



Payment Generation Gap

WHITE PAPER



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EXECUTIVE SUMMARY

Kalixa commissioned Opinion Matters to survey 2126 UK adults who have a current account in an attempt to understand the different payment methods used and preferences by different generations. This information could then be used to help deliver an age-specific check-out experience to turn browsers into buyers.

What the results actually showed was a pattern far more unusual and unexpected.

There are a wide variety of ways to shop and ways to pay, some more popular with certain generations than others. Yet the survey has shown that the most popular place to shop and pay across all generations continues to be in store and at the till.

The most common way to pay is with debit card, across all age demographics, although lower net worth customers are more likely to pay with cash.

It's among the income-demographic splits that some of the most marked differences are seen. Higher net worth customers are more likely to want to shop and pay on the go with mobile devices, perhaps reflecting the busy natures of the lifestyles and confidence with new technology.

The survey also examined the frustrations that people felt when shopping and paying. Reflecting the popularity of paying at the till, the greatest frustration was the length of queues and the time it takes to pay. This was constant across all demographics of age and income.

There are a number of key recommendations for merchants from the analysis at the end of this document. The most crucial of these is that customers want to make swift and speedy transactions. If retailers can facilitate this, then they will turn browsing into buying.

For the purpose of this report, "online" shopping means shopping from either a lap-top or desk-top computer. Mobile shopping or shopping on the go refers to shopping on a mobile phone or tablet. These definitions were provided to recipients of the survey.

Question 1

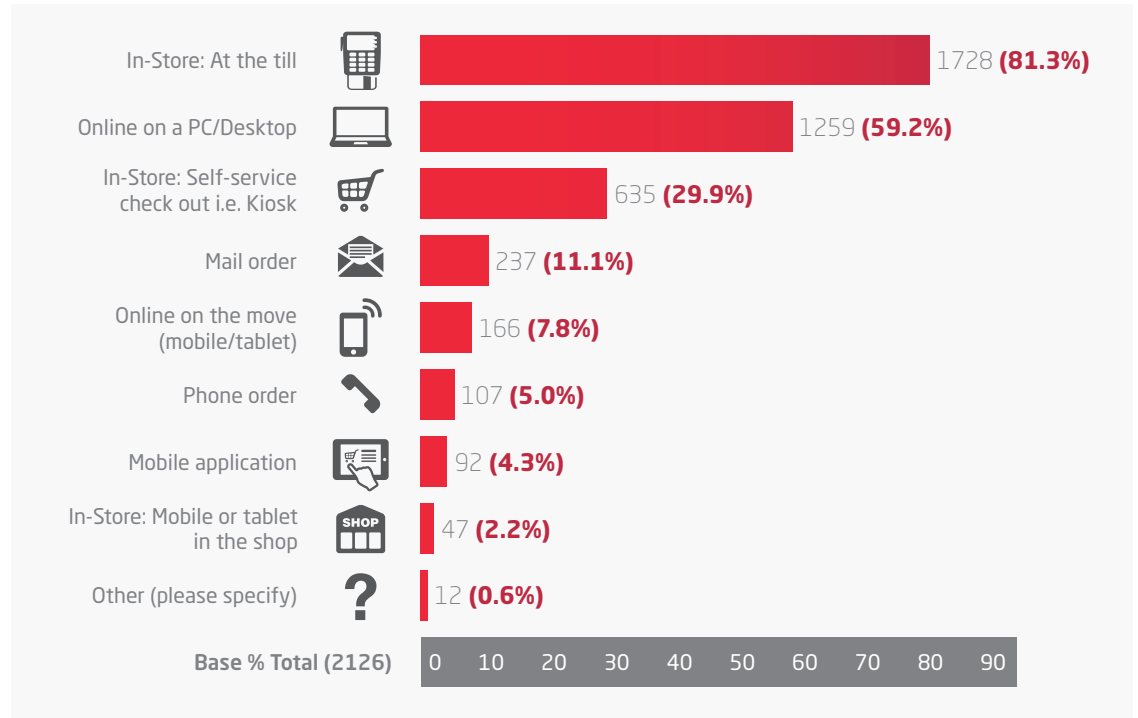
HOW DO YOU PREFER TO SHOP AND PAY?

81.3%
to shop and pay at the till.

The most popular way to shop and pay, by far and across all generations, is in store and at the till. Despite increasing numbers of online retail and payment channels available, it would seem that, for British consumers, the high street remains the place to shop.

