

MARKET RESEARCH FINDINGS SUMMARY

Methodology:

Staff developed and executed a research plan to understand cash and TAP-paying riders: who they are, their attitudes, barriers, and motivations.

Research took place between November 2022 and February 2023 and included:

1. **Secondary research** review of who uses cash nationally and on public transit and why they use cash
2. **In-Depth Interviews** with cash-paying and TAP-paying Metro riders, including:
 - 9 cash-paying riders, 5 in English, 4 in Spanish
 - 15 TAP-paying riders, 7 in English, 8 in Spanish
2. **Survey** of n=1,900 adult Metro bus riders capturing demographics, attitudes, fare-payment behaviors, barriers to using TAP, motivations for using TAP, and awareness and usage of TAP channels. The survey was fielded via a pop-up on Metro.net riding information pages, consultant-fielded mall-intercepts of Spanish-dominant riders, and at high-cash Metro bus stops. Demographics mirror the 2022 Customer Experience Survey, see Attachment B – Fare Payment Survey Methodology.

KEY FINDINGS:

Key market research findings are summarized below.

Context:

Nationally, being unbanked is a big driver of cash usage. Two thirds of unbanked Americans pay bills with cash versus 10% of those who are fully banked (FDIC, 2017). Traits associated with being unbanked include speaking only Spanish, earning less than \$30,000 household income, not finishing high school, being disabled, being Hispanic/Latino or Black, and having a varying income from month-to-month (FDIC, 2019 & 2021). Additionally, there is evidence that undocumented citizens are less likely to be banked (Martin, 2015).

Unbanked Americans often live in a cash-focused ecosystem. Many cash users get paid in cash or convert their check to cash via check-cashing (FDIC, 2017). Nearly all (92%) fully banked Americans are paid with direct deposit, while unbanked Americans are more likely to be paid in other ways like check/money order (45%), cash (27%), and pre-paid card (23%) (FDIC, 2017).

Nationally, according to a 2022 Federal Reserve study, 20% of transactions are paid with cash (Cubides and O'Brien). National bus boardings are in line with that at 21% (APTA, 2017). However, in the last six months of 2022, 43% of Metro bus boardings have been paid for in cash, which is the highest share the top 15 bus agencies in the United States. This is driven by the fact that LA Metro riders are much more likely to be unbanked, use cash in general, and to have incomes lower than \$35,000.

Attachment C – Market Research Findings Summary and Sources

- 31% of LA Metro bus riders are unbanked, compared to 4.2% of Los Angeles residents and 4.5% of American citizens (FDIC, 2021).
- 60% of LA Metro bus riders use cash for at least half of their general purchases, compared to 26% of Americans, per Gallup (2022).
- 79% of LA Metro bus riders earn less than \$35K household income, per Metro's 2022 CX Survey, compared to 50% of national public transit commuters (American Community Survey, 2021).

Secondary research sources are available in Attachment D – Secondary Research Sources.

Who Pays with Cash on Metro Bus

A third (33%) of adult Metro bus riders say cash is their most-used payment method when boarding Metro bus. The following groups are significantly more likely than the average rider to use cash on Metro: Low English proficiency (66%), those with high cash-usage in general (54%), those who ride Metro, particularly rail, infrequently (54%), live in Gateway Cities (46%), are unbanked (45%), do not have a smartphone (39%), are Hispanic/Latino (38%), or are Female (37%).

Why Metro Bus Riders Use Cash on Metro

The main reason Metro riders use cash is because they use cash for most of their purchases in general, have cash on them already, and therefore it is easier for them to use than TAP. One rider in South LA says, "I can just push the cash in and keep going."

The second biggest reason for not using TAP, with 66% agreeing, is that they'd have to go out of their way to get a TAP card or add money to it. In order to use TAP, cash-dominant riders would have to add extra steps to their customer journey, e.g., walking to a rail station the night before to add fare; getting a pre-paid card to add fare online; walking out of way to a vendor; or interacting with the bus operator to add fare when boarding the bus. In addition, 54% cite a lack of a credit or debit card as challenge to using TAP.

Another top reason why Metro riders use cash is concern over losing or misallocating money. 62% of cash-dominant riders say they are worried about losing money if they lose their TAP card. 62% would rather not put money on a TAP because they might need it for something else. When cash-dominant bus riders do load money onto TAP, they tend to only load enough for that trip or day. Given financial constraints, if cash riders were to use TAP more often, it would likely entail daily TAP fare loading, which would be a challenge given access limitations.

