EXECUTIVE SUMMARY:
While consumer payments are being transformed by mobile, the commercial sector is experiencing a migration from paper-based payments toward electronic transactions. A big reason for the shift away from checks is the prevalence and growth of ePayables — an electronic payment solution offered by financial institutions designed to facilitate B2B accounts payable, whether Automated Clearing House (ACH) or card-based transactions.

This report explores the value proposition of the ePayables solution for both corporate buyers and their suppliers, while also looking at ways buyers can greatly increase supplier acceptance of ePayables.

Findings from a 2015 survey by RPMG Research revealed that electronic accounts payable (EAP) spending grew during the preceding year among 71 percent of companies. In fact, respondents reported an average 33 percent in EAP spending growth between 2014 and 2015, and 72 percent expected EAP spending to increase over the upcoming five years. “EAP spending is estimated to be $65 billion at the end of 2014 and is expected to rise about 14% per year to $110 billion by 2019,” a summary of the RPMG survey results said. (See Graph A for the survey’s EAP growth projections.) The survey estimated that average monthly EAP spending had climbed from $1.1 million in early 2012 to $2.5 million by the beginning of 2015.

While ePayables — also referred to as virtual cards — is currently the largest growth segment in the commercial card industry, its strength depends on supplier acceptance. Ardent Partners, a supply management research firm, found that 77 percent of organizations cite “getting suppliers to participate” in an ePayables initiative as the single largest roadblock to migrating from paper to electronic invoices.

So, how can financial institutions (FIs) and their commercial clients increase supplier acceptance in ePayables? Lack of supplier knowledge and resources has hampered ePayables’ enrollment, so a targeted outreach effort that educates suppliers on the value of card acceptance would...

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likely be effective. Moreover, corporate accounting departments can benefit by partnering with a third-party organization to implement an ePayables supplier enrollment program that uses industry best practices to engage suppliers. Such a program could boost financial performance for all parties involved, increasing revenue for FIs, providing cost savings for their corporate clients and offering financial incentives for suppliers.

This report explores the value of ePayables for both corporate buyers and their suppliers, while also looking at ways buyers can greatly increase supplier acceptance of the solution. The core of the report details three best practices for implementing a Supplier Enrollment and Enablement (SEE) program, including: achieving full engagement, educating suppliers on the benefits of ePayables and keeping outreach campaigns simple.

**The State of ePayables**

Many FIs that offer ePayables have seen their programs grow steadily over the past five years. Bank of America Merrill Lynch (BOAML), for example, which introduced ePayables to the market in 2005, has experienced an 84 percent growth in spend over the last five years — an average of 17 percent per year for the same time period. This continued momentum of organizations adopting and deepening their use of virtual cards has resulted in BOAML earning the Top Purchasing Card Issuer status from The Nilson Report in 2015. Additionally, Kevin Phalen, head of BOAML’s commercial card division, in a recent interview told TSYS that the bank continues to expand its base of card acceptance with more than 135,000 suppliers processing virtual card payments at year-end 2015. “Bank of America was one of the first providers of ePayables, and we have worked hard to become a trusted provider for our clients by helping them optimize their working capital, increase visibility into their cash flow and eliminate inefficiencies associated with paper,” Phalen said in a news release.³

A study by Ardent Partners found that many businesses continue to cling to paper-based payments, preferring to handle invoiced payments manually. Paper-based transactions in fact have many drawbacks, the study’s authors note: “High paper volumes remain a key indication of the manual, fragmented, and inefficient processes that cause processing delays and payment errors and make it all but impossible to gain timely and accurate visibility into invoice and payment data.”²

Paper-based payment transactions are also far more expensive. A 2015 survey by RPMG Research found that traditional check-based payments cost a corporation an average of $31 to process, compared to an average
$9 per transaction for an ePayables payment — resulting in an average savings of $22 per transaction. While these costs may vary, what doesn’t is the true cost savings offered by ePayables. Consider that the average Fortune 500 company processes 30,000 invoices per month. Even if only 25 percent of those invoices are currently handled via ePayables, shifting another 25 percent into the ePayables program could yield an annual savings of approximately $1.98 million per company. Those companies’ suppliers could also see a 20-percent cost savings, thanks to a revenue-sharing model provided by the corporate buyers to suppliers who enroll in the ePayables program. In other words, the revenue share option would help offset the cost for the supplier and improve their bottom line.

