



# Meeting The Challenge Of **PAYMENTS MODERNIZATION**

Understanding Customer Needs

Meeting The Challenge Of Payments Modernization Report, a collaboration between FIS and PYMNTS, examines how financial institutions are working to transform B2B payments processes to improve user experiences for their clients. The survey was conducted between Oct. 28 and Nov. 30, 2021, and collected responses from 311 executives leading financial institutions managing assets in excess of \$500 million. Executives were asked about their current success in limiting the payments frictions that their clients experience and their plans for future innovation.

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PYMNTS.com



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### ACKNOWLEDGMENT

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# Introduction

Financial institutions (FIs) continue to modernize their business-to-business (B2B) payments ecosystem, addressing corporate clients' need for streamlined payments and cash management while relieving their invoice reconciliation issues and lack of supplier portals. There is no singular perfect solution, however, as data indicates that FIs' effectiveness in addressing customer needs varies by client size or market served.

PYMNTS' research finds, for instance, that automated account validation and digital lockboxes are the most common digital solutions FIs offer corporate clients to reduce B2B payments frictions. FIs serving cross-border payments customers are most likely to offer account validation, at 93%, however, whereas FIs serving large enterprises are most likely to offer digital lockboxes, at 95%. Our data also finds that FIs serving cross-border payments customers and large enterprises tend to provide more digital solutions than those serving middle-market companies and small businesses.

Just 30% of all FIs surveyed say they effectively limit B2B payments and cash management frictions for their clients, yet three-quarters or more of FIs serving cross-border payments customers and large enterprises state that they have been successful in this task. Moreover, nearly all of the executives surveyed from FIs serving cross-border payments customers and large enterprises recognize the importance of digital payments innovation and are willing to adopt new technologies to modernize B2B payments, compared to two-thirds of all FIs surveyed.

Meeting The Challenge Of Payments Modernization: Understanding Customer Needs, a PYMNTS and FIS collaboration, examines how FIs are working to meet their corporate clients' varied B2B payments needs, address key payment challenges and innovate digital payments and embedded finance solutions. The report is based on a survey conducted between Oct. 28 and Nov. 30, 2021, with responses collected from 311 executives leading treasury services or wholesale banking at FIs serving at least

one of the following B2B clients: small businesses, with less than \$20 million in annual revenues; middle-market companies, with \$20 million to \$1 billion in annual revenues;

large enterprises, with more than \$1 billion in annual revenues; or corporate customers that make B2B cross-border payments.

This is what we learned.

**ACCOUNT VALIDATION AND  
DIGITAL LOCKBOXES ARE  
THE TOP DIGITAL SOLUTIONS  
FIS CURRENTLY PROVIDE  
TO STREAMLINE THEIR  
CORPORATE CLIENTS' B2B  
PAYMENTS.**



**To reduce B2B payments frictions for corporate clients, FIs are providing two leading digital solutions: account validation and digital lockboxes.** FIs serving cross-border payments customers and large enterprises tend to offer more digital solutions than other types of corporate clients.

Our data shows a divergence between FIs serving cross-border payments customers and those serving large enterprises. FIs serving cross-border payments customers are most likely to offer account validation, at 93%. FIs serving large enterprises, on the other hand, are the most likely to offer digital lockboxes, as 95% do so. Those serving cross-border payments customers offer 7.1 digital solutions on average, and those serving large enterprises provide an average of 6.8 solutions to streamline B2B payments.

**Just three out of 10 FIs say their solutions are “very” or “extremely” effective in tackling B2B payments frictions.** Despite this, at least three-quarters of FIs serving cross-border payments customers and large enterprises say their solutions are “very” or “extremely” effective.

Just 30% of all executives surveyed say the digital solutions their FI currently offers are “very” or “extremely” effective in addressing B2B payments frictions, yet 80% of FIs serving cross-border payments customers and 75% serving large enterprises say their digital solutions are “very” or “extremely” effective. Such a stark difference could indicate that large enterprises and cross-border payments customers tend to have more experience pursuing payments innovation to address B2B payments frictions.

**Two out of three executives surveyed recognize the importance of B2B digital payments solutions.** Nearly all respondents from FIs serving cross-border payments customers and large enterprises recognize this importance, however.

PYMNTS’ research finds that although 66% of executives believe that B2B digital payments solutions are “very” or “extremely” important, 95% of executives at FIs serving cross-border payments customers and 90% of those serving large enterprises believe the same. Large enterprise and cross-border payments customers tend to face a more pressing need to streamline B2B payments and thus may be more interested in pursuing payment innovation.

