

Digital Payments: Cost-Effective, Efficient, and No Paper Checks



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Gene Marks:

Hey, everybody, this is Gene Marks, and welcome to this week's episode of the Week in Review, a Paychex Thrive podcast. Thanks so much for joining me. There's been news over the past few weeks, actually, about digital payments that I wanted to share with you because it has a big impact on both your business and my business, as well.

First of all, back in early, you know, about a year ago actually, there was a big research study that was done that was published on the website Payments – PYMNTS – about the use of checks in businesses. And are you ready? Hold onto your seats. Okay. Eighty-one percent – 81% – of firms in this study admitted that they still use paper checks to pay other businesses, at least occasionally.

Microsoft at the end of 2022 announced that it's no longer going to be accepting check payments from its partners. So, they will only accept, you know, digital payments, which brings us into 2023. So, on the same website, PYMNTS, they actually, you know, published the results of another study – this is a year later – this is just this month now, saying that, listen, you know, 61% of businesses expect that they would get a competitive advantage with real time payments, obviously, particularly digital payments. Another study found that, you know, small businesses look after costs, of course, they're going to be prioritizing their digital payments in 2023.

So, guys, let's talk about digital payments here. I mean, when I go to my clients in the Philadelphia area, many of them are these are small firms, family-owned businesses, mom-and-pops, you know, B2B companies. The fact of the matter is that many of them are still using checks. I mean, they are they're doing check runs. They're printing out checks to their vendors or their suppliers. Some of them are still writing out manual checks. They have check books. They're keeping their checks in their safes. They go through a process of signing those checks or having dual signatures on checks.

it's literally like we're still in 1985 and that is going on in so many businesses all around the country, and it's a big issue. It's a big issue because it's costly and it is not productive to do that, and there are so many better ways to pay your bills other than using regular old checks like we've been doing in the past.

Now, I think there's a reason why we're seeing this. I mean, the average age of the U.S. small business owners is 55 years old. More than half of the businesses in this country are over the age of 50. So, you've got an older generation – baby boomers – and some Gen Xers that are out there that are still kind of sticking to the old ways of doing things because they're just not motivated to do anything differently.

It's changing as new startups come about and companies that are run by younger people or even companies that are acquired by younger people. You know, I'm seeing more people realize that, especially again, the younger generations, that writing checks the old school way is definitely not the way to run an efficient business.

But listen, you know, I'm speaking to you, to everybody, to all of you, regardless of your age. It really, really makes a lot of sense to make a commitment to move your bill paying process to all digital. There should be very little reason why you are running, you know, or printing out regular checks every week. And, as shown by that study that came out this week, I mean, again, many cost-conscious businesses are prioritizing these digital payments in 2023.

Now, we're talking about payments not receiving money. That's a whole other issue that I have all sorts of thoughts on. I'm talking about paying your vendors. So, here's what you know, we all need to be doing this year. We should be making a commitment to getting away from the paper check system. That's a given. We should be taking, you know, being very proactive and speaking with our banks about moving our systems to online banking.

Most software applications that are out there – QuickBooks, Sage, Xero, Epicor, Dynamics, all the you know, the popular accounting and financial software systems – have integrations with most of the major banks. And I do have to say, if your bank is a smaller bank, community bank and independent bank and they don't have the capability of doing electronic payments, that's a big issue and that's something that you need to take into consideration about your entire relationship with this bank, because making electronic payments really is a cost-effective way to pay your vendors. So, you really should be considering strongly moving your payments to electronic.

Some of the thoughts. There has been an explosion this year – in the past few years – in accounts payable automation, which incorporates digital payments. So, if you look at companies like Bill or Avid Exchange, those are companies that provide the ability to not only receive vendor invoices directly into your accounting systems, but then to be in the middle of getting payments out to those vendors electronically with minimal human involvement ever being involved.

So, here you've got the ability to cut back time and increase productivity of your accounts payable staff by accepting those invoices directly and from those vendors and then turning them around to make payments.

So, if you incorporate some of those accounts payable management softwares, if you talk to your bank about electronic payments, if you talk to your software vendors, your accounting software vendors about how to make your payments more, more efficient and to digitize them, as well.

Listen, the studies have shown that many small businesses are going to be prioritizing that this year because making these digital payments not only helps you control your cash better, it cuts down on time and it cuts down on overhead. In 2023, guys, every dollar counts in this slow economy.

It is time to move on from those manual paper checks that we are using and turn it into, turn our systems into more of an online digital processing payment system for all of our payments to our vendors and our suppliers.

So, that's the news for this week. People are moving more towards digital payments, even though so many small business owners aren't doing that. The times are starting to change, and I think your business has to change along with that.

This has been the Week to Review, a Paychex Thrive podcast. My name is Gene Marks. Hope you've enjoyed this news and some of my thoughts on how you can employ this news in your business.

I will be back with you next week with another episode of the Week in Review. If you've got any comments or suggestions or would like to throw out a guest that you'd like to have on our Paychex Thrive podcast, please do that at payx.me/thrivetopics. That's P-A-Y-X dot M-E/thrive topics. Again, my name is Gene Marks. Thanks so much for listening. We'll see you again next week. Take care now.

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