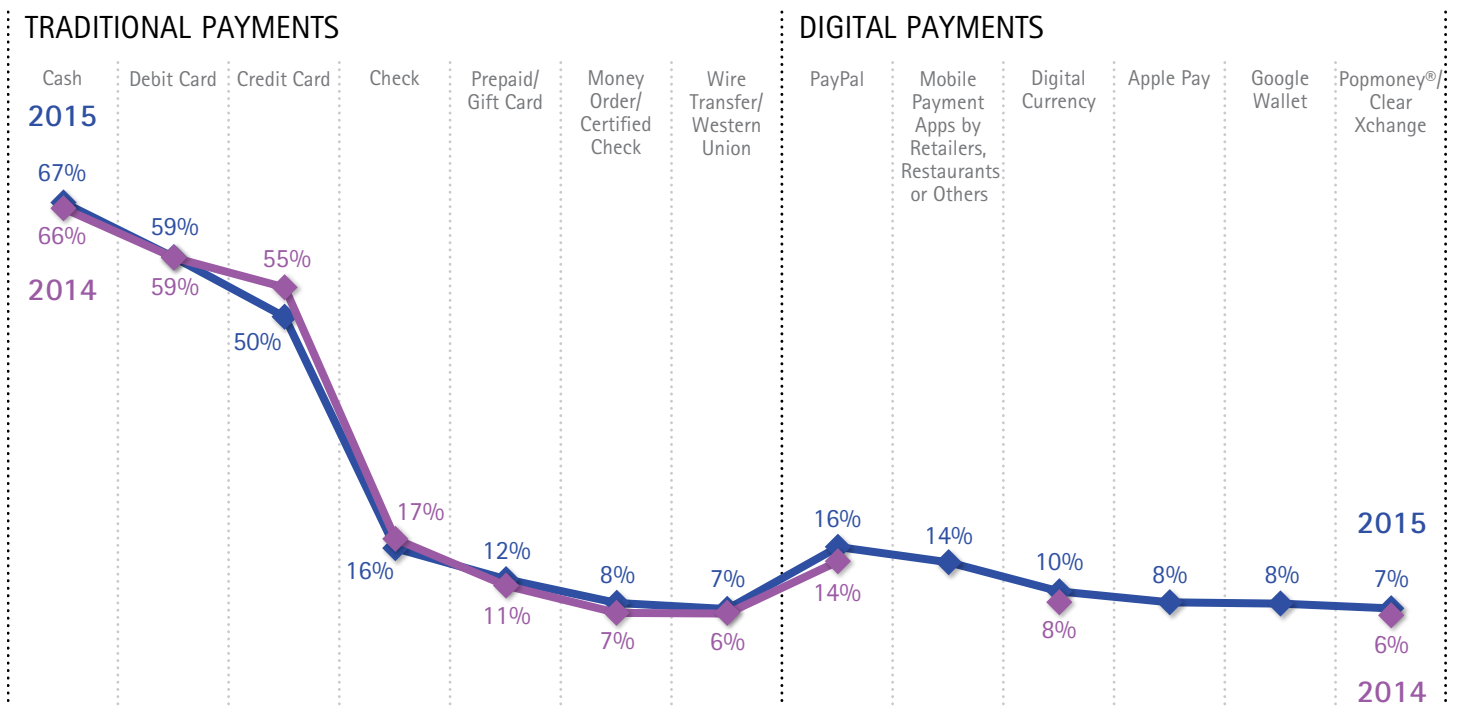
Even so, year over year data reveal essentially flat growth in consumer preferences for using cash, debit cards and checks and a 5 percent points drop in consumers' preferences for credit cards from 2014 to 2015 (Figure 1).

Consumers' use of digital payments has not stalled, far from it. While there has not been a dramatic upswing in usage in the last year, steady momentum for change continues. Consumers most commonly use PayPal Inc. (16 percent) and retail mobile payment apps (14 percent) among digital payments options.

FIGURE 1. Comparison of consumers' current use of payment instruments (2014 vs. 2015).

**Q: How often do you use the different payment instruments to complete a transaction today?**

At least daily + At least weekly



Base: All Respondents (n=4004)

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As in 2014, new data suggest that Millennials are key drivers as early adopters of digital payments over cash and cards.<sup>2</sup> For example, 23 percent of Millennials make a mobile payment at a merchant location at least weekly compared to an average of 18 percent.

