

xero

# I want to pay that way


A Xero report into how consumers and small businesses around the world feel about payments.



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# Foreword

**In any small business, a lot of time is spent thinking about the product or service and how to get it into the hands of customers faster, better and more often.**

But all the hard work spent on making, marketing and moving the product or service can come undone at one crucial point in the customer experience: ensuring they pay.

Our latest research has found that consumers and small businesses are worlds apart when it comes to the ways customers want to pay and how small businesses want to be paid.

Almost nine in ten consumers (86%) rely on credit and debit cards for their essential and discretionary spending. Yet around a third of small businesses still don't offer this payment method.

Not having funds at the time is a top reason consumers give for not paying their bills on time. Yet many small businesses don't provide alternative payment options like buy now, pay later (75%) or credit card (32%) that could give customers more flexibility over when they pay and prevent flow-on cash flow issues.

Payments are a crucial piece in the cash flow puzzle. The payments landscape is constantly evolving, which means it can be hard to keep up with changes in consumer demand and market trends when trying to do a million other things like making sales and finding customers.



**Bharathi Ramavarjula**  
SVP of Payments, Xero

So we want to help small businesses to understand their customers better and offer more ways to pay that will encourage customers to pay faster. This report aims to uncover how consumers actually want to pay, and give small businesses and their advisors the insights and tools to help their customers pay that way.

While collecting payments from consumers is key to business growth, the other side to the cash-flow coin is managing the payments and bills that small business owners need to cover in order to keep their business running.

In addition to ensuring there are enough funds, keeping track of due dates is a top frustration for small businesses when it comes to paying supplier bills. To help people manage, approve and pay their bills without leaving Xero, we offer an embedded bill payment solution in the UK (and coming soon for the US).

In doing so, we hope to help small businesses be in a stronger position to grow their business and keep pace in what is shaping up to be a transformative decade in payments.

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# Executive summary

**The ongoing digitalisation of economies around the world affects almost all aspects of our daily lives, including the ways in which we pay. At Xero, we're interested in understanding how the payments landscape is evolving and how people – consumers and small businesses alike – pay for goods and services to help small businesses better manage their cash flow.**

Helping small businesses get a complete picture of their cash flow is at the heart of Xero's payment offering. We want small businesses to get paid easily and quickly by making available flexible payment options for their customers as well as by offering solutions which allow them to pay their bills seamlessly in one place.

To get a better understanding of how consumers are changing their payment habits, and how small businesses are adapting to changes in consumer demand and market trends, Xero surveyed over 6,000 adults aged 18 and over, and more than 2,500 small business leaders across the United States, United Kingdom, Australia, New Zealand and Singapore. (See the appendix for more information on sample sizes.)

Our survey questions covered consumer payment habits, the types of payment methods small businesses use and offer, and attitudes towards future and emerging payment trends.

Based on the survey results, we identified three trends that help to illustrate the current state of payments among small businesses and their customers around the world.

# Global findings

## TREND #1

### A mismatch exists between the payment methods small businesses offer and those consumers prefer

Across all five countries surveyed, a vast majority (86%) of consumers use credit or debit cards to pay for goods and services. In contrast, 68% of small businesses offer credit or debit cards as a payment option. Other payment methods consumers commonly used include direct debit (66%) and bank transfer (62%), whereas the number of small businesses that offer these payments to customers today is again significantly lower at 38% and 49% respectively.

On the flip side, 43% of small businesses offer Apple Pay and/or Google Pay, compared to 30% of consumers who use these payment services.

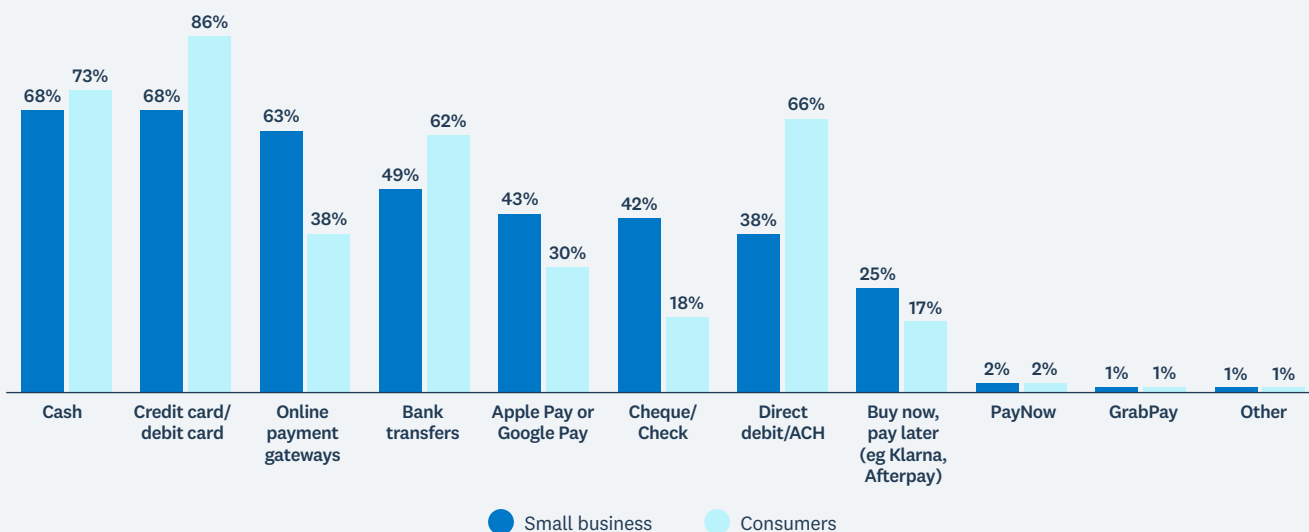
#### KNOW YOUR CUSTOMER

**I want to pay that way!** Not having their preferred payment option available (38%) and limited or lack of payment options accepted by businesses (26%) are just some of the frustrations for everyday consumers

**I want to pay that way!** One in four consumers (25%) would visit another business that accepts more payment options if a business didn't offer at least one of their preferred ways to pay.

The survey offers a couple of reasons for this mismatch, which we explore further in the third trend. One factor is the higher fee and set-up costs small businesses incur with credit cards and direct debit payments. Credit card processing fees can range between 1.3% and 3.5% per transaction, which can be a significant burden for small businesses with slim profit margins.

Comparing consumer payment preferences and small business payment offerings



**Sources:**

Xero Small Business Survey, 2024. What payment methods do you offer?  
Xero Consumer Survey, 2024. What are the different methods that you use to make payments?

## TREND #2

# What you sell, and who you sell it to, influences how your customers want to pay

When shopping in-person, over half (57%) of consumers use physical bank cards, with 21% reporting that they only take their mobile phone with them, which they use for contactless payments through Apple Pay or Google Pay. Only 19% have cash readily available.

When looking at payment methods by industry, consumers prefer credit and debit cards for in-store purchases across all industries, with the exception of housing (rent, mortgage, bills) where 37% of consumers prefer to use direct debit. However, cash is still a popular way of paying for some purchases, such as services like going to the hairdressers (35%) and using trades like electrical and plumbing (24%).

These preferences could reflect the nature of the transactions. In industries like hairdressing and trades, many transactions are relatively low in value, making cash a convenient option, compared to housing where consumers often need to make recurring payments or pay larger sums of money.

While more consumers prefer to use their credit or debit card to pay for online transactions, payment preferences differ across countries depending on the industry. Australian consumers are the most likely to use bank transfers (27%) to pay for healthcare services, whereas American consumers are most likely to use credit or debit card (57%) to pay for healthcare.

Bank transfers are the most common way for New Zealanders to pay small businesses online in the trade (46%) and the housing (46%) space, significantly higher than other countries.

Consumer demographics also influence how they want to pay. Baby Boomers (aged 65 years and older), stick to more traditional payment methods: 92% use credit and debit cards (compared to Gen Z 84%, Millennials 85%, Gen X 85%), and nearly a third (29%) still write cheques to make payments (compared to Gen Z 18%, Millennials 11%, Gen X 17%).

### How consumers are paying small businesses in-person

	Cash	Cheque	Credit card/debit card	Bank transfers/Pay ID	Direct debit	Apple Pay or Google Pay	Buy now pay later	Other	N/A I don't use any businesses that provide this
Food (groceries)	22%	30%	57%	5%	5%	9%	1%	0%	1%
Trades (plumbing, electrical)	24%	22%	31%	23%	4%	3%	1%	0%	10%
Healthcare (medical)	10%	15%	45%	9%	8%	5%	1%	0%	20%
Housing (rent, mortgage, bills)	7%	16%	18%	21%	37%	2%	1%	0%	12%
Retail (clothing and apparel)	16%	15%	59%	4%	6%	9%	2%	0%	2%
Products & services (hairdressers)	35%	20%	38%	6%	5%	7%	1%	0%	7%
Entertainment (movies, restaurants)	18%	13%	56%	5%	6%	8%	1%	0%	5%

Source: Xero Consumer Survey, 2024. What is your preferred way to pay small businesses in person?

## KNOW YOUR CUSTOMER

**Mobile payments all the way!** One in two Gen Z consumers (50%) use Apple Pay or Google Pay to make purchases, significantly higher than Gen X (20%) and Boomers (11%).

### How consumers are paying small businesses online

	Credit card/ debit card	Bank transfers	Direct debit	Apple Pay or Google Pay	Buy now pay later	Online payment gateways	Other	N/A I don't use any businesses that provide this
Food (groceries)	58%	5%	6%	10%	1%	5%	1%	14%
Trades (plumbing, electrical)	41%	21%	6%	6%	1%	5%	1%	19%
Healthcare (medical)	36%	13%	13%	5%	1%	4%	1%	28%
Housing (rent, mortgage, bills)	29%	14%	28%	5%	2%	6%	1%	15%
Retail (clothing and apparel)	58%	6%	5%	10%	3%	9%	1%	8%
Products & services (hairdressers)	43%	13%	6%	7%	1%	5%	2%	22%
Entertainment (movies, restaurants)	55%	5%	9%	9%	2%	6%	0%	14%

Source: Xero Consumer Survey, 2024. What is your preferred way to pay small businesses online?

## TREND #3

# Fees and security concerns are the top barriers across all countries, but so are cultural, market and economic dynamics

As explained above, there's a disconnect between what payment options consumers want and what small businesses are offering, which can be explained by looking at the barriers small businesses face when it comes to adopting new or different customer payment methods.

Small businesses report expensive fees (33%) and security concerns (30%) as the top barriers that prevent them from offering their customers new or different payment methods. There is some variation across countries. Security is not as big a concern in Australia (19%) as the perceived fees associated with new payment methods (36%).

In Singapore, the biggest concern is payout times from payment service providers (36%), followed by the complexity and time to set up new payment methods (35%).

Consumers report similar themes, naming hidden fees or surcharges (66%) and security concerns (42%) as barriers when paying or managing payments. In fact, 37% of consumers said they would try to change their payment method to avoid paying a surcharge when making purchases. This is even higher in New Zealand, where one in two (51%) said they would try to change the payment method.

