

The Market Opportunity for Secure Commerce at the Pump

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Executive Summary

Pay-at-the-pump facilities were first introduced in Europe in 1982, but it has been the US market which has pioneered this technology. The pace of its rollout has varied globally, and several additional factors are now influencing its future evolution putting merchants at a crossroads. To determine the market potential for secure commerce at the pump it is critical to understand how changing consumer habits and demands are shaping this market opportunity.

This report reveals the interesting findings of a recent survey conducted in the US, UK and Australia, including:

- Current levels of pay-at-the-pump adoption
- How gender and age factors influence behavior
- Whether security is a concern
- The proliferation of mobile apps
- Additional spend levels at gas stations
- The impact of loyalty schemes

It also provides insights into consumer attitudes to potential new secure commerce opportunities, like:

- Ordering prepared food from the pump
- Paying for instore purchases in advance at the pump
- Watching adverts at the pump to obtain instant discounts
- In-car systems which track the best offers

About This Report

Transaction Network Services (TNS) commissioned a US, UK, and Australian Internet Omnibus Survey by KANTAR, which ran between 5th – 9th September 2019 and covered 1,029 US adults, 1,045 UK adults and 1,052 Australian adults.

The survey asked respondents to agree or disagree with a series of statements which reflected their attitudes to and experiences with various pay-at-the-pump opportunities.

This report presents the key findings of this survey. Please note, in the UK and Australia the youngest age group bracket is 16-to-24-year-old, but in the US, this is 18-to-24-year old. This report refers to this group globally as 16-to-24-year-old for comparison purposes.



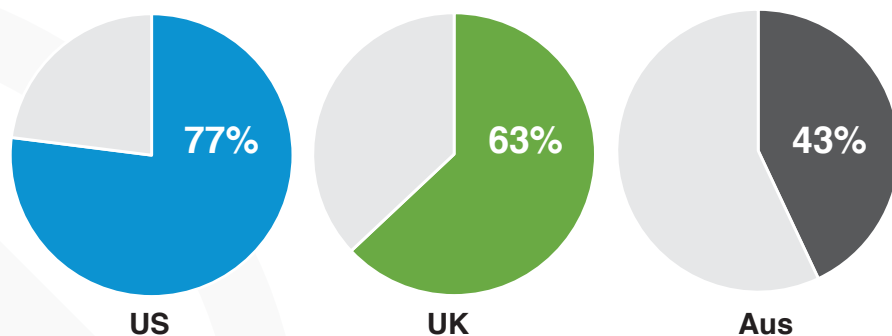
1. Understanding Current Pay-at-the-Pump Adoption

US merchants have embraced secure commerce at the pump to a significantly greater extent than their counterparts in the UK and Australia. The US' first pay-at-the-pump terminal was deployed by Mobil in 1986, followed by the introduction of touch-screen kiosks next to pumps in 2004 and now many gas stations offer integrated ordering touch-screens within the pump itself. A logical evaluation might infer that this has been the result of market dynamics responding to consumer driven demand, but is this the case?

Do US consumers demonstrate a greater propensity for pay-at-the-pump?

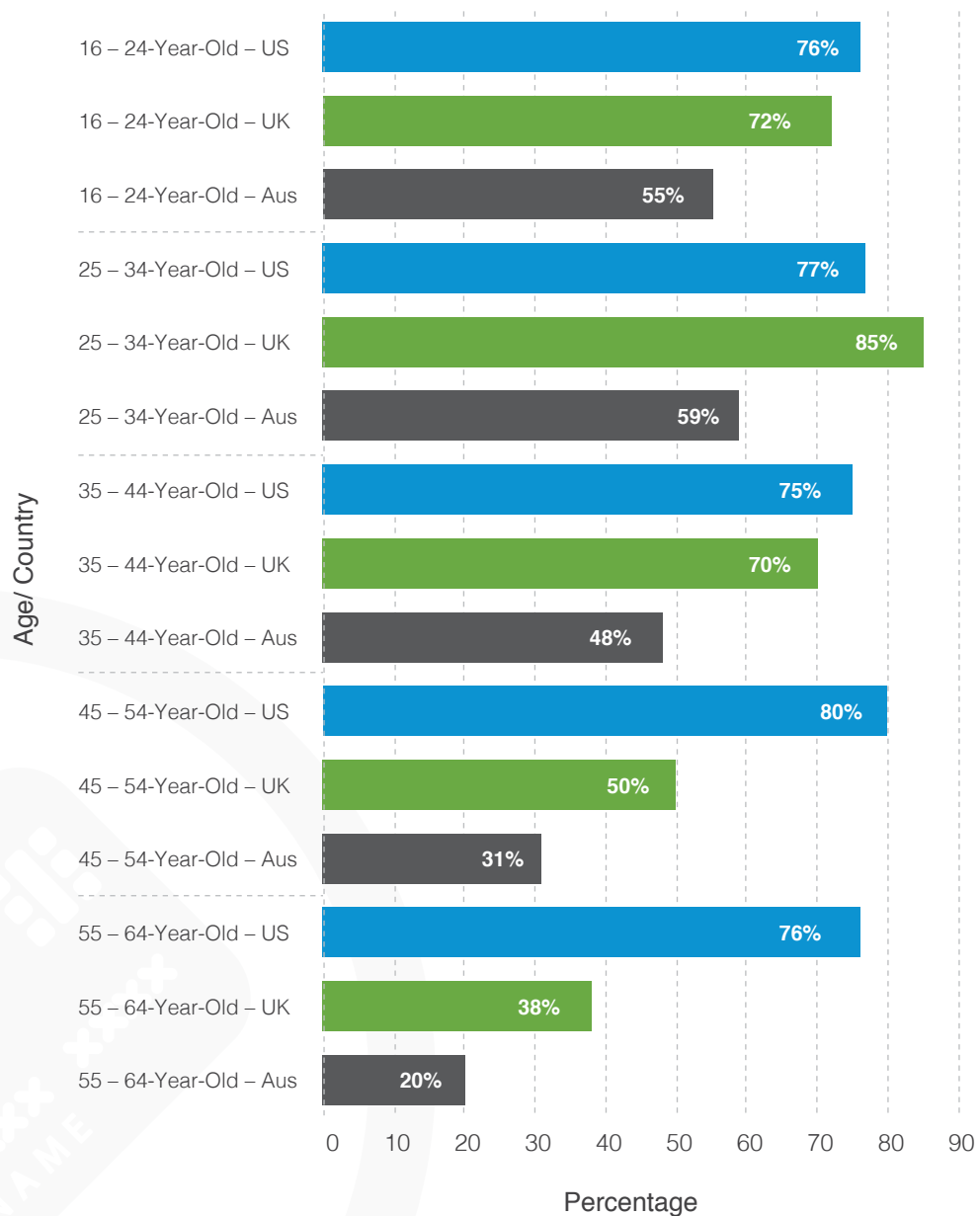
Globally 61% of respondents said they prefer to pay-at-the-pump instead of paying the cashier if the option is available, with US respondents having a high overall preference at 77%.

