



NAPCP COMMERCIAL
Card and Payment Conference
EDUCATION • NETWORKING • EXPO
14th Annual • New Orleans • April 14-17, 2013
National Association of Purchasing Card Professionals

Simplifying the Exchange of Remittance Data & B2B Payments Processing

Claudia Swendseid
Senior Vice President
Federal Reserve Bank of Minneapolis

©2013 Federal Reserve Bank of Minneapolis. Materials are not to be used without consent.

Disclaimer

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



About the Fed

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.



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





NAPCP COMMERCIAL
Card and Payment Conference
EDUCATION • NETWORKING • EXPO
14th Annual • New Orleans • April 14-17, 2013
National Association of Purchasing Card Professionals

1. Remittance Coalition
 - Description & mission
2. State of Business-to-Business (B2B) Payments Today
3. Barriers to More Use of Electronic Payment & Remittance Methods
4. Solutions

©2013 Federal Reserve Bank of Minneapolis. Materials are not to be used without consent.



NAPCP COMMERCIAL
Card and Payment Conference
EDUCATION • NETWORKING • EXPO
14th Annual • New Orleans • April 14-17, 2013
National Association of Purchasing Card Professionals

1. Remittance Coalition

©2013 Federal Reserve Bank of Minneapolis. Materials are not to be used without consent.

© 2013 NAPCP

Remittance Coalition

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





NAPCP COMMERCIAL
Card and Payment Conference
EDUCATION • NETWORKING • EXPO
14th Annual • New Orleans • April 14-17, 2013
National Association of Purchasing Card Professionals

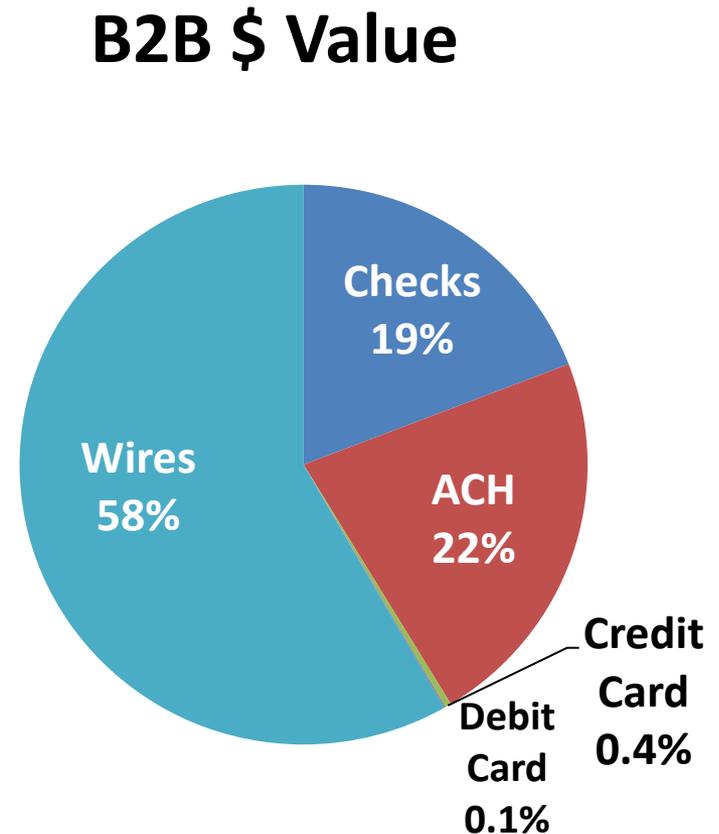
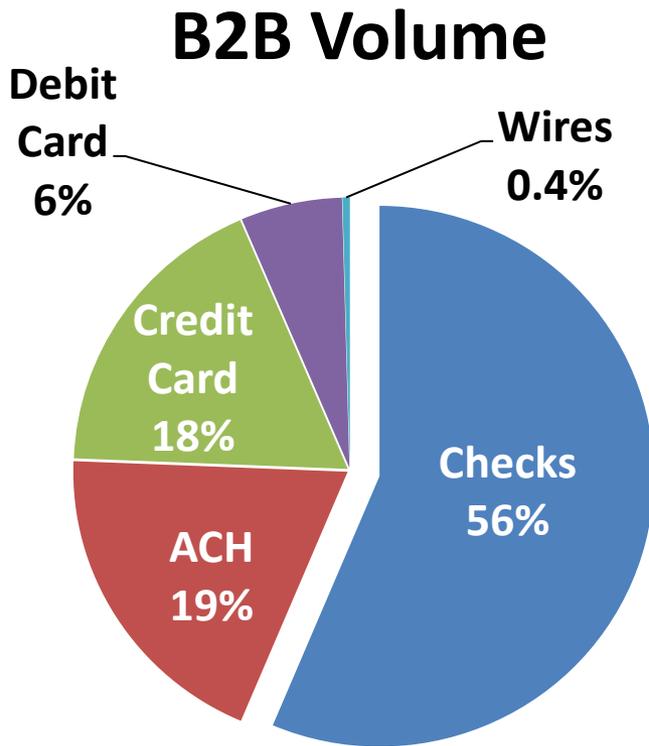
2. State of B2B Payments Today

©2013 Federal Reserve Bank of Minneapolis. Materials are not to be used without consent.

© 2013 NAPCP

#1 in Transaction Volume = Checks

#1 in \$ Value = Wires



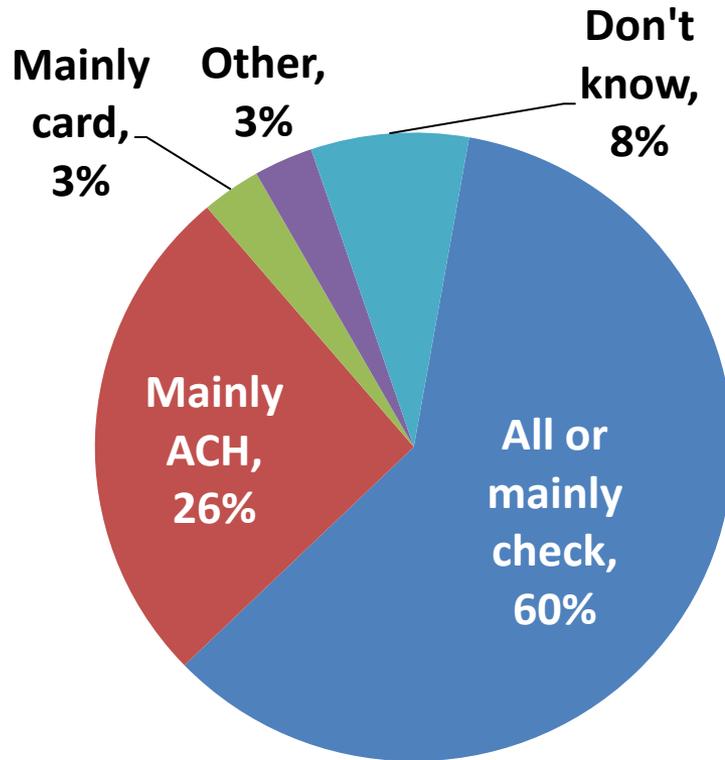
Sources: NACHA, Federal Reserve Wholesale Product Office, CHIPS, 2010 Federal Reserve Payments Study



