

# DISBURSEMENTS

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FEBRUARY 2022



## ■ FEATURE STORY

KeyBank on payments ubiquity's role in meeting consumers' and businesses' expectations

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How businesses can benefit from achieving payments ubiquity

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# DISBURSEMENTS TRACKER®

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## ACKNOWLEDGMENT

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■ JANUARY/FEBRUARY 2022  
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## EDITOR'S LETTER

# DISBURSEMENTS

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**T**here was a time when the ubiquitous paper check was an acceptable form of payment for business transactions. Anyone can receive one, and even the unbanked can find a place to cash them, these days even from their mobile phones. For businesses, being paid by check was never fast, and in a pre-digital world that may not have mattered as much — but all of that is changing. In addition to offering multiple benefits to both recipients and senders of disbursements, the variety of digital payment solutions has contributed to the increasing speed at which business is conducted. Payees have their own bills to pay and costs to cover, and every day they spend waiting for a payment is just another ripple in the chain of payments driving the economy.

As digital transformation has accelerated due to the pandemic, consumers and vendors are looking to receive disbursements more quickly and have those funds available in the account or platform of their choice. Most payees in both business-to-consumer (B2C) and business-to-business (B2B) transactions thus would prefer instant payments without fees. Offering free instant payments is an avenue by which payors can create value for and gain the loyalty of vendors and customers. Eighty-one percent of payors believe instant payments are essential to improving supplier relationships, according to PYMNTS [research](#).

Despite the typical high interest in free instant payments, the appeal is significant enough that 54% of small to mid-sized businesses (SMBs) still would be [interested](#) in instant payments even if they had to pay an added fee. Meanwhile, 33% of consumers [said](#) the same about receiving instant payments for a fee. Not only does this demonstrate the importance of ensuring dependably fast disbursements, but it also points to a potential revenue source for those providing instant payments. For payors looking for a third party to provide an instant payment option, it also means they do not have to take on the cost of instant payments to see the benefits of offering them. Both businesses and consumers are more likely to choose an instant payment instead of any other payment option when given the option.

On the other hand, while there are plenty of ways for businesses to offer multiple payment options when they are the recipient, it is not so easy to ensure an organization can disburse funds in a manner that suits the recipient. Payors are faced with a dizzying array of potential ways that payees may want to receive payments, including direct to bank accounts, push-to-card and platforms such as PayPal and Venmo. The best option for many organizations may be to seek out third-party solutions that address the variety of transactions available and ensure payment solutions are future-proof.

Thought Leadership Team  
PYMNTS.com

## ■ Feature Story

KeyBank On Payments  
Ubiquity's Role In  
**Meeting Consumers' And  
Businesses' Expectations**

**CONSUMERS AND BUSINESSES ALIKE WANT CERTAINTY IN HOW AND WHEN THEY WILL RECEIVE DISBURSEMENTS, AND INSTANT PAYMENTS CAN HELP THEM MEET THIS DEMAND.**

These methods can spare them from repeatedly checking on a payment's progress, for example, or keeping track of which transactions have been completed and what funds are available to spend.

Speed is not the only factor in ensuring payees are satisfied, and payments choice is increasingly serving as a driving force. Consumers are accustomed to having a robust assortment of methods and channels for payments, and that desire now is influencing their expectations in the B2B space.

Payment options in the B2B realm historically have been somewhat limited compared to the options available to consumers, but they have expanded rapidly in recent years, Megan Kakani, head of emerging products, product and innovation with the enterprise commercial payments group at [KeyBank](#), recently told PYMNTS. She explained that while this boom in payments choice is a positive development, it can create challenges for payors as they try to satisfy recipients' wide-ranging payment demands. Still, payors have numerous incentives for managing this bevy of payment options and doing so can add value to disbursements for both sides of the transaction.



