

Real-time payments

New research from U.S. Bank



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Executive summary

Demand to move money quickly is stronger than ever. Real-time payments (RTP) are helping U.S. businesses meet this demand, giving them a major competitive edge. The opportunity is emerging – how can you make the most of it?

38%

of U.S. companies
already use RTP today

56%

of U.S. companies will
use RTP by 2024

Major payments transformation is under way in the U.S., thanks to real-time payments through the RTP® network.

Offering immediate payments – reducing ‘pending anxiety’ and de-risking money movement – RTP is quickly gaining traction as businesses prioritize speed and convenience when sending and receiving money. And since the maximum transaction limit was raised from \$100,000 to \$1 million, even more opportunities have opened up for businesses to benefit from the RTP network.

As Mark Serway, CFO at Hitachi Vantara Federal, says, cash-flow management is a major source of anxiety for finance leaders.

“The one thing that keeps me up at night as a CFO is sales outstanding,” he explains. “How long are payments taking? My goal, and my

team’s goal, is making sure we have things defined correctly in our contracts to manage our in-flows and out-flows much better.”

New research from U.S. Bank, based on a survey of 1,000 major U.S. companies, predicts that adoption of RTP is set to soar: **38%** of companies already use it today, and by 2024, it will rise to **56%**.

And it shows that first movers are already taking advantage. Companies that have already harnessed the RTP opportunity – a group we call the ‘RTP Leaders’ – are reporting business benefits that go beyond the traditional role of finance. For example, they’re more likely to have seen revenue and profits rise in the last year than those that are not using RTP. That’s not all – RTP Leaders have seen their brand reputations improve over the same period too.



Here, we dive deeper into our research to further explore the RTP opportunity, and crucially, how you can grasp it before your competitors do.

What is RTP?

Launched by The Clearing House in November 2017, RTP is designed to bring instant payment capabilities to U.S. financial institutions, allowing them to provide a better, more efficient service to their customers. The network allows eligible institutions to send and receive payments any time of day, any day of the year – offering businesses speed, convenience and better cash flow control. The RTP® network now reaches **65%** of U.S. demand deposit accounts and more than 260 financial institutions are live on the network. In the first quarter of 2023, companies made more than 52 million RTP transactions, totaling \$25 billion – a **5%** growth in volume and **8%** growth in value over Q4 2022, according to The Clearing House.

In addition to the staggering start made by The Clearing House, the Federal Reserve is developing its own instant payment solution, FedNow. Due to be launched in July, FedNow is expected to drive increased awareness of and demand for faster payments.

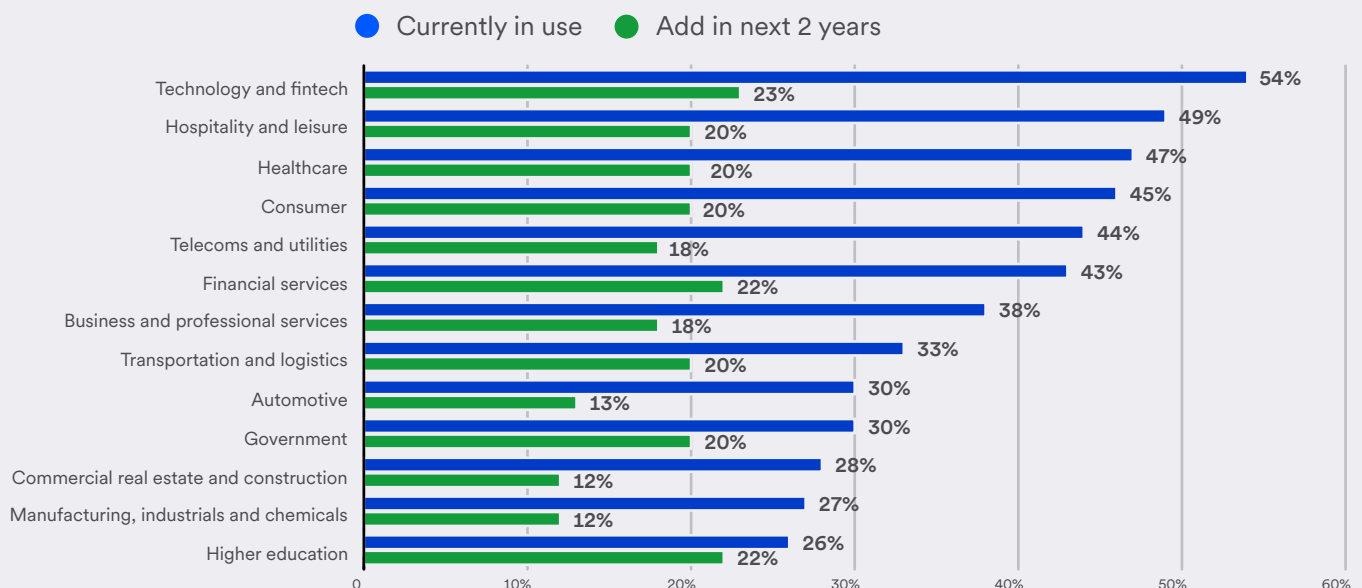
Are my competitors already using it? Am I missing out?

