

# Why Universities are Making the Switch to Cloud-based Payments

Higher costs are pressuring colleges and universities to look for ways to operate more efficiently. One option is online payments, which can be more cost-effective than manual systems or on-premise software. In addition to saving money, online payments can help institutions get a better read on spending and improve supplier relationships.

Higher education institutions face a variety of challenges. They are facing higher expenses and at the same time are faced with declining enrollment, tuition discounts and lower returns on endowment investments.

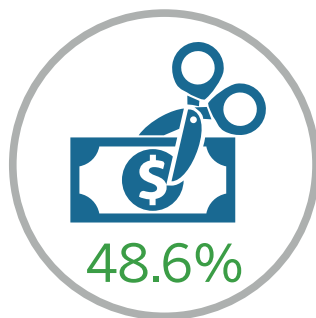
**Enrollment decrease since fall 2012** <sup>1</sup>



**Net tuition revenue growth at private colleges/ universities declined in 2014–2015** <sup>2</sup>



**Tuition discount for first-time freshmen 2015–2016** <sup>3</sup>



**Endowment investment returns declined in 2015** <sup>4</sup>



1. National Student Clearinghouse Research Center, [Current Term Enrollment Estimates](#), Fall 2015, NSCRC, Dec. 15, 2015, 2. National Association of College and University Business Officers, [NACUBO press release](#), May 16, 2016, 3. NACUBO, 4. NACUBO-Commonfund Study of Endowments, [NACUBO press release](#), Jan. 27, 2016.

## Technology to the Rescue

Better internet connectivity, high-speed bandwidth and software development have led to a surge of cloud-based, online platforms for business functions. During the 2015–2016 school year, higher education institutions are estimated to have spent an average of nearly \$17 million on technology, including online platforms, according to a University Business survey.

Online payments:

- Remove schools' reliance on paper, making them more efficient
- Help institutions pay suppliers faster, virtually eliminating late payments caused by lost checks
- Help reduce transaction processing costs by being cheaper to process than paper

Institutions that switch to cloud-based and other electronic payments are in good company. Nearly 80% of organizations in all industries are transitioning b2b payments from paper to electronic payments to increase efficiency, reduce costs and prevent fraud, according to the Association for Financial Professionals.<sup>5</sup>

Online payments provide more precise reporting, giving schools information that they can use to better manage supplier relationships and monitor faculty and staff spending. "They can create controls on the front end, and compliance tools on the back end," according to Bill Temme, an American Express large market client group manager who has helped guide universities through the switch. Newer online payment platforms are more comprehensive than first-generation systems, covering expense management and procurement, for example. They're also more likely to integrate with accounting, ERP or other business systems.

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### Value of Online Payments

Paper payments	Online payments
Slow, expensive, paper checks can get lost	Fast, efficient, reduces transaction processing costs
Unable to provide in-depth reports	More precise reporting and data analysis
Little to no integration with other business systems	Some platforms cover multiple services, integrate with accounting, ERP and other business systems
Potential for misuse, errors and fraud	Provides protections that help avoid fraud, other problems

5. [2015 AFP Payments Cost Benchmarking Survey](#), Association for Financial Professionals, April 2016

## The Payoff of Online Payments

Universities that switch to online payments can turnaround expense reimbursements and supplier payments more quickly, a win for employees who administer and use the systems. Online payments also allow schools to:

- Use mobile devices and apps to track expenses, and scan and submit receipts
- Track progress of reimbursement requests
- Integrate expense reporting with other business processes, which helps staff in different departments feel like they're part of a team with common goals
- Review spending to maximize relationships with existing suppliers, and look for opportunities to contract with new ones
- Promote and enforce policies and contracts

## Steps to Making the Switch

Getting buy-in to switch to online payments can be challenging, as changes may upend established protocols. If online payments replace manual processes, this could eliminate jobs, which helps the bottom line but may create personnel issues. On top of that, some schools may need faculty approval for changes that affect them.

**Getting senior leadership to support a switch can help ensure a smooth transition.**

Getting senior leadership to support a switch can help ensure a smooth transition. When senior leaders back initiatives, communicate how changes will benefit the organization and hold departments accountable, schools are more likely to achieve success.

### Virtual credit cards for T&E payments

Switching to online payments for T&E expenses may be easiest to implement because the process is less complex. One option for setting up T&E expense payments:

Form an implementation team with stakeholders from affected departments.

Identify faculty, staff and other end users.

Detail covered expenses, including travel, meetings, petty, etc.

Decide how the platform will interact with existing systems.

### Accounts payables

Accounts payables can be more complex to implement because schools need to approach individual suppliers. One possibility for getting started:

Form an implementation team with stakeholders from affected departments.

Review suppliers to decide which are more likely, prepared to benefit from a change.

Identify suppliers that do & don't need to authorize customers switching to a different payment platform.

Decide how the platform will interact with existing systems.

## Training and Implementation

Once a system is ready to go, inform employees and offer training.

- Post how-tos, manuals, slideshows and policies on your website. St. Louis University lists relevant information about its [American Express® Corporate Purchasing Card](#) on the Business and Finance pages.
- Offer classes, and set up customer relationship management (CRM) software so employees can use it to submit questions or problem tickets.

The time it takes to get online payments up and running depends on the platform, prep work an institution does, resources they've invested, and readiness of their IT infrastructure.

- A T&E deployment could take four to six weeks, including communications and training.
- Purchasing card programs can take four to eight weeks, less if a school starts small and adds suppliers over time.
- Instituting virtual payments or other sophisticated payment types could take several months as organizations need to ensure proper technology is in place before discussing options with suppliers.

## Summary

Higher education institutions are looking for options to minimize business expenses and operate more economically. Online payments can help streamline processes, which could help make them cost effective while also leading to satisfied end users and suppliers. Switching to online payments for T&E expenses is a good first step because it's easier to implement. Accounts payables can be equally effective but could take more time to onboard suppliers. Either way, getting support from school leadership, communicating with users and providing adequate information and training can help improve the likelihood of a successful transition.

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