Boom or Bust: The faster payments draft for financial GMs

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The prospects for faster payments are ready, and you’re on the clock. It’s time to see what will be a boom — and what will be a bust. Can you make the right call for your financial team?

We love following drafts for major professional sports. Each prospect goes through intense training and marketing just to get on a general manager’s radar during draft season. But for every major draft pick that establishes a successful career dozens of other picks fizzle out.

Faster payments solutions work in the same way for your business’s payments strategies. Each solution has been widely marketed, and it’s unclear how each will fare in the larger market. Will it boom, or will it bust?

Every general manager needs an adept scouting team to assess prospect capabilities. It’s not just a matter of assessing the talents of each, it’s also about potential fit with your organization’s culture and style of play. At U.S. Bank we see ourselves as the payments scouts for your financial general management. Let’s take a look at each major faster payments solution and envision scenarios where each could be a boom or a bust for your payments strategy.

Same Day ACH: The college veteran
Think of Same Day ACH as the established veteran quarterback who led the team to consistent bowl appearances in college. This player is not necessarily flashy, but consistent and familiar with your playbook. It wouldn’t take long to integrate this player into your team’s game plan.
Here’s how Same Day ACH could be a boom or a bust:

• **Boom**
  – Requires minimal investment from IT or educational perspectives
  – Includes extensive remittance capabilities, and can provide automation services
  – ACH already has significant volume today; same day merely enhances an existing capability
  – Same Day ACH is the only option that has a debit component

• **Bust**
  – Process is not immediate, occurs daily but not in real-time
  – Same Day ACH debit adds a layer of complexity making it critical to have appropriate controls in place to detect fraud and early processing
  – Limits transactions to less than $25,000, and this limit likely won’t quickly increase to match other options in the market
  – Due to traditional functionality, if Same Day ACH starts to trail behind other newer options it might never catch up

**Zelle®: The up-and-coming superstar**

If Same Day ACH is the established veteran, then Zelle would be an up-and-coming prospect with wide support from the establishment. This player has been on the draft boards of many financial institutions, especially as they look to compete with players already in the market (like Venmo).

Here’s how Zelle could be a boom or a bust:

• **Boom**
  – Zelle truly addresses a significant issue in payments: consumers don’t always feel comfortable sharing their bank information and businesses don’t want to go through the hassle of collecting it for infrequent payments
  – P2P sharing is already visible in the consumer space (PayPal, Venmo), so other providers have already made inroads on education regarding alias-based payments
  – Consumers only need to register once and then anyone can pay them
  – Many consumers registering with the bank in which their bank account resides provides security and money-access benefits versus similar competitive solutions

  – Supports both fast and standard payments, so it provides payment timing flexibility
  – As the network grows, companies only need to depend on their own firm from an investment and technology stand point; they wouldn’t be dependent on similar investments from other organizations to utilize the service

• **Bust**
  – Consumers must register for the service, which could be a barrier for some
  – Fast payment implementation could be challenging, as consumer experiences and transaction limits may differ based on which bank they use
  – Existing competitive solutions have a lead on Zelle in the market

**Mastercard Send/Visa Direct: The familiar prospect with new skills**

Some factors are simply innate with the prospect — they come with the territory. For Mastercard Send and Visa Direct, the connection with those respective debit card networks brings great benefits for faster payment transactions. However, this player carries some restrictive factors that could slow your playbook development.

Here’s how Mastercard Send and Visa Direct could be a boom or a bust:

• **Boom**
  – Simple process for consumer — they have their wallet, and they likely can quickly find their debit card number
  – Businesses can use Send and Direct to pay international recipients, which is a key challenge for faster payments in general
  – Debit card networks are already in place, so setup is minimal
  – The Send and Direct models will integrate with other solutions such as Zelle

• **Bust**
  – Requires compliance with Payment Card Industry (PCI) data security standards
  – Consumers who have identify theft concerns may not wish to supply card numbers
  – Issues with cost structure: Interchange with debit card payments may require higher fees than some competitor solutions
Real-Time Payments: The raw recruit with enormous potential
While this player may need the most training and development before reaching the big leagues, potential is immediately apparent once scouts witness the capabilities. Real-Time Payments (RTP) can help address some of the biggest challenges within the payments industry, though the rookie contract likely won’t be cheap.

Here’s how Real-Time Payments could be a boom or a bust:

• Boom
  – The only solution offering enhanced capabilities beyond speed for B2B processing
  – RTP directly addresses why companies still use paper for processing
  – It’s not that companies just want an electronic payment solution, they want to automate everything
  – Format and messaging support should automate many manual processes and the format (ISO20022) is a global standard, making it easier for some to adopt
  – More so than the other options, RTP is all about the data
  – Can connect remittance data and references with external data sources to improve processes

• Bust
  – Initially, payers aren’t able to get access to all banks — it would only solve a portion of their payment needs
  – May require significant IT investment to adhere to ISO 20022 standards
  – Faces competition in the B2C space with Zelle, Visa Direct, MasterCard Send, Venmo, etc., which are further along in popularity and adoption
  – Dependency on trading partner utilization to gain traction with B2B payments; need both payers and receivers to utilize RTP to facilitate transactions
  – Starts off with a $25,000 limit, just like Same Day ACH
  – Note that this limit is temporary and will likely elevate as customers familiarize themselves with the platform

Build your playbook for long-term success
The draft process — whether in sports or in finance — is always littered with risk and unknowns. It’s impossible to truly make selections with any guarantees or certainties. However, this doesn’t mean that it has to be a complete guessing game. With a good scouting process, you can identify the top prospects and measure potential success before making the pick. If you’re in need of a good scouting team, we’re here to help.