

CORPORATE CHANGES IN PAYMENT PRACTICES:

A Deep Dive Into the Manufacturing Sector

August 2023 Report

PYMNTS®

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■ July 2023

Corporate Changes In Payment Practices:

A Deep Dive Into the Insurance
Industry Edition

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Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector was produced in collaboration with The Clearing House, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

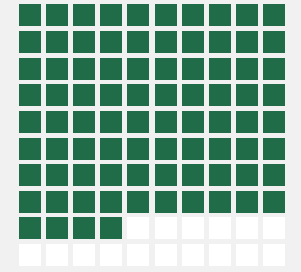
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WHAT'S AT STAKE

R real-time payments have become a leading method of business-to-business (B2B) payments in the manufacturing sector — and are on track to become even more widely used. More than 99% of manufacturers that make B2B payments now use real-time payments, on par with automatic clearing house (ACH) payments and ahead of wires and other methods. Real-time payments account for 15% of outbound and 14% of inbound B2B transactions by manufacturers. PYMNTS' latest survey shows that adoption will only increase as companies enhance their real-time payment capabilities and phase out legacy methods, such as checks and debit cards.

84%

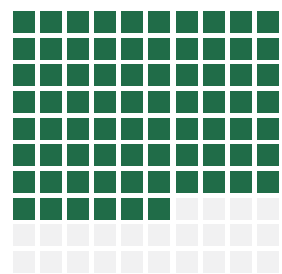


of medium-sized manufacturers are **actively enhancing** their real-time payment capabilities or plan to do so in the next 12 months.

Eighty-six percent of manufacturers are actively investing in real-time payment capabilities or plan to do so in the next 12 months. Besides the speed and reliability advantages of real-time payments, our research highlights the centrality of buyer-supplier relationships as a key driver of this interest. Among manufacturers that make B2B payments, 91% cited this as an important reason to use real-time payments, and 84% of those that receive payments said the same.



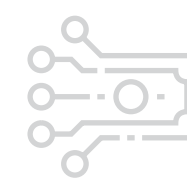
76%



of large manufacturing firms are likely to partner with a FinTech for **real-time payments capabilities.**

These are just some of the findings detailed in Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector, a PYMNTS and The Clearing House collaboration. This edition examines the B2B payments landscape in the manufacturing sector and how real-time payments' role is evolving. It draws on insights from a survey of 125 manufacturing firms conducted from May 3 to June 1.

This is what we learned.



KEY FINDINGS

01

WIDESPREAD ADOPTION

The manufacturing sector has already embraced real-time payments as a go-to method for B2B settlement.



15%

Share of B2B payments in the manufacturing sector made with real-time payment rails

02

REAL-TIME APPEAL

Manufacturers widely plan to improve real-time payments capabilities in the next year, regardless of the size of the firm.



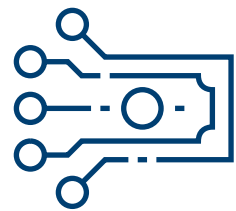
86%

Share of manufacturers that are either actively enhancing their real-time payments solutions or planning to do so within 12 months

03

RIGHT PARTNERS

Most manufacturers prefer to partner with technology leaders to implement real-time payment innovations.



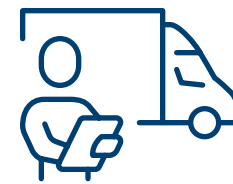
76%

Share of manufacturers that already use real-time payments or are interested in doing so that will likely partner with digital giants to enhance their real-time payments capabilities

04

STRONGER RELATIONSHIPS

Manufacturing firms widely believe that the capabilities to make and receive real-time payments help facilitate better buyer-supplier relationships.



91%

Share of firms that make B2B payments that say real-time payments help forge closer ties with suppliers

PYMNTS IN DEPTH

Manufacturing firms are embracing real-time payments, improving B2B transactions and supplier relationships in the process.

