

Contactless payments: a critical customer experience factor

The 451 Take

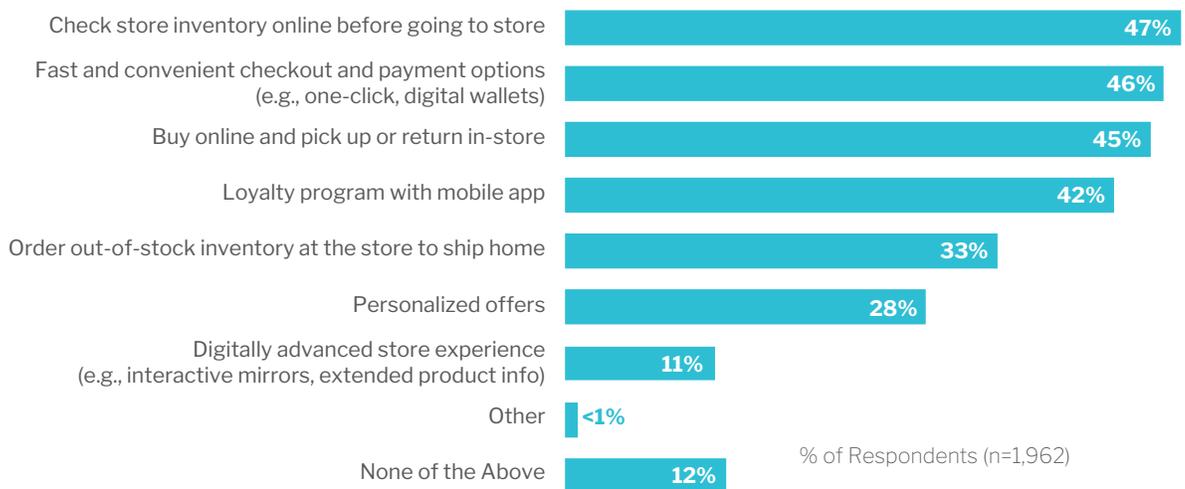
After years of anticipation, contactless payments have finally reached an inflection point in the US market. Our consumer research shows that 94% of US iPhone owners have an Apple Pay-compatible device, and Visa data shows 60% of its US card volume is now flowing through contactless-enabled POS terminals. Further driving contactless forward is the growing issuance of contactless cards in the US, which is expected to exceed 100 million before year-end. Major transit systems, such as New York’s MTA, are now tapping into this momentum to enable open-loop contactless ticketing, which is a high-frequency, habit-forming use case that will encourage consumers to use their contactless payment methods at other types of merchants. These factors, among others, are creating the bedrock for contactless payments to grow and thrive.

The proliferation of contactless capabilities in the US market is positioning contactless payment methods as an increasingly important driver of customer loyalty. Consumers are in search of shopping experiences that reduce friction and enable them to purchase the product or service as efficiently as possible. In fact, we find that the availability of ‘fast and convenient checkout and payment options’ such as mobile wallets is a top-two driver that would increase customer loyalty to a specific retailer’s in-store experience. Further driving customer affinity are mobile loyalty programs and personalized offers, which can be enabled through contactless wallets such as Apple Pay and Google Pay. This underscores the versatile nature of contactless acceptance, which gives retailers multiple levers to pull to enhance the in-store experience and ultimately drive shopper loyalty.

Contactless Payments Can Drive Customer Loyalty

Source: 451 Research’s Voice of the Connected User Landscape 2H 2018

Q. Which of the following would improve your loyalty to a specific merchant’s or retailer’s store experience? (Check all that apply)



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Business Impact

Contactless payments have transitioned from ‘nice to have’ to ‘need to have’ for merchants in recent years. Merchants should ensure contactless acceptance to:

MEET GROWING CONSUMER DEMAND: With NFC-enabled smartphones reaching ubiquity and contactless card issuance accelerating, the US market is now primed to embrace tap-to-pay transactions. 451 Research data shows that two in five consumers would use a contactless card if one were issued to them, and for millennials, that number rises to three in five. Already we have found that more than half of US consumers have made or plan to make contactless mobile payments. As contactless payment capabilities work their way into the hands of more consumers in coming years, we expect demand and usage will continue to climb.

DRIVE CUSTOMER SATISFACTION: Fast and convenient payment options are a top request for consumers. Today’s shoppers expect to be able to breeze through checkout without unnecessary delays and friction. In fact, nearly half of consumers say ‘checkout speed’ is the most important attribute of the in-store experience. Contactless payment supports this desire for speed by streamlining the checkout process, thus reducing overall transaction time and, in turn, driving customer satisfaction.

UNDERPIN MOBILE VALUE-ADDED SERVICES: The benefit of accepting contactless payments can be augmented by implementing value-added service programs through major wallets such as Apple Pay and Google Pay that allow shoppers to seamlessly collect and redeem loyalty/rewards points in a single transaction via their contactless wallets. 451 Research data shows that 63% of consumers would choose to shop at a retailer that offered a mobile loyalty program over a retailer that does not. Moreover, we find the ability to ‘receive discounted offers on products/services’ is enough to encourage nearly one in three non-users to adopt contactless mobile payments.

Looking Ahead

Demand for contactless payments will only continue to grow, fueled by a confluence of factors that include rising contactless card issuance and the transition of major transit agencies to open-loop contactless ticketing. Increasing availability is quickly making contactless payment acceptance table stakes for delivering a compelling in-store experience. Merchants that don’t keep pace will find their customers seeking out other retailers that can deliver.

Contactless payments should be viewed as part of a broader strategy to improve the in-store experience. While transaction speed is important, shoppers also want an engaging and contextual experience that rewards them for their loyalty. In turn, retailers should reimagine the point of sale as the point of engagement, converting it into the place where added value comes to life and is delivered.

Enabling value-added services at the point of sale can convert contactless mobile payments into moments that ‘surprise and delight’ by adding instant redemption and collection of rewards points and coupons in a single transaction. This not only streamlines the checkout flow, but it also reinforces value for the customer at the most pivotal moment of the shopping journey.