



May 2015

## Are Payment Trends Affecting Your Organization?

The underlying foundation of our Economy is in the billions and billions of transactions and the resulting trillions and trillions of dollars in monetary value transfer, also known as “Payments.” Non-government payments can generally be categorized into one of four types: 1) Business payments to consumers (B2C) 2) Business payments to other businesses (B2B), 3) Consumer payments to other consumers (C2C) and 4) Consumer payments to businesses (C2B). These four non-cash payments are at the core of how our economy functions every day.

The Federal Reserve System Payments Study (released in 2014), revealed some very surprising and foundational changing trends in payments, across all business and consumer payment channels. These trends impact every organization, from small to Fortune 500, that have inbound payments, treasury operations and outbound payments.

**ACH payments, check payments and payment card payments** experienced large swings in transaction volume from 2000 to 2012 (the period covered by the Federal Reserve Study). The number of “Checks Paid” through the checking system was 18.3 billion check transactions in 2012, versus 41.9 billion check transactions in 2000. Payment card payments (also known as commercial and consumer credit, debit and prepaid cards), constituted two-thirds (2/3) of all non-cash payment transactions in 2012, versus only one-third (1/3) in 2000. When you break out payment card payment transactions, debit and prepaid card transactions were double the number of credit card transactions. ACH payment transactions also showed a major shift, with transactions nearly tripling in count from 2000 to 2012, from 6.1 billion to 21.7 billion.

**ACH** debit and credit payments continue to increase and the expectation is that this will not change. As consumer and businesses move to automated payments and online payments, checks are being replaced by ACH payments. In 2012, the 21.7 billion of ACH payments equated to a total dollar value of \$134.5 trillion dollars. The average ACH payment transaction in 2012 was \$6,700, including both business and consumer ACH payments.

**Wire Transfers**, which are generally not used for day to day business and consumer transactions, represent a large dollar share of payment transactions, but a much smaller share of payment transactions. In 2012, there were only 287.5 million wire transfer transactions. However, they totaled a whopping \$1,116.3 trillion dollars in dollar volume. By far, the wire transfer system is the largest dollar value payment system. Business wire transfers comprised 94% of wire transactions and 99.9% of wire transfer dollars. Wire transfers are the only true form of real time, risk free noncash payment.

The number of “checks paid” dropped to an all-time low in 2012, at 18.3 billion **Check Transactions**. From 2009 to 2012 alone, check usage dropped 9.2% per year. The total dollar value of checks paid in 2012 was \$25.9 trillion dollars. An interesting fact is that the average dollar value of a check paid in 2012 was \$1,410 versus \$1,291 in 2009. The actual numbers of checks deposited at financial institutions in 2012 was 24.7 billion checks.

Transactions and the associated dollar volume for general purpose commercial and consumer **Payment Cards** attained record numbers in 2014. Total dollar transactions crossed the \$5.0 trillion dollar mark, reaching \$5.14 trillion dollars in 2014, which represented a nearly 9% increase over 2013. VISA branded-credit, debit and prepaid cards led the way, with \$2.9 trillion of the total dollars. The total number of transactions was an astounding 28.3 billion individual payment card transactions.

Online and mobile bill payments, which utilize one of the six core payment systems, continue to rise. In 2012, there were 2.5 billion online and mobile bill payment transactions initiated by accountholders. Online or mobile person to person payments totaled 138.0 million payments. In addition, mobile wallet payment transactions, using SMS messaging, mobile bar code applications, NFC and cloud based technology increased at a torrent pace. The Federal Reserve study indicated that there were 250 million mobile wallet transactions in 2012. Projections by most experts are that mobile wallet transactions will increase to 720 million transactions by 2017. With Apple Pay and other new emerging payment applications, mobile wallets and mobile banking will continue on a meteoric rise.

What does all this data mean? The payment type, payment channel and the payment method that is utilized, whether it is consumer or business, is critical to how an organization manages its inbound payments, its outbound payments and its treasury operations. Historically, the collection of revenue, receipts, payments and the management and disbursement of funds was seen as a rather mundane task. Well, those days are over.

Every organization must not only be customer friendly as to the types and methods of payments it accepts, it must also be well versed on the impact and timing of all inbound and outbound payment types. **The many costs of the different payment types, the timing of payment receipts and the efficiency and management of inbound payments and outbound payments has an effect on operations, marketing, finance, procurement and every facet of an organization. Payments are no longer just a “finance” thing.**

**Vizant, as the premier thought leader and advisory firm in payments and treasury, can assist your organization in navigating an ever changing landscape.**