

Point of sale payments during the COVID-19 pandemic

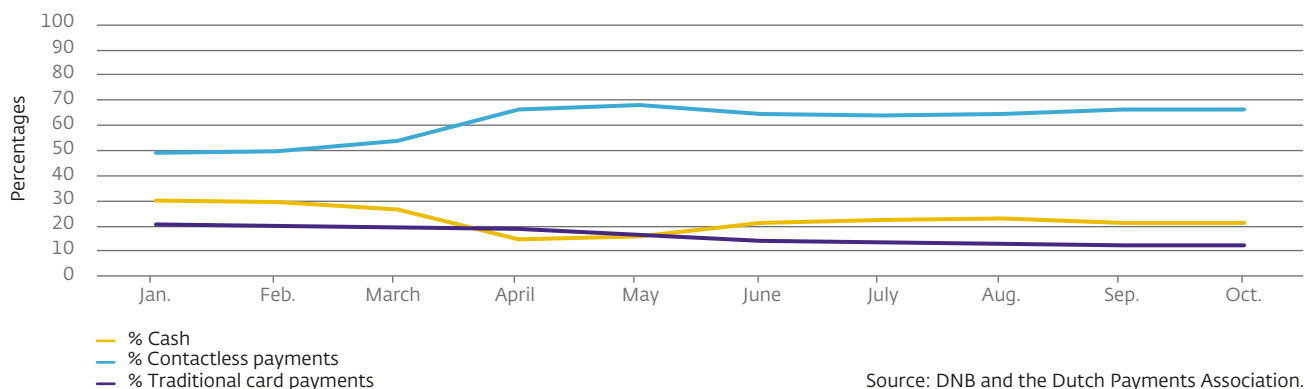
Findings from surveys into cash and cashless payments at Dutch points of sale since the outbreak of the COVID-19 pandemic in the Netherlands

Cash and cashless payments at points of sale

Since the outbreak of the COVID-19 pandemic in the Netherlands, Dutch consumers have not only made fewer point of sale (POS) payments, they have also effected those payments differently than before. Reducing cash and traditional card payments, they have increasingly switched to contactless payments using their cards, smartphones or wearables.¹ Between January and October 2020, the share of cash payments in total POS payments has fallen by 9 percentage points, from 30% to 21%. The combined share of cashless payments (i.e. traditional card payments and contactless payments taken together) has gone up from 70% to 79%. Taken separately, the share of contactless payments increased from 49% to 67%, while the share of traditional card payments decreased from 21% to 12%.

This makes the decrease in traditional card payments of the same magnitude as that of cash payments, i.e. 9 percentage points. The pandemic has accelerated the previously gradual changes in payment behaviour, but not as dramatically as had been expected in April 2020. Just after the start of the first lockdown in the Netherlands, on 16 March 2020, consumers started shunning cash payments, moving to contactless payment methods. In April 2020, they were least likely to pay cash, using notes and coins for just 15% of their POS purchases.² After bottoming out in April, cash payments gradually picked up, rebounding to 23% in August 2020. The second major wave of COVID-19 infections saw a more limited impact on cash payments in volume and duration. In the first week of October 2020, consumers were again seen to shy away from using cash to some extent, but the share of cash transactions was 21% for October as a whole.

Figure 1 Use of different payment methods in total POS payments made during the first 10 months of 2020



¹ The traditional card payment method involves inserting the card into the POS terminal and confirming payment by entering a PIN. Contactless payment methods involve briefly holding a card, smartphone or wearable close to the POS terminal. Often, there is no need to enter a PIN. Consumers must enter a PIN only to confirm individual payments in excess of EUR 25 and payments exceeding a EUR 50 daily threshold. These limits were temporarily raised to EUR 50 and EUR 100, respectively, with a view to the COVID-19 pandemic. Contactless payments using a wearable, such as a smartwatch, ring, watch, bracelet or key ring fitted with an NFC payment chip, work in the same way.

² This could be even less on a daily basis. On 12 April 2020, cash payments accounted for a mere 13% of all POS payments. See the DNBulletin "Contactless payments gaining further ground during the COVID-19 crisis".

