



Results from the Industry Survey by the Remittance Coalition:

A Presentation to X9C & X9AB Members

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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

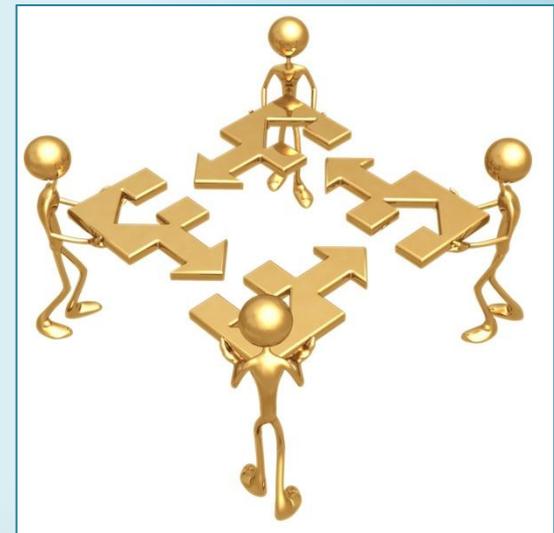
Agenda



1. The Remittance Coalition
2. Survey Objectives, Methodology & Respondent Profile
3. Survey Findings
4. How Findings Are Being Leveraged
5. Conclusions



1. The Remittance Coalition





Remittance Coalition

- **Participation** National group of associations, small & large businesses, financial institutions, vendors, standards development organizations & others
 - Formed in 2011
 - 180 members & 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)





2. Survey Objectives, Methodology & Respondent Profile





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



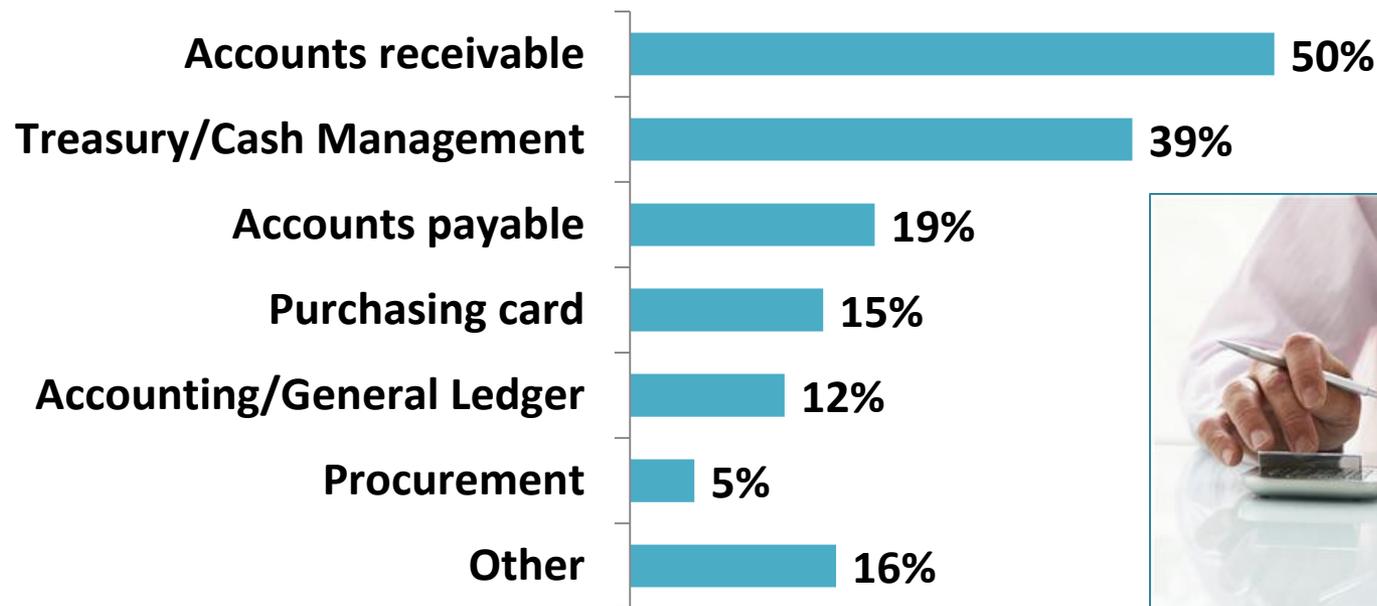


Job Functions of Respondents

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

Primary Responsibilities

(n= 660)



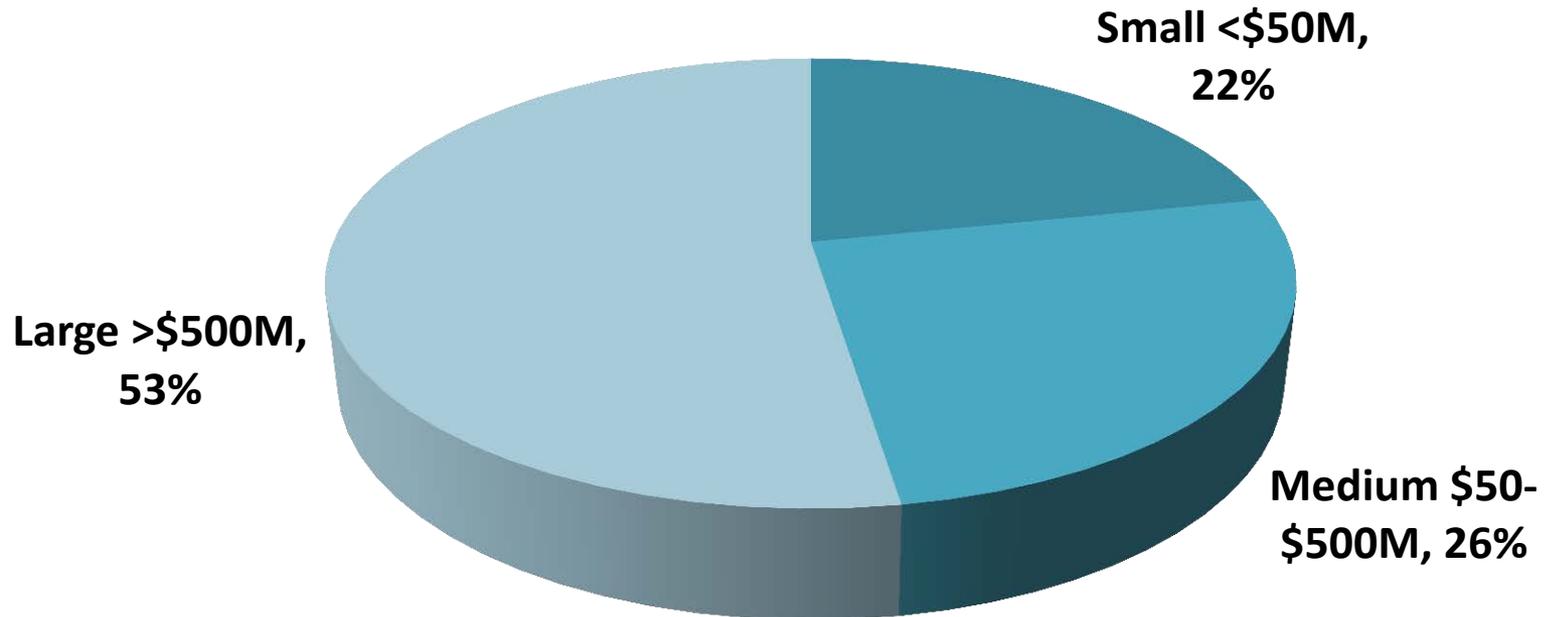
Note: multiple responses permitted

Source: 2012 Remittance Coalition Survey



Size of Respondent Organizations

Annual Revenue
N=646



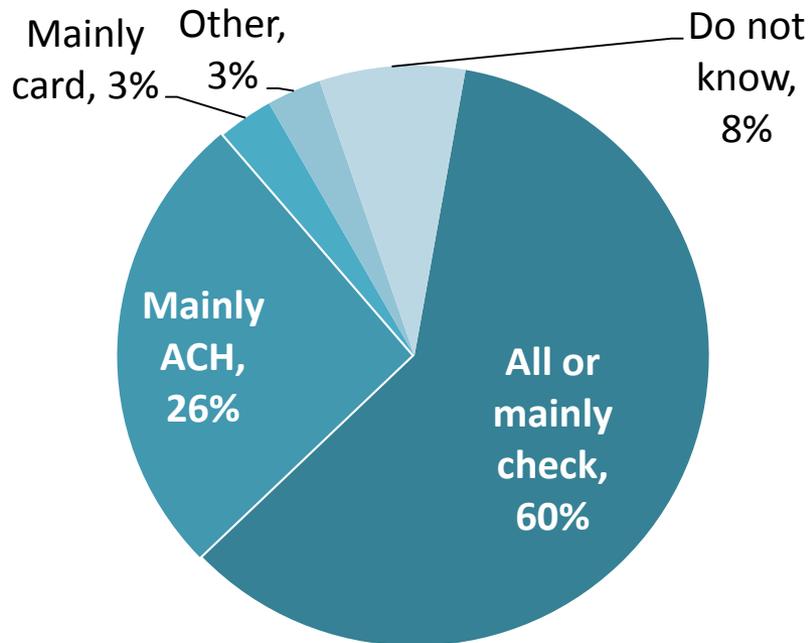
Source: 2012 Remittance Coalition Survey

