

A woman with short dark hair and glasses, wearing a light blue sweater and a grey apron, is smiling while talking on a dark smartphone. She is sitting at a wooden desk with a laptop in front of her, her hand resting on the keyboard. The background is a bright green wall with a white silhouette of a person standing. The overall image has a torn paper effect at the edges.

STREAMLINING AD HOC PAYMENTS WITH INSTANT PAY

November 2023 Report

PYMNTS
INTELLIGENCE



STREAMLINING AD HOC PAYMENTS WITH INSTANT PAY

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■ November 2023
**Measuring Consumer
Satisfaction With Instant
Payouts**



Streamlining Ad Hoc Payments With Instant Pay was produced in collaboration with Ingo Money, and PYMNTS Intelligence is grateful for the company’s support and insight. **PYMNTS Intelligence** retains full editorial control over the following findings, methodology and data analysis.

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WHAT'S AT STAKE

Ad hoc payments are irregular payments made outside normal invoicing and payroll processes, and to enterprises, they are something of a nuisance. Ad hoc payments account for a small share of enterprise senders' volume, representing, on average, just 24% of accounts payable (AP). In more concrete terms, this means approximately \$12 million for the average sender, from a total of almost \$49 million that enterprises process monthly. Where do these payments go? Enterprises regularly make ad hoc payments to small to mid-sized businesses (SMBs) and consumers in such industries as transportation, hospitality, property management, gaming and the gig economy.



24%

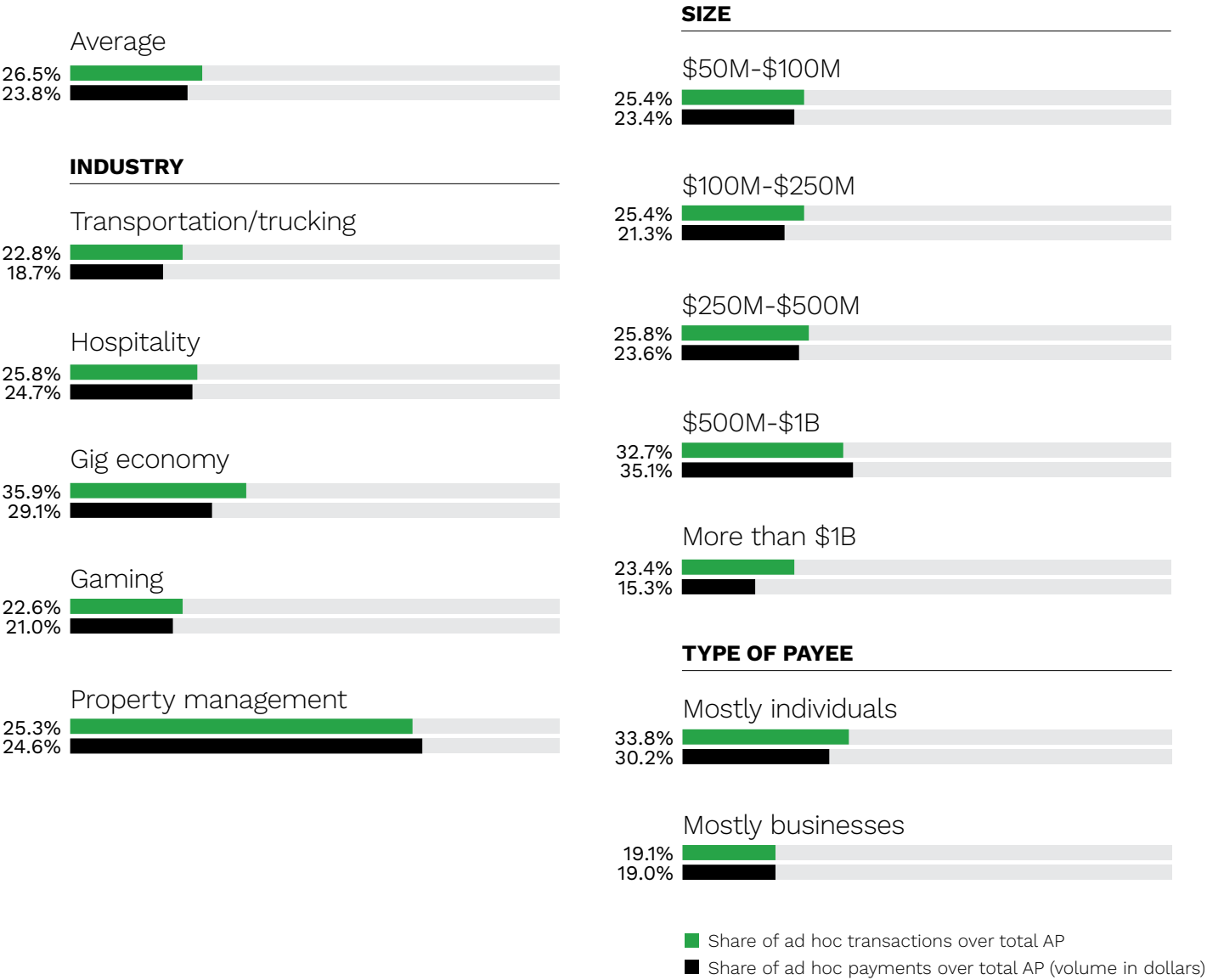
Share of total AP volume for enterprises made up by **ad hoc payments**

While ad hoc payments can serve as annoyances to enterprise operations, instant payment methods offer a viable way to streamline the process. Gig economy companies make an above-average share of ad hoc AP payments — and these firms use instant payment methods the most. While senders report that instant payments represent 27% of their ad hoc payment transactions, the corresponding share is 36% in the gig economy.

