True Impact of Failed Payments

Our global study delivers a snapshot of cross-border Account-to-Account (A2A) payments performance and outlines the cost and operational impacts of failed payments. Find out how fast payments solutions, such as payment processing APIs, are helping payments teams realize higher straight-through processing rates and add greater strategic value.

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The Global Economy Runs on Efficient Cross-Border Payments

Businesses and financial institutions rely on exceptional straight-through processing rates to protect the integrity of critical supply chains and prioritize seamless experiences across global customer bases. Rapid digital acceleration in the payments space raises customer and supplier expectations for payments experiences balancing speed, accuracy and safety at every touchpoint. How well are global businesses delivering on these expectations?

This study explores a current snapshot of cross-border payments performance on a global scale by assessing **insights garnered from 400 payment executives** representing leading corporations and financial institutions across the APAC, EMEA, LATAM and North America regions. Find out the direct and indirect costs of failed payments. Learn the most vulnerable cross-border routes and explore the strategies adding value by elevating payments efficiencies across enterprise operations.

This True Impact of Failed Payments study was independently conducted in the fall of 2022 by Capgemini Invent® on behalf of LexisNexis® Risk Solutions who was not identified to participants as the research sponsor.

Unless otherwise stated all findings in this report come from the 2022 LexisNexis® Risk Solutions True Impact of Failed Payments Study

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Payments Fuel the Global Economy

The rapid expansion of digitally connected commerce has propelled payments from being the endpoint of a transaction to playing an essential role in global supply chain efficiency and end-to-end customer ecosystems.

Global commerce is in constant motion. The effectiveness of the payment flows moving the global economy forward depend heavily on the efficacy of cross-border agreements, the reliability of counterparty relationships and the accuracy of the global payments data underpinning every transaction.

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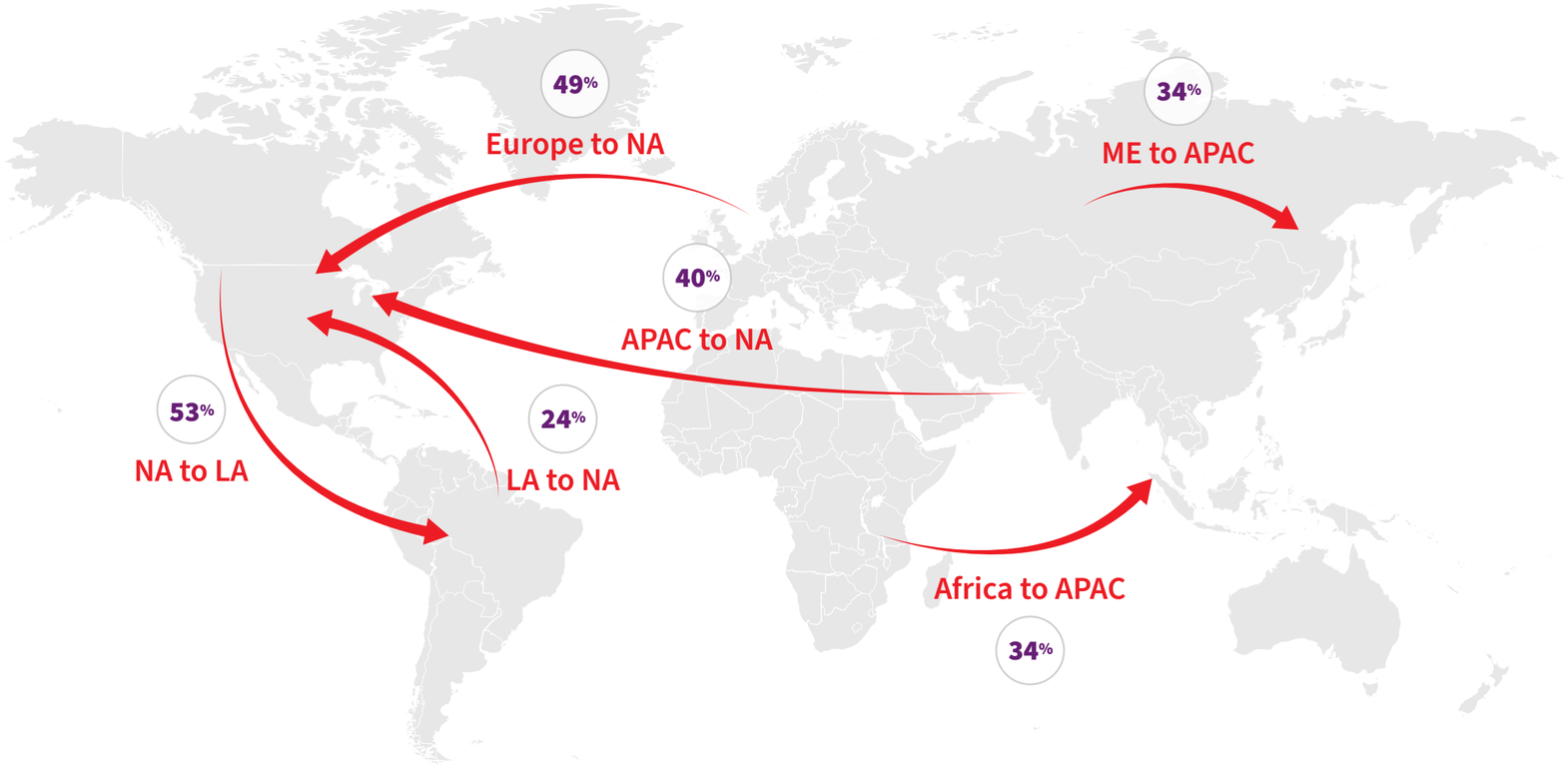
Global Snapshot of Cross-Border Payment Flows

Most popular cross-border payment routes, shown by percent of companies among respondents

North America is the main destination, which is not surprising given the importance of the USD in global exchanges.



