



# DECTA

## What SMEs Need From Their Payment Provider

[www.decta.com](http://www.decta.com)

# FOREWORD FROM SCOTT DAWSON

## If you want to know what people want, just ask.

That was half the thinking behind the whitepaper on your screen or in your hands right now. We are in a position from where can go directly to the people who support the UK's SMEs and ask them what it is that brings them back to (or keeps them away from) small businesses.

Why SMEs? In the UK, SMEs collectively support 16.6 million jobs (60% of UK employment) and contributing an astounding £2.8 trillion in annual turnover. 2024 was supposed to be the 'year of the SME', but we have seen that 140,000 business accounts had been closed by major banks over the past year and that SME growth has decreased by 40% over the past decade. The House of Commons Committee Report published in May of this year states SMEs are facing limited access to finance due to rising costs and higher interest rates, making them pessimistic about the ability to raise funds.

We want to see if this pessimism is reflected by SMEs' potential customers, and if it is then what can be done by SMEs themselves and the Fintech industry that supports them to turn things around. The first step is to understand what customers want – right now, SMEs have no choice but to laser-target their offerings to exactly what people need. This whitepaper is going to be a small contribution towards getting the UK's SMEs back on track, hopefully inspiring some conversation about where to go from here.

I hope you get as much from reading this report as we did from putting it together, and as always, if you want to discuss anything further or see what DECTA can do to help then you can always reach out.

**-Scott Dawson, DECTA UK CEO**



# FOREWORD FROM DIANE BROCKLEBANK

At the Payments Innovation Forum (PIF), we believe that innovation begins with listening - genuinely and attentively - to the people and businesses who live the challenges we aim to solve. In a fast-moving, technology-driven industry, it's all too easy to assume we know what SMEs and their customers need. But assumptions rarely lead to lasting solutions. That's why this White Paper, 'What SMEs need from their Payment Service Provider' is so important.

SMEs are the backbone of the UK economy, yet many are contending with increasingly choppy waters - from restricted access to finance to shrinking margins, and an often unpredictable operating environment. All too often these businesses find themselves underserved, overlooked, or hindered by rigid systems that fail to reflect their realities. As an industry, we can do better. This paper offers a timely and grounded perspective on what's missing - and what's possible.

It also issues a clear call to action for our industry to deepen its understanding of SME needs and to co-create solutions that are accessible, adaptable and built to last. We support this call wholeheartedly. The road to resilient, innovative payment solutions runs through dialogue, partnership, and a shared purpose. To truly drive progress, these solutions must not only support SMEs, they must also keep pace with the shifting expectations of their customers.

We hope this paper sparks the kind of conversations - and collective action - that will move our industry forward.

**-Diane Brocklebank, Executive Director,  
Payments Innovation Forum**

[www.paymentsinnovationforum.org](http://www.paymentsinnovationforum.org)





# INTRODUCTION:

The most important, transformative thing a company can do, whether they are turning over hundreds of pounds or billions, is listen to their customers.

The history of business has been filled with stories of companies trying to launch products that simply didn't address a real need – famous failures ranging from the Segway to the New Coke. Small to medium enterprises (SMEs) don't have Coca Cola's money and reputation to fall back on when they misjudge their customers, so they need to make sure that everything they do is orientated about what people want.

This survey was designed to show the UK's SMEs what their customers want, particularly at the final and most important stage of the sales process: payments. There are

so many kinds of SMEs that we wouldn't be able to talk about sales and marketing here, but the payments process is fairly standard. That means the recommendations we make here can be applied to virtually any SME, from a local hairdresser to a small eCommerce business to an engineering contractor with revenue in the low millions. All of them take payments, and all take them in a small number of ways: face-to-face with a card reader, online through a checkout or through invoices and bank transfers.

There are so many SMEs in the UK and so many factors affecting each of them that producing anything truly comprehensive would be impossible, so we asked ten easy questions of a representative sample of people from across the country. It won't be the final word on SMEs, but we hope that it can start a conversation.



