

The logo for BlueSnap, featuring the brand name in a white, sans-serif font against a blue background. A registered trademark symbol (®) is located at the top right of the word "Snap".

BlueSnap[®]

Progressing Payments Report

THE CURRENT STATE
OF B2B PAYMENTS

Global Version

Contents

3 FOREWORD

3 A Word from Ralph Dangelmaier, CEO, BlueSnap

4 ABOUT THIS REPORT

4 Abstract

4 Methodology

5 EXECUTIVE SUMMARY

7 FINDINGS

7 Introduction

10 Chapter 1
Late Payments and Customer Communications Among
Top Global AR Challenges

12 Chapter 2
Business Growth and Customer Retention Among Biggest
Advantages of AR Automation

13 Chapter 3
Although the Need Is Clear and Benefits Tangible,
There Are Still Hurdles to Overcome

15 CONCLUSION

17 APPENDIX

18 ABOUT BLUESNAP

Foreword

A WORD FROM RALPH DANGELMAIER, CEO, BLUESNAP

We're living through tough, uncertain times. Businesses are facing several challenges — but payments don't have to be one of them.

We know payments can be especially tough for B2B organizations that still rely on manual inputs and legacy systems. They're complex and burdensome. In this report, we uncover exactly how payments are holding B2B businesses back from growing, surviving and thriving in the current market.

What's more alarming is that this suppressed growth is completely avoidable. Our data shows that, in many circumstances, organizations just don't know that help is out there. With the right technologies, which are readily available, companies can simplify their payments and drive added value to the business.

In this report, we highlight the problems faced by many B2B businesses and the risks they take by not addressing and optimizing their payments.

Ultimately, these businesses need to close the gap with B2C payments, where innovation is the norm. Why should B2B be any different?

I'm proud of how all of us at BlueSnap champion this innovation across the businesses and industries we work with. We're leading the charge for progressing payments.

Cheers,

**Ralph Dangelmaier,
CEO, BlueSnap**



About This Report



ABSTRACT

The BlueSnap Progressing Payments Report examines the current state of B2B payments, the impact payment methods have on businesses and the level of automation currently in use.

The digitalization of B2B payments is achievable. Payment and Accounts Receivable (AR) technologies exist, however many B2B companies have not adopted them, hampering business growth on a massive scale.

This report finds that most organizations still rely on outdated AR practices, negatively impacting cash flow, human resources and customer retention. Additionally, this also drains senior resources within the business.

We know innovation does not move at a consistent speed; some companies adopt new technologies more quickly than others. However, we wanted to take a holistic look at how payments processes are impacting businesses in 2021.

Featuring insights from senior decision makers at a range of businesses in the UK and US, this report identifies pain points in the automation process for B2B companies and highlights where automation is needed to bring B2B payments into the 21st century.

METHODOLOGY

The BlueSnap Progressing Payments Report was fielded in October/November 2020 and gathered data from a total of 800 senior decision makers: 500 respondents from the US and 300 respondents from the UK.

These senior decision makers represent a range of small-, medium- and large-sized organizations with global annual revenues of \$5 million to \$1 billion. These businesses are predominantly focused on selling to B2B audiences, although many also have B2C offerings.

The businesses surveyed are primarily from the financial services, retail, distribution and transport sectors, with a minority representing a range of industries, including manufacturing and production; IT, technology and telecoms; business and professional services; and construction and property management.

The respondents surveyed in this report range in seniority levels, from department managers to more senior positions within an organization, including owners and CEOs. They are all employed within the finance, operations, purchasing/procurement or business direction and strategy functions.

It is important to note that all respondents are directly involved in the payments process, and the majority have overall responsibility for approving external costs and purchases.

Executive Summary

Over 80% of B2B executives say the future of their company is threatened by late payments.

Businesses have a clear need to digitalize their payments and Accounts Receivables (AR) processes.

Businesses are relying on outdated, legacy and often-manual technology, which is damaging their cash flow and recovery efforts following the effects of the COVID-19 pandemic. For example, 98% of organizations that accept paper checks in their AR processes have been impacted by the fallout of the pandemic as a direct result of using this payment type.

In addition, 29% of businesses were not able to process paper check payments because no one was in the office, and 39% were significantly delayed in processing check payments because of timelines for collecting the mail.

Yet while the technology is there for B2B businesses to use, modernization isn't translating into reality for many, as 99% say that at least part of their organization's AR process is still manual.

Manual AR processes are negatively impacting cash flow, which directly affects potential business growth.

It's time for change and without doing so, organizations risk money loss and business depletion. Luckily, according to our research, 98% of senior decision makers want to make changes to their AR process. As part of this transformation, 95% agree their organization should be investing more in AR automation and payment technologies. Furthermore, the expected benefits of introducing AR automation and payment technologies, along with the effects of the COVID-19 pandemic, have amplified the need for a shift away from more outdated systems.

