COMPREHENSIVE BUYER'S GUIDE

to Media Payment Processing Systems

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TABLE OF CONTENTS

ABOUT THIS GUIDE

Let's face it, media finance is incredibly complex. Media agencies have to contend with intense pressures from multiple angles. They are increasingly scrutinized by advertisers who want greater transparency and accountability for how their media dollars are being spent, while also pushing agencies to cut costs and do more for less. Media suppliers are demanding faster payment from agencies. As advertisers increase their ad spend across multiple media types, the volume of both invoices and invoice discrepancies continues to grow, especially for digital media, causing friction within agencies and strained relationships with strategic partners and clients.

COVID-19 has dramatically changed the way companies are approaching their media mix and their buying strategy. As news and public sentiment changed on an almost weekly basis, it became imperative for agencies to have unprecedented flexibility and agility when it comes to their purchasing decisions. Combined with the necessity of remote or distanced workspaces, AP departments nationwide were forced to undergo a digital transformation process practically overnight lest they be left in the dust. Balancing agility with security became many agencies top priority when it came to their software solutions.

Many of the challenges agencies face in the wake of this complexity stem from labor-intensive and inefficient manual media finance processes. By leveraging automation across the media payment life cycle, from receipt of invoice through the delivery of payment, agencies can realize tremendous benefits including reduced costs, increased efficiency, control and visibility of payments, improved supplier relationships, and increased revenue.

This guide is designed to help agency decision makers that are considering an electronic payment solution identify their requirements, prioritize their needs, and examine the types of solutions available in the marketplace.

Existing finance processes are unable to scale to meet the evolving demands of advertisers and media suppliers. Unfortunately, the pressures continue to increase and agency finance leaders must struggle with questions like these:

- How can I effectively serve clients while simultaneously reducing costs?
- How do I increase governance and transparency to give both advertisers and suppliers confidence in our organization's finance processes?
- How can I improve media finance process efficiency with outdated and labor-intensive business practices?
- How can I identify ways to improve the bottom line for my agency?

In the following pages, you will find:

- An overview of the current media finance challenges
- The benefits that an electronic payment solution can offer
- Key criteria to consider when comparing potential solutions
- Checklists agencies can use to assess their priorities and needs
- A brief overview of the FastPay Network
- A set of resources with access to additional information

THE POST-PANDEMIC CHALLENGES OF MEDIA FINANCE

Post-pandemic challenges

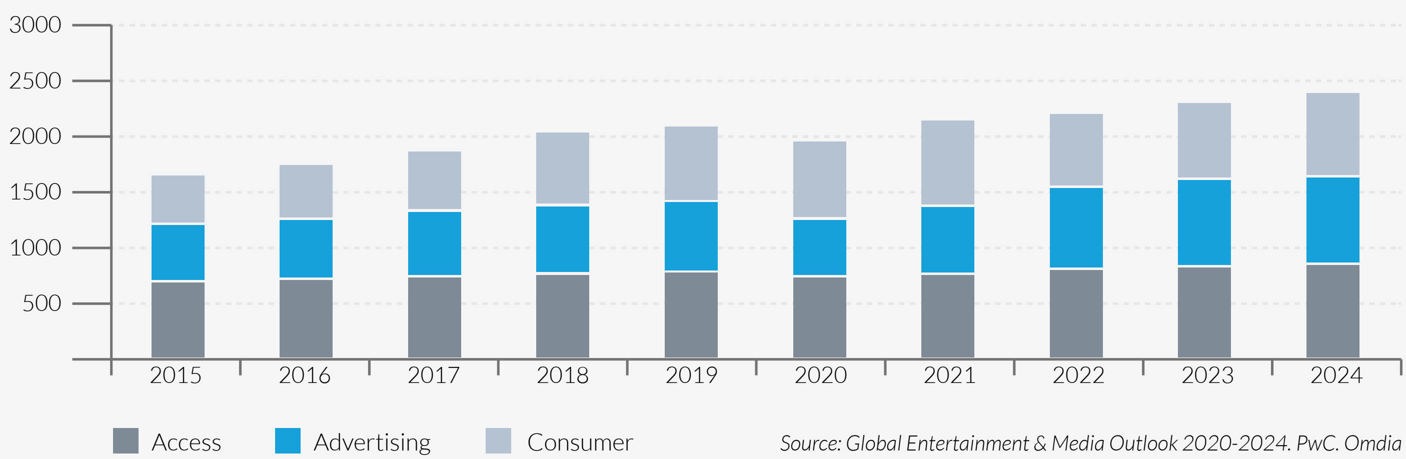
It's no secret that managing cash flow is the #1 priority when it comes to running any business. With COVID-19 showing many media companies just how close they are to potential bankruptcy due to uncontrollable circumstances, agencies everywhere are reevaluating their income channels and adjusting significantly. Combine that with a greater emphasis on security and remote-capabilities, media executives are facing major challenges maintaining business continuity when the landscape is changing from week to week.

