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THE AP/AR

QUICK-START GUIDE:

Reducing B2B Payments
Friction For SMBs

The AP/AR Quick-Start Guide: Reducing B2B Payments Friction For SMBs, a PYMNTS and Plastiq collaboration, reviews the differences between payor and supplier payment expectations and how platforms used by B2B clients can optimize transaction processes and user experiences.

August/September 2022



THE AP/AR QUICK-START GUIDE

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ACKNOWLEDGMENT

The AP/AR Quick-Start Guide was produced in collaboration with PlastiQ, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://www.pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Business-to-business (B2B) payments serve as the bedrock for buyer-supplier relationships, but most small to mid-sized businesses (SMBs) remain stuck with outdated accounts payable (AP) and accounts receivable (AR) systems that pile layers of inefficiency on their operations. Parties on both sides of a B2B payment feel the adverse effects of buyer-supplier mismatches in payment preferences, impacting cash-flow management and forecasting.

An all-in-one payment platform can close these gaps by enabling both buyers and suppliers to use preferred payment methods,

including credit cards, automatic clearing house (ACH) or real-time payments, thereby providing a centralized and convenient platform for automated AP/AR management. This minimizes costly manual input and monitoring and allows SMB finance teams to focus on growing their businesses instead of chasing counterparties for invoices and payments.

PYMNTS' research shows that large shares of SMBs feel burdened by time-consuming manual invoice reviews, high processing fees and long payment approval and receipt times, among other issues. Two-thirds of

SMBs are at least somewhat likely to pay a 1% surcharge on payments for access to an all-in-one platform. We also found that payments platform executives recognize that SMBs are highly interested in an all-in-one solution — and ready to pay for it — suggesting that the industry will move quickly in this direction.

The AP/AR Quick-Start Guide: Reducing B2B Payments Friction for SMBs, a PYMNTS and PlastiQ collaboration, examines the challenges SMBs encounter with their current AP/AR systems and explores what conditions would make them more willing to

pay a fee to use an all-in-one solution. This playbook is based on a survey of 500 SMBs in the consumer goods manufacturing, eCommerce and eTail, transportation, logistics or shipping and wholesale trade industries with annual revenues between \$500,000 and \$50 million. We also surveyed 100 executives at business payment platform companies about their views of the frictions SMBs face. The surveys took place between Nov. 22 and Dec. 20, 2021.

BUYER-SUPPLIER MISMATCH:

Two Sides Of The Same Coin

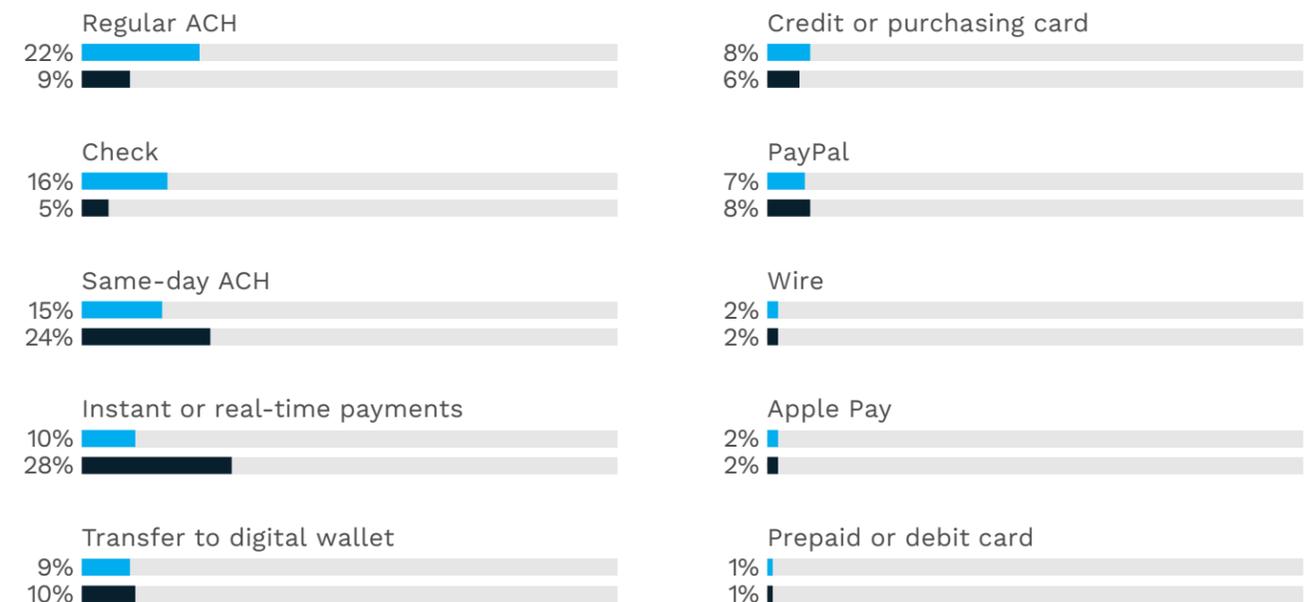
SMB buyers and suppliers both want seamless payments to maximize efficiency and minimize the cost of doing business, but traditional AP/AR payment methods create significant friction. PYMNTS' research discovered a fundamental misalignment between how buyers want to make payments and how suppliers want to receive them. Buyers try to slow the outflow of liquid funds, making regular ACH and checks their top payment channels. Suppliers, however, want immediate access to payments.

While 38% of SMB buyers said they would prefer to pay suppliers by regular ACH or check, just 14% of suppliers want to receive payments via these channels. More than half of SMB suppliers, meanwhile, prefer receiving payments via methods that give them faster access to funds, with 28% selecting real-time payments as their top choice and 24% indicating they prefer same-day ACH; just 10% and 15% of buyers prefer these methods, respectively.

FIGURE 1:
How SMBs' payment method preferences differ when sending or receiving

Share of SMBs that prefer select methods when making and receiving payments

■ Preferred method when making payment
■ Preferred method when receiving payments



