Accenture Payments

Transforming corporate payments for the digital age

How corporate payments are catching up with the consumer experience of digital transactions: seamless, convenient, real-time and omni-channel
Meet Nick and Nancy

Nick is a procurement professional who graduated in Accounting four years ago and joined a major consumer electronics retailer. Recently promoted, he has taken up a new role running his own department. A year ago Nick married his long-term girlfriend, Nancy, and they now live in their own city-center apartment a short walk from his office. He is quite happy and satisfied with his life—and is also very excited about his future, both at home and work.

Nick is busy with his role in corporate life, while Nancy—who gave up her job as a website designer before they married—is taking a break from work and enjoying a spell as a homemaker. Both Nick and Nancy are highly demanding and active retail customers, while Nick is also a corporate customer when he’s at work.

The episodes described in this paper illustrate some of the pain points and challenges in corporate payments—and how the latest development in payments are addressing them, by closing the gap between consumers and corporates in terms of payments technology, capabilities and user experience.
The changing landscape of corporate payments

For banks worldwide, payments services are an increasingly important source of revenue and driver of loyalty among both retail and corporate customers. For consumers, advances such as mobile and contactless payments have transformed the payments experience. And for corporates and SMEs, expectations around the efficiency and convenience of payments are growing fast.

These shifts are driving substantial change on both sides of the relationship between banks and their corporate clients. Corporates are restructuring their payment operations into payment factories or “in-house banks” able to deal with multiple banks, payment methods, jurisdictions and customers. And larger banks are investing in new payments technologies that enable them to provide better services than local or regional banks. The smaller banks now need to catch up, as they can no longer rely just on local knowledge and relationships to retain their corporate customers.

The importance of payments in banks’ service portfolios is being further increased by payments’ role as an “anchor product” supporting cross-sell and up-sell of other offerings. Today, as banks position themselves for renewed growth, payments’ unique attributes and profound impact on customers’ overall experience mean it’s increasingly central to banks’ strategies for the corporate marketplace, and a growing focus for technology investment and innovation.

As banks make these investments, their goal is to use payments’ pivotal role to establish themselves as the primary banking provider to their corporate and SME clients. And as banks compete for this position, they’re doing so against a background of rapid change and evolution in the corporate payments landscape.

Consumer experience shapes corporate expectations

What’s driving this change? Corporate treasurers are not just business customers—they’re also consumers. And their experience of seamless, immediate, always-available payments services in their private lives is shaping their expectations in the workplace. The resulting shift in mindset is seeing corporate clients demand the ability to transact in a real-time, omni-channel environment, 24x7.

To meet these demands, banks must provide customer-focused, integrated payments solutions that put the needs of corporate clients front and center. And they must leverage digital technologies to embed corporate payments capabilities and transaction services deeper into supply chains.

As banks strive to deliver against these requirements, they know there’s no time to lose. Emerging regulations are reshaping the payments market and driving existing providers to adapt their offerings, while also paving the way for new entrants. If banks themselves don’t move fast to seize the corporate payments opportunity, then somebody else will do it first—thus relegating banks to back-office utilities running accounts for others’ front-office payments offerings.
The challenges for corporates in the payments sector

Corporates face a wide array of challenges in payments. Here are some of the biggest.

A mismatch between retail and corporate payments

A glaring mismatch of expectations has opened up between corporate and retail payments, with corporate customers’ experiences as consumers giving them expectations that existing corporate payment solutions rarely meet. In recent years, improvements in the customer experience of retail payments have far outpaced those in corporate payments, as investments in innovation and digitalization have seen retail payments evolve rapidly in terms of process, channel and technology.

Millions of people all over the world encounter this mismatch every day. An individual might conduct a cashless transaction using a mobile wallet to purchase pens and pencils for his children on the way into work. But when he gets to the office, he’s still using traditional procurement payment methods to buy stationery for the workplace. The contrast is stark: the personal purchase takes seconds using a mobile app—but the end-to-end corporate payment process can take weeks.

Fragmented products and relationships

Many corporates still have fragmented banking relationships and payments products—and most banks still approach corporate clients via different business lines like trade, cash and treasury business. The results include relationships based on product silos, and standalone payment solutions at relationship and business level rather than one common payment solution at corporate level.

