

2023

Business Payments Barometer

Bottomline.[®]

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Snapshot

12 MONTH PRIORITIES



FRAUD PREVENTION

Over **59%** companies concerned about insider fraud & collusion

Over **40%** of large and enterprise companies hit by fraud

3/4 agree payment security comes at the expense of convenience

▲ 10 percentage points GB
▲ 6 percentage points USA

US enterprises losing average **\$594k**
up 43% from 2022

GB mid-sized business losing average **£199k**
up 23% from 2022

PAYMENTS & CASH MANAGEMENT

1 IN 3

businesses manually manage cashflow using spreadsheets

"My cashflow forecasts are seldom accurate"
54% GB **65%** US
agree

Over **70%** will renegotiate payment terms to accelerate inbound cashflow

Over **40%** of businesses have seen an increase in late or failed payments

Biggest challenge on international payments?
Payment fees are too high
61% GB **75%** US

Over **1/2** of UK companies use real-time payments

Over **80%** business forced to accept new payment types

FOREWORD

Another year of global business payments has passed. With it came the many headwinds of change we predicted moving into 2023, as well as unexpected storm fronts that most had not anticipated.

As we undertook research for this year's report, inflationary measures had already hit businesses and consumers alike. Still, we were yet to experience any impact from what's since been termed the 'banking crisis.' We also added some new survey questions into the mix this year and are excited to share insights from our respondents.

So, what does the 2023 Business Payments Barometer tell us about corporates' experience since our last report?

Despite the macro-environment, an uncertain economy, ever-increasing fraud and a payments landscape in flux, companies appear resilient in weathering the storm fronts.

They have a good handle on their cash management and feel optimistic about experimenting with new payment types, changing payment terms, and looking for ways to better protect their business payments. Perhaps braving the pandemic's unimaginable impact has helped companies be more flexible and position themselves for any crisis.

That said, businesses are clearly not viewing the world through rose-tinted glasses.

Technology is set to influence businesses over the next 12 months, and while generally seen as beneficial and a driver of productivity, adopting these innovative solutions can be challenging for companies. For many, it's due to the cost; for some, it's the pace of technology advances; for others, it's about having the time, skill and capacity to understand and implement those solutions.

One thing is clear, there remains a lack of understanding and preparation around the upcoming regulations, new payment infrastructures and systems – all of which are driving digitization. This year's report highlights how businesses are grappling with these changes and provides financial decision-makers with deeper insight.

It'll come as no surprise that fraud risks and losses are ever-increasing. Staying a step ahead of criminals – both inside and outside the business – is a never-ending task. This report shows which types of fraud impact businesses the most, which sized companies were hit the hardest, and their ability to recuperate lost funds.

Our 2023 Business Payments Barometer closes with views on the future from the 1,600 financial decision-makers we interviewed. We consider three key challenges companies will face in tackling a changing payment landscape and share corporates' expectations of

their banking partners. To help make sense of the endless three-letter acronyms buzzing around the world of payments, we've also included a glossary, which we hope you'll find valuable. But know that our team is always available for more information and guidance.

Enjoy the read!

The Winds of Change in Payment Processing

What's Influencing Change?

Bottomline's annual Business Payments Barometer has been running since 2016 in Great Britain (GB), and last year we expanded the survey to include businesses in the United States. We interviewed 800 financial decision-makers in each country, across a range of business sizes and areas.¹

We asked financial decision-makers what they thought the greatest influences on payment processes would be over the next 12 months. Technology solutions were regarded as having the most significant impact. Cloud-based solutions, mobile payments, and pay-as-you-go technologies top the list in both GB and the US. Over the last two years, the driver that took poll position was the impact of COVID-19. Although its impact continues reverberating, we chose to exclude that option in this year's report because of the greatly accelerated digitization we've already seen during and post pandemic.

Given rising inflation and the spill-over impacts of the Russian/Ukrainian war, we'd expected a different result for broad-sweeping macro issues. However, this appears not to be the case. Changes to macro issues, such as economic and geopolitical uncertainty and Environmental, Social and Governance (ESG) considerations, had less influence. This reflects what we found last year when changes to the trading environment appeared lower down the list of drivers, falling behind more pressing drivers such as COVID impacts, technology advancements and fraud prevention influences.

Having said that, we should highlight that we conducted this study before instability within several major financial institutions sent shock waves through the banking system and the wider global economy. At the time of writing, these events are still playing out, and their full implications are unclear.

¹ For more details on the survey methodology, please see the [Technical Note](#) at the end of this report.

RANKED DRIVERS OF CHANGE TRACKED OVER TIME

Q The list below provides some expected influencers in payment processes over the next 12 months. Please select the five that you think will have the greatest influence on payment processes, ranking these from one to five.

GREAT BRITAIN

2019	2020	2021	2022	2023	Ranking
Mobile payment technologies	Mobile payment technologies	The Impact of COVID-19	The Impact of COVID-19	Easier access to cloud-based technology solutions	1
Changes in the trading environment (e.g. Brexit)	Easier access to technology e.g. PAYG	Easier access to cloud-based technology solutions	Easier access to PAYG technology solutions	Mobile payment technologies	2
Security and payment fraud prevention, including sanction checking	Security and payment fraud prevention, including sanction checking	Mobile payment technologies	Mobile payment technologies	Easier access to PAYG technology solutions	3
Regulatory changes to UK payments	Changes in the trading environment	Security & fraud prevention including sanction checking	Easier access to cloud-based technology solutions	Regulatory changes to UK payments e.g. Open Banking	4
Easier access to technology	Regulatory changes to UK payments	Easier access to PAYG technology solutions	Security & fraud prevention including sanction checking	Security & fraud prevention including sanction checking	5
AI & predictive analytics	AI & predictive analytics	Changes in the trading environment/Brexit	Regulatory changes to UK payments e.g. Open Banking	Changes to macro issues e.g. economic uncertainty, geopolitical uncertainty, Environmental, Social and Governance (ESG) considerations	6
Adoption of real-time payments globally	Adoption of real-time payments globally	Regulatory changes to UK payments e.g. Open Banking	Changes in the trading environment / Brexit	Adoption of real-time payments globally	7
The adoption of blockchain and distributed ledger technology	Disintermediation and the increasing role of non-traditional players	Adoption of real-time payments globally	Disintermediation and the increasing role of non-traditional players	AI and predictive analytics	8
Disintermediation and the increasing role of non-traditional players	The adoption of Blockchain and distributed ledger technology (DLT)	AI and predictive analytics	Adoption of real-time payments globally	Disintermediation and the increasing role of FinTechs, banks and other partners	9
		Disintermediation and the increasing role of non-traditional players	AI and predictive analytics	Removal of friction for buyers	10
		The adoption of Blockchain and distributed ledger technology (DLT)	The adoption of Blockchain and distributed ledger technology (DLT)	Removal of friction for buyers	11
				Removal of friction for buyers	12

UNITED STATES

2023	2022
Easier access to cloud-based technology solutions	The Impact of COVID-19
Easier access to PAYG technology solutions	Security & payment fraud prevention, including sanctions checking
Mobile payment technologies	Easier access to PAYG technology solutions
Security & payment fraud prevention, including sanction checking	Easier access to cloud-based technology solutions
AI and predictive analytics	Mobile payment technologies
Adoption of real-time payments globally	Disintermediation and the increasing role of non-traditional players
Payments modernization changes e.g. Open Banking, Real-Time Payments, Virtual cards, Fedwire funds transfer system, ISO20022, AML, Check migrations	Payments modernization changes e.g. Open Banking, Real-Time Payments, Virtual cards, Fedwire funds transfer system, ISO20022, AML
Removal of friction for buyers	Changes in the trading environment
Disintermediation and the increasing role of FinTechs, banks and other partners	Adoption of real-time payments globally
Changes to macro issues e.g. economic uncertainty, geopolitical uncertainty, Environmental, Social and Governance (ESG) considerations	AI and predictive analytics
The adoption of Blockchain and distributed ledger technology (DLT)	AI and predictive analytics
Removal of friction for buyers	Removal of friction for buyers

Impact of Drivers of Change

It's important to understand how financial decision-makers feel about these drivers of change and the resulting positive or negative impacts. Since last year, GB businesses have become more positive about fraud prevention, mobile payment technologies, removing payment friction, and regulatory changes. As we go on to explore in this report, there are exciting developments in these areas, and it is encouraging to see that most businesses have a positive outlook on them.

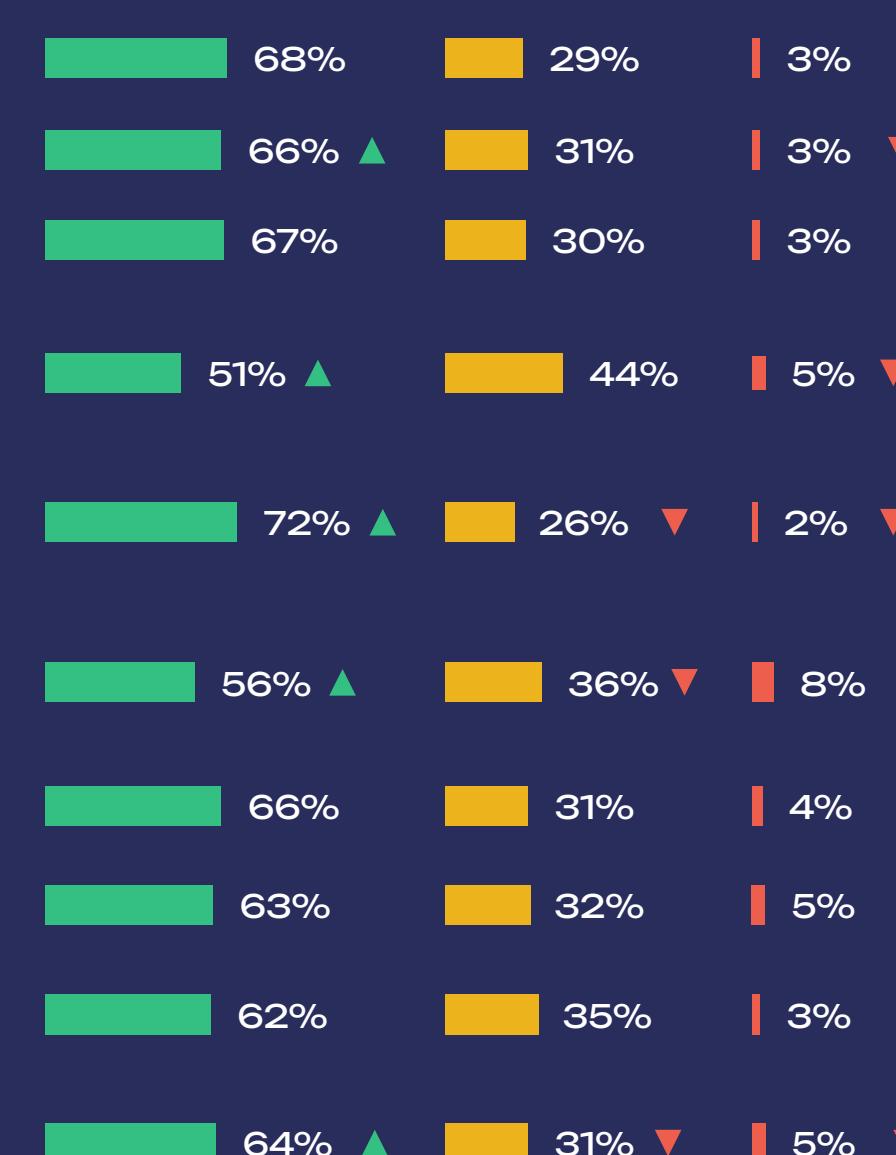
RANKED DRIVERS OF CHANGE AND PERCEIVED IMPACT

Q Thinking about the following, do you think this will affect your business positively or negatively?



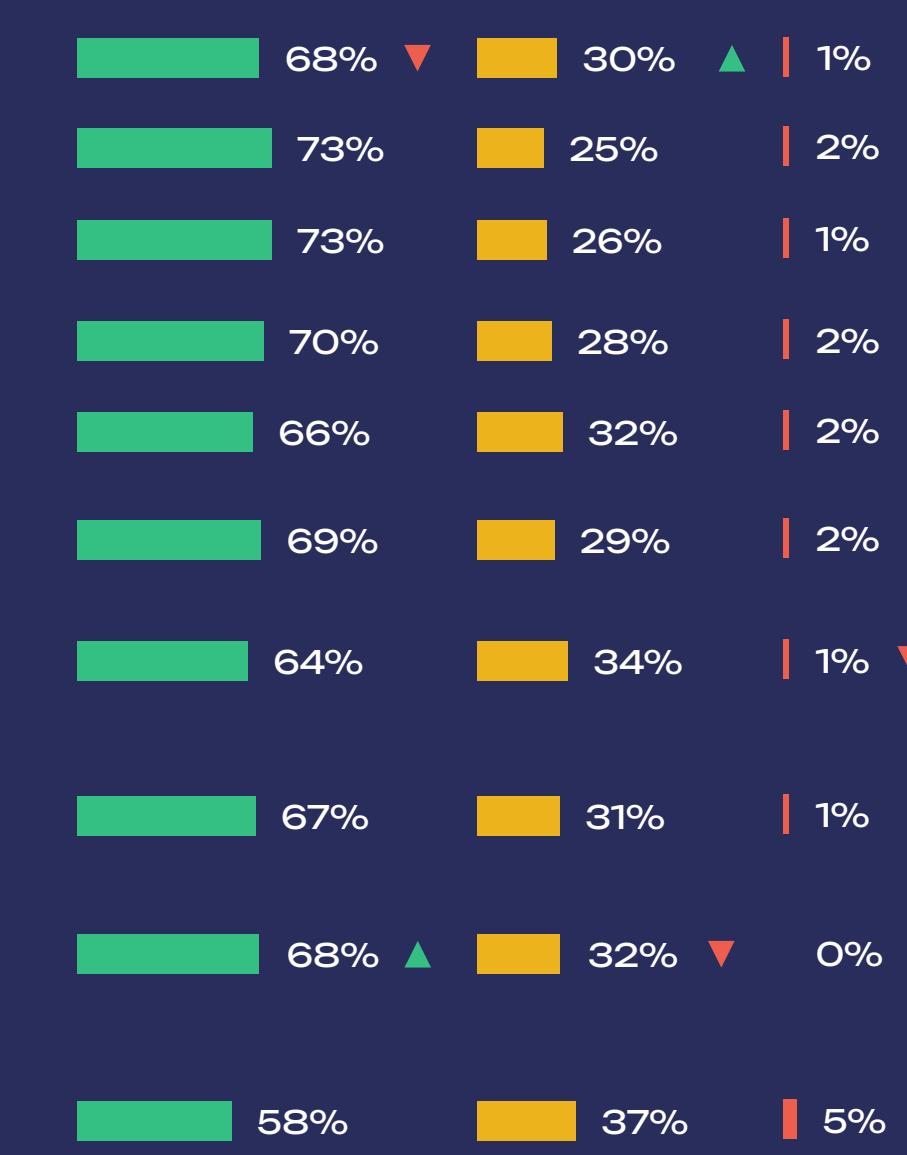
GREAT BRITAIN

1	Easier access to cloud-based technology solutions
2	Mobile payment technologies
3	Easier access to pay-as-you-go technology solutions
4	Regulatory or compliance changes to UK payments e.g. Open Banking, ISO20022, UK New Payments Architecture, Request to Pay, Confirmation of Payee, Variable Recurring Payments
5	Security and payment fraud prevention, including sanction checking
6	Changes to macro issues e.g. Economic Uncertainty, Geopolitical uncertainty, Environmental, Social and Governance (ESG) considerations
7	Adoption of real-time payments globally
8	Artificial intelligence and predictive analytics
9	Disintermediation and the increasing role of FinTechs, banks and other partners
10	Removing friction for buyers / new agile ways of sending and receiving payments (e.g. embedded finance)



UNITED STATES

1	Easier access to cloud-based technology solutions
2	Easier access to pay-as-you-go technology solutions
3	Mobile payment technologies
4	Security and payment fraud prevention, including sanction checking
5	Artificial intelligence and predictive analytics
6	Adoption of real-time payments globally
7	Payments modernization changes e.g. Open Banking, Real-Time Payments, Virtual cards, Fedwire funds transfer system, ISO 20022, Check migrations
8	Removing friction for buyers / new agile ways of sending and receiving payments (e.g. embedded finance)
9	Disintermediation and the increasing role of FinTechs, banks and other partners
10	Changes to macro issues e.g. Economic Uncertainty, Geopolitical uncertainty, Environmental, Social and Governance (ESG) considerations



POSITIVE IMPACTS OF PAYMENT TECHNOLOGY SOLUTIONS

In the US, respondents were more optimistic about disintermediation and the increasing role of fintechs, banks and other partners. This year, there has been a shift in views from positive to neutral in how businesses feel about the impact of cloud-based technology. We believe companies are potentially missing a trick here. Cloud-based solutions provide the architecture to free up internal capacity, ditch legacy on-premise solutions, accelerate the move to digital payments, reduce costs, and enable new types of payments. Combined with enriched data from ISO 20022 messaging formats (which we discuss later in the report) and the ability to accommodate cross-border payments in real-time, a more agile and robust payment environment can be created making it easier for banks and businesses to connect.

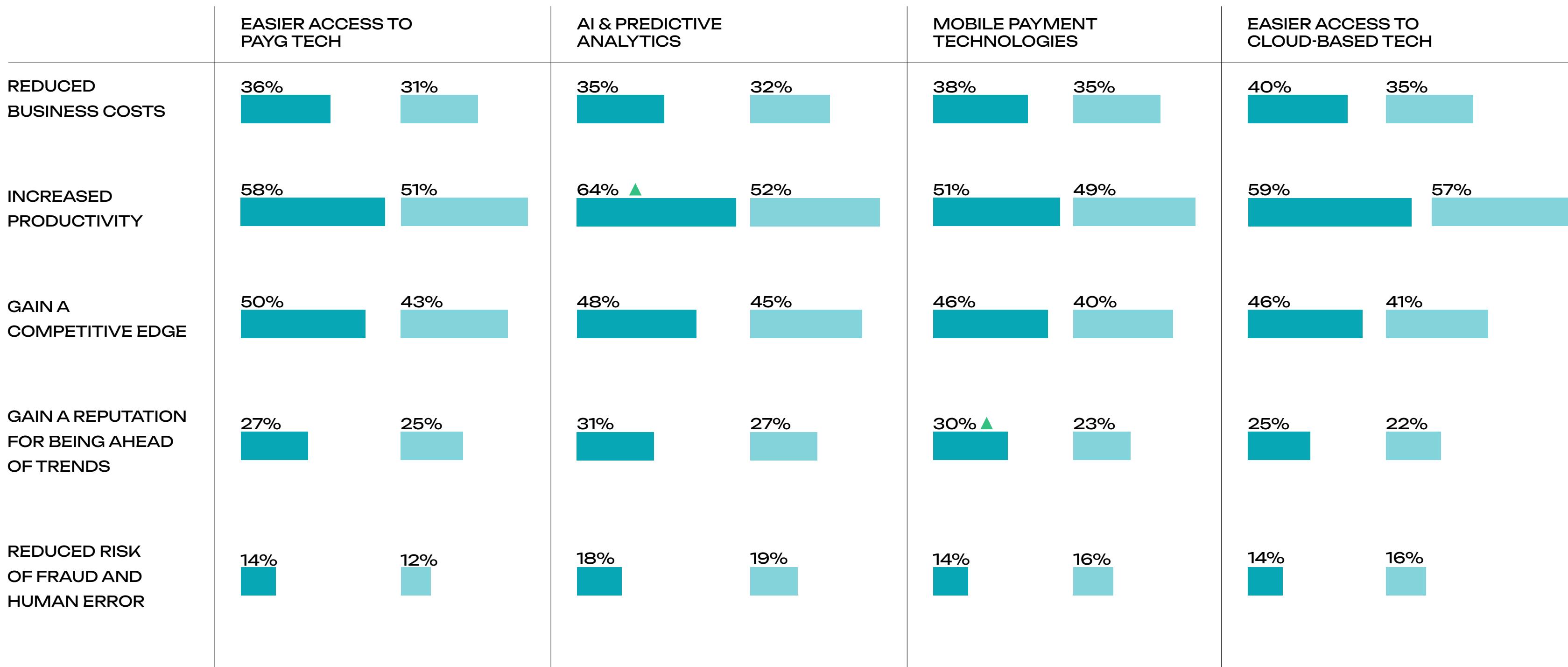
We explored why businesses regard these drivers of change as positive or negative. The key benefit among those with positive views on the impact of payment technology solutions is that they increase productivity. In GB, more businesses mention this benefit in respect of AI and predictive analytics compared to last year. Gaining a competitive edge is also an essential factor and in the US this perception has increased when it comes to businesses making mobile payment technologies available to their customers.

POSITIVE IMPACTS ON PAYMENT TECHNOLOGY SOLUTIONS

Q: You mentioned the following changes in technology solutions with regards to payments may impact your business positively, why is that?

	2023	2022	
	▲	▼	HIGHER OR LOWER THAN 2022

GREAT BRITAIN BASE N = 362 – 435

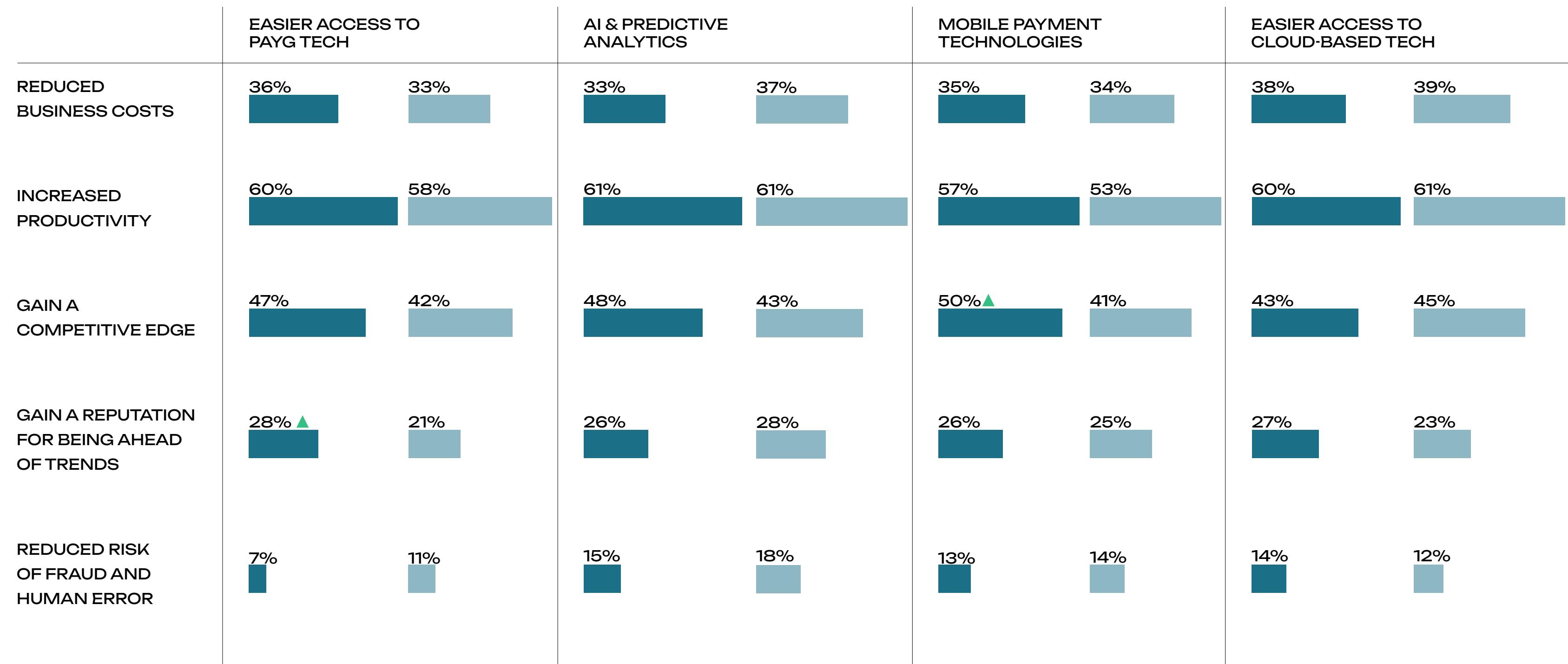


POSITIVE IMPACTS ON PAYMENT TECHNOLOGY SOLUTIONS

Q: You mentioned the following changes in technology solutions with regards to payments may impact your business positively, why is that?

	2023	2022	
	▲	▼	HIGHER OR LOWER THAN 2022

UNITED STATES BASE N = 372 – 439



NEGATIVE IMPACTS OF PAYMENT TECHNOLOGY SOLUTIONS

While reducing business costs is another benefit, if we look at the negative side of the ledger and explore those with pessimistic views about the impacts of payment technology, cost features here too.

