Unlocking efficiencies through B2B payments

Tomorrow Begins Today

Royal Bank of Scotland

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The B2B payments ecosystem is undergoing a paradigm shift, taking a prominent position on the agenda for many global corporations. The rise of macro challenges and the push for digitisation have created an opening for companies to reassess and overhaul their B2B payment relationships. A range of new age solutions available to corporates aim to enable this transformation.

Digitisation of B2B payments is inevitable as it becomes an indispensable reality of modern-day business

To withstand the demands of today, corporates are adapting to new age B2B payments solutions at an unprecedented rate. This trend is primarily fuelled by feature-packed offerings and also aided by the seamless experience of consumer payments. Corporates that don't make the move, risk themselves being riddled with potential inefficiencies, pilferages, and even corporate governance concerns.

Commercial cards integrate seamlessly into the ongoing operations and offer a range of benefits that add real business value

Embracing digitalisation in B2B payments stands to unlock significant value for corporates. New-age payment methods offer benefits that not just streamline B2B transactions, but also enable the business to be more efficient. Integrating with existing systems, they can open a world of insights for informed decision-making. Advanced security measures, such as real-time monitoring and encryption, help protect financial information and be compliant to industry regulations. Last but not the least, improved cash flow management strengthens supplier relationships and optimises working capital. These advantages collectively lead to measurable benefits that can propel the business towards success.

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01

Corporates' renewed focus on digitising B2B payments is driving high growth

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The digital wave that transformed consumer payments during the pandemic is crashing onto the shores of B2B transactions.
Fuelled by consumer habits and accelerating technology, the B2B payments landscape is undergoing a seismic shift, with predictions estimating 40% growth over next 4 years. This presents a vast £98 trillion opportunity by 2028, with small and large businesses poised to benefit alike.

Understanding B2B Payments

In the world of business payments, a variety of methods are employed, ranging from traditional cheques and cash to modern solutions like electronic transfers and virtual cards.

Recently, there's a noticeable shift away from conventional methods towards the increasing adoption of virtual cards. This trend is fueled by the practical advantages they bring to the table. Virtual cards offer businesses improved financial control, enhanced security, and streamlined cash management. As the landscape evolves, these digital payment tools are becoming integral, not only for their convenience but also for the potential they hold in reshaping how businesses handle their financial transactions, ushering in a more efficient and secure era.

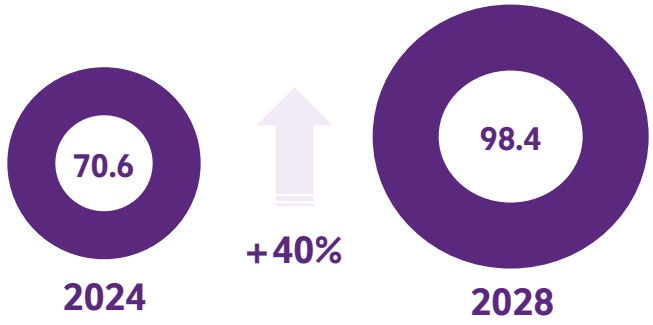
The Evolving Landscape

The COVID-19 pandemic served as a catalyst, but the B2B payments revolution was brewing long before. Consumers, accustomed to the seamless tap-and-go experience or instant online payments, started expecting the same convenience in their business interactions. Paper cheques, slow bank transfers, and cumbersome reconciliation processes seem archaic in a world of instant gratification. This shift in expectations, coupled with advancements in technology like cloud computing and APIs, created the perfect storm for B2B payments to finally go digital.

Instead of a stopgap measure during lockdowns, the adoption of digital B2B payments is rapidly becoming the new normal. Businesses are realising the numerous benefits, from faster transactions and improved cash flow to enhanced security and transparency. Additionally, the rise of open banking allows for secure data sharing between financial institutions and fintech providers, fostering innovation and competition within the B2B payments space.

Global B2B Payments Market1

B2B payments transactions value in GBP Trillion



UK	2.8	+36%	3.8

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What's driving the B2B payments transformation?

1 Consumer-driven expectations

Business owners and employees, accustomed to the convenience of digital consumer payments, demand similar ease and speed in their B2B operations.