Most businesses are aware of the advantages of addressing these challenges and, as detailed in our findings, these center around improving cash flow.





Executive Summary

AR in most organizations still relies on manual processes, and payments are often taken using legacy methods.

Manual processes are also still in rotation, with many businesses still using postal mail and even fax to send invoices. In addition to this, B2B organizations are still using legacy payment types to pay invoices, including cash (13% on average) and paper check (11% on average).

The use of manual processes almost certainly equates to more time spent managing the lifecycle of invoices. Senior decision makers estimate that, on average, 11 working hours are spent managing a single invoice, with 71% reporting that up to 15 people are involved in this process.

Some organizations report even higher figures, with all the above data showing that laborious and time-consuming payments procedures remain the norm for both vendors and their customers within B2B settings.

The desire to change AR processes is strong and the benefits are tangible.

Most organizations (93%) experience negative consequences due to their current AR processes. Over a third of respondents say their organization is unable to forecast cash flow accurately (37%) and their organization is unable to grow due to cash flow issues (35%) as a direct result of their AR processes.

The biggest difficulty faced by organizations is the collection of late payments, with 42% of respondents stating this as one of their top three challenges. On average more than a quarter (27%) of customers exceed their payment terms, resulting in 30% of an organization's monthly revenue being tied up in AR at any one time.

Findings

Introduction

43%

of businesses say delays in processing has had an impact on their cash flow

A WAKE-UP CALL FOR BUSINESSES

Prior to COVID, businesses were satisfied with the status quo when it came to accounts receivable. Used to outdated practices and legacy systems, they had been ticking along with processes that seemed to work. However, unpredictable challenges and pressures exposed major weaknesses. Small problems that existed before, were intensified.

With the unwelcome and unanticipated arrival of the pandemic, these impractical and outdated methods were severely tested by businesses around the globe. This moment served as a wake-up call for ongoing reliance on manual invoicing.

This report looks at the current state of B2B payments, and it shows there is a clear need for businesses to move towards a more modern approach to Accounts Receivables (ARs).

Sending out invoices was challenging, for example, as businesses are still mailing or even faxing invoices to customers. Unexpectedly, 32% of businesses are still faxing invoices to their customers, and this wasn't the only surprise, as businesses are also still manually emailing (46%) and mailing (40%) invoices to customers. Not only does hardware such as fax machines require human interaction, but staff also need to be trained to operate them. Generation Z employees — those born between 1995 and 2012 — will soon comprise most of the workforce and have likely never even seen a fax machine, let alone know how to use one.

In fact, 42% of businesses still describe their AR process as “mostly manual.” This has resulted in significant delays in processing invoices, which 43% of businesses say has had an impact on their cash flow. This includes legacy processes such as:

- Collecting mail, which 39% of those businesses still processing paper checks said delayed clearances, with 29% claiming they were not able to process checks due to no one being in the office
- Completely / mostly manual account reconciliation (36%)
- Completely / mostly manual creation of aging reports (34%)
- Completely / mostly manual managing of customer communications (34%)

53%

of businesses want to accept more electronic payment methods

Businesses are clearly suffering because of inadequate AR processes, all while trying to mitigate the effects of the pandemic and ensuing economic downturn. This has made having a reliable cash flow even more crucial.

Sometimes a shock to the system is needed to catalyze change. This is evident as 53% of businesses want to accept more electronic payment methods and 43% want to reduce manual steps.

B2B payments lag behind B2C in a way that can be changed through more automated AR processes. In adopting new systems, businesses can finally get ahead of the curve by using solutions such as:

- Automatic bill payments
- Invoices via email automation
- Online customer bill payments

These systems have already been adopted for consumers, so why not businesses too?

THE CURRENT STATE OF B2B PAYMENTS: LEGACY, MANUAL AND TIME-INTENSIVE

We wanted to take a closer look at how B2B organizations are currently approaching payments, including how they are invoicing their customers and taking payments, as well as the resources needed to do so.

Our data shows that outdated forms of payment, such as paper checks, are still a preferred payment method for many businesses and their customers. Rather than encouraging customers to pay online, businesses are still accepting more traditional payment methods. Before this was simply inefficient, but now it's also a potential health hazard.

B2B businesses are also still being paid via legacy methods, such as over the phone. On average, 23% of customers pay in-person and 22% over the phone, compared to only 31% of customers who are paying online or via a mobile app.

When looking at those customers who receive invoices from B2B organizations, some are using more modern payment types to pay them. On average, 21% of payments are taken by credit card, 12% by local bank transfer or automated clearing houses (ACH) and 13% by wire transfers. Customers have begun adapting, so suppliers must too.

