

The Instant-Money Economy: Making Business-to-Consumer Disbursements Faster

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Prepared for:



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EXECUTIVE SUMMARY

The Instant-Money Economy: Making Business-to-Consumer Disbursements Faster, commissioned by Ingo Money and produced by Aite Group, sizes the U.S. business-to-consumer (B2C) disbursements market and analyzes consumer behavior and preferences for receiving real-time disbursements.

Key takeaways from the study include the following:

- **The U.S. B2C disbursements market is sizeable and growing.** Aite Group estimates that the total B2C disbursement market in the U.S. exceeds 3.5 billion payments for a dollar value of US\$10.7 trillion across 29 disbursement types that U.S. consumers and small-business owners received in 2017. From 2014 to 2017, the dollar value of B2C disbursements for U.S. consumers over the age of 18 has grown 78%.
- **Despite the availability of faster and more convenient digital payment methods, U.S. businesses cling to slower payment methods such as ACH and checks for disbursements.** In 2017, 68% of U.S. consumers received disbursements via direct deposit, and 49% of consumers received disbursements via check.
- **Some businesses are beginning to modernize and improve the customer experience by offering card-based instant payment methods.** In 2017, 16% of U.S. consumers received a disbursement via push-to-credit card, and 14% of U.S. consumers received a disbursement via push-to-debit card.
- **Consumers want to be paid instantly when they are owed money.** Sixty-five percent of U.S. consumers report that it is important to be able to receive instant payments from businesses or government agencies that owe them money, and 70% of U.S. consumers report that they would select an instant payment option for disbursements if it were available.
- **Consumers want to choose the payment method for disbursements received.** In 2017, U.S. consumers reported it was important to have a choice in payment method for 81% of disbursements received, yet U.S. consumers were allowed to choose the payment method for just 53% of disbursements received.
- **Convenience and speed are the most important factors U.S. consumers consider when choosing a payment method for disbursements.** In 2017, convenience was the deciding factor in selecting a preferred payment method for 32% of disbursements received, and speed was the deciding factor in selecting a preferred payment method for 23% of disbursements received.
- **With convenience and speed top of mind, U.S. consumers prefer payment methods that remit funds directly to their bank accounts regardless of whether an instant payment method is used.** In 2017, U.S. consumers who prefer card-based instant payment methods reported that they prefer push-to-debit card for 50% of disbursements received. U.S. consumers who prefer other payment methods reported they prefer direct deposit for 49% of disbursements received.

INTRODUCTION

The payments industry has been in the midst of a digital revolution for quite some time. Personal computers, mobile innovation, and digital pureplay companies such as Amazon, Uber, and PayPal have changed the way consumers think about commerce, and the smartphone took things a step further by launching today's on-demand economy. As technology created the anytime, anywhere, always connected consumer mindset, it also altered consumer expectations related to payments. Today, consumers expect fast, convenient, and secure payments experiences in every interaction, especially when receiving a disbursement from a business.

This white paper examines the U.S. B2C disbursement market, the U.S. consumer demand for instant payments, and U.S. consumer payment preferences. While companies making a large volume of disbursements have begun to embrace the digital revolution by migrating to less expensive, more convenient, and more secure electronic disbursements, more than half of consumers are still being paid via check and ACH, leaving much room for improvement. To modernize, meet consumer expectations, and drive competitive advantage, businesses should evaluate their disbursement strategies and incorporate next-generation instant payment methods to accelerate payments and improve the customer experience.

METHODOLOGY

To gain a thorough understanding of the U.S. B2C disbursement market, Ingo Money commissioned Aite Group to conduct a quantitative consumer study. The study was conducted in Q2 2018 and included U.S. consumers aged 18 years or older who received a disbursement in the 12-month period from June 2017 to May 2018. The survey was conducted online among U.S. consumers who participated in a research panel. The consumers invited to participate in the study are in proportion to the U.S. population for age, income, gender, race/origin, and geographic region of residence. The study participants reflect the profile of U.S. consumers who receive disbursements. A survey of this size offers a margin of error of two points at the 95% level of confidence. The research methodology is also supported by Aite Group's existing body of syndicated research.

Aite Group conducted similar research for the 2014 U.S. B2C disbursements market. That research included fewer categories of disbursements than the research referenced in this white paper. In this white paper, where market size comparisons are made between the two years, only categories included in both studies are compared.

NEWER, BETTER, INSTANT PAYMENTS

There has been a high degree of innovation and disruption in the global payments industry for some time. Disruption in the industry has resulted in the continuous pressure to innovate with the result being a change in consumer behavior and business models across the industry. The introduction of credit cards and debit cards along with the rise of e-commerce resulted in electronic payments replacing cash and checks, and payments technology has continued to evolve at a rapid pace with the drive to remove friction, add value, and increase security.

One of the more notable developments in the last several years has been the explosion of real-time payments systems around the globe. Real-time payment systems are designed to underpin and, in some cases, replace the current financial infrastructure to provide improved services such as digital person-to-person (P2P) payments, just-in-time bill payments, emergency payroll, or instant disaster relief payments. While real-time payment systems have become standard in other parts of the world, they are just beginning to emerge in the U.S. In the U.S., real-time payments innovation is being delivered by a variety of technologies, including the card networks' push-to-card solutions (Visa Direct and Mastercard Send), the bank-to-bank instant payment system, Zelle, and The Clearing House's real-time payments platform being built by FIS and VocaLink. Businesses can access real-time payments capabilities by engaging directly with the various payment schemes or by partnering with a company such as Ingo Money and its push-payment-in-a-box services. Regardless of the implementation approach, instant payments are driving change in traditional payments instruments—cash, checks, credit, debit, and others.

Instant payments offer a variety of opportunities, and innovative companies are taking advantage of these opportunities to drive competitive advantage in their businesses. These include the following:

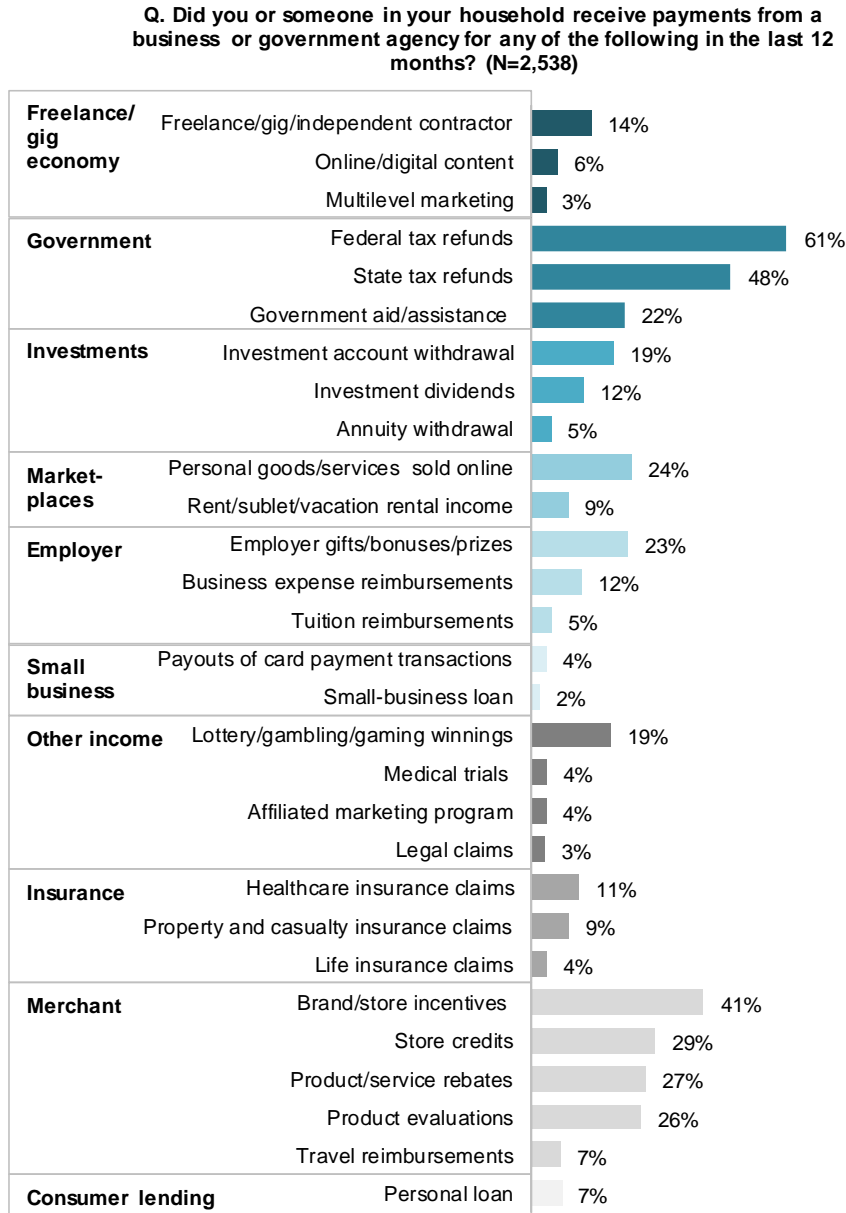
- **Engagement:** As the world becomes increasingly digital and virtual, payment transactions are becoming a critical customer interaction point for businesses. A superior payments experience will drive customer loyalty and engagement. Providing funds to consumers instantly will soon become a key point of differentiation for any business.
- **Modernization:** From the consumer's point of view, the biggest innovation in payments is that in many daily transactions, no one has to think about the payment anymore. Companies such as Amazon and Uber have made portions of the payment interaction disappear. The disappearing payment has increased consumer expectation for easy, frictionless payments, and any business can use instant payments to provide just that.
- **Efficiency:** A key advantage of digital payments is cost savings. By some estimates, businesses can save as much as US\$4 per check by digitizing labor-intensive payments processes. As instant payments gain volume, costs will decrease further, making them an ideal solution for any organization.

