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# APPLE PAY



How Consumers Are Using The **Mobile Wallet**  
To Make Purchases At The Physical POS

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October 2020

PYMNTS.com

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# INTRODUCTION

The idea of a mobile wallet was not new when Apple Pay launched in 2014, but there was nevertheless a pervading sense at the time that Apple's mobile wallet could disrupt how in-store payments were made — much like how the iPod changed the way consumers listened to music and how the iPhone set a new standard for the smartphone industry. Apple was looking to replace plastic cards as consumers' primary payment method for in-store purchases — an attempt that other players in the technology and finance space had previously made.

“Most people [who] have worked on this have focused on creating a business model that was centered around their self-interest instead of focusing on the user experience. We love this kind of problem,” Apple's CEO Tim Cook [said](#) during his Apple Pay launch presentation at the Flint Center in Cupertino, California. “This is exactly what Apple does best.”

October 20, 2020, marks Apple Pay's six-year anniversary. So, where does Apple Pay stand today and to what extent has it succeeded in replacing plastic cards at the point of sale (POS) in physical stores?

PYMNTS has been monitoring consumers' adoption and use of Apple Pay since it went live in 2014. As a continuation of our annual research, this year we surveyed a census-balanced panel of 2,998 United States consumers to learn how and when consumers are using Apple Pay in physical stores. We asked respondents to recount how they made purchases at the point of sale and why they used the mobile wallets they did.

Our latest research shows that consumer demand for contactless ways to shop and pay during the COVID-19 pandemic is fueling an increase in the use of Apple Pay in brick-and-mortar stores. Apple Pay use for in-store transactions has gone up by 59 percent, with 7.8 percent of consumers who have Apple Pay-enabled phones now using the mobile wallet to make POS payments at eligible stores — up from 4.9 percent in March.

Apple Pay may now account for a larger volume of in-store mobile wallet payments, but consumers' overall use of mobile wallets has remained flat. Only 5.9 percent of today's consumers are using mobile wallets to make payments at physical stores.

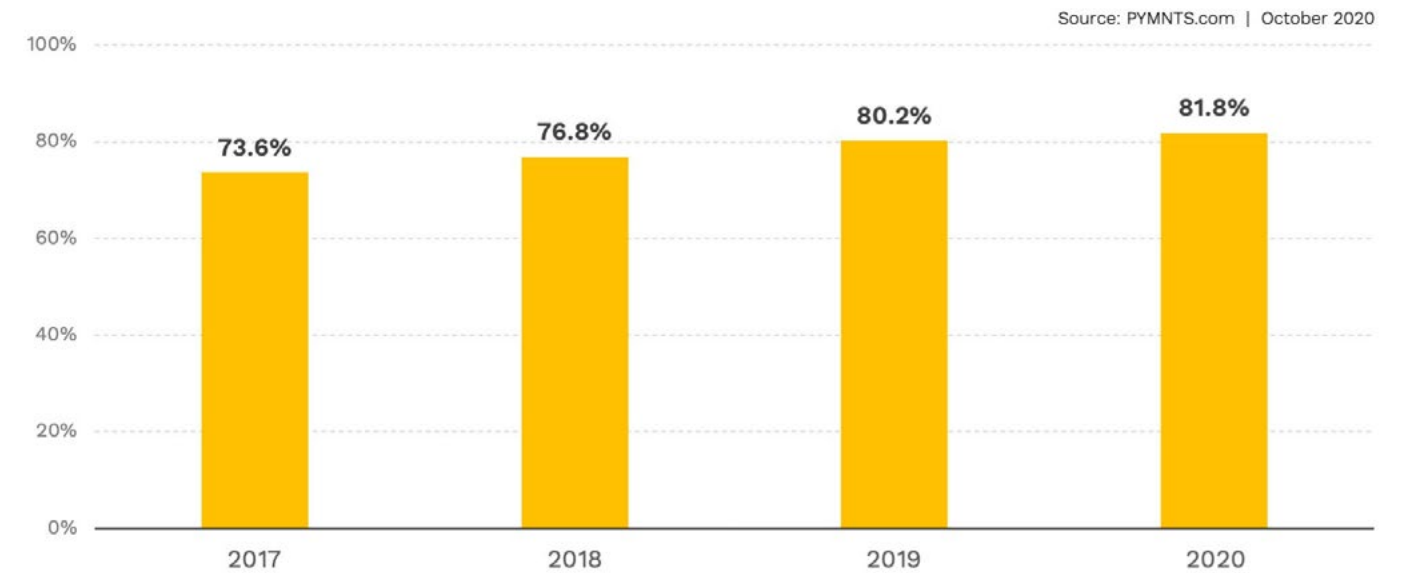
IN THEORY VERSUS PRACTICE

MORE THAN ONE-THIRD OF U.S. SMARTPHONE OWNERS  
 — **91.8 MILLION CONSUMERS** — ARE EQUIPPED  
 TO PAY USING APPLE PAY AT THE POINT OF SALE.

