

From Paper to Automation:

The Past, Present & Future
of Payment Technologies

October 2023



About Software Solutions, Inc.





Software Solutions

Financial ERP Software for the Public Sector

292+

Customers in Ohio alone

875

Knowledge Base Articles published

225+

Projects completed each year

200+

Years of combined public sector experience

99%

CSAT score since 2017



Accounting
Accounts Payable Automation
Payroll & Human Resources
Analytics & Budgeting
Utility Billing
Employee Self-Service

The Payment Landscape



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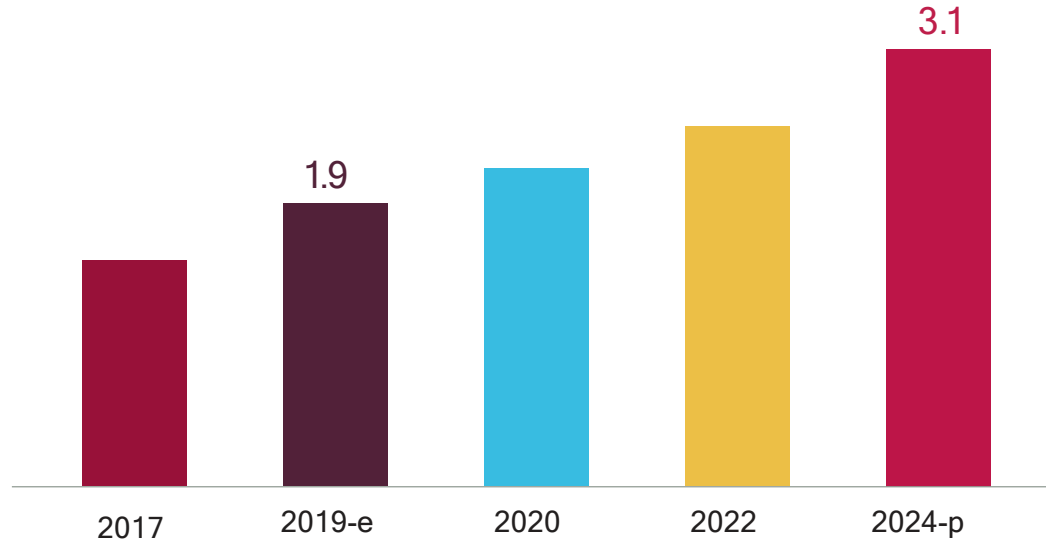


Full AP: Trends in the Marketplace

The demand for accounts payable automation tools will reach

\$4 billion by 2025¹

Accounts Payable Automation Market,
North America (USD Billion)²



1. Siyas, Sayid. *7 Promising Accounts Payable Automation Trends You Should Keep and Eye on*. appexus.com, December 22, 2021.

2. "Accounts Payable Automation Market by Component (Solution and Services), Organization Size, Deployment Type, Vertical (Consumer Goods and Retail, BFSI, IT and Telecom, and Manufacturing), and Region - Global Forecast to 2024". marketsandmarkets.com, July, 2019.

Manual AP Process Inefficiencies



Outdated processes are time-consuming and costly, and can hurt your bottom line



Lack of visibility

- × Dispersed information about vendors and payments across platforms
- × Manual reporting across multiple platforms



