

MOBILE WALLET ACCEPTANCE SURVEY

ANALYSIS AND RECOMMENDATIONS FOR MERCHANTS

EXECUTIVE SUMMARY

The launch of the long-awaited Apple Pay mobile app in October 2014 was supposed to be the start of a payment revolution that would make plastic cards obsolete. Suddenly, consumers could store their credit card details securely in the cloud and use their phones to make payments – no need to present a credit card, enter a PIN, or sign anything.

While Apple Pay wasn't the first mobile wallet app to reach the market, it was the first to gain significant traction among both merchants and consumers. (Very likely, Apple's negotiations with some major retailers to accept Apple Pay at the app's launch was instrumental in speeding adoption.)

Apple Pay was soon followed by a multitude of other "Pay" apps, notably Android Pay (later merged with Google Pay as part of a larger suite of digital payment options) and Samsung Pay. However, today, mobile wallet apps are no longer solely the territory of phone makers – some major banks, including both Wells Fargo and Chase, have begun launching their own mobile pay apps.

Mobile wallets use near-field communication (NFC) technology to securely transmit information between a phone and an NFC-capable credit card terminal. Customers authenticate transactions with biometric technology such as Apple's Touch ID fingerprint scanner or the phone's security pass code. The app "tokenizes" and encrypts the card details, meaning merchants get a 1-time use card number ("token") rather than the customer's actual card details. This prevents customers from compromising their cards in the event that the merchant experiences some sort of data breach.

The reality, at the end of 2018, is that credit and debit cards are still far from obsolete. However, US News reports that 39% of America consumers currently have a mobile wallet,¹ and that number is expected to increase over time. It's no surprise that mobile wallets are catching on with the average American. Simply passing one's phone over

¹ Abrams, S. (2018, March 16). Here's Everything You Need to Know About Using a Mobile Wallet. Retrieved from <https://money.usnews.com/money/blogs/my-money/articles/2018-03-16/what-you-need-to-know-about-mobile-wallets>

EXECUTIVE SUMMARY

a terminal and finalizing the transaction with a thumbprint or passcode is a lot more convenient than that alternative: fishing out a wallet and rummaging around for the right card, dipping the card, and then entering a PIN or signing for the transaction. Plus, the additional security measures provided by mobile wallets (biometric authentication, tokenization, and encryption) make consumers less dependent on merchants to safeguard their financial data.

However, consumer adoption of mobile wallets is only one part of the equation. The other major component is, of course, merchant acceptance.

To that end, MerchantMaverick.com polled our [readership](#), mostly comprised of small business owners, to ask about their familiarity with and acceptance of mobile wallets for in-person payments. We received 497 complete responses from merchants representing a wide array of industries and business sizes. The web survey was sent to Merchant Maverick's email subscribers and promoted on our website and social media channels from October 17 through November 14, 2018.

The information from that survey is broken into four parts and presented here. The data is followed by analysis and recommendations for merchants who are curious about accepting mobile wallets payments — as well as for those who already do.

SOME OF THE **KEY FINDINGS** FROM OUR SURVEY INCLUDE:

- **Nearly half of merchants (44.9%) say they have personally used a mobile wallet to make a purchase in the past 12 months.** Apple Pay was the most commonly used app, followed by Google Pay/Android Pay.
- **Merchants who use mobile wallet apps to make purchases are more likely to accept mobile wallet payments at their businesses.** More than half of merchants who had used a mobile wallet personally in the past 12 months said they also accepted NFC/contactless payments (54.3%, compared to 42.2% overall). Of the merchants who had not used a mobile wallet to make a payment, just 31.6% said they accepted contactless payments.
- Businesses processing more than \$5,000/month in credit and debit cards are less likely than businesses processing more than \$5,000/month in cards to accept contactless payments. **Just 36.1% of small merchants (processing less than \$5,000/month) said they accepted contactless payments,** whereas 50% of large businesses (those processing \$5,000/month or more) said the same. Interestingly, given this data, smaller businesses are more likely to correlate support for mobile wallet payments with an improved customer experience and have more positive attitudes about mobile wallets and their potential value. Smaller businesses that currently do not support NFC payments are generally more open to the idea than their larger counterparts, as well.
- **A significant factor that affects merchants' willingness to accept NFC payments is the lack of customer demand.** An impressive 70.8 percent of businesses that don't accept contactless payments said that **increased customer demand would make them more willing** to adopt the technology. However, the cost of the hardware is also a concern for many businesses; 52% of business owners said that **more affordable hardware** would also increase their willingness to adopt NFC payments.
- Nearly one-fifth of business owners who don't currently accept contactless payments (19.9%) said they were considering making the switch for the 2018 holiday season. Another 40.4% said no, and 39.8% said maybe.
- **Nearly half – 48.8 percent – of businesses that accept NFC payments are expecting an increased use of mobile wallets by their customers during the 2018 holiday season.** Of the remainder of merchants, 29.6% said they weren't sure and 21.6% said they weren't expecting an increase. Small businesses were more likely to indicate an expected increase in mobile wallet use, compared to larger ones.

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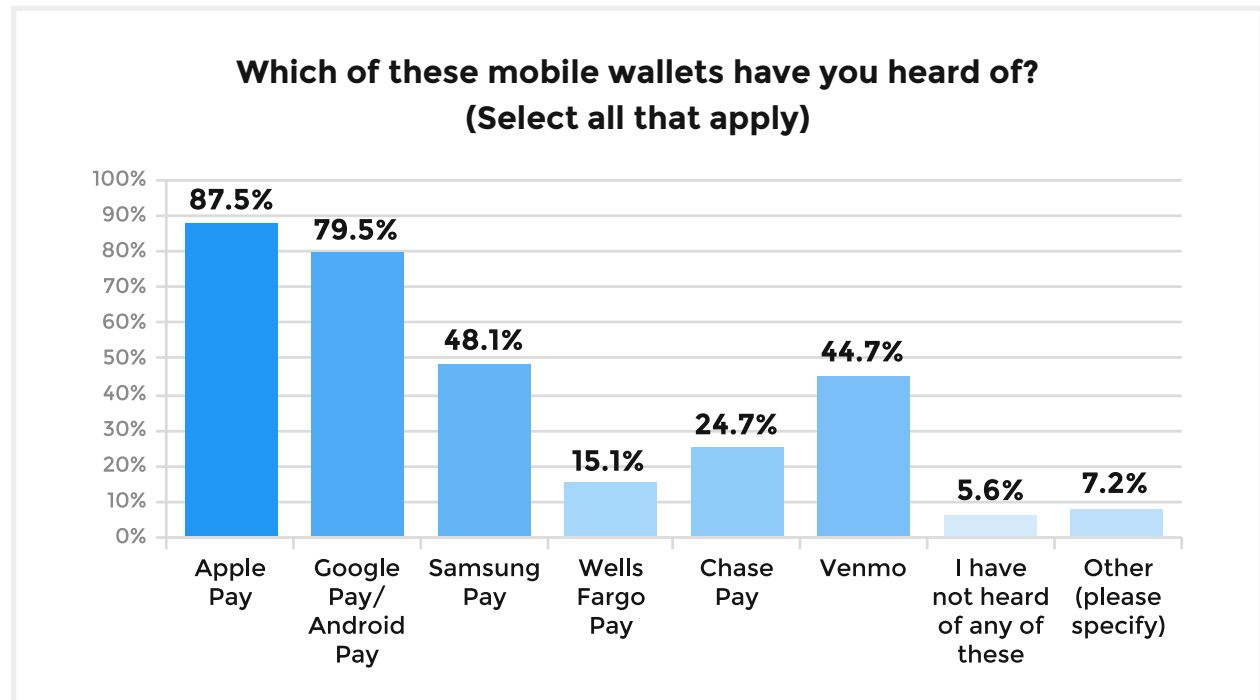
FINAL RECOMMENDATIONS

1

BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

1 BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

One area of interest in our survey was the relationship between personal knowledge and use of mobile wallets and merchant acceptance. We started first by asking about the mobile wallets with which our survey respondents were familiar.



Unsurprisingly, Apple Pay and Google Pay/Android Pay were the best known options, as they were the first to reach the market. Samsung Pay and Venmo followed in terms of recognizability.

Only a minute percentage of survey respondents (5.6 percent) were unfamiliar with any of the mobile wallet options presented. This leads us to believe that even if merchants aren't accepting mobile wallet payments, they are still well aware of the apps' existence.

We opted to omit Square Cash and PayPal from the list of options because, while they are technically mobile wallets, **they do not directly support NFC (contactless) payments at the point of sale**. PayPal will allow users to connect their PayPal wallets to Google Pay and Samsung Pay; Square Cash issues its customers a "virtual card" that functions like a credit card that can be linked to Google Pay and Apple Pay.

1 BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

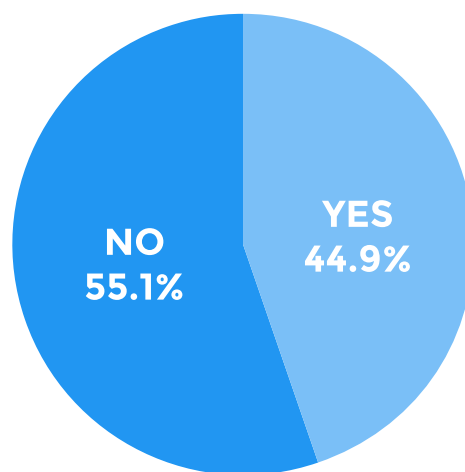
That said, Square Cash and PayPal were commonly mentioned in the “other” category. Among the mobile wallets our respondents listed under “other,” the ones that appeared most frequently include:

- **PayPal**
- **Square Cash/Cash App**
- **Zelle**

Like PayPal, Zelle does not support NFC/contactless payments. Its primary purpose is consumer P2P funds transfers between bank accounts. The fact that these options were commonly mentioned suggests that many **people do not closely distinguish between the different types of mobile wallets based on their purpose**. Considering that Apple Pay now supports P2P transfers, and Venmo integrates a social aspect as well as its P2P transfers and NFC payments, this isn't too surprising, but it does mean that clarity is needed when discussing and researching mobile wallets.

In addition to asking about mobile wallet recognition, we asked whether the merchants themselves had used a mobile wallet to make a payment in the past 12 months.

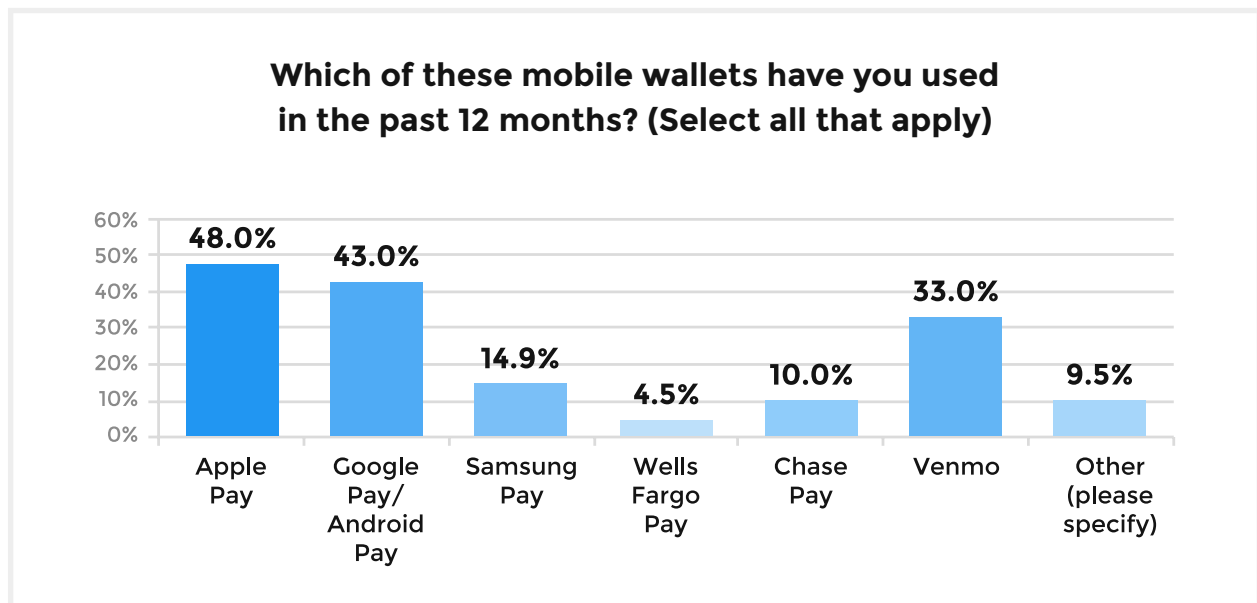
In the past 12 months, have you personally used a mobile wallet to make purchases?



1 BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

Nearly half of respondents (44.9%) had used a mobile wallet to make a purchase. We will explore the data in more detail later, but analysis revealed that **merchants who use mobile wallets themselves are more likely to also accept NFC/contactless payments for their business.**

As a follow up, we asked which mobile wallets they had used in the past 12 months.



Not surprisingly, the data spread for merchants' personal use closely mirrors the data spread for mobile wallet brand recognition – the oldest, most established wallets are the most commonly used.

1 BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

We once again offered an opportunity for merchants to identify other mobile wallets they had used. The most common responses listed under “Other” were identical to the responses for mobile wallet recognition, with Square Cash, PayPal and Zelle being most commonly mentioned.

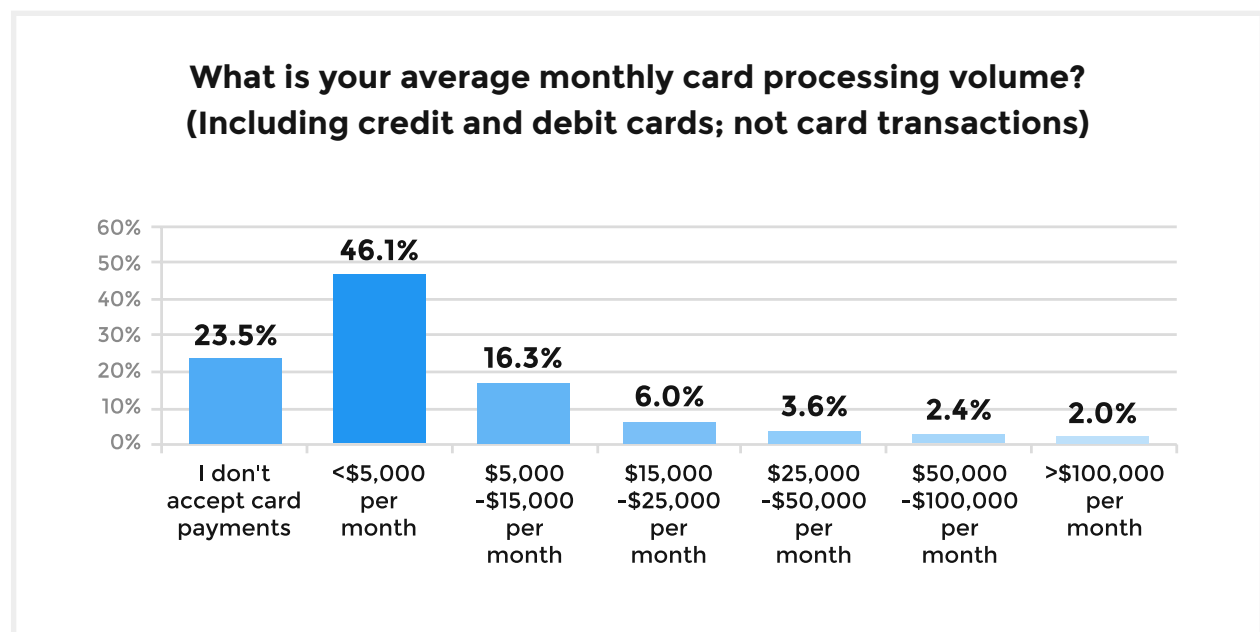
Just a handful of survey respondents mentioned mobile apps powered by specific retailers and merchants: namely Starbucks, Walmart Pay, and the My Phillips 66 mobile app. We hadn’t anticipated these responses, although many merchants do offer their own branded apps with built-in loyalty programs and mobile wallets that can make payments at the point of sale. However, many of these are based on QR codes rather than NFC technology and they are limited to use only with the company that made the app.

We filtered the survey data by several criteria for comparison purposes. Three criteria that we will use over and over again for analysis are a business’ credit card processing volume, industry, and payment channels. Let’s begin by placing each criterion in context.



Credit Card Processing Volume

An important consideration in analyzing merchant behavior is the business's overall credit card processing volume. We used this question to filter out merchants who don't accept credit cards at all, because lack of credit card acceptance also precludes mobile wallet acceptance. Then, we compared behavior between small merchants (those processing less than \$5,000/month in credit cards) and larger merchants (those processing \$5,000/month or more).