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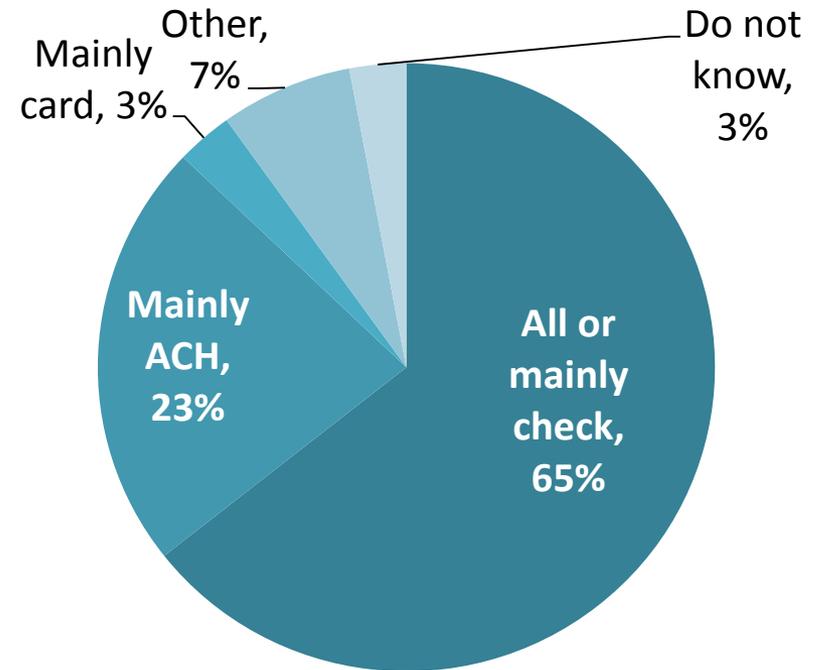
2/3 Use “All or Mainly” Checks to Make & Receive Payments



**Primary Method
for Making Payments**
N=654



**Primary Method
for Receiving Payments**
N=656

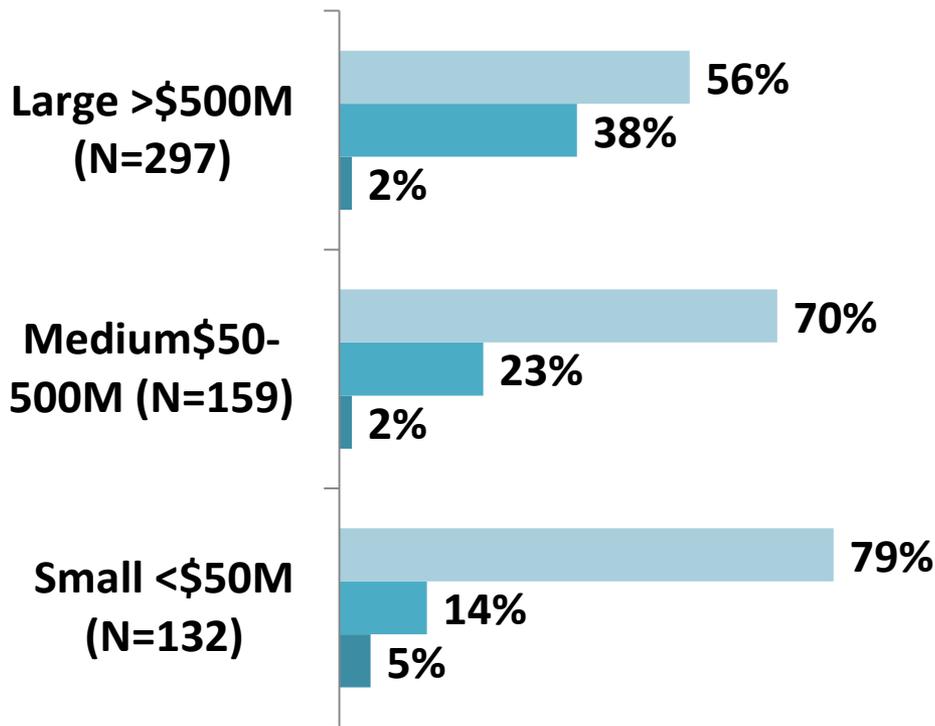


Source: 2012 Remittance Coalition Survey

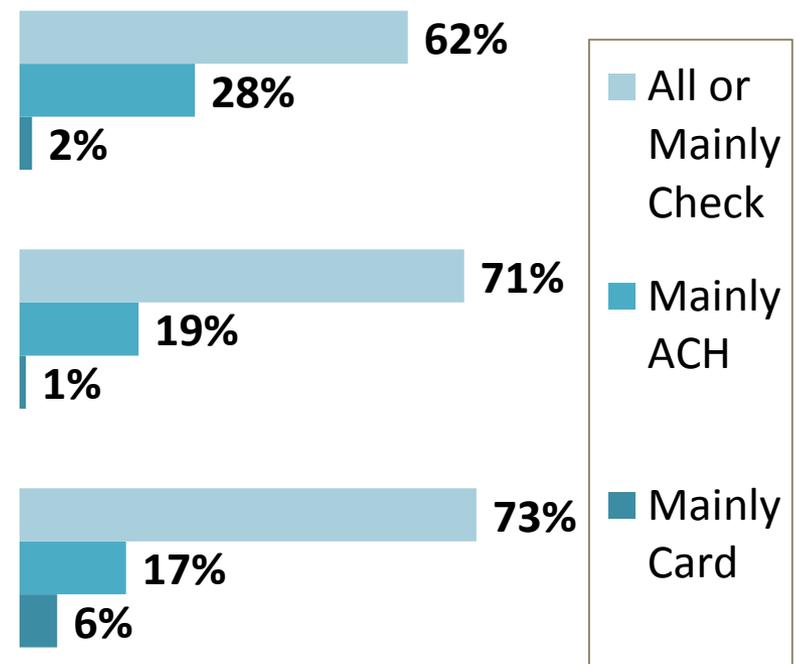
Checks Are Primary Method for All Organization Sizes



Primary Method for Making Payments



Primary Method for Receiving Payments

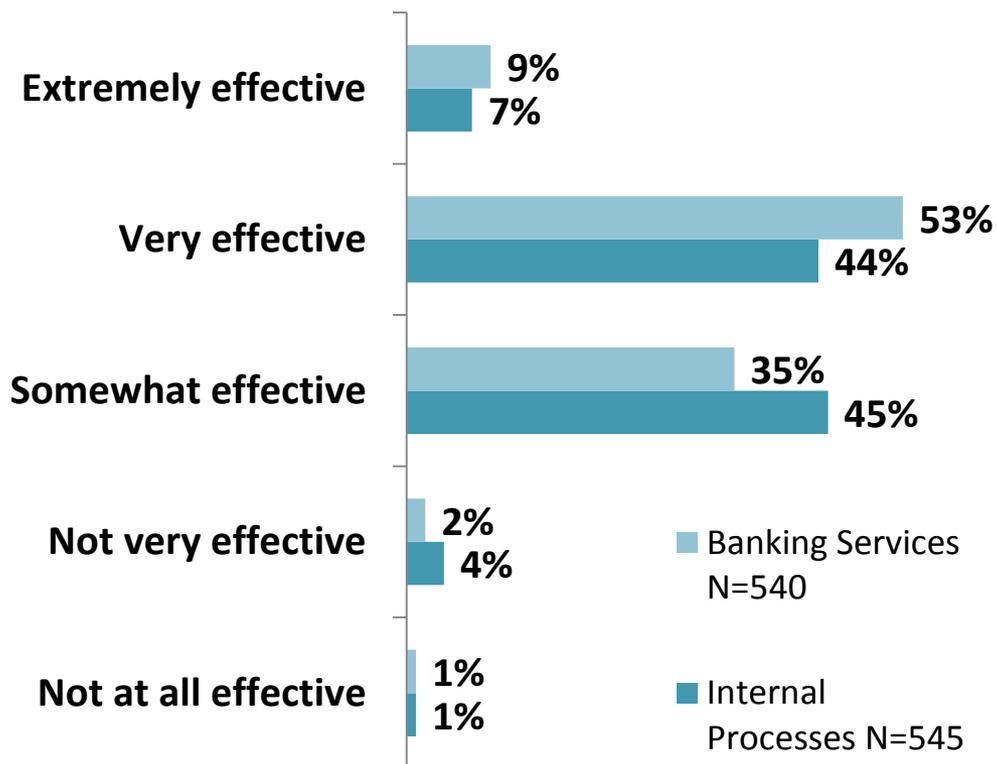


Source: 2012 Remittance Coalition Survey

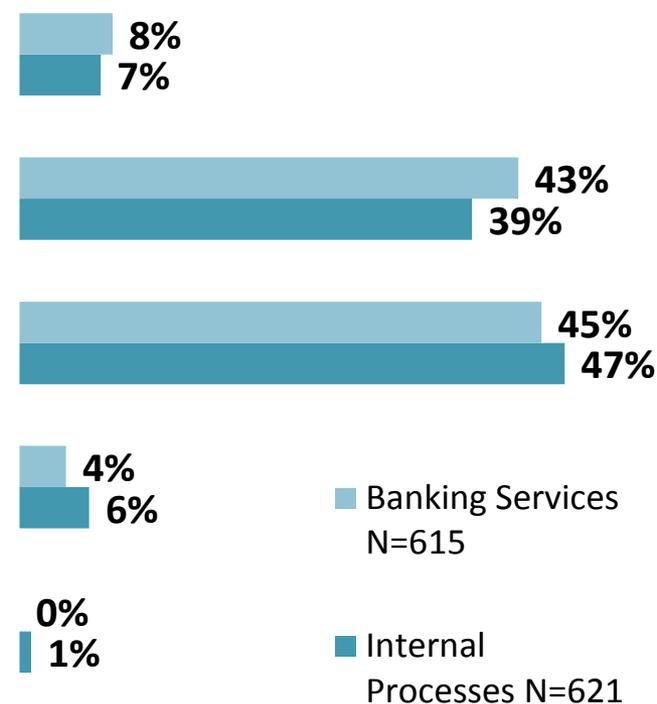
Businesses View Current AP & AR Processes as Effective



