



# The **INNOVATION GAP**

Meeting The Challenge Of  
Corporate Payments Modernization

The Innovation Gap: Meeting The Challenge Of Corporate Payments Modernization, 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 experience and their plans for future innovation.

March 2022

PYMNTS.com | FIS

MARCH  
2022

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**ACKNOWLEDGMENT**

The Innovation Gap Report was produced in collaboration with  
FIS, and PYMNTS is grateful for the company's support and insight.  
PYMNTS.com retains full editorial control over the following  
findings, methodology and data analysis.

# Introduction

Growth in new cross-border ventures has made it more important than ever for financial institutions (FIs) and corporations to streamline business-to-business (B2B) payments. As digital technology makes global businesses easier to launch and manage, FIs are beginning to recognize the urgency in offering corporate customers more mobile, digital-first ways to pay trading partners.

Many FIs and corporations are being pressed to meet this growing demand — especially among middle-market and enterprise clients — and they are aware that the payments ecosystem is in dire need of modernization. In particular, they want B2B payments, cash management and invoice reconciliation to be less complex and easier to manage. Access to supplier portals and real-time reporting on revenue flows are among the key solutions they require to reach these goals.

Still, despite their best efforts to limit clients' payments and cash management frictions, just 30% of FIs state they have been highly successful in doing so. PYMNTS' research finds that automated account validation and digital lockboxes are the most common digital solutions FIs offer their corporate clients to reduce B2B payments frictions, yet many FIs are finding the search for ways to further modernize clients' payments processes daunting.

The Innovation Gap: Meeting The Challenge Of Payments Modernization, a PYMNTS and FIS collaboration, examines FIs and corporations biggest challenges in facilitating frictionless B2B payments. It also provides actionable insights into how FIs and corporations could identify innovation gaps in their modernization strategies and whether teaming up with appropriate technology solutions partners could help.

This is what we learned.

**DESPITE THEIR BEST EFFORTS TO LIMIT CLIENTS' PAYMENTS AND CASH MANAGEMENT FRICTIONS, JUST 30% OF FIs STATE THAT THEY HAVE BEEN HIGHLY SUCCESSFUL IN DOING SO.**

# Section I

## Problems and problematic solutions: Frustrations with the current digital payments processes

FIs have made efforts to meet their corporate clients' ever-increasing needs for fast, secure and seamless B2B transactions during the past year, and many have attempted to create their own digital solutions to address existing payments frictions. Less than one-third of FIs say the current solutions they offer are "very" or "extremely" effective at addressing the challenges and frictions in B2B payments, however.

PYMNTS' data also finds that 66% of FIs believe that B2B digital payments solutions are "very" or "extremely" important, with 90% of those serving large enterprises and 83% serving middle-market companies saying so. As a result, 64% of FIs say they are "very" or "extremely" willing to adopt new technologies to facilitate the consumerization of B2B payments, while 88% of those

serving large enterprises and 78% serving middle-market companies say the same.

Two areas stand out as the most problematic for FIs' corporate customers. Forty-two percent of FIs say that invoice reconciliation is a problem their clients face, with 9% citing this as the most important problem. Forty-two percent of FIs also cited the inability to offer supplier portals as a key problem for their corporate customers' experiences, with 15% reporting this as the most important issue. Other common frictions enterprises of all sizes experienced include poor working capital management due to a lack of cash flow visibility at 34%, slow underwriting at 33% and a lack of payments choice at 31%.

FIs seem to be investing heavily in certain innovations, but these efforts do not align completely with their clients' needs. To streamline the management of payments, for instance, 89% of FIs offer their corporate clients automated account validation and 82% offer them digital lockboxes. Seventy-six percent of FIs, meanwhile, provide immediate transaction confirmation.

There are, nevertheless, key areas in which FIs lag in providing digital payment solutions that can reduce some key B2B payment frictions, especially when serving their smaller enterprise clients. Just more than half of FIs provide instant credit underwriting and credit access, for example, and 48% provide automatic matching of payments and invoices.

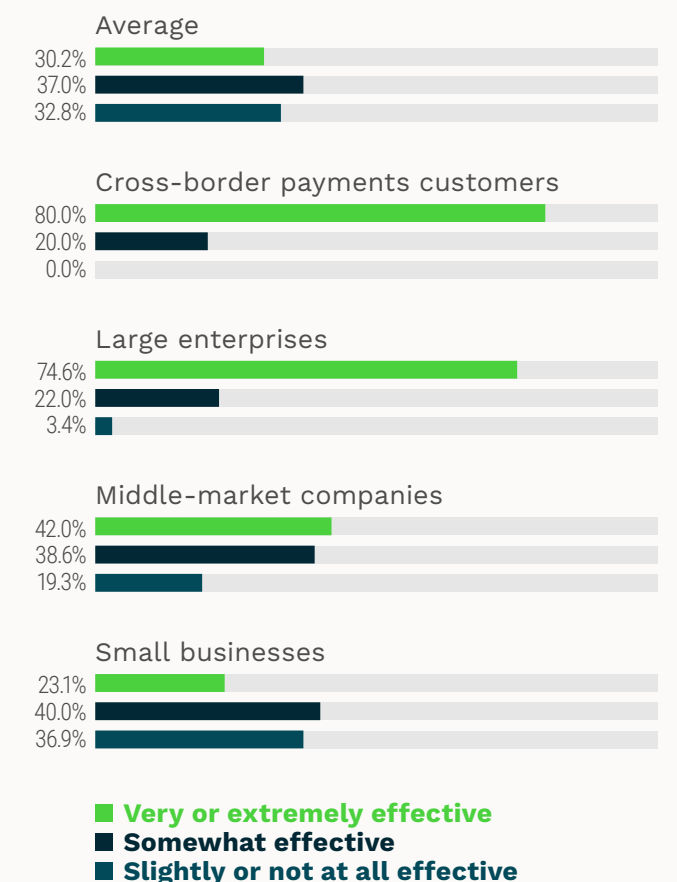
Even smaller shares of FIs incorporate key solutions such as supplier portals and enterprise resource planning (ERP) integration into their digital toolkits, as roughly one-quarter of FIs report doing so. Fewer still offer solutions such as a single view of cash flow management and forecasting, the ability for receivers to choose payment methods and the sharing of data between accounts payable (AP) and accounts receivable (AR) to automatically net invoices.