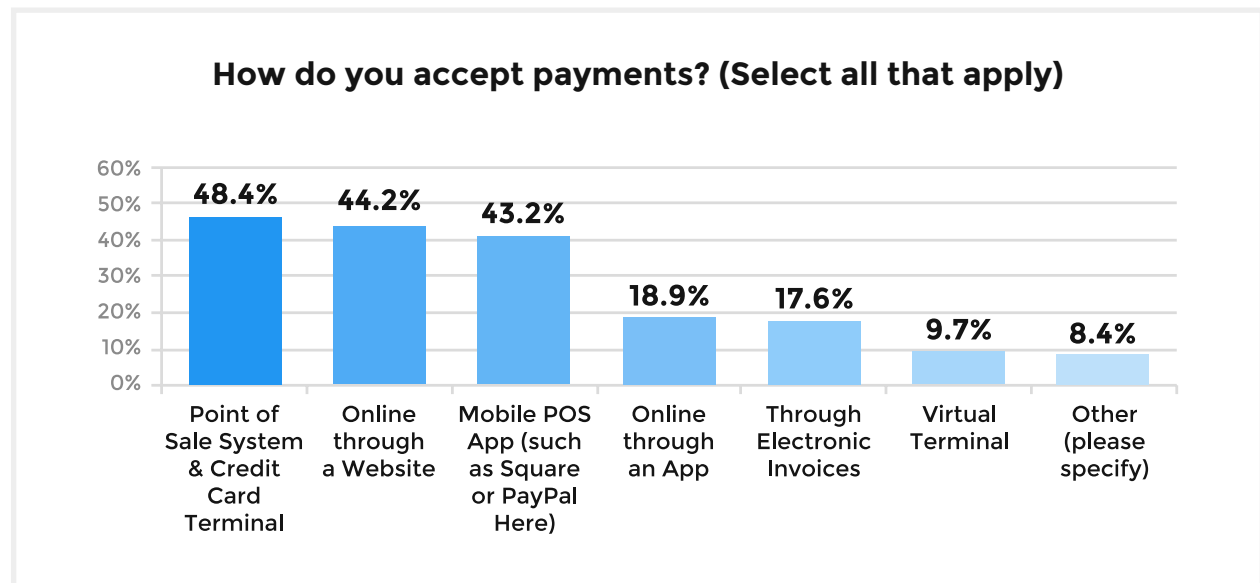


Small merchants made up the majority of survey respondents, with a noteworthy segment not accepting credit card payments at all. Because the small merchant segment was so large (46.3%), behaviors among these merchants were of greatest interest to us, especially in comparison to merchants processing higher volumes (combined totalling 30.3%).

Payment Channels

We asked our merchants which channels they used to accept payments:

- **Point of Sale System & Credit Card Terminal**
- **Mobile POS App (Such as Square or PayPal Here)**
- **Online through a Website**
- **Online through a Mobile App**
- **Electronic invoices**
- **Virtual Terminal**
- **Other**



The question allowed merchants to choose more than one option, and we found that many of our survey respondents did in fact accept payments through multiple channels, including a mix of online and in-person payments. Many of the merchants who selected “other” indicated that they accepted cash or checks as well.

1 BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

For questions pertaining to contactless/NFC acceptance, we filtered the responses to only show answers from merchants who have accepted payments from one of the following:

- **Point of Sale System & Credit Card Terminal**
- **Mobile POS App**
- **Virtual Terminal**

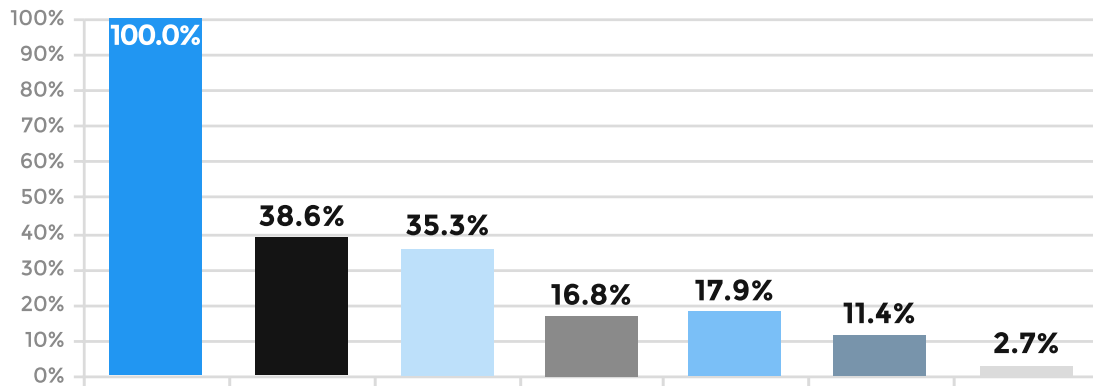
Some virtual terminals rely exclusively on keyed entry, while others (such as those offered by Square and QuickBooks Payments) allow you to connect a mobile credit card reader to a computer to accept payments. For that reason, we opted to include the Virtual Terminal responses in the dataset.

When we compared accepted payment types for respondents who selected one or more of these three options, we noticed an interesting trend. While merchants who used virtual terminals made up just a small portion of respondents (9.7%), they also reported higher usage rates of other channels, particular point of sale systems, credit card terminals, and mobile POS apps, as well as online websites. This is likely because virtual terminals are commonly bundled with other platforms. Square, for example offers seamless integration between its mPOS app, online platforms, and its virtual terminal, as does Shopify.

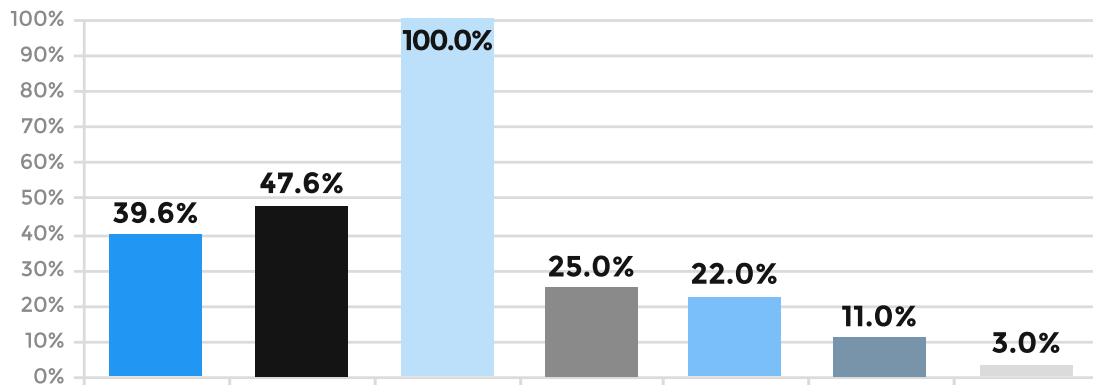
1 BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

How do you accept payments? (Select all that apply)

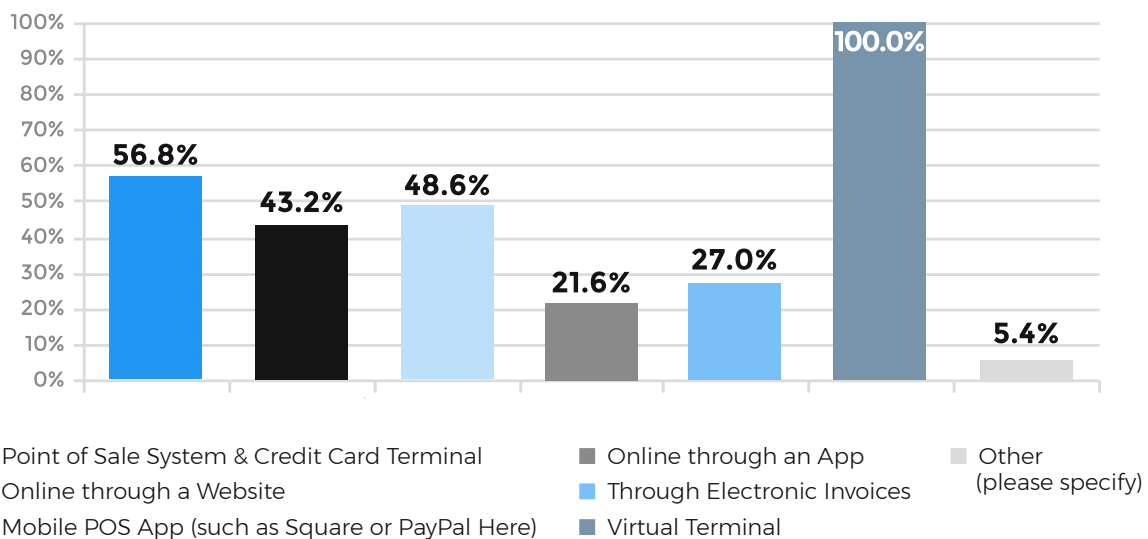
POINT OF SALE SYSTEM & CREDIT CARD TERMINAL



MOBILE POS APP (SUCH AS SQUARE OR PAYPAL HERE)

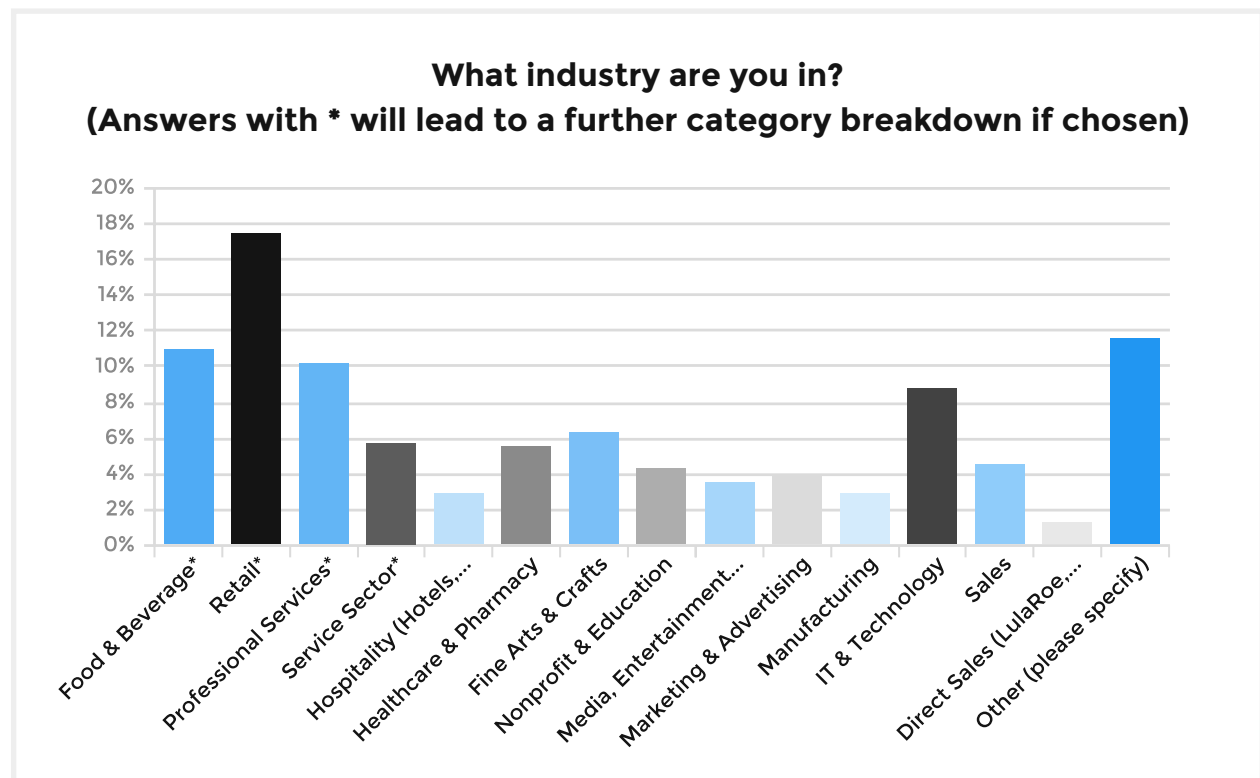


VIRTUAL TERMINAL



Industry

We asked merchants who accept credit card payments to identify which industry they work in. The responses covered a fairly wide spread of industries. We looked first at the overall spread of industries from all merchants who accept credit card payments, and then at the industry spread for merchants who accept payments via a POS system & credit card terminal, an mPOS app, or a virtual terminal.



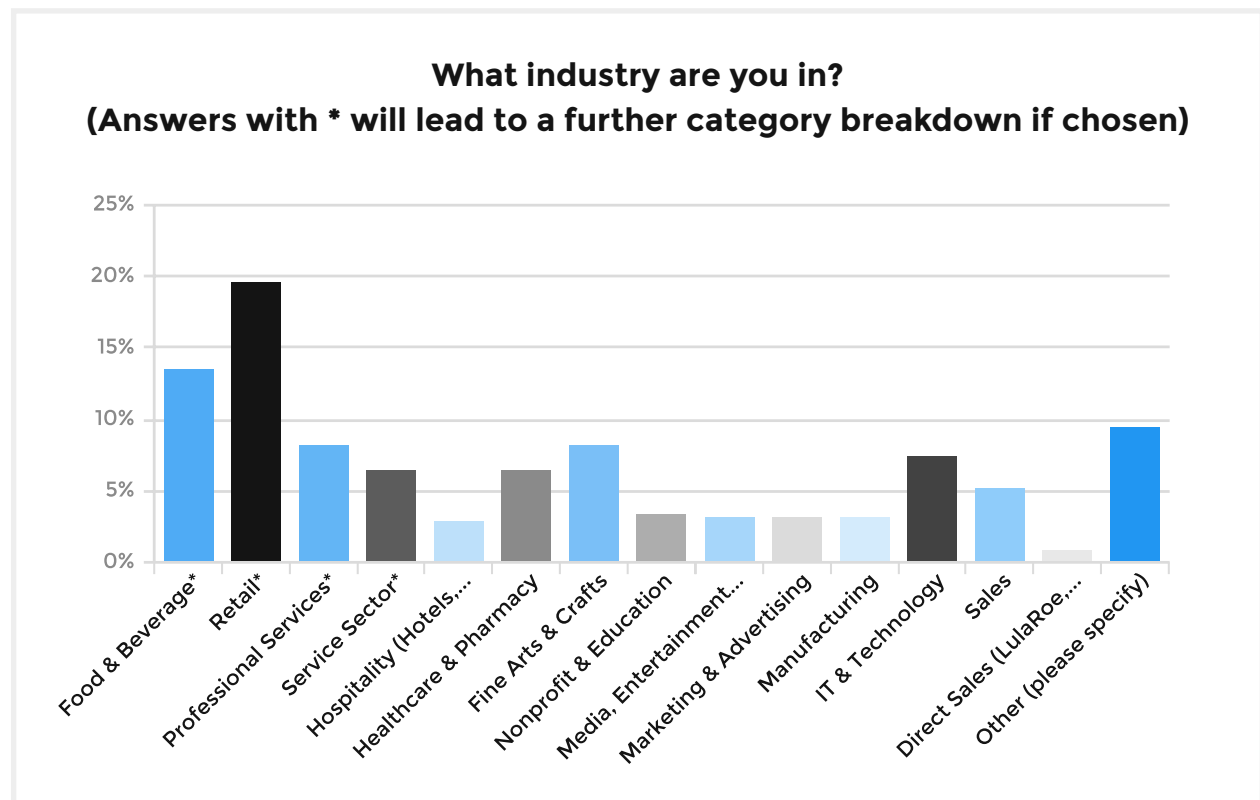
Overall, the most common categories for merchants were **Food & Beverage** (11.1%), **Retail** (17.6%), **Professional Services** (10.3%) and **IT & Technology** (8.7%).

“Other” responses included an eclectic mix of businesses, including:

- **Agriculture**
- **Construction**
- **Wholesale**
- **Pet Grooming & Boarding**

1 BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

After we filtered the data to focus on the just the merchants who accept in-person payments, we saw a slightly different result.

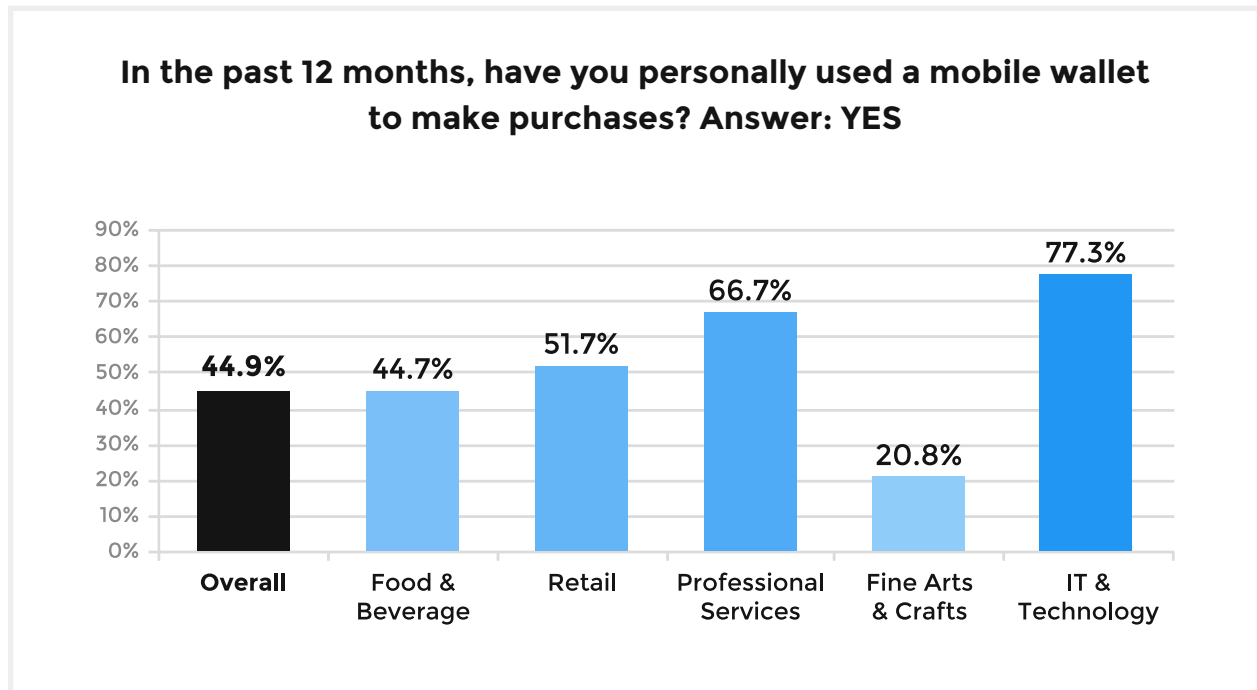


The most common categories now include **Food & Beverage** (13.5%), **Retail** (19.6%) **Professional Services** (8.1%) and **Fine Arts & Crafts** (8.1%). **IT & Technology** drops to 7.4% of respondents.

