



The New USER EXPERIENCE

Tracking The Consumerization
Of B2B Payments

The New User Experience: Tracking The Consumerization Of B2B Payments, a collaboration between FIS and PYMNTS, examines how financial institutions are working to transform B2B payments processes to improve user experiences for their clients. The survey was conducted between Oct. 28 and Nov. 30, 2021, and collected responses from 311 executives leading financial institutions managing assets in excess of \$500 million. Executives were asked about their current success in limiting the payments frictions that their clients experienced and their plans for future innovation.

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Table Of Contents

Introduction 2

Section I:

Payments friction and the payment features
innovation gap 4

Section II:

The B2B payments consumerization
imperative and the achievement gap ... 10

Section III: The innovation shift: How FIs are
tackling payments frictions 14

Section IV: The way forward: Identifying the
barriers to innovation 18

Conclusion 22

About 24

Introduction

The first eCommerce store, Boston Computer Exchange, launched 40 years ago, and consumers' appetite for simple and convenient technology-enabled digital purchases has grown steadily since.¹

While the “Amazon effect” and one-click payments have added simplicity and convenience to consumers' online payment experiences in recent years, traditional business-to-business (B2B) payments processes largely have lagged in offering similar modernization and speed.

As technology makes global ventures easier to launch and manage, the proliferation of new cross-border businesses has made it more important than ever for financial institutions (FIs) and corporations to streamline

B2B payments. FIs now recognize the urgency in providing corporate customers — especially middle-market and enterprise clients — with more mobile, digital-first ways to pay their trading partners.

The New User Experience: Tracking The Consumerization Of B2B Payments, a PYMNTS and FIS collaboration, examines why many FIs and corporations are now seeking to consumerize B2B payments by offering simple, secure and convenient facilitation tools. The report is based on a survey of 311 executives from FIs with assets of at least \$500 million or more that serve clients with revenues ranging from less than \$20 million to more than \$1 billion annually. We asked these executives to outline the challenges their B2B clients faced in managing transactions, invoicing and their real-time cash flow, as well as how successful their organizations were relieving those frictions their clients relayed.

This is what we learned.



Many FIs report that the pandemic has intensified the friction their B2B clients experience managing invoicing and payments. Notable shares of FIs say their clients report numerous financial management pain points that have worsened over the past two years, including slow underwriting (15%), general invoice reconciliation (14%) and working capital management processes (11%).



FIs serving large and multinational enterprises offer their clients more digital options to reduce payments friction than those that primarily serve small to mid-sized business (SMB) clientele. Our research found that 95% of FIs with large business clients offer digital lockboxes, for example, while 74% of FIs with small business clients offer them. FIs that serve cross-border clients also typically provide access to more digital features than those serving small businesses only. FIs with multinational company clients offer an average of seven digital options, whereas those with small business clients offer an average of four options.



Relatively few FIs report being highly successful in removing friction from their clients' payments processes, but the majority are eager to change that. Less than one-third of FIs see the solutions they offer as “very” or “extremely” effective in meeting their B2B clients' payments needs, yet 64% of FIs are “very” or “extremely” willing to adopt new technologies to lessen the friction their clients experience.



Three-quarters of corporate customers find money management challenging when making B2B payments. Forty-five percent of regional banks, credit unions and community banks are experiencing problems with providing supplier portals. At the same time, more than two-thirds of them are working or planning to work to provide these portals.

1. Author unknown. About: Boston Computer Exchange. DBpedia. https://dbpedia.org/page/Boston_Computer_Exchange. Accessed February 2022.

Section I

Payments friction and the payment features innovation gap

Corporate clients face two primary friction points when it comes to B2B payments: invoice reconciliation issues and a lack of supplier portals. FIs say their B2B clients have considered these problems to be particularly disruptive since the pandemic began. Of FIs surveyed, 42% cite invoice reconciliation complexity as an important source of friction for corporate clients paying suppliers, and 9% of respondents cited it as the most important.

