



Contactless payments in the era of coronavirus

April 2020

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Foreword

The rapid spread and subsequent impact of coronavirus (COVID-19) across the world has had a drastic effect on our lives. Individuals and businesses are working quickly (and remotely) to minimise the potential transfer of the virus, and we find ourselves discovering new changes to our usual routines on a daily basis.

Moving to contactless payment solutions is one way businesses can reduce the risk of transmitting the virus via cash, which we are learning plays a part in spreading COVID-19. On the face of it this presents a simple solution to facilitate payments, however a widespread move away from cash will require a considerable shift in behaviour for many individuals and businesses.

The trend toward card and contactless payments has been increasing for years, with Australians generally embracing contactless payments¹. However, there's little doubt the coronavirus pandemic will bring with it an abrupt need for more widespread adoption of these types of payments.

Businesses that are not currently contactless will need to pivot quickly and this needs to be a smooth transition, which keeps consumer preferences in mind. To gain buy-in from customers clear communication is essential to move people from physical to digital cash.

The wider use of contactless payments will also require a change in how we think about money, with consumers' perspective on spending likely to alter depending on whether we spend with notes and coins or card and contactless.

There's a very real chance that, when this outbreak is over, cash payments - possibly cash itself - may become a thing of the past.

We've already adapted to many behaviour changes since coronavirus was first detected only a few months ago. As many of these changes may move to permanence, it's important for businesses and consumers to consider what moving to contactless means to them and their finances.



Jon Manning
MYOB Chief Economist

1. www.rba.gov.au

Contactless payments: State of play

At the end of June 2019, there were 1.6 billion banknotes worth \$80 billion on issue in Australia². While MYOB research shows that people still carry cash and love the physical feel of a wallet, they don't necessarily use it, with 63% of respondents using card as a method of payment most of the time.

This is a particularly prudent time to rethink cash. Bank notes, especially the polymer notes used in Australia, can hold onto bacteria which can be transferred between carriers as it passes through hundreds of hands.³

The coronavirus pandemic has already seen some businesses move to contactless only payments, with some refusing to take cash at all. If this continues, consumers and businesses alike may need to commit to the behavioural shift of contactless payments and leave cash behind.

Do you usually have cash on you?



Do you use contactless payments with a physical credit / debit card?



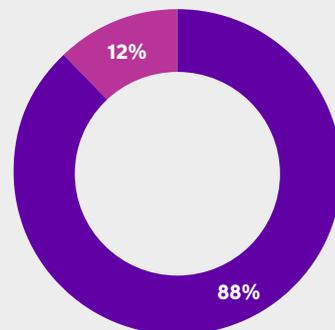
How frequently do you use the following methods of payment?

63%
Card
most of the time

VS

25%
Cash
most of the time

Which payment option do you prefer to use?



Physical wallet (cash or cards)	88%
Mobile wallet (eg Apple Pay) That jumps to 25% for 18-25 year olds	12%

2. <https://banknotes.rba.gov.au>

3. www.fastcompany.com

Consumer preferences

With contactless payments set to increase, at least in the short term, it's important for businesses to understand how their customers feel about it so they can make the transition with minimal impact to their business.

Our data shows clear preferences from consumers, which need to be weighed up against business needs. 85% of respondents don't like surcharges for contactless payments but 79% like the ease. 81% don't like stores issuing a minimum spend on using cards.

These high percentages suggest that Australian consumers want the convenience of contactless payments, and while they reluctantly pay for the convenience, pricing transparency may be beneficial. Australians have a high adoption rate of contactless payments with some sources claiming there'll be 14.9 billion contactless card payments in 2023⁴.

This is valuable information for businesses as coronavirus spread increases contactless payments.

