

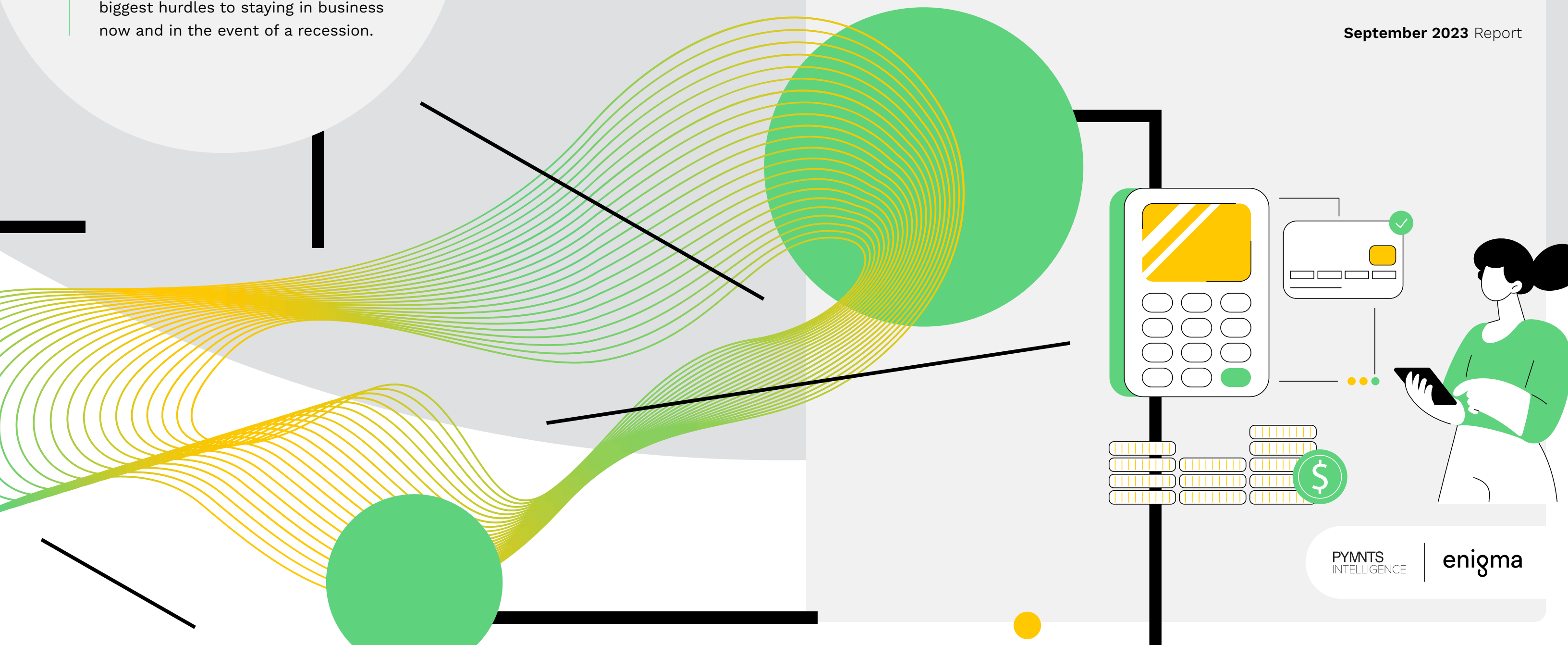
Main Street Health Q3 2023,
a PYMNTS Intelligence and Enigma
collaboration, is based on a survey of
509 SMBs with brick-and-mortar shops
in commercial districts across the
United States that reveals the latest
on how business owners are reshaping
their economic forecasts for the next
12 months — and what they see as the
biggest hurdles to staying in business
now and in the event of a recession.