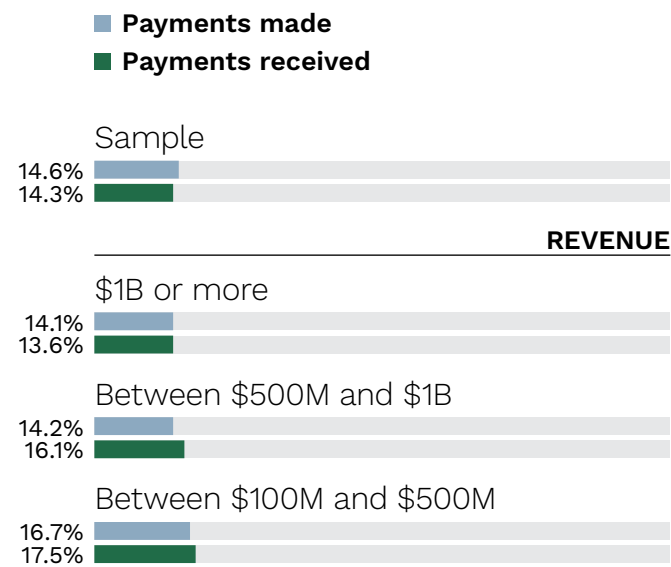
Real-time payments already represent 15% of B2B payments manufacturing companies make.

Real-time payments have emerged as a preferred B2B payment method for manufacturing firms. PYMNTS' latest study reveals that more than 99% of manufacturing companies have used real-time payments for at least one B2B transaction in the last 12 months. On average, real-time payments represented 15% of manufacturers' outbound B2B payments and 14% of inbound payments, showcasing this instant and secure payment method's growing popularity.

Smaller manufacturers are leaning more heavily into real-time payments than their larger peers, though the rates are similar. Real-time payments represented 17% of payments made and 18% of those received in the last year for manufacturers that generated between \$100 million and \$500 million in revenue in the last year. The largest firms, which generate more than \$1 billion in revenue, used real-time payments slightly less frequently, at 14% for both inbound and outbound payments. Mid-sized firms — those generating between \$500 million and \$1 billion in revenue — fell in between these groups.

FIGURE 1:
Manufacturers' use of real-time payments

Share of B2B transactions manufacturing firms made and received with real-time payments, by annual revenue

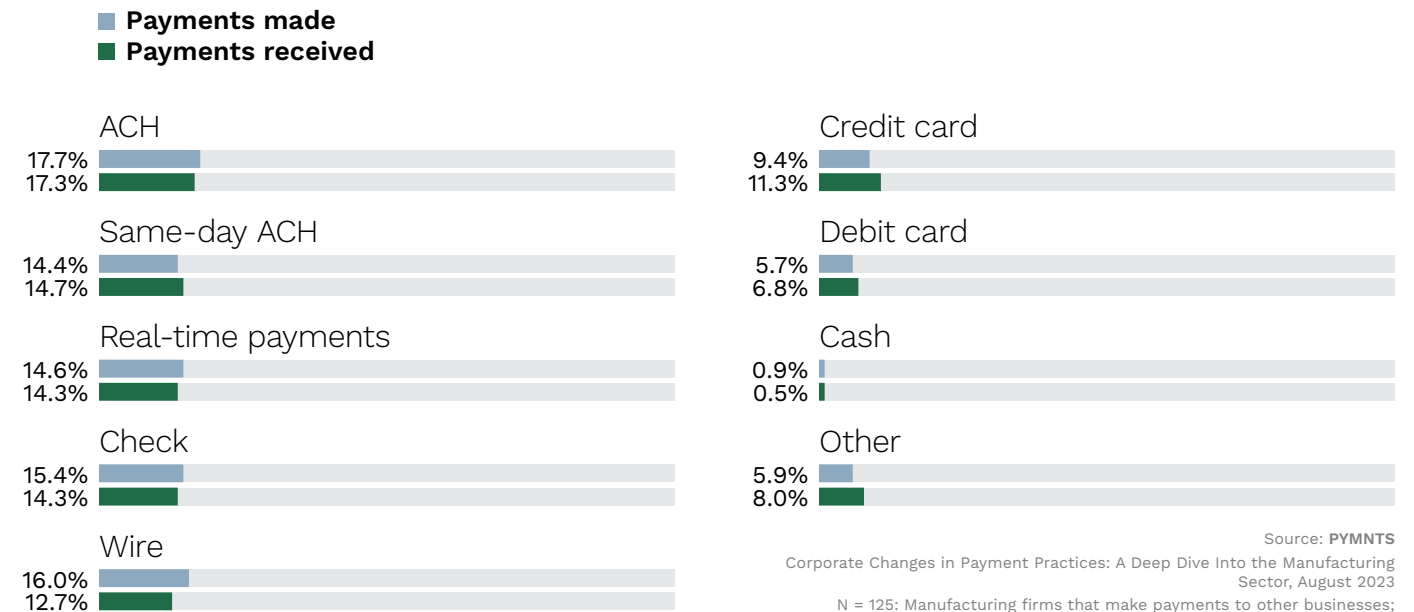


Source: PYMNTS
Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector, August 2023
N = 125: Manufacturing firms that make payments to other businesses;
N = 82: Manufacturing firms that receive payments from other businesses;
fielded May 3, 2023 – June 1, 2023

