

The need for payment alternatives is now

Should your business be looking
at new ways to pay?





A billion dollars in a safe doing nothing is useless. Finance demands dynamism. Yet having plenty of fluidity and no governance can be equally problematic. It's a recipe for risk, as recent history has made clear.

That in turn creates a problem for the payments sector, through a game of bat and ball between positive disruption and risk governance – both of which need to be respected. Volatility is also an important (if unwelcome) aspect of today's commercial and increasingly digital business strategy. So that has to be managed, too.

A **recent survey** of 1,400 CEOs shows the global view on growth across 2019/20. While 2019 sees the highest level of CEOs anticipating an economic decline – up from 5% in 2018, to 29% in 2019 – positive sentiment is also strong at 42%. The telling data point is the number of CEOs that state things will stay the same. At 28%, this is the lowest ebb in the last decade.

In this environment, no business can afford to accept the status quo. You can't wait for six months for payback via legacy mediums while fluidity, speed and financial flexibility are on offer. But with the same old methods promising the same old results it's clear that something needs to change.

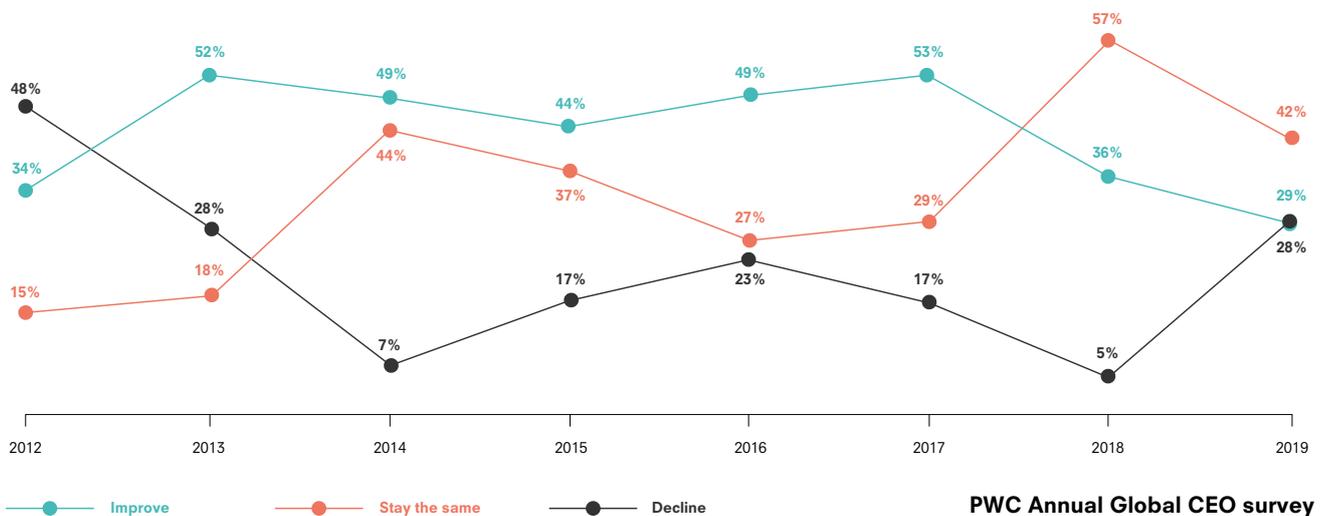
This is why we need alternatives. Now.

The market is focused on the options available to manage certainty in an increasingly uncertain world. Businesses want to be 'digital', secure and smart. Yet, in reality, leading edge trends such as Artificial Intelligence (AI) and Machine Learning are not likely to create practical alternatives any time soon.

The majority (85%) of CEOs believe that AI will significantly change the way they do business in the next five years, but only 3% see it as fundamentally important to operations. With these world changing innovations offering so little immediate value, the question for those dealing with payments is what can you do today?



Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?



Essential requirements of payment alternatives

At Optal, we believe that real payment alternatives are based on:

- Creating options without disruption
- Delivering efficiency without complexity
- Providing benefits across the supply chain
- Supporting assurance and control

