

A Forrester Consulting
Thought Leadership Paper
Commissioned By Ingo Money
January 2019

Legacy Disbursement Methods Fail To Satisfy Today's Modern Customers

Instant Payments Meet Consumer And
Business Needs

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Executive Summary

Businesses today are under more pressure than ever to transform digitally. To compete in the age of the customer, your firm must become a digital business; you must enhance your digital customer experience to be customer-centric while also overhauling your operations and systems to drive more agility and efficiency. For financial leaders, this includes how you pay or disburse monies owed to your customers. Waiting days to get paid or receive monies owed is no longer acceptable when consumers can do so many things instantly: make a purchase, order and receive food on demand, or call for a ride. Expectations are rapidly evolving and legacy B2C disbursement methods are failing to meet the needs of today's modern customers. Financial and technology professionals need to come together to find ways to implement new technology and services, such as instant payments (defined as: payments made instantly or in real-time to an account or card chosen by your customer where funds are immediately available and safe to spend), to enhance their customer experiences (CX) and to better grow, serve, and retain increasingly demanding customers.

In August 2018, Ingo Money commissioned Forrester Consulting to evaluate how businesses pay customers and the attitudes and preferences of the customers receiving payment. Forrester conducted an online survey with 157 executives at financial services companies responsible for disbursements and 1,088 US-based consumers to explore this topic. We found that most companies are still relying on inefficient, traditional, or legacy methods, like check and automated clearing house (ACH) networks.

KEY FINDINGS

- › **Digital transformation is happening now.** Businesses are overhauling their operations and technology to drive more agility and efficiency. For most firms this is a fundamental shift that goes beyond bolting on an app or building a new website. Customer and partner expectations for receiving payments are rapidly evolving. Financial and technology professionals are feeling the pressure to find ways to implement new technology and services such as instant payments to both enhance their CX and to better, grow, serve, and retain today's increasingly demanding customers.
- › **Businesses today are not meeting consumer needs.** Consumers are clear: when it comes to receiving money (be it once a year or reoccurring) they want to choose where to receive monies owed to them; they want the funds to be available and safe to spend immediately. Unfortunately, nearly 70% of businesses take three days or more to disburse monies they owe consumers, and 38% experience fraud/security challenges when delivering monies (via checks).
- › **The market is ready for instant payments.** Over 70% of consumers said they would try an instant payment if it was offered. Yet, 62% of consumers said they don't know enough about instant payments. While awareness and adoption will grow, instant payments check the important loyalty boxes that customers seek by offering speed, choice, convenience, and security.



Legacy B2C disbursement methods fail to meet the needs of today's modern customers.



Customers want to choose where to receive monies owed to them.

Traditional B2C Disbursement Methods Don't Meet Customer Needs Or Expectations

The current B2C disbursement market is sizable — with nearly \$6 trillion to \$9 trillion being paid out annually, including ACH payments, with nearly 93% of companies still using checks and ACH for all types of payouts. But checks and ACH impose a lot of challenges and/or inconveniences for users, and it is time for businesses to look for new ways to pay their customers. Businesses that fail to modernize disbursements risk losing advantage over competitors. Despite modern alternatives, legacy methods endure; 62% of businesses still pay customers the old-fashioned way, using checks and ACH, simply because that's how they've always done it. However, this disbursement approach will not and cannot continue to sustain modern CX expectations, as today's customers do not have the same expectations they have always had.

WHAT DO CUSTOMERS WANT?

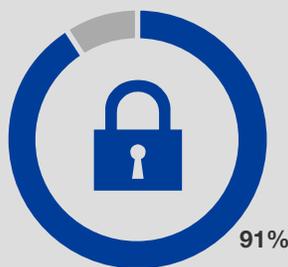
In the age of the customer¹, patience for slow and out-of-date disbursement methods and processes is waning each and every day. Customers have been trained by the near-insistent use of their own devices into having low tolerance for wait times when it comes to the delivery or access of goods and services. The same is true of payments from businesses and government agencies (see Figure 1). Sixty-six percent of businesses still rely on checks for payouts and disbursements and 33% are still relying on ACH. The businesses that are still relying on checks admit that it takes too long internally to organize and distribute checks; the manual nature of the process makes them expensive and slow. The hassle-free features of modern disbursement technology help deliver on both the convenience that consumers are seeking as well as on the speed of closing the gap between receiving money and having it accessible and safe to spend.