**Two-thirds of all FIs surveyed are willing to adopt new technologies to facilitate B2B payments consumerization. FIs serving cross-border payments customers and large enterprises seem more willing to do so.** Nine out of 10 FIs are currently innovating or planning to innovate embedded finance solutions, and one-third say insurance is the most likely industry to adopt embedded finance solutions.

While 64% of all executives surveyed are “very” or “extremely” willing to adopt new technologies to facilitate B2B payments consumerization, 93% of executives at FIs serving cross-border payments customers and 88% representing FIs serving large enterprises are willing to do so. Among the 92% of FIs currently innovating embedded finance solutions or planning to do so, 36% say insurance is the most likely industry to adopt embedded finance solutions. More significant shares of FIs serving large enterprises and cross-border payments customers say insurance is the most likely industry to adopt embedded finance solutions, at 44% and 43%, respectively.

# Helping corporate clients address B2B payment challenges

Corporate clients face two primary B2B payments friction points: invoice reconciliation issues and a lack of supplier portals. FIs most cite invoice reconciliation as the top problem their corporate customers experience when making payments to their suppliers: 42% identified this issue, and 9% said this was their most important issue. A same-sized share of all executives — 42% — cited the inability to offer supplier portals as a problem their corporate customers experience, with 15% reporting this as their most important issue.

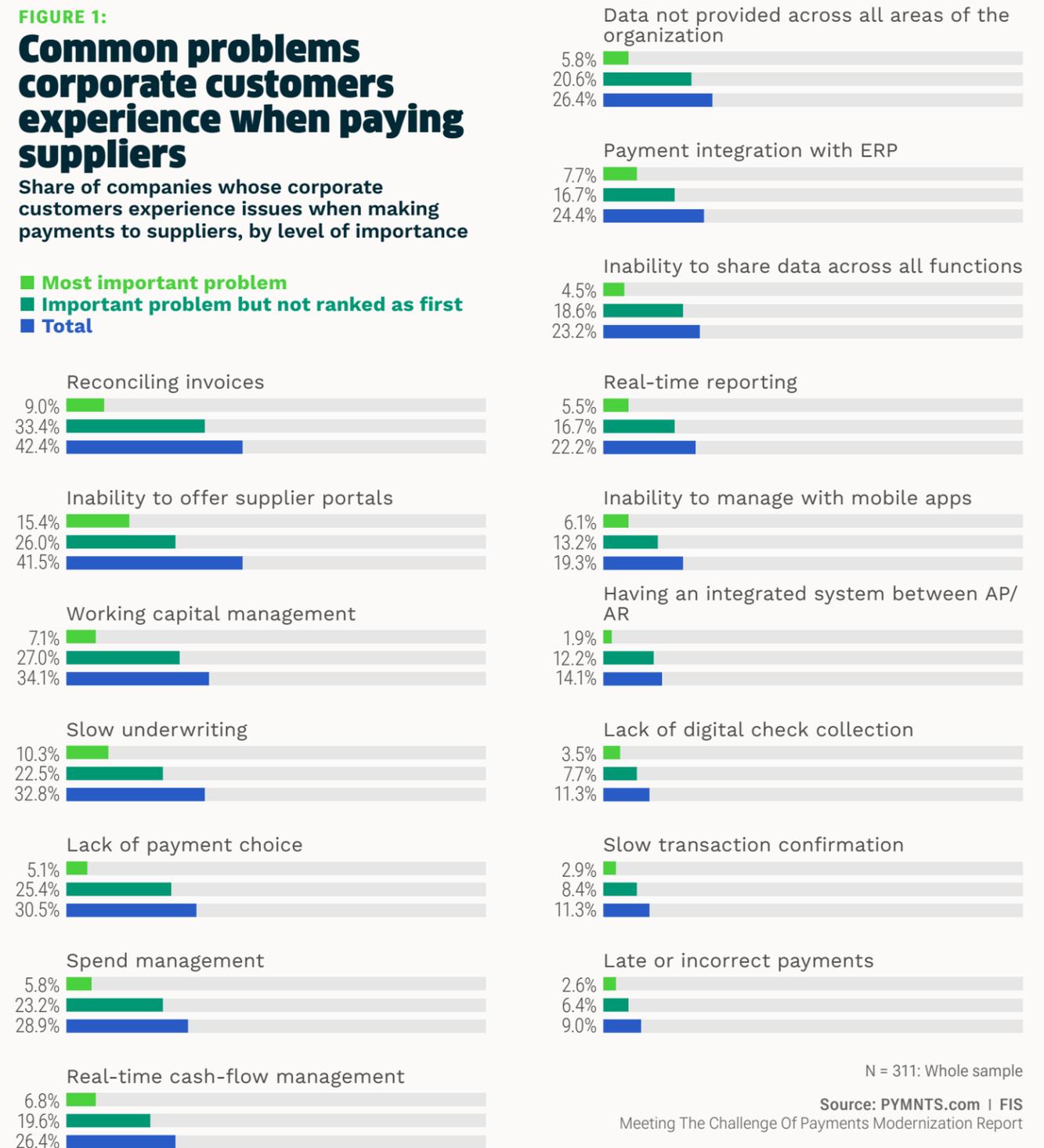
PYMNTS’ research finds that account validation and digital lockboxes are the top digital solutions FIs currently provide to streamline their corporate clients’ B2B payments. We find that 93% of FIs serving cross-border payments customers offer

