



# The Business to Business (B2B) Opportunity



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# Overview

1. B2B Commerce, B2B Payments - What defines it?
2. Technology impact on commerce channels
3. Growth of B2B
4. Interacting with both B2C, B2B
5. How are they different?
6. How does this impact your current service model
7. Additional needs/requirements B2B
8. Trends shaping B2B Customer

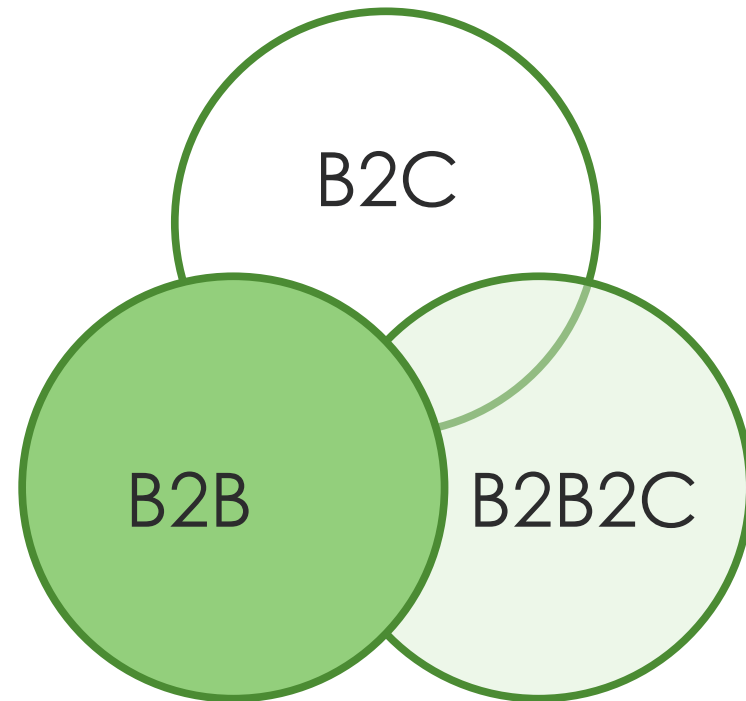
# Technology Blurs Commerce Channels

With technology as a catalyst, coupled with the explosion of software as a service, traditional business channels are blurring.

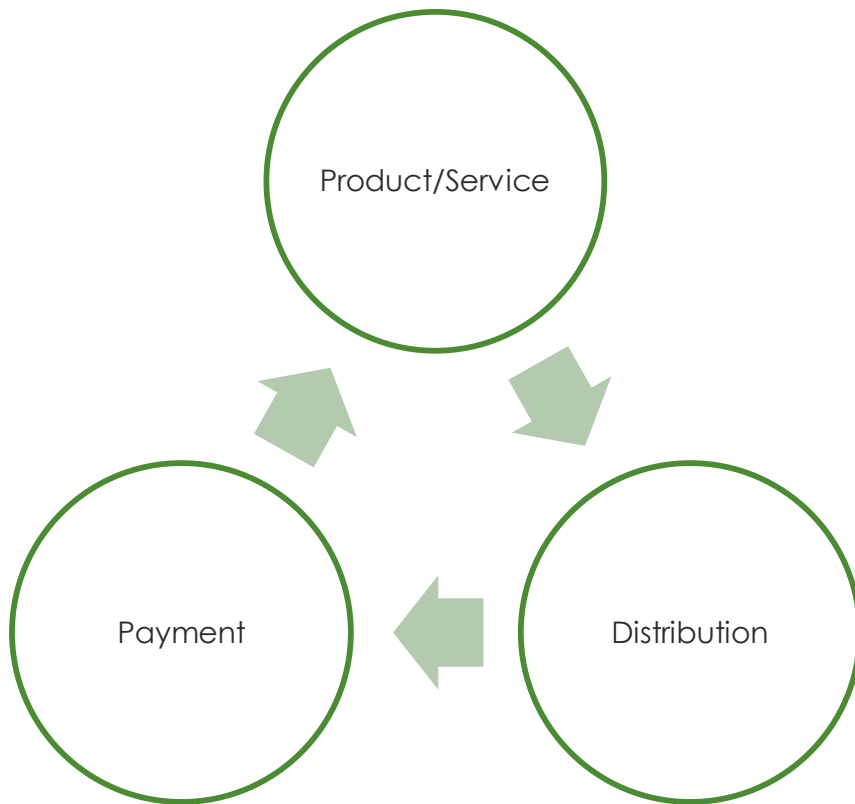
Today's companies are often interacting with both B2C and B2B customers

How does this impact your current service model?

We will discuss trends shaping the B2B market today, help identify what is different in servicing and retaining the B2B customer and explore resources available.

