MODERN TREASURY

THE STATE OF PAYMENT OPERATIONS 2022

Money's next *move*

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Introduction

In coming years, every payment will begin and end in software. For this reason, companies that are looking ahead and focused on scale understand the necessity for modern, automated payment operations.

Simply put, payment operations are the various workflows around the cycle of money movement through a business: initiating payments, setting up approvals, tracking and attributing funds, handling payment failures and returns, reconciling transactions, and more.

Every company, whether they realize it or not, has some sort of payment operations workflow in place. And they track these workflows through a variety of systems, from bank portals and spreadsheets to software. However a company tracks their money movement, one thing remains true: efficient payment operations are mission-critical to building and maintaining a well-functioning company.

More businesses across verticals have begun to lean into third-party embedded payments—or moving money on behalf of their customers. And with ubiquitous faster payments on the horizon via the launch of FedNow in 2023, payment operations needs are becoming more clear.

This report outlines the current state of payment operations: the challenges leaders face in implementing efficient, scalable, and secure payment operations processes, and the upsides they anticipate from a solution engineered for sustainability and growth. Included data were collected by The Harris Poll on behalf of Modern Treasury—find full details on our process in the Methodology section.

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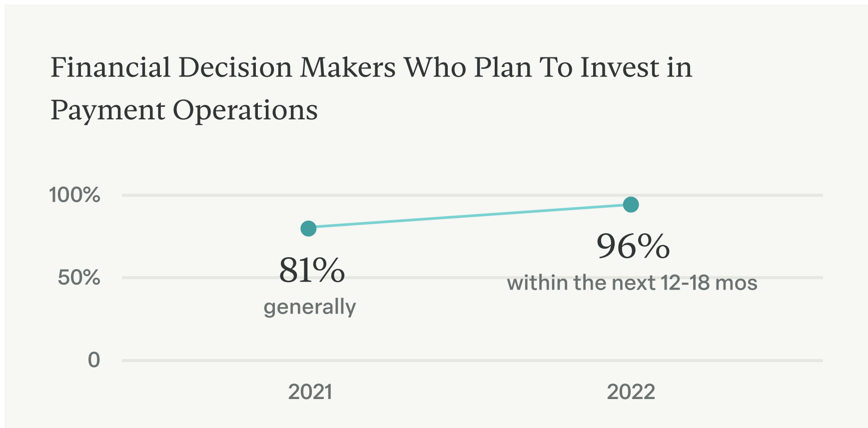
Key Takeaways

The need for a modern solution is clear and opportune, as real-time and embedded payments technology accelerates.

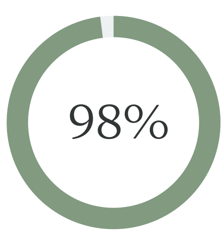
In last year's report, 81% of financial decision makers from companies with 500 to 4,999 employees indicated generally that their company planned to invest in payment operations; of those, 83% planned to invest within two years. This year, 96% reported that this type of investment was likely within the next 12-18 months.[1] In response to the rapid growth of embedded, third-party payments—and in anticipation of watershed developments like FedNow—business leadership is poised for a change.



1: Question wording and response options were changed in 2022.

Companies see streamlined payment operations as a strategic advantage.

98% of financial decision makers said they would experience benefits if their company had automated, faster payment operations including long term financial savings, improved customer experience, and a reduction in money movement problems. It's no surprise, then, that 88% reported facing problems with their payments system.



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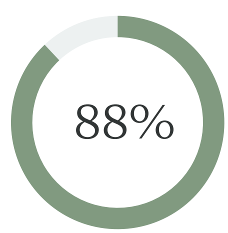
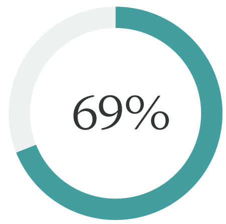


reported facing problems with their payments system

Payments (and payment operations) are still slower and more manual than they need to be.