A vast majority (61%) of consumers have a low acceptance of paying a surcharge, even if the payment method is convenient for them. Almost one in three (29%) indicated they were not at all accepting of payment surcharges, despite the payment method being convenient to them.

**Did you know?** The number of non-business customers paying small businesses late is very low (1% pay after the due date), which tells us late payments are a business-to-business issue, not a consumer issue.

Consumers in the UK report the lowest acceptance of paying surcharges, with almost two thirds (65%) of UK consumers indicating they have a low tolerance for paying surcharges. Consumers in Singapore have the highest acceptance of paying surcharges, with almost a quarter (23%) of consumers in Singapore saying they have a high tolerance for paying surcharges.

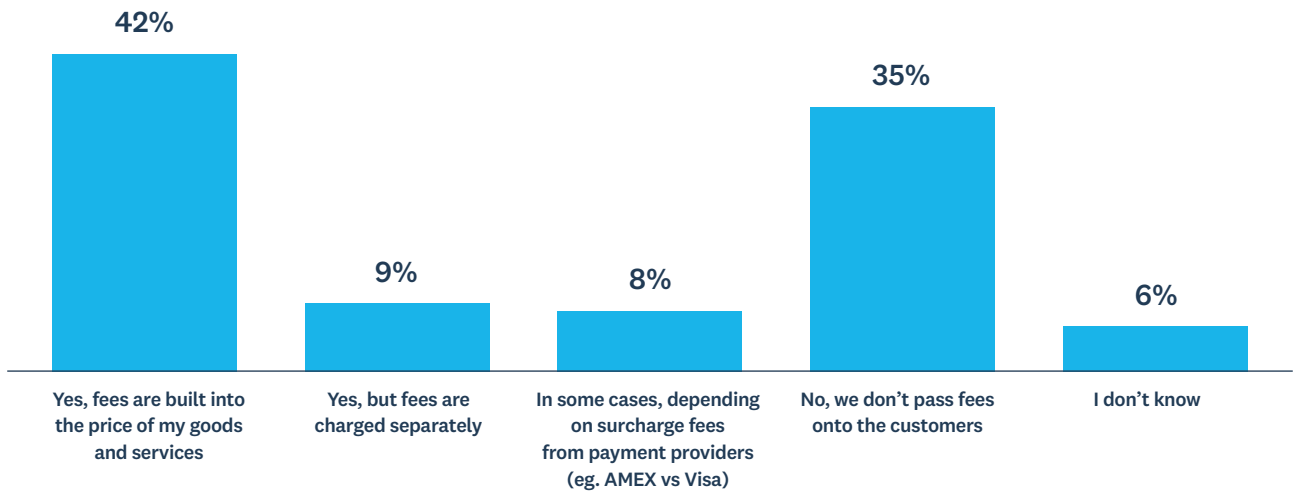
The different attitudes towards hidden payment fees and surcharges across countries may be explained by cultural, market and economic dynamics. For example, stricter regulations in the UK about pricing transparency might discourage the imposition of surcharges, so when they're applied by businesses, they're met with consumer resistance.

Small businesses could be sensitive to these consumer concerns, in addition to other macroeconomic factors. They report low transaction fees (55%), no payment surcharge fees (48%) and no set-up fees (39%) as factors when choosing new payment methods.

This could be why 42% of small businesses choose to build fees into the price of their goods and services, rather than charge separately. It helps them avoid any unpleasant repercussions.

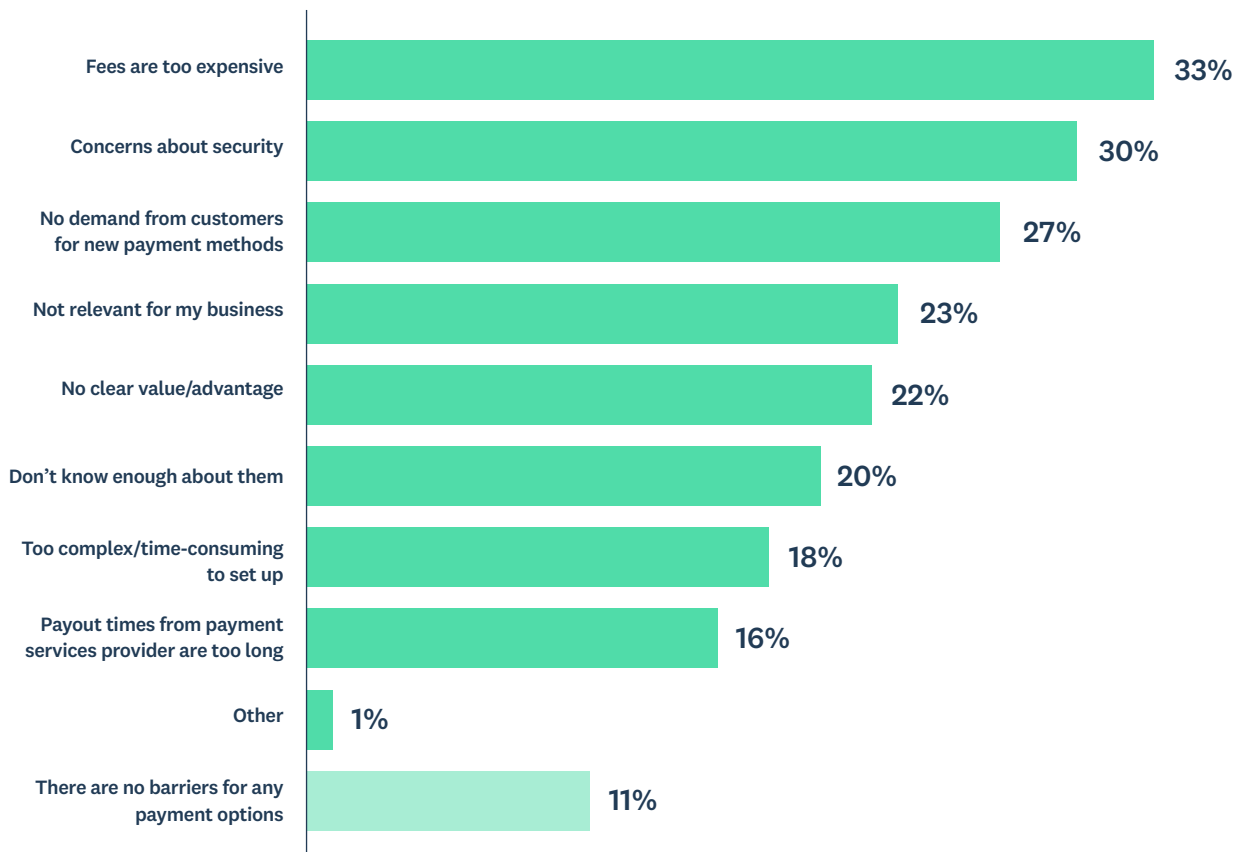


**Do you absorb payment surcharge fees, or pass them onto your customers?**



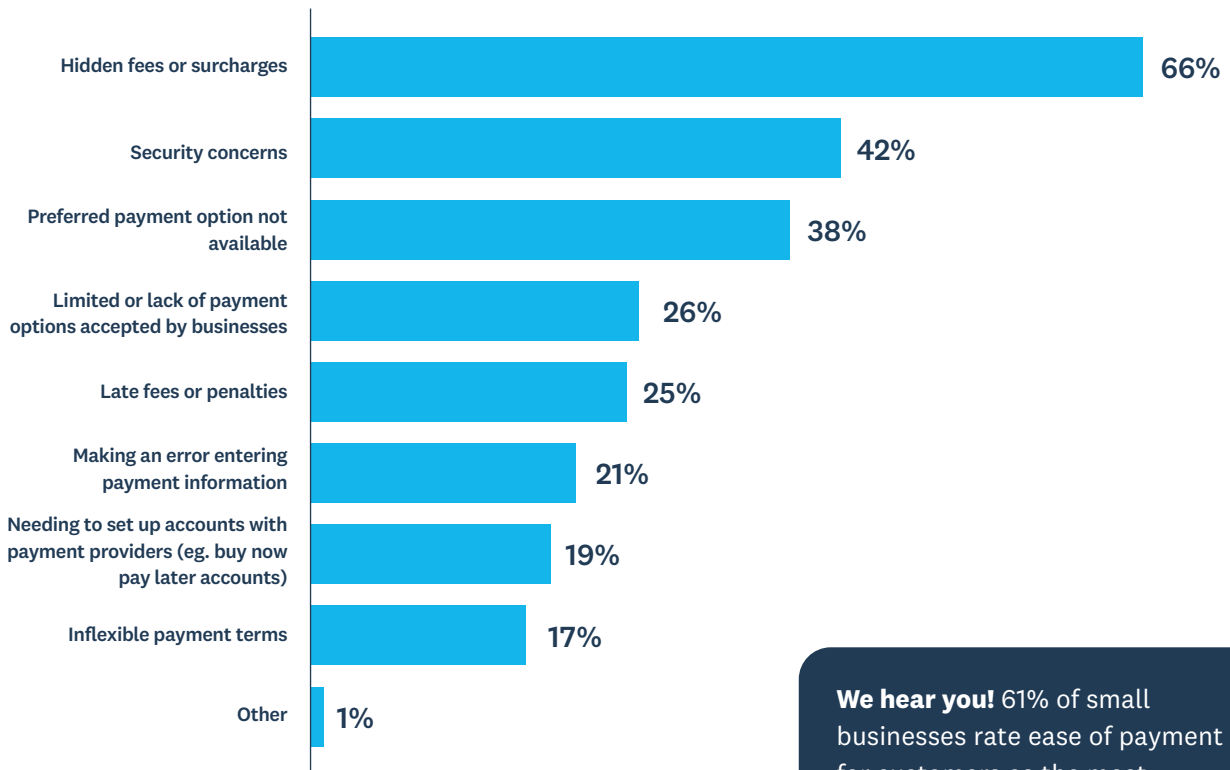
Source: Xero Small Business Survey, 2024. Do you absorb payment surcharge fees, or pass them onto your customers?

**What barriers prevent you from offering new/different payment methods to your customers?**



Source: Xero Small Business Survey, 2024. What barriers prevent you from offering new/different payment methods to your customers?

**What are the top frustrations you have when it comes to paying/managing payments?**



Source: Xero Consumer Survey, 2024. What are the top frustrations you have when it comes to paying/managing payments?

**We hear you!** 61% of small businesses rate ease of payment for customers as the most important factor when selecting payment methods, with 27% also reporting that integration with accounting software is important. Being able to make and collect payments without leaving Xero is a powerful tool for businesses.