"The regions representing our biggest cross-border challenges are the U.S. and LATAM. Missing banking details and master data cause issues in the U.S. Navigating various local regulations in the LATAM market is also challenging."

Head of Accounts Payable, German Manufacturing Company

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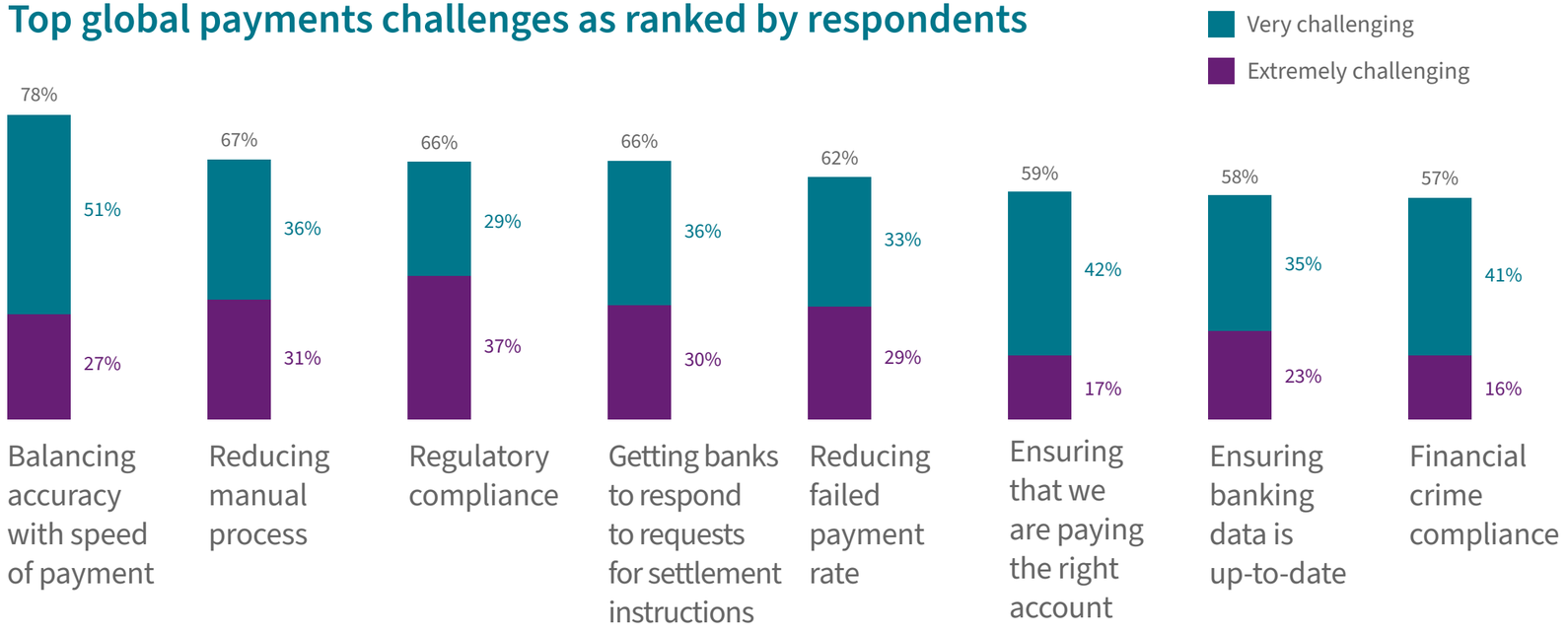
Accuracy and Speed are Essential to Cross-Border Payments Efficiencies

Three most important factors for payments processing as ranked by respondents

Top global payments challenges as ranked by respondents



“Balancing accuracy with the speed of the payment and ensuring the banking data is up-to-date are still extremely challenging aspects of our payments processes. Sanctions and regulatory compliance are also steadily rising up to the top of our payments challenges as volatile geopolitical conditions make ensuring compliance more and more of an issue.”

Group Treasurer,
UK Oil and Commodities Trading Company

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26% is the Average Global Straight-Through Processing Rate

Average percentage of payments that are straight-through processing (STP)

Global average

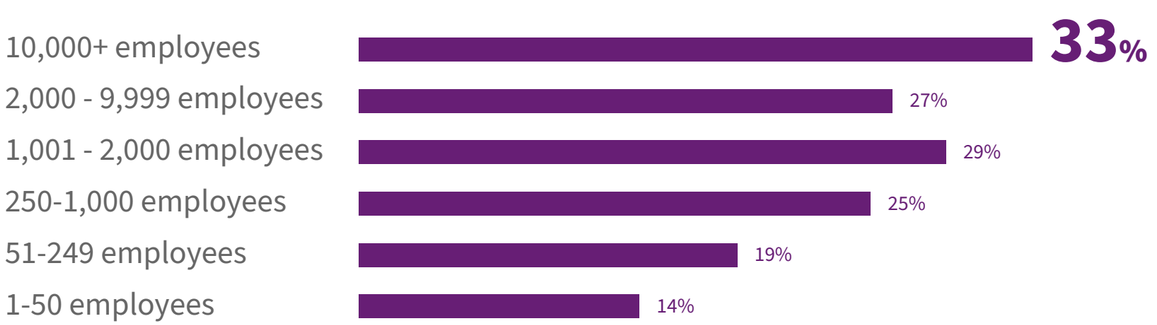
26%

Key Takeaways

STP rate is equal to **26%** at a global scale, ranging from 21% in LATAM to 29% in North America.