## DISBURSEMENT CHALLENGES IN THE DIGITAL AGE

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More and more consumers expect to receive payments quickly and in their preferred methods. Kakani said one of the primary challenges for payors making B2C disbursements lies in staying on top of security while working with a broad assortment of payment networks. Payees entrust sensitive data that ranges from bank account information to account details used for push payments, making it essential to shore up security across various rails.

“The complexity on the payments side is the interaction with the consumer, the communication with the payee [and] the management of all the sensitive data that comes with making payments,” she said.

B2B payments can be even more complex, especially when these payments and the information that accompanies them pass through both digital and physical channels. Kakani explained that automating digital processes for invoicing and payment is one crucial step in removing much of this complexity. Rather than sending out an invoice, receiving a payment and then having to connect the payment with the invoice through manual processes, digital automation eliminates a significant amount of work and the potential for human error.

“If you’re sending a digital invoice and someone, based off of that, is coming into a portal [and] making a payment, you’ve already connected the information about the open receivables and the payment that’s coming in,” Kakani said. “If it starts digital, it can flow digital all the way through, with the information connected much more continuously throughout the process.”

## THE VALUE OF BETTER PAYMENTS MANAGEMENT

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As more payors move closer to true instant payments, adding value will entail more than just making payments more quickly. Simplifying the process can allow payors and payees to get the most out of their instant payment options.

“If you layer on top of speed [the] simplification of processes by uniting it all, I think there’s an extra layer of value there,” Kakani said. “Those channels have a little bit more value because you’re also getting efficiency out of it.”

Payments choice comes with other considerations as well. Kakani said this is especially true for high-value transactions in which predictability in timing and reversibility are larger concerns. In these cases, payors and payees want more transparency and certainty into when funds will be transferred and settled.

“Speed still has a place in the large-value [transactions], just, at that point, I think there are other factors that come into the equation as well that matter,” she said.

Significant strides have been made toward payments ubiquity, however, and Kakani said some payments providers are making

it much easier for payors to send funds to payees anywhere via any network or method. The next big challenge is in reconciling payments.

“You still have to unite the information on the back end because things settle at different times, and different payment rails have different exception reasons,” Kakani said. “I think it’s easier to make it one process on the front end, but you’ve got to make sure that you’re taking care of the back end, and it can all tie back together.”

Payments can hit many roadblocks as they move from Point A to Point B, and these issues will only compound if companies take a piecemeal approach to offering and managing numerous payment methods. Working toward adding certainty and simplicity into the disbursements process, especially via all-in-one solutions and tools that make reconciling transactions easier, will be necessary as the payments landscape grows more complex and interconnected in the years ahead.



# Q&A

DREW EDWARDS  
CEO



### How will the importance of being able to pay anyone in the manner they want evolve in the coming years?

“The reality is that the demand for payments ubiquity is here today and constantly growing. Consumers and small businesses want their money instantly and in the account of their choosing because it gives them maximum spending power and flexibility.

Of course, it's impossible — even for large brands — to deliver on this customer expectation simply by using [Automated Clearing House] ACH and a network direct [application programming interface] API for push-to-card capabilities. Organizations must take a broader view and enable their digital experience to safely send funds beyond the bank account to any card (debit, credit or prepaid), mobile wallet account or even cash out location.

Even for companies that do that today or attempt to do that, it will be challenging to remain ahead of the game because the universe of endpoints will only multiply in the coming years.

With the rise of embedded finance and the creation of new accounts within consumer-facing apps, it's easy to imagine a world where our money follows us throughout the day, able to be sent or received instantly on any device or account at just the press of a button. That is money mobility.

Committing to payments ubiquity now will give companies an early head start on the competition and, perhaps more importantly, prime them for this inevitable future with loyal customers already in the fold.”