As they did last year, consumers see themselves using traditional payment instruments less and digital payments more in 2020. They expect regular use of cash to decrease the most, from 67 percent today to 58 percent by the end of the decade.

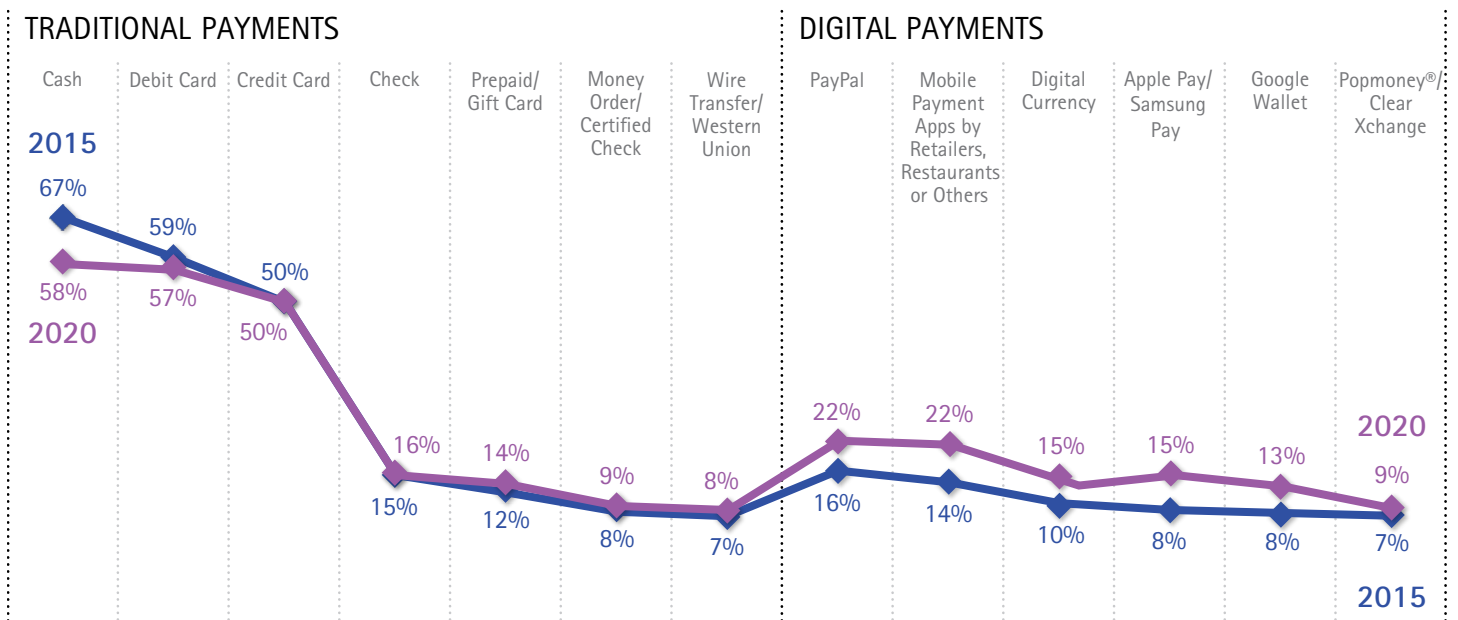
They expect significant boosts in their use of retail apps (plus 8 percentage points), Apple Pay™/Samsung Pay™ (plus 7 percentage points) and PayPal (plus 6 percentage points). Survey results show that consumer expectations around future use remain mostly consistent with last year (Figure 2).

FIGURE 2. Comparison of consumers' use of payment instruments (2015 vs. 2020).

**Q: How often do you use the different payment instruments to complete a transaction in 2015?**

**Q: How frequent do you anticipate you will use the following payment instruments to complete a transaction in 2020?**

At least daily + At least weekly



Base: All Respondents (n=4004)

Note: both remote and in person transactions considered

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# 2

## Mobile payments awareness is higher than ever

Mobile payments have been in the digital payments spotlight, spurred by the release of Apple Pay in the United States in October 2014.