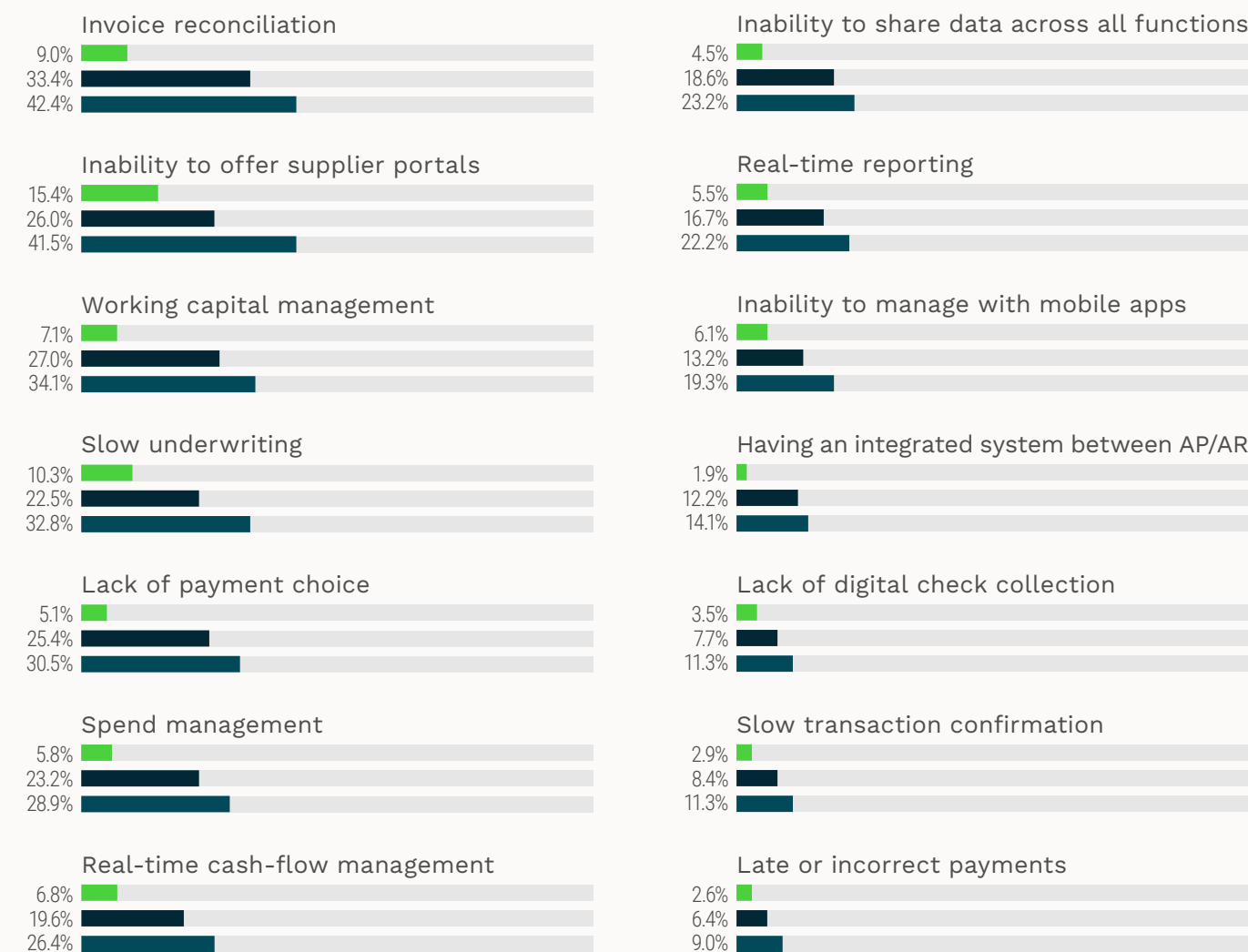
Our research shows that the inability to offer supplier portals is the second-most cited source of payments friction for corporate customers, at 41%. Roughly 15% of those surveyed say it is the most significant source of payments friction their

corporate clients encounter. The pandemic has also worsened problems for FIs: 17% of FIs identify the lack of supplier portals as a problem made worse by the pandemic, and 14% say complex invoice reconciliation was likewise exacerbated.

FIs have made several efforts to meet clients' ever-increasing needs for fast, secure and seamless B2B transactions over the past year, and they often have attempted to create their own digital solutions to remove payments friction. Automated account validation and digital lockboxes are the most common digital solutions FIs offer their corporate clients to reduce B2B payments frictions.

FIGURE 1:
FIs' most commonly cited sources of payments frictions for their corporate clients

1A: Share of FIs who cite select problem areas for corporate clients when making payments to their suppliers, by level of importance



■ Most important problem
■ Important problem but not most important
■ Total

Source: PYMNTS.com | FIS
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FIGURE 1 (continued):

FIs' most commonly cited sources of payments frictions for their corporate clients