Rising regulatory costs

Since the global financial crisis, regulators across world have imposed an increasing weight of regulation demanding changes to systems and processes—and corporates face heavy costs in meeting these requirements within the given timelines. Being mandatory, regulatory changes invariably take precedence over other corporate initiatives, and corporates expect their banks to help implement them quickly, effectively and cost-efficiently.

Outdated, rigid and paper-based processes

Years of under-investment means many of today’s corporate payment processes are paper-based, old-fashioned and inflexible, with manual processes still prevalent in reconciliation between purchase orders, goods received notes, bank accounts, Accounts Receivable, Accounts Payable, and customer contracts. In many corporates, manual checks are also needed to verify the legitimacy of clients, trading partners and goods changing hands. These physical processes are difficult and costly to change to boost efficiency or comply with new regulations.

Nick’s experience of personal versus corporate payments

Nick is in his office at work when he gets a call from Nancy. She’s busy with friends, and wants him to buy some household groceries for delivery later that day at home. He rings off and logs into a mobile app, selects the grocery items in the app, confirms the delivery address and pays online through his mobile wallet. Within two minutes, he’s completed the whole process. Within seconds he receives the order ID and delivery time details via an SMS message that he forwards to Nancy.

Nick then turns back to his office work, and realizes he’s running out of staples. He makes an internal call to the office supplies department but they don’t have any in stock. So he asks them to order some. They ask him to fill out a request form, and confirm the whole process will take more than a week. Nick is puzzled with the timelines and payment process to purchase for a small item like stationery.

For Nick, the contrast between his experience as a retail and corporate customer is stark. He can see clearly the yawning mismatch in expectations between the advanced retail payment segment and still-traditional corporate payment system.
A lack of a visibility into payment flows and individual payments

Effective reporting is key in trade, treasury or any banking transaction. And corporates need to monitor and report on payments data in many ways—financial, non-financial, regulatory, commercial, and more. Yet siloed systems and fragmented processing mean payments data is often captured in different forms and in different systems, leading to errors, inefficiencies and higher headcount. What corporates need are automated financial reporting tools that work across their systems, enabling 24x7 tracking of every payment.

Challenges around cross-border payments

Cross-border payments remain relatively slow compared to the fastest domestic payments. In many cases there’s also little ability to track and trace them, no confirmation of receipt by the beneficiary, and a lack of validation that a payment has the right configuration—account number, currency and so on. They’re also expensive, with fees often being deducted en route from the principal amount, requiring an additional payment to the beneficiary to correct the shortfall.

Banks are taking action to address these issues, most notably through SWIFT’s Global Payment Innovation Initiative (GPII). Over 70 banks have signed up to the GPII, which provides a set of common cross-border payment rules and capabilities for same-day clearing of funds, transparency and predictability of fees, end-to-end payments tracking and transfer of rich payment information. Another initiative is the adoption by several banks of a new network using Ripple’s distributed ledger technology for real-time cross-border payments.

Pent-up demand for change

In recent years, as corporates’ focus has switched towards investment and growth, their payments systems and processes have generally continued to operate as before, albeit handling rising volumes. However, ever-improving payments experiences for consumers are driving up expectations in the workplace, and creating pent-up demand for change. This pressure is now irresistible, as underlined by the move to real-time payments in more and more countries.

For banks looking to transform the payments experience for corporate users, the challenge is to balance innovation with handling ‘run-the-bank’ issues such as regulation and the inflexibility of legacy systems. Those banks that can execute on both fronts most effectively will win out in the race to forge durable, profitable relationships with their corporate customers.
Key trends in corporate payments

In light of the changes and challenges described above, the corporate payments sector globally is currently being impacted and reshaped by six key trends.

1. Evolving customer expectations and consumerization of corporate payments

As we’ve highlighted above, the needs and expectations of corporate customer are rising, as they seek greater speed and efficiency through automation and digitalization, and demand a digital, multi-channel payments experience comparable to the one they enjoy in their lives outside work. Rapid innovation in retail and consumer payments has left the corporate payments experience lagging behind, and to engage, retain and win corporate customers banks now need to close the gap. With corporates now demanding new features such as the latest mobile smartphone and tablet technologies, banks are responding with rich functional capabilities supported by increasingly sophisticated applications. Banks are also moving to focus more on selling new value-added services around the payments core.