Effectiveness of Internal Processes & Banking Services to Meet AP Needs



Effectiveness of Internal Processes & Banking Services to Meet AR Needs





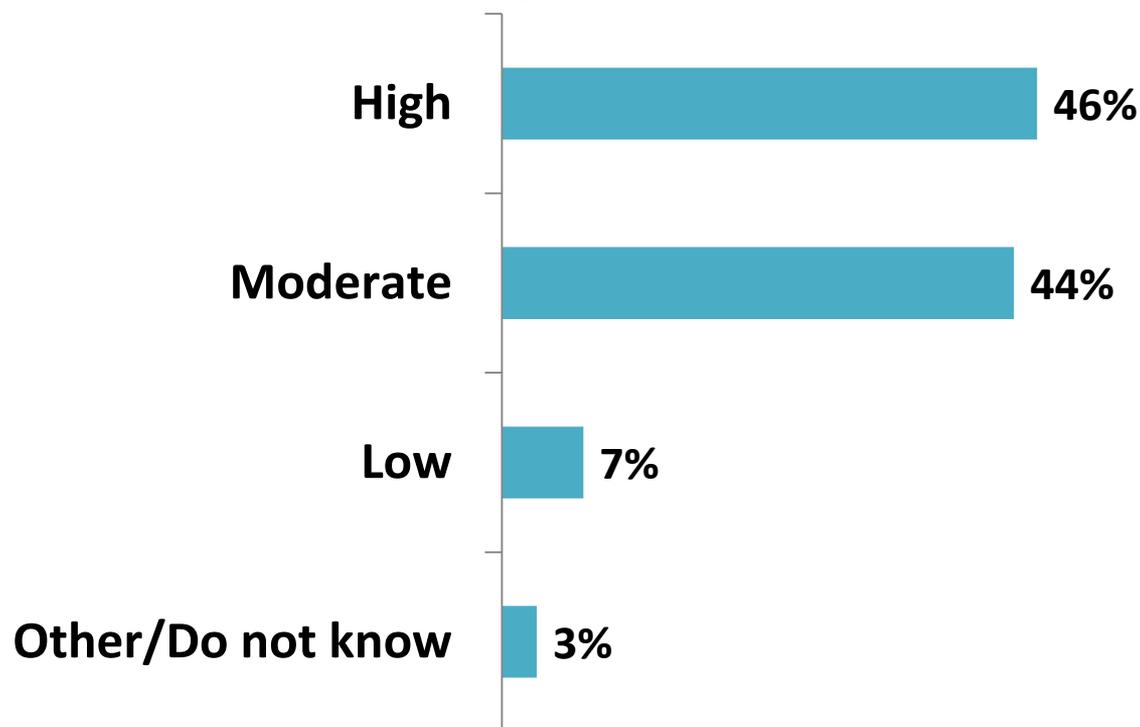
3. Survey Findings



Businesses Want to Use More E-Payments



Interest in Making & Receiving More E-Payments (*n=635*)



Source: 2012 Remittance Coalition Survey

Barriers to Increased Use of Electronic Payments



It is difficult to convince our customers &/or suppliers to send/receive payments electronically



Our back office systems do not integrate easily with electronic payments



Insufficient internal IT resources



Customers/suppliers cannot accept/receive electronic remittance information



It is difficult to verify correct payment receipt



Not a priority for senior management



Electronic payments cost more



(n = 609)

Source: 2012 Remittance Coalition Survey

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E-Payment Barriers, continued



Concern about fraud with e-payments

15%

Do not want to lose check float

13%

We do not have easy access to partner's bank & account numbers

13%

Our bank does not provide services we need

10%

Paper works well, no need to automate

10%

We do not want to share our bank account info

9%

n=609

Source: 2012 Remittance Coalition Survey

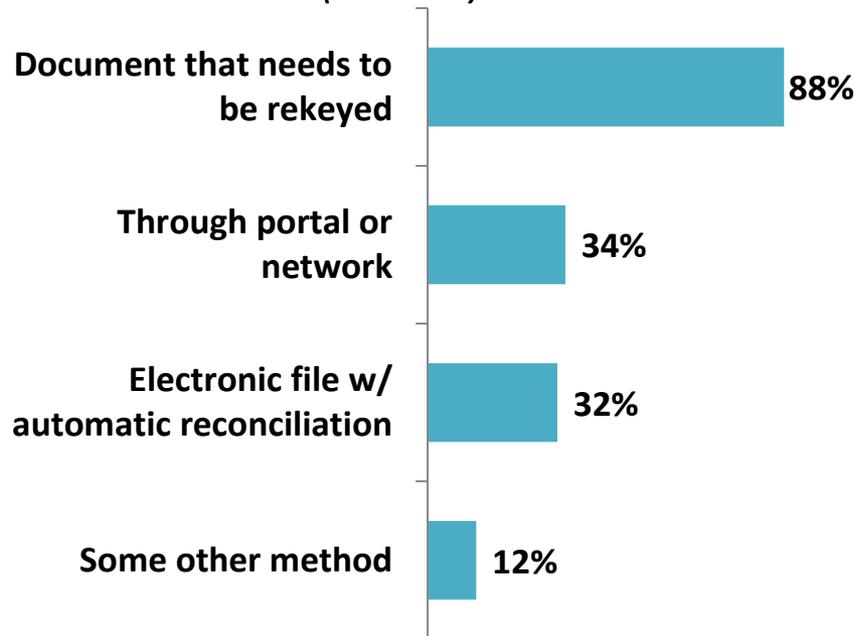
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Businesses Interested in More E-Remittance

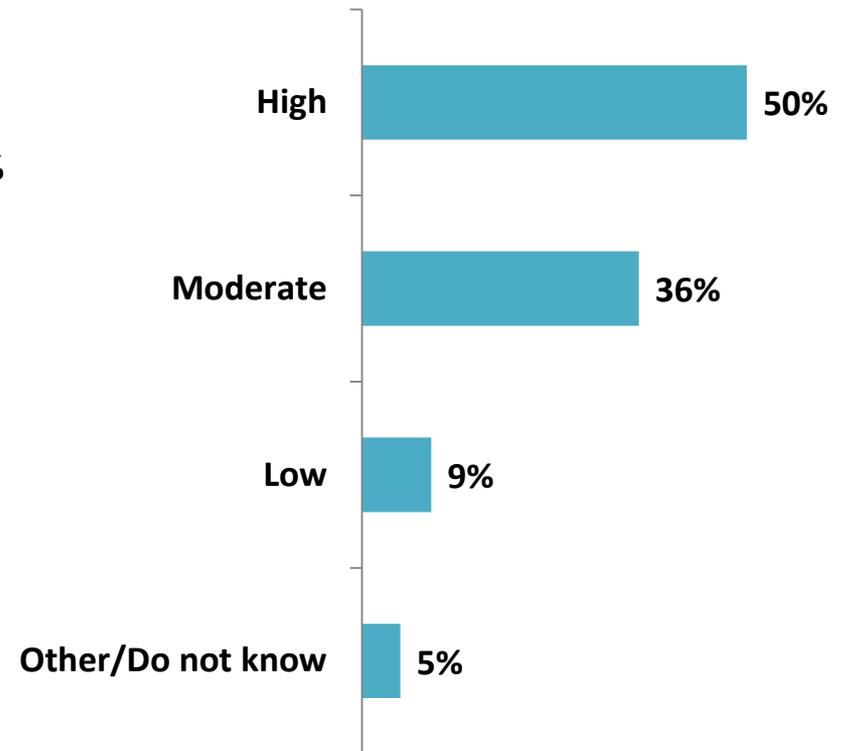


Methods of Receiving Remittance Data Directly from Trading

Partner
(*n= 481*)