The majority of consumers (52 percent) report that they are "extremely aware" of mobile payments—up 9 percentage points since last year. Despite this awareness, just 18 percent of North American consumers make mobile payments regularly; 17 percent did last year. High-income respondents (38 percent) and Millennials (23 percent) are most likely to pay this way.<sup>3</sup>

Survey results reveal that 19 percent of US consumers use their mobile phones regularly at merchant locations to make payments. Thirteen percent of these consumers say that they use Apple Pay regularly to make purchases at merchant locations. Accenture analysis of these results shows that, on a usage basis, Apple Pay accounts for 68 percent of in-store mobile phone payments in the United States after less than a year on the market.

These findings align with Apple Inc.'s first quarter fiscal year 2015 earnings call report that \$2 of every \$3 in contactless payments are made with Apple Pay.<sup>4</sup> This strong initial take up signals the power of the world's No.1 brand.<sup>5</sup> It also shows the appeal of technology that is designed to make life easier while being easy to use.

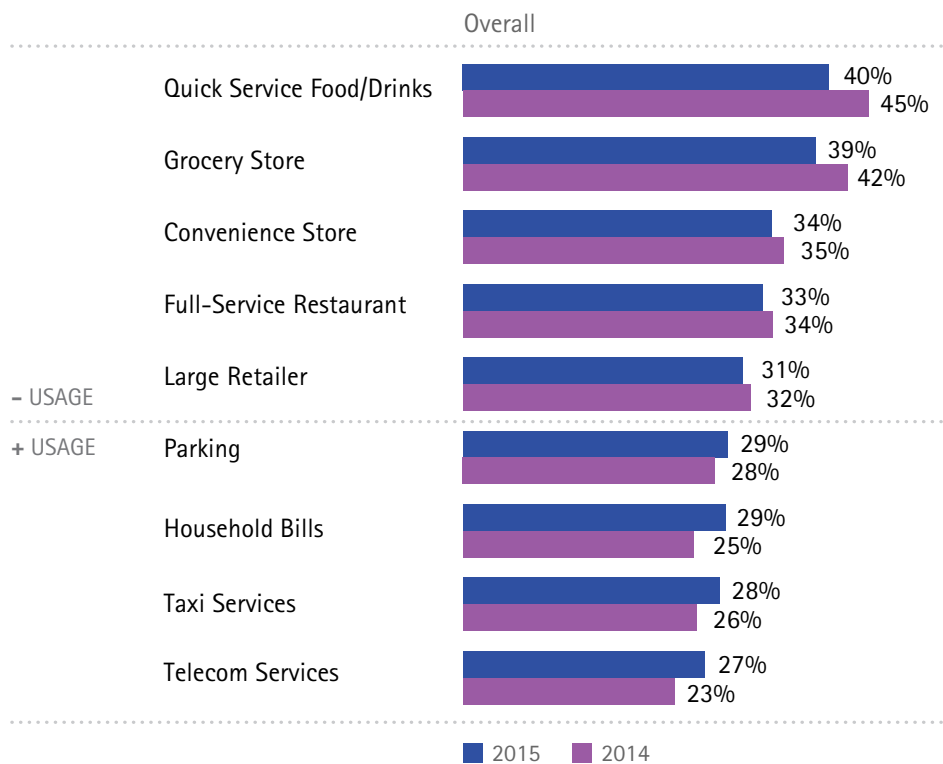
There has been a slight but notable shift in usage patterns for consumers who do pay with smartphones. They still typically use them most often for quick service food/drink, grocery and convenience store purchases. Yet use of mobile payments for such simple transactions is creeping down as use for service-oriented payment occasions like taxi services and household bills is growing (Figure 3).

Consumers (67 percent) continue to prefer traditional card providers for mobile payments over all other providers. In such a fluid environment, there is room for all players to increase mindshare.

In addition to developing their own payment apps, industry stakeholders can offer strong post-transaction customer experiences that are commonplace today with plastic cards. For example, mobile payments users are interested in assurances that fraud would be covered, being contacted when there is suspicious activity on an account, and receiving immediate notification when a payment has been initiated and executed among other services.

FIGURE 3. Consumer usage patterns by transaction type for mobile payments.

Q: How often do you use your phone as a payment device to complete a transaction for each of the following cases?



Base: All respondents who uses their mobile phone as payment device (n=1,451)

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# 3

## Rewards can encourage mobile payments adoption

Both consumers who make mobile payments and those who do not report that there are multiple ways that payments providers can influence adoption.