Expensive operations

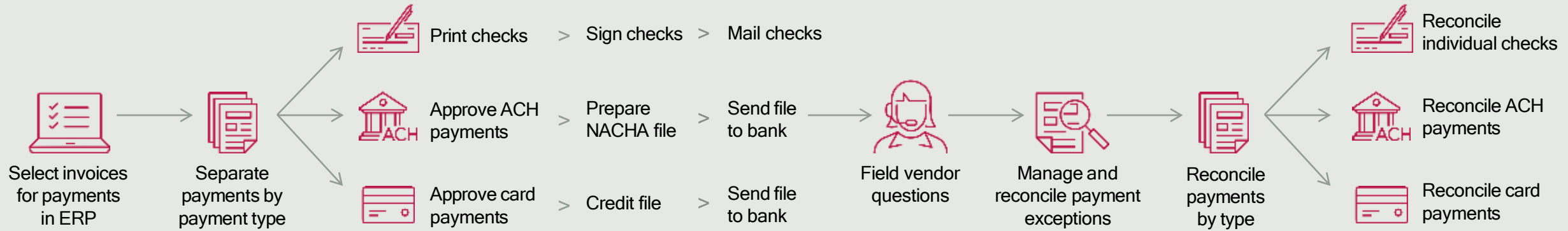
- × Paper or electronic checks take an average of 2 days to process¹
- × True operational costs are \$4 to \$20 per check²



Limited ability to gain efficiencies of scale

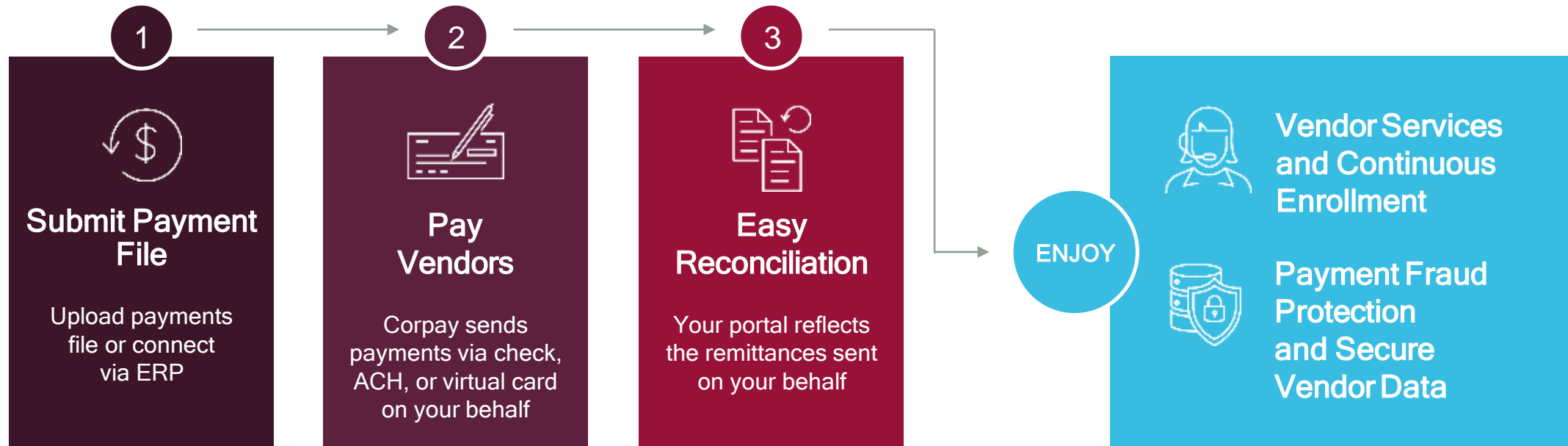
- × As your organization grows, the AP team is either overworked or you must add full-time staff

