

Contact:
Bill Byrne
PainePR
212-613-4914
bbyrne@painepr.com

NACHA's Marketing Management Group Announces Results of Small and Medium Business ACH Awareness and Usage Survey

Study Shows Significant Gap in Awareness and Usage in Small and Medium Size Companies

Herndon, Virginia, May 24, 2005 – The Marketing Management Group for NACHA – The Electronic Payments Association, released today the results of its study on the awareness and usage rates of ACH services by small and medium size businesses (2-49 and 50-499 domestic employees respectively, based on Dun & Bradstreet figures). Although the study showed that nearly one-half of the current users of ACH identified company convenience and savings as the leading benefits, there is a sizeable gap in these two markets between awareness and usage.

Key highlights from the study include:

- Approximately one-half of companies using Direct Deposit indicated that the convenience and cost savings to the company were the triggers for implementing its usage. This figure is consistent across the two markets.
- Of those respondents aware of PPD credits, current usage of Direct Deposit is twice as high among medium businesses compared to small businesses (80 percent vs. 37 percent). When comparing the entire population (aware vs. non-aware), the difference in ACH usage is even more pronounced at 72 percent vs. 28 percent respectively.
- Almost 75 percent of small businesses are aware that Direct Deposit can be used for payroll applications but only 26 percent of them are using it for this purpose. Even lower numbers of businesses (12 percent) were aware that Direct Deposit could be used to pay reimbursement expenses or employee pensions.
- Among small and medium businesses using Direct Deposit, seven out of ten payments to employees are made by Direct Deposit in a typical month. Considering the study population as a whole, not just Direct Deposit users, medium businesses make 50 percent of employee payments by Direct Deposit compared with the 19 percent of employee payments made by small companies.

NACHA's Marketing Management Group commissioned this study to better understand these two markets and to provide some data points for those in the payments industry working with these markets.

Additional Findings on Direct Deposit

Medium businesses not using Direct Deposit are much more likely to begin using it when compared to smaller businesses. Thirty-eight percent of medium size businesses that do not currently use Direct Deposit say that they will begin doing so within the next year, compared to only 15 percent of small businesses. When asked why they do not offer a Direct Deposit option to their employees, 42 percent of small businesses that do not use the service felt that it was designed for businesses larger in size than they presently were.

"This survey points to a real opportunity for us in the electronic payments business to reach out and engage small and medium size businesses to increase their understanding and use of ACH payments," said Alan Koenigsberg, vice president global ACH, JPMorgan Chase and chairman of

- more -

the Marketing Management Group. "As we continue our consumer advertising campaign, we also need to strengthen our industry messages that the ACH network is for all businesses, not just large corporations. The cost and time savings of the ACH network could prove especially helpful to organizations where budgets are tight and time is at a premium."

Findings on Business-to-Business ACH Payments

The survey also revealed a vast discrepancy between small and medium businesses' awareness of the ability to use the ACH network for business-to-business payments and their actual usage of the network to make these payments. Eighty-one percent of medium size businesses and 65 percent of small businesses were aware that they could use the ACH network to pay business partners, however relatively few businesses (31 percent of medium and 22 percent of small) were actually doing so. When probed as to why these businesses were not using ACH network for business-to-business payments, the most common response chosen was that they were not aware that any of their business partners were using ACH for business-to-business payments and the perception that the ACH network is for larger companies.

"NACHA's Marketing Management Group undertook this study to pair statistically valid findings with a body of anecdotal information we know about small and medium size businesses, as well as to gain further intelligence on their awareness of the benefits of ACH and perceived barriers to higher usage in these markets," said Susan L. Robertson, assistant vice president at the Federal Reserve Bank of Atlanta and the vice chairman of the Marketing Management Group. "This data can only help us as we look to the future of marketing outreach and help our industry better understand these important markets in this country."

About the Survey

NACHA's Marketing Management Group commissioned The Response Center, an independent market research firm, to conduct this study to evaluate awareness, usage and potential barriers to usage of ACH network services. Potential respondents were screened to confirm that they have complete or partial responsibility for their company's payroll and that their company falls into the 2-499 employee range. During the interview process, if it was determined that the respondent also had complete or partial responsibility for their company's accounts payables, awareness and usage questions regarding business to business payments were inserted into the questionnaire.

All interviewing was conducted from The Response Center's Computer-Assisted Telephone Interviewing facilities in Philadelphia between February 8 and February 22, 2005. The full results from this survey can be downloaded online at www.directdeposit.org.

About NACHA's Marketing Management Group

The Marketing Management Group is an industry representative group appointed with the responsibility to develop and execute the long-term marketing strategy and annual tactical plans to promote electronic payments and build market awareness. The funding to implement the annual tactical plans is provided by the Electronic Payments Network and the Federal Reserve. More information can be found at the industry websites www.directdeposit.org and www.directpayment.org.

About NACHA - The Electronic Payments Association

NACHA is the leading organization in developing electronic solutions to improve the payments system. NACHA represents more than 11,000 financial institutions through direct memberships and a network of regional payments associations, and 650 organizations through its industry councils. NACHA develops operating rules and business practices for the Automated Clearing House (ACH) Network and for electronic payments in the areas of Internet commerce, electronic bill and invoice presentment and payment (EBPP, EIPP), e-checks, financial electronic data interchange (EDI), international payments, and electronic benefits transfer (EBT). Visit NACHA on the Internet at www.nacha.org.