

Tech innovation for card programs

Host: Jonathon Traer-Clark

Co-host: Brad Garfield

- Jonathon: [00:00](#) You're listening to the treasury insights podcast. This is part of our broader objective to foster a treasury relationship that prepares clients for the future, supports more strategic decision making, creates efficiencies and helps manage risk. Put another way. We want to give you the power to see what's next. Technology is rapidly changing how business gets done. Things like artificial intelligence, automation and other advances are enabling companies to make smarter payment decisions whilst eliminating wasteful spending and manual processes. Our host will examine how corporates can capture efficiencies and treasury and payments through artificial intelligence, automation and other advances in technology. I'm Jonathon Traer-Clarke, Head of GTS Advisory and with me is Brad Garfield, Head of Product for Commercial Cards at Bank of America. Brad, let's start by telling us what are some of the challenges you are hearing from clients today about the payables process?
- Brad: [01:00](#) It really varies by the client type. Since we support clients from business banking through large corporate, it varies on the smaller client side. Clients looking for a fully outsourced automated solution so that they can grow their business without having to staff up and scale their AP team and making it really easy for them to implement and support. As you go up to larger corporates, the discussion becomes more about integration with their front end business systems and plugging in our virtual card products and B2B payment products into their own business management systems.
- Jonathon: [01:37](#) Okay. If I may just get you to step back a little bit, obviously there's a lot of different products in this, if I call it the card space, could you give us like, I guess the ABC's of just the card space if you don't mind. So we're on the same terms.
- Brad: [01:51](#) Within commercial cards and comprehensive payables, we have a continuum of products that covered travel and B2B solution. So a typical T&E card is a card that you'll have in your wallet from your employer for your business expenses that you use when you're traveling and taking a client out to dinner. As we move up the chain, we have purchasing cards, which someone in an accounts payable department might be using to place orders with suppliers. We have virtual cards or virtual payables where a client is using a virtual card to pay a supplier in lieu of a check or an ACH payment for the payment of an invoice. Instead of having a physical card that they use to transact with a merchant, when it's time to pay an invoice, instead of uploading an ACH file or a check file to the bank, they upload their virtual card file and we send out the virtual cards

to the suppliers. The supplier can charge it through their merchant terminal or their virtual terminal and process the payment that way.

Jonathon: [02:43](#) And that's a nice linkage into how automation I guess is creating efficiencies?

Brad: [02:48](#) It is. You have the virtual card solution for paying suppliers, but we also have our payment solution and soon to come out our new complete AP solution, both of which combine virtual cards with an outsourced ACH solution where we onboard the supplier's ACH information. Do the verification checks to make sure that they own that account and process the ACH on behalf of the client so the client doesn't have to collect and maintain ACH information.

Jonathon: [03:12](#) So all the payables, if you like, metadata is managed by us and the client simply just uses the card as the tool where we say do it. Is that right?

Brad: [03:20](#) In the case of our comprehensive payables offering with payment and our complete AP product, the client doesn't even have to maintain the payment preference or the payment instructions. So with pay mode, if the supplier has signed up to accept payment via ACH, the client doesn't have to go and collect that ACH information. We keep it on file for them securely.

Jonathon: [03:39](#) That's fantastic. All right. Let's talk about expense reporting, which is an area that could be interesting for all of us, hopefully. It's obviously a challenge. How can we help them to improve their efficiencies in that space with some of these products and techniques I've spoken to?

Brad: [03:55](#) Expense reporting is one of the topics when we walk into a client meeting, if we bring up would you be interested in getting rid of expense reports? Everyone's ears perk up. They do spend a lot of time with it. It's cumbersome and difficult. Now with technology there's the opportunity to move more to a preapproved expense prior to the transaction actually happening. That doesn't require an expense report on the backend, on one side. The other is using artificial intelligence and machine learning to audit 100% of your transactions and to be able to reduce or eliminate the need for employees to submit expense reports at all in the first place.

Jonathon: [04:25](#) I don't have to do any kind of expense report?

Brad: [04:28](#) Clients are using one of our partners oversight systems. We actually use them as a bank, but they're an example of an AI company that can provide an artificial intelligence review of 100% of your transactions and just flag the transactions that might be, or at higher risk for being employee waste, misuse or fraud. Just flag those transactions and either flag it back to the original employee to say, this transaction might've been

out of policy, so keep in mind we're watching, and I don't make the same mistake next time. But it can also flag them to the AP team so that they can be tracking like the employees that are making mistakes or that where there might be fraud so that they can take action. The difference is that instead of having all of your employees submit expense reports and expense coding for every single transaction, you now can just focus on the higher risk ones because most of the transactions are totally fine. So if you think about the company of our size, the amount of hours that are spent every year by employees submitting expense reports, when in reality most of those transactions were fine and the bank, could be comfortable with them, but we just don't have a good way to otherwise monitor it. So bringing in a technology platform that allows us to monitor a hundred percent of the transactions frees up people's time to just focus on the ones that are risky.