Typical AP Payment Process

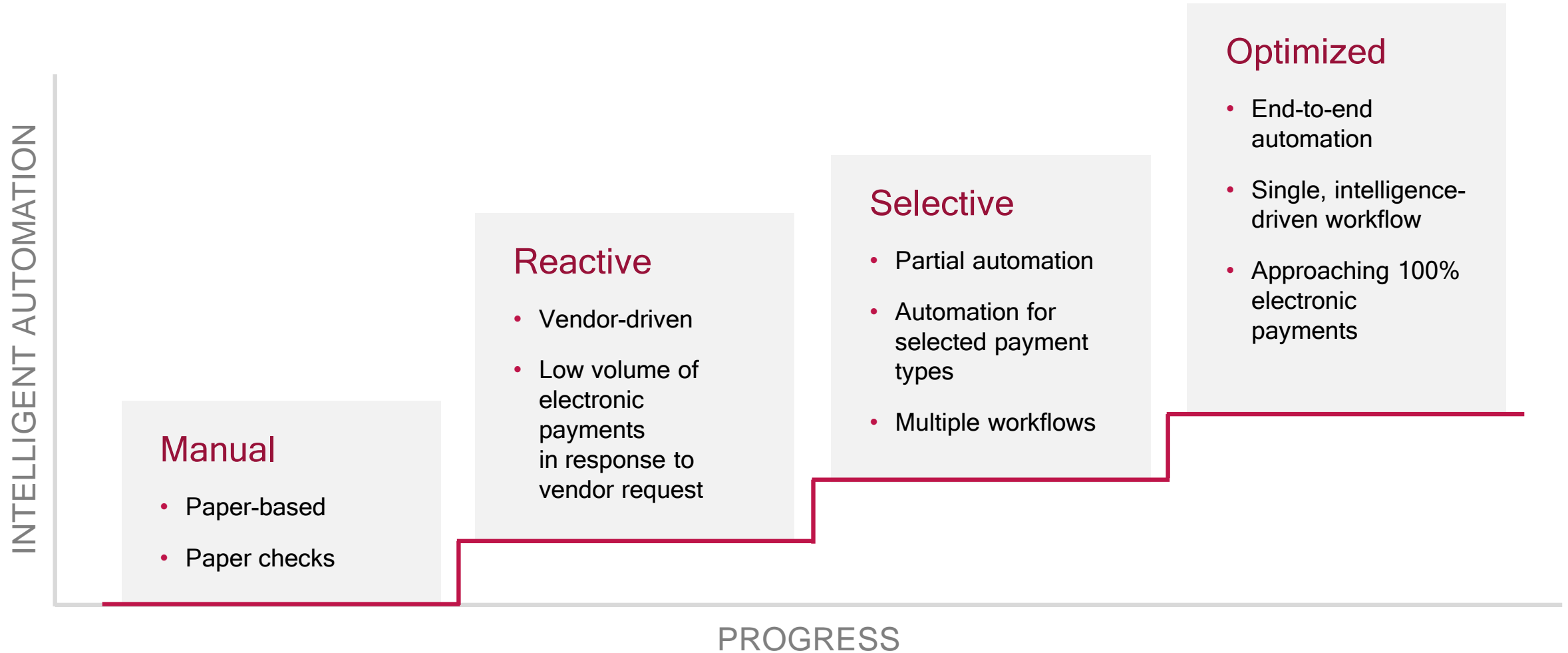


Fully Managed Payments Automation

Improve workflows, automate processes, and offload payment risk



Payments Automation Journey



Polling Question:

Where are you in the Payment Automation Journey?

- A. Manual (paper checks, ad-hoc process)*
- B. Reactive (low volume of electronic payments, as vendors need)*
- C. Selective (automation for selected payment types)*
- D. Optimized (single, intelligence-driven workflow / approaching 100% electronic payments).*

The Cost of Business Payments

 Software
Solutions

Corpay[^]



AP as a Cost-Center

Operational inefficiencies can hurt the bottom line.



Lack of visibility

- Dispersed information about vendors and payments across platforms
- Manual reporting across multiple platforms



Expensive operations

- Paper or electronic checks take an average of 2 days to process¹
- The true operational costs are \$4– \$20 per check²



Limited ability to gain efficiencies of scale

- As your organization grows, the AP team is either overworked or you must add FTEs

AP as a Cost-Contributor

Checks are the most common payment method for B2B payments — even more than ACH. *Despite the familiarity of manual workflows, paper payments come with problems.*



Time-consuming



Expensive



Susceptible
to fraud

Question:

What is your AP Department's top business priority?