Most Businesses Rely “All or Mainly” on Checks

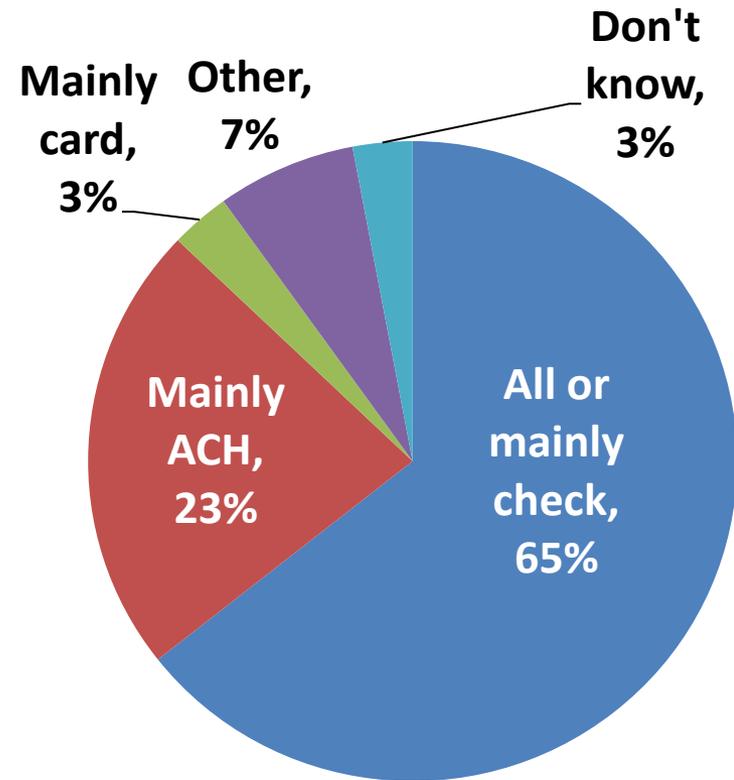
To Make B2B Payments

N=654



To Receive B2B Payments

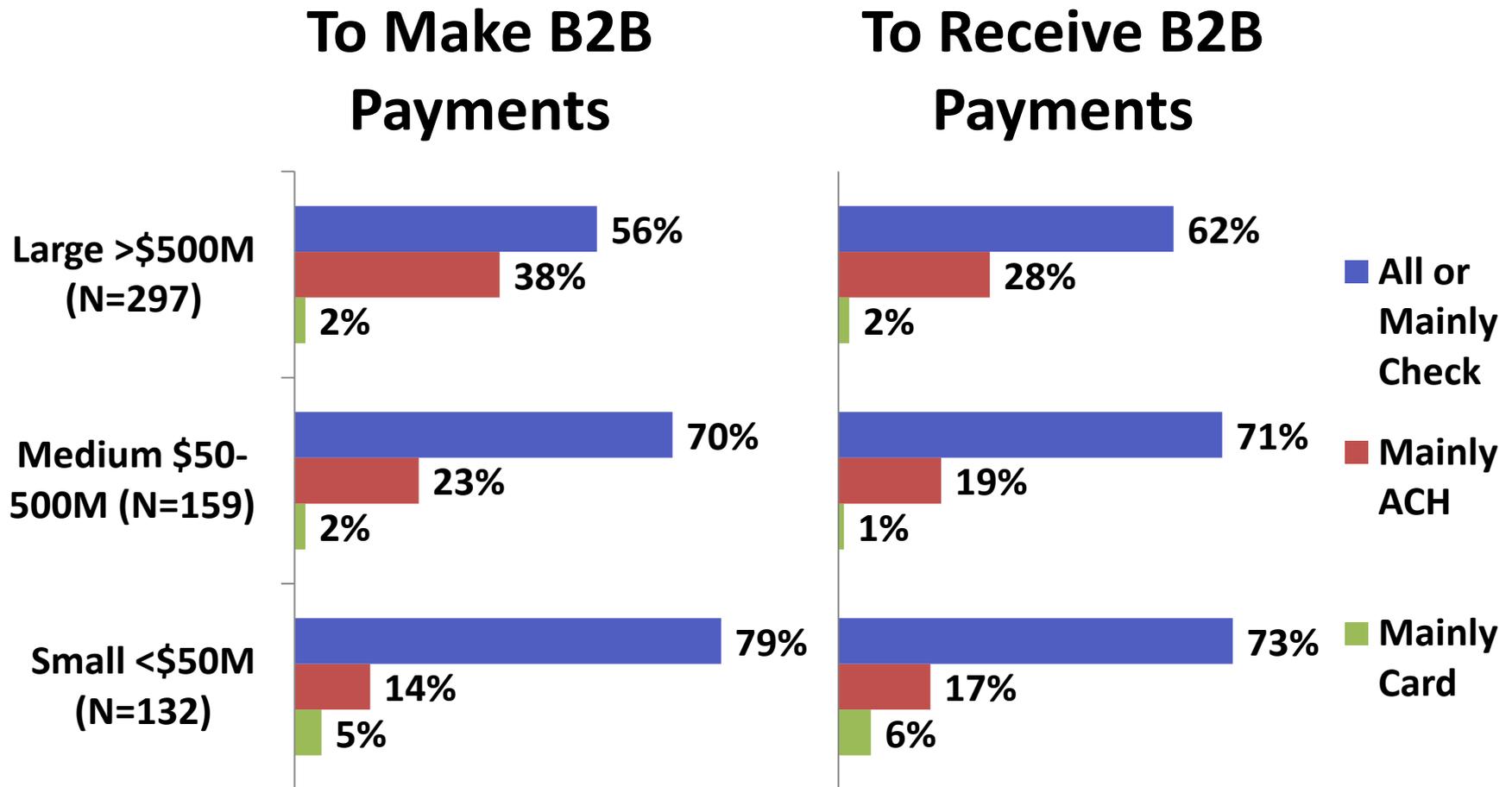
N=656



Source: 2012 Remittance Coalition Survey



Checks Are Main Method for All Organization Sizes



Source: 2012 Remittance Coalition Survey



Checks Used Most With Less Frequent Trading Partners

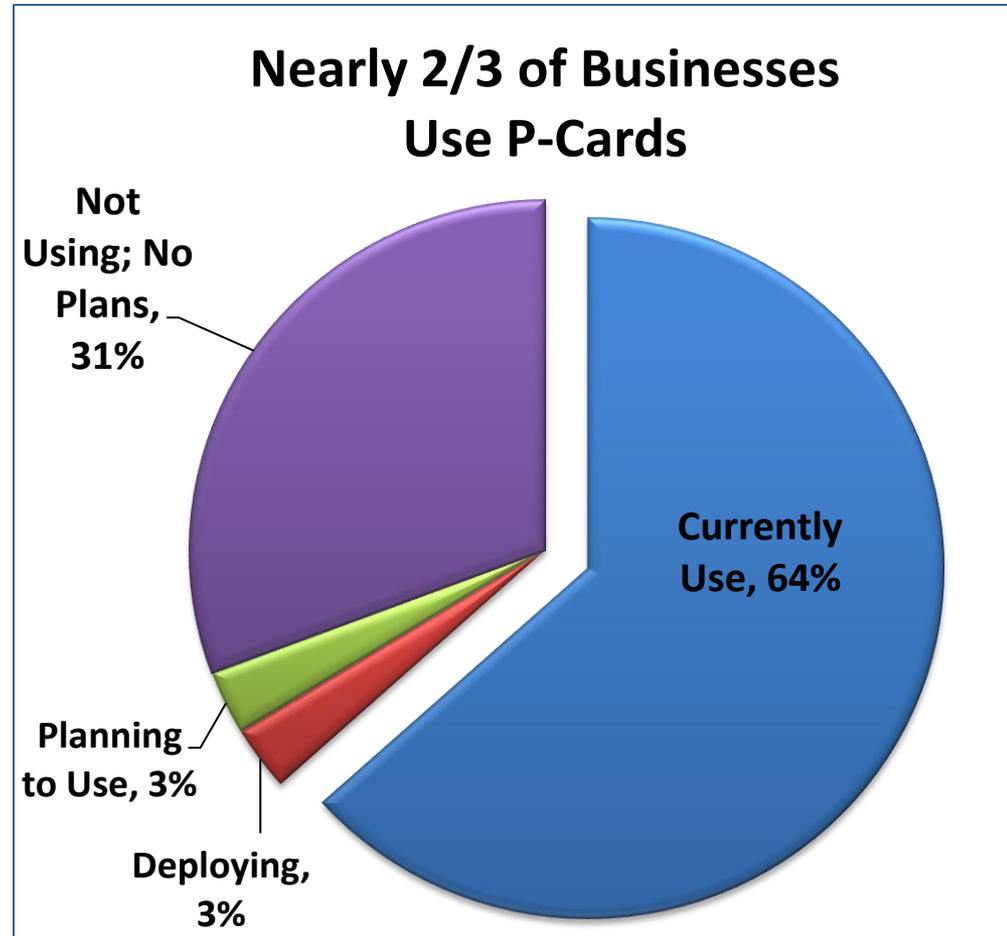
Main Payment Method Buyer Uses to Pay Supplier	Major Suppliers	Other Suppliers	Main Payment Method By Which Supplier is Paid	Major Buyers	Other Buyers
Checks	49%	64%	Checks	47%	71%
ACH Credits	26%	23%	ACH Credits	26%	14%
Wire Transfers	17%	10%	Wire Transfers	19%	12%
P-Cards	5%	3%	P-Cards	3%	1%