The inability for businesses to do so has various negative effects, notably on productivity. Our research finds that on average 11 working hours, 15 people and five different systems are required to manage the lifecycle of a single invoice.

38%

of businesses report their payment process is manual

Time-consuming and inefficient payment types such as cash or check use valuable resources, taking time away from senior decision makers and their teams, which could be used elsewhere on higher priority items for the business.

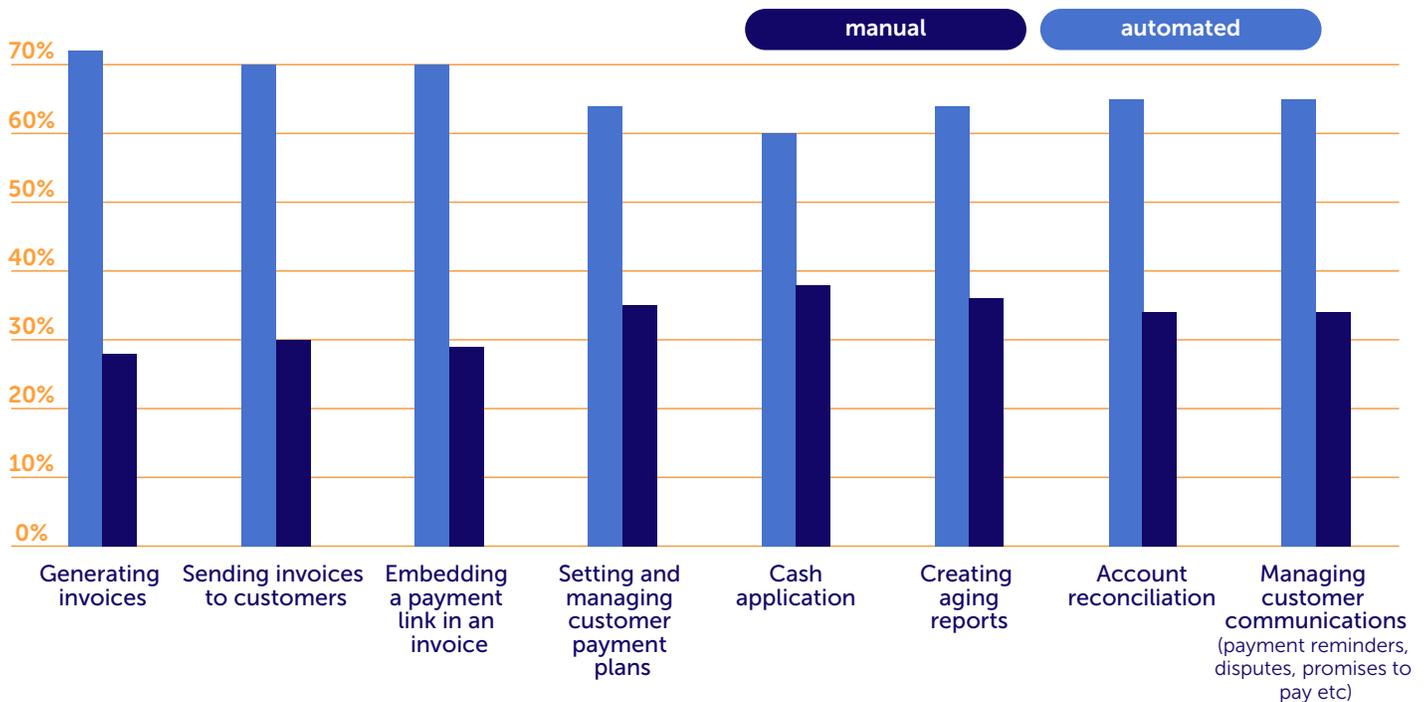
The study shows which AR processes are currently being used to manage invoices and how they impact an organization's efficiency. The data shows existing AR processes are predominantly manual, time-consuming and rely on participation from multiple employees.

But why is so much time being spent on managing invoices? Because they are being processed manually. Ninety-nine percent of senior decision makers say that at least part of their organization's AR process is manual. Over two thirds (38%) of businesses reported that each stage required to fulfill the life cycle of the payment – from generating and sending invoices to customers to managing payments and customer communications – is either partly, or completely manual.

As a result, organizations are spending huge amounts of unnecessary time and money on their AR processes. And the challenges don't stop there.

FIGURE ONE

The Nature of Activities (Manual Vs Automated) Within the Companies Surveyed



37%

of businesses say they cannot forecast cash flow accurately

35%

say they are unable to grow due to these cash flow issues

LATE PAYMENTS AND CUSTOMER COMMUNICATIONS AMONG TOP GLOBAL AR CHALLENGES

We know the AR processes currently used by many B2B organizations are inadequate and are hurting businesses, with 30% of firms stating they had lost contracts or customers because of this. Further to that, 30% also say that their bad debt write offs are too high as a direct result of existing AR processes. We found that the biggest challenges for businesses when it comes to AR are collecting payments and the accuracy of invoices – 15% each.

