

M&T Bank: Payments Trends in 2021**March 30, 2021**

V2 Producer:

Ladies and gentlemen, welcome to today's webinar, Payments Trends in 2021. Before we get started, I'd like to mention that today's webinar is being recorded and you are currently in a listen-only mode. I like to acquaint you with some of the ways that you can participate during today's presentation. The ON24 webinar that you are logged into today allows you to individually adjust and resize all available panels that appear on your screen. We will have a question-and-answer session at the end of today's presentation and you may type into the Q&A panel that is available for you on the left side of your screen. Type into the text field at the bottom and then click on Submit to get your questions into the queue. We will also be asking for your feedback on several polling questions today. At that time, those questions will appear in the slide viewing area. Simply click on the circle that responds to your answer on that poll question and then click on Submit to cast your vote.

Finally, if you experience any technical questions during today's webinar, please enter a question into the Q&A panel and we'll be happy to assist you. At this time, let's begin today's webinar, Payments Trends in 2021. It is my pleasure to introduce your moderator today, Jane Padgett, CTP, Regional Sales Manager with M&T Bank. Jane, you have the floor.

Jane Padgett:

Great. Good afternoon. Thank you, Jessica. Thank you, everyone. I want to -- I really appreciate you joining our thought leadership event today where we have our esteemed panel of experts to talk about the latest advancements and payment trends, strategic perspectives on emerging digital payments and ways to optimize cash flow. We will have time for questions, so I encourage you to use the chat box to ask questions during the panelists' discussion. As a reminder, this event does qualify for CTP credits. There is a confirmation letter that you'll need to retain for your records. You can find that in the Resource icon, it looks like a little letter at the bottom of your screen. Additionally, there are some additional resources in that area for your information, so feel free to download those for your benefit. We do have a survey that we will set up for you at the end of the event. We would really appreciate your feedback and your thoughts on any additional events that we should hold in the future.

With that, I'm going to just give us a little bit of an update on the trends in payments before I turn it over to our panelists. And I think one of the biggest things that is incredible to think about is that in the business-to-business space, the B2B market space, there's over \$23 trillion flowing around, passing back and forth between entities. This is where we really see that the digital technology, the emerging technology is going to help us with this payment processing. Not only are there large dollars, there's a large volume of payments. So you've got over 900 billion payments flowing worldwide. I'm sure that many of you have a number

of traditional ways that you have been passing payments back and forth from a B2B perspective, some via wire, some via ACH. And I think that with this advanced technology, that there's more and more options for you and this is a good time to evaluate what is best for your entity, for your company to adapt for flexible reasons, for security reasons, etc. But this is really kind of an incredible number to think about. And then of course, we've been in COVID for over a year. This environment does create an opportunity for change. So we can look at it in a positive way and see that the benefits of using digital methods for payments could really help our financial operations.

We're going to hear more from our panelists now. Let me just do a quick introduction of them. Mike Allen and Raj Iyer are both Team Leaders in our Product Management Group. They specialize in the digital space. We also have Carmine Barone, who is our Sales Manager for Commercial Card. And we have Casey Kaminsky who is also our Business Line Sales Manager for Merchant Services. So I am going to turn things over to Raj to kick us off from here. Raj, take it away.

Raj Iyer:

Thank you, Jane. Good afternoon, everyone. Thank you all for joining. A quick intro about myself. As Jane mentioned, I am a product lead. I kind of manage 3 products within M&T. The Merchant, a portion of Treasury and then the Digital Self-Service. Today I'm excited to provide an overview for one of the payment trends, Real-Time Payments. Real-Time Payments, sometimes called RTP, is the new payment rail that was opened up in 2017 after a long time after ACH in early 1970s. In today's session, I would like to focus on 3 questions that typically come up on these sessions. Why RTP? How RTP works, and what are the use cases?

I'll start with answering the question, why RTP? In my mind, there are 4 reasons why RTP is gaining traction and has become a major trend. First is availability 24/7, 365. Transactions can be made at all hours of the day on every day of the year with no business day or holiday limitations. The next big reason I think is precision payments. RTP allows financial institutions to clear the transaction and credit the receiver with confirmation within seconds of payment initiation. In addition to the movement of funds, RTP also has functionality that can include value-added messaging that can be added to travel with the transactions. It could be dates, invoice numbers, purchase orders, any other limited information apart from the payment itself. And this is one of the reasons why in the latest survey that AFP conducted, 85% of US business firms are looking to implement RTP over the next 3 years. The most imminent benefit or perceived benefit is the access to the funds. So this all looks great. The one thing that we need to understand though is, how does RTP really work?