Beyond the cost savings, ePayables solutions offer many benefits for all stakeholders. Corporate buyers can experience both processing efficiencies and improved accuracy while receiving volume-based discounts and rebates by processing more payments through ePayables. FIs can also increase their interchange revenue by increasing transaction volume through ePayables, and suppliers can strengthen their relationship with commercial buyers by accepting an easy-to-use electronic payment system offered by the buyer while also receiving a share of rebates.

**Transaction Costs of EAP Versus Traditional Invoice Processing and Payments**

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<td>EAP payment</td>
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*Source: 2015 Electronic Accounts Payable Benchmark Survey Results. RMPG Research Corporation.*
Beyond the cost savings, ePayables offer many benefits for all stakeholders. Corporate buyers can experience both processing efficiencies and improved accuracy while receiving volume-based discounts and rebates by processing more payments through the ePayables solution. FIs can also increase their interchange revenue by increasing transaction volume through ePayables.
and convenient could encourage more suppliers to enroll. Furthermore, software solutions integrated with a supplier’s enterprise resource planning (ERP) system can streamline payment processing, increasing efficiency and allowing suppliers more visibility into their transactions — like tracking purchase frequency and spend levels. (See the sidebar “Shifting Perspective: Other Supplier-Centric Solutions” for more ideas on how companies can customize an ePayables solution so that it caters to their suppliers’ needs and wants.)

In order to propel supplier acceptance of ePayables, FIs and their commercial clients must address suppliers’ common barriers to acceptance. Furthermore, creating a supplier enrollment program that better engages suppliers around the benefits of ePayables could also spur adoption.

Implementing a Program to Increase Supplier Acceptance
A successful supplier enrollment program should be designed to educate and engage suppliers on the benefits of ePayables and make the enrollment process and usage of the solution easy. This can help overcome the resistance suppliers may have to accepting ePayables. An established and proven process ensures better program performance and a more favorable onboarding experience for suppliers. However, most buyers today lack the in-house personnel and expertise that are critical for creating a SEE program built around industry best practices. Moreover, they generally lack the supporting technology and resources to effectively conduct outbound supplier onboarding campaigns, which are instrumental in engaging suppliers and increasing their acceptance.

Providing buyers with a program designed around best practices gathered from numerous campaigns from other companies is critical for success. According to a study by the consulting firm First Annapolis in conjunction with NAPCP, “Even though ePayables acceptance by suppliers is not ubiquitous, anecdotal
Shifting Perspective: Three Best Practices for Growing Your ePayables Program

Dynamic Discounting

What is it?
Dynamic discounting means that buyers who pay their invoices earlier receive greater discounts than those who pay later.

How does it work?
Each buyer / supplier relationship has its own trade terms. Discounting takes into consideration factors such as the number of days that have passed since invoice presentation, transaction volume, transaction size and the relationship between a buyer and supplier.

How does it compare to interchange?
It allows the buyer and supplier flexibility to define rates using an issuer’s platform. With interchange, a central entity defines the rates.

What is the benefit to suppliers?
Suppliers have more ability to negotiate their terms with the corporate buyer.

The following sections outline three best practices for implementing an effective SEE program:

Best Practice #1: Full Corporate Engagement
A program for supplier onboarding can only successfully attract suppliers if the corporate buyer is fully engaged and endorses ePayables with strong efforts to increase supplier acceptance. This entails developing messaging and benefits that will be communicated both externally and internally to align the accounts payable team, procurement, relationship management and executives. Educating the internal team about the benefits of ePayables will ensure that the team’s knowledge is aligned with the educational campaign led by the third-party partner. Should a supplier pose any questions directly to its corporate buyer, the response should be consistent with the outbound campaign.

Corporate buyers must work closely with the third-party partner to ensure success with a supplier enrollment program. For example, a corporate buyer will want to provide the partner with a quality list of its suppliers. The list should be current and reflect the correct contact name, telephone number and email address of the best contact at each supplier. The accuracy and detail of these lists enables the third-party partner managing the SEE campaign to achieve significantly higher ePayables enrollment rates.

