

B2B Payments:

Empowering buyers and suppliers in a B2B ecosystem

Nov 20, 2023



MACRO INDICATORS



Interest Rates –
Fourth
hike since
Jan 2022



Inflation
(9.1% - US)



Oil Prices have
eased briefly
after a
strong surge
(but still high)



Composite
PMI trending
upwards

Global economy has all but recovered from COVID

Increased activity in Manufacturing & Services More

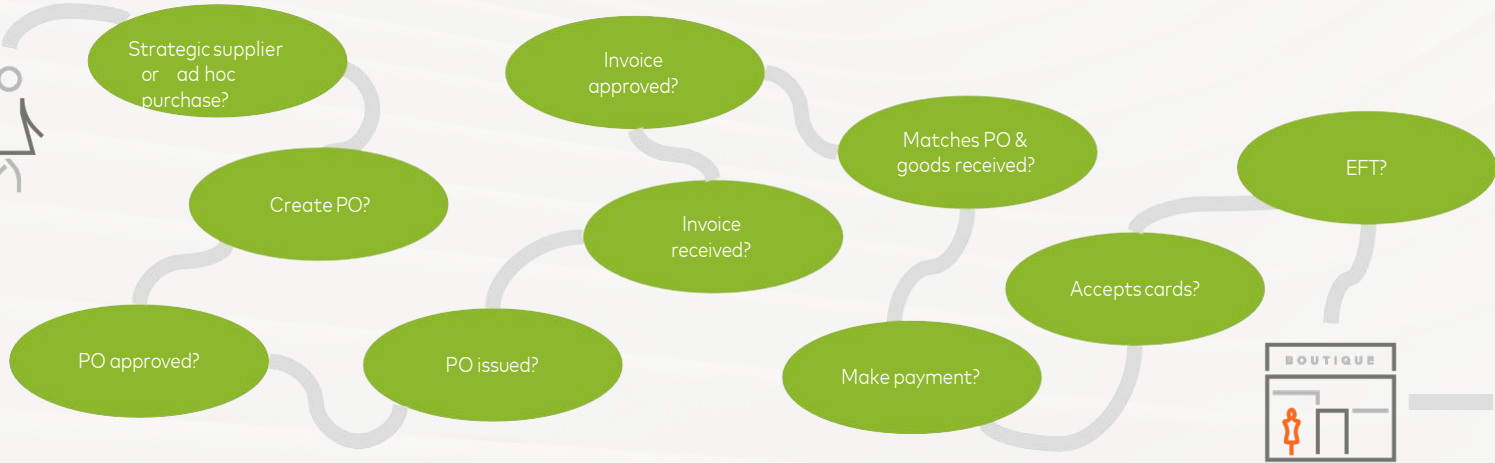
expensive to borrow



Consumer Payments



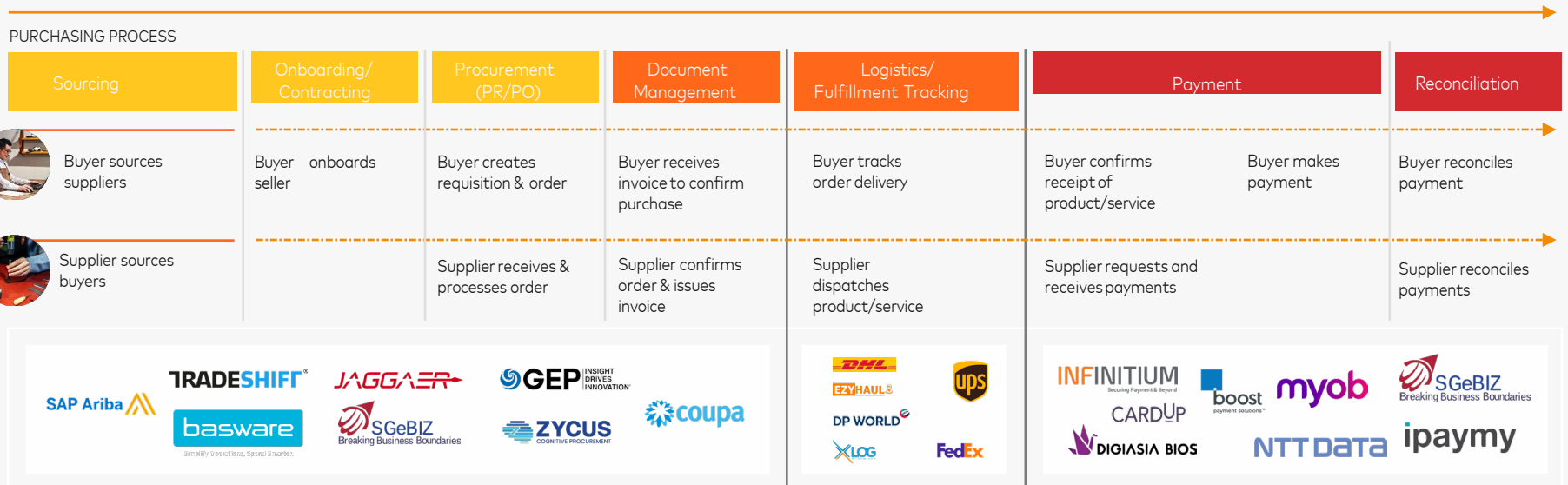
B2b Payments



BUSINESS LANDSCAPE

Every business is a buyer and a supplier that often encounters complexity due to fragmentation across the purchasing process

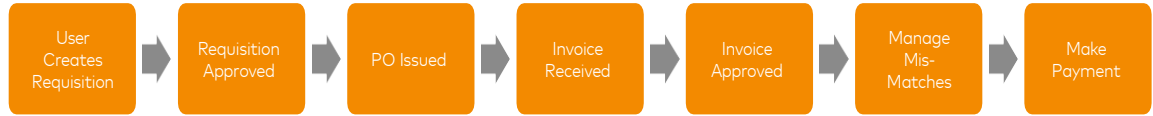
Payment and reconciliation are only the last mile in a B2B purchasing process. There is need to explore solutions to improve interactivity and interconnectivity between different ecosystem players currently serving different steps in isolation.



Buyer's Perspective: The average cost of PO is around the \$90 mark but can vary wildly on a number of factors