So if you look here, it looks a little complicated, but it's very simple. The way RTP works is by using consolidated, prefunded Federal Reserve accounts to enable an almost instant transaction between financial institutions. There are 5 messages that are the building blocks of RTP. Credit transfer is the only financial message. All the remaining 4 are nonfinancial messages. That's what differentiates RTP from other payment rails that existed before. So if I kind of spend some time on the credit transfer, credit transfer is the payment channel where in this case Company A is able to control timing of the payment to the vendor. It is a channel by which receiver, the vendor in this case, is able to receive the payment. That's the actual payment channel. The remaining 4 messages are nonfinancial messages. The payment confirmation, this is for the

receiver to let the payer know that the payment has been received. Records for payment, this is a functionality that is getting a lot of traction actually. I read an article today that talked about it becoming a huge trend, the records for payments. Again, in this one, in this nonfinancial message, vendor can request for payment from Company A. Or there can be other use cases where a biller could ask for payment. It has a lot of different uses. I'll cover that in detail a little later.

The remittance information is another nonfinancial message that can include invoice information along with a payment. And then the records for information is again, a huge value add because it, in this one, vendor can ask a company regarding the payment made by Company A. More like if there are any discrepancies out there, it can control it.

Now we answered how RTP works. Now I want to kind of spend a little bit more time on what are the use cases? How come it's gaining so much traction? So if I move onto the next slide here, in a short span of 3 years, several RTP use cases have evolved. But for simplicity, let us look at 3 different categories, business-to-business, business-to-consumer and consumer-to-business. I'm being very concise here in the list of use cases. For instance, if I look at urgent payments, this is something like would address say someone who is supplying raw materials to a manufacturer. The manufacturer is required to pay. Therefore, the supplier of raw materials wants to ship those raw materials. The best way to do it is Real-Time Payments. I'll kind of hold off on invoice payments because this is the use case that I plan to cover in more additional detail. The payments after hours, again, like it's 24/7, 365. You wouldn't have that option in any other payment rail whether it is wires or ACH.

Moving onto the business-to-consumer, again, this is where I find like new use cases coming in on a day-to-day basis, the emergency payroll being one of them. In a situation where the payroll needs to happen for a new employer, for an employee that he's a been disbursed off, like emergency payroll helps you to be able to make that instant payment. Insurance claims, a lot of us actually do claims for our roofing, for our car, it will be great to have those immediate payments made by the insurance companies. So it's gaining a lot of traction.

As far as the loan funding is concerned, even here at M&T, we actually did the PPP funding through Real-Time Payments. Again, you can see here that a lot of new cases keep coming up even though I just listed here 3 from business-to-consumer.

And then moving on to the consumer-to-business space, this is where I mentioned earlier about records for payments. It's gaining a lot of traction. How would it be not to pay those late fees that the biller is kind of asking for if I have to pay just the day it is due. And then funding accounts, payment accounts, it could be a consumer account to a business account, there is a lot of traction on that use case as well. And then towards the end, rent payments. Like how easy it would be for me to pay my rent when it is actually due as opposed to doing it a couple of days prior.

All right, so these are some of the use cases that we have. Before I actually get into details, as I mentioned before, I wanted to cover the invoice payments. Because this kind of goes beyond just the immediacy of the payments that we keep talking about. I want to spend a couple of minutes kind of going over some

of the pain points that we have when we have invoice payments without RTP. And then the next slide will cover with RTP, some of the potential benefits that we can see here.

If you look at the slide, you'll notice that there are steps 1 through 6 that goes through a totally different channel than the actual payment rail itself. Say whether it's the prepping and sending the invoice, routing and approving the invoice, scheduling and creating payments, approve and execute the payment, prep and send the remittance, or like eventually crediting the payor or post the receivables as well. All this happens outside. It could happen via phone, via e-mail, via the portal itself, like the supplier has or the payor has. But it doesn't happen through the actual payment rail itself. So this results in a lot of inefficiencies, the big one being the fragmentation between the actual payment itself versus the accompanying nonfinancial pieces that needs to happen. So this is where RTP comes in and is kind of able to help in some of the inefficiencies apart from the immediacy point of view. Like whether you can schedule it 24/7, 365. You can have these payments push through within a few seconds. That's a huge advantage. But beyond that, you can also have some amount of efficiency created.

So if you take a look at this particular slide, you can notice that there are 4 nonfinancial messages that are used effectively to create operational efficiency and clear trajectory of payment flows. So in this invoice payment scenario, if we go step by step, supplier initiates request for pay. Again, it happens through the RTP rail. Payer might accept it or potentially ask for more information about the invoice before they make the payment. Again, this happens through the payment rail records for information, again, in a nonfinancial message. Once the invoice is reconciled, payer makes the payment. And again, this happens through the credit check. Again, the payment rail again happens within the RTP itself. And then the last piece to it, there is a confirmation once the supplier receives the payment from the payer. They could go ahead and confirm it to the payer saying that they have received the payment. Again, it happens once again through the RTP rail.

