

DIGITIZING B2B PAYMENTS TRACKER®

MOVING FROM PAPER CHECKS TO DIGITAL PAYMENTS CHOICE

■ APRIL 2020

PYMNTS.com

deluxe

P. 8

(Feature Story)

Optimizing legacy supply chain payment processes

**U.K. firms chase down
\$2 billion in overdue
B2B invoice payments**

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(News & Trends)

**Why it is time for
companies to overhaul their
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DIGITIZING

B2B PAYMENTS TRACKER®

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WHAT'S INSIDE

The COVID-19 pandemic has created new challenges for companies that were already working to solve long-standing customer experience and supply chain frictions. Small and mid-sized businesses (SMBs) are now fending off pandemic-related financial difficulties, for example, while firms of all sizes are challenged with making timely payments to their vendors as their on-premise operations are restricted by stay-at-home orders. These challenges can be particularly formidable given that most business-to-business (B2B) transactions still rely on paper-based invoices and payment methods. Handling paper-based invoices and payments can be difficult in general and especially so without access to the digital resources normally available in office settings. Businesses today take nearly 14 days to process paper-based invoices and **spend** approximately \$9 billion annually on the process, according to the Federal Reserve.

Firms do not need to be trapped in this slow, expensive cycle forever. New digital solutions can help replace legacy business processes and support fast-paced online transactions. Check-scanning technology can digitize checks, for example, drastically reducing the time it takes businesses to accept payments and thus improving their cash flows and liquidity. Bill payment technology that allows businesses, insurers or treasury managers to better track their outstanding payments can reduce some

of the manual effort and financial strain caused by processes that may be lagging.

It can be difficult for businesses to move away from their current methods of handling B2B invoices and payments, however. Many companies rely upon legacy processes that utilize older accounting software and enterprise resource planning (ERP) solutions, and upgrading their systems can be costly and greatly disruptive to their operations. It is imperative for businesses to understand how the inertia



affects their customers and vendors and consider how older methods include security risks that can cripple their revenues and damage customer relationships.

Companies must also keep their partnering businesses' shifting expectations in mind when searching for tools to add to their platforms. This is especially important when considering the short-term and long-term effects of events such as the COVID-19 pandemic and what firms are likely to seek from their business relationships in the aftermath. B2B payment innovation is continuing even as COVID-19 spreads, and

many firms are examining how digital tools can shore up weak points in their accounts receivable (AR) or accounts payable (AP) processes that may be leading to lost funds or client discomfort.

This inaugural Digitizing B2B Payments Tracker®, a PYMNTS and Deluxe collaboration, examines how digital payment tools and technologies can solve existing B2B payment pains. This monthly report also analyzes what it takes for businesses such as insurers, healthcare firms or financial institutions to move to digital solutions.

AROUND THE B2B PAYMENTS WORLD

The pandemic's impacts on smaller firms have been immediate and widespread, with as many as 96 percent of United States SMBs in a recent [study](#) stating they had experienced financial consequences just one month after stay-at-home orders went into effect. Such companies in the U.S. are likely going to have to rely on remote workforces for at least another month, though, which will create additional challenges for these firms' AR and AP processes, especially for businesses that are heavily reliant on old-school methods.

Many solution providers are thus looking to step in and meet businesses' needs during the COVID-19 pandemic. AR and invoicing services firm Invoiced is [offering](#) its products for free, for example, allowing nonprofits — which often rely on donations or private funds for their operations — to access its online invoicing software for up to six months. The company is only enabling free access to its basic plan, which includes a billing portal as well as the ability to integrate with messaging platforms like Slack, among other features.

The pandemic is exacerbating other B2B payments problems, notably in invoicing, which is still mostly manual for many companies. Invoicing-related issues could lead to costly errors, with one [study](#) conducted prior to the outbreak noting that

EXECUTIVE INSIGHT

About 80 percent of B2B payments are still made via paper checks, so how can businesses digitize and improve their payment procedures to quickly and seamlessly process check-based payments?

