

Digital payments transformation: Trends and tips to stay ahead of the curve



Through disruption, innovation continues. This is especially true of digital technology, which has been increasingly transforming the way consumers and businesses transact. Even before the pandemic, digital technologies were gaining widespread popularity, which has only accelerated.

Today, a mere **7% of the \$120 billion** in B2B payment volume is conducted digitally. That low number is perpetuated because of legacy systems, outdated technology, and siloed approaches to accounts payable processes. Despite that, multiple studies estimate the **number of cashless transactions** will double or triple across regions by 2030.

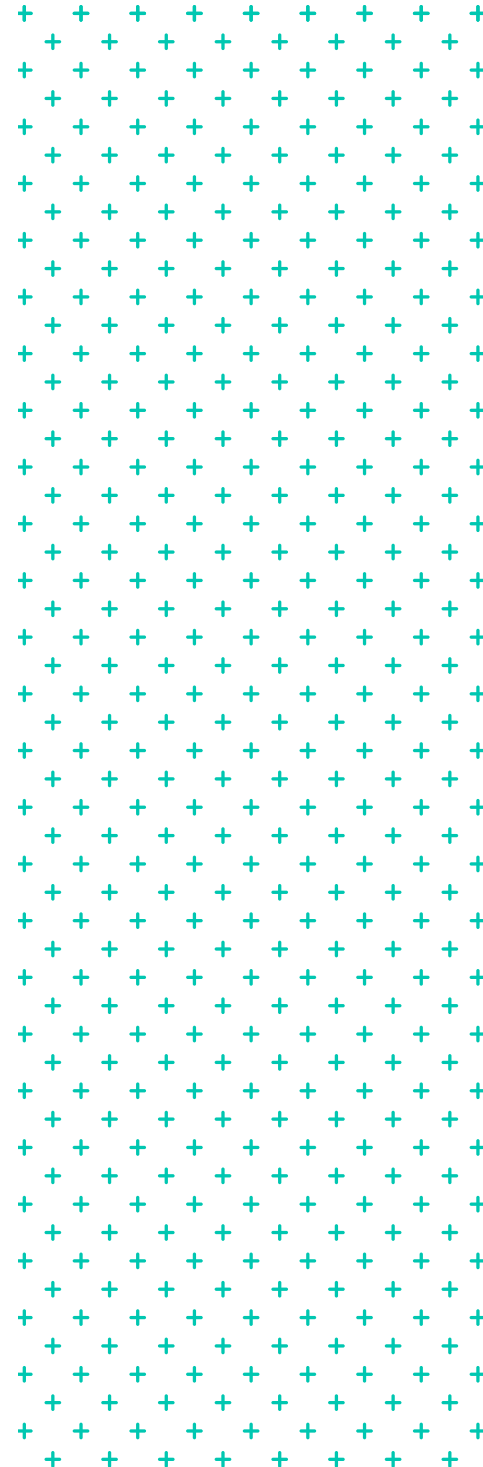
But what does digital transformation really mean in terms of payment methods? How is it beneficial? And what lies ahead?

What is the digital transformation in payment methods?

Digital transformation as a term applies to a wide range of industries. Essentially, it's the adoption and integration of digital technologies by an organization to innovate and add value to current products or services. For digital payments, transformation involves integrating digital technologies and innovative solutions into the way financial transactions are conducted. With that, the ultimate goal is to move away completely from traditional cash- and other paper-based transactions.

Digital payment transformation is mainly driven by advances in technology and changing consumer preferences, putting pressure on financial institutions to adapt to the digital age.

WEX worked with (E) BrandConnect, a commercial arm of The Economist Group, to survey several hundred executives in the financial services sector to investigate payments, and found that they had reached a tipping point. The findings show both opportunity and peril, highlighting a stark reality: Financial services companies that don't adapt may not survive.



The value of digital transformation in payments

As some businesses remain resistant to adopting digital payment technology, they may be unaware of the value that these new, innovative technologies bring.

Here are just a few of the benefits of digital transformation in payments:

Digital agility makes businesses resilient

Disruption is an umbrella term for unexpected events or changes that can negatively impact day-to-day operational efficiency. The pandemic comes to mind as a significant example of disruption where digital transformation, and digital payments specifically, became a far more serious focus for businesses. When transactions couldn't be conducted in person, digital payment technology made sure people could still pay — and get paid.

For disruptions like these, digital payments prove invaluable in helping organizations carry on business as usual, even through mass disruption.

Modernization is critical for customer satisfaction

Respondents to the WEX/Economist study reported that modernizing technology/platforms for their customers was a number one priority. This suggests that companies will continue to evolve their payment practices alongside advancements in technology.

Payment technologies are continuing to develop, and companies who want to provide the best service to their customers need to stay on top of these changes in order to remain competitive.

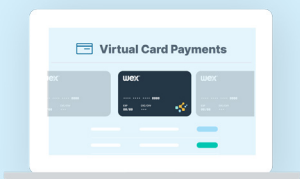
Digital payments technology adds new sources of value

Many companies that were surveyed as part of the WEX and (E) BrandConnect study say they are leveraging payment technologies to innovate new sources of business value. Seventy-four percent reported that they are well down the path to evolving their B2B payment solutions and, in the process, are providing new opportunities for their businesses to improve the bottom line for their customers.

