A TreviPay eBook

Harnessing Technology to Propel Your Payments Strategy

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CHAPTER 1

How Payments Strategies Drive Resilience

Business resilience now qualifies as a crucial organizational capability that each major business process, including the order-to-cash (O2C) cycle, must help nurture. Delivering on this mandate requires getting the right technology in place—namely, a network platform that makes B2B payments processes hum by removing manual steps while engendering higher levels of customer loyalty.

B2B companies with leading digital O2C capabilities made significant contributions to organizational resilience during the brunt of the pandemic. During COVID-19, "companies all over the world woke up to the fact that to generate liquidity and conserve cash for their very survival, they need to minimize the risks in—and maximize the returns from—the O2C process," according to a BCG report.

BCG's research also shows that digital payments transformations driven by new O2C platforms yield significant benefits across numerous areas, including:

Sales revenue increases of up to 3%

Cost savings of up to 30%

DSO reductions of up to 30%

In addition, it notes "major boosts" to customer satisfaction (via "a simplified order, experience, real-time complaint resolution, fewer disputed invoices and greater process transparency") and employee satisfaction (due to spending less time spent on repetitive, manual tasks—and more time engaged in strategic activities).

Nearly two-thirds of business leaders who responded to a [McKinsey survey] indicate that resilience is central to their organizations' strategic progress, and that the most important resilience areas are digital, technology, finance and operations. B2B payments strategies and O2C processes touch each of those areas, which is why they are increasingly being designed, redesigned and executed with automation, efficiency and resilience top of mind.

"Truly resilient organizations don't just bounce back better; they actually thrive in hostile environments," the McKinsey report notes. "McKinsey research on the financial crisis of 2007–08 shows that resilient companies not only outperform their peers through a downturn and recovery—they also accelerate into the new reality, leaving peers further behind."

Substitute the phrase "B2B payments" for "organizations" and "companies," and the passage rings just as true. That begs the question:

What are the hallmarks of an effective B2B payments strategy?

> **"Truly resilient organizations don't just bounce back better; they actually thrive in hostile environments."**
>
> McKinsey Report

Revenue growth and operational efficiency represent crucial payments objectives. Supporting technology enables operational efficiency, so payments automation also figures as a primary feature of a successful payments strategy. Other attributes are less apparent, yet we see the following focal points across most, if not all, leading B2B payments capabilities:

1 A/R OPTIMIZATION

“Managing A/R” rarely qualifies as a business goal, yet it is a critical enabler of strategic financial goals related to maximizing cash flow and managing liquidity. Despite its behind-the-scenes importance to more prominent business goals, A/R is sometimes operated with as little investment and effort as possible. A major cause of A/R mismanagement stems from the fact that its performance relies on processes—credit decisions, customer onboarding, payment terms, purchase orders, invoices, collections and more—owned and operated by several different organizational areas (e.g. sales, underwriting, A/R, finance) with different priorities. Payments technology can drive A/R optimization by automating manual processes and cultivating more effective and efficient cross-functional collaborations

2 DSO CLARITY AND CONTROL

Although an optimized A/R capability is better positioned to reduce day sales outstanding (DSO) and free up cash flow, it does not guarantee those outcomes. While a range of technology partners can help organizations reduce DSO, the best solutions let B2B vendors pick their optimal DSO, whether that’s 30 days, 45 days or even three days. That assurance, a distinctive offering from TreviPay, improves financial forecasting clarity, which in turn fuels better decision-making.

