

Ignore real-time payments at your peril

8 use cases for this flourishing technology



Instant payments are good for business

Instant payments may be new in the U.S., but they solve an age-old problem: B2B sellers' desire to get paid as fast as possible to enhance cash flow.

The trick, though, is to get B2B buyers to want to give up their money quicker—particularly small businesses that also need to maximize their own cash flow.

According to the Federal Reserve, automating payment processes can make it more advantageous for both buyers and sellers to consider faster payments.

INSTANT PAYMENTS AND THE 30-DAY INCENTIVE

Here's what makes instant payment capabilities within an automated system particularly attractive for not only sellers, but also for buyers:

Even if a seller entices a buyer to pay within 30 days by offering a discount, the buyer can schedule an automated instant payment on day 30. Not only does the supplier benefit by having funds immediately available; the buyer also benefits by receiving immediate confirmation that the payment was accepted and the discount was honored.

If the buyer had mailed a check instead on day 30, there's a greater chance they would have missed the deadline for the seller's discount. Automation that facilitates instant payments is particularly important for buyers that are trying to take advantage of timing discounts while simultaneously maximizing cash on hand.

Your business will win with instant payments

First, instant payments bring vastly enhanced two-way communication between sellers and buyers about critical payment information. With the "request for payment" (RfP) feature of instant payments, sellers can include invoice details and payment terms, which can be automatically uploaded into the buyer's payables system for processing, as well as the seller's system for faster and more accurate reconciliation.

Sellers would be smart to keep an eye on the new world of instant payments—at the moment, The Clearing House's Real Time Payments (RTP) Network and FedNow by the Federal Reserve. By offering buyers more options—and more enticements—to pay automatically, sellers can also maximize their cash flow.

Here are eight general use cases and a host of specific ones that should be making your business stand up and consider where instant and real-time payments fit into your plans.

8 reasons why smart CFOs should consider instant payments

1. Supplier payments are much faster

Instant payments enable companies to pay their suppliers faster and more efficiently. They don't have to worry about cutting a check or using a high-cost payment type like a credit card. Suppliers can send their product immediately upon the completion of the transaction.

2. Instant payments to small businesses help cash flow

The further you go down market, the more use cases there are for instant payments—very small businesses often live and die by their receivables. Small construction contractors can especially benefit from this. They finish one job and need to get paid immediately to continue to pay their workers as they start another job. They also have already made a huge outlay of cash to buy materials from suppliers to complete the job. Getting paid faster for the job enhances their cash flow and reduces the risk of late payments, versus waiting for a check to come in the mail.

3. Employees get paid quicker

Instant payments send immediate payments to employees. This increases employee satisfaction and retention, particularly for those living paycheck to paycheck. Indeed, four in 10 adults say they would have a hard time covering an unexpected \$400 repair on their car or washing machine, according to the Federal Reserve. Employers who pay their workers immediately can conceivably provide a lifeline in an emergency—something even more critical during this time of economic uncertainty.

4. Corporate treasury gains efficiency

Treasurers can manage cash more efficiently, as instant payments provide real-time visibility to cash positions. It also enables the optimization of liquidity management, more efficient capital management and reduction of risk.

5. International or cross-border payments are cheaper

It's expensive to make cross-border payments via traditional methods. By comparison, instant payments rails have a very low cost. Instant payments to other countries also improves cash flow for internal operations. It's helpful for multinational companies that are receiving revenues and consolidating accounts from around the world in different time zones and days—for example, what is a Friday for their counterparty's office is a Saturday for their home office.

6. They mitigate risk for debt payments

Instant payments help reduce the risk of late payment fees and penalties, and in some cases, reduce the amount of compounded interest paid. For businesses that grant loans, faster disbursements can increase customer satisfaction.

7. They enable emergency payments

Instant payments can help if a customer needs money immediately to spend on emergency needs. For example, if the only grocery store in a rural area had its roof damaged in a tornado, it may need insurance claim funds disbursed immediately to fix the roof. That way, the community can still get critical food and other supplies as everyone rebuilds from the tornado.