FIGURE 1:

Ad hoc payments volume

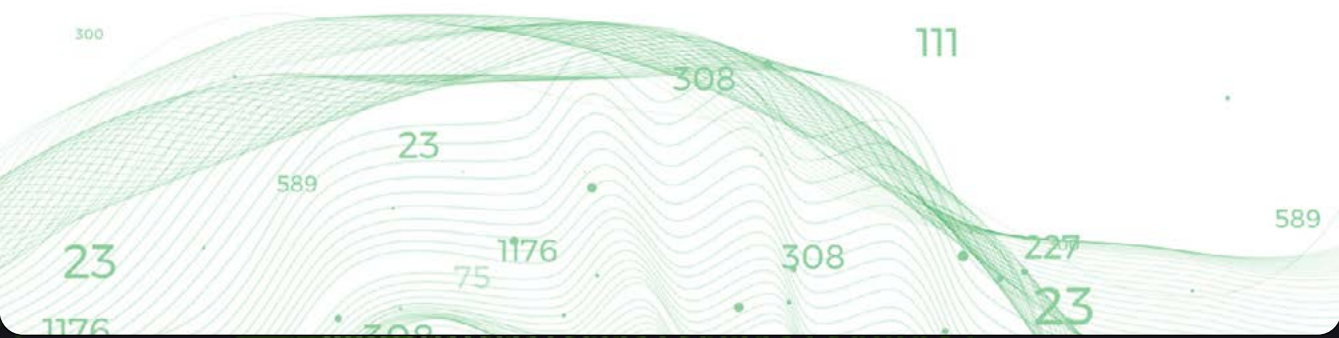
Senders' average share of monthly payments that are ad hoc, by transaction volume and dollar volume



Source: PYMNTS Intelligence
Streamlining Ad Hoc Payments With Instant Pay, November 2023
N = 200, Complete responses, fielded Aug. 7, 2023 – Sept. 15, 2023

Streamlining Ad Hoc Payments With Instant Pay, a PYMNTS Intelligence and Ingo Money collaboration, is based on a survey of 200 enterprise senders generating at least \$50 million in annual revenue across the United States conducted between Aug. 7 and Sept. 15. The survey examines these issuers' use of instant payments to make disbursements to SMBs and consumers. The report focuses on the following segments: hospitality, gaming, trucking/transportation, gig economy (freelance workers) and property management.

This is what we learned.



KEY FINDINGS

01

SMALL SHARE

Ad hoc payments make up just 24% of the total AP volume for enterprises, rendering them more of a nuisance than essential to operations.



\$12M

Amount of enterprise senders' monthly AP volume that is ad hoc payments

02

MORE FREELANCE

How often companies send instant payments is informed by the maturity of instant payment usage: Older use cases — such as gig economy companies — leverage these methods most.



36%

Share of gig economy companies' ad hoc payment transactions sent via instant payment

03

INSTANT TIPS

At least 6 in 10 enterprises sending tips to employees and gig workers will pay fees to use instant payments, suggesting that these senders will likely expand their use of instant.



63%

Share of senders sending tip payouts to employees that already pay fees to make these payouts instantly

04

BETTER RELATIONSHIP

While 80% of senders think receivers are satisfied with current ad hoc solutions, improving customer relationships is vital for one-third of senders.



31%

Share of senders who expect to improve customer satisfaction by adding new ad hoc payment solutions