2 Ripe for disruption

The traditional, paper based B2B system is riddled with inefficiencies and delays, creating fertile ground for innovative solutions.

3 Technological advancements

Real-time payments, embedded finance, and open banking integration are powering faster, more secure, and data-rich transactions.

This is more than just a convenience upgrade; it's a fundamental shift in how businesses operate. The global B2B payments market, currently valued at over £70 trillion, is projected to reach a staggering £98 trillion by 2028. This massive growth potential signifies the immense opportunity for businesses of all sizes to embrace the digital revolution and reap the rewards of efficiency, security, and a competitive edge.

Remember, the B2B payments landscape is still evolving, with exciting developments like real-time cross-border payments and blockchain integration on the horizon. By staying informed and adaptable, businesses can ensure they're not just riding the wave, but navigating it skilfully towards a more efficient and prosperous future.

> "Commercial card solutions have evolved from being just another B2B payment method to being a comprehensive solution that provides a multitude of benefits to the corporates and their employees alike."

Anant Bhandarker

Customer Journey Manager, Commercial Cards, NatWest

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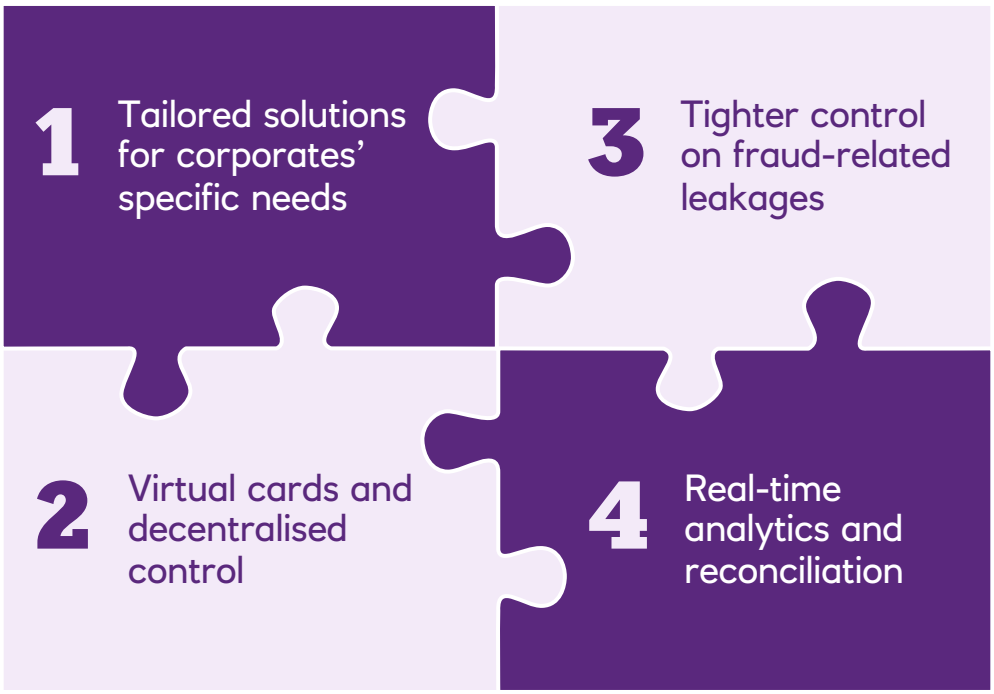
Corporates' Wishlist for 2024

As B2B payments solutions gain greater traction and witness increased adoption, corporates seek various features, most notable of them being the following:



1. Tailored solutions for corporates' specific needs

B2B payment solutions should be customisable to fit the unique requirements of corporates, offering features like personalised reporting tools and seamless integration with existing systems, ensuring a tailored fit for different industries and operational setups.

2. Virtual cards and decentralised control

Providing virtual cards ensures secure and efficient transactions, while decentralised control allows corporates to empower specific teams with transaction authority within predefined limits. This enhances security, streamlines payment processes, and facilitates better expense tracking.

3. Tighter control on fraud-related leakages

Advanced security measures, such as two-factor authentication and real-time transaction monitoring, should be integrated into B2B payment solutions to detect and prevent fraud effectively. AI-driven algorithms can enhance the system's ability to identify irregular patterns, minimising the risk of financial losses due to fraudulent transactions.

