

DISBURSEMENTS SATISFACTION

PLAYBOOK

SIZING THE CHOICE GAP

The Disbursements Satisfaction

Playbook, a PYMNTS and Ingo Money collaboration, analyzes the responses of more than 5,000 consumers and 500 microbusinesses that receive disbursements, as well as those of 600 small and medium-sized companies and large corporations that pay disbursements across the United States. We gathered their views on how much payment choice they have and offer, how much they use instant payments and their willingness to pay to receive or enable this payment option. This study details the results of our extensive research.

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The Disbursements Satisfaction Playbook was done in collaboration with Ingo Money, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Today's consumers and microbusinesses have many options for disbursements, yet they receive a significant share of such payments through non-instant digital methods and even old-school methods such as paper checks. These payment types often deprive receivers of immediate access to funds, even though receivers say that they value having faster access and prefer that funds arrive on the same day they are sent. Instant payment methods promise to deliver superior disbursement experiences, but they have yet to gain traction — perhaps because most receivers are not very familiar with such options.

That is not to say that instant disbursements will not gain more prevalence in the future. PYMNTS' research shows that many receivers who are made aware of instant disbursements' benefits would like access to such options — mainly because of their speed and convenience. Most payers are also very likely to offer such payments in the future. Educating consumers and microbusinesses about instant payments' benefits could drive a significant increase in such options' uptake and improve disbursements experiences for receivers.

PYMNTS' research also shows that receivers often perceive that they have less choice regarding disbursements than what payers claim to be offering. This perception gap shrinks when consumers are offered a variety of payment options from which to choose, however.

These are some of the results covered in the Disbursements Satisfaction Playbook: Sizing The Choice Gap, a PYMNTS and Ingo Money collaboration. We surveyed more than 5,000 United States consumers and 500 microbusinesses that receive disbursements as well as 600 companies of all sizes that make disbursements. We assessed consumers' and microbusinesses' preferences for payment methods and their interest in adopting instant payments for future disbursements.

Instant payment methods

promise to deliver superior disbursement experiences, but they have yet to gain traction — perhaps because most receivers are not very familiar with such options.

This is what we learned.

01

Consumers and microbusinesses want faster disbursements — preferably those that provide same-day access to funds — but they are often paid via slower, non-instant methods.

Consumers and microbusinesses receive their payments through a variety of options, but they do not always receive their disbursements through a method to their liking. Our research shows that consumers and microbusinesses prefer disbursement methods that give them faster access to their funds. Same-day ACH is preferred for nearly 40 percent of payments, for example, yet payments are often sent instead via non-instant digital methods or even paper checks.

Same-day ACH is used for only 29.2 percent and 20.3 percent of disbursements that are made to consumers and microbusinesses, respectively. In comparison, 18.9 percent of consumers' and 26.7 percent of microbusinesses' disbursements are received through non-instant digital methods, such as payments made to credit card accounts, gift cards or PayPal accounts.

A smaller but still significant share of disbursements are still received via paper checks: 18.7 percent among consumers and 29.2 percent among microbusinesses. Consumers' and microbusinesses' preferences for non-digital methods are much lower, despite these numbers. Consumers prefer non-instant digital methods and checks for 15.6 percent and 12.1 percent of their payments, respectively, and microbusinesses prefer non-instant digital payments for 19.9 percent of their payments and checks for only 15.7 percent of their disbursements.

02

Lack of familiarity with instant payment options is the biggest roadblock to consumers' and microbusinesses' access to faster disbursement options. More than four out of 10 report being unfamiliar with instant payments.

Access to instant payment options can significantly improve consumers' and microbusinesses' disbursement experiences, but our research shows that a significant share are unfamiliar with such payment options. We found that 52.8 percent of consumers and 42.5 percent of microbusinesses are "not at all" or "slightly" familiar with instant payment methods. Lack of familiarity is particularly high among older generations: 68 percent of baby boomers and seniors and 50.4 percent of Generation X consumers are unfamiliar with instant payments, while only 39.3 percent and 34 percent of millennial and Generation Z consumers, respectively, report the same. This suggests that there is room for instant payment methods to gain traction among receivers who are aware of such payments' advantages.

