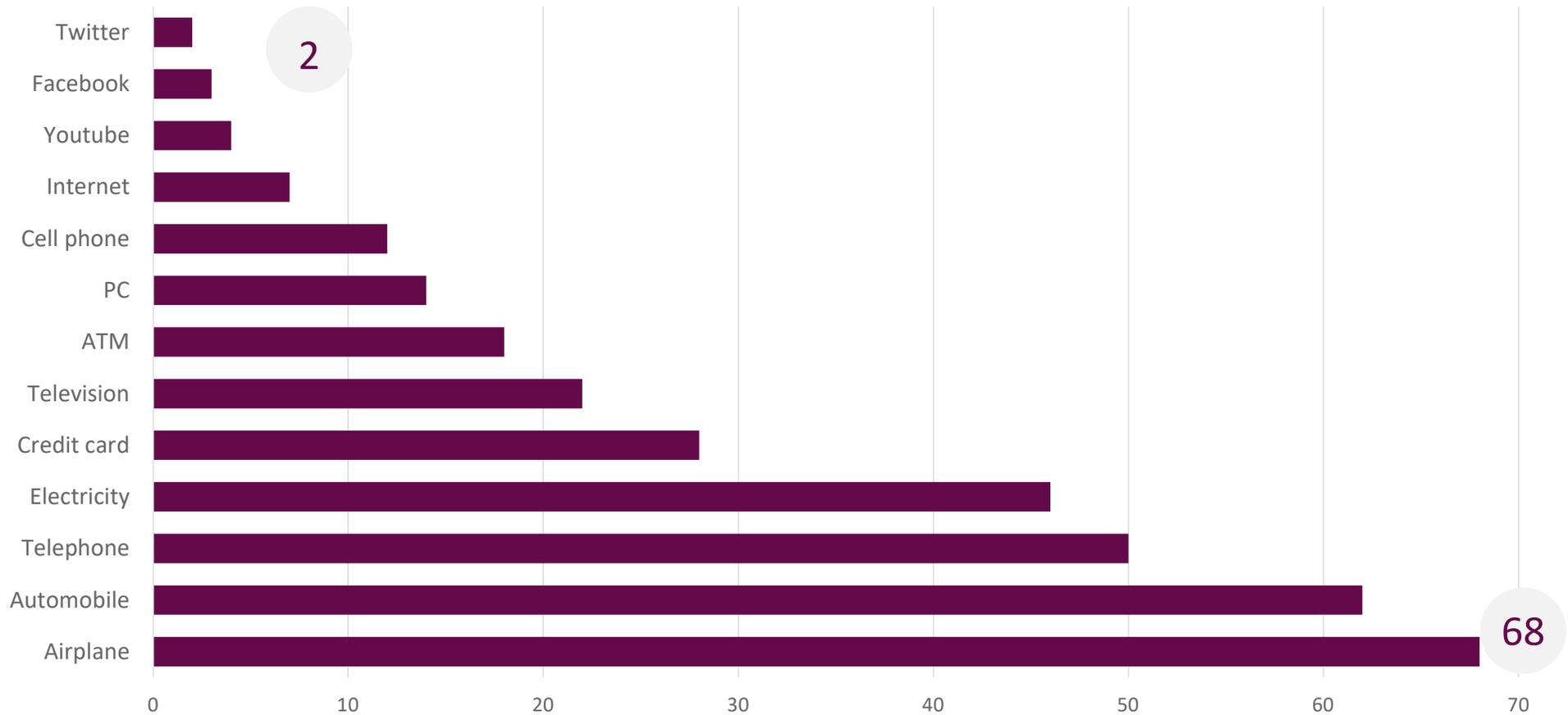# Transforming receivables in a digital world

March 1, 2023

The pace of change is getting faster

Years to get to 50 million users

Twitter — 2
Facebook
Youtube
Internet
Cell phone
PC
ATM
Television
Credit card
Electricity
Telephone
Automobile
Airplane — 68

The current environment has accelerated change

According to McKinsey, digital adoption for consumers and businesses advanced 5 years in 2 months

The Economist. "The World in 2021. New technological behaviours will outlast the pandemic." Accessed Sept. 2021.