Source: 2010 AFP Payments Survey



Use of Purchasing Card Programs

- Improved efficiency over checks
 - Estimated savings of 55 to 80 percent of check process cost
- Originally targeted for low value purchases; now used for some higher value purchases
- Larger organizations (over \$500 million) are about 3X more likely to have p-card programs than smaller ones*



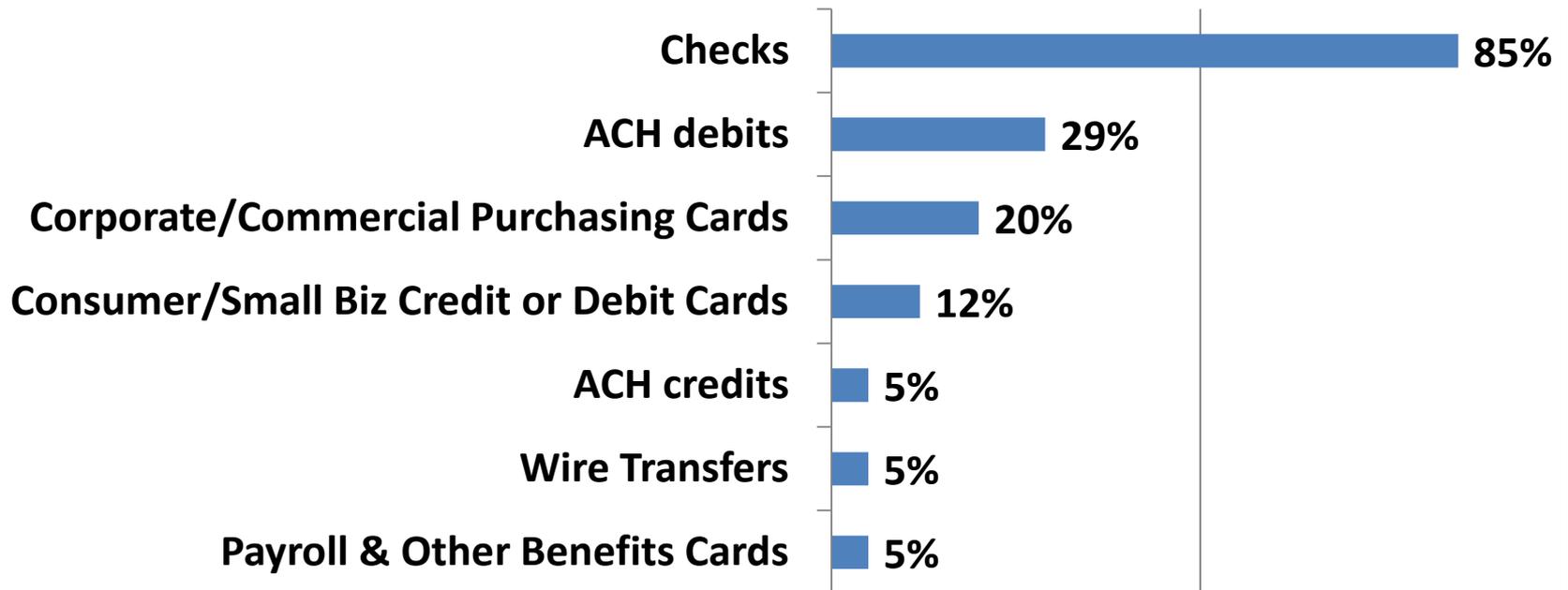
Sources: Pie chart data from PayStream Advisors, The Value of Purchasing Cards, Q4 2012 - 2012 Electronic Payments & Invoice Automation survey of 600 finance, treasury & accounting professionals

*Phoenix-Hecht 2013 Treasury Management Monitor - usage of payment types by size of organization



Dominant Fraud Type Experienced by Businesses? Checks!

% of Businesses Subject to Attempted or Actual Payments Fraud in 2011

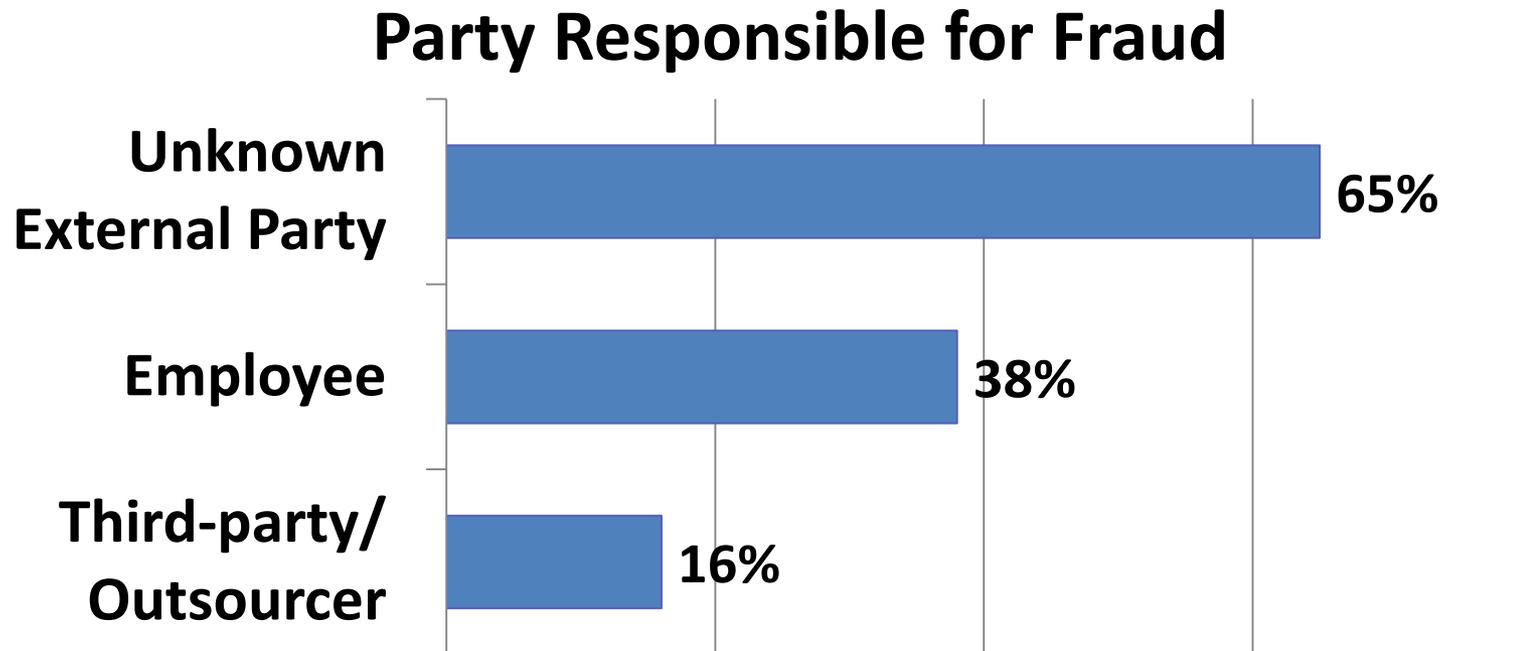


Source: 2012 AFP Payments Fraud & Control Survey, Association for Financial Professionals, March 2012



