



Beyond the buzz: The power of payment networks

An in-depth look at next-generation networks and their potential to transform B2B payments



deluxe⁺
PAYMENTS & DATA

eBook



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Solving payment challenges with a one-to-many approach

Talk to finance professionals at companies large and small, and you'll hear a common set of goals for their payments experience:

- » Fewer manual processes and more automation
- » Less reliance on paper and more electronic payments
- » Faster cycle times
- » Less cost compared to printing and mailing checks
- » A stronger experience for payees
- » Reduced risk from fraud, errors or other
- » Greater transparency and control of the entire end-to-end process

With the results of only a single, small pilot, Deluxe was able to almost halve the cost per account with just one additional touch point.

It's a tall order.

Yet one solutions holds promise for achieving these high aspirations. It's the power and the potential of payment networks.

Modernizing and innovating to meet 21st Century challenges

The concept of a payment network is nothing new. VISA and MasterCard, for example, have more than a half-century of experience operating a reliable and efficient network for credit card transactions. It's widespread in reach, with a clear set of rules for participants. But, it covers only a fraction of the use cases that businesses and consumers have when making payments.

What is new, exciting and transformative are the next-generation capabilities available in today's leading payment networks. Innovators like Deluxe are revolutionizing the payments experience for all involved with a "one-to-many" approach that puts fast, frictionless payments within reach for organizations of all sizes.



The difference between Networks and Directories

A successful network requires two components: A directory to provide the “who” and a network that governs the “how.”

Payment Network		
Payment Methods: ACH, Check, eCheck, Wire, Credit Card		
Healthcare Directory	Small Business Directory	Lockbox Directory
Abbott Hospital 9887 Hospital Lane, Minneapolis, MN 55404, acct #: XXXX-6785	Smith & Sons Books 101 S. Reading Rd, Bedford, MA 24313	Larry Fields P.O. Box 123123
Gunther Wellness Clinic 8104 Health Drive, Bloomington, ID acct # XXXX-4321	Alan's Auto Repair acct #XXXX-4352	Joe Johnson Electronic Lockbox ID: 123456
Eagan Family Physicians 4765 Fairview Lane, Eagan, MN 55124, acct # XXXX-2431	The Cleaning Ladies 410 Sauber Drive, Waseca, MN 56039	Jane Smith P.O. Box 789789, Electronic Lockbox ID: 656565

The directory: A list of participants and a way to reach them

In payments, the directory is the list of payees and the information that enables a payment to route to these intended recipients. With checks, for example, the “directory” includes payee names and mailing addresses. For credit card and ACH transactions, it’s routing and/or account numbers. Faster Payments use directories based on payee email addresses and mobile phone numbers.

Directory type	Information required
Checks	Payee name and mailing address
ACH or credit card transactions	Routing and/or account numbers
Search engine	IP addresses
Telephone book	Household names and telephone numbers
In-network healthcare providers	Physician names, specialties and websites



Other industries use directories as well. The information they contain directs network users on how to reach other participants. One of the most ubiquitous is a city telephone book, which contains names and phone numbers for reaching other businesses or households with landline telephones. A health insurer maintains a directory of physicians and clinics available to their policyholders. Even an online search engine contains a directory of IP addresses, allowing users to find various websites.

The network: A set of operating rules

A network summarizes the operating procedures that all participants will follow. This set of standards enables the network to function efficiently.

For example:

- » All U.S. telephone numbers will be 10 digits in length.
- » ACH transactions will abide by NACHA regulations for format and speed of settlement. Checks will clear according to Federal Reserve guidelines.
- » In-network physicians and clinics will provide a billing discount when treating a health insurer's covered patients.



“The best B2B payment networks make it easy for both payers and payees. They don’t require significant changes to the way we do business today—yet they bring value to both sides. And they use the best of modern technology to enhance and improve how money moves—securely, efficiently and cost-effectively.”

– Shiela Howarter, Director of Digital Payments Products, Deluxe



Trading payment unknowns for relationships and trust:

How networks work

Payment networks bring scale, efficiency and ease to the process of making payments. They do this in several ways:

- » **Eliminate the unknowns** and missing information that bog down payments and limit a payer's options.
- » **Reduce the risk for payers and payees** in sharing and storing account numbers and sensitive payment credentials needed for electronic transactions.
- » **Simplify the enrollment process** for business and consumer payees.
- » **Keep dollars and data together** across the payment cycle, including complex remittance information.

Fundamentally, a strong payment network moves a business away from the legwork (or guesswork) of collecting, storing and updating payee information, and lets the accounts payable team focus on more strategic activities.