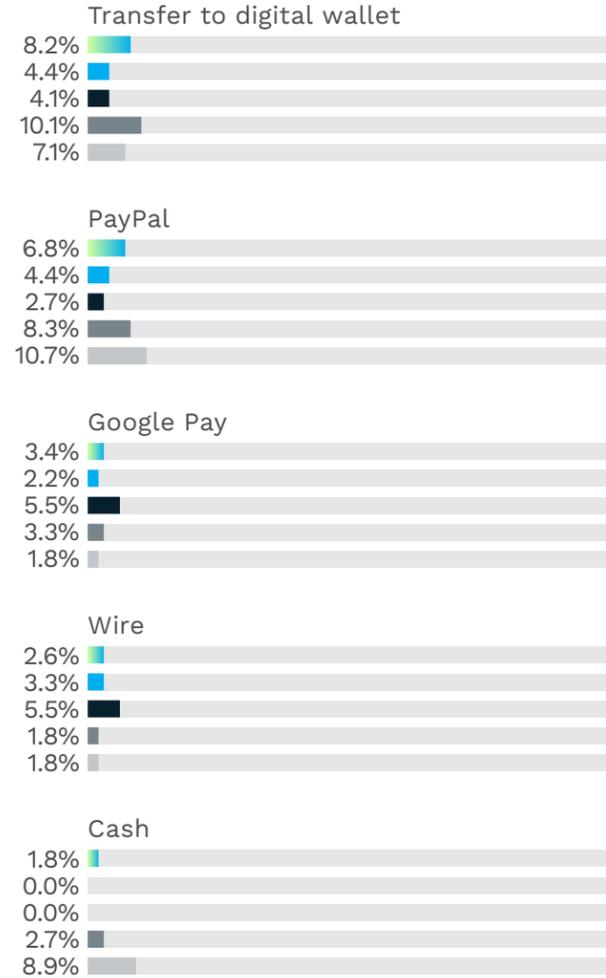
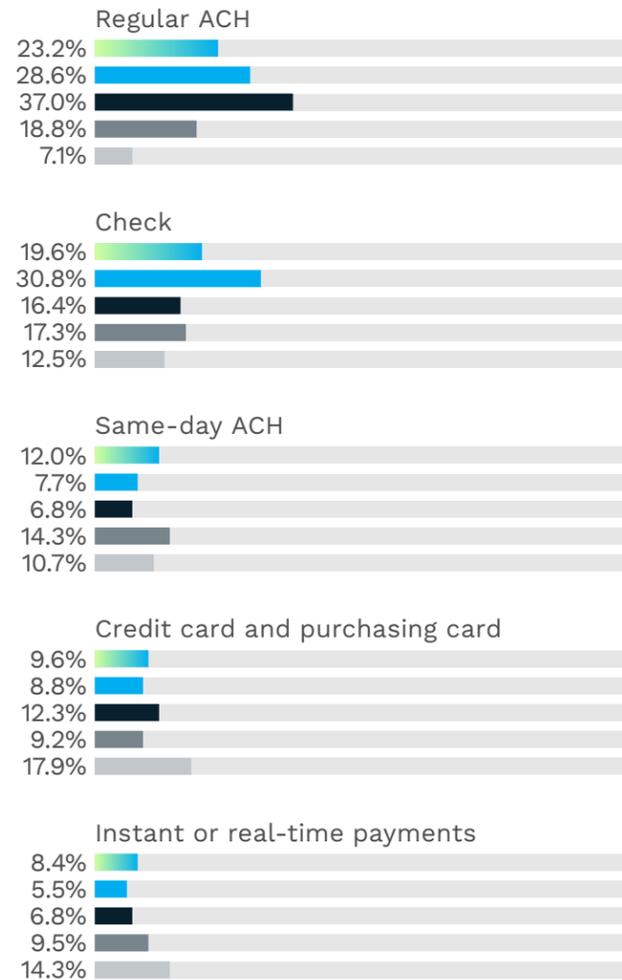
Source: PYMNTS.com
The AP/AR Quick-Start Guide:
Reducing B2B Payments Friction For SMBs
N = 500: Whole sample, fielded Nov. 22, 2021 - Dec. 20, 2021

These disparities are more pronounced among larger SMBs. On the buyer side, 31% of businesses generating between \$20 million and \$50 million in annual revenue most frequently use checks to make B2B payments, and 29% of this group most frequently use regular ACH to make B2B payments. Of those generating \$10 million to \$20 million in revenues, 37% of firms cite regular ACH as their go-to payment method, while 16% say they most often use checks. Businesses generating annual revenues between \$500,000 and \$1 million exhibited a much stronger preference than larger companies in using credit and purchasing cards, at 18%, and instant or real-time payments, at 14%.

FIGURE 2:
The methods SMBs use most to make payments

Share of SMBs using select payment methods most often when making payments, by firm's annual revenue

- Whole sample
- Between \$20M and \$50M
- Between \$10M and \$20M
- Between \$1M and \$10M
- Between \$500,000 and \$1M



Source: PYMNTS.com
The AP/AR Quick-Start Guide:
Reducing B2B Payments Friction For SMBs
N = 500: Whole sample, fielded Nov. 22, 2021 - Dec. 20, 2021





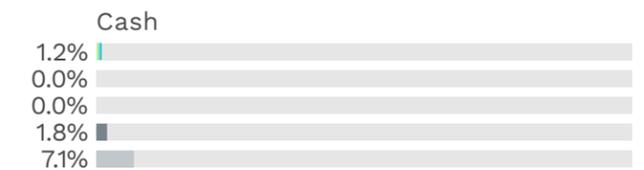
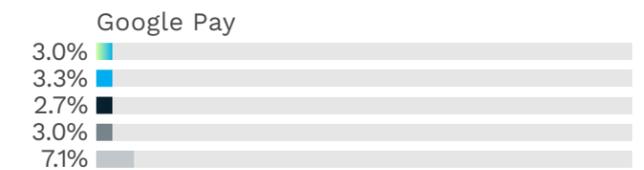
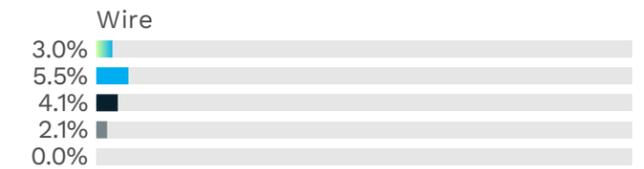
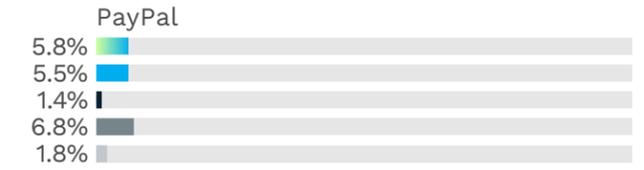
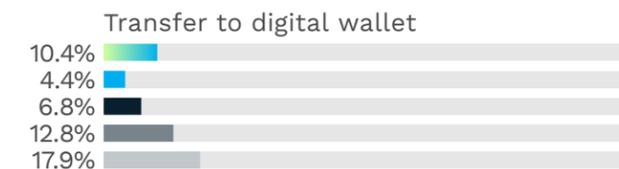
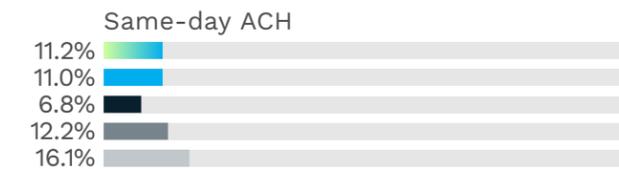
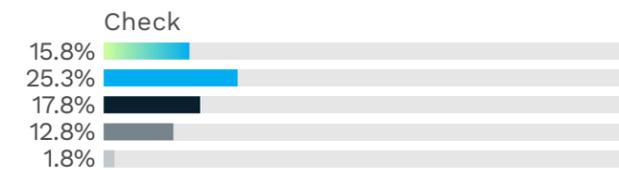
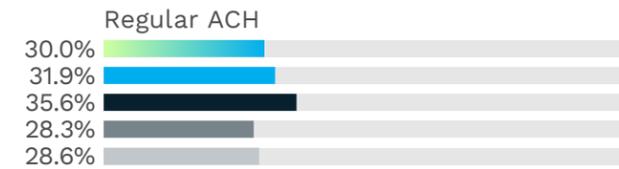
Suppliers exhibit broadly similar variation by firm size when receiving payments, with larger firms receiving substantially more payments by regular ACH and check than their smaller counterparts. Those in the \$20 million to \$50 million bracket receive 32% of their payments by regular ACH and 25% by check, while those in the \$10 million to \$20 million annual revenue range take in 36% and 18% by these methods, respectively.

