ERP SOLUTIONS IN B2B PAYMENTS

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ACKNOWLEDGMENT

The ERP Solutions in B2B Payments Tracker® was produced in collaboration with American Express, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

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The Way To **ERP Integration** Is Paved With Challenges

Business-to-business (B2B) payments are growing increasingly digital, a relief for accounting teams burdened with manual invoice creation, check writing and sending invoices and payments through postal systems. New data from PYMNTS projects that up to 80% of all buyer-supplier transactions could be done digitally by 2025, with mobile, contactless and digital wallet payments revolutionizing the industry.

The shift to digitization does not solve every problem facing the B2B payments sector, however. PYMNTS' research found that 49% of businesses have issues with manual accounts receivable (AR) processes, and 48% say processing speeds are a major friction for timely B2B payments. Financial institutions (FIs) meanwhile cite invoice reconciliation as the top problem their corporate clients must overcome when paying vendors, and 42% report that the inability to offer supplier portals was a major problem for their corporate customers.

Banks and businesses are increasingly turning to enterprise resource planning (ERP) systems to address these issues. Just more than two-thirds of organizations with more than 2,500 payables per month said ERPs are very or extremely important for increasing the number of payables, and 95% of companies that had implemented ERPs reported in a recent study that these systems have improved their business processes. The top three ways ERPs produced a return on investment (ROI) included reduced IT costs at 40% of respondents, reduced inventory levels at 38% and reduced cycle time at 35%.

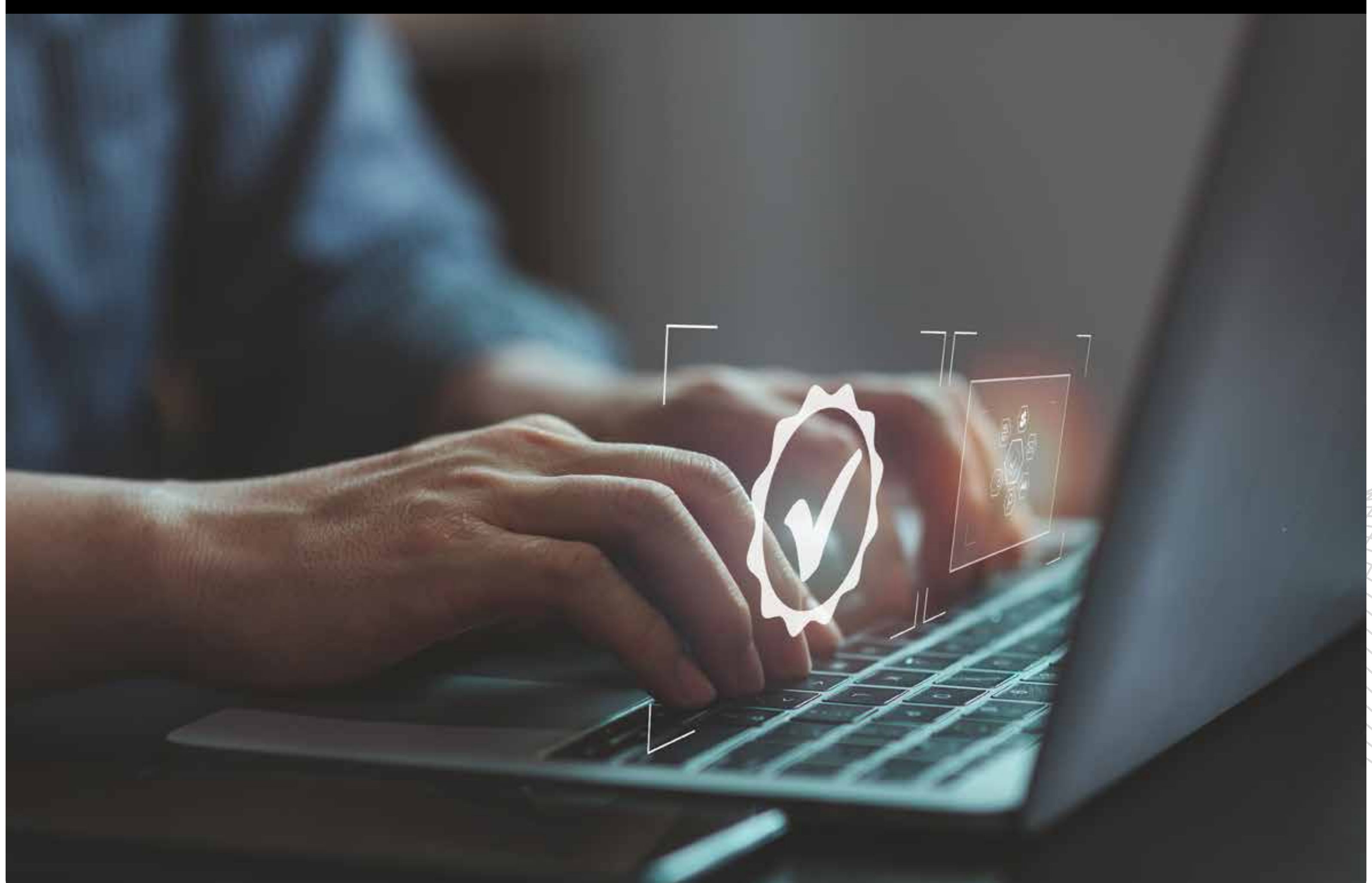
ERPs are not without their challenges, however. Ninety-nine percent of businesses reported that they struggled to access information stored in their ERP systems, and 82% said their ERP systems were making decisions based on old and obsolete data. Another 85% said this bad data led to incorrect business decisions and lost revenue.