Companies of all sizes are focused on enhancing digital capabilities
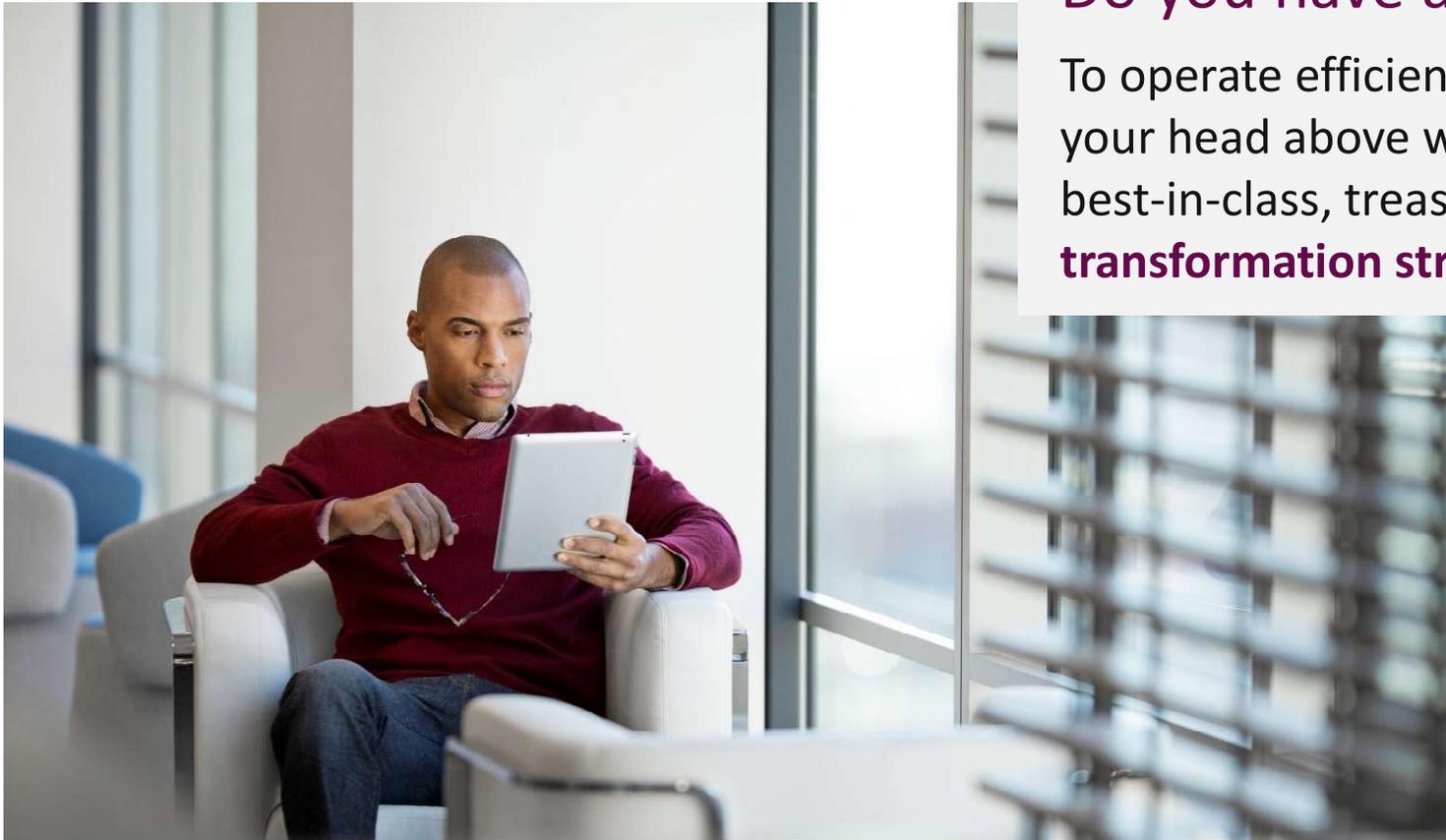
82% of CFOs plan to increase investments in digital capabilities

Digital initiatives are accelerating for 69% of leaders, with most expecting drastic change by **2026**