“Many businesses still generate paper checks from the setup of their accounting systems. The best way today's businesses can digitize their payment processes is by transitioning to innovative platforms that work with existing systems and do not require large infrastructure investments or changes to current processes.

Deluxe has created a new platform that removes the frictions associated with B2B digital transformations. The platform works like a check for the sender but [is delivered] through email, rather than U.S. postal mail, using APIs that work with existing software. The platform allows businesses to [adopt] digital processes without significant capital or IT investments at a time when business continuity is critical. The solution also reduces manual processes like printing, mailing or [traveling] to the bank.

Businesses can include detailed remittance information for transactions like accounts payable payments, [explanations of payment] for medical payments, pay stubs for payroll payments [and] even claim information for insurance payments.”

MICHAEL REED,
general manager of payments at **Deluxe**



microbusinesses in the United Kingdom are chasing a collective \$2 billion in funds due to invoices being sent out late. More than one-third of these businesses admitted to failing to send invoices on time, leading to delayed payments and having a marked effect on cash flows. It is important for businesses and their payment providers to identify invoicing or payment weaknesses and ensure missteps can be caught or avoided.

For more on these stories and other B2B payments headlines, check out the Tracker's News and Trends section (p. 13).

MACADOODLES RELIES ON PAPER CHECKS FOR SUPPLY CHAIN SIMPLICITY

Consumers seemingly have a growing appetite for innovative payment experiences, but businesses have more pragmatic views. Companies need tools that will allow them to easily manage their cash flows and coordinate their incoming inventories. Digital payment solutions are not always best suited to the task, however, especially as paper checks still fulfill most firms' B2B payment needs. In this month's Feature Story (p. 8), Ernie Olsen, vice president of growth and engagement at liquor retailer **Macadoodles**, describes the importance of supply chain simplicity and why the company's suppliers still favor paper checks and invoices.

DEEP DIVE: GIVING PAPER CHECKS AND INVOICES A DIGITAL OVERHAUL

A significant share of businesses rely on paper-based invoicing and payment processes, but demand is growing for digitization that can speed up access to funds. This month's Deep Dive (p. 20) analyzes digitization's growing importance in the B2B payment space, as well as how online systems can be tailored to support the traditional payment and authentication processes on which businesses still rely for many transactions.

5 FIVE FAST FACTS

\$9B

Annual amount U.S. businesses are spending to process **paper invoices**

63%

Share of B2B invoices that **require two to five employee signatures** to send out

\$12.5T

Estimated amount in check payments U.S. businesses **process annually**

\$2B

Maximum estimated amount U.K. microbusinesses are chasing due to **invoices that were sent out late**

56.4M

Approximate number of hours SMB owners spend **tracking down late payments** annually

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■ FEATURE STORY

HOW B2B

TRUST

IS KEEPING CHECKS,
PAPER INVOICES
HUMMING ALONG



Numerous digital technologies have entered the business realm during the past few years, shifting how quickly companies expect their suppliers to fulfill their orders. Firms are now searching for speed as well as seeking processes that can satisfy suppliers and keep supply chains moving in familiar and safe ways.

Simplifying supply chains is important, but businesses can struggle to take the digital leap — often because they lack the capital or the necessary knowledge. Companies often also feel that tools like eInvoicing do not offer clear advantages over paper checks, Ernie Olsen, vice president of growth and engagement for liquor retailer **Macadoodles**, told PYMNTS in a recent interview. Checks and paper invoices have long been integrated into supply chains from start to finish — and for well-established reasons, he said.

“I do not think there is anything on the retailer side that is going to prompt a change [for payments] because that would be the tail wagging the dog,” Olsen explained. “The suppliers are all happy getting their money in 30 days. That is the way they have always done it, and what is the advantage to them to change it? If [suppliers] can speed up [their cash flows], there is some benefit to that, but the cost of capital is all built into their prices. So, if they speed it up, it would be the equivalent of a price increase for everybody else.”

