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INGO Payments

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Gigs and Games: How Instant Payments Are Gaining Ground for Ad Hoc Transactions

Money Mobility Tracker® Series

With the gig economy and gaming industries in full boom, ad hoc transactions — payments outside of regular invoicing and payroll — are having more than a moment. Instant payments are becoming companies’ go-to method for conducting these transactions. Could this signal the tipping point for instant payments’ greater corporate adoption?

■ Read the previous edition



DECEMBER 2024
Money Mobility
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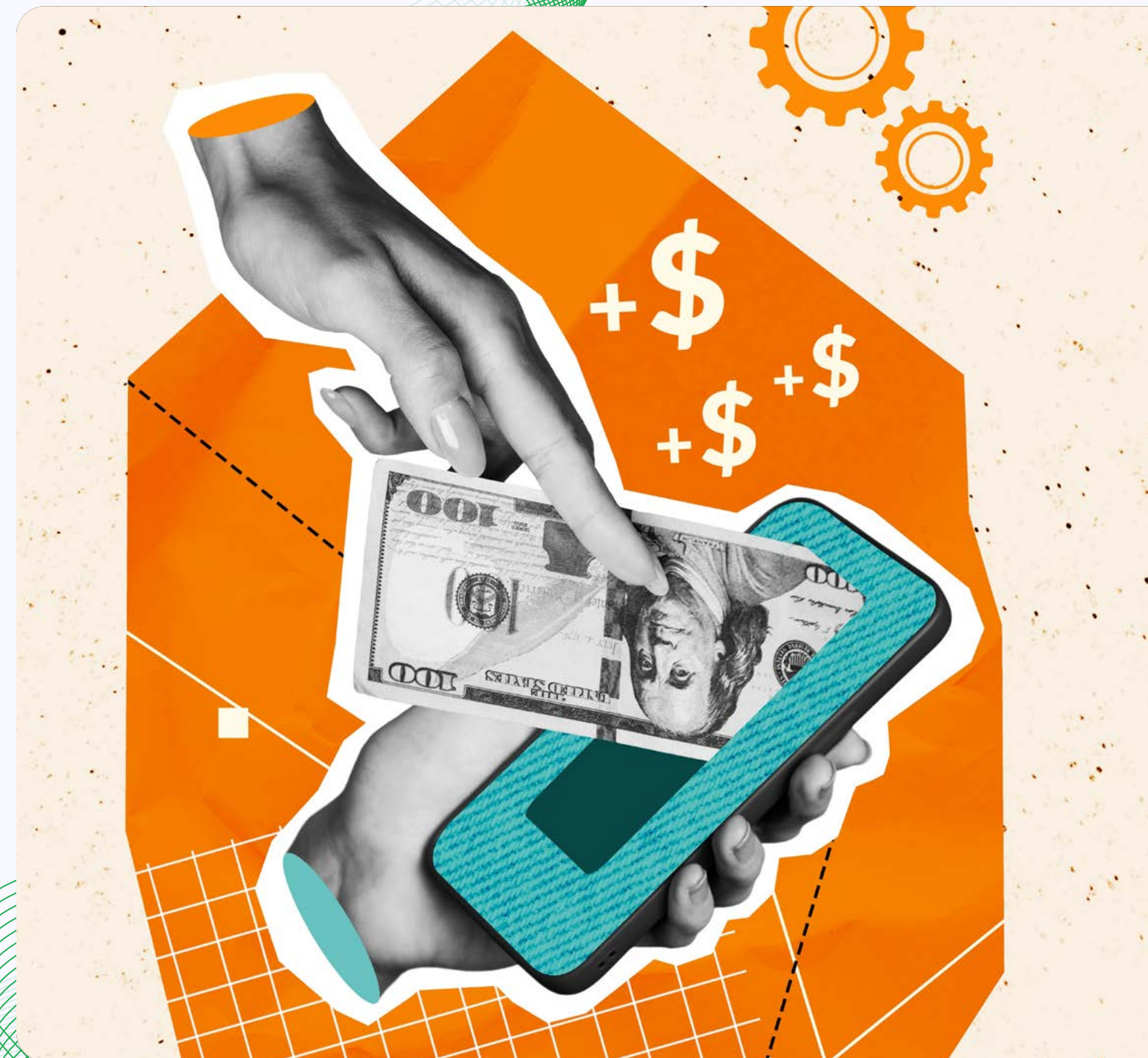
Acknowledgment

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Introduction

While invoicing and payroll comprise the bulk of businesses' annual transactions, firms also make thousands of payments each year that fall into neither category. These [“ad hoc” payments](#) are far from negligible, with enterprises regularly making ad hoc payments to consumers as well as small to mid-sized businesses (SMBs) in industries such as transportation, hospitality, property management, gaming and the gig economy. Indeed, ad hoc payments make up a growing share of companies' accounts payable (AP) in dollar volume, rising from just 29% to 36% between January and July of 2024. The primary drivers of this growth are the gaming industry, which renders payouts to vast numbers of nonrecurring payees, and the rising prevalence across industries of gig workers and contractors, who do not receive standard payroll.