To highlight the scale of this problem, over a quarter (27%) of customers exceed their payment terms and on average, 30% of an organization's monthly revenue is tied up in AR awaiting payment.

We also find that businesses experience negative consequences on their cash flow due to limitations in their current AR processes. For instance, 81% of businesses agree that the future of their firm is threatened due to lack of cash flow due to overdue invoices, 37% say they cannot forecast cash flow accurately and 35% say they are unable to grow due to these cash flow issues.

AR processes are also having negative effects for partners and customers of these organizations. Two fifths (40%) of businesses pay their suppliers and partners late, and 39% say that customer relationships have suffered. Nearly a third (30%) have actually lost customers and contracts because of their AR processes. This may have also been a result of using processes customers deemed as non-modern.

Managing customer communications was ranked by 42% of respondents as one of the top three challenges when it comes to AR, yet all these problems would be solved if AR automation were implemented.

Poor AR processes are also taking a toll on businesses' human resources, with 29% having difficulty keeping good employees as a direct result. Long and tiresome AR processes take time away from work that motivates employees. Furthermore, the emergence of COVID has made businesses more aware of how these processes should be replaced and what they should offer instead. For example, the impact the pandemic has had on the ability of staff members to process checks – via office closures and other safety measures – has meant that more than half (53%) of respondents that still accept payment by paper check want to offer more electronic payment types, and 44% want to reduce the number of payments they receive via physical check altogether.

The full potential of employees can't be reached if they're too busy sending out invoices by post or taking calls that can easily be replaced by online portals. If businesses are reluctant to evolve, staff turnover increases and here begins a vicious cycle of recruitment, job dissatisfaction and resignations.

Coming back to cash flow; if the financial health of a business looks uncertain, in part due to poor AR processes that are impacting cash flow management, staff may seek a role elsewhere, which appears safer and more interesting in the long term.

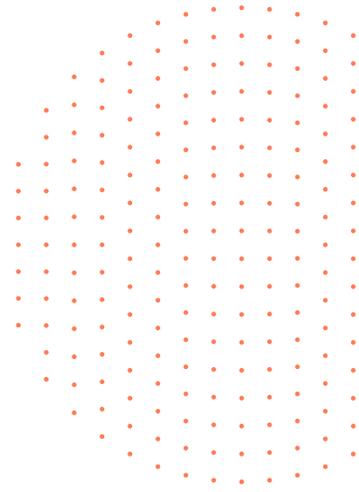
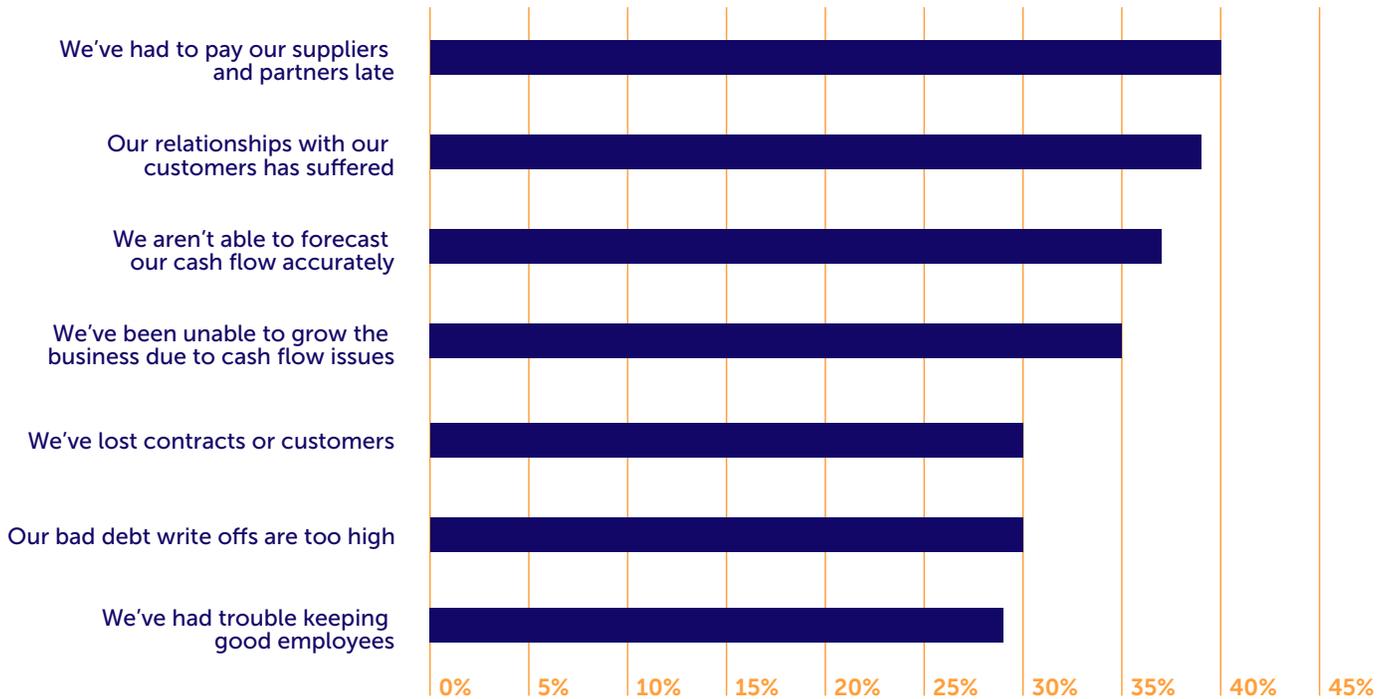