Checks will continue being fixtures in B2B payments so long as they work well for both retailers and suppliers, yet businesses are also examining how digital technologies could be used alongside them to increase supply chain efficiency.

**“ On the
POS side,
the technology
is better
But, on the
business side
... whatever
[digital technology
is available],
it is not here [in our
supply chain]. ”**

“ Every single delivery, someone checks it off against the invoice. Every bottle, every case ... nothing is taken for granted **because [when] mistakes are made [they are] really, really costly.** It is like letting people steal from your store. ”

CHECKS ALLOW FOR CONTROL, SATISFACTION

Many companies see no need to invest in building new B2B payment infrastructures if suppliers are happy with checks. Macadoo-les operates several large-scale locations in Missouri that each carry approximately 4,000 wine and 600 beer brands. It has relied on checks to pay its suppliers on a monthly cycle since it opened in 1997, and many suppliers still enter the stores to pick their checks up in person. This familiarity fosters a sense of trust and control, Olsen added.

“It feels like I am in control if I am writing a check,” he explained. “Whether [I am] handing it to the addressee or handing it to someone to put into an envelope to mail, that feels like control. I sense a fairly significant hesitancy [from business owners] about using technology in many areas ... just because it has got a reputation of being somewhat unreliable and not affording one the same control.”

This trust factor is causing firms to take slower approaches to B2B payment innovations, as these new tools are still seen as unfamiliar and untested for AR and AP processes. This leads some to test out such technologies more cautiously than they would consumer-facing digital tools, including payment solutions. Innovating back-end processes means taking a look at the exhaustive business ecosystem behind



customer transactions, and any mistakes made are much costlier. Implementing digital payments can lead to money being sent out for incomplete invoices, for example, or cause authentication-related errors that businesses cannot afford. They must therefore examine new B2B payment technologies with more caution.

“On the POS side, the technology is better,” Olsen said. “Some of our stores have apps that are connected to the POS and the inventory ledger so [customers] can order something from wherever [they] are and be 100 percent sure that it is there. But, on the business side ... whatever [digital technology is available], it is not here [in our supply chain].”

The business side is still completely reliant on checks and paper documents rather

than digital technologies, he confirmed, mainly because these paper-based tools still fulfill their intended functions. The goal is to ensure the supply chain hums along as seamlessly as possible, which means companies must examine how digital tools will impact every facet of their operations, not just their relationships with customers.

ONGOING B2B TECHNOLOGY CHALLENGES

Speed is important in today’s B2B ecosystem, but digital tools must be examined to determine every way they will affect operations. Invoicing is a prime example of that type of challenge, as it is still a highly manual process for many companies. Moving away from paper-based invoicing to digital solutions is difficult because many businesses are not set up to process



digital invoices at the point of delivery. These solutions need to be able to show companies that they can accomplish the same thing as the paper invoices they have been using for decades.

“We can only change [from paper invoices] if we get to the point where we can be certain that what the invoice says is being delivered is actually being delivered,” Olsen said. “Every single delivery, someone checks it off against the invoice. Every bottle, every case ... nothing is taken for granted because [when] mistakes are made, [they are] really, really costly. It is like letting people steal from your store.”

Meticulous invoicing is particularly challenging when it involves age-restricted

goods, especially in the U.S., as different states have different rules regarding how payments can work for these products. Arkansas’ laws mandate that alcohol shipments be paid for upon delivery, for example. eInvoicing is thus problematic because it would accelerate payments, and such speed is not necessarily helpful for businesses that still need to check over shipments, Olsen said. Slow innovation in this area can be frustrating for both sides of the supply chain.

“I think we should be way beyond where we are,” he explained. “I would like to be able to scan a barcode on the supplier’s phone and then [have it] brings up on my screen the invoice that they are delivering. [We would] check [the delivery] off against that and then, once that is confirmed ... [the technology] just schedules the payment and it goes out on whatever day is the agreed day for payments to that supplier.”