When contact information is missing, the outsourced partner may have to do additional work to find the decision maker. Searches for supplier contacts often require follow-up calls to confirm the contact is actually responsible for overseeing payments. If a commercial buyer has a list of suppliers and only a select percentage have contact information, the success rate of enrolling suppliers will be limited. Corporate buyers must be fully engaged in the outreach process; they will likely be responsible for contacting the top 10 percent of their suppliers who often represent 70 to 80 percent of evidence suggests that substantially all end-users who have implemented ePayables programs have found them to be a winner.\(^6\) Commercial clients of FIs who have followed the SEE program best practices outlined in this report have experienced 45-percent enrollment among their supplier base, with some achieving as high as 70 percent enrollment. Those not adhering to best practices, however, could expect average enrollment of just 28 percent.\(^7\) The lower enrollment rates indicate a significant loss in interchange fees for the FI and a loss in rebates for the commercial buyers.
the revenue. Many corporate buyers have strong relationships with these top suppliers and want to communicate with them directly about the benefits of shifting to ePayables.

The accounts payable leader at a large corporate buyer reinforced the importance of this best practice in a recent interview: “We learned many lessons the hard way from our first campaign attempt. Through our experience with the enrollment process, we realized that providing a high-quality supplier list to our enrollment team makes a significant difference in the campaign performance. My team now recognizes the need to engage procurement and have the entire organization on board with a clear agreed upon message. And, we have learned to be more involved in the overall enrollment process.”

Best Practice #2: Education on ePayables Benefits

Corporate entities faced with increasing volumes of invoices are eager to have suppliers accept ePayables. RPMG’s 2015 Electronic Accounts Payable Benchmark Survey found that 87 percent of respondents indicated that their number of suppliers had increased over the past two years (on average by 21 percent). However, only 24 percent of respondents reported being “satisfied” or “very satisfied” with the current level of supplier acceptance of their ePayables solution.

Yet companies have several ways to improve their supplier participation in ePayables. One is educating suppliers on the benefits offered. For example, buyers can highlight guaranteed funds — which can reduce or even eliminate their payment collection efforts and costs.

Suppliers’ Perspective: Key Reasons for ePayables Acceptance & Top Barriers

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<td><strong>Frequently Cited Reasons Suppliers Give For Taking Cards</strong></td>
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Source: NAPCP / First Annapolis Consulting 2013 supplier acceptance surveys, mid-market and large end-user organizations based in North America.
Receiving payments immediately through ePayables can increase suppliers’ cash flow, while streamlining accounts receivable and reducing administrative costs, paperwork and check-handling fees. Another way ePayables can help a supplier is by allowing them to provide more flexible payment terms — like dynamic discounting. Additionally, using an ePayables solution may allow a supplier to better comply with Payment Card Industry (PCI) security standards by eliminating the need for secure card storage, since no card account information is exchanged, and reducing the risk of fraud. Another benefit for suppliers who enroll in ePayables is the ability for strengthened relationships with buyers by giving them “preferred supplier” status and potentially increasing sales.

While the value proposition of ePayables is strong for both corporate buyers and their suppliers, both parties must understand the benefits in order to reap the rewards. When necessary, an outreach campaign might provide financial incentives to suppliers. For example, a commercial buyer may decide to offer suppliers who enroll in ePayables more favorable payment terms — like early payment. Moreover, buyers may decide to share the cost savings derived by ePayables usage with their enrolled suppliers in the form of a revenue-sharing model. These financial incentives can be created to meet the needs of both corporate buyers and their suppliers.

According to the RPMG survey, 85 percent of respondents had received a rebate associated with their EAP spending over the past year. However, only 3 percent of respondents shared any portion of that rebate with their suppliers. This suggests that there may be a significant opportunity to sell ePayables with a rebate-sharing incentive.

Moreover, the survey authors note that corporate buyers who have an EAP program may be able to “work with their suppliers, banks and brands to leverage lower interchange rates for large ticket items.” In fact, 68 percent of the respondents “have suppliers that receive a lower large ticket interchange rate,” the authors note.

An effective supplier enrollment program also breaks down any misperceptions about the costs and time commitment involved with ePayables. For example, the program should stress that enrollment can be done quickly using a Web portal, if available. Because the top barrier for ePayables acceptance is cost, outlining the tremendous cost savings is essential.