Effective ERP integration will rely on application programming interfaces (APIs) to use timely data and access the entire system's functionality. APIs can aid payments and reconciliation processes by accessing a more significant share of data, reducing the amount of missing remittance information and avoiding the need for phone calls or emails to follow up on receipts.

The ERP Solutions In B2B Payments Tracker®, a PYMNTS and American Express collaboration, examines the challenges inherent in B2B payments and how ERP systems can help mitigate them. It also explores the difficulties businesses have in implementing ERPs and how APIs can make the transition much smoother and result in fewer errors.

Feature Story

EVO Payments On **Overcoming ERP Integration Obstacles**



ERP SYSTEMS ARE THE FOUNDATION OF A WELL-RUNNING BUSINESS. THESE SYSTEMS ARE THE PLATFORM ON WHICH COMPANIES MANAGE EVERYTHING FROM PAYROLL TO AR, SO BEING ABLE TO INTEGRATE OUTSIDE RESOURCES INTO THE ERP SYSTEM IN REAL TIME IS CRUCIAL FOR SEAMLESS BUSINESS OPERATIONS.

This is especially true for a company's payment collection process. Often, companies have a disconnected payment acceptance system, in which they collect and process payments outside the ERP and then manually bring in that data.

Fauwaz Hussain, senior director of B2B software at EVO Payments, recently described to PYMNTS the top challenges companies can face with disconnected payment and ERP systems.

"An increase in manual labor and a risk of human error are just a few of the challenges related to not having payments integrated with ERPs," said Hussain. "Payments can easily be mistyped or misapplied when reentering into the ERP system."

EFFECT ON THE CUSTOMER EXPERIENCE

In addition to being at increased risk of processing errors, organizations that do not have well-integrated ERPs and payment systems lose out on the benefits of real-time reporting, including reconciliation and efficient customer service. If workers do not have real-time knowledge about when customers pay their balances, for example, there will be a discrepancy in the day-to-day cash flow. In turn, this will cause friction for customers waiting for products or services that they expect to receive immediately after payment.

“Automating and integrating the collection process benefits both the merchant and their customers,” Hussain noted. “Customers want vendors who are easy to work with, and that includes the simplicity of a user-friendly bill-paying experience.”

ADDED BENEFITS OF AUTOMATION

Hussain pointed out that by not properly automating these tools, organizations are missing out on useful features that allow for customer self-service.

“There are tools like payment links, which can allow you to collect payment or payment information directly,” he explained. “If I’m on the phone with you and I need to collect your payment information, rather than me asking you to read the credit card over the phone, I can just ask you for your cellphone number or your email address and send you a text or an email with a link where you can enter the payment information yourself, and that gets integrated back into the ERP system.”

With an increase in self-service comes an increase in payment security. The security of the payment data that a company collects should be of the utmost importance because every merchant is required to abide by payment card industry (PCI) regulations when accepting credit cards. By automating the payment collection process and encouraging customer self-service, merchants can have customers enter their payment information themselves through a hosted payment page or a secure portal, reducing the amount of interaction that internal employees have with sensitive payment data.

