

MOBILE

Why Apple Pay is not gaining ground against PayPal, bank apps

December 15, 2015



Apple Pay allows shoppers to use their phone to pay in-store

By CHANTAL TODE

Shoppers this holiday season continue to show preference for PayPal and mobile banking applications when choosing to use mobile payments in-store, according to a survey conducted in early December by Retale.

The survey of more than 1,000 U.S. consumers reveals that 50 percent point to PayPal when asked which mobile payment service they are most likely to use in-store, followed by their bank's mobile payment app at 27 percent and Apple Pay at 20 percent. The top three rankings are identical to the results from a similar survey a year ago, underscoring how Apple Pay has not gained much ground in the past year.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

"There hasn't been much shift year-over-year in the top-two preferred mobile pay services, with PayPal and bank apps owning those positions," said Pat Dermody, president of Retale. "Apple Pay and Android Pay, even with their built-in scale, are still relatively new services. Like any new service, it's going to take time for scale to occur.

"I would also add that there's a lot of fragmentation out there," she said. "You have Apple Pay, Android Pay, CurrentC and other platforms.

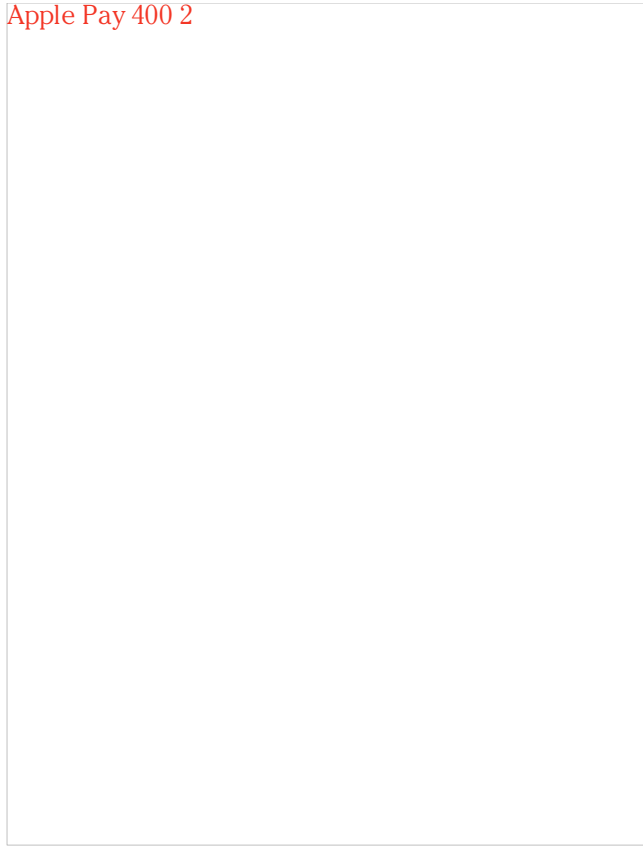
"That fragmentation is also allowing PayPal and bank apps, which have a legacy in the payments space, to maintain ownership."

Use grows

Retale's survey puts Android Pay in fourth place with 17 percent of shoppers' votes and "a retailer's app" in fifth place with 13 percent.

While there has been little change in preferred mobile payments solutions, the survey does reveal growth in mobile payments use.

The number of respondents who have previously used a mobile device to make an in-store purchase has grown 7 percent in the last year, reaching 43 percent.



Also up is the number expressing interest in using a mobile device to pay for a gift or other item in a retail store during the holiday shopping season, with 61 percent saying they would, up from 56 percent.

When asked if retailers should offer some kind of mobile payment option in-store at checkout, 63 percent said yes, up from 57 percent last year.

Mobile is convenient

Boding well for even more growth going forward is the growing impression that mobile payments are convenient, with 83 percent of shoppers feeling this way in 2015, up from 76 percent in 2014. This suggests that shoppers are becoming more familiar with how to use mobile payments and that they are availing themselves of the growing availability of mobile pay at retail outlets.

Respondents' two greatest concerns regarding mobile in-store payments remained the same, with 59 percent naming data breaches and privacy while 55 percent pointed to possible theft or loss of their mobile device.

Android Pay



The survey also found that as shoppers are getting more comfortable with mobile payments, they are using them for pricier items, with 27 percent willing to spend on items between \$50 and \$250, up 7 percent increase from last year.

Additionally, 63 percent said they would be most comfortable using mobile pay for items \$50 and under, compared to last year's 68 percent. Only 10 percent would be comfortable using mobile pay for a purchase over \$250, a drop of 2 percent from last year.

Payment agnosticism

The top three selections in terms of what shoppers are most likely to purchase with mobile payments over the holiday season are clothing at 44 percent, food at 41 percent and gift cards at 30 percent.

"The embrace of mobile pay has been slower than many originally anticipated," Ms. Dermody said. "But the growth we've identified in our data is undeniable, especially over the holidays, when consumers seek out the best tools to streamline and simplify their shopping.

"For many, mobile pay is a big advantage at checkout, and that's building strong consumer support and propelling adoption upward.

"Subsequently, for retailers, this means a push towards payment agnosticism at checkout. Retailers have to understand that they need to accommodate the transaction any way that their customer wants to pay and that the walled garden/ may ultimately not work for them."

Final Take

Chantal Tode is senior editor on Mobile Commerce Daily, New York