ASSOCIATION FOR FINANCIAL PROFESSIONALS

2022 AFP®

Payments Cost Benchmarking Survey

Comprehensive Results

Underwritten by: Corpay

Corpay^

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

TABLE OF CONTENTS

Introduction....4

Structure of Payments Operations....6

Payment Methods Utilized....9

Incoming and Outgoing Payments Handled Monthly....11

Payments Costs....13

Checks....14

ACH (Automated Clearing House Transactions)....18

Wire Transactions....20

Credit Card Transactions....23

Purchasing Card Transactions....27

Rebates....28

Real-Time Payments (RTP)....29

Payment-Related Tasks....30

Time Spent (Weekly) on Reconciling Payments, Processing ACH Payments and Processing Checks....31

Shifting from Paper Checks to Electronic Payments....34

Conclusion....38

Demographics....40

INTRODUCTION

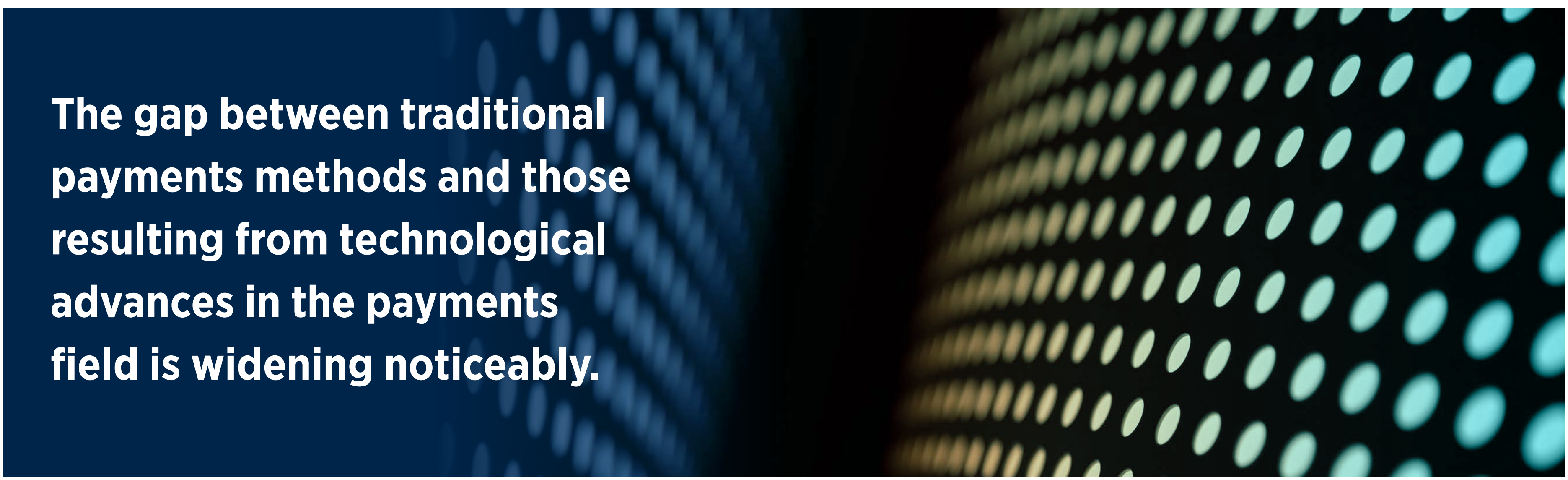
The payments industry faces a rapidly changing and challenging environment. The gap between traditional payments methods and those resulting from technological advances in the payments field is widening noticeably. To help bridge that gap, many payments professionals are trying to improve those systems.

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 40.

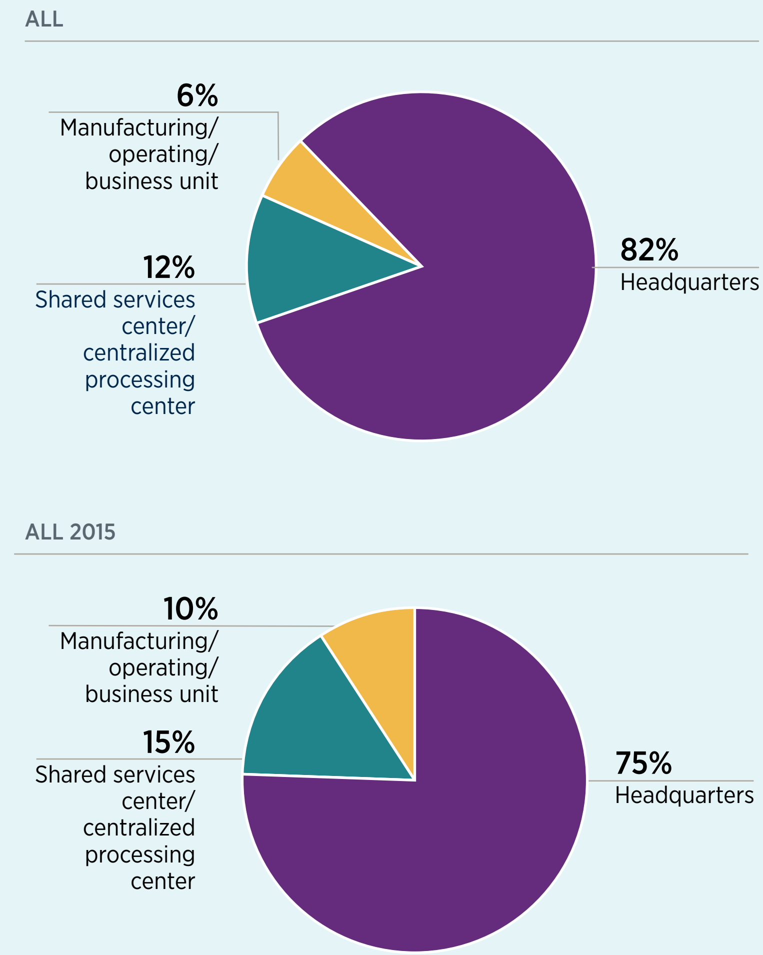
The results of *The 2022 AFP Payments Cost Benchmarking Survey* relect data from nearly 350 respondents and confirm what the industry has suspected for a while: that paper checks are considerably more expensive than some electronic payment methods.

STRUCTURE OF PAYMENTS OPERATIONS

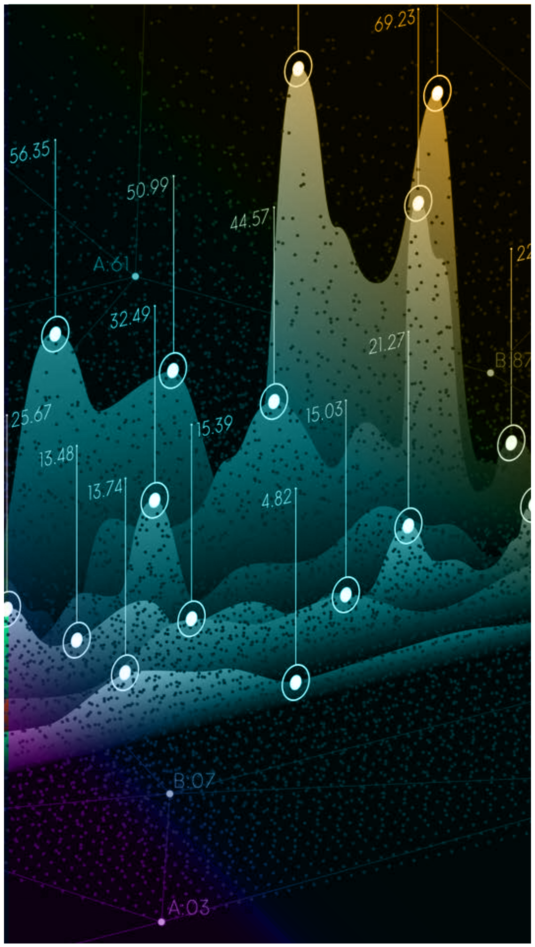
A large share of respondents (82 percent) reports that the role of the business within the organization for which they were responding is their organization's headquarters. Twelve percent indicate the role of the business is a shared services center/centralized processing center and 6 percent report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

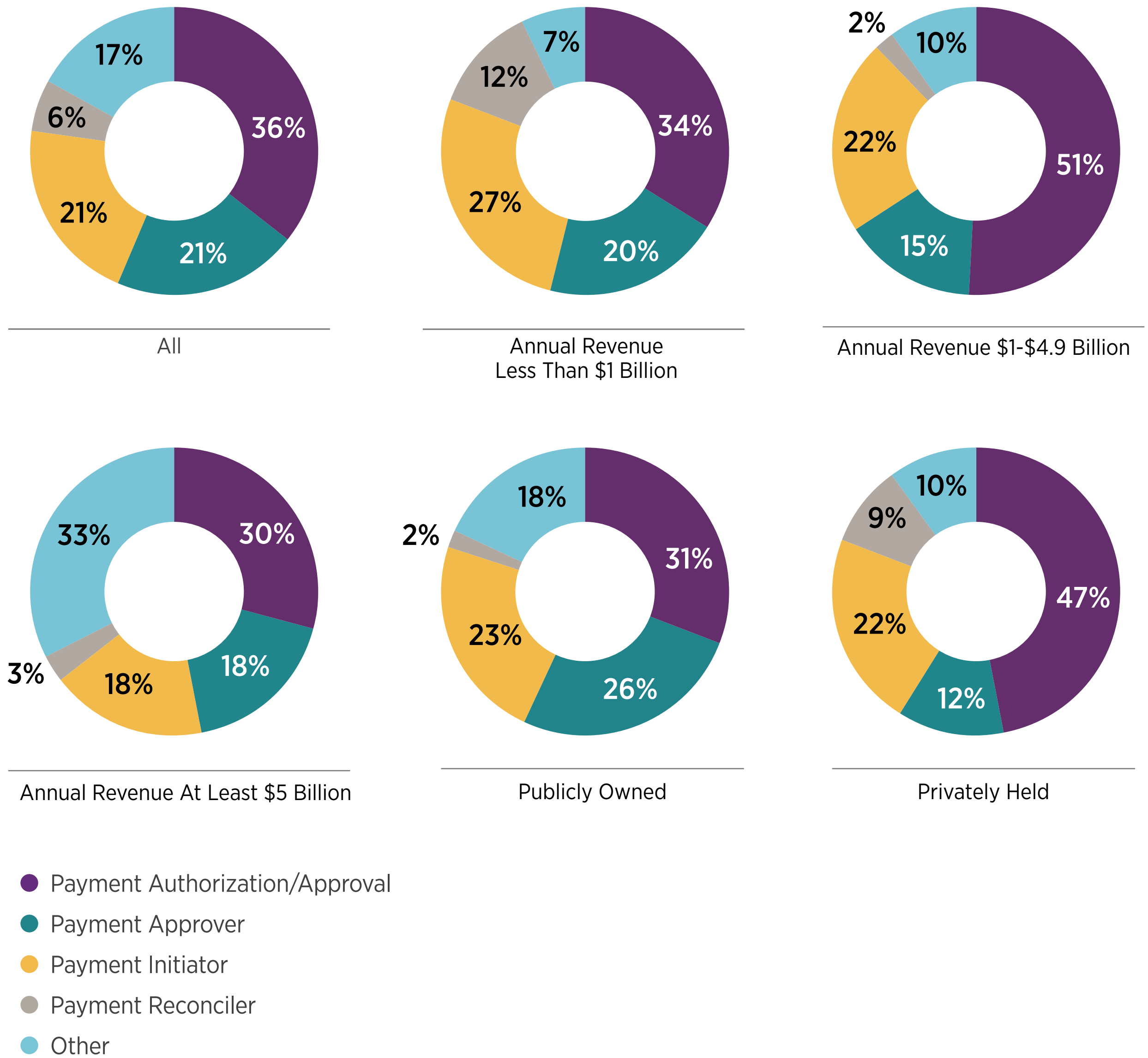
Role of Business within the Organization
(Percentage Distribution of Organizations)



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 within Payments Function at Organizations
(Percentage Distribution of Respondents)



