
2004 ELECTRONIC PAYMENTS SURVEY

Report of Survey Results

October 2004



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Electronic Payments Survey Report

Introduction

Business use of the U.S. payments system is at a crossroads. Although the volume of electronic payments by consumers is growing rapidly nationwide, more than 80 percent of business-to-business payments continue to be made by paper check.

The Association for Financial Professionals (AFP) in June 2004 surveyed members to learn more about their use of electronic methods to send and receive business-to-business payments. We wanted to know how the situation had changed in the four years since the 2000 AFP survey, *Electronic Payments Initiatives and the Internet*. AFP asked its members about the barriers to increased use of electronic payments and solutions that would make electronic payments more efficient and cost-effective for their organizations. These answers would support AFP's efforts to encourage payments system providers, bankers and software developers to introduce services that would meet members' needs and enable organizations to realize the full potential of electronic payments.

Executive Summary

Most business-to-business (B2B) payments continue to be made by paper check, according to financial professionals participating in the *2004 AFP Electronic Payments Survey*. Still, electronic payments are gaining ground among some organizations, especially those with annual revenues greater than \$1 billion. These organizations are more likely to have integrated their accounts payable (A/P) and accounts receivable (A/R) systems with their electronic payment systems.

A number of barriers appear to work together to obstruct progress toward the wider adoption of electronic payments in B2B transactions. These include a shortage of IT resources, A/P and A/R systems that are not integrated with electronic payment systems, a lack of a single standard format for remittance information, and trading partners who cannot send or receive electronic payments with sufficient remittance information. It is therefore difficult for organizations to make a business case for implementing systems changes that would make use of electronic payments more efficient or even feasible.

However, organizations are more willing to migrate from checks to electronic payments today than they were four years ago. Twenty-eight percent of respondents to this year's survey indicate that their organization is very likely to convert the majority of its B2B payments from checks to electronic payments in the next three years, compared with nine percent who strongly agreed with that statement in the 2000 AFP electronic payments survey.

Solutions most likely to increase an organization's use of electronic payments include: a standard format for exchanging remittance information with electronic payments, A/P and A/R software that integrates with electronic payments, bank services that provide straight-through-processing of electronic payments into accounting systems, and improved fraud control over ACH payments.

Highlights of Survey Results

Current Payments Practices

- Most business-to-business (B2B) payments continue to be made by check.
 - Organizations with annual revenues greater than \$1 billion make significantly fewer check payments than smaller organizations, and receive fewer check payments as well.
- Organizations are more likely to use electronic payments for collections and disbursements to their major suppliers and customers as opposed to their other suppliers and customers.
- At two-thirds of organizations, the treasury department plays at least some role in selecting payment methods for disbursements and collections.
 - In only about 30 percent of organizations is treasury the sole decision-maker. That authority is most often shared with the controller.

Growth Prospects for B2B Electronic Payments

- Organizations appear to be more willing to migrate from checks to electronic payments today than they were four years ago. This is especially the case at large organizations.
 - Twenty-eight percent of respondents indicate that their organization is very likely to convert the majority of its B2B payments from checks to electronic payments in the next three years.
 - Twenty-two percent of respondents say their organization is not at all likely to convert the majority of payments to electronic in the next three years.

Integration between Electronic Payment and Accounting Systems

- Forty-five percent of financial professionals report that their organization has integrated its A/P and/or A/R system with its electronic payments system. Large organizations are more likely to have done so.
 - Thirty-eight percent of organizations have integrated their A/P systems with electronic payments compared with 27 percent for A/R systems.
- The primary reason for integrating systems—cited by the largest percentage of respondents (45 percent)—was to achieve more efficient posting and reconciliation.

Barriers to Electronic Payments

- Many barriers work together to obstruct progress toward the wider adoption of electronic payments in B2B transactions.
- The four major barriers are:
 - Shortage of IT resources
 - Accounting systems that are not integrated with electronic payment systems
 - The lack of a single standard format for remittance information
 - Trading partners who cannot send or receive electronic payments with sufficient remittance information
- At organizations that have not yet integrated either their A/P or A/R systems with their electronic payment systems, over half of respondents consider the lack of integration to be a major barrier to increasing use of electronic payments.

