ACCOUNTS PAYABLE

From Execution to Insight: How Fintech is Shaping the Future of Accounts Payable

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By Rick Fletcher.

You have to spend money to make money. That's an old adage, and it's true. But actually making the payments takes up a lot of people's time. It's critical to your business operations, but it's not why you're in business.

That means there are opportunity costs. You have to spend money on the spending of the money instead of on revenue-generating activities.

There are also mindshare costs. Making vendor payments is a brute force activity. Accounts payable (AP) teams are stuck on a hamster wheel, always having to scramble to get payments out the door and then reconciling them on the back end. They're dealing with a lot of manual work and multiple partially-automated, partially-integrated systems. They spend a lot of time correcting errors.

It's all about execution and dealing with all kinds of administrative details along the way. They don't have the systems and the visibility they need to work more strategically.

But within the next ten years, AP will go from brute force execution to strategic decision making, thanks to new fintech offerings.

We haven't really seen true fintech offerings for business payments in the market until recently. To make business payments efficiently, you need three things: money, infrastructure, and process. A true fintech brings all three.

Most companies today still make payments through their banks, and there's no question that they are at the heart and the soul of payments. But banks only help with about one-and-a-half of those three things. They have all kinds of lending products that can help you fund your spending, so they can help with liquidity.

They also have part of the infrastructure. They are chartered by governments to steward money and move money around. They invest significantly in licensing, regulatory compliance, networks to move money and data, and fraud protection.

But there's one big piece of B2B payment infrastructure that they don't have: vendor networks. That has meant that it has been up to each individual company to conduct their own enablement campaigns to move vendors to electronic payments. That's holding companies back.

Fintechs are now building B2B vendor networks at scale. Companies can plug right into them and start paying about 80 percent of their vendors electronically right out of the gate.

Where banks really fall down is in the area of process. Process automation is where technology companies, on the other hand, excel. We've seen a lot of ERP, procurement, and invoice automation vendors start to offer payments as an add on. It makes sense because people are already using their software to automate the workflow that leads up to the point of payment. But the software providers do not have the vendor networks or the ability to offer liquidity.

This is why making vendor payments is such a disjointed process. Up until recently, no provider has offered the combination of the "fin" and the "tech" needed to address the process from end to end.

Today's fintechs deliver technology and services that take costs and inefficiencies out of the process. They give AP teams visibility into the status of approvals and payments. But most importantly, they free up mindshare for them to be able to use payments as a strategic lever.

AP teams can get out of the payments processing game and still have all the visibility and control they need to run the business. They have the insight they need to become a management- and decision-making group. They have time to think, versus just trying to keep things moving.

They can use their knowledge of the inner workings of the company to contribute in any number of areas – cash management, job cost accounting, and cost and process optimization. The efficiency gains, combined with increased rebates from leveraging the B2B vendor network to pay more vendors by card, can turn the back office from a cost center into a revenue generator.

For far too long, companies have had to live with a set of back-office deficiencies that they are well aware of. They recognize the challenges of working with disparate systems. They know there's too much manual, non-value added work, and that the time intensity on error remediation is significant. They've resigned themselves to these deficiencies because it's been that way for decades, and there hasn't been a better way.

There is now. It's been a long time coming, because business payments are complicated. To really solve the problem, you need to be a true fintech with a complete set of assets – the relationships with the banks and the credit card companies, the network, and the technology. You need to have them at scale, because the volume in B2B payments is massive. It's a new solution that's been 50 years in the making. It means that vendor payments don't have to be suboptimal anymore.

Rick Fletcher is Group President of Corpay Payables, which enables businesses to spend less through smarter payment methods.

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