



The Case for the Global Payments Platform

Exploring the Value of Cross-Border ePayment Solutions

2019 | Featuring Insights On...

- » Current State of Cross-Border Payments Management
- » Greatest Pain Points in Global Payments
- » Features and Functionalities of Leading Global ePayments Platforms

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Introduction

Globalization is a growing and almost inescapable phenomenon taking place today. As organizations expand overseas, their international supplier bases and the need to support cross-border payments also increase. Additionally, cross-border payment processing is also more complex than domestic transactions, requiring more Accounts Payable (AP) requirements and considerations. Now, many AP departments are struggling to keep up with the quickly changing state of their supply chain and the globalizing market; if they fail to do so, they may lose a significant competitive edge.

Furthermore, international payment management requires much more effort and incurs higher risk than local payments in terms of compliance with international tax and regulatory requirements. According to Levvel Research survey data, the current ways in which organizations manage these complex cross-border payments are neither the most efficient nor the most affordable. Instead, they are costly in terms of fees, time, and manual labor, and can have negative influences on supply chains and supplier relationships.

However, globalization is forcing organizations to stay on top of international payments or risk falling behind competitively, despite these challenges. Fortunately, electronic payments (ePayments) solutions not only bring down the costs of cross-border payments, but also help organizations properly manage them, allowing companies to keep up with global expansion as their international operations mature. ePayments software offers features that target international payments—such as multi-entity platforms—and manage the workflow and tax/regulatory requirements related to cross-border payments.

This whitepaper covers today's cross-border payment management trends and highlights the value and features of global ePayments solutions.



Global ePayments Today

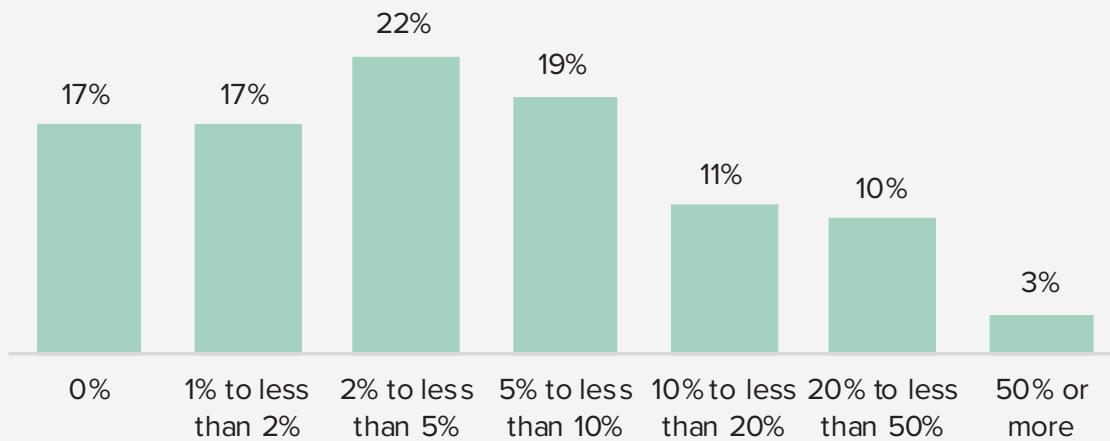
To determine current trends in cross-border payment management, Levvel Research surveyed more than 450 professionals from North American organizations in a variety of industries and market segments.

The Global State Today

In 2019, there were more cross-border payments made than in 2018. For example, in 2018, 27% of respondents didn't make any cross-border payments, whereas in 2019, only 17% of respondents were exclusively domestic. Following a similar trend, 29% of respondents made less than 2% of their payments to a cross-border supplier in 2019, compared to 17% in 2018. While the number of organizations making the smallest fractions of cross-border payments decreased (i.e., below 2%), every other segment saw a slight increase (see Figure 1). This pattern shows that international payment volume is growing and becoming more significant for organizations.

