

Cashing in on the rise of digital – key trends in US payments

Table of Contents

Payments - a rapidly evolving landscape	03
Is cash on its way out?	04
The digital-dominated future	05
Younger generations driving digital revolution	06
Rich pickings - new payment methods favoured by the affluent	07
Security and trust top of mind when choosing payment methods	08
The instant payments opportunity for banks	09
Conclusion – the imperative to modernize	10
Temenos' solutions for US banks	11

Payments - a rapidly evolving landscape



The payments world is changing at pace. Innovative fintechs have transformed the payments landscape and payment volumes are increasingly moving to non-bank financial services institutions¹.

We see this in the rise of mobile wallets like Apple Pay and deferred payment options at point of sale with buy now, pay later. Customers now expect seamless, real-time, and secure payment experiences. Regulation is also playing its part, with many markets adopting open banking standards as well as other initiatives, including new domestic real-time payment schemes such as FedNow. Banks need agility to stay ahead in this rapidly evolving digital payments landscape, but for many, legacy technology is holding them back.

With payments modernization a top priority for US banks, this survey of 2,000 American adults provides valuable insights on the payment choices and expectations of consumers, and with it the opportunities for US banks to enhance their competitive position and improve customer satisfaction.

About the Survey

The research was commissioned by Temenos and conducted by **Opinium Research**. A nationally representative sample of 2,000 US adults were surveyed online as part of the US Consumer Omnibus Survey from July 11th-19th 2023.

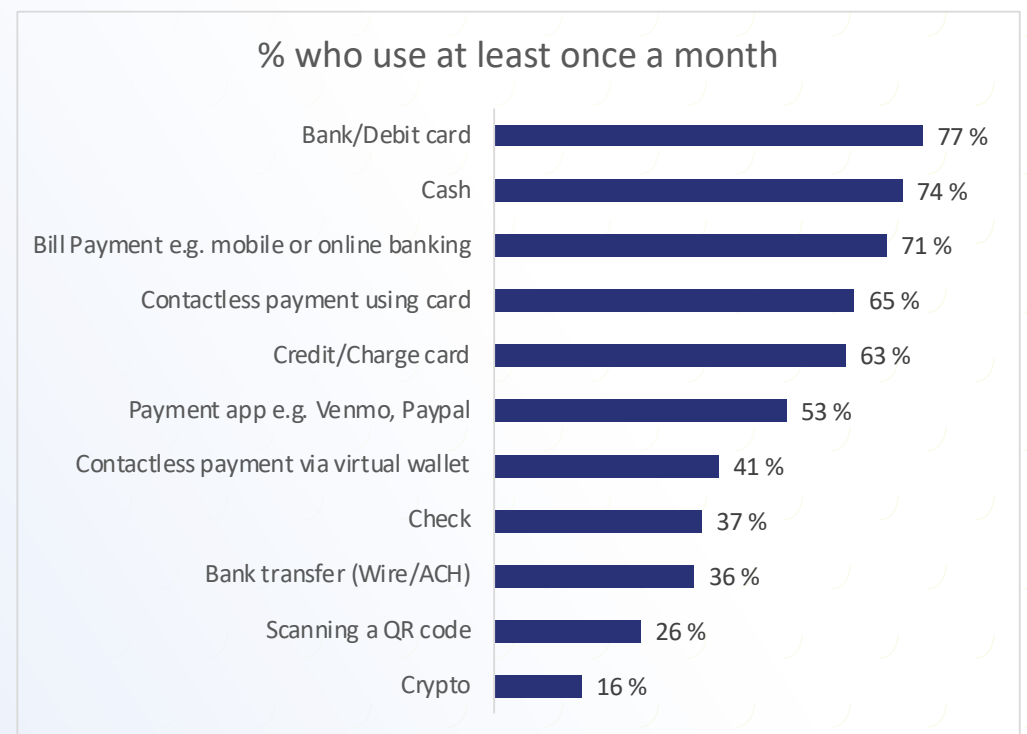
¹ US-based market research company **IDC** forecasts that 74% of consumer payments will be handled by non-traditional financial institutions by 2030.



Is cash on its way out?

While cash remains one of the most used payment methods, almost a quarter (24%) of U.S. adults never or rarely use cash (less than monthly), preferring to use cashless methods.

Mobile payments now hold a prominent position in the marketplace with 71% of consumers using mobile or online banking for payments at least monthly, and over half using an app such as PayPal or Venmo. Meanwhile, 41% report using a mobile wallet such as Google or Apple Pay at least monthly, and just over a quarter are using QR codes for payments.