40%

SAME-DAY ACH

is preferred for nearly 40 percent of payments, yet payments are often sent instead via non-instant digital methods or even paper checks.

03

Receivers perceive having limited payment choice unless they are offered a wide variety of options.

Payers claim that they offer their customers various payment methods for more than three-fourths of their disbursements, but consumers and microbusinesses perceive that they are given choices for only half of the disbursements they receive. The perception gap shrinks when receivers are offered a wide variety of options, however.

Our research shows that payers offer ample payment options for 50 percent of disbursements. Consumers recognize this choice and acknowledge that they have access to the options they like for 53.8 percent of such disbursements. Microbusinesses that are given many different choices say the same for 60.1 percent of non-government disbursements.

Payment choice is more commonly offered for investment accounts. Consumers reported that in 58.9 percent of their investment account disbursements where they had a choice of payment method, they were able to choose from many methods, including the ones they preferred. This was true of 70 percent of these same disbursements to microbusinesses.

04

Improving receivers' awareness of instant payment options can drive usage. Nearly four out of 10 consumers and microbusinesses are keen to choose instant payments in the future.

Consumers and microbusinesses that understand instant payments' benefits and utility show a high degree of interest in using them. Our research indicates that 39.9 percent of consumers and 43.2 percent of microbusinesses are "very" or "extremely" likely to choose instant methods for their future disbursements. Millennials and bridge millennials lead this trend, with 50.9 percent of the former and 50.8 percent of the latter "very" or "extremely" likely to choose to be paid instantly in the future.

Payers seem to understand this growing appetite for faster disbursement options. Forty-seven percent of payers — 62.5 percent of large payers — that do not currently offer instant payments are "very" or "extremely" likely to offer them for their future disbursements.

05

Payers believe that receivers like instant payments, yet not offering them is not perceived as a deal breaker.

Speed and convenience are the main reasons that drive receivers' interest in instant payment options. We found that 59 percent of consumers and 67.1 percent of microbusinesses are "very" or "extremely" interested in adopting instant payments because they are more convenient than other methods. We also found that 72 percent of microbusinesses and 58.5 percent of consumers would choose instant payments because they are a fast way to be paid.

Payers are likely to offer instant payment options because their customers value them. We found that 50.8 percent of payers that offer these methods believe that receivers appreciate them. Payers do not see instant payments as a "must-have," however, as only 27 percent think that they may lose business if they do not offer such options.

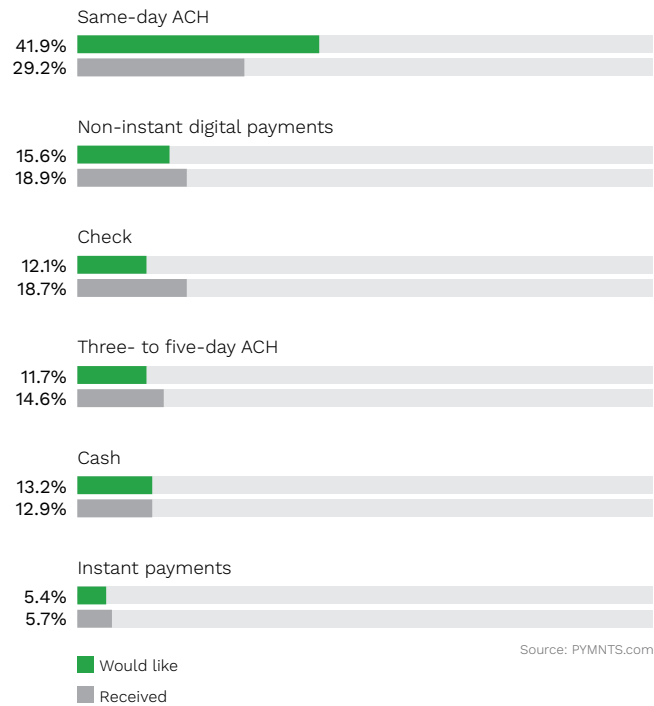
Understanding consumers' and microbusinesses' disbursement expectations

Consumers and microbusinesses receive disbursements through a variety of payment options that differ in speed of access to funds. Receivers value having faster access to their funds and prefer to get paid via methods that allow this, including same-day ACH, instant payments and cash. Our research shows that consumers and microbusinesses would rather get paid through such methods for 60.5 percent and 57.5 percent of their disbursements, respectively. Digital methods that are not received immediately are preferred for only 15.6 percent of consumers' and 19.9 percent of microbusinesses' disbursements.

