
Automation, Optimization and Efficiency

What Mid-Sized Businesses Need to Know About
the Changing Payments Processing Landscape



The Value of Efficient Payments Processing

Optimizing your B2B payments processing will benefit every aspect of your business.

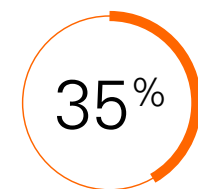
When your business runs more efficiently, you make more money. Automation is the key to maximizing efficiency. Modern B2B payment solutions will provide you not only with savings, but data-driven insights that will enable you to pivot with customer trends and promote growth.



A Pressing Need

[Forbes.com](#) reports that mid-sized businesses want to automate their payments processing in order to save money over traditional payment methods. According to [Deloitte](#), the mid-market B2B payments processing segment is valued at \$3.3 trillion and growing, and the vast majority of businesses express interest in integrated payments processing. And yet, even though most financial institutions admit their [business customers experience B2B payments friction](#), not all of these institutions are ready to address the situation.

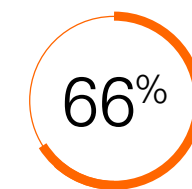
Traditional Payment Methods



of businesses say high costs are a challenge

\$8

average cost to process a single supplier payment

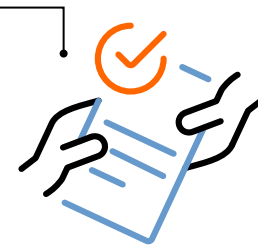


of that processing cost is labor

Integrated Payments Processing

75%

of businesses using traditional methods are very interested



21%

of businesses using traditional methods are somewhat interested

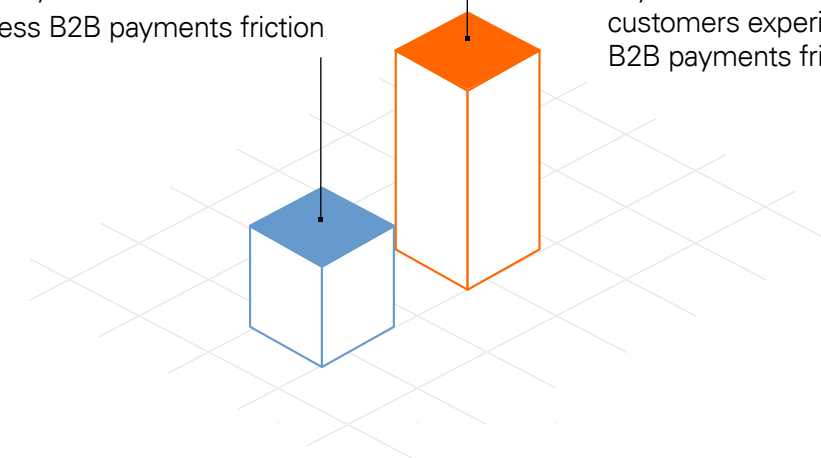
Financial Institutions

Only 37%

say they have the resources to address B2B payments friction

75%

say their business customers experience B2B payments friction



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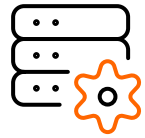
Pain Points

In a [report by principal Brian Shniderman](#), Deloitte notes that the U.S. middle market is “historically underserved” when it comes to payments processing. That’s a source of frustration for both sellers and buyers dealing with B2B payments, which means it’s an opportunity for the processing industry.

[Deloitte’s research](#) identified seven pain points for mid-sized businesses that payments processors should be addressing with modern B2B solutions.

The Seven Pain Points of Mid-Sized Payment Processing

 High Processing Costs	 Fraud Risk
 Supplier Payment Methods	 Manual Accounts Payable Processing
 Limited Transaction Visibility	 Remittance Data Processing
 Payment Delays	



Drilling Into the Data

Those pain points should sound familiar to anyone who processes B2B payments, and the [Deloitte report](#) includes some eye-catching details from the underlying data. Here are a few examples that may resonate with your business.

High Costs

This was identified as a major challenge for 35% of businesses with traditional payment methods. The cost to process a single supplier payment is nearly \$8 on average.

Accounts Payable

The report highlighted buyers' lack of "adequate automation capabilities for AP processing due to limited back-office integration with electronic payments and electronic invoices."

Supplier Payment Methods

Deloitte identified this issue as a mismatch in the methods preferred by buyers and suppliers. The key is that buyer payment decisions rely heavily on the methods used by their suppliers.