Solutions for Increasing Electronic Payments

- Services most likely to increase use of electronic payments for collections and disbursements are:
 - A standard format for exchanging remittance information with electronic payments, especially for organizations with revenues greater than \$1 billion
 - A/P and A/R software that integrates with electronic payments
 - Bank services that provide straight-through-processing of electronic payments into accounting systems
 - Improved fraud control over ACH payments

Two-year Forecast for B2B Electronic Payments

- Moderate growth in the use of B2B electronic payments is expected in the next two years.
 - Twenty-eight percent of organizations plan to purchase software or use a third party to integrate their electronic payments and accounting systems.
 - Eighteen percent of organizations plan to implement financial supply chain software that would link their financial systems with those of their suppliers or customers.
 - Almost half of respondents (46 percent) said they would do so if there were a strong business case that demonstrated gains in operational and/or financial efficiency.
 - Over one quarter of respondents report that they plan to image the checks they receive and send images to their banks for clearing and settlement.

Survey Findings

Current Payments Practices

Most business-to-business (B2B) payments continue to be made by paper check, especially by smaller organizations. AFP's electronic payments survey confirms the persistence of this payment method—little changed since the 2000 AFP survey—and provides insights into current trends.

Check Usage in Disbursements and Collections

Checks play a larger role in disbursements than they do in collections. Fifty-one percent of financial professionals report that their organization makes more than 80 percent of its payments by check. Only 43 percent report that they receive such a large percentage of check payments.

Some organizations are making significant progress in reducing the number of check payments, more in collections than disbursements. Twelve percent of organizations receive less than 20 percent of their payments by check, while only seven percent report making less than 20 percent of their payments by check.

Large organizations make significantly fewer check payments than small organizations, and receive fewer check payments as well. About 41 percent of large organizations—organizations with revenues greater than \$1 billion—make the bulk of their payments—over 80 percent—by check, but 61 percent of smaller organizations do so. On the collections side, thirty-seven percent of organizations with annual revenues greater than \$1 billion receive the vast majority of their B2B payments as checks, compared to 48 percent of organizations with revenues less than \$1 billion.

Percentage of B2B Payments (Number of Payments) Made by Paper Check (Percentage Distribution)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
0-20%	7%	6%	9%
21-40%	6	3	9
41-60%	11	6	16
61-80%	24	23	24
81-100%	51	61	41

**Percentage of B2B Payments (Number of Payments)
Received from Customers by Paper Check
(Percentage Distribution)**

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
0-20%	12%	9%	15%
21-40%	8	8	8
41-60%	12	8	16
61-80%	26	28	24
81-100%	43	48	37

The Role of Electronic Payments in B2B Disbursements and Collections Major Suppliers and Customers vs. Others

The stronger the business relationship between trading partners, the greater the volume of electronic payments becomes. Financial professionals are more likely to use electronic payments for collections and disbursements to their major suppliers and customers as opposed to their other suppliers and customers. Similarly, large organizations make more electronic payments than small organizations, especially to their major suppliers.

ACH credits are the most widely used electronic payment method. Twenty-three percent of respondents' organizations use ACH credits as the primary method to pay their major suppliers. Only 7 percent use ACH credits as the primary method to pay their other suppliers. The volume of check payments shows the reverse pattern. Sixty-four percent of respondents say that they pay their major vendors primarily by check, while 82 percent use checks as the primary payment method for their other vendors.

On the collections side, 20 percent of respondents report that ACH credits are the primary method by which their major business customers pay them, with another six percent debiting their customers' accounts via ACH. Fifty-nine percent receive primarily check payments from their major customers. Only 12 percent report that they receive primarily ACH credits from their other customers, while four percent use ACH debits. Seventy-four percent use checks as the primary collection method from other customers.

ACH credit usage is more prevalent among large organizations than smaller organizations. Some 33 percent of organizations with revenues greater than \$1 billion use ACH credits to pay their major suppliers, while only about 14 percent of smaller organizations use ACH credits for that purpose. Large organizations (24 percent) are also more likely to receive ACH credits as the primary payment method from their major business customers than small organizations (16 percent).