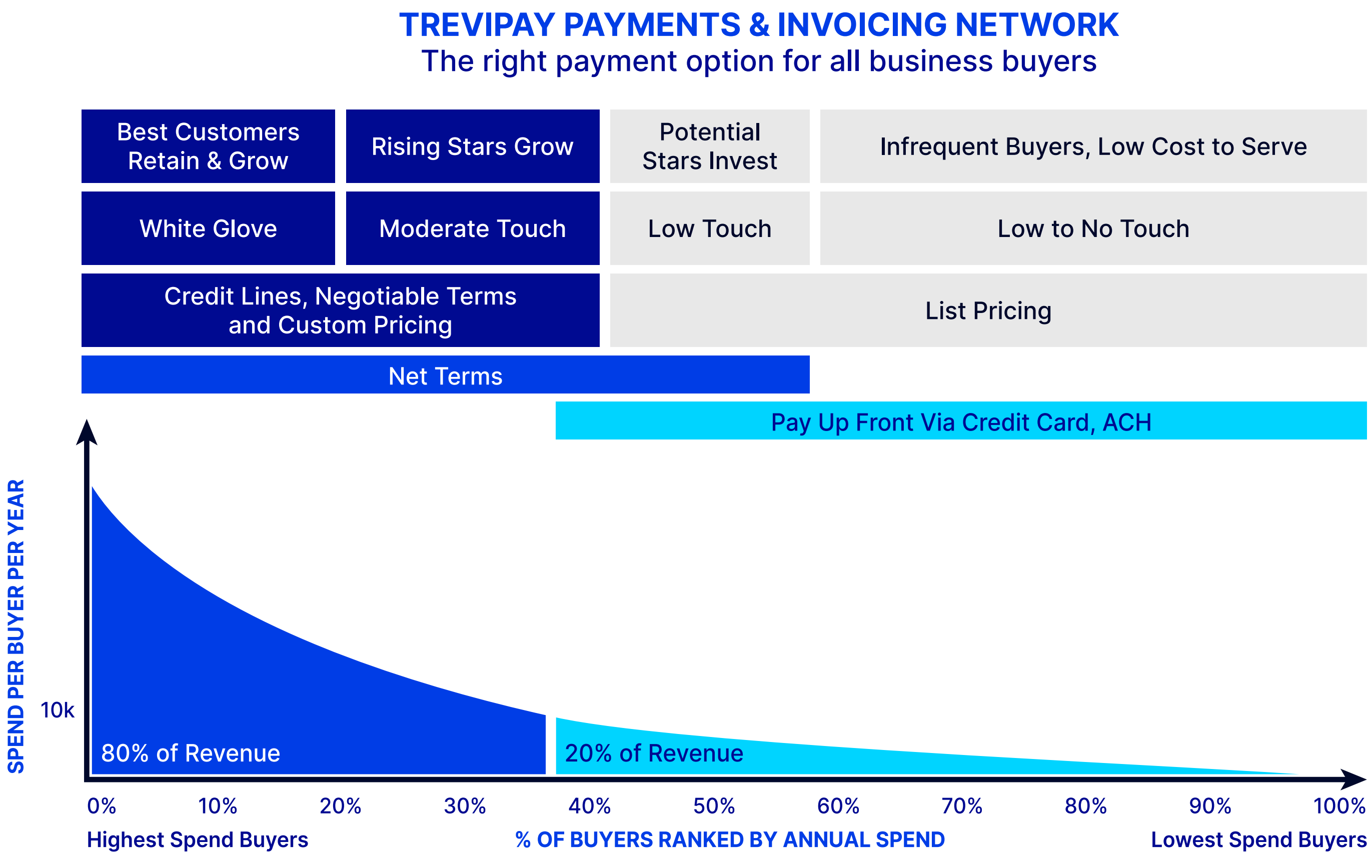
3 (HIDDEN) COST-REDUCTION

Taking firm control of DSO also helps companies eliminate hidden cash flow costs. For example, if 1,000 customers required—and received—net-60 payment terms, it prevents a company from investing millions of dollars in cash flow for 45 days (compared to being able to invest that cash if the same customers were on net-15 terms). Automated solutions that enable B2B sellers to select their payment terms while simultaneously satisfying each customer’s trade credit preference eliminates hidden costs of capital and strengthens cash flow in a way that bolsters the organization’s financial resilience.

4 CUSTOMER (REQUIREMENTS) SATISFACTION

B2B buyers, especially mid-sized and larger companies, increasingly require their vendors to comply with unique invoicing requirements. Many companies now require electronic invoices (e-invoices) which means that invoices need to adhere to EDI, XML or similar standards. More organizations are implementing invoicing portals, a trend that seems guaranteed to intensify this year. Satisfying these requirements requires time, consideration and agreement among internal IT and accounting teams. Additionally, a small but growing segment of B2B customers, including many government agencies and school districts, are issuing more detailed invoicing requirements based on their unique centralized billing hierarchies.

While few B2B payments capabilities were designed with the express purpose of cultivating more efficient cross-functional communications, payments automation can help lessen internal friction while cultivating more effective collaborations. That unexpected benefit is especially valuable at a time when all organizational functions and groups are figuring out how to rethink processes and notch improvements that foster greater resilience.



CHAPTER 2

What to Look for in an Automated Payments Solution

Last fall, The Economist described two highly valuable capabilities that fintech firms need to attract investors amid difficult market conditions:

1. **The ability to reduce inefficiencies ranging from the "the management of company expenses to the reconciliation of business payments;" and**
2. **The ability to help customers generate additional revenue, often via new revenue lines.**

It turns out that both of those capabilities also attract customers in the market for B2B payments solutions. Those buyers should treat those features as a starting point as they compare and contrast various B2B payments solutions. A more comprehensive list of must-have B2B payment solution qualities and attributes includes:

1 THE ABILITY TO SATISFY CUSTOMER PREFERENCES

These preferences cut across several categories, including invoice submission approaches (electronic, portals, etc.), payment modes (credit cards, check, ACH, direct debit and more) and trade credit.

