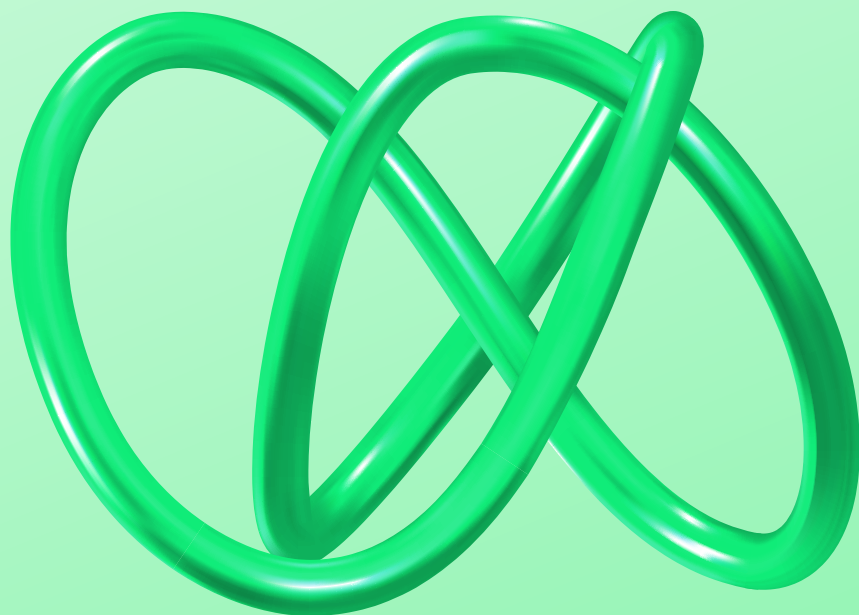


Cash flow in a flash

Why you can't afford to skip out on instant and real-time payments



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Are you ready for instant payments?

75%

of businesses say it's important to offer faster payments

Source: Federal Reserve

The ability to make and receive faster B2B payments is now upon us. Are you ready? If not, you will lose out, no matter if you are a biller or a payer.

