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anywhere between \$3 and \$5 per check, depending on the organization. This includes line items like check stock, envelopes, ink, printers, postage, and the time of the person ...

Jun. 12, 2017



Even though the use of paper checks for business payments has been slowly declining, most U.S. companies are **still using them for 50 percent** or more of their vendor payments. There's a huge opportunity for process efficiency and cost savings

by cutting back on checks and automating payments with cloud technology—even

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Most organizations don't try to add up the obvious costs, let alone the hidden ones, because they see check writing as a cost of doing business. Other organizations don't believe they have any viable alternatives. While this was true for a long time, with today's technology, it no longer is. When you wrap in the hidden costs of check writing, [the ROI of automating payments](#) is probably double what you thought. There are at least six hidden costs that can drive the true cost of check writing up dramatically, hurting your business in the process.

- 1. Payment errors.** Payment errors are a big part of the AP process. According to research by The Accounts Payable Network, payment [errors affect on average 9 percent of payments](#). Error rates tend to be higher in industries where there are multiple locations, many small suppliers, and high AP turnover. Chasing these errors down, figuring out what went wrong, where the money is, and correcting them is a significant part of AP's workload. I've rarely seen anybody put a number on these costs.
- 2. Late payments.** Working with paper slows down the AP process so much that it can be a struggle to turn around payments fast enough to avoid [late payment fees](#) and interest costs. But paying late can also cost you in terms of your relationships with vendors. In industries such as construction, where you're working with many contactors and small vendors that are dependent on the timing of payment, consistently paying on-time can set you apart from the pack and help you attract the best vendors at the best prices. Conversely, if you're perpetually late in paying, vendors will be more reluctant to work with you.
- 3. Approval time.** With paper checks, it's usually someone's job to walk the checks and invoices around the office for signatures. There's a cost to their time, but what about management's time? The general manager or department head that already approved the invoice then has to take a stack of paper invoices and paper checks, compare them, approve the payment, and sign the check. This takes up anywhere from a few minutes to hours of management's time.

4. The cost of poor visibility. When you're writing a lot of checks, you don't have

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6. **Headcount and hiring.** If your company is growing and you're writing checks, you eventually get to the point where you're looking at hiring more people just to keep up with this manual task. There's the cost of that person's salary, taxes and benefits, and time spent interviewing and training. But there's also an opportunity cost to hiring for manual processes in accounts payable when you could be hiring for another, more strategic role.

When you think about these hidden costs, it's clear that **check writing is not only costing businesses money**, it's costing them the ability to run their business efficiently and scale effectively. So why have so few companies taken a hard look at these costs? For the same reasons that AP has barely changed in 50 years. In most businesses, everybody thinks about the revenue-generating side. Fewer people think about cost avoidance and efficiency.

In the case of older businesses, where people have been writing checks forever, they just don't think about it at all. You have to pay people and up until very recently, there have been no alternatives other than partially **automated ACH** or credit card programs offered by banks. If there's no alternative, why would you spend any time at all evaluating your costs?

In younger companies, where technology is part of their DNA, people are more likely to think, "There has to be a better way of doing this."

With today's technology, there is. **Payment automation** is one of the easiest things to implement and provides an immediate impact to bottom line. You can literally transform the massive effort that goes into writing checks with a few hours of AP's time. There are very few technology implementations you can say that about. Once completed, organizations are able to make all their payments in a single automated

flow with visibility, traceability and control, freeing up a tremendous amount of

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