# Regional findings



## Australia

### Overview

Ongoing shifts in Australia's payment landscape are influenced by a wide range of policy and regulatory issues. The Australian government, as well as the Reserve Bank of Australia (RBA), continue to introduce reforms and regulations to address changing payment behaviours and market trends. Most notable in 2024 are the [buy now, pay later regulatory reforms](#), the [payments system modernisation \(regulation of payment service providers\) consultation](#), and consultation on the draft legislation for [regulating digital asset platforms](#). These policy reforms, as well as the continued reductions in ATM withdrawals and cash transactions, are likely to play into consumer and small business payment trends in attitudes and behaviours towards payment methods.

## TOP TRENDS

# Small businesses in SA and VIC more likely to foresee impacts in a cashless economy

Australia remains firmly decided in favour of using credit or debit cards to make payments (86%), with bank transfers (66%) and direct debit (63%) also popular options for consumers. However, only 55% of small businesses accept credit or debit card payments, and only 48% offer direct debit as a payment option.

Almost seven in ten (69%) of Australians say they use cash to make payments. However, only one in four (25%) say they rely on cash and cheque to buy products and services. More than two in five (41%) consumers say they rarely use cash and cheque payments, only when a business requires it.

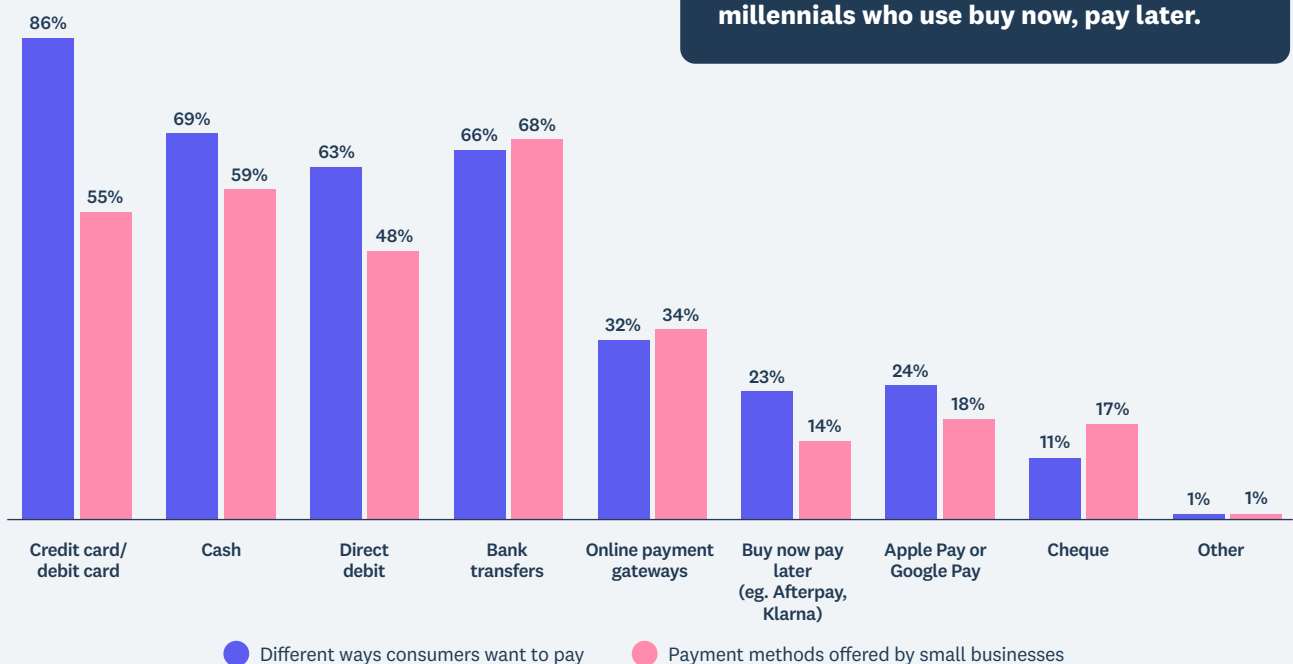
Moving to a cashless economy would be felt by many small businesses, with 79% of small businesses believing that if cash and cheque disappeared tomorrow it would have some form of impact on their business. Almost half (49%) believe it would have a medium to high impact.

Interestingly, the younger the small business owner, the more likely they are to believe it would have an impact on their business (Gen Z 89%, Millennials 85%, Gen X 74%, Baby Boomers 69%). Small businesses in SA and Victoria are the most likely to believe it would have an impact on their business (SA 85%, VIC 83%; cf. NSW/ACT 77%, TAS/NT 57%\*, QLD 78%, WA 72%).

The popularity of mobile payments is growing in Australia, and it's being driven by the younger generations. Almost one in four Australians (24%), driven by a significant proportion of Gen Z consumers (40%), use Apple Pay or Google Pay to make payments. One in four Australians (25%) typically only take their mobile phone to pay when going to a physical store. Again, Gen Z consumers bring up this percentage – one in two (52%) say they only take their mobile phones to the shops.

\*Indicative only due to small sample size

Comparing Australia consumer payment preferences and small business payment offerings



**Consumer demand for buy now, pay later options also outweighs the availability of buy now, pay later in small businesses. This rings especially true for 31% of millennials who use buy now, pay later.**

**Sources:**

Xero Consumer Survey (Australia), 2024. What are the different methods that you use to make payments? (n= 1,000)

Xero Small Business Survey (Australia), 2024. What payment methods does your company offer to customers / clients today? (n= 512)

# Hidden fees or surcharges are the most common frustration among consumers

Over one in four Australians (28%) would visit another business that accepts more payment options if a business didn't offer at least one of their preferred ways to pay. This could explain why the most important factors to Australian small businesses when choosing new payment methods are ease of payment for their customers (58%) and low transaction fees (57%).

In Australia, hidden surcharges are banned. According to the Competition and Consumer Act 2010, businesses must clearly disclose all fees and charges associated with a transaction and the [ACCC enforces these regulations](#). Despite this, over 7 in 10 Aussies (72%) name hidden fees or surcharges as the most common frustration when it comes to paying or managing payments.

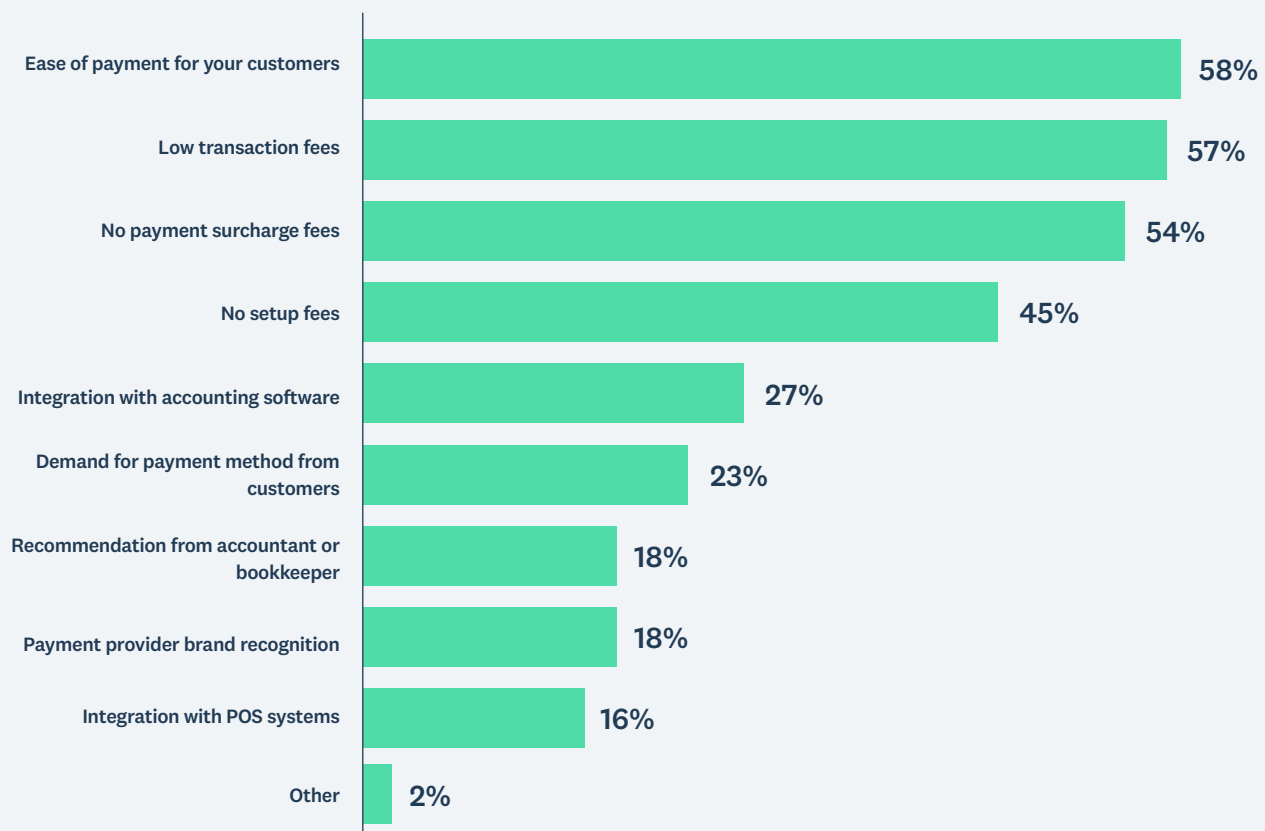
Over one in two Australians (56%) have a low acceptance of paying a surcharge fee if the payment method is convenient to them, with older

**Just one in three Australian small businesses (32%) choose not to pass on the payment surcharge fees to their customers.**

generations more likely to have low acceptance of paying a surcharge fee (Baby Boomers 62% and Gen X 65%, compared with Millennials 51% and Gen Z 41%). Over one in three Australians (35%) will try to change their method of payment to avoid paying a surcharge.

This could be why over one in two small businesses (54%) report no payment surcharge fees as one of the most important factors when choosing new payment methods. Nearly half (46%) of small businesses pass payment surcharge fees onto their customers by building them into the price of their goods and services.

## What are the most important factors when choosing new payment methods?



Source: Xero Small Business Survey (Australia), 2024. What are the most important factors when choosing new payment methods? (n= 512)

# Small businesses and consumers most terrified about implantable payment chips

When thinking about new or emerging payment methods, small businesses and consumers are the most troubled about using microchip implants in their hands to pay for products and services. While implantable payment microchips are not yet commercially available in Australia, almost half (47%) of consumers and 37% of small businesses say ‘terrified’ best describes their feelings towards this payment method.

Small businesses and consumers are also on the same page when it comes to digital currencies, with over a quarter of consumers (26%) and small businesses (27%) feeling anxious about digital currencies like crypto. While the EU, UAE, Singapore, Canada and many other G20 and major financial hubs have introduced regulatory frameworks for crypto, Australia has yet to do so.

Small businesses and consumers in Australia are the most optimistic about biometric authentication (eg, fingerprints and facial recognition), with around a quarter of consumers (24%) and 29% of small businesses saying they’re optimistic about this payment technology.

