



WHITEPAPER

HOW BANKS WIN CORPORATE PAYMENTS MARKET SHARE

SUMMARY

A partnership with CSI provides banks with a distinct competitive advantage and the ability to capture market share in one of the most dynamic sectors within the world of financial services: corporate payments.

Whether through the software licensing of CSI's platform (white-labeling) or a referral partnership, banks gain the ability to go to market quickly with a fully supported, end-to-end electronic payments program.

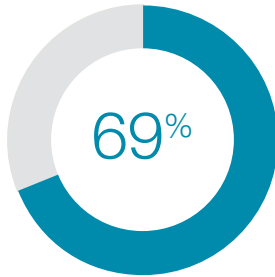
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THE MARKET NEED

While banks have mastered the traditional payment services that businesses need, i.e. checking accounts, ACH and wire transfers, as well as the issuance of corporate credit cards, these conventional offerings have remained largely unchanged for decades.



RPMG estimates that electronic accounts payable solutions will grow 69% from 2014-2018.ⁱ

Lacking a focus on innovation, banks often do not have the ability to rapidly develop offerings built on more modern technology. Further, electronic payment solutions are costly to launch, implement and support, and many financial institutions – particularly regional and community banks – may not have the budget or resources to independently support such programs.

Research shows a growing demand among businesses for more innovative electronic payment offerings that have proven their value for delivering increased security, efficiencies, savings and new revenue streams. For example, according to RPMGⁱ, electronic accounts payable solutions are expected to experience a 69% growth rate from 2014-2018.

This gap between demand and supply is causing much pain within the banking industry, with institutions realizing that if their corporate payment offerings don't soon expand beyond limited online banking and ACH services, customers will find the more sophisticated electronic payment systems they desire elsewhere. Consequently, banks are experiencing a reduced payments market share and profitsⁱ.

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THE PROBLEM

With a crystal clear market need, why aren't financial institutions jumping to develop this next evolution of commercial payment services? Developing these services would require significant investments in time, resources and capital – none of which are readily available to most banks.



Implementation of an end-to-end banking system can take 18-24 months or more.

Among other things, such product development means:

- Mastering and implementing innovative technologies
- Hiring and training top-tier support personnel
- Gaining and leveraging expertise in the payments industry

All of which equals significant capital investment.

The harsh reality is that for banks, time is not on their side. Market adoption of innovative electronic payments such as virtual cards and mobile technologies is surging, and commercial customers seeking to protect their company's bottom-line are not going to wait 18-24 months or more for a bank to develop and implement its own system.

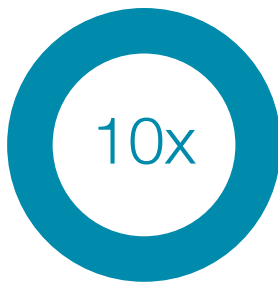
Banks must find a cost effective way to go-to-market quickly with more innovative payment offerings for commercial clients. For banks that are partnering with CSI, this is exactly what they have found: a turnkey, end-to-end solution that allows banks to immediately offer an integrated payables solution with no investment and no integration necessary.

CSI offers a turnkey, end-to-end solution that allows banks to immediately offer an integrated payables solution with no investment and no integration necessary.



THE SOLUTION

CSI offers banks a compelling alternative – one that requires very little time, resources or capital. A partnership with CSI provides banks with the ability to effectively outsource this crucial function to an industry leader in electronic payments. The end result is the addition of innovative corporate payment solutions to the bank's portfolio, providing a competitive edge and the modern solutions needed to retain clients and increase card spend.



The average virtual card transaction is ten times larger than a traditional PCard transaction.

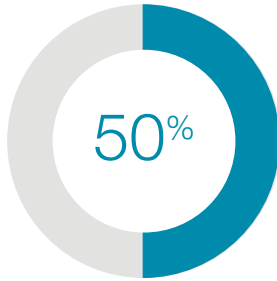
At the core of CSI's solution is innovative virtual card technology, which allows businesses to issue secure, single-use credit card numbers for each payment. The spend limit is equal to the approved invoice and once the transaction is complete, the single-use card number becomes invalid thus avoiding the risk of fraudulent charges should the card number ever be compromised.