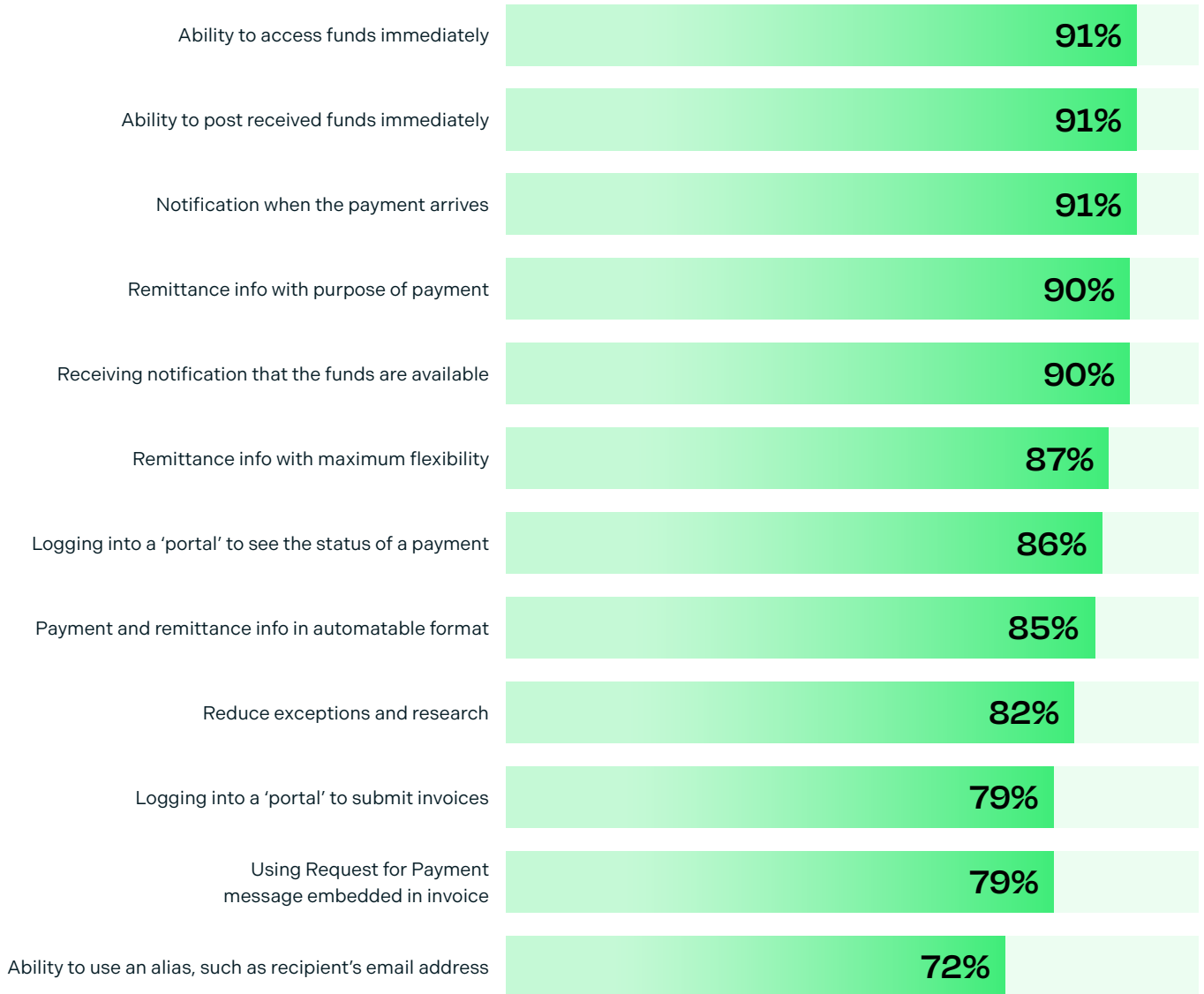
Many businesses are taking advantage of The Clearing House's Real Time Payments (RTP) Network and are exploring the Federal Reserve's FedNow instant payments offering. These real-time payment systems are even faster than Same Day ACH, push to card, Zelle, and closed loop wallets like PayPal and Venmo.¹

"Systems like RTP and FedNow are 'always on' 24/7/365 and, because these are credit 'push' payments, they are irrevocable," says Yvette Bohanan, a partner at payments consulting firm Glenbrook Partners LLC.

Three of every four businesses consider it important to offer faster payments, according to a 2021 Federal Reserve survey. Nine in 10 businesses expect to make and receive faster payments by next year, including via FedNow's instant payments system. Businesses want quicker access to funds, the ability to post payments immediately and automatically, and timely notification of payments.

Businesses are demanding faster payments

Faster payment features businesses rate as important (percentage of businesses)²



A cash flow game-changer

Businesses want to have the opportunity to request payments, which involves a credit push transaction through a faster payments provider, enabling funds availability for the business in a matter of seconds or minutes.

"This can be a game changer for cash flow, for small and large businesses alike," Bohanan says.

Billers get mission-critical data

Faster payments are helpful for multinational companies that are receiving revenues and consolidating accounts from around the world in different time zones and days.

"Wouldn't it be great for the counterparty to be able to pay Friday and for the business to receive those funds Saturday?" says Bohanan.

Faster payments also include more data with the transaction, and B2B payments data is critical to recording and reconciliation, Bohanan says. Data relating to the terms and conditions around a B2B transaction has been buried in a vendor or supplier agreement. Remittance information about a specific payment typically is exchanged in an Excel sheet or a PDF attached to an email, or truncated in a text field within the transaction.

"So if a business is expecting \$100 that they invoiced for but only receives \$90, the accounts receivable department needs to figure out whether the payor shorted them or whether the payor got a 10% discount for paying early," Bohanan says. "It's a costly, time-consuming process to record a payment."

But with faster payments comes the new ISO 20022 protocol, which enables a robust level of data to be sent along with the transaction.