Smaller firms receive payments by regular ACH slightly less often, but checks drop significantly in popularity — especially among SMBs generating between \$500,000 and \$1 million in annual revenue, which receive payment by check just 1.8% of the time.

FIGURE 3:
The methods SMBs use most to receive payments

Share of SMBs using select payment methods most often when receiving payments, by firm's annual revenue

■ Whole sample
■ Between \$20M and \$50M
■ Between \$10M and \$20M
■ Between \$1M and \$10M
■ Between \$500,000 and \$1M



Source: PYMNTS.com
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N = 500: Whole sample, fielded Nov. 22, 2021 - Dec. 20, 2021

PAIN POINTS:

Buyers And Suppliers Suffer Different Symptoms

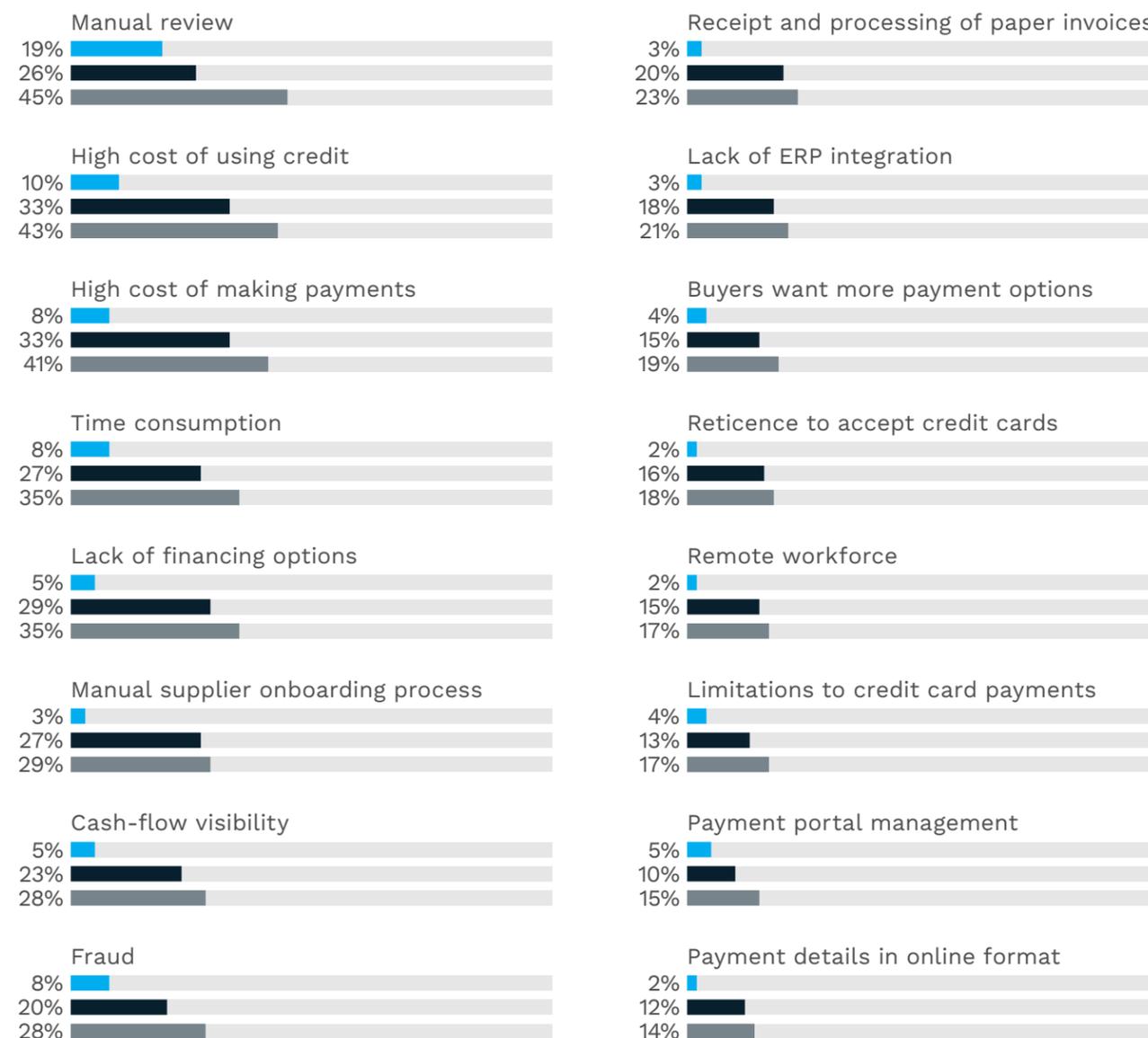
Buyers and suppliers differ substantially not just in their payment method preferences, but also in the key payments-related frictions they face. The difference in pain points on opposite sides of a B2B payment adds to the argument for an all-in-one platform that bridges this gap.

SMB payors cited an average of five issues they typically encounter when making B2B payments. Forty-five percent point to the need for manual reviews, followed by the high cost of using credit, cited by 43%, the high cost of making payments, cited by 41%, time-consuming processes, cited by 35%, and lack of financing options, cited by 35%.

