



# **A Step on the Road to STP: Results from an Industry Survey by the Remittance Coalition**

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## Disclaimer

The opinions expressed are those of the individual presenters & not those of the Federal Reserve System or any Federal Reserve Bank



## About the speakers:

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*We actively engage with diverse stakeholders of the payments system to understand their needs & determine what actions the Federal Reserve can take to improve the U.S. payments system in ways that benefit all users.*

## About the Federal Reserve Bank:

- Central bank of U.S.
- U.S. government's bank
- Provider of payment services to financial institutions
- Mission in payments is to foster integrity, efficiency, & accessibility of U.S. payments & settlement systems in support of financial stability & economic growth



# Agenda

1. The State of B2B Payments
2. The Remittance Coalition
3. Survey: Objectives, Methodology & Profile of Respondents
4. Key Findings
5. How Findings Are Being Leveraged
6. Other Remittance Coalition Activities



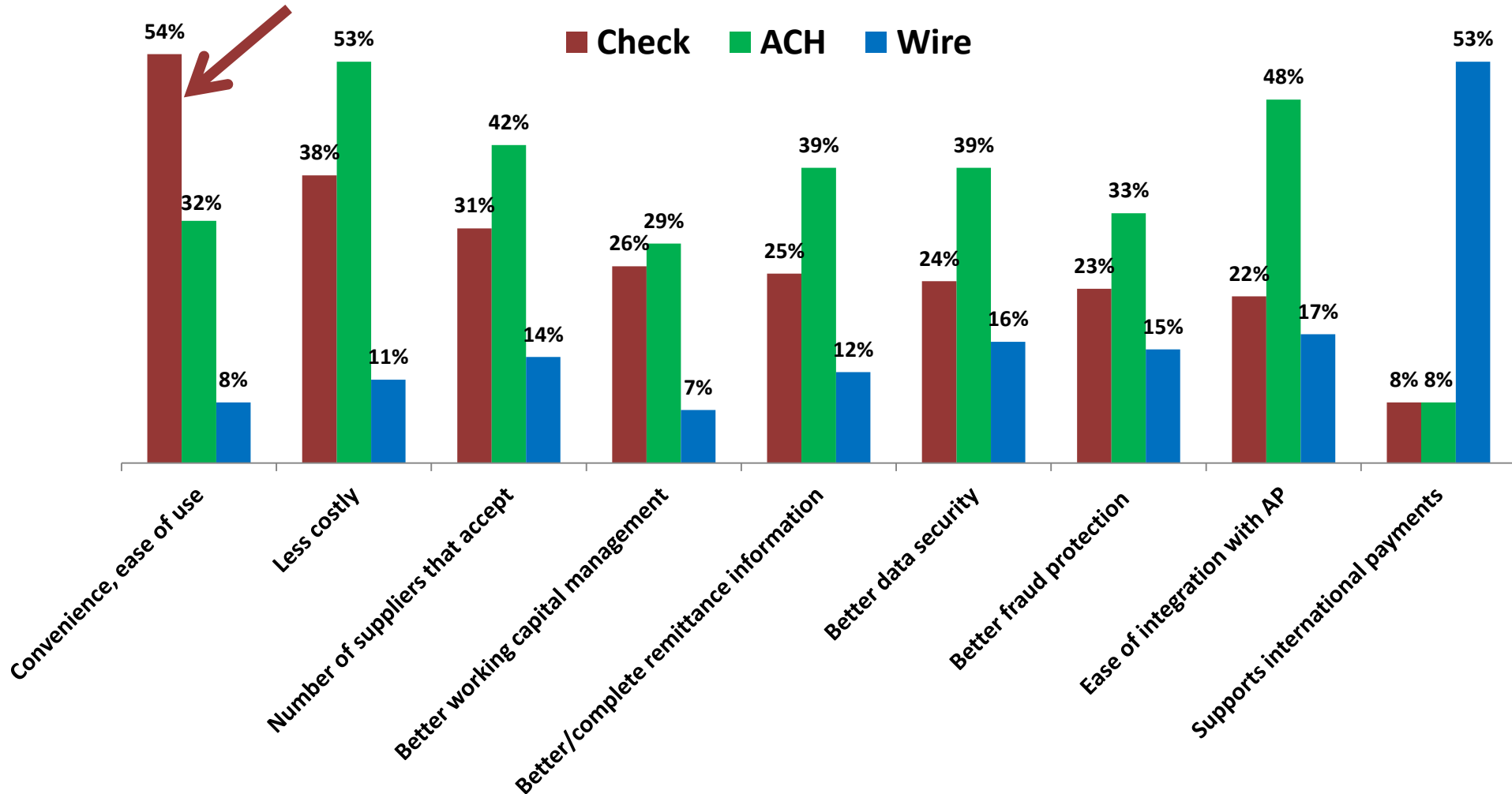
# The State of B2B Payments



B2B payments are becoming electronic more slowly than other payments in the U.S., so the payments system is less efficient & more costly than it could be

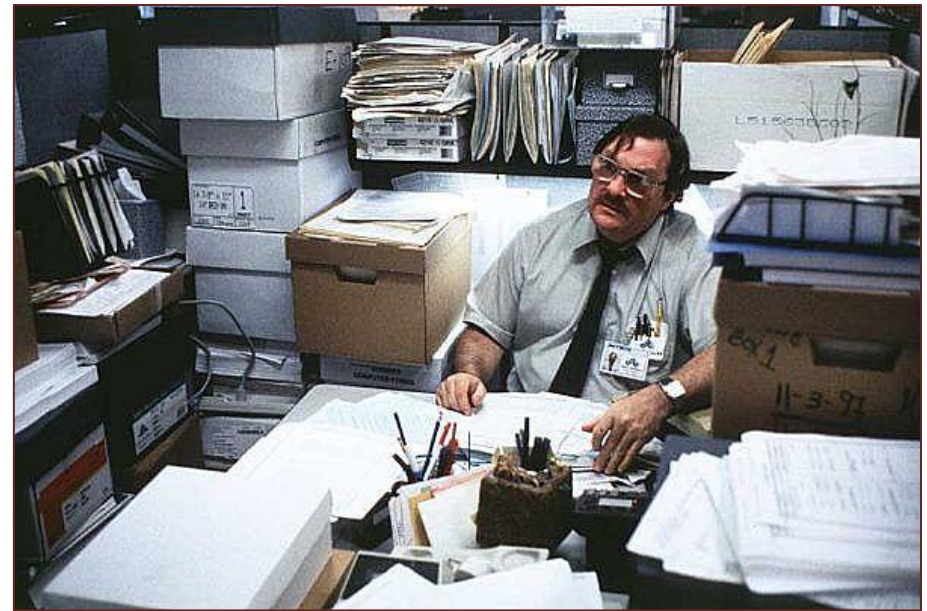


# B2B Checks Viewed as Convenient & Easy to Use



Source: PayStream Advisors Report, "Electronic Supplier Payments," 2011

Lack of easy integration  
& automated  
reconciliation between  
payment & remittance  
information slows  
adoption of all types of  
electronic payments