69% of financial leaders agree that managing payments takes too long from start to finish. Specifically, more than half said that payments including RTP (59%), Same Day ACH (60%), and domestic wires (55%) take longer to post than their purported timelines.



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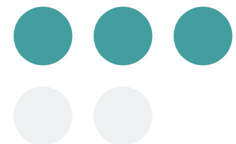
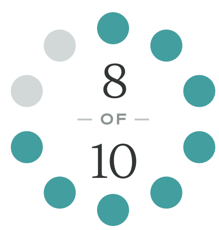


More than half

said that payments take longer to post than their purported timelines

Operations may also be slowing things down—8 of every 10 decision makers (80%) said that up to half of their payment operations processes are still manual, with an average of 40% of processes being manual. Plus, 89% of respondents use a third-party processor (TPP) which can result in further delays as TPPs sit in the [flow of funds](#).



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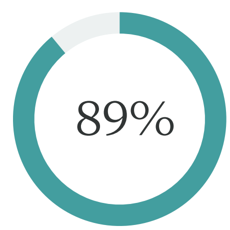
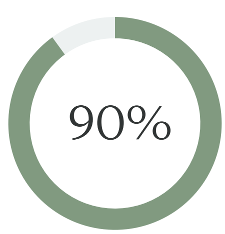


of respondents use a third-party processor (TPP) which can result in further delays

The desire for holistic payment operations software is growing but barriers persist.

Although 90% of respondents said that improving payment operations was a priority for their company, 81% reported facing barriers to upgrading their company's payment operations. These barriers include insufficient technical resources and concern over changing existing processes and technologies.



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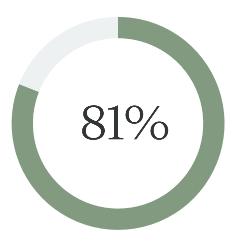


reported facing barriers to upgrading their company's payment operations

02

The Urgency for a Payment Operations Upgrade

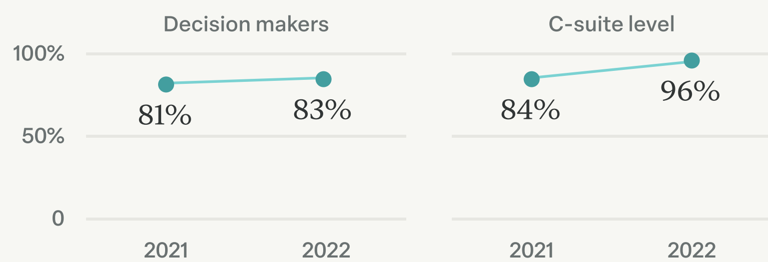
In our 2021 report, 81% of decision makers generally (and 84% at the C-suite level) indicated that their company planned to invest in payment operations. 83% reported a plan to invest within two years. This year, 96% generally (and 96% of C-suite) indicated that their company is likely to invest in payment operations within the next 12-18 months.[2]

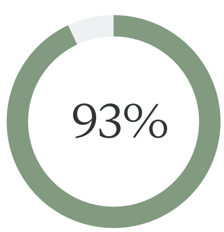
2: Question wording and response options were changed in 2022.

Most financial leaders agree (93%) that automating payment operations would allow the company to spend more time on strategic matters. Further, 70% reported that upgrading payment operations is under-prioritized at their company.

[Embedded, third-party payments]() are becoming more widespread. This growth alongside advances in [RTP]() (such as the continued roll out of Request For Payment) and the imminent launch of [FedNow]() are making modern payment operations top of mind for business leaders.

Financial Decision Makers Who Plan To Invest in Payment Operations





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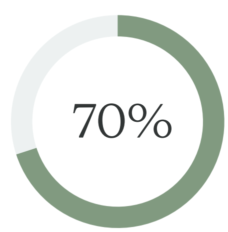

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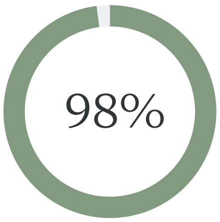
High Anticipation for Solid ROI



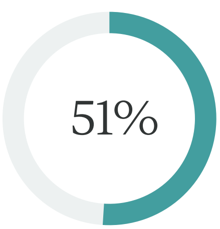
of decision makers say they would experience benefits if their company had automated, faster payment operations

The potential gains are clear: 98% of decision makers said they would experience benefits if their company had automated, faster payment operations.