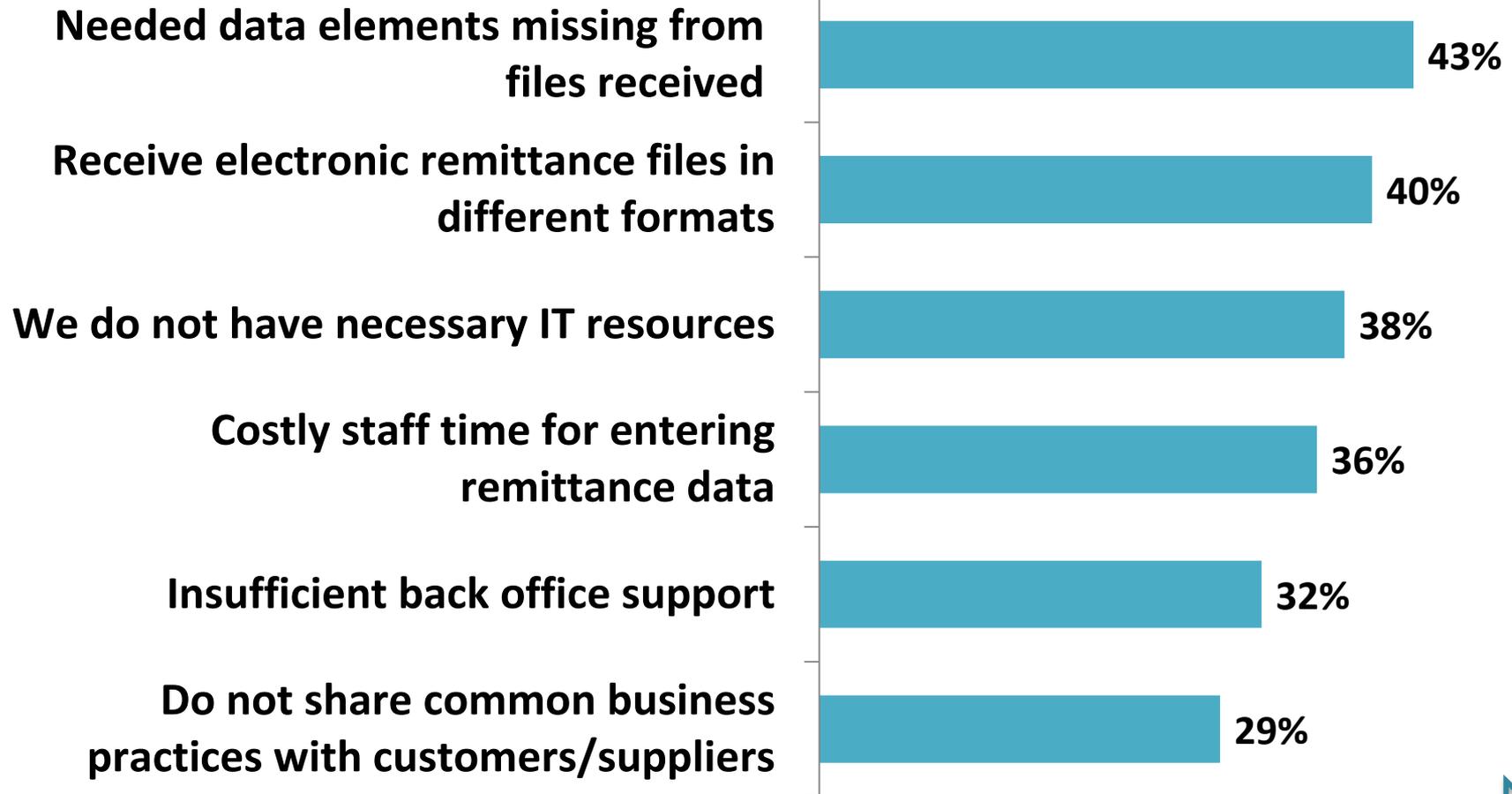
Interest in Using More E-Remittance (*n=646*)



Source: 2012 Remittance Coalition Survey



Many Common Pain Points with Remittance Processing



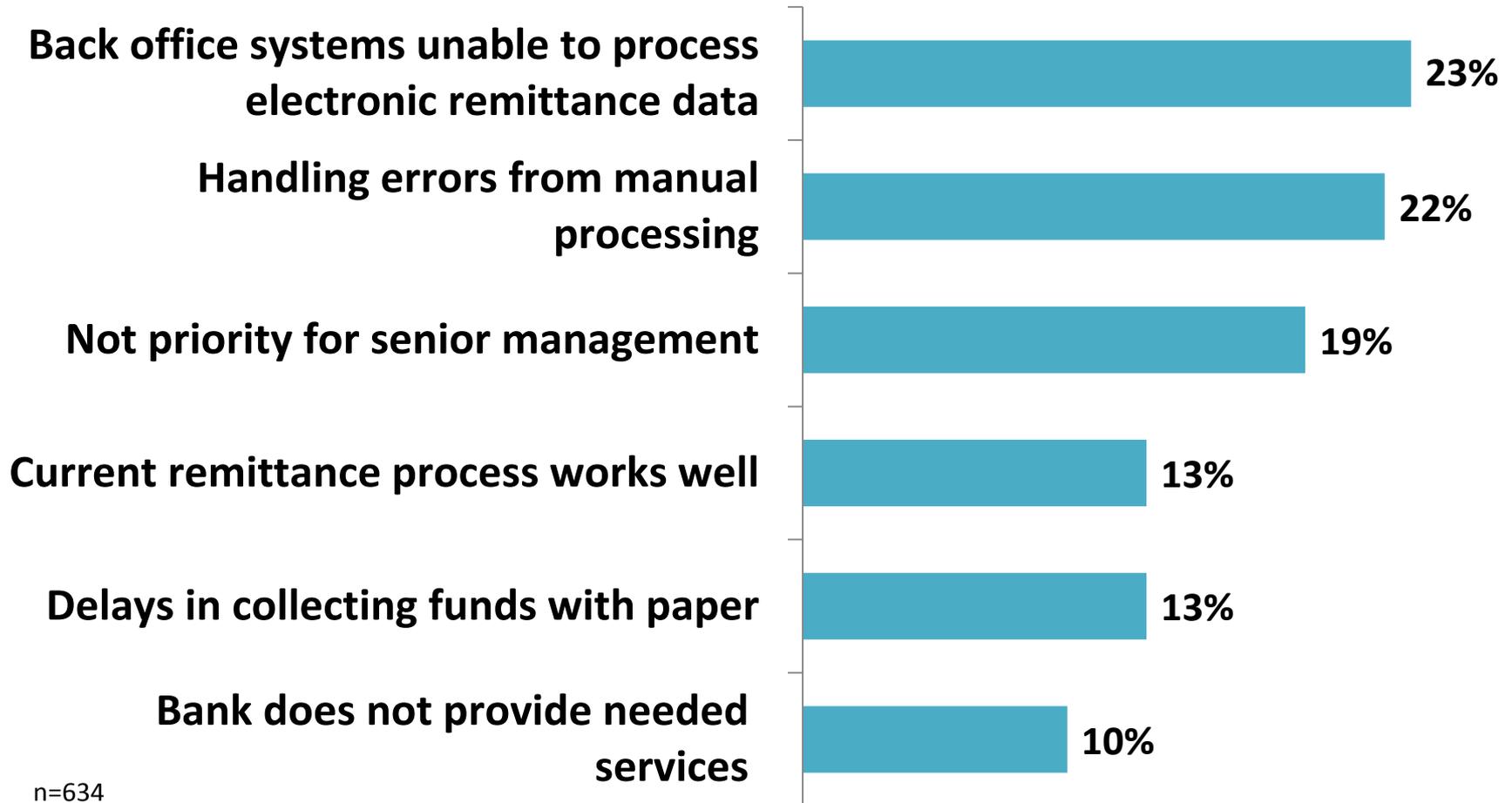
n=634

Source: 2012 Remittance Coalition Survey

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Remittance Pain Points, continued



n=634

Source: 2012 Remittance Coalition Survey

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What Respondents Said

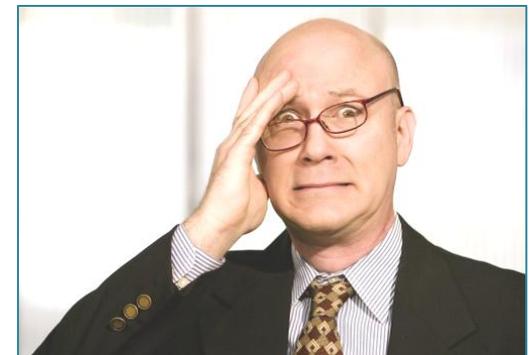


“Remitters cannot or will not send quality remittance data in the payment addenda. Separate email forces a completely manual process.”

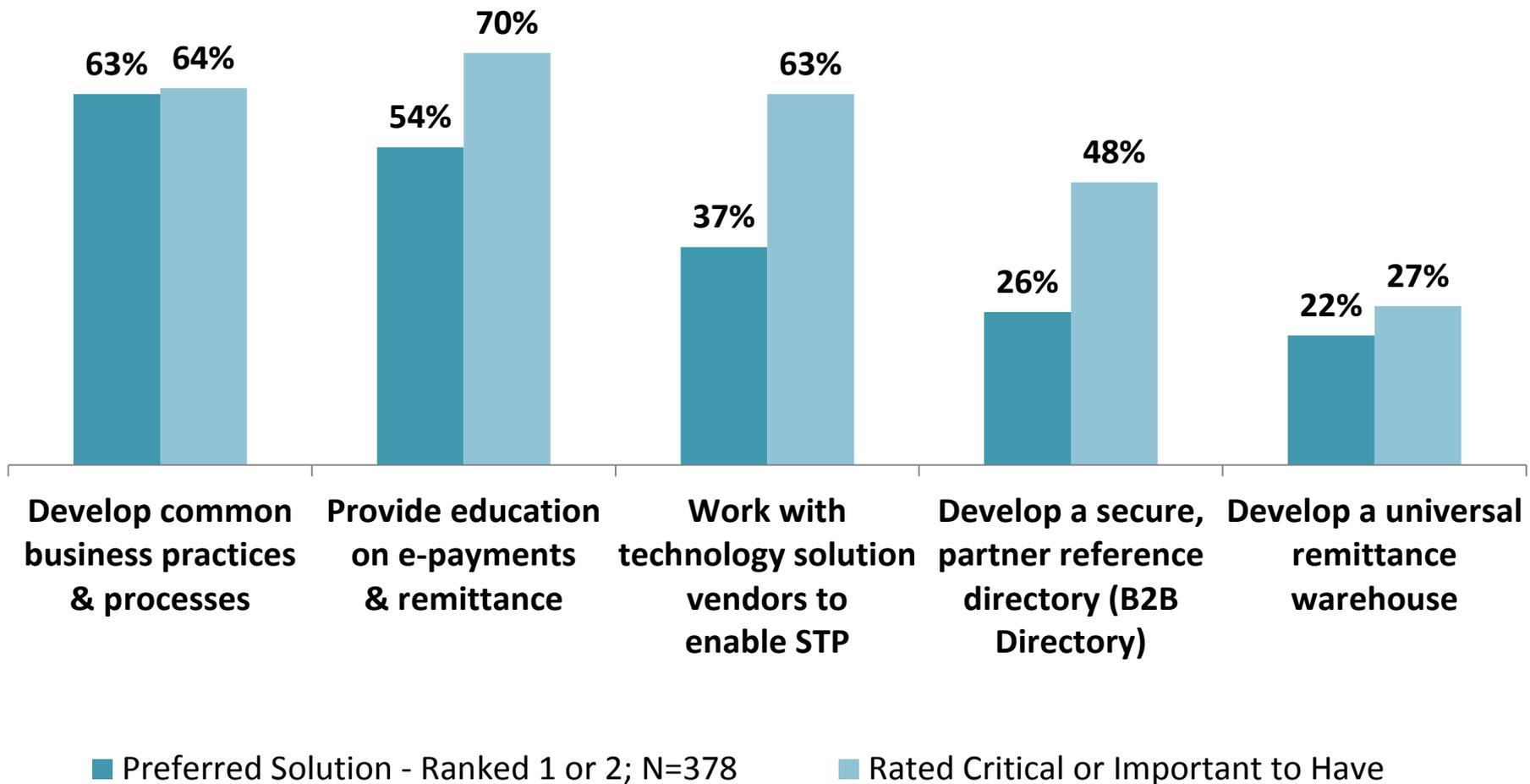
“Missing data elements & lack of consistency in formatting cause us to post remittances to our customers late & often requires communication back & forth between us & the customer to determine what they are paying.”