Wire transfers are the second most commonly used method of making and receiving electronic payments. Twelve percent of organizations use them as the primary method to pay major suppliers, while 14 percent receive wire transfers as a primary payment method from major customers. Wires account for a smaller percentage of payments to and from other vendors and customers.

Purchasing cards are not often used as a primary payment method.

Primary Payment Method Used to Pay Major Suppliers
(Percentage Distribution)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Checks	64%	71%	55%
ACH credits	23	14	33
Wire transfers	12	13	11
Purchasing cards	1	1	1
ACH debits (supplier debits organization's account) *		1	*

Primary Payment Method Used to Pay Other Suppliers
(Percentage Distribution)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Checks	82%	81%	84%
ACH credits	7	6	8
Wire transfers	5	6	5
Purchasing cards	4	6	3
ACH debits (supplier debits organization's account)	1	2	1

Primary Method Used by Major Business Customers to Pay Organization
(Percentage Distribution)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Checks	59%	65%	52%
ACH credits	20	16	24
Wire transfers	14	14	15
ACH debits (organization debits customer's account)	6	4	8
Purchasing cards	1	1	*

Primary Method Used by Other Business Customers to Pay Organization
(Percentage Distribution)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Checks	74%	71%	77%
ACH credits	12	11	13
Wire transfers	8	10	6
ACH debits (organization debits customer's account)	4	5	3
Purchasing cards	2	3	1

Payments Organization and Decision-Making

Most responding organizations have centralized their payments operations, either at corporate headquarters (65 percent), at shared service centers in the U.S. (9 percent), or at regional service centers worldwide (6 percent). As to be expected, large organizations are more likely to have established service centers than smaller organizations. On the other hand, they are also more likely to have decentralized their payments operations at business units.

Treasury is typically involved in the selection of payment methods for both disbursements and collections. The treasury department plays at least some role at two-thirds of organizations, but in only about 30 percent of organizations is treasury the sole decision-maker. That authority is most often shared with the controller. In about 20 percent of organizations, the controller is the sole decision-maker.

Customers have a greater say in payments decision-making than suppliers. Similarly, an organization’s sales department has more decision-making power than its purchasing department.

Just over half of respondents agree with the statement that “treasury’s increasing influence over payments decisions will speed the move from paper to electronic payments.” As seen in the charts below, the controller is a key partner in this decision.

**Department(s) Responsible for
Choosing Payment Methods for Disbursements
(Percentage Distribution)**

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Treasury and controller	34%	34%	34%
Treasury only	30	30	31
Controller only	18	21	14
Treasury and other	5	5	5
Treasury and purchasing	3	3	4
Purchasing only	2	1	5
Controller and purchasing	1	1	1
Controller and other	1	1	2
Purchasing and other	1	1	1
Other only	4	5	3

Department(s) Responsible for Choosing Payment Methods for Collections
(Percentage Distribution)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Treasury only	31%	35%	26%
Treasury and controller	22	24	20
Controller only	20	22	19
Treasury and sales	6	3	9
Treasury and other	6	2	10
Sales only	4	4	5
Controller and other	*	*	1
Other only	11	10	11

Use of EDI for Remittance Information

There is relatively little change since AFP's 2000 electronic payments survey in the percentage of organizations using EDI to send and receive the remittance information associated with electronic payments. Today, EDI is used by 27 percent of organizations to send remittance information to payees, while a somewhat higher number (36 percent) use EDI to receive remittance information from customers. In 2000, the numbers were 24 percent and 36 percent, respectively.

As in 2000, larger organizations are much more likely to send and receive EDI-formatted information. In fact, almost half (44 percent) of organizations with revenues greater than \$1 billion report receiving remittance information in EDI format from their customers. Over one-third of large organizations provide EDI-formatted information with their disbursements.

How Remittance Information Is Delivered

Most respondents' organizations—more than 75 percent—send and receive remittance information through their banks, with third parties and Web sites playing a much smaller role.

Over one-third of paying organizations use fax or mail to provide remittance information for electronic payments, and almost half receive remittance information by fax and mail. Remittance information then must be manually entered into accounts payable or accounts receivable systems. About 30 percent use e-mail.

