Modernize Your B2B Payment Processing

How AribaPay Uses the Power of Business Networks to Simplify Enterprise Payments

by Drew Hofler, SAP

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As is the case with many business functions today, enterprise payments are undergoing a revolution inspired by changes that started in the consumer world. Once the domain of cash, checks, and then credit cards, consumer payments have seen innovations that have produced many more convenient options. Users of ApplePay, Square, or PayPal, for example, now have a variety of safe, easy payment methods that include all the information needed to complete a transaction with the press of a touch screen. And that's not to mention brick-and-mortar stores, which set an expectation that paying for goods should be direct and quick. Everything's relatively simple.

Business-to-business (B2B) payments, however, are far more complicated than consumer payments. Consider a sample business scenario: Goods are delivered or services are performed, and 30 to 60 days later, the payment is due. Not only is there a big time gap, but often multiple invoices are associated with a single payment — a supplier might be owed $10,000 on 50 different invoices. Then consider adjustments on the invoice, for example, if a piece on a pallet is broken. There is so much information that has to be delivered to the supplier so they can properly reconcile payments. However, with current payment methods, this information often is not delivered, and the supplier must conduct time- and resource-intensive activities and correspondence with the buyer to properly reconcile the payments, taking time and focus away from the company's core mission.

Then, of course, there's security. Companies must capture, manage, maintain, and validate bank account information, particularly if it is electronic. With stories of hacked or stolen credit card information — both in the consumer and business worlds — receiving increasing attention in the media, businesses are even more concerned about holding sensitive information in their ERP systems.

Enter the power of the business network. We developed AribaPay, a secure B2B payment product based on the Ariba Network, specifically for buyers paying their vendors and suppliers. With buyers and suppliers connected, AribaPay processes payments simply, securely, and on time, giving organizations better information and visibility while saving them time and reconciliation-related hassle. With AribaPay, organizations can effectively offload many payment-related activities so they can focus on value-added business activities and innovations.

The Journey of Payments

All over the world, businesses are poised to take a giant step forward in how they process payments. But different regions handle B2B payments in different ways.

In the US, typical organizations complete 50% of B2B payments by check.[1] While this is slow, opaque, and outdated, electronic payment processing options often aren't much better. Automated Clearing House (ACH) payments, the primary method of electronic payment in the US, are limited in that they allow only 80 characters of useful remittance information to be transmitted,

[1] Association of Financial Professionals, "2013 Electronic Payments Survey" (2013; www.afponline.org/epayments).

restricting an organization's ability to explain what a payment is for. They offer the advantage of speed, but sacrifice detail.[2] Checks, on the other hand, can include as much information as fits on the paper below the perforation.

In Europe, by contrast, the regulatory environment ensures that nearly all B2B payments are electronic. Payments are made using Single Euro Payments Area (SEPA), which only permits 140 characters of information to be included on a payment — not much better than ACH. Imagine you are a supplier with dozens of deliveries going to a buyer that wants to consolidate payments and cover various invoices in regular $10,000 payments. The invoices not only cover a variety of products and services, but they also include a few disputes and corrections — a price was entered incorrectly here, or a different amount of product was delivered there. With only a tweet's worth of text to describe all the detail involved, it's inevitable that organizations would need costly communication with the buyer to ensure that everything is properly accounted for.

With AribaPay, all the pertinent information is already available on the Ariba Network and is integrated with the payment. There's essentially no limit to the level of detail that can be provided, from the number of items that were broken, to any disputes, early discounts, or any other alterations to the expected payment.

What's more, AribaPay includes "track and trace" payment visibility. No longer do you need to rely on a promise of "the check's in the mail." Much like tracking a package through UPS or FedEx, you can track a payment through various stages, from when the invoice is approved to when the debit is taken from the buyer's bank account to when the credit is sent. This means that both you and your suppliers know exactly where a payment is at every stage of the payment process, which eliminates the need for phone calls and research, and increases the ability to forecast cash flows.

Keeping Payments Secure

Of course, no discussion of electronic payments is complete without tackling the issue of security.

[2] The ACH format Corporate Trade Exchange (CTX) allows for 9,999 lines of addenda that contain 80 useful characters each. But according to the 2013 AFP survey, only 3% of B2B ACH payments are CTX. The remaining 97% are Cash Contribution and Disbursement (CCD), which allows only one line of 80 characters of useful information.

With the recent increase of hacks into the point-of-sale systems of major companies, security has gone from a smoldering issue to a burning one. Businesses are more than ever hoping to leave the capture, management, and maintenance of sensitive bank information out of their ERP systems. That's why with AribaPay we partnered with the Discover Network to ensure that you never have to worry about security when making a payment.

AribaPay provides security in two main ways. First is with the storage and management of sensitive bank information. The Discover Network handles all of this, giving you the benefit of their expertise in data security. A core part of Discover's business is maintaining sensitive data, so you can be confident that no prying eyes will see it.

Second is the security involved with the actual processing of the payments. Much like the tokenization mechanism used by ApplePay, AribaPay creates a proxy number called the AribaPay merchant ID to stand in for sensitive payment information. Even if an unauthorized party were to obtain this ID, the information captured would be useless to them, as the AribaPay merchant ID by itself means nothing. It is only after the ID has been received that it is matched to bank account information for settlement.

And the sensitive information is partitioned off from both the buyer and the supplier's admin, as they only have access to, and are only able to enter, the AribaPay merchant ID. This eliminates the risk of any nefarious activities from employees within either organization.

Gain Confidence in Your Payments

Backed by the power of the business network, AribaPay ensures simple, secure, and certain B2B payment processes in which you can be confident. AribaPay relieves organizations of administrative hassles and the handling of sensitive information, while providing all the information and visibility needed to be sure your suppliers have what they need to easily reconcile those payments — without calling you. Without having to spend resources managing payments, the business can focus on innovation and serving its customers. For more information about how Ariba can improve B2B payments, visit **aribapay.com.** ▫

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