This average rate hides significant differences among countries (e.g. Germany has an STP rate of around 37%) and type of industries (40% for wholesale banking, 32% for consumer products and 29% for energy and oil companies).

It seems that the respondents have a strict definition of STP, including only full end-to-end automation of payments, which explains the low percent on average.



Large companies have a significantly higher STP rate of **33%** compared to small companies with circa 14%.

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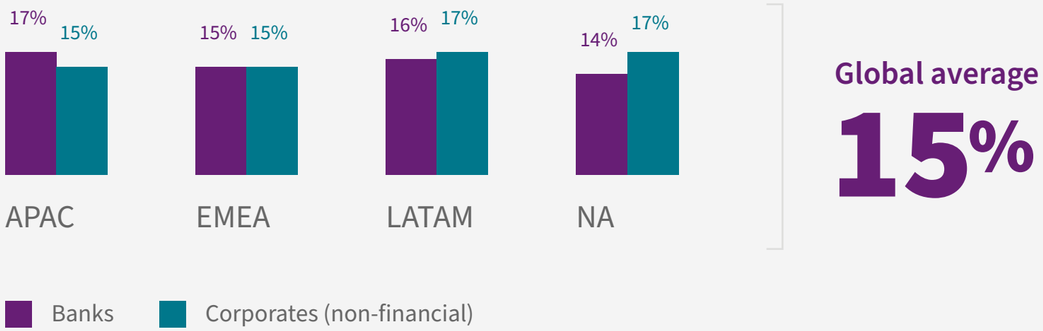
15% of Global Payments Require Additional Enrichment

Average percentage of payments requiring additional enrichment, checking with the beneficiary or repair before processing



Global average

15%

Key Takeaways

Circa **15%** of payments require additional enrichment to be processed on a global scale.

Banks and corporates have around the same rate of payments requiring additional enrichments.

STP rate based on additional enrichment rate

Companies with a **low rate** of payments requiring additional enrichment have a **better STP** rate by an average of 7 basis points (32% vs 25%).

“Approximately 2-5% of our payments need additional enrichment. We see rejected payments mostly occurring due to currency issues. Our biggest payments delays are usually tied to banks blocking the process due to missing data or incorrect formatting.”

Group Treasurer,
UK Oil and Commodities Trading Company

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Payment Failures and Repercussions

The Direct and Indirect Costs of Failed Payments Impact Sustainable Success

Suppliers and consumers expect universally consistent, reliably secure and fast payments experiences over every channel and modality.

The ability to deliver seamless straight-through processing and responsive security across the payments spectrum is a critical competitive differentiator in today’s crowded marketplace. Businesses failing to perfect that balance face the detrimental impacts of repair fees, supply chain disruption, productivity losses and customer attrition.

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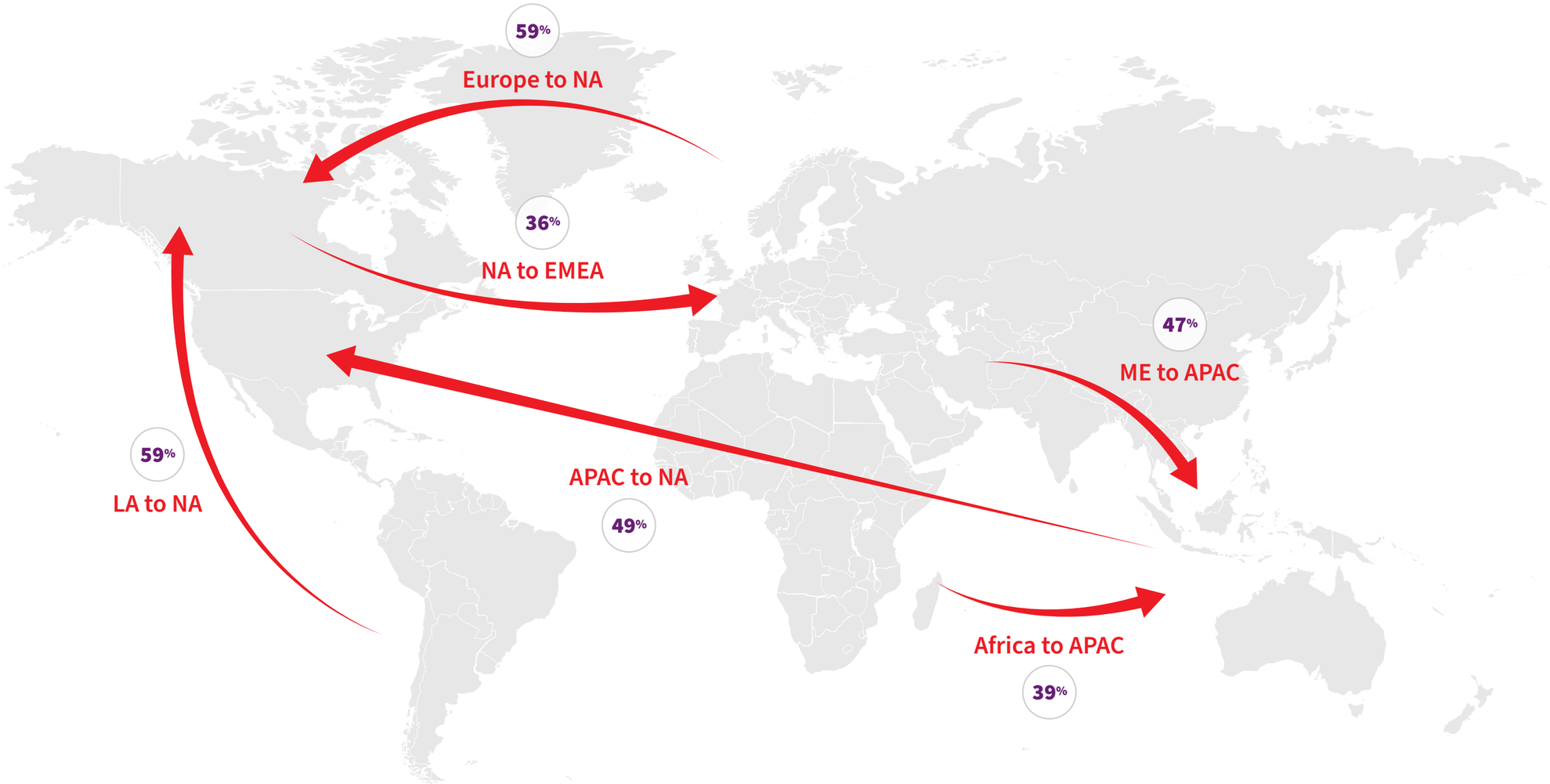
Vulnerable Routes for Cross-Border Payments

