

# In-store retail payments are going contactless amid broadening payment method choice

Article

In-store retail sales will grow slowly from 2024 to 2028, losing incremental share to faster-growing ecommerce sales, per our forecast. By the end of the period, customers will spend

79.6% of their dollars at physical locations, versus 83.7% in 2024.

## What's happening?

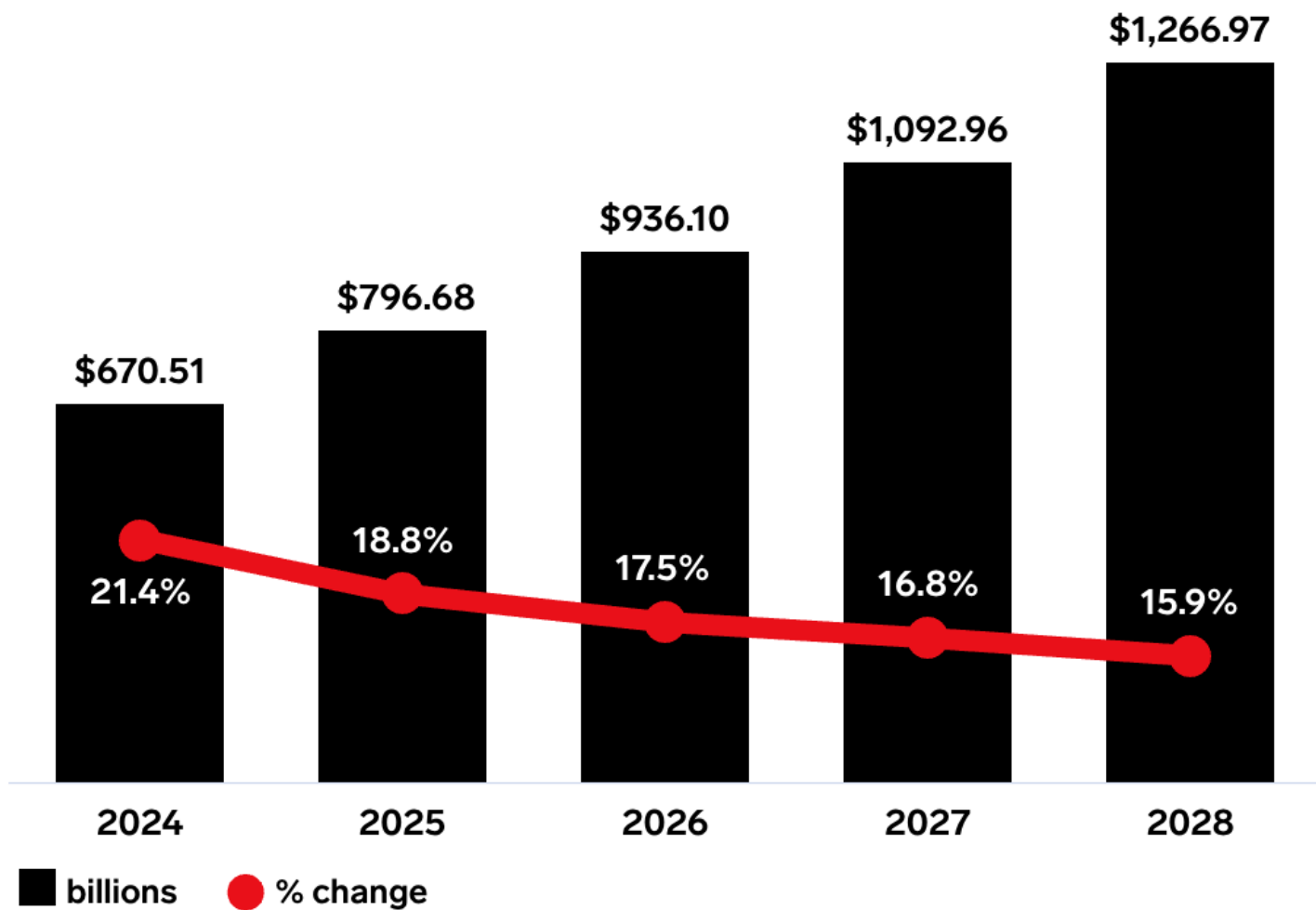
- **Consumers are embracing newer digital payment methods for shopping in person.** Digital wallets will generate 31% of in-store sales by 2027, more than double their contribution in 2023. During the same period, the number of BNPL users will rocket 37% to 112.7 million. And while crypto payer penetration lags, the number of payers will have almost doubled between 2021 and 2025, reaching 5.0 million. In each of these cases, Gen Zers and millennials are driving growth.
- **Tap-and-pay has become the preferred way to pay in-store.** US contactless payments comprise almost 50% of all face-to-face transactions, per Visa. They have gained significant share among small-dollar transactions once ruled by cash.
- **Proximity mobile payment transaction value will nearly double from 2024 to 2028.** And smartphone user penetration will rise from 39.3% to 45.4% in that period, per our forecast. Thanks to growing acceptance, user experience improvements, and commerce feature enhancements, spend per user will also rise.

## What does it mean for payment providers?

- **They must help merchants ensure that customers can use their preferred payment method.** Shoppers—particularly Gen Zers—may otherwise go elsewhere. Integrating digital wallet options directly into merchants' point-of-sale systems, for example, helps maximize purchase conversion.
- **But expanded payment choice should not come at the expense of cards.** Overwhelmingly, consumers say that cards are their most preferred way to pay in-store, per October 2022 Federal Reserve Bank of Atlanta data. Cards also help online payment brands like PayPal, Block, and Venmo make in-store inroads. Affirm users can even upload virtual cards into Apple Pay and Google Pay to pay in-store—a workaround for when Affirm is not accepted at checkout.

# Proximity Mobile Payment Transaction Value

US, 2024-2028



Note: the value of point-of-sale transactions made by using mobile phones as a payment method

Source: EMARKETER Forecast, March 2024