Hussain strongly recommends that companies adopt truly automated systems and check for functionality rather than assuming all advertised capabilities are in place. He advises watching out for APIs that need to be programmed before they take effect and checking if the vendor’s integration was certified by the ERP publisher. Using a certified solution ensures that the integration was built correctly and will seamlessly work with the ERP system.

Once all these factors are in place, it is easier for business staff to do their jobs and customers to do theirs, enabling a streamlined experience for all.

Q&A

PAVAN KRISHNA
Vice president,
B2B products and partnership

AMERICAN EXPRESS

How are FIs and businesses integrating payments and ERPs to enable fast, secure and seamless B2B transactions and optimize digital payments?

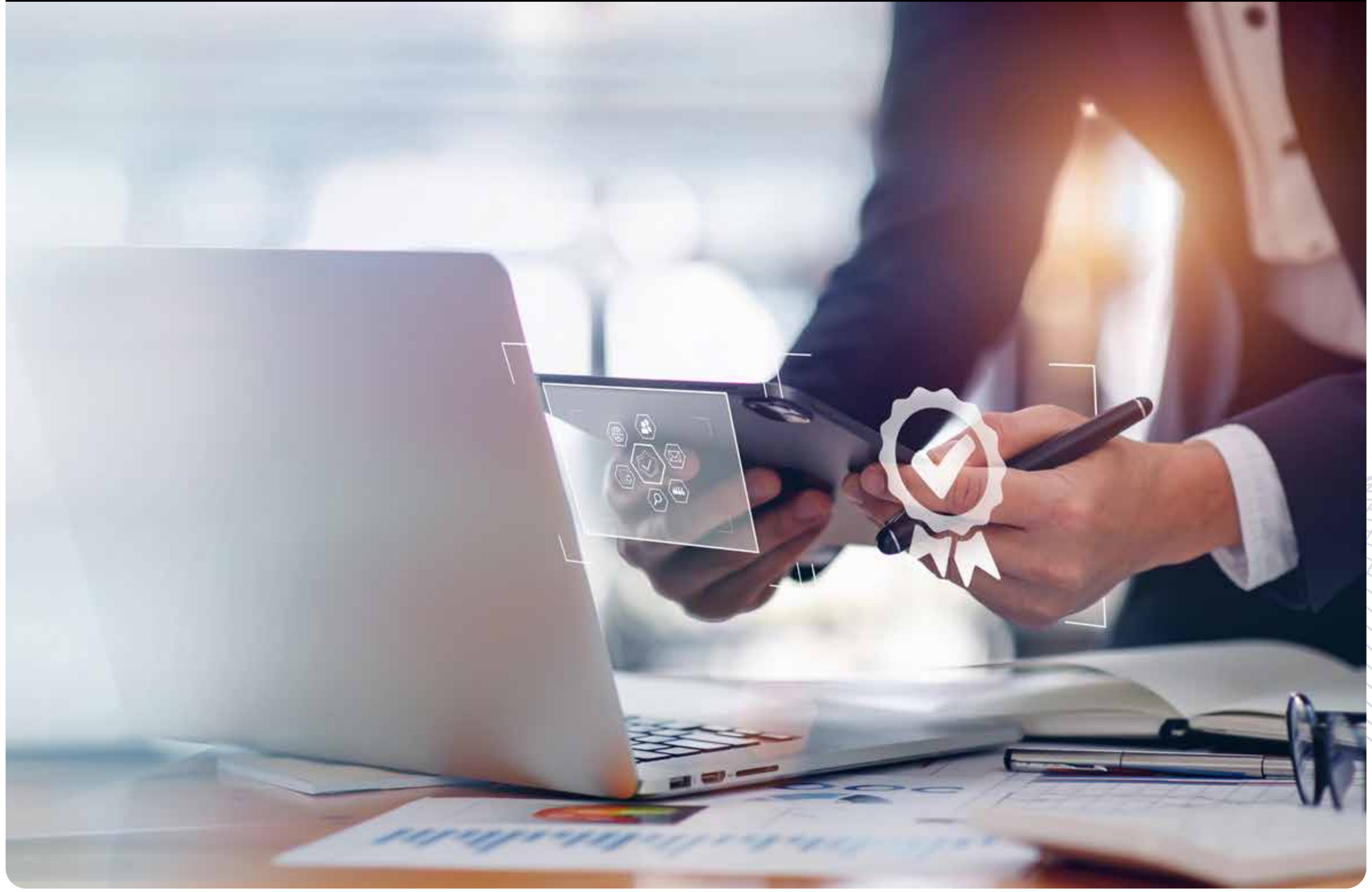
B2B businesses are increasingly seeking digital payment options that can be processed right from their ERP systems. ERPs provide companies with holistic views of their operations by integrating data from various departments and business units, including accounting, inventory, sales and more. By accessing and transmitting rich data, including data from purchase orders and invoices, ERPs power the automation of payments. Companies that integrate additional accounts receivable software into their ERP system can further automate processes like payments collections, for example.