Businesses that fail to modernize disbursements risk losing their customers.

Figure 1

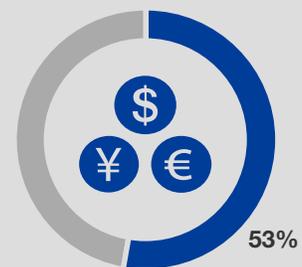
“How important are the following when you receive disbursements from a business or government agency?”
(Showing very important and extremely important results.)



Keeping my personal information safe



Receiving funds that are immediately available and safe to spend



Having a choice of where I am paid, like which account I would like to receive the disbursement into

Base: 1,088 US consumers 18+ who received a disbursement in the past 12 months
Source: A commissioned study conducted by Forrester Consulting on behalf of Ingo Money, August 2018

In surveying over 1,000 consumers, we found that:

- › Sixty-two percent of consumers agree it is very important to receive their funds immediately and to have those funds safe to spend right away, meaning the money is available to be used at the moment of transaction.
- › Sixty-three percent of consumers prefer direct deposit or same-day direct deposit into their bank accounts for payments.
- › Consumers chose direct deposit or same-day direct deposit into their bank accounts for their preferred payment method for two reasons: 1) it is the most convenient way for them to be paid and 2) it is fastest way to be paid.
- › **Delight customers with payment methods that meet their needs.** The high frequency and complexity of disbursements is a CX minefield. There are countless opportunities for firms to make a mistake, delay, or fail to disburse monies to customers. Each of those touchpoints can impact CX. Businesses have the opportunity to win, serve, and delight customers or potentially lose them with a slow, inconvenient, and outdated experience. Consumers were clear: they want to be paid instantly and they want to choose how their monies are paid to them (such as instant payments, ACH, direct deposit, etc.). Customers most desire: a choice of which account these funds are paid into; disbursement funds that are immediately available and safe to spend; and the security and protection of their personal information.
- › **Convenience is top of mind for consumers.** Forrester defines convenience as all of the benefits of a product or service, minus the barriers. Consumers today lead busy lives and have been trained by modern technology to expect simple, fast, and safe ways of managing their money. Whether they are receiving money from a rental property or a payout from an insurance claim, they do not want waste time taking trips to the bank or waiting for funds to clear and be available or safe to spend. Traditional methods like checks are inconvenient, requiring time to deposit and clear. ACH can be difficult to set up and requires consumers to share sensitive data. Enter disbursement methods like instant payments, that eliminate the slow and inconvenient process of setting up a bank account or going to the bank to deposit a check.² Sixty-one percent of consumers said that they felt positively when they could choose a convenient way to be paid. Sixty percent of consumers said they would choose a direct deposit to their bank account because it is the most convenient way to be paid, and 72% of consumers said they would try instant payments at least once (see Figure 2).
- › **Customers are ready for instant payments.** Instant payments were described in our survey as, “Payments made instantly or in real-time to your chosen account or card where funds are immediately available and safe to spend.” Nearly 40% of consumers have heard of instant payments but they have never used them. Seventy-one percent of consumers said they would try instant payments at least once or that they sound like the fastest and safest way to receive money. Being able to meet customer needs in the moment or delighting them with a new and better method, like instant payments, is an easy win toward improving your organization’s overall CX strategy.



