

NEXT-GEN COMMERCIAL BANKING

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APRIL 2022



■ FEATURE STORY

Fifth Third Bank on how FIs can tap APIs to offer holistic, digital-first B2B bill payments

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Why FIs should tap APIs to meet shifting B2B bill pay expectations

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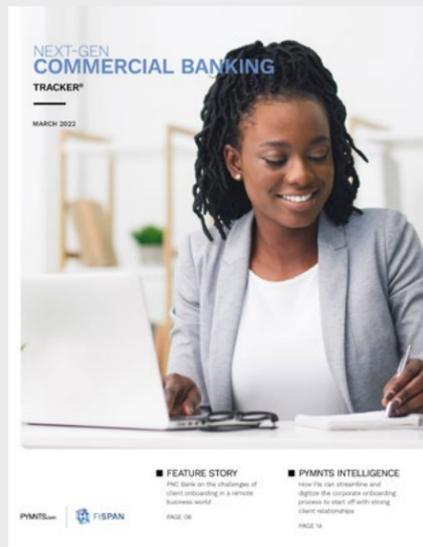
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ACKNOWLEDGMENT

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EDITOR'S LETTER

The pandemic pushed companies worldwide to digitize routine processes, with many having to transform their business-to-business (B2B) payment functions to keep cash flowing in a suddenly virtual work environment. These functions included bill payment, the digitization of which many companies now view as a top priority. A February 2022 PYMNTS [study](#) found that nearly half of billing and collections professionals at utility and consumer finance companies believe digitization will be key to driving growth at their organizations over the next five years. Fifty-one percent also agreed that it was either “very” or “extremely” important to improve their digital bill pay capabilities.

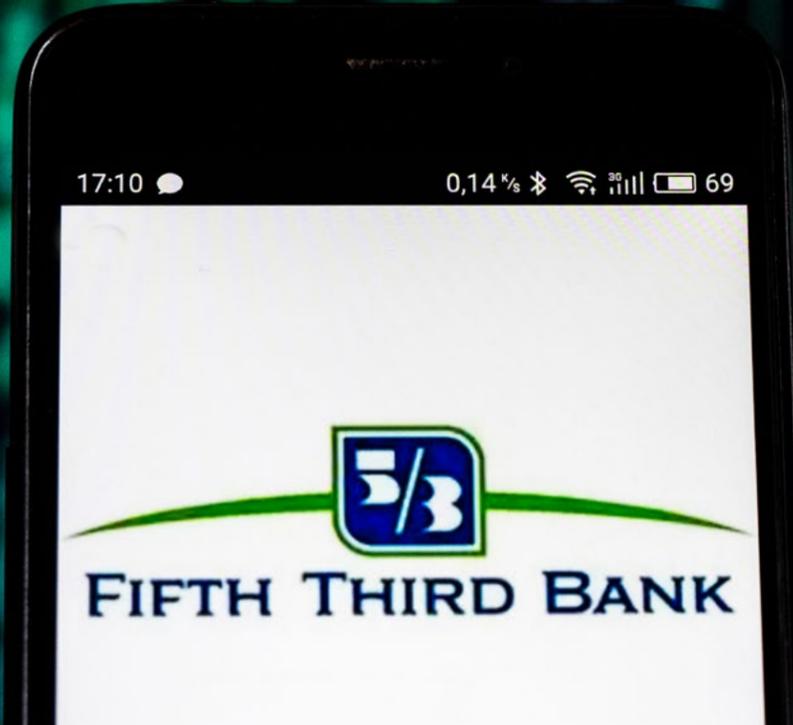
Most CFOs [consider](#) accounts payable (AP) and accounts receivable (AR) digitization to be critical to increasing their customers’ lifetime value, yet a significant portion of businesses are still tapping manual tools for these processes. Finance leaders in one recent [study](#) reported that 43% of their end-to-end AP functions remain manual. This lack of automation is siphoning businesses’ time and money, with approximately 53% of companies’ finance time spent on manual AP processes.

