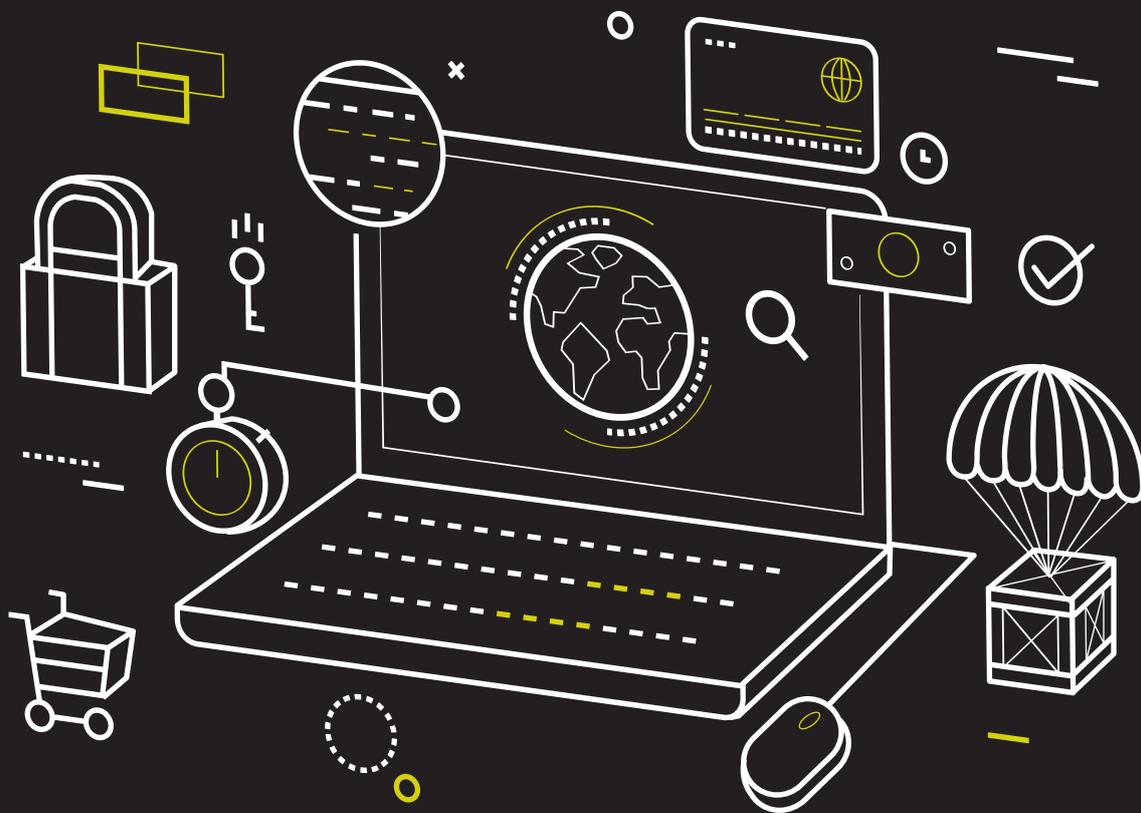


B2B Payment strategy

Everything you need to know
about the payment process in
B2B eCommerce

Interviews with experts from
PayPal, Mastercard, Visa,
AfterPay and more.