The key drivers of interest in real-time payments are processing payments quicker to boost working capital, and improving the payment experience for customers.

Some sectors have already grasped the RTP opportunity to achieve these benefits and are reaping the rewards. Unsurprisingly, the innovative and agile technology sector is

leading the way on adoption. Frequently aiming to disrupt their own fields, technology firms are naturally keen to harness exciting new tools and explore new ways of interacting with their customers. This is followed by hospitality and leisure, and then the healthcare and retail sectors, whose extensive use of hourly and gig-economy workers make RTP a great fit.

RTP usage today and in two years' time, by industry





In just two years' time, the majority of companies across all industries will be using real-time payments. What's the draw? One of the main reasons that companies are pursuing RTP is that it gives them a competitive edge (**32%**).

Mike Jorgensen, Head of Emerging Solutions at U.S. Bank, agrees and explains that businesses will miss out unless they begin to find meaningful use cases in their companies today.

"At the moment, companies have a fear of missing out, but that will soon turn into the reality of missing out," he says. "They will get to a point where they can't differentiate from

their competitors and they won't have internal efficiencies to give them a better margin. The customer experience is always evolving, so companies have to do everything they can to keep up."

32%

of companies are pursuing real-time payments to give them a competitive edge

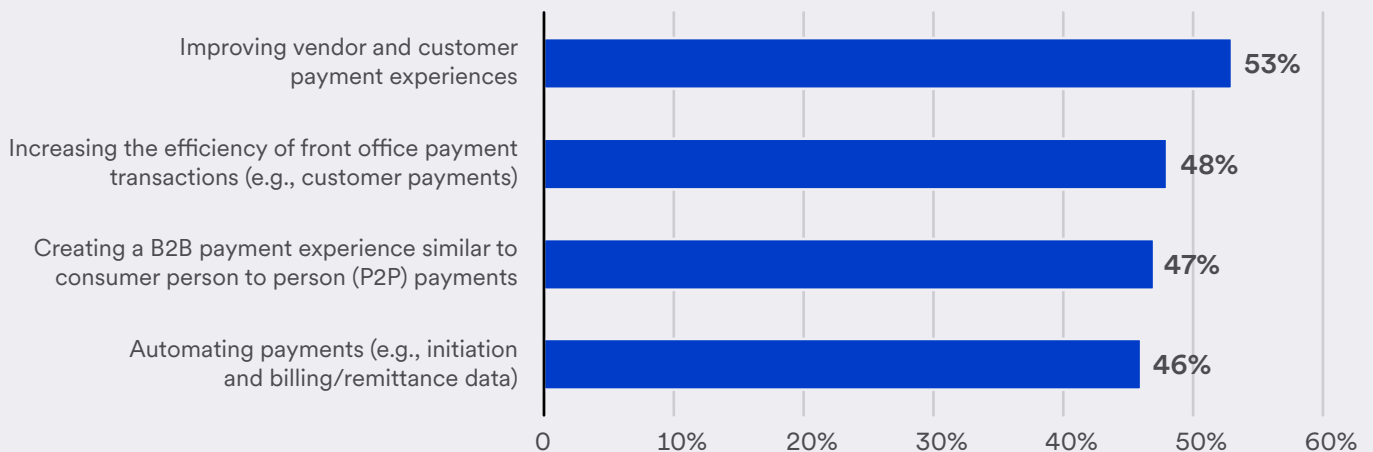
Which business outcomes are real-time payments enabling?