2 MODERN APIs AND SMOOTH INTEGRATIONS

Application programming interfaces (APIs) enable new solutions to connect with a company's existing stack of finance, accounting and payments technology applications. When a solution provider possesses an effective collection of APIs, it allows the purchasing organization to select which pieces of the payments stack it wants to integrate and which it wants to outsource. This "optionality" helps preserve and/or strengthen the unique customer experience a B2B vendor provides to customers while making the technology integration process faster and less disruptive. The best APIs are easy to test and use. Stripe demonstrated the value of this approach a decade ago while reducing the complexity of B2C payments. Today, similar APIs can help transform B2B A/R processes.

3 FINANCIAL RESILIENCE

It's no secret that a large swath of the fintech market is struggling. As The Economist reports, the world's 10 largest fintech companies lost a combined $850 billion in value during the past year, with some "cash-strapped giants"—including a major B2C buy now pay later (BNPL) company — enduring valuation reductions north of 80% in subsequent funding rounds. As a result, buyers of payments solutions that include A/R-financing offerings should look closely at how a provider funds its receivables financing. In other words: Where do they get their money from? In recent years, it's been surprisingly easy to launch a fintech company and start lending money. Getting that money back has become increasingly difficult, however.

4 WELL-KNOWN CUSTOMERS

Given the growing importance of maturity and experience in the fintech space, payments solution buyers should look closely at a vendor's current roster of customers. Are those customers name brands? Are they large? Those qualities attest to the solution provider's experience as well as to its ability to handle large volumes of payments and financed receivables.

Most organizations will need to continue to look to both technology and networks to provide simplicity.

5 ADDITIONAL REVENUE OPPORTUNITIES

As The Economist reports, the ability to help customers generate additional revenue is a valuable offering. We've seen B2B companies increase sales to a single customer by as much as 30% after moving from PDF invoices to e-invoices. That type of change reduces purchasing friction while also decrease manual work and overhead in the seller's organization.

6 PARTNERS RATHER THAN VENDORS

Keep in mind that numerous facets of a B2B payments capability—including customer onboarding, invoicing requirements, trade credit preferences, payment preferences and more—can have major impacts on the customer experiences. Solution providers that take over one or more of these processes will also influence that customer experience, positively or negatively. As such, it is important to assess a payment solution providers ability to operate as a true business partner, one who understands the crucial nature of supporting and improving the customer experience.

Given the complexity of B2B payments, "simplicity" represents a final quality that solution buyers should assess in prospective partners. The universe of payment solutions continues to evolve, according to Treasury & Risk, while growing "more innovative and more complex." The right types of supporting technology and external relationships can mitigate this complexity. "With accelerating complexity," Strategic Treasurer Managing Partner Craig Jeffery asserts in that article, "most organizations will need to continue to look to both technology and networks to provide simplicity."

CHAPTER 3

Why B2B Payments are Even More Pivotal in 2023

While it didn't earn "phrase of the year" recognition last year, "overlapping global crises" warranted consideration. The term features prominently in the World Bank's annual report, which highlights why the organization's annual payments to finance investments in developing countries reached new highs due to a growing food crisis, the war in Ukraine and its spillover effects and the long tail of a global pandemic.

Those disruptions along with related forms of volatility impacted most B2B companies in 2023. The pressures will interact in ways that make payments-related risk and opportunities more pivotal, and lucrative, to address now and in the coming years.

Deteriorating economic conditions and an increasingly likely recession loom larger, but they are only part of the story. In addition to ensuring payments capabilities can continue to satisfy organizational cash flow and liquidity needs as customers re-evaluate spending categories and investments, business leaders also will need to address intensifying payments-fraud risks while making forward-looking decisions regarding technology investments that help their companies pivot back to growth mode faster than competitors.