Graph 1 – Comparison by country of those preferring to pay-at-the-pump



However, when exploring the different responses by age some interesting insights begin to emerge. For instance, the highest adoption rate globally was by 25-to-34-year-olds living in the UK.

Graph 2 – Comparison by country and age of those preferring to pay-at-the-pump

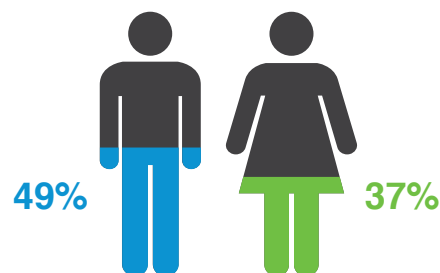


“While...20 years ago US consumers were more open to paying at the pump, in 2019 the younger age groups are consistent in their demand globally”

Gender disparities evident in Australia

While in the US and UK, men and women appear to have adopted pay-at-the-pump in virtually equal numbers, in Australia there is a distinct disparity.

Figure 1 – Australian respondents that prefer to pay-at-the-pump, by gender

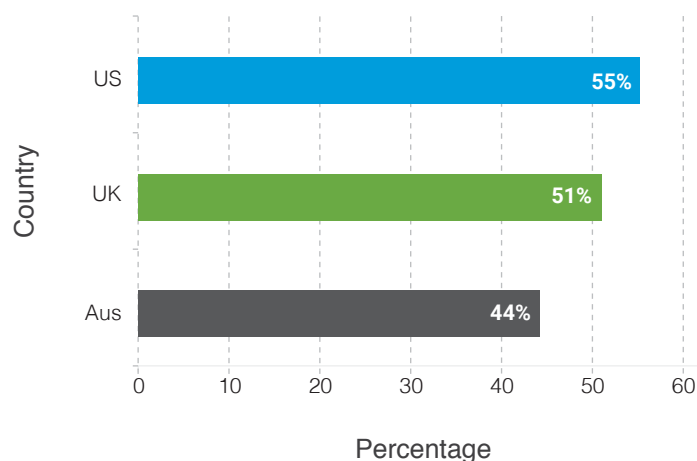


Security concerns greatest in the US

Of people surveyed globally, 73% said they would be happy to use pay-at-the-pump at gas stations regardless of whether they were big chains or one-off businesses. However, 50% of respondents said that while they were happy to use pay-at-the-pump at big branded gas stations, they had security concerns about using these at small independents.

“Trusted technologies are needed to instill confidence in secure commerce facilities at the pump”

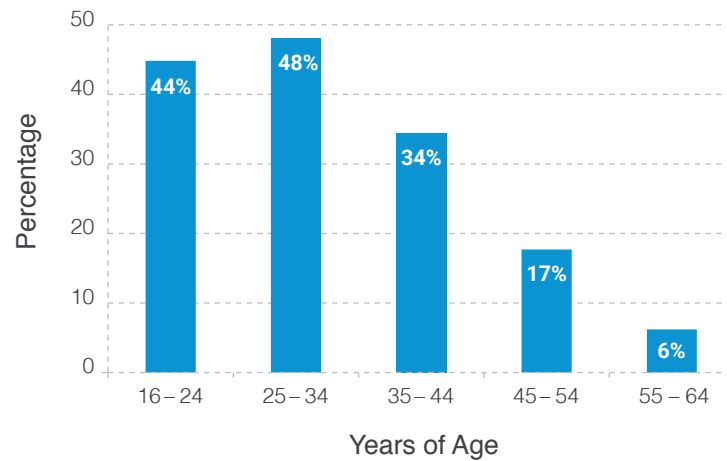
Graph 3 – Comparison by country of those with security concerns at small independents



Almost half of 25-to-34-year-olds have used a mobile app or QR code to pay-at-the-pump

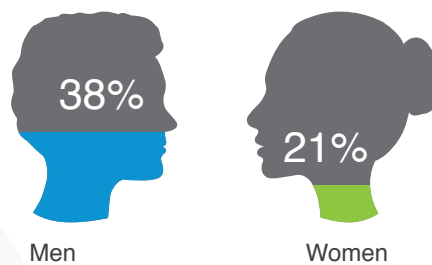
Globally, 30% of respondents said they had used a mobile app or QR code to pay-at-the-pump, with greatest use reported in the US (33%) and lowest in Australia (24%). The younger age groups have used this the most.

Graph 4 – Percentage of respondents who have used a mobile app or QR code to pay-at-the-pump, by age



Men also confirmed greater levels of adoption.