Purchasing Card Fraud

- Of the 20% of organizations reporting fraud attempts against corporate/commercial purchasing cards in 2011:



Source: 2012 AFP Payments Fraud & Control Survey, Association for Financial Professionals, March 2012



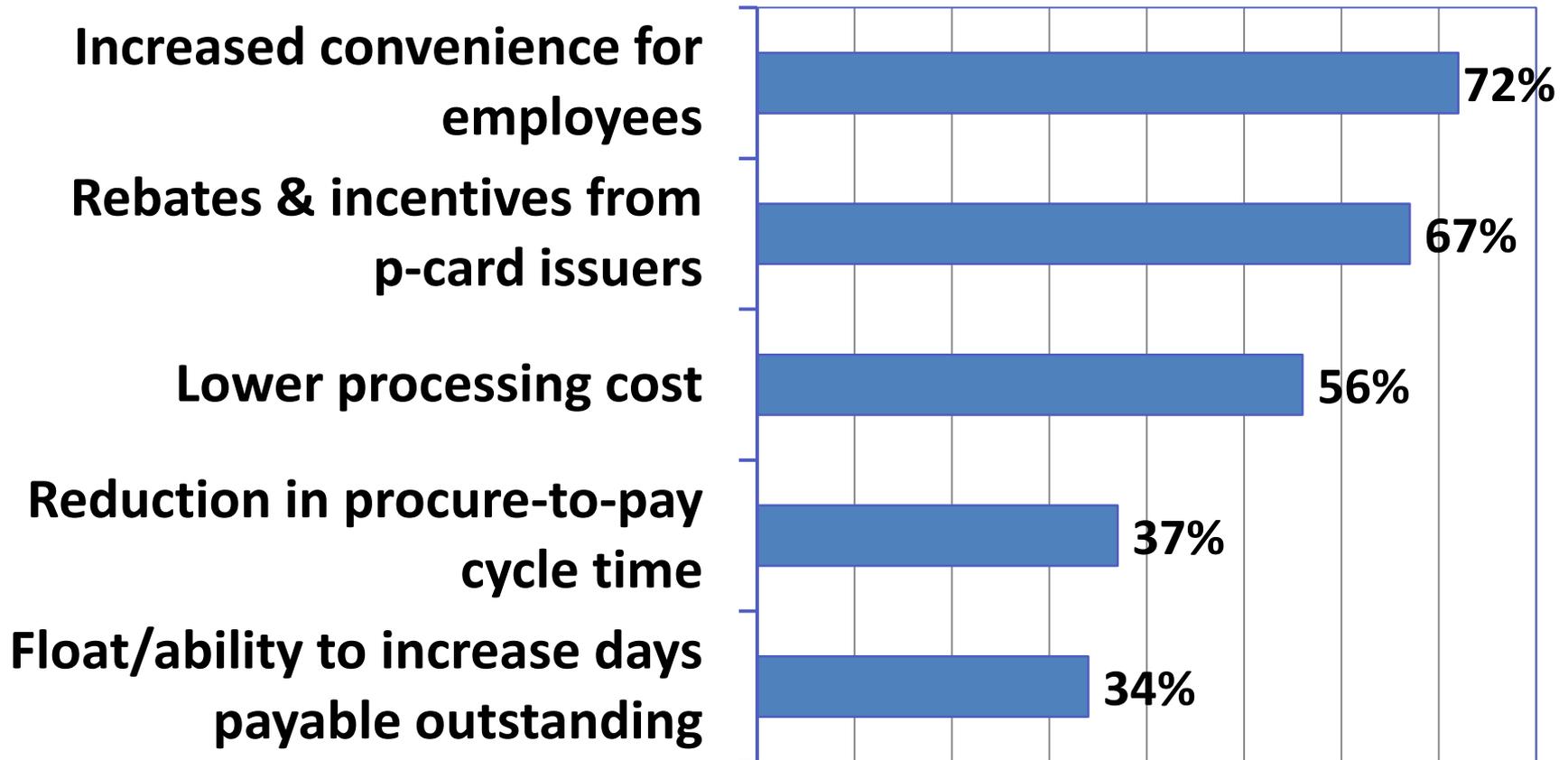
Electronic Payments Benefits

Top Three Benefits of Electronic Payments	All Sizes	Revenues < \$1 B	Revenues > \$1 B
Cost savings	52%	53%	55%
Improved cash forecasting	40	41	42
Fraud control	37	38	37
More efficient reconciliation	32	30	36
Working capital improvement	28	31	26
Straight through processing to A/P or A/R	24	30	38
Better supplier/customer relations	24	24	20
Reduction in days' sales outstanding	22	26	18
Ability to take early payment discounts	18	16	20

Source: 2010 AFP Payments Survey



Top Benefits of P-Cards



Source: PayStream Advisors, The Value of Purchasing Cards, Q4 2012. data from their 2012 Electronic Payments & Invoice Automation survey of 600 finance, treasury & accounting professionals.