Major developments in payments automation and the growing "consumerization" of B2B customer expectations have combined to elevate the awareness and importance of payments in more organizations in recent years. That trend seems assured to accelerate this year due to the following factors:

1 THE NEXT RECESSION

Regardless of when the next recession arrives, companies are already planning to reduce capital spending. Companies in the S&P 500 currently plan to increase their 2023 capital spending by only 6%, according to an **Ernst & Young analysis**, which reports that the same companies increased spending on property, equipment and technology by 20% in 2022. Higher financing costs—driven by inflation and a succession of interest rate increases designed to subdue it—and concerns about the duration and depth of a downturn are the primary reasons for the pullback. As more companies face difficulties sustaining revenue growth due to spending curbs, cash flow and working capital management activities will come under the microscope. Payments capabilities that help sustain lower day sales outstanding (DSO) measures, contribute to more accurate and reliable cash forecasts and help reduce liquidity risks will become even more valuable to the organization.

2 SPIKES IN PAYMENTS FRAUD

Top-line pressure also magnifies the cost of fraud. B2B fraud activity increased by more than 150% in 2021, and 98% of B2B sellers, manufacturers and marketplaces **experienced financial losses due to fraud attacks** in 2022. What's more, 47% of B2B companies chose not to onboard new clients due to **fear of fraud attacks.** As the costs and negative impacts of fraud

As the costs and negative impacts of fraud increase, payments capabilities with stouter fraud defenses will provide tangible bottom-line improvements.

increase, payments capabilities with stouter fraud defenses will provide tangible bottom-line improvements. This makes it imperative for business leaders to ensure that their payments capabilities contain a range of leading anti-fraud mechanisms, including payment card verification, address verification services, business identify checks, automated web monitoring and other fraud-detection strategies that continually adapt to new fraud schemes and risks.

3 THE POST-DOWNTURN PIVOT

A seminal 2010 Harvard Business Review article reported that a sliver (9%) of the 4,700 publicly listed companies that co-authors studied outperformed competitors by at least 10% during the three years that followed the recessions of 2000, 1990 and 1980. The bulk of companies muddle through those downturns while 17% fared much worse—either going bankrupt, going private or getting acquired. A more recent HBR article examines why some companies perform far better than others coming out of downturns: "investing in technology" marks one of a handful of differentiators. "It's tempting to think of a recession as a time to batten down the hatches and play it safe," according to the article. "... As we've seen, recessions can create wide and long-standing performance gaps between companies. Research has found that digital technology can do the same. Companies that have neglected digital transformation may find that the next recession makes those gaps insurmountable." This insight applies to the entire range of business systems, including payments solutions.

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4 A VOLATILE FINTECH MARKET

Making sound investments in payments technology solutions requires greater care these days. As The Economist reports, many fintech start-ups are "directly exposed to the risk of recession" and "face soaring costs and rising defaults." The same holds for some solution providers that relied on rock-bottom interest rates to prop up their receivables-financing offerings. Fortunately, payments solutions remain available from vendors with deep receivables-financing reserves, extensive track records and rosters of well-known, long-term customers.

It's useful to keep in mind that a crisis can be a terrible opportunity to waste. And we should take heart that the potential impending recession currently appears unlikely to rise to the level of a global crisis. It also encouraging that research demonstrates business leaders can take actions now that will help their organization prepare to thrive after the current economic cycle turns more favorable, as it always does.

CHAPTER 4

Four Ways to Deconstruct B2B Payments Complexities

Scientists who study complex systems point to several drivers of their complexity: the number of elements in the system; the extent to which those components differ from each other and relationships among the system's different elements. B2B payments check all three boxes, which is why they are substantially much more complicated than B2C payments.

Executing an effective, **technology-driven payments strategy** requires an understanding of payments complexity along with ways to manage the system in an straightforward, integrated manner. Breaking down the B2B payments flow into a handful of more manageable components can help.

Before examining those activities in more detail, it helps to remember why this complexity exists. While B2B payments can appear straightforward on the surface, deeper examination reveals otherwise. Each B2B transaction touches five of the seven processes in the order-to-cash (O2C) cycle on the seller's side as well as multiple processes within the procure-to-pay (P2P) cycle on the buyer side.

Many of these processes have little, if anything, to do with the transaction or the good or service being sold. Plus, these processes are owned by different stakeholder groups. Sellers must underwrite new customers while ensuring the optimal amount of credit is extended. Sellers also must qualify buyers in accordance with regulatory requirements, such as the Anti-Money Laundering Act (AML) and Know Your Customer (KYC). The customer experience must be tended to during an onboarding process that should be swift from a customer-satisfaction perspective and risk-intelligent from the seller's standpoint. The customer's invoicing and trade credit preferences must be addressed, purchase orders must be generated and invoices must be paid via one of a growing number of mechanisms.