**Best Practice #3: Keeping the Outreach Campaign Simple**

It’s important to keep any ePayables outreach simple so that suppliers can easily understand the benefits and feel compelled to enroll. An outreach campaign may include emails, letters, in-person meetings and outbound calls with the objective of explaining the value proposition and benefits suppliers can expect — along with information on how to enroll. Experience has shown that the most effective campaigns include direct calls to suppliers complemented by emails.

**Campaign Design**

As with any successful campaign, SEE programs require thorough planning. It typically starts with a phased or segmented approach. A company with 5,000 supplier accounts, for example, will want to segment those suppliers into manageable waves of outreach to better target and reach them. Taking a phased approach eases the workload and makes the campaign manageable for all stakeholders, especially for the corporate buyers. The initial wave might include just the top 1,000 supplier accounts with later outreach waves, for example, including the other 4,000 accounts.

Before beginning an outreach campaign, which typically lasts two to three months, suppliers should receive an email notification from the corporate buyer explaining the ePayables product, its benefits and the rationale for moving away from checks. The communication should be compelling in explaining that a trusted third-party partner will soon be contacting the supplier by phone to discuss the product.
It’s critical, of course, that those making the outbound calls are well-versed and able to overcome potential supplier objections. The third-party partner should reassure the supplier that the enrollment process is simple and will be finalized within 30 days.

Success Metrics with Supplier Conversion
Before launching an outreach campaign, corporate buyers must identify how they will measure the success of such a campaign — whether that’s by the percentage of suppliers contacted or the number who enroll. Metrics to consider tracking include the spend levels as well as incentives. Identifying these key metrics will allow the trusted partner running the campaign to regularly report, track and optimize its efforts based on knowing the number of suppliers who have enrolled, declined or are still being pursued. In some cases, a supplier may fall into a “referred” category. It’s important to note that a “referred” supplier cannot be processed by the enrollment team, but would need assistance by the corporate buyer. For example, a supplier shouldn’t speak with third-parties for fear that the supplier would want to negotiate new payment terms with the corporate buyer before enrolling them.

This means a representative of the corporate buyer should contact the supplier directly to discuss some aspect of the ePayables product. About 25 percent of suppliers are referred per past outreach campaign experience. It’s essential that the corporate buyer follow up with these referred suppliers promptly, as it can greatly affect a campaign’s success.

What is Required to Launch a Successful SEE program?
Designing and deploying a successful program — one that adheres to the outlined proven best practices and results in significant ePayables enrollment among suppliers — requires identifying an experienced third-party partner with the in-house talent and expertise required to effectively design and manage it. There are several desirable attributes to seek when identifying and vetting such a partner:

Enablement experience
Not all suppliers will have the point-of-sale hardware or software necessary to accept card payments. The selected third-party partner should have extensive experience setting up a merchant account with different card-acceptance capability options that can be tailored to the suppliers while ensuring the process is simple and straightforward. Furthermore, the partner should take a consultative approach and be able to conduct a merchant analysis to determine the best setup option so that each supplier qualifies for the

"I find many buyers’ A/P teams have never spoken to their counterparts in the supplier’s A/R department. There is no need to make direct contact. In most cases, A/P is just sending the check to the designated P.O. Box. If a buyer and supplier are interested in optimizing their respective payments they need to interact either directly or with a payment optimization partner. The partner will reach out to all of their suppliers to understand their needs and understand what the payer is willing to offer and negotiate for an optimized solution. Established payment terms, early payment discounts, virtual card rebates, modified payment terms and payment methods along with payables and receivables financing are all part of a possible optimized solution." 

Ron Ferguson
Financial Services Executive
lowest discount rate, as many suppliers are able to qualify for lower interchange rates when the transaction amount exceeds a specific threshold.

**Flexibility**
Any third-party partner must be flexible in helping meet the specific SEE program needs of an FI and its corporate clients. For example, a corporate buyer may have multiple vendor IDs to identify suppliers and their various business lines within its internal systems.

