



Do you have the payments efficiency edge?

**Build resilience with a strong
payments strategy.**

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Executive summary

Resilience: The capacity to recover from, or adjust easily to, difficulties or change.

If there's one strategic priority all organizations can agree on, it's resilience. The pandemic, in particular, showed that a successful business strategy has resilience at its core. This continues to be true in today's uncertain economic environment, and it will still be true in the future.

Resilience is especially important for the finance department, where leaders face a number of obstacles, from changing consumer preferences, to a risky data security landscape, to an unpredictable fiscal and geopolitical climate.

72%

of finance leaders say it's essential that they give their customers, patients or constituents the chance to pay via their preferred method.

But how can organizations achieve true resilience?

Our second annual survey of 250 finance professionals shows that having a strong payments strategy can make all the difference. We found that a small group of organizations with forward-thinking payment strategies is performing better than the rest: they receive fewer complaints, they're more efficient, and they're better at retaining customers and achieving consumer satisfaction.

We call them the Payment Leaders. And here, we look at how these organizations are:

- Controlling costs
- Building consumer loyalty
- Improving efficiency and productivity
- Focusing on security.

We also show you how you can follow their lead and use a robust payments strategy to become truly resilient.



The state of play: Resilience rules

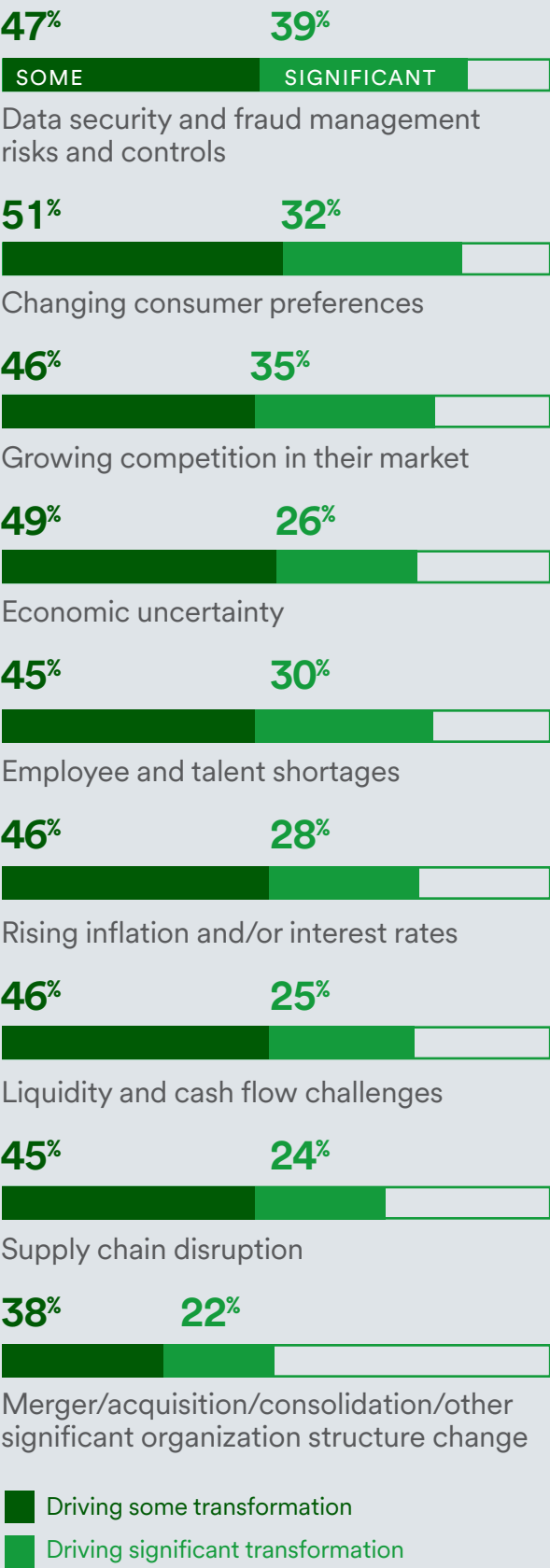
Today’s business environment is tough, and finance leaders are having to react to a range of challenges.