# METHODOLOGY

The research was conducted by Censuswide, among a sample of 2001 nationally representative consumers. The data was collected between 27.01.2025 and 29.01.2025. Censuswide abides by and employs members of the

Market Research Society and follows the MRS code of conduct and ESOMAR principles. Censuswide is also a member of the British Polling Council.



# SMEs IN THE UK

Small and Medium Enterprises (SMEs) are defined in the UK as businesses with fewer than **250 employees** and an annual turnover of less than **£36 million**. These enterprises form the backbone of the UK economy, playing a pivotal role in employment, innovation and economic growth.

As of the start of **2024**, there were approximately **5.5 million** private sector businesses in the UK, with SMEs accounting for **99.8%** of this total. Small businesses with 0 to **49 employees** numbered around **5.45 million**, representing **99.2%** of all UK businesses<sup>1</sup>.

## WHAT THAT MEANS FOR THE ECONOMY

SMEs are integral to the UK's economic landscape. They provide three-fifths of the employment and contribute to around half of the turnover in the UK private sector. In numerical terms, SMEs employ approximately **16.6 million** people, accounting for **60%** of total employment, and generate an estimated turnover of **£2.8 trillion**, which is **52%** of the private sector's total turnover<sup>2</sup>.

*This widespread presence across various industries underscores their importance in fostering economic diversity and resilience.*

### RECENT ECONOMIC CHANGES

The past few years have presented SMEs with a series of unprecedented challenges:

- **COVID-19 Pandemic:** The pandemic led to a sharp decline in economic activity, disproportionately affecting SMEs compared to larger businesses. Many faced significant cash flow issues due to reduced turnover, leading to increased borrowing and, in some cases, business closures.
- **Cost of Living Crisis:** Rising inflation and increased input costs have strained both consumers and businesses. SMEs, particularly those in consumer-facing sectors, have experienced reduced demand as households tighten budgets. This environment has made it challenging for SMEs to maintain profitability and sustain operations.
- **Interest Rates:** To combat inflation, the Bank of England has implemented interest rate hikes, increasing borrowing costs for businesses. For SMEs reliant on loans for expansion or operational needs, higher interest rates have led to increased financial pressure, affecting their ability to invest and grow.

### TECHNOLOGICAL CHANGES

The digital landscape has evolved rapidly, presenting both opportunities and challenges for SMEs:

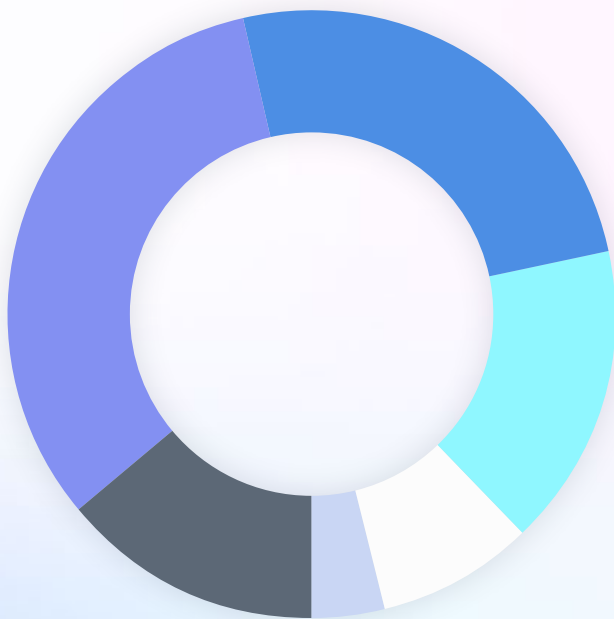
- **Increase in eCommerce:** The shift towards online shopping has accelerated, especially during the pandemic. SMEs that adapted by establishing or enhancing their online presence have tapped into new revenue streams and expanded their customer base beyond local markets.
- **Fraud:** With the rise in digital transactions, SMEs have become more vulnerable to cyber threats and fraudulent activities. Many lack the resources to implement robust cybersecurity measures, making them attractive targets for cybercriminals. This exposure necessitates increased awareness and investment in security protocols.
- **Rise of Alternative Payment Methods (APMs):** Consumers are increasingly adopting APMs, such as digital wallets and buy-now-pay-later options. SMEs that integrate these payment solutions can enhance customer experience and potentially increase sales. However, staying abreast of these trends requires continuous adaptation and investment in payment technologies.