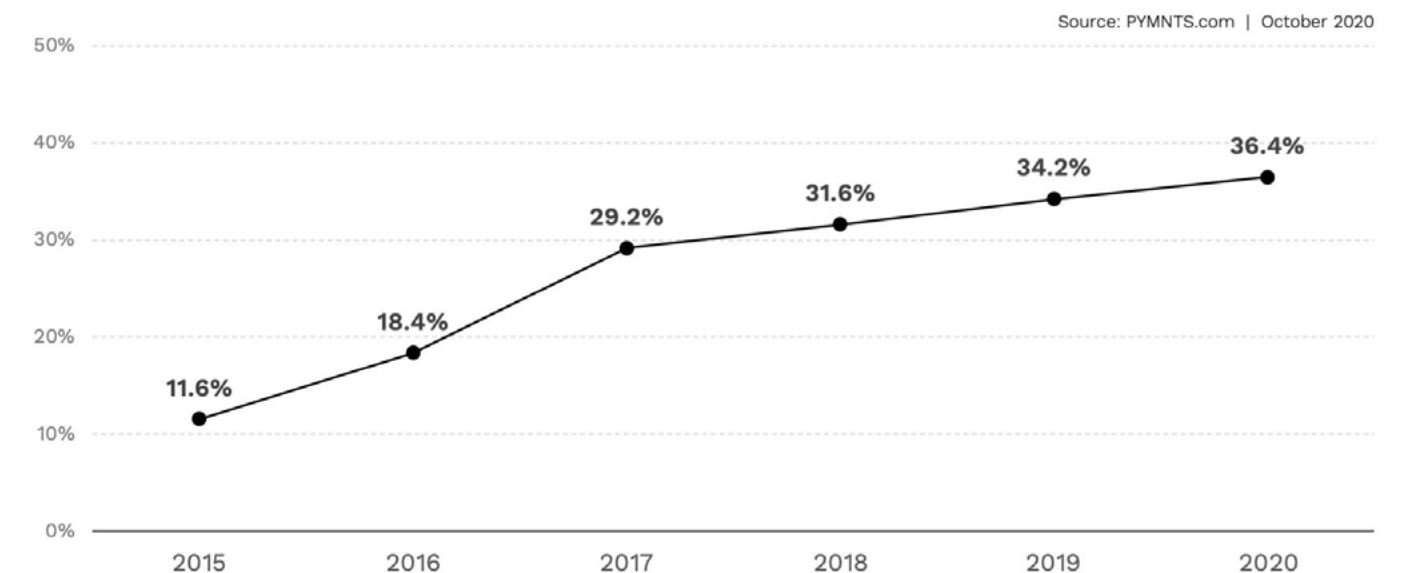
Of the 207.6 million U.S. adults who have smartphones that support mobile wallets, nearly 92 million can pay using Apple Pay at eligible physical store locations. The number of consumers who have an Apple Pay-compatible device has steadily climbed since 2015. As of Q3 2020, 93.9 percent of iPhones were compatible with Apple Pay, up from 39.2 percent in 2015.

Ownership of Apple Pay-enabled devices has improved over the years, but the growth has been slower than what we have previously observed as more iPhone users have upgraded their phones to Apple Pay-enabled versions. Our research shows that 36.4 percent of all consumers in the United States have smartphones that are compatible with Apple Pay as of Q3 2020. This represents a 1.2 percent growth rate from Q1 2020 and a year-over-year growth rate of just 6.6 percent from 2019. Apple Pay-compatible device ownership increased at a rate of about 17.2 percent between 2017 and 2019 by comparison. Before then, its size tripled between 2015 and 2017.