account validation, making them the most likely subgroup of FIs to do so, whereas FIs serving large enterprises are the most likely to offer digital lockboxes. Our data also shows that 87% of FIs serving middle-market firms and 79% serving small businesses provide account validation, and 88% of FIs serving middle-market and 74% serving small businesses provide digital lockboxes.

Half of all the firms surveyed provide automatic matching of payments and invoices, with FIs serving cross-border payments customers and large enterprises again the most likely to do so, at 48% and 49%, respectively. Just 45% of FIs serving middle-market and 33% of those serving small businesses provide automatic matching of payments and invoices.

**FIGURE 1:**  
**Common problems corporate customers experience when paying suppliers**  
 Share of companies whose corporate customers experience issues when making payments to suppliers, by level of importance

- Most important problem
- Important problem but not ranked as first
- Total



N = 311: Whole sample

Source: PYMNTS.com | FIS Meeting The Challenge Of Payments Modernization Report

65%

Share of FIs serving cross-border payments customers that provide supplier portals

Supplier portal adoption exhibits a similar gap: While 65% of FIs serving cross-border payments customers and 51% serving large enterprises currently provide supplier portals, just 32% of FIs serving middle-market and 15% serving small businesses do so.

It may not be surprising that FIs focusing on cross-border payments customers and large enterprises tend to provide more

digital solutions than those serving middle market and small business clients. FIs serving cross-border payments customers offer 7.1 digital solutions on average, while those serving large enterprises provide an average of 6.8 solutions to streamline B2B payments. FIs provide 5.5 digital solutions on average for middle-market companies and 3.9 for small businesses.

**FIGURE 2A:**  
**Digital solutions FIs currently offer**  
Share of FIs that currently offer select digital solutions to corporate clients to streamline payments flow management