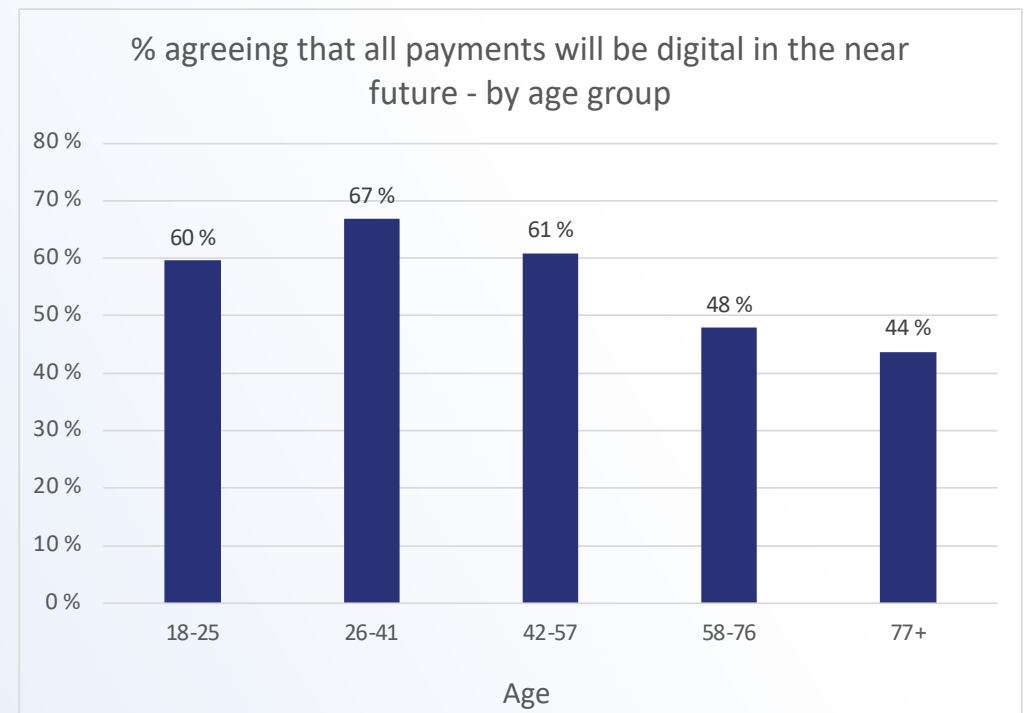




The digital-dominated future

While some more traditional payment methods, notably cash, are expected to remain common, others are clearly in decline, with 32% of respondents expecting checks to be used less in the next three years.

In contrast, increased use is expected of contactless payments via bank debit/credit card (selected by 38% of respondents), bill payment via online or mobile banking (35%), payment apps such as Venmo and PayPal (34%) and virtual wallet on mobile (33%). In fact, almost three in five US adults (58%) expect all payments to be digital in the near future, with the figure rising to two thirds (67%) among millennials (those aged 26-41).