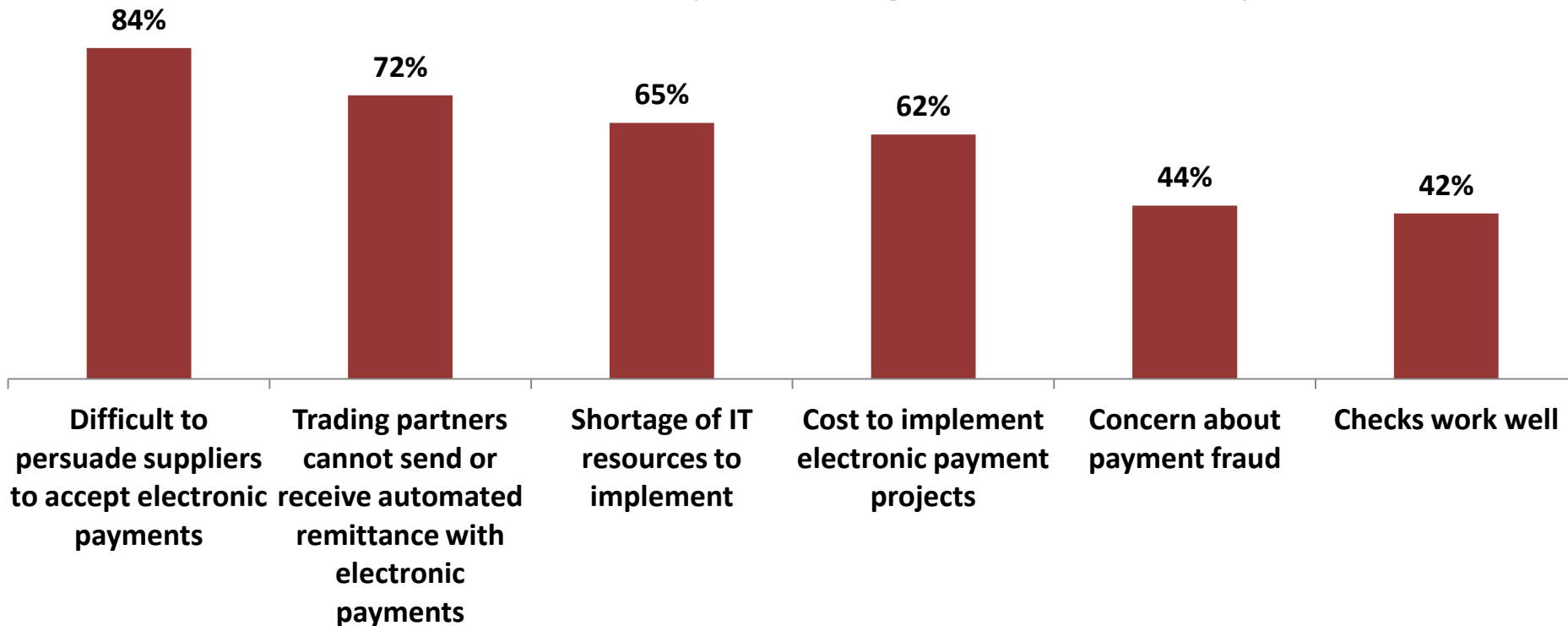
# 43% of Remittance Volume Still Exchanged Via Paper

Channel/method for providing remittance details that require key data entry or other manual processes	# of Monthly Remittances
Sent by mail	2.6 billion
Included with payment in an unstructured or free form format	1.7 billion
Sent by email	1.5 billion
Provided by telephone	0.5 billion
Sent by fax	0.4 billion
<b>Total</b>	<b>6.7 billion</b>
Total remittance volume estimated at 15.5 billion per month	

Source: *Remittance Details: When & How They Arrive for U.S.-Based Companies*, 2012, Aite Group

# Businesses Report Barriers to Implementing E-Payments

## Common Barriers to Implementing B2B Electronic Payments



Source: *Electronic Payments – Trends in Accounts Payable*, US Bank Winter 2010



# The Remittance Coalition





# Remittance Coalition

- **What it is** National group of associations, small & large businesses, financial institutions, vendors, standards development organizations, & others
  - Formed in 2011
  - 177 members (including IFO) & growing
- **Mission** Work together to solve problems related to processing remittance information associated with B2B payments in order to promote use of electronic payments & straight through processing (STP)



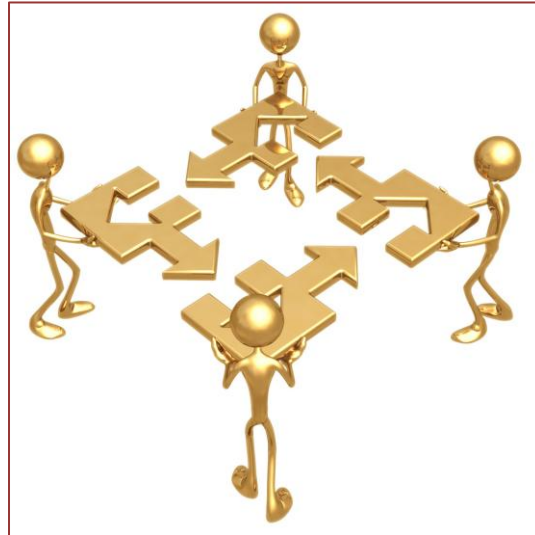
# Remittance Coalition

- **Opportunity** Making it easier to integrate the processing of payments & remittance information will advance adoption of electronic payments, improve efficiency, & lower costs of the purchase to pay process





# Survey: Objectives, Methodology & Profile of Respondents





## Survey Objectives:

1) Assess industry perception of major **obstacles** to increased use of electronic payments & remittance processing



2) Gather feedback on which of five proposed **solutions** would be most effective in facilitating this





## Invitations & Responses

- Email invitations with link to survey were sent by Institute of Financial Operations, Association for Financial Professionals, Credit Research Foundation, & National Association of Purchasing Card Professionals, week of June 5, 2012; survey closed July 5, 2012
- Association of Small Business Development Centers invitations were distributed June 22, 2012, & that survey closed July 20, 2012
- Total of 662 respondents