MAIN STREET HEALTH

Q3 2023

Leading Payment Processors Satisfy SMBs,
but Less Popular Providers Are Vulnerable

September 2023 Report



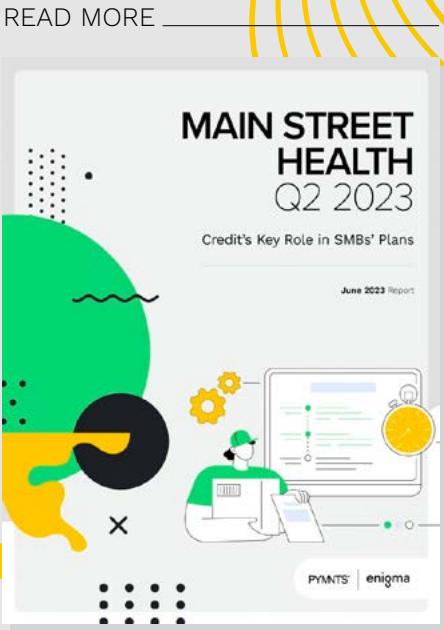
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MAIN STREET HEALTH

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■ June 2023

Main Street Health Q2 2023:
Credit's Key Role in SMBs' Plans



Main Street Health Q3 2023 was produced in collaboration with Enigma, and PYMNTS Intelligence is grateful for the company's support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

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INTRODUCTION



Small- to mid-sized businesses (SMBs) on the main streets of the United States use a wide range of payment processors. But even as the market gains more entrants, certain players still dominate.



Two providers in particular — PayPal and Square — lead the pack in popularity, and they have the upper hand: 85% of Main Street SMBs are highly satisfied with their current payment processors.



The data also shows that Main Street SMB loyalty is strongest among the most popular processors — a challenge to overcome for competitors that are late to the market, or are less known. For those looking to chip away at the market, the true battle will be fought over the remaining 15% of Main Street SMBs.

The Main Street Health Survey Q3 2023: Leading Payment Processors Satisfy SMBs, but Less Popular Providers Are Vulnerable, a PYMNTS Intelligence and Enigma collaboration, investigates the services, features and functionalities that Main Street SMBs prioritize in their payment processors and offers recommendations for processors seeking to deepen their presence across this market.