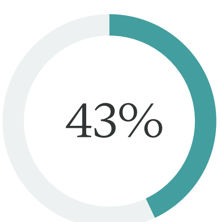
Specifically, the top benefits these decision makers identified were that a better solution would: save their company money in the long run (43%), deliver a better experience to customers (41%), and result in fewer money movement errors (39%).

Other benefits noted by 34% of decision makers or more include the ability to make their company more competitive (38%), have more time to build products (37%), introduce less risk (37%), increase visibility into money movement (36%), and enable better banking relationships (34%).

The potential benefits are even clearer among financial leaders at B2B companies who said their company would benefit from an automated, faster solution. 51% admit that improvements would save their company money long-term and 43% anticipated fewer money movement errors as a result.



of financial leaders at B2B companies admit that improvements would save their company money long-term



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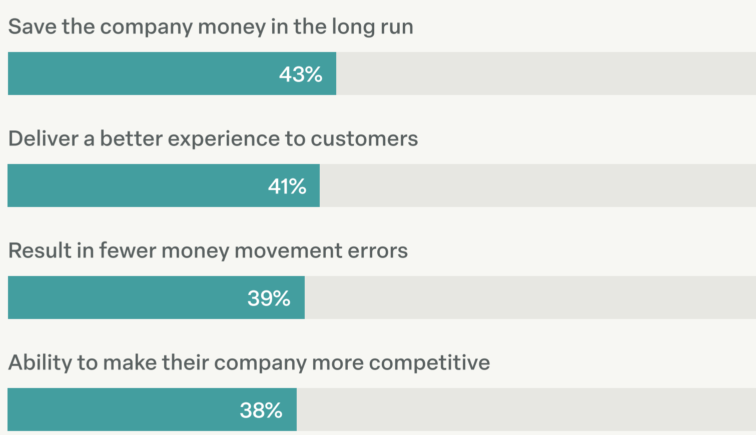
Anticipated Benefits of Improved Payment Operations



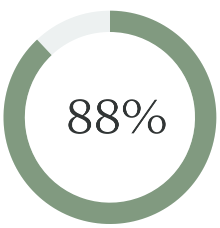
04

When Payments Are a Pain-Point

As it stands, payment operations are far from seamless. Indeed, 88% financial decision makers reported facing problems with their payment operations.

Among this 88%, top negative impacts included wasted employee time (41%), increased financial risk (39%), and employee frustration (38%) as a result of their company's process for moving money.

Additionally, 30% reported a lack of real-time insight into cash balances across bank accounts and 28% said their problem is experiencing a high rate of payment returns or refunds.



