

The Hidden Costs of Checks

Encouraging Customers to Move Away from Checks Has Advantages

In today's complex economic environment, home heating retailers are looking for innovative ways to streamline cash flow and ensure prompt payments from customers. Unfortunately, many are unaware of the best methods to achieve these goals.

After 10 years working exclusively in the home heating industry, AVATAS has processed payments for nearly 1,000 energy companies. One of the top cash flow tips we share with our clients is to discourage the use of paper checks. This seems counterintuitive, but checks require a longer wait period than credit cards. This means that your company is paying for the time spent waiting for the check to arrive in the mail and then waiting for this same check to clear. In your industry, this wait period averages over 30 days! In addition, payment-posting expenses can quickly add up. Consider the costs and labor that go into envelopes, stamps, etc. — it's outdated and inefficient. To top it all off, you don't want to risk facing bad debt with a bounced check from a customer.

Put a plan into action to convince your check paying customers to convert to electronic payments. Many credit card companies already offer resources to do just that.

Despite all of the negative associations with checks, many of your customers may still be using them out of habit. If this is the case, you should take the opportunity to convert check-paying customers over to electronic payments. Doing so puts the funds in your account within 24 hours and places the collections obligation back on the credit card company. Here are just a few conversion strategies to keep in mind:

- 1) Recommend the use of credit card payments, specifically MasterCard. By encouraging customers to go on a regularly scheduled credit card payment plan, your company will automatically receive payment on the exact due date. And when it comes to transaction processing fees, MasterCard Utility rates are much lower than competing credit cards.
- 2) Simplify the electronic payment process.



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Does your business have a website? If so, it makes sense to offer customers the option to pay directly online. They will appreciate the convenience and be more likely to take advantage of electronic payment opportunities.

- 3) Use promotional tools to persuade customers.

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Many credit card companies already offer resources to do just that. For example, the Stand Up to Cancer program encourages customers to use MasterCard by donating a portion of each payment to a nonprofit organization dedicated to funding cancer research. Not only will your processing fees be lower, but your customers will also be taking part in a worthy cause.

Over a decade ago, Congress passed a law that allows banks to use electronic images of checks to process payments instead of relying on the hard copy of the checks themselves. While this was a step in the right direction, the check still has to be written, which costs time. We may see such payment trends continue to evolve in the future, as more people integrate electronic and mobile payments into their everyday lives. As a result, customers will likely begin to expect the same speed and convenience in all types of business transactions. But until then, the hidden costs of checks are too great to ignore. Contact AVATAS for more information on these topics, including customer case studies that demonstrate the success of the conversion strategies discussed in this article. **IFON**

Tracy Richmond is the co-founder of AVATAS Payment Solutions. AVATAS focuses on payment automation while reducing expenses the energy industry pays for transactions with MasterCard, Visa and Discover. It also provides a full array of payment options including online payments, EFT, mobile payments and check by phone. AVATAS can be reached by phone at 866-849-8800 or info@avataspayments.com. Website: www.avataspayments.com