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# APPLE PAY



**Winning** the Wallet Battle  
**but Losing** the In-Store War

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September 2021

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# INTRODUCTION

October 20, 2021 marks Apple Pay's seventh birthday — but Apple has little to celebrate. Mobile wallets are losing the in-store payments war.

Here are three data points that explain why:

#### **United States consumers pay with mobile wallets such as Apple Pay for just 4.5 percent of their eligible in-store purchases.**

Apple Pay and other mobile wallets have missed their moment in the U.S. The Covid-19 crisis has fueled greater demand for touchless payment options, but consumers are checking out with Apple Pay and its competitors in just 4.5 percent of their in-store purchases. That's 26 percent less often than in 2019, as a share of overall transactions. Contactless credit and debit cards are reaping the spoils instead. "Tap" payments have more than doubled as a share of in-store credit and debit card purchases in the last year.

#### **iPhone owners skip Apple Pay for 94 percent of their eligible in-store transactions.**

U.S. consumers who could pay with Apple Pay rarely opt to do so. Apple's mobile wallet captures just 6.1 percent of eligible in-store purchases — defined as checkouts by shoppers with Apple Pay-compatible iPhones at stores that accept this form of payment — and this has declined since 2017. Apple's wallet has the potential to convert \$1.5 trillion of in-store sales but is only processing \$91.7 billion, to put things into perspective.

It is not all bad news for Apple Pay, though. The iPhone's unrivaled success in the U.S. has put Apple's wallet into more consumers' hands and pushed more merchants to accept it and other digital wallets at the point of sale, leading to the total value of its in-store transactions nearly doubling from 2019 to 2021. Apple Pay accounts for approximately half of in-store mobile wallet purchases in 2021, nearly twice the runner-up's share.

#### **Consumers pay for less than 2 percent of in-store purchases using Apple Pay.**

The iPhone can only carry Apple Pay so far, however. Consumers are paying with the wallet for a mere 1.7 percent of their in-store purchases in 2021, down approximately 10 percent since 2019. Shoppers mostly pay with Apple's wallet for ordinary everyday purchases. PYMNTS research finds that two-thirds who used Apple Pay in the last 24 hours bought groceries, with a similar distribution across retail categories as seen for other payment methods.

PYMNTS has been monitoring consumers' adoption and use of Apple Pay since it went live in 2014. This year we continued our annual research by surveying a census-balanced panel of 3,671 U.S. consumers who both own a smartphone and made at least one in-store purchase in the last 24 hours. We asked respondents how they made their purchases and their reasons for choosing one payment method over another. We also conducted research on brick-and-mortar businesses that accept mobile wallet payments, allowing us to combine insights from both consumer and merchant sides of the transaction.

**THIS IS WHAT WE LEARNED.**

## LOSING THE IN-STORE WAR

### CONSUMERS ARE INCREASINGLY TAPPING CREDIT CARDS AND NOT MOBILE WALLETS FOR MAKING IN-STORE PURCHASES.

CONSUMERS' USE OF CREDIT CARDS FOR IN-STORE PAYMENTS INCREASED BY 24 PERCENT IN 2021.

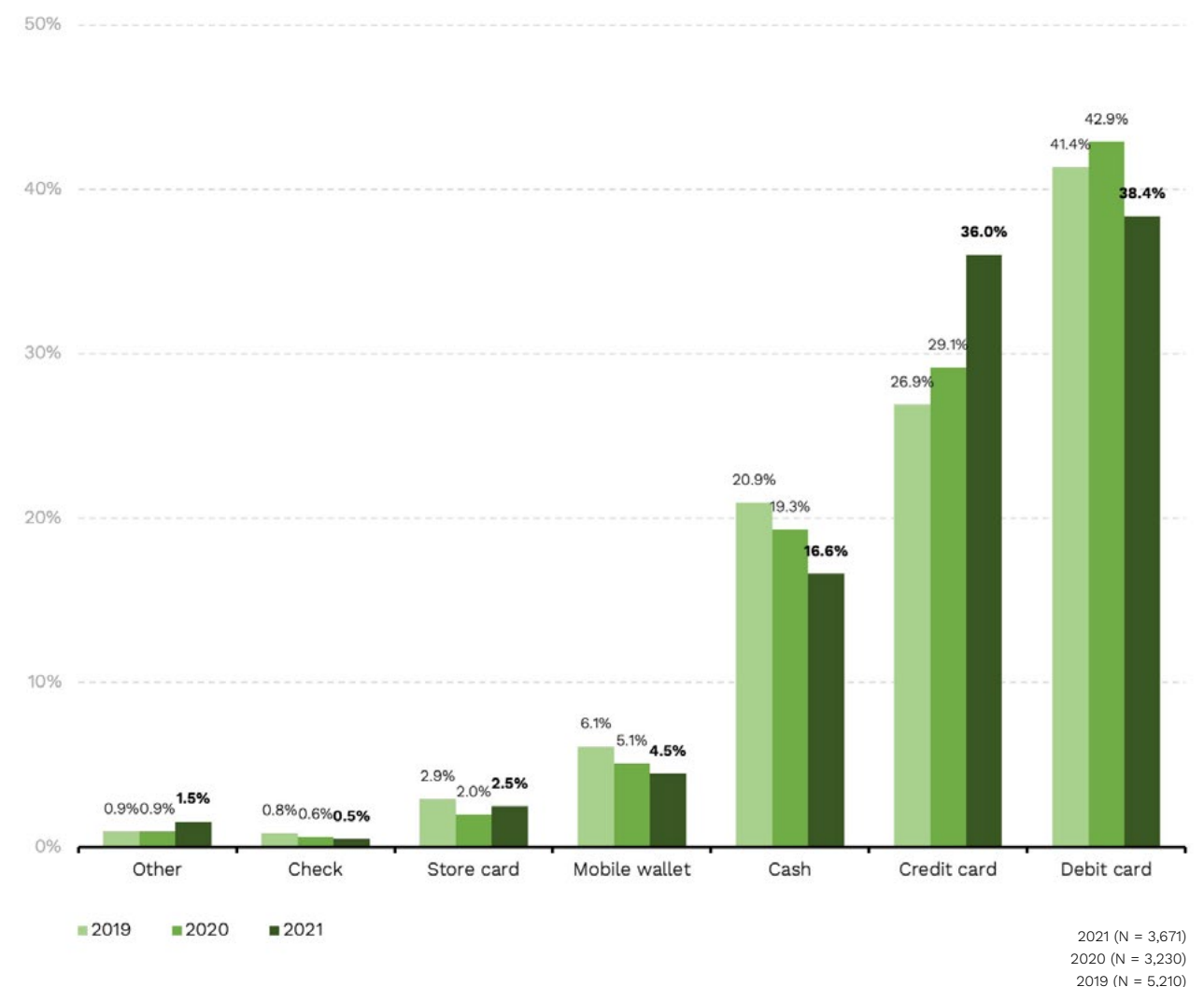
Apple Pay is faring better than other mobile wallets in the U.S., but this still puts it on the losing side of the war for in-store payments. Consumers are using mobile wallets for just 4.5 percent of their in-person shopping in 2021, 26 percent less often than in 2019 — meaning Apple has been growing its share of a shrinking market.