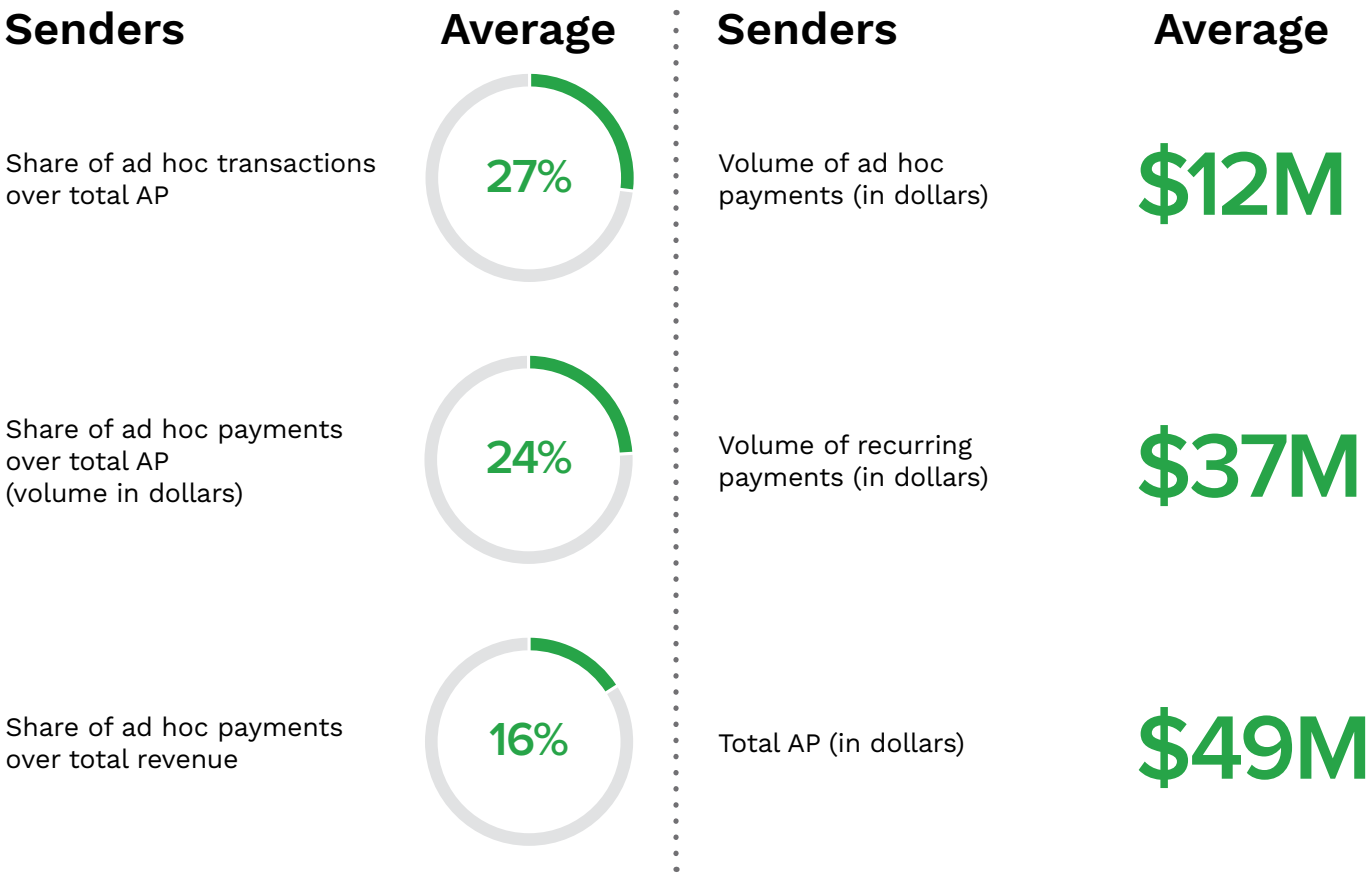
PYMNTS IN DEPTH

Ad hoc payments make up a small share of enterprise senders' AP volume, but using instant payment methods can streamline the payment process and improve customer satisfaction.

Ad hoc payments make up just 24% of the total AP volume for enterprises, rendering them more of a nuisance than essential to their operations.

The average enterprise sender processes \$49 million in monthly payments as part of its AP volume. Of this, ad hoc payments represent just \$12 million of enterprise senders' monthly volume, on average, while recurring payments represent \$37 million. On average, ad hoc payments are also 10% smaller than recurring payments for enterprise senders. Because they represent just 24% of enterprise firms' total AP volume, ad hoc payments can seem more of an annoyance to enterprise senders than an essential business component, suggesting these companies would benefit from solutions that streamline the process and eliminate these headaches. Meanwhile, gig economy companies' AP ad hoc payments share is 36%, 9 percentage points higher than the average, implying that ad hoc payments are more central to their business — and partially explaining why this industry is most likely to use instant pay already.

FIGURE 2:
Enterprises’ monthly AP payments
Average share and amount of enterprises’ total and ad hoc monthly AP payments



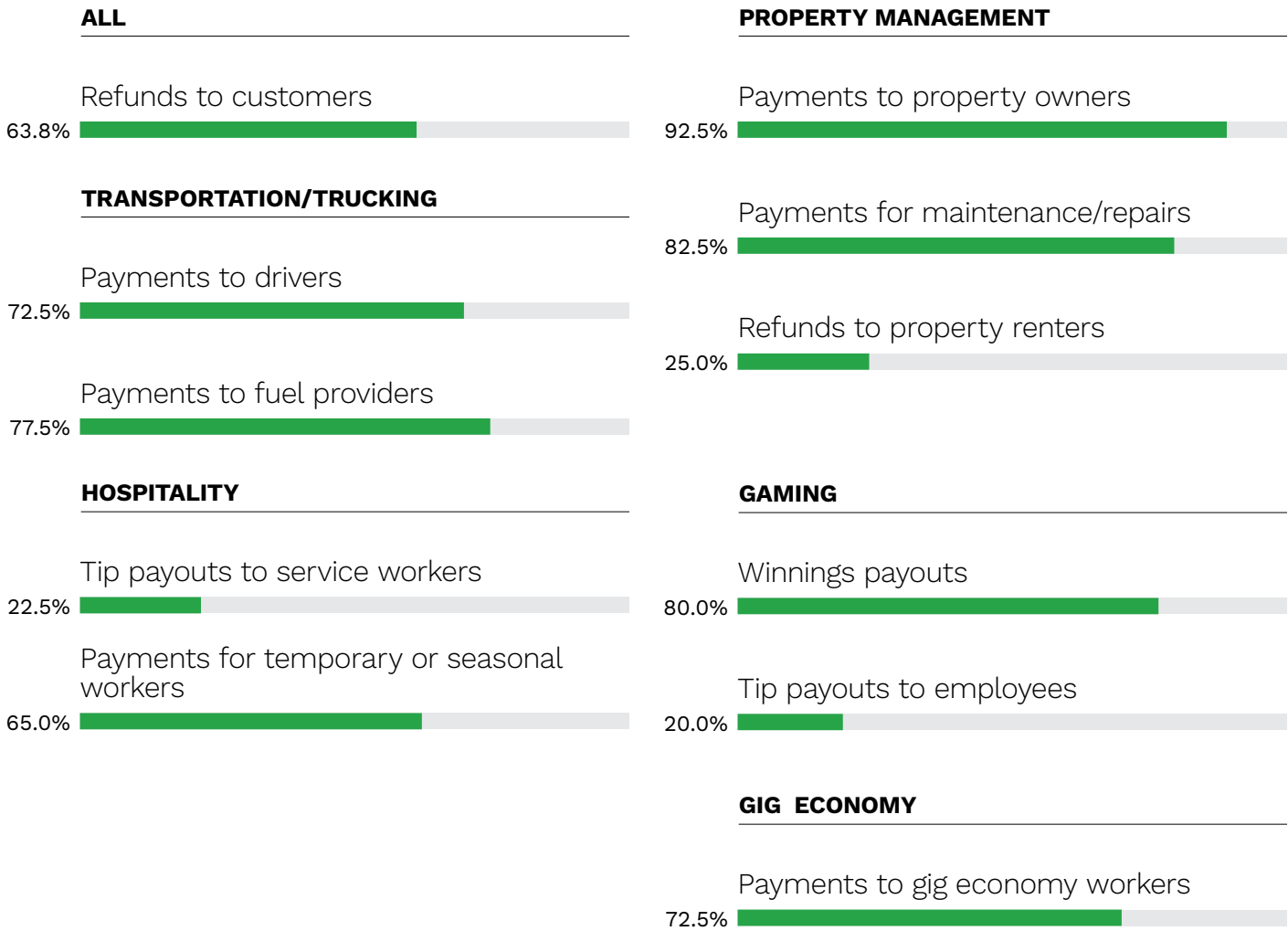
Source: PYMNTS Intelligence
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The most common ad hoc payments sent go to the property management sector. In fact, 93% of senders made payments to property owners and 83% made payments for maintenance or repairs in the last year. Gaming winnings payouts are the third-most common ad hoc payment, as 80% of gaming companies make these payouts, followed by transportation/trucking firms’ payments to fuel providers, at 78% and payments to drivers, at 73%. Enterprise senders are the least likely to make ad hoc payments of tips to service workers — 23% in the hospitality industry do so — and tips to gaming employees — 20% in the gaming industry do so. Currently, companies send 7 in 10 ad hoc transactions via bank account transfers, suggesting that their payouts may still rely predominantly on traditional ACH rails and further indicating that enterprises and their customers may significantly benefit from speeding up the ad hoc payment process.

