

JUST CONNECT TO PAY

NOVEMBER 2019

HOW WE WILL PAY BRIEF SERIES

THE CONSUMER'S **CONNECTED** COMMERCE FUTURE



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The How We Will Pay Brief Series is part of the How We Will Pay study, a PYMNTS and Visa collaboration, and asks consumers a variety of questions about specific behavioral patterns, buying habits and shopping preferences related to connected commerce. Detailed analyses of the study's findings are listed in full in the report. The study was conducted among a panel of approximately 5,050 users aged 18 or older within the United States. In the 2019 edition, we build upon the findings from our 2018 analysis, mapping the evolution of connected consumer spending habits.

The How We Will Pay Brief Series was done in collaboration with Visa, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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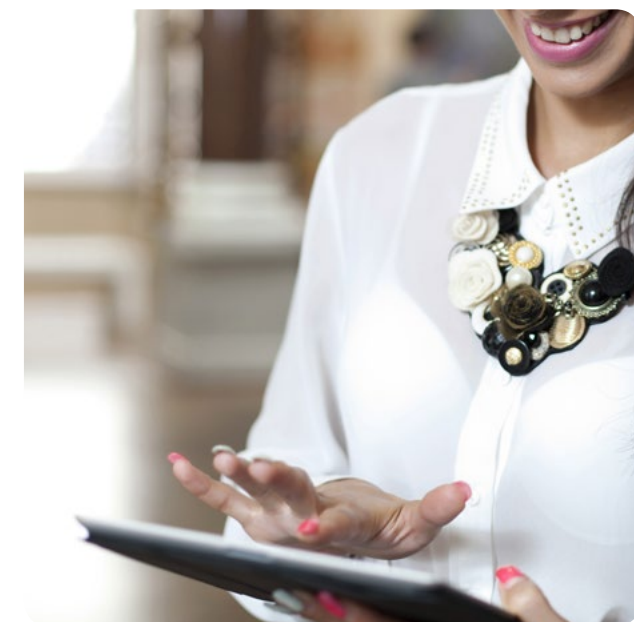
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■ INTRODUCTION

HOW WE WILL PAY

The App Store launched in July 2008 — almost a year after Apple released the first iPhone. Apple's then-CEO, Steve Jobs, did not want third-party apps to run natively on the iPhone, the first generation of which came equipped only with a few basic Apple-made apps, like Mail, Safari and iTunes. Job enabled third parties to reach iPhone users via the App Store.

“The full Safari engine is inside of [the] iPhone,” he said. “And so, you can write amazing Web 2.0 and Ajax apps that look ... and behave exactly like apps on the iPhone. And these apps can integrate perfectly with iPhone services. They can make a call, they can send an email, they can look up a location on Google Maps. And guess what? There's no [software development kit] that you need!”¹

Apps for everything came into existence a few years later, allowing users to bank, hail rides, buy clothes, check weather, book hotels, socialize and even invest in the stock market from their mobile devices. If consumers could imagine it, chances were there were apps for it; the App Store had more than 2 million apps available by 2019.² Apps have unlocked seemingly endless possibilities for connected commerce opportunities.

Apple is not the only technology giant that understands the value of providing consumers a platform through which they can access a broader ecosystem of services. Uber is branching out from ridesharing services by enabling consumers to seamlessly order and pay for food with Uber Eats, and Amazon has enabled consumers to engage in connected commerce through its

¹ Silver, S. The revolution Steve Jobs resisted: Apple's App Store marks ten years of third-party innovation. Apple Insider. 2018. <https://appleinsider.com/articles/18/07/10/the-revolution-steve-jobs-resisted-apples-app-store-marks-10-years-of-third-party-innovation/>. Accessed November 2019.

² Nicas, J; Collins, K. How Apple's apps toppled rivals in the App Store it controls. *The New York Times*. 2019. <https://www.nytimes.com/interactive/2019/09/09/technology/apple-app-store-competition.html>. Accessed November 2019.

Amazon Echo devices and its voice assistant, Alexa, which now boasts over 100,000 skills.^{3,4} Facebook and Microsoft are following suit, with their own lines of connected devices and apps that promise to eliminate frictions and allow consumers to seamlessly move across commerce environments.

