EVOLVING SUPPLIER PAYMENTS INTO AN ENGINE FOR BUSINESS GROWTH

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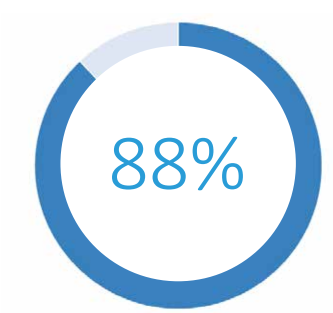
88% of U.S. CEOs plan to prioritize organic growth over the next 12 months[2].



EVOLVING SUPPLIER PAYMENTS INTO AN ENGINE FOR BUSINESS GROWTH

Cash is king. And a company's ability to effectively manage its cash flow – the movement of funds in and out of the business – goes a long way to determining its growth and success. No business is impervious to the issues created by poor cash management.

As businesses plot their strategies for growth, maximizing cash flow is critical. Next to keeping employees safe, cash flow, profitability and financial planning are the top priority of finance execs.[1] Accounts payable (AP) can play a big role in freeing up the cash that can drive business growth.

By migrating from paper checks to AP Payments-as-a-Service, AP departments can slash operations overhead, capture more early payment discounts, generate 30 days of cashflow without changing supplier payment terms, earn cash-back rewards on card spend, and enhance cash flow visibility. This paper will show you how electronic payments can free up the cash your business needs to grow.

1 Deloitte
2 PriceWaterhouse Coopers, 24th Annual Global CEO Survey

THE RISING IMPORTANCE OF CASH FLOW

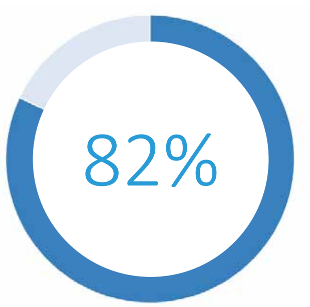
CASH FLOW IS CRITICAL TO BUSINESS GROWTH.

Businesses need cash to operate facilities, purchase raw materials, manufacture finished goods, sell, market, and distribute products and services, pay staff, and cover administrative costs. Cash flow means even more to high-velocity businesses that must make investments to scale their operations.

Without enough cash, businesses might be forced to delay revenue-generating initiatives such as hiring staff, launching a new product, entering a new market, or opening a new manufacturing plant.

A business may even risk failure because of poor cash flow. In fact, it's not uncommon for a small business to only hold a cash buffer large enough to support a few weeks of typical cash outflows.

82% of small businesses fail because of cash flow issues.[3]



THERE ARE FOUR PRIMARY CAUSES OF CASH FLOW ISSUES:

1. Scaling Costs

It takes a lot of cash to scale a business to support revenue growth. High-velocity businesses may have to invest in staff, facilities, equipment, inventory, and more. Without enough cash, these businesses might have to forgo growth-generating investments.

2. Economic Downturns

Cash management is critical in highly cyclical industries such as oil and gas, and real estate, where market conditions can change at the drop of a dime. In industries such as construction, it's not uncommon for markets to soften during a project. And few industries are immune to the cash flow disruption caused by an economic recession, when customers are less likely, and in some cases, less willing, to pay in a timely manner.

3. Seasonal Fluctuations

Businesses in industries such as tax planning, retail, and travel and hospitality may experience a big dip in cash flow during the off-season. Without proper planning, it can be hard to pay fixed and variable expenses when cash becomes tight.

4. Weak Cash Management

Poor cash controls and financial planning can create a cash crunch for fast-growing businesses, even when the economy and market conditions are ideal.

To achieve optimum growth, businesses must find ways to free up and manage their cash.

3 US Bank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Vender ETH
Spot
Límite
Stop-Limit
Precio
Cantidad
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HOW SUPPLIER PAYMENTS CAN INHIBIT GROWTH

The way a business pays its suppliers can be A major obstacle to growth and success.

Manual and semi-automated approaches to paying suppliers make it hard to optimize cash flow.

AP managers spend more time each day processing payments than on the managerial tasks they were hired to perform.

> OPERATIONAL INEFFICIENCY

Traditional approaches to paying suppliers drain company resources. AP staff spend most of their day on manual, repetitive tasks, leaving little time for growth-generating activities such as analyzing data, collaborating with stakeholders, and building supplier relationships. AP staff must track, collect, and validate tax forms and banking details for each supplier, print and mail checks, respond to supplier inquiries about the status of payments, manage banking relationships, and reconcile statements for each payment method the business uses to disburse funds. In fact, AP managers spend more time each day processing payments than on the managerial tasks they were hired to perform[4]. The inefficiencies and complexity associated with supplier payments grow along with a business. As a result, many businesses must hire additional staff as they scale their operations.

