The Road to US Real-Time Payments Adoption: Use Cases, Use Cases, Use Cases
Foreword

By Alfred Carpetto, Head of Payments Strategy, Americas, Finastra

As technology has grown more advanced, and the world more connected, the ability to send and receive payments instantly is now the expected new norm. In many countries it is mandated.

Statistics show that 85% of businesses have either already implemented or plan to implement real-time payments by 2023.

Why? Because modern customers don’t have two business days to wait for a payment to process.

People want constant, instant access to their money at all times. Half of banking customers use a website or mobile app at least once a week, and three quarters of them already use digital payment technology in some capacity.

It is therefore essential to meet customers where they do business.

However, large-scale change doesn’t happen overnight. It’s a process that involves not just implementing the right technology but shifting the culture and workflow expectations across your organization. Real-Time Payments processing needs to be used as the driver to improve the customer experience from a servicing perspective not just move the money faster.

That’s why leveraging new tools, like a state-of-the-art instant payment system, can seem daunting. Combine that with tech teams that are already juggling a plethora of tasks, and innovations can stall.

Innovation is crucial to growth and required to grow and compete. The digital payment market is expected to grow by about $23.5 billion by 2024, and real-time payment systems are a huge part.

So, what can organizations do?

Innovation is the name of the game. It’s all about meeting and exceeding the demands of today’s customers.

Legacy systems at some organizations can take as long as two business days to process payments. RTP solutions provide 24/7 access, meaning they’re always online to process transfers. Deploying a cloud based RTP solution gives customers a superior experience and gives you greater flexibility. The solution connects the payment with payment data together in a single transaction.

These solutions enable people to have faster access to funds and offer a more integrated ecosystem for their payments. For example: customers can get confirmation notifications that provide peace of mind about every transaction.

The US has lagged in terms of real-time payments but is rapidly catching up. Customers are demanding them, but for financial institutions, the use case for adoption is sometimes less clear.

In this report, Celent explores the broad lessons that the US can learn from other markets as the Fed prepares to launch FedNow in 2023, peppered with use case examples. I hope you enjoy the report and if you have any questions, please reach out to Finastra. We are at the forefront of the technology needed to facilitate RTP solutions and we would be happy to help you in designing a solution that achieves your strategic objectives.
THE ROAD TO US
REAL-TIME PAYMENTS
ADOPTION

Use Cases, Use Cases, Use Cases

Gareth Lodge

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INTRODUCTION

Real-time payments have been around for more than 40 years and are present in over 50 countries. The US has one live system—RTP from The Clearing House (TCH)—with FedNow from the Federal Reserve on its way. Volumes and participation are currently low, but demand is high, as demonstrated by the uptake of Zelle. So how should financial institutions be approaching real-time payments?

Figure 1 shows the progress of the adoption of real-time payments in 2019. Indeed, such is the pace that by the time you look at the chart, it will likely be missing some flags! By 2019, the combined volume of these systems was in excess of 50 billion transactions a year, with at least seven countries processing more than one billion transactions each. Indeed, in 2020 India alone grew by 15 billion transactions, with an average of 39% growth globally. 2021 figures when they’re available will likely see similar growth.

Yet despite the US featuring on the chart, of the largest 15 countries ranked by GDP, the US is alone in not having significant volumes of real-time payments. Indeed, almost every country on this chart has greater volume than in the US.

Figure 1: Real-time Payments Are a Global Phenomenon

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<td>Vietnam, Hungary, New Zealand, Ethiopia, Indonesia, Myanmar, Peru, UAE, Canada, US (Fed)</td>
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Source: Celent
This shouldn’t be conflated with a lack of demand or interest. Zelle is a clear example. While TCH’s RTP and FedNow have more than 200 financial institutions signed up, Zelle has 850 active participating financial institutions and users from more than 7,000 financial institutions. Despite this, US banks and credit unions regularly comment to Celent that they don’t see the benefit of offering it, despite their clients clearly demanding it. To be fair, Zelle doesn’t fully meet the Celent criteria of a real-time payment system to be included in the chart above, but clients don’t know that, and it is only a relatively small distinction of choosing not to support payment flows between any type of participant.