Consequently, the areas in which FIs struggle to offer corporate clients digital payment solutions coincide with the top digital B2B payment frictions that their customers are experiencing. Identifying the problem areas and offering solutions to

address them can help FIs provide their enterprise clients with more seamless B2B payment experiences.

**FIGURE 1:**  
**FIs' opinions about the digital payments solutions they offer corporate clients**

**1A: Share of FIs with select perceptions of digital payments' effectiveness in addressing clients' B2B payments frictions, by client type**



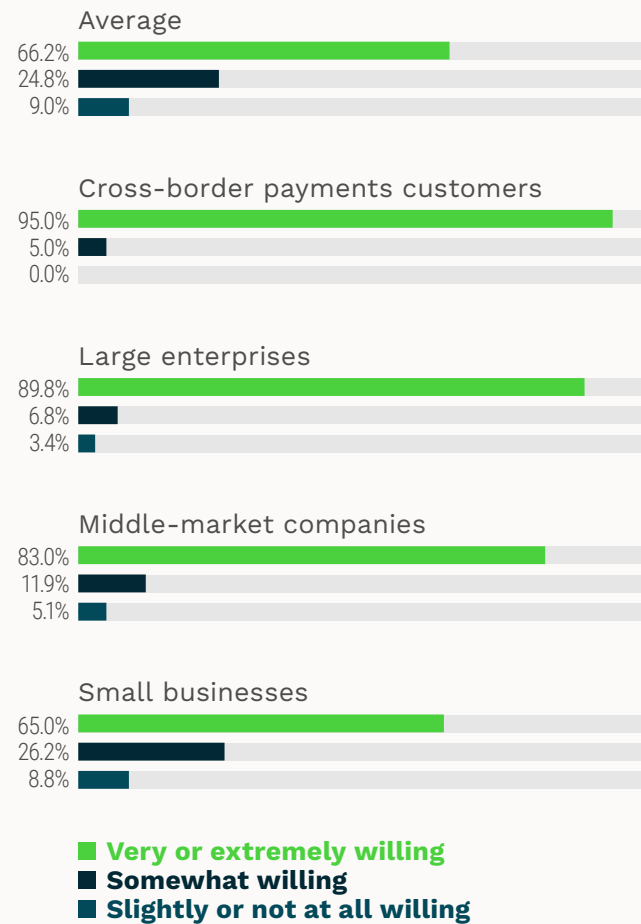
Source: PYMNTS.com | FIS  
The Innovation Gap Report



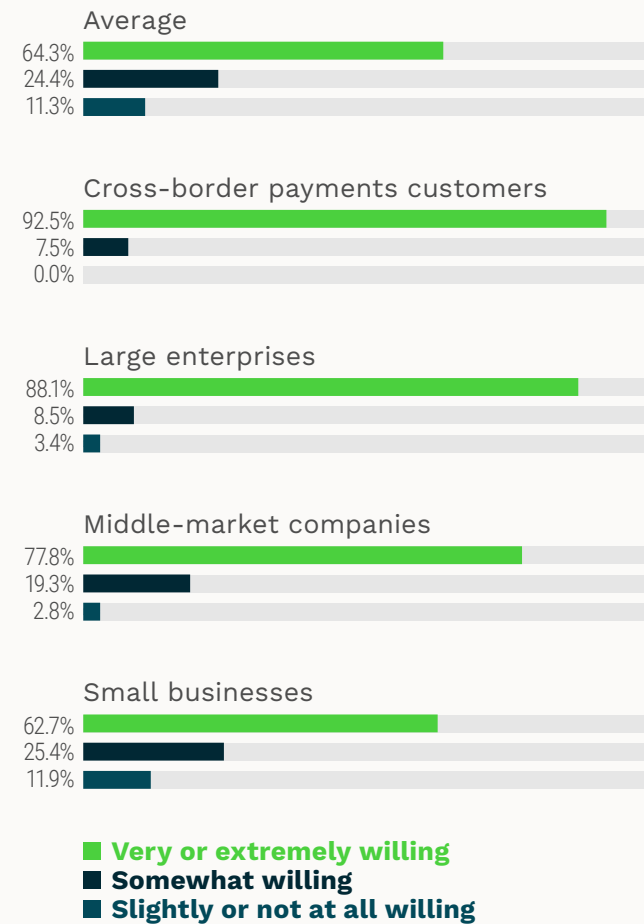
FIGURE 1 (continued):

### FIs' opinions about the digital payments solutions they offer corporate clients

1B: Share of FIs with select perceptions of digital payments' importance in addressing clients' B2B payments frictions, by client type



