

Global Treasury  
Management



# Digital transformations in AP

How technology & risk are reshaping the evolution of the AP landscape

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September 27, 2023

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September 27, 2023

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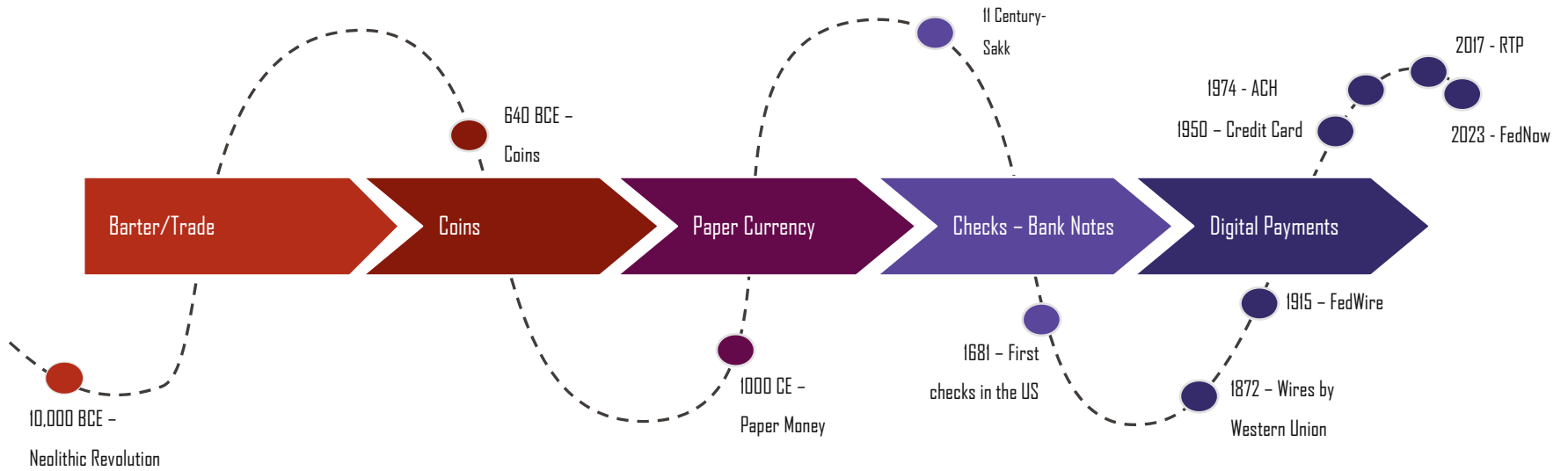


Digital transformations in AP

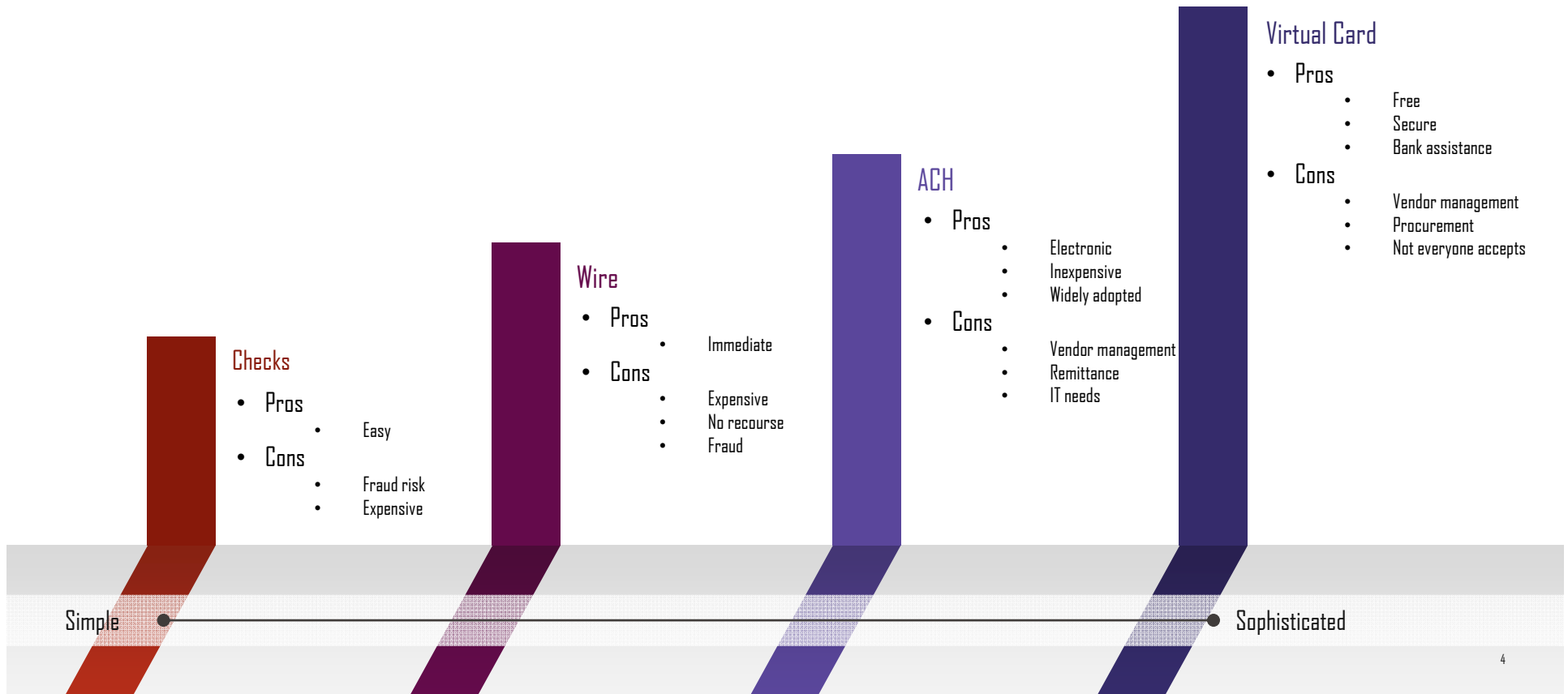
## The evolution of payments: A before and after picture



