



B2B Payment Trends

Alternative Labs Inaugural Report

JANUARY 2024

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Introduction

Welcome to the inaugural version of Alternative Labs, wherein Alternative Payments leverages its proprietary dataset to provide market intel on payment processing and payment acceptance. This report sheds light on key trends shaping the future of accounts receivable and payments. We delve into key themes that are affecting US-based services companies while providing proprietary, anonymized insights from millions of transactions processed by [Alternative Payments](#).

Exploring the Transforming Landscape

The B2B payments landscape is witnessing a paradigm shift. As businesses adapt to the evolving demands of the digital era, the need for streamlined and efficient payment processes is more important than ever. This encompasses everything from invoice creation to billing to payments and all the workflows in between. We believe understanding these workflows is paramount in reducing reliance on check payments and driving innovation.

If you can save businesses time and money, there are tangible benefits to move payment volume online, however, there are points of friction (including, but not limited to): higher upfront costs, security concerns, duplicative workflows, team training, payment gateway challenges, hidden fees and regulatory requirements.

Alternative Payments is focused on automating payment acceptance and simplifying merchant services to decrease the barriers to entry and reduce manual workflows.

Exclusive Insights from Alternative Payments

This report is powered by exclusive insights derived from a data set of millions of aggregated, anonymized invoices and transactions facilitated by [Alternative Payments](#). This dataset provides a unique perspective on the trends and patterns shaping the B2B payments landscape. By tapping into this extensive dataset quarterly, we aim to offer you a nuanced understanding of the current state of B2B payments and the paths businesses are taking to enhance their financial operations.

Market Overview

The realization is dawning that an enhanced payment experience for customers is key to unlocking significant financial improvements for businesses. Forward-thinking companies acknowledge that their payment handling directly influences timely revenue collection, ultimately impacting cash flow.

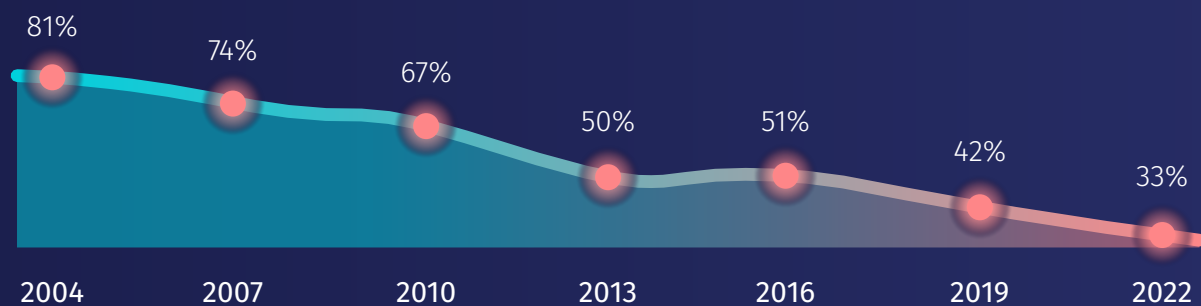
Current Landscape

As companies prioritize profitability and efficiency due to the current high interest rate environment and turbulent market conditions, these businesses are also navigating a confluence of technological advancements, improved workflows, and strategic initiatives. Many companies are pulling all levers to unlock additional cash flow and focus on value-generating activities.

As payment acceptance technology advances, these companies are quickly shifting to online payments. Nonetheless, check payments still control 33% of the market and many companies prioritize check payments for a range of reasons. For example, [Bill.com](#) (NYSE: BILL) generates substantial revenue by paying customers on businesses' behalf via check. There are many similar oddities across B2B payments, in which leading payments companies are disincentivized to innovate, even though they are perceived as innovators.

STATISTICS

Percentage of Organizations' B2B Payments Made by Check: U.S. and Canada



*Source: JP Morgan 2022 Digital Payments Survey

Challenges in the Current Landscape

The stark reality is that, on average, 30% of a business' invoices over the last 90 days are overdue. This means that nearly one-third of the revenue generated in the past quarter remains uncollected. This delay leads to cash flow bottlenecks, impacting the financial health of a business.

While companies realize the importance of payment efficiency and optimization, it needs to be approached with sensitivity, since companies do not wish to disrupt their customers and are concerned about implementing customer-facing technology. Online payments seem like a no-brainer to many, but there are real concerns about elongated sales cycles and activation processes not leading to successful outcomes. Historically, accounts receivable automation platforms take approximately 90 days to implement. Companies need to balance these drawbacks with the clear benefits.

