MONEY MOBILITY

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AUGUST 2022

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Keeping pace with money mobility needs

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ACKNOWLEDGMENT

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EDITOR'S LETTER

Consumers increasingly depend on digital wallets and peer-to-peer (P2P) payment apps to conduct the regular business of their lives. At the same time, they are also opening new accounts, whether traditional bank accounts or digital accounts of a variety of types. Along with this growing interest in all that the digital transformation has to offer, consumers expect to be able to move money just as easily between the accounts they hold with different providers as they do between accounts they hold with the same provider.

Being able to transfer funds through P2P payment apps at the click of a button has resulted in a growing impatience with traditional payment rails, which may require hours or days to complete a transaction. Additionally, consumers expect to have access to the money they receive as soon as it is sent and are less willing to wait before they can access funds.

For account providers seeking to meet these expectations, implementing the variety of payment rails needed to function seamlessly in concert can be a daunting task. In addition to keeping up with emerging developments in electronic payments, account providers still must ensure that consumers can conduct cash and check transactions with comparable ease and minimal friction, even as these payment forms continue to decline. FinTechs and neobanks with a digital-first focus encounter additional hurdles since they lack the physical infrastructure that simplifies and reduces the fraud risk associated with paper transactions. Partnerships can help account providers ensure they are offering a full suite of options for consumers to move their money.

This edition of the Money Mobility Tracker®, a PYMNTS and Ingo Money collaboration, examines how account providers can address the need for money mobility ubiquity and keep pace with growing consumer expectations for fast, easy and convenient funds access.

Thought Leadership Team
PYMNTS.com

Extend On Using Virtual Cards To **Simplify Business Expenses**

DIGITAL WALLETS HAVE LONG BEEN RELEVANT IN OTHER PARTS OF THE WORLD,

according to Andrew Jamison, CEO and co-founder at Extend, but they have come to be relevant to the U.S. market only within the past two years, and there is still significant opportunity for developing use cases.

Digital wallets add convenience by permitting a virtual card to be used immediately without waiting for a physical card in the mail. At the same time, digital wallets also provide greater controls and oversight than carrying around a physical form of payment. With the recent proliferation and acceptance of digital wallets, those same benefits can greatly simplify business expenses and accounting.

HANDLING EXPENSES WITH DIGITAL WALLETS

The current target market for Extend is commercial customers, such as those needing to issue cards to employees or contractors. The company makes it possible for its customers to issue cards in seconds for purposes ranging from covering employee travel to enabling a contractor to make needed purchases.

"If I hired you as a contractor and you have to pay for some subscriptions, or you need to go and pay for some goods or materials, you'd be able to do it right here, right now, without having to extend a single dollar out of your own pocket and go through a reimbursement process," Jamison explained.

This not only simplifies the expense process but also gives customers robust controls. Limits can be set for an amount or a time period, allowing for even a single transaction. The issuing customer receives notifications and can see every transaction, the details of which are loaded directly into the customer's accounting ledger. The controls are important, but the transparency is just as key, Jamison said.

"The reality is, most people can be trusted, but just knowing that there is this oversight and, frankly, transparency, just creates the right environment for people to actually get on and do their jobs," he said.

BUILDING ON AN EXISTING MODEL

Extend does not yet offer a consumer version of its product, but Jamison said that is on the roadmap. The potential use cases for consumers — from giving an allowance to an adolescent to making sure a babysitter has money for dinner — are obvious. What stands in the way is precedent.

"This is one of those interesting times when, actually, the technology was more advanced in the commercial realm than it was in the consumer realm," Jamison noted.

Commercial virtual cards have been in use for around two decades, he explained. Third-party booking agencies such as Expedia use virtual cards to hold hotel reservations, eliminating the need for invoicing and reimbursements. This also ensures a customer's own card is not shared with the hotel until the customer checks in.

Extend is essentially building on that precedent, permitting the benefits of virtual cards to simplify almost any commercial transaction involving employees, contractors and vendors.