# How we got to now.....



# How B2B Payments Typically Happen Today



# Faster payments comparison

	Same Day ACH	Disbursements with Zelle®	Wire	Push to Card	Instant Payments
	<b>Fast</b> 5:00 p.m. local time or earlier	<b>Faster</b> Near real time to 3 days <sup>1</sup>	<b>Even faster</b> Near real time for domestic	<b>Fastest</b> Within minutes	<b>Instant</b> Real time
<b>Request for payment</b>	Not supported	Not supported	Not supported	Not supported	Supported
<b>Cross-border interoperability</b>	Not supported	Not supported	Yes, but can be slow	Not supported	Not supported
<b>Business models</b>	B2C, B2B, C2B	B2C, B2smallB	B2C, B2B, C2B	B2C, B2smallB	B2C, B2B, C2B
<b>Remittance</b>	9,999 addenda records; 80 characters remittance data each <sup>2</sup>	Optional 140-character description on payment notification	9,000 characters	18 characters on payee card statement + 6-25-character payment reference ID	140 characters in payment message + extensive remittance advice
<b>Origination information</b>	Routing and account number	Email or U.S. mobile phone number	Routing and account number	Debit card	Routing and account number
<b>Origination channels</b>	CEO®, WFG-API, Direct Origination, Payment Manager®	Payment Manager	CEO, WFG-API, Direct Origination, Payment Manager	WFG-API	WFG-API
<b>Settlement finality</b>	Depends on reason for return, can be up to 60 days	Irrevocable; can support request for return <sup>3</sup>	Irrevocable; can support request for return <sup>3</sup>	Irrevocable; can support request for return <sup>3</sup>	Irrevocable; can support request for return <sup>3</sup>
<b>Posting</b>	Same day as a settlement	Real time	Real time	Real time	Real time
<b>Status reporting</b>	Confirmation available through origination channel	Batched status notification file	Confirmation available through origination channel	Real time confirmation and daily file transmission	Real time confirmation
<b>Maximum transaction limit</b>	\$1,000,000	\$50,000	\$9,999,999,999.99	\$10,000 standard; up to \$50,000	\$1,000,000

1. Enrollment required. Terms and conditions apply. Payments can arrive as quickly as minutes or may take up to three business days after payment is sent. Must have a bank account in the U.S. to use Zelle®. For your protection, Zelle® should only be used for sending money to trusted recipients.  
 2. 14 characters are reserved for record type and addenda sequence.  
 3. Return of funds is not guaranteed.

RTP® is a registered service mark of The Clearing House Payments Company, LLC. Zelle and the Zelle related marks are wholly owned by Early Warning Services, LLC, and are used herein under license.



Your digital transformation journey

## Defining digital transformation

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The integration of digital capabilities into all areas, resulting in fundamental changes to how businesses operate, and how they deliver value to customers and employees.