In both cases, the data was quite varied, with a good range of representative industries. It's not particularly surprising that Retail and Food & Beverage businesses are the most common in both datasets. The increase in Arts & Crafts businesses when the payment channel filters are applied is likely because many artists and crafters who sell at conventions, art shows, and other pop-up events commonly rely on a pay-as-you-go mobile processor such as Square.

1 BACKGROUND INFORMATION & MOBILE WALLET USE BY MERCHANTS

When we compared personal use of mobile wallets according to industry, we noticed a substantial difference in usage rates by industry.



Merchants in IT & Technology were most likely to have used a mobile wallet in the past 12 month, with 77.3% saying they did. This isn't particularly surprising if you assume that anyone working in the tech industry is likely to be fairly tech-savvy. Merchants who said they work in Professional Services (such as accounting) were the second most likely to have used a mobile wallet personally, with 66.7% saying yes. Merchants in Retail and Food & Beverage were close to the overall average with 51.7% and 47.5% (respectively) reporting usage of a mobile wallet in the past 12 months. Merchants who identified as artists and crafters were the least likely of the most popular industries to have used a mobile wallet, at just 20.8%.



Two other sectors had notably low adoption rates for mobile wallets, though admittedly they were also subsets of merchants as well:

- **Nonprofit & Education: 20%**
- **Media, Entertainment & Publishing: 11.1%**

Merchants in Hospitality and Marketing & Advertising had above-average adoption rates for mobile wallets, though again, these industries made up just a small percentage of respondents:

- **Hospitality: 62.5%**
- **Marketing & Advertising: 66.7%**

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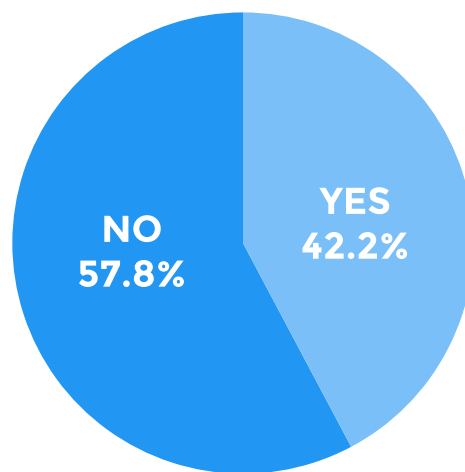
MOBILE WALLET ACCEPTANCE BY MERCHANTS

2 MOBILE WALLET ACCEPTANCE BY MERCHANTS

To get accurate data on mobile wallet acceptance by merchants, we first eliminated answers from merchants who don't currently accept credit card payments. For questions about NFC/contactless payment acceptance, responses were filtered to include merchants who indicated that they took payments via a POS system/credit card terminal, a mobile POS app/mobile card reader, or a virtual terminal (referred to as "in-person payments").

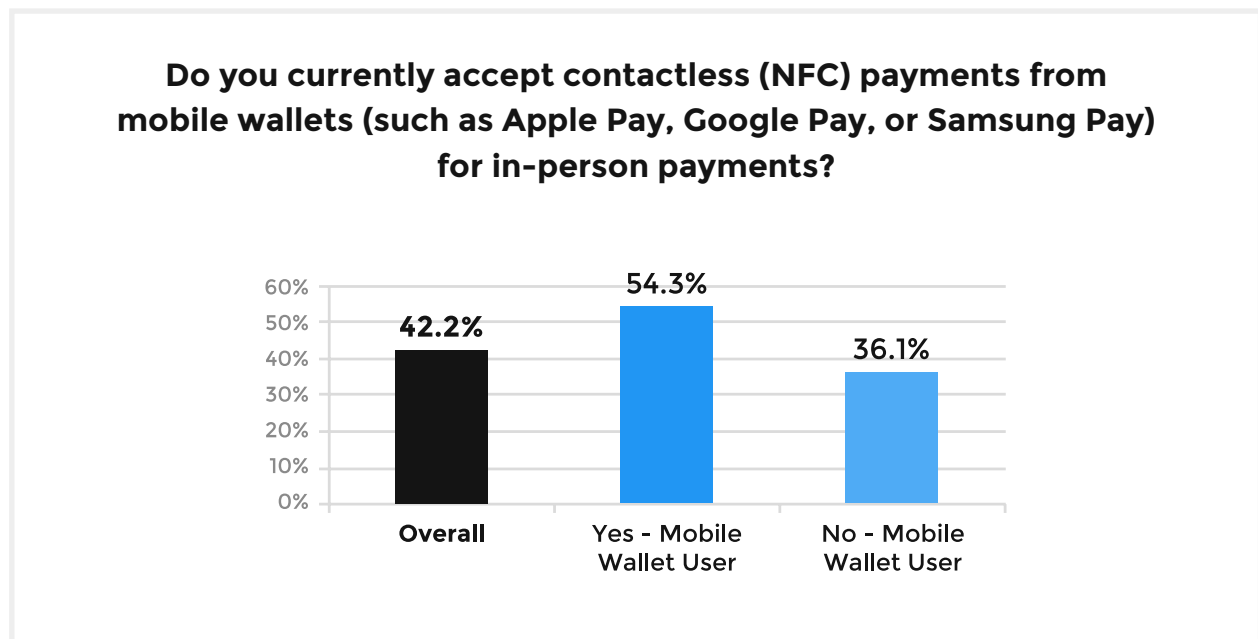
An important, and obvious question, is *how many merchants accept contactless/NFC payments*. With the appropriate filters applied, we found that nearly half of merchants — 42.2 percent — had enabled mobile wallet payments using NFC technology.

Do you currently accept contactless (NFC) payments from mobile wallets (such as Apple Pay, Google Pay, or Samsung Pay) for in-person payments?



2 MOBILE WALLET ACCEPTANCE BY MERCHANTS

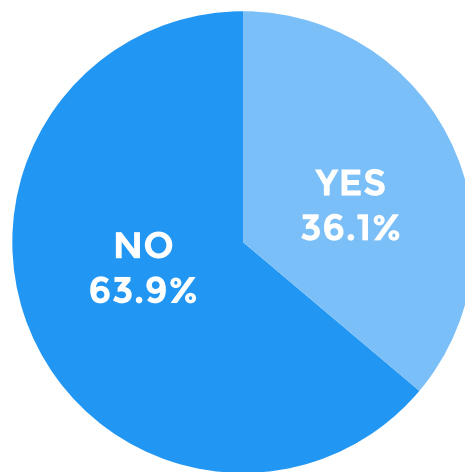
However, drilling down into the data revealed some interesting trends. We found that NFC acceptance was higher among merchants who said they had personally used a mobile wallet in the past 12 months. More than half of merchants who had used a mobile wallet personally in the past 12 months said they also accepted NFC/contactless payments (54.3%, compared to 42.2% overall). Of the merchants who had not used a mobile wallet to make a payment, just 31.6% said they accepted contactless payments.



A merchant's familiarity with the technology on a personal level appear to be directly correlated with their business's acceptance of NFC. This is likely because merchants who use mobile wallets for personal purchases are more comfortable with the technology and therefore more open to acquiring the necessary hardware.

Mobile Wallet Acceptance by Volume

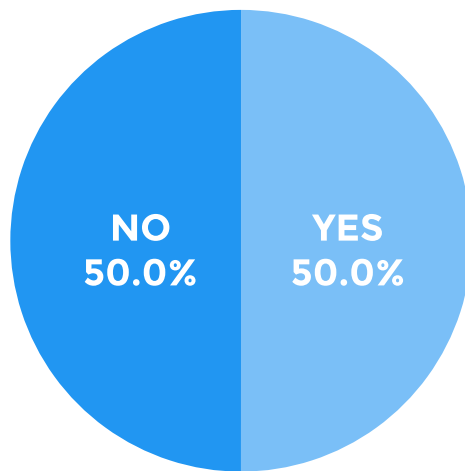
Do you currently accept contactless (NFC) payments from mobile wallets (such as Apple Pay, Google Pay, or Samsung Pay) for in-person payments?



We also found that merchants processing less than \$5,000/month for in-person card payments were less likely to accept NFC payments; only 36.1% of these merchants indicated NFC acceptance. This is not surprising; the cost of NFC-capable credit card readers or terminals compared to EMV-capable machines is likely a significant deterrent for low-volume merchants.

2 MOBILE WALLET ACCEPTANCE BY MERCHANTS

Do you currently accept contactless (NFC) payments from mobile wallets (such as Apple Pay, Google Pay, or Samsung Pay) for in-person payments?

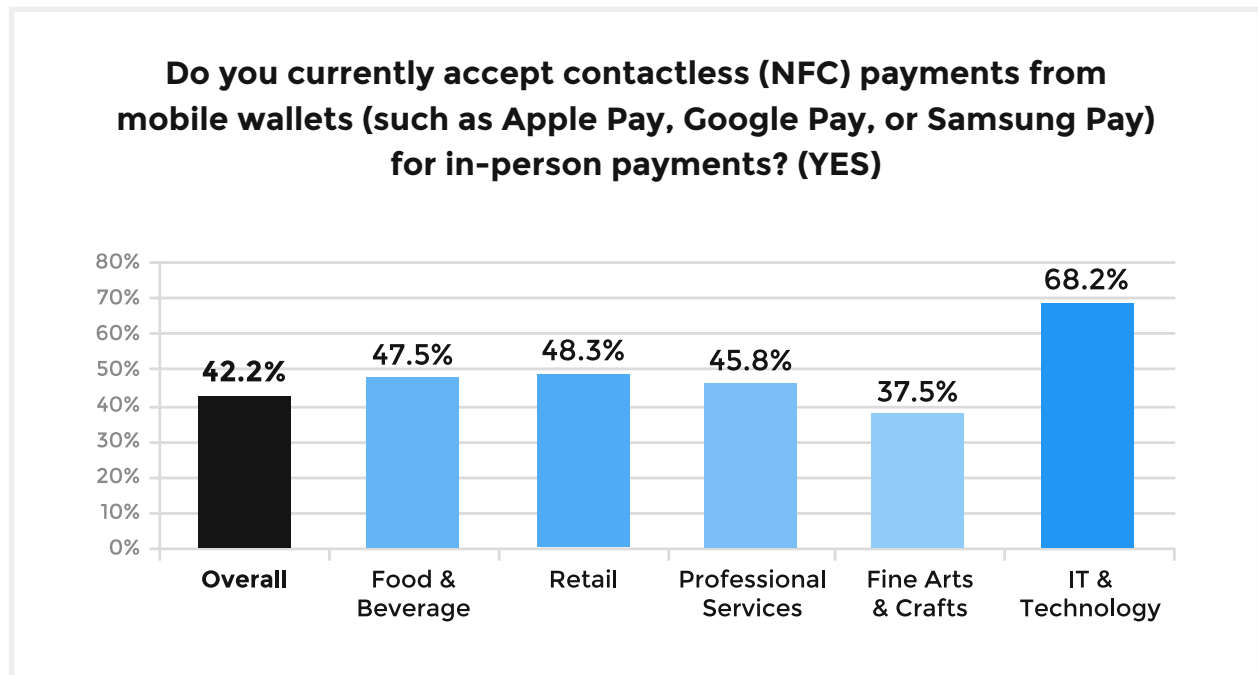


Larger merchants — those processing more than \$5,000 per month for in-person card transactions — are more likely than smaller merchants to accept contactless/NFC payments, with 50% indicating they do. This likely is a result of larger businesses having more income to put toward hardware purchases. However, other factors could contribute to the increased acceptance rate as well, such as better understanding of the technology or greater access to capital for hardware purchases.

In addition to card processing volume and personal usage of mobile wallet apps, our survey revealed several factors at play in the decision to accept contactless payments, which will we explore in [Section 3](#).

Mobile Wallet Acceptance by Industry

We ran a comparison of the most common industries as indicated by our survey responses, looking for specific trends among merchants in Food & Beverages, Retail, Professional Services, Fine Arts & Crafts, and IT & Technology.



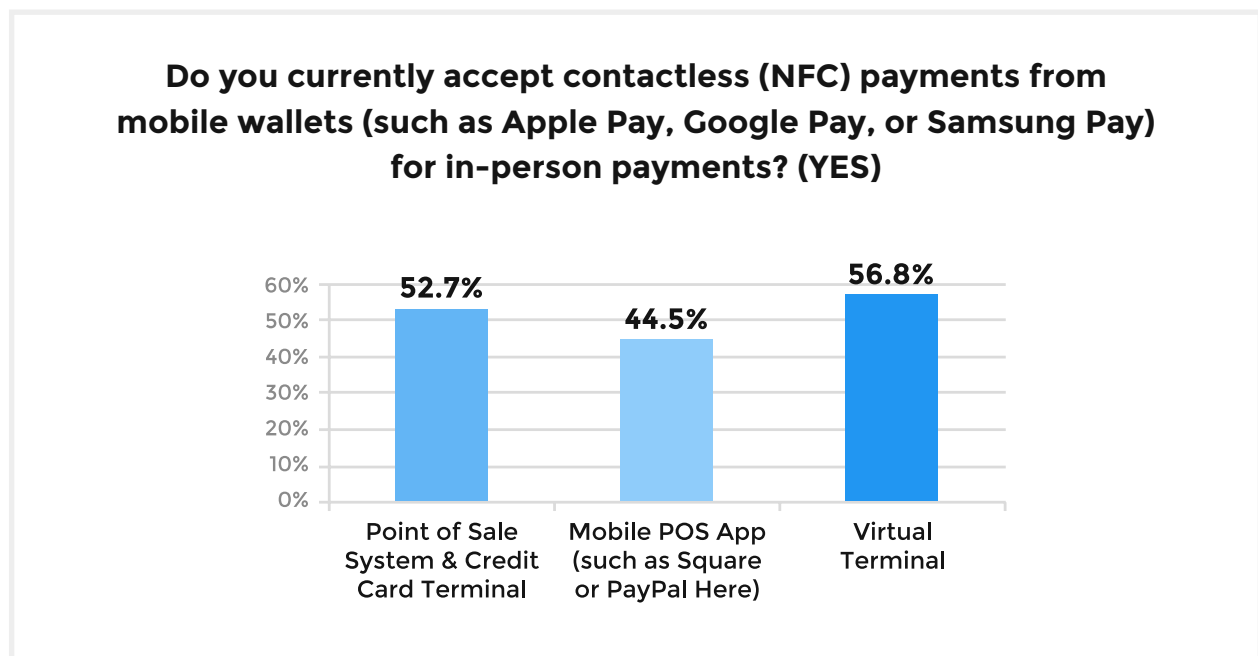
Unsurprisingly, businesses in IT & Technology had the highest rates of contactless acceptance, with 68.2% saying they support NFC payments.

Once again, Food & Beverage and Retail businesses came close to the overall average, with acceptance rates of 47.5% and 48.3%, respectively. Professional Services also came in close to the average at 45.8%.

Fine Arts & Crafts had the lowest rate of mobile wallet acceptance out of the most popular industries at 37.5%, though that is still fairly close to the overall average. The lower acceptance rate could be tied to the businesses' low processing volume. 91.7% of respondents in the Fine Arts & Crafts category said that they processed less than \$5,000/month in credit cards, whereas other industries reported a broader range of volumes.

Mobile Wallet Acceptance by Payment Channel

We filtered the data to focus on in-person methods (Point of Sale System, Mobile POS App, or Virtual Terminal) and compared acceptance rates of contactless payment methods. Of the three, merchants who accept payments through a virtual terminal had the highest rate of acceptance for contactless payments at 56.8%, followed by Point of Sale system users at 52.7%. Mobile POS app users had the lowest rate of acceptance at 44.5%.

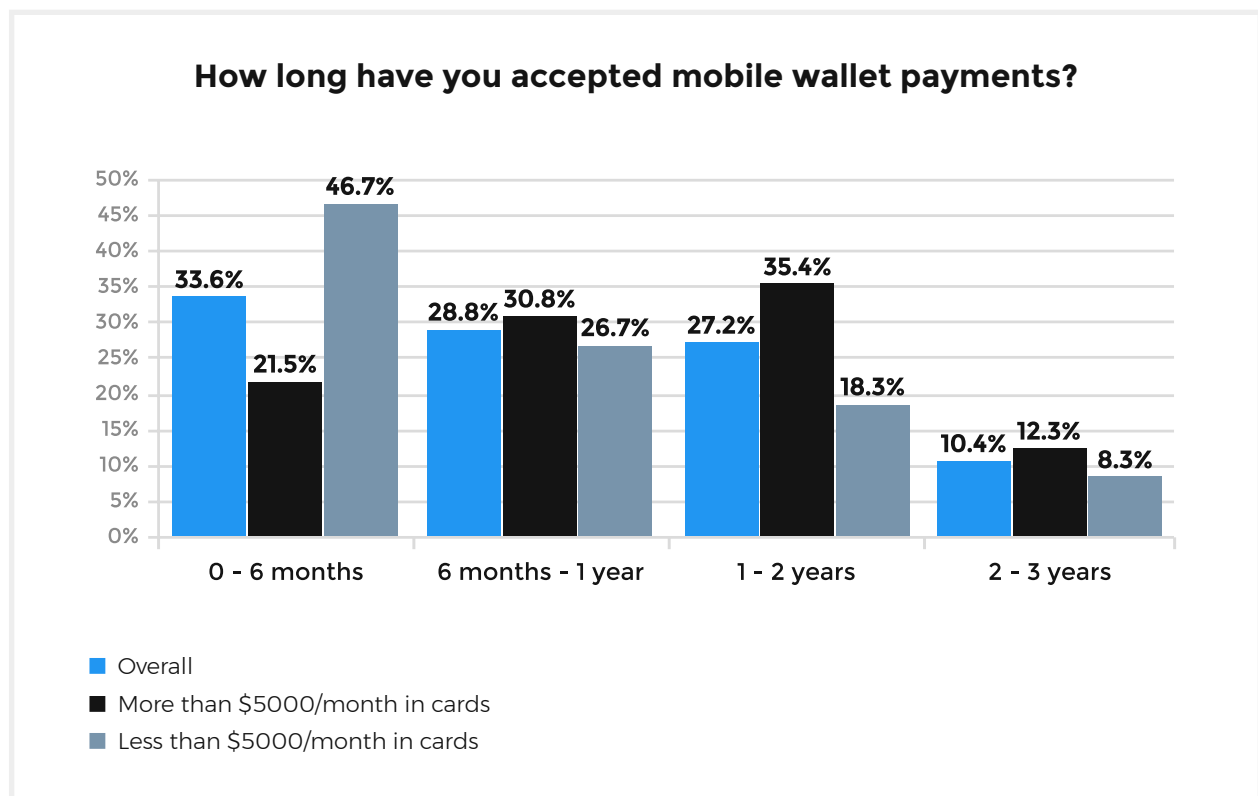


The higher rate of acceptance via virtual terminals is interesting, because not all virtual terminals are equipped with card readers and therefore rely on keyed entry for card data. However, Square and Intuit's platforms both allow for NFC-capable hardware. It is intriguing that mobile POS apps had a lower rate of acceptance; this could be attributed to the fact that mPOS users tend to have a lower card processing volume or that NFC-capable hardware is more expensive than other options.