FIGURE 1

International Payment Volume by Size



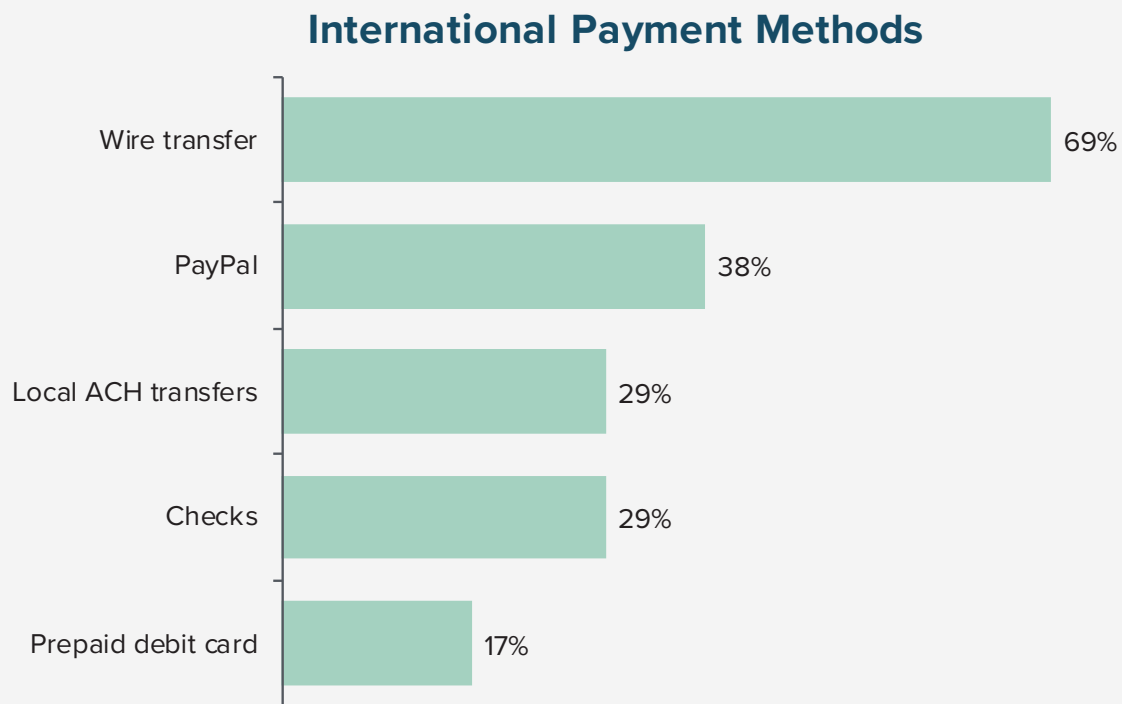
Organizations Have Made More Cross-Border Payments Since 2018

Of your supplier payments, what percentage are cross-border?

Overall, Levvel Research found that the size of the organization could play a role in international payment volume; usually, the larger the organization, the more cross-border payments it reports. Likewise, the type of industry could also influence the number of cross-border payments for a company. Organizations in finance and banking, manufacturing, business services, communications, and computers make higher quantities of payments internationally than companies in many other industries. Levvel Research attributed this, in part, to the globalized nature of these industries, their services, and their supply chain requirements.

Overwhelmingly, most organizations make their international payments through wire transfers (see Figure 2).

FIGURE 2



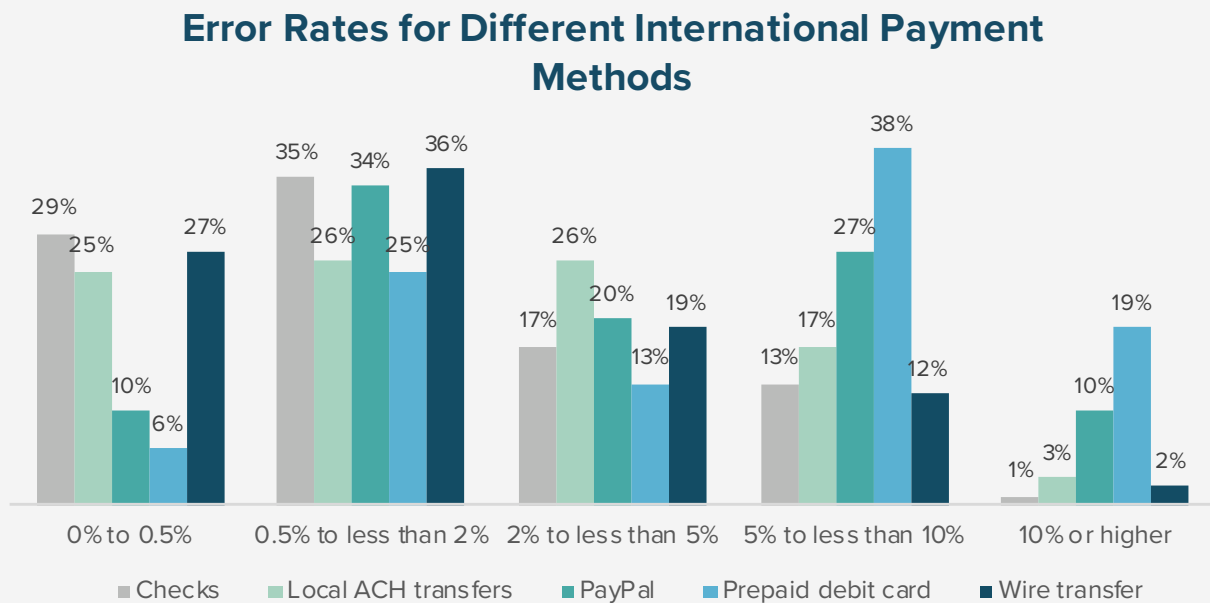
International Payments Are Most Often Made Via Wire Transfer