This highlights there is great opportunity for real-time payments in the US. What shouldn’t be forgotten is that the US now has a real opportunity to accelerate that growth.

For more than a decade, Celent has worked on or researched real-time systems from all four corners of the globe. Each system is unique, born out of the needs and demands of that market, shaped by the existing infrastructure, and bound by the technology available at the time the project began. Yet these systems share many common elements, either thematically or in detail, and these commonalities are increasing with every system. This is because each system has the benefit of learning from the knowledge of what has gone before. Not every system chooses to do so, for a variety of reasons, but there are certainly elements that are emerging as the building blocks. For example, most systems built today are account-to-account and not use case specific, and ISO 20022 is the standard they are built upon.

This creates greater possibilities in the future, such as interoperability between country schemes, or cross-border systems that sit atop different countries. Perhaps more importantly, it means that there are 40 years of lessons and experience from which the US can learn. Will every lesson be exactly right? Undoubtedly no. But will there be something so unique to the US that no lessons can be learned? Absolutely not.

What follows are some broad lessons that the US can learn from other markets, peppered with use case examples. If nothing else, the US should learn one key lesson: The secret to success is use cases.
LESSON ONE: MINDSET

It is possible to succeed in real-time payments by just launching as a faster ACH transaction, focusing on the fact that it’s even faster than Same Day ACH. But that will miss many of the possibilities that real-time payments could deliver for a bank and its clients. Step one, then, is thinking about real-time payments differently.

This is the shortest lesson in the report, but by far the most important. Often in our conversations with US banks, it is clear they believe that real-time payments are a “P2P thing.” Furthermore, with Zelle, CashApp, Venmo, and many other solutions, the market is well served already. A second but less frequent theme is that it is a faster Same Day ACH. While neither is fully incorrect, it does highlight that banks have mentally pigeonholed real-time payments as a flavor of their existing portfolio of payment options rather than starting with the assumption that it is different. There is good reason for this.

It is important to remember that real-time payments are the first new payment option that banks have launched in over 30 years, and most banks don’t have a true product manager for their non-card payment products. Their managers do a great job of managing the product, but at least in ACH, they don’t typically sell it as a product like, say, a mortgage where, along with features, you also promote the benefits. Instead, banks should take a step back and think about what it could be and how it differs from other payment types. If they don’t, there is a danger of a self-fulfilling prophecy—if they think it is only P2P, that’s likely what it will become. How it differs from other payment types, and why that matters, is covered in detail in later lessons. Many of these differences are things that matter a great deal to banks, such as fraud and settlement, but matter less to customers.

It sounds obvious, but banks seem to forget customers. One common theme is that banks don’t see the business case for real-time payments, rather than, “Is there a demand from our customers?” Here, the answer seems apparent—Zelle processed more than 466 million transactions in Q3 2021 alone, with customers from 7,000 financial institutions using Zelle. (Note, though, that while still impressive, “only” 1,700 of those financial institutions have signed directly with Zelle.) The implication is unmistakable: Zelle being on track to exceed 2 billion transactions in 2021 is a clear indication that customers want real-time payments and they will go direct if their bank or credit union doesn’t offer them.
In a previous report, Celent also noted the need for a mind shift change around who operates the networks. A common refrain is that smaller banks don’t want to use big bank networks, explicitly calling out TCH as an example, and that they will wait for FedNow. Yet this seems obtuse at best. First, the vast majority of volume falls in TCH—banks using their ACH account for 86% of all originated volumes and 61% of received volumes. Most volumes are usually to or from a large corporate—mortgage payments, insurance, utility bills, etc. With the Federal Reserve (at the time of writing) continuing to not address interoperability, it would seem shortsighted to choose the smaller network with fewer of the entities that clients need. Furthermore, many of the smaller banks use other services from Early Warning, the company that operates Zelle. Yet the ownership of Early Warning comprises the very same banks behind TCH. It’s difficult, then, to understand the antipathy toward TCH.
Banks are also missing an obvious additional aspect. Many banks have invested in technology to make client interactions increasingly instant and 24/7, from customer service to loan decisions. Yet should the client accept the loan offer, the disbursement to their account is rarely instant—indeed, some banks still cut and post checks! It is not just the speed, but the automation of the process, the efficiency, and the customer experience. While interest rates and acceptance will remain the key drivers of choice, experience in other markets shows that consumers will choose the financial provider who gives the best (perhaps a synonym for easiest) experience fastest, all other things being equal.

