WHITE PAPER

Turn up the heat

How AP and AR teams can combat payments friction

Contents

We didn't start the payments fire. Or did we?

> Customer retention. Revenue retention. Staff retention. With today's economic uncertainty, businesses are all about retention. But with mounting pressure to both hold firm in this environment and optimistically seek more opportunity, is there anything that a business can release?

For accounts receivable (AR) and accounts payable (AP) professionals, that answer is yes—in the form of payments friction. By streamlining payment processes, AR and AP teams won't just be able to better respond to customer needs. They'll also be able to address internal practices wrought with manual tasks and inefficiencies, leading to improvements that may just help to lessen turnover in the department.

In short, by addressing both internal and external payments friction, AR and AP leaders can retain customers, revenue, and staff. Streamlining payment operations creates a greater experience for all parties, resulting in happier staff and customers and streamlined costs. What's not to like?

Fanning the flames: What customers want

With so much at stake, it's daunting to uncover the right mix of payment options for your organization. So, where should your business begin its payments evolution?

Therein lies the challenge and opportunity. Not every payment is right for every transaction, and with the wide variety of choice, AR and AP leaders can get mired in the details of what, when and why to offer it.

By focusing on three key experience requirements from both business partners and consumer customers, AR and AP teams can better plan for the payments solutions that speak to their target audiences and support internal team needs.

1. Customers want digitization

There's no doubt that digital payments have landed as a commonplace solution for customer needs: Upwards of 82% of Americans report using them to transact.[1]

And they are becoming more familiar with what were once "early adopter only" solutions. The share of P2P payments made with mobile apps nearly doubled from 2020, increasing from 15% in 2020 to 29% in 2021.[2]

In addition to using services from their primary bank or credit union, 83% of customers are using a digital wallet or payment at least occasionally, including 71% of those 55 and older.

These trends align on the business side as well, with COVID having fueled a more rapid move to digital expectations: 70% of small- and medium-sized enterprises report adopting digital technologies in the wake of the pandemic.[3]

This means that as the use of digital solutions by both consumer and business customers climbs, expectations mount for the payment experience your business offers. Solutions like digital wallets and payments apps create frictionless digital transactions, and your payment process will be held up against those standards.

2. Customers want speed

Following on the heels of digital solutions comes speed of payment. In this economy, businesses and consumers alike face new pressures around cash flow. On the AR side, your business wants to receive incoming payments in a timely fashion. The good news? Nearly 80% of consumers are interested in using faster payments to pay businesses.[4]

But on the AP side, what would make you want to push out payments faster? For one, customer demand: Many consumers and businesses are lighting fires under businesses to simplify and expedite payments. With new faster payments channels emerging, those expectations will climb as adoption grows.[5]

To that point, the Federal Reserve has put forth research that shows businesses ranging from micro entities all the way up to large conglomerates have plans for faster payments on both the AP and AR sides of the house (see chart).[6]

From payroll (think earned wage access), internal transfers and straight-through processing to just-in-time payments (for the business and its customers), faster payments create new opportunities.

In short, for your payments to remain competitive externally and streamlined internally, you will have to factor speed into your planning.

Market segment insights (Source: Federal Reserve)

	Gig **<$25M**	Small **$1M – $10M**	Medium **$10M – $100M**	Large/XL **$100M – $250M+**
Current payment methods	– Cash – Checks – Credit cards – Debit cards	– Checks – ACH – Debit cards	– Debit cards – Mobile payments	– Digital wallets – Digital currency – Faster payments
Faster/instant payment use cases perceived to provide the most benefits	– Internal transfers – Receiving bill payments – E-commerce	– Business to business ad-hoc payments – Government payments – Payroll	– Recurring bils and invoice payments – Urgent same-day immediate payment receipts	– Standard payroll – Internal transfers – Just-in-time payments
Faster/instant payment features of greatest interest	– Accessing funds immediately – Receiving notification when a payment arrives	– Accesing funds immediately	– Receiving notification when a payment arrives	– Being able to post received funds immediately – Receiving remittance information along with the payment to explain the purpose of the payment (i.e., invoice numbers)
Expected benefits of using faster/instant payments	– Lower cost – Instant funds availability	– Lower cost – Instant funds availability	– Improved cash flow – Increased confidence in payment	– 24/7 year-round service – Improved processing efficiency – Potential for straight through processing

3. Customers want convenience

To close out the trifecta of payments experience requirements, convenience is critical to both consumers and businesses.