Extend's commercial customers can link a nearly limitless number of virtual cards to a single account yet have individual controls and management of each card. While multiple consumer cards may link to a single account, subcards created for consumers lack individual controls and reporting.

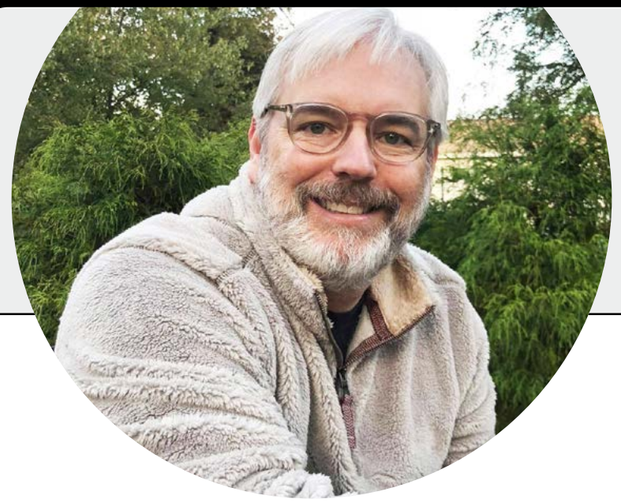
"It will come to consumers, and, clearly, we'll jump over to consumers," Jamison said. "At the moment, though, the opportunity right in front of us is, how do we look at this $1.3 trillion to $1.4 trillion worth of commercial spending just in the U.S. alone, and how do we start ramping up by 20% or 30% the amount of spend that people now can put through because of the controls and the delivery mechanisms that we've overlaid?"

MAKING DIGITAL ACCESS WORK FOR THE CUSTOMER

Jamison believes the world is in an age of digital enablement. That means instant access to funds and the ability to transact with minimal friction, but true digital enablement encompasses much more than just the moment when a payment is made.

Properly applied, virtual cards and digital wallets can simplify accounting and eliminate paperwork and end-of-month reconciliations. Digital products can essentially take care of the paperwork side of things even as payments are processed. Application programming interfaces can permit embedding and integration, eliminating the need for employees to learn additional tools or keep track of another login.

Financial services companies are already looking beyond how digital wallets can enable faster and more seamless transactions, Jamison said. The key for the future will be in realizing all the ways in which digital enablement can simplify processes and eliminate overhead.



Q&A

DREW EDWARDS
CEO

How significant is money mobility between accounts, and why?

Money mobility is now the default customer expectation for any financial account.

With 69% of consumers banking through a mobile app and 81% saying a fast, easy payment experience makes them think better of a brand, money mobility has fast become a critical tool for customer growth, engagement and retention.

Whether receiving money, paying a friend or moving money between apps like PayPal and Robinhood, consumers and small businesses trained by the modern smartphone era want their money instantly and safely in the account of their choosing. It affords them maximum spending power and flexibility — key advantages in a time of economic uncertainty.

The evidence for this shift is everywhere. Ads for gambling apps, insurance companies and more all promise instant payouts because it gives them a competitive advantage. Companies that cannot meet these expectations risk losing out in the battle for customer share of wallet.

Importantly, to fulfill these consumer expectations, companies should consider a FinTech partner that can handle all the connection, reconciliation, compliance and security requirements that make up a money mobility solution. Often, the level of investment and time needed to manage these capabilities are prohibitive. Outsourcing to a preferred partner allows companies to quickly deliver on their customer promise with less cost and risk.

How can neobanks and FinTechs stay at the cutting edge of money mobility, and how significant will that be?

It is imperative that neobanks and FinTechs remain on the leading edge of money mobility. Consumers and small businesses now expect it — and have been vocal about it being a key consideration when selecting a financial provider.

