



**A NEW NORM EMERGES**

*in the Fragmented Payments Landscape*



Payment behavior in the United States continues to evolve rapidly as consumers encounter a growing array of ways to make payments – from cash and cards to digital and mobile pay technologies. And while some forms gain in popularity and others pull-back a bit, a “new normal” is emerging for consumers seeking convenience in today’s fragmented payments landscape.

**A CASHLESS SOCIETY IS A MYTH TODAY AND FOR THE FORESEEABLE FUTURE.**

This diverse menu of payments has taken decades to develop. Fifty years ago, cash and checks dominated. Twenty-five years later, credit and later debit cards established a strong market share foothold in the early days of electronic transactions. Today, mobile wallets and other digital payment apps and technologies promise to further transform payments dramatically.

It all reflects the demand by consumers for more choices in their financial lives. It illustrates consumers’ desire for spending and paying to be quick and easy, of course, but equally importantly that it be a personalized and contextual experience. This is the “new norm.” Consumer surveys – including a comprehensive 2016 U.S. Health of Cash Study by Cardtronics, the world’s largest owner / operator of ATMs and a leading source for cash-use statistics – illuminate this dynamic environment.

An analysis of such surveys and studies uncover another key theme: a cashless society is a myth today and for the foreseeable future. While consumer payment behaviors evolve along with technology, consumers continue choosing and using cash as part of a broader mix of payments options. With cash resolutely holding a material market share in multiple payment and spending scenarios, it is clear that consumers value choice and options for paying and spending.

**MORE – NOT EITHER/OR**

People are embracing this unprecedented menu of “ways to pay” and using a blended mix of payment options – cash, card, digital and mobile – depending on the situation. The Health of Cash Study of 1,006 consumers found that:

- 91 percent like the ability to pay with a variety of methods.
- 85 percent use at least two different types of payment methods each month and 55 percent use at least three.
- While at least two-thirds of respondents have used cash, a debit card or a credit card at a store over the past six months, 30 percent have used a check, 17 percent a specific store’s mobile app and 16 percent a mobile wallet such as Apple Pay.

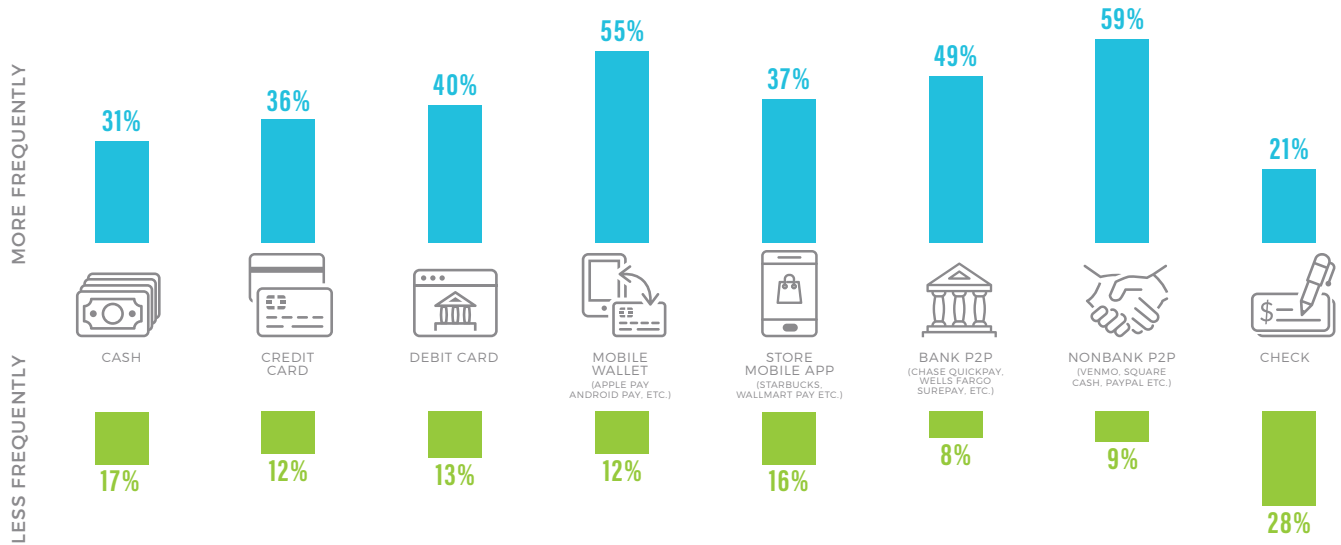
**91%** LIKE THE ABILITY TO PAY WITH A *variety* OF METHODS