# How Businesses Can Reap The Benefits Of Achieving Payments Ubiquity

## CASH FLOW HAS BECOME A SIGNIFICANT PROBLEM FOR BUSINESSES SINCE THE PANDEMIC BEGAN.

Of the approximately \$1.2 trillion in outstanding receivables that SMBs in the United States **obtain** each year via ad hoc payments, PYMNTS' research indicates that 30% are paid late. That means SMBs are forced to chase down \$465 billion in revenue or wait until long after the due date to receive their funds. This delay creates cash flow problems for SMBs and strains their B2B relationships when larger organizations do not send payments on time.

These delays do not just plague checks in the mail, either. ACH payments **are** the most common disbursement method in the U.S., but even these payments cannot provide instant payouts or ensure payments ubiquity. ACH transfers, which take up to three days, are slow by modern standards, especially for SMBs operating on tight margins due to labor and supply costs. Late payments — and even on-time payments — also can be complicated by additional hold periods enforced by receiving financial institutions (FIs).

With their own expenses to meet, businesses and consumers alike are looking to receive disbursements more quickly. Instant payments are **becoming** more popular, and 75% of SMBs **said** instant payments offered without additional fees would encourage them to continue business relationships with buyers. Regardless, just 9% of ad hoc vendor payments are instant. Even in the case of B2B marketplace disbursements, which are the most common to involve instant payment methods, just 10% of such disbursements to SMBs are instant. This month, PYMNTS examines the benefits of payments ubiquity in B2B transactions as well as the challenges standing in the way of getting there.

## CAPITALIZING ON BUSINESS DEMAND FOR FASTER DISBURSEMENTS

Instant payments’ popularity **transcends** cost, and 54% of SMBs said they would be “very” or even “extremely” willing to pay a fee to receive instant payments for ad hoc vendor transactions. The willingness to pay for instant payments is highest among SMBs that have received them in the past, with 68% of these businesses expressing a willingness to pay an additional fee for reliably faster disbursements. Sixty-eight percent of those operating in B2B digital marketplaces said they would be either “very” or “extremely” willing to pay a fee for instant payments, and 69% of SMBs would be willing to pay a fee for instant payments on commissions.

SMBs’ interest in paying a fee to receive instant payments for B2B digital marketplace transactions and commissions, which are the disbursements most likely to be received late, demonstrates just how significantly late payments can affect SMBs’ ability to operate. The likelihood of receiving an ad hoc payment late correlates directly to vendors’ willingness to accept an added fee to speed those payments. For these businesses, instant payments are not simply an added value — they are a potential solution to cash flow problems.

TABLE 1:  
**Share of SMBs receiving ad hoc vendor payments**  
Share that receive select types of payments

	REGULAR	IRREGULAR	BOTH	TOTAL
<b>At least one ad hoc vendor payment</b>				<b>52.5%</b>
• B2B invoice payments	<b>25.3%</b>	9.6%	<b>11.3%</b>	46.2%
• Freelance, contract or consulting services	17.5%	<b>11.2%</b>	10.7%	39.4%
• B2C marketplace payments	19.5%	9.1%	8.3%	36.9%
• B2B marketplace payments	17.7%	7.3%	6.8%	31.8%
• Commissions	12.2%	6.4%	6.4%	23.1%

