I’d like you to think for a minute about the treasury management function in your business. What are your current payables and receivables processes?

Are there areas where you think you can be more efficient? Increasing cash flow and maximizing working capital can have a big impact on your company’s performance and, in today’s volatile market, everyone is paying closer attention to their bottom line.

Many companies that we talk to recognize the importance of managing receivables and improving the efficiencies associated with collections. In fact, it’s the foundation of any good working capital strategy and we routinely work with our clients—using solutions like remote deposit, and our national lockbox network powered by A/R advantage—to make the receivables process more efficient.

However, payables processes are optimized less often for a number of reasons. Maybe you’re not aware of all of the different payment methods that exist. Or maybe you’re knowledgeable about payment options…like cards, ACH, wire transfers or checks…, but you don’t know if your vendors have the capacity to receive payment using your chosen combination of methods. You may also be limited by your current technology and unable to integrate electronic payments into existing accounting workflows and legacy ERP applications.

Your bank can help you to get past these hurdles by evaluating your entire procure-to-pay process and developing the optimal payment mix. Some banks, like PNC for example, will even work with your vendors to help to ensure that they’re able to meet your payment requirements. We maintain a database of thousands of vendors and may be able to determine what a vendor’s payment capabilities are without you having to ask them. We can also provide technology solutions that make it easy to implement electronic payments, such as purchasing cards, and settle directly with your vendors in a completely automated and secure process.

If you haven’t talked to your bank about how to make your payables processes more efficient, schedule a time to do so. There are several things you can do to prepare for a productive meeting.

First, give your treasury officer a list of your current payment methods. It’s possible that you’re not taking advantage of all of the methods currently
available. In addition to streamlining your payables, a material cost and benefit differential exists among payment options, with purchasing cards being the most advantageous to the payer. Most banks facilitating a purchasing card program are willing to provide revenue sharing based on the value of the transactions. And with the current technologies available, purchasing cards can be controlled similar to a check, by disbursing the exact amount to a payee on a given date.

Second, be ready to discuss contract terms, vendor relationships, current practices, workflows, and protocol, as well as the sensitivity or priority for the receipt of goods or services.

All of these elements will factor into developing an optimal payment mix by determining what vendors and levels of spend to target for best available electronic settlement options.

Third, prepare a list of payables for a specific period of time and give them to your bank for analysis.

The frequency and timing of payments are important considerations. A simple Excel spreadsheet listing your vendors and your spend history with them is all that is typically required for PNC to do a detailed payables opportunity analysis. This analysis will be the roadmap you can use to begin your optimization initiative.

Lastly, think about other companies and look to them for benchmarking information.

How are they managing their payables? Find best practices that other organizations employ that you might be able to adopt. Good starting points are organizations like the Association of Financial Processionals, International Association of Accounts Payable Professionals and The Institute of Management & Administration. You can also do an online search for Accounts Payable.

Accounts payable is often overlooked as a process that—if significantly improved—can help to control costs and increase a company’s productivity. If you’d like talk to someone about optimizing your company’s payment strategy, please contact your relationship manager, your treasury management officer, or me using the contact information on the next screen.