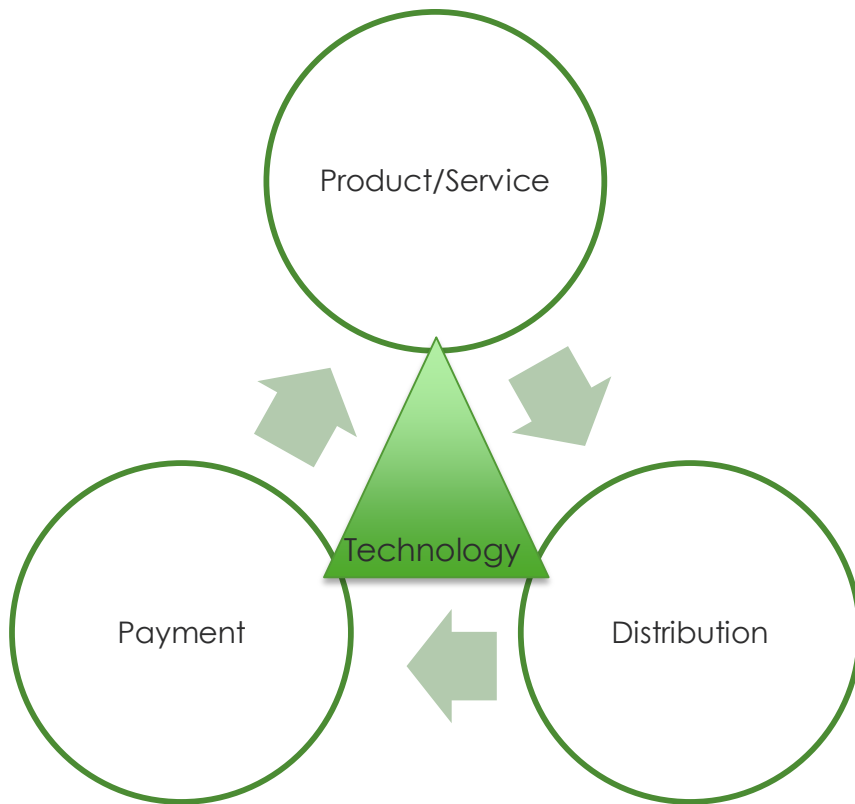


# Basic B2B/B2C Ecosystem



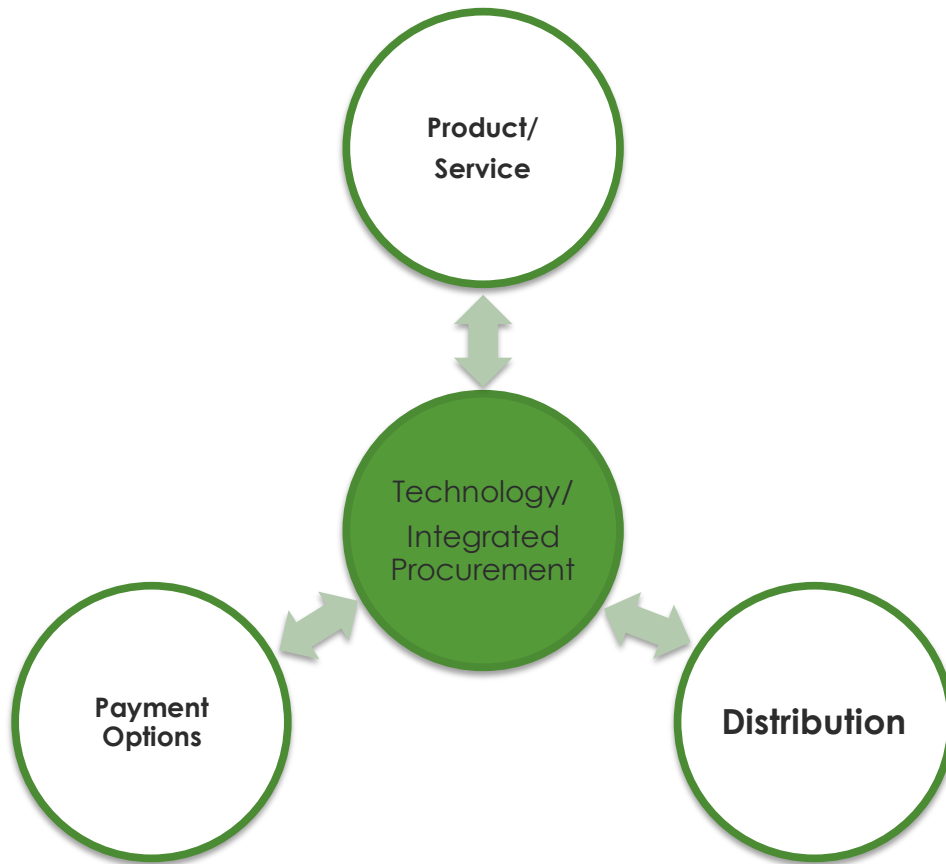
- Need drives both B2C and B2B
- Traditional channels were clear
  - Wholesale/Distributor
  - Retail
  - eCommerce
- Payment acceptance differences
  - B2B – Checks, Open Invoice
  - B2C- Credit, Debit, Cash, Check