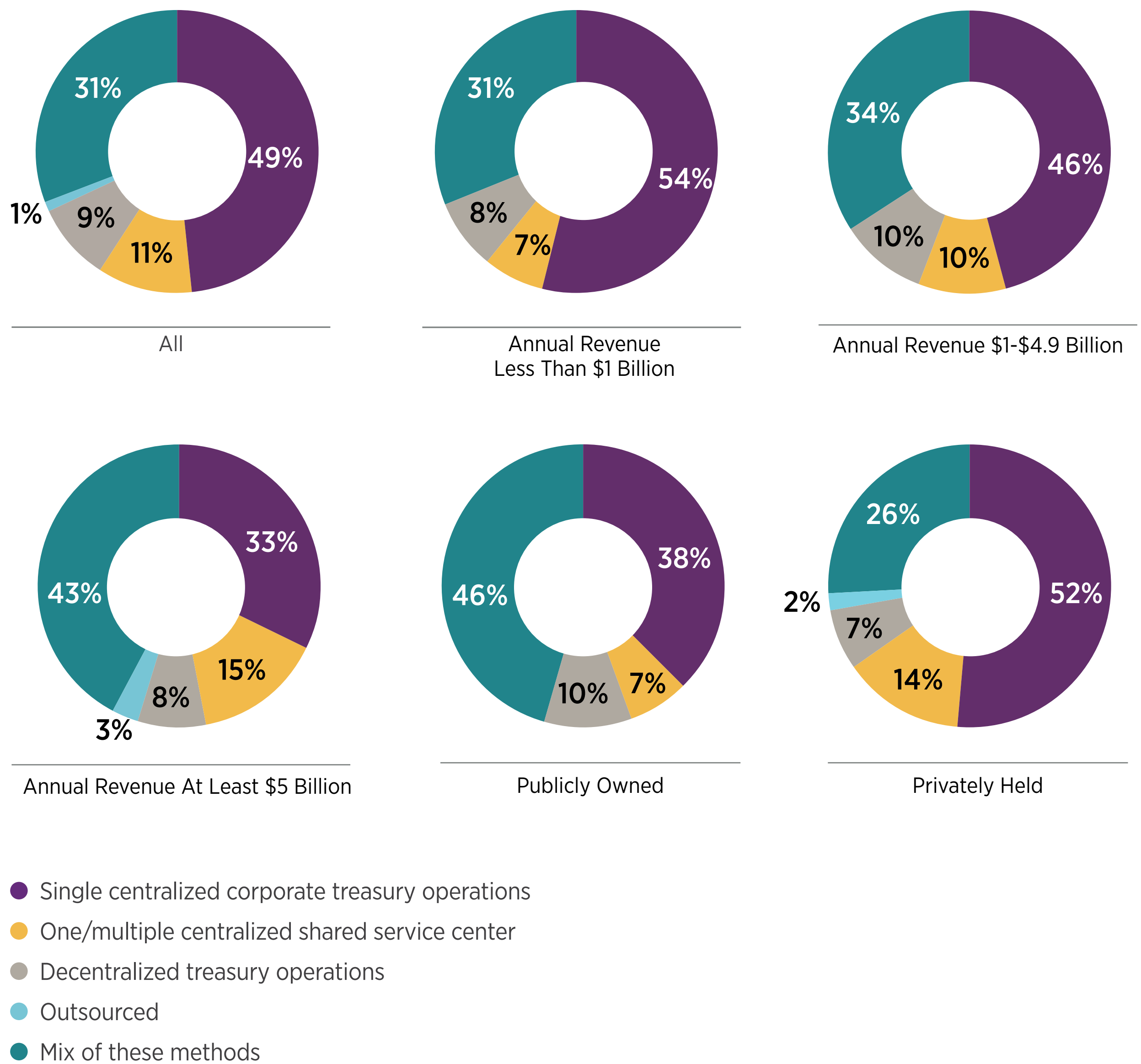
Nearly half of organizations deliver their payments from a single centralized corporate treasury operation. Single centralized treasury operations are more prevalent among smaller organizations (those with annual revenue less than $5 billion) than larger ones. Privately held organizations are more likely than publicly owned ones to deliver payments via a centralized 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 workforces in a single location.

About one-third of companies delivers payments using a mix of methods. A larger share of organizations with annual revenue of at least $5 billion and those that are publicly owned use a mix of payment methods. Generally, the larger the organization, the more complex it will be and more likely it will have a global presence. The use of local knowledge surrounding in-country payment practices might account for some of the disparity among larger organizations, thus creating a more decentralized approach. With a decentralized approach, many organizations rely on global policies to maintain standards around payment operations, initiation and approval protocols, as well as compliance with rules and regulations, especially those regulations stipulated in the Sarbanes-Oxley Act.

A smaller share of companies — 11 percent — has established either one or multiple shared service centers (SSCs). Only 9 percent of organizations have decentralized treasury operations while a mere one percent report these functions are outsourced.

Payment Delivery Methods
(Percentage Distribution of Organizations)



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.

INCOMING AND OUTGOING PAYMENTS HANDLED MONTHLY

Incoming Payments

The typical organization processes a larger number of checks, ACH Credit and credit card transactions than other payment methods.

The median number of checks is between 500-999 incoming checks per month; 44 percent of organizations handle less than 500 incoming checks per month and 16 percent receive more than 20,000. These results vary from the figures reported in the *2015 AFP Payments Cost Benchmarking Report:* 37 percent of companies handled fewer than 500 incoming checks per month and 22 percent received more than 20,000 checks.

The typical organization in 2015 processed between 1,000-1,999 checks per month. The current survey results suggest that the number of checks being used for incoming payments, though still significant, is smaller than six years ago. Volume for incoming checks is down by about half over the six years at the typical company.

The median range of both ACH Credit and credit card incoming transactions is between 500-999; the median range for ACH Debits and wires is between 100-999. Real-time payments and virtual cards have median ranges of less than 100.

Incoming Payments Handled Monthly
(Percentage Distribution of Transaction Volumes by Payment Types)

	CHECKS	ACH CREDIT	ACH DEBIT	WIRE	CREDIT CARD	DEBIT CARD	REAL-TIME PAYMENTS	VIRTUAL CARD
LESS THAN 100	25%	21%	38%	45%	33%	44%	76%	72%
100-499	19%	19%	15%	22%	14%	6%	6%	9%
500-999	14%	14%	7%	10%	7%	7%	5%	5%
1,000-1,999	10%	11%	9%	8%	11%	9%	3%	4%
2,000-4,999	9%	7%	4%	3%	3%	4%	2%	--
5,000-9,999	4%	7%	6%	3%	4%	4%	1%	1%
10,000-19,999	3%	4%	2%	1%	4%	6%	1%	1%
GREATER THAN 20,000	16%	18%	19%	8%	23%	20%	6%	8%
MEDIAN	500-999	500-999	100-499	100-499	500-999	Between 100-499 and 500-999	Less than 100	Less than 100
MEDIAN 2015	1,000-1,999	500-999	100-499	100-499	500-999	**N/A**	N/A	N/A

Outgoing Payments

The typical organization processes between 500 to 999 checks per month and 1,000-1,999 outgoing payments via ACH Credit. The median range for outgoing check payments is lower than the range reported in the *2015 AFP Payments Benchmarking Report* (1,000-1,999), while the ACH Credit median range is higher than the 500-999 range reported six years ago. This indicates that check volume on the issuance side has declined by half, a result similar to what we observe with check receipts.

Perhaps the check volume has been offset by the increase in ACH volume or possibly some other digital payment method such as cards, real-time payments and wires.

About 40 percent of organizations handle fewer than 100 outgoing transactions via ACH Debit and credit cards. The median number of transactions for these payment methods is between 100-499. A majority of organizations processes fewer than 100 outgoing transactions via debit cards, real-time payments and virtual cards.

Outgoing Payments Handled Monthly

(Percentage Distribution of Transaction Volumes by Payment Types)

	CHECKS	ACH CREDIT	ACH DEBIT	WIRE	CREDIT CARD	DEBIT CARD	REAL-TIME PAYMENTS	VIRTUAL CARD
LESS THAN 100	21%	20%	39%	44%	39%	74%	70%	55%
100-499	19%	14%	20%	22%	22%	7%	10%	20%
500-999	11%	12%	10%	10%	12%	5%	6%	9%
1,000-1,999	15%	13%	7%	8%	9%	2%	3%	5%
2,000-4,999	10%	9%	3%	4%	5%	--	--	2%
5,000-9,999	4%	9%	5%	3%	3%	2%	2%	1%
10,000-19,999	4%	5%	4%	1%	1%	--	1%	2%
GREATER THAN 20,000	16%	18%	12%	8%	10%	10%	8%	6%
MEDIAN	500-999	1,000-1,999	100-499	100-499	100-499	Less than 100	Less than 100	Less than 100
MEDIAN 2015	1,000-1,999	500-999	100-499	100-499	100-499	**N/A**	**N/A**	N/A

PAYMENTS COSTS

Awareness of Payments Costs

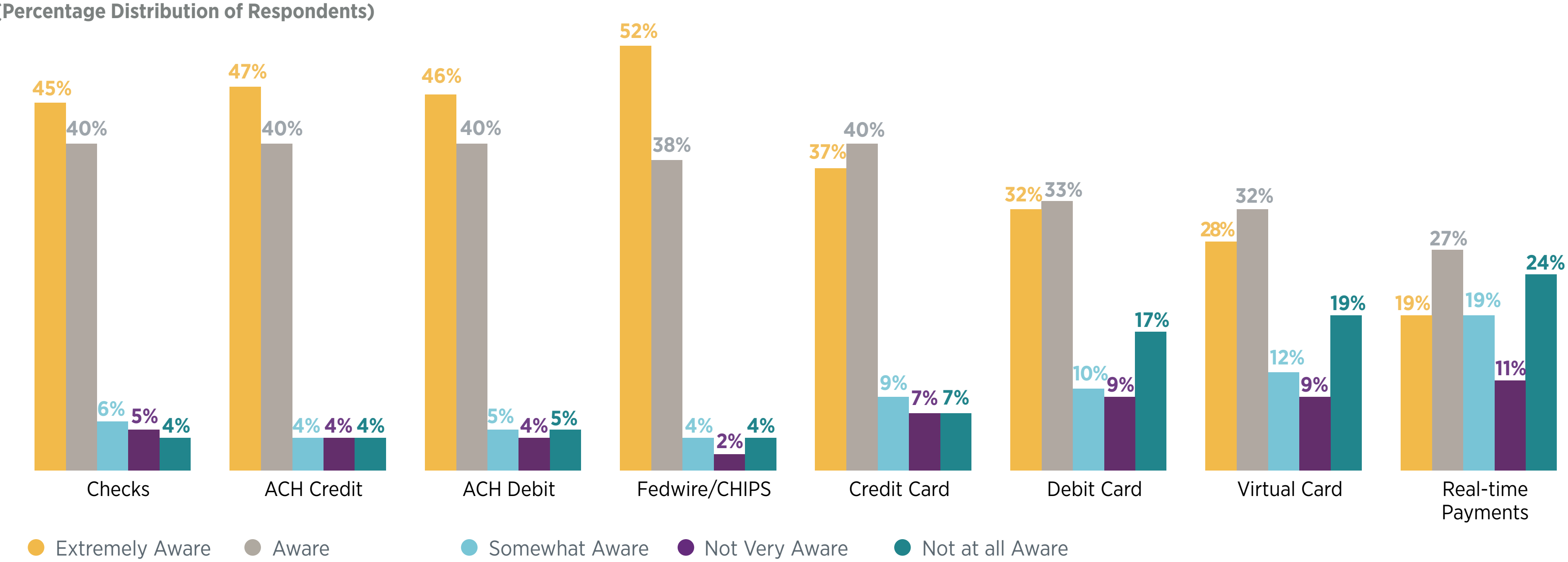
A vast majority of survey respondents is aware or extremely aware of payments costs for checks (85 percent), ACH Credits (87 percent), ACH Debits (86 percent) and Fedwire/CHIPS (90 percent). Cost awareness among this group is slightly lower for credit card (77 percent), debit card (65 percent) and virtual 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 associated with real-time payments, while almost one-fourth admits to not having any knowledge about costs involving them.

Checks, ACH Credits, ACH Debits and Fedwire payments are done through a cash management bank. Credit, debit and virtual cards are processed typically by a different entity within the bank. It can be very cumbersome to try and understand the costs of card usage; pricing can be bundled or unbundled and does not always use the same convention as cash management fees around service codes, thus making this area less transparent than others.

It is interesting that the volumes of payments received or initiated coincide with how well the survey respondents understand the pricing. As checks are the most common acceptance and issuance type, the costs are generally known by almost half of respondents. A similar share is familiar with the costs of ACH payments as well. Wires account for the highest percentage because they are the most expensive payment type of all of these, and companies want to minimize costs so they focus on them first.

