CELENT

EMBRACING THE FUTURE OF BILL PAYMENTS—TODAY

Strategies to increase working capital and improve client satisfaction

Prepared for FIS

September 2024

A division of Oliver Wyman

This Celent report was prepared specifically for FIS, but Celent retained full control of the content. For additional information please contact info@celent.com.

CONFIDENTIALITY

TABLE OF CONTENTS

1

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Digital billing and payment capabilities improve client experience and increase operational efficiency

The role of the receivables function has become increasingly strategic in today's macroeconomic conditions. With higher costs and interest rates, treasurers and controllers are prioritizing overall corporate cash and liquidity. The impact of payments industry trends is also affecting the receivables function, therefore the receivables team must adapt to new electronic and digital payment methods. In response, billers need simpler payment acceptance options and processing to meet the evolving needs of customers. Both consumers and businesses seek convenience, security, and user-friendliness in bill payment experiences. Digital-first approaches, multichannel billing options, and a breadth of payment options are crucial for payer satisfaction.

Banks also recognize the importance of receivables management solutions to help their clients optimize cash flow. Fintech partnerships offer opportunities for deeper integration with client business processes and higher functional capability. Leading banks are prioritizing receivables solutions and looking to embed receivables capabilities into third party fintech products to extend value to corporate banking clients.

The future of biller-direct platforms lies in the convergence of electronic billing and invoice presentment with a broad selection of electronic payment options. By offering preferred payment choices and influencing customer behavior, billers can accelerate cash flow, reduce Days Sales Outstanding (DSO), and improve client relationships.

Banks can add value to clients by offering flexible payment acceptance options and operational efficiency to drive down DSO and improve cash flow. The receivables function plays a critical role in optimizing cash flow and managing liquidity. Adapting to new payment trends, leveraging digital tools, and prioritizing customer experience are key to success.

2

THE RECEIVABLES FUNCTION IS PIVOTAL TO WORKING CAPITAL MANAGEMENT

THE RECEIVABLES FUNCTION IS THE HUB OF WORKING CAPITAL IMPROVEMENTS

Receivables has a more strategic role than ever before

In the current macroeconomic conditions of higher costs and interest rates, treasurers prioritize overall corporate cash and liquidity—while the controller branch of the CFO team looks for complementary efficiency improvements to make that cash and liquidity work harder. Now in 2024 as the cost of financing has risen, CFOs and corporate controller teams are pushing to find receivables efficiencies.

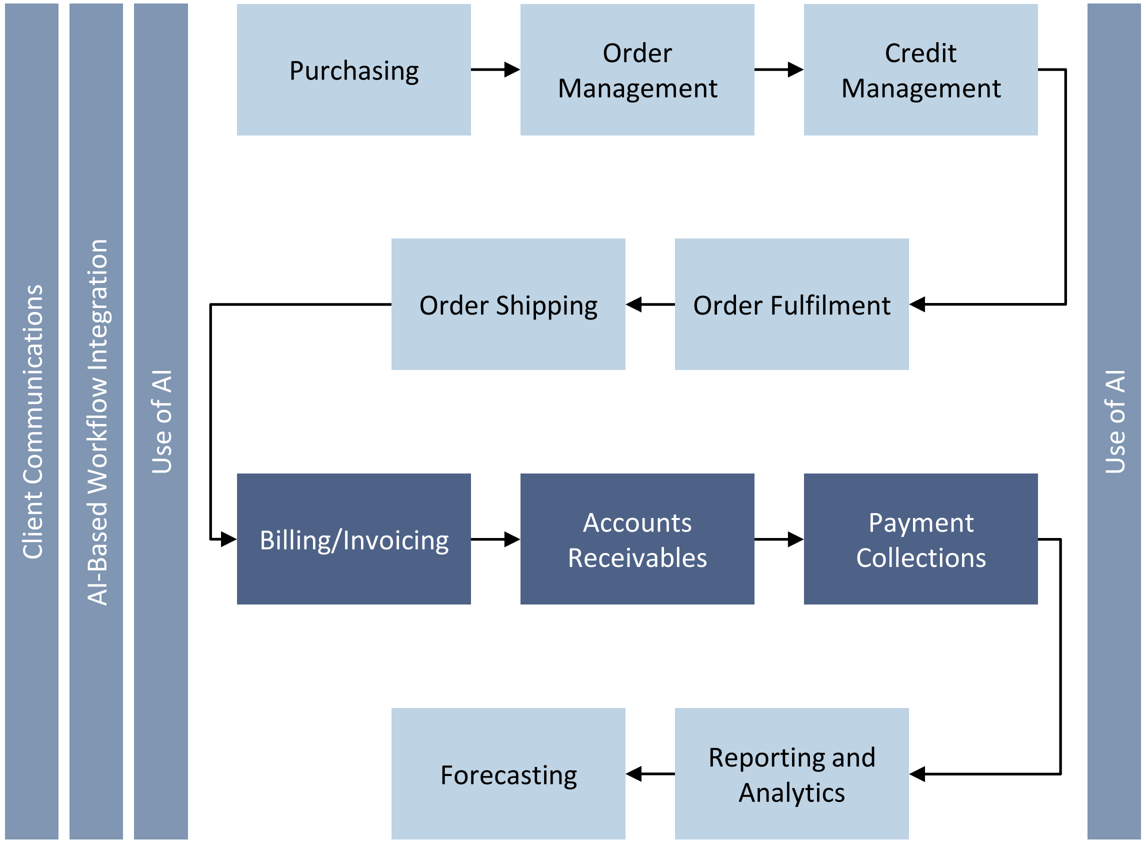
This is a logical strategy to maximize cash flow—two sides of the same coin. First, know how much cash you have, where it is, and what you will have in the future. In parallel, treasurers and controllers develop strategies for maximizing liquidity and working capital to increase that cash flow.