8. eCommerce businesses have more immediate working capital

For small businesses selling on eCommerce platforms, instant payments is huge. Having more immediate working capital and cash flow can especially help startups stay afloat and increase their chances of growth and success

Get on the instant payments bandwagon

No matter the use case, businesses initiating instant payments can decentralize payments and send payments at a lower cost than many other payment types. There is also increased security with ISO 20022, and with the additional information in the Swift protocols, there is no chance of decoupled remittance that businesses can run into with other payment methods.

Last but certainly not least, businesses can enhance their customer experience because they are getting paid immediately.

No matter why you're sending an instant payment, boosting customer satisfaction should always be a priority.



At a glance: B2B and B2G use cases for instant payments

- **Bars & restaurants:** Immediate access to irrevocable funds from sales, reducing disputes and chargebacks—and no interchange fees.
- **Buy now pay later:** BNPL service providers send immediate payment—for a fee—to retailers, while setting up a schedule for borrowers to repay them, also via instant payment.
- **Cash on delivery:** Immediate payment on delivery acceptance.
- **Collections:** Collection agencies immediately transfer funds and remittance details of past-due settlements, deducting their fee.
- **Commissions:** Immediate payments to business partners upon attainment of pre-agreed upon criteria.
- **Disbursements for disability nonprofits:** Disbursements to nonprofits and agencies that aid people with disabilities, such as group homes and outpatient centers.
- **Factoring:** Immediate loan proceeds ahead of receivables, and then immediate payment of loan minus fee upon receivables.
- **Insurance claim payment to health care provider or property/vehicle repair contractor:** Instant payments can include reference to the claim and the insurance company's explanation of benefits for automated straight through processing into the provider's accounts receivable system.
- **Internet of Things payments:** IoT devices on equipment and products can detect when businesses need to immediately—and even automatically—purchase necessary parts, maintenance and other service from suppliers on an “as a service” basis.
- **Legal settlements:** Instant payments can be used to reduce cost and improve timing of paying out business-to-business legal claims and settlements.
- **Letters of credit:** A faster payment request linked to a letter of credit, such that the payment can be immediately released upon acceptance of the goods.
- **Merchant advances:** Immediate access to loan proceeds by small businesses in need of short-term funding, typically granted by merchants against forecast cash flows.
- **Merchant services settlement:** Faster settlements of merchants' credit and debit card transactions, improving cash flow.
- **Payment for consignment inventory:** Instant payments to the consigning business upon receipt of payment for the sale of the consigned goods.
- **Refunds:** Instant payments when a business customer cancels a service, returns goods, or are due a refund for overpayment.
- **Retirement accounts:** Payroll disbursements directly to employer-sponsored retirement accounts.
- **Business donations:** Immediate contributions to local school events and other charitable functions.
- **Tax disbursements:** Instant payments on all types of taxes can include detailed data to more quickly and easily reconcile transactions for both businesses and tax authorities.



At a glance: B2C use cases for instant payments

- Business delivery services payment to delivery person
- Cash advances
- Cash back from credit/debit cards.
- Clinical trials—participation in studies
- Commissions
- Disbursements to disabled and others not-for profit patients
- Insurance claims reimbursement to customer
- Legal settlements
- On-demand payroll for gig workers
- Payment for consignment inventory
- Payroll and expense reimbursement
- Real estate closing
- Real-time retail loan approval and disbursement
- Rebates and real time cash back
- Refunds for cancellations/returns/over-payments
- Tips for services (salon, spa, valet parking)
- Worker's compensation and disability
- eBay and equivalent to individual seller

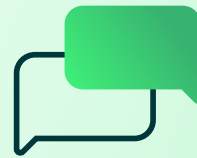
To-dos for accelerating cash flow



Identify
your instant
payment
opportunities



Develop a
payments
strategy and
roadmap



Have open
lines of
communication
with employees,
partners, and
customers



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ABOUT BILLTRUST

Billtrust is a leading provider of cloud-based software and integrated payment processing solutions that simplify and automate B2B commerce. Accounts receivable is broken and relies on conventional processes that are outdated, inefficient, manual and largely paper based. Billtrust is at the forefront of the digital transformation of AR, providing mission-critical solutions that span credit decisioning and monitoring, online ordering, invoice delivery, payments and remittance capture, invoicing, cash application and collections.



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