

SMALL BUSINESS REAL-TIME PAYMENTS BAROMETER

July 2024 Report

Hospitality Edition



PYMTS
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SMALL BUSINESS REAL-TIME PAYMENTS BAROMETER

Hospitality Edition

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The Small Business Real-Time Payments Barometer: Hospitality Edition was produced in collaboration with The Clearing House, 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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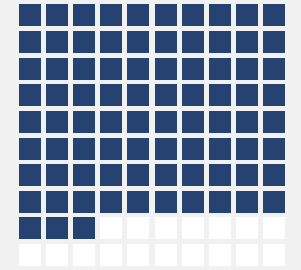
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WHAT'S AT STAKE

Instant payment options have become leading ways for small to mid-sized businesses (SMBs) in the hospitality sector to make payments. Most hospitality SMBs surveyed sent instant payments in the last year. Moreover, more than 4 in 10 cite an instant payment option as their most used method for sending payments. This is at least double the rate of the most popular non-instant methods, including automated clearing house (ACH), at 21%, and checks, at 12%.

PYMNTS Intelligence's latest research finds that besides speed, the leading attractions for instant payments among hospitality SMBs are risk reduction and convenience. In fact, speed was the third-most cited

83%



Share of hospitality SMBs that **used instant payments in the last year**



82%

of hospitality SMBs that **mainly use instant payments** for sending payments have very or extremely healthy balance sheets.

advantage. These findings highlight the broad value proposition instant payments offer. The study also reveals that hospitality SMBs are far more likely to report high levels of balance sheet health if they choose an instant payment method as their primary way to send payments.

These are just some of the findings detailed in the Small Business Real-Time Payments Barometer: Hospitality Edition, a PYMNTS Intelligence and The Clearing House collaboration. This edition examines the state of play for instant payments among SMBs in the hospitality and hotels sector, including the current adoption rates of leading payment methods and factors behind these preferences. It draws on insights from a survey, which was conducted from Jan. 31 to April 1, of 693 SMBs in this sector that generate \$10 million or less in annual revenue.

This is what we learned.

KEY FINDINGS

01

BROAD ADOPTION

Most hospitality SMBs use instant payments, and nearly half prefer an instant payment method to send payments.



42%

Share of hospitality SMBs that cite an instant payment option as their most used method to send payments

02

REVENUE LEVEL

Hospitality SMBs in the highest revenue bracket are the most likely to use instant payments.



47%

Share of hospitality SMBs generating more than \$1 million in annual revenue that cite an instant payment option as their most used method to send payments

03

HEALTHY BALANCE SHEETS

Instant payments offer a range of benefits that lead to healthier balance sheets.



82%

Share of hospitality SMBs that report very or extremely healthy balance sheets, among those that cite an instant payment method as their most used payment method

04

RAMPING UP

Hospitality SMBS widely expect to use instant payments more heavily.



79%

Share of hospitality SMBs that expect to send more payments using instant payment options, among those that currently use instant payments

THE FULL STORY

SMBs in hospitality that use instant payments enjoy healthier balance sheets and other benefits, including transaction speed, improved cash flow management and convenience.

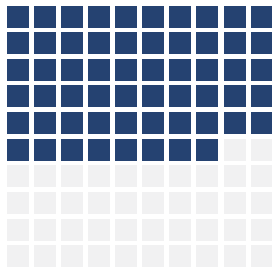
More than 8 in 10 hospitality SMBs send instant payments, and more than 4 in 10 use an instant payment method most to send payments.

Instant payments are now a leading way for hospitality businesses to issue payments. In the last 12 months, 83% of SMBs in the sector sent instant payments. This is far above the rate that paid either with credit card, at 50%, or cash, at 42% — the two most commonly used non-instant methods. In fact, 53% of hospitality SMBs used instant PayPal to send a payment in the last year — more than any other method of payment. Other types of instant payments, including push to debit card, at 41%, and instant bank account-to-account transfers, at 36%, also rank among hospitality SMBs' most popular payment methods.

Sending versus receiving payments

The Small Business Real-Time Payments Barometer series evaluates the role of instant payments among SMBs in different sectors. These studies focus primarily on preferences related to sending payments, reflecting the general need for SMBs to pay for business expenses such as monthly bills and supplier invoices. How SMBs receive payments varies more idiosyncratically depending on the nature of their business and customer segments.

58%



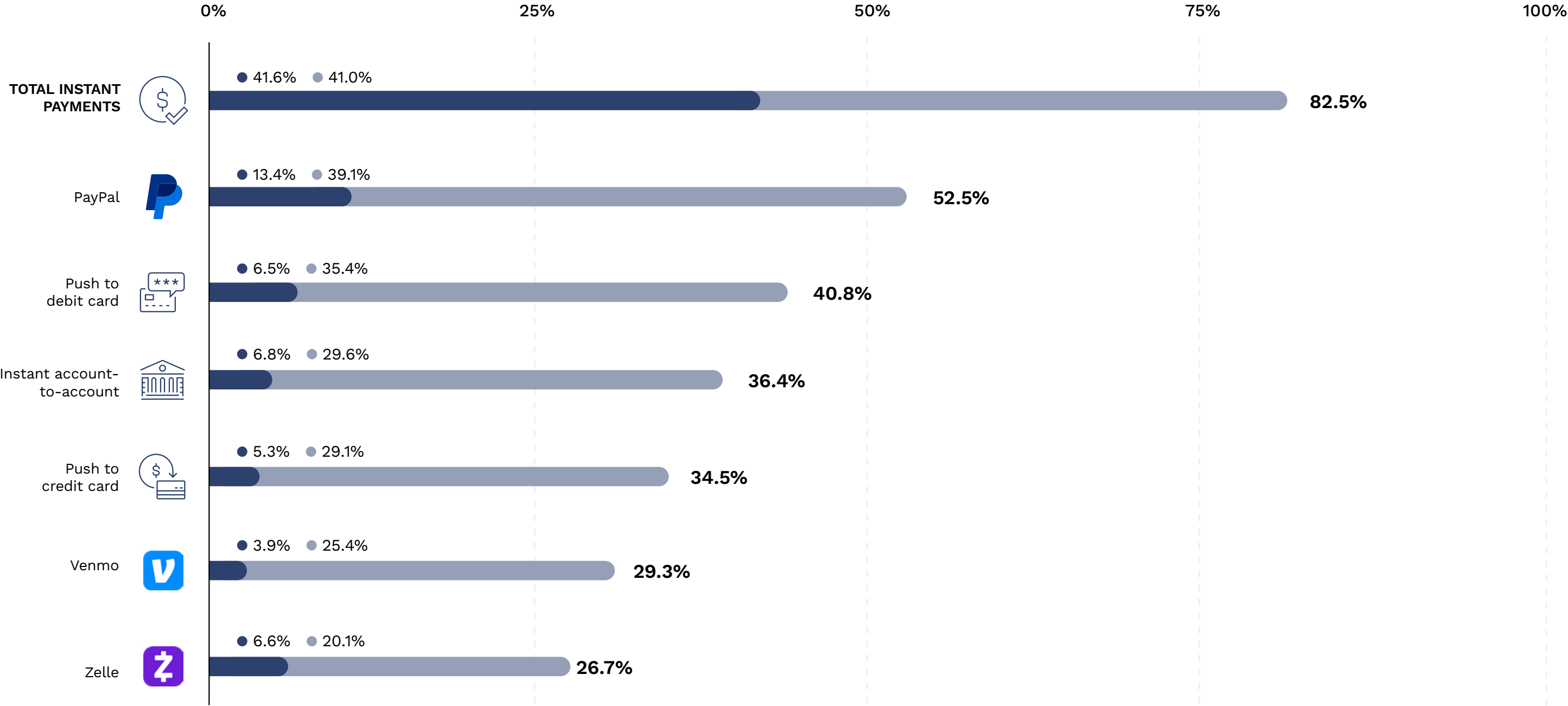
Share of hospitality SMBs citing a non-instant method as their most used method of payment

However, 58% of hospitality SMBs report a non-instant method as their most used method of payment, compared to 42% that name an instant method. ACH leads, at 21%, followed by 12% for checks and 10% for credit cards. The data thus shows that while instant payments have gained widespread adoption in the hospitality sector, the market is fragmented, and many SMBs still choose traditional payment methods as their go-to way to send payments.