FIGURE 4:
Problems SMBs face when making B2B payments

Share of SMBs citing select problems they face in making payments, by level of concern

■ **Most concerning**
■ **Concerning but not the most concerning**
■ **Total**



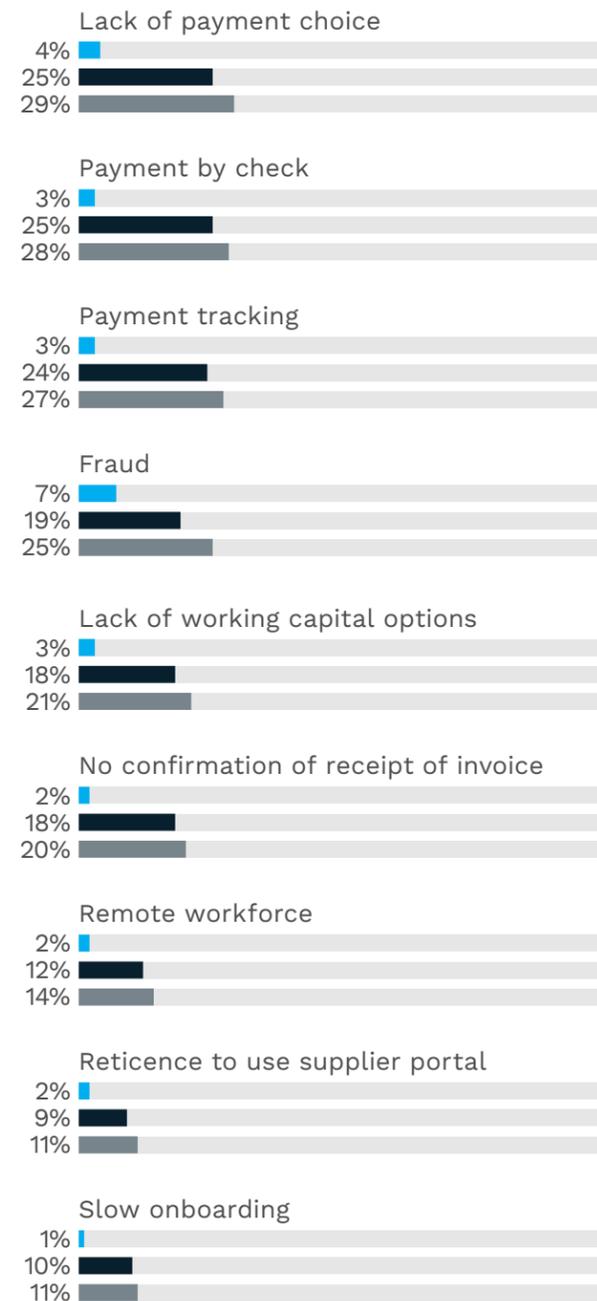
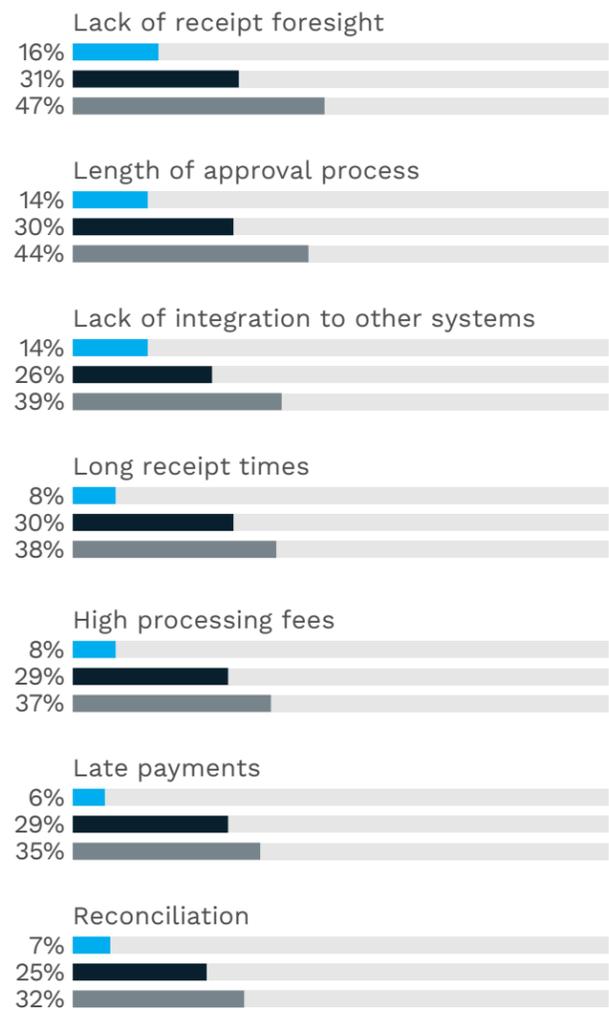
Source: PYMNTS.com
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N = 500: Whole sample, fielded Nov. 22, 2021 - Dec. 20, 2021

SMB suppliers identified four pain points, on average, in receiving payments. Their top issues include the lack of transparency about when payees will receive payments, identified by 47%, the length of invoice approval processes, cited by 44%, the lack of integration with other systems, cited by 39%, and the length of time before receipt of payment, cited by 38%.

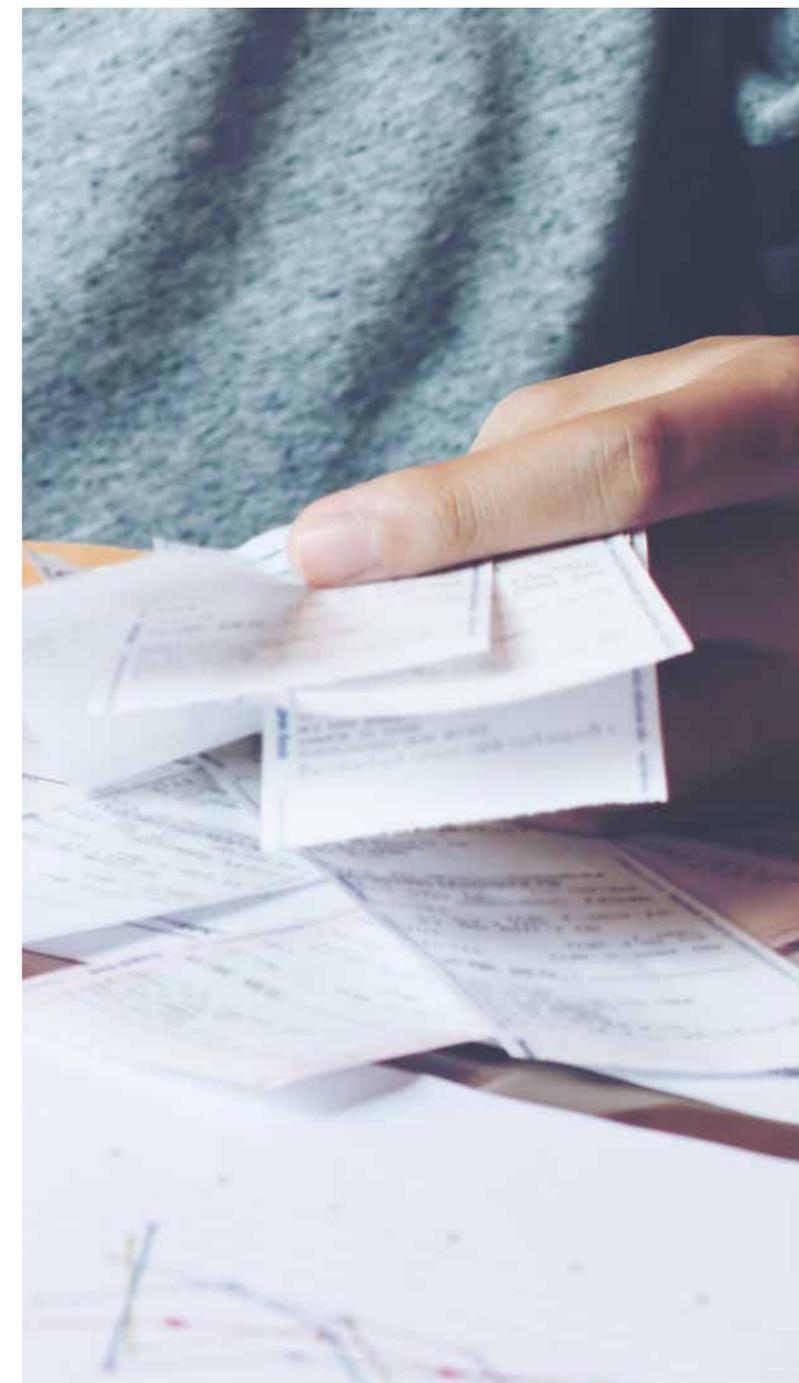
FIGURE 5:
Problems SMBs face when receiving B2B payments