<sup>1</sup> GOV.UK

<sup>2</sup> Federation of Small Businesses



# WHAT DOES THE PUBLIC FEEL ABOUT THE ECONOMY?



- 14.09%** Very optimistic
- 32.53%** Somewhat optimistic
- 25.19%** Neither optimistic nor pessimistic
- 16.09%** Somewhat pessimistic
- 8.35%** Very pessimistic
- 3.75%** Not sure

*Overall, how optimistic, if at all, are you that you will be able to continue to meet your needs in the current economy?*

The first and perhaps most important question in the survey was on the public's attitude towards the economy in general. It's no secret that the UK, and the world's, economy has been sluggish lately – not a 2008-level disaster but a long cost of living crisis as expenses rise while wages stay stagnant.

However, we can see from the survey that a plurality of respondents are at least somewhat optimistic that they will be able to continue to meet their needs in the current economy. While only 14% were very optimistic, 32% were 'somewhat optimistic', and 25% had more muddled views – this probably reflects British people's tendency to be muted about their opinions.

## ECONOMIC OPTIMISM AND SME GROWTH

Optimism levels vary across demographics, with men generally more optimistic than women. The gap is particularly pronounced among younger men (aged 25-34), who exhibit the highest levels of confidence in economic stability and growth. This demographic presents a strong opportunity for SMEs, particularly in industries such as technology, fitness and hospitality, where younger male consumers tend to be high spenders.

Moreover, optimism about the economy aligns closely with wealth distribution. Affluent areas tend to have higher levels of consumer confidence, leading to increased SME engagement. Conversely, lower-income regions, where

economic uncertainty is more pronounced, may see reduced SME patronage. This correlation highlights the importance of targeted support and policy measures to bolster SME success in economically disadvantaged areas.

Understanding who buys from SMEs and their economic sentiment provides crucial insights for business owners and policymakers. While the overall outlook is cautiously optimistic, demographic and geographic trends shape consumer behaviour in distinct ways. SMEs that align their strategies with these insights can better navigate economic fluctuations, attract loyal customers and sustain long-term growth.

# WHAT DO PEOPLE WANT FROM SMES?

Just as important as people's perception of the economy is what would drive them away from SMEs and toward larger businesses. Only **21%** of UK residents prefer to buy from smaller businesses over larger chains when possible<sup>3</sup>, so

anything that SMEs can do to make themselves more attractive to potential customers is hugely valuable – this includes knowing what potential customers don't want.

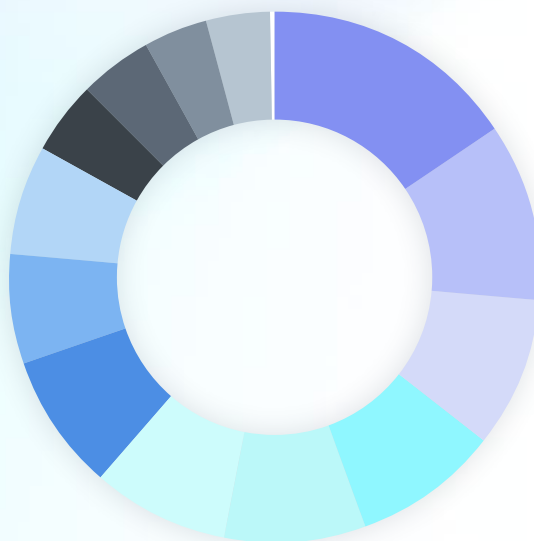
## 'I NEVER SHOP AT SMES'

According to our survey, 34.6% of respondents never do business with SMEs, a figure that increases as respondents age to the point that 46.3% of respondents over the age of 55 give a negative answer. Half of all respondents in Wales also answered in the negative.

