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BidVertiser On How
Payments Automation
Can Help Optimize
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**SEPTEMBER/OCTOBER 2021** 

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B2B advertising market expected to reach nearly \$15 billion by 2023

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How advertising firms can leverage B2B payments automation to improve bill collection processes

# PAYMENTS IN B2B Advertising

REPORT



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### What's Inside

A look at how B2B payments for business services providers such as advertising agencies can streamline payment processes for buyers and sellers and reduce account errors

## **Feature Story**

An interview with Shahar Jacobi, CEO of self-service advertising platform BidVertiser, on how B2B advertisers can automate their payments processes to increase revenue and better serve growing online customer bases.

### **News & Trends**

Recent headlines from the space, including why B2B digital advertisement investments increased by nearly 25 percent this year and how virtual cards can be used to ease B2B cross-border payments friction

## **Deep Dive**

An analysis of how advertising firms can use automated B2B payments to help simplify billing processes for themselves and their clientele

### **About**

Information on PYMNTS.com and American Express

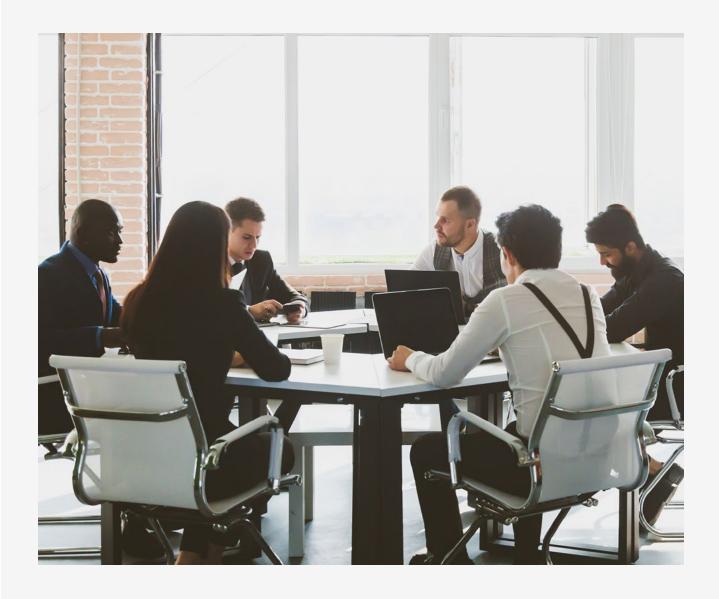
## Acknowledgment

The Payments In B2B Advertising Report was produced in collaboration with American Express, and PYMNTS is grateful for the company's support and insight. <a href="https://pymnts.com">PYMNTS.com</a> retains full editorial control over the following findings, methodology and data analysis.

# WHAT'S INSIDE

ver the last 19 months, a digital shift among consumers forced retailers to rethink how they accept payments for goods and services. Both merchants and consumers quickly recognized the convenience of contactless payments technologies such as digital wallets, and the push for digitization is expected to continue to influence consumers' behaviors well into the future.

Business-to-consumer (B2C) companies are not the only entities that realized the advantages of digital payments, however, and many business-to-business (B2B) merchants followed suit. PYMNTS' research shows that more than 68 percent of advertising firms are using automated technology to prioritize collection of due funds, for example. Seventy-one percent of companies that left behind legacy manual processes for digital ones noted



improved collections following implementing accounts receivable (AR) automation. United States-based businesses are the most optimistic about the potential opportunities B2B spending will create for the economy, and nearly half of U.S. businesses are mostly or fully automating the sending and receiving of payments by business customers within the next year.

B2B payment automation capabilities improve the efficiency of collections, but a number of friction points still exist. While advertising firms take only 11 days on average to follow up on collections, the <a href="mean">mean</a> DSO rate for businesses is 42.5 days. To close this gap, B2B companies can use tools such as virtual cards to further streamline the process.

