



The Value of Reimagining Commercial Payments

payments business customers

Summary: Global B2B activity is poised to reach \$111T in 2027, yet businesses are looking to nontraditional providers to fill their needs. Now is the time for CFIs to take a fresh look at their commercial payment services and revamp them to attract business customers with B2B needs before they land elsewhere.

In the children's tale "The Ugly Duckling", a young bird is teased by the ducks and geese in its flock for looking different from its family. The duckling feels less than and wanders from home to home, hoping for acceptance, but finds only loneliness. One day, he sees a flock of swans and admires them from afar. Once he has grown, he works up the courage to approach the swans, fearing they will reject him as well. To his surprise, the swans welcome him, and when he looks at his reflection in the water, he sees he has grown into a beautiful swan and was never an ugly duckling at all.

A change in perspective, as in the case of the ugly duckling, can make a world of difference. Likewise, community financial institutions (CFIs) could benefit by changing the way they look at commercial payments. With the value of business-to-business (B2B) payments expected to rise substantially over the next few years, ramping up commercial payments could provide a substantial revenue source for CFIs.

Overlooked Opportunity

Though financial institutions have long viewed commercial payments largely as an expense, changing market conditions and a major increase in B2B activity position them to be a significant revenue source. According to data from Research and Markets, global B2B payments totaled just over \$88T in 2022 and are expected to climb to more than [\\$111T in 2027](#), a 26% increase fueled largely by inflation and economic growth within developing markets. By 2027, the average business is expected to make more than 1.4K domestic payments each year.

If CFIs want to capture this business, now is the time to begin addressing the things business customers are seeking in commercial payment services. Time is of the essence, particularly since fintechs and other nontraditional banks have already begun aggressively courting this business and siphoning off customers.

Leveraging Loyalty and Value-Added Services

According to Accenture, 55% of traditional financial institutions that provide commercial payments say they have lost business to fintechs and major technology providers offering the same services. If CFIs don't take steps to remain competitive on this front, that trend is only likely to continue. Research from Accenture found that four out of 10 customers who use commercial payment services would be willing to switch to a new provider whose offerings include value-added services.

Fortunately for CFIs, Accenture also found that 51% of businesses would prefer to access value-added services such as credit checks, closed-loop transactions, and data dashboards from traditional banks, with that number rising to just shy of 60% for features such as real-time payments and bill payments. In fact, Accenture predicts value-added services are an untapped value proposition for payment providers that could be worth [\\$371B by 2028](#). Capturing that business necessitates implementing the changes needed to remain competitive now.

Targeted Technology

Some strategic moves that can help CFIs enact meaningful change in their B2B payment offerings include upgrading legacy platforms and core systems, utilizing developing technologies such as artificial intelligence, tailoring offerings to individual business customers, and partnering with third parties to expand their services.

As CFIs begin reimagining their commercial payments, there are a few things they should keep in mind, including the following:

- **One-stop banking.** More than [80% of business customers](#) would prefer to use a single institution for their payment services to manage costs. As of now, however, many businesses feel they are forced to use multiple providers to find everything they are looking for. CFIs have the opportunity to fill this void by identifying and adding the services business customers value most but are currently lacking within their own commercial payment offerings.
- **Enhanced security.** Fraud prevention is one of the biggest problems and a top area of concern for business customers.
- **Cash management services.** Other areas identified by Accenture as particular pain points for businesses include documentary trade finance, structured trade finance, and liquidity management. In particular, cross-border payments, B2B transfers, and online merchant acceptance are areas that businesses cite as being some of their biggest challenges.
- **Accounting help.** Some of the top value-added services business customers are seeking in commercial payments include accounting system integration and tools such as automated invoicing and biometric payments.
- **Payment progress.** Accenture has identified merchant acceptance as the fastest-growing area of commercial payments over the next five years, though only 26% of banks have made this area an investment priority.
- **Controlled costs.** While business customers desire value-added functions and capabilities, cost is a major factor in determining which organizations they choose for commercial payment services, and CFIs should keep this in mind when setting pricing.

Given the growth projections of B2B payments over the next few years, CFIs would be well-served by changing the way they have historically looked at commercial payments and taking steps to make their own offerings more appealing. Since many businesses feel they need to use multiple providers to meet all their payment needs, there is a major opportunity for organizations that can bolster their offerings to include more of the services business customers want.

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ECONOMY & RATES

Rates As Of: 01/10/2024 10:10AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.47	0.07	0.07
6M	5.24	-0.02	-0.02

1Y	4.80	0.03	0.03
2Y	4.35	0.11	0.11
5Y	3.97	0.12	0.12
10Y	4.02	0.14	0.14
30Y	4.19	0.16	0.16
FF Market		FF Disc	IORR
5.33		5.50	5.40
SOFR		Prime	ORER
5.31		8.50	5.32

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