**FIGURE 1: HOW MANY CONSUMERS OWN MOBILE WALLET-COMPATIBLE SMARTPHONES**  
 Share who own smartphones that are compatible with any digital wallet



**FIGURE 2: HOW MANY CONSUMERS OWN MOBILE WALLET-COMPATIBLE SMARTPHONES**  
 Share who own smartphones that are compatible with Apple Pay



## IN THEORY VERSUS PRACTICE

NEARLY 8 PERCENT OF SHOPPERS WHO HAVE **APPLE PAY-COMPATIBLE IPHONES** PAID USING THE MOBILE WALLET AT ELIGIBLE STORE LOCATIONS.

Use of Apple Pay is steadily climbing as more consumers want contactless ways to shop and pay. Over 80 percent of U.S. adults now have access to mobile wallet-compatible phones, yet few consumers use them — at least not for in-store purchases. That is also true for Apple Pay. Consumers who have Apple Pay-enabled smartphones used the mobile wallet for 7.8 percent of eligible in-store transactions.

**TABLE 1: USE OF APPLE PAY AT THE POINT OF SALE**  
Share of sales that mobile wallet-enabled payments generated at eligible brick-and-mortar stores

Portion of eligible transactions that used Apple Pay	<b>7.8 percent</b>
Portion of shoppers at eligible stores who used Apple Pay	<b>2.7 percent</b>
Estimated share of total in-store sales in which Apple Pay is used	<b>1.5 percent</b>

Consumers are not using Apple Pay and other mobile wallets enough, and very few are choosing to use them at stores where they are accepted. Our research shows that only 2.7 percent of all consumers who shop at stores that accept Apple Pay actually use it, and the share of total sales that are paid for using Apple Pay at stores that accept the wallet stands at 1.5 percent. It is worth noting that the ongoing COVID-19 pandemic has changed consumers' shopping habits, however, seemingly impacting when and how consumers use mobile wallets such as Apple Pay.

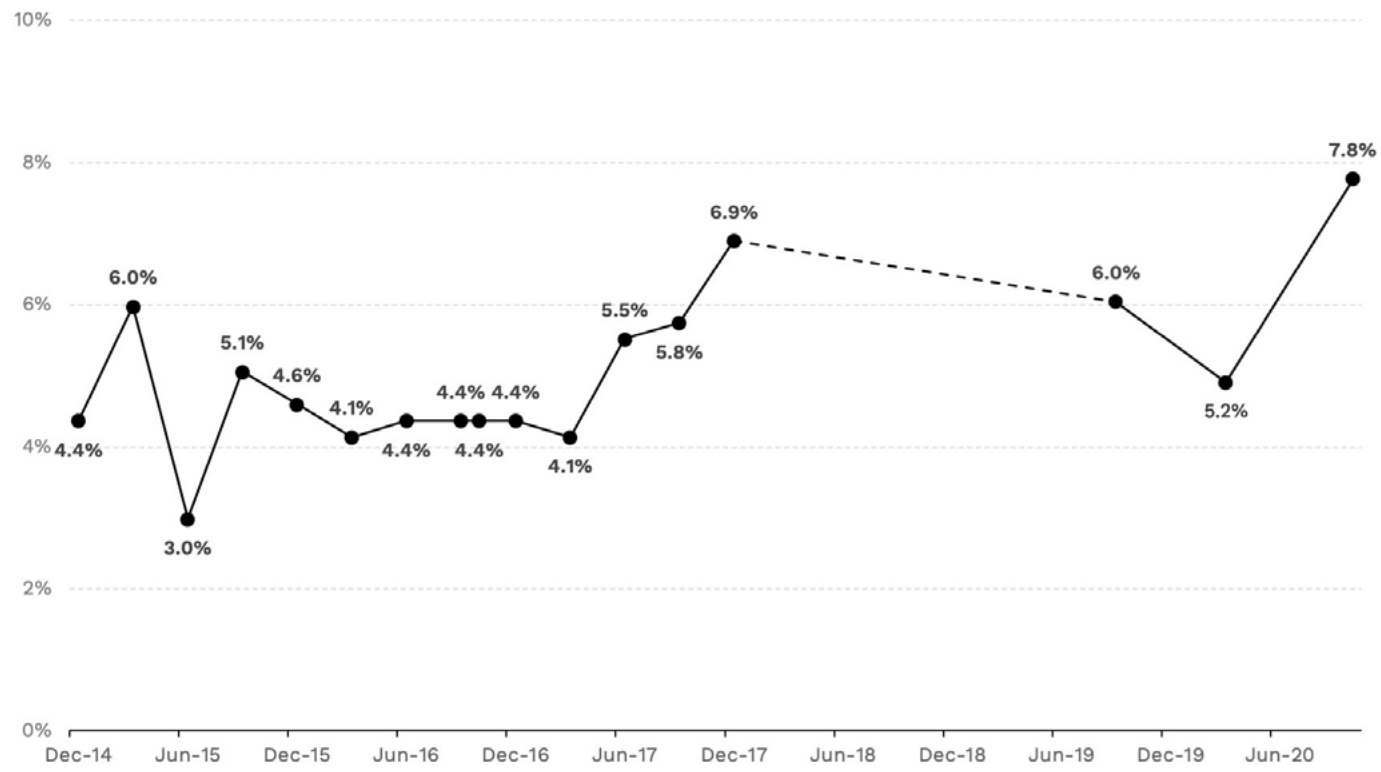
More than 58 percent of consumers are now using digital channels to make purchases so they can avoid having to stand in line. Many of these consumers are embracing options such as online delivery and curbside pickup, which enable them to stage transactions beforehand and eliminates the need to step into physical stores. This demand for touch-free shopping experiences has been fueling an increased use of Apple Pay in recent months. Our research shows that use of Apple Pay at brick and mortar stores is up by 59 percent from March.

