

ARE WE HEADED FOR A CASHLESS FUTURE?

Data Highlights a False Narrative

What If Media Group

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We may be living in a card-obsessed world, but cash is still king.

Cryptocurrency, contactless payments, and alternative payment methods like PayPal, Venmo, Stripe, Square, and Apple Pay, are becoming ubiquitous. Payment options are evolving and becoming more accessible, opening up a world of shopping opportunities for anybody, regardless of whether or not they have a credit card. But according to a recent survey, not everyone is following the trend.

The saying “cash is king” might sound a bit outdated these days, but according to our data, most of our users—more than 60% of respondents in a recent survey—say they prefer paying with cash over a card.

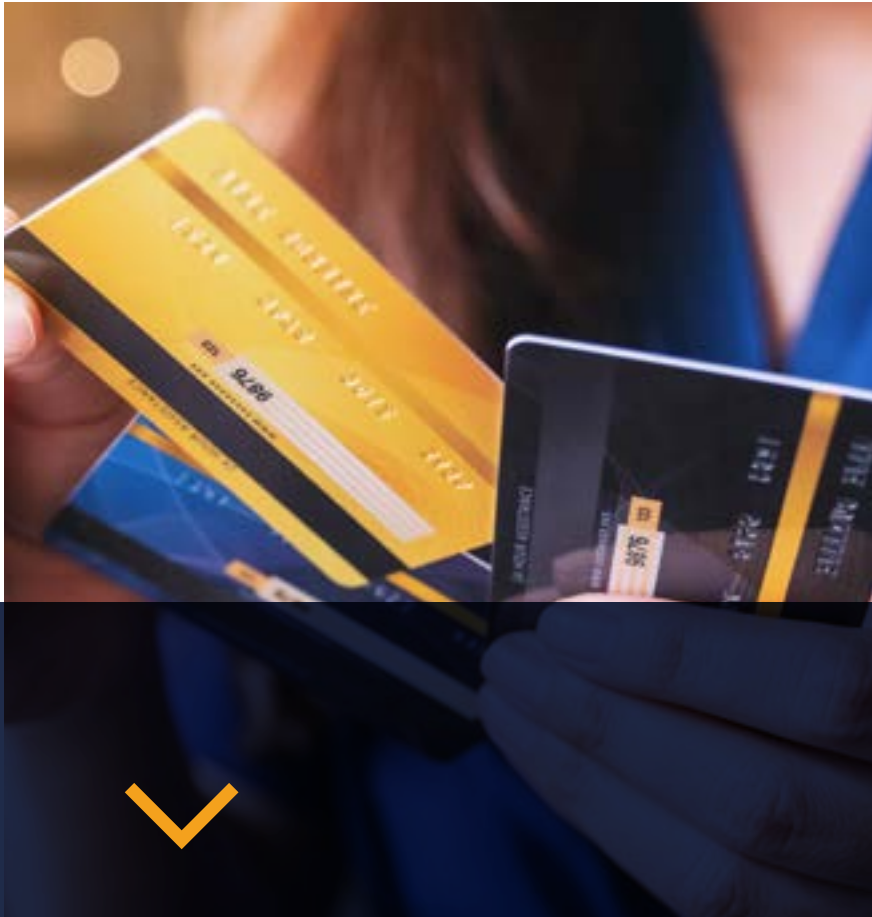
It is the age of contactless everything, but if you are hedging your bets on a cashless future, you might have to rethink that strategy.

Electronic payments have changed how most merchants do business, and it’s undoubtedly transformed the consumer landscape. In recent years, digital payments have replaced checks, lending weight to the idea of a cashless future.