Improved customer experience

Customer experience is top of mind for businesses today, and our research backs this up. The majority (**53%**) of companies want to improve the vendor and customer payment experiences more generally, and almost half (**48%**) want to increase the efficiency of front

office payment transactions. In addition, **47%** of businesses want to bring P2P style consumer payment systems into the B2B world. The fact that the top priorities for companies are all customer experience-focused speaks volumes. Faster money movement can fuel all of these customer experience focused goals.

The most important payment transformation initiatives for the year ahead





Revenue generation

The benefits of real-time payments for businesses go beyond customer experience. Anuradha Somani, Head of Payments, Global Treasury Management at U.S. Bank, explains that companies can monetize the concept of faster payments.

“RTP can open the doors for additional streams of revenue in the business,” she explains. “For example, let’s just say I apply for a loan that gets approved immediately. The lenders today would either mail me a check or send me the money via ACH, which can take up to 10 business days. With RTP they can offer to have the funds in my account instantly for an additional \$15. Depending on how urgent my need is, I might have no reservations at all about paying for the instant access to funds, thereby supplying the lender with a source of revenue that didn’t previously exist.”

Staff retention

Somani adds that RTP can support the gig economy, too. If companies can offer instant payments, they will be better able to attract the critical mass of workers they need in today’s increasingly competitive labor market. “The biggest asset that any gig-economy company has is their flex employees, and the better terms you offer, the more likely it is that they will join you,” she says.

What are the challenges in adopting real-time payments?

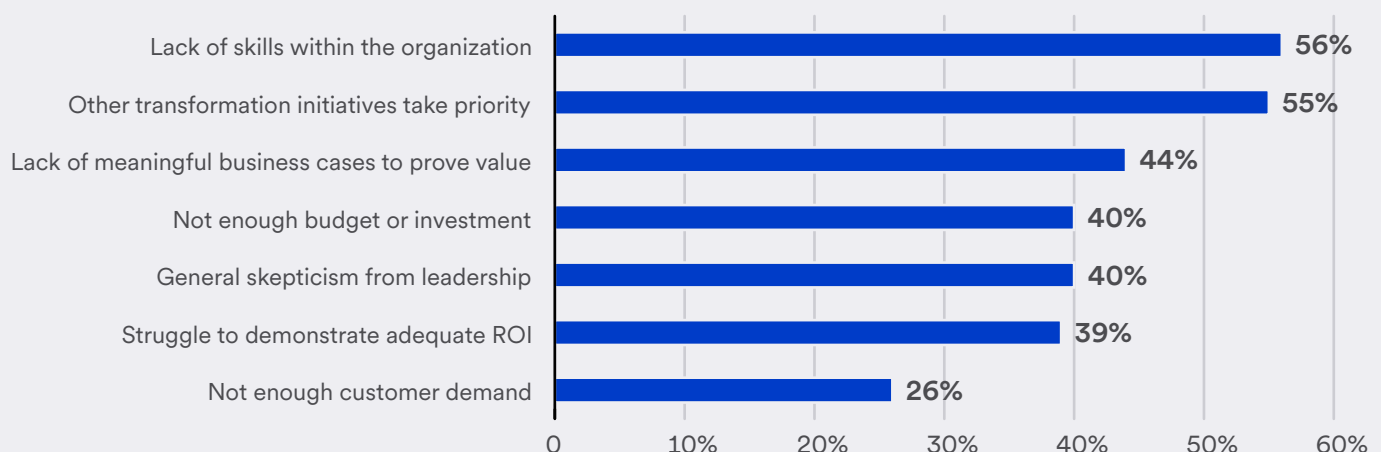
Our research shows the biggest hurdle to payments transformation is lack of knowledge and expertise. More than half (**56%**) of companies say they don't have the skills to transform their payment operations. And, when asked which resources they plan to use to facilitate transformation, accessing internal expertise and support is the joint top answer, along with the technology investment budget. In addition, **25%** of respondents claim third-party support from banks will be an important resource for them.

It's not just a lack of skills holding companies back – many feel that their payment transformation initiatives are simply not getting the airtime they deserve. Some **55%** say other internal transformation initiatives take priority, in part due to uncertainty around the ROI for payment transformation (**39%**) and general skepticism from leadership (**40%**).

55%

of companies say other internal transformation initiatives take priority over payments transformation

The challenges companies face in achieving payment transformation



How can I overcome these challenges and get RTP on the company agenda?