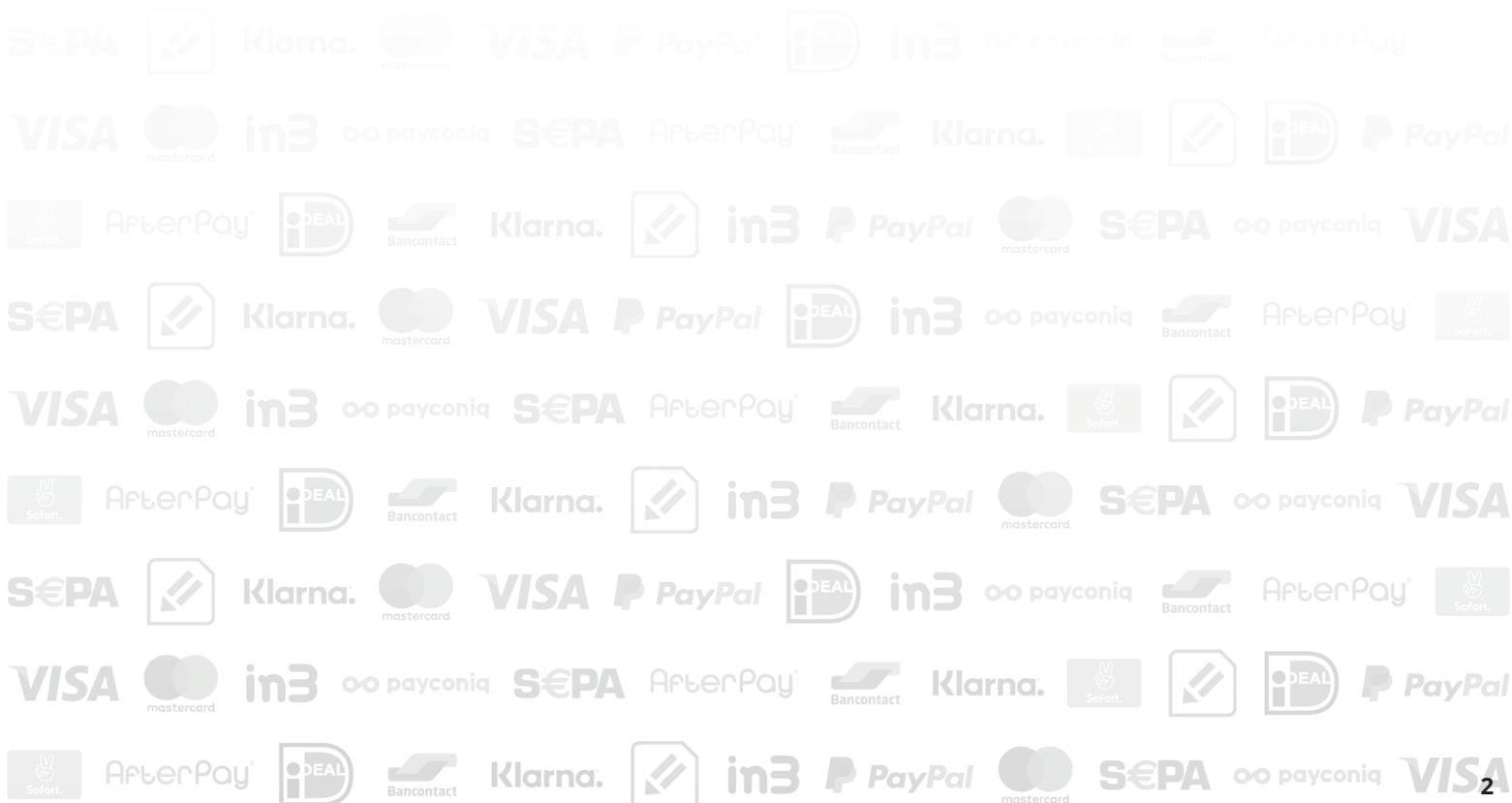


BUCKVROO

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INTRO

A shift in consumer behaviour

People do their shopping online. Businesses aren't any different, they want to order, tender or buy quick and easy online as well. Yet shopping is a different ballgame for consumers then for businesses.