Banks need to remember that payments may be something that they have to do, but nobody wakes up in the morning with a burning desire to make a payment. To spend money, perhaps, but it’s the why that matters most. Making that experience as easy as possible will increasingly become a differentiator. Starting with an open mind about real-time payments is critical not just for success in real-time payments, but increasingly payments as a whole. Banks should be thinking about the various facets of real-time payments and not just speed.
LESSON TWO: MORE THAN JUST FAST

When banks are at the start of their real-time journey, real-time payments come to mind first. We often think about speed and little else. Yet there are a number of aspects that are just as valuable.

Some banks have perceived real-time payments as “faster ACH,” in part because some of the so-called non-bank real-time payment solutions use ACH rails. Yet while speed is obviously a key element, there are many others as well. Below is a breakdown of some of the key attributes.

Speed of Payment
As the saying goes, the clue is in the title. Real-time payments are increasingly instant. Early versions were called “faster” because they were faster than alternative payment methods for all parties involved. Their aspiration was for a similar experience to using a card at a checkout or a payout at an ATM. Today though, instead of being up to 20 seconds long, they are now measured in milliseconds. The vast majority are truly real-time and instant.

Irrevocable, Good Funds
One of the truisms about payment is that it is as much about the certainty of a payment as the actual speed. For example, direct debits are very successful because there is predictability about when the money leaves one account and hits the account of the recipient. It allows greater cash flow planning by both parties.

That doesn’t mean, though, that once a payment has hit an account (i.e., been posted) that it can’t be recalled. Receipt of payment is not the same as knowing the funds are both guaranteed and available for use. It’s unusual, but most payment types have the same issue. It is only when bank notes are deposited at a bank that most small merchants know whether any of them are fraudulent. Checks can bounce, be reversed, or be cancelled. Worse, some banks may even charge the recipient.

TCH’s RTP scheme operates like many others around the world in that once it has left the sending bank, it is irrefutable. The distinction is important, as the recipient knows when they see it, they can use it. For a small business, that could be an acceleration in working capital measured in days.
24/7

Many payment systems allow payments to be made 24/7—they just don’t get processed end-to-end 24/7. Cash and cards may seem like they are, though of course most merchants will not get the full benefit until it is paid into their account. When talking about 24/7, many bankers think of their clients paying bills late in an evening. Yet it’s simpler than that. Only a handful of banks are open on a Sunday, but who hasn’t eaten or shopped on a Sunday? Instead, 24/7 would be better thought of as “always open” and perhaps “even when we’re not open.” This helps clarify the opportunities real-time payments can support.

A Single Message

One of the key elements that makes a real-time payment is that it is a single message. There’s a large discussion that can be had (but not here!) about the difference between bulk and batch, but the key point in this discussion is that they are processed individually, each in real time—a key difference from batch payments, where processing typically takes place at a later point in time. That makes it much simpler to manage through APIs and business processes. This distinction matters as the payment can be embedded in a chain of events, allowing for greater levels of automation, which in turn results in greater speed across the entire transaction. For example, when a factory order reaches a certain stage, it automatically triggers a request for payment. On receipt, there’s an automatic release of the goods from the factory gate and the initiation of a shipping request. This process today can take days, if not weeks. On the payor’s side, a similar process can take place. The sending of the payment can be based on a set of criteria as well—when there are sufficient funds, for example, or when an early payment discount makes this the optimal time to pay.

