

A Guide to Modern Payment Methods for Your Business

What Businesses Must Do to Meet Evolving Customer Preferences

The Landscape of Payments is Changing

The stakes for customer experience are higher than ever, and businesses must adopt innovative payment systems to keep up

Success today means meeting customers where they are

When it comes to connecting with today's customers, personalization is the name of the game.

Customers now expect a purchasing experience tailored to their needs and preferences, including a fast, easy, and convenient checkout experience with the option to pay via their preferred method. While this may sound like pushing off more tasks to machines, the goal is to free up staff to deliver a better level of service and interactions in the areas that matter most to the customer experience.

Customers' evolving payment expectations

Yesterday:

- Cash
- Credit
- Debit
- Check

Today:

- Cash
- Credit
- Debit
- Contactless payments
- Mobile wallets
- P2P payment apps
- Buy now, pay later

Contactless Payments Have Become Essential to Business Success

Contactless payments offer a new level of convenience and the potential to unlock new revenue opportunities



Welcome to the contactless era

Among today's innovative payment methods, contactless payments are on the rise and going mainstream.

Contactless payments include mobile wallets, which are apps that store users' payment information and allow customers to pay by scanning a QR code or tapping their devices.

More than half of customers have begun using contactless payment solutions, [reports ForbesAdvisor](#). And 51% say they're less likely to pay in cash — or say they now forego cash overall. ¹

Contactless payment usage has surged across multiple sectors, as customers flock to the ease and convenience it provides.

49% of consumers

prefer contactless payment methods at **restaurants**, up 7% from last year. ²

48% of customers

prefer to use contactless payment methods when purchasing products in a **physical store**, up 5% from 2022. ³



5 ways contactless payments fuel business growth

Contactless payment allows businesses to:

1. Attract and retain customers

Accepting a wide range of payment options means shoppers can pay via their preferred method, allowing you to create a personalized experience for your customers.

2. Remain ahead of consumer trends

Nearly 4 in 10 (37%) consumers want restaurants to automate their payment process, such as deploying self-serve kiosks or providing the option to order ahead, in order to provide a streamlined experience. ⁴

3. Unlock upselling and cross-selling opportunities

Self-serve kiosks potentially allow higher-average checkouts with onscreen prompts that suggest upgrades or add-ons based on consumers' selections, and allow shoppers to add new selections to their carts.

A kiosk's visual environment creates seamless upselling opportunities by suggesting add-ons like beverages or informing diners of qualifying combination meal deals. Customers who order at kiosks at [Shake Shack](#), for instance, spend [nearly 10% more on average](#) compared to those who order with cashiers. ⁵

4. Provide the speed customers want

Contactless payments help teams work more efficiently by reducing checkout time — without undermining or removing the best parts of the customer experience. These payment methods can remove steps customers may encounter in more traditional transactions, such as having to take out cash or rifle through change, typing in a PIN code, or checking for errors. Digital systems and contactless transactions can also make the experience seamless by providing integrated access to digital receipts or loyalty programs.

5. Making the most of their teams

Contactless payments can give customers the autonomy they need without sacrificing the personal touch your brand puts on its services. If customers can take care of payments in an easy or self-guided way, your staff will have more time to share product knowledge, provide niche services, and generally take care of your customers' remaining needs.

Mobile Wallets Go Mainstream

Customers are ditching physical cards to pay with smart devices, creating an ultra-convenient checkout experience

Mobile wallets take convenience to new heights

Much of the increase in contactless payment use has been driven by consumers' adoption of mobile wallets. These innovative payment methods, which include [Apple Pay](#), [Google Pay](#), and [Cash App](#), provide customers new levels of flexibility in how and where they pay.

With mobile wallets, customers can complete transactions by tapping their favorite mobile devices, from smartphones to smartwatches, or by scanning a QR code.

From a customer perspective, using a mobile wallet couldn't be easier. Shoppers can store multiple payment methods in one convenient place and complete a purchase without ever presenting their cards.



2024: The mobile wallet tipping point

Mobile wallets have been gaining traction for years, and they're now a central part of the payments landscape.

53% of consumers

prefer digital wallets to traditional payment methods, and more than 70% are willing to use digital wallets as their primary payment method. ⁶

Quick and easy can be especially beneficial for vendors at markets, events, and pop-up stores, where customers may already be laden with shopping bags and need a convenient payment option.