4. Real-time analytics and reconciliation

B2B payment solutions should offer real-time visibility into transactions and financial data, and enable easier reconciliation. This capability allows businesses to identify trends, and address potential issues promptly, contributing to smarter financial strategies and sustainable growth.

02

Key pain points in B2B payments process hamper business efficiency

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The landscape of Business-to-Business (B2B) payments has witnessed a digital transformation over the past decade, with processes increasingly becoming digital. The Covid-19 pandemic is widely acknowledged for significantly impacting the global payments industry, especially in the domain of B2B payments. Acting as a catalyst, the pandemic expedited the digitalisation of both Accounts Receivable (AR) and Accounts Payable (AP), leading to heightened investment in the B2B payments ecosystem.

Key pain-points for corporates in B2B payments

2.1 Strained Cash Flow

Working capital is the lifeblood of any business, representing the funds available for day-to-day operations. One common pain point for businesses is the challenge of maintaining adequate working capital, which is crucial for managing operational expenses, investing in growth opportunities, and navigating unforeseen financial demands.

A survey that studied the evolving B2B payment terms in the United Kingdom further substantiates the prevalent working capital challenges. Delayed payments constitute approximately half of all invoiced B2B sales for companies in the UK, marking a 25% increase from the previous year. There has been an 80% surge in the amount of outstanding debts, impacting 9% of total B2B sales, signalling significant cash flow challenges.

Another concern arises from the possibility of worsening payment practices among B2B clients due to the challenging economic conditions in the UK. The survey also indicates that 27% of companies anticipate a significant deterioration in payment behaviour in the next year, a notable increase from the 12% reported last year.

As businesses grapple with the repercussions of reduced working capital, innovative solutions like B2B card payments emerge as a strategic response. Streamlining transactions, expediting cash flow, and mitigating the impact of extended payment cycles, B2B card payments present a promising avenue for businesses seeking resilience and financial agility in an evolving economic landscape.

2.2 Lower Payment Control

Fraud emanating from B2B payments remains an area of concern for corporates, constituting a significant challenge for businesses. Research highlights the pervasive nature of fraud, with procurement fraud alone comprising 19% of all reported instances. Alarmingly, the survey unveils that fraudulent activities are often not the sole endeavours of unethical vendors but involve collaboration, occurring 57% of the time, between employees and external parties.

19% Average share of procurement fraud from overall fraud encountered

As traditional methods prove susceptible, businesses are compelled to explore innovative solutions that offer enhanced security and resilience in the face of evolving fraudulent tactics.

In essence, the transition to modern B2B payment solutions is not merely a technological upgrade but a proactive stance against the prevailing risks embedded in conventional methods. By embracing these innovative platforms, businesses can not only mitigate the risk of fraud but also usher in a new era of secure and ethical B2B transactions, safeguarding their financial interests and corporate integrity.

Embracing new-age B2B payment solutions becomes a strategic imperative. These advanced platforms leverage cutting-edge technologies to detect and prevent fraudulent activities. By incorporating sophisticated measures such as real-time monitoring, pattern recognition, and multi-factor authentication, these solutions offer a robust defence against the collaborative and intricate nature of modern fraud schemes.

2.3 Inefficient Manual Processes

For many corporations, B2B payments remain entangled in laborious manual processes, contingent upon the extent of automation achieved. The chore of processing paper invoices unfolds as a convoluted journey, involving document transfers across departments and meticulous data entry updates to ERP systems. This antiquated approach not only proves inefficient but also introduces the spectre of errors.

Invoice processing time and cost[4]

Paper invoices	10 days	at	£8.7
Automated invoices	3 days	at	£2.1

According to a study, the cumbersome process of handling a single B2B invoice consumes an average of 10 business days. Compounding the issue, 63% of businesses mandate approval from 2 to 5 individuals for payment initiation, amplifying B2B payment processing times. This inefficiency is not merely a temporal concern; it extends to the physical world, where manual processes may render documents susceptible to loss, impacting operational efficacy.

These inefficiencies don't merely elongate processing times; they cast a shadow over employee productivity, incurring additional costs and exerting a detrimental influence on cash flow. Beyond mere digitisation, these solutions signify a paradigm shift towards streamlined, cost-effective, and agile B2B transactions, unleashing untapped potential for businesses in an era of increasing digitalisation.

