



Checks: A Hard Habit to Break Despite Their Disadvantages

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One of the most stubborn aspects of the B2B marketplace is its reluctance to go digital.

Over the last 20 years, new technologies have laid the groundwork for vendors to grow sales, accelerate cash flow, and most importantly, improve customer satisfaction through electronic and automated commerce.

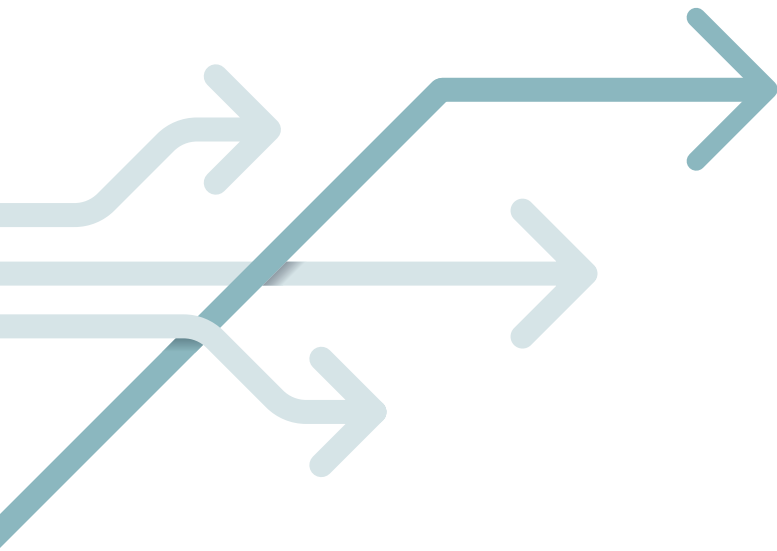


Today, digital solutions span everything from Quote & Order Automation and Supply Chain Funding to Accounts Payable and Accounts Receivable Automation. Unfortunately, for various reasons, the adoption rate of these technologies has not matched their value.

From our experience, we know that customers' preference for paper checks remains a hindrance to the adoption of electronic invoicing and payments among vendors.

This is because business, in general, is highly competitive and vendors feel pressured to accommodate their customers' A/P process, no matter how antiquated it may be.

With this paper, we take a look at the reasons customers give for continuing to use checks, and provide A/R professionals the counter arguments needed to convince them to ditch checks once and for all.



Simplicity

A popular argument in favor of paper checks has been that they are simple to understand. Employees don't need to be trained with regards to writing a check, mailing it, or depositing it into a bank account. Further, banks recognize them easily and no integration is needed.

Checks may be simple, but so are electronic payments. In fact, electronic payments are arguably simpler. In our experience, we have found that once they are offered an electronic payment option, most customers are open to change and adoption. This is why it is important for A/R teams to consider an electronic solution and not allow their processes to remain antiquated simply because customers "have always done it this way."

Further, business environments are always changing. Today's change is the immediate need for touchless payments. Businesses have been forced to increasingly adopt digital modes of payment due to the danger contact payments may pose to their employees' and customers' health.

In today's current environment, lockdowns are being enforced and lifted intermittently. This disrupts the ability to walk down to the bank and deposit a check physically. Further, depositing them through automated teller machines only raise the issue of contact once again and has become an onerous way to deposit cash.

Inherently, electronic payments are touchless and deposit themselves in the bank.

Security

Customers believe that checks are more secure than other payment options. They know that if a check is lost or stolen, they can simply ask their bank to stop payment or track the funds. Further, customers believe that with electronic payments, they are putting sensitive information online.

The truth is that the information provided with electronic payments is no more sensitive than the information printed on the face of a check for everyone to see. Moreover, checks can not measure up to secure encryption features available in an automated solution. With an encrypted electronic payment solution, the customer is the only person who sees their credit card or banking data.

Modern encryption standards are extraordinarily secure, and third-party compliance standards require policies and practices that ensure data is safe.

Easy Audit Trail and Reliable Remittance Advice

A previous advantage of checks is their audit trail. Paper remittances can be tracked and errors in payment can be corrected.

However, paper checks require an entirely manual process including following the audit trail and matching paper remittances. These manual processes are the core of payment friction.

Also, as wonderful as this sounds, checks do not eliminate errors that are often present in manual invoice-to-cash (ITC) processes. Incorrect communication or inability to handle disputes in a timely manner because of delays with manual tasks lead to collection problems. These in turn place a significant strain on cash flow.

A study conducted by the Institute of Finance and Management (IOFM) found that fully automated electronic ITC processes had exception rates as low as 2%. This is compared to exception rates ranging from 5% to 20% for manual processes. Simply put, when traditional methods often result in a strain on cash flow, risk of error and delays, or damage to customer relationships, why not automate?

Inertia

As much as companies try to avoid remaining stuck in the past, they often fail to account for getting too comfortable with certain processes. Considering the length of time for which they've been in use, the popularity of the paper check has a lot to do with plain old inertia taking hold.

Company cultures where "this is how we have always done it" is a valid argument against innovation are doomed to be stuck in the pull of inertia. Unfortunately, many companies feel this way, and as a result, automation and digital solutions appear as a step too far. However, inertia is usually overcome by a shock to the system. For example, the coronavirus pandemic has disrupted most business routines and been a catalyst for change, or at least the exploration of change. Vendors are quickly realizing that automation is becoming a necessity for today's businesses.

Thus, as far as excuses and advantages of manual invoice-to-cash processes go, there isn't much that has been left intact. At this point, any organization that willingly chooses a manual invoice-to-cash process centered around a paper check runs the risk of remaining stuck in the past. This failure to innovate can harm customer service and hinder growth, ultimately leaving companies behind. On the other hand, automation expands A/R teams' bandwidth, improves efficiencies, accelerates cash flow, and enhances customer relationships. As a bonus, electronic invoicing and payments can also improve employee satisfaction because it frees A/R professionals to tackle the more critical customer issues that they have been trained for.

Going Digital is the Need of the Hour

With businesses facing increasing challenges moving forward, developing efficient processes is more important than ever. Paper checks might seem convenient to use and widely integrated into legacy payment processes, but this is hardly a good reason to not embrace the future.

It is important for accounts receivable teams to offer their customers electronic payment options as a step toward breaking the manual cycles that slow commerce and create inefficiencies within A/P and A/R.

Digital accounts receivable solutions allow companies to reduce errors caused by manual processes and reduce costs associated with payment processing. Opting for automation is the key for businesses to survive well into the future.

Billfire™ VALET is the Ideal Accounts Receivable Automation Solution.

As the most intuitive invoice-to-cash solution, VALET eliminates all payment friction to deliver faster payments, increased efficiencies, and improved customer relationships. Accelerate your cash flow today with Billfire™ VALET.

Call us on 602-888-0853 or email betterday@billfire.com to learn how we Make it a Better Day with Billfire.