That mobile wallets have lost substantial momentum during the Covid-19 pandemic despite offering contactless payment experiences underscores U.S. consumers' indifference toward the technology. The health crisis has pushed shoppers toward cashless and no-touch payments, accelerating the long-term shift away from paper money. Shoppers are now making just 17 percent of their in-store purchases in cash, down from 19 percent in 2020 and 21 percent in 2019.

Debit cards, mobile wallets, store cards and paper checks also saw their shares of in-store transactions fall over the last two years, however. Just credit cards have gained popularity during the pandemic, capturing 36 percent of in-person transactions in 2021, a 33.8 percent increase over 2019. They could soon surpass debit cards (38.4 percent) to become the leading form of in-store payment in the U.S.

FIGURE 1: IN-STORE PAYMENT METHODS

Share of in-store purchases in the previous 24-hour period, by method of payment

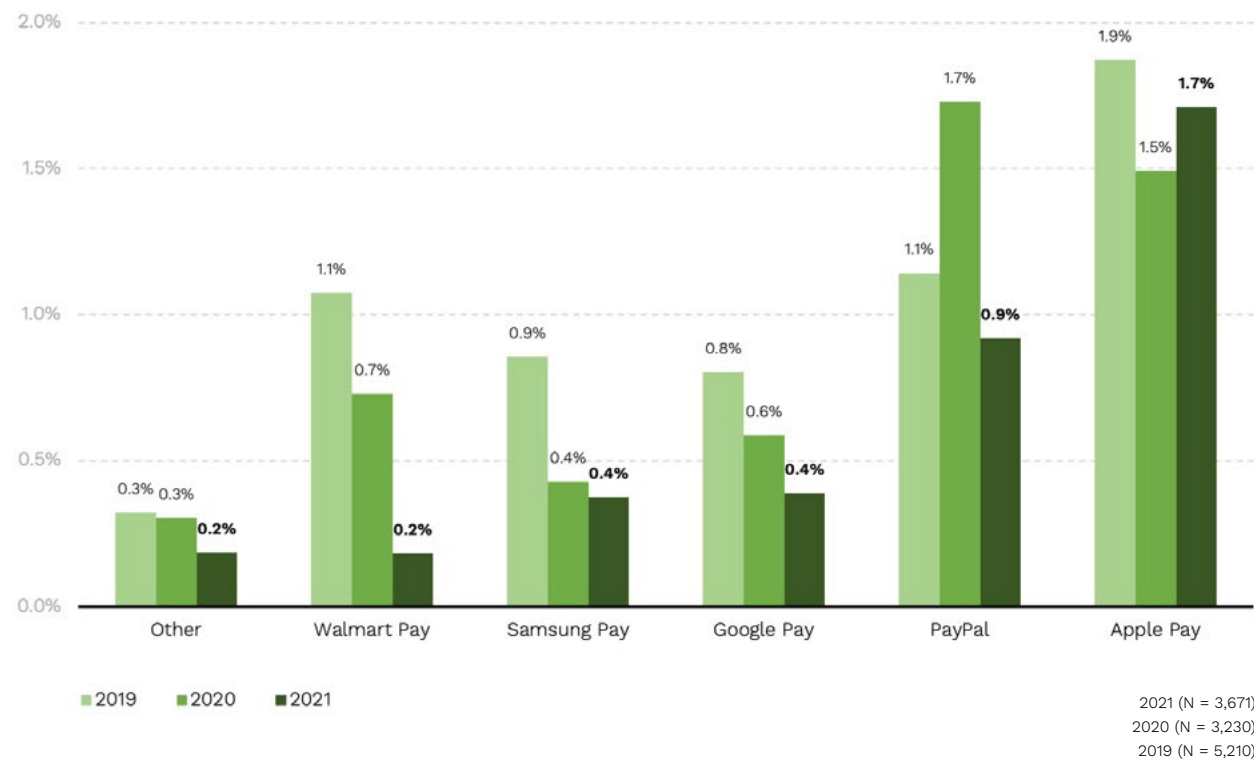


Source: PYMNTS.com | Mobile Wallet Adoption Report.

Where does this leave Apple Pay? Apple’s mobile wallet has held relatively steady in terms of its share of total in-store payments since 2019. It dipped from 1.9 percent in 2019 to 1.5 percent in 2020 but rebounded to 1.7 percent this year. All other leading mobile wallets have lost ground since the pandemic struck.

**FIGURE 2: MOBILE WALLETS’ SHARE OF IN-STORE PURCHASES**

Share of in-store purchases in the previous 24-hour period, by select mobile wallets



Source: PYMNTS.com | Mobile Wallet Adoption Report.



