How Manufacturers Can Fight Payment Fraud

The statistics surrounding fraud tell a compelling story about its scope.

79%

of organizations were a victim of payment fraud in the past year[1]

56%

of corporates experienced fraud or data theft in the last year[1]

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Many manufacturing organizations have been the victim of financial crime, whether it be in the form of an attack from a sophisticated cyber fraudster or malicious supplier or employee. These fraudsters are technologically savvy and agile, making it difficult for finance and accounting departments to implement payment security strategies that address everything from vendor onboarding and change management to invoice approval and payment.

A lack of secure processes for payments is a trouble spot across all industries, but fraudsters often target manufacturers precisely because their activities involve high volumes of large, complex invoices and payments. Given that fraud incidents carry massive financial and reputational losses for manufacturers, these businesses face a frightening situation unless they can drastically improve security.

This landscape is harder to navigate for businesses with complex supply chains, and if you're reading this, that likely includes yours.

41%

of finance executives agree that the biggest benefit to automating AP is getting better visibility into invoices and payables.

55%

of organizations struggle to maintain vendor bank account details and keep them secure.

THE WAY FORWARD

How can manufacturing organizations juggle the difficult fraud landscape against the needs of their customers and suppliers without making major sacrifices along the way? One critical strategy is streamlining, automating, and securing key accounts payable functions. That results in a host of benefits in addition to reducing the risk of fraud, such as greater efficiency, reduced costs, and increased AP staff productivity.

Leading AP automation solutions, which often layer in security-focused features and services that go above and beyond what might be native in your ERP, banking technology, and existing business processes, can make a difference. The costs associated with implementing an AP automation solution are offset by long-term savings realized and mitigated risk of financial and reputational damages that result from fraud. Ensuring vendors stay happy with a shift to convenient electronic payments is important, and boasting better security is just one more selling point for your critical business partners.

To help your organization drastically reduce its risk of suffering a payment fraud loss, let's look at the critical security measures that should be a part of your accounts payable automation strategy.

Prevent Payment Fraud

Here are tips for proven strategies that prevent BEC fraud, cyber and data theft, and check forgery.

SHUT OUT OUTSIDE THREATS: You need to know who you're paying, and your suppliers need to know their payments aren't being misdirected. Supplier onboarding using digital identity verification methods via technology partners and their in-house experts ensure that supplier funds can't be misdirected by an imposter pretending to be your supplier, a member of your AP team, or even your CEO. Verifying email domains, digging into IP addresses, and validating phone numbers are just some of the ways digital verification provides critical protections that are staples of efficient and effective vendor onboarding in today's world.

LOCK DOWN ACCOUNT CHANGES: Imposters are enough trouble, but the other most impactful fraud scenario for any manufacturer has to be a fraudster socially engineering the change of account information due to Business Email Compromise. Ensuring that only credentialed AP team members have access to accounts, maintaining a strong internal cybersecurity posture of never changing account information without a dual control while using digital verification methods, and adopting payment monitoring technology are all factors to mitigate this damaging risk.

REDUCE THE RISK OF CHECK FRAUD: Checks will continue to be a very fraud-prone payment type, and many manufacturers are still wholly or primarily reliant on them as a method for paying suppliers.

You don't have to move away from checks entirely tomorrow, but checks are not the payment methods that will be driving business relationships of the future. Electronic payments can improve security while also supporting convenience and speed. Technologies like Positive Pay absolutely do make checks safer, but in a way that can be compared to putting Kevlar on a horse and buggy. Not only are ACH and card secure, but they're also much faster, help to increase account reconciliation timeframes, and generally increase overall AP efficiency.

SECURE CRITICAL BANK DATA: By working with a technology partner to hold and vet sensitive supplier bank account information, your organization can remove the risk of a breach from play. Holding on to supplier account information is a liability and carries potential for fraud and damaged relationships with key vendors. Offloading that task to a partner who specializes in it can be a lifesaver.

BUILD BETTER ANALYTICS: Ultimately, better insight into payables data and where you're experiencing fraud attempts and reconciliation problems can help you make better business decisions. Whether you're bolting on reporting to existing accounting systems or getting insights from a trusted partner, you'll want access to dashboards that give you an at-a-glance look into the associated risk of your suppliers and transactions. This is especially crucial to fight fraud, as you'll be able to catch payment red flags before funds leave the door.

With the evolving payment fraud landscape, the payments that make your supply chains possible have never been more important to secure.

Fortunately, technology is available to help manufacturers like you make payment security upgrades that protect and strengthen relationships with your customers and your suppliers. Now it's just a matter of finding the right one.

How can Paymode-X help to secure and automate your AP function?

Read our Interactive Guide

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