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IQ Back Office Takes Aim at Paper Payments

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B2B payments technology provider IQ Back Office insists that many companies can turn their accounts payable department into profit centers by using electronic and virtual card payments for vendor invoices.

Too many firms work with stacks of paper and take two or three weeks to pay a bill, says David Schnitt, CEO of El Segundo, Calif.-based IQ Back Office.

With electronic or virtual payment options, businesses can take advantage of potential discounts by paying vendors faster, Schnitt says.

IQ Back Office tries to help companies resolve AP department roadblocks by establishing electronic payments, setting up a virtual MasterCard, introducing a purchase-card program to replace petty cash, and incorporating other time and money-saving practices in the B2B process. IQ Back Office enables disbursement through checks, ACH, wire transfers or credit cards with rebates.

Companies are more open to outsourcing payment disbursement than when IQ Back Office started offering AP assistance in 2002, Schnitt says.

"In the past, they were happy with us processing their invoices, but they didn't want us touching their checks," he says. "It has changed to the point where now all new clients want us to print checks for them because it was a hassle and no-value proposition for them to do it."

Through its work with partner ComData, IQ Back Office is able to offer its clients the use of a virtual MasterCard, which creates a secure one-time-use card code. The IQ client receives the card rebate.

IQ Back Office's purchasing card program takes aim at petty cash, Schnitt says. "It's not a new concept, but a p-card system can help implement better controls."

Large corporations that have embraced card payments, while getting a significant percentage of their suppliers to accept them, have turned their AP department into a profit center, says Nancy Atkinson, B2B payments expert and senior analyst with Aite Group.

But such a scenario does not come without challenges, Atkinson adds.

Use of a virtual one-time payment card is a significant help to a company's AP process, but suppliers often don't want to pay interchange on a large sum, Atkinson says.

"If it's a million dollar item, they would have to pay 1 to 2% interchange on that," Atkinson says. "That's a lot more expensive than ACH or even a wire transfer."

Companies would have to weigh a payment method's cost and other attributes against its speed, Atkinson says. "There are a number of different routes to take with this. A company could also agree to accept a payment

early and provide a further discount to a payer through an ACH, instead of a card," she adds.

Various other companies are looking to put their stamp on more efficient B2B payments through automation or storing of transaction data. [TraxPay Inc.](#) in Germany seeks to overcome the snags that payments may hit in traditional banking systems, while [NVoicePay's cloud-based system](#) provides a single card number for corporate clients to use when paying vendors.

IQ Back Office goes through the SSAE 16 auditing standards process, which means its clients don't have to go through an audit in the AP department. "That's a big deal for clients, because it's a hassle for accounting folks," Schnitt says. "When we say we have our SSAE 16 in place, it takes a lot of work off of them."

Companies using IQ Back Office have the option to offer vendors faster payments based on a discount tier. Vendors generally appreciate the ability to choose a payment option because it helps them monitor cash flow, rather than simply being rigid with only one type of discount for customers, Schnitt says.

IQ Back Office charges a flat fee per invoice, Schnitt says. Schnitt did not disclose the fees. It has more than 70 clients, ranging in size from \$7 billion in annual revenue to \$15 million. On average, clients generate about \$450 million in revenue, Schnitt says. The company processes about \$10 billion in B2B payments a year.

IQ Back Office also has locations in India and the Philippines.