While real-time payments stand as one of the most common B2B payment methods in the sector, manufacturers continue to use ACH payments more heavily. Standard ACH takes the top spot for both sending and receiving B2B payments, at 18% and 17%, respectively, while same-day ACH comes in at 14% and 15%, respectively — virtually tied with real-time payments. Wire transfers and checks remain prominent, with both slightly ahead of real-time payments for making payments but behind for inbound transactions. The rise of real-time payments alongside more traditional methods reflects the transitional state of B2B payments in manufacturing and how important it is that firms understand how the landscape is shifting.

FIGURE 2:
B2B payment methods manufacturers use

Share of B2B transactions manufacturing firms made and received using select payment methods



Source: PYMNTS
Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector, August 2023
N = 125: Manufacturing firms that make payments to other businesses;
N = 82: Manufacturing firms that receive payments from other businesses;
fielded May 3, 2023 – June 1, 2023

Half of manufacturing firms plan to increase their ability to use real-time payments in the next year.

The manufacturing sector is rapidly shifting toward more widespread use of real-time payments as large shares of firms focus on related innovations. Our data shows that 52% of manufacturers are innovating or have plans to improve real-time payment capabilities within six months, and another 35% will do so within 12 months. Just 14% have no plans to improve real-time payments in the next year.

PYMNTS finds that small firms are the most proactive in improving their real-time payments, with 23% currently doing so, compared to 20% of mid-sized and 15% of large companies. However, large firms lead in terms of making improvements within the six-month time frame, with 44% saying innovation is on their agendas.

FIGURE 3:

Plans to enhance real-time payments capabilities

Share of firms that report ongoing or planned real-time payments enhancement, by annual revenue

	SAMPLE	\$1B OR MORE	BETWEEN \$500M AND \$1B	BETWEEN \$100M AND \$500M
• Currently adding more real-time payments features	17.7%	15.1%	20.0%	23.1%
• Plan to add more real-time payments features within six months	33.9%	43.8%	16.0%	23.1%
• Plan to add more real-time payments features within 12 months	34.7%	31.5%	48.0%	30.8%
• Plan to add more real-time payments features within two to three years	7.3%	9.6%	4.0%	3.8%
• Plan to add more real-time payments features, but not in the next three years	0.8%	0.0%	4.0%	0.0%
• Not planning any further innovations in real-time payments	5.6%	0.0%	8.0%	19.2%

Source: PYMNTS
 Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector, August 2023
 N = 125: Whole sample, fielded May 3, 2023 – June 1, 2023

To accomplish this, 76% of manufacturers anticipate partnering with digital giants such as PayPal, Square or Stripe — slightly more than the 72% likely to collaborate with FinTechs. This share varies by firms’ annual revenue, however: Large firms lean more toward FinTechs, at 76%, than digital giants, at 72%. Meanwhile, 30% of all firms intend to develop and deploy their own real-time payment features, underscoring the extent to which manufacturers view partnerships with technology leaders as essential for real-time payments innovation.

FIGURE 4:

Preferred real-time payments solution providers

Share of firms indicating the type of payment provider they are likely to partner with, by annual revenue

	SAMPLE	\$1B OR MORE	BETWEEN \$500M AND \$1B	BETWEEN \$100M AND \$500M
• Digital giants	76.4%	71.6%	82.6%	84.6%
• FinTechs	72.4%	75.7%	56.5%	76.9%
• Banks	71.5%	77.0%	60.9%	65.4%
• Card network companies	62.6%	62.2%	69.6%	57.7%
• Third-party processors	44.7%	37.8%	52.2%	57.7%
• Treasury management system providers	35.8%	36.5%	47.8%	23.1%
• Solutions developed in-house	30.1%	32.4%	30.4%	23.1%

Source: PYMNTS
 Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector, August 2023
 N = 123: Manufacturing firms using or interested in using real-time payments, fielded May 3, 2023 – June 1, 2023



Manufacturers point to stronger customer-supplier relationships and the speed of transactions as central reasons to make and receive real-time payments.