A July 2015 study by Paystream Advisorsⁱⁱⁱ reports that today, virtual cards represent only 11% of commercial card types. Yet with the tremendous benefits offered by virtual cards, including those explored in CFO.com^{iv}, growth is expected to surge. Those companies that use virtual cards report the highest level of satisfaction among all forms of payments^v. What's more, the average virtual card transaction is ten times larger than a traditional PCard transaction^{vi}, which is good news for banks striving to grow commercial card spend.

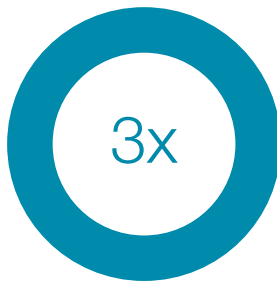
Virtual cards have the highest level of satisfaction among all forms of payments and the average transaction size is ten times larger than traditional PCard transactions - good news for banks striving to grow commercial card spend.

SOLUTION OVERVIEW

CSI Paysystems is an industry-leading electronic payment system that offers customers superior control, security, efficiency and a new source of revenue.



We can immediately show 30-50% acceptance for any prospect



Vendors accept CSI Paysystems payments 3x more than other card programs

CSI Paysystems Program Highlights:

Secure Payments – Web-based electronic payment system that leverages single-use virtual credit card numbers for vendor payments, with additional payment options for non-card accepting vendors including ACH and check.

Integration – Robust APIs that allow for payment flow automation and integration with ERP and other third party systems.

Outstanding Enablement - Industry leading enablement program that is proven to exceed other card providers by 3x. We can immediately show 30-50% acceptance for any prospect, which drives more card spend and revenue back to you and your customers.

Support – Innovative solutions supported by dedicated in-house account teams that are attentive, knowledgeable and AP certified.

Long-Term Sales Opportunities – Additional products in CSI's portfolio of payment solutions will expand the payment offerings that banks can bring to their commercial clients, including innovative virtual card payments for mobile and/or business travel.

Value to Banks – the 4 S's

Solutions – Expands commercial portfolio to include innovative payment solutions with little to no capital investment required.

Success – Banks gain new revenue based on program card spend. Their corporate clients gain the most successful electronic payment program in the market – vendors accept CSI Paysystem payments 3x more than other card programs – which results in more card spend, greater savings and more revenue.

Support – CSI's award-winning customer support teams service both you and your clients. Banks have the option of contracting with CSI to provide the support, or CSI can train your team to effectively manage the program.

Sticky – CSI Paysystem delivers immediate ROI for clients. This extraordinary 'sticky' will build strong loyalty among the bank's clients.

The net result of a partnership with CSI? Banks gain a long-term competitive advantage with minimal financial investment, very little time commitment, new revenue for both you and your clients, and assurance that commercial clients are being treated with the utmost care from CSI's award-winning support teams.

TWO PARTNERSHIP MODELS

Banks enjoy the flexibility of having two options for leveraging CSI's Paysystems solutions, either of which bring extraordinary value to banks and their commercial clients.

1. The Integration Model

With the integration model, banks gain a fully integrated payables solution, with payments issued through the bank's own BIN. In this model, CSI's award-winning front-end user interface is fully branded as the bank's brand, with MasterCard's In Control for Commercial Payments enabled in the back-end.

MODEL OVERVIEW

- Bank licenses the use of CSI Paysystems as a fully branded front-end corporate customer user interface (UI) to support the integrated payables solution.
- CSI Paysystems generates virtual credit card payments through the bank's MasterCard BIN with MasterCard Purchase Control enabled (GPS is fully mapped into Purchase Control).
- CSI Paysystems acts as the bank's 'program manager' and will provide training to the bank's team, imparting best practices and proven success tips to ensure successful management of the payables program.
- Bank also has the option of selecting 'à la carte' service options if they'd prefer CSI to manage and maintain the payables program, including sales support, corporate account implementations, vendor enablement, manual payment processing, outstanding card management and day-to-day customer support for the bank's customers.
- Bank earns revenue through basis points paid based on the program's virtual card spend volume.

To ensure a complete payables offering is provided, CSI can also provide the following payment options to ensure that 100% of a client's payables can be processed through the system:

- **Check printing** - outsourced check printing services with checks settling out of customer's bank account(s).
- **ACH** - generate NACHA files to bank for ACH qualified payments (requires additional integration work).
- **Private Network** – for non-accepting card vendors, the CSI Paysystems provides another electronic payment option with direct settlement into the bank customer's account.