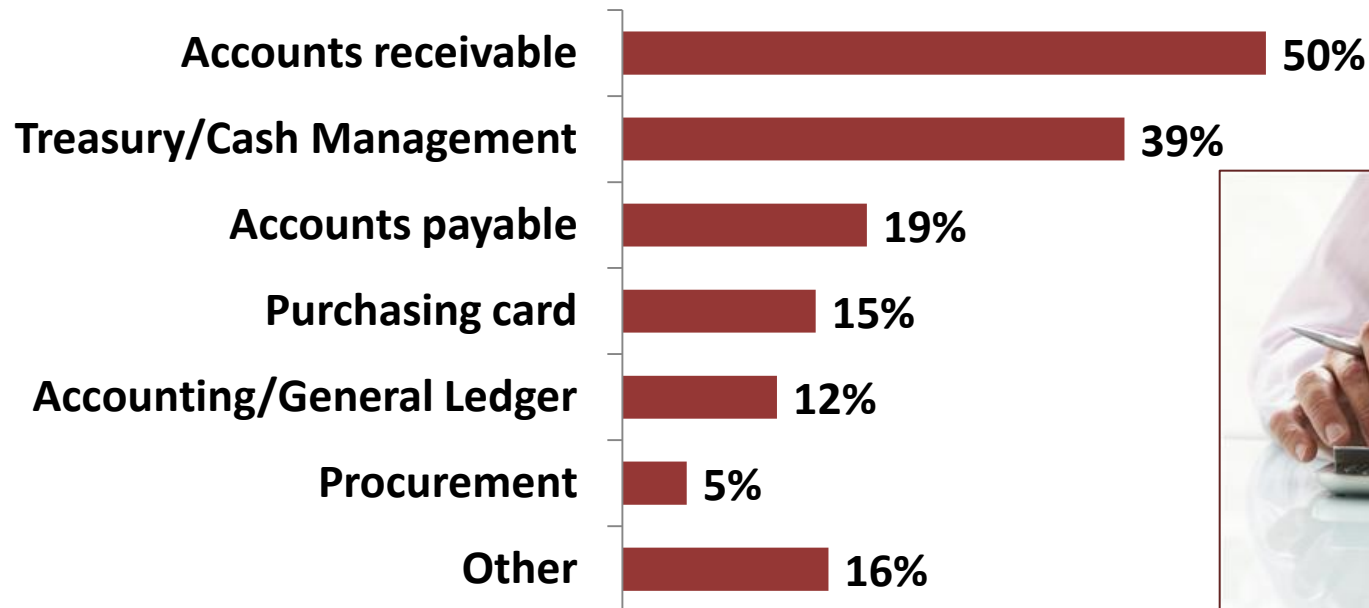


# Job Functions of Respondents

- Half of survey respondents are responsible for accounts receivable & 39% selected treasury/cash management as a main responsibility

## Primary Responsibilities

(n= 660)



Note: multiple responses permitted

Source: 2012 Remittance Coalition Survey



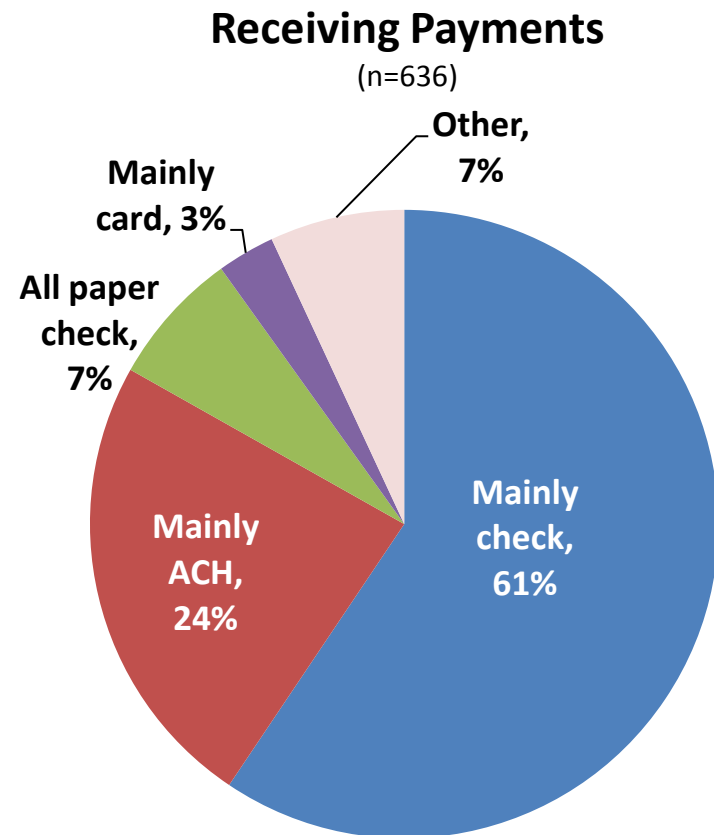
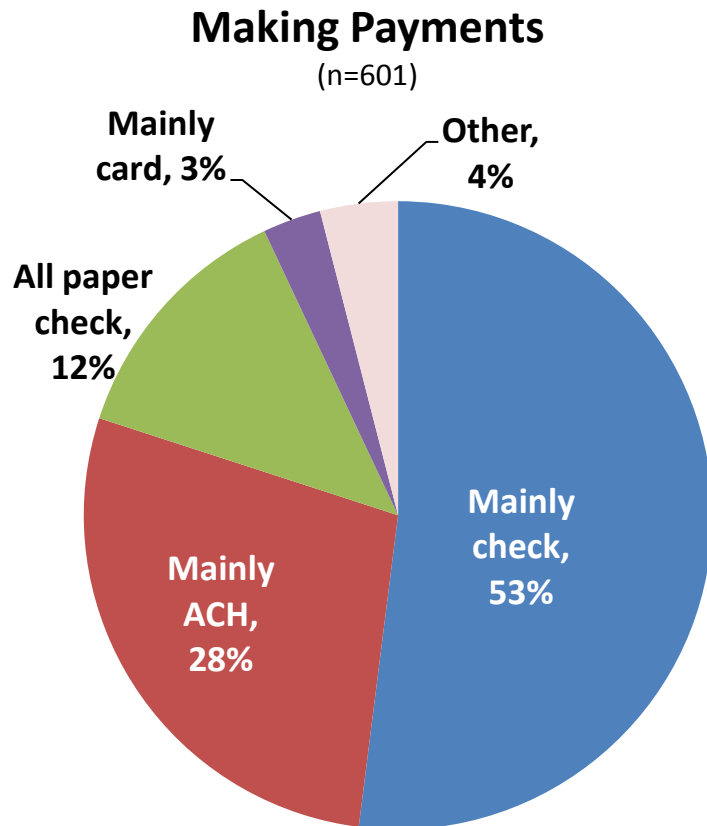
# Survey Findings





