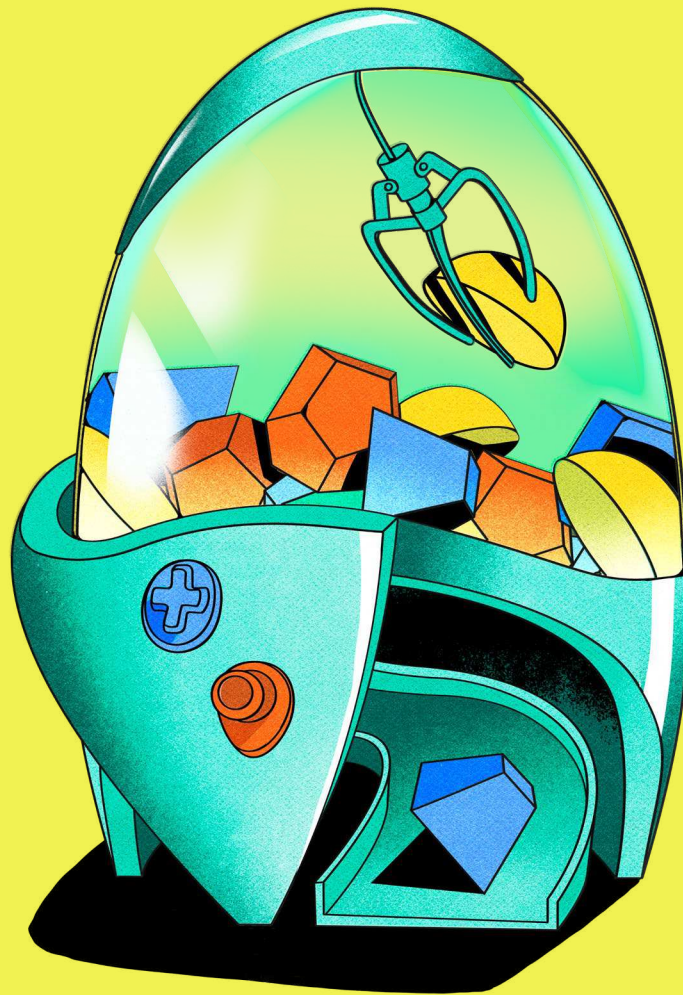


# THE COSTS OF COLLECTING PAYMENTS

Uncover the hidden costs of getting paid



**GoCardless**

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# Executive Summary

## 20+ FTEs

(full time employees) to handle recurring payments in most businesses <sup>1</sup>

## 26%

of the time spent on customer billing could be automated <sup>2</sup>

## 1 month

of every year (that's 3 hrs 17 mins per week) is spent dealing with fraud <sup>3</sup>

## 20+ DSO

(days sales outstanding) leaves money owed in receivables and impacts your cash flow <sup>1</sup>

## 11 – 15%

of failed payments result in bad debt or churn <sup>1</sup>

## 3.34%

of revenue is spent recovering fraudulent payments <sup>3</sup>

1. Forrester Consulting: Rethink Your Payment Strategy To Save Your Customers And Bottom Line

2. PwC 2021 Finance Effectiveness Benchmarking Study

3. GoCardless market research of 1,800 merchants across the UK, the US, France, Australia and Spain, February 2021

# Foreword



**Pat Phelan**  
**Chief Customer Officer & Managing Director UK&I**  
**GoCardless**

Every business collects payments. Keeping money flowing into your business is critical to thriving and surviving. Whether you collect recurring or one-off payments, getting it wrong could unnecessarily cost you money.

In an uncertain and unpredictable economy, how you process each payment matters. And the processing costs go beyond transaction fees. Every business should ask themselves... Does my current payment solution help drive my business, or hinder it?

Without realising it, processing payments inefficiently can be a drain on time and resources for many businesses. Calculated decisions about the payment methods you choose to offer will have a widespread effect.

