



# 5 key factors driving mobile payment adoption

Mobile payments — payments made with the help of a wireless device like a smartphone or tablet— are on the rise worldwide. According to a report published by Allied Market Research, the global mobile payment market was estimated at \$1.48 trillion in 2019 and is expected to hit \$12.06 trillion by 2027.<sup>1</sup>

Much of this growth has been driven by Asia, specifically China, where the infrastructure supports mobile payments. However, there are five key factors that have set the stage for significant mobile payments growth in the United States.

## 1. The smartphone has evolved beyond the phone

Smartphones have not only revolutionized the way we live and work but how we connect to each other as individuals and with businesses. According to Statista, the number of smartphone users in the U.S. has continued to rise steadily over the past few years. Currently, more than 80 percent of U.S. households own a smartphone and forecasts suggest that smartphone usage in North America will continue to rise steadily in the future.<sup>2</sup>

The increase in smartphone ownership has led to a boom in mobile app development and usage. In fact, eMarketer estimates mobile app usage makes up roughly 88 percent of total digital media time.<sup>3</sup> And the growth in the mobile app market has led to an increase in mobile payments in both the B2C and B2B payments space.

Mobile payments provide individuals with an easy and seamless way to make online and point-of-sale purchases, pay bills, or send and receive money. Both individuals and merchants have embraced app-based commerce and in-app payments. And now, businesses are quickly ramping up investments in mobile apps for their employees with innovative use cases that provide an integrated payment experience.

## 2. Younger generations are driving mobile payment adoption

While smartphone ownership has increased across all generations, it is the younger generations that are driving the increasing pace of mobile payment adoption. These younger generations are moving into decision making roles in the workplace.

According to the Pew Research Center, roughly 93 percent of Millennials and 90 percent of Gen Xers own smartphones.<sup>4</sup> Individuals in these generations make up most of the mobile payments volume. They are often influenced to use mobile payments by the option to receive rewards, discounts, alerts, and electronic receipts in addition to the convenience mobile payments provide.

Gen Z, those born after 1996, is also pushing the payments environment towards more mobile and peer-to-peer payments (P2P). Gen Z, like Millennials, has high expectations for mobile experiences and are more comfortable than other generations with moving money digitally.



As the reliance on digital devices increases, the way all generations interact with money at home and at work will continue to change with more people switching from cash, debit and credit cards to mobile payments.

### 3. Technology advancements enable more convenient and secure payments

Even before the smartphone, there has always been a need to find the balance between convenience and data security in payment innovation. This is what drove the adoption of debit and credit cards, followed by the widespread use of PIN technologies, the EMV® chip and now, mobile wallets and contactless credit cards.

Mobile wallets offer an easy and secure way to pay for goods and services. With a mobile wallet, individuals can store their consumer or corporate credit card information on their smartphone for later use. Tokenization allows individuals to store their credit card information in their mobile wallet securely. A token replaces the credit card number, rendering the information useless to hackers.

With stronger security place, mobile wallets are more secure, and faster, than using a traditional, plastic credit card. For in-store purchases, individuals simply hold their phone near a point-of-sale (POS) device. Credit card information is instantly and securely shared with the POS device using near-field communication (NFC) technology.

Increasingly, modern payment devices and solutions help mitigate the risk of potential data breaches and the resulting reputational and financial loss through enhanced payment date security.

### 4. The Covid-19 pandemic

Prior to the pandemic, the U.S. was slow to adopt mobile payments. Despite the pervasiveness of smartphones, the U.S. has a strong culture of credit card usage. The pandemic forced significant changes to the way goods and services were paid for.

As the pandemic took hold, many people grew apprehensive with the health risks associated with handling cash and checks, handing a card to a cashier or touching a POS machine. Mobile wallets, along with contactless cards, provide a safer alternative to traditional plastic credit cards as they do not require touching a POS machine to enter a PIN.

As a result, demand for contactless payments in retail shops such as grocery stores and restaurants, which helps reduce the chance of virus transmission, exploded. In 2020, point

of sale checkout using mobile wallets grew 60 percent according to The Global Payments Report.<sup>5</sup>

### 5. Merchants are driving change

Merchants also benefit from mobile payments. As with individuals, mobile payments provide improved payment security, faster checkout speeds and better data to track customer trends and inventory.



These benefits are driving more merchants to accept mobile payments. To encourage their customers to use mobile payments, many merchants use discounts and other perks, to communicate value to the consumer. Some merchants have successfully combined mobile payments and their loyalty programs within their mobile payment apps. In these instances, customers can receive loyalty points, coupons and perks such as mobile ordering.

### The future for mobile payments in the U.S.

The consumer mindset around the use of mobile payments is changing rapidly. As payment innovation continues to make mobile payments more secure and as businesses continue to make it easier to use and integrate mobile payments, it's expected that adoption will continue to rise. By 2024, digital/mobile wallets are projected to grow an additional 38.2 percent over 2020 levels to account for 40.5 percent of North American e-commerce payment volume.<sup>5</sup>

It's clear that mobile payments are poised for growth in the U.S. Both B2C and B2B mobile payments adoption will continue to expand, and companies will continue to integrate mobile payments as part of their payments mix. But user experience will ultimately drive adoption. As companies who haven't adopted this technology begin to see the benefits mobile payments provide their customers and employees, they won't be far behind on the adoption curve.

<sup>1</sup> [Global Mobile Payment Market Size to Grow \\$12.06 Trillion by 2027, at 30.1% CAGR](#), Allied Market Research, 2020.

<sup>2</sup> [Number of smartphone users in the United States from 2018 to 2024 \(in millions\)\\*](#), Statista, 2020.

<sup>3</sup> [The Majority of Americans' Mobile Time Spent Takes Place in Apps](#), eMarketer, 2020.

<sup>4</sup> [Millennials stand out for their technology use, but older generations also embrace digital life](#), Pew Research Center, 2019.

<sup>5</sup> The Global Payments Report, Worldpay from FIS, 2021.