Source: PYMNTS.com

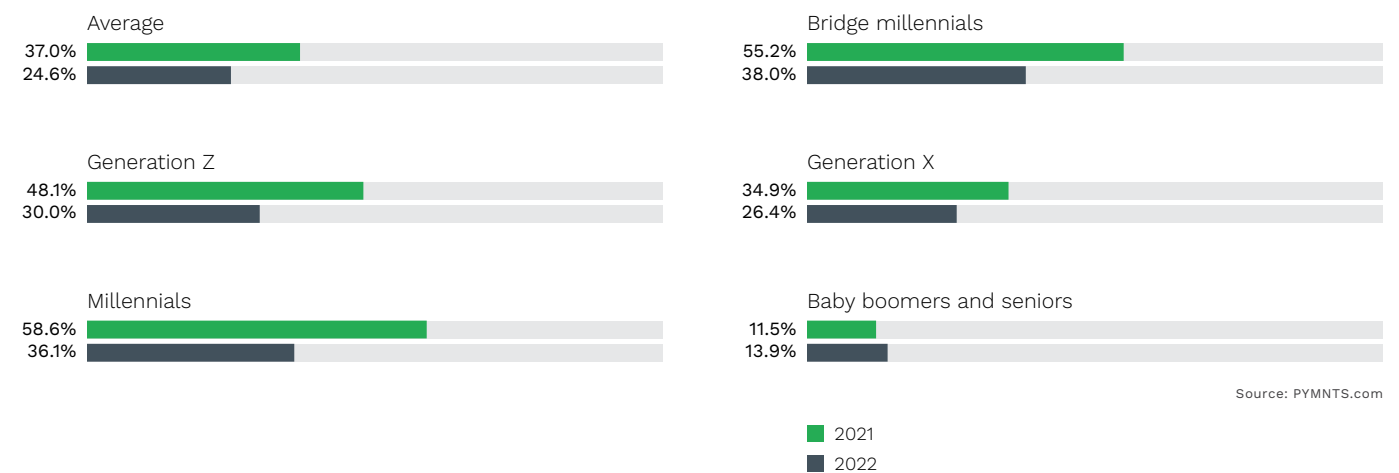
## INSTANT PAYMENTS AND CONSUMER RELATIONSHIPS

Instant payments also are a hot commodity among consumers, who are increasingly aware of these disbursement options and display a strong preference for them when they are offered. PYMNTS’ research **indicates** that 37% of consumers are aware of instant payments and what they are, a 50% jump from 2020. When given a choice of how to receive a disbursement, most consumers choose instant payments when they are available, and 46% of consumers said they would be “very” or “extremely” likely to choose instant payments if given the option. Consumers also generally are receptive to paying fees to unlock the convenience of instant payments. As many as

52 million U.S. consumers would be willing to pay a fee for instant payments, for example, an increase of 15% from 2020.

Additionally, 66% of disbursement recipients said they would be more likely to continue doing business with organizations that offered instant payments without an added fee, compared to 39% of consumers who said the same regarding direct deposit disbursements. This makes free instant payments worthwhile as a way to build customer loyalty.

FIGURE 1:  
**Consumer awareness of instant payments**  
Share of consumers familiar with instant payments, by generation



Source: PYMNTS.com



## ACHIEVING PAYMENTS UBIQUITY

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Businesses **face** greater challenges in reaching a point at which they can reliably send disbursements easily and quickly, regardless of how recipients wish to receive those funds. As a result, they may find it tempting to fall back on traditional payment means, such as checks. With all the security risks and inefficiencies that these paper-based payments bring, they still allow businesses to send and receive disbursements to anyone — a payments ubiquity that many digital solutions lack.

Achieving digital payments ubiquity is no small task, as organizations must connect to multiple types of accounts and platforms and ensure disbursement recipients can access funds quickly, safely and through the method they prefer. Solutions that restrict a disburser to a single network or platform may make some forms of instant digital payments possible, but even these do not reach payments ubiquity. To truly pay anyone, anywhere and at any time, organizations must look to providers that can connect them — and their payees — to all the available options.





# NEWS & TRENDS

## THE IMPACT OF **DISBURSEMENT SPEED** ON BUSINESS TRANSACTIONS

### **SMBs SEE INSTANT PAYMENTS AS CASH FLOW SOLUTION**

SMBs **receive** 30% of their ad hoc payments late, and 60% of those late payments run one month or more overdue. These types of payments include commission payments, invoice payments and payments for products sold to other businesses. Ad hoc payments account for approximately 38% of sales, and SMBs are eager for any solution that would improve cash flow. Instant payments offer an attractive approach to speeding up the B2B payments process, and 75% of SMBs said they would be more likely to continue working with buyers who offered free instant payment options.