Instant payments will play a key role in the global move toward digitization. Instant payments function like cash in that the value is immediately available and is safe to spend with the added benefits of being more convenient and secure.

U.S. FUNDS DISBURSEMENT LANDSCAPE

Businesses pay consumers for a variety of reasons, and in 2017, 24% of U.S. consumers received a disbursement for selling personal goods via an online marketplace, 41% of U.S. consumers received a disbursement from a merchant for a brand/store incentive, and 14% of U.S. consumers received a disbursement as a freelance/independent contractor (Figure 1).

Figure 1: U.S. Penetration Rate of B2C Disbursements by Payer, 2017

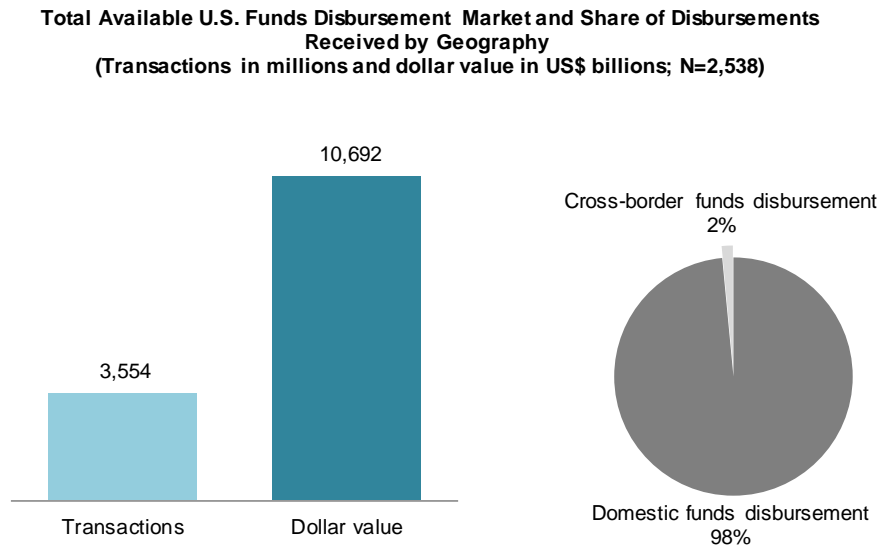


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

TOTAL AVAILABLE FUNDS DISBURSEMENT MARKET

Across the 29 types of B2C disbursements U.S. consumers and small-business owners received in 2017, Aite Group estimates that the total funds disbursement market in the U.S. exceeds 3.5 billion payments for a dollar value of US\$10.7 trillion. U.S. consumers and small-business owners report that 98% of disbursements received come from a payer in the U.S. and 2% of disbursements received come from a payer located outside of the U.S. (Figure 2).

Figure 2: Total Available U.S. Funds Disbursement Market, 2017



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018 and Aite Group estimates

By some estimates, freelancers account for approximately one-third of the U.S. workforce, so it is no surprise that the freelance/gig economy is the largest payer category based on the dollar value of disbursements. In 2017, 19% of U.S. consumers received a freelance/gig economy disbursement, 27% of U.S. consumers received an investment disbursement, and 29% of U.S. consumers received a marketplace disbursement. Freelance/gig economy payers issued 670 million funds disbursement transactions, totaling US\$3.3 trillion, investment payers issued 190 million funds disbursement transactions, totaling US\$1.2 trillion, and marketplace payers issued 322 million funds disbursement transactions, totaling US\$1.1 trillion. As new economy businesses, freelance/gig economy and marketplace payers have an opportunity to drive customer engagement and loyalty through frictionless payments processes. As a traditional economy business, investment payers not only have an opportunity to drive customer engagement and loyalty through frictionless payments processes but also have an opportunity to reduce costs by migrating customers away from paper-based payments, such as checks, to electronic payments (Table A).

Table A: U.S. B2C Disbursements by Payer Category

Payer category	Dollar value (in US\$ billions)	Transactions (in millions)	Percentage of U.S. consumers receiving disbursement	Average disbursement amount (in US\$)
Freelance/gig economy	\$3,257.5	669.9	19%	\$4,863
Government	\$2,704.4	403.8	79%	\$6,693
Investments	\$1,149.5	190.3	27%	\$6,053
Marketplaces	\$1,068.6	321.7	29%	\$3,320
Employer	\$775.1	309.2	30%	\$2,508
Small business	\$645.2	96.2	5%	\$6,719
Other income	\$441.8	285.1	24%	\$1,551
Insurance	\$270.4	108.1	18%	\$2,500
Merchant	\$248.2	1,128.1	65%	\$220
Consumer lending	\$131.5	41.6	7%	\$3,143
Total	\$10,692.3	3,553.9		

Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018 and Aite Group estimates

Consistent with the growing economy in the U.S., more U.S. consumers are receiving disbursements since Aite Group last reported on this topic in 2015. **From 2014 to 2017, the dollar value of B2C disbursements for U.S. consumers over the age of 18 has grown 78%.** To drive consumer engagement, retailers are offering more brand and store incentives as well as product rebates, resulting in the merchant category showing 220% growth in dollar value from 2014 to 2017. But insurance, the freelance/gig economy, and marketplaces have also grown by more than 100% in the dollar value of B2C disbursements during the same period (Table B).

Table B: 2014 to 2017 Year-Over-Year (YOY) Growth in U.S. B2C Disbursements by Payer Category

Payer category	2014		2017		YOY percentage growth	
	Total transactions (in millions)	Total dollar value (in US\$ billions)	Total transactions (in millions)	Total dollar value (in US\$ billions)	Transactions	Dollar value
Freelance/gig economy	436.5	\$1,524.7	669.9	\$3,257.5	53%	114%
Government	366.6	\$1,829.1	403.8	\$2,704.4	10%	48%

Payer category	2014		2017		YOY percentage growth	
	Total transactions (in millions)	Total dollar value (in US\$ billions)	Total transactions (in millions)	Total dollar value (in US\$ billions)	Transactions	Dollar value
Marketplaces	66.4	\$394.9	91.2	\$823.7	37%	109%
Employer	218.2	\$409.0	309.2	\$775.1	42%	89%
Insurance	37	\$113	108	\$270	195%	139%
Other income	251.3	\$378.2	270.1	\$400.5	7%	6%
Merchant	298.5	\$38.8	731.3	\$124.2	145%	220%
Total	1,674.6	\$4,687.6	2,583.6	\$8,355.8	54%	78%

Source: Aite Group survey of 1,663 consumers in Q2 2015, Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018, and Aite Group estimates

PAYMENT METHODS FOR U.S. B2C DISBURSEMENTS

To gain a thorough understanding of disbursements in the U.S., Aite Group asked consumers about the various payment methods used to receive disbursements as well as payment method preferences. For purposes of comparison, payment methods have been categorized as defined in Table C.

Table C: Payment Method Categories

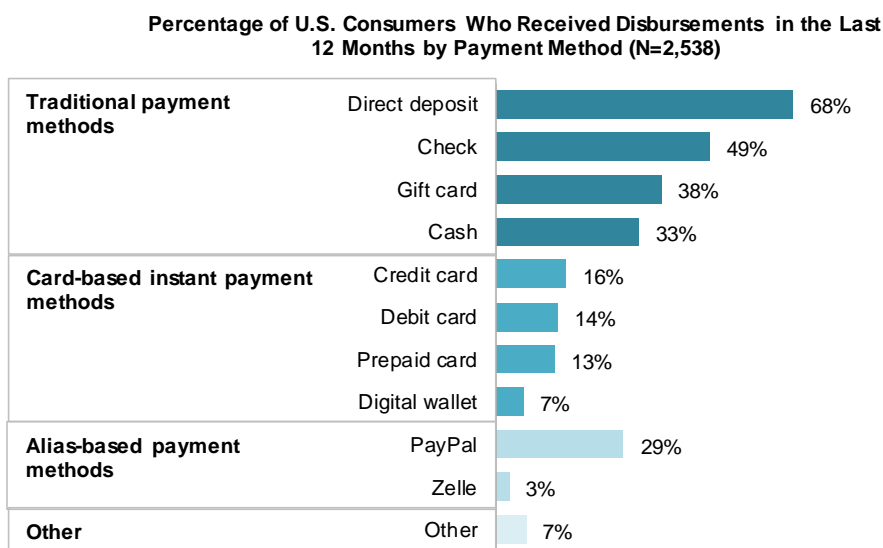
Category	Definition	Payment methods
Traditional payment methods	Payments facilitated by long-established and habitually used methods including the following: <ul style="list-style-type: none"> • The physical exchange of currency or written payment instructions on paper to pay another person • Direct deposit to individual payee bank accounts facilitated by the ACH network processed one to two business days after payment is made • Stored reloadable or nonreloadable value cards that function similarly to debit cards 	Cash, check, direct deposit to a bank account, gift card
Card-based instant payment methods	Payments facilitated by push-credit transactions, which are credit transactions businesses	Credit card, debit card, digital wallet, prepaid card

Category	Definition	Payment methods
	can push to various consumer accounts via the card payment networks	
Alias-based payment methods	Direct deposit to individual payee bank accounts, in which payees establish an alias with the service provider, typically using either a mobile phone number or an email address as a unique identifier	PayPal, Zelle
Same-day ACH	Direct deposit to individual payee bank accounts facilitated by the ACH network and processed on the same day payment is made	Same-day ACH
Other	Includes other payment methods identified by consumers that do not fall into one of the categories defined above	Bitcoin, electronic benefits transfers (EBT), rewards points, money orders, and miscellaneous payment methods

Source: Aite Group

For decades, the U.S. economy has been dependent on traditional banking solutions to facilitate payment transactions. Today, new payment methods are emerging, giving businesses and consumers more options than ever before. Despite the myriad options available, traditional payment methods remain highly relevant for B2C disbursements. In the U.S. today, most funds are disbursed using traditional payment methods, such as direct deposit and checks. In 2017, 68% of U.S. consumers received disbursements via direct deposit and 49% of consumers received disbursements via check. While payments via traditional payment methods will persist in the economy for some time to come, providing consumers with faster and more convenient digital payment methods improves the overall customer experience.