Today’s financial institutions (FIs) are facing growing pressure to ensure they can offer seamless bill payment features to meet their corporate clients’ rapidly changing needs. Many banks are taking steps to innovate their payment offerings accordingly, with 64% of surveyed FIs in a March PYMNTS [report](#) saying they were “very” or “extremely” willing to adopt new technologies to facilitate the consumerization of B2B payments. Chief among these technologies are application programming interfaces (APIs), which can serve to connect and send payments between billers and recipients more easily. Banks tapping these technologies can thus gain a competitive edge in creating swift bill pay solutions as more firms seek digitally optimized services.

This edition of the Next-Gen Commercial Banking Tracker®, a PYMNTS and FISPAN collaboration, takes a close look at how businesses’ bill payment needs have shifted over the past several years. It also addresses how FIs can tap technologies such as APIs to ensure they can provide the seamless bill pay solutions their business clients expect.

Thought Leadership Team
PYMNTS.com

Fifth Third Bank On How FIs Can Tap APIs To Offer Holistic, Digital-First B2B Bill Payments



PAYMENTS HAVE SWIFTLY BECOME MORE DIGITAL DURING THE PAST FEW YEARS AS CONSUMERS AND BUSINESSES SEEK MORE CONVENIENT WAYS TO CONDUCT THEIR FINANCIAL ACTIVITIES.

Many companies are looking for solutions to help streamline their bill pay processes, especially as more of their industry partners and customers move to online channels, creating a need for swifter and ever more seamless bill pay solutions.

This is a trend exacerbated by the effects of the global health crisis and the higher number of individuals going online to make daily purchases or perform other financial activities, said Laura Listwan, senior vice president, head of commercial payments products for [Fifth Third Bank](#).

“Looking at what companies are expecting in their bill pay experiences today, for Fifth Third, it is all about the consumerization of the business bill pay experience,” she explained in a recent PYMNTS interview. “People are consumers first and they are taking that last best [consumer payment] experience and judging their lives at work in regard to that experience.”

This provides both a challenge and a key opportunity for FIs and third-party entities to offer the holistic, end-to-end bill pay experiences businesses now crave. Keeping pace with businesses’ changing bill pay needs and how technologies such as APIs may play a role in the future payments ecosystem is therefore essential for such entities as they look to capture the attention and loyalty of their business clients.

MAKING WAY FOR MORE DIVERSE BILL PAY

Engaging and retaining the loyalty of their business clients means FIs must meet companies where they are in their desired bill payment processes. They must pay careful attention to the payment tools and methods companies are looking to utilize and why. The United States payment environment remains complicated, however, with businesses usually supporting a range of bill payment options to fit their clients' needs, from paper checks to the digital wallets that are capturing greater attention among companies, Listwan said.

“The challenge is that there is no one bill payment strategy that addresses every company’s bill payment needs, and so I think the key here is making sure that FIs are very closely tied and talking to their business customers and understanding their needs, their strategies, both in the near and in the long term,” she said.

This means FIs must take steps to offer bill pay solutions that can easily accommodate a widening range of payment methods as businesses seek to incorporate digital wallets or other next-gen payment tools. At the same time, these solutions must keep space available for those still holding fast

to the paper checks or cash payments businesses have been tapping for decades, Listwan said.

“In a bill payment environment, a lot of our business clients feel obligated to continue to accept more and more payment options because they want to be flexible and offer a frictionless experience to that customer who is paying them,” she said. “But by doing that, it is increasing that complexity for them, so by offering that holistic end-to-end [experience], we really want to make sure that our customers are focusing on their core business and not being that payment expert.”

