



Insight by Zonal, Powered by CGA by NielsenIQ

Cashing out?

The fast-paced evolution of innovative new payment methods is quickly replacing coins and notes in hospitality—*what does this mean for restaurants, pubs and bars?*

Zonal



In partnership with



Payments in hospitality:

Key numbers



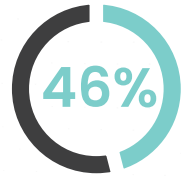
Of consumers use **card** or **contactless** every time or most times they visit a pub, bar or restaurant



Do not frequently pay with cash when out



Withdraw cash less than once a week



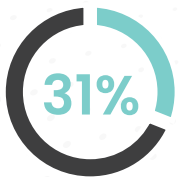
Of 18 to 34 year-olds frequently use payment wallets like Apple Pay or Google Pay



Of 18 to 34 year-olds frequently use wearables like smart watches to pay



Of consumers find 'pay-with-your-face' recognition software appealing



Of consumers find 'invisible' payments or just walk-out technology appealing



Cash, card and mobile spending:

Five key trends

1. Card payments

GO Technology research shows how the balance of payment methods has tipped decisively from cash to card. While just over a quarter **(28%)** of consumers still frequently use cash, the number using contactless cards is more than twice as high **(67%)**.

2. Pay-by-mobile

If current trends continue, cash payments will soon be overtaken by mobile methods. Nearly a quarter **(24%)** of consumers say they now frequently use mobile wallets like Apple or Google Pay while out, and nearly as many **(18%)** do this via payment apps provided by venues.

3. Wearables

Wearable payment technology is another threat to cash spending. Nearly one in seven **(13%)** consumers say they use a device like a smart watch every time or most times they are out. As wearable technology gets better and better, it can be expected to further rival mobile as well as cash payments in the future.

4. Cash withdrawals

Because cash is used much less, consumers are withdrawing it less often. More than two in three **(69%)** take out cash less than weekly, and over a fifth **(22%)** do so only once every six months or less. This is clear confirmation that most consumers now carry very little cash in their pockets, which means they don't just want to pay by card or phone—they have to.

5. Tips

There's an important exception to the rule of cards over cash in hospitality: tipping. While **61%** of cash users are likely to add a tip in notes or coins, only **31%** of contactless card users will do so using the same methods. We can assume from this that many card users prefer to pay tips in cash—possibly because they want to be sure the money will reach their servers. However, with people carrying less cash than before, it is important that venues enable digital methods of tipping, and help guests become accustomed to using them. This will help employers to maintain servers' incomes and avoid the need to pay more in wages to compensate for fewer tips.

Payment variations by sector

While cash use is dwindling, GO Technology highlights some important variations from sector to sector. For example, while only less than a quarter **(23%)** of consumers frequently pay by cash in formal dining restaurants, nearly a third **(31%)** still do so in drinking pubs, and nearly as many **(29%)** in bars.

Similarly, contactless methods are much more heavily used in some venues than others. In casual dining restaurants and food pubs, **83%** of consumers frequently pay this way—but only **59%** do so in hotels.

Contactless payments are lowest of all in nightclubs, where just half **(50%)** of consumers use them. Because they tend to attract a younger and tech-savvy demographic, device-based payment methods like Apple or Google Pay **(37%)**, wearables **(23%)** and payment apps **(28%)** are all much more prevalent here than in pubs and restaurants.



Payment types: The five most wanted

Percentage of consumers frequently using methods when out

1 **63%**

Card (contactless and chip & pin)



2 **28%**

Cash



3 **24%**

Apple / Google Pay



4 **18%**

In-venue payment apps



5 **13%**

Wearables



Payment and the younger generations

GO Technology research reveals major splits in the habits of young and older consumers that will continue the evolution of payment methods.

It shows 18 to 24 year-olds are happy to use a wide range of methods, with higher numbers of them using each one more frequently than their older counterparts. For example, around a third **(38%)** of people in the 18 to 24 year-old bracket often use cash—ten percentage points more than the average consumer. These young adults also have a 'little but often' approach to cash withdrawals, with nearly half **(48%)** making them weekly. This suggests that while older consumers are happy to carry around large quantities of money, younger ones prefer to hold only what they need. This is even more apparent among students—perhaps because spending in cash helps them manage their budgets.

The most striking differences between young and old spenders are in approaches to device-based payments. Nearly half **(46%)** of 18 to 34 year-olds now frequently use Apple Pay or Google Pay—twice the number among 35 to 54 year-olds **(23%)** and nearly eight times that of people aged 55 and over **(7%)**.

There are similar gulfs in the use of apps and wearables. These are frequently used for payments by **33%** and **25%** of 18 to 34 year-olds respectively—but by just **6%** and **4%** of those aged 55 or over.

While younger adults are still happy to carry cash, it is clear that phone and wearable payment technology is now part and parcel of their lives. Having grown up with their digital devices, the generations of pub, bar and restaurant users that will follow seem even more likely to adopt it.

