The digital revolution is transforming commerce, including the payments industry. From digital currencies to mobile payments, the ways to pay are evolving quickly. The payments ecosystem is expanding as lines blur between traditional and emerging players. Financial institutions, processors, technology companies and merchants are making significant investments for the future.

Yet it is the consumer who is driving change in the sector, and payments providers have to adapt accordingly. In choosing the method, provider and experience they prefer, empowered consumers have more ways to pay than ever before.

For the second time¹, Accenture has surveyed 4,000 consumers in North America to understand their attitudes about payments and how they anticipate making payments by 2020.

Five key findings point to significant changes in the industry:

1. Consumers expect to use traditional payment instruments slightly less and emerging payment instruments more.

2. Digital currency is a practical reality for consumers today—and usage will only increase by the end of the decade.

3. Consumers’ use of mobile payments has increased significantly in just two years.

4. Consumers prefer today to use network card providers as mobile payments providers.

5. Consumers who use mobile payments can be influenced to use them more—but challenges remain for adoption among non-users.

The survey also found that Millennials and high-income respondents will be the first to adopt “the next big thing” and will potentially be willing to pay for it. Bridging the gap between awareness and use of emerging payment instruments will mean influencing consumer choice to capture mindshare in a dynamic, disrupted and digital market.
KEY FINDING 1

An Evolution in Ways to Pay
Survey results show the difference in how consumers pay today and how they expect to pay tomorrow.

Traditional payment instruments will decline slightly as emerging payment instruments become more widely used at the end of the decade, especially among Millennials, people between the ages of 18 and 34. After decades of steady growth, the use of credit and debit cards will decline slightly while the use of checks will remain the same (Figure 1).

FIGURE 1. The use of payment instruments is different today than it will be by 2020.

Q: How often do you use the following payment instruments to complete a transaction?

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

To proclaim that a cashless society is nearly upon us is premature. By 2020 a cashless market will not even be close to reality in either the United States or Canada. However, consumers do expect to use cash less frequently in the future—with two thirds (66 percent) using it today and just over half (54 percent) using it for transactions in six years.*

Emerging payment instruments are supplements and not substitutions for cash. Consumers use cash today and will continue to do so in the future for the convenience of completing person-to-person transactions and where electronic payments are not accepted. Some consumers will always prefer cash for its perceived ease of use, convenience and security.

Moving forward, consumers will make choices about how to pay based on the nature of the transaction just as they always have. The difference is that they will have more payments instruments at their fingertips to choose from—literally.

n = 4,000

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* These percentages are based on daily and weekly usage.

** The Accenture survey defined digital currencies as a form of currency or medium of exchange that is electronically created and stored, such as Bitcoin, Litecoin, Peercoin, Ripple XRP.
KEY FINDING 2

A New Reality for Digital Currencies
Digital currencies are one of these emerging payment instrument choices. While electronically created or stored currencies are still in their infancy, they are getting a lot of attention from skeptics and supporters. Are digital currencies a flexible way to enable anytime, anywhere transactions independent of traditional bank accounts? Or do they introduce too much volatility and risk into the payment transaction?

This debate will likely continue as digital currencies mature, but it is not stopping consumers from using them. Among all payment instruments included in the Accenture survey, respondents expect the biggest boost in usage from today to 2020 to be in digital currencies.

Survey data reveal that 8 percent of consumers report using digital currencies to complete a transaction daily or weekly today, and 18 percent expect to do so at the end of the decade (Figure 1).** Millennials are more likely than any other age demographic to use digital currencies now and in the future—13 percent use them today and 26 percent project using them by 2020. High income consumers are more likely than other income brackets to use digital currencies now and in the future. Nineteen percent of these consumers use digital currencies today and 32 percent expect to use them by 2020.

Interestingly, there is also a sharp decline over this decade in consumers who report that they will never use digital currencies. The acceleration of digital currencies may be slow, but gains in use will not depend solely on current users.

Despite projected growth in use of digital currencies in the coming years, there is work to do to influence consumer awareness and adoption, particularly among people age 35 and over. Current users cite the protection of personal identity via anonymous transactions as the leading benefit of digital currencies (Figure 2). This common view suggests opportunities to build interest in digital currencies around security and privacy advantages.

