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Is Covid Killing Cash in Canada?

Ipsos study shows cash usage in decline in 2020, while credit card payments enjoy big uptick

Canadians made many adjustments in their lives to adapt to the new Covid world we found ourselves in this spring. From shopping to eating, consumers' behaviours changed quickly. Consequently, a new habit formed in the way Canadians paid for things. A legacy Ipsos Canada Payments study reveals there has been a significant shift away from cash in the first quarter of 2020, heavily favouring credit cards over other payment options. In March, there was a substantial 3% drop in consumers using cash as their payment method, and an additional 5% drop followed in June.

Heidi Wilson, Vice President, Ipsos Canada runs the study and said to see such a large change in habit in such a short span of time is unprecedented.

"Typically, it takes years to shift just a few points. For instance, from 2014-2019, cash usage declined by 4% - that is a 4% decrease over the course of five years. In comparison, we have seen an 8% decline in cash usage in the first six months of 2020. That is staggering movement. Combine that with an 7% increase in credit card use during the first half of 2020, and we can see this is a tumultuous time in the payment sphere."

Ipsos has also uncovered a shift in not just what people use to pay, but also *how* they pay. In an effort to avoid touching unsanitary keypads and to shop at stores that stopped accepting cash, Canadians desire for contactless payment increased. And it's not just traditional tap. Of the 85% of Canadians who own a smart phone, 4 in 10 have used their phone to make a purchase in the past six months. Meanwhile, 1 in 4 smartwatch owners have used their watch to pay for a purchase.

One interesting trend during this time of great movement in the payment space is the lack of movement in debit card usage, with that number remaining static during the first half of 2020. Although consumers are easily able to link their debit card, much like their credit card, to their mobile device, they are opting to use the latter. This preference towards credit over debit cards can be due, in part, to the benefits gained from reward programs offered with credit cards. The most popular incentive for consumers is the cashback reward.



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Another reason for increased use in credit can be attributed to brick-and-mortar stores closing during the lockdown, driving consumers to shop online. Before April 2020, only one-fifth of Canadians had made an online retail purchase. However, since the coronavirus lockdown, that number surged to one-half. And among those online shoppers, three-quarters of them made a purchase through Amazon in 2020.

Heidi Wilson thinks there is good reason to believe these new behaviors will become a new habitual way of purchasing. “

Among all of those Amazon shoppers, 7 in 10 tell us they have saved their credit card on file to make future purchases even more convenient. This shows the pandemic didn't create a disruption, instead it kickstarted an interruption in how we behaved in the past. Now that we've experienced the ease and convenience associated with online and digital wallet payments, why would we return to traditional methods?”

It is important to note that although we have seen a decrease in cash usage, it still remains a popular choice of payment for purchases under \$20. It is also the most used payment method for households with an income of under \$50K.

Ipsos Digital Wallet & Payment Trends surveys 3000 Canadians every three months, asking Canadians about their credit card ownership and other forms of payment. The study has been active since 1998. New findings will be available in October 2020.

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Our passionately curious research professionals, analysts and scientists have built unique multi-specialist capabilities that provide true understanding and powerful insights into the actions, opinions and motivations of citizens, consumers, patients, customers or employees. We serve more than 5000 clients across the world with 75 business solutions.

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