

Ingo Payments eBook

Understanding Digital Disbursements in 2024



The Future of Disbursements: Fast, Digital, Convenient

The world of business-to-consumer (B2C) disbursements is changing. And it's changing fast. The latest trend transforming the way people get paid is digital payments. With global digital payments revenue projected to reach \$14.79 trillion by 2027, it will pay to be ahead of the trends. In fact, nearly two-thirds of adults worldwide are using digital payments. That number jumps to an impressive 89% in the United States.

Consumers aren't the only ones trending digital, either. More and more treasury departments are embracing social tokens, real-time payments, virtual cards, and other digital innovations. These payment methods have some significant advantages over traditional payment methods. Namely, they are fast, secure, convenient, and more cost-effective than traditional payment methods.

The world isn't getting less competitive. Companies need to pay attention to any opportunity to streamline their operations. Digital disbursements already play a pivotal and strategic role in various industries like insurance, lending, and e-commerce.

Modern consumers also want frictionless experiences. All the better if those experiences come with a smaller price tag. If your company is still only using traditional disbursement methods like physical checks, wire transfers, or automated clearing houses (ACH), then you could be missing a big opportunity.



The Old Ways: The Limitations of Traditional Payment Methods



While the world is trending digital, old payment methods are still successfully serving many companies across varied industries. Customers sometimes even prefer some of these methods over newer ones. Physical checks, wire transfers and ACH payments aren't going anywhere for the foreseeable future. They do come with some downsides and limitations, though.

The first being cost. Some of these methods simply are not suitable for high-velocity, low-volume payouts. For instance, paying \$50 for a low-volume wire transfer does not make much sense. Solutions like ACH payment cannot always be used internationally. This is another huge limitation for companies that have global customers. These are just a couple of ways traditional payments can create a poor customer experience and be cost-prohibitive. There are also significant parts of the economy that rely on regular, high-velocity, low-volume payments that require a payout mechanism that is more flexible than traditional methods.

The New Way: Instant Digital Disbursements

Consumers expect the world to move at digital speeds. That means fast if not instant. And they are willing to pay for it. 33% of consumers have said they would pay additional fees for instant payouts. Perhaps even more interesting, 38% of consumers want the ease of digital so much they would be willing to trade personal information for it. Getting consumers their money faster also encourages more brand loyalty. 67% of consumers said they would be encouraged to keep doing business with companies that offered instant payments.

Consumers aren't the only winners. Faster payouts mean increased operating efficiency. Issuing checks and managing disbursements takes time. And, as the old adage goes, time is money. In fact, Bank of America estimates that the cost of writing a paper check varies between \$4 to \$20. That might not sound like a lot until you start scaling the number. Even ACH and wire transfers take time and resources to complete.



There are a few different types of instant digital disbursement methods being utilized today. Each has its own advantages and use cases.

PUSH-TO-CARD

This type of payment transfers funds directly to a recipient's debit or prepaid credit card, in contrast to pull payments, where the recipient or merchant initiates the payment process. There are several advantages to push to card disbursements.

They are typically fast and often completed in minutes or hours. Because there is no need to provide bank account details or go through a lengthy setup process, they are also convenient for the recipient. Push to card leverages existing security infrastructures, so it is also an incredibly safe and secure process. Because of this, there are several use cases for push-to-card disbursements.

Refunds are a popular way to utilize push-to-card. If a customer returns a product, the business can push the refund amount directly and instantly to the customer's card. With the rise of the gig economy, companies are using freelancers and contractors at increasing rates. Push to card can make it easier for companies to send payments to their gig workers and service providers. It also makes it easier for financial institutions to disburse loan amounts directly to a borrower's card.

REAL-TIME PAYMENTS

Real-time payments (RTP) is a payment processing network used to send money electronically between banks in the United States. The network was launched in 2017 and is managed by The Clearing House, a membership organization owned by all the major US banks.

Payments using RTP occur instantly, 24 hours a day, 7 days a week, which is a big advantage. They also allow more data to be attached to each payment. This can be useful for gaining visibility into invoices, dates, purchase orders, and other data that can help companies respond to customer needs. RTP also helps mitigate the risk of failed payments. With RTP, payments are irrevocable, and payment instructions are not sent unless there are sufficient funds.

FEDNOW

FedNow is an instant payment service similar to RTP developed by the US Federal Reserve. It allows businesses and individuals to send and receive payments instantly and in real time. Launched on July 20, 2023, it is still relatively new but does have some baseline features.

In its first release, FedNow allows customers to instantly transfer funds between accounts at different financial institutions. Businesses will also be able to consolidate funds into a single account for payroll or other purposes and consumers can reload prepaid cards or fund mobile wallets. It also has a bill pay functionality that enables customers to immediately send and receive bill payments that include remittance details. Businesses and individuals can also use it for loan payments, utility bills, and invoices for services.

Choosing the Right Platform

Selecting the right digital disbursement platform provider is crucial to ensure seamless, efficient, and secure financial transactions. There are four criteria companies should evaluate when choosing the right provider.

NETWORK REACH

Companies must identify payment providers that give them the furthest reach possible into the billions of available consumer accounts across credit and debit cards, online wallets and bank accounts. Payment providers frame their network reach in terms of gateways or endpoints. Look for those that span networks in order to provide the payment choices customers have come to expect.

COMPLIANCE

Even simple errors in how a company sets up its accounts or whether they hold money on its books can run afoul of things like money transmission or information security regulations and standards. Look for a provider that can help assess current compliance flows, create custom options based on a specific industry, and be available for ongoing support needs if they arise.

PARTNER SUPPORT

Companies need a partner that will immediately troubleshoot in real time to obtain proof of payment, identify why it was unsuccessful (if it did not post), and then resolve the problem to the satisfaction of both the client and the end customer. Look for providers that offer multi-channel support options and that are available and responsive.

RISK

The key to choosing a payments partner is to identify a platform with a long track record of trust, scale, and success with significant enterprises and banks. Many providers are developer-first or developer-only shops that can make the tech or connectivity look easy but are often unprepared to help control the risk of moving billions of dollars.

Digital disbursements and instant digital disbursements in demand are here to stay. And for good reason. They are fast, convenient, and secure. Even better, they create a better customer experience and improve operating efficiencies. But before you dive into digital payments, you need to find the right payments partner.

Ingo Money powers embedded digital payments at scale. Established in 2001, we provide instant payments, payouts, account funding solutions for companies of all sizes, with risk management expertise and network reach to over 4.5 billion consumer accounts.



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