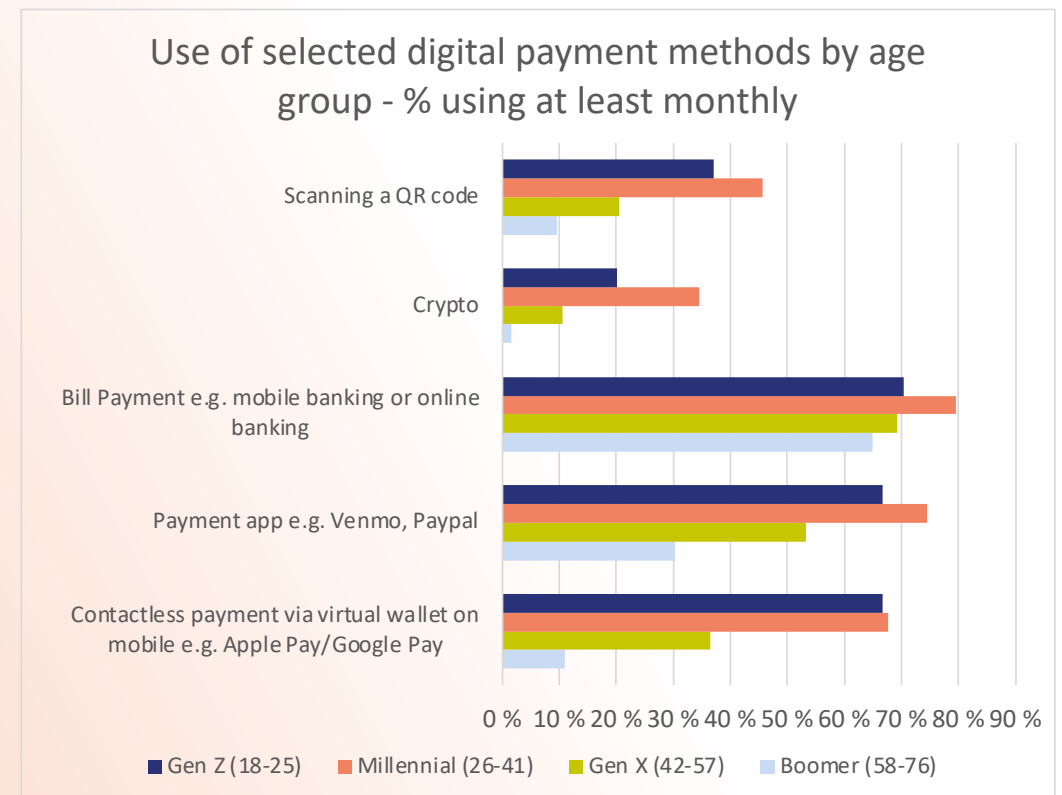




Younger generations driving digital revolution

The adoption of new payment methods is being driven by younger cohorts, with Gen Z (those aged 18-25) and millennials (26-41) more likely than older consumers to use online banking, contactless and payment apps.

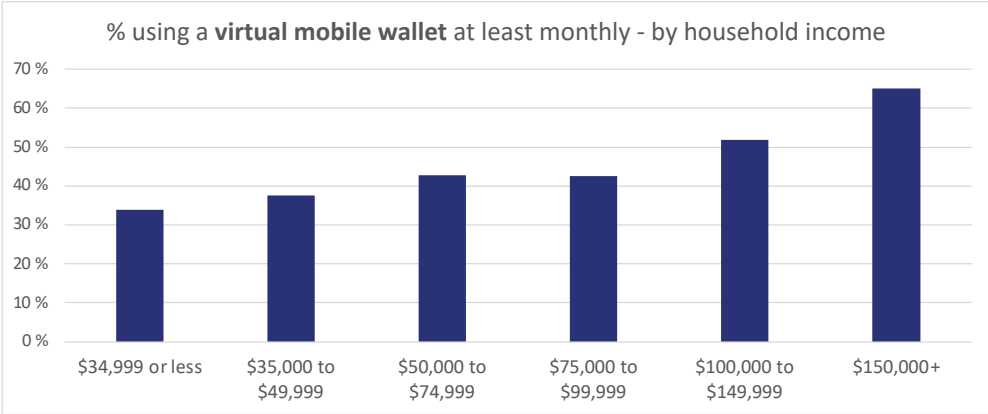
Moreover, around half of Gen Z and millennials expect to increase their use of these payment methods over the next three years. In contrast, only 14% of boomers (those aged 58-76) believe they will use payment apps more, and only one in ten expect to increase their use of contactless payments via a virtual wallet.



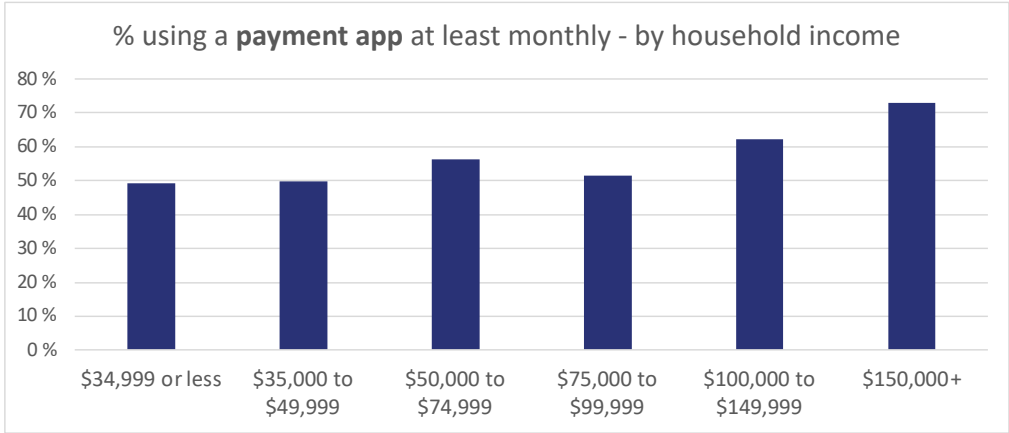


Rich pickings - new payment methods favoured by the affluent

Use of newer payment methods also tends to increase with household income. Almost two thirds (65%) of the highest earners (those with household incomes above \$150,000) report using contactless payments on a virtual wallet at least monthly, while 73% say the same about payment apps. This compares with just 34% and 50% respectively for those with a household income below \$35,000.