Options without disruption

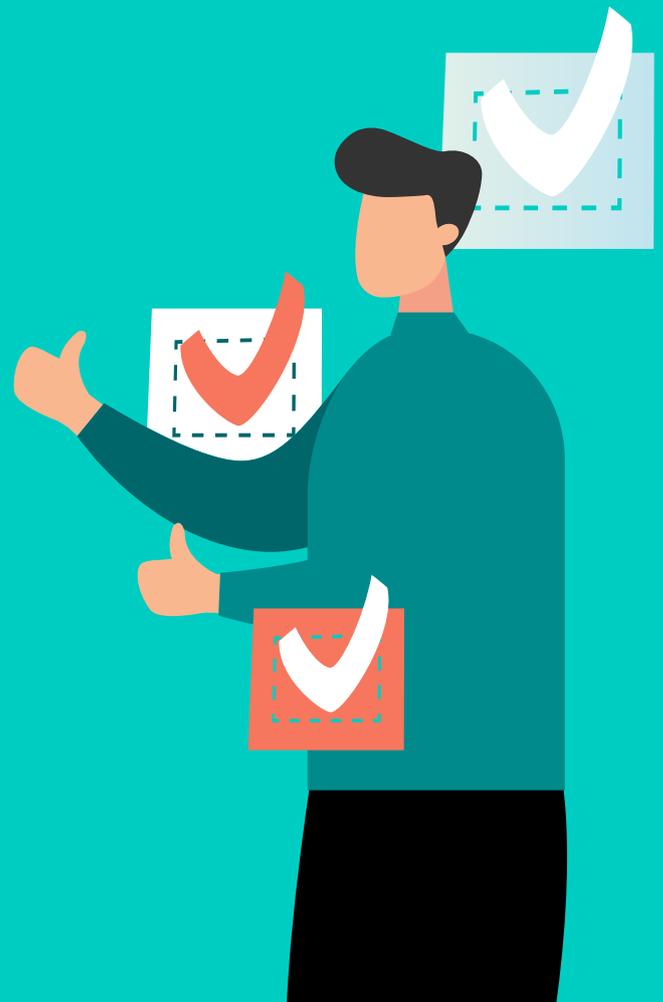
Cryptocurrency seems like a good concept to some. Blockchain has truly transformative potential. However, most change involves disruption, and our appetite for that is tempered by the reality of organisational structures that aren't easy to budge. 'Some day' is too long to wait for the promise of change. Businesses need to create payment efficiency here and now, not five years in the future.

Efficiency without complexity

Businesses want simple solutions for efficiency. However, some payment systems are notoriously complicated. Alternatives need to run alongside existing technology without the need for bulky re-engineering, forming part of wider digital transformation plans or easily integrating with what's already taken place.

Benefits across the supply chain

Keeping the supply chain moving smoothly – and keeping everybody happy – is key to ensuring financial fluidity and strategic success. Payments alternatives should benefit everyone in some way, not just one party. They should also allow businesses to use all of their financial options for all potential use cases, whether it's day-to-day expenditure, bills, payroll or tax.