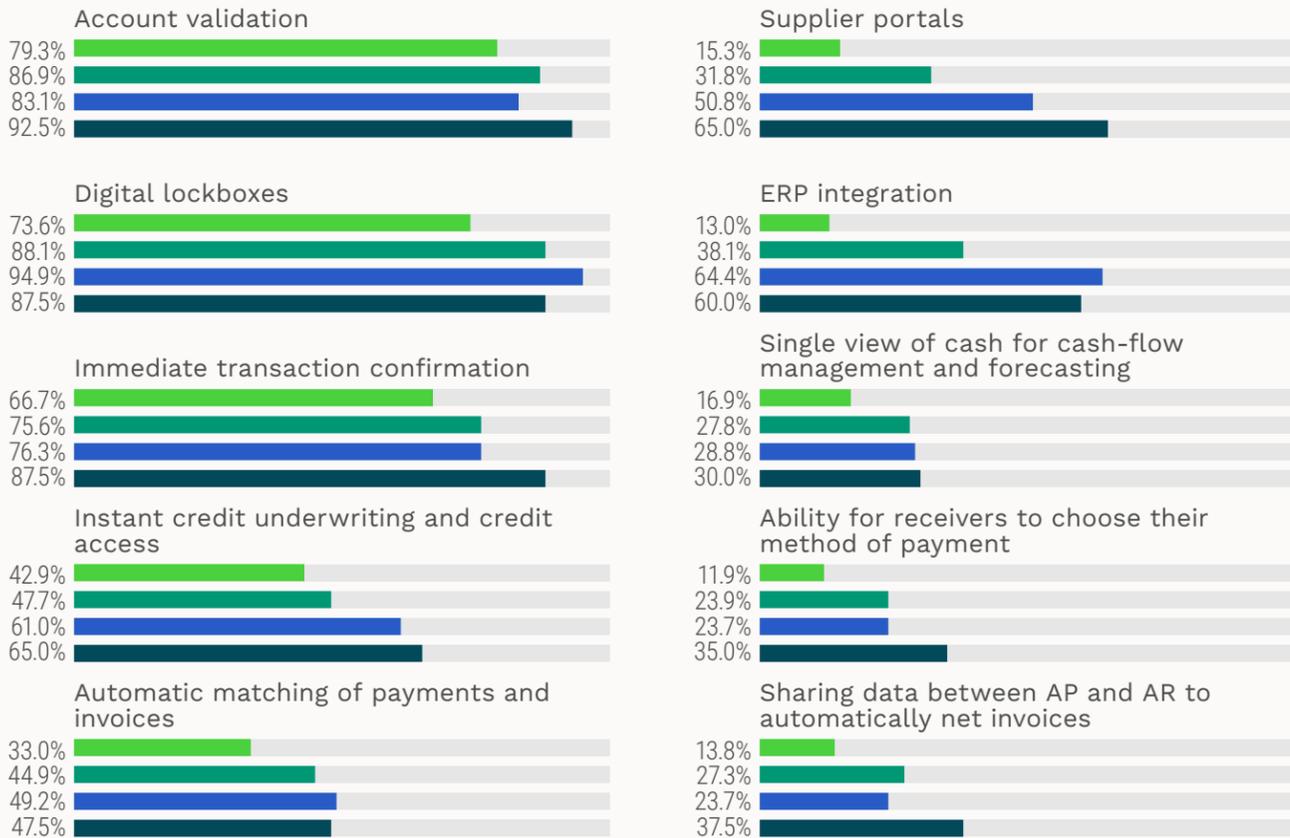
N = 311: Whole sample

Source: PYMNTS.com | FIS Meeting The Challenge Of Payments Modernization Report

**FIGURE 2B:**  
**Digital solutions FIs currently offer**

Share of FIs that currently offer select digital solutions to corporate clients to streamline payments flow management, by type of corporate customer

- Small businesses (N = 261)
- Middle-market companies (N = 176)
- Large enterprises (N = 59)
- Cross-border payments customers (N = 40)



**FIGURE 3:**  
**Number of digital solutions FIs currently offer to corporate clients to streamline payments flow management**

Average number of digital solutions offered, by type of corporate customers



Source: PYMNTS.com | FIS  
Meeting The Challenge Of Payments Modernization Report

Source: PYMNTS.com | FIS  
Meeting The Challenge Of Payments Modernization Report

# Committing to payments innovation

It may not be shocking that FIs serving larger enterprises and customers who deal with cross-border payments tend to provide a wider variety of digital solutions to address B2B payments frictions. What is interesting, however, is that there is a direct correlation between the breadth of digital solutions FIs offer and both their confidence in their offerings and their interest in innovating B2B payments.

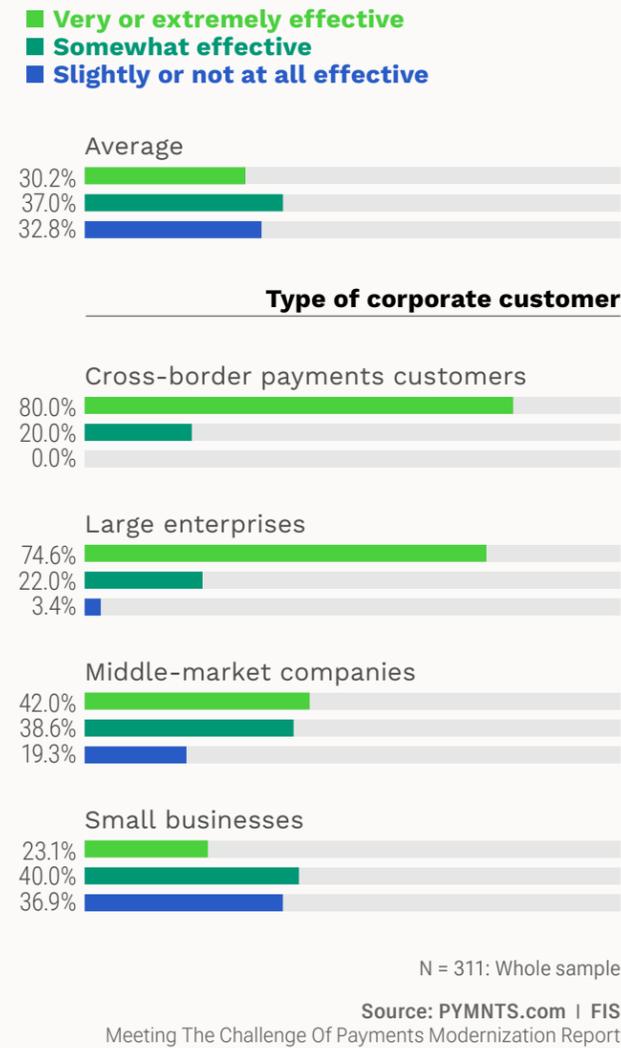
PYMNTS' research finds that just 30% of all executives surveyed say the digital solutions their FI currently offers are "very" or "extremely" effective in addressing B2B payments frictions, yet 80% of executives at FIs serving cross-border payments customers and 75% at FIs serving large enterprises say their digital solutions are "very" or "extremely" effective. Just 42% of firms serving middle-market companies and 23% serving small businesses say their digital solutions are "very" or "extremely" effective. Faced with more pressing needs to modernize B2B payments, large enterprises and cross-border payments customers have more experience in payment innovation,