Share of SMBs citing select problems they face in receiving payments, by level of concern

■ Most concerning
■ Concerning but not the most concerning
■ Total



Source: PYMNTS.com
The AP/AR Quick-Start Guide:
Reducing B2B Payments Friction For SMBs
N = 500: Whole sample, fielded Nov. 22, 2021 - Dec. 20, 2021



NOT ON THE SAME PAGE:

SMB vs. Payments Executive Perspectives

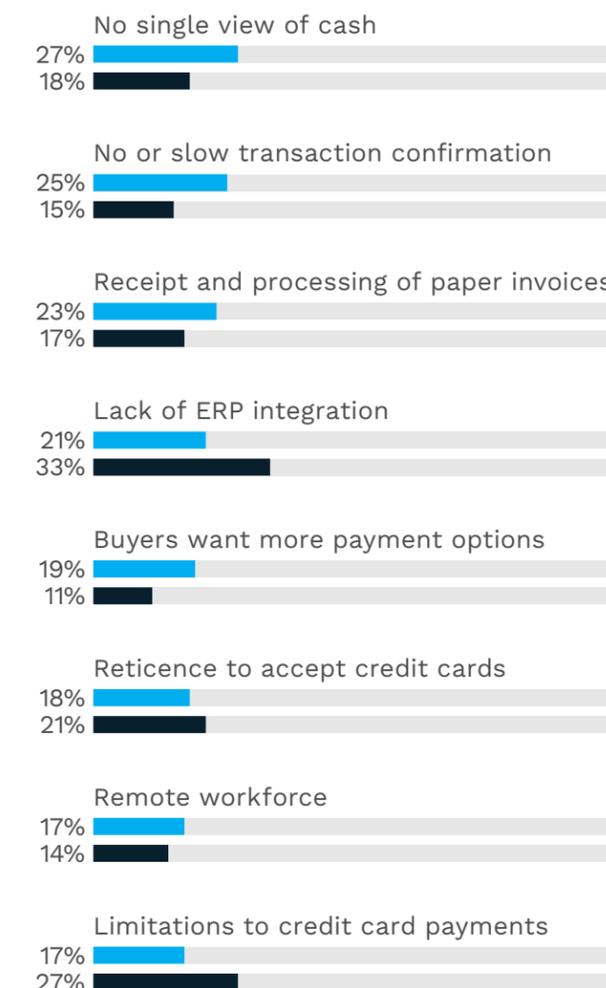
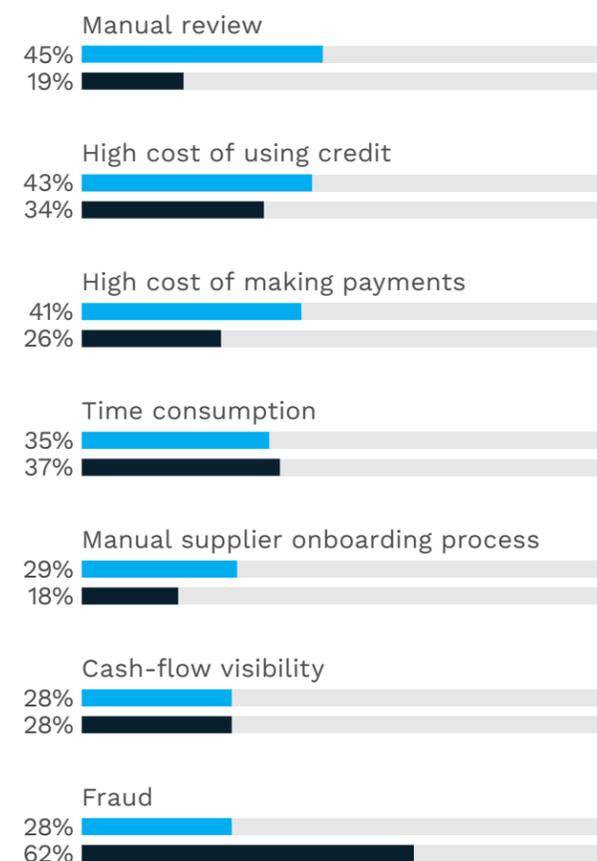
PYMNTS' research highlights a wide gap between the AP/AR pain points actually encountered by SMBs and what the payment platform executives we surveyed perceived as the biggest causes of friction. Executives overestimated the prevalence of security issues and underestimated the top problems that SMBs face in AP/AR operations. This helps to explain why the industry remains out of step with what SMBs care about in their payments experience, both as buyers and as suppliers.

Payments executives surveyed believed that 62% of SMB buyers experience problems related to fraud when making payments, but just 28% of firms flagged this as a problem they had encountered. Executives meanwhile underestimated the top pain points for SMBs in making payments, most notably the need for manual review: they estimated that 19% of buyers face this issue, when in fact, 45% identified it as a pain point.

