Economic pressures are driving the migration from paper to electronic payments in the business world, as companies look to reduce costs, increase cash flow, and create efficiencies in purchasing and accounts payable. Traditional electronic payment options such as wire transfers and Automated Clearing House (ACH) payments continue to meet specific needs, but a payables tool that's steadily increasing in popularity is the commercial card.

Commercial cards serve as an alternative to issuing paper check payments for everything from daily office purchases and business travel expenses to fleet expenses and large vendor payments. Spending associated with commercial cards has more than doubled since 2009, making it one of the fastest growing payment options.

Here are five reasons why you might want to consider instituting a commercial card program:

**1. Improved efficiency**

Every organization, regardless of industry or size, has regularly occurring expenses, many of which could be paid for with a commercial card. Cards represent an enormous opportunity for treasurers and Accounts Payable departments that are focused on maximizing payment efficiency.

Cards streamline the entire procure-to-pay process, automating many of the steps associated with using paper purchase orders to authorize payments and paper checks to distribute them. As a result, employees can save time, enabling companies to redeploy Accounts Payable staff to complete more value-added work. Additionally, cards reduce costs. For instance, the average cost of manually processing an invoice is $26.50 more than when paid by card.

**2. Better working capital management and funds availability**

From a working capital management perspective, commercial card payments enable buyers to pay their suppliers almost immediately—eliminating much of the float associated with check payments—while improving their own days payable outstanding (DPO) performance. A buyer on 30-day terms that pays with a card on day 30 doesn’t have to release funds on its card payments for another 30 to 55 days, due to the card’s 30-day monthly statement cycle and the standard 25-day grace period.
3. Greater negotiating power
Commercial cards provide rich transaction-level data, enabling companies to drive purchases through preferred or strategic suppliers. Supplier management reports help identify spending patterns with particular vendors. This added visibility into their transactions and more favorable payment terms positions companies to negotiate better discounts on purchases.

4. Enhanced spending controls
Restrictions such as daily, weekly, and monthly transaction limits can easily be put into place to prohibit unsanctioned card usage. In addition, unauthorized merchants can be blocked by Merchant Category Code (MCC), forcing cardholders to purchase from preferred suppliers that are under contract in order to consolidate spending and support negotiated discounts. Card programs typically allow you to review purchases online, making it easy to flag any violations of spending policy.

By defining acceptable uses of the card up front, business managers can determine where cards can be used and the appropriate spend limits at the cardholder level based on each employee's role in the organization. For example, a tenured senior level manager may have fewer restrictions on his/her account than a newly hired mid-level manager.

5. Potential rebate
Many banks offer competitive rebate programs based on your company's annual card purchase volume. However, the real savings come from a more streamlined and transparent Accounts Payable function, more effective risk control, and better compliance with internal audit requirements.

Consider your electronic payment options
Paper checks aren't going away anytime soon, but more and more companies are looking to take full advantage of the unique benefits offered by various electronic payment options. Wire transfers continue to be a great tool for real-time payments, particularly for large sums or international transactions, and the rollout of same-day ACH offers an efficient, cost-effective payment solution. And with the ever-expanding capabilities of commercial card programs, many companies are integrating commercial cards into their payables process as well.

If you'd like to learn more about the benefits of using a commercial card program, please contact your cash management sales officer.

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2 https://www.viewpost.com/blog/how-much-money-is-paper-costing-you/