



PYMNTS

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Tapping The Payments Opportunity In SMB Retail

B2B And Digital Payments Tracker® Series

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NOVEMBER 2022

B2B And Digital Payments Tracker® Series

- Leveraging Consumers' Affinity For SMBs
P. 04
- Payment Preferences Drive Retail
P. 10
- Spurring SMBs' Growth With Payments Innovation
P. 14
- Square Expands Digital Payments For SMBs
P. 26

What's Inside

04 Holiday Shopping Has Gone Digital

More consumers are leaning into digital shopping options, and SMBs are looking to invest in more to keep sales humming.

10 A Seamless Retail Experience Means More Payment Options

Shopping preferences are increasingly aligned with the ability to choose preferred payment options.

14 Where SMBs' Payment Opportunities Exist

SMBs have a strong ally in consumers, but shoppers' payment preferences are evolving rapidly. SMBs can leverage consumer goodwill if they meet customers where they are on payments.

20 U.S. Behind On Key Shopping Features

U.S. retailers lag behind foreign peers when it comes to select shopping features that consumers want.

22 An Insider On How SMBs Can Scale With Payment Technologies

Andrea Gellert, head of marketing at Clover, shares three questions every SMB should ask about new payment technologies and how merchants can achieve scale for their entire businesses.

26 Major Players Expand Options For SMBs

Learn about the latest moves from Amazon and Square in the payment options space for SMBs.

28 SMBs, Consumers Share Optimism

Small businesses are bullish on expansion, while consumers stay devoted to shopping at small businesses despite increasing concern over their finances.

30 About

Information on PYMNTS and American Express

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Acknowledgment

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Need To Know

SMB Survival Hangs On The Holiday Season

The holiday shopping season is important for all retailers, but many small to mid-sized businesses (SMBs) need to end 2022 on a high note simply to survive. According to the inaugural Kabbage Small Business Holiday Report, almost one in four businesses [reported](#) that recent holiday sales would determine whether they live to fight another year in 2023.

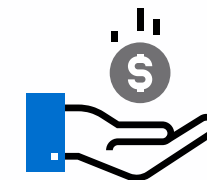
To withstand these headwinds, SMBs are focusing on cash flow management and cost control, with six in 10 investing in new tools, including 23% that are adopting marketing tools and 20% deploying payment transaction systems.

SMBs are taking several actions to contend with increasing costs and supply chain disruptions during the holiday season.



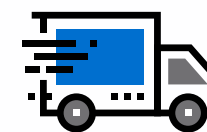
25%

are budgeting to offer promotions and incentives for the holidays.



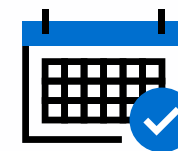
21%

expect to take out small business loans.



25%

are diversifying the number of suppliers they work with.



27%

are setting realistic shipping dates to fend off supply chain disruptions.

Need To Know

Holiday shoppers are devoted to small businesses.

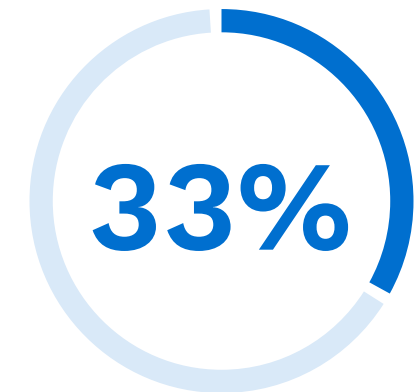
Small businesses matter to holiday shoppers, according to a recent Bankrate [report](#). Even though 74% of those surveyed plan to shop online, nearly seven in 10 still plan on shopping in person — 33% at a small business. An overwhelming 95% of holiday shoppers believe small businesses offer at least one advantage over larger companies. Thirty-five percent of shoppers plan to shop online at a small business.

Small business sentiment is strong, with 85% of consumers in another [survey](#) agreeing that making a holiday purchase from a small business is “money well spent.” These warm feelings exist despite the fact that only 23% of holiday shoppers [think](#) that small businesses offer lower prices than larger businesses and only 14% believe small businesses have an advantage when it comes to inventory and availability.

Small businesses matter to holiday shoppers, according to a Bankrate [survey](#).



Share of consumers who believe small businesses offer at least one advantage over larger ones



Share of consumers planning to shop at a small business in person this year

Need To Know

Small businesses are optimistic as they lean into digital channels.

Despite ongoing operational and cash flow challenges, small business owners are staying positive. A recent [report](#) on small business holiday spending noted that half of small business owners were adding third-party payment systems in an effort to keep pace with consumer preferences, and half of California SMBs added online ordering. More than half believed their expanded social media footprint is yielding a sales increase. The report concluded that it is essential for small business owners to adapt to consumer expectations, economic fluctuations and competition if they hope to succeed.