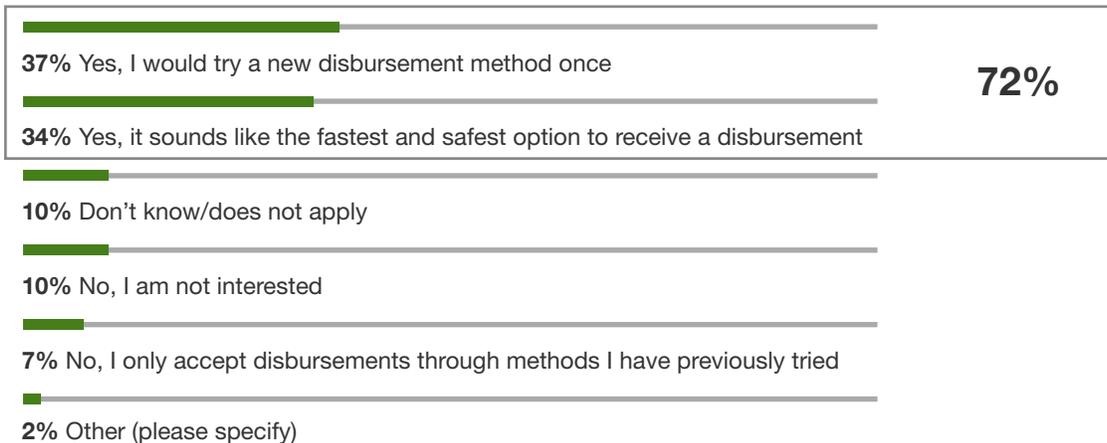
49% of consumers who were not given a choice of where they would like their funds paid felt negative in some way; such as not having control of the experience, the payment taking a long time, or the option not being convenient or personalized to the consumer.



22% of consumers have heard of instant payments and have used them to receive funds.

Figure 2

“If you were offered an instant payment for a disbursement, would you take it?”



Base: 1,088 US consumers 18+ who received a disbursement in the past 12 months
Source: A commissioned study conducted by Forrester Consulting on behalf of Ingo Money, August 2018

BUSINESSES ARE NOT MEETING CONSUMER NEEDS

Consumers demand fast, safe, and convenient ways of being paid, yet businesses today are failing to meet those needs. Businesses and government agencies who are slow to innovate toward payment methods that meet customer demands put themselves in a dangerous position of losing customers and having poor CX scores.

› **Traditional disbursement methods take too long.** Consumers gravitate toward quicker disbursement methods; however, many organizations struggle to adapt. Today, 68% of businesses take over three days to disburse funds (see Figure 3). Additionally, 72% of businesses place a significant or critical priority on digitizing and automating their payout/disbursement process but find themselves held back by a variety of concerns including governance and security, costs (both internal and external), and the need for internal cultural changes. To move down the path to payment immediacy, and to better replicate the benefits of cash, initiatives with the US Federal Reserve, the Faster Payments Service (UK), The Clearing House (TCH), and NACHA (formerly the National Automated Clearing House Association) promise to all increase the speed at which payments are actually cleared and made available to the seller.³



68% of businesses take over three days to disburse funds.

› **Businesses are slow to modernize.** “It’s how we’ve always done things,” is an excuse consumers will no longer accept in the age of the customer. Sixty-two percent of businesses still offer check payments because it is the way they have always done things. This is compounded by businesses wanting to take advantage of “float” when disbursing funds. Float is defined as money in the banking system that is briefly counted twice due to check processing delays. That isn’t good enough for customers any more. They want their need for funds that fast and safe to spend to come first. Winning payment providers have found ways to minimize implementation complexity even in the midst of complex merchant requirements. Companies are increasingly unwilling to burden already-overloaded IT teams with payments integration and certification work. In response, leading payment vendors are contributing to and adopting common specs, which in turn help reduce their clients’ integration burdens and payment terminal complexities across the globe.⁴



