



# The Cost Savings of Digital Payments

Digital payments are a key fixture in the revolution of convenience. Businesses that can't accommodate this change risk losing revenues to competitors who can. Fortunately, the costs of integration have fallen dramatically, putting it well within the reach of all businesses.

Innovations in digital/electronic payments combined with surging mobility adoption will continue to drive online transactions adding more than \$1 trillion to the global market by 2027. E-retail maintains the largest share of online commerce with 40% to 60% of the total spending. The global migration to digital transactions continues to expand, making accommodation for digital payments a requirement for companies to remain relevant.<sup>1</sup>

## Advantages of digital and electronic payments

Digital payments are noncash transactions using credit cards, debit cards, pay/prepaid cards, Automated Clearing House (ACH)/electronic checks, wire transfers, Real-Time Payments, and mobile wallets.



Access is one of the greatest advantages. Digital and electronic payment platforms provide 24/7 access for customers to make purchases. Companies can generate sales past regular business operating hours.

Payments can be accepted globally and from different currencies. By default, digital payment platforms will automatically convert payments to U.S. dollars (USD). Businesses can also opt to accept payments by cryptocurrencies like bitcoin and ether, which are pure

digital currency. You can broaden your reach online. Businesses that sell membership or subscription services will find automated recurring billing options extremely convenient, which is standard on most digital payment platforms.

For over a decade, end users of payment services, including consumers, businesses, and corporate entities, have been articulate about the need for speed in payments. In addition to speed, comprehensive remittance payments information, security, and lower costs of processing were equally important. The implementation of the U.S.-based Real-Time Payments system will lay the foundation for a digital ecosystem that promotes innovation, enables better stakeholder engagement, reduces systemic risks, and improves operational efficiency. Real-Time Payments will also enhance competition and collaboration, create new revenue streams, and enable cross-border business, besides extending banking services to widespread areas.

Access also applies to business owners as they can view analytics, reports, and transaction details from home, office, or on the road via a mobile app. Platforms provide a seamless process for record keeping.

For consumers, the ease of access (online, mobile, or phone support) and instant traceable responsiveness can be irresistible. As tech-savvy digital natives, millennials and Generation Y consumers are likely to have an affinity for digital transactions for both purchases and peer-to-peer transactions. Tapping into this segment of the nation's largest consumer demographic mandates having electronic payments enabled.

## Customer and database management

Since data is tracked and accumulated, many digital payment platforms provide customer and database management tools in addition to analytics and reporting. Online marketing and promotional campaigns through e-mail and social media can now generate return on investment (ROI) by providing the links to your e-commerce site. The beauty of this database is the composition of hot leads that are familiar with your products with proven purchase histories. Companies can cultivate this relationship into sales.

## Cost savings

Enabling electronic payments cuts down on administrative and office supply costs. Transactions are performed and tracked online and often batched to a spreadsheet and saved on a flash drive or via the cloud. Receipts are generally delivered via email and short message service (SMS) notifications. This enables companies to save money on materials (paper, envelopes), postage (stamps), printing (paper invoices), and storage expenses. Additional savings may arise in labor costs since fewer humans are involved in handling payments.



## Customized setup

The cost to implement an electronic payment system varies based on the scale and usage. Usually, there is no set-up fee, only transaction fees. Fintech vendors provide complete end-to-end solutions through their platforms that automate processing, reporting, and analytics.

Businesses that want to keep the transaction sequence in-house with customized design and website maintenance would need to consider the labor costs involved with programming and maintenance. The cost of integrating digital/electronic payments onto your website depends on the complexity of installation. If you want to maintain an online store, then costs come down to hiring programmers to install electronic payment platforms and design the online store.

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## Low-to no-cost setups

Setting up online is as easy as registering with an e-payment provider's network and linking your website and bank account. Competition among providers and networks has driven down costs and onboarding time and resulted in additional features. Some vendors offer complete solutions for both online and on-location payments. They also provide online store creation apps embedded with shopping carts that facilitate digital transactions for your website. Major players allow businesses to set up electronic payments by just linking a bank account and email. Others provide physical card readers that attach to tablets and smartphones that enable face-to-face digital payments.



## Pitfalls to avoid

Make sure to clearly display refund and exchange policies on your website. Chargebacks can incur additional fees. Any disputes tend to favor the card member first, as the burden is on the business to validate charges and policies. Have a dispute resolution process in place complete with screenshots of refund policies and legalities to support your case. In cases of fraud, the business owner is usually the party to take the hit as card members are protected. Therefore, it's important to pay attention to the log reports to monitor any excessive purchases and seek additional verification.

The low costs to implement, coupled with opportunities to boost sales by reaching a larger audience, make implementing digital/electronic payments an absolute necessity for businesses to stay competitive in today's marketplace.

## Let's talk about your business.

For more information on KeyBank's capabilities, contact your KeyBank Relationship Manager.

The Cost Savings of Digital Payments | 2 of 2

<sup>1</sup>"Global Payments 2018: Reimagining the Customer Experience." The Boston Consulting Group. [http://image-src.bcg.com/Images/BCG-Global-Payments-2018-Oct-2018\\_tcm9-205095.pdf](http://image-src.bcg.com/Images/BCG-Global-Payments-2018-Oct-2018_tcm9-205095.pdf)

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