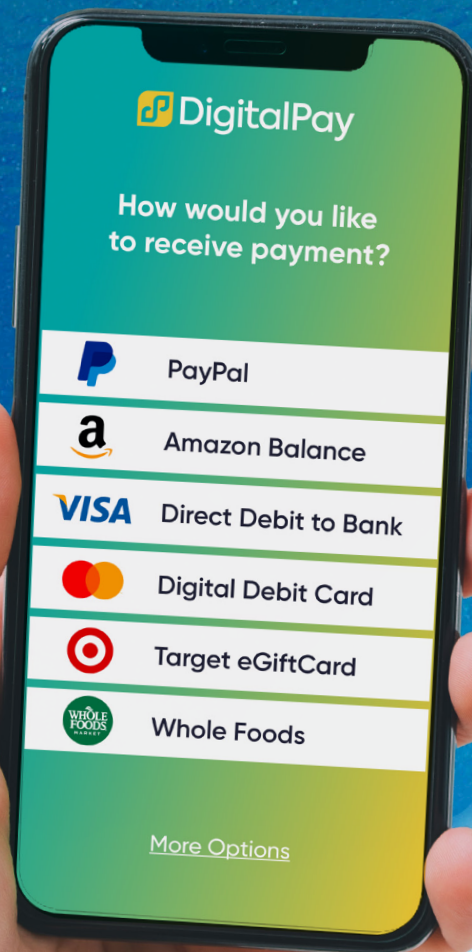


DIGITAL PAYOUTS:

Trends and Predictions



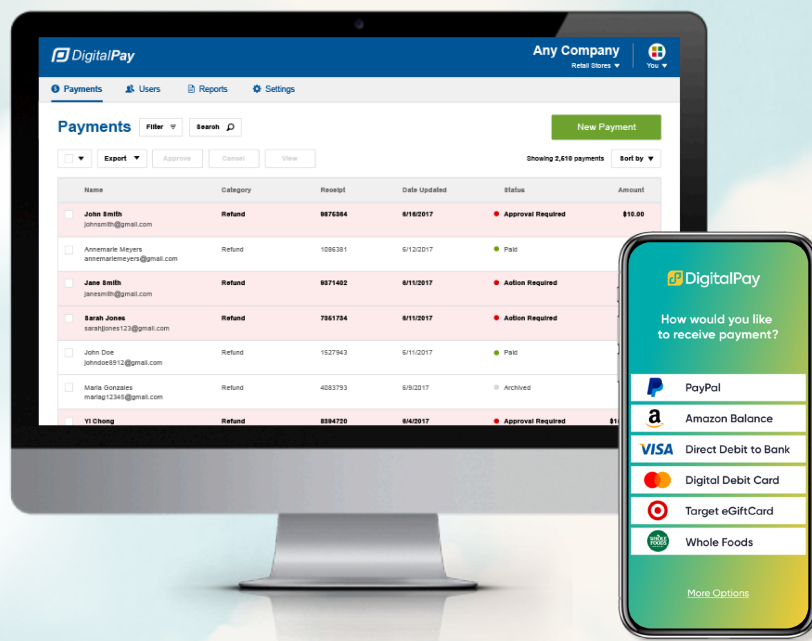
EXECUTIVE SUMMARY

Why Digital Payouts Matter More Than Ever

Digital payouts are now the de facto standard for businesses sending one-time payments to large constituencies.

In the near future, an estimated \$7 trillion will shift from traditional to digital payouts. The reality is digital payouts are here to stay, especially given their powerful benefits: *lower cost, faster delivery, extra convenience, and more choice*.

This report uncovers 7 key digital payments trends and predictions that we see coming in the near future. We'll offer key insights into how digital payments can boost your bottom line, create more memorable customer experiences and give your business a competitive advantage.





TREND #1

Digital Payouts Are Making Paper Checks Obsolete...For Good.

It's a wonder paper checks are still being used for one-off payments. Checks are slow, expensive and inconvenient, no matter how you look at them. But there is an end in sight: experts from financial and government verticals predict paper checks will soon disappear by 2026. In the interim, businesses that embrace digital payouts can immediately experience these benefits over checks:

- Time & Cost Savings:** Physical payments cost businesses millions in unnecessary operations and hard costs—a single check can cost a business up to \$26 to issue, sometimes much more.
- Alignment with Consumer Expectations:** People want real-time, instant payments, anytime, anywhere across devices and platforms.
- Increased Security:** Digital payments are encrypted and trackable from issuance to receipt, which significantly reduces fraud and theft.
- Improved Take Rates:** For one-time payouts to consumers, success is measured by the number of consumers who receive their intended funds. Digital payments achieve take rates of 85%+, a 3-4X improvement over physical checks.

DIGITAL PAYOUTS VS. PAPER PAYOUTS

	DIGITAL PAYOUTS	PAPER CHECKS
ISSUE TIME:	SECONDS	WEEKS
COST:	PENNIES	\$26/CHECK
USAGE:	74%	<32%

WHY IT MATTERS

Most companies are moving away from using costly, inefficient paper checks and turning to instant, frictionless digital payments for one-off consumer payouts. This trend will continue through 2026 when paper checks will become obsolete.



TREND #2

Consumers Are Demanding Digital Payouts Through Their Favorite Retailers

Consumer desire to receive payments via digital gift cards at retailers like Amazon, Target, Walmart and Starbucks is dramatically shifting the payments landscape. In fact, research shows consumers prefer to receive payments of \$500 – \$1,000 at a retailer, where they can spend those funds “guilt-free,” or as a way to treat themselves. The major retailers are aggressively investing in payments infrastructure and services, making payments more cash-efficient and frictionless for customers.



