5 Trends Changing Business Payments In 2019

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BY KARLA FRIEDE

Suddenly, business payments are hot. I'd say there's a growing level of understanding of the space and a feeling that B2B payments are starting to come of age. That is good news for customers, considering decades have passed since there was innovation in this space. Here are 5 trends for business payments in 2019:

1.) B2B payments innovation has begun

Many of the people who wanted to meet me were venture capitalists and private equity partners. B2B payments are a very, very large market—36 trillion in payment volume—versus about three billion for consumer payments. Most business customers are still paying with checks. This has always been an interesting category because it's so big, and so far behind in digitization. Now, as the consumer payments technology market is becoming saturated, B2B payments have captured the attention of the investment community. There are a lot of new investments happening, so look for offerings related to B2B payments in the next few years.

2.) Payments as a backbone

Vendor payments are tied to a lot of other processes. Once you digitize payments, it opens up opportunities with procure to pay, dynamic discounting, supply chain financing, and lending to name a few. For example, we've already seen Uber experiment with making auto loans to its drivers and taking the loan payments directly out of their pay. Companies should look to digitize payments with an eye to efficiency and cost savings now, and as a springboard into other innovation opportunities down the road.

3.) Full payments automation

The first wave of new entrants in B2B payments has already hit the market, and many of their value propositions sound the same, cloud, simple, automated. But, not all of them are really in the cloud, simple, or automating the whole process. B2B payments have long been plagued by partial automation, and that's a big reason why so many businesses are still stuck on checks. Cards and ACH make the transfer of funds electronic, but they also introduce new manual processes for file preparation, reconciliation, and vendor enablement. New, truly automated solutions can handle every part of the process. The person in accounts payable should only have to select the bills they want to pay and click the "pay" button. Buyers need to look past the marketing and check under the hood.

4.) Banks embrace fintechs

Five years ago, the relationship between fintechs and banks was adversarial. There was a lot of talk about fintechs using technology to take over different aspects of banking and to do it faster, cheaper and better. Over the past 18 months or so, we've seen the conversation shift. There is a growing recognition that banks and fintechs have very different strengths and that they will be stronger together. Bank and fintech relationships are now starting to form. Examples include Bill.com's relationship with JPMorgan Chase. The idea is to bring Bill.com's solution to small businesses through the bank channel. Chase's recent acquisition of WePay provides an application for three-party payments for platforms such as ConstantContact and GoFundMe. This is just the tip of the iceberg; we will see many more partnerships and acquisitions in 2018.

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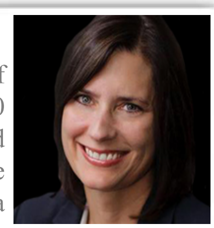
5.) Blockchain is still a technology to watch

Blockchain, the distributed ledger technology that underpins Bitcoin, is still very much part of the conversation. This is the only technology that truly has the potential to change banking and finance as we know it, providing a new set of instantaneous, decentralized, global payment rails. Banks and fintechs such as Ripple and Earthport are collaborating and getting traction, demonstrating they have a value proposition. But, if banks find ways to control it, it may end up being a better experience, but it won't be any less expensive than current options.

All of these developments are great news for customers because the market is picking up speed and companies will have a lot more choices than in the past. B2B payments are far more complex than consumer payments, and there's next to no technological innovation applied to them until very recently. Companies have lived with the status quo for decades. That is all about to change.

As fintechs encroach on the turf of core bank activities like lending and payments, banks are just going to step up their game by either improving their own overall services or by teaming up with the innovators that are already in the space. ❖

ABOUT THE AUTHOR



Karla Friede is CEO, Co-founder, and member of the Board of Directors at Nvoicepay. She has 20 years of experience in management, finance, and marketing in both large and early stage companies. She has grown Nvoicepay into a leading B2B payment network.