1C: Share of FIs with varying levels of willingness to adopt new technologies that facilitate the consumerization of B2B payments, by client type

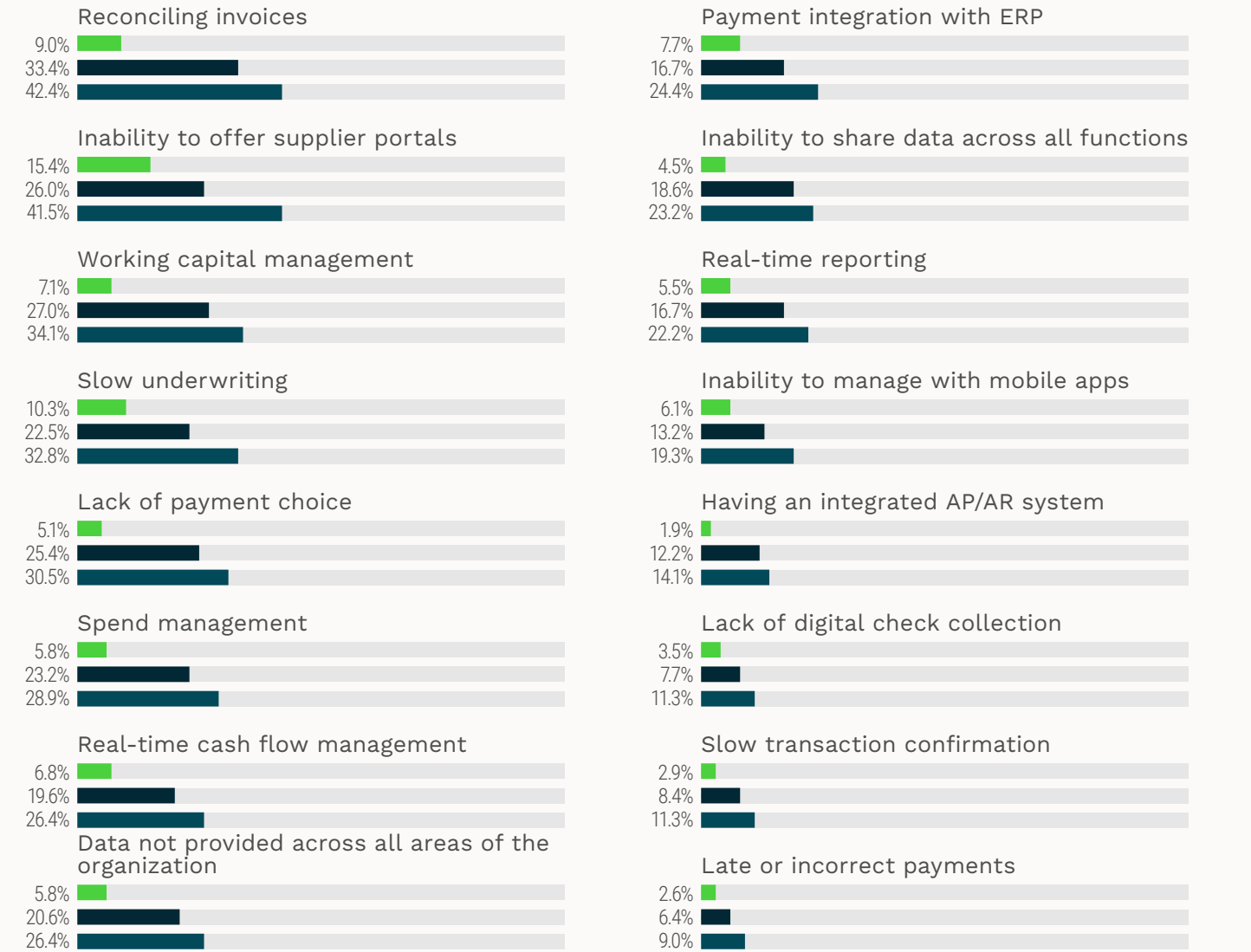


Source: PYMNTS.com | FIS  
The Innovation Gap Report

FIGURE 2:

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

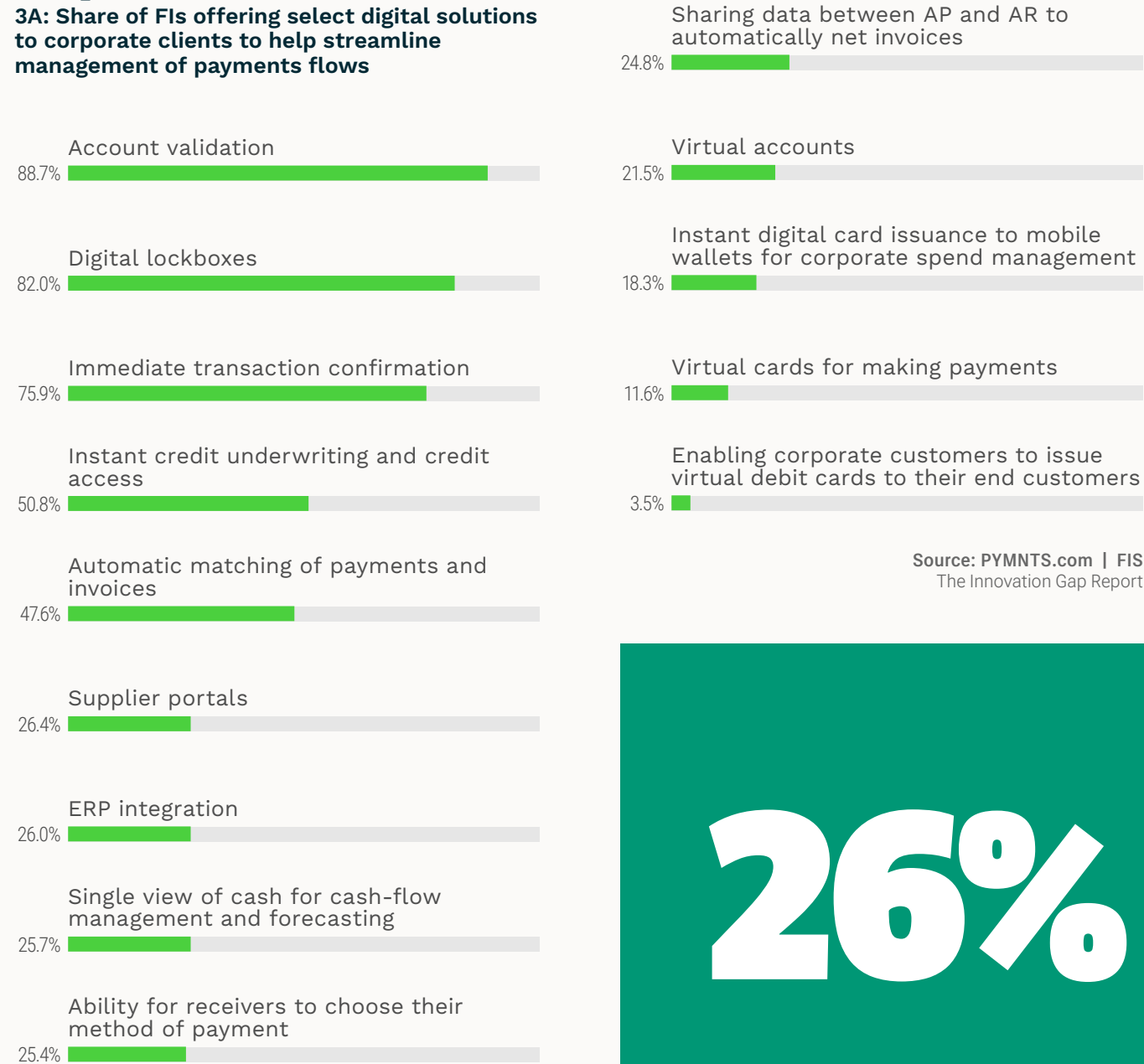
Share of FIs citing select problem areas for corporate clients when paying their suppliers, by level of importance



Source: PYMNTS.com | FIS  
The Innovation Gap Report

**FIGURE 3:**  
**Digital payments solutions FIs offer corporate clients**

**3A: Share of FIs offering select digital solutions to corporate clients to help streamline management of payments flows**



