

Getting Started with Electronic Payments

How to Automate B2B Payments for Competitive Advantage

Introduction:

Every year, businesses in North America make \$27 trillion dollars in B2B payments and spend an estimated \$510 billion on manual accounts payables costs, both direct and indirect. A key reason for these exorbitant costs—along with a host of other challenges—is that 60 percent or more of payments are still made by paper checks.

By now, most finance leaders understand the need to shift their supplier payments from paper checks to electronic methods. But what might not be clear is where to start or how to even get started. Others, having seen past efforts stall, may be reluctant to try again, particularly as they grapple with the lingering effects of the COVID-19 pandemic.

To help middle market business get over the hump and automate their payments for competitive advantage, MineralTree hosted an online panel featuring Visa, TransferMate, and TouchStone. These industry experts shared practical advice for getting started with electronic payments while discussing how this shift drives a host of benefits, including improved cash management, reduced fraud risk, increased visibility and control, and strengthened supplier relationships.

This eBook provides an edited transcription of that informative discussion.

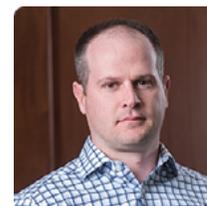
Experts:



Kevin Phalen
Global Head of
Business Solutions,
Visa



Gary Conroy
Chief Product
Officer,
TransferMate



Brent Sitarski
Chief Financial
Officer, Touchstone

How do you define electronic payments? Why haven't electronic payments taken off in the US at the same level as other parts of the world?

Kevin Phalen:

We think about electronic payments as taking what has traditionally been either paper-based or manual based and moving it into a digital environment. The other thing that is just as important as the payment itself is the data—whether it's invoice information or reconciliation information.

One of the biggest areas of growth even through COVID has been virtual card payments. Where T&E and other card-based or card-present transactions fell off because of social distancing, virtual cards have seen significant growth. That was driven by the fact that many corporate clients could no longer go in and write a check. Businesses that hadn't moved into a digital environment had an immediate need and MineralTree played a significant role in helping them move to that digital environment.

Gary Conroy:

If you look at what have we seen in terms of adoption, there's that phrase "who lead the digitization of your company? Was it the CTO, the CFO, or COVID?" Most people will say COVID. You always knew that there were problems that needed to be addressed, but they all went on the back burner. COVID accelerated the digitization.

Almost 60% of B2B payments are made by checks. How do you think about the value of electronic payments and what did it take for you to make that migration?

Brent Sitarski:

Signing paper checks and running them through the meter was something we wanted to reduce. We had the same struggles as many companies as to why there's not a high percentage of electronic payments. Some of it was due to

the limitations of the ERP. Another aspect is control: the CFO signing the checks is the final control step that we've checked all the boxes and the payments are approved.

About three years ago, we wanted to jump into electronic payments. At the time, only 10% of our payments were electronic. We explored it with a developer, and it was going to require some work in order to get a structured file set up to send it to the bank. MineralTree came in with a really quick, easy onboarding to get this up and running. Today, nearly 50% of our payments are electronic.

Historically, our check runs of 400-500 payments on a monthly basis were taking four to five hours. Today, our payment volumes have grown as we've grown the company, but that check run now takes 90 minutes. We still have some check stock on hand for one-offs, but we try to avoid

it at all costs. Everything else is going ACH, virtual card, or check through MineralTree.

“One of the biggest areas of growth even through COVID has been virtual card payments.”

What are some of the trends you're seeing with B2B payments and the shift to electronic payments? How has COVID impacted B2B payments?

Gary Conroy:

I mentioned that COVID has accelerated digitization, but the question is how do you digitize? You can have an image of a check, you can have things stored on file share, or you can get a platform that is fit for purpose for your accounts payable process like MineralTree. How you digitize is an important opportunity to reevaluate your processes.

10 years ago, it was all about software eating the world. Now I see it as services. TransferMate, for example, is cross-border payments as a service. It doesn't cost huge amounts to implement, it plugs into your existing ecosystem, and you can try it and see if it works. That trend from software to services, connected via the API economy, means that you have pre-integrated solutions. The cost for improving your processes isn't as big. And you may already have that ecosystem; it might already be plugged in.

