

A Payment Method Worth Buying Into: Four Ways Commercial Payment Cards Benefit Suppliers

Like consumers, both suppliers and buyers in the B2B space are looking for flexibility and options when it comes to payments.

Despite providing 21st century services and products to 21st century customers, many companies are stuck using payment solutions—such as cash, wire transfers or cheques—well rooted in the last century.

Part of the reason for continuing to use these traditional, slow, and often risky methods of payment is the halo of misconception surrounding more modern payment solutions, including both physical and virtual commercial payment cards. Unfortunately, by buying into these myths, many companies are losing out on easier processes, improvements to working capital, reduced risk, and increased sales opportunities.

THREE PROMINENT MISCONCEPTIONS ABOUT COMMERCIAL PAYMENT CARDS

MYTH Commercial payment cards cost more to process.

FACT Many suppliers mistakenly believe that there are little to no costs associated with accepting cheque and electronic funds transfer (EFT) payments. They also erroneously assume that there are no options around the costs of accepting commercial payment cards. The truth is that there are both fees and operational costs associated with accepting cheque and EFT payments. And what many suppliers don't know is that the cost of commercial payment card acceptance can be lowered by working with a partner, like Moneris, that can facilitate the transfer of the detailed data required to find and access preferred rates. Additionally, commercial payment card acceptance costs can be offset by the reduction of bad debt, the improved efficiency of reconciliation, and increased revenue potential by attracting customers looking to pay with a commercial payment card.

MYTH B2B customers are satisfied with paying via traditional methods. There's just no demand for commercial payment cards.

FACT B2B buyer demand is on the rise for digital payment options. While 50 per cent of all B2B transactions currently use cheques, this volume is decreasing. Meanwhile, there has been a steady increase in volume in the usage of EFTs and commercial payment cards. This trend is certain to continue.*

* "Canadian Payments Landscape - Prepared for the Task Force Payments System Review," Deloitte & Touche LLP, (September 2010); Canadian Payments Association, Annual Statistics 2012-2014; Bank of International Settlements, Statistics on payment, clearing and settlement systems in the CPMI countries, Canada – Figures for 2014, December 2015. Note: data and assumptions are from multiple sources and provided for information purposes only. Not intended to provide any personalized financial, marketing or other business advice.

MYTH Accepting commercial payment cards is complicated.

FACT While providing commercial payment cards as an option for buyers may involve some process changes in accounts receivable departments that are structured for cheque acceptance, working with a partner like Moneris with market-leading technologies will help to ease the process and get your organization ready for business.

FOUR BENEFITS FOR SUPPLIERS

Knowing that these myths aren't correct, what are the benefits for suppliers to accept commercial payment cards?

1 Receive payments faster

Traditional cheque payments can take up to 60 days, based on typical payment terms. Conversely, commercial payment cards typically take between one and three business days for approved payment. This speedier process improves cash flow for suppliers, capturing the time value of money and reducing days' sales outstanding. This means the supplier has quicker access to liquid money for use in day-to-day operations.

2 Improve your process

One of the most significant benefits commercial payment cards provide to suppliers is the elimination of costly processes. Not only are resources saved by eliminating costly background checks for new customers, but processing errors are reduced, manual cheque reconciliation is no longer needed, and the mailing or delivery of cheques is no longer required. On top of all of that, the hassles and risks associated with accepting cash on delivery are wiped out. The automation and reporting that comes with accepting commercial cards helps improve the reconciliation of Accounts Receivable processes and streamlines collections.

3 Reduce your risk

Suppliers have a lot on their minds, but when they accept commercial payment cards, they have one less thing to worry about. Unlike dealing with cheques, which can take a long time to process and carry a large amount of uncertainty, commercial cards reduce the risk of non-payment or insufficient funds—if the card goes through, the supplier is paid. Suppliers no longer need to extend credit to potentially risky accounts, which means they also reduce the risk associated with collections.

4 Increase your sales opportunity

Accepting commercial payment cards isn't just a smart way to perform transactions, it can potentially lead to more revenue for a supplier's business. With the option of higher credit limits, there's a potential for a buyer's purchasing volumes and frequency to increase. And with an increased buyer demand for using commercial cards,

acceptance removes barriers from buyers who would like to pay with a card, which could increase satisfaction and decrease buyer churn. It also increases the likelihood of vendor inclusion and selection in RFP processes, as many RFPs require the use of a commercial card.

BUT WHAT ABOUT BUYERS?

Commercial cards offer a number of benefits to those on both sides of the B2B equation.

For buyers, the commercial payment card option can provide some significant business benefits, which is why they're influencing suppliers to evolve and shift their payment focus. Here are a few distinct benefits that buyers can realize:

- **Improved payment options.**

By paying with a commercial card, buyers can potentially improve cash flow with extended Days Payable Outstanding.

- **Streamlined processes.**

Like suppliers, buyers can benefit from saving both time and the hassle of the vendor credit approval process by using a commercial payment card. Additionally, buyers realize efficiencies to their Accounts Payable processes by eliminating the time and risk associated with issuing, delivering and managing cheques.

- **Increased commercial card program value.**

Commercial payment card holders are often rewarded with points, cash back or other benefits, based on usage.

With so many benefits to the supplier and the buyer, it makes sense to look forward and embrace the value that commercial cards offer. Moneris has the right solutions to help suppliers receive payments faster, improve their processes, reduce risk, and increase their sales opportunities.

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For more information on the benefits of commercial payment cards and how they could help your organization realize true business benefits, contact us today.

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