Consumers are no longer as gadget and app happy as they once were, however. Today they want access to devices and apps that are meaningful and enhance their day-to-day lives, putting pressure on eCommerce players to deliver experiences that stand out from the crowd. The average consumer owns four to five connected devices and has five or fewer merchant apps on their mobile phones, showing that consumers are becoming selective about the devices and apps they believe can improve their lives — and less forgiving about the ones that do not.⁵

The story of consumers’ evolving demands is one PYMNTS has been watching for the past three years via the How We Will Pay Study, a Visa collaboration. PYMNTS surveyed more than 5,000 consumers in the United States this year to learn how they use devices and apps to engage in connected commerce. The Just Connect To Pay Brief digs deeper into how consumers transition from “buy-and-try” mentalities to “must-add-value” approaches.

³ Webster, K. Why super apps could have superpowers. PYMNTS.com. 2019. <https://www.pymnts.com/news/payments-innovation/2019/everyday-super-apps-wechat-gojek-grab-alipay-amazon-google-challenge-apple-android-platform-power/>. Accessed November 2019.

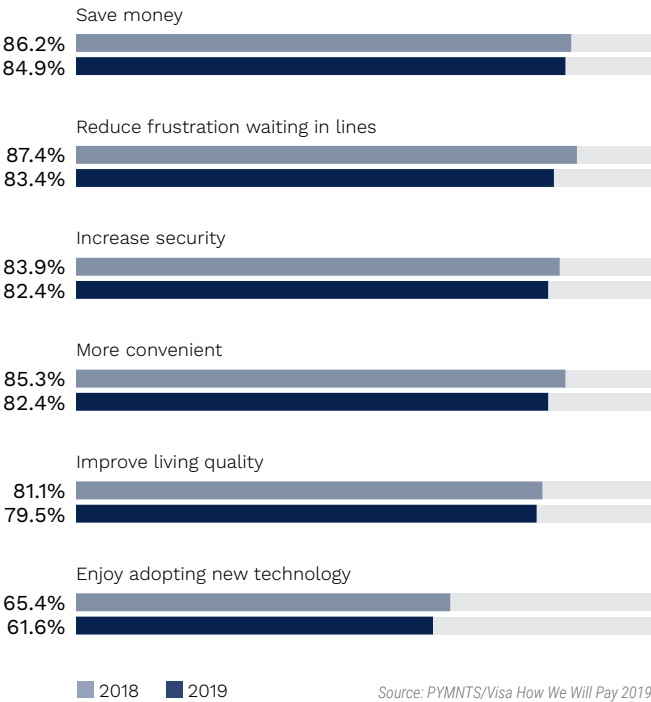
⁴ Wiggers, K. The Alexa skills store now has more than 100,000 voice apps. VentureBeat. 2019. <https://venturebeat.com/2019/09/25/the-alexa-skills-store-now-has-more-than-100000-voice-apps/>. Accessed November 2019.

⁵ Which apps do they want? PYMNTS.com. 2019. <https://www.pymnts.com/study/which-apps-do-they-want/>. Accessed November 2019.

Consumers download and use apps that save them time and money while preventing payment frictions

Today’s consumers do not want to download and use just any apps, but rather those that can make their connected commerce experiences easier, less frustrating or less expensive. Eighty-five percent of interested consumers like connected technologies that can save them money, while 83 percent like mobile order-ahead apps, which can reduce the frustrations that come with standing in line. These figures represent decreases of one and four percentage points from last year, respectively. The share of consumers who are interested in using new ways to shop

FIGURE 1:
Reasons consumers are interested in new connected experiences, by year
Share of consumers who are very or extremely interested in trying select new connected experiences, by persona and year



and pay for convenience is also down. Eighty-two percent of consumers who are interested in trying new connected experiences are interested because they can make shopping more convenient — three percentage points less than last year.

These changes may seem small, but they collectively indicate a departure from experimenting and discovery to putting value into technologies and apps that unlock meaningful experiences.

“CONSUMERS ARE PUTTING MORE VALUE IN CONNECTED EXPERIENCES THAT BRING CONVENIENCE AND EASE TO THEIR DAY-TO-DAY LIVES.”

Consumers now suffer from app fatigue.



Consumers are putting more value in connected experiences that bring convenience and ease to their day-to-day lives, meaning that few are willing to test out new ways to shop and pay. In fact, purchasing without promo codes and automated car repair alerts were the only two use cases that saw interest growth this year, up 4.5 percent and 5.1 percent from last year, respectively. Interest in all other use cases is down, with many cases dipping close to their 2017 values. Purchasing commuting tickets when arriving or departing a transit station is one such use case. Thirty-two percent of consumers said they wanted to use a solution that supported this in 2017. This share increased to 33 percent in 2018 only to fall back to 32 percent this year.

