Transforming Payments in B2B Transactions

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Streamlining B2B invoicing and accounts receivable throughout the supply chain process using market leading solutions and payment tools

With the U.S. B2B payments market expected to reach $30 trillion in 2023,[1] **electronic payments will represent approximately 60% of the total payments volume,** indicating a seismic shift from 2018, when they represented 47%. While cash and checks are expected to amount to around $12 trillion in 2023, their use continues to disappear in the B2B landscape as more businesses realize the advantages of electronic invoicing and payments.

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2022 *U.S. B2B Payment Transaction Volume Breakdown (in Trillions)*

$3.1
$1.8
$12.0
$11.8

Check & Cash
Wire and Other
ACH
Card

Understanding the Landscape
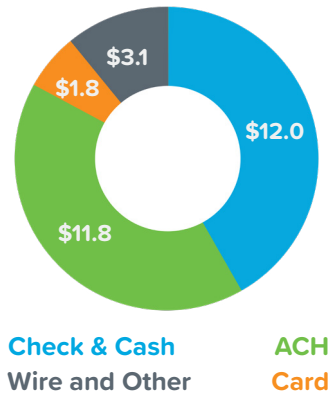
The "rapid" change in billing and payments processes has brought a 21st-century modernization to how an invoice is transmitted and how payments flow between buyers and suppliers. Over the last two hundred years, invoicing and payments have been paper-based. With the explosion of the internet in the late 1990s, non-paper-based invoicing and payments became feasible, and solutions began to evolve. With the "Great Recession," card-based B2B payments captured a foothold in the market, driving more innovation in invoicing, remittance, and payment. Finally, the COVID-19 pandemic caused many personnel to work remotely, driving this latest surge in digitalization. While electronic invoices and payments are not new, accounting departments are finally ready to adopt them as their principal invoicing and payment processes.

With the increasing adoption of these solutions over the past decade, electronic invoices and payments have become more efficient and effective. A key factor is the increased adoption of software platforms that support various business functions across the supply chain process. With the integration of payment services in Enterprise Resource Planning ("ERP") and Customer Relationship Management ("CRM") platforms, suppliers can streamline accounts payable and accounts receivable processes while also increasing visibility in treasury management. Electronic invoicing and payments accompanied by an integrated software platform, at a minimum, aim to eliminate manual tasks and "outsource" Accounts Payable and Accounts Receivable processes.

With this shift towards outsourcing accounts receivable processes, businesses have enabled more ways to receive payments. While historically, most B2B payments were checks and cash, the majority[1] today are facilitated through electronic methods. Automated Clearing House ("ACH") payments, the lowest cost method, is approximately 40%; due to the benefits provided to the buyer, physical and virtual cards account for 8%; wires (the traditional real-time bank-to-bank transfer) and other digital methods tallying the remaining 12%. Other methods include emerging payment types such as Real Time Payments, wallets, local payment methods, and digital assets (e.g., Crypto). As the industry continues the transition to digital payments, payment processing partners need to handle all modalities while also providing flexible tools to adjust invoices, provide discounts and reconcile payments to invoices.

Over the next five years, the use of virtual commercial cards have a projected growth rate of

22%

Advantages and Tools of an Integrated Software System

As software plays a growing role in delivering goods and services, the need to integrate invoicing and payments have become more apparent. An integration between an ERP system and a payment service provider allows suppliers to take advantage of decreasing manual processes, adding visibility and customization in invoicing and reporting, as well as speeding up the process of acceptance and reconciliation.

Revitalize Your Invoicing Experience

Suppliers must cater to their invoicing capabilities to influence buyers' purchasing habits, address billing issues, and facilitate seamless payment experiences. Invoices should influence buyer behavior by reflecting the cost of capital and payment acceptance through clearly defining due dates and incentives for early payment and lower-cost payment types. Invoices need to be accurate and reflect the correct order, fulfillment, and pricing, yet they must be easily correctable when issues are identified. Invoices must offer a seamless payment experience by accepting most payment modalities, capturing the remittance information, and reconciling the payment to the invoice. eInvoices, integrated into ERP and payment platforms, serve as a critical product to meet these standards and provide an effective process from billing to payment.

Better Your Payment Experience

Suppliers need to manage payments and remittance processes ranging from physical point-of-sale to lockbox to digital means while also covering various payment methods. A payment processing partner must handle all transaction types and payment methods holistically and seamlessly. In addition, an omnichannel approach enables the acceptance of multiple payment options across various interfaces, including virtual terminals, mobile devices, and point-of-sale terminals.