The diagram to the right is a simplistic view of the accounts receivable (AR) position in the overall O2C flow, where the AR process includes everything from when a customer bill or invoice is generated to when the outstanding debt is collected, including all interactions and communications surrounding invoice adjudication and collections. Examples include:

- cash application and reconciliation
- invoice adjudication with trading partners
- overdue payment risk identification and mitigation

Simplified order to cash (O2C) process

To increase the velocity of cash and manage liquidity, the receivables function and the role of the AR team has become more strategic.



Source: Celent

RECEIVABLES UNDER PRESSURE

The impact of payments industry trends

Everyone’s payment is another’s receivable—and vice versa

This year (2024) marks the 20th anniversary since the Check 21 Act became effective in the United States. Consumer checks have mostly been replaced by ACH, card payments, and digital wallets. However, although there are still some 11 BN checks written in the US every year—primarily by businesses—the growing digitally native population in the workplace will drive the eradication of checks and adoption of new payment types.

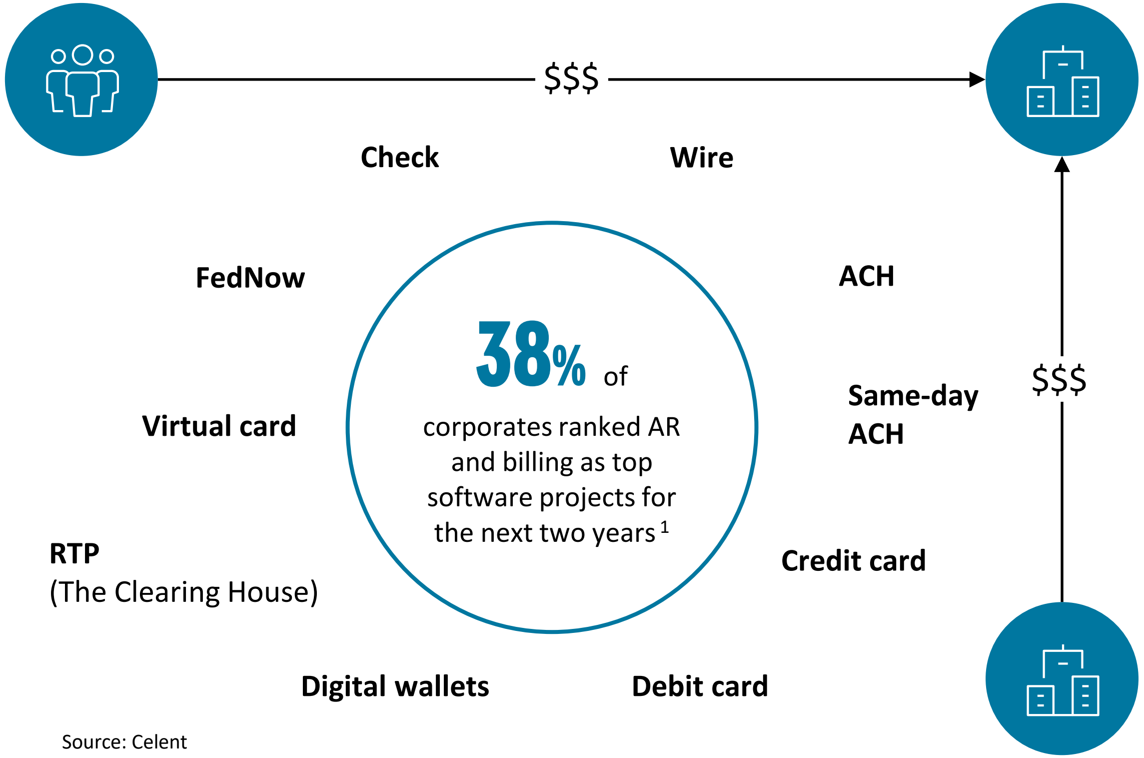
Much of the conversation about payments modernization focuses on payments choice and speed. That is positive, but the impact is increasingly felt in receivables and collections. The AR team not only must deal with the three basic receivables of check, wire, and ACH, but now a plethora of new methods—including rising acceptance of purchasing card and digital wallet-based solutions. As a simple way to accept digital payments, purchasing cards were a boon during the COVID-19 pandemic. Now with so many invoices being paid essentially “on account,” the reconciliation process of tying all the invoices to a given payment has become onerous.

Recent years have also seen many new payments initiatives worldwide, whether the ISO 20022 migration that is mandated for Swift-members or the adoption of new real time payment schemes in Europe and Asia. Now, even the United States has two real time payment networks—both of which can handle consumer and business payments!

[1]Source: PNC and GTreasury Survey, February 2023.

From check to FedNow—and numerous options in between

Whether for consumers or businesses, the choice of how to pay and receive funds can be overwhelming. In addition to the payments types below, there are new cross-border payment options too! Billers need simpler payment acceptance options and processing.



Source: Celent

BILLER AND INVOICING PRIORITIES

Solutions for tomorrow

The current and future needs of billing, payment collection, and reconciliation functions won't be met by solutions of yesterday. The billing and AR teams now need new tools and solutions at their disposal to generate working capital improvements. As such, the AR function is now seen as a more important cog in a complex and increasingly important O2C process rather than an isolated function by itself.

The quality of an AR team's interactions with corresponding payables counterparts at clients can be extremely influential in speeding up payments and increasing the value of the commercial relationship.