FIGURE 1:

Which instant payment options hospitality SMBs use

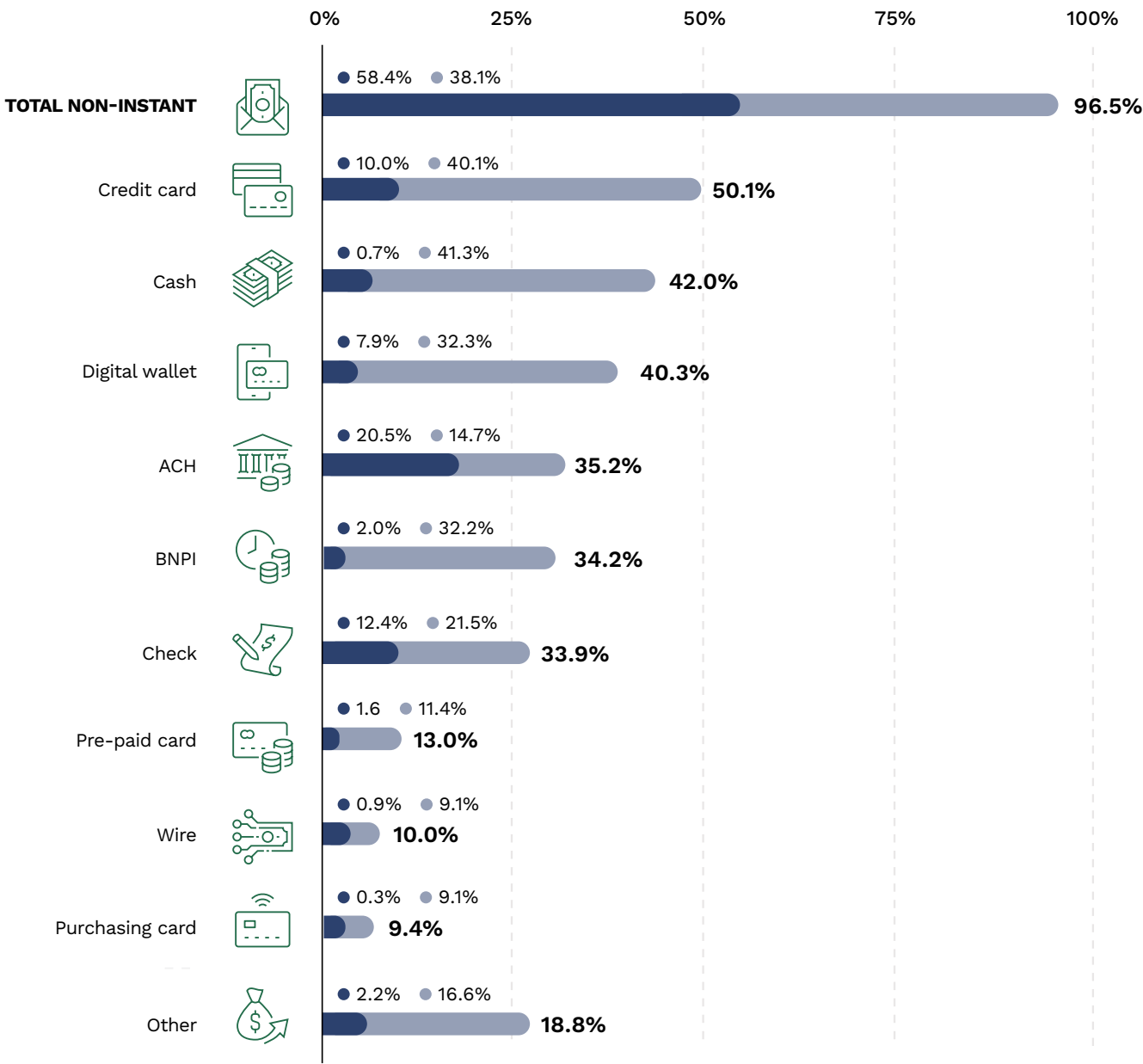
Share of hospitality SMBs that used select instant payment methods to send payments over the last 12 months, by level of use



● Most used
● Used, but not most used

Source: PYMNTS Intelligence
Small Business Real-Time Payments Barometer: Hospitality Edition, July 2024
N = 693: Whole sample, fielded Jan. 31, 2024 — April 1, 2024

FIGURE 2:
Which non-instant payment methods hospitality SMBs use
Share of hospitality SMBs that used select methods to send payments over the past 12 months, by level of use

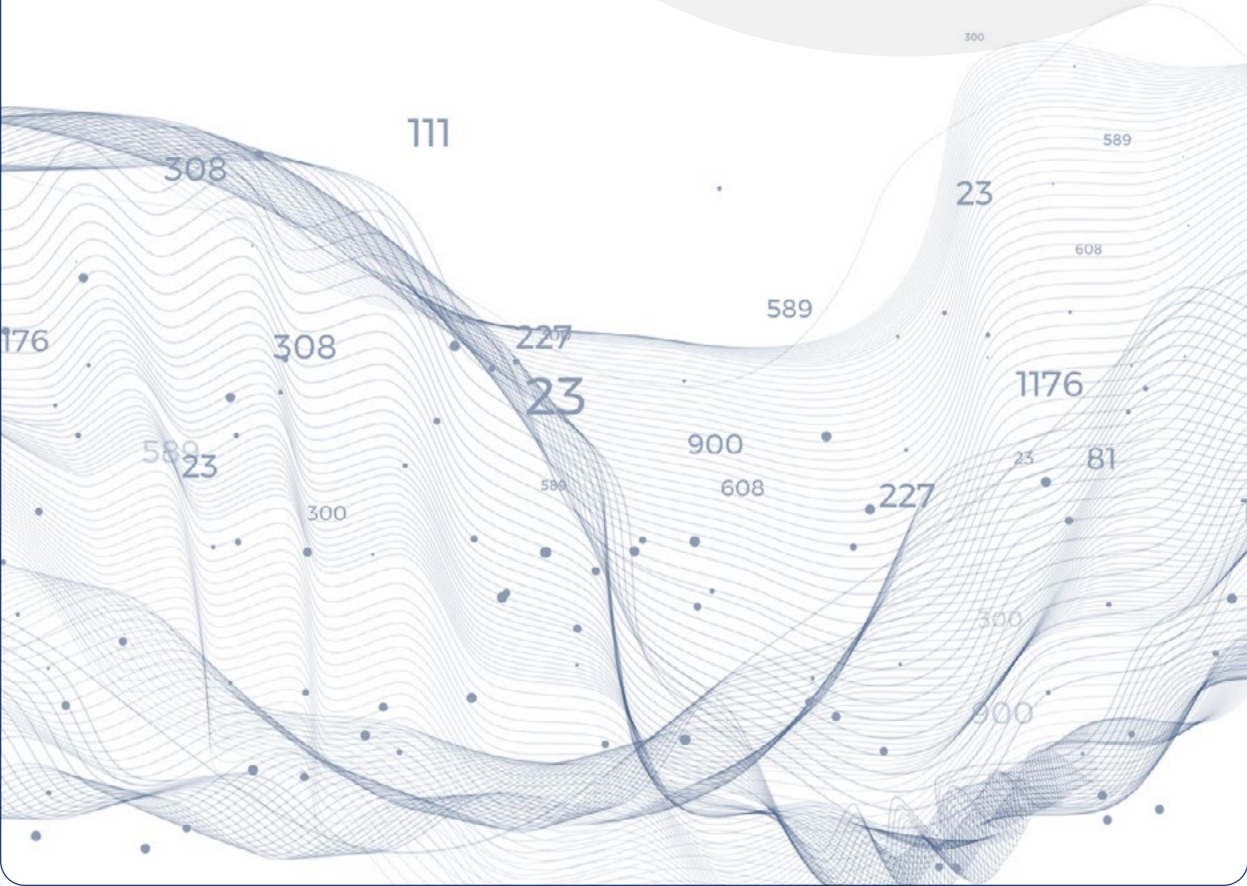


● Most used
● Used, but not most used

Source: PYMNTS Intelligence
Small Business Real-Time Payments Barometer: Hospitality Edition, July 2024
N = 693: Whole sample, fielded Jan. 31, 2024 — April 1, 2024