Awareness of payments cost via cards is also low among respondents. While many organizations are more eager to accept cards than issue them, the costs surrounding this payment method are just beginning to be understood by most financial professionals.

Awareness of Cost for Different Payment Methods
(Percentage Distribution of Respondents)



CHECKS

Issuing Paper Checks

Survey results indicate that the median transaction cost for issuing a paper check ranges between $2.01-$4.00 per check; this is the same as reported in the 2015 report.

Several variables are considered when calculating the true cost of a transaction. The volume of checks is crucial to the calculation; transaction costs can often be lower when processing a higher volume. Other factors that play a role in calculating transactions costs for checks include wages, check stock, printing, postage, mailing and lock-box fees, positive-pay and escheatment tracking. As the cost of technology decreases over time,[2] labor costs increase.[3] Despite the generally lower volume of checks being issued, the per item costs remain roughly the same. Checks probably have the highest labor cost associated with them as identified earlier due to all the processes involved around controls, application and reconciling. Advances in technology surrounding the use of checks often offset the value in the cost of labor to produce them. With less volume, this trend is likely to continue.

The *2019 AFP Electronic Payments Survey* revealed that 42 percent of U.S. based-organizations business-to-business (B2B) payments were made by check. However, the share of B2B check payments has declined considerably from the 81 percent reported in *the 2004 AFP Electronic Payments Survey*. There was also a sharp decline in the share of organizations that received checks from customers — from 75 percent in 2004 to 36 percent in 2019.

Calculated Total Cost for Issuing a Paper Check on a Per Item Basis (In-house or Outsourced)
(Percentage Distribution of Cost of Issuing a Paper Check)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
$0.00	2%	4%	--	--	--	4%
$0.01 - $0.50	12%	8%	15%	11%	7%	15%
$0.51-$1.00	10%	15%	7%	8%	9%	10%
$1.01 - $2.00	18%	21%	10%	19%	16%	19%
$2.01 - $4.00	25%	27%	27%	27%	26%	31%
$4.01 - $6.00	10%	8%	22%	8%	18%	6%
$6.01 - $10.00	8%	6%	5%	14%	9%	6%
GREATER THAN $10.00	15%	12%	15%	14%	16%	10%
MEDIAN	$2.01 - $4.00	$2.01 - $4.00	$2.01 - $4.00	$2.01 - $4.00	$2.01 - $4.00	$2.01 - $4.00
MEDIAN 2015	$2.01 - $4.00	$2.01 - $4.00	$2.01 - $4.00	$2.01 - $4.00	$2.01 - $4.00	$2.01 - $4.00

[2] Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, Long-term price trends for computers, TVs, and related items.

[3] Bureau of Labor Statistics, U.S. Department of Labor, Employment Cost Index Summary, October 29, 2021.

- The median value for best estimated internal cost of issuing a check is $1.78 while the mean value is $2.98.
- The median value for best estimated external cost for issuing a paper check is $1.00 and the mean value is $1.74
- The median value for best estimated total cost for issuing a paper check outsourced is $1.98 and the mean value is $2.89.

Estimated Costs for Issuing a Check ($)

	INTERNAL COSTS	EXTERNAL COSTS	TOTAL COST FOR ISSUING A CHECK OUTSOURCED
VALID (N)	84	82	74
MEAN	2.98	1.74	2.89
MEDIAN	1.78	1.00	1.98
MINIMUM	0.00	0.00	0.00
MAXIMUM	20.00	15.00	20.00

Receiving Paper Checks

The median cost of receiving a paper check is lower than that of issuing one. The median cost range to receive checks is $1.01 to $2.00 and a median best estimated cost of $1.00 and a mean value of $1.99. Costs for receiving checks require less intervention — the issuer bears more of the costs so it makes sense it would cost less to receive checks. Companies with annual revenue less than $1 billion, as well as privately held companies. have lower costs compared to six years ago. Overall, the costs remain the same.

Best Estimated Total Cost for Receiving a Paper Check ($):

	TOTAL COST
VALID (N)	84
MEAN	1.99
MEDIAN	1.00
MINIMUM	0.00
MAXIMUM	15.00

Calculated Total Cost for Receiving a Paper Check on a Per Item Basis
(Percentage Distribution Costs for Receiving a Paper Check)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
$0.00	9%	12%	7%	8%	3%	14%
$0.01 - $0.50	22%	14%	17%	27%	21%	20%
$0.51-$1.00	14%	24%	10%	8%	9%	20%
$1.01 - $2.00	21%	18%	29%	14%	21%	20%
$2.01 - $4.00	16%	12%	29%	14%	22%	8%
$4.01 - $6.00	10%	14%	5%	14%	14%	12%
$6.01 - $10.00	2%	2%	2%	3%	2%	2%
GREATER THAN $10.00	6%	4%	--	14%	9%	4%
MEDIAN	$1.01 - $2.00	Between $0.51-$1.00 and $1.01 - $2.00	$1.01 - $2.00	$1.01 - $2.00	$1.01 - $2.00	$0.51-$1.00
MEDIAN 2015	$1.01 - $2.00	$2.01 - $4.00	$1.01 - $2.00	$1.01 - $2.00	$1.01 - $2.00	$1.01 - $2.00

Summary

Issuing a paper check:

- Reported total median cost range: $2.01-$4.00
- Reported best estimated median cost: $1.78
- Reported best estimated mean cost: $2.98

Receiving a paper check:

- Reported total median cost range: $1.01-$2.00
- Reported best estimated median cost: $1.00
- Reported best estimated mean cost: $1.99

Printing Paper Checks

The median cost of printing a paper check is $0.51-$1.00 on a per item basis. For those that simply want to look at the cost of printing a check or preparing it for printing only, we asked the question this year on both an in-house and outsourced perspective. COVID-19 brought this cost issue to light as companies adjusted with the pandemic. Many respondents told us anecdotally they moved their paper check printing process to external vendors for processing and mailing. This is not the full cost of issuance, but rather just the printing and mailing portions.

As noted above the cost of issuance for a check which is around $2.98 in total (internal and external) costs. It can be safely assumed that postage accounts for a large portion of the cost of printing and with mail times recently being extended due to Post Office budget issues, checks will likely continue their volume trends downward.

Calculated Total Cost for Printing a Paper Check on a Per Item Basis Done In-house or Outsourced

(Percentage Distribution of Cost of Issuing a Paper Check)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
$0.00	7%	10%	2%	8%	2%	14%
$0.01 - $0.50	35%	43%	32%	28%	29%	44%
$0.51-$1.00	19%	14%	24%	25%	23%	20%
$1.01 - $2.00	14%	10%	24%	6%	13%	10%
$2.01 - $4.00	9%	14%	5%	11%	13%	8%
$4.01 - $6.00	6%	4%	10%	3%	9%	2%
$6.01 - $10.00	3%	--	--	3%	2%	--
GREATER THAN $10.00	8%	4%	2%	17%	11%	2%
MEDIAN	$0.51-$1.00	$0.01 - $0.50	$0.51-$1.00	$0.51-$1.00	$0.51-$1.00	$0.01 - $0.50

ACH (AUTOMATIC CLEARING HOUSE) TRANSACTIONS

Initiating and Receiving ACH Transactions

ACH payments are electronic transactions that can be either credit (push) or debit (pull). ACH Credit transactions send payments to a payee's account and include direct deposit and Same Day ACH. ACH Credit transactions are used primarily for payroll and vendor payments. ACH Debit pulls payments from a payor's account as directed by a predetermined mandate. ACH Debit transactions are often used for recurring payments or municipal/tax payments such as mortgage payments, insurance premiums, tax payments, etc. ACH transactions are aggregated and sent through the operators (the Federal Reserve and The Clearing House) in batches at predetermined intervals.

The survey results reveal an external and internal median cost range of $0.26-$0.50 per item. This is unchanged from the median cost range reported in 2015. It is important to note that the cost per ACH transaction varies widely depending on volume because of the fixed costs.

According to AFP's Bank Pricing data, banks typically price ACH Credits and Debits at the same level for external costs. Note that the added costs for corporate trade exchange (CTX) and electronic data interchange (EDI) are included in these numbers which is important to consider given the additional benefits of extended remittance information, etc.

Calculated EXTERNAL costs (including bank/payment provider monthly fees, ACH fees, reporting, etc.) and INTERNAL costs (including personnel, service centers, IT technology, fraud liability, vendor validation, voids and re-issues, etc.) for INITIATING and RECEIVING ACH transactions on a per item basis

(Percentage Distribution of ACH Credit and ACH Debit (External and Internal Costs)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
$0.00	3%	4%	2%	--	--	4%
$0.01 - $0.10	15%	14%	7%	22%	13%	18%
$0.11-$0.25	26%	24%	27%	31%	32%	25%
$0.26 - $0.50	17%	22%	32%	3%	20%	20%
$0.51 - $0.75	13%	20%	12%	6%	11%	10%
$0.76 - $1.00	7%	2%	10%	8%	11%	4%
GREATER THAN $1.00	19%	14%	10%	31%	14%	20%
MEDIAN	$0.26 - $0.50	$0.26 - $0.50	$0.26 - $0.50	$0.11-$0.25	$0.26 - $0.50	$0.26 - $0.50

The best estimated median cost (sending and receiving) of processing ACH payments varies for debit and credit transactions. Data in the above table provide cost information on a consolidated basis for all ACH types based on ranges. Most likely the volumes are weighted towards higher volume automated ACH transactions pushing the cost range lower. We used actual responses from the survey to complete the table below.

We were able to break down ACH costs by type more realistically this way but were not able to break down costs by volume. Data would indicate the more automated the ACH type versus a one-off such as Same Day ACH can be, the lower the costs. ACH Same Day Debits and Credits are more expensive, but relative to other payment types they incur considerably lower costs for the convenience, assuming cutoffs are met and files transferred appropriately to meet the deadline.

ACH Costs, by Type

	ACH CREDIT – EXTERNAL ($):	ACH DEBIT – EXTERNAL ($):	ACH CREDIT – INTERNAL ($):	ACH DEBIT – INTERNAL ($):	ACH SAME DAY DEBIT ($):	ACH SAME DAY CREDIT ($):
VALID (N)	63	58	61	59	48	51
MEAN	1.24	0.50	0.39	0.54	0.58	1.01
MEDIAN	0.25	0.15	0.15	0.15	0.25	0.25
MINIMUM	0.00	0.00	0.00	0.00	0.00	0.00
MAXIMUM	20.00	7.00	5.00	5.00	5.00	20.00

Summary:

Initiating and Receiving ACH transaction (internal and external costs):

— Reported median total cost range

  • External and internal costs range of $0.26—$0.50

— Best estimated median cost:

  • ACH Credit

  External cost: $0.25

  Internal cost: $0.15

  • ACH Debit

  External cost: $0.25

  Internal cost: $0.15

WIRE TRANSACTIONS

Initiating Wire Payments

Similar to ACH transactions, wire transfers are electronic fund transfers from one bank account to another.

Unlike ACH transfers though, a wire system such as Fedwire or The Clearing House Interbank Payments System (CHIPS) in the U.S. is a real-time gross system (RTGS) providing immediate and final settlement that is irrevocable. Wire transfers are typically used for lower volume, time-sensitive transactions, usually of higher monetary value. They are immediate and are confirmed upon receipt, making them the payment method of choice for settling many capital markets activities, acquisition payments, real estate closings, investment activity and foreign exchange settlements.

But with that convenience and speed comes a higher cost that can vary widely. One organization may pay over $50 for a wire transaction while another may pay only a fraction. The overall total transaction median cost for initiating a wire transaction ranges from $10.01 to $15.00. Included in this are international wires and domestic wires.

International wires carry a higher cost typically as they have more bank correspondents to route the wire through. In total, the actual data show that the average internal and external costs to be in line with the range data in the table below.

Calculated Total Transaction Cost for Initiating Wire Payments on a Per Item Basis

(Percentage Distribution of Total Costs for Initiating Wire Payments)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
$0.00	2%	--	--	3%	--	2%
$0.01 - $2.50	9%	9%	5%	9%	5%	13%
$2.51-$5.00	4%	2%	5%	6%	5%	--
$5.01 - $7.50	15%	20%	17%	9%	16%	11%
$7.51 - $10.00	12%	9%	20%	11%	11%	17%
$10.01 - $15.00	18%	9%	29%	17%	25%	11%
$15.01 - $20.00	16%	19%	15%	11%	13%	22%
$20.01 - $25.00	14%	17%	7%	17%	14%	11%
GREATER THAN $25.00	11%	15%	2%	17%	11%	13%
MEDIAN	$10.01 - $15.00	Between $10.01 - $15.00 and $15.01 - $20.00	$10.01 - $15.00	$10.01 - $15.00	$10.01 - $15.00	$10.01 - $15.00

The best estimated median value for external cost for initiating a wire transaction is $7.00 and the internal median cost is $5.00.