This recent spike has come after an extended period of stagnation in Apple Pay use. Consumers' propensity to use the mobile wallet reached a peak in Q3 2017, when 6.9 percent of consumers reported using it at the POS. Use of the wallet had been on a decline since then, with just 5.2 percent of consumers using it at the cash register last quarter.

**FIGURE 3: CONSUMERS' PROPENSITY TO USE APPLE PAY AT THE POINT OF SALE**

Share of consumers with compatible devices who use Apple Pay at the point of sale in eligible stores, by date

Source: PYMNTS.com | October 2020



IN THEORY VERSUS PRACTICE

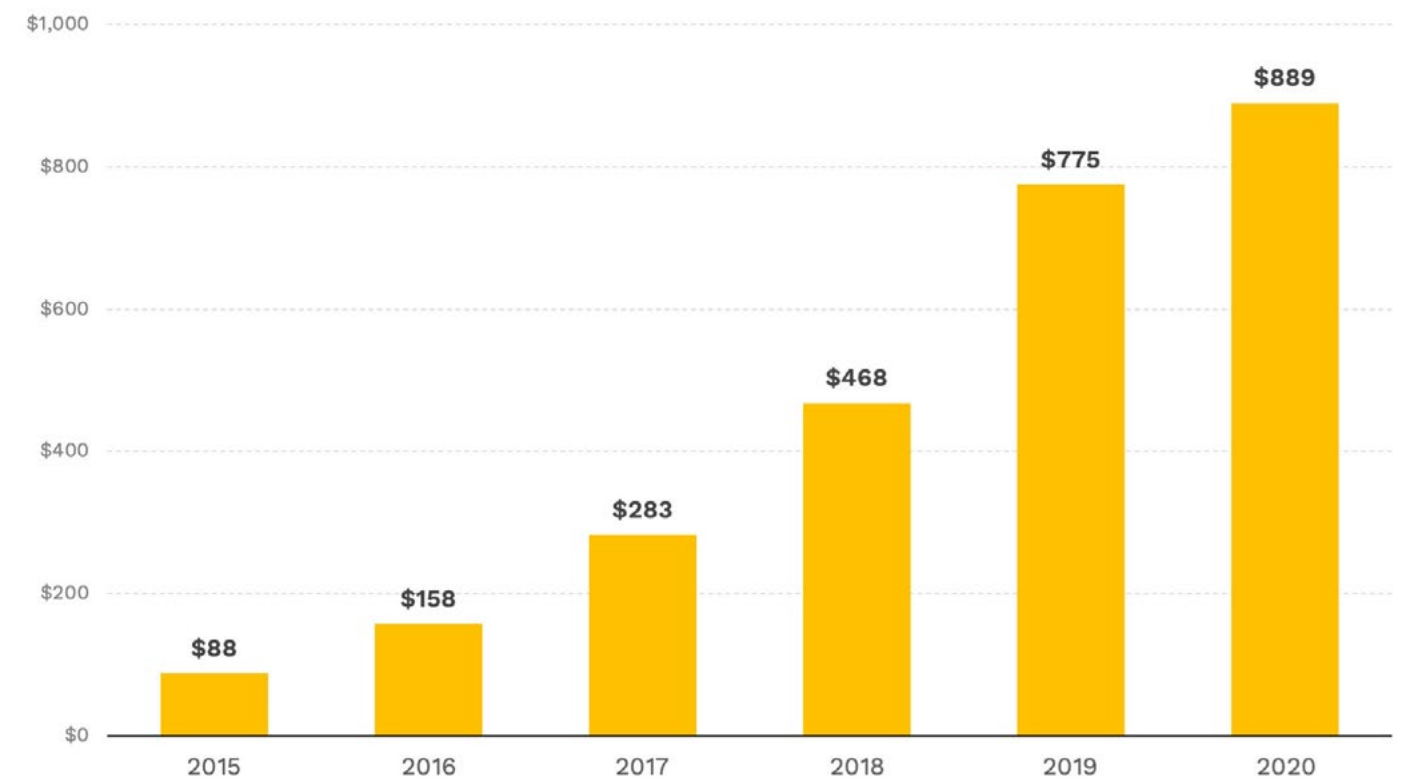
APPLE PAY HAS THE POTENTIAL TO FACILITATE \$889 BILLION IN BRICK-AND-MORTAR SALES, THOUGH IT IS CURRENTLY USED FOR **JUST \$64.8 BILLION WORTH** OF SALES AT THE POS.