- A. Streamlined workflow*
- B. Reducing payment costs*
- C. Preventing fraudulent payment*
- D. Prioritizing valuable AP staff time*

Nearly **80%** of organizations are in the process of transitioning their B2B payments from paper checks to electronic payments

Benefits of AP Automation



Save time and reduce costs



Gain visibility



Offer vendors faster payment methods



Increase workflow efficiency

AP Departments Rely on Checks

Checks are the most used payment in the U.S. – even more than ACH



1. Time Consuming



2. Expensive



3. Susceptible to Fraud

Businesses want to make electronic payments, but there are barriers

Issuing Paper Checks

Calculated Total Cost for Issuing a Paper Check on a Per Item Basis (In-house or Outsourced)
(Percentage Distribution of Cost of Issuing a Paper Check)

Range	All
\$0.00	2%
\$0.01 - \$0.50	12%
\$0.51-\$1.00	10%
\$1.01 - \$2.00	18%
\$2.01 - \$4.00	25%
\$4.01 - \$6.00	10%
\$6.01 - \$10.00	8%
Greater than \$10.00	15%
Median	\$2.01 - \$4.00

Estimated Costs for Issuing a Check (\$)

	Internal Costs	External Costs	Total Cost for Issuing a Check Outsourced
Valid (N)	84	82	74
Mean	2.98	1.74	2.89
Median	1.78	1.00	1.98
Minimum	0.00	0.00	0.00
Maximum	20.00	15.00	20.00

Polling Question:

Have you tried calculating cost for payments?

- A. No, too time consuming*
- B. No, don't have time*
- C. Yes, but only for some payments*
- D. Yes, for all payments*

Digital Transformation for Finance is Here

What that means

Is remote work is here to stay?



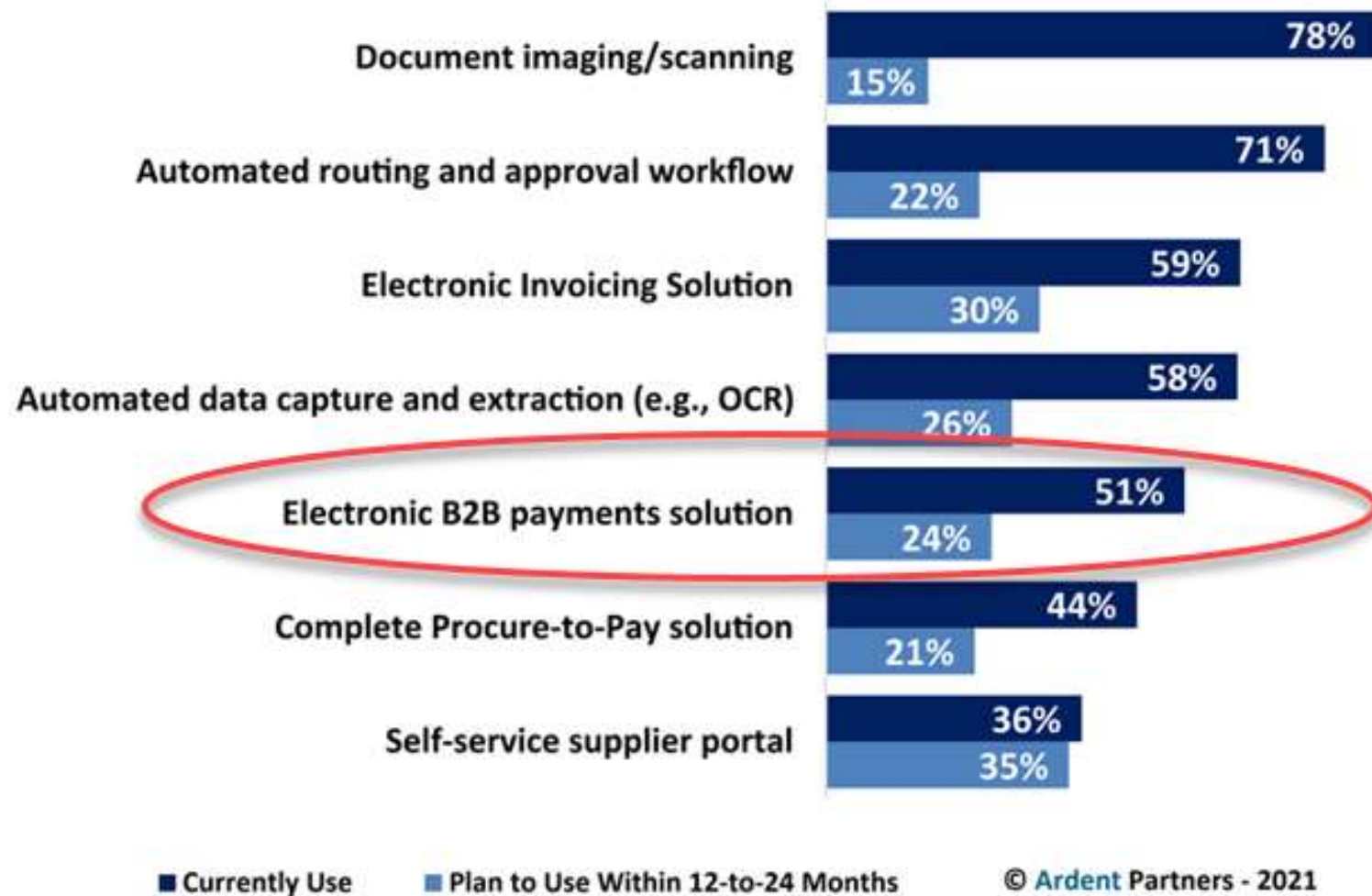
- Companies continue to adopt some type of hybrid remote work for their workforce