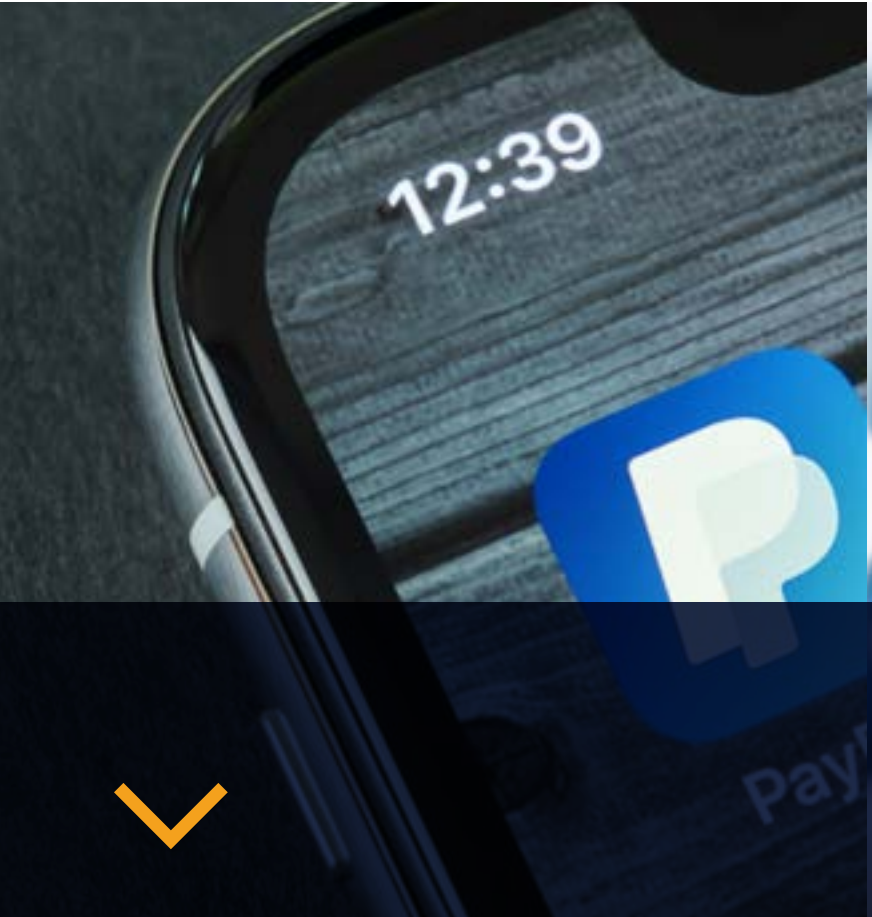
Consumer habits support this theory, as according to the Federal Reserve’s consumer debt report, debt levels have recently exploded, ballooning by \$40 billion^[1] in February 2022 alone. All signs would indicate that not every consumer is avoiding credit, but those numbers are just one twist in a complex plot.

However, there is little doubt that the uncertainty of recent years, inflation, and global changes in the way we live and work have got people thinking about ways to reduce spending and risk. Paying in cash is a time-honored way to live within means and avoid taking on unnecessary debt.

Do You Prefer Paying With Your Credit Card or Alternative Payment Methods (APMs)?