Reducing costs

Media agencies are dealing with an endless array of challenges and scrutiny. Advertisers continue to seek cost reductions in media fees, despite the fact overall ad spend continues to grow.

ADVERTISING WILL BE HIT THE HARDEST BY THE PANDEMIC

Global, total E&M revenue split by type, 2015-2024 (US$bn)



Source: Global Entertainment & Media Outlook 2020-2024. PwC. Omdia

Advertising spending has taken a noticeable hit due to COVID-19, setting back years of growth. Advertisers and agencies will likely have to wait until 2022 to see spend reach pre-pandemic levels according to PwC's Global Media and Entertainment Outlook.[i]

The growing diversity of an advertiser's media mix, including rising digital ad spend along with more traditional types, requires agencies to put more time into the planning and execution of media buys. Traditional media buying systems have changed very little over the years, failing to keep up with the evolution of the market and rising customer demands.

The limitations of these systems only add to the challenges media agencies face, often failing to provide them with a modern approach to managing a modern business. But despite this growing complexity, agencies are being asked to manage and optimize campaigns more aggressively and deliver these services at lower costs leading to significant margin pressure for the agency.

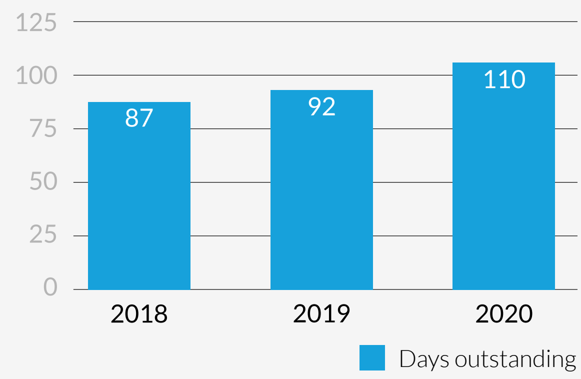
Increasing transparency to clients and suppliers

While looking to tighten costs and maintain margins for their business, agencies are being challenged by their advertiser clients to increase transparency and provide a better accounting of where their clients' media dollars are going. There is a stigma, and some claim an epidemic, of improper or careless industry practices. The ground-breaking 2016 K2 Media report, "An Independent Study of Media Transparency in the U.S. Advertising Industry", added to this pressure. K2 concluded that, "there were systemic elements to some of the specific instances of non-transparent business practices examined by K2, in that these practices appeared to be part of the regular course of business." The report found that many advertisers do not have "full access to the information necessary to assess the value of a media purchase and the associated margin." [ii] These findings have also made suppliers increasingly mistrustful of agencies and demanding more visibility into the media buying and reconciliation process.

Agency/supplier relationships

On the other side of the supply chain, media suppliers continue to blame agencies for slow payments. Despite the accepted policy of sequential liability, suppliers believe the agencies are holding on to their money unnecessarily, either to benefit from cash float or, more likely, due to inefficient finance practices. Average DSO has increased 20% YoY according to internal FastPay data.[iii] Suppliers are pushing for more visibility into payment status while also trying to manage their own costs. As a result, agencies find themselves in the middle of a difficult flow of funds from advertisers through to suppliers.

