

# Getting Paid: Digital Payments for Improving Cash Flow and Customer Experience

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Effective payment methods are vital to any organization, as payment delays and costs can have a crippling effect on cash flow. Substituting digital for legacy payments not only streamlines payment processing but also drives significant downstream improvements in operational efficiency and customer experience.

**01** Despite the digital shift of recent years, a continued reliance on legacy payment methods is still a significant source of pain to businesses worldwide.

**02** Implementing digital channels for customer transactions streamlines the payment process, effectively reducing delays and errors that can worsen DSO.

**03** Legacy payments not only harm companies' cash flow but also damage their customer relationships. Introducing digital payments can bring significant improvements to customer loyalty in B2B relationships.

Accounts receivable (AR) is the lifeblood of any business, ensuring that a company gets paid for its services in a timely manner to maintain smooth operations and invest to thrive and grow. However, this critical function has suffered in recent years as inflation and other macroeconomic factors have led to widespread payment delays and disruptions in cash flow for businesses across many industries.

Just as in consumer payments, digital methods have the power to ease and speed the business-to-business (B2B) payment process. Electronic payments can significantly reduce not only the costs of payment processing but also the days sales outstanding (DSO), or the time it takes to receive payment for services provided, resulting in healthier cash flow and more efficient financial operations. Moreover, digital payments offer a more streamlined and convenient payment experience, further enhancing revenue generation by fostering strong B2B relationships and customer loyalty.

- [Legacy Payments Cause Considerable AR Pain](#)
- [Digital Payments Dramatically Improve DSO](#)
- [Digitalizing to Enhance the Customer Experience](#)
- [Driving Down DSO and Building Stronger Bonds With Digital Payments](#)

## Legacy Payments Cause Considerable AR Pain

Despite the digital shift of recent years, a continued reliance on legacy payment methods is still a significant source of pain to businesses worldwide.

Legacy payments are driving up DSO ...

Even amid the widespread digital transformation of the last few years, legacy pain points continue to plague business payments. In fact, 75% of organizations are still using [paper checks](#) — despite the method's associated high costs, slow processing, potential for error, poor visibility into cash flow and susceptibility to fraud. Paper-based payment options such as checks also rely heavily on [manual payment processing](#), which is not only slow but also prone to human error. All these factors lead to longer DSO, adversely affecting firms' financial health.

# 75%

of companies continue to use [paper checks](#).

... and costing firms big.

Paper checks lengthen DSO by several days at least, as vendors must not only wait for them to arrive by mail but also endure processing delays. A good example of this is in the construction space, where 76% of subcontractors say they are almost always paid by general contractors and property owners with paper checks. In 2023, slow and delayed payments cost these businesses \$273 billion. Checks are costing buyers, too, with experts estimating a [cost](#) of \$4 to \$20 per check for preparation, including labor, materials and postage. By comparison, digital payment processing costs roughly 30 cents per transaction. Clearly, both sides of the ledger stand to benefit from removing this legacy method from the B2B payment process.

## Digital Payments Dramatically Improve DSO

Implementing digital channels for customer transactions streamlines the payment process, effectively reducing delays and errors that can worsen DSO.

# 83%

of firms consider [fully electronic payment processing](#) to be important or very important.

Digital payments reduce payment waits.

Given vendors' problems with late payments, it stands to reason that 79% want to receive digital payments, including wire, automated clearing house (ACH) and virtual cards. Faster payment processing is not the only impetus, either: 76% of vendors believe that buyers are likelier to pay on time when they pay electronically.

Offered through a self-service payment portal, integrated digital payments allow suppliers to be paid for their services online easily and securely in the payment modality of their choice. Meanwhile, the portals incentivize buyers to pay on time or early through features such as supply chain financing and discounting, ensuring that both parties maintain a healthy cash flow. It is no surprise that 83% of surveyed firms consider moving to [fully electronic payment processing](#) to be important or very important.

Digital payments' better transparency and cash flow forecasting bolster the bottom line.

A recent survey by Citizens Financial Group confirms that treasury executives are recognizing the strong advantages of digital payments. The study found that 97% of middle-market firms that adopted digital treasury processes reported improvements to their [cash flow processing](#), with 96% noting enhanced financial visibility and control. Another 91% said these benefits bolstered their companies' bottom lines. As a result, 94% of treasury departments that use checks expect to transition their companies entirely to digital payments within the next five years.

Instant payments are a boon to B2B transactions

Furthermore, even within digital payments, processing time is a key consideration. Faster digital payments such as real-time payments have an enormous speed advantage. While checks and even slower ACH payments can take days to process, real-time payments settle instantly. The Citizens study highlights the trend of mid-sized businesses increasingly embracing instant payments to capitalize on these process improvements. This year, 77% adopted [instant payments](#), compared to only 62% one year ago. Of these adopters, 92% of firms now leverage the RTP® network, while 77% have implemented the FedNow® Service.

According to a newly published survey from the Federal Reserve Financial Services, 92% of businesses say instant payments benefit [B2B use cases](#). The primary drivers behind businesses' adoption of instant or faster payments include cost reduction (cited by 48%), the ability to pay and be paid according to customer preferences (39%) and the 24/7 year-round accessibility of instant payment services (35%). These benefits prompted 86% of businesses to adopt faster payment methods last year, 74% of which were provided by their financial institutions.

## Digitalizing to Enhance the Customer Experience

Legacy payments not only harm companies' cash flow but also damage their customer relationships. Introducing digital payments can bring significant improvements to customer loyalty in B2B relationships.

Digital payments can strengthen B2B bonds.

By offering both convenience and tangible benefits to both parties, integrated digital payment portals can enhance and strengthen B2B partnerships. Fulfilling B2B customers' expectations for digital payments will be increasingly critical to optimize the customer experience, as 72% of business buyers say they have greater loyalty to businesses that offer their preferred payment methods. In addition, 91% of manufacturers that make B2B payments view the use of [real-time payments](#) as important to building better relationships with suppliers.

# 91%

of manufacturing buyers say the use of real-time payments is important to building better [supplier relationships](#).

SMBs are digitalizing B2B payments to enhance the customer experience.

Adopting digital platforms for both receiving and making payments has become a critical concern for small firms, to the extent that many are willing to abandon their current banking relationships in favor of these faster payment options. In a recent Chase for Business survey, 54% of small to mid-sized business (SMB) owners said they would [change banks](#) to access same-day ACH payments. This is in line with a general trend toward digital transformation across the board: 90% of SMBs said they prefer to receive B2B payments electronically, while 78% said they prefer to pay employees that way as well. In addition, more and more SMBs are looking to implement artificial intelligence (AI) to enhance the overall customer experience.

## Driving Down DSO and Building Stronger Bonds With Digital Payments

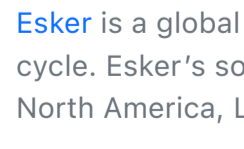
Digital payments can play a crucial role in reducing DSO for firms struggling with late payments. By leveraging the speed, efficiency and transparency of digital transactions, businesses can not only accelerate their receivables but also enhance their liquidity and cash flow. Unlike traditional payment methods such as paper checks, which take several days for mailing, receipt and clearance, businesses can process digital payments almost instantaneously, expediting the conversion of sales into cash.

Digital payments can also foster stronger B2B partnerships. Prompt and reliable payments are fundamental to establishing trust and credibility with suppliers, while offering buyers' preferred payment methods and options such as discounting and financing shows a dedication to customer service that incentivizes both loyalty and faster payment. Adopting digital payment methods, in short, is an investment that is likely to pay in long-term revenue gains and financial health for both sides of the B2B equation.

### About



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