Consumers who say they are not interested in using digital currencies most commonly point to the lack of information and the belief that digital currencies are not convenient to use as the reasons why (Figure 2). For any digital currency to go mainstream, consumers need to be educated and become confident in it as a trusted and easy-to-use payment instrument.

FIGURE 2. Consumers who use digital currencies view the protection of personal identity/anonymous transactions as the number one benefit.

Q: Respondents who have used digital currencies indicate the benefits

<table>
<thead>
<tr>
<th>Top Response Selected</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Protects personal identity/anonymous transactions</td>
<td>36%</td>
</tr>
<tr>
<td>Lower cost transactions</td>
<td>21%</td>
</tr>
<tr>
<td>No government interference/No third-party intermediary</td>
<td>20%</td>
</tr>
<tr>
<td>Instant international transfers regardless of time</td>
<td>15%</td>
</tr>
<tr>
<td>Irrevocable/Irreversible transactions</td>
<td>7%</td>
</tr>
</tbody>
</table>

Q: Reasons why respondents are not interested in using digital currencies

<table>
<thead>
<tr>
<th>Top Response Selected</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I don't know enough about digital currencies and need more information on how they work</td>
<td>38%</td>
</tr>
<tr>
<td>Does not seem more convenient than other methods of payment (cash/debit/credit card)</td>
<td>25%</td>
</tr>
<tr>
<td>The idea of using a digital currency sounds like it would be linked to fraudulent or criminal activity</td>
<td>14%</td>
</tr>
<tr>
<td>Digital currencies are new and there is not enough market experience</td>
<td>7%</td>
</tr>
<tr>
<td>Transactions are not yet regulated</td>
<td>7%</td>
</tr>
<tr>
<td>Fluctuations in value</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

n = 1,451

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KEY FINDING 3

Mobile Payments are on the Move
If there is a payment instrument getting as much—or more—buzz than digital currencies, it is mobile payments.

The mobile payments market has always been dynamic, fueled by technology innovation, omni-channel commerce and consumers’ growing reliance on their smartphones in their daily lives. And with Apple Inc. introducing Apple Pay™ to the market, things will get even more interesting.

Apple’s entry into the mobile payments arena has shaken the industry to its core, and it remains unclear what the long-term impact will be for market players and consumers. With its brand power, track record for creating must-have consumer products, and use of tokenization and biometrics, Apple’s presence in the mobile payments market may influence consumer interest in and adoption of mobile payments.

Accenture survey data indicate that consumer adoption of mobile payments is already on the rise. Comparing results to a similar Accenture survey conducted two years ago reveals several telling trends. Overall awareness of mobile payments has increased from almost three quarters (73 percent) in 2012 to 84 percent today. What’s more, consumer use of the smartphone as a mobile payments device has increased significantly over this period—by 24 percent in the United States and by 16 percent in Canada (Figure 3). Millennials are the most likely of any age group to use a smartphone to make mobile payments. Consumers report that they commonly use mobile payments for quick service food/drink transactions and grocery transactions.

While there is momentum in mobile payments awareness and use in North America, progress remains to be made. For one, not all smartphone users make mobile payments. Consider that 87 percent of survey respondents regularly use a smartphone, but of those who use one, only 45 percent use it as a mobile payments device.

There is also a large gap in consumers’ understanding of whether or not their smartphone can even conduct mobile payments. Eighty-seven percent of customers regularly use a smartphone, and yet 41 percent of consumers do not think their phone is equipped with mobile payments technology. This presents a marketing opportunity for payments providers.

FIGURE 3. The use of mobile payments continues to increase in the United States and Canada.

Q: How often do you use your phone as a payment device to make a payment at a merchant location?

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>US</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>2014</td>
<td>+24%</td>
<td>+24%</td>
<td>+16%</td>
</tr>
<tr>
<td>At least daily</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>At least weekly</td>
<td>5%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>At least monthly</td>
<td>6%</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Less than monthly</td>
<td>13%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Never</td>
<td>40%</td>
<td>41%</td>
<td>28%</td>
</tr>
</tbody>
</table>

n = 4,000

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KEY FINDING 4

Upping the Ante in Mobile Payments Use
To drive this momentum, the payments industry must influence two distinct consumer groups to change their attitudes and behaviors.