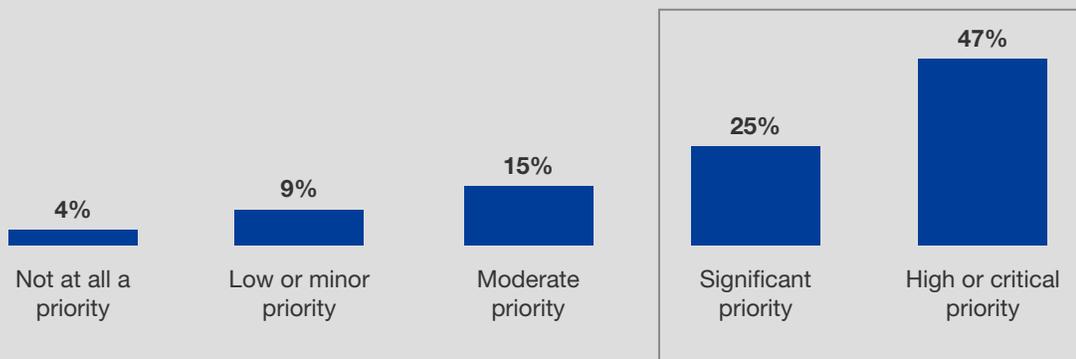
30% of businesses or government agencies who do not offer instant payments say they haven’t deployed them because they don’t want to change their current processes.

Figure 3

“Once scheduled, how long is the typical processing time for payouts or disbursements to the recipients of the funds?”



“How much of a priority is digitizing and automating the payout or disbursement process at your organization?”



Base: 157 disbursement strategy decision makers at financial services companies

Source: A commissioned study conducted by Forrester Consulting on behalf of Ingo Money, August 2018

The Future Of B2C Disbursements Is Instant Payments

B2C disbursement methods like instant payments are becoming more popular with consumers and businesses alike (see Figure 4). Only a quarter of customers have heard of and used push payments, creating a significant opportunity to educate consumers about their options, as well as surprise and delight them with a disbursement option that fits their needs.

The study revealed the following:

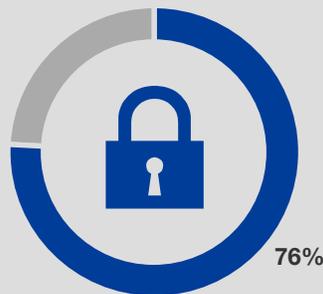
- › **Consumers need to be educated on the availability of instant payments.** Nearly 40% of businesses that currently do not offer instant payments said that their reason for doing so was because their customers weren't asking for the service. Consumers are demanding: 1) the choice of which account disbursement funds are being paid into and 2) the secure ability to spend those funds immediately and safely. Instant payments meet these demands even if customers do not know the terminology enough to ask for them. Forrester's Consumer Technographics North American Online Benchmark Survey, 2018, found similar results: thirty-four percent of consumers do not know enough about alternative payment methods.⁵



Customers are demanding: 1) the choice of which account disbursement funds are being paid into and 2) the secure ability to spend those funds immediately and safely.

Figure 4

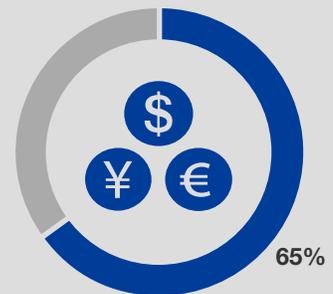
“How likely would the following advantages be to incentivize you to select instant payment from a business or government agency?” (Showing *very likely* and *extremely likely* results)



To keep my information safe



To have a choice where I am paid, like which account, card, etc., that my disbursement goes into



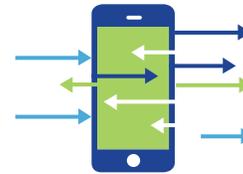
To receive funds that are instantly available and safe to spend for my use

Base: 1,088 US consumers 18+ who received a disbursement in the past 12 months
Source: A commissioned study conducted by Forrester Consulting on behalf of Ingo Money, August 2018