which could make their FIs' efforts more effective.

Two-thirds of all executives surveyed recognize that B2B digital payments solutions are important, and nearly all respondents from FIs serving cross-border payments customers and large enterprises recognize the importance of B2B digital payments solutions. While 66% of all executives surveyed say B2B digital payments solutions are "very" or "extremely" important, 95% of those serving cross-border payments customers and 90% of those serving large enterprises say B2B digital payments solutions are "very" or "extremely" important. Among FIs serving middle-market companies, 83% of executives surveyed say B2B digital payments solutions are "very" or "extremely" important. Sixty-five percent of executives at FIs serving small businesses say so as well. This may be another illustration of why these FIs have these priorities: Large enterprises and cross-border payments customers have more pressing needs to modernize B2B payments, so their FIs tend to raise the importance of offering digital solutions.

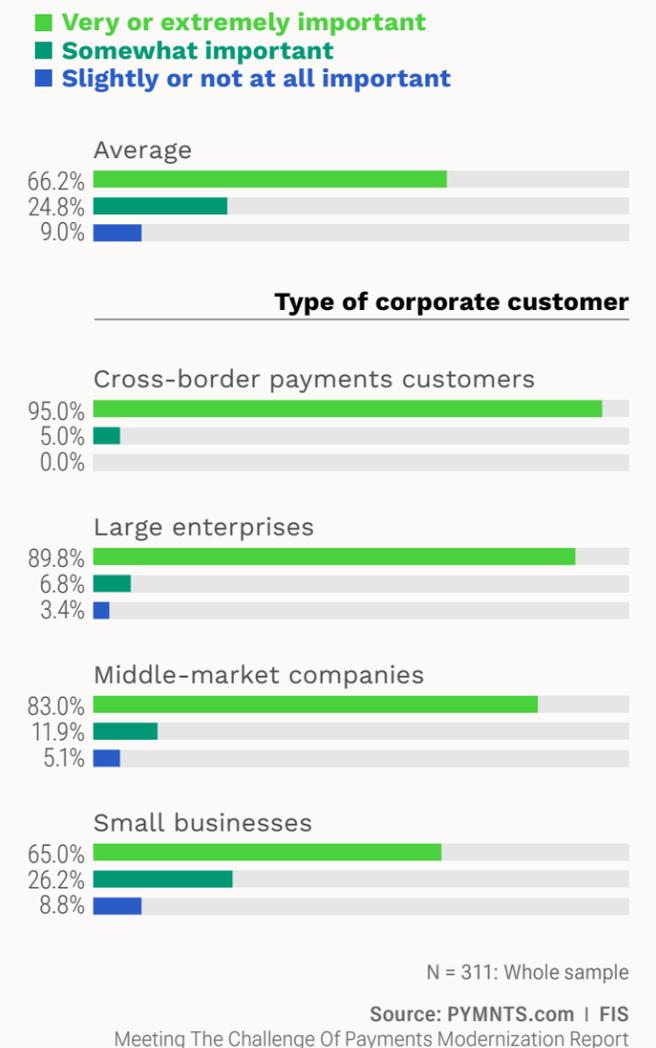
**FIGURE 4:**  
**Effectiveness of FIs' current solutions**