**Two in five small businesses have experienced customers trying to pay by bartering, for example, offering goods or services in exchange for theirs.**

## What are some of the most unusual/non-traditional ways customers have tried to pay?

40%

Bartering (offered goods or services in exchange for yours)

26%

Offered gifts (eg. beer, wine, flowers)

19%

Social media promotion (eg. influencers promoting a business)

16%

Skills or lessons (offered to teach a skill or provide a lesson)

13%

Volunteer work (offered time and labour for products/services)

8%

Valuable coins

<1%

Other

21%

None

Source: Xero Small Business Survey (Australia), 2024. What are some of the most unusual/non-traditional ways customers have tried to pay? (n= 512)

# New Zealand

## Overview

New Zealand has a long history of embracing innovative payment solutions, starting with the introduction of EFTPOS in 1985, which made the country an early leader in digital payments. The Reserve Bank of New Zealand (RBNZ) and other regulatory bodies are focusing on several key regulatory reforms and initiatives to enhance the payment infrastructure, support digital transactions, and improve security. This includes the potential introduction of a central bank digital currency (CBDC), following on from a [consultation paper on digital cash](#) in April 2024. There's a concerted effort from governments and industry to modernise New Zealand's payment infrastructure. Payments NZ, in collaboration with the country's major banks, is conducting pilots to test the [feasibility and benefits of open banking in New Zealand](#). These regulatory reforms and initiatives are designed to increase digital transactions and address ongoing security concerns.



## TOP TRENDS

# Cards reign supreme for consumers, while small businesses hang on to cash

Card payments are dominant in New Zealand, with 86% of consumers using credit or debit cards to make payments. Consumers also expressed a preference for credit or debit cards when paying businesses both online and in person. Despite this, approximately two in five small businesses provide credit or debit card payment options to their customers and clients.

Payment preferences vary across business types, with consumers preferring to use bank transfers to make online payments specifically to businesses in trades (47%) and housing (45%). With 78% of consumers making payments with bank transfers, it's clear why bank transfers are the most popular payment method, and are offered by 79% of small businesses. It's also small businesses' preferred way to pay their supplier bills, with 70% of them using this method.

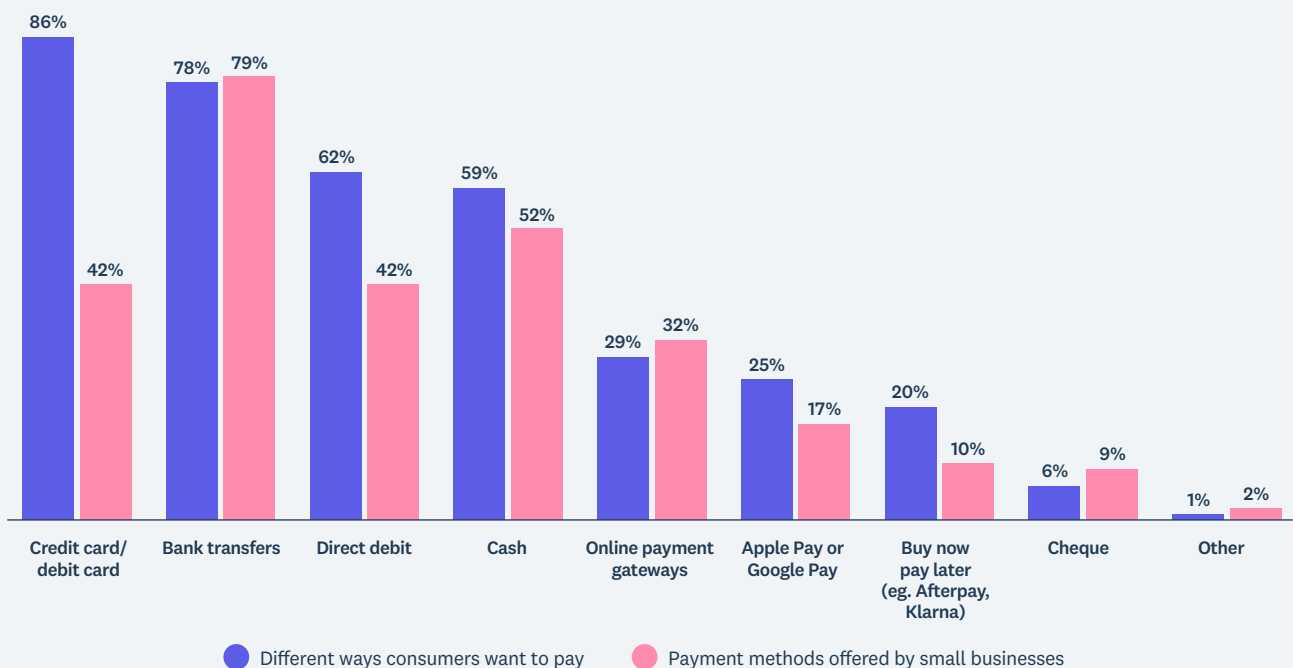
A quarter of New Zealanders use Apple Pay or Google Pay to make payments, with younger generations leading the way in mobile payments.

In fact, more than four times the proportion of Gen Z (48%) consumers use Apple or Google Pay to make payments than Baby Boomers (11%). However, only 17% of small businesses offer Apple Pay and/or Google Pay to their customers.

New Zealand is the least likely to use cash payments of all countries surveyed, with 59% of consumers using cash to make payments (AU 69%, US 74%, UK 75%, Singapore 79%). Only 18% of consumers rely on cash and cheque payments to buy products and services, while only 8% have cash readily on them to pay in store.

Small businesses, on the other hand, have a higher reliance on cash payments, with 72% believing that if cash or cheque disappeared tomorrow it would have an impact on their business. Interestingly, this increases to 89% among Gen Z small business leaders, who are more likely to say it impacts them compared to Millennial (80%), Gen X (68%), or Baby Boomer (54%) small business leaders.

Comparing New Zealand consumer payment preferences and small business payment offerings



**Sources:**

Xero Consumer Survey (New Zealand), 2024. What are the different methods that you use to make payments? (n=1,005)

Xero Small Business Survey (New Zealand), 2024. What payment methods does your company offer to customers / clients today? (n= 508)



## Fee frustration and surcharges a struggle between small businesses and consumers

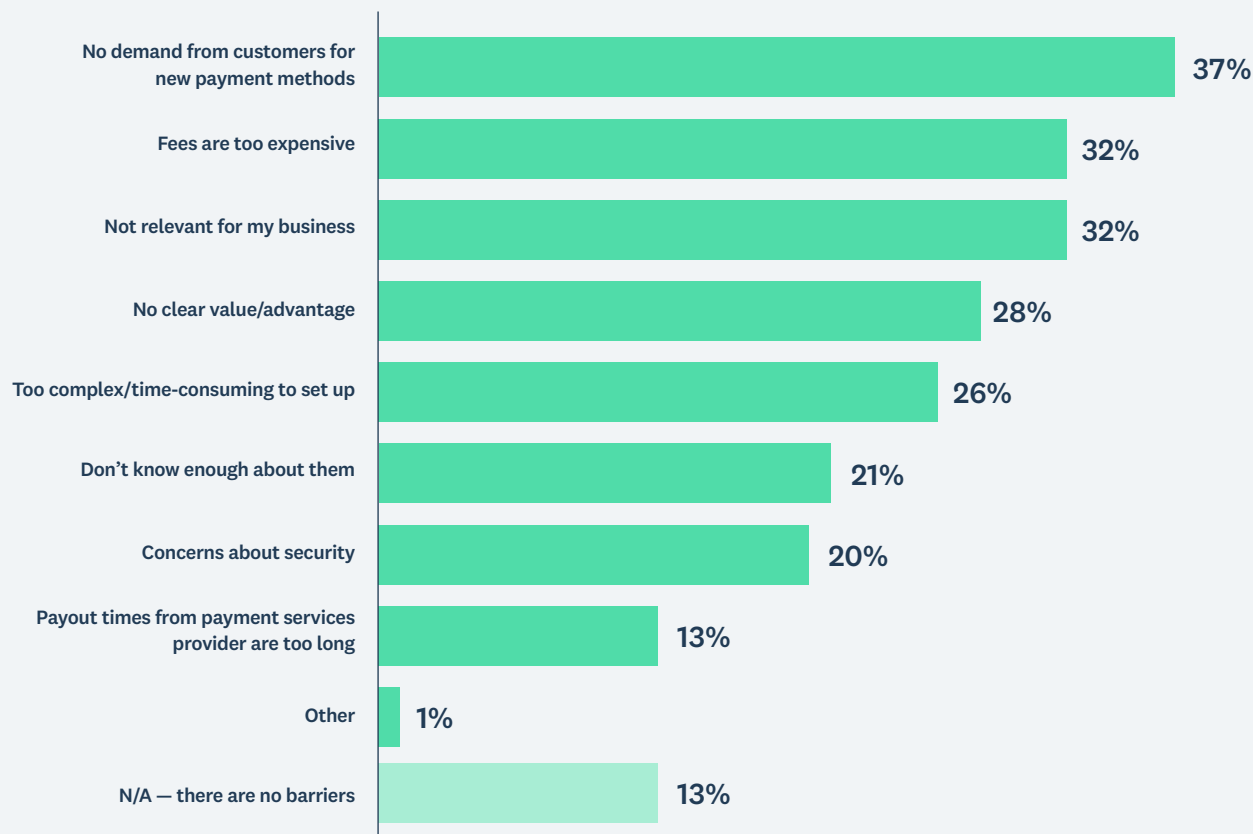
A lack of demand from customers for new payment methods (37%) is the most common reason that stops small businesses from offering new or different payment methods to their customers. Yet 38% of consumers say not having their preferred payment method is one of the frustrations they have when managing or making payments.

Almost a third (32%) of small businesses say expensive fees are a reason that prevents them from offering new or different payment methods to their customers. When asked if they absorb surcharge fees or pass them on to their customers, 47% of small businesses pass on fees to their customers, while 38% say they do not pass fees onto their customers.

Under the Retail Payment System Act, which passed into law in November 2022, excessive surcharges are not permitted and businesses are required to clearly display any surcharges they apply. However, it appears many consumers still feel there's a lack of transparency, with 77% of consumers reporting hidden fees or surcharges as a top frustration when making payments.

Almost two thirds (63%) of consumers say they have a low level of acceptance for paying a surcharge fee if the payment method is convenient, while 29% of consumers are not at all accepting. In fact, 51% of consumers will try and change the payment method they use to avoid paying a surcharge.