**Shifting Perspective: Other Supplier-Centric Solutions**
- Solutions that integrate with suppliers’ existing systems, such as updating their ERP with payment information
- Products that intercept Supplier Initial Payments (SIP) and transmit them into a Buyer-Initiated Payment (BIP)
- Supplier self-enrollment functionality with the corporate buyer’s ePayables program and self-enablement in which the supplier can enable credit card acceptance by answering a series of questions
- Supplier portal connecting suppliers to their buyers to facilitate electronic invoicing capabilities, trade term options, receipt of payments, remittance data and reporting

A partner should be able to provide solutions to work with multiple vendor IDs and, in general, to accommodate the existing business processes of the corporate buyers.

**Customizable outbound campaigns**
A partner should have a strong track record with designing and running outbound campaigns customized to the goals and messaging of the FI and its corporate clients. At various points across the campaign — from supplier notification to direct calls to confirmation emails — the communications should be tailored to reflect the unique voice of the corporate buyer, whether that is light and compelling or more confident and persuasive. These campaigns should also have pre-crafted messaging to address any supplier objections.

**Timeliness**
A partner must work swiftly. Naturally, the less time that passes equates to more earned revenue. Remaining on schedule is a team effort since it greatly depends on the corporate buyer’s responsiveness to requested action items. Thus it’s important to select a partner that is organized, works efficiently, and has the capability to manage a campaign.

**Experienced and dedicated team**
Lastly, an experienced and dedicated team of industry experts is essential for designing and establishing a phased approach and overseeing and measuring the success of the proposed supplier enrollment program. Companies don’t generally have the in-house talent and expertise to run an effective SEE program themselves. But the partner they choose to design and execute the program on their behalf must be professional and uphold high standards when interacting with their suppliers — whether for outreach or onboarding — while also possessing vast experience in helping suppliers see the benefits of enrolling in ePayables.
A dedicated team will maintain ongoing communication and update the key corporate buyer team on the program metrics, presenting updates on how they are optimizing the program — such as identifying new vendors or monitoring those that have opted out. A SEE program needs continual oversight to ensure continued success. Overall, it is important to ensure ongoing support for both new and current enrollees to reduce attrition.

Conclusion
Suppliers are slowly but surely exchanging their paper checks and manual payment processes for electronic payments. While this migration benefits everyone involved, a successful ePayables program with high supplier enrollment provides greater efficiencies and cost savings to all stakeholders — the FIs, corporate buyers and suppliers.

The best way to spur enrollment in ePayables is through a smartly executed supplier onboarding program that educates suppliers with regard to the benefits of the solution and the incentives provided by the buyer. Working with a third-party partner with a proven track record for designing and implementing a SEE program based on the best practices outlined in this report will help FIs and their commercial clients greatly increase ePayables enrollment among suppliers. And the time to enact such a program is now: Those that deploy a supplier onboarding campaign sooner rather than later will be best-positioned to reap the financial and competitive advantages of doing so.

SOURCES


7. Analysis from TSYS client data.

8. Interview conducted by Melissa Moss with a Corporate Buyer. November 24, 2015. TSYS.

About the Author

Melissa Moss is a product development manager for the TSYS Commercial Business Development team. Currently she is a leader in product development and strategy and often collaborates with other payment industry experts. She is experienced in managing financial services products throughout several phases of the product management lifecycle, from launch to market entry. In her tenure at TSYS, Moss has contributed to multiple key product development initiatives, including strategic ePayables products and services in market. She was responsible for the successful design, development, and management of TSYS Supplier Enrollment and Enablement service. Prior to joining TSYS, Moss was a finance practitioner and has gained experience in human resources and risk/compliance. Moss holds a B.A. in finance from Columbus State University. She can be contacted at mmoss@tsys.com.

About TSYS

At TSYS (NYSE: TSS), we believe payments should revolve around people, not the other way aroundSM. We call this belief “People-Centered Payments”. By putting people at the center of every decision we make, TSYS supports financial institutions, businesses and governments in more than 80 countries. Through NetSpend®, a TSYS company, we empower consumers with the convenience, security, and freedom to be self-banked. TSYS offers issuer services and merchant payment acceptance for credit, debit, prepaid, healthcare and business solutions.

TSYS’ headquarters are located in Columbus, Ga., U.S.A., with local offices spread across the Americas, EMEA and Asia-Pacific. TSYS is a member of The Civic 50 and was named one of the 2013 World’s Most Ethical Companies by Ethisphere magazine. TSYS routinely posts all important information on its website. For more, please visit us at www.tsys.com.

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