



# NEW MEDIA INSIGHTS

## FOR LOCAL ADVERTISERS

### Cash Is Still King, But...

Like a despotic king, there is a growing cadre of challengers with their pitchforks and flaming torches raised in opposition to the absolute power of cash as our primary form of payment. The popularity of preferring to use credit cards, debit cards, gift cards, prepaid cards and, more recently, mobile payment apps and digital wallets continues to increase.

The findings of a June 2016 Gallup poll appear to support the trend, as 24% of adults surveyed said they used cash for all or most of their purchases, compared to 36% during 2011.



#### The Cashless Society in View

The Gallup poll also found that 62% of respondents thought it very likely or likely that the US would become a cashless society within their lifetime. Younger adults are less likely to carry cash, but a larger percentage of older adults are still uncomfortable without cash.

| Americans Use of Cash, June 2016 vs. 2011                 |           |      |
|---|-----------|------|
| CASH PURCHASES  | JUNE 2016 | 2011 |
| All purchases with cash                                   | 10%       | 19%  |
| Most purchases with cash                                  | 14%       | 17%  |
| Half of purchases with cash and half with payment methods | 22%       | 20%  |
| Some purchases with cash                                  | 41%       | 33%  |
| No purchases with cash                                    | 12%       | 10%  |
| Gallup, July 2016   |           |      |

An age-group comparison reveals that, as expected, younger adults (23–34) have reduced their use of cash for purchases the most, from 39% to 21%. Even adults 55+ use cash less often, a 25% reduction from 24% to 18%.



| Americans Cash Preferences, June 2016 |                  |                          |
|---------------------------------------|------------------|--------------------------|
| AGE GROUP                             | ALWAYS HAVE CASH | COMFORTABLE WITHOUT CASH |
| All adults                            | 54%              | 42%                      |
| 18–29                                 | 42%              | 56%                      |
| 30–49                                 | 54%              | 42%                      |
| 50–64                                 | 55%              | 39%                      |
| 65+                                   | 62%              | 32%                      |
| Gallup, July 2016                     |                  |                          |

Interestingly, the Gallup data revealed that it's not older Americans who like to carry the most cash, but adults 30–49, who are older Millennials and Generation Xers.

| Americans Cash on Hand, June 2016 |         |         |
|-----------------------------------|---------|---------|
| AGE GROUP                         | MEAN    | MEDIAN  |
| All adults                        | \$49.00 | \$20.00 |
| 18–29                             | \$27.25 | \$0.00  |
| 30–49                             | \$61.73 | \$20.00 |
| 50–64                             | \$48.05 | \$20.00 |
| 65+                               | \$52.30 | \$25.00 |
| Gallup, July 2016                 |         |         |

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## Payment Preferences

As more consumers don't carry cash, credit cards and debit cards have become their preferred payment methods. According to TSYS's 2016 U.S. Consumer Payment Study, 40% of survey respondents said they preferred credit cards and 35% debit cards.

| Number of Americans' Payment Cards, October 2016 |             |            |
|--|-------------|------------|
| NUMBER OF CARDS                                  | CREDIT CARD | DEBIT CARD |
| One  | 39%         | 71%        |
| Two  | 16%         | 26%        |
| Three  | 6%          | 17%        |
| Four   | 4%          | 14%        |
| TSYS, October 2016                               |             |            |

Generally, debit cards are used for small, everyday purchases, at supermarkets, gas stations and discount stores while consumers reserve the use of credit cards for larger, discretionary-spending purchases at department stores, dine-in restaurants and for online purchases and travel.

| Americans' Payment Preferences, by Retailer Type, October 2016 |             |            |      |
|--|-------------|------------|------|
| RETAILER TYPE  | CREDIT CARD | DEBIT CARD | CASH |
| Department store   | 36%         | 31%        | 9%   |
| Discount store   | 25%         | 34%        | 22%  |
| Gas station  | 35%         | 39%        | 16%  |
| Supermarket  | 34%         | 46%        | 13%  |
| Dine-in restaurant   | 35%         | 33%        | 18%  |
| Fast food restaurant   | 21%         | 30%        | 33%  |
| Coffee shop  | 15%         | 23%        | 28%  |
| TSYS, October 2016   |             |            |      |

## The Implications for Retailers

Although it is quite likely that a majority of retailers' transactions are via a credit card, debit card or other card-based or digital method, there are two equally compelling perspectives on retailers becoming totally cashless.

- » Cash is 100% – Advocates of this perspective think it is more beneficial for retailers to obtain 100% of a transaction versus the 2% to 3% they lose every time a customer uses a credit or debit card. Some analysts also wonder about the consequences of refusing service to lower-income consumers who use only cash.
- » Retailers aren't banks – Those of this perspective argue that retailers don't want to act as a bank, bearing the costs of handling and processing cash and making bank deposits as well as security concerns for employees and the premises.

A few retailers have actually decided to stop accepting cash, including Kit and Ace, a Vancouver, BC-based clothing chain. Sweetgreen, a fast-casual salad chain of 65 restaurants will change its policy during 2017, and go cashless. Other compelling reasons that its management cites are hygiene, transferring germs from cash to food; better use of managers' time instead of counting cash; faster service and convenience; and quicker adoption of mobile apps for advanced ordering and payment.