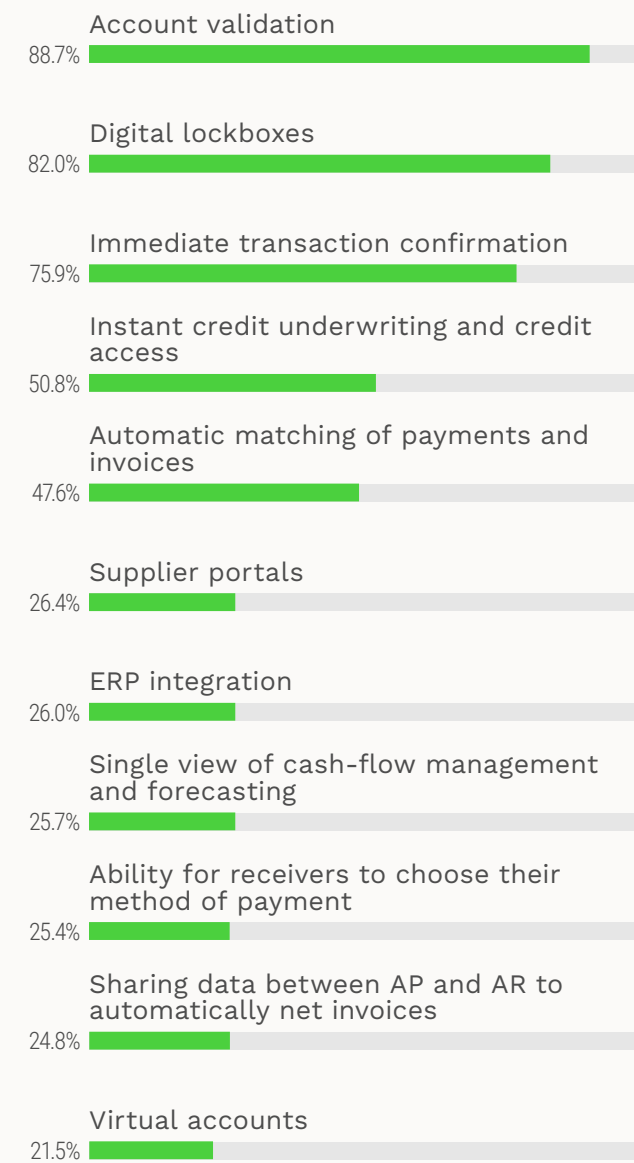
1B: Share of FIs who cite select problem areas for corporate clients when making payments to their suppliers, by pandemic's effect on the problem



FIGURE 2:

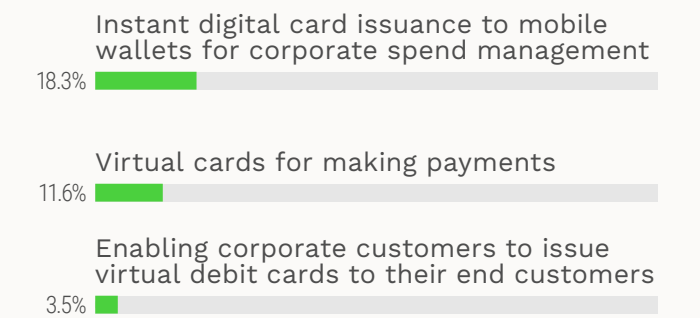
Digital payments solutions FIs offer their corporate clients

2A: Share of FIs who offer select digital solutions to corporate clients to help them streamline management of their payments flows



FIs with clients that have high transaction volumes or cross-border payments needs appear to be acutely aware of the frictions those clients face. Our research shows that 89% of FIs offer automated account validation and 82% offer digital lockboxes to their corporate clients to streamline the management of payments flows. FIs that serve cross-border payments customers or large enterprises offer seven solutions to their clients on average, greater than the six offered by those serving middle-market companies and the four offered by those serving small businesses.

FIs serving small businesses also seem to lag significantly when it comes to offering supplier portals and virtual accounts. Sixty-five percent of FIs catering to cross-border payments customers offer supplier portals, for example, while only 15% of those serving small businesses say the same. FIs serving larger enterprises, meanwhile, are far ahead in offering virtual accounts (59%) relative to those serving small firms (7%).



Source: PYMNTS.com | FIS
The New User Experience Report

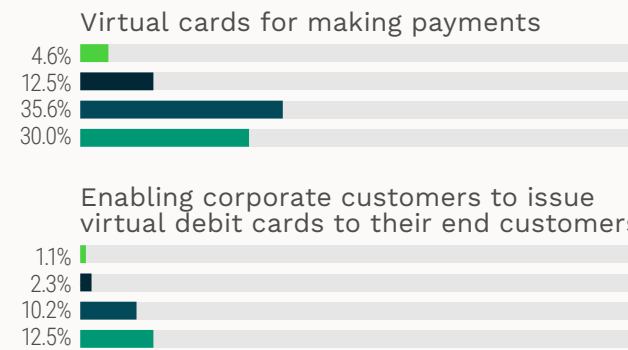
FIGURE 2 (continued):

Digital payments solutions FIs offer their corporate clients

2B: Share of FIs who offer select digital solutions to corporate clients to help them streamline management of their payments flows, by client type



89%
of FIs offer
clients automated account validation.



- Small businesses (N = 261)
- Middle-market companies (N = 176)
- Large enterprises (N = 59)
- Cross-border payments customers (N = 40)

Source: PYMNTS.com | FIS
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Section II

The B2B payments consumerization imperative and the achievement gap

Like consumers, businesses require fast, secure payment methods tailored to in-the-moment needs, meaning FIs must be able to customize the range of payment processes they offer as client businesses grow. Without these functionalities, businesses that depend on rapid payments may face delays that can affect supply chain functions. FIs must add the same digital features to which consumers have become accustomed — such as instant payments and refunds and embedded finance — to their toolkits. When FIs provide their B2B clients with the stellar customer experiences that consumers often experience online, enterprise growth becomes easier for these corporate clients. Payments consumerization translates into a wish list of five key digital payments features that match FIs' identification of their B2B clients' pain points.