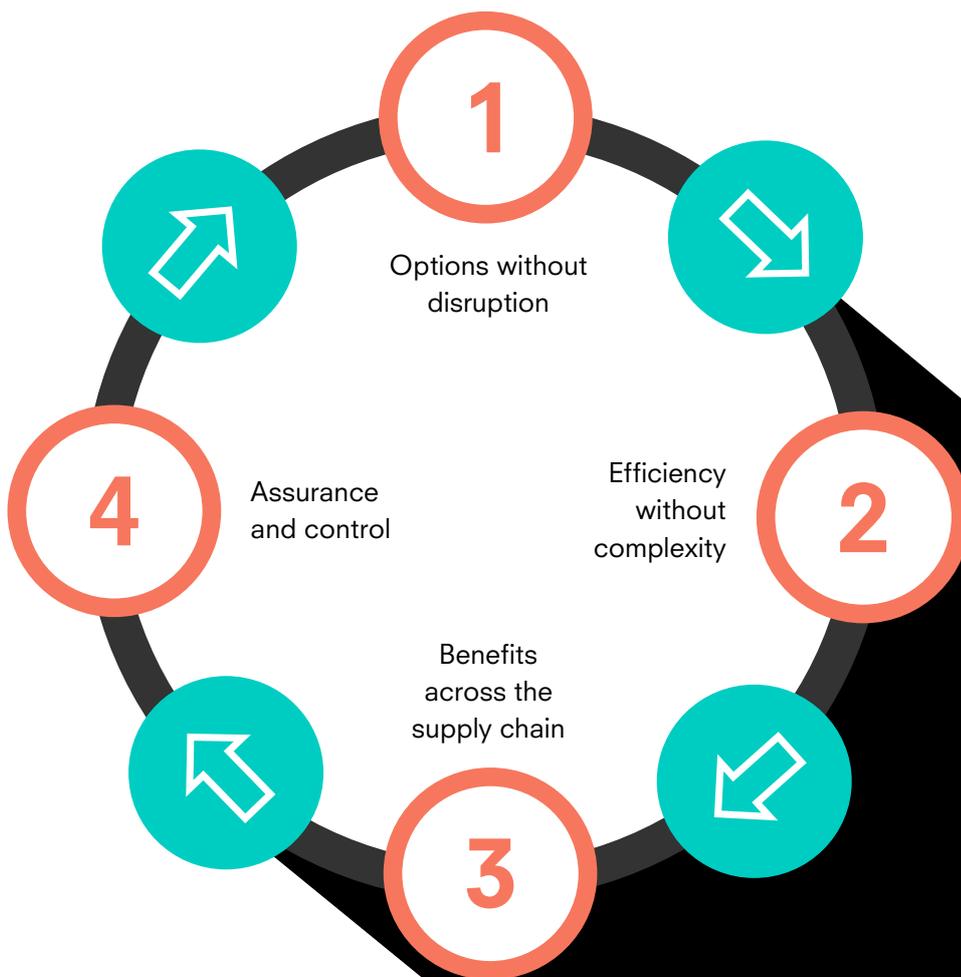


Assurance and control

New payment services or operating processes must maintain or increase a business' capacity for financial compliance. That means assurance and control for everything from international fiscal regulations to customer data protection.

These elements are essential to helping businesses transition into new ways of offering services and making payments. Four in five (81%) are not fully confident in using non-traditional vendors to manage financial processes, according to **2019 research*** of treasury professionals.

*All statistics (and references hereafter) are taken from our 2018 B2B payments report. For more information, see page 12.



The current payment landscape

All this isn't to say there's anything wrong with the payment system status quo. When a business needs to get paid, a number of options exist. Each of these has merit – but each also comes with challenges attached:

Cheques

- Reliable, familiar and easier than trying to obtain, authenticate, and keep secure customer bank account details. But very inefficient and out of step with modern ways of working.
- Cheques get lost. It takes ages to rectify the problem if they include errors. If it rains, they get wet.

Bank payment

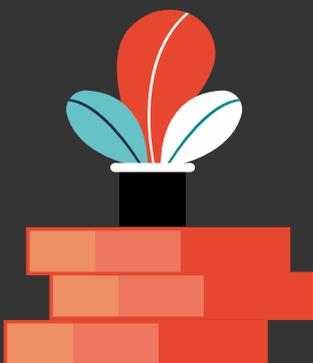
[EFT / BACS / SWIFT / ACH]

- These reliable systems for making payments via interbank payment protocols are faster than cheques. At a price, they can even be immediate. But they still tend to be based on payment runs.
- They are an ordeal for the supplier to reconcile and it's really hard (and expensive) to recover funds when errors are made. Fraud in interbank transfers is also on the rise.
- They also need to be 'set-up' for suppliers, an admin process that's prone to errors. Fine if you're a regular and large-scale supplier to a business, but clunky if you're further down the pecking order.

Corporate credit card

Credit cards have the benefit of deferred payment within the system. An issuer (the credit card provider) will settle the amount and request it from you at a later date for a fee. The payment is fast and widely accepted.

- Credit cards can become problematic when the sums required to be settled are either very big, or very small and frequent. There's also the issue of management and governance. Cards carry the risk of getting lost or stolen. The details can be acquired fraudulently, and the physical statements and reconciliation of payments is a burden to accounts departments.
- Cards can also be restrictive, making true financial liquidity a challenge. Historically, certain types of payments can't be made by card, meaning businesses are not able to fully utilise all of their payment options.



Payment platforms

- In B2B, businesses also have the ability to join or access payment platforms that manage transactions within a wider set of supplier services. The mechanisms for payment behind a platform will ultimately be a bank transfer, or intermediary settlement, with the platform itself taking care of the heavy lifting.
- Platforms can be owned by card providers, acquirers or dedicated third party service providers.
- The challenge with platforms is that businesses rarely work solely within a single payment environment. User IDs, passwords, cross departmental access and authorisation can all cause headaches. While the service is a benefit, there's sometimes a concern around payment transparency and ownership with an additional layer in the process.

Most organisations will use all available options to manage B2B payments, which is a common sense and smart approach. Businesses want payment channels that best meet their needs. For example, paying smaller payments to the 'long tail' of the supply chain presents different challenges to paying top tier suppliers significant sums on a regular basis.

The table below shows that different payment methods have different benefits. Cheques are outdated and present challenges in many ways for both buyers and suppliers. However, some organisations are not able to transition from manual, paper-based processes. Payment platforms, on the other hand, are an alternative solution with supplier benefits attached. But they may lack the control of a BACS system, and can create integration and complexity problems.