**85%** USE AT LEAST *two different* TYPES OF PAYMENT EACH MONTH

**55%** USE AT LEAST *three different* TYPES OF PAYMENT EACH MONTH



The “new norm” that has developed as the payments system fragments becomes very clear by looking at how a millennial uses various payment methods in 2016. For instance, the Health of Cash Study, which included 309 millennials among its respondents, illuminates that – except for checks – millennials are using all other payment methods more frequently than they did a year ago:



Also, a glimpse of what the “typical” millennial favors in various payment situations also illuminates the “new norm.” For one thing, when they withdraw cash from an ATM, millennials withdraw the most of all generations: a mean of \$43.44 (vs. \$38.19 for GenXers and \$34.10 for Boomers). Compared to other demographics, millennials are more likely to use cash (49%) in a full-service restaurant, though their most likely choice is debit card (53%). At mass merchandisers, millennials again lead the generations in cash usage (50%), but they also lead in mobile wallet (11%) use at these stores.

While millennials consider cash the *single easiest* payment method to use, they’re also willing to describe both mobile wallets and store mobile payment apps as “easy to use” in large numbers. Similarly, millennials rank cash as the *single most convenient* way to pay, but are quite willing to label mobile wallets and store apps as “convenient.” Leading the age segments in being comfortable using a non-bank P2P method, like Venmo, millennials are least likely to write a check in the next six months.

On the home finances front, 42 percent of millennials agree that cash best helps them stay on budget, but debit card (26%) and the collection of all mobile and digital payment tools (20%) also tallied meaningful vote totals. In another generational comparison, among millennials, 81 percent save cash for a future purchase, a higher percentage than the other groups. They’re also more apt to consider how secure a payment method is when making a purchase (69%). Notably, among all groups, millennials (70%) say they don’t like using a credit card because “I don’t like being in debt.”

**44%** OF MILLENNIALS SAY CASH IS THE *easiest* METHOD TO USE



## CASH WILL NEVER GO OUT OF STYLE (OR CIRCULATION)

Forget the idea of a cashless society. Numerous surveys underscore that cash is here to stay and people would miss it if it disappeared. In the Health of Cash Study, 83 percent of respondents said they would miss cash if it went away, while 85 percent believe cash will never go out of style.

Seventy-nine percent said they can't imagine a world without cash. Nearly two-thirds feel nervous when they don't have cash on them; 84 percent said they always try to keep cash on hand; and Health of Cash Study respondents had an average of about \$50 in their wallet.



Among millennials, the most tech-savvy generation, 31 percent use cash more frequently (vs. 17% less frequently) today compared to last year, with another 51 percent using cash “about the same” year-over-year.

To underline the bright future of cash's market share, 96 percent of respondents say they're likely to continue using cash in the future. So who might be embracing the notion of a cashless society? A vocal minority of urban millennials, possibly. The Health of Cash Study indicates that more than 42 percent of urban millennials consider cash “outdated.” Yet, when it comes to getting gifts, millennials want cash gifts the most (64%) rather than gift cards or checks.

## DIGITAL/MOBILE PAYMENT ADOPTION

Consumers are adopting the digital and mobile payment technologies. But it's at a pace that indicates consumers are complementing the use of cards and cash rather than replacing them large-scale.

Depending on the type of digital/mobile app, half to three-fifths of surveyed consumers are using them more frequently than they did a year ago:

- 44 percent have used a digital payment app in the past six months, with 51 percent of all digital users in their 30s and 37 percent living in an urban community.
- Digital payments for in-store purchases are most common at coffee shops, such as Starbucks, with 18 percent having used an app at a coffee shop in the past six months.

**WHEN PAYING  
BACK A FRIEND  
OR FAMILY  
MEMBER,  
MILLENNIALS  
PREFER CASH.**

- Millennials, who are using cash more frequently, appear to be using more of every payment form. Fifty-nine percent are using nonbank person-to-person (P2P) apps like Venmo more commonly than they did a year ago. Additionally, a little more than half of them – and GenXers – have used a digital payment app in the last year. And



yet, for P2P, millennials reported a strong preference for cash (73%) over the P2P apps (10%) for paying money back to a friend or family member.