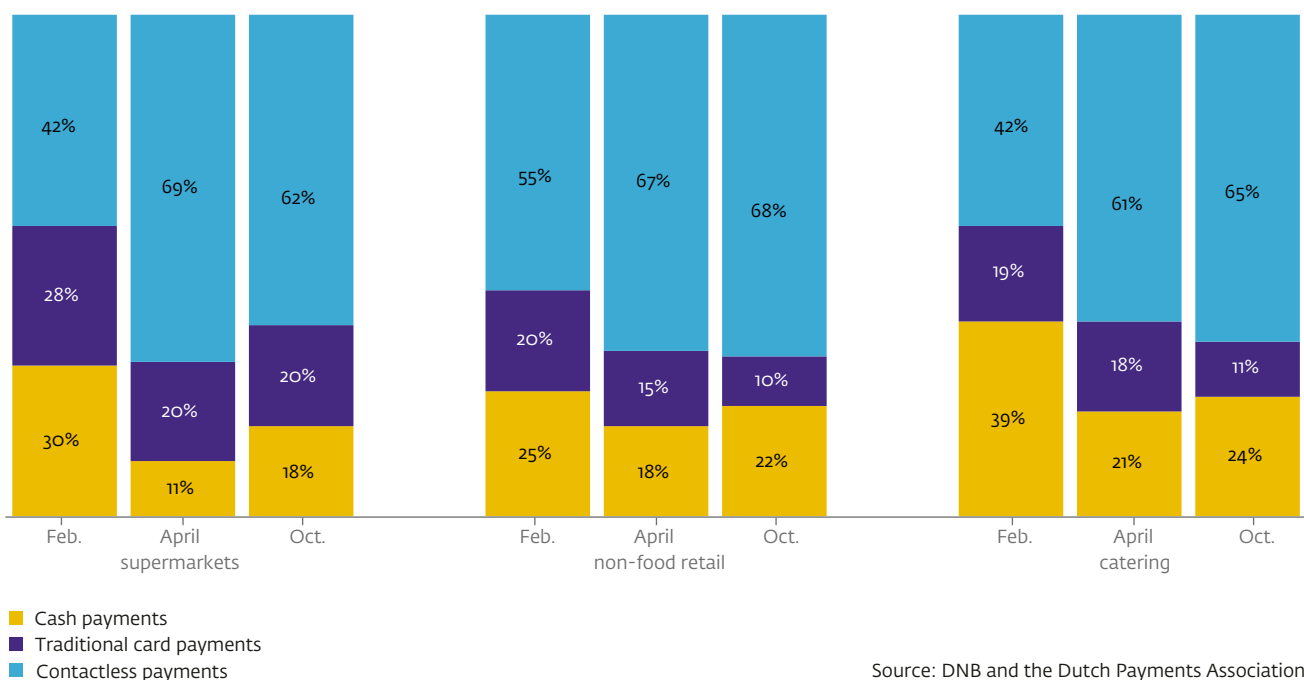
Use of payment methods by sector

The impact of the COVID-19 pandemic on the payment behaviour of Dutch consumers varies greatly from one sector to another.³ While it significantly affects payments made in supermarkets and in hospitality, its impact on payments in non-food retail is fairly limited.

In April, 2020, after the first lockdown, consumers made only 11% of their payments in cash in supermarkets, against 30% in early 2020, before the epidemic erupted. This number has picked up since the summer, to reach 18% in October 2020. This still represents a sharp fall, of 12 percentage points, relative to early 2020. Likewise, cash payments declined in the hospitality sector – from 39% in February to 21% in

April – before showing an uptick to 24% in October 2020. It must be noted, however, that figures for the hospitality sector are somewhat distorted. This is because restaurants and cafés were closed both in April and in October. Also, most payments concern food and drinks at pick-up points and purchases made at coffee shops and similar establishments. While the pandemic has had the smallest impact on payments in non-food retail stores, cash payments were also down in October (22%), relative to early 2020 (25%), showing a 3% percentage point decrease. Consumers have also become more likely to use contactless payment methods in this sector, particularly at the expense of traditional card payments.

Figure 2 Use of payment methods in the three largest sectors in February, April and October 2020



Source: DNB and the Dutch Payments Association.

³ Figure 2 shows the shares of cash, traditional card and contactless POS payments in February, April and October 2020 in the three largest sectors, which are supermarkets, non-food retail and hospitality. The supermarket sector is the largest sector, accounting for 36% of total POS payments. Non-food retail and hospitality each account for 14%. These percentages applied in early 2020.