Best Estimated Costs for Initiating a Wire Transaction ($)

	WIRE EXTERNAL	WIRE INTERNAL
VALID (N)	84	73
MEAN	8.56	7.36
MEDIAN	7.00	5.00
MINIMUM	0.00	0.00
MAXIMUM	40.00	65.00

Receiving Wire Payments

The total median cost ranges for receiving wire transactions are fairly similar to those for initiating wires. The overall median external cost range is between $10.00-$15.00. Organizations with annual revenue of less than $1 billion report median costs in the lower range of $7.51-$10.00 while those with annual revenue greater than $5 billion report median costs in the range of $7.51-$10.00 and $10.00-$15.00 indicating median costs fall around the $10.00 mark.

The cost of receiving wires on an external basis is typically cheaper than receiving wires. The internal cost for the payments vendor or bank is lower as there are fewer credit limit or daylight overdraft or risk issues to contend with in receiving wires compared to sending wires. Also, the number of FTEs involved in receiving wires can be smaller if the Accounts Receivable Department has fewer FTEs and directly reviews wire information from bank reporting for incoming wires.

Calculated Cost for Receiving Wire Payments on a Per Item Basis

(Percentage Distribution of Total Costs for Receiving Wire Payments)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
$0.00	6%	6%	3%	6%	2%	9%
$0.01 - $2.50	10%	9%	5%	12%	6%	11%
$2.51-$5.00	16%	13%	25%	9%	19%	11%
$5.01 - $7.50	12%	11%	18%	9%	13%	9%
$7.51 - 10.00	16%	17%	23%	15%	20%	19%
$10.01 - $15.00	18%	25%	13%	15%	20%	13%
$15.01 - $20.00	10%	11%	8%	12%	7%	15%
$20.01 - $25.00	7%	4%	8%	12%	9%	8%
GREATER THAN $25.00	5%	4%	0%	12%	4%	4%
MEDIAN	$10.01 - $15.00	$7.51 - $10.00	Between $5.01 - $7.50 and $7.51 - $10.00	Between $7.51 - $10.00 and $10.01 - $15.00	$7.51 - $10.00	$7.51 - $10.00

The best estimated median value for external cost for receiving a wire transaction is $7.00 and internal median cost is $3.00.

Best Estimated Costs for Receiving a Wire Transaction ($)

	WIRE EXTERNAL	WIRE INTERNAL
VALID (N)	69	68
MEAN	8.17	4.56
MEDIAN	7.00	3.00
MINIMUM	0.00	0.00
MAXIMUM	25.00	25.00

Summary

Initiating Wire Transactions

- Total Median costs: $10.00-$15.00
- Median External cost: $7.00
- Median Internal Cost: $5.00

Receiving Wire Transactions

- Total Median costs: $10.00-$15.00
- Median External cost: $7.00
- Median Internal Cost: $3.00

CREDIT CARD TRANSACTIONS

Average Ticket Size

Organizations use a variety of credit cards for numerous business purposes.

Transaction costs for credit cards have long been debated, especially interchange and assessment fees in recent years. The increased cost and handling of PCI compliance are also notable factors. In addition, the complexities of interchange and the various qualification methodologies of how transactions are received can play a role in credit card payments. While merchants are naturally looking to minimize their costs, at the same time they realize they need to accept card transactions in order to maintain their businesses. Some industries are more reliant on them. For an industry mix representative of the data, it can be safely assumed the industry breakout in the respondent demographics at the end of this report would be a good indication of the industry dispersion.

The median value for average ticket size of incoming credit card transactions is between $300-$499, and only 9 percent of respondents report that their organizations' average size of incoming credit card transactions is greater than $15,000. Larger organizations with annual revenue of at least $5 billion have a higher median value of incoming credit card transactions of $700-$999.

In comparing current median ticket size of incoming credit card transactions with those reported in 2015, we observe an increase in the range of average ticket size: from $200-$299 to $300-$499. Credit card payments can be highly automated and integrated into point of purchase systems, purchasing card platforms, virtual card reporting, etc. As a result of COVID-19, the larger ticket size is perhaps an offset of moving to digital payment formats as the processing can be automated and integrated into ERP systems and back-office operations on a streamlined basis. The higher average value of $606 (see table on next page) would be largely B2B payments. Smaller ticket items would tend to be business-to-customer (B2C) transactions.

Average Ticket Size of Typical Incoming Credit Card Transactions on a Per Item Basis

(Percentage Distribution of Average Size of Incoming Credit Card Transactions)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
LESS THAN $25	18%	27%	13%	7%	11%	21%
$25-$49	7%	8%	9%	--	4%	2%
$50 -$99	6%	6%	3%	7%	7%	6%
$200-$299	12%	12%	19%	3%	9%	9%
$300 - $499	7%	8%	3%	10%	4%	11%
$500 - $699	12%	12%	13%	17%	16%	13%
$700 - $999	8%	8%	6%	10%	13%	4%
$1,000- $1,499	3%	--	--	10%	2%	4%
GREATER THAN $1,500	9%	8%	9%	7%	7%	9%
MEDIAN	$300 - $499	$200-$299	$500 - $699	$700 - $999	$500 - $699	$500 - $699

The mean value of incoming credit card transactions for those that were estimated by participants is $606.44; the median value is $100.00.

Best Estimated Average Ticket Size of Typical Incoming Credit Card Transactions ($)

	INCOMING CREDIT CARD TRANSACTION
VALID (N)	66
MEAN	606.44
MEDIAN	100.00
MINIMUM	0.00
MAXIMUM	8,000

Receiving Credit Card Transactions: External Cost

The external median cost range for receiving credit card transactions (including issuer/acquirer/processor interchange, assessment, monthly fees, etc.) is between 2.00% and 2.49% *per transaction*. This result is also higher than the median range of 1.50%-1.99% reported in 2015.

Costs reflected in this year's survey results compared to those in 2015 show a notable difference where select costs increased.

There are a few reasons that could be driving this difference. The mix of the payments from the various card networks is not known as well as the card type utilized. In general, rewards cards carry one of the highest interchange rates and thus higher costs to the acquirer.

Generally, corporate cards carry a high rate relative to other rate categories as well and are in the range represented in the data. Most of these transactions could be considered "Card Not Present" transactions, and costs for those have risen due to the extra fraud that could be involved and the high cost of chargebacks that could be derived from the cards.

The liability shift from card issuer to card acquirer was in its early stages at the time we conducted the previous survey in 2015. The full impact of those liability costs were not yet known; that impact is now easier to discern in the pricing this year.

Calculated External Related Costs for Receiving Credit Card Transactions as Percentage per Transaction

(Percentage Distribution of External Costs for Receiving Credit Card Transactions)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
LESS THAN 0.50%	17%	26%	9%	10%	9%	23%
0.50% - 0.99%	9%	--	9%	17%	9%	9%
1.00% - 1.49%	8%	9%	13%	7%	12%	6%
1.50% - 1.99%	12%	9%	13%	17%	12%	9%
2.00% - 2.49%	17%	11%	22%	20%	16%	17%
2.50% - 2.99%	18%	21%	22%	17%	28%	15%
3.00% - 3.49%	12%	17%	9%	7%	12%	15%
3.50% - 3.99%	2%	2%	--	--	--	2%
GREATER THAN 4.00%	5%	6%	3%	7%	2%	4%
MEDIAN	2.00% - 2.49%	2.00% - 2.49%	2.00% - 2.49%	Between 1.50% - 1.99% and 2.00% - 2.49%	2.00% - 2.49%	2.00% - 2.49%
MEDIAN 2015	1.5%-1.99%	1.00%-1.49%	1.50%-1.99%	1.5%-1.99%	1.5%-1.99%	1.5%1.9%

External Card Cost as a Percentage per Transaction

	EXTERNAL CREDIT CARD COST	EXTERNAL DEBIT CARD COST
VALID (N)	59	45
MEAN	1.91	0.78
MEDIAN	1.80	0.03
MINIMUM	0.00	0.00
MAXIMUM	11.25	3.50

Receiving Credit Card Transactions: Internal Cost

The internal median cost range for receiving credit card transactions (including personnel, IT technology, file connectivity, encryption, audit, PCI DSS compliance, etc.) is between 0.50%-0.99% and 1.00%-1.49%; the median cost is likely closer to the lower end of the 1.00%-1.49% range. This is similar to the median range reported in the 2015 report: 0.50%-0.99%.

The internal cost per transaction is almost as much as the external cost based on the range data for internal and external costs. The internal costs to process credit and debit cards have risen with the liability shift and additional fraud mitigation. One offset is the opportunity to receive funds 1-2 days at settlement after a payment is initiated. The credit and collection costs associated with these types of payments is therefore lower but comes with a cost to receive funds sooner as a result. Depending on a company's weighted average cost of capital, cost of credit, and credit terms, the opportunity cost of accepting or not accepting card transactions can be either worthwhile or part of an larger overall payments strategy. Some respondents indicate they only use them to collect longer dated receivables with a credit card.

Calculated INTERNAL costs (including personnel, IT Technology, PCI DSS Compliance, etc.) for Receiving Credit Card transactions as a Percentage per Transaction?

(Percentage Distribution of Internal Costs for Receiving Credit Card Transactions)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
LESS THAN 0.50%	31%	33%	26%	30%	32%	31%
0.50% - 0.99%	19%	20%	13%	17%	17%	18%
1.00% - 1.49%	13%	16%	23%	3%	5%	16%
1.50% - 1.99%	8%	7%	10%	13%	15%	9%
2.00% - 2.49%	10%	11%	10%	10%	10%	11%
2.50% - 2.99%	7%	2%	10%	13%	12%	2%
3.00% - 3.49%	3%	--	6%	3%	5%	2%
3.50% - 3.99%	3%	2%	--	3%	2%	2%
GREATER THAN 4.00%	6%	9%	3%	7%	2%	9%
MEDIAN	Between 0.50% - 0.99% and 1.00% - 1.49%	0.50% - 0.99%	1.00% - 1.49%	Between 1.00% - 1.49% and 1.50% - 1.99%	1.00% - 1.49%	1.00% - 1.49%
MEDIAN 2015	0.5%-0.99%	1%-1.49%	0.5%-0.99%	0.5%-0.99%	0.5%-0.99%	0.5%-0.99%

Internal Card Cost as a Percentage per Transaction

	CREDIT CARD COST	DEBIT CARD COST
VALID (N)	49	41
MEAN	1.39	0.56
MEDIAN	0.50	0.00
MINIMUM	0.00	0.00
MAXIMUM	18.00	4.00

PURCHASING CARD TRANSACTIONS

Purchasing cards — including procurement, Travel &Entertainment (T&E) and virtual cards — have typically been used by organizations for lower-value goods and services or department-based purchases. However, in recent years the use of purchasing cards has increased dramatically, even expanding into areas where paper checks have traditionally been used and thus eliminating the need to process checks.

In some cases, purchasing cards have become part of the overall disbursement strategy for organizations; those companies recognize the potential benefits of electronic statements (in lieu of purchase orders) and the opportunity to capture any rebates associated with the cards..

Due to COVID-19, companies have sought to automate their payables and digitize their payments. This is perhaps one of the benefits of moving from paper to digital through the pandemic as companies look to stay efficient and effective in processing payables.

For nearly two-thirds (65 percent) of organizations, the transaction cost for outgoing card payments made via a purchasing card is less than $2.00. The median range is $1.00-$1.99 for all segments, unchanged from the median range reported in the *2015 AFP Payments Cost and Benchmarking Report*. The cost to process procurement, T&E and virtual cards is often one of the most transparent. Vendors have robust systems in place to capture data from ERPs and procurement systems. Some utilize systems that have a procurement module integrated into the card portal for vendor onboarding. However, not all vendors want to take card payments. It is best to segment this payment type to those that will accept it; this would require a study of your payable's vendors for success.