What is the real cost of a purchase order?

The dialogue between Issuers and Client Buyers trying to work out how Card payments fit in - has been focused around a horizontal flat lined P2P (Purchase to Pay) / R2P (Requisition to Pay) as shown below which is advertised as costing around \$90 per PO.



P2P/R2P process

The conventional horizontal flat line

Average cost of purchase order (PO)

is conventionally pitched at \$90



Problem

The Conventional Wisdom is not accurate

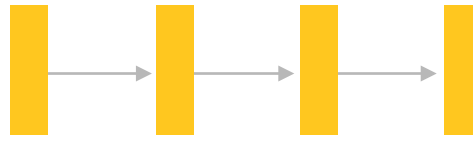
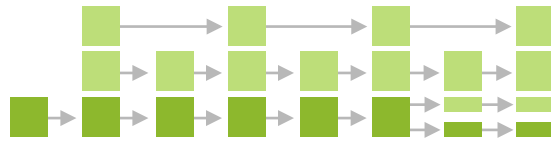
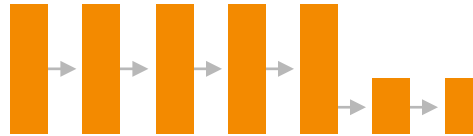
- The P2P/R2P Process is NOT a single line but instead is represented by multiple Buying Channels
- The Average Cost per PO is not representative of the real cost of buying in each of these channels



Supplier's Perspective: Suppliers experience different Degrees of Pain from Buyers

Categorising Supplier Experience

- Buyers A, B & C have differing processes, differing payment terms and differing overall differing challenges.