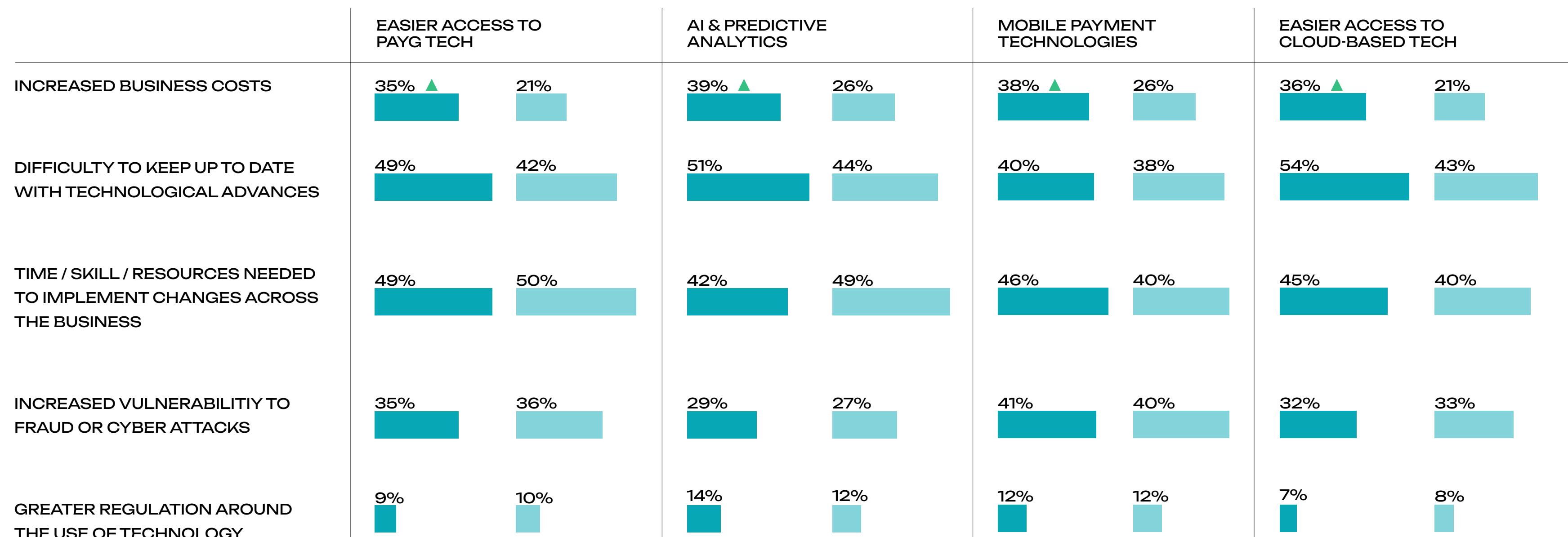
Concerns about costs have increased for GB businesses for all the payment technologies we asked about (PAYG, AI, mobile and cloud), and in the US for mobile payment technologies specifically.

However, in GB, challenges keeping up to date with technological advances and the resources required to implement change are more likely than cost to be regarded as negatives. In the US, the different negative impacts are evenly spread across the technologies.

NEGATIVE IMPACTS ON PAYMENT TECHNOLOGY SOLUTIONS

Q: You mentioned the following changes in technology solutions with regards to payments may impact your business negatively, why is that?

GREAT BRITAIN BASE N = 125 – 155

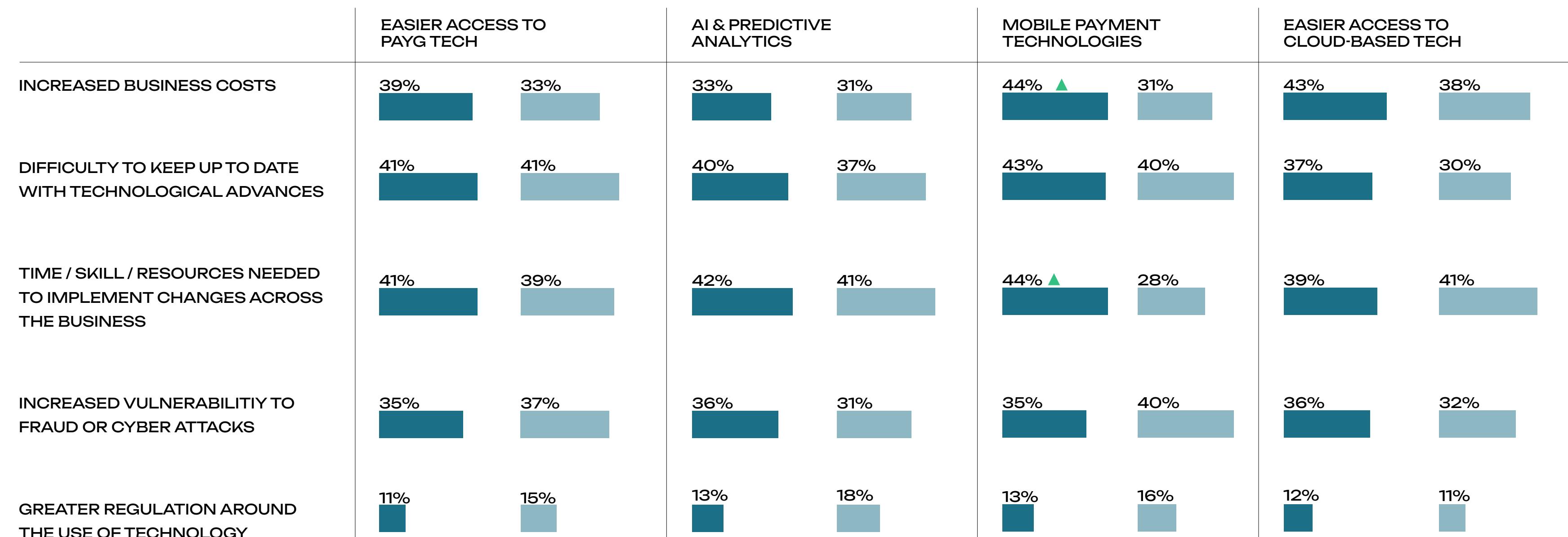


NEGATIVE IMPACTS ON PAYMENT TECHNOLOGY SOLUTIONS

Q: You mentioned the following changes in technology solutions with regards to payments may impact your business negatively, why is that?

	2023	2022	
	▲	▼	HIGHER OR LOWER THAN 2022

UNITED STATES BASE N = 114 - 134



Changes in Payment Methods

Respondents' concerns about keeping up to date with the latest payment methods and implementing change are understandable. Our research shows that the payments landscape is in flux, with push and pull factors at play. On the one hand, 82% of GB and 88% of US businesses in the past 12 months were forced to accept payment methods they would not have traditionally accepted. This is consistent by business size in GB, and for small businesses the figure has increased from 70% in 2022 to 82% now. In contrast, small US businesses are less likely than average to have been forced to accept new payment methods (76%).²

On the other hand, around seven in ten businesses in GB (74%) and the US (72%) have become stricter on the methods they accepted in the past 12 months. In the US, this is particularly the case for enterprises (82%) and large (80%) companies compared to mid-sized (70%) and small (54%) businesses. In GB the pattern is different. Research responses show that small businesses are more likely than last year to have become stricter, up from 63% to 76%, bringing them in line with the average. Aligned to the US, large GB companies (82%) are the most likely to have buttoned down on payment methods.

During a time of inflation and recession, we can understand why businesses are taking a firmer line on payment methods. Given these dynamics, it is not surprising to find that a significant proportion of businesses have, in the last 12 months, either stopped or started using a variety of the payment methods we asked about.



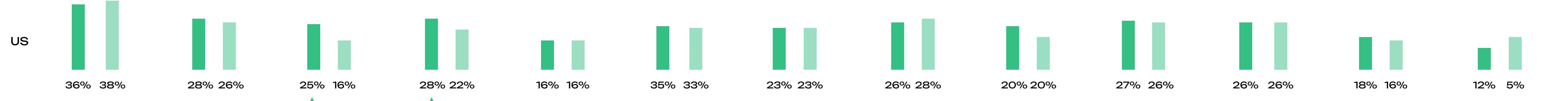
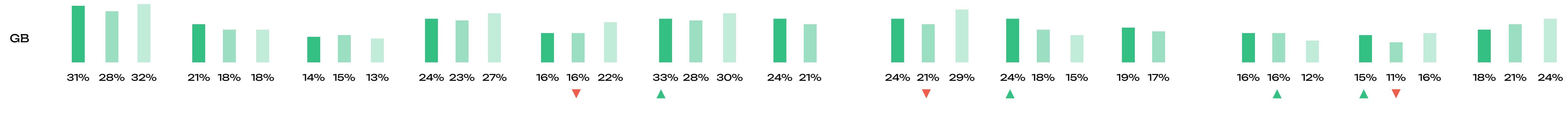
² For definitions of company size, please see the Technical Note at the end of the report.

PAYMENT METHODS ACCEPTANCE

Q: Which payment methods did your business, or the company you work for, start accepting in the past 12 months?

	STARTED ACCEPTING 2023	STARTED ACCEPTING 2022	STARTED ACCEPTING 2021	
	▲	▼	HIGHER OR LOWER THAN 2022	

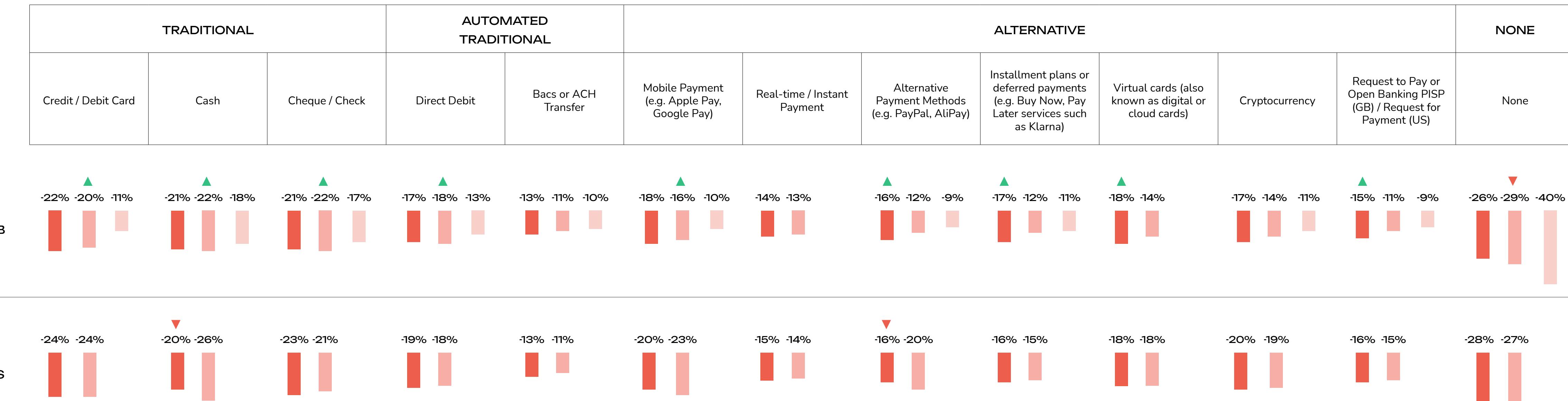
TRADITIONAL			AUTOMATED TRADITIONAL		ALTERNATIVE							NONE	
Credit / Debit Card	Cash	Cheque / Check	Direct Debit	Bacs or ACH Transfer	Mobile Payment (e.g. Apple Pay, Google Pay)	Real-time / Instant Payment	Alternative Payment Methods (e.g. PayPal, AliPay)	Installment plans or deferred payments (e.g. Buy Now, Pay Later services such as Klarna)	Virtual cards (also known as digital or cloud cards)	Cryptocurrency	Request to Pay or Open Banking PISP (GB) / Request for Payment (US)	None	



PAYMENT METHODS ACCEPTANCE

Q: Which payment methods did your business, or the company you work for, stop accepting in the past 12 months?

■	STOPPED ACCEPTING 2023	■	STOPPED ACCEPTING 2022	■	STOPPED ACCEPTING 2021
▲	▼	HIGHER OR LOWER THAN 2022			



In GB, many businesses are extending their payment choices beyond traditional payment methods. Mobile payments (for consumer payments) are being introduced in more and more companies each year, particularly large companies (42%).

Since 2022 more have started using Request to Pay/Open Banking PISP and instalment plans/deferred payments. This tends to be larger companies. Small businesses are less likely than average to start using several new payment methods (mobile payments, real-time payments, cryptocurrency, Request to Pay/Open Banking PISP).

There is some churn in the payment methods businesses have stopped using, and the proportion saying 'none' continues to decrease in GB. Compared to last year, more companies say they have stopped using some of the alternate payment methods on offer (Request to Pay/Open Banking PISP, PayPal, virtual cards, and instalment plans/deferred payments). This suggests an exploration of different strategies and experimentation with new payment types, keeping those that

work well and ditching those not fit for their business or financial management strategies.

In the US, traditional payment methods remain strong. Surprisingly, there's an increase in businesses that have started to accept checks. Given it's a long-accepted and engrained payment method, this may be par for the course. However, fewer appear to be accepting cash, which is promising. Direct Debit also sees an increase in acceptance, particularly among large companies (35%). Interestingly, there has been an increase in US businesses likely to stop using alternative payment methods.

The GB trend of small businesses being less likely to have changed payment methods over the past year is even more marked in the US. Small businesses are less likely than average to have either stopped or started accepting almost any of the payment methods asked about.

Payment innovation is a positive thing. And it is moving at incredible speed. Adopting new payment types to take

advantage of the advances on offer versus the current market demand is a delicate balancing act and one that is critical to the success and competitive advantage of banks and businesses.

While traditional payment methods may be fit for purpose today, exploring easier, quicker, more efficient and modern payment methods should be on the agenda of every company's finance department.

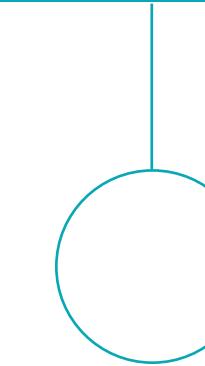
Request to Pay (RtP) offers a new and more flexible way for bills to be settled between people, organizations and businesses but has been slow to take off.

Our research suggests that some companies need help to get to grips with its potential.

Uptake continues to be low in the US, and in GB, we see increases in the number of businesses both stopping and starting to use it in the past 12 months.

It has been estimated that Request to Pay could eventually save the UK economy £2bn to £3bn a year in reduced billing costs.³

³ www.wearepay.uk/programmes/new-payments-architecture-programme/



Variable Recurring Payments

We believe that an even more promising innovation than Request to Pay (RtP) on the near horizon is the UK's **Variable Recurring Payments (VRPs)**. Open Banking, the body responsible for building and supporting the open banking ecosystem says:

"Variable Recurring Payments look to offer more control and transparency than existing payment alternatives, such as [traditional] Direct Debits and card-file instructions."⁴

In the case of VRPs, the payer gives a third-party permission, including an authentication with the payer's bank, that the third-party can initiate a payment to the biller on their behalf.

In effect, the money is securely **pushed** from the payer's account to the biller's account by a third-party but with their permission rather than **pulled**, as is the case with Direct Debits.

Pop over to The Payments Podcast for insight on VRPs versus Direct Debits.

LISTEN NOW

⁴ www.openbanking.org.uk/variable-recurring-payments-vrps/#:~:text=VRPs%20offer%20more%20control%20and,pay%20for%20goods%20and%20services

Checkmate?

The enduring presence of checks in the US payments landscape is a challenge. Considered the sleepy snail of the payment world, checks are costly and time-consuming for businesses to process. Delays in receiving payment can cause major cashflow headaches.

Checks are also a boon for fraudsters – and increasingly so. The US government's Financial Crimes Enforcement Network issued an alert in February 2023 about mail-theft check fraud. The number of suspicious activity reports filed by financial institutions increased by 23% in 2021 and then nearly doubled in 2022.⁵

⁵ <https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Mail%20Theft-Related%20Check%20Fraud%20FINAL%20508.pdf>

Real-Time Payments

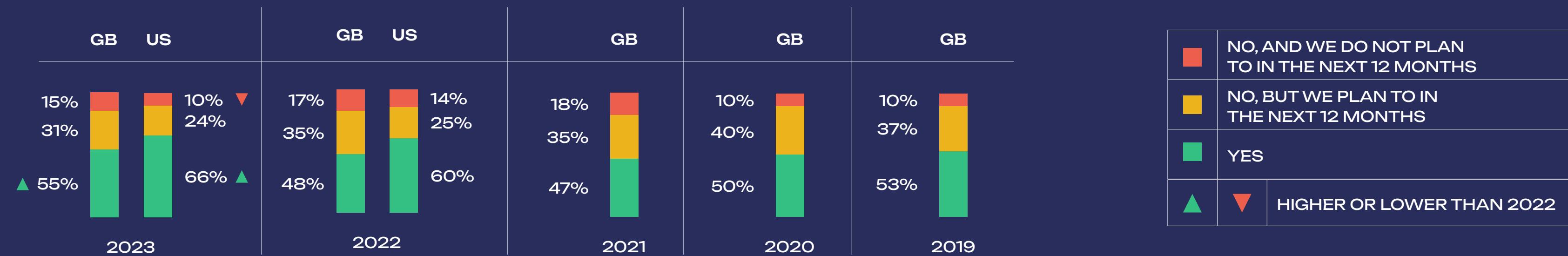
A key change to the payments landscape in GB this year is the increase in the adoption of real-time payments over the past 12 months across all business sizes, up from 48% in 2022 to 55% this year. The speed and agility of real-time payments offers a genuine and more efficient alternative to traditional digital payments. Encouragingly, only 16% of small businesses have not adopted real-time payments and plan not to adopt them, down from 27% in 2022.

For the US, we are cautious about the apparent level of adoption rates as genuine real-time payment rails remain a relatively new (2017) payment method. Respondents likely have in mind solutions such as same-day, batch-settled Automated Clearing House (ACH) payments or wire and card payments rather than true real-time payments (RTP) rails via The Clearing House (TCH).

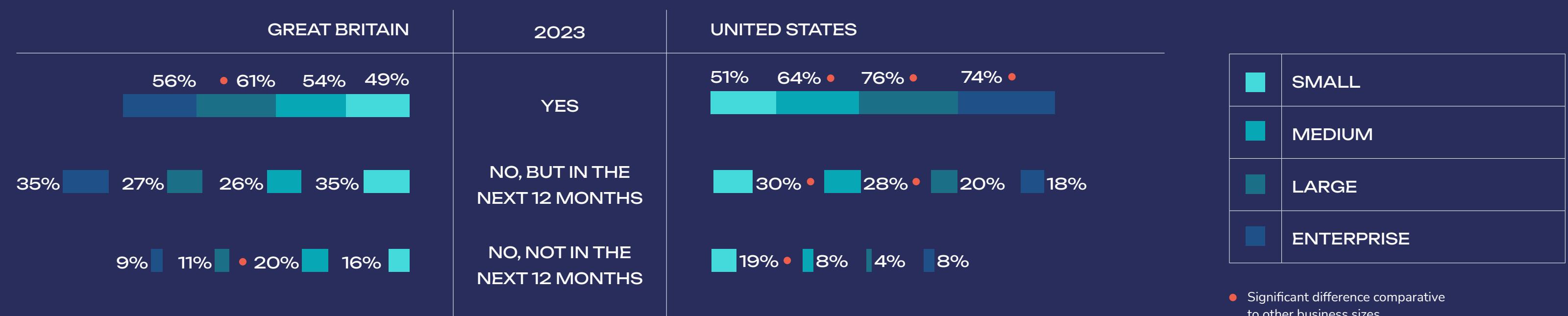
Nevertheless, we'll likely see the adoption of real-time payments rise as digital payments become the norm and as the TCH's RTP network faces prominent competition with the introduction of the Federal Reserve's real-time payment system, FedNow, which launches this year.

REAL-TIME PAYMENTS

Q: Has your business, or the company you work for adopted real-time / instant payments for sending regular business payments?



BREAKDOWN OF 2023 REAL-TIME PAYMENTS DATA BY BUSINESS SIZE



The difference between those two real-time systems lies in their launch timing and governance. While RTP is operated by a consortium of TCH owner banks (approximately 20 of the world's largest commercial banks), FedNow is managed by the US Federal Reserve (12 Reserve Banks providing services to thousands of banks across the US). Although not interoperable today, most, if not all, US banks are likely to cater for both options in the future until compatibility is achieved.

Setting aside the backend mechanisms, real-time payments in the US are set to rise, and companies stand to benefit from this efficient and cost-effective way of paying. While 1.8 billion real-time transactions took place in the US in 2022, real-time transaction volumes are expected to hit 8.9 billion in 2026.⁶

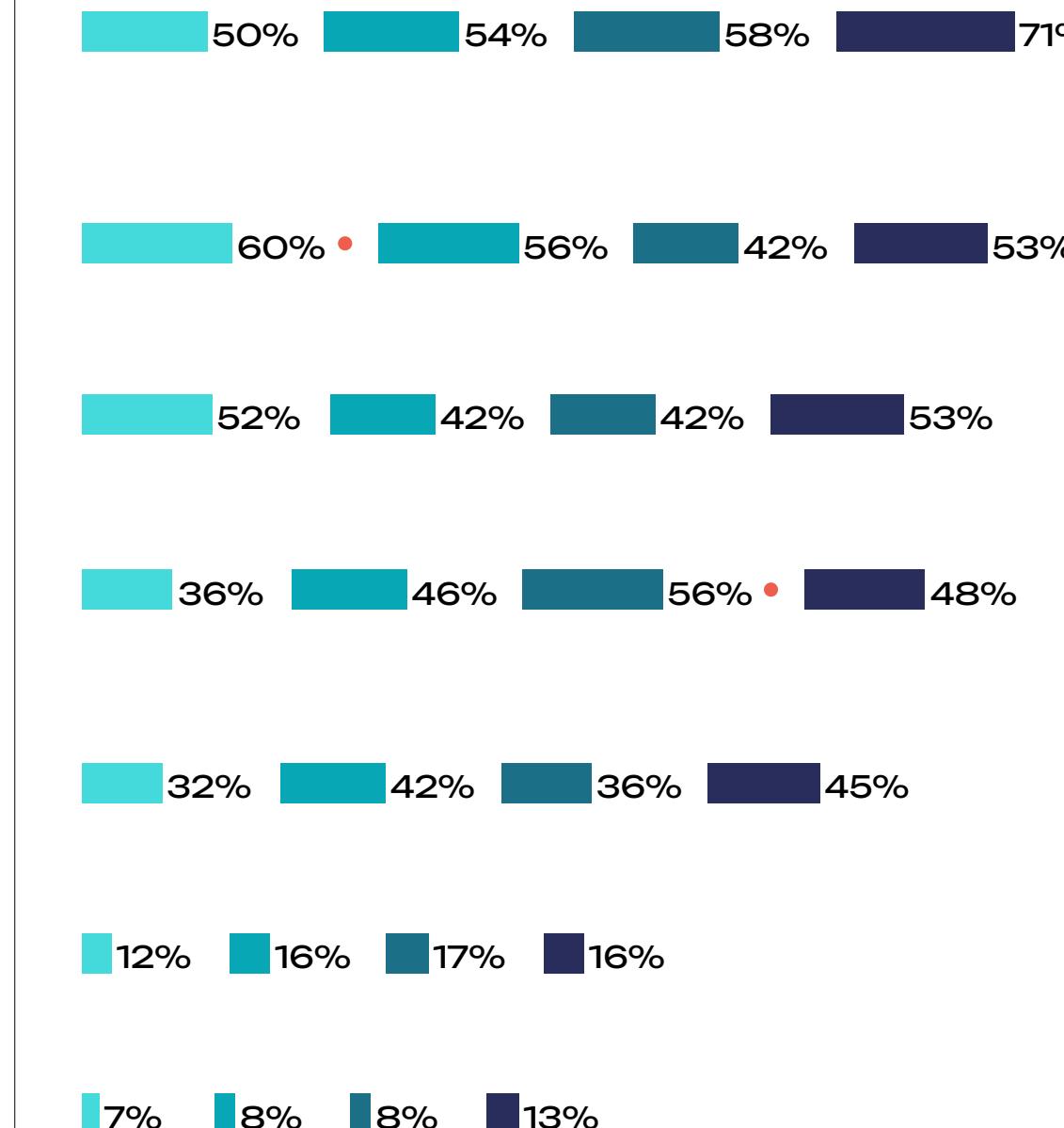
Across the pond, where real-time payments were introduced in 2008, GB businesses are increasingly using real-time payments to address core repeat processes, with the majority using it for paying regular supplier invoices (now the most common use case) and internal expense claims. Use cases are generally consistent across business sizes, although enterprises are more likely to use real-time payments for regular supplier invoices.

USES OF REAL-TIME PAYMENTS

Q: For what purpose(s) is your business using real-time / instant or faster payments?

