



Business End-User Satisfaction with Faster Payments Momentum

Insights from the Industry

April 27, 2022



Reed Luhtanen, Executive Director
rluhtanen@fasterpaymentscouncil.org



Elizabeth McQuerry
elizabeth@glenbrook.com



Sam Levitt
sam@glenbrook.com

Contents

1. Motivation for the Research
2. Mixed Attitudes on Progress Toward Faster Payments Adoption
3. Opportunities to Make Faster Payments More Tangible
4. Defining Faster Payments Success and What Progress Looks Like
5. A Role for the FPC?

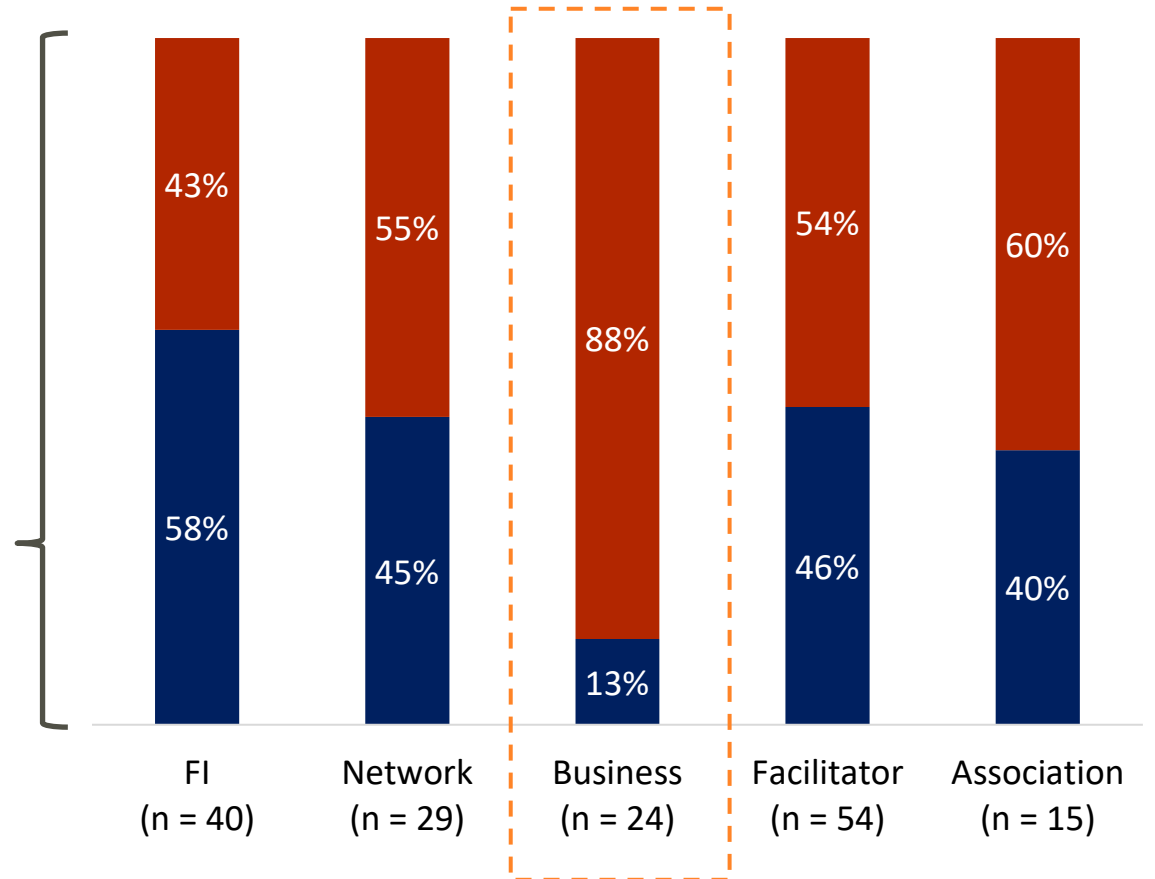
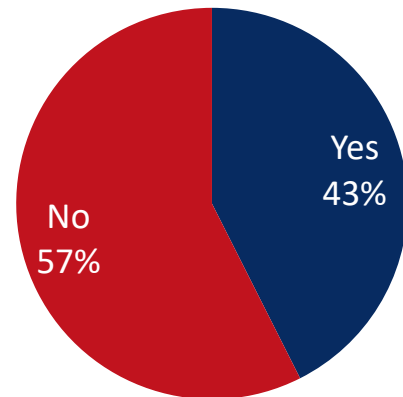
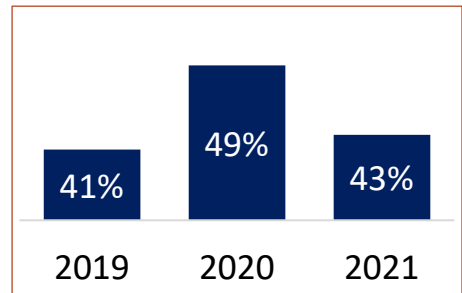
1