Length of Time Accepting Mobile Wallet Payments

The survey asked merchants who said they accepted contactless/NFC payments how long ago they had adopted the technology. **We found that almost two-thirds of the merchants (62.4%) who accept NFC payments had adopted the technology in the past 12 months.** More specifically, 33.6 percent of respondents had adopted the technology in the past 6 months and 28.8% said they had adopted the technology 6-12 months ago.

Compare that to 27.2% of merchants who said they have accepted mobile wallet payments for 1-2 years, and just 10.1% who have accepted them for 2-3 years. This suggests that merchants are becoming increasingly aware of mobile wallets and NFC technology, and its adoption is on the rise in recent months.



2 MOBILE WALLET ACCEPTANCE BY MERCHANTS

Larger businesses are more likely to have jumped on board sooner. Among merchants who process \$5,000 or more per month for in-person credit card sales, 12.3% said they had implemented mobile payments 2-3 years ago, and 35.4% said 1-2 years ago. Of the remainder, 30.8% said they had implemented mobile payments 6-12 months ago and 21.5% said less than 6 months ago. (That totals to 52.3% of large merchants having adopted mobile wallets in the past year).

The number of large merchants who had adopted mobile payments in the past year is still greater than those who adopted them 1-2 years ago or 2-3 years ago, but is smaller than the overall average by 10.1 percentage points.

Nearly three-fourths of merchants processing less than \$5,000/month in in-person credit card payments said they had implemented mobile payments in the past year (46.7% within the past 6 months and 26.7% in the past 6-12 months, totalling 73.4%). Just 18.3% had implemented mobile wallet payments 1-2 years ago and 8.3% had adopted them 2-3 years ago.

Again, larger businesses have more resources to invest in hardware, and this is likely a major reason for the difference in contactless payments adoption rates. In anticipation of the October 2015 EMV liability shift, many payment processors encouraged merchants to adopt “future-proof” credit card terminals that are capable of accepting magstripe, chip card, and contactless transactions.

Because the EMV certification process for hardware was such a long process with significant backlogs (in some cases, 3-6 months to obtain the necessary certification),² the hardware rolled out in fits and starts.

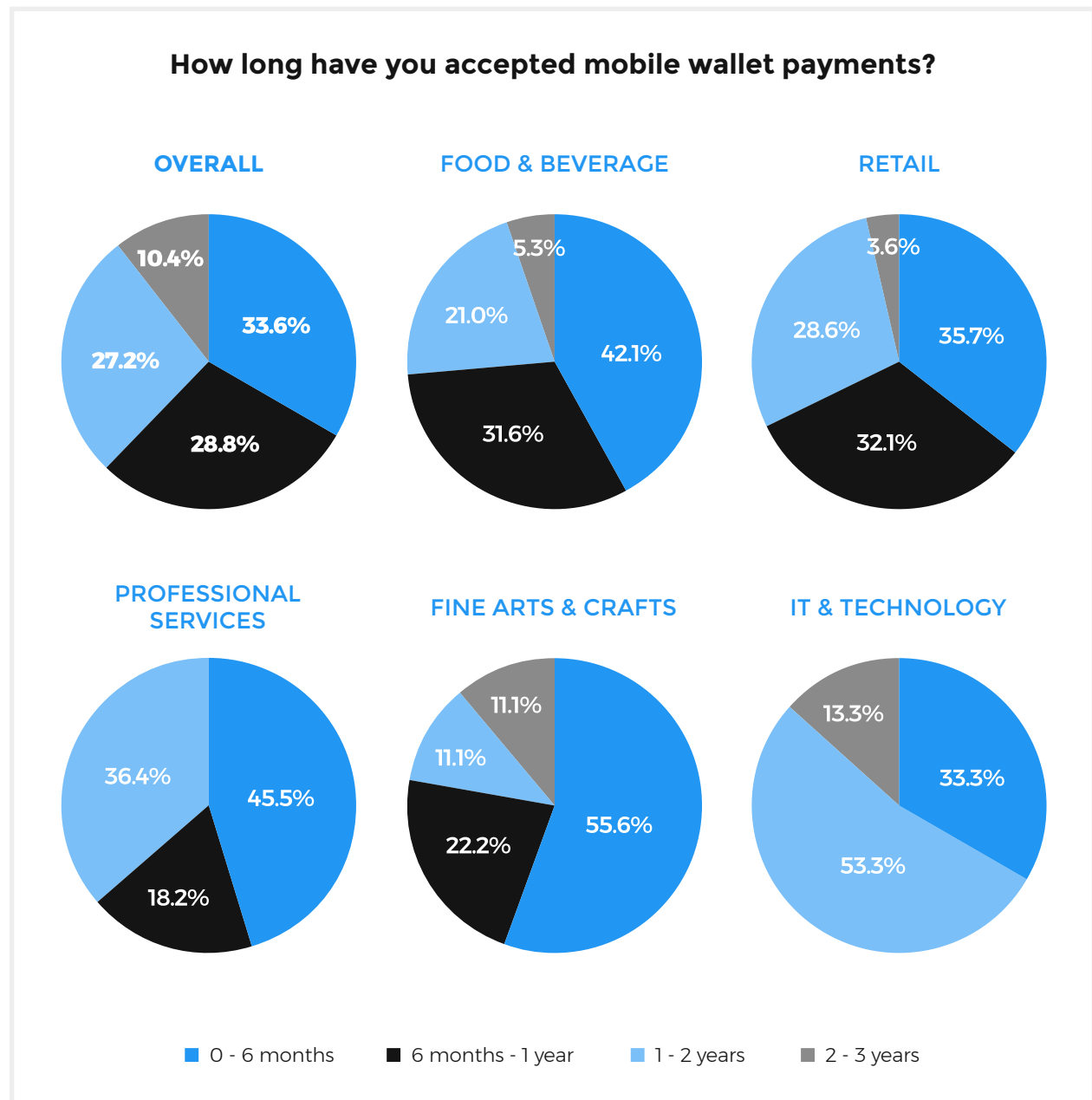
Initially, prices were quite high, with some estimates quoting \$450-\$1,000 to initially acquire and install a future proof chip card terminal.³ Smaller businesses were slow to adopt the new terminals because of the cost, though other factors (such as education on the liability shift and the lack of available hardware) likely played a role.

² Aberle, C. (2016, April 15). Today's EMV Landscape at Retail in the United States. Retrieved from <https://pointofsale.com/2016041510657/Payment-Processing/Todays-EMV-Landscape-at-Retail-in-the-United-States.html>

³ Gloer, R. (2016, May 5). New Survey Sheds Light on Slow Adoption of EMV Cards. Retrieved from <https://www.business2community.com/finance/new-survey-sheds-light-slow-adoption-emv-cards-01537040#PkUihREdjt0lIF2y.97>

2 MOBILE WALLET ACCEPTANCE BY MERCHANTS

In addition, mPOS app providers on the whole were slower than large payment processors to get their hardware certified and distributed to merchants. Again, the first hardware on the market tended to be very expensive (PayPal sold its reader for \$150 initially, with a \$100 rebate for qualified merchants.)



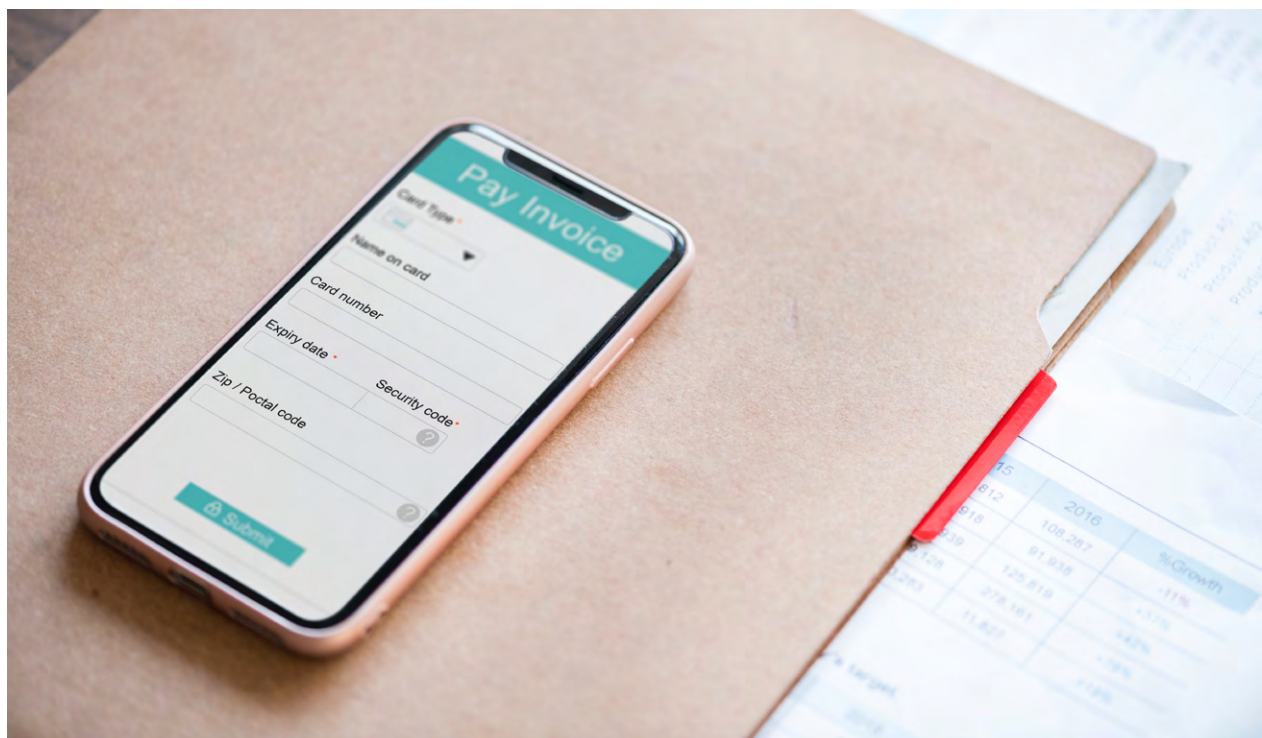
2 MOBILE WALLET ACCEPTANCE BY MERCHANTS

We noticed a similar trend in the data when comparing how long ago merchants began accepting contactless payment against the most popular industries. More than half of Fine Arts & Crafts merchants (55.6%) began accepting mobile wallets within the previous six months, and the category is dominated by very small merchants. Another 22.2% of merchants in this category had adopted mobile wallets 6-12 months prior, making for a total of 77.8% who had implemented mobile wallets only within the past year.

Food & Beverage merchants' adoption rates were similar to those in Fine Arts & Crafts, with some 73.3% of merchants implementing mobile wallets in the past year.

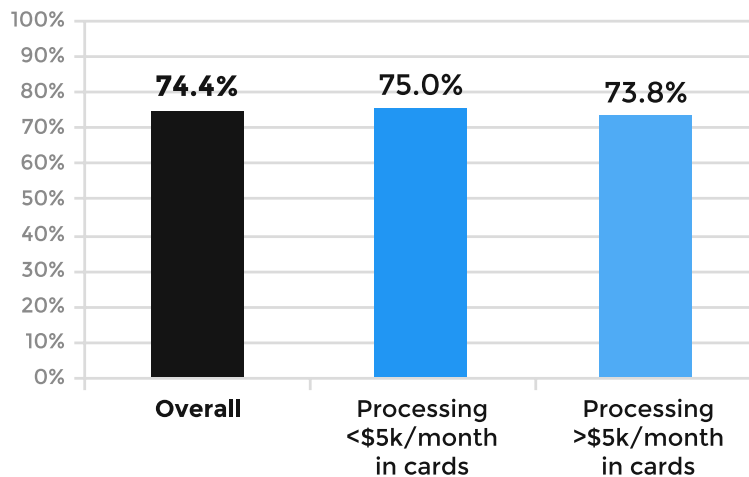
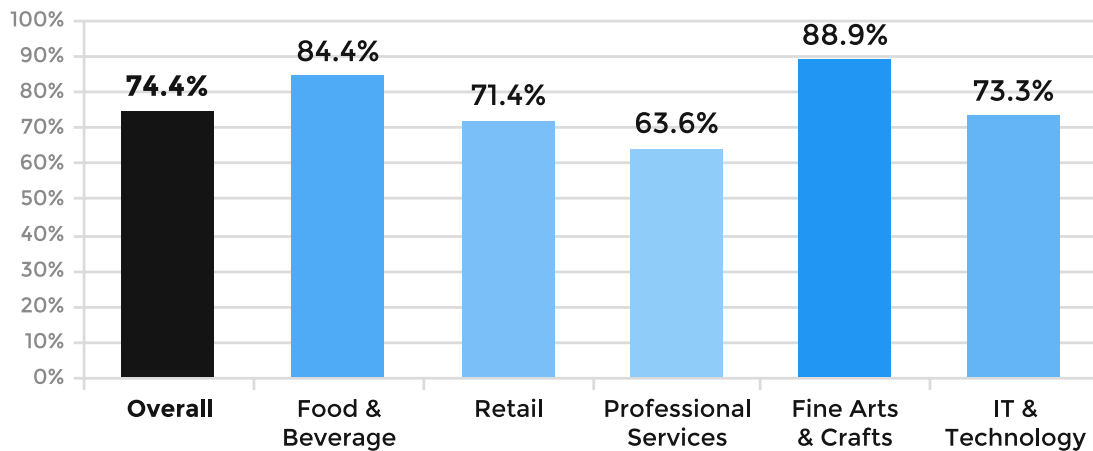
We saw behavior more in line with the overall average in Retail, with 67.8% of merchants adopting mobile wallet payments within the past year. Professional services fell into a similar range at 63.7%.

However, in IT & Technology, the majority of merchants (53.3%) adopted mobile wallet payments 1-2 years ago, with just 33.3% implementing them in the past year.



Mobile Wallet Use By Customers

**What percentage of your customers
have used mobile wallets for payment? (20%)**



2 MOBILE WALLET ACCEPTANCE BY MERCHANTS



Our survey also asked merchants what percentage of their customers had used mobile wallets to make payments. Of the merchants who indicated acceptance of mobile wallets for in-person payments, 74.4% said that less than 20% of their customers have used mobile wallets for payments.

When compared by industry, the results are fairly similar: 84.4% of Food & Beverage merchants reported that fewer than 20% of their customers used mobile wallets; in Fine Arts & Crafts it was 88.9% of merchants. Keeping in line with the overall average, 71.4% of Retail and 73.3% of IT & Technology merchants said fewer than 20% of their customers used mobile wallets for payments. In Professional Services, the number was somewhat smaller, at 63.6% of merchants.

When we broke the data down by merchants' card processing volume, we noticed similar numbers: 73.8% of merchants processing more than \$5,000/month said that fewer than 20% of their customers used mobile wallets, compared to 75% of merchants processing less than \$5,000/month in cards.