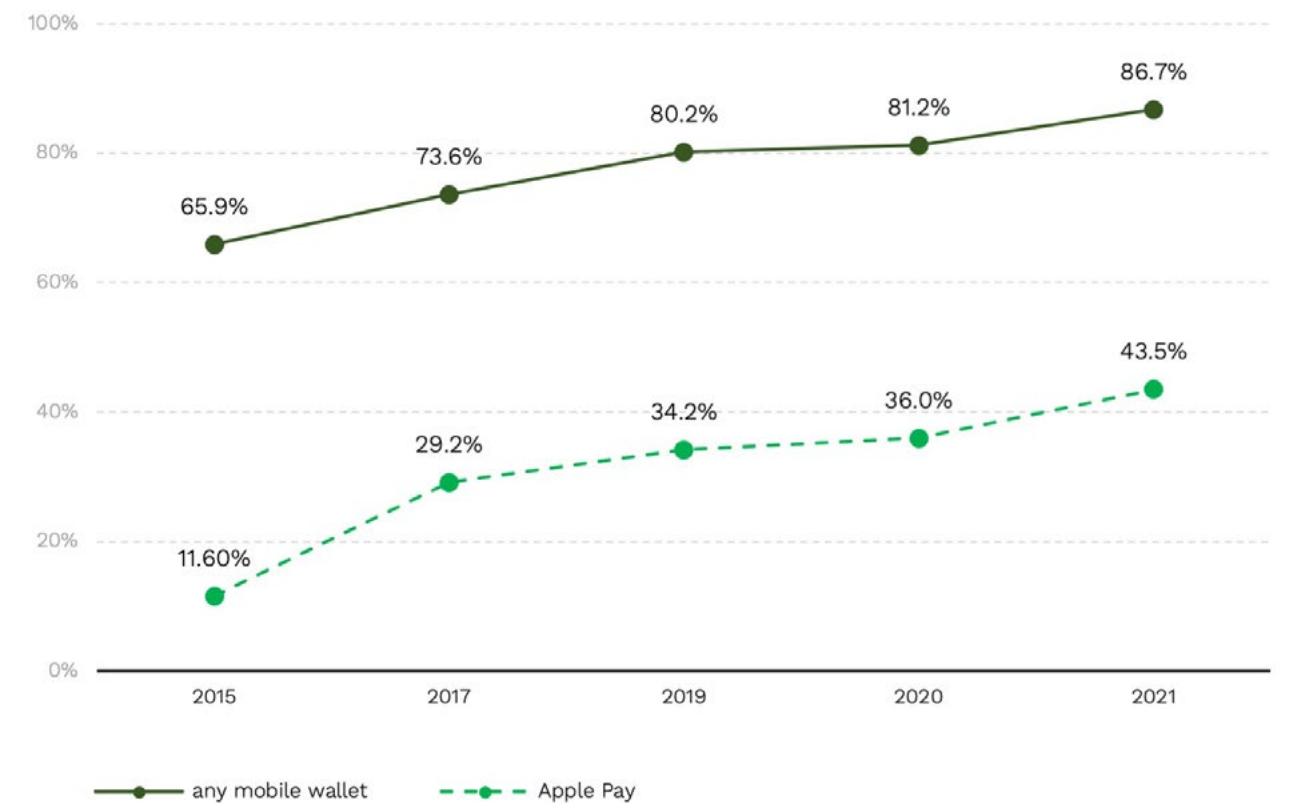
**APPLE PAY STRUGGLES TO REACH ITS MARKET POTENTIAL**

IN-STORE APPLE PAY PURCHASES WILL NEARLY DOUBLE IN VALUE IN THE U.S. FROM 2019 TO 2021, BUT ACCOUNT FOR JUST 6.1 PERCENT OF ELIGIBLE TRANSACTIONS.

Apple Pay depends on the continuing popularity of the iPhone, the only smartphone compatible with Apple’s mobile wallet. The portion of consumers with iPhones new enough to use Apple Pay — iPhone 6 models or newer — climbed from 36 percent in our 2020 survey to 44 percent in 2021. This is mainly due to Apple’s leading position in the U.S. smartphone market, but also to the share of iPhone owners with models too old for Apple Pay dropping to around 4 percent.

These trends mean that, for the first time, iPhone owners represent nearly half of all U.S. consumers that have mobile-wallet compatible smartphones. This gives Apple Pay an advantage in achieving a critical mass of users, although being limited to Apple devices also puts a cap on the wallet’s potential maximum market share.

**FIGURE 3: MOBILE WALLET-COMPATIBLE SMARTPHONE ADOPTION RATE**  
Share of adult consumers, by ownership of mobile wallet-compatible smartphones



2021 (N = 7,437)  
2020 (N = 5,931)  
2019 (N = 8,094)

Source: PYMNTS.com | Mobile Wallet Adoption Report.

U.S. consumers are on track to spend \$91.7 billion on in-store Apple-Pay purchases in 2021, up 96 percent from \$46.9 billion in 2019. This is a sizeable increase, especially given the overall shift toward online shopping during the pandemic. This success can be explained by the larger increase in numbers of consumers with Apple Pay capable iPhones and much wider acceptance of mobile wallets payments at the point of sale. Apple’s wallet is capturing just 6.1 percent of eligible transactions, however, which is a small fraction of a market potential of \$1.5 trillion.

**FIGURE 4: APPLE PAY IN-STORE PAYMENTS AND MARKET POTENTIAL**  
Payments made and eligible to be made using Apple Pay (USD billion)