Set goals and get started

The key to winning with real-time payments is to identify high-impact use cases where the offering can really make a difference, and work back from there. Improving cash flow, de-risking money movement, improving customer experience – these are all areas that senior leaders are focusing on to drive business performance.

U.S. Bank's research shows that 65% of companies have a dedicated leader for payments transformation, and 37% have a dedicated leader in charge of capturing the RTP opportunity.

Create a winning team

Once goals have been put in place, it's time to assemble a core team. A multi disciplinary team can champion the service across all levels of the business, helping to identify key use cases and troubleshooting any issues that arise.

Mike Jorgensen, explains that companies don't need to make expensive senior-level hires, and highlights the benefits of appointing champions within the existing workforce.

"A good approach is for companies to create a few different levels of RTP champions across the business – at senior and junior levels," he says. "They can be really good career-growth opportunities for more junior team members. Champions should be across multiple functions," he goes on. "Technology is a key function, as well as Finance, and even Operations."

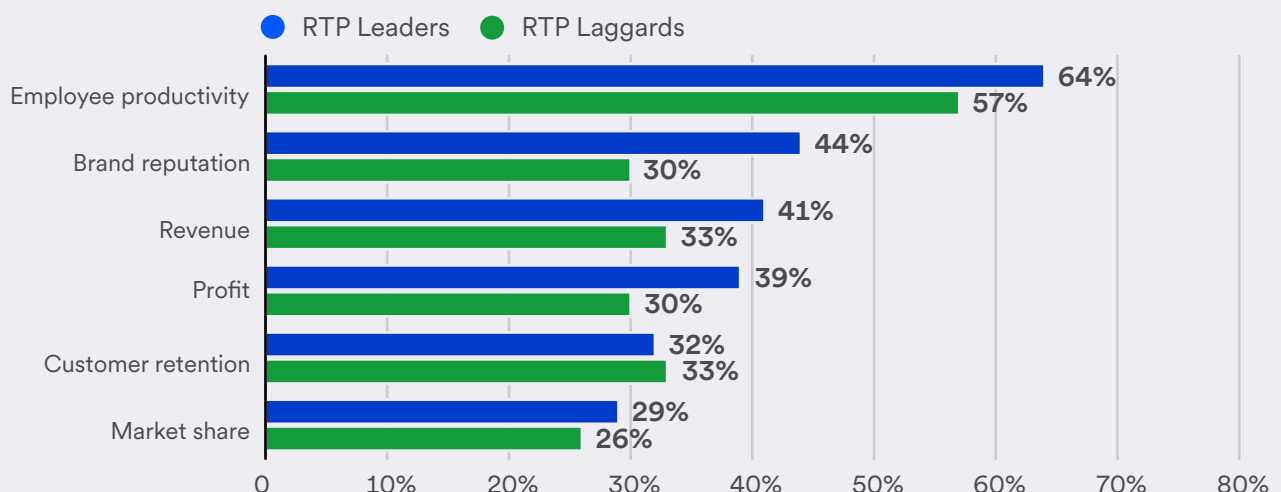
Is there really an advantage to using real-time payments?

Benefits to existing real-time payments users.

A small group in the survey (**10%** of the sample) have already been using RTP for more than two years. As with most innovations, a select group of early adopters leads the way. These companies, the RTP Leaders, are enjoying major business benefits, unlike those who are not using RTP and don't plan to – the RTP Laggards.

They are making an impact far beyond the traditional back-office scope of Finance. RTP Leaders are not only able to reap the benefits of faster movement of money, but also report much stronger performance on a range of business metrics – including significantly improved brand reputation in the past year, as well as increased productivity, revenue and profit. Although a range of other factors can contribute to performance in these areas, it's clear that RTP Leaders are promoting Finance from the back to the front office, creating major competitive advantages.

RTP Leaders have enjoyed better business performance than RTP Laggards in the past year



Time to make the leap

All companies want to move faster, be more efficient, and offer a better customer experience. Real-time payments provide this, with instant transfers that avoid the inefficiencies of paper-based payments or traditional wires. And there are a host of other business gains associated with making the leap, including improved financial performance, better brand reputation and higher productivity.

RTP Leaders already know this, and are reaping the benefits. But, perhaps even more important than their understanding of the technology, RTP Leaders are willing to make a big change to gain market advantage.