Jonathon: [05:40](#) Essentially you're saying the automation serves two purpose, right? It profiles people. In other words, that's behavioral. It looks for applies behavioral analytics. The second thing it does is allows us to use exception management to focus our attention in the right place as opposed to 100% we look at the 2% that's actually going to give us the biggest issue.

Brad: [05:58](#) That's right. And the other thing that I think is important there is the tool that we use with oversight does both the AI and identifies those things, but then also has a workflow management tool. So you can do the data analysis, but unless you have a great way to manage it and take action on it, it's kind of meaningless. That's one of the challenges that clients have had historically with managing the expense exception process is that if Brad made a mistake or I had a an exception three months ago, unless you're tracking that on a spreadsheet somewhere, if I have another exception this month, you're not going to tie those two things together and see patterns of employee behavior. But once you get the data into a workflow management tool, now it will flag that historical data and you can have different notifications that go to me or different levels of escalation based on recurring patterns. And then it ultimately becomes employee behavior modification, right? If I'm being reminded that I shouldn't do this type of transaction or that I could save money by following policy differently, you can have more success by trying to get the...

Jonathon: [06:53](#) It's almost a process of continual education and correction through essentially time series analytics across the way that you're using the engaging with the card and the supplies that you choose to purchase your products or services from.

Brad: [07:05](#) That's right.

- Jonathon: [07:06](#) That's amazing. I mean that's incredibly innovative, but that leads me to the next sort of area. Right, so you've got clients who are looking at, we talked about payables cards, we talked about T&E and then you talked about virtual card and everything else. And of course all of these are related to capital flows or cashflow specifically in the context of doing business in the organization, also known as working capital. So how do these products help with working capital?
- Brad: [07:29](#) If a client is looking to kind of improve their working capital, the usage of commercial cards and our virtual payables can extend their DPO on their invoices. For example, we've got clients that will use a virtual card to pay their supplier faster. If you got an invoice today, I could pay you with a card tomorrow. The supplier gets their money. But the client has a 30 day statement cycle on that card and maybe 25 additional days to pay. If they had paid them via ACH. The cash would have left their bank account on day one. Instead it's leaving on day 55 and other clients you don't have longer extended payment terms and prefer that versus a rebate on the card or kind of in exchange for rebate and you can really look to extend your payment terms effectively with your suppliers.
- Brad: [08:13](#) It's really interesting dynamic. The clients that are really growing their programs the most on card are the ones that have prioritized using card as the way to manage working capital and to manage the rebates and the incentives they get from us on using the card. And for a supplier, we recently had some of these discussions with our own suppliers to try and get them to accept card and we found that they're actually really open to it if you are and because there are fees that they pay to their merchant acquiring bank for accepting cards, but that math can work out for a supplier if they're getting paid faster. The dynamic of getting paid quicker in exchange for paying a fee to accept the card can work out quite nicely for suppliers. We spoke with one last week, one of our own suppliers that was like, if you can pay me three weeks faster, I'm more than happy to pay the interchange fee on a card.
- Jonathon: [09:01](#) Because the cost of. The balance between them trade off actually makes sense.
- Brad: [09:05](#) And it depends on the type of supplier. In this case it's a supplier that we use that hires a lot of staff on our behalf and they have to make payroll and they're using lines of credit to make payroll. And so if we can pay them faster it lowers their cost of credit. It can be a win win for both the client and the supplier when negotiated correctly.
- Jonathon: [09:20](#) It's interesting you mentioned a lot of KPIs. We've talked about expense reporting and automating the clearing of expenses for one of the better way of putting it. So the 98.5% plus clearing cause it just doesn't match any profile of abnormal behavior. Now you've also mentioned a KPI in

terms of trade-offs between the cost of credit and the interchange fee, which all kind of ties into working capital frankly, which again is a trade-off conversation. So are there any other KPIs that you find that clients are using to evaluate the cost or the use of these products and the benefits that they're getting from them? How would they track the benefit of a using a product like this?