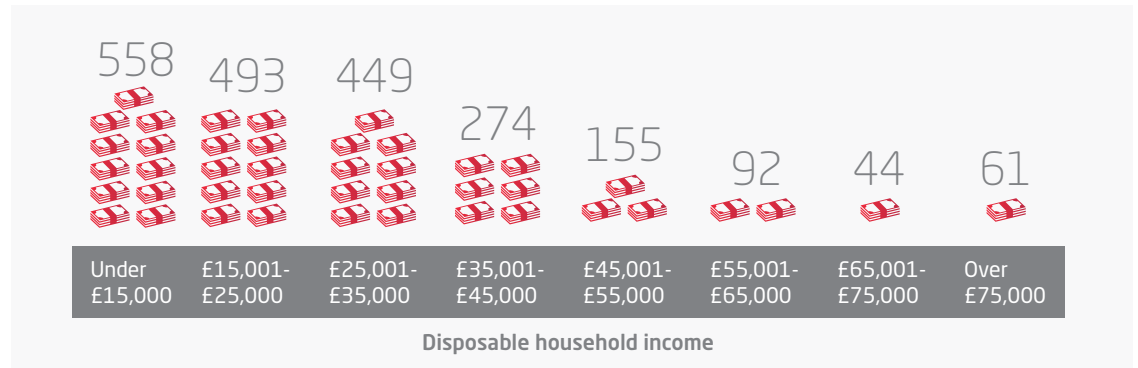
58.1%
of senior citizens like to shop online

Perhaps the most surprising of our results show that the silver surfer phenomenon is still going strong and the 68-88 demographic are very happy to shop online. Of all the demographics, though, they are the ones least likely to purchase goods at a self service till or kiosk with only **16.7%** of them enjoying this way of shopping compared to an overall **29.9%**.



Highest earners are embracing shopping on the go

Only **7.8%** of Britain's shoppers use a mobile phone or a tablet and shop whilst on the move. Bucking the trend for this, though, are the country's highest earners. Those with a disposable household income of £75,000 + are almost twice more likely, compared to the national average, to shop online with **14.9%** of them shopping in this way.



Question 2

WHICH RETAIL CHANNEL WOULD YOU USE IF TIME WAS A FACTOR AFFECTING HOW YOU WOULD PAY FOR AN ITEM?

Time is a factor for consumers when deciding whether to buy online or face to face. **93.3%** of consumers would buy something at the till if they

needed the item for the next day however, if they were prepared to wait a week, **77.2%** of consumers would shop online.

Notably, the cut off period where consumers will switch from in-store to online shopping is 72 hours.



In-Store: At the till

Next day - **93.30%**
48 hours - 67.90%
72 hours - 57.30%
End of week - 48.70%
Over a week - 45.40%



In-Store: Self-service check out i.e. Kiosk

Next day - **80.80%**
48 hours - 61.70%
72 hours - 46.90%
End of week - 37.60%
Over a week - 34.50%



In-Store: Mobile or tablet in the shop

Next day - 38.90%
48 hours - **41.10%**
72 hours - 40.40%
End of week - 25.30%
Over a week - 26.30%



Online on a PC / desktop

Next day - 39.40%
48 hours - 54.90%
72 hours - 66.10%
End of week - 75.80%
Over a week - **77.20%**



Online on the move (mobile/tablet)

Next day - 36.00%
48 hours - 42.10%
72 hours - 45.30%
End of week - 47.50%
Over a week - **51.50%**



Mobile application

Next day - 33.00%
48 hours - 36.30%
72 hours - **40.70%**
End of week - 40.00%
Over a week - 39.60%



Mail order

Next day - 21.00%
48 hours - 26.80%
72 hours - 34.40%
End of week - 48.30%
Over a week - **67.60%**



Phone order

Next day - 36.50%
48 hours - 34.90%
72 hours - 38.50%
End of week - 46.30%
Over a week - **49.40%**



Other

Next day - 33.20%
48 hours - 44.50%
72 hours - 53.30%
End of week - 54.10%
Over a week - **78.20%**

Question 3

WHICH OF THE FOLLOWING WAYS TO PAY/SHOP DO YOU BELIEVE ARE THE MOST SECURE?

83.7% of customers believe that paying with their card or cash at a till is secure, with only **28.9%** believing online shopping is secure.