3

MERCHANT ATTITUDES TOWARD MOBILE WALLET

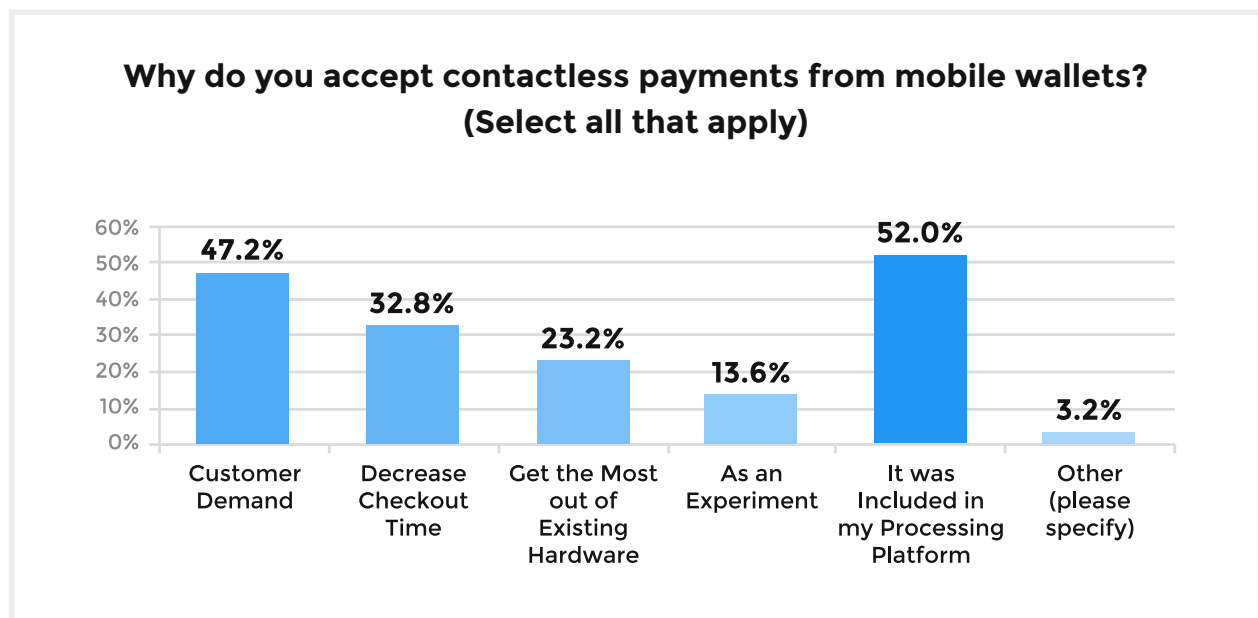
3 MERCHANT ATTITUDES TOWARD MOBILE WALLETS

In designing **Merchant Maverick's Mobile Wallets Acceptance Survey**, we also wanted to explore some of the attitudes surrounding mobile wallets and uncover the factors that have prevented merchants from adopting NFC technology.

Reasons For Accepting Mobile Wallet Payments

We asked merchants which factors led to their decision to accept contactless/mobile wallet payments.

One major contributing factor to the decision to adopt mobile wallets was customer demand, with 47.2% of merchants citing it as a reason. Considering that the overwhelming majority of merchants said that less than 20% of their customers use mobile wallets, this is an interesting piece of data. It could be that a small segment of loyal customers rely heavily on the technology, thus making catering to them a priority for merchants.



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The other major factor is simply a matter of convenience: More than half of merchants (52%) said that they accepted mobile wallets because the technology was included in their payment processor's platform.

The third most common reason to accept mobile wallets was to decrease checkout times, with 32.8% of merchants marking it as a reason. One of the major stumbling blocks to chip card adoption was actually the longer checkout times compared to a swiped transaction, leading card networks and hardware developers to invest substantial effort into shortening the checkout time. NFC technology emerged as a secure alternative to chip card payments because it was faster and did not require leaving a card inserted in a terminal or mobile card reader until the transaction finished authorizing.

We saw similar trends for merchants processing more than \$5,000/month in credit cards and those processing less than \$5,000/month in credit cards, suggesting that the same factors motivate merchants regardless of their business size.

Across the top 5 industries, the responses were more scattered, but didn't reveal any meaningful trends.

The survey did provide an option for merchants to cite their own reasons for accepting mobile wallets. The number of open-ended responses was small (just 4). However, each response revealed unique insights:

- **"We develop technology, including payment systems tech. Was a must."**
- **"Appeal to younger demographic using this payment method more often."**
- **"It's hassle free"***
- **"Don't need customers' info"***

*Comments edited for grammar

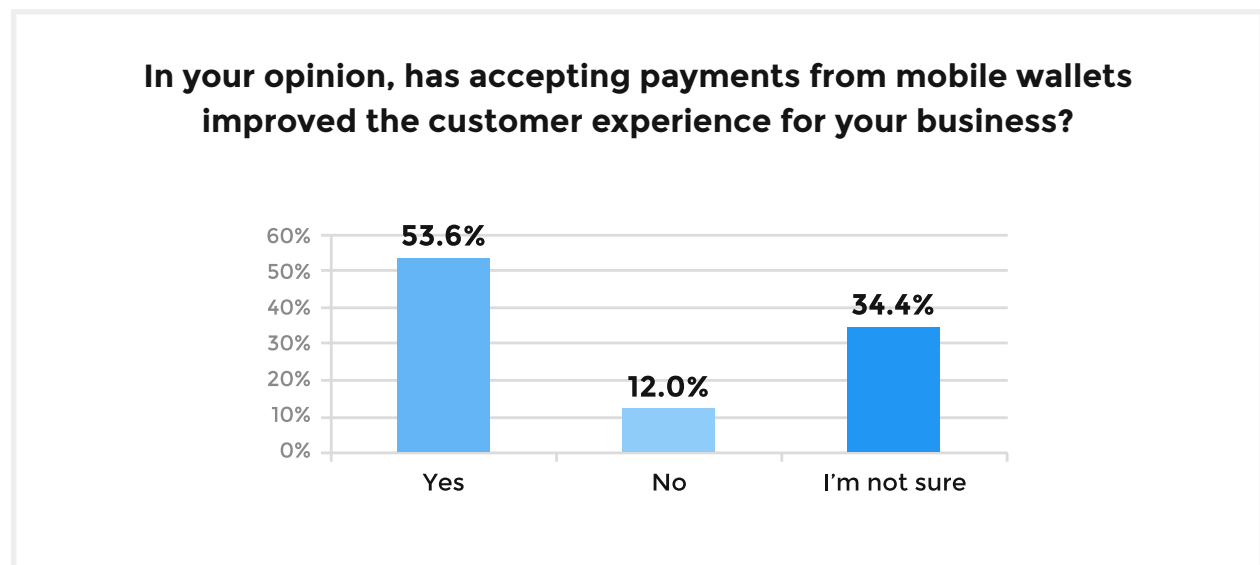
The last comment is an allusion to the tokenization technology used by many mobile wallets to avoid passing actual card numbers onto merchants.

The mention of appealing to younger customers is backed by research. The payment processor TSYS found that consumers ages 25-34 are most likely to be interested in using a mobile wallet or other mobile banking features.⁴

⁴ Hernandez, W. (2018, April 17). Mobile wallets: Are US consumers on the verge of increased use? Retrieved from <https://www.mobilepaymentstoday.com/articles/mobile-wallets-are-us-consumers-on-the-verge-of-increased-use/>

Do Mobile Wallets Improve the Customer Experience?

We asked merchants why they accept mobile wallets, what percentage of customers use mobile wallets, and how long they've accepted contactless payments — but we also wanted to know if mobile wallets really improve the customer experience.

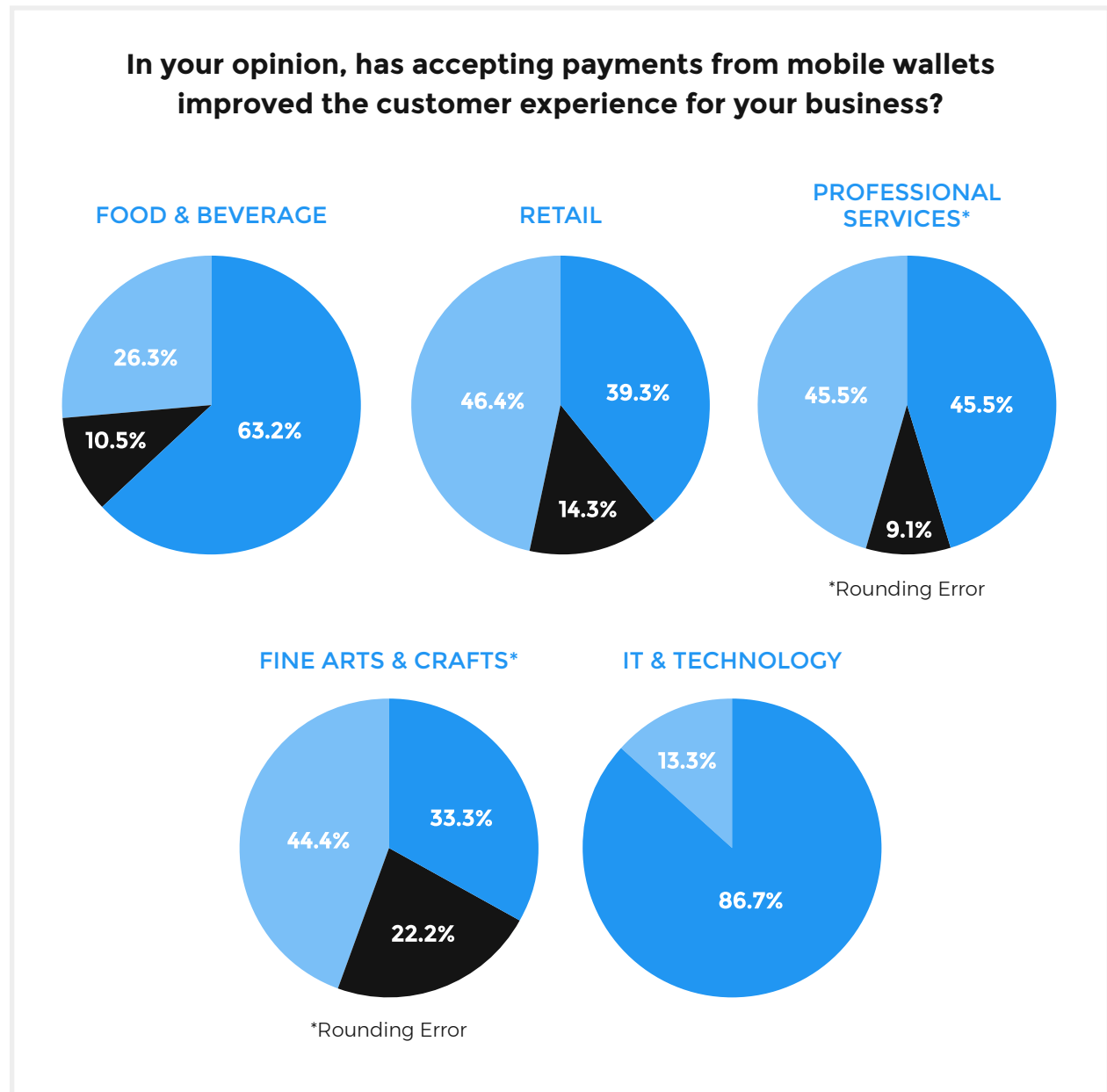


Over half of merchants who accept in-person credit card payments and mobile wallets said that accepting mobile wallet payments has improved the customer experience (53.6%). Just 12% said that mobile wallets haven't had a positive effect on their business. The remainder of merchants, 34.4%, said they weren't sure.

Among small merchants, we saw a very similar spread of data: 53.5% said yes, 38.8% said they weren't sure, and just 8.3% said no. Among large merchants, again a similar trend: 53.8% said yes, 30.8% said not sure, 15.4% said no.

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It is interesting that slightly larger merchants are marginally more inclined to think that mobile wallets haven't improved the customer experience, though it's not clear why this is the case. It could be related to the overall low adoption numbers by customers. In general, larger merchants seem to be less optimistic about the future of mobile wallets, a trend that we'll explore later.



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When we compared the data using the top 5 industries, we saw a vastly different pattern: 63.2% of merchants in Food & Beverage said that accepting mobile wallets had a positive effect on customer experience. Of the remainder, 10.5% said no, it hadn't improved the customer experience, and 26.3% weren't sure. This could have something to do with the growing trend of tableside payments. While it is standard practice in Europe, US restaurants have been much slower to adopt technology that allows customers to pay their bills without having to hand over their credit or debit cards to a third party. However, the practice is slowly catching on, with both major chains and small businesses experimenting with the best way to implement the practice.⁵

In retail, 39.3% merchants said that accepting mobile wallets had improved the customer experience, while 46.4% said they weren't sure, and 14.3% said no. The data reveals a greater amount of uncertainty here, though the reason isn't clear.

Across the other major industries we saw a large spread of numbers:

- **Professional Services:** 45.5% said yes, 45.5% said unsure, and 9.1% said no.*
- **Fine Arts & Crafts:** 33.3% yes, 22.2% no, and 44.4% unsure.*
- **IT & Tech:** 86.7% said yes, and 13.3% said unsure.

*Numbers do not total 100% as a result of rounding

The fact that IT & Tech businesses overwhelmingly think that adopting mobile wallets has improved the customer experience isn't particularly surprising, since these merchants cater to tech-savvy customers who are likely to be early adopters. There isn't much information available to apply context to the responses from Professional Services or Arts & Crafts businesses, but it is not a stretch to assume that professional service businesses tend to put a high priority on customer satisfaction, whereas artists, especially those who only sell at art shows and pop-up events, tend to focus on other aspects of their business.

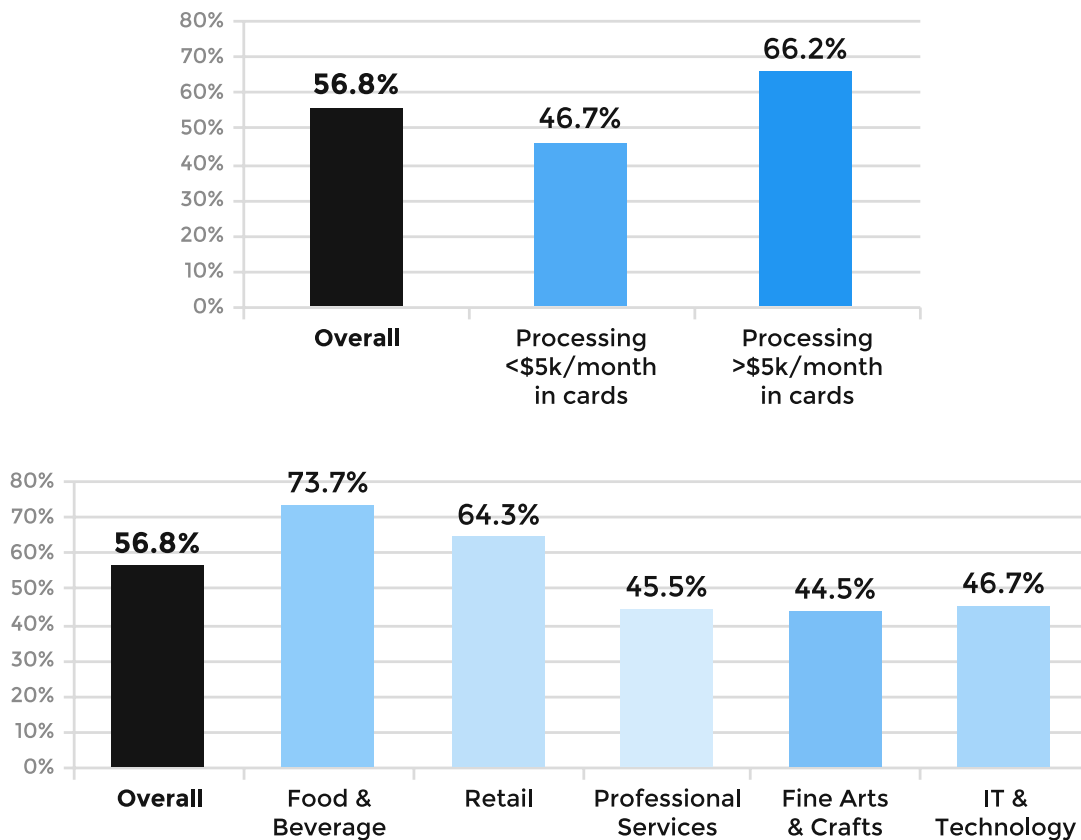
⁵ Cannon, E. (2018, January 29). Why Swiping Your Card at the Table Lags in the US. Retrieved from <https://www.nerdwallet.com/blog/credit-cards/pay-at-table-dining-credit-cards/>

Merchant Concerns About Mobile Wallet Acceptance

We asked survey respondents who currently accept contactless payments what concerns they had about doing so. The majority of merchants who responded (56.8%) said they had no concerns.

Among the remainder of merchants, security ranked highest on the list of concerns, with 29.6% citing fear about security. The cost of the hardware compared to the number of customers who use the technology was actually a low-ranked concern (10.4%). However, 16.8% of merchants said that, despite accepting contactless payments, they still don't really understand how the technology works.

What concerns, if any, do you have about accepting contactless/mobile wallet payments? (No Concerns)



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Among smaller merchants (those processing less than \$5,000/month in cards), the responses followed a similar trend, with 46.7% saying they had no concerns. The cost of hardware vs. the number of customers was the lowest concern (6.7% of respondents noting it) while 35% of merchants said security was a concern. Also, 18.3% of merchants said they didn't know how the technology works.

Nearly two-thirds — 66.2% — of larger merchants (those processing more than \$5,000/month in credit cards) said they had no concerns about mobile wallets. The percentage of merchants who were unfamiliar with how the technology works remained steady, with 15.4% noting it as a concern.