86%

don't like **paying extra fees** at the ATM when getting cash out

81%

don't like **minimums** when paying with a card in store

85%

don't like **surcharges** for contactless payments

62%

don't like **cash only** stores

4. www.globaldata.com

The psychology of cash

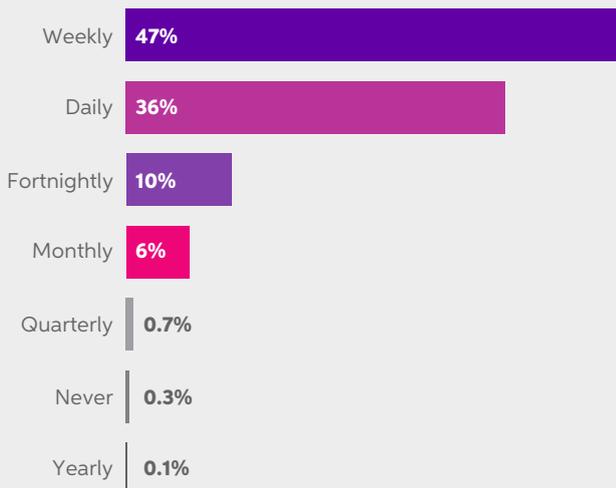
A shift to contactless payments is likely to have an impact on how Australians manage their spending behaviour. Studies have shown that people generally spend more using credit cards compared to cash, one reason being that it's easier to dissociate from the transaction.⁵

Despite this, 63% of respondents find it easier to keep track of their spending digitally and the majority of respondents look at their accounts weekly or daily. Younger generations checking balances more frequently could be explained by their comfort with banking apps and other ways of tracking their accounts.

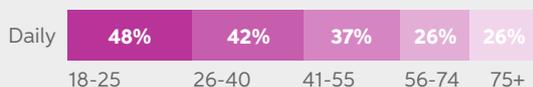
Our research found that cheques are now used by less than 1% of the population. The use for cash could be another inter-generational change with younger Australians less likely to carry cash.

We may be entering the contactless payments era, where a generation of consumers never handle actual bank notes and coins. The fact that 60% of parents still give their children pocket money in cash (compared to 25% who transfer it to a bank account) suggests that transition may be underway, but still has some time to run. People still want to teach their children about the value of money in a physical sense, rather than as a digital concept.

How frequently do you look at your account balances?



Younger generations more likely to check daily



How do you give your children pocket money?

Cash	60%
Transfer money to bank account	25%
Non-monetary rewards	9%
Invest on children's behalf	4%
Digital currency eg Bitcoin	2%
Other	0.5%
Don't give their children pocket money	19%

63% find it easier to keep track of spending **digitally**

37% find it easier to keep track of spending using **cash**

65% feel out-of-pocket when using **cash**

35% feel out-of-pocket when using **card**

5. www.forbes.com

Data comparisons: Australia and New Zealand

Australians and New Zealanders share some similarities with their relationship to cash versus card payments, however there are some stark differences too. New Zealanders are less likely to carry cash than Australians and have a higher preference for using cards for payment.

Overall New Zealanders are also less bothered by additional fees associated with card transactions (79% don't like surcharges for contactless payments compared to 85% of Australians), though there are still high percentages of people who dislike the associated charges.

The two economies are likely to face similar challenges transitioning to fully contactless payments. New Zealand's level 4 lockdown in response to coronavirus may push it ahead of their western neighbour. This could impact on consumer behaviour with significantly more online ordering and increased contactless payments sooner than in Australia.

Do you usually have cash on you?

Australia



New Zealand



How frequently do you use the following methods of payment?

Card

63% of Australians use card most of the time

79% of New Zealanders use card most of the time

Cash

25% of Australians use cash most of the time

12% of New Zealanders use cash most of the time

Data comparisons: Australia and New Zealand con't



Australia



New Zealand

86% don't like **paying extra fees** at the ATM when getting cash out

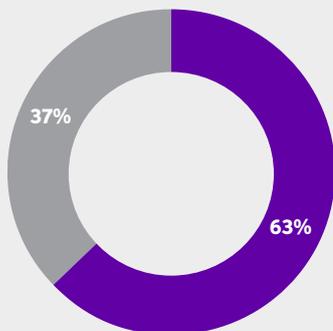
81% don't like **paying extra fees** at the ATM when getting cash out