Cross-border payment routes with highest failed payments, shown by percent of companies among respondents



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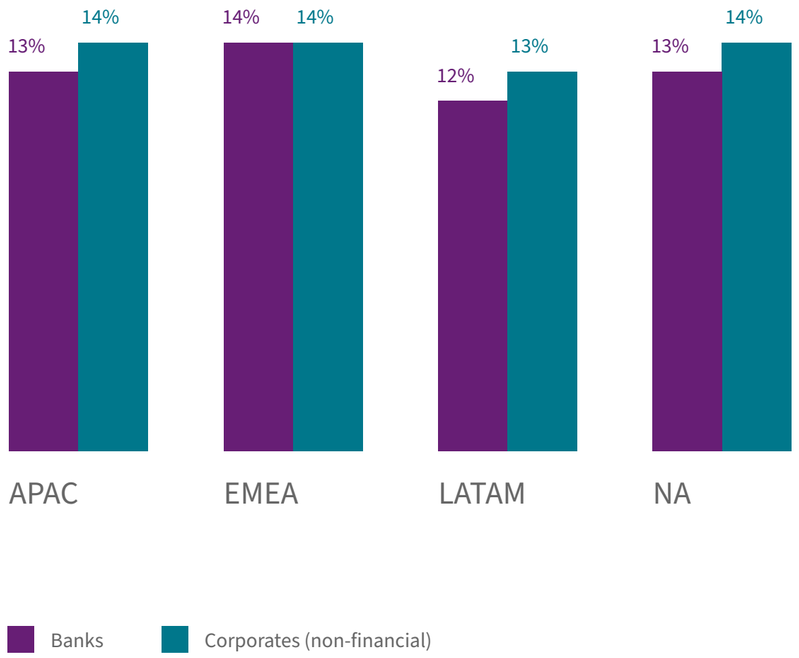
14% of Cross-Border Payments Incur Additional Charges

Average percentage of cross-border payments incurring charges from a banking partner



Key Takeaways

A global average of **14%** of cross-border payments are not completed and incur charges from a banking partner.

Our study finds no big differences per region, or banks vs. corporates, due to the fact that large banks and corporates included in this survey operate at a global scale.

This figure includes all payments that have not been processed as expected (late payments, cancelled payments, reversed payments or cut-off time issue) as well as failed payments due to technical issues (e.g. wrong reference data).

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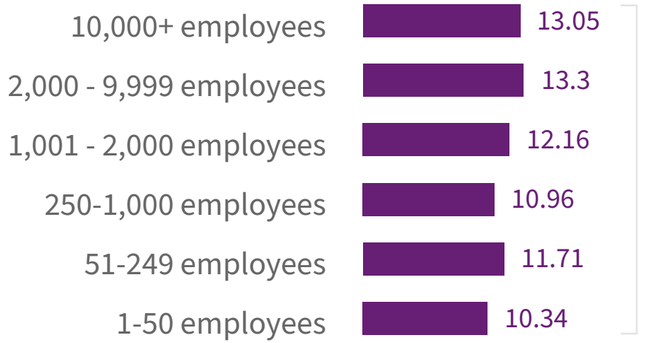
$12 USD is the Average Fee for Rejected or Repaired Payments

Average per payment fee incurred when either the payment is rejected or repaired, in $USD