- PAYING REGULAR INVOICES FROM SUPPLIERS
- MAKING PAYROLL PAYMENTS
- ▶ PAYING TAXES
- ▶ PAYING INTERNAL EXPENSE CLAIMS
- UNEXPECTED OR URGENT PAYMENT
- LATE PAYMENTS
- ◆ PAYING CUSTOMERS

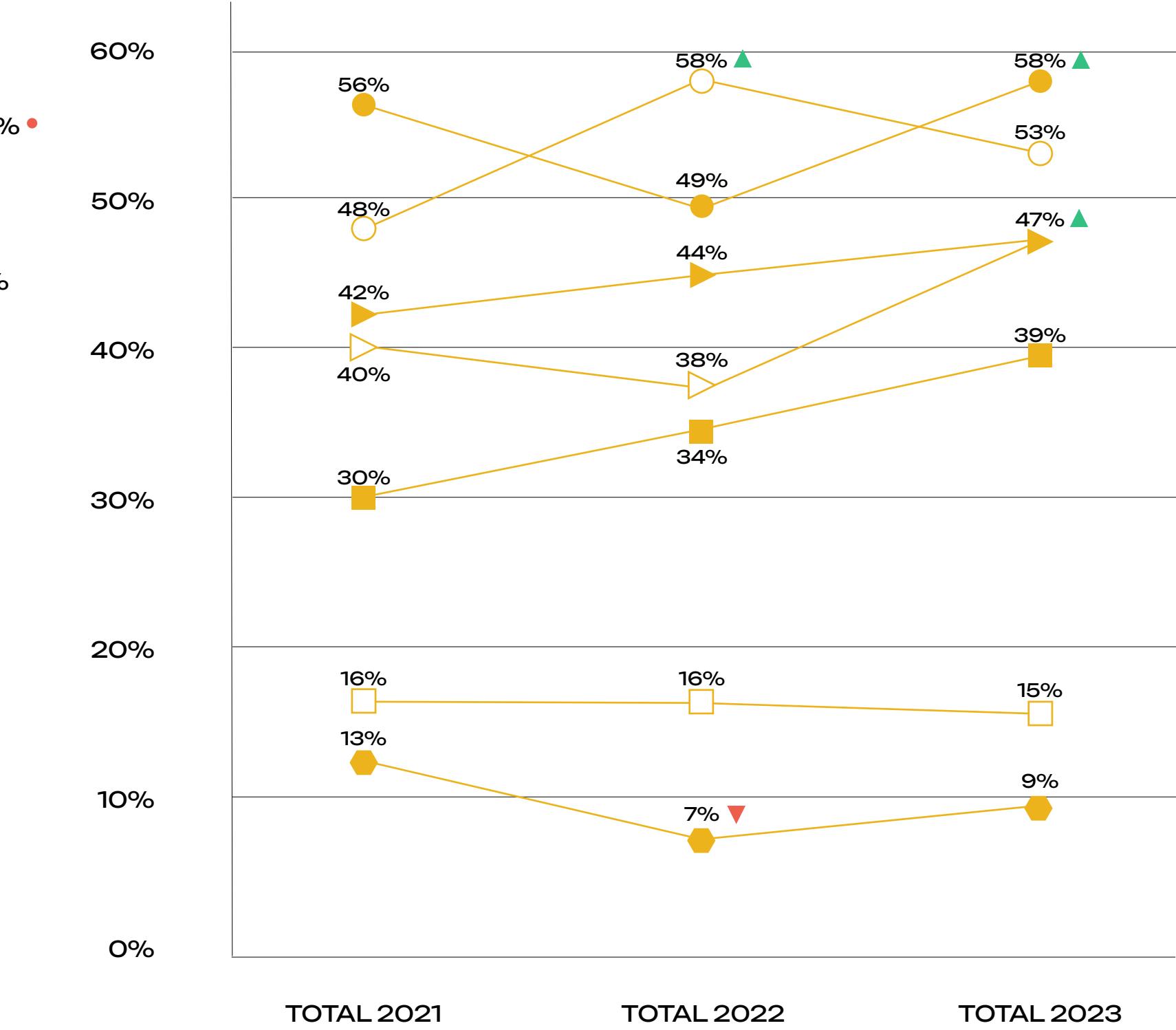
GREAT BRITAIN 2023



Base total n = 480, small n = 104, medium n = 120, large n = 126, enterprise n = 130

* Significant difference comparative to other business sizes

▲ ▼ HIGHER OR LOWER THAN PREVIOUS YEAR



⁶ www.pymnts.com/wp-content/uploads/2022/09/PYMNTS-Real-Time-Payments-Tracker-September-2022.pdf

Respondents across all business sizes in both GB and US said the top benefits of using real-time payments allows their business to clear and settle outbound payments more quickly, guarantees that funds are readily available to beneficiaries, and enables their business to charge for value-added services. For those companies still questioning the benefits, real-time payments allows companies to hold onto their cash for longer, facilitates last-minute or just-in-time payments and take advantage of resulting settlement discounts and incentives.

Among US respondents, the most common barrier to adopting real-time payments is being unsure of its benefits. This reflects similar historic GB responses from the 2017 Business Payments Barometer research, where companies cited no real need (53%) or being unsure of its benefits (15%) as two of the most common barriers. This uncertainty about the benefits highlights both a need and an opportunity for banks, consulting firms and payment service providers to educate US businesses about the convenience, efficiencies and advantages real-time payments offer.

Given the future of digital payments, it is encouraging that the number of US businesses saying they have no need of real-time payments has fallen since 2022. A quarter of respondents say they still prefer checks or credit cards for non-regular payments.

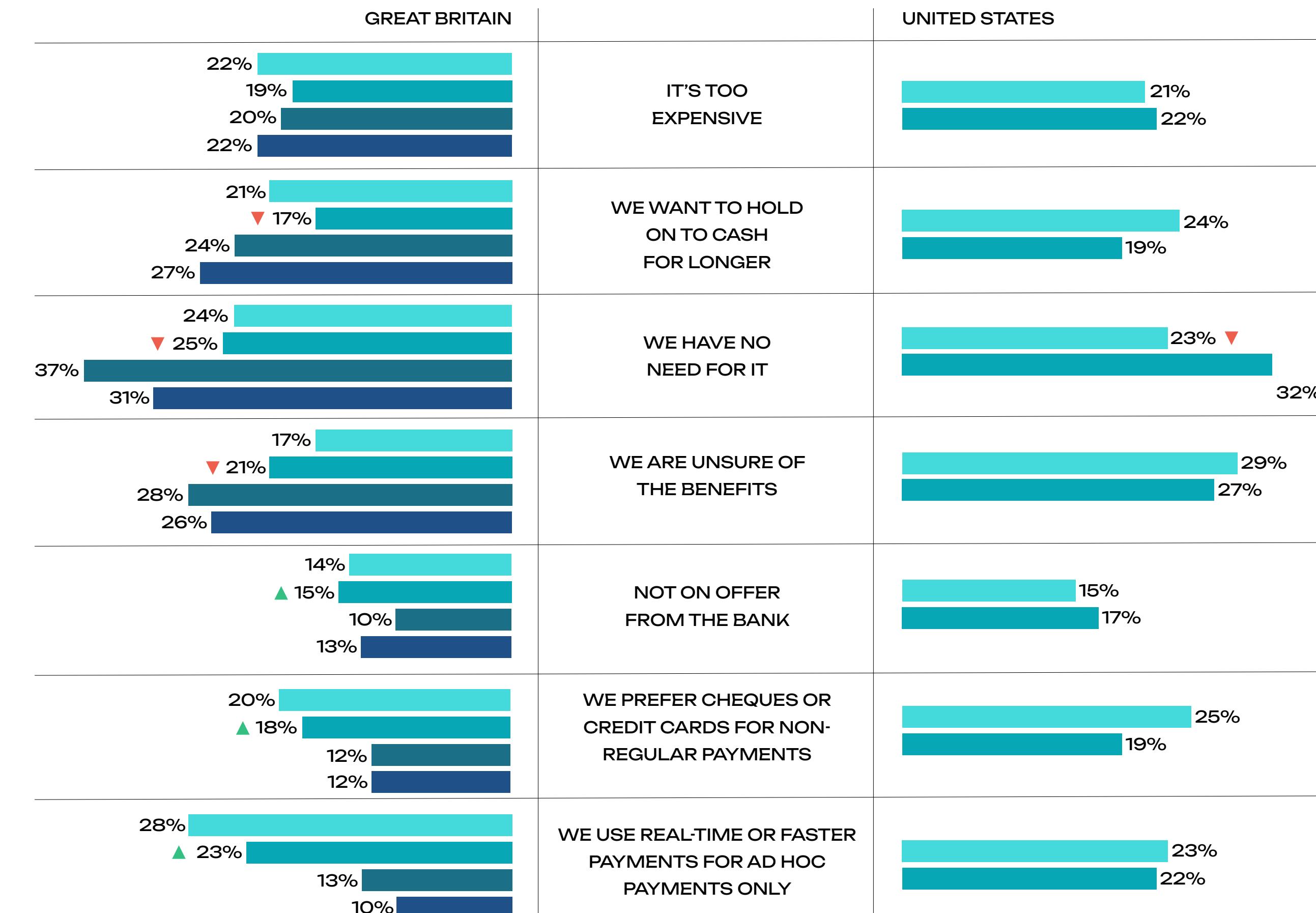
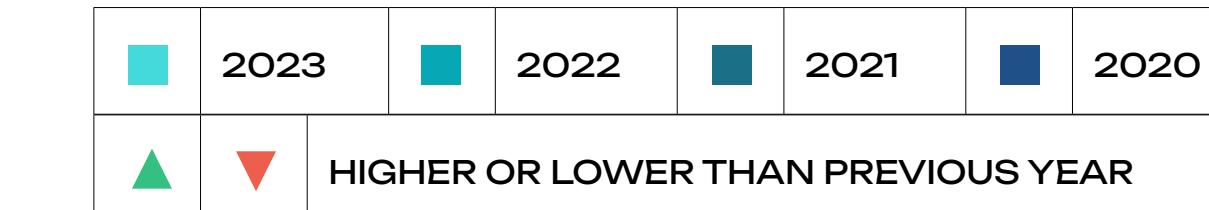
In GB, there is more of a spread of reasons for not adopting real-time payments, with the most popular answers that businesses use real-time payments for ad hoc uses only, followed by having no need for it and cost.

For more information on the tremendous opportunity of real-time payments in the US, take a listen to The Payments Podcast episode titled 'Real-time payments have arrived ... What are we waiting for?'

LISTEN NOW

BARRIERS TO REAL-TIME PAYMENTS

Q: You have stated your business has not adopted real-time/instant or Faster Payments for regular business payments. From the list below, select your reasons why, if any, this is the case?



Base GB n=320 US n=270

Outbound and Inbound Payments

Payment Trends

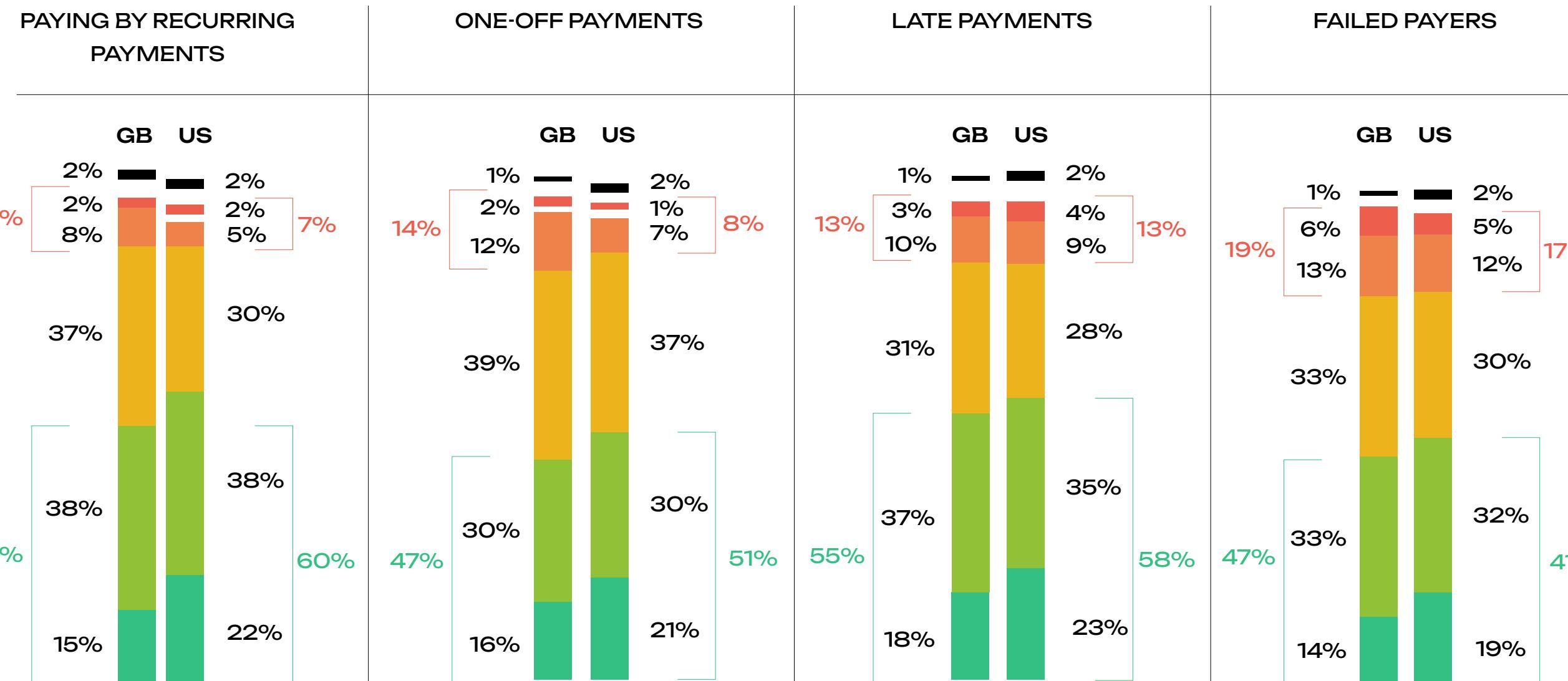
In a new question in this year's Barometer, we asked financial decision-makers whether they had noticed a change in payment trends over the past 12 months. Most noted an increase in late payers; only around one in ten reported a decrease. The picture of failed payments is not as bleak. That said, we conducted this research just as the cost-of-living crisis and increased inflation were beginning to emerge, so we'll likely see this number increase in next year's research responses. Needless to say, any increase in the number of failed payers is challenging for businesses – from losing expected funds to the time, effort and cost involved in representing or chasing these failed collections.

A more encouraging finding is that half (52%) of GB businesses and three-fifths of US businesses (60%) have seen an increase in recurring payments, indicating that companies are implementing automated ways to collect regular funds.

PAYMENT TRENDS OVER THE PAST 12 MONTHS

Q: Thinking about your business or the company you work for, would you say the following payment trends have increased, decreased or stayed the same over the past 12 months?

■	HAS INCREASED A LOT	■	HAS INCREASED A LITTLE	■	STAYED THE SAME
■	HAS DECREASED A LITTLE	■	HAS DECREASED A LOT	■	DON'T KNOW



Over half

of businesses (52% in GB and 60% in US) have seen an increase in recurring payments. Indicating that companies are implementing automated ways to collect regular funds.

Direct Debit Failures and Cancellations

As Bottomline counts some of the UK's largest Direct Debit Originators as customers, we have a unique view of what is happening with payments being collected via Direct Debit in the United Kingdom. From January 2022 to January 2023, the overall direct debit failure rate across all business sizes increased. Although failure rates decreased between August and November 2022, since November 2022, the trend has been upward.⁷

It's probable that this insightful data closely relates to the current cost-of-living crisis as households prioritize their most essential payments or unexpectedly fail to make ends meet.

⁷ www.bottomline.com/uk/resources/direct-debit-insights

Cashflow Management and Forecasting

More GB and US businesses are using cashflow software, automated treasury, and AI/machine learning for their cashflow forecasting compared to 2022. We believe that a sharper focus on effective cashflow management is a key reason for this change.

Adoption continues to be higher in the US. In both markets, larger companies are more likely to be using automated systems and AI/machine learning for cashflow forecasting.

However, around a third of respondents in GB and the US stated their companies still manually manage their cashflow forecasts in Excel, and in the US the figure has increased. While some businesses may use Excel alongside other tools, those that rely solely on spreadsheets have restricted capabilities to understand their

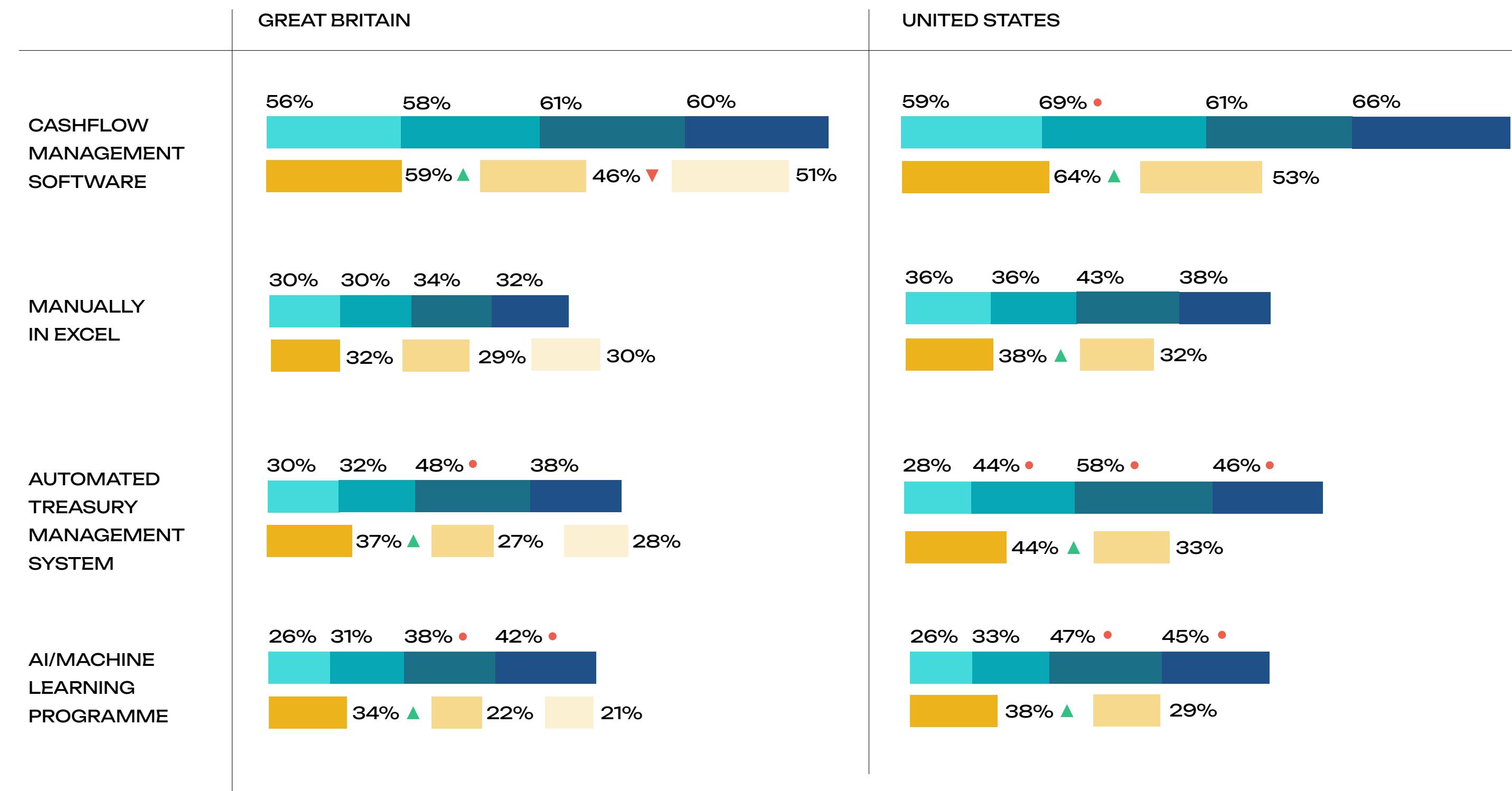
cash position both in real-time and more strategically. Fit for purpose in some instances, Excel offers limited ability to build models, scenarios and stress tests to strategically manage cashflow or forecast accurately.

Being prone to manual error and requiring time and effort, finance and treasury teams still using spreadsheets (or similar tools) run the risk of an incomplete picture of their cash position and delays in pulling together all the relevant information.

So despite a greater use of cash forecasting tools, financial decision-makers continue to feel pessimistic about the accuracy of their forecasts, with half of GB businesses (54%) and an even greater number (65%) of US businesses saying they are seldom accurate. In the US, small businesses (50%) are less likely than average to think this.

CASHFLOW MANAGEMENT

Q: Through what methods does your business currently handle cash flow management?



● Significant difference comparative to other business sizes

Impact of Inflation on Cashflow Management

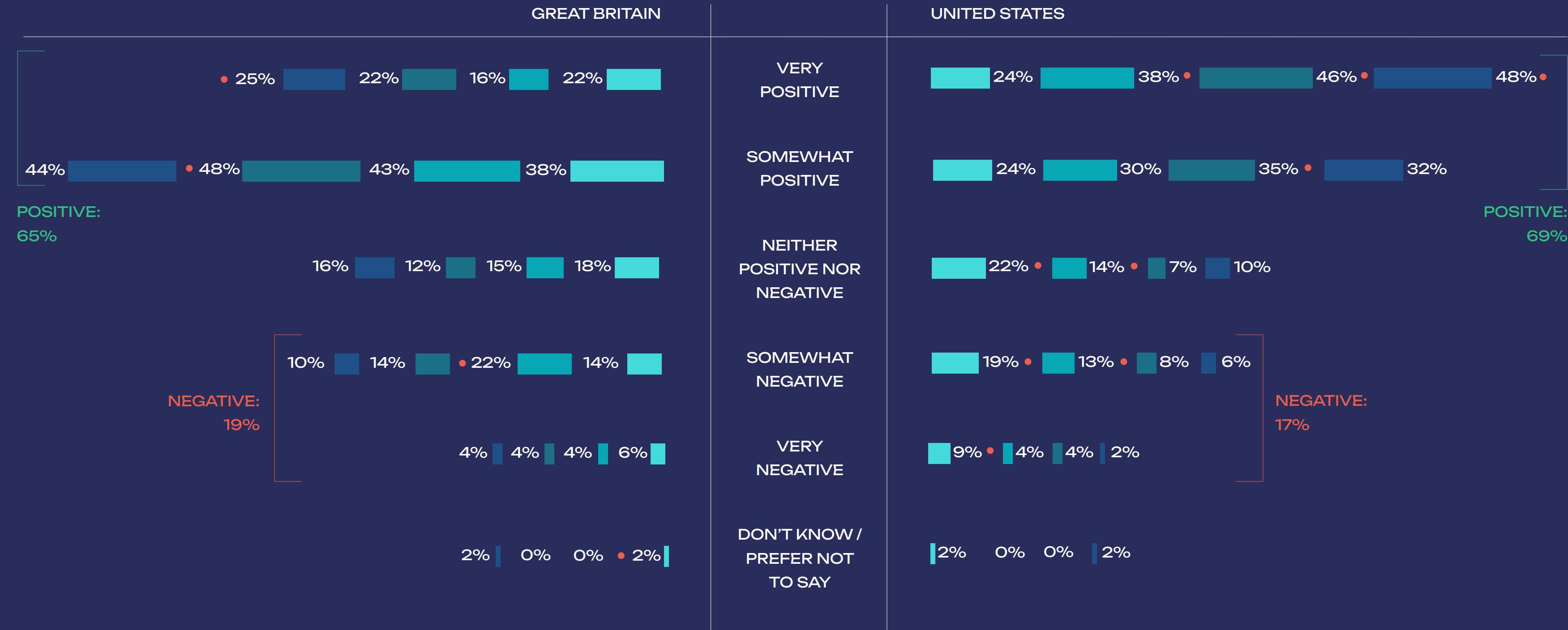
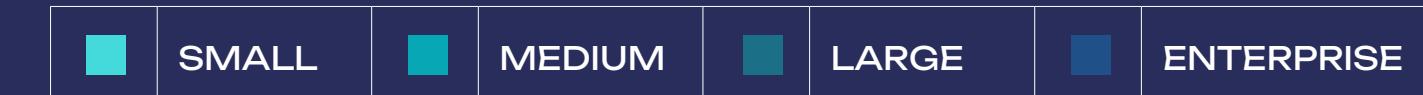
Inflation is at its highest level for many years as a result of ongoing disruption to global supply chains because of the COVID-19 pandemic and Russia's invasion of Ukraine. Prior to this, GB and the US had enjoyed a low inflation environment for decades. Both businesses and banks have had to adjust to operating in an unfamiliar world.

Somewhat to our surprise initially (we double and triple-checked the data), we found that around two-thirds of GB (65%) and US (69%) businesses say inflation has positively impacted **cashflow management** over the past 12 months. Just under a fifth say it has had a negative impact.

In GB, enterprises (69%) and large (70%) companies are more likely to say inflation has had a positive impact on cashflow management than medium (59%) businesses. In the US, the picture of positivity is the same. However, small businesses are more likely to say that inflation has had a negative impact on cashflow management.

IMPACT OF INFLATION ON CASHFLOW MANAGEMENT

Q: What impact, if any, has inflation had on cash flow management in the past 12 months?



• Significant difference comparative to other business sizes

While this finding appears to be counterintuitive to expectations, this is because our question asks about **cashflow management**, rather than just the cashflow.

The challenges of inflation mean that discipline and responsiveness in cashflow management are more critical than ever, increasing its visibility in the business. As we saw in the previous section, there has been a significant rise in adopting cashflow management tools versus prior years.

Notably, it's the larger companies that are more likely to use these tools and therefore agree the impact of inflation on their cashflow management has been positive. However, if companies are using a mix of tools, it may be a plausible explanation behind why business confidence in forecasts hasn't improved despite using more sophisticated tools.

Among the respondents who said that inflation has had a negative impact on their cashflow management, adjusting payment

terms was the most common method for both GB (41%) and US businesses (47%) to address this. US firms are nearly twice as likely to have implemented new technology to manage their cash positions better (40% vs 22% of GB businesses). This highlights the need among businesses for better and more secure ways to manage their cash position. If not already on offer by their banks, it's likely that business will reach out to fintechs for this additional functionality.