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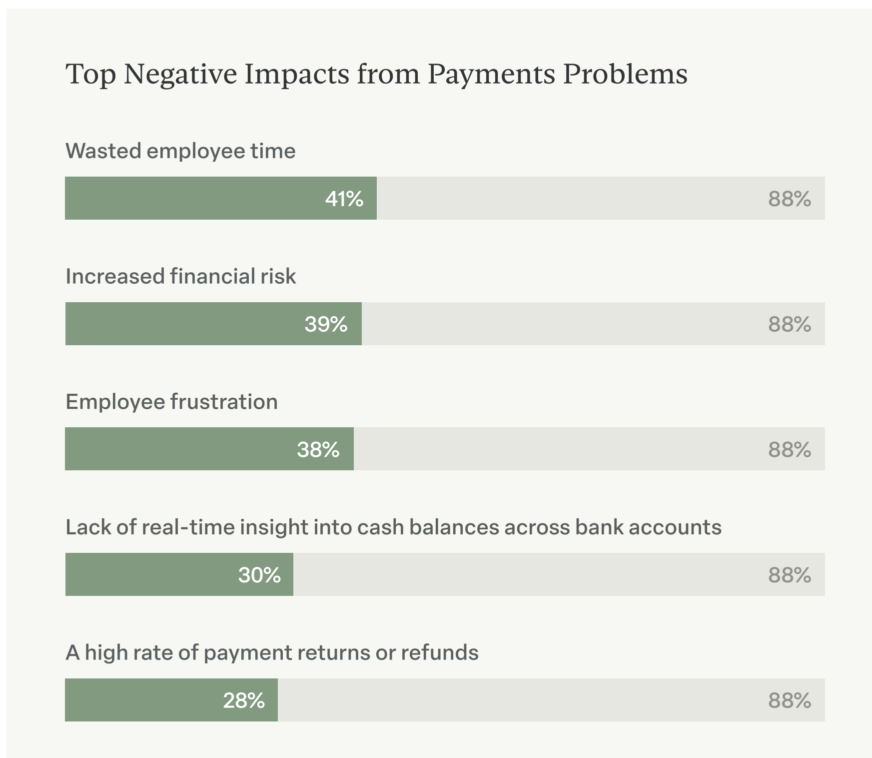
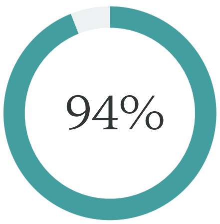


Most financial leaders at companies with B2B business models (94%) said their company faces problems related to payment operations. Among those facing problems nearly half face negative impacts such as employee frustration (49%) and wasted employee time (48%). 36% lack real-time insight into cash balances and 33% don't close the books as quickly as they'd like to.

Across the board, including those who did not indicate problems with their current system, financial decision makers described their current payment operations as complicated (38%), manual (38%), inefficient (25%), slow (23%), and unsecure (20%).



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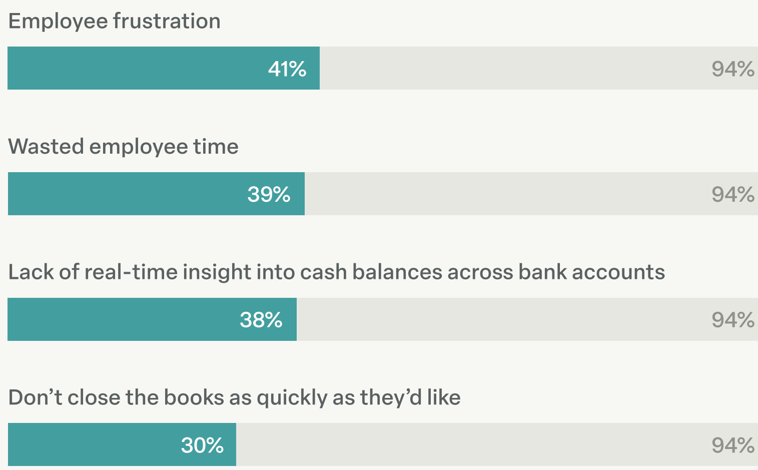
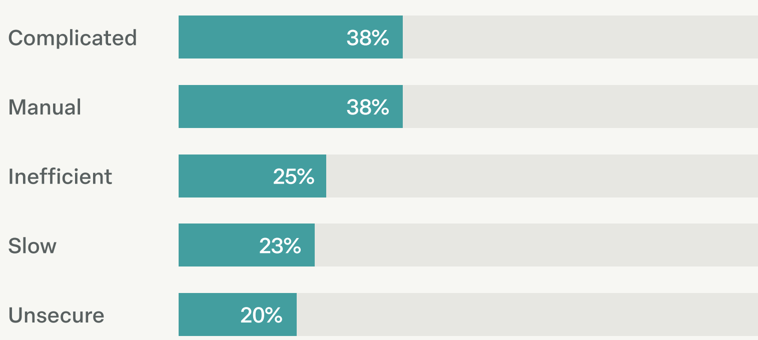
Payments Problem Types for B2B Business Models