Share of FIs that say their current solutions are effective in addressing B2B payments frictions, by type of corporate customer



**FIGURE 5:**  
**Importance of B2B digital payments solutions**

Share of FIs who say B2B digital payments solutions have select levels of importance, by type of corporate customer



# Reaping innovations' benefits

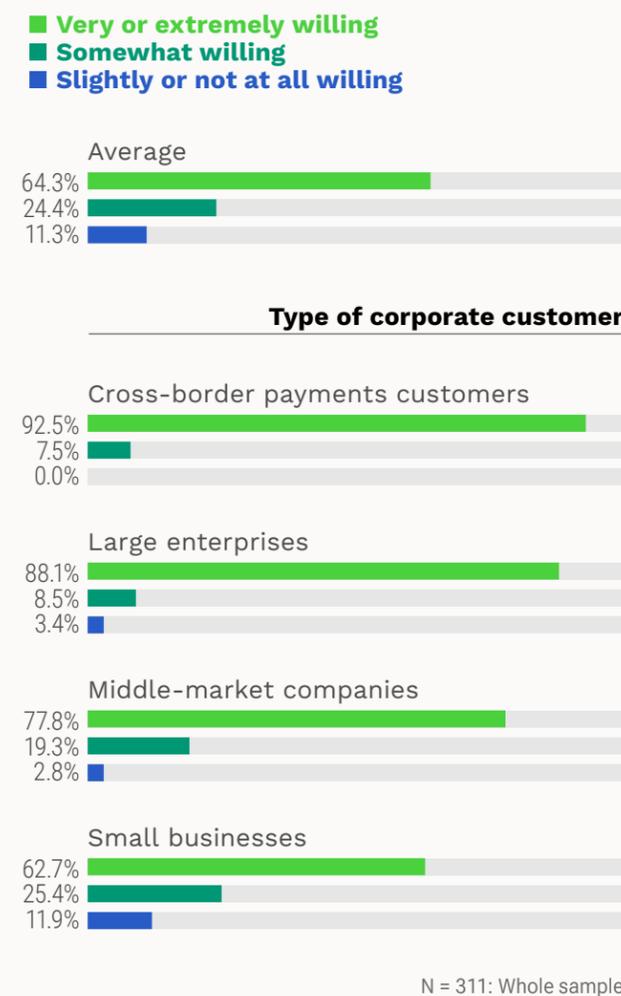
FIs are not only interested in innovating B2B payments — many are willing to adopt new technologies to facilitate B2B payments consumerization. Our data finds that 64% of all executives surveyed say they are “very” or “extremely” willing to do so. Yet again, institutions serving cross-border payments customers and large enterprises are leading the way, as 93% of the former and 88% of the latter say they are “very” or “extremely” willing to adopt new technologies to facilitate B2B payments consumerization. Seventy-eight percent of executives at FIs serving middle-market companies and 63% of those at FIs serving small businesses say they are also “very” or “extremely” willing to do so.

PYMNTS' research finds that 92% of all FIs are currently innovating embedded finance solutions or planning to do so, with payment processing being the top embedded finance experience FIs plan to innovate. Moreover, 36% of all FI executives surveyed say insurance is the most likely industry to adopt

embedded finance solutions, followed by retail at 31% and healthcare at 23%.