The platforms and tools at a company's disposal include:

- receivables matching and cash application
- electronic invoice and bill presentment and payment platforms (EIPP/EBPP)
- biller direct payment acceptance
- matching, reconciliation, forecasting, and analytics

However, the combination of new payment options, richer data, advanced analytics, and AI enable an important shift forward from the era of wires, checks, and ACH. **The future lies in a convergence of these solutions and capabilities.**

New levers to influence payer behaviors

In the quest to reduce Days Sales Outstanding (DSO) and improve cashflow, there are new levers a finance team can pull that will drive their receivables preferences rather than being on the receiving end (pun intended) of a customer's payment choices.

- Enable paperless invoicing, billing, and payment acceptance.
- Influence customer payment behaviors.
  - Manage discount offerings and incentives for prompt payment.
  - Create a flexible, transparent structure for fees and surcharges.
  - Implement campaigns to shift payer behaviors.
- Develop seamless, flexible integration with ERP and A/R platforms.
- Prioritize data quality and richness to support rapid reconciliation, analytics, and investigations.

PAYER PRIORITIES (C2B AND B2B)

Digital payment experiences for consumers and businesses

Consumers increasingly seek bill payment experiences that prioritize convenience, security, and user-friendliness. A key aspect of this is the demand for ease of use, with simple and intuitive interfaces to make and check status of payments. Consumers value choice of payment type, desiring multiple payment options such as credit/debit cards, bank transfers, and digital wallets. There is a strong preference for mobile-friendly platforms or dedicated apps that enable payments on the go.

Automation plays a crucial role in enhancing the consumer experience, with many users appreciating the ability to set up automatic payments or schedule payments on a future date to avoid missed due dates.

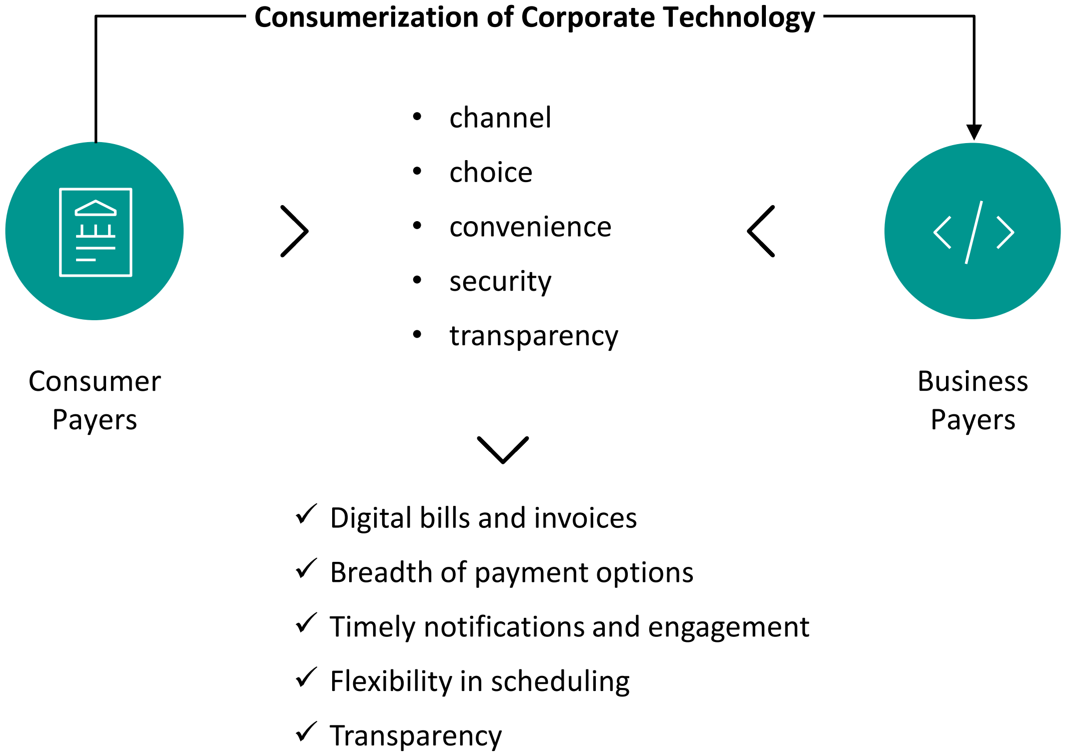
Additionally, consumers seek transparency and proactive communication from their bill payment services. This includes clear information on fees, due dates, and payment history, as well as reminders and notifications for upcoming due dates and successful completion of payments.

Effective customer support is also essential, offering easy access to assistance for resolving issues or answering queries. Security remains a top priority, with robust measures needed to protect personal and financial information from potential threats.

Finally, rewards and incentives, such as discounts or loyalty programs, can further enhance the appeal of a bill payment service, encouraging timely payments and fostering customer loyalty.

Reduce friction in billing, invoicing, and payment processes

Business clients expect the same thing—reduced friction in the invoice or bill presentment and payment process. This includes better access to data and payments history, and more payment options based on payment value, timing, and cost.