Our research suggests that, despite the significant progress to make online shopping safe and secure, consumers still have serious reservations about the safety of online payments. Retailers and banks and the wider payments community still have some way to go in convincing shoppers otherwise.

Most concerningly, only **0.7%** of all people surveyed believe mobile apps are a secure shopping / payment method.



Security level

83.7%

Secure In-Store: At the till



Security level

28.9%

Secure Online on a PC/Desktop



Security level

0.7%

Secure using a Mobile Application

Question 4

IF YOU WERE TO BUY THE FOLLOWING ITEMS, WHICH RETAIL CHANNELS WOULD YOU BE MOST LIKELY TO USE?

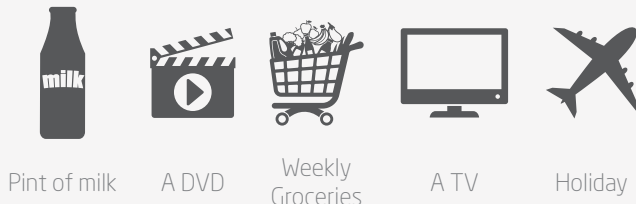
A pint of milk (**74%**), weekly groceries (**77.7%**) and a television (**53.9%**) are all far more likely to be paid for at the till whereas DVDs (**36.7%**) or a holiday (**22%**) are bought online.

The popularity of buying DVDs (**48.1%**) and holidays (**61.3%**) online may be linked to a

perception that better prices and deals are to be found online opposed to in-store.

Despite all major high street supermarkets offering their customers an online shopping option, consumers are still more likely to shop for their groceries in store.

IN-STORE VS ONLINE



Pint of milk A DVD Weekly Groceries A TV Holiday

	Pint of milk	A DVD	Weekly Groceries	A TV	Holiday
In-Store: At the till	74.00%	36.70%	76.70%	53.90%	22.00%
Online: on a PC / desktop	1.40%	48.10%	11.90%	37.20%	61.30%

Question 5

WHAT FRUSTRATES YOU MOST WHEN IT COMES TO CHECKING OUT AND PAYING FOR ITEMS?

60% of respondents cited long queues at checkouts or self-service tills as their biggest frustration when shopping and paying.

The relative popularity of methods of shopping and paying across income and age demographics is reflected in the frustrations those segments feel when checking out.

Unsurprisingly, the level of this frustration correlates with the popularity of shopping in-store and paying at the till.



60%

Long queues at the till or self-service

33.7%
Registering a new account

33.2%
Too many stages in a payment process

32.2%
Passwords/login and identity verification

30.0%
Session timing out too quickly

28.4%
Limited delivery options

23.6%
Long queues to place an order over the phone

21.5%
Not your preferred payment method

16.8%
Too many promotional screens

12.2%
Too many promotional offers at point of sale (POS)

10.1%
Poor mobile signal

7.6%
Difficult to use mobile application

3.1%
Other (Please specify)

Question 6

TO WHAT EXTENT DO YOU AGREE WITH THE FOLLOWING STATEMENT?

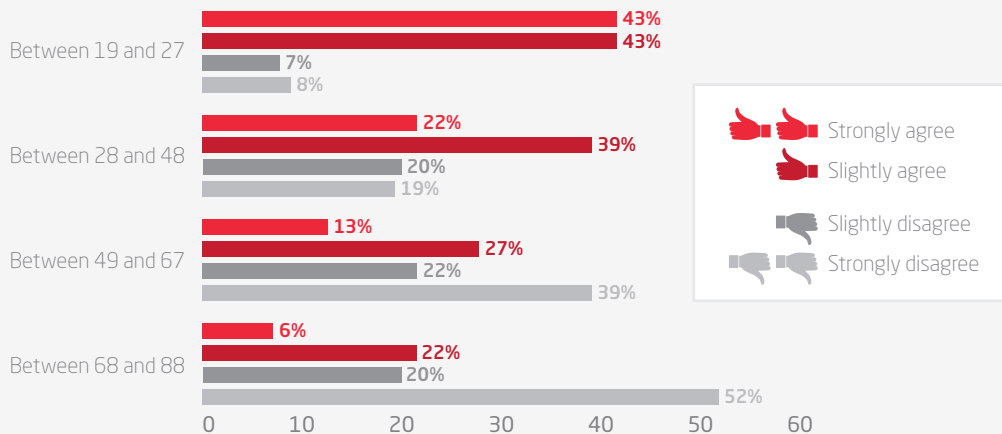
If I was given loyalty points or financial incentives to make payments by mobile phone, I would do this more frequently, instead of paying with my traditional plastic card.