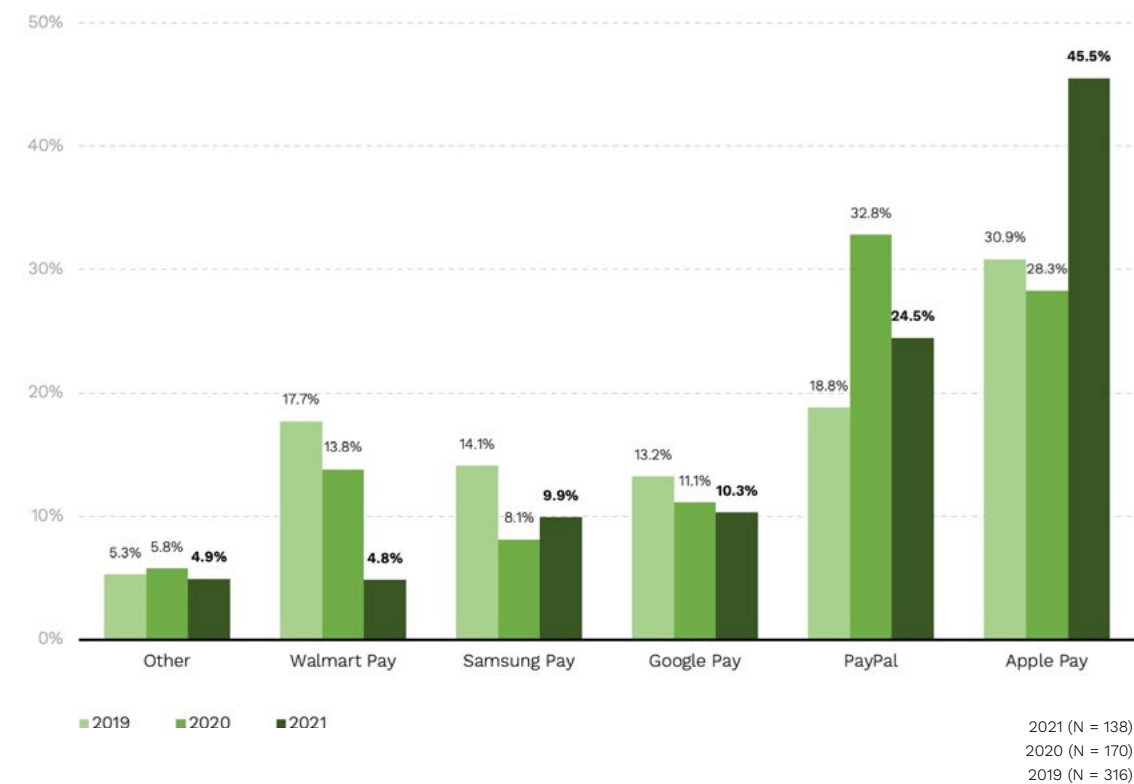


Source: PYMNTS.com | Mobile Wallet Adoption Report.

Behind Apple Pay’s increase in payments volume are several key trends. The most notable is a 61 percent jump in its share of total mobile wallet payments. Consumers are using Apple Pay for nearly half (46 percent) of all in-store mobile wallet checkouts in 2021, up sharply from 28 percent in 2020 and almost twice that of runner-up PayPal (25 percent).

Three of Apple’s four main competitors recorded losses in their shares of in-store mobile wallet purchases, meanwhile. We note an especially sharp drop for Walmart Pay, which saw its market share collapse from 13.8 percent in 2020 to 4.8 percent in 2021. Only Samsung Pay has gained a modest amount of traction this year, boosting its share from 8.1 to 9.9 percent, but this comes after a steep decline the year before.

**FIGURE 5: MOBILE WALLETS USED FOR IN-STORE PURCHASES**  
Share of adult consumers who used the selected mobile wallet for their most recent mobile wallet purchase, among those who used a mobile wallet in-store in the previous 24-hour period



Source: PYMNTS.com | Mobile Wallet Adoption Report.

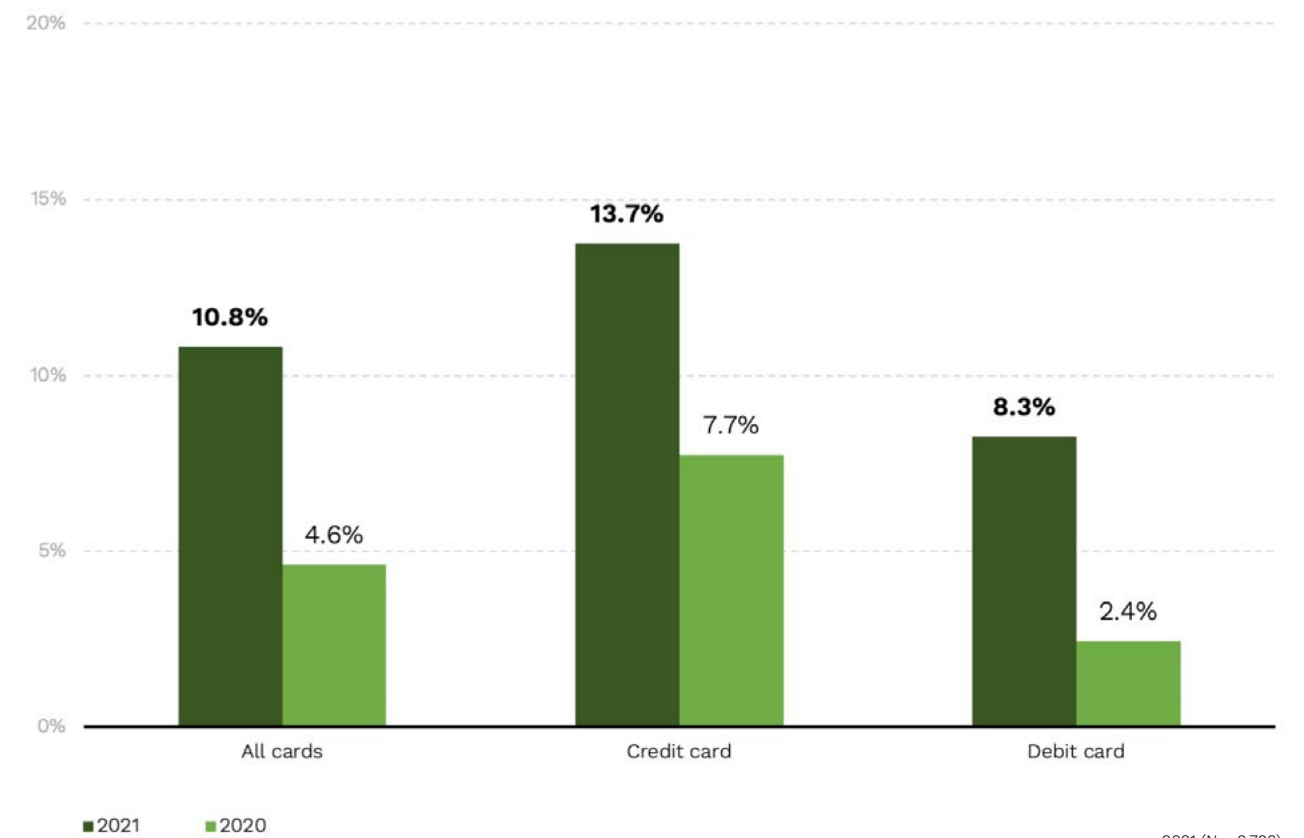
THE CONTACTLESS FACTOR

**CONTACTLESS CARD PAYMENTS  
HAVE MORE THAN DOUBLED  
IN THE LAST YEAR**

Consumers are flocking to contactless cards rather than mobile wallets for touch-free payments. Credit and debit card near-field-communication (NFC) “tap” checkouts have more than doubled as a share of overall in-store card purchases since our 2020 survey, and now account for 14 percent of transactions by credit card and 8.3 percent by debit card. The jump in contactless credit card tap transactions appears to be fueling a substantial portion of the wider increase in total credit card payments.