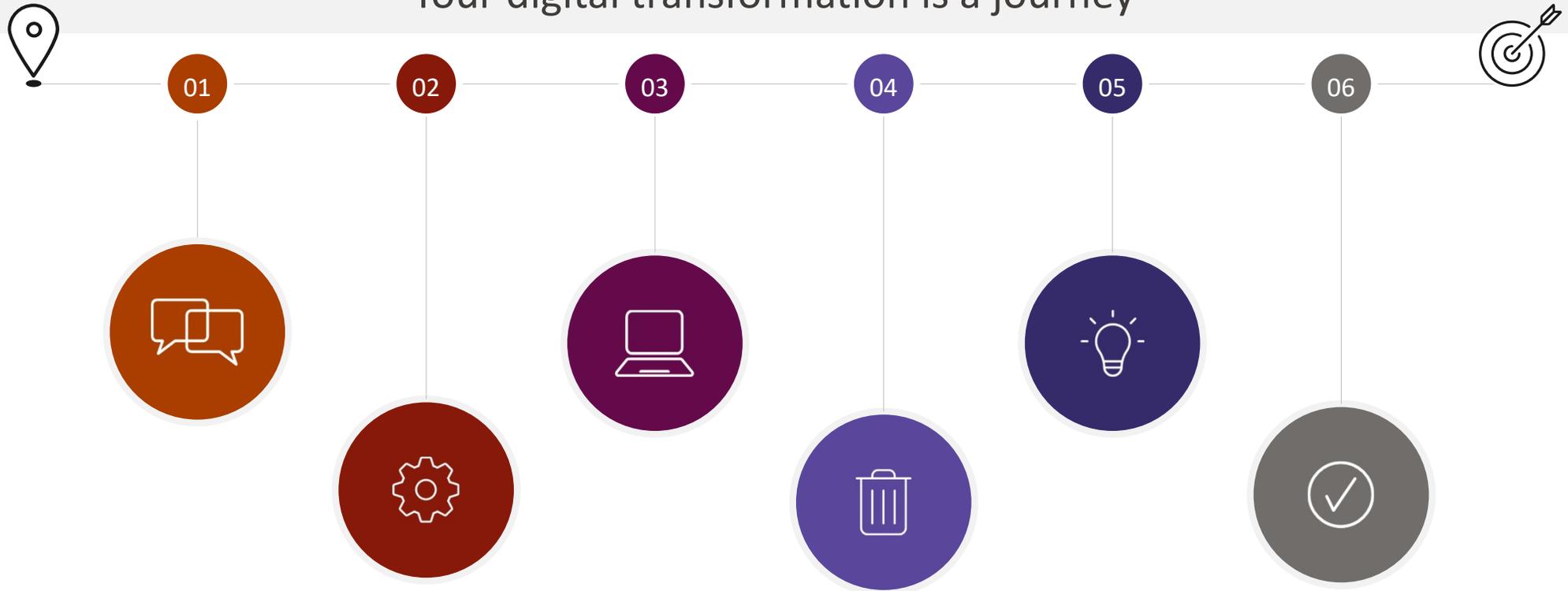# For treasury, digital transformation is not an "if "— but "when"

Do you have a plan?

To operate efficiently, keep your head above water, and achieve best-in-class, treasury needs a **digital transformation strategy**
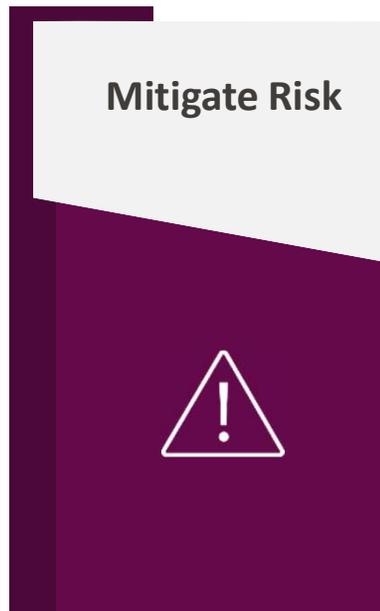
What is a digital transformation strategy?