Digital technologies could solve some states’ regulatory issues, Olsen said, but businesses still appear to be approaching them with caution. He expects the B2B supply chain to become more open to these options in time, however, especially as more businesses have positive experiences with them. A desire for simple, seamless supply chains will likely remain for years to come, and B2B solutions providers will need to keep this in mind when designing digital products.

NEWS AND TRENDS

CHECKS CONTINUE TO DOMINATE B2B PAYMENTS

INNOVATING CHECKS FOR THE COVID-19 ERA

Small businesses are being hit hard by the COVID-19 outbreak, with 96 percent of U.S. firms **noting** they have already experienced negative impacts like loss of revenue while continuing to pay employees. Other **studies** detail owners' concerns about how long their businesses can stay open under current social distancing guidelines, with more than half of those surveyed stating they could continue operating for only three more months. Fast payment processing and support are thus even more critical during this period, and payment providers appear to be taking closer looks at their AR and AP practices.

Many businesses still rely on checks for payments during the pandemic, though. U.S. firms process approximately \$12.5 trillion in check payments each year, according to one **study**, and 80 percent of B2B payments are still **sent** via this method.

Making sure businesses can still process checks during the outbreak is thus crucial, and payment provider Deluxe is focusing on helping businesses send checks as smoothly as possible during the crisis. The company's CEO, Barry McCarthy, reported in a recent interview that the company typically processes about 14 percent of the total gross domestic product (GDP) in payment volume in the U.S.





STUDY FINDS B2B BUYERS WANT MORE PAYMENT OPTIONS

Checks remain critical to many firms' business processes, and some companies have no plans to switch to digital payment methods. More businesses are requesting AR or AP systems that match the seamlessness of consumers' experiences, however. One **study** claimed 20 percent of B2B buyers viewed a lack of alternatives as a critical issue for purchases, showing that many firms want more payment options for B2B transactions.

Supporting different payment methods is harder to achieve for B2B transactions than it is for business-to-consumer (B2C)

transactions, though. Retailers can offer consumers four or five payment methods at checkout, but those such as person-to-person (P2P) or mobile payments are often considered not secure enough for B2B transactions. Providing alternative payment choices is also challenging for firms sending money to suppliers or partners because the transactions require documentation such as invoices to be included at every step of the process.

INVOICES AND SMBs

PROACTIS DEVELOPS INVOICING PRODUCT FOR SMBs

Checks and their processing requirements have not changed for decades, but the documents attached to them can cause frictions for B2B payments. Invoices are among the most important, as businesses must confirm each item listed before funds can be released to suppliers and vendors. U.K.-based spend management service Proactis has **created** an invoicing service, bePayd, to lessen such frictions. The solution allows SMBs' suppliers to almost instantly receive payments on their invoices once they have been approved, then directly pay these funds to suppliers. Proactis rolled out the service in February but has simplified it to help larger companies more easily integrate it into their platforms following the COVID-19 outbreak.

bePayd could help SMBs eliminate some pandemic-related financial stresses, as it will promote greater visibility into cash flows and outgoing payments' statuses, stated Anthony Persse, financial solutions director for the firm. SMBs can track incoming and outgoing payments using the dashboard, meaning they can more quickly see and address potential problems.

INVOICED OFFERS FREE AR SOLUTIONS TO NONPROFITS

Quick AR and AP processes are critical for businesses that must keep money moving to stay operational during the COVID-19 pandemic, and this is particularly true for nonprofits that rely on donations or private funds. AR solutions provider Invoiced has **announced** it will offer U.S.-based nonprofits free access to its AR software for up to six months to alleviate their current financial pressures. Many nonprofits are experiencing the same financial struggles as for-profit entities, with the caveat that the former's shutdown funding relies on donations they may not have allocated yet.

Invoiced's solutions will afford nonprofits access to its basic plan's billing, collection and AR solutions until Sept. 16. The tier includes access to its billing portal, communication tools such as email and invoicing delivery features and the ability to integrate with third-party solutions such as accounting service provider QuickBooks and online messaging platform Slack.

