2022-2023 Global Payments Report

The Current and Future State of Payments Around the World

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Introduction

The global payments landscape is highly diverse, with some countries still reliant on cash and others operating nearly cashless. Countries where cash and checks remain dominant maintain paper-based processes because of supplier demand and convenience. Meanwhile, in locations where electronic payments (ePayments) are the norm, they have achieved digitization by combining government leadership and private sector fintech innovation.

Countries that lead in payments modernity support faster, easier, and more seamless payments, create higher national economic output, and have more inclusive and equitable finance structures. On a business level, these leaders have made many of the benefits of a modern payments infrastructure apparent, including stronger security, more efficiency, and better financial reporting/visibility.

With the benefits of modernization becoming clearer, more antiquated organizations have begun to prioritize the upgrade of legacy payments systems. To modernize, these companies have two complementary avenues to pursue: reducing paper-based payment methods and upgrading organizational finance management tools used for accounting, invoicing, and more. By doing both, companies can more easily scale their businesses and unlock long-term business value.

This report covers the norms of today's business-to-business (B2B) payments on a worldwide scale, the challenges of operating a manual process, the benefits of digitization, and what payments could look like in the future.

Executive Report

Endava's research reveals that while the B2B payments ecosystem has advanced significantly, there is still a long way to go to achieve a modern, touchless process. Many companies still rely on paper-based methods (checks and cash) to pay their suppliers, which can result in delays, fraud, and inconsistent systems of financial record. Fortunately, data shows that companies are willing to address these challenges, and many prioritize digitizing and formalizing their payments processes and improving their usage of analytics.

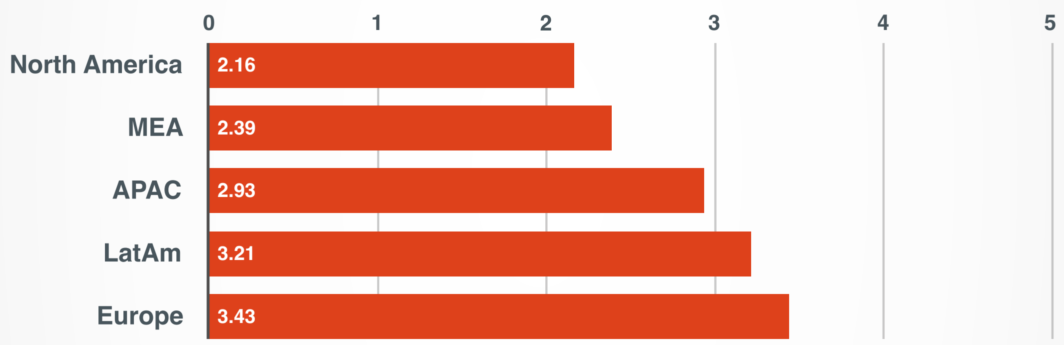
The COVID-19 pandemic was a catalyst for many companies to update their payments tools and modernize their methods. Some manual organizations introduced technology to retool their processes for a remote environment. Others improved their data quality and reporting to better project their company's financial situation. Being forced to make such changes quickly caused many organizations to rethink their business processes entirely and question conventional practices.

Over the past two years, companies began to challenge their reliance on the legacy systems they were supposedly tied to and wondered how they could improve their daily processes. Endava data reveals a payments landscape where organizations are no longer satisfied with the status quo and are using modernization initiatives to increase efficiency.

Key Insights

- Checks and cash are no longer the dominant methods they once were, equaling roughly a fifth of global payment volume combined.
  - » Paper-based methods comprised less than a third of payments volume for all the regions in the study.
- North America trails APAC, MEA, LatAm, and Europe in payments modernity as measured in **Figure 1**, showing a payment methods scale from 1-10 that rewards organizations making payments with modern methods.
  - » North America scores lower due to relatively high check volume (16%).

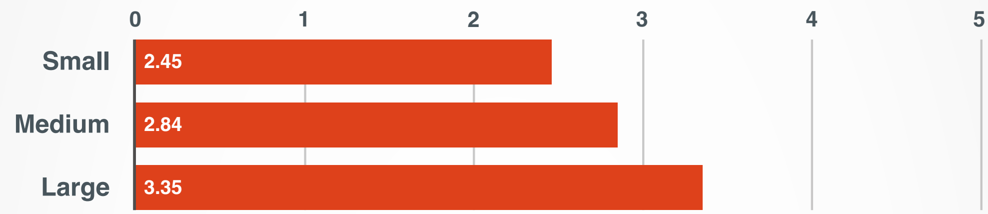
Figure 1
Modern payment methods scale by region



Note on Figure 1: In this scale, organizations were rewarded for making electronic payments. There were three tiers for points: those using antiquated methods (i.e., checks and cash) were not rewarded points, those using legacy electronic payments (i.e., debit and credit card, ACH, and wire) were awarded a modest amount of points, and those using a modern, cutting edge electronic payment (i.e., RTP, virtual cards, digital wallets) were awarded the most points. A 1/10 would indicate that the group uses entirely antiquated payment methods; a 10/10 would indicate that the group uses entirely modernized payment methods.

- The larger a company is, the more modern their payment methods are **(Figure 2)**. There is strong correlation between size and payments modernity, though there is room for improvement even among large companies.

Figure 2
Modern payment methods scale by company size



- The pandemic influenced many organizations to increase their payments volume with modern methods and decrease volume using paper-based ones.
- Organizations often rely on multiple tools for making payments. Bank-provided bill pay portals are the most widely adopted, but many also use ePayments software.
- Electronic payments tools are easy to use, secure, and provide visibility. Many of these attributes directly address the top payments-related challenges.
- The top focuses for companies in the next year are strengthening security, digitizing payments, and improving usage of analytics.

Data Summary

The data for this study comes from a 2022 survey of over 1,000 organizations of all sizes and industry verticals (except for banking institutions). Respondents were at the senior management level and above and possessed intimate knowledge and decision-making capacity on their organization's finance and payments strategy and processes.

Who Should Read This

This report is meant for those looking to understand B2B payments around the globe. It's useful for companies that want to improve and build strategies for incorporating technology into their payments processes.

