ASSOCIATION FOR FINANCIAL PROFESSIONALS

2022 AFP®

Payments Cost Benchmarking Survey

Key Findings

Underwritten by: Corpay

2022 AFP®

Payments Cost Benchmarking Survey Report

Key Findings

This summary report includes highlights from the comprehensive 2022 AFP® Payments Cost Benchmarking Survey Report. The complete report comprising all findings and detailed analysis is exclusively available to AFP members and non-member survey participants.

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We are very proud to sponsor the *AFP Payments Cost Report* this year and to help publish such valuable information.

The study shows that payment modernization trends over the past few years were expedited by COVID-19. Teams that once had manual processes with wet signatures for checks quickly had to adapt to a remote-first process. Even as we start to return to the office many teams are staying remote indefinitely. AP teams started to migrate to digital payment methods like ACH, Real-Time payments, and Virtual Cards as alternatives.

A majority, 73 percent of all surveyed organizations, are moving from checks to electronic payments to increase efficiency, save money, and reduce costs. This report highlights just how time-consuming AP activities are. These processes are especially taxing for mid-market and small teams with most respondents spending six to ten hours every week cutting checks, processing ACH, and reconciling payments.

Corpay continues to help AP teams streamline their processes, from payment automation, vendor enrollment and support to consolidated corporate and virtual card programs. As organizations adapt to the 'new normal' and look to retain top talent it is more important than ever to innovate and streamline processes.

Best,

John Coughlin

President, Corpay

TOPICS COVERED IN COMPREHENSIVE REPORT

Structure of Payments Operations

Payment Methods Utilized

Incoming and Outgoing Payments Handled Monthly

Payments Costs

Checks

ACH (Automated Clearing House Transactions)

Wire Transactions

Credit Card Transactions

Purchasing Card Transactions

Rebates

Real-Time Payments (RTP)

Payment-Related Tasks

Time Spent (Weekly) on Reconciling Payments, Processing ACH Payments and Processing Checks

Shifting from Paper Checks to Electronic Payments

Demographics

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INTRODUCTION

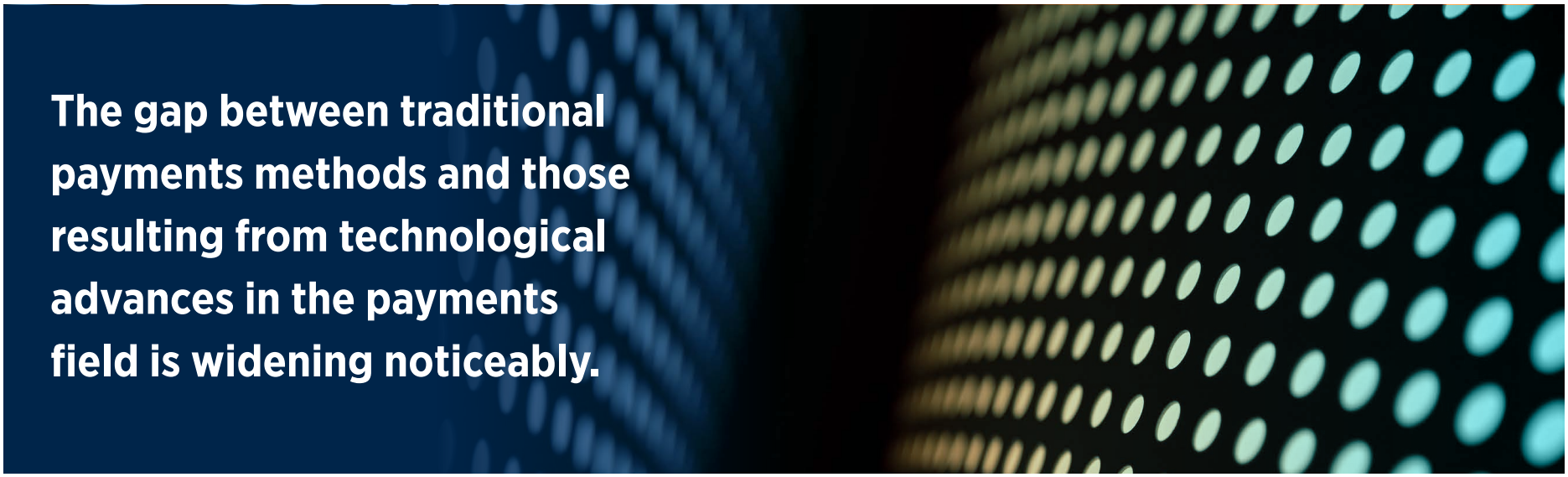
The payments industry faces a rapidly changing and challenging environment. The gap between traditional payments methods and those resulting from technological advances in the payments field is widening noticeably. To help bridge that gap, many payments professionals are trying to improve those systems.

In the wake of the COVID-19 pandemic, companies sought more streamlined, efficient payments processes. This is not to suggest that organizations were not seeking greater efficiencies *prior* to the pandemic — but COVID-19 *did* serve as a catalyst for implementing changes. For instance, the Federal Reserve initiated its "Faster Payments Solution" — FedNow℠ — which is expected to be available in 2023 — will be launched in phases and will serve as a real-time, 24x7, instant settlement service. FedNow℠ was built on the ISO2022 standard with interoperability in mind as a major goal. The Clearing House has developed its Real-Time Payments system to address gaps in payment processing that will enable consumers and businesses to securely send and receive payments; this is a multi-year project which was launched in 2017 and continues to grow.

In the spring of 2015, NACHA — the Electronic Payments Association® — approved its Same-Day-ACH (automatic clearinghouse) product at $25,000 per transaction. In March of 2020, that ceiling was increased to $100,000, and by March of 2022 it will be further increased to $1,000,000. There is much anticipation about how much ACH will continue to eat away at check payments; surely the larger business-to-business (B2B) vendor transactions will use Same Day ACH as a lower cost alternative to Fedwire.

Such industry payment efforts are not confined to the U.S.: note the Single Euro Payments Area (SEPA) in the Eurozone countries continues to thrive as well as Faster Payments in the U.K., FAST in Singapore, Faster Payments System in Hong Kong. Faster Payments are now active in over 55 countries around the world. New this year are the cost of real-time payments. As the overall cost of technology decreases, the cost of labor increases. As more companies move to digital payments, where might we see the greatest offset? Even as payment technologies advance, however, in the U.S. paper checks continue to be the most popular payment method.

The *2019 AFP Electronic Payments Survey*[1] revealed that while their use is declining, paper checks continue to account for 42 percent of payments disbursed by organizations for B2B payments. That relatively large share of check payments can be attributed to the ubiquitous nature of checks, tradition, the challenges of converting to electronic payment methods, and in some cases, complacency. Corporate systems and routines are set up to handle a large number of checks;



[1] Available at www.afponline.org

consequently, there may be some reluctance to alter a process that "works." But during the COVID-19 pandemic, the adage "Don't fix what's not broken" was tested, challenged and revised. Check processing was a major hurdle for many companies — not just on the issuance side, but also on the acceptance side, with treasury and finance staff working remotely for extended periods of time. Implementation of new processes often requires organizations to purchase new technology and train personnel, and that process was fast-tracked during the pandemic.