Growth Prospects for B2B Electronic Payments

Organizations appear to be more willing to migrate from checks to electronic payments today than they were four years ago. Only three percent of organizations have already made the move to electronics for the majority of their organization's B2B payments. However, 28 percent of respondents indicate their organization is very likely to convert the majority of its B2B payments from checks to electronic payments in the next three years, up from only nine percent in the 2000 survey (response scales in the two surveys differed).

Conversion from checks to electronics for the majority of payments is more likely at large organizations. About one-third of respondents from organizations with revenues over \$1 billion report they are very likely to use electronic payments for the majority of their transactions within the next three years, compared to one-quarter from smaller organizations.

Conversely, there is a decline in the percentage of organizations that are not interested in changing their organization's check payments practices. Twenty-two percent of respondents indicate their organization is not at all likely to convert the majority of payments to electronic in the next three years. In the 2000 AFP payments survey, almost half of respondents (45 percent) disagreed or strongly disagreed that their organization would migrate the majority of its B2B payments to electronic during that period.

Likelihood of Organization Converting Majority of B2B Payments from Checks to Electronic Payments

(Percentage Distribution of Companies that Use Checks for a Majority of Payments)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Very likely	28%	24%	33%
Somewhat likely	50	50	50
Not at all likely	22	26	17

Integration of Electronic Payment and Accounting Systems

Respondents to AFP's 2000 electronic payments survey said that the most important barrier to making more electronic payments was the lack of integration between their electronic payment and accounting systems. Four years later, has progress been made in the integration effort? The answer appears to be...a small amount.

In 2004, 45 percent of financial professionals report that their organization has integrated its accounts payable (A/P) and/or accounts receivable (A/R) system with its electronic payments system. A/P is more likely to be integrated with an organization's electronic payments systems than A/R. Thirty-eight percent of organizations have integrated their A/P systems with electronic payments compared with 27 percent for their A/R systems

These percentages reflect minor change from the 2000 survey. In that year, about one-third of respondents reported that they had integrated their electronic payments systems with their accounting systems, and a similar percentage said they had integrated the system for receipt of electronic payments with their accounting systems.

Large organizations are more likely to have integrated their A/P and/or A/R systems with their electronic payment systems. Fifty-six percent of those with revenues greater than \$1 billion have already done so, compared with 35 percent of organizations with revenues less than \$1 billion.

Organizations with A/P and/or A/R Systems that are Integrated with Electronic Payments Systems

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
A/P only	18%	17%	19%
A/R only	7	8	6
Both A/P and A/R	20	10	31
Neither A/P or A/R is integrated	55	65	43

Where Integration Occurs

About half the organizations that have tied their A/P or A/R systems into their electronic payment systems have done so directly within their enterprise resource planning (ERP) systems. Proprietary software is the second most common integration vehicle, but it is used by only about 20 percent of organizations.

How A/P Integration Occurs (Percentage Distribution of Companies that Integrate A/P)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Directly within ERP system	55%	53%	56%
Via proprietary software	21	26	19
Software bridge between treasury workstation & A/P system	10	13	9
Via bank-customized integration software	8	9	8
Via third-party e-payables software	2	*	4
Other	3	*	5

How A/R Integration Occurs
(Percentage Distribution of Companies that Integrate A/R)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Directly within ERP system	47%	57%	41%
Via proprietary software	18	13	21
Via bank-customized integration software	15	13	16
Software bridge between treasury workstation & A/R system	8	13	5
Via third-party e-payables software	6	*	9
Other	7	3	9

Benefits of Integration

Organizations that integrated their electronic payment and accounting systems did so primarily because they expected to achieve internal operating efficiencies. The drivers did not primarily involve working capital management or demand from trading partners.

The primary reason for integrating accounting and electronic payment systems—cited by the largest percentage of respondents (45 percent)—was to achieve more efficient posting and reconciliation. Cost savings and staff reduction were the key motivators for another 36 percent of organizations. The primary reason differs by organization size. Large organizations were much more likely to be influenced by opportunities for more efficient posting and reconciliation, while smaller organizations expected both posting efficiencies and cost savings.