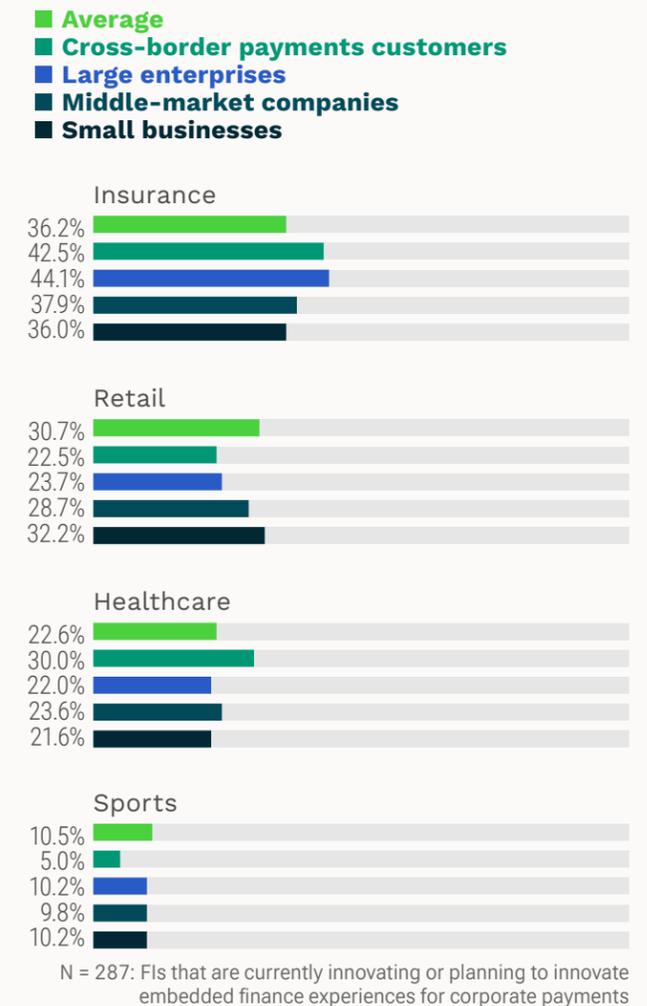
FIs serving large enterprises and cross-border payments customers say in the most significant shares that insurance is the industry most likely to adopt embedded finance solutions, at 44% and 43%, respectively. Interestingly, FIs serving cross-border payments customers are the most likely to cite healthcare, as 30% do. Meanwhile, FIs serving middle-market companies and small businesses are the most likely to cite retail as the most likely industry to adopt embedded finance solutions, at 29% and 32%, respectively.

**FIGURE 6:**  
**FIs' willingness to adopt B2B payments technologies**  
Share of FIs willing to adopt new technologies to facilitate B2B payments consumerization, by type of corporate customer



Source: PYMNTS.com | FIS Meeting The Challenge Of Payments Modernization Report

**FIGURE 7:**  
**Industries expected to adopt embedded finance solutions**  
Share of industries expected to be most likely to adopt embedded finance solutions, by type of corporate customer



Source: PYMNTS.com | FIS Meeting The Challenge Of Payments Modernization Report

# Executive Insight

## What challenges do FIs serving corporations of different sizes and markets face in innovating and adopting digital solutions to remove B2B payment frictions?

Financial institutions need to tackle numerous roadblocks when trying to supply the best solution to both larger corporations and your local convenience store. The need for flexible configuration is crucial when looking to overcome these roadblocks due to the fact that each organization has unique needs that need addressing. The true challenge comes in the form of meeting the individual requirements of each organization and integrating with the technology that has already been developed, piloted and installed within the organization's financial center. With the right technology partner, financial institutions can offer a flexible solution that provides the best possible customer experience for their stakeholders.

## Considering corporation size and market, what should FIs and their corporate clients keep in mind when choosing the right technology solution?

Financial institutions serving large enterprises are on the right track for innovating digital solutions to modernize business payments. However, they are just starting to dive into the receivables market. When choosing a technology partner, FIs need to take into account their current commercial client footprint as well as future growth plans. Focusing too narrowly on basic technology that may satisfy small business needs will not be successful in large enterprises. The right technology will be able to scale up and down the market, providing the right level of sophistication for all of the FI's commercial businesses. As this playbook's data shows, building a technology stack or solution can become resource-prohibitive and can be inadequate for various-sized commercial clients. That

is why financial institutions need to start considering an enterprise-grade technology solution they can configure to best fit each customer. This will most certainly position FIs as a strategic cash flow partner and help their corporate clients on the fast track to innovation.