There are so many reasons for finance teams to enhance their payment operations, that economic uncertainty isn’t even at the top of the list. Other factors such as data security and changing consumer preferences are seen as even more critical by our respondents. This is reflective of the complex operating environment organizations face today, with consumer needs shifting at unprecedented speed, and fraud mitigation also comprising more elements than ever before – from technological advancements to evolving compliance legislation.

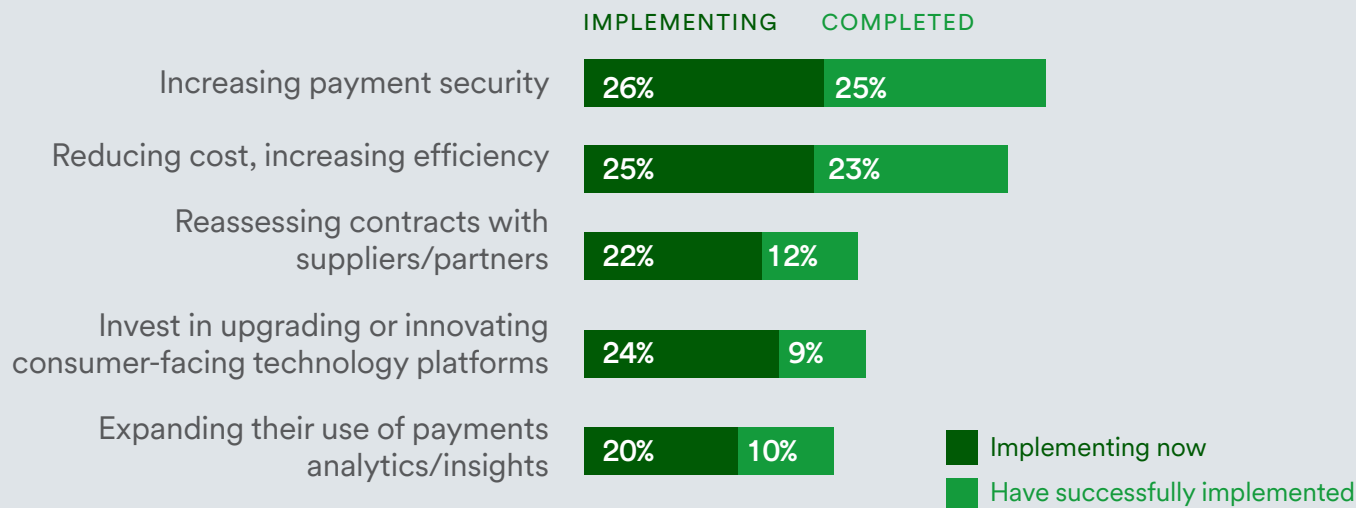
Cause of significant payment operations transformation, by industry

- **Retail:**
Data security, fraud management
- **Healthcare:**
Growing competition in the market
- **Lodging:**
Data security, fraud management
- **Government:**
Economic uncertainty

What is driving organizations to transform their payment operations?



Payment security is boosting resilience



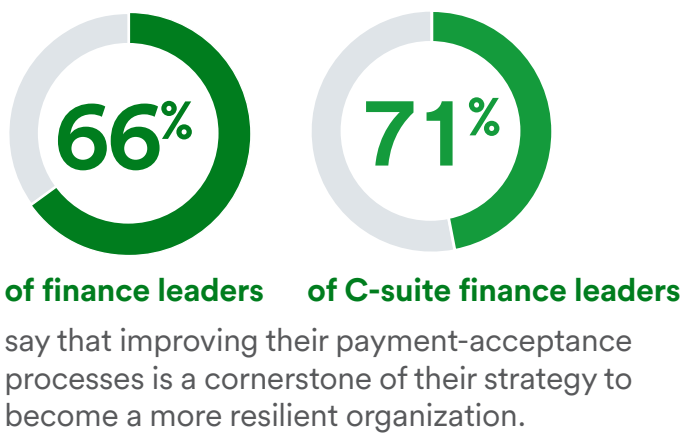
The right payments strategy can increase resilience

We asked finance leaders what they’ve done to boost their organizational resilience, and increasing payment security is top of their lists – across every industry. This is reflective of broader concerns related to the overall rise in cyber-crime and subsequent costs, which are expected to hit \$8 trillion in 2023.¹

Two-thirds of finance leaders say that improving their payment-acceptance processes is a ‘cornerstone’ of how they plan to become more resilient. And about half say they can’t be a resilient and successful organization without changing their payment operations for the better, and this increases to 58% of C-suite finance leaders.