Why mobile wallets are a win-win for businesses and consumers

The consumer-friendly benefits of mobile wallets help businesses too. Here's how:

1. Less friction during checkout

Businesses won't lose revenue opportunities from busy customers who want to avoid the hassle of finding their wallets and cards, or from shoppers who forgot their preferred cards at home.

2. More opportunities to build loyalty

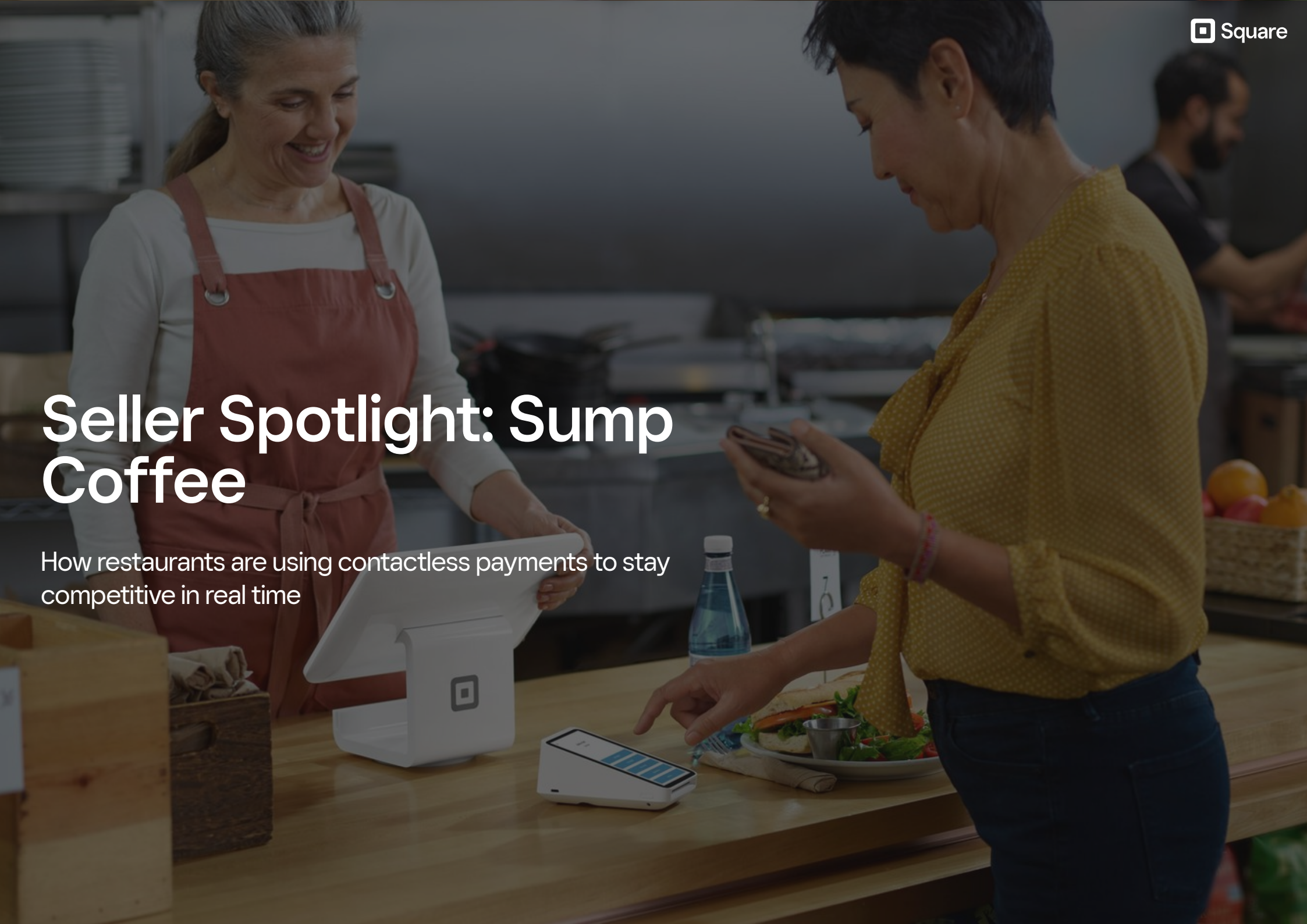
Business owners can entice consumers to shop by delivering exclusive perks and rewards via customers' mobile wallets, bringing in new and repeat business with discounts and promotions.