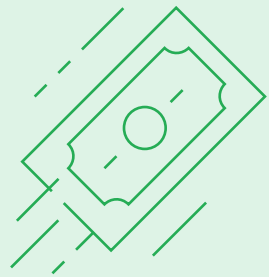
As ad hoc transactions gain steam, companies are turning increasingly to instant payments to make them. This is no surprise. Implementing instant rails for isolated payments streamlines getting payees their funds in real time and with lower risk of fraud in industries where security and loyalty equal dollars earned. Businesses also benefit from real-time rails' simplified AP procedures and improved cost savings. This confluence of factors could mark a significant turning point in the evolution of instant payments adoption. However, some barriers will need to be tackled before these benefits can be fully realized.



Instant Ad Hoc Transactions

Businesses Accelerate Ad Hoc Payments

Led by the largest enterprises, instant payments are quickly becoming the default method for distributing ad hoc payments.



45%

of ad hoc payments are most often sent via [instant rails](#).



Instant Ad Hoc Transactions

Businesses distribute nearly half of all ad hoc payments through instant channels.

The growing demand for ad hoc work across various industries is coinciding with a rise in instant payments as the most common way ad hoc transactions are made. PYMNTS Intelligence research found that 45% of all ad hoc payments made in July 2024 were most often sent using [instant methods](#), up from just 36% in January. In fact, only 16% of senders reported not using instant methods at least once for such transactions in the past year. The gig economy and the gaming industries emerged as the most enthusiastic adopters, with instant usage for gig payments more than doubling from September 2023 to 64% in July of this year. Use of instant for ad hoc gambling payments rose from 26% to 49% during the same time frame.

Large enterprises lead in the trend toward sending ad hoc payments via instant methods.

Larger companies were more likely than smaller ones to send instant ad hoc payments. Businesses with more than \$1 billion in annual revenue used instant rails for half of their [ad hoc payments](#). Meanwhile, those generating revenues between \$50 million and \$100 million turned to instant rails for ad hoc AP 34% of the time. Indeed, almost all enterprise senders, especially larger firms, believe instant methods will be the standard way to send ad hoc payments in the future. This likely indicates a shift toward business models that do not rely on onboarding recurring payees. However, barriers to instant payments' implementation will need to be addressed before this can become a reality.

Real-Time Implementation Challenges

Obstacles Limit Broader Adoption of Real-Time Ad Hoc Payments

Businesses face myriad challenges in implementing instant ad hoc payments. Chief among these is the cost of integrating real-time systems — on both the sending and the receiving ends.



of enterprises say the cost of integrating instant payments into AP systems is their top deterrent to sending real-time ad hoc payments.