THE ROLE OF BANKS—CORPORATE BANKING PRODUCT PRIORITIES

Banks don’t need to build from scratch—fintech partnerships offer new opportunities

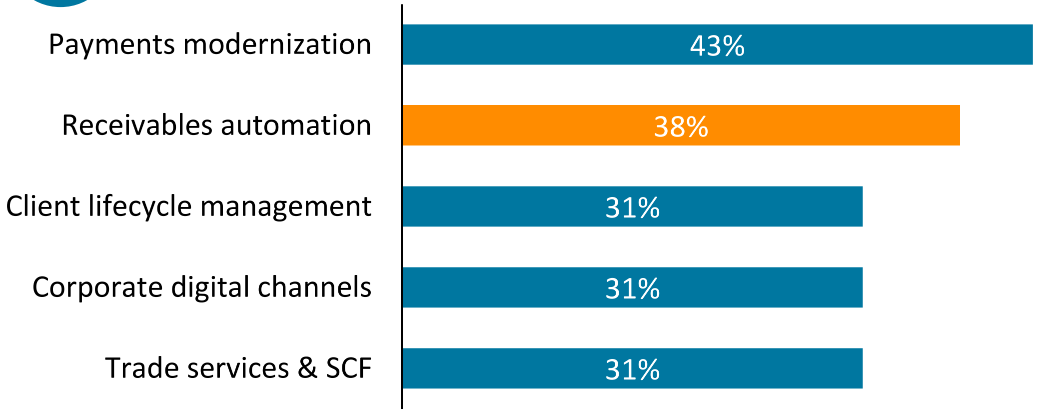
Receivables rising!

Annual Celent surveys into corporate banking product priorities showed that, until recently, investment in receivables management was a relatively low product priority. In 2023, receivables management was ranked 10th overall with only 13% of banks surveyed in North America ranking this as a top three priority. Times have changed. Now with higher cost of funding, corporates look to optimize cash flow and decrease credit risk. In response, receivables solutions have leapt to the overall second-ranked priority, with 38% of banks in North America ranking this a top three product priority. Furthermore, **20% of banks ranked it their overall #1 priority.**

How to transition from traditionally check and ACH-based cash application services to an offering that better meets the changing needs of clients described earlier? Fintech partnerships offer a compelling route. The line between what a bank would traditionally offer versus a direct-to-corporate vendor is now blurring.

From the bank perspective, a partnership provides possibilities for deeper integration with client business processes and the ability to provide a higher level of functional capability than with “internal” solutions. In fact, **25% of North American banks are looking to embed receivables capabilities into third party fintech products** and extend value to corporate banking clients.

Top-ranked corporate banking product priorities in 2024



Base: Corporate Banking respondents in North America (sample: 61)
Question: Which of the following are your leading investment priorities in the next 18 months from a product perspective?
Source: Celent Dimensions Survey 2024

For banks that do step into this space with a strategic solution partner, the major success factors in a partnership include:

- unified, branded client experience
- seamless API-based integrations
- rich, high-quality data exchange and analysis
- clear product lifecycle and GTM responsibilities
- multipronged payments and receivables strategy

3

KEY CAPABILITIES FOR A BILLER PLATFORM

KEY FUNCTIONAL CAPABILITIES OF A MODERN EIPP PLATFORM

Meeting the needs of billers and payers

Early generation billing and payment platforms were designed to meet the needs of high-volume paper billers (notably utilities and telcos), which also traditionally received a high volume of check payments. As electronic and digital payments have replaced checks and "on-demand" mobile experiences become ubiquitous, billers in all industries benefit from digital billing and payment acceptance solutions capable of handling high volumes. These systems should cater to the needs of consumer and business billing alike.

As the workforce becomes dominated by digitally native workers, they expect consumer-like technology experiences in the workplace. This is the "consumerization of corporate technology." Leading EBPP providers create compelling user experiences for billers and all their customers—consumers and businesses alike.

For billers, features that support digital efficiency, cost reduction, and increase cashflow matter most. This includes eradication of paper in bills, communications, and payments (checks); improved accuracy and speed of payment posting; and the ability to offset costs through surcharging. This is a high-profile topic that will be covered on the next page.

Experiences for Payers

- digital first—bills and payment options
- multichannel billing options—Web, IVR, text, mobile app
- breadth of payment options
- payment scheduling
- dynamic notifications/communications
- seamless access to customer services

Efficiencies for Billers

- breadth of payment acceptance options
- reconciliation and advanced analytics
- campaigns and incentives
- surcharging / fee management

SURCHARGING SUCCESSFULLY

Surcharging—an important element of cost management

With so much emphasis on driving efficiencies, it is not surprising that managing the cost of accepting payments has become a major issue. Accepting different payment types comes with some cost complexity. Some payments, like ACH, will come with a low fixed cost, while card payments will have variable costs based on the value of the transaction—interchange fees levied by the card processors such as Visa, Mastercard, and American Express. Surcharging is the practice by which the biller can offset the interchange fees and pass those costs on to the payer. However, this is tricky territory to navigate successfully while remaining compliant with various legal requirements.

Billers must be aware of these laws, as well as the specific rules of the card networks they accept, to ensure compliance when implementing surcharges. Naturally, it is a considerable effort to stay abreast of these developments, and to design and implement a surcharging capability for different payment types in each the jurisdiction.

Billers should look to solution partners that have highly configurable surcharging capabilities and for guidance on how to implement a strategy. Ideally, billers would receive some level of indemnification for any rare occasions where mistakes are made.

Surcharging considerations

State Laws

Various states have enacted laws regarding surcharging. These laws may change, so billers must stay updated on the legal landscape of each state they operate in. For example, California, Florida, and New York (to name a few) have laws that restrict surcharging.

The Dodd-Frank Act, 2010—"Durbin Amendment"

This regulates debit card interchange fees and allows merchants to set minimum purchase amounts for credit card transactions, which in turn can influence surcharging practices.

Individual Card Network Rules

Each major card network has its own rules regarding surcharging. These rules often include requirements for disclosure, limits on surcharge amounts, and stipulations on how surcharges can be applied.