› **The market is ready for instant payments.** Seventy-one percent of consumers said they would try instant payments as a disbursement method if it was offered. They are willing to try it at least once, especially if it is the fastest and safest method available. However, there is education that needs to be done for consumers to become more comfortable with instant payments. Sixty-two percent of consumers admit that they do not know enough yet about instant payments. Consumers have become cautious, however, 57% do not want to give out their financial information or personal account numbers to payers. This is consistent with Forrester's research. In the Consumer Technographics North American Online Benchmark Survey, 2018, 30% of consumers admitted that they were concerned about the security of alternative payment methods and only 16% felt that those alternative methods are more secure than the more traditional payment methods.⁶ Businesses need to prove to consumers that instant payments offer them the security that they demand.

› **Instant payments provide the convenience and benefits that customers demand.** Consumers are incentivized to select instant payments as their disbursement method for two key reasons: 1) to have the funds available and safe to spend immediately and 2) because it would be more convenient and less of a hassle than depositing a check or dealing with ACH. Additionally, 41% would select instant payments so they could choose the account or card that their disbursements would go to. Instant payments also allow customers to track their personal finances better since there is no waiting period for funds to be available.

A commissioned Forrester Total Economic Impact study found that new account holders, that are leveraging instant funding, and current account holders, that start using these same services, both take advantage of additional account services and are more likely to reuse products and services. The convenience of instant funding services means that even late on a Friday, or during a weekend, a transaction can be completed and made available immediately for use — instead of the more traditional one to two day waiting period. In addition, customers can fund any account including debit, credit, prepaid card, even online wallets, or cash. Customers that might have given up on making a transaction or have taken their business elsewhere now are able to quickly do what they need and have their money available for the weekend.⁷



71% of consumers said they would try instant payments as a disbursement method if it was offered.

› **Instant payments also benefit businesses.** Delivering excellent customer experience is always a win for businesses. Instant payments allow businesses to disburse funds more quickly, at a lower cost than checks and with reduced risks. Faster, more convenient, and safer payouts, with less overhead, result in greater customer satisfaction, loyalty, and trust (see Figure 5). Although use cases are still emerging, companies should test how payment speed and choice improves their customer experiences. Instant payment solutions on their own are not a game changer for all companies, they will enhance the customer experience with real-time account updates, lower transaction costs, and possibly provide value-adds that are not available through cash, check, or credit cards. In fact, compared with current practices, instant payments have improved use cases for both consumers and businesses in terms of micropayments’ transaction costs, faster loan fulfillment and online gaming payouts, and mobile tipping in the services industry.⁸



81% of consumers agree that they are careful with their money.

A recently commissioned Forrester Total Economic Impact study found that an estimated 20% of those customers opening an account did so primarily because of instant funding options. The studied organization also saw at least a 20% greater account reuse than before instant payments were offered.⁹

Figure 5

“What business benefits have you experienced from using instant payments?”



Base: 95 disbursement strategy decision makers at financial services companies

Source: A commissioned study conducted by Forrester Consulting on behalf of Ingo Money, August 2018

Key Recommendations

There are ample opportunities in the market for businesses and government agencies to improve B2C disbursements for their customers. Forrester's in-depth survey of 157 disbursement strategy decision makers at financial services companies and 1,088 US-based consumers about methods of disbursements from businesses to customers yielded several important recommendations:



Adopt real-time digital disbursements (instant payments). Instant payments will soon be a table-stakes expectation. Seventy-one percent of consumers said they would try instant payments as a disbursement method if it was offered. Now is the time to modernize your disbursement methods before your competitors do.



Give payees a choice of how and/or where they receive funds owed to them. Sixty-nine percent of those surveyed said having a choice in which accounts funds are disbursed is important. Consumers increasingly have multiple accounts they use to fund their own personal or business activities. Giving consumers and payees choice shows that you are putting their needs and requirements upfront, driving long-term loyalty.



Educate your payees on the benefits of not using checks. Some consumers may have concerns about security and fraud of a new payment method like instant payments. As part of any rollout, it will be important to educate customers about the reduced security and fraud risk of using instant methods.



