This summary report includes highlights from the comprehensive 2019 AFP Electronic Payments Survey Report. The complete report comprising all findings and detailed analysis is exclusively available to AFP members. Learn more about AFP membership.
Topics Covered in the Comprehensive 2019 Electronic Payments Survey Report

Key Takeaways

Introduction
Business-to-Business (B2B) Disbursements and Collections
Cross-Border Payments
Electronic Payments
Card Payments
Mobile Payments
Payment Trends Development and Innovation
Conclusion
Respondent Demographics
J.P. Morgan

J.P. Morgan is once again pleased to sponsor the AFP Electronic Payments Survey. As the industry landscape and business models shift with emerging technology and the need for immediacy, visibility and control, we remain committed to corporate practitioners’ needs providing them the latest on industry developments and offering innovative solutions now, while helping them to build a foundation for the treasury of tomorrow.

The 2019 survey offers valuable insight into current usage of paper-based and newer solutions, attitudes about growing trends and the challenges and benefits of moving forward:

• Over 60% of organizations believe faster payments will have a positive impact on their organizations and 60% percent also believe that Business-to-business transactions are seen as benefitting the most from faster payments1
• 72% of financial professionals cite the greatest impact to come from new developments in payments is from the use of APIs, followed by Open Banking2
• Overall a full 97% of financial professionals continue to use checks to pay their major business suppliers; suggesting that although check usage has been cut in half since 2004, checks won’t be eliminated any time soon, just used to a lesser extent alongside newer payment methods3

As you read through this report, I encourage you to evaluate your organization, its needs, and where opportunity from industry shifts and emerging technology may lie. As a leader in the payments space J.P. Morgan is fully invested and has restructured its organization to offer an end-to-end solution across the payments continuum.

By leveraging both the learnings from this study and J.P. Morgan's expertise as a strategic partner, organizations can be better positioned to improve treasury efficiency, take advantage of new business opportunities and reap the benefits of payment innovations.

Sincerely,

Joe Hussey
Managing Director
North America Payables and Receivables Product Executive
Wholesale Payments
J.P. Morgan

1,2 AFP Electronic Payments Survey page 7
3  AFP Electronic Payments Survey page 7
Introduction

For the past decade, the payments landscape has undergone significant changes. Various emerging technologies challenge legacy payments structures. Additionally, the Fintech industry is making inroads and capturing market shares from traditional players in the field, and various providers are offering solutions and products to the financial professional end-user. There have also been enhancements to legacy payments systems, such as Same-Day ACH, that have increased the speed of transactions and enhanced processes that for years have been considered slow. However, the actual usage of such enhanced processes is still quite limited as financial professionals seek more information and education and are still not cognizant about how new payments structures will impact their organizations.

As these changes occur, it is also important to realize that changing payments structures is not a small task for treasury and finance professionals. In order to reap the benefits of electronic and faster payments, businesses have to find clear-use cases in which the advantages of using new and faster payments exceed the cost of implementing them. New and faster payments systems are usually a greater challenge for business-to-business (B2B) transactions than for transactions directly with consumers where the demand for faster and more efficient payments is more prominent. In the B2B landscape checks are still a popular payment method; they are ubiquitous, and most businesses are very familiar and comfortable with how they work. Even if an organization is prepared to make the transition to electronic payments, their business partners may not be willing to shift from check transactions—a barrier for enhancing payments efficiency. Few of the new innovations and technical developments in the payments field represent new actual payment rails, but they introduce applications that “ride off” the legacy payments structures. Solutions that claim to be real-time often use traditional rails such as ACH for settling transactions later in the day, while the transactions appear as immediate to the end-user because of the technology used and agreements between the solution providers.

The advancement of electronic payments has so far had a bigger impact on consumer payments for which a large number of smartphone applications and mobile wallets are being used. Several retail-specific mobile wallets have been very successful, while more general mobile wallets such as Apple Pay have had very limited reach. Finally, the concept of “open banking” is still in the early stages of development vis-a-vis payments. This could change as financial institutions become more willing to open up their systems and allow payments initiation through API communication. Indeed, financial professionals may want to watch open banking as it could have a greater impact on the payments landscape in the future.

