LEVVEL RESEARCH

2021 Real-Time Payments for Businesses | Market Insight Report

Exploring RTP for Modern Business

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Introduction

Real-time payments (RTP®) is an exciting new transaction network—the first new payment rail in over 40 years. Developed by The Clearing House (TCH), RTP allows financial institutions (FIs) and businesses to send and receive funds instantaneously, while the payment system enables notification to the sender that the funds are delivered. RTP has been widely embraced by many FIs, although the impact of the new payment option on businesses has been less apparent.

In fact, businesses have much to gain by adopting RTP, such as improved cash flow and data management. It also has the potential to lead to a decrease in costs and operational requirements of foundational back-office processes like accounts receivable (AR) and accounts payable (AP). Despite these benefits, research reveals that adoption is still low in this segment, largely due to sporadic and incomplete knowledge and communication on RTP itself. Many businesses simply do not know very much about the new method, much less how beneficial it can be to their current state and competitive advantage.

Levvel believes that the key to enabling businesses to adopt and optimize RTP is to arm them with knowledge of the use cases and the business value.

This report serves as a guide to RTP, the use cases, and the various ways it can be implemented and leveraged to improve financial management and processes. This report includes industry benchmarks by which businesses can assess their own readiness for RTP adoption, and it aims to help organizations formulate a plan to evaluate and implement RTP according to their unique use cases. Levvel hopes to bridge the educational gap so that businesses can start experiencing the transformative power of RTP.

Executive Summary

Executive Summary

Primary Takeaways

Levvel's main findings indicate that the greatest hindrance to widespread adoption of RTP among commercial businesses is a lack of complete awareness or education on the functionality, benefits, and use cases of the new rail. Therefore, an increase of knowledge in the market will likely result in an increase in adoption among the commercial segment. Other primary takeaways from this research are as follows:

» The United States is in the infancy of mainstream RTP usage.

› **69%** of respondent organizations are **not using RTP**.

› 60% of respondent organizations were only "moderately", "slightly", or "not at all" familiar with RTP.

» Most respondent organizations see the benefits of using RTP.

› **76% of respondent organizations believe RTP will provide them with a competitive advantage.**

› **66%** of respondent organizations consider themselves likely to **adopt RTP in the next two years.**

› Only **5%** replied that they will most likely **never adopt RTP.**

» RTP will change corporate finance drastically. It will change the strategy and process of making corporate payments and supplement the technology currently in place.

› **34%** (a plurality) of respondent organizations currently **conducting RTP do so via their AR/AP software provider.**

› **76%** of respondent organizations plan to **utilize third-party providers to adopt RTP.**

» One of the biggest barriers to widespread RTP utilization is lack of education.

› **35%** of respondent organizations with no plans to adopt RTP **cited lack of understanding** and knowledge **as the largest barrier.**

› **47%** of respondent organizations that have plans to adopt or have already adopted RTP **listed lack of understanding** and knowledge **as a top challenge in considering RTP.**

› **52%** of those with plans or that have already implemented **listed system complexity as a top challenge in considering RTP.**

Data Summary

For this report, Levvel performed quantitative and qualitative research to gather directional data pertaining to RTP awareness and usage among U.S. businesses. Levvel surveyed over 270 professionals at different seniority levels with knowledge of their organizational financial processes. The respondents are from companies of every size, operating in every industry. The sample sizes vary across the data charts and visualizations in this report due to logic that ensures respondents receive questions that reflect their familiarity with RTP and based on previous responses. Also distributed throughout the report are quotes from respondents gathered in one-on-one interviews or from open-ended questions in the survey.

An RTP Primer

Real-time payments (RTP) is the first new payment rail since the start of the automated clearing house (ACH) in the early 1970s. The Clearing House officially went live with the long-awaited network on November 13, 2017, when it processed a transaction between U.S. Bank and BNY Mellon. RTP differentiates from other payment methods because it offers truly instant clearing and settlement, unlike Zelle, which seems like real-time but actually takes 1-3 days to settle.

RTP stands out among the pre-existing payment methods in more ways than speed. Transactions can be made at all hours of the day, on every day of the year, with no business day or holiday limitations. RTP also allows FIs to clear the transaction and credit the receiver with a confirmation within seconds of payment initiation. In addition to the movement of funds, RTP functionality includes value-add messaging that can be added to travel with the transactions. These can consist of dates, invoices, purchase order and invoice numbers, and other relevant information.

RTP works by using consolidated, pre-funded Federal Reserve accounts to enable an almost instant transaction between FIs. The primary functions of RTP are Send, Receive, and Request for Payment (RFP), which are defined further in **Table 1.**

Table 1

FUNCTIONALITY	DEFINITION
SEND	An organization is able to SEND an RTP payment to a designated recipient's FI account
RECEIVE	An organization is able to RECEIVE an RTP payment to its FI account
REQUEST FOR PAYMENT	An organization is able to send a REQUEST FOR PAYMENT to another organization or individual that has a balance owed, and the organization or individual is able to respond by sending an RTP payment

FIs must make a number of technical infrastructure updates to make RTP available to their customers. This means that those with the financial and technological resources to commit have been earlier to roll out RTP than their more constricted counterparts. This has created a "wave" effect where those larger FIs implement RTP first, followed by regional and smaller FIs. In addition, TCH is an FI-owned entity consisting of over 20 member FIs who have significant investment in the new rail, which is another reason many large FIs are among the first wave adopters of the technology. **Table 2** lays out the specifics on those RTP adoption waves.