Report Guide

Key Terms

- **Business-to-Business (B2B):** The process of businesses paying other businesses for products and/or services.
- **Small Business:** Any organization employing fewer than 100 people full-time.
- **Medium Enterprise/Business:** An organization with 100-1,000 full-time employees.
- **Large Enterprise/Business:** An organization with over 1,000 full-time employees.
- **Consumer-to-Business (C2B):** The process of individual, non-business end-customers paying businesses for products and/or services.
- **Peer-to-Peer (P2P):** The process by which individuals transfer money to other individuals.
- **Automated Clearing House (ACH):** Payments sent using an electronic funds bank transfer via an automated clearing house (i.e., American ACH, British BACS, Canadian ACSS).
- **Real-Time Payments (RTP):** Payments sent, cleared, and settled instantly (or nearly instantly). Also known as "instant payments."
- **Mobility:** The business of moving people and products. The mobility industry encompasses transportation, logistics, aerospace, and automotive.
- **Open Banking:** Refers to banks providing third parties (like fintech companies) with access to customer data (pending customer agreement to terms and conditions) via API. With this access, non-banks can provide customers with personalized financial products and services.
- **Banking-as-a-Service (BaaS):** The ability of non-banks to provide products and services traditionally associated with licensed financial institutions. Such offerings include neobanks, cryptocurrencies, insurance, international money movement, loans, payments, and software-as-a-service. With these options, companies can offer their customers financing, provide customers with branded credit cards, and even start banks from scratch.

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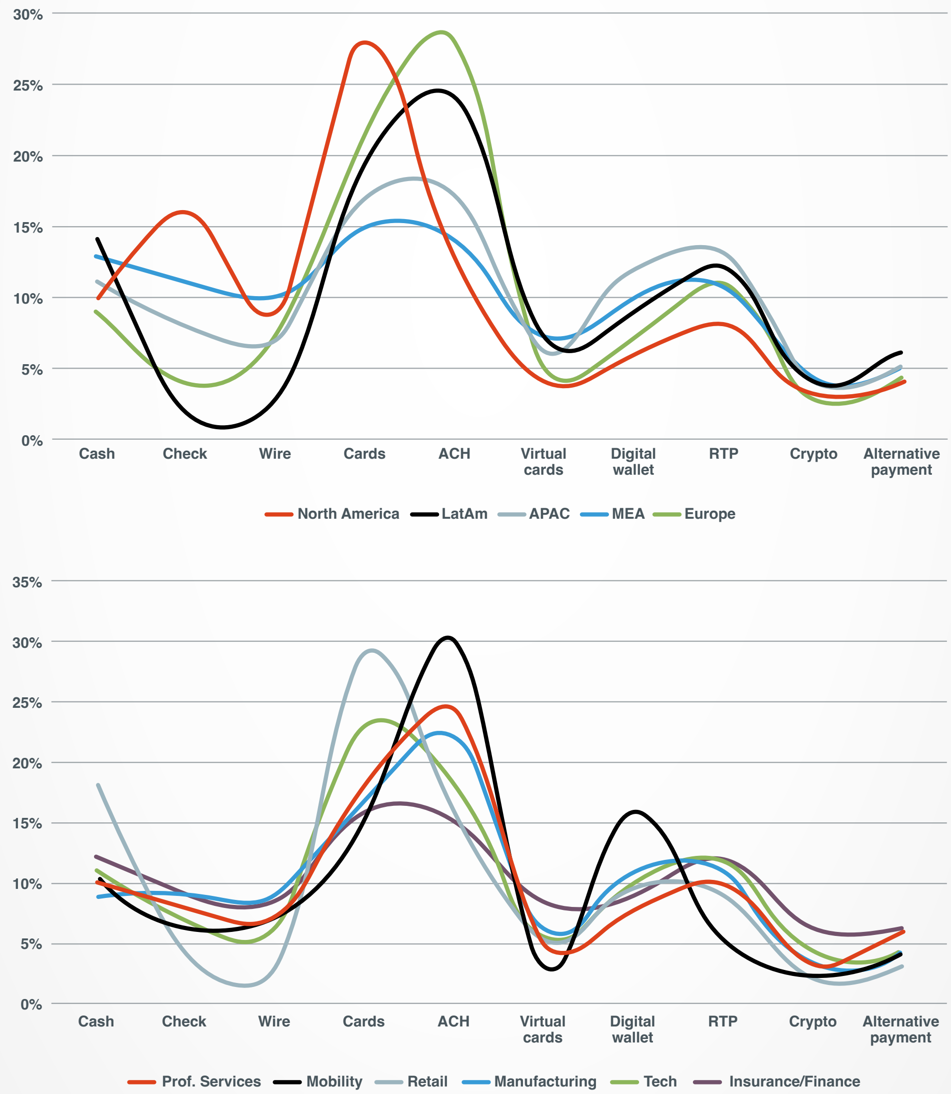
Payment Method Trends

Payment Method Trends

Payment Methods Current State

Technology maturity, vertical focus, and supplier preference are the top factors that influence how organizations pay their suppliers, in addition to the company's location. The following sections look at how payment methods vary around the world and in different industries **(Figure 3)**.

Figure 3
Modern payments scale by region and industry



Please allocate 100 percentage points to indicate the methods your organization uses to make supplier payments, estimating to the best of your ability.

North America

Research indicates that the payment landscape in North America is considerably more analog than the rest of the world. Cash and checks make up a larger part of B2B payment volume in the US and Canada than anywhere else. This is especially true of small businesses, which rely on these methods for over 30% of their supplier payments. It also applies to large enterprises, which use them for about a fifth of their payments (compared to smaller percentages of enterprises in the rest of the world). American organizations also rely on debit and credit cards for paying their suppliers more than any other region.

On the consumer side, Americans have mostly moved away from cash and check for their C2B and P2P payments, but this modernization has not yet carried over to businesses. However, younger generations, who are far more likely to expect a digital payments experience, may cause a shift in these antiquated habits as they assume roles as small business owners and finance professionals.

The Growth of RTP and Digital Wallets in North America

North American organizations also use digital wallets and RTP less than the rest of the world, which can partly be attributed to a lack of access to these methods. While many countries have completed operational RTP systems that move funds between accounts instantly, it's a relatively recent addition to North America, debuting in the US in early 2017 and rolling out in Canada in 2023.

As it's still in relative infancy, many countries' RTP systems (including the United States') currently limit how much money can be sent and by whom. RTP capabilities vary across countries, with differences in when payments can be sent, the ability to request vs. send payment, the option to set up recurring transactions, and the percentage of banks that have access to the system.

Endava experts assert that both RTP and digital wallets are ripe for growth in North America, as data shows that many organizations shifted to these methods during the pandemic and plan to increase their usage in the long term. Additionally, market awareness of both methods is still low in comparison to Europe, Latin America, and Asia, which all include countries that were early adopters of RTP and digital wallets.

Digital wallets store financial information and payment methods in a centralized online location and can be used to accept and make payments. They're particularly useful for businesses conducting international transactions to handle funds according to local payment method preferences and currencies. A combination of further globalization and widespread adoption in other countries makes it likely that digital wallets will become more popular in the US and Canada.