It would be almost impossible to never buy from a small to medium enterprise. That would mean never going to a hairdresser, never hiring a plumber, never eating at an

independently owned café or restaurant. So why are we getting these answers? The first reason is perhaps cultural: some people associate 'small businesses' with middle class boutiques and organic cafes rather than acknowledging them as 99% of all businesses in the UK are SMEs. The second is more mundane: despite the best efforts of survey houses, some people simply don't read or understand the definitions given, or just click on whatever answer seems easiest.

## WHAT YOUR CUSTOMERS DON'T WANT



**355** Price inflation

**196** Lack of staff training/skills

**152** Lack of access to Buy Now Pay Later

**85** Inability to pay with a foreign currency

**246** Difficulty getting refunds

**188** Too much complexity when paying

**99** Being unable to use Open Banking payments

**6** Other, please specify

**213** Lack of an online presence

**187** Limited number of payment options

**98** Inability to pay with cryptocurrency

**202** Lack of security against theft and fraud

**155** My payment method being rejected

**91** Inability to subscribe to their services instead of paying one-off

<sup>3</sup> <https://www.capitalontap.com/en/blog/posts/why-we-shop-small/#:-:text=Instead%20of%20mass%2Dproduced%20items,unique%20offerings%20of%20small%20businesses.>



We can see that in terms of what customers don't want, three themes stand out over the rest:

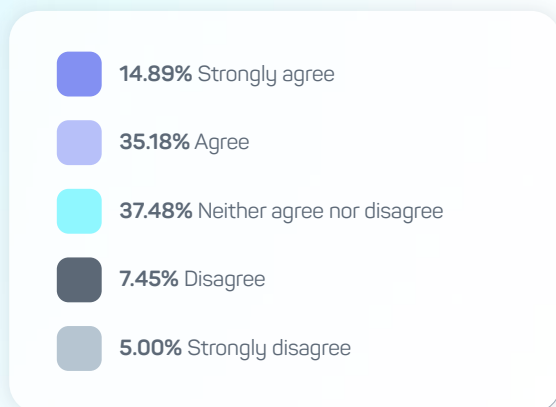
→ **Price:** During a protracted cost-of-living crisis, it's unsurprising that price was the number one concern on respondents' minds. Interestingly, this concern was strongest in already wealthy parts of the country: 25% in Greater London versus 13% in the East of England. It was also unusual for being almost exactly even between men and women, when many other answers have a marked gender split.

→ **Difficulty getting refunds:** This is one instance where many SMEs are lagging behind the larger companies, but with good reason. Massive eCommerce conglomerates can afford to prioritise customer loyalty over ensuring that the refund process can't be abused. Smaller companies need to make sure that refunds are done the right way, so that they don't lose money. This may be necessary, but this answer shows that it isn't customer-friendly.

→ **Lack of an online presence:** This may be more of a stereotype than something that is a real problem, as the barrier to having an online presence is so low that virtually any and every SME can have some kind of digital presence. Even small fast-food outlets can access a huge customer base and marketing tools through delivery apps.

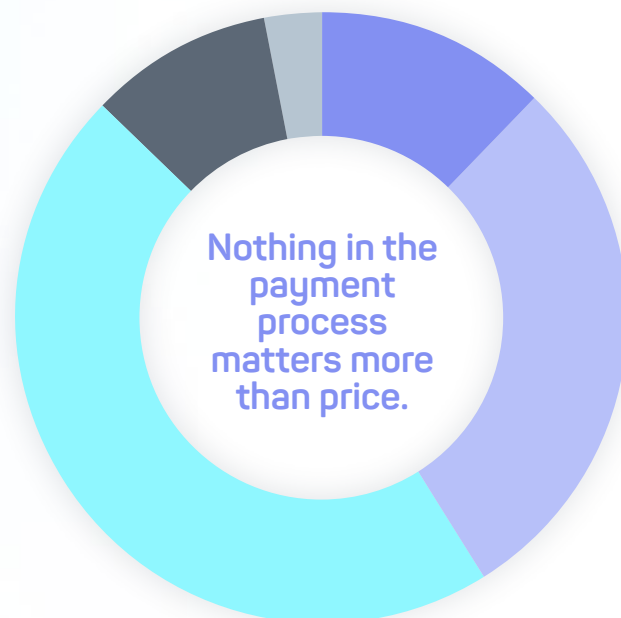
*Another major theme was the lack of modern payment options: limited numbers of alternative payment methods, increased chance of payments being rejected and a lack of access to Buy Now Pay Later (BNPL) and subscription services are all cited as factors that negatively impact consumers, and as we'll see these are all easy problems to solve.*