On the consumer front, adding any sort of friction to a payment can make it less desirable. Case in point: Convenience ranks as a top priority for receiving a payment for a business, and when paying, 59% of businesses report customers have frequently abandoned a shopping cart when their preferred payment is unavailable.[7, 8]

In addition, 78% of retail businesses indicate a good checkout experience is as important a competitive advantage as having the best products—a bold statement that underscores the importance of a convenient payments experience in the overall customer journey.[9]

Fueling the fire: What you need

It's all well and good to look at how internal and customer needs match up with payment offerings, but what about the impact to your business? How do you select the right mix of payments with the right cost/benefit ratio?

Review your business against customer demands and align your payment priorities both internally and externally.

74%

of finance leaders expect payments transformation will bring positive impacts from improved employee experience.

Source: Association for Financial Professionals[11]

1. You need digitization

Going digital can add to a business' bottom line. In addition, the more a business can automate processes in a digital platform, the more effective and efficient AR and AP teams can be, lessening their burden and supporting greater staff engagement.

54%

of treasury professionals cite speed as a primary driver of payment choice.

Source: PYMNTS & Corcentric[12]

2. You need speed

Faster payments not only increase a business' cash flow; they also create the opportunity for more control over last-minute payments, adding more flexibility to how a bill is processed and when.

In fact, over 60% of treasury professionals are optimistic about the impact of faster payments on their organizations.[10] And as outlined by the Federal Reserve (see previous chart), the potential for immediate, straight-through processing creates added potential for internal operations.

3. You need convenience

In many ways, convenience masks as efficiency. By streamlining processes and simplifying approaches, internal operations benefit. Reducing the time employees spend on facilitating and handing payments will support them in addressing wider organizational needs.

At the same time, with convenience as a driver, businesses can provide flexible payment options for customers, translating to fewer customer service issues and the potential for increased revenue.

What's the right mix?

Viewing payments through this lens helps businesses identify key considerations and opportunities with payment offerings. But taking things more granularly and comparing the attributes of varying payments systems will help in weighing the costs and benefits of each option in both AP and AR scenarios.

Pros and cons of payment channels

	Pros	Cons
ACH	✓ Cost-effective ✓ Widely used and accepted	× May take up to three days to see payment process
Check	✓ Float time from check writing to its cashing ✓ Integration with legacy internal processes	× Payment type most subjected to fraud × May create higher costs for processing on the AP side × Subject to manual entries × Access to payment takes days from check writing to deposit and availability
Card	✓ Widely used and accepted ✓ Ease of use ✓ Real-time authorization	× Interchange fees for payments × Higher rates of fraud
Instant/Real-time Payments	✓ Irrevocability brings certainty ✓ Immediacy of payment	× Unknowns with new market entrants × Potential for fraud with newer systems × Associated costs for these faster payments
Wire	✓ Irrevocability brings certainty ✓ Immediacy of payment ✓ Often used for global payments	× Higher fees for both incoming and outgoing wires

While this summary scratches the surface of potential, by no means does it speak directly to your business' unique interests or to all the potential pros and cons.

One key call-out: global payments. Depending on how those impact your organization and the approach you take today, you should rebalance your payments offerings and dig deeper into wire alternatives.

Burning questions: How to advance your payments program

Businesses have a host of factors to consider in developing the right payments program, such as the frequency and accessibility of global transactions payments and system security, exception processing, staff knowledge, and so much more.

The hot list: Questions to ask when evaluating your payments mix

INTERNAL CONSIDERATIONS

1. What existing payment processes are working well today from an internal perspective? Why?
2. Where are our biggest payment issues from an internal perspective? How do they arise?
3. Where are there potential security issues?
4. Will new payments offerings and/or enterprise solutions help us in alleviating some of these issues?
5. What are our out-of-pocket costs for payment options? How do those expenses compare to the hours staff are taking to process payments? Is there a net business savings to be had by outsourcing more and freeing up staff time?
6. Will staff training or other forms of staff support help to alleviate some of the considerations?
7. How does staff turnover and/or retention factor into these issues? What can we do to address that?
8. What partners can we engage to help us on this journey?

