

**GLOBAL CONSUMER TRENDS**  
COVID-19 EDITION | **THE NEW NORMAL**



# A BREAKTHROUGH FOR CONTACTLESS PAYMENTS



As economic and social restrictions are lifted around the world, Dynata is focused on identifying the new COVID-19-influenced consumer trends across 11 countries. Our report, *Global Consumer Trends COVID-19 Edition: The New Normal*, explores changing trends in spending habits, political and social attitudes, entertainment choices, healthcare and other key indicators, examining which of these might be temporary, and which could become permanent.

This brief draws from our *New Normal* report findings to examine changes in payment method preferences and the rise of contactless payments during the pandemic, and how together those factors could lead to the acceleration in adopting contactless options among consumers and merchants alike.

## EXECUTIVE SUMMARY

The Coronavirus pandemic continues to influence consumer behaviors across all aspects of our lives. Alongside changes in shopping behaviors has been a transformation in how people pay, moving away from traditional methods, such as cash or chip and/or PIN bank cards, and towards the adoption of contactless payment via cards, phone apps or wearables.

Used for fast, frequent and low amount transactions, contactless methods enable payment by simply tapping or hovering over payment, or point of sale (POS) terminals. During the pandemic, they are an attractive option, compliant with safety guidelines issued by global and national health organizations. Contactless methods limit physical contact with people and devices, facilitating social distancing and avoiding the handling of cash, shared POS terminals or pens/styluses.

What could this rise in popularity of contactless payments mean? In this mini-report, *A Breakthrough for Contactless Payments*, we explore three key aspects of consumer payment methods in the New Normal, including:

### THE PANDEMIC HAS ACCELERATED CONTACTLESS PAYMENT USAGE

Every country (and generation) surveyed reported an increase in consumers who have a contactless payment method, with the USA reporting the highest increase of 19% from pre-pandemic levels.

### CONSUMERS PREFER CONTACTLESS PAYMENT METHODS OVER TRADITIONAL OPTIONS

A total of 59% of global consumers prefer contactless payment over cash, Chip-/PIN-enabled or magnetic stripe cards (38% combined).

### ADOPTION WILL CONTINUE TO GROW

More than half of consumers surveyed indicate they are at least somewhat likely (including 34% certainly or very likely) to adopt a contactless payment method soon, either a card or a phone app. Only 8% say it is “not likely at all” that they will go contactless.



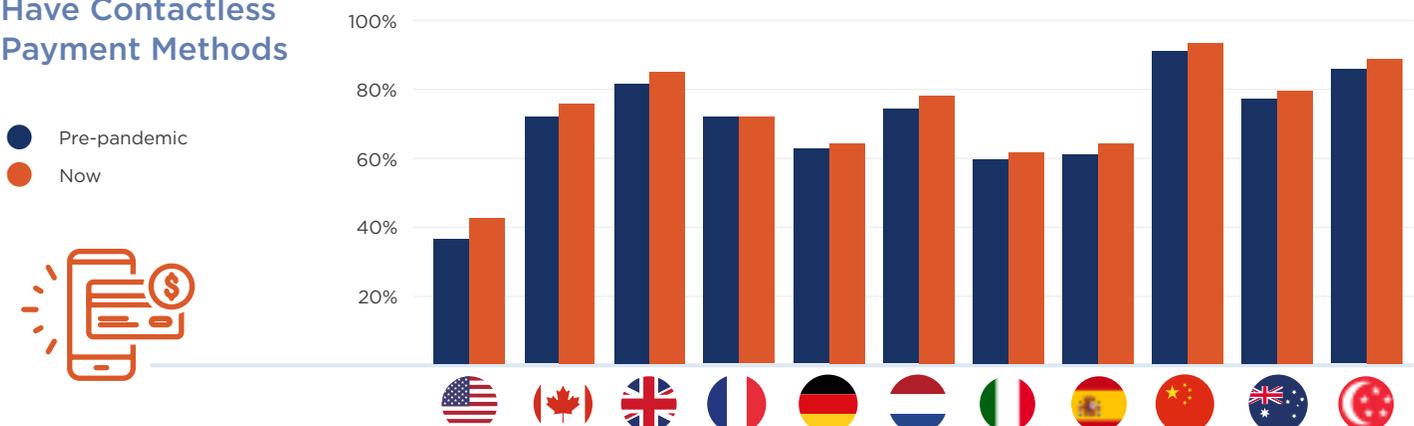
## CONTACTLESS PAYMENT: A COVID BREAKTHROUGH?