This difference is also clear when considering crypto, which is used at least monthly by only 8% of those in the lowest income group, but by 42% of the highest earners, and QR codes, used at least once a month by over half of those in the top income bracket but by only one fifth of those earning under \$35,000.

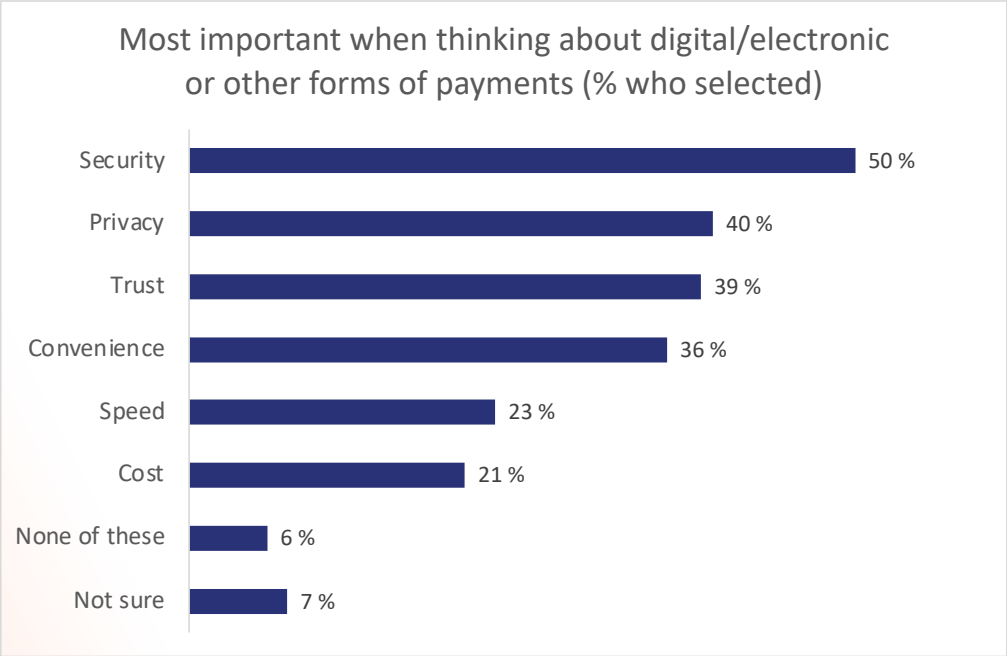




Security and trust top of mind when choosing payment methods

When thinking about digital payments, security and protection from fraud (50%), privacy (40%) and a trusted brand (39%) are the most important factors for consumers, above convenience (36%), speed (23%) and cost (21%).

Although most appreciated by the older generations, with 59% of boomers and 64% of the silent generation selecting it, security is the most significant factor across all age groups. Meanwhile, trust is mentioned by at least one third of consumers in every age bracket.