Figure 2 – Individuals who have used a mobile app or QR code to pay-at-the-pump, by gender



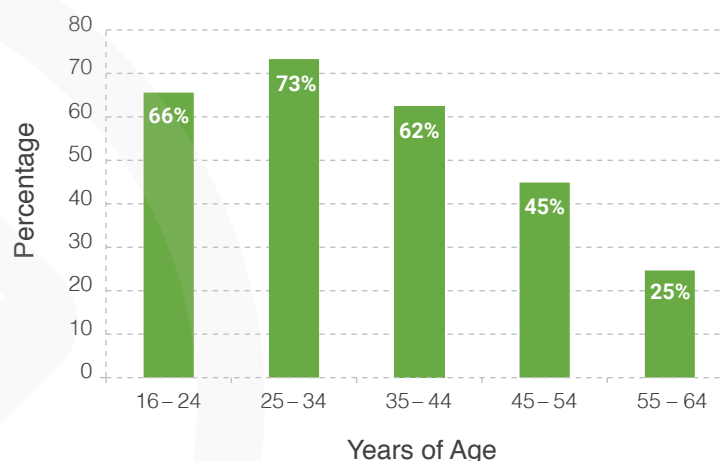
2. Consumer Engagement in Additional Commerce Activities

While at the gas station consumers have additional opportunities to engage with the merchant, such as purchasing items from the convenience store and participating in fuel loyalty schemes. Upgrading to the right technology suggests that these facilities can open up new revenue streams.

Do consumers want the option to buy other items at the pump?

Globally, 54% of respondents said they would be interested in buying other items at the pump if the option was available to them. This may not seem as promising as the introduction above suggested, but diving into the different age categories there are significantly higher levels of interest among younger consumers (16-to-44-year-olds); it is a fair assumption that younger consumers will be frequenting gas stations for years to come and are a harbinger of trends for future generations.

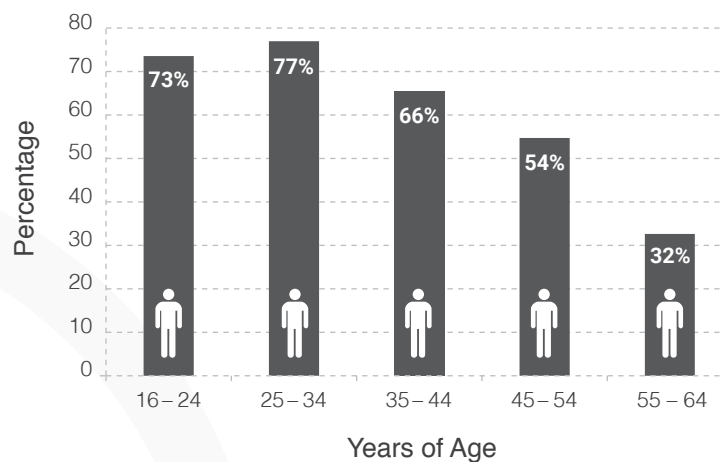
Graph 5 – Comparison by age of those interested in buying other items at the pump



“Almost three in four 25-to-34-year-olds would be interested in buying items other than fuel at the pump”

When it comes down to how many people have often purchased items other than gas, the US and UK responses were the same (58%) with Australia slightly behind (50%). The most prolific purchasers globally were younger males, with 25-to-34-year-olds the most dominant segment.

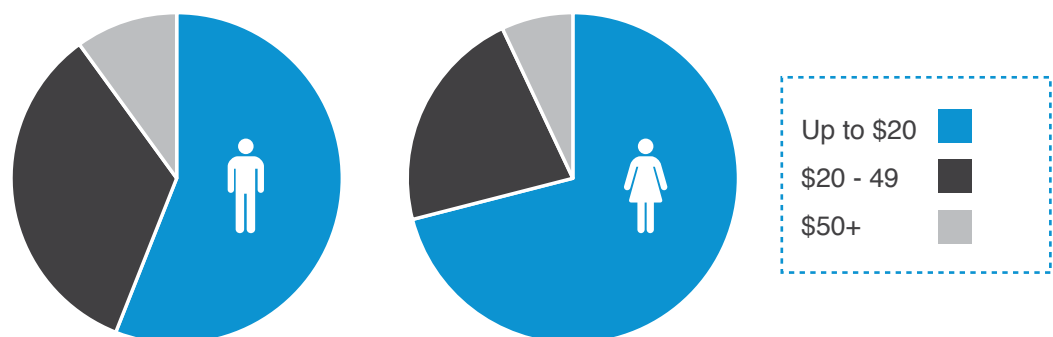
Graph 6 – Respondents that often purchase items other than gas, by male age group



Almost one in ten spend more than \$50 (£50) on additional items per visit

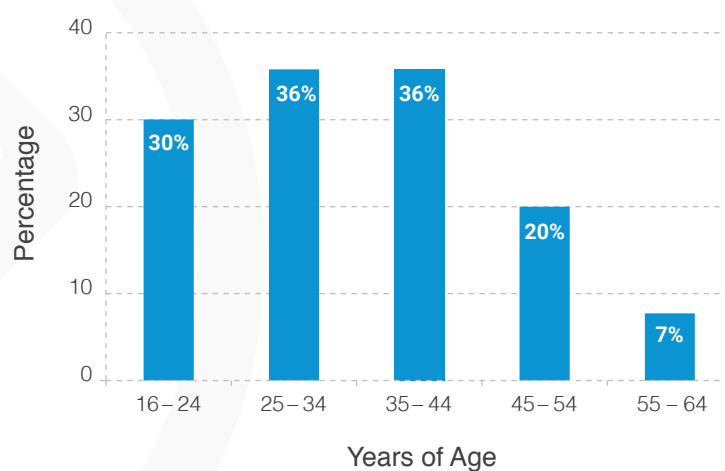
Not surprisingly most respondents confirmed that their average spend of additional items is up to \$20. However, the percentage of adults that fell into the higher value categories suggests that this is an area where merchants can gain additional revenue if they have appealing facilities onsite.

