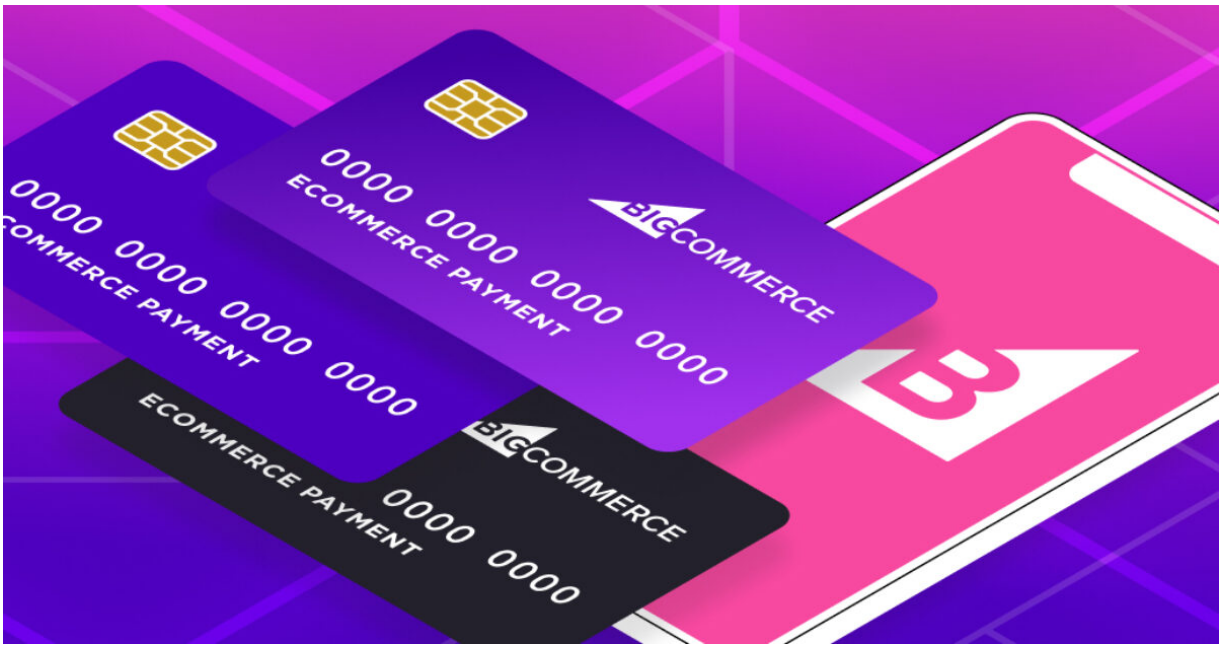
BIGCOMMERCE

B2B Ecommerce Payments Are More Flexible Than Ever



B2B ecommerce is a broad term for purchases conducted in part or entirely online between two business entities.

These transactions are typically, but not exclusively, enacted through an online portal — be it a website, an online marketplace, an electronic data interchange (EDI) system or other electronic means.

These purchases can be for anything from a $2 box of staples to large capital investment purchases.

The way these transactions occur is rapidly changing. Credit and debit card usage and bank transfers — once the go-to for ecommerce transactions — are slowly decreasing due in no small part to the growth of modern, digital options such as mobile wallets.

The B2B ecommerce industry is rapidly expanding and changing, projected to hit $1.8 trillion by 2023. That's just one reason why understanding what works – and what doesn't – in B2B ecommerce payments is crucial to a merchant's success.

Types of B2B Ecommerce Payments

Traditional trade credit.

Traditional trade credit refers to a firm extending credit terms to its buyers. It is often, but not always, managed by a third party.

Pros

- A flexible and functional experience for buyers.
- Greater options for repayment terms, with a more automated process.

Cons

- Often stuck in legacy paper and manual processes, leading to longer payment processing cycles.
- Lack of innovation could hamper modernization.

Purchase order.

Purchase orders are one of the most common ways to pay in B2B. A purchase order (PO) is an official document issued by a buyer to pay a supplier for products or services.

Pros

- PO financing is a simple process from start to finish, allowing buyers to get their money faster than classic bank loans.
- Unlike traditional bank loans, there are no long-term payments.

Cons

- PO financing companies often charge an upfront fee, which comes out as a percentage of the purchase order.
- Best as a short term solution when needing payment quickly.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

Paper checks.

An actual, physical check sent to the seller, who has to endorse it and deposit it at a bank. There are also mobile banking apps that allow electronic deposits.