Global average

$12.1

Key Takeaways

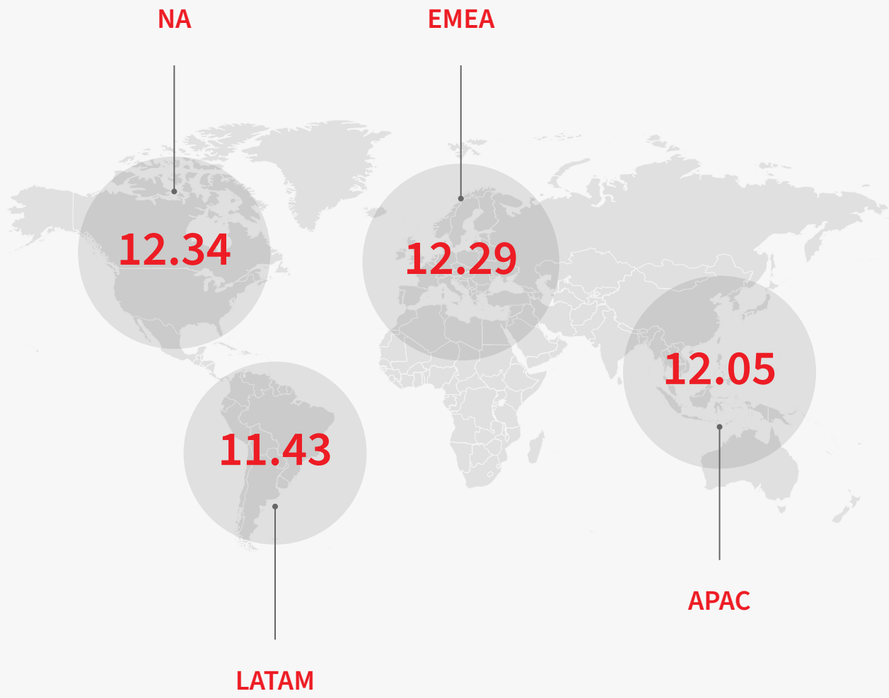
$12 USD is the average fee global respondents incur when either the payment is rejected or repaired.

More than **70%** of respondents are currently not satisfied with their payment failure rate.

Fees are higher for large companies. This could be explained by the involvement of more expensive banks or more advanced solutions.

The cost of failed/repaired payments by region

See $USD per region:



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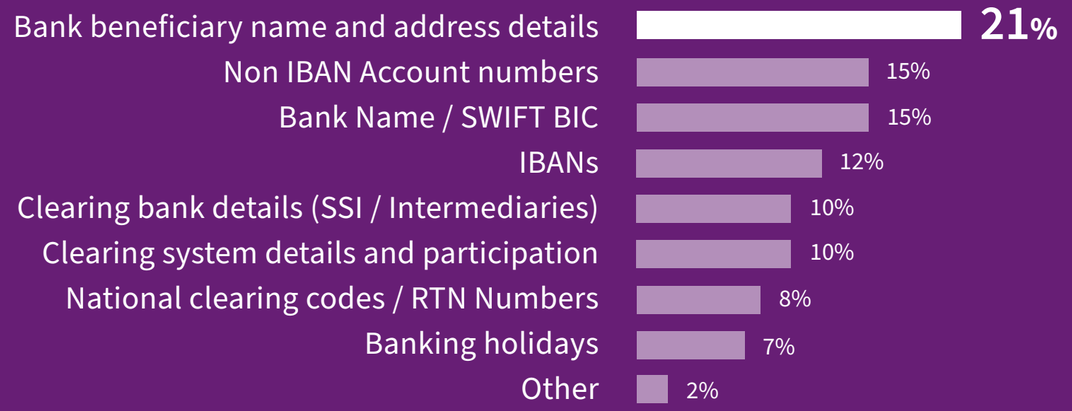
Inaccurate Payment Details Drive Failures and Delays

Source of payment delay or failure

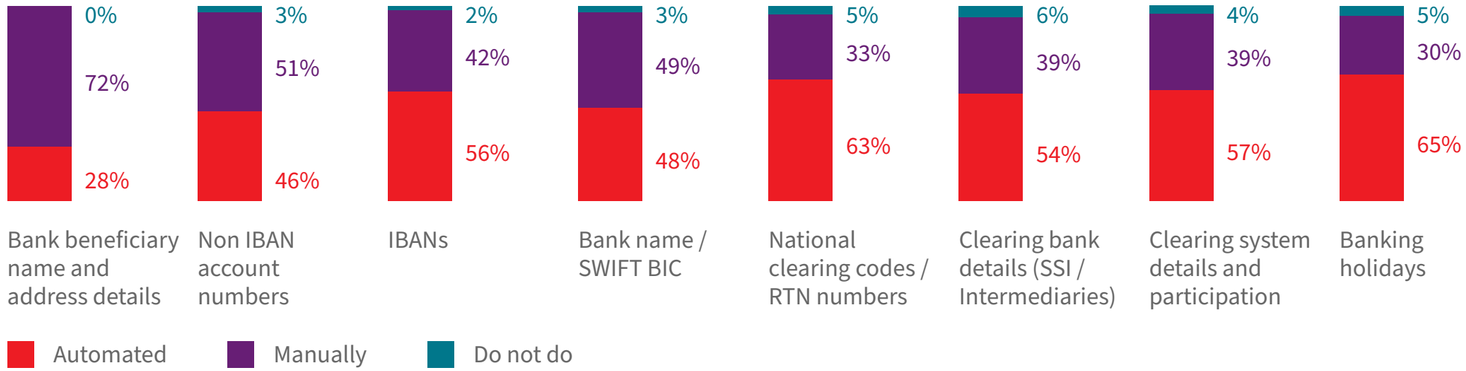


Key Takeaways

The main source of failure comes from bank beneficiary name and address details, manually checked by 72% of respondents.

This is followed by issues connected to account numbers (IBAN and non IBAN).