“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.”



Solutions Business Practitioners Want



Source: 2012 Remittance Coalition Survey

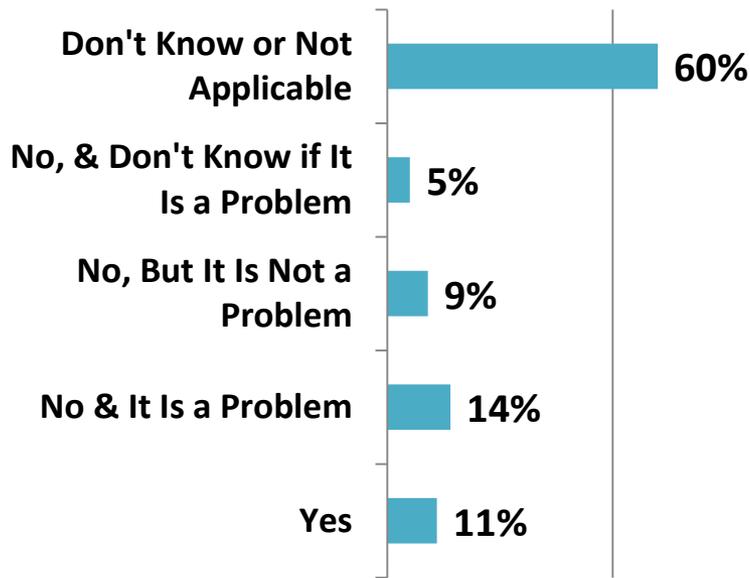
Lack of Common Business Practices & Processes



Only 1 in 10 say customers & suppliers who use EDI 820/STP 820 remittance formats use them in standard way; & only 1 in 20 say their suppliers/customers share the same set of discount & adjustment codes

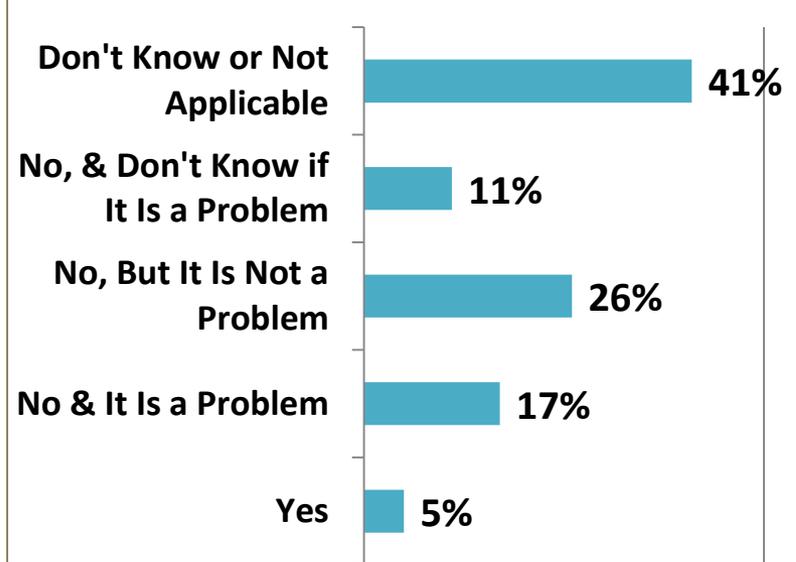
Standard Use of EDI 820/STP 820 Remittance Format

N=499



Standard Use of Deduction Codes

N=497



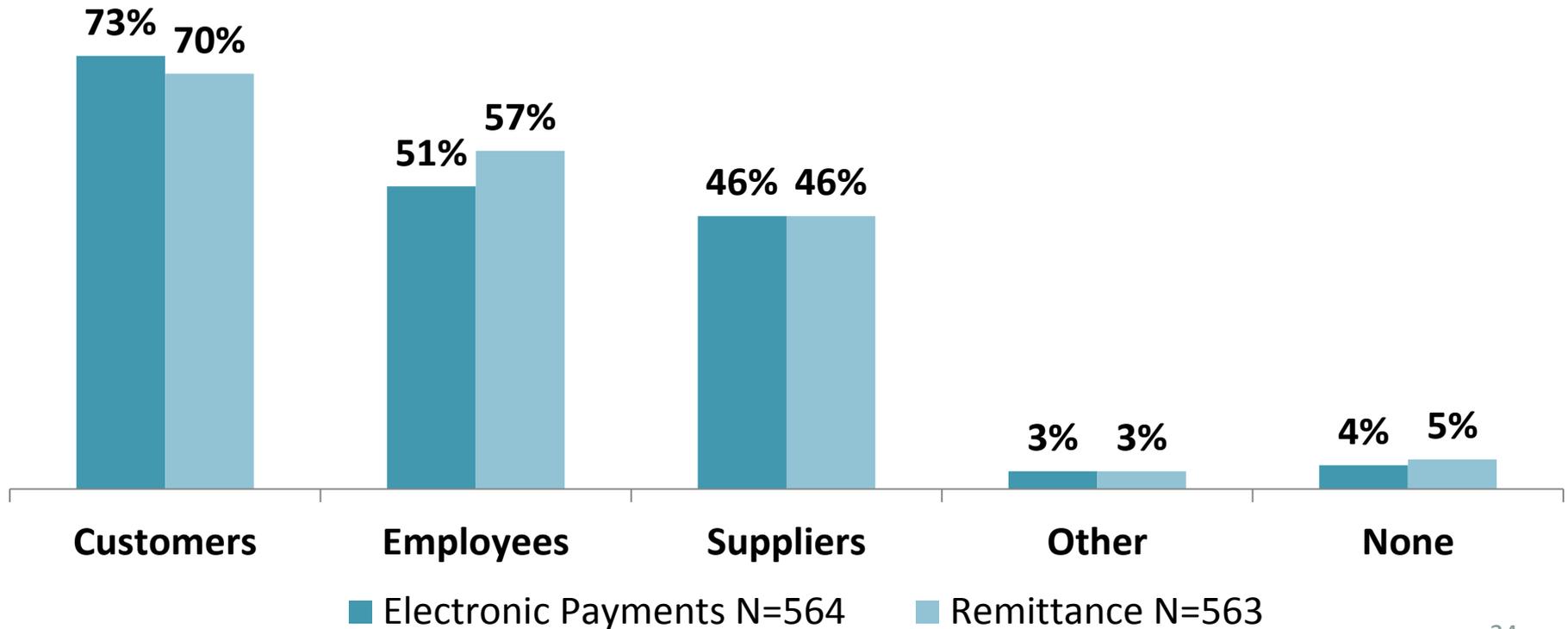
Source: 2012 Remittance Coalition Survey