“Payments can be the conduit to deepen connections between brands and consumers, solving their problems, meeting their demands and creating better, more meaningful shopping and payment experiences...”

– Talbott Roche, CEO, Blackhawk Network

WHY IT MATTERS

More consumers are using their retailer accounts like a secondary bank and prefer to receive payments where they are regularly purchasing favorite items.



TREND #3

Digital Payouts: The Secret to Taking Care of Unbanked & Underbanked Payees

It's a startling reality that **22% of American adults (63 million) are either unbanked or underbanked.** This means consumers without traditional bank accounts or access to other electronic payment options are increasingly cut off from receiving many forms of payment.

Fortunately, digital payments easily offer inclusive and frictionless payouts—without requiring a bank or sensitive personal information. The best digital payment solutions carefully consider the needs of unbanked and underbanked consumers including:

- **Ease of Use:** bank accounts, routing numbers, social security ID, or personal or financial information is not required to receive funds.
- **Instant Cash:** via digital debit cards that are easy to use and can be spent online or at retail stores wherever Visa or Mastercard are accepted.
- **Flexibility:** through multiple leading retail, restaurant and grocery options that align with where payees regularly spend money.

The sheer volume of unbanked and underbanked consumers in the US means more companies are looking to digital payments to deliver one-time payouts that don't require a bank account.

WHY IT MATTERS

There is a huge unbanked and underbanked population that is poorly served by mainstream financial services and presents both a responsibility and opportunity for digital payments.



TREND #4

Credit Card Chargebacks Will Be Displaced by Digital Cash Payouts

Historically, credit card chargebacks have been the de facto method for crediting customers. However, chargebacks are costly, time-consuming, and a huge administrative hassle. The solution? Cash refunds via a digital payout.

Over the next 2-3 years, we predict leading consumer businesses will replace credit card chargebacks with cash refunds. Digital payments are sure to satisfy this change, especially because consumers love choice and flexibility when receiving funds. Plus, there's a hidden benefit: a cash refund allows consumers to keep their coveted rewards points, a feature chargebacks do not allow.

WHY IT MATTERS

Credit card chargebacks are expensive, time-consuming, and increasingly out of favor with US legislators and government departments behind consumer payouts like COVID refunds, airfare reimbursements and more.



TREND #5

Freedom of Choice Will Be Embraced

Technology today has created a dilemma: endless choices means consumers have endless expectations for the choice of how and where to receive funds. **Traditional payments simply can't live up to the high expectations of payment choice.** Enter digital payouts where you can get cash, cash-balance, digital debit, gift cards, grocery and more.

58% of consumer use two or more digital payment methods

Freedom of payment choice has boomed as consumers continue to ditch cash and depend on technology for the majority of purchases.

The challenge is, many companies still equate a single digital payment option as "good enough." When 58% of consumers are already using two or more digital payments methods, offering only one option is a false choice. The silver bullet for digital payment technology is offering more ways for consumers to access payments instantly, which ensures satisfaction and loyalty.

WHY IT MATTERS

Consumers want freedom of choice, and digital payment technology that offers consumers more ways to access payments instantly is the silver bullet.



TREND #6

Digital Payouts Will Unlock New Revenue Opportunities

Digital payouts are a way to deliver surprise and delight, creating positive brand interactions, and tiding over a tough situation with valued customers. A digital payment is a memorable, awesome “last touch” that reinforces a positive experience and makes customers want to stick around and do more business with your company.

In addition to delivering positive brand experiences, digital payments can wipe out massive physical and administrative costs associated with traditional payments. By eliminating unnecessary expenses including credit card chargebacks, printing, postage and management time, that means big cost savings and higher revenues.

Most companies are just discovering that digital payouts can be a profit center.

WHY IT MATTERS

Digital payouts can unlock new revenue opportunities both in terms of efficiencies and by creating memorable and positive brand experiences for your customers. Who doesn't want to make more money with less effort?



TREND #7

Younger Demographics Are Shaping the Future of the Payments Landscape

The largest living generation, **Millennials, combined with Gen Z will make up 72% of the global workforce by 2029**, and shape the world of payments for decades to come. For any business selling goods and services, it's critical to understand their preferred payment methods to create seamless, memorable customer experiences.

The good news is, younger generations are embracing digital payments in mass—adoption among 18 - 34 year olds is at 93%. For these generations, it's all about giving them more choice and seamless, frictionless payments, allowing them to have more control and ownership over their financial lives.

“Having a good payment experience is not only valuable to younger consumers—it’s an expectation. They want ways of paying that reduce friction and deliver a modern and efficient experience.”

— Adam Mitchell, SVP of business operations at Global Payments US-based business, Heartland Payment Systems

WHY IT MATTERS

Younger demographics demand more choice of digital payouts. Adoption of instant digital payments solutions with consumer-friendly digital endpoints is a best practice that all businesses should adhere to.

Recap

#1

Digital Payouts Are Making Paper Checks Obsolete... For Good.

#2

Consumers Are Demanding Digital Payouts Through Their Favorite Retailers

#3

Digital Payouts: The Secret to Taking Care of Unbanked & Underbanked Payees

#4

Credit Card Chargebacks Will Be Displaced by Digital Cash Payouts

#5

Freedom of Choice Will Be Embraced

#6

Digital Payouts Will Unlock New Revenue Opportunities

#7

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WANT TO SEE DIGITALPAY IN ACTION? info@digitalpay.us 1-415-580-2057 digitalpay.us