”



# The payments landscape: Continued change

Transactions continue to move away from cash and checks

65%

decrease in commercial checks collected by the Federal Reserve from 2007 – 2022<sup>1</sup>

82%

anticipated growth in cashless transactions between 2020 – 2025, with total volumes potentially doubling by 2023<sup>2</sup>

1. The Federal Reserve, Commercial Checks Collected through the Federal Reserve - Annual Data, 2022, [https://www.federalreserve.gov/paymentsystems/check\\_commcheckcolannual.htm](https://www.federalreserve.gov/paymentsystems/check_commcheckcolannual.htm), Accessed July 2023.

2. PwC, Payments 2025 & beyond, <https://www.pwc.com/gx/en/industries/financial-services/publications/financial-services-in-2025/payments-in-2025.html>, Accessed July 2023.

# Progressing toward an ideal AP state

Become a strategic partner to treasury finance and procurement

## Goals

- Pay the right suppliers with the right payment type at the right time
- Eliminate paper transactions using payment channels such as cards, ACH, wire transfers, or Instant Payments

## Data mining

- Vendor data analysis shows you which suppliers already accept commercial card payments, average transaction size, and annual spend
- Move suppliers to ACH payments if commercial card is not a fit

## Solutions for success

- Your bank can help you design, execute, and manage supplier analysis and onboarding
- Reduce payment processing costs, capture early payment discounts, and improve working capital management and card revenue share

# A vision for disbursements: Driving for adoption of electronic payments

## Further automate payables

- Send a single file for virtual card, ACH, wire, and check
- Your bank can print and mail your checks for you

## Offer options for supplier payments

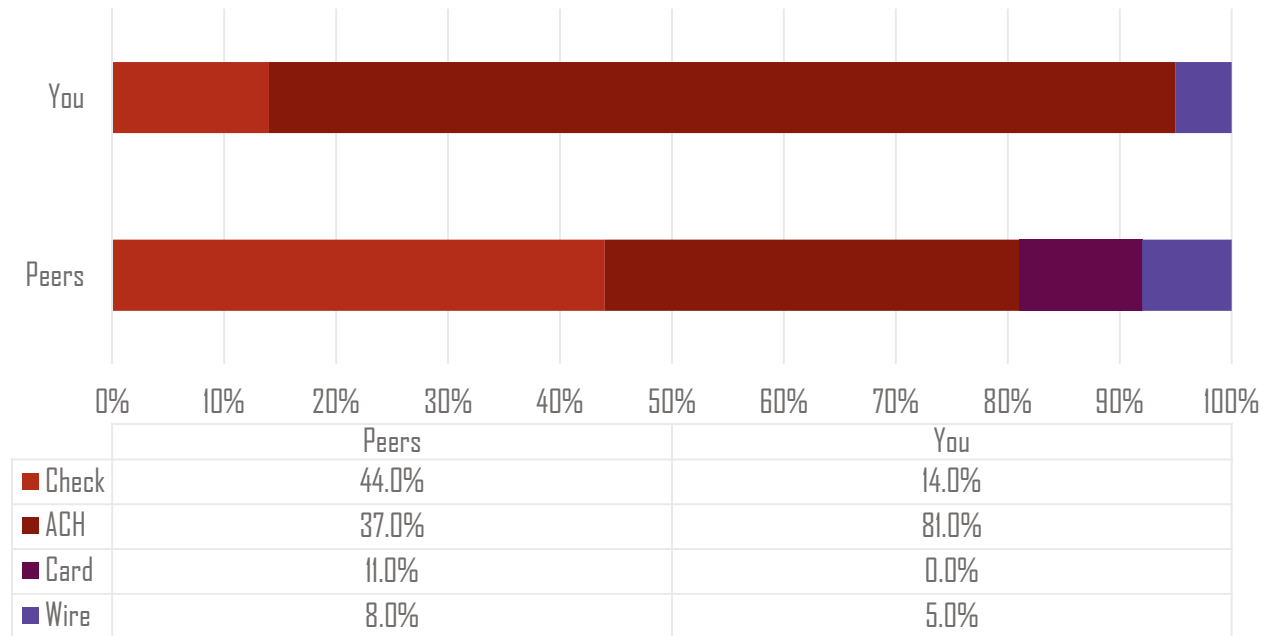
- Offer both pull and push options
- On-demand payments
- Maximize use of payment types/channels/rails
- Banks supplier onboarding team manages the process

## Explore emerging payment solutions

- Reduce customer refund costs with electronic B2P payments

# Industry benchmarking: Payments mix

Payments mix comparison



Based on internal Wells Fargo data.