42%

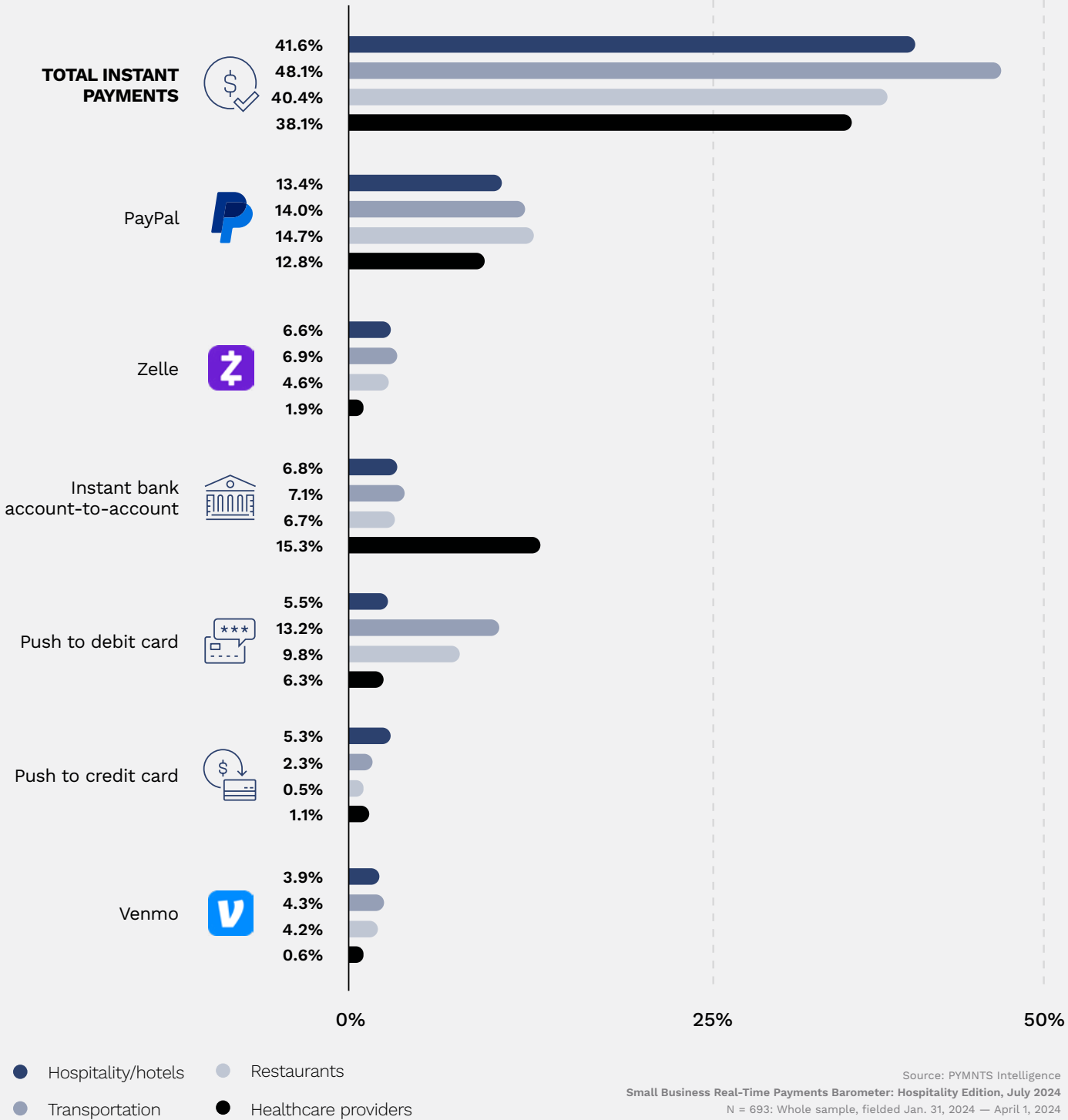
Share of hospitality SMBs citing an instant method as their most used method of payment



PYMNTS Intelligence conducted a series of surveys of SMBs in other segments — healthcare, restaurants and transportation — enabling cross-industry comparisons. Overall, SMBs in the hospitality sector follow their peers in other industries in terms of instant payment use. Transportation sees the highest share citing an instant payment method as their most used way to pay, at 48%, while healthcare has the lowest share, at 38%. The most notable difference for hospitality SMBs is that only 5.5% identify push to debit card as their most used method of payment — the lowest among the four industries.

FIGURE 3:
Instant payment use across industries

Share of SMBs citing select instant payment methods as their most used method to send payments, by industry

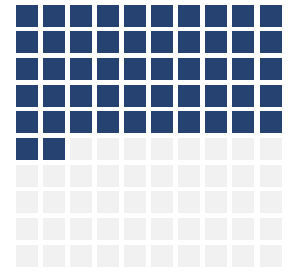


Source: PYMNTS Intelligence
Small Business Real-Time Payments Barometer: Hospitality Edition, July 2024
N = 693: Whole sample, fielded Jan. 31, 2024 — April 1, 2024

Hospitality SMBs in the highest revenue bracket are the most likely to use instant payments.

Revenue stands as a primary predictor of hospitality SMBs' preferred method for sending payments. SMBs generating more than \$1 million in annual revenue are the most likely to choose instant payments as their go-to method for sending payments, at 47%. This is substantially more than the 38% of SMBs in the \$250,000 to \$1 million revenue bracket, and the 37% of those generating less than \$250,000 in revenue. Among instant payment methods, PayPal leads across revenue tiers. Notably, 32% of SMBs in the middle revenue bracket use ACH as their primary way to pay and another 13% use checks. This highlights a market segment that appears to be underserved by current instant payment options and suggests that providers could expand their SMB customer base among these businesses with the right strategy.

52%



Share of hospitality SMBs that mainly use a local bank or credit union that are likely to choose instant payments as their main payment method

Whether a business primarily banks with a national, regional or local financial institution (FI) also plays an important role in their use of instant payments. Hospitality SMBs that mainly use a local bank or credit union are the most likely to choose instant payments as their main method of payment, at 52%, followed by those using a national bank, at 46%. Those using a regional bank trail far behind, at 29%, suggesting that these FIs may offer and promote non-instant methods more heavily.

FIGURE 4:
Revenue and most used payment method
Share of hospitality SMBs citing select payment methods as their most used method to send payments, by revenue