While listed separately, often it is the combination of them that is the game-changer. The ability to bake into value chains has only partly existed:

- The payment itself was one of the weaker parts of the payment process, not least because of speed and certainty.
- Many ERP systems were batch.
- APIs have only just become widespread among banks.

Open Banking and real-time payments together create significant opportunities, but as examples later demonstrate, thinking about the facets in combination highlights the opportunities.
LESSON THREE: FOLLOW THE MONEY

One of the first questions banks ask is, how do I make money from real-time payments? This is despite them not making direct revenue from other payment types, nor often understanding the indirect costs and revenue either. Who will pay and why, and the consequences of charging, are concepts to understand.

The questions are understandable. Without a mandate that means banks have to offer real-time payments, banks will need to create business cases for the investment, including a view on the return on their investments. On the cost side, cloud-based solutions are providing lower cost (note, not low cost) points of entry. The bank will still need to update many other things—anything and everything that touches the payment within the bank also needs to be real-time, 24/7, single message, etc.

The conversation then invariably turns to revenue, and almost always first, P2P. There are good reasons for this, not least some of the non-bank apps that have gotten significant traction, and the fact that it can be difficult to send money between individuals quickly. Many banks have experimented with charging, with limited success. Instead, banks should think about the ecosystem more broadly. Breakdowns for the US are not available, but other markets follow broadly the same pattern. Of the total volume of payments, regardless of their type, around 6% are P2P, and of those, many are payments to ultra-small businesses like plumbers. Typically, consumers don’t pay to send or receive payments. But 74% of payments start or finish with a business, and businesses always pay.

Instead of looking to charge for every transaction, banks should consider what will drive volumes where they can charge. This focused approach will give the greatest return. For banks with businesses, the key will be encouraging consumers to use real-time payments, for two reasons.

First, they will start to ask the businesses they interact with to offer real-time payments, whether sending or receiving. As critical mass grows, those businesses who do offer real-time payments start to create pressure on those businesses who do not, creating a flywheel effect. This process has been seen many times in many other countries!

Second, those consumers will go to work and will begin to ask why if they pay for bank services, they get a poorer service, driving demand internally.

Those banks with only consumers should turn to how they make money and how real-time payments can differentiate their own offerings. For example, loans are increasingly decided instantly, and low interest rates make it a very competitive market. Most payouts though still can take days—indeed, posting checks for the loan amount still occurs. A real-time payment of the amount could be
differentiating proposition in the short term (and an expectation in the longer term), but perhaps more importantly, more efficient to administer for the bank, improving margins.
LESSON FOUR: USE CASES, USE CASES, USE CASES

Banks don’t think about payments very often, and consumers think of them even less. For many banks, real-time payments will be the first new payment product they’ve launched in decades. Leaving it to chance that customers will understand the benefits real-time payments could give them undermines all the money and hard work that has gone into delivering real-time payments capability in the first place. Globally, the most successful banks in real-time payments are those that have left nothing to chance.

Use Cases are Key

Lesson Two focused on the attributes of a real-time payment, as they have an impact on the experience as well as the benefits. While there are many common aspects, there are enough variations or subtleties that it is worth creating a wide range of use cases to test that the benefits are clear and the experience is thought through. The use cases also make it much easier to explain to clients why they should be using real-time payments, especially to corporates where the headline cost is likely higher than an ACH transaction.

What follows is a range of use case examples that is far from exhaustive. Instead, it is meant to highlight that real-time payments have a range of benefits and aren’t merely faster Same Day ACH. Banks will want more detailed outlines and flows both internally and externally. That can’t be done here, as things such as technology, payments strategy, and prioritization all obviously have a large influence on how they are considered, let alone achieved.