> SLOW PAYMENTS

Paying suppliers with paper checks can undermine a company's efforts to maximize its cash flow. AP staff waste lots of time printing checks and remittance details, chasing down necessary approvals, and stuffing checks into envelopes. Some businesses still make a special trip to the post office to mail payments to suppliers. It can then take weeks for a check to wind its way through the U.S. Postal Service to a supplier's mailroom. And it's not uncommon for paper checks to become lost in the mail or misplaced by a customer. Slow payments to suppliers can result in late payment fees or penalties, missed early payment discount opportunities, and more calls and e-mails from suppliers inquiring about the status of payments. What's more, a buyer can never be sure when a check will clear its account.

> POOR VISIBILITY

Manual and semi-automated approaches to paying suppliers doesn't provide buyers with the visibility they need into their cash flow. AP staff can never be sure when a check will clear. Manually reconciling bank statements is time-consuming and error prone. Logging into multiple bank portals to access payment data provides an incomplete view of payments. Spreadsheets are quickly outdated, easily corrupted, and not always accessible. Historical payment data may not be available to decision-makers working from home or on-the-go. And many businesses with multiple

4 Institute of Finance and Management, AP Departmental Benchmarks and Analysis Report subsidiaries don't have full integration from each subsidiary to roll up payment data for financial reporting. In many cases, finance staff must manually generate reports to see a total view of payments across the company's subsidiaries.

> WEAK CONTROL OVER PAYMENT TIMING

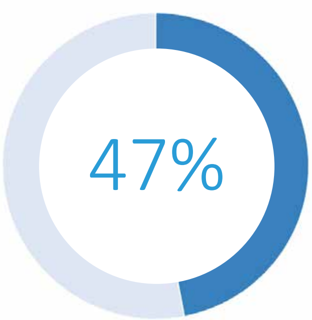
Time is money, as the old saying goes. And the timing of payments to suppliers can have a big impact on a buyer's cash flow. Paying suppliers too early sends cash out the door that a buyer could use for day-to-day operations or to fund growth initiatives. Unnecessarily fast payments also are akin to providing your suppliers with a free line of credit. Conversely, paying suppliers too slowly can result in late payment penalties and missed opportunities to capture early payment discount offers from suppliers. The problem is that manual and semi-automated methods of paying suppliers make it hard for buyers to control the timing of payments. As a result, many businesses pay suppliers as invoices are approved. Some businesses print and mail checks multiple times a week. Others don't have payment terms in place with suppliers, or don't enforce them.

These challenges can stand in the way of a company's growth.

OPTIMIZING CASH THROUGH SUPPLIER PAYMENTS

The disruption caused by the pandemic amplified the need for strong cash management. It's no surprise that cash management is the top priority of treasurers and a top priority of CFOs .

47% of CFOs say that transforming the finance function from a tactical to a strategic function and establishing it as a better partner to the business is their top priority.



Business growth has become so important that CFOs are focusing more time on finding and funding solutions that will drive long-term growth and transforming finance to scale to meet growth demands But that's not to say that the broader business shouldn't be dialed in on improving cash flow.

Accounts payable can lead the way by expanding its responsibility and becoming better stewards of cash flow for their business. That starts with rethinking the way that the business pays it suppliers. Despite the tremendous growth of electronic payment volumes and the emergence of new payment methods, many businesses, particularly small ones, still use paper checks to pay their suppliers.

Businesses cite lots of reasons for dragging their feet on migrating to electronic payments: lack of capital budget, competing automation priorities, no senior management support, lack of department resources to support a project, perceived supplier resistance, and confusion about the technology. The simple fact is that growth-minded businesses cannot afford to delay automation any further. That's why businesses of all sizes are deploying AP Payments-as-a-Service.

AP Payments-as-a-Service makes it easy for businesses of all sizes to pay their suppliers in their preferred method. Buyers enter payments into their accounting system just like now, but instead of selecting "Print," the buyer selects "Pay." Payments are debited from the buyer's bank account to a trust account for secure funding and verified funds and remittances are disbursed to suppliers.

5 PriceWaterhouse Coopers, 2021 Global Treasury Survey

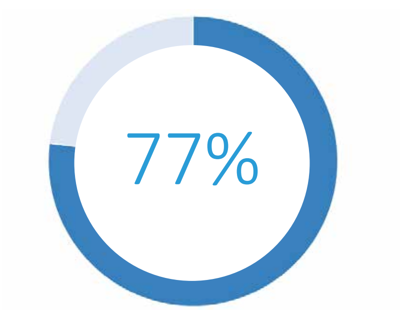
6 PriceWaterhouse Coopers, Executive Pulse Survey, 2021

CFOs remain laser-focused on finding ways to achieve business growth.