AVERAGE DSO



Importance of remittance data

The complexity of media planning, buying, and payment execution increases the importance of effective agency tracking, management, and reporting. Agencies rely on accurate payment data to manage their client's dollars, reconcile bank statements quickly, and provide necessary information to suppliers. Suppliers rely on remittance data to effectively process payments and relieve their companies of open accounts receivables. Often the lack of data that can be passed with a paper check or ACH payment (due to ACH limiting the amount of characters that can be included with payment) creates additional burden and cost for suppliers to process payments. Providing sufficient remittance data makes it easier for suppliers to accurately process and apply payments correctly, resulting in less phone calls and emails between agencies and suppliers to resolve payment questions. Virtual credit card payments provide a rich set of remittance data that reduces friction and creates greater transparency.

PAYMENT TYPE	BENEFITS	DRAWBACKS
ACH	Lower cost; reliable	Limited remittance data; difficult to reconcile; must have recipient's bank account info; longer time to transfer
Check	Better remittance data; good paper trail	Expensive; high fraud risk; slow to reach suppliers, often leading to unnecessary calls to agency
Virtual credit card	Secure; single use; efficient	Not accepted everywhere; processing fees
Wire	Speed/same day; cross-border	Expensive; difficult to recall

Supplier maintenance challenges

Every month, digital, radio, TV, cable, print, and out-of-home suppliers are merged, acquired, divested, change payment remittance methods, addresses, etc. New suppliers enter the landscape, and others disappear. If these changes are not properly tracked, payments will be sent to the wrong destinations. Unlike the postal service, which can typically reroute letters to forwarding addresses, emails and electronic payments are stalled or fail without attention paid to updating supplier data.

Agencies typically miss out on 20% to 40% of revenue share potential when using generic payment solutions because of industry changes, supplier portals, and data that is not synchronized with accounting systems.[iv]

On April 20th, 2017 the new chairman of the Federal Communications Commission, Ajit Pai, announced that it was reversing a 2016 ruling that limited major TV station ownership groups from purchasing more stations. The move freed up the market for new acquisitions. Mergers and acquisitions in the marketing and advertising industry overall increased 9% between 2018 and 2019 resulting in a total 1,410 deals. [v] Keeping up with the changing payment terms for media suppliers can disrupt business practices, create inefficiencies and result in payments being sent to the wrong destinations.

It is critical that agencies are able to quickly track these changes to maximize payment acceptance. FastPay customers benefit from our ongoing monitoring regarding changes to individual media entities and macro changes. FastPay's services team is in frequent communication with suppliers, so we know when changes or transitions are scheduled. We make sure our supplier database of over 70,000 buyers and sellers is up to date, as well as the agency's accounting system.

STARTING POINT: IDENTIFY AREAS FOR IMPROVEMENT

Media finance processes have been slow to evolve with the increasing mix of media and a broadening array of options for making payments. Agencies have been so busy keeping up with the industry's evolution, and the pressures to stay at the forefront of innovation, that evaluating alternative options and better practices have fallen to a lower priority or have been deemed "good enough". Other issues, such as a lack of EDI for certain media types or industry delivery standards for digital, have impeded agencies' ability to further streamline financial operations.

To manage the agency more effectively, the first step finance leaders need to take is to identify areas for improvement. Before doing so, it's important to understand that media finance is not solely a finance issue; it's a business issue. Protecting the organization, focusing on improved margins, and even driving the top line, requires a shift in the day-to-day operations and elimination of the "this is how we have always done it" mantra.

There are three major areas agency leaders should evaluate as they look for ways to optimize media finance processes:

1

Reducing friction points
Consider the entire media finance process within the agency. What aspects of that process are causing frustration within your workforce or between your agency and suppliers, or even worse, with your clients? Is it a lack of centralized communication? Is it tedious manual processes that hurt productivity and impact the efficiency of the business? Is it the inability to quickly and easily evidence supplier accountability and vice versa?

2

Increasing visibility and transparency
In light of the groundbreaking K2 Intelligence report that determined "non-transparent business practices were found to be pervasive"[vi] in the U.S. media-buying marketplace, advertisers are demanding more accountability and transparency from agencies. Are your clients and partners satisfied with the level of visibility they have into your agency's media buying and finance processes? Is the relationship between those parties strained because of mistrust or miscommunication?