The use cases are grouped into three broad areas—instant payments, instant banking, and building blocks. In some regards, this is probably the order in which banks should approach the use cases. The choice of the word “instant” is deliberate, as we distinguish between the payment type and the broader customer expectation that everything is, well, instant. That extends to the entire process, not just the payment part.

Many of the use cases relate to common business problems and/or opportunities so it is important to be clear what the benefits are and why. That will enable better brainstorming of other related opportunities, either by similar types of business or businesses that may have similar problems. For example, one use case outlined below talks about displacing cash at a quick service restaurant. Some elements will be unique to that type of business—in this instance, payroll—but others (efficiency, business insurance premiums, and the like) will be applicable to a broad range of businesses that use cash.
Using Payments to Drive Greater Process Efficiency

In most instances, the use cases here are about displacing other forms of payments. Bill pay is a good example. Many bill pay solutions charge not insignificant fees for expedited payments, which are usually card based. Real-time payments could offer a cheaper solution for all concerned. Coupled with RfP (Request for Payment, known as RtP—Request to Pay—in other markets), there is an opportunity to offer alternative payment dates or installments. This helps those who can’t pay, rather than won’t pay, as it splits the cost or moves it until after the next paycheck.

Often it is about speed, but it’s also often about certainty, usually about efficiency, and sometimes about other factors too. A good example is that of a quick-service restaurant or similar. Often these businesses have casual staff who work flexible hours, varying day by day. As such, they are often paid in cash—not just for simplicity, but because the workers are in greater need of early funds. They don’t want to wait for a check in two weeks, and then for it to clear. That creates an operational efficiency challenge for the manager: keeping track of who worked what shifts and when, what they are owed, and then counting out the cash to put into their pay envelope for each employee. The use case here is relatively cheap—a timekeeping solution that can trigger payments. Workers clock in and out, and the system works out how much they have earned, with any requisite deductions. That in itself could save hours a week before even factoring in the frequent trips to the safe to retrieve pay packets. Second, the systems can be set to automatically pay on a worker-by-worker basis. Some may be paid weekly, others as soon as their shift has finished. Some businesses have taken this a step further. The default payment is fortnightly, but in a bid to encourage their staff not to use short-term loans to tide them over, there is an option to pay them what they have at any time. This has proven to improve not just retention but recruitment as well. Yet the benefits extend further for the manager. They no longer have to keep as much cash on the premises, reducing their insurance premiums, coupled with being able to bank more cash sooner and get use of it as a business.

It can also be about certainty. For high value goods, there is a risk in releasing the goods until the funds are as guaranteed as possible. Even higher value goods bring other challenges, such as complying to AML rules and the aforementioned higher insurance premiums that come with the decision to use cash. Imagine a used car dealer. Many of the forms of payment available to them are either slow, risky, or expensive—and often two or more at once! Real-time payments mean they know that even on a Sunday morning, once they see the funds in their account, it is money they can use straight away, and they can finalize the process of selling the car.

Instant Loan Disbursements

COVID accelerated digital adoption in banks, seeing growth in usage in 18 months that banks hadn’t expected to achieve for many years, and across every product. Banks have simply had to figure out how to digitize many processes they never thought they would, such as how to open bank accounts remotely. At the same time, customer expectations associate digital with instant. An increasing number
of credit card companies, for example, allow customers to apply for a new credit card online, make a yes/no decision, and set a credit limit all within a few minutes. While an increasing number of banks can make instant loan decisions, few can pay the loan amount instantly, with some still posting checks, leaving customers not only having to wait days, but then still having to go through further steps.

Imagine then being able to complete the entire cycle in just a few minutes. This is a far better customer experience, but it is also far more efficient for the bank, with fewer steps and greater automation, and can be carried out 24/7.

This use case is widespread in other markets. Yet fewer have taken this further. One option is to white label this to fintechs. United Airlines offers a “book now, pay later” facility via a fintech called Uplift. Yet Uplift is leveraging the instant loan capabilities of CBW, a small tech-led bank in Kansas.