"An efficient payments system provides the infrastructure needed to transfer money in low-cost and convenient ways," U.S Federal Reserve Chair Jerome Powell noted in a **2017 speech at Yale University**. "Efficient systems are innovative in improving the quality of services in response to changing technology and changing demand." While Powell was, of course, describing the U.S. banking system, his point also crystallizes the goals of leading B2B payments capabilities.

The achievement of those objectives begins by cutting through the complexity. A helpful way to do so is by considering how the following B2B payments activities can be executed more effectively and efficiently:

1 BUYER QUALIFICATION AND AUTOMATED ONBOARDING

When a B2B seller connects with a prospective buyer, the buyer needs to be qualified. In simple terms, that determination translates to: Is this company going to pay me in accordance with the payment terms we agree to? At the same time, sellers must adhere to AML and KYC requirements. These onboarding activities can be time-consuming and resource-intensive; yet, they should be executed as quickly as possible given that the onboarding delays can mar the customer experience at the onset of a potentially valuable, long-term relationship. It can be difficult to accelerate manual onboarding processes, in large part because different stakeholders are involved. While sales closes the deal, the finance and accounting function the team or individual responsible for underwriting complete other components of the work. If onboarding takes too long, the buyer may forgo the purchase. These challenges explain the allure of an automated buyer qualification and onboarding process supported by self-service functionality. For certain credit lines (e.g., those less than $100,000) underwriting approvals can be issued in 30 second or less.

2 OMNICHANNEL PURCHASING AND INVOICING AT POINT OF PURCHASE

While B2B payments advances tend to trail B2C purchasing developments, the B2B realm's adoption of B2C trends is accelerating. Like their consumer counterparts, B2B buyers increasingly expect an omnichannel experience; they want to purchase through their preferred channel or channels (the seller's website, a marketplace, a mobile app, etc.) using their preferred mode of payment (credit card check, ACH, etc.) and preferred payment terms (net 15, net 30, net 45, etc.). Automated payments solutions and the partners who provide them can help merchants implement and then expand digital capabilities while satisfying customer preferences.

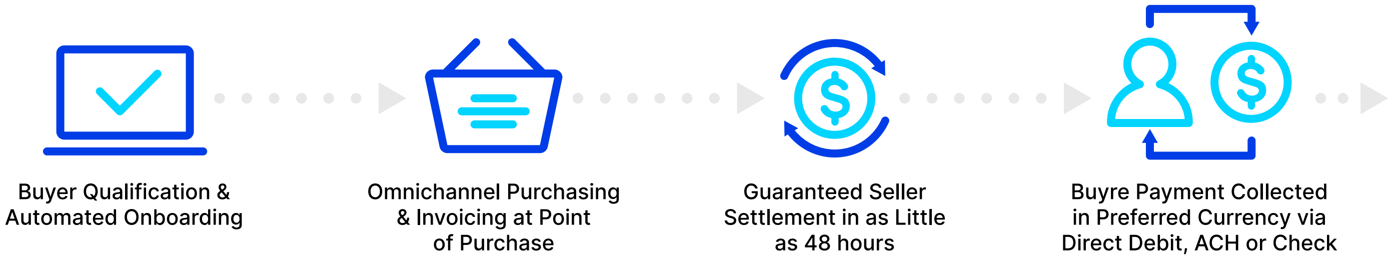
3 GUARANTEED SELLER SETTLEMENT, QUICKLY

When a payment settles is a crucial consideration for sellers. In some cases, payments that take too long to settle can trigger cash flow challenges. Settlement variability and delays can also reduce the accuracy of cash flow forecasts in companies with stout working capital management capabilities. Automated payments solution providers that let sellers pick a DSO that works for them eliminates these delays and variability. A seller that opts to be paid within 15 days will have that cash on its balance sheet in 15 days regardless of whether the buyer's trade credit agreement calls for payment in 30, 45 or 60 days.

4 BUYER PAYMENT COLLECTIONS (IN THE PREFERRED CURRENCY)

Buyers want to pay via a mode that works for them and in their preferred currency. Sellers can, and should fulfill those preferences, even when they are new to cross-border payments and international invoices. Again, the right solution provider will ensure that these preferences are satisfied in an automated manner.

If B2B companies are to achieve the widely shared goal of frictionless commerce, they will need to operate their payments activities as simply, quickly and wisely as possible.



ABOUT TREVIPAY

At TreviPay, we believe loyalty begins at the payment. Thousands of sellers use our global B2B payments and invoicing network to provide choice and convenience to buyers, open new markets and automate accounts receivables. With integrations to top eCommerce and ERP solutions and flexible trade credit options, TreviPay brings 40 years of experience serving leaders in manufacturing, retail and transportation.

For more information, visit trevipay.com.