Create Efficiencies with ACH Direct Payments

ACH has grown to be the leading electronic payment method across the B2B landscape because it is cost-effective. A payment processor must provide a robust offering that enables ACH transactions with integrations into third-party accounting systems and can capture payment information that can be securely saved and tokenized to ease the enablement of recurring payments.

33%

of North American B2B transactions are paid with checks in 2022.

80%

of B2B transactions are expected to be digital by 2025.

Covering the Basics with Remote Deposit Capture

While decreasing in use, checks remained a significant payment method and amounted to 33% of North American [2] B2B transactions in 2022. As a result, suppliers need to be equipped with tools to simplify and speed up the check acceptance process. Payment processors can provide image capture tools that connect to their POS devices to process checks and transmit data to the ERP or CRM for accurate reporting.

Expanding Capabilities with Real-Time Payments

As real-time payments grow in usage across the U.S., more suppliers are taking advantage of the ability to settle payments, improving their financial liquidity instantly. Real-time payments encompass data-rich information, creating added visibility in reporting compared to other methods.

Payment Processing Functionality

With technological advancements continuing to move into the landscape, AP and AR solutions are implementing new B2B payment transaction methods. Capabilities such as flexible recurring and scheduled billing, account updater, and check conversation enable suppliers to simplify their reporting and collection of payment. With up to 80% of B2B transactions expected to be digital by 2025, suppliers must be prepared with new payment acceptance functionality.

Reporting and Remittance

Suppliers taking advantage of an integrated payment solution can increase visibility and insight into reporting. With the flow of payment being tracked and monitored, suppliers and buyers can have the ability to access real-time data in the lifecycle of their invoices, transaction history, and upcoming payment dates. Improved transparency in reporting also allows for more precise remittance data, enabling accounting departments to reconcile payments accurately while identifying potential discrepancies in invoices.

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Partnering with the Right Payment Service Provider

Identifying and partnering with a payment service provider that can meet the needs of your business's payments is imperative today and becoming more critical in the future. The days of B2B providers only offering some integration and Level/Data Rate 3 processing are gone. With the growing transition to electronic invoices and payments, suppliers need to process all forms of digital payments (and checks) while also using modernized solutions that meet their accounts receivable needs for streamlining AR workflows, dynamically changing billed amounts, and provide notifications while also meeting their buyers' needs and influencing payment behavior. Partnering with a payment service provider that can support your existing and future payment needs is a critical decision.

The Paya Connected Commerce Solution

Paya is a leader in the B2B industry through their assortment of business process automation products and platforms to solve the complex needs of suppliers. With experience and expertise in ERP payment integration and support, Paya has positioned themselves as a premier provider of AR automation and invoice-to-cash solutions in the market.

Paya's Click2Pay AR billing software offers a unique blend of frictionless receivables and AR automation features to the ERP landscape. Click2Pay has made the conversion of new merchants to Paya fast and efficient, allowing their customers to store their payment data in a convenient customer portal. The Click2Pay portal and emails are brandable, providing a clean and comfortable user experience for new and repeat customers.

Paya offers their clients catered solutions for B2B, accepts and processes various electronic payments, and integrates paper-based payments in a holistic solution. Paya's proprietary payment gateway and developer-friendly APIs provide a seamless integration experience fully integrated with many ERP offerings and compatible with every industry type. Paya delivers a complete Account Receivable solution, facilitating ACH, card, and paper-based payments that allow suppliers to manage the cash collection process, including optimizing interchange rates with Level/Data Rate 2 and 3 processing and utilizing cloud-based EMV terminals. Paya's solution offers a 360-degree view through the transaction lifecycle that automates the application of payments, makes reconciliation more efficient, and improves workflow management.

Through Paya's cohesive suite of solutions, suppliers across the B2B landscape have a dedicated partner that can support them as they grow their business and adapt to the needs of their customers' buying habits.

About Paya

Paya (NASDAQ: PAYA) is a leading provider of integrated payment and frictionless commerce solutions that help customers accept and make payments, expedite receipt of money, and increase operating efficiencies. The company processes over $40 billion of annual payment volume across credit/debit card, ACH, and check, making it a top provider of payment processing in the US. Paya serves more than 100,000 customers through over 2,000 key distribution partners focused on targeted, high growth verticals such as healthcare, education, non-profit, government, utilities, and other B2B goods and services. The business has built its foundation on offering robust integrations into front-end CRM and back-end accounting systems to enhance customer experience and workflow.

About TSG

TSG is a globally recognized analytics and consulting firm that supports the entire payments ecosystem, serving over 1,000 clients from Fortune 500 leaders to more than a dozen of the world's most valuable brands. Trusted by industry leaders, TSG's strategic services, market intelligence, and analytics merge to empower clients with actionable and accessible information.