


THE **FUTURE** OF BUSINESS PAYMENTS

Global industry leaders
share insights about what lies ahead



Bottomline

VISA



If there's one thing everyone in the B2B payment space can agree on, it's that there's never been a more exciting time to be in this business. Bottomline spoke with some of the most influential thought leaders in the industry to get their perspectives on what the future holds for business payments and compiled the insights for you here. According to these leaders, the future will be defined as much by culture and relationships as it will be by technology. Read on to discover their thoughts on the opportunities and obstacles facing the digital transformation of B2B payments.

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Q&A **KEVIN PHALEN**

Head of Global Business
Payments, Visa

“ At Visa, we believe that we can effectively enable a commercial payment experience that better meets the expectations of people working in businesses today. Whether there is widespread demand for the consumerization of the B2B payments landscape, or for simplicity in cross-border payments, we will continue to innovate with partners to meet the needs of financial institutions and their clients around the globe.”

How will business payments evolve over the coming years?

B2B payments represent over 11% of Visa's global payment volume and the growth is accelerating across geographies, industries, and verticals. Just a short time ago, only the largest multinationals were concerned about how to pay and get paid globally, which meant payment solutions were geared to large multinational markets. Now, whether you're a global manufacturer or a local pizza shop that needs to source mozzarella from Italy, every business needs to be able to make global payments.

As businesses' needs continue to grow, we're going to see a corresponding evolution of digital solutions in all aspects of payments, from access to enablement to initiation. We also expect that the global nature of payments around the world will continue to evolve to address the need for speed, transparency, and optionality.

What role will Visa play in the future of B2B payments?

Visa is helping define the future of B2B payments, and we are very excited about the opportunity to help our financial institutions and their corporate customers in the space. We see opportunities everywhere we look. For example, while paper checks make up a shrinking percentage of business payments today in the United States, the reality

is that Visa plays an enormously important role in converting some of those check payments to digital payments. We're also going to be instrumental in breaking down geographic barriers that no longer need to exist in the B2B payment ecosystem. To that end, we are streamlining global payment flows through our B2B Connect platform to help improve high value, cross-border payments. And finally, we will continue to work with AP/AR partners that can help reduce friction in the payments ecosystem.

What will business finance departments need to do to prepare for the future of B2B payments?

Technology advances in the payment landscape are evolving so quickly that companies, especially those with global footprints, need to drive interoperability across their payment systems. This means finance departments must find ways to increase collaboration between AP and AR departments, while also reducing geographic walls for multinational organizations. The best finance departments are already out there driving the evolution of business payments, partnering with their financial institutions, their networks, and their payment providers to offer them better solutions. And at Visa, our goal is to help our financial institution clients and technology partners deliver those solutions. We are well positioned to help bring together partners and to enable the ecosystem to drive positive innovation in the B2B payments landscape.

“Everyone wants to migrate from paper to digital; it’s just a matter of when it makes sense given their business. It’s not like you run into organizations that say, ‘Yeah, I want to keep writing checks because they’re the best.’”



Q&A
RICK BURKE

Head of Corporate Products
and Services, TD Bank

What will be the state of B2B payments in five years?

While there's been a significant shift in the consumer payments space from paper to electronic, that same shift hasn't taken place in the commercial space. Over the next five years we'll finally begin to see real acceleration toward digital for business payments. For some companies, it will be a very rapid acceleration. For others who are struggling with legacy payment and financial operations environments, it's going to require investment and a significant change in how they do things. Everyone wants to migrate from paper to digital; it's just a matter of when it makes sense given their business. It's not like you run into organizations that say, "Yeah, I want to keep writing checks because they're the best."

How will banks adapt to meet the future of B2B payments?

Historically, financial institutions have looked at a problem faced by a customer, identified a solution, and then attempted to deploy that solution for every other customer they have. Today's technology infrastructure allows banks to provide many different solutions with different nuances and different benefits. One solution that works for retailers may not work for the energy industry or higher ed or adult care, for example. Banks will provide a marketplace of solutions that would be incredibly difficult for every company to source on their own.

Will banks still be leaders in B2B payments or will FinTechs displace them?

FinTechs are partners, not competition. FinTechs bring a nimbleness that financial institutions don't have, and that is really valuable in moving an idea forward and identifying an opportunity. By the same token, the banks have the customers and relationships. Together, banks and FinTechs should recognize what each brings to the table and what they can gain through partnerships, whether it be contractually, referral-based, investment-oriented, or as an acquisition.



Q&A **NEIRA JONES**

Independent advisor and international speaker, partner for the Global Cyber Alliance, and ambassador for the Emerging Payments Association

“Everyone is watching all these new things come on the market that nobody else is using, and no one necessarily wants to be the first to play with it.”

What's the greatest opportunity for companies that modernize their business payment process?

One word: data. The ability to derive actionable insights from good, permissioned data will be absolutely crucial to better serve expanding customer expectations while enabling stronger fraud prevention and cyber security. Companies will start to use large amounts of data to analyze customer behaviors, moving from the traditional model of hindsight to using artificial intelligence to power predictions.