# Polling Question #1

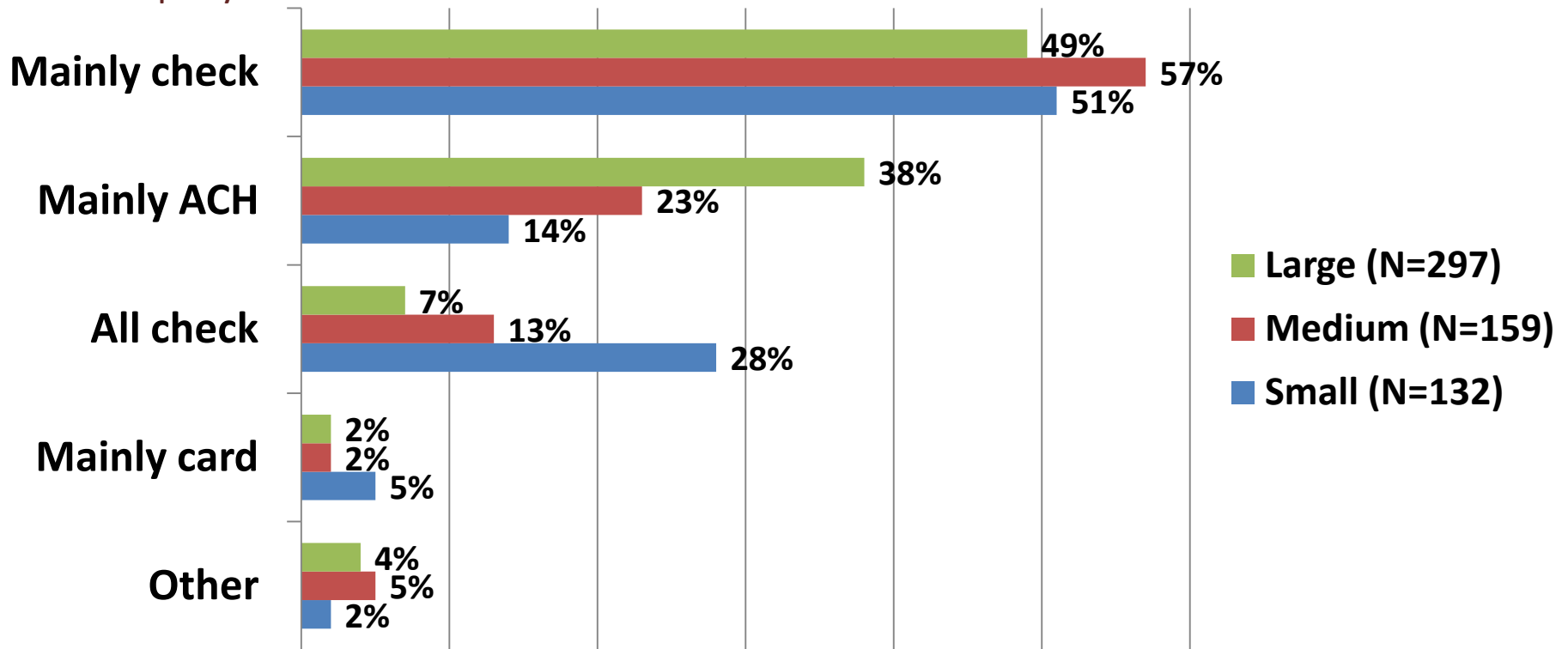
# Over half respondents mainly pay & are paid by check



Source: 2012 Remittance Coalition Survey

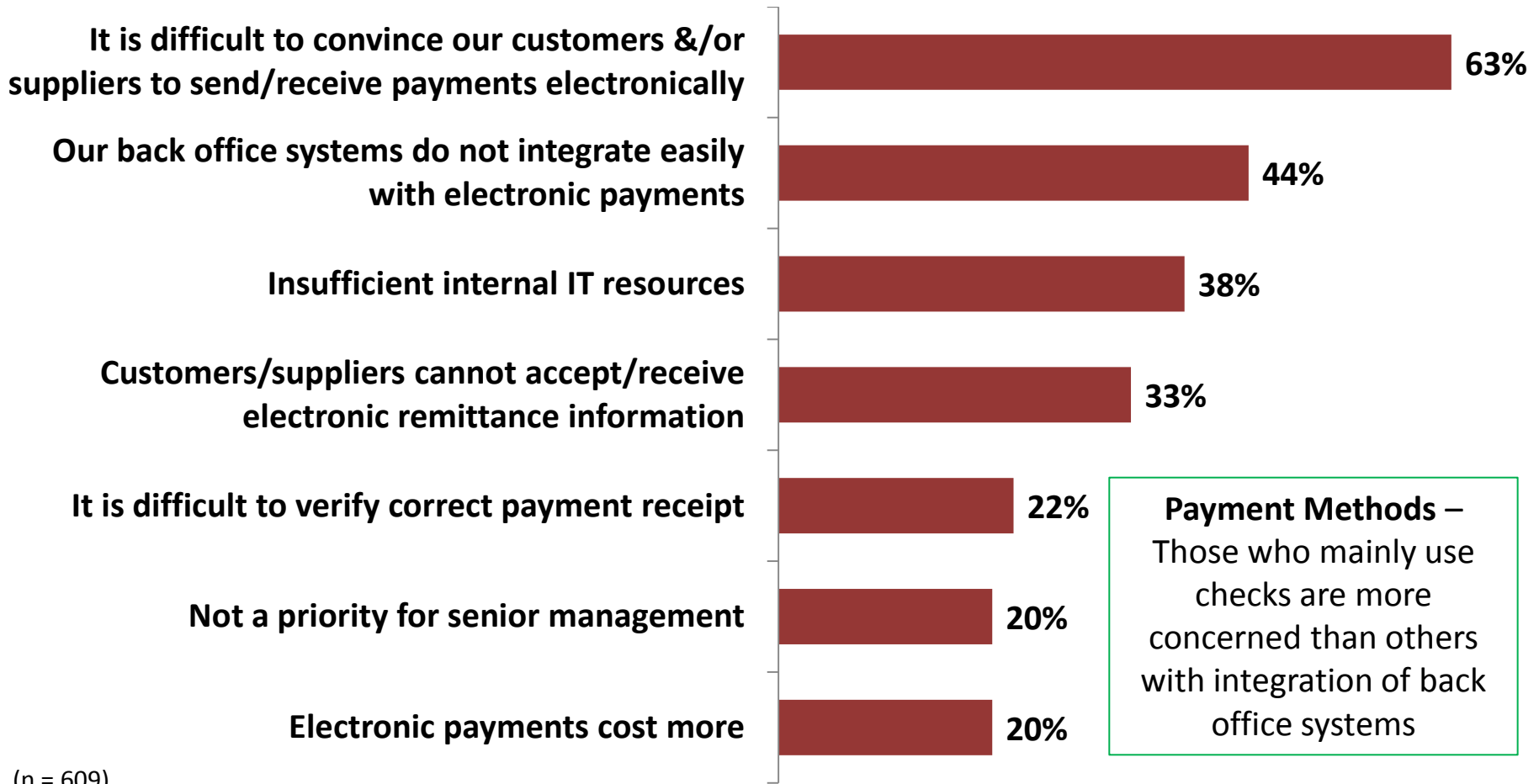
# How Payments Are Made Varies by Company Size

