



Commercial Payment Priorities for Small to Medium-sized Enterprises (SMEs)

A custom report compiled by Euromonitor International for
Discover® Financial Services

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1. Executive Summary

Small to medium-sized enterprises (SMEs) are in the midst of a digital revolution. They are eager to save time and money by managing commercial payments with the same ease and efficiency found in consumer-facing transactions. The pandemic accelerated the pace of digitization for small firms, many of which pivoted to e-commerce, along with sophisticated technologies for accepting consumer payments. SMEs are building on that momentum to digitize their back-office operations, optimize transactions with suppliers, and automate inefficient manual processes. While this is a complex undertaking, SME appetite for digital transformation remains high. They are migrating to digital commercial payment solutions to succeed amidst inflation, supply chain restructuring, and rising cross-border trade. Better cash flows, easier access to funding and faster, more reliable transactions are a few of the benefits that await.

Euromonitor conducted a survey to collect quantitative insights from owners or senior leaders of 908 small firms (defined as fewer than 50 employees) spanning 16 countries and 6 industry segments. More than 20 one-on-one interviews with business decision makers revealed additional challenges and insights from their efforts to digitize commercial payments management. Discover Global Network and Euromonitor International present their findings by first outlining the most pressing commercial payment challenges impacting SMEs businesses. Then follows a discussion of the payment tools and technologies that can help simplify expense management, drive efficiencies, save costs, and improve margins.

1.1 Commercial Payment Priorities for SMEs

SMEs express a variety of compelling reasons for seeking a commercial payments solution. Here is a sampling of what is on the top of their collective mind:

1 Management of supplier payments is my #1 expense-related challenge

70 percent of small companies surveyed struggle with supplier payments. And 76 percent are looking forward to investing in capable technology solutions like automated online invoicing platforms to better address these challenges.



“A solution that allows automatic payments to suppliers at expiration, (while) communicating the details to both me and the supplier and helping internal accounting could be perfect.”

- Food and Beverage, Owner/Founder, EMEA

2 I want to make greater use of digital payments going forward

60 percent of SMEs plan to increase the use of digital methods for supplier payments, and 53 percent plan to do so for marketing and advertising spend.



“We are currently working to adopt an ERP solution with vendor payments integration so it makes [supplier payments] work easier. This would enhance the smooth flow of business.”

- Petrol/Gas, General Manager, EMEA

3 I need to be more organized with my business expenses.

77 percent think a dashboard for expense and receipt tracking will be an important payment tool in the next year.



“Must-have features for the dashboard/expense tracker is that you can easily get reports, cross-check information, keep track of credit and monitor performance.”

- Manufacturing, Owner, LAC

4 I'm still using cash and cheques for commercial payments

Paper-based payments are the primary payment method being used to remit funds for supplier expenses, which stood at 29 percent of SME survey respondents. Cash and cheque use as the preferred payment method was even higher for other spend categories - 40 percent of survey respondents pay for office supply expenses with paper; 39 percent for fleet costs; 37 percent for employee business travel.



“I prefer to use Cheques issued on abroad accounts to pay suppliers instead of international banking transfers. Large disbursements negatively affect the treasury if made by real time online payments, but it helps if by cheque because this payment solution is not in real time, giving more time to my company in relation to the treasury management.”

- Food and Beverage Manufacturer, GM, EMEA

5 I want access to financing on good terms

65 percent of SMEs consider financing loans important/very important in the coming 12 months; and 38 percent say they may switch payment providers if loans are unavailable or restrictive.

6 I'm interested in obtaining a credit card for my business

74% of respondents said access to a commercial credit card is important to have in the coming year.

7 As a small-medium sized business, I can't jeopardize the security of the payments I send

60 percent believe strong security features like virtual card numbers (VCN) are important to their company's commercial payments solution.

8

My commercial payment provider doesn't give me access to cost-competitive cross-border (XB) transactions

40 percent of SME respondents share this sentiment. They would benefit from invoicing platforms and companies offering similar solutions with flat fees and enhanced traceability.

”

“We would consider switching to a better cross-border solution with lowered processing fees, at least on a subscription basis or with a per transaction limit, so we could save on the costs [related to international trade].”