**Prior to the pandemic, we observed clear differences in the types of card-based payment options (contactless, chip-and-PIN cards and magnetic stripe cards) available to consumers.** For example, when asked what was available for use, 59% of Canadians reported they had access to a chip-/PIN-enabled card; this drops to 14% in China. Similarly, the USA reported the highest level for non-PIN magnetic stripe cards (34%), while France had the lowest (9%). Additionally, several countries reported that at least 10% (or more) of their general population did not have access to any card-based (including contactless app) payment methods, led by Italy (13%), Germany (11%) and the USA (10%).

Across all markets, the highest level of contactless payment ownership pre-pandemic was seen in China at 90%, followed by Singapore, with 85% owning some form of contactless card or phone app, the UK (81%) and Australia (78%). In the USA, by contrast, less than four in ten had contactless methods of payment before the pandemic, much lower than the global average of 68%.

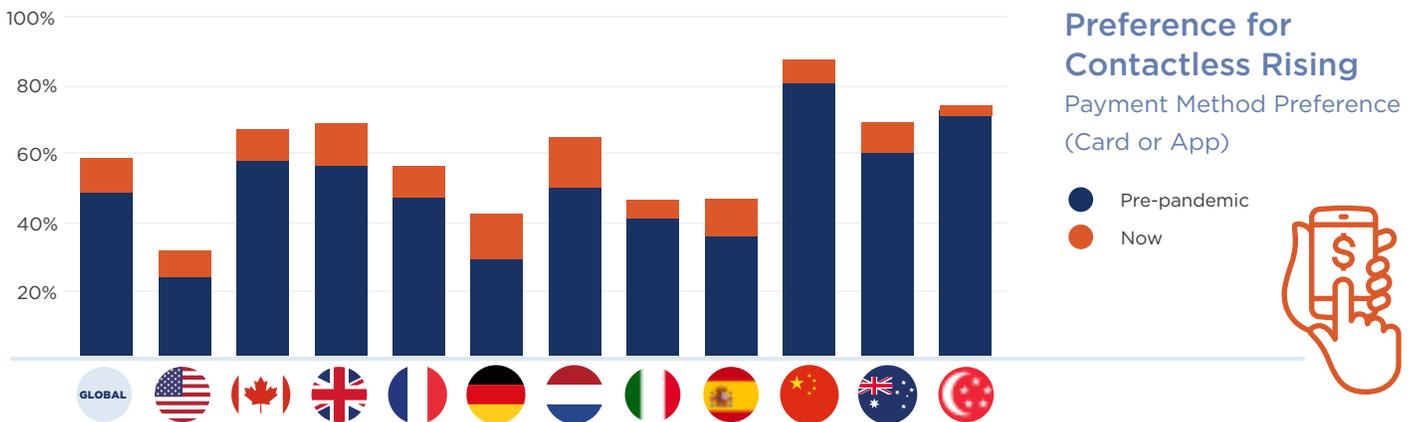
**While a popular option pre-pandemic, the COVID-19 crisis has contributed to an increase in contactless payment adoption across all countries studied, though to varying degrees. For some countries, such as the USA, access levels have jumped - prior to the pandemic, 38% of American consumers had access to a contactless card or app; now, that number is at 46%, a difference of 19%.** All other countries demonstrated less dramatic gains in ownership of 5% or less pre-COVID-19 versus now.

### Have Contactless Payment Methods



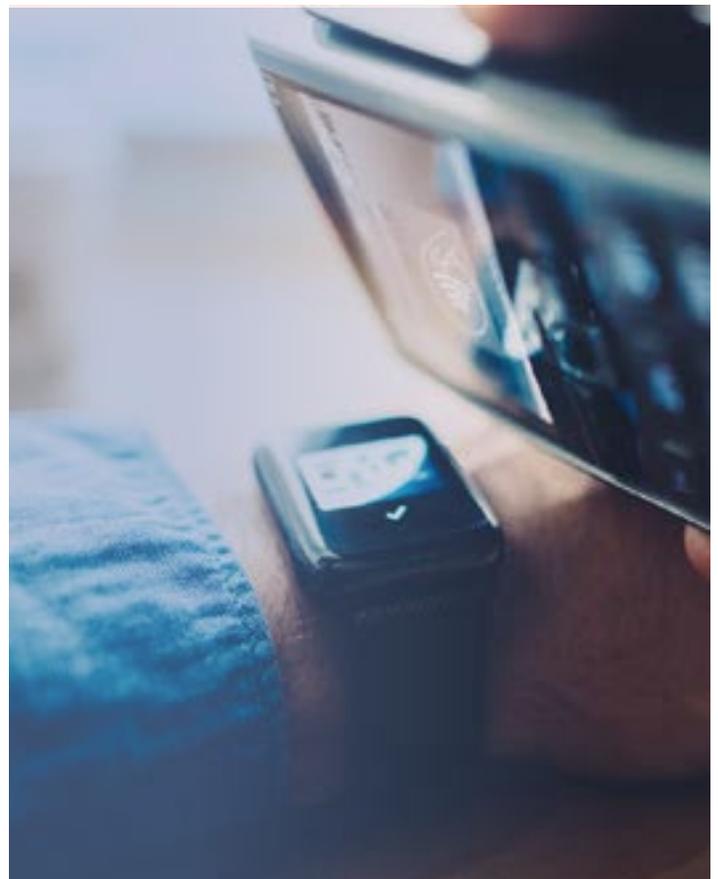
**Interestingly, prior to the pandemic contactless payment options were the most-preferred method for all markets studied, at 52% globally (card or app), higher than a chip-/PIN-/magnetic stripe card or cash (a combined 47%).** Nearly half of French consumers surveyed selected contactless as their preferred payment method, as well as more than half of Dutch (55%), Britons (57%), Canadians (58%), and Australians (61%); this number jumps to 78% of Singaporeans and 81% of Chinese.