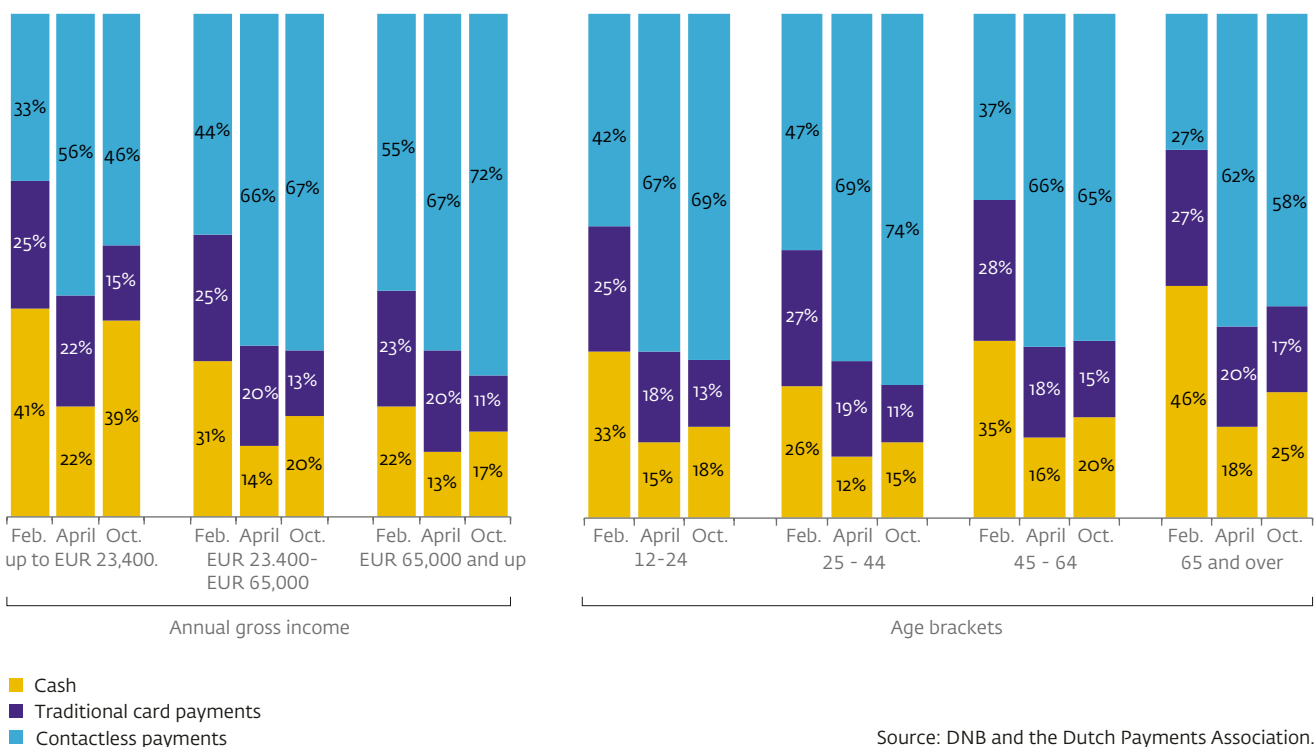
Use of payment methods by income and age brackets

Many consumers who had reduced their cash payments since the COVID-19 pandemic broke out, still made fewer cash payments six months later. Those in the gross annual income bracket of up to EUR 23,400 did not, however. They have reverted almost entirely to their previous payment behaviour. In February 2020, they used cash for 41% of their purchases, and for 39% in October. Their use of cash may be linked to the desire to maintain spending discipline. At the same time, the share of their contactless payments has gone up, predominantly at the expense of traditional card payments, rather than cash payments.

For all age brackets, the decline in cash payments appears to be a permanent phenomenon. While consumers across all

age brackets reverted to a higher share of cash payments following the very sharp decline across the board in April 2020, none of the age brackets shows cash payments at pre-pandemic levels. The pandemic's impact on the use of cash is the strongest among consumers aged 65 and over. Whereas in February 2020 they paid cash for almost half of their purchases, this had gone down to a mere quarter by October. Their share of contactless payments more than doubled, from 27% in February to 58% in October. The rise of contactless payments was at the expense not only of cash payments, but also of traditional card payments, with the card being inserted into a POS terminal, across all age brackets.

Figure 3 Use of payment methods by income and age brackets



Source: DNB and the Dutch Payments Association.