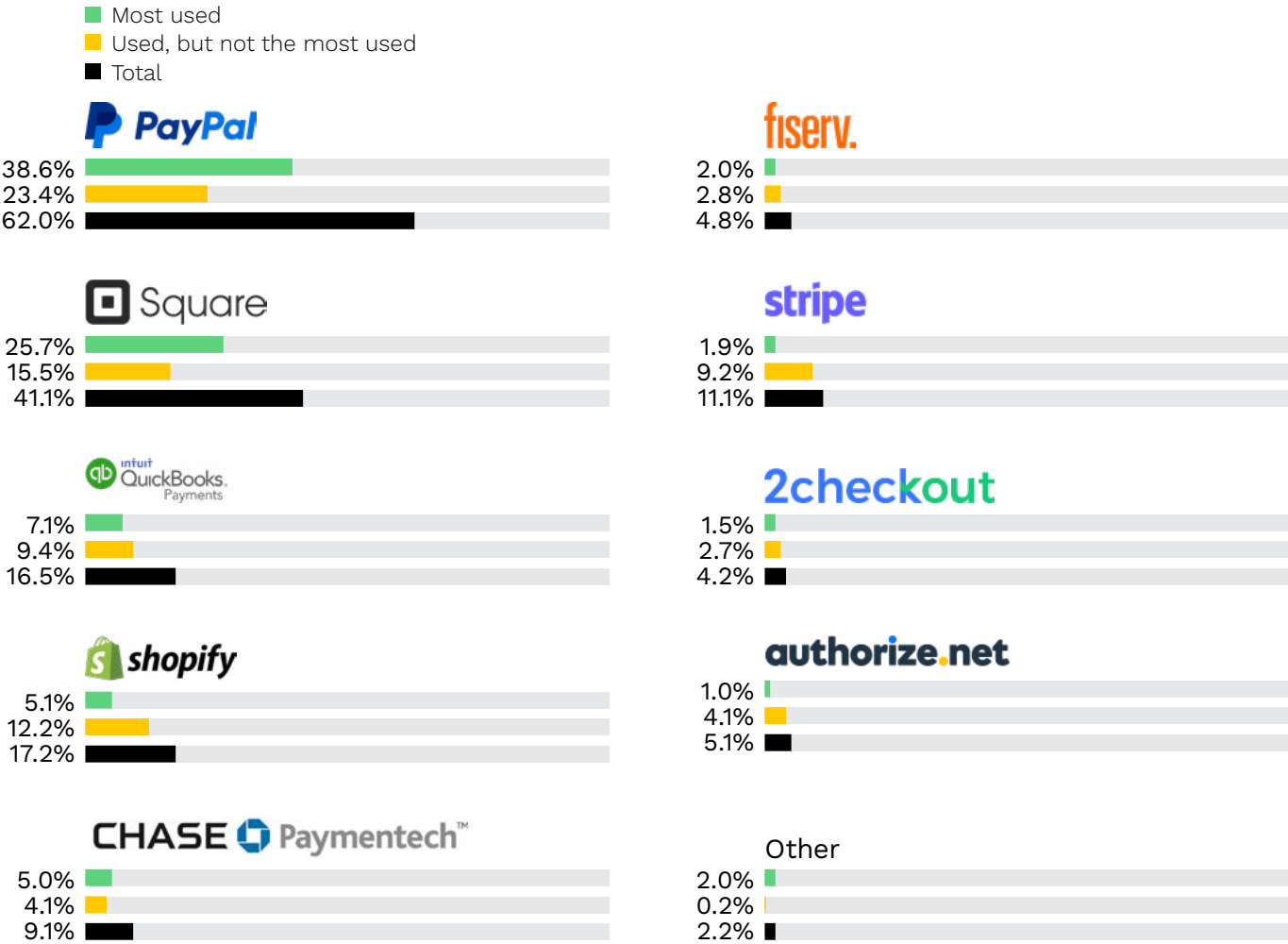
This study highlights the differences in preferences across select Main Street SMB segments, such as construction, professional services, hospitality and retail. It also unearths pockets of opportunity for processors seeking to expand their footprint in the Main Street SMB market by pointing out specific verticals where opportunity lurks.

This report is based on a survey of 509 Main Street SMBs with brick-and-mortar shops in commercial districts across the United States. Main Street SMBs surveyed were required to have a physical location from which they conduct business and generate less than \$10 million in annual revenue.

This is what we learned.

SMBs on the main streets of the United States use a wide range of payment processors. Two of those are most popular.

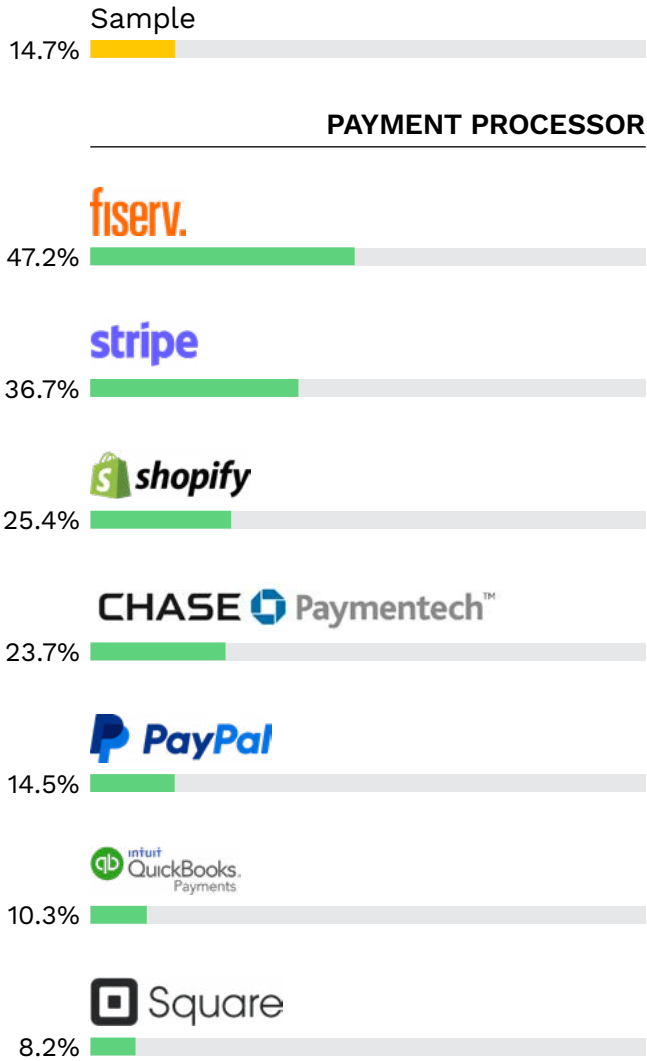
FIGURE 1:
Popular payment processors
Share of SMBs using select payment processors