Uncollected Revenue Impacts Cash Flow

30% of of invoices from last 90 days remain overdue.



70% of B2B services companies encounter bottlenecks in their payment cycle.



*Source: Alternative Payments Proprietary Data

- Nearly 1/3 of revenue remains uncollected.
- Payment cycle bottlenecks affect 70% of B2B companies.
- Cash flow impediments impact financial health.

Key Themes

There are 3 primary themes impacting B2B Payments today:



Adoption of
Online Payments



Importance of
Billing and Payment
Automation



Collection Times
and the Impact
on Cash Flow

MARKET OVERVIEW

Key Themes

Proliferation of Online Payments

20% Surge in Online B2B Transactions

In 2019, only **50%** of businesses used online payments for B2B transactions.



By 2022, **70%** of businesses used online payments for B2B transactions.



Source: JP Morgan 2022 Digital Payments Survey

- Rapid adoption of online payment is reshaping the B2B landscape.
- Check fraud has doubled since 2021, further incentivizing the switch to online payment methods.
- Online payments offer additional benefits to companies that streamline operations.

Importance of Billing and Payment Automation

42% of payments are now fully automated, saving accounts receivable teams meaningful time.

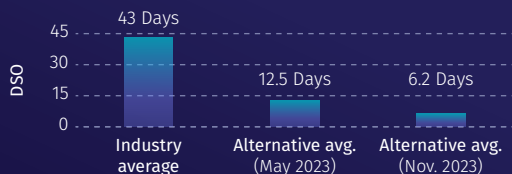


Source: Alternative Payments Proprietary Data

- Automated billing workflows optimize efficiency, save administration time, and reduce manual errors.
- Automated payments accelerate cash flow and reduce collection challenges.
- Customers frequently prefer automating payments to save time — the entire ecosystem benefits.

Collection Times and the Impact on Cash Flow

50% Reduction in Days Sales Outstanding



Improved Cash Flow By **\$600,000***

*Illustrative for a \$10M revenue business

Source: Alternative Payments Proprietary Data

- Due to the current macroeconomic environment, companies have a heightened awareness of collection times and cash flow.
- Effective and active management of collection times drive key improvements.
- Businesses using Alternative Payments' software have reduced their DSO by 50%+ compared to the industry average.

Proliferation of Online Payments

Online payments represent 67% of total B2B payment volume (up from 33% in 2010) and are projected to comprise 75% of total payment volume by 2025 (JP Morgan, 2022). The rapid adoption of online payments can be attributed to a few key factors:



Implementing Online Payment APIs is Quick & Seamless



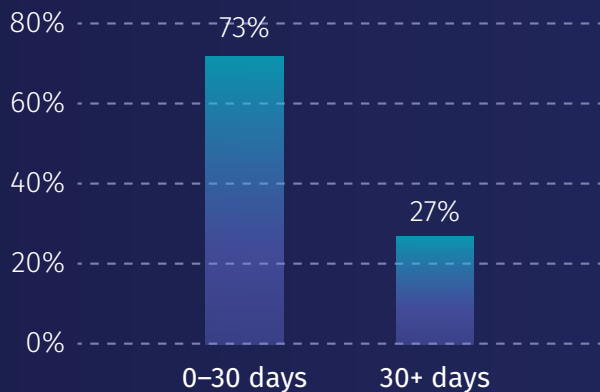
Paying Online is More Streamlined than Ever



Customers Prefer to Pay Online

Onboarding to Activation*

(*Activation defined as first transaction)



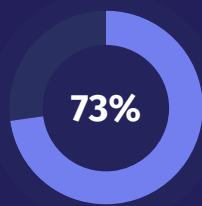
73% of B2B companies transact within 30 days, more than 50% of which do so in less than 14 days.

Source: Alternative Payments Proprietary Data

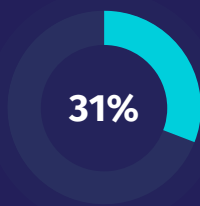
ADOPTION OF ONLINE PAYMENTS

Key Factors

Implementing Online Payment APIs is Quick & Seamless



Activated within
30 days



Activated in
less than 7 days

- 73% of businesses onboard and activate in under 28 days, while 31% do so in under a week.
- Merchants can onboard, integrate, and activate in just days with off-the-shelf solutions like Alternative Payments.
- Improved onboarding and implementation speeds eliminate a hurdle that deters companies from investing in online payment solutions.