For those financial professionals who *did* want to shift their organizations' payment systems from paper checks to electronic/digital payments, they would have needed to make a strong business case to justify the investment both before the pandemic as well as during, but the working capital needed to keep the business afloat became paramount to a company's existence. Treasury and payments professionals saw a period of extreme focus internally and rose to the challenge to provide liquidity planning and process improvement with better efficiency, higher throughput and lower costs.

In order to provide treasury and other financial professionals with a tool to gain more granular information regarding the costs of various payment methods, the Association for Financial Professionals® (AFP) conducted the *2022 AFP Payments Cost Benchmarking Survey.* This survey is an update to the inaugural *Payments Cost Benchmarking Survey* in 2015. Survey participants had the option of either selecting cost estimates within defined cost ranges or providing their best estimated costs as a dollar value. The survey questions also distinguish between external and internal costs for payments: external costs include all payments to an external party such as bank/payment provider fees, reporting, interchange for credit cards, etc.; internal costs include any internal organizational resources that a company considers part of the cost of payments such as personnel, technical equipment, IT support, etc.

AFP thanks Corpay for its underwriting support of the *2022 AFP Payments Cost Benchmarking Survey.* The Research Department of the Association for Financial Professionals® designed the survey questionnaire, analyzed the survey results, produced the report and is solely responsible for its content. More details regarding the survey methodology as well as respondent demographics can be found on page 16.

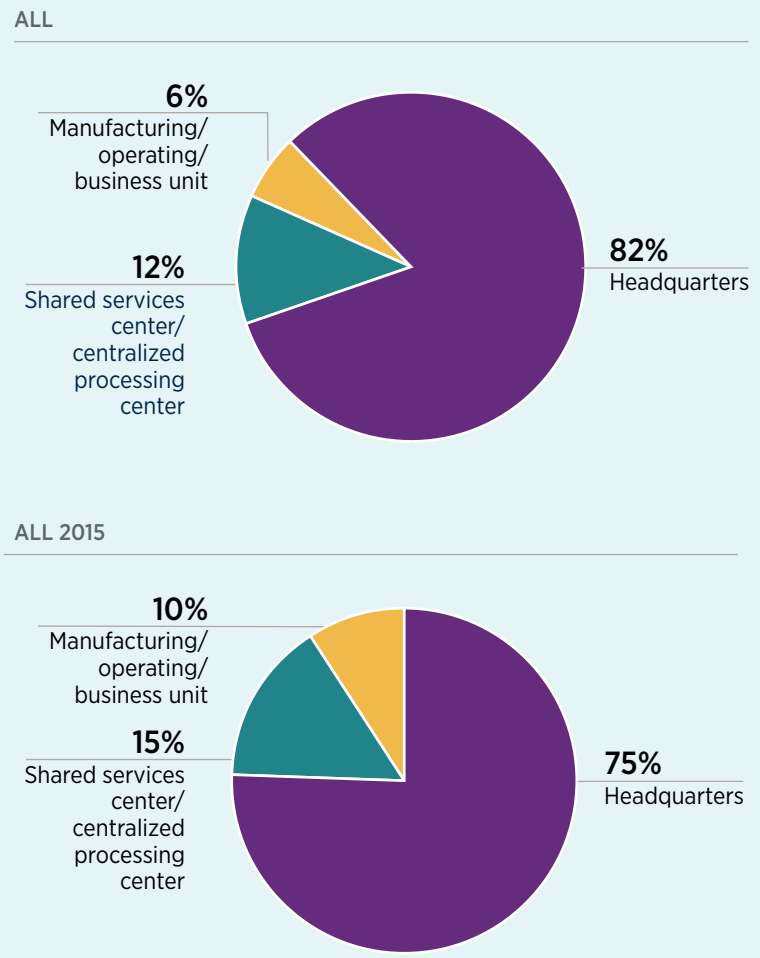
The results of *The 2022 AFP Payments Cost Benchmarking Survey* relect data from nearly 350 respondents and confirm what the industry has suspected for a while: that paper checks are considerably more expensive than some electronic payment methods.

STRUCTURE OF PAYMENTS OPERATIONS

A large share of respondents (82 percent) reports that the role of the business within the organization for which they were responding is their organization's headquarters. Twelve percent indicate the role of the business is a shared services center/centralized processing center and 6 percent report it being manufacturing/operating/business unit.

Over one-third (36 percent) of survey respondents describe their role within the payment function at their organization as the authorizer/approver of payments. Twenty-one percent indicate they approve payments, another 21 percent report they are payment initiators and 6 percent reconcile payments.

Role of Business within the Organization
(Percentage Distribution of Organizations)