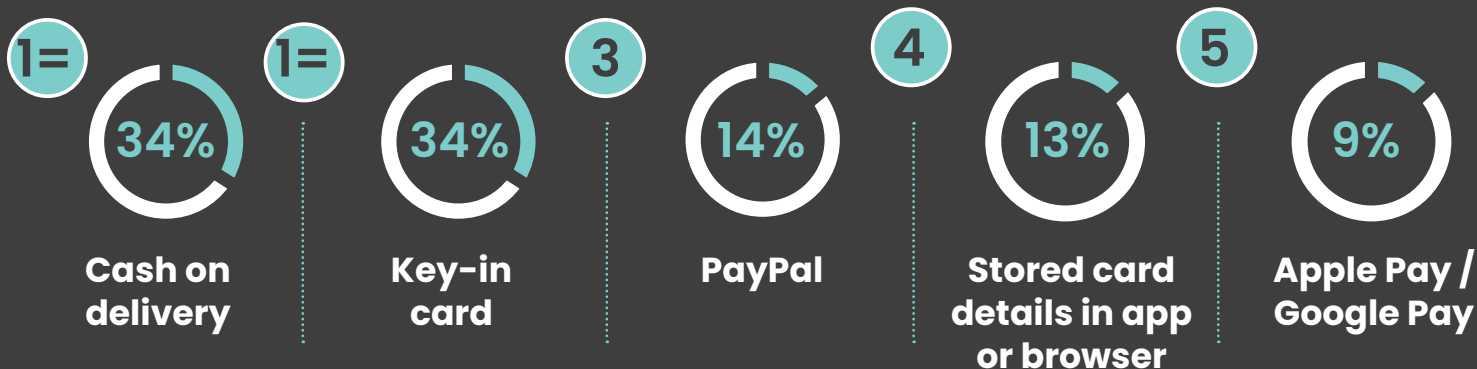


38%

Around a third of people in the 18 to 24 year-old bracket often use cash—ten percentage points more than the average consumer.



Online payment for in-venue pub, bar and restaurant orders: The five most frequently used methods



While traditional forms of payment; cash and card, remain most frequently used, digital wallets such as PayPal are rising in popularity by consumers for online ordering when using Order & Pay functionality.

Making payment easier: Consumers' four biggest in-venue online card payment frustrations

1

29%

Typing in card information

2

26%

Data security concerns

3

21%

ID checks and authorisations

4

16%

Added time to find card

Research conducted previously by PayPal reveals that **66%** of consumers surveyed trust digital wallets more and **69%** believe that digital wallets are more secure compared to other payment methods*.

What's next?

Payment technology is evolving all the time and offering guests the latest methods will become essential to maintain a competitive advantage in the years ahead.

There is a lot of favourability towards new technologies, the most popular being **'pay-with-your-face'** recognition software, which a third (**34%**) of people say they find appealing. Close behind are options like **digital IDs (33%)**, **'invisible' payments** or just walk-out technology (**31%**) and **microchips** under the skin (**29%**). Of all of these, the numbers of 18 to 34 year-olds finding them appealing are at least twice as high as those in the 55+ bracket.

However nearly two thirds of consumers find these types of payment solutions appealing, and **42%** think the same about crypto currency payments. These new technologies take different forms that consumers will adapt to use more frequently in the future—but it's a reminder that consumers' preferences can change fast, and that a lot more education required before these high-tech methods become mainstream.

* Forrester, Commissioned by PayPal, September 2020.





The view from CGA

"It's clear from this research that while cash remains an important part of people's lives, it is steadily being replaced by card and device-led payments. COVID triggered a major shift to contactless methods for safety, and many consumers will be taking those habits into the future. The need for hygiene also prompted some operators to create cash-free venues, and they too are unlikely to revert to pre-COVID models."

"Payment is a crucial stage of anyone's journey through a restaurant, pub or bar. Guests who find it quick and easy will leave with good impressions, but those who find it frustrating might never come back. Whether using cash, card, phone or watch, it's important that venues deliver the flexibility, speed and convenience to meet demands. All operators will need to keep a close eye on changing preferences and payment innovations in the months and years ahead."

Karl Chessell, CGA Business Unit Director - hospitality operators and food, EMEA



The view from Zonal

"There has certainly been a behaviour-shift in hospitality, with more people switching to digital forms of payment, such as apps, mobiles and wearables. Whilst cash remains an option for some, the overwhelming use of digital payment combined with a growing interest in futuristic and 'invisible' payment methods shows that attitudes have changed hugely. The move towards a cashless society was accelerated by the pandemic, but our research shows that the shift is here to stay and we've reached a tipping point where venues will miss out on business if they can't keep up."

Olivia FitzGerald, Chief Sales and Marketing Officer, Zonal



The view from PayPal

"This research highlights that whilst traditional forms of payment remain prevalent in hospitality, the pandemic has accelerated the shift towards digital with contactless payments and Order & Pay adoption set to grow further. This trend aligns to the demand of consumers to have the simplest and smoothest payment experience when eating or drinking out, with security being an ever-growing concern as digital adoption expands."

Vincent Belloc, Vice President & Managing Director at PayPal UK

About the data

This report is based on figures from Zonal and CGA's exclusive GO Technology survey of 5,000 nationally representative British consumers in June 2022.

For further information on GO Technology, please contact info@zonal.co.uk