Small businesses in California are adapting to consumer preferences as shoppers devote a considerable share of their budgets toward them.



50%

Share of California small businesses that have added online ordering



33%

Share of California consumers who plan to spend 50% to 70% of their holiday budgets at small businesses

News And Trends

Digital Expectations Force Checkout Adjustments For SMBs

Consumer preferences, especially among younger shoppers, are changing, and digital experiences are driving success, with retailers increasingly turning to technology for answers. Almost half of all shoppers in the United States and the United Kingdom [intend](#) to shop on marketplaces such as Amazon, eBay and Etsy this holiday season, but 61% in the U.S. also plan on buying holiday gifts in-store, with many using their phones to do so. Also in the U.S., 17% plan on using buy now, pay later (BNPL) options.

Retailers are responding by investing in tools to prepare, with 39% of U.S. retailers trying to make post-purchase tasks such as fulfillment or shipping easier, 37% investing in technology for inventory management and sales forecasting and 34% bringing tech to their checkout experiences to remove friction from payments and tax calculations. For SMBs, these investments are likely to be even more crucial.

Holiday shoppers minding their budgets this year

Inflation-conscious consumers are setting holiday budgets and planning to stick with specific payment preferences when shopping this season. A recent [study](#) found that three in four of those who intend to use bank or store cards will do so to pile up rewards or earn cash back on their purchases.

Most shoppers will not wait long to clear their holiday shopping balances, either. About two-thirds of consumers using credit cards or personal loans to buy holiday gifts plan on paying 100% of their outstanding balances in the first month of the new year. More than half of consumers said they put aside cash all year long to prepare by stashing it in a jar, tapping a separate bank account or hanging on to gift cards and reward points for holiday use.

News And Trends

Seamless payment experience fuels holiday shopping preferences

For many consumers this season, ease of use is driving the adoption of payment technology at the checkout. One recent [survey](#) indicated that digital wallet use has grown from 17% to 21% in just the past year, while 67% of consumers have tried one-click accounts, compared to 65% last year. With 42% of digital wallet users somewhat confident when leaving their homes without their physical wallets, the digital wallet is becoming more of a standard option.

As for BNPL, 20% of consumers planned on using it at checkout, with another 20% considering it. Familiarity breeds use, with those who previously used BNPL 38% more likely to use a BNPL option this holiday season than those who never had.

Consumers are increasingly using digital payment options, with **convenience** the leading factor driving payment choice.



35%

Share of consumers citing ease of use as the most important factor



27%

Share of consumers citing the best deal as the most important factor



23%

Share of consumers citing the highest security as the most important factor

PYMNTS Intelligence

How SMBs Can Use Payments Innovation To Spur Growth

Whatever challenges they may be facing, SMBs undoubtedly have a powerful ally in consumers. A recent [survey](#) from American Express and PayPal and conducted by studioID's Retail Dive on what shoppers want found that 94% believe small businesses play a vital role in a community, and 39% said these businesses offer better customer experiences than larger brands.

Nevertheless, the survey suggested that consumers' payment needs are evolving at an unprecedented rate. The two most important factors to shoppers in the payment experience were security and choice of payment method, with 81% and 50% [citing](#) these features, respectively. In addition, more than one-quarter of respondents — 27% — said it was very or extremely important to them to be able to pay with a mobile wallet, such as PayPal or Apple Pay.

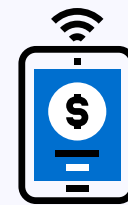
PYMNTS [research](#) also shows that consumers from six countries are 67% more likely to shop with SMBs that offer their ideal payment methods. Taken together, these results indicate that small businesses can leverage the goodwill working in their favor if they meet customers where they are on payment options. Those that do not — despite strong consumer sentiment — may risk being left behind.

PYMNTS Intelligence

Innovations needed for cross-border and B2B payments

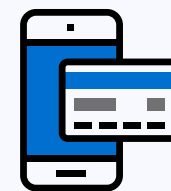
In addition to more digital payments for consumers, better business-to-business (B2B) solutions for accounts receivable, particularly as they apply to cross-border transactions, can be a boon for the many SMBs looking to expand globally. Some 65% of mid-sized businesses are [spending](#) 14 hours per week on administrative tasks for payment collection. According to one [report](#), 88% of finance professionals admit the complex nature of cross-border payments collection hampers their ability to grow internationally, and 95% say they could accelerate global expansion if they had an easier way to deal with exchange rates.

Security and payment choice are increasingly important to consumers.



