

CUT COSTS AND OPTIMIZE WORKING CAPITAL ELECTRONIC PAYMENTS SOLUTIONS

Following the 2008 financial crisis and the subsequent recession, many U.S. businesses had to focus on cutting costs significantly in order to generate a profit or, in some cases, to stay in business. Since then, the U.S. economy has recovered, but many companies have found revenue growth opportunities elusive.

Firms have continued to focus on maintaining operational efficiency, including optimizing their working capital. According to Deloitte's CFO Signals survey for the third quarter of 2015, 30% of CFOs are focused on cost reduction.¹

Electronic payments in general — and commercial cards in particular — can play a significant role in enabling companies to reduce costs and optimize working capital. Electronic payments can:

- Reduce administrative costs: the Institute of Financial Management found that automation can reduce the average cost to process a purchase order invoice from \$7.58 to \$3.70.²
- Increase Days Payable Outstanding (DPO) and generate revenue share.
- Provide insights on spending patterns that enable companies to more effectively deploy working capital and negotiate volume and early-payment discounts with suppliers.

GROWING PRESENCE IN INTERNATIONAL MARKETS

A number of indicators point to U.S. firms growing their international presence:

- As of 2013, more than 304,000 U.S. firms were exporters.³
- There has been a strong rise in trading volume: merchandise export and import volume of almost \$4.0 trillion in 2014 is up 52% from 2009.⁴
- International business travel has seen significant growth: international travel is expected to grow 5% in 2015 and 6.9% in 2016.⁵

In addition, while the recent appreciation in the value of the dollar relative to other currencies like the euro has hindered export growth in 2015, it also has the effect of increasing the buying power of U.S. companies looking to establish an overseas presence via acquisition.

As companies grow their international exposure, they are looking for solutions that will ensure that their commercial payments systems work seamlessly across international borders. Many have turned to PNC for the wide range of international commercial payment solutions we provide, including:

- EMV®-enabled corporate cards for employees traveling overseas, where EMV is the dominant payment acceptance standard
- Multinational card program for U.S. companies operating in Europe
- Suite of treasury management solutions in Canada through our PNC Bank Canada Branch, including our newest A/R Advantage Lockbox site in Toronto
- Multicurrency accounts in more than 30 currencies
- International funds transfer in USD and foreign currencies

ADOPTION OF NEW TECHNOLOGIES

The increasing speed of doing business, the rise of globalization, the continued drive to identify and capture efficiencies, and the need to optimize relationships with suppliers and customers are driving companies to incorporate new technologies into their business processes. To ensure success, companies need to identify the potential benefits new technologies can provide, allocate budget to make the investment, and have a plan for integrating new technologies into their current business processes.

In treasury management, there are a number of banking and payment technologies that offer proven benefits for companies. Many of these solutions have evolved from their roots in consumer banking and payments. Online and mobile banking and person-to-person (P2P) payments have reached critical mass in the consumer space. As executives become accustomed to using these technologies in their personal lives, they increasingly see business applications for these same products and services.

PNC closely monitors the latest payment technologies and looks for ways to apply them to the challenges facing our clients. For example, we launched the PINACLE® Mobile App to support growing business usage of mobile technology for corporate banking needs. And we added new functionality to the app throughout 2015, including the ability to approve batches of ACH payments, view information about PNC credit facilities, initiate transfers between PNC accounts, and use Touch ID™ for authentication as an alternative to entering login credentials.

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ENHANCING EMPLOYEE SATISFACTION AND PRODUCTIVITY

The steady decline in the U.S. unemployment rate — from 10% in 2010 to 5.1% in August 2015⁶ — means that the labor market is becoming tighter. According to PwC's 18th Annual Global CEO Survey, 73% of global CEOs identified the availability of key skills as a concern. For them, retaining skilled employees becomes a key priority.⁷

At the same time, companies are looking for ways to grow labor productivity, mainly by providing solutions that enable employees to spend more time on activities that improve the bottom line for the company. According to the September 2015 Duke University/CFO Magazine Business Outlook survey, U.S. firms expect to grow productivity by 3.2% in the next 12 months.⁸

Commercial payments have an integral role to play in the attainment of these objectives.

Enhancing Employee Satisfaction	Growing Employee Productivity
<p>Mobile solutions (like Visa IntelliLink® Spend Management) simplify expense management for traveling employees (see this issue's <i>Product Spotlight</i>).</p>	<p>Automated payments solutions such as invoice automation reduce the need for repetitive payment processing, which frees up skilled administrative staff to focus on more value-added activities.</p>
<p>Corporate cards reduce the administrative burden and provide additional individual benefits for traveling employees.</p>	

BUILDING EFFECTIVE SUPPLIER RELATIONSHIPS

Maintaining good relationships with key suppliers is essential to any successful business. The effective deployment of commercial payment services can help. Faster and more accurate payments will make any supplier happy, while buyers have the potential to save money. It's this kind of win-win scenario that makes strong relationships a priority for suppliers and buyers.

The Benefits of Electronic Payments

For Suppliers	For Buyers
<ul style="list-style-type: none"> ▪ Fewer disputes ▪ More on-time payments ▪ Opportunity to win more of the buyer's business 	<ul style="list-style-type: none"> ▪ Fewer disputes ▪ Lower costs from automating payments ▪ Opportunities to earn volume discounts



READY TO HELP

Discover how PNC can deliver ideas, insights and solutions to help you achieve your objectives. Contact your Treasury Management Officer or Account Manager, or visit pnc.com/treasury.

¹ Deloitte CFO Signals, Q3 2015.

² "A Clear Path to A/P and A/R Automation," Treasury & Risk, 6/18/2015.

³ "U.S. Export Fact Sheet," U.S. Department of Commerce, 6/3/2015.

⁴ "Global Patterns of U.S. Merchandise Trade," U.S. Department of Commerce.

⁵ Global Business Travel Association.

⁶ U.S. Department of Labor, Bureau of Labor Statistics.

⁷ "18th Annual Global CEO Survey," PWC.

⁸ Duke CFO Global Business Outlook.

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