Table 2

	FIRST WAVE	SECOND WAVE	THIRD WAVE
FI TYPE	Large National FIs, Large Foreign FIs, and Investment FIs	Regional FIs	Credit Unions and Community FIs
ADOPTION STATUS	Already Live	Considering or Implementing	Considering or Not Planning to Adopt
CUSTOMER SEGMENTS	All Segments	All Segments	Commercial/Retail
FUNCTIONALITY	Send and Receive Payments	Receive Payments ONLY	Unable to Send or Receive Payments

"RTP" refers specifically to TCH's Real Time Payments network. The United States Federal Reserve has announced its own real-time payments network called FedNow that has similar functionality and is designed to be an alternative to TCH's RTP. It is not expected to be released until 2023 or 2024. This gives RTP a first-mover advantage, which is compounded by the fact that TCH's network now reaches 56% percent of US FI accounts (demand deposit accounts - DDAs). Because the TCH RTP network is already in use, this report focuses on that network.
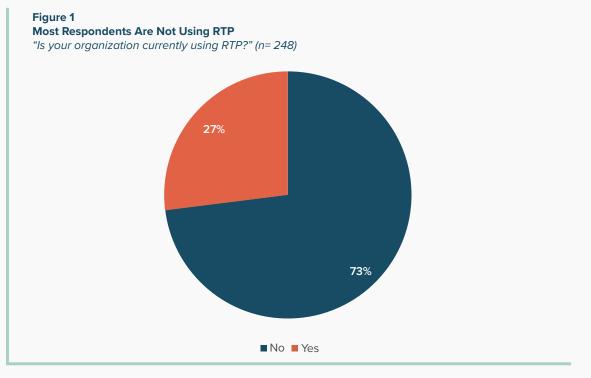
The State of RTP

The State of RTP

Current State

When compiling data for this report, Levvel Research studied the existing payments processes and explored how RTP could affect organizations of all sizes and specialties, as well as those already using RTP and those with no intention of ever doing so. Survey results show that about 70% of respondent businesses are not using RTP yet **(Figure 1)**, while about one quarter are using the tool today. Overall, the most popular payments methods among respondent organizations are checks and ACH payments.

Figure 1
Most Respondents Are Not Using RTP
"Is your organization currently using RTP?" (n= 248)

27%

73%

■ No ■ Yes

Corporate RTP Survey, Levvel Research, 2020

Traditionally, FIs process checks, standard ACH, and wire transactions in files, which are sent for processing at night by the FI and take typically 1-3 days to settle. Same-day ACH typically takes hours instead of days but has similar business hour restrictions as the other methods. RTP differs from other payment types because authorization and settlement occur instantly with the transaction as a singular process.

The largest share of organizations that reported they are using RTP consists of enterprises (companies with $1 billion or more in annual revenue) and mid-market (companies with $50 million or more, but less than $1 billion in annual revenue). Enterprises are more likely to utilize RTP for a number of reasons, with the most obvious being that they have the resources to research and implement this technology. SMEs (companies with less than $50 million in annual revenue), only 15% of which reported they are using RTP, often have fewer dedicated finance or IT employees, who are typically playing multiple roles within the company. Additionally, RTP is primarily marketed to large companies, who were four times more likely than SMEs to have been contacted by their FI concerning the new payment method. This is likely because large companies present a greater potential return on investment for FIs. Because FIs are marketing and communicating the benefits of RTP to this audience, it also tends to be the most familiar and informed on the topic.

Generally speaking, the larger an organization is, the more modern its payments process is. These companies are more likely to have accounts payable and accounts receivable automation software, more likely to utilize RTP, and less likely to use more dated methods of payment, such as checks. **Table 3** shows some benchmarks around organizations' payment methods.

Table 3

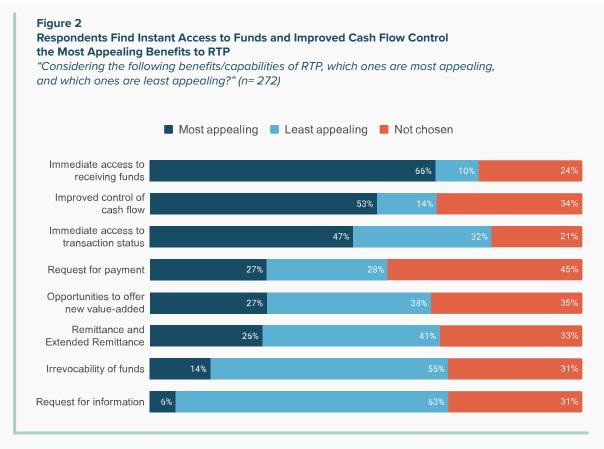| BENCHMARK	SME	MIDDLE MARKET	ENTERPRISE
CURRENT DISTRIBUTION OF PAYMENT METHODS			
Check	29%	28%	16%
Wire	9%	16%	21%
ACH	18%	29%	42%
Card	34%	21%	14%
Other	10%	5%	6%
CURRENT RTP UTILIZATION			
Yes	15%	26%	36%
No	81%	70%	55%

Table 4 shows that, in addition to being less likely to use RTP, smaller companies are often unfamiliar with RTP altogether. The table also shows that a large reason for the unfamiliarity may be that their FIs and AP partners have not contacted them concerning RTP.