How Financial Decision Makers Describe Their Current Payment Operations



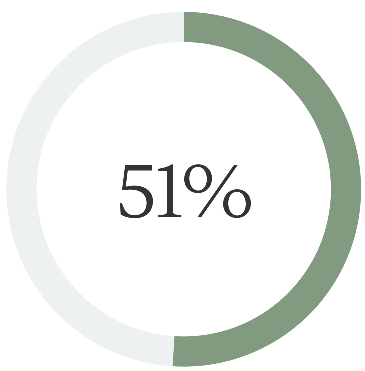
05

Failures, Returns, Recon, and Low-Visibility

Data shows that payments challenges are far from uncommon. Case in point: 51% of financial leaders said that more than 10% of their payments fail, are returned, or are reversed.

This is significant, given that Nacha's established overall return rate is 15% or lower. To play this out based on our survey results, among 100 companies each sending 1,000 daily payments, over 5,100 payments would potentially encounter some barrier every single day.

Further, over 1 in 4 financial leaders (26%) reported experiencing a low rate of accurate payment reconciliation, and the same portion (26%) said they experience data quality errors.



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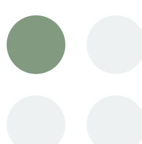

1 in 4

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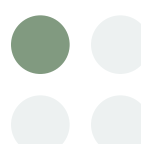
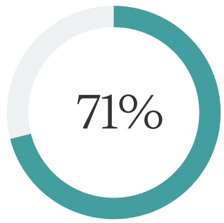


1 in 4

26% of financial leaders said they experience data quality errors

Given these issues coupled with workflow challenges we'll dig into shortly, it's not surprising that 71% of financial decision makers agree that their audit is arduous and takes several days to complete. And it makes sense that more than 1 in 5 decision makers (21%) don't close their books as quickly as they'd like to.

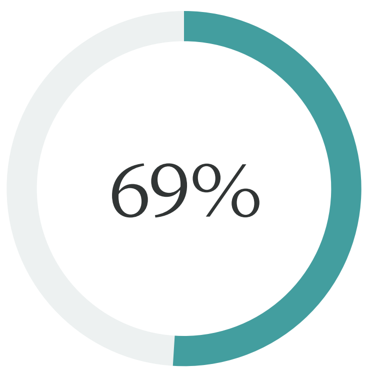


of financial decision makers agree that their audit is arduous and takes several days to complete

1 in 5

decision makers don't close their books as quickly as they'd like to

From micro-issues to macro-insights, problems compound: 69% of decision makers agree it is hard to get a complete financial view of money movement across multiple bank accounts.



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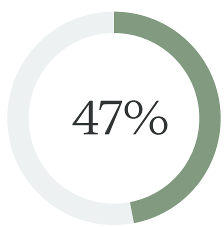
06

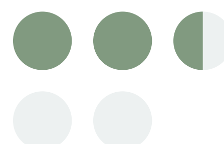
Lags in Payment Processing

98% of decision makers would experience benefits if their company had automated, faster payment operations. Further, 98% also admit that upgrades to their current payment operations would be helpful if they included shorter payment processing times (47%).

Over 2 in 5 financial leaders reported that each of the following payment types take longer than standard, accepted timeframes to post: RTP (59%), Same Day ACH (60%), ACH (48%), domestic wire (55%), international wire (60%), and check (53%).



said shorter payment processing times would be an upgrade to their current process



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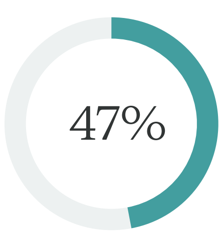
The Need for Streamlining and Automation



of financial decision makers reported that the ability to manage all bank accounts in one platform would be a helpful upgrade

For 47% of financial decision makers, the ability to manage all bank accounts in one platform or system would be a helpful upgrade.