FIGURE 2:
Consumer interest in exploring new ways to shop and pay
Share of consumers who are very or extremely interested in trying select new connected experiences, by year

	2017	2018	2019
Automate pay at pump	41.0%	49.1%	47.1%
Automate fit/buy clothing	39.6%	40.9%	39.4%
App to track spending	—	40.3%	39.3%
Purchase without entering promo code	—	35.6%	37.2%
Auto parking space discovery/pay	36.0%	39.5%	36.6%
Auto pay at restaurant	37.2%	39.4%	37.0%
Auto home trouble alert/pay for repairs	—	38.7%	35.9%
Auto pay at store	43.6%	34.0%	33.1%
Purchase item by taking a picture	—	36.8%	33.8%
Buy commuting tickets walking on and off a station	31.8%	33.0%	31.8%
Window shop/auto buy and pay	25.3%	32.5%	30.7%
Auto car trouble alert/pay for repairs	34.0%	29.2%	30.7%
Buy outfit seen on TV	22.1%	27.2%	26.3%
Auto fridge/grocery orders	27.1%	31.1%	27.9%
Personal car assistant initiates order-ahead	24.2%	27.5%	26.7%
Voice assistant sends item to device to enable purchase	—	—	30.4%
Voice assistant sends email/text with related items	—	—	31.6%

Source: PYMNTS/Visa How We Will Pay 2019

FIGURE 3:
Consumer interest in exploring new ways to shop and pay
Share of consumers who are interested in trying select new connected experiences, by year and persona

	 BRIDGE MILLENNIALS		 SUPER-CONNECTED	
	2018	2019	2018	2019
Automate pay at pump	59.7%	60.5%	64.6%	60.9%
Automate fit/buy clothing	56.2%	54.8%	56.4%	52.8%
App to track spending	51.8%	53.0%	54.7%	52.4%
Purchase without entering promo code	49.2%	53.0%	50.7%	49.7%
Auto parking space discovery/pay	51.5%	49.6%	56.1%	51.3%
Auto pay at restaurant	51.5%	54.0%	55.2%	49.1%
Auto home trouble alert/pay for repairs	47.3%	49.9%	52.4%	49.4%
Auto pay at store	45.7%	47.1%	46.8%	44.4%
Purchase item by taking a picture	49.2%	49.9%	52.1%	45.4%
Buy commuting tickets walking on and off a station	44.9%	45.5%	43.3%	42.7%
Window shop/auto buy and pay	44.3%	47.3%	43.5%	40.6%
Auto car trouble alert/pay for repairs	39.4%	43.3%	42.1%	40.8%
Buy outfit seen on TV	40.7%	42.2%	39.5%	36.7%
Auto fridge/grocery orders	43.5%	43.3%	43.1%	35.9%
Personal car assistant initiates order-ahead	41.5%	42.0%	39.5%	39.1%
Voice assistant sends item to device to enable purchase	—	44.6%	—	43.4%
Voice assistant sends email/text with related items	—	45.4%	—	43.1%

Source: PYMNTS/Visa How We Will Pay 2019

The more connected the consumer, the more discriminating they are with their connected experience choices.

Overall interest in experimenting with new ways to shop and pay is on the decline, but there has been an increase in interest among a key consumer group: bridge millennials, consumers who are 30 to 40 years old, have grown up with connected devices and therefore share a unique affinity for them.

We first observed this group’s interest in most new, connected device experiences in 2018. Bridge millennials are particularly interested in connected experiences that enable them to seamlessly shop and pay, especially those that allow purchases without promo codes. The share of those who express interest in such technologies has increased from 49 percent to 53 percent since last year. They also show strong interest in technologies that allow them to automatically pay at sit-in restaurants, with that share increasing from 52 percent to 54 percent.

Bridge millennials are also showing signs of app fatigue in certain instances, however. This group is less interested in technologies that automatically adjust the fit of and purchase clothing than last year, and they are also less interested in offerings that automatically locate and pay for parking spaces. The share of bridge millennials who are interested such apps has decreased by just under two percentage points each.

Super-connected consumers — those who own at least six connected devices — are showing signs of app fatigue as well. There is not a single use case for which super-connected consumers are more interested in using connected devices to make purchases than last year.

Consumers’ interests in certain digital payment methods is increasing as more purchasing experiences shift online.

