Intro: Welcome to the Treasury Update Podcast presented by Strategic Treasurer, your source for interesting treasury news, analysis, and insights in your car, at the gym, or wherever you decide to tune in.

 What are companies doing to improve efficiency controls and the overall B2B payment process? On this episode of the podcast, host Craig Jeffery sits down with Andrea Eaton, VP of marketing at Bottomline Technologies to discuss the 2019 B2B Payment survey implications. This survey reveals developing trends on plans to spend, adopt technologies, and achieve organizational goals. Listen in to find out more.

Craig: Welcome to the Treasury Update Podcast. This is Craig Jeffery. Our episode today is payment priorities, the 2019 B2B Payments Survey implications. For three years we've been tracking global shifts in technology, strategies, and practices with regard to business to business or B2B payments. This survey unearths developing trends and plans: plans to spend, plans to adopt technologies, and plans to achieve organizational goals. Every annual survey was underwritten by Bottomline Technologies and administered by Strategic Treasurer. We'll share where you can go to get more information on the survey results and see a recording of the results Webinar. Now let me introduce you to our guest, Andrea Eaton of Bottomline Technologies. She's a Vice President of Marketing and she's been very active in the payments space during her career at Bottomline and focuses on marketing Bottomline's Paymode-X network. She's a major driver of the survey content and how the learning of this information is disseminated back to the payments and treasury community. Welcome to the Treasury Update Podcast, Andrea!

Andrea: Thanks Craig. I'm glad to be with you today. To talk about the findings from the survey.

Craig: Let me just go through a couple of the numbers, the stats of the 2019 B2B Payments Survey. This is the third consecutive year running. We had 310 respondents from various corporations. It certainly had global coverage. The coverage was more heavily weighted towards North America. The next most populated region in respondents was Western Europe and then the rest of the world. So let's get into the learning. What are some of the highlights of what we were hoping to learn as we crafted and updated this version of the survey?

Andrea: Craig, in past years I think we focused more on details around how businesses were automating different parts of their payment processes. In this year's survey we were really hoping to uncover more information from both banks and corporates on a few new key topics. One was fintech and bank collaboration. How are banks viewing that, how are corporates looking at both FinTechs and banks as payment solution providers, either separately or together. And we also wanted to look at emerging technologies and payment schemes and dive a bit deeper into the specific challenges that businesses still face across their processes of paying and getting paid and what opportunities exist for them to optimize those. This year we also took a look at any nuances between smaller and large businesses and the responses. And while in many cases there was alignment, there were a few interesting spots where the findings diverged a little bit based on company size.

Craig: Yeah, there's some great items in distinction. Some we'll cover in this podcast and the rest will be in the survey report. So let's get into the findings and as we analyze the findings from over 70 questions in the survey, and obviously not everyone had to answer every question. There were, there were breakouts. We broke these findings out into three sections that provide some significant trends and themes that I think everyone should find interesting. Let's begin with the first section. This had the headline for the B2B payment solution landscape the move to fintech is on. What are some of the key data points and what are the implications for banks, businesses and FinTechs, Andrea?

Andrea: One of the key data points was that when it comes to delivering payment capabilities to their business customers, 76% of banks are either leveraging fintech solutions as much as possible or for specific niche use cases. At the same time, one third of businesses indicated that they plan to increase their use of fintech solutions for payments as well. And that number on the corporate side increased over the last year, when just one in five corporates were interested in working with FinTechs on payments. What I ultimately think this means for banks, businesses and FinTechs is that there is more focus on providing solutions that can digitally transform all aspects of payments. And ultimately everyone stands to gain from this, banks can deepen their customer relationships, and differentiate the solutions that they offer. Businesses can optimize their payment processes and FinTechs get to increase adoption of their solutions through multiple channels.

Craig: So why do you think this is? Answer that from your experience in the industry or from some of the survey data.

Andrea: As it pertains to banks, I think this is happening because banks appreciate that, that FinTechs can provide a means for them to get to market with new payment solutions more quickly and cost effectively. The fintech space has received a ton of investment and been a hot topic across the various places that treasurers in AP and AR leaders go to get their information. Whether that's conferences or industry publications or what have you. Oftentimes I think that these business customers are then going to their banks and asking if the bank provides capabilities that are similar to or the same as some of the capabilities that they've learned about that exist in the fintech space.

Craig: What do these survey responses mean for banks in more detail?

Andrea: Today more than half of corporates say that they do not use a non-bank provider for payments, but with that third of corporates indicating that they plan to increase their use of fintech capabilities, I think this just reinforces the fintech partnership strategy for banks by choosing a fintech partner that is a cultural fit for your bank and setting up the right partnership model. Banks really have the benefit of providing leading payments technology without giving up ownership of their customer relationships or any of the associated data on payment flows. And even though the survey found that 69% of banks would prefer to white label fintech solutions that they bring to market, I do think it behooves banks to market the fact that they leverage these best of breed fintech capabilities and showcase their fintech partners as appropriate. I think that this would show their business customers that banks are actually doing the research on their behalf and serving up the technology that they've deemed to be the best fit and deliver the greatest value for the customer segments that they serve.