Graph 7 – Gender variations in additional spend levels



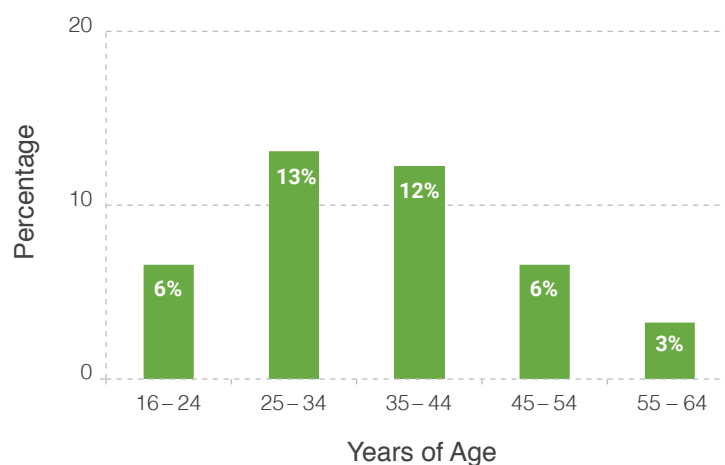
When looking at the results by age we also see higher spending among the younger age groups as depicted in graphs 8 and 9 below.

Graph 8 – Number of respondents whose additional purchases add between \$20-\$49 to their total spend, by age



“More than one in three 25-to-44-year-olds make additional purchases of between \$20 to \$49”

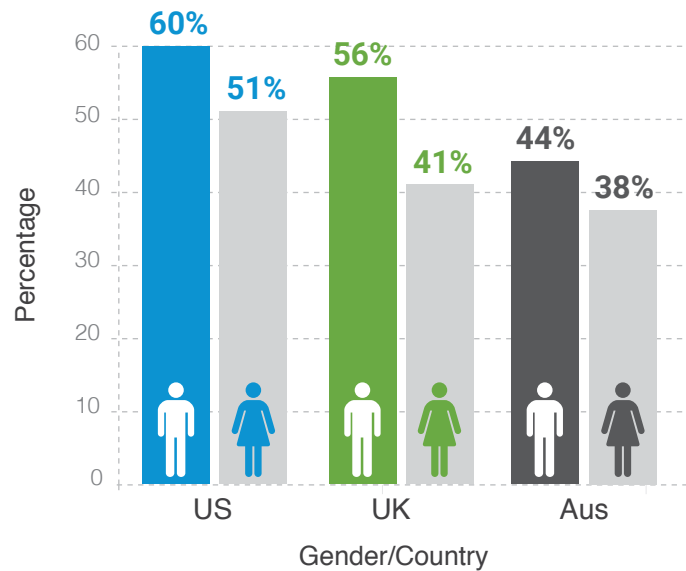
Graph 9 – Number of respondents whose additional purchases add between \$50 or more to their total spend, by age



Are fuel loyalty cards being used for purchases?

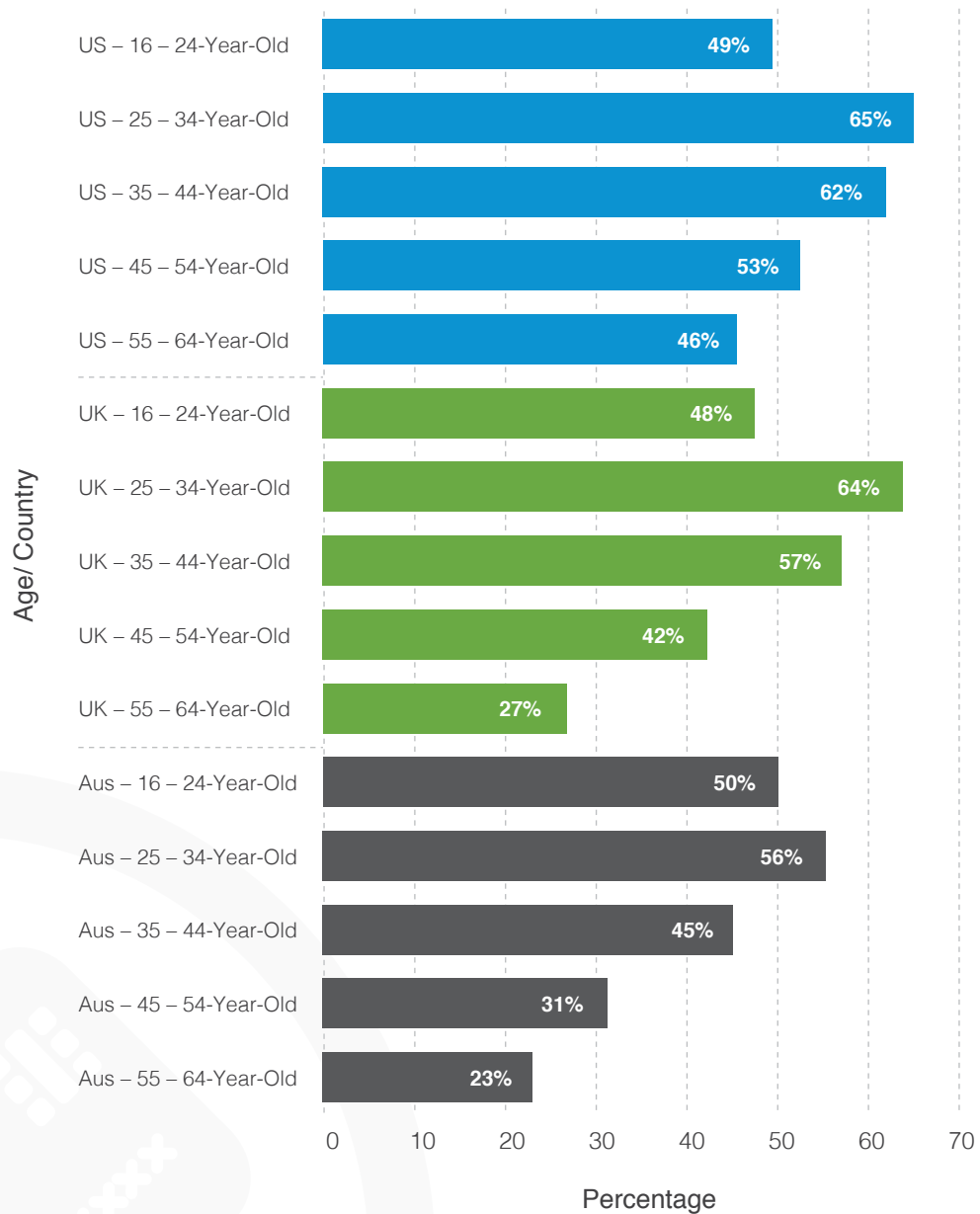
Just less than half (48%) of the respondents in the survey confirmed that they had a fuel loyalty card and had used points to make a purchase. Males consistently said that they used loyalty cards more than women, but the highest gap (men vs. women) occurred in the UK which showed a large 15% variance in loyalty preference (56% vs. 41%).

