



WHAT'S HOLDING YOUR BUSINESS BACK

**FROM MODERNIZING YOUR
PAYMENT SYSTEM?**



**CORPORATE SPENDING
INNOVATIONS**

INTRODUCTION

A fear of losing control of payments, skepticism about security, worries about integration challenges, and the belief that suppliers won't accept electronic payments – these are just a few of the reasons why many businesses have been hesitant to replace costly and antiquated paper checks with more efficient electronic payment methods.

Do any of these sound familiar to you? In this paper, we'll examine these mistaken beliefs and misplaced fears, demonstrating why they are incorrect with compelling statistics and industry results. As we explore the many benefits that electronic payments offer, you may find yourself re-evaluating any adoption hesitation you may have, and rethinking your businesses' accounts payable processes.

OVERVIEW

In this period of 'Digital Darwinism', disruptive technologies have required companies to evolve to remain competitive. Recent technical progress has improved the speed, efficiency and means by which corporations conduct business, often forcing a decision to adapt or risk getting left behind.

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In the last few years, technology has led companies to outsource various departments including payroll, thus reducing headcount, saving time, and minimizing costs. A similar evolution is underway in how businesses manage payments. The use of modern electronic payment systems is spreading through the corporate world, with companies moving away from inefficient paper checks and toward more innovative corporate payment solutions.

However, despite the beneficial nature and uptick in adoption of electronic corporate payment solutions, a majority of companies still use printed checks for at least half of their B2B payments.¹ In the next sections, we'll review and address the reservations that may keep finance executives from adopting a payments solution.

INTRODUCING THE BENEFITS

In an era defined by technological advancements, it's no surprise that B2B payments have evolved beyond the use of paper checks and to more advanced electronic payment solutions. Corporate payment solutions offer a means to automate the flow of B2B payments through an electronic system, and programs such as CSI Paysystems can create one-time-use virtual credit cards on demand - among many other automated payment methods - to pay suppliers.

There are several benefits to using electronic corporate payment solutions in place of traditional methods such as paper checks when making B2B payments. One obvious advantage is the reduction of the expenses incurred with paper checks: research has shown that payments by check can cost businesses from \$4 to \$20 per check.² Another obvious benefit to using an electronic payment system such as CSI Paysystems is avoiding unpredictable postal problems which may cause lost or delayed checks. Instead of having to void, reissue, reprint and resend a payment, companies using virtual cards have full control of the payment electronically.

In addition to the elimination of costs associated with paper checks, many corporate payment solutions offer a rewards program, where 'points', cash back percentages or other predetermined rewards are earned every time a credit card is used.

If you think these benefits are insubstantial when applied to real businesses, think again. Based on their top ten hospitality accounts, the average CSI Paysystems account saved \$182k in 2014 from the elimination of paper checks. On top of this savings, those same

accounts earned an average of \$321k in rebate revenue, which is new revenue earned every time a virtual credit card is used to make a payment.

In total, these top ten accounts recognized an average savings of over half a million dollars in 2014, simply by moving their payables to the CSI Paysystems platform. In addition to these measurable results, the streamlined and automated process of programs such as CSI Paysystems also allows you to reduce headcount devoted to accounts payable activities, providing an opportunity for more strategic resource reallocation.

WHAT COULD BE HOLDING YOU BACK?

Despite the industry's success, only one in five surveyed businesses process a majority of their payments to vendors via electronic means.³ While most businesses are expected to adopt a B2B payments solution program in the near future, the question still stands: why are so many businesses still writing checks rather than utilizing one of the many electronic corporate payment solutions available?

SECURITY

Perhaps you are hesitant to make the switch to an electronic payment solution because you have reservations about the security of electronic payments. After all, it has become difficult to watch the news without hearing about the latest instance of corporate data theft, with hackers stealing millions of credit cards or personal financial records from companies across the U.S. The constant drumbeat of reports of corporate security failures has become unavoidable and so, given the 783 instances of major security breaches reported in 2014,⁴ having security concerns is perfectly understandable.

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You should not let data breach headlines discourage your transition away from paper checks, however. According to the U.S. Department of Treasury, you are 125 times more likely to encounter an issue with a paper check than you are with an electronic payment.⁵ In fact, out of the 62% of companies that were targets of payment frauds in 2014, 77% were subject to check fraud while only 34% to credit/debit card fraud.⁶ The evidence is clear: electronic payments including transactions made with credit cards are far less risky than paper checks.

Still don't feel comfortable losing those outdated paper checks for more innovative corporate spending solutions? Well, it's important to know that the security features of CSI's virtual credit card payments actually go beyond the standard fraud protection features associated with the major credit card networks such as Mastercard, Visa, and American Express.

