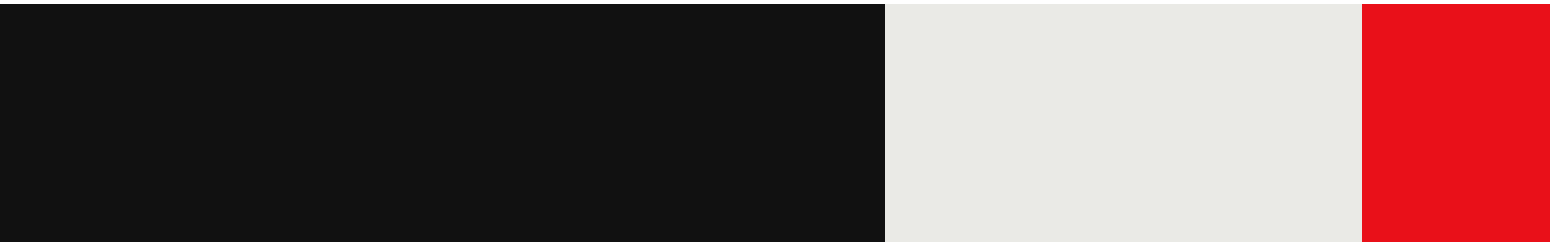



Are Consumers Ready for a Cashless Society?

Article



Cash may have once been king, but it has started to lose status, particularly among a certain set of lifestyle-driven companies. Direct-to-consumer brands like Everlane and Bonobos, fast casual grain bowl chain Sweetgreen and beauty salon Drybar are just a few businesses that have adopted a cashless model.

But are consumers just as eager to do away with cash?

While digital-only businesses appear modern, there is a growing backlash to cash-free commerce as it becomes more common. Many perceive it as discriminatory to low-income

consumers and the unbanked while cities like Philadelphia and Washington DC have been trying to pass legislation banning cashless merchants.

According to a recent study by **Cardtronics**, 60% of US internet users said cash was the most available payment method for everyone, and another 90% viewed cash as essential to those without checking or savings accounts.

What's more, roughly one-quarter (28%) of respondents said they prefer to pay with cash. Of that, a plurality (64%) reported feeling nervous when they didn't have cash on them.

That said, the study found that the most popular payment method was debit cards (37%) while 20% of respondents said they preferred credit cards. Mobile payments (13%) and checks (2%) were preferred by a small minority.

But these preferences are situational. Most consumers preferred cash for small purchases—essentially items between \$20 and \$30. And cash rules for many retail formats: fast food outlets, convenience stores and small businesses. Meanwhile, debit cards were most used at grocery stores and mass merchandisers.

Payment Methods Used by US Internet Users at Select Retailers, June 2018

% of respondents

	Cash	Debit card	Credit card	Digital*
Convenience store	60%	50%	24%	5%
Fast-food restaurant	60%	48%	23%	8%
Small/local business	54%	46%	32%	6%
Fast-casual restaurant	46%	51%	30%	10%
Grocery store	46%	58%	35%	7%
Mass merchandiser	42%	56%	39%	11%

Note: ages 18+; in the past 6 months; *mobile wallets, mobile order & pay-ahead, both bank and nonbank person-to-person (P2P) payment apps and store-specific apps

Source: Cardtronics, "2018 Health of Cash" in partnership with Edelman Intelligence, Dec 4, 2018

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While digital payment methods aren't preferred by most US consumers, **they are growing in popularity**, particularly with younger shoppers. According to our estimates, **20.2% of the US population will use mobile payments this year**, with the largest concentration among those ages 25 to 34 (34.9%).

When Cardtronics asked respondents which payment methods they used in the past six months, 45% of millennials said they used digital means compared with 29% overall. Yet millennials' cash usage was on par with the average (89% vs. 88%), which implies that

increased usage of Apple Pay, Android Pay and others hasn't lessened reliance on cash. At least for the time being.

Only 19% of US smartphone users said they could go one year without using cash, according to a May 2018 **Bank of America** survey. Even so, 58% of these consumers predicted that a cashless society would be inevitable in their lifetimes, while 18% see paper currency disappearing within five years.

A majority of US internet users said they **wouldn't change their frequency of visits to a favorite restaurant if it went cashless**, according to a January 2018 survey by **CivicScience**. Just 11% would go less, and 15% would stop altogether.

Yet "favorite" is the operative word in this hypothetical scenario. Consumers might not be so forgiving of businesses chosen out of convenience or necessity.