Industry-Specific Trends in North America

At the industry level, North American respondents in manufacturing send a higher volume of payments using modern methods than many others. They send about 28% of their payments via cash or check, compared to the North American average of nearly a third. Instead, they rely on ACH, wire, and cards more frequently. Respondents in the insurance industry trail others and send a relatively higher volume of their payments using checks and cash and a lower volume via RTP, ACH, and digital wallets.

Europe

Endava research suggests Europe is considerably more advanced than North America in B2B payments. In this region, next-day bank-to-bank transfers comprise a larger volume of payments in the EU than in any other region. Cash and checks are at a lower volume than in any other region. These payment methods are a rarity in Europe because the digital alternatives for transferring money are easy to use and ubiquitous.

While the trend of larger businesses being more digitized remains, the payments maturity of European companies is more consistent across size. Even small businesses in Europe rely less on cash and check than the largest North American companies. Unlike in North America, the influence of consumer payments technology is apparent, with many popular P2P fintech companies expanding to support B2B payments. European businesses also use cards to pay their suppliers at a higher percentage than most other regions.

As in North America, data suggests that the insurance industry in Europe is trailing others in making electronic payments. Insurers sent more paper-based payments with checks and cash and less using RTP and ACH than the average European business. Retailers in this region are also behind the curve and send fewer payments via RTP, ACH, and virtual cards and use cash and physical cards for more transactions than nearly any other industry. Survey respondents in the tech industry were more modern and sent a higher volume of payments via digital wallet and RTP.

Middle East and Africa

Parts of the MEA region have some of the largest RTP volumes of all the locales included in the study. One of the world's first real-time payment systems was established in South Africa in 2006. Meanwhile, Saudi Arabia has had rapid adoption in the use of real-time payments despite only introducing the service in 2019. The percentage of cash transactions among MEA respondent organizations is high, as is the usage of alternative methods, which can include cash-on-delivery, a popular payment option in both countries.

Data sample sizes for targeted verticals were limited in regions outside of the US and EU, so quantitative trends were not as evident. However, Endava has observed directional trends and insights based on work in these areas.

Some trends in MEA include:

United Arab Emirates

The UAE is a regional leader in payment digitization. Dubai, the country's most populous city, is projected to be cashless by 2030 as part of an effort overseen by the Cashless Dubai Working Group, a task force made up of several smaller organizations. The group is rolling out action plans, building frameworks, and tracking progress on transitioning to a cashless society. The UAE is also committed to blockchain and cross-border payment innovation.

The push for easy cross-border payments is driven by necessity, as the country has many foreign-born workers that need to send remittances back home. Blockchain is one of cryptocurrency's key technologies, which consists of digital money systems exchanged exclusively via computer networks. Crypto typically relies on blockchain to create an immutable ledger of all transactions.

The UAE is set on becoming a global cryptocurrency hub and has passed government regulations and formed committees to do so. Cryptos are usually decentralized, though some central banks have evaluated and expressed interest in creating their own cryptocurrencies. The UAE has set lofty goals of increasing the percentage of transactions that run on blockchain.

Cryptocurrencies have yet to significantly alter the business model of most organizations, and while there are many compelling arguments for how they will impact the global economy, these effects have yet to be realized.

Nigeria

Boasting the largest economy and population on the African continent, Nigeria has a tremendous amount to gain from payments digitization. The country introduced RTP in 2011 and has quickly revolutionized the way business is done and how money is moved in the country.

While RTP is gaining traction, Nigeria also has a large, underbanked rural population. To foster inclusivity, Nigeria created Payment Service Bank (PSB) licenses for mobile network operators to provide limited banking services to the parts of the country traditionally left without access. These PSBs can complete most of the basic functions of a bank but cannot engage in lending, insurance, or foreign exchange.

LatAm

Businesses in Latin America have an advanced payments process relative to North America. According to Endava data, a quarter of payments are sent via next-day ACH, and 12% are sent via RTP. It should be noted that the LatAm region had a high number of respondents from Brazil and Mexico, two early RTP adopters. RTP went live in Brazil in 2002 and Mexico in 2004.

Directional trends in LatAm include:

Chile

Chile introduced electronic invoicing standards in 2001, becoming the first country in the world to do so. Mandates slowly rolled out across business sectors, and in 2018, it became mandatory for most businesses to invoice buyers electronically. This has served as a model for the rest of Latin America, with many other countries adopting their own mandates to improve tax collection and legal compliance.

Brazil

Though Brazil introduced RTP in the early 2000s, the recent rollout of the Pix network in 2020 made real-time reach critical mass. The previous system, SITRAF, operated only during banking hours, while Pix is 24/7. The new system has seen such quick adoption that the network's participating financial institutions already outnumber SITRAF's by 7x, despite only recently coming to market.

Pix has revolutionized e-commerce, which primarily relied on a convoluted practice of printing out invoice tickets that were then paid in cash at ATMs, bank branches, and even some supermarkets. In just a few years, most of the country's population has adopted Pix, and the features on its roadmap, including an offline version, will likely make it even more popular.

Asia-Pacific

As the largest region in the study, payments in Asia-Pacific are varied. Overall, the area is advanced, especially regarding digital wallet and RTP utilization, but it contains many countries that sit at opposing ends of the digitization spectrum. For example, Malaysian businesses rely more on paper-based payments, with checks and cash comprising well over a third of their payments volume. In contrast, Australia uses electronic payments for 96% of payments volume.

The region also defies the trend of large businesses operating a more digitized structure than smaller companies, which adds to the diversity of the payments landscape. Here, companies of all sizes use various methods to pay their suppliers, with small- and medium-sized businesses only slightly more reliant on cash and checks than larger companies.

APAC directional trends include:

Singapore

Singapore has created an initiative called Singapore Smart Nation, which aims to bring technology into the daily lives of its citizens and turn the country into a "world-class, tech-driven city-state." It is built on three pillars: Digital Society, Digital Economy, and Digital Government.

Digitizing payments is a key part of this initiative. The launch of Singapore's RTP rail, the effort to make digital wallets as widely accepted as cash, the adoption of electronic invoicing standards, and the country's commitment to real-time cross-border payments have all had massive impacts on B2B transactions.

China

China's digital payments revolution has been driven by the business sector rather than the government. Companies with business models unrelated to payments became huge payment networks and are now crucial to the country's payments infrastructure. They achieved this with the help of China's mass smartphone and digital wallet adoption, which has made it nearly impossible to operate in the country without access to these networks.