# Technology and B2C



- Search for best value for dollar
- Speed – don't want to wait
- Technology breaks down “shop local” barriers
- “Buy my way, Pay my way, Pick up my way”
- B2C Consumer seeks ubiquitous experience

# Technology Impacts B2B Ecosystem



B2B Customers making same demands as B2C Customers

- Value
- Speed
- Enhanced customer service

Evolving needs

- Data
- Integrated Technology between them and their customer
- "Buy your way, Pay your way, make it faster, reduce costs"

Challenges faced

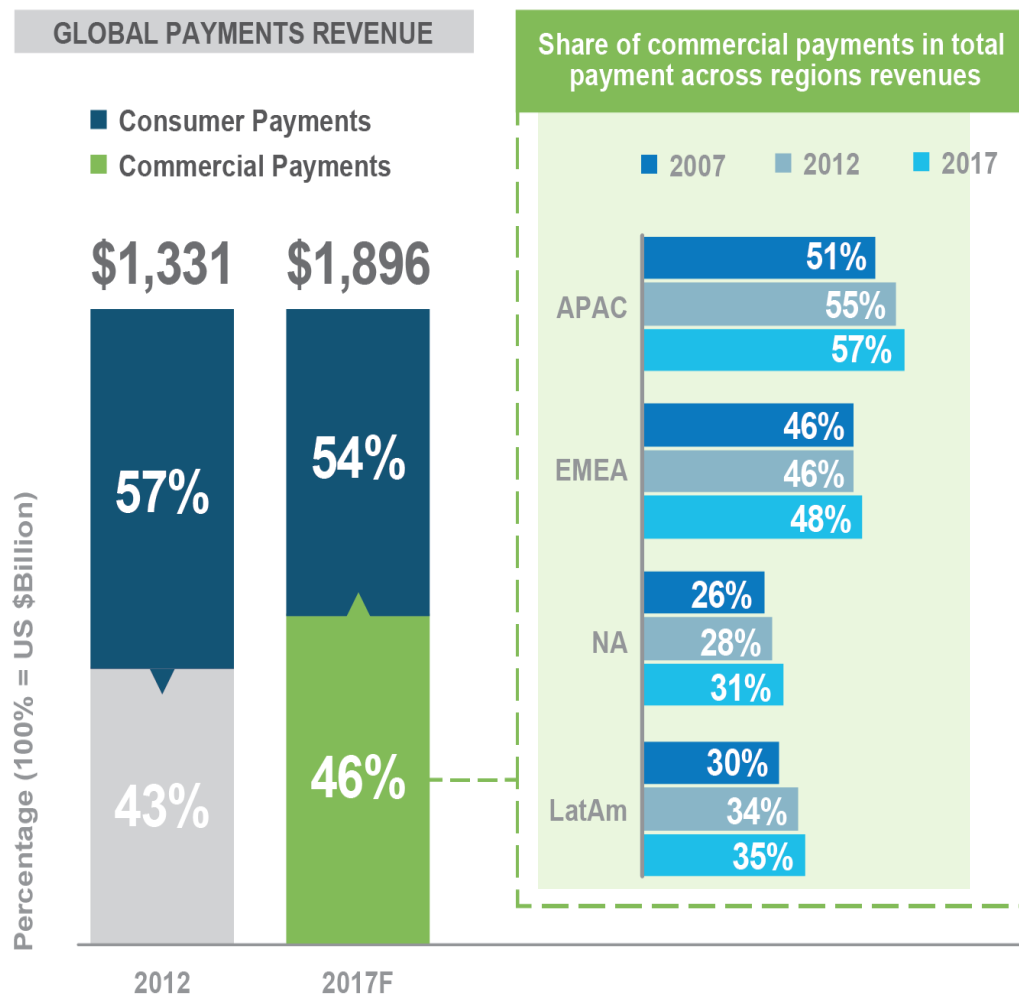
- Execution on new strategies
- Integration of systems and tools
- Growth

# The Commercial B2B Payments Industry is Evolving

- McKinsey & Company reports commercial outpacing consumer payments share.
- Payments represent 25-35% of a typical bank's revenue.
- Merchant payments at the epicenter of disruption.



