



SURVEY TO EXPLORE CURRENCY EXCHANGE IN AP

USA	USD	809009
UNITED KINGDOM	GBP	888823
CANADA	CAD	809978
CHINA	CNY	888838
EURO	EUR	806263
JAPAN	JPY	888878
SINGAPORE	SGD	803359
HONG KONG	HKD	888856
NEW ZEALAND	NZD	803247
MALAYSIA	MYR	888830
THAILAND	THB	832610
INDONESIA	IDR	888826

Currency Exchange in AP

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EXECUTIVE SUMMARY

Changes in the business environment

Over the past 10-15 years the way we do business has changed dramatically. Even as few as 5 years ago, the use of shared services and outsourcing was fairly unheard of even amongst the more progressive organisations. The trend for their usage is on the increase, with the resulting implications for the fabric of organisations as a whole – not simply AP. Within that, there will inevitably be an increase in the frequency and an increase in the percentage of overall transactions in foreign currency payments.

Payment Areas

With the setting up of SEPA, many organisations are able to take advantage of the benefits of trading within this area. Many of our respondents (70%) indicated that this was where they tended to make their overseas payments. However, an equal number pinpointed that their transactions in foreign currency were to pay others outside of this area, while a further 20% stated that they made foreign currency transactions to pay foreign subsidiaries. Given the shift in the working environment, it was interesting to discover that only 10% of the respondents made foreign currency payments to pay staff.

While it was also interesting to note that while foreign currency transactions in 40% of cases made up 1% or less of their AP department's overall function, a sizeable minority (30%) indicated that they made at least one foreign currency transaction per week.

Lack of Time means Staying Put

Many AP departments indicate that a general lack of time can make it difficult to implement new procedures and that in fact these new procedures can be costly in the initial set up, and in staff training. Therefore, it came as no surprise that the majority of respondents (66.6%) indicated that they continued to use their main banking partner for their foreign currency transactions.

Whilst in some cases this may prove to be an organisation's best option – in many cases AP Managers simply do not have the time to investigate other resources. Or, in some cases it could be that the decision on who to bank with comes from a higher (though not necessarily more knowledgeable) level. When some of our respondents reported foreign currency transactions to the tune of £1.2bn – using the best resource available becomes essential.

Service Levels

In terms of service, the area which was identified as the most lacking in our respondent's current offering, was the availability of an individual Account Manager. Overall, respondents indicated a "satisfactory" level of service across the range of offerings from their existing provider. When questioned on what would make them reconsider their choice of banking/solution partner, price and the overall service offering came out as the two top reasons.

Conclusion

In conclusion, this survey highlights that although the majority of AP departments are making foreign currency transactions to a lesser or greater extent, for many it's seen as a necessary evil – and not an area where they focus a lot of their attention. This is indicated by the number of organisations willing to hand over control of the function to their regular banking partner. However, with the right solution provider – the control can be handed back to the AP department and organisations can begin to take advantage of the better deals available on the market.

In addition, in a tough economic climate, it is essential that your Accounts Payable team is supported with the best products to enable them to add value to the organisation's bottom line.

1. Introduction

This survey was carried out by **Accounts Payable News® (APN)**, and **TransGlobal Payment Solutions**. Its aim was to explore how today's AP departments may be affected by currency fluctuations.

This survey had an excellent response. The participants were from a cross section of business including banking, industrial, health, commercial, retail and public sector. More than two thirds of respondents were senior management from organisations with a turnover of over £50 million or above.



2. Survey Results

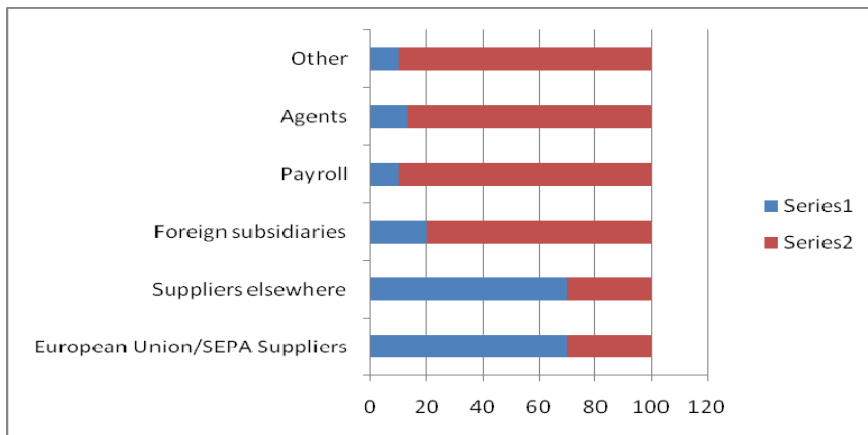
This report is derived from a November 2009 study incorporating the online results of senior influencers and decision makers involved with Accounts Payable. The following represents the research data collated, and draws some conclusions as to the major concerns expressed by all parties involved in the research, supported with information collected from one-to-one interviews over the last 3 months.