There is an even split between agree (**50.8%**) and disagree (**49.2%**) with **30%** of respondents strongly disagreeing with this statement.

The youngest demographic are more likely to agree (**42.5%**) than disagree (**7.5%**) and this attitude is a positive indicator for future adoption.

While this might look like grim reading for those developing or investing in mobile payments, this number is significantly skewed by older respondents (**45.55%** of the 49-88 segment and **51.9%** of the 68-88 segment).

In the meantime, though, there are significant challenges to wider adoption



Question 7

WHAT IS YOUR MOST REGULAR PAYMENT TYPE?

Debit cards (**60.6%**) are far more popular than cash (**51.9%**) and credit cards (**32.5%**) across all age demographics. The increasing popularity of online shopping will be a major factor in the popularity of cards over cash.

used than debit cards (**59.3%**). This could be linked to the fact that this demographic is less inclined to shop online (**53.9%**) than the average (**59.2%**).

However, for the lowest level of income, less than £15,000, cash (**68.1%**) is more often

When respondents were asked to specify "other" forms of payment used, the most popular method stated by far was PayPal.

Disposable household income	Payment Method							
	Debit Card	Cash	Credit Card	Online	Cheque	Prepaid Card	Other (Please Specify)	Mobile
Over £75,000	42.6%	31.1%	60.7%	13.1%	8.2%	-	-	-
£65,001-£75,000	47.7%	29.5%	52.3%	6.8%	-	4.5%	2.3%	2.3%
£55,001-£65,000	66.3%	39.1%	34.8%	9.8%	2.2%	2.2%	-	-
£45,001-£55,000	62.6%	42.6%	38.1%	12.3%	6.5%	3.2%	1.3%	-
£35,001-£45,000	59.1%	44.2%	35.4%	7.3%	4.7%	1.1%	0.7%	0.7%
£25,001-£35,000	62.1%	46.8%	36.1%	11.4%	3.8%	1.1%	0.4%	0.7%
£15,001-£25,000	63.3%	52.3%	33.3%	12.2%	5.5%	2.2%	1.0%	0.2%
Under £15,000	59.3%	68.1%	20.8%	14.0%	4.8%	0.9%	1.6%	1.1%



Question 8

WHICH OF THE FOLLOWING DO YOU THINK WILL BE COMMON PLACE IN 2020?