Total Calculated Cost for OUTGOING Payments Made (including personnel, IT Technology, Compliance, Audit, etc.) via a Card (Procurement, T&E and Virtual) Per Transaction
(Percentage Distribution of Outgoing Purchasing Card Payments)

	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
LESS THAN $1	32%	23%	37%	35%	29%	36%
$1-$1.99	33%	43%	34%	21%	37%	24%
$2-$3.99	15%	17%	17%	15%	18%	16%
$4-$5.99	12%	11%	6%	24%	14%	16%
$6-$10	7%	6%	6%	6%	2%	8%
MEDIAN	$1.00-$1.99	$1.00-$1.99	$1.00-$1.99	$1.00-$1.99	$1.00-$1.99	$1.00-$1.99
MEDIAN 2015	$1.00-$1.99	$1.00-$1.99	$1.00-$1.99	$1.00-$1.99	$1.00-$1.99	$1.00-$1.99

Best Estimated Total Calculated Costs for Outgoing Payments Made ($):

	TOTAL COST
VALID (N)	33
MEAN	2.58
MEDIAN	1.50
MINIMUM	0.00
MAXIMUM	10.00

REBATES

One incentive for using cards is the potential for earning rebates. Factors that typically determine the size of rebates are the purchasing volume and the speed of payment to the card issuer along with the automation this payment type provides. The full scope of the card program — including the annual cost, reporting, remittance and other technological capabilities — should be taken into consideration. Any rebate may help offset these costs and so should be factored in when determining the cost of the payment format.

Note that the survey does not capture spend data as most rebates are calculated based on card usage/volume, but most companies use their cards fewer than 100 times per month. Typically, the higher the volume, the higher the rebate, but rebates can be on a sliding scale. The median range is 51-75 basis points (bps), compared to 26-50 bps in 2015. Nearly 60 percent of organizations are awarded rebates on their annual card spend, and those rebates range from 10 to 75 bps. Only 10 percent of organizations receive rebates of greater than 150 bps.

Reported Rebates Awarded on Annual Card Spend
(Percentage Distribution 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
10–25 BPS	28%	31%	21%	28%	21%	29%
26-50 BPS	21%	20%	21%	22%	27%	21%
51–75 BPS	10%	16%	5%	6%	10%	8%
76–100 BPS	11%	16%	8%	9%	8%	15%
101–125 BPS	12%	11%	11%	16%	15%	13%
126–150 BPS	9%	4%	16%	9%	8%	10%
MORE THAN 150 BPS	10%	2%	18%	9%	10%	4%
MEDIAN	51–75 bps	26-50 bps	76–100 bps	Between 26-50 bps and 51–75 bps	51–75 bps	Between 26-50 bps and 51–75 bps
MEDIAN 2015	26-50 bps	26-50 bps	51-75 bps	51-75 bps	26-50 bps	51-75 bps

REAL-TIME PAYMENTS (RTP)

Real-time payment platforms offer immediate, 24/7, interbank fund transfers. The first real-time payment service (RTP®) was introduced in 2017 by The Clearing House and continues to be expanded and improved.

The use of real-time payments is likely to grow, and it will be interesting to see if payments costs decrease because of RTPs' technology component. RTP is not just reserved for large companies; organizations of all sizes are experienced with real-time payments. The vast majority of companies receives or transmits fewer than 100 RTP payments per month. These are likely geared towards use cases around time-sensitive B2B transactions, P2P payments (gig economy), payroll payments and the future "Request for Payment" which has a lot of promise since it was first utilized in May of 2018.

Real-time payments offer the ability to have rich remittance information, more so than ACH transactions and checks, and due to their lower costs it is possible that RTP might replace Fedwire for some. But the future is very clear: there is strong promise for RTP given the right use case and taking into consideration pricing for the payment method.

The median transaction cost for initiating and receiving RTP payments on a per item basis is $0.01-$2.50. For 60 percent of organizations transaction costs for RTP is less than $2.50. A greater percentage of large organizations (with annual revenue of at least $5 billion) report transaction costs of less than $2.50 per item compared to the share of smaller organizations with annual revenue less than $1 billion (68 percent versus 62 percent).

Total Transaction Cost (personnel, bank fees, IT support, etc.) for INITIATING and RECEIVING RTP Payments on a Per Item Basis

(Percentage Distribution for Initiating and Receiving RTP Payments on Per Item Basis)

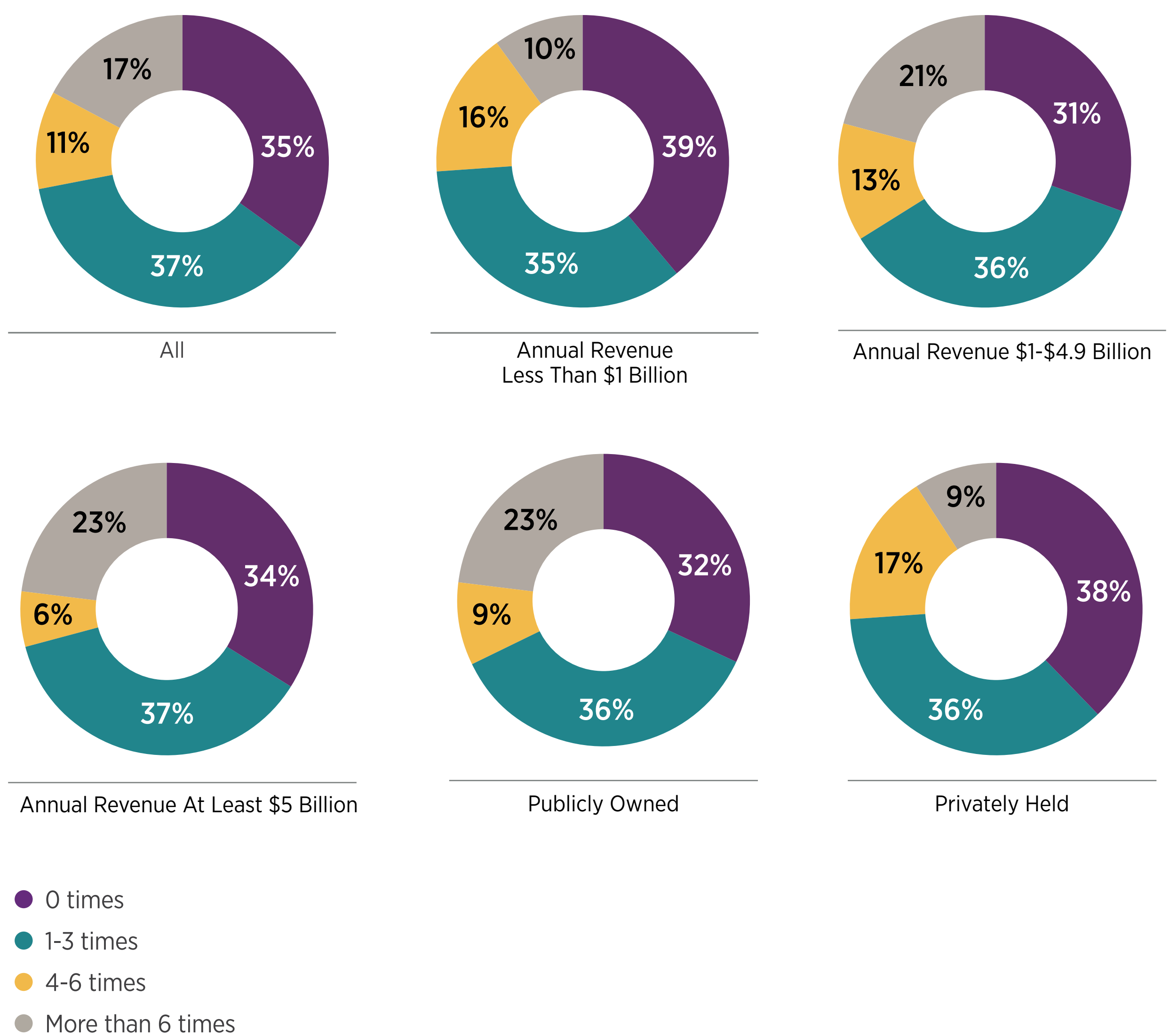
	ALL	ANNUAL REVENUE LESS THAN $1 BILLION	ANNUAL REVENUE $1-$4.9 BILLION	ANNUAL REVENUE AT LEAST $5 BILLION	PUBLICLY OWNED	PRIVATELY HELD
$0.00	30%	26%	35%	32%	19%	38%
$0.01 - $2.50	30%	26%	27%	36%	34%	21%
$2.51-$5.00	13%	18%	8%	12%	13%	18%
$5.01 - $7.50	8%	12%	8%	4%	13%	8%
$7.51 - $10.00	7%	3%	8%	8%	9%	3%
$10.01 - $15.00	3%	--	12%	--	6%	3%
$15.01 - $20.00	6%	9%	--	8%	3%	10%
$20.01 - $25.00	1%	3%	--	--	3%	--
GREATER THAN $25.00	3%	3%	4%	--	--	--
MEDIAN	$0.01 - $2.50	$0.01 - $2.50	$0.01 - $2.50	$0.01 - $2.50	$0.01 - $2.50	$0.01 - $2.50

PAYMENT RELATED TASKS

Fielding Calls from Suppliers

More than one-third of respondents report they have not fielded calls and issues from suppliers in the past 30 days. Typical calls could center around banking information, confirming deliveries, orders/volume counts, etc. It is assumed that the more calls from suppliers indicates there could be an issue either in delivery of goods (supply-chain issues), payment information changes, delivery or shipping. Seventeen percent of survey respondents confirm that in the past month, they have had to field calls or deal with issues from suppliers more than six times. Only 10 percent of smaller organizations with annual revenue less than $1 billion report having had to deal with supplier calls at least six or more times in the past 30 months, while a higher percentage of larger organizations (annual revenue of at least $1 billion) dealt with these issues to a similar extent (over 20 percent).

Fielded Calls and Issues from Suppliers in Last 30 Days
(Percentage Distribution of Frequency of Calls from Suppliers)



TIME SPENT (WEEKLY) ON RECONCILING PAYMENTS, PROCESSING ACH PAYMENTS AND PROCESSING CHECKS

Reconciling Payments

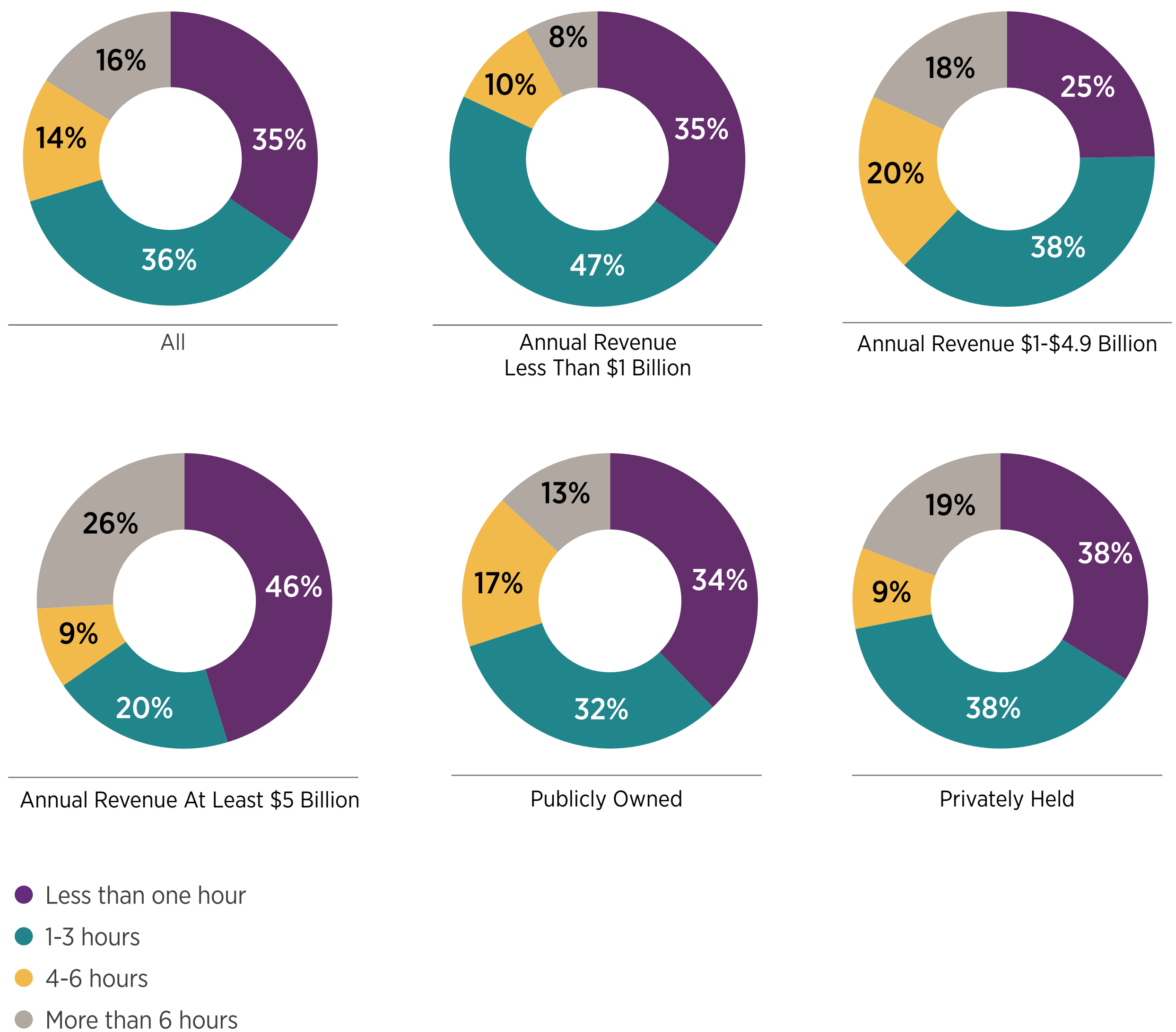
More than one-third of respondents (35 percent) report that they spend less than one hour a week reconciling payments. Thirty-six percent of respondents note that they spend between one and three hours reconciling payments; the remaining 30 percent spend more than four hours reconciling payments.