Which international payment methods are you using?



The popularity of wire transfers for cross-border payments may be due to this method incurring lower error rates than other payment options (see Figure 3); when examining data of exclusive wire users, these error rates are even lower. This can be attributed to the fact that wire transfers are direct between accounts and banks verify funds. Prepaid debit cards have a significantly higher error rate than other options, which may be due to their lack of security and high fee charges. Thus, they are the least-commonly used payment methods for cross-border transactions.

FIGURE 3



Wire Transfers Have Comparatively Low Error Rates

What do you estimate is your organization's average payment error rate?



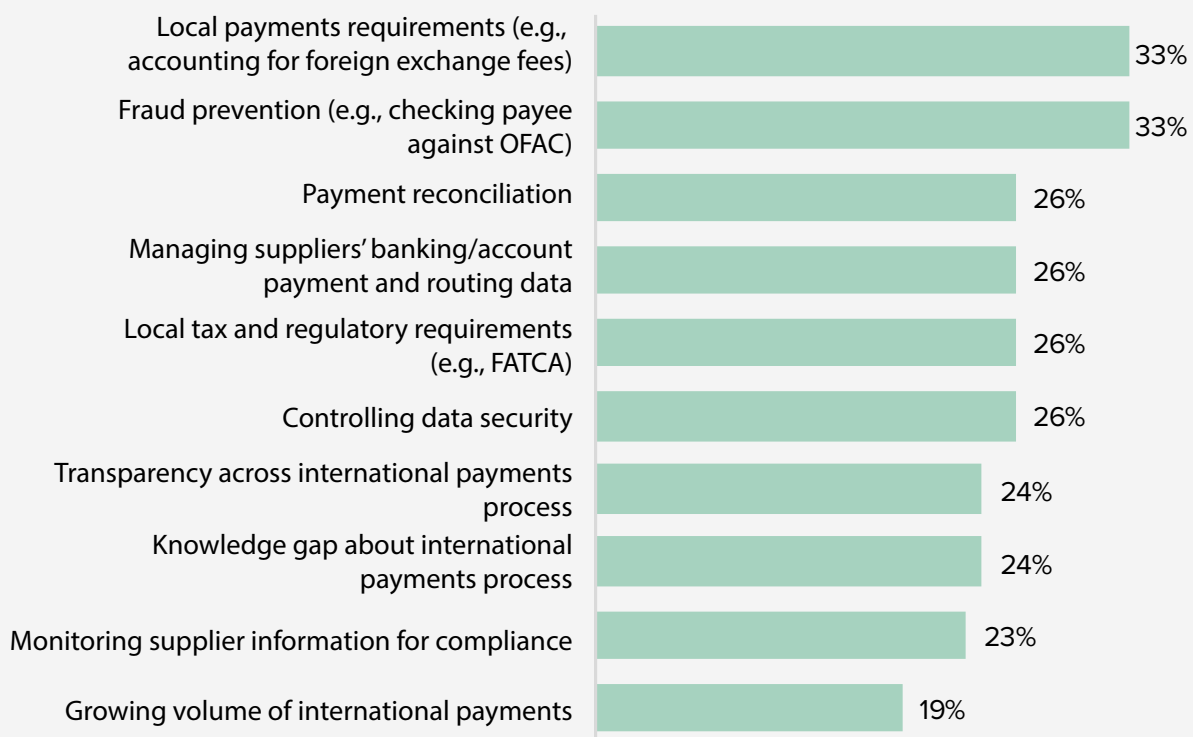
Challenges of Global Payments

AP departments are often already overwhelmed with their domestic payment runs alone. Then, several more challenges arise when international payments are incorporated.