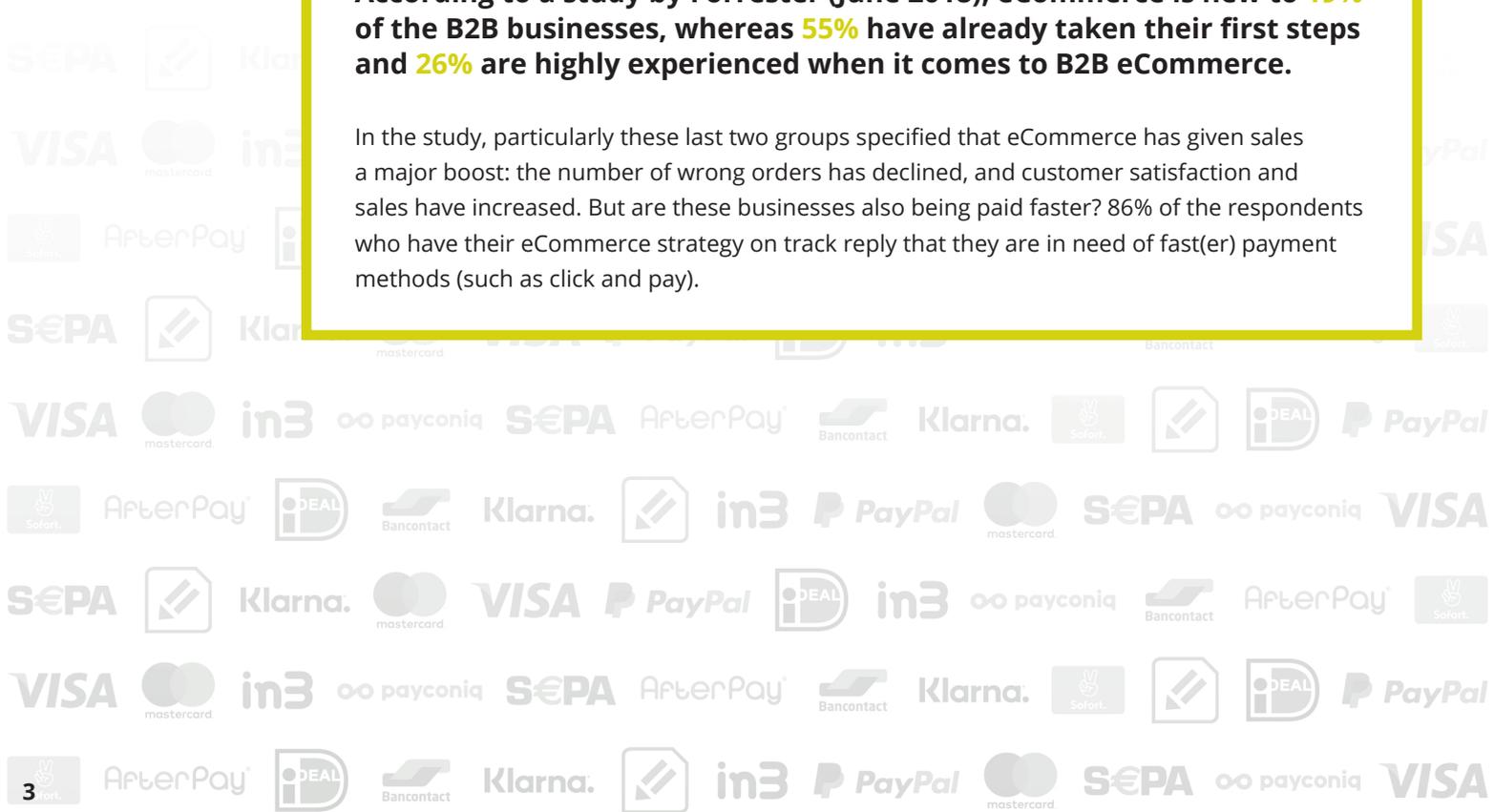
Businesses often have multiple decision-makers and payments are usually made on account (and not by iDEAL). These are among the important aspects to be taken into consideration when choosing a payment strategy for a business-to-business online store.

For businesses with over 500 orders a month, a digital purchase process (also taking cost of sales into account) is no longer a nice-to-have but an absolute must. Therefore wholesalers, DIY-stores and business services display their products or services more often online. **The old fashioned catalogue and order sheet are being replaced by a digital environment.**

If there's a digital shift in the order process, the payment method would preferably shift as well. Which payment method does businesses prefer? And how does your business like to be paid? In short. What's the ideal B2B payment strategy?

According to a study by Forrester (June 2018), eCommerce is new to 19% of the B2B businesses, whereas 55% have already taken their first steps and 26% are highly experienced when it comes to B2B eCommerce.

In the study, particularly these last two groups specified that eCommerce has given sales a major boost: the number of wrong orders has declined, and customer satisfaction and sales have increased. But are these businesses also being paid faster? 86% of the respondents who have their eCommerce strategy on track reply that they are in need of fast(er) payment methods (such as click and pay).



Do businesses also pay with iDEAL?

How do businesses prefer to pay? That's a question B2B parties often struggle with. Which payment methods should your business offer? Do Dutch businesses actually pay with iDEAL? Well, they mostly don't, but sometimes they do. In B2B, payments are usually made by bank transfer or credit card. Or by using a business PayPal account that is often linked to a business credit card.

They sometimes do but prefer not to. They still prefer payment on account or paying bills.

Do businesses also pay with iDEAL?

But how do I digitize the purchase and payment process?

Currently there are over 40 payment methods. So which particular B2B payment method suits your business most? Here's what the experts think.