	Cheques	BACS	Cards	Platform
Alternative				✓
Efficient yet simple		✓	✓	
Supply chain benefit				✓
Assurance and control		✓		



Less radical, more alternatives

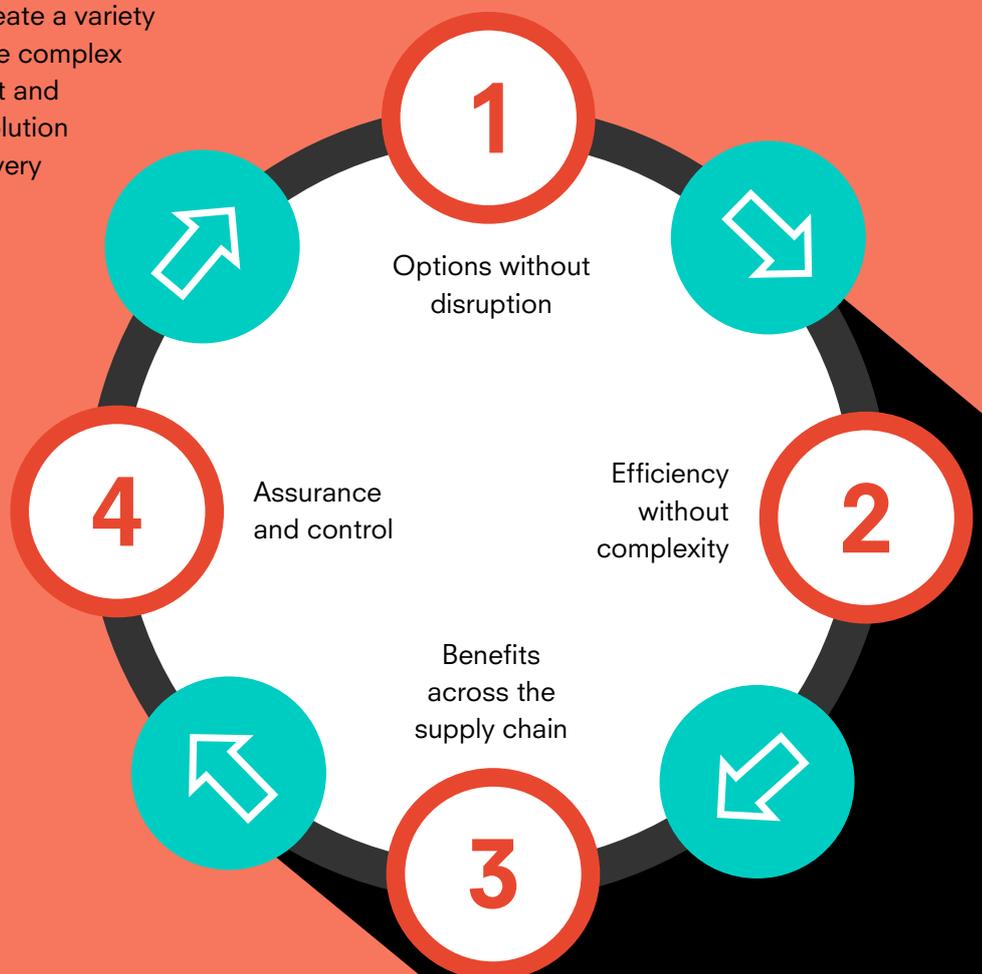
It's time to get smarter. But it's not about reinventing the wheel – it's just a case of finding effective alternatives. A clever way to tackle B2B payment challenges is to increase the options available to you. A new B2B payment option can have the potential to meet all your essential requirements.

At Optal, we know there's a huge opportunity for businesses to manage B2B payments in a smarter way. Here are some examples of B2B payment solutions creating alternatives for companies that are serious about improving their financial performance:

For CFOs who want to tackle supplier payment challenges

Virtual Account Numbers (VANs) create a variety of options for businesses to manage complex supplier payments with an intelligent and secure virtual card payment. This solution creates a unique card number for every transaction, making it fast, highly transparent and also financially rewarding.

VANs also turn B2B payment processes into a revenue stream. Businesses using VANs to pay suppliers have the opportunity to realise part of the payment fee as additional margin in the supply chain, which can either be recognised as revenue, or re-invested in supplier strategy.