Only a small percentage of respondents were motivated by opportunities for reduction in days' sales outstanding or early payment discounts. Vendor requests for electronic payments and customer requests for electronic invoices also played a negligible role, primarily among larger organizations.

Most organizations have been satisfied with the results of integration. Over two-thirds of respondents report that their organizations achieved the expected benefit. The remaining one-third indicate that benefits have been “somewhat” achieved. Organizations with revenues greater than \$1 billion tend to be more satisfied with the results of integration than smaller companies.

The only group that was unanimous in reporting that it had achieved the expected benefit was the five percent that integrated primarily to reduce days’ sales outstanding or take early payment discounts, or whose customers had requested electronic invoices.

Primary Reason for Integrating Accounting and Electronic Payment Systems
(Percentage Distribution of Companies that have Integrated)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
More efficient posting and reconciliation	45%	42%	47%
Cost savings/staff reduction	36	47	29
Software purchased for other uses offered this capability	6	7	6
Vendors requested electronic payments	4	2	6
Improved customer service	3	2	3
Reduction in days sales outstanding	2	2	2
Early payment discount	2	*	3
Customers requested electronic invoices	1	*	2
Other	1	*	1

Companies that Achieved Expected Benefits of Integration
(Percentage Distribution of Companies that have Integrated)

	Total	Revenues less than \$1 billion	Revenues greater than \$1 billion
Yes	68%	64%	70%
Somewhat	32	36	30
Not at all	*	*	*

Barriers to Electronic Payments

Many barriers work together to obstruct progress toward the widespread adoption of electronic payments in B2B transactions. These barriers are created by factors internal to the organization and by the limitations of external resources.

Asked to select among a list of barriers to increasing use of electronic payments, the majority of respondents give almost equal weight to four major barriers—shortage of IT resources, accounting systems that are not integrated with electronic payment systems, the lack of a single standard format for remittance information, and trading partners who cannot send or receive electronic payments with sufficient remittance information.

However, at organizations that have not yet integrated either their A/P or A/R systems with their electronic payment systems, over half of respondents consider the lack of integration to be a major barrier to increasing use of electronic payments.

Almost half of organizations that have not integrated their systems also cite a shortage of IT resources as a major barrier to using electronic payments. However, one-third of the organizations that have integrated their electronic payment and accounting systems also consider a shortage of IT resources to be a major barrier. Apparently, these organizations were able to make a business case to senior management for the allocation of scarce IT resources to the integration project. They are also likely to be larger organizations, with revenues greater than \$1 billion.

Barriers to the use of Electronic Payments
(Percentage Distribution)

Barriers	Major barrier	Minor barrier	Not a barrier
Shortage of IT resources	42%	37%	21%
No single standard format for remittance information	32	47	21
My trading partners cannot send or receive electronic payments with sufficient remittance information	29	48	23
Existing check systems work well	26	44	30
Lack of accurate bank account data for vendors and insufficient resources to gather/maintain such data	24	44	32
My accounting system(s) are not integrated with my electronic payments systems	35	29	37
Accounting system upgrades are not a priority	25	35	41
Security concerns about electronic systems	16	43	41
My organization cannot send or receive electronic payments with sufficient remittance information	20	37	43
Object to giving out my organization's bank account information	16	38	46
Disruption of vendor/customer relations	10	44	47
Loss of disbursement float	12	37	51
My bank cannot provide remittance information with electronic payments	8	25	67

To further evaluate the relative significance of the listed barriers, regression analysis was used to test their importance to an organization's choice of checks or an electronic method to pay major suppliers. The results showed that organizations are more likely to use checks if one of three factors exists. One factor is lack of integration between electronic payment and accounting systems. Another is the fact that existing check systems work well. How can a business case be made for investment in electronic payments when checks cause no problems? The third contributing factor is size—organizations with revenues less than \$250 million are more likely to use checks.

Regression analysis also tested the importance of the barriers to an organization's method of receiving payments from its major customers. The results show that organizations are more likely to receive checks if they cannot send or receive electronic payments with sufficient remittance information. Size is also a factor—organizations with revenues under \$1 billion are more likely to receive checks than electronic payments.