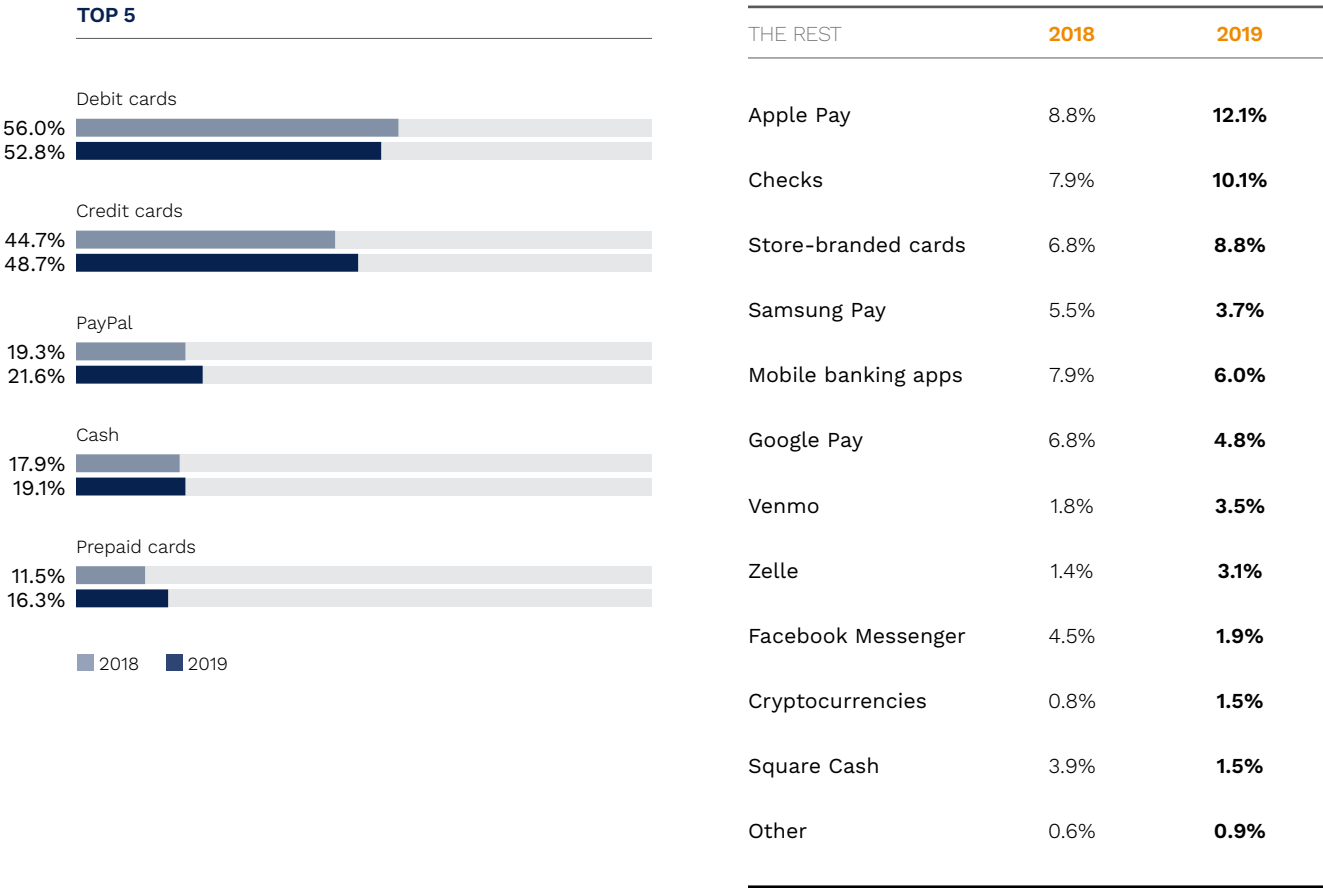
Digital payment methods such as PayPal, Apple Pay, Venmo and Zelle are growing more appealing as consumers shift away from in-store shopping. Twenty-two percent of 2019 consumers say they use PayPal to pay for eCommerce purchases, compared to 19 percent who did so a year prior, and the share of consumers who use Apple Pay, Venmo and Zelle went up by three, two and one percentage points, respectively. More consumers are also turning to their mobile banking apps to make payments, with this share increasing two percentage points since last year.

Some digital payment methods are losing favor, however, including cryptocurrencies, Facebook Messenger, Google Pay, Samsung Pay and Square Cash. The portion of those who use Samsung Pay is down two percentage points, while the share who use Google Pay is down two percentage points.