More generally, it remains to be seen to what extent the dramatic onset of the pandemic tested the chops of companies for flexibility and readiness, and how far they can now deploy these lessons in the face of an inflationary and unsettled global macro environment.



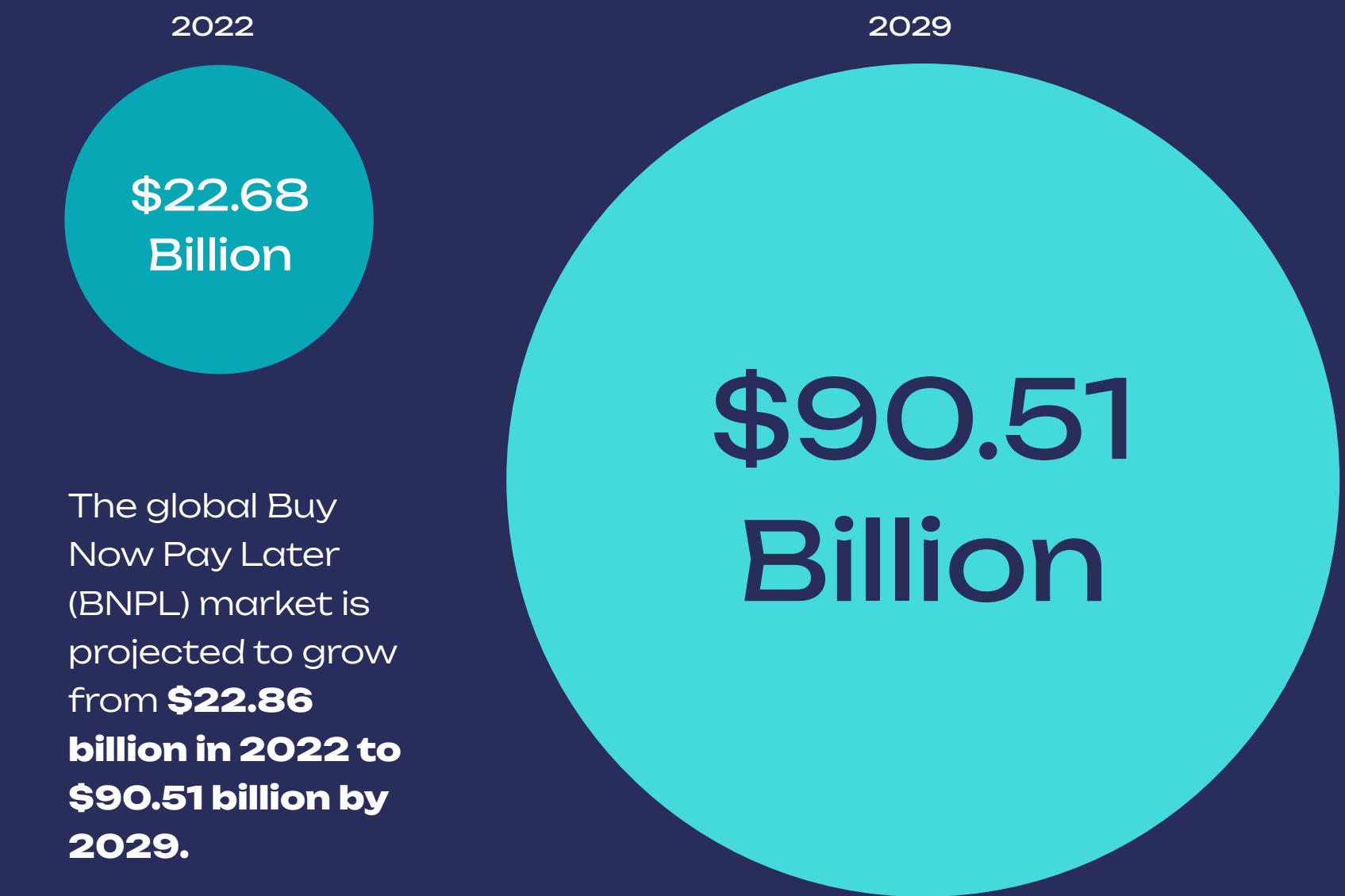
The challenges of inflation mean that discipline and responsiveness in cashflow management are **more critical than ever**.



BUY NOW, PAY LATER (BNPL)

Most GB (61%) and US businesses (73%) continue to think that deferred payments/instalments have a positive impact on their business. As was the case last year, US businesses are more optimistic about this aspect than those in GB. In both countries, small businesses are less favorable than larger ones.

This payment method has enormous potential, although there's a resounding consensus is that it requires industry regulation. **The global Buy Now Pay Later (BNPL) market is projected to grow from \$22.86 billion in 2022 to \$90.51 billion by 2029.⁸** From a B2B perspective, we expect to see an increase in BNPL being used as a form of 'short-term lending'. This has significant advantages over traditional trade credit. It is quicker, and the risk generally sits with the third-party BNPL provider, enabling sellers to get paid immediately. At the same time, buyers can enjoy the benefits of the goods and pay later. However, it is also worth pointing out that BNPL products will be subject to regulation in time, certainly in the UK. The government is currently consulting on draft legislation that will bring BNPL into Financial Conduct Authority regulation.⁹



⁸ www.fortunebusinessinsights.com/buy-now-pay-later-market-106408

⁹ www.gov.uk/government/consultations/regulation-of-buy-now-pay-later-consultation-on-draft-legislation

SUPPLY CHAIN FINANCING

Most GB (65%) and US (73%) businesses use supply chain financing, with higher usage levels among large and enterprise-sized companies. Usage is more significant in the US, and responses indicate that around a quarter (24%) of GB businesses are likely to stop using supply chain finance.

Compared to GB, there are vast differences in usage between small and medium companies in the US (the figures for the US are 49% and 75% respectively, compared to 56% and 60% in GB). However, 22% of small businesses in the US report an intention to start using supply chain financing, so the gap in adoption between small and medium businesses may close.

Accelerating inbound cashflow was highlighted as a much more common reason why both US (87%) and GB (83%) businesses use supply chain financing in comparison to increasing days payable outstanding (46% for US, 44% for GB).

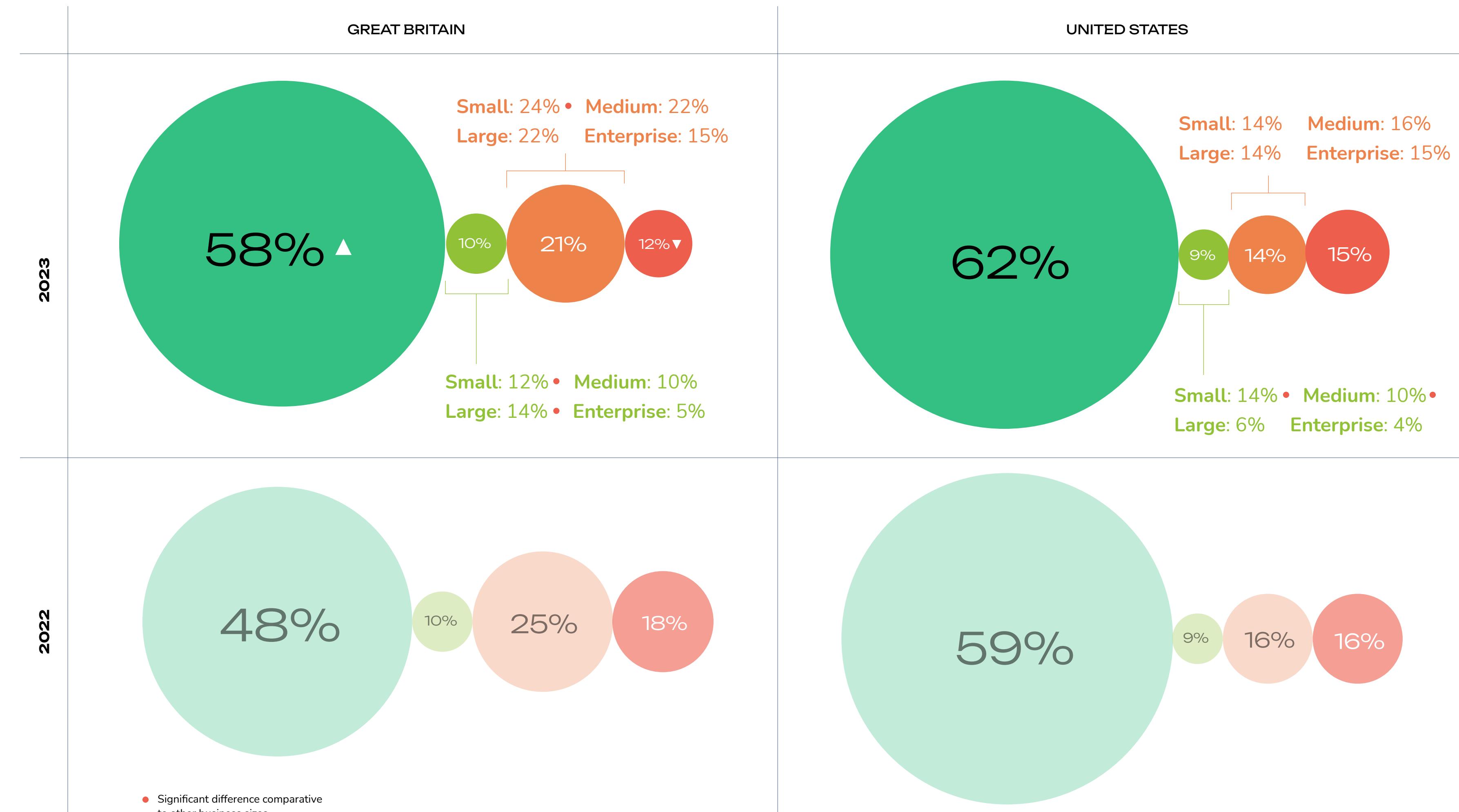
International Payments

More GB businesses are using international payments compared to last year. Given the disruption caused by the pandemic and Brexit to UK trade, this is an encouraging insight. Additionally, those who don't use international payments and don't intend to start has dropped. US trends are stable and overall usage continues to be higher than GB. Still, the main difference lies in the number of businesses currently using international payments who intend to stop doing so (14% in the US compared to 21% in the GB).

●	YES, INTEND TO CARRY ON
●	NO, BUT INTEND TO START
●	YES, BUT INTEND TO STOP
●	NO, DON'T INTEND TO START
▲ ▼	HIGHER OR LOWER THAN PREVIOUS YEAR

INTERNATIONAL PAYMENTS

Q: Does your organization make international payments?



In a new question in this year's Barometer, we asked financial decision-makers to share their biggest challenges in making international payments. We found that US businesses are more likely to highlight all the issues we asked about. But for GB businesses, high payment fees are the biggest pain point (61%), with meeting sanctions screening requirements close behind on 57%. These are the top two challenges in the US as well (75% for both). For half of GB businesses and two-thirds of US businesses, too little control over payment processing and a lack of payment visibility are headaches when it comes to international payments.

It is likely that these challenges can be overcome with the introduction of SWIFT gpi (a tracking solution for SWIFT members that reduces issues with cross-border payment transparency, tracking reconciliation and efficiency) and ISO 20022 messaging (which carries more data within the transaction). We discuss this in more detail later in the report.

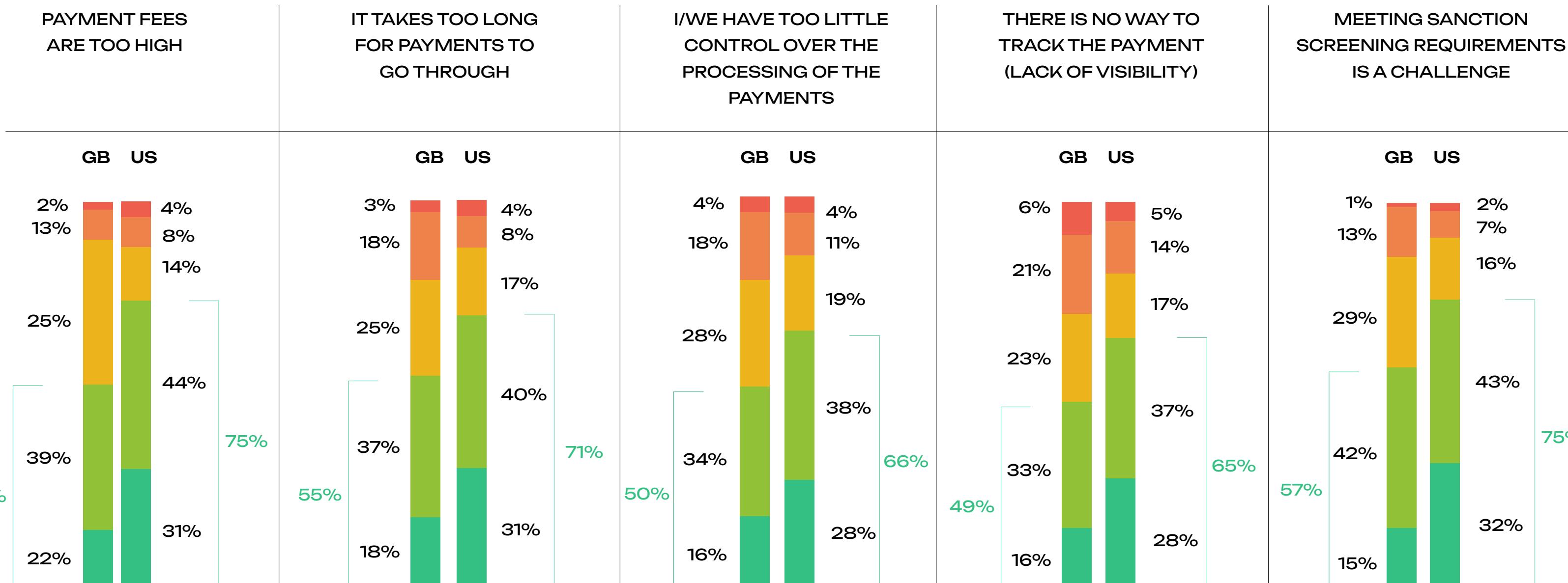
61%

of GB businesses say that high payment fees are the biggest pain point in making international payments. Meeting sanctions screening requirements is close behind on 57%.

CHALLENGES TO INTERNATIONAL PAYMENTS

Q: Thinking of when your organization makes international payments, to what extent do you agree or disagree with each of the following statements?

	STRONGLY AGREE		TEND TO AGREE		NEITHER AGREE NOR DISAGREE
	TEND TO DISAGREE		STRONGLY DISAGREE		



Base GB n=627 US n=612

Payment Priorities

Cashflow continues to be critical to businesses, with around seven in ten GB (69%) and US (70%) businesses saying that receiving money quickly has never been more important. This is a particular priority for large companies in the US and enterprises in GB (both 78%). Arguably receiving money quickly should be more of a focus for smaller businesses than their larger counterparts. The differences here may reflect the more substantial bargaining power and greater sophistication of bigger businesses.

Flexible payment terms can help businesses manage and maximize their cashflow. They are widely accepted, with 73% of companies in GB and 78% in the US willing to re-negotiate payment terms to accelerate inbound cashflow.

Interestingly, financial decision-makers are taking account of their suppliers' preferences when it comes to payment methods. In a new question this year, we found that a majority, particularly in the US, say they care about how suppliers prefer to get paid and whether it is efficient for them. The higher level of agreement in the US is likely a reflection of a more fragmented payment landscape which has greater friction (the use of checks for instance). This means that payment methods are a common talking point between businesses.

WE CARE ABOUT HOW OUR SUPPLIERS PREFER TO GET PAID AND WHETHER IT IS EFFICIENT FOR THEM

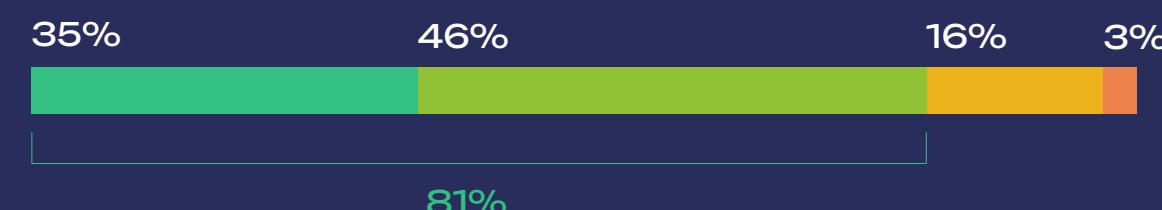
Q: Thinking about your inbound and outbound payment methods, to what extent do you agree or disagree with the following statements?

■	STRONGLY AGREE
■	SLIGHTLY AGREE
■	NEITHER AGREE NOR DISAGREE
■	SLIGHTLY DISAGREE
■	STRONGLY DISAGREE

GREAT BRITAIN



UNITED STATES



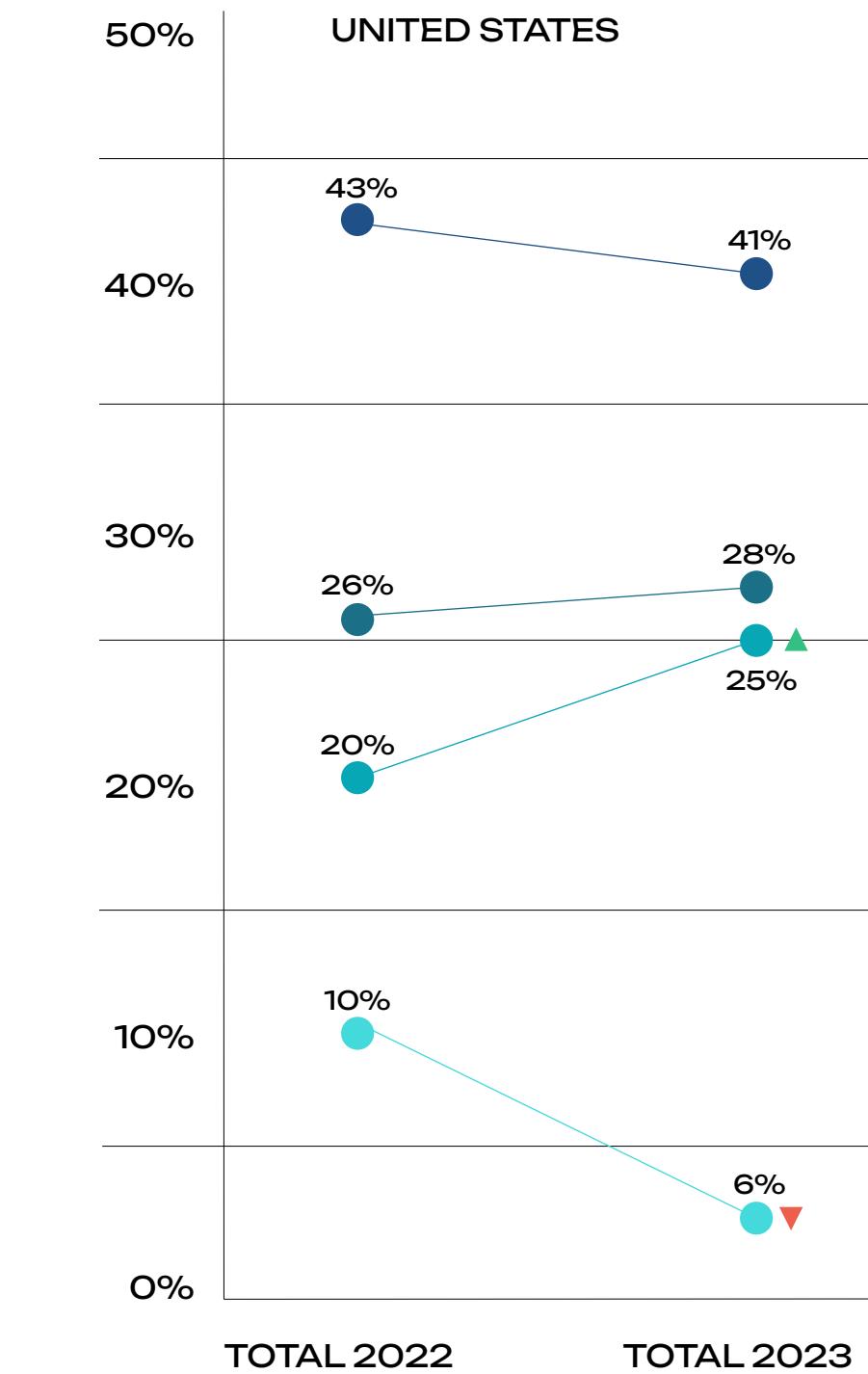
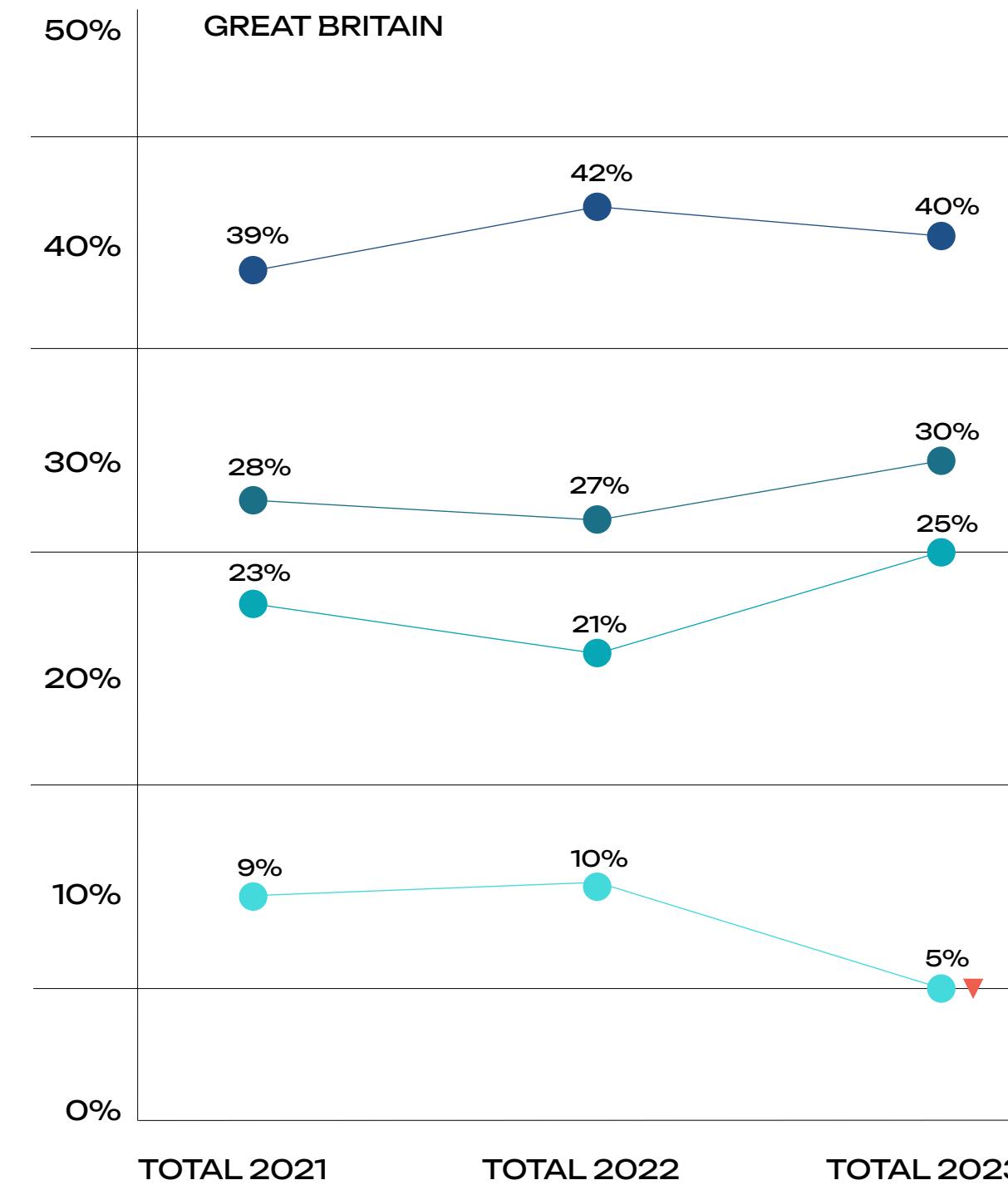
TOP PAYMENT PRIORITIES FOR THE NEXT 12 MONTHS

Q: Please select your finance department's top priority when it comes to payments over the next 12 months

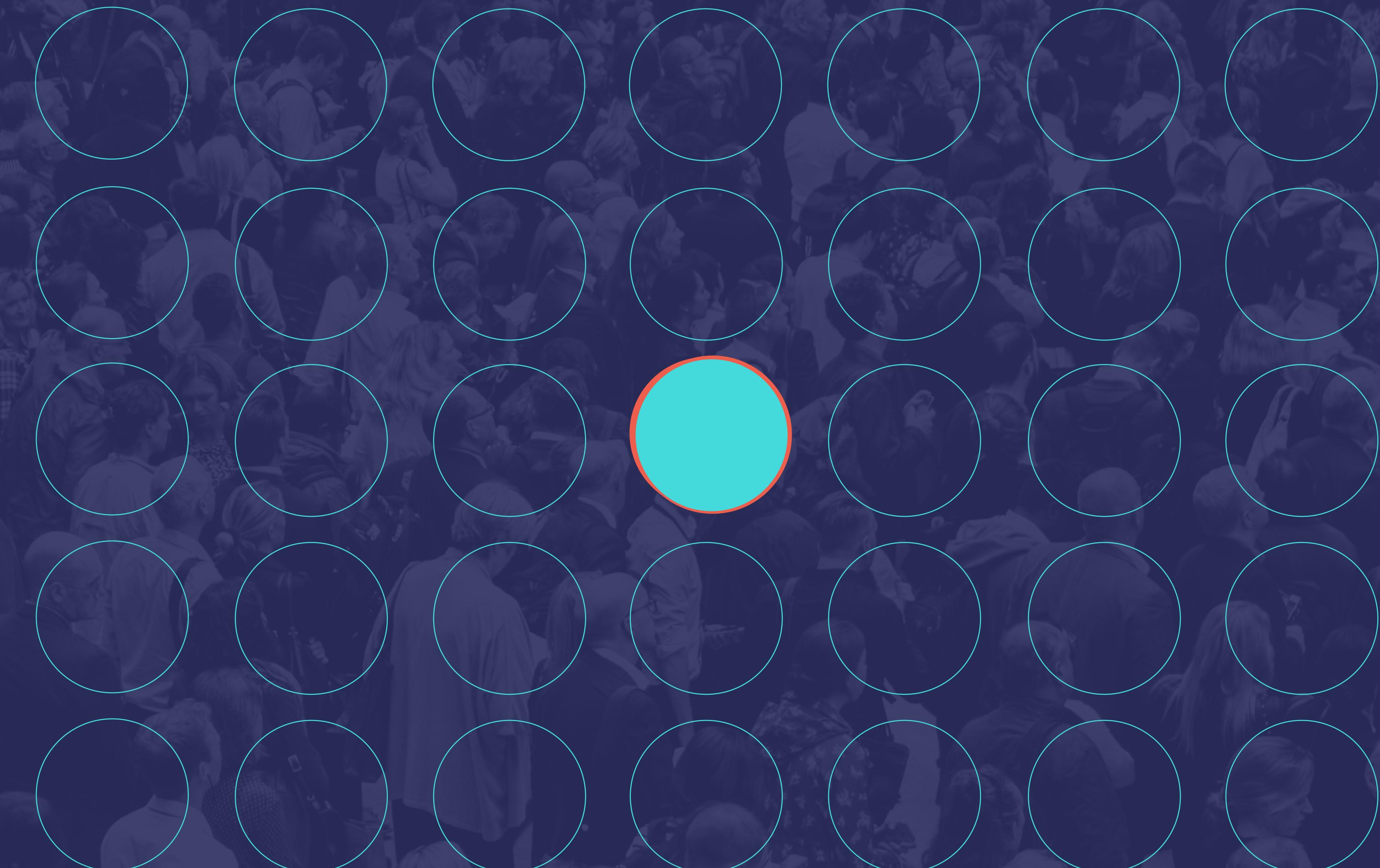
●	CASHFLOW MANAGEMENT	●	TECHNOLOGY
●	FRAUD & COMPLIANCE	●	RECONCILIATION
▲	HIGHER OR LOWER THAN 2022	▼	

Cashflow management is a key priority over the next 12 months for the finance departments of GB and US companies. Easing reconciliation is the lowest priority asked about and has fallen since last year in both countries.