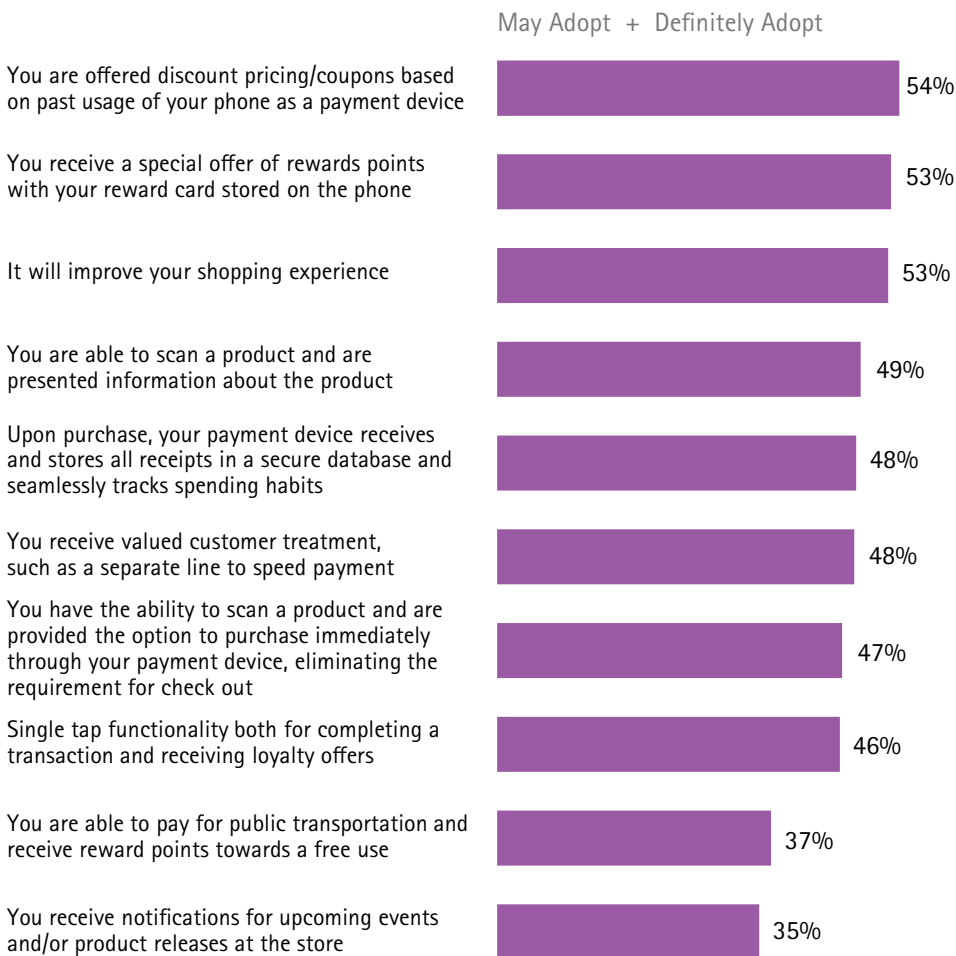
Just like last year, 79 percent of users would make more mobile payments if offered discount pricing and/or coupons based on past purchasing behaviors. Additionally, 78 percent would increase usage if they received rewards points. Similar incentives appeal to non-users. Over half would make mobile payments if offered discount pricing or coupons (54 percent) or rewards points (53 percent) (Figure 4).

Consumers' interest in rewards is an opportunity for mobile payments providers to not only incent adoption, but to dramatically redefine how they build customer loyalty. Leaders are going beyond points. They are leveraging rich transaction data and third party partnerships to best understand their customers and to curate rewards to incent top of wallet usage. Some of these offers include points-based rewards combined with merchant offers, product and fee/service relationship bundling, and tapping into a broader ecosystem of providers to bring customers additional and advice driven services.

A recent Accenture survey of North American consumers reveals that 86 percent trust their bank over all other institutions to securely manage their personal data.<sup>6</sup> This foundation of consumer trust gives banks a clear advantage here because data insight is indispensable for meaningful payments-related loyalty and rewards programs.

FIGURE 4. Incentives for non-users to start making mobile payments.

**Q: If the following services were provided, would you be more interested in using your phone to make mobile payments?**



Base: All respondents who don't use mobile phone as a payment device (n=2,553)

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# 4

## Peer-to-peer payments are on the move

For the first time, we asked consumers about usage patterns for peer-to-peer (P2P) payments, one-to-one money transfers for the digital age.