- *Construction, Marketing Director, EMEA*

9

I want a commercial payments partner that is easy to work with

Among SMEs, this was the top attribute considered in the selection of the commercial payments partner, with 56 percent selecting the option.

”

“The main thing is mutual trust, especially for long-term partnerships. We prioritize companies that meet our needs and are by our side in any scenario.”

- *Manufacturer, Administrative Manager, LAC*

10

I want to save time and money by managing bill payments all in one place

56 percent are motivated by saving money, 47 percent by saving time, and 45 percent by finding a unified platform to do it all. They simply need to find the right cost-effective solution for their small business.

2. Commercial Payments Landscape for SMEs

2.1 Customizable Commercial Payments Solutions for SMEs

SME respondents varied widely in their use of commercial payments solutions. Some were switching to an enterprise resource planning (ERP) system with an integrated capability to make supplier payments. Others were still paying business expenses manually. Yet, most respondents agree that additional automation will benefit operations. Selecting a commercial payments partner involves communicating business-specific needs and finding appropriate solutions that are on-budget.



“The challenge for SMEs especially is finding the most cost-effective provider [given their revenue size]... Banks are traditionally used for commercial payments to suppliers in SE Asia, even by smaller firms, but they are often slow and costly and aren't offering the latest technologies...Smaller firms just don't know where to find the best option.”

- Construction, Marketing Director, EMEA

SME respondents were 2x as likely to say they are ‘Dissatisfied’ or ‘Very Dissatisfied’ with their current commercial payments provider versus large company respondents in Euromonitor’s survey.¹

2.2 Payment Trends Impacting SMEs

Given their size, SMEs often lack resources dedicated to managing functions such as procurement, receivables, payables, marketing, employee compensation, travel management, and IT oversight. Instead, senior leaders often oversee multiple functions, all while taking lead on the most important aspect for any business – generating leads and closing sales.

However, both government agencies and the private sector are creating programs and professional services to address the unique needs of SMEs. The following details trends related to actions taking place in the market to provide the digital tools and enhancements to improve the ways in which SMEs make and receive their payments.

2.2.1 Government Investment and Incentives

Government strategies for supporting the digitization of SMEs business are evident across our surveyed regions. The UK's Faster Payments system enables the infrastructure for real-time payments. A public-private partnership offering real-time payments launched in Saudi Arabia and Bulgaria in 2021, underpinning a more accessible banking system for small business. Meanwhile, Indonesia's leadership offers incentives to promote its goal of 30 million digitally enabled small businesses by 2024, along with real-time payments by 2025. The Reserve Bank of India routinely connects small businesses to invoice financing using the country's TReDS digital platform.²

Governments are also indirectly supporting SMEs by opening-up new banking possibilities through legislation. Mexico enacted a new fintech law that enables new e-wallet, cryptocurrency and crowdfunding activities. More importantly, this paves the way for both existing banks and other service providers to offer a broader range of financial services that are more inclusive of small business.

SMEs can expect a more competitive payments landscape as new entrants take advantage of alternative payment technologies like real time payments. They can also expect easier access to invoice and working capital financing; and more efficient cross-border payments as free-trade and globalization of supply chains ramps up international trade flows.

¹ Euromonitor International custom B2B Commercial Payments Survey results (SELE_3r1+2)

² <https://www.pymnts.com/news/b2b-payments/2020/data-late-payment-smb-cross-border/>

2.2.2 Real-Time Payments

Also referred to as instant payments, real-time payments (RTPs) run on dedicated networks that enable electronic payments to be processed in real time, 24 hours a day, 365 days a year. RTP is an attractive payment technology for SMEs. For the recipient, real time payments settle and reconcile instantly, are irrevocable and boost cash flow. On the other side of the transaction, payers can make payments as late as possible, thereby conserving cash. Adoption and use is greater in APAC and EMEA at this time.

