

# SMB PULSE

## Digital Transformation and Payment Outlook

Small businesses are seeking opportunities for growth and are **looking towards digital engagement and tools as potential sources of that growth.**

Convenience of both making and receiving digital payments is a driver to explore digital, but security concerns can be barriers to deciding to move forward. **Banks and issuers have an opportunity to provide guidance and expertise** to help drive digital engagement with their small business clients.

### Methodology

500 U.S. SMB payment decision makers completed a 15-minute survey in June 2021. SMBs are defined as having 1-100 employees and \$50K-\$25M in annual revenue. The trended findings section highlights key findings from consistent metrics of interest that were surveyed in January 2021 and again in June 2021. Credit questions were asked to SMBs who use credit for business expenses.

## DIGITAL PAYMENT METHOD ENGAGEMENT

### SMBs' desire for growth fuels digital transformation.

SMBs indicate their top areas of focus regarding digital transformation include:

#### Revenue growth

45%

#### Customer experience

34%

#### Cost reduction

34%

#### Sales & marketing

34%

#### Employee productivity

28%

SMBs feel **digital tools** can help address:

- Managing finances digitally **37%**
- Selling products/services online **30%**
- Receiving contactless payments **25%**
- Making contactless payments **21%**

**88%** of SMBs use digital methods to **make** payments

**75%** of SMBs use digital methods to **receive** payments

### Digital payment use broadened during the pandemic.

Among SMBs that use digital methods to make payments, **over half have added at least one new digital method** in the past 12 months.

Paying online by entering a card number is **the most widely used and established method...**

**as well as one of the stickiest.**

**33%**

Don't use but are receptive

**51%**

Pay online by entering a card number

Among users,

**19%**

adopted in P12M

**76%**

plan to continue in N12M

### OPPORTUNITY

- **37%** are paying online **with a stored card**—indicating an opportunity for messaging to encourage usage.
- There is opportunity to convert bank transfer payments to card as **42%** are paying online with a bank transfer.

**Tap to Pay** for making in-person payments is still relatively new. Its popularity is **growing** as 40% of users are recent adopters.

- **30%** of SMBs make payments by tapping.
- **52%** don't use but are receptive.
- There's a need to keep encouraging adoption and sustained usage as only **59%** of users plan to continue in N12M.

Tap to Pay usage is also growing for receiving payments.

- **23%** of SMBs use the method.
- **56%** of those users adopted in P12M.
- Tap to Pay for receiving payments is even stickier than making payments, with **78%** planning to continue.

BENEFITS, BARRIERS, BRIDGES

SMBs that are using digital payments say **convenience and speed are key.**

# BENEFITS

- Top benefits of **making payments online** include convenience (70%), speed (60%), and ease of keeping records (44%), followed by security (40%).
- For **receiving payments digitally**, top reasons for adoption or openness to adoption include customer convenience (63%) and speed (56%), followed by security (48%).

# BARRIERS

While convenience and speed drive adoption of digital payment methods, **concerns about security are a barrier** to using digital payments.

- Concern with fraud or payment security (39%) is the top barrier to making payments online.
- **41%** cite security/fraud concerns as a drawback to receiving payments digitally. Specifically, **27%** cite business-related security concerns and **25%** cite customer-related security concerns.

# BRIDGES

Most SMBs (80%) have **sought out their bank as a resource** in making digital payments and found the experience helpful.

Yet there is opportunity to engage the **1 in 5** who have not sought out their bank. This pattern is also true of credit card providers.

- Additional security features (e.g., alerts, controls), lower fees, and help setting up digital payments are top desired resources from these institutions.



Note: SMBs were asked about digital methods for making and receiving payments. These digital methods include Tap to Pay, QR code, peer-to-peer services, online via card, online via bank transfer, and online via digital wallet.