FIGURE 3:

Ad hoc payment types

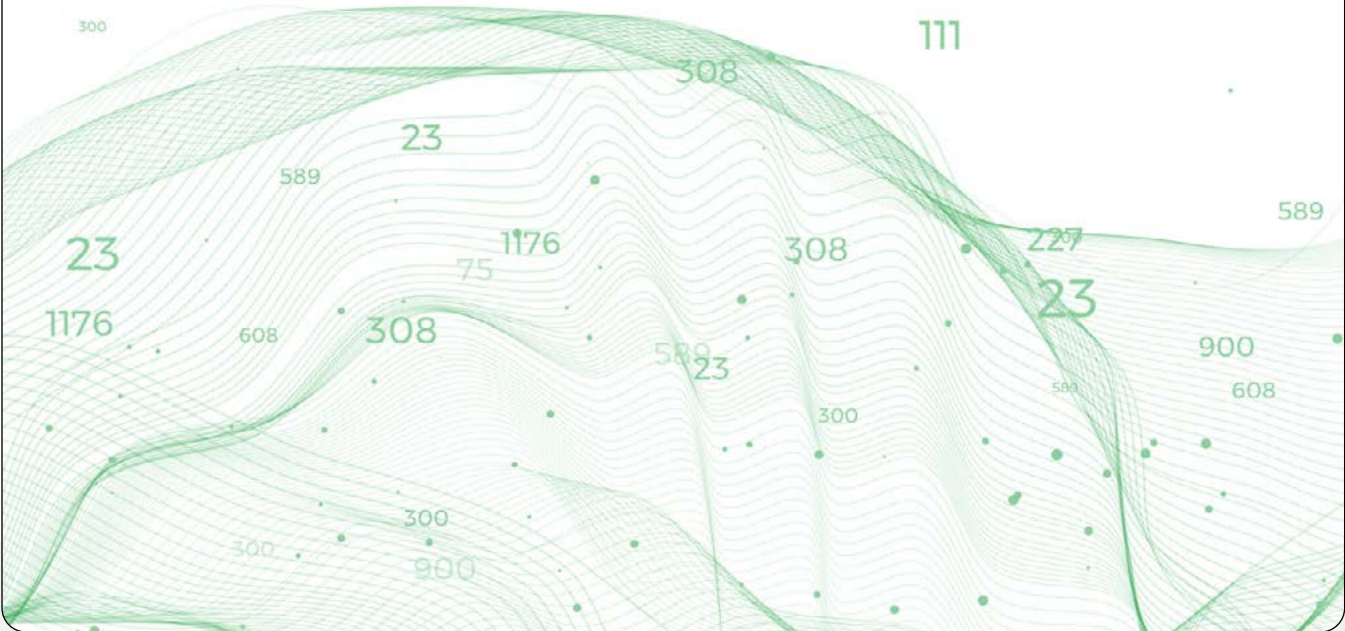
Share of enterprises that sent select types of ad hoc payments in a typical year, by sector



Source: PYMNTS Intelligence
Streamlining Ad Hoc Payments With Instant Pay, November 2023
N = 200, Complete responses, fielded Aug. 7, 2023 – Sept. 15, 2023