Apple Pay could account for a significant share of brick-and-mortar mobile payments if consumers actually used it. We estimate that U.S. consumers will spend \$4.2 trillion on retail, food and services in 2020. If the 36.4 percent of consumers who own Apple Pay-compatible smartphones were to make purchases at brick-and-mortar locations that accepted the mobile wallet, the total value of Apple Pay transactions would reach approximately \$889 billion. Our research shows that Apple Pay has extensive potential to facilitate POS transactions, but it is currently used for only \$64.8 billion worth of sales.

**FIGURE 4: THE POTENTIAL SALES THAT APPLE PAY COULD GENERATE IN PHYSICAL STORES, IN BILLIONS**

Total retail and food services sales brick-and-mortar merchants that accept Apple Pay generated

Source: PYMNTS.com | October 2020



## WHERE AND HOW CONSUMERS USE APPLE PAY

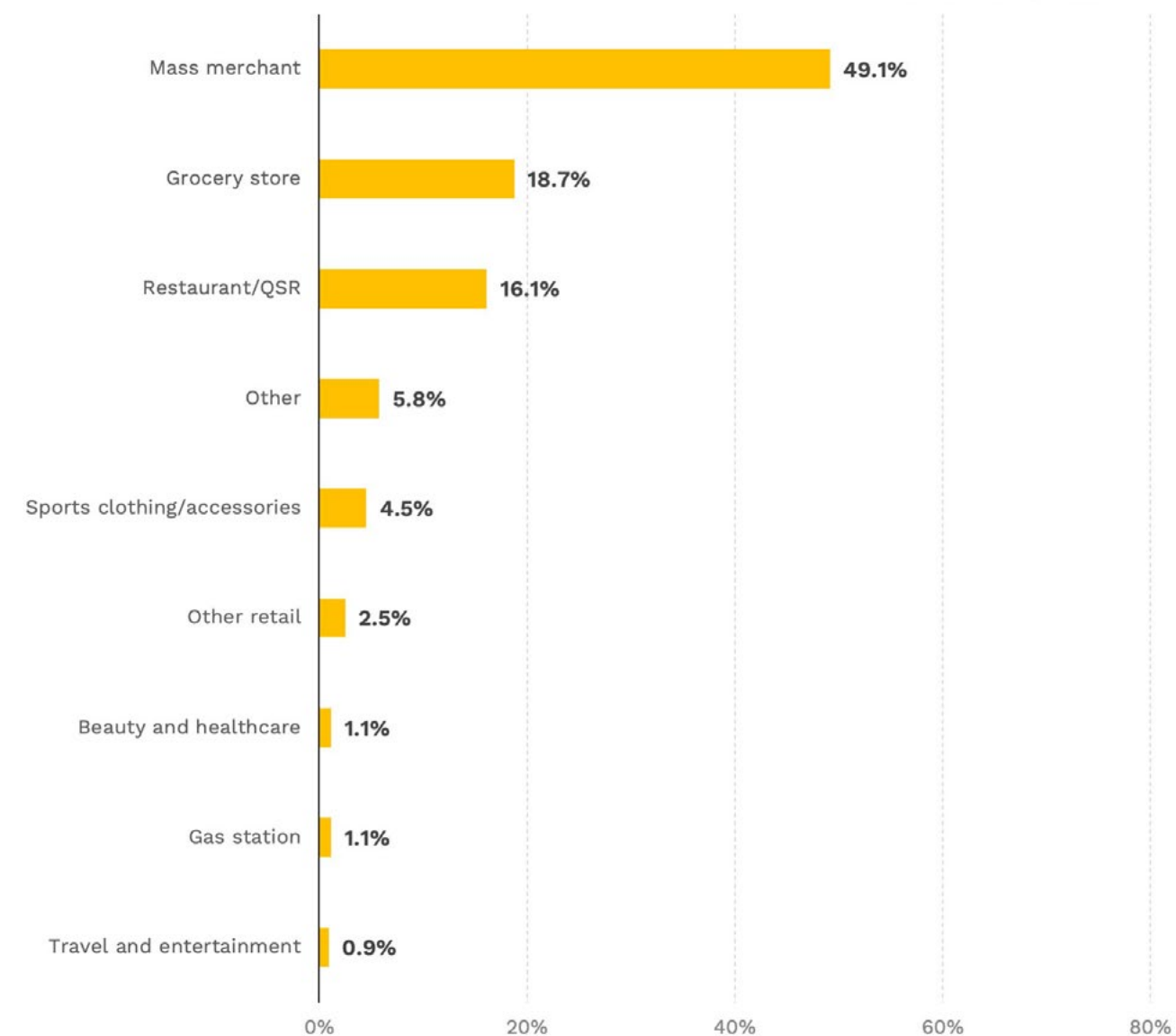
NEARLY HALF OF APPLE PAY TRANSACTIONS TAKE PLACE AT **MASS MERCHANT STORES.**