Connecting the dots for payers and payees

The network uses smart technology to connect the payer's information—such as payee name and mailing address—with more detailed data within the directory. In this way, businesses can make swift and secure electronic payment, even when they don't have a payee's email address, banking routing number or merchant services account information directly in their company files. The network handles the routing and decisioning for them.

For payees, the network puts them in touch with multiple payers through a trusted intermediary. Ideally, they get paid on time and in their preferred method, without having to share banking and contact details over and over, or burdening staff with cumbersome portals, passwords and other time-consuming requirements.

For financial institutions, payment networks yield value by connecting disparate accounts, payees and payment methods through a single channel. Participating in a digital lockbox network, for example, enables the bank's business customer to access more B2B payees and reduce the cost and risks of physical checks. Collaborating on payment networks lets banks and credit unions deepen customer relationships and strengthen their receivables offering.

Building relationships without adding effort

Networks improve the payments experience by creating a known relationship for the payer, instead of just a transaction. Even if a business needs to pay a new vendor, customer or other entity, a wide-reaching network will have their information already on file.

This hub of payment intelligence not only streamlines the payment process, it creates trust and positivity for both sides of the transaction. The more "relationship" payments a business can make, the more efficient their operations.



How today's networks are improving enrollment, reach and remittances

The power of networks comes when they reach ubiquity: so widespread are the participants that it's fast, easy and cost-effective to reach intended payees. Checks certainly meet this criteria because they require only a name and address, but they often fall short in other areas, like digital efficiency, cost or payee preferences.

A number of issues with enrollment, design and capabilities hampered past networks. For example, difficult enrollment processes limited the number of payees willing to sign up and participate, which dramatically reduces the utility of a network.

Previous payment networks

Cumbersome enrollment process caps number of payees available.

Limited available payment types reduces utility of the network.

Participation requires complicated process or system changes for payers or payees.

Payers must send remittance information through a separate channel.

Deluxe payment networks

Millions of payees enrolled to date through individual signups and partner alliances.

Numerous electronic payment options available, including eChecks.

Businesses can make electronic payments using an existing check or payment file, or through an intuitive online interface. Payees can receive secure, digital payments without modifying existing receivables processes.

Payments and accompanying remittances both route seamlessly, including complex medical billing files.



To be useful, a B2B payment network needs to reach the right payees. Small businesses, for example, have been missing from many previous directories. Now, leading providers are reaching them through alliances with other networks, through stronger value propositions and through more convenient enrollment processes. A greater reach to millions of payees vastly increases the network's benefits

– Shiela Howarter,
Director of Digital
Payments Products,
Deluxe



Early payment networks focused heavily on large corporate customers, leaving out millions of small and medium-sized businesses (SMBs). Then, the race to enroll SMBs resulted in “portal fatigue” as time-strapped business owners grew frustrated at the number of requests to join various payment networks.

Early adopters learned that SMBs, in particular, are far more apt to join a network when the process is simple and there's immediate value. For example, providing only an email address to guarantee an electronic payment for a current invoice, rather than requiring passwords, usernames, test transactions and other hurdles—all for some payment in the undefined future.

Remittances represent another obstacle that next generation payment networks are overcoming. Market leaders like Deluxe realize there's no way for B2B payments to thrive on a network without the ability to transfer complicated remittance data at the same time—and in the same channel—as the payment itself.

Deluxe Payment Exchange, for example, uses a directory of payee email addresses to transfer digital payments and any accompanying correspondence, making it fast and easy for payers and payees.

Other Deluxe capabilities speak to the more nuanced and complex needs of specific industries, such as medical payments. Often, a payer combines dozens or even hundreds of provider invoices into a single reimbursement. Without detailed documentation, it's impossible for clinics and hospitals to unravel the transaction and reconcile their books. Specialized networks now handle these important details, simplifying payment and improving the payment experience for health insurers and care providers.



Creating new connections: The future of networks

What's next for payment networks? The future is bright. One of the most exciting opportunities is the growth of alliances when various entities share access to their proprietary directories of payees.

Broadening directory access makes each network far more useful. When a payer initiates a transaction, the network first searches its own directory for the payee. If it doesn't find the business or consumer, it looks to partner networks. This approach vastly improves the likelihood of reaching the payee—without requiring new outreach, enrollment or payment delays.

It also enables payers with limited information, such as name and mailing address, to convert their payments to electronic methods. The payment network can compare directory information and match payee details to support faster and more cost-effective digital payment options.

This strategy of collaboration yields advantages for all parties to the payment transaction.