Your digital transformation is a journey

01 02 03 04 05 06

Government Collections in Today's Virtual World

Three Pillars

Manage Cost

Mitigate Risk

Improve Efficiencies

Check use continues to decline

Businesses and consumers are moving away from cash and check payments in favor of digital alternatives

Checks account for only

42% of B2B payments,

an all-time low[1]
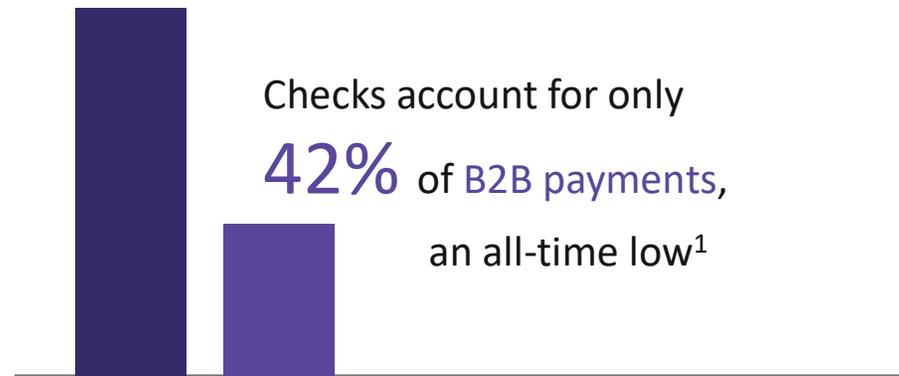
A single check can cost

$4-$20 to process[2]

1. Association for Financial Professionals, AFP® 2019 Electronic Payments Survey, September 2019. This is the most recent publication of this study as of September 2021.
2. SmartPayables.com, "The Cost of Issuing Checks (A Guide for Businesses)", March 24, 2020. https://www.smartpayables.com/cost-of-issuing-checks/ Accessed September 2021.

According to a recent TSYS survey,

Research from Fiserv found that,

75%
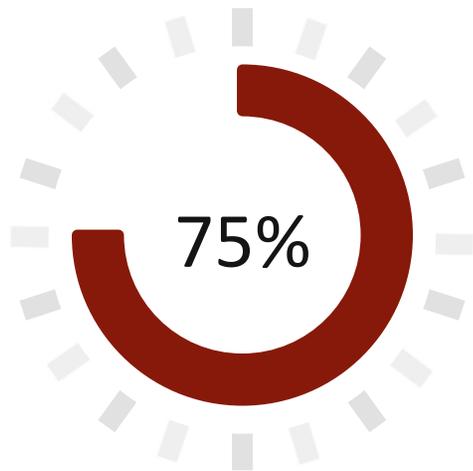
of people prefer to pay with credit or debit cards

74%
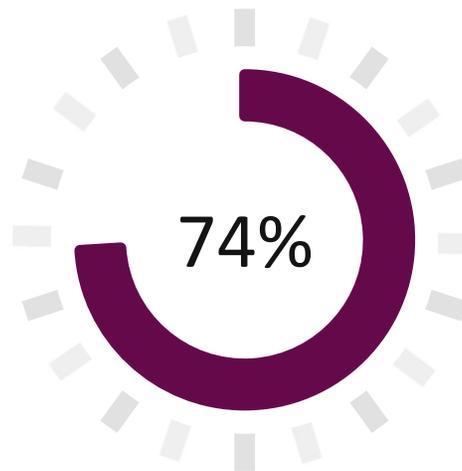
of households that have internet access report having paid bills online

79%
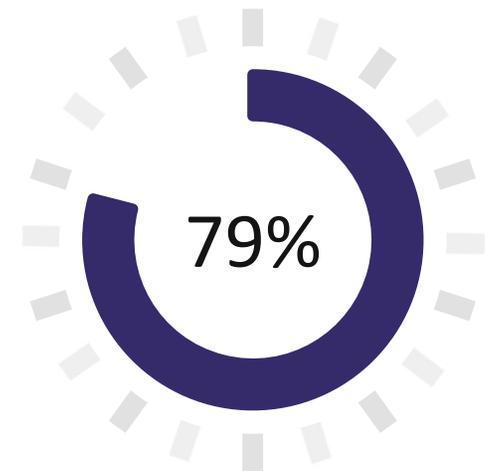
of consumers have switched to paperless billing

Service fees

Help offset the cost of card processing

A variable or a flat fee that may be applied to credit and
debit card transactions through any payment channel

Service fee example

A university charges a 2% fee for paying tuition with a credit or debit
card instead of a check or another form of payment.