- The percentage of payments made by ACH increases with the size of the company
- The percentage of payments made by all paper check decreases with the size of the company



Source: 2012 Remittance Coalition Survey

# Barriers to Increased Use of Electronic Payments



(n = 609)

Source: 2012 Remittance Coalition Survey

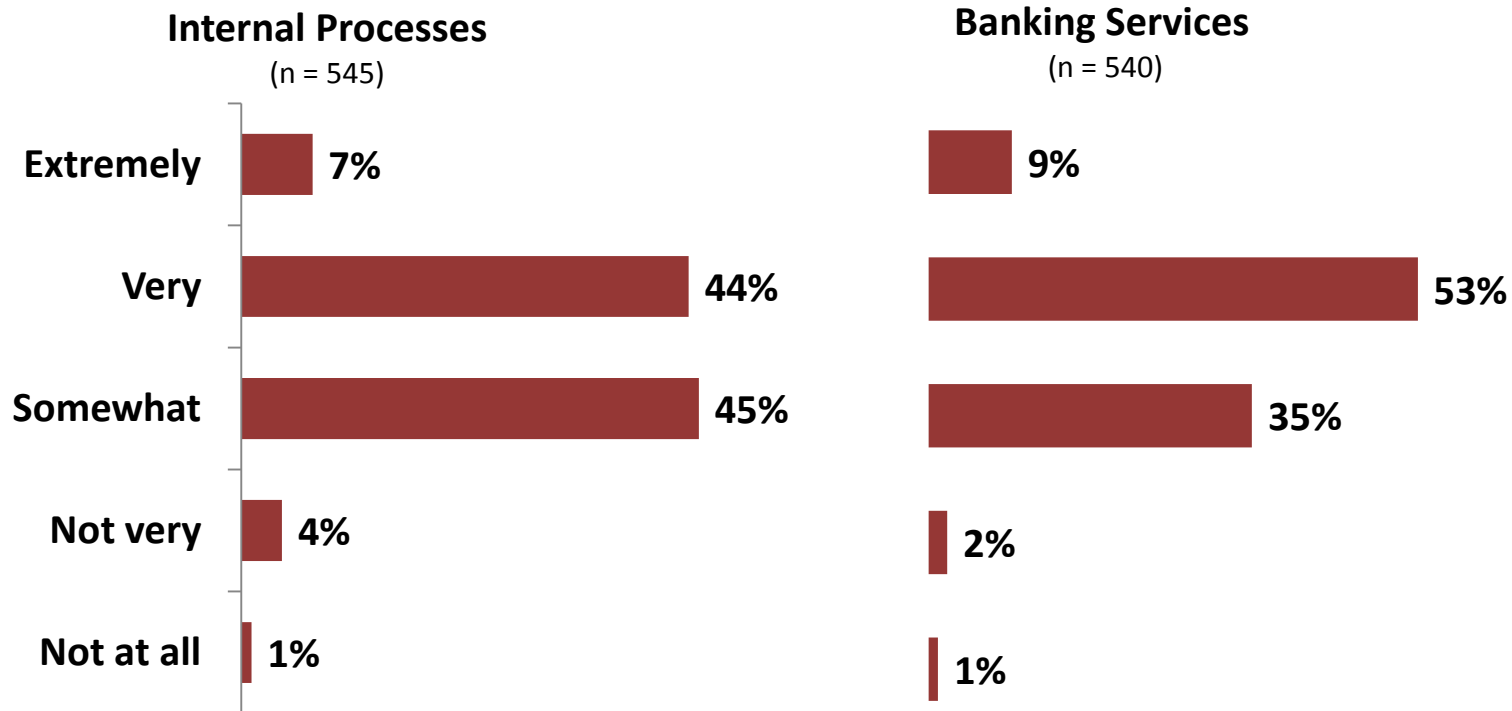


# Polling Question #2

# Effectiveness of Current Processes in Meeting AP Needs

About half of companies surveyed find internal processes & systems to be extremely or very effective in meeting AP needs (51%)

Six in ten respondents consider banking services to be extremely or very effective in meeting AP needs (62%)