93%

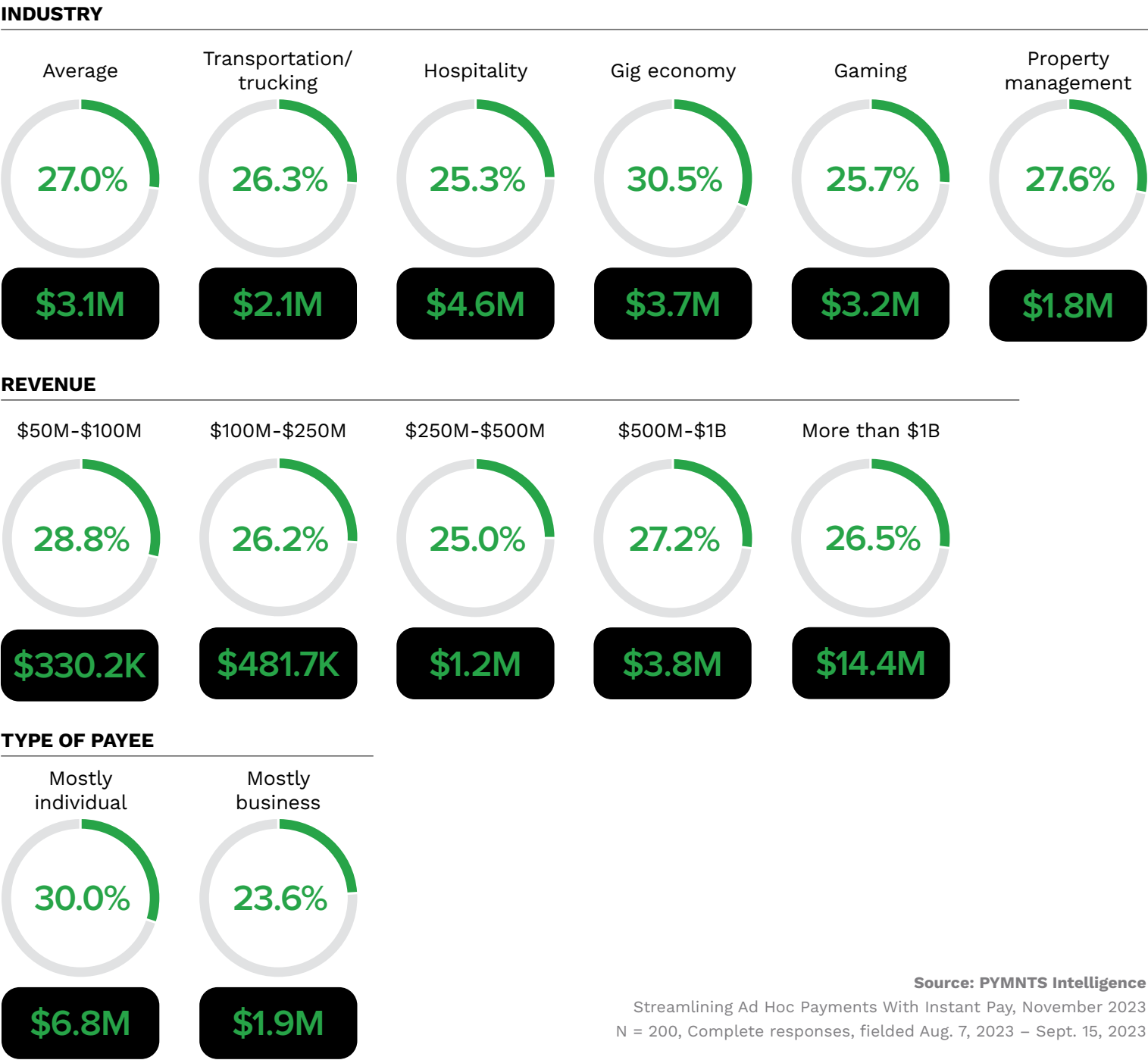
Share of senders who made ad hoc payments to property owners



How often companies send instant payments is informed by maturity, with the methods used most often for more established instant use cases — such as within the gig economy.

Overall, senders report that instant payments represent 27% of their ad hoc transactions, translating to \$3.1 million in transactions for the average company. Meanwhile, firms with more than \$1 billion in revenue also report that instant payments represent 27% of ad-hoc transactions, spiking to \$14.4 million in volume and indicating that larger enterprises send more money overall — and a greater value of ad hoc payments. Instant payments have been used for a long time in the gig economy, which helps explain why usage is relatively high, at 31%.

FIGURE 4:
Instant payments usage when sending ad hoc payments
Share of ad hoc transactions made via instant payments, by industry



Source: PYMNTS Intelligence
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N = 200, Complete responses, fielded Aug. 7, 2023 – Sept. 15, 2023

More than half of all ad hoc instant payments are sent directly to bank accounts. Of the 27% of all ad hoc transactions that enterprises send via instant payments, 17% are instant payments sent directly to bank accounts. Tips to gaming employees and hospitality workers are the most likely to be paid out via instant methods, at 37% and 35%, respectively. Yet payments sent to employees in the gig economy and for maintenance or repairs in the property management sector are the most likely to be sent via instant payment to a bank account specifically, at 22% each. Employee tip payments do not fall far behind, however. While 21% of hospitality workers are paid tips via instant payment to a bank account, 19% of gaming employees also receive tips this way. In the property management sector, refunds to renters, at 19%, are the payments most sent via Zelle; Zelle usage is mature in the industry, further suggesting that companies send instant payments more often in more mature markets.

FIGURE 5:

Instant payment methods used

Share of ad hoc transactions sent via select instant payment methods, by industry

	Instant payment via Zelle	Instant payment to a bank account via debit card or the RTP network	Instant payment to a digital wallet	Total
• Average	7.8%	17.0%	2.2%	27.0%
• Refunds to customers	7.2%	17.1%	2.8%	27.0%
LOGISTICS				
• Payments to drivers	10.4%	14.6%	4.2%	29.2%
• Payments to fuel providers	8.6%	12.9%	1.4%	22.9%
HOSPITALITY				
• Tip payouts to service workers	13.9%	20.8%	0.0%	34.7%
• Payments for temporary or seasonal workers	3.4%	11.7%	0.0%	15.1%
PROPERTY MANAGEMENT				
• Payments to property owners	7.2%	16.1%	0.0%	23.3%
• Payments for maintenance/repairs	9.2%	21.5%	0.0%	30.7%
• Refunds to property renters	18.8%	12.5%	0.0%	31.3%
GAMING				
• Winning payouts	5.0%	17.4%	0.0%	22.4%
• Tip payouts to employees	9.3%	18.6%	9.3%	37.3%
GIG ECONOMY				
• Payments to gig economy workers	4.8%	21.8%	7.3%	33.9%