3. Another layer of protection for consumers' data

Mobile wallets provide an added layer of security, allowing customers to complete transactions without sharing their card numbers.

Seller Spotlight: Sump Coffee

How restaurants are using contactless payments to stay competitive in real time



Spotlight on restaurants

Thirty-seven percent of restaurateurs say that they need to offer contactless payment options, such as pay-at-the-table devices or kiosks, to improve and compete in the marketplace. ⁷

When Scott Carey and Marz Yamaguchi first left NYC, many businesses in the city were still cash only, so that's the model they initially adopted for [Sump Coffee](#) when they opened in St. Louis, Missouri. "What we'd see is people would come in and see we were cash only, and they'd say, 'I'll be back,' and they wouldn't come back. It just didn't work here," Carey said.

It immediately became obvious that they needed a way to process credit card payments quickly and easily. And so began their partnership with Square. Carey, who didn't come from the food-and-beverage industry, says that he was drawn to the platform largely because of its simplicity.

//

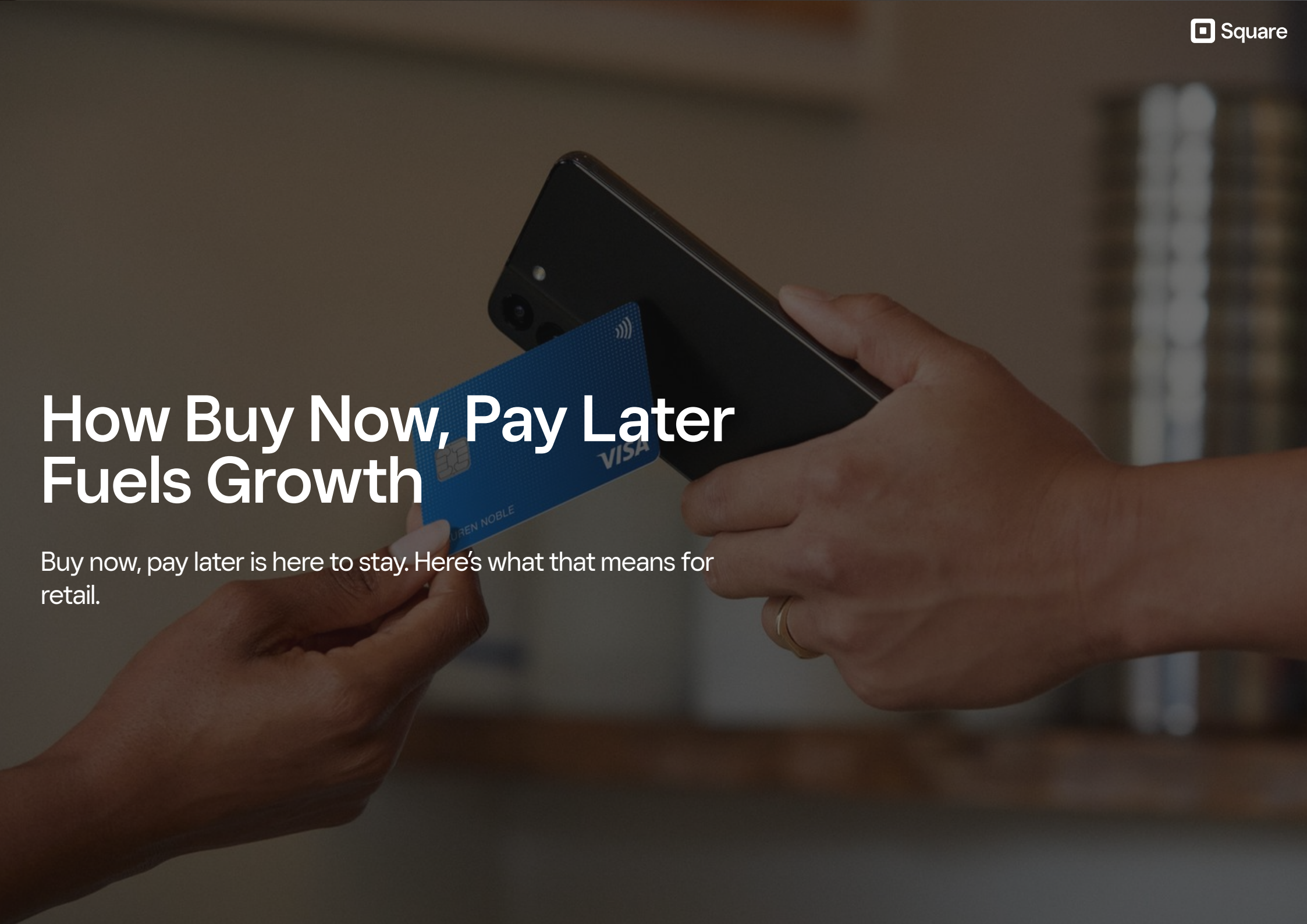
I like easy. I like the KISS model: keep it simple, stupid. So we started using Square, and that's how we captured sales."