2.4 Lack of Monitoring and Analytics

Most Large corporates encounter a persistent struggle – the difficulty in accurately assessing the costs associated with B2B processes and payments. While direct costs, invoiced by solution providers, are relatively straightforward to quantify, the same cannot be said for indirect costs tied to internal processes. This discrepancy poses a substantial hurdle, impeding corporations from gaining a comprehensive understanding of their expenditure.

To calculate indirect costs, businesses must meticulously compile a detailed list and description of all internal tasks related to B2B processes and payments. Making assumptions about the time required and associated costs for each task, along with their frequency, adds another layer of complexity. Even for best-in-class corporations, estimating indirect costs is a challenging endeavour, requiring a nuanced understanding of manual tasks throughout the B2B value chain.

This lack of visibility not only obscures inefficiencies but also hampers the ability to present a compelling ROI, critical for internal decision-making and change management. To surmount this challenge, integrating advanced monitoring and analytics solutions becomes imperative. Modern B2B payment platforms, armed with robust analytics, provide real-time insights into direct and indirect costs.

This transparency unveils inefficiencies, and at the same time, also enables a strategic, data-driven approach to automation, empowering businesses to enhance efficiency and optimise financial aspects in B2B transactions.

2.5 Resource Drain

B2B payments incur a considerable resource drain, with the average cost to process a supplier payment standing at £8.7 and a substantial part of that cost attributed to labour. This financial burden reflects not just in company financials but also in the strain on employee hours. The labour-intensive nature of the process contributes significantly to operational costs, hindering overall efficiency.

Addressing this pain point necessitates a strategic shift towards solutions that optimise resource allocation. Modern B2B payment platforms, with their focus on automation and streamlined processes, offer a promising avenue. By reducing the labour-intensive aspects of payment processing, these solutions aim to mitigate the resource drain, freeing up both employee bandwidth and company expense. This not only enhances operational efficiency but also contributes to a more cost-effective and agile B2B payment ecosystem.

03

Using the right B2B solution can drive multiple benefits

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Commercial credit cards offer businesses significant advantages for B2B payments, including reduced working capital needs, enhanced security, and streamlined AP and AR processes. Compared to traditional methods like ACH payments and cheques, cards provide automation, simplified accounting, and real-time expense visibility when integrated with existing systems. Chargeback protection shields against defaults, while real-time data feeds and encryption bolster security, empowering businesses in their financial operations and mitigating fraud risks.

Key Benefits of Commercial Cards

1 Improved Cash Flow Management

Flexible payment terms and predictable schedules enhance cash flow predictability and stability

2 Efficient and Streamlined Processes

Streamlined transactions, optimised workflows, and reduced administrative burdens

3 Enhanced Security Features

Advanced security measures that significantly reduce the risk of fraud related losses

4 Monitoring and Analytics

Comprehensive reporting and analytics, empowering businesses to make informed decisions

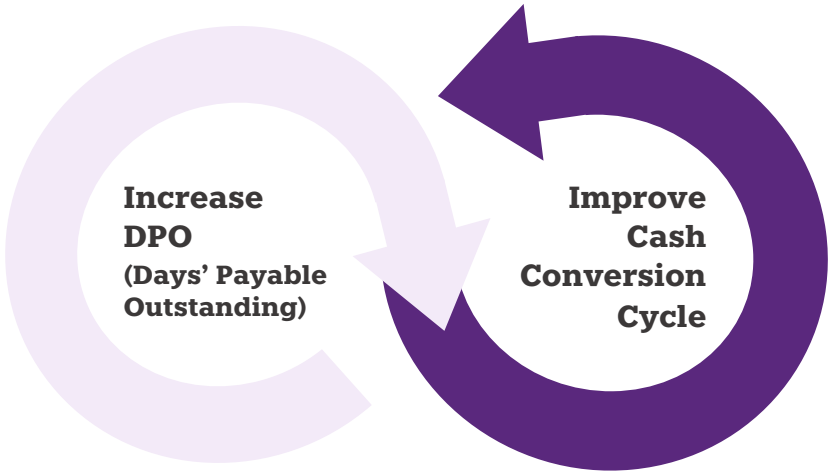
3.1 Improved Cash Flow Management

Modern payment systems offer businesses greater flexibility and control over their cash flow through features such as automated payment scheduling and customisable payment terms. By optimising cash flow management, businesses can minimise idle funds, reduce dependency on external financing, and capitalise on growth opportunities. Improved liquidity and financial stability enable organisations to navigate economic uncertainties, respond to market dynamics, and sustain long-term profitability.