81%

Share of shoppers who say security is an important factor in the payment experience



50%

Share of shoppers who say choice of payment method is an important factor in the payment experience

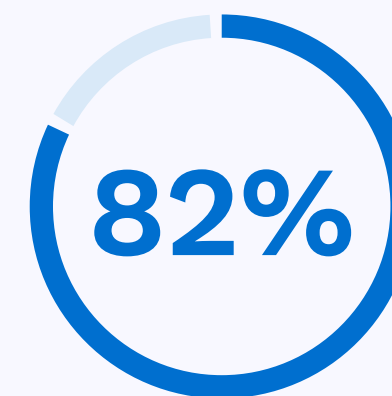


PYMNTS Intelligence

U.S. SMB owners and financial decision-makers [cite](#) access to a wider range of products and services (43%) and supply chain diversification (35%) as some of the top business benefits of cross-border B2B spending. However, one-quarter (27%) cited complexity of the process as one of the top obstacles when making cross-border payments. When asked about the attributes that SMB owners and financial decision-makers are looking for in a cross-border payments solution, nearly half (48%) said transparent fees and rates, on par with a simple user experience (44%).

Eight in 10 FIs [believe](#) their digital payment solutions are very or extremely effective in addressing friction points of cross-border B2B payments. Some 93% are very or extremely willing to add new technologies that make B2B payments feel more like business-to-consumer (B2C) payments for corporate customers.

A gap [exists](#) between SMBs' demand for and their potential benefit from investing in B2B payments solutions.



Share of executives who think their SMB customers are interested in all-in-one payments platforms to receive B2B payments



Share of SMBs not currently using all-in-one payments platforms that are interested in doing so

Chart Of The Month

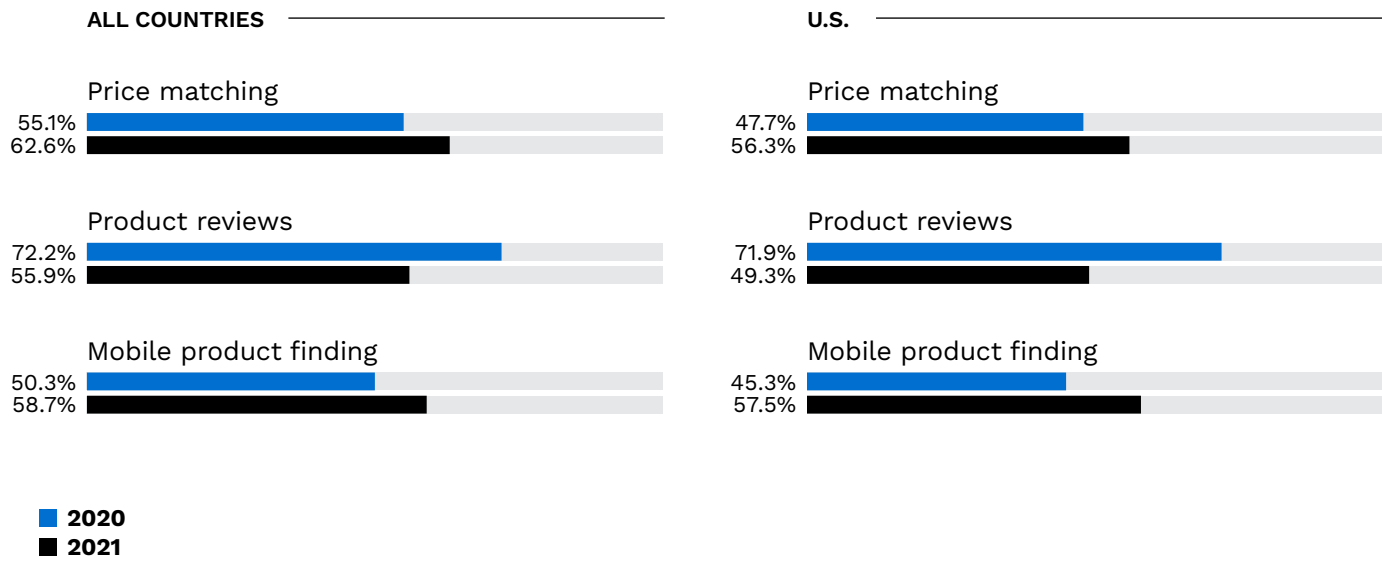
U.S. Lags In Select Features Offered

The American shopping experience is laden with incentives and promotions directed at local shoppers, but when compared to other countries, U.S. merchants are [lagging](#) on select features. In fact, U.S. retailers are 10% less likely than counterparts in Brazil, Mexico and the U.K. to offer price matching. Shoppers in the U.S. are also less likely to find retailers that offer digital product reviews and mobile product search.