When asked if they prefer a contactless card or an app, Australia and the UK show highest levels of contactless card preference (55% and 50%, respectively), with China having the highest preference level for a contactless app (78%). The USA came in last in combined preference for both (19% card, 5% app).



**Today, payment method preferences have risen in all 11 countries surveyed.** Most significantly, contactless preference in the UK, Germany and the Netherlands increased 11 percentage points pre-COVID-19 versus today. Generationally, the largest growth in both contactless preference and adoption occurred among Baby Boomers – preference jumped from 45% pre-COVID-19 to 55% today, and adoption of a contactless card or app increased from 67% to 71%. This is followed by Gen Z, Gen X and Millennials.

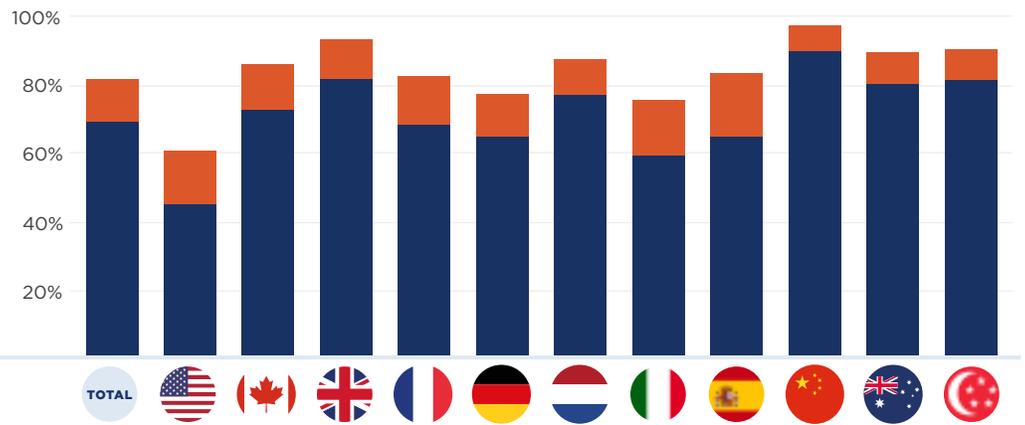
**For those who do not have contactless payment already, on average more than one-third across all countries said they would be “certain, extremely or very likely” to get a contactless card or app soon, with 3% indicating they have already ordered one.** Generationally, Gen Z’ers and Millennials are the most likely to transition to contactless payment methods in the future; while Baby Boomers are least likely.





## Likelihood to Get Contactless

- Already have
- Certain/extremely or very likely to get



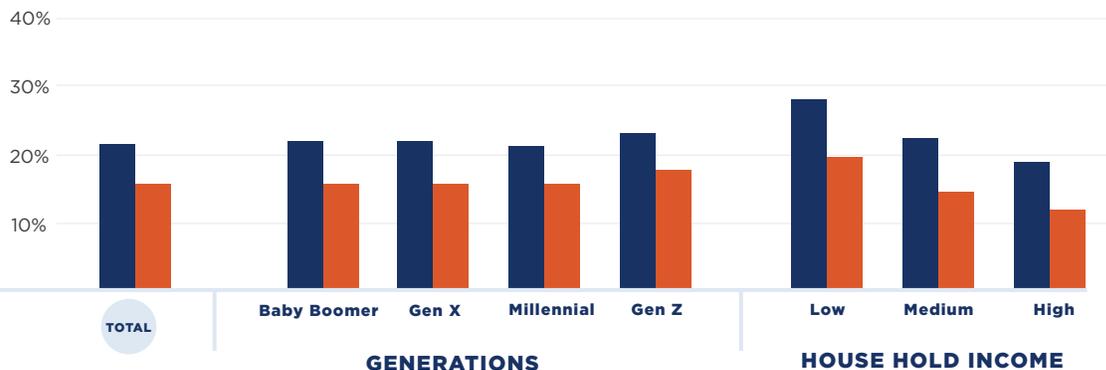
Despite the increase in preference for and adoption of contactless payment methods, there are still consumers in every country surveyed who indicate they are not at all likely to adopt contactless, from a high of 19% in the USA and 16% in Germany, to 10% in Italy and a low of 1% in China (8%, globally). Income level and generation may play a role in this reticence, with 11% of low-income households — compared to just 5% of high-income households — saying they wouldn't adopt contactless, matched by 11% of Baby Boomers.