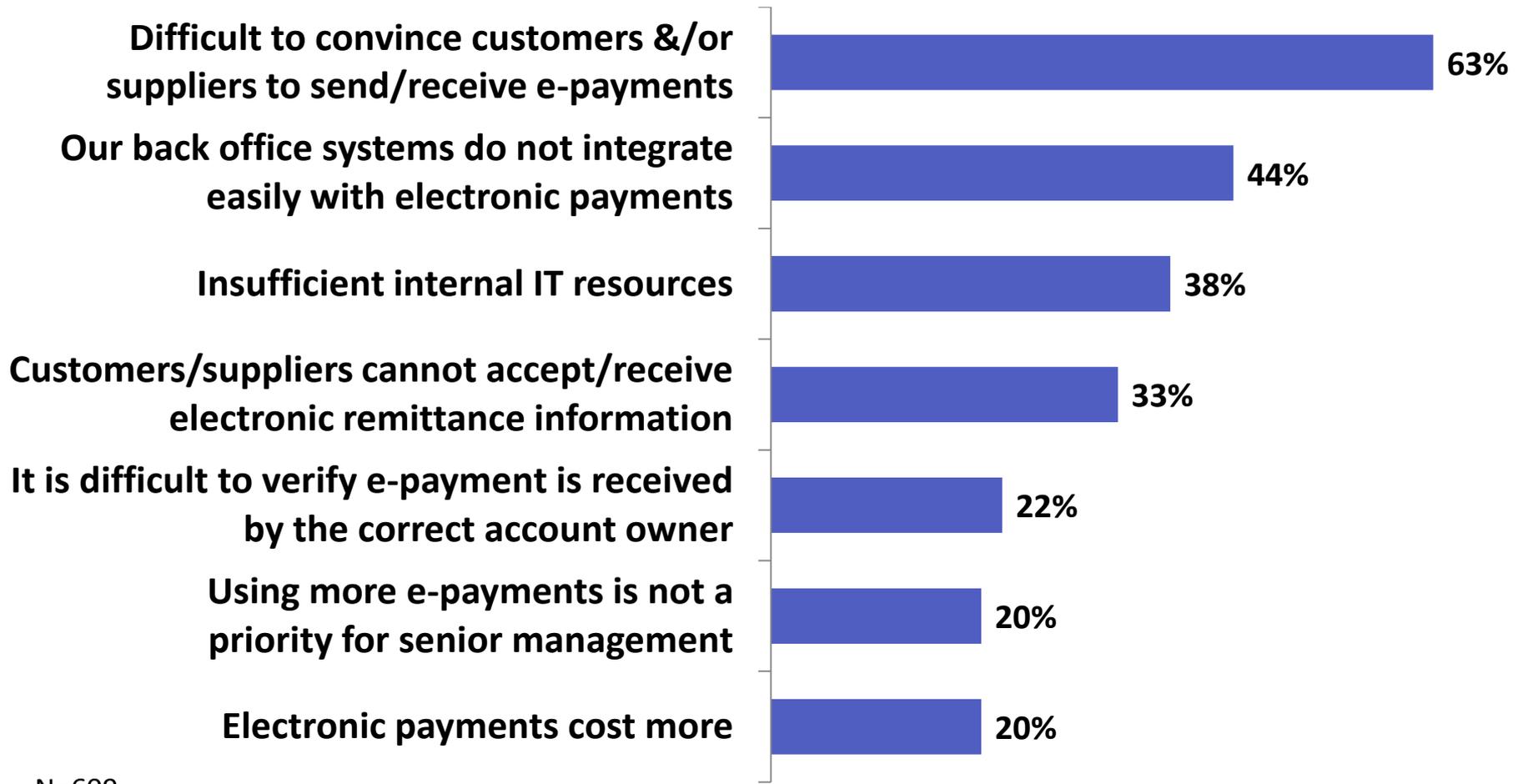


NAPCP COMMERCIAL
Card and Payment Conference
EDUCATION • NETWORKING • EXPO
14th Annual • New Orleans • April 14-17, 2013
National Association of Purchasing Card Professionals

3. Barriers to More Use of E-Payment & E-Remittance Methods

©2013 Federal Reserve Bank of Minneapolis. Materials are not to be used without consent.

Barriers to More Use of Electronic Payments



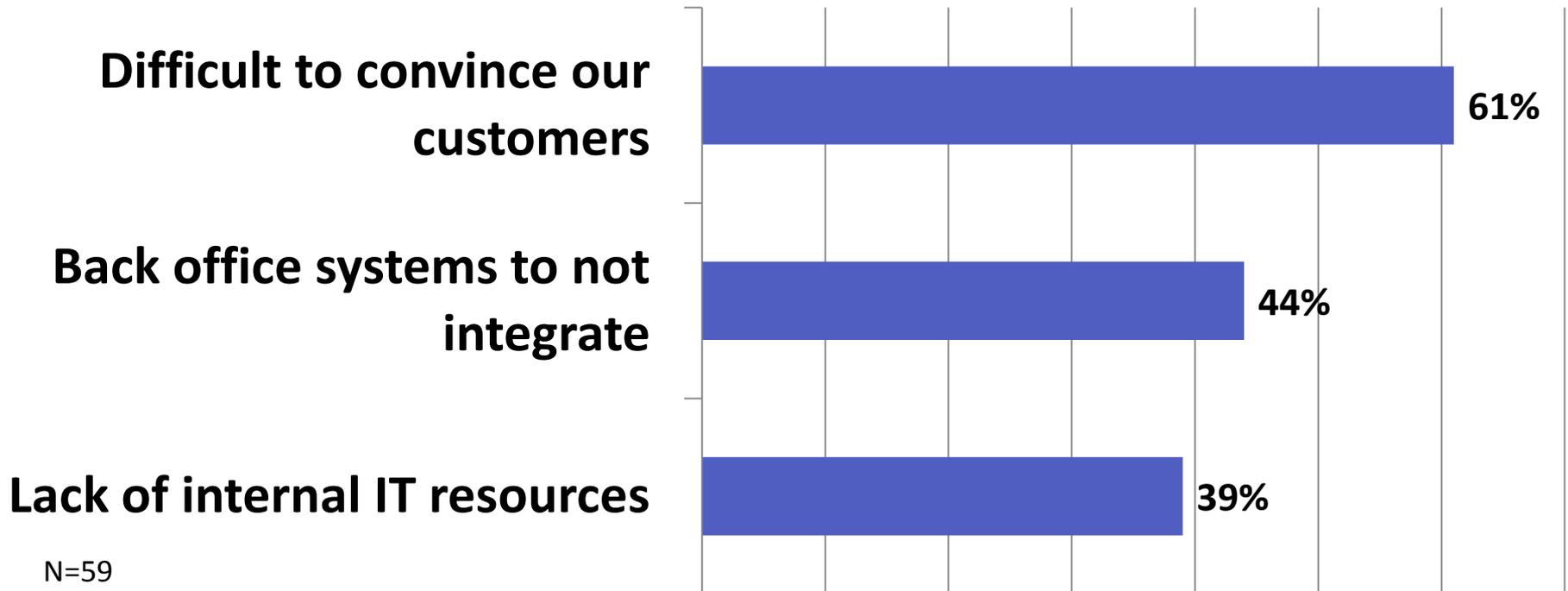
N=609

Source: 2012 Remittance Coalition Survey



P-Card Professionals Identify Same Barriers

Perspective of P-Card Professionals From RC Survey



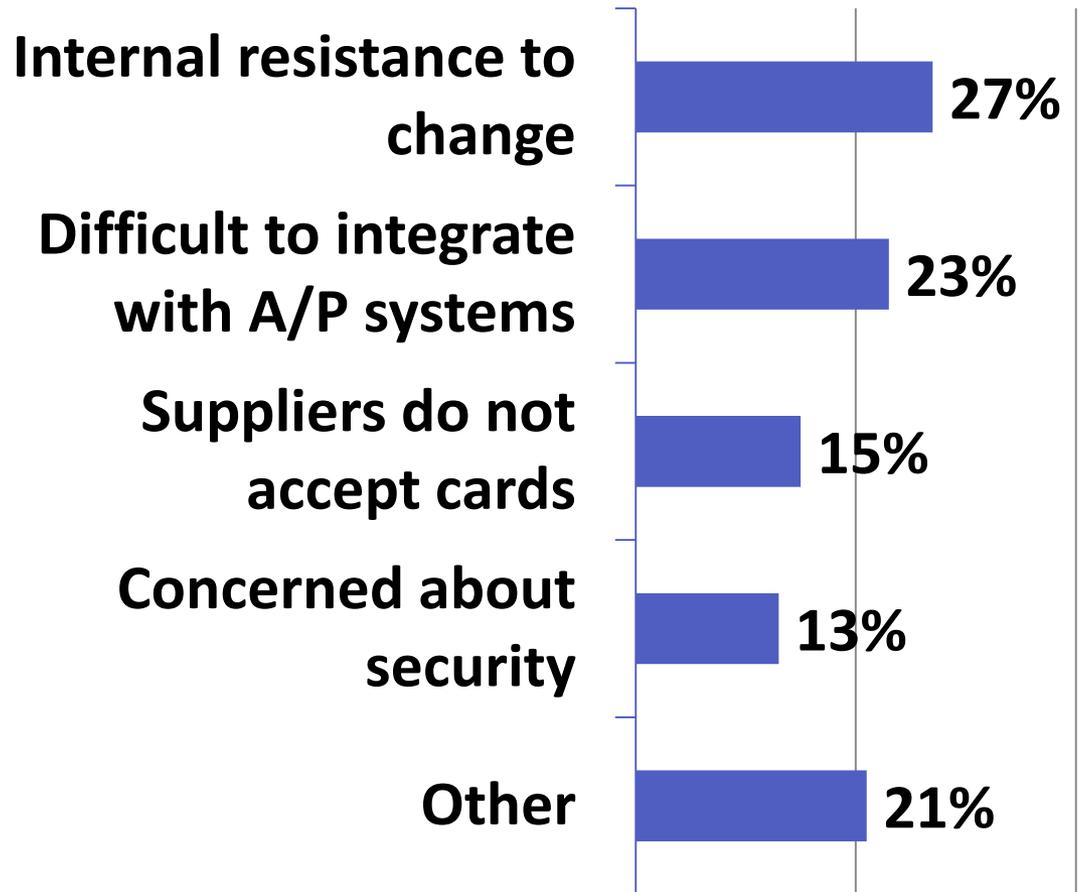
N=59

Source: 2012 Remittance Coalition Survey



Challenges of Implementing P-Card Programs

“What is the primary reason your organization does not use P-cards?”