FIGURE 6:
SMBs' experiences and payment platform executives' perceptions of problems making payments

Share of SMBs citing select realized problems and payment platform executives citing select perceived problems for SMBs making B2B payments

■ As realized by SMBs
■ As perceived by platform executives



Source: PYMNTS.com
The AP/AR Quick-Start Guide:
Reducing B2B Payments Friction For SMBs
N = 500: SMBs, whole sample; N = 100: Executives, whole sample,
fielded Nov. 22, 2021 - Dec. 20, 2021

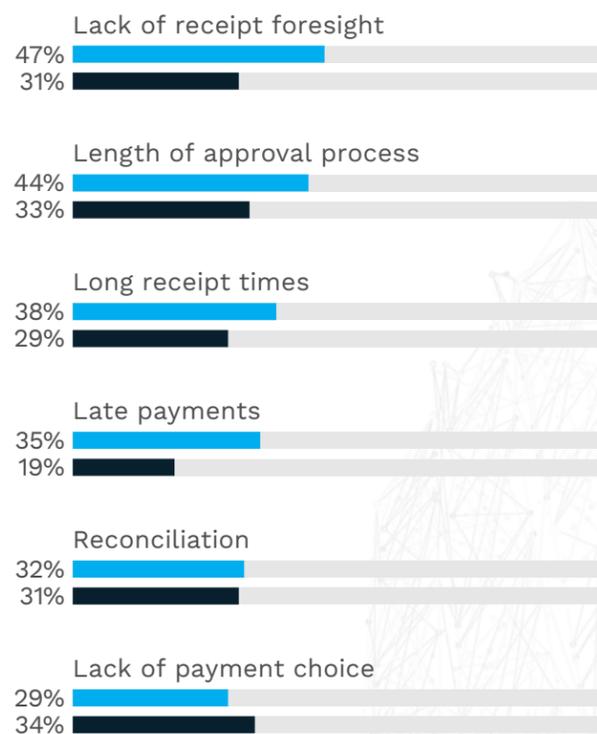
Similarly, on the supplier side, executives thought that 60% of SMBs receiving payments had experienced fraud, but just 25% of SMBs indicated having faced this problem. Executives meanwhile thought that lack of receipt, the top headache for SMB suppliers, affects 31% of firms, but 47% of SMBs said this is a problem.

The executives also underestimated other top buyer and supplier pain points by wide margins. For buyers, these areas included the high costs of credit and of making payments, while for suppliers, length of approval, long receipt time and late payments stood out as among the most significant gaps.

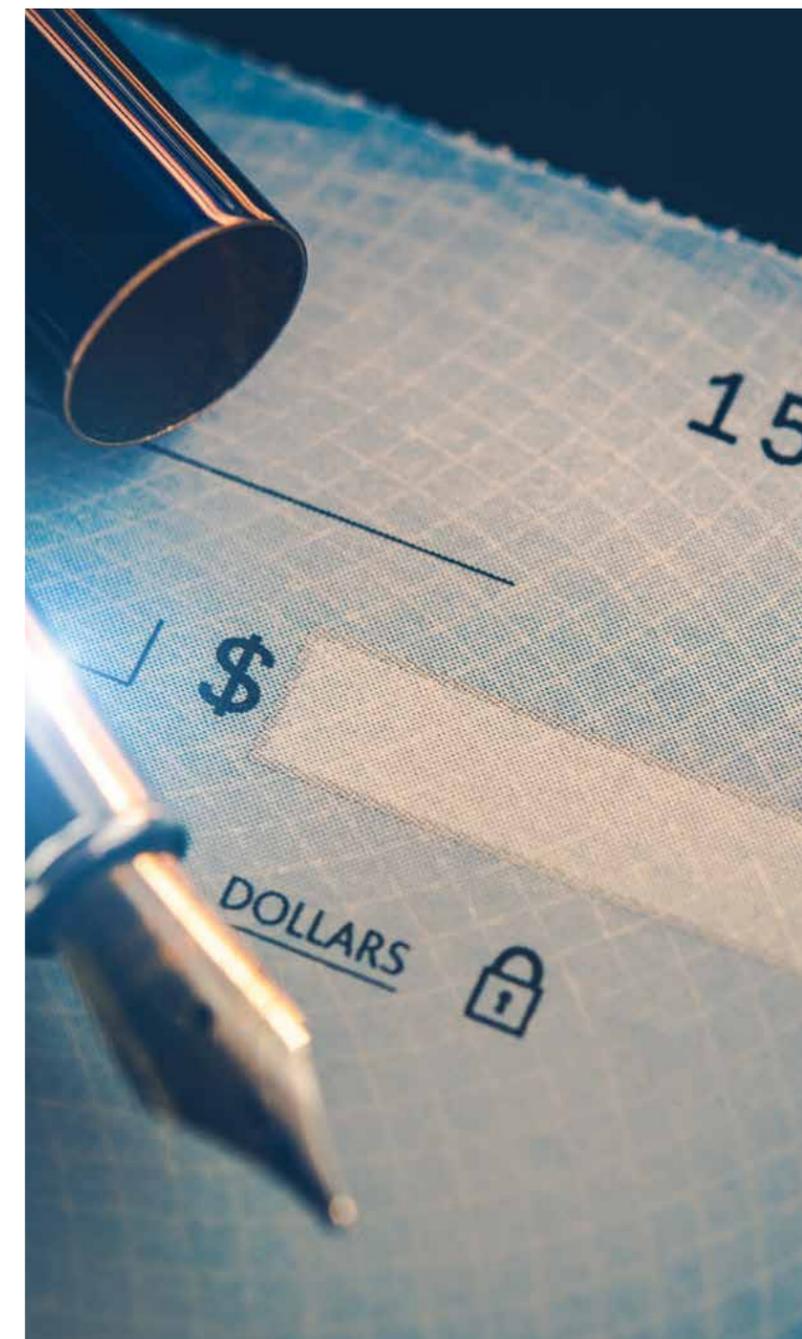
FIGURE 7:
SMBs' experience and payment executives' perceptions of problems receiving payments

Share of SMBs citing select realized problems and payment platform executives citing select perceived problems for SMBs receiving B2B payments

■ As realized by SMBs
 ■ As perceived by platform executives



Source: PYMNTS.com
 The AP/AR Quick-Start Guide:
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 N = 500: SMBs, whole sample; N = 100: Executives, whole sample,
 fielded Nov. 22, 2021 - Dec. 20, 2021



BRIDGING THE GAP:

Will SMBs Pay To Get There?

All these headaches make SMBs very interested in an all-in-one platform — and willing to pay for this AP/AR panacea. Among SMBs interested in an all-in-one solution, 67% said they would be at least somewhat likely to pay for an all-in-one platform if transaction fees were 1% of the processed payment amount, and 41% indicated this even if fees increased to 2%.