FIGURE TWO

Has Your Business Experienced Any Consequences Due to Your Current Accounts Receivable Process?



99.7%

of senior decision makers are optimistic and open to AR automation, with almost all stating that digital transformation would benefit their organization

BUSINESS GROWTH AND CUSTOMER RETENTION AMONG BIGGEST ADVANTAGES OF AR AUTOMATION

Investing in and digitalizing B2B payments has many advantages. A big motivation for businesses to change their current processes is improved cash flow, with 12% ranking this first and 32% listing it in their top three reasons.

Twenty-eight percent of respondents believe that increasing investment in AR automation would give them the opportunity to grow as a business, and 25% say that it would help them win more business from existing customers.

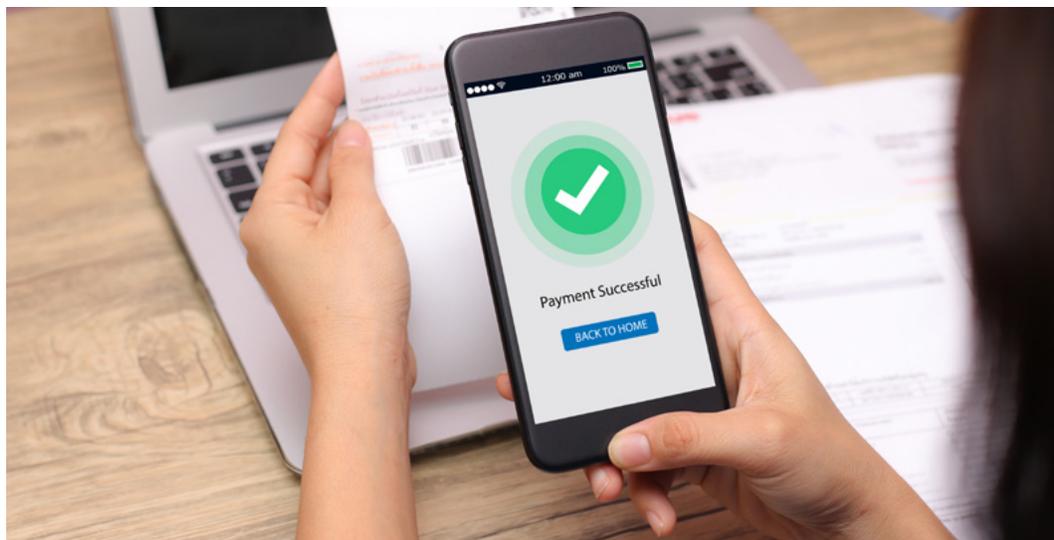
Digitalizing payments and AR processes could have several positive impacts, including:

- Improved cash flow to invest and grow their business
- Increased customer satisfaction, retention, and acquisition
- The ability to win more business from existing customers
- Greater productivity
- Improved morale within the AR team

In fact, many of these advantages center around addressing cash flow challenges, with almost a third predicting improved cash flow (32%), better forecasting and planning (30%), and reducing past due invoices (27%) as within the top three benefits they would expect to see. In addition, at least a quarter believe it would give their organization the ability to invest and grow (28%) and win more business from existing customers (25%).

Senior decision makers are optimistic and open to AR automation, with almost all (99.7%) stating that digital transformation would benefit their organization. Furthermore, based on all the issues understood to be rooted in legacy AR processes, it's no surprise that almost all (98%) the senior decision makers surveyed want to improve, and specifically automate, their AR processes.

Additionally, in giving customers more payment options – including electronic payment methods like ACH, local bank transfers, and direct debit – digitalization offers customers a better service



ALTHOUGH THE NEED IS CLEAR AND BENEFITS TANGIBLE, THERE ARE STILL HURDLES TO OVERCOME

B2B businesses are keen to make efficiency gains and are aware of the benefits investing in AR will bring, with 95% of senior decision makers agreeing that they should be investing more in AR automation.