Section 1

2.1 Why do we make Foreign Currency Payments?

This section explored the major reasons why those in AP make foreign currency payments. Against a backdrop of the increased use of shared service operations, it was interesting to note that payroll only accounted for 10% of foreign currency transactions. Making payments in the SEPA area made up for 70% of the respondents, which matched exactly the number of people in AP paying suppliers elsewhere. Meanwhile making payments to foreign subsidiaries made up for 20% of the respondent's reasons for making foreign currency transactions.

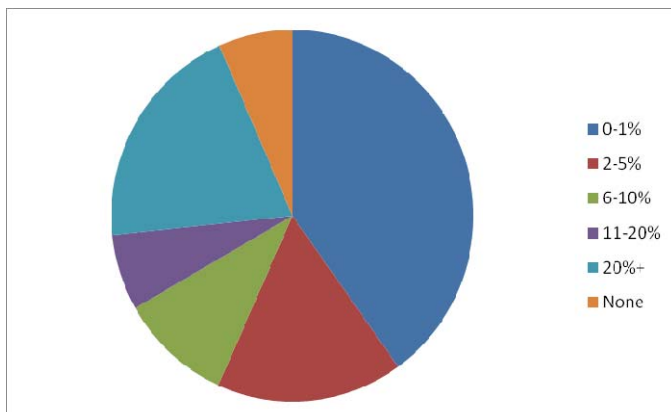
Figure 1: Question 1 – Please indicate the reasons why you make foreign currency payments? To Pay:



2.2 Overall, what are proportion of transactions do foreign currency take up?

This question aimed to understand the percentage of foreign currency transactions within today's AP department's overall expenditure. Overall, foreign currency transactions still make up only a small percentage of an AP department's activities with 40% of respondents saying that they only make up around 1% of their overall activity. However, 20% of those questioned stated that they made up in excess of 20% of their overall transactions, with some citing overseas suppliers as being one of the main reasons, while others pointed out that pension payments commitments saw them making regular foreign currency transactions.

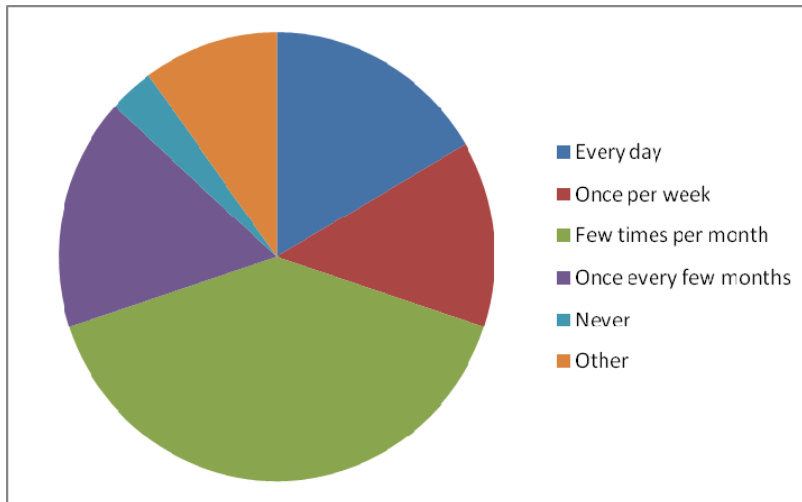
Figure 2: Question 2 – What percentage of overall transactions does foreign currency take up?



2.3 Is making foreign currency payments time consuming?

This question was aimed at pinpointing how much time proportionately AP departments spent on making foreign currency transactions. We found that the regularity of payments fluctuated widely. On average 40% of respondents stated that they made foreign currency transactions a few times per month. Meanwhile a significant minority (30%) indicated that they made at least one transaction per week.