So you can see all the benefits here that are listed to the right. The operational efficiency piece of it. I mentioned about the trajectory of the payment flow. The improved cash flow. And then the decreased DSO, the days sales outstanding, as well. There are a lot of potential benefits here apart from the actual name itself, Real-Time Payments. And the invoice payments kind of clearly shows it back to you. Now, let me actually turn it back to Jane for a quick poll on the RTP implementation.

Jane Padgett:

Great. Thank you, Raj. So for the audience, if you wouldn't mind taking this poll for us, so 85% of US business firms are planning on implementing RTP over the next 3 years. Is your organization planning to implement Real-Time Payments? If you would, just select the radio button alongside one of the answers and we'll take a look at the results in just a few seconds. Raj, I was curious though about some of the differences with RTP compared to traditional forms of payments that I think we've been used to in the banking industry. Specifically, the automated clearing house. I just wondered if you could, just quickly, is RTP the same as same-day ACH, or how are they different?

Raj Iyer:

Thank you, Jane. That's a great question. Actually, no. RTP is a separate and a new infrastructure. RTP network payments clear and simple, individually in real-time, and more importantly, it's irrevocable. Whereas the same day ACH does it

in batches, clear in batches, and settle once the payments are clear. So that is a huge difference and that's the reason why it took some time for RTP to come into fruition here in the US.

Jane Padgett:

Great. Thank you so much. Okay, let's take a look at the responses to the poll. It looks like there's a lot of you that are not sure, 60%. Some of you are already and planning to use it. 23% say yes. And some of you all already using it at 10%. Good to see where we are from an industry perspective. All right. I am going to turn it over to Mike Allen for the next section.

Mike Allen:

Okay. Thanks, Jane. Good afternoon, everyone. Thanks for joining this afternoon. As Jane mentioned, I am a Team Lead on the Product Management Group and Commercial, managing the digital channels, receivables, as well as some of the payable products. Been with the bank for close to 30 years with most of my time in Treasury Management and Payments. First off, I'd just like to define, what is consolidated payables? In the simplest form, it's a bank product utilized by companies where a single file of payment instructions in a single payment format are sent in to the bank for payments. Usually, it's in a CSB fixed with -- or ISO for those that are more technical in nature, wondering exactly what kind of formats those typically are. They can differ from those, but those are the most common.

From the outside, this does not sound too cutting edge, a single payment file. But it actually is fairly innovative in the payment space. Let me explain by providing a little history. Each payment type has its own silo, and that's existed for decades. Raj just mentioned RTP which is fairly new, but most of the other payment types, ACH, wire, check and incurred, have been around for quite some time. And each one of those are separate entities within a bank, a company, separate governing bodies, separate language, separate file formats, separate levels of detail, places in different locations on the files. And none of the systems really talked to each other. So it was really more of kind of an industry silo focus versus a customer centric focus as far as how payments were handled by the banks. There has been talk for years of consolidating those payment files, but really, there wasn't a compelling business case, either on the company side or the bank side, to make that happen. That's changed recently, I would say probably in the last 3 to 5 years, where a lot of the accounting packages that companies use, both on the small business side all the way up to our large corporates, have been enhanced and upgraded to include all sorts of new functionality, one of which is a standard offering for a single payment file as part of their package. Because of this new demand and this change in the industry really on the company side software, it really pushed banks to offer consolidated payables as a standard bank payment offering.

If you look at this picture from the slide here, you can really see it's a simple, in a real simplistic form. It's really a file is sent in to the bank. The bank sends out the payments via all the different silos that I mentioned previously, ACH, commercial card, wire and check and RTP can be added in there or any new payment that comes out through the industry. The clients, suppliers, employees. And then one of the big differences is a confirmation file is sent back that can be uploaded directly without any hands on the keyboard into the company's accounting package. What we really saw is 3 main benefits. I touched on this a little bit already. But really, number 1, it's a straight through process. Meaning that there is less hands on the keyboard. Someone doesn't have to go into the web package that the bank offers and key enter a bunch of wires or ACH transaction,

card or check, and they can just load that file and they don't need to log in, they don't need to have someone else log in at the company for the approval, they don't need to go check in the next day to see if it actually happened. It's actually the accounting package through a file, pop into the bank, right back into the accounting package at the company. Really streamlining the operation, so they're really keying in once instead of multiple times through that process.

With that is really the other benefit is saving money, efficiency, reducing operations costs, IT costs. Really on the IT side, there's no need to program 3 different files. It's really one payment file, one format that needs to be created. And once you create that first one, it's really streamlined moving forward once you want to add future payment files beyond that first one. And all of that through a pretty fairly high level of security, a very high level of security through direct secure FTP channel via transmission.

As you can see from this slide, consolidated payables offers both several payment types, card, ACH, wire and check are the most common out of the gate, as well as multiple payment options with each one of those types. Starting off with card, there's 2 ways, 2 types of payment files that could be included in a card section of a consolidated payments file. One to pay their vendors, which is the most common and obvious. And the second is paying off your card balance that you actually have with the bank. So it can be used in both directions, which is fairly innovative. And then secondly, I just wanted to mention the security feature that can be taken advantage of as far as using virtual card numbers through those files as mentioned on the slide there.