Because integration with accounting systems is the precondition for efficient disbursement and receipt of electronic payments, regressions also tested the importance of a number of variables for organizations that have not yet integrated their A/P and A/R systems. In both cases, size is a key factor—organizations with revenues less than \$1 billion are less likely to integrate. Another obstacle to integration is financial: accounting system upgrades are not a priority for investment.

In the A/P integration decision, concern about the loss of float looms large. Although loss of float did not rank high as an obstacle for respondents as a whole, it was a key barrier for those who have not yet decided on A/P integration. In the A/R decision-making process, security concerns about electronic systems are critical obstacles to integration approval, including objections to giving out bank account information.

Solutions for Increasing Electronic Payments

As the discussion above indicates, minimal headway has been made in overcoming the barriers to efficient use of electronic payments identified in AFP's 2000 electronic payments survey. If the convenience and speed of credit and debit cards have transformed consumer America into a "plastic nation," as the *Wall Street Journal* recently labeled it, what are the equivalents that would offer win-win solutions to businesses and service providers? Survey respondents were asked about services likely to increase their use of electronic payments for collections and disbursements. Solutions identified by 80 percent or more of respondents that would offer similar convenience and speed for processing B2B electronic payments and related remittance information are the following:

- A standard format for exchanging remittance information with electronic payments, especially in demand by organizations with revenues greater than \$1 billion
- A/P and A/R software that integrates with electronic payments
- Bank services that provide straight-through-processing of electronic payments into accounting systems

Improved fraud control over ACH payments is another critical factor for over 80 percent of respondents. The majority clearly consider the vulnerability of the ACH system a problem that must be addressed.

Software that would link an organization’s financial systems with those of its suppliers or customers is considered by about one-third of respondents as being very likely to increase their use of electronic payments. However, 44 percent of large organizations—those with revenues greater than \$1 billion—indicate that this software was very likely to do so.

Problems associated with the application of remittance information occur for wire transfers as well as ACH. About half of respondents agree that developing a standardized format with sufficient remittance information for Fedwires and SWIFT messages should be an urgent priority for payment system providers.

There is minimal interest in using the XML format for remittance information. Only 14 percent of respondents said they would like to use it.

Solutions that Would Increase the Use of Electronic Payments
(Percentage Distribution)

	Very likely	Somewhat likely	Not at all likely
A standard format for exchanging remittance information with payments	43%	45%	13%
A/P and/or A/R software that integrates with electronic payments and remittance information	46	39	15
Improved fraud control over ACH payments	40	45	15
Bank service that provides straight-through-processing of electronic payments to accounting system	40	39	21
Software that links organization’s financial systems with its suppliers/customers—purchase order, invoice, payment, A/R or A/P	36	42	22
Bank reconciliation service that combines electronic and check payments	34	42	24
No need to give out bank account information for ACH payments	17	42	41
Reduced check float because banks are using check images	13	37	51
Centralization of organization’s payments control at a shared service center	15	28	57

Two-Year Forecast for B2B Electronic Payments

Moderate growth in the use of B2B electronic payments is expected in the next two years.

Either to comply with Sarbanes-Oxley mandates or for business reasons, 28 percent of respondents report that their organizations plan to purchase software or use a third party to integrate their electronic payments and accounting systems in the next two years. In AFP's 2000 survey, 43 percent reported that they plan to install software that integrates electronic payment and accounting systems within the next two years. The smaller percentage this year may be due to the increased number of organizations that have already integrated systems or because of a revised assessment of internal factors.

Eighteen percent of respondents' organizations have plans to implement financial supply chain software that would link their financial systems with those of their suppliers or customers. When asked what would motivate their organization to integrate its financial relationships—from purchase order and invoice to payment and application—almost half of respondents (46 percent) indicate they would do so if there were a strong business case that demonstrated gains in operational and/or financial efficiency. A smaller percentage of respondents (17 percent) would act because of demand from major customers, while a similar percentage would integrate with customers/suppliers if a critical mass of trading partners participated in the system.

Two other payments vehicles—purchasing cards and check imaging—are expected to play a greater role in spurring the use of electronics in the B2B payments process. Purchasing cards increasingly will be used to pay for capital goods and higher value items. About one-third of respondents already use them for that purpose, and another quarter of respondents say they plan to do so in the next two years.