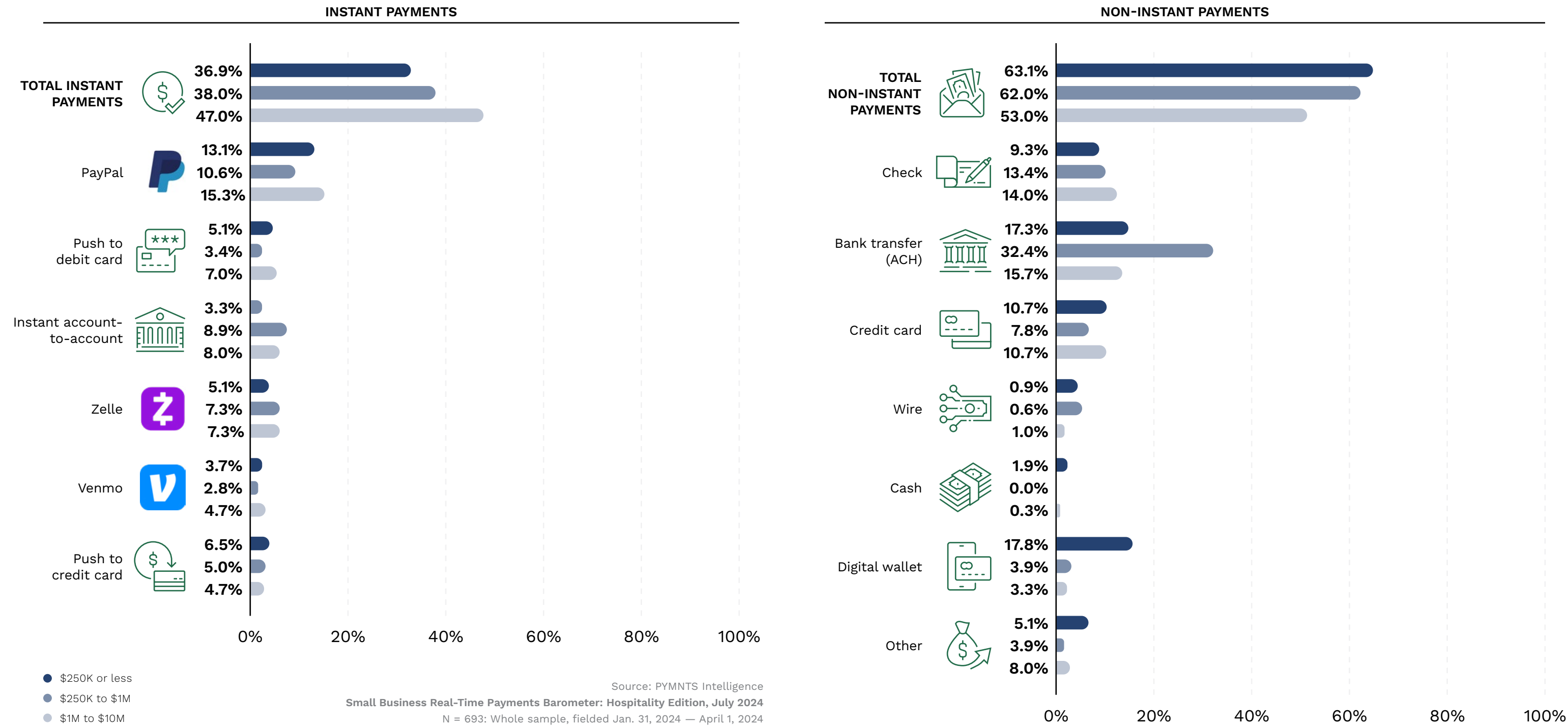
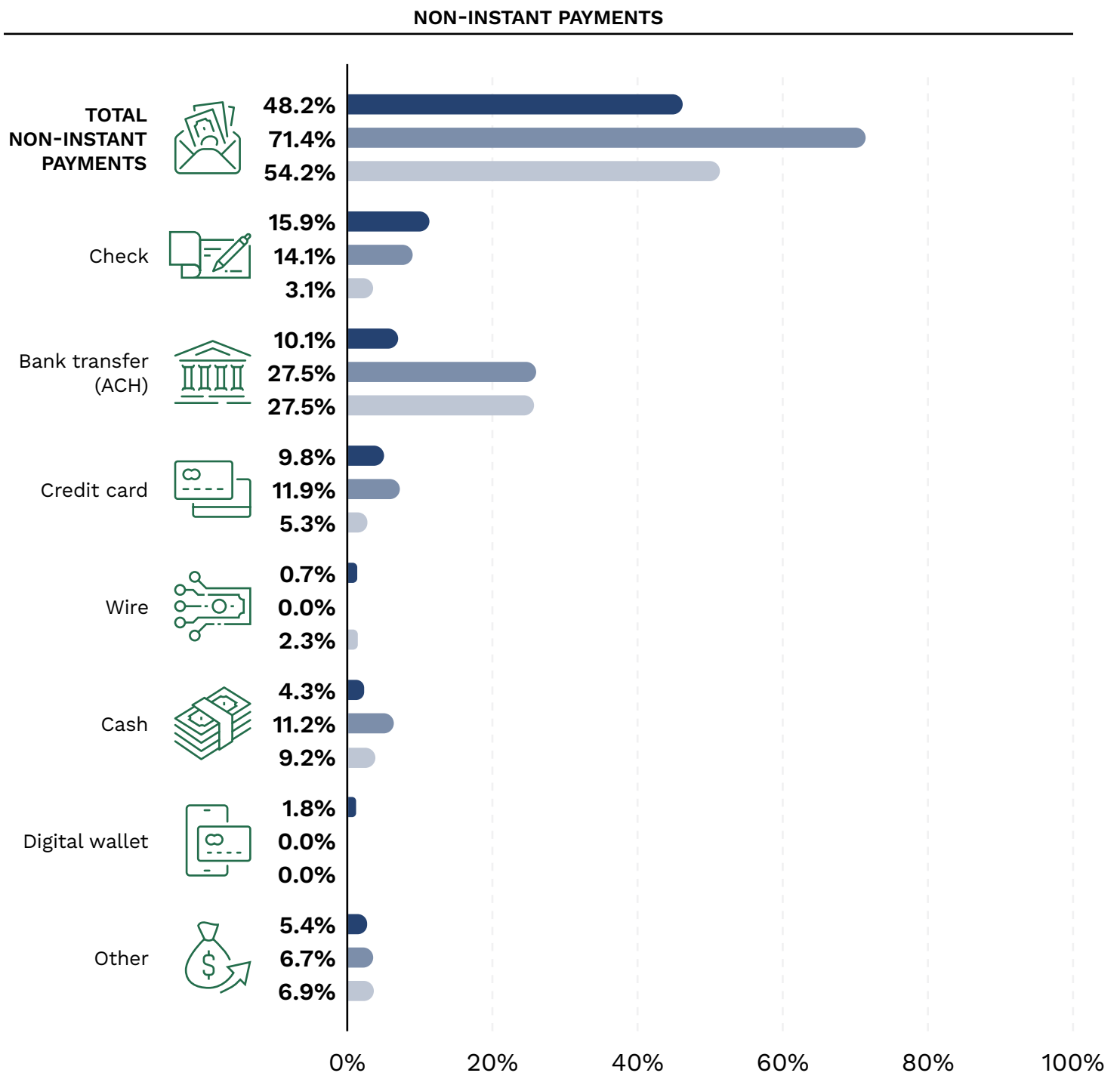
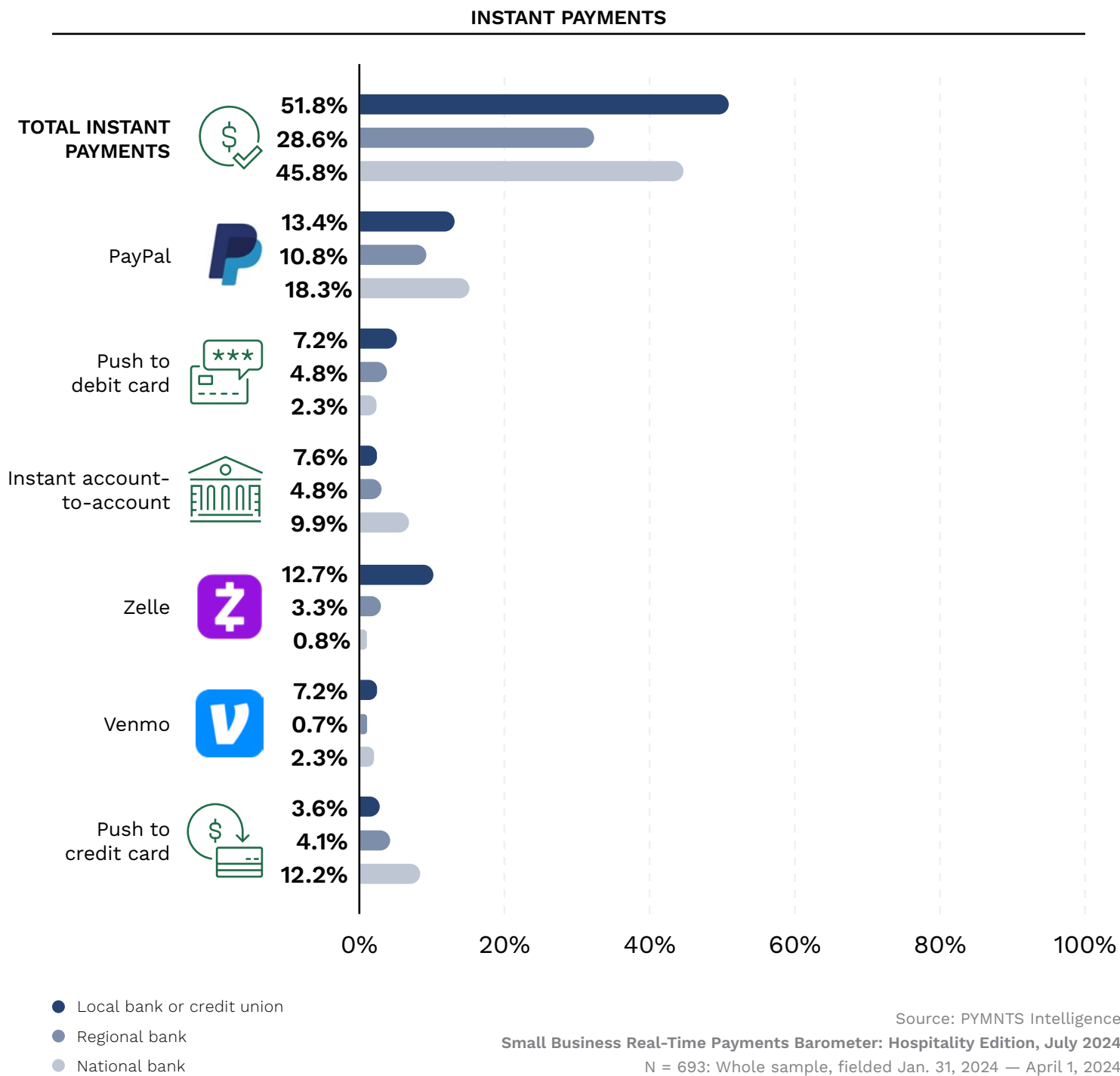