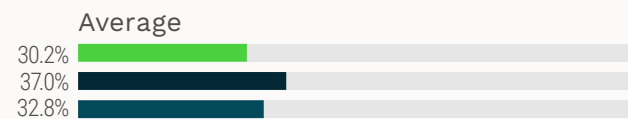
- The ability to offer supplier portals
- The ability to access and share cash flow data and other critical data in real time
- Easy payment integration with enterprise resource planning (ERP) systems
- Real-time cash flow management
- A simple, integrated accounts payable (AP) and accounts receivable (AR) system

FIs seeking to engage and retain corporate clients are exploring how they can solve payments frictions by building their own solutions, with varying results. Our research reveals that although two-thirds of FIs recognize the need for new digital B2B payment solutions, only three out of 10 say their current tools sufficiently reduce friction for their clients.

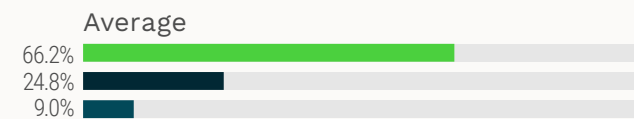


FIGURE 3:
FIs' opinions about the digital payments solutions they offer corporate clients

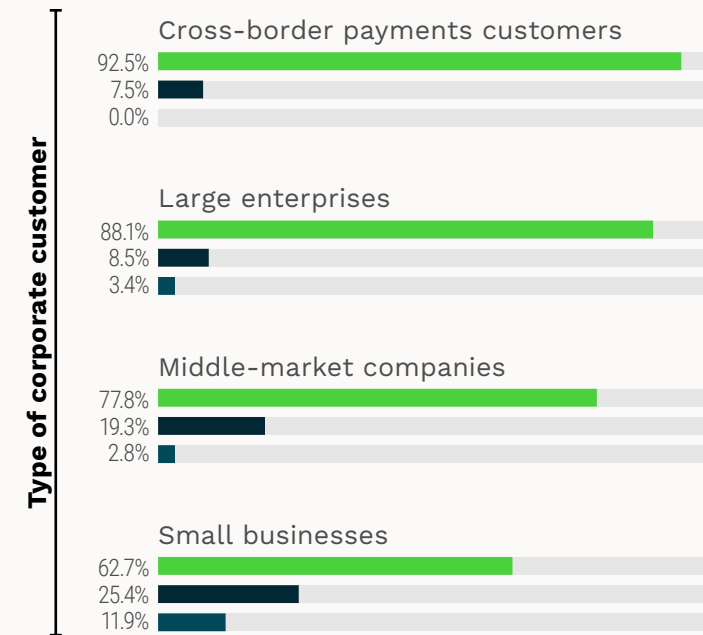
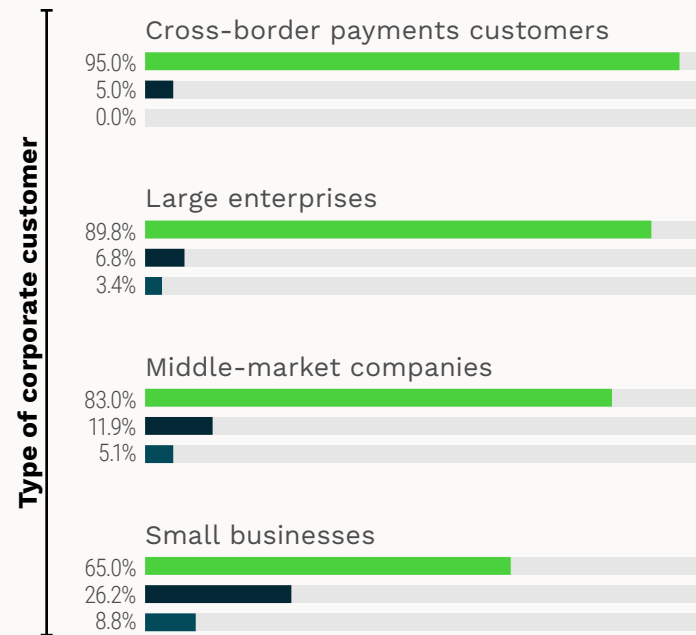
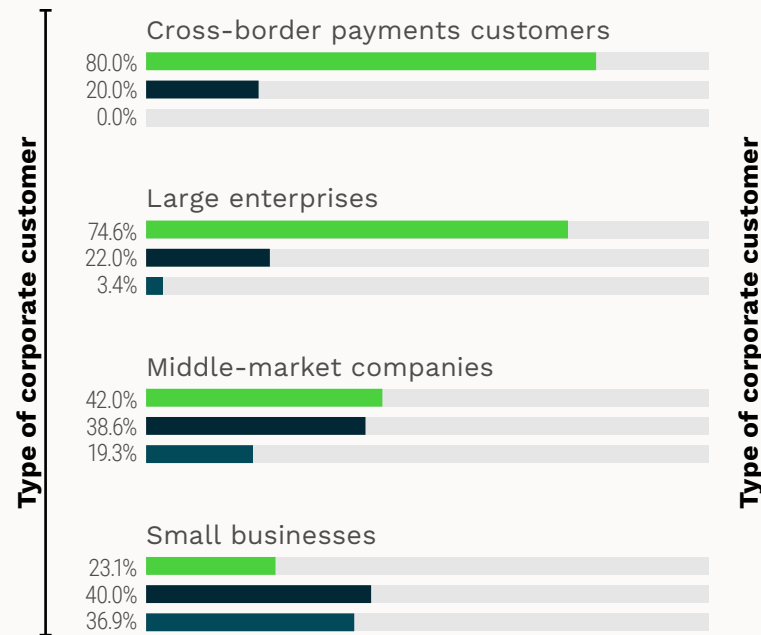
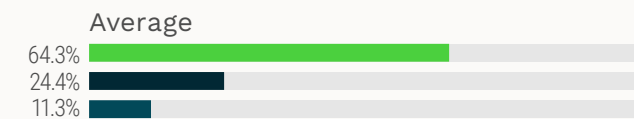
3A: Share of FIs who have select perceptions of digital payments solutions' effectiveness in addressing clients' B2B payments frictions, by client type



