



# 5 Ways to Drive B2B Digital Payments Adoption



**BANKING DIVE**

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The pandemic accelerated digital payments adoption by consumers, with 82% of Americans reporting using digital payments of some sort in 2021, up from 78% in 2020. These range from online purchases to in-store checkouts with mobile devices.<sup>1</sup> Now the crisis is waning, but the payments revolution continues—and promises to move past the consumer realm.

Indeed, consumer preferences are paving the way for business-to-business (B2B) payments to also go digital. The expectation and comfort level are there from business users, and the technology is available to make it happen. A new study from PYMNTS projects that 80% of B2B transactions will be digital by 2025.<sup>2</sup> This reinvention of the B2B payments space holds particular promise for small businesses.

“SMB leaders and owners want their business solutions to provide conveniences similar to what they experience via consumer banking,” says Scott Johnson, head of Strategic Expansion at Galileo Financial Technologies, a leading global fintech company that provides B2B payments processing and banking solutions platform. “In response, we’re seeing B2B payments providers that serve SMBs get much more innovative.”

The innovation is timely given the scale of the opportunity. Analysts anticipate that the B2B payments market will reach \$1.9 trillion by 2028, growing at a CAGR of 10.6%. That’s a significant uptick from 2020 when the market was valued at \$870.41 billion.<sup>3</sup>

**Dive into this playbook to learn more about:**

- The B2B payment challenges facing small businesses and opportunities for payment providers to offer solutions.
- Five ways you can drive B2B digital payments adoption and grow your own business along the way.
- How to evaluate digital payments technology partners to help you find B2B payments success.

**B2B payments go digital**



**\$1.9 trillion**

**The size of the B2B payments market by 2028**

# Old payment systems, new expectations

SMBs are no strangers to the convenience of digital payments. Consider that 82% of small businesses already accept digital or online payments from their customers, and 60% say they plan to only accept digital payments within the next two years.<sup>4</sup> It's a digital world for customer-facing transactions, but accessing digital solutions to manage supplier payments or employee spend has been challenging.

Isaac Itzkowitz, CEO and founder of Global Rewards, has witnessed this firsthand. Global Rewards provides virtual cards and other B2B payment services to help companies simplify corporate disbursement and employee spend. Itzkowitz notes that many Global Rewards customers come to him looking for efficient, automated, real-time B2B payments capabilities.

**There are an unbelievable number of businesses having difficulties just reconciling payments and statements. They just want to be able to do it more efficiently."**

**ISAAC ITZKOWITZ** CEO and founder of Global Rewards

Many SMBs still rely on antiquated AP systems that don't provide modern capabilities, from data analysis to real-time updates to fraud protection. As a result, managing employee expenses and supplier payments is cumbersome and inefficient. These essential processes remain bogged down with payment delays, manual tasks, high processing costs and other headaches.

For example, 72% of finance teams report that they spend up to 10 people hours per week—or 520 hours annually—on AP-related tasks that could be automated, such as supplier payments, processing invoices and matching purchase orders.<sup>5</sup> These challenges became even more acute during the pandemic when 75% of CFOs said they needed to make significant changes to their technology before their finance teams could complete their payment processes on time.<sup>6</sup>

For small businesses, the gap between innovative consumer payment solutions and old-school B2B payment options is significant. Johnson says that many small business owners aptly question why they “can’t have all the convenience and technology for B2B transactions that challenger banks provide to consumers.”

### **Understanding the payments pain**

In a survey from Deloitte, midsize businesses cited their top B2B payments challenges<sup>7</sup>:

#### **Payment delays**

- B2B payments take an average of 30 days, and 47% of suppliers receive late payments.

#### **High processing costs**

- It costs \$8 on average to process a supplier payment—and 62% of that cost is labor.

#### **Fraud risk**

- Procurement or vendor fraud accounts for 19% of all fraudulent payment activity.<sup>8</sup>

#### **Limited transaction visibility**

- This can further delay payments, disrupt payment cycles, enable fraud and add to payments costs overall.

#### **Supplier payment methods**

- A mismatch between buyer and supplier payment methods can also add to payment delays and complicate the process.



# 5 ways to improve B2B digital payments adoption

**Given the challenges, most small businesses are interested in improving their B2B payments process—and they have everything to gain by doing so. For payment providers, the question is how to meet these emerging needs and accelerate the adoption of B2B digital payments?**

**Consider these five tips:**

## 1. Differentiate your product offering.

SMB customers are ready to go beyond traditional card solutions. Johnson recommends taking advantage of payment solutions that use open APIs, which enable continued innovation. You can create and provide products that serve your customers now—and find new ways to meet their needs in the future. For instance, open API-based solutions allow you to offer near-real-time data and analytics to SMB users. “That way, anytime an event happens, the user can immediately see it in the system,” Johnson says.

Automation capabilities provide another way to set your solutions apart and drive adoption. A study by Goldman Sachs notes that paper checks cost \$22 each to process. Automating supplier payments promises to cut B2B payment processing and related administrative costs by 75%, a move that could yield up to \$1.5 trillion worth of small business productivity gains.<sup>9</sup>

Providing increased visibility into the payments process and shortened processing times is another differentiator. Lastly, Johnson suggests exploring ways to reduce fees for SMBs. These efforts and more elevate your products, help earn new customers and strengthen the loyalty of your existing ones.



**Automating supplier payments  
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## 2. Solve additional SMB problems.

Providing seamless B2B digital payment solutions is a big win. But you can also help drive the adoption by adding even more value for SMB customers. With the right payments technology partner, you can help SMBs address various payment pain points.