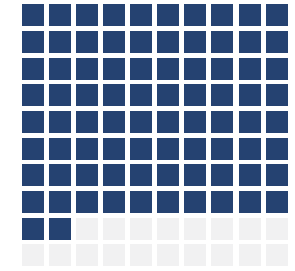
FIGURE 5
Most used payment methods, by primary FI
Share of hospitality SMBs citing select payment methods as their most used method to send payments, by type of primary FI



Hospitality SMBs that prefer instant payments have healthier balance sheets.

Hospitality SMBs that use instant payments cite a range of important advantages of choosing this payment method. Risk reduction tops the list, named by 57% as an important factor, followed by convenience, at 55%, and speed, at 52%. The fact that speed does not come first emphasizes that instant payments deliver a broad range of valuable benefits beyond rapid processing. When asked about instant payments' most important benefit, however, speed (25%) beat convenience (23%) and risk reduction (18%). Also noteworthy is that 44% of respondents cited better cash flow management as an explicit benefit of instant payments, with 15% naming it as instant payments' most important benefit. The speed, reliability and cash flow benefits of instant payments can significantly improve balance sheet health.

82%



Share of hospitality SMBs that use instant payments as their primary method to send payments citing very or extremely healthy balance sheets

The speed, reliability and cash flow benefits of instant payments can significantly improve balance sheet health. We find that 82% of hospitality SMBs that use instant payments as their primary method for sending payments have very or extremely healthy balance sheets, versus only 66% for those mainly using a non-instant method. However, push to debit cards and push to credit cards do not appear to deliver the same positive impact for balance sheet health. Just 71% and 65%, respectively, of hospitality SMBs that use these as their primary payment methods report high levels of balance sheet health.

FIGURE 6:

Benefits of using instant payments

Share of hospitality SMBs citing select benefits of sending instant payments, by level of importance

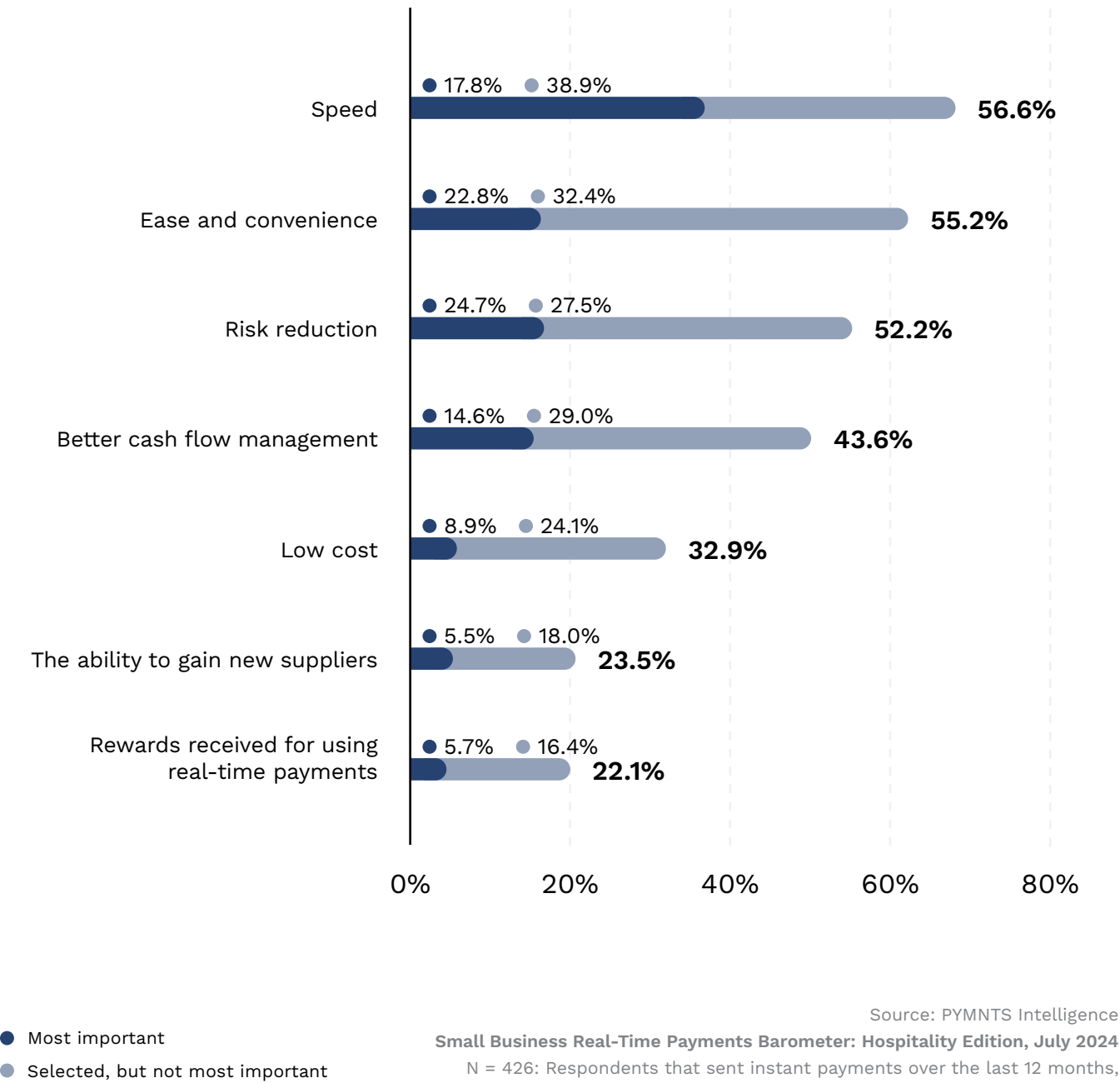
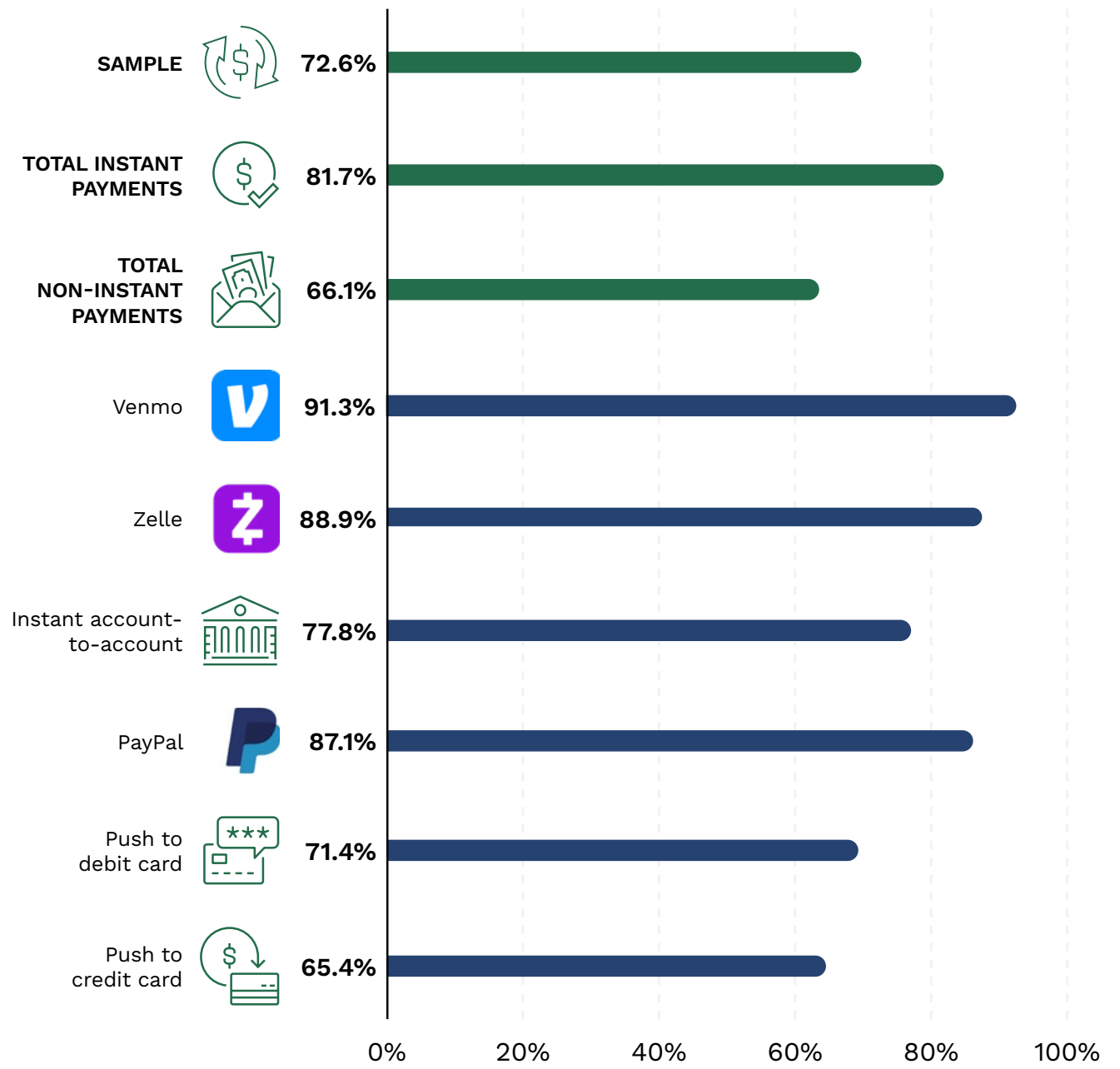