As anticipated, fraud and compliance is a noteworthy priority for companies and cited by more US businesses this year compared to last year. Financial fraud is a perennial challenge for everyone involved in business payments, and we go on to explore this issue in more detail in the next section.



The Non- Stop Fight Against Fraud



Fraud Concerns

Concerns over fraud are increasing among GB businesses, in particular. We see rises in respect of all the three types of fraud we asked about compared to 2022. For US businesses, concern over insider fraud and collusion has increased significantly.

US businesses report greater concerns over insider fraud and push payment fraud (where individuals inadvertently transfer money directly to a fraudulent bank account) compared to GB businesses. In GB, external cyberattacks are more of a concern than other types of fraud. This may reflect the ongoing efforts of the UK government's National Cyber Security Centre, founded in 2016, to increase business awareness of the potential seriousness of cyberattacks.

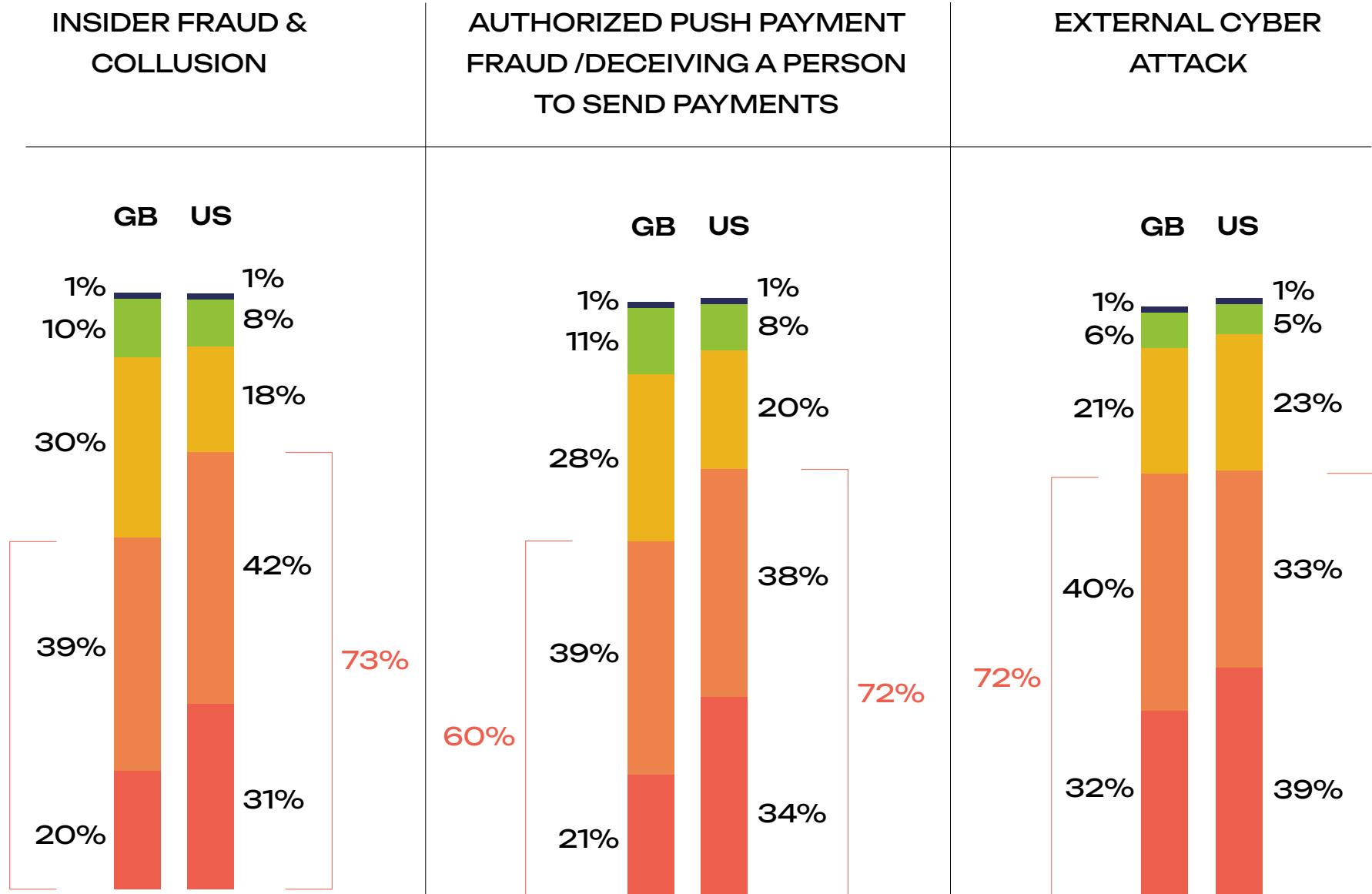
In GB, enterprises are the most likely to be concerned about insider fraud (71%). Small businesses are markedly less concerned (48%). We see the same pattern regarding push payment fraud (71% vs 47%). Enterprises are also the most likely to be concerned about cyber fraud (80%), whereas the levels of concern at the small business level are in line with the average.

CONCERN WITH DIFFERENT TYPES OF FRAUD

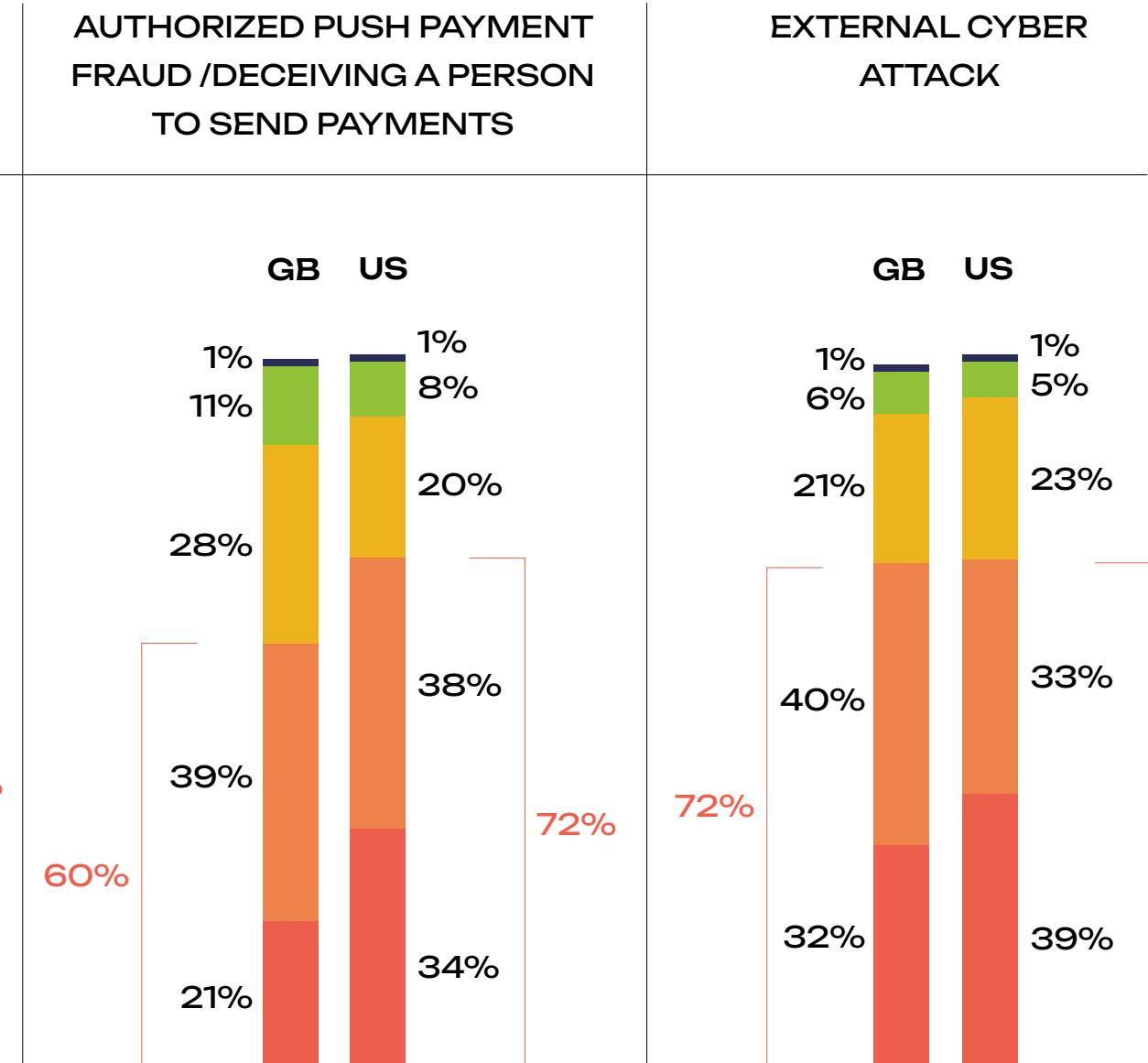
Q: To what extent is your organization, or the company you work for concerned about the following?

■	A GREAT DEAL OF CONCERN	■	A FAIR AMOUNT OF CONCERN
■	JUST A LITTLE CONCERNED	■	NOT AT ALL CONCERNED
■	DON'T KNOW		

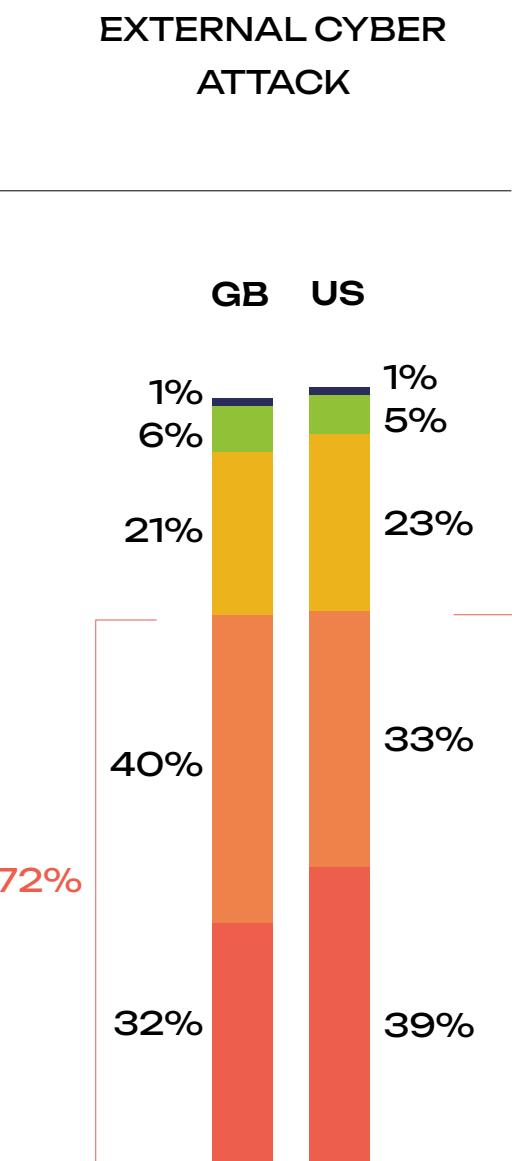
INSIDER FRAUD & COLLUSION



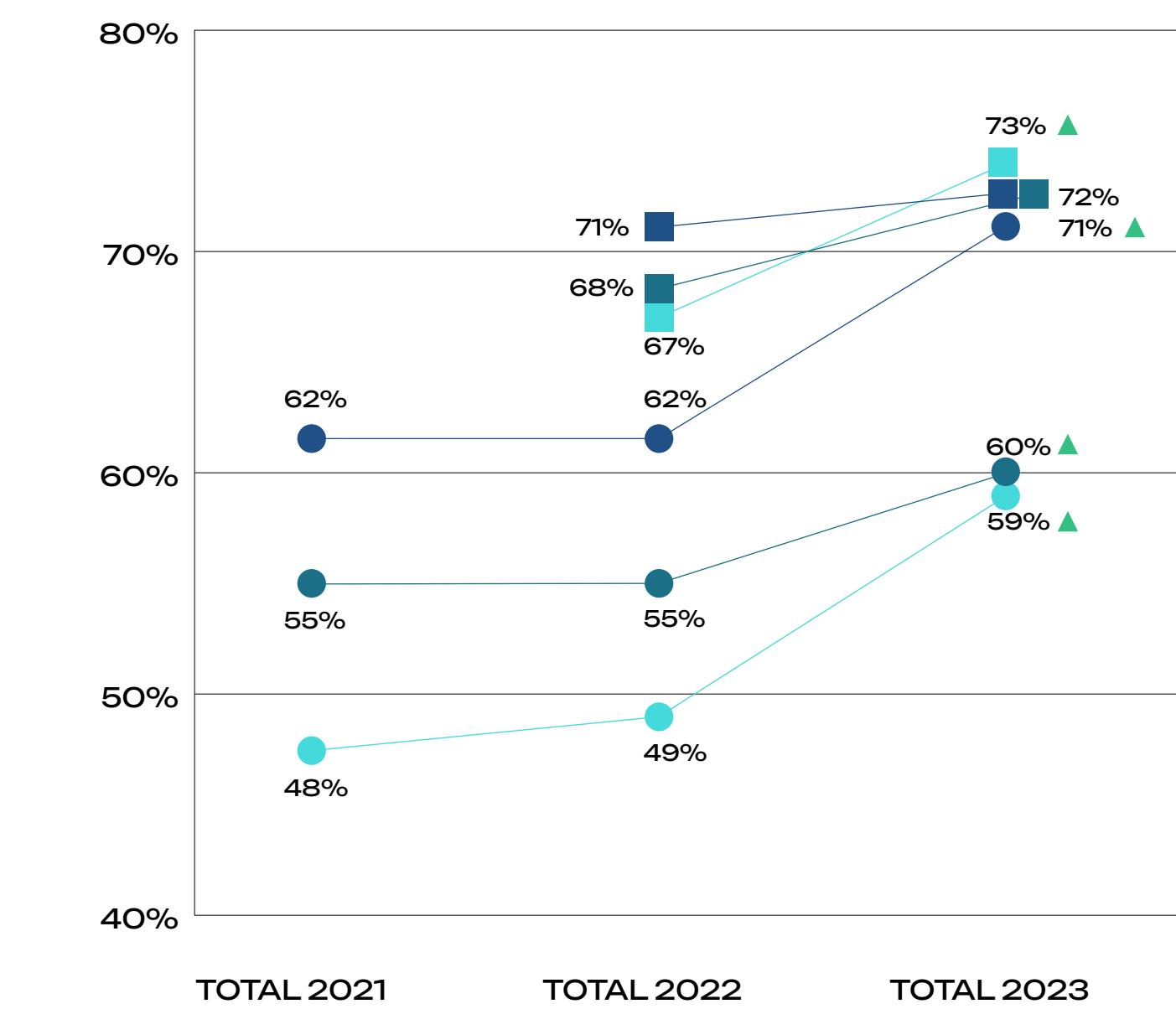
AUTHORIZED PUSH PAYMENT FRAUD /DECEIVING A PERSON TO SEND PAYMENTS



EXTERNAL CYBER ATTACK



●	INSIDER FRAUD & COLLUSION
●	AUTHORIZED PUSH PAYMENT FRAUD
●	EXTERNAL CYBER ATTACK
▲	HIGHER OR LOWER THAN PREVIOUS YEAR
▼	



In the US, small businesses are less likely to be concerned about all the types of fraud asked about, and large companies are more likely than average to worry about insider fraud (84%) and push payment fraud (83%). And quite rightly so. The new norm of remote working has created unforeseen loopholes in payment processes, providing opportunities for manual intervention and blunders, whether intentionally by malicious insiders or unwittingly in error.

So, it's not surprising to see increased concerns about fraud as attacks grow ever more sophisticated both in technical and psychological terms. For instance, the use of deepfake voice and videos and increasingly ingenious social engineering ploys to dupe victims.

Tackling fraud is a never-ending battle. As businesses get better at preventing fraud, fraudsters

keep upping their game too. There is something of a 'whac-a-amole' effect when it comes to combatting payment fraud. If you put effective fraud measures in place, the mole finds a new area to exploit and pops up elsewhere.

Here's an example of that. The UK Finance's Annual Fraud Report found that credit card and check fraud is actually dropping. Unauthorized financial fraud losses across payment cards, remote banking and checks totaled £730.4 million in 2021, a seven per cent decrease compared to 2020. Successes in combating fraud aimed at these forms of payment meant that fraudsters switched their focus to push payment fraud, finding loopholes and coercing people into diverting funds into the bank accounts of fraudsters. UK Finance members reported 195,996 incidents of payment scams in 2021 with gross losses of £583.2 million, compared with £420.7 million in 2020.¹⁰

¹⁰ www.ukfinance.org.uk/system/files/2022-06/Annual%20Fraud%20Report%202022_FINAL_.pdf



The new norm of remote working has created unforeseen loopholes in payment processes, providing opportunities for manual intervention and blunders, whether intentionally by malicious insiders or unwittingly in error.



Experiences of Payment Fraud

More GB businesses (39%) have been hit by payment fraud in the last 12 months. This is the case regardless of business size. Large companies (46%) are more at risk than small (32%) and medium (36%) companies.

In contrast, in the US, the total number of businesses experiencing payment fraud is consistent with last year at 35%. Medium-sized companies saw a decrease in fraud (down from 42% to 30%), while enterprises reported an increase (up from 32% to 46%).

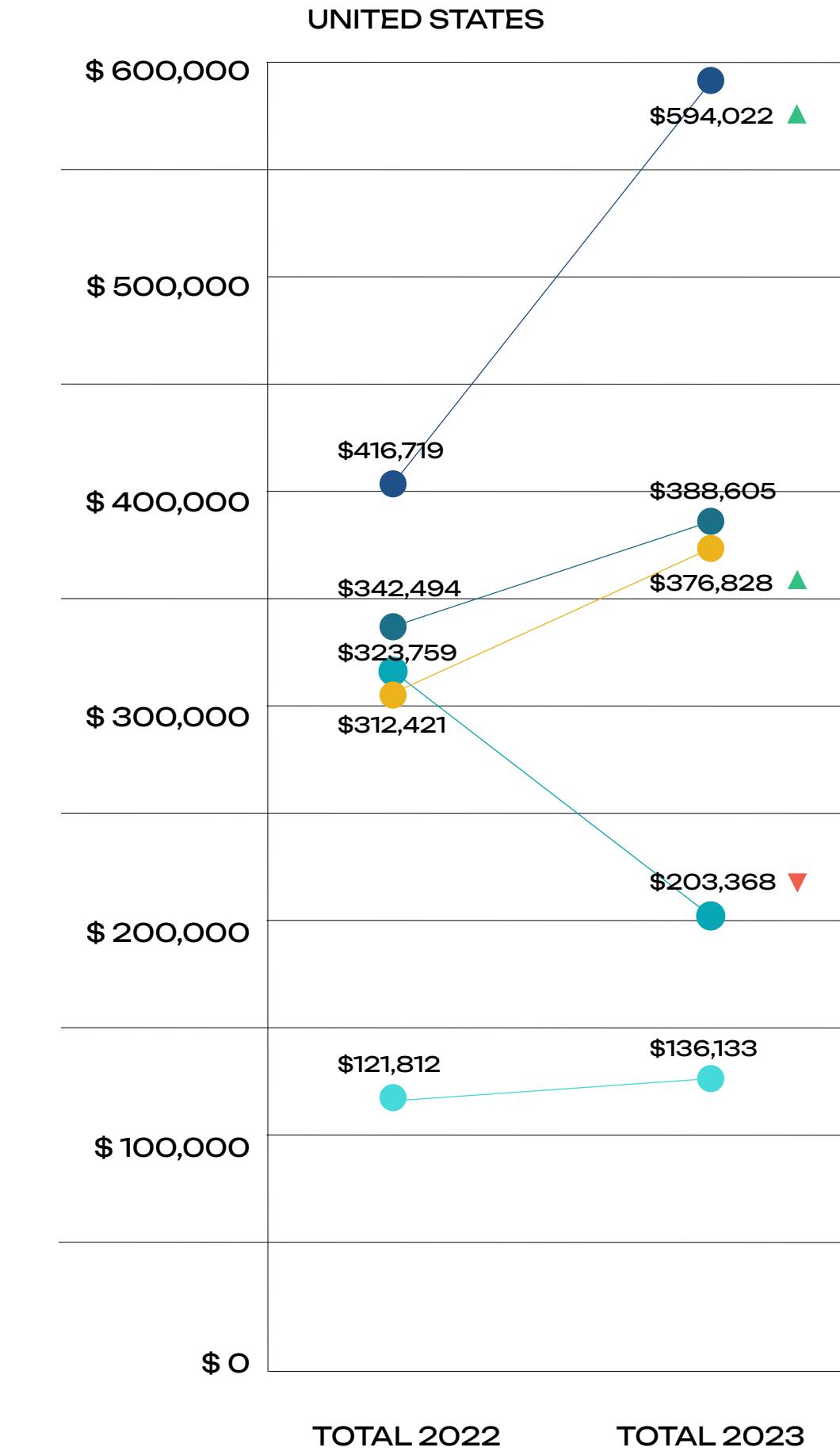
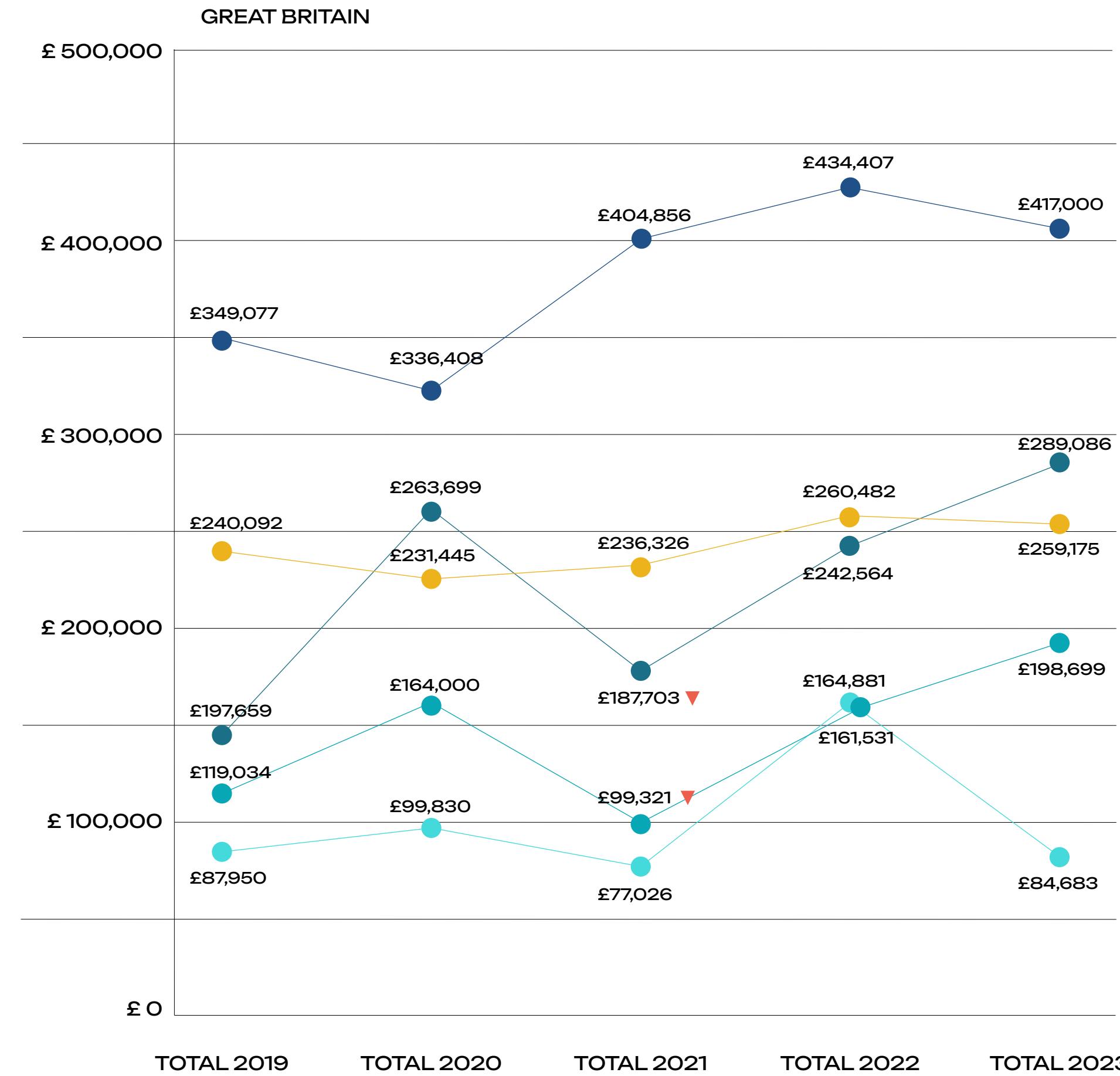
As is the case in GB, larger companies are more likely to have suffered payment fraud than smaller businesses, where only 32% fell victim. This is likely down to two factors – larger companies are more likely to be targeted by fraudsters and, equally, are better at detecting and preventing fraud attacks. For fraudsters, the reward of defrauding larger companies is more significant, especially if they can deploy automated attacks on automated processes.