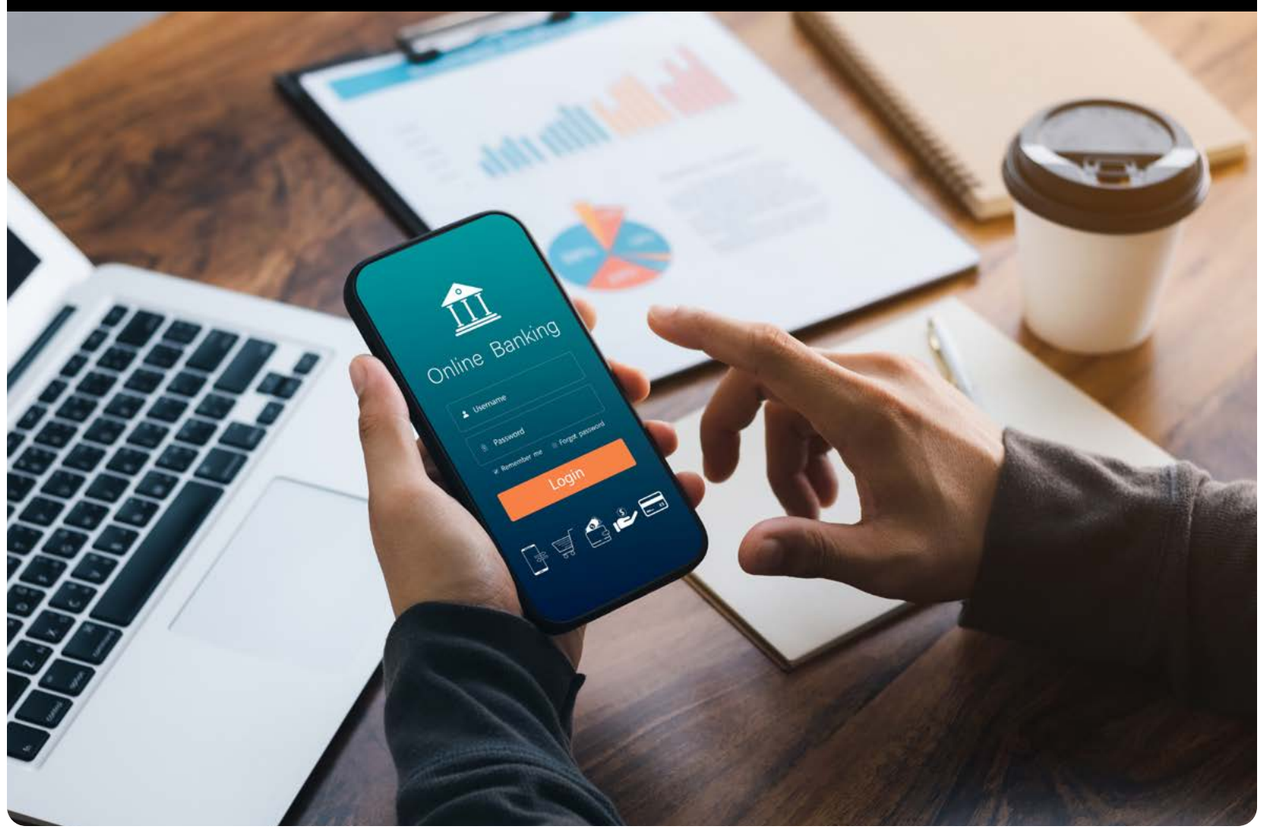
But many companies new to money mobility underestimate the resources required to build and maintain the services that enable frictionless money movement into and out of accounts. It demands an enormous investment of time and money to properly manage network connections, compliance and security requirements, back-end reconciliation and more. And just when you think you have it all solved, network connections break or new ones become a priority.

Unfortunately, money mobility services also mean a heightened exposure to risk. Fraudsters are increasingly targeting inbound digital account funding from third-party accounts and providers. And the instant, ready-to-spend nature of funding places a premium on effective fraud detection and prevention because funds cannot be clawed back.

For most neobanks and FinTechs, this makes the calculus easy: Partnering with a money mobility provider delivers faster time to market, reduces risk and operating costs and allows them to focus on their core business.

PYMNTS Intelligence

Keeping Pace With The Evolving Demands Of Money Mobility



IN 2021, 59% OF UNITED STATES CONSUMERS OPENED AT LEAST ONE NEW ACCOUNT WITH A FINANCIAL SERVICES PROVIDER.