Table 4

BENCHMARK	SME	MIDDLE MARKET	ENTERPRISE
RESPONDENTS FAMILIARITY WITH RTP			
Not At All Familiar	10%	7%	7%
Slightly Familiar	32%	23%	20%
Moderately Familiar	27%	27%	31%
Very Familiar	25%	24%	24%
Extremely Familiar	7%	19%	19%
CONTACTED BY FI			
Yes	12%	32%	43%
No	88%	68%	57%
CONTACTED BY ERP/ACCOUNTING/AP SOFTWARE PROVIDER			
Yes	22%	34%	47%
No	78%	66%	53%

RTP Adoption Benefits

Figure 2
**Respondents Find Instant Access to Funds and Improved Cash Flow Control
the Most Appealing Benefits to RTP**
*"Considering the following benefits/capabilities of RTP, which ones are most appealing,
and which ones are least appealing?" (n= 272)*

Legend: ■ Most appealing ■ Least appealing ■ Not chosen

Benefit	Most appealing	Least appealing	Not chosen
Immediate access to receiving funds	66%	10%	24%
Improved control of cash flow	53%	14%	34%
Immediate access to transaction status	47%	32%	21%
Request for payment	27%	28%	45%
Opportunities to offer new value-added	27%	38%	35%
Remittance and Extended Remittance	26%	41%	33%
Irrevocability of funds	14%	55%	31%
Request for information	6%	63%	31%

Corporate RTP Survey, Levvel Research, 2020

The ability to make payments in real-time comes with a number of capabilities and benefits. The most appealing of these to organizations are immediate access to receiving funds, transaction status, and control of cash flow **(Figure 2)**. These assets created by RTP all serve to increase visibility into the financial wellbeing of the company and decrease confusion around the payment lifecycle. They are also the most obvious upsides to RTP; the other capabilities and benefits that ranked lower among respondents require more education and familiarity with RTP to be fully recognized.

> We are so far behind as far as technology goes. We have been fined so many times for late payments simply because paperwork was backed up. I feel RTP would significantly benefit employees as well as vendors, contractors, and other business partners.
>
> - Procurement Manager at a Public Sector Orginization

These less frequently chosen capabilities like request for information, request for payment, new value-add services, remittance capabilities, and irrevocability of funds also streamline operations and create automated payment processes. For example, with some payments, there may be a number of communications between the payer and recipient about the amount of the payment, invoicing information, or other topics. These communications can be consolidated to requests for information and tied to the payment itself for an automated record. Bill pay can be automated with requests for payment, which are seen and responded to by the customer using an RTP payment to pay the bill. This allows the organization to be paid instantly and the customer to have instant movement of funds to better manage its finances. There are also other, less evident benefits, such as helping further automate AP and AR, capturing early payment discounts, and incurring fewer late payment penalties.

RTP Planning Process

Even when organizations see the benefits of using RTP, most are in the very early stages of implementing it. The vast majority have either not started planning or are just beginning to plan for the steps needed to fully go-live with RTP **(Figure 3).**

Figure 3
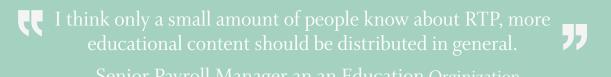**Most Organizations Are in Early Stages of RTP Adoption**
"When thinking of RTP implementation, where is your organization in the planning process for each of these steps?" (n= 146)

	Not Planning	Planning	In Process	Completed
Define corporate objectives	37%	45%	12%	6%
Create implementation scope	36%	45%	14%	5%
Define implementation plan	42%	41%	11%	6%
Develop FI integration	40%	45%	13%	3%
Upgrade/buy/integrate with software vendor	51%	38%	8%	3%
Develop a testing strategy and test cases	53%	33%	13%	1%
Go-Live with RTP	56%	34%	11%	N/A

Corporate RTP Survey, Levvel Research, 2020

Levvel Research believes the explanation for RTP adoption's infancy in the market is unawareness—a general lack of education and knowledge on the fundamental components and benefits of the technology. Many companies have not heard of RTP or are confused as to what RTP actually is; even when there is general familiarity, there is an absence of information on what the use cases are, what implementation looks like, how much it costs, and which FIs offer the service.