Brent Sitarski:

About 10 years ago, we tried a similar migration of moving from paper check to electronic. There wasn't as much acceptance then and it seems like it's evolved from a handful of people doing it to now where it's almost a requirement. I remember going on lockbox visits and thinking, "Wow, that's awesome. They're taking every check." Then there's someone at a terminal that's keying all that information in. Now I can send that ACH and the system can extract that same remittance information.

As it relates to COVID, there was no disruption for us at all from the disbursement aspect. Because we were on MineralTree, we didn't have to come into the office to print and sign checks. We're a cloud-based company, so the things we're looking at as far as technology align with that strategy. We don't have phones, we don't have servers. Everybody's working remote during this pandemic and MineralTree fit in perfectly. We were ahead of the game.

Kevin Phalen:

At the beginning of the pandemic, many small businesses and middle market clients needed to reconnect with their clients. So we saw a dramatic increase in developing social media and eCommerce sites, understanding how to pay and accept payments in an omni-channel environment, everything from consumers not wanting to use cash or checks anymore to wanting contactless types of payments.

In pure B2B, we saw this quick migration saying, "how do we move into a digital environment?" That's where MineralTree played that crucial role of connecting the corporate buyer to the corporate supplier in an electronic manner.

On average it costs about \$5 to pay by check. Electronic payments definitely are cheaper than that. Beyond cost savings, what are some of the other benefits of electronic payments?

Kevin Phalen:

What we see, and quite honestly, we saw it back in 2008 with the financial crisis, is that electronic

payments help to manage risks. And we think about risk in a couple of different areas. One is buyers want to make sure that they fully understand what are they paying for and where is the payment? They want to be able to manage their working capital as effectively as they possibly can. That supplier wants to understand where that payment is and is it coming quickly? They want visibility into it. They want to have the ability to potentially support any disputes in an electronic environment.

We believe that electronic payments give you both buy-side and supply-side control, visibility, and fraud management that other forms of payment historically haven't been able to provide. As we talked to CFOs, they wanted to make sure that the same level of controls were there. And what they actually found is once they went digital, they went to a new level of control where they could control all aspects of their payment capabilities. Organizations like MineralTree drive that level of controls and visibility, which so many CFOs find critical.

Brent Sitarski:

The whole transition was really painless and pretty quick for us. MineralTree did a good job helping us with the ROI analysis and understanding both the hard costs (as far as check stock and postage) and soft costs (like how long it was taking us to do check runs).

The other aspect was the virtual card or P-Card. Previously, a lot of financial institutions were pushing that but a lot of suppliers at that time said they weren't interested. There was some associated fee that they didn't want to have to participate in. That's changed dramatically. Today, 20-30% of our payments are through virtual card. There's obviously less fraud but there's also upside in terms of ease of use for our suppliers and rebates on the back end. We set a goal every quarter of conversion from checks to ACH and virtual card.

Cash is King for us. We want to hold onto cash as long as possible and keep those float windows as minimal as possible. Where quick pay discounts come into play, we can make that payment the same day and still be eligible for those discounts.

Gary Conroy:

There's a common theme running through



the answers: simplifying and streamlining the process, and getting control, risk mitigation, and transparency. The idea of plugging your payments into your accounts payable platform makes a lot of sense—particularly, so you have end-to-end transparency from procurement to invoice to payment. You don't have to go from MineralTree to your ERP to your online banking.

Internationally, typically what we see is most cross borders are made by international wires, which have fees on either end of it. We like to do a quick calculation: Let's say I'm doing 300 payments a month, with 15% of those having a cross-currency component. Let's say the average payment is 10,000. Maybe I'm paying \$15 per domestic wire, \$45 per international wire, and my FX margin is 2%.

On average, we can save companies with that profile \$130,000 a year. On top of that, if you're saving seven minutes for each international payment, for example, you save significant time that you can put into processes that actually add value. I think it's important to understand the cost structures of different payment methods and think about what you can do to drive real quantifiable savings.

How did automating payments fit into your broader digital transformation strategy? Is it a competitive differentiator or has it enhanced the business value you're able to provide?