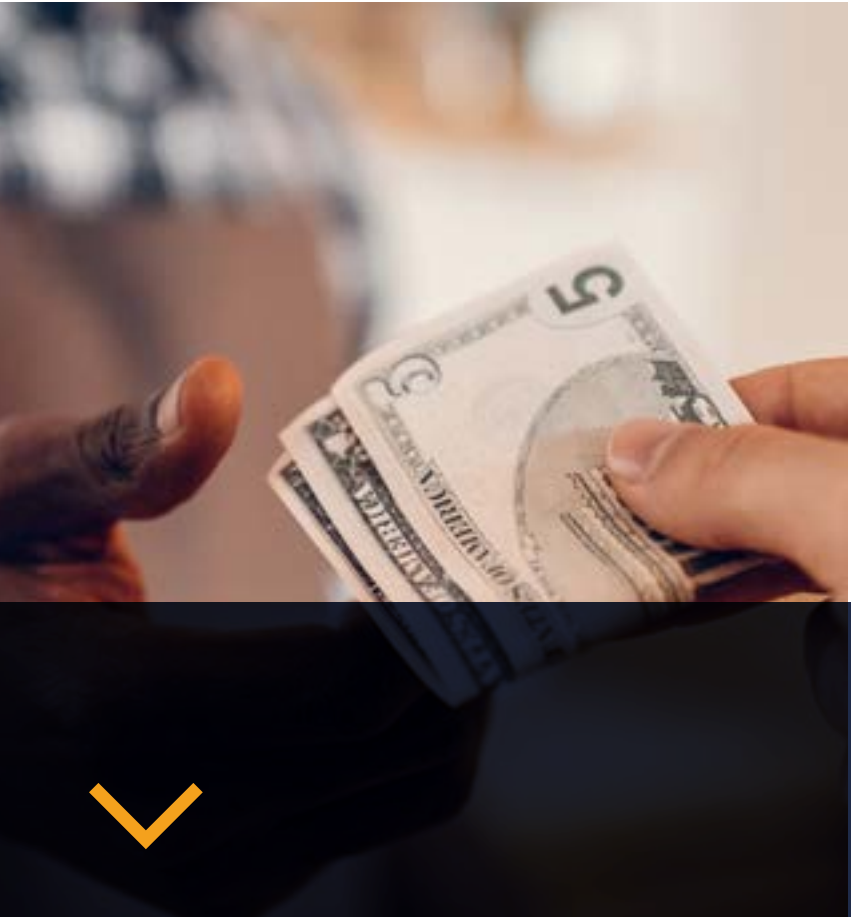
14.59%
Credit Card



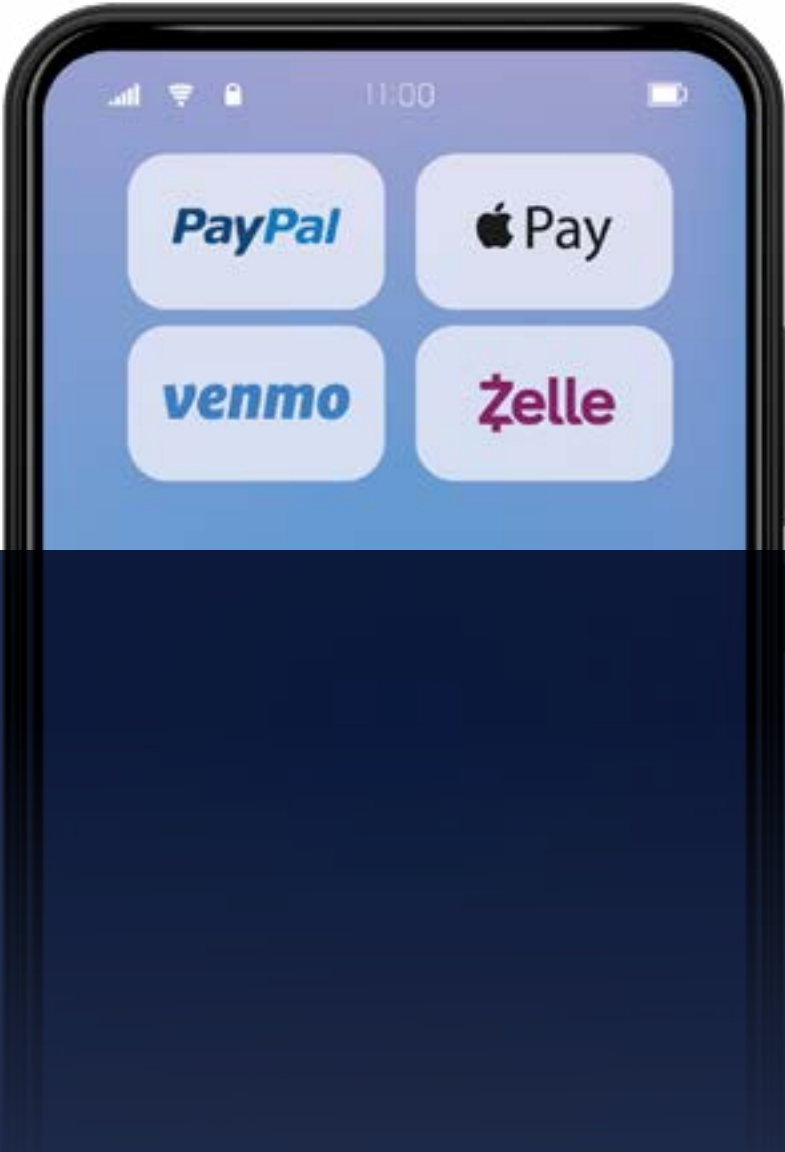
8.42%
APMs



17.67%
Both



59.33%
Neither



According to data compiled by What If Media, credit cards score significantly lower on the preference scale. As a credit card issuer, will having access to this data impact how you do business? And if so, how will you leverage this information to your advantage?