2. Always on, real-time payment information services

The enhancements being made to banks’ corporate payments services include the capability for customers to get information real-time on payments round the clock. This does not necessarily mean that the services offer real-time payments, but the availability of up-to-date, on-demand information on payment status, tracking, and context, 24x7.

3. A changing environment for international trade

A few years ago, only large corporations tended to conduct significant volumes of cross-border payments. Today, advancing globalization has pushed these volumes ever higher, and even the smallest SME is likely to have significant numbers of international suppliers and/or customers. The result is rising demand for cross-border and multi-currency payments services. While these effects are being felt worldwide, the fastest growth in international trade and payments over the coming years is expected to be in Asia, causing banks’ payments operations to be dominated by a strategy for that region. And globally, the ongoing shifts in international trade are creating fresh demand for corporate payment products and services as well as for local knowledge and new banking relationships.

4. Pressure from ongoing regulatory change

The payments industry is facing an unprecedented global wave of regulation that is impacting payment providers and corporations in every market and region. The new and evolving sets of regulations, standards and schemes include more stringent global requirements for activities such as e-payment, sanctions compliance and anti-money laundering (AML). The challenges of achieving and maintaining oversight and compliance are heightened by the increasingly cross-border and multi-currency nature of payments flows, and further complicated by differing regulatory and political agendas in different countries. All these regulatory developments at global, regional and national levels are creating new challenges for banks as they seek to design and deliver regulatory-compliant products and services for their clients. The regulatory pressure faced by banks—including monitoring and reporting requirements—looks set to intensify still further in the future.
5. Disruptive market entrants—including FinTech players

Alongside the effect of seamless and convenient consumer payments services, new entrants to the corporate payments market are also helping to reshape corporate expectations of the payments experience in the workplace. One of the most dramatic developments has been the emergence of FinTech companies—financial technology businesses (often startups) founded with the purpose of disrupting incumbent financial systems and processes. These new firms have been quicker than banks to take advantage of advances in digital technology, developing banking products that are more user-friendly, cost less to deliver and are optimized for digital channels.

FinTech companies are also less burdened than banks by the demands of regulatory compliance, and are unencumbered by complex and costly-to-maintain legacy systems. As smaller organizations designed to generate innovation, they are more in tune with the peer-to-peer (P2P) culture engendered by the explosion of social media, and usually focus on creating single-purpose solutions that deliver an improved experience within just one product or service. The impact on banks varies between countries and regions: recent research from Accenture suggests that banks in the Nordic region risk losing up to a third of their revenues, as a wave of new FinTech startups enter the market. Examples of FinTechs that are gaining traction in the corporate payments market include Flinqer for cash management and Traxpay for B2B payments.

6. Application programming Interfaces (APIs)

The trend towards open banking/open payments is seeing banks expose their payment systems externally, and allow third parties such as merchants or software vendors to embed payment functions—balance look-up, payment initiation, funds transfer and so on—into their applications. This shift reflects the wider move into an "API economy", in which APIs provide the glue that connects together information and services from various sources and service providers to create the user experience that API aggregators want to deliver to their customers. Examples in other sectors include the Citymapper app, which combines APIs from metropolitan rail, bus and train companies together with weather services, to provide travel and routing information in multiple cities.

PSD2 will act as a catalyst for progress towards greater use of APIs in corporate payments in Europe. Ultimately, APIs will enable corporates to manage all their payments and cash management from a single portal across multiple banks. There is an opportunity for banks to publish “branded” APIs where their brand is displayed alongside the function, such as providing account balances.
Implications for banks’ corporate payment services

In combination, the market changes and trends we’ve highlighted bring multiple profound implications for banks’ payments services to corporate customers. The core goal is to reduce costs and effort by boosting automation, digitalization and straight-through processing (STP), while also meeting customers’ growing demand for enhanced transparency, low cost and convenience through capabilities such as real-time balance access and multi-bank portals.

Looking across banks’ corporate payments service portfolios, here are some of the key areas where they need to focus.

Automated cash management

Effective cash management enables a corporate to chase overdue payments promptly, minimize transaction costs and avoid having surplus funds sitting in low-interest accounts. It is a key building block of effective treasury management, and can be made much more efficient through automation. While traditional cash management techniques focused largely on operational aspects, the latest generation concentrates more on strategic issues and forecasting. Some corporates also want daily and hourly updates on their financial position—and the advent of cloud-based automated cash management solutions is prompting treasurers to make keep data on the cash position accessible to sales and operational staff any time and from anywhere.