Automate internal account payable processes to further speed payment for your customers. Implementing instant disbursements only reduces the time your customer receives payment once it's been processed through your accounts payable team. Companies need to look to optimize and modernize internal operational systems that slow payment to key company constituents, like customer and key partners, in order to build repeat business, trust, and long-term value.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 157 disbursement strategy decision makers at financial services companies and 1,088 US-based consumers to evaluate disbursement methods and potential benefits of new methods, such as instant payments. Questions provided to the participants asked about current methods for dispensing/receiving payments, challenges experienced with the current methods, and potential benefits of newer methods. Respondents were offered an incentive as a thank you for time spent on the survey. The study was completed in August 2018.

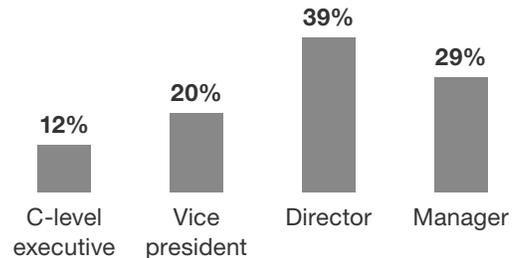
Appendix B: Demographics/Data

BUSINESS RESPONDENTS

REGIONS



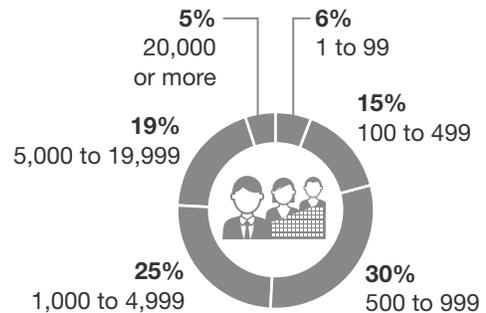
RESPONDENT LEVEL



INDUSTRY



COMPANY SIZE

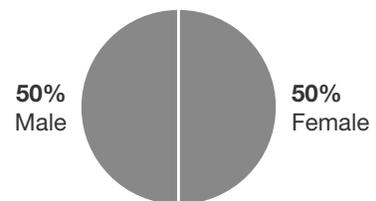


CONSUMER RESPONDENTS

REGIONS



GENDER



2017 INCOME



Base: 104 disbursement strategy decision makers at financial services companies and 1,088 US consumers 18+ who received a disbursement in the past 12 months
 Source: A commissioned study conducted by Forrester Consulting on behalf of Ingo Money, August 2018

Appendix C: Endnotes

¹ Source: “The Customer-Obsessed Enterprise,” Forrester Research, Inc., June 25, 2018.

² Source: “Zelle Will Need To Prove Itself As The US P2P Payments Market Expands,” Forrester Research, Inc., April 10, 2018.

³ Source: “Five Payment Trends North American eBusiness Professionals Should Watch: 2016 To 2018,” Forrester Research, Inc., April 13, 2016.

⁴ Source: Brendan Miller, “Key Takeaways From The Forrester Wave™: Global Merchant Payment Providers, Q4 2018,” November 1, 2018 (https://go.forrester.com/blogs/key-takeaways-from-the-2018-global-merchant-payment-providers-wave/#_edn2).

⁵ Source: Consumer Technographics North American Online Benchmark Survey (Part 1), 2018.

⁶ Source: Consumer Technographics North American Online Benchmark Survey (Part 1), 2018.

⁷ Source: “The Total Economic Impact Of Ingo Money Instant Money Services,” Forrester Consulting report prepared for Ingo Money, June 2018.

⁸ Source: “Five Payment Trends North American eBusiness Professionals Should Watch: 2016 To 2018,” Forrester Research, Inc., April 13, 2016.”

⁹ Source: “The Total Economic Impact Of Ingo Money Instant Money Services,” Forrester Consulting report prepared for Ingo Money, June 2018.