To that end, payers are beginning to adopt card-based instant and alias-based payment methods. These emerging payment methods allow businesses to reduce operational costs and improve the customer experience because they are faster and are more convenient and secure alternatives to ACH and checks. **In 2017, 16% of U.S. consumers received a disbursement via credit card, and 14% of U.S. consumers received a disbursement via debit card.** That same year, 29% of U.S. consumers received a disbursement via PayPal, and 3% of U.S. consumers received a disbursement via the newly launched Zelle (Figure 3).

Figure 3: Payment Methods Used for U.S. B2C Disbursements, 2017

Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Today, payers across all categories are using a variety of payment methods for B2C disbursements with both the old and new economy payer categories heavily attached to traditional payment methods, including direct deposit and check. While it seems logical that old economy payers, such as insurance companies, use checks for 49% of the total dollar volume of disbursements made, it is surprising that there is pervasive use of checks with new economy payers, including freelance/independent contractor payers and marketplace payers, which both use checks for more than a quarter of the total dollar volume of disbursements made.

Payers across all categories are beginning to offer newer digital payment methods in an effort to provide a differentiated customer experience. In 2017, consumer lending payers and small-business payers used debit card for 8% and 9% of the total dollar value of disbursements made, respectively. These payers also used Zelle for 2% and 5% of the total dollar value of disbursements made, respectively (Table D).

Table D: Payment Method Usage by Payer Category, 2017

Payer category	Traditional payment methods				Card-based instant payment methods				Alias-based payment methods		Other
	Direct deposit	Check	Cash	Gift card	Debit card	Credit card	Prepaid card	Digital wallet	PayPal	Zelle	
Freelance/independent contractor	15%	28%	21%	3%	3%	2%	2%	2%	20%	1%	1%
Government	49%	8%	3%	0%	7%	2%	14%	1%	2%	1%	13%

Payer category	Traditional payment methods				Card-based instant payment methods				Alias-based payment methods		Other
	Direct deposit	Check	Cash	Gift card	Debit card	Credit card	Prepaid card	Digital wallet	PayPal	Zelle	Other
Investments	56%	24%	6%	0%	3%	2%	1%	2%	3%	1%	1%
Marketplace	22%	27%	19%	1%	3%	2%	2%	3%	15%	3%	2%
Employer	38%	33%	7%	7%	5%	3%	2%	1%	2%	1%	1%
Small business	15%	17%	15%	4%	9%	6%	4%	9%	16%	5%	0%
Other income	6%	18%	59%	3%	2%	1%	2%	2%	6%	1%	1%
Insurance	24%	49%	4%	2%	4%	5%	2%	5%	3%	2%	1%
Merchant	12%	18%	6%	29%	4%	9%	4%	2%	14%	1%	1%
Consumer lending	38%	20%	16%	1%	8%	4%	2%	4%	4%	2%	2%

Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

As payers have become more familiar with the benefits of digital payment methods, the total dollar volume of disbursements using card-based instant payment methods and alias-based payment methods has grown while the use of checks has decreased. Between 2014 and 2017, the total dollar value of disbursements made using checks decreased by 25%, the total dollar value of disbursements using debit card grew by 28%, and the total dollar value of disbursements using PayPal increased by 19%.

Older economy payers, such as insurance companies, are making progress moving consumers away from disbursements made with checks. Between 2014 and 2017, the total dollar value of disbursements made with checks by insurance payers decreased 24% with the total dollar value of disbursements moving into direct deposit and PayPal. New economy payers such as freelance/independent contractor payers and marketplace payers are also seeing strong growth in direct deposit and PayPal for disbursements. While there has been a decrease in the use of checks with these payers, the increase in the dollar value of disbursements using direct deposit and PayPal can also be explained by the fact that the amount of U.S. consumers working as freelancers and selling items on marketplaces has increased significantly since 2014. Significant opportunity remains for payers across all categories to improve the customer experience and increase efficiency by reducing the use of direct deposit and check for disbursements by offering card-based instant payment methods and alias-based payment methods (Table E).

Table E: Change in Payment Method Usage for Disbursements by Payer Category, 2017

Payer category	Traditional payment methods			Card-based instant payment methods		Alias-based payment methods
	Direct deposit	Check	Cash	Debit card	Credit card	PayPal
Freelance/independent contractor	20%	-12%	1%	1%	-1%	-5%
Government	-11%	-62%	19%	43%	-4%	29%
Marketplace	57%	-34%	0%	31%	-58%	92%
Employer	23%	-25%	32%	118%	1%	41%
Other income	76%	-28%	22%	68%	77%	26%
Insurance	57%	-24%	-3%	15%	-56%	93%
Merchant	11%	-32%	-7%	-18%	-1%	100%
Total	-4%	-25%	-2%	28%	-8%	19%

Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

THE DEMAND FOR INSTANT PAYMENTS

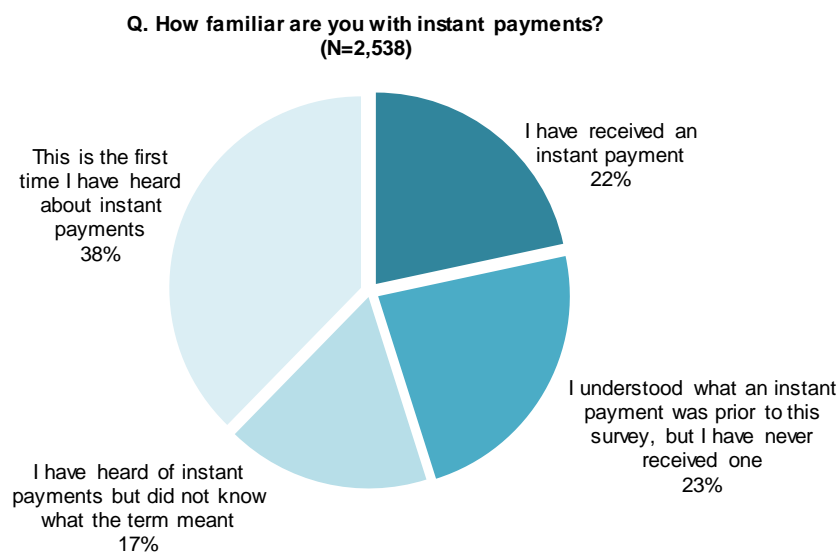
Instant payments are defined as real-time electronic payments that can be sent to an account within minutes and provide funds that are immediately available, safe to spend, and irreversible. Today, consumer-focused instant payments capabilities are provided by the card networks and by U.S. financial institutions using the following technologies:

- **Push-credit transactions:** Technology that allows businesses to push payments to various consumer accounts in real time using the card network infrastructure.
- **Zelle:** A real-time payments network built by the U.S. banks that provides P2P payments and B2C disbursements capabilities. Today approximately 100 U.S. financial institutions are direct participants in the network.

Over the last several years, the card networks have made push-credit transactions commercially available to facilitate instant payments. Due to the nascent real-time payment capabilities offered by U.S. financial institutions, many different payment organizations are partnering with the card networks to offer real-time payments capabilities. In order to address its ubiquity challenges, Zelle has partnered with Mastercard and Visa to bring real-time payments capabilities to nearly every U.S. bank account for P2P payments and B2C disbursements. Push-credit transactions are also commonly used to facilitate instant payments for P2P payments services, including PayPal, Square Cash, and Venmo, as well as to power B2C disbursements for companies such as Uber and Lyft for instant payouts to drivers.

U.S. consumers are beginning to take notice of the instant payment capabilities emerging in the U.S. In 2017, 62% of U.S. consumers reported they had some level of awareness of instant payments, and 22% of U.S. consumers reported they received an instant payment (Figure 4).

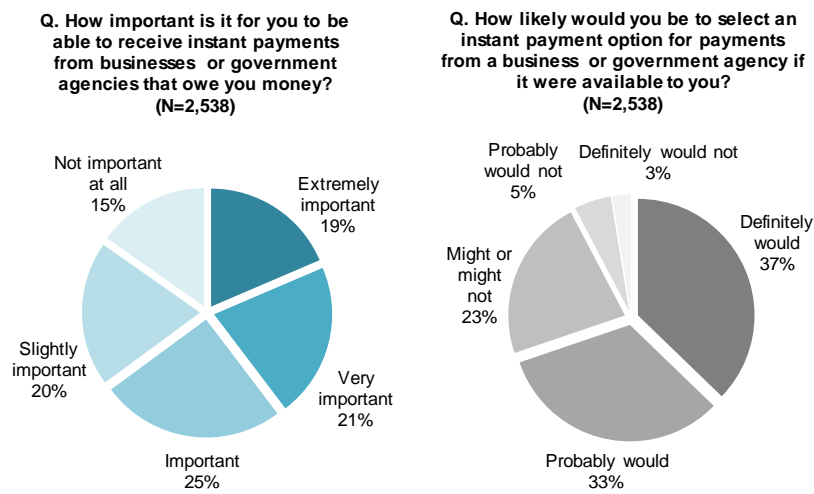
Figure 4: U.S. Consumer Familiarity With Instant Payments, 2017



