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A smarter way forward for B2B payments

weavr

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Efficiency, automation, and convenience are what businesses expect from their operations and technology these days. But are payment processes evolving as fast as businesses want? We've taken a look at the latest trends and changes in businessto-business (B2B) payments to see where the opportunities might be for digital innovators in this space to embed finance services into their products.

We offer three ways in which the B2B payment experience can be radically transformed to give enterprise resource planning (ERPs), accounting tools or order-management a huge competitive step up. They are in more detail further on, look out for 'Uniting invoice processing and payment under one system', 'Shrinking the margin for human error', and 'Empowering budget owners'.

Let's explore trends shaped by recent events, advances in technology, and how disruptive solutions such as embedded finance are becoming available to the more ambitious early adopter.

> B2B payments can be slow, cumbersome, paper-based process, with companies who buck the trend able to realise competitive advantages.

Today's B2B payments industry

The difference in customer experience between B2B and business-to-consumer (B2C) is vast. The customer experience has diverged, with B2C becoming easier but business payments seemingly as difficult as ever. Why is this? Because B2B payments are more complex than B2C payments, and processing requires more time to approve and settle, with more stakeholders and risk if things go wrong. Processes traditionally designed to limit risk also prevent seamless and instant workflows.

For example, in the business world, we might place an order digitally but not receive an invoice with payment terms until days later, which then adds to the always-growing pile of admin tasks needing to be done by month end. Whereas in B2C payment processing, the transaction is typically settled on the spot and the experience has never been slicker.[1]

B2B payments by the numbers

63% of invoices require anywhere from two to five sign-offs

Average of 14 days to process an invoice

80% of all B2B payments are made by cheques

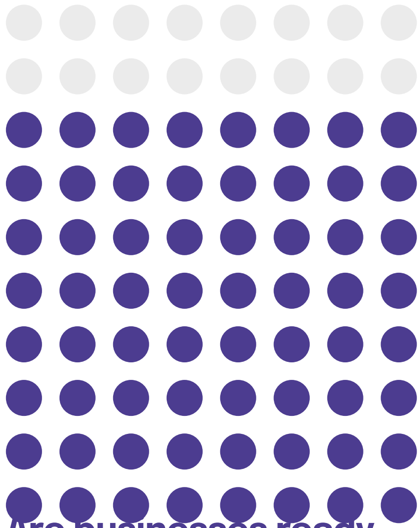
Traditional approaches to finance management have been disrupted for small and medium-sized enterprises (SMEs) by multiple new digital-only services that think more about convenience and digital UX design - the likes of Xero, Freshbooks, Chargebee, and FreeAgent. They've radically improved the ability of SMEs to get a grip on their book-keeping, AR/AP, and financial controls. However, when it comes to moving money, these platforms still typically require users to hop out and manage cash and payments how they've always done it - in their bank.

Dealing with these basic financial needs within a bank's app or portal offering (to say nothing of phone banking or going to a branch in person) is likely to feel limiting compared to the choice, convenience, and control that SMEs have come to expect from their non-bank cloud-based tools. Most traditional banks have stayed within a fairly limited definition of what they can provide, and aren't innovating nearly as fast as the non-bank fintechs. Now the situation is getting even more interesting because it's not only financial and accounting applications targeting bank-like functionality, but a wider range of SaaS business tools that are accelerating the process of "unbundling the bank" that was started by the fintechs.

With the pandemic accelerating digital transformation, how has it shaped the B2B financial landscape, and why is it so far behind consumer experiences?

There's no doubt that businesses have upped their digital game since the start of the pandemic. Entire workforces were forced to work from home. The businesses that thrived rather than struggled were those who took advantage of the most remote-work-friendly tools. Those who got people set up with Zoom ("you're on mute!"), or utilising project management tools to aid productivity, like monday.com or Asana, and not forgetting Slack or Microsoft Teams to ping a colleague a quick question or GIF.

Think back to using project management platforms, and when your company interacts with third parties, invoices are often part of that process. What if the payment of those invoices could also happen within the platform? Company-wide visibility of everything, all in one place - actions made behind the scenes, and automation taking care of some of those laborious admin tasks.



Are businesses ready for more digital payment processes?