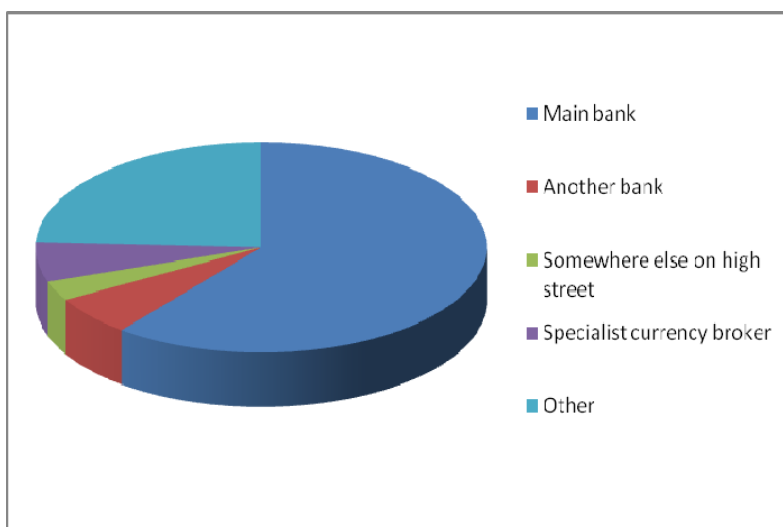
Figure 3: Question 3 – How often does your organisation make foreign currency transactions?



2.4 Who do AP Managers turn to to provide them with the right service?

In 60% of cases we discovered that AP Managers simply went to their usual banking provider to process their foreign transactions. Only 2% of those surveyed said that they regularly used a specialist broker to process their transactions. Whilst this result is not surprising it does demonstrate that even though 20% of our survey responses indicated that they made 1 or more overseas payment per week, only 2% are making the available gains by switching to a dedicated foreign exchange and overseas payment provider.

Figure 4: Question 5 – Who do you buy your foreign currency through?



Section Two

2.5 Service Satisfaction

While it was anticipated that many AP departments would use their main bank to process foreign currency payments, we queried them on their levels of satisfaction with their current procedures. Although some will not have a comparison to make, and others will “accept” certain levels of service, we found that the two areas which AP departments found that their current provider was least able to address was - a personal account manager, and the ability to use a single provider to make domestic & foreign and direct debit payments as well as cheque printing facilities.

Top Three Most Important Services

- **Good Exchange Rates**
- **Good Value Transfer Fees**
- **Online Dealing System**

84% of respondents stated that good exchange rates and good value transfer fees would be the top two most important services from their provider. This compares to 72% of respondents saying that an allocated account manager could make the difference for them.

Figure 5: Question 7 – How important are the following services to you when choosing a foreign exchange banking/solution provider?

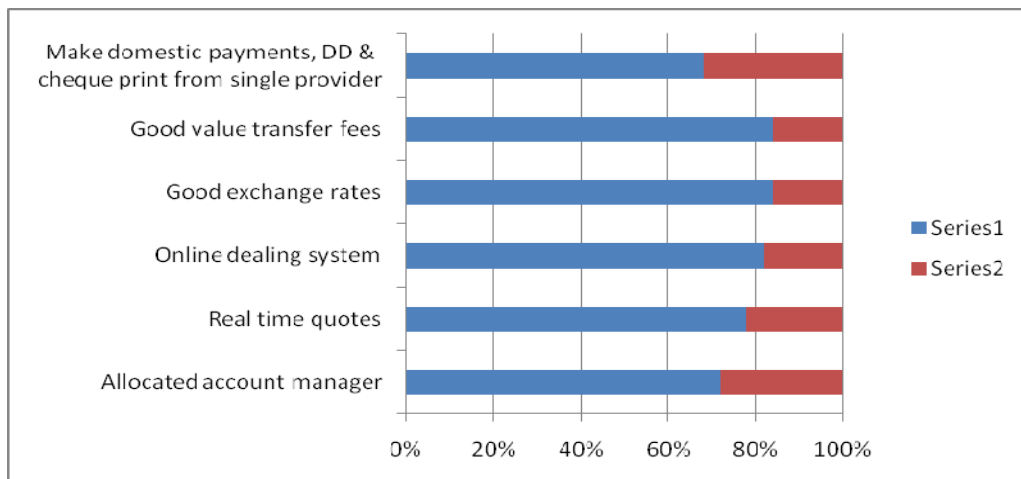
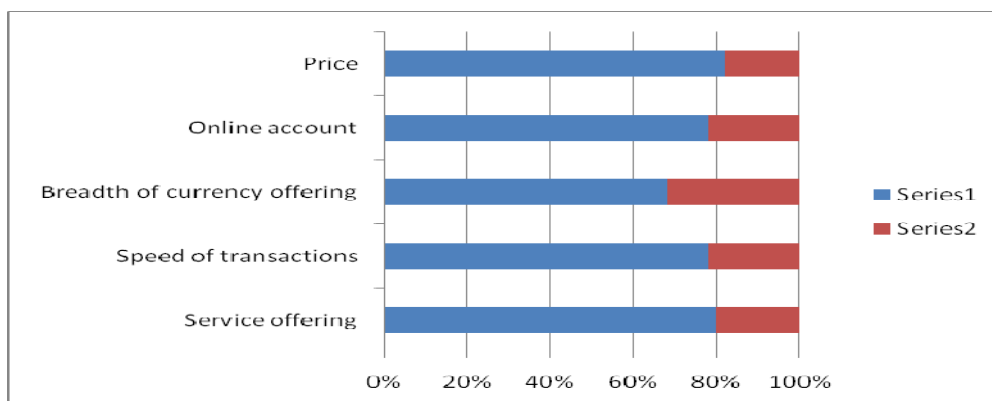