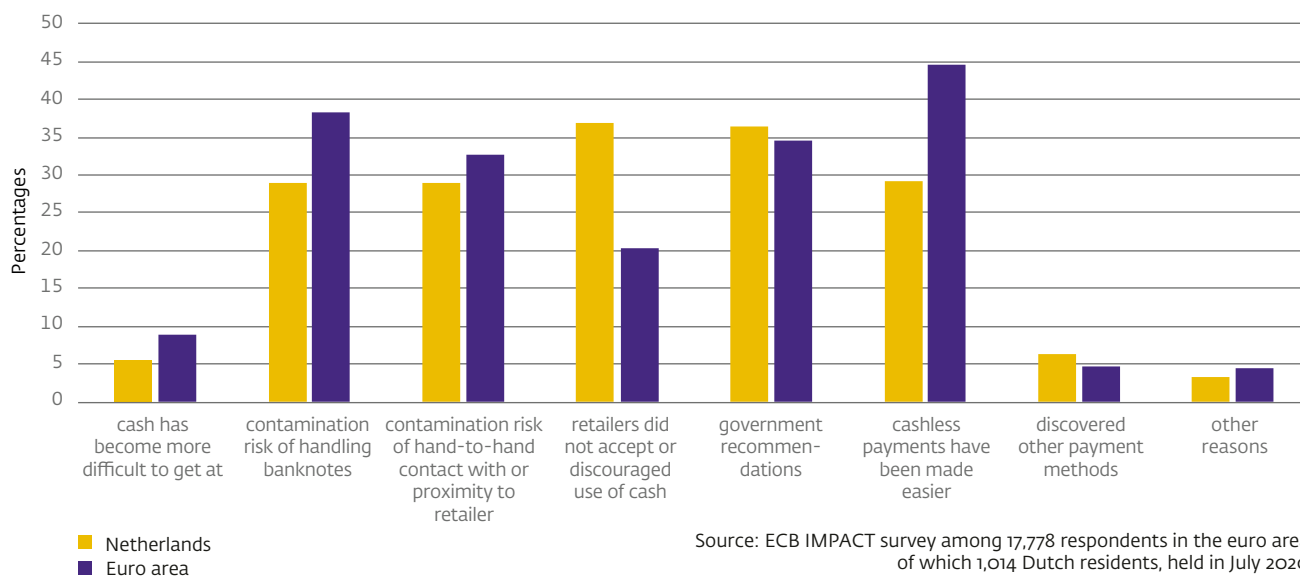
Reasons for reduced use of cash

In a survey conducted by the ECB in July 2020 among more than one thousand Dutch residents, 45% said they had made fewer cash payments since the COVID-19 outbreak in the Netherlands. The most frequently cited reason for this is that retailers had stopped accepting cash or discouraged its use (37%). Consumers in the 40-54 age bracket, in particular, were faced with this issue, whereas those aged between 18 and 24 (20%) and aged 65 and over (33%) cited this reason less frequently. A slightly smaller proportion (36%) said their reason for making fewer cash payments was that they follow perceived government recommendations.⁴ Two further factors prompting Dutch consumers to make fewer cash payments are fear of infection through banknotes and coins, and through hand-to-hand contact with retailers, at 29% both. Almost 30% of those that said they make fewer cash payments did so because cashless payments had been

made easier.⁵ At 34%, women cited this reason more frequently than men (23%).

A comparison with findings for the whole euro area reveals that retailers did not stop accepting cash or discourage its use to the same extent elsewhere: 20% of the euro area respondents cited this reason for their reduced use of cash. Conversely, they cite increased convenience of cashless payments more frequently than Dutch respondents (45%). A possible explanation for this fact is that Dutch consumers already perceived cashless POS payments as convenient before the pandemic broke out, as evidenced by their relatively high proportion before the pandemic relative to the euro area overall. In 2019, Dutch consumers used a debit or credit card to pay for 67% of their POS purchases, against 24% for consumers in the euro area overall.^{6,7}

Figure 4 Frequently cited reasons for reducing cash payments



4 From the start of the COVID-19 pandemic, Dutch government has confirmed that consumers can continue to use cash, in line with the opinion expressed by the Dutch National Institute for Public Health and the Environment (RIVM) that the probability of infection by touching products or surfaces, including cash, is negligible. Accordingly, this reason concerns a perception, as the Dutch government never recommended that consumers avoid using cash because of a risk of COVID-19 contamination.

5 Most likely, they refer to the banks having raised the minimum amounts for which contactless payments require entering a PIN. These limits, of EUR 25 for individual payments and EUR 50 for consecutive payments on a daily basis, were raised to EUR 50 and EUR 100, respectively.