The next 2 most common are ACH and wire. The reason why those are the most common we see in the industry is because most companies have been utilizing those payment options for years. They already have some of that information programmed, have some expertise in there. On the ACH side, it's both debits and credits, it's for all different payment types from consumer bill pay, tax payments, collecting donations, just to name a few different use cases that could be utilized for the automated and clearing house transactions.

On the wire side, it's both domestic and US dollar international payments can be included. And then finally, on the check side, a couple of things here. One, the automated check payment file. We've seen various companies take advantage and shift from moving from actually printing their own checks to utilizing their financial institution to print those checks for them and then have them mailed on behalf of the company. All it takes is a payment file to be sent in through their consolidated payments channel here. The other thing you can do as part of that file is include fraud protection through payee. Positive pay is regular positive pay as well where that payment file will be matched up with the checks that come in every evening to make sure there's no fraud that's occurring on those payments.

And then to wrap up, just the last slide here, just to wrap up, there's really 3 main use cases we have seen over the last few years in the industry when it comes to consolidated payables. First is for the high-volume customers. Much easier for them than keying in dozens of transactions or hundreds of transactions within the web portal. This allows them to really streamline their operation. Secondly, and I mentioned this right in the beginning there, is customers going through change. Any customer that's going through an upgrade on their side of the house in regards to their accounting package, their ERP system or even just doing any kind of new innovation, it's really a great opportunity to make those changes, to

consolidate the payment files to take advantage of some of the efficiencies there. We've also seen often case where there's a large change, the consultants that sometimes companies bring in or a consultant within their own company often will recommend to get those efficiencies to really move towards that payment file, single payment file.

We're also seeing it with customers. They're looking to move from check to card. So I talked about check moving to automated check, having the financial institution print it for you, but there's also been a movement for several years now for companies to become more efficient. Obviously, check processing is very expensive at companies, so trying to get that over to the card side to take advantage of all the different offerings that the card has. Including vendor enrollment programs that most banks will offer to help move the suppliers over to its electronic efficient channel. And then finally, just how do you set up consolidated payables with your bank? Really, all you need to do is make sure you have the ability to create a file. There's some level of IT support, so this probably the second thing. You don't have to have a huge IT department, but you have to at least be able to create a file. In some cases, you already have a file because they've been created for the different silos of ACH, wire, card and check. Then the last thing I would recommend is really talk to your banker and figure out whether it's the right fit. It may not be the right fit right now based on your IT restraints that you may have, but you may find in a year or two, you're going through another upgrade, that maybe that's the right time to take advantage of everything consolidated payables have to offer. So with that, I'm going to turn it back to Jane for the next polling question.

Jane Padgett: All right. Thanks, Mike. Okay. So right here the -- [technical difficulties]. Let me see if I got it right. You should be able to select the radio button. Okay. So Mike, I am wondering, when I was in Treasury Management Sales in the mid-90s, checks were still the big payment, although ACH and wire had their own place in the payment business. What is the preferred method today? What do people still use today for B2B payments? How are people mostly doing payments today?

Mike Allen: So first, from what is the preferred method? That, I'm not too sure what is preferred, but I'll tell you what the most common use is, is actually checks still, surprisingly. I've been to many presentations where they talk about check is going to die in the next 5 years, 10 years. And I've been to presentations like that for several decades at various industry conferences. What we've seen is, it's definitely declined a lot. The last, in 2019, in the AFP payment study, it was still 42% was the last industry number that I've seen as far as B2B payments for check. On consumer, it's much lower, but on the B2B side, it's still the number 1 choice. It has declined a lot. I know since the early 2000s, it was up around over 80%, so it's been cut in half since that timeframe. What we've seen and I know it was mentioned earlier, during the pandemic, the digitalization of payments. We have seen a shift here at the bank as far as that moving down as well. So I'm really curious to see what the next payment study is in the industry. Because I would expect that 42% number to continue to drive down.

Jane Padgett: Great. Thank you. So hopefully everyone has seen that the poll is now working. So if you can click on one of those buttons, we'll see if we've gotten some responses to that. Okay. So we've got kind of an even split here. We've got this is the first time I'm hearing about it, 25%. Some awareness, 25%. Evaluating currently, 33%. And my company is currently implementing at 16%, almost 17%. So that's terrific. Okay. I'm going to turn the next part of our discussion over to

Casey Kaminsky. Casey, go ahead and take it away.