Some key information

- Service fees are limited to specific government and higher education Merchant Category Codes (MCCs).

- Supported by Visa®, Mastercard®, American Express®, and Discover®.

- The same fee must apply to all payment networks.

- It must be the only cardholder fee charged by the merchant (i.e., it can't be charged in addition to a convenience fee).

Take steps to manage interchange fees

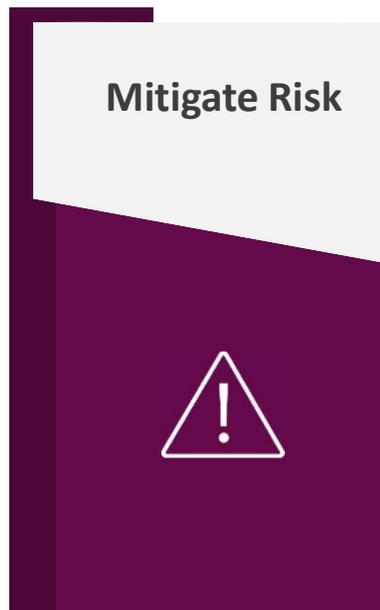Primary factors that determine interchange fees include:

- Card type (debit or credit)
- Card product type (rewards card, purchasing card, etc.)
- Transaction risk (e.g., chip vs. magstripe)

To help proactively manage your interchange fees:

- Review your fees regularly to identify trends
- Use the most secure transaction method available (e.g., chip or contactless)
- Send settlements on time
- Avoid authorization and settlement amount mismatches
- Capture additional security information, such as the card verification value (CVV)
- For commercial cards, capture level 2 and 3 data

Three Pillars

Manage Cost

Mitigate Risk

Improve Efficiencies
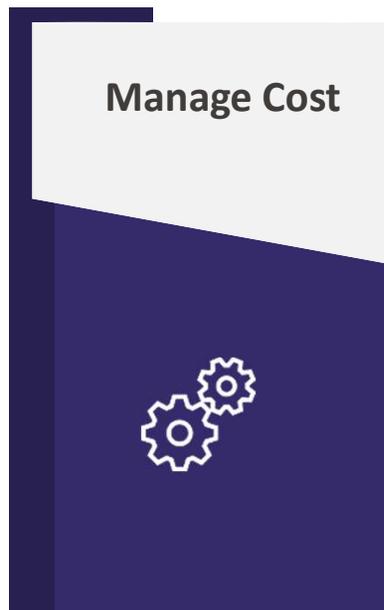
Payment Card Industry Data Security Standard (PCI DSS)

Merchant goals and best practices

Maintain an information security policy

Build and maintain a secure network and systems

Regularly monitor and test networks

Protect cardholder data

Implement strong access control measures

Maintain a vulnerability management program

Consequences for non-compliance with PCI DSS

$4.35 million
Average total cost of a data breach per organization globally*

277 days
Average amount of time it took to identify and contain a data breach*

$164
Average cost per record compromised in a breach globally*

The consequences and costs of non-compliance and a data compromise can be devastating and may include:

- Loss of the ability to process card payments
- Loss of consumer confidence and brand reputation
- Drop in revenue
- Fines, penalties, and expenses

Top 3 initial attack vectors by frequency and average breach cost*

19%	16%	15%
$4.50 million	$4.91 million	$4.14 million
Compromised credentials	Phishing	Cloud misconfiguration

The PCI Security Standards Council provides breach response guidance in Responding_to_a_Cardholder_Data_Breach.

Layered security

Chip card technology

Embedded chips with PIN help protect against counterfeit cards, reuse of stolen data, and lost/stolen cards.