6 See DN Bulletin: "Shift of cash to debit card continues" of 20 April 2020.

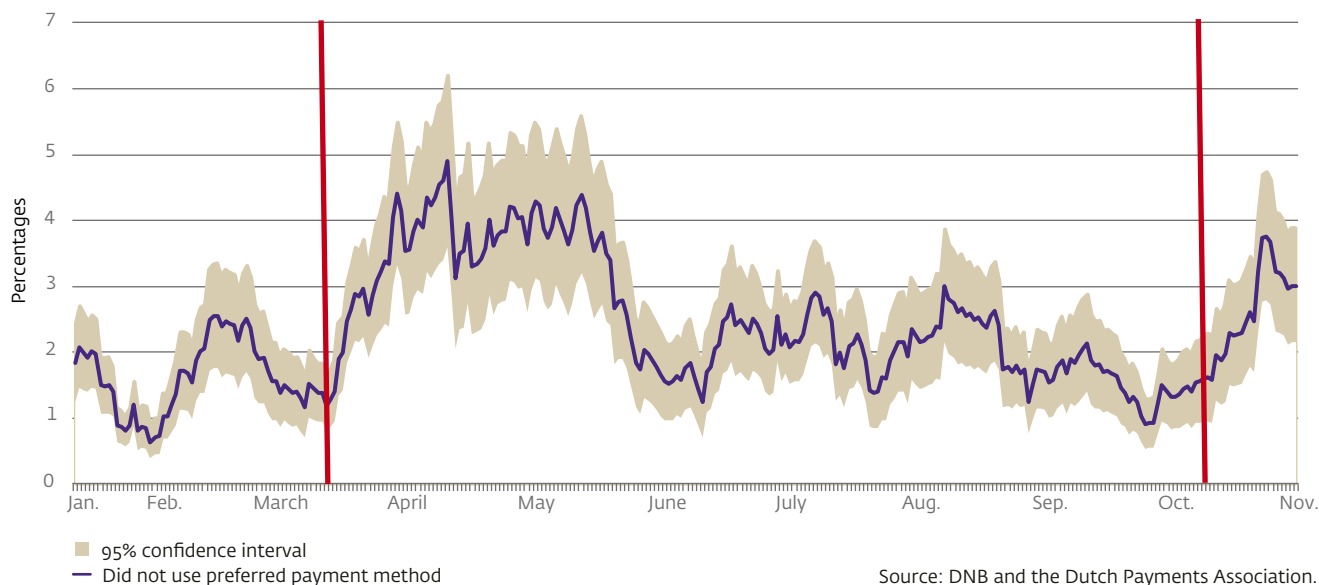
7 See ECB press release "Gradual change seen in euro area payment behaviour" of 2 December 2020

Inability to use the preferred payment method

Dutch consumers are back to using the payment method which they preferred before the pandemic. During the first lockdown in spring 2020, they said they had been unable to use the payment method of their preference for more purchases than before the pandemic – up to 5% of their purchases in the first half of April. Half of this related to payments they had wanted to make in cash, which could suggest that retailers had stopped accepting cash. The other half mainly concerned cashless payments that consumers could not make. Since June 2020, the proportion of payments which consumers were unable to make using their preferred payment method has returned to the pre-pandemic level of 2%.

In September and the first half of October, Dutch residents said they had not used their preferred payment method in 1% of the cashless payments they made. This finding suggests that, on average, Dutch consumers currently experience bottlenecks in using cash at points of sale just as frequently as in early 2020, before the COVID-19 outbreak. In particular, consumers who said they found it very difficult to make ends meet had experienced bottlenecks in using their preferred payment method relatively frequently, rather than those in low income or high age brackets.⁸

Figure 5 Share of payments not made using the preferred payment method



Source: DNB and the Dutch Payments Association.

Note: The figure shows a 14-day moving average. The first vertical red line marks the start of the first lockdown of 16 March 2020. The second vertical red line marks the start of the partial lockdown of 13 October 2020.

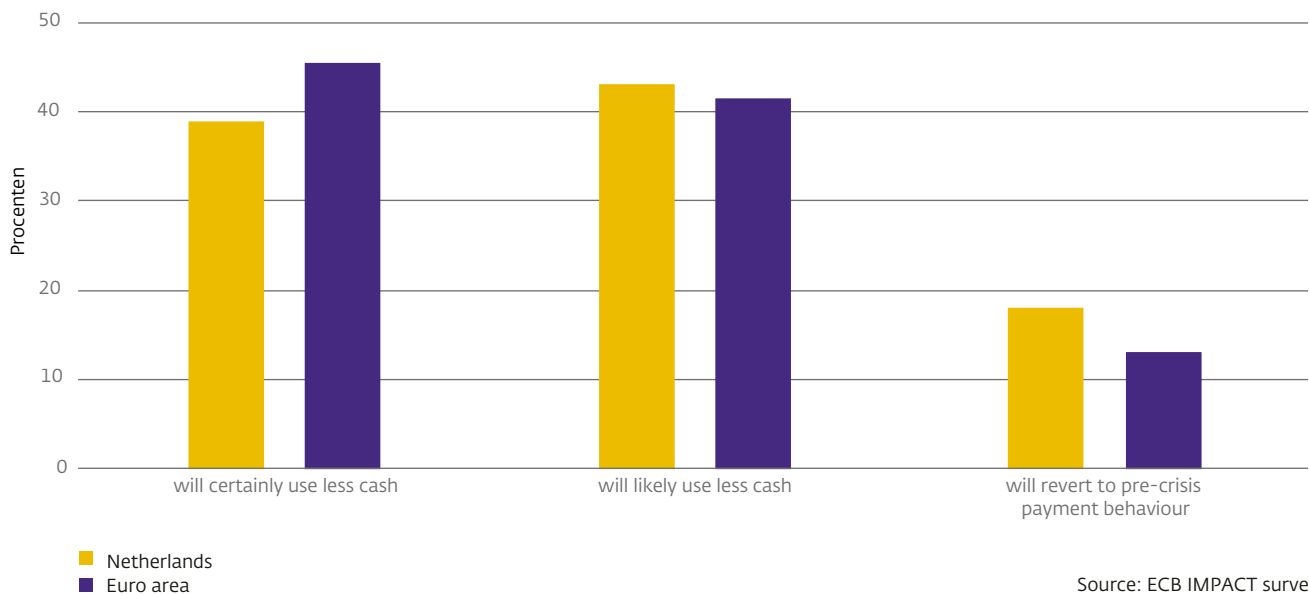
⁸ 2% of respondents said they found it very difficult to make ends meet, while 7% said they found this difficult.