Source: PayStream Advisors, The Value of Purchasing Cards, Q4 2012. data from their 2012 Electronic Payments & Invoice Automation survey of 600 finance, treasury & accounting professionals.



Remittance Data Definition

Information shared between a buyer & seller to give a detailed accounting of what the payment is for

Buyer initiates remittance data to:

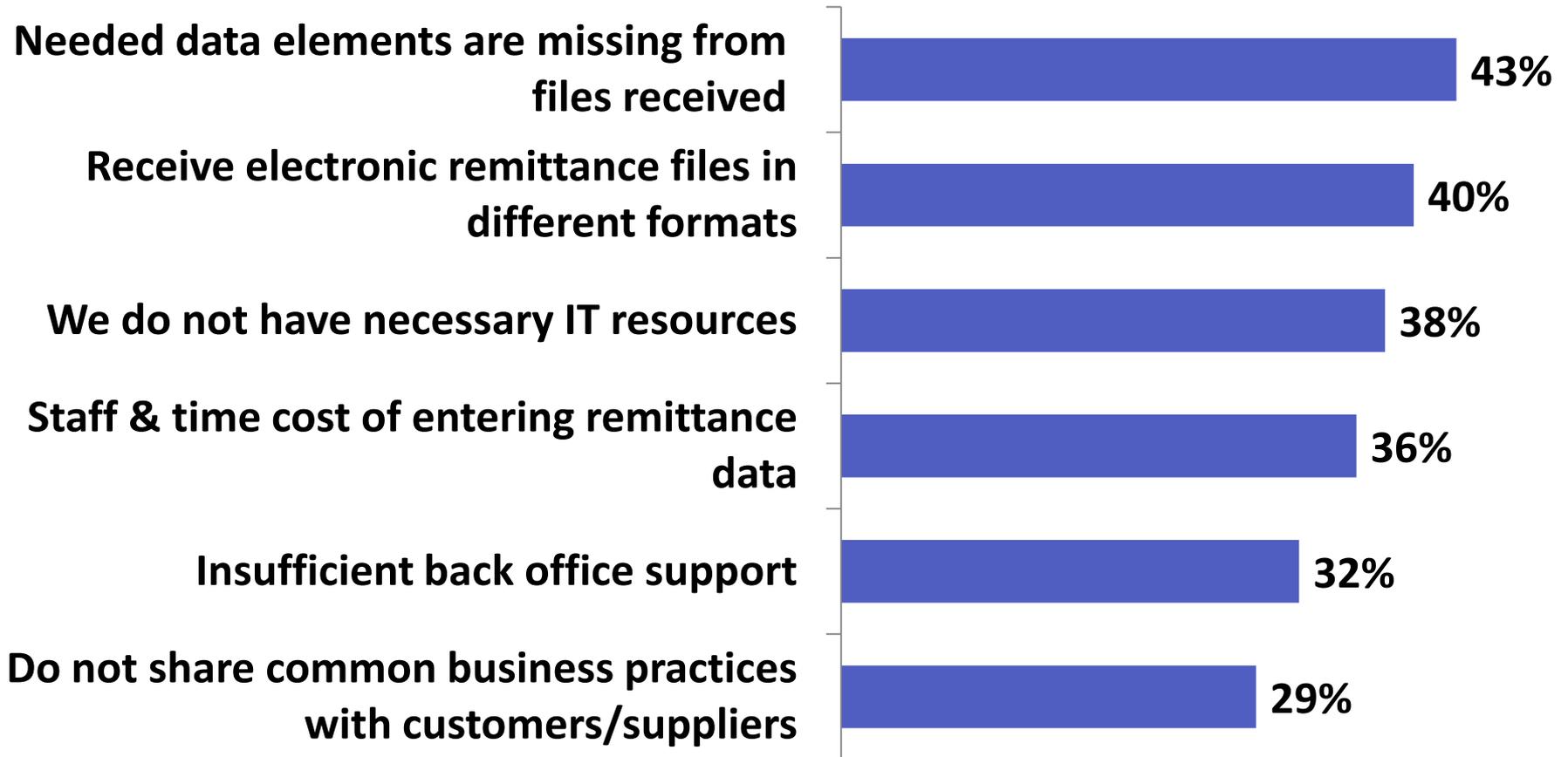
- Inform seller of payment details
- Justify amount being paid

Seller uses remittance data to:

- Close an open accounts receivable entry
- Acknowledge that payment was received
- Determine other liabilities (e.g., adjustments, rebates, promotional efforts, special pricing, etc.)



Many Common Pain Points with Remittance Processing



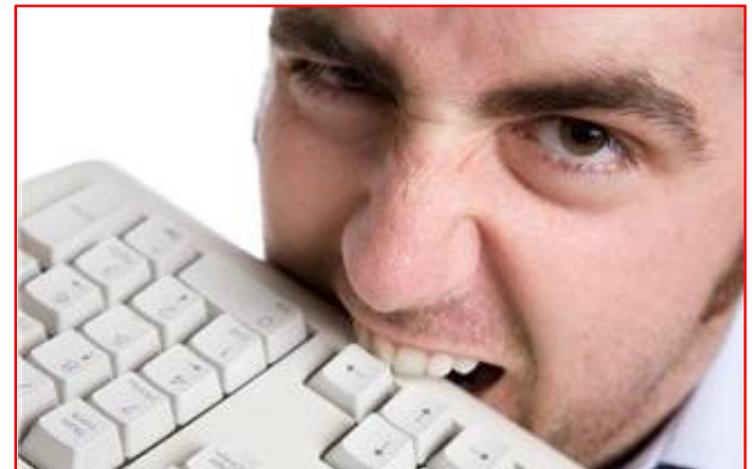
N=634

Source: 2012 Remittance Coalition Survey



Impact of Remittance Problems

- Increases costs to process payments & remittance data
- Impedes adoption of electronic payments
- Reduces ability to automate payments/remittance processing; increases need for manual labor
- Increases errors in payments/remittance processing
- May reduce ability to reconcile payments timely
- May reduce ability to maximize discounts, working capital, etc.