Source: PYMNTS Intelligence

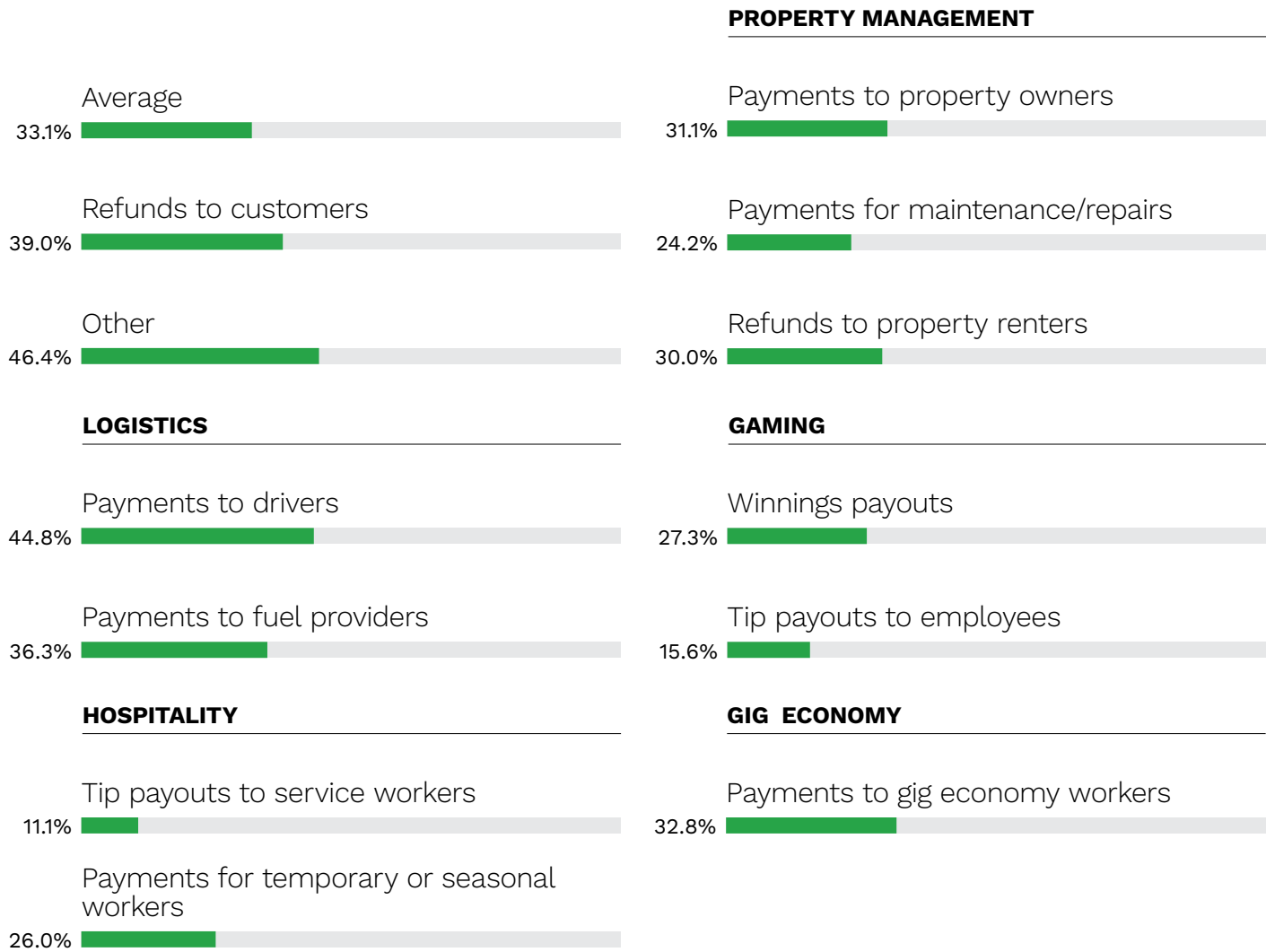
Streamlining Ad Hoc Payments With Instant Pay, November 2023

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At least 6 in 10 enterprises sending tips to employees and gig workers will pay fees to use instant payments, suggesting that these senders will likely expand their use of instant.

On average, 33% of senders offered instant payments to receivers, with senders in trucking and transportation and those sending refunds to customers offering instant options more than the average company. This implies that instant access to good funds is particularly important to receivers in these segments. Overall, 39% of all enterprise senders offered instant payment methods to send refunds to customers. In transportation and trucking, 45% of senders offered instant payments to drivers, while 36% offered instant payments to fuel providers. One-third of senders offered instant payments to gig employees, and 31% of payments to owners were instant. Just 16% of gaming and

FIGURE 6:
Offering instant payments
Share of senders that offered instant payments, by type of ad hoc payment