Automated collections & reconciliation using “virtual accounts”

In an ideal world, all incoming payments to a corporate would contain information that could automatically reconcile open invoices in its financial system. However, the reality is that most corporates struggle to reconcile their accounts receivables due to insufficient information. This can result in an inaccurate cash position and increased day sales outstanding (DSO)—in turn translating into an increased working capital requirement and greater funding costs. To enable their corporate customers to avoid these issues, growing numbers of banks are providing them with “virtual accounts” (see information panel) that can automate collection and reconciliation by providing 100% accurate identification of the remitter of a payment and the related invoice.

Multi-banking frameworks

Until a few years ago, corporates commonly regarded a banking structure based on a single global transaction bank as the most efficient approach. However, today many corporates—particularly large ones—are putting in place structures that use a larger number of banks, supported by bank-agnostic technology. This approach allows for greater flexibility in their banking relationships by changing providers quickly and easily if required, and also helps diversify their counterparty risk exposures by spreading their business across a larger number of banks.

For corporates looking to set up a multi-banking structure, their first priority is to have a single access point to manage their accounts and information. This gives them the ability to self-service their accounts across multiple banks, aggregate balance information across them, track and trace payments and transfer funds between banks, as well as switch their business volumes seamlessly between banks. Complying with interbank standards such as SWIFT or EBICS enables them to deal with multiple banks in a streamlined and efficient way. Examples include using SWIFT’s 3SKey, which enables a corporate to authenticate itself with a number of different banks using a single USB token. Corporates are also making growing use of capabilities such as electronic bank account management (eBAM), which allows them to open, close and manage their bank accounts electronically.

E-invoicing

The digitization and transmission of invoice information over digital channels can play a major role in streamlining working capital management. While the benefits have been recognized for many years, the adoption of e-invoicing by banks has been relatively slow, although usage is now rising rapidly. Recent industry initiatives such as the development of community cloud based e-invoicing platform, e-invoicing solutions managed by trusted third parties and greater standardization of e-invoicing formats will help banks and corporates accelerate the adoption of e-invoicing.
Real-time payments, balances and statuses

With activity rising in their domestic, international and multi-currency accounts, corporate customers are seeking more real-time services and information from their banks, including immediate payments, account balances and status updates. In response, banks are providing immediate payments capabilities in countries where such schemes have been rolled out, and offering account information in near-real time as possible using multiple channels including SMS alerts, email, WhatsApp messages, and alerts on corporate portals. With real-time payments and fund transfers between banks, corporate will be able to manage cash in real-time. Developments in immediate payments are covered in more detail, in another Accenture paper, “Real-time Payments for Real-Time Banking”.

Check digitization and imaging

Check payments are one of the last banking transactions to go digital. This is now happening, following regulatory changes allowing banks to use digitized images, scans or photographs of checks for processing, rather than the original paper document.

Corporate mobile solutions

Mobile payments are one of the clearest areas where consumer services have outpaced those on offer to corporates. As a result, pressure from customers has pushed banks extend mobile delivery to corporates.

Today, corporate mobile solutions are available in areas including cash management, trade services, customer administration, reconciliation, authentication and operational support. Examples include the trade services solution offered over mobile by HDFC Bank in India, and the HSBCnet mobile corporate banking platform, which HSBC says doubled its usage in 18 months.

New channels

Connectivity between banks and corporates is moving towards standardization, consolidation and integration, reflecting the need for banks to move closer to their corporate customers and integrate themselves into their value chains. Banks, third-party vendors and industry associations such as SWIFT have created new channel solutions that leverage banks’ existing technology and infrastructure. These include:

- **Host-to-host channels** are gaining growing usage as corporations seek greater automation. Using industry-standard internet protocol, they generally support ISO20022 XML-based messaging.

- **SWIFT**—the global bank-industry-owned cooperative connecting the world’s banks and their corporate customers—is evolving as a channel to make on-boarding easier and offer an increasing range of services offered. The FIN channel provides a standard “communications language” shared by all SWIFT connected banks. SWIFT has new offerings such as GPII for cross-border payment tracking (see earlier) and Alliance Lite2 which integrate clients’ (ERP) systems with their banks, facilitating STP.