Casey Kaminsky:

Thanks, Jane. Good afternoon, everyone. Just to give you a little bit of background about myself, I'm Casey Kaminsky. I am the Regional Sales Manager for the Commercial Merchant Team. So I've been with M&T Bank now for about 3 years. I'd say in April is 3 years, but I've been in the payment space for roughly 20 years. Mostly on the receivable side of the house. This is really my passion. This is everything I know about and I have the great fortune of managing a team of sales consultants that work with the -- they're aligned with the middle market, commercial real estate, higher education, government sector with M&T Bank. So we have a great team. And really what we do on a daily basis is just work with our customers, our prospects if you're not with M&T Bank, to try to help you to improve your receivables platforms if you will. Whether that is driving out costs or helping to streamline some of those processes. So happy to be here. What I'd like to do is really just set the stage a little bit and give you some food for thought and then I'll start talking about the invoice and pay type of platform.

With that, really, I'll dive in here now. Obviously, Mike just talked about it too, a lot of these payments that have been old faithful and the traditional ones are being driven down. I'm interested to see that as well, Mike, as far as what that number might look like if it was 42%, because obviously, the payment landscape is changing dramatically right now. For good. So really, regardless of what organization or industry that you support out there today, how we are doing business is really changing and it's changing dramatically. So although -- it's interesting, although we understand and appreciate the changes, in many cases our companies have been really slow to react until now, over the last 12 to 24 months. I've taken a minute, really, I do this all the time with my team, but take a minute to think about how you do things in your personal life versus your professional life and see what synergies there are there. I think you'll see in some cases there are a lot and in some there's a big disconnect. But really, as technology has accelerated at an unprecedented pace, the lines I think between our personal and professional worlds are really beginning to blur. The economic transformation that is taking place is real. So take a few of these examples that I'm going to talk about right now as food for thought, really. The millennial effect. So generation Y. Generation Y is 24 to 38-year-olds, right? It's said, and heck, I even say it, that this demographic is tech savvy. But in reality, they're fully tech dependent. I think you'd agree with me there. You know who these folks are. They're your kids, they're your grandkids, perhaps even who of you on this Zoom call are millennials. Good for you. I unfortunately am not. But here's a really fun fact for everybody just to plant a seed here. 40% of the global workforce is made up of millennials today, and by 2025, that number is projected to be 75% of the global workforce. So they're coming and they're coming strong. Really, this generation, it meets the world of commerce with an expectation of dependency on technology. You can't ignore these folks as we talk about some of these stats and some of these solutions and what we need to do for your business. But really, millennials. If you are one, if you know some, if they're your kids, most of them don't even own a checkbook and they never have. They don't even know what one is in many cases. How do you expect them to pay you if they don't even have a checkbook? So to that 42% number that we heard from Mike earlier, I would venture to guess that many of, a good percentage of that is not millennials right now. But I do promise you that if you're dealing with millennials today or you will be soon, they're going to pay other vendors who are faster. They're going to invest in them who are accommodating them more. So

think about that in how you're going to turn around your cash flow cycle there.

The COVID effect. So I know we mentioned this earlier, entire companies working from home. Who would have ever thought, right? Has your company's DSO increased as a result of COVID or has it decreased? I think most of us would say it's increased. If you answer yes here, you are not alone, so don't worry about that. But how about this one? The postal service losing mail, taking weeks or months to deliver checks, vendors' payments coming in weeks if not months beyond the typical payment. I think you'd agree there has to be a better way, right? Digital strategy is essential. Does your company have a digital strategy? You have to have a digital strategy. If you don't by now, you are way behind the 8-ball and it's time to ratchet that plan up.

And opportunities for automation. Here's something to think about. Automating your manual processes is always something that receivables and payables shops are talking about, right? But how much time in FTE are dedicated at your company or organization to manual processes today? Hours? Are we talking hours or are we talking days? Are we talking weeks in some cases? What we see when we're out there doing some business process reviews and when we're doing appointments with customers to try to understand their business, it's still staggering how many FTE at many of our customers are dedicated to stuffing envelopes for half a day once a week or a full day once a week or locked in a particular room stuffing invoices and sending those out via snail mail. There's a ton of them. We talk to companies a lot about this. This is the really crux of what we're trying to get to here from a receivable standpoint and automating things.

The final piece that I want to just make sure that we cover here, too, which is part of the automated receivable solution that we'll talk about, is obviously, we're always talking about the threat of data compromise. So PCI compliance. It seems like every week or month you're hearing of a big company or government entity that is hacked or breached. So really, cyber space is a new frontier for criminals. So make sure when you do partner up with a vendor, your partnering up with a vendor that protects you from this wave of compromise if you will, data compromise, and helps you stay ahead of the curve.

So really, regardless of what industry you're in, whether you're in, and many people are on this call today, in retail, in education, business, government, you all share a common challenge. Your customers, they want to interact with you anytime, anywhere through any channel. They want to pay you in different ways but you're not allowing that. So let's face it, they have a higher expectation of the organizations that they do business with. And my question to you out there is, is your company meeting that mark? Are you accommodating to this new generation who is taking over the reins at many of the companies that you're doing business with? Ask yourself that.