Other leaders must now follow in their footsteps and begin their own real-time payments journeys. Taking these steps is a good starting point.

» **Create awareness:** Develop an understanding of real-time payments within the business, and begin to spread the word on how faster money movement can help create positive business outcomes.

» **Build leadership:** Build an internal team dedicated to real-time payments, composed of both finance and technical professionals, as well as comms leaders who can help to build awareness.

» **Develop the business case:** Communicate how real-time payments can help the business meet its overall goals – across the company, not just in Finance. Improving customer experience is a great example. Use these examples to build a business case for real-time payments.

Those who don't embrace real-time payments risk getting left behind, as payment transformation changes the U.S. business landscape for good.

There are millions of ecosystems and millions of business flows that can be enabled by RTP. So, I think it is only a matter of time before companies realize this is table stakes. And, by the way, you can take that table stake and turn it into a competitive advantage.

ANURADHA SOMANI

Head of Payments, Global Treasury Management
at U.S. Bank

About the research

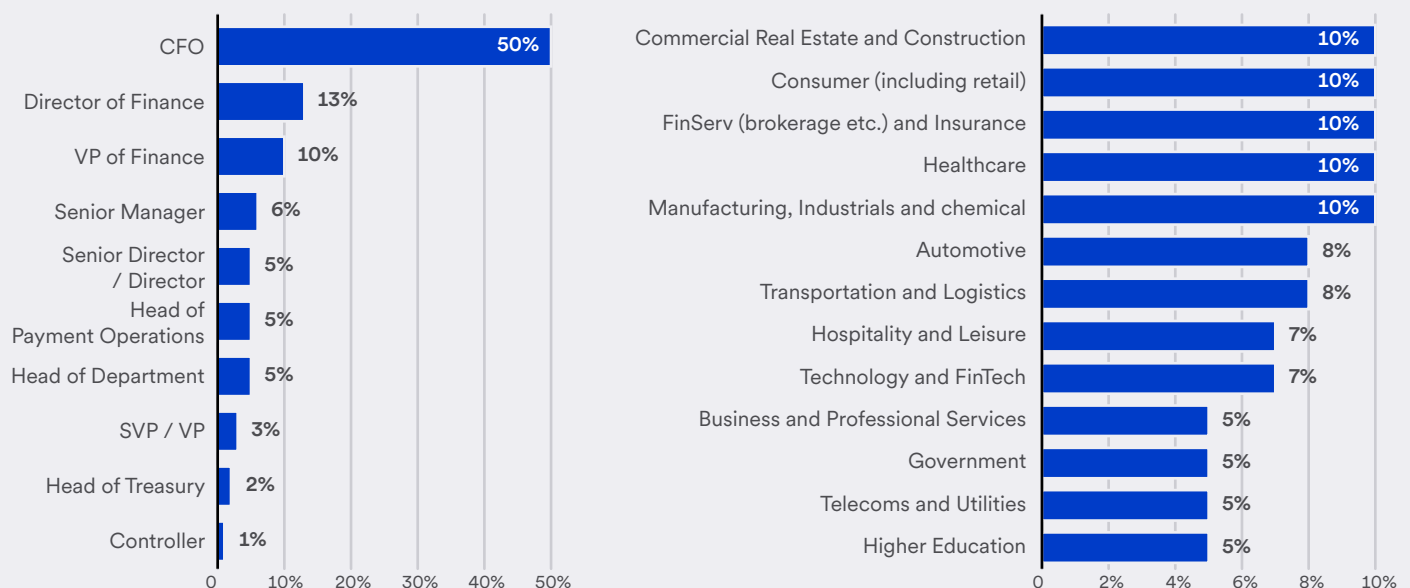
The data in this report comes from a survey of financial professionals commissioned by U.S. Bank and conducted by FT Longitude, a Financial Times company, in May and June 2022.

1,000 U.S.-based financial leaders responded across business and professional services, government, telecoms and utilities, higher education, hospitality and leisure, technology


and fintech, automotive, transportation and logistics, commercial real estate and construction, consumer (including retail), financial services and insurance, health, and manufacturing, industrials and chemicals.

Half of the companies had annual revenues between \$100 million and \$999.99 million, and the other half had annual revenues of more than \$1 billion.

Job role and industry breakdown





 Equal Housing Lender

Member FDIC. Credit products subject to normal credit approval. Certain terms, fees, and conditions may apply.
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