TRENDING TOPICS

ERP ADOPTION AND EFFICIENCY GOALS

DRIVE INTEREST IN INTEGRATED PAYABLES

Trending Topics represents an executive summary compilation of news, information and perspective on matters affecting businesses and business leaders today. This insight is being provided to keep you up to date on the latest developments and trends influencing these topics. These views do not necessarily represent the views and opinions of PNC. For additional research on these topics, please consult the sources cited in this article.

Integrated payables — sometimes also known as "payables outsourcing"— is a bank service that enables a business to send instructions for initiating multiple payment types to its bank in a single, consolidated file, instead of manually entering payment instructions into multiple systems. With this service, a business can reduce the number of instruction formats and files it generates from its accounts payable (A/P) system, resulting in the need for fewer staff members to manage payment processing.

Many companies are seeking greater efficiency in treasury management by implementing integrated payables.

Integrated payables allows for end-to-end automation of the payables process. An organization can transmit all of its payment instructions to the bank in a single file, and receive back acknowledgments, confirmations and information reporting — all online or via secure file transmission.

Another key benefit: Integrated payables facilitates migration from paper check disbursements to more efficient and less costly electronic payment alternatives, such as Automated Clearing House (ACH) and card transactions.

FACTORS DRIVING ADOPTION

One of the reasons integrated payables is becoming more popular is the growing use of enterprise resource planning (ERP) and treasury management systems. Until recently, midsized and smaller companies had trouble adopting integrated payables because they hadn't invested in the technology to produce payment instructions in the industry standard EDI 820 payment order/remittance advice format that banks require. However, most of today's ERP and treasury management systems now come standard with the capability to produce an 820 message, and more midsized and smaller companies are employing these systems.

Another factor driving adoption of integrated payables is that more than just the largest banks now offer it. In response to the growing demand from their middle-market and smaller clients, more regional institutions are investing in the technology to offer robust integrated payables services.

HOW IT WORKS

The process begins when the company's ERP or treasury management system generates a file of payment instructions, ideally in the 820 format, and transmits the file to the bank through a secure delivery channel. The bank acknowledges receipt of the file, either via email or through an EDI standard acknowledgment message, and parses the payments in the file to group them by payment type based on the method designated for each one by the client (i.e., checks, ACH, wire, card or book transfer). Each group then goes to the appropriate bank processing system, and the individual processing systems generate the payments.

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Next, each individual bank processing system feeds payment data with debit confirmations into the bank's online reporting system, which makes transaction reports available to the company online.

BEST CANDIDATES

The best candidates for integrated payables are businesses looking to consolidate and send multiple payment types through one channel, or ones with an eye on transitioning from paper to electronic processing to cut costs.

Others that may want to consider this service are companies that want to outsource and automate their check print and positive pay file processing, or businesses seeking to simplify reconciliation with file-based reporting that can be uploaded seamlessly to A/P, treasury and ERP systems.

A WAY TO POSITION YOUR COMPANY FOR GROWTH?

Through integrated payables, a company can position itself for future growth.

The life cycle of a treasury management organization usually begins with A/P personnel entering payments manually in a local cash management environment. By automating secure file delivery of payment instructions, as they expand and add locations, companies are able to centralize liquidity through structures such as in-house banks, payment factories and shared service centers. That means as they grow they don't necessarily have to add headcount in order to manage payment processing.

To discuss these topics in more detail, please contact your PNC Relationship Manager.

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