Well, 80% of B2B sales interactions between suppliers and buyers will occur in digital channels by 2025, as stated in Gartner's recent research report 2. It clearly shows where the B2B payments journey is heading, right?

Eight in ten organisations fast-tracked their digital transformation programmes in 2020, according to Dell's Digital Transformation Index 2020, which surveyed over 4,000 business leaders globally. In addition, 89% said the pandemic highlighted the need for a more agile and scalable IT environment.[3]

Slack now boasts over 1,800 integrations! In some cases, it has replaced intra-company email communication entirely. There's no going back, companies now depend on tools like these.[4]

Much handier than separately logging into the bank account, making payment manually, and documenting it in a spreadsheet (that no one in the company can ever find when needed).

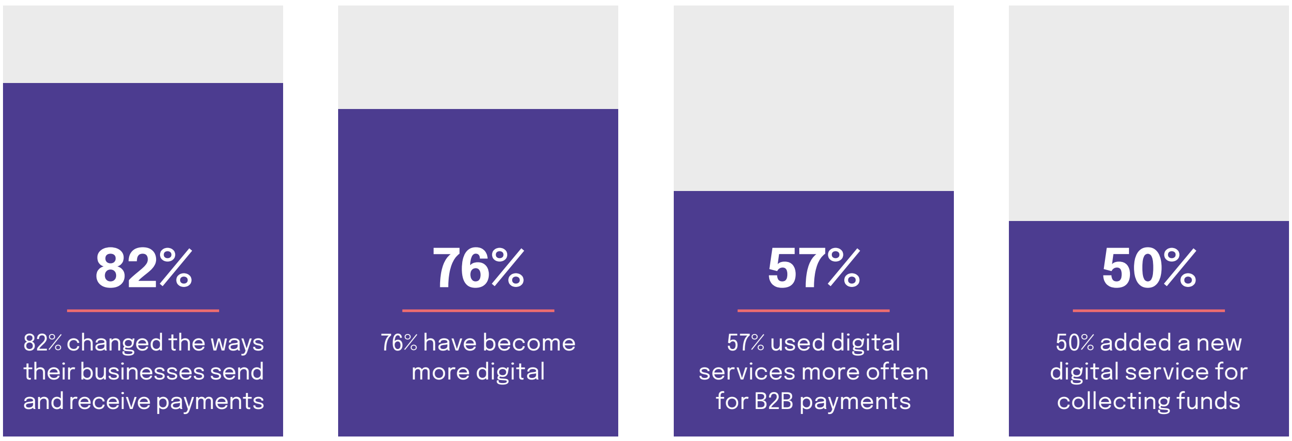
However, the question still remains how many of these offer good financial tools or plug-ins? Currently not many - even with the advances. Paying for something still requires taking out that plastic card (or - gasp - borrowing "The Business Card" from someone else), waiting for an email to authorise - it's a clunky process in the B2B payments world.

Product managers at B2B app and platform innovators are now addressing a much more receptive mainstream market for anything they can offer that helps businesses progress their digital transformation strategy via a more B2C-like experience inside business workflows.

McKinsey & Company reports that 65% of B2B companies across industries are fully transacting online in 2022.

And for the first time, B2Bs are more likely to offer e-commerce over in-person sales with more than 80% saying they hold their e-commerce channel to the same or higher standard as other channels. Stating that it offers the same or better levels of excellence in product and service availability, pricing, performance guarantees, shipping and delivery, and personalised recommendations.[5]

Business payment changes due to Covid-19



Covid-19 has already greatly impacted how businesses send and receive payments.

Source: Mastercard survey of small businesses

"It's clear: the businesses who best understand embedded finance are currently getting the most out of it. That creates a clear incentive for companies to become more educated in this area. By studying what's possible with embedded finance, you quickly become more open to the opportunities that this technology presents. It's one of the quickest ways to help give your business a competitive advantage in the context of increasingly crowded marketplaces."

Daniel Greiller, CCO of Weavr

Smarter payments: digital innovators at the frontier

Innovative platforms like finway have embraced embedded finance to transform how B2B payments are made. Finway is a powerful tool for SMEs that enables back office teams to manage accounting, keep track of budgets and process invoices with automated workflows. With Weavr's Supplier Finance Plug-in (see below for a quick explainer), they can then go one step further to link up their bank account and issue payments from one holistic system.