In the EU, one example of government-backed, RTPs is the SEPA (Single Euro Payment Area) Instant Credit Transfer, which is available for a wide range of use cases including B2B payments. Asia-Pacific is among the fastest-growing regions for this payment scheme, with adoption in countries such as India well ahead of most western countries. In Latin America, Brazil, Mexico and Argentina are the largest users of instant payments, with Brazil seeing the most adoption due to the popularity of its PIX instant payment network. According to our survey around 52 percent of SMEs want to deepen their understanding of real-time payments.³

2.2.3 Small Businesses Need More Access to Finance

Globally, the unmet financing need of small- and medium-sized enterprises is estimated at US\$5.2 trillion, with APAC representing the largest share of shortfall (46 percent), followed by LAC (23 percent) and EMEA (15 percent). One way to address the funding shortfall is a broader roll-out of digital finance solutions. These can offer rural businesses greater access to financial products and services, enabling faster credit decisions while prudently managing loan default rates.

SMEs use a mix of credit sources, including business credit cards, term loans, and revolving credit lines. However, for businesses without a history of financial information that can be used to assess risk, banks are reluctant to lend. This had led to growth in “alternative financing” from non-bank sources such as fintechs, who consider non-financial data to analyze risk. For SMEs, this means more flexibility in managing their cash flow and outgoing payments.

2.2.4 Fraud Protection Tools

SMEs remain targets for payments fraud, with around 66 percent saying they had experienced invoice fraud in 2021. Cheques continue as the payment method most susceptible to fraud, followed by wire transfers and ACH debits.⁴

Fraud reduction tools are available in commercial payment applications, usually as part of a suite of solutions that may include invoice or expense management software. This can alert to potential fraud before it occurs by flagging suspicious invoices, and even determine risk categories for suppliers. Small businesses could also engage with third party insurance carriers for cyber fraud insurance, however, exemptions for such coverage should be carefully considered.

2.2.5 Greater Activity on Digital Marketplaces

E-commerce platforms have made it easier for SMEs to digitalize their footprint without requiring specialized tech knowledge or large-scale investments. B2B e-commerce marketplaces are digital platforms bringing together buyers and sellers to transact for goods and services. Placement in a B2B online marketplace is important to 66 percent of SMEs surveyed by Euromonitor. This channel generated \$130 billion in sales in 2022, representing around seven percent of total B2B e-commerce sales. While B2B e-commerce increased 16.7 percent from 2020 to 2022, B2B marketplaces jumped 129.8 percent in the same period.⁵

³ Euromonitor International custom B2B Commercial Payments Survey results (Sour_7r9, n=908)

⁴ <https://www.paymentsjournal.com/what-payment-methods-are-most-subject-to-commercial-payments-fraud/>

⁵ <https://www.digitalcommerce360.com/article/future-of-b2b-marketplaces/>

One of the most viable points of entry for SMEs is to participate in a vertical-specific marketplace, which enables buyers and sellers of niche products to find one another. Business buyers are spending more time utilizing online procurement, where they have greater clarity on price and products. They are also looking to diversify their supplier base to avoid disruptions. SMEs can benefit not only from access to these marketplaces, but also from the sophisticated payment and financing options that are commonly embedded within.

Cross-border payments are another common integration within B2B marketplaces, simplifying payments and opening new international market opportunities. Overall, vertical-specific marketplaces represent an attractive way for SMEs to participate in the digital economy, whether they are just transitioning to ecommerce or are simply looking to add another digital-procurement channel.

3. SME Commercial Payments Priorities

In addition to commercial payment trends and developments, SMEs have their own challenges and priorities when it comes to making payments to suppliers. The following details some of these priorities and the solutions being made available to SMEs to ease the back-office burden.

3.1 Better Payment Management Tools

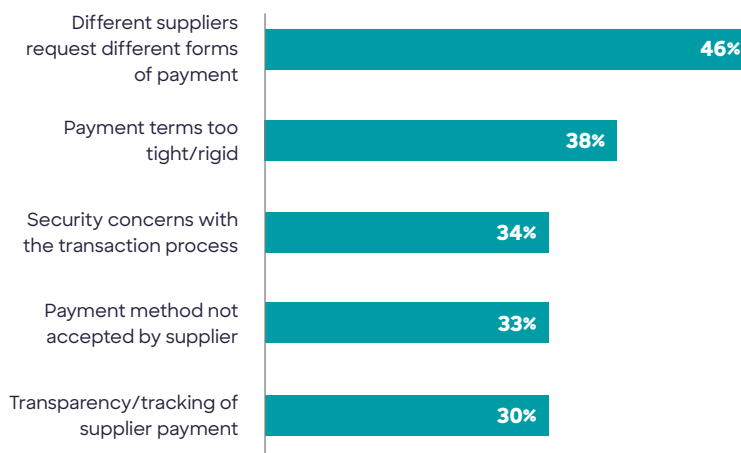
Challenge:

SMEs may have less delineation between procurement and accounts payables departments, with staff usually tasked with managing both. Recall that management of supplier payments is the #1 expense management challenge for SMEs.