Source: PYMNTS.com | FIS  
The Innovation Gap Report

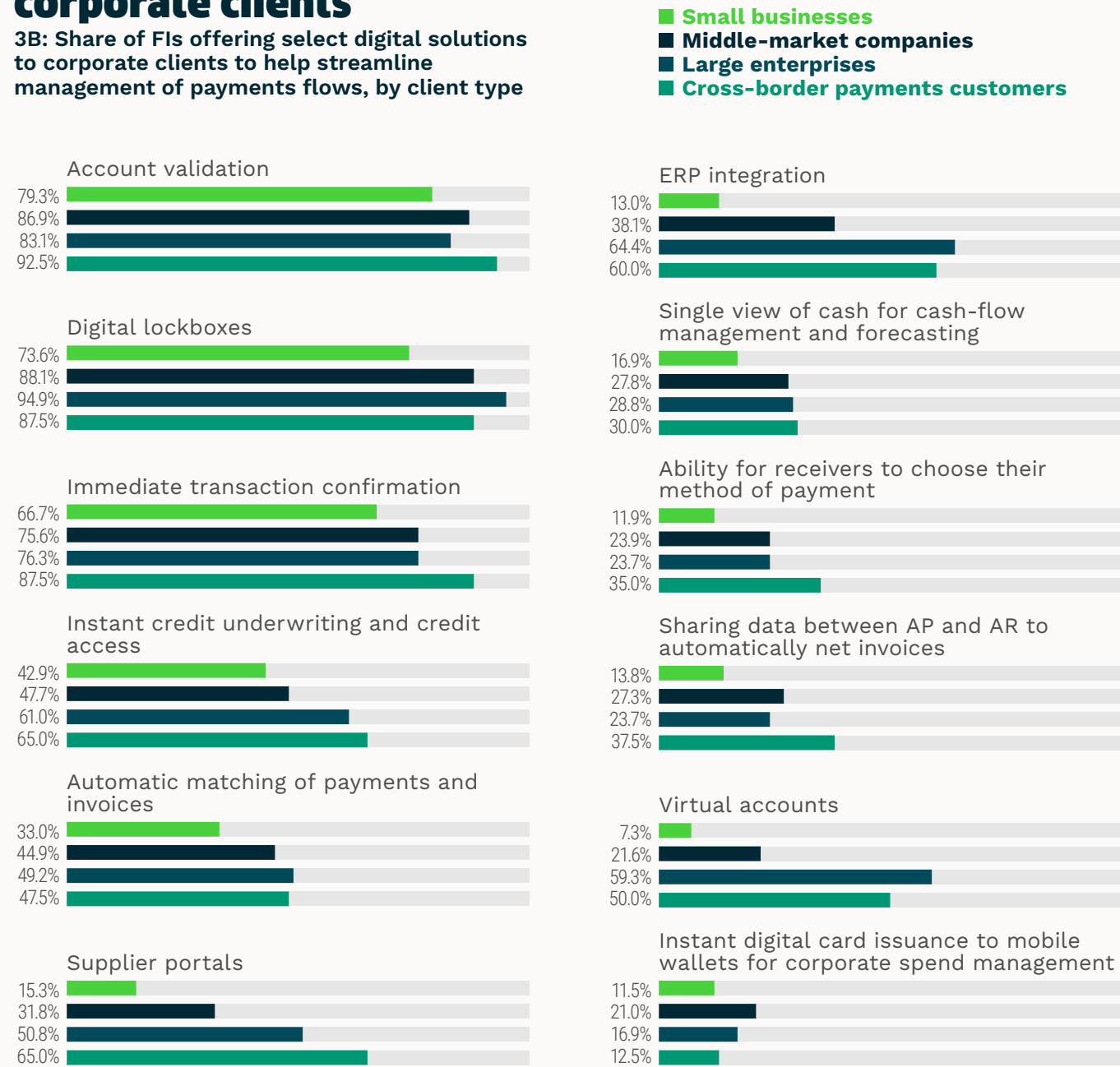


**26%** Share of FIs offering **supplier portals to corporate clients** to help them streamline management of payments flows

FIGURE 3 (continued):

## Digital payments solutions FIs offer corporate clients

3B: Share of FIs offering select digital solutions to corporate clients to help streamline management of payments flows, by client type



# 65%

Share of FIs offering **instant credit underwriting and credit access** to cross-border payments customers to help them streamline management of payments flows



# Section II

## Conducting an innovation audit:

How FIs and corporate clients can fast-track payments innovation collaboratively

Businesses are like consumers in that they increasingly require streamlined and secure payment methods better tailored to their needs. This means that FIs must maintain the flexibility necessary to customize the range of payment processes offered to clients as their businesses grow. Enterprise customers can also identify key payments frictions by asking questions about specific barriers to scale, as these barriers can range from the B2B payments user experience to a lack of supplier portals. These collaborative efforts between FIs and their corporate customers can ultimately fast-track payments innovation.

PYMNTS' research reveals that 79% of FIs are currently working to find solutions that will offer clients a single view of cash for real-time cash flow management. The lack

of dedicated supplier portals is another key payment friction for corporate clients, with 65% of FIs actively seeking solutions for this or planning to do so.

Thirty-one percent of corporate clients cite a lack of payment options as another significant pain point, and 77% of FIs are working on or planning on solving this problem. Similarly, 29% of corporate clients report a lack of spend management tools as a problem, and approximately 78% of FIs are finding or planning to find a way to offer clients instant digital card issuance services to enable mobile wallet-based corporate spend management. Eighty-four percent of FIs, meanwhile, say they are working or are planning to work on allowing corporate clients to issue virtual debit cards to their end customers.

PYMNTS' research makes it clear that FIs need to focus on four specific innovation areas to better address clients' B2B pain points. They must offer a centralized view of cash flow and liquidity, streamline business user authentications, simplify invoice reconciliation and deploy speedier supplier and vendor onboarding tools that can rapidly scale with the addition of new businesses. In some cases, both FIs and their corporate clients can benefit from working with technology solutions providers to identify and address these payment frictions.

Many FIs are aware of the need for modernization, though there are several differences in how they plan to address related issues. Our data finds that 92% are innovating or planning to innovate new digital solutions to reduce clients' key B2B

payments frictions, but just 19% plan to develop in-house solutions to do so. FIs with more than \$100 billion in assets mark a notable departure from this trend, however, as 90% plan to develop solutions in-house. Nevertheless, 46% of all FIs anticipate relying on a combination of in-house and third-party solutions, while 35% plan to use third-party offerings exclusively. It is also important to note that just 37% of FIs say they have the experience and resources to effectively address clients' B2B payments frictions on their own, with no need to outsource development or required solutions.



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

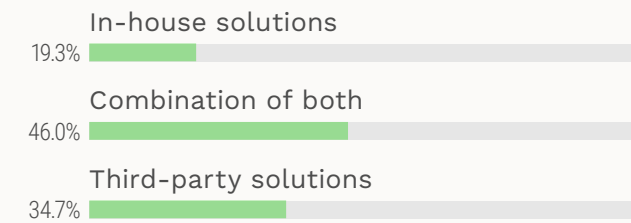
Share of FIs currently working on or planning to work on select digital solutions for corporate clients, by solutions



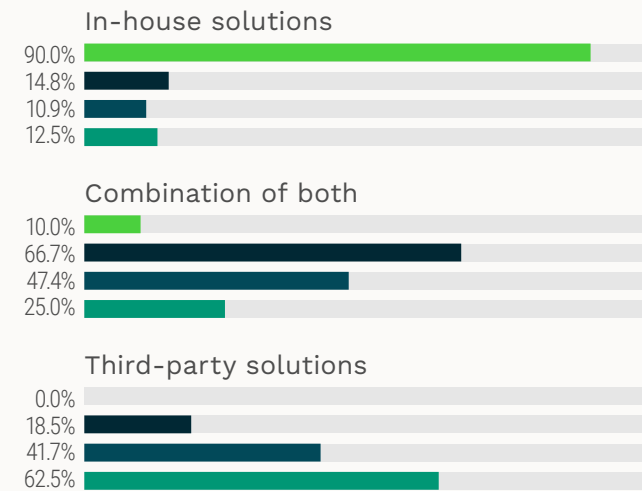
Source: PYMNTS.com | FIS  
The Innovation Gap Report