NONFUNCTIONAL REQUIREMENTS

A vital consideration in platform selection

Beyond the feature functionality that will support the business and customer needs, nonfunctional requirements are an equally important consideration when choosing a platform. These range from performance and scalability to the ability to implement and integrate new functions and processes quickly. Major areas of focus include:

Flexibility. It must be possible to configure or build and deploy new products and features and to integrate new processes quickly.

Speed. The platform must be designed to process high volumes of concurrent users and execute thousands of transactions.

Scalability. Whether through new client acquisition or to meet increasing transaction volumes, systems must scale almost linearly.

Security. Cyberattacks, data breaches, and internal sabotage are all on the rise. Ensure security defenses at the perimeter and within the application.

Resilience. Platforms must be highly available and fault-tolerant, with rapid recovery objectives for the system itself and data restoration.

Key nonfunctional considerations

- multichannel deployment options—biller, bank, or third party
- white-label solution options and branding
- configurable by business users
- modular architecture with API-based integration to corporate systems
- security and encryption capabilities for user access, plus data transport and storage
- supports corporate compliance objectives, such as:
  - PCI DSS for card payments
  - SOC 2 audit certification and support
  - HIPPA for healthcare billing and payments

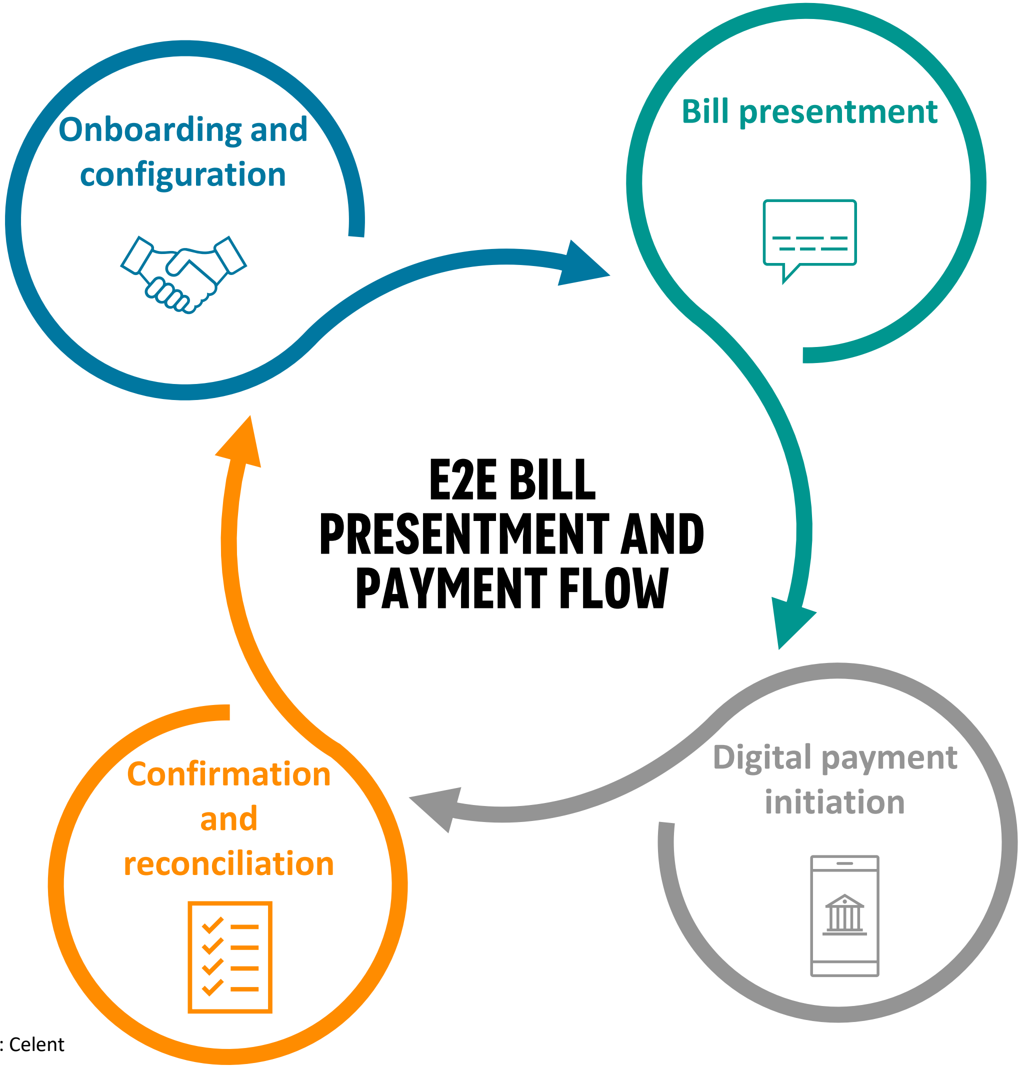
FROM ONBOARDING TO PAYMENT RECONCILIATION—SPEED AND SIMPLICITY MATTER

The best platforms simplify the complex

In banking and payments products and services, the leading platforms are those that make the complex simple. Whether initial setup, configuration and client onboarding, or the daily processing of many thousands of transactions, the best platforms insulate corporate users and their clients from the complexity of the system.