About half of cash users cite not knowing where to purchase TAP or how to use it. It was also found that 90% of cash users site at least three barriers to using TAP.

About half of cash-dominant bus riders cite the TAP instructions not being in their native language as a barrier. Riders with low English proficiency list more barriers to using TAP.

Other barriers to TAP include:

- Being able to only pay partial fare with cash
- Experience with TAP equipment being out of order
- Safety concerns of going into rail stations to load fare
- Perceptions of a complicated process at TAP vendors

Why TAP-Dominant Riders Use TAP

- Riders choose TAP to save time and hassle when boarding, to save money, and because it is required on rail.
- About half of bus riders use a mix of cash and TAP
 - TAP is more likely to be chosen on days where the rider knows in advance they will take multiple trips, will have to transfer between lines, i.e., days/trips in which it will financially benefit them to use TAP.

Opportunities to convert cash riders to TAP

Converting cash riders will require a clear substantial financial benefit and a process that is as easy as paying with cash. Key opportunities include:

- **Increasing participation in the LIFE program.**
 - At least 75% of Metro riders may qualify for the LIFE program.
 - Only 60% of bus riders earning under \$35K household income are aware of the program, suggesting an opportunity to increase awareness.
 - Only 23% of bus riders earning under \$35K household income claim to use LIFE, suggesting an opportunity to increase appeal of the program and make it easier to sign-up and participate.
 - Recommendation: Perform user-experience (UX) research to understand how low-income riders perceive the program and identify opportunities to improve the program and its processes.
- **Increasing the number of TAP vendors and the presence of TAP at vendors.**
 - Only 7% of cash-dominant riders choose vendors as their most-used TAP channel.
 - However, 16% of cash-dominant riders say their ideal TAP channel would be vendors, suggesting an opportunity to boost usage of this channel.
 - In order for vendors to appeal they need to be within a short walk of home or the bus stop. 71% of bus riders said that they would walk only a few blocks or less to load money onto TAP.

Attachment C – Market Research Findings Summary and Sources

- Analysis shows that 40% of bus stops are within a quarter mile walk of a TAP vendor.
- Some riders expressed that buying/loading TAP at vendors was complicated and that TAP was not prominently displayed.
- Next Steps: Perform mystery-shopping and UX testing of TAP vendors to understand and evaluate the TAP purchase process from a rider's perspective.
- **Converting banked smartphone users**
 - Many sub-groups of cash-dominant riders will have difficult barriers of not being close to a physical TAP vendor or not having a credit/debit card to add fare online.
 - Those who are, have access to credit cards and a smartphone, theoretically, should be easier to convert to TAP.
 - Based on the recent Cash/TAP Survey, an estimated 26% of cash-dominant riders have a credit/debit card and a smartphone. This is split between 16% English-speaking and 10% non-English speaking.
 - 19% of cash-dominant riders say that loading fare on the TAP App or Apple Wallet would be their preferred method.
- **Converting riders who use a mix of cash and TAP.**
 - 52% of bus riders use a mix of cash and TAP
 - They will likely be easier to convert than the approximately 22% who use all cash on Metro bus.
 - There is an opportunity to convert these riders by raising awareness of local TAP vendors, and converting them to LIFE and/or Reduced Fare rider
- **Making it easier for Spanish-dominant riders to navigate TAP.**
 - Riders who do not speak any English are the most likely to use cash. Riders who speak some English but have low proficiency are also more likely than others to use cash.
 - Cash riders with low English proficiency have more barriers than English speakers.
 - About 39% of cash-dominant riders are Spanish-dominant, meaning they speak Spanish at home and have low English proficiency.
- **Increasing awareness of TAP channels and how to use TAP.**
 - There is low awareness of TAP loading channels. For example, only 48% of cash-dominant riders know they can load fare at a TAP vending machine at a rail/bus station. Only 19% know they can load fare at a TAP vendor.
- **Ensuring TAP is easy to use.**
 - Recommendations:
 - User experience (UX) test all TAP touchpoints & processes.
 - UX test all discount program sign-up and usage processes.

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- Ensure all TAP infrastructure is in working order and in compliance with response and repair times.

Secondary Research Sources Cited in Board Report

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