Motivation for the Research

2021 Faster Payments Barometer results indicate a notable decrease in industry satisfaction with the progress being made in faster payment adoption

- Businesses, in particular, expressed the most dissatisfaction with progress
- Therefore, the purpose of this year's qualitative research is to explore this sentiment further
 - To what extent are businesses satisfied or dissatisfied with progress?
 - What are the main challenges?
 - What is top of mind when contemplating faster payments implementation and adoption?

In your opinion, is the U.S. making satisfactory progress toward faster payments adoption? (n = 195)



Satisfaction levels across businesses are mixed, though we observe resounding agreement among interviewees that the industry is not moving fast enough

- Business end-user satisfaction with faster payments adoption varies – in general, those who were early adopters are more familiar with the challenges, and tend to be more accepting of the slow pace of adoption
- Some businesses recognize that certain faster payment networks have made more progress, but also indicate a preference for using account-to-account (bank transfer) payments for certain use cases
- That said, expectations are not being met across several key areas (e.g., usability concerns, technology upgrades required)
- Interviewees expressed similar requirements to one another for longer-term success, including a need for more industry-wide education across the value chain

We interviewed 11 businesses* across an array of industry verticals, including:

- **Airlines**
- **Brokerage**
- **Ecommerce (goods and digital)**
- **Insurance**
- **Oil and gas**
- **Retail / Quick Service Restaurants**
- **Telecom and utilities**

*Interviews were conducted in February and March 2022

2

Mixed Attitudes on Progress Toward Faster Payments Adoption

Faster payments progress is on par with what some interviewees expect . . .

- Interviewees who tended to be more accepting of the current pace of adoption were also early adopters of new payment rails
- Some cited existing traditional and faster payment methods as meeting their current needs

Stakeholder insights:

- “We’re not surprised by the pace of adoption, but once [faster payments] come online, it will explode moving forward.”
- “I’m not surprised by the progress – any new payment rail will be slower to adopt.”
- “[Faster payments] are moving in the right direction, but I want more competition and suppliers.”
- “My view depends on the system, but we have Zelle, Push to Debit, and Same Day ACH in place already.”

. . . but interviewees were also quite critical of banks and providers regarding pace of adoption and lagging support for specific use case

- Lack of ubiquity remains a top challenge
- General sentiment that faster payment rollout and availability is moving too slowly
- Interest in using faster payments across a variety of use cases, however, operational impediments exist

Stakeholder insights:

- “I’m less than impressed by the progress, as there’s no focus on C2B.”
- “The ubiquity issues and the dollar value limit in particular make it harder for business use – there is also a limitation when internal legacy systems need to be updated.”
- “We need a mandate just as Nacha did with Same Day ACH – banks had to comply with the rules to meet timelines.”
- “Business and consumer enrollment at scale is not there yet. We could pilot new methods, but then we’d have to educate consumers on enrollment. Am I in the business of selling goods, or selling enrollment for a new payment method?”