To gauge the extent to which and the ways in which treasury and finance professionals are taking advantage of payments innovations to accommodate the pace of change in the complex business-to-business environment, the Association for Financial Professionals® (AFP) conducted a survey of its corporate practitioner members and prospects in May 2019. The 2019 AFP Electronic Payments Survey was designed to identify changes in U.S. business payments practices since AFP’s previous electronic payments survey in 2016. The survey gathered data on business-to-business payment trends, cross-border payments, mobile payments and their benefits, and the barriers to realizing a more “electronic payments” future. The survey results highlight trends, identify best practices and reveal solutions for advancing automation of business-to-business payments.

The Research Department of the Association for Financial Professionals® sent a 35-question survey to corporate practitioner members and prospects. The survey generated a total of 379 responses which are the basis of this report. AFP thanks J.P. Morgan for underwriting the 2019 AFP Electronic Payments Survey. The Research Department of the Association for Financial Professionals®, which designed the survey questionnaire, analyzed the survey results and wrote the report, is solely responsible for its content.
Check Use in Business to Business (B2B) Transactions

Check usage for business-to-business (B2B) transactions is declining. In 2004, organizations made 81 percent of their payments to business customers via checks. Since then, that percentage has decreased by nearly half, with organizations making 42 percent of their business customer payments via checks. In both 2013 and 2016, approximately half of the average organization’s payments were made using checks.

The decline is not surprising as checks are slower to process than electronic payment methods and have higher transaction costs. Checks are also highly prone to payment fraud due to the relative ease with which credentials on a paper check can be altered.

However, the 42 percent figure for check use in B2B transactions is still elevated and continues to dominate such transactions. That signals a challenge in terms of changing internal processes. Other barriers organizations face in moving away from checks are increased costs of transitioning to alternative payment methods and lack of IT resources, as well as difficulty convincing business partners to shift towards sending/receiving electronic payments rather than checks. In addition, the relatively high level of integration of checks in corporate accounting systems contributes to their continued usage. Checks are more integrated than electronic payment alternatives. Still, electronic payment methods such as ACH are also being integrated into accounting systems. As ACH integration with accounting systems equals that of checks, organizations may be more encouraged to shift from paper to electronic payment methods.

Cross-Border Transactions

Despite an array of new developments, legacy wires (Swift) still dominate the cross-border payments landscape. Sixty-eight percent of organizations’ cross-border payments are done via Swift wire transfers. This highlights the challenge in making changes to payments processes even if current systems are inefficient and costly. In comparison, newer technology solutions for cross-border payments are currently used to a very limited extent, even though they promise faster, less expensive and more transparent transactions. The large share of cross-border transactions via Swift wires is probably attributed to Swift’s extensive global reach.

Indeed, speed of cross-border payments is considered an important factor when selecting methods for cross-border payments. This is not surprising as speed traditionally has been a concern for corporate practitioners when paying overseas suppliers. Transaction cost and certainty of payment are also considered important factors for cross-border payments.

Considering the many new providers in the cross-border landscape, it is a little surprising that few payments are made through the new channels, particularly those solutions enhancing legacy payments such as Swift gpi for which few, if any, changes are required of corporate end-user systems. Further awareness about cross-border solutions built on technologies such as blockchain, digital currencies and APIs, etc., may be advantageous.
Faster Payments

Over 60 percent of survey respondents believe faster payments will have a positive impact on their organizations. Over one-third of organizations (37 percent) are looking to stay current with new developments and potentially aim for an early adoption to reap early benefits; 24 percent plan to be aware of new developments so they are better prepared.

Even though corporate practitioners believe faster payments will have a positive impact on their organizations, their strategies for faster payments involve staying ahead of new developments in order to be prepared for future adoption. Some also have a “wait-and-see” approach. This is indicative of the somewhat cautious attitude financial professionals have toward changes that do not directly impact their organizations’ core business. They also want to avoid investing in faster payments if they are unsure these changes will be sustainable and may possibly require additional investment.

Business-to-business (B2B) transactions are seen as benefitting the most from faster/real-time payments (cited by 60 percent of respondents). This is quite surprising given the complexity of these kinds of transactions. Business-to-customer (B2C) and customer-to-business (C2B) transactions benefit as well, but to a much lesser extent—also surprising given the fairly large number of transactions involving consumers.

The importance of extensive remittance information following a payment is important for faster/real-time payments. Fifty-four percent of practitioners hold this view, an increase from the previous survey and a possible indication of strong demand from corporate end-users to adopt new payment methods.