3

Identifying areas that can have a positive impact on profitability

- Reduce time and create more efficiency for your team related to tedious manual labor spent on the payments process
    - Less time making payments
    - Less time fielding calls from suppliers
    - Less time maintaining supplier payment information
    - Reduce human errors
- Monetize your payments through revenue share and cash-back programs

THE OPPORTUNITY FOR IMPROVEMENT VIA AUTOMATION

One area that has been slow to move to a more efficient and automated approach is media payments. Many media suppliers accept electronic payments due to the improved processing efficiencies and richer payment and remittance data they provide. Still, many agencies continue to issue paper checks, missing out on the reduced cost and labor realized with electronic payments, as well as the additional potential revenue it can offer.

Some agencies have adopted electronic payment programs, but many have done so with generic payment providers. While this approach can deliver some benefits like improved payment efficiency, these agencies are missing out on additional value that comes with a payment solution designed specifically for the media industry. An industry specialist offers the ability to deliver more focused and accurate tracking of supplier changes impacting electronic payment acceptance, resulting in increased payment throughput and higher total revenue share. Managing the mix of media and a diverse set of suppliers creates challenges and complexities that generic payment solutions are unable to handle, resulting in lower supplier acceptance, missed payment opportunities, and increased need for costly manual intervention.

Tools for media finance

The good news is that with the right electronic payment solution in place, agencies can streamline the media finance process. They can optimize electronic payment volume and dollars to achieve maximum revenue share and greater efficiency. In addition, agencies can provide transparency and accountability to advertisers and suppliers to reduce friction and improve relationships.

The most effective media payment and finance systems should offer the following five capabilities and functionalities:

Payments reporting

Auditing

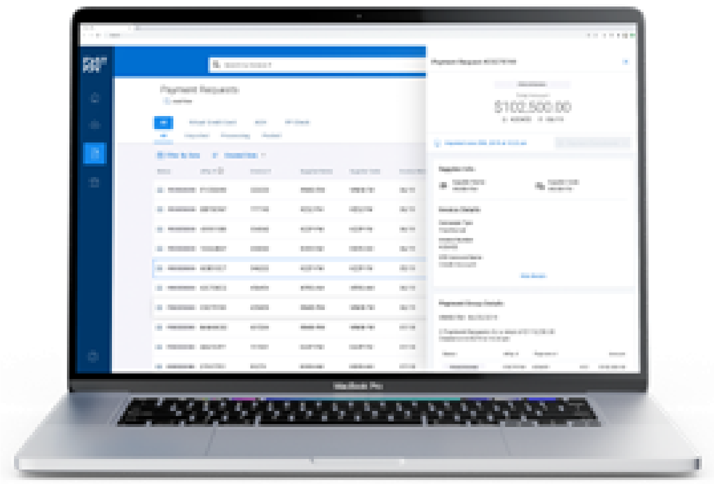
Executive analytics

Supplier data

Electronic payments

Electronic payments

An electronic payment is any kind of non-cash payment that doesn't involve a paper check, such as virtual credit cards. Agencies that use electronic payments can optimize efficiency and lower costs by reducing the use of paper checks and the labor involved with manual payments. With the real-time visibility and insight into payment tracking and reporting that comes with electronic payment solutions, agencies can better manage their accounts payable process. Suppliers can process electronic payments faster than paper checks, and benefit from receiving more robust and accurate remittance data so they can more precisely apply payments to open invoices. Agencies can also benefit through revenue share, turning media payments into a profit center by providing valuable income every time a payment is processed.



Payment reporting and analytics

Dashboards, analytics and reporting provide transparency and meaningful insights to help financial leaders run the agency more effectively. Leaders get a more comprehensive picture of the benefits of electronic payments including revenue recognition, forecasting, enrollment types, revenue share status, quarterly revenue goals, historical spending and more.

Audit

Sophisticated dashboards and real-time reporting provide payment tracking and insights to ensure the data the system collects and provides aligns with what is most important to your business. The system enables agencies to easily expose payment data that can be used by auditors when necessary.