Real-Time Implementation Challenges



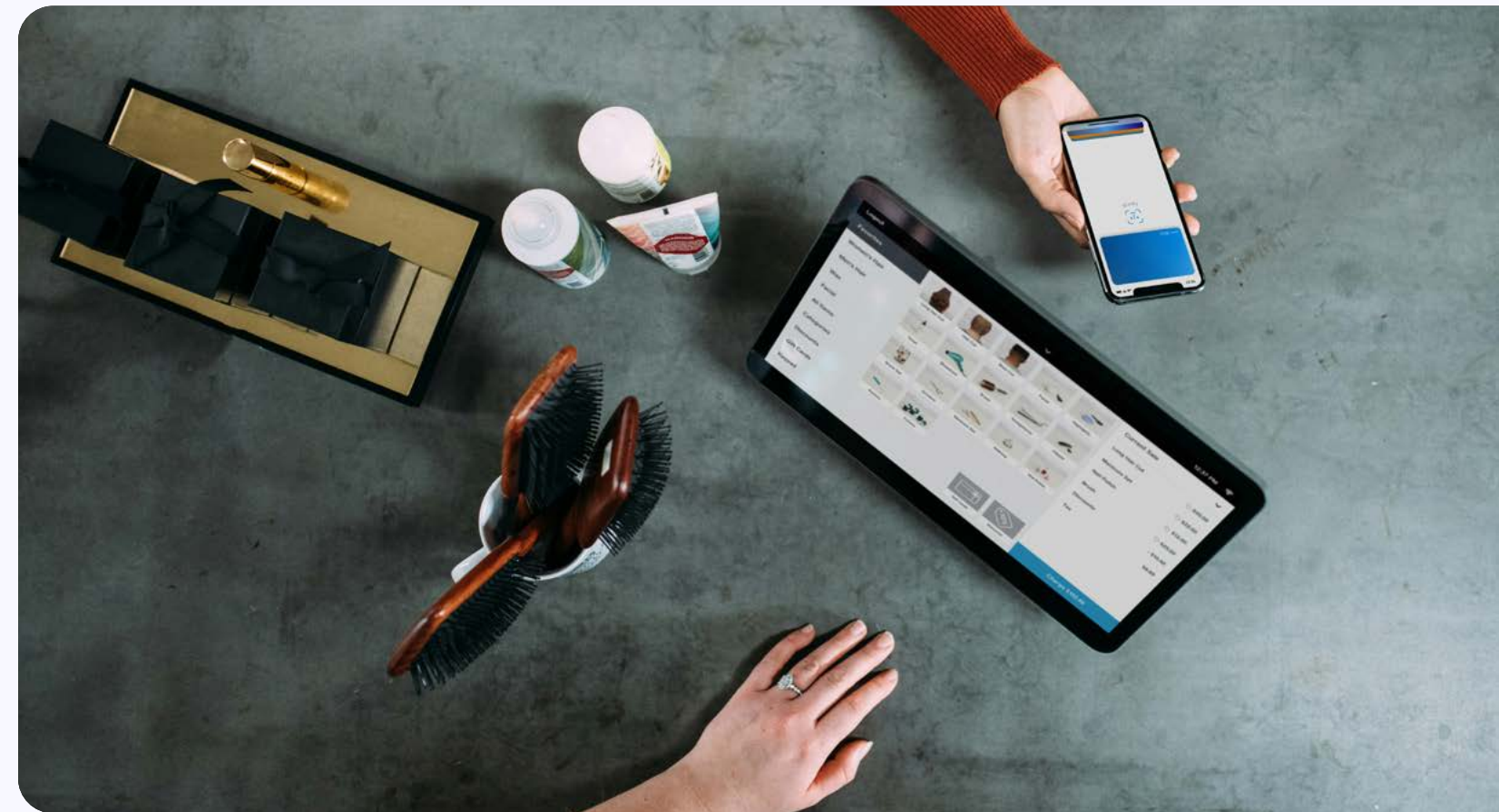
Instant payments' integration costs are the biggest pain point for senders of ad hoc payments.

Enterprises' increasing use of instant methods to send ad hoc payments begs the question as to why some are not doing so. According to PYMNTS Intelligence research, 35% of senders cite the [cost of integrating](#) instant payments into AP systems as their top reason for not offering them, making it the biggest barrier to adoption. One in five senders named instant payments' integration cost as a concern in the last year, up 11% compared to September 2023. These integration costs are independent of company size, making third-party collaboration a vital option for all enterprise senders when seeking to implement instant ad hoc payment solutions.

Real-Time Implementation Challenges

The smallest SMBs, meanwhile, face cost hurdles in receiving instant payments.

As ad hoc payments have played a bigger role in enterprise firms' AP, they have become an even larger piece of SMBs' accounts receivable (AR). In fact, the share of ad hoc transactions in SMBs' total AR dollar volume rose from 65% in September 2023 to 72% in January of this year. Instant payments can be a boon to SMBs for these ad hoc receipts, as they provide speedy access to funds. However, the relatively high cost of receiving instant ad hoc payments is an impediment to the smallest SMBs — the very businesses that stand to gain the most from them.



PYMNTS Intelligence found that while the share of ad hoc payments received via instant methods rose for SMBs on the whole during that time frame, the smallest businesses — those generating less than \$100,000 in annual revenues — saw a drop in instant ad hoc receipts. This was most likely due to prohibitive costs, as the smallest SMBs paid disproportionately more to receive instant payments than their larger counterparts. The smallest firms paid an average of \$11.70 to receive an ad hoc payment via instant rails, compared to \$7.90 for other, slower payment methods. By contrast, this differential was less than a dollar for all SMBs, with average fees of \$9.90 and \$9.40 for instant versus other methods, respectively. One reason for this higher cost is that smaller SMBs tend to rely mostly on manual means for processing ad hoc payments.

Real-Time Implementation Challenges

Two-thirds of SMBs fall within industries with less instant momentum.

In addition, while instant usage among ad hoc SMB receivers continues to grow overall, much of this growth is concentrated in digitally forward industries, such as [gaming and the gig economy](#). The costs of receiving and processing instant payments remain roadblocks not just for microbusinesses but also for the two-thirds of SMBs that work in industries with less digital momentum.