Commercial payment revenues expected to grow faster than consumer payments in the US and globally

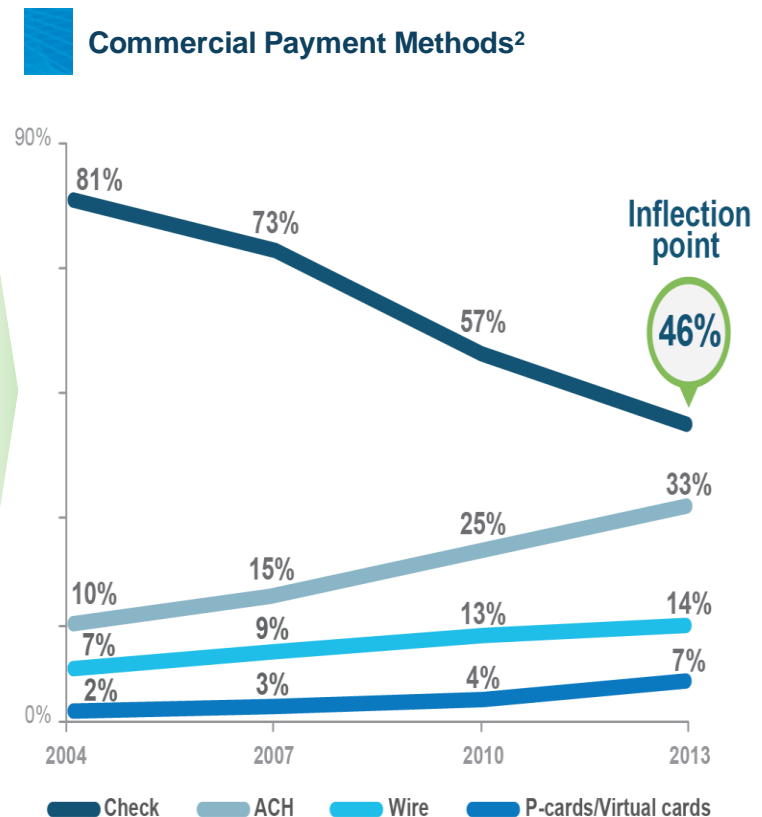
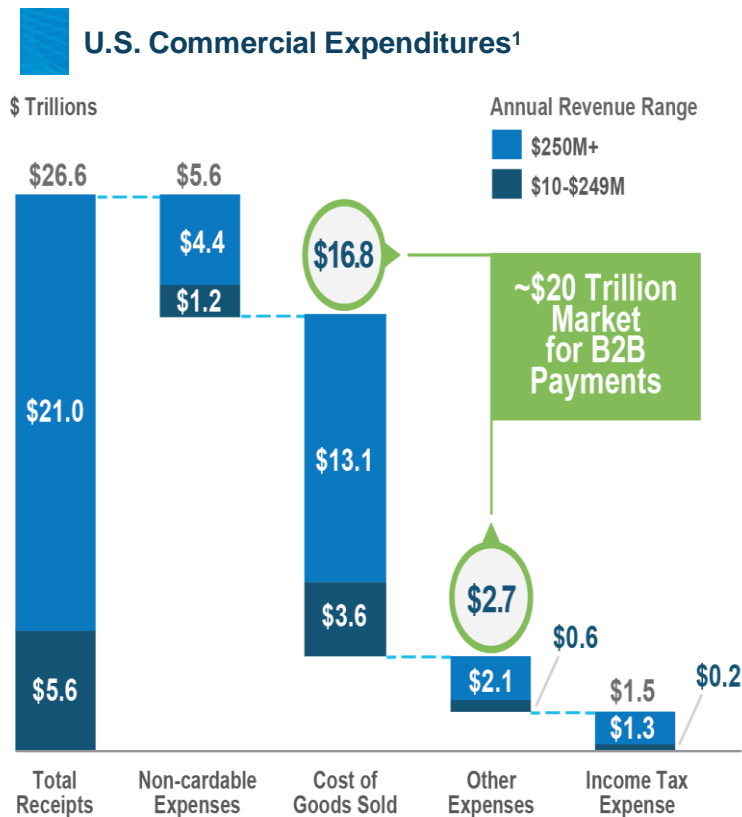


Source: McKinsey Global Payments Map

# US Market – B2B Payment Trends

## Key Insights


- Paper checks are still the most popular payment method, though usage is dramatically declining.
- Business software solutions are increasing the utility of ACH and Card.
- Card had almost doubled in 3 years.