Given the small number of personnel managing supplier payments, there is heightened demand for software platforms to improve payments management processes. The data flows captured by an automated system enable easier reconciliations, reduce manual errors, and more importantly set the stage for more advanced functions such as tracking preferred payment methods and planning for the use of other services such as insurance and trade financing. In the case of procurement platforms, they can strengthen compliance with regulations and contracts, and help manage relationships with stakeholders: suppliers, buyers, and accounts payable staff.

Challenges with Procurement Expenses

What challenges does your company encounter with procurement expenses?



Small Companies N=803

Opportunity to Solve:

Customizable dashboards are now available from commercial payment solution providers, which make tracking expenses and key performance indicators (KPIs) easier over time. Most importantly, companies can have a single view of commercial transactions and how they impact cashflow. These tools provide for easy data analysis across spend categories such as travel, advertising, and logistics. Companies can expect better visibility and control of spend, in addition to better reporting that can be shared across departments. Trends analysis is another benefit, whereby smaller firms can customize the metrics they would like to mine for insights.

77 percent of SME respondents feel ‘dashboards to track expenses’ is the most relevant commercial payment tool their business needs to have in place within the next 12 months.



“It [the commercial payments platform] should be secure, digital, fast, efficient, and low cost.”

- Construction, Owner, APAC

3.2 Digital Accounts Payable Invoice Solutions

Challenge:

Making payments to suppliers for goods and services was found to be the leading challenge for SMEs, so it is no surprise that the most sought-after digital solutions related to accounts payable, expense tracking, and invoice management. Many SMEs still use a mix of inefficient tools such as email and spreadsheets to reconcile invoices with accounts payable. Shifting to a digital solution should enable more efficient payments to suppliers, but also reduce the risk of payment fraud, streamline workflows, and provide richer data to manage business operations. Firms can expect reduced errors compared to manual invoice processing, and savings on administration costs by going digital. More efficient invoice management should also reduce the incidence of late payments, and help companies take advantage of early payment discounts offered by suppliers.

A digital invoice-management platform or accounts payable (AP) automation platform also builds in flexibility to accommodate different payment requests from suppliers, helping to improve payment reliability. This could address some of the leading challenges noted by our respondents when it comes to their accounts payable and procurement, where:

76%

said automated online invoice payments capability was important or very important.⁶

35%

of SMEs had the capability to integrate a live, expense validation system with designated expense approvers within the company.

⁶ Euromonitor International custom B2B Commercial Payments Survey results (SELE_7r6 and 7r9, n=908)

Opportunity to Solve:

67 percent of SMEs said access to a cost effective and efficient service to send cross-border payments is important or very important.⁷

AP automation software can reduce the most time-consuming tasks involved in invoice management, such as matching-to-purchase orders, verifications, and approvals. SMEs can leverage standardized reporting with options to customize their data based on key metrics most relevant to their business. According to a major incumbent bank, invoice fraud accounted for 55 percent of the money lost by SME's clients.⁸ The use of artificial intelligence (AI) can quickly alert reviewers to invoice discrepancies, enabling faster and more accurate approvals. This is especially important for payments made in real-time, which cannot be rolled back.

In many cases, the commercial payments vendor will offer the platform at negligible or no cost and charge only for services such as payment facilitation and financing/invoice factoring. Competing platforms have given rise to an ecosystem of services. These may include financing, purchase cards (P-cards), cross-border payments products, and logistics solutions to name a few. Over 50 percent of SMEs perceive the leading benefits from all-in-one platforms include saving time and enabling better cash flow management. 67 percent of SMEs would be willing to pay to use such a platform.⁹

3.3 More Efficient Cross-Border Payments



“To improve control and for simplicity, any system that will help us have more control over finances and [provide better] transparency is pure gold to avoid any possible problems coming from the distrust towards [outside third party] accountants.”