- Among Boomers, only 22 percent of Boomers are more likely to have used digital payments in the past six months and 56-59 percent of them, depending on the type of app, are unlikely to use digital payment apps in the future except for P2P apps (with 63% considering their use.)

## WHY DON'T PEOPLE USE DIGITAL FORMS YET?



63%

PREFER CASH OR CARDS



35%

SECURITY



34%

NO INTEREST



20%

AVAILABILITY



15%

TOO CONFUSING

## IF YOU DON'T USE DIGITAL PAYMENTS...

A good percentage of people don't use digital payments, and when asked why, two-thirds (63%) said they generally prefer using cash, credit or debit cards, or a combination of all three. Among them, Boomers more commonly prefer credit card payments.

Other reasons people don't use digital forms yet: Thirty-five percent cite data security concerns, 34 percent say they're just not interested, 20 percent say they're not available at enough places yet and 15 percent consider them too confusing.

Boomers are most reluctant to try digital payments, with 42 percent saying they have no interest and 34 percent believing there's no reason to adopt them. Fifty-two percent prefer using debit or credit and 36 percent favor cash.

CASH NO LONGER DOMINATES IN PAYING FOR GAS...



*but*

IMPULSE PURCHASES - LIKE CANDY AND GUM, INSIDE THE STORE AFTER FUELING UP - ARE STILL MADE WITH CASH.



3/4

OF RESPONDENTS *use cash*

## FRAGMENTED PAYMENTS ON DISPLAY

The extensive Health of Cash Study provides evidence of what's changed in consumers' payment habits.

For instance, using cash doesn't dominate any longer in paying for gas. Thirty-nine percent of respondents use debit and 33 percent use credit today. Still, impulse purchases of items such as candy and gum – the type of purchase a consumer might make inside the convenience store after fueling up at the gas station – are still made with cash by three-fourths of respondents.

And while consumers (57%) are most likely to give gift cards/certificates as gifts, they'd rather receive cash (53%) instead of a gift card (38%). Thirty-three percent give cash and 9 percent give checks most frequently as gifts.



Whether consumers prefer cash or another payment form usually depends on the specific occasion. For instance, they favor using a credit or debit card to cash when paying for a meal at a restaurant where a waiter takes their order and using a debit card at a fast-casual restaurant such as Panera Bread or Chipotle. But they more often use cash at a fast-food restaurant and a bar. They also overwhelmingly favor using cash for tips and buying snacks (planned purchases).

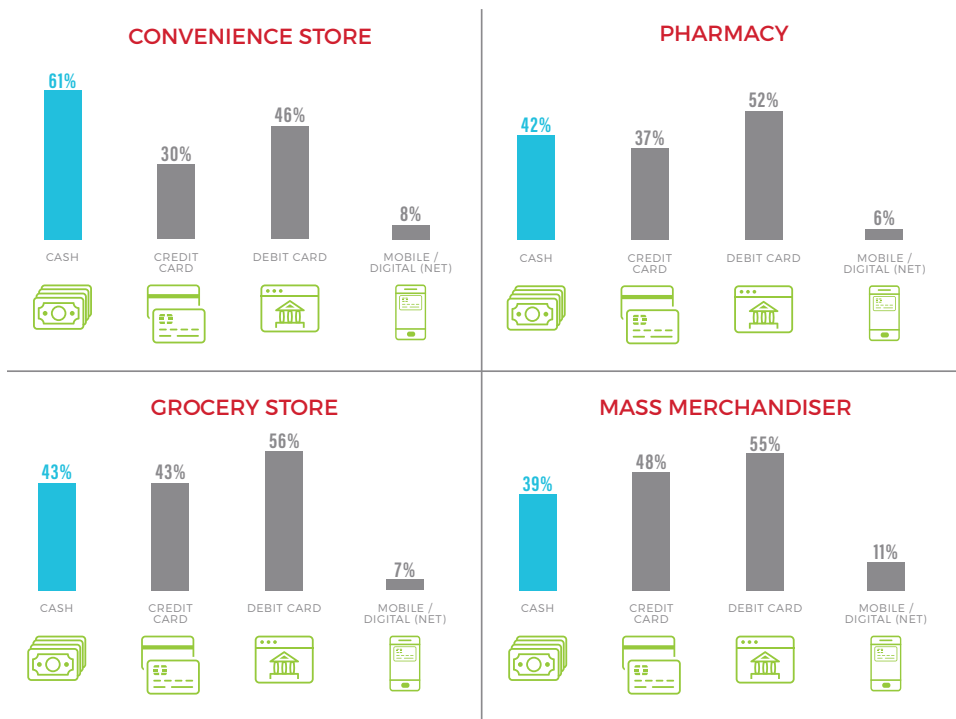
Among specific stores or at events, consumers' actual payment behavior shows a preference for cash at farmers' market/street fairs (79%), convenience stores (61%), small, local retailers (55%) salons/barbershops (56%), coffee shops (56%), bars (57%) and sports/concert events (45%). At convenience stores, respondents were almost twice as likely to have used cash as credit in the past six months, and 33 percent more likely to use cash than a debit card.