How the Dutch expect to pay

Almost half of Dutch residents said they had paid cash for their purchases less often than before the COVID-19 crisis. Of this group, 18% said they would revert to their previous payment behaviour after the pandemic. A smaller proportion of the residents of other euro area countries expect to do so (13%). Of the Dutch residents who have reduced their cash use, most expect to continue to do so – 39% were certain,

while 43% considered it likely. Of those aged 65 and over who said they used cash less often, over half said they would continue to use it less often. By contrast, of those aged 18-24, only a quarter were certain. That said, many of them consider it likely (63%). For those aged 65 and over, this figure is 31%.

Figure 6 Post-pandemic payment behaviour expected by those who currently use less cash



Note: Responses were obtained from the 451 Dutch respondents and the 7,012 euro area respondents who said they had used less cash since the COVID-19 crisis broke out.

Cash or cashless?

Consumer preference also shifted towards contactless payment methods between February and October 2020. In October, 54% of consumers said they preferred to pay contactless, up from 45% in February. Most of this shift has been at the expense of the overall preference for traditional card payments, which fell from 24% to 19%. The proportion of consumers who generally prefer to pay all their purchases in cash has decreased slightly from 21% to 20%.

The most notable change can be seen in those consumers who prefer to use non-cash methods, except for small amounts. Their share narrowed from 10% to 7% between February and October. As roughly a quarter of all point-of-sale payments are for amounts up to EUR 5 and more than half are for amounts up to EUR 15, the latter shift in payment preferences helps the accelerated decline in cash use take root.

Figure 7a Preference for cash or cashless in February

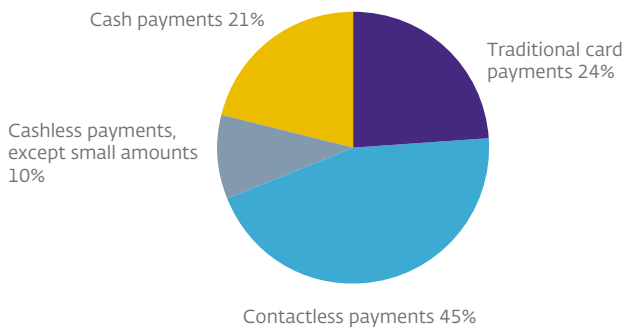
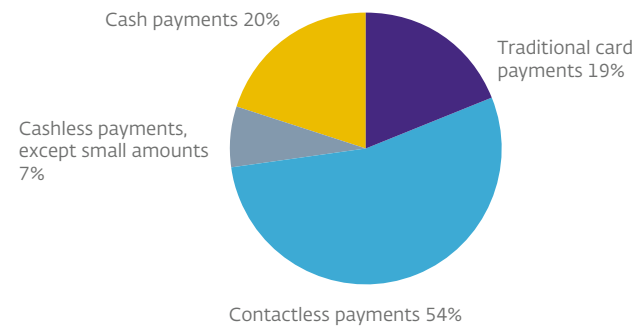