How American merchants stack up on offerings

Share of merchants offering select features with which to entice shoppers



Source: PYMNTS
The 2022 Global Digital Shopping Playbook, April 2022
N = 3,100: Complete responses, fielded Sept. 23, 2021 – Nov. 7, 2021

Insider POV

How SMBs Should Leverage Payment Technologies For Scale



ANDREA GELLERT
Head of marketing



“Updating payment options can make it easier for merchants to enhance customer interactions and drive satisfaction and loyalty. ... SMBs are increasingly at the forefront of the consumer experience.”

PYMNTS interviews Andrea Gellert, head of marketing at payments solution provider Clover, about what merchants should consider when adding new payment options and how they can streamline and scale their businesses.

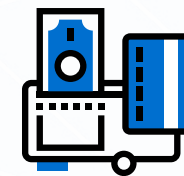
SMBs have a different technology adoption curve from that of larger enterprises — one that is driven by the urgent need to meet customers where they are, according to Gellert. Many small businesses were already positioning themselves for omnichannel before the pandemic accelerated the shift. Now they are increasingly seeking greater presence and visibility online and on social media — especially TikTok, which arrived at the perfect time to help fuel the transition. Meanwhile, SMBs, which have always differentiated themselves through a more curated and personalized experience, are competing by aiming for consistent experiences across all channels, extending personalization throughout the entire customer journey — particularly at checkout. Additionally, for both merchants and customers alike, ensuring that payment is not a hindrance or a detractor from the buying experience is key. Offering customers more ways to pay — including contactless, cashless, BNPL, etc. — is a win-win for all.

Insider POV

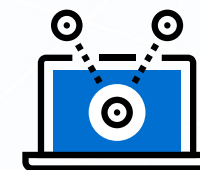
Gellert says Clover's solutions are built to enable merchants to run their entire businesses from one powerful ecosystem. Clover is among those providers going beyond payments, offering an all-in-one system with integration points for employee management, inventory management, customer engagement and cash flow management. A single ecosystem brings many benefits that allow owners the opportunity to focus more on the reasons they started their businesses — and less on spreadsheets. Upgrading technologies that support running operations from day to day while also offering a variety of payments' acceptance helps SMBs streamline running their entire businesses.

To realize the benefits of payment innovations, SMBs must establish a framework for scale. This strategy should include an understanding of how larger competitors and other sectors are reaching and serving customers. What newer services, such as curbside pickup or loyalty programs, are being offered? Within their respective businesses, merchants should look to data as much as possible to understand opportunities for learning and optimization. Even simply examining abandoned shopping carts or exploring what customers want at each step of the purchasing journey can provide helpful information. Social media offer another important way for SMBs to understand their customers' needs better, interacting in real time to glean insights and generate engagement. Ultimately, the more merchants can reduce barriers to buying, the faster they will grow.

3 Questions Merchants Should Ask Themselves When Considering New Payment Options



Can my customers pay with their preferred payment options when they are ready to buy?



Is my current inventory management capable of supporting this?



Are my customers being engaged throughout the entire sales funnel?

Companies To Watch

Expanding The Power Of Digital Payments For SMBs



Square plans to [launch](#) a credit card on the American Express network built for Square sellers in the U.S. Square's new card will integrate with its ecosystem, so sellers can manage finances and cash flow without leaving the Square app, providing the kind of single-point payments solution that SMBs are increasingly requesting.



Just in time for holiday shopping, Amazon now [allows](#) customers in the U.S. to pay with Venmo when making purchases. Amazon customers selecting a payment method at checkout can choose "Add a Venmo account," which will redirect them to complete the authentication on the Venmo app and select Venmo as their default payment method if they wish.

What's Next

SMBs, Consumers Unafraid To Spend Despite Concerns

Inflation and supply chains are on the minds of most SMB owners. Nearly nine in 10 [say](#) inflation will continue to impact their operations, while eight in 10 say the same about supply chain issues. SMBs, however, are forecasting a strong 2023, with two-thirds of business owners anticipating revenue increases and 52% planning to expand — a 37% increase from last spring. Consumers [hold](#) similar optimism during the holiday shopping season, despite 61% being more concerned about their financial picture than last year. Three in four Americans plan to spend with small businesses. In fact, 41% of consumers would willingly pay more to shop at a small business than they would at a larger store.

“eCommerce has grown tremendously and will continue to do so, and ensuring continued innovation in that space is very important. However, if a retailer focuses only on that, they will miss the full opportunity: Almost 30% of shoppers say their shopping is evenly divided between in-store and online.* I’d encourage retailers to be in and invest in the channels where their customers want to be. The more touch points with customers, the more loyal they tend to be, as demonstrated in shopping frequency, spend and share of wallet.”

ANN SATTIN

Vice president & general manager,
Merchant Services U.S.

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*Data from a recent survey commissioned by American Express and PayPal and conducted by studioID's Retail Dive

About

PYMNTS [PYMNTS](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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