According to survey data, decision makers continue to rely on multiple tools and systems (many of which are manual) to manage payments.

47% of respondents reported using 5 or more systems to manage payment operations at their company (for those in B2B companies, 35% use between 5-9 systems).

In fact, companies on average use 9.5 systems to manage payment operations.

Further, eight of 10 (80%) financial decision makers stated that up to 50% of their payment operations processes are still manual (40% on average).

5+

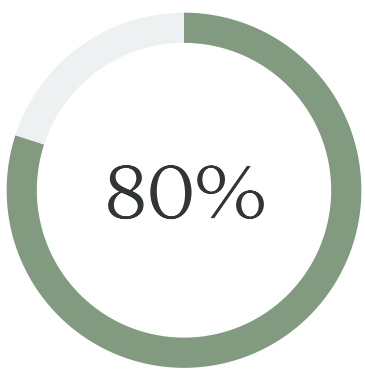
SYSTEMS

47% of respondents reported using 5 or more systems to manage payment operations at their company

5-9

SYSTEMS

35% of B2B companies reported using 5 to 9 systems



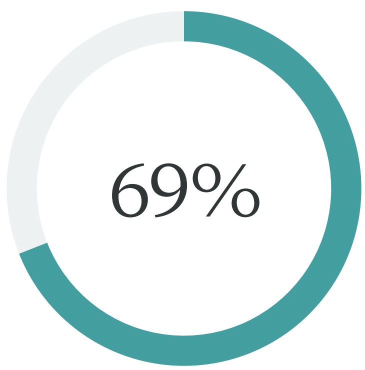
of respondents stated that up to 50% of their payment operation processes are still manual

08

Lost Operational Time

Time is money, and money lost managing payments is non-refundable. In this year's survey, 69% of decision makers said managing payments takes too long from start to finish (up from 61% of decision makers who said the same in 2021). That's more than 3 out of 5 companies.

Further, 66% of respondents say their finance team is wasting a lot of time on payment operations. In an average week, more than 1 in 3 financial decision makers (36%) say they lose more than 8 hours dealing with payment operations issues, including exception cases—16% of whom say they lose 17 or more hours per week. On average, at least one full work-day is lost (9.3 hrs).



of decision makers said managing payments takes too long from start to finish

9+

LOST HOURS PER WEEK

36% of companies lose at least one full work day per week on payment operations

17+

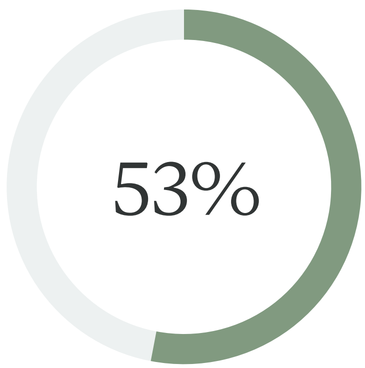
LOST HOURS PER WEEK

16% of companies lose more than two full work days per week on payment operations

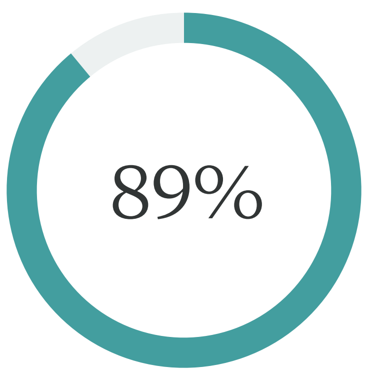
These numbers make sense given the data we've already shared about payments challenges, delays, and manual work. However, two other data points offer further potential insight.

First, 53% of decision makers reported that their company develops or builds its own payment operations software. Given the initial and ongoing investment of time and resources this requires, this information could shine a light on the relatively significant rates of time spent revealed by the survey.