### What barriers prevent you from offering new/different payment methods to your customers?



Source: Xero Small Business Survey (New Zealand), 2024. What barriers prevent you from offering new/different payment methods to your customers? (n= 508)

# Small businesses and consumers have mixed feelings about digital payment methods

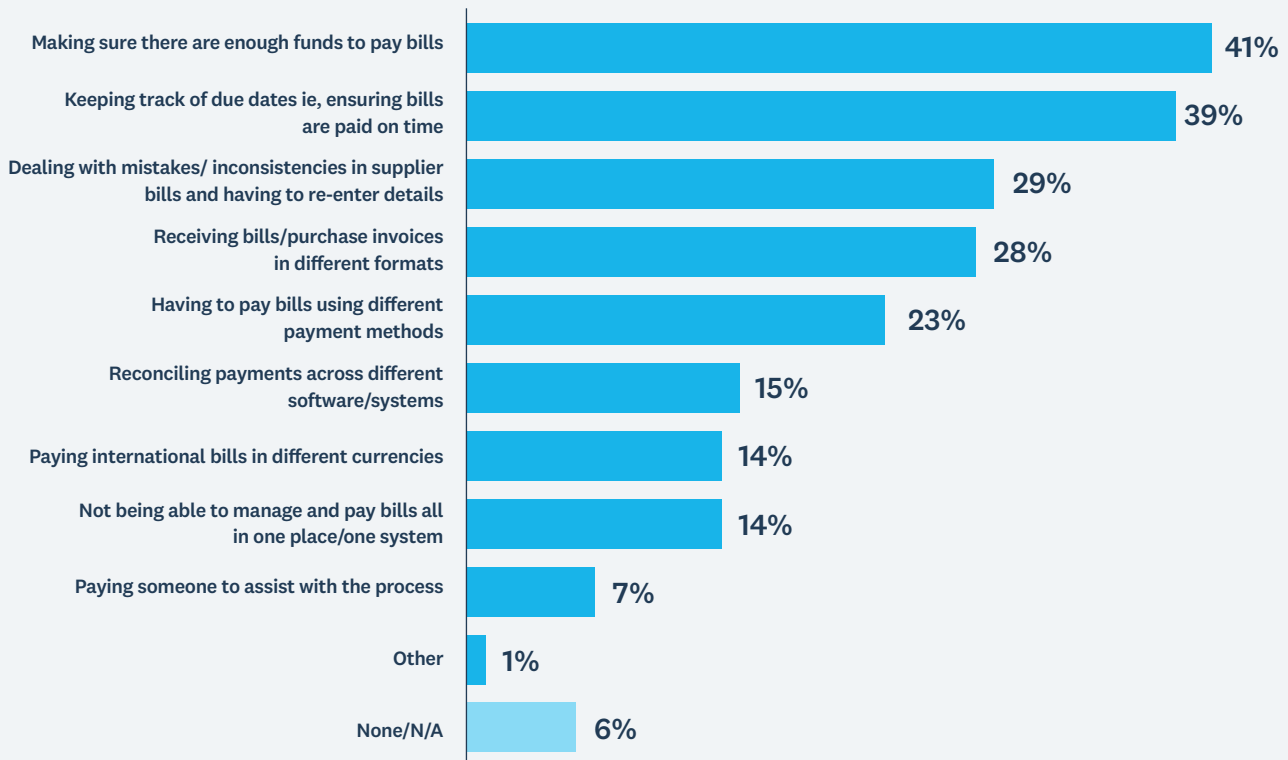
When thinking about future or emerging payment methods, small businesses are most optimistic about biometric authentication (31%) and bartering marketplaces (27%). This is similar for consumers, who are also optimistic about biometric authentication (24%) and bartering marketplaces (24%).

As the Reserve Bank explores digital currencies, more than a quarter of small businesses (27%) and consumers (29%) say they feel anxious about this payment method, with around a quarter of small businesses (23%) and consumers (27%) saying they feel terrified about digital currencies.

Small businesses and consumers are the most terrified about implantable payment chips and implanted microchips as future or emerging payment methods, at 43% and 46% respectively.

**39% of small businesses say customers have tried to barter as a way to pay, while 33% have been offered payment in the form of gifts like flowers.**

## Comparing Kiwi consumer payment preferences and small business payment offerings



Source: Xero Small Business Survey (New Zealand), 2024. What are the top challenges/frustrations when it comes to paying supplier bills? (n= 508)



# Singapore

## Overview

Singapore has its sights set on becoming a world-leading hub for fintech and digital payments, with a number of policy and regulatory initiatives underway to ensure the payment landscape is robust, innovative and secure. The [Monetary Authority of Singapore \(MAS\)](#) is currently working on consolidating existing payment regulations under a single framework. This new modular framework proposes regulating payments on an activity basis rather than specific systems, to allow more non-traditional fintech players into the market and enhance consumer protection. Other key initiatives proposed or in progress include the establishment of a National Payments Council, a new regulatory framework for consumer protection and anti-money laundering (AML), and the continued [push towards electronic payments](#) in collaboration with the private sector.

## TOP TRENDS

# Cash dominates, but Gen Z consumers are driving a step-change in online payments

Cash is the most commonly used payment method in Singapore, with 79% of consumers using cash to make payments. When shopping at small businesses in person, consumers are still most likely to use cash to pay for food (46%) and for products and services like hairdressers (36%). A quarter (25%) of Singaporeans typically have cash readily on them when they go to the store.

Even so, 51% of small businesses don't accept cash as a payment method from their clients or customers. In fact, of all the countries surveyed, small businesses in Singapore are the least likely to offer cash payments to customers (49% compared to NZ 52%, Australia 59%, UK 60% and US 70%). This is in spite of consumers in Singapore being more likely to use cash as a payment method than consumers in other markets (79% compared to UK 75%, US 74%, Australia 69%, and New Zealand 59%).

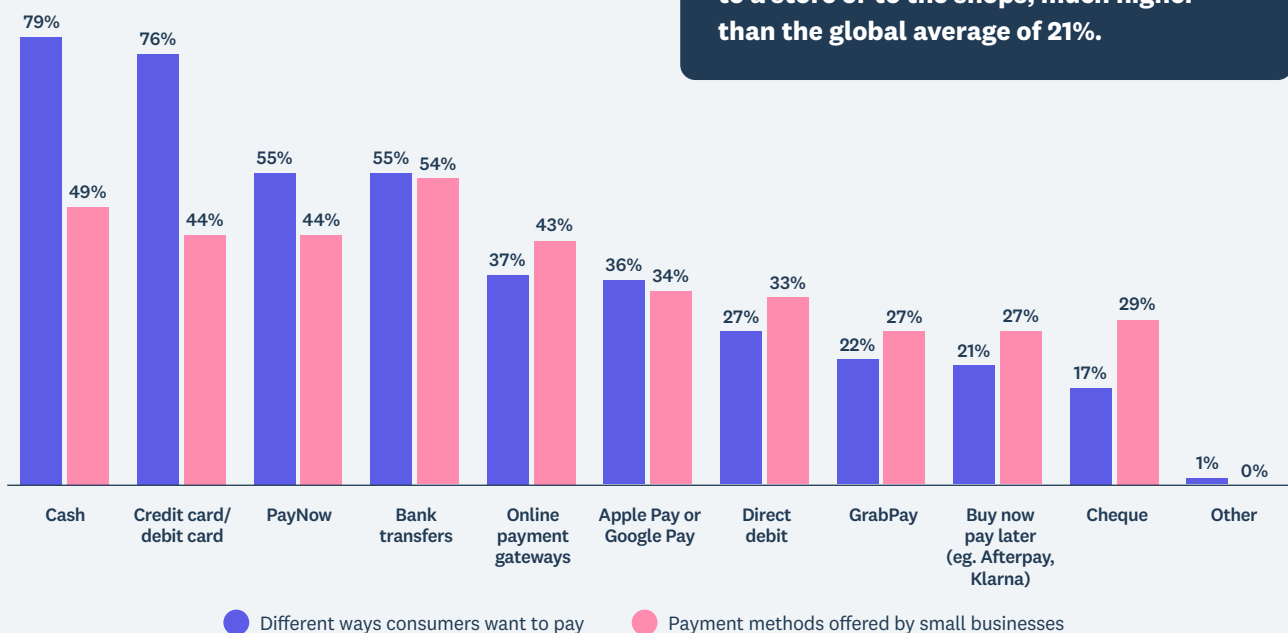
While cash payments are popular among consumers, a third (34%) of consumers say they rely on cash and cheque payments but could

switch to other payment methods. However, 86% of small businesses said there would be an impact on their business if cash and cheque disappeared tomorrow, while 36% of small businesses said it would have a high impact.

Of the other ways to pay, over half of consumers use either PayNow (55%) or bank transfers (55%) to make payments. PayNow is most commonly used by Gen Z consumers for payments (68% compared to Millennials 54%, Gen X 53%, and Baby Boomers 50%). Over a fifth of Singaporeans use either GrabPay (22%) or buy now, pay later methods (21%) to make payments, with 29% of Gen Z consumers using GrabPay as an everyday payment method (compared to Millennials 23%, Gen X 20%, and Baby Boomers 18%).

Bank transfer is the top payment method offered to clients and customers (54%) by small businesses and it's also the preferred method to pay their vendors and suppliers (52%). Additionally, 44% of small businesses offer PayNow to their customers.

Comparing Singaporean consumer payment preferences and small business payment offerings



Three in ten Singaporeans only take their mobile phone to pay when physically going to a store or to the shops, much higher than the global average of 21%.

**Sources:**

Xero Small Business survey (Singapore), 2024. What payment methods does your company offer to customers/clients today? (n= 506)  
 Xero Consumer Survey (Singapore), 2024 consumers. What are the different methods that you use to make payments? (n= 1,000)

# Long payout times, hidden fees, and security impact payments in Singapore

Over half (52%) of small businesses think one of the most important factors when choosing new payment methods is ease of payment for their customers. However, a vast majority (93%) of small businesses face at least one barrier preventing them from offering new payment methods.