\* Peer data based on internal Wells Fargo data for industry: Meat and Meat Product Merchant Wholesalers industry within a total payments range of 4,098 - 5,416

An eye toward the future.



# APIs can modernize the payments experience

## Integrate

to help  
optimize  
treasury  
operations

**Embed** banking services within your systems, applications, and websites to help:

- Gain efficiencies
- Reduce manual errors
- Deliver an improved customer experience

## Automate

to help  
mitigate  
risk

**Optimize** bank services within your processes

## On demand

to help  
improve  
customer  
relationships

**Originate** payments and receive banking data on your schedule

# Overview of TM Application Programming Interfaces (APIs)

## Set of programming instructions

One software application asks another to perform one or a series of tasks

## Always on and communicating

On-demand

## Enables direct communication between back-office systems

Examples: corporate-to-bank or bank-to-cloud ERP



# How do APIs work?

**On-demand banking: embedding services where you want**

API Gateways are a real-time banking channel that enables you to efficiently embed APIs into your systems



Your bank builds APIs for financial products and services



Your developers design and maintain the user experience



End users complete tasks more easily, in real time



# Batch transmission vs. application programming interfaces (APIs)

## Batch file transmissions

Consolidate multiple payments

Use a service such as a payment portal or ACH by direct origination

Best for batch systems or payment types (ACH one-day or two-day, check printing)

Normally used for large files such as payroll or weekly payment

Better for less urgent, routine payment files

Acknowledgements and confirmations won't come until the file or batch is processed

vs.

## Transactions through APIs

Single-threaded 'request and response'

Would normally be used for single payments or actions

Handles a large volume of payments, but each payment requires a message to the bank

Ideal for more real-time payment types, such as Push to Card and Instant Payments

Better for more urgent, on-demand payments

Acknowledgements and confirmations come immediately for each payment sent using an API

# The current landscape: Banks

Consumers are looking for a seamless experience

63%

of consumers "highly value"  
embedded  
finance  
solutions

Embedded  
finance helps  
customers connect  
across their digital  
ecosystem



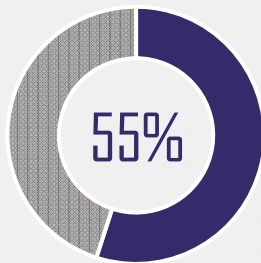
Source: Ernst & Young, "How financial institutions can win the battle for trust," June 11, 2021.  
[https://www.ey.com/en\\_us/nextwave-financial-services/how-financial-institutions-can-win-the-battle-for-trust](https://www.ey.com/en_us/nextwave-financial-services/how-financial-institutions-can-win-the-battle-for-trust)

Imagine performing your daily activities *without leaving your system*

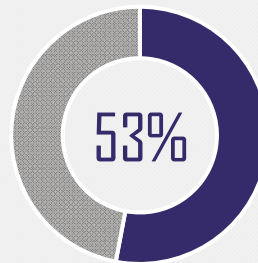


# Moving toward digital transformation

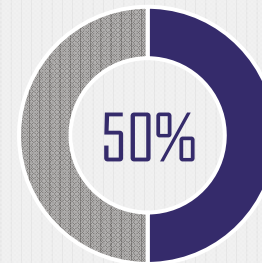
While nearly 60% of organizations say digital transformation is a priority<sup>1</sup>, a number of obstacles remain



Lack of staff resources<sup>2</sup>



IT limitations<sup>2</sup>



Competing budget demands<sup>2</sup>

1. LexisNexis, 5 Payments Trends to Watch in 2023, <https://risk.lexisnexis.com/global/en/insights-resources/infographic/payments-trends>. Accessed July 2023.

2. Strategic Treasurer, 2022 Modernizing Accounts Payable, underwritten by Deluxe, <https://go.strategic treasurer.com/rs/7725-FHQ-445/images/2022-Modernizing-AP-Processing-Infographic.pdf>. Accessed July 2023.

# The drive for payables automation is increasing

**56%** of survey respondents

reported spending over 10 hours a week processing invoices and supplier payments\*

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**Manual work and data entry**

contribute to accounts payables delays and impact relationships with vendors and suppliers.

What opportunities are you missing?