Customer Education Needed

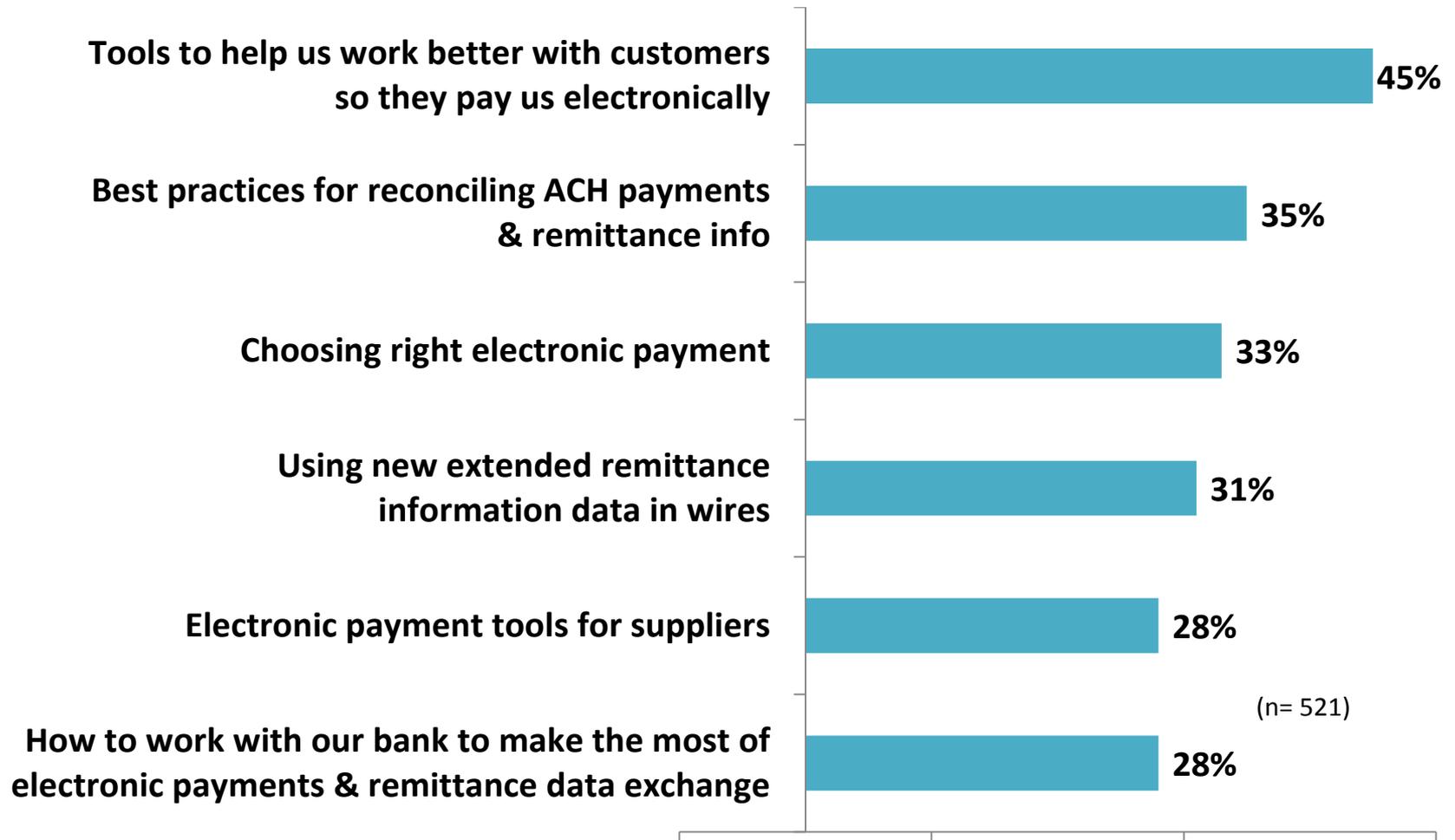
Survey respondents say more education is needed to increase adoption of electronic payments & automated processing of remittance data; greatest need is to educate customers, followed by employees, & then suppliers.

- Regardless of function or industry, respondents consistently felt that customer education is a priority



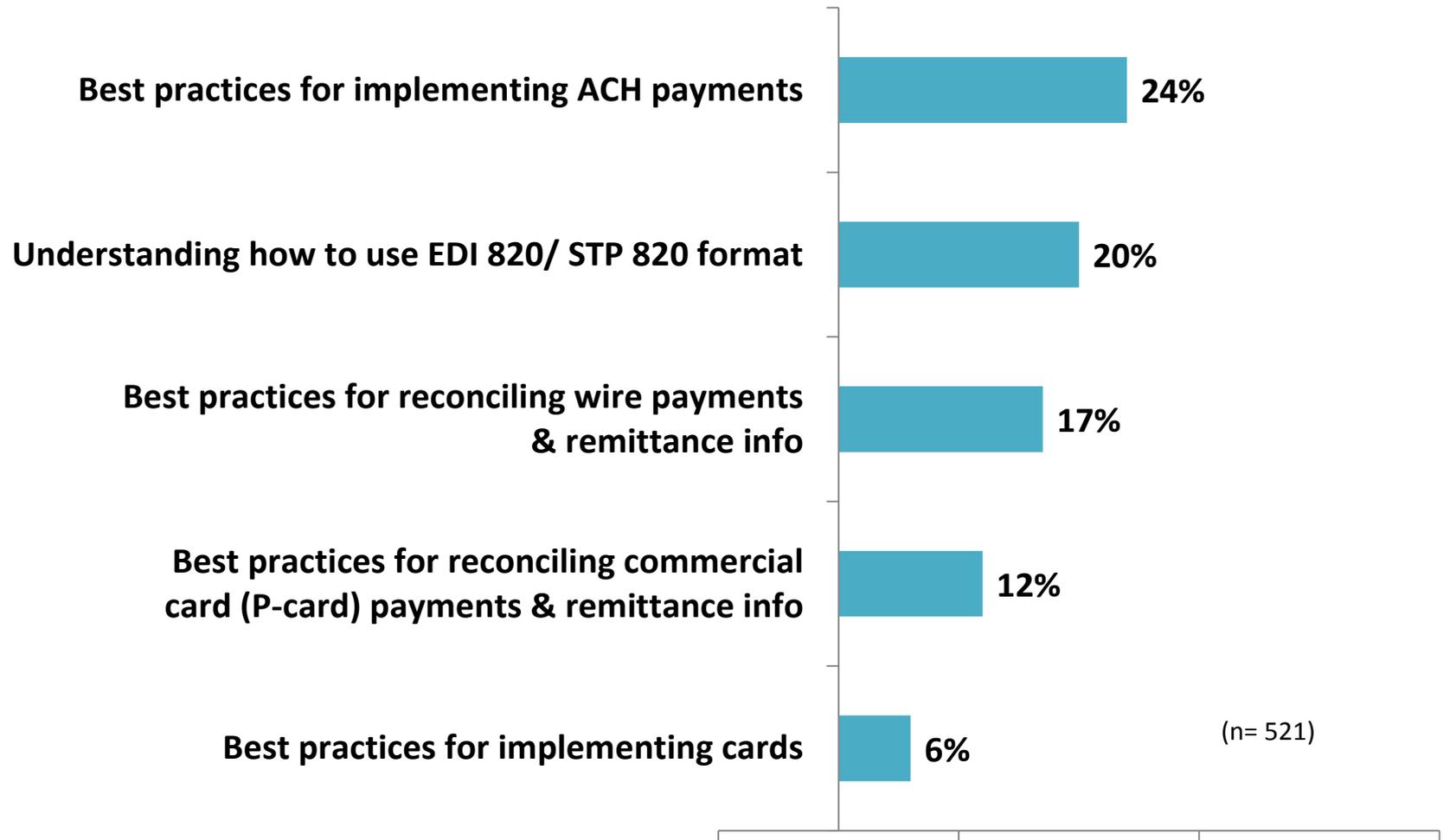


Most Helpful Educational Topics



Source: 2012 Remittance Coalition Survey

Most Helpful Educational Topics, continued

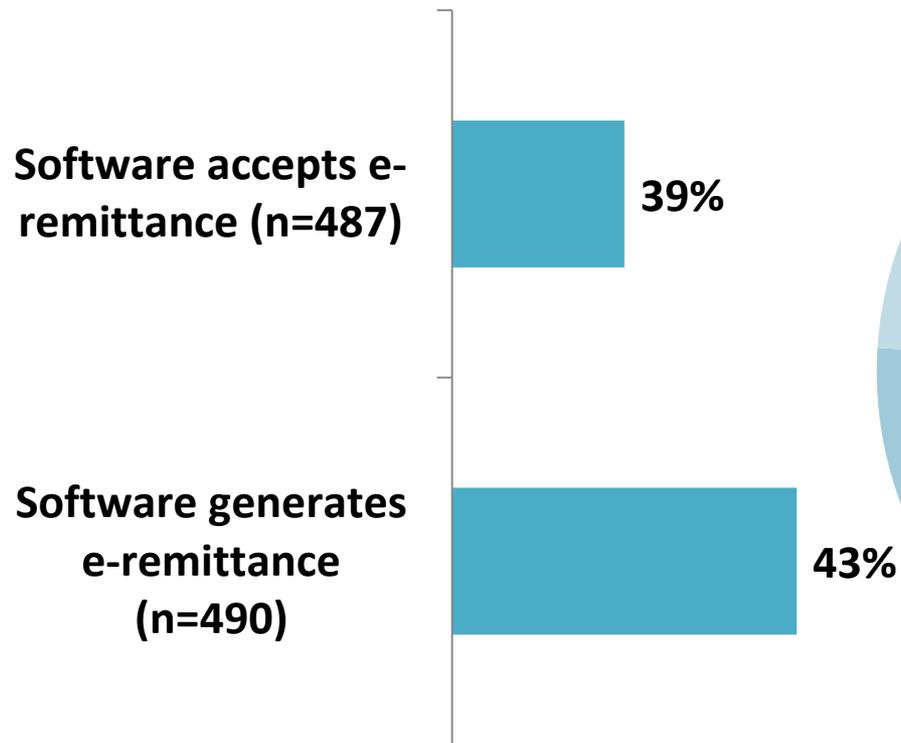


Source: 2012 Remittance Coalition Survey

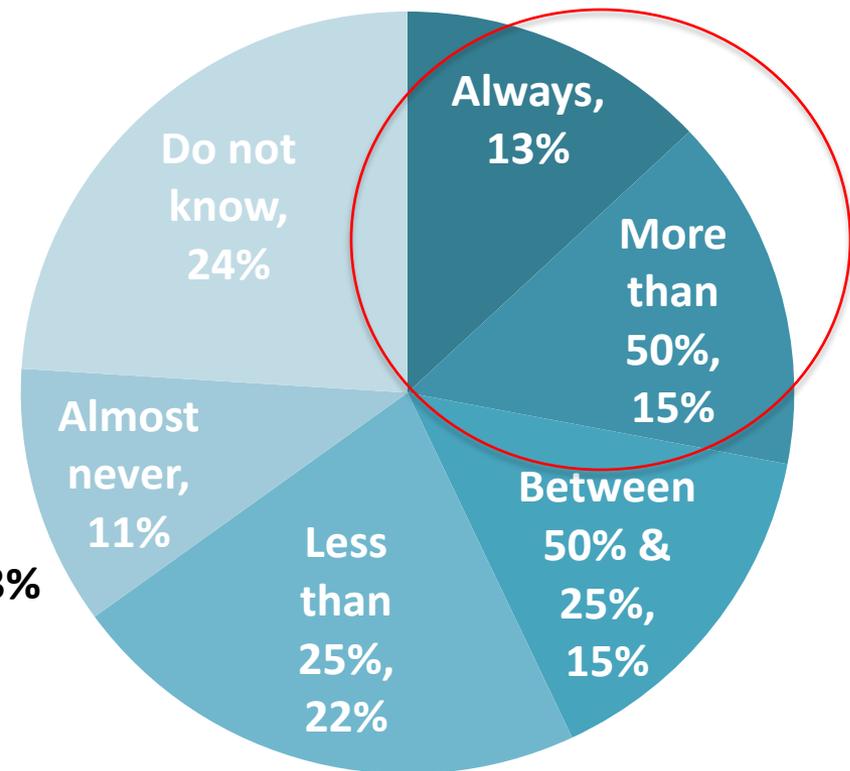
Current Technology Solutions Are Not Meeting Business Needs