Source: PYMNTS Intelligence
Main Street Health Survey Q3 2023, September 2023
N = 509: Complete responses, fielded July 5, 2023 – July 21, 2023

Main Street SMBs’ loyalty to payment processors is high for the most widely used processors, PayPal and Square, but decreases for those that are less popular. The implication: Main Street SMBs are more likely to switch providers if they are currently working with less frequently used processors, such as FISERV, Stripe, Shopify and Chase Paymentech. How much more likely? More than double the sample average, at approximately 30%.

FIGURE 2:
Switching payment processors
Share of SMBs considering switching their payment processors in the next three years, by payment processor currently used



Source: PYMNTS Intelligence
Main Street Health Survey Q3 2023, September 2023
N = 509: Complete responses, fielded July 5, 2023 – July 21, 2023

15%

Share of Main Street SMBs considering switching payment processors in the next three years

Even if satisfaction with current processors is high, more than half of Main Street SMBs would switch to another processor if it offered lower transaction fees.

Fifty-nine percent of Main Street SMBs say that lower transaction fees would motivate them to switch payment processors, and 42% say that ease of use would motivate them to do the same.

Sixty-eight percent of retail trade SMBs, 62% of professional services SMBs, 60% of consumer services/hospitality SMBs and 48% of construction SMBs would be motivated to switch processors if offered lower transaction fees.

Across sectors, 42% of SMBs said ease of use would be a motivating factor for switching payment processors. Ease of use is particularly motivating for 49% of construction SMBs and 44% of hospitality firms.

59%

Share of Main Street SMBs that say lower transaction fees would motivate them to switch payment processors



Payment processors that remain tuned in to Main Street SMBs' priorities and preferences — such as ease of use and low transaction fees — can establish and retain a strong customer base.