> " I think only a small amount of people know about RTP, more educational content should be distributed in general. "
>
> - Senior Payroll Manager an an Education Orginization
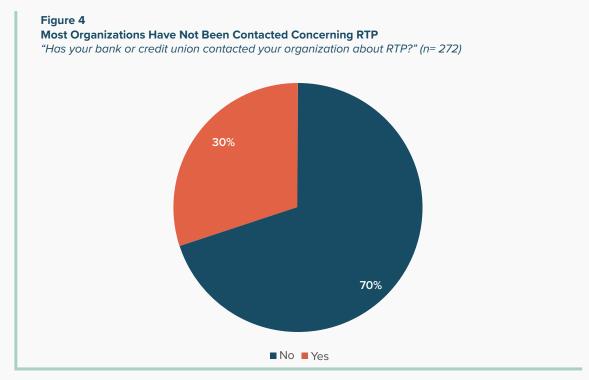
The Road to RTP

The Road to RTP

In further exploring the knowledge gap around RTP and how it impacts adoption among businesses, Levvel has identified three underlying causes: sparse educational sources, low provider outreach to businesses, and incomplete support from software (AP/AR/ERP) providers.

RTP Education Sources

One of the greatest reasons for a lack of awareness and knowledge about RTP is the lack of streamlined, consistent, and complete educational material from the parties it should be coming from—namely, FIs and software providers. Levvel Research survey data indicates that only 30% of companies overall have been contacted by their FI about RTP **(Figure 4).**

Figure 4
Most Organizations Have Not Been Contacted Concerning RTP
"Has your bank or credit union contacted your organization about RTP?" (n= 272)
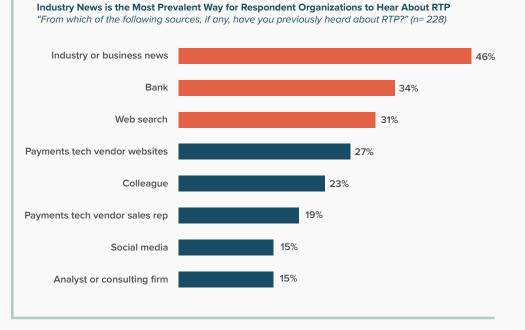

■ No ■ Yes

Corporate RTP Survey, Levvel Research, 2020

For companies that had heard about RTP, industry and business publications were the most popular source, followed by FIs, web searches, and payments technology vendors' websites **(Figure 5).** In all, it appears that many organizations actively sought knowledge on RTP.

Figure 5
Industry News is the Most Prevalent Way for Respondent Organizations to Hear About RTP
"From which of the following sources, if any, have you previously heard about RTP?" (n= 228)

Source	Percentage
Industry or business news	46%
Bank	34%
Web search	31%
Payments tech vendor websites	27%
Colleague	23%
Payments tech vendor sales rep	19%
Social media	15%
Analyst or consulting firm	15%

Corporate RTP Survey, Levvel Research, 2020

The companies interviewed by Levvel Research that are already using RTP were self-described "early adopters." While one respondent, the CFO of a mid-market engineering IT services company, first heard about RTP from her FI, she expressed that education on the technology, such as in webinars and publications, requires some initiative to find. She lamented a lack of such sources, saying, "Everyone feels like they don't have enough knowledge right now." Another respondent from a small non-profit said that despite believing RTP had some application to their organization, they hadn't heard about it from their FI.

The interviewee that was the furthest along in the RTP journey, the Head of Shared Services at a large healthcare-focused conglomerate, had not heard about RTP from their FI at all, but rather from their annual supplier day event. One of their suppliers brought the technology to their attention, and they started exploring it on their own. Interviews also revealed that peer-to-peer communication about RTP was limited as well, and organizations found either unawareness or skepticism when discussing it at forums or other avenues.
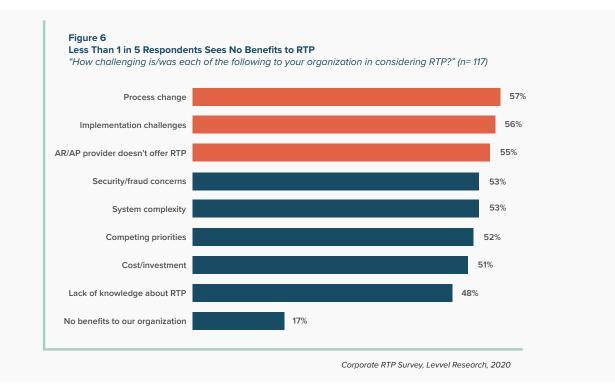
AR/AP Provider Outreach

Companies also aren't hearing about it from their AR/AP software vendors, and many respondents expected to. In discussions with these vendors, Levvel Research has noted that very few have formulated plans to incorporate RTP in their software. However, many express that they're waiting for demand from customers, who they expect to ask for it specifically. This may

be a misguided line of thinking, as many organizations see benefits to making faster payments that include transaction data, but are not necessarily educated or aware of RTP and its ability to offer these benefits. If cutting edge vendors integrate RTP functionality into their software, spread awareness of it, and enlighten companies on its benefits, they may find the functionality to be a competitive advantage against other vendors.

Adoption Challenges

Research shows that many organizations that have decided to implement RTP cite process change and implementation difficulty as their top challenges when trying to adopt RTP **(Figure 6)**. The lack of support from AR/AP providers is also another setback, and many other challenges cited are directly related to that lack of support and understanding of the tool. Equally important is the fact that very few companies believe that RTP offers their organizations no benefits, and even that group's perception is likely linked to low knowledge of the tool, cited by 46% of respondents.