The place to start is by encouraging current mobile payments users to increase how often they use mobile payments and expand the payments occasions where they naturally use them. The goal is to turn mobile payments converts into champions. The good news is that the Accenture survey indicates distinct areas where today’s mobile payments users are open to this influence.

A much harder but equally important focus is converting people who do not use mobile payments into people who do. One challenge that cannot be ignored is this group’s lack of willingness to be influenced. A significant number of non-users (44 percent) insist that they would not consider using their phone as a mobile payments device.

While this view cannot be ignored, it may not be so absolute. Past experience with adoption of online shopping, online banking, mobile device use—essentially any emerging technology—suggests that there are always self-proclaimed skeptics who eventually become fast followers as the market matures and external factors naturally eliminate barriers to entry.

Even with the buzz around new entrant and emerging mobile payments players, network card providers have a role to play in driving mobile payments adoption among users and non-users. In fact, the majority of consumers (72 percent) say they would prefer to use network card providers as their mobile payments providers (Figure 4).

This show of consumer preference marks a unique moment—and potentially a tenuous one—for network card providers to strengthen their foothold in the mobile payments market. But they cannot get complacent. Emerging players are right at their heels—70 percent of survey respondents use PayPal, Inc., which is the second most preferred mobile payments provider. Further, it is too early to know exactly what the impact of Apple Pay will be on consumer preference. The landscape is shifting and dynamic; the time to act is now.

FIGURE 4. Consumers prefer network card providers as their mobile payments providers—for now.***

Q: Which of the following types of companies would you prefer to use as a mobile payments provider? (% of respondents who selected definitely use or may use)

<table>
<thead>
<tr>
<th>All Respondents by Age</th>
<th>All Respondents by Income Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tech Start-Ups (i.e., Square)</td>
<td>Network Providers</td>
</tr>
<tr>
<td>Large Telco Provider (i.e., U.S.: Verizon, AT&amp;T &amp; Sprint. Canada: TELUS, Rogers &amp; Bell)</td>
<td>Emerging Payment Providers</td>
</tr>
<tr>
<td>Large Merchant/Retailer (i.e., BestBuy, Walmart, Target)</td>
<td>Established Retail Bank (i.e., JP Morgan, USBancorp, TD &amp; RBC)</td>
</tr>
<tr>
<td>Larger Tech Companies (i.e., Apple, Google, Amazon)</td>
<td>Emerging Payment Providers (i.e., PayPal)</td>
</tr>
<tr>
<td>Established Retail Bank (i.e., JP Morgan, USBancorp, TD &amp; RBC)</td>
<td>Network Providers (i.e., Visa, MasterCard &amp; Amex)</td>
</tr>
</tbody>
</table>

n = 4,000
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*** Preference levels shown are not indicative of the companies listed as examples.
KEY FINDING 5

Driving Consumer Mobile Payments Adoption
Network card providers and other payment industry players that choose to develop mobile payments solutions should focus on several key areas to influence consumer adoption.

Incentives: Give People a Good Reason to Change

Providing incentives is an excellent way to influence mobile payments users to become habitual users. The right incentives go a long way in offering consumers the kind of highly personalized customer experiences that they have come to expect in the digital age.

What kind of incentives are mobile payments users interested in? Most say that they would increase usage with discount pricing and coupons based on past purchases (79 percent) and reward points (77 percent) (Figure 5).

Nearly a third of people (29 percent), and more so Millennials (37 percent), are willing to have their location tracked by trusted merchants. Real-time settlement is also meaningful. Just over half of mobile payments users would increase usage if faster transactions were possible.

The survey outlined two potential scenarios for mobile payments users and concludes that there are also incentives that consumers are willing to pay for:

- Nearly four out of ten survey respondents (38 percent) say they are willing to pay for the ability to scan products with a smartphone and have them placed into an electronic basket with all coupons and loyalty rewards applied. The most preferred method of payment is a set dollar amount per transaction.

- Thirty-four percent of consumers are willing to pay for the ability to complete a transaction at checkout through biometric authentication, such as fingerprint scan, voice recognition or retina scan. The most preferred method of payment is an annual fee with a contract.

Non-users can be swayed by some of the same incentives that entice current users. The top two reasons they would consider adopting mobile payments are to receive: 1) rewards points that are stored on their phone and 2) discount pricing or coupons based on past transactions.

