

# VENDOR MANAGEMENT HEADACHE HOW TO HANDLE THE MOUNTAIN OF PAYMENTS

One of the biggest challenges of international payments may surprise you: it's not rates, cost, or even speed of delivery.

One of the biggest hurdles my franchise clients must overcome is managing vendors and their payment data. But why is managing vendors so difficult, and how can we make it easier and more secure?

## Collecting Data

A challenge of managing multiple vendors is actually in the collection of the data. It can be a daunting task to reach out to

each of your vendors to collect payment data and then re-enter that information into your ERP. Often times, the collection of that data is completed in multiple forms (email, fax, over the phone, etc.) and can be very laborious.

## Accuracy and Completeness of Banking Data

Collecting international banking data is very complex. Every country requires different information to receive payments, in different formats and with different supporting documentation. Sending a wire to China and sending a wire to Italy will require totally different data. Third-party providers are motivated to verify data accuracy and completeness to improve their return rates. Banks, on the other hand, actually make money off mistakes and have little incentive to solve the problem on a large scale.



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Costs can balloon when data is inaccurate or incomplete. If wire payments are sent with data issues, they will be returned or held, with fees charged to repair or resend. Just a single error can impact delivery dates. Third-party payment providers have tools which can ensure that the relevant data is collected and even validate this data to reduce return rates.

For many businesses, the solution is often to use unaffordable methods such as paying in USD, paying with a credit card, or even using a service such as PayPal. However, these methods increase the cost of payments with inflated exchange rates, and service fees charged by domestic and international intermediaries. This cost is passed on either to your business, or your vendor, which can strain relationships and budgets.

## Data Security and Fraud

The average organization doesn't have the resources to create their own customized solution to collect payee information, and therefore will use the most logical method we all have – email. With data leaks, security breaches, and email hacks dominating the news, many companies are growing increasingly concerned about their own vulnerabilities. It stands to reason that, given the sensitive nature of banking data, none of us want to house that data in our email inboxes.

Storing the vendor information on your accounting platforms also leaves you vulnerable. A simple hack of an employee email password could open the door to

mountains of vulnerable financial data for your vendors, clients, employees, and even yourself. Enhancing security can also represent a significant cost.

## Relationship Management

Maintaining strong relationships with your vendors and other external stakeholders is vital to your business, and payments should not be an impediment to those relationships. If your payment methods are not secure, efficient, or cost-effective, those issues are passed down to your vendor. In the same vein, being able to clearly communicate payment status, protect your payee's data, and save money on fees will pass those benefits downstream and strengthen your relationships.

## Finding a Solution

In my experience, I've found that third-party payment innovation from FinTechs (financial technologies) are often more effective and creative in solving these common pain points. FinTechs are much more agile when it comes to problem solving through tech, creating new solutions that don't yet exist and deploying them quickly to the market. They are using automation and tested security protocols to not only speed up the collection of payee data, but improve its accuracy and security.

Finding a solution that is easy to implement is also important. FinTech's offer turn-key, custom solutions that often integrate efficiently within your existing ecosystem, and therefore will fold into your existing processes much more smoothly than overhauling your entire infrastructure. Implementation typically takes days, not weeks or months.

Outsourcing international payments to a third-party provider is not always something business leaders prioritize. However, knowing what to look for in a provider can provide considerable benefits.

The first, and most important, task is to determine that the provider actually understands your business and what your needs are. Make sure they ask you the right questions – your payment volumes, most common countries and currencies, number of payees, current methods, and security



Victor Hinojosa

concerns. Often a company willing to tailor their solution to your needs will be a better choice; one-size-fits-all solutions are part of the problem.

Third-party providers are also required to adhere to strict compliance and data security regulations both federally and state-to-state. While you vet them, they should also be vetting you. If you come across a payment provider who cannot outline their compliance program to you in detail, or who doesn't ask you questions about your own business practices, consider it a red flag. We all know that fraudsters are very tricky, and they will capitalize on any gaps in security procedures from less scrupulous companies.

Finally, it's important when evaluating your payment processes to be open to changing how you do things. Sure, you may always pay internationally with USD, but is that really the best option? A payments expert can look at your payment ecosystem and provide cost-saving advice.

The trick, in the end, is to find a partner not a provider. Companies worth working with will endeavour to understand your business deeply and aim to save you money and time and view your success as their own.

**With over 20 years of experience in foreign exchange (FX) markets, Victor Hinojosa's previous employers include Thomas Cook, Western Union Business Solutions and JPMorgan. Currently, he lends his expertise to clients across North America at AscendantFX Capital as Vice President of Digital Solutions and Partnerships.**