Limited Transaction Visibility

This pain point can fly under the radar at financial institutions. Different file formats, lack of back-office automation support, and the need to reconcile multiple invoices is "cumbersome" for businesses in this segment, the report notes.

In sum, a savvy payments processor should know your pain points before they come to your door. Let's explore how that works to your advantage.



What Automation Must Do for You

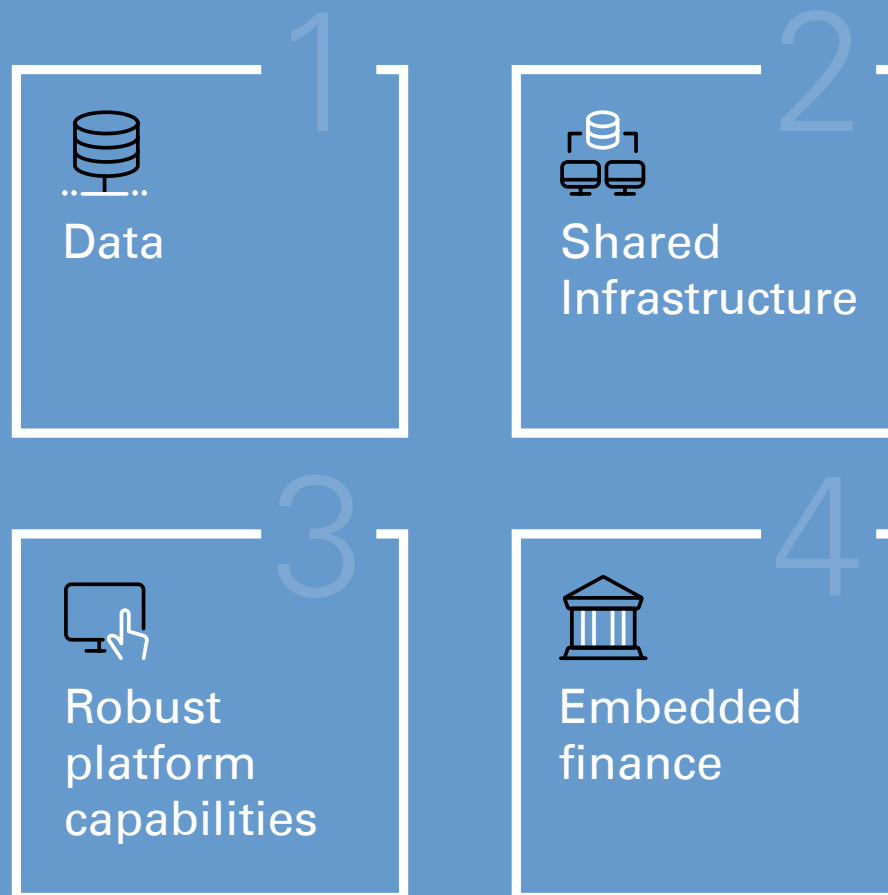
With financial institutions incentivized to address the pain points of mid-sized businesses, your company should have a checklist of outcomes that automating your B2B payments processing solutions must accomplish.

- 1** The bottom line is the top line: It has to reduce the cost of processing, saving you money and increasing profitability.
- 2** A data-first approach: It must provide you with actionable insights that will help you make smart decisions.
- 3** Security, security, security: Encryption and secure servers are non-negotiable.
- 4** An end-to-end process: All components of the solution stack, so you can use one vendor instead of three or more to complete the process.
- 5** Time to market: Implementation should happen quickly with a customer-based approach.
- 6** Works with your ERP: Be sure integration with your existing ERP happens at the process level for a seamless experience.
- 7** AP and AR on one platform: This maximizes efficiency and can lead to a reduction in DSO.



The Four Pillars of Customer Experience

In its “[World Payments Report 2021](#),” Capgemini described the essential nature of modern payments processing as being “experience driven.” Jeroen Hölscher, head of global payments and cards practice at Capgemini, discussed the foundational elements of that idea in an [interview](#) with WorldLine.



Aspects like cloud-enabled, data-driven, microservices APIs and processing power will continue to be increasingly important for the next few years, Hölscher explained. Existing financial institutions will have challenges in easily offering these services while moving away from legacy systems. Therefore, he said, this transformation is crucial in order for them to become or remain successful.



The Importance of Security

While Capgemini didn't call it out specifically, there's another conclusion easily drawn from their four pillars of customer experience: A customer who is informed about data security will be a confident customer. And confidence breeds loyalty.