Specifically, the greatest pain point reported around cross-border payments was fraud prevention, which is more complex for international transactions (see Figure 4). Processing payments beyond domestic borders means organizations may face foreign currency risks, require more effort to verify payments, and lose visibility into payment statuses—all of which could increase the potential for fraud. The more out-of-country payments that businesses make, the more likely they are to suffer from data security issues, miss information on invoices, and find it hard to keep track of supplier payment preferences. Mismanaged payments can also have an effect on late payments and missed discount opportunities.

FIGURE 4

International Payment Challenges



The Top Concerns for International Payments Include Local Payments Requirements and Fraud Prevention
What are the top challenges your organization faces in processing international payments?

All of these pain points most likely stem from the fact that international payments are more time-intensive and require currency conversion. Meanwhile, organizations that make relatively few cross-border payments suffer instead from invoice-related problems. These include lost invoices, manual routing of invoices, and decentralized invoice receipt.

While the processes for managing local payments and international payments are very different, research shows that not all companies have different departments or teams to handle each type. According to the survey results, the majority of organizations handle cross-border payment processes using separate payment runs, while the next most-common approach is to group them with the standard domestic payment runs. Depending on the number of cross-border payments an organization makes each month, combining domestic and international payment processes could appear to be more efficient than creating two separate payment runs. However, AP teams must add several extra steps and controls to make cross-border payments successful.

For example, ensuring payment data accuracy is just one of many control measures organizations must consider; as opposed to domestic payments, which don't have as many details included, AP must go through a much more extensive vetting process to ensure that cross-border payment data is accurate. In fact, more than 26,000 global rules exist across different regions and payment methods, and the payment process for a particular method in one country could be completely different than that in another region. Often, AP departments must use multiple bank portals to disburse funds in different countries, and cross-border payments reconciliation typically requires different measures than domestic reconciliation.

Additionally, cross-border payments also entail more tax and regulatory processes than regular payables processes, including tax and AML/OFAC compliance. In particular, FATCA requires U.S. taxpayers to report certain types of payments made to their foreign accounts, such as interest or dividends on U.S. securities. In order to comply with FATCA, international companies must complete special tax forms and ensure that the proper taxes are withheld prior to payment. Moreover, compliance with OFAC/AML regulations requires organizations to check suppliers against "Do Not Pay" lists during setup and prior to each payment.

Further complicating payments processes is the growing occurrence of managing multiple entities. Many buyers manage multiple subsidiaries, divisions,



brands, and suppliers—all with their own specialized workflows and processes. Managing separate AP workflows is complicated and inefficient, and often results in errors, missed discounts, financial control risk exposure, financial reporting issues and delays, and failure to comply with international regulations.

While software can help organizations manage regulatory requirements, most organizations perform these functions manually. These organizations either have a separate team managing the process or use their AP department to handle both standard and international payment requirements. However, overall AP operations can suffer when using manual methods for international and other specialized payments. Without a solution to help streamline, separate, and manage both domestic and international payments, the process is much more complicated, costly, and prone to errors. There is also a higher risk of violating regulatory requirements, which can result in legal fines of up to millions of dollars. Furthermore, without these solutions, organizations must be prepared to face the monetary costs of late payments, fraud, and missed early payment discounts.

Fortunately, leading global ePayments software automates both cross-border payments and domestic payments; streamlines tax and regulatory compliance; and helps to greatly reduce processing costs. The following section outlines some of the features, services, and benefits of leading global ePayments software.



Global Payments Automation

Global ePayments software provides a platform for AP to manage the complex processes involved in cross-border payments. These solutions greatly reduce processing costs and payment errors by solving many of the issues that tend to raise error rates—such as disparate, manual processes; multiple concurrent processes across different entities; or inexperience in different global regions. As a result, working with a global ePayments provider that has experience and expertise in international B2B operations takes many of the processing and compliance burdens off of organizations; instead, it enables them to expand their supply chains without worrying about how they will keep up with supplier payments.

Global ePayments solutions include the following features and functionality:

Early Payments

Leading providers offer early payment capabilities, giving suppliers immediate payment processing in exchange for a discount. For instance, suppliers can elect to receive funds more quickly for a small discount. Then, finance teams receive a referral fee on every dollar paid early, transforming AP from a cost center to “AP free” or even a profit center.

By automating negotiations and offers and eliminating payer interaction, buyers can also generate more revenue. Early payments capabilities mean that companies can pay partners more quickly and increase the speed of onboarding processes. Thus, they naturally lead to better supplier relationships and management.