Sources: 1. First Annapolis, 2014 estimate using 2011 IRS Tax data; 2. Goldman Sachs Global Investment Research, BOK Financial Corporation



# B2B Payments Key Market Segments

	Business Travel	Procurement	Payables
Description	Payments for air travel, hotel, car rental, meals, taxis, etc.	Payments for goods and services at point-of-purchase	Payments for goods and services after an invoice is received and processed
Examples	<ul style="list-style-type: none"> <li>• Corporate T&amp;E cards</li> <li>• Consumer credit cards</li> </ul>	<ul style="list-style-type: none"> <li>• Checks, EFT</li> <li>• Purchasing cards</li> </ul>	<ul style="list-style-type: none"> <li>• Checks, EFT, Wire</li> <li>• Virtual cards</li> </ul>
Market	~10% of discretionary spend	~20% of discretionary spend	~70% of discretionary spend
Trends	<ul style="list-style-type: none"> <li>• 3% card volume growth (T&amp;E)</li> <li>• Saturated market (dominated by Amex and large issuers)</li> <li>• Travel budget pressures, virtual meeting technologies</li> </ul>	<ul style="list-style-type: none"> <li>• 10% card volume growth (including open loop fleet)</li> <li>• Smaller ticket sizes</li> <li>• Recent emergence of virtual cards</li> </ul>	<ul style="list-style-type: none"> <li>• +28% CAGR virtual card</li> <li>• Integrating Buyers with Suppliers</li> <li>• SAP Ariba </li> <li>• Virtual Card E-Payables</li> </ul>

**Payables represents the largest market segment in Commercial Payments**

Source: First Data Corp

# Trends Shaping B2B Customer

## Reporting/Data /Analytics

- Identify and understand customer behavior, patterns and trends

## Digitization of invoicing accelerating digital payment acceptance

- Virtual payments
- Online/Integrated invoice pay
- Paper checks continues to decline
  - Replaced by other payments types
    - ACH, Virtual Cards, Mobile Payments

## Cloud based Finance – manage cash flow

- Reduce cost of management/acceptance

## Customer Experience

- Automation reduces friction, payment is easier; collections faster
- Multiple Payment methods/options

## Payments Infrastructure modernization

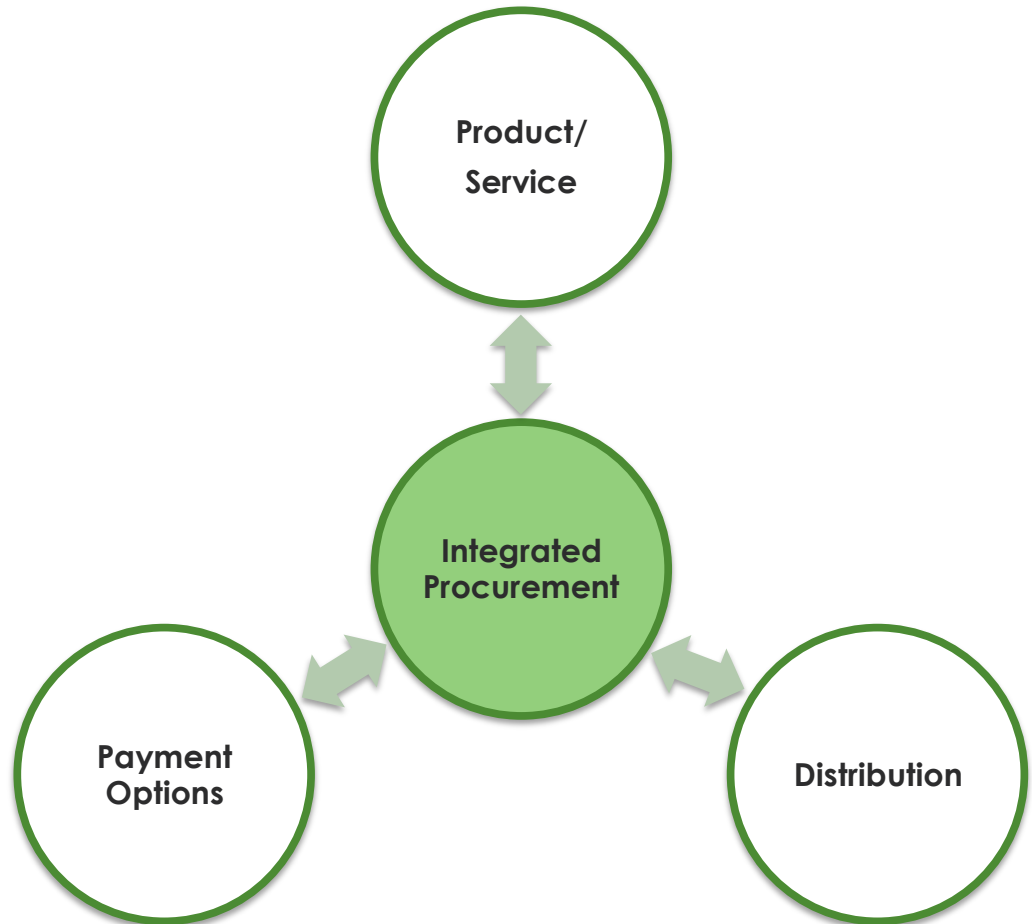
- Disrupters – new products, technologies, channels
- Paper Checks continue to give way to ACH; same day ACH, faster rails, faster payment
- Cross border payment: No longer just domestic payments; globalizing payments
  - SAP, Western Union continue to develop and grow