Nearly half (46 percent) of organizations with an annual revenue of at least $5 billion spends less than one hour reconciling payments, while 38 percent of publicly owned organizations also spend less than one hour a week doing so. Forty-seven percent of smaller organizations with annual revenue of less than $1 billion spend between one and three hours a week reconciling payments.

Given the prominence of checks being used for outgoing payments (see page 10), the larger a company is, the less time it spends reconciling payments. Perhaps technology solutions are a reason for the shorter time to reconcile as well as how mature the processes are and the solutions provided. Reconciling check, ACH, Fedwire, RTP and card payments all have a unique aspect to them in how they might be reported back to the company. The *2021 AFP Payments Fraud Survey* revealed that 35 percent of respondents noticed fraud from reconciling within a week and 31 percent noticed fraud in 1-2 weeks. Shortening reconciliation time and remaining effective has long been an established goal of many treasury departments.

Hours a Week Spent Reconciliating Payments

(Percentage Distribution of Hours Spent Weekly)



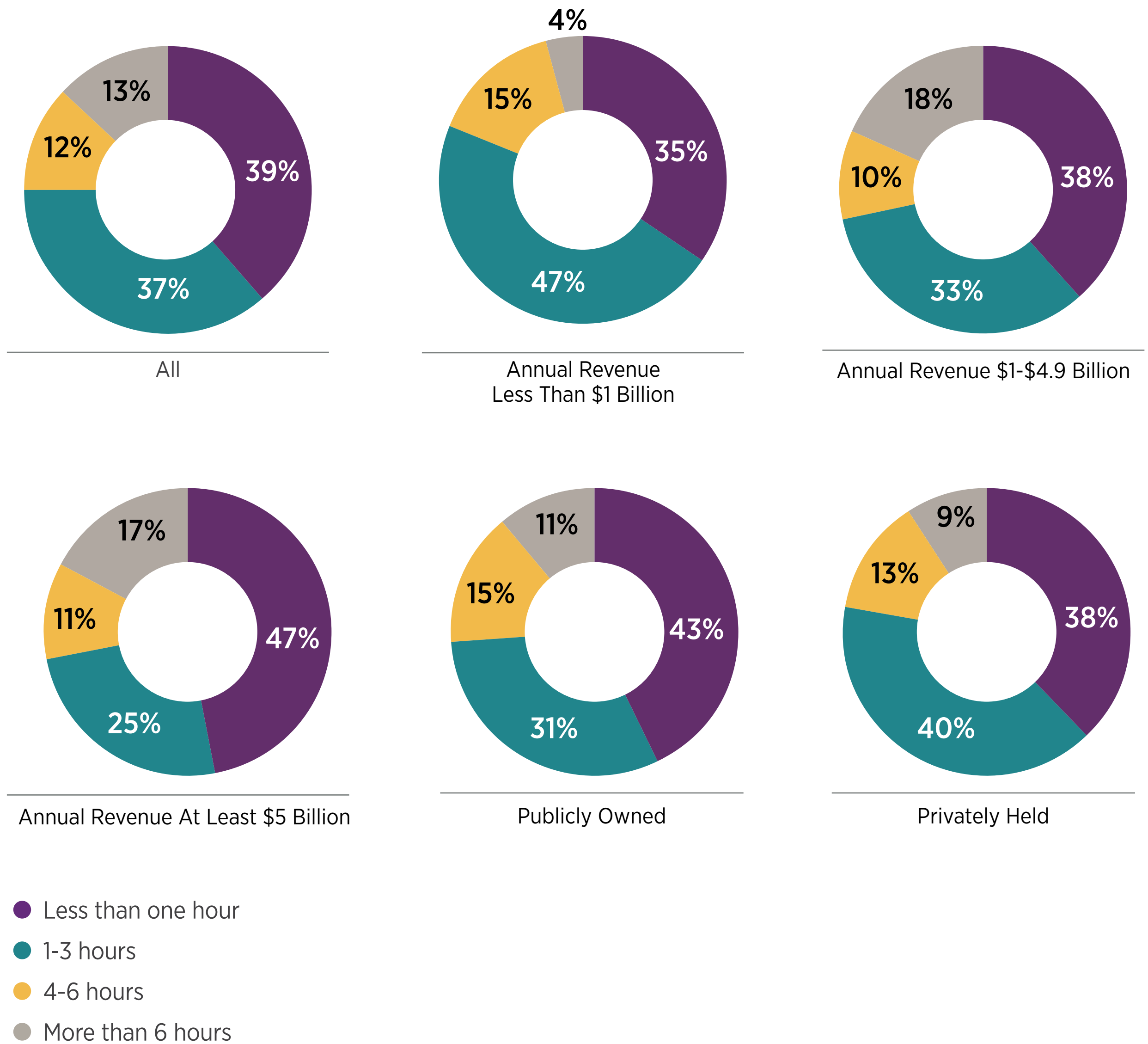
Processing ACH Payments

Thirty-nine percent of all respondents spend less than one hour a week processing ACH payments, while another 37 percent spend between one and three hours processing ACH payments. Only one quarter of all respondents spends more than four hours a week processing ACH payments. Respondents from organizations with a higher annual revenue (at least $5 billion) and those from publicly owned organizations spend less time than do their counterparts on processing ACH payments per week (47 percent and 43 percent, respectively). Almost half (47 percent) of organizations with an annual revenue of less than $1 billion spend between one and three hours a week processing ACH payments.

Economies of scale with automated software can impact processing times for ACH transactions. Processing payroll, B2B vendor payments, municipal tax payments and other payments can take time. Larger organizations tend to have technology in place to automate ACH payments with controls in place, OFAC screening and validation methods. A feed from their ERP to TMS or direct to their bank to process is often used by many organizations.

With technology enabling more ACH processing and work-flow automation around sign-off approvals in compliance with Sarbanes-Oxley, the goal would be to increase throughput with limited increase in time spent processing. There are exceptions to the rule — if a company's ID changes and there are ACH Debit filters in place, new exceptions need to be reviewed. Reconciling all factors more efficiently increases processing times for these payments.

Hours a Week Spent Processing ACH payments
(Percentage Distribution of Hours Spent Weekly)



Time Spent Processing Checks

Most respondents spend less than four hours a week processing checks; 41 percent spend less than one hour and 33 percent spend between one and three hours a week. Only 14 percent of respondents spend between four and six hours a week processing checks while 13 percent spend more than six hours.

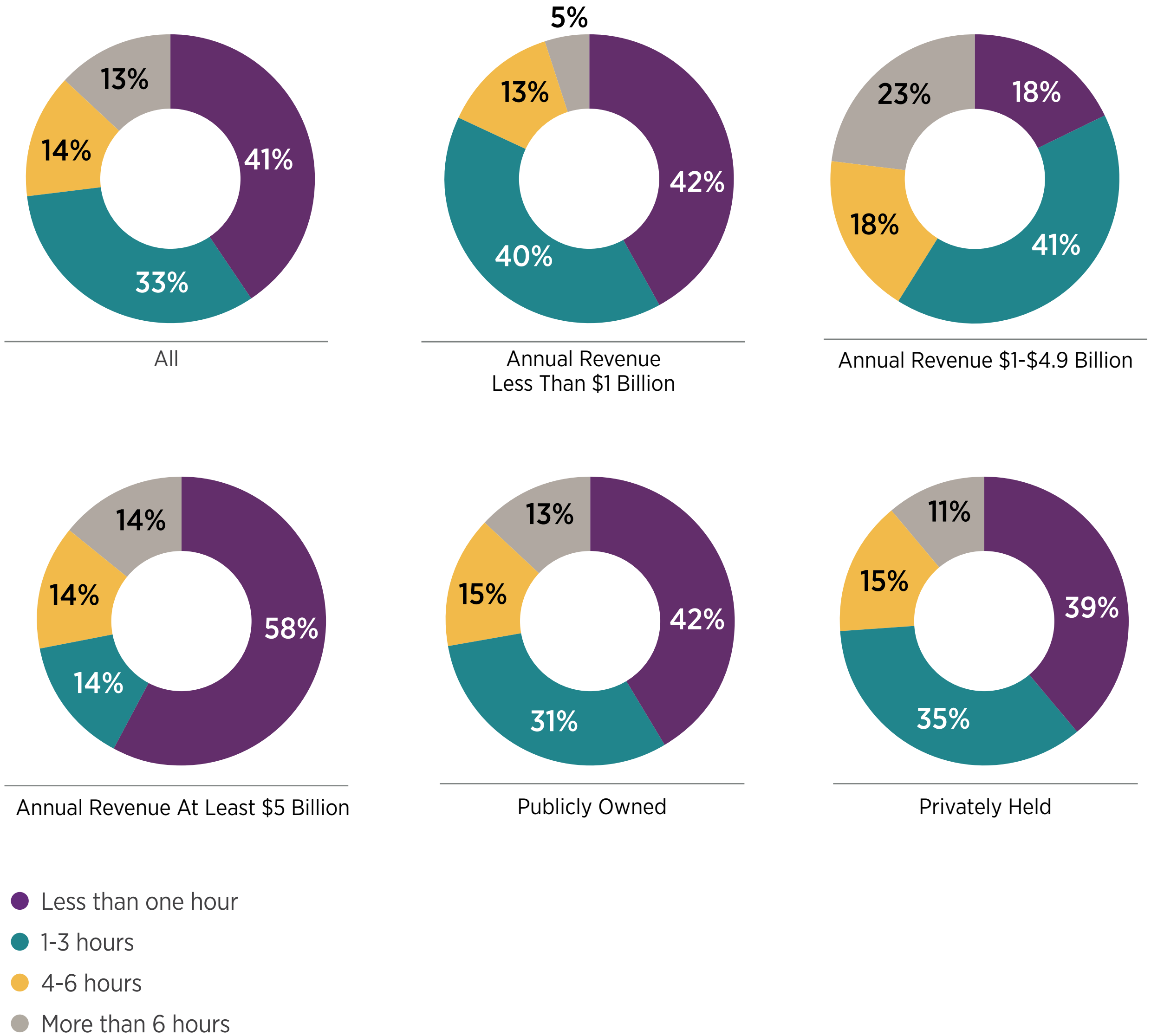
Organizations with an annual revenue of $1 - $4.9 billion spend more time processing checks than do others. Only 18 percent of those organizations spend less than one hour a week processing checks. Nearly 60 percent of larger organizations (those with an annual revenue of at least $5 billion) spend less than one hour a week processing checks.

Check processing times can include payment approvals, check printing (onsite/offsite), remittance printing (if sent with check), reviewing the issuance file, getting signatures if needed on checks larger than a certain amount, and mailing. If any Positive Pay exceptions occur, counting those in the process as well as issuing stop payments could be included.