BECTRAN BRINGS AR TO THE CLOUD

The B2B industry began focusing on faster payments access long before the COVID-19 outbreak, with various players working for years to create smoother experiences. Credit management solutions provider Bectran is now turning to the cloud to offer such a service, **announcing** its Cash Application solution for corporate AR. The software-as-a-service (SaaS) product combines the cloud with application programming interfaces (APIs) to allow companies to send and receive funds and transactional data in multiple forms, including Bank Administration Institute (BAI) file formats for electronic cash and balance reporting as well as the open financial exchange (OFX) data format utilized by companies like Intuit and Microsoft.

Financial institutions (FIs) worldwide use different forms of data when approving or sending funds, which can slow transactions when banks using one format need to convert it to another before proceeding. The Cash Application product **translates** these data languages and formats for FIs so they can more quickly categorize it on the back end. It then uses Bectran's credit management software to seamlessly match clients' invoices with existing payments.

INVOICE SLIP-UPS LEAD TO CASH CRUNCHES

Late payments are alarming in every industry, but such delays can quickly snowball and halt entire supply chains. More than one-third of U.K. businesses admitted to forgetting to send invoices to their customers, according to a recent study, leading to up to \$2 billion in outstanding payments. Such errors may occur because firms lack proper invoicing software, Alex Louisy, co-founder and CEO of invoice management software FinTech Upflow, asserted in a recent [interview](#) with PYMNTS. Some businesses still rely on Excel spreadsheets to manage outgoing payments, he noted, but online invoicing tools can highlight those that have not been sent and identify

payment problems on clients' ends. These companies may also be scrambling to find physical invoice copies to send to clients, meaning solutions that help them better track what is owed and when could lead to real cost savings.

NEW TECHNOLOGIES

QUICKBOOKS STRENGTHENS PARTNERSHIP WITH PAYPAL FOR SEAMLESS SMB INVOICING

Digital B2B payment tools are being used for more than just invoicing. Accounting software provider QuickBooks is [expanding](#) an existing partnership with payment provider PayPal to allow the former's SMB clients to integrate their platforms with the latter's service for easier invoicing. The clients can use PayPal to receive credit and debit payments for their invoices, and the transactions and accompanying data are listed on their QuickBooks dashboards. The accounting software firm is particularly focused on easing burdens for SMBs, which [spend](#) a collective 56.4 million hours annually chasing late payments, according to recent data.

PayPal is one of several payment services with which QuickBooks works to enable smooth B2B transactions. It has agreements with GoCardless to provide direct deposits as well as with financial technology firm iZettle for payment solutions at



the point of sale (POS). QuickBooks' parent company, Intuit, released news of the expanded partnership earlier than planned after its QuickBooks Connect conference — slated to take place in London during the second week of March — was canceled due to COVID-19 concerns.

FUJI XEROX, ESKER BRING AI TO AR

Other solution providers are also examining how to boost speed and security for their products. Document management service Fuji Xerox has **partnered** with document automation firm Esker to create a digital AR solution for Asia-Pacific companies, for example. The product will provide clients with optimized payment tools, tapping artificial intelligence (AI) to reduce the time it takes to deliver invoices and leveraging the cloud to handle and store data.

The firms noted in a recent press release that 40 percent of companies are familiar with eInvoicing but may not be using it with AR. The solution aims to shift paper-based invoicing processes to digital ones and eliminate the manual entry of payment data, a resource-draining and error-prone task. AI will then be utilized to parse through the information, helping firms identify patterns through which they can further personalize or enhance partners' payments.

BUSINESSES EXAMINE ePROCUREMENT BENEFITS

Procurement is another B2B area that has seen steady innovation over the past several years. Many businesses have been examining the benefits of eProcurement, in which digital technologies are leveraged to manage corporate ordering and purchasing for goods or services. Studies predict eProcurement will become more common over the next few years, with one **report** claiming such digital solutions — supported by technologies like AI and the cloud — will replace 50 percent of existing procurement options by 2022.