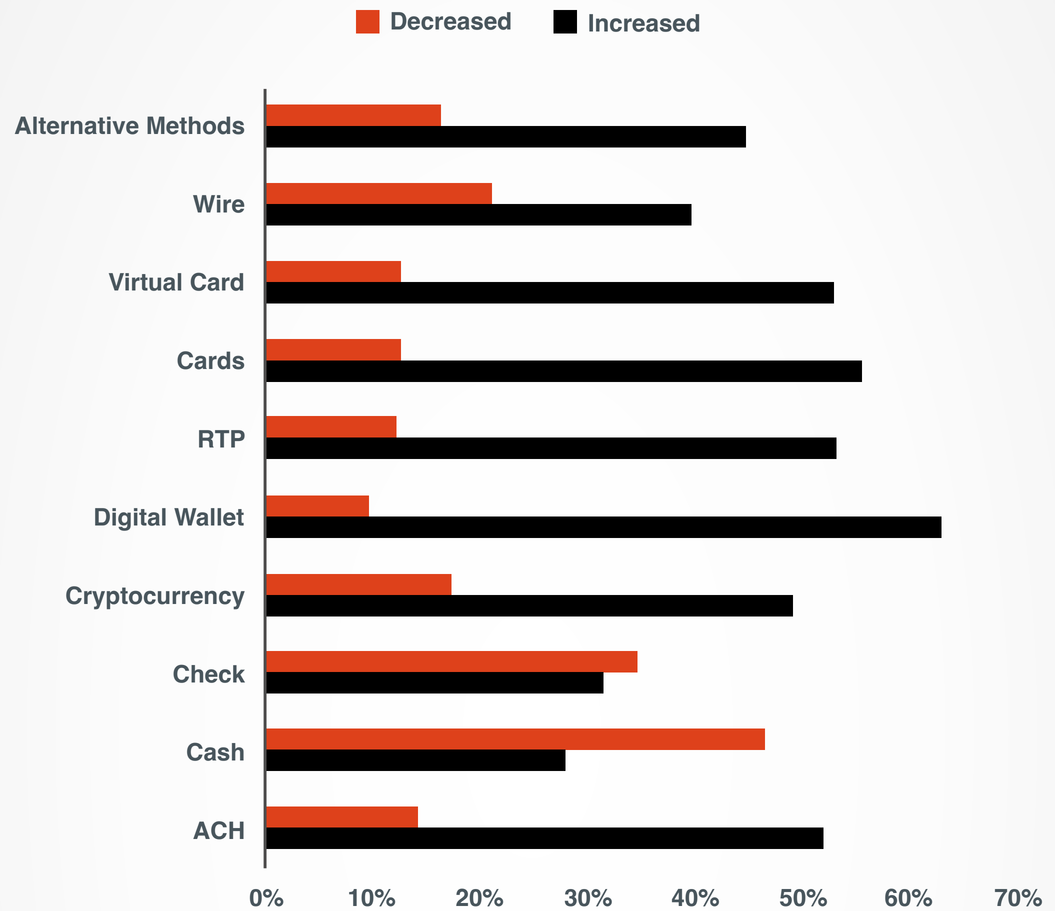
Chinese companies have created the ultimate "super apps" so that the public can accomplish most of their daily tasks using their applications. Businesses in other countries have been attempting to replicate this model ever since.

Pandemic Effects

The COVID-19 pandemic had a massive effect on how companies pay their suppliers. With considerable unpredictability and supply chain outages and shortages, many businesses were forced to rethink their payments structure and business-critical processes.

The strategies companies used to weather the pandemic varied greatly. Organizations had to consider digitizing their operations to add efficiency, keep employees safe, and keep suppliers afloat while maintaining the status quo to reduce confusion and risk. Among survey respondents, nearly 50% reduced their use of cash, and close to 40% reduced their check volume due to the pandemic **(Figure 4)**.

Figure 4



How did your organization alter its usage of the following payment methods during the COVID-19 pandemic?

Pandemic Trends in Contactless Payments

Checks and cash require unnecessary touchpoints and may involve face-to-face interaction, which became a safety issue during remote operations. Over 50% of organizations replaced these methods by increasing their payments volume via ACH, digital wallet, RTP, and virtual cards. In many cases, these digitization efforts were amplified by public and private payment systems and regulators.

In Europe in particular, many countries experienced an increase in the transaction limit for contactless card payments. In the United States, the limits for same-day ACH and RTP increased twice between 2020 and 2022, from $25,000 to $100,000 to $1M in Q1 of 2022.

Endava experts believe it’s unlikely paper-based payments volume will bounce back, as many companies have already digitized and realized clear benefits. This is especially true in Europe, which already had low paper-based volume. However, in the US and Canada, where paper volume is higher, fewer companies reduced their reliance on these methods, and many opted to use them at the same rate. In North America, many organizations, particularly small businesses, see it as easier to use and accept cash and check for one-off payments.

This approach differs significantly from that of the modern countries in Europe and Asia, which have access to ubiquitous, cheaper, and faster payments systems. Respondent organizations in MEA, APAC, and LatAm experienced the largest pandemic-related increases in digital wallets. APAC stands out as digital wallets across the region are a must-have, and the area sets the benchmark for their utilization in all types of transactions.

Payment Method Attributes

Payment Method Attributes

Respondent organizations were next asked how they would describe each payment method for business transactions **(Figure 5)**. ACH seemed the most versatile to respondents, often noted as easy to send and settle, fast, modern, secure, and well-suited to both one-off and recurring payments.

Respondents are largely correct in these beliefs, though it should also be noted that ACH is relatively inexpensive and costs less to accept and send than wires and cards. The low cost of sending payments this way is one of the main reasons they're suitable for sending recurring payments. Among respondents, RTP had positive attributes similar to ACH, though they were perceived as faster and more modern.

Figure 5

	Easy to send	Easy to settle	Fast	Inexpensive	Modern	Secure	Good for one-offs	Good for recurring
ACH	12%	10%	11%	5%	9%	14%	7%	8%
Cash	7%	9%	11%	6%	4%	8%	7%	5%
Check	7%	8%	7%	5%	6%	9%	6%	5%
Cryptocurrency	6%	6%	9%	4%	15%	8%	5%	4%
Digital Wallet	11%	9%	14%	6%	15%	11%	6%	6%
RTP	11%	11%	14%	5%	12%	11%	7%	7%
Cards	11%	10%	14%	5%	11%	13%	8%	8%
Virtual Card	10%	9%	12%	5%	14%	11%	7%	6%
Wire	9%	8%	11%	5%	9%	11%	6%	6%

	Outdated	Difficult to send	Difficult to settle	Expensive	Poor for one-offs	Poor for recurring	Risky	Slow
ACH	3%	2%	2%	4%	2%	3%	2%	6%
Cash	9%	6%	4%	2%	3%	6%	9%	5%
Check	10%	4%	5%	4%	4%	5%	5%	11%
Cryptocurrency	2%	5%	7%	5%	4%	6%	13%	2%
Digital Wallet	2%	3%	3%	3%	3%	3%	4%	2%
RTP	2%	2%	3%	4%	3%	3%	3%	3%
Cards	3%	2%	2%	4%	3%	4%	3%	2%
Virtual Card	2%	2%	3%	4%	3%	4%	5%	3%
Wire	5%	4%	4%	5%	3%	4%	5%	5%

Which attributes would you use to describe the following payment methods for business transactions?