Source: 2012 Remittance Coalition Survey

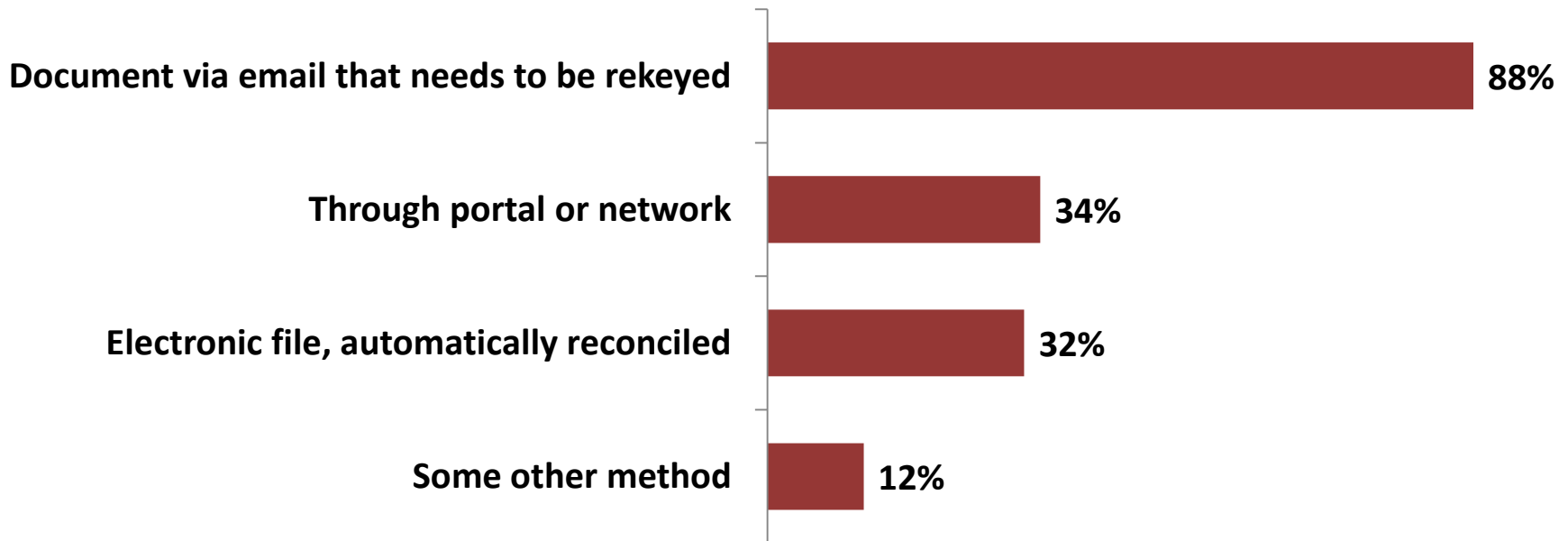


# Current Practices for Receiving Remittance Data

Most respondents receive information directly & separate from the payment transaction from some of their trading partners, usually in a document (88%) sent by email that needs to be rekeyed

## Methods of Receiving Remittance Data

(n= 481)



Source: 2012 Remittance Coalition Survey

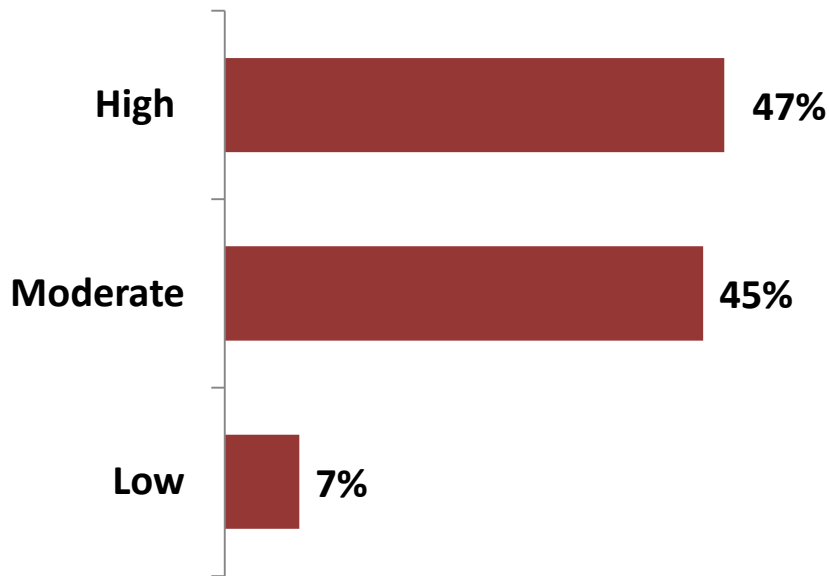


# Polling Question #3

# Businesses Want More E-Payments & E-Remittance

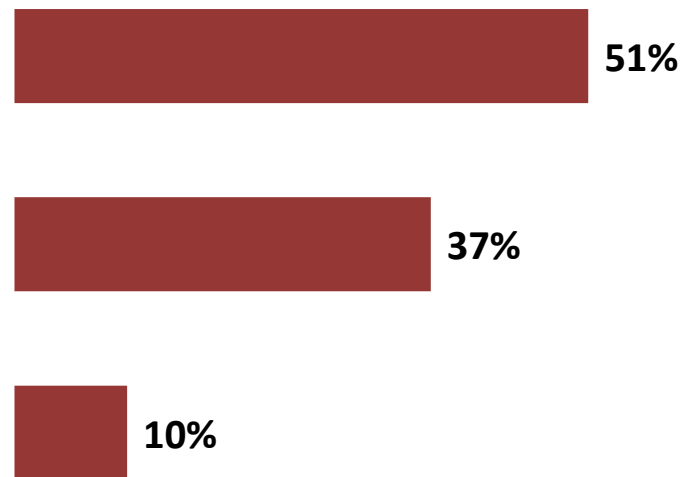
## Interest in Using More Electronic Payments

(n=635)



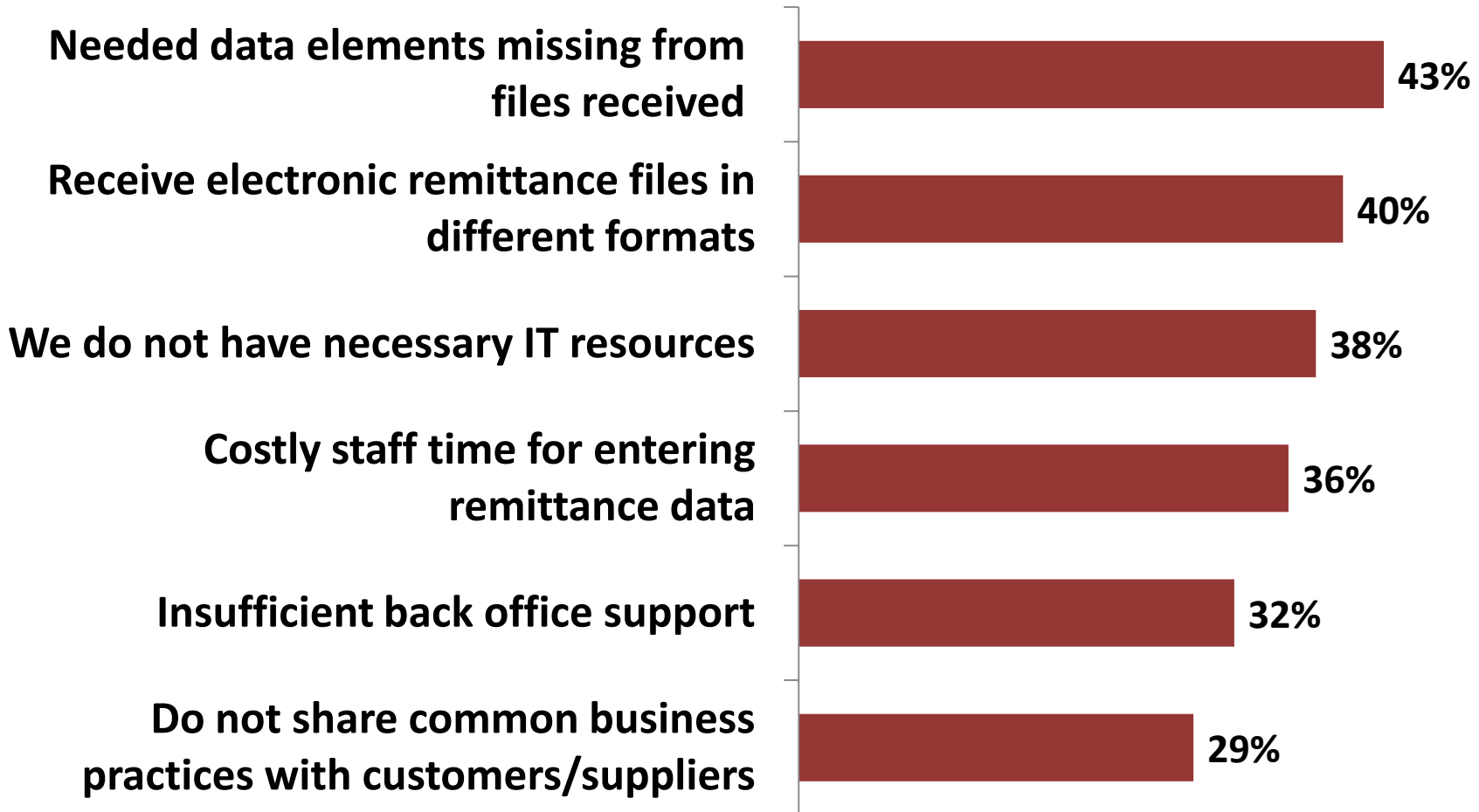
## Interest in Automating Exchange & Reconciliation of Remittance