Encryption & tokenization

Sensitive data is encrypted into a cryptogram and replaced with a token (a random number) to help prevent data from being stolen in transit and at rest.
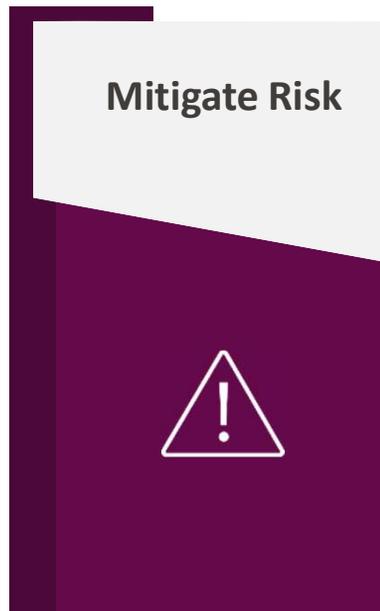
PCI compliance

This industry standard helps merchants employ and maintain practices and processes to protect cardholder data and help reduce fraud.

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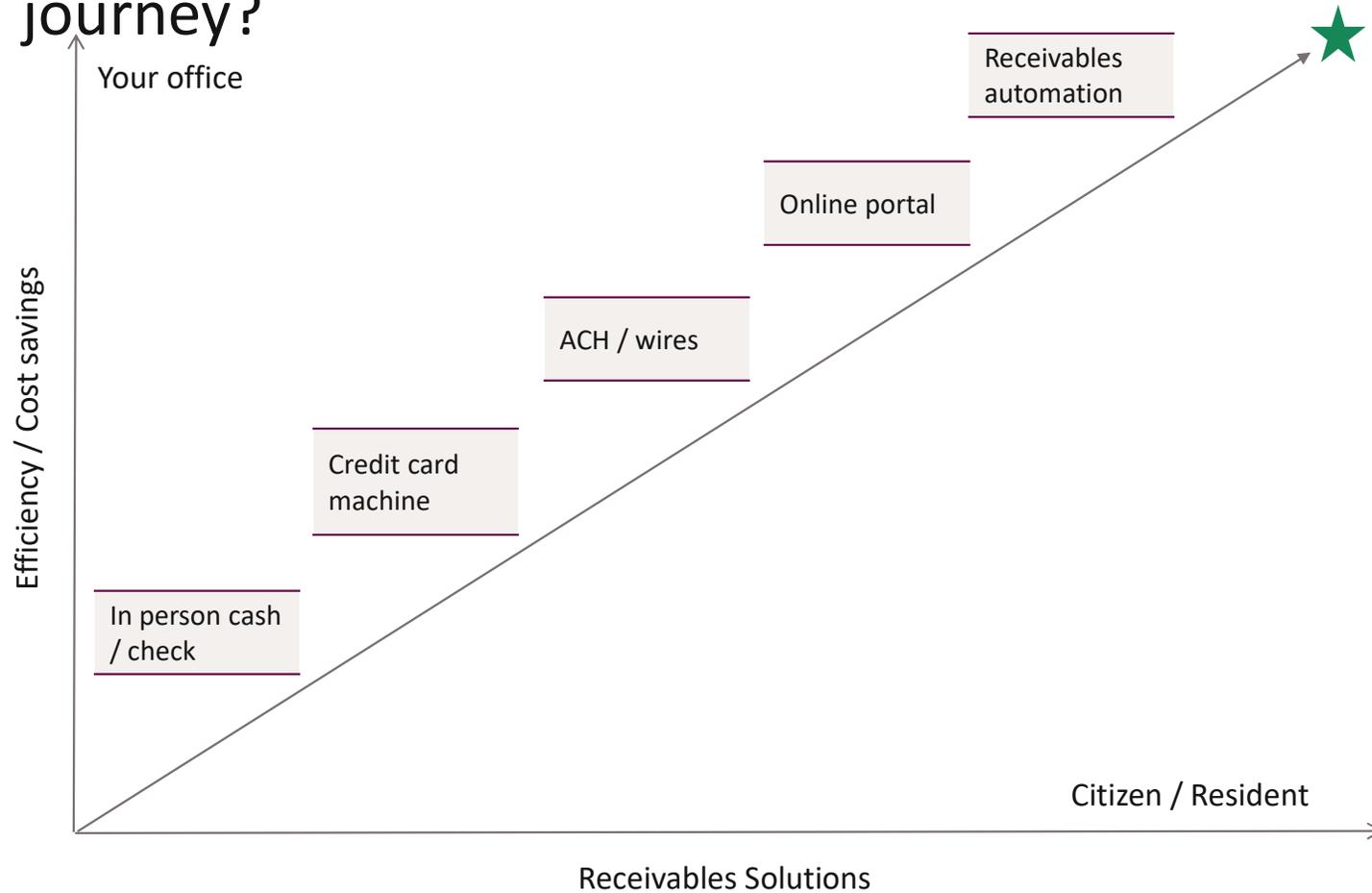
Payment collection types