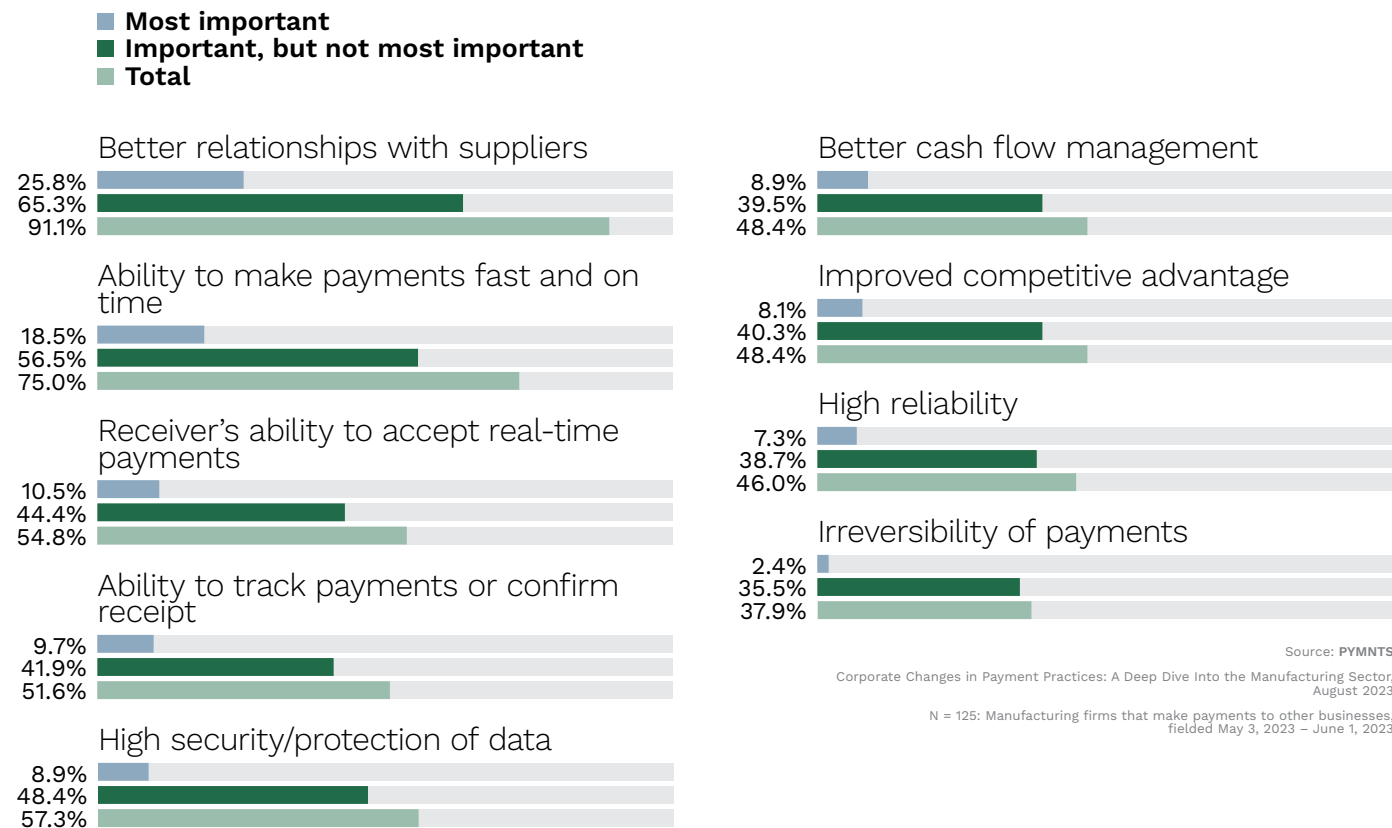
Manufacturing firms leverage real-time payments to improve relationships with suppliers that value instant and irreversible payments, reducing the risk of errors and disputes. Our study finds that 91% of firms that make B2B payments view real-time payments as important to building better relationships with suppliers, and 26% named this the most critical factor. The ability to pay quickly and on time ranks a strong second, with 75% citing this as an important factor and 19% as the most important.

From the buyer's perspective, other frequently cited drivers for using real-time payments include security, at 57%, and the ability to track and confirm payments, at 52% — a feature checks and wire transfers are sorely lacking. Interestingly, 48% of manufacturers that make real-time payments pointed to cash flow management as an important benefit. This suggests that companies in the manufacturing sector believe real-time payments simplify cash flow management compared to other payment methods.