The familiar 'payment on account'

Most businesses prefer payment on account. There's a credit check for new customers and/or they have to make a down payment for their first order in advance. This is a lengthy payment process that doesn't really fit a quick and easy online shopping experience.

Do businesses also pay with iDEAL?

In the Netherlands, 57 percent of online payments are made with iDEAL. It is by far the most popular payment method amongst consumers. But do businesses also pay with iDEAL? Pieter van Walsem, owner of webshop Staalkabelstunter: 'Approximately 30% of our orders are B2B orders. These are usually paid with iDEAL or by bank transfer. We also offer PayPal.'

When do businesses pay with iDEAL? Is it mostly restricted to the payment of small order volume? Van Walsem: 'The purchase amount doesn't really matter. When businesses need the merchandise on short notice, they'll pay with iDEAL. Often the staff will even pay the bill in advance.'

Payment behaviour

Want to open a B2B webshop or set-up a digital purchase environment? Then don't restrict yourself to just one single payment method but offer several payment methods during check-out. For example: bank transfer, PayPal, iDEAL, Mastercard, Visa, post-pay and possibly foreign payment methods such as The Belgium Bancontact or German Sofort. Your customers' payment behaviour will automatically reveal the preferred method.

However, we need to look beyond just payment methods and take payment strategy as a whole into account. In B2B you need to ensure good preparation: do you know who you're selling to? Regarding 'bill payment', identification and authentication are crucial to payment security. And what should you do when the customer does not pay after all?

The fact that iDEAL is a direct payment method could be a major positive for the seller but also for the buyer during the check-out process. Because payment is received directly, orders can be delivered the very next day. Which is a must for many businesses. Pieter van Walsem: 'In general, business orders are more well-planned than orders placed by customers. If the order hasn't arrived the very next day, businesses will surely write a negative online review, and rightly so.' Nevertheless, iDEAL is mostly used by customers. This payment method is not suitable for every business payment. Which has been confirmed by Currence (the business behind iDEAL).

PAYMENT METHODS

Global business payments with PayPal

PayPal is a global well-known and accepted payment method. In the Netherlands, PayPal currently has 1.7 million users. It is the third most popular payment method after iDEAL and credit card. (According to Thuiswinkel Marktmonitor, 2018)

Is PayPal a suitable payment method for B2B payments?

'Definitely', says Jan Willem Roest, Country Manager PayPal Nederland. 'With PayPal, businesses can initiate or receive quick, safe and easy B2B payments. Our B2B payment solution is available in 203 countries.' Buyers can click and pay, without having to fill out a payment form with every new payment. Not only speed and convenience are important driving forces, but security as well. PayPal does not only protect buyers but sellers as well (Seller Protection).

'Our B2B payment solution is available in 203 countries.'

Jan Willem Roest,
Country Manager Netherlands at PayPal.



Before accepting new customers (private and business customers), PayPal conducts a thorough 'know your customer' research. When a seller fails to fulfil his obligations (for example deliver the ordered product on time in accordance with the general terms), a customer can make a chargeback. Jan Willem Roest: 'In reality, we've noticed that buyers and sellers contact each other in case a product hasn't been delivered on time and in general will agree upon a solution. So there is usually no need for a chargeback.'

Pay on invoice or on delay? You can do so with PayPal by means of the 'authorize and capture' method: the amount is reserved and only released until the order has been delivered.

Which is an ideal solution for wholesalers and DIY

stores. PayPal can also be used as a payment method for direct debiting, for example for business subscriptions.

Unlike with iDEAL, the Belgian Bancontact or the German Sofort, you pay a percentage over the PayPal transaction instead of paying a fixed price. This percentage depends on the amount that is being paid. Which can quickly add up in B2B. On the other hand, PayPal does offer secure and quick payment. Moreover, using PayPal enlarges your range (and conversion) on the international market.