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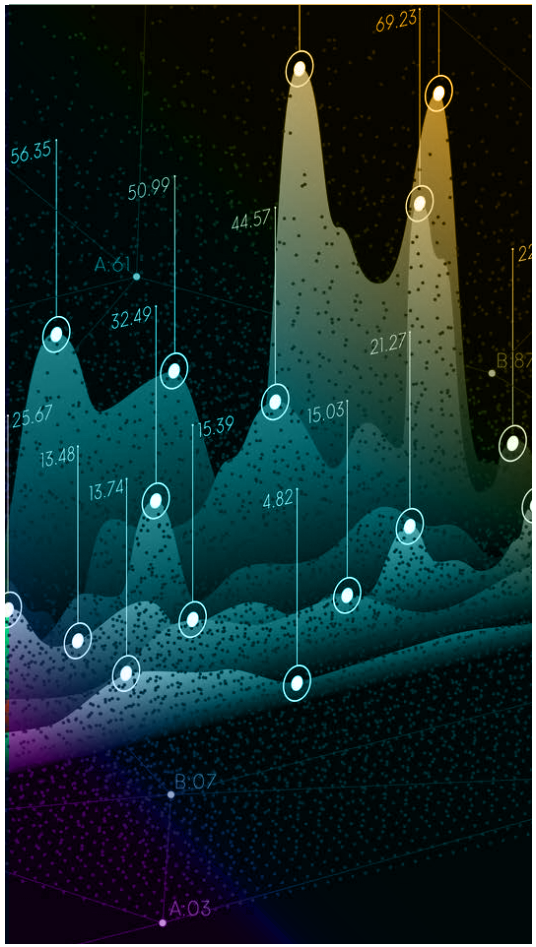
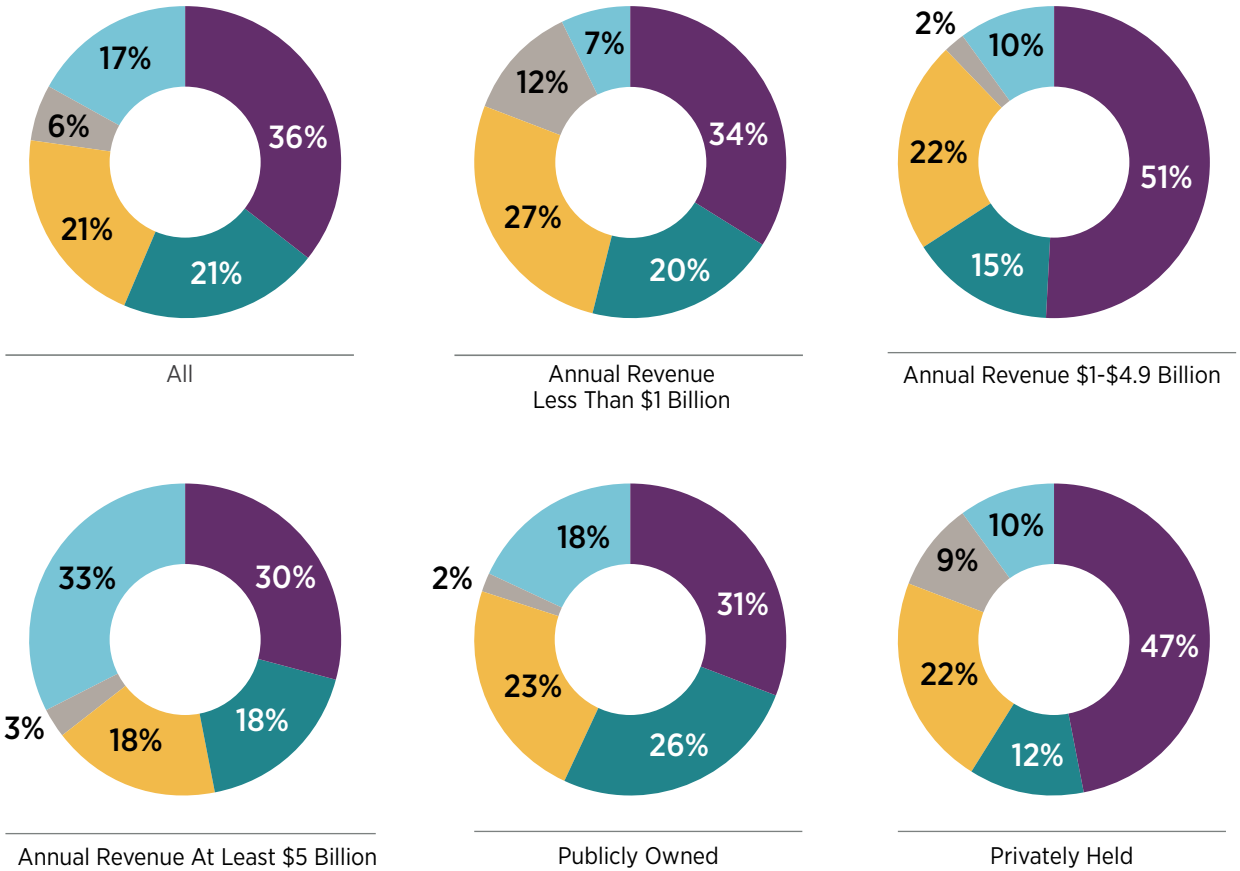


Role within Payments Function at Organizations
(Percentage Distribution of Respondents)



PAYMENT METHODS UTILIZED

Incoming Payments

A vast majority of organizations continues to use checks (92 percent) and ACH Credit (87 percent) for incoming payment transactions. Fedwire/CHIPS (76 percent) is used more extensively by larger organizations (annual revenue of at least $1 billion) and those that are publicly owned. Almost three-fourths of organizations use ACH Debit. Credits cards are used at two out of three companies and debit cards are used at 37 percent of organizations. Less commonly used methods for incoming payments are real-time payments (29 percent) and virtual cards (16 percent).

Results from this year's survey suggest that the use of checks for payments is not going away anytime soon. Checks are low technology, contain all the remittance information and are easily traceable and reconcilable. In terms of incoming payments, the share of companies that accept checks is the same for both small and large companies across the board. Note that this survey was in the field about 18 months after COVID-19 was in full pandemic mode; during the early months of the crisis, the cracks in check issuance policies were exposed at many organizations. Workflow adjustments were made around wet signatures primarily to approve/sign/send checks out.

This is the first survey in which tender types by incoming payments have been segmented. Since the majority of AFP membership is business to business (B2B), it can be safely assumed that most of these payment types are B2B as well. ACH credits are gathering momentum, but their use is still not as frequent as checks. The cost to convert customers from paper to ACH is not measured in the survey, but the intangible cost of encouraging them to do so is probably what is holding back the ACH category from being higher. *The 2019 AFP Electronic Payments Survey* reported this was the number one drawback to conversion. Fedwire transactions are typically reserved for time-sensitive/dollar threshold payment types. Wires are used often as a payment mechanism on an exception basis, as a catchup payment or to expedite an order. ACH Debits are typically only approved to trusted third parties such as state, municipal or local tax authorities. Credit or virtual cards are typically used as purchasing cards by customers. Debit cards are used more for consumer-to-business (C2B) or person-to-person (P2P) transactions, but they generally can be used by small businesses as well. Real-time payment platforms continue to develop, and while the largest companies are more familiar with them, they are being utilized by all business types. The question remains: as the volume of real-time payments increases, will their use offset that of wires, Same Day ACH or checks?

Payment Methods Utilized at Organizations – Incoming
(Percent of Organizations)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
CHECKS	92%	93%	93%	93%	97%	86%
ACH CREDIT (INCLUDING EDI/ CTX/SAME DAY)	87%	93%	85%	85%	93%	83%
FEDWIRE/ CHIPS	76%	78%	98%	85%	89%	78%
ACH DEBIT (INCLUDING EDI/ CTX/SAME DAY)	73%	71%	73%	68%	69%	71%
CREDIT CARD	66%	68%	63%	53%	64%	53%
DEBIT CARD	37%	29%	32%	30%	28%	24%
REAL-TIME PAYMENTS	29%	27%	22%	35%	28%	26%
VIRTUAL CARD	16%	15%	22%	23%	20%	17%

Outgoing Payments

Eighty-six percent of organizations use checks for outgoing payments. ACH Credit and ACH Debit are each being used at 78 percent of organizations, while Fedwire/CHIPS is being used at 74 percent of organizations. Fedwire/CHIPS is used to a greater extent at larger organizations (with annual revenue of at least $1 billion) and those that are publicly owned than at other organizations. Over two-thirds of organizations are using credit cards for payments. Less frequently used methods for outgoing payments are virtual cards (31 percent), real-time payments (22 percent) and debit cards (19 percent).