At the same time, 67% of U.S. consumers access their bank through digital channels, from checking balances and paying bills to monitoring transaction alerts. Bank of America CEO Bryan Moynihan recently said that 85% of deposits are handled or enabled digitally, with only 15% even involving a teller.

As consumers continue engaging with a growing number of options for their financial account needs, account providers need to ensure they are providing the best services to stand out from the competition. Accounts serve as a financial control center for account holders and are critical in maintaining their financial health. As such, account providers must be able to ensure that customers not only can deposit and withdraw funds securely but also can do so easily and quickly, regardless of the transaction rails involved.

Account holders expect to be able to move money from any account to any account, payor or payee, including moving funds between accounts they hold at different financial institutions. Whether those consumers transfer money into an account through cash, check or electronic means, they now expect to have immediate access to those funds.

This month, PYMNTS examines the growing demand for banking services that enable money mobility, especially for account-to-account (A2A) transactions, and how the innovation of money mobility will continue to play an important role in account providers' competitiveness.

TABLE 1:

Change in disbursement methods and sources over time
Share received from select sources using select methods, by year

Highest percentage

	2018	2019	2020	2021
• Total non-instant digital payments	59.2%	58.6%	62.7%	**64.8%**
• Same-day bank account	N/A	28.1%	**29.2%**	21.7%
• PayPal	N/A	7.0%	6.9%	**13.8%**
• Three- to five-day bank account deposit	**45.9%**	14.7%	14.6%	7.5%
• Gift card	N/A	5.9%	5.8%	**6.0%**
• Venmo	N/A	0.3%	0.6%	**3.6%**
• Cryptocurrency	N/A	0.1%	0.1%	**3.5%**
• Zelle	N/A	0.3%	0.4%	**3.4%**
• Credit card	N/A	0.0%	2.3%	**3.4%**
• Other	N/A	2.1%	**2.6%**	1.8%
• Instant Payments	3.6%	6.4%	5.7%	**17.0%**
• Check	**33.2%**	23.3%	18.7%	9.9%
• Cash	4.0%	11.7%	**12.9%**	8.3%
• All categories	3.6%	6.4%	5.7%	**17.0%**
• All nongovernmental categories	4.2%	7.1%	6.0%	**17.5%**
• Income and earnings disbursements	2.2%	7.0%	5.9%	**17.2%**
• Insurance and borrowing disbursements	1.5%	5.4%	6.6%	**17.7%**
• Product purchase-related disbursements	9.0%	11.7%	6.7%	**18.7%**
• Government disbursements	2.0%	4.8%	5.0%	**14.9%**
• Investment account disbursements	3.0%	4.7%	4.4%	**14.8%**
• Other disbursements	5.4%	6.5%	6.2%	**19.3%**

Source: PYMNTS.com
The State of Consumer Disbursements 2021, November 2021
N = 4,855: Disbursements received in 2018; N = 15,049: Disbursements received in 2019; N = 19,727: Disbursements received in 2020; N = 13,601: Disbursements received in 2021, fielded July 13, 2021 - Aug. 2, 2021

THE CHALLENGES OF DIGITAL-FIRST BANKING

Account providers such as FinTechs and neobanks face additional challenges when handling nonelectronic transactions. While traditional banks have ATM networks and branches to handle such transactions, digital account providers lack that physical infrastructure. Although in-person deposits are in decline, many consumers have turned to ATMs as a substitute for teller visits, and lacking this infrastructure represents a disadvantage to nontraditional account providers. This affects more than cash deposits, as check deposited digitally have added risk compared to those deposited physically.

Cash is still used in 21% of transactions in the U.S. and checks account for 50% of payment volume, as they are still a staple for everything from payroll to benefit and tax disbursements. As such, providing reliable and timely support for money-in transactions involving paper while also mitigating fraud remains important for nontraditional account providers. For account providers without physical infrastructure, partnerships can offer a strong solution for providing access to paper transactions while managing risk, and those same partnerships can help maintain a digital edge as well.