Supplier Data

There is a lack of transparency around traditional payment methods like ACH and check. Modern payment solutions should leverage their supplier relationships in order to provide more visibility for AP departments into remittance data and related invoices. For example, FastPay Network has a database of over 70,000 suppliers that provides insight into suppliers, remittance and invoice data, and shows related invoices in a convenient dashboard. By making all this information available at a glance, AP departments can stay on top of their invoices and cash flow without having to wait on supplier confirmations and follow-up.

FASTPAY NETWORK | HOW IT WORKS

1. Agency submits payment file in ePay
2. FastPay notifies supplier of incoming payment
3. FastPay releases payment to supplier
4. Supplier receives ACH payment
5. FastPay invoices supplier for payments received (monthly)

CRITICAL REQUIREMENTS, PRIORITIES, AND SELECTION CRITERIA

There are numerous electronic payment solutions on the market. Figuring out which one is best for your business can be a difficult and confusing process. As you conduct your research and evaluations, there are a number of factors and requirements to consider:

Vertical expertise

Vertical expertise is important for generating optimal efficiency, maximizing revenue share, and providing tailored support to meet your specific needs. Rather than selecting a generic provider, look for an electronic payment solution that has been built from the ground up to meet the needs and nuances of media and advertising. When technology, data, software integration, and support come together solely for your industry, the result of this focus is greater payment acceptance, higher revenue share and smoother media finance processes.

Secure transactions

Security certainly needs to be considered and addressed when evaluating payment providers. Look for companies that offer PCI compliance, and that can limit card redemption to specific category codes (i.e. Advertising and Media, for example) so individuals or groups, not part of the advertising industry, cannot use the card number for fraudulent purposes. Also, ensure the solutions you are evaluating leverage a reputable and secure payment network.

Generic payment providers offer ghost cards that require suppliers to store a portion of a card number on file, and then receive the remaining card information when payment is distributed. This process requires more data for suppliers to track and keep on file, additional manual labor, and oversight is highly inefficient.

Support for electronic payments

To maximize security, control and minimize the risk of fraud, look for a solution that offers virtual single-use cards. Single-use cards are funded for the exact amount of payment, making it easier for suppliers to map payments to receivables. Once the transaction is complete, the number becomes invalid, minimizing the risk of fraud, eliminating the need for suppliers to keep any static card data on file, and ensuring compliance with the Payment Card Industry Data Security Standard (PCI). Merchant category codes are also leveraged, preventing single use cards from being used by a supplier outside of the advertising and media space. Single-use cards can be sent via secure email or fax, directly to an individual or accounts receivable department, providing more targeted remittance information to those responsible for payment processing and posting.

Maximizing payment throughput

Agencies should look for ways to get the highest volume of payments delivered electronically to increase efficiency, lower manual payment processing costs, and boost profits. There are a number of factors that you should consider during your search for an electronic payment system to maximize these benefits.

Achieve maximum revenue share through higher payment acceptance

Supplier acceptance is the most important factor in selecting a payment platform since spending and transaction volume sent electronically vs. paper is what ultimately yields revenue share and efficiency. Many electronic payment providers use the tactic of a high revenue share percentage to appeal to customers. But the revenue share rate is only one part of the equation, and has a limited ability to truly drive higher revenue share. The dollar amount of payments that can be sent to accepting suppliers has a greater impact on revenue share than the rate itself.

Accurate supplier analysis

It is important to understand how payment providers determine the volume of electronic media payments that can be sent to suppliers. The best solutions are able to compare your agency's supplier data with its own supplier acceptance data, instead of relying only on the credit card network's generic matching engine. Card networks' supplier database often does not accurately reflect acceptance policies specific to media and advertising payments. Analysis should be as specific as possible, providing clear and concise supplier payment information including suppliers who accept cards, those who accept under certain conditions, those that do not currently accept, and those that require additional validation.