Checks were most susceptible to changes due to the COVID-19 pandemic. While most companies wanted to move to digital payments such as ACH, there was still a need for check processing; those processes were strengthened as part of organizations' business interruption plans that they put into place.

Hours a Week Spent Processing Checks

(Percentage Distribution of Hours Spent Weekly)



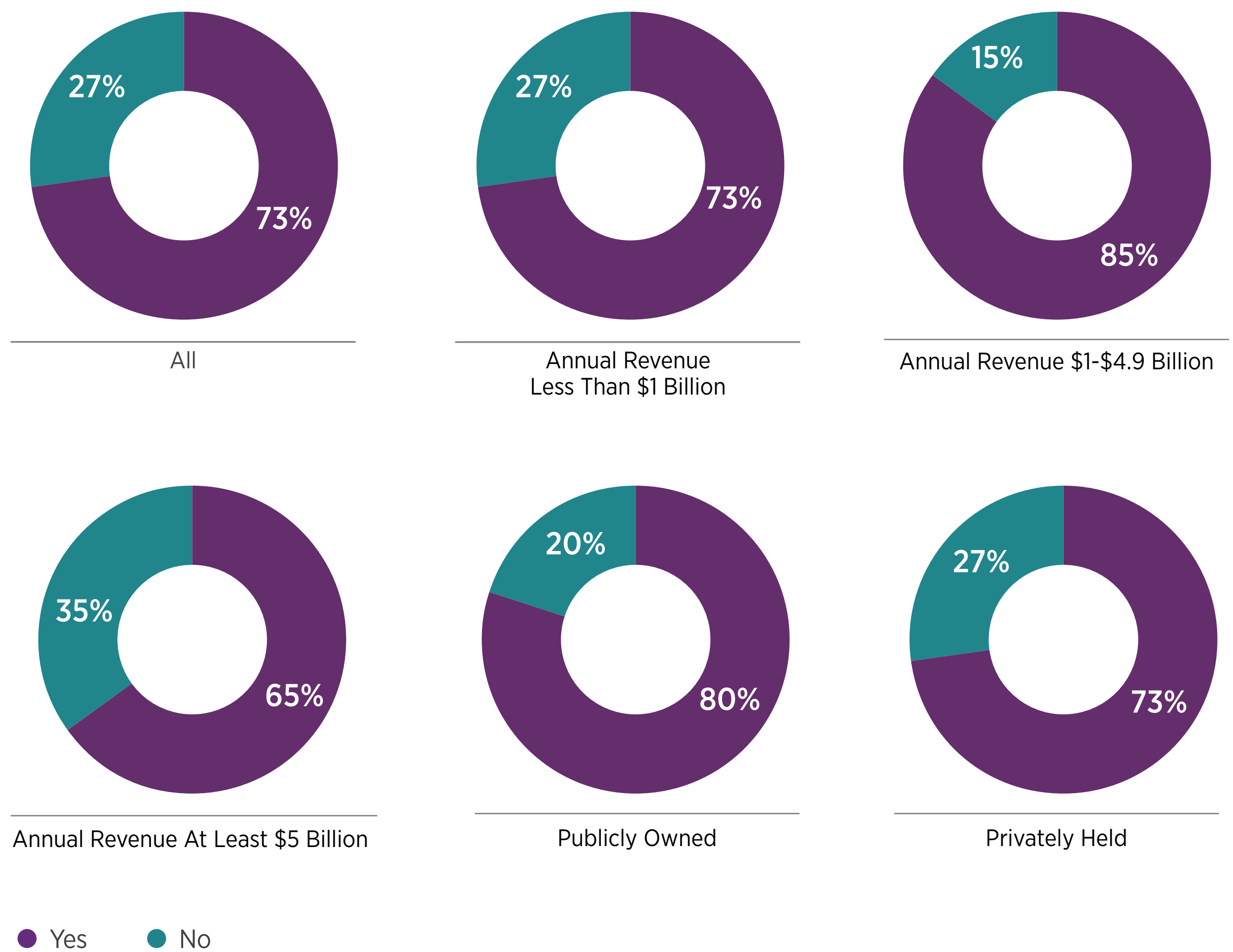
SHIFTING FROM PAPER CHECKS TO ELECTRONIC PAYMENTS

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).

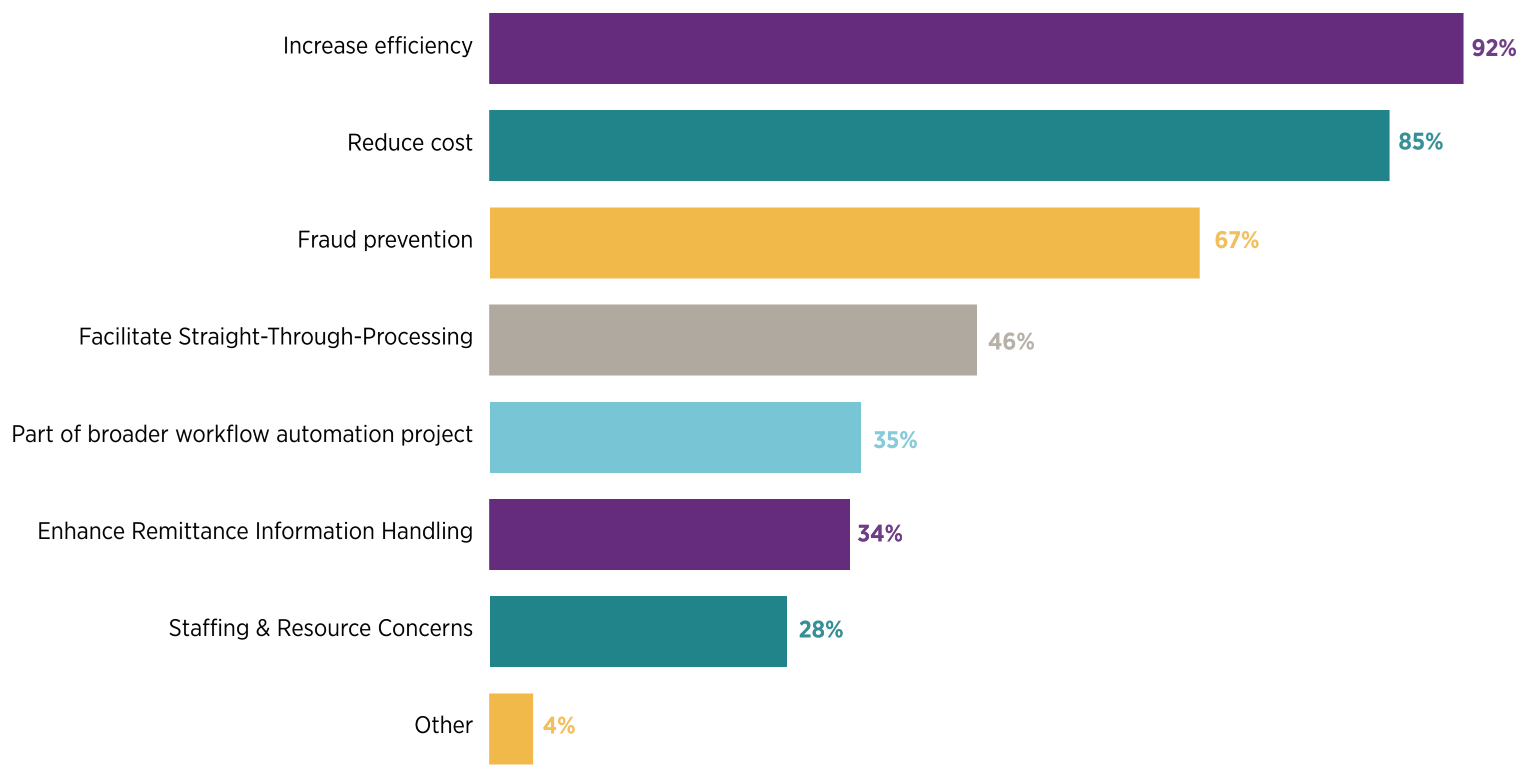
Currently Moving Business to Business (B2B) Payments Away from Paper Checks to Electronic Payments
(Percentage Distribution of Organizations)



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.

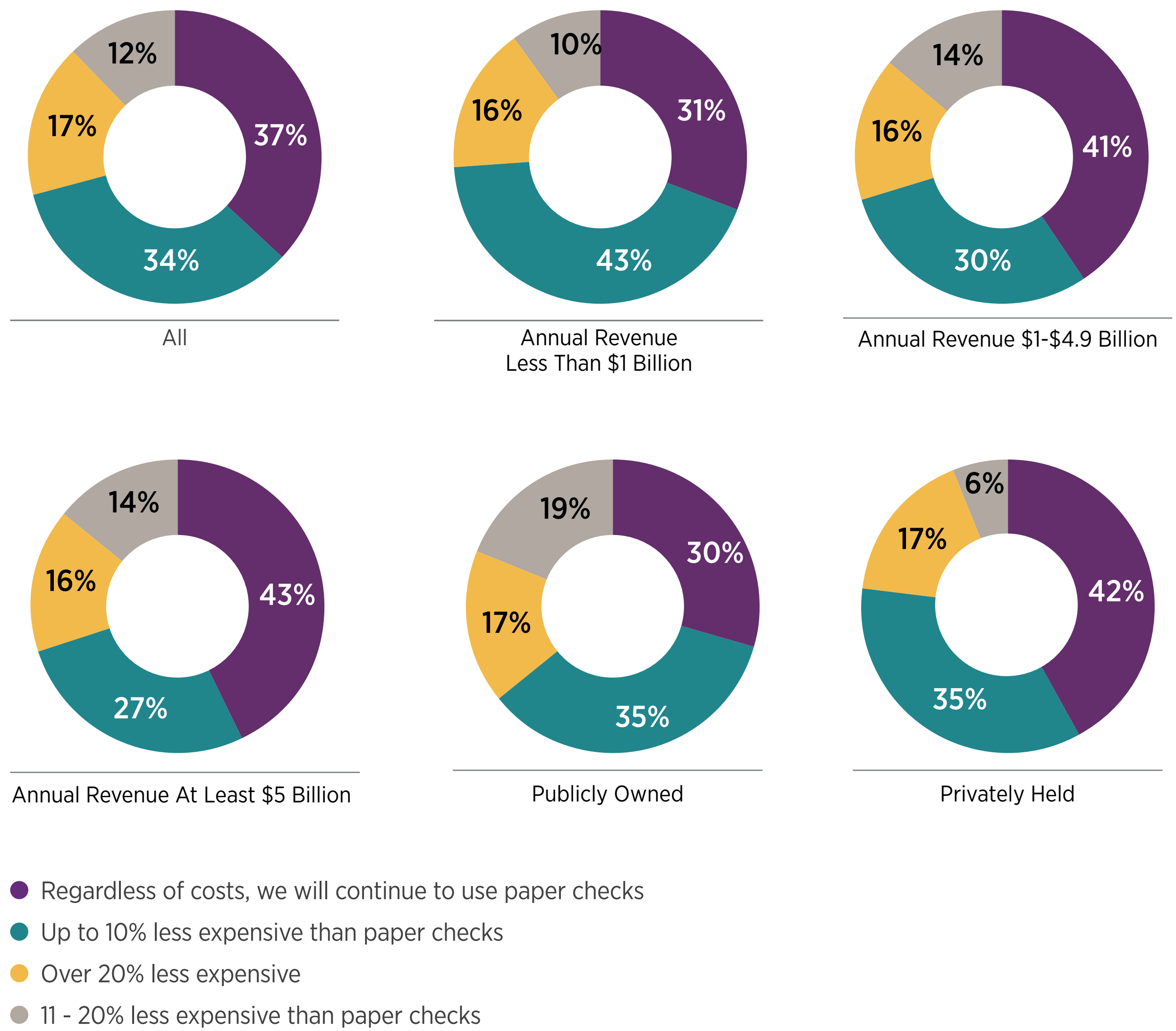
Organizations with a higher annual revenue (at least $5 billion) cite their primary reason for moving away from paper checks to electronic payments is part of a broader workflow automation project (55 percent). Straight-through processing (STP) is the sought-after goal around efficiency. According to 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)