Top actions organizations are taking to boost their resilience by industry

- **Retail:**
Reducing cost, increasing efficiency
- **Healthcare, Lodging, Government:**
Increasing payment security



How a robust payment strategy builds resilience



1. Cost control

Controlling payment costs can help build resilience. This is a proactive approach – card processing fees can quickly add up if no action is taken.

In our survey, 70% say keeping payment-acceptance costs low is of high importance as a way to control expenses. But this is an area where many struggle.

- **42%** say expense management has worsened in the past year
- **29%** say expense management has improved

Some organizations may not be aware that the card processing fees comprise three different fees. The percentage charged on every card-based transaction covers the interchange fee, which goes to the card issuing bank; the assessment fee, which goes to the card brands; and finally, the payment processor fee.

Working with the right **payment processor** can help organizations achieve cost savings through interchange optimization solutions. By analyzing and automating data capture, organizations can qualify for reduced interchange programs. Qualifying eligible transactions for a lower interchange rate can result in significant savings.

2. Consumer satisfaction

Payments are an important way to retain customers and achieve consumer satisfaction, which is crucial to driving revenue. Two in five of our finance leaders from the retail, lodging and healthcare industries say their organization has lost customers or patients within the past year because of a poor payment experience.²

- **66%** say that a more efficient payment process would improve consumer satisfaction
- **50%** have received consumer complaints within the past year due to a poor payment experience

There could be many reasons for a poor payment experience – from a slow or frustrating transaction, to not being able to pay with a preferred method, to security concerns. Regardless of why the experience does not meet expectations, it could have lasting impacts on reputation, loyalty and revenue.

Delivering an optimal experience that offers the right payment method with a timely checkout and proper security controls not only supports consumer satisfaction, but improves speed and efficiency.

3. Efficiency and productivity

Creating an efficient payments process can also help organizations improve their productivity.

- **63%** of finance leaders say that improving payments efficiency would free up their employees (and/or team) for more strategic projects and initiatives
- **67%** say that making their payment processes more streamlined would reduce the potential for human error and improve accuracy

Productivity appears to be another challenging area for many finance leaders: 30% say their operational efficiency has become worse in the past year.

By automating processes and effectively integrating disparate systems involved in payments, manual tasks for employees can be reduced. This frees them up to focus on higher value initiatives and activities.

Removing repetitive tasks can help alleviate staff burnout, and also has the added benefit of reducing human errors, which can be tedious to identify and correct. Increased automation can also create easier access to data for reporting and analytics, bolstering leaders' ability to make informed strategic decisions.

4. Security

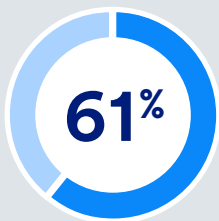
When it comes to building resilience, ensuring protection from fraud can save organizations from significant financial losses, reputational risk and attrition. Card fraud alone could cost U.S. companies billions of dollars by 2030.³

- **60%** of finance leaders say awareness of the need for security in the payment process has never been so high
- **Transaction security** is their number one factor in selecting a payment acceptance solution, finance leaders say

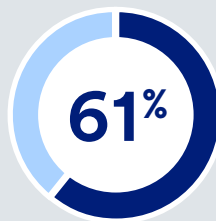
Organizations also know that security helps to maintain their consumer and partnership relationships: 72% say it is crucial for consumers and suppliers to feel the payment process is secure.

Consumers today are more aware than ever of what the impacts are of having their data stolen or compromised. If they don't feel the checkout process is secure, they aren't likely to buy. Reducing the risk of fraud not only supports a healthier bottom line but helps protect organizations from reputational damage and resulting lost business.