3B: Share of FIs who have select perceptions of digital payments solutions' importance in addressing clients' B2B payments frictions, by client type



3C: Share of FIs who exhibit select levels of willingness to adopt new technologies to facilitate the consumerization of B2B payments, by client type



■ Very or extremely effective
■ Somewhat effective
■ Slightly or not at all effective

■ Very or extremely important
■ Somewhat important
■ Slightly or not at all important

■ Very or extremely willing
■ Somewhat willing
■ Slightly or not at all willing

The achievement gap for FIs seeking to solve their clients' payments frictions is glaring. Sixty-six percent of FIs say the ability to offer clients B2B digital payments solutions is "very" or "extremely" important, yet only 30% say their current solutions are "very" or "extremely" effective in addressing B2B payments frictions. The portions of FIs serving large enterprises and middle-market companies that see digital payments as highly important to their customers are even larger, at 90% and 83%, respectively.

Still, most FIs are not planning to give up on improving their clients' B2B payments experiences. Our survey shows that 64% are "very" or "extremely" willing to adopt new technologies to facilitate the consumerization of B2B payments. FIs with mid-sized and large clients demonstrate an above-average willingness to use new technologies to manage friction for their clients, at 78% and 88%, respectively. Since FIs want to provide better digital payment options for their clients, it is not surprising that most are tapping innovation to improve the digital solutions they offer their clients.

Source: PYMNTS.com | FIS
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Section III

The innovation shift: How FIs are tackling payments frictions

Most FIs are innovating or planning to innovate new digital solutions to reduce key B2B payments frictions, such as a lack of supplier portals or having just a single view of cash. Effective digital cash-flow management becomes a key concern as businesses scale, as core business functions can face ongoing delays when new payments flow in and payment processing times are erratic or slow.

FIs report that cash-flow management and the automatic matching of payments and invoices are the top areas of current innovation, likely due to their essential roles in keeping supply chains and business operations moving efficiently. Many FIs also say their clients are concerned about their ability to manage payments with their suppliers. Corporate client concerns center around the complexity of reconciling invoices with suppliers (42%), a lack of real-time reporting (22%) and an inability to share data across all functions (23%), among other concerns. Approximately 41% of those surveyed cite a lack of dedicated supplier portals as a key payments friction