What mid-size businesses need to grasp is that it's up to them to inform their customers about the security of their transactions, because no one else will. Meanwhile, information on data breaches is readily available and not heartening.

For example: TransUnion, through its IdentityForce channel, [reported](#) on the upward trend of data breaches – already up more than 200% over the same quarter of the preceding year – and included profiles of some of the most notable data thefts, from children's clothing stores to national restaurant chains and marijuana dispensaries.

So you need to educate your customers – and your own team – on the state of your transaction security. And that means grasping two of the most-used and least-understood terms in the industry today: Point-to-point encryption (P2PE) and tokenization.



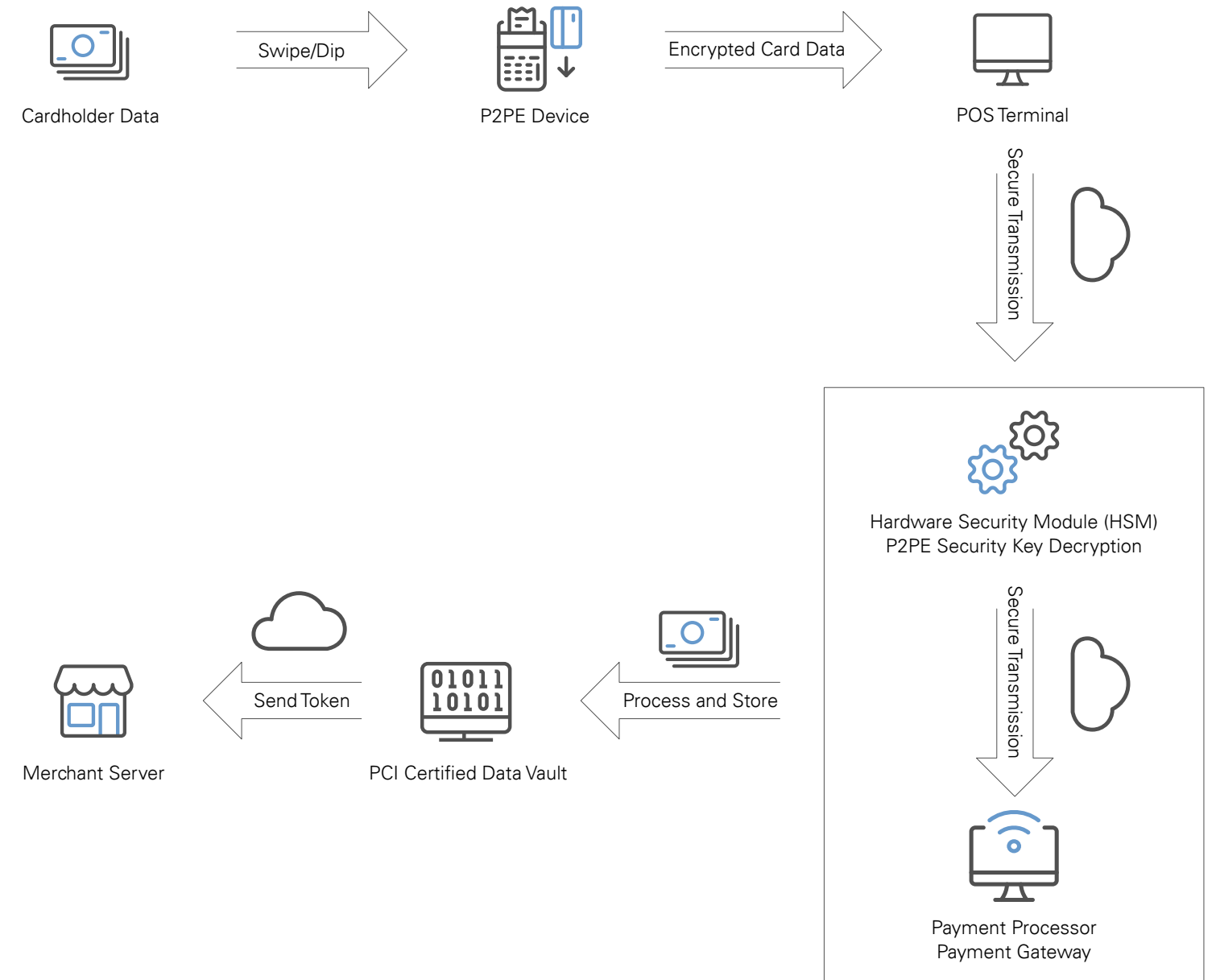
A Powerful Duo

A publication on P2PE and tokenization from Fiserv lays out clearly the differences between the two security methods, and why many believe they work best in tandem.