**FIGURE 6: CONTACTLESS CARD PAYMENTS**

Share of credit and debit card payments in the previous 24-hour period

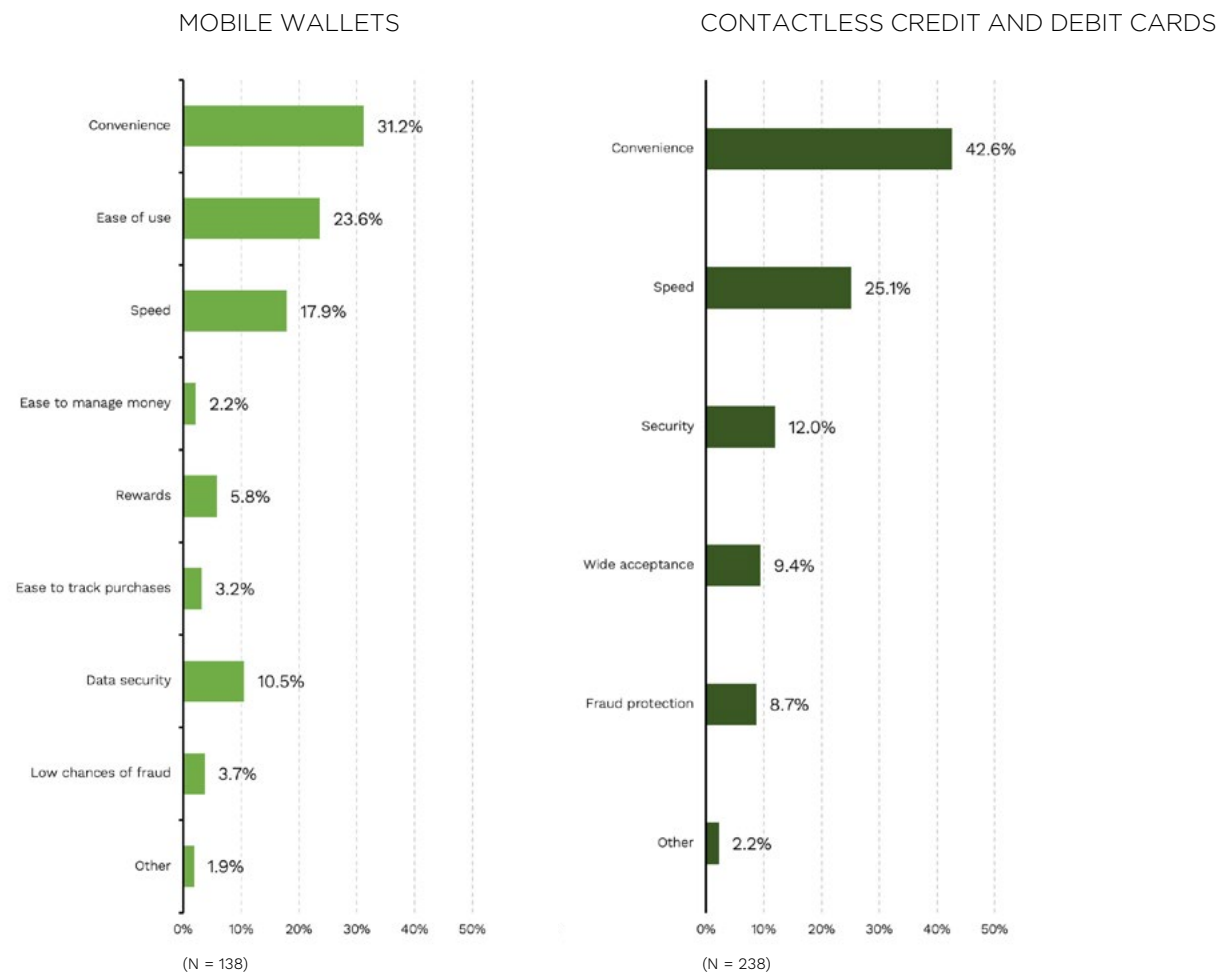


2021 (N = 2,728)  
2020 (N = 2,360)

Source: PYMNTS.com | Mobile Wallet Adoption Report.

The rise of contactless credit and debit cards provides a strong explanation for the slipping share of mobile wallets. Respondents who paid in-store using a mobile wallet in the last 24 hours cited convenience (31.2 percent), easiness (23.6 percent) and speed (17.9 percent) as their top three reasons for choosing this form of payment. These are also strong points of contactless card payments, which offer a fundamentally similar touch-free check-out experience.

**FIGURE 7: REASONS TO PAY WITH DIGITAL WALLETS AND CONTACTLESS CARD TECHNOLOGY**  
Share of consumers who selected different reasons for using the technology