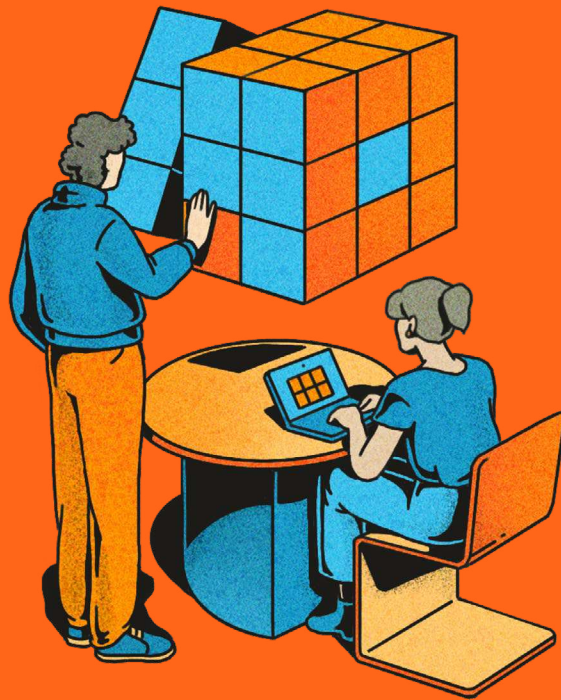
Each payment method comes with its own indirect costs. From late and failed payments and the time you spend chasing them, to reconciling payments and the revenue you lose to fraud.

Whether you choose cards, bank transfers, digital wallets or bank payments direct from your customers' account to yours, getting a true understanding of the impact payments play on your business is crucial.

In this ebook we'll debunk the true costs of processing payments and outline what you need to consider when thinking about your payment strategy. You'll truly understand why the cost of collecting payments goes beyond transaction fees.

“Every business should ask themselves...  
Does my current payment solution help  
drive my business, or hinder it?”

# THE INDIRECT COSTS OF MANAGING PAYMENTS



From manual processes to staff time.  
Are you wasting valuable hours and resources?

The direct costs you might consider when collecting payments include; transaction fees, foreign transaction (FX) fees, mandate and file submissions and refunds. Add all of these together and you'll have a good idea of the direct costs of processing payments.

But how confident are you that these direct costs account for the costs of collecting payments? Consider the time and resources you spend on managing, processing and recovering payments.

## Manual processes and staff time

Payments make up a complex landscape and to alleviate this many businesses put large teams in place to receive payments, relying on multiple technologies and personnel. Reconciling payments, manually sending mandates to your bank via CSV and manually chasing late or failed payments from customers, all takes time. And time is money.

Forrester's Rethink Your Payment Strategy study showed that most businesses have 20+ FTEs to manage recurring payments. If processing and managing payments is labour-intensive for your business — aside from the direct impact on cash flow — it distracts your team from important work that moves the needle on the strategy and innovation that keeps your business competitive.