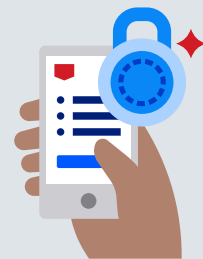
Our survey shows that C-suite finance leaders are even more concerned with security than other senior finance leaders.



of C-suite finance leaders say that **transaction security** is one of their top three factors when choosing a payment acceptance solution, compared with **49%** of finance leaders overall.



of C-suite finance leaders in the retail, healthcare and lodging industries say that a customer or patient would turn to one of their competitors if they didn't feel secure making a transaction, compared with **54%** overall.



Transaction security and **fraud management** are the top priorities for C-suite finance leaders receiving B2B payments. For finance leaders overall, it's controlling payment-acceptance costs.

The challenges of building an effective payment strategy

Finance leaders understand how strategically important payments are, but only 28% describe their payments strategy as ‘advanced’ or ‘very advanced’. More than a third (39%) say their strategies are not advanced.

Payments strategies that are advanced or very advanced by industry



Retail
39%



Healthcare
24%



Lodging
27%



Government
22%

Contactless cards are considered nearly as popular as physical cards



Physical card
68%



Contactless card
62%



Cash
48%



Digital wallet
37%



Buy now, pay later
28%



Check
21%



Pay by text
4%



Crypto currency
3%

What's holding them back?

It's difficult for organizations to keep up. Payment preferences are changing, and so are the security and technology environments they operate in.

Finance leaders in our survey reported that contactless card payments (those which are tapped rather than dipped) are now almost as popular as physical card payments with consumers.

Finance leaders know they have to keep up with these developments: 72% say it's essential that they give their customers, patients or constituents the chance to pay using their preferred method. This can require investment in systems, hardware and resources which may hold back organizations that lack funding or stakeholder buy-in.

And disruption in the payments landscape isn't going away: digital wallet payments, for instance, are set to surge in popularity.² The recent introduction

of ecommerce-focused Paze shows financial institutions are focused on evolving the digital wallet offering to increase ease and security for consumers and the organizations that serve them.⁴

This constant change is forcing leaders to strategize to overcome new challenges and come up with new ways to win loyalty.

But finance leaders are also feeling the pressure to keep up with evolving security regulations and requirements. About two-thirds say that it's a challenge to keep up with new security technology in payments.

When it comes to B2B payments, 44% say that transaction security and fraud management is in their top three priorities, but of those only 17% say they can manage fraud and secure transactions all the time.

