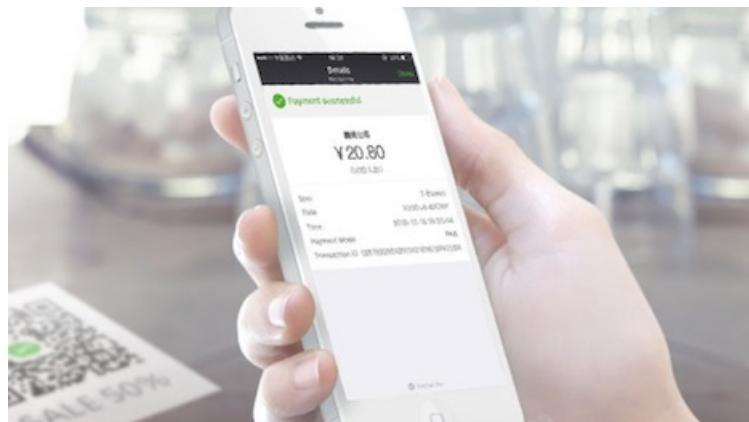


RETAIL

Should retailers stop accepting cash?

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WeChat Pay allows consumers to make payments without exchanging cash. Image credit: Tencent

By DIANNA DILWORTH

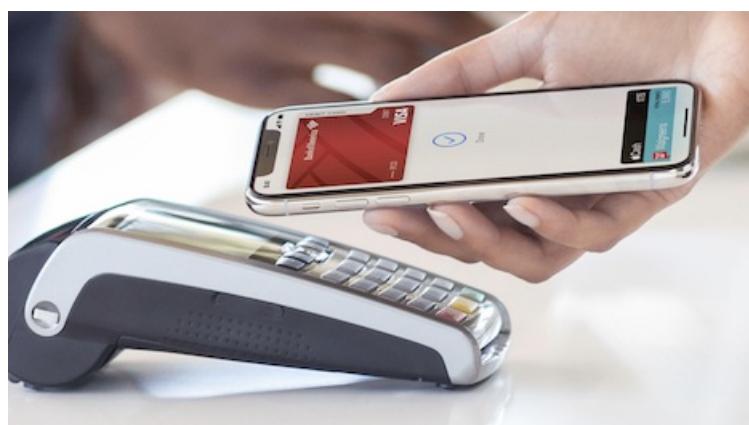
As luxury businesses try to reimagine what the new normal will look like after stores and venues begin to reopen, many are wondering if it is time to move into cashless experiences.

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The global contactless payments market accounted for \$8 billion in 2018 and is expected to reach \$24.99 billion by 2027, growing at a compounded annual growth rate (CAGR) of 13.5 percent during the forecast period, according to a report from Research and Markets. While gaining momentum in recent years, the coronavirus could accelerate the adoption of this new technology.

"COVID-19 has made the subject of a cashless society more credible as it would prevent the spread of disease," said Marie Driscoll, managing director for luxury and fashion at [Coresight Research](#), New York.

"Retailers need to know who their customer is and then make the decision to do away with cash tender," she said. "However, even using keypads to enter your IDs, pins, etc. exposes shoppers to germs."



Apple Pay allows contactless payments to avoid the spread of germs. Image credit: Apple

Contactless payments

With cash and credit card machines carrying germs, many consumers will likely prefer contactless payment options

that let them use virtual versions of their credit cards and apps by waiving personal devices next to a payment module without having to touch anything.

Amazon, Starbucks and Apple have given luxury brands examples of what contactless payments can look like at retail.

Amazon Go, the online giant's test store, allows customers to enter a store using the Amazon Go app, collect goods and then leave without paying at a cash register.

The app uses technology to identify which products the customer left with and charges their credit card in the app. After leaving the store, a customer is instantly charged and emailed a receipt.

The Starbucks app allows customers to place orders and pay in their app without having to wait in line or hand over cash and get change.

Apple Pay uses the near-field communication (NFC) chips embedded in a consumer's iPhone or Apple Watch and allows them to pay by waiving their device near a card reader, without having to touch cash or even a credit card machine.

Apple, J. Crew and Gap are among retailers already accepting Apple Pay at retail. Google Pay is accepted at smaller boutiques and gas stations. Luxury retailers may take a note from these stores in the future.

LVMH-owned Sephora accepts Apple Pay in-app and online and could potentially tie this in with in-person shopping in a post-COVID-19 world. Perhaps the customer gathers items in her physical basket and uses an app and Apple Pay to check herself out to avoid exchanges at the cash wrap.