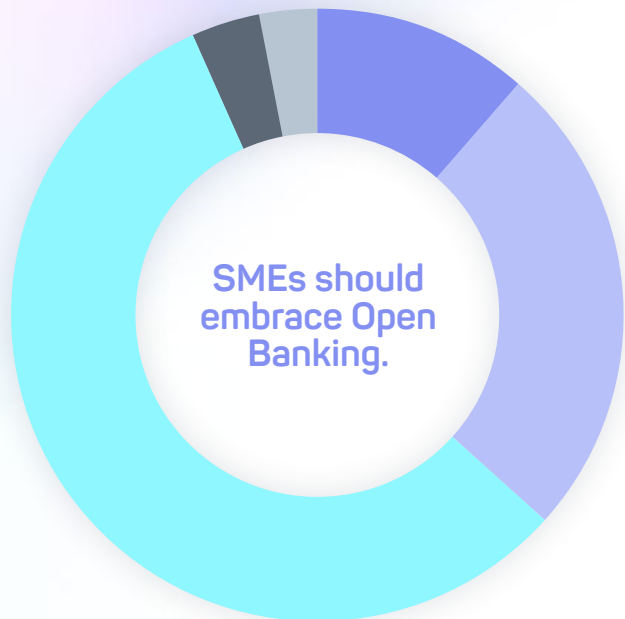
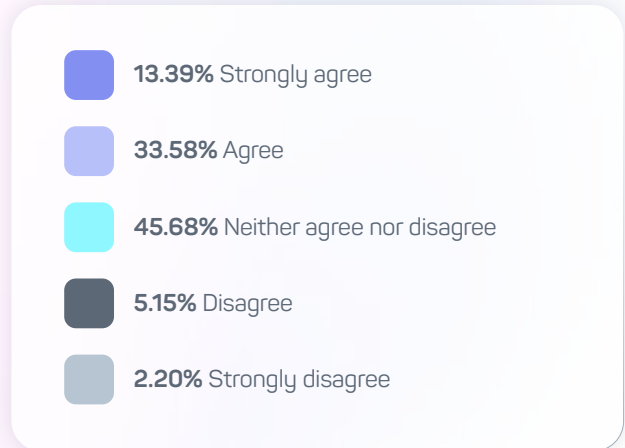
## SO, WHAT DO CUSTOMERS WANT



So, if the previous pages cover what customers don't want from SMEs, what do they want?

We can see from the responses that there aren't many statements that respondents strongly disagree with – even offering cryptocurrency payments, something that is very unlikely to become widespread, is only opposed by 35% of respondents.