SMBs showed the strongest preference for free instant payments, above any other payment options, including three- to five-day direct deposit and multiple options that do not include instant payments. The fact that 54% of SMBs would even be willing to pay a fee to receive instant payments for ad hoc transactions underlines the importance of cash flow. SMBs that already have some familiarity with instant payments show the strongest preference in their favor.



### **SCOTTISH ROOFERS STRUGGLE WITH TIGHT MARGINS DESPITE GROWING DEMAND**

In Scotland, the roofing business is **rebounding** sharply, but rising costs and long waits for payments hamper many contractors as they attempt to keep up with growing demand. To remain competitive, Scottish roofing contractors are passing these added costs on to customers by raising their own prices, but 39% of these contractors have not been able to do so, meaning cash flow has become an even greater concern than it already was. Long waits for payments exacerbate that situation, with 63% of respondents saying they wait more than 30 days to be paid for their work and materials.

Roofing contractors are bullish after five consecutive quarters of growing demand, and future projections provide an optimistic outlook. Material shortages and rising costs for both materials and labor dampen that outlook, however, especially for contractors who have had to operate on tighter margins. While there is some hope that contractors can reach agreements with manufacturers and suppliers to help alleviate some of the pressure, solutions are needed for the front end of cash flow to ensure contractors are not left holding the bag on upfront costs.

## THE GROWING IMPORTANCE OF PAYMENTS UBIQUITY

### VIRTUAL CARDS HAVE BROAD APPEAL FOR BUSINESSES

The worldwide value of virtual card transactions is expected to **grow** to \$6.8 trillion in 2026 from \$1.9 trillion in 2021, and a significant portion of that growth will come through B2B transactions. Virtual cards have several aspects that lend themselves to businesses' needs, ranging from buying products for resale to corporate travel. Companies that employ significant numbers of gig workers also can benefit by extending earned wage benefits to contract employees.

Virtual cards make it simpler for businesses to track spending on business expenses or place limits to ensure spending is appropriate, such as B2B merchants dependent on buyers to make large purchases of stock for resale. In the case of corporate travel, corporate credit cards are still the most popular method to cover business-related trip expenses, but 37% of respondents to a survey of travel buyers said they primarily use virtual cards for this purpose. More than half of respondents said they expect to increase virtual card usage in the next five years.

### PAYMENT CHOICE IS ON THE RISE ACROSS INDUSTRIES

Of the approximately 158 million U.S. consumers who received a collective 11 billion disbursements in 2021, 71% **said** they had a choice of at least two payment options. This was a significant increase from 2020, when 57% of consumers said they received at least two payment options for disbursements. Payment choice in income and earnings disbursements grew to 75% in 2021 from 59% in 2020. The share who reported two or more options for insurance or borrowing disbursements rose to 74% in 2021 from 51% in 2020. Most recipients of government disbursements had some choice, but that number showed little growth, with 70% of consumers reporting two or more payment options in 2021, compared to 68% in 2020.

Among those who received an instant payment, 78% said it was one of at least two options offered, indicating a strong preference for instant payments when available. Some of the most common areas for which payees could choose instant payments included medical research group participation, legal settlements and marketing or focus group participation.



### PRO UNLIMITED AND CERIDIAN PARTNER TO EXTEND ON-DEMAND PAY

PRO Unlimited has **partnered** with Ceridian to offer clients a pay-on-demand pay solution. Dayforce Wallet, a pay solution from Ceridian, is designed to enable nonemployee contractors such as gig workers to access earned net pay as desired. The pay solution also comes with no added transaction costs for either the payor or the payee. By enabling gig workers to access earned wages without waiting for payday, the service is expected to help companies attract more workers and retain the best talent.

Ceridian conducted a study that showed 83% of workers in the U.S. now believe earned wages should be available at the end of each day or shift. In addition, 78% said they would be more loyal to an employer that offered free on-demand pay. The desire for more flexible pay schedules is not limited to younger workers either, with workers of all ages showing interest in on-demand pay.