Keep in mind that the ability to maximize electronic payment throughput is dependent on the accuracy and thoroughness of the provider's supplier database. Look for solutions that provide an authoritative and up-to-date database of supplier information, including:

- Supplier names and ownership groups (parent/child relationships)
- Clear representation of supplier payment acceptance status
- Payment policy tracking
- Payment method – e.g. email, fax, phone, portal
    - Suppliers requiring payment through dedicated payment portals
    - Conditional acceptance terms: Maximum/minimum payment amounts, net terms, political versus traditional media acceptance, transaction fees
    - Payment recipients: identifying who, at the supplier, is the proper contact for receiving electronic payments
- Ongoing supplier maintenance and change management: The system's database should track industry activity and its impact on supplier card acceptance, for example, FCC changes, acquisitions, ownership changes, divestitures, etc.

Automated payment compliance and processing with supplier portals

Achieving the highest volume of electronic payments requires compliance with supplier payment methods and terms, which can require agencies to pay through portals. Too often, electronic payment providers miss out on opportunities by not being aware of supplier-created payment portals or by inaccurately manually inputting payment data. Many suppliers enforce strict payment policies through the portals but do not proactively communicate these requirements to the agencies. Identifying a solution that knows the diversity and availability of payment portals, and can ensure accurate and automated data input, will drive higher payment throughput and a higher volume of electronic payments.

It is important to understand how much automation a payment solution actually provides when it comes to sending payments. Suppliers vary in their acceptance for card payments. Some allow for card payments but still require the agency to do all of the payment entry and submission on payment portals. This process still results in time and labor costs for the agency. Some suppliers also limit how many payments are made through the portals (iHeart), have different portals by region of the country (Time Warner), and have maximum dollar caps per payment (NCC).

Many payment providers require the agency to input this payment information itself, while others will staff internal resources to execute on behalf of the agency. This introduces both cost, time, and error. Look for a solution that can improve payment efficiency by removing the labor and time associated with making manual card payments. Certain payment providers offer the ability to automate portal payments with specific capability to identify and comply with supplier policies. This eliminates the risk of errors associated with manual entry. Automation also increases the speed and volume of payments that can be issued.

Quarterly vs. monthly revenue share

Getting a monthly rebate is not a bad thing. It makes sense for payments on items like office supplies, travel and entertainment and general day-to-day expenses. For example, you charge items to your credit card, make a payment and receive your travel points or cash-back reward, etc.

Because of this expectation, many generic payment providers have built their incentives based on a monthly cycle. But the reality is that media and advertising payment volume can be cyclical or seasonal in nature. Some months may have a higher volume of payments than others. A quarterly rebate factors in the cyclical nature of the industry, offering agencies higher rates based on higher volume.

For example, if you made payments of $1M in July, $1M in August and $8M in September, you would achieve a $10M tier for the quarter, and be paid out a revenue share rate equivalent to $10M in throughput. With a monthly revenue share option, you would receive a lower revenue share rate in July and August and a higher rate in September. A quarterly option factors in the nuanced pace of the industry and can offer agencies a stronger rebate over all.

High-level of service and support

Look for providers with a service and support team that understands nuances and complexities of media finance. The best electronic payment providers will approach the relationship with your agency as a partner and offer a broad range of services and support, including:

- An implementation manager to get the agency sending payments quickly
- Continued supplier activation and maintenance after initial implementation
- Payment follow up with suppliers to take the burden off of the agency's staff
- A focus on the media vertical as well as emerging media types to stay on top of opportunities to increase payment throughput
- Additional electronic payment throughput opportunities: In addition to tracking the agency's open accounts payable lists on an ongoing basis, the provider should also look into the agency's upcoming media buys to see what suppliers will be paid in the future to proactively activate these suppliers

"Our partnership with FastPay has been critical in that we can quickly and securely take care of the commitments we've made to our vendors."

– Jeremy Hunnewell, CFO, Zehnder Communications

Robust payment reporting, tracking and insights

Look for options that provide sophisticated dashboards with real-time reporting, and make sure the data they provide aligns with what is most important to your business. A payment solution should offer robust analytics so your agency can continuously track and analyze spending, revenue share, redeemed versus open payments, supplier activations over time, and revenue share status, for example. The system should also enable you to review historical spending, conduct forecasting, and easily expose payment data that can be used by auditors when necessary.