TWO PARTNERSHIP MODELS

2. The Referral Model

Banks that are not ready or able to commit to launching their own branded payables solution can still win by referring CSI Paysystems solutions to their commercial client base. In the referral model, the bank simply refers their commercial clients to CSI and CSI does the rest.

Model Overview

- Bank refers its corporate customers to CSI and earns a monthly referral fee.
- Referral fee is paid in basis points and is based on the program's virtual card spend volume.
- CSI contracts directly with the corporate customer for purposes of establishing an account to issue virtual cards through one of CSI's issuing relationships.

CSI manages the program end-to-end, including the following activities:

- Sales and marketing (independently or jointly)
- Implementation between ERP/accounting system and CSI Paysystems user interface
- Vendor enablement
- Customer training and day-to-day customer support
- Manual payment processing
- Management of outstanding cards
- Rebate administration
- Reconciliation support

Banks enjoy the flexibility of having two options for leveraging CSI's Paysystems solutions, either through an integration or referral partnership, either of which bring extraordinary value to banks and their commercial clients.

CONCLUSION

In its 2015 Payments Industry Trends article, PwC reminds us that the payments industry was a quiet corner of the financial world before being thrust into the spotlight in 2014^{vii}. Unprecedented data breaches made headlines and the competition heated up from both innovators and long-standing card rivals. Meanwhile, financial institutions battled increased regulation, lowered margins and a desperate need for new revenue streams. PwC summarized the space as follows:

“Given this complex and thorny environment and the prospect of reaching millions of new customers in emerging regions, payments firms must be responsive to customer preferences, prepared to develop valuable new features, and sufficiently nimble to anticipate and counteract competitive activity in order to thrive.”

Most banks do not have the knowledge, agile culture or resources necessary to meet this need on their own. By partnering with CSI, banks gain the ability to win the race for corporate payments market share and continue to grow their commercial card business with technology that will meet customer needs today and tomorrow.

ENDNOTES

i - RPMG Benchmarking Survey

ii - [American Banker, June 5, 2015, NACHA's 'Faster Pay' Move Won't Help Banks Protect B2B Share](#)

iii - PayStream Advisors, Electronic Payments and Card Solutions in 2015, Q3 2015, page 9

iv - [CFO.com, May 15, 2015, McCann, David: Will Virtual Cards Finally Find a Big Market in AP?](#)

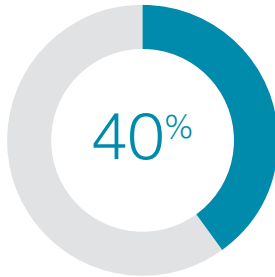
v - October, 2014 study commissioned by AirPlus, Non-Traditional Travelers: The Payment Quandary, page 3

vi - RPMG Benchmarking Survey, 2014

vii - [PwC Strategy&, 2015 Payments Industry Trends](#)

ABOUT CSI

CSI is a wholly owned subsidiary of privately-owned CSI Enterprises (founded in 1989). The company is a leading provider of innovative corporate payment solutions to financial institutions and corporate customers.



Growth rates of 40% and greater each year since inception



Over 1,000 proven implementations

Over 10,000 corporate customers, including some of the world's most iconic brands, rely on our secure payment offerings that include integrated electronic payables, virtual card payments for business travel and mobile, and fleet fuel and corporate purchasing card solutions.

Since introduced in 2009, CSI Paysystems has grown to be an industry leading virtual card payment solution. With growth rates at 40% and greater each year since inception, CSI is making tremendous strides in enabling businesses and financial institutions to replace inefficient paper check payment processes with more efficient electronic payment alternatives.

In 2015, CSI was twice recognized as a CODiE Award finalist, named among the software industry's best financial management solutions and enterprise mobile apps.

Key Company Highlights:

- Multi-billion dollars in payments processed annually
- MasterCard alliance; joint solution with MasterCard for issuers and end corporates, combining MasterCard In Control for Commercial Payments with the CSI Paysystems user interface and enablement program
- CSI Paysystems offers diversified payment options including virtual credit cards, ghost cards, corporate P-Cards, Private Network, ACH, foreign exchange, and check disbursements
- PCI & SOC Certified
- Proven and easy implementation process with over 1,000 implementations
- Superior vendor enablement and account management teams with AP certified relationship managers

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