## Game-changing opportunities for efficiency

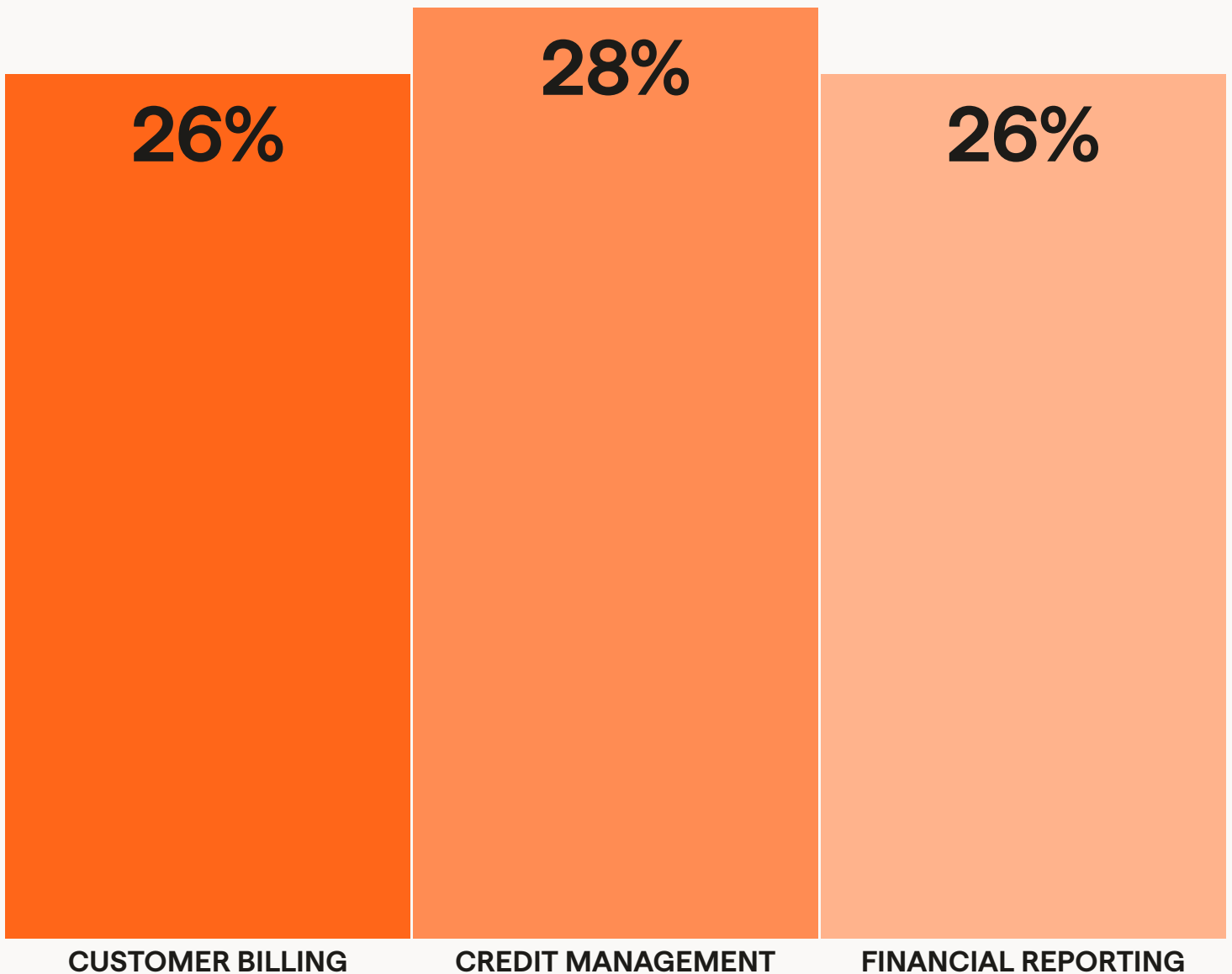
The PwC 2021 Finance Effectiveness Benchmarking Study, found there are plenty of opportunities for finance teams to reduce the time they spend on tasks that could be automated.

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# 20+ FTEs

to handle recurring payments  
according to Forrester

# Time spent on tasks that could be automated



# From recurring to one-off payments, Plend only needs one solution

“We don't need a full-time financial operations person at this stage, which for a lending start-up is pretty unheard of. We've already saved upwards of £50,000 in costs with GoCardless, and that will only get larger as we put more volume through the business and the platform.”



**Rob Pasco**  
Co-Founder and CEO

**plend**



## Collecting payments in new markets

The world is more connected than ever before. Catering to customer needs and offering them the choice to pay in their local currency is a necessity if you plan to win their custom.

Whether or not you're already collecting payments in other regions, introducing payment methods in a new region is a challenge. From integration and setup, to the development and maintenance required, the costs of processes, staff and compliance quickly adds up.

In the example stat below, the upfront cost to build your own billing and payments process in-house, Chargebee estimates it will take 3 developers 3 – 4 months to build the solution.

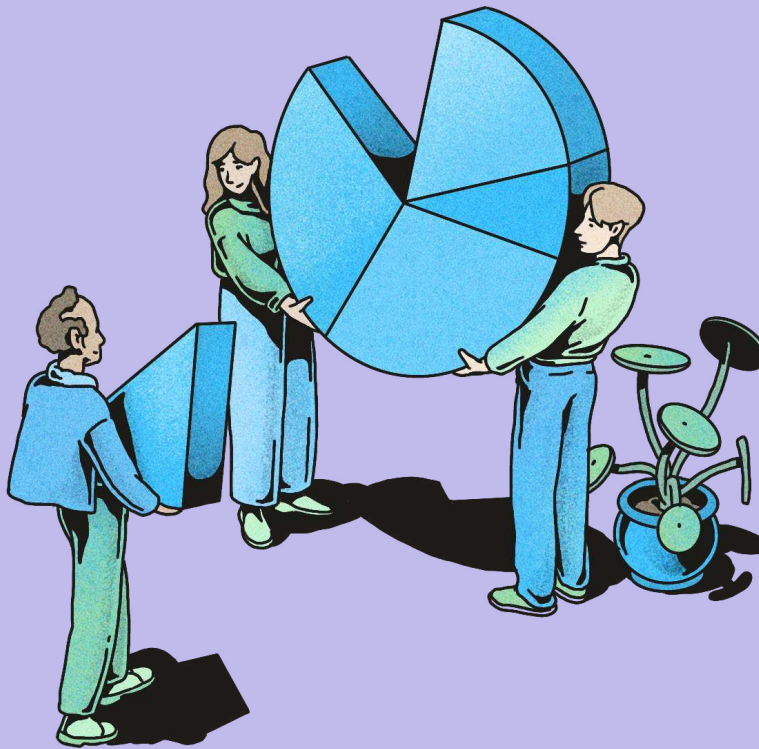
And with every market you expand into, your time and monetary investment multiplies. This raises the question of whether building and maintaining payments in-house is worthwhile, when a dedicated payment solution could be more efficient, cost-effective and most importantly, hassle-free.