Figure 7b Preference for cash or cashless in October

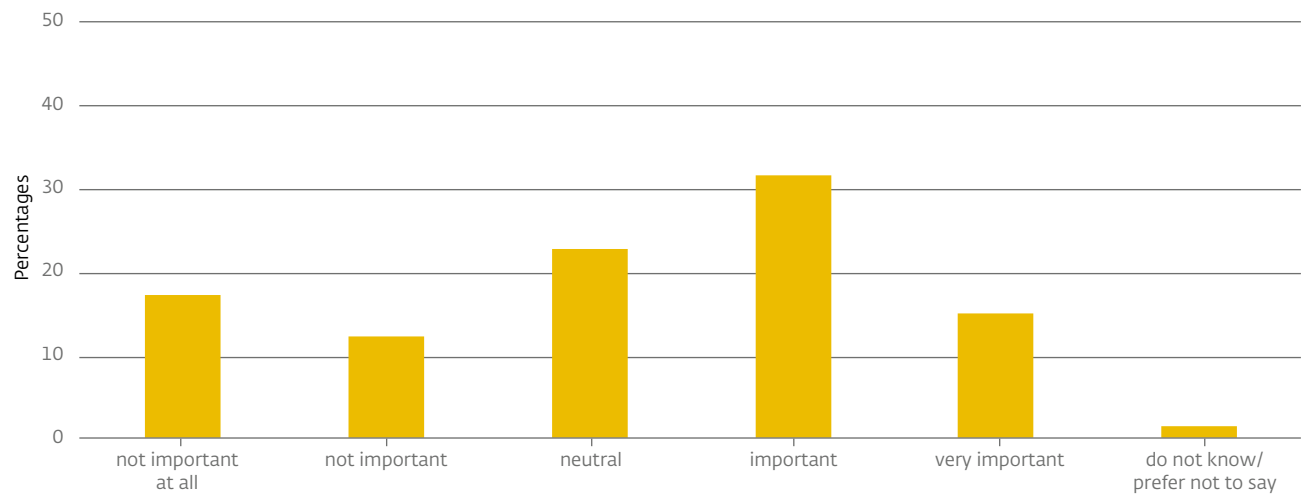


Source: DNB and the Dutch Payments Association.

The importance Dutch consumers attach to being able to pay cash

Even though most Dutch residents prefer to make non-cash POS payments, almost half said they considered it important or very important to be able to pay cash. By contrast, almost 30% believed this was not or not at all important, while 23% were fairly neutral.

Figure 8 The importance Dutch consumers attach to being able to pay cash



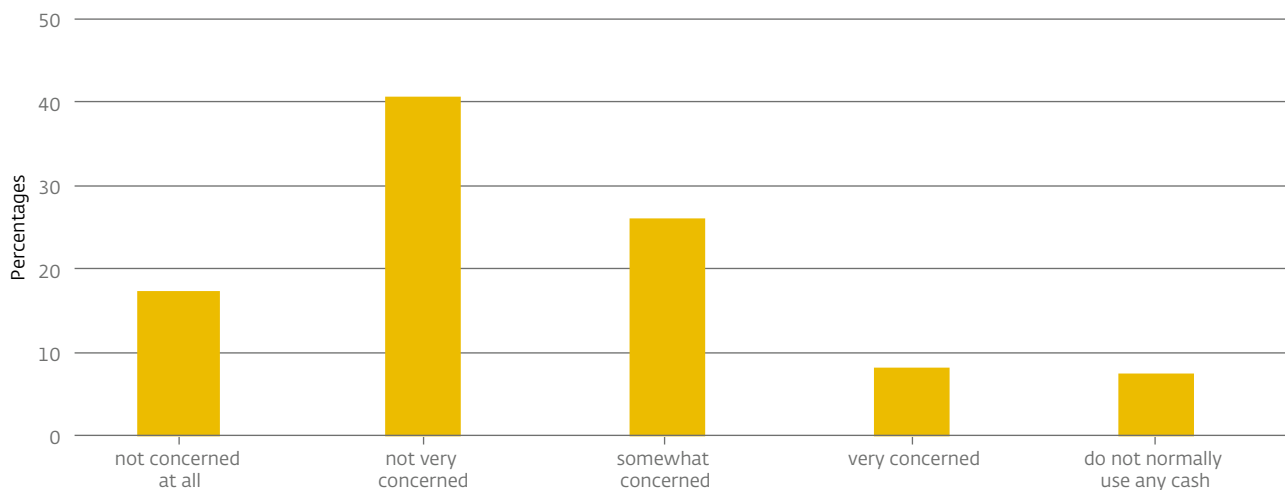
Source: ECB IMPACT survey among 1,014 Dutch residents, held in July 2020.

Concerns over infection risks

When asked "If you think about everything you touch when you are shopping, how concerned are you about being infected with the COVID-19 virus through the use of banknotes and coins?" 58% of the Dutch residents said they were not very or not at all concerned. 26% were somewhat concerned, while 8% were very concerned. At 27%, those

aged 65 and over were not very or not at all concerned, whereas those between 25 and 39 were somewhat or very concerned, at 39%. In addition, those living in rural areas were less concerned over infection risks at the time of the survey (27%) than those in urban areas (40%).