\$942.6 billion (2021)



\$1.56 trillion (2027)

global B2B payments market

Source: IMARC Group⁵

Payers get more control

For those businesses receiving B2B payments, the desire for faster funds is obvious. But for payers, what's in it for them?

- More control
- Better timing when funds are released
- Improved working capital
- Improved treasury management
- Less back and forth with vendors and suppliers

The challenges are worth it

Businesses are concerned with interoperability and the consequences of not having it, according to the 2022 Faster Payments Council Barometer, a joint effort by the U.S. Faster Payments Council and Glenbrook Partners.³

"For example," Bohanan says, "if I'm a business and my bank has decided to support faster payments via The Clearing House's RTP system, but my supplier's bank has integrated with FedNow, how will the money get from Point A to Point B? Who will be able to marry those up? Who will take care of that required interoperability?"

Businesses are also looking for ubiquity. If a business invests in its infrastructure to support faster payments, it wants assurance that there are enough vendors and suppliers using the system to achieve an ROI on its implementation investment. Businesses want enough participants in the network so they can realize the potential efficiencies that faster payments offer to streamline their operations.

"It would also help accounts payable departments if U.S. faster payment systems implement alias directories similar to the systems in other countries," Bohanan says. "With an alias directory, businesses could send payments using the counterparty's alias and not be concerned about updating their records with changes to a vendor or supplier's bank account details."

Faster payments are being used to support a variety of transactions⁴



Disbursements



Bill pay



P2P payments



eCommerce

Automation will help AR teams

Straddling the two sides of the AR and AP fence is “the push and pull, the yin and yang of B2B payments,” says Richard Crone, CEO of Crone Consulting LLC. If a biller wishes to accelerate the receipt of deposits with faster payment via its electronic invoice presentment and payment (EIPP) platform, it’s likely perceived as diminishing the payer’s cash management goals of controlling or even delaying disbursements.

“That’s why the majority of paper checks still originate from ‘controlled disbursement’ accounts for B2B invoices,” Crone says. “Letting payers specify remittance timing is one way to increase EIPP adoption.”

An optimized payment option involves the biller presenting an invoice through its EIPP platform, giving the payer the flexibility to choose when and how to pay the bill through its own AP system. This can be facilitated by APIs connecting both systems, promoting mutual interest in optimizing payments with incentives such as discounts for accelerating remittances or using lower cost tenders like ACH payments instead of procurement cards.

However, to benefit fully from optimized payments, both billers and payers need to tightly integrate new automated workflows into their legacy ERP, EIPP, AR, AP, and bank cash management functions.

“Straight-through processing is the automated, truly breakthrough processing that enables better internal controls and greater management of risk, compared to manual intervention and file manipulation processes.”

Yvette Bohanan, Glenbrook Partners LLC

As always, do your due diligence

“You’ll want to make sure the provider you choose has a road map to help you through the journey—and not just a set-it-and-forget-it type of attitude,” Bohanan says. “Your back office is likely still accepting checks and handling ACH transactions, and now you’re adding something else into the mix.”

Businesses must think about the cost of doing this holistically to determine the systems and processes required to support their interactions with counterparties.

“There are typically significant logistical issues across the board when you change or add a payment method, so it’s important that you do a lot of due diligence when selecting a faster payments provider,” Bohanan says.

Faster payments should not be high-cost transactions.

To-dos for creating a real-time payments strategy



Ensure your AP and IT teams have an integrated working relationship



Gauge your suppliers' and customers' appetite for real-time payments



Understand the impact on your current processes and infrastructure



Involve key stakeholders in the decision-making process

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Learn more

Visit billtrust.com or [contact our sales team](#).

ABOUT BILLTRUST

Billtrust is a leading provider of cloud-based software and integrated payment processing solutions that simplify and automate B2B commerce. Accounts receivable is broken and relies on conventional processes that are outdated, inefficient, manual and largely paper based. Billtrust is at the forefront of the digital transformation of AR, providing mission-critical solutions that span credit decisioning and monitoring, online ordering, invoice delivery, payments and remittance capture, invoicing, cash application and collections.



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