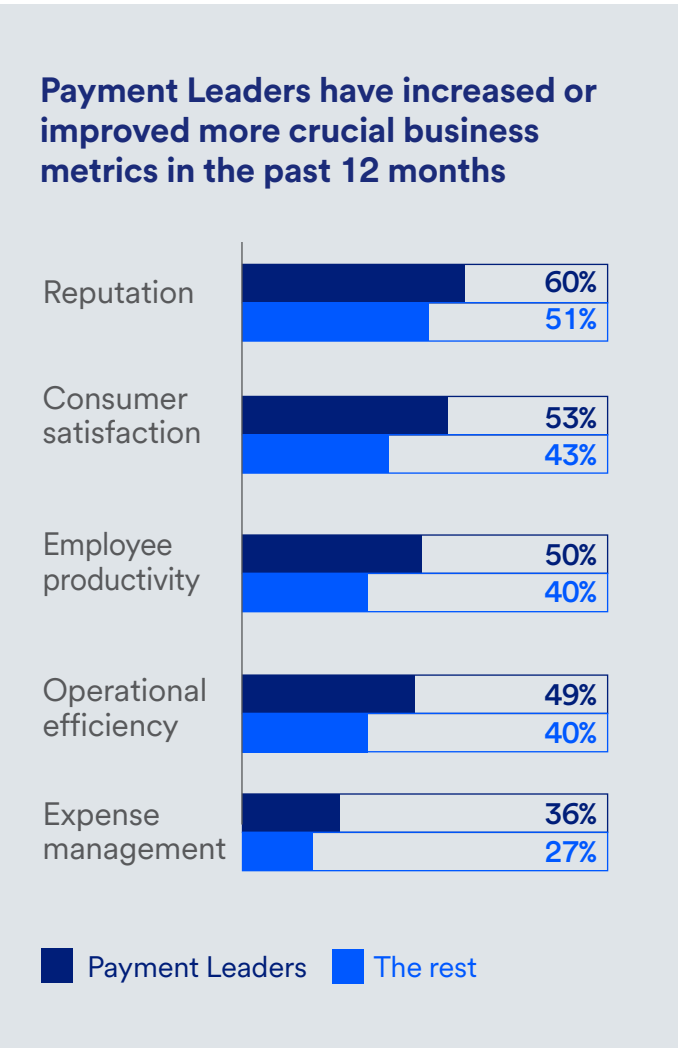
Meet the Payment Leaders

It takes a lot of effort to keep up with the complex landscape, and this is likely preventing organizations from updating their payment strategies. But our research shows that if they do, it will help to build their resilience.

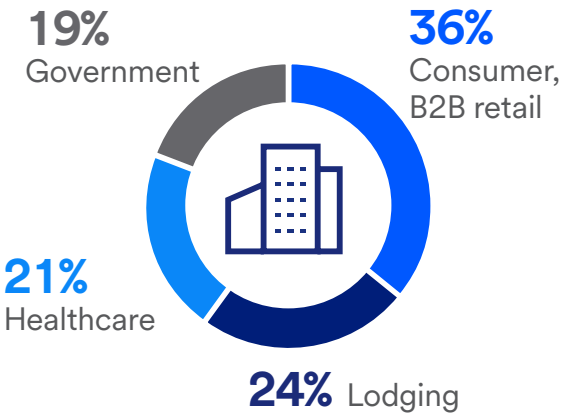
Our survey identifies a small group – just 28% of the organizations we surveyed – that has invested in building a strong payment strategy despite the tricky environment. These are the organizations that describe

their payment strategy as either ‘advanced’ or ‘very advanced.’ We call them the Payment Leaders.

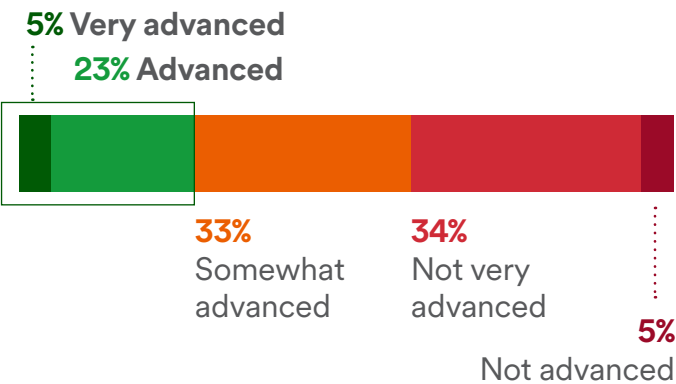
The Payment Leaders’ forward-thinking strategies are paying off. They outperform the rest of the organizations in our survey on almost every important business metric – from reputation to operational efficiency. In the past year, they are more likely to have improved both their consumer satisfaction rates and employee productivity.



Payment Leaders by industry



Payment Leaders have (very) advanced strategies



The benefits don't stop there.

We also asked respondents about their priorities for receiving B2B payments, and then we asked how often they achieve those priorities. The Payment Leaders were far more likely to say they achieve their priorities all the time.

For example, they are more than twice as likely to control payment-acceptance costs all the time, and twice as likely to reduce or eliminate paper checks all the time.

The Payment Leaders that compete with rival organizations are also significantly less likely to have lost customers or patients to them in the past year.² And an impressive 80% of the Payment Leaders say they have achieved payments efficiency at their organization – meaning they have made the payment-acceptance process as fast, seamless and secure as possible. Among the rest of the organizations we surveyed it was just 36%.