3

Opportunities to Make Faster Payments More Tangible

Interviewees would like to use account-to-account payments, but some limitations would need to be addressed first

- On the consumer payments side, interviewees think that better ways to handle sensitive account data, and stronger mechanisms to validate and authenticate those credentials, will be crucial
- On the business payments side, we frequently heard about the need for larger transaction limits

Consumer/retail payments:

- “We’re hesitant to work with consumer account numbers – we’d rather a third party do that.”
- “We would like to see [faster payment] be utilized in a self-serve fashion where the consumer keys in their routing number. Or even better, we would love an alias, like the mobile telephone number.”
- “Stronger authentication will make [faster payments] more mainstream.”

B2B/treasury payments:

- “We use Same Day ACH for treasury payouts. We would like to use additional faster payment methods more on treasury side, but a \$1M limit would make [RTP] more usable, for example.”
- “Most of our global treasury team is fine with ACH. And there’s some interest in incremental data for reconciliation but we’re mostly too big for RTP.”

Significant interest in Request for Payment (RfP) among interviewees, but frustration with its pace of rollout

- Many interviewees lamented the fact that not enough banks offer RfP, and even if they do, they cannot use the functionality through their software providers
- However, many also acknowledged that certain issues are important to them, such as support for recurring payments through a standing authorization, and more robust document attachment capability

Stakeholder insights:

- “The number of banks offering RfP has grown but it’s still very small and the bill attachment function is slow to be included.”
- “Request for payment is making some strides but not moving quickly. Initial interest in RfP is driven by FIs toward bill pay, but other use cases aren’t prioritized.”
- “We’ll start getting excited when there’s support for recurring business models.”
- “Treasury Management Solutions are not all on board or informed yet, so the interfaces are not yet updated.”
- “A big pain point is achieving straight-through processing without hands-on exception and reconciliation work; we believe RfP will help with this. I care less about the ‘fast payment’ but more about the information to post it accordingly.”

Interviewees cited a gap in their providers' technological capabilities, from the POS to their TMS, to support and integrate faster payments

- Many interviewees feel held captive by their technology providers and rely on them to stay abreast of the latest payments technology
- Some existing software leverages batch processing logic and now there is a need to bridge the gap between old and new technology

Sentiment on POS:

- "Technology plays a huge factor in our decision to implement faster payments – it's very hard to 'rip and replace' if our current provider doesn't offer something."
- "We're still married to our POS providers, and new payment capabilities might not be on their roadmap, so they don't prioritize it."
- "Getting [faster payments] to the point of sale would be the next level, it would really feel like we were there."

Sentiment on TMS:

- "Treasury technology takes time to adopt; banks might have [faster payments] but businesses might not be using the latest tech."
- "Treasury workbenches aren't fully integrated – we have to go out of normal workflow to find [faster payments] and use them."
- "How do we bridge using older tech and batch processes with new rails? We need to get the vendors engaged so newer releases support new capabilities, and get banks aligned. Unless you have that, it's hard to make change."

In the absence of interoperability today, several interviewees plan to rely on, or would like to use, intelligent routing

When interviewees highlight a need for smart routing, they often focus on the following key areas:

- Routing or switching between RTP and FedNow
- Routing a payment based on the desired attributes such as speed and cost, regardless of rail
- Automated failover to other networks if a payment does not meet certain criteria (e.g., recipient cannot accept a form of payment, or the payment is over the limit for a network)

Stakeholder insights:

- "Ubiquity and interoperability among the networks are necessary to move forward. How it gets from Point A to Point B shouldn't matter but it does need to be transparent. A sort of intelligent routing will be required to overcome the slow progress."
- "We'd like some sort of smart routing capability – we give you a payment, you figure out the best channel."
- "Smart routing is the key to merchant adoption."
- "[Money movement] should be easy, fast, have the right information, and be cost effective. I shouldn't have to figure out whether a bank is a participant of a certain network, or if the limit is within the threshold."