In some cases, the desire for change is translating into action, with 46% of respondents stating that their organization is already investing in AR automation or new payments technologies.

FIGURE THREE

Expected Benefits of Investing in AR Automation and Payment Technologies



This question was asked to respondents who agreed that their business should be investing more in AR automation and payment technologies.

Businesses have also expressed which changes in processing they'd like to see, with 58% citing automatic bill payments and 41% seeking an online portal for customers.

However, several internal challenges are still holding businesses back from a full transition.

The most significant barrier to adoption is education, with 40% of B2B firms saying that a lack of understanding of what technology is available prevents them from investing more in AR automation and payments technology. Other notable barriers include a perceived lack of in-house technical expertise to implement new systems (34%), along with a resistance to change (33%).

Businesses are comfortable with the way things have always been done. While nobody wants to be left behind, traditional AR processes have not yet resulted in a complete collapse of business, so firms are sticking to what they know. But as shown throughout the report, such complacency is not sustainable and B2B payments must adapt to succeed.

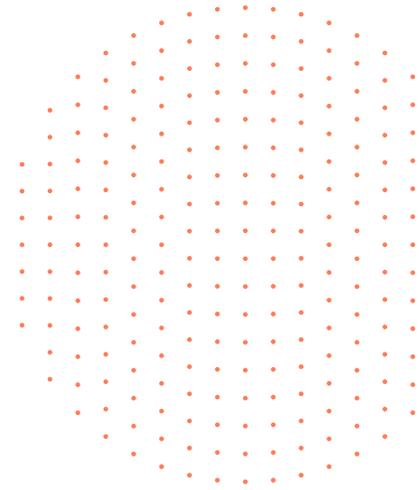
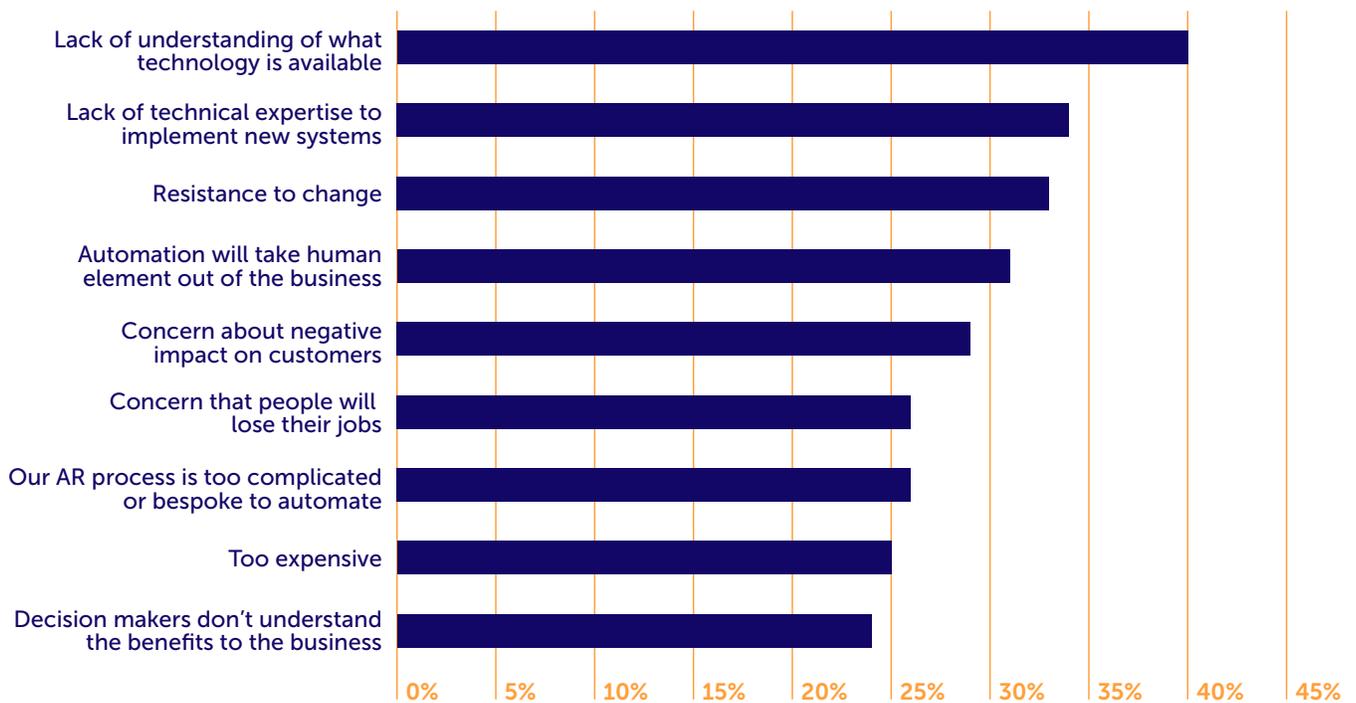
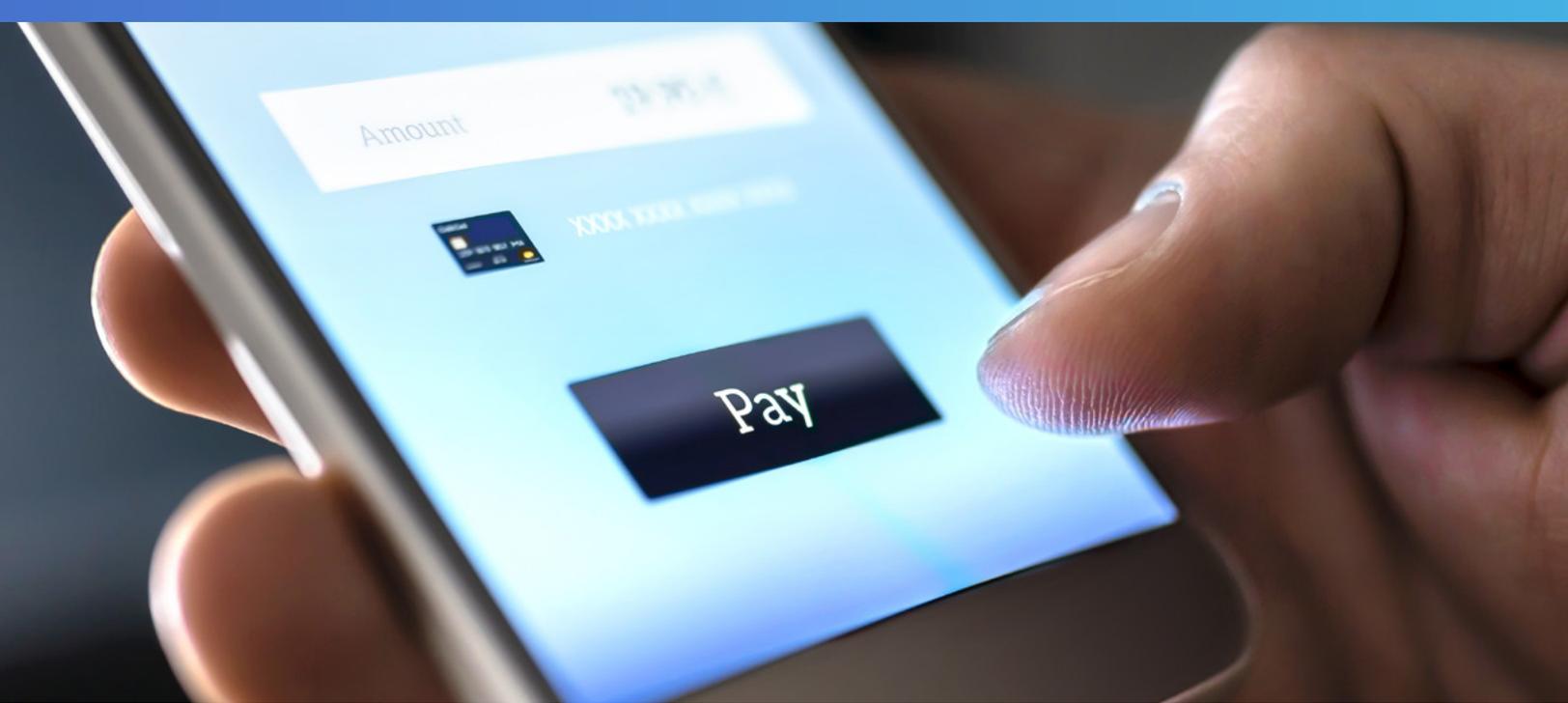


FIGURE FOUR

What is Preventing Investments?



This question was asked to respondents who agreed that their business should be investing more in AR automation and payment technologies.



Conclusion

Many businesses in the B2B space are being held back by legacy systems and outdated AR processes.

Invoicing and the payment process can and should be simple.

Yet often within B2B settings, they remain complex and cumbersome. Fortunately, this problem can be solved through investment in automation and readily available technologies that streamline payments for business and their customers.

Our research shows beyond a doubt that integrating automated AR processes into businesses could reap several benefits (Figure 3). Now, B2B firms must begin their journey to modernize AR processes if they want to unlock future growth.

3 Key Ways B2B Businesses Can Leverage Automation in 2021 to Progress Their Payments

1: Be honest about what isn't working

Firms should accept when processes aren't working and open themselves up to change. If they don't, businesses could put their cash flow at risk and quickly fall behind the curve in a post-COVID world.