Graph 10 – Number of respondents who have used fuel loyalty card points to make a purchase, by gender and country



Age also appears to play a factor here, but while globally the 25-to-34-year-old age group appeared most active, in the US it was males aged 35-to-44-years-old that came out ahead with **70%** confirming they have a fuel loyalty card and have used the points to make a purchase.

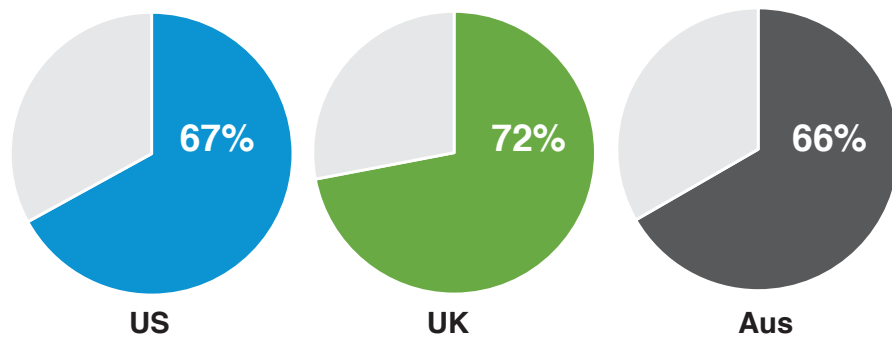
Graph 11 – Number of respondents who have used fuel loyalty card points to make a purchase, by age and country



Cards and alternative payment options preferred

Sixty-eight percent of respondents confirmed that they preferred to pay by card or via a mobile app rather than using cash at a gas station; UK respondents were the keenest at 72%.

Graph 12 – Comparison by country of those preferring to use cards or mobile wallets



“Eighty-two percent of Brits aged 25-to-34 preferred cards or mobile apps to cash when at gas stations”

3. Preferences For Expanded Secure Commerce Options At The Pump

In addition to assessing the current landscape, the survey sought to evaluate the potential of various secure commerce options at the pump. While the technology is still rolling out across the UK and Australia, the large-scale deployment in the US is now subject to the EMV liability shift which requires all gas station pay-at-the-pump facilities to enable EMV chip cards acceptance by October 2020.

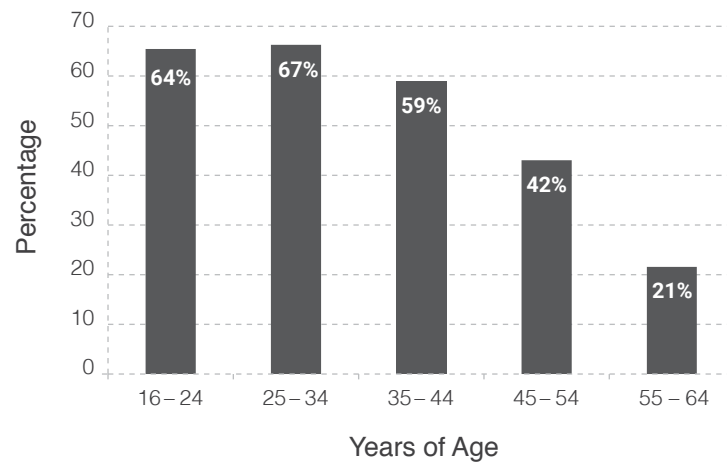
Collectively this is a global opportunity for merchants to establish new revenue streams with the convenience of paying at the pump. New pump and payment technology can present myriad value-added service options for consumers and merchants alike.

To test this hypothesis, the survey questioned the audience on their preferences giving rise to key intelligence into what new services would resonate with different consumers.

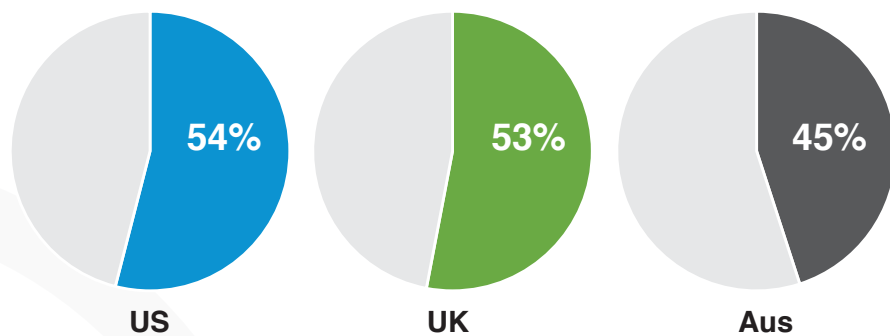
Paying in advance at the pump for goods located instore

Overall, 51% of consumers said they would like to have the option to pay-at-the-pump for instore items. Not surprisingly, the younger age groups whose lifestyle has been largely dominated by the technology boom of the last 15 years were the most open to this. In the US, 71% of 25-to-34-year-olds responded positively. This option was also most popular with US and UK respondents.