In GB, overall fraud losses are similar to last year. However estimated fraud losses are higher for medium and large-sized companies, while small businesses and enterprises reported lower fraud losses.

In the US, businesses reported higher payment fraud losses over the last 12 months compared to 2022, except for medium-sized organizations which indicated lower losses.

ESTIMATED LOSSES DUE TO FRAUD

Q: How much do you estimate your company has lost through payment fraud over the last 12 months?



Base GB n=312 US n=281

Fraud Recovery

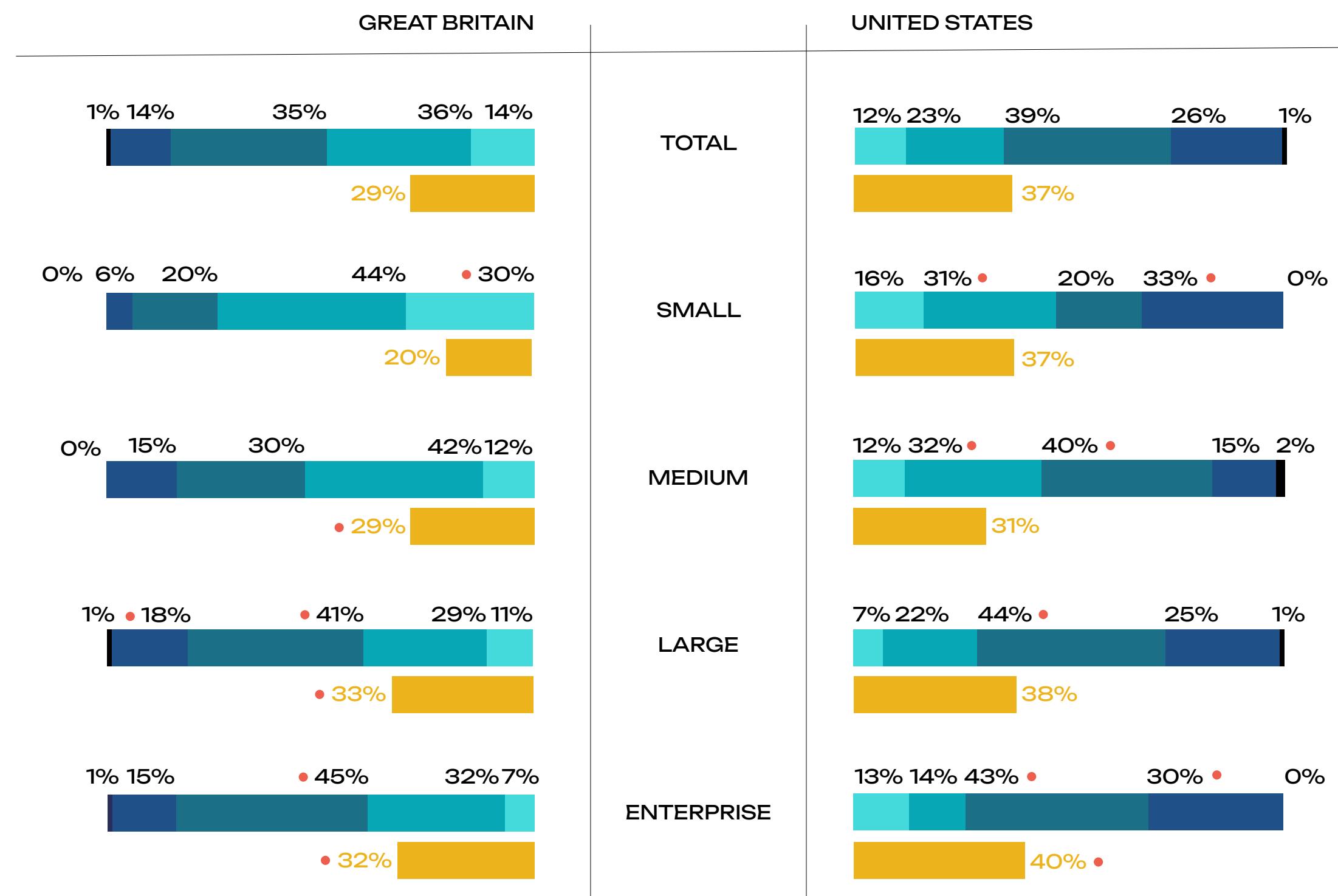
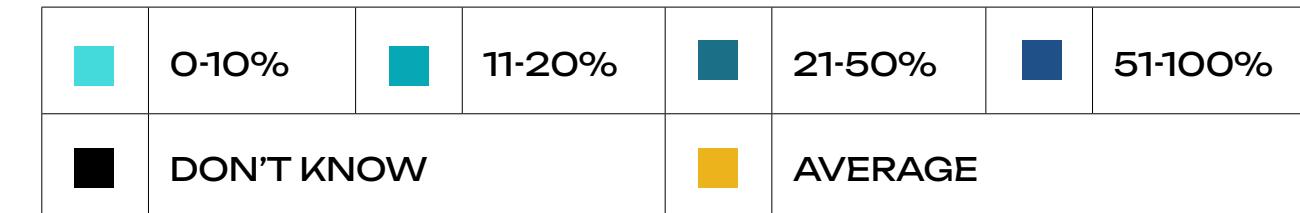
US businesses of all sizes recover a more significant percentage of their business's losses to payment fraud than GB businesses. Given a high percentage of US payments remain in-country, this recovery may be influenced by the FBI's Recovery Asset Team which investigates crime strategies.

This team has successfully frozen high-value US-based payments to the tune of \$328 million, or about 74% of \$443 million transferred in 1,726 fraud incidents.¹¹

In our research, US companies reported that the average fraud recovery figure is 37%, compared to 29% in GB. In GB, small businesses recover the lowest proportion of losses (20%); in the US, it is the mid-sized businesses (31%).

FRAUD RECOVERY

Q: What percentage of your business' losses to fraud were you able to recover?



These figures tell a clear story that fraud losses can be very challenging to recover. Businesses need to keep track of their fraud losses and recovery. The lessons learned by doing so will help them better protect their payments processes and reduce their losses in the future.

Despite a higher recovery rate, US businesses are more pessimistic about recovering losses than those in GB. Around six in ten (62%) think there is little their business can do to recover the loss incurred due to payment fraud, which has increased since last year. This increase is driven by larger companies, with a significant rise among enterprises (up from 55% to 67%), while the trend

for small businesses is pointing in the opposite direction (52% in 2022, 46% this year).

We see a different picture in GB. Last year's increase in pessimism has not been sustained, and now less than half (43%) feel fatalistic about fraud recovery. Attitudes are similar across business sizes.

The higher degree of confidence in GB may be down to a more extensive regulatory regime and mechanisms such as the Confirmation of Payee name-checking service for UK-based payments. It may also reflect perceptions in the US that recovering payment fraud is arduous, and communications with banks can be complex.

¹¹ www.forbes.com/sites/zacharysmith/2022/03/22/cybercriminals-stole-69-billion-in-2021-using-social-engineering-to-break-into-remote-workplaces/

Base GB n=312 US n=281

● Significant difference comparative to other business sizes

Payment Protection Measures

Bank account and multi-factor authentication measures are the most widely used payment protection measures in GB and the US. In both countries, enterprises and large companies are more likely to have put various payment protection measures in place compared to smaller businesses. Indeed, in the US, 11% of respondents said they do not use any of the protection measures asked about.

The usage of payment protection measures is similar in both countries, which is perhaps a surprise given the Payment Service Directive mandates that the UK must comply with Strong Customer Authentication (SCA) requirements across payment systems, websites and apps. To reduce opportunities for fraud, we would like to see a significant increase in the usage of multi-factor authentication measures in both GB and the US. According to research by Barclaycard Payments, 200 days after the mandatory introduction of SCA in the UK, 73% of retailers said they have seen online payment fraud decline. However, 28% of merchants still aren't fully compliant, leading to over £2.07m in sales being declined every day.¹²

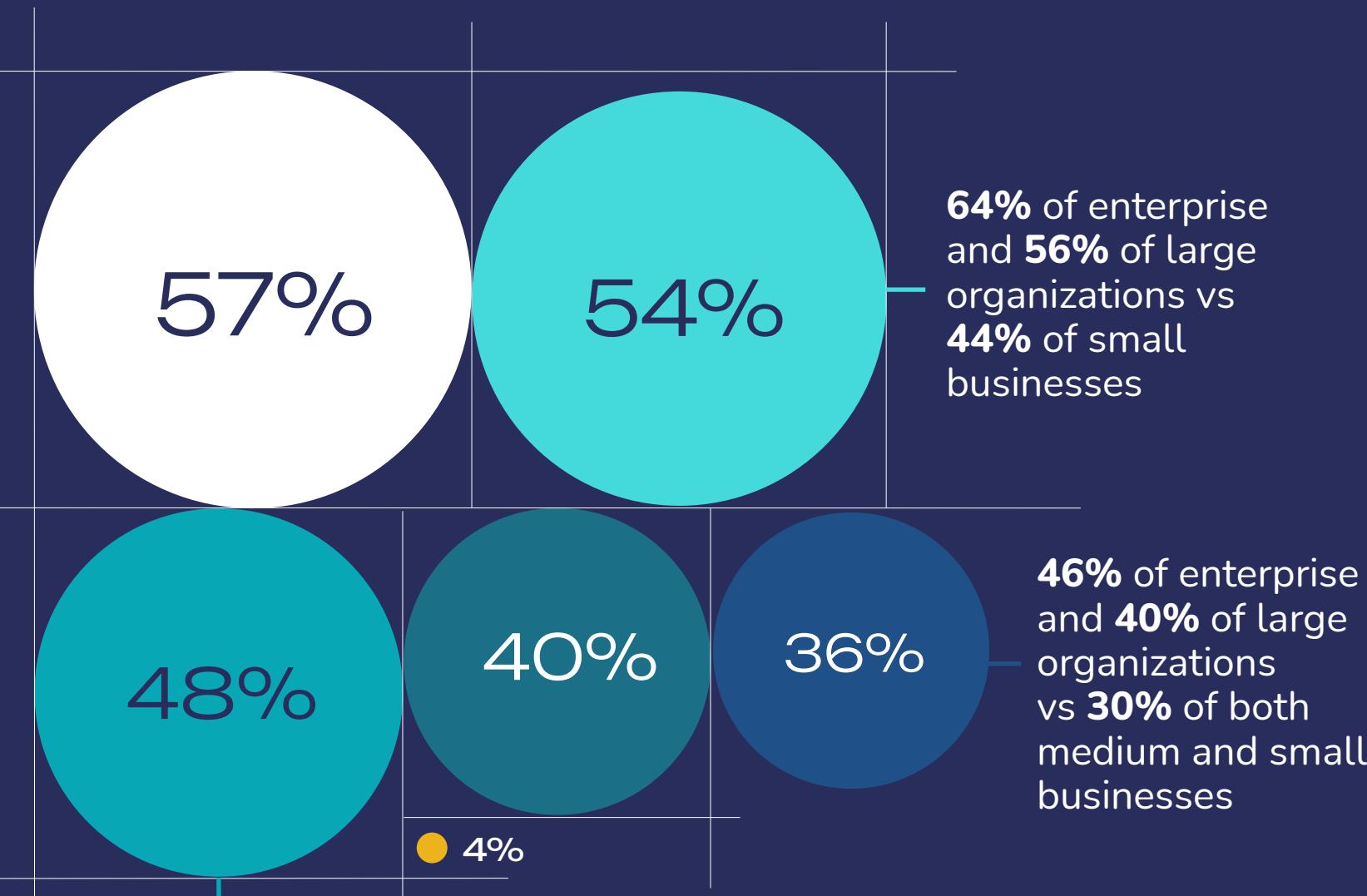
¹² <https://home.barclaycard/press-releases/2022/09/Strong-Customer-Authentication-leads-to-drop-in-online-card-fraud-SCA/>

PAYMENT PROTECTION MEASURES

Q: Which of the following measures, if any, has your business or the company you work for, put in place to ensure that payments are protected?

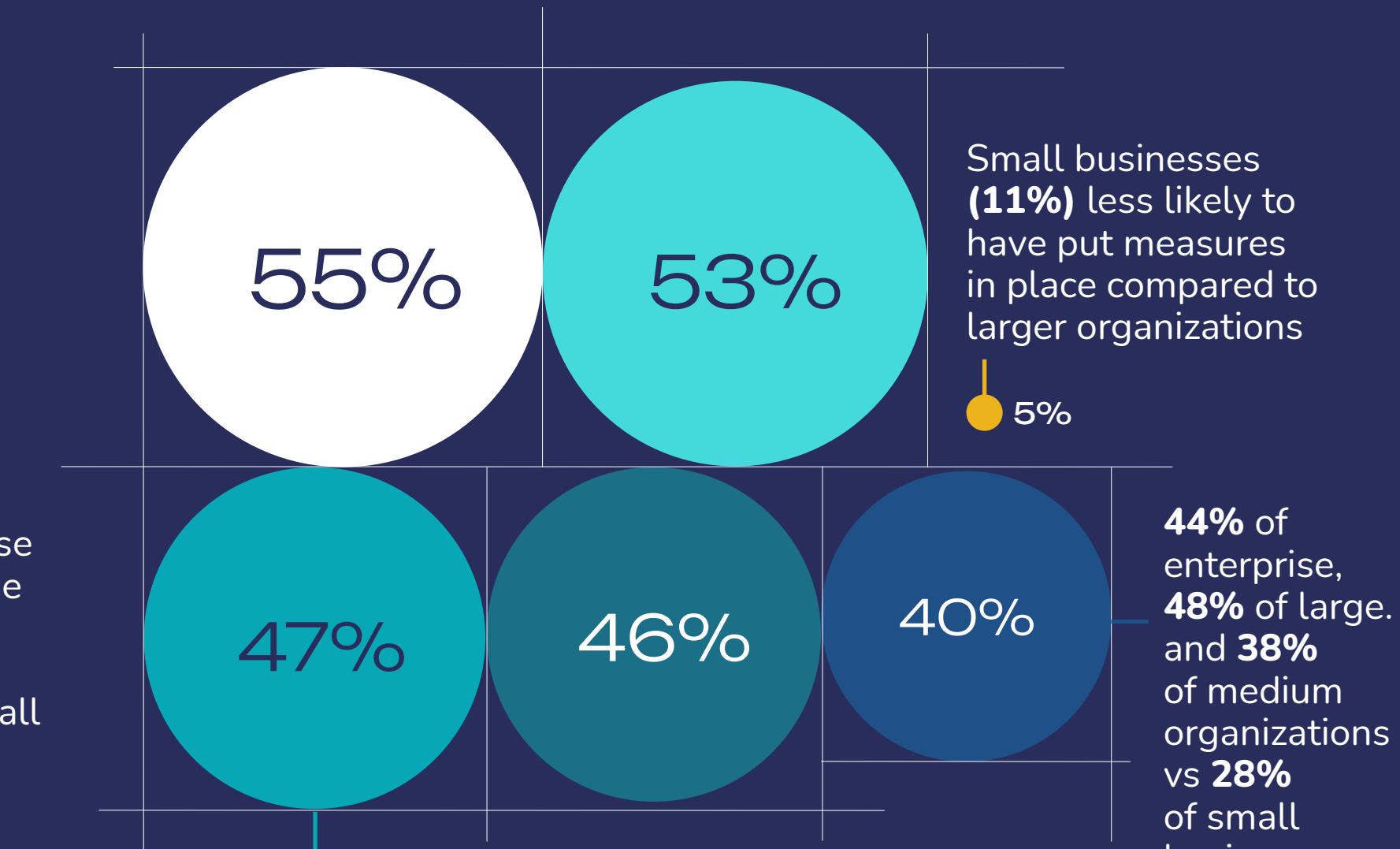
<input type="radio"/>	Bank account validation (accurate/exists), verification (ownership), and fund approval limits	<input type="radio"/>	Multi-factor authentication (additional login/security device/biometrics to approve payments)
<input checked="" type="radio"/>	Automated transaction monitoring to detect potentially fraudulent transactions	<input type="radio"/>	Automated employee behavior monitoring to detect suspicious behavior
<input type="radio"/>	Automated supplier portal which only accepts invoices from authorized suppliers	<input type="radio"/>	None of the above

GREAT BRITAIN



Enterprise (**52%**), large (**56%**) and medium (**48%**) organizations more likely to have put this in place than small (**35%**) businesses

UNITED STATES



Attitudes Towards Security Measures

This year, we wanted to explore how financial decision-makers felt about security measures. We uncovered a degree of frustration, with around seven in ten companies in GB (71%, rising to 78% of enterprises) and the US (75%) saying that security comes at the expense of convenience. There appears to be a significant opportunity cost when it comes to balancing tighter security measures against enhanced user/customer experiences.

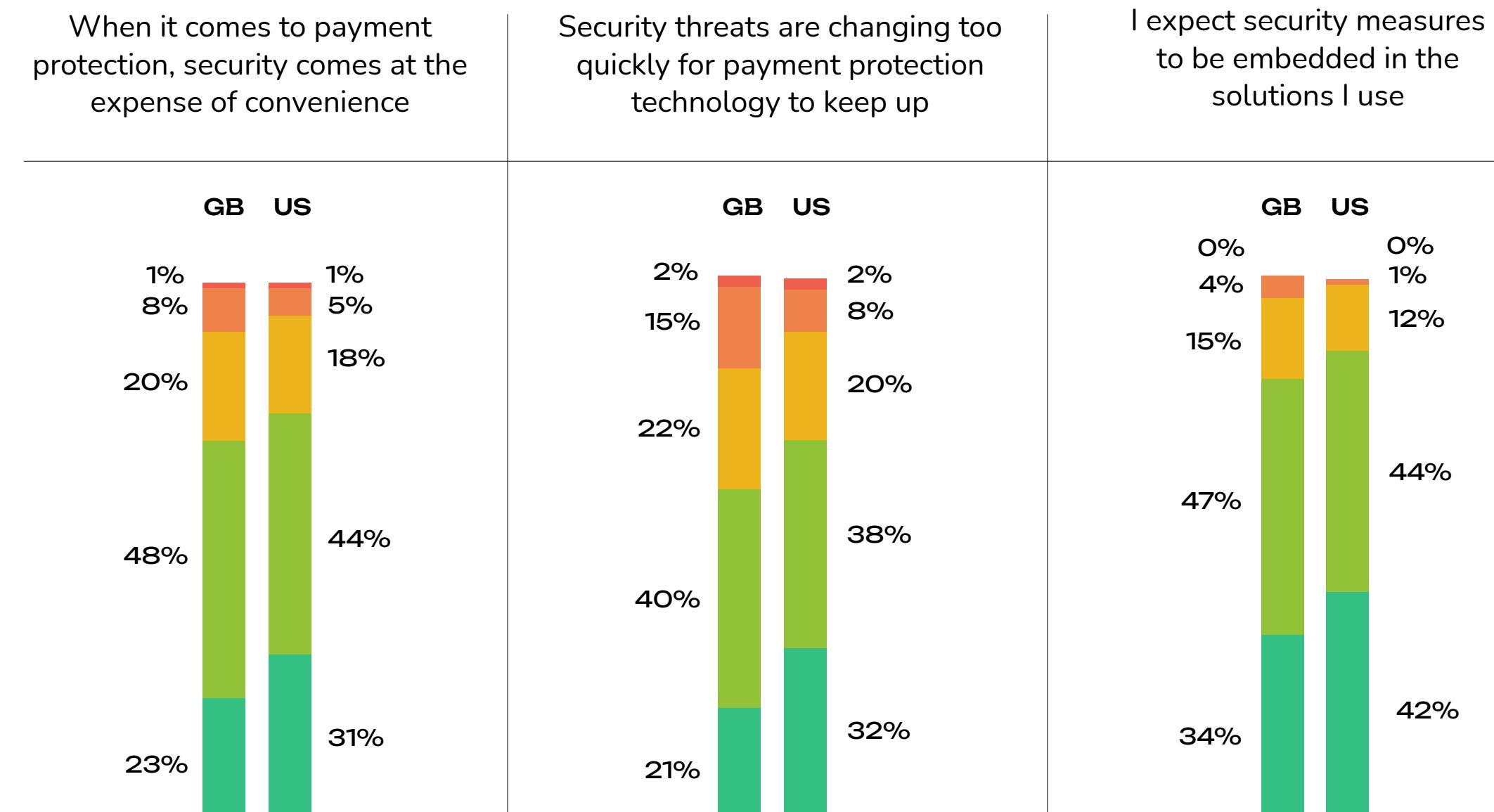
Financial decision-makers are also concerned about the ability of payment protection to keep up with new security threats. This is particularly true in the US, where 70% have doubts about this compared to 61% of GB businesses. Small businesses in the US are less likely to have concerns.

Technology must evolve fast to keep up with the advances of fraudsters. It's no surprise to find that businesses expect payments technology to be secure by design, particularly in the US where this is the expectation of 87% of respondents.

ATTITUDES TOWARDS SECURITY MEASURES

Q: Thinking about the business you work for and how it protects its payments from fraud, to what extent do you agree or disagree with the following statements?

■	STRONGLY AGREE	■	TEND TO AGREE
■	NEITHER AGREE NOR DISAGREE	■	TEND TO DISAGREE
■	STRONGLY DISAGREE		



In GB, enterprises are most likely to expect this (88% compared to an average of 81%). Enterprises are also more likely than average to think that security comes at the expense of convenience (78%).

Businesses are rightly demanding the need for both security and convenience, and payments technology requires both.

But we must be realistic about the trade-offs involved. A world that prioritizes convenience at security's expense makes life very easy for fraudsters. Conversely, the easier a solution is for businesses and their customers to use, the more likely they are to do so. It's a fine but critically important balancing act.

The Future Framework of B2B Payments

Awareness of Payment Initiatives

Unfortunately, GB businesses continue to show a limited understanding of new payment initiatives. Just over half say they know at least a fair amount about each of them. Levels of familiarity are the same for all the initiatives asked about, with Open Banking/Payment Services Directive 2 (PSD2) at 54%, UK New Payments Architecture (NPA) at 50%, new overlay services at 56%, and adoption of ISO 20022 formats at 53%.

In the US, reassuringly, levels of awareness are generally higher. Around seven in ten respondents have some familiarity with real-time payments (72%) and Open Banking (68%) and around six in ten know at least something about the adoption of ISO 20022 formats (62%) and the California Consumer Privacy Act (CCPA) (60%).

Spotlight on ISO 20022 and the UK's New Payments Architecture (NPA)

ISO 20022 is a global payment messaging standard which will become the universal standard for payment systems. It has already been adopted in 70 countries.

It represents a seismic shift in the payments industry and simplifies the overall payments process by standardizing the payment message format and providing a wealth of data.