Scott Carey, Sump Coffee

✕ in f

Mobile wallet use surged by 42%

year over year, with 17% opting to pay with mobile wallet apps, such as Apple Pay or Cash App Pay. ⁸



How Buy Now, Pay Later Fuels Growth

Buy now, pay later is here to stay. Here's what that means for retail.

Buy now, pay later has come a long way in just a few years

Once conceived as a financing solution for big-ticket items, buy now, pay later is now firmly entrenched in many consumers' lives. This is especially true among younger consumers, some of whom have turned to buy-now, pay-later options like [Afterpay](#) as their lending solution of choice.

+22% YOY

in spending via Afterpay (a buy-now, pay-later service) among Millennial and Gen Z buyers. ⁹



What are millennials and Gen Z buying with buy now, pay later?

Travel tickets

Buy-now, pay-later purchases of travel tickets surged 1,430% from 2022 to 2023. ¹⁰

Outdoor living products

Buy now, pay later spending on grills, patio furniture, and other outdoor goods increased 368% from 2022 to 2023. ¹¹

Everyday essentials

Small-ticket items, like trash bags, lighter fluid, blushes, and bronzers were among the fastest-growing purchases using buy now, pay later from 2022 to 2023. ¹²

The ability to finance purchases, large and small, offers numerous advantages for consumers. Chief among these is greater control over their cash flow: With the ability to pay for purchases over time, shoppers have more options to maintain their purchasing behavior amid temporary fluctuations in their incomes. As the cost of living continues to increase, buy now, pay later later can bring luxury goods within reach for a broader range of consumers and help shoppers make the most of their discretionary incomes.



Buy now, pay later offers significant benefits for retailers, too

Buy now, pay later is quickly becoming a baseline expectation for today's consumers. More and more retailers — especially ones looking to court younger shoppers — have looked to buy now, pay later to gain a competitive edge.

Nearly half (43%)

of retailers now accept buy-now, pay-later options, such as Afterpay — a figure that's increased 10% since 2022. ¹³

Offering buy-now, pay-later options can help retailers bring in more business by making purchases more accessible to a broader range of consumers.

Afterpay customers shop 50% more frequently

than traditional shoppers. They also spend an average of 40% more per transaction compared to traditional shoppers. ¹⁴

Buy now, pay later can help retailers manage risk within their businesses. With Afterpay, for example, retailers are paid in full at the time of purchase. Afterpay also works with a [company's return policy](#), so retailers can offer flexible payment options while retaining control over returns.

Making sense of buy-now, pay-later solutions

Three questions to ask to find the right solution for your business:

Does the solution offer flexible options for you and your customers?

Look for solutions that help you meet customers where they are, with the ability to offer flexible payment terms for purchases made via eCommerce or in person.

Are the fees transparent?

The ideal solution should make it easy to understand the merchant fees for each transaction. Ideally, it will charge you only when a customer makes a purchase using the solution.

Do they offer exceptional customer support?

Customers' interaction with a buy-now, pay-later solution can influence their perceptions of your brand. So look for a solution that offers responsive, helpful support both to you and your customers.



Seller Spotlight: Fort Worth Barber Supply

How this retailer uses buy now, pay later to improve the customer experience

[Fort Worth Barber Supply](#) is a barber supply that offers a comprehensive line of styling tools and necessities. With a wealth of barbers and customers shopping in their store and the costly investment of high-end tools, [the business adopted Afterpay](#) to help their shoppers tend to their needs in a flexible way.



