

5 key factors driving mobile payment adoption



Mobile payments – payments made with the help of a wireless device like a smartphone or tablet – are on the rise worldwide. According to a report published by Allied Market Research, the global mobile payment market was estimated at \$1.48 trillion in 2019 and is expected to hit \$12.06 trillion by 2027.¹

Much of this growth has been driven by Asia, specifically China, where the infrastructure supports mobile payments. However, there are five key factors that have set the stage for significant mobile payments growth in Canada.

The smartphone has evolved beyond the phone.

Smartphones have not only revolutionized the way we live and work but how we connect to each other as individuals and with businesses. According to the most recent statistics, 84.4% of Canadian households own a smartphone.² That number is expected to steadily increase as more older Canadians embrace smartphone usage.

The increase in smartphone ownership has led to a boom in mobile app development and usage. The iOS store launched with 500 apps in 2008. Now, there are over seven million apps available for the iOS and Android platforms. And the growth in the mobile app market has led to an increase in mobile payments.

Mobile payments provide individuals with an easy and seamless way to make online and point-of-sale purchases, pay bills, or send and receive money. Both individuals and merchants have embraced app-based commerce and in-app payments. Businesses have ramped up investments in mobile apps with innovative use cases that provide an integrated customer experience.



Younger generations are driving mobile payment adoption.

While smartphone ownership has increased across all generations, it is the younger generations that are driving the increasing pace of mobile payment adoption.

An overwhelming majority of Generation X and millennials own smartphones. Individuals in these generations make up most of the mobile payments volume. They are often influenced to use mobile payments by the option to receive rewards, discounts, alerts, and electronic receipts in addition to the convenience mobile payments provide.

Generation Z, those born after 1996, is also pushing the payments environment towards more peer-to-peer payments (P2P) and mobile payments. Gen Z, like millennials, has high expectations for mobile experiences and are more comfortable than other generations with moving money digitally. As the reliance on digital devices increases, the way all generations interact with money will continue to change with more people switching from cash, debit and credit cards to mobile payments.

Technology advancements enable more convenient and secure payments.

Even before the smartphone, there has always been a need to find the balance between convenience and data security in payment innovation. This is what drove the adoption of debit and credit cards, followed by the widespread use of PIN technologies and the EMV chip.

Mobile wallets offer an easy and secure way to pay for goods and services. With a mobile wallet, individuals can store their consumer or corporate credit card information on their smartphone for later use. Tokenization allows individuals to store their credit card information in their mobile wallet securely. A token replaces the credit card number, rendering the information useless to hackers.

With stronger security in place, mobile wallets are more secure, and faster, than using a traditional, plastic credit card. For in-store purchases, individuals simply hold their phone near a point-of-sale (POS) device. Credit card information is instantly and securely shared with the POS device using near-field communication (NFC) technology.

Increasingly, modern payment devices and solutions help mitigate the risk of potential data breaches and the resulting reputational and financial loss through enhanced payment data security.

The COVID-19 pandemic changed payment behavior.

Though contactless cards were gaining in popularity prior to the pandemic, the same could not be said for mobile payments. The pandemic forced significant changes to the way goods and services were paid for.

As the pandemic took hold, many people grew apprehensive with the health risks associated with handling cash and cheques, handing a card to a cashier, or touching a POS machine.

Mobile wallets, along with contactless cards, provide a safer alternative to traditional plastic credit cards as they do not require touching a POS machine to enter a PIN.

As a result of the pandemic and fears of virus transmission, there was a sharp rise in the preference for digital payment solutions, like contactless cards, mobile wallets and wearables among Canadians, especially for in-person payments.

In fact, according to the 2022 Global Payments Report, credit card usage is changing and going through mobile wallets. Mobile wallets' share of global POS transactions grew considerably in 2021 rising to 28.6% of global POS transaction value, or over US\$13.3 trillion.³ As the use of mobile wallets at POS continues to grow rapidly, it appears that habits formed during the pandemic are here to stay.

Merchants are driving change.

Merchants also benefit from mobile payments. As with individuals, mobile payments provide improved payment security, faster checkout speeds and better data to track customer trends and inventory.

These benefits are driving more merchants to accept mobile payments. To encourage their customers to use mobile payments, many merchants use discounts and other perks, to communicate value to the consumer. Some merchants have successfully combined mobile payments and their loyalty programs within their mobile payment apps. In these instances, customers can receive loyalty points, coupons and perks such as mobile ordering.

The future for mobile payments

The consumer mindset around the use of mobile payments is changing. As payment innovation continues to make mobile payments more secure and as businesses continue to make it easier to use and integrate mobile payments, it's expected that adoption will continue to rise. It's anticipated that mobile wallets will take the lead over credit cards in both the U.S. and Canada in 2022 and are projected to account for nearly one third of regional e-commerce spend by 2025.³

It's clear that mobile payments are poised for growth. Both B2C and B2B mobile payments adoption will continue to expand, and companies will continue to integrate mobile payments as part of their payments mix. But user experience will ultimately drive adoption. As nonusers begin to see the benefits of mobile payments enjoyed by early adopters, they won't be far behind on the adoption curve.

¹[Global Mobile Payment Market Size to Grow \\$12.06 Trillion by 2027, at 30.1% CAGR, Allied Market Research, 2020.](#)

²[Statistics Canada. Table 22-10-0143-01 Smartphone personal use and selected smartphone habits by gender and age group.](#)

³[The Global Payments Report, Worldpay from FIS, 2022.](#)