Brent Sitarski:

I look at MineralTree from two aspects. The first is digital transformation. We want to be a company that positions ourselves as easy to do business with. We send our customers electronic invoices with a link to make a credit card payment. Same thing on the disbursement side: the payment goes out timely, they're receiving it in a standard format, and they get the remittance with it.

The other aspect is having a culture of continuous improvement. We're a relatively small team. It used to take us four to five hours to do a check run, and we reduced that

drastically with MineralTree. We didn't eliminate our staff, but instead repurposed them for more enhanced activities. Everyone has to make payments. How can we better utilize our staff to improve the business, through reporting or drilling into other aspects of the business?

You mentioned earlier that signing the check is that last point of control. What's your reaction to the sentiment that electronic payments provide less control?

Brent Sitarski:

With MineralTree, it's dual approval. Our controller is creating the check run and I'm approving it. The other thing is it's very easy to build that check run. You can select based on the due date in MineralTree, along with other qualifying information. So we come to agreement on what the structure of the check run is going to be. He builds it, submits it for my approval, and then I can go through it relatively quick. The control is there, because we need that secondary approval before anything goes out. And not having the check stock on hand anymore, we've eliminated that risk as well.

“It used to take us four to five hours to do a check run, and we reduced that drastically with MineralTree.”

What are one or two actionable things folks can immediately put into practice in their respective jobs?

Gary Conroy:

The first thing to do is go through that quantitative exercise. You don't need to do a lot of measurement, just a few statistics around what am I paying for wire fees and FX, and what could I get ballpark in terms of saving? You can very quickly get an idea of how much you can save in terms of time and cost.

I don't necessarily want to have to do a huge project to be able to realize those savings. The advantage of MineralTree

is they've plugged into all these players on the payments ecosystem which means there's already a bunch of functionality baked into the system. Find out what you can take advantage of today that won't require a project.

Kevin Phalen:

If you plan and assess appropriately, you set realistic goals, you measure them, and you create the visibility at the CFO level, then you set yourself up for success. If you try to do it as a skunkworks project, often it doesn't gain the traction. The beautiful thing is you can use a solution like MineralTree that can answer a lot of those questions and help to begin that process a heck of a lot easier.

Brent Sitarski:

Any time you're looking at some kind of change or implementation, it can be intimidating out of the gate. So you've got to understand what's the time or effort associated with it and what's the payback going to be. The setup on MineralTree was very easy with our ERP. We were up and running in a few days. As far as the payback, MineralTree helped with those standard industry costs and what it's costing from a hard cost perspective.

In addition, step back and look at your existing team, who's responsible for the disbursement function? How much of their time is going towards that? What issues are they running into? Where have you had challenges? A lot of those are going to be solved with a solution like MineralTree. I would assess your situation and don't be intimidated with MineralTree because it's click and play and you're off and running.

How do suppliers deal with receiving information from so many different AP providers and issuers? Do they mind doing multiple integrations with different issuers?

Kevin Phalen:

Some level of consistency is important to suppliers. Honestly, as we look back at the development of virtual payments, we created a lot of burdens for suppliers. It's been companies like MineralTree that help gather that information, drive standardization, and push it into suppliers' ERPs.

On the other side, Visa works with AR providers and other organizations to build those direct connects back into the

suppliers and front end some of the complexity. We've done that by working with FinTech partners, developing standards, and making sure that the value received by the suppliers is equivalent to the value that is received by the buyers.

Was the change from making payments with checks to electronic difficult for your AP team? Was there any pushback?

Brent Sitarski:

Not at all. Actually, when we went through the initial training and onboarding, building the check run was the immediate thing we saw that was going to be easier than building it out of our ERP. So right away, we've got a win. Then, printing checks is eliminated. That was an aspect of their job that was always a pain. The printer would jam or we didn't have enough check stock or we'd have to reprint something. And then I had to stuff the checks and put stamps on it. We were happy that was eliminated. We're a growing business, so we looked at it as we needed to free up capacity to handle the growth.

Next Step:

Use our online [ROI calculator](#) to understand the true cost of your manual AP process along with how much money you could save by implementing AP and Payments Automation.