Same-day ACH is especially popular among baby boomers and seniors and large microbusinesses that generate annual revenues between \$250,000 and \$500,000. Baby boomers and seniors prefer this method for 57.2 percent of their disbursements. Same-day ACH is Gen Z consumers' most preferred method for just 29.5 percent of their payments. Large microbusinesses prefer this method for 58.6 percent of their payments, while small microbusinesses — those that make less than \$100,000 in annual revenues — prefer same-day ACH for only 36.7 percent of their disbursements.

Receivers have an affinity for faster disbursement options, but they do not always get paid through methods to their liking. Only 29.2 percent of disbursements to consumers and 20.3 percent of those to microbusinesses are received via same-day ACH, for example. This is 30.3 percent and 49.8 percent less often than what consumers and microbusinesses would like, respectively. They instead receive a significant share of disbursements via either non-instant digital payment methods or through old-school methods, such as paper checks, which do not give receivers immediate access to funds.

FIGURE 1:
How consumers and microbusinesses are paid, and how they would like to be paid
 Share of consumers' disbursements received through different methods versus the methods they prefer

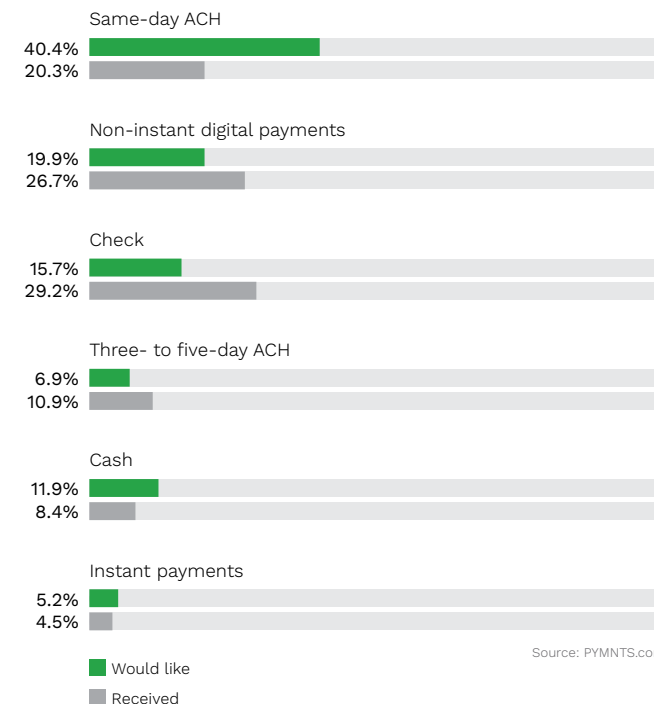


Consumers claim to be receiving 18.9 percent of their disbursements through non-instant digital methods and 18.7 percent through paper checks. Micro-businesses are receiving an even larger share of disbursements through these methods: 26.7 percent report receiving disbursements through non-instant digital methods and 29.2 percent receive them via paper checks. The preference for these methods is much lower, though. Non-instant digital methods are preferred for just 15.6 percent of disbursements that consumers receive and 19.9 percent of disbursements that microbusinesses receive. The preference for paper checks is as low as 12.1 percent and 15.7 percent for consumers' and microbusinesses' disbursements, respectively.