There's a huge opportunity for more SaaS back-office platforms to plug financial tools into their offering, whether or not their existing functionality focuses on payments or accounting.

Weavr Supplier Finance Plug-in

- Full-stack embedded finance solutions that combine the financial infrastructure
- Compliance-as-a-Service, all of the processes and support a digital business needs to add financial services to their digital business.
- Be up and running in a few weeks and at a fraction of the cost of Banking-as-a-Service.

What are the benefits of embedded finance?

Adding financial services to a digital application leads to benefits right across the customer lifecycle. That's why 73% of business intend to embed finance in the next 2 years.

(Source: OpenPayd survey, FintechTimes):

Sharpen customer acquisition

85% of companies that implement embedded finance say it has helped them acquire new customers. A richer experience is more appealing. In turn a richer experience contributes to improved lifetime value and lower churn.

(Source: OpenPayd survey, FintechTimes)

Multiply your revenue per user

The financial services a business adds to their application are monetisable. For example, the business can add a fee to process payments, issue cards or any other service to their customers. Rather than being a cost centre, embedded finance can be a considerable growth driver.

(Source: a16z)

Valuable data and customer insights

When you own the financial part of the customer journey – rather than sending the customer to the bank – you can understand how your customers transact. An example would be aggregating the spending patterns and examining them by demographic to gain a powerful set of insights that guide product development and marketing.

Transformation for B2B payment experience

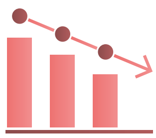
Sounding familiar so far? Here are three use cases, where embedded finance can offer the solution to everyday business woes.

Uniting invoice processing and payment under one system

One of the biggest frustrations with back-office SaaS solutions is that they often feel incomplete. They're designed to make processing invoices and paying suppliers easier. The platform they use might pull in their bank account details so that they can see their cash position and movements in and out. But when it comes time to make those payments it means opening up another window, logging into a bank and filling in all the correct account numbers and amounts manually.

Embedded finance can sew that entire journey up in one place

When invoices come in, cloud accounting and bookkeeping platforms can match up the reference numbers and reconcile everything, but embedded finance could then offer the ability to pay with a single button. The payment process becomes simple, and no time is wasted by moving between multiple portals. It's not just about a better joined-up experience for the end user. An accounting platform could increase their revenue per user by monetising the flow of money that's now taking place within their platform. a16z VC state that the revenue opportunity exists to at least double per user.



Shrinking the margin for human error

When large sums of money are moving from one business to another, accuracy is critical. One number is all it takes for the wrong amount to be paid out, or the right sum to reach the wrong account.

It might sound like a rare slip-up, but it happens all the time. Research by Versapay revealed that more than 80% of C-suite executives at large companies say they have lost revenue as a result of miscommunication causing invoice disputes. And according to 92% of those executives, the answer to solving those human performance issues was digitising the process.[7]

Payment and SaaS - marriage made in heaven

The more manual steps there are, the greater the chance of those costly human errors occurring. But when payment and SaaS are integrated in one platform, those steps can be automated.

Embedded finance can help here. There's no need for a back-office team member to copy across account numbers and invoice amounts every time a supplier needs to be paid, and the risk of a small mistake sending money astray is vastly reduced.

Removing repeat processes humans must complete

To licence software tools and digital services within a budget, a manager or team may have to request permission at least four or five times: in the original budget planning, to create a purchase order, to approve paying the resultant invoice, repeating those steps if figures or deliverables got changed, and then to execute an actual payment, not counting any later reviewing or reconciliation steps.