Relying on advanced technologies for procurement will help businesses quickly fill orders and better manage their supplier relationships, with AI enabling them to handle the growing amount of data required to complete purchases or examine business needs. Many companies also use procurement data to set budgets or analyze their overall spending to create more accurate project maps.

INDUSTRY INSIGHTS

WHY SIMPLE PAYMENTS ARE IMPORTANT FOR SMBs

Developing digital payment support for SMBs is important because they are dependent on fast cash flows, but their financial needs are not uniform. Some seek to



digitize their payment processes, but just as many do not want or need to implement expensive, cutting-edge technologies for their B2B payments, Jason Polancich, CEO of SMB mobile payment solutions provider Invoia, noted in a recent [interview](#) with PYMNTS. This means providers must consider what SMBs really need from their payment solutions — including whether adding in new technologies will complicate or slow their processes.

The perception that all SMBs want the same B2B payment experiences can camouflage the needs of smaller, more rural businesses, Polancich explained. These companies often do not require costly digital payment solutions, or they may be

shifting from paper-based accounting processes to digital financial management tools. They will likely want to keep their payments as simple as possible, meaning innovation should be taken as a step-by-step process.

AR PAYMENT FRUSTRATIONS REVEAL NEED FOR DIGITAL SOLUTIONS

Others say firms should reassess their operations on a more fundamental level. Brandon Spear, president of AR solutions provider MSTs, told PYMNTS in a recent [interview](#) that businesses that wish to remain competitive and organize their cash flows must innovate their AR and B2B processes from the ground up. He explained that firms need to reconstruct their AR infrastructures to spot weak points and focus on how their processes affect buyer-seller relationships. Companies can further enhance such connections by integrating technologies like automation, and doing so will help them more easily sort through routine payment or client information, as the AI-powered or automated tools can help employees approve details or invoices much more quickly.

Businesses must also make sure they are keeping these transactions secure, Spear continued, and automated tools can help them boost their fraud prevention efforts. AI or automated AR processes supported by third-party providers can more easily

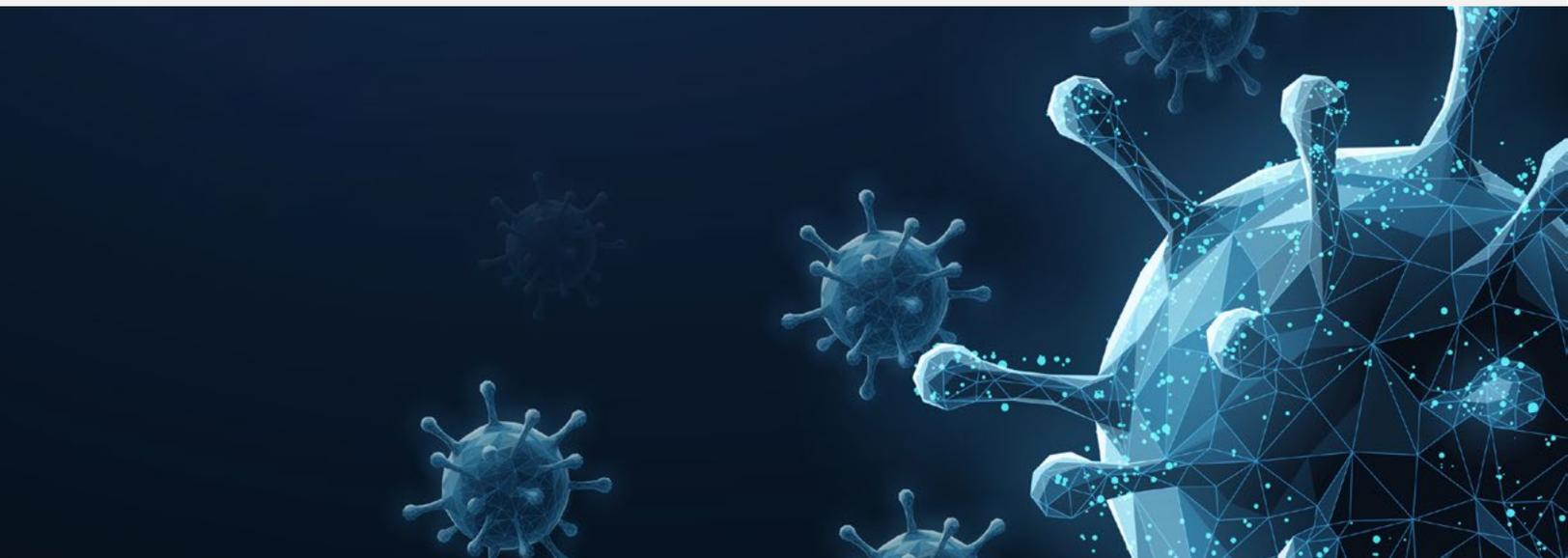
categorize data, allowing firms to quickly identify fraudsters. This is becoming more important as business identity fraud — which involves bad actors impersonating buyers or suppliers to defraud the other party — appears to be increasing, Spear said.