So I think we firmly established the seismic change that's taking place in the payments space and now really more than ever, businesses are hyper focused on optimizing this cash flow and looking at digital tools. COVID really accelerated this in a big way. I want to share with you a few priorities that we're hearing from our commercial customers at M&T Bank today, just as more food for thought here. Specifically, some big priorities today, not surprising, are cash flow. So now more than ever, cash flow is critical. Snail mail, let's forget about that or try to minimize that as much as possible and automate our platforms. Going digital. So as referenced earlier, it can really be sink or swim for companies that open this

digital experience to clients versus ones that don't. Automation. We talk to our clients about automation. So for your clients, for your staff, or for your company, can you marry today the data to the dollars in minutes versus days and hours? I talked about that from just a manual intervention stand point, but all this goes with automation as well. Just being able to turn that around and get that off of your plate and reallocate that person to something else, a more productive task. And then finally, technology. Many businesses see the value in investing in technology especially now over the last 12 months to ramp up their payment systems, whether it's their credit card processing systems or offering, like I mentioned, an e commerce type of a site like an invoice and pay type solution.

So really moving on to the meat and potatoes of the presentation here, you might be thinking to yourself, okay, you talked about these ideas, these trends that are happening right now, millennials, COVID. So what could be a good solution for my company? You're asking me, Casey, what could that be? One that immediately comes to mind right now, and it's really selling for M&T right now like hotcakes, is our invoice and pay solution. There's just been a huge swing in the adoption of these invoicing and pay, bill payment and presentment type platforms in the last 12 to 24 months. COVID, like I mentioned, really gave it a big shot in the arm. But here's some quick stats from our partner Transactis, who may be on the call today, they are a very large player in the invoice and pay space. 68% of businesses say that cash and checks, the deposits take too long. Not surprising, right? 68%. 70% of businesses are willing to invest in technology that advances their payment. Finally, 1 in 4 consumers have increased their usage of billers' websites to pay bills over the past year.

So what is invoice and pay? Essentially, invoice and pay is a comprehensive, configurable electronic billing and payment solution that gives your business more control over how you get paid. It automates your receivables and streamlines your operations. Essentially, invoices are taken and loaded into an M&T hosted website, which is branded with your company coloring and your logos to make it look and feel like your website, but it's all hosted by M&T. And what we do is we use an electronic file containing either a summary or detail or a PDF of your customer's invoice and you would upload that to the system, which would then be presented to your customers electronically via a text, via an e-mail. Which at that point, they have the ability to go on and make that payment or review bills on that site, pay multiple bills, whatever the case may be. So it's a fully hosted e-commerce type of a solution that is a fraction of the cost, if you will, than you might think in our environment today. So that not only is one of the options and one of the solutions that is part of the invoice to pay solution, but it also operates as a virtual terminal or a gateway. So if you have a customer service team or you need to enter in a one-off type of a transaction, maybe that is an ACH payment from somebody's checking account or a credit card payment, your CSSR would have the ability on an invoice and pay type of solution to key that as a one-off. But not only that, it also offers an IVR type solution. So talk about completely hands off and the least amount of risk from a PCI standpoint. These invoices and pay type solutions, the one from M&T specifically, has an IVR that could be bolted on as well. So completely touchtone and off of the scope of risk there. So like I mentioned, it might sound expensive, but it's really just a fraction of the cost that you might think. And it's not nearly as costly as it could be if your organization falls behind from what your competitors

are offering. Finally, I'd like to just give you a case study, which is what we're doing as far as the theme here. But we have a client today that is a national

manufacturer and distributor of sporting goods. They were having some issues with receivables. So they contacted their relationship team at M&T and said, hey, what kind of options do you have for us to help us go digital and help us expedite and streamline our receivables process? So our relationship team really stepped up to the plate, did a full analysis, understood what the client was looking to do, and delivered this invoice and pay type of solution to this customer. The customer now is operating at a very high level, significantly reducing the DSO that they had prior to this solution, and really, they've been raving to us saying, we don't know how we were even operating without this in the past, so thank you so much. So a really good testimonial for an online type of a sporting goods. But this is a solution these days that we're finding for everyone. So I'll wrap up by just saying that best in class organizations are dedicated to an efficient process that offers their customers many payment options while simultaneously meeting their cash management goals. In the real world, it's not always that simple. But there's a cost-effective technology that can help your organization move closer to a more efficient state. So Jane, with that, I'll turn it back to you. Thank you all.

Jane Padgett:

Great. Thank you, Casey. That was really good information. All right, so we have one more poll here. According to payments research in 2020, 46.4% of accounts payable professionals would like to implement electronic invoice solutions. Is your organization planning to implement electronic invoicing? Please select your answer with the radio button in the 4 options below. Casey, just real quick, because I know that you and I could probably talk about this for days, but you know, what size businesses have you seen utilize our invoice and pay services? I know you and your team have been very active in that realm along with my team.

