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Integrated Payables and Trends in Payments



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About the Speaker



Eric Madson | Vice President, Commercial Payments

Eric Madson is Vice President, Commercial Payments of Priority Commercial Payments, a member of the Priority Technology Holdings family. As a FinTech leader, Eric has 20 years of experience delivering technology solutions through meaningful relationships to clients and partners.

In Eric's current role, he helps Financial Institutions deliver state of the art commercial payments to clients. Additionally, he assists Middle Market clients adopt the latest AP technology to reduce costly check costs and generate revenue (rebate). He also helps Referral Partners, ERP providers and ISOs deepen their relationships through integrated payables (IP) technology.

Eric's past experience includes serving as: Vice President, Commercial Card of Heartland Financial USA, Inc. (Arizona Bank & Trust); Vice President, Regional Sales Leader of Bank of America Merchant Services; and Senior Market Sales Manager of Wells Fargo Merchant Services.

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The commercial payments industry continues to evolve as technology surrounding payments advances. **By understanding four key trends, buyers can make decisions that will reduce AP operating costs** through automation and add value through rebates and prepayment discounts.

- Opportunity to achieve accounts payable efficiencies
- Ability to capture new revenue streams
- Growing importance of supplier value to maximize participation

Industry Trends:



Expansion of virtual card



Integrated Payables evolve into a comprehensive payment solution



Delivery of supplier value emerges through AR automation



Payment Hubs become the norm in commercial payments



Trend 1: Expansion of Virtual Cards

Growing Adoption, Use and Supplier Acceptance

The vast majority of AP end-users (73%) have reported growth, averaging 10.9% annually

Spending is expected to rise to \$127 billion by 2022

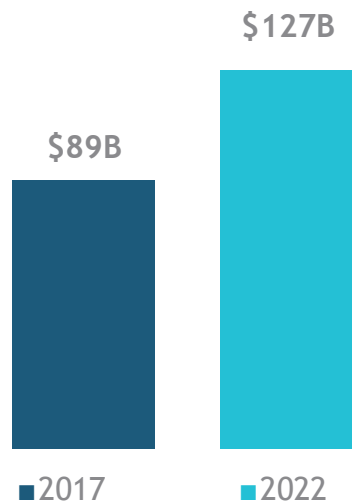
The market potential is projected to be \$1.2 trillion based on the current state of adoption, use and supplier acceptance



Electronic Accounts Payable (EAP) Spending

Annual Growth

10.9% Average



Market Potential

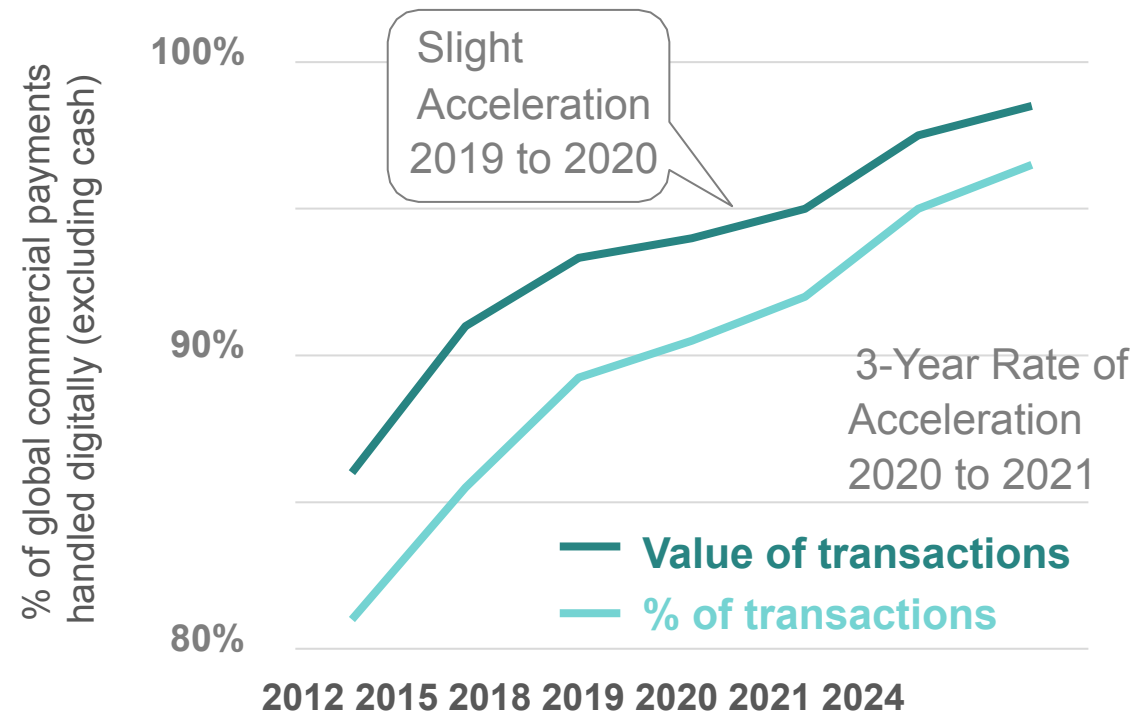
\$1.2T



Trend 1: Expansion of Virtual Cards

Checks Will Decline at 3x the Previous Rate of Descent

Bain's global forecast shows a slight acceleration in virtual card in 2020 followed by a more pronounced acceleration in 2021--comparable to the rate of change from 2015 to 2018.