6 WAYS AP PAYMENTS-AS-A-SERVICE IMPROVES CASH FLOW

Ap payments-as-a-service optimizes Cash flow in six critical ways:

77% of U.S. CEOs will seek operational efficiencies to drive growth over the next 12 months.[7]



1. REDUCED OPERATIONAL COSTS

Electronic payments cost considerably less than paper checks, and some electronic payment solutions eliminate per-payment costs completely. No check printing, check stock, or printer toner. No physical routing of payments for approval. No payments to sign. No postage. And no bank fees to replace checks lost in the mail. Supplier payments can be made with a single click and automatically debited from a buyer's bank account. The solution also ensures that suppliers are paid in their preferred method and that they receive rich remittance details. What's more, the AP Payments-as-a-Service provider takes care of any payment issues, resends, refunds, change requests, and supplier inquiries. Buyers also are relieved of the burden of collecting, validating, and storing supplier bank account numbers. The money that businesses save by paying suppliers electronically can be reinvested into growth-generating activities such as marketing or research and development.

2. EARLY PAYMENT DISCOUNTS

Standardizing payment terms and paying suppliers electronically opens the door to more opportunities to capture early payment discounts. Eighty percent of suppliers will exchange a discount on the amount due on an invoice for early payment [8]. The earlier the payment, the larger the discount. But most AP departments are leaving money on the table with the way they currently pay suppliers. The early payment discount window often slams shut before many AP departments can approve invoices and print and mail checks for suppliers. With the average discount that suppliers offer for early payment standing at 2 percent, businesses are missing out a golden opportunity to free up cash, reduce the cost of goods purchased and offset AP department overhead. The streamlined workflows and improved operational control provided by AP Payments-as-a-Service helps ensure that high-velocity businesses never miss a discount and can increase their yield on cash.

3. SUPPLY CHAIN FINANCING

It doesn't always make sense for a business to use cash from its balance sheet to pay suppliers early. That's why some AP Payments-as-a-Service providers offer supply chain financing. The technology identifies early payment discount offers that aren't be captured, funds the early payment in exchange for the discount offered by the supplier, and accepts payment from the buyer at term. The buyer gets to share

7 PriceWaterhouse Coopers, 24th Annual Global CEO Survey

8 Institute of Finance and Management

in the discount earned by the AP Payments-as-a-Service provider, without paying the supplier early. Buyers can reinvest the revenue share earned through supply chain financing into their business.

4. CASH-BACK REWARDS ON CARD SPEND

Paying suppliers with credit cards enables businesses to save up to 0.75 percent on every transaction.

Paying suppliers with credit cards enables businesses to save up to 0.75 percent on every transaction. Some AP Payments-as-a-Service providers enable buyers to pay any supplier with a Mastercard or Visa credit card, regardless of whether they accept card. In some cases, the cash-back rewards earned by businesses have funded automation projects or offset the operational overhead of the AP department. No matter how the savings from card payments are used, they can help a high-velocity business increase its Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).

5. IMPROVED DAY'S PAYABLE OUTSTANDING (DPO)

Rationalizing payment terms can help businesses free up cash that can be used to pay off debt, reduce costly borrowing and make strategic investments. Paying suppliers with credit cards is one way that high-velocity businesses can do just that. Card payments enable buyers to instantly extend their DPO – the measure of the average amount of time it takes a business to pay its suppliers – without changing their existing payment terms to suppliers. Since the funding for the card program is provided by the buyer's bank, and the payback period only kicks in once the payment is initiated, businesses can gain 30 days of new cash flow by using a card to pay suppliers. Suppliers are still paid on time, but the buyer has more cash for growth-generating initiatives. Additionally, some Payments-as-a-Service providers will analyze a buyer's supplier payment history to identify the payment method that offers the greatest cash flow benefits.

6. REAL-TIME PAYMENT INSIGHTS

AP Payments-as-a-Service provide the real-time visibility that finance leaders need to manage their cash flow. Graphical dashboards show where all payments stand in the process. AP managers can quickly act on payments approaching their due date to avoid late payments. Drill-down capabilities enable decision-makers to dig into payment data to understand see how cash is being spent. For instance, users can instantly see the total value of payments by supplier or business unit. Intuitive queries of historical data help finance identify trends. Data exports get information downstream fast. And real-time payment reconciliation helps ensure that end-of-month reporting is accurate and timely. These smart payment insights can help a high-velocity business better manage its cash.

The cash flow improvements provided by AP Payments-as-a-Service can help drive business growth.

READY, SET, GROW!

Ensuring a steady cash flow is vital to business growth. But managing cash in today's complex and volatile financial environment is easier said than done. The inefficiencies and poor visibility caused by manual and semi-automated payments processes make things even tougher. AP Payments-as-a-Service helps businesses of all sizes free up the cash they need to invest in growth-generating initiatives. The technology reduces overhead, creates more opportunities to capture early payment discounts, facilitates supply chain financing, delivers cash-back rebates on credit card spend, and delivers real-time visibility into cash flow. The cash flow improvements achieved through AP Payments-as-a-Service give CFOs and treasurers a powerful tool for driving business growth.

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