Consumers' and microbusinesses' preference for instant payment options is currently even lower: Consumers and microbusinesses would rather get paid through instant methods for only 5.4 percent and 5.2 percent of their disbursements, respectively. Gen X consumers, bridge millennials and small microbusinesses show a slightly higher affinity for instant payments, preferring to receive 6.7 percent, 6.6 percent and 6.8 percent of their disbursements in instant manners, respectively.

Only 25 percent of consumers and 28 percent of microbusinesses say they are “very” or “extremely” familiar with instant payment methods.

FIGURE 2:
How consumers and microbusinesses are paid, and how they would like to be paid
 Share of microbusinesses' disbursements received through different methods versus the methods they prefer



One of the key reasons why instant payments are not very popular is that receivers are not very familiar with such methods. Only 24.6 percent of consumers and 27.9 percent of microbusinesses say they are “very” or “extremely” familiar with instant payment methods, while 52.8 percent of consumers and 42.5 percent of microbusinesses report being “not at all” or “slightly” familiar.

A lack of familiarity with instant payment options is particularly high among older generations. Our research shows that 68 percent of baby boomers and seniors and 50.4 percent of Gen X consumers are “not at all” or “slightly” familiar with such payments. Only 34 percent of Gen Z consumers and 39.3 percent of millennials say the same, in comparison. This is a trend that is also commonly seen among microbusinesses: 56.3 percent of those that make between \$150,000 and \$250,000 per year in annual revenue are “not at all” or “slightly” familiar with instant payments.

This suggests that there is significant room for growth in use of instant methods if receivers become aware of such methods' advantages.

The choice perception gap

Receivers appreciate payment choice, but they often perceive more limited access to disbursement options than what their senders claim they offer. Senders offer payment choices for 78.8 percent of their disbursements, on average, with large payers — those making \$100 million or more in annual revenue — doing so in 85.4 percent of cases. Consumers recognize payment choice in only 53 percent of the non-government disbursements they received, however — a figure slightly higher than the 51.8 percent of disbursements in which microbusinesses perceived payment choice.¹

Receivers appreciate payment choice, but they often perceive more limited access to disbursement options than what their senders claim they offer.

It is worth noting that different receivers perceive payment choices differently depending on the type of disbursement. Millennials and bridge millennials are more likely to perceive having payment choices than other age groups. The former recognize payment choices for 61.4 percent of non-government disbursements and the latter do so for 63.6 percent of received disbursements. Baby boomers and seniors say they are offered payment choices for just 41.5 percent of non-government disbursements. Larger microbusinesses tend to perceive less choice: Small microbusinesses say they are offered choice for 56.4 percent of non-government disbursements, whereas large ones say that for only 43 percent of disbursements they receive.

¹ PYMNTS' Disbursements Satisfaction Report 2020: Monetizing Payout Choice Report, September 2020, available at <https://www.pymnts.com/disbursements/2020/new-data-the-number-of-disbursements-is-increasing-the-number-sent-instantly-barely-hits-10-percent/>.

The perception gap tends to shrink when receivers are offered a wide variety of options. Our research found that consumers could choose from a wide variety of payment options, including their most preferred method, for 53.8 percent of non-government disbursements for which they were offered payment choices. This is also the case for 60.1 percent of disbursements microbusinesses received and for which they were offered payment choices. Payers say that they offer a wide variety of payment options for half of disbursements.

TABLE 1:
Payment method choice, as perceived by receivers

Share of disbursements where consumers and microbusinesses could choose the payment method, by generation and annual revenue