Increasing fraud and security risks



- As more payments go digital, organizations should consider adding more controls and security measures

Payment Automation Implementation



Buy-In Required for all Investments

71%

of AP departments
plan to deploy more
technology.



Prioritize staff training and resource support



Align departments in new processes



Identify budget for the project

Pain Points for Adopting Electronic Payments

Pain Point

IT Resources

- Customers have limited IT resources to format the files banks require

Supplier Relationships

- Electronic payments require AP teams to coordinate with vendors on how to pay
- Major effort to manually update vendor data in ERP

Multiple Workflows

- Customers don't want a different payment process for each payment type

How to determine your Operational Efficiencies (Soft) Costs



Supplier Enablement for Electronic Payment



ACH Errors Prevented / Resolved



STOPPED Payments, Refunds & Reissues



Supplier Follow-up / Outreach records updated



Erroneous Payments Resolved / Not recovered

How to determine your Operational Efficiencies (Soft) Costs



Supplier Enablement for Electronic Payment

60 % of total payments
x 30 min. x hourly



ACH Errors Prevented / Resolved

1% of total payments
x 45 min. x hourly



STOPPED Payments, Refunds & Reissues

0.5 % of total payments
x 30 min. x hourly



Supplier Follow-up / Outreach records updated

20 % of total payments
x 15 min. x hourly



Erroneous Payments Resolved / Not recovered

1% of total payments
x 30 min. x hourly

Fraud Challenges and Prevention



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Payment Fraud is on the Rise

92% of organizations surveyed reported that payment fraud attacks collectively cost 0.5% of their annual revenue¹

OVER 19K complaints of business email compromise (BEC) scams were received by the FBI in 2020 detailing U.S. businesses losing a combined \$1.8B to fraud²

1. AFP Payments Fraud and Control Survey
2. FBI's Internet Crime Complaint Center & Crime Report

Recent Corporate Payment Fraud Cases



Toyota loses **\$37M**
to vendor payment fraud

Google
facebook

Google and Facebook
are defrauded **\$120M**

The Total Cost of Payment Fraud

Fraud Losses

- Funds stolen from accounts
- Stolen goods and services
- Chargeback costs

Tools and Headcount

- Costs of detecting and mitigating fraud
- Internal systems and vendor tools
- Human resources