Results indicate that P2P payments apps have a high level of adoption among consumers, with 46 percent having used them to pay other individuals (Figure 5). What's more, 15 percent of consumers say that they make P2P payments regularly (at least daily and weekly). With 42 percent of respondents still using checks for person-to-person transactions, there is opportunity to migrate more consumers to this form of payment.

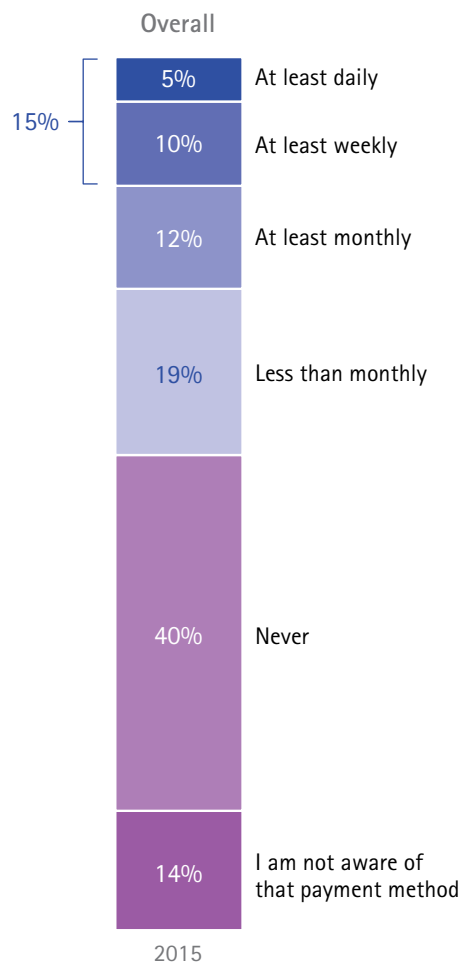
These consumer behaviors inform ongoing discussions about real-time payments. As the US banking industry edges closer to decisions on real-time payments, players are focusing on the technical, economic and commercial implications of speeding up payments. The focus is to allow the banking system to offer a service level similar to what innovative payments providers like PayPal offer within their ecosystems.

The Federal Reserve System is evaluating possibilities to implement a real-time payments central infrastructure.<sup>7</sup> This model is already live in 31 countries. It is under consideration in several European countries and in Canada. Such systems can drive payments innovation, including mobile payments adoption. In fact, 57 percent of consumers who use their mobile phone as a payment device say that faster payment transactions or near real-time settlement would increase their mobile payments adoption.

For countries with real-time payments infrastructure in place, P2P real-time payments play a key role in driving mobile payments adoption, and are leading to other mobile payment use cases such as consumer-to-business real-time payments. Time will tell if US consumer interest in P2P payments will spur demand to reinvent the legacy payments infrastructure to provide real-time payments.

FIGURE 5. Consumer use of peer-to-peer mobile payments applications.

**Q: How often do you make a payment to another person using a peer-to-peer mobile application?**



Base: All Respondents (n=4004)

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# 5

## Connected commerce is worth watching

The era of digital payments is also the era of digital... everything. More objects are gaining network connectivity, fueling the Internet of Things (IoT).

Connected devices are already an option for consumers, even though the payments industry has not even scratched the surface on the "art of the possible" in connected commerce. Estimates project that there could be up to 50 billion connected devices in the world by 2020.<sup>8</sup> According to Accenture analysis, every 1 percent of those devices enabled for payment represents between 250 and 500 million new potential initiation points for commerce activity.

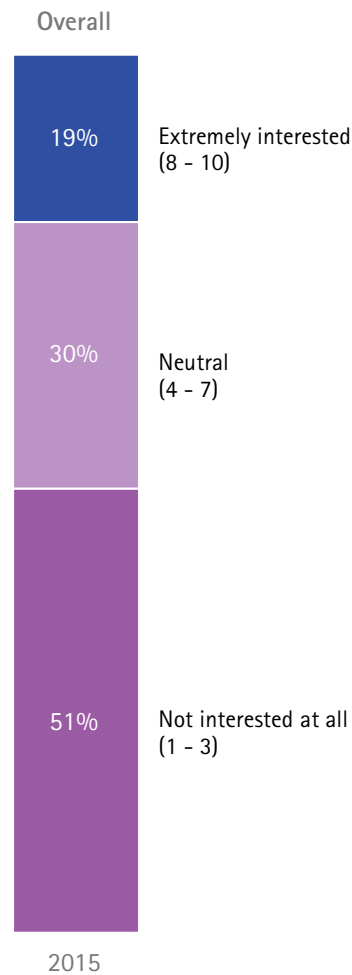
Wearables are real-time computing devices worn on the body such as watches or glasses, even contact lenses, which can become payment devices with available technologies. When it comes to wearables, our survey shows that 21 percent of consumers have used a wearable as a payment device at a merchant location, which is consistent with last year's findings.

