

► eBook

The Small Business CFO's Guide to Freeing Up More Cash with Electronic Payments

for

QuickBooks Online



The CFOs of small businesses must feel like they are on treadmill. Each year, they must find new ways to free up cash to help drive business growth.

One of the biggest opportunities to free up cash on existing revenue is lying under the small business CFO's nose: optimizing the way that their organization pays for supplies, insurance, legal services, property expenses, reimbursements, settlements, tax and financial services and other purchases.

The way that most small businesses disburse funds is far from optimal, even when they use accounting software such as **QuickBooks Online**.

Half of all business-to-business payments are made with inefficient paper checks.

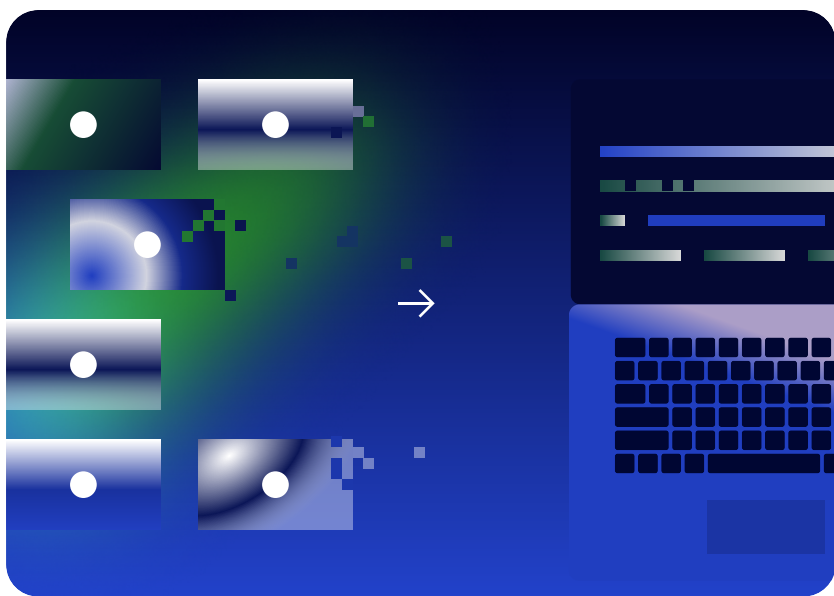
In fact, small businesses and other companies spend over **\$25 BILLION/YEAR** processing checks.

Small businesses cite several reasons for dragging their feet on electronic disbursements:

- ✗ Concerns that suppliers won't accept electronic payments
- ✗ Lack of IT resources to support the project
- ✗ Lack of department resources to collect supplier banking account details
- ✗ Concerns that their legacy systems won't support electronic payments
- ✗ Compliance and security concerns

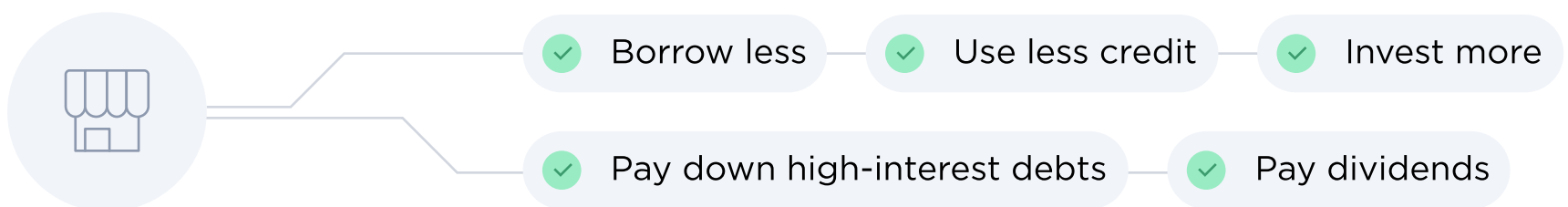
However, the biggest reason that many small businesses haven't migrated to electronic disbursements is the misperception that their company's cash flow will be negatively impacted by paying suppliers electronically.

Small businesses are so focused on the seven to 13 days of float that they typically gain by paying suppliers via check, that they overlook the cost savings and cash that they can free up by disbursing funds electronically.



Cash is unquestionably king for small businesses. Small business CFOs are focused on EBIDTA (Earnings Before Interest Depreciation, Taxes and Amortization). But that's what makes the reluctance among small business CFOs to pay suppliers electronically so puzzling. Optimizing payments to suppliers offers small businesses a unique opportunity to reduce costs while generating more cash from their existing revenue base.

Freeing up cash enables small businesses to:



With borrowing rates rising, freeing up cash on existing revenues can make a big difference for small businesses. Some small businesses can free up hundreds of thousands of dollars in cash by disbursing funds to suppliers electronically using a solution pre-integrated with QuickBooks Online.