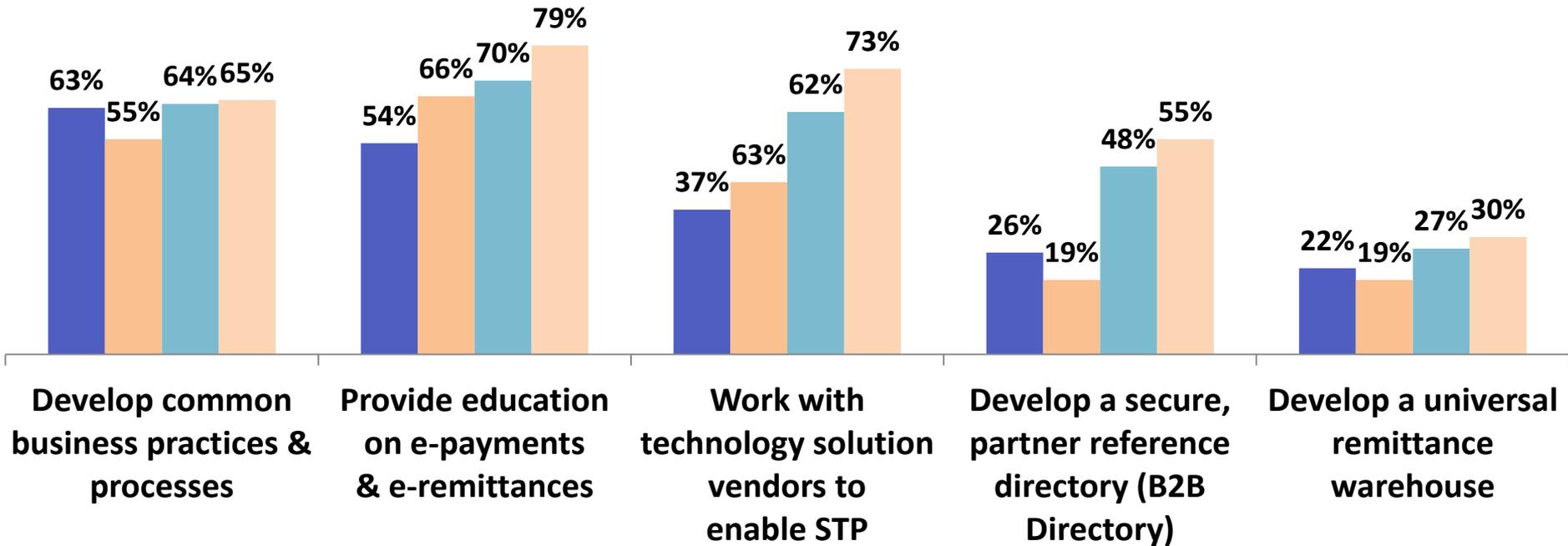
NAPCP COMMERCIAL
Card and Payment Conference
EDUCATION • NETWORKING • EXPO
14th Annual • New Orleans • April 14-17, 2013
National Association of Purchasing Card Professionals

4. Solutions

©2013 Federal Reserve Bank of Minneapolis. Materials are not to be used without consent.

© 2013 NAPCP

Solutions Business Practitioners Want



- All: Preferred Solution - Ranked 1 or 2; N=378
- NAPCP: Preferred Solution - Ranked 1 or 2; N=44-54
- All: Critical to Have Soon + Important to Have (N=485-524)
- NAPCP: Critical to Have Soon + Important to Have (N=44-54)

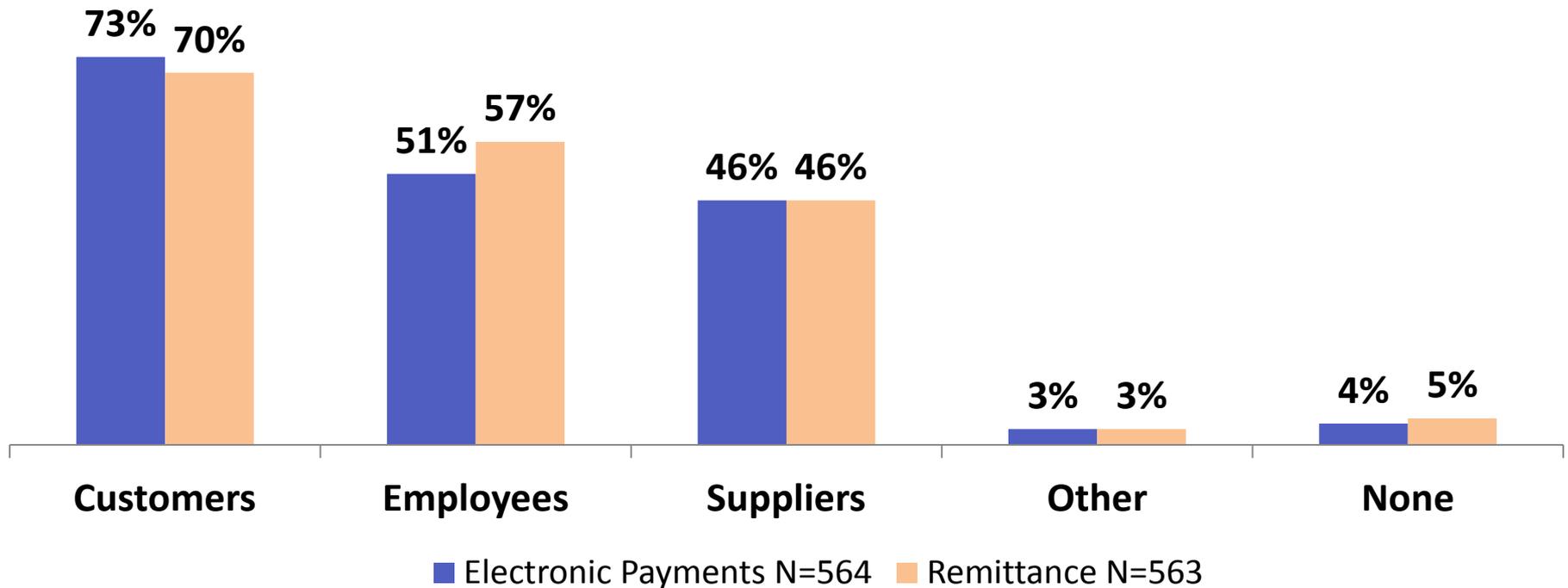
Source: 2012 Remittance Coalition Survey



Who Needs to Be Educated? Customers!

