

Case Study

Employee expense reimbursements using Visa Direct for ERP

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VISA

Executive Summary

Today, most supplier/vendor payments are processed through Enterprise Resource Planning (ERP) systems that send payment instructions to their corporate bank for disbursement. In the United States, many of these payouts happen using paper checks, presenting a huge opportunity to simplify the process with Visa Direct and real-time¹ digital payments.

The goal for Visa's overall ERP enablement initiative is to build the capabilities/shared services that are needed to enable card payouts for different ERP systems. With this initiative, Visa helps provide a payment rail that is scalable and flexible, for the payer, convenient for the payee, and which could offer significant cost savings relative to paper checks.

[1] Actual fund availability depends on receiving financial institution and region.

Why Visa Direct is right for ERP Payments

ERP solutions enabled with Visa Direct can allow corporates and merchants to send money to payee accounts using debit card credentials. Compared with checks, which can take days to arrive and then must be deposited, Visa Direct can enable an easy and fast payment experience. Real-time payments with Visa Direct are also delivered faster than traditional money transfer schemes in the US and many countries globally, with issuers posting funds sent via Visa Direct in 30 minutes or less, 24/7¹.

Visa Direct can help enable significant cost savings compared to issuing checks. In 2020, Visa commissioned a study by Forrester Research² that surveyed six diverse enterprises in the US and found that real-time digital payments could potentially produce a savings of millions of dollars for large enterprises. The projected

savings were anticipated from three primary factors:

- Reduced or eliminated check volumes, with an average total cost per check of \$6 for the surveyed companies
- Reduced or eliminated check stoppage fees and reissuance cost
- Productivity lift for enterprise payment resources

In some organizations, convenience fees passed on to payees for real-time payments can provide an additional financial benefit.

Finally, Visa Direct processes payments on VisaNet, Visa's global payment network, with robust risk controls to help ensure that funds and information are handled securely and appropriately.

The B2B payments opportunity

According to the Large & Middle Market (LMM) Global Payments Research conducted by Visa in 2019³, over 50% of surveyed companies are not satisfied with their existing ERP payment solutions. Surveyed companies cite cost, efficiency, security, and fraud reduction as their top expectations, and identify four key requirements for new payment solutions:

- End-to-end solutions spanning the entire enterprise and all payees
- Visibility of the payment trail
- Fully digitized payments, with the elimination of checks
- Reduced fraud

The same research shows that paper checks are still a widely used payment method in large and mid-market corporations, with large corporations often sending over 1,000 vendor payment checks monthly.

According to Business Insider Intelligence⁴, B2B payments in the US alone were worth \$21.8 trillion in 2019 and will expand at a 5.7% CAGR to hit \$28.8 trillion by 2024. The scale of these payment volumes drives the desire to digitize, but also makes the digitization process difficult, as firms have realized that the existing accounts payable systems are typically inefficient, slow, and costly, with poor visibility into payment data and fraud.

[1] Actual fund availability depends on receiving financial institution and region. [2] Forrester Research: The Total Economic Impact of Real-Time Funds Disbursements vs. Traditional Methods, June 2020. Study included interviews with Visa stakeholders and customers, as well as a survey of 223 payment managers, which were then used to create two composite organizations for a three-year hypothetical financial analysis with risk-adjusted, present value projections. View the study at <https://usa.visa.com/run-your-business/visa-direct/forrester-study.html>. [3] In 2019, Visa conducted a study to identify Visa Business Solutions (VBS) place in the market and supply direction on the creative platform for messaging prospects and clients. Over 1,000 historic B2B and Global Payments surveys from 2016 to 2019 were analyzed, along-side 300+ professional interviews and free-form responses, and 300+ quantitative and self-administered surveys from Oct 2019. Ten different global markets were researched: US, Canada, Mexico, UK, Germany, South Africa, Australia, India, Japan and Singapore. [4] Business Insider Intelligence, Accounts Payable Automation, August 2019.

A case study: Visa's internal employee expense reimbursement solution

In 2020, Visa began using a Visa Direct payment solution for its own employee expense reimbursements in the United States, partnering with Cross River Bank, a fintech-oriented commercial bank. While Visa employees typically pay for business expenses using a corporate card program, they may sometimes also use cash or personal credit cards that require reimbursement after expense approval. With Cross River Bank's Visa Direct solution, reimbursements can be directly pushed to employees' bank accounts via eligible debit cards, eliminating the need to print and mail checks to

participating employees. Employees benefit by not needing to wait days to receive checks, and then deposit them into their bank accounts.