Checks are losing their grip

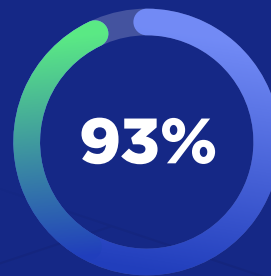
After years of false starts, more small businesses are evaluating electronic disbursements.

3/4 of businesses are increasing the percentage of payments to suppliers that they make electronically.

Businesses with at least \$1 billion in annual revenues are leading the charge towards electronic business-to-business payments, but AFP's research shows a clear trend across all business segments.

the Association for Financial Professionals (AFP) reports.

Automated Clearing House (ACH) payments and virtual card transactions (plastic-less, one-time use card transactions) are the beneficiaries.

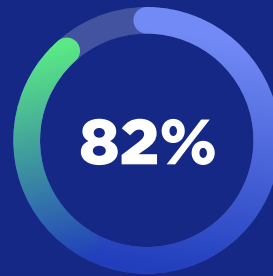


of businesses can pay suppliers via ACH.

What's motivating small businesses and other companies to ditch paper checks?



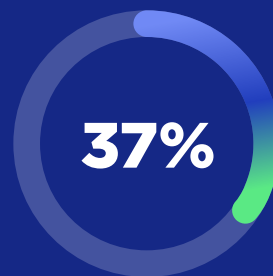
of finance professionals point to increased efficiency as their primary reason for transitioning to electronic payments from paper checks. Manually printing, stuffing, mailing and reconciling check payments to suppliers is a tremendous burden to businesses.



of finance professionals are migrating to electronic payments to reduce costs. More than one-third of finance professionals want cost savings of 10 percent to move to electronic payments.



of financial professionals are looking for even greater cost savings.



of finance professionals (among privately held businesses) would switch from paper checks to electronic payments for cost savings of least 10 percent. These cost savings are within reach for businesses.

the Association for Financial Professionals (AFP) reports.

But it's the opportunity to create a new revenue stream with little to no associated infrastructure costs that should really have small business CFOs excited.

Payments, simplified

Most small businesses use dedicated systems to print checks and make electronic payments. In many cases, small businesses use a different bank portal or standalone system for each payment type they use.

Payment solutions pre-integrated with QuickBooks Online provide a better approach.



Integrating an electronic payment solution with QuickBooks Online streamlines the process of making and receiving payments, eliminates complexity through the automatic reconciliation of payments in QuickBooks Online, and puts real-time payments insights and historical transaction details at a user's fingertips.

These solutions also provide pre-built integrations to connect to any bank account to originate disbursements and billings. Open bank connectivity eliminates the need for QuickBooks Online users to set up and pre-fund new bank accounts to make or receive payments. Some payment solutions connect to banks accounting for 66 percent of small business bank accounts in the U.S.

Pre-integrated payment solutions enable QuickBooks Online users to:

Instantly initiate or schedule single or mass payments to suppliers and individuals.

Support payments of any type (including Automated Clearing House, Real-Time Payment, virtual card, and Mastercard Send), using any payment rail (including real-time rails).

Instantly initiate or schedule single or mass payments to suppliers and individuals.

Electronically invite suppliers and individuals to choose their preferred payment type and securely provide bank account details.

Graphical dashboards display ready-to-pay, in-process, and completed payments in real-time.

Historical payment information can be effortlessly queried using intuitive search criteria.

Why automate QuickBooks Online payments?

Lower costs

Disbursing funds via check costs 30 times more than electronic payments, per the National Automated Clearing House Association (NACHA). Electronic disbursements eliminate the costs associated with printing checks, including labor, paper, toner, equipment, postage and couriers. Additionally, consolidating all disbursements onto a single platform eliminates the need to pay fees to maintain multiple bank relationships to facilitate different payment methods. Electronic payments also are less likely to result in fraud losses. And having a single platform that supports all payment methods makes it easier for small businesses to migrate suppliers from checks to more cost-effective electronic methods.

Enhanced visibility

Pre-integrated payments solutions provide small businesses with real-time visibility across the payment lifecycle, from invoices ready to pay and payments in progress to completed payments and exceptions. And readily accessible reports enable QuickBooks Online users to monitor cash flow and corporate spending.

Higher productivity

Disbursing funds via checks requires small businesses to print and sign the checks, stuff them into envelopes, and manually reconcile the checks. No small business has time for all that! But a pre-integrated electronic payment solution allows small businesses to effortlessly disburse funds via check, ACH, or card simply by uploading a single payment file. Payments are reconciled in real-time. And any information for tax reporting is automatically tracked and generated.

Fewer IT headaches

Pre-integrated payments solutions eliminate the administrative burden of managing multiple systems for disbursing funds via different payment methods. And the open APIs built into leading electronic payment solutions for QuickBooks Online enables them to be deployed fast and easily integrated with legacy practice management systems or other applications.