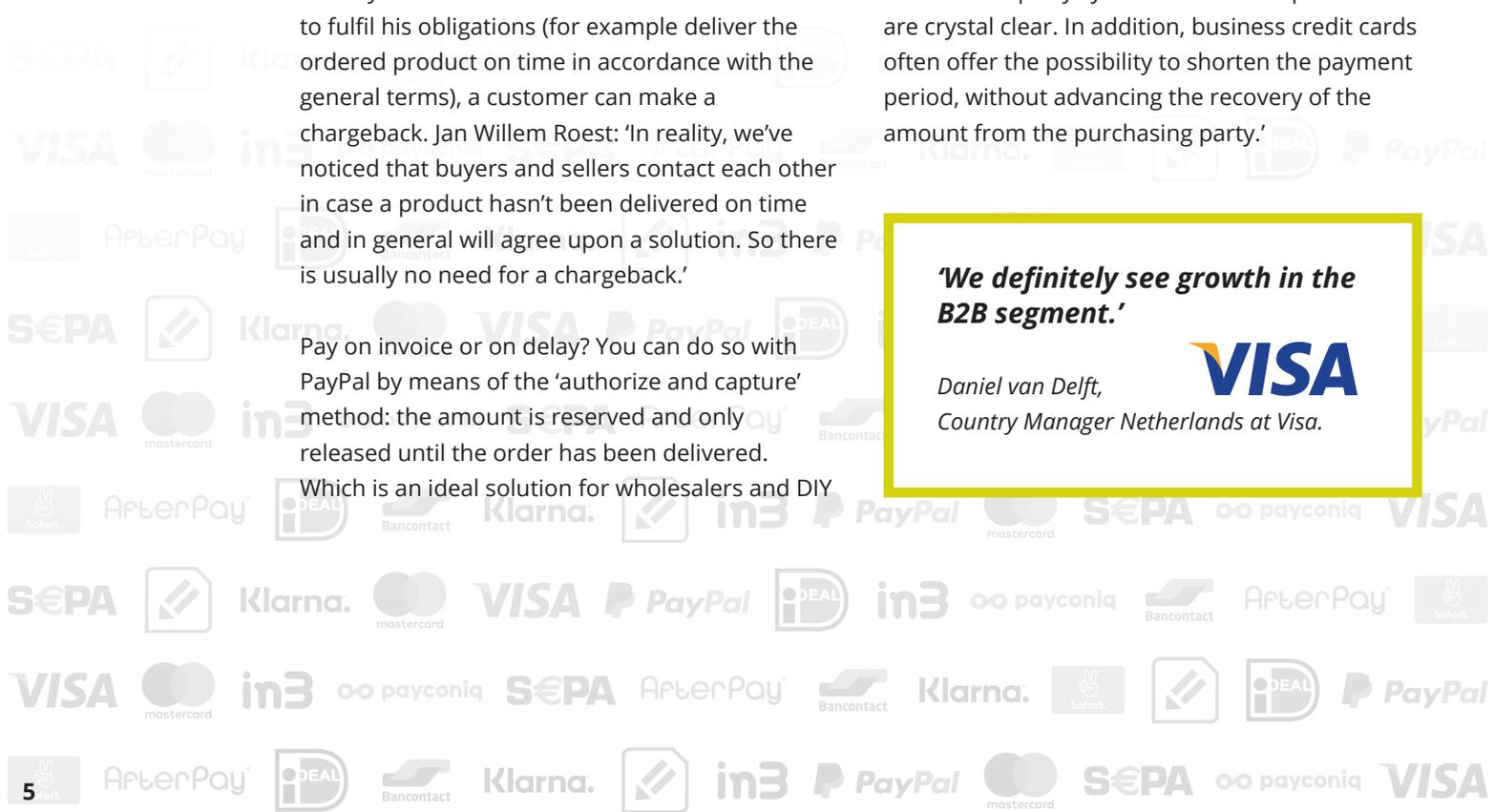
Safe business payments with credit cards

Daniel van Delft, Country Manager Netherlands at Visa, definitely foresees growth in the B2B market. 'To be honest, there's still room for the ideal B2B payment method', says Van Delft when asked whether he considers credit cards, and specifically Visa, as a B2B payment solution. 'At Visa, we've definitely experienced a growth in the B2B segment. We've noticed that businesses want more security. Payment methods that reduce the chance of fraud are becoming more popular. Specifically in the Small Medium Enterprise (SME) channel.'

Mastercard seems to agree on the subject. Joost Boelaars, Director Product Sales: 'The most important advantage of a B2B credit card payment is that transactions are made within a controlled 4 party system and that responsibilities are crystal clear. In addition, business credit cards often offer the possibility to shorten the payment period, without advancing the recovery of the amount from the purchasing party.'

'We definitely see growth in the B2B segment.'

Daniel van Delft,
Country Manager Netherlands at Visa.