Figure 6
Less Than 1 in 5 Respondents Sees No Benefits to RTP
"How challenging is/was each of the following to your organization in considering RTP?" (n= 117)

Challenge	Percentage
Process change	57%
Implementation challenges	56%
AR/AP provider doesn't offer RTP	55%
Security/fraud concerns	53%
System complexity	53%
Competing priorities	52%
Cost/investment	51%
Lack of knowledge about RTP	48%
No benefits to our organization	17%

Corporate RTP Survey, Levvel Research, 2020

Other Adoption Barriers

When organizations that are not considering adopting RTP in the near future were asked what their barriers are, lack of understanding/knowledge ranks even higher compared to those that are considering RTP **(Figure 7)**. Organizations also cite concerns around cost and competing priorities, as well as system complexity.
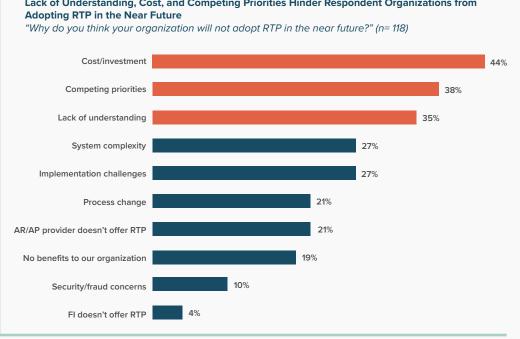
Figure 7
Lack of Understanding, Cost, and Competing Priorities Hinder Respondent Organizations from Adopting RTP in the Near Future
"Why do you think your organization will not adopt RTP in the near future?" (n= 118)

Barrier	Percentage
Cost/investment	44%
Competing priorities	38%
Lack of understanding	35%
System complexity	27%
Implementation challenges	27%
Process change	21%
AR/AP provider doesn't offer RTP	21%
No benefits to our organization	19%
Security/fraud concerns	10%
FI doesn't offer RTP	4%

Corporate RTP Survey, Levvel Research, 2020

Interviews with respondents revealed additional barriers and challenges. Many are worried about being an early mover to RTP because it entails building and explaining a new process for employees and vendors, as well as selecting trustworthy vendors to start the program. Those who had already implemented said that tweaking their existing technology systems was one of the biggest hurdles that had to be accomplished before rolling it out. An interesting challenge was brought up by a mid-market healthcare system operator whose primary clientele consists of low-income patients. This would be a great use case for reimbursing these patients, as they may be tighter on funds than patients in a higher income bracket. However, this group is also significantly more likely to be unbanked, which takes the possibility of RTP off of the table.

In all, many of the challenges associated with deciding to adopt and adopting RTP will be solved by more knowledge of the use cases and a clear communication of the business value—especially when it comes to removing barriers about investment and prioritization. In addition, thorough planning to reduce implementation complexities and increased involvement from FIs and AR/AP software providers will go a long way in empowering businesses to adopt. The following sections outline more RTP use cases and offer strategies for businesses and providers alike.

RTP Use Cases

RTP Use Cases

Use Case Overview

As mentioned previously, some of the use cases and benefits for RTP are more apparent than others. **Figure 8** shows the use cases that organizations are the most interested in are payments to/from clients and suppliers.

> We have a constant stream of payments for insurance services being sent out daily to providers such as physicians, and this would allow for quicker turnaround times.
>
> - Finance Manager at a Healthcare Orginization

Figure 8
The Most Significant RTP Use Cases Are Those that Enable Payments to Customers and Vendors
"How significant is each of the following use cases of RTP to your organization?" (n= 272)

Use Cases	Not at all significant	Moderately significant	Extremely significant
Payments to/from clients or customers	7%	32%	61%
Payments to/from suppliers or vendors	8%	37%	55%
Disbursements	13%	43%	45%
Payroll/expense reimbursement	16%	42%	43%
Bill pay	14%	50%	37%
Tax payments	26%	46%	29%
Inter-department payments	45%	34%	20%

Corporate RTP Survey, Levvel Research, 2020

Further exploration of the unique challenges and payment processes of companies operating in various industries and situations offers even more applications for RTP. Additional use cases are as follows:

» *End of the year payments (donations):* Charitable organizations often do an end of the year push for funds to be donated. If these funds are donated via RTP, the charity can have cash on hand immediately and into the new year.

» *Real estate transactions:* Real estate is always an area that has payments between many parties, as well as the need for tracking and validating payments being made. Whether it is monies held in escrow from a buyer under contract, or the final payout to the seller, real estate would benefit from the transparent and instantaneous transactions RTP provides.

» *Commission payments, incentives, expense reimbursement, and bonuses:* Employees value getting paid quickly and accurately. Automated payments such as commissions, expense reimbursement, and others provide instant payments and automates those processes for real-time cash management.

» *IRAs:* Instant payments to investment accounts allow longer time of accrual for gains, as well as, in some cases, advanced payment.