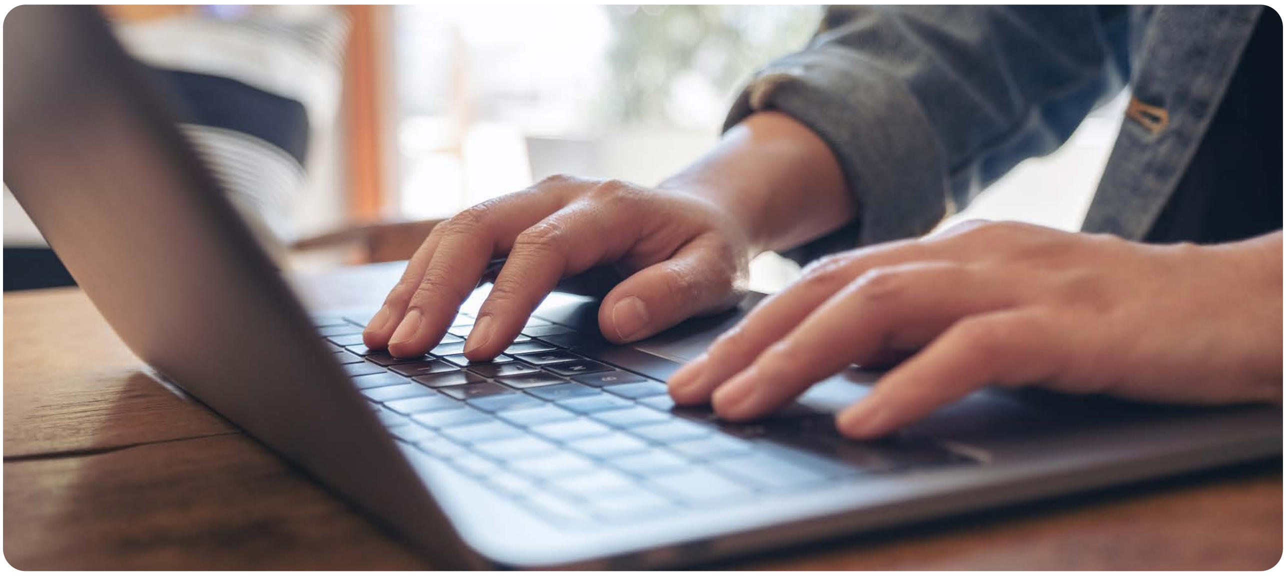
Every single payment is fraught with administration, resulting in costs, delays, and complexity around even simple requests. Paying for digital products and services is typically about finding a way for the business to move faster, but in practice, all the bureaucracy makes businesses move slower and incentivises lower quality, less scalable “free” solutions - which can include costly DIY approaches.

Business cloud tools can fall short - lots of smart digital tools offer ways to join up processes and expand functionality by tapping into an ecosystem of apps and integrations. However, these are not usually free. Even if the original platform (e.g. a CRM or workflow building app) is licenced, there’s no way to tap into that payment method to add authorised charges to a bill.

What can embedded finance offer?

A platform provider could encourage business users to set up their billing via a branded payment account with an attached card. They could then offer ways for a company to allocate funds to particular business units or staff. They could then use these funds to pay for add-ons or recommend new tools in a marketplace or referral model.

Tools that were merely used by the business to plan work or hold conversations about digital tooling and budgeting could now be used to empower teams to actually acquire and set up their choice of tools, within safe limits set by the business, virtually eliminating the drag of legacy payment approvals bureaucracy.