Casey Kaminsky:

Sure. Thanks, Jane. I would say it's wide open now from what it used to be. So we used to look at really check heavy type of businesses that use lockbox or were just taking 500 to 1,000 checks per month. Things of that nature or doing a significant remote deposit capture volume on a monthly basis. But now, with everybody working from home or most people working from home and running a skeleton crew at some of our companies, we're seeing this -- a much different look from the companies that are interested in this. So you know, we've worked with law firms, we've worked with doctors' offices, you name it. Insurance companies like I mentioned. But right now it's -- I think everybody who is understanding what this solution does and that it's out there at a much more reasonable cost is saying, hey, let's talk about that, let's get involved and hear more about that. And I think they're starting to understand some of the smaller businesses too, that the cost is mitigated by the value that this solution offers. So I hope that helps.

Jane Padgett:

It does. Thank you, Casey. So let's turn to see what our poll says. So planning to implement electronic invoicing, about 20% of the audience says yes. 35% not sure. And 30% says we already are using it. So hopefully the information provided today will help folks with that. Let me take us onto an open discussion. I think that there's a lot of questions I see in the Q&A section, so thank you, everybody, for putting those questions in. I saw a number of questions around pricing for services. What I would recommend is that you contact your Treasury Management consultant or your relationship manager and have those conversations one off. I think that's the best way to do it. And allow those folks to help consult with you on what the best payment mix of services might be for your financial operation.

So let me get here into a question that I think is for all of the panelists. Mike, I am

going to kick this off to you first, and then hopefully we'll have a chance to hear from everybody. But when implementing these new payment products over the last couple of years, what was the biggest surprise when it came to customer use cases? Were you surprised by any of the ways that folks started to use these services?

Mike Allen: Yeah, thanks, Jane. I think the biggest thing that was a surprise to us was I expected with regards to payables, it would really be the largest of the largest companies going through maybe an ERP upgrade. What we found was, we didn't have some of the customers sign up for the service, but we also had several customers that just had a single payment file. Like just wire, just ACH, and they just wanted to automate the process. They just didn't want to have to log into the web and approve and go through that process and just wanted to have the automation of sending it in and also getting a file payment in. So we've seen some smaller innovative companies take advantage of that with a single file, which was a surprise to us, at least on the wire and ACH side. I don't know if, Carmine, if you had anything from the card side that was a surprise?

Carmine Barone: Thank you, Mike. Yes, from the card side, the virtual cards, we were surprised, many of our clients were surprised how many of their suppliers accepted card as a form of payment and how these programs enhanced their cash flow and their DSO. The pandemic has forced organizations really to rethink how to receive their revenue and processes payments more quickly and efficiently. So that was I think one of the biggest aha moments for our clients was in regard to I didn't realize this many suppliers accepted card as a form of payment.

Jane Padgett: All right.

Raj Iyer: Let me take this one. I don't know if I would call it as a surprise, but what RTP has spurred is more innovation I would say. And so the use cases that I never thought applies to RTP, one of them being the emergency payroll. Payroll is traditionally done through an ACH and that's pretty much how it's always been. It wasn't a use case per se, but then there was a need from businesses and we started seeing customers kind of go for the emergency payroll. The other one, which M&T itself leveraged was the PPP payments, again, using RTP I would say kind of codes, spurred a lot of these innovations to happen. And some of them do surprise us, but again, it's been pleasant surprises for the most part.

Jane Padgett: Casey, did you have any other comments to add to that?

Casey Kaminsky: No, I think what we're seeing is the adoption rates are increasing and accelerating over the last specifically 12 months. So typically, when you're moving from platform to platform or introducing a particular solution like this to your customers, there's -- it requires a marketing type of a campaign as well. But I think what we're seeing more of is an uptick in that and more resourcefulness by customer bases from our particular commercial customers or companies, if you will. It's almost -- it's running its own course, if you will. And we're starting to see the uptick much faster than we did prior to this COVID. So that's a general observation that I see.

Jane Padgett: Yeah, great. Casey, I'm going to stick with you because there's another question around a company needing to have IT personnel to manage the online payment integration. I think you touched on that a little bit, but maybe that's a good one to continue on with.