## BENEFITS, BARRIERS, BRIDGES DEEP DIVE

### Larger v Smaller SMBs

(\$500K-\$25M v \$50K-<\$500K in 2020 revenue)

Larger SMBs are more likely to see themselves as tech savvy and believe digital tools increase profitability. They are more likely to say they use digital tools more than competitors and can implement them seamlessly. Smaller SMBs, on the other hand, don't believe digital tools are as essential to their business.

Though Larger SMBs have sought out their banks and credit card providers for support in making digital payments, they still desire further resources from these institutions, including additional security features (e.g., alerts, controls) and help setting up digital payments.

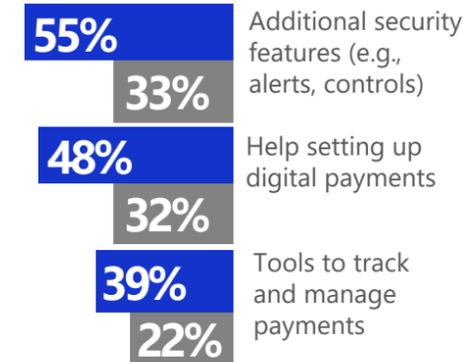
### Minority-Owned SMBs

Minority-Owned SMBs are engaged with digital payments more so than other SMBs, but their perception is not aligned. They see themselves using digital tools less than competitors, which creates an opportunity to increase their confidence in using digital tools.

They are more likely than their counterparts to experience certain drawbacks to making payments online including difficulty tracking payments (**24% v 10%**) and finding it harder to manage cash flow (**21% v 9%**).

While Minority-Owned SMBs are more likely to have sought out both their banks and credit card providers for support in making digital payments, compared to other SMBs they show more desire for additional resources.