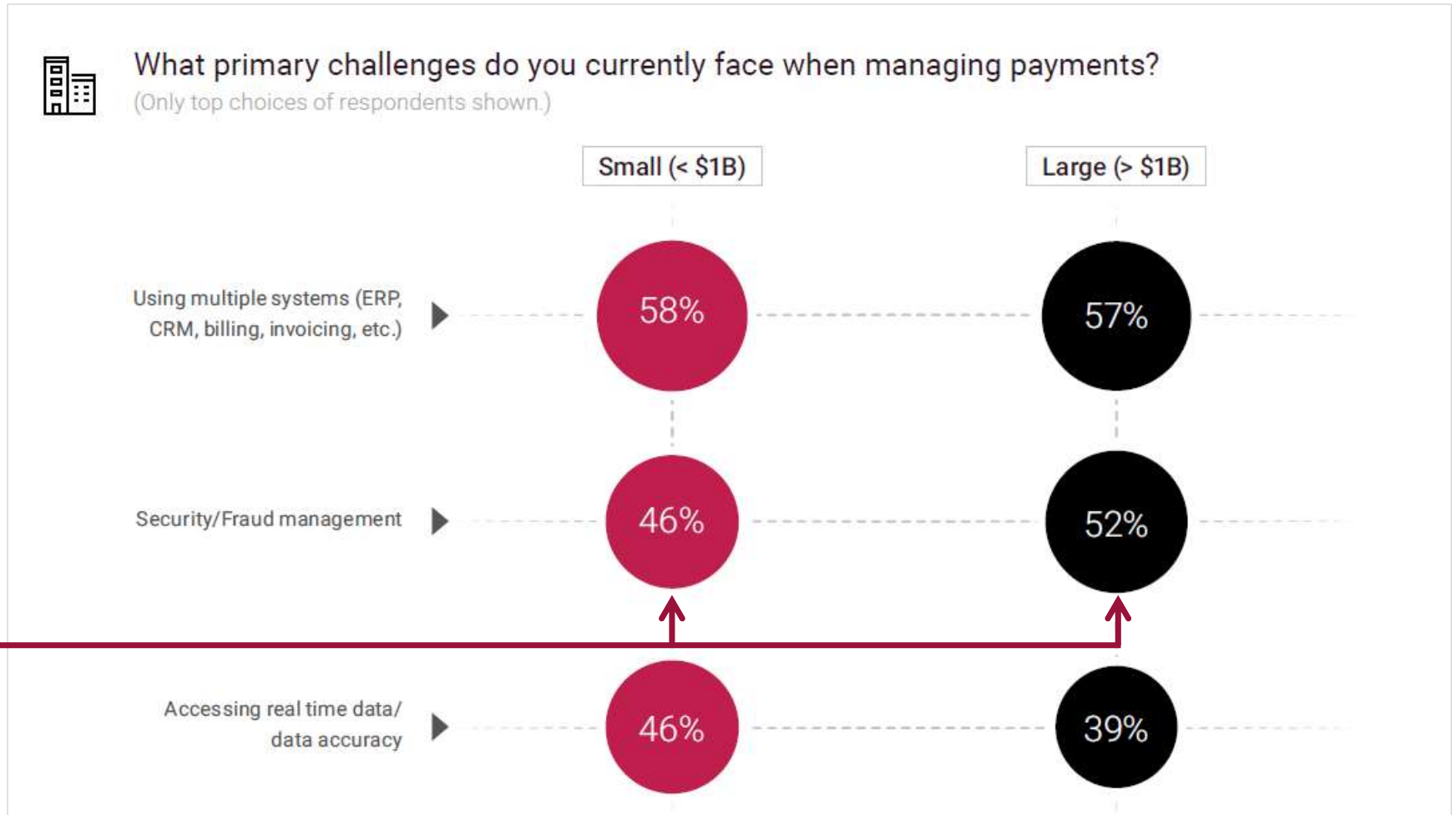
Partner Impact

- Vendors who do business elsewhere
- Suppliers impacted by strict controls
- False positives

Fraud Losses + Tools and Headcount + Partner Impact = TCOF

Top Payment Challenges

“Security/Fraud management” was rated the second-highest challenge in 46% of small businesses and in 52% of large businesses



Fraud is Inevitable

Fraudsters are after checks, but automated payment systems are preventing their attempts.

