



The Move to ePayments at Colleges & Universities

AP Direct from Wright Express Balances Technology and Vendor Onboarding for Immediate ROI

Increasingly, colleges and universities are evaluating new opportunities to achieve efficiencies and financial benefits in an often overlooked area of Finance –Accounts Payable (A/P). Several opportunities exist to move away from slower, less efficient, and more costly paper-based processes in the normal spectrum of procure to pay. ***However, ePayments – or solutions that help payers move away from paper checks for payment disbursement – are experiencing the fastest growth.***

While ePayments come in several forms (ACH, Wire, Plastic Purchasing Cards), buyer-initiated payments (BIP) is receiving a lot of attention. Wright Express offers AP Direct - a bank to bank transfer of funds over commercial credit card networks (like MasterCard®) for payment to vendors. Unlike typical ACH or wire payments, funds are not immediately debited from a payer's account. Recent advances in technology provide for simple interfaces with existing accounting and ERP systems, as well as detailed data capture with each transaction, that help improve reconciliation. In addition to improving working capital, payers can often benefit from revenue share, or cash back on payments made by this payment method.

Current Consideration for ePayments on Campus

University Business and Wright Express recently collaborated to better understand ePayments in the field of higher education. Within this sector, it's estimated that between 10 and 20 percent have implemented an ePayments solution. Respondents top two reasons for considering ePayment solutions include the time involved in paper document management, such as invoices, check and purchase orders and avoiding fees for late payments. Yet a notable margin of those surveyed (46 percent) report they have considered implementing an ePayment method within the past 12 months. This is generally lagging other sectors' adoption of such a solution. As such, the higher education sector is heavily reliant on check payments – accounting for nearly 75 percent of payments made per month to vendors. Common reasons cited for not adopting ePayment solutions are the concerns over technology and compatibility, and the perception that ePayments is expensive to implement. Another concern is that vendors will not accept BIP forms of payment due to higher acceptance costs for vendors.

The Changing ePayments Landscape

Ironically, the three driving forces that have led to the emergence of BIP specifically address the three reasons most commonly cited for not adopting BIP: [based on the survey results, you may want to re-phrase/ re-order: Vendor acceptance was cited below compatibility/other tech priorities & cost to implement]

- 1. Technology.** From a technology perspective, solutions like AP Direct require very little involvement from IT resources. Simple flat files that pass securely between your finance systems and Wright Express' system, make this technology process seamless. BIP ePayments can be led by your business team and solution provider partner.
- 2. Initial Investment.** Best in class BIP solutions do not require an initial capital outlay for purchasing, nor would you be saddled with ongoing licensing fees. It's pretty straight forward – providers are paid on the basis of payments flowing through the system.
- 3. Vendor Acceptance.** A reinforcing phenomenon is addressing the vendor acceptance issue: as more campuses adopt BIP, more regular vendors to the higher education sector become familiar with and appreciate the benefits of accepting BIP at an accelerating rate. Vendors commonly cite getting paid faster, knowing that payment is guaranteed, and efficiencies in A/R as benefits of accepting BIP payments. Better still, solution providers like Wright Express are taking an active role in signing up vendors on your behalf, helping to drive increased acceptance.

A Plan for Your Campus

Here are four areas of consideration as you chart a path towards increasing ePayments.

- 1. Status Check.** First, establish a baseline of current cycle times, payment & other A/P operations metrics. What are the metrics that your A/P department tracks that will help you uncover the opportunities for greater efficiencies? How frequently are you looking at these metrics? You cannot improve what you do not measure or see. Here are some starting metrics and benchmarks you may consider:
 - Percent of transactions paid electronically / paid by check
 - Payment dispute rates
 - Number of invoices handled per A/P Staff

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- Cost per invoice
- Invoice exception rates
- Days Invoice approval outstanding

A/P Benchmark Metrics by School Size¹

	School Size Group			
	< 2,000	2,000 – 5,000	5,000+	All Schools
Percent of Payments by Check	76.8%	71.5%	74.3%	74.3%
Average Monthly Invoices	792	1,070	1,284	1,034
Average A/P Employee	2.0	2.4	4.1	2.8
Average Monthly Invoices per Employee	389	449	316	373

2. **Commitment.** Secure executive sponsorship and the support of cross-functional teams. In some instances, you may need to educate your team on the relative simplicity and low costs of implementing an ePayments solution. To maximize ePayments over time, your sourcing and procurement teams may want to consider ePayments acceptance in any new RFP bids. Any successful implementation will have support and buy in from multiple stakeholders, even if their involvement in implementation is limited.

¹ University Business Accounts Payable Research, September 2011. Sponsored by Wright Express.

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- 3. Vendor Engagement.** Involve your vendors from the start. While your solution provider—like Wright Express—will take the lead on enrollment, your choices in selling the value to your vendors, and willingness to consider quid pro quo concessions can make a good program a great one. Consider both softer benefits like “preferred vendor status” for future orders, and hard benefits like adjusting payment terms where appropriate. For example you may choose to pay vendors net 10 with BIP ePayments, versus net 45 with a check payment.
- 4. The Right Provider.** When choosing an ePayments solution provider, push hard to understand what steps your partner will take on your behalf to maximize vendor enrollment. What level of support will they provide in segmenting and analyzing your vendor file? What communication channels will they leverage for communicating to your vendors, and how frequently? Will they actively re-mine your vendor file? Do they put purchase thresholds below which they will not attempt to enroll your vendors? In addition to a robust enrollment strategy, make sure your provider has the technology to support multiple ways to process payments. Wright Express’s A/P Direct program can process payment with a direct deposit-type “push payment.” “Pull-pay,” or the second way of completing payment, would mean the vendor you are paying would key payment information into their existing credit card terminal after receiving a systematic notice to do so. The latter is ideal for vendors who may be a little wary at first, and may also introduce a marginal error rate in payment processing. Vendors who only provide deliver pull pay technology introduce inefficiencies in reconciliation that may be counterproductive. Finally, best in class BIP ePayment providers will not charge fees for enrollment, program implementation, software purchase, or ongoing software licensing.

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