Supplier's perspective

- Very time consuming process
 - Costly to administer
 - Excessive checks and documentation
 - Multiple approvals
 - Lots of PO's, Invoices and Payments
 - High DPO
-
- Many different channels
 - Multiple costs arising from Processes
 - Different payment methods
 - Various PO, Invoice, Payment mixes
 - Reconciliation issues
 - High Cost of Collections
-
- Minimal PO / Invoice Process
 - Easy to reconcile
 - Conducting business through our preferred Selling channel (order to cash)



Buyers' and suppliers' needs and priorities don't always align, resulting in a complex payments environment

Buyers want



- Access to the lowest prices without impacting quality
- To pay as late as they possibly can
- Variety of payment options to choose from
- Data

Suppliers want

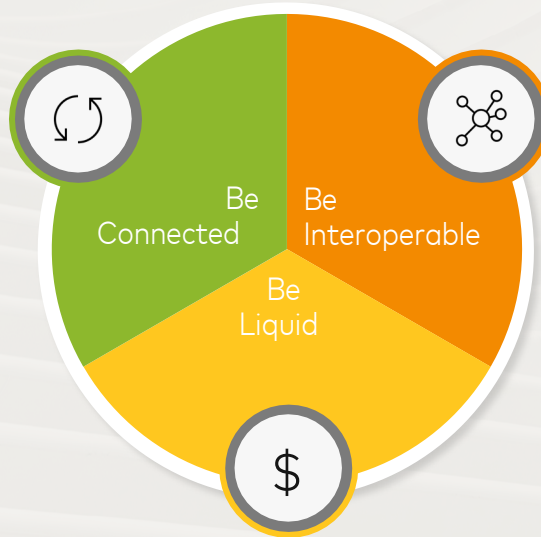


- To get paid as soon as possible
- Payments to appear directly in their bank account
- To receive payments without incurring (high) costs
- Data



To unlock B2B payments, we empower buyers and suppliers to be connected, be interoperable and be liquid

We establish secure digital connections between buyers and suppliers by improving profile discoverability and enabling real-time data exchanges.



We overcome barriers to digital payments by connecting multiple parties, from settlement networks to integrated payable platforms, with technology that automates manual procurement, manual logistics processes and future digital payment forms.

We provide more choices for buyers to pay, for suppliers to get paid and for all businesses to have access to working capital and business-building financial products.



OPPORTUNITY

In large market segment, there is a near-term opportunity to address up to 20% of the non-carded commercial spend

High & Medium Card-ability Industries

Electronics	Wholesale
Hospitality	Transport
FMCG	Financial Services
Retail	Printing & Publishing
Telecom	Others*

Low Card-ability Industries

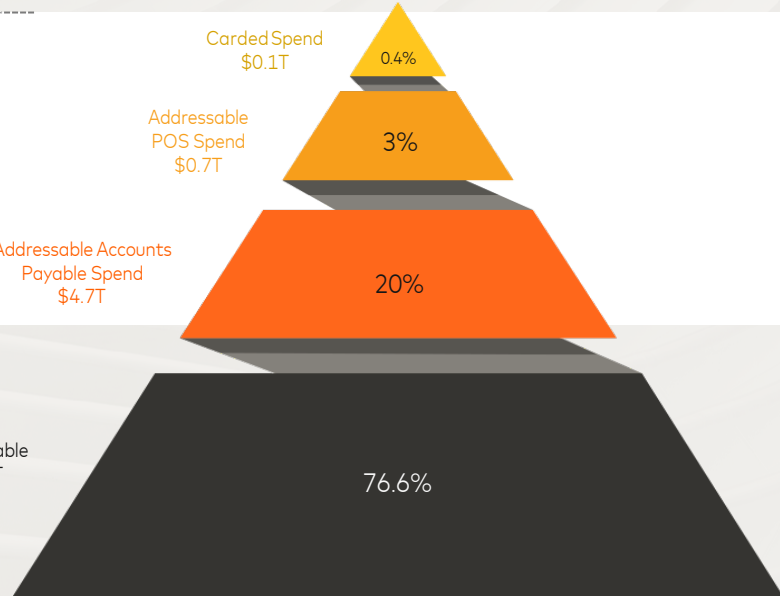
Agriculture	Mining
Construction	Textiles
Education	Machinery
Forestry	

Future Addressable Spend \$18T

Addressable Accounts Payable Spend \$4.7T

Addressable POS Spend \$0.7T

Carded Spend \$0.1T



* Others include real estate activities, tobacco, renting of machinery, health and social work, community services. 2021 Kaiser Global CGS Database: Commercial Spend by Market Size (USD) for Large Market Customers, Large Market POS vs AP Segmentation. 2016 Kaiser CGS Regional Market Book for Asia Pacific: Average Card-ability by Country Market and by Industry. Addressable Spend is assumed to be 75% of High Card-able Spend and 50% of Medium Card-able Spend in each market. Non-Addressable Spend is assumed to be 100% of the Low Card-able Spend in each market. B2B spend includes T&E



Shifting the narrative from 'card as a payment option' to 'card as a working capital instrument' is critical to drive buyer behavior.