More companies accept checks than use them for outgoing payments. This could be seen as a net positive for digital/electronic payments going forward. More payments are being issued through electronic methods but at the same time the use of checks is slowly declining. While fewer companies are eager to utilize ACH Credits as payment, more are willing to receive them. Perhaps the complexity around electronic data interchange (EDI) usage is one reason for this. With the advent of Same Day ACH, use of ACH for outgoing payments may become more common. Issuing an ACH Debit gives more control to the issuer, and it is understandable that there are more organizations that *issue* ACH Debits than are willing to *receive* them. This is typically more customer specific or if there is a recurring billing in place.

Payment Methods Utilized at Organizations – Outgoing
(Percent of Organizations)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
CHECKS	86%	81%	90%	80%	84%	84%
ACH CREDIT (INCLUDING EDI/CTX/SAME DAY)	78%	85%	80%	73%	84%	78%
ACH DEBIT (INCLUDING EDI/CTX/SAME DAY)	78%	78%	83%	78%	84%	81%
FEDWIRE/CHIPS	74%	76%	93%	83%	89%	78%
CREDIT CARD	69%	71%	68%	65%	72%	69%
VIRTUAL CARD	31%	24%	54%	38%	38%	31%
REAL-TIME PAYMENTS	22%	22%	20%	23%	21%	21%
DEBIT CARD	19%	8%	12%	15%	13%	9%

Those companies with annual revenue between $1-$4.9 billion have more outgoing wires than do other organizations. Perhaps this is due to an organization going global and sending more wires to vendors/distributors overseas. A smaller share of larger companies (with annual revenue of at least $5 billion) reports using wires; this is possibly because they are more automated and more mature organizations that have more global operations and access to local payment systems.

Real-time payments (RTPs) are not used as much on an outgoing basis: 22 percent of organizations issue payments compared to 29 percent that accept them. The ability to make this type of payment requires strong banking partners, technology capabilities to do so and reporting to properly do reconcilements. Consequently, the largest organizations lead in this area of issuance and acceptance.

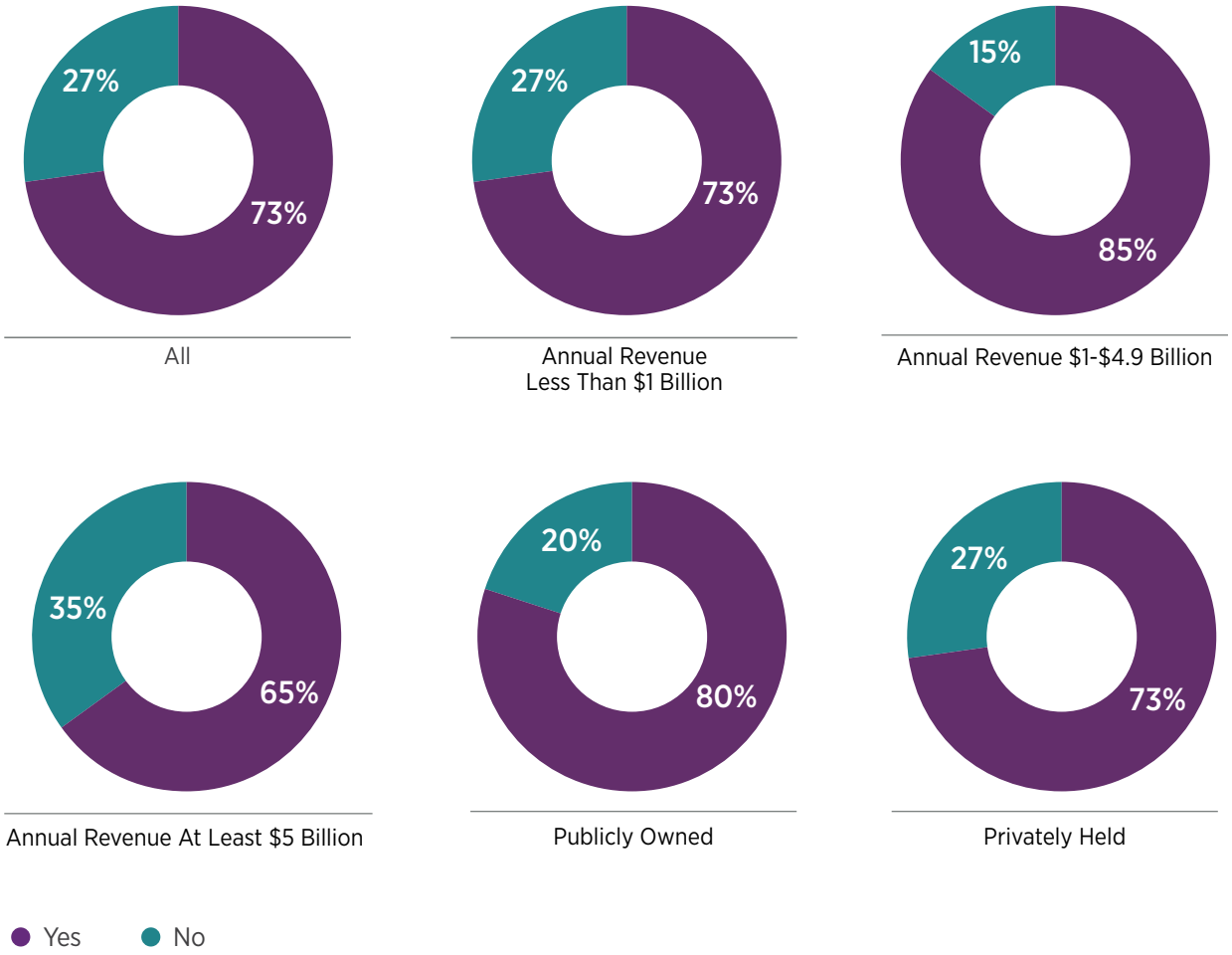
SHIFTING FROM PAPER CHECKS TO ELECTRONIC PAYMENTS

Seventy-three percent of organizations are currently in the process of transitioning their B2B payments from paper checks to electronic payments. This figure is less than the 79 percent of respondents who reported their organizations were shifting from checks to electronic payments in the *2015 AFP Payments Cost Benchmarking Survey*.

The 2019 AFP Electronic Payments Survey revealed that the use of ACH payments (36 percent utilized) was nearing parity with check usage (38 percent) for major B2B suppliers. (Note that this was prior to the pandemic.) As we emerge from the pandemic, it can be expected that much of what was already in the process of moving from check payments to ACH transactions already occurred.

Companies which are publicly owned are moving a higher percentage of B2B payments to electronic payments (80 percent), as are organizations with an annual revenue of $1 - $4.9 billion (85 percent).