## AROUND THE B2B ADVERTISING PAYMENTS SPACE

The B2B digital advertising market is expected to experience impressive growth through 2023. Display advertisements make up nearly half of all digital spending and are predicted to follow the same upward trajectory. B2B advertisements target employees who purchase items such as office supplies for their businesses. LinkedIn is the most popular platform for B2B digital advertisements and is used by 81 percent of B2B and service buyers. Companies will spend an estimated \$1.6 billion on display ads on the networking platform in 2021.

The surge in eCommerce activity during the pandemic has resulted in a larger number of

B2B cross-border transactions. The overall sum of all B2B cross-border payments was \$34 trillion in 2021, according to recent research that also expects the value to grow to more than \$42.7 trillion in 2026. B2B cross-border payment technology is still evolving, however, and friction points exist that service providers must address. It is recommended that payment processors incorporate easy-to-use methods for consumers such as virtual cards until pain points can be addressed properly.

Many small to mid-sized businesses (SMBs) use cash-back rewards on business credit cards to offset operational costs. The Lowe's Business Rewards Card by American Express now permits cardholders to earn points and redeem them for cash back. Members can benefit from 2 percent cash back on Lowe's purchases and other qualifying purchases, receiving money back on business-related expenses. While any business owner can apply for the card, it appeals to construction workers who rely on businesses such as Lowe's for materials and appliances.

For more on these stories and other B2B advertising payments headlines, read the Tracker's News and Trends section (p. 12).

#### HOW B2B ADVERTISERS CAN DIGITIZE AR PROCESSES TO LOWER COSTS, INCREASE ROI

Whether shopping in-person or online, retail customers now expect a variety of payment options at checkout and are liable to turn to another merchant offering their preferred payment methods. B2B purchasers are likewise demanding the same availability in their digital transaction selections, and traditional methods such as paper checks no longer are meeting expectations. In this month's Feature Story (p. 9), Shahar Jacobi, CEO of self-service advertising platform BidVertiser, discusses how B2B advertising has driven growth since the pandemic began and why advertising firms and other B2B providers should automate their AP and AR processes.

# DEEP DIVE: HOW ADVERTISING FIRMS STAND TO GAIN FROM AUTOMATING B2B PAYMENTS

Automated payments are gaining momentum in the B2B market, but a large number of businesses still rely on manual processes to handle their finances. Spending on virtual advertisements has risen sharply, and advertising firms are increasingly relying on digital B2B payments to collect fees for their services. This month's Deep Dive (p. 17) explores how leveraging automated AR processes is advantageous for advertising firms and other businesses that are observing strong growth in B2B transactions.

# Industry INSIGHT

## How can AR automation improve collections processes for advertising firms?

"Automation solutions offer a variety of benefits for common accounts receivable challenges, e.g. reducing longer than desired day sales outstanding, improving operational efficiencies, eliminating payment card data security compliance risks and creating a more customer-friendly payments experience. The media and advertising industry is a particularly complex network of entities and workflows from advertisers to agencies, demand-side platforms to supply-side platforms, station groups to networks, all navigating a variety of systems (digital and manual) to reconcile invoices that could span multiple campaigns, months and buyer clients. It's enough to make your head spin. With this in mind, AR automation solutions can deliver material process efficiencies and improved data visibility to AR, finance, treasury and collections professionals in media and advertising companies to mitigate the complexity and drive improvements to free cash flow. We encourage advertising industry professionals to leverage the capabilities of AR automation solutions to invoice faster, get paid earlier, free up resources and improve [the] client experience."

#### **OMAR HAWKINS**

Director of B2B Vertical Strategy

<u>American Express</u>

68%

Share of advertising firms that use automated processes for their collection efforts



# FIVE FAST FACTS

64

Potential number of days that digital media payment terms are trending toward for next year



71%

Segment of advertising agencies that claim automation helps decrease delinquency rates of receivables



71%

Portion of advertising firms that expressed that collections improved after implementing AR automation



**79%** 

Share of advertising firms that use automated tools to accept payments



# FEATURE STORY



# BidVertiser On How Payments Automation Can Help Optimize Collections Processes For Advertising Firms

B2B organizations around the globe have discovered the advantages of digitizing their payments processes. B2B advertisement firms, for example, took note of the digital-first mindset of clients who employ their services and have now reaped the many benefits of electronic payments systems. Approximately one-third of companies already incorporated B2B payments into their transaction processes as of 2020, and almost double that share said they are prioritizing the migration from checks to electronic payments for B2B clients.