P2PE uses secure devices, applications and processes to encrypt data from the point of interaction (a credit card terminal, for example) to a processor's secure environment.

P2PE Solution Data Flow

The following diagram depicts the general data flow of a credit card transaction processed with a P2PE PCI validated solution.



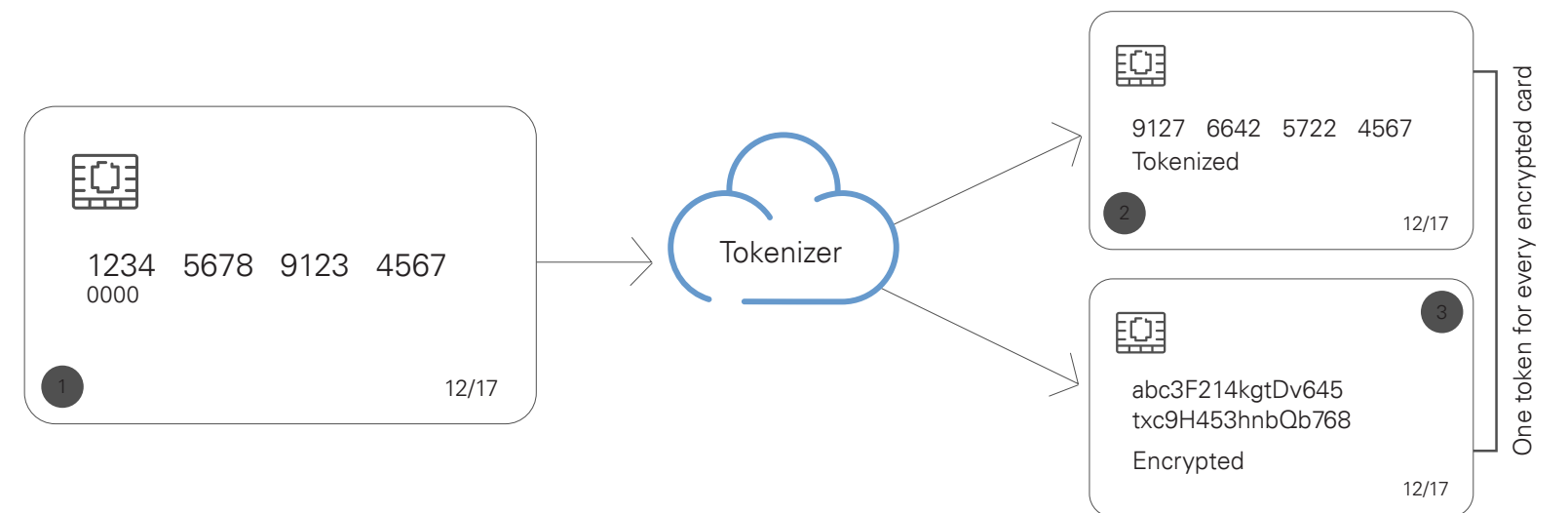


Tokenization applies another level of protection. It generates a random number associated with a payment card but removes sensitive data, and it can't be used outside the payment processor's gateway. This enables a business to store data without the risk of a hacker being able to decrypt it and obtain the original credit card.

This may seem redundant, but when it comes to security that's not a bad thing. Indeed, [World Payments Report 2021](#) identified tokenization as one of the necessary elements in "building technology prowess" for payments 4.X.

If that's not reason enough, mid-sized businesses have another incentive to work with payment processors that use this one-two combination: Compliance.

Tokenization Example



How Compliance Helps Everyone

Being in compliance is, in many ways, like keeping your vaccinations up to date. It protects you (and, by extension, your customers) not only from bad actors, but it also keeps you on good terms with the doctor – in this case, the regulators.

The combined dose of P2PE and tokenization is powerful medicine, indeed. By reducing a merchant's PCI scope, it also reduces your costs associated with compliance or the need to hire PCI-certified assessors or auditors.

Those are, ultimately, bottom-line issues. And implementing an omnichannel payment solution that is PCI-certified brings with it other fiscal benefits. In the Fiserv report, "[How to Assess the Need and Value for Omnichannel Payment Processing](#)," Miguel Garcia drives home this fact when he notes "terminal equipment that does not use encryption or tokenization ... creates financial risk for the business with the ongoing burden of securing cardholder data."