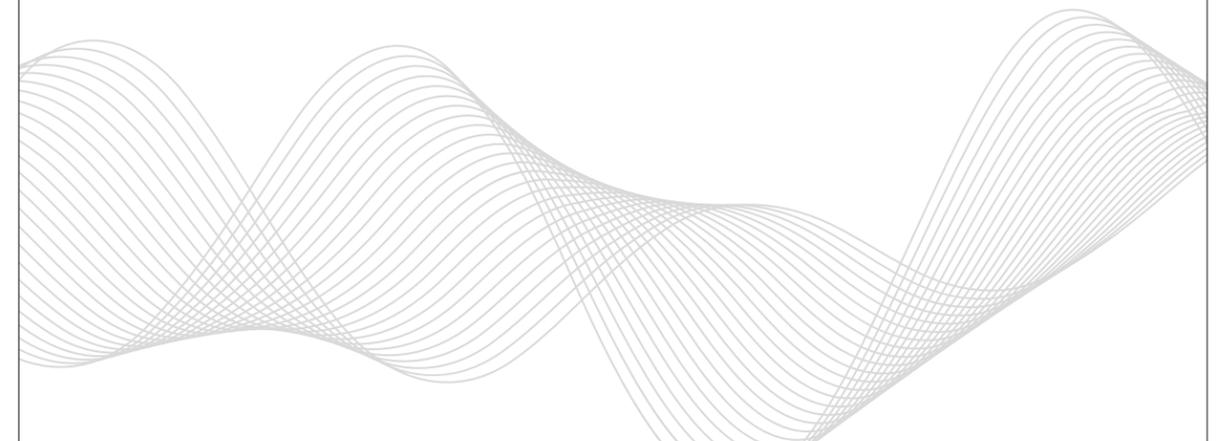
Creating that seamlessness requires FIs to enable businesses to access all their disparate payment tools and solutions on one platform, making the role of connective technologies such as APIs in the bill pay space essential. Using such technologies can help FIs simplify the bill pay experience for their business clients, especially as their expectations for speed and efficiency continue to rise.

APIs AND THE FUTURE OF B2B BILL PAY

APIs have quickly become one of the most critical technologies within the online payment world, as both businesses and consumers are beginning to ask for more variety, speed and transparency when making transactions. Figuring out how to tap APIs to add that visibility is likely to prove critical for FIs as they seek to retain the loyalty of their business clients.

“I think APIs are playing now and will continue to play an important role in bill payment, especially because customers are beginning to have increased expectations of visibility and how quickly things will be updated,” Listwan said.

Keeping pace with how businesses’ bill pay expectations are likely to shift in the next few years is essential for FIs. Determining how they can tap APIs and related tools to create the next-gen bill payment experiences their business clients demand should therefore be a top goal for today’s FIs and other key industry players.





Q&A

CLAYTON WEIR
Co-founder and CEO



In what ways are businesses' bill payment needs shifting, and how are these changes impacting FIs as they look to engage and retain their corporate clients? What are businesses expecting out of their payment experiences or features today?

In terms of bill payment needs, those are doing just fine. In fact, they are more and more becoming a commodity, since building a payment service is now easier than ever before. What we're seeing is that a lot of the competition is on pricing, which is a very strong indicator of a commodity. What's really missing for the users of bill payments is the surrounding infrastructure that makes payments not just cheaper or faster but [also] easier to operate on the second- and third-degree implications of those payments, [such as] cash flow impact, forecasts and optimizations, to name a few. To make their payment services competitive, FIs need to provide new services as well as enhance existing services and infrastructures that help with this competitive reality. Businesses today expect that making payments won't make them work extra hard to understand the short-term and long-term effects on their cash flow. Enhancing existing services and streamlining the infrastructure can help them do just that.

What are some of the challenges FIs face when it comes to creating seamless bill pay features for their corporate clients?

This really comes down to a lack of ERP connectivity between the bank and the user's ecosystem. This ultimately makes users work harder to keep their books in order and up to date. Enabling corporate clients to process all their payments in one system so they can see everything would be of great benefit to them. FIs should create that connectivity in-house or [reach out] to leading FinTechs in this space to create the ERP connectivity their corporate clients require.

How can technologies such as APIs enable banks to create these tools and meet businesses' changing needs?

“ APIs are really the key to this integration and [to] meeting corporate clients' changing needs. APIs can act as an accelerant for banks to get digital innovations to market faster and improve user experience and connectivity for their corporate clients. Whether an FI creates it in-house or partners with a FinTech, the use of APIs can seamlessly connect select platforms to banking products and services.