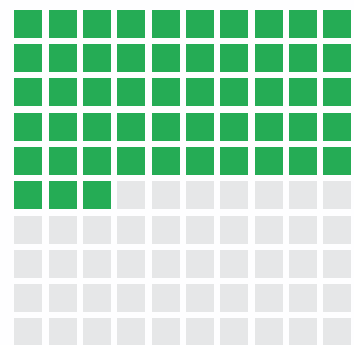
PYMNTS Intelligence research found that 45% of SMBs said the high costs of receiving real-time payments remain a challenge. Moreover, while 40% of SMBs in digitally forward industries now receive ad hoc payments most often through instant channels, this figure is only 27% for SMBs in industries with less digital momentum. Much of this may be due to payers not willing to shoulder the cost of processing these payments. Those senders that do, however, could secure the loyalty of SMBs looking for faster, cheaper ad hoc payments.



Payment Sender Benefits

Real-Time Benefits for Ad Hoc Payment Senders

Despite roadblocks, adopting instant rails for ad hoc payments promises many benefits for senders. Cost savings, improved vendor retention and superior customer loyalty are some of the biggest advantages.



53%

of businesses say instant payments deliver on both speed and certainty.



Payment Sender Benefits

Bankers see the potential for real-time payments to drive capital optimization and payment certainty.

One of the most important characteristics of corporate payments — including ad hoc transactions — is certainty, or the guarantee that the payment will arrive when expected. Instant payments, by their nature, offer enhanced certainty compared to traditional payment methods due to their immediate processing and settlement. Indeed, 53% of bankers surveyed in a recent study cited [increased payment certainty](#) as a key benefit of instant payments. While certainty often comes at the cost of speed, instant payments deliver on both fronts.

Beyond certainty and speed, instant payments offer additional benefits. Forty-seven percent of respondents said instant payments optimize capital management by enhancing cash flow, reducing reliance on credit and improving liquidity. Moreover, 42% of bankers noted that instant payments could support new collection methods, potentially displacing card payments — which are often used for ad hoc transactions. This shift eliminates the need for intermediaries, accelerates settlement times and reduces transaction fees.

Businesses say instant payments boost customer and vendor retention.

Instant ad hoc payments are increasingly seen as a powerful tool for boosting both customer and vendor or worker retention. According to a PYMNTS Intelligence study, 42% of payment senders identified [customer and vendor retention](#) as their top reason for offering instant options. Rapid payments foster trust and goodwill, strengthening business relationships. Vendors or contractors receiving timely payments are also more likely to offer favorable terms, thus reducing costs and boosting profit margins.

The study also found that 55% of payment senders are planning to increase their use of third-party solutions to enhance their instant payment capabilities and allow them to provide multiple instant payment options in the next three years. This trend is particularly strong in the gaming and gig economy industries, where 66% and 60% of senders, respectively, have such plans.

Call to Action

The Case for Implementing Real-Time Rails for Ad Hoc Payments

Adopting instant payment systems for ad hoc transactions helps businesses meet growing customer expectations and gain a competitive edge. Instant payments offer significant advantages, including improved cash flow management, reduced transaction costs for senders and enhanced customer satisfaction. By providing faster access to funds, businesses can help customers and vendors weather economic pressures, reinforcing their resilience. Furthermore, instant payments align with modern consumers' demand for immediate funds, making them particularly valuable for non-scheduled transactions like ad hoc payments.

“Instant payments are transforming the way businesses handle ad hoc transactions, delivering unmatched speed, certainty and financial efficiency. At Ingo Payments, we're enabling enterprises to meet these demands, drive loyalty and optimize cash flow.”

DREW EDWARDS
CEO

 **Ingo Payments**



Along with the advantages of implementing instant payment systems, firms must navigate several challenges. High costs remain a primary concern, particularly for smaller businesses. To overcome such hurdles, businesses should consider investing in [scalable cloud solutions](#) that can efficiently manage high transaction volumes. Partnering with technology providers can further enhance capabilities and mitigate risks associated with instant payments, including fraud. Additionally, adopting a phased approach to implementation can help manage expenses by prioritizing critical features initially and expanding functionality over time. By addressing these challenges proactively and focusing on long-term benefits, businesses can successfully integrate instant payment systems for ad hoc transactions and position themselves for future growth.

About

**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 multilingual 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.

The PYMNTS Intelligence team that produced this Tracker:

- John Gaffney

Chief Content Officer
- Andrew Rathkopf

Senior Writer
- Alexandra Redmond

Senior Content Editor and Writer
- Joe Ehrbar

Content Editor

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