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# £234,000

Estimated cost of building billing and payments processes in-house according to Chargebee

# THE INDIRECT COSTS OF PAYMENT INEFFICIENCIES



From fraud to failed payments.  
How much are your payments actually costing you?

# The frustration of fraud

Fraudulent payments drain your revenue, time and resources. With the direct cost of revenue lost to fraud, and the indirect costs of preventing and dealing with fraudulent payments, any gains you can make from minimising fraud will have a positive impact across your business.

- 1.46% of annual revenue is lost to fraudulent failed, cancelled and chargeback payments.<sup>4</sup>
- 3.34% of revenue is spent dealing with and recovering fraudulent payments after they occur.<sup>5</sup>
- 1 month of every year (3 hrs 17 mins per week) is spent dealing with fraud.<sup>4</sup>

Debit and credit cards are the leading payment methods for fraud, followed by PayPal, American Express and Buy Now Pay Later methods. The payment methods you choose to use can have a direct impact on your revenue and costs.

## Failed payments are not inevitable

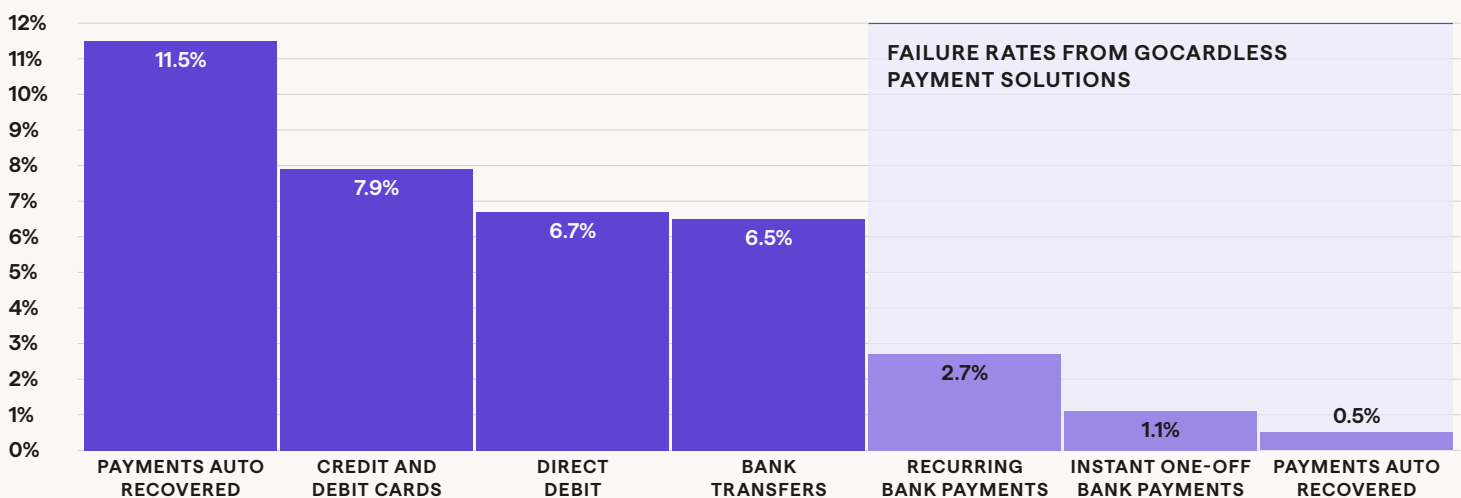
Payment failures are costly. Reducing late and failed payments benefits your customer and you; save precious time, unlock revenue, improve cash flow and forecasting and create a hassle-free customer experience.