//

What we love about offering Afterpay to our customers, it allows them to manage their cash flow better.

Afterpay allows you to break up your total into four payments, and it's really helped us because the barbers can now make larger purchases and then the customer has six weeks to pay it off.

We get paid right away, they get to base it out, and everyone wins."

Edward Ramirez, co-owner of Fort Worth Barber Supply

✕ in f

Payment Security and Fraud Protection Take Center Stage

With new and emerging payment methods taking center stage, businesses have an opportunity to enhance security with the right technology

Handling payment security and fraud protection in an evolving landscape

Data security is critical to long-term business success. Customers are increasingly concerned about payment fraud, and 26% say that they may have experienced it in the past year, according to a 2024 report from [Discover Global Network](#).¹⁵ Security breaches, like [account takeover attacks](#) or phishing attempts, can negatively impact customer loyalty if your customers aren't sure whether their finances and information are safe when transacting with your business.¹⁶

Data breaches not only compromise your customers' information, they also erode trust in your brand and cause you to lose customers.

More than 6 in 10 shoppers

would refuse to shop at a company that had recently experienced a data breach — a figure that climbs to 74% among high-income consumers.¹⁷

When selecting a payment solution, it's critical to ensure that it is [PCI compliant](#). This means that the solution is aligned with the Payment Card Industry Data Security Standard (PCI DSS), security standards that ensure sellers can collect, transmit, and process payment data securely.

In short, using a PCI-compliant solution helps you keep your customers' payment information safe.

How Square handles security protection

Square solutions have multiple layers of security to keep you and your customers safe.

PCI compliance

Square solutions are PCI compliant to offer peace of mind for business and consumers. This means businesses can:

- Stay compliant without the stress of maintaining compliance ordinances each year
- Mitigate the risk of noncompliance and the costly fees that come along with it

Layers of encryption

Square solutions offer end-to-end encryption, concealing customers' data at each step of a transaction. This includes:

- The payment information in the EMV chip on users' cards
- Information transmitted during tap to pay
- Information transferred when a card is inserted in a Square device

A range of contactless ways to pay

A payments processor like Square allows your customers to make purchases in the ways they prefer, such as through a mobile wallet. Contactless payments like mobile wallets provide an extra layer of security through tokenization.

