



# *Reimagining payouts:* Simplifying the payment experience while providing impactful optionality

Making quick, easily traceable payments to gig economy workers — or to customers — can be frustrating for any company. While payment acceptance has been transformed and can be seamlessly integrated into everyday life, B2C payouts have not evolved at the same pace. Traditional payment methods such as ACH and checks can fail and create friction, both for companies and the people they want to pay.

Companies in the United States saw a significant increase in check fraud following the COVID-19 pandemic.<sup>1</sup> It comes as no surprise that digital wallets are now more commonplace in the U.S. with over half the population using them more often than traditional payment methods.<sup>2</sup> Digital wallets can offer a more secure experience through multilayered encryption, two-factor authentication and faster payments to reduce delivery time of goods.

In some cases, workers may be reluctant to share their bank account information with their employer for fear of data breaches, while some workers may not have bank account details to share. According to the Fed, in 2022, 6% of the overall U.S. population was unbanked, while 17% of adults taking home less than \$25,000 a year did not have a checking, savings or money market account.<sup>3</sup>

### **Prioritizing the payee experience**

Companies across all sectors are revamping their payout strategies to attract and retain freelancers, drivers, content creators, project-based workers and other part-time employees in the gig economy. But competition to obtain these workers is getting tougher as many of these individuals have well-known brands competing for their services. Several businesses

<sup>1</sup> <https://apnews.com/article/check-fraud-banks-organized-crime-5f033b93bd87e2cbeb82b4ab4865a916>

<sup>2</sup> <https://www.forbes.com/advisor/banking/digital-wallets-payment-apps/>

<sup>3</sup> <https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-banking-credit.htm>



can differentiate themselves by offering unique perks and a strong company culture, however, more companies are prioritizing quick, convenient and seamless payments to gain a competitive advantage.

One of the key benefits as to why many workers opt to work in the gig economy is the ability to be in control of their work and schedules.<sup>4</sup> This desire for optionality impacts gig workers' preferences for how they want to be paid. Workers want as little administrative burden as possible and to be paid as fast as possible via their desired payment method. Nearly 60% of gig workers are even willing to pay a fee for an immediate payment.<sup>5</sup>

According to the Federal Reserve, 16% of adults do some gig work every month.<sup>6</sup> Some of these workers may need accelerated payments to pay for gas, meals and other household expenses, making fast and efficient payouts essential to their stability. The increased availability of alternative payment methods can improve workers' financial health by enabling them to better plan their budgets, cover immediate expenses or save for future needs.

In addition to paying gig workers and part-time employees, there are several scenarios where companies may need to make payments directly to consumers, including refunds, rebates and other forms of incentives. For example, an online retailer may want to strengthen its customer experience with optionality of how to issue a refund; a cellphone provider may want to strengthen its customer relationship with a rebate; or an insurance company may want to improve customer satisfaction by paying a claim quickly.

### An omnichannel solution

Ultimately, businesses wanting to give their workers and customers enhanced payment flexibility may need to access many platforms and apps. This can be a manual, time-consuming process that leaves many businesses open to potential risks such as entering incorrect payment details or fraudulent activity. Integrating various digital wallet solutions and customer onboarding processes into existing ERP and TMS platforms can also be complicated. Payment challenges are not just an inconvenience. By reducing operational efficiency and creating poor customer experience, there is potential to hinder growth.

<sup>4</sup> <https://www.bls.gov/careeroutlook/2016/article/pdf/what-is-the-gig-economy.pdf>

<sup>5</sup> <https://www.pymnts.com/disbursements/2023/nearly-60percent-of-freelancers-willing-to-pay-for-instant-payouts/>

<sup>6</sup> <https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-employment.htm>

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To address the challenges facing companies seeking to pay gig workers, creatives or freelancers, Citi recognized that *an innovative payment solution was required.*

As a result, companies are looking for banking providers to improve the overall payment experience while decreasing risk and cost for their organizations. That is why Citi has been investing heavily in improving the payee experience through our Citi Payment Exchange solution.

To address the challenges facing companies seeking to pay gig workers, creatives or freelancers, Citi recognized that an innovative payment solution was required. The bank's priorities were payment optionality and client experience to ensure that payments are seamless and offer sufficient speed and flexibility to meet the expectations of workers and customers.

Innovative solutions like Citi Payment Exchange are fundamental to improving the payment experience for both the payer and payee.



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