What road blocks will keep companies from being able to take advantage of data?

The single biggest road block currently is the slow pace of digital transformation. Corporate finance departments and the major business payment players alike have been doing this for a long, long time. Everyone is watching all these new technologies come on the market that nobody else is using, and no one necessarily wants to be the first to play with it.

How will regulations impact the digitization of business payments?

It's impossible for financial services organizations to comply with every regulation without the technology to help. Over the next few years, you'll see more and more companies offering RegTech solutions to help an organization comply with the many regulations for reporting, assessment, data, verifying identity, and so forth.

How will PSD2 (the EU's revised payment service directive) affect business payments?

The effect of PSD2 will be banking as a service. Look at companies like Airbnb, Uber, and Apple becoming significant players in accommodations, transport, and music without owning properties, vehicles, or content themselves. It will be the same in banking. Banks will enable other businesses to build banking services on top of their own label to produce a banking infrastructure that is their own. PSD2 allows all of this to happen because one of the fundamental principles of PSD2 is access.

**“If you’re sending me
a payment without
remittance information
along with it, I’m going
to charge you for it.”**



Q&A

TOM GROENFELDT

Finance and technology writer
for *Forbes* and *International
Finance Magazine*

What will define the future of business payments?

The move to digital takes a lot of steps out of the process of receiving payments, issuing payments, and knowing where payments are. The European treasurer of a major enterprise told me, “If I send a FedEx package, I can just go on my computer and see exactly where it is. For incoming and outgoing payments, I have no idea until they actually arrive.” That’s going to make a big difference in liquidity planning and management.

How will this change the way businesses approach payments?

I think businesses will become more demanding. One of the things that will happen to the real-time payment system is it will use ISO 20022, which sends remittance information along with the payment. It’s going to make it a lot easier for businesses to use systems such as their Oracle or SAP ERP to make and receive payments. If you get a payment in for \$3.4 million that covers 20 different invoices, you’re not going to need people to reconcile that. The system will be able to instantly take care of everything.

What obstacles will companies need to overcome to digitize their payments?

Some of it is legacy technology, but a lot of it is internal processes. I was talking to a friend recently who’s doing a big project at a major money center bank. But IT is just fighting her, and she said it takes twice or three times as long to get anything done because they’re busy protecting their turf. Some automated systems can take departments that may have hundreds of people doing reconciliation and almost wipe them out. So if you go from running a head count of several hundred to running a head count of ten, what are your bragging rights at home?

What aspect of business payments today has the potential to be obsolete within the next five years?

I think paper checks will go away. Payments that don’t have remittance information with them are doomed. If they’re not forcibly removed from the system, then somebody’s going to at least be charging more money for it. If you’re sending me a payment without remittance information along with it, I’m going to charge you for it.



Q&A
DAVID BIRCH

Director, Consult Hyperion

**“In 5+ years,
the majority of
business payments
will be bot to bot.”**

How will Open Banking affect business payments?

Well, that depends on where you are talking about. With PSD2 in the UK, I expect to see a significant volume of B2B payments move to instant credit transfers. In the United States, because there's no mandate, Open Banking is meandering along a different route. Services have to negotiate individual, bilateral agreements with various banks. This meandering path may mean it takes longer for U.S. payers to feel the impact of Open Banking.

What technology trends will most impact B2B payments?

I'm focused on the three Bs: biometrics, blockchains, and bots. In the short term, biometrics will be used to solve the authentication problem around security. In the medium term, blockchain will provide stability to coordinate payments and provide the ambient accountability both participants and regulators will need to feel comfortable. Finally, in the long term, AI will be the most important technology by far. What's interesting is that it won't be just the bank that has an AI, but that payers will have their own AIs. It will be my bot talking to your bot, while we're both freed to do other things instead of worry about payments. In 5+ years, the majority of business payments will be bot to bot.

What role will regulators play in the adoption of new payment technologies?

The way we're opening up the banks — while admirable in many ways and certainly likely to lead to lots of exciting new services — may not be the optimum way to do it. That's because if you open up that infrastructure, it's not going to be a thousand flowers blooming and lots of smart niche players coming in. It's going to be a large tech player coming in and wiping everybody out. I think the full ramifications of that haven't dawned on regulators yet. We're likely going to need another round of regulatory change and some new regulatory structures when all is said and done.

“Real-time will mean actual real-time for business payments in the next five years – visible data flows and immediate reconciliation – leading to better liquidity management for all business types and sizes.”



Q&A
CARA O'NIONS

Global Marketing Director,
Bottomline Technologies

How do you see business payments evolving over the next five years?

We're going to see real-time payments reach maturity, not just in the U.S., but globally. What's interesting is that right now you see some less economically developed countries like Nigeria, Mexico, and Thailand actually further ahead in terms of real-time payments than countries like the U.S. From a B2B perspective, some of these countries have been able to almost bypass Internet-based digital banking and jump straight into mobile, which has been absolutely transformational in terms of how businesses pay and get paid.