**FIGURE 5:**  
**FIs' plans to develop in-house solutions to reduce B2B payments frictions**

5A: Share of FIs that plan to work on select digital solutions, by solution type

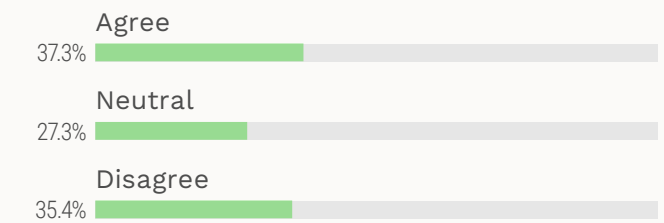


5B: Share of FIs that plan to work on select digital solutions, by asset size

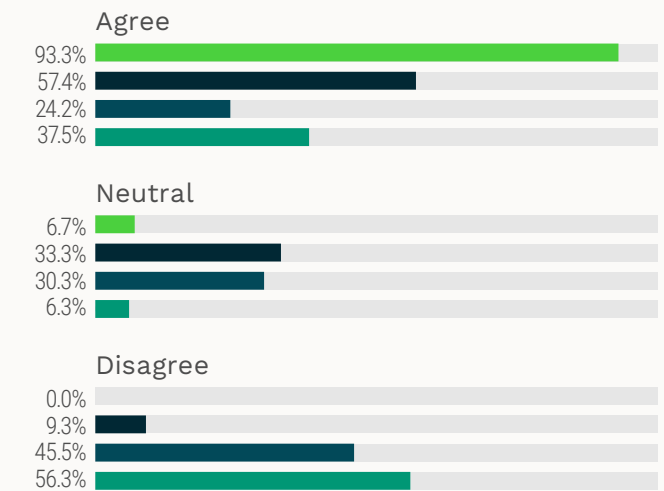


**FIGURE 6:**  
**FIs' experiences developing in-house solutions to reduce B2B payments frictions**

6A: Share of FIs that say they have the experience and resources to effectively address B2B payments frictions on their own



6B: Share of FIs that say they have the experience and resources to effectively address B2B payments frictions on their own, by asset size



More than \$100B  
\$25B-\$100B  
\$1B-\$25B  
\$500M-\$1B

Source: PYMNTS.com | FIS  
The Innovation Gap Report

# Section III

## Completing the modern payments technology stack:

How to choose the right solutions provider

Digital payments innovation is paramount as FIs and corporate clients become increasingly pressed to provide customers with more speed, convenience and transparency. Perceiving new B2B payments solutions as useful is crucial to enabling the adoption of digital technology that can address B2B payments frictions. PYMNTS' research finds that 52% of FIs cite this perception as helpful in addressing B2B payments pain points, while 19% of FIs believe it is the most helpful. Meanwhile, 59% of FIs cite openness to change as a helpful characteristic in this regard, with 16% citing it as the most helpful.

A significant share of FIs also point to a willingness to partner with FinTechs on payments digitization as a top characteristic needed to address B2B payments friction. Thirty-one percent of FIs say this characteristic is very helpful, while 14% believe it is the most helpful. Knowing about new B2B payment solutions and possessing

up-to-date technological infrastructure are also considered helpful characteristics for 32% and 28% of FIs, respectively.

Streamlining B2B payments requires digital innovations that can fully support businesses of all sizes. FIs and corporations seeking to eliminate corporate clients' payments frictions should seek out technology providers that allow them to offer cutting-edge digital payments tools and in-demand features, such as supplier portals, without being forced to mix and match point solutions.

A modern payments technology stack, for example, can bundle AP/AR services in a scalable ecosystem by using modular features to synchronize with ERP/accounting and banking systems. Enabling dynamic communication, controls and flexibility across a secure and efficient platform can improve working capital, reduce operational expenses and mitigate risk. Such a modern

payments toolkit also enables conversion of outgoing payments from paper to electronic while automatically posting incoming payments against open invoices.

Finding the most suitable technology solutions partners to modernize B2B payments processes enables FIs to offer corporate clients the features they need to manage and streamline transactions. FIs would also be wise to seek out providers that offer digital payment solutions that can scale as their businesses grow.

### Here are five questions businesses should ask when considering whether to partner with a technology solutions provider:

1. How will the B2B payments solution meet our customers' needs?
2. Is the solution ready out of the box, or is it customizable?
3. How will the solution integrate with our current infrastructure?
4. How does the solution support onboarding new vendors?
5. Is the solution scalable and easy to use?