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

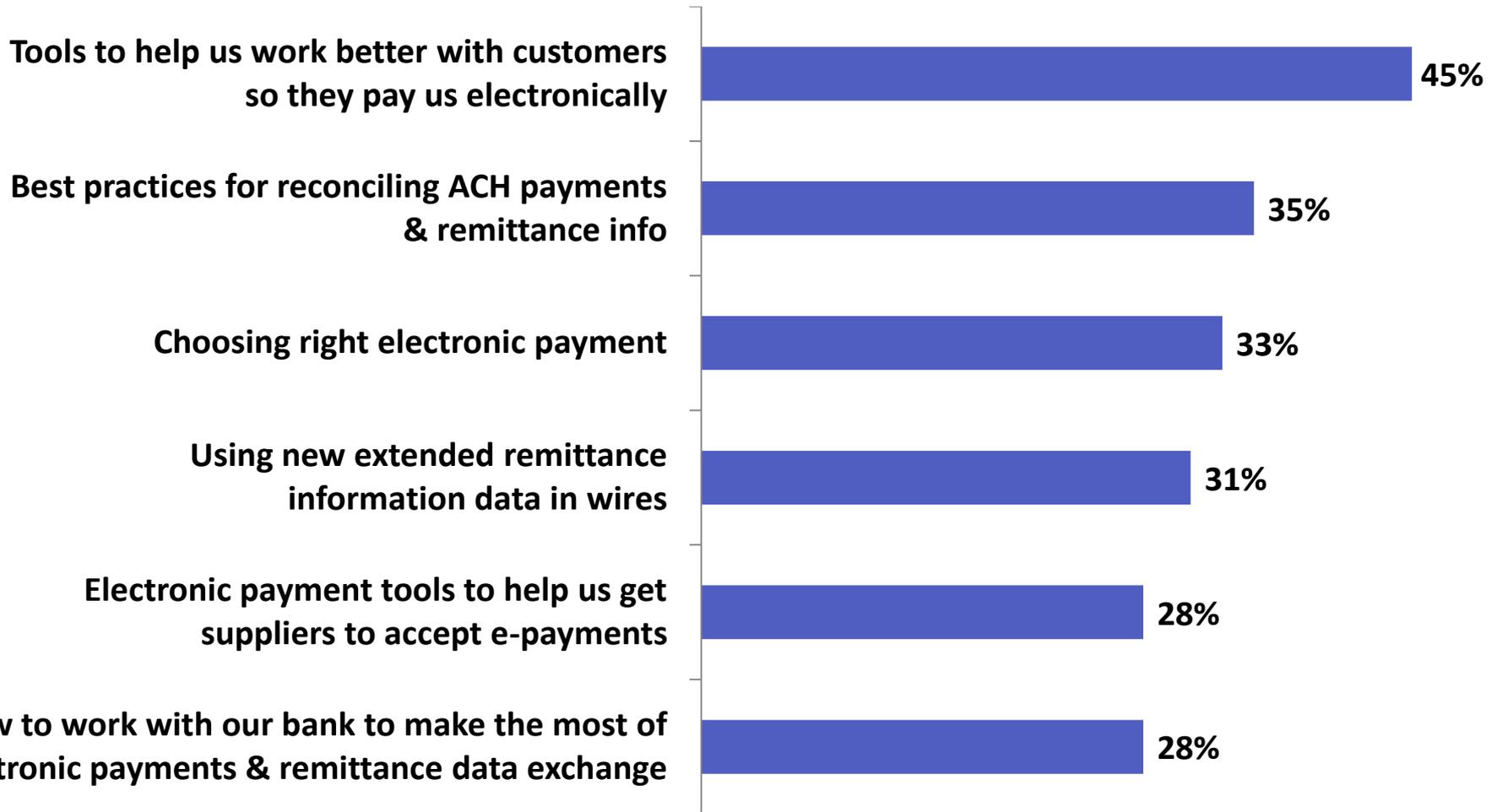
- Regardless of function or industry, customer education is viewed as a priority



Source: 2012 Remittance Coalition Survey



Most Helpful Educational Topics

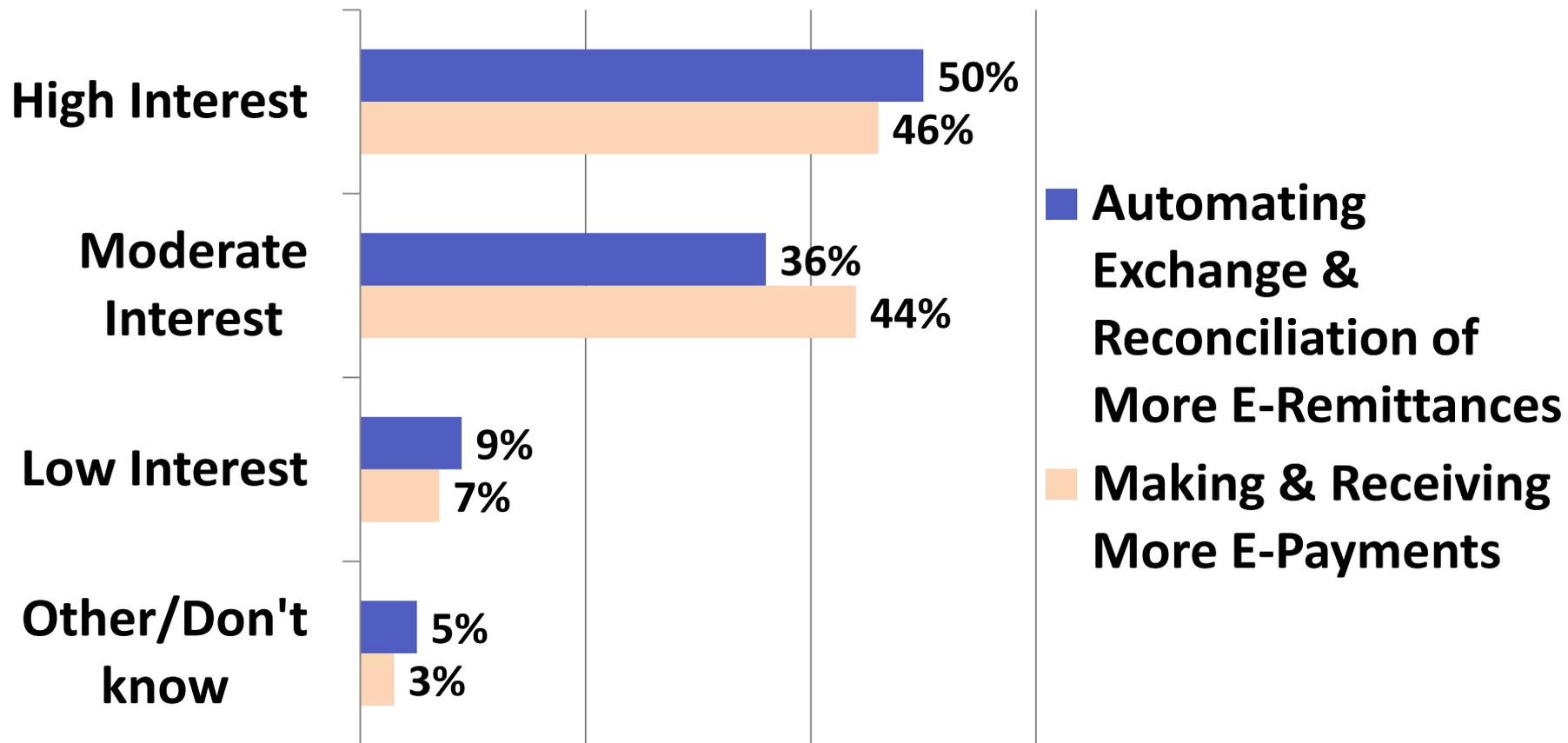


Source: 2012 Remittance Coalition Survey

N=521



Businesses Want to Use More E-Remittances & E-Payments



Source: 2012 Remittance Coalition Survey

N=646 e-remittances & N=635 e-payments



Conclusions from 2012 Remittance Coalition Survey

1. Businesses mainly rely on checks to make & receive B2B payments
2. Manual, paper intensive processes are often used 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 software solutions & IT resources
 - Lack of standard practices among trading partners



Survey 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 more common business practices
 - Educate customers, employees & suppliers about e-payment & e-remittance options



Current Initiatives of the Remittance Coalition

- Education & outreach to promote solutions
- Glossary of remittance terms
- Inventory of remittance standards
- B2B directory exploration
- Extended remittance standard in XML to be used in ISO 20022 messages
- Technology vendor outreach
- Discount code simplification



How RC Members Stay in Touch

- Participate in work groups
- Email
- Regular telephone conference calls
- Occasional in-person meetings held at conferences
- View progress on Federal Reserve Bank of Minneapolis website:
<http://www.minneapolisfed.org/about/whatwedo/paymentsinformation.cfm>
- LinkedIn group
- Join Remittance Coalition by sending email to:
remittance.coalition.smb@mpls.frb.org





NAPCP COMMERCIAL
Card and Payment Conference
EDUCATION • NETWORKING • EXPO
14th Annual • New Orleans • April 14-17, 2013
National Association of Purchasing Card Professionals

QUESTIONS?



©2013 Federal Reserve Bank of Minneapolis. Materials are not to be used without consent.

Contact Information



Claudia Swendseid

Senior Vice President

Federal Reserve Bank of Minneapolis

612.204.5448

claudia.swendseid@mpls.frb.org

