5 ways mobile devices are redefining in-store payments

In-store payments using a mobile device give more options to consumers and more possibilities for payment stakeholders to deliver a great experience.

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The smartphone revolution brings a strong appetite for digital and even digital-first banking and payment services, both online and in-store. This is even truer since the Covid-19 pandemic revealed the need for—and advantages of—contactless interactions. According to a recent report, **in-store mobile payments usage grew 29% in 2020 in the U.S** [1] as consumers swapped out their usual payment methods—cash in particular—for contactless options such as tap-to-pay and mobile payments.

For all the banking and payment industry actors, the growing adoption of **mobile and digital payment** is good news: these new payment methods ***complete* without *competing* with physical card payments**. They bring more options to consumers—and with that, more possibilities for the issuers to deliver a great experience and foster customer engagement.

Mobile payments: A growing trend

By the end of 2020, the GSMA reported that 5.2 billion people were subscribed to mobile services, representing 67% of the global population[2]. By 2025, the GSMA estimates there will be nearly 500 million new subscribers, taking the total number of subscribers to 5.7 billion—70% of the global population. More importantly, almost 3 out of 4 internet users around the world will access the web solely via their smartphones. What are these mobile-savvy customers expecting from their financial institutions? Instant, on-demand services.

As smartphones and other connected devices are now commonly used to perform payments, in-store payments are now becoming a **hybrid experience**, at the crossroads of the digital and physical worlds. Banks can enable their cardholders to pay in-store by tapping their phone at NFC-enabled point-of-sale (POS) terminals using their mobile banking app or a contactless physical card.

According to a survey conducted by IDEMIA with PYMNTS, **47% of consumers are "very or extremely interested" in using a digital payment card to pay in-store**. Interest is the highest among millennials: 57% of them are interested in using a digital payment card to pay at a store. All ages considered, those who already possess a digital payment card are even more enthusiastic, at 60.5%. Their eagerness is corroborated by their daily practice: more than 40% of consumers with a digital payment card use them for making payments in-store at least a few times each week. Here are 5 ways mobile devices are redefining in-store payments

1. More convenience and speed

In-store payments have changed and adapted to the modern, connected world. Today's consumers use their mobile phones **for every interaction with merchants**: looking for products and offers, searching for information, getting directions and... paying in-store. Digital payments are gaining traction among users, mainly for two simple reasons: speed and convenience. Consumers hate to wait and want a seamless journey. In the same survey conducted by PYMNTS for IDEMIA, we observed that more than 70% of consumers consider the ease and convenience of using a digital payment card a "very" or "extremely" important reason for using it in store over the next 12 months.

2. Contactless payments: Improved hygiene and limited contacts

Once "nice-to-have," **contactless payments** have become mandatory for merchants to attract consumers and to retain them in their stores. The demand, already strong, was increased by Covid-19 as customers sought out new ways to transact, all while avoiding direct contact.

Today, digital features enable clients to pay simply with a tap of their phone or by scanning a QR Code, and consumers are now using these options on a daily basis using their OEM Pay or Issuer Pay wallet. The PYMNTS study indicates that 81% of digital payment card owners use theirs for in-store contactless payments at least once a month.

3. Enhanced security with biometrics and tokenization

Some people are still concerned with the security of these digital payment options. This apprehension, though a common misconception, remains a strong inhibitor. PYMNTS reports that nearly 1/3 of consumers who are "slightly" or "not at all" interested in using a digital payment card for online and in-store payments worry about experiencing fraud.

What can we infer? That the banking and payment industry should increase educational and pedagogic efforts towards the public because, in fact, **digital payments are extremely secure**. Two technologies account for this very high security: biometrics for authentication and tokenization. All mobile payment wallets, be that OEM Pays, Issuer Pays, or others rely on tokenization to prevent any data from being read or intercepted.

4. Easier and cheaper options for small merchants, allowing a wider acceptance

Digitizing payments is a way to improve financial inclusion and close the digital divide for small merchants as well as within developing countries. As smartphone penetration increases worldwide, merchants can leverage contactless technologies and the rise of mPOS solutions to accept non-cash payments.

In these specific cases **QR Code payments** are not only an alternative to cash and to physical cards, but also to NFC-enabled payments. The advantage: widening acceptance of non-cash payment methods, as a merchant only needs a QR Code reader that can be their smartphone or their tablet. QR Codes can be either **merchant-presented**—meaning that it is the consumer that will scan it to make the payment from their mobile phone—or **customer-presented**, which means the merchant needs to scan it with their device to accept the payment. The QR Code payment option is gaining popularity among consumers because of its convenience and enablement of contactless options. A study from Juniper Research indicates that the total number of QR code payment users will exceed 2.2 billion in 2025, up from 1.5 billion in 2020[3].

5. Reinforcing customer engagement and driving usage

The easier it is for consumers to pay, the more they are going to use their digital cards—**creating value and revenue** both for retailers and card issuers. Other use cases can reinforce customer engagement. For example, combining digital features with **loyalty programs or cashback programs** is a simple way to build stronger relationships with consumers and drive purchases. Consumers equipped with a mobile phone (the vast majority of the world population) can easily store coupons in their phone, then redeem or get cashback rewards from the mobile banking application after each purchase. This solves the problem of sorting or storing coupons that interest you; and there is no hassle of retrieving them for a current promotion. This makes customers more inclined to come back... Card issuers also benefit from this growing usage of the digital payment card, with higher transaction numbers and customer increased loyalty.

With consumers ready and willing to use their digital payment card for in-store purchases, now is the time for the payment stakeholders to leverage the interest and complete their offer and propose new services. The result: a seamless customer experience, more satisfaction for the cardholders as well as the merchants, and stronger approval and fidelity toward the card issuer.

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[1] https://www.emarketer.com/content/us-payment-users-will-surpass-100-million-this-year?ecid=NL1016
[2] https://www.gsma.com/mobileeconomy/
[3] https://thefintechtimes.com/qr-code-payment-users-to-hit-2-2-billion-globally-by-2025/