The virtual credit cards used by CSI, for example, can be preset for only one transaction for a specific amount. Once that transaction

1. Paystream Advisors' Electronic Payments and Card Solutions in 2015. (2015). Retrieved July 23, 2015

2. U.S. Companies Cling to Writing Paper Checks. Wall Street Journal. Retrieved July 23, 2015 <http://blogs.wsj.com/cfo/2014/03/10/u-s-companies-cling-to-writing-paper-checks/>

3. 2013 AFP Electronic Payments Survey- Association for Financial Professionals. (n.d.). Retrieved July 23, 2015. <http://www.afponline.org/epayments/>

4. Identity Theft Resource Center Breach Report Hits Record High in 2014. (n.d.) Retrieved July 23, 2015 <http://www.idtheftcenter.org/ITRC-Surveys-Studies/2014databreaches.html>

5. <https://fiscal.treasury.gov/godirect/userfiles/files/Why%20Are%20Electronic%20Payments%20Safer%20Than%20Paper%20Checks.pdf>

6. Why Are Electronic Payments Safer Than Paper Checks? (n.d.). Retrieved July 23, 2015 http://www.afponline.org/pub/res/research/PaymentsFraud_InfoGraphic.html

is completed, the virtual card number becomes invalid, eliminating any future chance of theft. Additionally, in the rare instance that someone does attempt to steal the virtual credit card number before it is processed, any transaction for an unauthorized amount will be denied.

SUPPLIER ACCEPTANCE

Many financial executives incorrectly believe that their suppliers will refuse to accept credit card payments. But a Kaiser Associates Study, commissioned by MasterCard,⁷ reveals that buyers have much more negotiating power than they think. In this study, 63% of buyers believe that they have a low degree of negotiating power when it comes to choosing a method of payment for suppliers. In contrast, when asking suppliers how likely they would be to accept a credit card payment if it were mandated by a buyer, 82% said they were 'likely to accept card' as a method of payment.

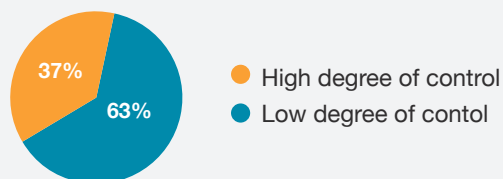
Not only is there a disconnect between 'buyer perception' and 'supplier reality', the industry average supplier acceptance rate of a mere 10-15% likely fuels the skepticism that suppliers will accept card payments.

While it is likely that not all of your vendors will accept virtual credit cards as a form of payment, don't let that low industry average acceptance rate discourage you. Companies such as CSI that place a genuine focus on supplier enablement, and create true value for vendors, are seeing much higher acceptance rates. CSI Paysystems, for example, achieves the highest acceptance rate in the industry, with their customers averaging a 40-50% supplier acceptance rate.

Buyers have much more leverage regarding their payment method than they realize

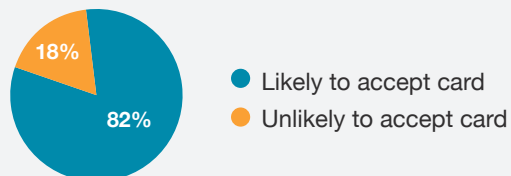
Buyer's Perception

How much negotiating power do you as a buyer have with suppliers regarding the method of payment used?



Supplier's Reality

How likely would you as a Supplier be to accept a card from a customer that mandated it as a method of payment?



Source: Kaiser Associates Study, 2013

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CSI Paysystems, for example, achieves the highest acceptance rate in the industry, with their customers averaging a 40-50% supplier acceptance rate.

As for the rest of your suppliers, the payment services provided by CSI also extend beyond those that accept virtual credit cards. They will handle payments for vendors that require other forms of payment, including ghost cards, corporate cards, Private Network, ACH, and even paper checks. Combine this with CSI's high vendor acceptance of virtual credit card payments and you have a complete electronic payment solution and the opportunity to outsource your entire accounts payable department, significantly reducing head count or allowing employees to devote time to more important matters than printing and mailing checks.

INTEGRATION

One of the obstacles commonly cited by financial executives as preventing adoption of an electronic payment solution is the concern that their existing accounting system won't fully integrate with the payment solutions available. An improper or incomplete integration can lead to significant workflow headaches and duplication of effort, which can bog down your accounting department and wreak havoc on your teams and their schedules.

To avoid these problems and aid in easing the integration, many electronic payment solutions have made their programs directly compatible with output from a wide range of accounting systems. The leading electronic payment solutions have refined the integration process so the disruption that oftentimes accompanies system conversions is minimal. With a system like CSI Paysystems, your accounting department is almost immediately operating much more efficiently and empowered with easy-to-use tools for issuing, tracking and reconciling business payments.

Many corporations have found themselves very pleased with the integration process of payment solutions like CSI Paysystems. During an interview with PYMNTS.com,⁸ the financial executives at Trump Hotels were quick to compliment CSI Paysystems streamlined integration. "It was the easiest transition I've ever gone through with a system conversion," said Michelle Schneider, the Director of Finance at Trump Soho Hotel in New York. Naturally, change is going to create some minor obstacles. However, experienced companies like CSI are well-versed in potential integration challenges and have addressed this issue, making the integration process as painless as possible.

