

Future-proof your business with digital tools and integrated payments

By Adrian Floate MICM*

With measures such as the Federal Government's JobKeeper Payment Scheme ending on 28 March 2021, a slight cooling in the country's economy wouldn't have been a surprise. However, that hasn't been the case.

The pace of Australia's economic recovery coupled with consumer confidence may be of comfort for some, but it doesn't mean businesses should shy away from innovative ways to future-proof and boost their cash flow. This is especially true when the unpredictability of COVID-19 can cause economic instability overnight.

Many businesses have implemented digital strategies into their operations, and eCommerce has been booming since early-2020 with [over 200,000 Australians placing their first online shopping order in April 2020 alone](#). Australia Post has also predicted that this year will be the

most digital Christmas yet. It delivered [52 million parcels in December 2020](#), and has since brought forward many of its investment plans for 2022 and 2023. Some of the company's temporary facilities, for example, will now become permanent facilities due to the boom.

Having the right digital systems and processes in place puts control over cash flow back in the right hands – suppliers and their loyal customers. While regulatory changes can help address late payments, digital technologies have the potential to transform Australia's B2B payments landscape quickly and effectively.

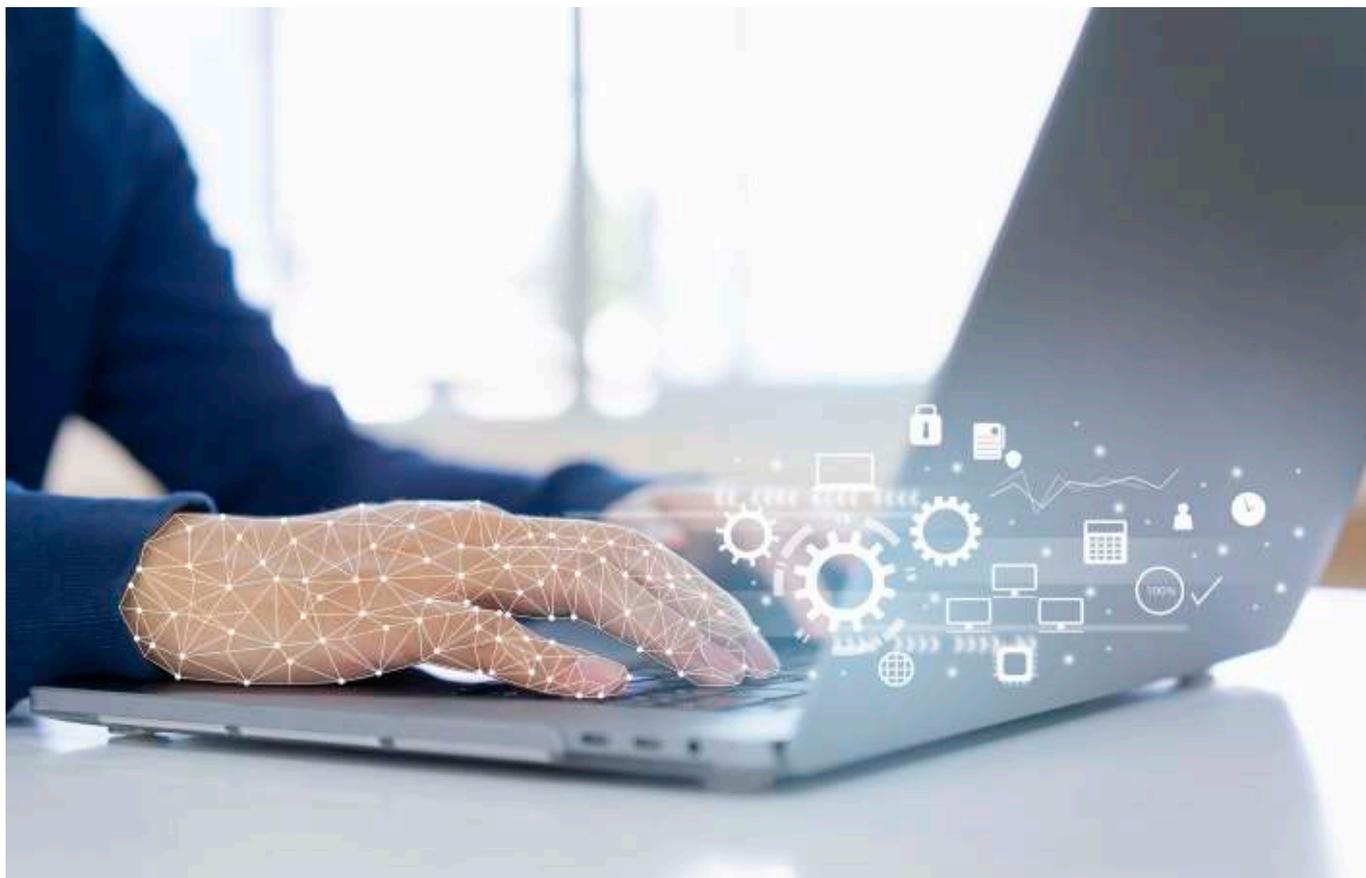
Businesses have to get on top of their cash flow

