

# Improving Working Capital Management with an Enterprise Payments Hub

By Leilani Doyle

The old expression “cash is king” has never been more true than in today’s changing economic environment.

And for more organizations, an Enterprise Payments Hub is a critical element of the company’s cash management strategy. Traditionally, corporations have managed payments channels individually. While maintaining these payments silos may have been sufficient when checks were the predominant payment instrument, in today’s mixed payments environment, this can result in increased overhead and transaction costs, poor visibility into customer relationships, increased fraud and risk, higher bank fees and a fragmented view of the company’s cash position. With TowerGroup estimating that noncash payments will continue to grow globally at approximately 12 percent a year, the problem will only get worse. The situation is further complicated by payments exceptions and errors.

Similarly, banks are under pressure from commoditization, globalization, increasing regulatory and compliance directives, and new customer demands. Hamstrung by legacy processing platforms that are complex and siloed, most financial institutions find it difficult to meet these challenges.

Further, these entrenched silos have prevented many organizations from realizing the full benefits of electronic payments. Additional inefficiencies develop when companies operate a variety of payments systems due to acquisitions or stalled implementations. Faced with these disparate systems and the lack of seamless integration, most companies are not able to gain a real-time, complete view of their receivables.

Driven by the need for better working capital management, as well as intense cost pressures amid growing compliance and control requirements, corporations are more focused on collapsing their payments silos to gain

new operations efficiencies and expand visibility into their payments and receivables.

Cal Hackeman, national managing partner of technology industry practice, at Grant Thornton, a member of Grant Thornton International, says firms can maximize their chances for success by identifying available avenues for improving cash flow, reducing costs, and streamlining operations.

Hackeman adds that improvements to cash flow, costs, and operations in response to economic changes are not simply about becoming lean. They also help companies seize the opportunity to cement a long-term advantage over competitors with weaker fundamentals or less strategic vision.

“Transforming payments to business processes is the key,” explains Maggie Scarborough, research manager, Financial Insights Corporate Banking Advisory Services, based in Framingham, MA.

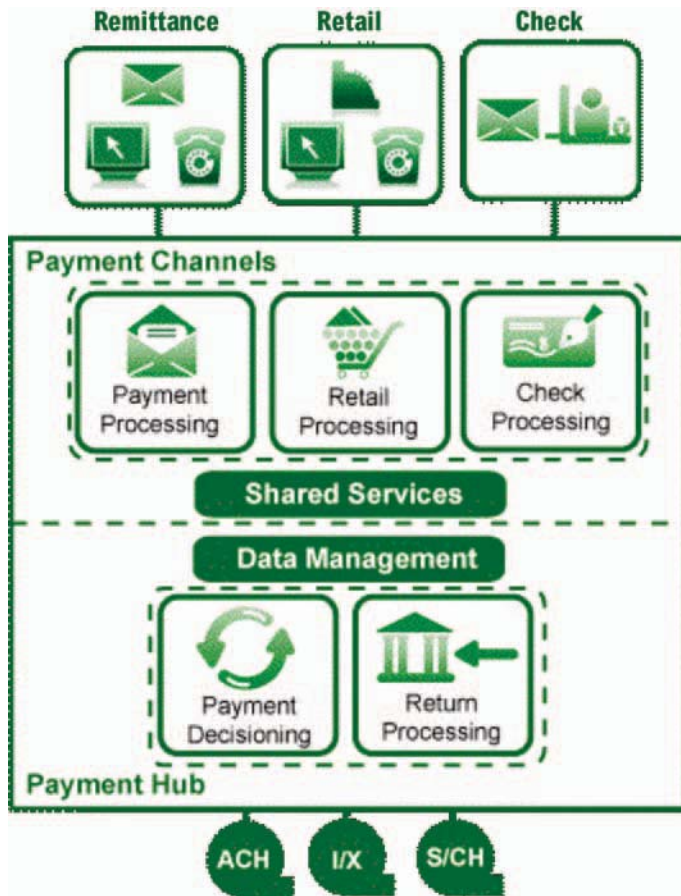
This is where an Enterprise Payments Hub comes into play.



## How Does an Enterprise Payments Hub Work?

An Enterprise Payments Hub allows billers to realize working capital management improvements and reduced risk with a single platform for processing all paper-based and electronic payments, regardless of 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. Management of all payment channels, including lockbox, web bill payments, and over-the-counter work, is controlled through a single enterprise platform. An Enterprise Payments Hub is capable of managing the entire payments lifecycle including payments processing, check processing, retail processing, payments decisioning, and returns management. Incoming payments are cleared using Check 21 and



ARC conversion for conventional remittance or lockbox processing, while other forms of bill payment and retail work are processed using the appropriate NACHA SEC code (i.e., ARC, POP, RCK, TEL, WEB, PPD, CCD and BOC). Credit card and debit card payments are also processed through the platform for a fully integrated account receivable process.

A comprehensive enterprise payments hub is depicted in the diagram that follows.

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 available in an Enterprise Payments Hub provides internal business intelligence that can identify trends and point to new revenue streams and increased operational efficiencies. Companies that can effectively view, analyze and act on this payment information can react more quickly to changes in 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 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.

## Benefits of an Enterprise Payments Hub

- Reduced transaction/operations costs
- Increased efficiencies
- Improved visibility into payments/receivables
- Leverage optimal clearing methodologies
- Optimize payment flows
- Consolidate payments systems
- Reduce exceptions processing
- Detect duplicates across all payment channels
- Minimize errors
- Reduce fraud and risk
- Improve compliance and control

## 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. This can help reduce fraud and streamline risk management. 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 decrease float.

With an increased push to improve working capital management as a result of the economic slowdown, an Enterprise Payments Hub can offer powerful tools for working capital management. These benefits will serve companies well not only during the recession, but also beyond.

*US Dataworks is a developer of payment processing solutions, focused on the financial services market, federal, state and local governments, billers and retailers. Visit [www.usdataworks.com](http://www.usdataworks.com) for additional information.*