New Technologies

Despite the array of new developments in the payments industry, the greatest impact is believed to come from the use of APIs (cited by 72 percent of respondents) followed by Open Banking Payment Initiation (60 percent). With Open Banking expecting to have a big effect on payments initiation, it is a clear indication that practitioners see potential benefits in new ways of making payments. The use of APIs will likely become more evident going forward and financial institutions could benefit from competitive advantages in providing open banking tools to accommodate their clients.
Conclusion

The steady decline in the use of checks for payments continued in 2019 after levelling off in 2016. Check use decreased a full nine percentage points to 42 percent—a record low since 2016. Despite the decline, however, organizations continue to make the majority of their B2B transactions via checks. Similarly, the percentage of companies receiving checks from their business customers is also down significantly from that reported in previous surveys to a new low of 36 percent.

At the same time, the use of electronic payments—such as ACH debits or credits—has increased, particularly payments to major suppliers, and they have become almost as popular as checks. Once set up, electronic payments can offer greater speed, less friction and, in many cases, can outweigh the benefits of using checks, thus making them more viable options in the modern payments landscape.

Over 80 percent of survey respondents report that some percentage of their organizations’ total B2B transactions made by cross-border payments are done via Swift (wire transfers) as this method has the greatest reach. Factors viewed as important when sending and receiving cross-border payments include speed of payment, transaction costs and certainty of payment.

Financial professionals believe that within the next three years, a majority of payments to suppliers will be via electronic payments; they feel their organizations will reap the advantages of cost savings from using electronic payments. In addition, they believe using electronic payments will help mitigate the impact from payments fraud. Payments fraud is at an all-time high: 82 percent of organizations were victims of attempted fraud or a fraud attack in 2018 (according to the 2019 AFP Payments Fraud and Control Survey). There is a myriad of consequences from fraud attacks; although the impact on the bottom-line may not be significant, organizations realize their employees’ and customers’ information may be vulnerable to hackers. If the use of electronic payments can help minimize fraud attacks, organizations will look to them as an appealing option.

Even though corporate practitioners are well aware of the benefits of electronic payments, there are still challenges to overcome in using these methods, primarily a shortage of IT resources, lack of integration between electronic payments and cost of making changes to internal processes. Weighing the pros and cons of using electronic payments can help company leaders determine the extent to which they want to adopt electronic payments. Often the size of an organization and level of payment activity will play a role in such decisions.

Growth in the advancement of emerging technologies within treasury and finance functions across organizations is poised to have a significant impact on the effectiveness and efficiency of processes, operations and productivity. The costs required to implement such technologies are high, and the pace of adoption by companies is still very gradual. As reported in the 2018 AFP Technology Survey, implementation of emerging technologies is low at a majority of companies, and many organizations do not have plans to implement them either. Still, the adoption of these technologies could have a significant impact on the speed, efficiency and accuracy of payment processes. Financial professionals indicate that open banking and application programming interfaces (APIs) are the emerging technologies most likely to have an impact on the payments industry than are other technologies.

Will financial professionals be successful in convincing their organizations’ senior management that investing in electronic payment alternatives is necessary? If organizations want to be competitive, doing so may be the best route to follow to enhance payments efficiency.
07

RESPONDENT DEMOGRAPHICS
About the Survey Participants

In May 2019, the Research Department of the Association for Financial Professionals® (AFP) conducted a survey on how treasury and finance professionals are taking advantage of payments innovations to accommodate the pace of change in the current complex business-to-business environment. The survey was sent to corporate practitioners with the following job titles: Vice President & Treasurer, Treasurer, Assistant Treasurer, Director Treasury, Manager Treasury, Cash Manager and Treasury Analyst. AFP received a total of 379 responses from its corporate practitioner members and prospects, with 221 of the responses coming from members and 185 responses from prospects.

AFP thanks J.P. Morgan for once again underwriting the 2019 AFP Electronic Payments Survey. Both the questionnaire design and the final report, along with its content and conclusions, are the sole responsibilities of the AFP Research Department. The demographic profile of the survey respondents mirrors that of AFP’s membership. The following tables provide a demographic summary of the survey respondents.