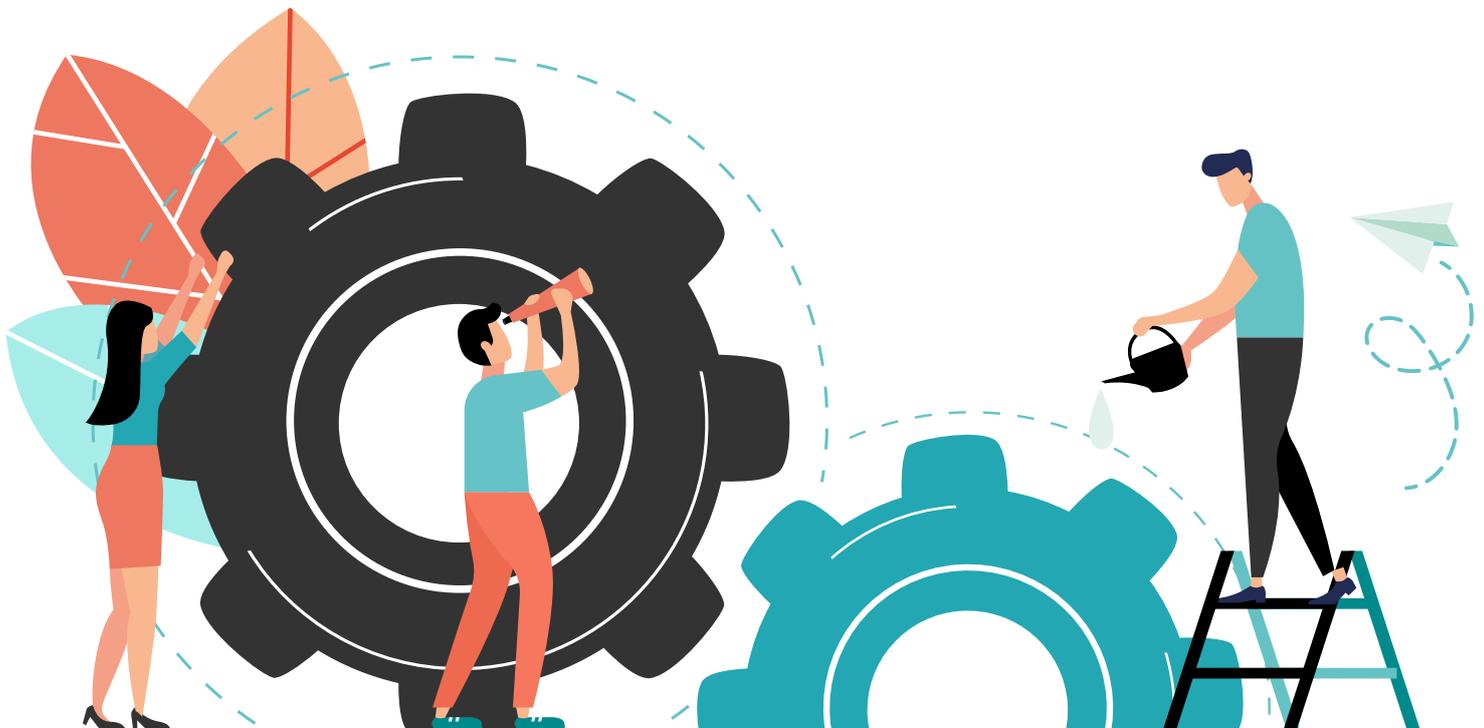
For CFOs who want to create smart working capital

Invapay is a B2B payment solution that transforms underutilised credit lines into working capital in the business. By acting as a regulated intermediary and removing the need for merchant acceptance of credit card payments, Invapay increases your options for credit lines and global cashflow management. Invapay works for all business payments, from bills and tax to running costs and daily expenditure.

Payment alternatives can create flexibility for buyers and suppliers. Beyond process efficiencies, both VANs and Invapay can put revenue and cash back into your business. Proving that alternative solutions can save money and create revenue from financial processes – all while facilitating fluidity and helping with risk governance.

Each of these solutions fits intelligently into the essential requirements for payment alternatives:

	Virtual Account Numbers	Invapay Card Payments
Alternative	✓	✓
Efficient yet simple	✓	✓
Supply chain benefit	✓	✓
Assurance and control	✓	✓



The time is now

Payments isn't an area any business can afford to get wrong. So, against a backdrop of uncertainty, some businesses will stay put. But others will actively pursue options to help them manage a continually changing financial landscape. For these businesses, there are always alternatives. And within those alternatives lies huge opportunity for success.



Learn more about using Invapay to bring more working capital into your business in *How commercial credit can create smart working capital*

[Learn more](#)

To talk to us about how we could add value to your organisation, please contact: info@optal.com



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*All Optal's statistics quoted relate to our 2018 B2B payments report. In cooperation with Mastercard, we asked 100 senior finance executives within FTSE 350 companies and large public sector organisations what they thought of the state of B2B payments. These are their insightful views.