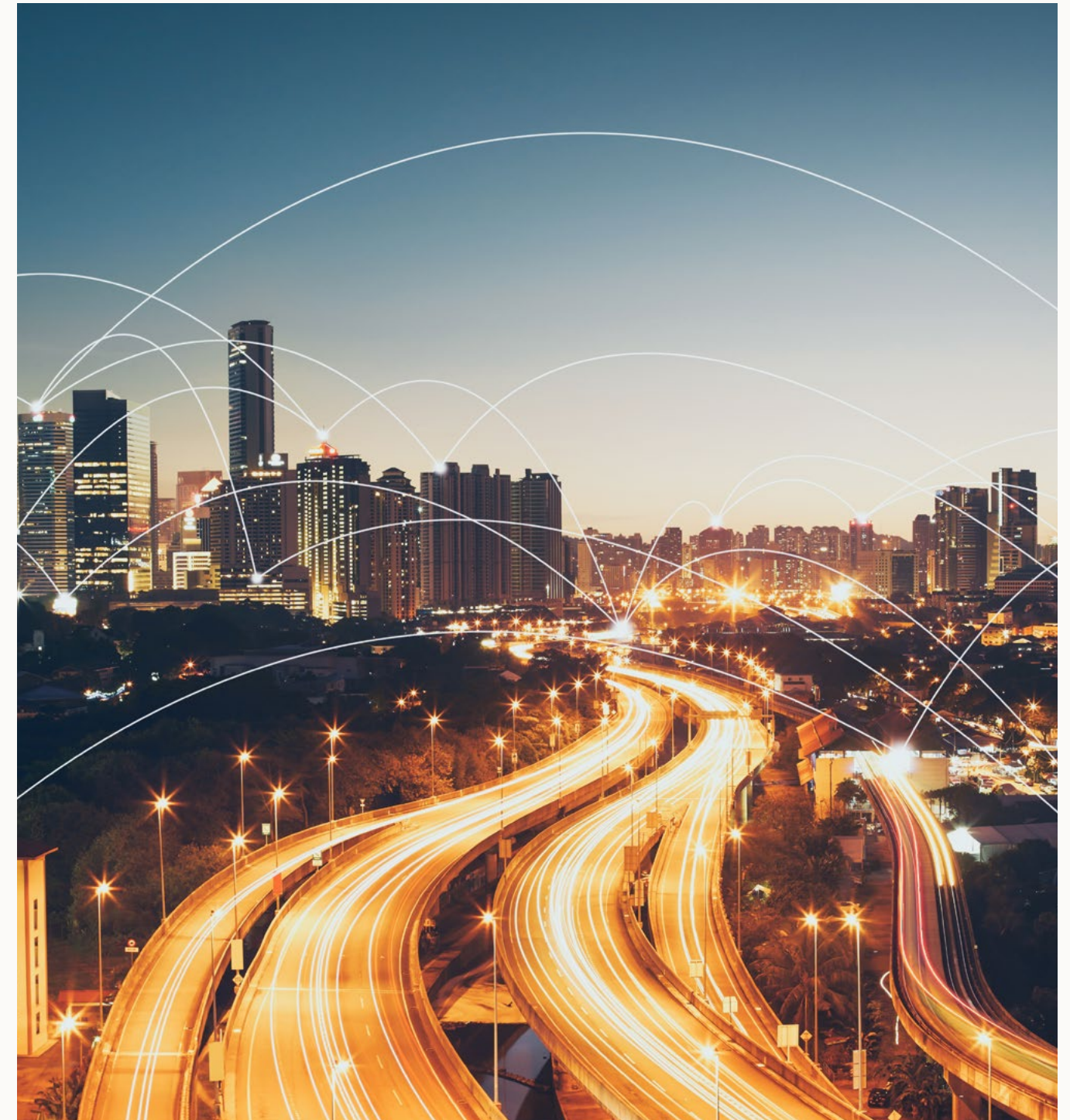
**FIGURE 7:**  
**Characteristics that can help FIs' adoption of digital solutions to address B2B payments frictions**

Share of FIs listing select characteristics as helpful to the adoption of new digital solutions that address B2B payments frictions, by level of helpfulness



■ Most helpful characteristics  
 ■ Helpful but not ranked as first  
 ■ Total

Source: PYMNTS.com | FIS  
 The Innovation Gap Report





# Executive Insight

## What challenges do FIs and their corporate clients looking to streamline B2B payments face in adopting digital solutions that help remove frictions from payments and cash management processes?

One of the biggest challenges financial institutions and corporates face is [that] their solutions are not interoperable. The AR, AP and cash management platforms chosen by the corporate, and [those] operating inside the corporate, are often not interoperable because they were chosen by different departments for different — albeit very valid — reasons without interoperability as a key consideration. Again, that is inside the corporate itself. Then, the integration points to the financial institution's payment rail and cash management infrastructure are often disjointed — generally a combination of batch file types and APIs at various levels of maturity. This means that even as you

make big investments, as a corporate or an FI to streamline your solutions, it's often hard to get improvements that cross all sides of B2B payments.

Another challenge is the number of ancillary, manual processes that have grown up over the years. From paying, managing and reconciling check payments, these manual processes make streamlining B2B payments seem like it's going to be a hands-on, labor-intensive experience. We often hear a quote along the lines of, "We don't like the system we've got, but today, I know who to email to ask to do a manual search to find a check, if I have to." This perceived — and in some cases, real — detangling work for the existing processes inside the corporate adds to the inertia hurdle that needs to be overcome for true streamlining.

## What should FIs and their corporate clients keep in mind in choosing the right technological solution?

It boils down to three key things:

### Choose solutions that talk to each other.

Today, there are many opportunities for financial institutions and corporations to leverage common integrated receivables/AR, integrated payables/AP and cash management/treasury solutions with common integration points and cross-functional visibility. Truly streamlining payments will require you to make complementary changes to both the way you are paying and the way you are being paid. The cross-functional 'full liquidity visibility' is where the real value happens, and if you can't get that view in one place, then you'll fail to capture the full benefit from digitizing solutions.

**Training is key.** Training for the commercial bankers, training for the corporates, training for support staff to be able to troubleshoot and help — these are all key to seeing a return on investment for an FI and their corporate customers going through

the trouble of upgrading. Otherwise, they will build a new, frictionless solution for your corporates that [corporates] will be too scared to use.