At least a third of small businesses say payout times from payment services providers are too long (36%), which is much higher than other countries surveyed (AU 13%, NZ 13%, UK 19%, US 16%). This could be due to a number of unique market

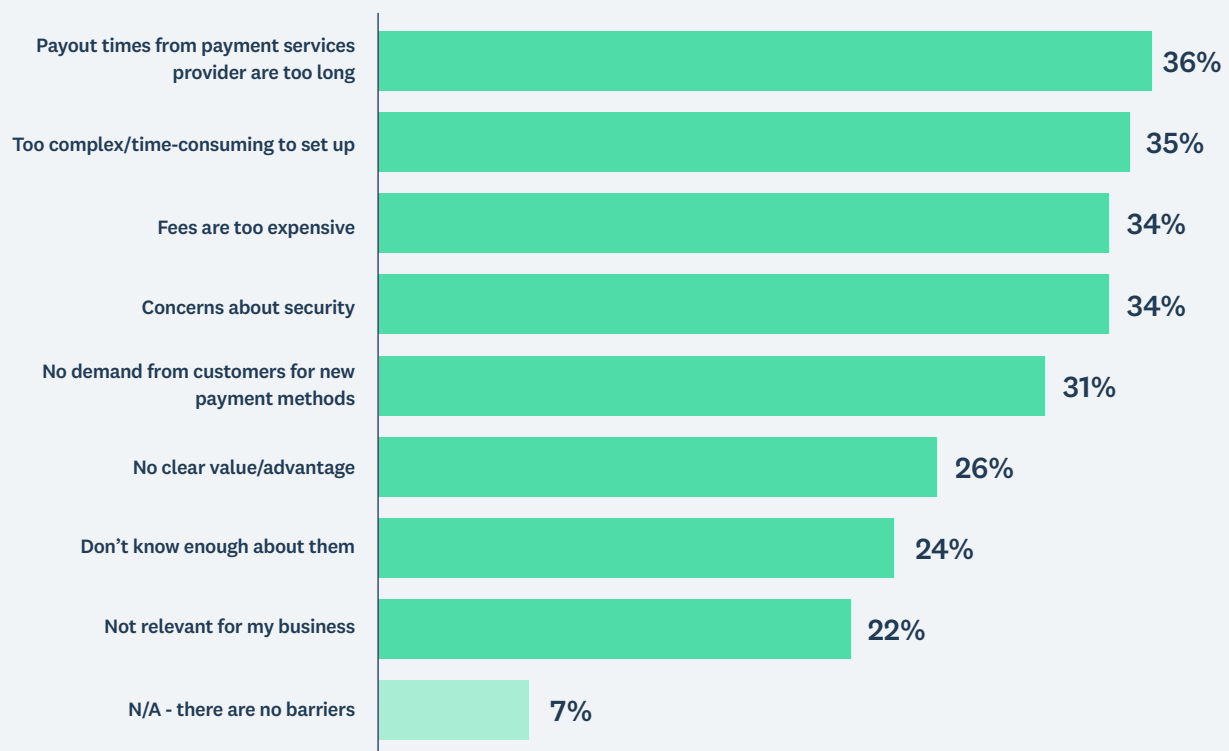
factors in Singapore, such as strict regulatory requirements and fraud prevention measures set by the Monetary Authority of Singapore.

The top frustration for almost two thirds (63%) of consumers when it comes to paying and managing payments is hidden fees or charges. Almost half (45%) of Singaporeans would try to change their payment method during a purchase in order to avoid paying a surcharge and one in four (24%) would even reconsider using that service or supplier again if there was a fee or surcharge.

Singaporeans are the most accepting country if businesses don't offer their preferred way to pay. Seven out of ten (70%) Singaporeans would use a different payment method if at least one of their preferred ways to pay wasn't offered, with only 18% saying they would visit another business.

**42% of consumers see security concerns as a frustration when making payments, while 34% of small businesses report security as a barrier from adopting new payment methods.**

**What barriers prevent you from offering new/different payment methods to your customers?**



Source: Xero Small Business survey (Singapore), 2024. What barriers prevent you from offering new/different payment methods to your customers? (n= 506)

# Small businesses in Singapore are leading in payment adoption

Despite these barriers, 87% of small businesses have benefited from adopting new payment methods in their business in the last 6 to 12 months. Only 13% of small businesses in Singapore haven't adopted new payments in the last 12 months, which is much lower than other countries (US 28%, UK 44%, AU 53%, NZ 61%). Reduced time to be paid (43%), retaining more business (42%) and increased sales (41%) are cited as some key benefits realised from bringing on new payment options.

Many small businesses are also positive about future and emerging payment methods, more so than small businesses in the other countries surveyed. Around a third of small businesses

are optimistic about biometric authentications (36%), augmented reality (33%), and bartering marketplaces (33%). In fact, 31% of small businesses are excited about implantable payment chips, much higher than small businesses in countries like Australia (7%) and New Zealand (9%).

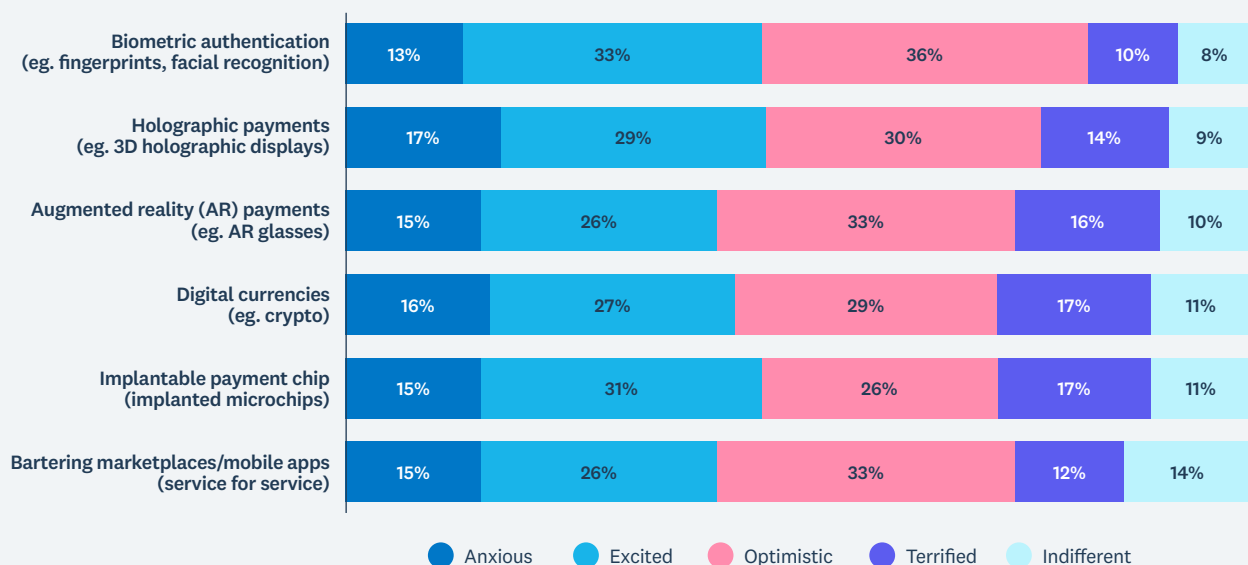
**Almost all small businesses (96%) have experienced customers trying to use an unusual or non-traditional way to pay. These include social media promotion (42%), bartering such as offering goods or services in exchange for theirs (42%), or offering skills or lessons (38%).**

## Which benefits have you realised from adopting new payment methods in your business in the last 6-12 months?



Source: Xero Small Business survey (Singapore), 2024. Which benefits have you realised from adopting new payment methods in your business in the last 6-12 months? (n= 506)

## Which of the below feelings best describes how you feel about these future or emerging payment methods?



Source: Xero Small Business survey (Singapore), 2024. Which of the below feelings best describes how you feel about these future or emerging payment methods? (n= 506)



# United Kingdom

## Overview

The payments landscape in the United Kingdom is undergoing a dynamic transformation, marked by the declining use of cash, changing consumer expectations, and the advancement of open banking and new regulatory frameworks. The forthcoming challenges and opportunities for payments in the UK were analysed in the [Future of Payments](#) review. The UK is at the forefront of delivering open banking, accelerated through [domestic competition measures](#) and an ambitious approach to implementing the European [Second Payment Services Directive \(PSD2\)](#), both helping to improve innovation in financial services. The new government has committed to supporting the [use of new technology in financial services](#) such as open banking and open finance, particularly to unlock the potential for increased competition in retail payments.

## TOP TRENDS

# Gen Z consumers ditch cards in favour of mobile payments

Credit card or debit card (87%) is the most popular payment method for consumers and this extends to how they make payments in store and online for almost all industries, except housing and product and services (eg, hairdressers). Three in four consumers (75%) still use cash, with 43% saying they only use cash and cheque payments when a business insists on it and would be minimally impacted if cash and cheque disappeared tomorrow. Only 19% have cash readily on them to pay in store.

Small businesses, on the other hand, would feel the impacts if cash and cheque disappeared tomorrow, with 80% saying it would have an impact on their business. These impacts are felt differently based on location, with 42% of small businesses in Scotland saying it would have a high impact on their business if cash and cheque disappeared tomorrow, compared to those small businesses in London (19%) and Northern Ireland (11%) who said 'high impact'.

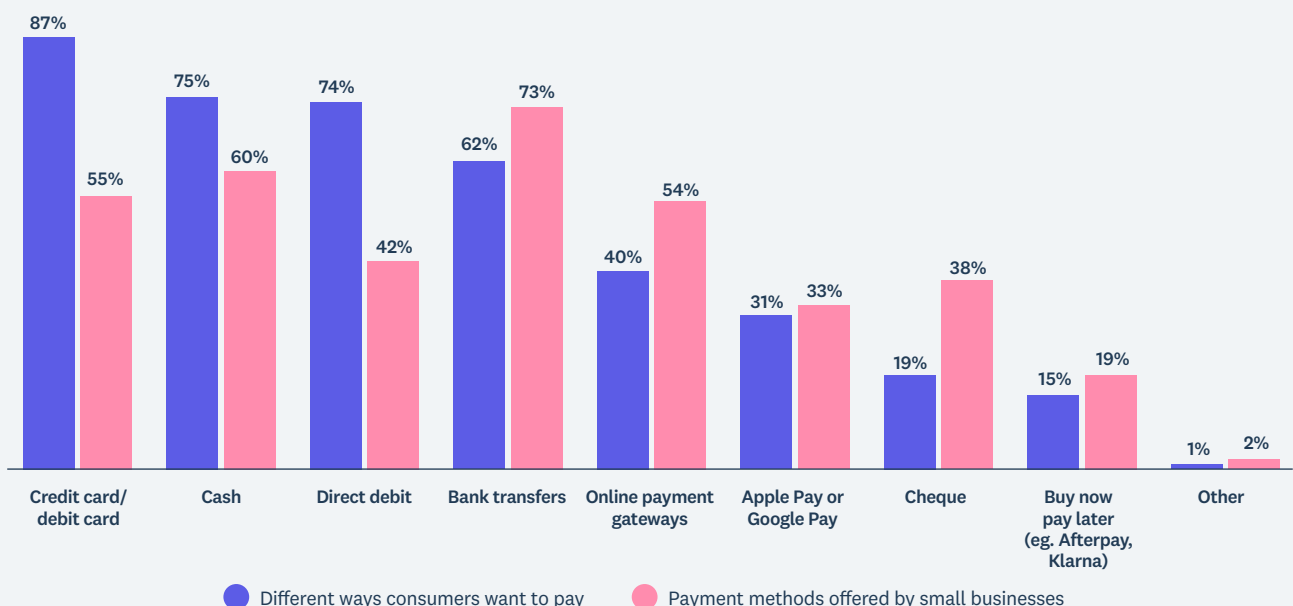
Three in ten consumers (31%) make payments using Apple Pay and/or Google Pay, with this increasing to 55% among Gen Z consumers and

49% among Millennial consumers, comparatively higher than Gen X (19%) and Baby Boomers (11%). Almost half (47%) of Gen Z consumers only take their mobile phone to pay when physically going to the shops (compared to Millennials 29%, Gen Z 10%, and Baby Boomers 7%).

There are also generational differences with card payments. Baby Boomers are the most likely to make online retail payments via credit or debit card (70%) and the likelihood decreases with age, with 66% of Gen X, 59% of millennials and 35% of Gen Z consumers using card payments.