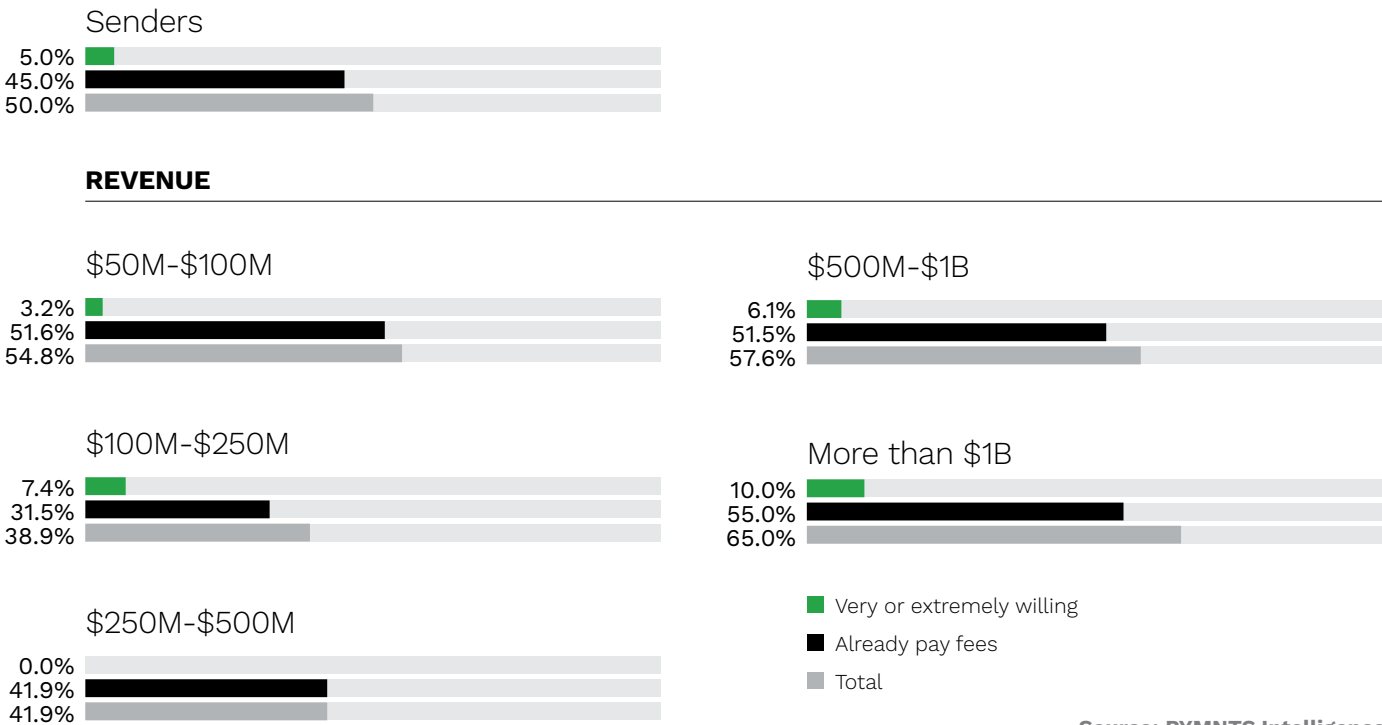


Source: PYMNTS Intelligence
Streamlining Ad Hoc Payments With Instant Pay, November 2023
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11% of hospitality companies offered instant payment methods for tip payouts to their employees, implying that these senders rely more on more traditional payout methods.

Where few enterprise senders offer instant payments, having to pay for the service could be a deterrent to adoption. Enterprise senders are already overcoming this friction, however, as close to half already pay fees when using instant payments, and that is likely to increase, as data shows that 65% of larger enterprises are willing to pay fees to use instant payments. This willingness to pay for instant highlights the demand and suggests that senders are interested in expanding instant in the future. Currently, data shows that 45% of all senders already pay fees when using instant payments, while an additional 5% of senders are very or extremely willing to pay fees to send instant ad hoc payments. Among the largest firms — those with annual revenues of more than \$1 billion — 55% already pay fees, and an additional 10% are willing to do so. Firms in the gig economy sector are the most willing to pay for instant, with 58% already paying fees and 7.5% willing to pay fees to send instant ad hoc payments. Tip payouts to employees are particularly likely to be instant at a price: 63% already pay fees to make these payouts instantly, and an additional 13% are very or extremely willing to do so.

FIGURE 7:
Willingness to pay fees to send instant ad hoc payments
Share of senders willing to pay a fee to send instant payments, by annual income



Source: PYMNTS Intelligence
Streamlining Ad Hoc Payments With Instant Pay,
November 2023
N = 200, Complete responses,
fielded Aug. 7, 2023 – Sept. 15, 2023

While 80% of senders think receivers are satisfied with current ad hoc solutions, improving customer relationships is critical for one-third of senders, especially when using instant payments.

Although 80% of enterprise senders believe their customers are satisfied with current ad hoc solutions, 31% aim to improve customer satisfaction specifically by adding new ad hoc solutions, while 24% aim to guarantee that funds are received promptly. Moreover, although these senders are interested in offering instant payments for several reasons, better customer relationships rank number one. Ninety-six percent of senders using instant payments report that improving customer relationships is why they offer instant payments, while 55% cite it as the most important reason. Meanwhile, 92% cite speed/guarantee of good

FIGURE 8:

Senders' most expected benefits

Share of senders who cite select benefits as the most expected to gain from offering new ad hoc payment solutions