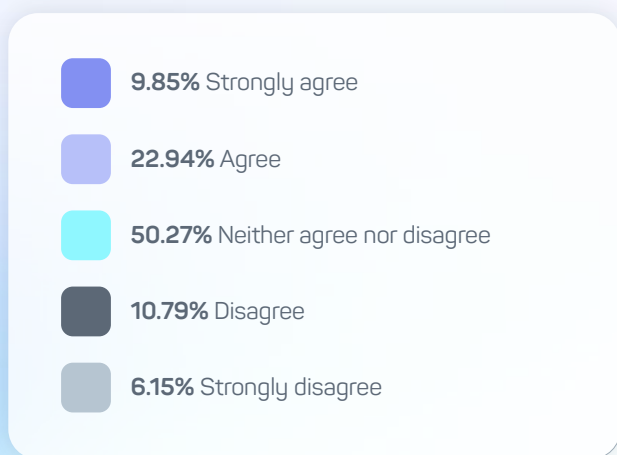
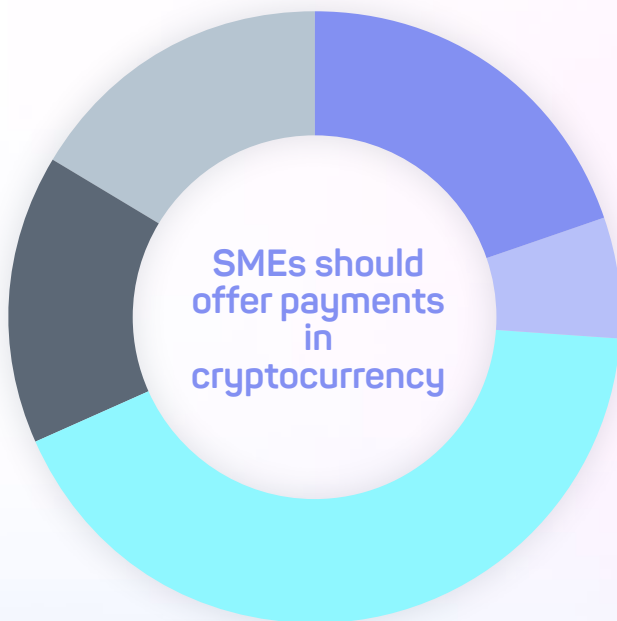




Far and away, the most popular idea is faster payments. Even though many companies use off-the-shelf payments systems that are little different from those used by major companies, there's a clear perception that payments are too slow.

However, customers are willing to sacrifice that speed for security. Fraud is growing, and there is a perception that smaller businesses are less safe than larger ones.



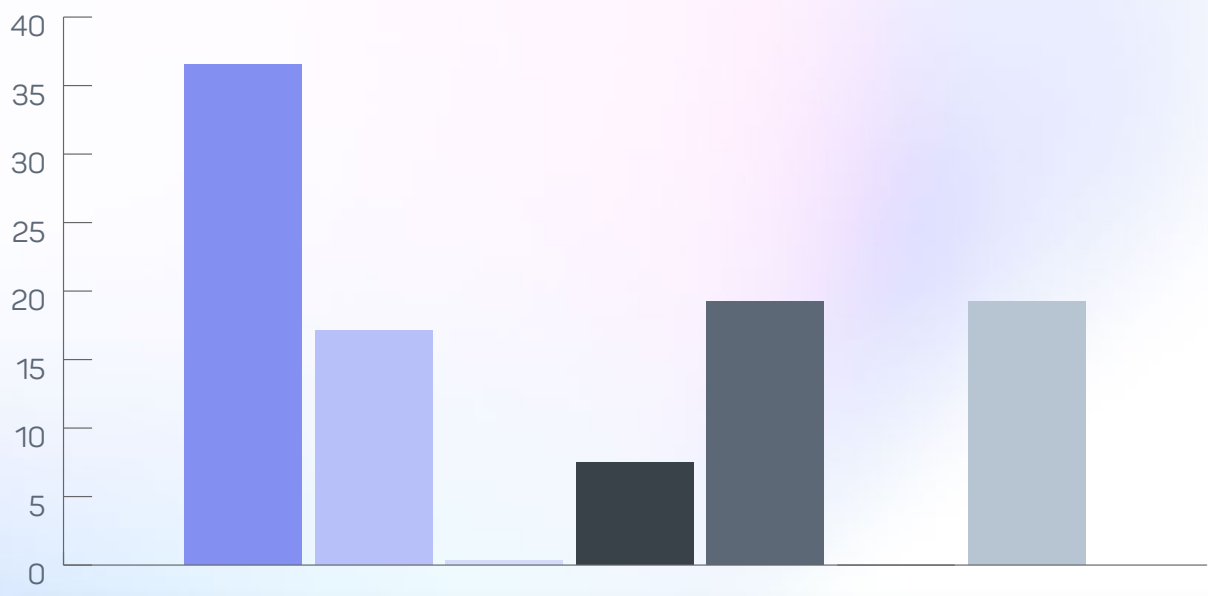


This is despite the fact that the payments technology that smaller companies use is often not a million miles from what larger companies use, it seems that most respondents believe that smaller companies are less secure. In fact, we can see that almost 47% of respondents believe that SMEs should have the same payment technology as larger companies, with only 7% disagreeing.