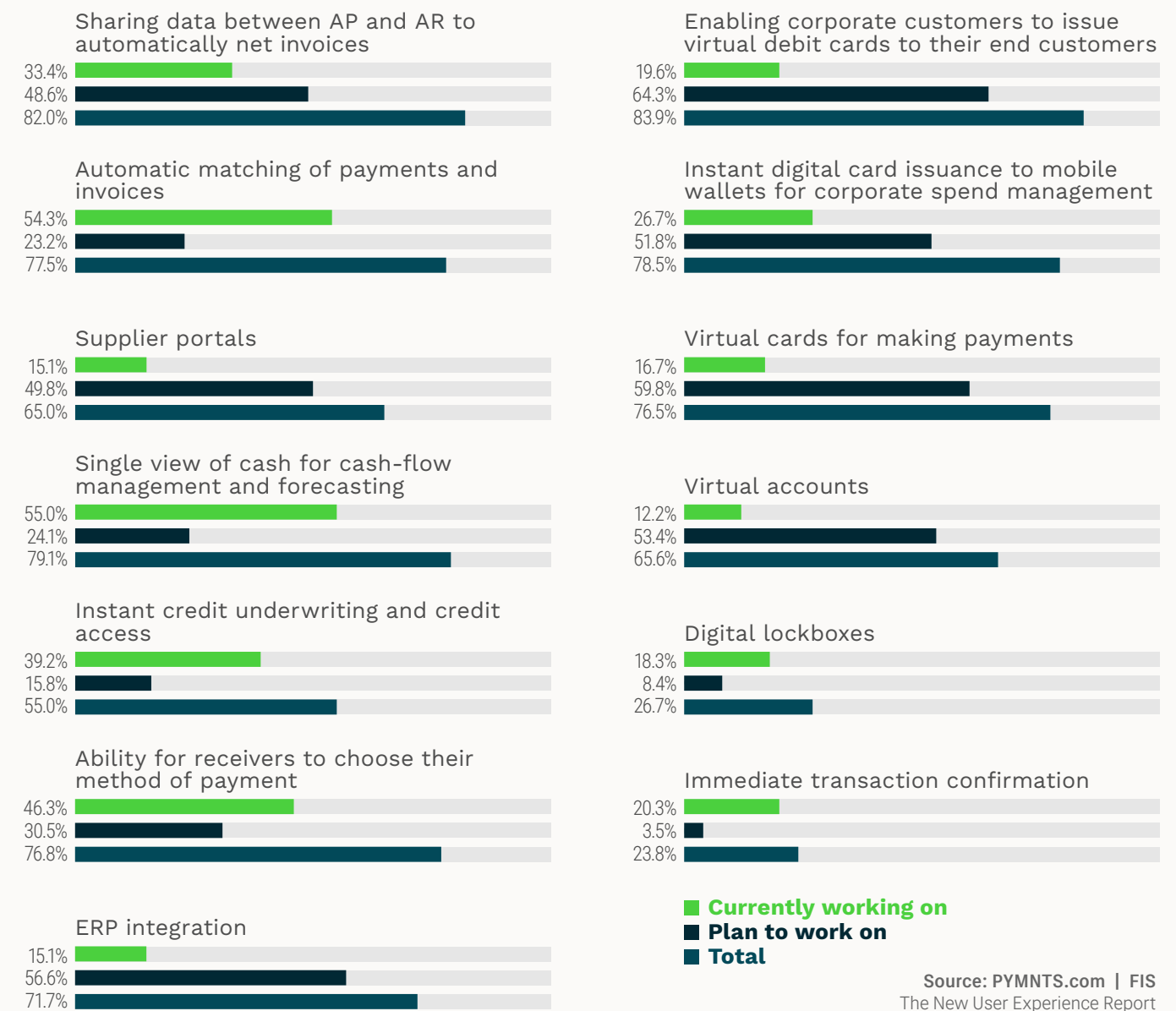
for their corporate clients, and 65% are either actively seeking a solution or planning to do so.

Seventy-nine percent of FIs are working to find solutions that will offer their clients a single view of cash for real-time cash-flow management, the foundation of accurate financial forecasts and business growth strategies. About one-quarter of FIs list an inability to manage cash flow in real time as a point of friction in B2B payments management for corporates.

Lack of payments choice is a pain point considered important by 31% of FIs, and 77% of FIs are working on or planning to work on a solution to this problem. Approximately one-third of respondents mention a lack of spend management tools as an issue for corporate clients, and approximately 78% of respondents are finding or planning to find a way to offer clients instant digital card issuance for mobile wallet-based corporate spend management. We also found that 84% are working on or are planning to work on giving corporates the option to issue virtual debit cards to their end customers.

FIGURE 4:
FIs' efforts to seek innovative digital payments solutions for their clients