### Annual Revenue (U.S. dollar)
(Percentage Distribution of Organizations)

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $50 million</td>
<td>11%</td>
</tr>
<tr>
<td>$50-99.9 million</td>
<td>5%</td>
</tr>
<tr>
<td>$100-249.9 million</td>
<td>8%</td>
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<tr>
<td>$250-499.9 million</td>
<td>13%</td>
</tr>
<tr>
<td>$500-999.9 million</td>
<td>16%</td>
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<tr>
<td>$1-4.9 billion</td>
<td>26%</td>
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<tr>
<td>$5-9.9 billion</td>
<td>11%</td>
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<tr>
<td>$10-20 billion</td>
<td>6%</td>
</tr>
<tr>
<td>Over $20 billion</td>
<td>5%</td>
</tr>
</tbody>
</table>

### Total Number of B2B Payments Organization Makes Per Month (Domestic)
(Percentage Distribution of Organizations)

- Up to 500: 17%
- 501-1,000: 23%
- 1,001-5,000: 9%
- 5,001-10,000: 16%
- Over 10,000: 5%

### Total Number of B2B Payments Organization Makes Per Month (International)
(Percentage Distribution of Organizations)

- Up to 500: 3%
- 501-1,000: 2%
- 1,001-5,000: 8%
- 5,001-10,000: 5%
- Over 10,000: 82%
About the Survey Participants continued

### Ownership Type
(Percentage Distribution of Organizations)

- **44%** Privately held
- **35%** Publicly owned
- **13%** Non-profit (not-for-profit)
- **7%** Government (or government owned entity)

### Industry
(Percentage Distribution of Organizations)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural, Forestry, Fishing &amp; Hunting</td>
<td>1%</td>
</tr>
<tr>
<td>Banking/Financial Services</td>
<td>10%</td>
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<tr>
<td>Administrative Support/Business Services/Consulting</td>
<td>2%</td>
</tr>
<tr>
<td>Construction</td>
<td>3%</td>
</tr>
<tr>
<td>Education</td>
<td>2%</td>
</tr>
<tr>
<td>Energy</td>
<td>4%</td>
</tr>
<tr>
<td>Government</td>
<td>5%</td>
</tr>
<tr>
<td>Health Care and Social Services</td>
<td>11%</td>
</tr>
<tr>
<td>Hospitality/Travel/Food</td>
<td>2%</td>
</tr>
<tr>
<td>Insurance</td>
<td>8%</td>
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<tr>
<td>Manufacturing</td>
<td>19%</td>
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<tr>
<td>Non-Profit (including Education)</td>
<td>2%</td>
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<tr>
<td>Petroleum</td>
<td>2%</td>
</tr>
<tr>
<td>Professional/Scientific/Technical Services</td>
<td>4%</td>
</tr>
<tr>
<td>Real Estate/Rental/Leasing</td>
<td>5%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>5%</td>
</tr>
<tr>
<td>Wholesale Distribution</td>
<td>3%</td>
</tr>
<tr>
<td>Software/Technology</td>
<td>3%</td>
</tr>
<tr>
<td>Telecommunications/Media</td>
<td>2%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4%</td>
</tr>
</tbody>
</table>
AFP Research
AFP Research provides financial professionals with proprietary and timely research that drives business performance. AFP Research draws on the knowledge of the Association's members and its subject matter experts in areas that include bank relationship management, risk management, payments, and financial accounting and reporting. Studies report on a variety of topics, including AFP's annual compensation survey, are available online at www.AFPonline.org/research.

About AFP®
Headquartered outside of Washington, D.C. and located regionally in Singapore, the Association for Financial Professionals (AFP) is the professional society committed to advancing the success of treasury and finance members and their organizations. AFP established and administers the Certified Treasury Professional and Certified Corporate FP&A Professional credentials, which set standards of excellence in treasury and finance. Each year, AFP hosts the largest networking conference worldwide for more than 7,000 corporate financial professionals.

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72% of financial professionals cite the greatest impact to come from new developments in payments is from the use of APIs, followed by Open Banking.*

As the Payments landscape shifts with emerging technology, corporates now have the ability to improve treasury efficiency, take advantage of new business opportunities and reap the benefits of payments innovation.

Let J.P. Morgan help you solve current challenges today and build the new treasury of tomorrow.

For more information please contact your J.P. Morgan Representative.

*AFP Electronic Payments Survey—Key Takeaways

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