Simplicity matters throughout the end-to-end process. Factors that help deliver a simpler, more compelling digital experience include:

- simple workflow tools for business users
- API-based integration to internal systems
- a persona-based user experience designed around role-based use cases and workflows
- dynamic notifications and alerts that nudge customers to pay on time and through preferred payment methods
- quality data capture and validation to increase straight-through processing
- a broad range of business rules and functional logic to maximize automatic reconciliation and minimize manual investigations



Source: Celent

OPPORTUNITIES FOR PARTNER BANKS

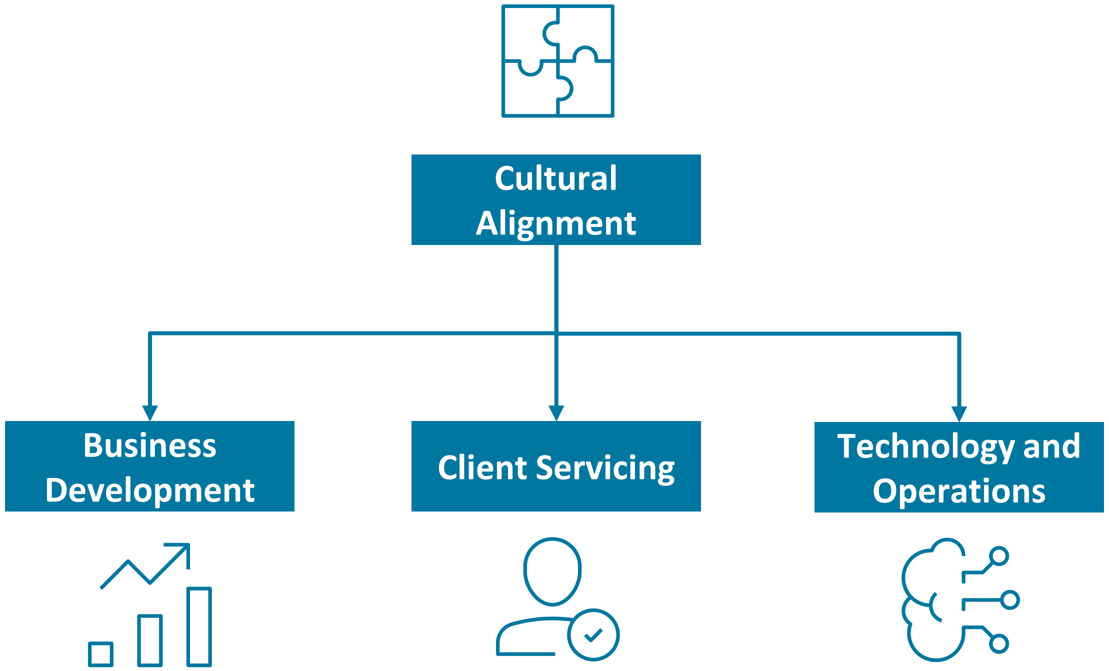
Increase client value and fee-based revenue

To broaden and deepen their cash management product portfolio, banks have an opportunity to offer a bill payment and presentment solution as an extension of their existing receivables capabilities. This will enhance the receivables offering for corporate clients and generate new fee-income streams. In a period of interest rate volatility, steady product revenue streams from noninterest fee income provide revenue stability through subscriptions and transaction processing fees.

A key goal for any bank should be speed of setting up the platform, rapid onboarding of corporate clients, and ensuring compliance with strict payment regulations. Banks that partner with managed bill payment / presentment partners will save on product development costs, a faster time to market, and a more rapid ROI. Solutions built on a managed service platform should also require lower capital expenditure and more predictable operating costs, including the benefits of ongoing compliance and maintenance work.

In addition to the standard risk and financials due diligence, banks should also consider fintech relationships as a partnership, with clearly defined expectations on responsibilities. Additional success factors include financials, business development and marketing, sales enablement, servicing, and clear lines of operational support.

Fintech partnership considerations



Source: Celent

THE FUTURE OF BILLER-DIRECT PLATFORMS

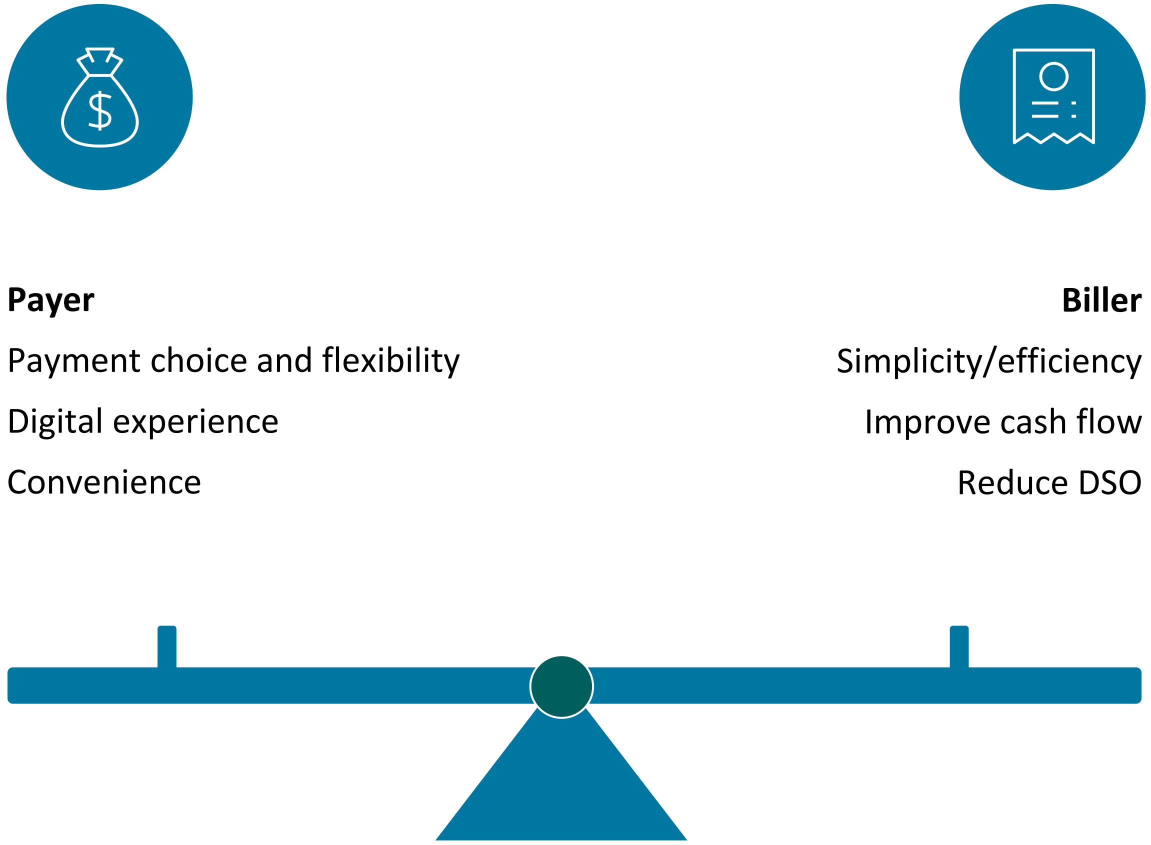
The experiences clients want, and the efficiencies billers need