To truly understand the opportunities and turn the tides in another direction, you must market your business as any other consumer-

driven model. If you heed the data, you'll know your customers and understand how to solve their pain points. Solve their problems, and you'll have their loyalty. Loyal customers deliver higher customer lifetime value, and that's the sweet spot.

If you're wanting to maximize your business's reach and potential, you've come to the right place. What If Media Group delivers the most

cost-effective, targeted, and top-performing marketing campaigns to our clients. Our proprietary high-tech software, ARIA, utilizes highly sophisticated technology to deliver the right content to the right consumer through the right channel at the right time. Whatever your measure of success, we'll help you get there — without sacrificing quality or quantity in the process.

Missed Opportunities

Perks like cashback, loyalty points, travel rewards, and premium discounts on adjacent services don't happen when you use cash. But are these niceties really what the consumer wants?

Most things can be purchased without a credit card these days. One might need a credit card for large purchases, to rent a car, or provide a guarantee for a hotel room, but most vendors make allowances for Visa debit or cash cards. For everything else, cash or alternative payment methods will suffice.

On the plus side, a credit card can offer significant opportunities, such as paying for future travel, loyalty points that can be used towards merchandise, insurance coverage, and buyer protection. Credit cards also provide consumers with a way to build credit, a driving factor when buying a car or applying for a mortgage. Depending on one's lifestyle and goals, advantages such as these might be more or less important, but what appeals to one person does not necessarily appeal to another.

Case in point: despite all the pluses to having a credit card, 61% of our survey respondents prefer using cash. Of the cohort, 59% say they do not have even one credit card, while 37% have between one and three cards.

How Many Credit Cards Do You Currently Have?



What can we conclude from these insights? Clearly, consumers continue to spend without reaping any of the benefits of credit cards, despite the promise of a better credit score, more buying power, or rewards that will improve their lives.

If the cashless narrative is misleading, what does that bode for credit card issuers, and how can they leverage this data to reshape the trajectory?

What Would it Take to Convert a Cash User to a Credit Card User?



People have various motivations for doing what they do. In many cases, especially from a financial perspective, attitudes towards money are generational.

Our users said if they were to sign up for a credit card in the next six months, the most important motivation to sign up would be cashback rewards.