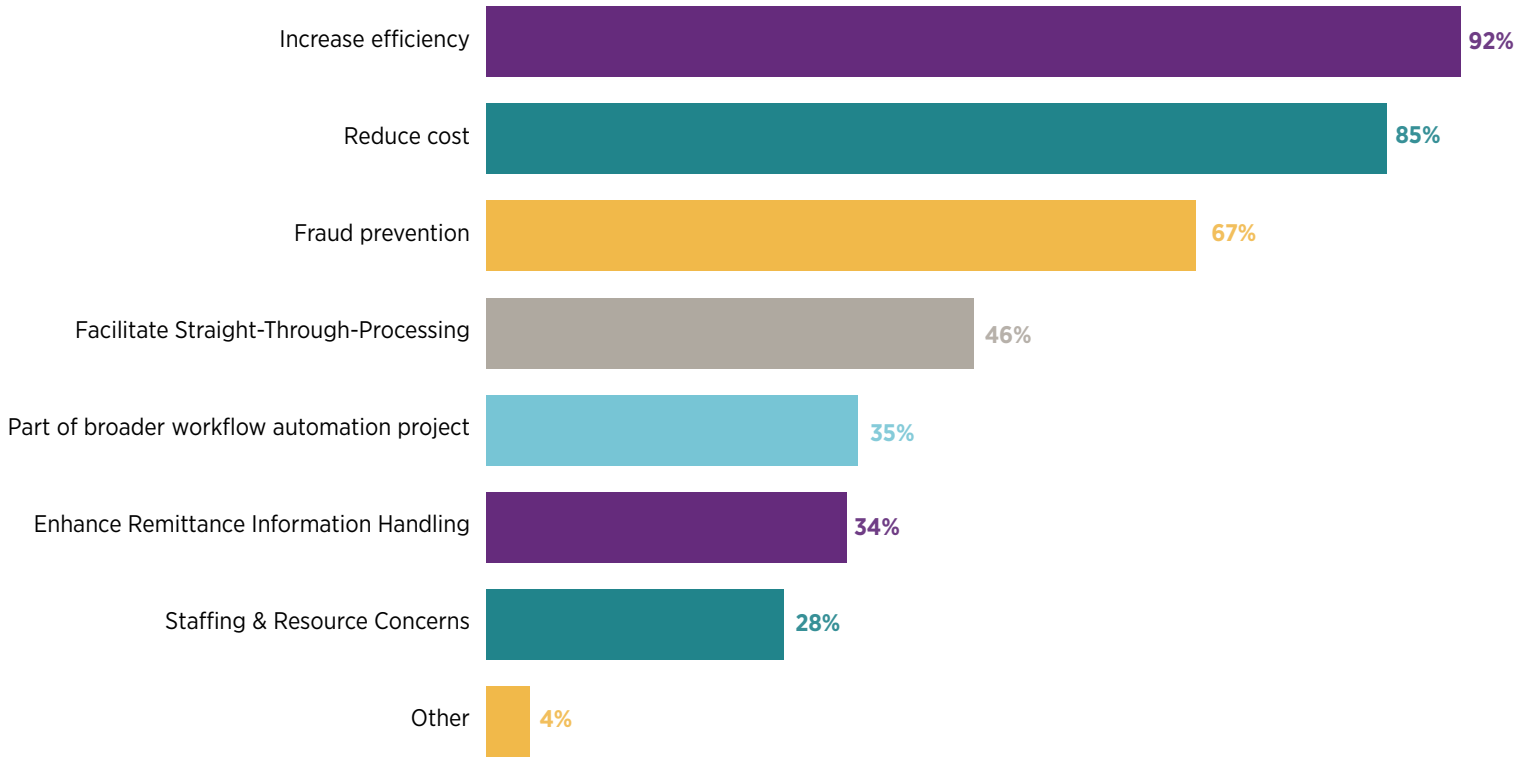
Currently Moving Business to Business (B2B) Payments Away from Paper Checks to Electronic Payments
(Percentage Distribution of Organizations)



The majority of respondents cite increased efficiency as the primary reason for transitioning from paper checks to electronic payment methods (92 percent), while 85 percent cite reduced cost. Publicly owned organizations are more concerned than other groups about fraud prevention with electronic payments (74 percent versus the 55 percent of privately owned organizations), especially making sure the intended beneficiary receives the payment.

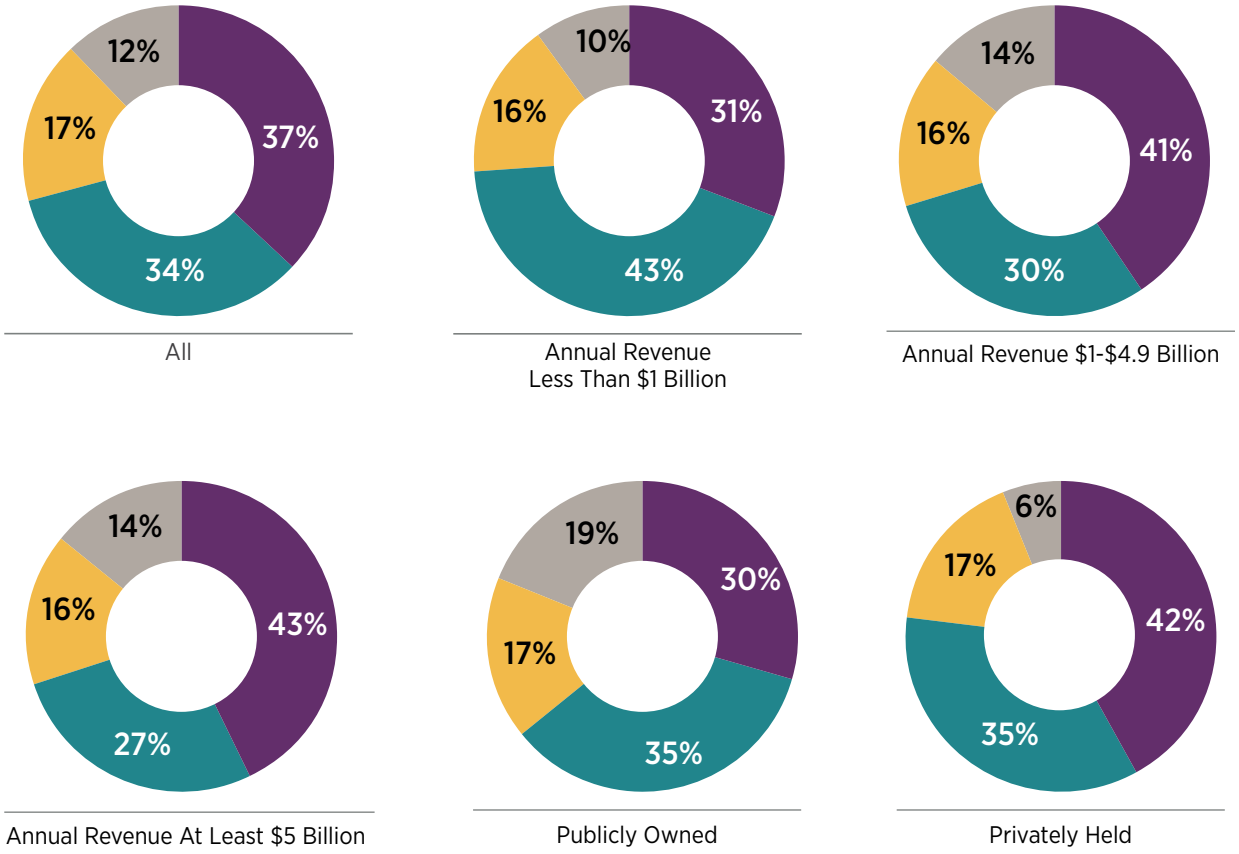
Organizations with a higher annual revenue (at least $5 billion) cite their primary reason for moving away from paper checks to electronic payments is part of a broader workflow automation project (55 percent). Straight-through processing (STP) is the sought-after goal around efficiency. According to the *2019 AFP Electronic Payments Survey*, 36 percent of organizations utilized STP for receiving and processing payments. ACH is seen by many companies as a way to streamline their workflows for efficient processing to lower costs and process fewer exceptions.