Multi-Entity & Global Payment Management

Global ePayments software streamlines the most common and time-consuming tasks in cross-border AP, including supplier onboarding and validation; global payment remittance; payment reconciliation; and AP reporting. Many solutions also automate currency conversion and offer multi-language and multi-entity support. Some providers even offer a self-service portal for international payees, allowing them to choose their preferred payment methods and provide banking information. These portals facilitate communications between payees and suppliers; provide suppliers with real-time status on their payments; help resolve payment errors; and automate payment reconciliation.



What's more, leading providers also offer multi-entity management capabilities. Platforms should provide a consolidated view of all different AP processes and workflows. Managing multiple sub-entities—each with their specific workflow requirements, independent branding, payment methods, tax rules, communication channels, reporting, and modules all within a single model—allows for more effective and simplified management. Subsequently, leaders can segment business information for audit and financial reporting; fraud prevention; and customized visibility. All of this information about the operations overall provides instantaneous and real-time visibility across an enterprise's entire supply chain. Specifically, a full, bird's-eye-view is most useful for executives and managers, giving them more control and insights into future decisions.

Cross-Border Payment Automation

Global ePayments platforms help manage different international payment methods, including wire transfers, global ACH/local bank transfers, checks, PayPal, and prepaid debit cards—all within one platform. They enable the organization to easily make a payment in any format in any region, and help it comply with the specific requirements for each region.

Tax Compliance Support

Global ePayments solutions assist AP departments by automatically gathering the right tax form and tax ID information from suppliers prior to payment. These solutions: ensure that the payees have provided the correct required documents per FATCA requirements (W-9, W-8 Series, VAT, etc.); validate the forms and information for accuracy and completion; and calculate tax withholding, when applicable. The collected information is included in supplier payments and future 1099/1042-S tax filings.

OFAC/AML Regulatory Compliance Support

Global ePayments solutions screen transactions and payees against blacklists (e.g., OFAC, EU, HMC) for anti-money-laundering (AML) compliance. They are also able to provide access to restriction information that is updated in real-time. Plus, the software automatically flags any potential problematic suppliers by their country, previous fraudulent activity, or unauthenticated identity. They also provide ongoing transaction screening aids to help identify fraudulent suppliers even after initial screening. Some solutions can even identify blocked or suspended payees who are trying to create multiple accounts—and then give the client the ability to block or suspend such payees from receiving payments.



Invoice Automation Tools

Global ePayments software should not be restricted to international business only, but should help the rest of the AP department staff in their daily activities. Invoice management automation involves converting paper invoices to an electronic format—either through OCR data capture technology or by leveraging an eInvoicing solution. Additionally, invoice tools should be able to automatically match invoices to POs or handle three-way matching and complete straight-through processing, where organizations can connect with their suppliers directly. The ePayments platform should also make sure paying organizations meet all payment terms and conditions that aren't normally included with regular vendors. Often, providers also incorporate an automated approval workflow tool that includes rules-based routing and exception management.

Strategic Supply Chain Services

Some global ePayments providers offer services for organizations looking to expand their supply chain operations, helping clients adapt to new banking regulations, tax regulations, and payee- or country-specific payment preferences. Providers also work with clients' IT teams to help them configure their infrastructure and ERP to a wide array of banking APIs, and manually adapt the software when international tax laws and treaties change.

Some organizations may feel as though they do not have enough international suppliers to make the adoption of a solution worth the investment. However, it is important that these organizations consider not only their current supplier payment counts and cross-border payment volume, but also where they expect to be in three to five years. Globalization is changing businesses all over the world, and competitive companies should adjust their current infrastructure to scale with their future business needs.



About the Sponsor

Tipalti provides a global payables automation solution, allowing finance teams to be more strategic in managing local and cross-border supplier payment processes. The Tipalti solution helps eliminate the errors, risk, and complexity in supplier management and onboarding, invoice workflow automation, tax and regulatory compliance, global payments, and payment reconciliation. The company has facilitated several successful process transformations across its customer base; companies like Amazon, Twitter, GoPro, Nikon, Zumba, and Roku have reported that the Tipalti solution has enabled them to automate over 80 percent of their global supplier payment processes.



About Levvel Research

Levvel Research, formerly PayStream Advisors, is a research and advisory firm that operates within the IT consulting company, Levvel. Levvel Research is focused on many areas of innovative technology, including business process automation, DevOps, emerging payment technologies, full-stack software development, mobile application development, cloud infrastructure, and content publishing automation. Levvel Research's team of experts provide targeted research content to address the changing technology and business process needs of competitive organizations across a range of verticals. In short, Levvel Research is dedicated to maximizing returns and minimizing risks associated with technology investment. Levvel Research's reports, white papers, webinars, and tools are available free of charge at www.levvel.io

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