When it comes to what small businesses are actually offering customers, despite credit cards being the most popular customer choice, bank transfers (73%) are the most common payment method offered. This is followed by 60% offering cash, and then only 55% offering the most preferred method of credit card and /or debit card. A third of small businesses offer Apple Pay and/or Google Pay, despite the increasing demand for this mobile payment option among the younger generations.

Comparing UK consumer payment preferences and small business payment offerings



**Sources:**

Xero Consumer Survey (UK), 2024. What are the different methods that you use to make payments? (n= 1,015)

Xero Small Business Survey (UK), 2024. What payment methods does your company offer to customers/clients today? (n=508)



# Accounts payable are a headache for small businesses, while consumers are frustrated by surcharges and lack of payment options

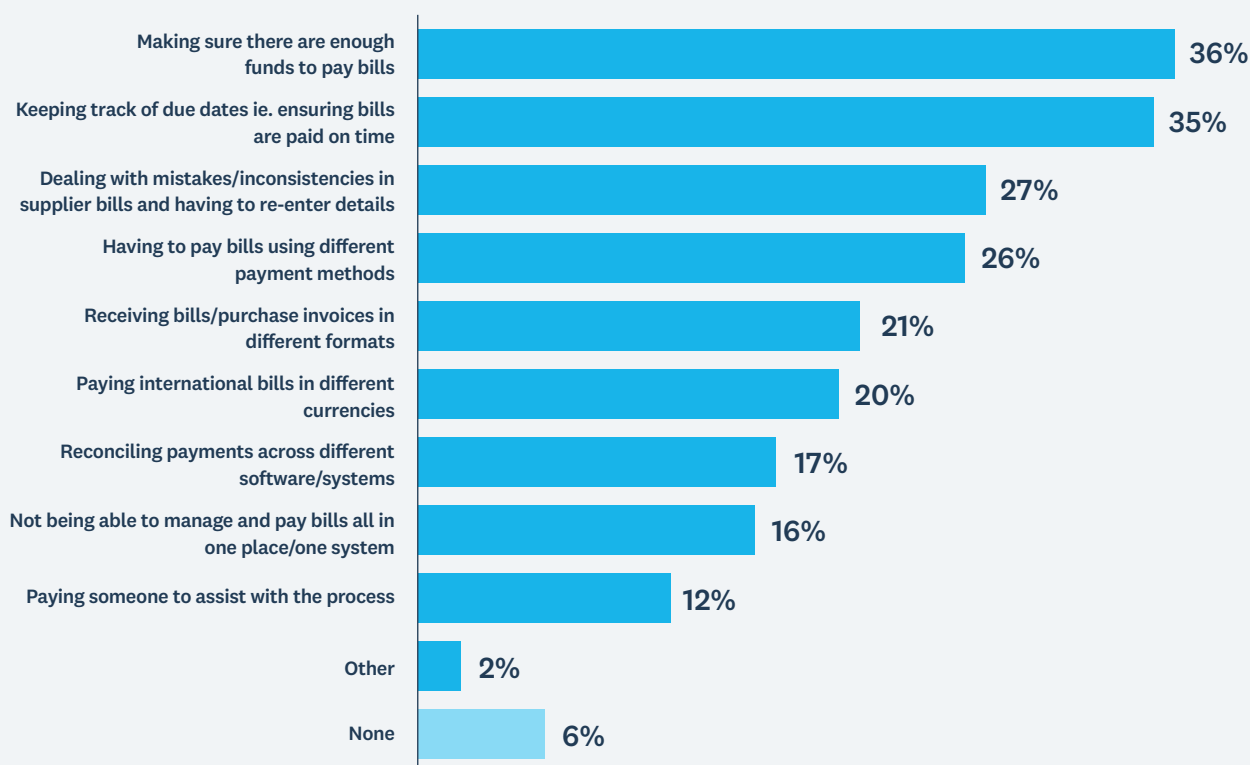
When it comes to paying their supplier bills, over a third of small businesses report that their top challenges are making sure there are enough funds to pay bills (36%) and keeping track of due dates so that bills are paid on time (35%). It's not surprising then that 45% of small businesses spend at least four hours each month managing their accounts payable.

Almost half (49%) of small businesses report spending at least two hours a month chasing late payments, despite 92% of consumers saying they pay their invoices and bills before the due date. Three in ten (30%) of consumers don't pay their bill immediately because they don't have the funds at the time, while almost a quarter (24%) admit they don't pay immediately because they forget to do so.

When managing or making payments, hidden fees or surcharges are the most common frustration for two thirds (64%) of consumers, followed by security concerns (42%). Many consumers feel that their payment preferences aren't being met, with 37% saying not having their preferred payment option available is a frustration. Around a quarter (24%) of consumers are frustrated by the limited or lack of payment options accepted by businesses.

This should be a watchout for small businesses, with one in four consumers saying they would visit another business that accepts more payment options if at least one of their preferred methods weren't offered by the business.

## What are the top challenges/frustrations when it comes to paying supplier bills?



Source: Xero Small Business Survey (UK), 2024. What are the top challenges/frustrations when it comes to paying supplier bills? (n= 508)

## Early payment adopters realising benefits, while laggards remain unconvinced on value

Despite the benefits that adopting new payment methods can bring, many small businesses remain unconvinced of their value. Not relevant for my business (33%), no clear value/advantage (32%) and no demand from customers (31%) were reported as some of the barriers preventing small businesses from offering new payment methods. This reluctance is much higher than small businesses in the US who reported it as not relevant (22%) or that there was no clear advantage (21%).

This reluctance highlights a disconnect between small businesses that have embraced new payment methods and those that haven't. Reduced time to be paid (25%), increased sales (24%), less time chasing late payments (22%), and access to a new customer base (22%) were among the benefits realised by small businesses from adopting new payment methods in their business in the last 6 to 12 months.

**Xero provides a clear overview of accounts payable, showing bills in draft, awaiting approval, or ready for payment, to help businesses schedule payments and make batch payments. With automated bill entry and the open banking integration, small businesses can send invoices directly to Xero to populate bill information, and pay bills directly in Xero.**

**Which benefits have you realised from adopting new payment methods in your business in the last 6-12 months?**

**25%**

Reduced time to be paid

**24%**

Increased sales

**22%**

Reduced time chasing late payments

**22%**

Accessing a new customer base

**20%**

Retained more business

**<1%**

Other

**44%**

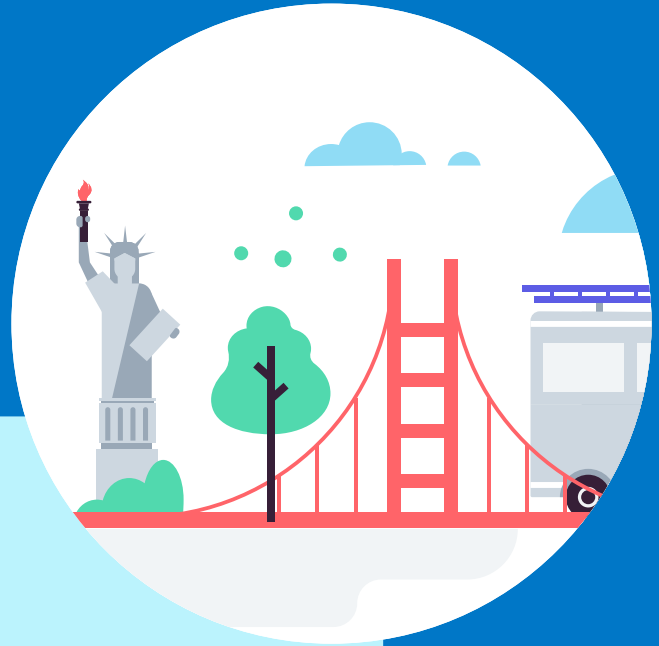
I haven't adopted new payments in the last 6-12 months

**Source:** Xero Small Business Survey (UK), 2024. Which benefits have you realised from adopting new payment methods in your business in the last 6-12 months? (n= 508)

# United States

## Overview

The US payment landscape is being shaped by a number of market trends and regulatory initiatives. [Real-Time Payments \(RTP\)](#) and its real-time account-to-account (A2A) payment capabilities is enabling faster and more secure payments in the US, alongside initiatives like the [introduction of the FedNow® Service](#). Further, the exploration of a central bank digital currency (CBDC) by the Treasury reflects the government's commitment to stay at the forefront of financial innovation while ensuring financial stability. Regulatory frameworks, including regulations on funds availability, debit card fees, and financial market utilities, continue to play a crucial role in maintaining the security and efficiency of the payment systems, and are influencing payment behaviours and habits of consumers and businesses towards more cashless payments.



## TOP TRENDS

# Small businesses are looking to newer payment methods, but consumers are slower to adapt

Almost nine out of ten consumers (89%) use credit or debit cards to make payments; however, almost a third (30%) of small businesses don't offer credit or debit cards as a payment option.

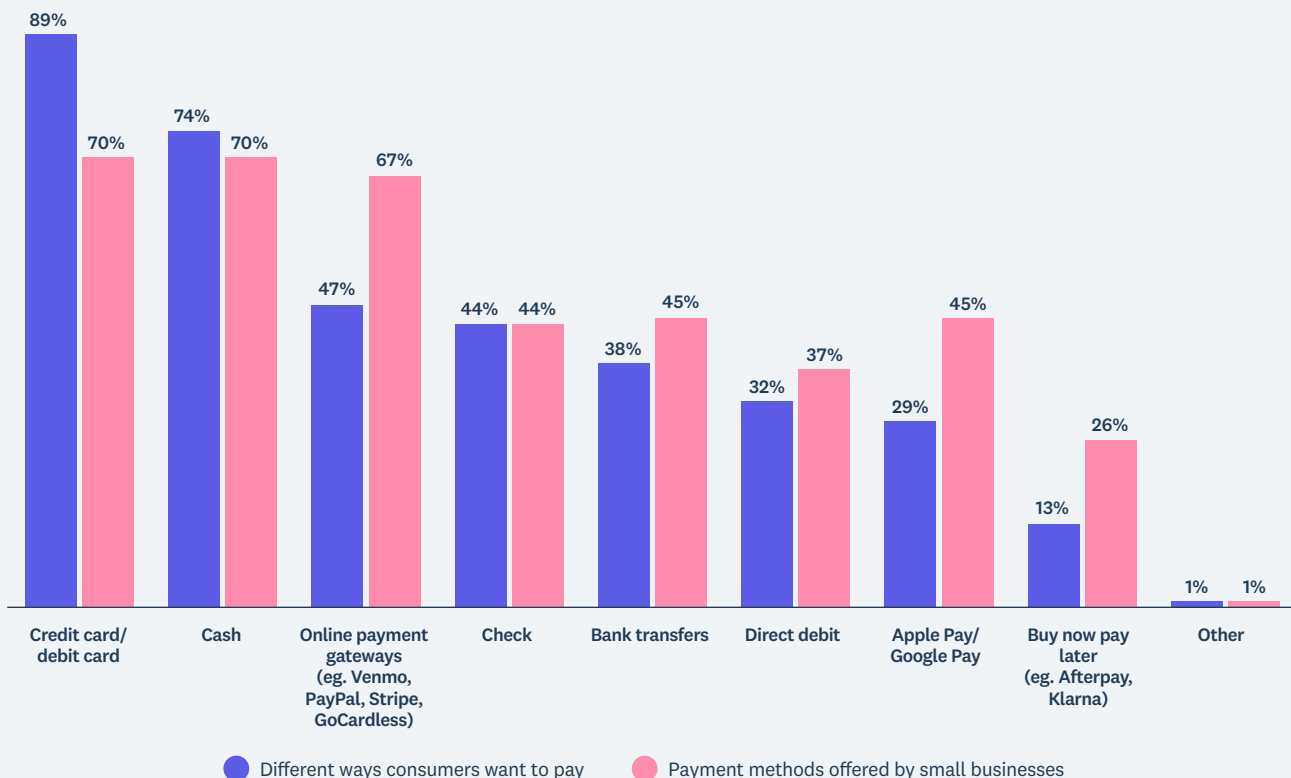
With credit and debit card facilities not meeting consumer demand, nearly one in five consumers (19%) need to resort to another payment method at the checkout. This is concerning for small businesses because 21% of Americans would visit another business that accepts more payment options if a business didn't offer at least one of their preferred ways to pay.