EXTERNAL EXPLORATION

1. What data do we have that can speak to customer satisfaction with our payments process?
2. What else does this data tell us about what's working and what's not?
3. Where are there potential security issues?
4. What are our competitors offering in terms of a payments experience? How can we exceed those parameters?
5. What partners can we engage to help us on this journey?

Igniting the response

As you assess your operations amid today's landscape, one conclusion emerges: While we didn't ignite today's payments fire, it's a waste to fight it. Rather, you can capitalize on the dynamic nature of today's marketplace to seek out new opportunities and align payment solutions with both customer priorities and internal needs, letting go of payments friction in the process.

> Now is the time to reinvent what you do for AR and AP, and retain and grow your offerings in the process.

References

1. McKinsey. New Trends in US Consumer Digital Payments. https://www.mckinsey.com/industries/financial-services/our-insights/banking-matters/new-trends-in-us-consumer-digital-payments

2. The Federal Reserve Financial Services. 2022 Findings from the Diary of Consumer Payment Choice. https://www.frbsf.org/wp-content/uploads/sites/7/2022-Findings-from-the-Diary-of-Consumer-Payment-Choice-FINAL.pdf

3. OECD. Policy Highlights: The Digital Transformation of SMEs. https://www.oecd.org/industry/smes/PH-SME-Digitalisation-final.pdf

4. The Federal Reserve. Federal Reserve Market Readiness Brief: Today's On-Demand Lifestyle Is Spurring Greater Demand for Faster Payments. https://fedpaymentsimprovement.org/wp-content/uploads/federal-reserve-consumer-research.pdf

5. The Federal Reserve. Federal Reserve announces July launch for the FedNow Service. https://www.federalreserve.gov/newsevents/pressreleases/other20230315a.htm

6. The Federal Reserve. Federal Reserve Market Readiness Brief: Businesses increasingly interested in using faster payments for emerging use cases. https://fedpaymentsimprovement.org/wp-content/uploads/corporate-research-brief.pdf

7. Onbe. Market Research Survey Report: Future of Payments, 2023 Report. https://6138778.fs1.hubspotusercontent-na1.net/hubfs/6138778/Future%20of%20Payments%202023_final.pdf?__hstc=258047957.9f11f4c97fcd-15cd743025f581a8b206.1678981566111.1678981566111.1678981566111.1&__hssc=258047957.1.1678981566114&__hsfp=3000179024

8. PayPal and the Ponemon Institute. The true cost of online fraud: A 2022 global study. https://www.paypalobjects.com/marketing/web/us/brc/True%20Cost%20of%20eCommerce%20Fraud%20Report%202022.pdf

9. PayPal and the Ponemon Institute. The true cost of online fraud: A 2022 global study. https://www.paypalobjects.com/marketing/web/us/brc/True%20Cost%20of%20eCommerce%20Fraud%20Report%202022.pdf

10. Association for Financial Professionals. 2022 AFP® Digital Payments Survey Report. https://www.afponline.org/docs/default-source/registered/afp-digital-payments-survey-highlights.pdf

11. U.S. Bank. Payments transformation: What you need to know. https://assets.foleon.com/eu-central-1/de-uploads-7e3kk3/45522/payment_transformation_what_you_need_to_know.15e7ed3d468a.pdf

12. Association for Financial Professionals. 2022 AFP® Digital Payments Survey Report. https://www.afponline.org/docs/default-source/registered/afp-digital-payments-survey-highlights.pdf

billtrust

Learn more

Visit billtrust.com or contact our sales team.

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.

CORPORATE HEADQUARTERS

1009 Lenox Drive, Suite 101
Lawrenceville, New Jersey 08648
United States

HAMILTON

11 South Gold Drive, Suite D
Hamilton, New Jersey 08619
United States

SACRAMENTO

2400 Port Street
West Sacramento, California 95691
United States

GHENT

Moutstraat 64/501
9000 Ghent
Belgium

AMSTERDAM

H.J.E. Wenckebachweg 200-III
Amsterdam AS 1096
Netherlands

KRAKÓW

ul. prof Michała Życzkowskiego 19
3 piętro
Kraków 31-864
Poland

PM-BT-WP11-v1