Note: *multiple selection question*

Cash and Checks

Cash and checks had more negative associations among respondents. These paper-based transactions were the most likely to be seen as antiquated and difficult to send relative to other methods. Cash was also seen as riskier, and checks were seen as slower compared with more digitized options.

There is a regional difference in the methods' associations. For example, in the US and Canada, many small businesses prefer paper-based transactions, as they have limited technology at their disposal, and they are wary of paying the transaction fees of card payments. This contrasts with Europe, where regulators have made a concerted effort to make checks inaccessible and, in certain countries, prohibited.

Wire and Cryptocurrency

Wire and cryptocurrency were not associated with many attributes, albeit for different reasons. It seems that many respondent organizations are confused about crypto's application to business payments and are using a wait-and-see approach to paying suppliers this way. Crypto was more likely to be called modern than most other transaction methods but was also deemed risky.

Wire didn't have the same negative connotations as cryptocurrency, cash, or checks, but also didn't have many enthusiastically positive ones. This is likely because wire is one of the oldest forms of payment and hasn't seen the same evolution other methods have. Wire is quicker than many other methods, although it also comes at a higher cost. This makes wire well-suited to one-off payments where timeliness is prioritized. Though wire payments were positively associated with security, because of their speed and irrevocability, wires should always be assessed for risk by senders.

Physical Cards, Virtual Cards, and Digital Wallets

Despite their different advantages, physical cards, virtual cards, and digital wallets were ascribed similar attributes. They ranked among the easiest to send, most modern, and fastest payment methods. Cards have also historically been considered more expensive, as they have fees and require specialized equipment to process. This attitude has rapidly changed as card infrastructure and transaction fees have decreased, particularly in Europe.

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Payment Initiatives and Methods

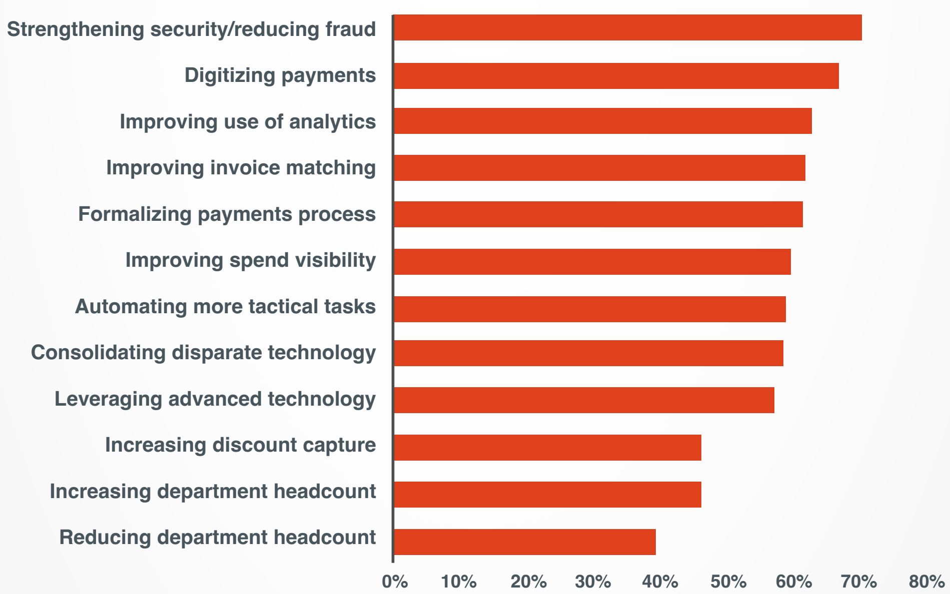
Payment Initiatives and Methods

To help anticipate the future of B2B payments, Endava asked survey respondents about their organization's top initiatives and how they plan to alter current payment method volume in the future. The highest priority initiative was strengthening security **(Figure 6)**, which is congruent with the high number of organizations citing fraud as a top challenge in domestic and international payments.

To combat fraud, organizations should consider taking the following steps:

- Segregate accounting duties so that one person isn't handling the entire finance process
- Strengthen security and restrict access to business-critical technology and systems of record
- Establish a reporting process for employees to flag suspected instances of fraud
- Introduce third parties to provide fraud advisory or handle/audit accounting entirely, if necessary