Figure 6: Question 8 – If you were to change from using your current provider – what would be your main reason for doing so?

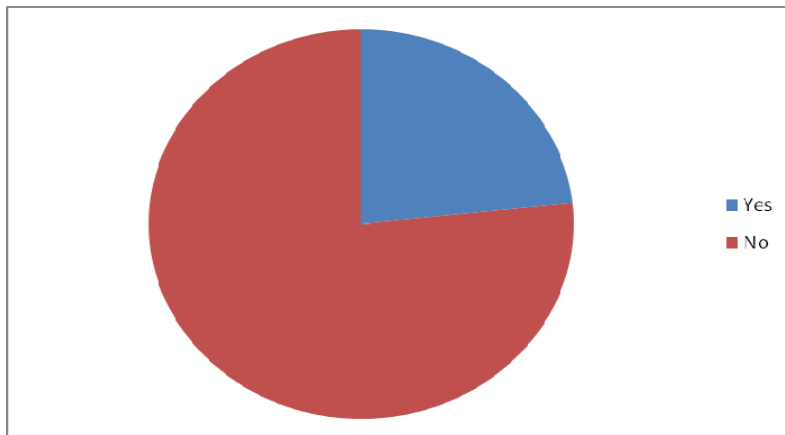
Again, perhaps unsurprisingly given the current climate, price came out top when we asked what would encourage them to make a switch away from their current provider, with 82% saying that it would be their main reason for doing so.



2.6 – Increasing Efficiency

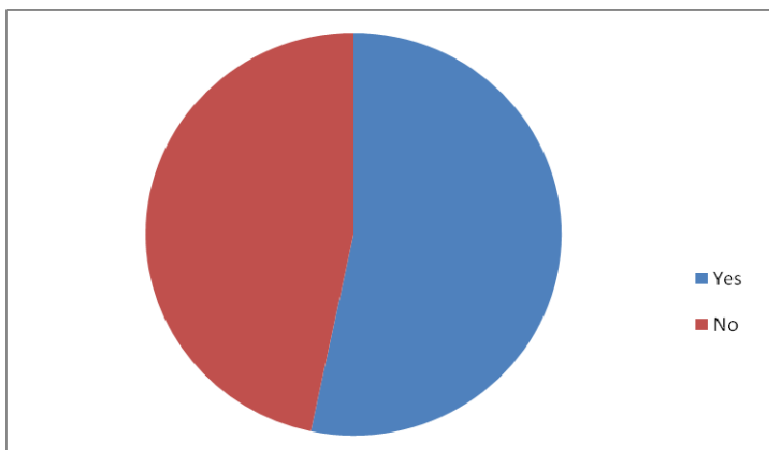
In section two we also asked whether respondents would be interested in using a pre paid currency card so that they could keep a tighter control on their foreign currency transactions. As this is a fairly new phenomenon, it was interesting to see that nearly a quarter of those who responded said that they would be.

Figure 5: Question 9 - If your currency provider could provide a pre-paid currency card to help keep control of currency expenses – would this be of interest to your organisation?



It was interesting to then see how many organisations used direct debit payment facilities to collect revenue in the UK. Increasingly, many AP departments are looking at ways to reduce the cost of making regular, relatively small payments and automating revenue collection via Direct Debit is one way to do that.

Figure 7: Question 10 – Does your organisation use Direct Debit to collect revenue in the UK?