American Express is building out a best-in-class B2B network that enables buyers and suppliers to automate payments across all types of payments, not just cards. We partner with automation players to capture and reconcile invoice-level data via buyer and supplier ERP connections. Additionally, these integrations deepen our buyer and supplier relationships through collaboration tools, including the ability to share invoice status and messaging modules.

PYMNTS Intelligence

Benefits And Challenges Of

Leveraging ERP Integration To Smooth B2B Payments



The B2B payments market is expected to reach $1.9 trillion by 2028, and for such a massive facet of the modern economy, this everyday payment process is rife with obstacles and challenges. Two friction points in particular plague accounting departments: invoice reconciliation and a lack of supplier portals. Forty-two percent of FIs cited invoice reconciliation as an issue their corporate clients must overcome when paying vendors, making it the most prevalent B2B issue, with 9% saying it was their most important issue overall. Just less than 42% named the inability to offer supplier portals as a major problem for their corporate customers, with 15% saying it was their top issue.

ERP systems are valuable tools for surmounting both obstacles. ERPs manage and automate invoice creation, accounts payable (AP) and a host of other B2B payment tasks, reducing the burden on human accounting staff. More than one-quarter of FIs are currently offering ERP integration to corporate clients to streamline payments flow management, according to PYMNTS research.

These systems can be difficult, costly and tedious to implement into legacy accounting systems, however, preventing more widespread use. This month, PYMNTS Intelligence examines the benefits ERPs can provide in B2B payment procedures and the obstacles impeding their ubiquity among banks and businesses.

HOW ERPS CAN ENABLE MORE SEAMLESS B2B PAYMENTS

ERPs are in high demand among large banks and businesses, with 67% of organizations having more than 2,500 payables per month saying they are very or extremely important for increasing the number of payables. PYMNTS' research further found that 97% of firms said if they could not handle AP volume, it would hinder their goals for revenue growth, with 31% saying these goals would be very or extremely inhibited. More than one in 10 of these companies said they were developing or evaluating new features for their payments platforms, with 31% planning to innovate their AP systems within six months and 27% planning to do so within the next year.

ERP systems are a critical part of these B2B payment improvements, sparing accounting staff extra work by automating routine procedures such as payments, invoicing and other tedious tasks that distract professionals from more strategic work. A recent study found that 95% of companies that implemented ERPs said they have improved their business processes, and 82% of companies had met their projected timelines for the systems' ROI. The top three areas in which businesses cited ROI improvement include reduced IT costs, cited by 40% of respondents, reduced inventory levels, cited by 38%, and reduced cycle time, cited by 35%.

These numbers might raise the question of why more companies do not leverage ERP systems to improve their B2B payments. The systems, unfortunately, have a reputation for being expensive and difficult, but these problems are fixable.

CHALLENGES IN B2B PAYMENTS

ERPs are not without their challenges, especially when integrating with legacy systems. The exact nature of ERP complications varies. Forty-seven percent of organizations with ERP systems said a lack of customization was one of the major downsides, and 84% said their system was too large for ERP to integrate effectively. Overall, 32% of ERP systems' capacity remains unused, and 53% of businesses said they were not using up to 25% of their systems. Ninety-nine percent of businesses reported that they struggled to access information stored in their ERP systems, and 82% said the ERP system was making decisions based on outdated data. Another 85% said this bad data led to incorrect business decisions and lost revenue.