FIGURE 5. Consumers are interested in incentives to use mobile payments.

Q: Would you increase the amount you use your phone to make a payment if the following services were offered? (% of respondents who chose definitely increase or may increase usage)

<table>
<thead>
<tr>
<th>Incentive</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>You are offered discount pricing/coupons based on past usage of your phone as a payment device</td>
<td>79%</td>
</tr>
<tr>
<td>You receive a special offer of rewards points with your reward card stored on the phone</td>
<td>77%</td>
</tr>
<tr>
<td>You have the ability to scan a product and are provided the option to purchase immediately through your payment device, eliminating the requirement for checkout</td>
<td>71%</td>
</tr>
<tr>
<td>Upon purchase, your payment device receives and stores all receipts in a secure database and seamlessly tracks spending habits</td>
<td>69%</td>
</tr>
<tr>
<td>You receive valued customer treatment, such as a separate line to speed payment</td>
<td>67%</td>
</tr>
<tr>
<td>You are able to scan a product and are presented information about the product (consumer reviews, comparable products, retailer price comparison)</td>
<td>66%</td>
</tr>
<tr>
<td>You are able to pay for public transportation and receive reward points towards a free use</td>
<td>66%</td>
</tr>
<tr>
<td>You receive notifications for upcoming events and/or product releases at the store</td>
<td>61%</td>
</tr>
</tbody>
</table>

n = 1,577

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Security and Privacy: Break Down the Biggest Barrier

Both mobile payments users and non-users are very concerned about security and privacy protections. Assurances that fraud will be covered is the top reason why consumers say they would make more mobile payments. Encrypted transactions are the top privacy measure that would boost usage in this group.

Security concerns are the leading reason that non-users of all ages are hesitant to use their smartphones for mobile payments. Non-users are actually more concerned about mobile payments security than they were two years ago. In 2012, 45 percent said they were concerned about security. Today, 57 percent report security concerns. Privacy concerns jumped from 37 percent to 45 percent during this period. This growing anxiety may be reaction to recent reports of credit card data breaches and malware attacks at major retailers.

Assuaging consumers' worries about privacy and security must be a non-negotiable priority for any payments player looking for opportunities in the mobile payments space. Current users are more likely to be confident in solutions than those who have never made mobile payments. Some non-users report that there is no security provision (35 percent) and no privacy provision (42 percent) that would convince them to switch.

Millennials: Innovate to Serve the Digital Pioneers

Millennials will have a critical role in driving mobile payments—and payments players cannot afford to ignore these mobile payments first movers. They are also the future holders of wealth. By the end of the decade in the United States, Accenture projects Millennial spending to grow to $1.4 trillion. That is nearly a third (30 percent) of total retail sales.

Unlocking the unique Millennial mindset—which can be elusive and complex—will be essential to building mobile payments usage among this highly digital demographic. The fundamental thing that payments players must remember is that this group is very different from their parents and grandparents (Figure 6).

The Accenture 2014 North America Consumer Digital Banking Survey showed just how distinct Millennial preferences are when it comes to financial services and digital technology. The payments industry must serve Millennials differently. The right mobile payments solutions could be just the way to build powerful relationships with them.

FIGURE 6. Millennials make different payment choices than people 55 and over do.

<table>
<thead>
<tr>
<th>Consumer Payments Options</th>
<th>Millennials</th>
<th>55+</th>
<th>% Difference for Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use smartphone as mobile payment device</td>
<td>52%</td>
<td>16%</td>
<td>+36%</td>
</tr>
<tr>
<td>Use their phone to make a payment at least monthly</td>
<td>41%</td>
<td>9%</td>
<td>+32%</td>
</tr>
<tr>
<td>Are extremely willing to be tracked by trusted merchants</td>
<td>37%</td>
<td>13%</td>
<td>+23%</td>
</tr>
<tr>
<td>Extremely interested in using wearables† as a payment device</td>
<td>30%</td>
<td>7%</td>
<td>+23%</td>
</tr>
<tr>
<td>Expect to use PayPal at least weekly by 2020</td>
<td>29%</td>
<td>7%</td>
<td>+22%</td>
</tr>
<tr>
<td>Use wearables as a payment device daily or weekly</td>
<td>22%</td>
<td>2%</td>
<td>+20%</td>
</tr>
<tr>
<td>Expect to use digital currencies daily or weekly by 2020</td>
<td>26%</td>
<td>6%</td>
<td>+20%</td>
</tr>
<tr>
<td>Use digital currencies today daily or weekly</td>
<td>13%</td>
<td>1%</td>
<td>+12%</td>
</tr>
<tr>
<td>Use a smartphone</td>
<td>88%</td>
<td>79%</td>
<td>+9%</td>
</tr>
</tbody>
</table>