"Some [businesses] were increasing their budget [for digital advertising] massively and some were putting it on hold, depending on the niche of the business they were promoting," explained Shahar Jacobi, CEO of self-service advertising platform BidVertiser.

Advertising firms have led the charge in payments automation. More than 68 percent of

all agencies already have prioritized their collections efforts with automated processes, according to PYMNTS research.

"Affiliate marketers usually respond fast to the situation, trying to find the next big thing [such as masks] as soon as possible," said Jacobi.

For this reason, a new sense of urgency emerged for B2B advertisers, and it became imperative for agencies to minimize the follow-up time for collections or risk interrupting their cash flow. The average days sales outstanding (DSO) rate for advertising agencies is 11, whereas the average for all other businesses is 42.5 days.

## B2B CLIENTS DEMAND MORE PAYMENT OPTIONS

The pandemic revealed weak spots in many businesses' payments infrastructures, and widespread adoption of numerous payment methods occurred over the past 19 months as a result.

"[BidVertiser] started with the straightforward payment methods — credit cards and PayPal — but we have discovered very quickly that those two are not enough," said Jacobi. "We have received numerous requests to add more payment methods, and [we] were somewhat surprised to see that Eastern Europe — which is a huge market for us — has its own preferred payment methods and that the affiliate industry as a whole has its own preferred payment methods."

B2B cross-border payments accounted for \$34 trillion in transactions in 2021 and is expected to increase by an additional \$8.7 trillion by 2026. Many corporations conduct business with overseas suppliers and vendors, illustrating the importance of supporting the payment preferences of all affiliate markets. Bill payments sent via paper check between countries runs the risk of arriving late or being lost in the mail, potentially disrupting cash flow or negatively impacting a company's reputation.

"We are now supporting numerous payment methods such as WebMoney, Payoneer, crypto (we accept all [coins] out there), Paxum, Capitalist and bank wire," he said. "The various payment methods give more flexibility and liquidity to our advertisers and help them fund their account[s] with ease."

## THE FUTURE OF B2B ONLINE ADVERTISING

Many of the popular payment methods being leveraged today existed prior to the pandemic, but the global health crisis accelerated the drive toward digital, making further evolution of the landscape inevitable.

"As more people work from home, we expect some industries to invest more in online advertising as competition will grow: deliveries as a whole, eCommerce, gambling, gaming, remote learning, et cetera," said Jacobi.

B2B digital advertisement investments are estimated to increase 25 percent in 2021, showing a clear trend toward digital advertising versus traditional methods. Utilizing digital payments opens the door for companies to conduct business across markets worldwide, creating opportunities for both advertising firms and their clients to gain new customers and produce substantial revenue growth.

"We also estimate that more advertisers will try to find more traffic sources beyond T1 providers (Google, [Facebook], et cetera) — trying to lower their costs and increasing their [return on investment]," added Jacobi.

PYMNTS research shows that more than 72 percent of firms that automated their AR processes noticed operational cost savings, as well as faster processing speed and improved team efficiency. Automating payments processes for advertising and other B2B functions also can reduce delinquency rates and positively impact companies' revenue streams. As online advertising continues to flourish, it is crucial that marketers consider incorporating new payments technologies into their processes to better serve an increasingly digitally minded client base.

# NEWS& TRENDS

## Digital advertising in the B2B space

#### **B2B SELLERS RECOGNIZE BENEFITS OF DIGITAL ADVERTISEMENTS**

The digital push during the past 19 months has reached every corner of the commerce market. B2C firms routinely use digital ads to sell products to customers, yet B2B retailers only recently have shifted from in-person sales channels to virtual ones. Display advertising is predicted to reach roughly \$5.1 billion for U.S. B2B firms in 2021, a 33 percent increase from \$3.8 billion in 2020.