Effective ERP integration will rely on APIs to use timely data and access the entire system's functionality. These APIs allow companies to boost the interoperability of their systems and those of their clients, improving remittance details and back-end operations. APIs can aid payments and reconciliation processes by accessing a greater share of data, reducing the amount of missing remittance information and avoiding the need for phone calls or emails to follow up on receipts.

Most organizations may not fully realize the full potential of ERPs, but the use of third-party API integrations can vastly improve operational metrics. A faster, more efficient and less costly B2B payments system will not be far behind.

NEWS & TRENDS

B2B PAYMENTS **CHALLENGES**

LATE PAYMENTS ARE A SIGNIFICANT DRIVER OF COMPANY GROWTH

B2B payments are the lifeblood of the modern economy, but businesses still face significant challenges in their timely completion that can negatively affect their long-term future. A recent survey found that four in 10 businesses said late B2B payments hinder their organizations' growth, and these late payments are quite widespread. Just three in 10 businesses said they were paid within 30 days, and six in 10 were concerned that the risk of late payments will only increase during the current economic climate.

Half of the businesses surveyed said that faster payments would help them hire more employees. Another two-thirds of businesses said they had attempted to accelerate their sustainability initiatives, but these, too, were being hampered by late payments, as money was not where it was supposed to be on time.

SMBs FACE ARRAY OF OBSTACLES WHEN INVOICING B2B PAYMENTS

Late payments can result from any number of problems that can force a manual review of the payment and a subsequent delay. A recent PYMNTS survey found that 45% of SMBs reported manual invoice review as a payment obstacle, with 19% of respondents saying it was their top issue and another 26% saying it was among their many problems. Another commonly cited challenge was payments' timing, with 47% of suppliers saying they had issues anticipating when payments would arrive. Another 44% reported worrying about the invoice approval process.

The study found that payments automation systems were the most effective means of solving these issues. Most software company executives believed their business customers would be interested in an all-in-one payments solution that automates both payments and cash flow management.

SUPPLY CHAIN DISRUPTIONS LEAD TO RISING COSTS AND COMPLEXITIES FOR LARGE BUSINESSES

One of the most disruptive side effects of the pandemic is the global supply chain crisis, with businesses around the world facing shortages and delays of critical inventory. Many organizations have altered their business practices in response to this problem, with 66% of large enterprises keeping more stock on hand now compared to the pre-pandemic period. This, in turn, has led to rising costs, according to experts, as well as increased complexity in paying for and organizing these increased inventory levels.

Adapting to these changing times with legacy manual accounting processes is extremely difficult. Many businesses are turning to ERPs to automate and streamline their inventory and payments systems.

IMPROVING B2B **PAYMENTS VIA ERPs**

EXECUTIVES LOOK TO IMPLEMENT EASY INVOICING AND SUPPLIER PORTALS TO SIMPLIFY B2B PAYMENTS

B2B payments have countless obstacles, and companies have just as many potential solutions for simplifying them. A recent PYMNTS survey found that 15% of executive respondents listed the inability to offer supplier portals as the top issue they face when paying suppliers, and 9% said that reconciling invoices was their top challenge. Solutions that provide these features are common among large companies with regular cross-border payments but are rarer among SMBs: 65% of FIs that serve cross-border payments customers and 51% that cater to major firms provide supplier portals, but just 32% of those serving middle-market firms and 15% of those catering to SMBs can say the same.

ERP systems can also provide these solutions to businesses, but integration remains a common challenge. API-driven implementations are essential for customizing these integrations and making them more manageable, PYMNTS found.

ERP INTEGRATION CAUSES MAJOR PROBLEMS FOR SMBs, STUDY FINDS

SMBs looking to deploy ERPs to alleviate their payments problems are quickly running into new obstacles. A recent study found that 38% of SMBs have experienced a major failure when attempting to integrate ERPs into their systems, with 53% reporting smaller but still significant obstacles. The most common challenge was ongoing integration issues at 27% of businesses surveyed, followed by a lack of scalability and flexibility at 25% and trouble fitting into existing retail systems at 17%. All told, ERP integrations cost businesses an average of 34% more than predicted when integration projects began.

SMBs were not the only business segment facing ERP woes, the study found. Sixty-three percent of medium-sized businesses and 38% of large organizations also faced ERP project complications.

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ABOUT

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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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