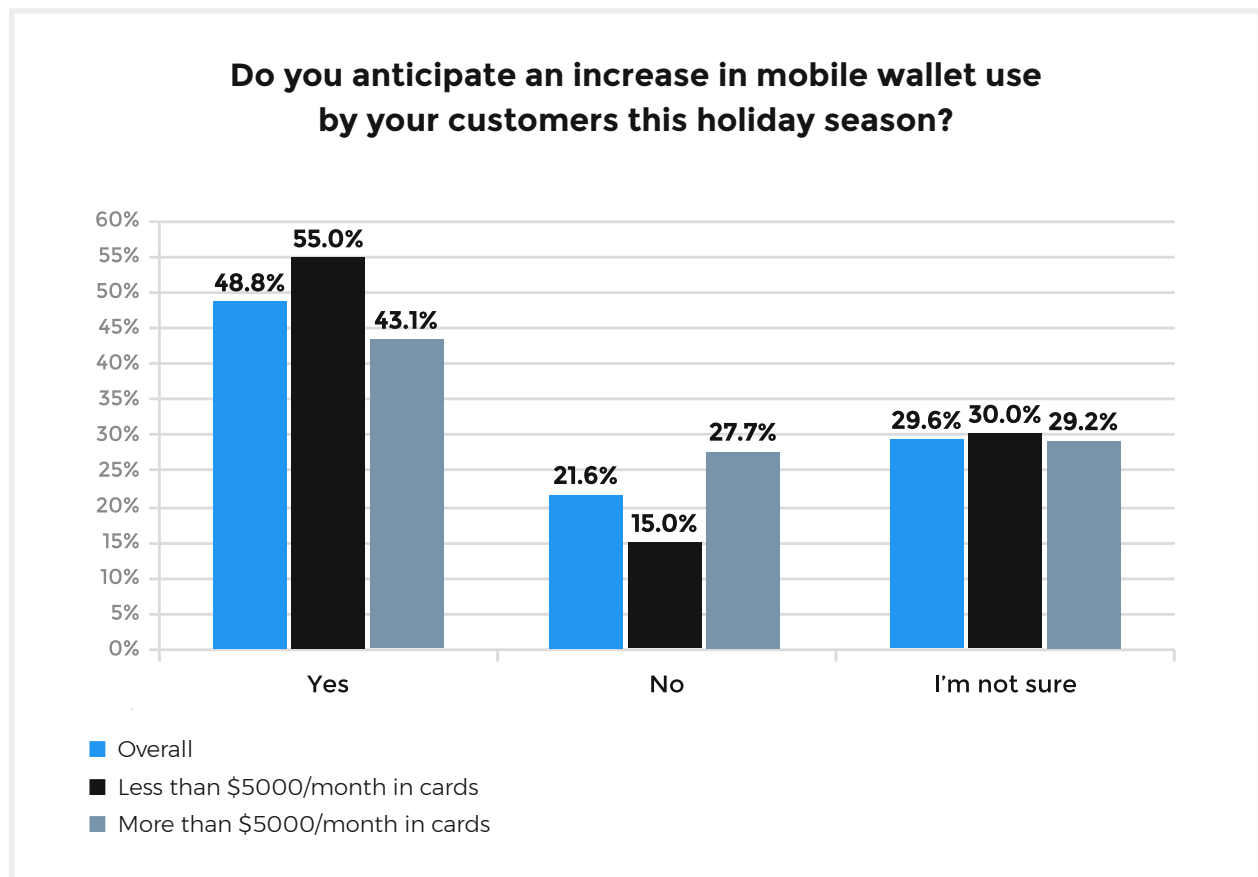
The cost of hardware vs the number of customers was once again the area of least concern, but 13.8% of merchants still included it on their list of worries. In addition, 24.6% of large merchants still noted security as a concern.

When we compared responses by industry, the results were more varied: 45.5% of Professional Services businesses, 44.4% of Fine Arts & Crafts businesses, and 46.7% of merchants in IT & Technology said they had no concerns about contactless payments. The number of merchants with no concerns about the technology jumped significantly for Retail and Food & Beverage businesses, at 64.3% and 73.7%, respectively.

The frequency of concern about the cost, security, or understanding of the technology across these industries were more varied, though security was the largest concern in all cases.

Mobile Wallet Use This Holiday Season

We asked merchants who currently accept contactless payments whether they expect an uptick in mobile wallet use by their customers during the holiday season.

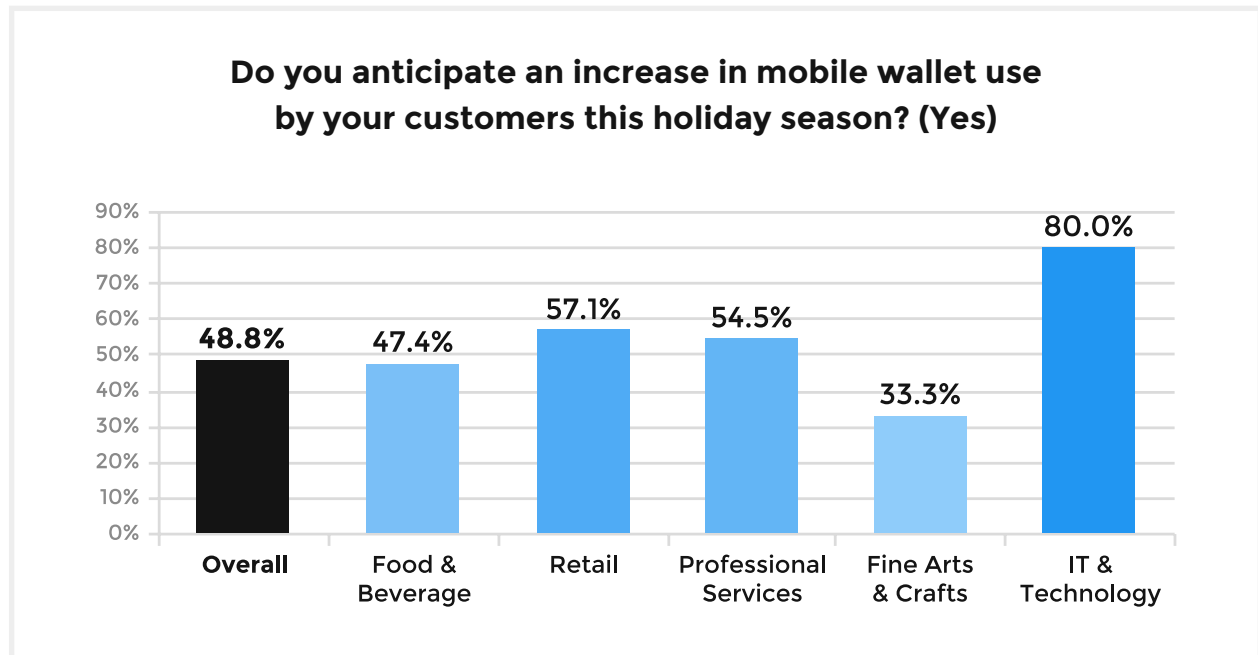


Nearly half of merchants (48.8%) said they expected to see increased adoption rates for mobile wallets, while 29.6% said they weren't sure, and 21.6% said no.

Responses from merchants processing less than \$5,000/month in cards reflected the overall average, with 55% of merchants saying they expected an increase. By contrast, only 43.1% of large merchants (processing more than \$5,000/month in cards) said the same. Another 29.2% said they weren't sure and 27.5% said they did not expect to see an increase.

3 MERCHANT ATTITUDES TOWARD MOBILE WALLETS

While the differences aren't enormous, we did see a notable trend in that smaller merchants tend to be more positive about mobile payments, both in terms of improved customer experience and expected increased usage. It might be that larger businesses have less confidence in the staying power of mobile wallets and may see them as a gimmick or fad.



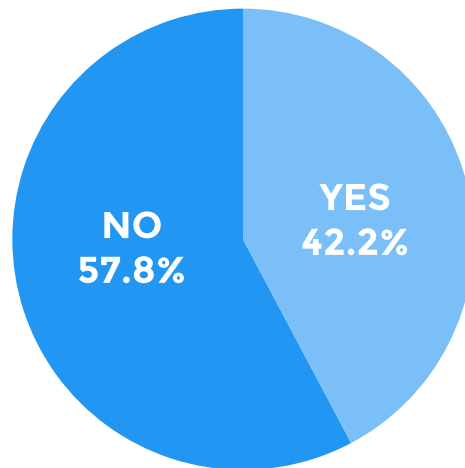
When compared by industry, the differences in opinion were more pronounced. Food & Beverage businesses kept with the overall average, with 47.4% anticipating an increase in mobile wallet use. By comparison, 57.1% of Retail businesses and 54.5% of Professional Services businesses said the same. IT & Technology businesses, unsurprisingly, were overwhelmingly confident that mobile wallet increase would increase this season, with 80% saying yes (and just 6.7% saying no). Fine Arts & Crafts businesses had much less confidence, with just a third of business (33.3%) saying they expected an increase.

Overall, the responses were positive and merchants in general seem confident that contactless payment methods will increase in use over the holidays.

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**MERCHANTS
WHO DON'T ACCEPT
MOBILE PAYMENTS**

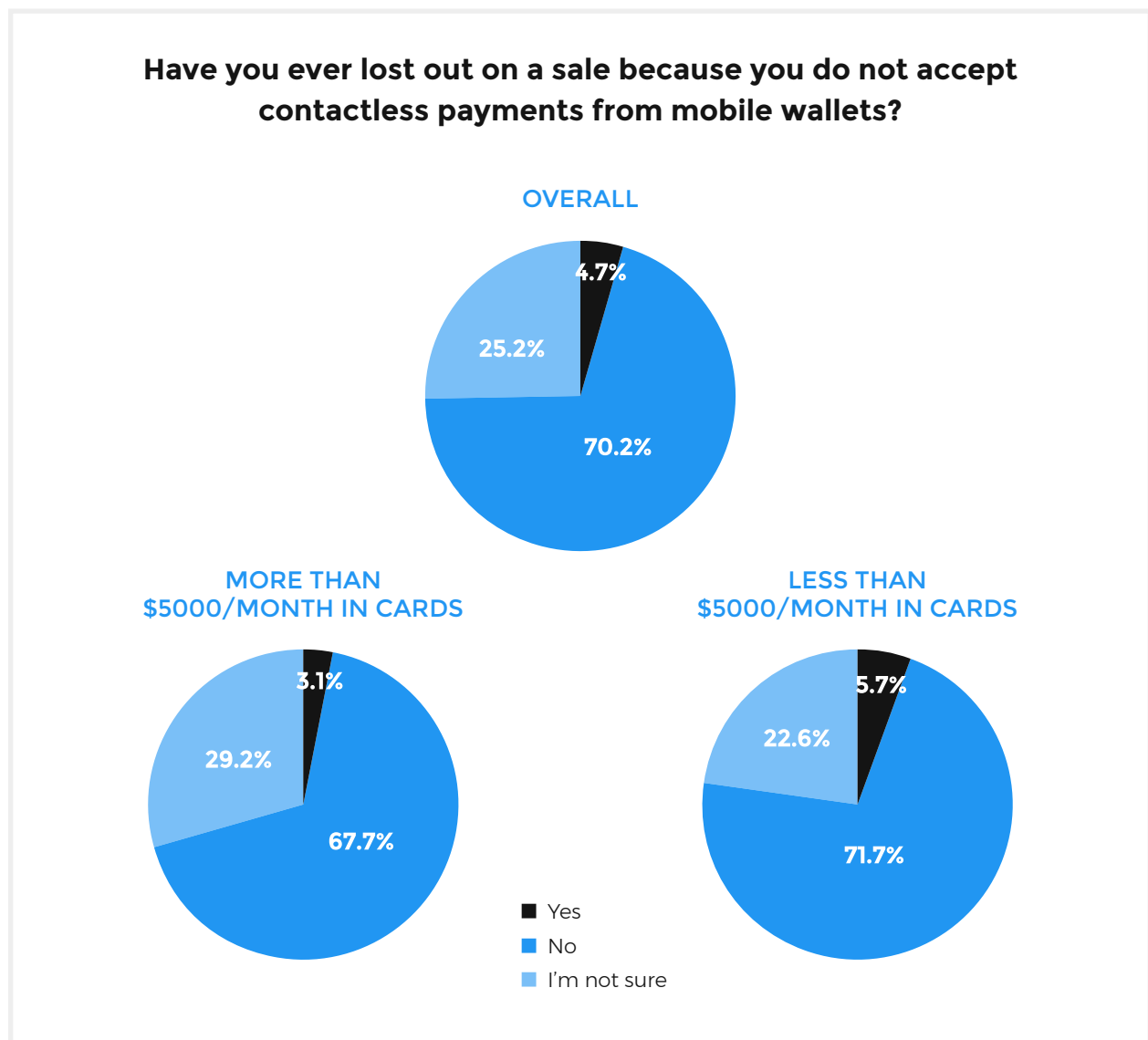
Do you currently accept contactless (NFC) payments from mobile wallets (such as Apple Pay, Google Pay, or Samsung Pay) for in-person payments?



To refresh your memory, **57.8% of merchants who take in-person card payments don't accept mobile wallet payments**, compared to the 42.2% of merchants who do accept NFC. While these respondents were excluded from some of the survey questions, we did ask these merchants some questions about what contributed to their decision to forgo NFC and what could motivate them to adopt NFC payments.

Has Lack of NFC Acceptance Cost Merchant A Sale?

We asked merchants whether they had ever lost out on a sale because they do not accept contactless payments. Unsurprisingly, only a small percentage (4.7%) reported definitely having missed out. That said, 25.1% of merchants said they weren't sure if it had cost them a sale.



4 MERCHANTS WHO DON'T ACCEPT MOBILE PAYMENTS

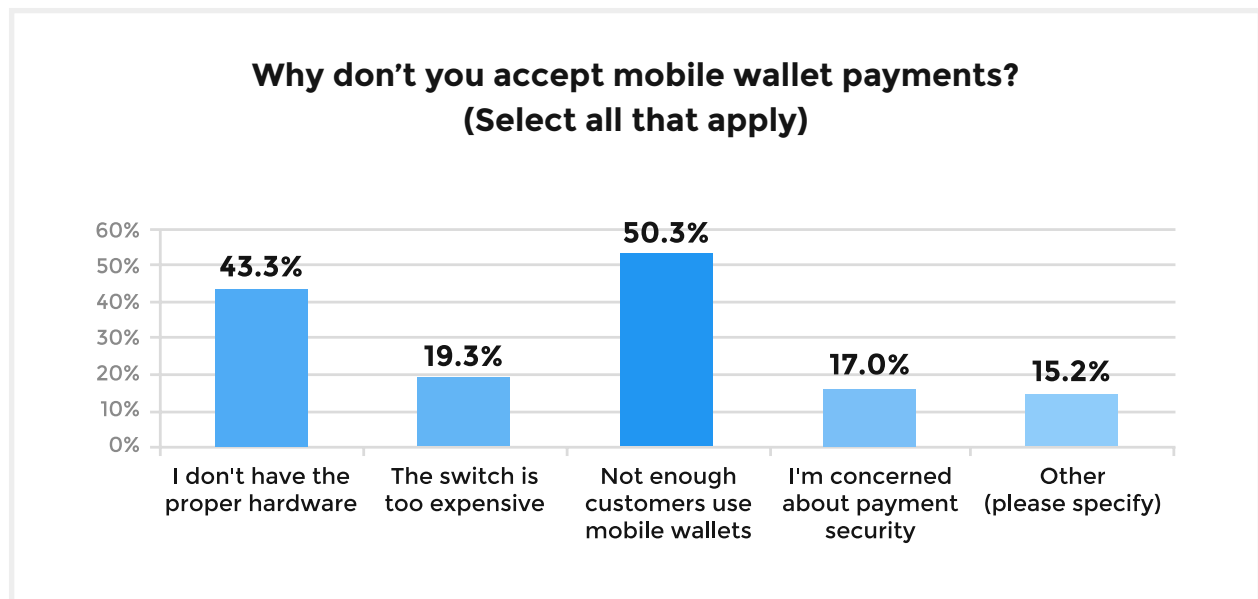


Realistically, the market is still far from a point where non-acceptance of contactless payments might cause significant losses in sales. Because the number of respondents who had definitely lost out on sales was so small to begin with, there was not much point in breaking down lost sales by industry.

However, we did notice one interesting trend when comparing the difference in responses from small merchants (those processing less than \$5k/month in credit cards) and large businesses (those processing more than \$5k/month in credit cards): 5.7% of small merchants said they had missed out on a sale for not accepting contactless payments, compared with 3.1% of large merchants. This could simply be attributable to the sample size, but it could be that larger merchants have many employees and so they might not be aware that they've missed out. This would be in line with the higher percentage of large merchants (29.2% vs. 22.6%) saying they don't know if they've lost out on a sale.

Reasons For Not Accepting Contactless Payments

Our survey delved into some of the factors that have kept merchants from implementing contactless payments. Among small and large merchants, we found that lack of use by customers is a major contributor to why merchants haven't adopted mobile wallets. Overall, 50.3% of merchants said that not enough customers use mobile wallets. When we broke responses down by small vs large merchants, we saw similar response rates (50.9% for small merchants; 49.2% for large merchants).



While 43.3% of merchants said they didn't have the proper hardware, just 19.3% said the switch was too expensive.

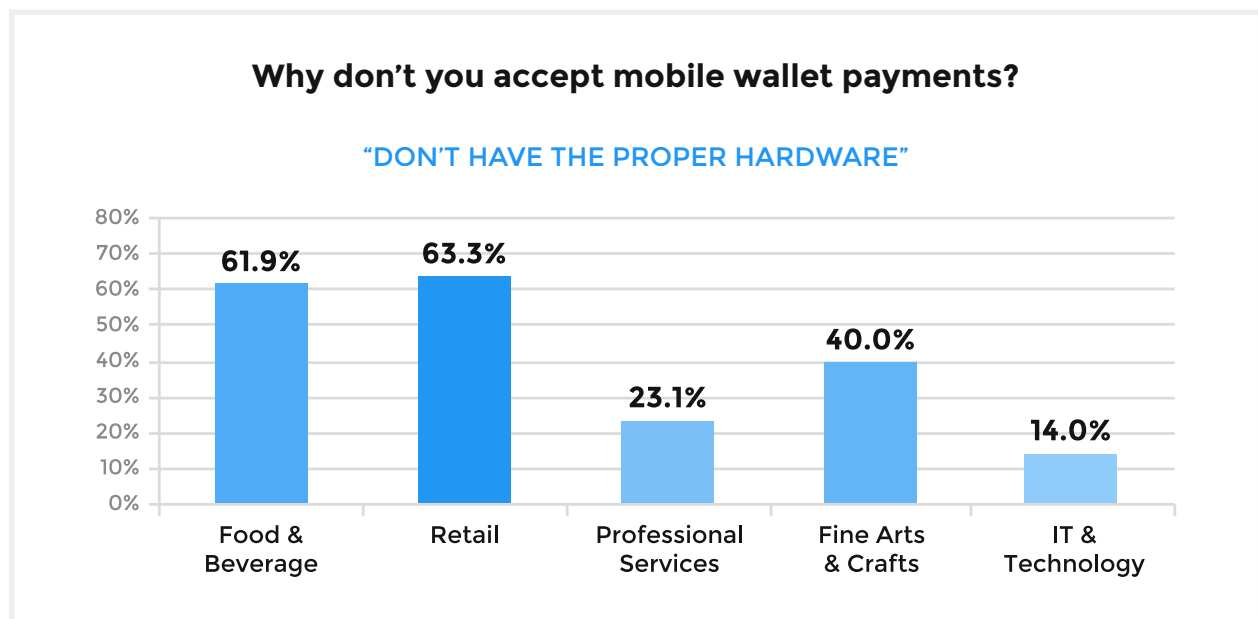
When we broke down the data by processing volume, 40.6% of small merchants said they didn't have the proper hardware, and 19.8% noted the switch was too expensive. By comparison, 47.7% of larger merchants (processing \$5,000/month in card transactions) said they didn't have the hardware, and 18.5% said the switch was too expensive.