Figure 9 Concerns over infection risks through the use of banknotes and coins



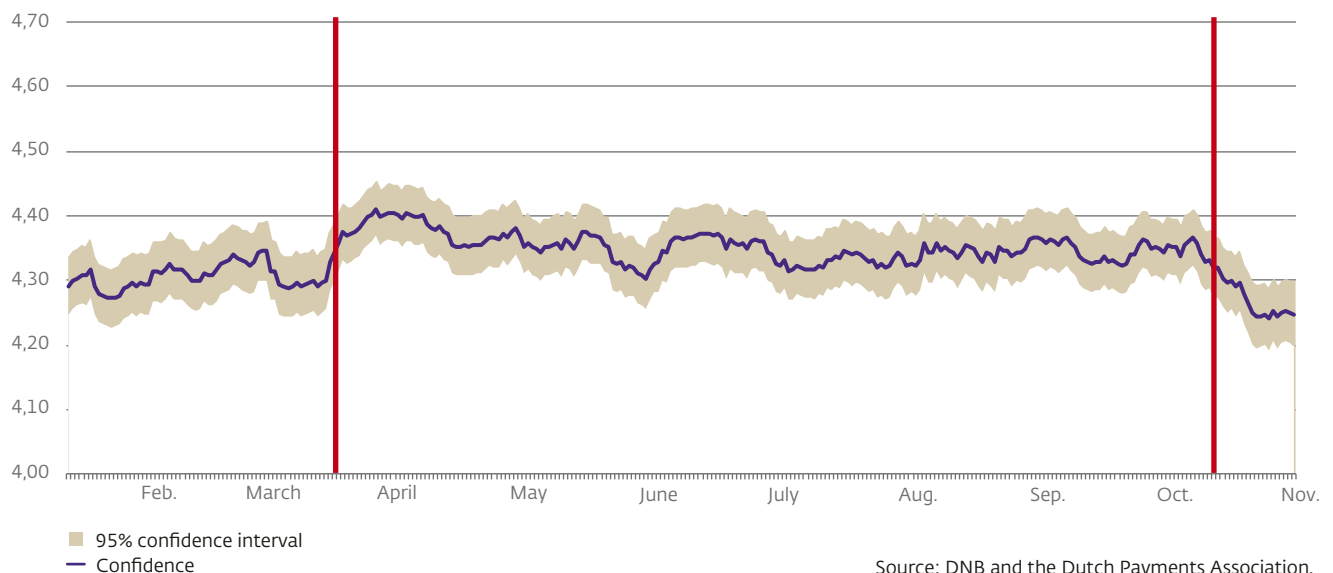
Source: ECB IMPACT survey among 1,014 Dutch residents, held in July 2020.

Consumer confidence that banks ensure smooth payments

During the pandemic, confidence among Dutch residents that banks ensure their payments proceed smoothly held up well. Just after the start of the first lockdown, confidence in fact peaked, Dutch residents rated their confidence at 4.4 on a five-point scale on average. During the second wave of

infections in October 2020, confidence edged down, but remained well above 4. At the end of October, average confidence stood at 4.3, matching the level seen at the start of the first lockdown in March 2020.

Figure 10 Consumer confidence that banks ensure smooth payments



Source: DNB and the Dutch Payments Association.

Note: The figure shows a 14-day moving average. Confidence was rated on a scale from 1 (very low confidence) to 5 (very high confidence). The first vertical red line marks the start of the first lockdown of 16 March 2020. The second vertical red line marks the start of the partial lockdown of 13 October 2020.

Survey characteristics

In tandem with market research agency GfK, market research agency ISPOS collects data among some 2,000 respondents each month for the “Point of sale payments in 2020” study performed by DNB and the Dutch Payments Association.

Survey scope:

- Payments made in the Netherlands by Dutch residents aged 12 and over.
- Payments made at points of sale – such as shops, cafés, restaurants, hotels, petrol stations, service providers, markets and vending machines – and person-to-person payments.

Survey method:

- Single-day transaction diary and web-based questionnaire or telephone interview.
- The field work was carried out between January and October 2020.
- Respondents represent a true reflection of the Dutch population in terms of gender, age, ethnicity, education, geography and income.

General comment:

- Figures for cashless payment methods were provided by the Dutch Payments Association.

The European Central Bank commissioned market research agency Kantar to collect data from 17,779 residents of the euro area, including 1,014 Dutch residents, in July 2020 for a comprehensive European study on payment experiences of euro area residents in the COVID-19 crisis.

Survey scope:

- Payments made in the euro area by euro area residents aged 18 and over.
- Payments made at points of sale, e.g. shops, cafés, restaurants, hotels, petrol stations, service providers, markets and vending machines.

Survey method:

- Web-based questionnaire or telephone interview.
- The fieldwork was carried out in July 2020.
- Respondents represent a true reflection of the Dutch population in terms of gender, age, ethnicity, education, geography and income.

Contact details:

Nicole Jonker: n.jonker@dnb.nl

Frank van der Horst: f.van.der.horst@dnb.nl

Patricia Zwaan: p.zwaan@betaalvereniging.nl