FIGURE 5:

Reasons to use real-time payments to make payments

Share of manufacturing firms citing select reasons for making real-time B2B payments, by level of importance



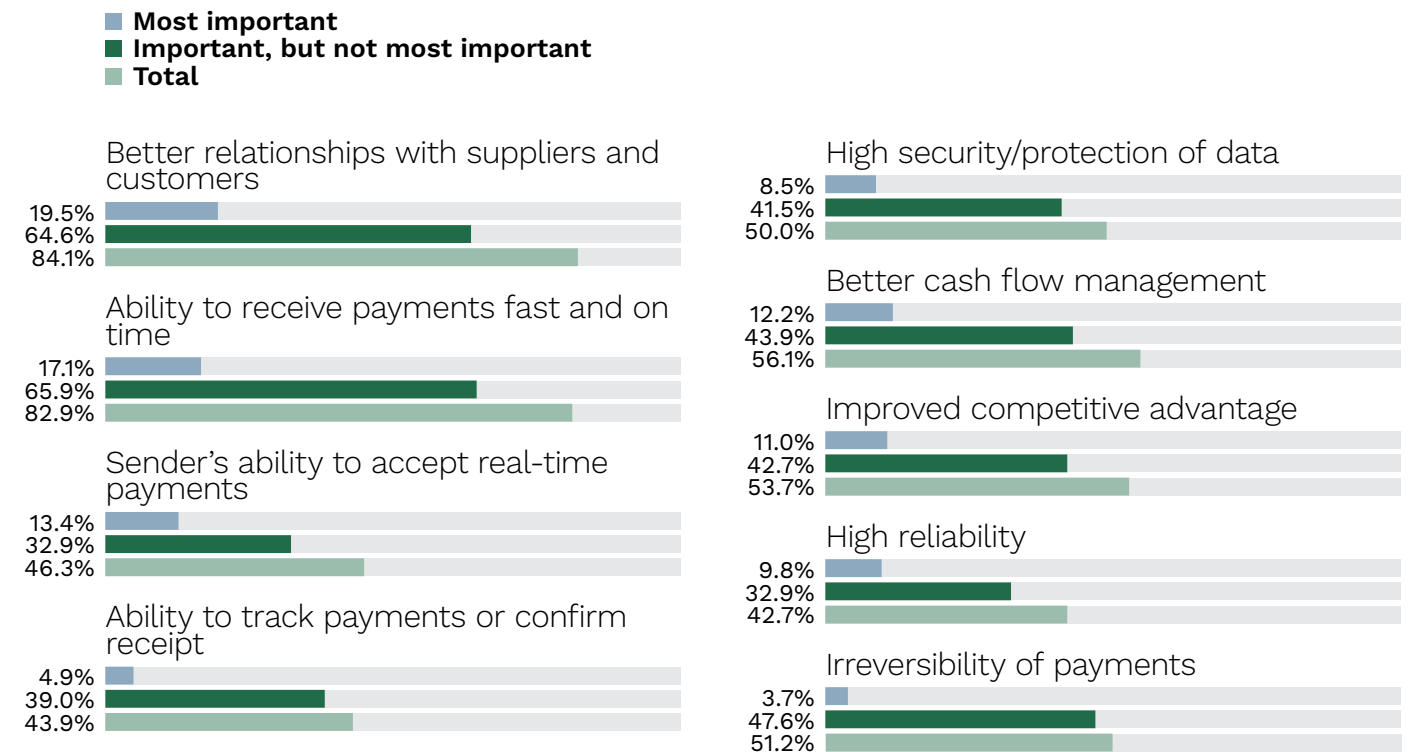
Manufacturers that receive B2B transactions also cite customer-supplier relationships as the number one driver for using real-time payments. Eighty-four percent name this as an important factor and 20% cite it as the most important. Unsurprisingly, the ability to receive on-time payments is close behind, at 83% and 17%, respectively.

We note one other standout feature for manufacturers that receive payments: the irreversibility of transactions. Unlike checks and ACH payments that take hours or days to process, real-time payments complete instantly, meaning they cannot be canceled or stopped after payment is initiated. This can greatly reduce time-consuming errors and disputes — and the related labor costs — for accounts receivable and sales departments.