- **Cloud-based channels** are emerging to make making it easier for companies to connect to their banks. SWIFT is partnering with software vendors to embed its connectivity into their cloud-based applications. And the enterprise resource planning (ERP) vendor SAP is connecting corporate customers with their banks via its cloud-based Financial Services Network, SAP-FSN.

APIs and API factories

Some banks are starting to develop internal API factories, where they standardize banking APIs for balance look-ups, funds transfer, payment and so on for publication outside the bank for third parties to use. These factories include both the technology to publish APIs and also the business processes to operate them for use by third parties, including security, financial crime controls and billing.

Cryptocurrency technologies: DCL and blockchain

The global rise of the Bitcoin cryptocurrency has introduced the world to distributed consensus ledgers (DCL) and blockchain/distributed ledger technologies (DLT). And rather than the digital currency itself, much attention is now focused on these underlying technologies, and their potential to enhance efficiency, trust, transparency, reach and innovation in several areas of financial services—including payments. Growing numbers of banks are now investigating the opportunities opened up by DCL/DLT, including a consortium of international banks collaborating with the US start-up R3 CEV to establish standards and protocols for DLT in financial services, and another group of banks starting to use the Ripple DCL network for cross-border payments. All banks should keep a close eye in developments in this area, which are investigated in more detail in Accenture publications “Distributed consensus ledgers for payments” and “The Journey to Real-Time Cross Border Commercial—Payments using Distributed Ledger Technology” (co-written with Ripple) as well as the joint Accenture & Swift publication focusing on the success factors for global industry adoption.
Virtual accounts, which are already being offered by banks such as BNP Paribas, RBS and Barclays, are transforming traditional approaches to corporate cash management.

Essentially, virtual accounts are "subaccounts" of a main physical bank account held in a Virtual Account Management (VAM) system. As Figure 1 shows, the main account holds the business’s cash and as many virtual accounts as the customer wants, enabling funds to be allocated without segregating them physically. There are two virtual account products that we see banks offering today to the corporates:

- **Virtual IBANs** are offered to enhance reconciliation of A/R. Under such an offering, a bank would open a series of dummy IBANs for its client. Underlying each of these virtual accounts is a real physical account (held in the bank’s ledger) to which the payments made to these virtual accounts are routed. With this arrangement in place, the client then has the flexibility to assign these IBANs to its individual suppliers, so that when a supplier makes an electronic payment it would automatically go into the relevant virtual IBAN. It can either be offered through a VAM solution or also directly through banks (ING for example offers V-IBANs as non-interest bearing current accounts).

- **Virtual account management**—A more comprehensive cash management solution providing clients with a cost-effective means of centralizing their accounts payables and receivables. With this type of solution, clients gain the flexibility to design and open complex shadow account hierarchies against a real physical account maintained in the bank’s physical ledger. The way it works—for a current account maintained in a bank’s ledger, a VAM solution mirrors the account in what is called a ‘shadow account’. Corporates can then open a series of multi-level account hierarchies under this shadow account. Note that none of these shadow accounts are maintained in the bank’s ledger (solely maintained in the VAM) and corporates are able to perform POBO/COBO functions through these accounts (whenever any activity happens on these accounts, the VAM synchronizes with the core banking systems to ensure all fund movements are recorded in the main account).

Virtual bank accounts retain the advantages of physical bank account structures, while eliminating the costs of opening and managing different physical accounts. They enable corporates to provide better control over the cash management accounts, reduce administrative costs and optimise their number of physical bank accounts to one centralised account, eliminating the need for cash management products such as notional pools.
New customer requirements are emerging around virtual accounts. In terms of market innovations with virtual accounts, banks have been looking at multi-bank cash management portals quite differently. Today’s multi-bank portals mostly display static account information of accounts held in other banks (information is received through end of day MT940/950). PSD2’s X2A services will regularize account aggregation services across multiple banks and VAM solution providers see this as an opportunity to provide real-time account information across multiple banks and then allow corporates to create account hierarchies on these shadow accounts (as shown in Figure 2). This is equivalent to extending VAM features in a multi-bank environment, relevant to large corporates who typically bank with multiple transaction banks.

See Accenture publication "Virtual Accounts and Virtual Account Management—A Major Opportunity for Today’s Transaction Banks" for a detailed look at virtual accounts.

FIGURE 2. A typical multi-bank account structure
Bringing it all together: corporate portals

As banks respond to the rising needs and expectations of corporate customers with a growing range of services, something else is required: a corporate portal to bring all the services together in one place.