Disruption Radar

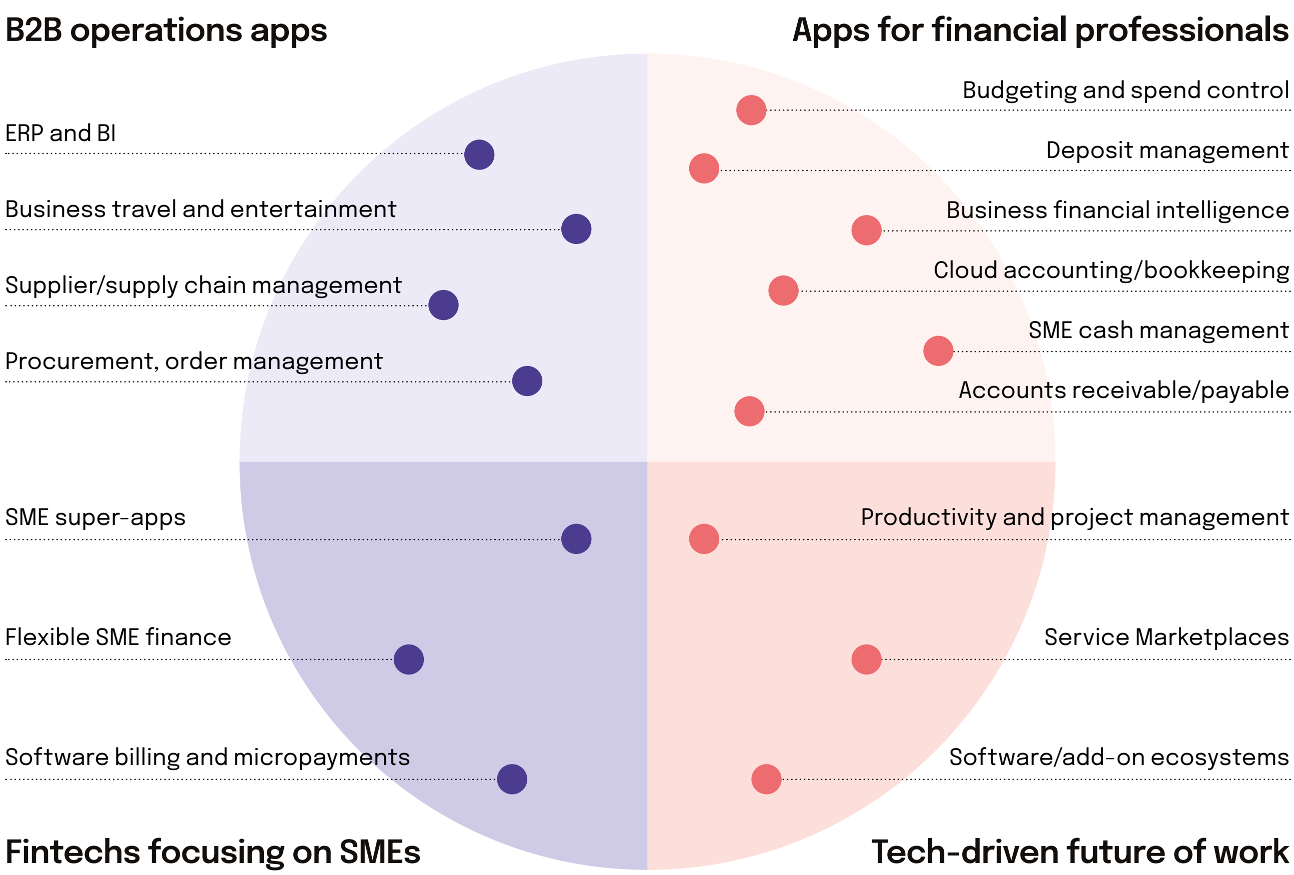
Which verticals are going to be fastest to benefit from embedded B2B payments?

Whether or not competitors in your space are already using embedded finance to stand out from the pack, disruption is coming to your industry.

When looking at B2B payments, our research sees the most quickly transformed verticals being those where businesses are already dependent on digital tools for tracking financial data such as cloud accounting platforms. In these applications, adding cash and payment accounts makes a lot of sense in terms of the speed and sophistication of functionality that innovators can add.

Looking more broadly around business tools such as productivity and collaboration software, and ERP-type functions, it's the areas where analog disconnects cause costs, inaccuracies, and delays that will be targeted by embedded finance innovators in the next couple of years.

Innovators in non-financial spaces can help their users extend efficiencies into workflows that involve cash and payments, and by doing this they can differentiate their application and add new revenue streams for their business.



Payments stuck in a chain?

Embedded finance can help with that

Paying suppliers isn't always as simple as transferring money from one company to another. Often there's a much longer chain involved with each business sending or receiving invoices from each other. It's a prime opportunity for capital to get stuck, as each business is waiting for multiple invoices to clear further up the chain before their own can be paid.

This is far from a small or sporadic issue. In 2021, the UK government said that £23.4bn in late invoices was owed to businesses across the country8. While lengthy supply chains don't account for all of that missing revenue, they are still a huge contributor to firms not getting paid on time.

Capital stuck in an account is not capital at work. Payees are forced to delay putting those funds into projects that will move their business forward. It results in slow business that leads to slow innovation and a serious economic opportunity cost.