ISO 20022 reduces fragmentation and improves interoperability on key services such as instant payments, open banking, API platforms and other overlay services. It holds particular promise as far as payment fraud detection and prevention is concerned because structured data and standardized payment messages make it easier to mine data and perform greater checks.

ISO 20022 impacts many other payment infrastructures globally, from domestic real-time gross settlement to Instant Payment schemes. The different ISO 20022 adoption pace across these infrastructures creates a fragmented landscape where successfully managing interoperability and country-specific requirements will be essential.

In the UK, the New Payments Architecture (NPA) is a new central payments infrastructure which will use the ISO 20022 file format to replace legacy systems. In the first phase, which is now underway, the Faster Payments Service (FPS) is being replaced and, at a later date, Bacs will transition to the NPA. The NPA creates new opportunities for the development of NPA-compatible overlay services to enhance and ease payment processes.

Our Payments Podcast explores what businesses need to know about the UK's New Payments Architecture

LISTEN NOW

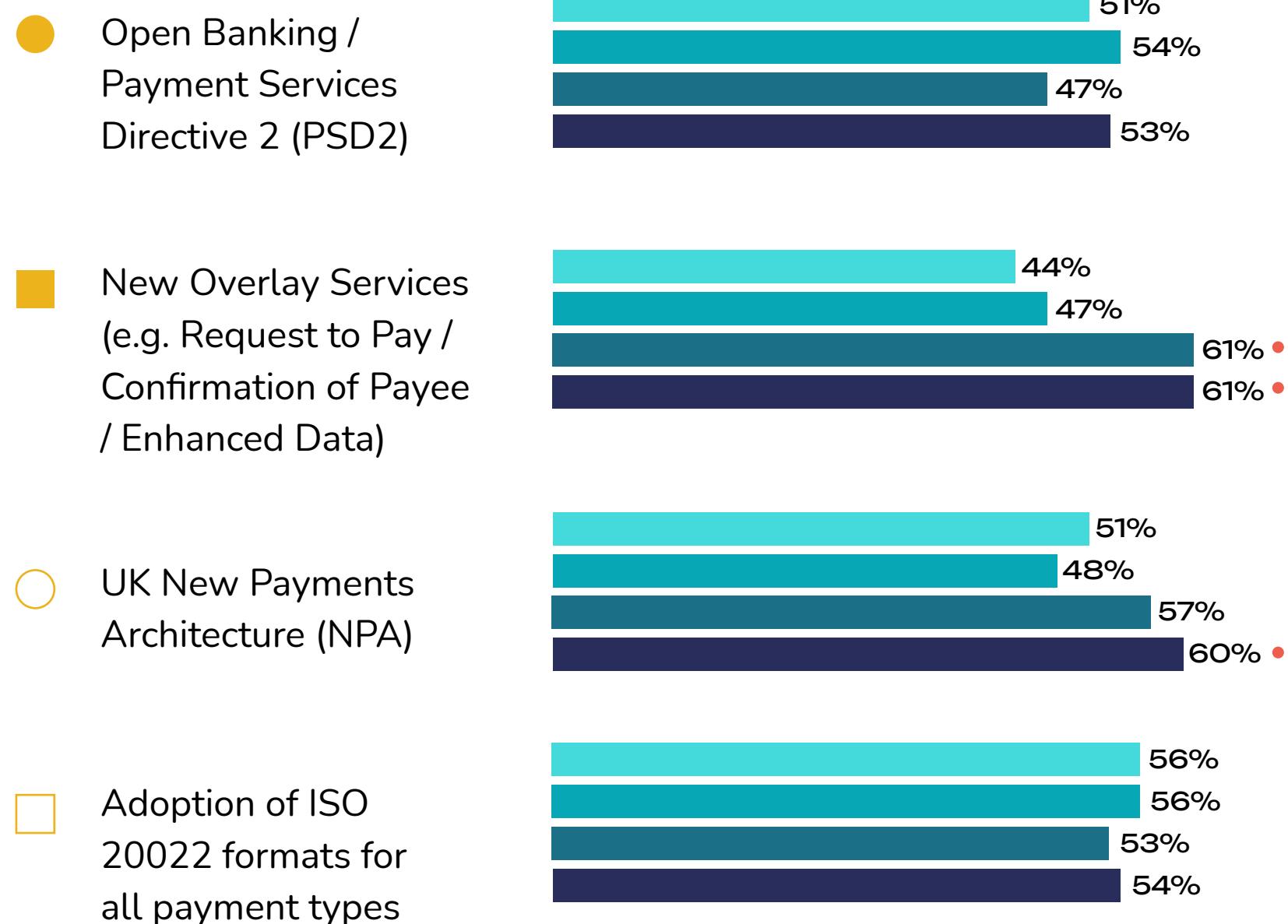
Preparedness For Payment Initiatives

Around half of GB businesses feel prepared for upcoming payment initiatives they are familiar with, a lower figure than last year. Preparedness for Open Banking stands at 51% (compared to 63% last year), and new overlay services at 54% (64% in 2022). Enterprises and large companies feel more prepared for New Payments Architecture (NPA) and new overlay services than smaller businesses.

No urgency is generally the most common reason respondents gave for feeling unprepared for each initiative. The exception is Open Banking, where the most common reason was that they believe the initiative will not impact them. Given that the UK's New Payments Architecture will be a central payments infrastructure, this is not the case. This perception illustrates a lack of education as an open banking environment offers businesses a viable alternative to card payments and access to their customers' financial data (with their consent of course) giving them deeper insight into how to create and offer better, more personalized products and services. For all the initiatives listed this year, we saw an increase in the proportion of GB businesses saying they are unprepared because they don't think that the changes will impact them.

PREPAREDNESS BY SIZE OF ORGANIZATION

Q: To what extent is your business, or the organization you work for prepared for each of the following upcoming or new payment initiatives?



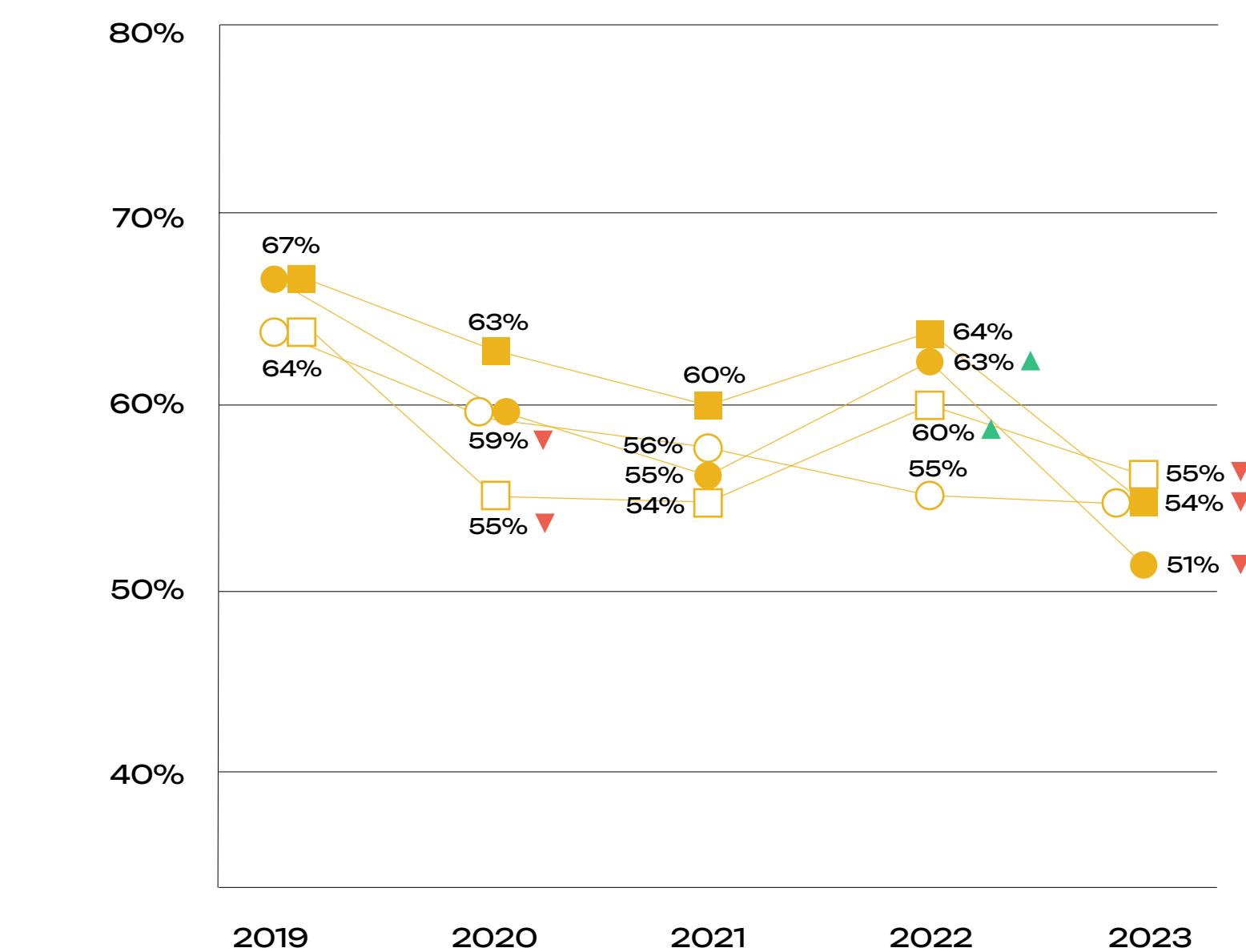
Base: PSD2 n=763 / NPA n=735 /
New overlay services n=753 / ISO 20022 n=736

* Significant difference comparative to other business sizes

■	SMALL	■	MEDIUM	▲	▼	HIGHER OR LOWER THAN PREVIOUS YEAR
■	LARGE	■	ENTERPRISE			

2023

GREAT BRITAIN



When we look at US companies, levels of preparedness have dropped since last year and less than half now feel prepared for Open Banking (45%) and real-time payments (47%). Small and mid-sized businesses are less likely than larger companies to say they are prepared for the move to an open banking environment. While the Open Banking initiative is regulated by the Financial Conduct Authority (FCA) in the UK, that is not the case in the US. The general market expectation is that open banking is more likely to be market-driven than regulated. However, this may well not be the case. At the Money 20/20 conference in October 2022, Consumer Financial Protection Bureau (CFPB) Director, Rohit Chopra, stated that the CFPB would activate a “dormant authority” under the Consumer Financial Protection Act to consult on a more “decentralized and neutral consumer financial market.” The CFPB’s proposals to obligate financial institutions to share consumer data upon consumer request would steer the US in the direction of open banking. Pending the feedback, the CFPB

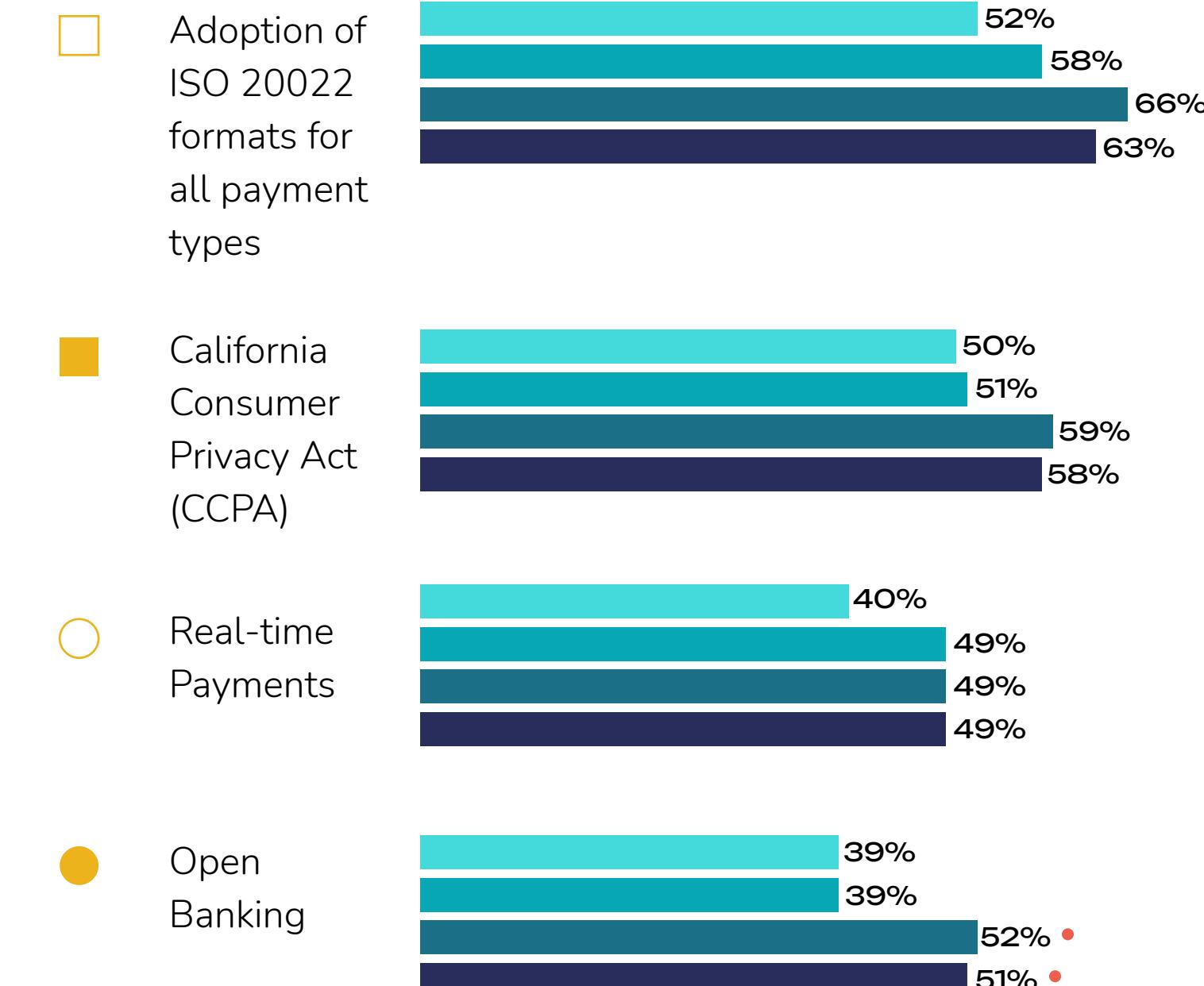
plans to issue proposed rules in 2023 which will go into effect in 2024.¹³ Like GB companies, no urgency is the most common reason US businesses cite in feeling unprepared for Open Banking, CCPA, and ISO 20022. For real-time payments, the top reason is not knowing how to prepare or what benefits they bring. Fewer mention this reason in relation to Open Banking compared to 2022. As in GB, US businesses are more likely this year to be unprepared because they believe Open Banking and ISO 20022 will not impact them.

It is concerning to see that fewer businesses feel prepared. The increase in GB and US companies saying initiatives won’t apply to them, combined with the lack of urgency, suggests that many companies are putting their heads in the sand. These changes are now very close on the horizon, but the lack of urgency shows that some companies have no insight into how to prepare for them. There must be a focus on equipping businesses to adopt and get the most out of these new payment initiatives.

PREPAREDNESS BY SIZE OF ORGANIZATION

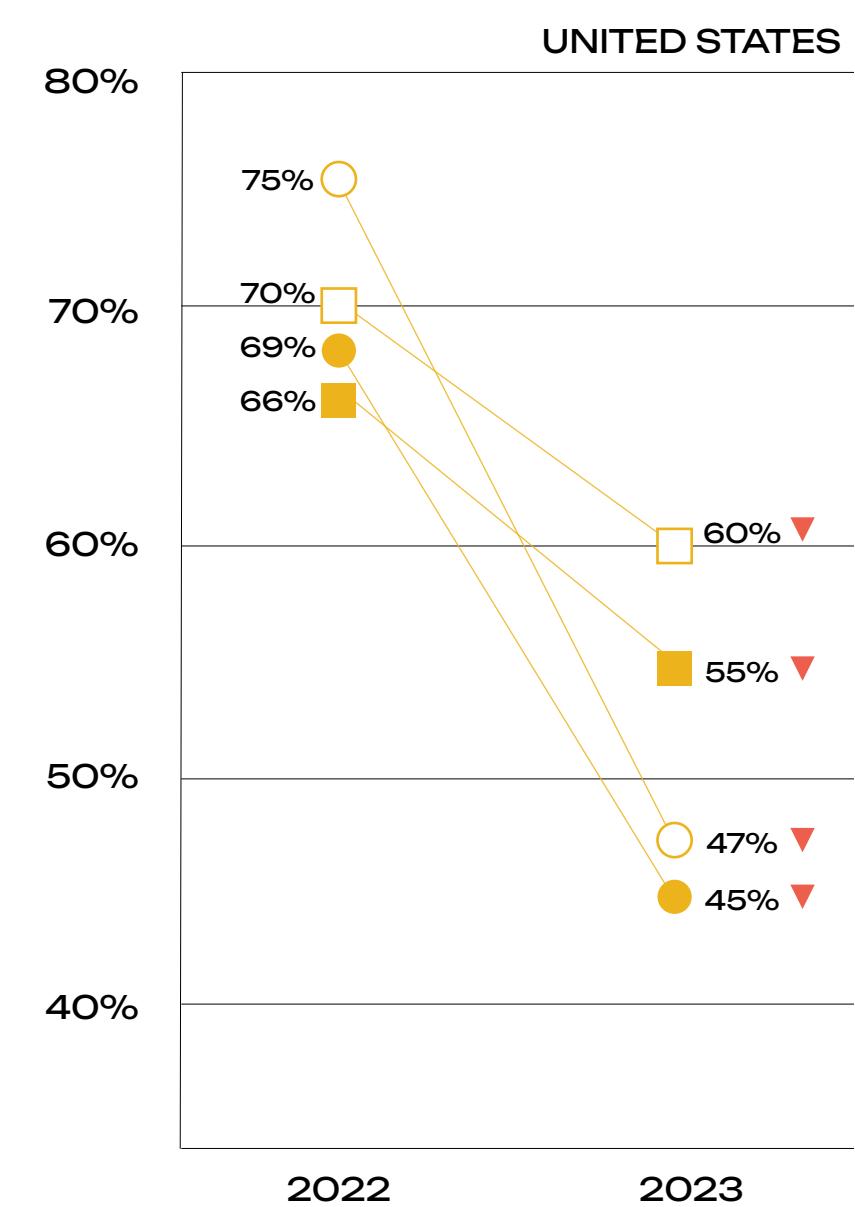
Q: To what extent is your business, or the organization you work for prepared for each of the following upcoming or new payment initiatives?

	SMALL	MEDIUM
LARGE		
ENTERPRISE		
▲	▼	HIGHER OR LOWER THAN PREVIOUS YEAR



Base: Open Banking n=750 / CCPA n=719 / Real-time Payments n=780 / ISO 20022 n=738

● Significant difference comparative to other business sizes



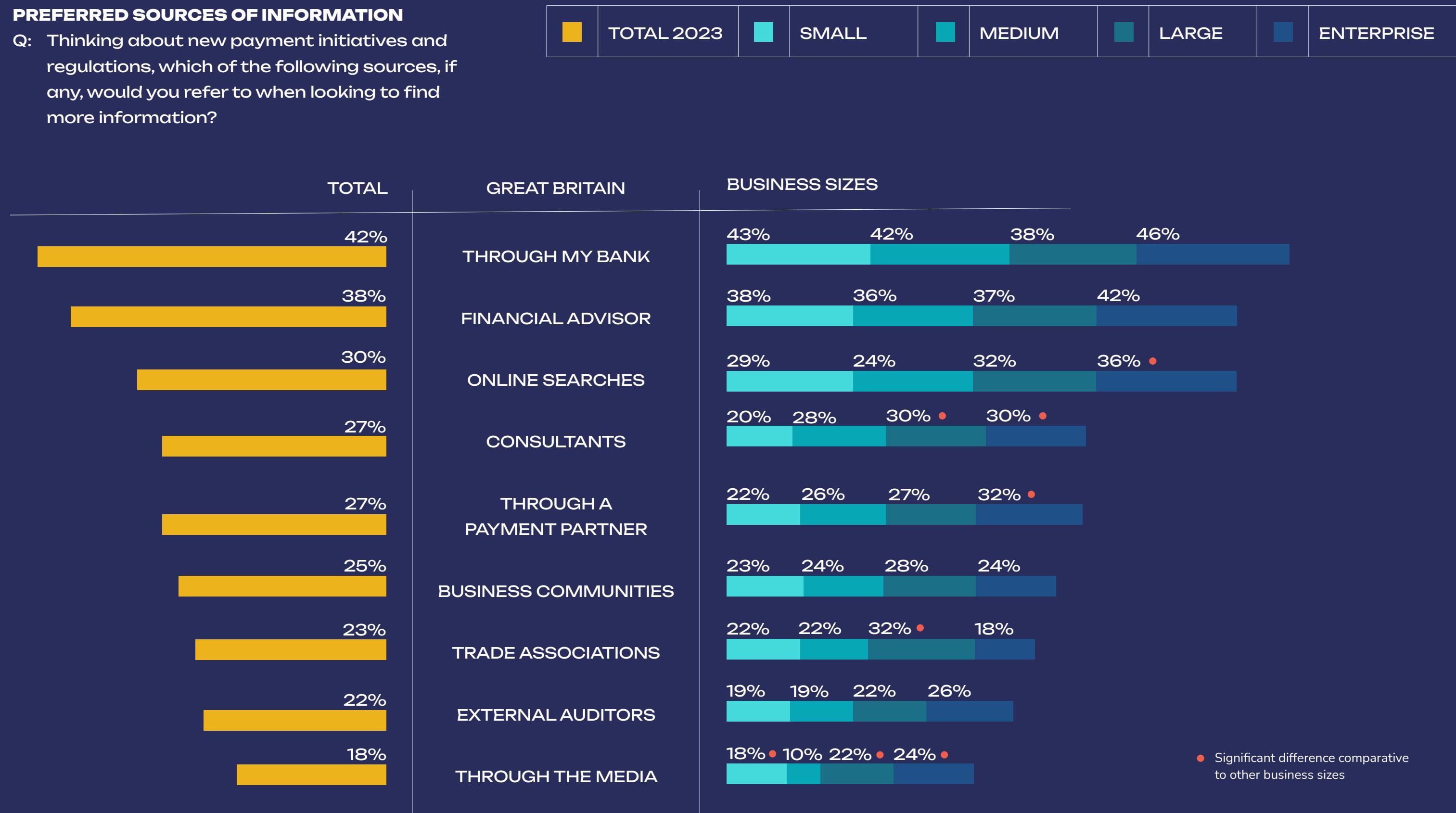
¹³ www.consumerfinance.gov/about-us/newsroom/director-chopra-prepared-remarks-at-money-20-20/

Sources of Information on Payment Initiatives

Regardless of business size, GB businesses will most likely contact their bank for more information on new payment initiatives and regulations. Small businesses are less likely to use consultants, while enterprises will rely on a payment partner. Large companies indicate they are particularly likely to turn to trade associations.

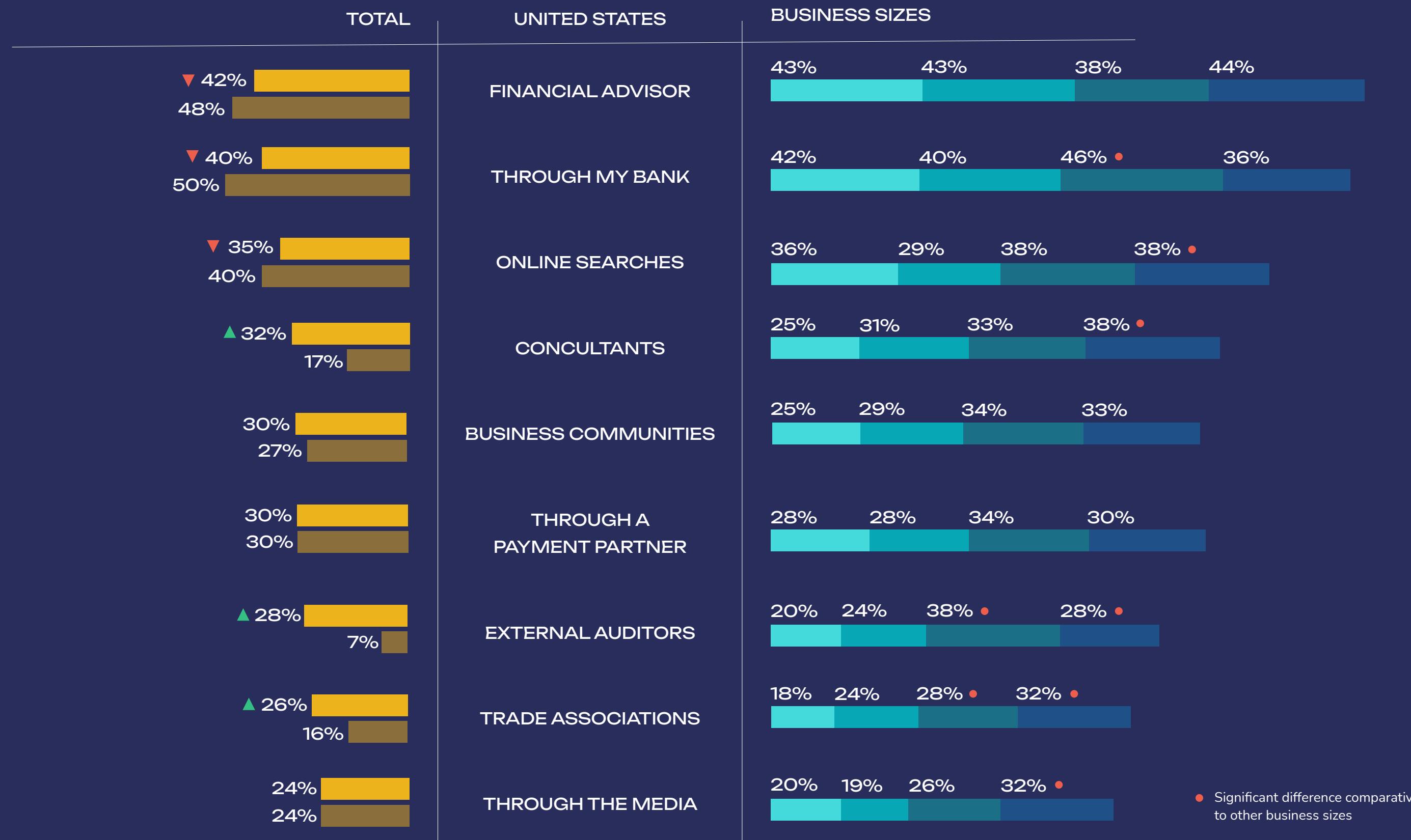
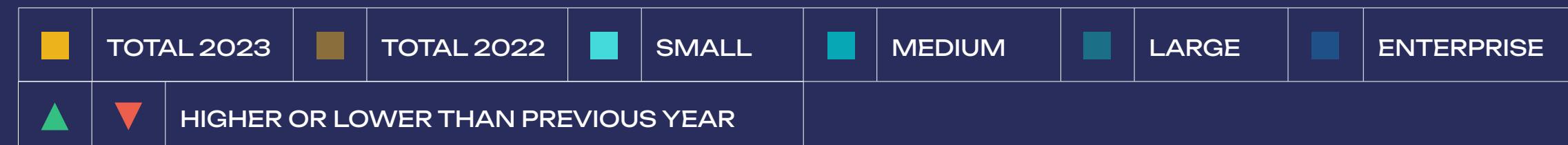
PREFERRED SOURCES OF INFORMATION

Q: Thinking about new payment initiatives and regulations, which of the following sources, if any, would you refer to when looking to find more information?