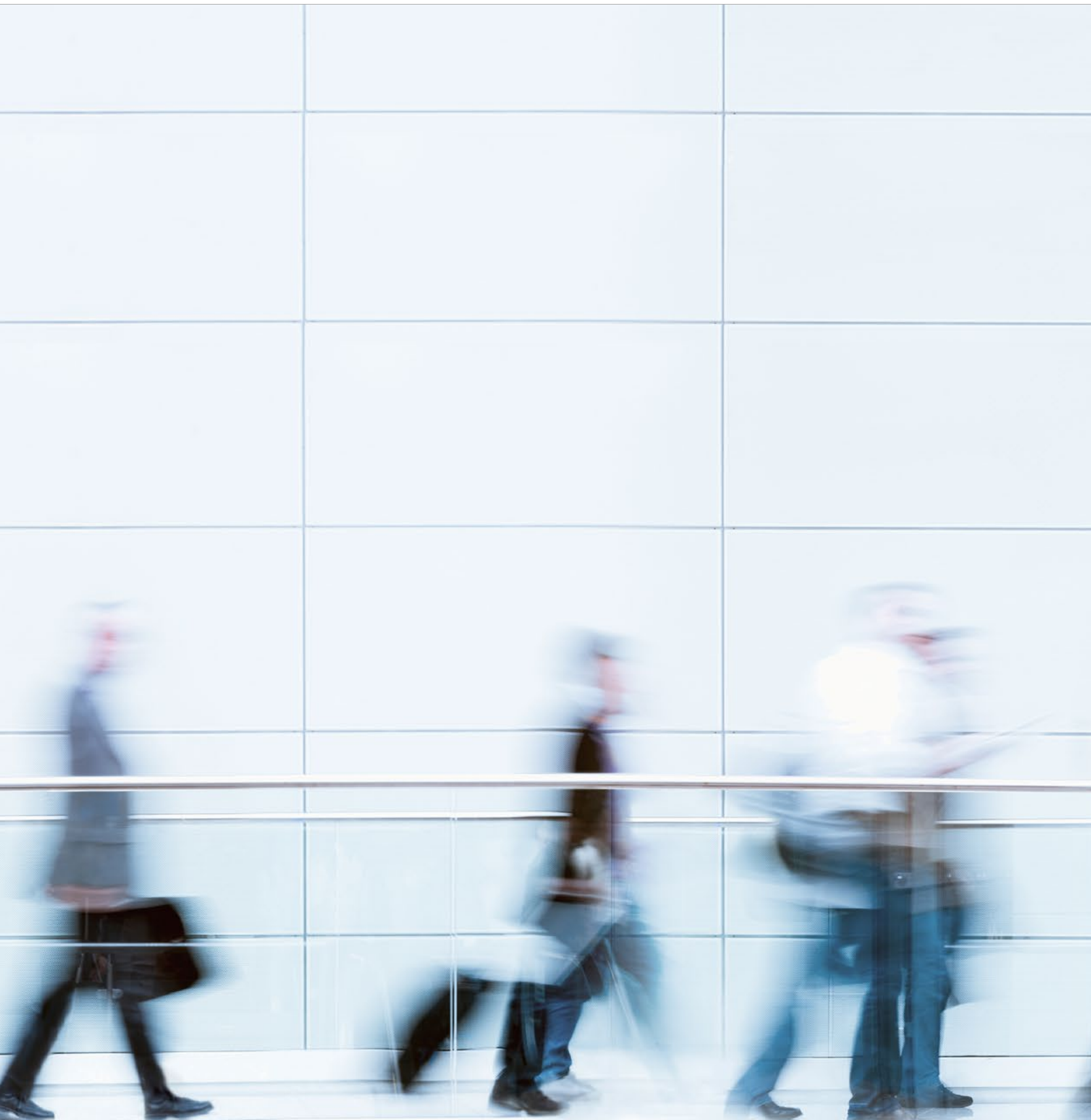
“DIGITAL PAYMENT METHODS ARE GROWING MORE APPEALING AS CONSUMERS SHIFT AWAY FROM IN-STORE SHOPPING.”

We also see more consumers showing interest in payment methods that offer rewards for everyday spending, with the portions for those who pay for eCommerce purchases with credit cards and store-branded cards increasing four and two percentage points, respectively.

FIGURE 4:
How consumers want to enable their connected commerce experiences
Share of consumers who want to use select payment methods to pay for connected commerce purchases



Source: PYMNTS/Visa How We Will Pay 2019



■ CONCLUSION

Less is more when it comes to apps and the connected experiences they enable. Consumers would rather have fewer apps that make shopping faster, easier and less expensive than have access to apps that add no value to their shopping experiences. Consumers' demands are shifting toward connected shopping experiences that save them time, money and frustration. This is especially true for bridge millennials and super-connected consumers, who are more enthusiastic about trying new connected experiences than other personas.

ABOUT

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