PAYMENT METHODS

Daniel van Delft: 'Visa is definitely suitable for B2B. Visa has three driving forces: cashflow management, extensive reporting (which can be categorized by merchant) and guaranteed payment.'

Daniel also envisions a future for the debit card in B2B: 'A solution for SME customers that do not see the need of getting a credit, but that do want to have the benefit of the advantages of a Visa Business Card.'

Customer-friendly post-pay

When you make pay by invoice, you post-pay. Post-pay has not only had a huge boost as an accepted payment method and has become more popular but is also mandatory to obtain the Stichting Thuiswinkel certification. Until recently, post-pay was not a commodity in The Netherlands. Online shopping was mostly paid directly in B2C as well as B2B. Because they didn't know who exactly they were doing business with, many online stores didn't dare to offer post-pay as a payment method. Post-pay methods like AfterPay, Klarna and AchterafBetalen (Focum) now provide a solution. They take over the risks involved with payments by bill, thus unburdening retailers. But are they active players on the B2B market?

Robert Bueninck, General Manager Benelux at Klarna: 'We provide B2B-solutions in Germany and the Nordics. But not in the Netherlands.'

Focum recently launched SmartPurchase, a payment method that allows businesses to buy and post-pay via a business card. This was first introduced at DIY-specialist Hornbach. A Focum spokesperson: 'At Hornbach, the card is only available in the B2B segment and is restricted to a limited amount. Purchases within this specific limit can be post-paid.'

Redmer de Vries, Business Development Manager AfterPay: 'AfterPay definitely facilitates B2B

'Post-pay is becoming more popular amongst customers, but has been the preferred payment method for business customers for much longer.'

Redmer de Vries,
Business Development Manager AfterPay

AfterPay®

payments. We accept the risk and take care of the billing process.' Business customers can pay with AfterPay up until an order value of €1,000,-. Bills can be paid until 30 days after the billing date.'

For businesses, payment of the AfterPay bill takes place via bank transfer. Customers on the other hand pay via iDEAL.

Payment in installments

There are direct payment methods. And there are post-pay methods. In3 (previously Capayable) is a combination of both. With In3, the customer pays the first installment directly in the webshop, the second installment after 30 days and the third installment after 60 days.

The difference with other post-pay solutions? Patrick van de Graaf, founder of In3: 'Payment in installments reduces fraud, because fraudsters simply refuse to pay a first installment. Moreover, the checking account is verified straight away.'

'What does In3 check with regard to payment by installments in B2B?'

- **PD-rating:** the chances of non-payment, based on annual account, payment behaviour and demographic features of a business.
- **Credit limit:** temporal value judgement based on the annual account.
- **Payment score:** outlines to which extent an organization pays its bills on time, based on experiences from other suppliers.

in3

'The payment method is very suitable for B2B, because it is not necessary to run your own a credit report. There's an instant credit check in our payment solution.' How does that work? The buyer fills out its Chamber of Commerce number (KvK-nummer) and pays the first installment directly via iDEAL. There's a bill for each (next) installment, if necessary with specified data such as a purchase order number or other specifics. All private companies get a credit check. A consumers' credit check is given to payments made by one-man businesses or general partnerships.

PAYMENT METHODS

For which types of B2B businesses is In3 suitable? Currently, DIY stores, office suppliers but also catering businesses use In3.

Mobile payments

Direct payment from your mobile phone is becoming more popular. Tikkie has become mainstream when it comes to peer-to-peer payments. Payments via QR are becoming more of a commodity.

Apple Pay and Google Wallet aren't available yet in the Netherlands. But apps like OK! and Payconiq (both launched in 2018) will probably gain ground. B2B will have to wait a while longer.

Sander Boonzaaijer, Marketing Manager at Payconiq: 'Currently, our focus is on B2C payments. We also offer the possibility to pay P2P payments to you and your friends.'

Transfer (via payment link or QR-code)

In general, businesses send each other invoices. Currently, bank transfers are the most common way to pay. The client copies the IBAN number and ascription, accompanied by the correct payment reference. This involves manual labour with the risk of typing errors.

Quick win? Send a digital payment request along with the bill. How? Send a payment request by email accompanied by a payment link or pay button. Or send the customer a bill by post with a QR-code, which for example leads to a payment page where customers can select the preferred payment method themselves.

Another option is an iDEAL QR-code. After scanning an iDEAL QR-code with their smartphone, the buyer enters an e-banking service environment of their own bank where all payment details are already filled out. All

customers must do is click on the 'Accept and Agree'-button. A regular QR-code is also an option, which will guide customers to a check-out page where they can select the preferred payment method themselves.