PREFERRED SOURCES OF INFORMATION

Q: Thinking about new payment initiatives and regulations, which of the following sources, if any, would you refer to when looking to find more information?



● Significant difference comparative to other business sizes

In the US, companies are less likely to refer to financial advisors and their bank for more information on payment initiatives than last year, but are more likely to refer to consultants, external auditors, and trade associations.

Large companies are particularly likely to use external auditors, while media is a more common source for enterprises.

Regardless of where the reliance lies for new initiative information, the payments industry in its entirety is responsible for educating businesses on these new initiatives and providing all the support they can to help them adopt and transition accordingly.

What's Next For Businesses?

So, what of the future? We asked financial decision-makers to tell us what they think will influence business payment processes over the next three years. Quite clearly, fraud prevention, digitization of finances and the acquisition of new technology are the top three factors for both US and GB businesses over the next 3 years.

However, there are some interesting differences between the two countries. While fraud prevention remains the top answer, more GB businesses say digitization of finance and reducing friction for consumers will be influences compared to 2022. Views are generally consistent across different business sizes. In contrast, in the US fraud prevention has become more of a priority for businesses for the next 3 years, particularly for small businesses.

Businesses have a lot to contend with in the years ahead. Recent concerns emanating from the instability of several major financial institutions have injected more uncertainty into what was already a difficult business environment. We are yet to see if this is a short sharp shock to the financial system or a longer period of distress like earlier banking crises of recent note.

INFLUENCES OVER THE NEXT 3 YEARS

Q: The list below provides some expected influences on payment processes over the next 3 years. Please select the five that you think will have the greatest influence on business payment processes, ranking these from one to five.

- Fraud prevention measures
- Digitization of finance and reduced friction for consumers
- ▶ New Payments Architecture (NPA)
- ▶ Changes to ease the payment of suppliers (e.g. Confirmation of Payee)
- The rise of deferred payments or Buy Now, Pay Later
- The acquisition of new technology and payment methods into corporations
- ◆ Flexible approaches to working and employee satisfaction
- ◇ Central Bank Digital Currencies

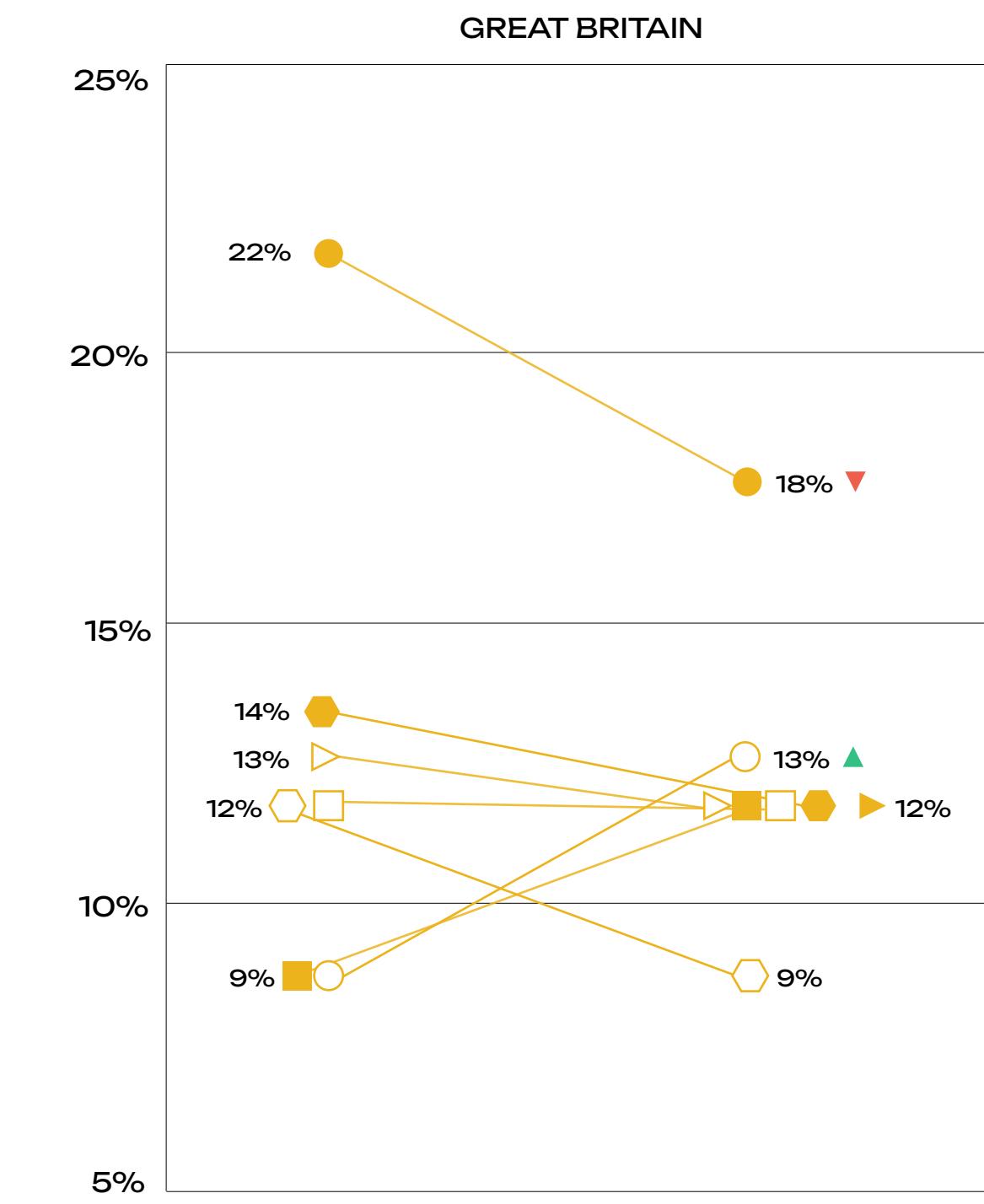
● Significant difference comparative to other business sizes



GREAT BRITAIN 2023

16%	24% ●	12%	19%
14%	14%	14%	12%
8%	12%	10%	16% ●
13%	10%	15%	10%
10%	11%	12%	13%
16%	10%	14%	10%
14%	9%	14%	12%
8%	10%	10%	8%

Both of these graphs are showing first ranked % (the % who ranked each option as '1', so having the greatest influence)



While financial decision-makers are rightly optimistic about the impact of new payment technologies on their businesses, there are challenges involved in migrating to a future payments landscape which is faster, more transparent, less risky, and cost-efficient. Although the various payments initiatives are moving in the same direction, their lack of synchronicity makes the process fragmented and challenging to work through. Businesses have to grasp the opportunities on offer, at the same time as ensuring their fraud detection and prevention technologies are keeping pace with innovation.

INFLUENCES OVER THE NEXT 3 YEARS

Q: The list below provides some expected influences on payment processes over the next 3 years. Please select the five that you think will have the greatest influence on business payment processes, ranking these from one to five.

- Fraud prevention measures
- Digitization of finance and reduced friction for consumers
- ▶ The acquisition of new technology and payment methods into corporations
- ▷ The rise of deferred payments or Buy Now, Pay Later
- Central Bank Digital Currencies
- Flexible approaches to working and employee satisfaction
- ◆ Changes to ease the payment of suppliers (e.g. Supplier Directory)



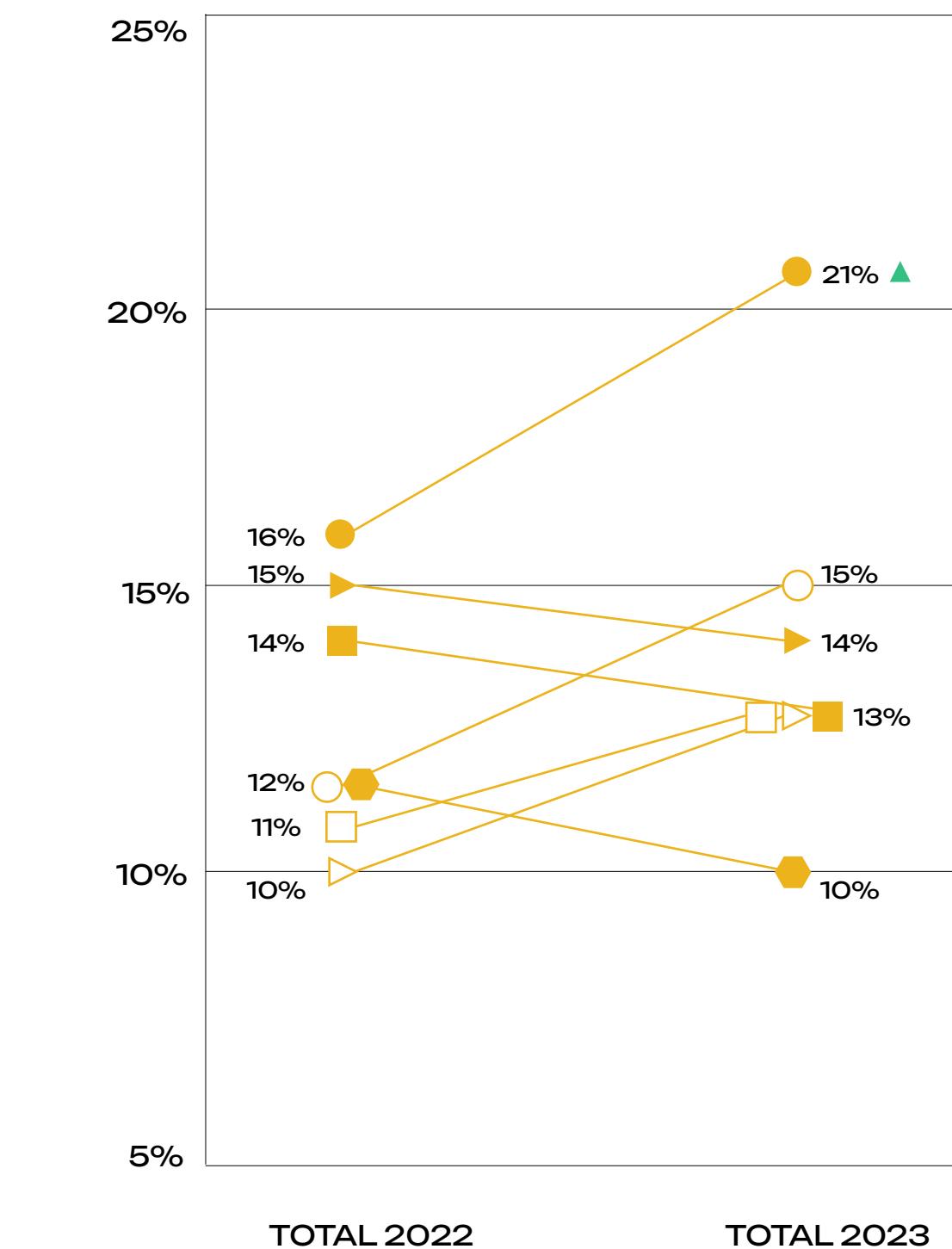
UNITED STATES 2023

● Fraud prevention measures	29%	•	18%	18%	18%
○ Digitization of finance and reduced friction for consumers	12%		16%	14%	18%
▶ The acquisition of new technology and payment methods into corporations	12%		16%	14%	17%
▷ The rise of deferred payments or Buy Now, Pay Later	16%		14%	12%	11%
■ Central Bank Digital Currencies	10%		14%	17%	• 10%
□ Flexible approaches to working and employee satisfaction	10%		14%	14%	12%
◆ Changes to ease the payment of suppliers (e.g. Supplier Directory)	10%		8%	10%	13%

• Significant difference comparative to other business sizes

Both of these graphs are showing first ranked % (the % who ranked each option as '1', so having the greatest influence)

UNITED STATES



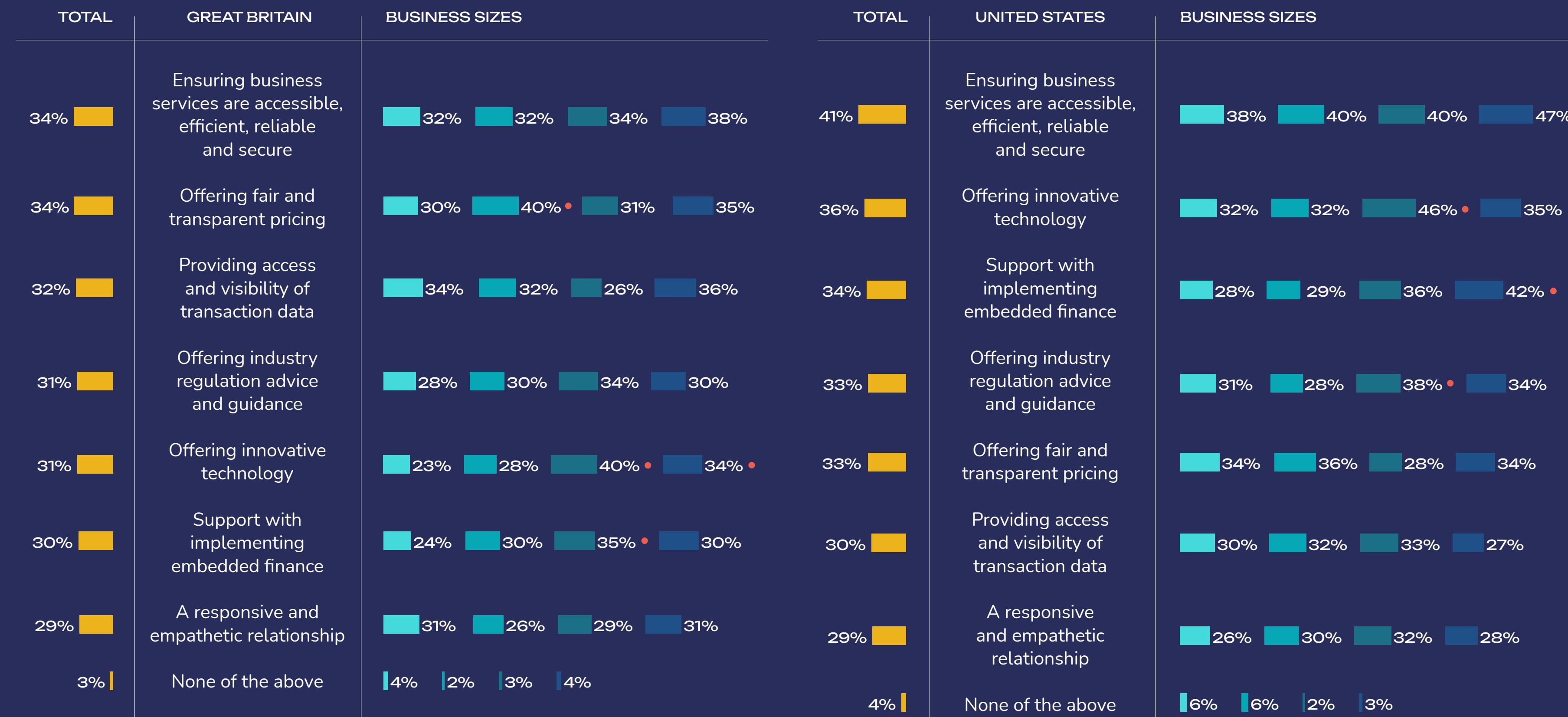
EXPECTATIONS OF BANKING RELATIONSHIP

Q: Which of the following, if any, are your business or the company you work for, most looking for from your bank over the next 12 months?



We will end this report by considering what support businesses feel they need. In this year's Business Payments Barometer, we asked a new question on what businesses want from their banks over the next 12 months. The top answer from financial decision-makers in GB was high quality business services, followed by fair and transparent pricing. Larger companies are particularly likely to want their banks to offer innovative technology such as UX connectivity and integration capabilities.

In the US, financial decision-makers have a wide range of expectations from their banks, with security and technology needs predominating. Similar to GB, large companies are more likely to want innovative technology. Enterprises have a particular interest for support in implementing embedded finance.



● Significant difference comparative to other business sizes

It is a time of significant and positive change for the payments landscape. However, there are also tricky challenges ahead. It is clear that companies of every size need much support and education on payments modernization and associated regulation to navigate both the opportunities and obstacles successfully.

It's likely that the level of disruption will continue to increase in the next three years. Here are three key challenges for businesses to tackle in the changing payments landscape:

- 1 **Determine the pace at which your business needs to digitize and modernize its payments systems.** The benefits of digitized payments are well known. They eliminate manual inefficiencies, enhance payment accuracy, improve real-time cashflow visibility and reduce fraud risks. But it goes beyond backend operational efficiency. Innovation can unlock all sorts of potential, boosting customer experience and retention, helping your business scale more effectively, and potentially adding new revenue streams, all of which keep companies like yours ahead of the curve and ahead of fierce competition.
- 2 **Ensure you remain a step ahead of financial fraud.** Advancements in new technologies, AI, and machine learning allow sophisticated fraudsters to unearth new opportunities to commit criminal offences. Don't be fooled into thinking that security breaches are limited to outside threats, especially in times of economic hardship. Stay up to date with fraud technology, educate your staff, and keep all processes loophole-free.
- 3 **Identify opportunities in the evolving payments landscape to reshape your competitive advantage.** You can enrich your solutions by leveraging access to insightful data, embracing new payment regulations and initiatives, and adopting new technologies. As a result, your customers enjoy more personalized offerings, payment choice and frictionless user experience. The upshot? Winning new customers and retaining existing ones.

In the words of Steve Jobs, founder of Apple, “Innovation is the ability to see change as an opportunity, not a threat.” The bottom line is to not stand still. Take that advice to heart.

Be tenacious in your quest to remain ahead of the curve, to compete effectively, and to unlock great value for your business and for your customers.

Glossary

AI – This is intelligence demonstrated by a machine, as opposed to the intelligence of humans. AI is used as a catch-all phrase for applications that perform complex tasks that once required human input.

Anti-money Laundering (AML) – Policies and pieces of legislation that force financial institutions and specific types of companies to monitor their clients to prevent money laundering. AML laws require that financial institutions and such companies report any financial crime they detect to relevant regulators.

Authorized Push Payment (APP) fraud – A form of payment scam in which fraudsters deceive consumers, or individuals at a business, to send them a payment under false pretenses to a bank account controlled by the fraudster.

Buy Now, Pay Later (BNPL) – Type of short-term financing that allows consumers to make purchases and pay for them at a future date, often interest-free.

California Consumer Privacy Act (CCPA) – Similar to the UK's General Data Protection Regulation (GDPR), the California Consumer Privacy Act of 2018 gives consumers more control over the personal information that businesses collect about them.

Central Bank Digital Currency (CBDC) – Digital versions of government-backed, fiat money. This type of digital currency is issued by a central bank and tied to the country's national currency.

Confirmation of Payee (CoP) – A bank account name-checking service to give customers (both personal and business) greater assurance that they are sending payments to the intended recipient.

Direct Debit (DD) – An instruction from you to your bank or building society authorizing a company you want to pay to automatically collect varying, but agreed, amounts from your account on a recurring basis.

Distributed Ledger Technology (DLT) – A data base or record of the ownership of digital assets which is distributed or dispersed across a network of participants or nodes. DLT is the underlying technology upon which the ownership of crypto assets such as bitcoin is recorded and transferred. Once a transaction is registered on the ledger, it is immutable, meaning it cannot be modified or changed.

FedNow – This is a new instant payment infrastructure developed by the Federal Reserve that allows financial institutions of every size across the US to provide safe and efficient instant payment services.

ISO 20022 – An international standard for relaying electronic messages between financial institutions and large enterprises. Created to give the financial industry a common platform for sending payments messages and exchanging payments data.

New Payments Architecture (NPA) and Overlay Services – The UK payments industry's proposed new way of organizing the clearing and settlement of payments made from one payment account to another, known as interbank payments. A robust, scalable, safe, real-time payments platform which will adopt the global ISO 20022 messaging standard.

Open Banking – The process of enabling third-party payment service and financial service providers to access consumer banking information, such as transactions and payment history and, for approved payment service providers, the ability to initiate payments. This practice is possible through the use of application programming interfaces (APIs).

Pay As You Go (PAYG) Cloud Computing – A payment method for cloud computing that charges based on usage, similar to that of utility bills where users only pay for the resources consumed or needed.

Payment Initiation Services Provider (PISP) or Account to Account (A2A) – The UK's Financial Conduct Authority (FCA) decides which companies can access and use open banking data. As a third-party provider (TPP), PISPs will provide payment initiation services. In its simplest form, this is the same as Account-to-Account payments (A2A) where money moves directly from a payer's bank account to a payee's bank account without the need for intermediaries, such as credit or debit cards. It means they can access and present financial information, as well as transfer money from a user's bank account (if customers consent). Charity donations, paying taxes, wealth management transfers, credit card bill payments would be good examples of use cases.

Payments Services Directive 2 (PSD2) – This EU directive aims to reduce fraud and improve consumer choice through strong customer authentication (SCA) in a bid to reduce and manage fraud without negatively impacting the customer experience.

Real-Time / Instant / Faster Payments (FPS) – Electronic payments that are processed in real-time, where the funds are made available immediately for use by the recipient. Real-time payments use rails or digital infrastructures that facilitate real-time payments, specifically.

Request to Pay (RtP) – Request to Pay involves a payee initiating a request for payment from a payer, most often via mobile or third-party fintech application. The payer is then able to accept (and initiate fund transfer) or reject the payment request.

SWIFT gpi – A tracking solution from SWIFT, for SWIFT members, that reduces previous issues associated with cross-border payment transparency, tracking, reconciliation, and efficiency.

Variable Recurring Payments (VRP) – Powered by open banking, VRPs introduce the concept of ongoing consent for payment submissions, much like traditional Direct Debits do today. With VRPs, the payer gives a third-party permission for the third-party to initiate recurring payments to the biller on their behalf.

TECHNICAL NOTE

This research was conducted in partnership with Ipsos and commissioned by Bottomline.

The research consisted of an online survey among 1,600 financial decision-makers in Great Britain (England, Wales and Scotland) and the United States.

Financial decision-makers are defined as those who input solely, or as part of a group, into the purchase of financial accounting, treasury or tax services for the business, or company they work for/own.

The sample of 1,600 interviews was split into 800 financial decision-makers per market, 200 from each business size. The sample was sourced from Ipsos' approved panel partners. Data are unweighted except for GB real-time payment data which have been weighted to account for year-on-year panel differences.

	GB DEFINITION	US DEFINITION
Small:	10 to 249 employees or less than £2 mil turnover (n=200)	10 to 99 employees or less than \$2.9 mil turnover (n=200)
Medium:	250-999 employees or £2m-£124.9m turnover (n=200)	100-999 employees or \$3m-\$169.9m turnover (n=200)
Large:	1000-9999 employee or £125m-£449.9m turnover (n=200)	1000-9999 employee or \$170m-\$674.9m turnover (n=200)
Enterprise:	10,000+ employees or over £500m turnover (n=200)	10,000+ employees or over \$675m turnover (n=200)

Fieldwork was conducted between February and March 2023.



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Bottomline makes business payments simple, smart and secure. Over 10,000 corporate customers, 1,400 commercial and business banks, including 15 of the top 25 global banks, rely on our industry-recognized payment technology to accelerate digital transformation in a complex world of business payments and financial management.

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