Almost unanimous feedback on the need for education and awareness campaigns across the value chain – for FIs, businesses, consumers, enablers

- Broad agreement that education is needed for all parties in the ecosystem
- Some interviewees expressed a need for more proactive guidance from their banks and providers
- Others called for more consumer and merchant education on the costs and benefits of different payment types so that each one can make an informed decision

Stakeholder insights:

- "It's hard for end user to prepare to create a strategy or roadmap with limited information from our bank partners."
- "Bank partners are not fully up to speed on what RTP does. I am often informing the banks about what is an opportunity in my industry. There is a disconnect between product and sales. I know more about the product than the salespeople often do."
- "We need more targeted education campaigns. Does the average merchant or consumer know enough about the options they have available? Is it communicated in a digestible way? Where's the resource that can educate businesses?"
- "Education is really important because consumers don't fully understand the implications. You hear people say, 'just Venmo me.' But they don't realize that they will have to pay a fee to draw money out of the Venmo account to their bank account."

4

Defining Faster Payments Success and What Progress Looks Like

Interviewees strongly believe in the power of brand to spark consumer usage

- Several businesses said they do not feel the need to offer alternative payment methods until consumers start asking for them more often
- Interviewees referenced brands that have garnered mass adoption across businesses and consumers, because consumers are familiar with the brand and prefer to use those specific payment types

Stakeholder insights:

- “People ask for PayPal and Apple Pay. It needs to become that kind of household name for people to ask for it and use it more.”
- “Right now, I have to push the benefits of faster payments. I’d love it if people were asking for RTP to be used.”
- "On the consumer side, we need a brand that consumers recognize. This is where Visa and Mastercard have done a fantastic job. It’s hard to make the same argument with bank-to-bank payments, but we'll take it in a heartbeat if consumers want it."
- “Zelle® has done an amazing job in branding and in creating recognition. Customers know it.”

Interviewees state the need for more emphasis on the customer experience from their banks and providers

- Citing the lack of guidelines from providers, interviewees often feel they are left figuring out the best ways to create a secure and seamless customer experience

Stakeholder insights:

- "We're looking for something that provides security, user experience, and is easy to accept at the retail point of sale."
- "[Success is when faster payment] is fully operationalized into consumer experience flows."
- "It would be ideal if there was a consistent consumer experience that the banks can unify around."
- "A lot of providers haven't thought about how consumers will actually make the payment and what the UX will be."

Not surprisingly, demand for global faster payments is important, especially to larger organizations that operate in multiple geographies

- There is clear demand for cross-border faster payment methods (e.g., paying contractors or employees abroad, accepting payment from customers abroad)

Stakeholder insights:

- “We need to think about [faster payments] globally because our customer base is global.”
- “We have global payment use cases that are not being met by faster payments.”
- “How will the Fed align with global immediate payment initiatives?”
- “Cross-border ACH was a great new development, but it’s only available for a few countries.”

5

A Role for the FPC?

FPC can help drive initiatives that benefit *all* stakeholders

Although FPC has limited ability to directly influence some of the challenges identified, unmet needs may continue to delay mass adoption of faster payments. There is potential for FPC to play a catalytic role in promoting usage

- New potential strategic focus areas include:
 - Developing targeted educational campaigns for specific stakeholder groups
 - Identifying opportunities to grow awareness of faster payment costs/benefits
 - Promoting collaborative industry initiatives to elevate faster payments as *a way to pay* for business-to-business payments, as well as for consumer payments to businesses

Potential avenues to promote faster payments adoption:

- Common branding guidelines for a way to pay (e.g., consumers might know of “Direct Deposit,” but not ACH)
- Consumer experience standards for online and POS purchases
- Interoperability best practices for those seeking intelligent routing capabilities

Recent increases in the maximum transaction value to one million by both the ACH and RTP networks should serve to attract more businesses with Treasury payment needs to adopt faster payments

Thank you

Elizabeth McQuerry

elizabeth@glenbrook.com

Sam Levitt

sam@glenbrook.com



Thank you!!

Elizabeth McQuerry

elizabeth@glenbrook.com

Sam Levitt

sam@glenbrook.com

Business End-User Satisfaction with Faster Payments Momentum

Insights from the Industry

**The presentation materials and recording of today's FPC
Town Hall will be available in our FPC Member Portal**

www.fasterpaymentscouncil.org

memberservices@fasterpaymentscouncil.org