Perhaps because of increasing awareness of check image capabilities as a result of Check 21, over one quarter of respondents report that they plan in the next two years to image the checks they receive and send images to their banks for clearing and settlement. On the other hand, few organizations plan to outsource either their organization's A/P or A/R processing as a means of increasing B2B payments.

Finally, greater receptivity to the conversion of business checks to ACH debits might result if banks were to eliminate the communications silos between their check and ACH systems. Some 58 percent of respondents agree that if their bank were to combine ACH and check reconciliation and preserve positive pay, they would not object if their checks were converted to ACH debits.

**Actions that Organizations Have Taken or Plan to Take in the Next Two Years
to Increase Use of B2B Electronic Payments**
(Percentage distribution)

	Have done	Will do in next 2 years	No plans/NA
Centralize my organization's payments control	61%	18%	21%
Use purchasing cards for capital goods and higher value items	33	25	43
For business reasons, purchase software or use a 3 rd party service to integrate electronic payments and accounting systems	19	* 22	59
Image the checks I receive and send the images to my bank for clearing and settlement	13	28	59
To comply with Sarbanes-Oxley, purchase software that integrates electronic payments and accounting systems	21	* 13	66
Implement electronic financial supply chain software because...			
...as a buyer, I want an electronic link to my sellers' systems	8	** 14	79
...as a seller, I want an electronic link to my buyers' systems	6	** 14	80
Outsource my organization's A/P and/or A/R processing	4	5	91

* Overall, 28 percent of organizations plan to purchase software or use a third party to integrate electronic payments and accounting systems—for any reason—in the next two years.

** Overall, 18 percent of organizations plan to implement electronic financial supply chain software, as either a buyer and/or a seller, in the next two years.

Conclusions

Most business-to-business (B2B) payments continue to be made by paper check, especially by smaller organizations.

Many barriers work together to obstruct progress toward the wider adoption of electronic payments in B2B transactions. They include a shortage of IT resources, accounting systems that are not integrated with electronic payment systems, the lack of a single standard format for remittance information, and trading partners who cannot send or receive electronic payments with sufficient remittance information. It is therefore difficult for organizations to make a business case for implementing systems changes that would make using electronic payments more efficient. Moreover, because existing check systems work well, there is little incentive to do so.

However, organizations today appear to be more willing to migrate from checks to electronic payments than they were four years ago, and there has been some movement in that direction. This is especially the case at organizations with revenues greater than \$1 billion. Solutions most likely to increase use of electronic payments are: a standard format for remittance information, A/P and A/R software that integrates with electronic payments, bank services that provide straight-through processing of electronic payments into accounting systems, and improved fraud control over ACH payments.

Organizations have clearly identified their need for a more standardized, automated means of processing electronic payments. Service providers hold the key to solutions that would add convenience, speed and security to the processing of B2B electronic payments and remittance information. A collaborative effort by all parties—payment system providers, bankers, technology developers and accounting software providers—is necessary to realize the full potential of electronic payments and achieve bottom-line efficiencies for organizations in the end-to-end processing of financial transactions.



About the Survey

In June 2004, the Association for Financial Professionals sent a 22-question survey to 3,000 select AFP members about their organization's use of electronic payments to send and receive business-to-business payments. The survey was sent to AFP corporate practitioner members with these job titles: cash manager, manager, analyst, director, assistant treasurer and treasurer. After eliminating surveys sent to invalid and/or blocked email addresses, the 304 responses received yields an adjusted response rate of 12 percent. AFP also sent the survey to prospective members and generated an additional 51 responses.

Profile of Survey Respondents

Financial professionals who responded to the survey on behalf of their organizations are representative of AFP's membership as a whole. The typical respondent works for an organization with annual revenues of just under \$1 billion. The largest percentage of respondents is employed in manufacturing.

About the Association for Financial Professionals

The Association for Financial Professionals (AFP) headquartered in Bethesda, Maryland, supports more than 14,000 individual members from a wide range of industries throughout all stages of their careers in various aspects of treasury and financial management. AFP is the preferred resource for financial professionals for continuing education, financial tools and publications, career development, certifications, research, representation to legislators and regulators, and the development of industry standards.

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