(n=627)



Source: 2012 Remittance Coalition Survey

# Many Common Pain Points with Remittance Processing

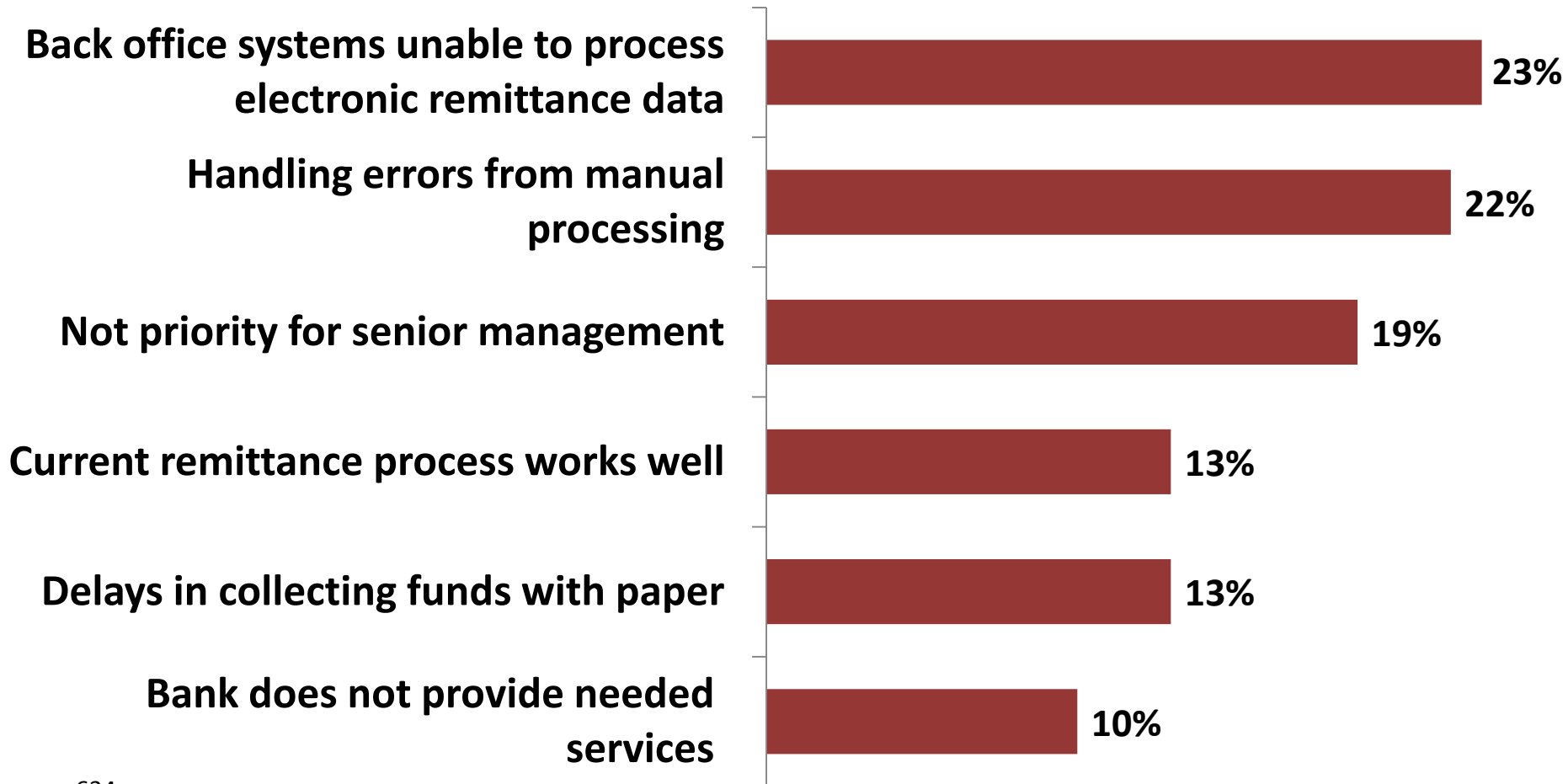


n=634

Source: 2012 Remittance Coalition Survey



# Common Pain Points, continued



n=634

Source: 2012 Remittance Coalition Survey

# What Respondents Said

***“Remitters cannot or will not send quality remittance data in the payment addenda. Separate email forces a completely manual process.”***

***“Missing data elements & lack of consistency in formatting cause us to post remittances to our customers late & often requires communication back & forth between us & the customer to determine what they are paying.”***

***“Multiple formats for remittance information create a reconciliation nightmare – it is not easy to automate.”***

***“Many of our vendors are small and/or located in remote areas & do not accept or receive electronic remittance information.”***