MAINTAINING A DIGITAL FOCUS

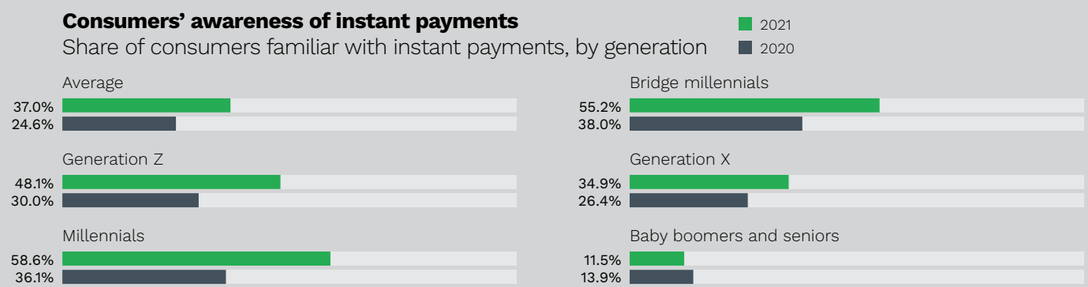
Account providers seeking to maintain a footing in the paper transactions space cannot lose sight of consumer demand for greater digital payments ubiquity. Accounts that are money-mobility ready need to deliver consumer-driven payments ubiquity, enabling consumers to have the funds they need, both when and where they need them. Whether that means funding a balance in another account or paying a bill on time, consumers need to be able to move money into and out of their accounts with ease. Instant transactions are no longer an added value for consumers but rather a baseline expectation.

Consumers are even willing to pay a premium for speed and convenience. Thirty-three percent of consumers said they would pay as much as 5% of their total disbursement in order to have instant access to funds. Many P2P payment apps take advantage of this, enabling users' instant access to funds in exchange for fees.

Consumers have grown increasingly accustomed to instant disbursements. Thirty-seven percent of surveyed consumers in November 2021 said they were aware of instant disbursements, a 50% increase over 2020. Among millennials and bridge millennials, that familiarity rose to 59% and 55%, respectively, compared to 36% and 38% in 2020.

FIGURE 1:

Consumers' awareness of instant payments
Share of consumers familiar with instant payments, by generation

