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5 B2B Finance Trends to Watch in 2021

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There might be some big shifts in back-office financial processes in 2021, propelled in a large part by the global pandemic and remote work requirements. That's according to new tech company MineralTree, which makes accounts payable and payments automation solutions.

Annual B2B payment volumes in the US are estimated at approximately $25 trillion. The high invoice volumes associated with those payments can create big operational challenges for under-staffed finance teams. Many have been slow to tackle these challenges – either due to the cost and complexity of available solutions, or simple inertia. In fact, less than 30% of small and mid-sized businesses have automated processes like accounts payable, happy to stick with their existing way of doing business. Until now.

"COVID exposed the huge inefficiencies in many firms' paper-based financial processes," said Vijay Ramnathan, president of MineralTree. "The challenges of managing the finance function remotely; the pure impracticality of paying bills with paper checks; the potential for new forms of fraud; the lack of control over cash flow; and all the unnecessary time and cost involved, have dramatically accelerated companies' payment digitization efforts."

Ramnathan and MineralTree expect businesses, especially mid-market and mid-enterprise, to build on those digitization efforts to do a lot more than replace paper checks. Here are five big trends he believes will change business's payment processes and the finance teams that manage them in 2021.

1. **Cash (Flow) Rules**

2021 will be all about cash management and financial planning for small and mid-size businesses. Having visibility into cash position at any point in time and pinpoint control over when invoices get paid will be a huge advantage, but getting there will require the right digital tools.

2. **Paper Checks Near Retirement**

It's taken a while, but digital will dominate business payments by the end of 2021. At the start of 2020, more than 60% of payments made by small and medium-size businesses were still made by paper check. Businesses will ditch that habit in a big way. Expect a big reduction in the share of business bills paid by check in 2021, especially in the middle market, where the inefficiencies are multiplied by the increased volume.

3. **Virtual Payment Cards Get Preferential Treatment**

There was a lot written about Virtual Cards in 2020. These unique 16-digit card numbers, created for a single-use between a payer and a payee, are highly secure and now as widely accepted as other common payment forms. The security aspect is critical — as many as 74% of businesses in the US saw an increase in check fraud exposure in 2020, according to the Association of Financial Professionals (AFP). That compares to just 3% for Virtual Cards. In addition to their security benefits, businesses that use Virtual Cards can take advantage of valuable rebates to generate extra cash. Maybe most important though, is the added visibility and control they give businesses over their cash flow. For all these reasons, Virtual Cards will go to the "top of the wallet" and become a preferred payment method for businesses in 2021.

4. Businesses Choose Payments-as-a-Service over BPO

Digitizing payments has been seen by many as primarily a business process challenge best solved by building largely custom technology solutions to automate a manual workflow. That has been a stumbling block for a lot of businesses that are not interested in the complexity and unknowns of a business process outsourcing or systems integration project. In 2021, ready access to cloud-based, Payments-as-a-Service solutions will give businesses the ability to automate the entire end-to-end invoice-to-pay process "out-of-the-box" with flexible and easy-to-use workflow management, automated invoice/PO matching and approval routing, e-payments tailored to supplier preferences, and easy connection to a wide variety of different financial systems through APIs or pre-built connectors. These capabilities coupled with the fast time-to-value of these packaged services remove many of the obstacles to AP automation.

5. Fintech and Financial Institutions Make it Official

Almost every new fintech talks about disrupting incumbent financial institutions (FIs) when they launch. It sounds interesting and provocative, but the reality is fintechs and FIs need one another. There has been a slow awakening in the fintech community that they will be more successful by collaborating vs. competing. Incumbents like banks, card schemes and payment processors offer scale while fintechs offer speed and innovation. The reality is very little money moves without the involvement of the big incumbents. Together, fintechs and FIs have a much better shot at improving the way finance works. Expect to see a lot more collaboration in 2021, to enhance the digital services incumbents can offer to customers, and to extend the reach of fintechs.

"Advances in easy-to-use Accounts Payable (AP) automation technologies and the enormous benefits that come with them, coupled with the impact of COVID and extended remote work requirements, will dramatically accelerate the adoption of digital technologies in the finance function and deliver tremendous value," added Ramnathan. "It's no longer a nice to do for businesses of any size. It will be core to how companies operate and compete."

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