## WHERE DOES CASH WIN?



## CASH IS *stubbornly strong* AT THE POINT-OF-SALE

(PAYMENT TYPES USED BY LOCATION, PAST 6 MONTHS)



While consumer payment behavior suggests debit card preference at a pharmacy (52%), grocery (56%) and mass merchandiser such as Target (55%), the data also reveals very healthy market shares for cash and credit, as well as an emerging use of mobile and digital pays.

## CASH STRONGHOLDS

Paying back family or friends is a cash stronghold. Despite representing the beginnings of a meaningful statistical presence for the Venmo and bank P2P type payment apps (10% net), cash continues to dominate (79%) person-to-person payment activities.



In another payment behavior seen as a fertile growth area for Venmo and bank P2P apps (3% net), splitting a restaurant bill with friends/family, cash (55%) continues to maintain preference stronghold. And an even larger group of people (76%) said splitting bills is easier when you pay with cash.

**85%**  
TAKE CASH  
ALONG ON A  
*vacation*



**CASH  
CONTINUES TO  
DOMINATE P2P  
PAYMENT  
ACTIVITIES**

People continue to make sure they have plenty of cash for travel. Eighty-five percent take cash along on a vacation or a road trip and 83 percent do when just going away for a weekend getaway.

As for closer-to-home activities, people make sure to have cash on-hand for: going out on the weekends (80%), sporting events & concerts (76%) and going to a bar or restaurant (76%).

In general, 80 percent of people agree that they use cash for smaller items and other forms of payment for larger, more expensive items. Specifically, 72 percent of people use cash for purchases under \$10 and 54 percent use cash for purchases under \$20.

**72%** OF PEOPLE  
*— use cash —*  
FOR PURCHASES  
*— UNDER —*



**54%** OF PEOPLE  
*— use cash —*  
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*— UNDER —*

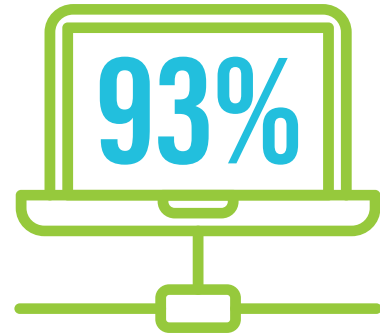




## SECURITY IS A BIG CONCERN, FAVORING CASH

With a major data breach of payment credentials and/or personally identifiable information now a mainstay in the news headlines, consumers – 83 percent in the Health of Cash Study – voice concerns about data security and privacy. And they view cash as a trusted safe harbor vs. digital and mobile payment options.

When asked specifically about payment forms, 93 percent believe cash can keep them safe from data hackers. In contrast, only 44 percent think credit cards or debit cards while about half (49%) think a mobile wallet is safe. The contrast is even starker when respondents were asked to choose which single form of payment is “safe to use.” Fifty-nine percent said cash is safe while credit cards, debit cards and digital payments such as a mobile wallet drew 16 percent, 14 percent and 11 percent results. Fifty-one percent say cash makes them feel the most secure.



BELIEVE  
*cash keeps  
them safe*  
FROM DATA  
HACKERS

## CASH HELPS BUDGETING

While the times have generally disappeared when couples put cash in separate envelopes each month to pay for specific bills, people believe the use of cash helps them budget. For instance, 77 percent believe cash can help them control their finances, and nearly half consider it the best option to do that. Seventy-two percent say cash helps keep them from overspending. Indeed, 7 of 10 millennials say they like to leave their credit card at home when they go out to avoid spending too much.