But not every business considers the true cost of late and failed payments and not every payment method is created equal. Many methods have a high and ultimately costly payment failure rate.

## Don't let your return on investment (ROI) suffer

Despite the high failure rate of cards and bank transfers, many businesses accept the costs of payment failure as an inevitability. 37% of businesses still opt to use cards and 32% choose bank transfers for digital subscriptions, even though 7.9% and 6.5% of payments fail respectively. The payment methods you choose to use have a significant impact on the ROI of your payments.

### AVERAGE PAYMENT FAILURE RATE



4. Market research conducted on behalf of GoCardless, to 1800 merchants across UK, US, France, Aus & Spain, February 2021

5. GoCardless market research of 1,446 merchants across the UK, the US, France, Germany and Australia, November 2021

# The impact of payment failure on business

## Unrecovered revenue

Only 38% of failed payments are recovered manually.  
62% are left unrecovered<sup>6</sup>

## Labour

25% of the overall cost of taking payments is spent on  
labour to recover failed payments

## Bad debt and churn

Failed payments that result in bad debt or churn: 11–15%

6. Research conducted by GoCardless, February 2020 — 900 businesses across Australia, USA, Germany, France & UK

# An intelligent approach to failed payments

“In the past 18 months, Success+ (automated payment recovery tool) has helped us recover nearly £200,000 worth of revenue. Meanwhile, the clever use of machine learning means our payments team isn’t burdened with worrying about every failed payment. Instead, they can focus on helping customers who are actually struggling. That’s also allowed us to make huge savings on finance and admin costs.”



**James Symes**  
CEO



# 67%

of consumers would abandon an online purchase if the checkout process didn't offer their preferred payment method

## Catering to customer preferences

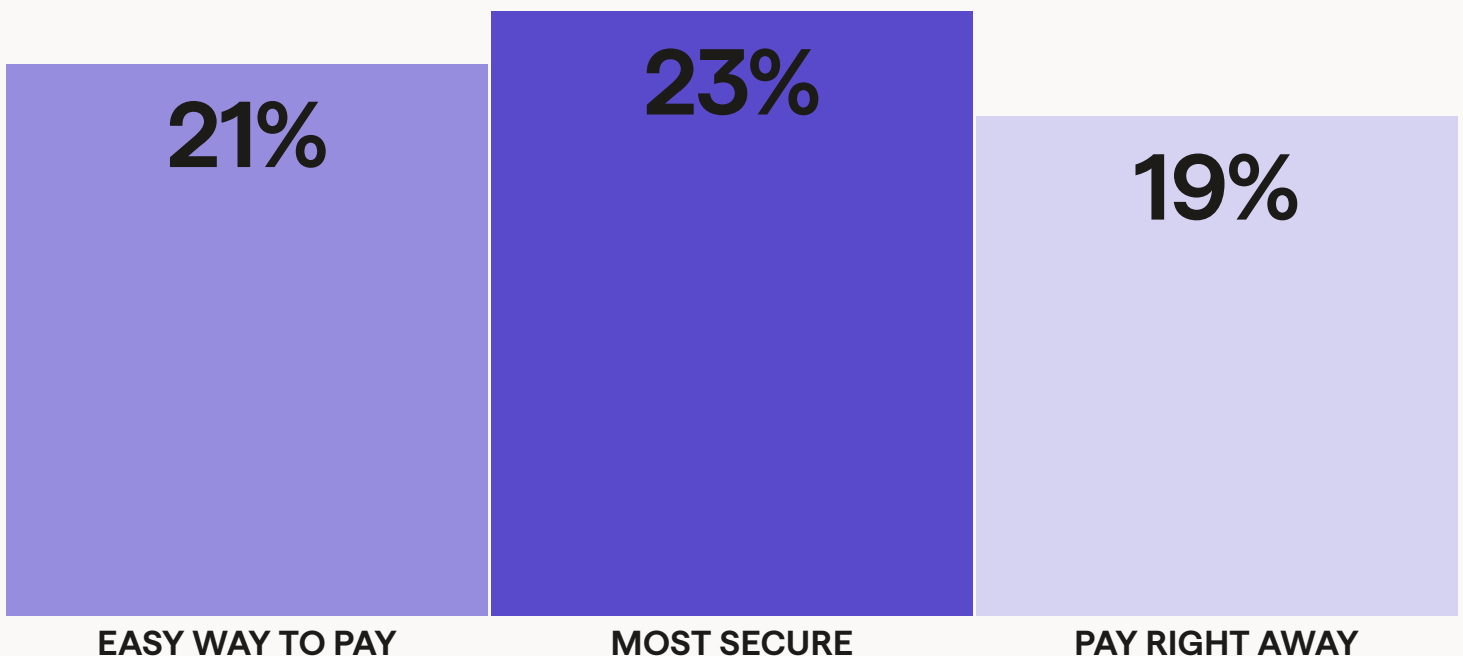
With every customer comes new revenue. You spend a lot of resources on marketing to new prospects. Encouraging them to complete a payment and remain as a loyal customer is high on every business' agenda. For business models built around recurring payments, winning and keeping customers with payment methods they prefer brings better forecasting and more predictable revenue and ROI.