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

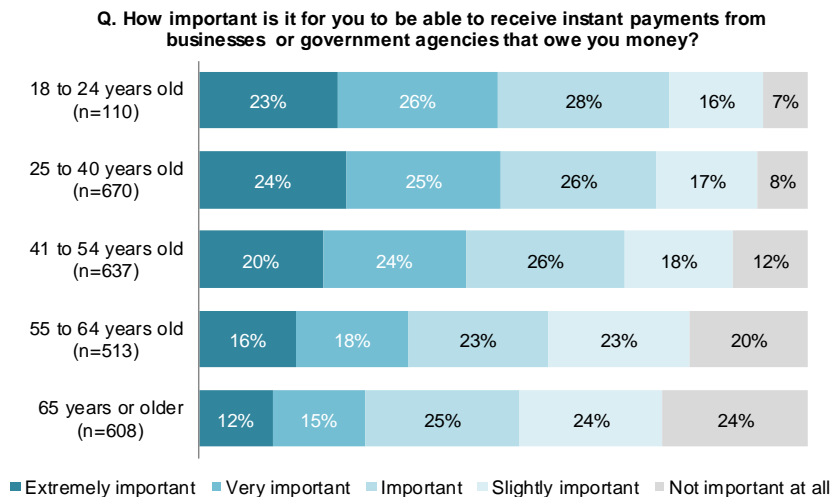
Sixty-five percent of U.S. consumers report that it is important to be able to receive instant payments from businesses or government agencies that owe them money, and 70% of U.S. consumers report that they would select an instant payment option for disbursements if it were available (Figure 5). The importance of instant payments varies by age, with younger U.S. consumers reporting it is more important to be able to receive instant payments from a business or government. More than 75% of U.S. consumers between the ages of 18 and 40 report it is important to be able to receive instant payments, compared to 57% of U.S. consumers between the ages of 55 to 64 and 52% of U.S. consumers over the age of 65 who report it is important to be able to receive instant payments (Figure 6). As millennial and Gen Z consumers continue to age, the demand for instant payments in the U.S. will grow.

Figure 5: U.S. Consumer Importance and Likelihood of Selecting Instant Payments, 2017



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Figure 6: U.S. Consumer Importance of Instant Payments by Age, 2017

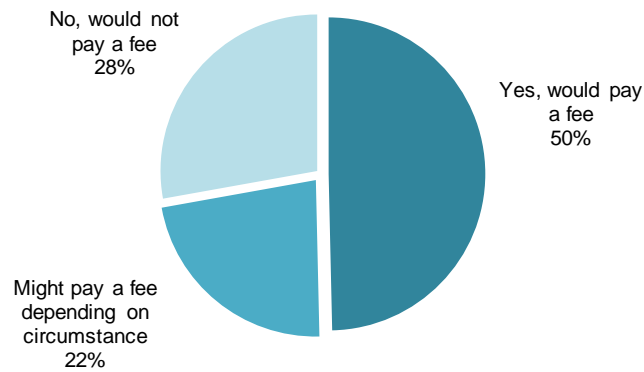


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Half of U.S. consumers who would select an instant payment option would be willing to pay a fee to receive an instant payment (Figure 7). Sixty-one percent of U.S. consumers would pay a fee of less than 1% of the total transaction amount, 18% of U.S. consumers would pay a fee between 1% and 5% of the total transaction amount, and 21% of U.S. consumers would pay a fee of 5% or more of the total transaction amount (Figure 8).

Figure 7: U.S. Consumer Appetite for Paying a Fee for Instant Payments, 2017

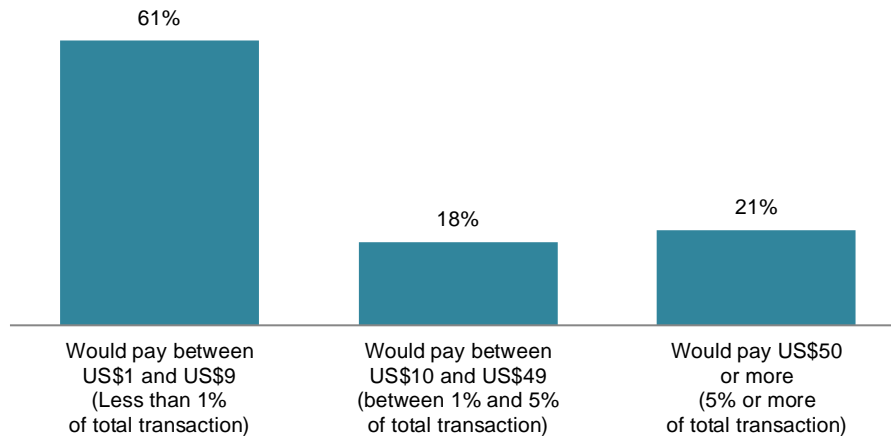
Q. Assuming a business or government agency owed you US\$1,000, would you be willing to pay a fee to receive the payment instantly? (n=2,343 respondents who would select an instant payment option)



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Figure 8: Fee Amount U.S. Consumers Would Pay for an Instant Payment, 2017

Q. What amount are you willing to pay to receive an instant payment of US\$1,000? (n=1,163 respondents who would pay to receive an instant payment)



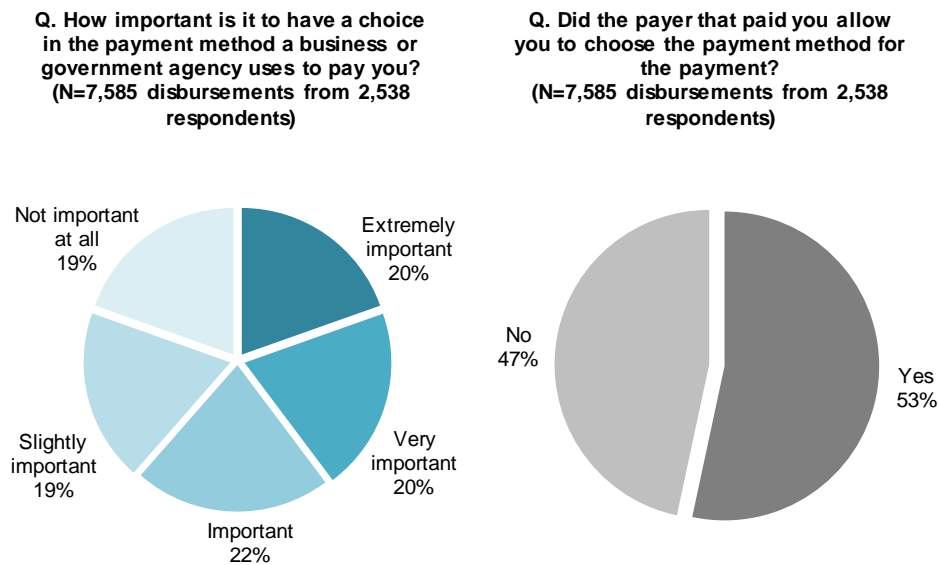
Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

PAYMENT METHOD PREFERENCES

Customer experience is all about the impression a company leaves with its customer at every stage of the customer journey, and improving the customer experience is an ongoing task for every business. Today, innovative businesses are viewing payments as a key touch point in the customer life cycle and are examining ways to make the payments experience better, first by providing customers with a variety of payment options. In today’s environment, in which customers don’t need to carry cash and, in some cases, don’t even need to carry a wallet to make a payment due to the wide variety of payment options available, businesses that offer only one payment method are often viewed as outdated. It is becoming critical for payers to offer the right mix of payment methods as part of their overall payment strategy to drive a modern and improved customer experience.

In 2017, U.S. consumers reported it was important to have a choice in payment method for 81% of disbursements received, yet U.S. consumers were allowed to choose the payment method for just 53% of disbursements received (Figure 9).

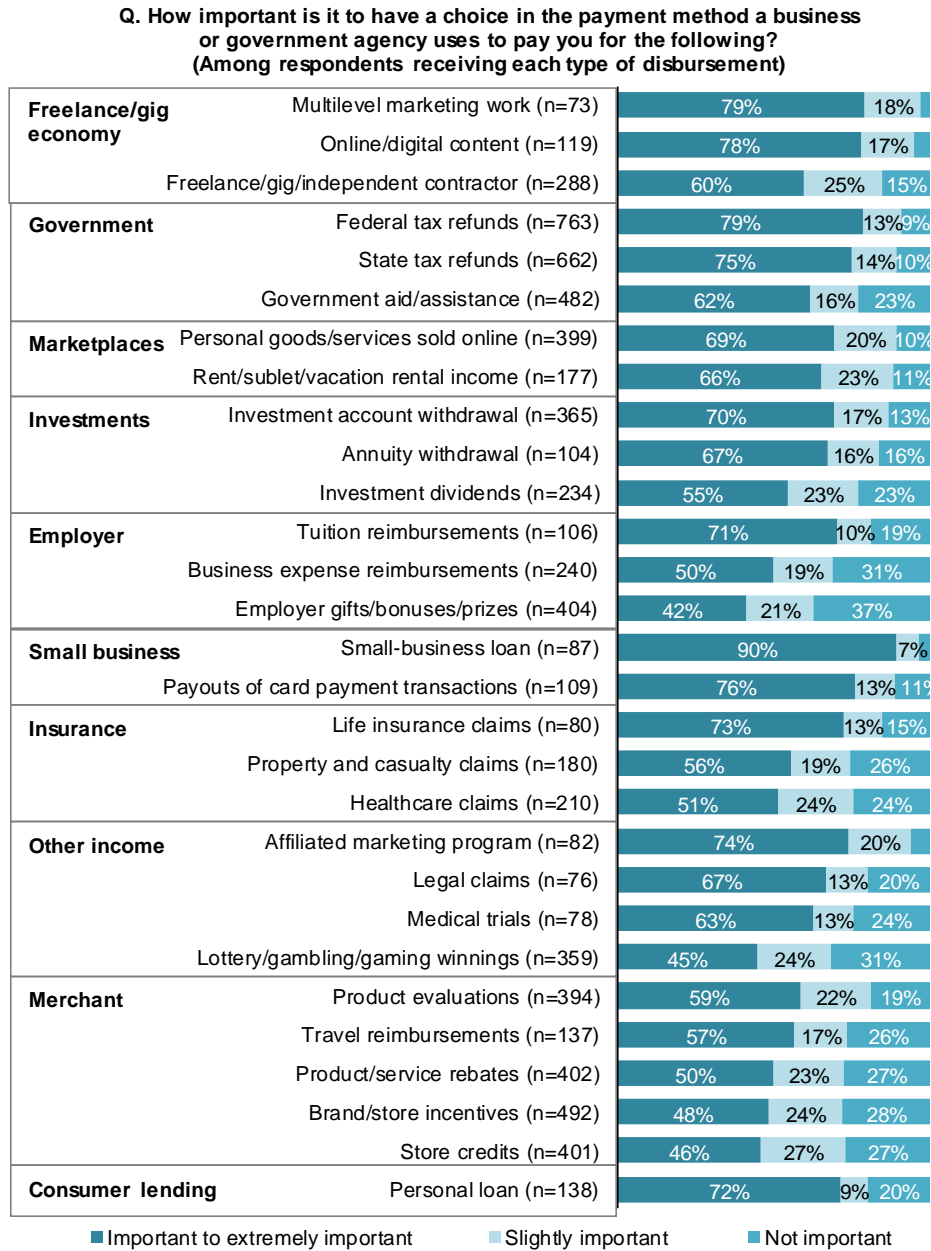
Figure 9: Importance of Choice for B2C Disbursement Payment Method, 2017