Consumers are using contactless cards more than they are using mobile wallets. A significant share of consumers have migrated to digital channels for ordering food and buying weekly groceries, but they are embracing contactless options such as Apple Pay when it comes to shopping with mass merchants. Our research shows that more than 49 percent of Apple Pay transactions are done at mass merchant stores.

**FIGURE 5: USE OF APPLE PAY AT BRICK-AND-MORTAR STORES, BY MERCHANT TYPE**

Share of mobile wallet transactions that are conducted using Apple Pay at various merchants

Source: PYMNTS.com | October 2020



## WHERE AND HOW CONSUMERS USE APPLE PAY

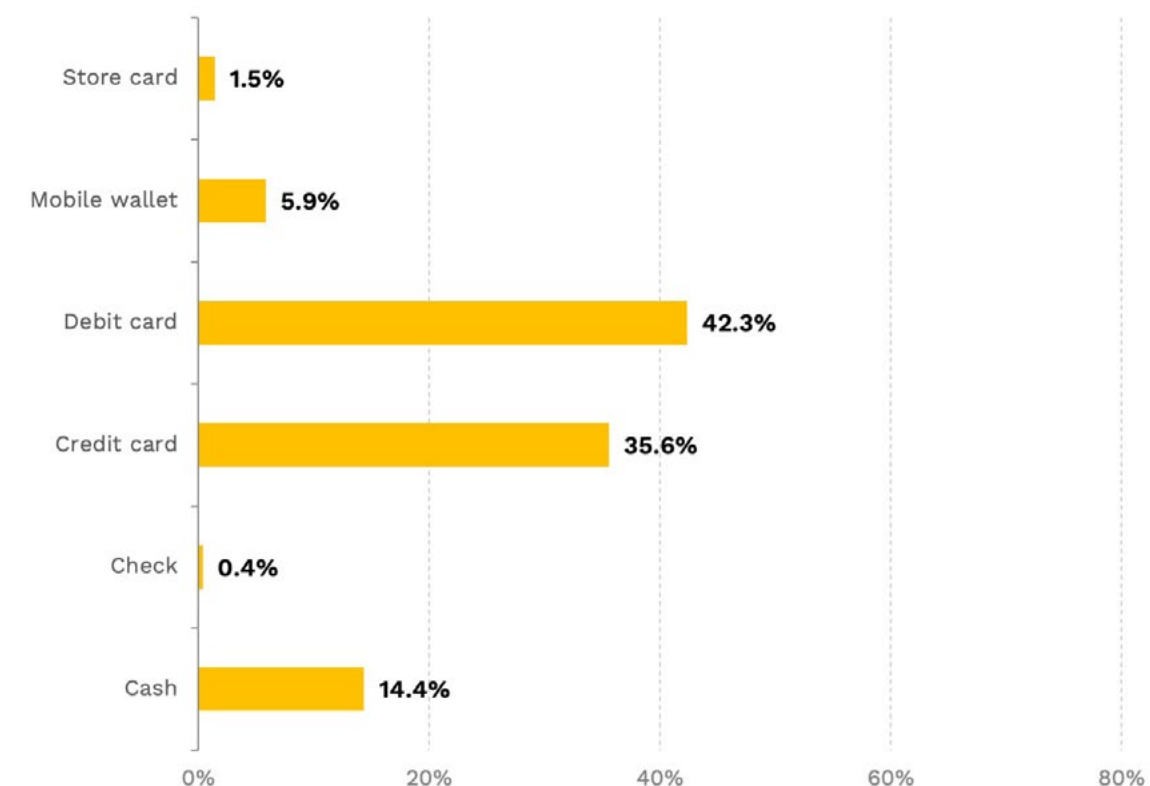
This is not to say that Apple Pay is the only contactless option that consumers are using at brick-and-mortar stores today. Our latest survey found that 5.8 percent of consumers made their most recent purchases with a contactless credit or debit card — up from 3.4 percent in Q1 2020. This shift stems from a broader interest in using contactless methods to pay for purchases in physical stores.