FIGURE 7:

Balance sheet health

Share of hospitality SMBs reporting they have a very or extremely healthy balance sheet, by most used option to send payments



About 8 in 10 hospitality SMBs that use instant payments expect to increase utilization over the next year.

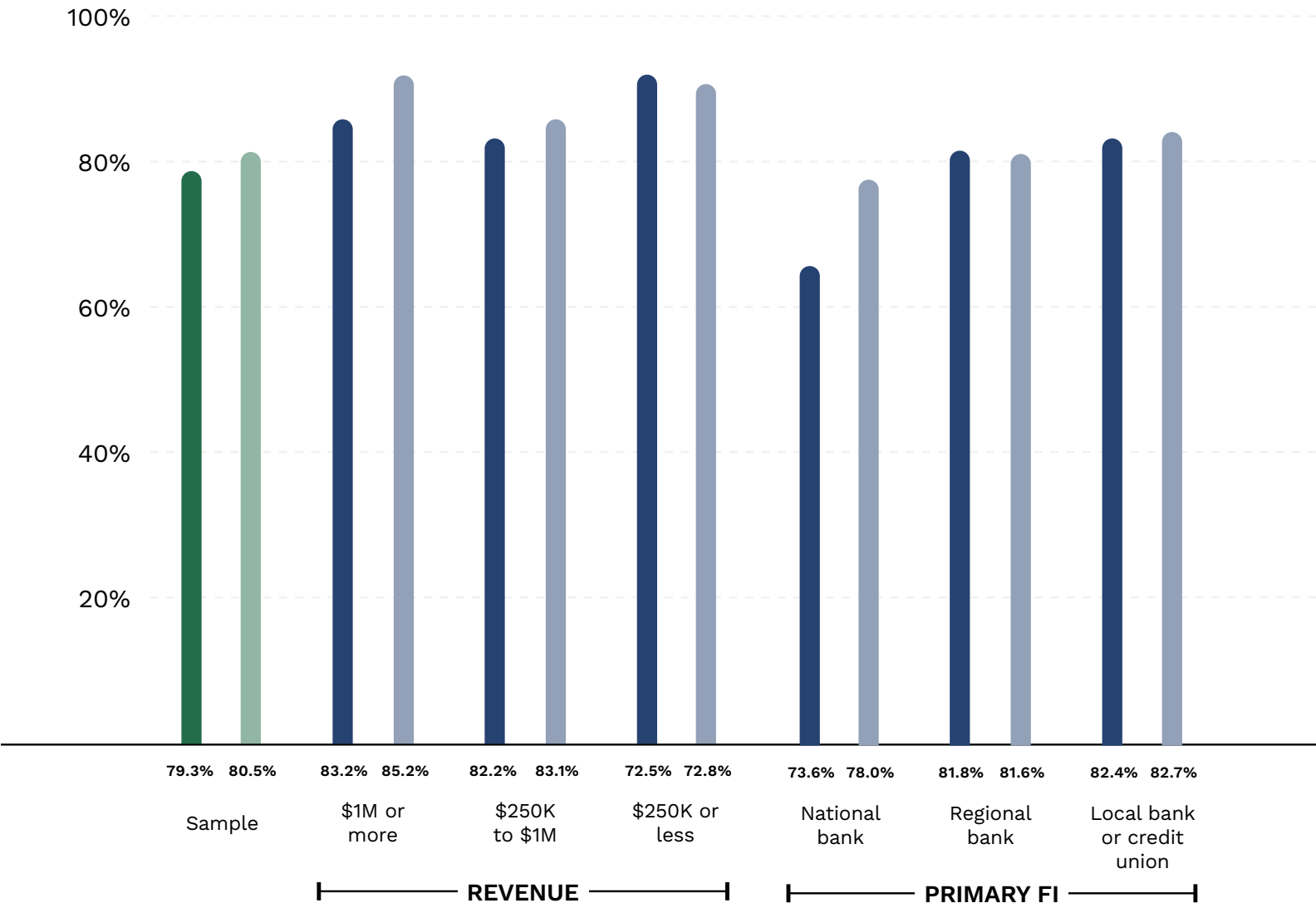
The substantial benefits instant payments offer will drive increased use and adoption in the next year. Among hospitality SMBs that sent instant payments in the last 12 months, 79% expect to increase utilization in the next year, while 81% of those that received instant payments say the same. This varies relatively little across revenue brackets and primary FIs, reflecting broad enthusiasm for instant payments going forward. Furthermore, 27% of hospitality SMBs that do not currently send instant payments expect to start sending a significant number in the next year, with especially high interest among those that primarily bank with national FIs, at 47%.