Not to mention that 89% of financial leaders use a third-party payment provider. While financial decision makers did not directly attribute use of third-party providers as a reason for slow payment operations, vendor management could be a potential drain on time coupled with the number of systems companies are currently using. Further, choosing to sit outside the flow of funds can increase the time it takes for payments to settle.



of decision makers reported that their company develops or builds its own payment operations software



of respondents use a third-party payment provider

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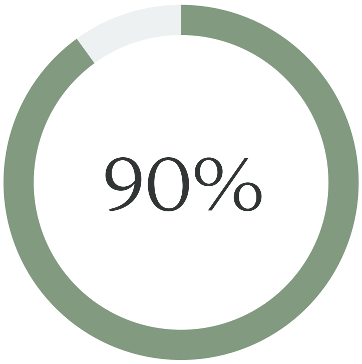
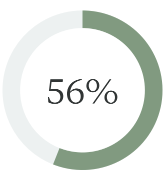
Barriers to Adoption

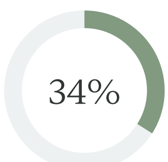


of respondents said that improving payment operations was a priority for their company

HIGH-LEVEL



MID-LEVEL



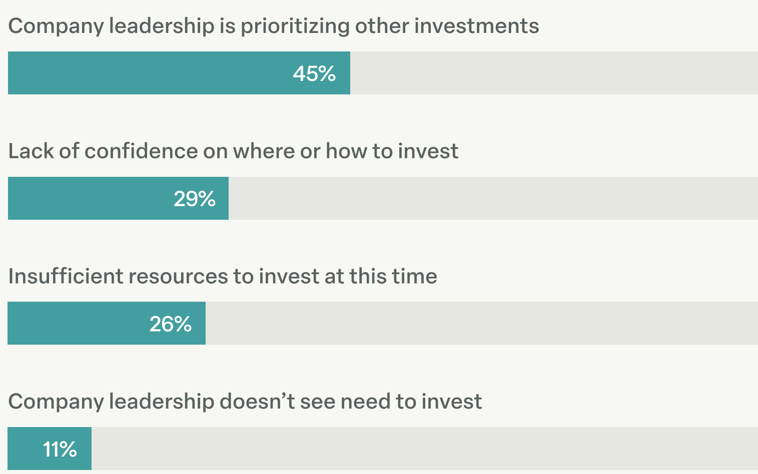
Even though many decision makers reported the desire and need for improved payment operations, barriers can get in the way.

90% of financial leaders said that improving payment operations was either a high-level (56%) or mid-level priority (34%) for their company. Still, 10% of respondents said that improving payment operations was a low-priority or not a priority at all for their company.

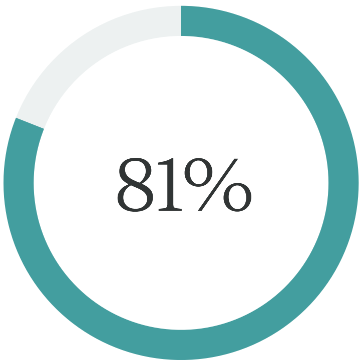
Those that said it was a low priority identified the following reasons for this response:

- Company leadership is prioritizing other investments (45%)
- Lack of confidence on where or how to invest when it comes to payment operations (29%)
- Insufficient resources to invest in payment operations at this time (26%)
- Company leadership doesn't see need to invest (11%)

Reasons for De-Prioritizing Payment Operations Upgrades



Further, 81% of decision makers say they face barriers to upgrading their company's payment operations. Barriers they noted included a lack of resources from the technical team (39%), concerns over changing existing processes (31%), and existing technologies would be difficult to change (31%).