Recent reports found that technology products and services providers spent the most on B2B digital advertisements in the U.S. in 2021, accounting for 32 percent of all sales. Financial services represented the second-largest spending bracket, with these accounting for one-quarter of B2B display ad and search spending.

#### **B2B DIGITAL ADVERTISING MARKET EXPECTED TO GROW THROUGH 2023**

The pandemic highlighted digital channels' importance in the B2B space, including advertising. B2B digital advertisement investments increased by an estimated 25 percent this year, with B2B promoters spending \$10.4 billion on digital ads. This spending is expected to rise more over the next couple of years and reach nearly \$15 billion by 2023. Display ads accounted for 47 percent of all digital advertisement spending, and reports predict that they will continue growing.

B2B advertising efforts are intended to help firms reach business employees responsible



for making purchases, and social media platforms represent a particularly popular area of investment. Eighty-one percent of companies purchasing B2B and professional services use networking site LinkedIn, for example, and the platform is predicted to account for 32 percent of the B2B display ad market's revenue this year. Paid search ads also are notable sources of revenue: B2B marketing professionals ranked them second as the single channel most effective in helping them reach customers, following only social media platforms.

# **B2B** payments developments

# B2B CROSS-BORDER TRANSACTIONS EXPECTED TO ECLIPSE \$42T IN VALUE BY 2026

eCommerce marketplaces' growing popularity has prompted a rise in B2B cross-border transactions. Recent research <u>values</u> such transactions worldwide at \$34 trillion and expects them to reach roughly \$42.7 trillion in 2026. B2B wire transfers make up 70 percent of the transactions in the space, and they are expected to reach 80 percent in 2026. Blockchain technology also is poised to have a considerable impact, as it has the potential to connect the growing network of global B2B payments processors more seamlessly.

Investing in digital payment methods also is a major goal for B2B cross-border payments providers, as less-automated payments can be sluggish and hard to track to their destinations. B2B
advertisers
are projected
to spend
nearly \$15B
on digital
ads in 2023.

Automation and instant payment rails allow service providers to offer local payment options, which could be vital to the prolonged success of B2B payments. Research suggests that payments vendors provide businesses with various user-friendly methods, such as virtual cards, to compensate for current weak spots in cross-border instant payments.

#### **DIGITAL B2B CROSS-BORDER PAYMENTS INVESTMENTS GAIN** MOMENTUM

B2B cross-border payments are expected to continue their upward trajectory despite travel restrictions and border closures this year, with a report predicting these transactions to increase 14 percent this year over 2020. A large portion of B2B companies plan to prioritize investments for eCommerce migration by 2023, but converting to digital sales is not a simple process for B2B organizations. More than 80 percent of B2B leaders worldwide reported that undertaking omnichannel investments by 2023 was imperative. The B2B market is notoriously resistant to digital transformation, but the accelerated adoption of digital channels during the pandemic influenced market executives to reconsider their approaches.

#### **LOWE'S AND AMERICAN EXPRESS COLLABORATE ON CASH BACK REWARDS OPTION**

SMBs frequently are on the hunt for ways to offset their B2B expenses, and credit card rewards can be especially useful. Home improvement retailer Lowe's recently announced that it has partnered with American Express to offer a rewards feature for the retailer's business card users. The offering provides 2 percent cash back on all Lowe's, restaurant and office supply store purchases, as well as purchases for wireless phone services through U.S. providers.



The companies said the incentive was inspired by the growing number of construction workers who use their Lowe's cards for business-related expenses. The cash back rewards option also is intended to help business owners supplement their cash flows when they cover upfront costs and then wait for clients' payments. First-time Lowe's cardholders also are given a \$100 credit on their statements and 5 percent cash back for the first six months of membership.