Proactive fraud protection

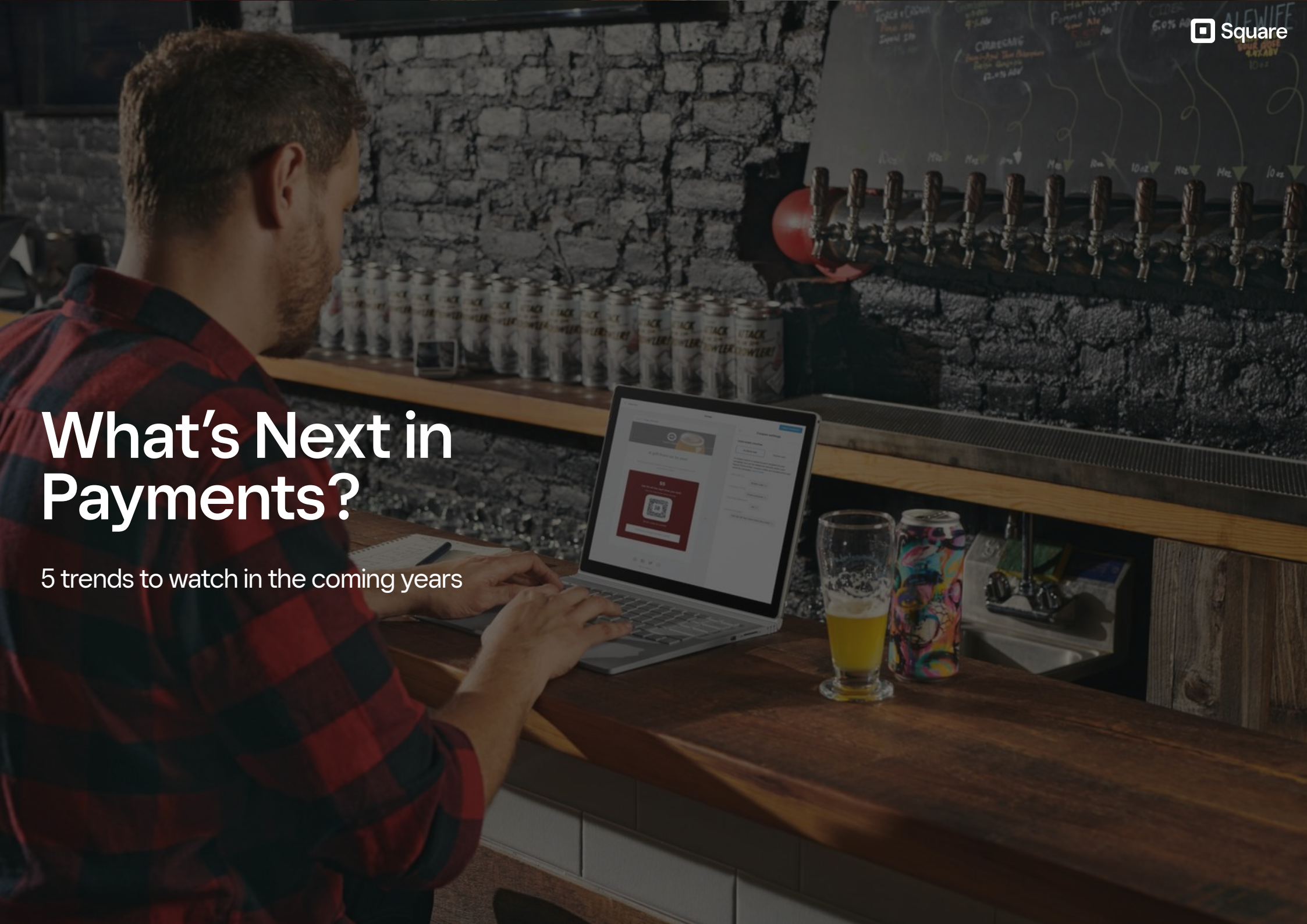
Square uses machine learning to analyze payments across our ecosystem to identify suspicious transactions and to notify users accordingly.

**Our team helps sellers
avoid 177,000 disputes
every year**

by sharing transactions with card networks and issuers directly to keep buyers informed of their purchases and to prevent disputes. ¹⁸

What's Next in Payments?

5 trends to watch in the coming years



1. Peer-to-peer expansion

Customers have long used peer-to-peer (P2P) payment solutions as an easy way to split bills and send money back and forth. P2P solutions allow customers to send and receive money instantly using their favorite mobile devices, rather than sharing physical cash.

However, P2P solutions are being embraced rapidly as a way to send money to businesses too. Innovative payment solutions like Square allow businesses to accept payments via P2P services, providing an alternative to paying via cash or card.

Using P2P payment solutions offers several benefits for businesses and consumers alike. They're fast and convenient, allowing customers to pay with their favorite mobile device, often via an app they're already familiar with. Since P2P solutions come with their own layers of security, businesses can receive payments while keeping customers' information safe.



According to a recent report by the Federal Reserve, [the share of P2P payments by consumers continues to increase](#).¹⁹ This same report shows that by 2022, payment apps accounted for half of all P2P transactions.

2. Crypto and blockchain

Cryptocurrency continues its move toward the mainstream. An estimated four in 10 American adults now own some form of crypto.²⁰ And as more users embrace these alternative currencies, sellers can set themselves apart by allowing customers to pay with them.

Cryptocurrency payments offer several advantages to your business, including [increased security and reduced fraud](#). That's because crypto payments don't have to be verified by a third party, which significantly reduces the risk of identity theft. Also, crypto payments are irreversible which means a refund would require a separate payment back to the customer's crypto wallet.²¹ But there are risks, too. Cryptocurrency values can be subject to volatility, making them highly unpredictable when compared to the U.S. dollar. Those price changes can make properly accounting for cryptocurrency purchases complicated when it's time to do your business's taxes.

Greg Salvatori, owner of [Greg Salvatori Gallery](#) in Provincetown, Massachusetts, accepts crypto payments to make the buying experience seamless for customers. He offers crypto payments through the cryptocurrency wallet MetaMask. "It's always younger [clientele], like the 28-to-40 bracket," Salvatori said of those who tend to use crypto payments the most.