Broadly speaking, in-store use of mobile wallets, including Apple Pay, still trails behind traditional payment methods, such as debit cards, credit cards and cash. Our research shows that consumers are five times more likely to pay via debit cards and four times more likely to pay with credit cards as they are to pay with mobile wallets on any given day. Even cash payments are more common than digital wallet payments, with consumers 2.5 times more likely to pay with cash as opposed to mobile wallets.

**FIGURE 6: USE OF VARIOUS PAYMENT METHODS AT PHYSICAL STORES**

Share of consumers who use select payment methods in any given 24-hour time frame

Source: PYMNTS.com | October 2020





WHO ARE APPLE PAY USERS, AND WHAT WILL KEEP THEM MOTIVATED?

MILLENNIALS, WOMEN  
AND THOSE WITH HIGH INCOMES  
REPRESENT **APPLE PAY'S CORE USER BASE.**

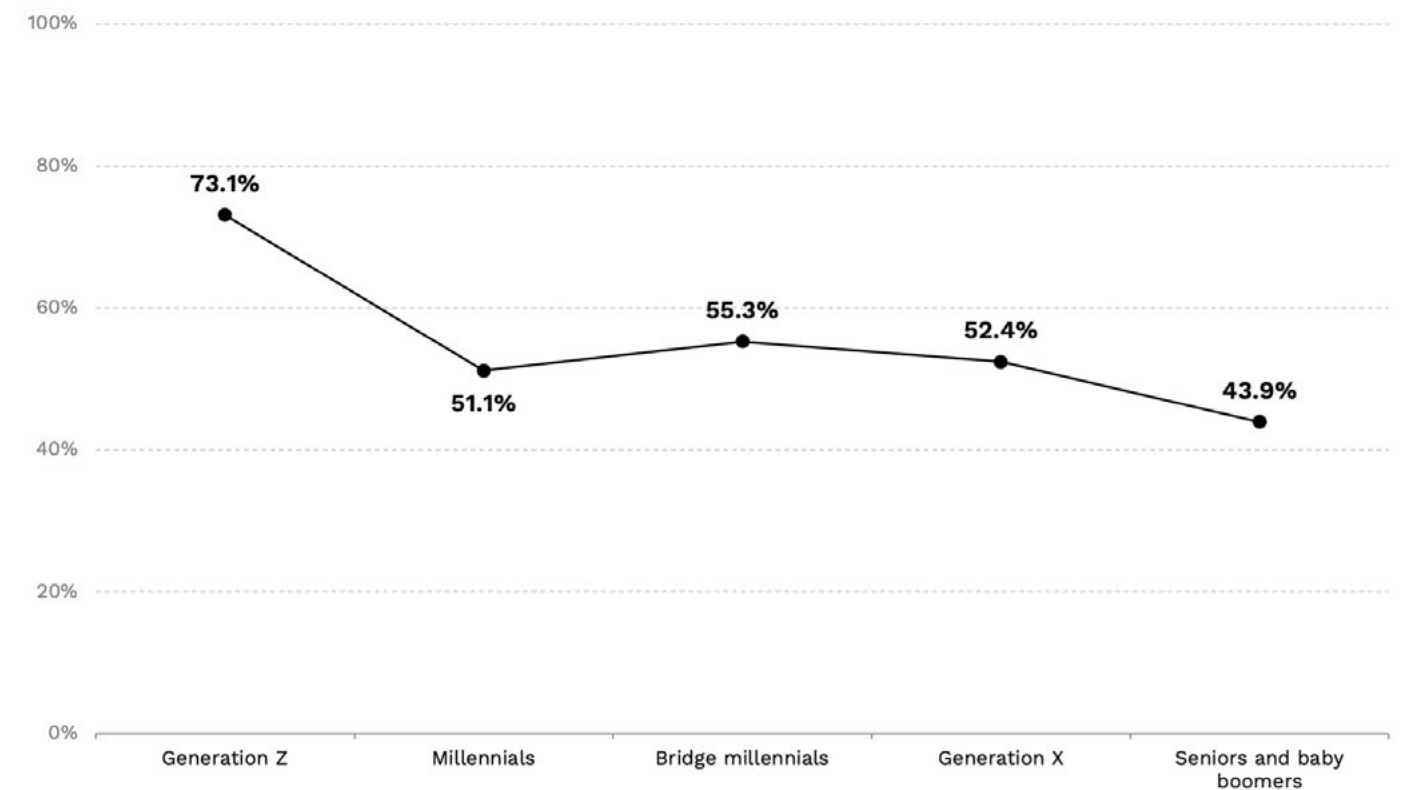
When it comes to deciding between various mobile wallet options, 52 percent of consumers in our survey report choosing Apple Pay at the POS. These users tend to be younger, female and more affluent and educated.