**As for cash payments – coins, notes and other currency – preference levels have dropped in every country.** Globally, we observe a 31% change in preference for cash pre-pandemic versus now, led by Spain (43%) and the UK (42%), and followed by Canada and China (both at 40%). The USA, in stark contrast, demonstrated only a 4% drop in cash usage during the pandemic.

## Cash No Longer King

Preferred payment method in cash

- Pre-pandemic
- Now



## WHAT COULD THIS MEAN?

In a pandemic, contactless payment transactions are convenient and social-distancing appropriate, so it's not a surprise that they would prove popular. Faster and more sanitary than chip-/PIN-enabled or magnetic stripe cards, and cash, there are longer-term convenience aspects to contactless payment methods that make it more attractive, pandemic notwithstanding. And, with the ease of "touch-and-go" payments, contactless becomes the perfect method in high-traffic areas for small transactions, and daily low amount usage.

As we consider the future of contactless payments, here are some impending impacts that could drive adoption:

### **Could COVID-19-influenced changes in "normal" consumer behaviors accelerate global contactless card issuance?**

In the UK, Australia and Singapore, implementing contactless as a payment option in the transit systems helped drive contactless adoption in those countries. The introduction of contactless payment to public transit (MTA) in New York City has triggered the issuance of contactless cards to New York City residents. Could the pandemic - with consumers seeking to limit physical contact and observe social distancing - be a similar trigger for global issuance, used as a socially-distant and no-contact option for high-volume, low amount transactions in high-traffic areas like train stations and convenience stores?

One of the barriers to widespread contactless issuance for banks and card issuers, particularly in countries with low contactless adoption, has been the added cost of issuing contactless cards. If consumer adoption trends continue to rise, it could be the tipping point for banks to wider issuance of contactless cards to attract more customers.

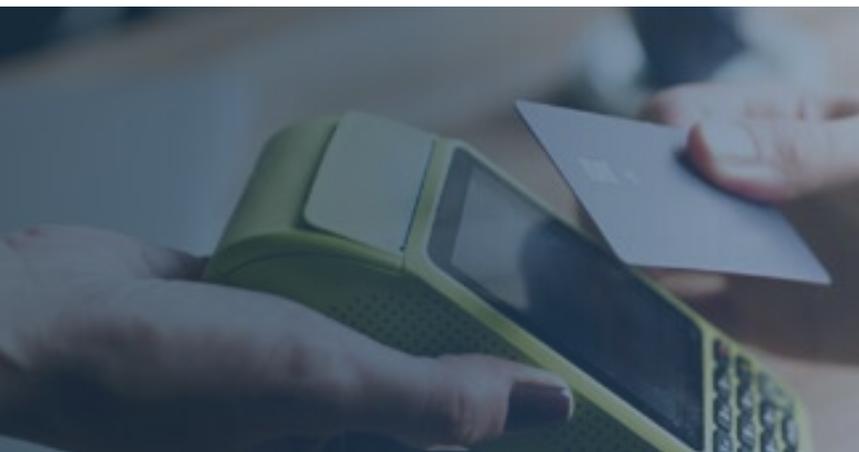
### **How can card issuers use contactless payment as a competitive advantage in the marketplace?**

Consumers' increased likelihood to adopt contactless means that merchants will want to equip their businesses with the proper equipment, services and offers to compete. How can merchants, especially small businesses, be better prepared for this trend?"

### **Could rising consumer adoption accelerate contactless payment acceptance for merchants?**

Prior to the pandemic, many merchants were monitoring consumer adoption of contactless payment as a barometer of when to expand investment in contactless terminals in their stores and at other point of sale locations. Now that adoption and preference levels are rising, would merchants be more willing to make the technology investments to attract more consumers?

For continued coverage of the latest global consumer trends, and additional insights on what these trends reveal about our New Normal, visit our [COVID-19 Insights resource](#) and download the full *Global Consumer Trends COVID-19 Edition: The New Normal* report.





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