#1

Victims of phishing attempts are finance-related employees – the most of any segment, according to a recent poll¹

\$1.8B

Reported to the FBI as lost due to fraud to email companies across 19,369 businesses²

70%

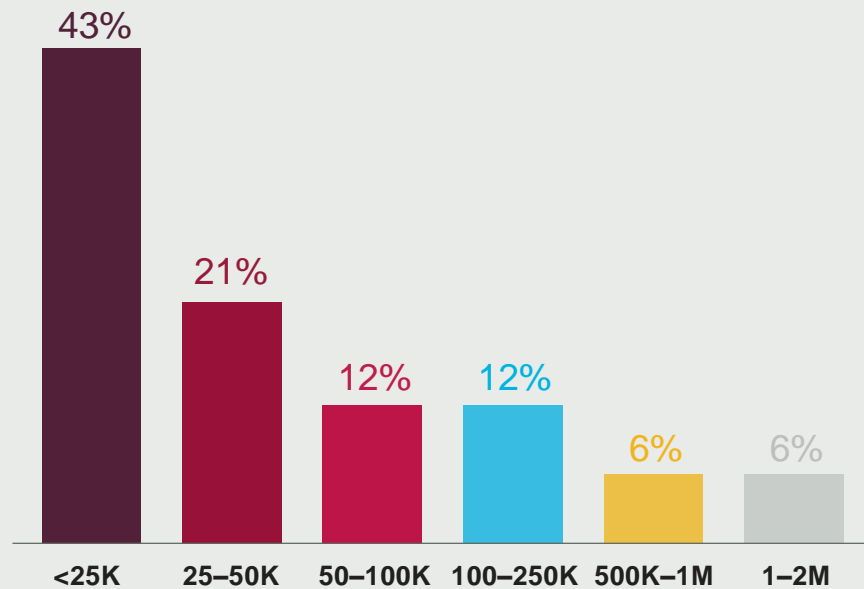
Of organizations that have experienced fraud say their check payments were the most subject to attacks³

Payment Fraud Isn't Going Anywhere



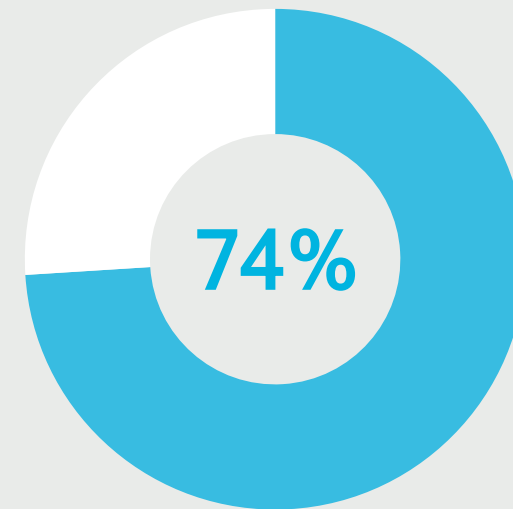
Dollar Distribution

For those that reported a loss in 2020



Percentage of Organizations

That experienced attempted and/or actual payment fraud in 2020



Source: 2021 AFP Payments Fraud and Control Survey Report

Fraud prevention is 60% of the reason B2B organizations are moving away from paper checks

Why do companies switch to payment automation?



Save time and reduce costs



Gain visibility



Offer vendors faster payment methods



Increase workflow efficiency

Polling Question:

How do you believe your risk of payment fraud has changed since the start of the pandemic?

A. Significantly higher risk

B. Slightly higher risk

C. No change in risk

D. Less risk

Questions?



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