Source: Alternative Payments Proprietary Data

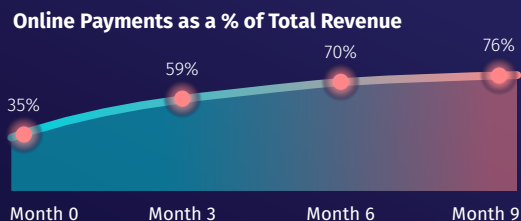
Paying Online is More Streamlined than Ever



Building trust in B2B transactions through automated workflows

- The emergence of comprehensive APIs and embedded finance have simplified the integration and implementation of online payment solutions.
- Online payment solutions have evolved with robust security measures and compliance, addressing concerns about data breaches and regulatory requirements.
- B2B payments companies offer diverse options like ACH, credit cards, and financing in addition to traditional methods like cash, checks, and wires.

Customers Prefer to Pay Online



Source: Alternative Payments Proprietary Data

- Companies experience 49% client activation within their first full month.
- Customer activation of online payment increases significantly over time, due to convenience and efficiency.
- Adoption increases to 70% by month six as customers experience the benefits of transitioning from offline to online payments.

Importance of Billing and Payment Automation

Automated payments have increased in popularity due to the time savings for both companies and their customers, as well as the cash flow improvement for companies.

More than 40% of Alternative Payments' transaction volume is fully automated. This tracks closely with the increase in automation experienced by businesses. Recently onboarded companies experience 26% payment automation the month they onboard, ramping up to 41% by month 6 due to process adjustments, education, and time investment for businesses and their customers. Critical benefits of payment automation include:



Reduction in Administrative Time

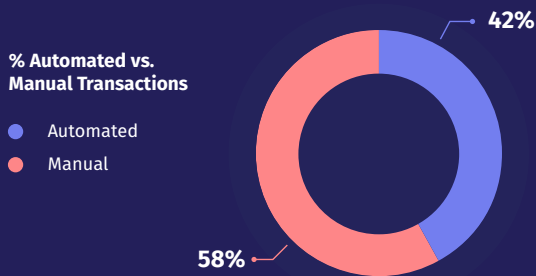


Reduction in Collection Times

BILLING AND PAYMENT AUTOMATION

Key Factors

Reduction in Administrative Time



- Billing, accounts receivable, and collections teams save hours a week through automations: email, reminders, follow ups, auto-pay, and many others.
- Payment reconciliation further improves time savings and reduces manual errors.
- Merchants can reallocate their time from manual workstreams to more strategic initiatives, boosting productivity and efficiency.

Businesses report saving 5-10 hours a week by automating manual billing processes



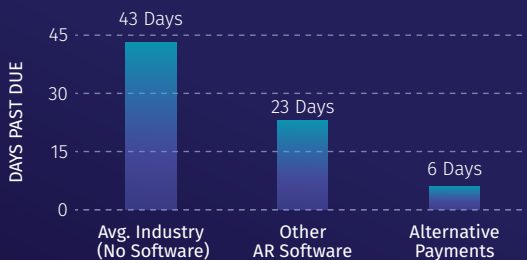
Weekly Time Savings

5-10 Hours

Source: Alternative Payments Proprietary Data

Reduction in Collection Times

Average Collection Times



Source: Alternative Payments Proprietary Data, PYMNTS
 (https://www.pymnts.com/tracker_posts/embedding-transformation-solving-critical-ap-challenges-with-embedded-payments/)

- Automation drives an acceleration in payment collection times, reducing days sales outstanding (DSO) and improving net working capital.
- Alternative Payments leverages many automation workflows that other software platforms have not yet integrated in order to further optimize DSO.
- Our software reduces DSO to an average of 6 days, greatly improving cash flow.

Understanding the Impact of Collections on Cash Flow

The current growth in online payments will tremendously impact net working capital and cash flow. Merchants recognize that optimizing for automation and accelerated collections is critical.

Historically, merchants prioritized customer relationships by taking a nonchalant approach to payment collection, assuming payments would come in eventually. This mindset granted customers influence over payment timelines, impacting a company's cash flow. Recently, companies have recognized the importance of collection times, proactively employing software and strategic measures to expedite collections. For companies who do not yet utilize accounts receivable software and automations, the average invoice is paid 28 days after the due date. For companies leveraging accounts receivable software and automations, this decreases to 23 days.