» *Structured payments:* Most individuals with structured payments or settlements would benefit from instant access to those funds.

» *Insurance payments to healthcare providers:* Payments to healthcare providers from insurance companies and other sources not only have the payment, but also the accompanying data with the payment that details the service, the insurance information, and more. This data needs to flow in a secure manner and be reconciled to the service performed by the physician or provider. RTP provides not only the speed of payment but a medium through which this data can flow securely and automatically tied to the payment itself.

» *Franchise payouts:* Owner companies of franchise locations often have campaigns and loyalty contracts with franchisees and partner companies. The faster the owner company can reimburse franchisees and partners, the more flexible and accommodating they will be in responding to customer requests, which can increase customer satisfaction.

» *Escrow accounts:* Any situation requiring an escrow account can benefit from the transparency and lack of ambiguity of RTP payments, so all parties are satisfied with the handling of the escrow.

How to Identify New Use Cases

Use cases for RTP will continue to be uncovered by both businesses and FIs. Identifying these use cases is important so that companies don't miss opportunities to improve efficiency and save money, not to mention for building the business case for implementing RTP. For example, if the business is having an issue with fees due to late payments, RTP will help alleviate those issues as well as create efficiencies internally, so any related cost associated could be justified. Below are three key lenses through which to identify and evaluate new RTP use cases.

Transparency

As organizations review their processes and payments, special attention should be paid to any areas that need transparency in the payment or the payment process. If auditing, reporting, or customer service is involved, RTP can help to create an opportunity to enhance those processes. Business, operations, and customer service areas can have instant access to information surrounding the payment and payment status. This provides the real-time service and reporting necessary for both streamlining needed audits and reporting, as well as providing excellent customer service.

Instant

Organizations should also look for areas that require instant access or payment. Whether it be increased cash management control, decreasing risk of late payments and fees, or decreasing the need for credit line utilization, organizations should assess where an instant payment would not only support operations, but also support enhanced customer experience.

Automated

Organizations are always looking for ways to streamline processes and save on time and money. RTP offers the ability to automate many back office operations and accounting processes. The use cases have been stated previously that most apply to automation; however, there are always ancillary processes that could be eliminated or decreased to assist improvement.

Future State & Strategy

Future State & Strategy

Developing a strategy to RTP is essential for businesses, FIs, and software providers alike. This section explores the planning requirements and best practices to successfully embrace and optimize RTP.

Strategy for Businesses

For businesses, plans to implement a new payment type will vary by factors such as size, complexity of internal systems, and resources. However, no matter the situation, each business will be presented with the same decisions of when to implement, through which channels, and how to incorporate the implementation internally.

RTP Timeline

Determining an accurate and realistic timeline for implementation is an essential part of RTP strategy. With so many organizations only in the initial stages of planning and implementing RTP, predicting the timeline of it reaching mainstream is a tall task. Almost 70% of organizations believe they will adopt RTP in the next 1-2 years, and 22% of them believe they will as soon as it's offered from their software vendor **(Figure 9)**. Very few organizations believe it will take their organizations more than four years to adopt or that they will never adopt it. Despite lacking the resources of a larger company, the smaller an organization is, the sooner they believe their timeline for implementation is. Smaller companies may be more willing to adopt RTP sooner, as they likely have less market share and are looking for more competitive advantages. They also have less existing technology in their payments process. Additionally, those that were better informed on RTP had a shorter timeline for implementation, meaning that any adoption delay may be less of a resource or technical issue and more of an information one.
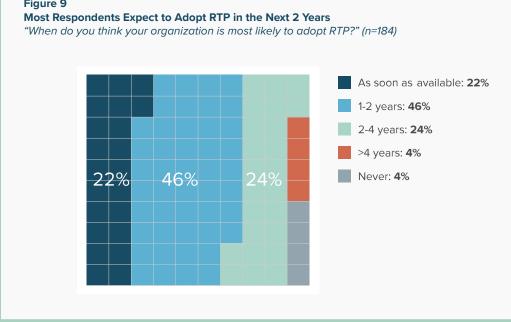
Figure 9
Most Respondents Expect to Adopt RTP in the Next 2 Years
"When do you think your organization is most likely to adopt RTP?" (n=184)

- As soon as available: **22%**
- 1-2 years: **46%**
- 2-4 years: **24%**
- >4 years: **4%**
- Never: **4%**

22% 46% 24%

Corporate RTP Survey, Levvel Research, 2020

Respondents were also asked to assess when they believed RTP would reach mainstream adoption. Most organizations are confident that it will be in the next five years. Three years seems to be a toss-up, as the percentage of organizations that are "extremely confident" and "somewhat confident" is close to 50/50. Again, the more educated a company was on RTP and the more likely they were to have used RTP in the past, the more confident they were in a shorter timeline.

As businesses approach the question of when to implement RTP, its focus should shift inward. Timing will depend on how extensive the implementation would be, the use cases identified internally, and the channel through which the business would be accessing RTP. If the business outsources many of its payments operations, it will likely be reliant on its vendor to implement RTP before it can take advantage of the benefits. Alternatively, if payment operations are based on an internal system the business controls, it has the ability to implement as soon as it is able.