How does your organization check any of the below payment data elements before sending the payment?



72% of respondents still manually check bank beneficiary name and address details, which creates a lot of friction and manual operations in payment processes.

Non IBAN account numbers are also still checked manually by **51%** of our respondents.

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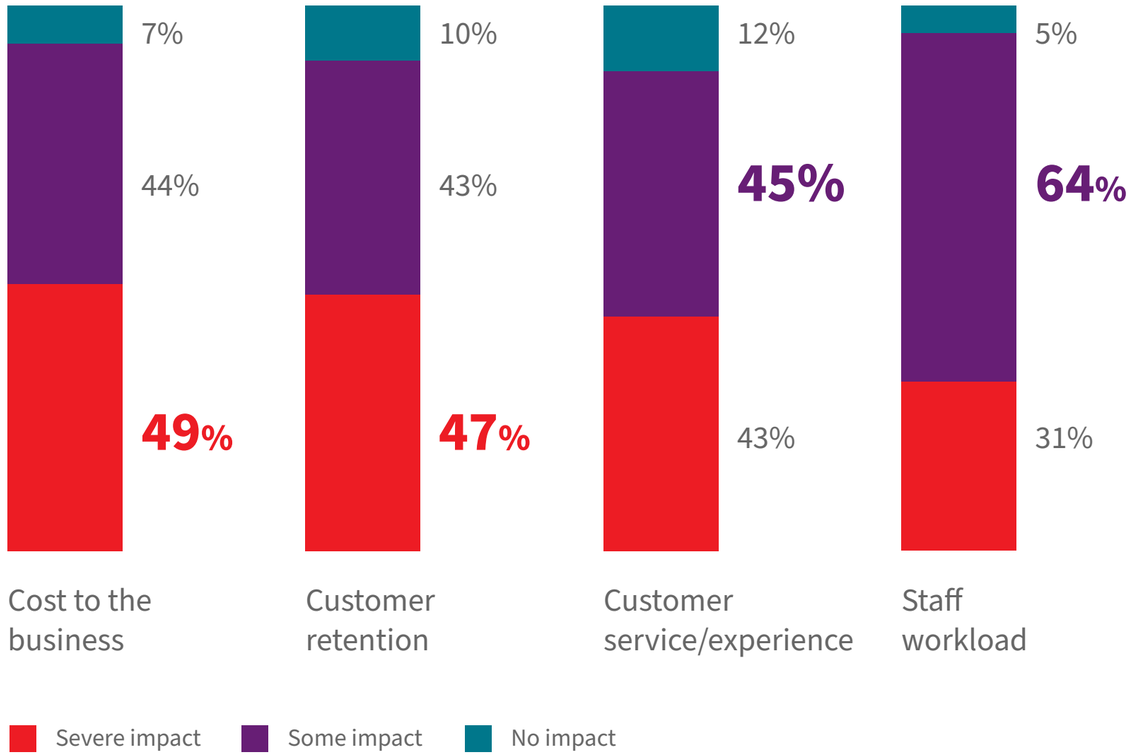
Broken or Failed Payments Add Up to Increased Indirect Costs

Impact of broken or failed payments as ranked by respondents



Key Takeaways

Issues tied to:

- Costs
- Customer retention
- Customer experience

are the most severe enterprise impacts of broken or failed payments.

“Failures add up to millions in costs to our business, even at a low volume of failed payments. Payments failing due to currency issues and missing validation of instruction has direct cost impacts and also indirect cost impacts on productivity and customer experience.”