- Manufacturing, Owner, LAC



“The main problem is in the relationship with payment solution providers. Lack of adequate support, efficiency, and agility in troubleshooting. Another important point is the lack of a single solution that meets all financial needs, both payments and receipts.”

- Retail, COO, LAC

Challenge:

Only 38 percent of SME respondents feel their current payment provider offers cost-competitive cross-border payments.¹⁰

Cross-border payments have become vital for small businesses looking to tap into a global customer base. Yet small businesses have been underserved, with SMBs identifying high fees, time lags and lack of tracking as pain points when sending international payments.

Driven by the globalization of supply chains, SMEs have increased need for cross-border B2B payment capabilities. According to our survey, only 45% of respondents said their current payments solution provided an international reach.¹¹ Qualitative interviews suggest that paper-based payments such as cheques are still commonly used to pay suppliers abroad. Cheque payments expose SMEs to a host of potential problems including payment fraud, tedious manual reconciliations, time delays and poor trackability. Even traditional cross-border payment methods like wire transfers and cards are much better options.

⁷ Euromonitor International custom B2B Commercial Payments Survey results (SELE_7r8, n=908)

⁸ <https://www.pymnts.com/news/b2b-payments/2023/proactis-finexio-partner-accounts-payable-automation-b2b-payments/>

⁹ <https://www.pymnts.com/smb/2022/the-data-point-82-percent-smb-interest-all-in-one-platforms-receive-payments/>

¹⁰ Euromonitor International custom B2B Commercial Payments Survey results (SELE_2r14, n=908)

¹¹ Euromonitor International custom B2B Commercial Payments Survey results (SELE_2r6, n=908)

Opportunity to Solve:

Solutions for cross-border payments can be grouped into four categories: real-time cross border payments, bank wires, card payments, and local transfers via International Bank Account Numbers (IBANS).

B2B cross-border payments made using **real-time rails** are expected to account for only 17 percent of transaction value by 2026; whereas bank wires are still forecast to dominate with upward of 80 percent share.¹² Real-time cross-border payments enable fast (indeed, often instant) settlement. Funds and payment data are included together in the transaction, and confirmations can be sent to the payer for easy reconciliation. Cash flow is improved as payer can send the payment just in time.

Bank wires remain a trusted solution for SMEs. Some emerging enhancements to bank wires include tracking for international payments, including insight into which intermediary banks are charging fees.¹³

Card payments including virtual cards (VCNs) for cross-border B2B provide fast settlement, security and rebate programs. Cards are positioned as premium services and can carry high fees, but rebate programs and cash flow benefits can offset some of these negatives.¹⁴

A global payment network and multi-currency payout capabilities are essential to executing successful cross-border payment solutions. Unsurprisingly, therefore, many fintechs have partnered with financial institutions to use existing payment rails. Additional services such as fund collection, compliance and business credit cards are available; and a smooth user experience can be expected.¹⁵ Other fintechs have opted to build-out their own, non-bank rails for payments. Leveraging blockchain, such providers often partner with other fintechs to enrich their service offerings which can include cross-border payments, automatic reconciliation and online currency swaps. According to our survey however, only around one percent of respondents reported using blockchain/cryptocurrency to pay suppliers.¹⁷ Despite the low adoption, SME benefits are compelling, with typical savings of US\$15-20 for each cross-border remittance sent and settled the same day.¹⁶

Local Transfers. Using virtual International Bank Account Number (IBANs) is another way to make international payments. These virtual accounts function as routing points to physical bank accounts, but do not store funds. SMEs can send and receive money from multiple countries and multiple currencies without the costs of maintaining a physical banking presence in each country. Virtual IBANs have sub-accounts for each customer, and this allows for easy tracking of payments and maintaining compliance. They also track payments in real-time, therefore save time in reconciling. Although this solution might require an initial Application Program Interface (API) integration, even small business with a lean tech budget should compare the potential savings against the cost of set-up.



“Commercial banks are important for that broader banking relationship. But they aren’t open on weekends. They aren’t good for sending \$500 or less cross-border payments or travel expenses because it’s too costly. But there are fintech f/x specialists that offer better rates.”