**Look for a knowledgeable technology partner.** This technology partner needs to understand the problems and pain points that corporate customers are having. By focusing on that, an organization will get a true partner and not just someone trying to convince them that the newest solutions are what everybody will want.

There are many ways in which an organization can start to streamline their B2B processes. However, focusing on these three main objectives will lead to the smoothest possible transition from manual processes to automation.

### MIKE KRESSE

Head of business payments and card and money movement





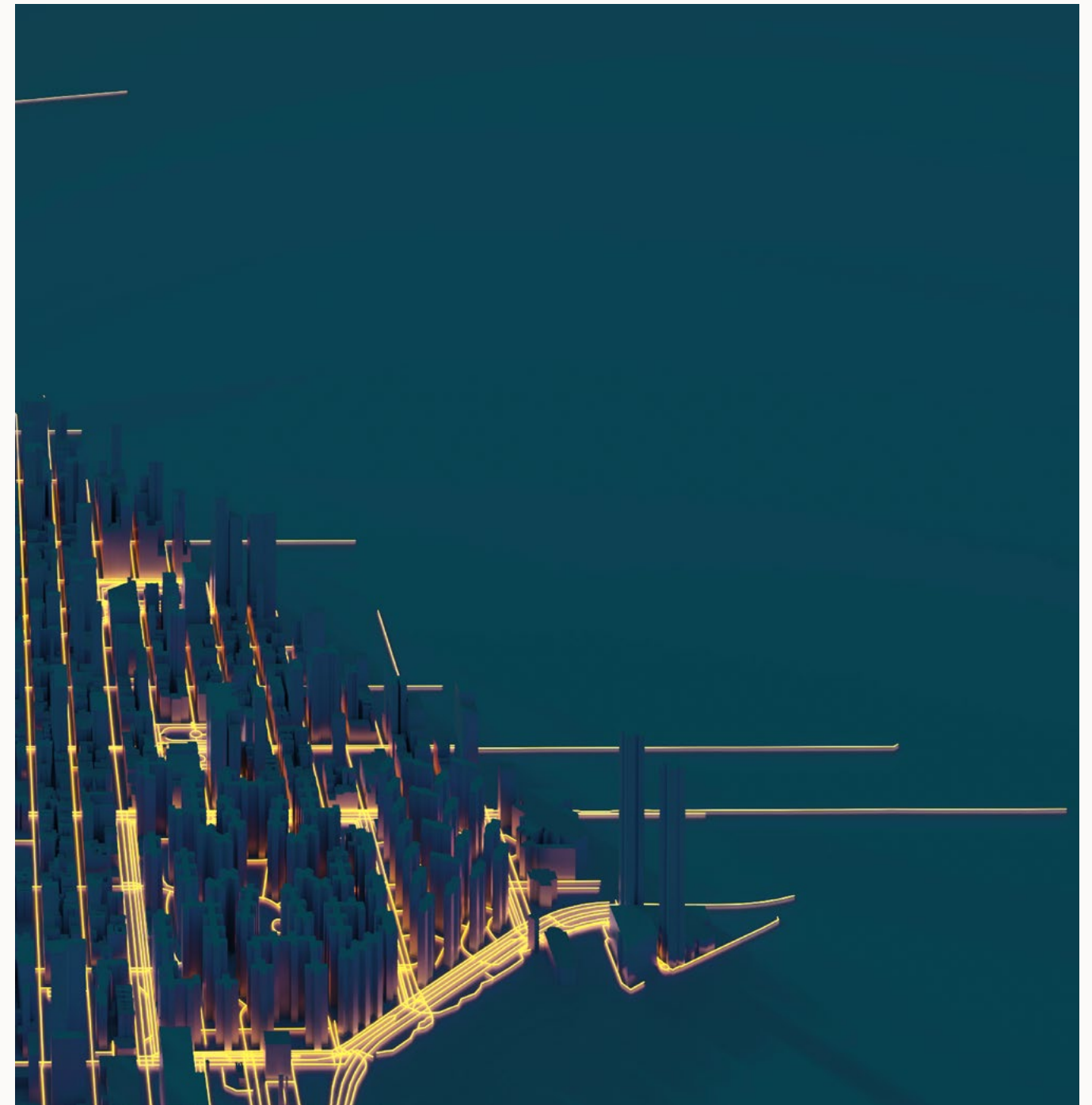
# Conclusion

## & Methodology

While the convenience of digital consumer payments has become well established, businesses are also coming to expect streamlined and frictionless B2B transactions. FIs and their corporate clients thus share an interest in improving B2B payments experiences and removing friction from payments and cash management processes. Still, there are several areas where FIs may struggle to offer the digital tools clients need, and these areas coincide with the top digital payment B2B frictions their clients are experiencing as a result. Identifying and implementing the right digital payments tools can help FIs address these concerns and provide enterprise clients with more seamless B2B payment experiences, and many FIs may find it advantageous to partner with solutions providers to achieve this. When creating a technology stack becomes resource prohibitive — or when solutions are inadequate — an enterprise-grade technology solution could put FIs and their corporate clients on the fast track to innovation.

### Methodology

The Innovation Gap: Meeting The Challenge Of Payments Modernization is based on insights from a survey conducted between Oct. 28, 2021, and Nov. 30, 2021, with responses collected from 311 executives working as heads 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

## PYMNTS.com

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# The INNOVATION GAP

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