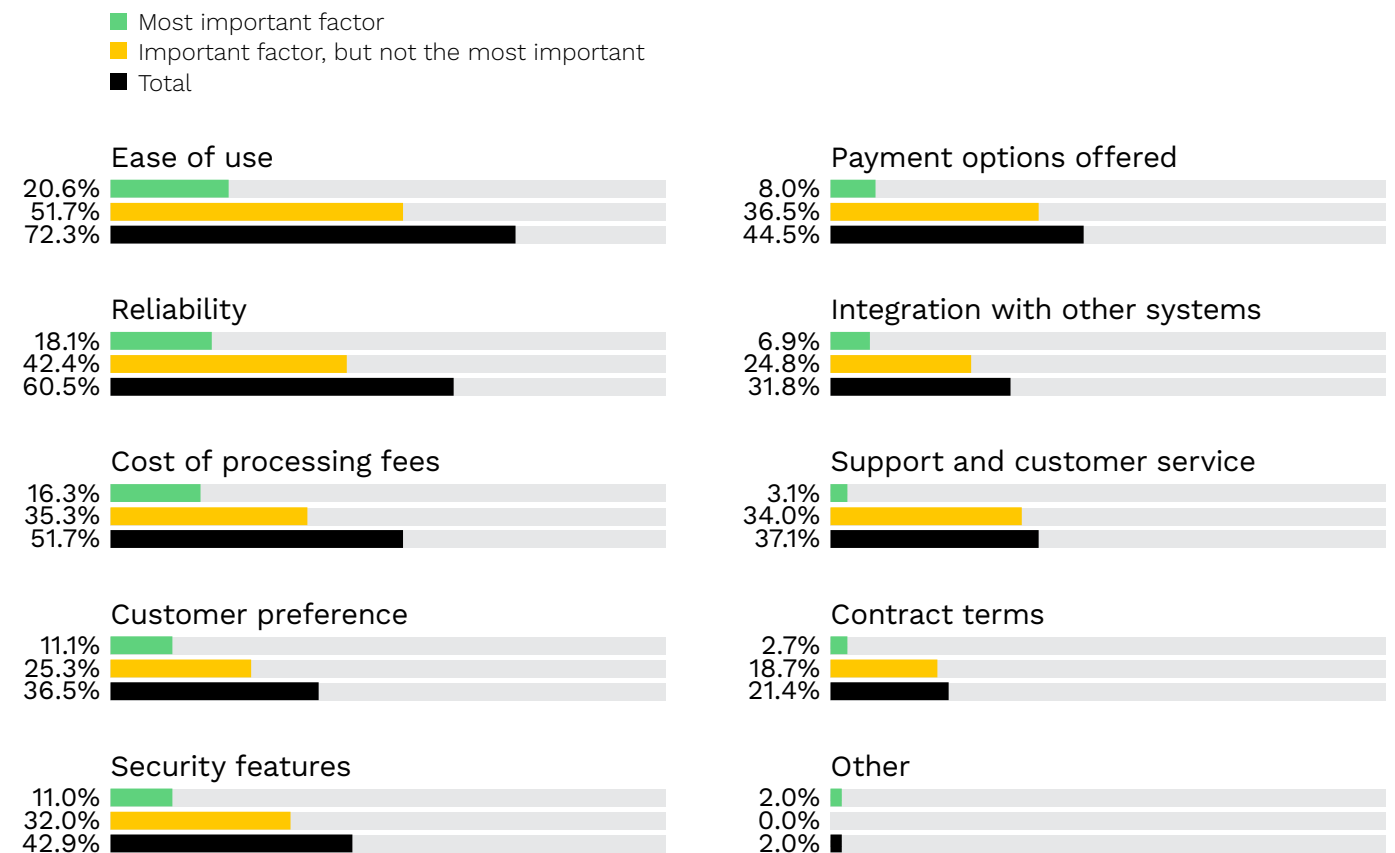
The most frequently used processors have strong, loyal customer bases and are characterized by ease of use, reliability and low transaction fees. As a result, these three factors seem to summarize the foundation of an ideal processing service for Main Street SMBs, though closer analysis of the data reveals nuances.

PayPal users, for example, were the most likely to cite ease of use as the main factor considered when choosing a payment processor. Square users particularly appreciated its low processing fees. SMBs that use QuickBooks value its reliability as well as its ability to integrate with other systems.

FIGURE 3:

Selecting a payment processor

Share of SMBs that find select factors important when choosing a payment processor



Source: PYMNTS Intelligence

Main Street Health Survey Q3 2023, September 2023

N = 509: Complete responses, fielded July 5, 2023 – July 21, 2023

Hospitality and consumer services SMBs are most likely to switch payment processors, making them the next battleground to win customers.

Although most SMBs are highly satisfied with their payment processors, hospitality and consumer services SMBs exhibit the lowest levels of satisfaction. Hospitality and consumer services SMBs also report the highest likelihood of switching to a new processor in the next three years. PYMNTS Intelligence found that 16% of consumer services and 17% of hospitality SMBs are very likely to switch to a different processor in the next three years.



78%

Share of hospitality SMBs that believe it is highly important for payment processors to offer fraud prevention

Offering fraud prevention and customer support is highly important for 78% and 68% of hospitality SMBs, respectively. More than 7 in 10 consumer services SMBs, meanwhile, say they look for processors that offer multiple payment options.