In contrast, Alternative Payments extensively automates billing and payments, streamlining the experience for merchants and their customers, resulting in a 6-day average collection time (this is a 78% reduction vs. industry average in days sales outstanding). For a \$10 million revenue company, this reduction in days sales outstanding can yield a \$597,260 cash flow benefit.



Improving Collectability
Drives Cash Flow



Automating Billing and Payments,
Immediately Decreases Days
Sales Outstanding

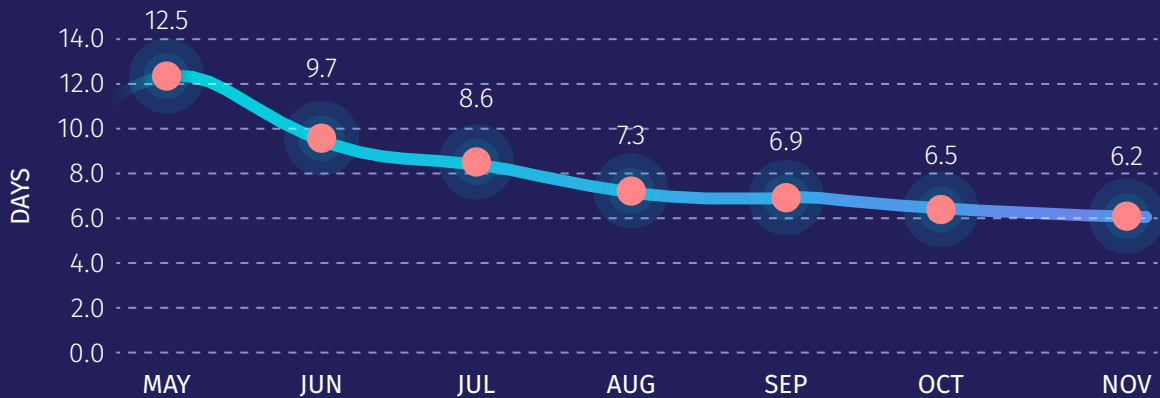
COLLECTION TIMES AND CASH FLOW

Key Factors

Improving Collectability Drives Cash Flow

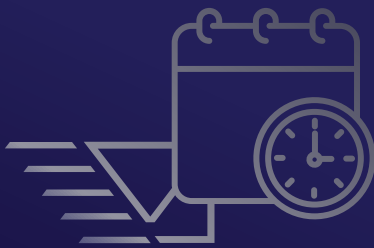
- We give merchants access to an extensive toolkit to automate payments and improve invoice collectability.
- Increased collectability leads to lower DSO since fewer invoices are left outstanding.

Average Days Sales Outstanding (DSO) Since May 2023



Source: Alternative Payments Proprietary Data

Automating Billing and Payments Decrease DSO



**Streamline Your Billing Process
for DSO Zero**

- Alternative Payments has taken a proactive stance in addressing collectability challenges head-on.
- Our technology is built into your technology and workflows, driving increased customer adoption and leading to improved metrics.
- Our comprehensive analytics and tools, drive action and deliver a seamless, easy-to-use platform, providing key results in accelerated timelines.

The Road Ahead

Our commitment to B2B payments and payment automation reaches beyond current achievements with the ambitious goal of reducing days sales outstanding to 0 days for all B2B services companies.

This vision is fueled by ongoing investments in artificial intelligence, machine learning, automation, and innovative strategies to bring robust tools, beyond simply billing and payments, to services companies.



Automation

Automate manual workflows across billing, collections, and payments



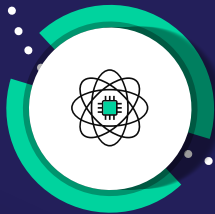
Innovate

Drive innovation to reduce manual workflows, while improving cash flow



Artificial Intelligence & Machine Learning

Invest in products to accelerate innovation



Data & Analytics

Analyze proprietary invoice and payment data to unlock innovation



Learn How Alternative Payments Can Help

Alternative Payments expertly streamlines and automates your payment process to create an optimized financial workflow, getting you paid faster.

 **42%** of Payments are Automated

 **6.2** Days Average Collection Times

 **49%** Customer Activation After 1 Month

 **73%** of Merchants Transact Within 28 Days of Onboarding Call

Source: Alternative Payments Proprietary Data

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