- » **Payees** save time by enrolling just once, through a directory they know and trust. Broader access to that directory and their preferred payment methods helps improve the payment experience, use their valuable time wisely and even boost their cash flow through more efficient and secure electronic methods.
- » **Payers** benefit from immediate access to a wider array of businesses and consumers, without having to maintain contact information and payment credentials in their internal systems. They can save time and reduce costs by automating and electronically paying more payees
- » **Financial institutions, network providers and directory organizers** significantly increase the value of their service by having access to affiliate directories. These alliances make it easy for payers to reach specialty audiences, such as healthcare providers or lockbox users, through proven resources who understand these niche markets.

Our Deluxe Payment Exchange solution with multiple directories, including:

Deluxe Payment Exchange

6 million consumer
and business payees
eligible for electronic
transactions

Medical Payment Exchange (MPX) with ECHO Health

200,000 unique
healthcare providers,
including physicians,
clinics and hospitals

Deluxe Payment Network

More than 30,000
lockbox users across
the U.S., eligible
for digital eCheck
payments and state-of-
the-art lockbox facilities



Four use cases for modern payment networks

Becoming the hero with small businesses

Industry:

Any

Payees:

Millions of small businesses

Key challenge:

Hesitant to change processes or “waste time” on enrollment

Millions of small and medium-sized businesses power the U.S. economy. But, for these owner-operators and entrepreneurs, there’s one commodity that’s always scarce: Time. That means signing up for another cumbersome payment portal or vendor network rarely takes top priority. Even receiving electronic payments can seem too difficult if it means chasing down remittance details or logging into another system to post and reconcile.

Modern payment networks can resolve this challenge and expand opportunities with SMBs. With just an email address, for example, SMBs can receive an eCheck that they can print and deposit, or present electronically with a remote deposit capture application. A one-time sign-up that adds them to the right payments network adds immediate value by speeding cash flow and improving relationships—without requiring disruptive changes to current accounting processes or systems.

Paying healthcare claims at scale

Industry:

Healthcare

Payees:

Hospitals, clinics, physicians and medical providers

Key challenge:

Complex remittance information

Every day consumers across the country visit medical facilities. Many encounters occur out-of-network. A sprained ankle while on vacation. A car accident while traveling for work. A specialist unavailable in the health insurer’s preferred provider list. Each of these requires a one-time payment where the health insurer may lack electronic payment information.

Fortunately, a comprehensive payment network with a specialty directory of medical providers can take the hassle out of retrieving new payee information. It’s a time-saving process that improves the revenue cycle for both healthcare insurers and providers. The network directory securely stores provider information, and electronic payments with detailed remittance data arrive simultaneously for the provider.



Speeding emergency recovery to policyholders

Industry:

Property and casualty insurance

Payees:

Businesses and consumers

Key challenge:

Make insurance claims payments quickly

When a car accident, hurricane, house fire or other disaster strikes, there's nothing policyholders want more than to get their lives back on track. Fulfilling that promise is a make-or-break experience for property and casualty insurance companies. Unfortunately, when you've lost your ATM card in a fire or watched your mailbox float down the street in a flood, it's almost impossible to receive and deposit a physical check.

Robust payment networks address this challenge for insurers and other organizations that need to make fast trackable payments to customers. The consumers and businesses that insurers need to reach may be enrolled already, but if not, using a waterfall approach to search multiple directories of payees can quickly produce results.

Revolutionizing the lockbox experience

Industry:

Any

Payees:

B2B lockbox users

Key challenge:

Eliminate the hassle and expense of paper checks

Despite longtime predictions of their demise, paper checks persist, especially in B2B payments. They're easy to understand and use, but expensive to print, mail and process. Ironically, both payers and payees want to capture the information from checks electronically.

Now, banks and lockbox providers are teaming up to eliminate the "messy middle" of paper check delivery. They're sharing their lockbox directories—the names and P.O. boxes of their lockbox payees—in order to route payments and remittances in electronic formats. Instead of wasting time mailing, receiving, scanning, and digitizing, the lockbox becomes a hub for routing and connecting payers and payees. Best of all, no one needs to change their current check processes to participate.



» About Deluxe

Deluxe, a modern Payments and Data Company, champions business so communities thrive. With roots tracing back more than 100 years as the original payments company and inventor of the checkbook, we've evolved into a leader in digital payments and data solutions, facilitating seamless connections to propel businesses forward.

Leveraging our powerful scale, we support millions of small businesses, thousands of vital financial institutions, and hundreds of the world's leading consumer brands, processing nearly \$3 trillion in payment volume annually. Explore how Deluxe can help elevate your business at deluxe.com.

» Contact your Deluxe representative to learn more.