† Wearables are defined as real-time computing devices easily worn on the body and can be in the form of watches, glasses, rings, bracelets, smart fabrics, and contact lenses.

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As the payments landscape shifts—driven by new and emerging players, technologies, and of course, emerging payment instruments—consumers will make their own payment choices. They will pay differently in the future, and will value convenience, incentives, and privacy and security no matter how they pay.

The payments industry must make choices too. Consumers prefer network card providers for mobile payments solutions. But can network providers innovate swiftly enough to keep this preferred status? Banks could provide the security and privacy assurances that would ignite mobile payments adoption.

But what capabilities are key for banks to be successful? Merchants have driven the use of closed loop payment systems, but they do not address customers’ one-to-many relationships. Are there new joint business models to connect merchants and fill this gap?

These are just some of the choices awaiting the payments industry. They are choices that address consumer demand for value-added services, security, privacy and the convenience of paying my way.
Making these choices begins with asking payments organizations fundamental questions such as:

- Which emerging payment instruments provide the best opportunities for future growth?
- What role does the organization want to play in the future payments ecosystem?
- What capabilities are essential to make the most of future payments opportunities?

Accenture is well positioned to help payments players answer these questions—and to challenge themselves to think differently about the business and the future to reap the biggest rewards. Our perspective and experience is broad, spanning all of the industries that are converging to reshape payments, including financial services, retail, telecommunications and technology.

Accenture teams have worked effectively with countless organizations to help them seize business advantages during times of disruption. Alliances with leading payments solution providers mean that we help payments players find appropriate solutions without bias. From strategy through execution, our consulting, technology and outsourcing approaches are strengthened by tested payments assets and approaches, fully integrated offerings and deep digital capabilities.

Accenture Payment Services include the following areas of focus:

**Core Payments**
Range of services to address the entire electronic payments value chain from customer and channel acquisition to payment processing, settlement and reporting for all types of payments. Our offerings include payments transformation; transaction banking; compliance, risk and operations.

**Card Payments**
Suite of solutions covering the entire cards value chain from cards issuing to merchant acquiring for all types of cards. Our solutions include strategy, operating models, IT architecture; re-platforming; EMV implementation; testing and migration; and application outsourcing.

**Digital Innovation**
Digital and mobile payment solutions including digital business models, digital wallet and digital payments implementation.

As the payments industry looks to make choices and manage change, they can count on Accenture’s experience, scale and scope to help them maintain and grow the business in ways they have not considered before.

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NOTES

1 Accenture, Consumer Mobile Payments Survey: Driving Value and Adoption of Mobile Payments—Consumers Want More, 2013. (This survey was published in 2013 and fielded in October 2012.)
2 Ibid.
3 Ibid.
4 Christopher Donnelly and Renato Scaff, “Who are the Millennial shoppers? And what do they really want?,” Accenture Outlook, June 2013.

SURVEY POPULATION AND METHODOLOGY

This survey was conducted for Accenture by Lightspeed Research among 4,000 adults in the United States and Canada between August 20, 2014 and August 29, 2014. The overall margin of error is +/- 1.55 percentage points at the midpoint of the 95 percent confidence level.

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FOR FURTHER READING


Accenture Payments Insights Series
www.accenture.com/paymentsinsights
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Accenture is a global management consulting, technology services and outsourcing company, with more than 336,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

About Accenture Payment Services

Accenture Payment Services helps banks improve business strategy, technology and operational efficiency in three key areas: core payments, card payments and digital payments. This includes a focus on transaction banking and on compliance, risk, and operations. Accenture can help banks simplify and integrate their payments systems and operations to reduce costs and improve productivity, meet new regulatory requirements, enable new mobile and digital offerings, and maintain payments as a revenue generator. Visit www.accenture.com/paymentservices.