PCI-compliant solutions will reduce the costs associated with securing payment card data; reduce the risk of data breach or damage to your company's reputation; and provide security across multiple payment channels. All of those benefits can be summed up in one beautiful word: savings.



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Optimization Drives Savings

Of course, investing in new, PCI-compliant processing apps during a time of rising inflation can make the most stout-hearted CFO blanch, but here's what you need to remember: The flipside of automation is efficiency, and businesses know efficiency powers growth. Investing in optimization, now, reduces costs for the future.

"Savvy merchants recognize that payments are about more than cost, and ultimately should enhance their organization's agility and adaptability," Forbes.com reported.

Case in point: Customers using Fiserv suite of B2B payments solutions, for example, have reported saving up to 50% on their processing costs, an average of \$2 million per year. They have also experienced reduced volume at their call centers and seen disputes resolved more quickly. That optimization frees up your AP and AR personnel to focus their expertise on honing efficiency and helping increase profitability.

Businesses are coming around to the fact you won't realize those kinds of savings before optimization. Citing [451 Research's Voice of the Enterprise: Customer Experience & Commerce, Merchant Study 2021](#), Forbes.com reported that "more than one in three (37%) respondents indicate that their businesses are planning to make investments in payment processing over the next 12 months."

Either you're in that 37%, or your competition is.

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The Right Solutions

Deloitte identified three key takeaways about modern fintech solutions:

- 1 They should strengthen key capabilities by reducing costs, increasing speed and improving efficiencies.
- 2 Processors should be offering proprietary bundles that provide a seamless experience.
- 3 Any solution should also harness “greenfield” innovation with disruptive technologies such as cloud, mobile and real-time payments.

Those takeaways are also a checklist for your business. Yet, to date only 10% of businesses are using a fully integrated payment processing service from a software vendor. This despite the fact that, according to [Forbes](#), three-quarters of businesses say they’re very interested in integrated solutions.

Since payment processors are incentivized to proactively address your pain points, solving them has become table stakes – and if a processor you’re talking with hasn’t already accounted for these pain points in their solutions, you should see what the next one offers.



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Essential Benefits

In the 21st century, payments processing cannot be viewed as a standalone function. It is part of your company's broader ecosystem and touches virtually everything you do. Integrated solutions don't just keep your books balanced, they provide data and analytics that help you identify sales trends and recognize opportunities for growth.

With the actionable insights you gain from data transparency, you'll have agency to impact every aspect of your business.



Transaction Efficiency



Authorization Services



Surcharge Recapture Compliance



Reward and Loyalty Programs



Analytics and Reporting



eCommerce Payment Solutions



Third-Party Integration and POS Software



Method of Payment Acceptance



Cross-Border Currencies

Selecting a Processor

Before you select your next processing vendor, though, you need to ask a few questions:

- What are the primary pain points for my business?
- Does the offered solution address those points specifically?
- Is this an integrated solution from a single provider?
- Does it integrate with our current ERP at the process level?
- What data will it provide us, and what support does the vendor offer?
- Are accounts payable and accounts receivable served by the same platform?

As noted by [Deloitte](#), the U.S. middle market B2B payments processing space is a \$3.3 trillion segment, one that will not be ignored by financial institutions. This gives mid-market businesses leverage, but you still must perform your due diligence. A thorough analysis of how an automated solution addresses your company's unique requirements will give you a clearer picture of whether it will produce the efficiencies you need to grow your business.



Fiserv Payment Solutions for Mid-Sized Businesses


Fiserv commerce solutions can enhance customer experience, reduce credit card processing costs, and streamline vendor payments. Customers who have implemented our mid-market B2B commerce solutions are saving an average of \$2 million per year. We offer seamless, process-level ERP integration with Oracle, Microsoft and SAP, plus open APIs that allow integration with other third-party systems. Plus, we bring both accounts payable and accounts receivable in one platform.

For more information about how Fiserv can help you identify gaps in your payment processing and maximize growth for your business, contact us for a free consultation.

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Connect With Us

For more information about mid-market B2B solutions from Fiserv, contact Marco Godinez at

 855-948-4811 or

 marcos.godinez@fiserv.com

Fiserv is driving innovation in Payments, Processing Services, Risk & Compliance, Customer & Channel Management and Insights & Optimization. Our solutions help clients deliver financial services at the speed of life to enhance the way people live and work today.