

# Going cashless

We often hear about the 'cashless society', but how far from reality is it?



## As consumers we are inundated with ways to pay; whether it's the new, digital solutions like PingIt, BPay, Apple Pay, Samsung Pay and PayM or the more traditional favourites of debit and credit cards.

However, despite this seeming abundance of choice, UK consumers choose cash more than any other type, with cash still making up more than 50% of all spending transactions. (Payments Council, 2014)

So we decided to find out for ourselves: today, how far away are we from living without cash? How easy would it be to live without cash for a month? What is it about cash that makes it a necessity of our everyday lives? Why can't we go without it? And what are the most common reasons why we still use cash? Is it because we love it, or is it just plain old habits?

We put these questions to the test in a 30-day social experiment that had a single objective – avoid the use of cash at all costs. If and where there were occasions where there was no route around, log the reasons and the experience.

### How easy would it be to live without cash for a month?

Each of the 11 participants kept a diary; recording the details of every transaction and, in particular, those difficult situations and how they were overcome. As with any challenge there was a prize for the winner always good to create a bit of healthy competition! First, let's highlight some of the stats and facts that emerged...

- Before starting, only 4 of the 11 participants expected that going cashless would prove difficult, with the other 7 expecting a relatively easy "cash free" outcome
- However, only 3 succeeded in avoiding cash for the whole month and all 3 were single, under 25, lived in a major city & didn't drive to work
- Before the challenge began we monitored participants' spending patterns and the highest cash user did circa 50% of transactions in cash; during the experiment, the highest cash user did 20% in cash
- Between them, the 11 participants made a total of 737 spending transactions during the month, an average of 67 transactions each
- Of these:
  - Only 73 transactions (10%) proved problematic when trying to pay by card

- And of these, a card alternative was found for 24 transactions (but in each situation the participant experienced personal inconvenience and disruption in order to meet the challenge objective)
- Meaning that for 49 purchases, there was no alternative but to pay by cash

Some of the difficulties participants ran into and encountered are captured in the verbatims below:

*"The car park at work only accepts coins...and it's a 20 minute walk to the nearest one that accepts card"*

*..."The stalls at the end of the marathon only accepted cash – and I was in no mood to go for a hike to find an alternative"*

*..."The piano teacher was uncomfortable with giving me her account details and advised she only takes cash"*

*..."I was in Ireland for a business trip...the taxi driver took cash only..."*

*..."My local kebab shop is cash only!"*

### So what did we learn? Well – quite a bit, as it turned out:

#### 1) Card acceptance – not a universal reality

The most cited reason for participants having no alternative but to use cash was that 'cards were not accepted.'

The key sectors where card usage was most problematic were parking, fast food and taxis. On top of this, the lack of card acceptance was evident at small high-street and local service retailers (from hairdressers to horse-riding instructors and piano teachers) and 'pop-up' events (marathons, festivals).

In most instances, our participants' requests to pay with card were met with apologetic responses "sorry, we don't accept card", followed by "but there's an ATM down the road – you can go there, get cash and come back".

## 2) Cards are more expensive and less convenient than cash

One definite issue that emerged was that, in some shops and stores, an additional charge was incurred if card (and not cash) was the method of payment.

Then there is the convenience argument. Many of our participants drove to and from work, and parking without cash immediately became a big issue. Meters were, for the most part, 'cash-only' and finding alternative parking or giving up this mode of transport was understandably difficult and heavily inconvenient for some.

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One participant committed to a 45-minute walk to and from their house – even in the best of the English weather! Another, who successfully found a new car park with card machines, had to factor in 3 things:

- An additional 15-minute walk each way, every day
- Higher parking charges – just to avoid cash
- Having to leave home an hour earlier than normal to ensure they could get a parking space

## 3) Carrying cash – it's an essential precaution

Many of our participants continued carrying cash despite them knowing the premise of the experiment. When asked why, the somewhat obvious answer was that it was a habit and a safeguard carrying cash was a 'proven protection' against the inconvenience of not being able to use a card.

Experience tells them that cash is fail-safe, universally accepted and usually needed in situations where, for example, they have to use a taxi – "it's difficult to find a taxi that accepts cards, especially at short notice".