Convergence of EBPP and EIPP

In the evolving landscape of financial operations, billers are increasingly moving to toward applications that combine digital billing and invoice presentment with a broad selection of electronic payment options. Rather than being at the mercy of mailing issues, “check in the mail” risks, and a reduced ability to forecast receivables, billers gain control over preferred payment choices and timing.

By influencing client behavior toward preferred payment methods, organizations can accelerate cash flow and reduce Days Sales Outstanding (DSO). This proactive approach not only provides greater payment certainty and mitigates credit risk but also generates significant operational efficiencies across receivables, credit, and collections processes.

Furthermore, by enhancing the payment experience for consumers and businesses alike, billers can improve client sentiment and loyalty, ultimately fostering a more robust and positive client relationship.



Source: Celent

Billers and invoicers can prioritize their receivables preferences rather than being on the receiving end (pun intended) of a customer’s payment choices.

TOP CAPABILITIES OF MARKET LEADING SOLUTIONS

Leading solutions are designed for the future of billing and payment experiences. Key attributes are simplicity, flexibility, performance, and scale.

- Simple-to-use online and mobile experience
- Fully branded industry agnostic platform for billers
- Flexible, digital presentment options
- Omnichannel communications to payers
- Prioritize digital payment acceptance
- Flexible, compliant surcharging options
- Scalable, configurable, and secure
  - PCI Level 2, SOC 2, HIPAA
- File and API integration to internal systems

4

RECOMMENDATIONS AND PATH FORWARD

CONCLUDING PERSPECTIVES FOR BILLERS

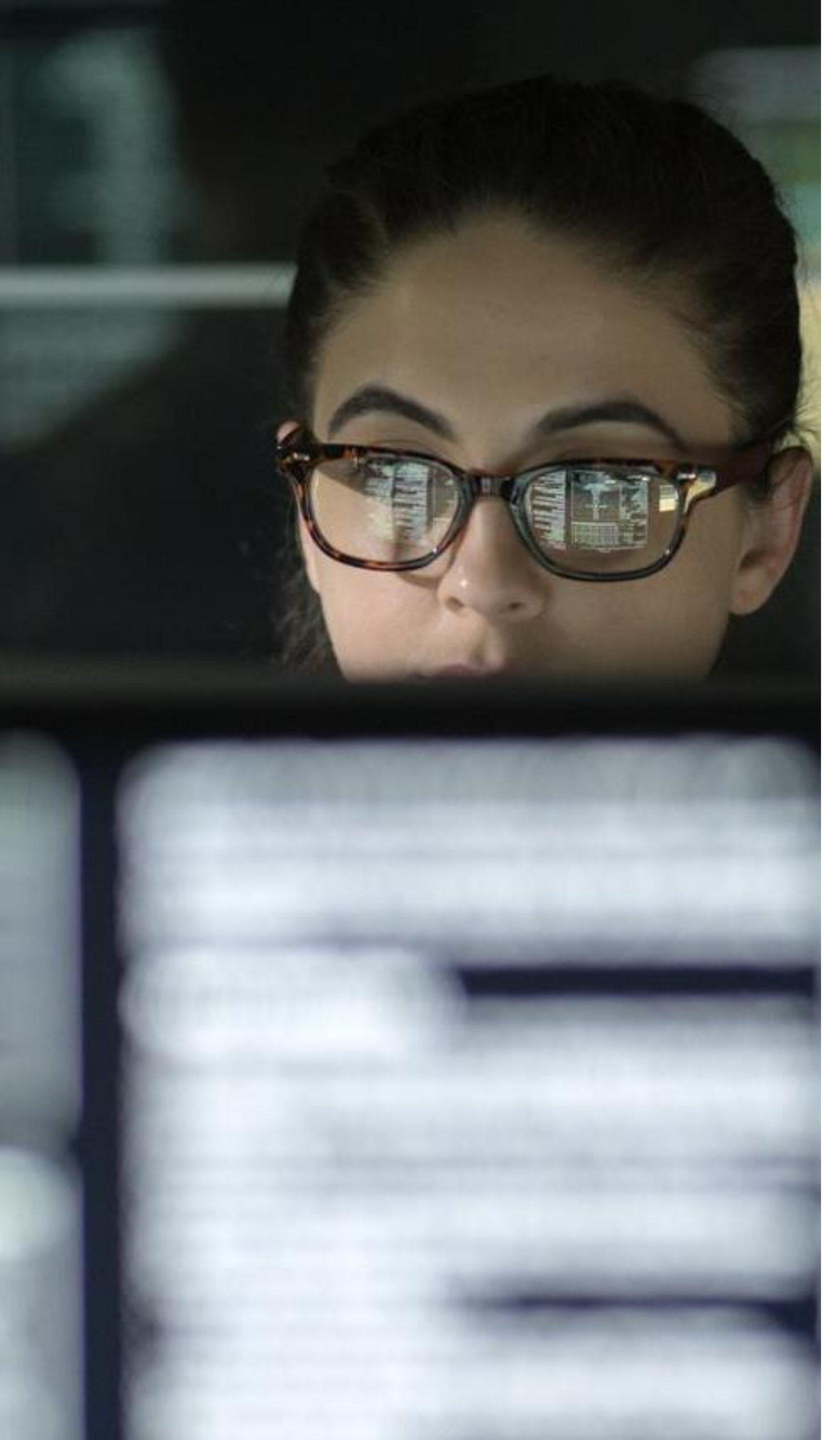
Corporates can reduce DSO while improving customer experience