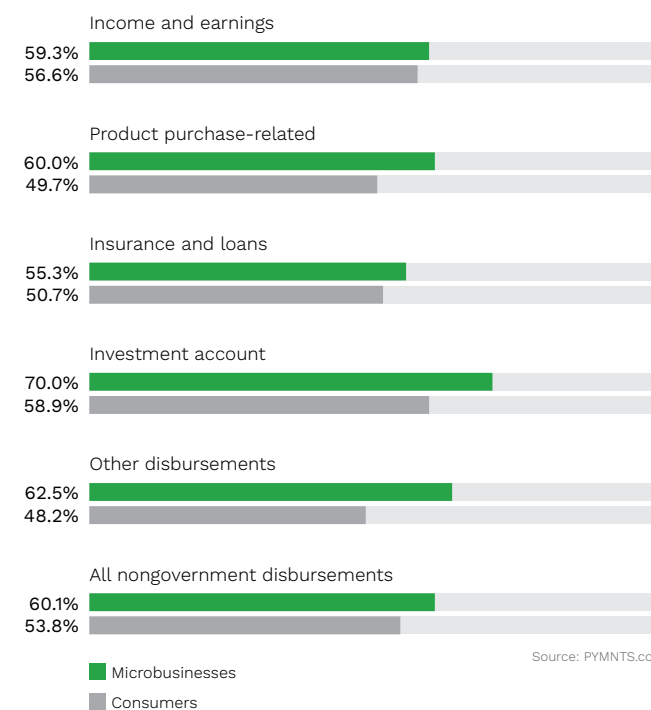
	Income and earnings	Product purchase-related	Insurance and loans	Investment account	Other disbursements	Nongovernment disbursements
GENERATION						
• Generation Z	62.0%	46.9%	50.8%	53.6%	50.1%	54.2%
• Millennials	67.0%	50.8%	62.0%	65.2%	58.0%	61.4%
• Bridge millennials	67.5%	53.5%	62.9%	69.9%	62.2%	63.6%
• Generation X	58.3%	42.5%	50.6%	62.7%	48.3%	52.7%
• Baby boomers and seniors	42.1%	31.9%	31.4%	59.4%	33.7%	41.5%
ANNUAL REVENUE						
• \$0-\$100K	61.0%	47.1%	34.1%	50.0%	41.7%	56.4%
• \$100K-\$150K	54.0%	60.0%	40.0%	60.0%	0.0%	53.8%
• \$150K-250K	54.8%	26.1%	45.5%	31.6%	66.7%	47.7%
• \$250K-\$500K	53.4%	14.3%	36.4%	47.8%	50.0%	43.0%

Source: PYMNTS.com

Baby boomers and seniors and large microbusinesses are most likely to have been offered a wide variety of options. This is the case for 60.4 percent of non-government disbursements to baby boomers and seniors and 68.8 percent of those to large microbusinesses. Large payers are more likely to offer a wider variety of payment options: 59.4 percent of the disbursements they sent offered receivers some choice.

FIGURE 3:
How much choice do receivers perceive and payers offer?

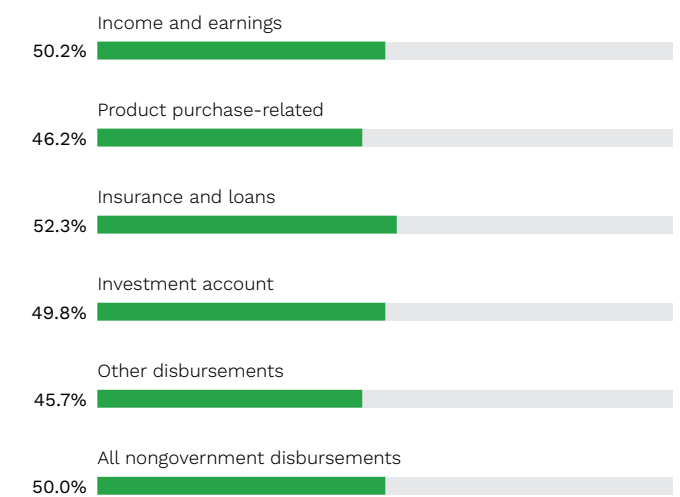
Share of disbursements received that allow receivers to choose from a wide variety of payment options, including the ones they preferred, by disbursement category



Source: PYMNTS.com

FIGURE 4:
How much choice do receivers perceive and payers offer?

Share of disbursements that offer a wide variety of options, from those that offered some choice, by disbursement category



Source: PYMNTS.com

It is more common for receivers to have access to a wider variety of payment options when it comes to investment account disbursements, such as dividend payments and investment account or annuity withdrawals. Microbusinesses and consumers could choose from a wide variety of options, including the ones they prefer, for 70 percent and 58.9 percent of such disbursements where at least some choice was offered, respectively. Companies that make investment related disbursements offer choice for nearly half of their transactions.