Overall, what we can see from this is that payments technology is important – it needs to be fast, secure and in every way identical to the technology that larger companies can offer. Even newer payments technology like Open Banking and BNPL are also a major draw to many respondents.

# WHAT SHOULD SMES BE DOING ONLINE?

## DO YOU FROM UK-BASED SMES OVER THE INTERNET?



- 36.54%** Yes, and I generally have a good experience
- 17.13%** Yes, but it is difficult and costly
- 0.31%** Yes, other, please specify
- 7.49%** No, because it is too complex or costly
- 19.27%** No, I don't need to
- 0.00%** No, other, please specify
- 19.27%** Not sure

53% of respondents who have done business with SMEs have bought from them over the internet, with younger people more likely to have bought online. Men are also more likely than women to have made online purchases and there are significant regional differences between SME

purchases, with 62% of Northeastern respondents saying that they have made purchases from SMEs compared to 41% of the southwest. The difference is in people saying that they 'don't need to' buy from SMEs.

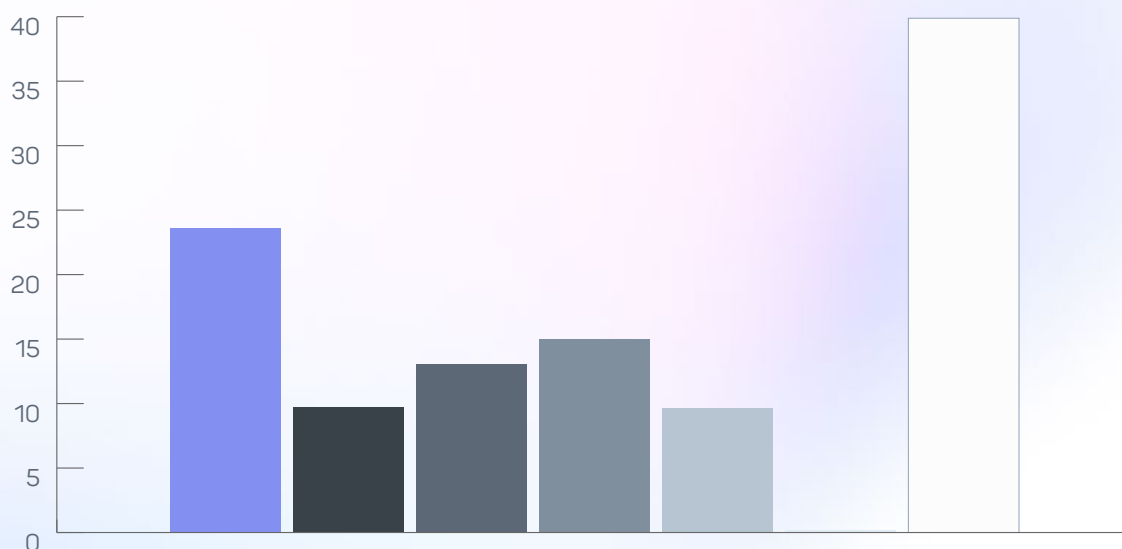
	16-24	25-34	35-44	45-54	55+
YES	54.55%	66.40%	63.37%	51.53%	41.87%
NO	30.30%	18.97%	20.58%	25.00%	34.21%

We can see that there are significant differences in willingness to buy from SMEs online between different age cohorts. This has a major impact on how different businesses should position themselves: a business with a generally older customer base won't need to offer as much in the way of payment options or emphasis on online payments – make sure that there are always offline options available.

We also see a small difference in use of eCommerce between men and women, with men 6% more likely to have purchased from an online SME. This doesn't seem significant enough for companies to change their behaviour – if a company has a strongly male or female audience then they will still need to have the same levels of technology.