Primary Reason for Moving Away from Paper Checks to Electronic Payments
(Percent of Organizations)



Sixty-three percent of respondents report that their organizations would replace paper checks with electronic payments if there was a cost benefit of doing so. Over one-third of organizations would transition to electronic payments if it were up to 10 percent less expensive than paper checks. Twenty-nine percent would move to electronic payments if it were over 10 percent less expensive than paper checks. Thirty-seven percent of all organizations would continue to use paper checks regardless of cost savings — a larger share than the 32 percent reported in the *2015 AFP Payments Cost Benchmarking Report*.

Electronic Payment Method Cost to Consider Replacing Paper Checks
(Percentage Distribution of Organizations)



CONCLUSION

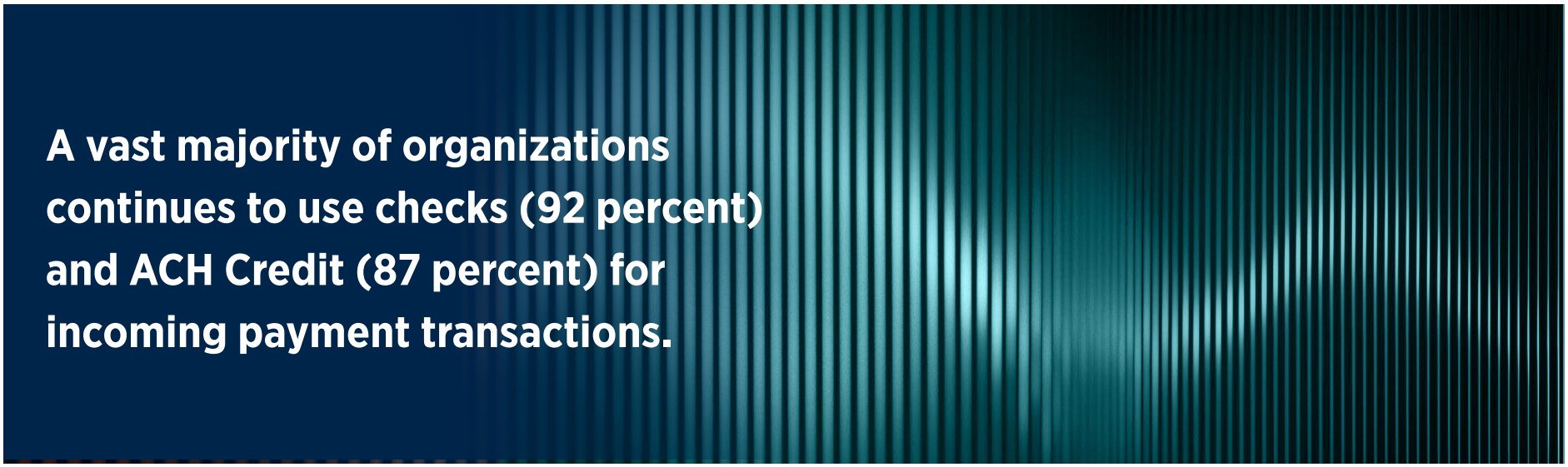
The payments landscape is changing rapidly, and organizations are gearing up to face the challenges that might arise. But determining payments costs may be more complex, depending on what variables are included in cost calculations. This report aims to assist financial professionals in comparing payments costs with their peers at other organizations. Because the survey questions may oversimplify or "merge" some variables affecting payment method costs, the conclusions from the survey data are reported mostly in the form of cost ranges.

Nearly half of organizations deliver their payments from a single centralized corporate treasury operation. Centralized payments operations provide various benefits such as economies of scale, consolidated foreign exchange purchases, centralized flow of payments and a reduced number of bank connections. Additionally, these operations have the added advantage of having skilled workforce in a single location. About one-third of companies delivers payments using a mix of methods.

A vast majority of organizations continues to use checks (92 percent) and ACH Credit (87 percent) for incoming payment transactions. Results from this year's survey suggest that the use of checks for payment is not going away anytime soon. Checks are low technology, contain all the remittance information and are easily traceable and reconcilable. In terms of incoming payments, the share of companies that accept checks is the same for both small and large companies across the board.

Eighty-six percent of organizations use checks for outgoing payments. ACH Credit and ACH Debit are each used at 78 percent of organizations, while Fedwire /CHIPS is being used at 74 percent of organizations. More companies accept checks than use them for outgoing payments; this could be seen as a net positive for electronic payments going forward. While fewer companies are eager to utilize ACH Credits as outgoing payments, more are willing to receive them. Perhaps the complexity around electronic data interchange (EDI) usage is one reason for this, but with the advent of Same Day ACH, outgoing payments via ACH may become more common as a lower cost alternative to Fedwire.

A vast majority of survey respondents is extremely aware or aware of payments costs for checks (85 percent), ACH Credits (87 percent), ACH Debits (86 percent) and Fedwire/CHIPS transactions (90 percent). Cost awareness among this group is slightly less for credit card (77 percent), debit card (65 percent) and virtual card (60 percent) transactions. Awareness of real-time payments cost is low, with less than half