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

U.S. consumers report it is important to have a choice in payment method across all payer categories, with choice being more important in some payer categories than others. In 2017, 72% of U.S. consumers reported it was important to extremely important to have a choice in payment method from consumer lending payers, and 90% of small business owners said it was important to extremely important to have a choice in payment method from small business lenders. Sixty-six percent or more of U.S. consumers reported it was important to have a choice in payment method from marketplace payers, and 60% or more of U.S. consumers reported it was important to have a choice in payment method from freelance/gig economy payers (Figure 10).

Figure 10: U.S. Consumer View on Importance of Choice in Payment Method by Payer, 2017



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

To gain a thorough understanding of U.S. consumer payment method preferences, Aite Group asked survey participants about their payment preferences for card-based instant payment methods versus other payment methods for disbursements received in the last 12 months. For purposes of this survey, payment methods were categorized as defined in Table F.

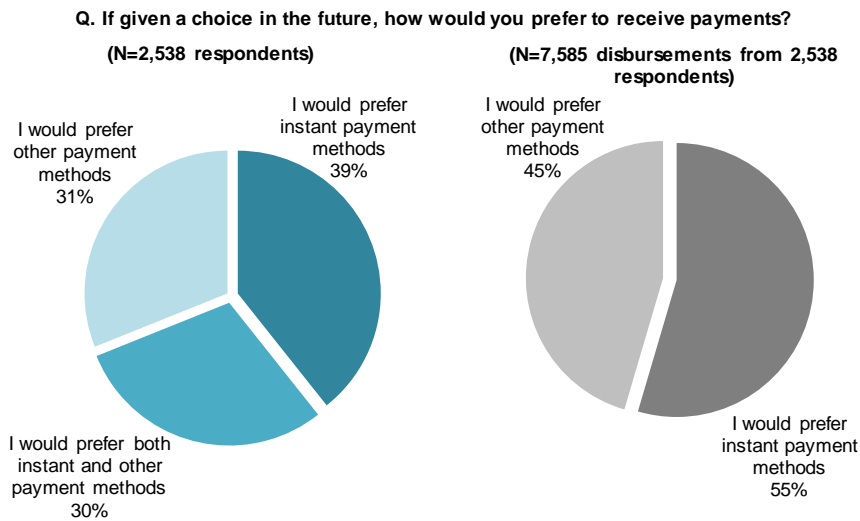
Table F: Payment Method Categories

Card-based instant payment methods	All other payment methods
Debit card	Direct deposit to a bank account
Credit card	Check
Prepaid card	Cash
Digital wallet	Gift card
	PayPal
	Zelle
	Same-day ACH

Source: Aite Group

In 2017, 39% of U.S. consumers preferred a card-based instant payment method for disbursements received in the last 12 months, 30% of U.S. consumers preferred a mix of card-based instant and other payment methods for disbursements received in the last 12 months, and 31% of U.S. consumers preferred only other payment methods for disbursements received in the last 12 months. In total, U.S. consumers preferred card-based instant payment methods for 55% of disbursements received (Figure 11).

Figure 11: U.S. Consumer Preference for Card-Based Instant Payment Methods for Disbursements Received, 2017

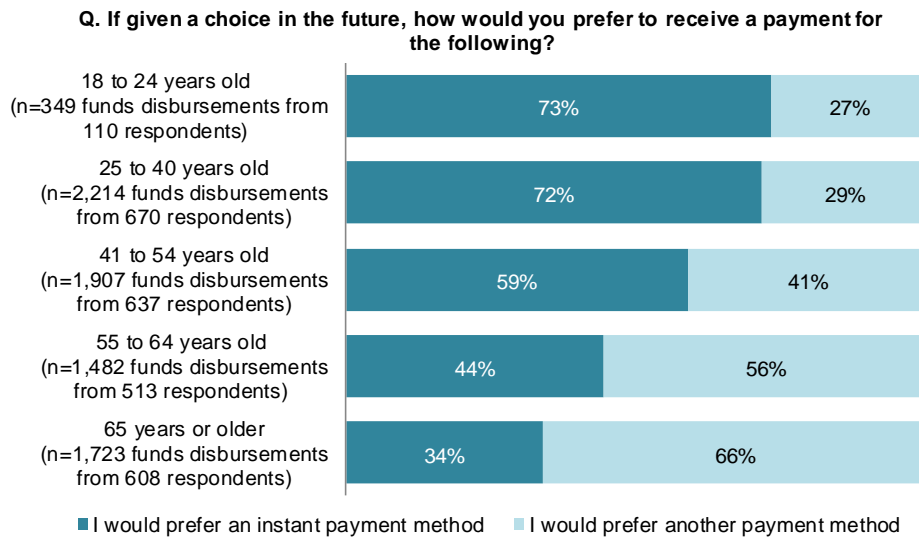


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Younger U.S. consumers prefer card-based instant payment methods for disbursements more often than do older U.S. consumers. In 2017, U.S. consumers 18 to 40 years old preferred card-based instant payment methods for more than 72% of disbursements received. By comparison,

U.S. consumers 65 years or older only preferred card-based instant payment methods for 34% of disbursements received (Figure 12).

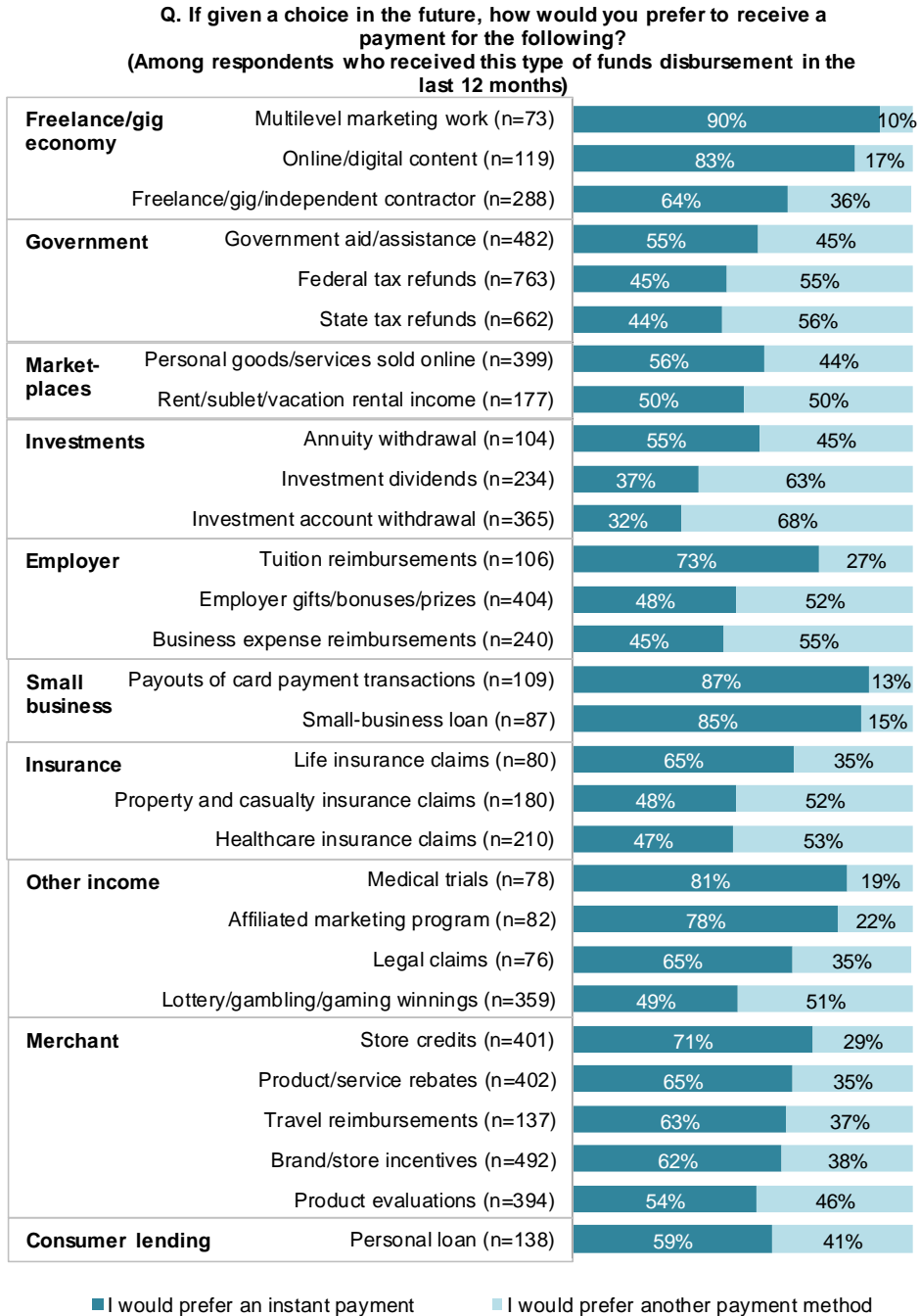
Figure 12: U.S. Consumer Preference for Card-Based Instant Payment Methods for Disbursements Received by Age, 2017



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

The demand for card-based instant payments is higher in some payer categories than in others. For newer economy businesses, such as the freelance/gig economy, marketplaces, and small businesses, U.S. consumers preferred card-based instant payment methods to other payment methods for more than 50% of funds disbursement received. For more traditional businesses such as insurance, investments, and the government, in most cases, U.S. consumers preferred card-based instant payment methods for less than 50% of disbursements received (Figure 13).