Also, by leveraging APIs, FinTechs and FIs can improve users' experiences through embedded banking and new service offerings. This connectivity and data integration provides the infrastructure required for seamless business banking and B2B payments to thrive. If banks embrace open APIs, they can work with partners to bring their banking products directly to their clients in new ways. In addition, banks will benefit from a better understanding of their customers' interactions and preferences. Instead of having multiple touch points, FIs can integrate their banking capabilities where their clients live, providing a holistic commercial banking experience, including, but certainly not limited to, seamless payments.”

In what ways do you expect to see online bill payment continue to shift and develop over the next several years, especially as businesses begin to use more of these tools for B2B payments?

“ Expansion of card products beyond expense management seems to be the trend of late. This leads to the consolidation of expense management and AP automation tools to allow users to have the same process and tools for both. The real driver for this change is in capturing more interchange revenue as well as accessing a bigger market.”

How APIs Can Help FIs Match Changing Business Bill Pay Needs

The pandemic prompted businesses to reconsider their typical payment experiences, with many CFOs and other business leaders taking steps to digitize previously manual operations. One recent [study](#) found that 76% of accounting and finance leaders said the global health crisis fast-tracked their AP digital transformation initiatives.

As more businesses turn to online channels to seek out new vendors, suppliers or industry partners, the need to innovate both consumer-facing and B2B transactions such as bill payment is becoming imperative. Recent [reports](#) predicted that U.S. B2B eCommerce sales will exceed \$1 trillion by the end of this year, making frictionless, digitally optimized bill pay a must. FIs have an opportunity to better engage and retain corporate customers by offering these solutions, which can help firms navigate the challenges they face in digitizing. One recent PYMNTS [study](#) found that 24% of large firms' B2B payments are still made via paper checks. Enabling access to seamless bill pay can

help break companies' lingering reliance on manual payment methods, freeing up both time and resources as well as helping to boost corporate clients' loyalty toward their financial partners.

This month, PYMNTS looks at the B2B bill payment challenges that many corporates still face and how companies' needs and expectations for these experiences are shifting. It also examines how supporting seamless bill pay using API technology can help FIs engage and retain corporate clients in this changing payment environment.

MEETING SHIFTING B2B BILL PAYMENT NEEDS

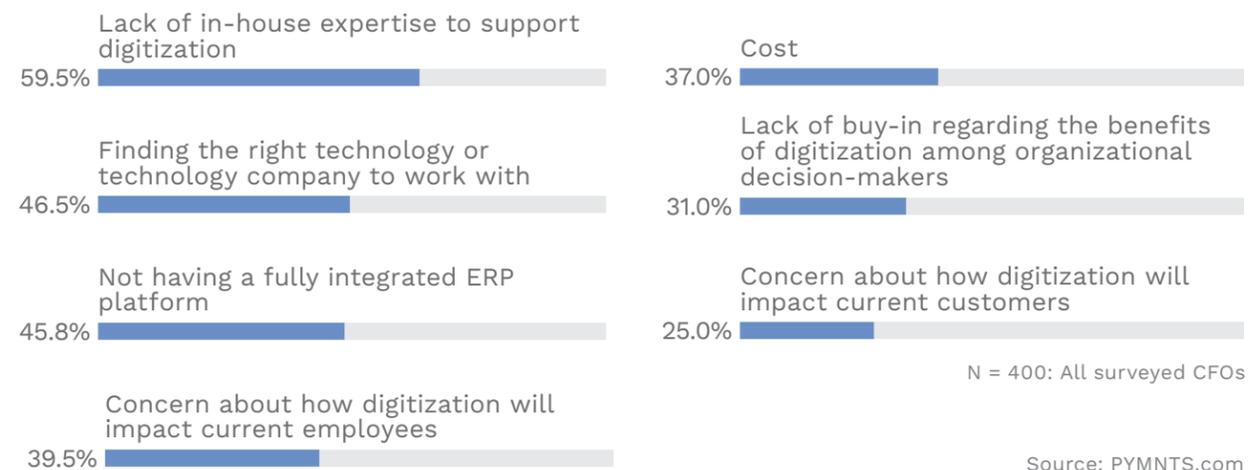
Many companies continue to depend on legacy B2B payments infrastructure that adds untenable costs and frictions to the process. A recent PYMNTS [study](#) found that 31% of banks' corporate clients cited a lack of payment options as a significant problem for their organizations, and another PYMNTS [report](#) found that businesses still struggle with payment delays. The pandemic heightened this challenge, with 74% of companies that generate annual revenues between \$25 million and \$100 million saying that the health crisis worsened their delayed payments volume.