Product Manager Cross-Border Payments, Multinational U.S. Financial Institution

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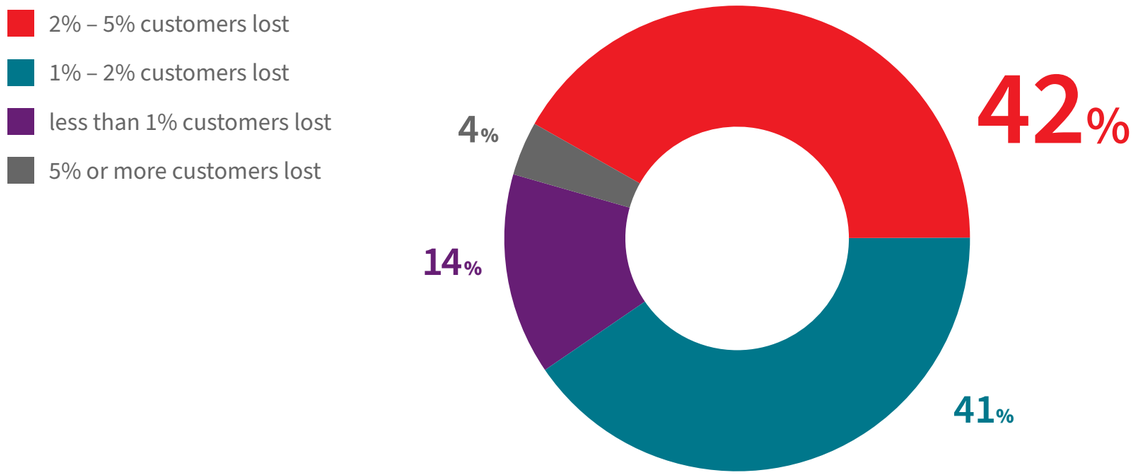
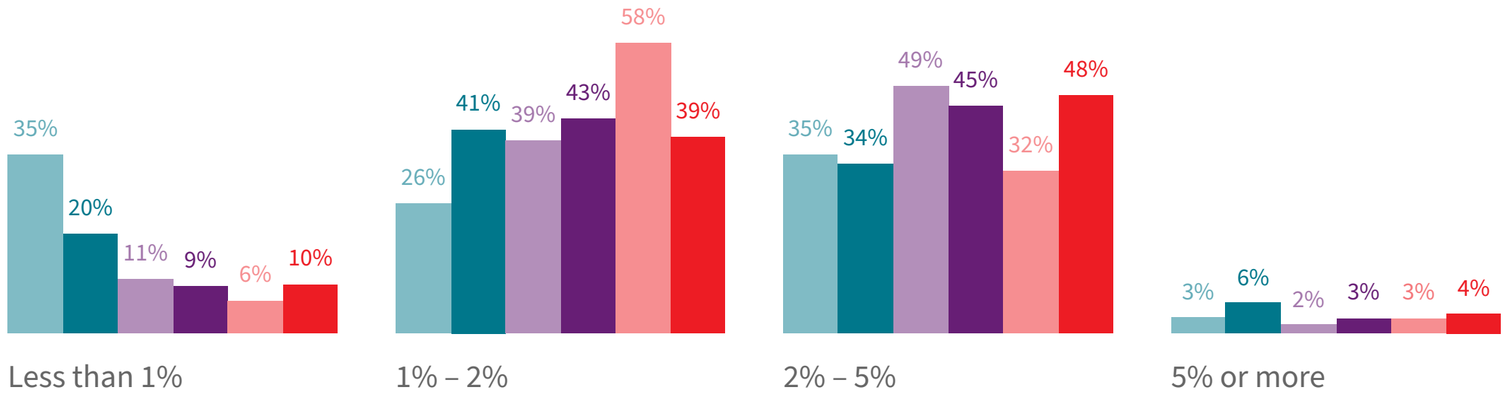
Half of Respondents Report Losing 2% or More of Their Customers Due to Failed or Delayed Payments

Percentage of customers lost due to failed or delayed payments





Key Takeaways

Companies estimating a high percentage of **customers lost** due to failed or delayed payments have a **higher STP rate** on average. This shows that customers benefitting from high level of STP payments and automation are very sensitive to failed and delayed payments.

Largest (10k+ employees) and mid-sized (250 – 1,000 employees) companies seem to **lose a higher percent of customers** than small companies.

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Lost Customers Translate into Lost Revenue

STP rate based on percentage of lost customers

Key Takeaways

Lost customers translate into lost revenue.

Around

50%

of respondents report they have lost more than

2%

of their customers due to failed or delayed payments.

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Elevating Straight-Through Processing Rates

Significantly Improving Straight-Through Processing Rates is a Universal Business Imperative

Increasing straight-through processing rates to avoid the impacts of failed payments is critical in today's evolving economy. Payments automation is opening opportunities to optimize end-to-end payments efficiency, improve payments experiences and capture greater cost and operational synergies.

Integrating advanced API payments technologies with more accurate global payments data is the first step towards raising straight-through processing rates and realizing measurable gains across global payments workflows.

> "We are always focused on improving STP rates. We also need solutions that work with our SAP systems to help us increase automation, integrate technologies and improve payments data visualization."

Group Treasurer,
UK Oil and Commodities Trading Company

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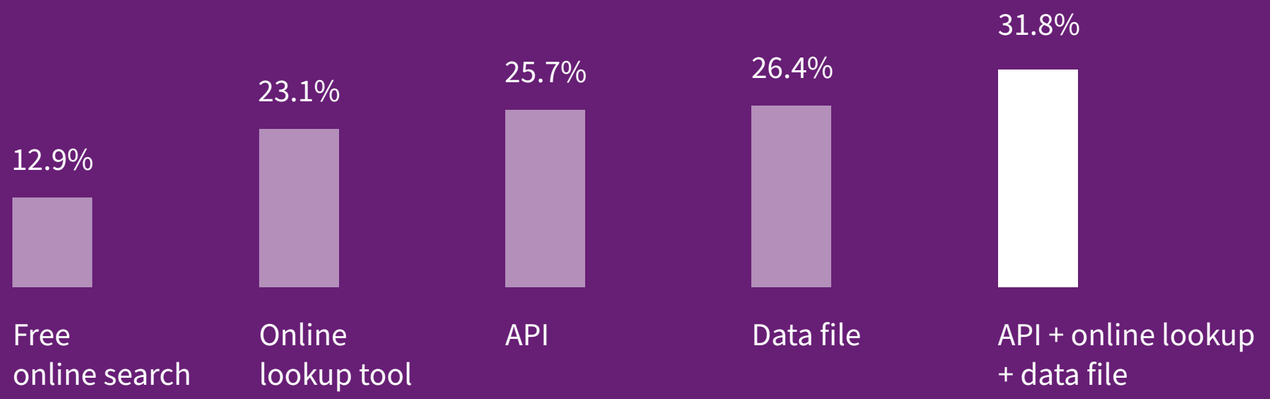
A Combination of Advanced Payment Tools and Data Elevates STP Rates

STP rate based on access to payment data solution

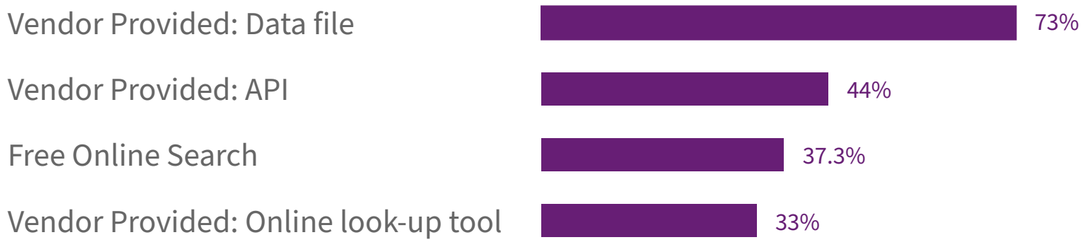


Key Takeaways

Companies using more advanced tools to access payment data solutions have on average a better STP rate.