Factors driving demand for instant disbursements

Although instant payment options are not very commonly received today, improving awareness of such methods' advantages can help drive growth in usage. Our findings reveal that receivers' willingness to choose instant payments for future disbursements increases substantially once they understand how such disbursements work. Roughly 40 percent of receivers are "very" likely to choose instant payments in the future: 39.9 percent of consumers and 43.2 percent of microbusinesses are "very" or "extremely" likely to choose instant methods for their future disbursements.

Millennials, bridge millennials and large microbusinesses are most likely to choose instant payment options: 50.9 percent of millennials, 50.8 percent of bridge millennials and 49.4 percent of large microbusinesses state that they will be "very" or "extremely" likely to choose instant payments for their future disbursements. It is not surprising that 46.7 percent of consumers who live paycheck to paycheck and struggle to pay their bills are also very likely to choose instant payments.

Receivers' willingness to choose instant payments for future disbursements

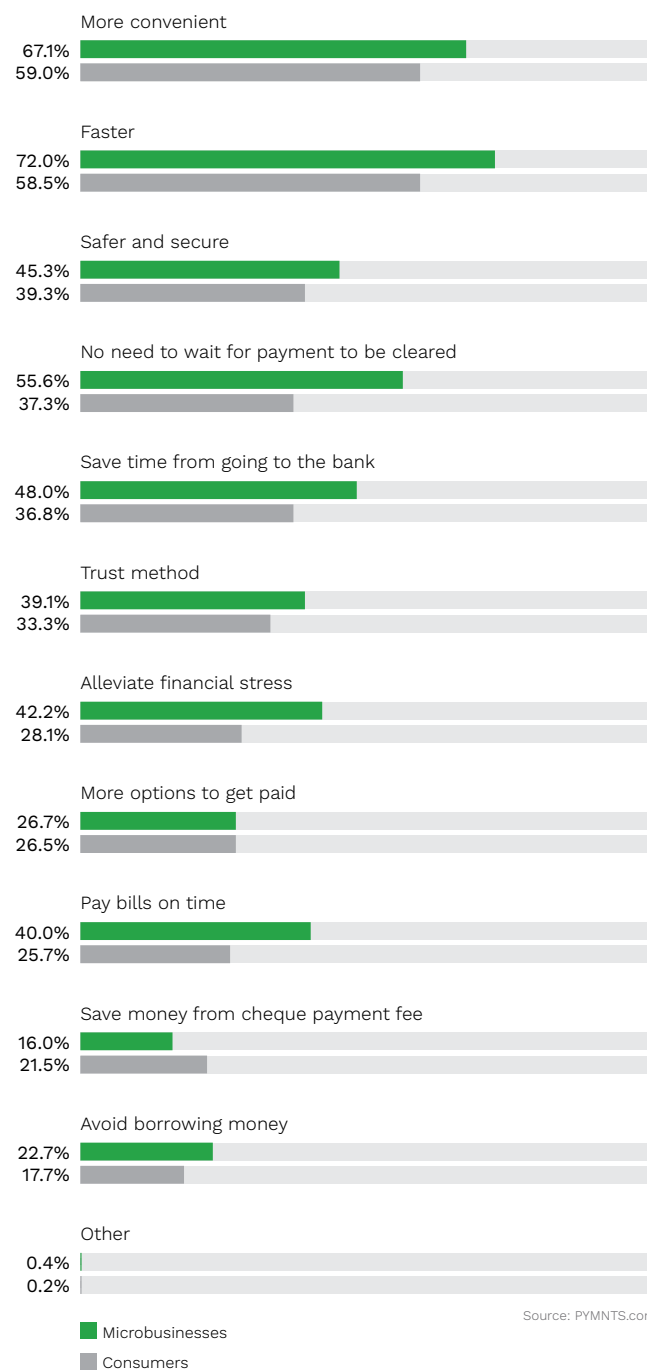
increases substantially

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FIGURE 5:
Reasons to adopt instant methods for future disbursements

Share of consumers and microbusinesses that expressed different reasons to choose instant methods for their future disbursements



Consumers' and microbusinesses' interest in using instant disbursements is rooted in their beliefs that these payment options are faster and more convenient than others. Our analysis shows that 67.1 percent of microbusinesses and 59 percent of consumers who are likely to choose instant payments would do it because they are more convenient than other methods.