This is an integrated digital platform that presents the corporate customer with a single view of all their banking services and activities, preferably supported by multichannel access and a seamless user experience across web, mobile devices, and offline channels. These portals need to operate 24x7 and provide continuously up-to-date information that is made available in real-time. Examples currently out in the market include Citibank Direct BE, J.P. Morgan ACCESS, and Barclays’ recently-launched iPortal10 (see information panel).

Banks and corporates are looking to integrate corporate portals with digitalized corporate processes, to help maximize the connectivity and integration between corporate ERP systems and banks’ infrastructure. With this in mind, corporate portals (see Figure 3) often include tiered dashboards at the enterprise level and then product/business level, together with CFO/CEO-focused decision-making tools and applications in areas like customer administration, reporting, reconciliation, and operational support. Corporate portals can also support greater cross-sell of products and make it easier to roll out new and enhanced digital services.

The Barclays iPortal: a “single point of access for all business needs”

Launched in September 2015, the Barclays iPortal is an online hub allowing businesses to access all their banking services through a single gateway. The hub provides users with an immediate snapshot of bank accounts and products, enabling them to authorize payments, and manage cash, trade services and loan facilities through a customizable interface. Access to the iPortal is via a single secure login, using a biometric reader that is available to Barclays’ corporate customers.
This international corporate and investment bank is a leading global provider of solutions to a wide range of clients including corporates, governments, financial institutions and investors worldwide.

In 2011 the bank launched an investigation of its clients’ needs, and found they were looking for complete coverage of their transaction banking flows—cash management, deposits, FX trading and so on—across different channels. While the bank had a strong set of vertical applications supporting these client activities, the various offerings were promoted by different teams without little coordination across the organization.

To address these issues, the bank decided it needed to combine technological innovation with a cultural change. So it set up a program to:

• **Switch** existing paper and verbal instructions to digital e-business formats.
• **Centralize** different e-business activities within one single front end.
• **Collaborate** more effectively across its ecosystem, including corporate colleagues and client relationship managers.
• **Customize** e-business solutions according to clients’ specific requirements to create bespoke solutions.

By taking these steps the bank aimed to improve customer satisfaction while also increasing the efficiency of its sales efforts, boosting revenues via cross-selling, and reducing costs through process optimization, automation and organizational synergies.

The change program resulted in the development of a multi-product online solution, fronted by a “one-stop-shop” portal offering a full range of vertical products accessible via single sign-on. The online solution also incorporated strong communication tools and client-oriented widgets, together with future-focused enablement tools. A further outcome was the introduction of “bundled” services to promote cross-selling between business lines, including an “FX+Cash” offering combining FX transactions within cross-currency payments via a fully automated solution. At the same time, enhancements in the collaboration between business lines help different product teams to set and pursue common goals. The initial focus of the new go-to-market approach was mid-sized corporates in the Asia Pacific region, followed by a roll-out to other corporate segments and geographies worldwide.
How Accenture can help banks win out corporates payments

Today, banks across the world are at a defining moment in the corporate payments market—facing competitive threats on one side from innovative new FinTech companies and payment service providers; and resistance on the other from corporates who feel banks are not really meeting their rising demands and expectations. To sustain their corporate relationships and grow future revenues from an expanding array of solutions centered around corporate payments, Accenture believes banks need to focus on three priorities.

Don’t just sell corporate payment products: become a trusted adviser on corporate customers’ problems

Corporate customers don’t want their bank just to sell them payment services as a packaged product without understanding the real issues they face. Instead, they’re looking to their bank to play the role of a trusted expert adviser, partnering with them to develop deep insight into the challenges they face, advising them on the optimal solution, and customizing their services to deliver it. For example, advising corporates on how to benefit from real-time payments, real-time cash management or virtual accounts.

Collaborate and partner with FinTech companies—rather than competing with them

Banks shouldn’t look upon FinTech companies as a threat, but as potential collaborators. While banks have some disadvantages relative to FinTech start-ups, they also have a number of advantages—the most important of which is that banks hold the liquidity and the accounts of thousands of corporates and SMEs. Also, while being regulated is a burden in many ways, it also creates confidence among customers. And while banks’ long history brings with it legacy systems, it also gives them proven and trusted brands. Most fundamentally of all, banks understand banking—especially the risks involved—while the new entrants often do not.