#### DESIRED RESOURCES FROM BANK

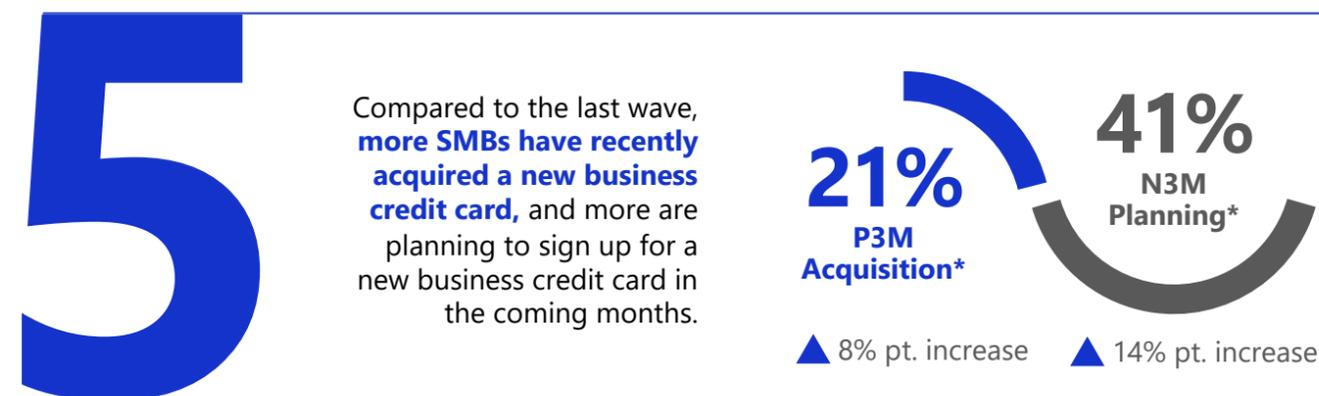
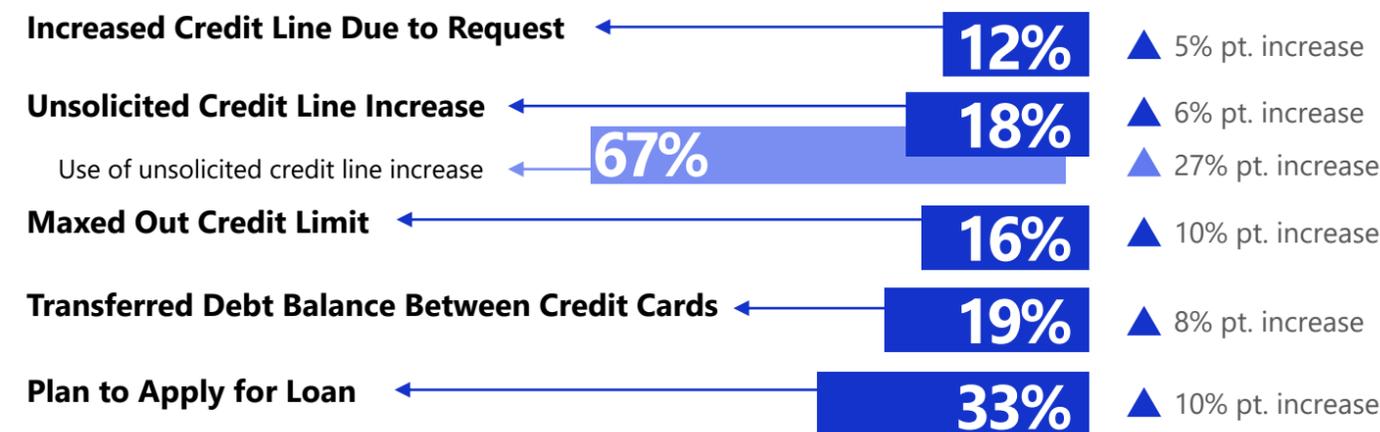
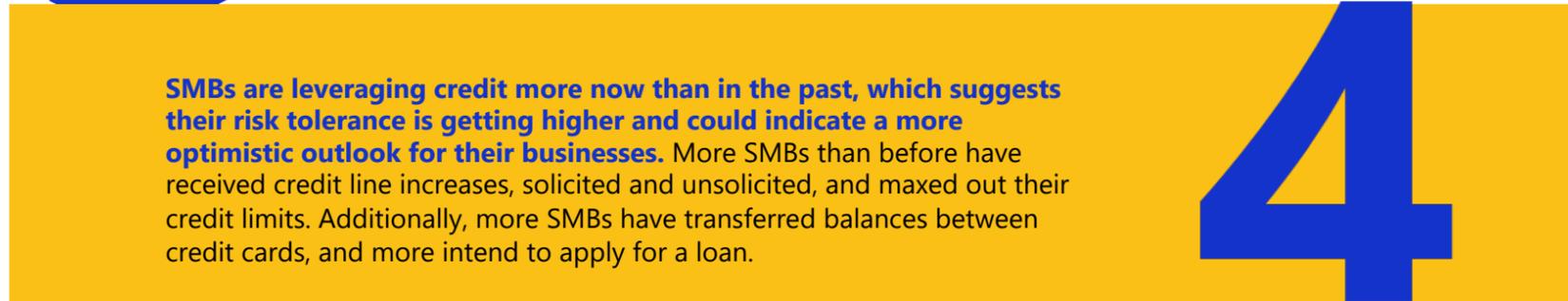