# Demand for faster and more reliable payments for businesses and consumers

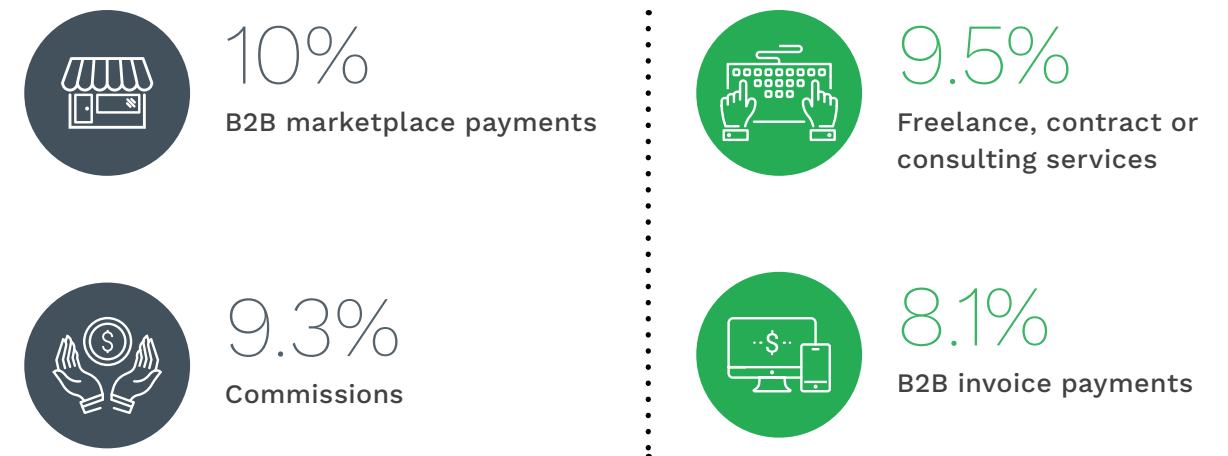
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Payees are fast becoming accustomed to the idea that they should not have to wait to be paid. The pandemic's economic effects also have tightened budgets and made cash flow a greater concern for vendors and contractors.

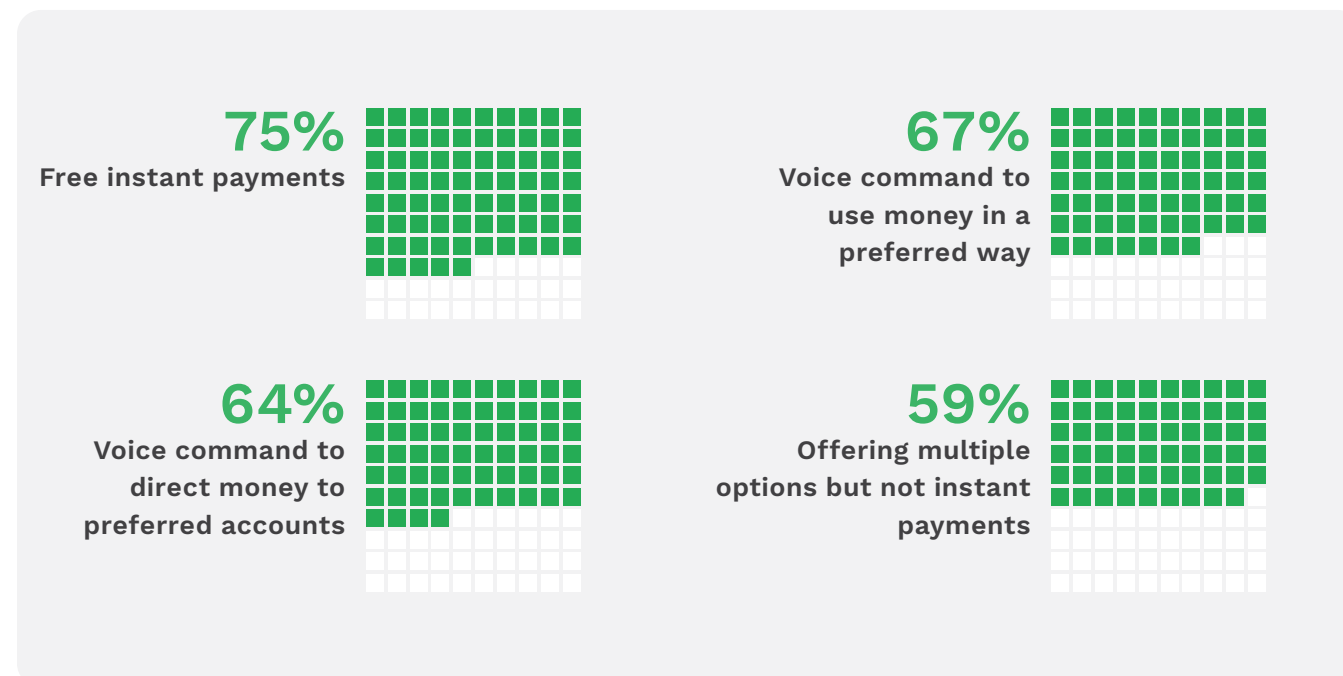
## The share of instant payments for different ad hoc transactions<sup>1</sup>