"Many retailers have implemented POS devices that no longer require the card to leave the consumer's hands," said Kesh Talwar, chief revenue officer of [Moven](#), New York. "This arrangement will continue to increase in popularity as both retailers and consumers look for ways to stay safe and reduce the spread of the virus."

"As some states have now allowed curb-side pick up for online retail orders, it begs the question, how can a retailer manage operations, stay safe, avoid cash, yet be sure that they are not excluding people who only use cash?" he said.

"Will states and the federal government allow for cashless retailers to exist? Since there is a large segment of the population that exclusively uses cash, will there be an economic and social divide?"

Nordstrom is another potential retailer to lean into this type of offering, as the company has already revealed plans to adapt to the brave new world and invest in options that meet customer expectations.

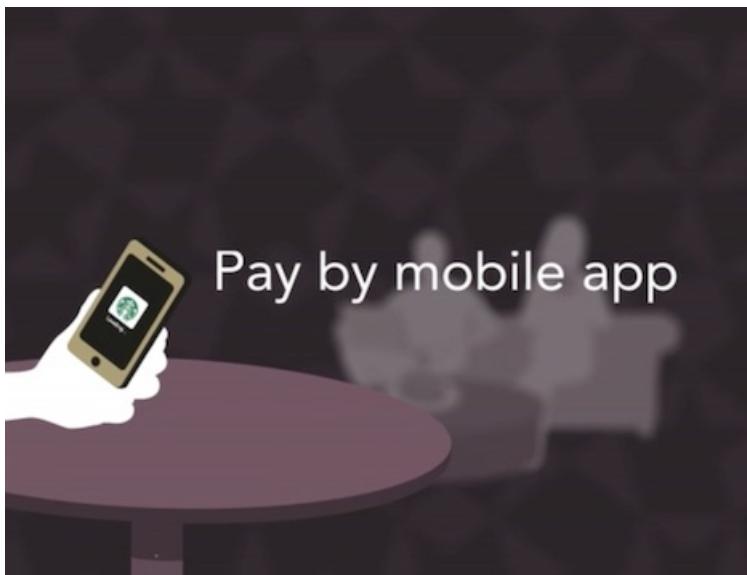
"We've been investing in our digital and physical capabilities to keep pace with rapidly changing customer expectations," said Eric Nordstrom, CEO of Nordstrom, Seattle, in a statement about how the company is adapting to the crisis. "The impact of COVID-19 is only accelerating the importance of these capabilities in serving customers."

WeChat Pay and Alipay are used at retail in China.

Venmo, Square Cash and Zelle are also popular in the United States.

"To further reduce the risk of COVID transmission, luxury brands should strongly encourage customers away from cash and even credit cards in favor of contactless payment systems like Apple Pay, Google Pay or NFC-enabled credit cards," said Toopan Bagchi, senior advisor at [The Navio Group](#), Minneapolis, MN.

"While there is no federal mandate against it, it would be challenging to completely stop accepting cash, given local laws against it in states like Massachusetts and cities like Philadelphia," he said.



Starbucks accepts payments via mobile apps. Image credit: Starbucks

Data collection

Cashless payments have the added bonus of offering retailers and brands the opportunity to learn more about customers whose in-store purchases are generally harder to track when made in-person with cash transactions. This data could potentially be used in marketing and personalization services.

"A silver lining of COVID-19 is that cashless options are more appealing at the moment and you could see rapid consumer adoption," Ms. Talwar said. "This would provide retailers with customer data not generally captured in cash transactions."

Starbucks, for instance, uses its mobile app to collect payments and offer free drinks to loyal customers. Luxury brands could use this same approach and offer benefits to repeat customers.

"Beyond the benefit of improving the safety of associates and guests, digital payment offers the benefit of capturing data that can be linked even without a loyalty profile, which can be gleaned for insights and potentially improve customer service in areas like returns or recommendations," Mr. Bagchi said.

"Apart from the legal challenges, going cashless adversely impacts the unbanked who may be employed in a cash economy," he said. "If not already set up, there is also the added investment cost of hardware to accept contactless payment or app integration and fees charged by payment platforms and credit card companies."

When adopting these technologies, brands should communicate the safety and ease of such options to customers as a way to lure them back into stores.

"As a messaging point, brands should focus on showing how both consumers and merchants are better off with digital transactions as a means of staying safe and stopping the spread of the virus should the cash be at risk of being infected," Mr. Talwar said.

As consumers emerge from the pandemic, knowing that brands are looking out for their health will help them feel safer going out shopping.

"In the midst of all the change and uncertainty that consumers are dealing with, if this is positioned as a health safety measure that mitigates risk, it's likely to be adopted by consumers with mobile smart phones and bank accounts," Ms. Driscoll said.