billtrust

9 avoidable costs

of traditional B2B payment processes

1. SLOW PAYMENT CYCLES

The more friction introduced to a payment transaction, the slower it goes. Lagging payments complicate financial reporting, affect credit lines and need to be managed manually to ensure they're completed.

2. DAYS SALES OUTSTANDING (DSO)

With inflation rising, it's costing companies even more to carry their customers' debts. For a hypothetical company with a DSO of 45 days and an inflation rate of 8.6%, that's 106 basis points, more than one full percent.

3. RECONCILING DISPUTES

Few AR professionals enjoy dealing with unhappy customers. When there are disputes on an invoice, unraveling what caused the discrepancy is time-consuming, tedious work. If the mistake is on your end, it can make customers question the accuracy of your billing.

4. INTERCHANGE FEES

Depending on the card used, interchange fees on payments made by virtual credit cards currently range from 1.15% to 3.30% or more. The pandemic slowed down the escalation of interchange fees, but major credit card companies are now getting back to assessing them – and potentially raising them – twice each year.

5. HUMAN ERROR

Payment processes that require some level of manual data entry and remittance matching are expensive in more ways than one. Not only are companies paying valuable employees to do tedious work, but keystroke-intensive tasks are prone to human error.

6. CUSTOMER (DIS)SATISFACTION

Businesses that haven't kept pace with their customers' AP systems by adopting modern-day AR automation experience more disputes over invoices, slower payments that affect their customers' credit lines and lower net promoter scores. The worst-case scenario is that customers take their business to a competitor who is easier to pay.

7. REPUTATIONAL DAMAGE

Buyers may not want to partner with sellers who have a reputation for poor dispute resolution, inaccurate billing or inability to adapt to buyers' preferred payment methods. Why should they? Not when there's an ever-increasing number of vendors and suppliers who have adopted technology to update their payment processes to conform to buyer requirements.

8. EMPLOYEE DISENGAGEMENT

Outdated account receivable (AR) processes that are overly manual are hard on internal teams, too. AR departments are vulnerable to employee burnout and high turnover, and strategic projects that provide employees with more challenging work and professional development are often postponed because manual AR workloads are all-consuming.

9. COMPLIANCE PENALTIES

Regulators may impose fines or penalties for inadequate or erroneous compliance with applicable standards. For instance, PCI compliance fines can range from $5,000 to $100,000 a month (approximately £4,000 to £80,000) depending on the size of the company and the duration and scope of non-compliance. A large company may be able to absorb these fines but mid-sized ones may not.