For example, some neobanks provide small businesses with access to additional operating capital. Others offer solutions that streamline the expense approval workflows, enabling SMB customers to manage approvals in near-real-time. You could also integrate virtual card products, which offer benefits including immediate payments, improved reconciliation or the ability to limit card usage to specific amounts or merchant categories.

**“Companies targeting small businesses are looking for ways to bring additional value via their virtual cards. We’re seeing payment providers offer small businesses a card product and then get creative with what that virtual card can enable.”**

**SCOTT JOHNSON** Head of Strategic Expansion at Galileo Financial Technologies

By expanding your offerings, you can meet more of your customers’ needs and help them find efficiencies, improve their margins and even boost their revenue. The effort pays off. Consider SMBs utilizing a broad range of digital solutions are two times as profitable as their non-digitized peers.<sup>10</sup>

### 3. Provide vertical-specific solutions.

While it's not possible to customize a payment solution for each customer, you can create B2B payments products designed with specific industries in mind. For example, Global Rewards has successfully developed financial management and accounts payable solutions for skilled nursing facilities. A big part of the company's success is that they "take the time to understand the industry's specifics," Itzkowitz says.

That's in contrast to traditional banks, he added, which often don't evaluate the intricate cash flow and spend patterns of companies in a particular industry. As a result, they may not provide their clients with the tools or products they need. Global Rewards has leveraged Galileo's open APIs to create flexible, vertical-specific financial management solutions for multiple niche industries within healthcare and beyond.

Other payments providers have tackled the restaurant and hospitality industry or focused on online retailers, providing solutions such as operating credit based on daily revenue or reconciliation tools that address industry-specific pain points.

### 4. Explore new geographic markets.

There are also opportunities for expansion in regions where digital payments are becoming more common.

**For example, "we're seeing many of the same trends in Latin America that we're seeing here, in terms of interest in digital payments."**

**SCOTT JOHNSON** Head of Strategic Expansion at Galileo Financial Technologies

The region traditionally has relied on cash for both consumer and business transactions. But that's changing. The use of cash for brick-and-mortar payments in Latin America declined by nearly 20 percent between 2019 and 2020<sup>11</sup>, and that shift away from cash has been further supercharged by the Covid-19 pandemic.

Today, neobanks and other fintechs are moving to serve Latin American consumers, offering mobile banking, peer-to-peer payments and more. Johnson anticipates that much like in the U.S., digital B2B payments will likely follow. By selecting the right technology partners, payments providers can uncover new opportunities for serving SMBs in high-potential markets—and lead the way for B2B digital payments around the globe.

## 5. Don't forget about customer service.

Sixty-seven percent of SMBs implemented new customer support tools or processes to improve their customer service over the past two years.<sup>12</sup> That's because they've prioritized the customer experience, and they expect the same from their payments provider.

As you strive to help small business customers adopt digital solutions, ensure that robust support and an excellent experience remain front and center. "You might have superior technology solutions, but the service and support have to be there as well," Itzkowitz says.

Take the time to educate your customers about what's possible, provide accessible service and support and partner with them to make their endeavors more successful. Combining robust customer service and innovative technology can be the differentiator that gets your solution in the door and creates loyalty for years to come.



67%

of SMBs implemented new customer support tools or processes to improve their customer service over the past two years.<sup>12</sup>

# Find the right payments technology partner

**Incorporating the tips above will help drive B2B digital payments adoption among your SMB customers and prospects. But to fully deliver on your promises, you also need the right financial services technology partner. As you evaluate potential partners, consider the following questions:**

## **Does the vendor fully publish all its APIs and provide early access to a developer sandbox?**

This indicates that the provider is innovative, uses open APIs and has a flexible solution that can adapt and scale to your business needs. “If you can’t get access to the developer sandbox early, then you should question how innovative and flexible their solution really is,” Johnson said.

## **Does the vendor have a B2B track record?**

Johnson recommends looking for partners that have helped payments providers scale B2B offerings. “You want a Goldilocks partner that has just the right mix of reliability — they’ve scaled with a number of businesses — and innovation,” he says.

## **Does the partner provide consultative services?**

Just as you want to provide an excellent experience for your B2B payments customers, you should look for a technology partner that does the same for you. Guidance and support can elevate the relationship and ensure you’re getting the most from your technology investment.

## **Do they offer technology features and services that help you succeed?**

Dig into what their technology makes possible for you and your SMB customers. Features such as account-level controls, real-time funding and corporate hierarchy tools help differentiate your B2B payment solutions and can win you more business. Also, look for vendors that support multiple payment methods and offer products and solutions that fit your future needs.

## **Is program management an option?**

Program management takes the responsibility of managing a corporate card program off your company’s plate while still enabling you to provide a key SMB solution. Look for a partner that either offers the service or can help you decide if program management is right for you. It’s a complex topic with many nuances and dimensions; in fact, program management can mean different things to different companies. So having an experienced partner that can walk you through the process is extremely valuable. For those who do opt to ally with a program manager, it’s wise to align with a partner that offers a flexible framework with multiple service options and can work with you to build the best offering possible for your particular needs.

# SMBs are ready for B2B digital payments. Help them get there.

Small businesses are ready to move on from legacy payment systems and processes that cost them time and money. But they need help orchestrating their migration to digital B2B payments. With the right technology partner, you can be their guide. By offering vertical-specific solutions, value-added services, and the potential for continuous innovation, you can ensure that your SMB customers stay ahead of the technology curve. They'll realize new opportunities for growth and success in the process, and your company will too.

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