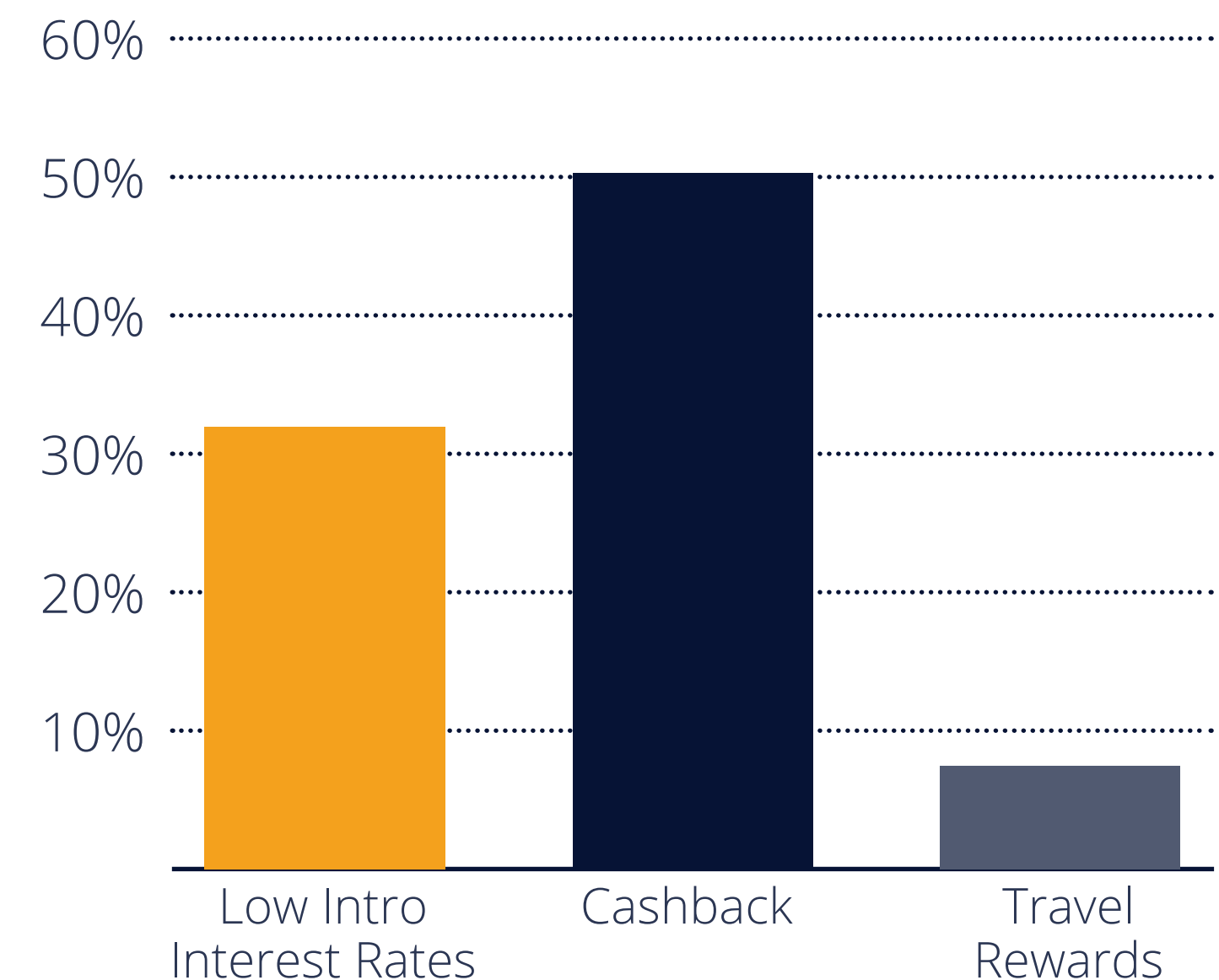
Other reasons included a low introductory rate (32%), points (11%), and travel rewards (7%).

We asked our users how many credit cards they own, and a surprising 59% said they don't have even one. Of those who responded this way, the majority of males and females were between 41 and 55 years old. Where most data stops, ours goes even further and we're able to determine that this is also the strongest demographic by 35% to want to buy a credit card within the next 6 months.

Older millennials are at the younger end of this demographic. Many have watched their parents struggle through the recession and later faced their own financial woes attempting to find decent-paying jobs. Gen Xers are more financially stressed, with about 22% seeing their income fall since the pandemic.

While these points might not seem like they have a bearing on credit card preferences, they indicate sentiment and reflect motivation, which will undoubtedly influence any financial decisions they make.

If you are, which of these criteria would make you want to sign up for a credit card in the next 6 months?



Rethinking Value

Credit card offers are everywhere...

Generational bias aside, there is no question that consumers today are more risk-averse than ever before. As we head into another economic downturn, as the cost of consumer goods continues to rise along with interest rates, credit is less alluring than ever.

Credit card offers are everywhere, from banks, stores, and brands, all of which promise better living through credit. But who's buying?

Creating offers the public really want, such as cashback, combined with tools to help users improve their finances and financial literacy, could be the panacea that turns things around.

Done right, such a campaign could expose a hidden audience and new sources of revenue that not only build the bottom line but also make life better for more people.

Make Customers Feel Safe

If you look at online merchants, most offer every possible way for people to pay — including pay-as-you-go plans — that do not require credit cards.

It's no longer essential to have a credit card to shop online, so there is little impetus or desire to apply, especially when it involves taking on debt.

Today's overwhelming trend is toward convenience, but safety and security are also top-of-mind. Credit cards are no longer necessary, but they are also not seen as a "safer" way to pay.



We asked our users, "Which payment method do you consider the safest? Paying with a credit card or using an alternative payment method like PayPal, Venmo, Apple Pay, Zelle, etc.?"

The answers may surprise you:



Security, convenience, and access are essential, and all the elements must be in place. The relative safety of methods like PayPal, which will immediately refund your money and file a dispute with the merchant if there is a problem, is a massive asset.