4 MERCHANTS WHO DON'T ACCEPT MOBILE PAYMENTS

However, the survey design does not allow us to delve any deeper into the data or explain the discrepancy. This could be because merchants haven't looked at the costs of upgrading their hardware, or other factors could be at play. Some merchants may not consider the lack of hardware to be the main reason they haven't implemented NFC payments — they could be more focused on security, for example.

In fact, 17% of merchants overall said that security was a reason they hadn't implemented mobile wallet payments. Among small merchants, that number was 18.9%, compared to 13.8% for large merchants.

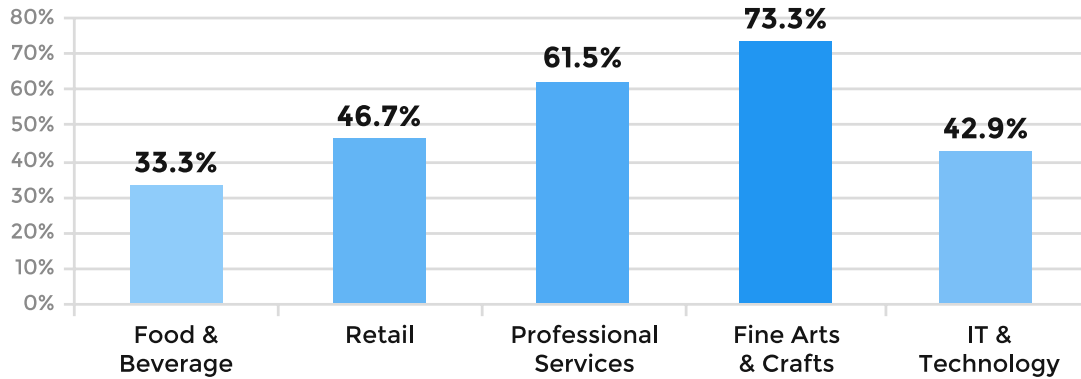
Compare this to merchants who do accept mobile wallets, where 29.6% of respondents said that security was a concern, and it was the most commonly selected option. However, this is not a direct apples-to-apples comparison because of discrepancies in how the questions were presented. The difference could also be attributable to the fact that merchants who accept NFC payments are more aware of general security risks when it comes to accepting cards for payment. However, quantifying merchants' understanding of complex issues such as payment security can be a difficult process.



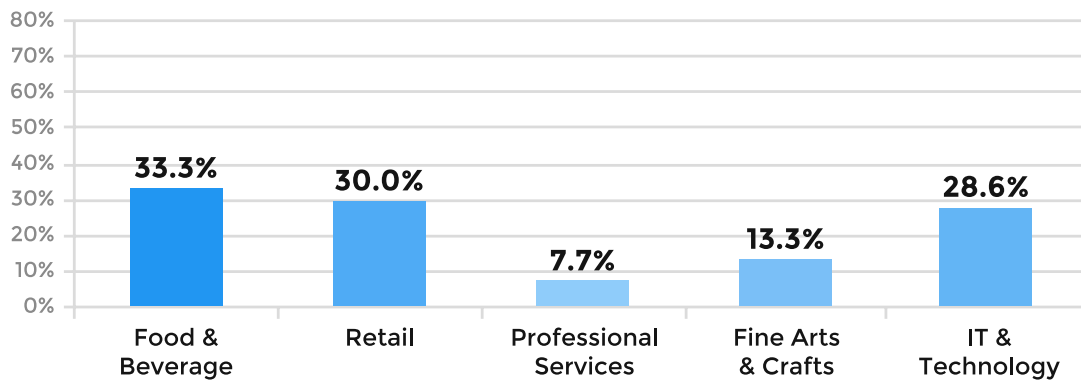
4 MERCHANTS WHO DON'T ACCEPT MOBILE PAYMENTS

Why don't you accept mobile wallet payments?

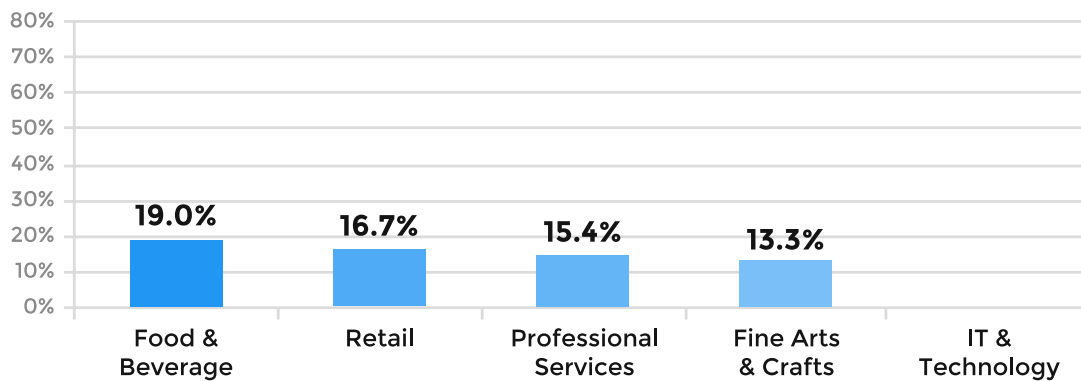
"LACK OF CUSTOMER DEMAND"



"SWITCH IS TOO EXPENSIVE"



"CONCERNS ABOUT SECURITY"



4 MERCHANTS WHO DON'T ACCEPT MOBILE PAYMENTS



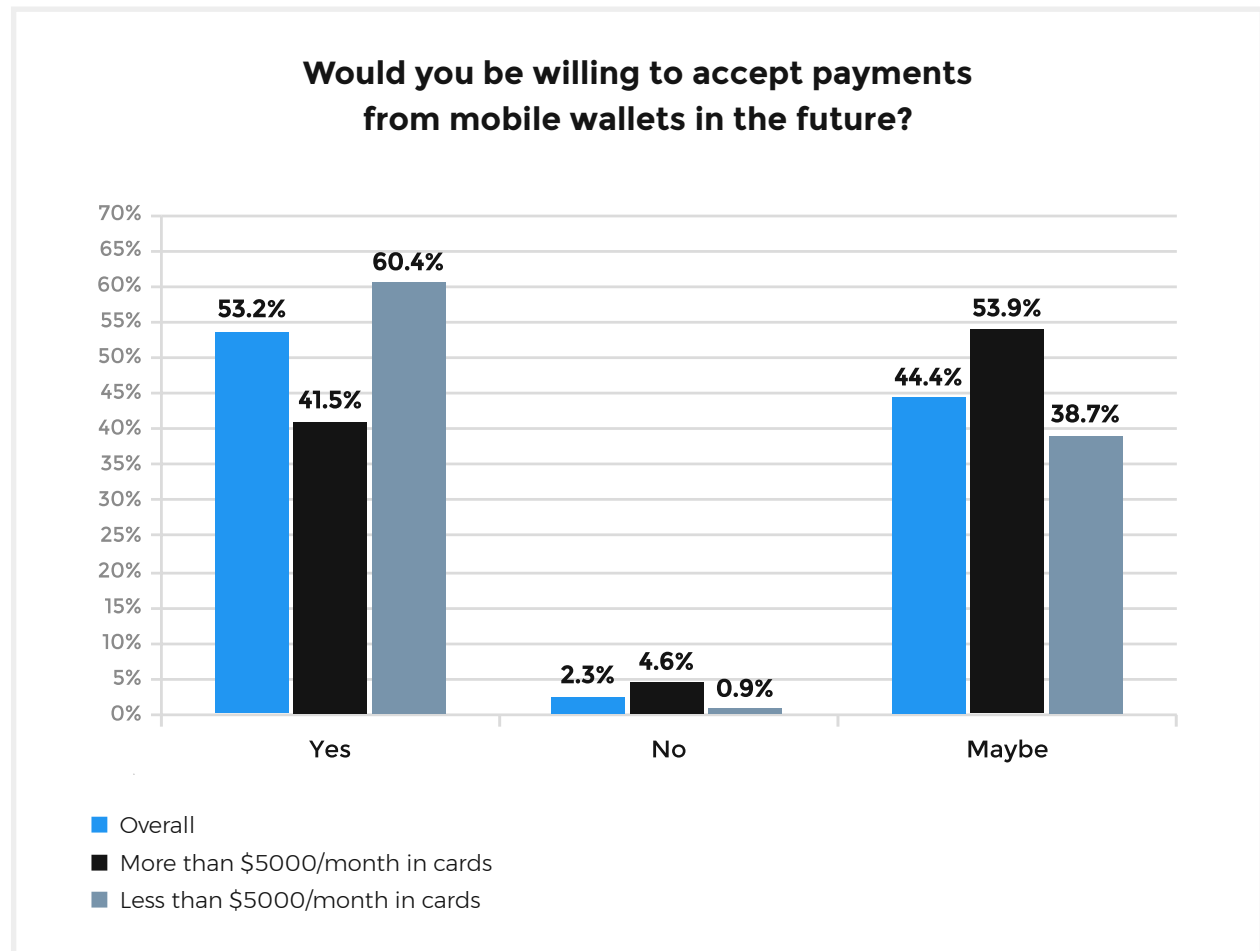
When we broke the data down by major industries, we started to see some interesting divergence. For Food & Beverage and Retail, the most common factor in non-acceptance was the lack of hardware (61.9% and 63.3% respectively).

For Professional Services, Fine Arts & Crafts, and IT & Tech, the deciding factor was customer demand: 73.3% of Fine Arts & Crafts and 61.5% of Professional Services listed it as a reason, along with 42.9% of IT & Tech businesses.

We also provided an option for merchants to give their own reasons for not accepting mobile wallets. The majority of these “other” responses came from merchants who said they didn’t know anything about mobile wallets or how to go about accepting them.

Willingness to Accept Mobile Payments In The Future

When we asked merchants whether they were willing to upgrade to contactless payments in the future, the results were quite positive, with 53.2% saying yes, they were willing. Another 44.4% said maybe, while just 2.3% said no.



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Small businesses (processing less than \$5,000/month in card payments) were even more open to the idea, with 60.4% saying yes, 38.7% saying maybe, and 0.9% saying no outright.

The numbers were less positive among larger merchants. Just 41.5% of survey respondents said yes, while 53.8% said maybe, and 4.6% said no. We've mentioned before that this data reveals a trend where larger merchants feel less positive about mobile wallets, both in terms of the value they add to the customer experience and of the potential increased usage among customers this holiday season.

When breaking the data down by major industries, we found that the majority of merchants in each industry were willing to adopt mobile wallet payments in the future:

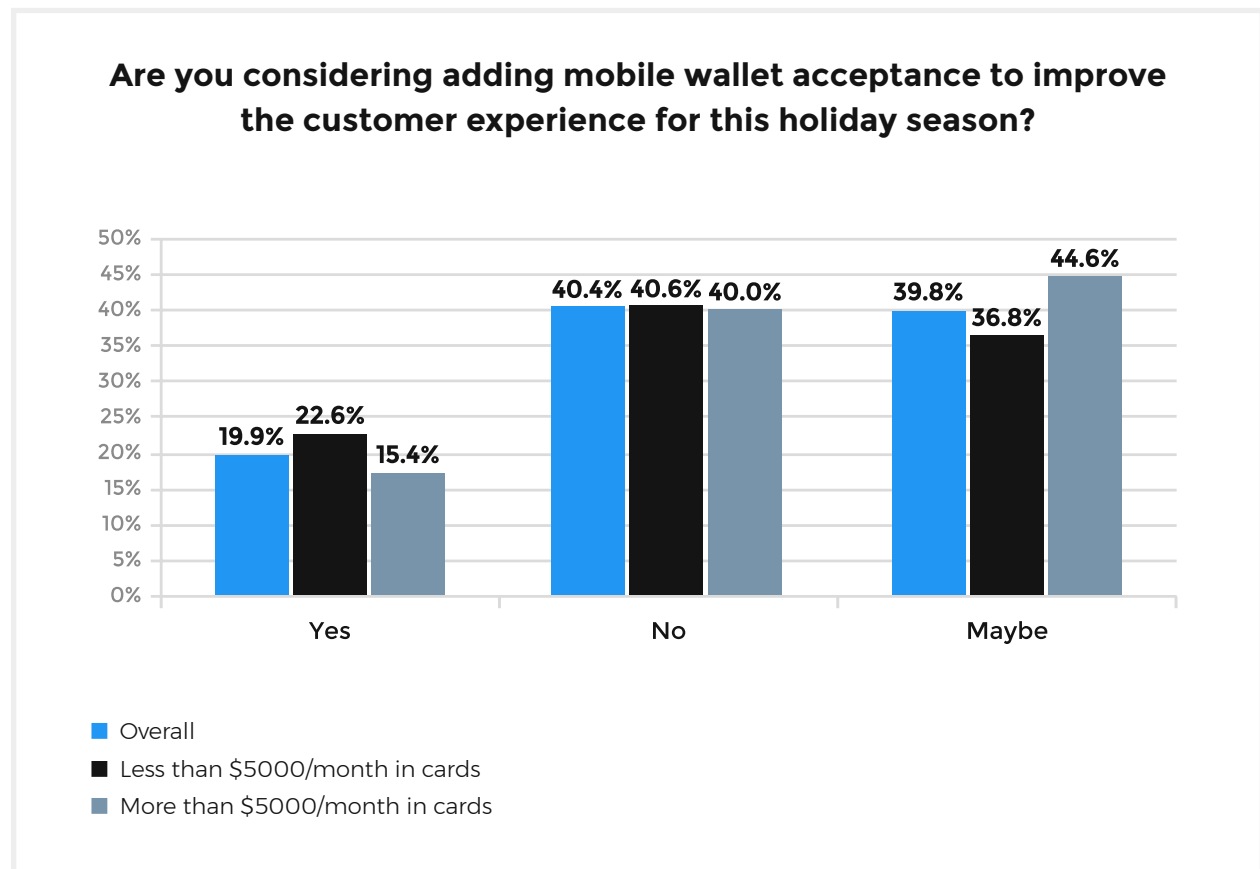
- **Food & Beverage:** 52.4%
- **Retail:** 66.7%
- **Professional Services:** 69.2%
- **Fine Arts & Crafts:** 33.3%
- **IT & Technology:** 85.7%

Merchants in just two categories said they weren't willing to accept mobile wallets at all:

- **Food & Beverage:** 4.8%
- **Professional Services:** 7.7%

Mobile Wallet Adoption This Holiday Season

We asked merchants who accept credit cards but don't currently accept mobile wallets whether they were considering making the switch to mobile wallet acceptance this holiday season. Overall, 19.9% said they were considering making the switch. Another 40.4% said no, and 39.8% said maybe.



4 MERCHANTS WHO DON'T ACCEPT MOBILE PAYMENTS

The numbers weren't dramatically different when compared by processing volume, but the numbers still revealed some differences in attitudes: 22.6% of small merchants said they were considering adding mobile wallets for this holiday season, compared with 15.4% of large businesses. Another 44.6% said maybe, and 40% said no. For small businesses, 40.6% of respondents said no, and 36.8% said maybe.

Once again, smaller merchants appeared to have a more positive outlook and openness towards mobile payments technology, so this is consistent with our other findings.

When we ran the data compared across the major industries, we did see a diverse set of numbers:

- 57.1% of IT & Technology businesses said they were considering implementing mobile wallet payments for the holiday season; 33.3% of Retailers said they were considering it. That number drops to 19% and 15.4% for Food & Beverage and Professional Services, respectively.
- No Fine Arts & Crafts businesses said they were definitely considering adding mobile wallets payments, and 60% said no, compared to just 40% who said maybe.
- More than half (57.1%) of Food & Beverage businesses said they would "maybe" consider adding mobile wallet payments this holiday season. Combined with the 19% who said yes, this suggests that Food & Beverage businesses are a little more hesitant about adding the technology this season.