Want to be even more ahead of the game? Send a digital payment request and automate the payment reminder process via credit management. Thus, you avoid having to check whether payment is made, and it saves you from manually reminders made by phone, e-mail or post. Which saves a lot of time and effort. More about this later.

Direct debit and digital direct debit

Direct debit via SEPA Direct Debit is just like iDEAL a guaranteed payment method, be it with an even wider range. It's available not just in the Netherlands but in all SEPA-countries (European).

Combined with an eMandate* this is currently the preferred payment method in B2B. Sellers do not passively have to wait for their money in the bank but can initiate the transaction themselves. Post-pay is an option. In addition, payment via direct debit is perfect for recurring payments and can be combined perfectly with subscriptions.

Direct debit is also ideal for the payment of an invoice in installments. Imagine billing an amount of €1200,- in equal parts of €100,- on a monthly basis. Sending payment requests will be very time-consuming. The solution? Prepare a direct debit batch with 12 assignments to collect €100,- twelve times in a row. Combine this with credit management. Does direct debit fail? Then you can intercept a failed payment with a new direct debit attempt or use an alternative payment method (for example by using a payment link sent by email).

**eMandate: also called digital payment by direct debit.*

A solution that anchors a payment agreement. As a result, direct debits in B2B cannot be reversed.

Who is your customer?

**How do you know whether a business is trustworthy?
How do you adjust your payment process accordingly?**



You can use the traffic light payment system: use a green light for businesses that have already proved to be reliable when it comes to payments. Use a yellow light for customers you're not so familiar with and a red light for unknown buyers.

Customer groups

B2B parties often have a recurring customer base. Of course, it is not necessary for regular customers to follow the same payment procedure as new customers (use the traffic light payment system). Moreover, bulk pricing, price and payment conditions have often been agreed upon. By logging into an eCommerce environment, the payment method can be tailored for each customer or customer group. You could for example request new clients to make a downpayment on the total amount via iDEAL. Foreign customers can be requested to make a downpayment or a temporary reservation by credit card. Existing customers can be offered the opportunity to post-pay, via a payment link or transfer. Segmenting customer groups while deciding which payment method to use, makes your B2B payment strategy smoother and much safer.

Security

Services often use post-pay via direct debit. No payment? Then the provider can simply stop offering their service. There's just a delay in payment but nothing more. It however gets more complicated when a product has already been delivered or used and the customer doesn't pay.

On the other hand, products are tangible and can be given a guarantee more easily. Customers have either received the product or not. Whether customers are satisfied with a service is however up for discussion. That's the reason why PayPal only offers Seller Protection on products. In3 (payment in installments) also prefers the selling of products in order to guarantee the security of their payment method.

Verification, identification and authentication

Is the bank account number correct? Is the description correct? Is the account number active? You can check this information by means of a 1 cent transaction. Thereby, you can verify whether you're dealing with an existing account number or a blocked account (on the moment of payment). But beware: this is no payment agreement and no rights can be derived from a 1 cent payment. It's just a verification.

Many B2B businesses use a log-in or so-called client account. The eCommerce environment can be tailored for the customer. Buyers are being identified in advance and not just during check-out, way back in the process.

Identification can also take place via a Chamber of Commerce number, an ID copy, a bank statement or a bank card. Or the old-fashioned way, 'at the desk' or the postal service. Per email or automated onboarding. Or hypermodern, like internet bank N26 does, by connecting with customers via FaceTime on their mobile phone. Many B2B businesses (mainly government agencies) also use e-Herkenning (eRecognition).

SECURITY AND AUTHENTICATION

Tokenization

By using a token, buyers do not have to share their data each time they log-in or purchase online products or services.

A well-known example that uses tokens is the OV-chipcard (Dutch public transport chip card). Customers share personal data just once and receive their personal OV-chipcard in return. With this card, they can use public transport throughout the Netherlands. They can do so without having to log in or share banking details every single time they travel. Due to a token in the OV-chipcard, identification and payment are automatically taken care of during the check-in and check-out process.

As the selling party, you only have access to information that is necessary for starting the

transaction. This is not only convenient for the customer, but also reduces the risk that data are misused or stolen. In this time of privacy and security, tokenization is therefore worthwhile to find out whether your business deals with many recurring payments (on several touchpoints).