COVID-19 PANDEMIC DRIVES SHIFT TOWARD eVERIFICATION, AUTOMATED AML CHECKS

How businesses verify potential partners' and clients' identities may also change significantly due to the COVID-19 pandemic, as the crisis is highlighting the inefficiencies of identification processes that rely on physical documents. Most firms still use tools that rely on paper documents for anti-money laundering (AML) client verification, but John Dobson, CEO of AML solutions provider SmartSearch, recently **predicted**

that the pandemic will contribute to the decline of paper-based identification. He believes companies' inability to use such identification amid the current remote work environment will lead to long-term shifts to digital options like electronic verification (EV) tools, automated AML checks and consumer verification through photos of documentation.

SmartSearch has recently seen more firms test its AML tools, Dobson noted. EV's speed and ability to lift pertinent information from documents without human help could be especially useful during pandemics. The technology does not require physical documents to be submitted, which could provide relief for teams operating from their homes, and changes or requests for updated information can be sent in at any time.



DEEP DIVE

HOW COMPANIES ARE BALANCING **PAPER-BASED AR PAYMENTS** IN A DIGITAL WORLD

Executives are often hesitant to dismantle their firms' established AR and AP infrastructures to **implement** newer payment technologies. Such caution is typically merited in B2B operations, where supply chains have been carefully cultivated to ensure long-lasting collaborations. Companies are finding that their payment processes have grown more complex to accommodate global, digital clients, though, with 76 percent of B2B buyers **reporting** that they have searched for purchasing experiences that mimic those in the B2C sector. This means failing to adapt to such needs can introduce frictions that frustrate working relationships.

Many firms are not ready to give up paper checks, however, especially as digital B2B payment fraud concerns grow more prevalent. They are therefore looking to tie check payments into digital networks that

can more accurately track payment data, which often means sending digital invoices or utilizing automated tools for faster identity verification once checks are finalized. The data **generated** in routine payments through digital channels is expanding in volume, and firms want quick access to this information. This has prompted many to experiment with online systems for their AR and AP processes, but checks remain the familiar and expected choice for payments.

Checks have had an established role in B2B payments for decades, and that is unlikely to shift any time soon. SMBs believe digital payments are expensive and relatively untested, while they feel that checks — which **account** for 80 percent of B2B payments — offer clear benefits. This is largely because writing, issuing or processing checks is familiar and easy to understand. Creating a check **costs** about 82 cents on

average compared to 13 cents for an electronic payment, but some firms find that checks fulfill their B2B payment needs better than digital options despite the added expense. Others use them because they do not possess the funds needed to transition to digital methods.