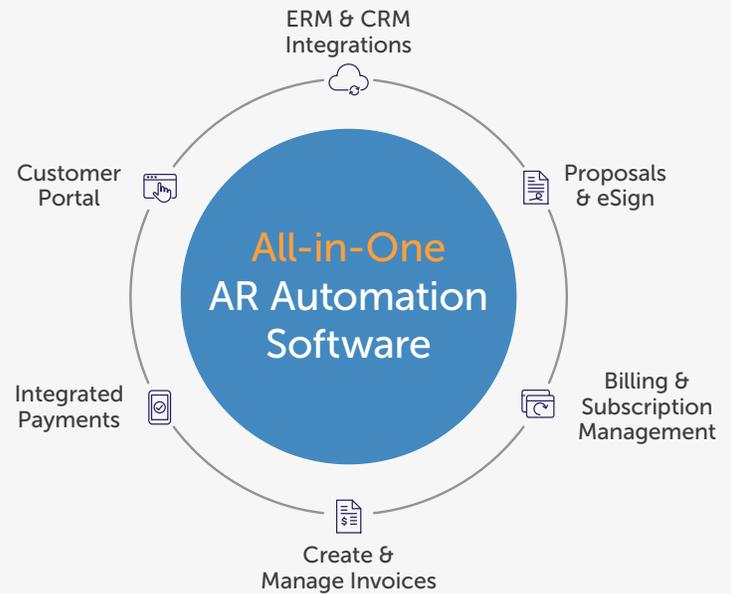
2: Embrace automation

Businesses must be willing to invest in the technology needed to overhaul legacy systems and outdated payment methods. Implementing these changes is easy, cost-effective and you will be left asking yourself why you didn't do it sooner.

3: Identify the right solution for your business

A wide range of tools and technologies are readily available to help B2B businesses improve their AR processes, and firms must establish which tools are right for them based on their business goals and customer pain points.

Automate Your Accounts Receivable in the Way That Is Right for You



BlueSnap Accounts Receivable Automation is cloud-based accounts receivable automation software that ensures prompt, efficient customer communication, helping you to accelerate payments while reducing days sale outstanding and alleviating the strain on finance teams.

BlueSnap can help you:

- **Improve Your Quote-to-Cash Process:** Empower your sales team to handle the process, from creating quotes for prospects to collecting payments from customers, while eliminating bottlenecks. We partner with leading accounting/ERP systems and CRMs, offering integrations to their software without the need for coding or complex onboarding.
- **Bill Customers Your Way:** Easily manage recurring invoices, subscriptions, usage-based billing and automatic payments. Give your customers a branded portal for paying their invoices and balances, updating their billing information and viewing documents.
- **Modernize Your Invoice Management:** Give your customers branded invoices with an embedded payment link to encourage quick payments. Easily enable automatic payments, apply late fees, offer payment plans and more.

With BlueSnap Accounts Receivable Automation, you can automate as little or as much as you would like. Ready to see the impact AR automation could have on your business? [Visit **www.bluesnap.com** today!](http://www.bluesnap.com)

Appendix



WORKS CITED

- 1. 2019 B2B Payments Survey Report.**
Bottomline.
- 2. The B2B digital inflection point:
How sales have changed during COVID-19.**
McKinsey & Company.
- 3. The 2020 McKinsey Global Payments Report.**
McKinsey & Company.
- 4. Welcome to Generation Z.**
Deloitte.
- 5. The Role of the United States Postal Service
in the Age of COVID-19.**
Rand Corporation.
- 6. COVID-19 Managing cash flow during a period of crisis.**
Deloitte.
- 7. Comparative Litigation Rates.**
Harvard Law School Cambridge.
- 8. UK businesses face fines for late payment of suppliers.**
The Financial Times.
- 9. World Payments Report 2020.**
Capgemini Research Institute.

Copyright © 2021 Bluesnap Inc. All rights reserved.

The contents of the report may be used for editorial purposes with credit attributed to Bluesnap. The contents of the report may only be used for commercial purposes if written permission is first obtained from BlueSnap. For permission to use this report for commercial purposes, please contact bluesnap@hardnumbers.co.uk.

Images used under license from iStock.

Design elements used under license from Envato and Uicreativenet.

About BlueSnap

BlueSnap's All-in-One platform helps B2B and B2C businesses increase sales and reduce costs by providing everything they need to automate accounts receivable and take payments globally.

Our Platform enables global digital invoicing with embedded payments, subscriptions, customer communications, payments reconciliation and a branded customer portal.

Businesses can accept any payment with ease and manage invoicing globally – from proposal to payment. The Platform includes access to 110 payment types, built-in world-class fraud prevention to protect sales and detailed analytics to help businesses grow.

Learn more about all the ways BlueSnap can help your business at www.bluesnap.com