Employee expense reimbursement at most large and mid-size corporations in the US is complex and process intensive. After employee expense reports are approved, the ERP payable module creates a payment invoice, typically providing only checks and ACH, print the checks, and mail them to employees. For ACH, employee must fill out an ACH form and provide bank account and routing information.

Significantly improving upon these manual processes, the Visa Direct employee expense reimbursement solution contains essentially two steps:

Recipient Card Enrollment	ERP Payment Processing
<p>Portal</p> <ul style="list-style-type: none">• Manage card on file for payouts• Integration with ERP system <p>Secure Capture UI</p> <ul style="list-style-type: none">• Validate & Tokenize Card	<p>ERP Workflow Changes</p> <ul style="list-style-type: none">• Card Payout as payment method• Generate Payment Instruction File <p>File > API</p> <ul style="list-style-type: none">• Transform File to API• Connection with Bank

During the covid-19 pandemic, most Visa employees began working from home, creating even more difficulties for the accounts payable team in going into the Visa office to print and mail paper checks. As a result, Visa released the Employee Expense Reimbursement solution with Visa Direct in early August of 2020. In the first month after the solution launched, 535 payments were made to employees using Visa Direct.

An employee survey after the solution's initial launch in June 2020 revealed that all surveyed employees were satisfied with the experience with using Visa Direct to get expenses reimbursed compared to receiving checks.

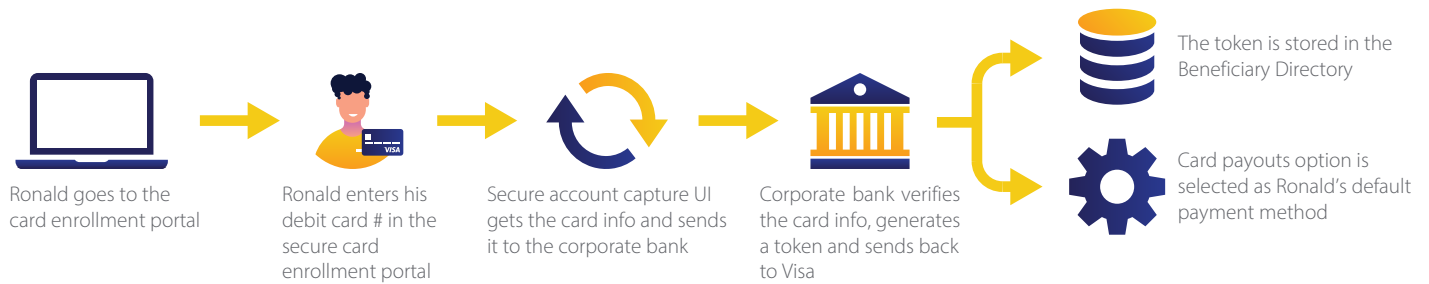
[5] MineralTree, 2019 Annual Accounts Payable Research Report

Example of how it works

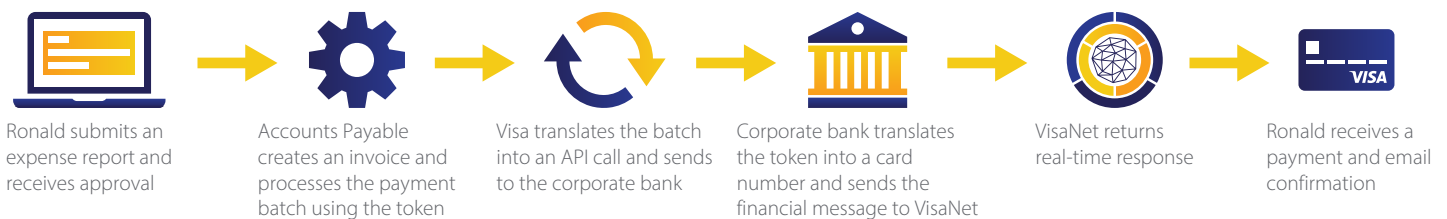
Let's consider this example of a Visa employee expense payout:

Ronald, a Visa employee, forgot to link his corporate card to a rideshare app for his business trip. Since he paid for his ride with his personal card, he must now get reimbursed for his expense by using his personal debit card.

Enrollment workflow



Expense payout workflow



Disclosure

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