Cash flow is critical for businesses to survive and thrive. According to the Australian Bureau of Statistics (ABS), there's been a slight boost in



Adrian Floate MICM

“The pace of Australia's economic recovery coupled with consumer confidence may be of comfort for some, but it doesn't mean businesses should shy away from innovative ways to future-proof and boost their cash flow.”



cash flow confidence amongst small businesses over the last few months. In February, over [40 per cent of small businesses said they were concerned about meeting their financial obligations over the next three months](#), compared to less than 20 per cent of businesses in March.

While businesses are becoming more confident in their short-term cash flow prospects, late payments and outdated payment methods continue to plague Australia's small businesses. [Late payments are typically 11.2 days late](#), which can result in a business not getting paid for over a month if they operate on 30-day payment terms. This restricts a business's ability to pay their suppliers. And when a business is barely managing to meet its ongoing financial commitments, there's certainly not enough capital to think about investing in growth initiatives.

Integrated payments will help

“While businesses are becoming more confident in their short-term cash flow prospects, late payments and outdated payment methods continue to plague Australia's small businesses.”

address Australia's late payment problems across the entire supply chain.

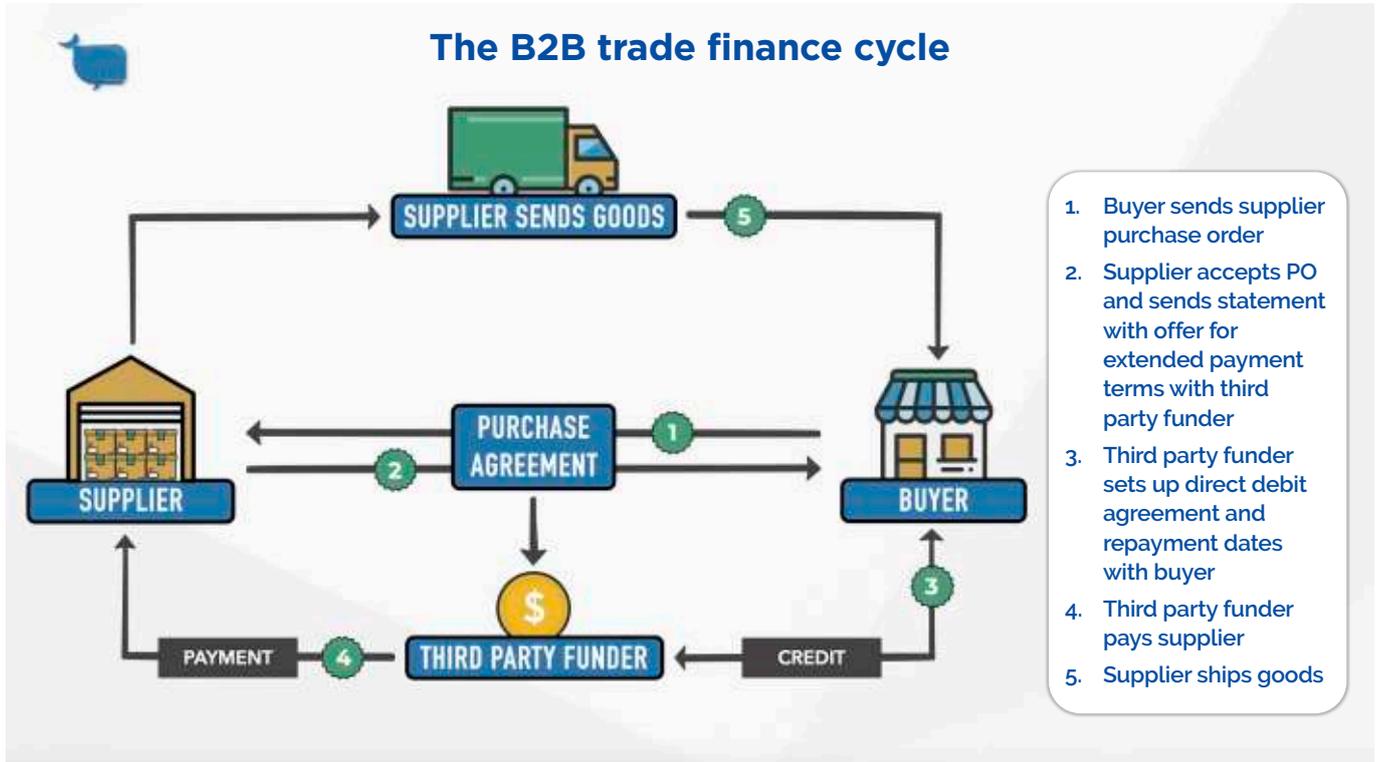
The importance of integrated payments

Integrated payments help businesses to accept a range of payment options, facilitate faster payments, automate payment acceptance, and automatically record transactions in their relevant finance and accounting systems – in real time. All of this is done while providing a secure environment for both parties in a transaction, and the need for manual data entry is also eliminated.

Automating and integrating business payment systems reduces the risk of human error and improves reconciliation and reporting accuracy. Businesses need this accuracy to meet their regular financial commitments, plan larger investments and be prepared to shift gears quickly if needed.

Most importantly, integrated payments provide greater payment flexibility for the customer which significantly improves the chances of the supplier being paid on time, while allowing the customer to align their payments with their cash flow. ►

The B2B trade finance cycle



1. Buyer sends supplier purchase order
2. Supplier accepts PO and sends statement with offer for extended payment terms with third party funder
3. Third party funder sets up direct debit agreement and repayment dates with buyer
4. Third party funder pays supplier
5. Supplier ships goods

“While businesses are becoming more confident in their short-term cash flow prospects, late payments and outdated payment methods continue to plague Australia’s small businesses.”

B2B payment flexibility is here

A range of payment options have been commonplace for B2C transactions for several years, but B2B transactions have lagged behind. And introducing similar flexibility through an integrated payments platform gives businesses the ability to offer flexible payment options to their business customers. B2B payment options that will strengthen cash flow across supply chains include the ability to pay business invoices using a credit card, access to third-party finance and buy now pay later (BNPL) options to help with credit management.

Credit card payments effectively allow customers to add an extra month to their invoice payment