Payment security

Payment security is important for buyers as well as for sellers. This involves a safe check-out, but also sufficient up-time and a wide range of familiar payment methods. But payment security also involves knowing your customer, and good authentication that preferably doesn't interrupt the smooth payment process with unnecessary hick-ups. Payment security also involves having a back-up plan: what do you do if a bill hasn't been paid? What if direct debit fails (repeatedly)? What's your (automated) plan?



What to do when payment fails

Bearing the traffic light payment system in mind, you might want to consider using a different payment process when it comes to unknown customers versus regular customers. You could grant parties that have already reached the green light status more time to pay the bill than new customers. That's why demand is growing for segmented payment reminders with a customized flow, in which you can set variables such as payment term, administration costs and tone of voice to your liking.

Authentication in advance

Payment reminders can be segmented into (risk) groups. It is convenient to know upfront which customers you're dealing with and what their credit ratings are. Authentication helps with the credit check and segmentation in advance. By using segmented customer groups, you can collect payments more efficiently. You could for example use different payment flows for regular customers and new customers.

Billing and payment requests

Bills are usually made with the help of an accounting system. Different kinds of accounting software are integrated with a Payment Service Provider (PSP). The transaction is carried out by the PSP and fed back to the accounting system. You have a real-time payment overview.

When sending an invoice digitally, it has become common procedure to send a payment request by email or SMS as well. Such mails contain a pay button or payment link that leads to a secure payment page like those from online check-outs. You can often add a pay button to a bill or payment request directly from your accounting software. Of course, payment links can also be used for payment reminders.

Additional payment references

Sending payment requests by mail basically works the same for B2C and B2B. However, in B2B the

bill has additional payment features, such as a purchase order number, a Chamber of Commerce number and the right ascription. Incomplete information? Then the invoice gets lost and payment will be delayed. It is therefore of the utmost importance that the bill and payment request contain additional entry fields. Do you want these additional data to be shown on the transfer? Inform your Payment Service Provider so they can help you with the implementation of additional payment references.

Payment reminder or warning

Did payment fail? Then you (the seller) or the finance department has to take action. Bear in mind that the customer possibly isn't in the wrong, it could be that you yourself sent the invoice to the wrong (mail) address. Or maybe direct debit failed because the bank account number was incorrect or incomplete. In any case, taking care of unpaid bills can be a time-consuming administrative job. In fact, an automated credit management solution is a

Advantages of automated Credit Management for B2B

- no manual labor due to reconciliation and payment failure.
- average collection rate of 97%, which often makes using a collection agency unnecessary.
- you can handle your debtors ledger completely by yourself, but it's still automated.

must-have in the digitization process. In an effective credit management solution, things like payment term, administration costs and tone of voice are variables that can be tailored to your liking.

If necessary for each and every customer group.

The ideal B2B payment strategy

B2B eCommerce is on the rise. This industry will grow even faster within the next few years. Although currently not every business sells their products or services online, many have already begun to research their online possibilities. This increases the need to offer business customers a solution to make online purchases.

A digitization process involves more than just payments. eCommerce experts have to deal with ERP-systems, fulfillment, logistics and catalogues with hundreds up to (ten) thousands products. Thanks to the modular approach (API) of the Payment Service Provider, it is however easy to plug into already existing systems.

A B2B payment strategy (also in view of cost of sale) is no longer just a nice-to-have but in fact an absolute must. Payment is an essential part of the purchase process. We therefore urge you to seek advice about your ideal B2B payment strategy. And to simplify payment for your customers!

Special thanks for your expert input

Jan Willem Roest (PayPal), Daniel van Delft (Visa), Joost Boelaars (Mastercard), Redmer de Vries (AfterPay), Patrick van de Graaf (In3), Robert Beuninck (Klarna), Rob Hoitink (iDEAL), Focum, Sander Boonzaaijer (Payconiq), Pieter van Walsem (Waltox/Staalkabelstunter), Frank Jongenotter (Buckaroo), Erik Serré (Buckaroo) and Maurits Dekker (Buckaroo).

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With over ten years of knowledge and experience, Buckaroo is one of the leading payment service providers in The Netherlands. Buckaroo facilitates B2B payments by offering a plug & play solution. From authentication to payment, including automatic reminders by email or text message after payment failure, and with transparent reports at segmented level.

For further information,
visit www.buckaroo-payment.com



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