Greater security

Administrators of a pre-integrated payments solution can restrict access to payment information and activities, mitigating the risk of fraud and safeguarding sensitive information. The funding accounts for virtual card transactions also can be kept confidential.

And leading electronic payment solutions undergo strict periodic audits. Virtual cards also are plastic-less, meaning there is no physical card that can become lost or stolen. What's more, virtual card numbers can only be used once, recipients only receive 10 of the 16 digits of a virtual card, and each transaction can be restricted by recipient, amount and time period.

The most immediate benefit of using a pre-integrated payments solution to disburse funds to suppliers is the way it helps small businesses free up new cash on current revenue sources.

How to free up cash

Small businesses that use QuickBooks Online can free up lots of cash with electronic payments.

Start with all the money a small business can save by making fewer payments with paper checks.

The typical small business spends \$8 or more for each check payment it makes to suppliers.

The cost of disbursing funds to suppliers via paper check more than wipes out the cash pick-up that most small businesses gain from check float. All told, it could cost a small business thousands of dollars a year to pay for the goods and services its purchases via paper checks.

Most small businesses are shocked to learn how much they spend on check printing and mailing. But the real wake-up call comes when small businesses discover that they could generate new free cash if they disburse their funds with electronic payments solution pre-integrated with QuickBooks Online.



Virtual Card/Card

Disbursing funds via card enables small businesses to free up cash by extending their Days Payable Outstanding (DPO), without impacting their existing terms with payment recipients.

Small businesses also can earn rebates based on the amount of spend they pay with a card. And when you consider that disbursements for supplies, utilities and most other expenses can be made with a card, a small business could potentially earn sizeable rebates from cards.

What's more, the detailed financial data on card payments made via an electronic payment solution enables business owners to better manage their company's cash.

And since payments made via virtual cards go through an accounts-payable approval process, small businesses can better manage payment timing as well as corporate spending.



ACH

ACH payments are a cost-effective way for small businesses to pay for expenses such as finance-related charges, property expenses, insurance and legal costs, taxes and more.

Small businesses can reduce their cost to pay suppliers significantly by moving from paper checks to ACH. And ACH payments make it easier for small businesses to capture early-pay discounts.



Mastercard Send

In today's burgeoning "gig" economy, push payments to debit cards are emerging as an effective way for small businesses to pay contractors and others who work on a 1099 basis.

Push payments to debit cards also offer another opportunity for small businesses to share in interchange fees.

An electronic payments action plan

Without the right approach, small businesses will have a hard time achieving the results described above. Here are five things to consider when preparing to quit paper checks:

1

Look beyond your bank

It's tempting to think that banks are the best option for sourcing electronic payments. But partnering with a fintech for electronic payments enable small businesses to benefit from advanced payments technology. In fact, more banks are partnering with Fintechs to resell their electronic payments technology. What's more, most of the electronic payment solutions offered by fintechs enable small businesses to use their existing bank relationships to fund disbursements (a win-win!). And leading electronic payment solutions have at least the same level of security as bank offerings.

2

Think holistically

Many small businesses deploy different types of payments sequentially. While a phased methodology to electronic disbursements may seem like a good way to ease deployment, suppliers are less likely to embrace a "one-size-fits-all" approach to getting paid and small businesses are likely to miss opportunities to free up cash.

3

Look for a solution with open APIs

The last thing any small business needs are more fragmented or poorly integrated systems. That's why it's critical that any electronic payment solution includes open APIs that will make it easy to integrate the platform with legacy practice management systems or other financial applications, with minimal IT support.

4

Emphasize the benefits of electronic payments to your suppliers

Don't assume that every supplier recognizes the benefits of being paid electronically. Some may be reluctant to receive card payments, as an example, until they understand that they will be paid faster and that they will receive the remittance details they need to streamline their cash application.

5

Don't try to migrate suppliers to electronic payments on your own

Few accounts payable departments have the resources required to pitch suppliers on the benefits of being paid electronically, much less manage the process of making it happen. That's why it's imperative that small businesses partner with a solutions provider that makes it easy for suppliers to get started with electronic payments.

Keeping these considerations in mind when migrating to electronic payments will help ensure that small businesses free up as much cash as possible through electronic disbursements.

Conclusion

Small businesses are under tremendous pressure to free up new cash on their existing revenue base. Pre-integrated payment solutions – a single platform for making payments to suppliers via card, ACH or RTP – do just that. The technology frees up cash while reducing costs. With the right approach to electronic payments, small businesses that use QuickBooks Online can free up thousands of dollars in new cash.



Let's Get Started

Are you a QuickBooks Online user looking for a better way to make and receive payments?

Then visit Transcard online at www.transcard.com to learn about our embedded payment solutions.

1010 Market Street, Suite 400
Chattanooga, TN 37402
T: (423) 553-5200

sales@transcard.com

 **Transcard**