Moving to digital isn’t just a faster way for a company to get paid. It also can help businesses reduce processing costs, improve cash flow and provide a more efficient way to track and control expenditures.

Making the Switch to Electronic Payments

Electronic payments aren’t just for consumers who want a quick way to download and watch a movie or spring for a latte. They are also transforming how companies collect for the goods and services they sell.

Moving to digital isn’t just a faster way for a company to get paid. It also can help businesses reduce processing costs, improve cash flow and provide a more efficient way to track and control expenditures.

Advantages aside, many companies continue to rely on paper checks. The typical organization still makes half its business-to-business payments by check, though that’s dropped from 81 percent a decade ago, according to a 2013 Association for Financial Professionals survey\(^1\). Companies often are reluctant to adopt electronic payments because they can’t convince customers to pay electronically, don’t have adequate information technology resources to implement the switch, or lack a standard format for remittance information, according to the report.

**Overcoming vendor resistance**

The other factor holding companies back is the difficulty they have convincing suppliers to give electronic payments a try. To make vendors comfortable about switching, financial executives suggest focusing on benefits. Those advantages include same-day

---

\(^1\) U.S. companies continue to make b2b payments by check, Association for Financial Professionals, http://bit.ly/1k34roR
payments, better cash flow, and lower costs for invoicing, reconciliation and tracking. By focusing on benefits, companies can help overcome the resistance vendors might have to paying the fees that are associated with accepting corporate cards or other forms of electronic payment.

**Evolving nature of electronic payments**

Those forms are expanding. In addition to corporate cards, electronic payment methods include corporate purchasing cards, virtual payments and buyer-initiated payments. Regardless of the type, electronic payments offer corporate users perks such as travel insurance, emergency medical help, rebate programs, and other discounts.

As times change and electronic payments are more widely accepted, suppliers who previously preferred to be paid by check may be more open to getting paid electronically.

To transition to electronic payments, analyze spending with various suppliers. Such an analysis can spot areas where a company could save on costs and segment suppliers according to their specific payment requirements.

Next, talk to suppliers about the benefits they would achieve by making the switch. As times change and electronic payments are more widely accepted, suppliers who previously preferred to be paid by check may be more open to getting paid online. They also would benefit from the switch with same-day payments to improve cash flow. And their costs for invoicing, reconciliation and tracking would be lower.

Finding the right balance between traditional payment methods and electronic payments may also depend on a company’s size and corporate culture, industry, the size of the suppliers they deal with, and total transaction volume.

Regardless of variables such as size or industry, given the many potential benefits there are to be had, electronic payments are well worth investigating.