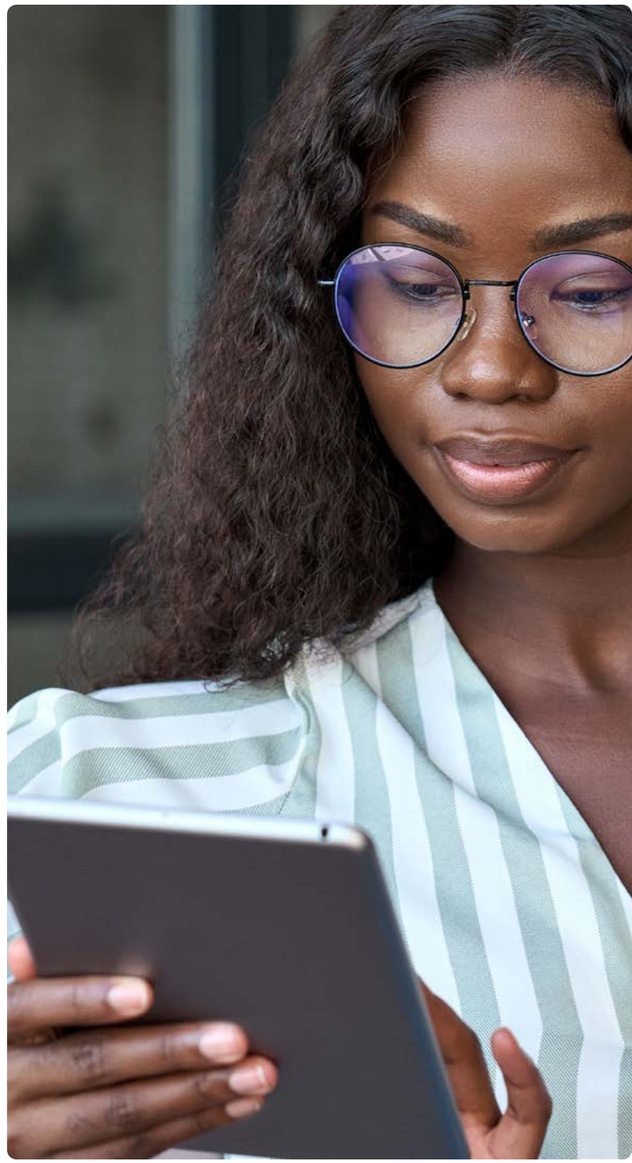


Source: PYMNTS.com
The State of Consumer Disbursements 2021, November 2021
N = 5,145: Complete responses in 2020; N = 2,951: Complete responses in 2021, fielded July 13, 2021 - Aug. 2, 2021

EXCEEDING CONSUMER EXPECTATIONS

In an increasingly crowded marketplace, account providers need to modernize money outflows. That requires effective payments management functionality and networked data that provides granular insights and enables real-time risk scoring for transactions. By working with solutions providers, financial services companies can access network ecosystems that make it possible to connect to common payment endpoints and fast payment rails. This can also enable in-demand functionality such as voice commands and other emerging technologies.

As consumers become more accustomed to being able to streamline payments and track spending with digital wallets, they will only expect that convenience to increase. In addition to adding features, providers need to be aware of the desire for greater payments ubiquity and focus on lowering walls that might interfere with money mobility.

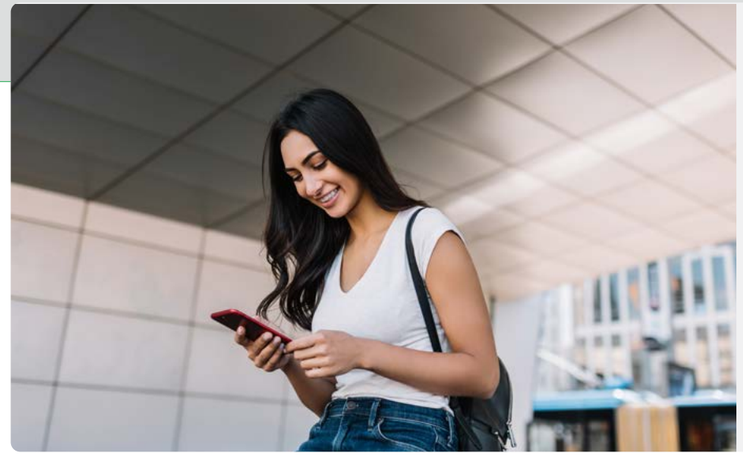


NEWS & TRENDS

CONSUMERS SEEK NEW ACCOUNTS, SOME FOR THE FIRST TIME EVER

MOBILE BANKING FEATURES WILL DRIVE ACCOUNT OPENING IN 2022

Consumers in the U.S. are expected to use digital channels to open 13 million new bank accounts over the course of 2022, and having the right mobile account opening features will play a significant role in where those accounts are opened. A survey of U.S. consumers who were opening checking accounts found that the feature most consumers rated as extremely valuable was the ability to set up direct deposit for account funding, cited by 39% of respondents. Thirty-six percent of surveyed consumers said the ability to get push notification updates on a banking app is an extremely valuable feature, while 32% said it was the ability to speak with a live agent. Being able to see a list of required information when opening an account was selected by 31% of respondents, while 30% chose the ability to fund an account from within a payment app.



PANDEMIC INCREASED FIRST-TIME ACCOUNT OPENING AND DIGITAL PAYMENTS GLOBALLY

The World Bank recently released data showing a growth in first-time account opening and digital payment use connected to the pandemic. The number of consumers worldwide with either a bank or a mobile money account has been growing for several years, increasing from 51% in 2011 to 68% in 2017. As of 2021, 76% of consumers worldwide had either a bank or a mobile money account, but unlike growth in prior years, which had been centered on China and India, growth has spread across the globe since 2017, with 34 countries having double-digit increases in account ownership. There is some indication that the use of electronic payments has helped to spur this widespread growth, as consumers are motivated to open accounts to receive payments.