FIGURE 6:

Reasons to receive real-time B2B payments

Share of manufacturing firms citing select reasons for receiving B2B payments, by level of importance

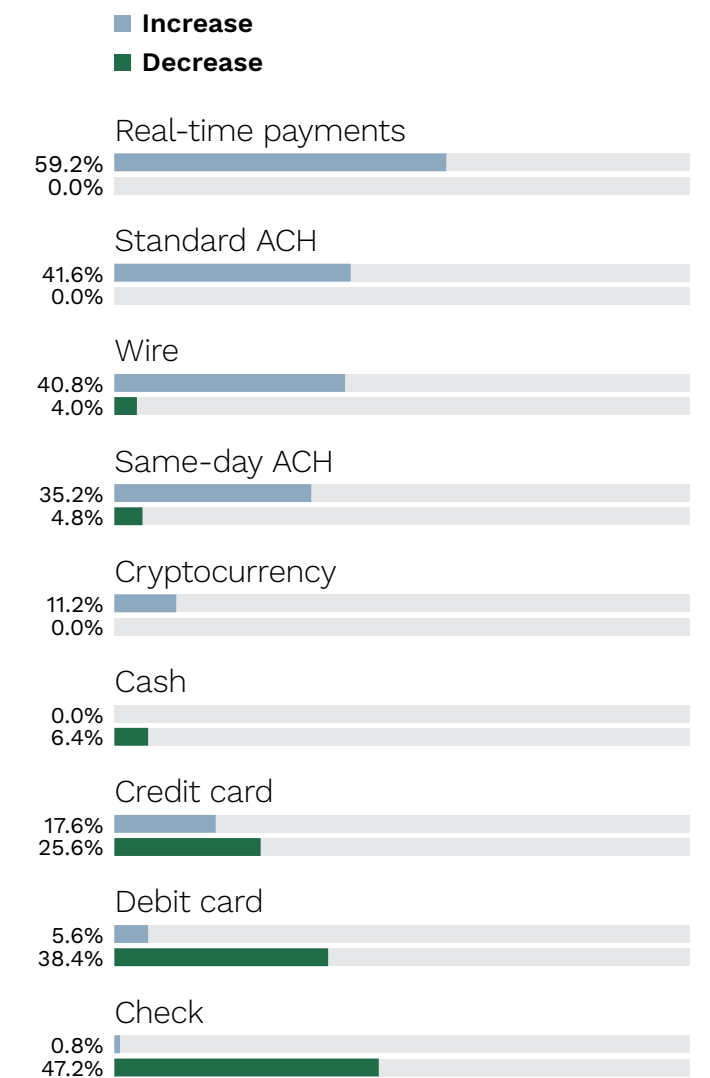


Most firms will increase their use of real-time payments, especially to replace checks and card payments.

Real-time payments are positioned to soon become the leading B2B payment method in the manufacturing sector. Fifty-nine percent of firms plan to increase their use of real-time payments for outbound B2B transactions — a much higher share than observed for any other payment method — and no firm we surveyed plans to scale back. On the receiving end, real-time payments top the list by a wide margin, with 44% of manufacturers planning to increase usage. Same-day ACH stands as the only other payment method for which both buyers and suppliers plan to substantially increase usage, at 35% for both sending and receiving.

The fact that real-time payments and, to a lesser extent, same-day ACH strongly appeal to companies on both sides of B2B transactions is significant and sets these methods apart from the others. For example, standard ACH — which normally takes several days to clear — comes in second for outbound payments, with 42% of firms planning to increase usage, but just 6.4% of businesses that receive B2B payments plan to do the same. Processing time helps explain this preference: Standard ACH, like checks, processes slowly and complicates cash flow management for recipients.

FIGURE 7:
How manufacturers plan to change outbound payment methods
Share of firms that will change usage of select payment methods for making payments