\*Source: 2013 Federal Reserve Payments Study

# Evolving B2B Ecosystem

## Integrated Procurement

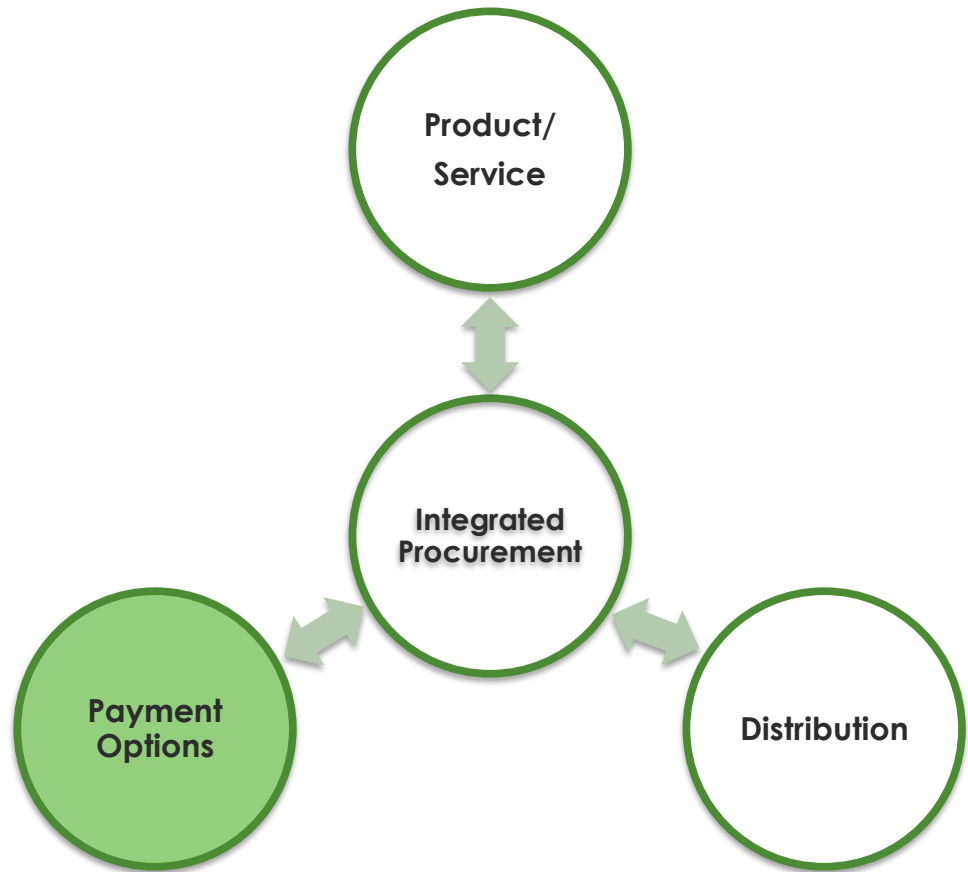
- Rise of the SaaS- integrated systems/tools
- Customer requirements for internal tracking, payment, reconciliation
- Enhanced ability to capture data/invoice details
- Automation to reduce Paper
- Integration with financial/accounting systems – efficiency, single location
- Flexibility to support multiple billing models (one time, recurring, etc)
- Address industry Specific requirements – Healthcare, Industrial, Government



# Evolving B2B Ecosystem

## Payment Options

- Traditional – Cash/Check/Wire
- Credit Cards – Beyond the basic credit card – the growth of “P” Purchasing Card; Commercial Card
- Invoice Processing/Purchase Order
- Virtual Card E-Payables