### MICHAEL SHIELDS

VICE PRESIDENT,  
HEAD OF RECEIVABLES

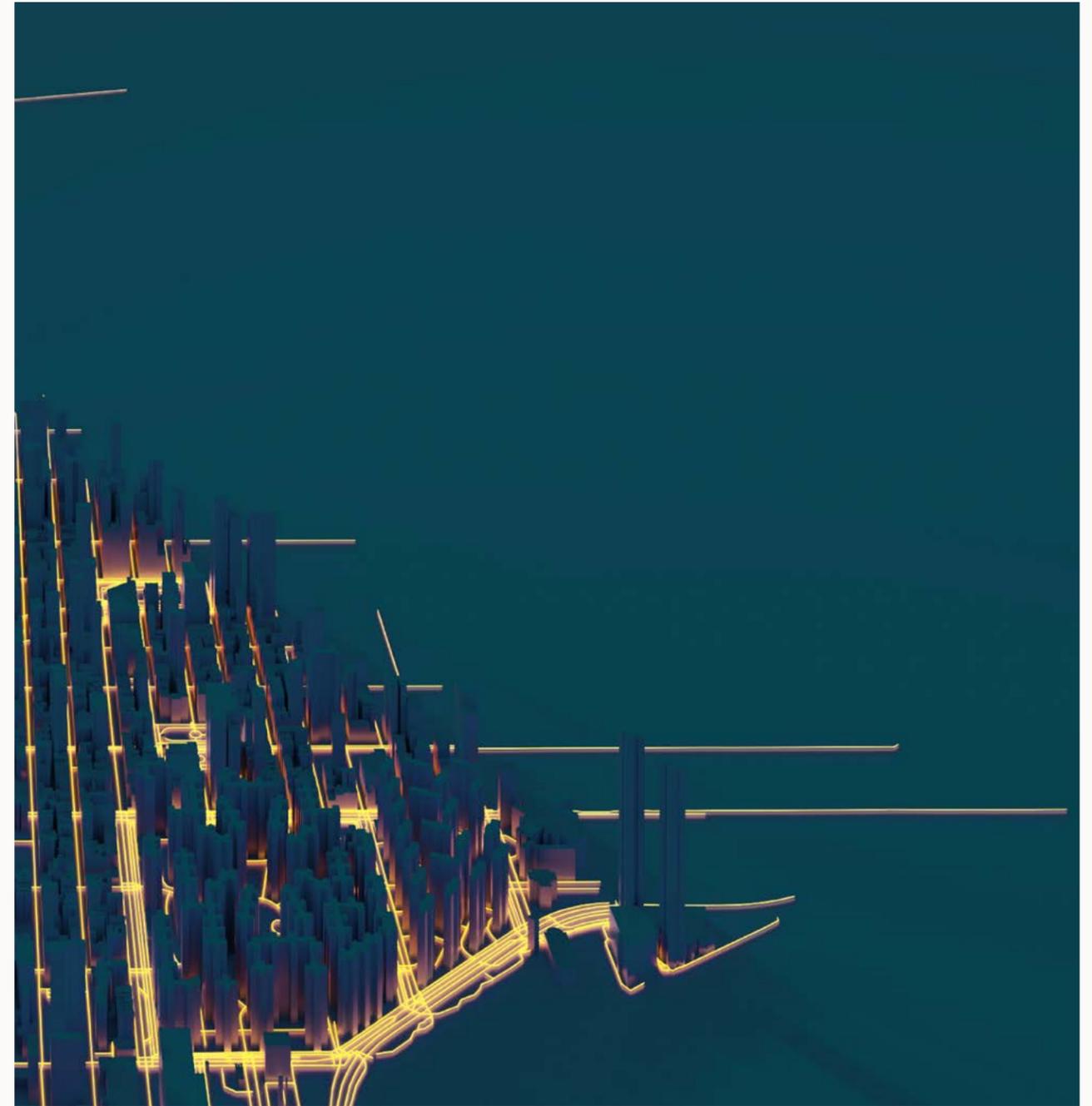


# Conclusion

FIs face numerous challenges when looking to meet their corporate clients' B2B payments requirements across a wide variety of markets. Whether FIs' corporate clients are large enterprises, middle-market companies, small businesses or cross-border payments customers, each has particular needs that payment innovation can help address. Understanding what drives different corporate markets can guide FIs as they further modernize and streamline their B2B payments and cash management offerings. FIs serving large enterprises and cross-border payment customers seem well on their way to innovating digital solutions to modernize B2B payments and even embedded finance experiences, regularly leading the pack. However, those serving middle-market companies and small businesses have yet to fully realize the potential of B2B payments innovation, and creating a technology stack or solutions can become resource-prohibitive, or solutions can be inadequate for these companies in particular. Considering an enterprise-grade technology solution could help put FIs and these corporate clients on the fast track to innovation.

## Methodology

Meeting The Challenge Of Payments Modernization: Understanding Customer Needs is based on insights from a survey conducted between Oct. 28 and Nov. 30, 2021, with responses collected from 311 executives working as head of treasury services or wholesale banking at large international banks, large national banks, regional banks, community banks and credit unions, all with more than \$500 million in assets. All FIs served at least one of the following B2B clients: small businesses, with less than \$20 million in annual revenues; middle-market companies, with \$20 million to \$1 billion in annual revenues; large enterprises, with more than \$1 billion in annual revenues; or corporate customers that make B2B cross-border payments.



# 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 companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.



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