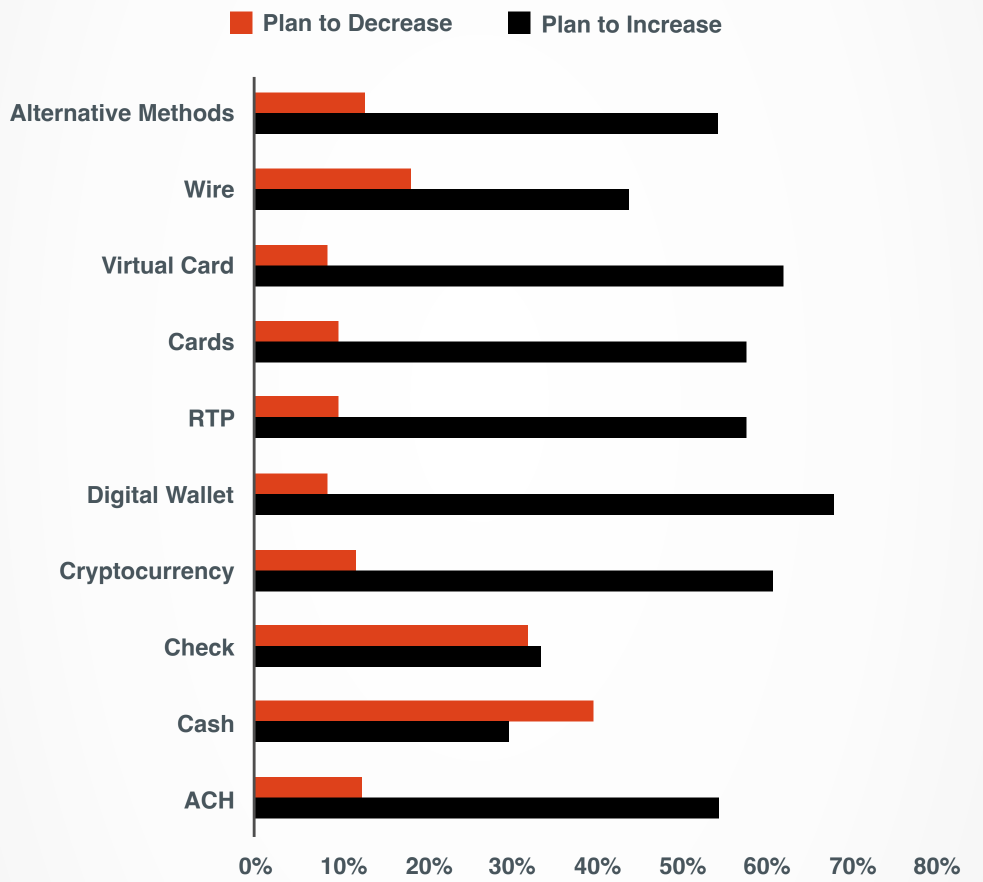
Figure 6



How is your organization prioritizing the following initiatives for improving its payments processes for the next 12 months?

Digitizing payments was the second highest priority initiative for respondent organizations. To accomplish this, organizations plan on aggressively increasing usage of methods like digital wallets, RTP, cards, virtual cards, and ACH and decreasing dated, paper-based ones like checks and cash. Of those currently utilizing them, a sizable percentage of organizations also plan on increasing cryptocurrency usage in the future. However, many organizations identified crypto (as a means of paying vendors) as not applicable to their business.

Figure 7



How does your organization plan to alter its usage of the following payment methods over the next 3-5 years?

Shifting away from paper-based payments can help reduce fraud and the need to manually key in transaction details while increasing visibility and data quality to better inform business decisions.

To accomplish this, organizations can begin a digitization effort, which may entail the following:

- Upgrading legacy payments technology (such as implementing a bank ERP integration or ePayments software)
- Communicating with suppliers
- Retraining staff on new processes and systems
- Setting and continuing to measure goals for digital payments benchmarking

Many other initiatives—improving invoice matching, spend visibility, and use of analytics, automating more tactical tasks, and consolidating disparate technology systems—require companies to look beyond payments to the entire finance function. To create more efficiency, organizations should consider automating low-value tasks where possible and improving visibility and data quality to manage and keep track of organizational financial wellbeing.

Two of the most manual aspects of back-office finance are accounts receivable (AR) and accounts payable (AP). Steps to improve those departments include:

- Formalizing the AR/AP departments and establishing firm policies and goals to ensure consistency and efficiency
- Mapping out the current state to ensure incoming invoices are consistently routed to the correct approvers and outgoing invoices are sent electronically
- Involving stakeholders from leadership to the staff-level employees who will execute any process changes
- Directing invoices of all formats to a singular repository
- Increasing purchase order utilization
- Considering adopting automation tools to provide visibility and centralization
- Automating the routing, workflow, and other manual steps of AP
- Speeding up collection, improving cash flow, and improving insight into finances for AR

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Payments Challenges

Payment Challenges

The B2B payments process can be full of issues. Among Endava respondent organizations, the top challenges were late payments, payment errors, and fraud **(Figure 8)**. These challenges slow down departments and cause downstream effects like missed early payment discounts, rework to correct problems, and worsened buyer and supplier relationships.

Figure 8

Thinking about your organization's current payment solution and/or process, which of the following best describes your overall top payment issues or challenges?

Fraud has one of the biggest financial impacts on businesses and is particularly troublesome for small ones—respondents at smaller organizations were more likely to report fraud as a pain point. Unfortunately, these companies are a more frequent target for scams, which may experience due to a lack of security controls and processes. Because of their small size, these issues also have a more significant impact on their bottom line.

Medium- and large-sized companies tend to report more payment errors, likely due to their higher payment volume. The next most cited challenges—international payments, data management, and lengthy invoice processing times—are all more prevalent in large and mid-size respondent organizations. These challenges also likely stem from higher payment volumes.

Of the remaining problems, the larger an organization, the more often they cited compliance issues and disjointed technology. In contrast, challenges for smaller and mid-sized organizations revolved around outdated technology and invoice-to-payment matching.

Challenge Insights by Industry

Retail

Looking at the study by industry, Endava data shows that retailers were more likely to have issues with payment errors, data management, late payments, and compliance. These issues often come from inconsistencies in the way payments are handled. Compared to the average, companies in the mobility vertical suffer from customer inquiry management, disparate technology, fraud, and payment errors.

Mobility

Many other challenges match the non-payments issues in mobility, where companies depend on legacy systems, lack the technology to address current and future problems, and rely on many different tools to manage the movement of goods.

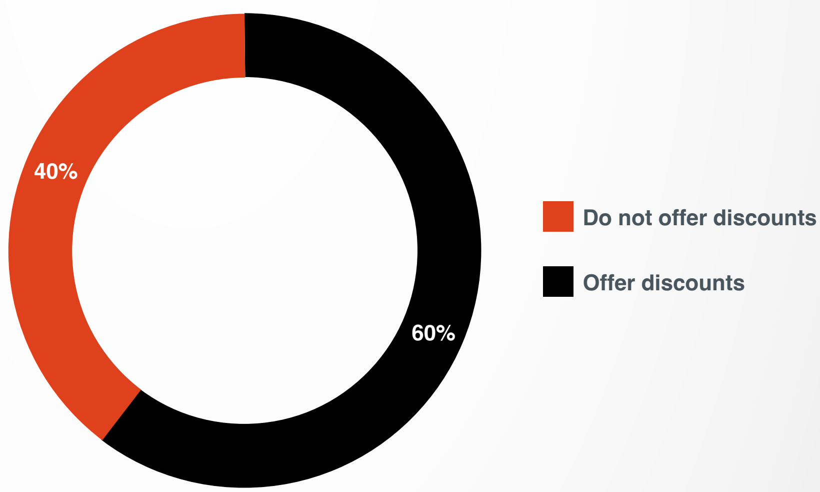
Insurance

Insurers and non-bank finance organizations have more quantifiable challenges than companies in other industries. These include days payable outstanding, lack of visibility into payments, duplicate invoices, and reliance on paper-based processes. Many of these problems are more directly related to invoicing.

Supplier Discounts

Early payment discounts are an ample opportunity for buyers to save money and suppliers to increase liquidity. Over half of respondent organizations whose primary clientele are businesses offer their customers early payment discounts **(Figure 9)**.

Figure 9



Does your organization typically offer its customers early payment discounts?