Troc Circle is using embedded finance to tackle the problem.

Most innovators (that's probably people like you by the way) rarely ask for 'embedded finance' when looking at embedding financial services into their products. It's more the practical problems they face. Problems with customer experience, problems with reconciliation, or even problems with the banking and payments infrastructure within the business model itself.

That's what's really exciting for us about working in the digital finance tech industry. Weavr are able to address real life niggles, (that can easily become mountainous if left unaddressed), for businesses and its customers, using financial software that integrates smoothly behind the scenes - but has a massive positive impact.

Case study

Resolving financial gridlocks in B2B marketplaces

Troc Circle enables businesses to unlock important capital stuck in their accounts receivable by netting out due invoices.

Weavr solution

Weavr provided Troc Circle with the technical and legal framework required to onboard merchants and sellers, while also allowing payments to be processed via its virtual card solution. Weavr's products offered a smooth integration with Troc Circles existing ERP and multiple accounting software products. Weavr also substantially improved the company's KYC and compliance checks.

Plug-in used

Supplier finance

> "In just a few weeks, we've built a disruptive solution, which goes above and beyond our customers' expectations."
>
> **Fares Hobeiche, Co-founder & CEO, Troc Circle**

TROC CIRCLE

weavr

Why Plug-and-Play Finance is a game-changer

The next generation of embedded finance, Weavr gives you the ability to supercharge your business with Financial Plug-ins.

Core to Plug-and-Play Finance is the understanding that our customers will be better equipped than any payment provider to create solutions to real-world challenges. It's then Weavr's role to give easy enough financial-services tools to augment their proposition.

A key aspect of Weavr's mission is to enable any digital application to integrate financial services that can create value for customers.[9] The result? Improved customer experience is great for users of the application. For the business, they also have the opportuinty to multiply their revenues.

Weavr's Plug-and-Play Finance gives your business the ability to design and launch products at short notice, which is essential in today's fast-paced world. That's not the only benefit, Weavr is the fastest and most cost-effective option for any business wishing to embed finance and validate its impact.

Faster to build

Gain immediate access to the complete package you need for your business model, so you can get to your first live transaction 10x faster than any other approach

Easier to run

Secure, scalable SaaS platform behind unified interfaces means you can run and grow your business without worrying about building your own fintech ops team

Designed to evolve

Weavr plug-ins help you stay agile with clear versioning and change management, and new fintech capabilities added regularly. Scalable including global product offering and automatically updated features with every launch

Increased customer acquisition

85% of companies found embedding finance helped them acquire new customers [6]

Multiply revenue per user

New revenue streams via rev share and fee charges. Embedded finance can more than double your revenue per user [10]

Compliance as a Service

We fully take on the burden of managing compliance, regulation and data security. You get to focus on building your core business

Your brand takes credit

All Weavr solutions are 100% white-labelled, so you maintain ownership of the customer experience with no distractions or brand dilution

What's needed to build embedded finance solutions?

In today's fast-paced market, you should be able to easily, quickly and safely integrate banking features such as cards, accounts and IBANs into your UX and workflows. And with Weavr's Plug-and-Play Finance, this has never been simpler because we provide a fully-formed solution to plug in.

Bridging the gap between innovator and banks

SaaS Innovator: your app & your users

Weavr Plug-and-Play provides what you need for embedded finance to work

- Fee management
- Identity & verification
- KYC, KYB
- Transaction services
- Usage Analytics
- Financial roles & permissions
- Technical support
- Webhooks & notifications
- Screening & monitoring
- Sandbox & simulation
- Financial management flows
- Anti-fraud
- Architecture & integration
- Transactional content management
- Compliance services
- Secure UI & tokenisation
- Card design & delivery

Regulated Financial Products & Services

- Card issuance
- E-money accounts
- Regional payment rails
- Compliance models and monitoring
- Currencies
- Financial admin and analytics
- Payment (scheme) authorisation
- Transaction filtering

End notes

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Game-changing tech for world-changing experiences.

Enabling any business to offer any financial service anywhere their customers need it.

- **Build and validate quickly**
- **Multiply your revenue per user**
- **Evolve and scale faster**

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