County:

- Property taxes
- Special assessments
- Licensing
- Sheriff
- Detention / Jail
- Court
- Dept. of Transportation (title / transfer / sales tax)
- Parks
- Public works
- Records
- Permits
- Animal control
- Fairgrounds

City:

- Utilities (water, trash, sewage and / or electric)
- Taxes (property, sales)
- Special assessments
- Licenses
- Permits
- Code enforcement
- Parking tickets
- Animal control
- Airport
- Fire department
- Library
- Parks and recreation
- Police
- Court
- Enterprise billing
- Landfill
- Golf
- Liquor

Where are you on your payment collections journey?

Your office

Efficiency / Cost savings

In person cash / check

Credit card machine

ACH / wires

Online portal

Receivables automation

Citizen / Resident

Receivables Solutions

Poll question

How are you automating your receivables today?

A. No automation – manual process

B. Partial automation

C. Full automation

Efficient… Centralized… Automated

Five best practices for future-state payment collections

Use electronic bills to reduce paper	Speed up payment collection by offering different electronic payment types	Use a single, consolidated file for all payment collection data i.e. *one file for all payment data for all departments*	Automate reconciling for all payments into your accounting system	Minimize risk to employees and citizens / residents
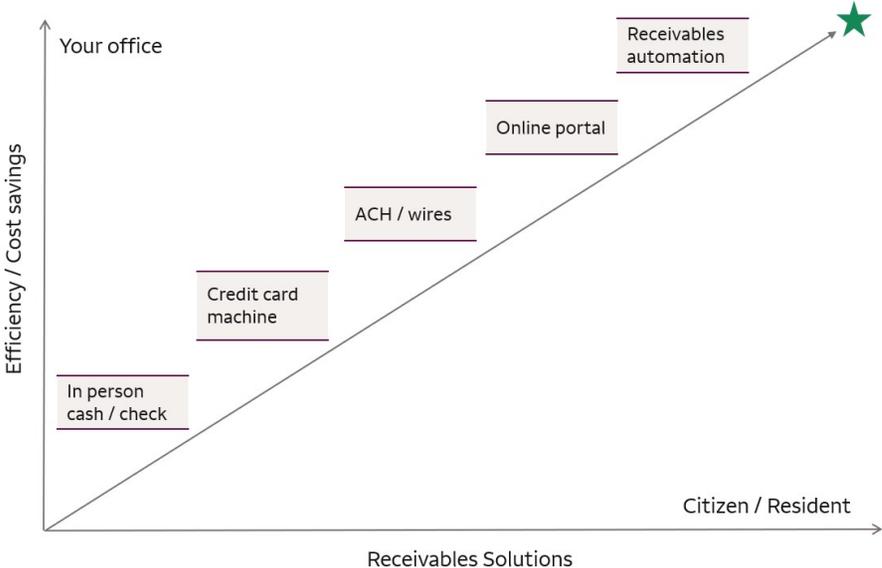
Where are you along your payment collection journey?

Call to action: Payment collections checklist. Where do you want to be?

Revenue stream/payment type	Cash	Paper Check	In person credit card	ACH	Wires	Online Portal
Property taxes						
Special assessments						
Sheriff						
Detention/Jail						
Court						
Department of Transportation (title/transfer/sales tax)						
Parks						
Public works						
Animal control						
Fairgrounds						

WELLS FARGO

Thank you