Moreover, efficient cash flow management strengthens relationships with suppliers and creditors, as timely payments enhance trust and credibility. By leveraging modern payment solutions to optimise cash flow management, businesses can achieve greater financial resilience and position themselves for long-term success.

Using cards for B2B payments also optimises working capital by extending a business' Days Payable Outstanding (DPO), the average time to pay suppliers.

Similar to consumer credit cards, these payments provide short-term lending, maximising available funds. Extending DPO doesn't impact suppliers or the business's DPO ratio.



3.2 Efficient and Streamlined Processes

Using new-age payment methods streamlines B2B transactions by automating tasks and integrating seamlessly with existing systems. This automation reduces manual effort, expedites transaction processing, and enhances operational efficiency. By eliminating paper-based processes and manual data entry, businesses can redirect resources towards core activities, fostering innovation and growth.

The efficiency gains translate to improved productivity, shorter payment cycles, and reduced operational costs. Additionally, streamlined processes enable faster decision-making and better customer service, enhancing overall business agility and competitiveness in the market.

3.3 Enhanced Security Features

Businesses can achieve higher data security through advanced measures such as real-time monitoring, encryption, and multi-factor authentication. These features provide robust protection against fraudulent activities and unauthorised access, safeguarding sensitive financial information and preserving the trust of customers and partners.

By investing in state-of-the-art security infrastructure, businesses mitigate the risk of financial losses and reputational damage associated with security breaches. Moreover, enhanced security measures demonstrate a commitment to protecting customer data and complying with industry regulations, further strengthening the business's reputation and market position.

As adoption rates rise, **virtual cards** are poised to revolutionise B2B transactions

Virtual cards are gaining traction globally, particularly in industries like construction, manufacturing, and professional services.

Card issuers increasingly offer virtual cards, allowing automatic generation of new numbers for each transaction.

Administrators gain control by issuing temporary cards for specific transactions or time frames, simplifying processes, and reducing compliance risks.

This also boosts security by shielding permanent card numbers from merchants and potential fraudsters.

3.4 Monitoring and Analytics

Finance executives increasingly seek more accurate cash data and forecasts. Leveraging modern payment platforms empowers businesses with comprehensive insights into their financial performance and spending patterns. Through customisable dashboards and real-time analytics tools, organisations gain a deeper understanding of their cash flow, expenditures, and revenue streams. This data-driven approach enables informed decision-making, facilitates proactive financial management, and supports strategic planning initiatives.

By leveraging actionable insights derived from detailed reporting and analytics, businesses can identify cost-saving opportunities, optimise resource allocation, and drive business growth. Additionally, comprehensive reporting capabilities enhance transparency and accountability, enabling businesses to demonstrate compliance with regulatory requirements and stakeholder expectations.

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Why Us?

Here's what our customers say

"In essence, what we've managed to achieve is to generate additional income for performing a task that we have to do anyway i.e., pay invoices in a timely manner"

"Smart Data Online allows us to have budget line detail and visible receipts in one easy access site. Overall, a very easy system to use and control alongside our other packages."

"Approval2Buy is one of the best developments we've seen in banking in the last decade. And we're pleased that it's not a static model but one that they're willing to evolve in line with user experience.''

"A testament to the commitment to identify areas for real change and offering valuable solutions."

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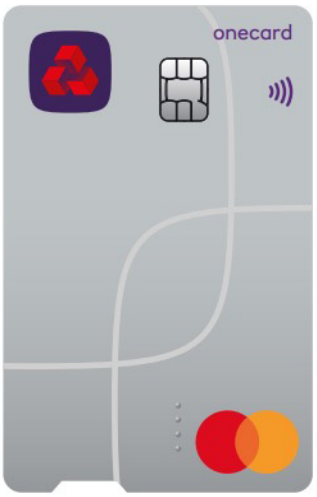
Our B2B payments card products

If you are a large organisation looking for a charge card / virtual card solution – we have got just the right product for your needs. Our cards are ideal for making secure transactions and giving you flexible banking at your fingertips.