Interestingly, three quarters (74%) of Americans also still use cash to make payments, with products and services like going to the hair salon (39%) and buying food (31%) the most popular to pay for in cash. It could also explain why the survey results showed that 20% of consumers have cash readily on them when they go to the store.

**Younger generations are quickly embracing new digital payment methods. 43% of Gen Z consumers using mobile payments such as Apple Pay or Google Pay with 21% of Gen Z, and 18% of Millennial consumers only take their mobile phone to pay when they go into shops. This is at least double the number of Gen X (9%) and Baby Boomers (1%).**

However, US small businesses make up for the lack of credit and debit card payment options in their adoption of newer, digital payment methods, such as Apple Pay and Google Pay (where their popularity amongst small businesses ranks highest of the regions surveyed) and 'buy now, pay later' options.

Comparing US consumer payment preferences and small business payment offerings



**Sources:**

Xero Consumer Survey (US), 2024. What are the different methods that you use to make payments? (n= 2,001)

Xero Small Business Survey (US), 2024. What payment methods does your company offer to customers / clients today? (n= 513)

# Small businesses find it hard to stay on top of payments, while hidden fees deter consumers

When it comes to paying their supplier bills, the most common challenge that small businesses face is keeping track of due dates (38%). It's not surprising then that 58% spend at least four hours each month managing their accounts payable.

Around a third of small businesses also report one of their top challenges when it comes to paying their own bills, is making sure they have enough funds (35%). That may be why a significant number of small businesses noted they use credit or split payments to pay their suppliers, with 65% using credit and debit cards and 17% using buy now, pay later options to manage their vendor bills.

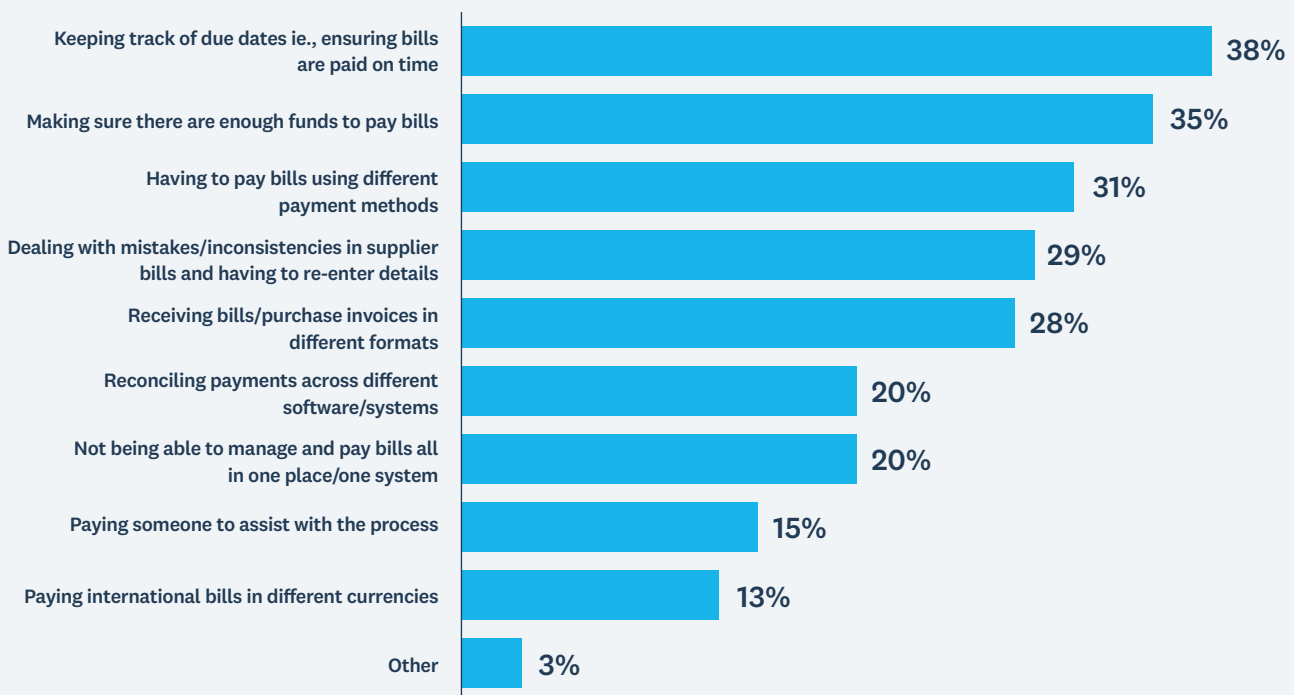
More than half (58%) of small businesses spend over an hour per month chasing late payments, with almost a quarter (24%) spending at least six hours each month. This is despite 83% of consumers saying they pay their bills and invoices before the due date. Over two in five consumers (43%) say the reason they don't pay their bills and invoices more quickly is they don't have the funds at the time.

**38% of small businesses think their customers have a high acceptance of paying surcharge fees if the payment method is convenient to them.**

In the US, surcharges and fees for using credit or debit cards are only regulated in certain states, and in most instances, surcharges cannot exceed the cost of processing the payment. This appears to be a sore spot for consumers, with hidden fees or surcharges (67%) reported as one of their top frustrations when it comes to paying and managing payments.

More than half (51%) of consumers say they have a low level of acceptance for paying a surcharge fee and more than a third (36%) would change their payment method to avoid the fee. This could be why 42% of small businesses build the price of fees into the cost of other goods and services, while only 8% of small businesses charge these fees separately to consumers.

## What are the top challenges/frustrations when it comes to paying supplier bills?



Source: Xero Small Business Survey (US), 2024. What are the top challenges/frustrations when it comes to paying supplier bills? (n= 513)

## Increased sales and growing customers the top benefits of adopting new payments

When exploring new payment options, 62% of small businesses said ease of payment for their customers was the most important factor. Given consumer concerns around hidden fees and surcharges, it's not surprising that low transaction fees (55%), no payment surcharge fees (48%), and no set-up fees (38%) are also important factors when choosing new payment methods.

Increased sales (41%) was the top benefit realised by small businesses from adopting new payment methods in their business in the last 6 to 12 months. Interestingly, small businesses run by Gen Z leaders were significantly more likely to report seeing increased sales from new payment methods (56%) compared to other generations (Millennials 47%, Gen X, 37%, Baby Boomers 12%).

Accessing a new customer base (31%), reduced time to be paid (30%), retaining more business (28%), and reduced time chasing late payments (27%) were some of the other benefits realised by small businesses from adopting new payment methods in their business in the last 6 to 12 months.

These benefits from adopting new payment methods could explain why at least a third of small businesses are optimistic about future or emerging payment methods like biometric authentication (35%), bartering marketplaces/apps (34%) and digital currencies (33%).

While small businesses in the US were more likely to say they feel optimistic about digital currencies than small businesses in other countries surveyed (SG 29%, UK 18%, NZ 18%, AU 15%), more than a quarter (27%) of consumers in the US say they feel terrified about digital currencies.

Which benefits have you realised from adopting new payment methods in your business in the last 6-12 months?

41%

Increased sales

31%

Accessing a new customer base

30%

Reduced time to be paid

28%

Retained more business

27%

Reduced time chasing late payments

<1%

Other

28%

I haven't adopted new payments in the last 6-12 months

Source: Xero Small Business Survey (US), 2024. Which benefits have you realised from adopting new payment methods in your business in the last 6-12 months? (n= 513)

# Appendix

## Survey methodology

The research was commissioned by Xero and was conducted by Lonergan Research in accordance with the ISO 20252 standard. Lonergan Research surveyed 6021 people aged 18 and over across the United States, United Kingdom, Australia, New Zealand and Singapore as well as 2547 small business leaders (SBLs) across those countries.

Surveys were distributed throughout those countries including in both capital city and non-capital city areas. The survey was conducted online amongst members of a permission-based panel between 15 May and 29 May 2024. After interviewing, data was weighted to the latest population estimates sourced from their respective statistics agencies.

## Breakdown by region

<b>Australia</b>	1000 Australians 18+ 512 small business leaders
<b>New Zealand</b>	1005 New Zealand adults 18+ 508 small business leaders
<b>Singapore</b>	1000 Singaporeans 18+ 506 small business leaders
<b>United States</b>	2001 Americans 18+ 513 Small Business Leaders
<b>United Kingdom</b>	1015 UK adults 18+ 508 small business leaders

## Our questions covered these areas

- Current state of consumer and small business payments
- Attitudes and behaviours to payments
- Exploring alternative ways to pay

## Age ranges for generations (as of 2024)

<b>Gen Z</b>	18-29 years old
<b>Millennials</b>	30-44 years old
<b>Gen X</b>	45-64 years old
<b>Baby Boomers</b>	65+ years

## Find the right payment methods for you and your customers

Payment preferences are as unique as the people making them. And while it's true that payment preferences can depend on the location, demographic, and purchase type, small businesses that provide their customers with options stand to benefit most.

Helping customers pay their way is good for business. That's why we've made it even easier to offer your customers more ways to pay.

Our software integrates with trusted, secure payment providers so you and your customers can make payments, with ease and confidence.

[Xero](#) makes using online payment options simple, secure, and seamless. Plus, there's no setup cost - only pay as you go.

**If you're interested in adding more payment options or streamlining how to make payments, you can learn more by clicking on the relevant region here:**

[Click here](#)



### United Kingdom

Interested in [setting up bill payments](#) in Xero too?



### United States



### Australia



### New Zealand



### Singapore

[Click on a flag to find out more](#)





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