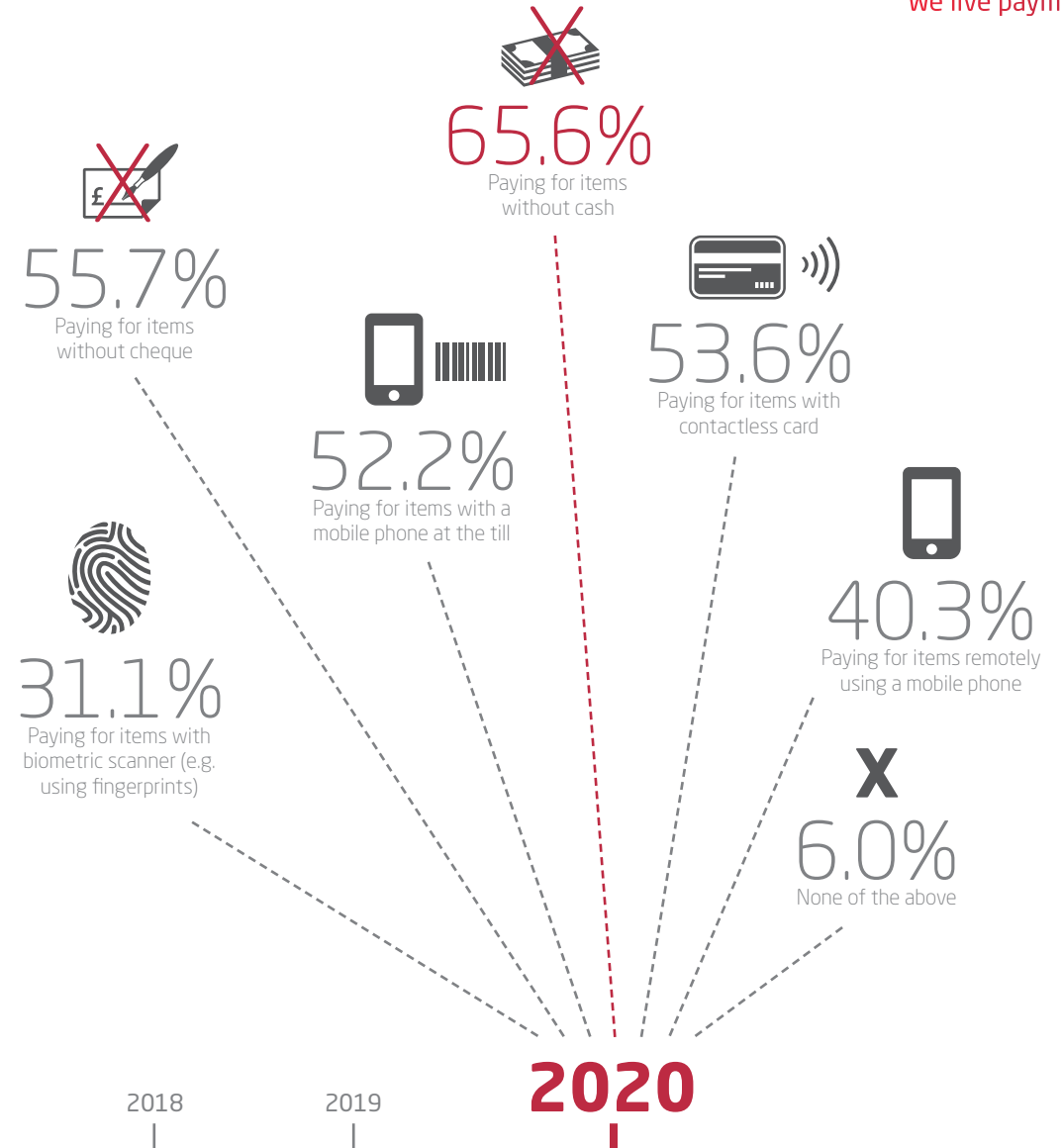
Consumers overwhelmingly believe that cash is on the way out with almost two-thirds (**65.6%**) thinking it will be gone within six years.

As for what will take its place, contactless cards (**53.6%**) mobile phones at the point-of-sale (**52.2%**) and mobile phones for online shopping (**40.3%**) are all tipped to be the norm for payments in seven years time.

The attitudes demonstrated by these figures reflect trends seen across the report. Consumers are happy to adopt new technologies if they believe that they will have a positive impact on their shopping experiences.

Both mobile phones and contactless cards have the capacity to speed up transactions at the point of sale, and this is clearly a major issue for consumers.

Contactless cards have not yet had the industry adoption that was widely expected and point-of-sale mobile phones are yet to make a significant impact. It does seem that the industry may well be lagging behind consumer expectations.



CONCLUSIONS AND RECOMMENDATIONS

There are three key conclusions and recommendations for retailers

1. Make queue busting a priority through swift and simple transactions

No retailer wishes to see a potential customer leaving their shop because of queues.

Browsers will not become buyers if the payment process is time-consuming and frustrating. Retailers must adopt a pro-active policy of queue busting through offering an increased variety of swift and simple transaction choices for customers.

Kalixa's research has demonstrated that there is a willingness to adopt new and faster methods of payment. From contactless technology to mobile tablets being available to customers, there are a wide variety of options to be explored.

The research shows that people are happy to adopt new technologies to make payments and there is an expectation that cash will soon be dead and contactless and mobile technologies will be the next big things in payments.

Retailers should make these expectations a reality.

2. Customers value face time with retailers and retailers should value this too

A common theme throughout the research is that customers like to shop and pay in person. This presents a significant opportunity for the retailer.

Contact time at the till is the ideal opportunity for retailers to upsell and promote loyalty schemes, offers and new products.

Retailers should make the most of this contact time and get maximum value from the interaction with the customer.

3. Understand and address security concerns

Only **0.7%** of consumers have confidence in the security of mobile apps. And, despite the huge advances in online security, only **28.9%** of consumers believe online shopping to be safe and secure.

As retailers expand into new channels for shopping and payments, these are worrying figures.

The industry, including banks, retailers, payment providers, card issuers and app providers must work together to address concerns. It's the elephant in the room for payments and is an industry wide challenge.



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