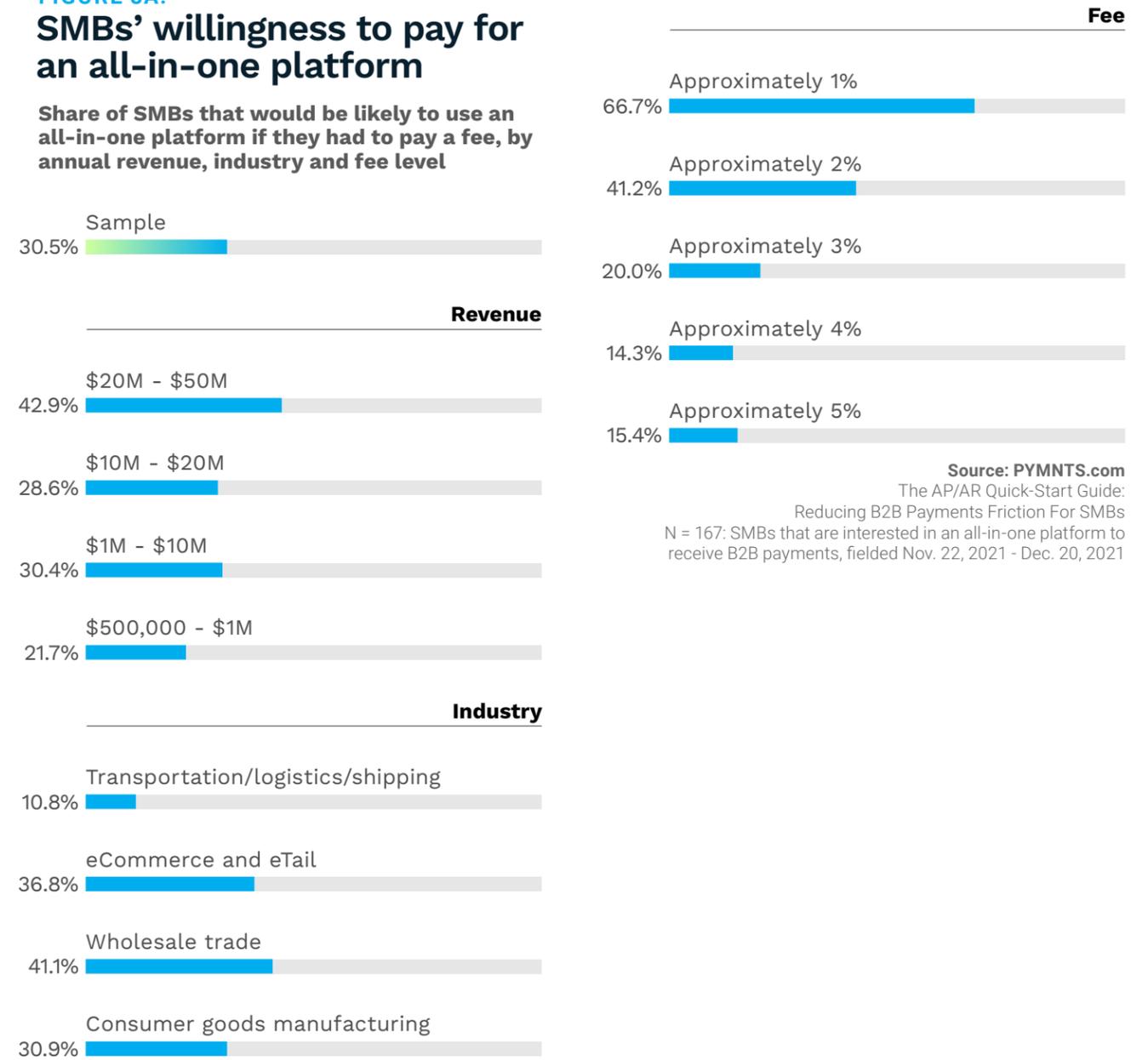
For an all-in-one platform that offers a rewards program, tax deductibility or efficiency gains that offset the 1% fee, the share of these SMBs that are at least somewhat likely to pay jumps to 73%. If these perks were included, 53% of respondents still indicated at least moderate willingness to pay a 2% fee. Large shares of SMBs

report they would be at least somewhat likely to pay higher fees if these perks were included: 46% of SMBs would be willing to pay 3%, and 33% would be willing to pay as much as 4%, in both cases more than twice the share under the no-perks scenario.

Our research found that SMBs and payments executives are on the same page when it comes to transaction fees. Ninety-seven percent of the executives we surveyed said that charging 1% of transactions for using an all-in-one solution would be very or extremely appealing to SMBs, and 60% felt it would still be highly attractive if the fees increased to 2%. This drops off to just 23% with 3% fees, however.

FIGURE 8A:
SMBs' willingness to pay for an all-in-one platform

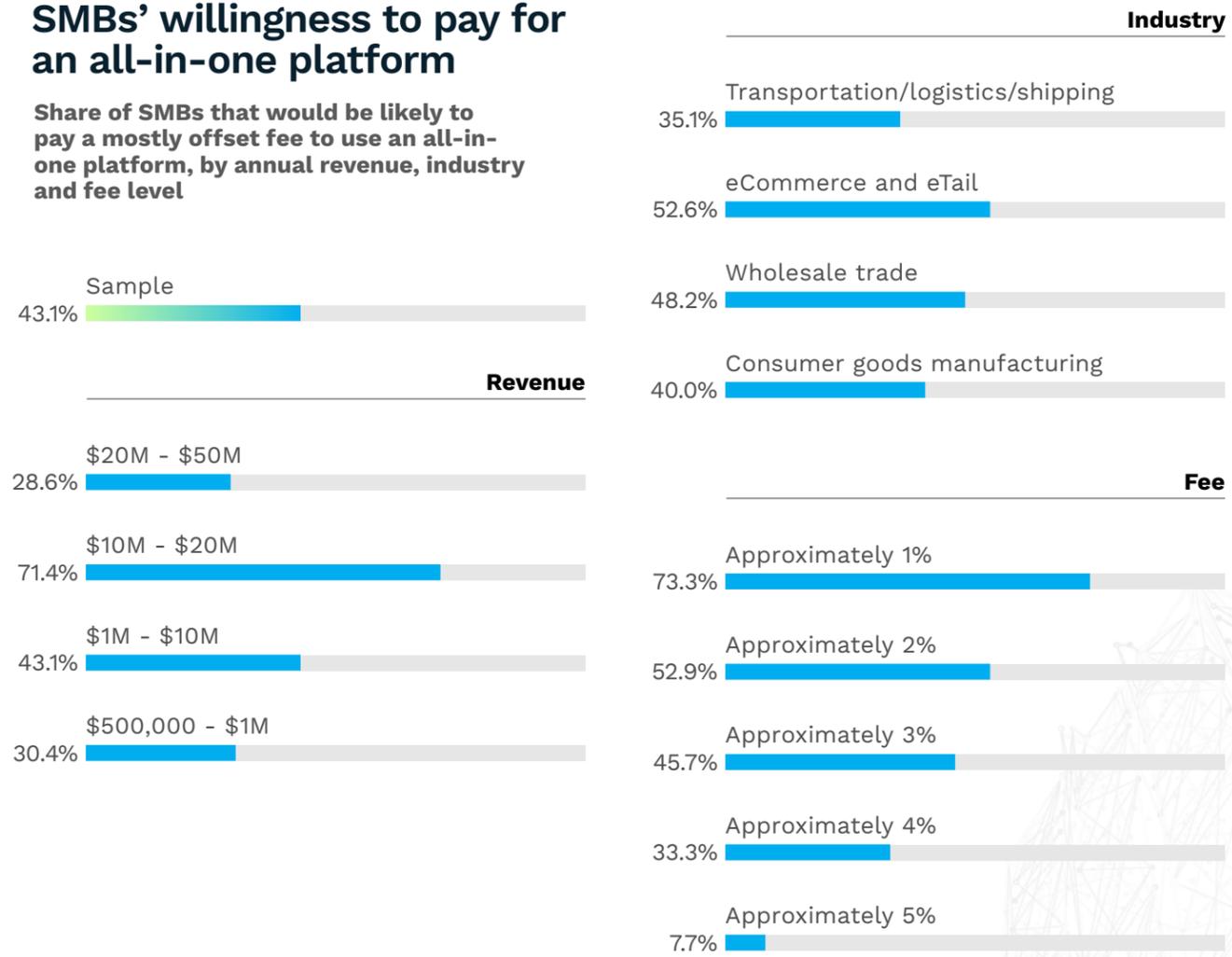
Share of SMBs that would be likely to use an all-in-one platform if they had to pay a fee, by annual revenue, industry and fee level