FIGURE 4:

Hospitality SMBs' priorities

Share of hospitality SMBs citing select features as important



Source: PYMNTS Intelligence
Main Street Health Survey Q3 2023, September 2023
N = 57: Hospitality SMBs, fielded July 5, 2023 – July 21, 2023

FIGURE 5:

Consumer services SMBs' priorities

Share of consumer services SMBs citing select features as important



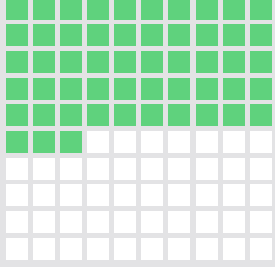
Source: PYMNTS Intelligence
Main Street Health Survey Q3 2023, September 2023
N = 70: Consumer services SMBs, fielded July 5, 2023 – July 21, 2023

Data Focus: Add-on and cross-sell opportunities abound

Data shows that 54% of SMBs are interested in fraud detection and prevention, and of these, 32% said this was the most important additional service they would like processors to provide. Construction SMBs and younger SMBs — those that have been in business for less than five years — are particularly interested in such features.

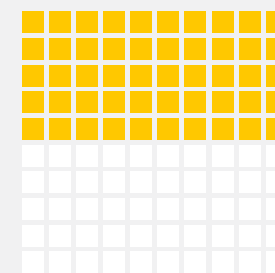
Beyond payments, offering banking and credit services can serve as a gateway for processors to gain additional customers. Fifty-three percent of younger SMBs want processors that provide banking and credit services, and 37% are interested in marketing services. Fifty percent of construction SMBs want processors to offer banking and credit services.

Differentiation can be a challenge for Main Street SMBs with limited marketing budgets, as can juggling multiple vendors. A payment processor that provides marketing support may be the answer for the 43% of construction SMBs and 37% of younger SMBs that are interested in marketing services.



53%

Share of younger SMBs that would welcome banking and credit services from their processors



50%

Share of construction SMBs that would be interested in banking and credit services from their processors

CONCLUSION

Nearly all Main Street SMBs use a payment processor today, meaning the path to growth for processors involves luring Main Street SMBs away from their current processors. That path, however, is uphill, as most Main Street SMBs are happy with and loyal to their processors. Nevertheless, sharp and nuanced marketing approaches that demonstrate processors' understanding of Main Street SMB verticals' needs can position them for success.

Main Street SMBs are always interested in a good deal. Fifty-nine percent of Main Street SMBs say that lower transaction fees would motivate them to change payment processors. SMBs cited lower transaction fees as the leading reason to switch, far outpacing other factors, including ease of use.

Payment processors seeking to expand their presence in the Main Street SMB market would do well to showcase their fraud prevention measures, demonstrate responsive customer support, and offer customers multiple payment options — three features that are most important for Main Street SMBs.

Hospitality and consumer services Main Street SMBs are particularly smart targets, as despite Main Street SMBs' general entrenchment, those in these industries are most likely to switch their payment processors.

Payment processors can also attract more Main Street SMBs by offering services outside the standard processing features, such as banking, credit and marketing, as well as reporting and data analytics — all of which could help overcome Main Street SMBs' inertia and invite switching.

MAIN STREET HEALTH Q3 2023

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METHODOLOGY

Main Street Health Q3 2023: Leading Payment Processors' Satisfy SMBs, but Less Popular Providers Are Vulnerable, a PYMNTS Intelligence and Enigma collaboration, examines the outlook and experiences of Main Street SMBs regarding their payment processors. We surveyed 509 U.S.-based businesses between July 5 and July 21 about their plans. Among the organizations surveyed, 18% were in construction or utilities, 17% were in retail, 11% were in professional services, 10% were in personal and consumer services, and 9% were in food, entertainment, and accommodations. Twenty-seven percent of the organizations generated annual revenues between \$1 million and \$10 million, 37% generated revenues between \$150,000 and \$1 million, and 36% generated revenues of less than \$150,000.

ABOUT

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PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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