Graph 13 – Number of respondents who would like the option to pay for instore purchases in advance at the pump, by age



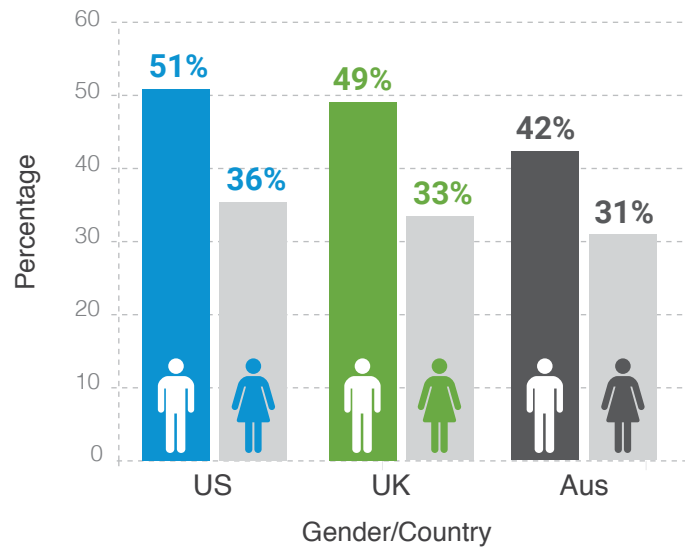
Graph 14 – Comparison by country



Would you like to order prepared food by paying for it at the pump?

Our survey found men were far more interested in this value-added option with the gender disparity the greatest again among UK respondents.

Graph 15 – Number of respondents who would like to order and pay for prepared food at the pump, by gender and country



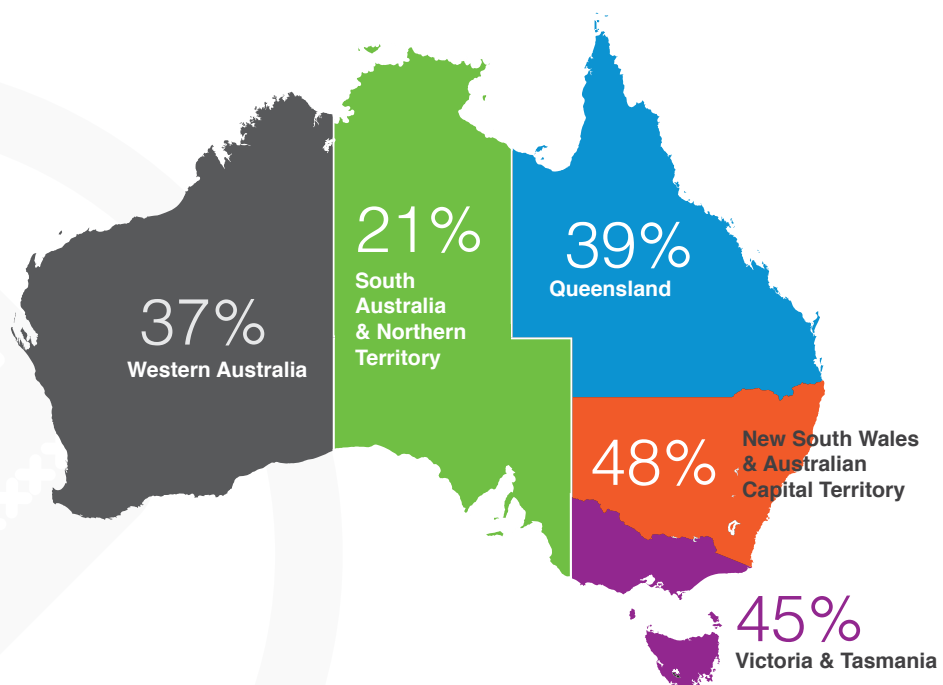
“In the US and UK interest was greatest among 25-to-34-year-olds, but in Australia 16-to-24-year-olds were most keen”

Can we bring that to your car?

Forty-four percent of respondents would like to receive prepared food like pizza, burgers or coffee delivered to their vehicle while they are filling up their car, proving that time savings are still a great motivator. Like earlier in this report, in the UK and Australia the greatest support is among the 25-to-34-year-old age category (63% and 62% respectively); but in the US all the younger age groups from 18-to-34 were consistent with 60% responding favorably.

Within each country our survey identified regional differences, however, for prior questions these were too minor to report on. In this area though we do see significant differences in Australia where twice the number of respondents in New South Wales and Capital Territory are keen to receive food to their vehicle compared to those in South Australia and Northern Territory.

Figure 3 – Number of respondents in Australia that would like to receive prepared food to their vehicle



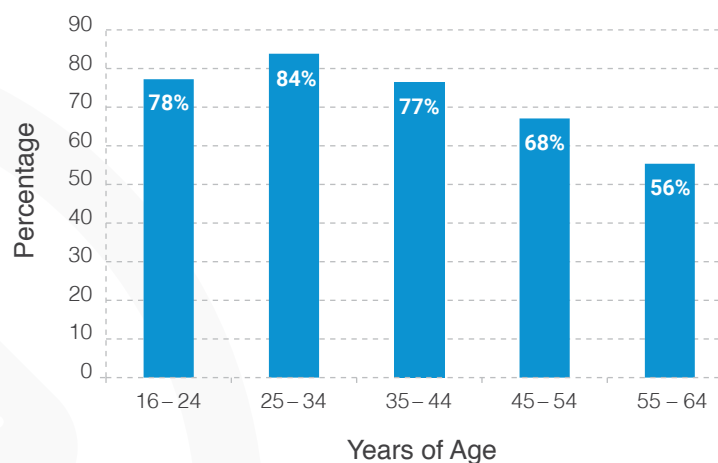
4. Impact Of Discounts And Points Schemes On Consumer Loyalty

Consumers today can choose from an extensive array of loyalty schemes from merchants, card schemes and others, but to what extent do they influence consumer behavior?