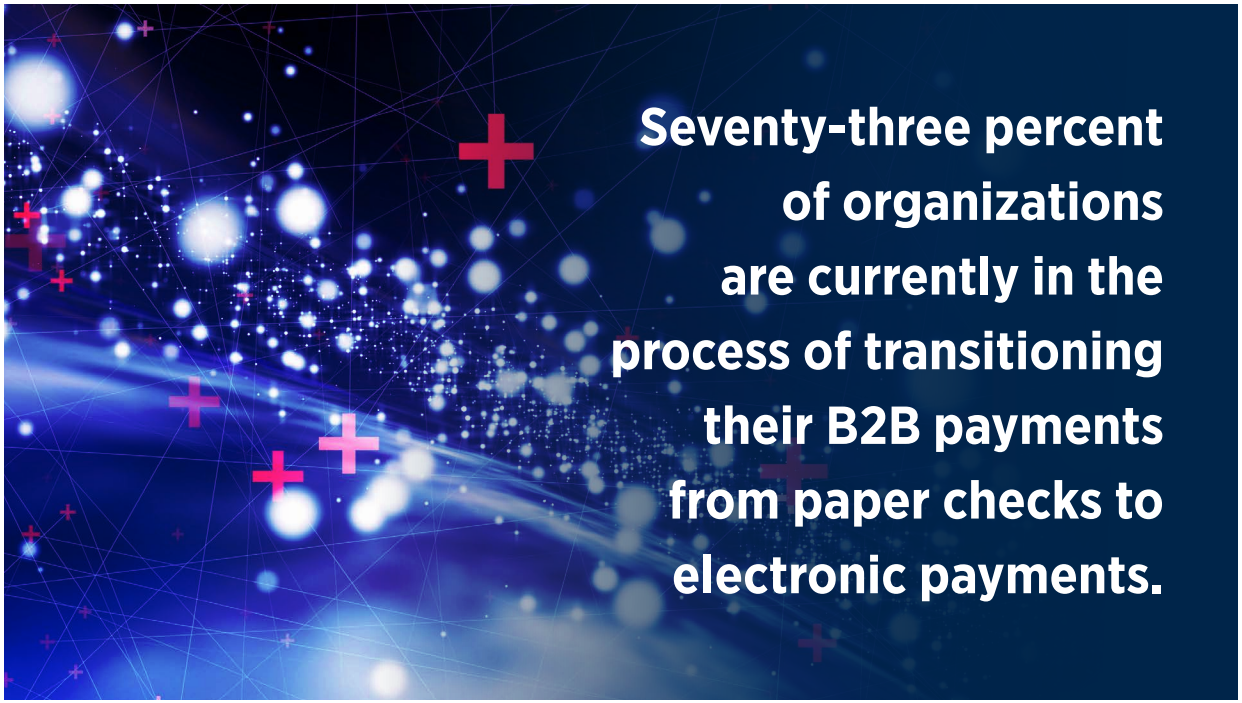


of respondents indicating they have any awareness of payments costs, while almost one-fourth admits to not having any knowledge about the cost of real-time payments.

Seventy-three percent of organizations are currently in the process of transitioning their B2B payments from paper checks to electronic payments. This figure is less than the 79 percent of respondents who reported their organizations were shifting from checks to electronic payments in the *2015 AFP Payments Cost Benchmarking Survey*. Perhaps the lower percentage indicates a large percentage already moved to digital. As we observed in the *AFP 2019 Electronic Payments Survey*, ACH payments (36 percent utilized) are nearing a crossroads with checks (38 percent) for major B2B suppliers prior to the pandemic. As we emerge from the pandemic, it can be expected that much of what was in process to move from to checks to ACH already occurred and thus this figure could be lower as a result.

Check volumes are down by approximately half. In 2015 the median volume was 1000-1999 and was down to 500-999, while check costs for incoming and outgoing remained largely the same — around $1-$2 — while savings were achieved in the privately held and smaller companies with annual revenue under $1 billion.

The offset in check volume is largely seen in ACH processing. The volume of ACHs issued had a median range of 500-999 in 2015 and in 2022 the range doubled to 1,000-1,999. More time is now spent on ACH processing than check processing. 76 percent spend less than three hours on ACH and 74 percent spend that amount of time on check processing. The gap in time spent widens to 10 percent for companies with at least $5 billion in revenue spending more time on ACH than checks.



The overall cost to accept a credit card increased from 2015 by 50 basis points to a range of 2.0%-2.49%. However, the internal cost decreased by the same amount.

Since 2019, the use of electronic payments have outpaced that of paper-based payments. Paper-based payments are more costly to justify in a remote working environment and more prone to fraudulent manipulation due to the low technology needed to produce them. The collection of data on real-time payments is new this year. The next time we conduct this survey we should be able to fully capture the impact of the newest real-time payment entrant — FedNow℠ — from the Federal Reserve.

DEMOGRAPHICS

RESPONDENT DEMOGRAPHICS

In September 2021, the Association for Financial Professionals® (AFP) conducted the *AFP Payments Cost Benchmarking Survey*. The survey gathered cost information about key payment methods to facilitate accurate benchmarking. The survey was sent to AFP members and prospects that held job titles of Treasury Analyst, Treasury Manager, Treasury Director, Assistant Cash Manager, Cash Manager, Assistant Treasurer, Treasurer, Vice President of Treasury, and CFO. AFP received 347 responses from its corporate practitioner members and prospects. The respondent profile closely resembles that of AFP's membership and is presented in this section.

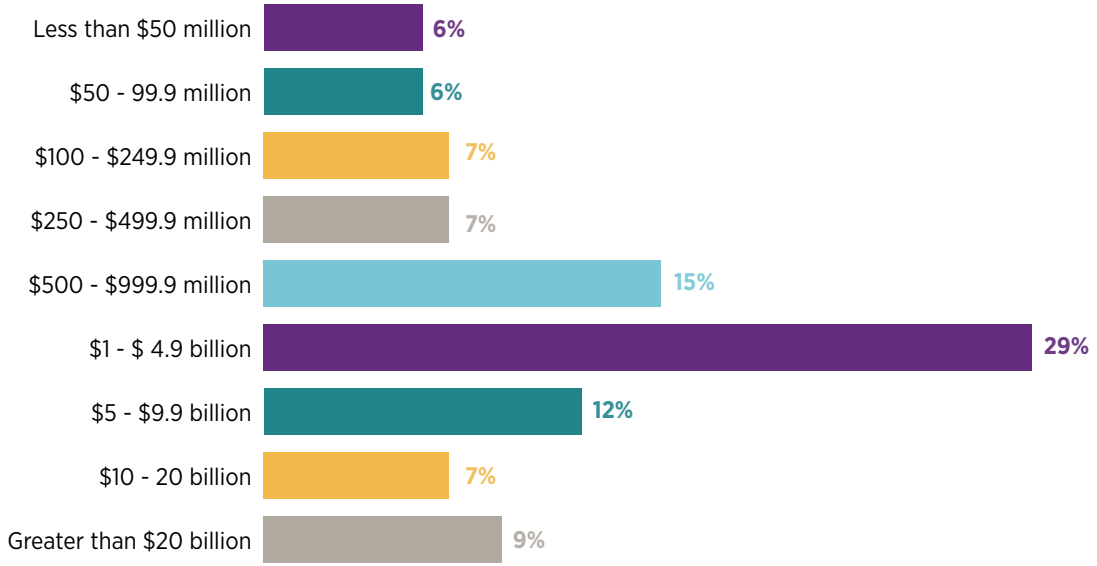
AFP thanks Corpay for its underwriting support of the *2022 AFP Payments Cost Benchmarking Survey*. The Research Department of the Association for Financial Professionals is solely responsible for the content of the report.