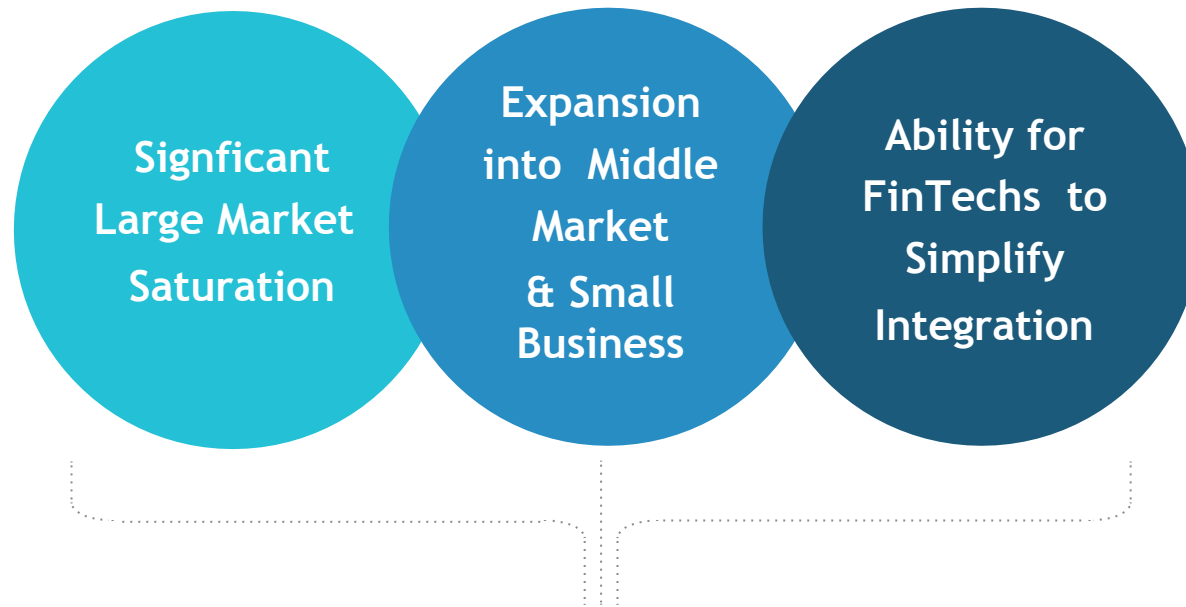


Source: Windward Strategy: U.S. Commercial Card Update

Lowering the Cost and Time for Integration

FinTechs - at the intersection of finance and technology - are lowering the cost of entry for mid-sized businesses and the financial technology companies, community banks, and credit unions serving them.

Automated AP program integration, which previously took months, can now be accomplished within a few weeks.



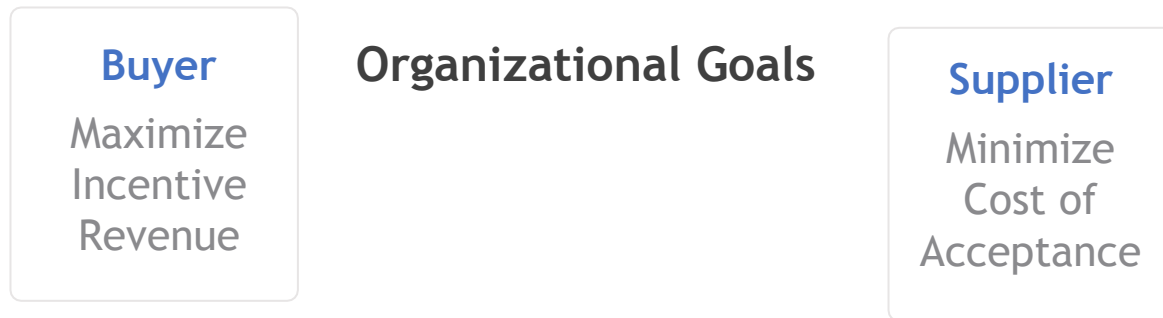
Simple Integration Downstream

Aligning the Goals of Buyers and Suppliers

Buyers want to use their preferred payment method – often card – to maximize incentives and to extend days paid outstanding (DPO).

However, suppliers often require Automated Clearing House (ACH) payments to minimize their cost of acceptance and decrease days sales outstanding (DSO).

The possibility of eliminating costly check payments can unite both parties as winners.



Drive Efficiency by Eliminating Checks

Extend Days Paid Outstanding (DPO)

Decrease Days Sales Outstanding (DSO)

Trend 2: Evolution of Integrated Payables

Limited Choices and Multiple Payment Instruction Files are in the Past

Integrated payables solutions, while providing multiple options for buyers, have historically been limited and cumbersome because they may involve working with two different teams at a financial institution.