Somewhat paradoxically, offering more payment options can lead to greater efficiency—if digital tools link the billing and payment processes. The 2020s is a new era for payments in the United States. Historically, payment methods were quite limited. Billers and invoicers were able to dictate payment terms and payment options but had little control over when they would get paid.

Now there is a broad range of payment options with different immediacy and associated costs. Whether for business or consumer payments, the broad range of payment options can be bewildering and—if relying on traditional billing and receivables processes—increases the complexity in accepting and reconciling payments.

Rather than merely dictating terms, billers must offer the digital billing experiences and payment choices that customers expect. The trick is to make this manageable and influence customer payment behavior to align with receivables objectives.

Corporates that offer payers a breadth of payment choices yet use intuitive digital experiences to remove friction from the payment experience—and stay connected to customers through timely correspondence and notifications—should see lower DSO and operational efficiencies.



CONCLUDING PERSPECTIVES FOR BANKS

Banks can offer greater value to clients of all sizes and generate additional fee income

When there were only three corporate payment types, banks and their clients could rely on some tried and tested receivables solutions, such as lockboxes. However, with the plethora of new payment options and the move toward more digital experiences (including remote/hybrid working), the complexity of receivables has only increased—and so its role in optimizing the O2C cycle has become even more important. This is true across all client segments—from business banking to large multinationals.

The approach of banks—and the nature of solutions selected—must meet the changing needs of client financial operations. A receivables offering based around ACH and checks is inadequate for the broader needs of clients and their customers. As banks consider their receivables product strategy, they should focus on the opportunities that meet corporate client strategic objectives: flexibility in payment acceptance and operational efficiency to drive down DSO and improve cashflow.

Partnering with a technology provider that supports all flavors of payment acceptance through a modern digital user experience will help a bank extend its brand and presence further into corporate workflows—adding more value to clients in all segments.

5

RELATED CELENT RESEARCH

RELATED CELENT RESEARCH

Dimensions: North American Corporate Banking

Dimensions: Corporate Banking IT Pressures and Priorities 2024

Technology Trends Previsory: Corporate Banking 2024 Edition

Demystifying Virtual Accounts: New Opportunities to Drive Adoption

Corporate Client Data Renaissance: New Tricks for an Old Dog

Unlocking Treasury Insights: Road Map to Intelligent Solutions

Navigating to Value with Corporate Banking Data: Recommendations for Managing Data Strategies

Oceans of Data: Recognizing the Perils in Corporate Banking Data Transformation

Expectation Versus Reality for Payments Data Monetisation: Identifying the Data Led Services Corporates Want

Receive updates on our latest research by registering at www.celent.com.

For more information, please contact: info@celent.com

CONTACT US

COLIN KERR,

Research Principal, Corporate Banking

ckerr@celent.com

COPYRIGHT NOTICE

Prepared by Celent, a division of Oliver Wyman, Inc.

QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS

ABOUT FIS

FIS Automated Finance

FIS Automated Finance delivers a comprehensive suite of receivables automation, payables automation, and revenue optimization tools that remove friction, create revenue opportunities, and give clients the confidence and capabilities to grow.

FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index. To learn more, visit **FISglobal.com**. Follow FIS on **LinkedIn**, **Facebook** and **X** (@FISglobal).

FOR MORE INFORMATION, PLEASE CONTACT

For more information, please contact info@celent.com or:

Colin Kerr ckerr@celent.com

Americas	EMEA	Asia-Pacific
USA 99 High Street, 32nd Floor Boston, MA 02110-2320 +1.617.262.3120	**United Kingdom** 55 Baker Street London W1U 8EW +44.20.7333.8333	**Japan** Midtown Tower 16F 9-7-1, Akasaka Minato-ku, Tokyo 107-6216 +81.3.6871 7008
USA 1166 Avenue of the Americas New York, NY 10036 +1.212.345.3960	**Switzerland** Tessinerplatz 5 Zurich 8027 +41.44.5533.333	**Hong Kong** Unit 04, 9th Floor Central Plaza 18 Harbour Road Wanchai +852 2301 7500
USA Four Embarcadero Center Suite 1100 San Francisco, CA 94111 +1.415.743.7960	**Spain** Paseo de la Castellana 216, Pl. 13 28046 Madrid Spain +34 91 531 79 00	**Singapore** 8 Marina View, Asia Square Tower 1, #09-07 Singapore 018960 +65 6510 9700
Brazil Rua Arquiteto Olavo Redig de Campos, 105 Edifício EZ Tower – Torre B – 26º andar 04711-904 – São Paulo/SP - Brasil +55 11 3878 2000		

CELENT

A division of Oliver Wyman