The pandemic's effect on digital payment methods was clearer, with 40% of adults in low- and middle-income economies making electronic or card payments in-store or online for the first time. In India, 80 million adults made their first digital payments after the start of the pandemic, and 100 million consumers in China used the internet to make a payment for the first time.

BANKING CUSTOMERS WANT TO MOVE MONEY EASILY INTO AND OUT OF ACCOUNTS

Even as available payment options evolve and emerge, checks continue to be involved in 29% of payments to small to mid-sized businesses. The growing number of means by which banking customers pay and get paid places pressure on financial institutions (FIs) to ensure that customers can easily move money into and out of their banking accounts in whatever manner they choose. While FIs may be aware of the need to offer access to a variety of payment methods — including through digital wallets such as PayPal and Venmo — making it simple for customers to move money into and out of their bank accounts through those methods is no simple proposition.

The baseline expectation for banking customers is to be able to move money into or out of their accounts, whether through digital or nondigital means, with minimal hassle. For many FIs, the answer to meeting that expectation will be in finding the right partnerships with third parties experienced in handling all the digital and nondigital rails available. This also takes pressure off individual FIs to keep up with the ever-changing landscape.

THE GROWING ROLE OF **P2P PAYMENTS**

SMALL BUSINESSES CHOOSE P2P APPS TO EXPAND PAYMENT OPTIONS

P2P payment apps continue to gain ground in U.S. commerce, with 82% of surveyed small businesses saying they accept payment through at least one digital P2P payment option. Out of those, 92% said they are happy with the experience of taking payments through P2P apps. While the initial popularity of P2P payment apps was driven by their use as a means for consumers to transfer funds electronically among themselves, that popularity combined with their adoption as a common means of payment among microbusinesses has increased the demand for more retailers to accept P2P payments.

On average, merchants accepting P2P payments took in 59% of their payments through the apps, with 44% saying they intentionally leave a balance in their P2P business accounts. One of the top reasons merchants gave for accepting P2P app payments was the ease of use for customers in terms of speed and convenience. Supporting these payments also gives small businesses a way to expand payment options without having to make significant investments outside their means, and many small businesses see it as a way to appeal to younger consumers.

P2P PAYMENT APPS GROW IN POPULARITY, BUT MANY UNAWARE OF FRAUD RISKS

An astonishing 84% of consumers in a recent survey said they have used a P2P payment app either to send or to receive funds, but 48% said they have not heard of P2P service fraud. At the same time, 15% of P2P users have been victimized by a scam, though that percentage increases to 22% among those who use P2P payment apps multiple times each week and to 29% among Generation Z consumers.

Ninety-one percent of both Gen Z and millennial respondents said they have used a P2P payment app. The most popular app with surveyed respondents was PayPal, cited by 84% of respondents, followed by Venmo, at 49%. There is indication, though, that newer apps have an easier time gaining a foothold with younger consumers, with 71% of Gen Z consumers saying they use Venmo and 61% having used CashApp. Younger consumers also appear to make greater use of the P2P apps. While 44% of all surveyed consumers said they use one of the apps at least once a week, 37% of Gen Z and 36% of millennial consumers reported using P2P payment apps multiple times each week.

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ABOUT

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

Ingo Money is the money mobility company. Founded in 2001, it provides technology platforms and expert risk management to fintechs, banks and businesses that enable safe and instant money movement, from any source to any destination. Ingo's solutions power deposits and transfers for inbound and outbound money flows, cross-platform P2P and digital payouts, with network reach to more than 4.5 billion bank accounts, cards, digital wallets and cash out locations. This transformation of traditional payments helps businesses reduce cost and delays while dramatically improving the consumer experience. Headquartered in Alpharetta, Georgia, Ingo employs over 200 professionals and serves some of the largest brands in North America.

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