77%

— BELIEVE —  
*cash helps*  
THEM CONTROL  
THEIR FINANCES

72%

—  —  
CASH HELPS  
KEEP THEM FROM  
*overspending*

7 *in* 10

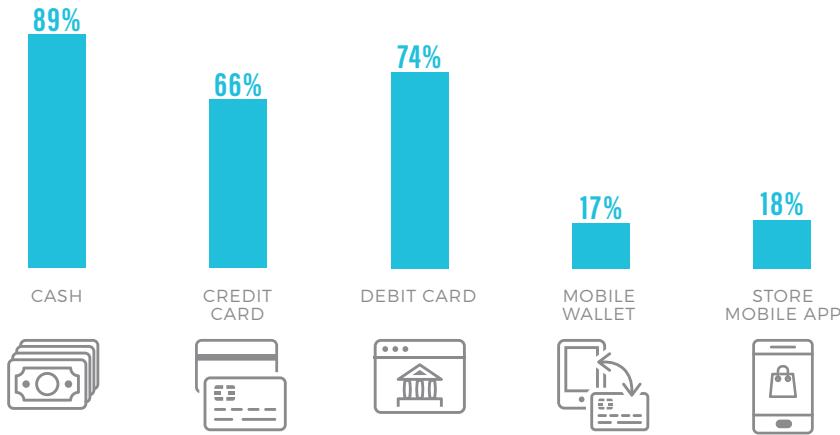
MILLENNIALS  
LEAVE THEIR  
CREDIT CARD  
— *at home* —  
WHEN THEY GO OUT





## CONCLUSION: CASH DEMAND STRONG DESPITE DIGITAL REVOLUTION

Consumers, especially the tech-savviest millennials, are choosing from an ever-widening lineup of payments options. The adoption of mobile wallets and payment apps will likely increase as consumers become more accustomed to them – and if security concerns diminish.



TYPES OF PAYMENTS CONSUMERS REPORT USING AT BRICK-AND-MORTAR STORES OVER THE LAST 6 MONTHS

CASH WILL CONTINUE AS A PROMINENT PAYMENT METHOD

Today's fragmented payments landscape reflects consumers' desire for choice in their financial lives. Proof points present themselves when examining the types of payment methods consumers report using in brick-and-mortar stores in the past six months. Cash is the most commonly used form of consumer payment at 89 percent, but credit cards (66%), debit cards (74%), plus mobile wallets (17%) and payment apps (18%) all register a meaningful response.

As consumers lead increasingly hectic lives managing work, family and play, they will continue to demand a wide variety of payment mechanisms. It is through choice and options that consumers achieve the personalized and contextual payment experiences they seek because quick and easy are subjective terms for the individual consumer.

One other truth is clear: Cash will continue as a prominent payment method for the foreseeable future. Across all groups, 56 percent of consumers use cash as frequently as they did a year ago and 23 percent are using it even more frequently.

56% OF PEOPLE USE CASH — *as frequently* — AS THEY DID A YEAR AGO

ARE USING CASH • *more frequently* • 23% THAN A YEAR AGO

The new norm associated with the digital revolution is not a cashless society. Rather, it's shaping up to be an increasingly diverse payments community in which mobile wallets and pays, cards, and most definitely cash all play a key role in how consumers choose to pay.



## **ABOUT THE CARDTRONICS 2016 U.S. HEALTH OF CASH STUDY**

The Cardtronics 2016 U.S. Health of Cash Study measures consumers' use of cash and other payment methods for making in-store and person-to-person payments, focusing on actual payment behavior in present-time as opposed to theoretical future spending scenarios. Cardtronics partnered with Edelman Intelligence, an independent market research company, to conduct a survey of 1,006 U.S. census representative people over 18 years of age, with the survey being fielded between September 6 and 13, 2016. The survey was distributed to respondents online and the margin of error for the audience was +/- 3.08% at the 95% confidence level.



## **ABOUT CARDTRONICS**

Making ATM cash access convenient where people shop, work and live, Cardtronics is at the convergence of retailers, financial institutions, prepaid card programs and the customers they share. Cardtronics provides services to approximately 200,000 ATMs in North America and Europe. Whether Cardtronics is driving foot traffic for North America and Europe's top retailers, enhancing ATM brand presence for card issuers or expanding card holders' surcharge-free cash access, Cardtronics is convenient access to cash, when and where consumers need it. Cardtronics is where cash meets commerce.