



GLOBAL B2B PAYMENTS PLAYBOOK

August 2021

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Information on [PYMNTS.com](https://pymnts.com) and Worldpay

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GLOBAL B2B PAYMENTS PLAYBOOK

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What's Inside

Online sales have **hit** new highs during the past year and a half, and experts believe this trend will stick. The United States eCommerce sector alone **rose** 39 percent year over year in Q1. Nevertheless, international business-to-business (B2B) payments slipped between January and June, and it appears that convenience, or a lack thereof, is the crux of the issue. Businesses, like consumers, want seamless and secure cross-border payment methods. While making these global B2B payments has always been a challenge, working from home has exacerbated these processes' difficulties.

Many businesses have historically been weighed down by paper-intensive and outdated payment processes, yet one-touch digital payments and similarly swift solutions have become table stakes for consumers. The speed and convenience of consumer payments are entering the business arena, however, and pandemic-related challenges have played a large role. For example, last year, the share of businesses that made at least 90 percent of their payments digitally **increased** by 12 percentage points, and this



growth is expected to continue over the next two years, if not longer.

Incorporating electronic payment methods is a positive first step, but B2B businesses must do more to truly capitalize on the potential that digitization offers. Digital payments can come with a host of rich data, and **tapping** into this information can help firms further streamline their operations, control their cash flows and unlock insights into their back-end processes. Firms can even tap into solutions powered by application programming interfaces (APIs) and data integrations, giving them added transparency into their finances and priming them for success as payment processes around the world continue to go digital.

AROUND THE B2B PAYMENTS SPACE

Errors in payment details represent one of the biggest friction points in the cross-border B2B payments space, but third parties are stepping in with solutions to solve these issues. Global messaging service SWIFT, for example, recently **rolled out** a service that allows banks to verify beneficiaries' financial details before payments are made. The solution ultimately allows senders to leverage an API that can prevent mistakes that would require time and resources to fix.

Innovation has been a priority for B2B companies worldwide over the past year as they continue to deal with the pandemic's economic fallout. A global **study** of chief financial officers found that 79 percent have increased their technology transformation. The survey found that small to mid-sized businesses

(SMBs) have been particularly enthusiastic in adopting digital services to update their payments ecosystems and improve cash flows. Numerous FinTechs have entered the space with integrated payments solutions that can help B2B firms make the most of their transaction data in response to businesses' new needs and expectations.

A new **survey** has illuminated firms' heightening expectations regarding the terms and customer experiences they receive from their vendors. It found that 69 percent of B2B buyers wanted their partners to provide novel ways for them to access products and services, and 85 percent said that they desire positive experiences with their business partners as much as they do services and products. The study revealed that companies can improve upon their customer service and product offerings by forging strategic partnerships with other firms.

For more on these stories and other headlines from the global B2B payments space, read the Playbook's News and Trends section (p. 9).

HOW LYFT IS FAST-TRACKING PAYMENTS FOR ITS DRIVERS

The gig economy boomed as the pandemic's impact made gig platforms increasingly attractive to both workers and users in 2020. The gig economy growth brought challenges to light, however, with irregular work schedules and late payments serving as special hardships for gig workers. One of the keys to keeping ridesharing platform Lyft's gig workforce happy was its movement from

weekly payroll to payment upon completion of a shift. In this month's Feature Story (p. 7), Kaushik Subramanian, vice president of payments at Lyft, discusses how a survey enabled the company to create products tailored to fit its drivers' lifestyles and ensure their access to their earnings whenever and wherever they need them.

DEEP DIVE: HOW THE BaaS MODEL COULD SHAPE THE FUTURE OF B2B PAYMENTS

Consumers have enjoyed the benefits of the banking-as-a-service (BaaS) model for years, which allows them to access financial services from nonbank entities using APIs. A pronounced digital shift in the B2B financial services sector has recently occurred as well, and firms in the space are beginning to seek out swift digital payments and services at the point of need. This month's Deep Dive (p. 14) examines how the consumer banking world's adoption of BaaS solutions is beginning to make waves in the B2B space. It also explains why firms must examine the benefits of similarly flexible approaches to making digital payments and leveraging the rich data that often accompanies them.