- Casey Kaminsky: Sure. I'll do my best briefly here. The invoice and pay solution is really designed to assist our customers and help them do what they do best, and that's manage their business. So does it require a full blown IT project plan with the invoice and pay type electronic billing and invoicing? I don't think so. As far as in the most simple form of it, which there are different versions of the invoice and pay, or different flavors, so the most simple version is designed to be really out of the box and ready to use and requires as little IT involvement as possible. Now, if you're talking about migrating most if not all of your invoices over and having them electronically sent on a daily basis, there's going to be formatting requirements and a project plan put to work with a lot of our resources. So we'll do a lot of the heavy lifting and share a lot of specs with your company and your IT department if you will, to help you make this a smooth transition and a seamless type of a solution. But I think the short answer is, Jane, just depending on how complex the flavor is of the invoice and pay type solution, there would likely be an IT resource needed for a project like that. But with the more simple type versions that we have out there, they're designed for smaller shops to be able to handle that with our resources internally.
- Jane Padgett: Okay. Great. Thank you. And you know, sticking on sort of the theme of integrating these services, there's another question around integrating services with various platforms. There's services that may be very straightforward like QuickBooks through to very complex ERP systems. Mike, I'm going to throw this question over to you. Kind of how do you handle integrating these services when you've got that broad lots of options on the market for different companies to use?
- Mike Allen: Thanks, Jane. I think as I mentioned earlier, really, if you can create a file out of whatever accounting package or whatever system you have at your company, we can work with you to make sure that fits into the format for the single file to come into the bank. There's lots of options. We have, like I mentioned earlier, we have customers that are smaller business customers that have a fairly integrated system all the way up to large ERP systems. So really, we can accommodate everything. I think really, like I mentioned, just talk to the bank and we'll figure out if it's a right fit. If it's not a right fit now, it may be in the future. So I would just monitor that with the team.
- Jane Padgett: Okay. Terrific. There's also a question, Raj, I'm going to ask you to take this one. Can I use Zelle with my business account?
- Raj Iyer: Thank you, Jane. That's a really good question. I'm going to actually say yes. But there are quite a few limitations. Like Zelle started off more in the consumer space in competition with Venmo, so you see the daily limits. It depends, it varies from banks to banks as far as Zelle is concerned, but it's very low compared to say Real-Time Payments, RTP. RTP has \$100,000 limit, whereas Zelle would have from \$1,000 to at the most less than \$10,000 for bigger banks. So that's the daily limit you would see. More importantly, I just want to kind of stick back to what I mentioned about RTP. RTP offers true instant Real-Time Payments, like the clearing and settlement included happens within what is real time. I'd say within less than 10 seconds. Whereas in Zelle, the settling and clearing happens, could take up to 2 to 3 days even though it gives that feeling of real-time exchange of money. So the answer to the question is yes. But then the daily limit is always going to be a limitation.

- Jane Padgett: Okay. Yeah, thank you for that clarification. I think we have time for about one more question. Carmine, I'm going to pose this one to you. This is -- maybe you can wrap into this answer. The question is, what is the best payment strategy plan of attack when considering the implementation of consolidated payables? If you can wrap into that maybe the distinction between the use of a virtual card versus a plastic regular corporate card, that might be helpful in answering that question.
- Carmine Barone: Sure, thanks, Jane. The best strategy for any consolidated payables solutions would be to start with the virtual card platform first. It enables the use of more complex payment tools which supports stronger reporting capabilities, working capital improvement, and obviously the biggest one is the elimination of paper checks. It also is the least expensive payment method and provides a revenue share or rebate back to the client. Organizations should consider multiple factors when deciding on the optimal form of payment for supplies including their strategic relationship, their payment terms, the volumes that they have for their invoices, and overall, the processing costs. So successful payment strategies are really a balance between the buyer and supplier objectives such as enhancing cash flow and streamlining the B2B process. But definitely, the big difference obviously with a virtual card and plastic or a purchasing card or a corporate card is that with a virtual card, you're sending a payment instruction file to us. Then we're passing that back to the supplier. They're receiving a single use card that can only be used for them for a specific timeframe for a specific dollar amount. So you've really taken out the possibility of any fraud associated with that versus having a piece of plastic and calling up your supplier over the phone and giving him the card number where they're writing it down, they're writing down the expiration date, and now that card is out in limbo and can be potentially used for fraud. So the virtual card program is removing that fraudulent activity, and at the same time, expediting and improving your cash flow and reducing your costs for you as an entity. Did that answer the question, Jane?
- Jane Padgett: It did. Thank you very much. Okay. So there are a number of questions that have come through and I want to thank everybody for sending those in. We will do our best to respond directly to you with answers to those questions after the event today. I did want to just take a moment to thank everybody for joining us. As a reminder, if you need to speak to somebody at the bank and you've got more questions, feel free to reach out to your relationship manager, to your Treasury Management consultant, or if you want to even just respond to your e-mail invitation, that will come to us and we'll get you to the right person to follow up with you directly. We do have a survey that will come up at the end of this event. We really appreciate if you would take that survey and provide us with any additional ideas for events like this that you would like to see. And lastly, again, for those of you who need CTP credits, please download that letter from the resources section at the bottom of your screen. So I'm going to turn things back over to Jessica to close us out.
- V2 Producer: Great. Thank you so much, Jane. Thanks, everybody, again, for joining us today. As Jane mentioned, those resources are available at the bottom of the screen and once we close out the webinar here in just a moment, you'll see that survey pop up on your browser. We do appreciate you just taking a few minutes to fill that out before you log off today. Thanks again, everybody, and have a great rest of your day.