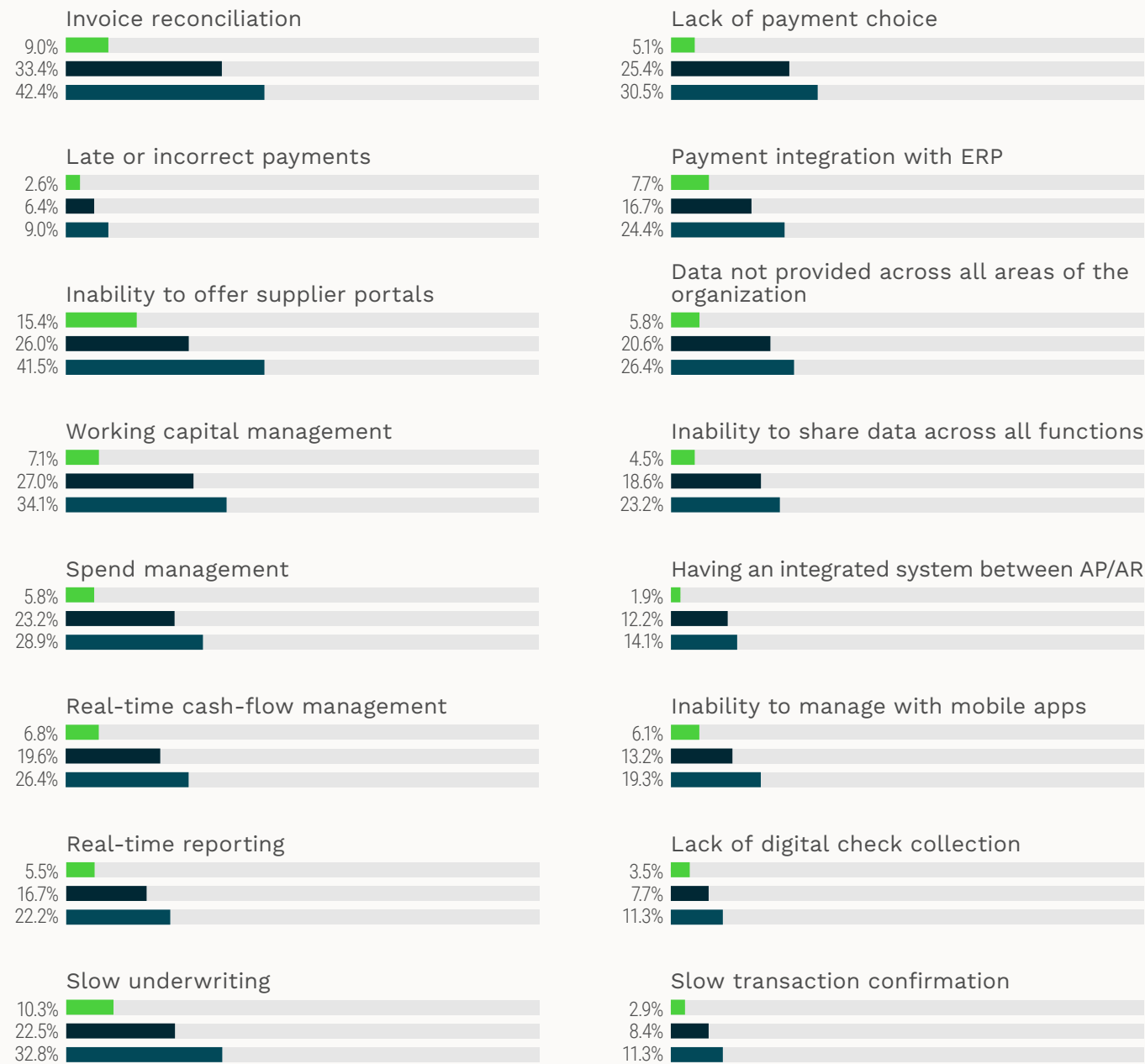
Share of FIs currently working on or planning to work on select digital solutions for their corporate clients, by solution



Source: PYMNTS.com | FIS
The New User Experience Report

FIGURE 5:
Frictions FIs say their corporate customers face when making payments

Share of FIs who have select perceptions of the problems corporate customers experience when paying their suppliers, by perceived level of importance



42%
of businesses find
reconciling invoices to be a challenge.



■ Most important problem
■ Important problem but not ranked as first
■ Total

Source: PYMNTS.com | FIS
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Section IV

The way forward: Identifying the barriers to innovation

Some FIs face institutional barriers to innovation despite holding keen awareness of their need to provide modern digital payments solutions. These barriers may include limited human resources or a business culture that discourages the adoption of new technologies, even when corporate clients want payments features that improve their user experiences.

The two most-cited hindrances to adopting digital B2B payments solutions are having a lack of human resources and tending to avoid risks, according to our research. Twenty-two percent of FIs do not attempt to develop innovative strategies to provide digital payments services to their B2B clients primarily because they lack the

necessary human resources, and another 22% of FIs list risk avoidance as their top reason for not attempting to initiate innovative digital offers to reduce B2B payments frictions. Large international banks are particularly prone to avoiding risks, with 65% saying this is a key factor keeping them from innovating digital solutions for B2B payments frictions. Corporate clients' need for modern B2B payments will likely grow along with their businesses, however, making it necessary for FIs to reevaluate and address the factors keeping them from going all in on digital innovation.

FIGURE 6: FIs' roadblocks to digital innovation

6A: Share of FIs who cite select factors keeping them from adopting digital B2B payments solutions, by level of hindrance



■ Most hindering characteristic
 ■ Hindering but not most hindering
 ■ Total

Source: PYMNTS.com | FIS
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FIGURE 6 (continued):

FIs' roadblocks to digital innovation

6B: Share of FIs who cite select factors keeping them from adopting digital B2B payments solutions, by FI type



Source: PYMNTS.com | FIS
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65%
of large international banks are concerned about the **risk of new technology adoption.**