Are discounts on fuel enough of an incentive for captive consumers to watch advertisements at the pump?

The answer to this question is a resounding yes with 73% of respondents globally confirming they would be interested in being given a discount on their fuel price if they watched an advertisement. Interest was consistent across the different countries and genders. Across age groups the majority expressed an interest in this, with 84% of the 25-to-34-year-old age group happy to do this.

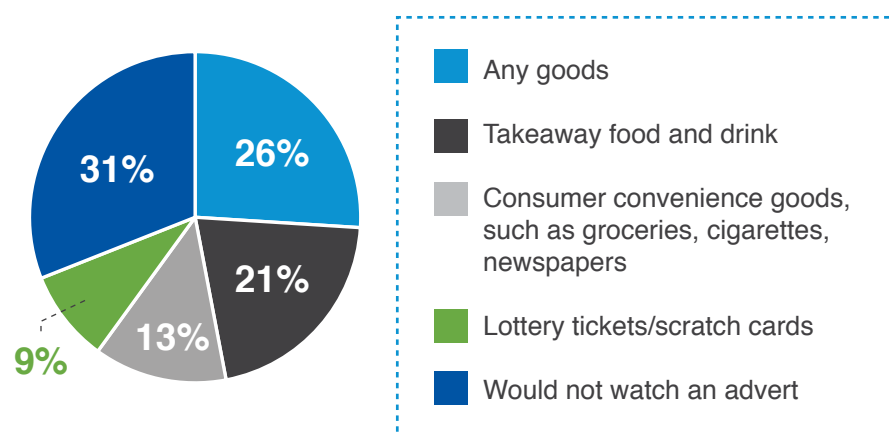
Graph 16 – Number of respondents who would be happy to watch an advert in return for a fuel price discount, by age



Which one item sold inside the store would they be willing to watch an advertisement for?

The audience was asked to select their preferred advert subject from a range of popular categories available today to determine which would be well received.

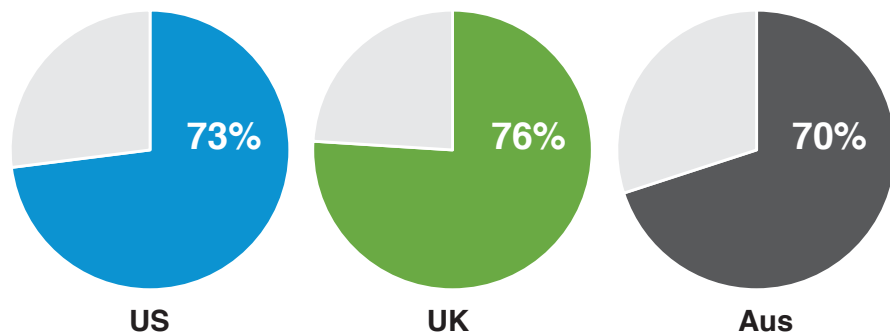
Graph 17 – The types of goods consumers would be willing to watch an advert for



Consumers actively seek out rewards

Seventy-six percent of respondents said that they would be happy to purchase gas from a specific brand or station location because it offered them reward points. In addition, 73% said they would be happy to make instore purchases if they could receive instant discounts towards their fuel purchase, with UK adults slightly more motivated on this than their US and Australian counterparts.

Graph 18 – Percentage of respondents willing to make instore purchases to gain instant discounts on fuel, by country

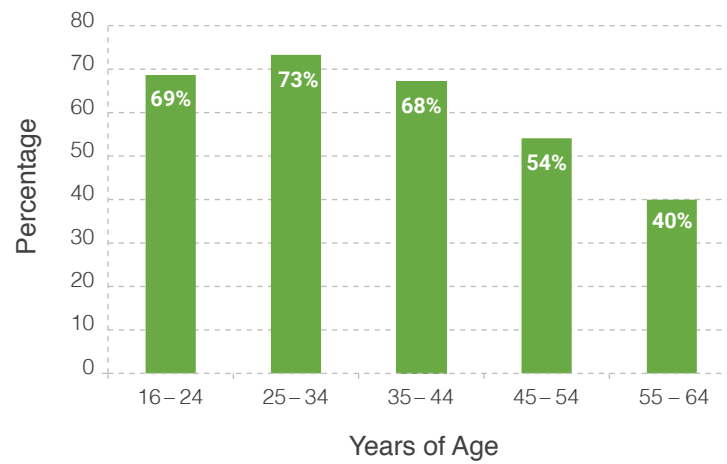


“Eighty percent of 16-to-34-year-olds say they would be happy to make instore purchases to gain instant discounts on fuel”

In-car systems can align with merchant offers

When asked if they would like to trial an in-car infotainment system that could help them find the best offer for gas and groceries, 61% said yes, globally. The majority of all age groups were interested in this opportunity, except the most senior category.

Graph 19 – Number of respondents who would like to trial an in-car infotainment system which tracks offers, by age



5. Conclusion

While pay-at-the-pump is an established service in the US, the focus is now on upgrading the payment systems to EMV by October 2020. Combine this with the increasing rollout of pay-at-the-pump facilities in the UK and Australia suggests a buoyant market filled with potential. Savvy merchants who consider these findings will be able to identify and deploy new technologies that meet the needs of consumers, thereby building loyalty, achieving heightened levels of satisfaction and bolstering revenue capabilities.

In a world where technology and convenience have turned consumer demand into consumer expectation, there is evidence which suggests that consumers are looking to engage in more secure commerce opportunities at the pump. What's more, this could signal a shift in the mix of revenue potential for gas stations from gasoline to value-added services. Making the right decisions now will be a crucial step in this journey.



About TNS and Contact Details

TNS is one of the world's leading payments connectivity providers and is trusted by hundreds of organizations to securely deliver more than 32 billion payments transactions each year. For over 25 years, TNS has provided innovative data communications solutions to valued partners including merchants, banks, acquirers, processors, ATM operators and deployers, payment service providers and other financial institutions. The company now proudly serves customers in more than 60 countries

TNS: A global business with regional strength.