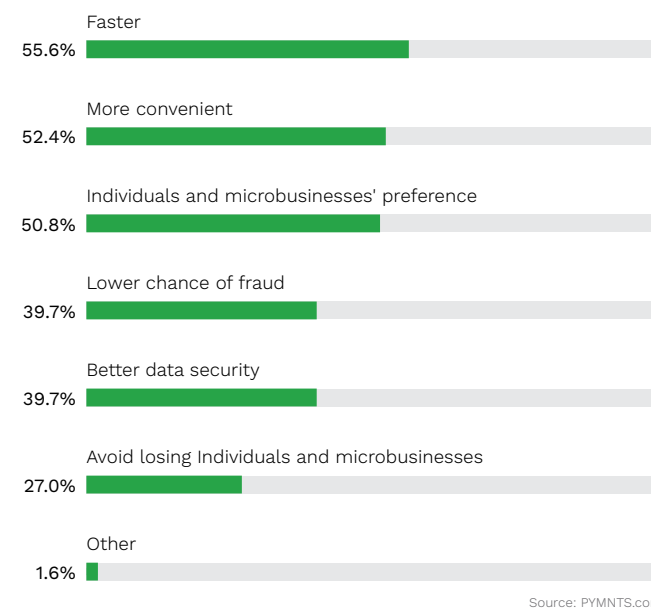
Interest in adopting instant payments is high not just among receivers, however, but also among payers that currently do not offer such options. We found that 47 percent of payers that have not offered instant methods in the last 12 months are "very" or "extremely" likely to offer them for their future disbursements. Large payers are especially interested in instant payments, as 62.5 percent of those that did not use them over the last year report being "very" likely to offer them in the future.

Interest in adopting instant payments is high

not just among receivers but also among payers that currently do not offer such options.

FIGURE 6:
Reasons to adopt instant methods for future disbursements

Share of payers that expressed different reasons to choose instant methods for their future disbursements



One reason why payers are willing to offer instant payments is that they believe both consumers and microbusinesses would rather receive their payments instantly: 50.8 percent of payers likely to use instant disbursements in the future say so. Other motivations to offer instant payments are that they are faster (55.6 percent) and more convenient (52.4 percent) than other methods. Payers do not think that offering instant payments is a must, however. Only 27 percent of those who are "very" likely to offer instant disbursements believe they risk losing their clients, contractors or suppliers if they do not.



CONCLUSION

Consumers and microbusinesses are paid through many different payment options, although they do not always get paid through their most preferred method. Disbursement receivers value the possibility of having faster access to their funds, yet instant payment methods are still not very popular among them. Lack of knowledge and familiarity with use of instant payments seems to be the reason. Increasing receivers' awareness of the benefits can help drive higher demand for instant methods in the near future, as they can deliver the speed and convenience consumers crave.

Methodology

The Disbursements Satisfaction Playbook: Sizing The Choice Gap is based on three separate surveys of consumers, microbusinesses and companies that make disbursements. As part of our analysis, we surveyed a census-balanced panel of 5,145 consumers and 521 microbusinesses with revenues below \$500,000 and less than three employees on how they have received disbursements in the previous 12 months. We also surveyed 660 businesses, all of which had to have revenues over \$1 million and have made at least one type of disbursement per month over the previous 12 months, to gauge how they were making disbursements. The surveys were conducted between April 20, 2020, and May 21, 2020.

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Ingo Money has funded over \$20 billion in transactions across all of its use cases since launch and completed the first push payment transaction in the United States in 2012. Headquartered in Alpharetta, Georgia, Ingo employs 250 professionals and serves some of the largest brands in North America.

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