FIGURE 8A:

Outlook for instant payment utilization

Share of hospitality SMBs currently using instant payments that expect to increase utilization in the next year, by revenue and primary FI

- Senders
- Receivers



Source: PYMNTS Intelligence

Small Business Real-Time Payments Barometer: Hospitality Edition, July 2024

N = 426: Respondents that sent instant payments over the last 12 months;

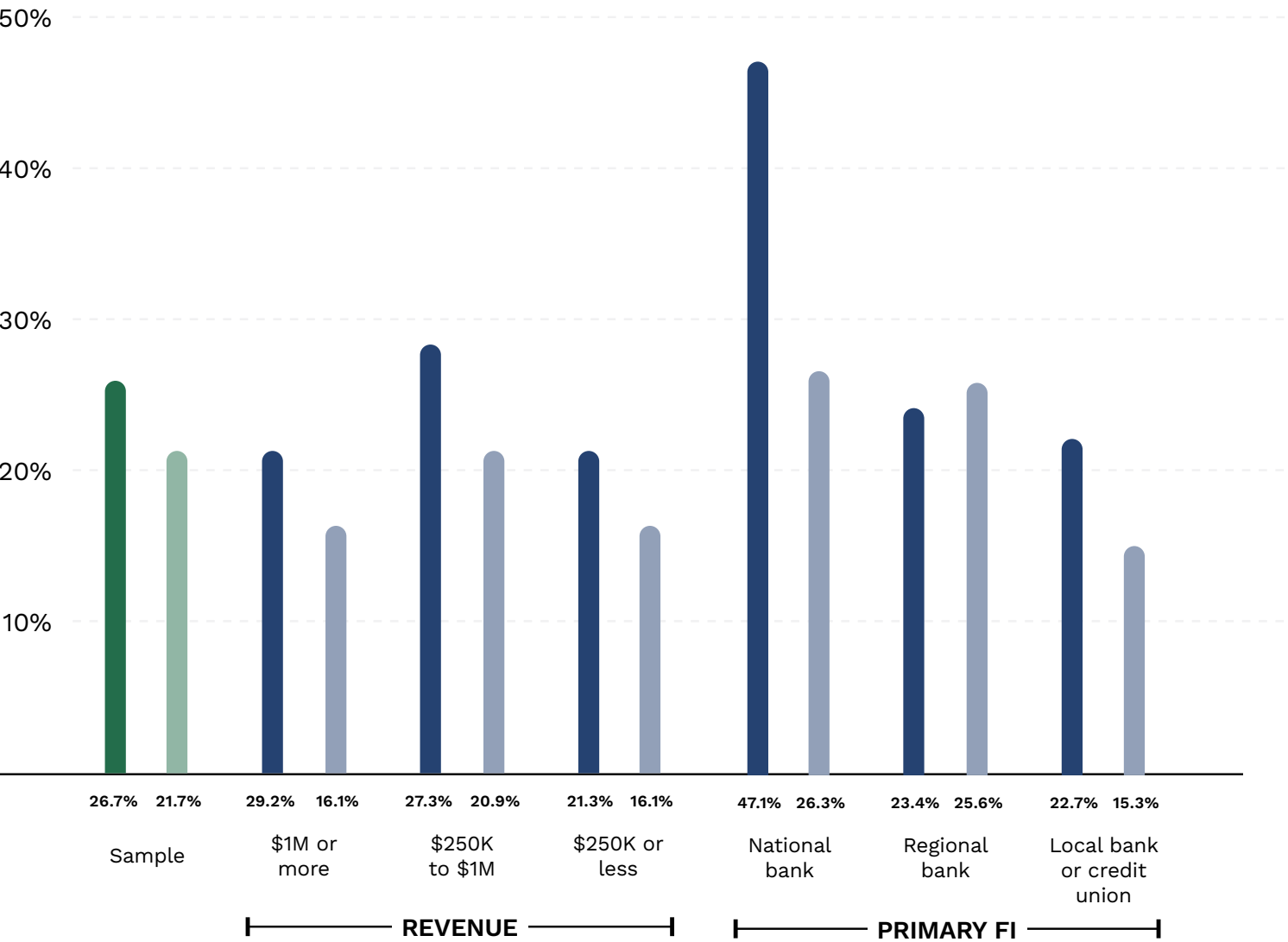
N= 403: Respondents that received instant payments over the last 12 months, fielded Jan. 31, 2024 — April 1, 2024

FIGURE 8B:

Outlook for instant payment utilization

Share of hospitality SMBs not currently sending or receiving instant payments that expect to begin sending or receiving a significant number of instant payments in the next year, by revenue and primary FI

Senders
Receivers



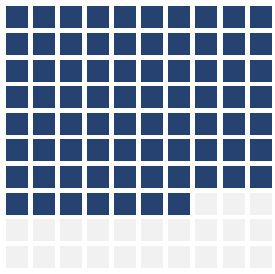
Source: PYMNTS Intelligence

Small Business Real-Time Payments Barometer: Hospitality Edition, July 2024

N = 426: Respondents that sent instant payments over the last 12 months;

N= 403: Respondents that received instant payments over the last 12 months, fielded Jan. 31, 2024 — April 1, 2024

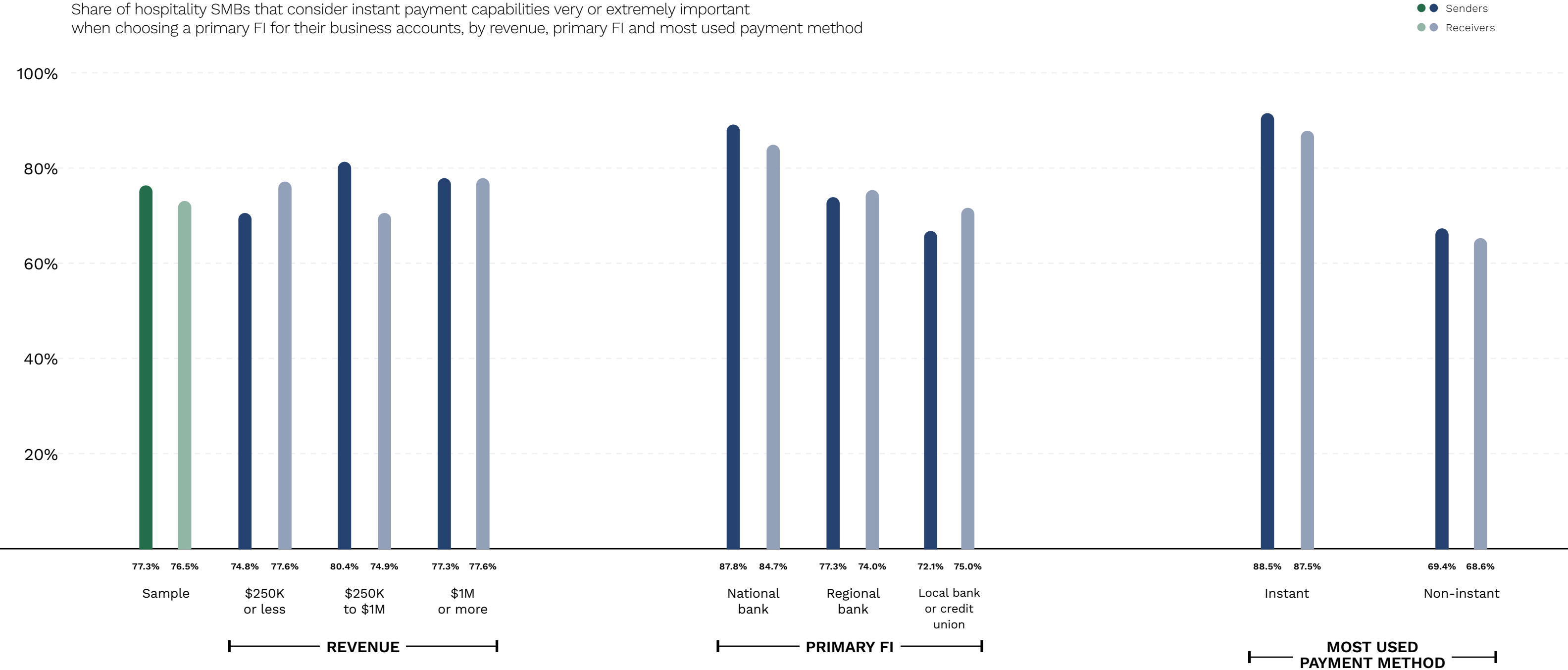
77%



Share of hospitality SMBs that say instant payments capabilities are very or extremely important in their choice of primary FI

The ramp-up in instant payment usage among SMBs means that instant payments have become a critical factor in how businesses choose FIs. Overall, 77% of hospitality SMBs say that instant payments capabilities are very or extremely important in their choice of primary FIs. The data shows only modest variation across income brackets, though the SMBs that mainly use national banks show especially strong enthusiasm for sending (88%) and receiving payments (85%). Even among the hospitality SMBs that do not currently use instant payments, 69% say that instant payment capability plays a highly important role in their future choice of FIs, underscoring the industrywide shift toward greater instant payments utilization.