Although many credit cards offer payment protection, issuers often have a lengthy refund process and are therefore seen by consumers as higher risk. In the event of a dispute, it may take up to 90 days to see the money returned to your balance, but it all depends on the merchant and their policies.

A close-up photograph of a hand holding a credit card over a payment terminal. The terminal is a handheld device with a screen and a keypad. The background is blurred, showing what appears to be a retail or service environment. The lighting is bright, highlighting the textures of the hand and the card.

The Solution is Transparent

Credit card issuers can leverage our survey insights to create offers and policies that alleviate consumer hesitancy around credit cards. Transparency is critical. Providing assurances of safety, security, and a customer-centric approach may break down some barriers.

Have their best interests at heart

Protecting consumer data may be mandated by law, but credit card issuers and financial services can take these policies a step further. Most offer balance protection for a fee, but too many are aggressive about selling it as a stand-alone product, resulting in unnecessary additional charges against the balance that often add up to thousands of dollars a year.

Offering balance protection at a reduced fee or including it in the annual fee could be a solution. Eliminating the “hard sell” tactics that many financial services employ may serve to increase trust as the customer will know you are acting in their best interests.

Create value, gain loyalty

Ultimately, the answer lies in the ability to create value beyond the cards themselves. If credit card companies can find ways to integrate into a consumer’s day-to-day life, focus on user behaviors (as opposed to products), and provide more personalization and a frictionless experience, it may help them win the day over APMs and cash payments.

Gains in customer loyalty beyond simply gaining new business are key. As return on assets (ROA) metrics continue to decline in the banking sector^[2], it’s clear that a new approach is essential.

Follow the Data,
Know Your
Audience

Despite strong trends toward convenience, contactless payments, and alternative payment methods, Americans appear to be traditionalists at heart when it comes to paying for stuff. Cash is still king in the consumer landscape, and though most don't want to stop using cash, many are willing to use a credit card that offers them what they want—namely, excellent cashback rewards.

Even if you have a strong base that values luxury perks like travel rewards, airport lounge passes, and swanky hotel upgrades, not everybody lives at that level. The masses want value, and they want to know that the companies they put their trust in have their backs.

When you focus on delivering what the people want instead of piling on high-end perks meant for a high-earning clientele, you'll immediately expand your customer base, as these are the people that make up the vast majority of America.

Once you've gained their trust and acquired the customer, you can expand your offer to include more value, such as helping them build their credit score and offering more perks, points, and premiums personalized to their buying behaviors. Much like loyalty points at a favorite store convinces people to shop there over other merchants, you can become a trusted ally that walks the talk and can deliver what they want.



Bottom line? You'll always win if you build foundations based on data.

Knowing your target audience is vital to your approach. Your customers want to feel safe and they want to know you have their best interests in mind. Financial literacy, security, and reduced risk are all concerns, but they also want to know that they are protected from dire circumstances. Though federal and international data privacy laws are stringent, it never hurts to reinforce these ideas. State your policies in plain, simple English, and don't bury them in legalese. Speak to your customers in a language they understand.

Next Steps

Financial services companies often look to their highest-earning customers to inform their strategies. However, this approach could find you missing out on a massive opportunity. At What If Media Group, our audience is Mass America, and our data shows that they still seem to be spending within their means by paying with cash instead of credit.

We know what will convert cash lovers into credit card users and change the dynamic of your ROA.

If you are searching for ways to reach your target audience, we have the contextual data to inform your strategy. Reach them where they are and find out what they want so you can deliver.



Set Up a Call Today to find out how we can help

What If Media Group

About This Survey

The data this paper is based on are the results of an online survey related to credit card users conducted within What If Media Group from February 25th to March 9th, 2022. 226,833 randomly selected adults responded, and the findings have a 99% confidence level with margin of error +/- 2.5%.

What If Media Group's proprietary ad-serving technology includes a real-time survey module that was used to facilitate data collection for this study. Data was weighted to the 2010 US Census.

^[1]<https://www.cnn.com/2022/04/07/economy/federal-reserve-consumer-debt-february/index.html>

^[2]<https://www2.deloitte.com/content/dam/Deloitte/at/Documents/financial-services/at-banking-capital-markets-outlook-2022.pdf>