81% don't like **minimums** when paying with a card in store

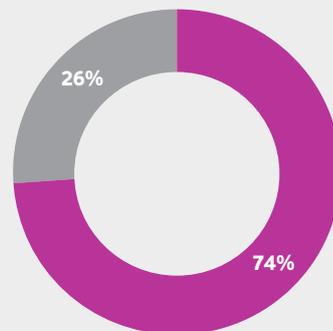
70% don't like **minimums** when paying with a card in store

85% don't like **surcharges** for contactless payments

79% don't like **surcharges** for contactless payments



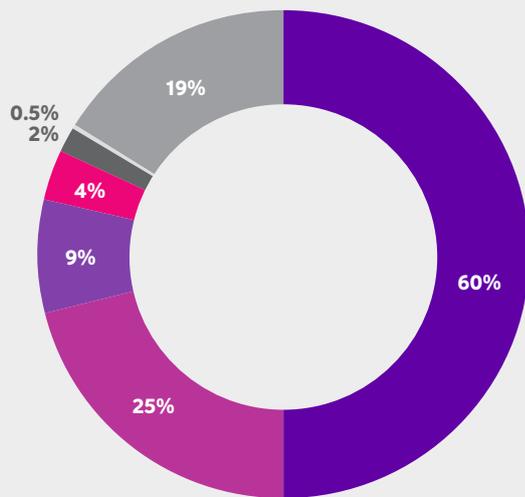
Find it easier to keep track of spending digitally	63%
Find it easier to keep track of spending using cash	37%



Find it easier to keep track of spending digitally	74%
Find it easier to keep track of spending using cash	26%

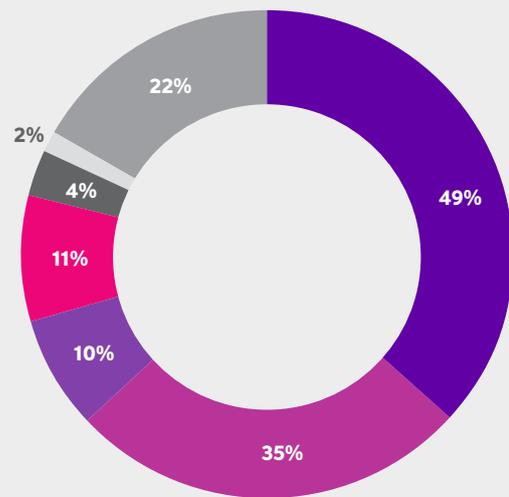
Data comparisons: Australia and New Zealand con't

How do you give your children pocket money?



Australia

Cash	60%
Transfer money to bank account	25%
Non-monetary rewards	9%
Invest on children's behalf	4%
Digital currency eg Bitcoin	2%
Other	0.5%
Don't give their children pocket money	19%



New Zealand

Cash	49%
Transfer money to bank account	35%
Non-monetary rewards	10%
Invest on children's behalf	11%
Digital currency eg Bitcoin	4%
Other	2%
Don't give their children pocket money	22%

Conclusion

At the time of writing, the advice for the community at large is to keep interactions and transactions as contactless as possible to minimise the spread of coronavirus. The high percentage of Australians currently holding onto cash may find themselves holding onto it for a while yet.

As more businesses move to contactless-only payments, the needs of the consumer and the necessary behavioural changes that come with the move should be taken into account. Once the world returns to its new normal, there is a chance we may not come back from contactless payments and the many benefits it brings. Other potential flow-on effects could include:

- + Reduced demand for ATMs
- + The demise of discounts for paying with cash
- + The removal of cash as a form of payment from online marketplaces like eBay and Gumtree
- + New ways to put money away for a rainy day (replacing 'cash under the mattress')
- + More accessible apps designed with older users in mind

Other than the obvious convenience, keeping track of spending is a huge advantage for consumers and an important way for people to stick to personal budgets.

Businesses also benefit from the tracking of their receipts and sales. The best thing businesses can do mind now is prepare for this significant habit change and work on a smooth transition to the benefit of all.

Methodology

The MYOB Cashless Economy Study is the collation of quantitative data gained through an online survey of Australians and New Zealanders. The survey was in field from the 13th to the 28th of March, yielding 1,000 completed responses from Australians and

1,000 completed responses from New Zealanders. Respondents are over the age of 18 and nationally representative across age, gender and state.