Companies have moved to innovate their AP and AR processes accordingly, but many still face challenges in digitizing operations

with the speed necessary to keep up with their competitors. Firms have accelerated their use of electronic payment tools to streamline bill pay and other B2B payment processes, but many find it difficult to create fully digital payment flows. Recent PYMNTS [data](#) showed that 73% of companies in the wholesale trade industry are now using more automated clearing house payments, but CFOs in another PYMNTS [report](#) cited severe barriers to payments innovation. Among these were a lack of an enterprise resource planning (ERP) or treasury management system that can support disparate payment solutions and failure to find the right technology partner to help them move their digitization efforts forward.

FIGURE 1:
Barriers to AP/AR digitization

Share of CFOs citing select concerns



Banks have a key opportunity to stand out in the digital payments marketplace by offering API-powered bill payment solutions to help companies overcome these barriers. Tapping APIs allows FIs to provide the tailored, digital-first bill pay experiences their clients need both swiftly and seamlessly.

FIs' investment in APIs is on the rise as a result. Recent PYMNTS [data](#) revealed that 47% of banks and credit unions had invested in the technologies by the end of 2021, up from 35% in 2019, and 25% also noted plans to invest in APIs this year. Banks are also increasingly [looking](#) to APIs as drivers of future revenue, with 90% of FIs surveyed planning to use APIs to generate further revenue among their existing customers. FIs will want to prioritize finding the right technology partners to help them keep up with their business clients' growing needs for streamlined bill pay and other digital-first experiences.



NEWS & TRENDS

BILL PAY CHALLENGES AND NEEDS

VIRTUAL CARDS CAN STREAMLINE BILL PAY, IMPROVE BUSINESS CUSTOMER SATISFACTION

Businesses worldwide are digitizing their B2B processes in the face of shifting customer and industry needs, causing many of them to seek out digital-first payment solutions and technologies for routine transactions such as bill payments. Providing seamless bill pay experiences is one way for FIs to gain their corporate clients' loyalty as business needs shift, especially as many banks

also look to improve their customer experiences. One recent [study](#) found that only 9% of FIs would describe their current customer experiences as "excellent," for example. Implementing digital-first payment tools such as virtual cards could help banks grant businesses the easy payment services they are now expecting.



PORTSMOUTH, NEW HAMPSHIRE, TO ACCEPT CRYPTOCURRENCY FOR BILL PAYMENTS

Government officials are another group examining the potential benefits of emerging bill payment methods and tools. Residents of Portsmouth, New Hampshire, will now be able to pay outstanding debts to the city via cryptocurrencies such as bitcoin, according to recent [statements](#) from Portsmouth mayor Deaglan McEachern. Residents with PayPal mobile wallet accounts will be able to utilize any virtual currency stored in the wallets to pay those bills, the statement continued, with the aim of giving city residents more flexible payment options. Residents' cryptocurrency payments will be converted immediately into U.S. dollars upon receipt, McEachern continued. This development illustrates the growing comfort with cryptocurrency as a payment tool.