FIGURE 9:
The importance of instant payments capabilities
Share of hospitality SMBs that consider instant payment capabilities very or extremely important when choosing a primary FI for their business accounts, by revenue, primary FI and most used payment method



Source: PYMNTS Intelligence
Small Business Real-Time Payments Barometer: Hospitality Edition, July 2024
N = 693: Whole sample, fielded Jan. 31, 2024 — April 1, 2024

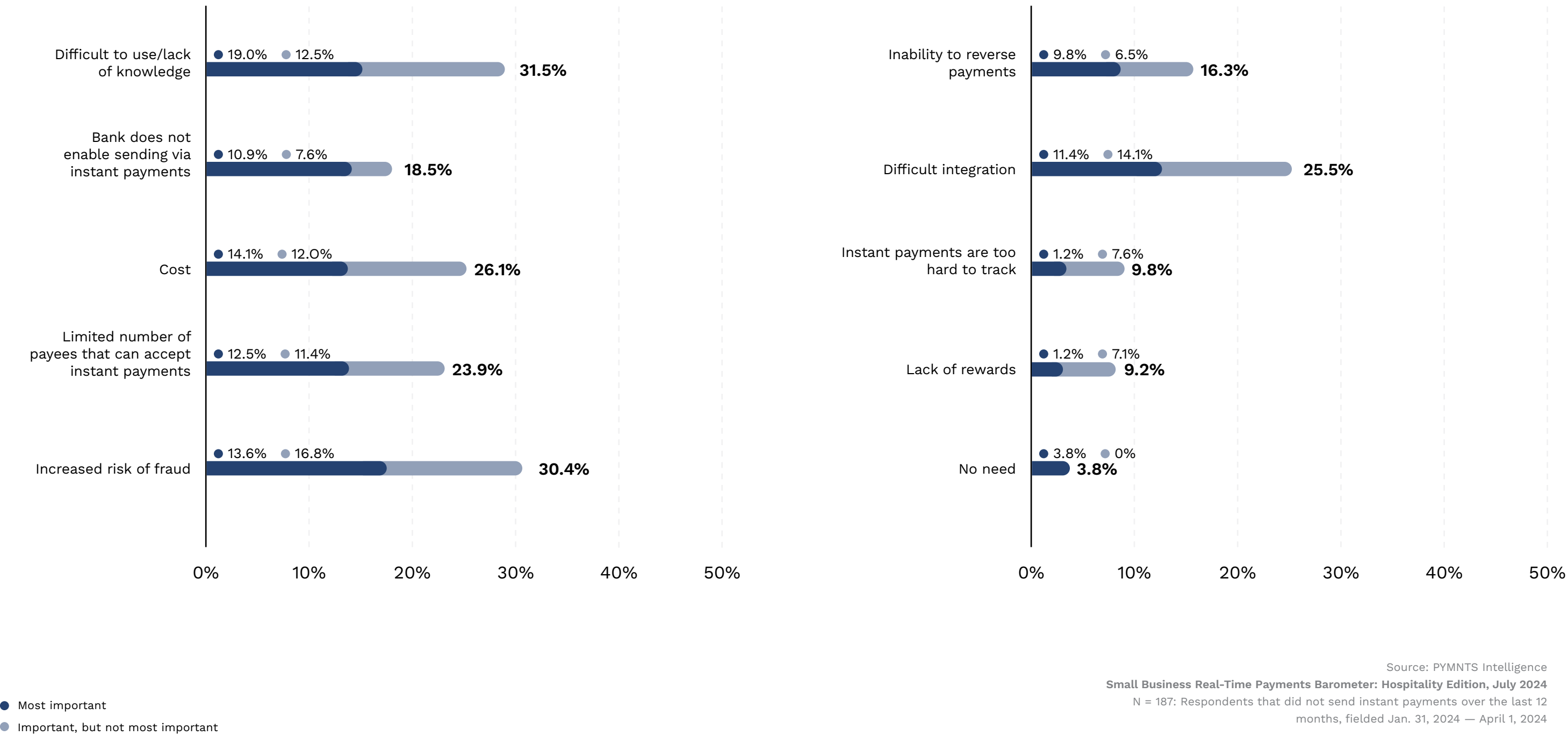
DATA FOCUS

Hospitality SMBs that do not currently use instant payments identify several key issues that deter them from doing so.

The most common reason for avoiding instant payments is perceived difficulty of use or lack of knowledge.

Among the 17% of hospitality SMBs that did not send instant payments in the last 12 months, a range of issues contribute to their decision to avoid doing so. Perceived difficulty of use and lack of knowledge is the most cited reason, with 19% naming it as their greatest barrier. Increased risk of fraud and cost follow, both at 14%. These and other frequently named issues largely reflect inaccurate perceptions of instant payments. To give just two examples, businesses that use instant payments overwhelmingly find them to be simple and convenient, and instant payments have high levels of security, especially compared to traditional methods such as checks and ACH. Providers should seek to dispel these and other misperceptions about instant payments to bring more non-users on board.

FIGURE 10:
Reasons for not sending instant payments
Share of hospitality SMBs citing select reasons for not sending instant payments in the last 12 months, by level of importance



ACTIONABLE INSIGHTS



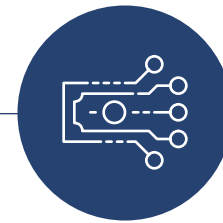
01

More than 8 in 10 hospitality SMBs use instant payments today, although less than half cite an instant payment option as their preferred way to pay. However, traditional payment methods, such as ACH and even cash, remain widely used among the hospitality businesses surveyed. This indicates substantial potential for instant payment providers to expand their market shares.



02

Hospitality SMBs with higher revenues are more likely to choose instant payments as their main method of payment, as are those that use a local or national FI as their primary bank. Conversely, instant payments are substantially less popular among SMBs that mainly use a regional bank, revealing a sub-segment that providers appear to be underserving.



03

Many hospitality SMBs that send instant payments point to risk reduction, convenience and improved cash flow management as their reasons for using instant payments. These and other benefits lead to healthier balance sheets for businesses that prefer an instant payment method as their primary form of payment.



04

Hospitality SMBs that already use instant payments expect to ramp up their utilization in the next year, and sizeable shares of those that do not currently use instant payments expect to begin doing so. Moreover, most SMBs surveyed view instant payment capabilities as a key deciding factor in their choice of FI. Banks, FinTechs and other FIs must ensure that they offer instant payment solutions to retain their SMB customer base.

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METHODOLOGY

The Small Business Real-Time Payments Barometer: Hospitality Edition, a PYMNTS Intelligence and The Clearing House collaboration, is based on a survey of 693 SMBs in the hospitality sector generating \$10 million or less in annual revenue conducted from Jan. 31 to April 1. The report examines the use of instant payments among hotels and other hospitality SMBs and the factors surrounding their preferences and use.

THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS REPORT

Scott Murray
SVP and Head of Analytics

Lauren Chojnacki, PhD
Senior Analyst

Daniel Gallucci
Senior Writer

ABOUT

PYMNTS INTELLIGENCE

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The Clearing House operates U.S.-based payments networks that clear and settle funds through ACH, check image, the RTP® network and wire transfers. The RTP network supports the immediate clearing and settlement of payments along with the ability to exchange related payment information across the same secure channel.

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