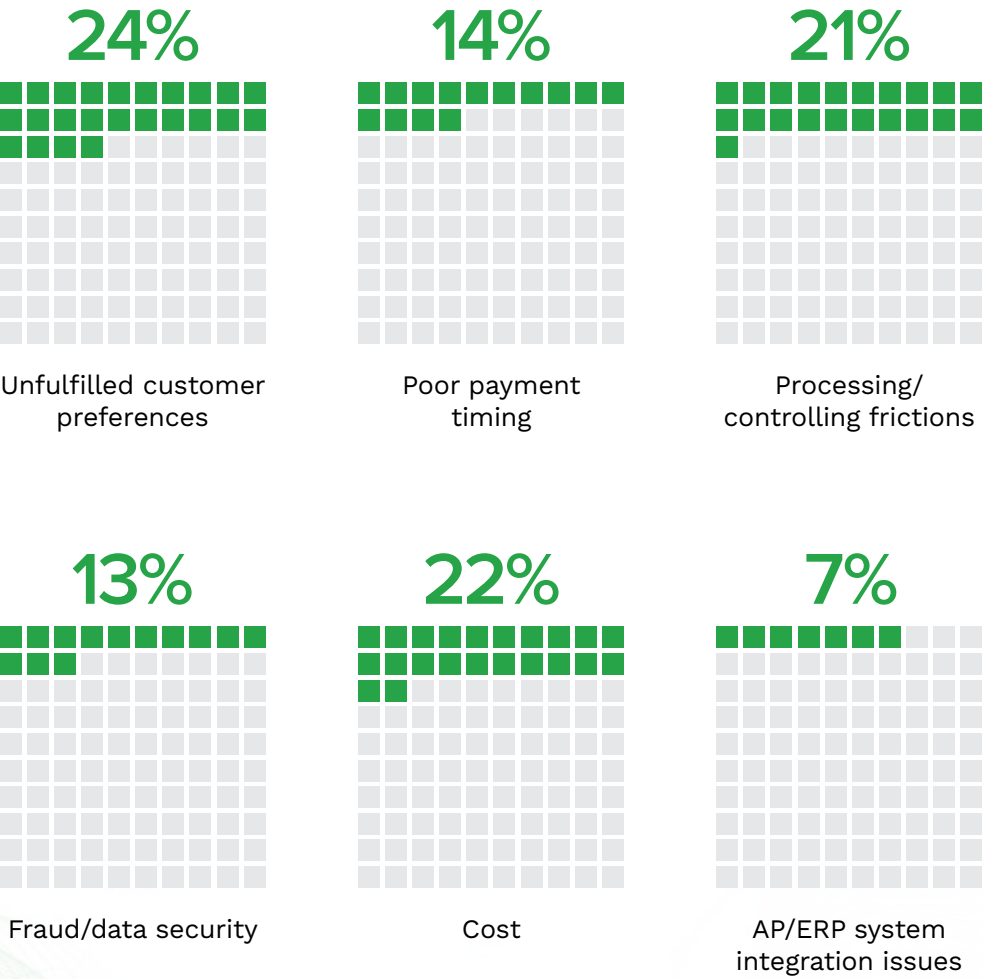


Source: PYMNTS Intelligence
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funds as a reason, with 26% identifying it as the most important factor. This suggests that senders’ dual aims of improving customer relationships and guaranteeing good funds are very often — if not always — closely linked when deciding to offer instant payment options.

Enterprise senders face numerous challenges when processing ad hoc payments. While 24% of senders say unfulfilled customer preferences are the biggest challenge they have experienced in the last year, 21% say processing frictions such as lost or missing invoices or duplicate payment processing was the biggest challenge they encountered in the last year. Costs associated with ad hoc payments are a significant challenge for 22% of senders. Senders can benefit from digital instant payment solutions to streamline the payment process, data shows, as cost has been the most important challenge for 37% of senders relying primarily on manual systems to send ad hoc payments and for 13% that rely primarily on automated systems.

FIGURE 9:
Ad hoc payment processing challenges
Share of senders that experienced select ad hoc payment processing challenges in the last year



Source: PYMNTS Intelligence
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DATA FOCUS

Enterprises still rely on non-instant methods when making ad hoc payments, but data reveals some exceptions.

Senders' ultimate choice of a payment method depends on their industry — and the entity that will receive the ad hoc payment.

Forty-one percent of senders report that they mostly make ad hoc payments using instant methods, meaning that 59% primarily use non-instant methods. A deeper dive into individual market segments, however, reveals that while nearly all enterprise senders mainly choose instant methods more than non-instant payment methods, there are a few exceptions based on who is receiving the ad hoc payment.

FIGURE 10:

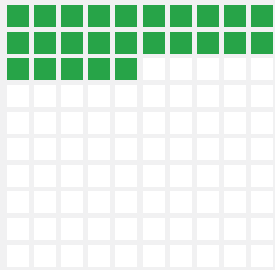
Most used payment methods

Share of senders who say they use select payment methods the most to send ad hoc payments, by select industries

	Average	Gaming Tip payouts to employees	Hospitality Tip payouts to service workers
INSTANT PAYMENTS			
• Instant payment to a bank account via a debit card or the RTP network	24.0%	12.5%	22.2%
• Instant payment via Zelle	13.0%	12.5%	22.2%
• Instant payment to a digital wallet	4.0%	12.5%	0.0%
NON-INSTANT PAYMENTS			
• Same-day ACH	14.5%	12.5%	11.1%
• Check	12.0%	0.0%	0.0%
• Regular ACH	10.5%	25.0%	11.1%
• Credit card	9.0%	25.0%	0.0%
• Wire	5.5%	0.0%	11.1%
• Payment to a PayPal account	4.0%	0.0%	22.2%
• Prepaid card	1.5%	0.0%	0.0%
• Cash	0.5%	0.0%	0.0%
• Other	1.5%	0.0%	0.0%

Source: PYMNTS Intelligence

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25%

Share of **gaming companies** that used **regular ACH and credit cards most** for employee tip payouts

For instance, enterprises in the gaming industry are among those that rely more on non-instant methods than instant alternatives. Twenty-five percent of gaming companies used regular ACH and credit cards most for employee tip payouts. Meanwhile, those in the hospitality industry are equally likely to make payments to PayPal accounts than to various instant methods, with 22% reporting they pay to a PayPal account the most when sending tip payouts to service workers.

ACTIONABLE INSIGHTS



Currently, senders of ad hoc payments rely primarily on bank account transfers, as they send 7 in 10 such transactions this way, suggesting that payouts may still rely predominantly on traditional ACH transfers. Companies — and their customers — could benefit in such an ecosystem from streamlining the ad hoc payment process by using instant payment alternatives more.



Like the average enterprise sender, those with more than \$1 billion in revenue report that instant payments represent 27% of their ad hoc transactions. However, the greater scale means these ad hoc payments rise to \$14.4 million in volume. Instant payments have been well established in the gig economy segment and are more popular than average there, which serves as a case study demonstrating that mature use cases will lead to greater instant pay usage for ad hoc payments. The sooner these enterprise senders take advantage of instant pay solutions, the sooner ad hoc payments will likely become less of a burden.



In select industries, few enterprise senders offer instant payments, suggesting that paying for the service can hinder adoption. Meanwhile, nearly half of enterprise senders already pay fees when using instant payments, which could increase to two-thirds among the largest firms, indicating that these senders will expand their use of instant pay in the future — even if they must pay. This bodes well for the future adoption of instant pay, as enterprises continue to streamline the ad hoc payment process.



Costs associated with ad hoc payments are a key challenge for close to one-quarter of senders. Yet cost is still the most important challenge for 37% of senders that rely primarily on manual systems. In comparison, it is the most important challenge for just 13% of senders that mainly depend on an automated system. This correlation suggests that digital solutions lower costs — and that digital instant payment solutions could thus incentivize enterprises and be positioned to take off.



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METHODOLOGY

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