Current Software Capability



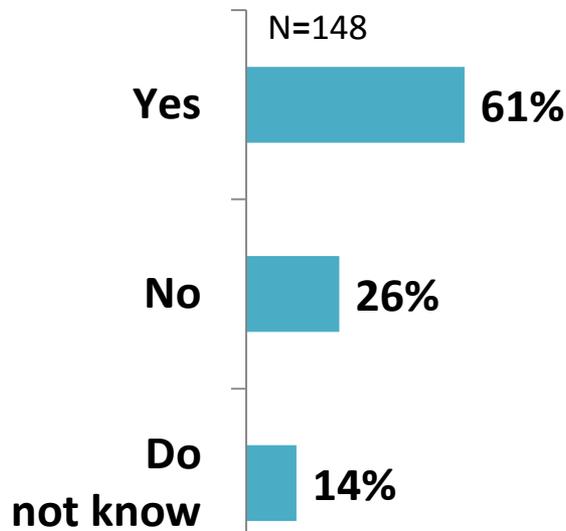
Manual Intervention to Correct E-Remittance



Technology Solutions Are Needed



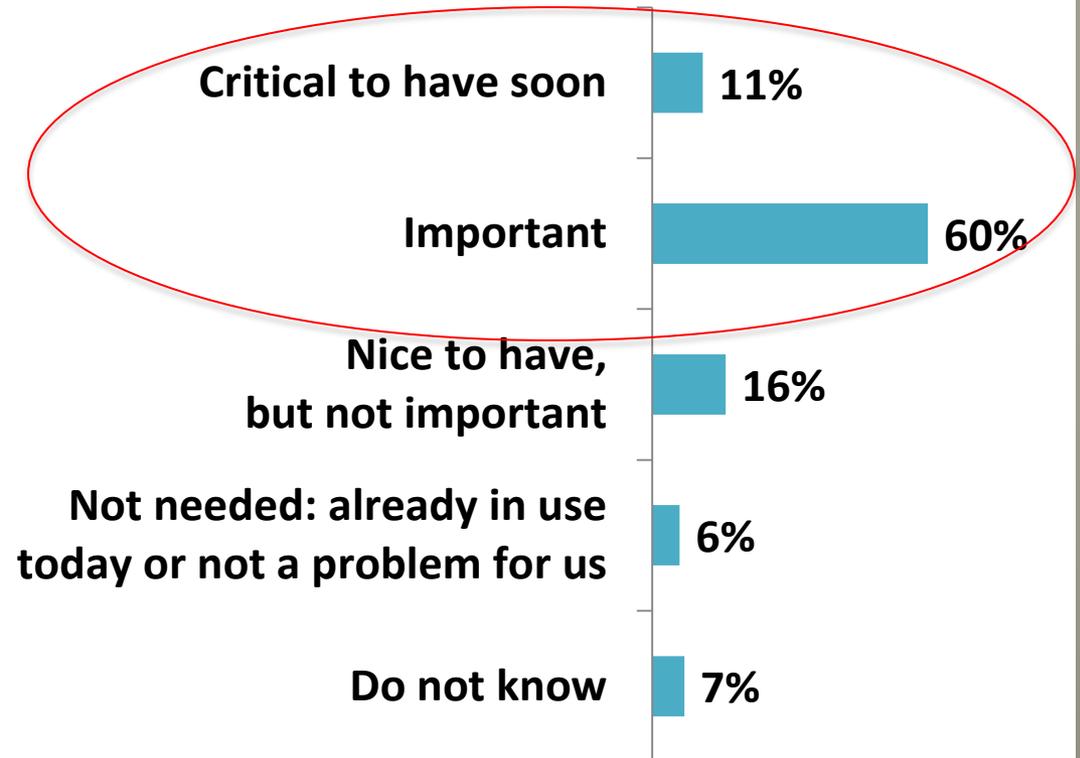
Does Lack of Automated Solutions Make it Harder to Use More E-Payments & E-Remittances?



Source: 2012 Remittance Coalition Survey

Importance of Technology to Exchange More E-Payments & E-Remittances

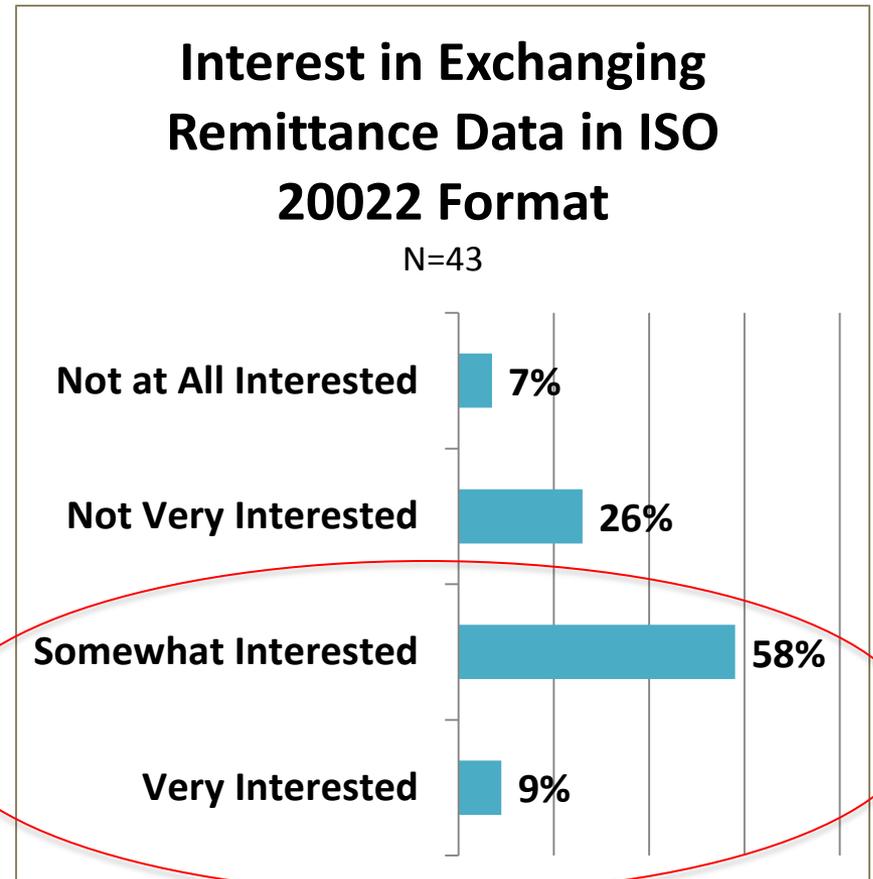
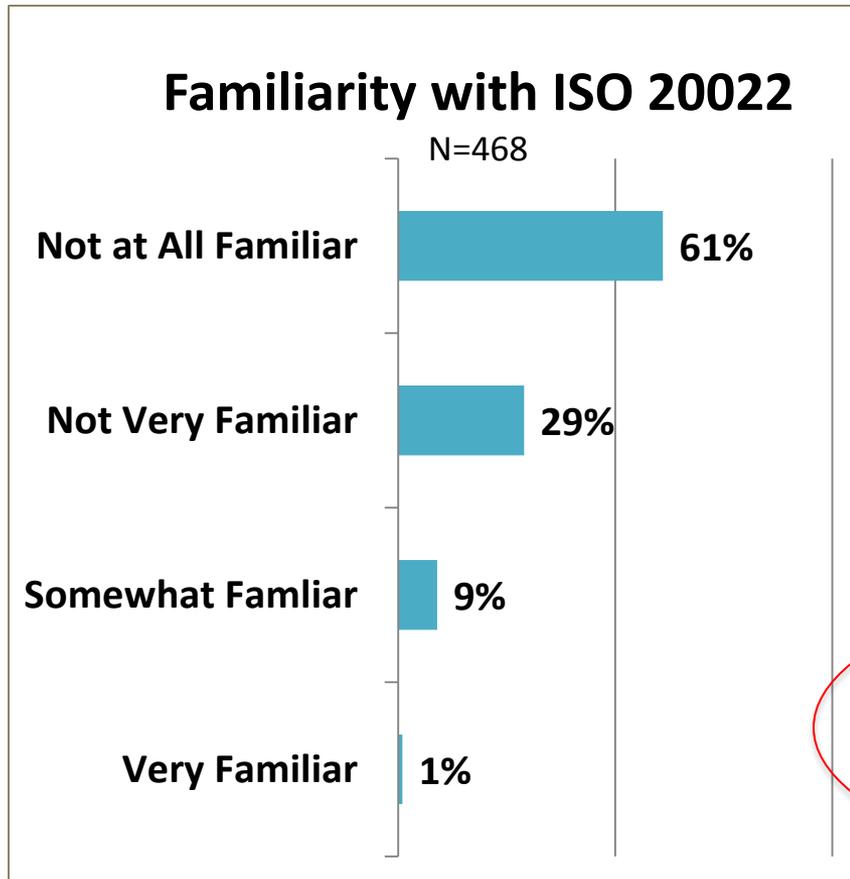
N=485





