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processes that keep their teams office-bound. For example, many companies still have to go into the office to pick up mail, circulate invoices for approval, and ...

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**By Josh Cyphers and Derek Halpern**

The first couple of weeks of sheltering in place regulations saw finance and accounts payable organizations scrambling to set up remote operations and get payments out the door. Most were able to accomplish these goals quite well. Now we've moved into the next step—establishing efficient workflows and productive practices. It's still challenging, however. Companies have to find ways to keep people safe while

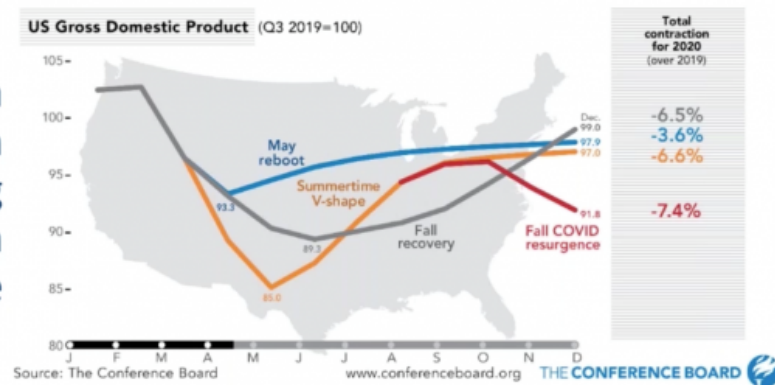
executing paper-based processes that keep their teams office-bound. For example,

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Large global economic disruption & dramatic shift from office to remote work environment

Outlook still a little uncertain but leaning towards an overall decline



That means AP needs to focus on conserving cash while keeping operations moving. They can expect more calls from suppliers since Accounts Receivable teams typically ramp up their efforts in tough times. They need to prioritize payments and capture early pay discounts. Procurement is going to reach out to try and renegotiate prices or terms. Treasury is going to be very interested in the timing of payments and managing working capital. It's on the AP team's shoulders to make sure they're engaging with these teams and coordinating efforts.

At the same time, they've got to consider the efficiency and the productivity of their own team as we continue to work remotely. Among other things, that means coming up with a strategy for shifting to electronic payments at scale.

Many organizations have had this goal for a long time, but, depending on the research you look at, around 40 percent of business payments still issue by check. This number is down from a decade ago, but still problematic in a remote work environment. So why don't businesses pay more of their suppliers electronically? Well, as everyone who rushed to shift suppliers to ACH payments when shelter at home orders took effect has learned, you can't just flip a switch and move all your suppliers.

It's easy enough to find a bank to handle ACH transactions for you. It also sounds a

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- AFP research on internal and external costs of sending an ACH
- Includes recording, personnel time, and IT (internal) and bank transaction fees (external)
- ACH failures and modifications
- Also: data risks, increased supplier support, and remittance requirements
- **\$20-40 per supplier (annually)**

But with ACH, you have to enable your suppliers one by one, and then store and update their data securely. That becomes a fixed cost because there's a constant churn of suppliers and their bank data—changes usually around once every four years per supplier. You should also expect to manage exceptions that arise with ACH file submissions and more nuanced supplier questions.

Thinking ACH is cheap or straightforward is one of the biggest misconceptions holding companies back from paying electronically. That's not to say you shouldn't make ACH payments. That said, they should be part of a holistic strategy that addresses the entire payments workflow, encompassing all forms of payment, including international wire payments.

What does that look like?

### Card first

If you're going to reach out to suppliers to enable them for electronic payments, you should first ask them to accept payment by credit card.

Virtual cards—sometimes known as single-use ghost accounts or SUGAs—are not as well-known as they should be in finance and accounting circles. Still, they can be an incredibly valuable part of your payment strategy. Unlike P-cards or company-issued credit cards, virtual cards exist to pay suppliers easily. Each card has a unique number that can only be used by the assigned recipient in the designated amount. That provides AP with substantial control and makes it one of the most secure, fraud-

proof payment methods. You also should expect to receive rebates to offset some of

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If a supplier declines to accept card, which often happens due to the interchange fee, your second request should be to enable them for ACH. Most vendors will say yes to this; in fact, they'd prefer it to check. Just be sure you have a realistic appreciation of the true ACH payment operating costs, including enablement and data management, as well as fraud support.

## Check for holdouts

While the number is dwindling, there are some suppliers with a ride-or-die mentality who won't accept anything but [checks](#). For these suppliers, an outsourced payment provider can do a print check from an electronic file, so your team doesn't have to handle all the paper.

Your payment strategy should include automating the payment workflow. Fintech ePayment providers wrap these disparate workflows into one interface so that all AP has to do is click "pay." Then their payments will issue to their suppliers in the method they elected to receive. Because these platforms are in the cloud, payments can be approved and scheduled remotely, with visibility for multiple team members.

## Heightened fraud protection

Your payment strategy should also include fraud protection. The pandemic, the move to remote work, and challenging economic conditions have created a perfect storm for a rise in all types of crime, including [payment fraud](#). It's essential to have strong internal controls, especially now that sensitive information is residing in your teams' homes and on their personal networks. Preventing theft is a key component of cash management.

It used to be that organizations mainly worried about check fraud, and that's still a problem, but it's reduced quite a bit thanks to [controls](#) such as Positive Pay, Positive Payee, and watermarks on checks. So far, there aren't similar controls for ACH. As













businesses have gravitated towards ACH solutions, such payments have become more

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Developing Your Payments Strategy

Having an effective *holistic payment strategy* requires understanding the costs, benefits, and risks of different payment methods

Payment Methods	Operating Costs	Error & Fraud Risk	Opportunity to Offset Costs
 Check	 High	 Historically highest	 Check float, possibly early payment terms
 ACH	 Seems low, but actually high	 On the rise	 Early payment terms
 Virtual Card	 Low	 Most secure	 1%+ rebate received

In these times, it pays to have your AP team focused on payment timing and prioritization to conserve and protect cash

To protect your team, you need a partner who can support your enablement and fraud protection goals, so your team can stay focused on cash management.

Finance and AP have long intended to go electronic, but the transition has been slow. It's not just the flip of a switch or the sudden addition of a new payment type. Very few businesses realize how strategic the shift is until after they've committed to an update. Many companies that don't plan accordingly have had to revert to check payments when they realized the actual cost and effort it takes to switch suppliers over. Rather than trying to attack a single pain point, you have to address the whole process from top to bottom.

Now we are going to see an acceleration of this shift with the remote workforce and challenging economic conditions. There is a new imperative, and there is also new technology. Interestingly enough, a lot of the fintechs providing B2B payments technology got their start during the great recession, when the financial system collapsed, and cloud technology was being born. These are now mature companies, ready to "cross the chasm" and transition their partners to 100 percent electronic payments.

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