Real-Time Payments for Corporates and Businesses: Will They Actually Adopt?

Faster Payments Council
Wednesday, May 29th

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AFP
B2B Challenge!

Change of Payments Infrastructure

- Currently Working - Improvement?
- Business Partners
- Takes Investment
  - Time
  - Money
  - People
- Does Not Help the Mission of the Company
  - Does Not Increase Market Share
  - Does Not Increase Revenue
  - Potentially Reduces Cost!
Comparison to SEPA

• New, Faster and Cheaper Payments System making all Euro Denominated Cross-Border Payments Domestic for 28 Member States
• Authorities: No Reason not to Convert - No Mandate
• Changes Included
  – Bank Account Number Conversion to IBAN
  – BIC
  – ISO20022
• Nothing Happened!
• Why?
  – Status Quo Works
  – Change is Costly
  – Remittance Size
  – Business Case?
• Authorities: Mandate!

Why is this Relevant to Faster and Real-Time?
• Similar Challenges

Status:
Overall Check Use for B2B Transactions in the United States is Around 50%
• “Checks Work”
• Familiarity
• Easy
• No Need to Store Sensitive Information
• Change is Difficult

ACH is Growing in Popularity

Source: 2016 Electronic Payments, Association for Financial Professionals
AFP Electronic Payments Survey: Percentage Check Use by Organization Size
(Percentage of B2B Payments Made by Organizations)

Smaller Organizations Decrease Their Check Use
Larger Organizations Increase Their Check Use

Source: 2016 Electronic Payments, Association for Financial Professionals
**AFP Electronic Payments Survey:**

Top **Barriers** of Transitioning to Electronic Payments

(Percent of Organizations)

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**In Addition:**

**Barriers Cited By 2/3 of Respondents:**

1. Difficulty Convincing Customers to Pay (78%)
2. Shortage of IT Resources (77%)
3. Difficulty Convincing Suppliers to Accept (76%)
4. Absence of Standard Formats for Remittance (71%)
5. Lack of Integration payment and accounting systems (69%)

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Source: 2016 Electronic Payments, Association for Financial Professionals

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AFP Electronic Payments Survey:
Integration of Org’s Different Payment Methods with the Accounting System
(Percentage Distribution of Organizations)

Reason Why Check Use is Still High?

Source: 2016 Electronic Payments, Association for Financial Professionals

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AFP Electronic Payments Survey: Organizations’ Methods of Sending and Receiving ACH Remittance Information
(Percentage Distribution of Organizations)

Source: 2016 Electronic Payments, Association for Financial Professionals
AFP Electronic Payments Survey:
Faster Payments – Importance, Remittance Information
(Percentage of Organizations)

Source: 2016 Electronic Payments, Association for Financial Professionals
AFP Electronic Payments Survey:  
Top **Benefits** of Transitioning to Electronic Payments  
(Percent of Organizations)

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost savings</td>
<td>51%</td>
</tr>
<tr>
<td>Speed of settlement</td>
<td>48%</td>
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<tr>
<td>Improved cash forecasting</td>
<td>46%</td>
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<tr>
<td>More efficient reconciliation</td>
<td>36%</td>
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<tr>
<td>Fraud control</td>
<td>35%</td>
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<tr>
<td>Better supplier/customer relations</td>
<td>35%</td>
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<tr>
<td>Straight-through processing to A/P or A/R</td>
<td>33%</td>
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<tr>
<td>Working capital improvement</td>
<td>24%</td>
</tr>
<tr>
<td>Ability to take early payment discounts</td>
<td>21%</td>
</tr>
<tr>
<td>Reduction in days sales outstanding (DSO)</td>
<td>14%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
<tr>
<td>Client retention</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: 2016 Electronic Payments, Association for Financial Professionals
What do Corporates Need?

- Business Case(s)
- Use Cases
- Easy Adoption and/or Transition from Existing Infrastructure
- ERP Systems
- Remittance Information
- No, or High Dollar Threshold
- Paper to Electronic – An Opportunity!
- Account Validation
- Sustainability
- Education
Opportunity?

- Speed
- Remittance Information Capabilities
- Replacement of Paper Checks
- Substitute for Wires
- No or Small Changes Required
Contact Information

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Access more information on the 2016 AFP Electronic Payments Survey at https://www.afponline.org/epayments