Executive Insight

The consumerization of payments in the B2B space is changing how businesses send and receive payments. What are some of the key benefits businesses stand to gain by offering a consumer payments-style experience to business partners?

The biggest benefit of adopting a consumer-like payment system for your B2B transactions is that it will save your company time and money. Countless hours are wasted with the manual reconciliation of checks and cash transactions. By switching to a digital format, you can seamlessly integrate into your accounts payable and accounts receivable processes.

Another big benefit is that companies can get paid faster. By using credit cards or real-time payment transfers, companies can see funds settled instantly or within one to three days. Cash flow management is pivotal for companies to help fund growth and innovation.

Lastly, digitizing the B2B payments experience gives companies real-time data to assess their largest areas of spend or revenue and helps them make robust, informed decisions. We are in the age of Big Data, and there is no excuse to not always provide and make a data-driven decision."

Holly Worst

director of vertical growth - retail, grocery and petrol

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Five Fast Facts

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● **33** Average number of days it takes U.S. firms to receive cross-border payments

● **87%** Share of the firms that have adopted automated AR that benefit from faster processing

● **66%** Portion of firms that receive payments from clients digitally

● **70%** Share of companies that plan to integrate at least some technology into their AR processes

● **57%** Portion of CFOs who say their technology investments in AP and AR are about transformation rather than automation

Feature Story

Lyft On Driving Satisfaction With Fast Payments For Workers

The gig economy boomed in 2020 as consumers **turned** to gig platforms both as a source of income and as a convenient way to order meals, groceries and other goods during the pandemic. A November 2020 **study** showed gig wages and participation up 33 percent over 2019, with 93 million U.S. adults earning \$1.6 trillion in gig income versus 70 million earning \$1.2 trillion in 2019. More than three-quarters of surveyed workers planned to do as much or more gig work this year, assuring the platform economy's continued growth.

The rising importance of gig work brings to light a multitude of challenges for workers and platforms, however. PYMNTS' research has **reported** that 70 percent of gig economy workers live paycheck to paycheck, without a financial safety net, and late **payments** during the pandemic-related economic downturn have hit these workers especially hard. These factors have led to a surge in demand for digital, instant payments for gig work at the end of every shift, with 70 percent of gig laborers in the November 2020 study reporting that same-day pay would make them more loyal to their platforms.

Some employers have **responded** to the demand. Uber drivers can cash out with Instant Pay up to five times per day. DoorDash allows its drivers to cash earnings daily, while Walmart also has grasped the need for its employees to access their funds at the end of a shift.

Kaushik Subramanian, vice president of payments for San Francisco-based ridesharing giant **Lyft**, told PYMNTS in a recent interview that identification of the banking and payment needs of its drivers in the U.S. and Canada has been among the company's primary tasks. To understand drivers' financial needs, he said, Lyft conducted user surveys and formed driver advisory councils. The resulting information enabled the platform to develop innovations that ensure drivers can access their earnings when and where they need them.

"We initially offered only weekly payouts to bank accounts for drivers. However, after speaking with the driver community, we learned many of them needed to get paid more frequently," Subramanian said. "Getting paid fast and accurately is incredibly important to drivers."

Nearly all Lyft drivers are students or work in this capacity to supplement their incomes, he added, making it paramount for the company to create products tailored to fit its drivers' lifestyles.

IMPLEMENTING A NEW WAY TO BE PAID

Since 2016, U.S. Lyft drivers have taken advantage of Express Pay, an internal on-demand payment feature that allows workers who have paid their weekly rental fees to withdraw earnings before the weekly payday. Earnings appear within hours or days, depending on the bank's processing time. Lyft more recently introduced no-fee instant payouts. Lyft Direct allows drivers to be paid instantly after every ride with no fees or waiting periods.

"It's designed to give drivers more economic security," Subramanian said. "Immediate access to earnings has always been important to drivers, but the pandemic has put additional financial strain on many."

Lyft Direct also provides drivers with free bank accounts and debit cards with rewards designed to help them save on expenses.

"We recognized many [drivers] needed access to low-cost banking and rewards debit cards, so we created Lyft Direct as a way to directly address those needs," he said. "Since 20 percent of U.S. drivers and 22 percent in Canada have said they drove more during the pandemic because they were laid off, furloughed or had their hours or pay cut,

... these features have become lifelines for everyday financial needs. With Lyft, drivers are able to simply turn on the app, give a ride and instantly cash out."

Lyft Direct's rewards program provides cash back in rotating categories such as pharmacy, cable, telephone, internet and routine car maintenance. Subramanian said Lyft also has made it easier for drivers to make contactless payments at point-of-sale terminals, an option he said has become particularly relevant during the pandemic.

For the gig economy as a whole, however, barriers to instant payments remain, as outdated infrastructure and the continued reliance on paper processes stall disbursements. The gig economy's anticipated growth is one force that likely will continue to drive instant payment adoption. Platforms looking to compete in the growing gig ecosystem will need to invest in instant payment innovations to keep pace with their workers' needs.



News & Trends



Harnessing data to power B2B payment innovation

DATA INTEGRATION CAN PROVIDE B2B FIRMS WITH OPPORTUNITIES TO LOWER COSTS, STREAMLINE PAYMENTS

B2B payments continue to go digital as merchants tap into online payment methods and migrate away from paper checks. Brendan Tansill, president of the Americas at EVO Payments, told PYMNTS' Karen Webster during a recent [interview](#) that while this digitization is a positive development in the B2B space, ample opportunities exist for firms to enhance their payments processes. He explained that cost is a major consideration when B2B companies overhaul their systems and that they can lower costs and streamline their accounts receivable departments by tapping into automation.

Data and data integrations, however, are especially ready to be utilized. Firms can feed transaction details and card interchange data into their enterprise resource planning (ERP) systems to create more robust workflows. These kinds of integrations also can allow FinTechs and business clients to gain insights into payments-adjacent processes, which will become more crucial as more businesses use digital channels to transact across borders.

SWIFT SOLUTION AIMS TO EASE CROSS-BORDER B2B PAYMENTS FRICTION BY CHECKING RECIPIENT DATA

Businesses and financial services providers around the globe are rolling out cross-border innovations to help them streamline and accelerate B2B payments. Global financial messaging service SWIFT, for example, recently **introduced** a service that enables banks to verify a beneficiary's account information before payments are made. The company said the Payment Pre-validation service is aimed at fueling instant and friction-free transactions for businesses and consumers worldwide by helping them send payments confidently and securely.

Digital international payment solutions are fast, but inaccurate recipient data, particularly in the B2B space, is a major culprit behind cross-border payment failure. Errors such as incorrect account numbers and misspelled names take time and resources to

fix, and these concerns can be compounded because they occur late in the payment process. SWIFT said its Payment Pre-validation service permits sending banks to verify account information using an API, catching errors before they can sap time and money. Such solutions will be key for businesses going forward as more B2B payments are made across borders.

79 PERCENT OF CFOs SAY THE PANDEMIC HAS PUSHED THEM TO INVEST IN TECHNOLOGICAL TRANSFORMATIONS

The pressures businesses have faced over the past year and a half have dramatically affected their innovation efforts. A [global study](#) of chief financial officers found that 79 percent said the pandemic's impacts prompted them to boost their technological



transformations, with SMBs being particularly inclined to make digital updates to their payments ecosystems and cash flows. An earlier survey **revealed** that 76 percent of SMBs said the pandemic pressed them to expand their digital services, while 82 percent said it changed how their businesses sent and received payments. Brick-and-mortar retailers that were not focused on digital channels before the pandemic were forced to adopt digital tools.

These trends have created opportunities for B2B FinTechs to tap into existing service models and infrastructure in the consumer space to meet businesses' needs. As banks begin to realize the magnitude of these shifts, FinTechs have rolled out banking-as-a-service models suited to the B2B world, and experts believe the trend will continue for the foreseeable future.

Open banking B2B payment advancements

RUSSIAN FINTECH, BANK COLLABORATE TO PROVIDE OPEN BANKING-ENABLED SMB LENDING

One of the first open banking use cases in Russia involves an initiative between a FinTech that focuses on SMB lending, Tochka, and the nation's eighth-largest financial institution (FI), Promsvyazbank. A recent **press release** from the Russian FinTech

Association (RFA) stated that Tochka and Promsvyazbank have been certified to leverage the Bank of Russia's API. APIs allow third parties to tap into customers' or clients' financial data, with their consent, to create new services and features. The RFA said the pair had successfully demonstrated their adherence to its open banking standards, which enable FinTechs and FIs to access and trade data without proprietary pacts.

SMBs applying for loans will not need to provide existing bank statements and related information to Promsvyazbank but rather consent to the digital transfer of this data. The move is intended to digitize and accelerate loan underwriting for SMBs, illustrating how swift digital access to SMBs' financial data can power enhanced features and faster processes.

FINTECH FOCUSED ON SMB DATA SHARING EARNS \$40 MILLION IN SERIES B FUNDING

Data sharing technologies have the potential to reshape the SMB space by enabling the swift flow of information between businesses, and investors are beginning to take note of these solutions. FinTech Codat, which specializes in offering financial data-sharing products and features for SMBs, recently **revealed** that it received \$40 million in a Series B funding round led by Tiger Global, with PayPal Ventures and Index Ventures participating. The company said it would use the money to develop payroll and commerce

data sharing functions and expand its San Francisco location.

Codat counts financial services firms Brex, Clearco, FreeAgent, Pipe and Virgin Money among its clients. Peter Lord, the company's CEO, said it would continue to build out its platform to support SMBs as more and more financial services go digital.

B2B developments worldwide

EXPANDING GLOBAL TRADE IS POSITIONING CROSS-BORDER B2B PAYMENTS FOR DIGITAL SHIFT

International trade continues to rise and is putting a strain on cross-border payments, as many businesses still use checks to pay their partners. Recent research [shows](#) that cross-border SMB B2B payments represent a \$10 billion to \$15 billion market and that the broader global B2B payments space is

predicted to exceed \$35 trillion in 2022, up from \$27 trillion last year. Many businesses' payment operations are stuck relying on manual labor, however, and these international transfers can take anywhere from one day to one week. Such payments also tend to be costly to process, at \$50 to \$60 per transaction. Eliminating these frictions will require firms to tap into APIs and other emerging services to reduce costs and ease the flow of transaction-related information.

HOW FORGING STRATEGIC PARTNERSHIPS CAN IMPROVE THE B2B PURCHASING EXPERIENCE

B2B buyers that have taken to online commerce now have higher expectations for their customer service and the terms they receive from their vendors. A new [survey](#) revealed that 85 percent of B2B buyers value a positive experience with their partners as much as their products and services, and 69 percent said they want their partners to give



them fresh ways to use services and products. It may seem difficult for firms to meet these expectations, but one way exists for them to boost customer experience without losing clients to competitors: partnerships.

An eCommerce platform that serves SMB retailers could partner with a delivery tracking service to offer clients end-to-end order transparency, for example. It is important for businesses to cultivate relationships based on ongoing communication and periodically reevaluate whether such arrangements are proving to be worthwhile.

MORE THAN 200 CHINESE SMBs USE BLOCKCHAIN TO TRANSFER \$580 MILLION ACROSS BORDERS

Blockchain also is emerging as a technology that could help streamline and secure cross-border B2B payments, as evidenced by recent transactions in China. More than 200 SMBs in the country's Yunnan province have **used** a government-developed blockchain platform to complete 638 global transactions over a seven-month period, with transfers totaling \$580 million. The system is intended to make it easier for the government to monitor transactions, which now can take as little as 15 minutes.

The Chinese government is not alone in investing in blockchain-related payments. Blockchain payments system provider Ripple, for example, recently purchased Trangolo, which provides global payment transactions in Asia.



Deep Dive

How Banking As A Service For Consumers Could Foreshadow B2B Payments' Future

The need for greater reliance on digital interactions and remote banking in 2020 brought home the advantages of BaaS for many industry analysts. BaaS links digital banking services, including loans, payments or deposit accounts, to nonbanks through APIs from licensed FIs. BaaS potentially could **allow** an airline, for example, to offer its customers mobile bank accounts, debit cards with rewards for flying, loans for flights or payment services, all without a banking license of its own. The beauty of the model is that it **makes** financial products accessible to users at the point of need rather than within the constraints of traditional FIs. Its use has fostered an empowering shift in the consumer banking experience.



Consumers are not the only ones who stand to benefit from BaaS, however. Following in the wake of the seismic shift to consumer eCommerce and demand for digital payments is an equivalent **transformation** in B2B financial services. Businesses of all sizes stand to **benefit** directly from leveraging APIs to tailor offerings to their business clients and consumers. Moreover, the transactions that BaaS enables do not represent just money movement. B2B payments offer rich data that can be analyzed to provide organizations with greater financial transparency and control as well as improved user experiences.

This month's Deep Dive examines how the use of BaaS in consumer-facing applications is forging a path in the world of B2B payments and why the specific benefits to businesses of taking this path no longer can be ignored.

THE RISE OF BaaS

It was close to impossible for brands to craft banking services to support their customers before the inception of BaaS. Retailers and service providers would have to **jump** through hoops such as securing a banking license, meeting regulations and building an infrastructure to support financial products. Even technology giants Amazon and Apple, for example, two companies with ample resources to create their own banking divisions, chose not to do so. Instead, Apple partnered in 2019 with Goldman Sachs to launch the Apple Card, with the FI's financial

license enabling the tech giant to add its own data to offer credit to customers. BaaS is **expected** to become a \$3.6 trillion industry by 2030, and 81 percent of global FIs in a recent survey saw BaaS as a way to increase business, shorten time to market, improve distribution channels and streamline operations.

The capacity for speed, flexibility and convenience in consumer payments also is steadily making inroads into the B2B world by virtue of the BaaS model. Proponents say BaaS makes it easier for businesses to develop tools for sending and receiving B2B payments and managing financial data through APIs, artificial intelligence and cloud-based technologies. These models allow firms to implement payment and banking solutions such as digital invoicing systems.

WHY BaaS MAKES SENSE FOR B2B PAYMENTS

The pandemic has cleared a path for businesses to offer some semblance of banking services and payments not just to their end customers but also to their value chains, including vendors, intermediaries and suppliers. The B2B eCommerce market **reached** almost \$7 trillion last year and is anticipated to exceed \$20 trillion by 2027. Big Tech companies are leading the way in bypassing both the B2C and the B2B payments industries to drive their own growth. Uber, for example, is developing financial products to help drivers buy vehicles, handle payments and extend gas credit cards. Amazon, meanwhile, has

distributed about \$5 billion in loans to SMBs while collecting credit data. In addition, 42 percent of U.S. SMBs surveyed have observed their online transaction volumes increase during the pandemic, so BaaS is likely to be required of smaller companies as well. One study **found** that nearly 70 percent of business buyers expect buying from their vendors to be “Amazon-like.”

BaaS is **expected** to become the major business model for the banking sector within five years because consumers and businesses alike want instant financial services digitally or through open interfaces. Businesses will need to catch up on the B2B side as digital payments and remote work environments continue to rise in popularity in the years to come.



About

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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Worldpay B2B Payments simplifies the complex payment workflows of global B2B commerce through expert enterprise resource planning integrations that optimize payments throughout the enterprise accounting ecosystem. Worldpay's solution allows users to minimize their Payment Card Industry compliance scope by tokenizing data at the point of entry and throughout the data lifecycle.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

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