Pros

- Familiar to older or more traditional customers.
- Broad usage — half of companies still use checks for business.

Cons

- Processing fees can be high.
- Checks typically take longer to arrive and deposit than most other payment systems.

Cash on delivery.

The historical option — here the seller places an order and pays in cash for it when the order is delivered.

Pros

- No annual fees — what you pay is what you see.
- Fastest way to process transactions and keep expenses at a minimum.

Cons

- Because cash is no longer the most popular option, using it can limit the amount of transactions you can make.
- Lack of credit attached to cash takes away from separate payments — everything you want, you have to pay upfront.

Credit card.

With credit card payments, the buyer charges the order and then decides how/when they'll pay back their financial institution.

Pros

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

- Ubiquitous in business communities and easy to set up for sellers.
- There are many different payment processors built with credit cards in mind, simplifying the process for new businesses and sellers.

Cons

- Security has often been a historical issue with credit card usage, from number thefts to data scams.
- Can become expensive if transaction fees aren't closely monitored.

Digital payment platforms.

Here, a buyer stores their bank account or credit card information on a digital platform or in a digital wallet and can choose the payment account when placing an order. Digital payment platforms include companies like PayPal and Venmo.

Pros

- At best, they are fast and simple — you can often use your phone to make a purchase at the register.
- International options lets you pay wherever you want, with whichever currency you choose.

Cons

- Some platforms or wallets are platform specific, allowing you to pay only from a mobile device.
- Fees for money transfers can be exorbitant if not monitored.

Bank-to-bank wire transfers.

Bank-to-bank wire transfers are an increasingly popular option for businesses. They include both ACH (Automated Clearing House) and EFT (electronic fund transfer).

EFTs are the transfer of funds from one account to another electronically, while ACH transfers are used by banks and fintech institutions to process transactions in batches.

Pros

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

- Relatively fast and secure processes.
- An excellent method for larger transactions, considering the backing of banking and financial institutions.

Cons

- With larger transactions, comes more money to monitor. Tracking and tracing these processes are a full time job.
- Oversight comes from the financial institutions and is subject to their rules and risk regulations.

Common B2B Ecommerce Payments Challenges

We live in a modern age, where technologies and businesses can transform from one day to the next.

Let's look at why some of the more common traditional payment methods are failing buyers in the digital age, preventing B2B firms from achieving their true growth potential.

The high cost of traditional transactions.

Purchase orders (PO) are one of the oldest, most widely accepted ways to conduct a B2B transaction.

At first glance, this seems like the easiest way to complete transactions. The buyer finds the products they want, submits a purchase order, and waits for delivery. The seller processes the PO, ships the products and sends an invoice.

Then the seller waits to get paid — and waits some more.

Without any update, there will be a significant gap in the seller's cash flow, which could result in an inability to make further capital investments, delay purchases and slow delivery times.

Trade credit makes purchases more complicated.

With all these complicating factors that create friction throughout the B2B buying process, it's almost shocking that many B2B and wholesale sellers continue to force buyers into using outdated payment methods —particularly trade credit.

Accepting trade credit as a form of payment requires immense resources from the seller's side. This usually includes someone in their accounting department dedicated to managing the trade

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.
BIGCOMMERCE

credit process — from accepting and reviewing applications to working with a third-party financial institution to approving applications and then following up on outstanding invoices.

Most B2B sellers often have very tight profit margins, and every minute they devote to collecting funds from a buyer eats into that margin.

But what about credit cards?

Credit cards are among the most commonly accepted forms of payment online. While they offer convenience, there are many reasons why offering credit cards as an alternative to other traditional payment methods is less than optimal.

Purchasing expensive products or services can be difficult. Even if a business has a credit card with that amount of credit available, the interest rates are often sky-high.

There's an additional risk for the merchant, too. What happens if a buyer initiates a chargeback after a purchase is delivered? In that case, the merchant is out of both revenue and the product.

The Benefits of B2B Payments Going Digital

Digital payment methods have been around for over a decade, primarily in B2C industries. However, there are a number of benefits for B2B firms to make the transition to digital, including:

Instant B2B Payments reduce complexity.

Implementing B2B payment technology solutions can dramatically reduce transaction friction, costs and risk.

Using sophisticated algorithms, flexible payment solutions integrate directly into the checkout process, streamlining the entire experience. Instead of forcing the buyer to download and complete a full-page form — as many trade credit applications require — a handful of questions can identify a buyer's creditworthiness.