Figure 13: U.S. Consumer Preference for Card-Based Instant Payment Methods for Disbursements Received by Payer, 2017

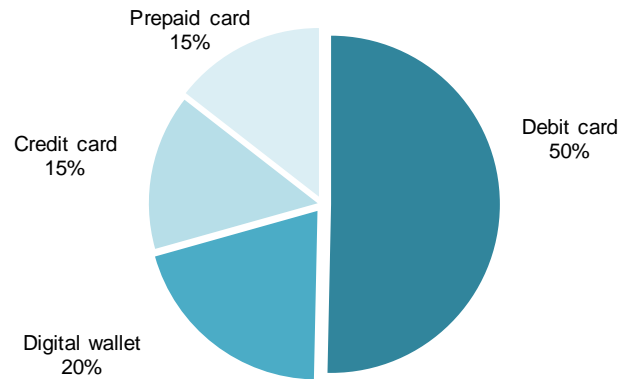


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Debit card is by far the most preferred card-based instant payment method among U.S. consumers who would prefer card-based instant payment methods. **In 2017, U.S. consumers who preferred instant payment methods reported that they prefer debit card for 50% of disbursements received, which is more than double their preference for other instant payment methods** (Figure 14).

Figure 14: U.S. Consumer Instant Payment Method Preferences, 2017

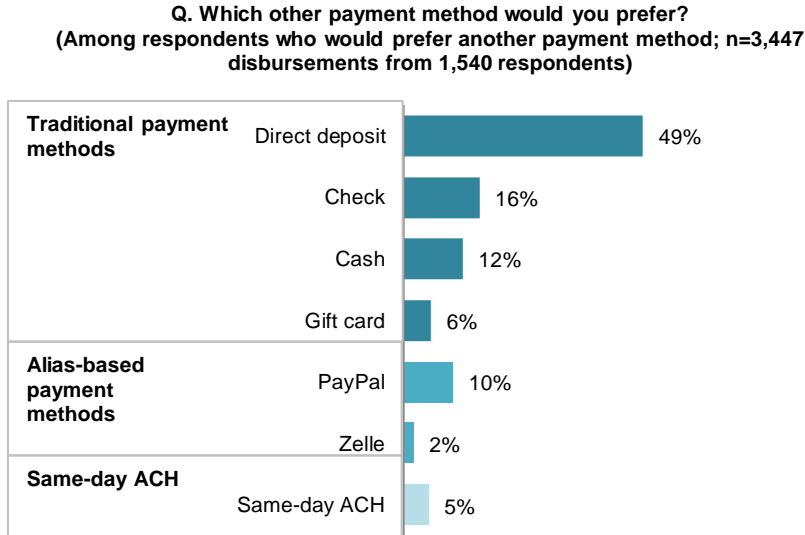
Q. Which instant payment method would you prefer?
(Among respondents who would prefer an instant payment; n=4,138 disbursements from 1,749 respondents)



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Direct deposit is by far the most preferred payment method among U.S. consumers who would not prefer instant payment methods for their disbursements. **In 2017, U.S. consumers who did not prefer card-based instant payment methods reported they would prefer direct deposit for 49% of disbursements received.** By comparison, U.S. consumers who did not prefer card-based instant payment methods reported they prefer checks for just 16% of disbursements received, and they prefer PayPal, same-day ACH, and Zelle for 10% or less of disbursements received (Figure 15).

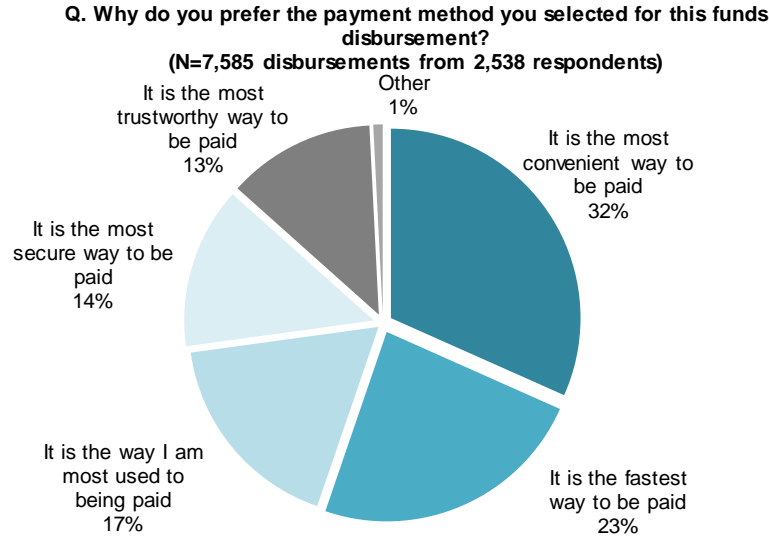
Figure 15: U.S. Consumer Other Payment Method Preferences, 2017



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

When analyzing the reasons U.S. consumers prefer various payment methods, Aite Group found that the perceived level of convenience was the most important reason, followed by the speed at which a payment could be received. **In 2017, convenience was the deciding factor in selecting a preferred payment method for 32% of disbursements received, and speed was the deciding factor in selecting a preferred payment method for 23% of funds disbursement received.** U.S. consumers also reported that receiving a payment the way they are used to being paid (or out of habit) was the deciding factor for just 17% of disbursements received. This indicates that the majority of U.S. consumers are not strongly tied to the payment methods they are most familiar with and that they are open to exploring other options (Figure 16).

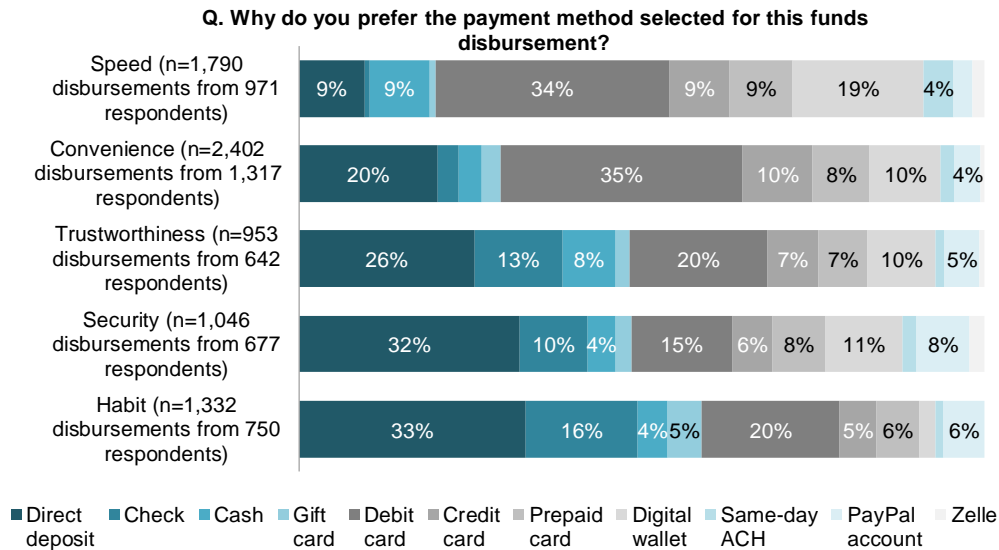
Figure 16: Factors Driving Funds Disbursement Payment Method Preferences, 2017



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

When U.S. consumers choose a payment method because of speed or convenience, debit card is the most frequently selected payment method. When U.S. consumers choose trustworthiness, security, or habit as the reason for selecting a preferred payment method for a funds disbursement, direct deposit is the most frequently selected payment method (Figure 17).

Figure 17: Preferred Payment Method by Reason for Preference, 2017



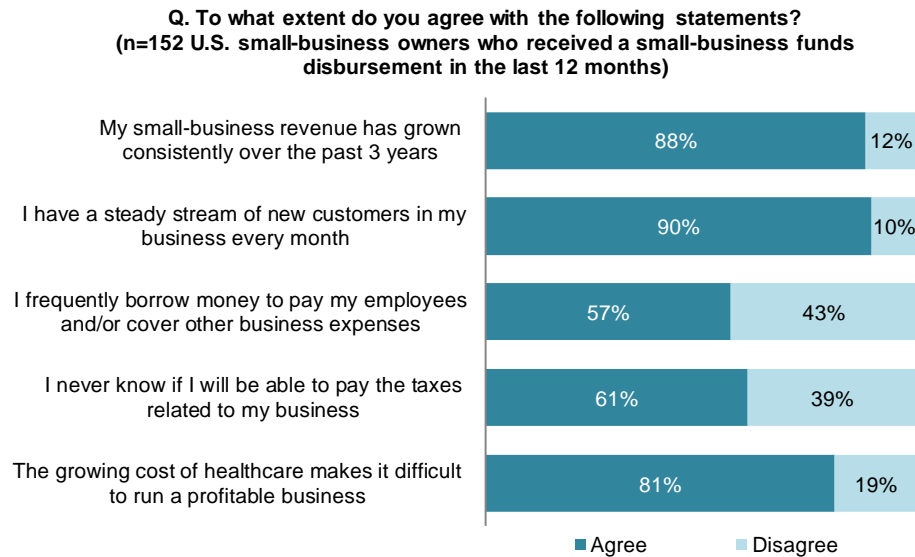
Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

U.S. B2C DISBURSEMENTS FOR SMALL BUSINESSES

Many challenges are facing small businesses in the U.S. Whether its managing day-to-day operations, navigating the always-changing political environment, or executing against a long-term growth strategy, U.S. small-business owners must be prepared for any situation that comes their way. The good news is that U.S. small-business owners are currently operating in a favorable economic environment. In 2017, 88% of U.S. small-business owners who received a small-business disbursement reported that their revenue has grown consistently over the last three years, and 90% reported that they have a steady stream of new customers in their business each month.