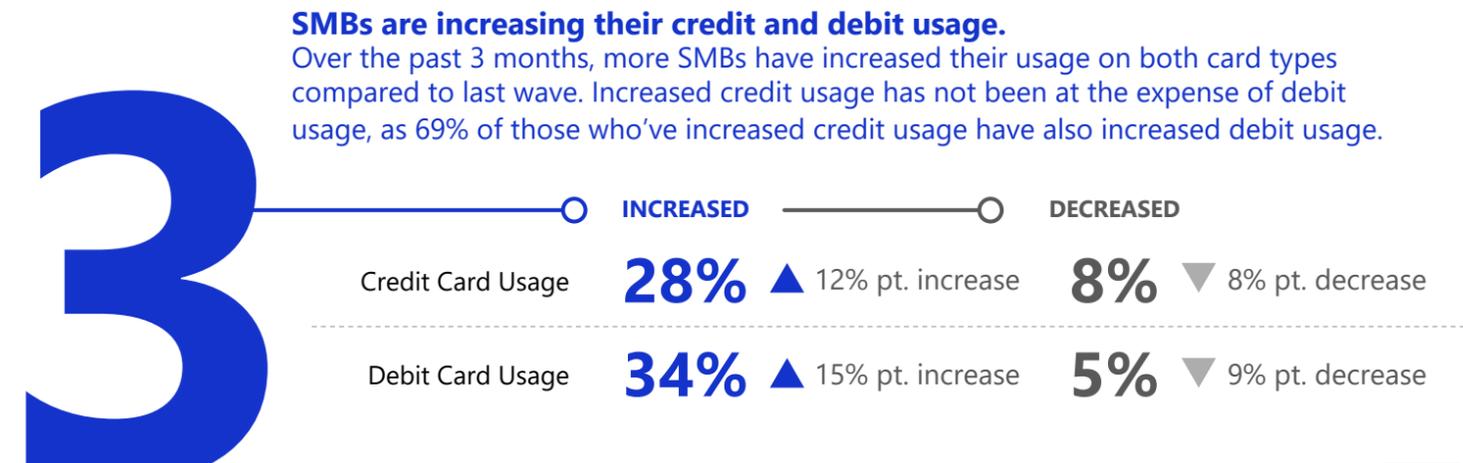
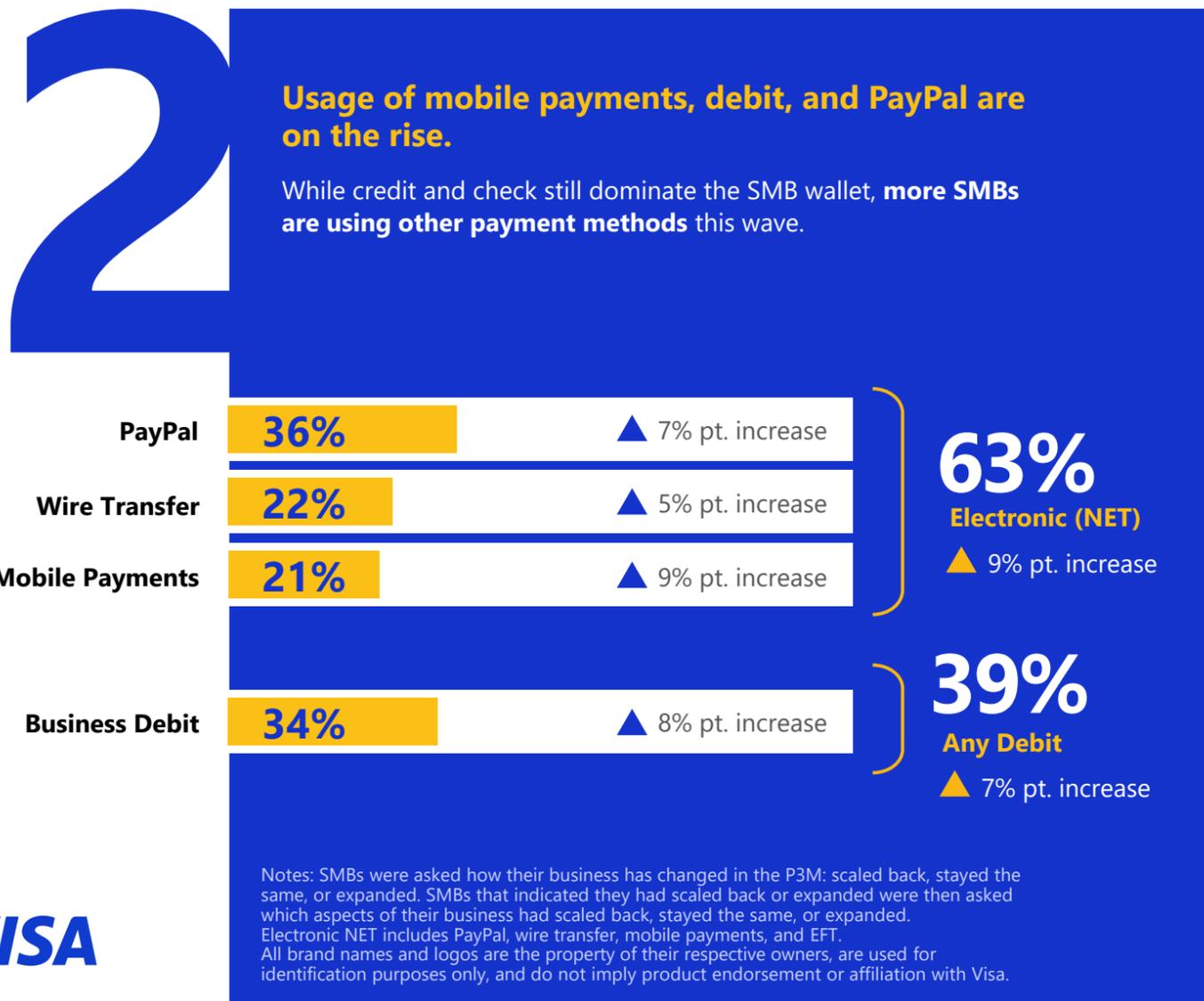
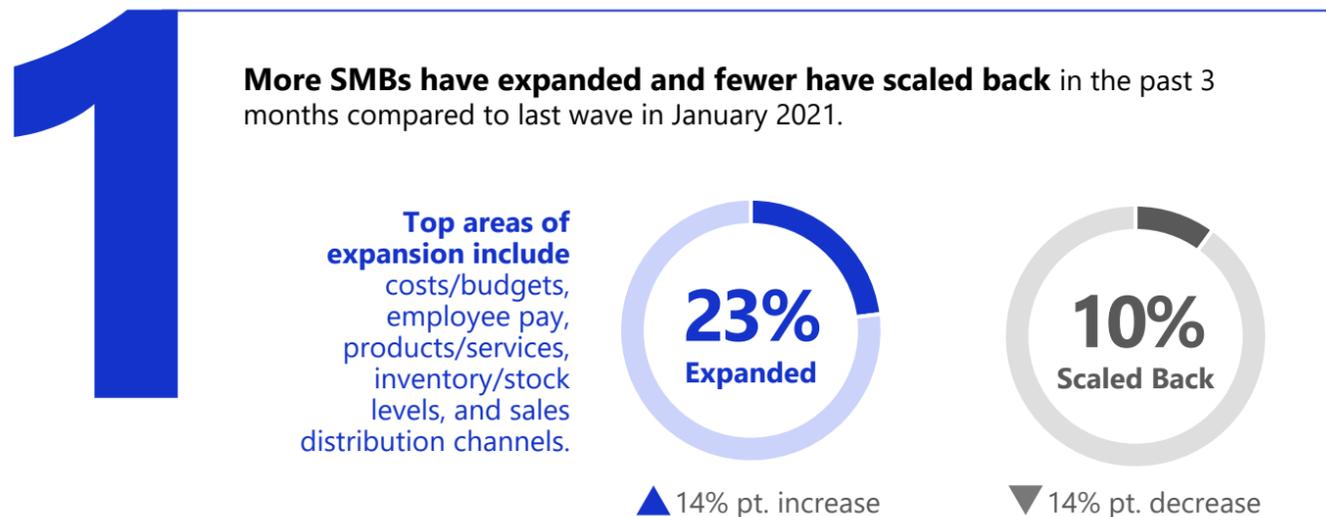


#### DESIRED RESOURCES FROM CREDIT CARD PROVIDER



● Minority-Owned ● All Others

TRENDED FINDINGS



\*P3M indicates past 3 months. N3M indicates next 3 months.