

AP Trends Driving Need for Enterprise Payments Hubs

By Mario Villarreal

Organizations that are still on the fence about the need for an enterprise payments hub may feel like they've received a proverbial shove after reading the results of a new study on accounts payable (AP) trends conducted by International Accounts Payable Professionals (IAPP), based in Orlando, FL.

IAPP's study found that while the overwhelming number of organizations still make payments via paper check (97 percent), more organizations are using automated clearing house network/electronic funds transfer (79 percent), wire transfer (59 percent) and purchasing cards (50 percent). The move towards these electronic payment channels is driven by the unique attributes they offer, the IAPP study found. ACH/electronic funds eliminates most of the costs associated with paper checks. Wire payments are primarily used for sending payments internationally. Purchasing cards enable front-line employees to make purchases within minutes instead of days, while eliminating paperwork.

While electronic payments are building momentum, the IAPP study suggests that paper checks may have staying power: an eye-popping 91 percent of invoice dollars are still paid via paper check. Similarly, AP departments also are still overwhelmingly using the mail to submit remittance advices (82 percent); it is standard, IAPP's study finds, for the paper check to contain the remittance advice.

So why worry about what's happening in AP? Because those payments will eventually find their way into an organization's A/R department. And most corporate remittance operations are currently structured in silos to support individual payments types, such as check, ACH, wire, and purchasing card. Each of these payments types has its own fraud and compliance components, resulting in redundant systems, lack of transparency across channels, and less than optimal customer service.

Based on the results of IAPP's study, these payments processing challenges may get worse.

Enter Enterprise Payments Hubs

That's where enterprise payments hubs come in.

An enterprise payments hub allows billers to realize working capital management improvements with a single platform for processing all paper-based and electronic payments and clearing channels.

An enterprise payments hub provides a consolidated, end-to-end transaction processing platform that offers integration with legacy payments and receivables systems and processes, resulting in an aggregated and centralized payments processing solution. An enterprise payments hub is capable of managing the entire payments lifecycle including payments processing, check processing, retail processing, payments decisioning, and returns management -- all critical to receivables management.

Increased visibility can be realized through the use of consolidated payment monitoring and reporting, giving a more complete view of a company's cash position. This helps companies gain centralized control of their cash and more accurate visibility into their payments and receivables.

The centralized reporting provided by an enterprise payments hub can provide internal business intelligence that can point to new revenue streams and increased cost efficiencies. Companies that

can effectively view, analyze, and act on this payment information can react more quickly to receivables trends and customer service inquiries, while improving forecasting and budgeting.

An enterprise payments hub is especially effective when the multiple payments channels of an organization are centralized, as standalone systems and processes can be significantly reduced. For example, an enterprise payments hub can enhance workflow and data management and routing, and facilitate common processes and administration across all payment channels. This functionality eliminates manual processes, accelerates exceptions handling, increases corporate agility, and improves float. These capabilities also provide a platform for straight-through-processing (STP). Similarly, an enterprise payments hub reduces bank fees by facilitating least cost, best fit clearing.

The Bottom Line

With an enterprise payments hub, organizations can better realize the benefits of working capital management. Companies are now able to gain control and visibility over their payments processing and receivables management, which in turn offers treasurers new cash management tools. For instance, consolidating payments information in an enterprise payments hub produces a more accurate and timely view of payments. Payment streams also are consolidated for clearing. The end result is that least cost, best fit routing can be applied to payments to reduce fees and improve float.

With AP departments adopting a wider range of payment mechanisms, billers can't afford to sit on the fence any longer. To remain cost competitive, they'll need an enterprise payments hub.

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