\* The Institute of Financial Operations & Leadership, "IFOL Research Shows the Rate and Speed of Accounts Payable Automation across Businesses Worldwide." January 25, 2022. <https://acarp-edu.org/ifol-research-shows-the-rate-and-speed-of-accounts-payable-automation-across-businesses-worldwide/>

# The cost of inaction

65% of companies

experienced actual or attempted payments fraud in 2022\*

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Know the threat landscape and strengthen your defenses against fraud

What proactive measures are you taking?



\* Association for Financial Professionals, 2023 AFP® Payments Fraud and Control Survey, [afponline.org/paymentsfraud](https://afponline.org/paymentsfraud).

# Go electronic and save

**\$38 per check\***

average transaction cost

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Top-performing peers who have transitioned to a fully electronic payment solution have saved

**up to 58%\*** on their  
cost per transaction



Are you ready to go paperless and potentially reduce your transaction costs?

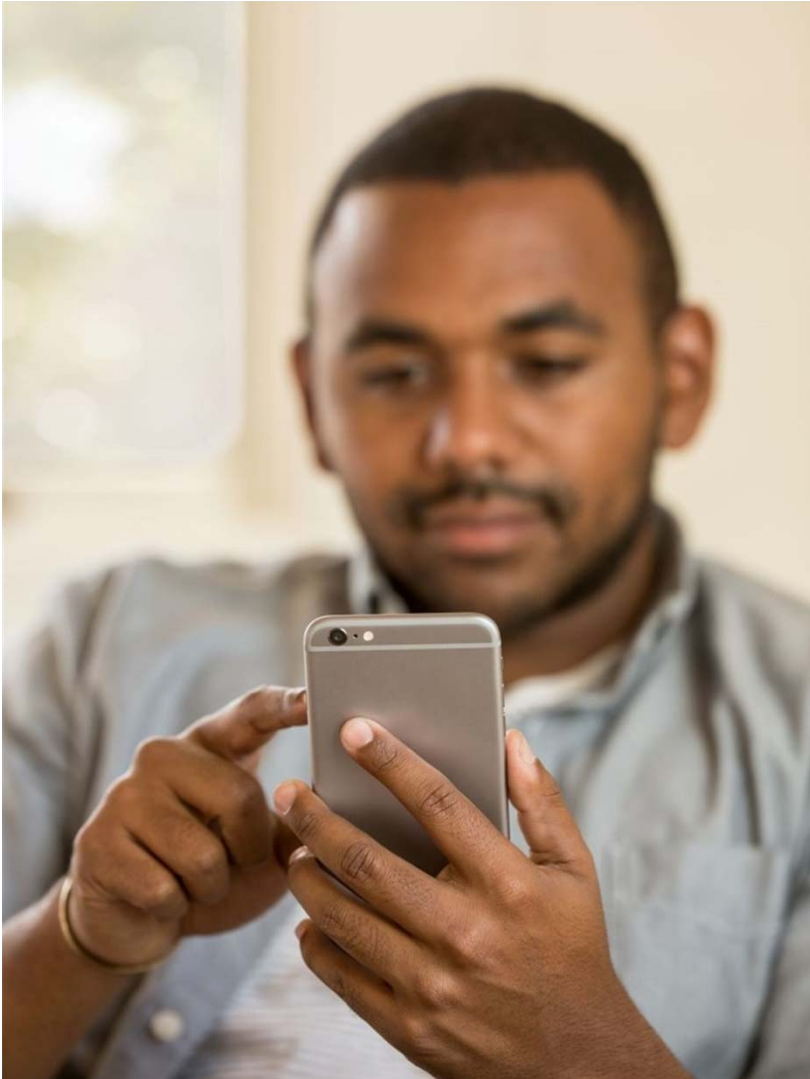
\* 2022 RPMG Virtual Card Benchmark Study  
Respondents were asked to estimate transaction costs inclusive of all invoice and payment processing activities, beginning at transaction initiation and concluding at post-payment record-keeping and bank reconciliation

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Thank you





“

As soon as [our customers] see the money in **10 seconds**, they see that this company cares and that they chose the right company to do business with.

”

- Raul Alvarez, Director of Accounting Operations,  
Westlake Financial Services

This person's experience is not a guarantee, promise or reflection of the feelings of every user



“

The experience has been amazing. Our executives – the CEO and group president – are really amazed at how this was implemented. And the head of our subsidiary, our vice president, is amazed at how fast customers are getting their money

”

- Raul Alvarez, Director of Accounting Operations,  
Westlake Financial Services

This person's experience is not a guarantee, promise or reflection of the feelings of every user