//

While the money is the important part of your business, the interaction for someone buying a \$25,000 art piece is supposed to be about the art.

It's supposed to be about them and not about a [point of sale] that doesn't work. It's about the customer's desire to buy themselves, or their loved ones, something special, and their mind can stay in that emotion instead of worrying about the credit card."

Greg Salvatori, owner of [Greg Salvatori Gallery](#) in Provincetown, Massachusetts

✕ in f

3. Biometric payments

Biometric payments are payments that use biometric authentication before processing. Biometric authentication can include 3D facial recognition; vein recognition; behavioral biometrics, such as voice and typing patterns; and inputs, such as a fingerprint. These payment types are becoming more and more commonplace because they involve features that are more secure and harder to replicate.

Thanks to the iPhone and other smart devices, biometric payments are more commonplace than we realize. For instance, in order to access Tap to Pay for iPhone, your device prompts you to use your Face ID (depending on your settings) before processing a payment. This allows customer transactions to be more secure, which can help decrease chargebacks and fraudulent purchases that can often impact a business's revenue.

31% of consumers

consider biometric payments the most secure authentication method, and two-thirds of customers already use – or are interested in using – biometric payments.²²

In the European Union, Strong Customer Authentication (SCA) is now a requirement for customers to make online payments. The SCA requirement involves customers completing two to three levels of authentication, including something they know (PIN or password), something they own (cellphone or wearable device), and something they are (fingerprint, voice pattern, etc.). While this level of authentication is not prevalent worldwide, regulatory standards by entities such as the FIDO Alliance may seek to change this in the coming years, which can have a significant impact on online payments across industries.

4. Cross-border payments

It's no secret that more and more businesses are going international. With the global cross-border market expected to grow from \$190.1 trillion in 2023 to \$290.2 trillion in 2030,²³ cross-border payments are set to become more mature and more commonplace for businesses of all types. In fact, many businesses may already use one of the many cross-border payment types to conduct business. Since cross-border payments can consist of wire transfers, international money orders, online payment platforms, and more, businesses typically use this type of payment to pay suppliers, international hires, the government, and other necessary entities or institutions.

Beyond keeping the right parties paid, cross-border payments also play a significant role in helping businesses grow. For instance, international travel and tourism rely on the ability of customers' payment methods to be accepted across borders when booking hotels and other lodging necessities ahead of time. Shopping on international sites is another large component for cross-border payments. Square accepts [ACH payments](#), or payments that are sent from one financial account to another, helping facilitate the seamless transfer of money that helps business owners manage their cash flows.

5. Central bank digital currency

Central bank digital currencies (CBDC) are official forms of digital currency issued directly by a country's central bank rather than through a financial institution. CBDCs occupy a middle ground between crypto and physical currencies. Like crypto, CBDCs only exist in digital form. However, CBDCs are a form of fiat currency, and their value is tied to the value of the issuing country's legal tender.

The United States has taken a cautious approach to considering a CBDC, though it's [exploring the potential](#).²⁴ However, 69 countries around the world [have CBDC programs in launch, development, or pilot phases](#), with another 44 nations researching CBDC options.²⁵

While it's still early for CBDCs, once deployed, they have the potential to enable fast and convenient payments across a number of industries. And, depending on the lengths governments go to promote their CBDCs, these digital currencies could shift the way large chunks of consumers pay for goods and services in the future.