What trends will define the future of B2B payments?

We're going to see AI and machine learning moving through all parts of the payments ecosystem. For example, with real-time payments comes real-time fraud, with money able to move exceptionally quickly between multiple accounts. AI and machine learning will be necessary for things like predictive modeling for fraud — recognizing fraudulent payment behavior and putting a stop to it in real time. However, this will require an open and holistic approach, with participation from all members of the payments ecosystem.

How will Open Banking impact business payments?

PSD2 and Open Banking are just starting to take off in the UK, opening up a real dialogue between multiple parties to determine not only how to take advantage of it, but to also make sure the customer experience is the best it can be. You're not just seeing collaboration between two parties; you're seeing collaboration between four, five, six parties. At the same time, ensuring a high-quality and seamless customer journey will be crucial as there will be less distinction between a consumer payments experience and a business one. Financial institutions are going to have to think a lot more carefully about their user interfaces and the customer experience that will wrap around business payments.



Q&A
RON SHEVLIN

Director of Research,
Cornerstone Advisors, and
author of *Smarter Bank*

“From a small business owner perspective, there’s little distinction in how they make payments between their personal lives and their business lives.”

How do you see business payments evolving?

The big trend is moving towards smarter payments that incorporate value-added services into the payment transaction. For small businesses in particular, they need things like working capital, letters of credit, shipping insurance, credit protection, export insurance, logistics, and things like that. We'll see those types of services begin to be built into the payment transaction.

How will financial institutions provide those services?

They're going to need to partner with other providers to do that, and I think a lot of those providers will be emerging FinTech players who understand the B2B world's needs. From the FinTech perspective, selling those services one-off is a huge undertaking that requires large salesforces. If they can piggyback on the financial institutions' existing relationships, then there's a better opportunity for them to provide those services. It's a win-win situation in that the banks can better differentiate themselves through these value-added services, FinTechs can achieve a lower cost of customer acquisition, and the businesses themselves can take advantage of those capabilities in a very convenient way at the point of transaction.

What consumer trends will we see in the business payments world?

P2P is already moving quickly and aggressively into B2B, tapping into their large established base of users who may also be business owners or gig workers. In addition, point-of-sale lending may become more prevalent as more B2B sales happen over digital or mobile.

What's holding back the digitization of business payments?

Right now, the AI tools don't work as effectively as possible because, in a world dominated by heavy, manual processes with paper and checks, the data isn't there. It's a little bit of a chicken and the egg problem: if there's a reluctance to digitize because of fraud and security fears, then the tools that can better address those fears aren't going to work as well because we need the digitization of payments in order to have a better flow of data to feed those tools.

“Today’s payment leaders have become accustomed to doing things differently with technology, which means business payments must digitally transform to meet that increased expectation of convenience, speed, flexibility, and intelligence.”



Q&A

ROB EBERLE

President & Chief Executive Officer,
Bottomline Technologies

What trend will have the most significant impact on the world of business payments?

There are several trends, such as Open Banking and the cloud, that are driving the digital transformation of business payments, but the most important trend is the expectation of the customer. Think about how people used to rent a movie, call a cab, book a place to stay, or even order a pizza. Companies have upended the way we as consumers conduct our affairs and in particular how we pay for things. Today's payment leaders have become accustomed to doing things differently with technology, which means business payments must digitally transform to meet that increased expectation of convenience, speed, flexibility, and intelligence.

Are there any obstacles to meeting these higher expectations for customer experience?

In B2C, all it takes for a consumer to exchange payments differently is to download an app. For B2B, it's a much bigger ask, and finance departments are not going to make the change unless their information, system, and security needs are met. It's up to the next generation of payment platforms to ensure that solutions are truly compelling, not just incremental to the status quo. If done right, the choice to adopt should be an obvious and significant improvement.

What role will cyber security play in the future of business payments?

Nothing else matters if you can't ensure the security of the payment. I wouldn't be surprised to see the development, one day, of a new cyber security government force like the Air Force, which operates outside of current military branches and law enforcement agencies. In the meantime, however, to a large degree it's up to the banks, payment platforms, and business customers to ensure the security of business payments. With machine learning, a future business payment platform will be able to analyze the validity of a payment request against how it's been made in the past, if it's consistent with what the person initiating the payment normally does, and even the grammar of the person supposedly ordering the payment.

Today a significant element of security is dependent on human actions. For example, the better businesses can train employees to identify business email compromise or avoid clicking on suspicious emails, the more secure they will be. Where we want to get is a point where technology alone can outwit and defend against the bad guys and human mistakes do not create vulnerabilities, but we have a long way to go to achieve that objective.

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Visa is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network — enabling individuals, businesses and economies to thrive. The company's relentless focus on innovation is a catalyst for the rapid growth of connected commerce on any device, and a driving force behind the dream of a cashless future for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce.

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