

Key trends we're watching in retail in-store payments

Article



In-store shopping remains the largest US retail channel by both share and dollars. Growth overall will decelerate as economic worries lead consumers to pull back on spending. By the end of 2026, brick-and-mortar will still account for \$4 in \$5 spent in retail—making it a critical investment for payment providers despite being less flashy than ecommerce and emerging digital channels.

Key trends we're watching

Providers must emphasize payment method choice

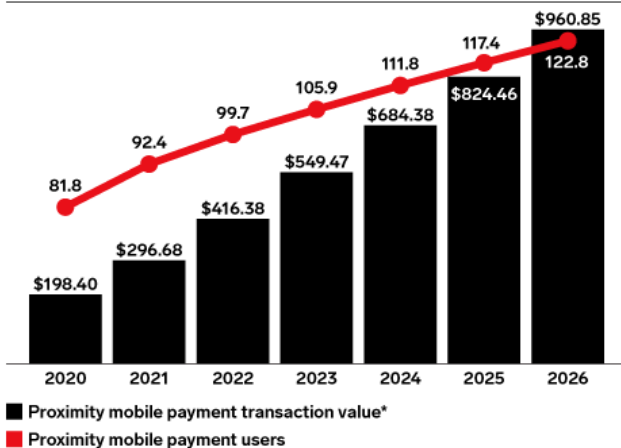
Shoppers will leave a store if it doesn't accept their preferred payment method. That means merchants—and their payment providers—must broaden their ambit as more methods join the fray.

Four payment types will dominate innovation in the US this year. The first two are tied to contactless payments, which now make up 28% of US face-to-face transactions, per Visa.

1. Proximity mobile payment penetration will hit a record-high 43.2% of smartphone users this year, according to our forecast. And per-user spending will exceed \$5,000 for the first time, thanks to growing acceptance and user experience improvements. Capturing this spending requires investment in accepting not only wallets powered by near-field communication (NFC) technology, but QR code solutions like Venmo and Cash App as they expand in-store.

US Proximity Mobile Payment Transaction Value* and Users, 2020-2026

billions of \$ and millions of users



Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past six months; includes point-of-sale transactions made by using mobile phones as a payment method; excludes transactions made via tablet; *forecast from March 2022

Source: Insider Intelligence, July 2022

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2. Contactless card volume will grow by double digits to comprise 8.8% of in-store retail and food services sales next year, per our projections. Interest is there: Many US bank

customers preferred contactless plastic to mobile wallets in Q3 2022, per J.D. Power polling. But capturing volume could come down to whether shoppers are aware that contactless plastic is accepted. Merchants should ramp up awareness campaigns to correct course.

3. Buy now, pay later (BNPL) spending will approach \$100 billion for the first time in 2023, by our estimates. But most use remains online, leaving considerable in-store volume for the taking—especially as providers like Afterpay, Klarna, and Splitit actively court merchants and tech partners to simplify in-store acceptance.

4. Account-to-account (A2A) payments are gaining steam. Sixty percent of US adults said they were interested, per a Worldpay and PCI Pal study published in November 2022. And new open banking and real-time payment (RTP) tech is simplifying usage. In 2023, merchants will focus on early-stage rollouts and consumer education—though in-store acceptance might come after ecommerce support.

Shoppers Demand New Checkout Experiences

This year, self-pay options will rise in-store—45% of retailers worldwide were planning to convert cash register space to self-checkouts as of July 2022, per Zebra Technologies—due to consumer interest, cost-saving potential, and the need to cut or reallocate labor. But self-checkout kiosks are plagued by theft and consumer dissatisfaction.

Autonomous checkout solutions, which let customers shop without stopping to pay, could fill the gap as they scale at partners like Whole Foods Market and Circle K. Other options that blend digital and in-store checkout, like the ability to check prices or inventory via mobile app, could also thrive—even as reduced social distancing concerns slow curbside pickup, which dominated innovation in the past few years.

Payment Providers Benefit From Loyalty Enablement

Customers increasingly value rewards and will lean on them to cut costs as prices soar and savings dwindle. For retailers, these perks could be the key to generating sales from choosier consumers.

Payment providers' wide network of relationships, access to data, and ability to unify sales across channels are well suited to enable loyalty offerings. Those include functions like automatic application, multibrand programs, and personalization. In 2023, more providers

could roll out programs like Klarna's rewards club, which lets customers earn points simultaneously with Klarna and with retailers' own programs.

[Read the full report.](#)

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Payment Channels and Types of Transactions