Despite the high interest in instant payments among SMBs, most ad hoc payments are sent using other disbursement methods.



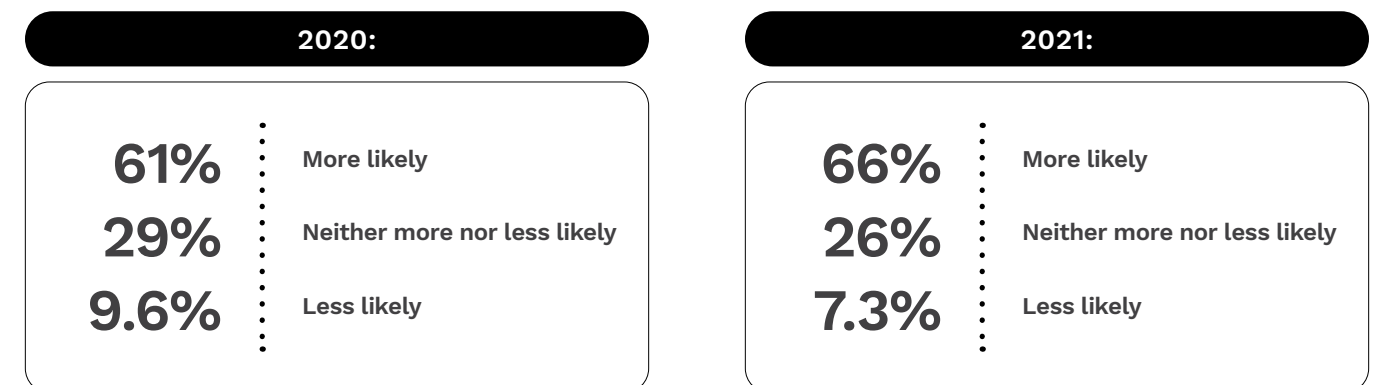
## Payment options that can increase vendor loyalty<sup>1</sup>

Most SMBs say they would be more likely to do business with buyers that offer free instant payments, ahead of any other payment-related incentive.



## Growth in likelihood to continue relationships with businesses offering free instant payments<sup>2</sup>

In addition to the benefits for B2B transactions, instant payments also can help businesses grow consumer loyalty. Consumer interest in doing repeat business with organizations offering free instant payments is growing.



<sup>1</sup> <https://www.pymnts.com/study/fixing-small-business-payments-instant-ad-hoc-payments-solutions/>

<sup>2</sup> <https://www.pymnts.com/study/the-state-of-consumer-disbursements-instant-payment-choice/>

# DISBURSEMENTS TRACKER®

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## ABOUT

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