terms, depending on their credit card provider (which equates to standard invoice payment terms, plus the 30-day interest-free period on a credit card). Similarly, third-party finance and buy now pay later options allow business customers to split their invoices into smaller instalments. This helps businesses manage payments in line with their cash flow while shifting the financial risk from the supplier to the third-party finance provider.

The assurance over cash flow that payment options provide allows the finance professionals within a business to streamline their workflow, which frees up time for more strategic work. Current payment models place responsibility on the payee to

identify themselves with an invoice or reference number when payment is made. But when an invoice is paid, not everyone remembers to identify themselves.

Not only do outdated payment methods create a headache for finance professionals, but the process of manually reconciling transactions between the business’s accounts and accounting software is time consuming and left open to human error. An integrated payment system, however, automatically records payments in a business’s accounting software saving time and reducing the risk of data entry errors. In the long run, digitising payments will not only revolutionise the day-to-day operations of a business but, with more time for strategic work, finance professionals may find added fulfilment in their roles too.

Drive sales and liquidity across the supply chain

Just as BNPL options attract consumers to a business, offering BNPL and trade finance for B2B

transactions can help a business drive sales. The early adopters in particular will differentiate themselves with better payment processes. Trade finance is an important tool for B2B transactions as it reduces the risk for both parties in relation to the supply and payment of goods, and helps to drive better efficiency and cash flow across the supply chain.

The network effect possible if all of Australia's businesses introduced an integrated payment platform to their business would mean all of the capital locked in late payments would flow freely throughout the economy. This would support the entire supply chain and make business systems faster,

easier and smarter, leaving business owners and leaders with the time and space to focus on what's truly important — realising their vision.

Digitising your business is future-proofing your business

Cash flow remains king for businesses. Digitising your business payments through integrated payment systems will not only unlock cash flow, but it has the potential to support the entire supply chain with tailored solutions for consumers, retailers, wholesalers and manufacturers. This is a game changer for businesses.

Instead of a cycle of late payments amongst businesses being the norm,

suppliers will enjoy better visibility and control over their cash flow. Instead of the current late payment cycle in Australia, there's the potential to flip this cycle into one where business payments and cash flows align.

Those businesses that digitise their systems and processes now will boost their cash flow, support their supply chain and be in a position to thrive and invest in growth. ♦

*Adrian Floate MICM

CEO at Cirralto and Managing Director of Spenda

E: adrian.floate@spenda.com.au

T: 0412 377 877

“Instead of a cycle of late payments amongst businesses being the norm, suppliers will enjoy better visibility and control over their cash flow. Instead of the current late payment cycle in Australia, there's the potential to flip this cycle into one where business payments and cash flows align.”