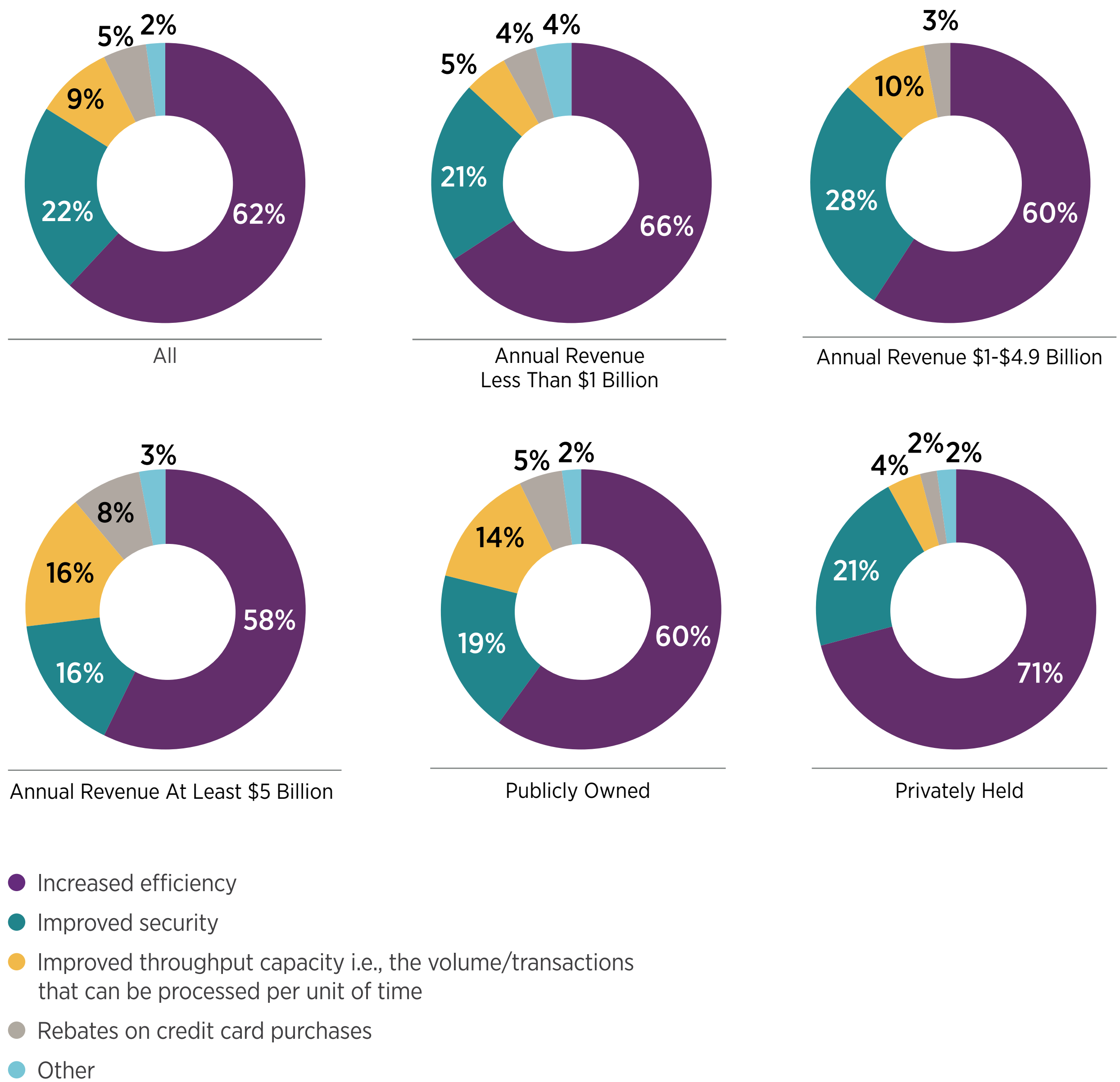


The top priority in payment automation and electronic payments is increased efficiency, with 62 percent of all respondents citing increased efficiency as a priority. Improved security ranks second as the top priority (cited by 22 percent of respondents), followed by improved throughput capacity (9 percent) and rebates on credit card purchases (5 percent).

Compare these results to those in the *2019 AFP Electronic Payments Survey* — released well before the pandemic hit. The top three drivers were cost savings, fraud controls and better supplier/customer relations. Efficiency was not a main focus then; it was ranked as the 4th and 5th benefits around speed and reconciliation, respectively. But notable is the fact that improved security ranks second in the *current* survey and fraud controls ranked second two years ago — making sure you send more efficient payments but also making sure you have proper fraud controls in place. There are now better tools in the marketplace than what were available in 2019 for verifying beneficiary information independently to validate the proper recipient and to mitigate payment fraud.

COVID-19 was certainly a primary reason behind this, as payment processing came under the microscope for companies whose employees were working remotely during the pandemic. Remote work exposed "cracks" in payment processing; staff were not in the office to process checks, receive approvals, work through exceptions, or to get the most from their TMS or technology solutions to help reconcile, review exceptions and be effective while doing so. Consequently, convincing customers to accept electronic payments probably became a much easier discussion during COVID-19. Both parties to a check transaction had mutual benefit and motivation for wanting to move to an electronic format while their teams were working remotely.

Top Priorities in Payment Automation and Electronic Payments
(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

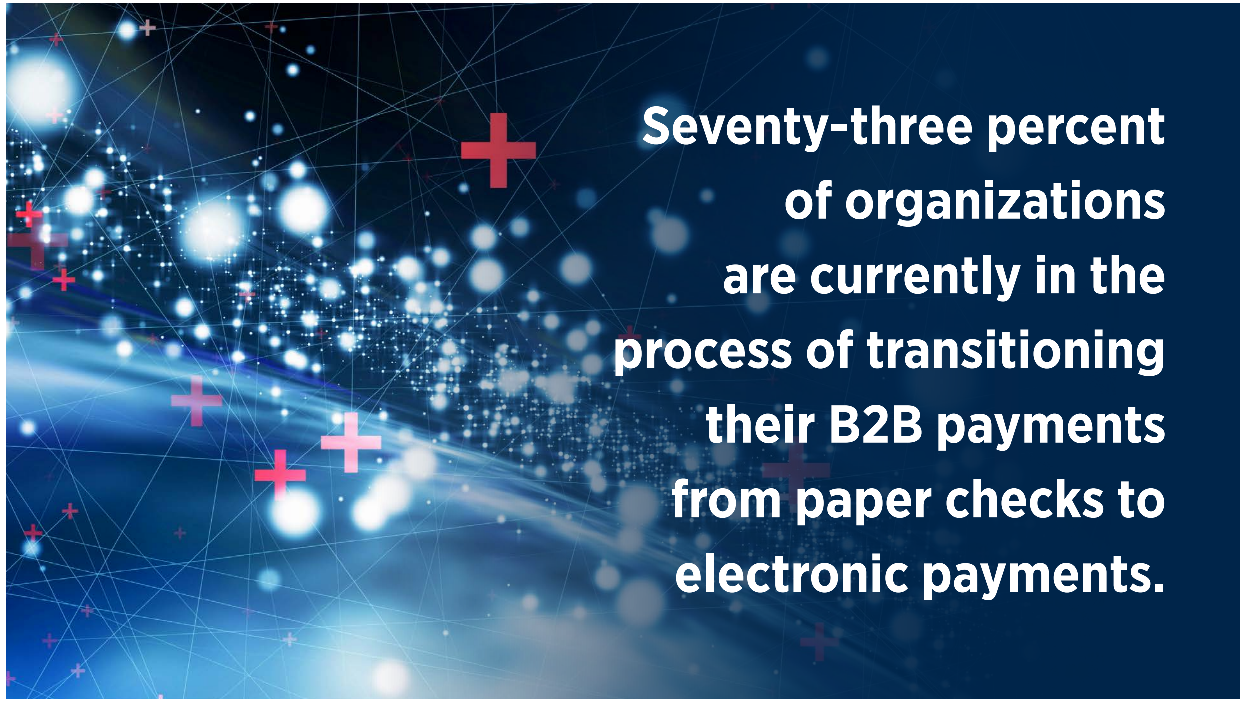
A vast majority of organizations continues to use checks (92 percent) and ACH Credit (87 percent) for incoming payment transactions.

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

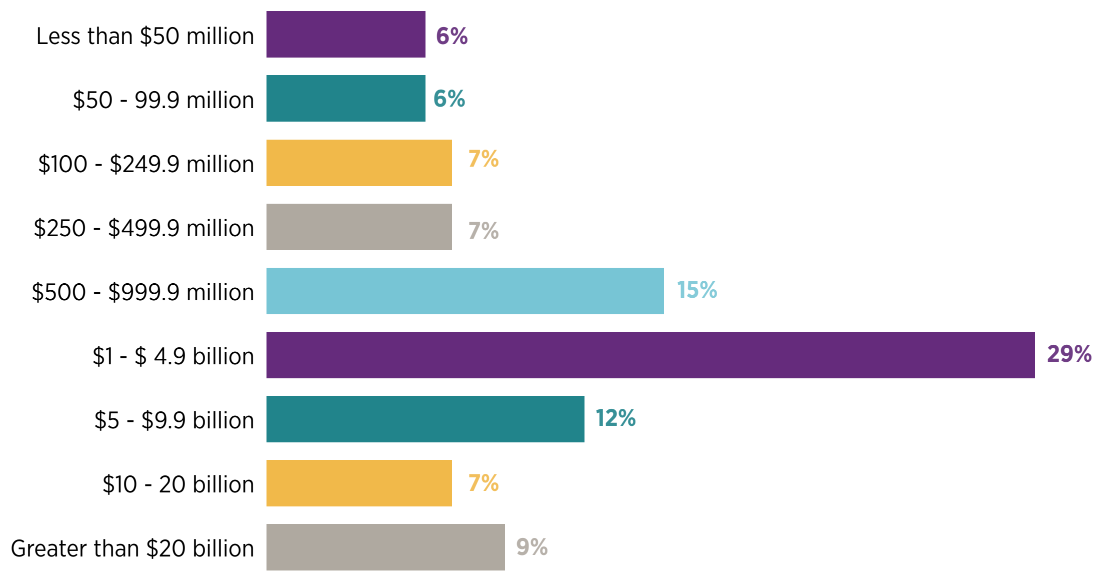
In September 2021, the Association for Financial Professionals® (AFP) conducted the *AFP Payments Cost Benchmarking Survey*. The survey gathered cost information about key payment methods to facilitate accurate benchmarking. The survey was sent to AFP members and prospects that held job titles of Treasury 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.

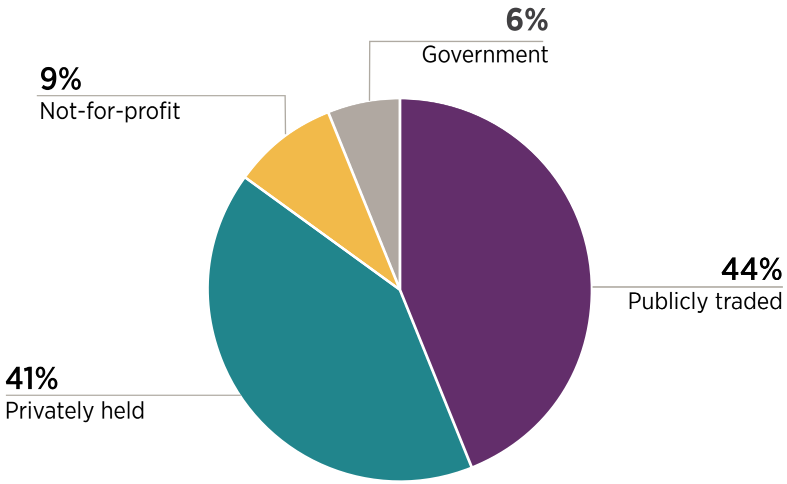
Total Number of Employees

	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%

All inquiries should be addressed to:

Association for Financial Professionals

4520 East West Highway, Suite 800

Bethesda, MD 20814

Phone: 301.907.2862 Fax: 301.907.2864 E-mail: AFP@AFPonline.org

Web: www.AFPonline.org

ASSOCIATION FOR FINANCIAL PROFESSIONALS

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, FP&A 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®

As the certifying body in treasury and finance, the Association for Financial Professionals (AFP) established and administers the Certified Treasury Professional (CTP) and Certified Corporate Financial Planning and Analysis Professional (FPAC) credentials, setting the standard of excellence in the profession globally. AFP's mission is to drive the future of finance and treasury and develop the leaders of tomorrow through certification, training, and the premier event for corporate treasury and finance. Learn more at www.AFPonline.org

4520 East-West Highway, Suite 800

Bethesda, MD 20814

T: +1 301.907.2862 | F: +1 301.907.2864

www.AFPonline.org