CHOICES AT CHECKOUT

Why Payments Matter the Most in B2B Transactions

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B2B

B2B eCommerce solutions should be able to meet the varied and specific needs of buyers while preserving an easy, enjoyable user experience.

B2B eCommerce transactions today are often limited in how customers can pay. The payment mechanisms typically found online are credit cards, which are expensive for sellers and difficult for buyers to reconcile once the statement arrives. Invoices are hard for buyers to find and download, and the ability to apply procurement processes is fraught with complications or entirely absent. These factors combine to make eCommerce for B2B transactions much more painful for customers when compared to their B2C purchasing experiences.

According to a recent report from Digital Commerce 360, B2B buyers believe eCommerce purchases are more efficient, but that doesn't mean they'll buy from anyone with an URL. These savvy buyers do their research and have high expectations for their buying experience.

Why does this matter? A 2016 Deloitte study estimates B2B transactions will top $23.1 Tr by 2020 in the United States alone.

To fully understand the B2B eCommerce experience, let's consider the ways businesses pay for goods and services today.

23.1

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Buying on Terms:
Extending credit to your customers establishes you as a trustworthy organization and is a signal to your buyers that you are financially stable. Allowing buyers to purchase on terms increases average order volume, because they can buy goods now, and pay for them later. Extending credit can help you avoid paying high credit card transaction fees, but you are assuming the risk if the buyer doesn't follow through with payment.

Credit purchases can affect your balance sheet in other ways. According to a 2018 Atradius study, the average proportion of overdue invoices due to U.S. businesses increased to 50%, which in turn increased average Days Sales Outstanding (DSO) to 37 days, a two-day increase from 2017. Bankruptcy is the main reason for write-offs, which could signal flaws with a seller's underwriting practices.

Issuing credit also requires more working capital, which could lead to lost opportunities for the seller.

Buying with a Credit Card:
Credit cards are an easy way for buyers to pay online. However, high transaction fees and ambiguous statements cause friction for both sellers and buyers.

Many sellers believe accepting credit cards is a cost of doing business, however creating an eCommerce environment that pushes buyers to pay with a credit card can affect your bottom-line.

A 2014 REL consulting study found that U.S. companies paid $2.2 million in transaction fees for each billion dollars of revenue.[1]

While buyers can receive rebates and rewards from credit card purchases and are one step removed from transaction fees, allocating credit card purchases is difficult and time intensive due to ambiguous credit card statements that consolidate every purchase made during the transaction period and include payment descriptions that may be difficult to tie back to actual purchases. This increases labor costs for accounting departments and may delay month-end reporting.

Paying off an Invoice:
Many B2B buyers still prefer to pay from an invoice, and some require a purchase order for all transactions to fulfill the obligations of internal procurement processes. B2B eCommerce platforms may not be able to meet these customer needs, driving buyers back to physical stores and the telephone to call-in orders to complete a purchase.

Once an invoice is received, it can be paid by paper check, ACH or EFT. Paper checks are laborious to produce and require more paperwork than other payment methods. Issuing and depositing paper checks cost U.S. businesses a staggering $26 billion to $54 billion in 2010.[2]

Aside from the expense, manual payment processes make it more difficult to manage spend and accurately understand cash position. Despite the disadvantages, PayStream Advisors produced an ePayments report in 2017 that showed 46% of businesses still rely on printed checks for B2B payments. This must change, especially given the growing number of international transactions; electronic payments are easier to complete and track to comply with government regulations.

The various needs of business buyers pose several challenges for sellers wishing to conduct more business online. These challenges, combined with B2C eCommerce experiences, have created the need for a robust, flexible B2B payments solution - a stark shift away from traditional procurement methods such as phone, fax and paper catalogs.

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Printed checks cost U.S. businesses between $26B to $54B in 2010[2]

U.S. companies paid $2.2M in transaction fees for each $1B of revenue.[1]

Credit as a Service® (CaaS) Is the Future of B2B Transactions

CaaS is a B2B eCommerce model developed by MSTS that allows B2B businesses to provide a B2C purchasing experience for buyers by meeting their varied purchasing needs.

Credit and Underwriting:

When you allow MSTS to extend credit on your behalf, you can shift your focus from underwriting back to your core competencies. The onboarding process is easy for your customers. MSTS can approve buyers in under a minute, and they can begin making purchases from any sales channel immediately. From application through approval and adjustment, MSTS manages the credit relationship. This allows you to extend risk-free lines of credit and preserve working capital.

Payments:

Buyers still have choice at checkout. CaaS offers payment options, including ACH, to meet the varied needs of your customers. Buyers can also request an invoice at checkout and pay on 30-day terms.

Navigating away from paper checks and toward electronic payments is good for business. Adopting digital B2B payments can cut payment cycles from 30-120 days to hours or even minutes, improving cash flow and supplier relationships.[2] The Fed itself recognizes an overreliance on paper checks in the United States is crippling our global competitiveness and has launched an initiative to improve payments. Businesses in the EU, Japan and Brazil have been much quicker to adapt to e-payments, to their advantage.[3]

Many organizations who prefer paper checks do so to capture float.

With CaaS, terms are adjustable. You can extend terms by several days in exchange for receiving electronic payment. You will have payment transparency and reduce processing costs while allowing buyers to receive the same 'float' benefit they receive from paper checks.

Anonymous Solution:

CaaS is a white-label solution, so you can offer credit to your customers under your brand, using our tools. The platform works online and in stores, so you can get a full view of customers' buying behaviors. Once your transactions flow through the system, you will be able to use purchasing data to increase average order volume through dynamic pricing and buyer-specific discounting, should you choose.

Managed Services:

Customer support and accounts receivable services can reduce back office labor and system costs.

Smart Integrations:

CaaS is easily integrated with ERPs, CRMs, eCommerce systems, banks and business systems, helping align and streamline the Accounts Receivable and Accounts Payable processes.

CaaS can help B2B companies of any size accelerate business commerce. Contact us today to share your eCommerce challenges. We want to help you lead the charge in the revolution of B2B transactions.

1 https://www.pymnts.com/news/2014/the-case-against-b2b-credit-card-payments/
2 https://www.wsj.com/articles/u-s-companies-cling-to-writing-paper-checks-1394494772
3 https://www.marketplace.org/2017/08/07/economy/checks-are-economic-dinosaurs-americans-wont-give