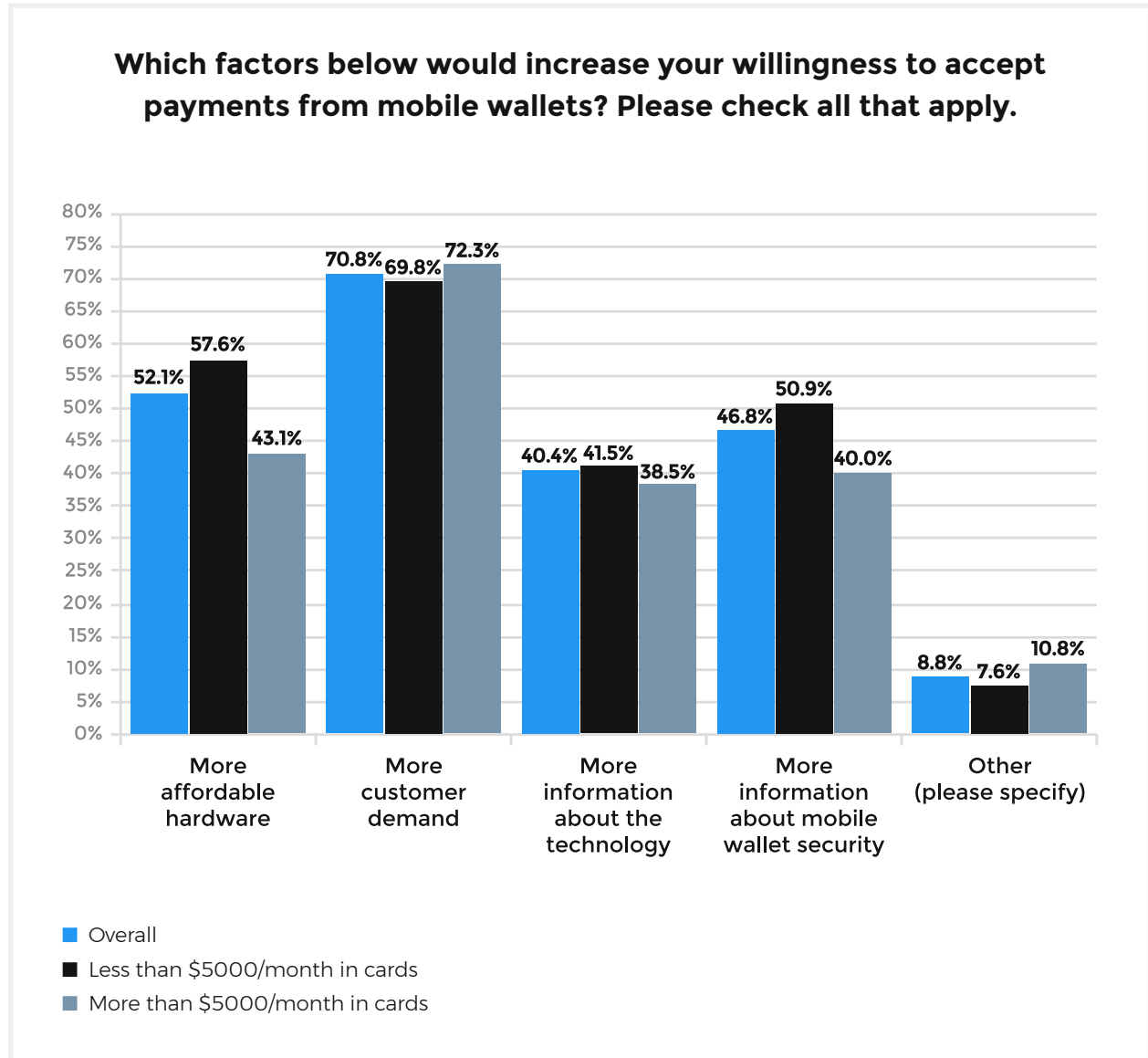
Factors to Increase Mobile Wallet Acceptance

We also asked merchants which factors would increase their willingness to accept mobile wallets. The responses do require some reading between the lines when you compare the response rates against the reasons our respondents said they don't accept mobile wallets.

Customer demand is a top reason that would motivate merchants to implement NFC, with 70.8% of merchants noting that it would increase their willingness to accept mobile wallet payments. More affordable hardware came in the second spot with 52% of respondents marking it as a concern.



4 MERCHANTS WHO DON'T ACCEPT MOBILE PAYMENTS



While merchants who don't accept mobile wallets did not indicate that security was a major concern, nearly half (46.8%) said that more information about mobile wallet security would increase their willingness to accept them. 40.4% also said that more information about how the technology works would also increase their willingness.

4 MERCHANTS WHO DON'T ACCEPT MOBILE PAYMENTS

When we compared the data by merchants' processing volume, we saw some pronounced, though not extreme, differences of opinion:

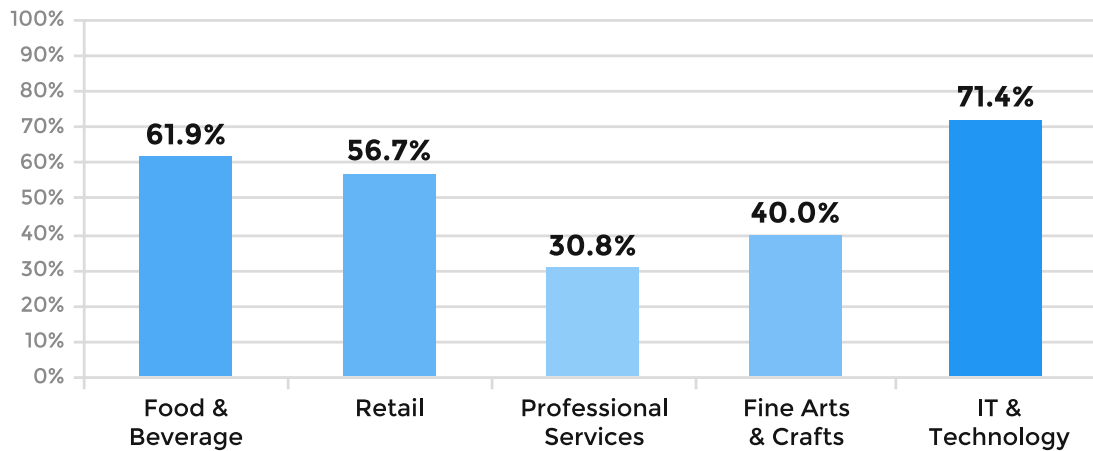
- 57.5% of small businesses said more affordable hardware would increase their willingness to accept mobile wallet payments. Just 43.1% of larger merchants said the same.
- Both felt similarly about increased customer demand and more information about mobile wallets technology, with 69.8% of small businesses and 72.3% of larger businesses saying increased demand would motivate them; 41.5% of small businesses and 38.5% of large businesses said having more information about the technology would help.
- However, slightly more than half of small merchants (50.9%) said that more information about security would help, compared to just 40% of larger merchants.

When we broke the comparison down by industries, once again, more affordable hardware and more customer demand were the factors most likely to increase a merchant's willingness to implement mobile wallet payments. With the exception of IT & Technology, the most common motivating factor in these industries was customer demand.

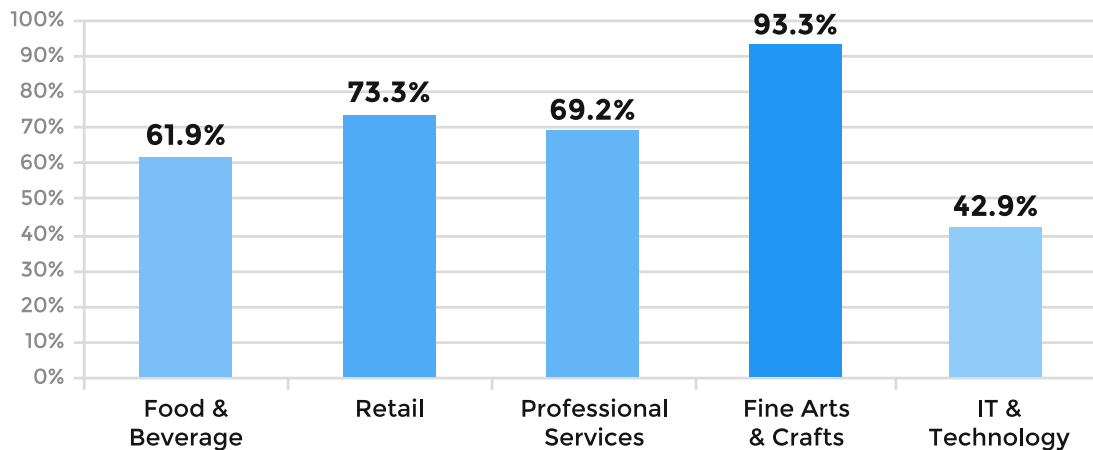
4 MERCHANTS WHO DON'T ACCEPT MOBILE PAYMENTS

Which factors below would increase your willingness to accept payments from mobile wallets?

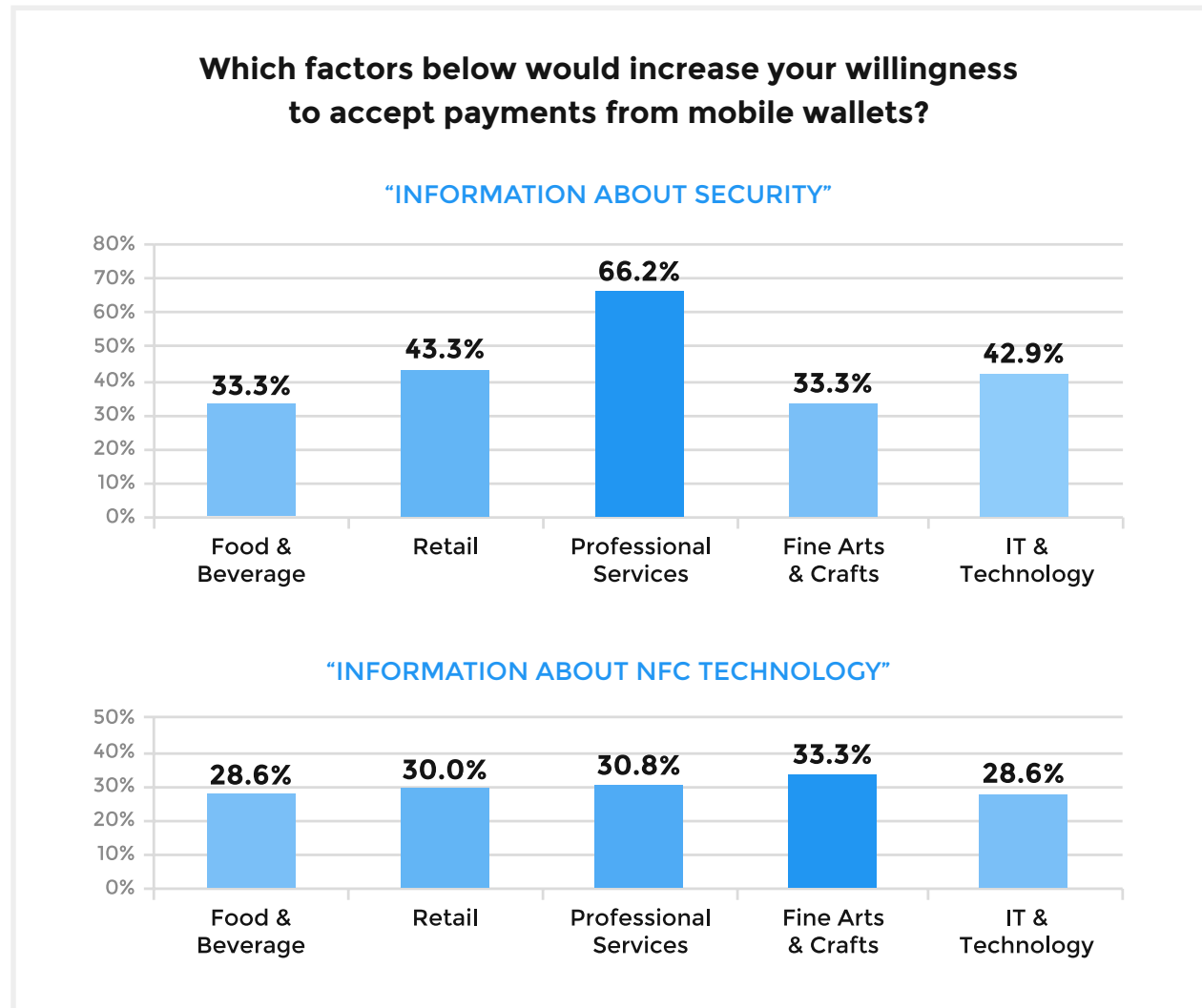
"MORE AFFORDABLE HARDWARE"



"MORE CUSTOMER DEMAND"



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An impressive 93.3% of Fine Arts & Crafts businesses said more demand would increase their willingness to implement to accept mobile wallets, followed by Retail (73.3%), Food & Beverage (61.9%), Professional Services (69.2%), and IT & Tech (42.9%).

More affordable hardware was the second most common motivating factor, except for in IT & Tech, where 71.4% of merchants said it would motivate them to adopt mobile wallets.

Information about the NFC technology was the least common motivating factor, with somewhere between 28% and 34% of merchants in each category noting it.

FINAL RECOMMENDATIONS

Are mobile wallets and NFC payments on the rise? The data in our survey suggests that merchants certainly think so. Other research on the topic also suggests that mobile wallet adoption is going to continue to increase as well.⁶ However, we're still a long way away from plastic cards becoming completely obsolete.

Small merchants (those processing less than \$5,000/month in card payments) are certainly more optimistic about the future of mobile wallets and NFC technology than larger businesses, and are more likely to see NFC payments as improving the customer experience. Across the board, smaller businesses in all industries are more willing to consider adopting mobile wallet payments in the future.

Despite overall solid rates of NFC acceptance and a general awareness of mobile wallet apps, we found that plenty of merchants don't know how the technology works, and would like more information about NFC acceptance and how to go about implementing mobile wallet payments.

We found that many merchants are waiting for a sign that customer demand exists before upgrading to NFC payment processing. This presents an interesting chicken-and-egg conundrum: If the majority of merchants don't have NFC-equipped hardware, is there any point in setting up a mobile wallet? The adoption of EMV chip cards is a good example of what happens when consumers have the payment technology but merchants haven't kept pace.

So what should a merchant do now?

Is there a right time to adopt contactless payments?

⁶ Hernandez, W. (2018, April 17). Mobile wallets: Are US consumers on the verge of increased use? Retrieved from <https://www.mobilepaymentstoday.com/articles/mobile-wallets-are-us-consumers-on-the-verge-of-increased-use/>

FINAL RECOMMENDATIONS

There's hardly ever a "one size fits all" answer when it comes to business and payment processing. However, **now is a good time for most merchants to start looking into implementing NFC payments.** While mobile wallet adoption is still low, US financial institutions are finally beginning to issue next-generation chip cards. These new cards have NFC capabilities built in, meaning that you can simply tap your card to pay rather than via a phone. This technology is already fairly common in Canada, the UK, and other countries around the world.⁷

IF YOU'RE STILL NOT SURE WHAT TO MAKE OF ALL THIS INFORMATION, WE DO HAVE A FEW RECOMMENDATIONS FOR MERCHANTS:

1. If you haven't already, **get an EMV (chip card) terminal or mobile card reader.** Not accepting chip cards puts you, the merchant, on the hook for fraudulent swipe transactions. Even if your business is at a low risk of fraud, it's worth the peace of mind to be able to accept cards. Some processors have already begun charging an "EMV non compliance fee" for merchants who haven't upgraded to a chip card reader. PayPal places a limit on the total volume of transactions merchants can process on its mobile POS app, PayPal Here, using just the basic magstripe reader. It's likely that we'll see this sort of behavior penalizing merchants who don't accept EMV increase over time.
2. When you're shopping for a new credit card reader, **look for a future-proof model with NFC support built-in.** It might cost a little more up front, but you'll be ready for mobile wallets when they become ubiquitous. In many cases, the price difference between an EMV-only and EMV-NFC model isn't enormous. Square actually offers to finance hardware purchases for its merchants. Plenty of reputable payment processors offer affordable hardware to buy or rent, so do your research!

⁷ Chai, C. (2017, November 15). Contactless 'tap-and-go' cards finally enter US market. Retrieved from <https://www.creditcards.com/credit-card-news/contactless-tap-and-go-cards-us-market.php>

FINAL RECOMMENDATIONS

3. If you already accept chip cards but not NFC, **take a look at your finances and take stock of your existing hardware.** Are your card terminals and mobile readers working well? If not, do a bit of number crunching and figure out what your budget is for new hardware. You might be able to afford the upgrade to NFC!
4. If you accept EMV and your hardware is functioning fine, **don't worry!** Accepting mobile wallets won't make or break your business at this point, and it won't lead to a multitude of lost sales. But you should certainly consider an upgrade to EMV when it is time to replace your hardware.
5. Even if you like your current hardware, you might be considering trying something new. For restaurants, more POS systems and payment processors are offering support for tableside ordering. Companies such as Square and Shopify offer affordable, all-in-one solutions with payment processing hardware and POS systems. Again, **it doesn't hurt to shop around** and see what's on the market (and in your budget)!
6. If you do accept contactless payments but you haven't seen many of your customers using the technology, **consider putting out acceptance stickers!** PayPal, Shopify, and Square all offer acceptance sticker kits that can put in the window of your business and at the point of purchase, advertising that you accept mobile wallets. You can also get acceptance stickers directly from the card brands (Visa, Mastercard, American Express, Discover), including ones that advertise contactless support. This is a simple but effective way to let customers know they can use their mobile wallets at your business.
7. **Read up on payment processing, mobile wallets, and EMV technology.** At Merchant Maverick, we encounter a lot of merchants who have signed up with bad payment processing companies or who have conflicts with their processors because they simply didn't know any better. Informed merchants are better able to find reliable, affordable payment processing and hardware. Being well-versed in chip card and mobile wallet technology will also tell your customers that you care about keeping their information safe. The Internet offers no shortage of informative resources for merchants who want to learn more about payment processing.



All of that said, merchants don't bear the burden of NFC technology alone. Payment processors can and should make informative, helpful resources for merchants to understand how payment technologies work, which hardware options are available to them, and how their services help businesses thrive. Some companies, such as Square, have embraced this philosophy with entire archives of information as well as a steady stream of new content. Others could do much better at educating their merchants.

Austin Edgington

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