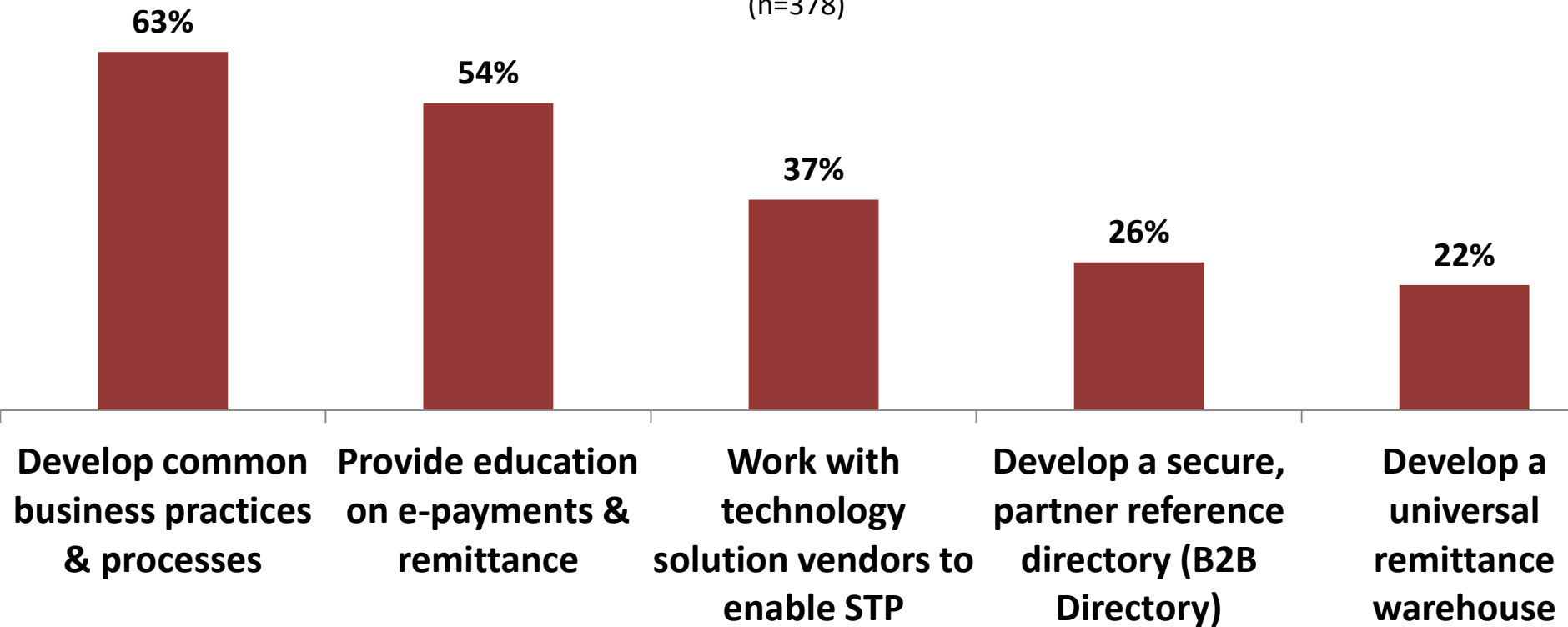


# Polling Question #4

# What Business Practitioners Want

## Preferred Solutions – Ranked 1 or 2

(n=378)



Source: 2012 Remittance Coalition Survey







# How Findings Are Being Leveraged



# Address Business Process Enhancements

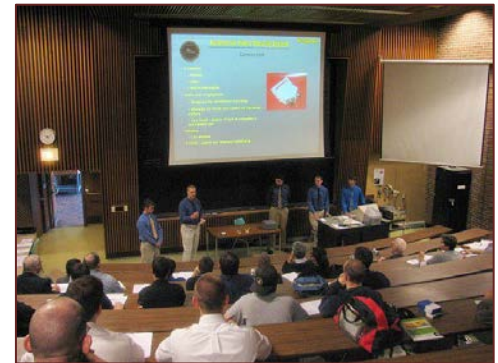
## Develop simpler, standard usage of discount & adjustment deduction codes

- Team formed to develop a subset of EDI adjustment codes that meet needs of “most” businesses
- Work underway with standards organizations X9 & X12 to publish list as standard
- Work planned to communicate & educate industry, including vendors on codes to use & support in software



# Improve Education & Outreach

- Present at industry conferences & publish articles in industry press to promote Coalition mission, vision & actions
- Share information among Coalition members about member-led initiatives
- Promote adoption of new solutions – e.g., extended remittance information in wire transfers (Fedwire & CHIPS); Balance & Transaction Reporting Standard (report by banks to corporate customers)
- Target education to small businesses & small financial institutions



# Investigate a B2B Directory

Subgroup formed to better understand requirements & features of a B2B directory

- Currently gathering ideas for features of B2B directory
- Next step is to develop a document “straw man” model & seek comments on its viability
- Assuming B2B directory is viable, may work with standards organizations and/or banks/vendors to develop a pilot





# Other Remittance Coalition Activities



# Standards Related Activities

- Develop glossary of remittance terms to promote education & common understanding
- Develop inventory of existing e-remittance standards & their uses
- Develop ISO 20022 extended remittance standard in XML for compatibility with ISO 20022 payment messages



# Work with Technology Vendors

## Promote adoption of new solutions

- Wire format change to carry extended remittance information in wire transfers (Fedwire & CHIPS)
- Balance & Transaction Reporting Standard
  - X9 standard, a replacement of BAI2, for reporting of bank balance & transactions to corporate customers; format updated to include wire & ACH remittance data & streamline BAI codes
- Work with vendors (e.g., Intuit) for adoption of current & new remittance formats







# How RC Members Stay in Touch

- Participate in work groups
- View progress on Federal Reserve Bank of Minneapolis website

<http://www.minneapolisfed.org/about/whatwedo/paymentsinformation.cfm>

- LinkedIn group
- Regular telephone conference calls
- Occasional in-person meetings held at conferences
- Email





# Join the Remittance Coalition!

To join the Remittance Coalition, send an email to:

[Deb.hjortland@mpls.frb.org](mailto:Deb.hjortland@mpls.frb.org)

You will receive a new member welcoming packet by email, with information on how to get involved in RC work





# DISCUSSION



Please submit your questions  
& comments



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# APPENDIX: Survey Design

- Questionnaire & survey design developed by the Remittance Coalition Survey Team:
  - Association of Financial Professionals (AFP)
  - Credit Research Foundation (CRF)
  - Institute of Financial Operations (IFO, an affiliation of IAPP, IARP, TAWPI & NAPP)
  - National Association of Purchasing Card Professionals (NAPCP)
  - Association of Small Business Development Centers (ASBDC)
  - Federal Reserve Bank
- Online survey was hosted by the Federal Reserve Bank