NEW TECHNOLOGIES AND TOOLS

APIs CAN HELP BANKS OFFER RISK-AS-A-SERVICE SOLUTIONS

Banks' use of APIs is becoming more commonplace, enabling easier connections not just between FIs and their corporate clients but also between different departments within banks themselves. This greater connectivity means FIs now have more opportunities to develop innovations, such as "risk-as-a-service" solutions, Matt Naish, head of product strategy at FISPAN, explained in a recent PYMNTS [interview](#). FIs' know your customer and know your business processes are becoming increasingly sophisticated, and APIs can allow banks to offer these solutions to help their clients better determine if transactions are legitimate.

FIs must solve the API integration gap before this can occur, Naish said. Sixty-four percent of companies recently noted they lack full integration between their treasury management and ERP systems, for example — a shortcoming that needs to be resolved before FIs can streamline their own offerings. Ensuring further collaboration via APIs is one way to do so at scale, enabling greater innovation as well as connectivity for banks and their corporate clients.

APIs BECOME CORPORATE BANKING COMMUNICATION STANDARD

APIs are also becoming the main technology companies are using to communicate with their banking partners. One recent [study](#) found that firms are now about three times more likely to connect with their FIs via APIs than by interacting with them face to face. Companies are also taking steps to digitize more of their internal processes and client relationships, the study noted, placing an increased value on seamless transactions and banking experiences.

Many companies nevertheless still lack access to the convenient digital tools they need to manage their own operations easily. The report found that 70% of construction firms currently do not have access to omnichannel cash management tools that enable flexible spend management. Tapping APIs to provide seamless spend management and bill pay could give banks a competitive edge in gaining corporate customer loyalty.



COMPANIES ANTICIPATE API BUDGETS TO INCREASE IN 2022

Many companies are also planning to expand their use of APIs throughout the year, with firms predicting that their organizations' API budgets will grow accordingly. One recent [study](#) found that 57% of technology leaders at corporates said that 60% of their current projects focus either on building out new APIs or increasing access to the technology. The report also found that 79% of leaders expect to see their API budgets grow in 2022, with 64% expecting them to rise as much as 25% by the end of the year. This finding suggests that APIs are becoming more important to firms in their daily operations, including bill payments and other B2B transactions. Ensuring that they are offering API-connected financial and payment services is thus critical for today's FIs.

Bringing seamless bill pay to businesses

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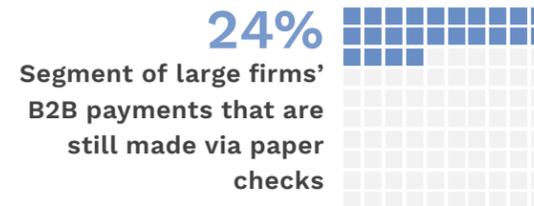
FIs must move to offer easy, digital-first bill pay solutions to their customers to keep and further engage corporate clients.

Corporates remain hampered by outdated technology.

Many businesses report a continued reliance on manual payment methods or outdated infrastructure for their billing and financial needs, hampering their ability to manage cash flow in an increasingly digital environment.

Companies are seeking out digitized bill pay solutions.

Companies are searching for more streamlined bill pay solutions following the shift to remote work during the pandemic, with decision-makers placing a higher value on digitization.



APIs can help FIs bring innovative bill pay to corporates.

FIs seeking to engage and retain corporate clients must move to offer bill pay solutions that meet companies' changing needs, making the role of technologies such as APIs and automation crucial.



87%

Share of billing and collections officials who believe digitized payment offerings will help them engage new customers



70%

Portion of CFOs who are currently moving to digitize their organizations' payment processes to increase customers' lifetime value



51%

Portion of billing and collections professionals at utility and consumer finance companies who believe it is "very" or "extremely" important to digitize their bill pay capabilities

66%

Portion of FIs that believe digital B2B payment processes are "very" or "extremely" important

64%

Share of banks that are either "very" or "extremely" willing to adopt new technologies to aid the consumerization of B2B payments

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ABOUT



FISPAN’s contextual business banking platform makes it simple for banks to offer commercial banking services embedded within ERP and business applications. FISPAN enables banks to provide a best-in-class commercial banking experience by removing friction and adding value to the systems clients rely on to run their businesses every day.

For more information, find us at www.fispan.com.

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