By some estimates, more than 80% of small businesses fail within the first two years of being in business. A business can fail for many reasons, and cash flow remains at the top of the list. In 2017, 57% of U.S. small-business owners who received a small-business disbursement reported that they frequently borrow money to pay employees or cover other business expenses, 61% reported uncertainty around being able to pay taxes related to their business, and 81% reported that the growing cost of healthcare makes it challenging to run a profitable business (Figure 18). Engaging with business partners that can ease the financial management burden for U.S. small-business owners remains a top priority.

Figure 18: The State of Small Business in the U.S., 2017

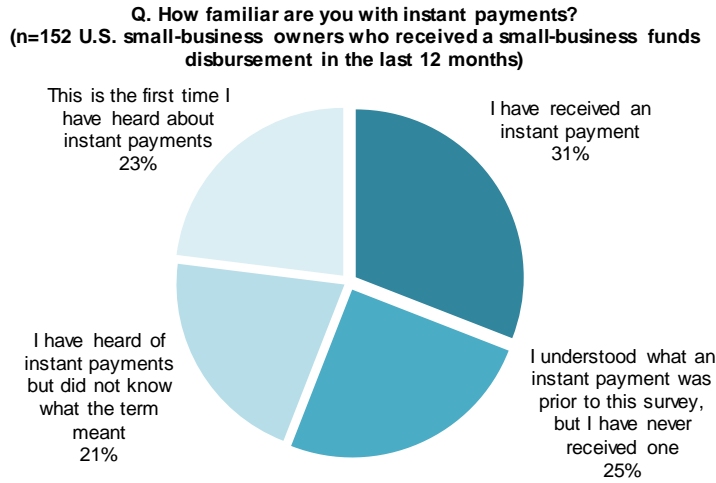


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

U.S. SMALL-BUSINESS DEMAND FOR INSTANT PAYMENTS

In 2017, 77% of U.S. small-business owners who have received a small-business disbursement have some awareness of instant payments, with 31% of U.S. small-business owners who have received a small-business disbursement having received an instant payment (Figure 19).

Figure 19: U.S. Small-Business Owner Familiarity With Instant Payments, 2017

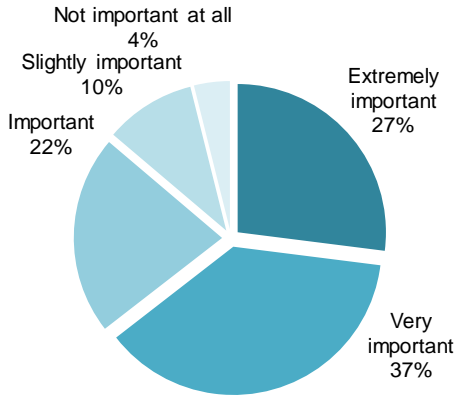


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

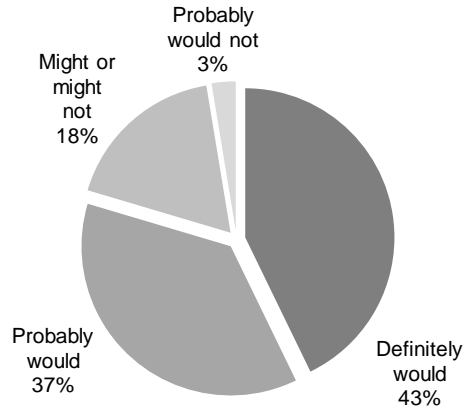
In 2017, 86% of U.S. small-business owners who have received a small-business disbursement report that it is important to receive instant payments, and 80% of small-business owners who have received a small-business disbursement would likely select an instant payment option if it were available (Figure 20).

Figure 20: U.S. Small-Business Owner Importance and Likelihood of Selecting Instant Payments, 2017

Q. How important is it for you to be able to receive instant payments from businesses or government agencies that owe you money? (n=152 U.S. small-business owners who received a small-business funds disbursement in the last 12 months)



Q. How likely would you be to select an instant payment option for payments from a business or government agency if it were available to you? (n=152 U.S. small-business owners who received a small-business funds disbursement in the last 12 months)

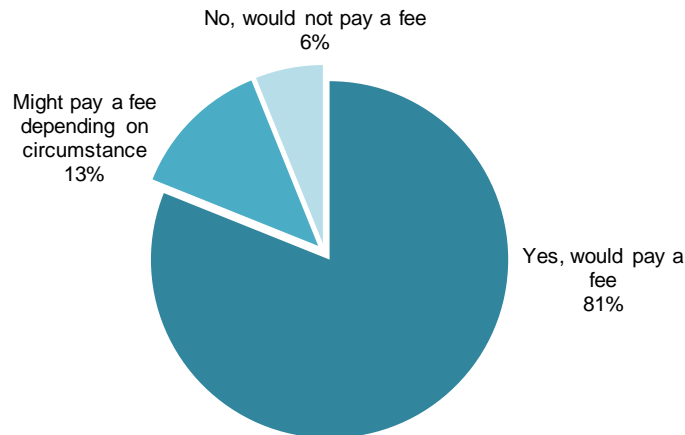


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

As a matter of fact, receiving instant payments is of such importance for U.S. small-business owners that 81% of those who have received a small-business disbursement and who would select an instant payment method if the option were available report that they would be willing to pay a fee to receive an instant payment (Figure 21). And 58% of those willing to pay a fee would be willing to pay 5% or more of the total transaction value to receive an instant payment (Figure 22).

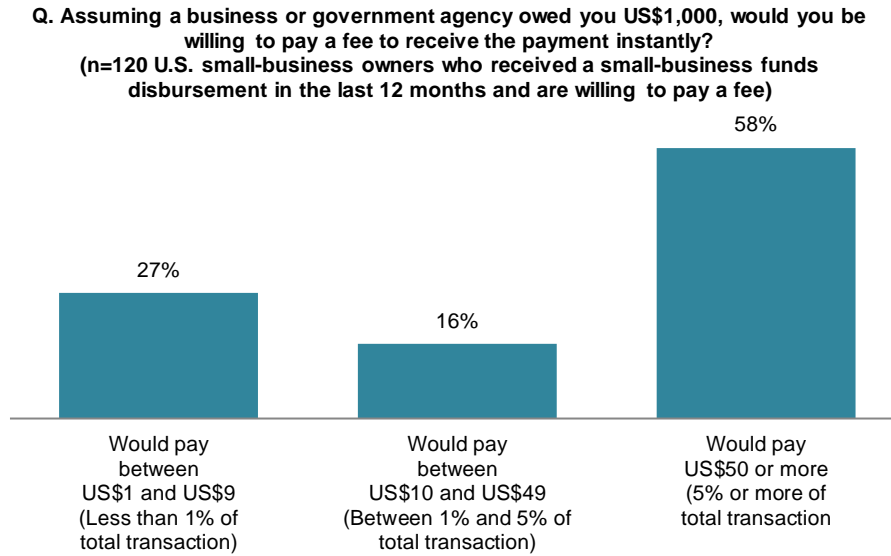
Figure 21: U.S. Small-Business Owner Appetite for Paying a Fee for Instant Payments, 2017

Q. Assuming a business or government agency owed you US\$1,000, would you be willing to pay a fee to receive the payment instantly? (n=148 U.S. small-business owners who received a small-business funds disbursement in the last 12 months and would select an instant payment option if available)



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Figure 22: Fee Amount U.S. Small-Business Owners Would Pay for an Instant Payment, 2017

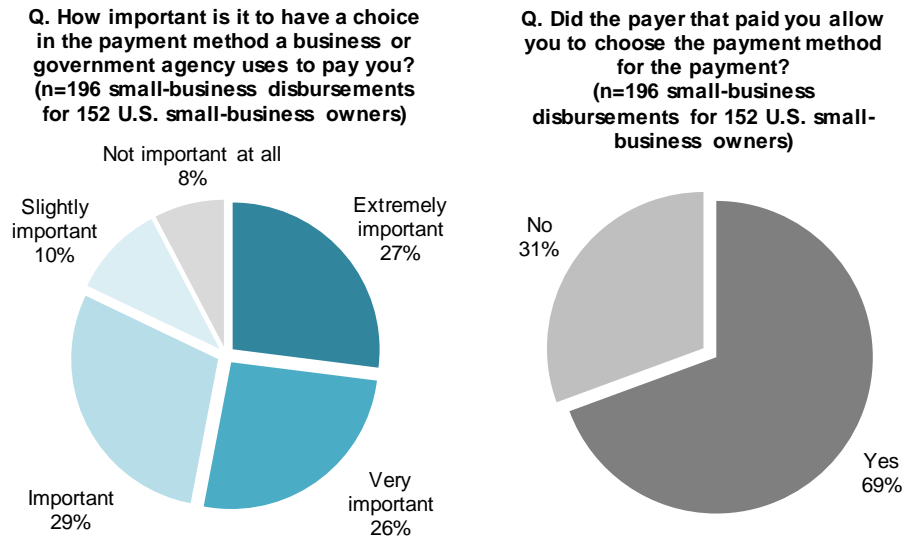


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

U.S. SMALL-BUSINESS PAYMENT METHOD PREFERENCES

In 2017, 92% of U.S. small-business owners who received a small-business disbursement reported that it is important to have a choice in payment method, with more than half reporting it is extremely or very important to have a choice in payment method. And yet just 69% of U.S. small-business owners who received a small-business disbursement reported that the payer allowed them to choose the payment method for the disbursement (Figure 23).