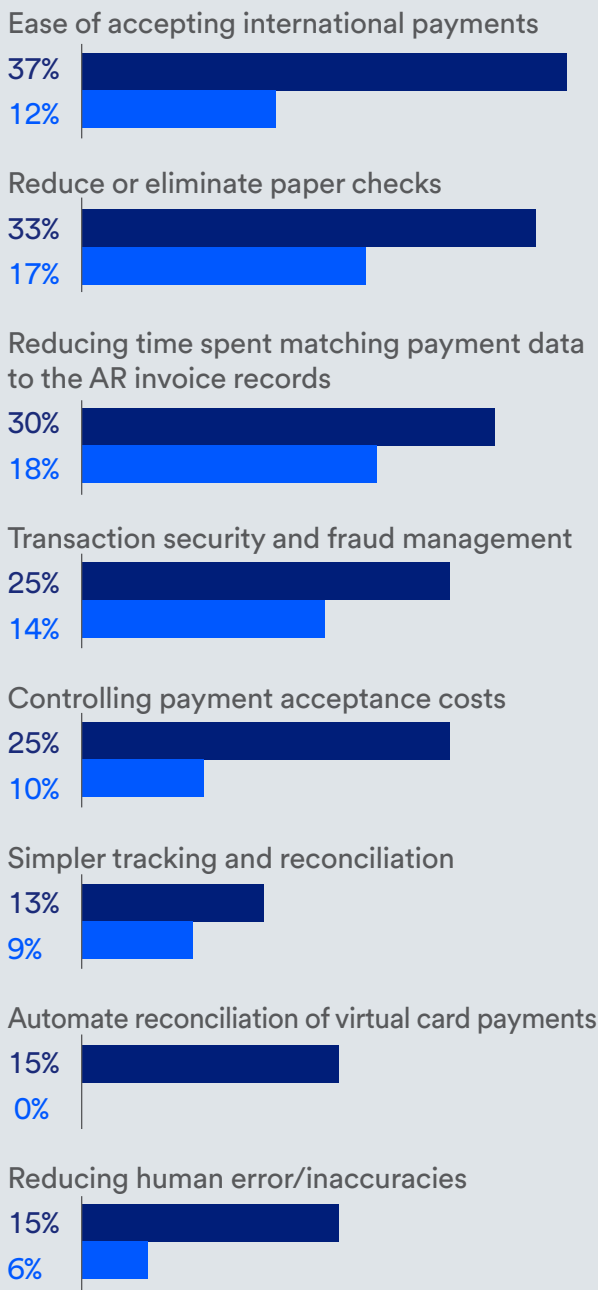
The bottom line: the more advanced an organization's payment strategy, the better their business outcomes are likely to be.

26%

Payment Leaders that have lost customers or patients in the past year because of a poor payment experience, compared to 47% of the rest.

The Payment Leaders are more likely to meet their B2B payment priorities all the time

Chart shows the extent to which organizations can meet the B2B payment priorities they selected in the previous survey question.



Payment Leaders The rest

How do the Payment Leaders do it?

The Payment Leaders know – in order to be a resilient organization they must have a strong payment strategy. So they’ve established a strong strategic culture across four areas where payments can have an influence.

1. Cost control

Payment Leaders are more likely than the rest to have taken action to reduce costs, or be in the process of reducing costs, in order to build their resilience.

They are also more likely to have reassessed or be in the process of reassessing contracts with their suppliers and partners, and to be seeking or have sought more cost-effective payment acceptance methods, for the same reason.

2. Consumer satisfaction

The Payment Leaders are more likely than the other organizations in our research to say that payments can improve the consumer experience and loyalty:

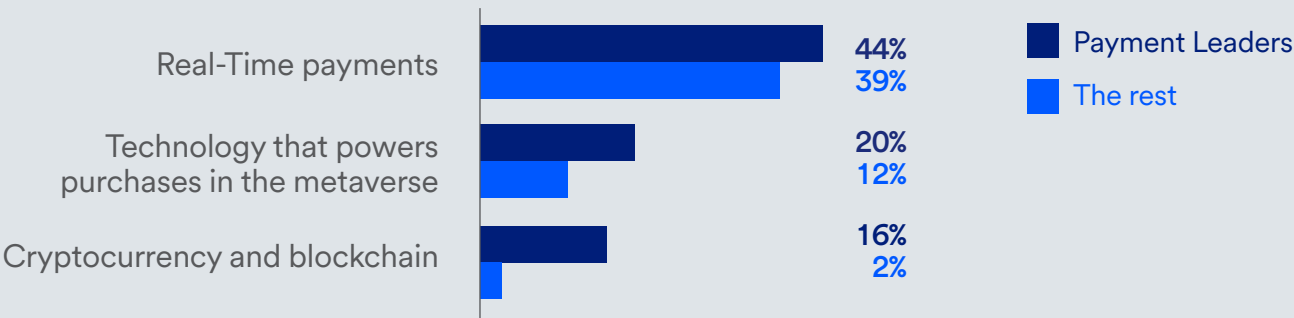
- **69%** say that improving payments efficiency would give their employees more time to engage in complicated or nuanced interactions with customers, patients or constituents, compared with 48% of the rest