Source: PYMNTS.com
The AP/AR Quick-Start Guide:
Reducing B2B Payments Friction For SMBs
N = 167: SMBs that are interested in an all-in-one platform to receive B2B payments, fielded Nov. 22, 2021 - Dec. 20, 2021

FIGURE 8B:
SMBs' willingness to pay for an all-in-one platform

Share of SMBs that would be likely to pay a mostly offset fee to use an all-in-one platform, by annual revenue, industry and fee level



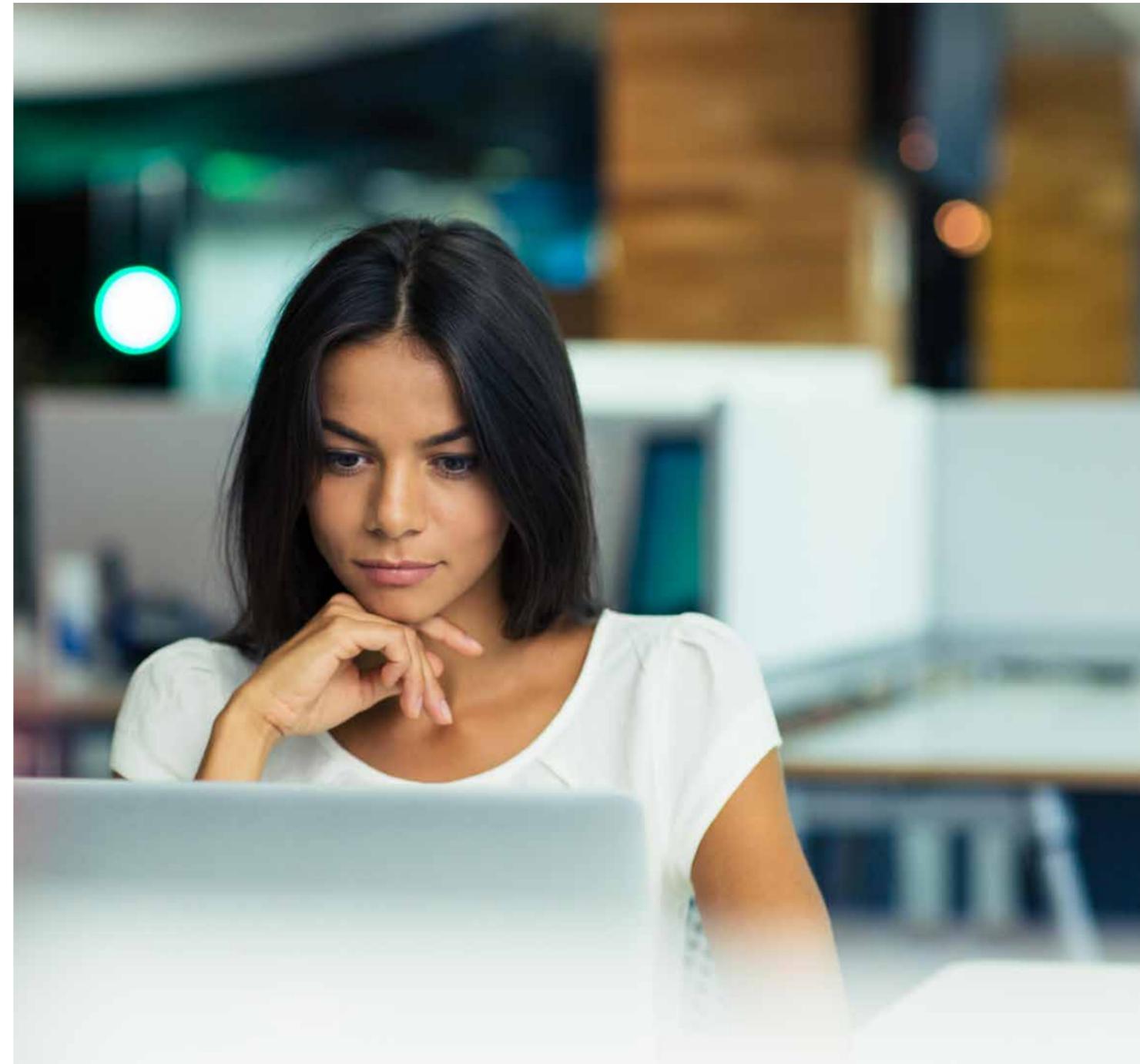
Source: PYMNTS.com
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 N = 167: SMBs that are interested in an all-in-one platform to receive B2B payments, fielded Nov. 22, 2021 - Dec. 20, 2021



CONCLUSION

SMBs understandably want seamless and efficient AP/AR processes, but B2B payments remain hamstrung by conflicting buyer-supplier preferences and poorly optimized AP/AR platforms. From cumbersome manual invoicing and collections to poor visibility into the payment lifecycle, conventional systems continue to unnecessarily bog down businesses, all of which an all-in-one platform can resolve. Indeed, the

promise of frictionless AP/AR experiences entices SMBs so much that most are willing to pay for an all-in-one solution. Capturing this market and delivering on SMBs' expectations will require payments executives to better understand the AP/AR pain points SMBs encounter and offer a corresponding all-in-one solution — and at the right price.



ABOUT

PYMNTS.com [PYMNTS.com](https://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.

plastiq PlastiQ helps businesses improve cash flow with instant access to working capital on a modern payments platform that simplifies AP and AR processes. Brands, manufacturers, wholesalers and construction companies leverage PlastiQ Pay to save time managing bill payments and extend the time to pay for inventory, supplies and advertising expenditures. PlastiQ Accept helps businesses get paid faster and accept credit cards without the merchant fees. PlastiQ Connect APIs enable accounting platforms, FinTechs, banks and marketplaces to embed B2B payment options to eliminate friction and enhance customer experience. PlastiQ has raised more than \$140 million in funding and is backed by Kleiner Perkins, B Capital Group, Khosla Ventures and other top-tier investors. For more information, please visit www.plastiq.com.

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