Choosing to provide methods that are favoured by your customers improves the likelihood of them to purchase and remain a customer.

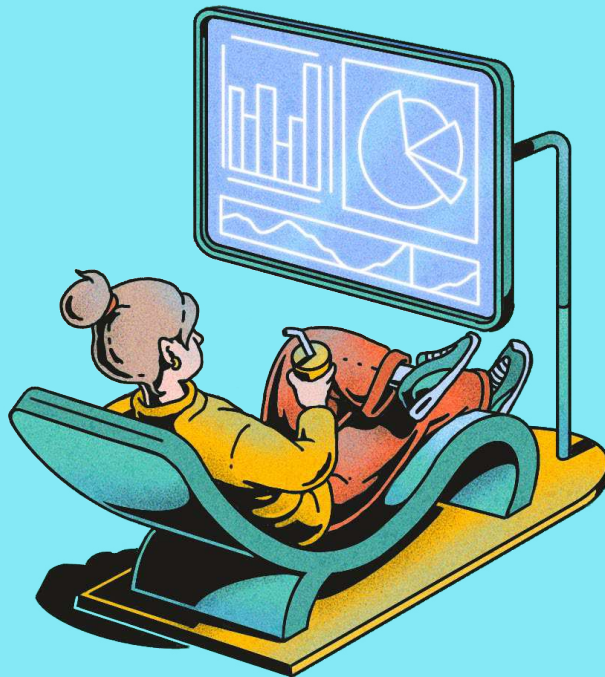
GoCardless research with YouGov shows the opportunity for businesses to delight more customers with their payment offerings by catering to the 3 factors a customer considers when choosing a payment method.

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### TOP 3 REASONS FOR CHOOSING A WAY TO PAY



# FUTURE-PROOF YOUR PAYMENTS



Hassle-free and cost-effective.  
Future-proof your payments.

# Regular and recurring bank payments

We've identified many costs and pains associated with processing payments. But collecting payments shouldn't be so painful. Thanks to bank payments — the movement of money directly from one account to another, you can future-proof your payments. A robust payment strategy founded on bank payments puts you in the prime position

to grow your business or boost your bottom line by minimising the indirect costs associated with payment processing. If you're collecting payments regularly, via subscriptions or invoices, the manual processes from reconciliation to payment recovery are a large source of indirect cost to your business.

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## FIVE WAYS TO SIMPLIFY YOUR RECURRING PAYMENTS

1.

### No more chasing

With 97.3% of payments successfully collected, your teams can use their time for more valuable and innovative work. Collect 70% of failed payments on the first try with our [automated payment recovery](#).

2.

### Automate admin

Cut out the manual processes and when you connect GoCardless to your accounting system, reconciliation becomes automatic. Make finance/ accounts receivables teams [21% more efficient](#) and reduce staff costs by 59%.

3.

### Get paid on time

Say goodbye to 20+ days DSO. [Reduced time to pay out](#) by 47% and get paid in as little as [3.6 days](#) with our global bank payment network for recurring payments.

4.

### Level up against fraud

With GoCardless' end-to-end anti-fraud product you can [reduce fraud by up to 62%](#).