# IS THE UK A GOOD PLACE FOR SMES?

One of the biggest questions was whether the UK is good for SMEs. Years of economic malaise and slow growth should have made this question a foregone conclusion, but there is actually a lot of nuance.



- 23.59% Yes**
- 14.99% No, the government needs to support SMEs with lower costs and better funding options**
- 9.75% No, the government needs to support SMEs with technology**
- 9.65% No, the government needs to help SMEs do business abroad**
- 13.04% No, UK finance and payments companies need to make things cheaper and simpler for SMEs**
- 0.20% No, other, please specify**
- 39.88% Not sure**

We can see that a large number of people aren't sure whether the UK is good for SMEs. This could be because they believe that the SME category is so wide that it's difficult to make pronouncements about the entire sector, or that they simply lack the perspective to make a judgement. Among the respondents who expressed a clear yes or no answer, less than a quarter said that the UK is a good place to be an SME.

Among the no answers, the theme of lower costs continues, with 15% saying that the government needs to do more to help them lower costs and 13% saying that the UK's finance and payments companies need to do the same. Other answers were only just behind, with 9.75% saying that the government needs to support SMEs technologically and 9.65% saying that the government needs to do more to help SMEs do business abroad.

The fact that these answers have very similar levels of support shows that all of these answers are broadly right- and this has been our experience at DECTA. Every one of these factors will affect customers at different times, and all of them would need to be done together to truly supercharge the UK's small to medium enterprises.





# WHAT YOU CAN DO

## SO WHERE DOES THIS LEAVE US?

We can see there is a large customer base for SMEs in the UK, and that there is some, admittedly muted, optimism about the economy, but that a lot needs to be done to get people truly excited about buying from SMEs when there are often larger companies offering more polished alternatives.

- One of the biggest factors is price. This is no surprise given the current state of the UK's economy, but it's always been the case that people don't want to pay for more than they have to. It's also something that businesses, especially small businesses, are least able to control – especially now that there is significant disruption to supply chains coming from overseas.
- The second major factor is alternative payments technology. Although debit and credit cards are by far the most widespread way to pay, and will be for the foreseeable future, there are a lot of alternative payment methods becoming popular, especially since many work through smart phones that are now near-ubiquitous. BNPL is also one of the biggest FinTech success stories of the past decades, to the point where it is even an option for fast food orders.
- Lastly, security is a major concern, and it definitely should be. Fraud is increasing all the time, and 41% of SMEs in the UK have been a victim of fraud in the past year. Being the victim of fraud after shopping at an SME won't be that SME's fault, but it will definitely destroy any goodwill between them and their customer, goodwill that small businesses rely on.

All this points toward payments technology. A lot of SMEs use basic, off-the-shelf payments tech for their online and offline payments that may work for very small businesses, but isn't going to keep up with consumer demand or the complex fraud landscape. At some point, every SME is going to need to upgrade to payments technology that's more suited to their specific needs, and the needs of their customers. This technology isn't expensive or complicated, but learning about the basics while keeping a small business afloat is often a low priority.

Learn more about how your SME can use solutions developed for a digital age at [www.decta.com](http://www.decta.com)

## ABOUT DECTA

DECTA is a global payment technology provider offering comprehensive solutions across acquiring, issuing, processing, white label gateway and a digital banking platform. Serving merchants, banks, payment service providers and fintechs, DECTA delivers tailored payment services as a standard, ensuring accessibility and flexibility for every client.

With offices across Europe — including Ireland, Cyprus, the UK, and Latvia — DECTA empowers businesses to scale and innovate in the evolving payments landscape.

Our fully authorised platform is built on direct licenses with Mastercard and Visa, certification with UnionPay International, and integration with a broad spectrum of global and local payment methods.

**Choose DECTA to unlock faster, reliable, and fully customisable payment solutions that grow with your business**

<sup>4</sup> <https://www.neopay.co.uk/the-growing-impact-of-fraud-on-uk-small-businesses/#:~:text=New%20research%20from%20Visa%20reveals,3%2C808%20in%20the%20past%20year.>

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