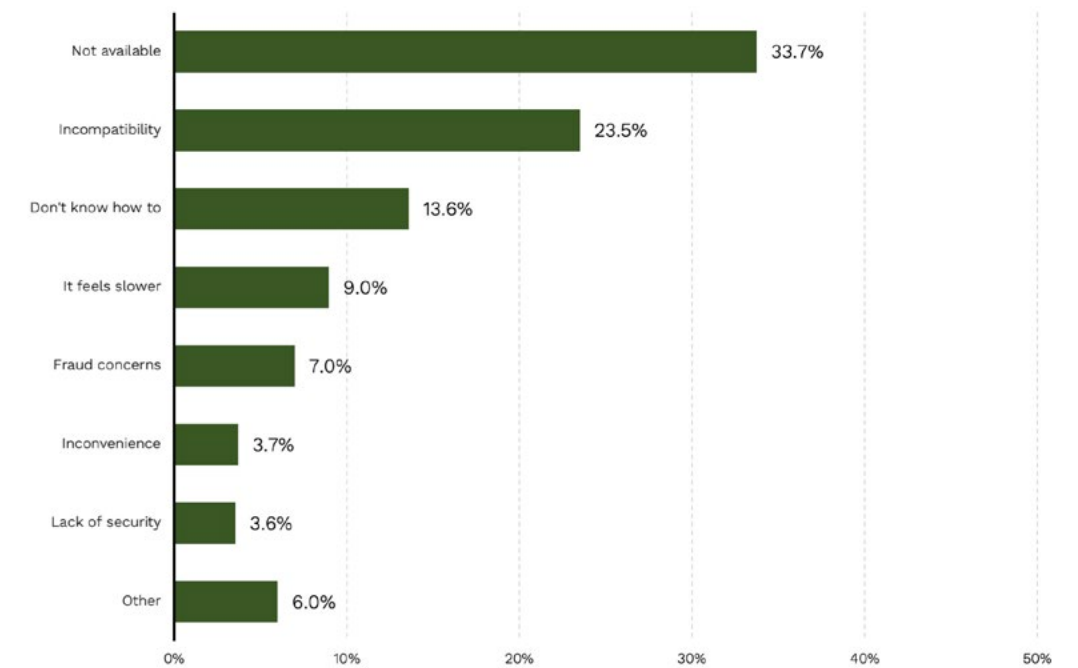


Source: PYMNTS.com | Mobile Wallet Adoption Report.

Our research indicates that consumers will continue to ramp up their use of contactless card payments going forward. More than half of respondents who shopped in-store with a credit or debit card but did not tap to check out say that their top reason for not doing so was either that the merchant could not accept an NFC payment (34 percent) or the card (24 percent) was not compatible. Many banks and other card issuers have only recently begun to replace customers' older cards with contactless ones, and merchants to add the necessary POS technology. NFC tap payments therefore stand to become much more widespread in the coming years, as has been seen in other countries where they were introduced earlier.

**FIGURE 8: REASONS CONSUMERS DO NOT MAKE CONTACTLESS CARD PAYMENTS**

Share of consumers who used a debit or credit card in the previous 24-hour period and did not pay using contactless technology, by top reason



(N = 2,490)

Source: PYMNTS.com | Mobile Wallet Adoption Report.



## THE MERCHANT SIDE OF THE EQUATION

### SEVENTY PERCENT OF BRICK-AND-MORTAR STORES IN THE U.S. NOW ACCEPT APPLE PAY.

HOWEVER, CONSUMERS' USE OF APPLE PAY REMAINS IN LOW SINGLE DIGITS.

Consumers can pay with Apple Pay at more merchants in the U.S. than ever. PYMNTS estimates that in 2021 70 percent of brick-and-mortar retailers accept Apple's mobile wallet, versus 65 percent that did last year. This confirms the fact that the primary cause for Apple Pay's lackluster performance lies with consumers who could use the wallet but prefer not to. Apple's wallet has recorded significant increases in the shares of eligible transactions and of eligible store's overall shoppers that use the mobile wallet in 2021 versus 2020, though both remain low.

**TABLE 1: INCREASE IN APPLE PAY ACCEPTANCE AND USAGE IN 2021**  
Percentage change in acceptance and usage rates from 2020 to 2021

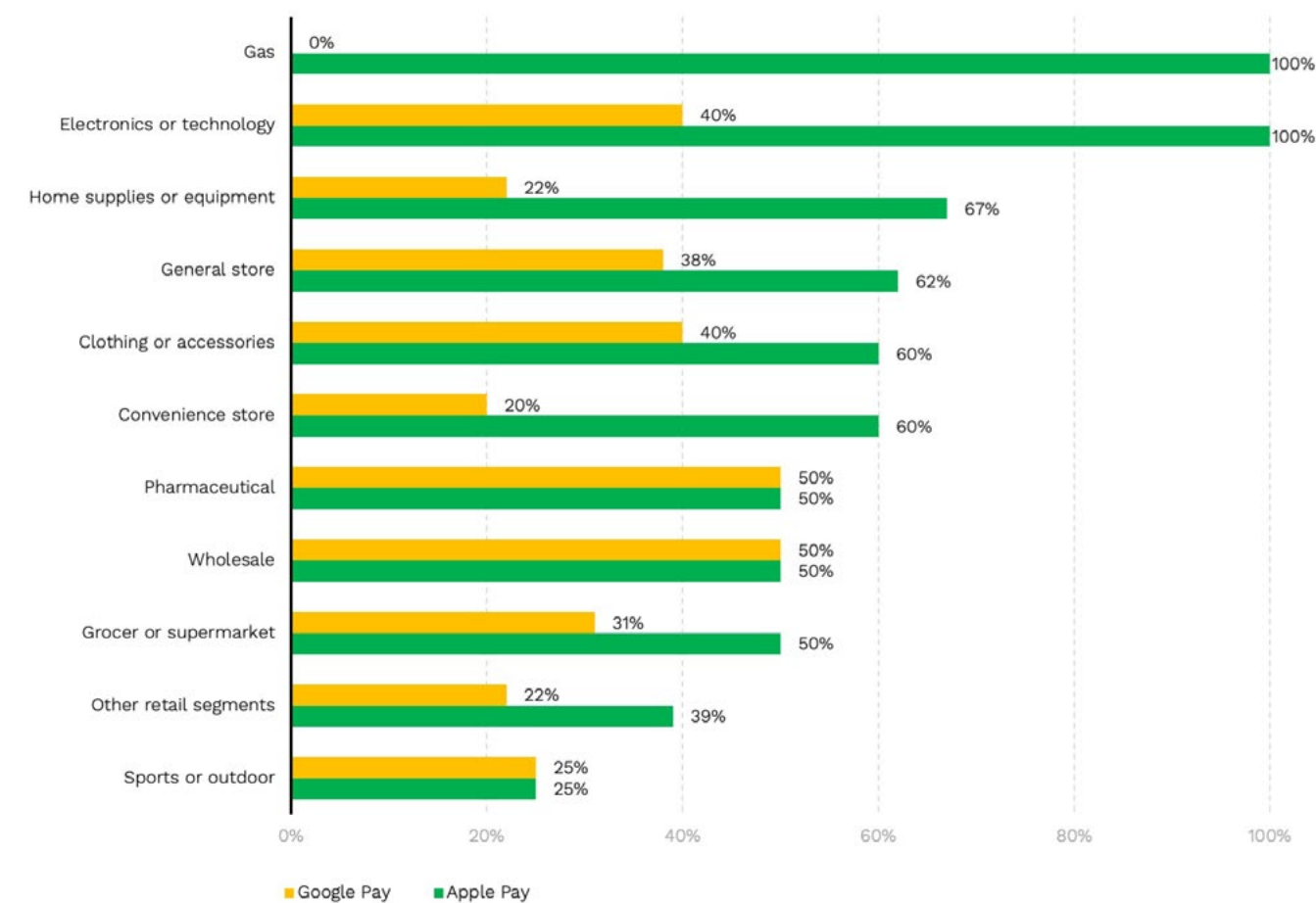
	2020 <sup>1</sup>	2021	CHANGE
Share of merchants that accept Apple Pay	65.0%	70.0%	7.7%
Share of eligible transactions in which Apple Pay was used	5.1%	6.1%	19.5%
Share of eligible stores' shoppers who used Apple Pay	1.8%	2.6%	44.3%