Implementation

Businesses looking to implement RTP will need to keep in mind many variables as they begin planning. The business will need to look at how it connects to current payment types, evaluate and update internal applications and processes, launch the RTP capability, and coordinate with suppliers or payers to take advantage of the new functionality.

> " It can improve our competitive advantage in the industry, realize automatic collection and payment, and shorten the process and time of capital transaction."
>
> - Finance Department Manager at an Insurance Firm

Whether AP, ERP, FI portal, or internal applications, RTP as a payment type must be supported with the accompanying data integrated into existing processes. The method used for payments today will need to not only process RTP payments but also support operations and back office personnel that handle making and receiving payments. Organizations that outsource these services will need to speak to their providers, ask about support of RTP payments, and inquire about the roadmap for support if it is unavailable.

Internal systems and processes will need to be evaluated and updated to support the automation that can be realized with RTP. Because the data is tied to the payment, reconciliation and other data-driven processes can be automated based on when payments are sent or received. Certain payment items that may have taken multiple out-of-band communications between payee and payer can now be consolidated around the RFP (request for payment) and/or request for information and response in payment over RTP. Integrations to downstream applications for reporting and audit will need to be included to complete the integration of RTP across the payment lifecycle.

For launching RTP at a business, it is best to start with a pilot payment type. One common pilot payment is employee expense reimbursement. This payment type is internal only, typically

involves the least amount of integrations, and the business is able to get valuable feedback from employees on the use of RTP. As the pilot is occuring, the business can work with suppliers or payers to set up conversations about RTP and benefits. Interested parties can then validate their support of RTP and participate in a broader application across many suppliers and payers.

As RTP becomes more ubiquitous among businesses, whether enterprise, mid-market, or SME, implementations should become more streamlined. More vendors including AP, ERP, and FI portals for many sizes of organizations will be supported and offer efficient integration and support.

Strategy for Financial Institutions

For FIs that have already implemented RTP services, there is now room for expanding their offering beyond their initial product vision. For those that are either in the process of implementing or in planning stages, there is an opportunity to explore new possibilities for the product based on the portfolio of each FI.

> Both financial and technological providers can support our organization by providing clear guidelines for the software requirements that would be needed to implement adoption of RTP. They can also assist by providing us with an example work-flow, showing what the transaction will look like from their side; we can then work collaboratively to identify potential problem areas and/or pinch-points within the process.
>
> - Senior IT Manager at a Food Service/Hospitality Company

Productization

RTP as a product within an FI must expand to offer benefits and services far beyond faster payments. The data in this report has shown that businesses are interested in the faster payment but are also interested in the automation RTP is capable of providing. Data has also shown that it is not just large enterprises that are interested in RTP or its benefits but organizations of all sizes. For an FI to create a complete product, it must offer true integrated solutions for all of its clients. Businesses are constantly looking for ways to increase efficiency and decrease costs, and FIs can help through a broader use of RTP.

The additional use cases that were voiced by businesses show that, when given the chance, a business realizes the potential of RTP. Each FI, no matter where they are in the RTP adoption journey, should look at clients' payment pain points and seek to ease that friction. Its customers' actual challenges and desired business outcomes should guide the FI as they determine how to productize RTP.

Finally, FIs can look for AR/AP, ERP, and ePayment partners that can integrate RTP as a payment method into an existing software. This creates a solution for the business client that is already supported internally, can be implemented with minimal process change, and can create the fastest time to realize the benefits of RTP. This also creates an expanded market for the FI through clients of the AR/AP, ERP, or ePayment provider. This expanded client-base can offer a potentially new revenue stream that may be unidentified otherwise.

Pricing

One major unknown, up to this point, has been what businesses are willing to pay for RTP. While RTP seems very similar to ACH and same-day ACH, the pricing data shows that businesses view it more similarly to wire payments. When given the benefits of RTP over other payment types, businesses were willing to pay an average of $10.50 per transaction for RTP. This shows that businesses realize the value that comes with not only a faster payment but the data and other functionality that is included. Pricing should be based on the benefit being received by the client. For example, a client that is simply getting a faster payment may not pay as much for a transaction that includes multiple communications via requests for information and a request for payment for an outstanding receivable.

Education

Just under half of businesses surveyed felt uninformed about RTP. Alternatively, those that were more informed indicated they would have a shorter timeline to implement. This leads to the conclusion that if FIs were to educate its clients and prospects about RTP, they would be more likely to adopt and more likely to adopt sooner. This includes smaller businesses which may not necessarily be the current target of many FIs that support RTP, nor of those that are early in the planning stages.

FIs have a major opportunity to educate both their clients and prospects about RTP, while simultaneously creating a funnel for acquisition and cross-sell. FIs have a product with a lot of potential, and providing education for clients is an opportunity to discover and develop new use cases for RTP and even identify new target markets. This communication deepens client relationships and builds upon the business case for RTP more broadly across the FIs' portfolio.