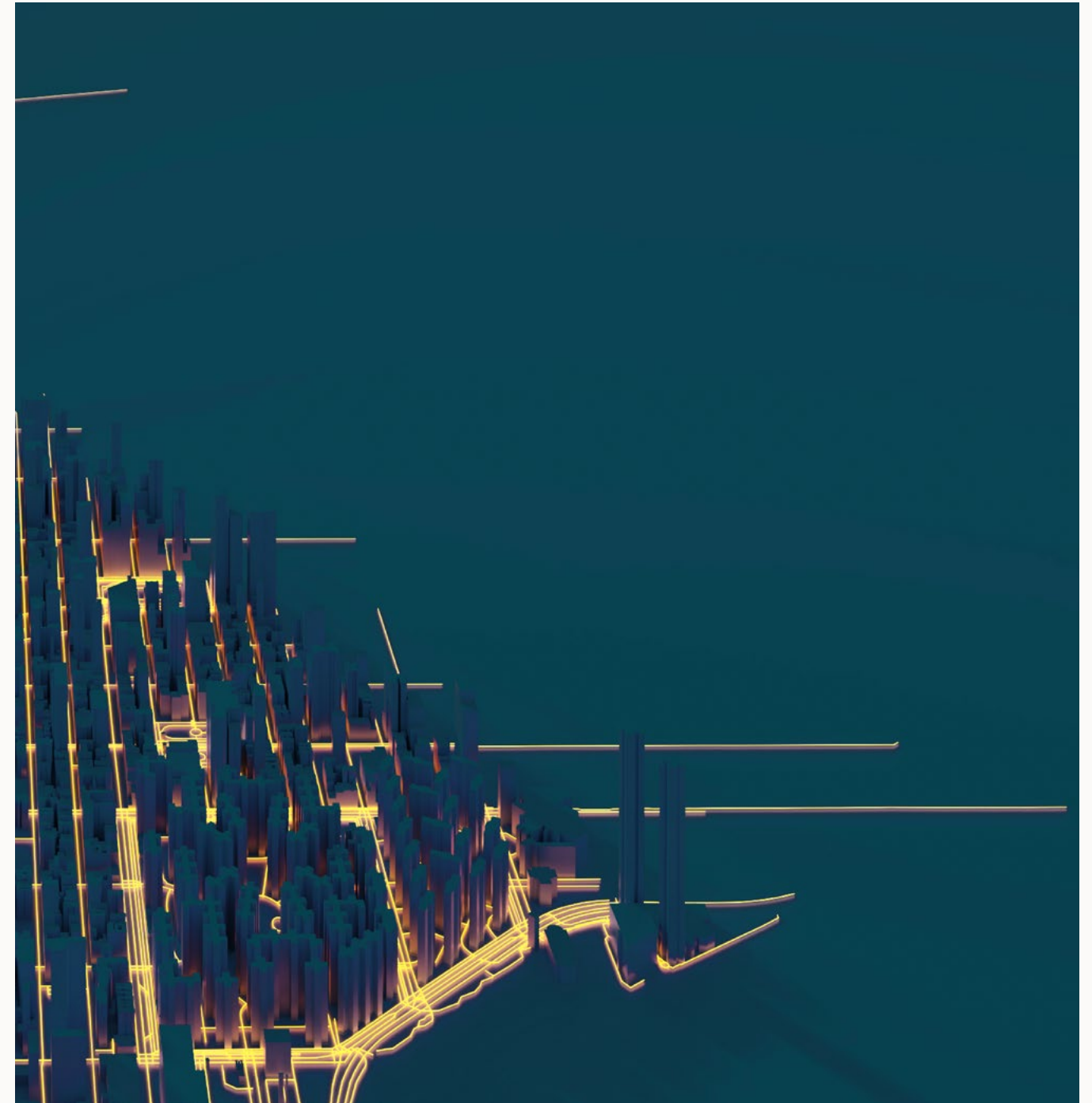
Conclusion

& Methodology

Though consumers have become used to making payments online in more secure, faster ways, many of the companies they patronize have not enjoyed the same privileges. Businesses' B2B payment methods frequently are riddled with inefficiencies that, in addition to cumbersome payments processing times, can reduce the speed of their supply chain functions. The consumerization of B2B payments requires bold innovation on the part of FIs, which not only bear the brunt of corporate customers' dissatisfaction with poor payments experiences but also stand to benefit from payments modernization. While the majority of FIs are seeking ways to alleviate B2B payments frictions, some are hindered by a lack of human resources or even simple risk avoidance. FIs unable or disinclined to chance innovation may face the potential loss of corporate clients that cannot afford to wait for better customer experiences — and that may look elsewhere instead.

Methodology

The survey was conducted between Oct. 28 and Nov. 30, 2021, with responses collected from 311 executives working as head of treasury services or wholesale banking at large international banks, large national banks, regional banks, community banks and credit unions, all with more than \$500 million in assets. All FIs served one of the following B2B clients: small businesses (less than \$20 million in annual revenues), middle-market companies (\$20 million to \$1 billion in annual revenues), large enterprises (more than \$1 billion in annual revenues) or corporate customers that make B2B cross-border payments.



About

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