

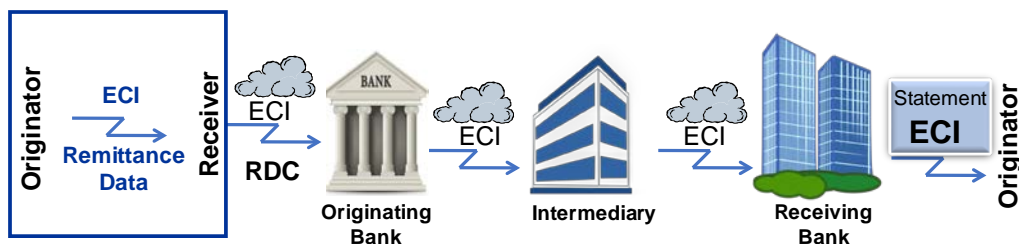
How Businesses Can Save \$20B+ Annually by Dropping Checks in Favor of ECIs, by David Walker¹

Economics drive business investment decisions whether the topic is a new plant, expanded inventory or an improved business process. You may be surprised to learn that, according to Phoenix-Hecht², businesses continue to prefer check payments over other payment types by a ratio of at least three to one even though other payment options have been available for several decades.

The cost of payments is a category of expense that is often overlooked when searching for places to reduce overhead, but it is a place where there is much low-hanging fruit for companies still using checks. Based on data from the *2016 Federal Reserve Payments Study*³, we can estimate that U.S. businesses could save over \$20B annually by dropping the use of paper checks in favor of Electronically Created Items (ECIs).

The use of ECIs can reduce the cost of business payments by eliminating the handling and transport of paper checks. What are ECIs? ECIs are fully electronic payments that are processed through the existing electronic check image system as if they were images of paper checks but that are initiated as electronic payments and that never exist in paper form.

Electronically Created Items



The process of clearing checks between banks has been fully electronic, using check images, since 2011 so the necessary investment by financial institutions has already been made and fully amortized. Using ECIs, businesses would continue to follow essentially the same processes as they do with paper checks but without the associated paper costs. The new business investments would include the formatting of

¹ 1 Published as All My Papers Newsletter, September 2018 at <https://allmypapers.com/how-businesses-can-save-using-ecis/>.

² The Phoenix-Hecht The Treasury Management Monitor™, conducted each year provides information on the business use of payments.

³ *2016 Federal Reserve Payments Study* – Estimated the number of B2B payments at 5.3 billion during 2016. The Association of Financial Professionals' *2016 Electronic Payments* reported that the median cost of a business to issue and receive a paper check was \$4.57 and the median cost of initiating and receiving an ACH was \$.11 to \$.25 per payment. Assuming that the cost of an ECI would approximate the cost of an ACH, the savings for businesses would be approximately \$4.32 (\$4.57 - \$.25 = \$4.32) per payment. Assuming 5.3 billion B2B payments, the potential business savings with full implementation of ECIs for only B2B payments would be approximately \$23 billion per year.

data that already exists on the company's accounts payable system and the transmission of the ECI (the payment) directly to the payee along with the remittance data.

We believe that this new financial model for businesses payments is compelling as other non-check payment options can require expensive front-end investments and disruptive changes to existing processes. However, with only a small front-end investment and minimal changes to existing processes, ECIs will significantly reduce the costs of payments with a near certainty of significant financial return giving the small initial investment required.

As stated at the outset, the potential savings for businesses is in the tens of billions per year, every year. The potential business savings for business to business payments alone is approximately \$23 billion per year. Our view is that adopting ECIs for B2B payments is a good economic decision for business that still use checks.