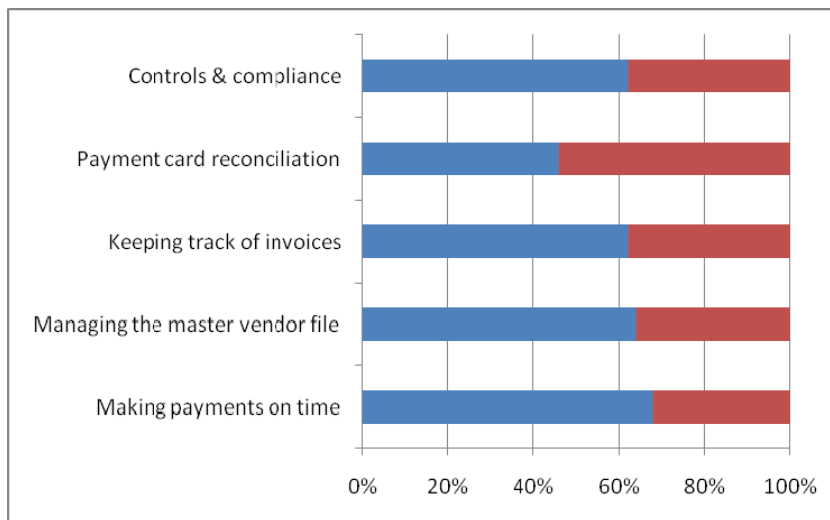


2.7 – Key Problem Areas of Accounts Payable

Figure 9: Question 11 – Rate in order the key most problematic areas of Accounts Payable

Despite the advances in automation over the last 5 years, our respondents reported that making payments on time still represented the largest problem area for them, with almost 70% identifying this as a crucial area for improvement. Interestingly, payment card reconciliation seemed to present the least problems for AP departments.

It is tempting to assume that this is owing to the fact that using payment cards negates the problems involved in the traditional three way match. However, a simpler explanation could be that fewer AP departments are using payment cards at present. It is likely that the reason for the low score in this area is a combination of both factors.



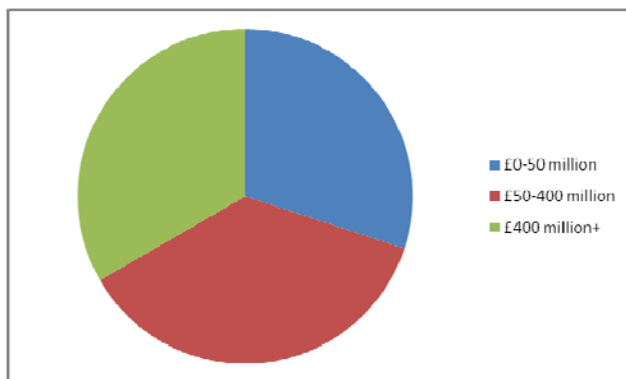
Section 3

Appendix 1 – Sample Distribution

The primary data presented is taken from an online questionnaire and supported by telephone interviews. The respondents were broken down by turnover and job description.

In the main, the respondents from this sample were from organisations with a turnover of over £50million and the majority of them were managers within Accounts Payable.

Figure 10: Organisation's annual turnover



Appendix 2

Main Sponsors – Overview

Accounts Payable News®

Accounts Payable News® (APN) is committed to providing the latest in AP thinking to support, on a not-for-profit basis, all accounts payable professionals and to increase the awareness of Accounts Payable as a profession. With up to date news on the latest developments in the industry and access to ideas on best practice and benchmarking results – APN has fast developed a name for being a “must see” site.

TransGlobal Payment Solutions Ltd

TransGlobal is a leading provider of collaborative payment & collection solutions helping businesses to process transactions, payments, collections and currencies through its online solution PayFac. It combines various services and offers them through PayFac so that customers can:

- Reduce or eliminate existing payment solution processes and costs by consolidating technology onto a single platform
- Choose the most cost effective method for payments helping to reduce charges to make payroll and/or supplier transactions without moving bank
- Buy or sell foreign currency at competitive rates of exchange helping to manage currency exposure
- Manage the full extent of the Direct Debiting process from setting up new instructions through to collection and account reconciliation.
- Utilise its business continuity and disaster recovery technology to ensure transactions can be made even when the unexpected happens.

Contact Details:

Accounts Payable News® Ltd
Building 173
Curie Avenue
Harwell Science and Innovation Campus
Didcot
Oxon OX11 0QG

www.accountspayablenews.org

Tel: +44 (0)845 680 9871
Fax: +44 (0)845 680 9872

TransGlobal Payment Solutions Ltd
10 Greycoat Place
Victoria
London SW1P 1SB

www.transglobalpayments.com

Phone: 0844 815 3240
(Intl +44 207 960 6013)
Fax: 0844 815 3241