Meet onecard,
your all-in-one payment solution



onecard

Designed for UK commercial clients with **multiple employees who make business purchases worldwide**, onecard is the perfect companion for payment optimisation

- **Global Acceptance**
  Accepted by more than 110 million merchants around the globe
- **Spend Controls**
  Controlling spending in real time and enforcing expense policies are simple with onecard
- **Strengthen Supplier Relationships**
  Embed onecard into your suppliers' order systems for easy payment & reconciliation
- **Smart Data Online**
  Market leading expense management software to help you check and analyse business spending

Virtual accounts. Real control.

Revolutionise corporate purchasing with enhanced controls, increased efficiencies, and better reporting

Approval2Buy

Streamline payments by enabling users to create and manage **dynamically generated and unique** virtual account numbers in order to make payments to their suppliers for goods and services

- **Transaction-level control**
  Every transaction is assigned authorisation controls
- **Workflow control**
  Approval routing for transactions follow existing approval process
- **Automated reconciliation**
  VCN data available for reconciliation reporting
- **Enhanced data**
  Information important to each individual payment can be incorporated into the transaction

onecard: Product fees may apply. For more information on fees, rates and charges, speak to your Relationship Manager. For full onecard Terms and Conditions, please visit the Royal Bank of Scotland website.
Approval2Buy: For more information on fees, rates and charges, speak to your Relationship Manager. Your Relationship Manager will finalise your application. Security may be required. Product fees may apply. To apply, you must be a UK resident aged 18 or over. Approval2Buy is for UK businesses only. To apply you must be either a limited company, UK public-sector organisation, partnership (of four of more partners) or a charity without individuals as trustees; with an annual turnover of £2m-plus, and maintain a business bank account in the same legal entity name with Royal Bank of Scotland. Subject to status, business use only.

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Commercial Cards beyond B2B Payments

Commercial cards are also increasingly getting popular among the corporates for employee Travel and Entertainment (T&E) expense. As per estimates, global business travel spend on different payment methods (commercial cards, lodge accounts and virtual cards) will be worth £ 1.1 trillion in 2024. The ease of integration with organisation's systems, tight control mechanisms, and real-time monitoring are some of the benefits that make these an attractive proposition for the corporates.

onecard Virtual Travel

- Virtual Card solution that centralises travel spend with one TMC
- Tailored for low-cost airlines, hotel, car hire and rail bookings
- Enhanced data and matching for low-cost carriers, hotels, car, and rail

Lodge Travel

- A simple way to ensure employees comply with your corporate travel policy, as all bookings take place centrally
- Tailored for low-cost airlines, hotel, car hire and rail bookings
- Instead of issuing cards to employees, an account number is held by your travel agent

onecard Virtual Travel\LodgeTravel: For more information on fees, rates and charges, speak to your Relationship Manager. Your Relationship Manager will finalise your application. Security may be required. Product fees may apply. To apply, you must be a UK resident aged 18 or over. Approval2Buy is for UK businesses only. To apply you must be either a limited company, UK public-sector organisation, partnership (of four of more partners) or a charity without individuals as trustees; with an annual turnover of £2m-plus, and maintain a business bank account in the same legal entity name with Royal Bank of Scotland. Subject to status, business use only.

In Conclusion

Over the last decade, B2B payments have increasingly transitioned to digital platforms. The onset of the Covid-19 pandemic further sped up this digitalisation process, especially within the global payments industry, specifically affecting B2B transactions. This acceleration prompted more investment in improving B2B payment systems, with a focus on enhancing product features and addressing common payment issues faced by businesses. Failure to adapt to these advancements may expose businesses to inefficiencies, financial losses, and even governance issues.

Commercial cards emerge as a viable solution, seamlessly integrating into existing operations while delivering tangible business benefits. Commercial cards could be available in physical as well as virtual form factors – both carrying their own distinctive advantages. Embracing modern payment methods not only streamlines transactions but also fortifies security and sustainability efforts, driving business resilience.

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