The best STP rate is obtained by companies leveraging several tools to access payment data solutions.

How do you access payments reference data?



Data file is by far the preferred solution to verify payments reference data with **73%** of respondents using it, followed by vendor provided API (44%).

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Payments Perspectives in Practice

Effectively controlling payments operations costs is critical against today's global backdrop of deteriorating macroeconomic conditions and rising inflation pressures. **Organizations expect the payments function to contribute greater strategic value at the enterprise level** by helping extend capital efficiency and leverage liquidity. Operating margins are contracting as capital costs increase which leaves little room for payments failures, costly errors and delays. **The direct and indirect cost impacts of failed payments erode profitability** in a climate where businesses need their money to work harder than ever.

Payments efficiency also plays an integral role in the customer and supplier outcomes that underpin long-term business performance. **Accuracy, speed and security are competitive differentiators in the payments space.** Failing to deliver seamless customer and supplier experiences can damage supply chain integrity and drive up customer attrition rates.

Organizations strategically leveraging API technology and real time global payments data are realizing higher straight-through processing rates as they rein in the wasted expense and productivity losses tied to failed payments. Integrating advanced payments solutions that agilely scale to meet market and operational demands puts the **payments function in an optimal position to create enterprise cost synergies and contribute greater overall value.**

Dalbir Sahota,
Senior Director of Product Management,
LexisNexis® Risk Solutions

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Make Cross-Border Payments Faster and Cost-Effective

Today's dynamic payments climate demands a level of speed, accuracy and safety that prioritizes customer and supplier experience at every touchpoint.

Our automated payments solutions and more accurate global payments data enable global businesses to achieve higher straight-through processing rates to **support seamless and more cost-effective cross-border payments experiences.** Raise payments efficiency and enterprise performance to the next level.

For more information, visit:
risk.lexisnexis.com/bankers-almanac-validate

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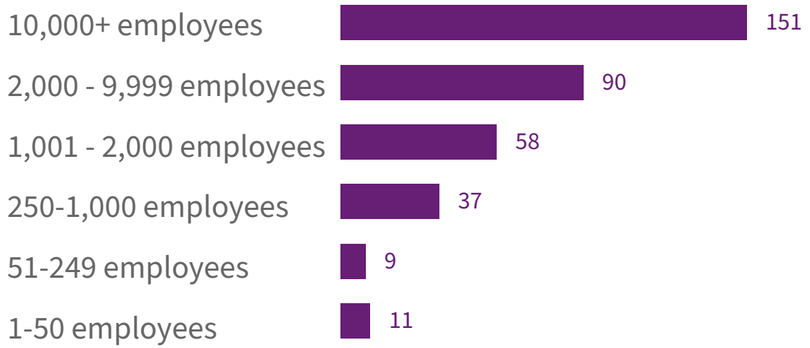
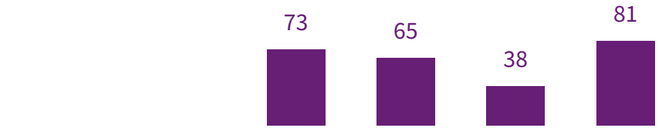
A Closer Look at the Payments Teams Participating in our Study

Approximately, what is the size of the team in your organization responsible for managing account-to-account (bank to bank) payments?

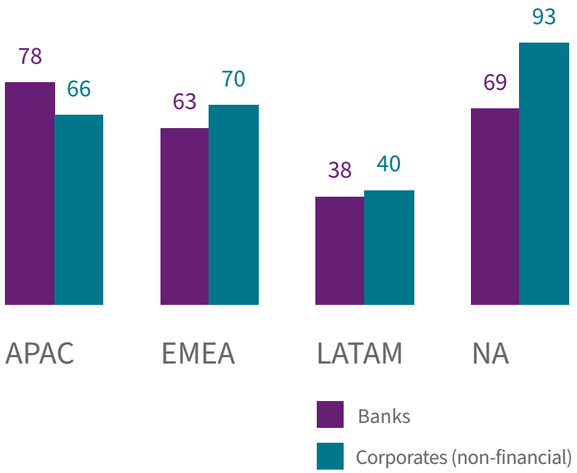


Payment team size per region



	APAC	EMEA	LATAM	NA
Avg company size	7 112	6 024	3 266	7 408
Payment team % of FTE	1,0%	1,1%	1,2%	1,1%

Approximately, what is the size of the team in your organization responsible for managing account-to-account (bank to bank) payments?



Key Takeaways

Average payment team size for large companies (> 10k employees) of around **150 FTE**.

Average payment team size: around **1%** of total workforce, similar in all regions.

Except in APAC, banks tend to have smaller payment teams than corporates, due to a higher level of **automation**.

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For more resources and top-level infographics, visit:
risk.lexisnexis.com/failedpayments

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