



## The Appeal Of Text-To-Pay For Small Businesses

small business payments mobile banking

**Summary:** Ninety-five percent of text messages are read within three minutes. With consumers' reliance on texting, it is no wonder that the latest payment option, text-to-pay, is gaining momentum. It gives users the ability to pay through a link on a text easily and quickly. Let's see why your small business customers may start finding it attractive.

People often have cravings for snacks at odd hours of the night, but such cravings often go unmet. That simple reality was the driver behind the launch of Insomnia Cookies, a company that provides freshly baked cookies until 3 am daily, straight to your door. While Seth Berkowitz, the founder, was a student at Philadelphia's University of Pennsylvania, he began baking and selling cookies to classmates in the late evening hours and now the business has grown to more than 200 locations.

Giving people the ability to act on their desires immediately can be a tasty proposition for community financial institutions (CFIs) too. With the rising adoption of this quick and easy payment option, text-to-pay, CFIs will want to be prepared to give their customers what they want. We explore this nascent area of payment, including why small businesses may find it appealing.

### Texting as a trend

According to Alacriti, texting is the primary activity for consumers on their phones. Not surprising then that 95% of text messages are read within three minutes. This method of communication is popular not just personally, but also to connect with businesses. Texts are now commonplace for appointment reminders, account alerts, and even promotions. Customers can even chat with some businesses via text. [Seventy-one percent of consumers say that this type of engagement with businesses is effective.](#)

### Consumers want quick & easy

Since people are happy texting with businesses, it is not a stretch to pay through texting. Many Americans turned to mobile and online banking and shopping out of necessity during the pandemic. But as things seem to be headed on a path to relative normalcy, a large portion of consumers are sticking with mobile banking and shopping, because of its overall ease. Now mobile shopping is about to get easier and quicker by allowing people to securely make purchases and pay recurring bills by sending a simple text message, without the need to input payment or shipping details. Texting-to-shop is already popular in countries such as China and it is quickly gaining traction in the US as well. In fact, [80% of Americans who have tried this payment option, repeatedly use it](#), according to software company Authvia. Given that Americans collectively spend an estimated 37B hours waiting in lines to make purchases each year, the appeal of another rapid, secure payment option is wide-reaching.

### How it works

Unlike some mobile purchases where customers must enter their credit card and shipping information each time they buy something, text-to-pay allows people to store their information with a text-to-pay provider. This

way, they can make future purchases by sending off a simple text. Beyond convenience, it incorporates artificial intelligence (AI)-backed customer service support, where users can ask questions about products and receive rapid responses. When a user's question is more elaborate or challenging, the AI program will loop in human customer support for the transaction.

For example, a customer who sees a commercial for a pair of pants at Old Navy could send a photo of the pants from social media to the retailer's SMS number to get more details about the product. If the customer decides to buy the pants, Old Navy would text them a secure link where they could enter their credit card details and information. The next time they make an SMS purchase from the retailer they wouldn't need to enter any information, other than texting their approval for an order.

## The appeal for small businesses

For retailers and other businesses, text-to-pay is an appealing proposition.

**Reduces the likelihood of cart abandonment.** The rapid nature of paying by text reduces the likelihood of customers abandoning purchases in their cart, because they don't have credit card information at hand or get distracted by something else. While several retailers have already begun offering the service, major behemoths such as Walmart are also preparing to begin offering text-to-pay services.

**Provides automation payment option.** In addition to one-time sales, text-to-pay can be used for automated monthly payments. This ensures better business cash flow and reduces customer payment friction. Small business, [Ace Sanitation](#), noticed an 80% decrease in accounts receivable using text-to-pay.

Financial institutions, such as Wells Fargo, have begun offering customers the ability to use text-to-pay to make purchases and pay bills to provide customers with yet another mobile payment option. With text-to-pay still in the early stage of adoption, CFIs will want to weigh all the considerations. However, it is a way to strengthen ties with small and midsize businesses and stay competitive with other payment providers.

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## ECONOMY & RATES

Rates As Of: 03/15/2022 12:30PM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.45	0.10	0.39
6M	0.86	0.17	0.67
1Y	1.24	0.24	0.86
2Y	1.86	0.43	1.13
5Y	2.11	0.39	0.85
10Y	2.15	0.33	0.64
30Y	2.49	0.33	0.59
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	OBER	

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0.05

3.25

0.07

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