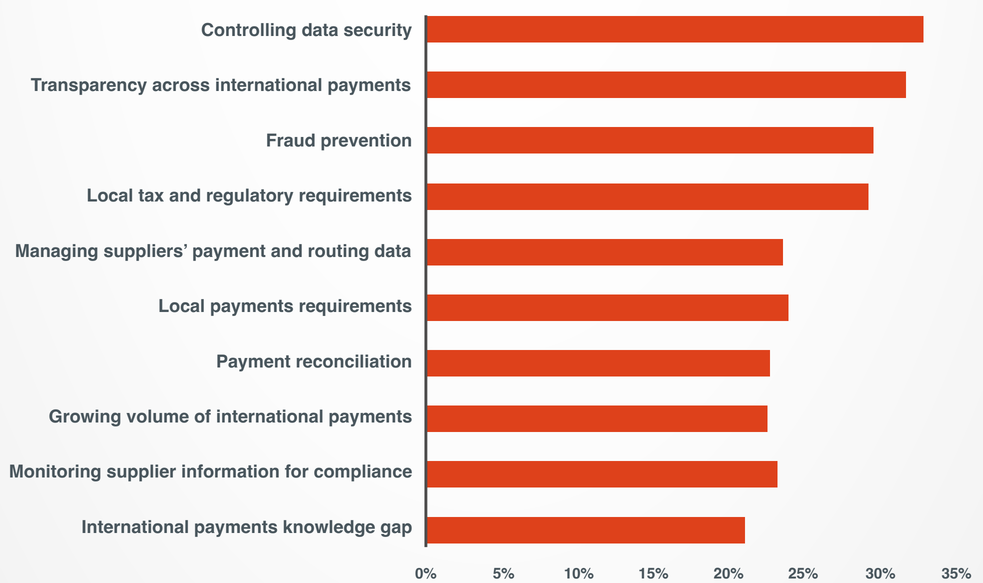
Discounts are highly dependent on the businesses' location. About 43% of European and American companies offer discounts, versus numbers above 60% for the rest of the world. This is likely because many companies in Europe have grown accustomed to faster payments and no longer incentivize them. Company size is another indicator of discount likelihood; among respondent organizations, the larger the company, the more likely they are to offer discounts.

Cross-Border Payments

Businesses today operate in a globalized commercial environment, and many rely on suppliers in multiple foreign countries. To enable this, companies must strive to make international payments as seamless as domestic ones. Among Endava respondent organizations, 23% of total payments volume is cross-border. Though the gap between revenue segments is thin, the larger an organization is, the higher their international payments volume is.

Making cross-border payments comes with a specific set of challenges **(Figure 10)**. Three of the top issues—controlling data security, fraud prevention, and lack of transparency—are common challenges in domestic payments that are made worse by the complicated nature of cross-border transfers. Following tax and regulatory standards is a separate hassle that requires local knowledge. For companies to successfully send international payments, they must have the correct supplier information, follow local tax codes, and send money by the supplier's preferred method in the correct currency.

Figure 10



What are your organization's top challenges in international payments?

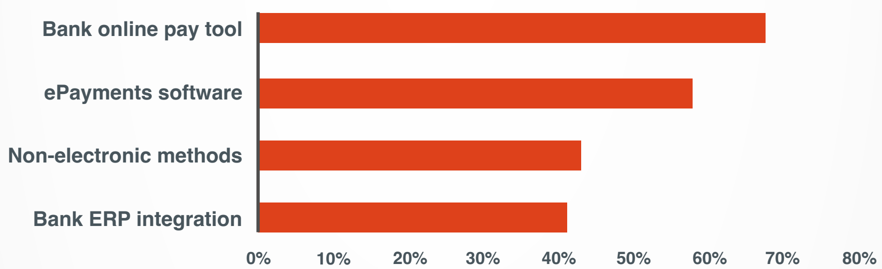
Payments Tools

To make supplier payments, organizations have access to tools that provide different features, levels of automation, and integration with financial data. Endava data shows that the larger the organization, the more digitized they are. Small businesses are more likely to rely on non-electronic methods and basic software, and larger enterprises are more likely to use advanced payments tools.

The most widely used tool is the bank online bill pay solution **(Figure 11)**. Online bill pay comes at little to no cost and offers basic functionality similar to the consumer experience. Companies can easily make payments on the bank website or mobile application, though aside from a paper-based process, bill pay offers the lowest level of automation.

Organizations of all sizes use this tool, but it is typically marketed to small businesses with minimal accounting needs. Bill pay tools may fail to meet the needs of more mature organizations because they provide no visibility into other bank accounts or lines of credit and typically have basic integrations with accounting software suited to small companies.

Figure 11



Which of the following does your organization currently use for making supplier payments?

Advanced Payments

Advanced Payments

Organizations have two options for more advanced payments processes: bank ERP integration and dedicated ePayments software. Both are more widely adopted by medium and large enterprises. Small companies may be less likely to have a bank ERP integration because they are complex to adopt, requiring application programming interfaces (API) and implementations that demand time and expertise, often from third-party consultants.

ERP Integrations

The bank ERP integration experience also depends on several factors, including implementation quality, the bank's technological maturity, and the ERP's capacity. Many organizations stated that the cost and complexity of the implementation process was one of the system's top challenges. One respondent lamented that it requires qualified staff and security expertise to use.

At their best, bank ERP integrations provide the final link to connect organizational financial records with payments, greatly expanding visibility and providing real-time analytics and reporting. Many survey respondents cited enhanced reporting and data synchronization as top benefits of using an ERP for payments. But bank ERP integrations may fail to deliver because a positive experience necessitates several parties being in sync with each other. If out of sync, an update or change to one or more of these systems can lead to disruption and outages.

ePayments Software

Partially because of the significant resource requirements of a bank ERP integration, twice as many small businesses use ePayments software. This software is process-specific and may operate as a standalone payment platform or as part of third-party invoicing or procure-to-pay software. ePayments software is great for organizations looking for a bank-neutral platform that centralizes different accounts, requires less ERP tweaking, and relies less on the technological capability of banking partners.

Using ePayments tools puts user experience and integration with accounting software and banks into the hands of software companies focused solely on these elements. Typically, these platforms go live quicker than bank ERP integrations and require fewer resources to manage. They may also have additional features such as working capital management, including dynamic discounting and supply chain financing modules.

According to Endava respondent organizations, the top benefits of using an electronic payments tool were ease of use, security, better analytics, and increased payments tracking **(Figure 12).** Companies using ERP integrations as their sole electronic payments platform were more likely to list automated reconciliation and better reconciliation. Companies using ePayments tools as their only platform were likelier to mention manual task automation and ease of use.