A second option is to offer that capability direct to retailers at the point of sale, either as a form of “buy now, pay later” or a way to offer competitive loans. For example, take the used car business mentioned earlier, open on a weekend. The ability to both offer an instant decision and for the dealer to receive instant good funds has many benefits for the dealer. First, the customer is happy, as they can drive the car off the lot there and then—instant gratification! Second, the dealer is happy. Not only will it be cheaper than alternative payment methods, but the dealer will also get commission on the loan. Third, the dealer doesn’t have to wait potentially days for the funds to hit their account, allowing them to buy more inventory straight away.

A third option is to create entirely new loan opportunities. The short-term loan industry was one of the earliest adopters of real-time payments, as it allowed them to efficiently address the immediacy requirement of short-term loans. As well as being used for short-term loans, they could be positioned as credit-building loans, particularly for the under-banked.

Digital Building Blocks

Key to all these opportunities is designing the processes with flexibility in mind. Creating a granular set of processes will allow the reuse of individual elements many times, allowing the creation of different flows and journeys from standard building blocks. That moves the discussion away from instant payments to the increasing number of digital tools that a bank has, and how they might solve the client’s business problems.

Celent has written about these many times in the past. One of the best examples is a 2017 Celent Model Bank Award winner from Yes Bank from India. Here the bank partnered with one of India’s largest internet retailers to improve their customer returns process. The previous process for refunds had multiple steps, starting with the collection of goods from the customer, verification of the goods at the warehouse (e.g., whether it was the correct item, undamaged, etc.), and subsequent confirmation to the finance department that a refund was payable. The finance department would aggregate these payments for file transfer of bulk payment of refunds into customers’ bank accounts. The process took, on average, between one and three days, and was very dependent on the banks’
cutoff times for payment processing. Furthermore, often the client would only know their return had been accepted when they had received the refund itself.

The Yes Bank solution helped the retailer re-engineer the entire process. Now the courier who comes to collect the returned goods (standard practice in India) inspects the goods in front of the client, and using their handheld device, presses either yes or no for refunding. From there, everything is now automated. The device communicates with the ERP system of the retailer and automatically triggers a refund payment over IMPS, one of India’s real-time payment systems. In most cases, customers have their refunds while the collector is still on their doorstep. The customer gets a much better customer experience—and of course, their funds! The retailer benefits from this, but also from a much more efficient process, as well as improved, accurate, and timely reconciliation.

While real-time payments are what enable this to happen, it is the automation aspect that transforms the value for the retailer. It therefore takes into consideration what is now possible using these digital tools and how that would benefit the customer. For example, imagine staged payments across a value chain (for instance, releasing goods to be shipped), or cash on delivery for goods.

It can also allow whole new business propositions. For example, the Chinese online insurer Zhong An offers ultra-short-term insurance for many things, including travel and for goods being shipped for refunds. Using geofencing, the app recognizes that the customer is at the airport and offers insurance against delayed and cancelled flights (and for duration of the flight, too) all of which can be bought through a simple click in the app. Whether these examples could work in the US or not is not necessarily the point; they show that the tools could disrupt the status quo.

Overlays such as RfP (request for payment, known as RtP, request to pay, in other markets) create other opportunities, as discussed in the Celent report, “Request-to-Pay: A Payments Revolution?” This is especially true for other things such as QR codes. PayNet Malaysia won a Model Bank Award in 2020 in part for its use of a national QR code to trigger a real-time payment at the POS, bypassing the card rails altogether.
LESSON FIVE: CLIENTS PAY FOR THINGS THEY VALUE

The use cases in the previous section had a theme that ran through them—while real-time payments were at the heart of each of them, in reality the businesses thought of them as ways to improve their business.

Participating in real-time payments clearly isn’t free and requires a business case. Yet it’s quite clear that there are different forms of revenue, not just transaction fees, as well as other benefits such as reducing churn and attracting customers from other banks.