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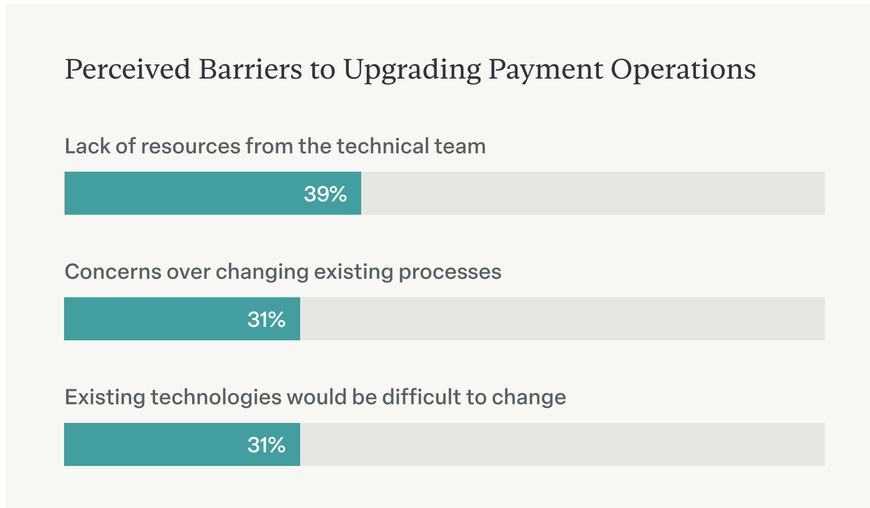

In spite of perceived roadblocks, the adoption of modern payment operations is vital for a host of reasons, such as:

- Enabling game-changing innovations—including embedded, third-party payments and real-time technology like FedNow
- Optimizing cost (across investments in tech, time, and human resources) and making businesses more efficient
- Maximizing benefits, including faster go-to-market, greater efficiency and clarity, and increased capacity for scale

Modern payment operations are a boon for both the front line and the bottom line. As most companies are already aware, they are as vital to the health of a business as revenue ops and technology investments.

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Conclusion

In spite of the barriers companies face in adopting a modern payments solution, the data is overwhelming: companies want and need a change.

From upgrading complicated, manual workflows to increasing payment speeds, improving reconciliation, and investing valuable resources like staff time to propel growth, the right money movement solution is vital for long-term business success.

Modern Treasury customer, MG Stover, a fund-management company, has seen the benefits of a modern, integrated payment operations system. Michael Monroe, General Counsel and Director of Compliance at MG Stover shares, “We’ve been utilizing [Modern Treasury] as a single portal [to our banks]. There’s a whole lot of data behind the scenes that we have access to now to really enhance the operations across the firm.”

Co-founder and CEO of Modern Treasury, Dimitri Dadiomov, said, “Modern Treasury was founded to automate the entire cycle of money movement from initiation to reconciliation, and this survey demonstrates a vast need for modernized solutions in what is one of the most important pieces of infrastructure at all companies: payments and money movement. The goal is for companies to move money with confidence and to evolve to truly instant payments so that they have immediate insight into their finances, at all times.”

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Methodology

To craft this report, Modern Treasury drew upon our unique viewpoint into payment operations along with new data from an online survey conducted by The Harris Poll between August 11th and September 6th, 2022.

We surveyed 303 US financial decision makers, defined as adults aged 18+ in the US who are employed full-time at companies (with between 500 to 4,999 employees) that move and track money. Participants must work in finance, accounting, or product development and make financial decisions. Data were weighted where necessary, by company size, to bring them inline with their actual proportions in the population.

All sample surveys and polls, whether or not they use probability sampling, are subject to other multiple sources of error which are most often not possible to quantify or estimate, including, but not limited to coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments.

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About Modern Treasury

Modern Treasury is a next generation operating system for moving and tracking money, including bank integrations, payments, reconciliation, compliance, and more. Via APIs and a web app, we're modernizing developer tools and financial processes for payments in the online economy's next wave.

Modern Treasury's integrations with major banks let you move money directly using your bank account, helping you send and receive ACH, Wire, RTP, and other payment types faster and with total visibility into all transactions. Our platform supports customers across a variety of industries and verticals, including marketplaces, insurance, healthcare, real estate, financial services, and crypto.

To learn more about what we do, visit moderntreasury.com or reach out to us here. For a deeper dive into the topic of payment operations, Modern Treasury's Learn and Journal are a great starting point.

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