- Logistics, Chairman, APAC



“The key challenges are the forex for countries such as Lebanon, Jordan or African regions, where the value keeps fluctuating, a desired or fixed currency as in for suppliers in Middle East we deal with USD.”

- Construction, Marketing Director, EMEA

¹² <https://www.juniperresearch.com/press/b2b-cross-border-payment-transaction-values>

¹³ <https://www.pymnts.com/news/b2b-payments/2021/today-b2b-tripactions-ibanfirst-onesource-virtual/>

¹⁴ <https://www.pymnts.com/news/faster-payments/2021/low-cost-real-time-cross-border-payments-set-sights-on-credit-card-linked-transfers/>

¹⁵ <https://digitalcfoasia.com/2022/11/02/sme-overcoming-the-hurdles-of-cross-border-payments/>

¹⁷ Euromonitor International custom B2B Commercial Payments Survey results (Use_4r7, n=908)

¹⁶ <https://www.bankingcircle.com/capitalizing-on-the-promise-of-asia-pacifics-burgeoning-b2b-payments-market-0313612>

3.4 Tailored Travel Management Solutions

Challenge:

SMEs have a unique set of challenges when selecting digital travel solutions to meet their needs. According to our qualitative interviews, respondents questioned whether third-party travel management companies were cost-effective for their business. Only 26 percent had intent to engage third-party travel management suppliers within the next year or two.¹⁷ In contrast, 50 percent of SMEs plan to increase their use of digital payments for employee travel in the coming year.¹⁸ That should help reduce current paper-based payments, as 37 percent of respondents said cash and cheques are still a primary way to pay for employee travel.¹⁹

50 percent of SMEs said access to third party travel suppliers is important or very important. ²⁰

38 percent of SMEs cited reimbursement as the biggest challenge faced in managing employee travel; this is followed by the use of personal credit cards at 34 percent, and lack of payment detail/data at 31 percent. ²¹

Opportunity to Solve:

Smaller firms looking for a third-party travel partner can invest in a travel management platform (TMP) that enables self-serve, online booking. Another option is a travel management company (TMC) that makes travel bookings on behalf of their clients, and charges fees for these services. Besides selecting one of these solutions (or using a combination of both), SMEs also have a wide array of digital payment methods available to help them move away from using cash and cheques. These may include corporate cards, prepaid cards, virtual card numbers (VCN), lodge cards and credit accounts.

Common solutions available for smaller firms include investing in a travel management platform, which offers self-serve online booking and expense management software and may also include credit cards or virtual card numbers (VCNs) for the underlying payment method. These programmable, one-time use cards feature automatic reconciliation, and spending controls defined at the individual virtual card level to help users stay on budget, remain compliant and protect against misuse. Prepaid cards can be used in much the same way; they can be topped up online and offer a good way to control expenses. Irrespective of the payment method chosen by businesses, TMPs offer competitive prices with travel suppliers such as airlines, hotels and ground transportation. Companies that consolidate their travel spend to use preferred merchants can expect around 15 percent savings.²² Users also benefit from loyalty programs, as well as having a single point for all bookings and records of spending. TMP spend-management feature can help AP departments reconcile travel receipts and speed reimbursement for employees. When using a travel management platform, businesses should allocate adequate staff for travel administration, especially as travel frequency increases.

¹⁷ Euromonitor International custom B2B Commercial Payments Survey results (SELE_10r4, r3 n=237)

¹⁸ Euromonitor International custom B2B Commercial Payments Survey results (Use_8r4, n=908)

¹⁹ Euromonitor International custom B2B Commercial Payments Survey results (Use_4r4, r1 and r2, n=908)

²⁰ Euromonitor International custom B2B Commercial Payments Survey results (SELE_7r4, n=908)

²¹ Euromonitor International custom B2B Commercial Payments Survey results (USE_7r1, r5 and r3, n=279)

²² <https://www.fcctravel.com/en-sg/resources/insights/sme-and-business-travel-management>

Outsourcing to a travel management company can be a viable option for SMEs. This eliminates the need to invest in a travel management platform, and users benefit from trained travel professionals who are responsible for all administrative actions. Unlike a travel agency focused on consumer travel, TMCs can enforce company travel policy, help businesses track expenses and manage travel-related data required for accounting. Most TMCs offer the option of charging travel expenses to a credit account, which will then be paid by the small business client by direct debit. This payment method will be most applicable to companies bordering on mid-size, with large travel spend and good creditworthiness. Credit accounts provide some days of interest free credit (varies by TMC). Alternately, a TMC can charge travel expense to a lodge card/lodge account (a credit card used exclusively for business travel expenses). This gives businesses around 55 days of interest free credit, and ample time to reconcile expenses.²³ SMEs should compare the costs of TMCs against the administrative savings and enhanced customer-service before deciding how to best provide travel solutions for their employees.