From there, the system determines with real-time automation how much credit the buyer has access to and the payment terms. Where integrations like this exist, buyers can receive credit approval in seconds.

By integrating a high-speed system to check and approve credit lines, sellers can dramatically reduce the friction inherent in a B2B purchase while increasing the number of buyers who complete purchases.

Better data equals higher revenues.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

Sellers can get far more, higher quality data from payment technology solutions than traditional trade credit or even credit cards. They can use this to remarket products and services to existing customers.

For example, they can segment their customer base around the amount of credit each customer has access to and develop segment-specific campaigns.

For customers with a smaller credit line available, a merchant might offer specials on lower-cost items that the buyer may need regularly. Customers who use their line of credit for higher-cost capital investment purchases can use their credit line to entice the buyer with complementary products and even services, such as maintenance packages or service agreements.

In other words, the line of credit doesn't have to be used solely for purchasing products and can be leveraged to entice buyers into spending more.

What to Consider When Choosing B2B Ecommerce Payment Methods

As with anything related to ecommerce, it's a good idea to consider all your options before implementing one in particular. What you sell, your business model and cash flow all have important impacts that should influence your thinking.

Product offerings.

Are you selling a physical product, a service or a combination of the two?

This is an important question because most buyers are comfortable paying for products upfront since this is the accepted manner of payment in B2C transactions.

However, B2B buyers may be more hesitant to pay for services entirely upfront, given that they expect an outcome from receiving those services before paying. That said, it's common for service businesses to request a deposit before any services are performed.

Luckily, there are flexible payment options available that can help many types of businesses.

A leading open SaaS ecommerce platform, BigCommerce offers flexible B2B payment processing options for any type of business — whether you are B2B, B2C, B2B2C or work in wholesale.

Customer credit management.

Merchants internally managing a trade credit program must devote resources to collecting and processing applications, sending invoices, and following up on late payments. These activities

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

are often labor-intensive and require a significant human resource investment.

What's more, extending trade credit can lead to stress on a business's cash flow. Orders need to be fulfilled before payment is received — meaning that the merchant has to cover all the costs related to fulfillment–purchasing raw materials or the product, picking, packing and shipping, and dealing with any customer service issues.

By offering a flexible payment solution, most of those concerns essentially disappear. The merchant doesn't have to devote resources to managing the trade credit process and gets paid within 48 hours, freeing up much-needed cash flow and providing the merchant with more opportunities to make capital investments and grow faster.

Buyer relationships.

Do you have long-standing relationships, or are these new customers?

Merchants are often more relaxed about payments when it comes to working with buyers with whom they have a long-standing relationship. However, that flexibility isn't as easy to give new customers.

This is another area where offering flexible payment solutions shine. Because the solution provider assumes the risk associated with extending credit, merchants can provide flexible payment options to existing and new customers — without worrying about new buyers ripping them off.

The Final Word

If you're wondering if offering flexible payments to your customers is worth it, simply look at B2C ecommerce. This technology has been deployed in B2C settings for over a decade and has become one of the most popular payment methods for online purchases.

B2B ecommerce firms that deploy flexible payments today will likely attain an advantage over those that don't. In today's post-pandemic, digital business world, firms need every advantage they can get.

By making online transactions more flexible — with less friction, lower costs and minimal risk — wholesalers and distributors can create a more user-friendly customer experience. Ultimately, this will significantly affect how customers view you, shop from you and perceive your brand.

Flexible payment technologies are the future of ecommerce, and those who embrace the future are the ones who will succeed in the long term.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

FAQs for B2B Ecommerce Payments

What is B2B ecommerce?

B2B ecommerce — or business-to-business electronic commerce — is the sale of goods or services through online business transactions. Because orders are processed digitally, buying efficiency and effectiveness are improved for wholesalers, manufacturers, distributors and other types of B2B businesses.

Why should I support multiple B2B payment types?

By supporting multiple B2B payment methods, your business is opening itself up to the diverse options potential customers need. The modern customer may use many different options, from digital wallets to Buy Now, Pay Later. The more options you allow for your customer, the more likely they will purchase from you.

Which B2B payment processor is the best?

The answer to this is dependent on your business. If you're a larger business, then wire transfers may be the most secure option. If you're a startup, using the digital payment options available from companies like Stripe may make the most sense. With a B2B ecommerce platform like BigCommerce, those questions can be answered by the experts. Choose from more than 65 pre-integrated online payment gateway solutions, serving 230 countries and over 140 currencies.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE