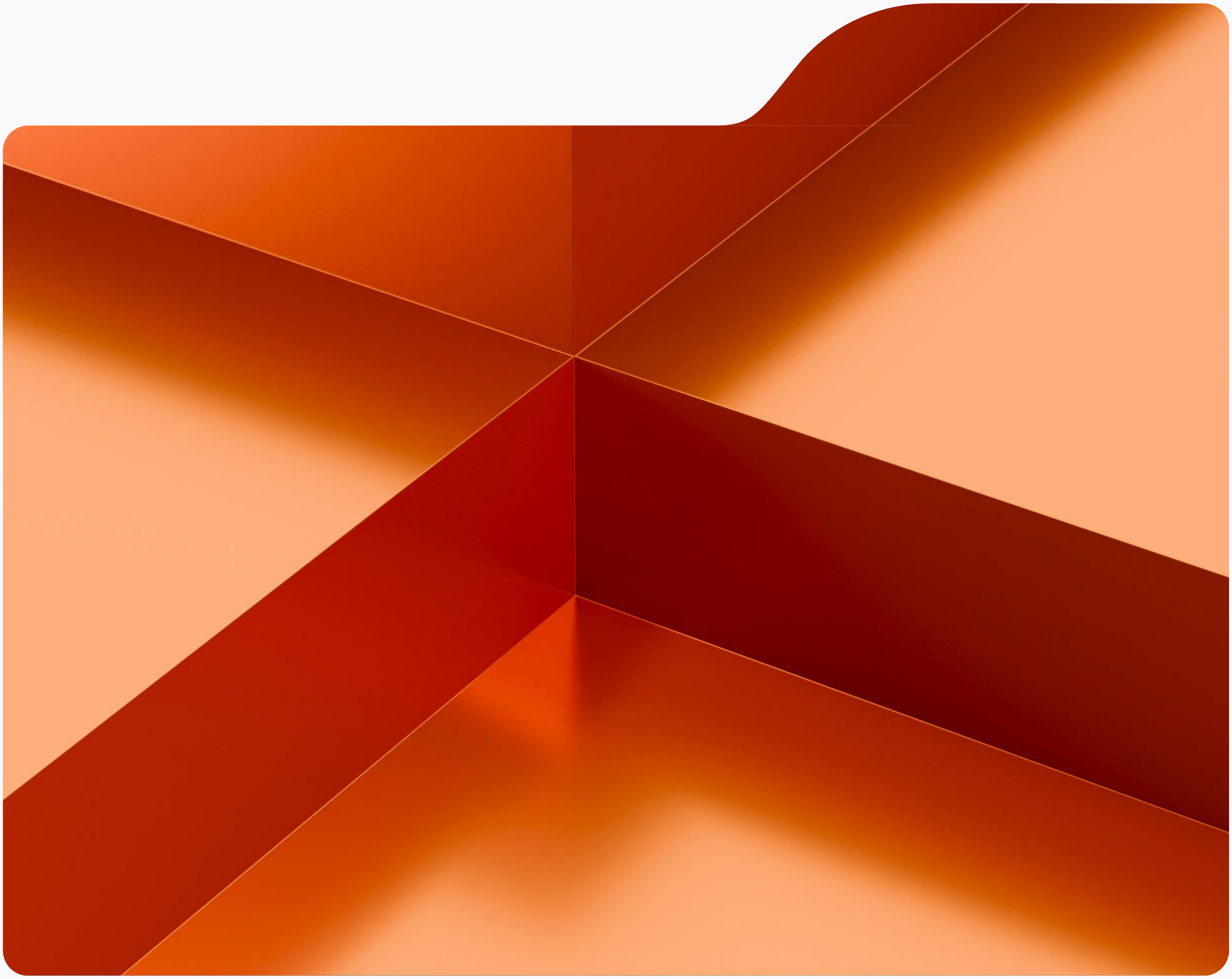
The future of B2B payments



Out with the old, in with the new.

As credit cards and digital wallets grow in popularity for consumer payments, why do so many businesses still rely on checks, ACH and wire transfers, and even cash for B2B payments?

Experts estimate that 40% of all B2B payments in the U.S. are made via check, and 81% of businesses still pay other firms via paper checks, making it the most common B2B payment method.

The fact is, these payment methods are inferior to more modern methods:

- Checks are prone to fraud and require manual processing.
- ACH payments take several business days to process.
- Wire transfers tend to be faster than ACH — albeit at a higher cost — but still require some human intervention.

Further, all of these methods rely on cash to fulfill each transaction, which eats into your working capital. And you don't earn any rewards on what are sometimes very large payments. But with a

corporate card, you don't have to compromise on speed, security, ease of use — or rewards.

A recent McKinsey study notes that more than 90% of consumers have made a digital payment over the past year. CFOs, however, have been hesitant to adopt corporate cards for B2B and vendor payments for reasons we'll get into more below.

But logistically — wouldn't it be easier to pay for all your LinkedIn ads, Salesforce licensing, UPS expenses, and other core purchases by card? You could settle B2B payments immediately. And what if you could turn those large business expenses into a reliable revenue stream through rewards?

It's all possible, but it requires finance leaders to honestly evaluate their B2B payment processes and ask whether there's room to improve:

- Are those payments fast enough?
- Are they secure and reliable?
- Is there a way to earn rewards on that spend?

More finance leaders are discovering gaps in their approach to vendor payments, largely due to inefficiencies in how they pay those bills. In fact, 76% of finance professionals in a 2023 survey believe they've lost money — some up to 10% of monthly revenue — due to inefficiencies in their B2B payment processes.

Today's smart corporate cards unlock a new era of B2B payments, one that is more efficient, reliable, and financially rewarding.

Read on to learn why modern corporate cards, with their ability to drive operational efficiencies at scale and turn spending into a revenue stream, are the future of B2B payments.

What you'll learn inside

There's an untapped trove of operational efficiencies and revenue in your business — your vendor payments. See why shifting those payments away from checks, ACH payments, and wire transfers and onto a corporate card will help you:

- **Earn while you spend**
- **Reduce fraud**
- **Increase visibility**
- **Better control spending**
- **Automate vendor payments**

What is vendor spend?

Vendor spend, or operational spend, is the money that your company spends on merchants, services, and systems to operate. Think of it as the fuel that keeps your company running.

Common vendor expenses include:

- **Advertising and marketing.** Think Google, Meta, and LinkedIn ads, as well as any one-off or recurring digital marketing programs.
- **Software and subscriptions.** Vendors might include Figma for design, Salesforce for your CRM, your NetSuite ERP, and AWS for cloud computing.
- **Materials and shipping.** How do you buy parts, fabric, and other materials to make your products, and what does UPS or FedEx charge to ship them to customers?

Brex's own data from the first half of 2024 shows that advertising and marketing is by far the No. 1 spending category for Brex customers. Recurring software and server spend round out the top 3, with electronics (computers, phones, monitors) and shipping not far behind.

Optimizing your vendor payments is important for two main reasons:

1. Vendor spend is one of the largest buckets of spend outside of payroll.
2. Paying your vendors ensures you have what you need to run your business.

Ultimately, it's critical to get the most value out of every dollar your business spends. Read on to learn why evaluating card payment methods for your vendor spend pays off.

Top vendor expenses for Brex customers (May 2024)

1. Amazon Web Services
2. Google Ads
3. Facebook Ads
4. Microsoft
5. FedEx

The No. 1 reason to use cards for B2B payments? Cash.

You have to spend money to grow, but leading businesses know they must grow sustainably. And that means smart cash management.

Modern programs combining physical and virtual cards transform how businesses use cards and offer untapped financial benefits. That's because every card program offers some type of rewards for spending, and the more you spend the more you earn.

No one, however, earns cash back or rebates by using a check or making a wire transfer. Savvy finance leaders will realize they're holding a golden ticket to business growth.

Think about how much your own business spends on digital and social ads, Microsoft licenses, and cloud computing. What if you could earn cash back on that? Any cash back and rewards go right to your bottom line, giving you more overall spending power.

Moving these large recurring payments to a corporate card also gives you more float and flexibility with your cash. By turning spend into a revenue stream and extending your working capital, you'll make "paying bills" a financial strategy.

And if making money isn't reason enough to pay vendors by card, here are some other impactful operational efficiencies you stand to gain by switching.

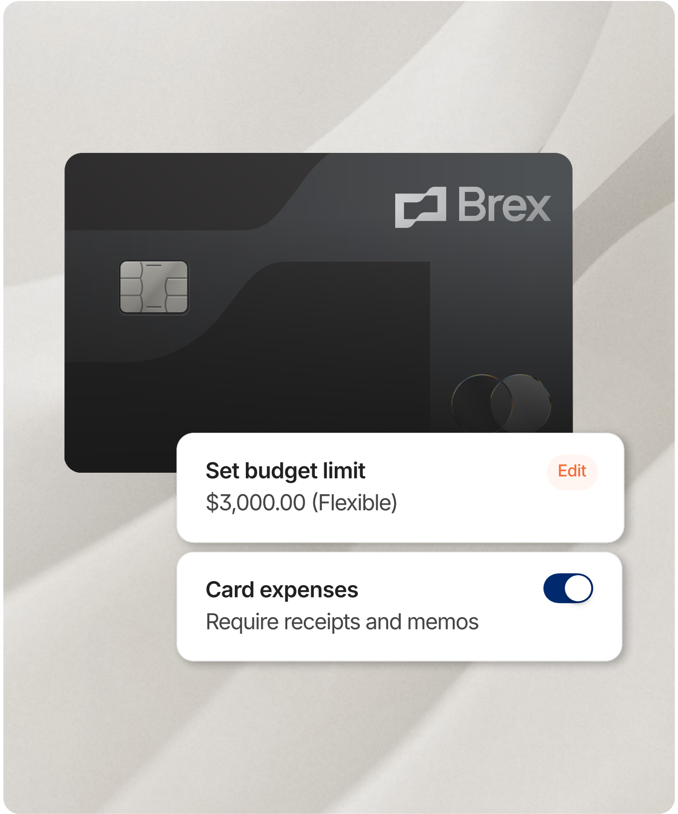
The operational benefits of paying by card.

On average, a given business has more than 300 SaaS apps in use. How many are you paying for right now? And how many processes — budget requests, approvals, invoicing, payment, accounting — have to happen to pay for them?

That's just recurring software. Add in other types of vendor spend and it's even more unwieldy. ACH, check, or wire transfers lack the functionality to simplify those end-to-end payment processes, but a modern card program can.

From enabling the purchase with custom spend limits and embedded vendor and merchant controls to the actual charge through accounting reconciliation, here are some of the operational gains can you make by moving vendor spend to a card:

- **Secure payments.** Pay your bills with virtual cards, which are much less prone to fraud than checks, ACH payments, and wire transfers, per the AFP Fraud Survey 2024. (Read more on this below.)
- **Automated payments.** Pay by card with a bill pay software to eliminate data entry, automate approvals, satisfy vendors, and maximize your rewards.
- **Automated expenses.** Automate expense reporting and reconciliation with auto-generated receipts and memos, approvals, and more.
- **Merchant and category controls.** Issue virtual cards that limit the merchants or categories employees can spend on and how long they can spend using those cards.
- **Simplified workflows.** Skip the cumbersome purchase order (PO) processes and get a PO-like process without the hassle of obtaining one.
- **Enhanced working capital.** Improve cash flow management with flexible payment terms and more time to pay your vendors.
- **Real-time accounting.** Sync vendor card payments to your ERP as they occur.
- **Enhanced visibility.** Track and report vendor payments in real time.



Myths about making B2B payments by card.

All that sounds net positive, so why isn't everyone putting their operational spend on a corporate card? Great question.

The hesitation to adopt corporate cards often stems from a belief that they're not widely accepted by vendors or suitable for all business expenses. However, this mindset is changing as modern bill pay platforms evolve to support a broader range of transactions, making it easier to integrate cards into your payment strategy.

Here are some common myths surrounding corporate cards and some harsh truths about the risks of using checks, ACH, and wire transfers to pay your vendors.

Myth: Many vendors don't accept card payments.

Traditional credit cards weren't designed for large B2B expenses. So accepting virtual or physical cards wasn't a priority since few people were trying to use them. But that's all changing.

More than two-thirds of companies today accept credit cards as a means of payment, and in fact, 55% percent of CFOs are using virtual cards to pay their vendors.

The corporate credit card is a more ubiquitous B2B spend tool because it's intelligent, secure, and globally accepted. In fact, there's a growing niche payments space that makes it easy to pay B2B expenses by card — even when it's not an accepted form of payment.

Card payments for software, ads, and other expenses are becoming so popular that companies like Plastiq facilitate B2B card payments for other services like rent and utilities. Additionally, Buy Now Pay Later (BNPL) vendors like Affirm and Klarna provide card-like payment services and even allow businesses to pay off purchases over time.