IMPLEMENTATION

Any company executive knows how valuable and busy the members of their company's IT department are, especially in today's tech-driven business world. According to a 2015 Harris Poll Survey, 38% of the 733 surveyed employees agree with the sentiment that their IT department is "too inundated with requests to fill mine in

7. Perception vs. Reality: Do Vendors Prefer Mandated Payment Methods?, Comdata July 22, 2014, <http://www.comdata.com/news-&-events/comdata-blog/perception-vs-reality-do-vendors-prefer-mandated-payment-methods>. Retrieved August 3, 2015.

8. PYMNTS.com "Does CSI Trump the Competition in the ePayments Industry?", April 4, 2013, http://www.pymnts.com/uncategorized/2013/does-csi-trump-the-competition-in-the-epayments-industry/#.Vbt8P_IVhBc Retrieved July 31, 2015

9. 2015 K2 and Nielsen survey. Retrieved July 24, 2015 <http://www.k2.com/files/9531>

a timely manner.” With understaffing a common issue amongst companies, it is understandable you might not be able to allocate any substantial IT resources toward the implementation of a new electronic payment solution.

The early evolution of electronic payment systems required extensive IT support from both parties to successfully complete the implementation. Now, leading electronic payment programs like CSI Paysystems uses a web-based service platform that requires no software installation and thus little to no IT support on the client’s end. The easy-to-use nature of CSI Paysystems will have your company making more efficient payments in no time without distracting any IT personnel that are crucial to your everyday businesses operations.

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Serge Laroche, Regional Controller at the Farmount Royal York Hotel in Toronto was very satisfied with CSI’s implementation process. “Change always brings about challenges, but CSI makes it a smooth and easy transition,” said Laroche. His hotel’s \$29k annual savings in the first year certainly contributed to their satisfaction of the electronic payment program; “The convenience, savings, and revenue we get back from rebates, and the fact that CSI does most of the work – it’s really a no brainer.”

CONTROL

Many financial executives claim to gain a feeling of control when using paper checks. However, this feeling is artificial. As mentioned earlier, sending paper checks is not the safest method of handling your business’s payments. Once you send out paper checks, most of your control goes out the door and cancellation can be strenuous on a payables department. If your company becomes victim to check fraud, it could take weeks before anyone in your company realizes what has occurred, and additional weeks of your staff’s time to resolve the fraud and reissue payment as necessary.

Most B2B payment solutions now offer the ability to monitor and control payments anywhere you have Internet access. With CSI Paysystems, you can even issue, control, and monitor virtual credit cards from your mobile smartphone or tablet, enabling the ability to manage payments on the go.

Electronic payment programs can provide greater protection, control, and monitoring capabilities than any other form of payments.

The real-time reporting and control features of leading electronic payment solutions in fact give you much more control over payments. Through web or mobile, you gain 24/7 visibility into your payment activity and know exactly which payments have processed and what remains outstanding. Should a payment need to be re-issued, rather than going through the strenuous process of canceling a check and re-mailing, you can immediately block the virtual card and create a replacement with a different number if the need comes about.

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Therefore, don’t let the illusion that you are in more control with paper checks keep your company from achieving the benefits that come with corporate electronic payment solutions.

WRAPPING IT UP

Considering the numerous benefits of corporate electronic payment solutions, it’s perplexing that many businesses are still making a majority of their B2B payments with paper checks. Compared to antiquated, slow, and expensive check printing workflows, electronic B2B payment programs present tremendous savings in efficiency, better control of payments, and the added incentive of revenue from cash back programs. When you combine such benefits with the fact that leading companies in the electronic payments industry have essentially eliminated any barriers to adoption, the decision to adopt should come without hesitation.

Technology has made it more important than ever to not only compete for today, but also be ready for the future. Therefore, consider adopting an electronic payment solution for your business today, or risk getting left behind.

The latest trends in the B2B payments industry suggest that most companies will adopt one of these innovative payment solutions over the next few years. In today’s business world, technology has made it more important than ever to not only compete for today, but also be ready for the future. More comprehensive electronic payment solutions like CSI Paysystems offer additional long-term strategic benefits with the ability to process all payments – virtual credit card, ghost cards, corporate purchasing cards, Private Network, ACH, foreign exchange, and even checks – through one payments provider. Simplifying this function, and in essence outsourcing payables to a specialized third party, follows the similar evolution that companies have experienced with payroll departments. It’s a smart business move that allows companies to achieve tremendous cost savings and free up valuable resources to focus on their core business operations.

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ABOUT CSI

For 26 years, CSI has provided world leading brands with simpler, more secure payment solutions.

Combining technology and extraordinary customer service, our electronic payment solutions enable businesses to reduce costs and increase profits in all areas of B2B payments. CSI has been honored as a top 100 privately held technology companies in North America by Red Herring, recognized among the software industry’s best financial management systems and enterprise mobile app by the CODiE Awards, and named customer service department of the year by the Stevie Awards. Learn more about our company at www.corporatespending.com.