Strategy for Software Providers

The party that is most behind in embracing RTP is the AR and AP software providers. Many are still coming to terms with the impact this technology will have on their market, as well as how it could or should change their product and business model. While Levvel does not predict a substantial change in the services and tools these providers offer, RTP will likely be a competitive differentiator for providers who use it to supplement their solutions.

Partnerships with FIs

Many organizations have AP, AR, ePayments, and ERP tools that play a crucial role in their payments process, so these softwares must also be compatible with the RTP network. As RTP grows in popularity, organizations will view integration to the network as a differentiator from other software and may eventually prioritize it as a must-have feature. The best way for software companies to offer RTP to customers is to form partnerships with FIs and enable it as a payment method available on their platform.

A partnership also makes the implementation process much easier on businesses. When organizations are implementing RTP, they do not want to have to reconfigure all of their existing systems. Software providers can help avoid this by making sure their software is able to communicate and interface with the FIs. This gives the end-user a seamless, frictionless experience. Ensuring communication with software providers is in real-time is also very important, as cross-platform visibility into transaction status reduces potential confusion and difficulties created by housing this information in separate systems.

> " Our organization is very large and has some decentralized financial departments. It would require a ton of hours to implement RTP. Perhaps more guidance on how to implement it without needing to hire outside help or guidance on how to implement it without an interruption in other payments. "
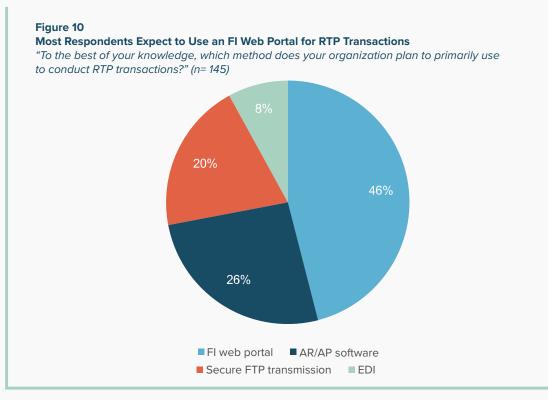>
> - Financial Strategy Manager at an Education Organization

Use Case Identification

The ability to send purchasing documents and information along with payments and requests increases visibility across payables processes, and represents a great opportunity for providers of payables software. In fact, many survey respondents recognize RTP as an opportunity to further automate their back-office operations. With the addition of RTP, these tools can work toward achieving many of the same goals.

Many respondents expect to be able to utilize RTP with their existing software **(Figure 10).** Software providers integrate RTP to afford organizations a multitude of payment method options. By not adding RTP functionality, many AR/AP providers are missing an opportunity to create a more consolidated and streamlined payments process for their customers and a competitive advantage for themselves.

Figure 10
Most Respondents Expect to Use an FI Web Portal for RTP Transactions
"To the best of your knowledge, which method does your organization plan to primarily use to conduct RTP transactions?" (n= 145)

Legend:
- FI web portal
- AR/AP software
- Secure FTP transmission
- EDI

Corporate RTP Survey, Levvel Research, 2020

Customer Education

Once again, education plays a large role in communicating to businesses that RTP is even a possibility. While organizations see a benefit to using RTP, they have uncertainty about whether or not their existing payment process can accommodate it. This goes beyond their FI offering RTP but also extends to their software providers. Therefore, the job of educating organizations also falls on those providers to clarify how their platform supports RTP and give their customers simple steps to rolling out the functionality.

> Technology providers or FIs can support our organization by providing a secure portal for the completion of multiple transactions per day, especially with regard to vendor and supplier payments, as well as with receiving payments from customers."
>
> - CEO at a Manufacturing Company

Conclusion

Real-time payments is no longer guesswork and speculation—it has been in existence for three years and is now accessible to the majority of organizations. Technologically advanced companies are now using the new method to increase efficiency and make their payment structure less complicated. RTP is a revolutionary development that will benefit many companies, but this will require an educational and technological refresh on the part of FIs, businesses, and third-party software companies. The best way to go about doing this is to encourage communication between the three and share best practices for making the RTP journey a successful one.

About the Authors

Major Bottoms Jr | Senior Research Consultant

Major Bottoms Jr is a Senior Research Consultant for Levvel Research based in Charlotte, NC. He plays a key role in the analysis and presentation of data for Levvel's research reports, webinars, and consulting engagements. Major's expertise lies in the Procure-to-Pay, Source-to-Settle, and travel and expense management processes and software, as well as technologies and strategies across DevOps, digital payments, design systems, and application development.

Chris Rigoni | Senior Financial Services Consultant

Chris is a Senior Financial Services Consultant who works across a variety of companies and industries to create strategic payments advantages. He has over eight years of experience in managing emerging payments and digital platforms and served as a subject matter expert in tokenization, digital product management, real-time payments, Zelle, and open banking. Chris spent five years at BBVA Compass, most recently leading business-efforts in the launch of Google Pay and Samsung Pay, as well as managing their mobile wallet offering. The last three years have focused on tokenization, Zelle, and real-time payments strategies within organizations of different sizes and needs. He currently resides in Charlotte, NC with his wife and two children

Other Contributors

Scott Harkey | Chief Strategy Officer and Head of Payments

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