- 1,250+ active network connections
- Handles communications to more than 108,000 ATMs
- Manages 1 million+ payment-specific SIMs
- Supports millions of point-of-sale terminals
- A level 1 PCI DSS certified service provider
- Offices in 20 countries
- Driving innovation of new technologies, such as encryption and tokenization

By telephone:

- USA - +1 866 523 0661
- UK - +44 (0)114 292 0200
- France - +33 (0)1 7236 6321
- Italy - +39 02 481 225 3
- Spain - +34 91 799 1670
- Asia Pacific - +61 2 9959 0800

By telephone:

- solutions@tnsi.com
- Or please visit www.tnsi.com

Appendix – Regional and Demographic Survey Components

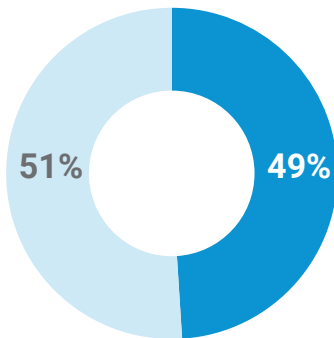
The survey was conducted by online self-completion interview between 5th – 9th September 2019 by KANTAR.

These online surveys are designed to be nationally representative of adults interviewed per country. The surveys use a quota sample (age interlocked within gender, and a regional quota). Post fieldwork correctional weighting within age, gender and region, has been used to ensure the representativeness of the survey.

US 2019 survey demographics

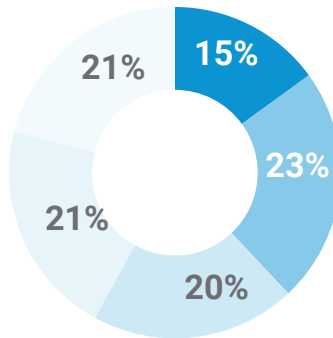
1,029 responses received

Gender breakdown



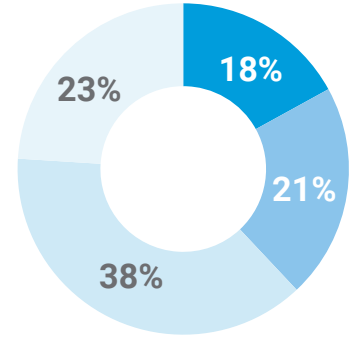
■ Male
■ Female

Age breakdown



■ 18 – 24-year-olds
■ 25 – 34-year-olds
■ 35 – 44-year-olds
■ 45 – 54-year-olds
■ 55 – 64-year-olds

Region breakdown

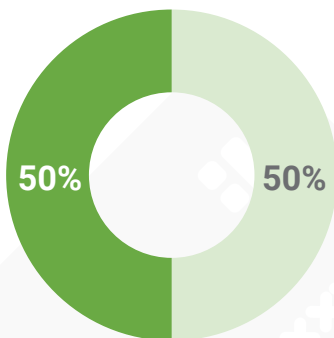


■ Northeast
■ Midwest
■ West
■ South

UK 2019 survey demographics

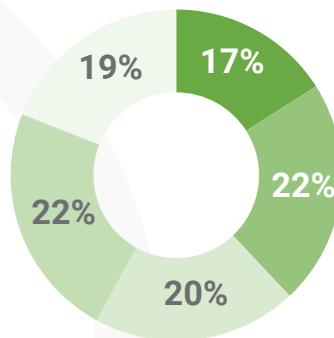
1,045 responses received

Gender breakdown



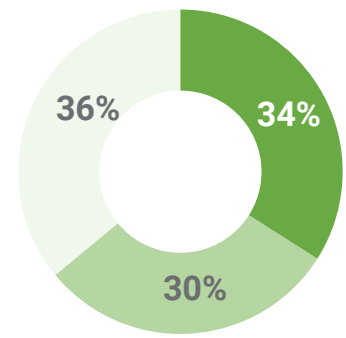
■ Male
■ Female

Age breakdown



■ 16 – 24-year-olds
■ 25 – 34-year-olds
■ 35 – 44-year-olds
■ 45 – 54-year-olds
■ 55 – 64-year-olds

Region breakdown

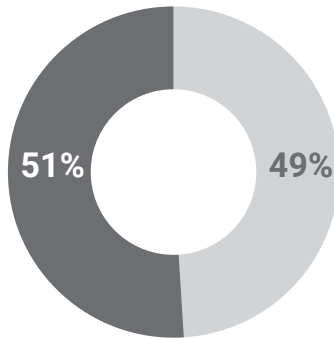


■ North
■ Midlands
■ South

Australia 2019 survey demographics

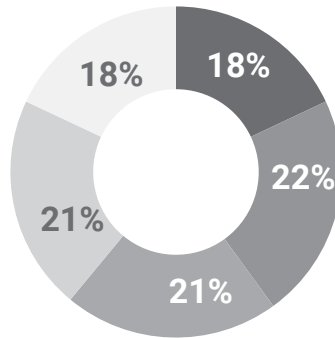
1,052 responses received

Gender breakdown



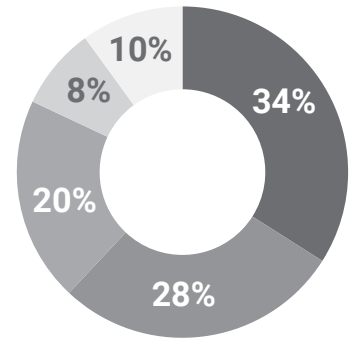
■ Male
■ Female

Age breakdown



■ 16 – 24-year-olds
■ 25 – 34-year-olds
■ 35 – 44-year-olds
■ 45 – 54-year-olds
■ 55 – 64-year-olds

Region breakdown



■ New South Wales & Australian Capital Territory
■ Victoria & Tasmania
■ Queensland
■ South Australia & Northern Territory
■ Western Australia