And even for those modern 'Millennials' who overcome this problem by using Uber...the picture isn't always 100% rosy!



## 4) Cash gets me a better deal

In addition to the experience of car parking (above), all participants experienced an increase in cost when opting to use card over cash.

Taxi firms such as Halo, Uber, Gett are becoming more and more prominent in major cities. But often they charge an additional "card convenience" fee, which will take a fare of £10 towards £11 or £12.

The reason cited by the taxi driver is that he has to pass on his cost for card acceptance.

Then you have a local frame shop that offered a price reduction from £65 to £50 for cash...tax avoidance? Almost certainly, but a clear and significant saving to the card holder nevertheless!

## 5) Money gifts – cash makes it more personal

Our respondents all mentioned that on those occasions where they wanted to either gift or indeed lend money to somebody, then it felt far more personal and easy to do this using cash. Indeed, this was especially true for gifts when the reason was a birthday, or a niece and nephew going away for a holiday.

Our respondents did acknowledge that digital worked best when the money was going to somebody who was in a different location, but when you are there in person and in the moment, cash was king. "Here is £20 for your holiday – enjoy!" In these instances, our participants struggled with making a digital transaction or alternatively giving a gift card. Emotionally, it wasn't the same! Digital was felt to be too impersonal a gesture while a gift card wasn't special enough and wouldn't allow them spend it on what they wanted..

In short, cash makes gifting easy and personal, making the event spontaneous, more special and 'in the moment' – for both the giver and the receiver.

## So, what does this all mean? What did we learn? What did it tell us about going cashless?

Even though our participants were confident card users (well above the UK average), the majority were unable to go a month without using cash! The biggest obstacle they faced was the lack of card acceptance.

Improvements to the acceptance ecosystem is of course essential before any meaningful change can happen but there are several other attitudinal and behavioural factors that need to be addressed:

- 1) Developing stronger propositions for small retailers and business – our findings highlighted a clear acceptance gap in large sectors of our economy, like parking. But the same is also true in our high street and self-employed/small business sectors.

## Tax avoidance? Almost certainly, but a clear and significant saving to the card holder nevertheless!

The perception amongst small businesses is that cards represent higher costs “its just not worth it for me to take cards”.

Yet there is plenty of evidence on the benefits to SMEs of accepting cards – the proposition, case and value story for card acceptance needs to be significantly improved.

- 2) The consumer isn't always in a hurry to change – too often we assume consumers are as excited about the latest payment innovations as we are. But we are all creatures of habit, and typically once we find something that works, that is easy and convenient, then we stick to it.

For most of us, cash works. It always has and it always will – especially true for regular, routine events – like parking, like taxis, like late night kebabs. And because cash works, consumers aren't actively looking to new innovations to improve this part of their lifestyle.

Put like this, then it shouldn't be a real surprise that the participant who regularly used taxis in London, doesn't use Uber (or any other substitute). Outside of the Millennials, to change mass consumer habit and mind set then you have to

offer something that is proven to be better. Hailing a cab in London is rarely a problem and you rarely have to wait long either. So you cannot rely on a mass adoption and behaviour shift towards services that are not tested, and certainly not towards services that make the cost higher.

- 3) And some things will take a long time to change – our experiment shows that, even for card advocates, gifting money remains a personal thing, and in this cash works better than card! Our experiment also identifies that retailers still offer meaningful incentives and discounts to pay by cash and many self employed/part time workers enjoy the benefits of cash acceptance.

It is therefore no real surprise that still 50% of all purchases in the UK today are cash and we are somewhat away from being 'cashless'. The acceptance gap, especially in parking and transport; pubs and fast food, small retailers and the self employed will likely take many years to plug.

As a final thought, we know there are serious moves in Sweden, Norway and Denmark to move away from cash. Indeed in Norway, two of the leading banks (DnB and Nordea) are both restricting the ability to pay in cash over their counters. And Denmark is considering legislating against using cash. But societal attitudes towards the grey economy there are much different.

In the UK, it seems we still have a long way to go. In our view, it starts with the user experience and convincing smaller retailers of the value benefits to them of accepting cards. If SMEs were to prefer accepting cards rather than cash, then change will happen!

But that is another subject and the topic for a separate article.

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