Integration with industry-specific accounting systems

Agency accounting systems and workflows have been refined over decades to ensure proper financial controls and reduce errors. Benefits of a payment solution can be quickly erased if controls are circumvented using “light” integrations or workarounds.

Look for a provider that truly understands the intricacies of media software and accounting platforms and knows how to optimize them for maximum electronic payment program potential. The provider should be able to demonstrate formal partnerships and/or integrations with your in-house accounting systems. Integrations should include the ability to match agency supplier names and codes with provider supplier data, and the ability for the agency to share a payment file with the provider via direct integration, FTP, or other automated channels. A solution that integrates seamlessly with all major accounting systems will allow your agency to more quickly reap the benefits of the electronic payment system without disruption to existing operations.

> **“Integrating the FastPay platform was seamless and refreshing. We thought it was too good to be true until we experienced the benefits directly. The customer service is great. All of it has been great.”**
>
> **– Jennifer Campbell, Manager & Vendor Relations Specialist, LaneTerralever**

7 QUESTIONS TO ASK CUSTOMER REFERENCES

As you evaluate electronic payment solutions, check to see if they have strong customer references that can speak not only to the electronic payment program, but the provider's expertise in the media vertical as well and how that compares to other providers. In addition to reading case studies or watching customer success videos, speak with one or two references and ask them the following questions:

1. What were your criteria for an electronic payment solution?
2. How did the vendor deliver on what was discussed during the evaluation process?
3. How well does the vendor show an understanding of your business?
4. What are the system's strengths and weaknesses?
5. Any surprises positive or negative?
6. What steps has the vendor taken to ensure the success of the solution?
7. Has the vendor shown the ability to support, or improve, existing processes?

FOR MORE INFORMATION

To learn more about the FastPay ePay solution, contact us at info@gofastpay.com or (844) GET-EPAY.

GLOSSARY

TERM	DEFINITION
Cardable spend	Amount of spend that can be paid by virtual credit card
EDI	Electronic Data Interchange is the transfer of data from one computer system to another by standardized message formatting, without the need for human intervention. EDI permits multiple companies -- possibly in different countries -- to exchange documents electronically.
Electronic payment	Payments that are made directly to the payee from your bank accounts using security features over the Internet to process the transactions.
Invoice reconciliation	The process of matching bank statements to the outgoing and incoming invoices to make sure that all accounts are clean and every book entry is correctly matched.
Ghost card	A credit card number that is specific to each company department, for use by anyone in that department. Purchases made on each of these cards are then charged back to the department to which the card was issued.
Sequential liability	The entity that needs to pay for a purchase is only obligated to do so to the extent that it has received payment from its own customers relating to the same purchase.
Virtual single card	A card-based payment solution that acts like a check by providing a 16-digit virtual account number for each payment, which allows you to set each Single-Use Account with a credit limit that matches the specific payment amount.
Invoice discrepancy	If the accuracy or completeness of an invoice is in question, a dispute can be filed with the vendor. A dispute can be defined as any discrepancy showing that something might not be true or accurate with the invoice/billing document that may result in the delay of payment.
Supplier matching	The act of triangulating suppliers and their data to ensure secure and correct payments
Conditional acceptance	Vendors that accept credit card payment under conditional terms like net 30, political only, up to a specified amount
Revenue share	Money agencies earn on the invoices they pay via ePay. Functionally similar to cash back programs with traditional credit cards.

RESOURCES

Association of National Advertisers (ANA)	http://www.ana.net
4A's	http://www.aaaa.org
AAPC	http:/www.theappc.org
PYMNTS.com	http://www.pymnts.com

[i] Global Entertainment and Media Outlook. PwC. Sept 2 2020
[ii] An Independent Study of Media Transparency in the U.S. Advertising Industry. K2 Intelligence. June 7, 2016
[iii] Analysis of invoice payment information by FastPay. 2020
[iv] Analysis of agency supplier files by FastPay. 2020
[v] Marketing M&A Fundraising 2019. Results International. Jan 9 2020.
[vi] An Independent Study of Media Transparency in the U.S. Advertising Industry. K2 Intelligence. June 7, 2016.