The device initiated payments story is similar. These are smart devices such as appliances and cars that can initiate payments on behalf of their owners. Two of out 10 survey respondents are interested in them (Figure 6).

When asked about the benefits of using device initiated payments today, consumer responses are fairly evenly distributed with no runaway winner. The benefits of "purchases being made only when necessary" and "automatic purchase convenience"—both at 26 percent—top the list. The impact of these payment instruments is likely to grow as compelling value propositions become increasingly clear to consumers. After all, that the refrigerator could not only sense that the milk is low, but order and pay for it on behalf of the consumer is the epitome of frictionless payments. Consumers literally do not even have to think about the payment.

FIGURE 6. Consumer interest in device initiated (IoT) payments.

Q: How interested are you in using device initiated (IoT) payments?



Base: All Respondents (n=4004)

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# Simple. Personal. Everyday.

Payments trends will continue to evolve and emerge. Traditional payment instruments including cash, check and plastic cards will have a place. But for how long?

It is still uncertain what the catalyst will be to continued consumer adoption of digital payments. It may be advances in technology that spark innovation. Or it could be new and trusted solutions from banks or network providers, well-known brands, or unknown start-ups. What is certain is that the payments landscape will remain dynamic, and increasingly digital.

To win in digital payments, providers must keep it simple, make it personal, and ensure that payment methods are seamlessly integrated into everyday life. Revenue models focused on transaction volumes at the least cost will be in a race to the bottom when competing with digital payments.

As digital payments evolve, consumer mindsets will continue to shift away from transactions to services, and business models will need to change accordingly. With consumer behaviors driving the future of payments innovation, providers cannot ignore the customer experience. They must understand who consumers trust to provide services, and how much they are willing to pay for them. Only then can the real leaders emerge to provide holistic payment services that consumers value.







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# Notes

<sup>1</sup> Frequent or regular use is defined as "at least daily" and "at least weekly" usage.

<sup>2</sup> Millennials are defined as people between the ages of 18 and 34.

<sup>3</sup> High-income respondents are defined as having at least \$150,000 in annual income.

<sup>4</sup> Jordan Kahn, *Tim Cook: Apple Pay Accounts for \$2 out of Every \$3 Spent with Contactless Payments, & Other Stats*, January 27, 2015, <http://9to5mac.com/2015/01/27/tim-cook-apple-pay-accounts-for-2-out-of-every-3-spent-with-contactless-payments-other-stats/>

<sup>5</sup> Forbes, *The World's Leading Brands*, <http://www.forbes.com/powerful-brands/list/>

<sup>6</sup> Accenture, *2015 North America Consumer Digital Banking Survey: Banking Shaped by the Customer*, <https://www.accenture.com/us-en/insight-consumer-banking-survey>

<sup>7</sup> Federal Reserve System, *Strategies for Improving the U.S. Payment System*, January 2015, <https://fedpaymentsimprovement.org/wp-content/uploads/strategies-improving-us-payment-system.pdf>

<sup>8</sup> Cisco, *Internet of Things*, <http://www.cisco.com/web/solutions/trends/iot/portfolio.html>

## Survey population and methodology

This survey was conducted for Accenture by Lightspeed Research among 4,000 adults in the United States and Canada between June 15, 2015 and July 15, 2015. The overall margin of error is +/- 1.55 percentage points at the midpoint of the 95 percent confidence level.

For questions about the survey methodology, please contact:

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## For further reading

2015 North America Consumer Digital Banking Survey: Banking Shaped by the Customer  
<https://www.accenture.com/us-en/insight-consumer-banking-survey>

2014 North America Consumer Payments Survey: How Consumer Choice will Shape the Future of Payments  
<https://www.accenture.com/us-en/insight-2014-north-america-consumer-payments-survey.aspx>

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