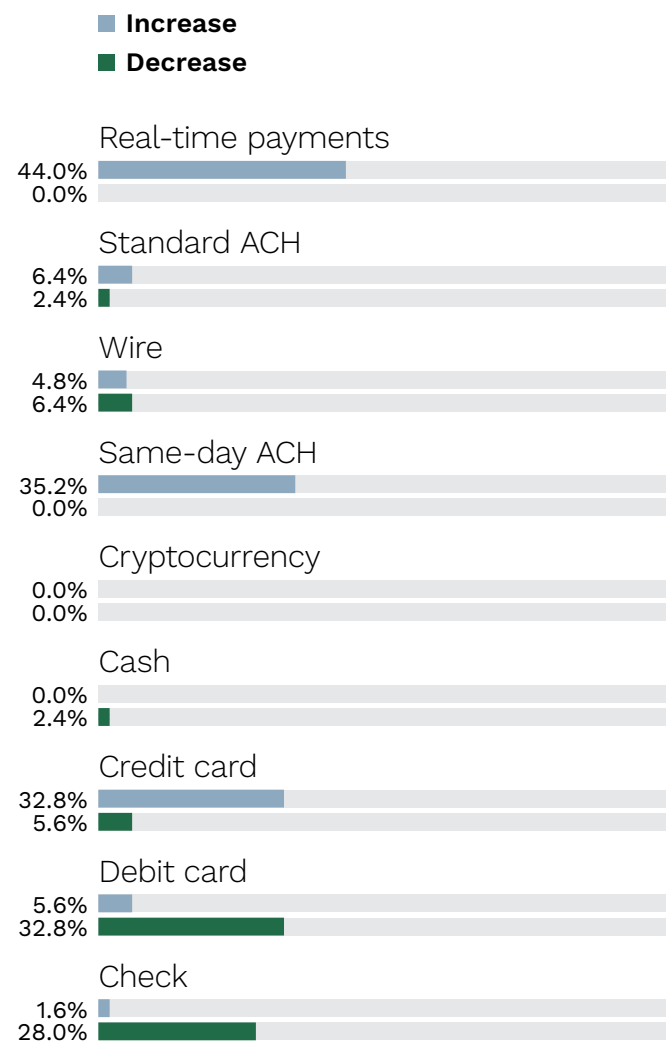
Source: PYMNTS
Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector, August 2023
N = 125: Manufacturing firms that make payments to other businesses, fielded May 3, 2023 – June 1, 2023

Our research also reveals that two traditional payment methods are rapidly becoming obsolete, with large shares of manufacturers planning to reduce their use of checks and debit cards. For making payments, 47% of companies plan to reduce the usage of checks, and 38% expect to do the same with debit cards. On the receiving side, these come in at 28% and 33%, respectively, with just a few firms planning to increase usage.

We also note that credit cards represent a special case. They are losing appeal for making payments, with more firms overall planning to scale back than ramp up, at 26% and 18%, respectively. The opposite is true, however, for suppliers receiving payments, with 33% planning to ramp up and 5.6% planning to scale back.

FIGURE 8:
How manufacturers plan to change inbound payment methods

Share of firms that will change usage of select payment methods to receive payments



Source: PYMNTS
Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector, August 2023
N = 82: Manufacturing firms that receive payments from other businesses, fielded May 3, 2023 – June 1, 2023



For making payments, 47% of companies plan to reduce the usage of checks and 38% expect to do the same with debit cards.



DATA FOCUS

Manufacturing firms that currently use real-time payments the least are the most enthusiastic about enhancing usage in the next year.

All low-use firms are either actively investing in making real-time payments or planning to do so.