- **71%** of the Payment Leaders agree that the payment experience can make or break their relationship with their market, compared with 66% of the rest

And these beliefs are more likely to be held for every type of payment received – 70% say the payment experience is as important to retaining business customers as it is to retaining individual consumers, compared to only 61% of the rest.

The Payment Leaders are also more likely to invest in innovative payment technologies to continue to meet consumer expectations of speed and convenience. They are more likely within the next year to invest in real-time payments and technology that powers purchases in the metaverse, and significantly more likely to be investing in cryptocurrency and blockchain.

Payment Leaders are more likely to be investing in innovative payment technologies





58%

of the Payment Leaders are either taking action to increase their payment security or have implemented security measures to boost their resilience, compared with 47% of the rest

3. Efficiency and productivity

The Payment Leaders are more likely to be focusing on improving their internal efficiency in order to boost their organizational resilience:

- **41%** are transforming or have already transformed their back-office payment processes to increase resilience, compared with only 22% of the rest of the respondents
- **36%** are improving or have already improved their reporting and reconciliation processes to increase their resilience, compared with 28% of the rest

4. Security

The Payment Leaders are more aware than the rest of the respondents of the need for security during the payment process:

- **66%** say that awareness of the need for security in the payment process has never been this high, compared with 57% of the rest
- **58%** are either taking action to increase their payment security, or have already implemented security measures, in order to boost their resilience, compared with only 47% of the rest

Payment Leaders are more likely to be focused on reducing costs

Chart shows percentage of organizations which are taking or have already taken action

Reducing cost, increasing efficiency

53%
46%

Reassessing contracts with suppliers and partners

40%
31%

Seeking more cost-effective payment acceptance methods

37%
29%

■ Payment Leaders
■ The rest

Payments power: Create the culture, reinforce resilience

Our research shows that more advanced payment strategies help finance leaders create better business outcomes.

To reproduce the success of the Payment Leaders, it's important to recognize the crucial role payment acceptance plays in regard to organizational resilience. Many of the headwinds organizations face are out of their leaders' control, but if you focus on the payment process and keep up with consumer

preferences, you'll cut a lot of your unnecessary costs and increase consumer satisfaction.

Add to that the data security and fraud management advantages, and the productivity gains that come from streamlining internal processes, and it's clear that payments are a powerful tool. If you're one of the many finance leaders seeking to strengthen organizational resilience, you need to unleash that power – soon.



About the research

The data in this report comes from a survey commissioned by U.S. Bank and conducted by FT Longitude, a Financial Times company, in May and June 2023. The survey sample consists of 250 senior finance, treasury and revenue management executives evenly distributed among four sectors: consumer and/or B2B retail, healthcare, lodging, and state and local government. Of the respondents, 60% work in organizations earning \$500 million or more in annual revenue and 40% in organizations with between \$50 million and \$499 million in annual revenue.

About U.S. Bank

Our industry leaders understand the nuances of your industry and provide personalized guidance to help keep your revenue cycle and financial operations running smoothly.

We offer banking, payment and investment solutions to enable your organization to deliver a better financial experience and sustain healthy revenue.



Sources:

1 www.forbes.com/sites/chuckbrooks/2023/03/05/cybersecurity-trends-statistics-for-2023-more-treachery-and-risk-ahead-as-attack-surface-and-hacker-capabilities-grow/?sh=3cbe58c119db *

2 We didn't ask government organizations this question, because they're usually not in competition with other organizations.

3 www.paymentsdive.com/news/card-industry-faces-400b-in-fraud-losses-over-next-decade-nilson-says/611521 *

4 <https://thefinancialbrand.com/news/payments-trends/paze-digital-wallet-aims-for-ecommerce-edge-over-apple-pay-161074> *

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