“The challenge for a SME is finding the most cost-effective [travel] provider. Normally handled by Procurement or HR dept for smaller firms. Some conferences are fixed, some are ad hoc, try to budget for that.”

- Logistics, Chairman, APAC



“Our Admin team covers Travel, as managing an agency is another expense, so we plan to perform it with limited resources. Use prepaid cards for employee travel: it’s easy to source it and simple for employees to manage their expenses on travel.”

- Petrol/Gas, General Manager, EMEA

3.5 Secure Payments Products

Challenge:

SMEs cannot jeopardize the security of the funds being sent to suppliers. The financial impact related to the loss of funds is much higher for SMEs compared to a large corporate or global multinational. Since B2B payments to suppliers are often large value transactions, use of payments fraud tools is a priority for businesses across the world.

Only 12 percent of SMEs are using virtual card numbers to pay suppliers, compared to close to 30 percent of large company respondents.²⁴

50%

of SMEs say access to payment fraud tools is considered a ‘very relevant’ feature that be provided by the commercial payment solution provider. 60 percent demand strong security features.²⁵

²³ <https://blog.good-travel.co.uk/how-do-i-pay-for-travel-management-services>

²⁴ Euromonitor International custom B2B Commercial Payments Survey results (USE_3r6, n=908 Small, n=932 Large)

²⁵ Euromonitor International custom B2B Commercial Payments Survey results (SELE_1r12 and r14, n=908)

Opportunity to Solve:

The use of a commercial credit card account opens access to the use of virtual card numbers (VCN) to pay for large-ticket and/or higher risk cross-border payments. A switch to safer, more secure digital payment methods can counter the risk of becoming susceptible to payments fraud. Card payments offer near-instant payment speed while security and reconciliation is much better than more traditional commercial payment methods. This includes the use of VCNs, which are single or multi-use digital-format cards that can be customized to meet unique spending control needs. VCNs are more secure than bank transfers as there is no need for access to the company's payment information to remit a payment. For example, VCNs accounted for less than three percent of targeted payment fraud, compared to 74 percent of fraud that targeted cheques.²⁶

With VCNs the payment is nearly instantaneous, and fraud protection is a key part of the package. VCNs can be programmed for one-time payment for the exact invoiced amount, limiting potential for misuse while also increasing security. The company gets to retain its working capital for longer and may be able to negotiate for a rebate on their spending.²⁷



“Our [commercial payments partner] provides corporate cards that offer fraud protection, streamline our procure-to-pay, offers a platform to manage and review payments...We have VCNs to perform online advances to acquire our COGS [cost of goods sold] such as raw materials from international suppliers in Asia.”

- *Manufacturer (Food & Beverage), Finance Manager, EMEA*

4. Conclusion

4.1 Customizable Commercial Payment Solutions to Meet the Needs of SMEs

SMEs face different challenges depending on their size, industry, and geography. Saving time and money are the key motivators for seeking new commercial payment solutions providers. Finding a partner that can provide flexible, customizable solutions that address the distinct needs of SMEs is going to become an important selection criterion moving forward.