<sup>1</sup> Digital payment methods that North American retailers accept or plan to accept as of December 2019. <https://www.statista.com/statistics/384921/digital-payment-methods-retail-america/>. Accessed September 2021.

## APPLEPAYATSEVEN

PYMNTS conducted a separate study of the top 100 retailers in the U.S. regarding their acceptance of Apple Pay and Google Pay. We found that at least half of the merchants in most verticals with relevant sales accept Apple Pay, while Google Pay has much lower penetration. Apple Pay enjoys the widest acceptance among leading businesses in the gas station (100 percent), electronics and technology (100 percent), home supply (67 percent) and general store (62 percent) segments. Apple's wallet leads or ties Google Pay in every category.

**FIGURE 9: APPLE AND GOOGLE PAY ACCEPTANCE AMONG TOP 100 U.S. RETAILERS**  
Share of merchants that accept Apple Pay or Google Pay



## THE MERCHANT SIDE OF THE EQUATION

### TWO-THIRDS OF CONSUMERS BOUGHT GROCERIES WITH APPLE PAY, AMONG THOSE THAT MADE AN APPLE PAY PURCHASE WITHIN THE LAST 24 HOURS.

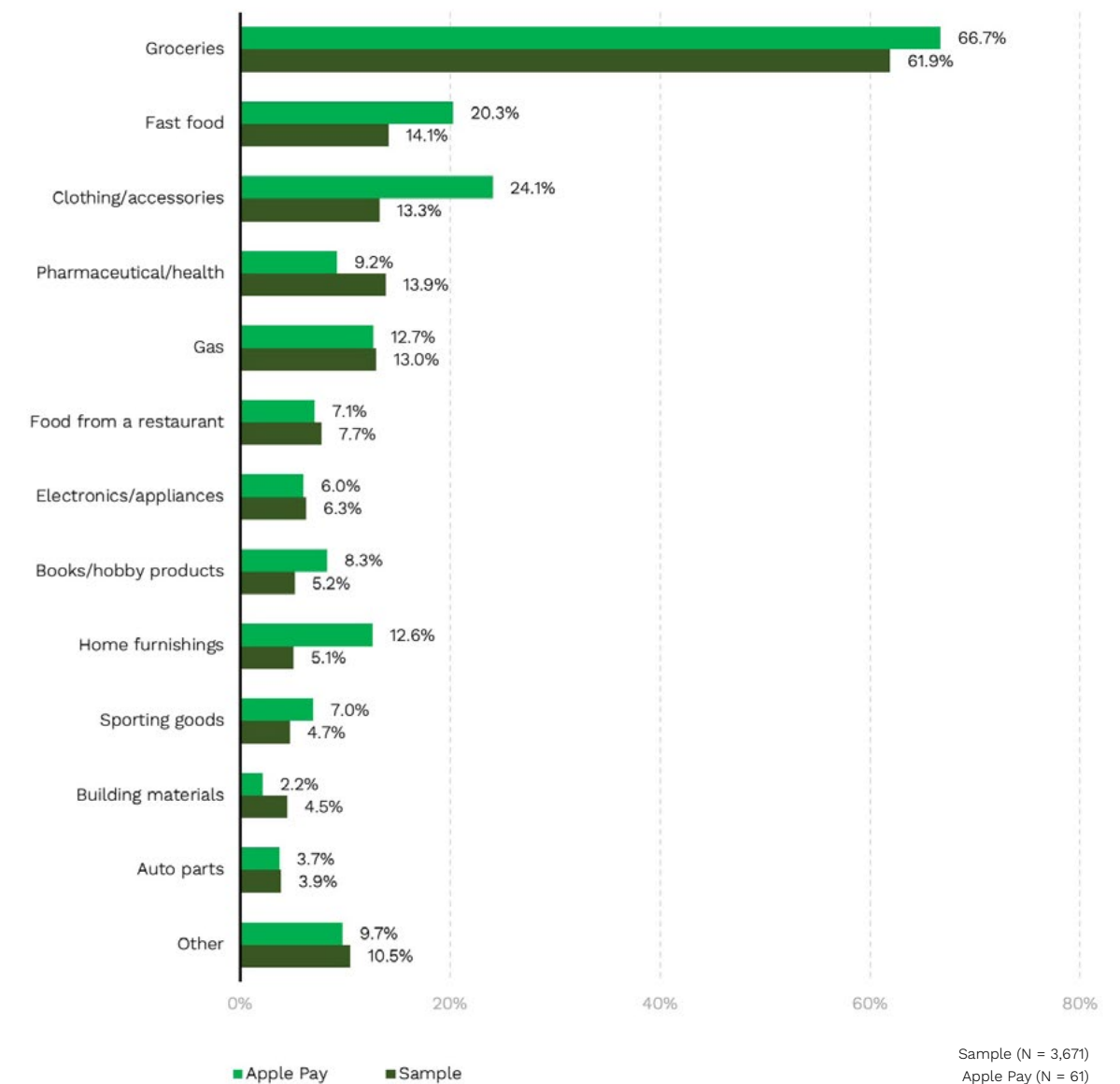
APPLE PAY USERS TEND TO LIVE IN URBAN AREAS AND EARN HIGHER INCOMES.

It comes as no surprise that consumers use Apple Pay most often for everyday spending. Two-thirds of in-store shoppers who paid with Apple Pay in the last 24 hours bought groceries, their most common purchase by far. Their other most frequent purchases include clothing and accessories (24 percent), fast food (20 percent), gas (13 percent) and home furnishings (12 percent). The distribution of Apple Pay transactions across in-store channels is similar to those of other forms of payment and shows that consumers are not using Apple's wallet in revolutionary ways.