Craig: That's true Andrea. So as we wrap up section one and to move to section two, the second section in terms of our findings and groupings had to do with faster and emerging payments or better payments. These topics certainly get a significant amount of buzz. What do you see happening with corporate payment plans?

Andrea: I'll touch on two topics here. First, on kind of the faster payments theme and secondly, emerging payments technology specific to B2C payments, because I think there were some interesting findings from the survey on both of those topics. As the number of payments solutions in networks that offer faster payment options has increased in recent years, so to has corporates interest in an adoption of these payment types, the survey showed that real-time payments, same day ACH, and blockchain based payments, were of the most interest to corporates in that order across both small and large businesses. The survey respondents indicated that their primary use cases for these payment types were B2B or AP payments followed by alternatives to wire transfers, payroll, cash concentration, and emergency transfers. As it pertains to AP payments, I think that actual adoption will be interesting to watch over time. There are a number of factors that impact how quickly a business chooses to pay its suppliers, whether that's prenegotiated payment terms, any early payment discount opportunities that may arise, requests for faster payment on an invoice from a supplier that's looking for faster access to cash, and in any float or rebate opportunities that a business might be looking to exploit. So an immediate payment is not always preferable.

Craig: Certainly. That's the first one. What's the second?

Andrea: Right. And so on the, on the B2C payments front, it was interesting. We found that 76% of banks said that their corporate customers were asking them for solutions that could help automate the payments that the business needs to make to consumers. An obvious or historical use case here would be something like T&E reimbursements made to employees. But increasingly we see businesses interested in new technology to make it easier to do things like paying insurance claims or issuing refunds. On the businesses who responded on the survey, they reported being most interested in technology such as PayPal and Zelle for this use case thinking it's attractive for businesses to be able to tap into the community of consumers that are already signed up for these services or direct consumers to what is it really a pretty easy signup process for solutions like PayPal and Zelle. Visa Direct and Mastercard Send where other payment methods of interest for B2C use cases, and while all of these technologies offer cost and efficiency advantages over paper processes, I think there are systems considerations for businesses looking to take advantage of these such as where in their ERP are they going to store the email addresses for payment recipients.

Craig: Great information about the plans, but what piques their interest enough to really focus on it actually doing what they are planning to do?

Andrea: Right. I think with these payment types it's the same, in any department of any business when you're trying to make a case for doing something new, using new technology. Actual adoption is going to depend on the value that these payment schemes or technology provide to the business and how big of a problem is it going to solve relative to the lift that's required to actually begin using that technology. Integrating new payment types into existing business and banking systems and processes could be a challenge. But if there's a significant enough benefit such as a massive reduction in wire transfer costs, for example, businesses should work to make the case and I think that banks and FinTechs that provide these capabilities can likely help them do that.

Craig: That's excellent. I know many of these findings are good news for Bottomline with what you provide, and everyone's spending on treasury and payments these days. This is interesting, but there are a number of challenges that organizations face and section three covers challenges and not everything reflects pure opportunities for corporates or for banks. There are some clear areas that represent important challenges to those that manage payments, whether it's AP, payroll, or treasury. But the focus is largely on AP and treasury in the survey and generally. But maybe you could give us an overview of what the survey said were the major challenges.

Andrea: Sure. From the treasury perspective, when they were asked about top payment challenges, they cited protecting against payment fraud as the very top challenge that they experience, followed manual payment workflows and then obtaining visibility to all transactions occurring globally. The fraud finding really wasn't surprising given the rise of innovative fraud schemes. If you're a growing business dealing with increasing payment volumes and complexity, it can be extremely difficult to ensure that all of your payment flows are protected. Of the corporate survey respondents, 60% had higher security concerns this year than last year, and 44% of them had experienced a B2B payments fraud attack in the past year. And a more alarmingly of those who experienced an attack a quarter also experienced a loss associated with that attack.

Craig: Sure. And again and again we see fraud rearing its ugly head in every survey and on a continual basis in the news and we don't want to re-cover ground that's been covered. But there is some new information that the survey revealed about AP, some really interesting points. And this impacts not just AP but treasury in the organization. Maybe you could just give us a quick rundown of that.

Andrea: Sure. The survey found that AP is responsible for fraud losses three times as frequently as any other department in the business. And this is no doubt due to the volume of outbound payments that they make, but again, just highlights the need for solutions that can help AP teams ensure that they're paying legitimate invoices to legitimate businesses with legitimate bank account information.