²⁶ <https://www.bigcommerce.com/articles/b2b-ecommerce/b2b-payment-trends/>

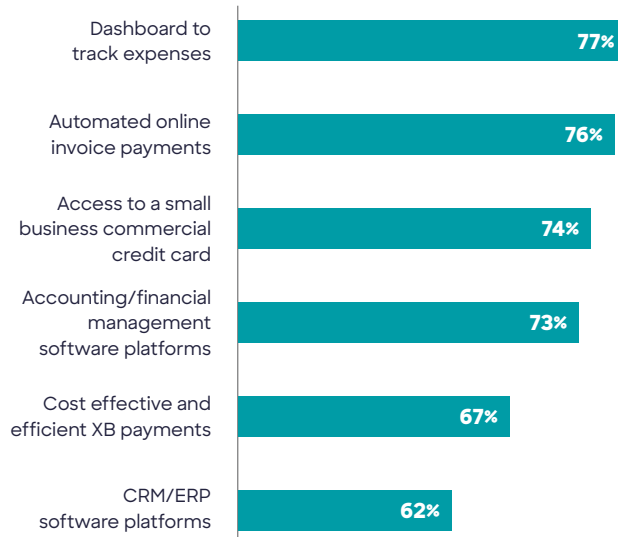
²⁷ <https://www.freightwaves.com/news/viewpoint-more-efficient-payments-today-more-efficient-supply-chains-tomorrow>

4.1.1 SME Priorities

Reliance on cash and cheque payments remains high in multiple expense categories, including payments to suppliers, business travel and fleet operations. Senior leaders at SMEs have told us their companies are actively interested in finding cost-effective digital-forward solutions to managing supplier payments and accounting.

Commercial Payment and Technology Solutions Investments in the next 12 months

As a small business, which of the following commercial payment and technology solutions will be most important for your company in the next 12 months?



Small Companies N=908

4.1.2 Addressing SME Commercial Payment Priorities

Based on the challenges faced and priority areas for investment, SMEs want to take advantage of the digital innovations in commercial payments that will simplify and better organize how they pay their suppliers. Various payment solutions exist to address these needs:

Commercial Card Solutions

SME commercial card programs offer the following benefits:

- Access to lines of credit to help better manage cash flow
- Rewards/points accrual to be redeemed for personal travel, access to VIP lounges, and travel insurance
- A customized online web-based portal to track and manage supplier payments
- Use of VCN for one-time payments with added security guarantee
- Reporting tool dashboards to monitor spend trends across expense categories
- Commercial prefunded or prepaid card programs to pay for procurement and employee travel expenses

Travel Management Solutions

SMEs can leverage one or a combination of both of these options:

Travel Management Platform

Enables self-service booking leveraging corporate cards, prepaid cards, virtual card numbers (VCN), lodge cards and credit accounts.

Travel Management Company

3rd party booking assistance for employee travel with a variety of payment methods. Benefits of TMCs include enforcing company travel policy, help businesses track expenses and manage travel-related data required for accounting.

Reporting & Reconciliation Solutions

The use of tracking platforms grows in popularity and becomes a vital tool in helping inform business decisions. Tools that will be important for SMEs include:

Invoice Payments Platforms

Leverages VCN to remit payments, while increasing payments tracking and transparency with real-time reporting through interactive dashboards.

Management Information Solutions (MIS)

Powerful data analytics capabilities with customizable dashboards and enhanced reporting to better understand where and how your business spends its funds.

The goal for any SME should be to identify a digital-forward commercial payments partner that will work closely to customize a tailored cost-effective solution that will drive efficiencies, provide better reporting, offer access to all relevant payment methods, and save the organization time and money.

5. Background

Euromonitor International's Payments & Lending Consulting Group conducted research on behalf of Discover Financial Services, Diners Club and Discover Global Network to uncover the use cases, payment preferences, pain points and challenges, and future investment decisions related to B2B commercial payments for small businesses.

In-depth qualitative interviews were conducted with more than 40 companies located in 9 different countries in December 2022 and January 2023. Interviewee job titles included Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Vice President, General Manager, Purchasing Manager, Chief Accountant and more. These employees worked in 7 select industries that included Manufacturing, Retail, Fast-Moving Consumer Goods, Logistics, Construction, Pharmaceuticals, and Energy.

A 20-minute online survey was developed and launched in-field in February 2023. This B2B survey with financial decision makers in the above listed priority industries collected response data on 1,840 respondents, 908 of which were employed at firms with fewer than 50 employees, our demarcation for what are termed 'small and medium sized enterprises' in this white paper.

These two custom primary research inputs served as the basis of the white paper findings, which were supplemented by further available data points and reporting from Euromonitor International's syndicated Passport system. Finally, reporting and insights from third party sources provides added context and support for the importance of the identified priorities that will impact the B2B commercial payments landscape in the months and years ahead.