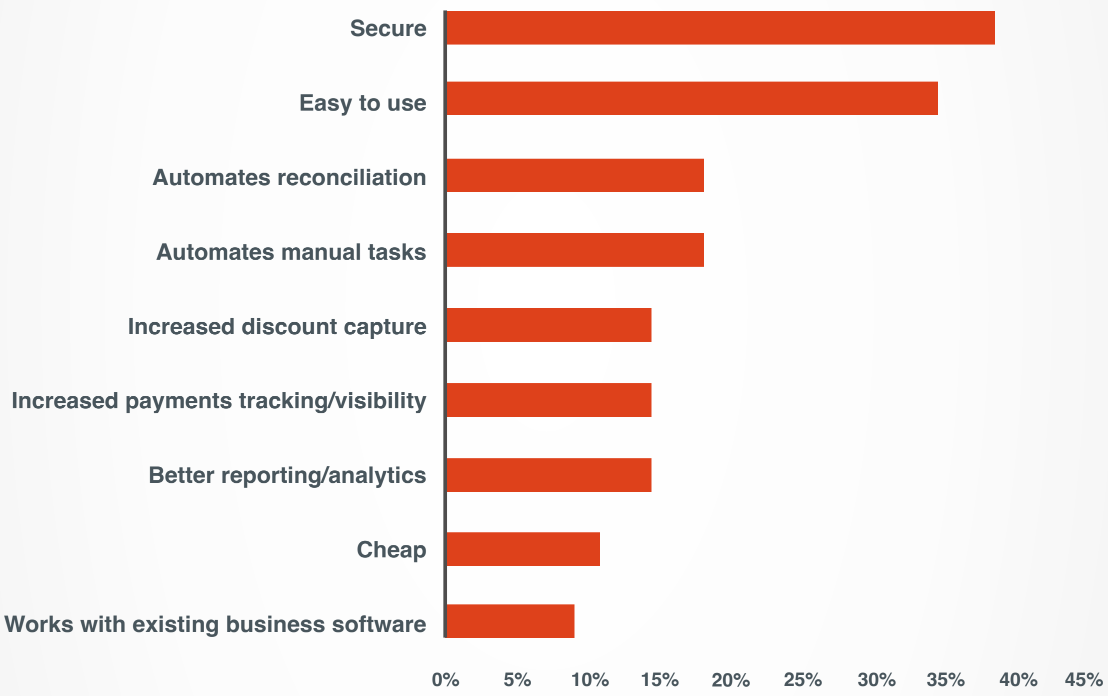
Figure 12

What are the top benefits to using your organization's payments tool?

Attributes of a Potential Payments Tool

For organizations relying exclusively on a non-electronic payment process, much of what they look for in a potential tool matches up with the benefits organizations using a tool have already realized. Companies using manual payment processes (e.g., those not using an ERP, ePayments platform, or bank bill pay tool) will look for specific criteria to warrant a switch. Platforms offering security, ease of use, and automation of reconciliation and manual tasks are the most compelling, as many of these purchasing criteria correspond to the initiatives companies want to accomplish in the next year.

Figure 13



What attributes of a digital payments tool would your organization need to digitize its payments?

Industry-Specific Future State

Industry-Specific Future State

Retail

Retailers stand to gain the most from using payments as a competitive advantage. Like businesses, consumers also shifted their buying habits in reaction to the pandemic. Many increased contactless payments and now continue to use them out of convenience. Buy Now Pay Later (BNPL) is another trend that has recently become more popular among consumers. But in a B2B world, most purchases are made with net 30-, 60-, and 90-day terms, and businesses already have the option of supply chain financing and invoice factoring.

It's unclear how BNPL would apply to these transactions or differentiate them from long-standing business practices. Still, the explosion in its popularity among consumers and the growth of B2B-focused BNPL startups make the trend worth keeping an eye on. Many believe it may be well-suited to small businesses with purchasing processes similar to their consumers and who do not have as much access to the financing options larger companies have.

Mobility

Payments are a pivotal part of the future of the mobility industry. In-car payments are one of many exciting innovations Endava is tracking. A connected car with embedded payments systems would allow drivers to pay for gas, food and coffee, tolls and parking, and even get estimates and pay for vehicle repairs. In-car payments also stand to gain traction as autonomous driving frees commuters to shift their attention from driving to handling other tasks, including ones that necessitate payments.

Insurance

Endava data indicates that insurers lag behind peers in other industries in payments digitization efforts, but many of the most innovative payments developments will directly affect the insurance industry. There's no better example than RTP, which should revolutionize the claims process, which is often done under stress and has significant time implications. Instead of waiting days to address emergencies, instant money transfers ensure problems can be solved in a matter of hours.

Embedded insurance, where the option to purchase coverage on a product or service is given at the point of sale, is another payments-related trend. Tying insurance directly to the sale is more than an attempt to remind customers that they have a coverage option—it's also giving them coverage tailored specifically to them and their purchase.

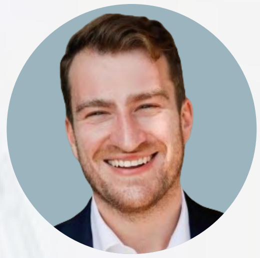
Conclusion

Payment digitization is often thought of as an individual organizational initiative, when it actually involves multiple parties, including governments, financial services providers, suppliers, and customers. It's difficult for one of these parties to be significantly ahead of the other without creating risk and inefficiency.

Each group has an incentive to modernize payments technology and processes. Governments can boost GDP and foster a healthy business sector, suppliers can get paid faster, and buyers spend less time fixing errors while gaining improved forecasting and reporting.

Upgrading payments doesn't have to be an arduous, expensive overhaul. Many fixes are process-focused, and the software typically provides a significant return on investment. By spotting the inefficiencies of their current systems, companies can get clarity on their ideal process and implement the changes necessary to make it a reality.

Meet Our Experts



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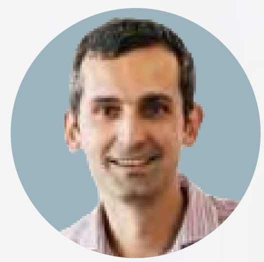

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About Endava

Company Overview

We accelerate our clients' ability to take advantage of new business models and market opportunities by ideating and delivering dynamic platforms and intelligent digital experiences that fuel the rapid, ongoing transformation of their businesses.

By leveraging next-generation technologies, our agile, multi-disciplinary teams provide a combination of Product & Technology Strategies, Intelligent Experiences, and World Class Engineering to help our clients become more engaging, responsive, and efficient.

Learn more at endava.com

Contact Us

Have a question about this report or how we can help? Let’s chat.