PYMNTS research also shows that slightly more than half of mobile wallet consumers who paid with Apple Pay in the last 24 hours live in urban areas, compared to one-third in suburbs. They also tend to be in younger age groups and earn higher incomes. Nearly 60 percent of Gen Zers and 50 percent of millennials that used a mobile wallet to pay for their last in-store purchase used Apple Pay, for example. Nearly 54 percent of Apple Pay users earn more than \$100,000 in annual income.

**FIGURE 10: PURCHASES MADE WITH APPLE PAY**

Share of consumers who used Apple Pay within the previous 24-hour period compared to other mobile wallets, by category



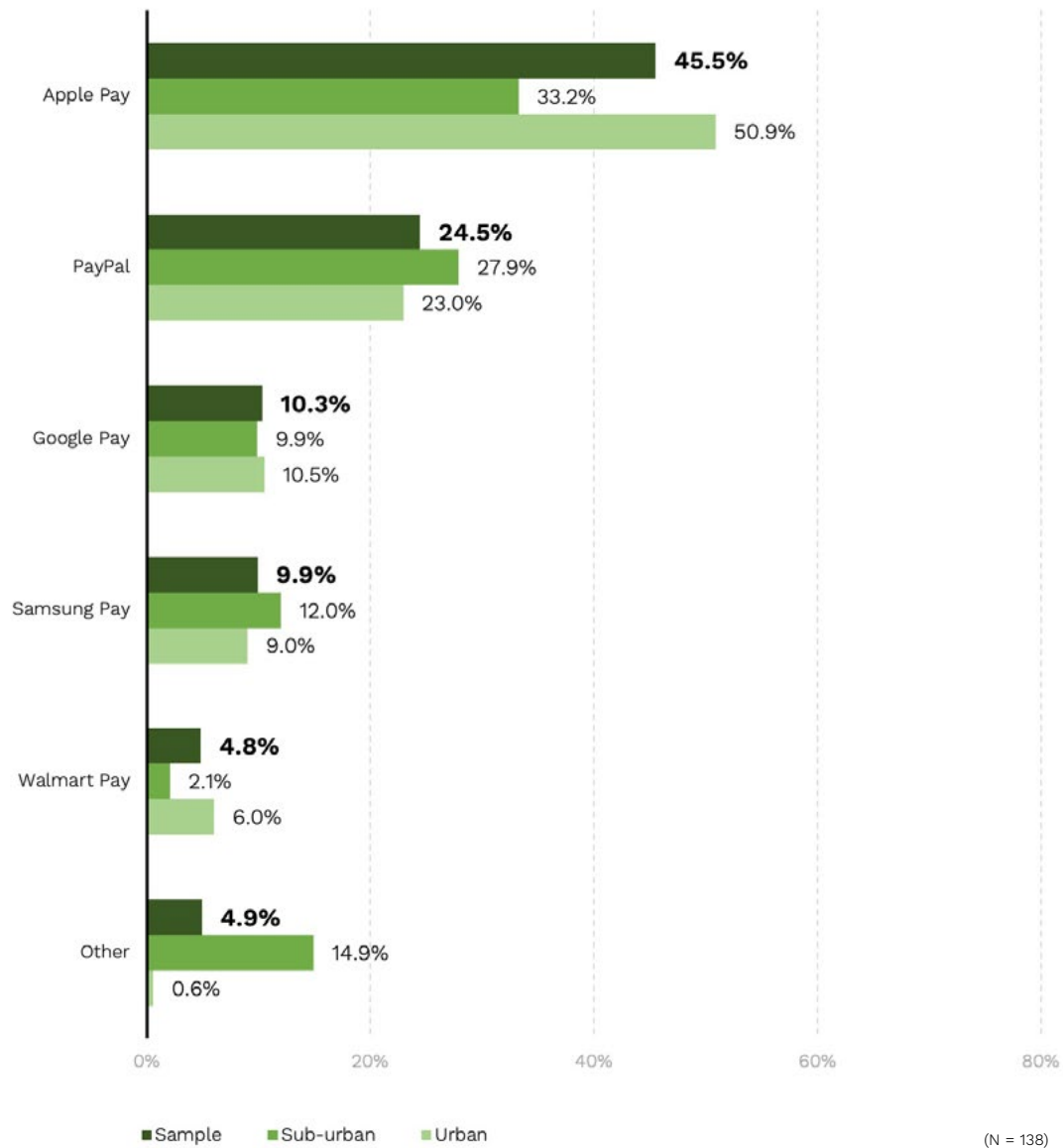
Sample (N = 3,671)  
Apple Pay (N = 61)

Source: PYMNTS.com | Mobile Wallet Adoption Report.

# CONCLUSION

**FIGURE 10: PURCHASES MADE WITH APPLE PAY**

Share of consumers who used Apple Pay within the previous 24-hour period compared to other mobile wallets, by area of living



Source: PYMNTS.com | Mobile Wallet Adoption Report.

The U.S. mobile wallets space is under pressure, and its share of in-store payments has contracted sharply since 2019, even though the pandemic has fueled strong interest in touch-free checkouts. Apple Pay has taken a commanding lead over competing digital wallets since the pandemic hit, and we estimate the total value of eligible in-store Apple Pay transactions will increase 74 percent this year to reach \$91.7 billion. This success is, in large part, due to the fact that the pie got bigger: More merchants accept digital wallets and more consumers use Apple Pay enabled iPhones, resulting in more retail spend. Consumers use it for only a small share of eligible transactions, however, and Apple has failed to increase this capture rate over the years. Contactless credit and debit card payments are meanwhile quickly becoming consumers' favorite way to pay in the post-pandemic new normal. Apple Pay will need to evolve quickly to avoid being the biggest fish in a dried-up pond.

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# METHODOLOGY

PYMNTS conducted the Apple Pay 2021 Mobile Wallet Adoption survey between August 3, 2021, and August 10, 2021. The study polled 8,734 consumers, among whom 3,671 owned a smartphone and had made purchases within the previous 24 hours in a brick-and-mortar store; these consumers served as the focus for our analysis. The overall sample was weighted to reflect U.S. Census demographic distributions.

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