Figure 23: Small-Business Owner View on Importance of Choice in Payment Method, 2017

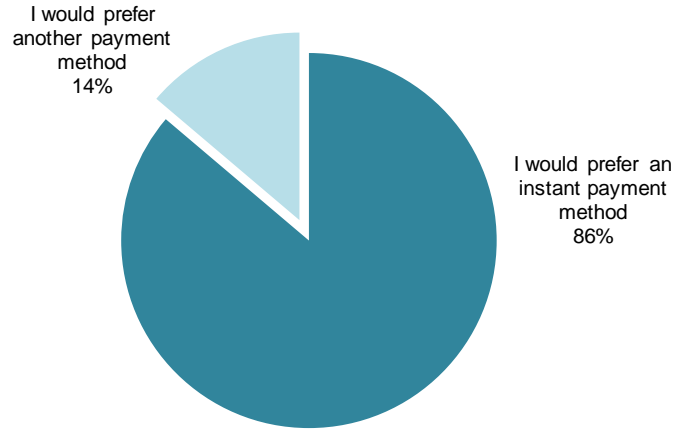


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

The appetite for card-based instant payment methods for small-business disbursements is strong. In 2017, 86% of U.S. small-business owners who received a small-business disbursement reported that they prefer card-based instant payment methods (Figure 24).

Figure 24: U.S. Small-Business Owner Preference for Card-Based Instant Payment Methods for Disbursements Received, 2017

Q. If given a choice in the future, how would you prefer to receive payments? (n=196 small-business disbursements for 152 U.S. small-business owners)

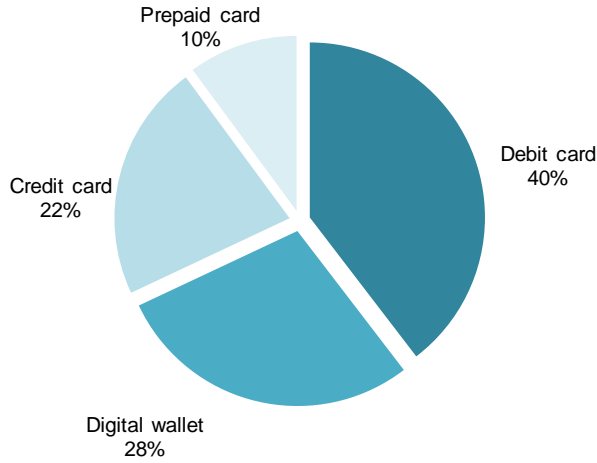


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Forty percent of U.S. small-business owners who have received a small-business disbursement and who prefer a card-based instant payment method would select debit card for their payments (Figure 25). By comparison, 37% of U.S. small-business owners who have received a small-business disbursement and who prefer another payment method would select direct deposit for their payments (Figure 26).

Figure 25: U.S. Small-Business Owner Card-Based Instant Payment Method Preferences, 2017

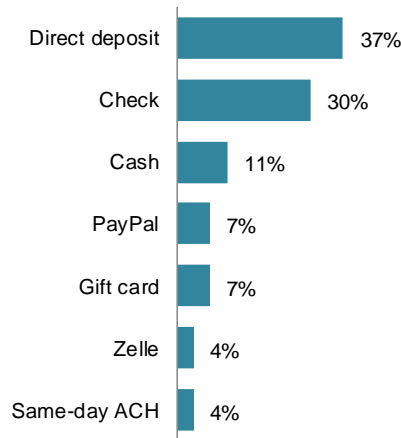
Q. Which instant payment method would you prefer?
 (n=169 small-business disbursements for 132 small-business owners who would prefer an instant payment method)



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

Figure 26: U.S. Small-Business Owner Other Payment Method Preferences, 2017

Q. Which other payment method would you prefer?
 (n=27 small-business disbursements for 26 U.S. small-business owners who would prefer another payment method)

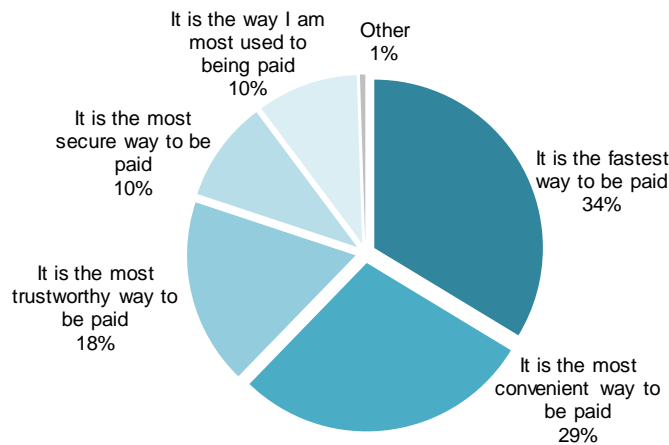


Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

When analyzing the reasons why U.S. small-business owners prefer various payment methods, Aite Group found that the speed at which a payment could be received is the most important reason, followed by the payment method’s perceived level of convenience. In 2017, speed was the deciding factor in selecting a preferred payment method for 34% of small-business disbursements received, and convenience was the deciding factor in selecting a preferred payment method for 29% of small-business disbursements received (Figure 27).

Figure 27: Factors Driving Funds Disbursement Payment Method Preferences for U.S. Small-Business Owners, 2017

Q. Why do you prefer the payment method you selected for this funds disbursement?
 (n=196 small-business disbursements for 152 U.S. small-business owners who received a funds disbursement in the last 12 months)



Source: Aite Group and Ingo Money survey of 2,538 U.S. consumers in Q2 2018

CONCLUSION

- **U.S. consumers are demanding a better disbursements experience.** And better disbursements are those disbursements delivered faster, more conveniently and securely, and directly to a bank account. Overwhelmingly, U.S. consumers prefer those payment methods that remit funds directly to their bank accounts, whether using ACH, push-credit transactions, or alias-based payment methods.
- **The concept of choice in payment methods will change as real-time payments become the status quo in the U.S.** U.S. consumers prefer payment methods that remit funds directly to their bank accounts, and today more options exist than just ACH. Instead of offering consumers a choice in payment method, consumers will be offered a choice in the type of credentials to be provided for payment—bank account and routing information, a debit card number, or a mobile phone number or email address. Payers must incorporate instant payment methods into their overall payment strategies to provide consumers with choices in payment methods that are fast, convenient, secure, and trusted.
- **Speed is just one factor in the overall equation.** While U.S. consumers show strong demand for faster disbursements, speed does not trump convenience, security, or trust. Payers need to offer payment methods that offer the right mix of speed, convenience, security, and trust, and drive adoption of newer digital payment methods by educating U.S. consumers on the value proposition.
- **It all begins with awareness ... and familiarity breeds trust.** Today's always-connected U.S. consumer is more informed than ever before. Not only are U.S. consumers aware of new and promising digital payment methods, but they are also beginning to use these new payment methods. As U.S. consumers experience the convenience, speed, and security of newer digital payment methods, the demand will increase, and payers must be prepared to meet the demand.
- **The payments experience is a critical touch point in the customer life cycle—payers must offer choices.** Providing the right mix of choice in payment methods for disbursements will impact the way businesses attract and grow their customer base, improve the perception of a business' brand, and build high-value and loyal customers.
- **And don't forget about small businesses.** Fast and convenient payments matter to small-business owners, and they are willing to pay for them. Small businesses are alive and healthy in the U.S., and they need strategic business partners. Payers that serve small businesses have a unique opportunity to grow revenue and build a stronger customer base by improving payments experiences for small-business owners that help reduce their financial burden.

APPENDIX

This research includes an analysis of B2C disbursements by payer category, as defined in Table G.

Table G: Payer Categories

Category	Definition	Use cases
Consumer lending	Disbursements for loans to an individual for personal, family, or household purposes	<ul style="list-style-type: none"> Personal loan
Employer	Disbursements received from a consumer's employer above and beyond salary or wages	<ul style="list-style-type: none"> Employer gifts/bonuses/prizes Business expense reimbursements Tuition reimbursements
Freelance/gig economy	Disbursements for earnings of self-employed workers who are engaged in short-term engagements, temporary positions, or independent contracting	<ul style="list-style-type: none"> Freelance/gig/independent contractor Online/digital content Multilevel marketing
Government	Disbursements received from a country's, province's, or state's system of people, laws, and officials that control the country in which a consumer lives	<ul style="list-style-type: none"> Federal tax refunds State tax refunds Government aid/assistance
Insurance	Disbursements related to a protection from financial loss for personal health, personal property, and death of a loved one	<ul style="list-style-type: none"> Healthcare insurance claims Property and casualty insurance claims Life insurance claims
Investments	Disbursements of funds from investment accounts or annuities	<ul style="list-style-type: none"> Investment account withdrawals Investment dividends Annuity withdrawal
Marketplaces	Disbursements for the sale of a consumer's inventory or services on an e-commerce website or app	<ul style="list-style-type: none"> Personal goods/services sold online Rent/sublet/vacation rental income
Merchant	Disbursements paid to consumers by operators of retail businesses	<ul style="list-style-type: none"> Brand/store incentives Store credits Product/service rebates Product evaluations Travel reimbursements
Other income	Disbursements that represent earnings for nonwork-related activities	<ul style="list-style-type: none"> Lottery/gambling/gaming winnings Medical trials Affiliated marketing program Legal claims
Small business	Disbursements received for a business that generates US\$10 million or less in revenue on an annual basis	<ul style="list-style-type: none"> Payouts of card payment transactions Small-business loan

Source: Aite Group

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