Many businesses cannot jump from established AR and AP systems to digital solutions, while other may not wish to make such shifts. Budgetary concerns, infrastructure issues and security worries prompt them to slowly and carefully approach such innovations. The following Deep Dive examines how businesses are responding to requests for faster transactions, experimenting with eInvoicing and online check-scanning technologies and finding ways to keep paper checks involved in B2B payments.

DIGITAL PAYMENT COST AND FRAUD CONCERNS

Companies may be holding fast to check payments, but a 2018 survey **found** that 89 percent of firms planned to create or adopt digital-first business strategies. Those requiring paper documentation found it difficult to parse through essential data in a timely manner, particularly as their partners grew accustomed to the speed and ease of using digital solutions elsewhere in their operations. Services that rely on paper-heavy receipt, scanning and filtering processes now find themselves at severe

disadvantages when competing with those that have adopted complementary digital tools, as the latter can quickly and easily categorize client information and payment data.

These digital tools have other benefits, too, allowing firms to continue using check payments when they lack the budgets to move to digital alternatives. Integrating digital payments can be expensive for SMBs that have not updated their infrastructure in several years. New payment rails offer more data, but this means they also require stronger security measures and significant upfront costs. Executives must **weigh** these expenses before completely replacing checks with digital methods.



There are other concerns that hold SMBs back from implementing newer payment processes, however. Digital payments can be subjected to fraud scams that differ from those targeting checks. Eighty-one percent of businesses were **targeted** with payment fraud scams in 2019, for example, with ACH credit fraud attempts accounting for more than one-fifth of that total. Seventy-five percent of companies were meanwhile targeted by online business email compromise (BEC) attacks, schemes in which bad actors impersonate company officials, sending emails making fraudulent purchase orders or including false digital invoices to have these firms send funds. This type of fraud is often crushing for SMBs, with one recent BEC scam resulting

in \$7.3 million being **stolen** from a French pharmaceutical firm.

Many companies are now looking to pair paper checks' benefits with those of digital AR and AP documentation solutions, which can help them avoid the costs and potential fraud that come with creating entirely new payment infrastructures. These shifts require firms to **examine** technologies like check scanners, online check conversion tools or switching to eInvoicing solutions or online AP products, which **represent** a \$950 billion B2B opportunity, according to a 2018 study. Companies of all sizes are searching for technologies that can help them more quickly send out the necessary data and documents attached to those payments.

DIGITAL TECHNOLOGIES SUPPORT PAPER CHECKS

Firms are analyzing how tools like eInvoicing and check scanners can help them more quickly move payments. B2B payment documentation or identity verification processes are often more time-consuming than making payments, as the information involved must be reviewed and approved by multiple employees before checks can be sent.

Firms seek tools that can reduce the time required to complete these processes, with eInvoicing allowing companies to receive documentation much more quickly and



store data on online servers. Companies like AR services provider Invoiced **offer** software solutions to upload these documents to the cloud, for example. These solutions then use automation to quickly review the invoice information, which enables human employees to view detailed data and finalize payments without having to manually find and process such details.

eInvoicing comes with some pitfalls, however. The U.S. does not have national standards in place for how AP departments can **submit** their invoices online, which can lead to confusion. Suppliers can send their invoices in numerous data formats, meaning companies will need to convert them into their own formats or standards — putting them right back where they started regarding time-consuming manual invoice processing.

Other technologies take paper checks and **turn** them into electronic checks, and such tools **represent** a progression for companies that want to provide partners with faster speeds and more digital support without completely overhauling their payment infrastructures. Electronic checks cost less to process than their paper predecessors and reduce delays between sending checks and seeing payments finalized, which could make them attractive to more businesses in the future.

ELECTRONIC CHECKS
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MORE BUSINESSES
IN THE FUTURE.**

Cost, lengthy processing times and payment frictions are major reasons companies should be implementing digital technologies, but businesses are searching for online solutions that still support checks. Firms must therefore go with the innovations that will help them create the most efficient supply chains in the shortest time, and for many, that still involves using checks.

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