Total Number of Employees

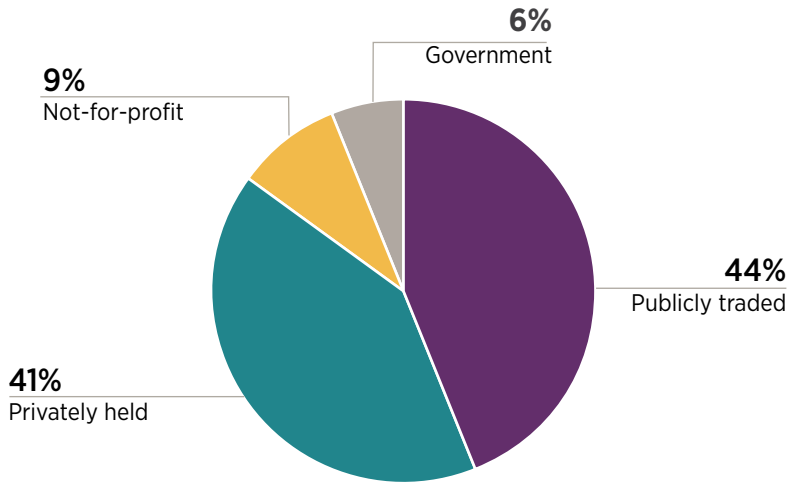
	FULL-TIME	CONTRACT/PART-TIME	TEMPORARY
VALID (N)	122	68	42
MEAN	7420.89	1481.62	506.24
MEDIAN	2000.00	142.50	75.00
MINIMUM	0.00	0.00	0.00
MAXIMUM	90,000	30,000	10,000

Total Annual Revenue (USD)

(Percentage Distribution of Organizations)



Ownership Type
(Percentage Distribution of Organizations)



Industry
(Percentage Distribution of Organizations)

	ALL
AGRICULTURAL, FORESTRY, FISHING & HUNTING	2%
ADMINISTRATIVE SUPPORT/BUSINESS SERVICES/CONSULTING	2%
BANKING/FINANCIAL SERVICES	14%
CONSTRUCTION	3%
E-COMMERCE	1%
ENERGY	6%
GOVERNMENT	6%
HEALTH CARE AND SOCIAL ASSISTANCE	5%
INSURANCE	9%
MANUFACTURING	18%
NON-PROFIT	5%
PETROLEUM	1%
PROFESSIONAL/SCIENTIFIC/TECHNICAL SERVICES	4%
REAL ESTATE/RENTAL/LEASING	3%
RETAIL TRADE	6%
WHOLESALE DISTRIBUTION	5%
SOFTWARE/TECHNOLOGY	4%
TELECOMMUNICATIONS/MEDIA	1%
TRANSPORTATION AND WAREHOUSING	4%
UTILITIES	2%

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AFP Research

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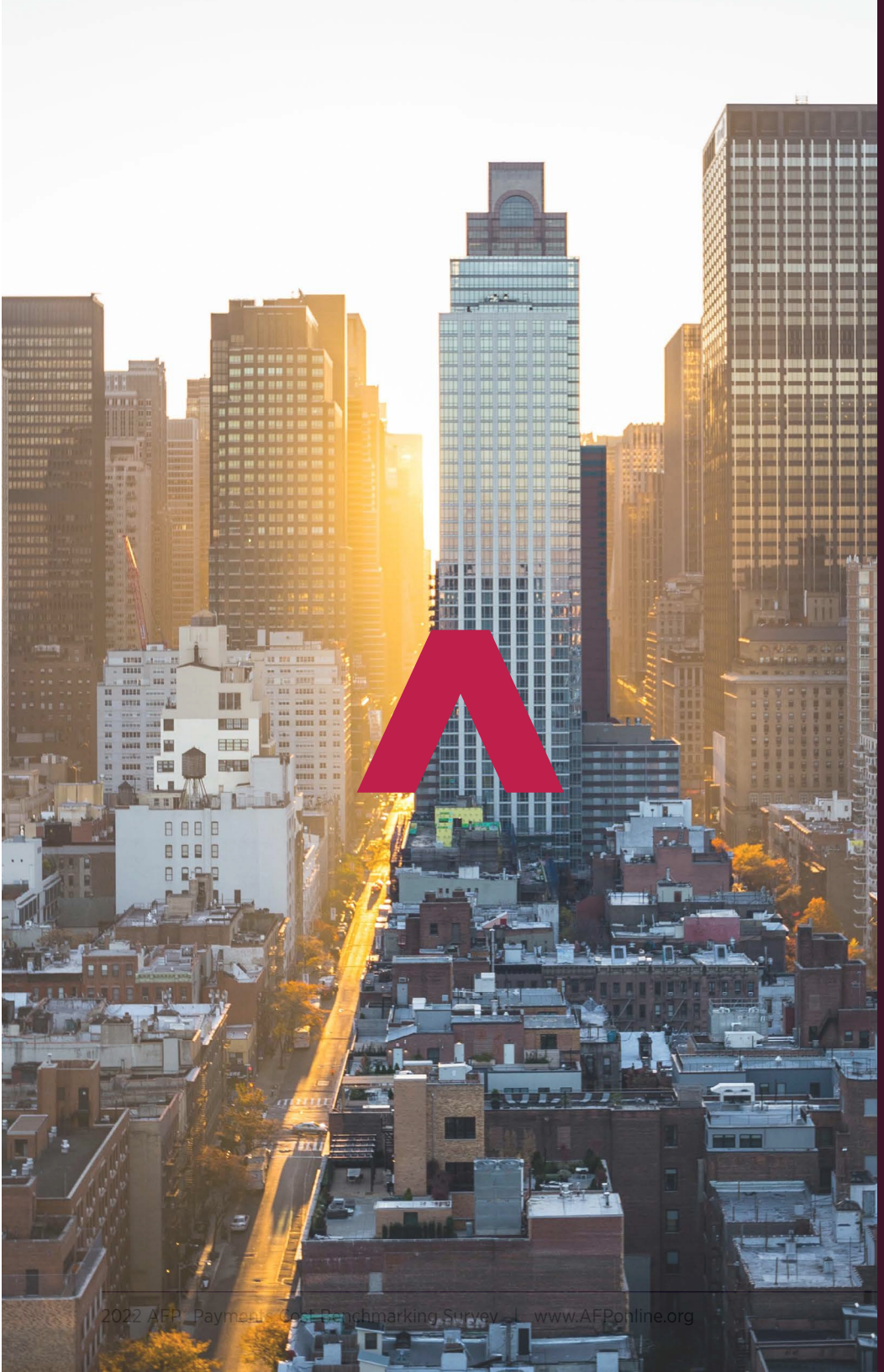

Payment solutions for the modern world

Are you a part of the 73% looking to move from checks to electronic payments?

Learn how Corpay's payment automation and commercial cards can increase efficiencies, reduce costs, earn rebates, and mitigate payment-fraud.

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