References



References

1. 53% Of Americans Use Digital Wallets More Than Traditional Payment Methods: Poll, Article, Forbes Advisor, Forbes, August 2023. <https://www.forbes.com/advisor/banking/digital-wallets-payment-apps/>
2. The Future of Restaurants Report: 2024 Edition, The Bottom Line, Square, January 2024. <https://squareup.com/us/en/the-bottom-line/series/foc/future-of-restaurants>
3. The Future of Retail Report: 2024 Edition, The Bottom Line, Square, January 2024. <https://squareup.com/us/en/the-bottom-line/series/foc/future-of-retail>
4. The Future of Automation Report: 2024 Edition, The Bottom Line, Square, January 2024. <https://squareup.com/us/en/the-bottom-line/series/foc/future-of-commerce>
5. Fast Food Chains like Burger King, Shake Shack and KFC are Investing Heavily in Ordering Kiosks, Article, Business Insider, April 2024. <https://www.businessinsider.com/fast-food-chains-investing-heavily-in-ordering-kiosks-2024-3#:~:text=Fast%2Dfood%20chains%20like%20Burger,probably%20end%20up%20spe>
6. 53% Of Americans Use Digital Wallets More Than Traditional Payment Methods: Poll, Article, Forbes Advisor, Forbes, August 2023. <https://www.forbes.com/advisor/banking/digital-wallets-payment-apps/>
7. The Future of Commerce 2024 Survey, Raw Data, Square, January 2024.
8. The Future of Restaurants Report: 2024 Edition, The Bottom Line, Square, January 2024. <https://squareup.com/us/en/the-bottom-line/series/foc/future-of-restaurants>
9. Afterpay Reveals the Top Industry and Consumer Trends for Spring Summer 2024, Press Release, Afterpay Updates, Afterpay, March 2024. <https://newsroom.afterpay.com/updates/afterpay-reveals-the-top-industry-and-consumer-trends-for-spring-summer-2024>
10. 'Buy now, pay later' goes from niche to normal as young people use it for daily essentials, Article, NBC News, March 2024. <https://www.nbcnews.com/business/personal-finance/buy-now-pay-later-daily-essentials-groceries-young-adults-rcna141718>
11. Ibid.
12. Ibid.
13. The Future of Retail Report: 2024 Edition, The Bottom Line, Square, January 2024. <https://squareup.com/us/en/the-bottom-line/series/foc/future-of-retail>
14. "Quantifying The Incremental Impact of Afterpay" Mastercard 2021 (figures based on US data) Accessed via Squareup.com. <https://squareup.com/us/en/buy-now-pay-later>
15. How Consumers Want to Pay, PDF, Discover Global Network, August 2024. https://webview.tsgpayments.com/hubfs/TSG_Discover_Consumer_Trends_2024.pdf
16. Report: Account Takeover Attacks Grew Over 800% against Fintech and Almost 500% Against Food & Beverage Sectors, Sift Data Shows, Article, Sift, GlobeNewswire, September 2023. <https://www.globenewswire.com/news-release/2023/09/26/2749814/0/en/Report-Account-Takeover-Attacks-Grew-Over-800-against-Fintech-and-Almost-500-Against-Food-Beverage-Sectors-Sift-Data-Shows.html>
17. More than 60% of consumers would avoid a retailer post-breach, Article, Security Magazine, August 2024. <https://www.securitymagazine.com/articles/100466-more-than-60-of-consumers-would-avoid-a-retailer-post-breach>
18. The Future of Commerce 2024 Survey, Raw Data, Square, January 2024.
19. 2024 Findings from the Diary of Consumer Payment Choice, Report, PDF, The Federal Reserve Financial Services, August 2024. <https://www.frbservices.org/binaries/content/assets/crsocms/news/research/2024-diary-of-consumer-payment-choice.pdf>
20. 2024 Cryptocurrency Adoption and Sentiment Report, Web Article, Security.org, June 2024. <https://www.security.org/digital-security/cryptocurrency-annual-consumer-report/>
21. Considering Accepting Cryptocurrency?, Article, U.S. Chamber of Commerce, December

2023. <https://www.uschamber.com/co/run/finance/accepting-cryptocurrency-as-payment>
22. Consumer Authentication Preferences for Online Banking and Transactions, Report, PDF, PYMNTS & Entersekt, PYMNTS, January 2023. <https://www.pymnts.com/study/consumer-authentication-preferences-online-banking-biometrics-digital-security>
23. Value of total cross-border payments market worldwide in 2023, with a forecast for 2030, Graph, Statista, June 2024. <https://www.statista.com/statistics/1385187/cross-border-payments-value-worldwide-by-segment/>
24. Financial Stability Implications of CBDC, Report, PDF, Board of Governors of the Federal Reserve System, April 2024. <https://www.federalreserve.gov/econres/feds/files/2024021pap.pdf>
25. Central Bank Digital Current Tracker, Interactive Map, Atlantic Council, August 2024. <https://www.atlanticcouncil.org/cbdctracker/>



Thank you for reading our

Innovations in Payments Report