Our research shows that 73.1 percent of Generation Z digital wallet users used Apple Pay when making an in-store purchase in the last seven days — a share that was nearly 52 percent for both millennial and Generation X users. Our study also revealed that 57 percent of those earning more than \$100,000 in annual income use Apple Pay and nearly as many are women. Approximately half of digital wallet users with college degrees use Apple Pay.

**FIGURE 7: USE OF APPLE PAY AT THE POINT OF SALE, BY GENERATION**

Share of digital wallet users who used Apple Pay to make in-store purchases during the past seven days

Source: PYMNTS.com | October 2020



## WHO ARE THE APPLE PAY USERS, AND WHAT WILL KEEP THEM MOTIVATED?

### **ENSURING SPEED, CONVENIENCE AND EASE OF USE** WILL BE KEY TO DRIVING FURTHER ADOPTION.

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Our findings indicate that 46.4 percent of all mobile wallet users choose to purchase from specific brick-and-mortar retailers solely because those stores accept mobile wallets such as Apple Pay. These shoppers tend to use mobile wallets for three reasons: convenience, ease of use and speed.

Our survey findings reveal that being able to make payments easily and conveniently are two of the most common reasons consumers use mobile wallets at physical stores, with 76.7 percent of respondents who pay with mobile wallets citing each reason. This is closely followed by speed, cited by 74.5 percent.

Offering a fast, seamless and convenient payment experience has been a key promise of Apple Pay since it was launched in 2014, but enabling that experience in stores during a pandemic is a whole different ball game. Making in-store payments with Apple Pay means a growing share of iPhone users must use Face ID as opposed to Touch ID, which creates not-so-seamless experiences for those wearing masks. These consumers can find themselves having to either remove their masks, key in their iPhone passcodes or use the touchpad to complete their transactions. This friction can render the idea of using Apple Pay for a contactless experience infeasible for many users.

# CONCLUSION

The promise of a friction-free and touchless in-store payment experience has long been a core value proposition of Apple Pay. It is perhaps not surprising that the mobile wallet is seeing an increase in traction during the COVID-19 health crisis, enabling consumers to pay in brick-and-mortar locations in a contactless manner and even stage transactions for touch-free shopping options, such as buy online, pickup in store and curbside pickup. That being said, use of Apple Pay is still far from what was expected when the wallet made its debut six years ago, and there is a seemingly long road ahead for the wallet to gain critical mass.

# METHODOLOGY

**The Apple Pay At Six Report** was conducted between September 23, 2020, and September 30, 2020. The report is based on survey of 7,585 consumers. Among this group, 5,629 had made purchases within the previous seven days in a brick-and-mortar store. The main survey sample used to determine mobile wallet usage rates was based on a smaller group — 2,998 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.

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