Solution Providers MUST Take Three Key Steps



Deliver flexible payment solutions to suppliers

Listen to suppliers to provide payment options and define the right price point to accept a card solution



Realize they cannot ignore non-card acceptors

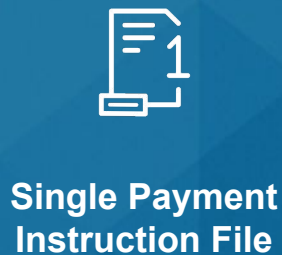
Find the right payment solution and price point so non-acceptors do not need to stay on check



Simplify the buyer's process for delivering a single payment file

Develop a platform that truly integrates all payments very simply on a single platform

The Integrated Payables solution of the future delivers a cross-section of payment data compressed within a single payment instruction file.



Card Solutions

Virtual Card, Buyer-Initiated Payments (BIP) or Straight-Through Processing (STP), Proxy Payments



ACH Solutions

ACH+ (Flat Basis Point Discount), Dynamic Discounting, Standard ACH, Wire



Check

Standard Issuance, Managed, Customized

Trend 3: Emphasis on Supplier Value

The success of the buyer's automated AP program depends on supplier acceptance and activation.

- Accounts receivable (AR) solution providers are helping suppliers minimize risk and lower their transaction costs by managing their interchange processing.
- Buyers can now engage in buyer initiated or straight through processing, which map payments directly into the supplier's enterprise resource planning (ERP) system.

Traditional Supplier Value

Grow/Retain Business
Preferred Supplier Status
Check Elimination
Accelerated Payment
Reduced Risk

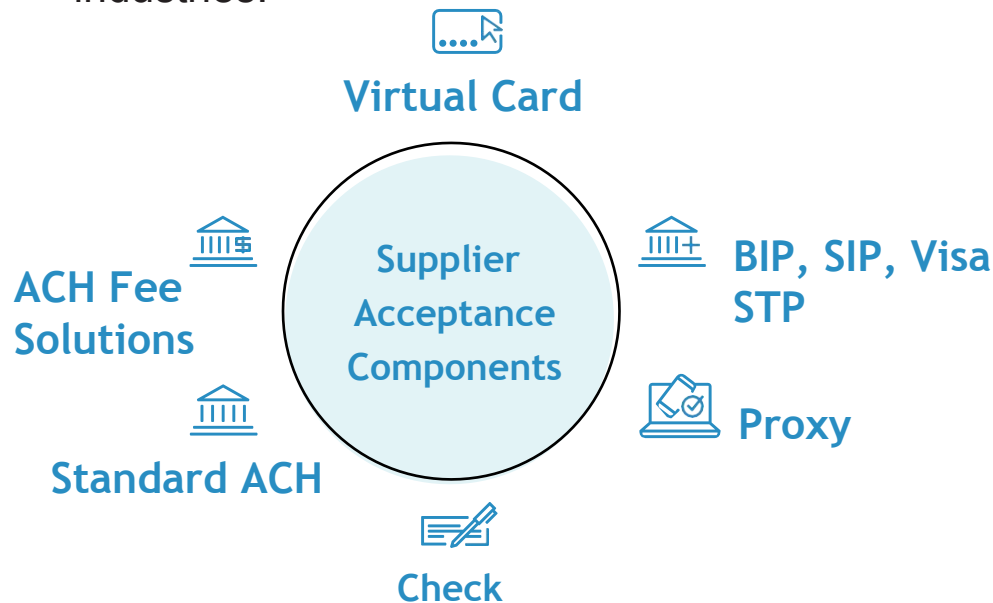
AR Supplier Value

Manage Interchange
No Touch Processing (BIP/SIP/STP)
No Touch Reconciliation

Trend 4: Emergence of Payment Hubs

The key to efficient supplier activation:

- Taking a network approach with known suppliers who have already agreed to accept electronic payments.
- Unique networks will focus on the top suppliers that represent the majority of spend volume within specific industries.



Key Takeaways: Critical Success Factors

- **ACCELERATION MONETIZATION OF AP**

The rate of change in the commercial payments ecosystem continues to accelerate. Organizations and financial institutions serving them realize that the value locked within Accounts Payable can be monetized in the form of discounts, incentives and new revenue streams.

- **SIMPLE AND SEAMLESS SUPPLIER COLLABORATION**

The key to expediting an automated AP solution is to simplify the process for buyers--creating seamless collaboration with suppliers.

- **TECHNOLOGY AND SUPPLIER ACTIVATION EXPERTISE**

Innovative technology, experienced support teams, supplier networks and activation expertise are key standards required to optimize the efficiency, economic benefit and risk profile of every form of commercial payment.

- **FULL PAYMENT INTEGRATION**

Carefully consider the technology and qualifications of the support team required to simplify and integrate your automated commercial AP platform. Be sure they have proven capabilities to fully integrate and automate 100% of your AP file with multiple forms of payments, using a single payment instruction file.

Q & A