Standard: ISO 20022

Limited familiarity with ISO 20022; of those, 2/3 are somewhat or very interested in exchanging remittance information with it

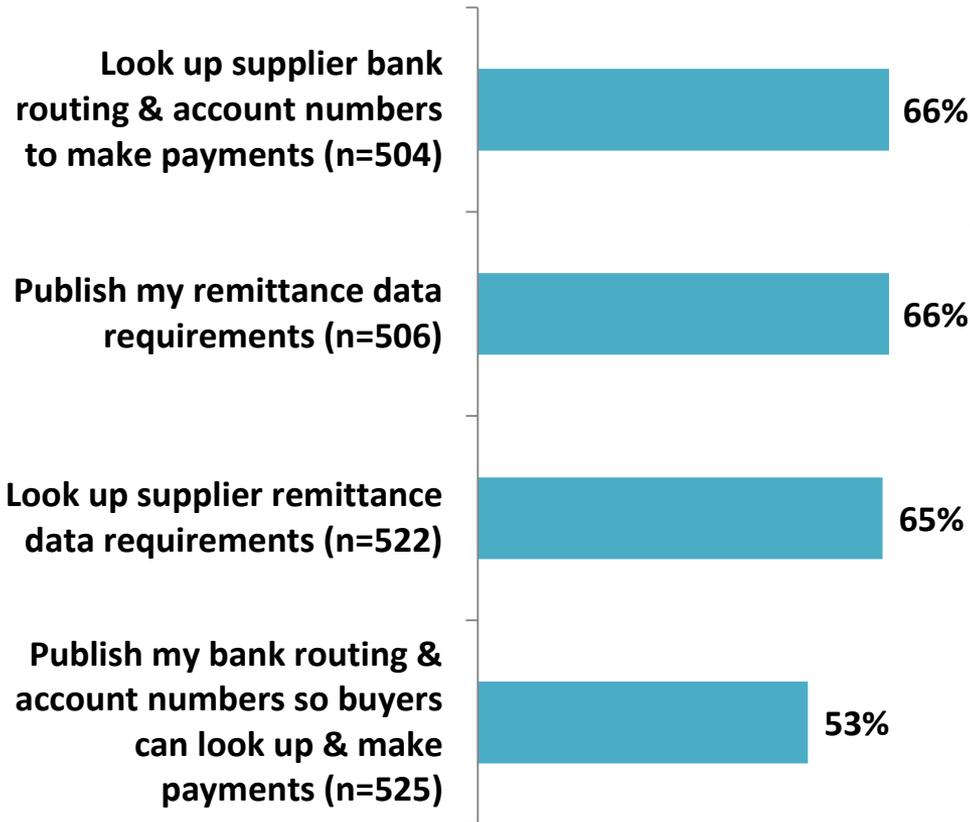


Source: 2012 Remittance Coalition Survey

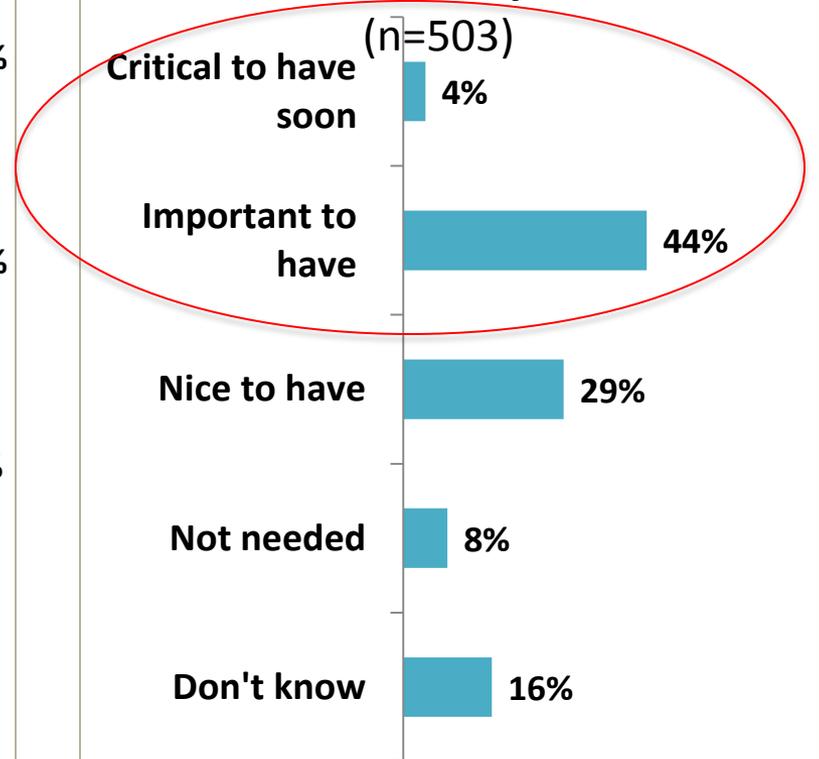
Secure Partner Reference (B2B) Directory



Features Ranked as Very or Somewhat Important



Importance of a secure trading partner reference directory

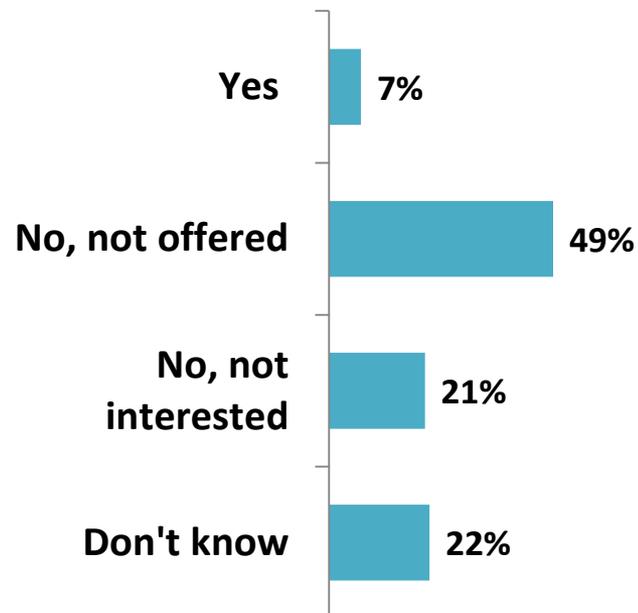


Current Use & Importance of Remittance Warehouses



Are You Currently Using a Warehouse?

N=394



How Important is a Universal Remittance Warehouse?

N=498

Critical to have, even if I had to pay a reasonable fee

2%

Important to have

25%

Nice to have, but not important

32%

Not needed

15%

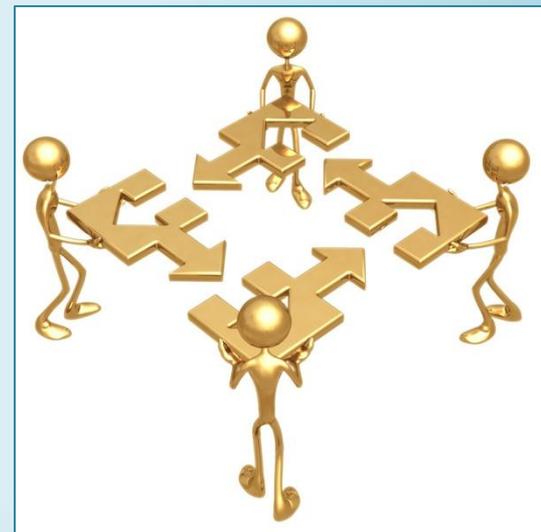
Don't know

26%

Source: 2012 Remittance Coalition Survey



4. How Survey Findings Are Being Leveraged



Addressing Business Process Enhancements



Develop simpler, standard usage of discount & adjustment deduction codes

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



Improving 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





Working to Improve Technology

- 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



Technology Vendor Outreach



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

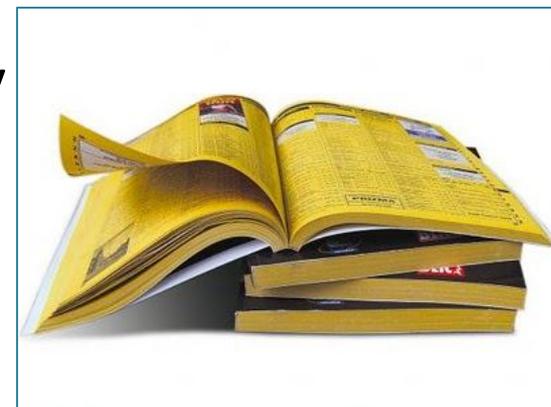




Investigating a B2B Directory

Work group 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





5. Conclusions



Conclusions from RC Survey



1. Businesses mainly rely on checks to make & receive B2B payments
2. Businesses use manual, paper intensive processes to reconcile related remittance data
3. Common barriers to adopting more e-payments & e-remittance solutions:
 - Trading partners are unwilling or unable to accept e-payments
 - Lack of effective technical solutions & sufficient IT resources
 - Lack of standard practices

Conclusions, continued



4. Businesses want to use more e-payments & e-remittance methods
5. Top-ranked solutions to solve this conundrum:
 - Develop & promote use of common business practices
 - Educate customers, employees & suppliers about e-payment & e-remittance options
 - Address technical inadequacies

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>

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



Join the Remittance Coalition!



To join the Remittance Coalition, send an email to:

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

Contact Information



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