Craig: It's definitely rampant, it's automated, it's persistent and everyone has to have a defense. So that makes sense. The second one you talked about was efficiency related or manual processes. Can you describe what we learned from that?

Andrea: Sure. So manual payment processes were the second biggest challenge identified for treasury. And that just speaks to the significant opportunity that remains to automate treasuries, payment processes, reduce time, cost, and errors associated with those processes. Smaller businesses actually indicated that this was a greater challenge than protecting against fraud, which potentially highlights a need for solutions focused on that segment of the market. But for large businesses generating hundreds or thousands of transactions per day, even a simple funds transfer can become a heavy burden without an automated solution in place.

Craig: Yeah. So that's the treasury side. But what about accounts payable? What were some of the major challenges cited from AP? And I just love how we expanded this year focusing on AP and treasury. So it wasn't just a sole source. But what did we learn about with AP?

Andrea: Definitely some interesting findings coming out of AP. And then to think about what that means for the relationship between treasury in AP and in AR too as we go forward on today's podcast where opportunities are tipped to optimize processes across the different financial functions of the business. 55% of businesses said that managing and updating vendor bank account details was their most significant AP payments challenge. As businesses increase their adoption of electronic payments, maintaining that accurate bank information for payees is important to ensure that payments are going to the right place and that AP staff aren't then burdened by things like chasing down notices of change or payment returns. But businesses do change or add bank relationships often, so this is never really a one and done effort making it kind of an even bigger challenge for businesses on an ongoing basis.

Andrea: Larger companies did report that Managing Bank account information was a greater challenge than their smaller peers did. If you think about a larger business, they're dealing with a larger network of suppliers often across multiple geographies with information stored in multiple AP or ERP systems. And I think that that magnifies the complexity of keeping that information up to date everywhere it lives. Further I'd add that beyond just simply managing bank account details, most businesses don't have an automated way to validate that the bank account numbers their suppliers provide to them are legitimate, which can set the AP department up to unknowingly make fraudulent payments.

Craig: Andrea, that's a good point or a good overview of the fraud concerns on AP, and like we talked about in treasury, there's an efficiency side of the coin. Can you explain what the findings were on that?

Andrea: Absolutely. 51% of AP departments reported that the timely approval of invoices just to meet standard payment terms nevermind pay early is a big challenge. And this was consistent across both small and large businesses that we surveyed. Both small and large businesses are likely to be receiving invoices in a variety of different formats, whether that's paper mail, email, automated data, transmission, proprietary portals and so on. And the good news is that there is AP automation technology out there to help businesses normalize the invoice data that they receive and streamline that approval process in a way that is also integrated with their ERP, which is of course important. I think that if, again, back to the whole make-the-case, how-big-is-the-problem. If this manual invoice process is truly costing a business significant amounts of money or impacting their relationship with suppliers, there are solutions available that can help them meet payment terms, avoid late fees, and even take advantage of early payment discounts.

Craig: So Andrea, the survey looked at the differences in how large and small companies view their AP and AR processes. Just to see how that varied. Can you talk about that part?

Andrea: Yeah. The survey found that smaller organizations were two times as likely to focus on optimizing their accounts receivable processes as their larger peers. And then conversely, larger companies were one and a half times more likely to focus on payables. This wasn't really surprising to me. Small companies likely have less capital and rely more heavily on incoming cash from their trading partners just to sustain their daily operations, which may prompt them to focus on strategies such as extending early payment discounts using a factoring agency or simply making collections calls. In contrast, larger organizations may have more liquidity to work with as well as more influence over setting payment terms that work to their favor with suppliers. And these companies are often trying to maximize early payment discounts that they achieve across their supplier base, leverage different payment types such as virtual card, and premium ACH options to earn rebates back on their AP spend.

Craig: Now let's flip the survey results around from "what did we learn?" to "what advice do you have?" What prescriptive advice do you have for treasury and AP?

Andrea: If I had one piece of parting advice for treasury and AP based on this year's survey findings, it would be to really take a hard look at existing payment workflows and processes and technologies and try to identify vulnerabilities that exist for payment fraud. I can't tell you how many times we talk to customers that simply aren't covering basics like validating the bank account details that someone at the supplier company has provided to them to get paid electronically. Businesses can place an undue amount of trust in their trading partners and just accept that the information that they get faxed back on their ACH signup form is valid. And I just think in today's environment with all of the outside threats that exist, businesses can't afford to undergo fraud losses that they themselves could have prevented in the first place. This is one of the major ways that we help companies ensure that they're not only automating their processes, but they're securing them as well. And I think that this is a real opportunity for treasury and AP to work together on.

Craig: Andrea, that's a great wrap up and thank you to all those who took time to take the survey, and thank you Bottomline for underwriting the survey, and Andrea, thank you for joining me on this episode of the Treasury Update Podcast. You help the industry know what is happening and what is changing and how payments professionals can be best prepared and what to do.

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