- Brad: [09:56](#) Clients are interested in trying to maximize the rebate from an accounts payable department. It's an opportunity not only to address the working capital needs, but also to try to find a new source of revenue or income for their department. That then allows them to invest in technology and resources to grow. That's particularly applicable for clients that still have a large amount of checks or very high check volume where they can migrate from Check, which also has a cost associated with it.
- Jonathon: [10:21](#) So you get the paper it to an electronic, right?
- Brad: [10:23](#) Right, you can get the paper to electronic and you can also monetize that by earning an additional rebate. Clients say for the last decade or so that's been an incredibly effective tool for helping AP departments transform their B2B payments, and its main one of the underlying factors. It's really driven the adoption of card.
- Jonathon: [10:40](#) That's fantastic. Thank you. I've heard that there are opportunities to kind of harness the spending. So, like preferred dining, that kind of stuff. You talked to us a little bit about some of those because these are I think, ancillary benefits that people perhaps aren't aware of.
- Brad: [10:52](#) With your key suppliers, like airlines and hotels and car rental agencies, there's a limited number of suppliers, you can negotiate rates, you can pick a preferred supplier and negotiate rates with them and tell your employees they need to spend there. When you get into dining, which generally as a category is maybe around 26% of a company's overall T&E budget. Yeah. You can't go out and negotiate deals with tens of thousands of restaurants, right. So that's been a category where you have a daily cap, you tell people what they can spend and they spend wherever they want to. There are now networks of restaurants and we are partnered with one where our clients, if they spend in network and encourage their employees to spend a network, the client can earn into additional rebate. So Fintech company in Atlanta, Dinova has gone out and built their own network of restaurants and if our clients enroll in the program, when their employees spend using their commercial card at those restaurants, they earn an additional rebate. The employees can earn points that they can redeem for their own restaurant gift cards. So they have an incentive to spend in network and it just gives them an opportunity to try to direct the spend. So we're helping connect buyers and suppliers, clients with the restaurants. In exchange the clients can

earn additional rebate, which is effectively a way to monetize or have kind of a negotiated deal with a category of spend that they historically have not been able to manage.

Jonathon: [12:15](#) You've essentially put a wrapper around saying if you spend with these suppliers you get a benefit. And the same where they might collect air miles for example, but you've extended it now to the dining arrangements as well.

Brad: [12:25](#) For the restaurants, it's an attractive proposition too because the business travelers and attractive segment to get and so it's a win win for both.

Jonathon: [12:34](#) That's cool. I love that. Thank you. You mentioned FinTechs, so the natural lead in is there's a lot of digital transformation in this space. It sounds like the impact for clients here is extraordinarily positive.

Brad: [12:44](#) One of the best examples is kind of coming back to your first question about automation. We are launching this year our complete AP solution, which is in partnership with MasterCard and a FinTech in Charlotte called Avid Exchange, which does invoice and AP automation. We're able to take the best technology and service from a very fast growing FinTech and put the Bank of America wrapper around it from a relationship and service perspective so that we can provide the service to our client and provide them with a solution that is, that goes really beyond just payments themselves. The solution focuses on everything that has to happen before and after the payment that the client has historically had to do manually and is very labor intensive and we can take that technology and automation and bring the strength of Bank of America and our service model and existing relationships with clients so that they can get the best of the FinTechs with the best of a big bank relationship.

Jonathon: [13:38](#) that was one of the things I was going to ask you to kind of finalize on because I know that integration, particularly from a systems perspective, is something that clients think about as a challenge. There's the convincer in terms of the KPIs, the monetary value and everything else, and you get the push back on that, we got to knit all our platforms together now to capture all of this flow. How good is integration now for these kinds of products? I mean, I'm talking about the ERP, travel system, everything else. Is it all kind of seamless now?

Brad: [14:06](#) It can be, and it depends on where the client ultimately wants to, wants to land or what they'd like to accomplish. But for example, with the complete AP solution, it's integrated with 150 ERP systems. In the example of NetSuite, the complete AP platform can be accessed through NetSuite. So you don't even have to leave your ERP system to code your invoices and approve your payments. That's right. Yeah, that's right. For a

business banking or middle-market client that's looking to really automate everything and integrate it into their existing platform, but they don't have to have a new username, password, a new interface, it just becomes part of their existing module. For the larger clients, we've done an integration with the Coupa pay platform. So that if you're, if a client is using Coupa as their e-procurement tool, our virtual cards are integrated within that so that if they approve an invoice, the virtual card can go out to the supplier automatically and you don't have to download a file from your ERP system, upload it to us to make the payment, download a reconciliation file and upload it to your ERP system.

Brad: [15:05](#) That all happens automatically. It's kind of like the Uber type payment experience where you just book your Uber, you get out of the car and it charges your card on file and you don't think about the payment step like you do in taxi. The same is now true with this type of integration where you can just manage your approvals and once everything is approved to pay, the payment just happens in the background seamlessly.

Jonathon: [15:24](#) So is this an example of an API?

Brad: [15:26](#) It is. We have an API connectivity with the Coupa platform so that whenever they need a virtual card it can request virtual card in real time provided to the supplier. All of the reconciliation data flows back through Coupa on a daily basis, so that at any point the client can pull up an approved purchase order and approved invoice, the card that was used and the payment amount that was charged to it and it reconciles automatically.

Jonathon: [15:50](#) Wow. That's amazing. Well Brad, thanks for your insights. It was absolutely fascinating to hear your take on all of this.

Brad: [15:55](#) Thank you.

Jonathon: [15:56](#) You've been listening to treasury insights. I'm Jonathon Traer-Clarke, Head of GTS Advisory. My co-host is Brad Garfield, Head of Product for Commercial Cards for Bank of America. As each day brings innovation and opportunity. We are dedicated to working with you to turn technology advances into intelligent treasury.

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