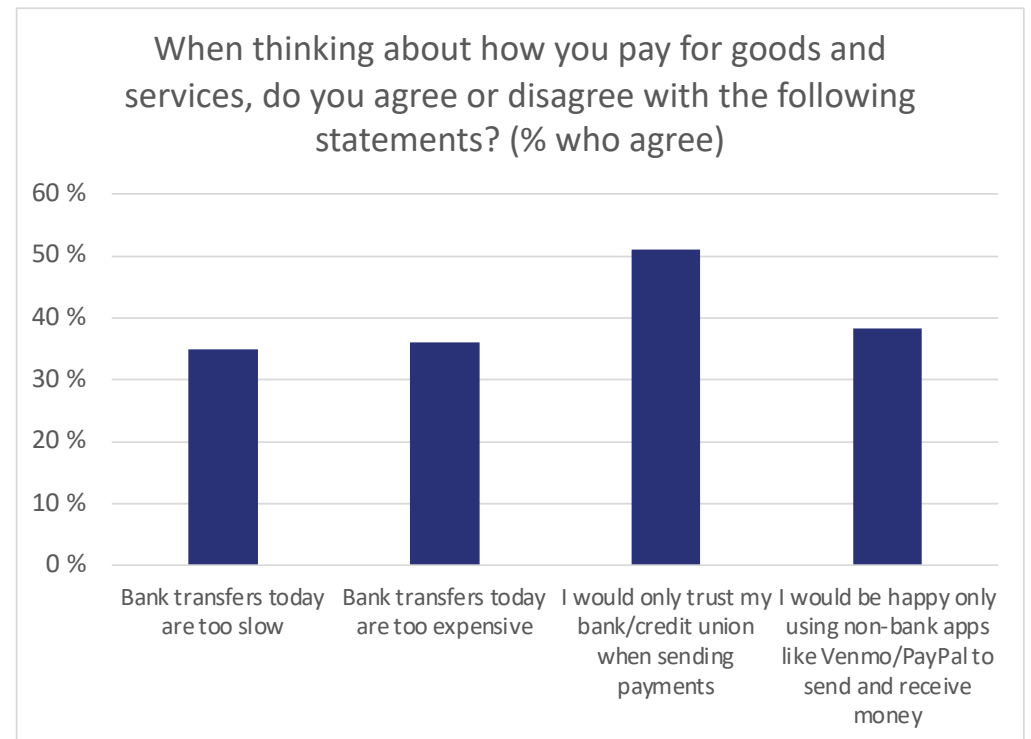


The instant payments opportunity for banks

With increased exposure to newer payment methods, over a third of US consumers now find bank transfers too slow (35%) or too expensive (36%). Dissatisfaction is even higher among younger generations with over half of millennials and 43% of Gen Z unhappy with the speed of bank transfers.

Yet while some consumers are exploring alternative payment methods, just 38% would be happy using only non-bank apps like Venmo or PayPal to send and receive money. In fact, over half of survey respondents would only trust their bank or credit union when sending payments.

As innovations such as the introduction of FedNow enable banks to provide faster, more convenient payments themselves, those financial institutions who embrace payments modernization are therefore well positioned to compete in the changing payments landscape.



Conclusion – the imperative to modernize

Modernizing payments infrastructures, to enable support for new market services such as instant payments, presents significant opportunities for US banks to increase their competitive positioning and improve customer satisfaction. By adopting modern, cloud-based technologies and embracing open banking principles, banks can create a more agile and flexible real-time payments ecosystem. This allows them to introduce innovative added-value payment services, streamline operations, and offer personalized and convenient experiences to their customers.

Moreover, modernization enables banks to leverage emerging technologies such as artificial intelligence (AI) and machine learning to optimize transaction processing, fraud detection and risk management. Payments modernization also opens doors for collaboration and partnerships with fintech companies, payment processors, and other industry players. By integrating their systems and leveraging shared expertise, financial institutions can tap into new revenue streams, expand their reach and deliver value-added services that go beyond traditional banking offerings.



"The move to a cashless society is gaining momentum in America as this Temenos survey shows. It's a global phenomenon reshaping the payments landscape, driven by consumer adoption and the digital transformation of all businesses, creating opportunities for innovative payment providers like Convera.

This is why we are partnering with **Temenos to modernize our payments platform in the cloud**, and help customers move money with simplicity and confidence."

Patrick Gauthier
Chief Executive Officer, Convera

Temenos' solutions for US banks

Temenos Payments covers the complete payments lifecycle from order intake to clearing and settlement. It combines deep end-to-end functionality with the most advanced cloud-native, cloud-agnostic, Explainable AI, and API-first enabled payments technology.

Each product is designed to work successfully, whether individually or together, via SaaS, cloud, or on-premises, providing the flexibility to tailor payment solutions to suit simple, complex and diverse needs.

Many banks' existing core technology can limit the benefits they provide to their customers from instant payments services like FedNow. Temenos can address these limitations by enabling banks to progressively modernize their core capabilities and accelerate the time to value.

Our single code base across core banking and payments, along with our proven SaaS model and robust US pre-configured capabilities, makes Temenos' solution the most compelling in the market. It's why top US banks, innovative digital banks such as Varo, and global payments disruptors like Convera, choose our SaaS offering, Temenos Banking Cloud.

With Temenos Payments running on Temenos Banking Cloud, banks can stay agile and at the forefront of innovation and deliver fast, reliable, and transparent payment services to their customers.



"With U.S. consumers seeking faster, cheaper and more convenient methods of payment, it is vital that banks have the right technology and platform to innovate in payments and scale efficiently.

At Temenos, we continue to invest heavily in our single code base across account services, banking and payments. Our cloud-native and API-first platform, with proven localization and ongoing investment in the U.S., enables banks and non-banks to progressively modernize their payments capability, giving them the business agility required to enable innovation and benefit from new market initiatives such as FedNow."

Philip Barnett

President – Americas, Temenos

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