The relative strengths and weaknesses of banks and FinTechs mean that both can often benefit from cooperating rather than competing. While FinTech players can bring ground-breaking and even disruptive innovation, banks can offer FinTechs immediate scale and critical mass through access to demand. As a result, many Banks have decided to actively support FinTechs—a list that includes Citibank, Santander, UBS, BBVA, Barclays, NAB and Capital One, among others. These banks have taken various approaches including launching incubation and acceleration initiatives, and creating investment vehicles to harness, foster and scale up innovation.

If you’re a local bank, use digital to stay relevant and compete with global banks

As we highlighted earlier in this paper, business is becoming more global—a trend that is not restricted to big corporates, but also includes SMEs, who increasingly conduct transactions and payments worldwide. As a result, SMEs’ needs and expectation around their banks’ payments products and services have also changed in past decade. Local banks should be well-positioned to capture this segment, as they have competitive advantages including knowledge of the local business environment and a deeper understanding of SMEs’ needs in that particular market.

To seize this opportunity, local banks need to bring to bear a sense of creativity and innovation, and transform their operations and services to digital. This will enable them to compete with the global banks, whose extensive networks and deep-dive capabilities make up a proven value proposition for serving large corporates and multinationals corporations. To match up to these competitors, local or smaller banks need to develop capabilities comparable to those of the global banks—and with the lower costs and greater reach enabled by digital, this is now perfectly possible. In this way, local banks can remain relevant in terms of payment product offerings, innovation and digital capabilities, and compete successfully with global banks.
1. Disappointed with his experience of corporate payments at work, Nick discusses the drawbacks of the current systems and processes with his colleagues, and they decide to ask their bank for help. The bank responds immediately, sending payments specialist to review the company’s needs, and then offering a range of integrated solutions to meet them.

2. Today, the company has a bank-provided corporate portal pulling together all its payments information in one place, and rising STP in areas like collection and reconciliations. Visibility into payment flows and the company’s management of working capital are vastly improved. Nick is seen as the driving force behind these improvements—and has been promoted further up the organization.

3. Having discussed Nick’s workplace payments experiences with him in detail, Nancy has been energized by his corporate payments journey. She has also developed some high-potential product and service ideas of her own, based on open payment APIs, and has decided to kick-start her career again with a fast-growing FinTech start-up company.

4. When she tells Nick about her decision, Nick is very supportive and thinks it’s a great idea. Using the knowledge he’s gained at work on the emergence of FinTech companies, he provides her with more details about the sector and its key areas of growth. He also suggests that she visit the websites of several FinTech start-ups and identify some she’d like to work for.

5. As Nick settles into his new role at work after his promotion, Nancy applies to—and then joins—a fast-growing local FinTech company in the mobile corporate payments sector. Both Nick and Nancy agree that now is the time to ride the up-wave of FinTech innovation in payments, and gain a share of the benefits. As our story ends, both Nick and Nancy are happy in their professional and personal lives—thanks to the new world of corporate payments.

Nick’s new landscape of corporate payments takes shape—and Nancy is energized to join it!
Conclusion: A call to action

In the past, payments were considered as a basically necessary but unglamorous and undifferentiated part of overall bank activities. However, the picture today is very different. A bank’s payments business now has the ability to fuel differentiation, growth, innovation and more profitable client relationships. As a result payments has moved to center stage for many banks, and is helping to drive their overall strategies.

As banks look to respond to these changes by enhancing their corporate payments offerings, there is no time to lose. As more and more banks seize the growth opportunity in payments by investing in technological innovations, defining new operating models and partnering with FinTech start-ups, the bar is rising fast. Those that fail to move quickly with smart, targeted investments risk being left behind.

Accenture is currently engaged with various global banks in the corporate payments sector, helping them to define and meet their changing capability needs, identify the key trends in their markets, and build a growth roadmap—while also collaborating with FinTechs to meet corporates’ changing requirements. As your bank strives to win the race for leadership in corporate payments, Accenture can give you the edge.

Notes

2 https://ripple.com/.
9 http://www.newsroom.barclays.co.uk/r/3236/barclays_launches_iportal__a_single_point_of_access_for.
10 http://www.newsroom.barclays.co.uk/r/3236/barclays_launches_iportal__a_single_point_of_access_for.
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