# DEEP DIVE

# How Digitizing B2B Payments Could Pay Off For Advertising Companies

The pandemic-driven shift to digital payments in eCommerce is making rapid inroads in the B2B space, with many organizations now realizing the benefits of digitizing legacy B2B payments processes for their suppliers and vendors. Nearly one-third of organizations already were using digital B2B payments as of 2020, according to one survey, and nearly twice that share reported being "very likely" or making it a "priority" to switch most of their B2B supplier payments from checks to electronic payments. Key benefits of digitizing B2B transactions include cost savings when distributing funds and being able to better predict times to settlement.

Some businesses are getting a head start in this direction, with recent PYMNTS research revealing that those in the energy and advertising sectors are taking the lead in automating their B2B payments processes. This promises to garner significant cost savings for these businesses, as organizations are bullish about B2B spending in the coming year. A recent American Express survey revealed that U.S. spending is on the upswing in all core B2B categories, including advertising, with automation

expected to be the fastest-growing segment in technology spending. More than three-quarters of U.S. organizations are optimistic in their B2B forecasts for the next 12 months, with almost half planning to automate or further automate their B2B payments within that time.

The following Deep Dive examines how digital B2B payments adoption is simplifying the payments and collection processes of businesses across a wide range of industries, with advertising standing to benefit strongly from this trend.

## B2B PAYMENTS, AUTOMATION ON THE RISE

B2B spend, which concerns the goods and services businesses buy from other businesses to keep their operations running, is an important economic indicator, and its anticipated growth bodes well for the economy as a whole. The Centre for Business and Economic Research (CBER) estimates that B2B transactions make up about half of every dollar spent in the U.S. economy. U.S. companies predict that their B2B spending in Q2 2021 will be 3.4 percent higher than in Q2 2020, translating to growth of \$140 billion.

About one-third of U.S. business spend still relies on antiquated systems and physical payment methods, however, which can create friction and slow payment processes. The pandemic appears to have served as a wake-up call for companies in this regard, as this <u>survey</u> reveals that businesses worldwide are investing more to digitize, automate and streamline these payments. The U.S. is leading this charge, having the highest level of automation of six countries surveyed across the majority of B2B functions. About half of U.S. companies say they mostly or fully automate business spend, and another 46 percent plan to do so over the next 12 months.

#### B2B PAYMENTS AUTOMATION'S BENEFITS FOR ADVERTISING, OTHER CORE CATEGORIES

Spending in the online advertising B2B category has shown strong growth, advancing twice as quickly as money spent on print advertisements each quarter. This boost likely reflects the drop in in-person events for B2B marketers during the pandemic but is positive news for ad platforms. Companies expect to spend 2.6 percent more year over year on advertising, marketing and sales in Q2 2021 to acquire new business relationships. Other research shows that B2B digital advertising is up 23 percent this year. Some predict that B2B marketing may never return to what it was before the pandemic began, so these expenditures likely will continue their upward trajectory. Marketing professionals see a bright future for paid media: A Gartner survey <u>found</u> that 74 percent of industry leaders foresee more spending on digital advertising, and 66 percent predict the same for paid search.

Virtual cards are one way advertising agencies can streamline payments for advertisements on websites such as Google or LinkedIn. A number of agencies currently use credit cards to cover ad campaign-related expenses, but virtual cards give marketing departments better insight into clients' budgets as well as a superior level of customization. Clients will set a specific budget for each card, loading that allotted amount onto the appropriate card every month. When the value of the card reaches zero, ad spending will discontinue until the funds are reloaded the following month. Virtual cards have strong defense systems for protecting users against fraud.

PYMNTS' research shows that advertising firms with automated AR processes have lower delinquency rates and better days sales outstanding than companies that rely on traditional, paper-based methods. Eighty-seven percent of these firms see these improvements as significant advantages, and more will follow suit as digital innovation of the B2B payments space continues. These investments are poised to pay off for advertising and other core B2B functions in the very near term.

# **ABOUT**

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