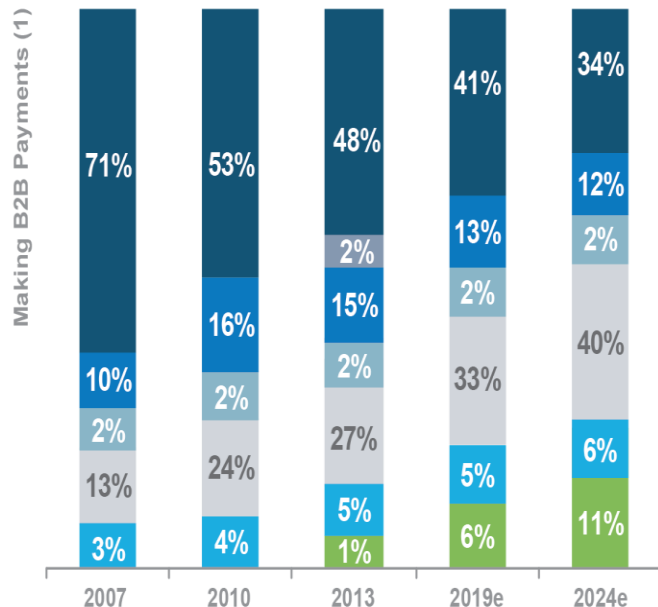


# B2B Payment Trends Virtual P-Cards

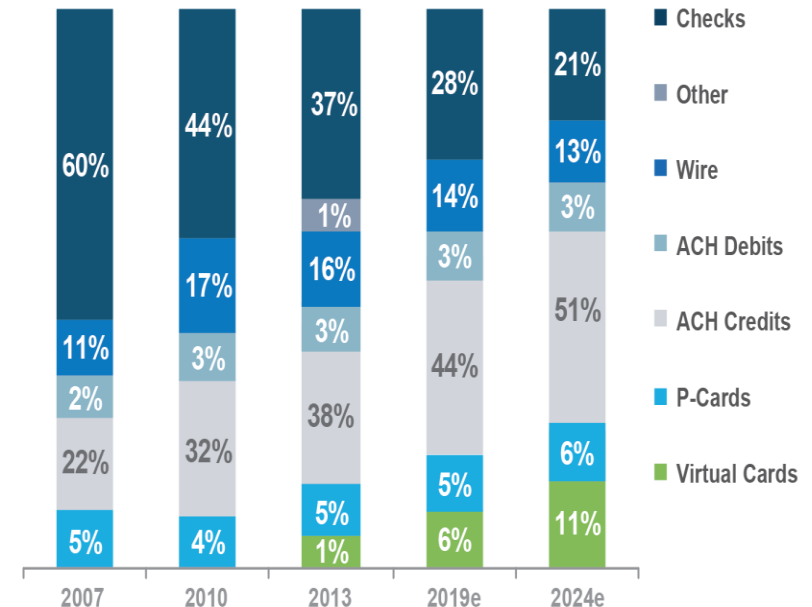
## Key Insights

- ACH credits replacing Check volume.
- Virtual cards will overtake plastic cards (spend volume) in the next 12 months.
- Reduced interchange rates required to drive virtual card growth.

### Orgs with Less Than \$1 billion in Annual Revenue (% of payments)



### Orgs with \$1 billion or More in Annual Revenue (% of payments)



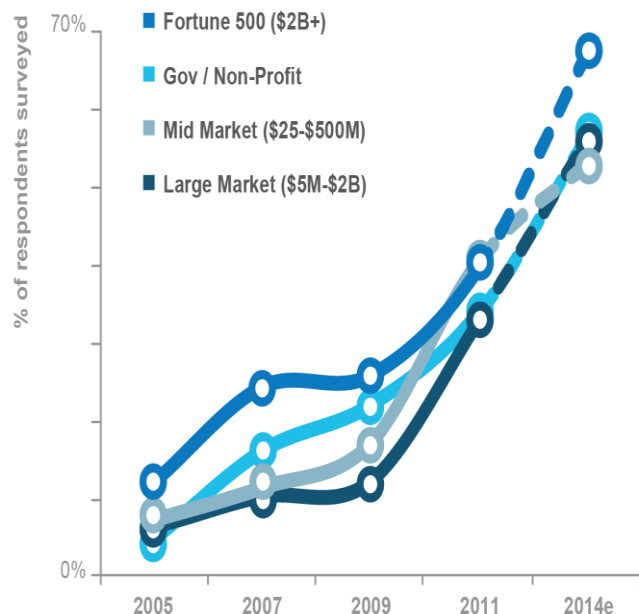
Source: AFP Electronic Payments Survey data for 2007, 2010, & 2013 surveys of ~500 organizations most of which are U.S. based; 2013 Federal Reserve Payments study; First Annapolis Consulting market observations

# US Market Trends – Virtual Card

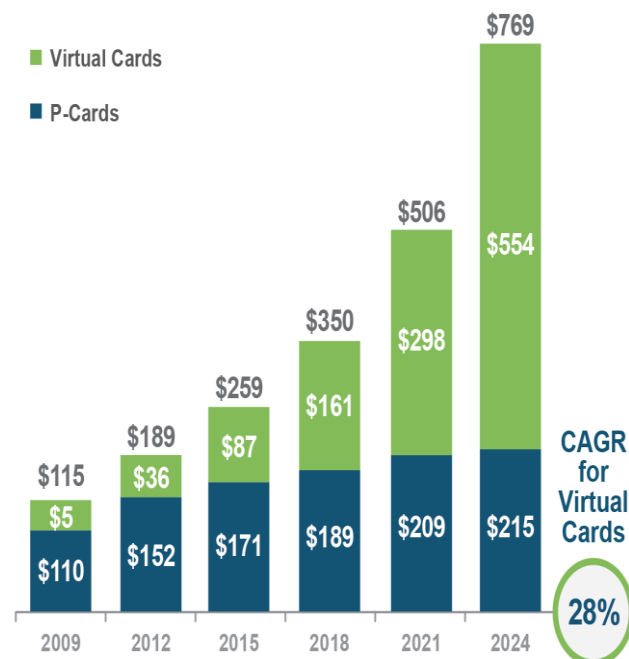
## Key Insights

- Payables is 70% of the typical discretionary spend of a business.
- Virtual cards are driving industry growth at 28% CAGR.
- Virtual card adoption is widespread across all market segments.