Sounds like there's a growing market for card payment processes, right? That's because paying by card is typically win-win:

- Payors get more favorable repayment terms, in addition to coveted card points.
- Vendors get paid faster without having to wait days for an ACH or check to clear.

Myth: Issuing everyone a card is an administrative burden.

Not everyone needs a physical card, but the alternative — and perhaps a worse one — tends to be card sharing. When employees share cards for routine office expenses or vendor payments, any sense of control, visibility into who's buying what, and security go out the window. And not to mention all the time it takes to re-code expenses to the right department.

The truth is, modern card programs streamline issuing and automate accounting processes via integrated expense management software. If anything, a card for everyone is an advantage: Employees can pay vendors with ease and work more efficiently.

Brex cards are useful for B2B payments because you can:

- **Instantly issue virtual cards for specific vendors,** eliminating any wait for physical cards.

- **Set individual spend limits, merchant restrictions, and expiration dates** to prevent overspending and avoidable subscription charges.
- **Gain a holistic overview of all your cards,** which can be tracked individually, by department, and by budget.
- **Easily cancel compromised virtual cards** without having to replace a physical card.
- **Spin up one-time virtual cards** directly in Brex bill pay to securely pay a bill with no risk of a repeat charge or overcharge.

With up-front controls and customizable spend limits, virtual cards give employees the flexibility to spend for their jobs — and grow the business — with no additional administrative burden.

Myth: I don't have high enough card limits.

Securing sufficient spending power can be difficult with traditional cards, especially for early-stage companies with limited spending history. Any business card approval would likely come with a lower limit — not to mention a personal guarantee.

Charging your monthly AWS or Salesforce bills could exceed those limits in one fell swoop. Modern card programs like Brex, however, use business-based underwriting to approve 10-20x higher limits and unleash more spending power. Organizations can even unlock up to 40x higher limits with a Brex business account and rack up valuable rewards like billboards and team offsites. Plus, Brex rewards include over $180,000 in discounts and rebates to AWS, Slack, UPS, and more – further increasing your spending power.

Myth: Reconciling transactions is cumbersome.

With the sheer volume of transactions, ensuring card data gets coded correctly into an ERP is typically a high-touch process with traditional cards. With Brex, you can automatically sync card payment data directly to your ERP and close the books faster because you don't have to manually reconcile card transactions with vendor invoices and other financial records.

Brex enables auto-categorization of card expenses right in the Brex accounting journal. From one place, your accountants can prepare, review, and export journal entries to your ERP of choice, including NetSuite and Sage Intacct. The unique ability to track and categorize vendor spend in real time expedites reconciliation, improves visibility and reporting, and shortens the month-end close.

"Previously we would spend days doing the close for credit cards alone. That was a super manual and inefficient process. On top of that, everything would have to go through review, which takes even more time. With Brex, our month-end close takes just one click."

— Katherine Spillane, Assistant Controller at Avenue One

Myth: Corporate cards are prone to fraud and misuse.

There's a risk of unauthorized use or fraudulent transactions with any payment type, but some are more susceptible to fraud than others. According to a 2024 survey from the Association for Financial Professionals, more than 80% of organizations were targets of payment fraud. Surveyed organizations said that checks and ACH transfers were the most targeted:

- 65% reported some type of check fraud
- 33% revealed attempts on ACH credits and 20% on ACH debits
- 24% experienced wire transfer fraud
- 20% reported corporate card fraud attempts (down 16 percentage points from the year before)

Virtual cards, meanwhile, accounted for a mere 3% of fraud or attempted fraud.

If there's any type of spending you should better secure, wouldn't you want it to be the high-volume, recurring spending that runs your business?

Leading corporate card programs like Brex offer vendor cards that can proactively restrict spending to specific vendors or categories, cap transaction amounts, and expire after certain dates.

"Our accounting team was really drowning in manual processes. Auto-categorizing transactions makes a big difference, and we have everything we need to close the books. Brex can reduce our month-end close effort in a more compliant way."

— Teddy Collins, Vice President of Corporate Finance at SeatGeek

Turn your vendor spending into a revenue stream.

The corporate card is the future of B2B payments because it offers the rewards, security, speed, control, and visibility modern businesses demand.

By leveraging a Brex corporate card for vendor payments, financial leaders have a golden opportunity to spend money AND make money, all while improving the processes around those payments.

Sign up today and discover the operational and financial gains that Brex delivers to your business.