The top priorities respondents are pursuing include:

- E-billing
- E-invoicing
- Real-time fraud detection
- Reducing fees by optimizing payment terms and processing times

Further, 83% of respondents are developing new sources of value through payment technology which has delighted a vastly more satisfied population of customers.





Payment innovation offers a competitive advantage

Sixty-one percent [of businesses](#) say that real-time payments give them a competitive advantage over their competition — and they're right.

Adopting digital payment innovations helps streamline processes, enhance efficiency, reduce costs, and improve the overall customer experience.

Here are just a few of the benefits you can expect:

- **Faster payment processing:** Digital payments are often processed in real-time or near real-time, effectively reducing the amount of time it traditionally takes to reconcile payments.
- **Reduced transaction costs:** Many digital payments have lower processing fees compared to credit card transactions and paper-based payments.
- **Better cash flow management:** Reducing clearing time, real-time monitoring, automated reconciliation, and improved forecasting via access to historical transaction data are all conducive to a more optimized cash flow management process.
- **Global reach and cross-border transactions:** Digital payments make it easier and more cost-effective for individuals and businesses to complete international transactions. That's because they often reduce the challenges and fees associated with cross-border payments.

Businesses that offer seamless and convenient payment options to their partners and customers stand out in the market. This can lead to increased trust, loyalty, and repeat business. Transforming supplier payment solutions offers customers more value in the form of:

- **Greater agility**
- **The opportunity to grow market share**

Accenture predicts a massive shift from cash-based to digital transactions, worth about [\\$48 trillion by 2030](#).

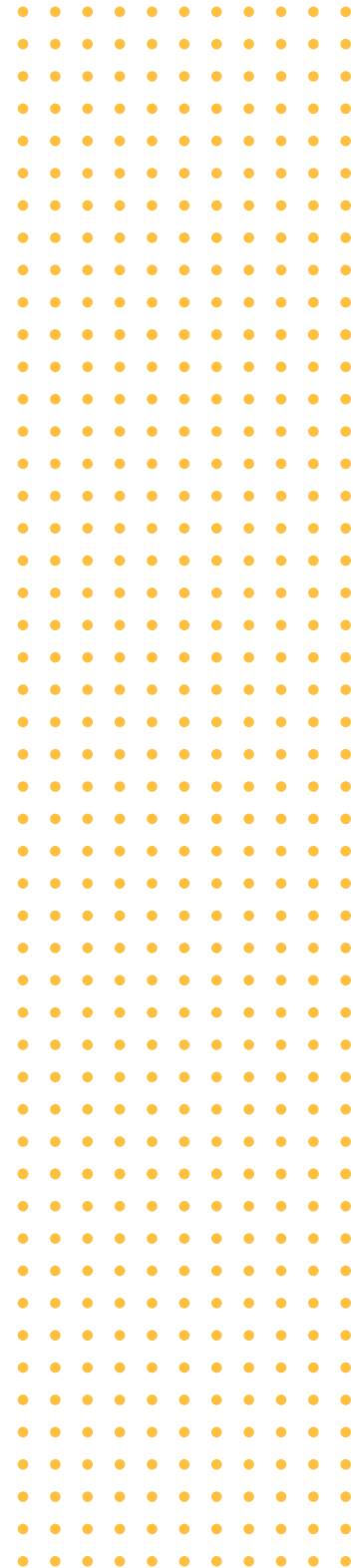
Payment trends to know about

Digital transformation affects more than just payments, and lately, it's rocking the banking industry in a big way.



Open banking

This innovation in the financial industry, while not inextricably related to payments, will change banking on a fundamental level. Open banking involves the sharing of financial information and data between different institutions, such as banks, with the consent of their customers.





Through the use of application programming interfaces (APIs) and other technologies, the primary goal of open banking is to increase competition and innovation in the financial industry by allowing third-party financial service providers to access a customer's financial data and initiate transactions on their behalf.

With open banking technology, payment service providers can initiate payments directly from a customer's bank account, enabling services like direct debit and mobile payments.



Artificial Intelligence (AI)

AI can be applied to payments in myriad ways. However, perhaps the most valuable include its ability to speed transactions, enable real-time fraud detection, and automate approval processes.

Staying ahead of the curve

For any company looking to stay ahead of the digital payments curve, their focus should be on what their customers (and their customers' customers) need. This may require investing in focus surveys to take a deeper and closer look at their customers' evolving needs and priorities.

The more companies can communicate with customers as they develop payment technologies, the happier they will be with the outcome.

No single organization can drive transformation in isolation. Payments are, by their nature, dependent on agreements between multiple parties. It is in this connective system of payments, where the global economy's value chains are forever intertwined, that digital payments transformation will sustain change far into the future. Companies that seek to compete in an ever-evolving digital world will want to embrace the invaluable new technologies at hand and watch as the positive results accumulate.

Learn more about how [WEX payment solutions can be tailored to your business](#), so you can operate easier and faster while creating lasting growth and success.

For more information about corporate payments, visit the [Payments 101 resource hub](#).



Resources

[MVP](#)
[PwC Global](#)
[PYMNTS](#)
[Accenture](#)