5.

### Money saved

Thanks to the time saved deploying and managing payments, businesses spend 56% less per transaction when using GoCardless according to the IDC.



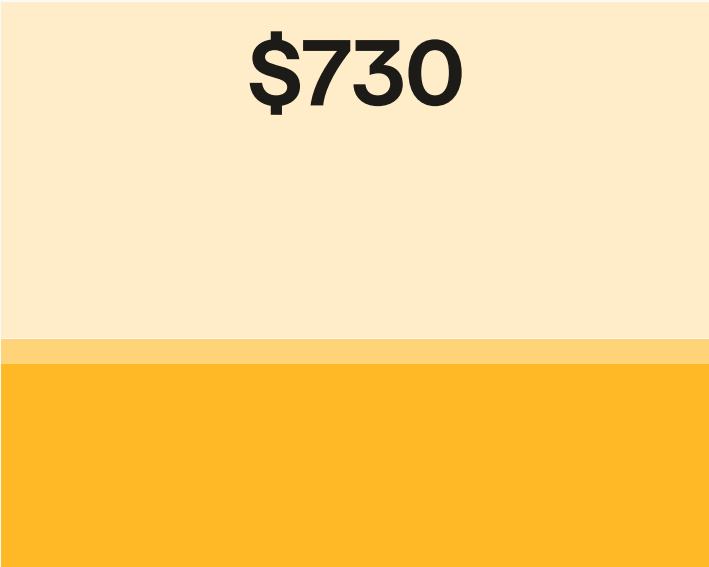
COST PER 1,000 RECURRING PAYMENTS

- Cost of payment platfrom
- Time to manage platform



WITHOUT GOCARDLESS

- Cost of GoCardless
- Time to deploy GoCardless
- Time to manage GoCardless



WITH GOCARDLESS

# Plum saves time and money with anti-fraud tool, GoCardless Protect+

“We receive a list of chargebacks that we could challenge from Protect+, which saves us the job of analysing things on our side. And we feel more secure because even if the fraudsters are successful we know we will be supported to recover the funds.”



**Maciej Lorek**

Fraud and Chargeback Team Leader



# Introducing instant, one-off bank payments

Businesses collecting recurring payments face challenges when it comes to collecting one-off payments like; first-time payments, one-off charges for goods and services or topping up an account. Cards are expensive and bank transfers are slow. Imagine collecting one-off payments instantly, without the need to enter lengthy card details. And getting paid in as little as 1 business day. Thanks to open banking, it's now a reality with GoCardless [Instant Bank Pay](#).

## Collect more payments

With a frictionless authorisation process and no need to enter lengthy card details, collect as many as 99% of payments successfully with Instant Bank Pay.

## Instant confirmation

Get real-time confirmation for you and your customers on the status of a payment as money moves directly from one bank account to another in as little as one business day.

## Cheaper than cards

These instant bank payments are typically 54% cheaper than online card transactions.

# Conclusion:

## Getting payment certainty

In an uncertain economy, you can make getting paid a certainty. Creating a robust and future-proof payment strategy will improve your bottom line and better position your business for growth. A simplified and automated payment process built on bank payments will introduce new efficiencies and free up staff time for important and valuable work. With all the wasted admin time cutaway, the savings really stack up. Remember, the cost of payment collection goes beyond transaction fees.

Say goodbye to costly and frustrating payments. Say hello to faster, efficient and more secure bank payments.

### Staff time

Time is money and making your teams the most productive they can be will benefit your business.

### Integrations

Remove the development time and effort required to collect payments in-house and facilitate international expansion.

### Cater to customers

Meet customer demand with a more efficient checkout process and get a better ROI on your marketing efforts.

### Failed and late payments

Minimise these inefficiencies to maximise your revenue. Keep cash flowing, keep more customers and accurately forecast revenue.

### Prevent and protect against fraud

Prevent and protect against fraud. Lower the loss of revenue to fraud and boost your bottom line.

# GoCardless

## Are you ready to take control of your payment collection costs?

At GoCardless, we enable money to flow directly between your customer's bank account and you. Our powerful APIs, global network and open banking leadership mean you can collect bank payments confidently and securely on a global scale. We put businesses in control of their payments, helping them to get paid faster.

Get in touch with our payments experts and start building a better business for tomorrow.

[Speak to us](#)

