



## Why B2B payments need a 'BizPal'

Businesses and government departments worldwide are trying to streamline their payment processes, giving them more control, flexibility and speed. A solution modelled on consumer payments provider PayPal, but tailored to the needs of business users, might be the answer. Des Cahill, managing director of First Data Commercial Services, discusses.

Global commercial spending grew by almost 11 percent between 2006 and 2007 (\*), a clear sign of the expanded opportunities for vendors at all levels to join the ranks of global suppliers to an increasingly diverse and accessible buyer market.

While globalisation has fuelled the availability and distribution of goods and services as never before, support and administration systems in most corporates have not kept pace. In particular, the choice of payment method for business-to-business (B2B) transactions lack innovation and are rooted in legacy technology. Paper-based payments such as cheques make up a significant proportion of this legacy. For example, Forte Consulting Group estimates that 75 percent of B2B non-cash payments in the United States are still cheques.

By contrast, consumer payments are rapidly migrating from cash and cheques to electronic payments. In several European countries, electronic payments make up the majority of all consumer transactions.

Meanwhile, when on-line, we more frequently use PayPal or similar services to make secure anonymous payments. What is clearly needed is a similar ubiquitous payment method for business to business transactions, a sort of "BizPal" for B2B.

### Defining the problem

The speed of business continues to outpace the ability of organisations to adapt their processes and administration. This is clearly seen in the purchase-to-pay processes within medium to large corporate bodies and local and central governments. Here



is where opportunity exists to streamline and introduce the "e" prefix to payments and processes, significantly increasing efficiency and reducing costs.

The single most compelling reason for automation is the pursuit of efficiencies and cost reduction in the payment process - a theme echoed by CFOs and treasury leaders across industry. This was true before the credit crunch and even more so today.

Accounts Payable automation has a compelling, 'no brainer' business case built in - so why are we all not doing it? If we look at the best in class case studies where a 91 percent cost reduction has been achieved through automation we find that the solutions are complex, bespoke, multi-product and involve significant upfront investment. The result has been a lower than expected take up of automation in the payment process. In simple terms, what customers are saying is that they have a diverse spectrum of suppliers and would welcome a common electronic payment method to settle their payables.

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(\*) Source: Visa Commercial Consumption Expenditure Index

While well-developed payment processing infrastructures already exist for consumer payments, these solutions do not readily transfer to B2B payments. This is a contributory factor as to why the migration from paper to electronic transactions has been so slow in the commercial world.

### High level solution

Addressing customer needs, while obvious, are fundamental to providing a solution. The Accounts Payable process can be complex and holistic solutions aimed at streamlining these processes carry implementation barriers such as time and cost. Large corporate entities are less interested in large-scale projects aimed at rationalisation but much more disposed towards light touch solutions targeted at achievable cost savings at pain points in the payment process.

Global payment systems address the need for a truly global payment service, but these too are often complex and expensive to implement.

Many of the solutions today do not scale to achieve the levels of uniformity necessary to become functional on a global basis. Businesses need workflow, control, reporting and integration – functionality not required in consumer payment products and the main reasons why consumer systems do not easily translate into the business domain.

The key factors to be considered in developing new B2B payment solutions include:

- Understanding the target customers needs. This is the single most important requirement
- Simplifying the solution to be applied across the vendor range
- Keeping integration and adoption costs to a minimum
- Providing the capability to make efficient international payments

- Ensuring that payment solutions leverage and fit in with legacy processes, as customers do not want to discard their existing systems
- Meeting the payment needs of small business users and major multi-nationals
- Making easy adoption by vendors mandatory

Organisations with a global infrastructure, a merchant customer base and a client-facing solution are ideally positioned to deliver new e-payment solutions to businesses and government agencies across the globe, meeting the needs and criteria outlined.

One of the most important focuses for the future is to extend card payment products into the wider payment landscape with particular emphasis on international payments. So it's not just about cards – solution providers need to build around the existing ACH networks, providing choice to customers and leveraging existing technology to deliver new solutions in B2B payments.

### Business benefits

The opportunity for cost savings is clear from many of our customers who acknowledge that paying their invoices is often more costly than purchasing the goods or services. Yet automating this process appears daunting, particularly at the low value transaction end of the vendor spectrum.

This is where a 'BizPal' solution would be effective. An easily implemented electronic payment method which is acceptable to the majority of vendors and offers a choice of settlement vehicles. Low cost of introduction coupled with transparency of process cost makes such solutions attractive to the business community and facilitates wider adoption.

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**For more information on how First Data can help develop your commercial payments business, please contact Des Cahill at [des.cahill@firstdata.com](mailto:des.cahill@firstdata.com)**

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