## Virtual Card Adoption in North America<sup>1</sup>



## P-Card Spend in U.S. (in \$ billions)<sup>2</sup>



Source: 1. 2012 RPMG Purchasing Card Benchmark Survey; 2. First Annapolis Consulting Forecast.

# Interacting with both B2C, B2B

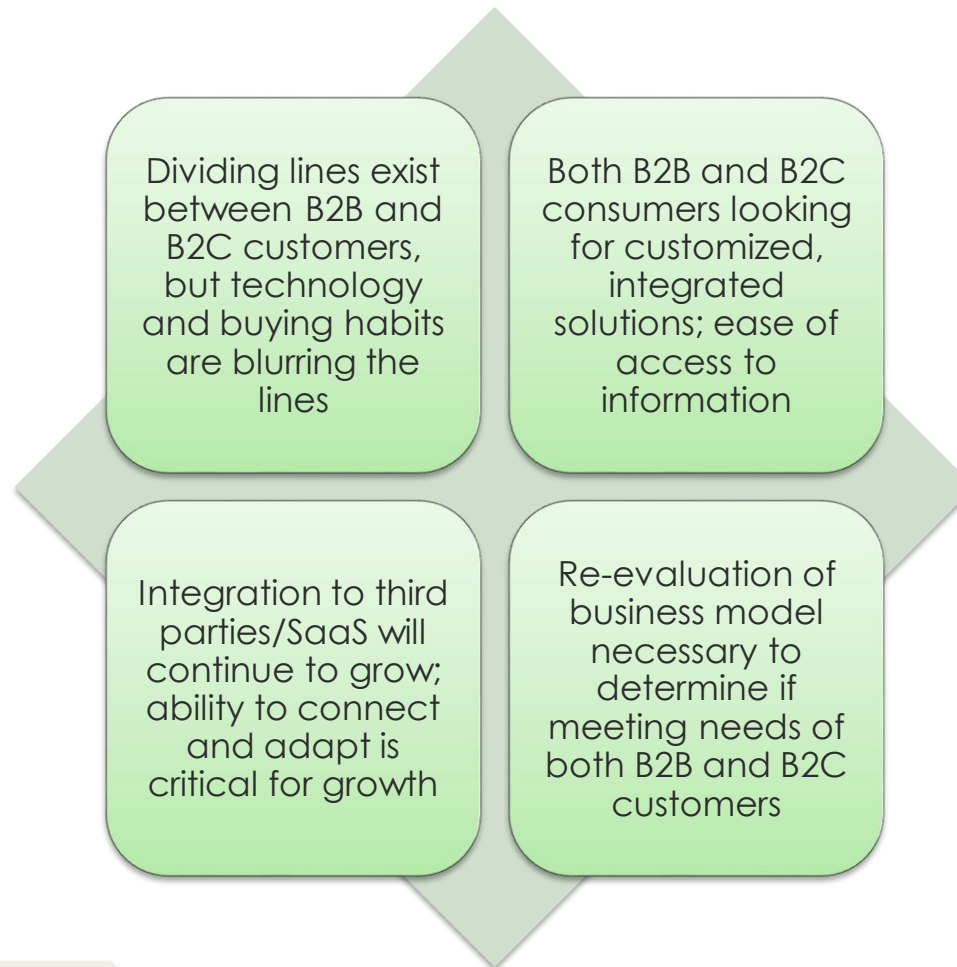
## How are they different?

- Payment methods differ –
  - B2B still check, Invoice focused
  - B2B – Virtual Payments
  - B2B – Reduce paper with automation, integration
  - B2C – Preference for mobility; evolving payments – ApplePay, Wallets
- Transaction detail requirements
  - Level of detail varies from no receipt to itemized detail including SKU# (on invoice or credit card statement)
- Data Focus
  - Both B2B/B2C – want access to data via multiple channels

## How does this impact your current service model

- Ability to provide information quickly, seamlessly at transaction level
- Speed of response to resolve issues

# Closing thoughts





## Bob Nadeau, SVP, National Solutions First Data

If you have any questions about the presentation, go to our LinkedIn Group (the [Payments Education Forum](#)) and request an invitation (this is a closed group specifically for the payments industry).