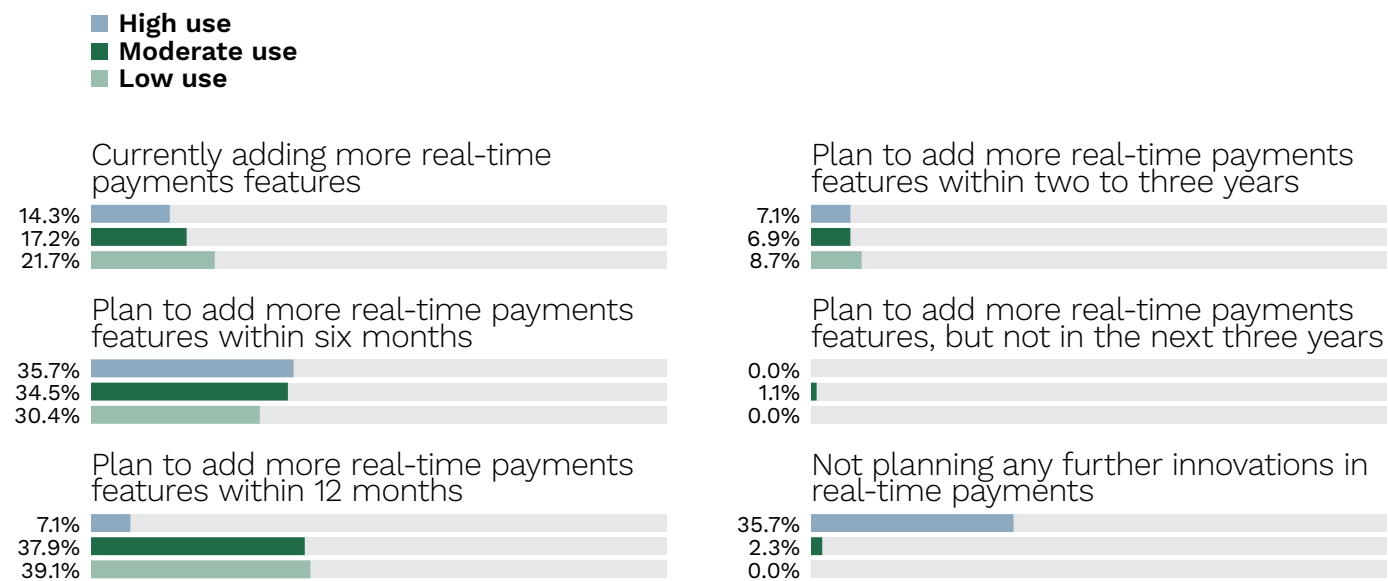
Manufacturing firms that now use real-time payments for less than 15% of all payments made — low-use firms — are racing to catch up. Eighteen percent are actively investing in improving real-time payments capabilities, and another 69% plan to do so within the next year. Moderate-use firms, which currently make 15% to 20% of B2B payments using real-time payments, show a similar trend.

Conversely, just 57% of manufacturers that already use real-time payments for more than 20% of outbound B2B payments — high-use firms — are actively enhancing real-time payments solutions or plan to do so within 12 months. The lower numbers are unsurprising, as these companies have already focused on enhancing real-time payments capabilities. The spike among low- and moderate-usage firms, however, highlights the increasing momentum in the industry-wide shift toward real-time payments as the go-to B2B transaction method.

FIGURE 9:

Near-term real-time payments innovation plans

Share of firms citing select plans to enhance real-time payments solutions, by real-time payments usage persona group



Source: PYMNTS
 Corporate Changes in Payment Practices: A Deep Dive Into the Manufacturing Sector, August 2023
 N = 125: Whole sample, fielded May 3, 2023 – June 1, 2023

“

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”

ACTIONABLE INSIGHTS



01

Manufacturers should evaluate their current use of real-time payments and whether they should accelerate implementation, given the method's growing popularity in manufacturing's B2B payments landscape. With real-time payments accounting for a growing share of transactions and traditional payment methods losing steam, firms may benefit from a balanced payment strategy in the near-term, while ramping up use of real-time payments as older methods continue to decline.



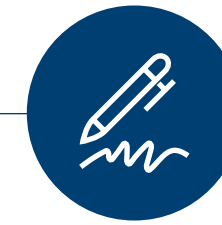
02

The B2B payments landscape is changing more quickly than it may appear, with most manufacturing firms aiming to enhance real-time payments capabilities within 12 months. Firms without a robust strategy should consider strategic collaborations with digital giants and FinTechs. These partnerships can provide the necessary expertise and resources for innovation, positioning firms that take this route to outpace those working on in-house solutions that will likely be slower and costlier to implement.



03

Simply put, suppliers want to be paid quickly and with minimal risk of errors or disputes. Manufacturers can leverage real-time payments to improve buyer-supplier relationships due to the speed and irreversibility of this payments rail. Manufacturing firms should also prioritize features such as tracking and security in B2B payments solutions.



04

A rapid decline in checks and debit card usage for B2B payments is underway in the manufacturing sector. Firms should view this as an opportunity to increase real-time payments adoption rather than resisting change. This will help them outflank slower-moving competition while boosting cash flow management and enhancing buyer-supplier relationships.

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A Deep Dive Into the Manufacturing Sector

August 2023 Report

PYMNTS®




METHODOLOGY

Corporate Changes in Payments Practices: A Deep Dive Into the Manufacturing Sector, a PYMNTS and The Clearing House collaboration, is based on a survey of 125 executives at manufacturing companies generating annual revenues of at least \$100 million. The survey ran from May 3 to June 1 and gathered information about the types of payment methods these companies use for their B2B payments as well as their interest in incorporating real-time payments into their payments infrastructure.

ABOUT

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