Failure to Prepare is Preparing to Fail

The key to real-time payments success is explicitly getting customers to choose real-time payments. This won’t happen by chance, and certainly not at the take-up rates that banks would wish, as there are two typical challenges with payments.

First, most customers default to habit and use the same methods they’ve always used before. Customers are rarely likely to have changed their form of payment in years, so there needs to be a clear benefit and call to action to do so. That is, just saying “what a wonderful new method” won’t be enough—one will need to be much more specific.

Second, most people don’t think about payment at all unless something goes wrong. It’s often said that payments are the plumbing of the bank, and the analogy perhaps holds true. How many of us consider the pipes in our house until one day no water comes out of the tap, or there is a leak? This latter point matters as consumers have both short attention spans and alternative choices of payments. Once the bank has been successful in getting the customer to try the new payment type, it needs to be as reliable as the existing method and the experience just as easy and seamless. As a result, thinking through the customer experience is just as critical as thinking through the benefits, as the experience is likely to vary for different customers, types, and occasions.

Yet it isn’t just the experience of making a real-time payment, but understanding its value. As such, it is important that banks also consider the wider revenue opportunities, not just the transaction fees. The services surrounding a real-time payment typically generate more revenue than transaction fees. After all, a real-time payment is only as real-time as it takes for the client to know they have the payment, who it is from, and to be able to reconcile it. Only then can they use the money from the payment. Therefore, as volumes grow, real-time payments require real-time data, whether to reconcile or to get a real-time cash position.
This is clearly demonstrated in Figure 4 from a recent Celent report, “The Payments Data Monetisation Opportunity in North America.” It shows that four of the five services that corporates in North America both most value and are most willing to pay for are real-time related.

**Figure 4: Corporates Both Value and Are Willing to Pay For Real-Time Services**

The final piece of the puzzle is the reason for the title of this lesson. In many of the use cases, the business values how it benefits them. The Yes Bank example was more about the improved experience for their customer and the significant improvement in automation. The clients may not pay more for the solution, but it will deepen the relationship as the bank is demonstrating value and that it’s helping the business do more business. The messaging around this, then, is key. Positioning RfP as a messaging tool with clients is accurate, but stating that it can automate invoicing and collections, saving them hours a week to do more business, is more compelling!
PATH FORWARD

This report builds on many other Celent reports on real-time payments, all with the same underlying assumption: Real-time payments are coming to the US. Growth and usage in other markets makes it difficult to see how they won’t, and indeed, with over a billion transactions in Zelle in 2021, perhaps they have already arrived.

Banks need to prepare. There are clearly many things a bank should do, and even more they could do, but perhaps banks should consider the consequences if they don’t.

– In more than 7,000 financial institutions, customers are choosing to use Zelle. Will they choose to use a bank in the future who can offer that and more if they can’t?
– Is doing “receive only” actually worth doing? Those who can send benefit, but the bank doesn’t.
– What happens if a big tech decides to do this themselves?

All this may seem unlikely to a US bank, but all have been witnessed in other markets, with the non-participatory bank being worse off.

At the same time, this seems to be a perfect moment to adopt. With FedWire migration imminent (the ABA is pushing for November 2023), many banks in the US will need to replace their Wire systems. While different, real-time payments and Wires share many similarities, and many banks are considering both. This should lead to a large increase in usage—and highlight those who haven’t committed even more starkly.

COVID has accelerated the move to digital in all walks of life, and especially banking. Anything digital comes with an expectation of instant and always available. It’s difficult to imagine a real-time world without real-time payments.
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Typical projects we support related to policy administration systems include:

**Vendor short listing and selection.** We perform discovery specific to you and your business to better understand your unique needs. We then create and administer a custom RFI to selected vendors to assist you in making rapid and accurate vendor choices.

**Business practice evaluations.** We spend time evaluating your business processes, particularly in policy administration, rating, and claims. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

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