**Card as a
payment rail**



"A card payment is one of the many payment options available to me when I decided to make the payment to the supplier.."




**Card as a working
capital solution**



"A card is a powerful working capital instrument that I can deploy to extend my DPO and maximize cash on hand"



Mastercard has adopted a two-pronged approach in the region to enable B2B payments by leveraging our data, B2B product assets and fintech partner platforms

<p>Relevant Mastercard & Partner Assets</p> 	Card accepting Merchants	Card non-accepting merchants	
	<p>T&E Solutions Corporate Card Central Travel Solution In Control for Business Travel</p> <p>B2B Solutions Purchasing Card</p> <p>In Control for Commercial Payments In Control for Mobile Payments Track Business Payment Service</p> <p>Reporting & Program Management Smart Data</p> <p>Analytics Merchant Match Tool Global Treasury Intelligence</p>	<p>Interchange Constructs</p> <ul style="list-style-type: none"> • Variable Interchange (Live) • Embedded Flexible Interchange (1-Nov-2022) • High Value Interchange (Forthcoming) • Cross Border Specialist Programs (Live) 	<p>Master Merchant</p> <ul style="list-style-type: none"> • Business Payment Aggregator Platforms enabling payments to non-card accepting merchants • Distributors and retailers using card- based credit and lowering their cost of capital • Multiple MOR entities live in SEA (SG, ID) <p>   </p>



Shifting the narrative from 'MDR as an acceptance fee' to 'MDR as a cost to finance working capital cycle' is imperative to drive supplier acceptance.

MDR is an acceptance fee



"I can receive a payment via EFT for free, why should I accept cards?"

MDR enables me to get paid on time



"What is the cost of funds I'm willing to pay to finance my working capital cycle and to streamline my payments process?"

Digital Ads & Cloud: Lodge VCN to Capture Digital Recurring Payments

- Market size of Digital Ads and Cloud flows in AP add up to over **US\$75B** in payment flows
- Despite COVID-19, **strong YoY growth trends** displayed and expected to continue for both Digital Ads and Cloud (~20% YoY for commercial card volumes)
- **Card is accepted by default but majority (>80%) of payment flows are still paid via bank transfer**, giving rise to big addressable opportunities for further card penetration

Customs and GST: Enable commercial card payments for Singapore Customs Tax

- Annual volume of Singapore Customs and Import **GST payments total ~S\$6B**
- Opportunity to **convert up to S\$1B of this volume** to commercial card by creating a value proposition for SME and middle market corporate importers
- Major industries targeted are Oil and Gas, Automotive, Liquor, Tobacco, etc.

Freight and Logistics: Use VCN to capture Account Payables Payments

- Global freight volumes estimated **US\$1.2T** in payment flows in AP
- Industry is **complex and highly fragmented** and still **characterized by inefficiencies**
- **\$150Mn** worth of opportunities identified across 3 key focal areas: **rail & road** (e.g. EzyHaul, Xlog), **container liners** (e.g. MSC), **ports** (e.g. DP World)



Digital Ads & Cloud: Lodge VCN to Capture Digital Recurring Payments

Background & Context

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Problem



- Multiple payments have to be made to different service providers separately which reduces payment and reconciliation efficiency
- Local currency not accepted by some service providers (e.g. Amazon) for bank transfer payment, so additional FX fees are incurred

Pain or Challenge



- Larger corporates and agencies may be bound by agreements to only pay through bank transfer given the large payment volume transacted
- Credit limit and credit terms extended by service providers for bank transfer payments may be more favourable than issuers' offer on commercial card programs

Solution



- Issue a unique VCN to be lodged into the accounts as a primary payment method
- Cash rebate offered to incentivize switch from bank transfer to cards
- Broad-based tactical campaign to offer additional cash rebate/rewards over fixed period to drive spend across existing card base

Benefit



- To corporates/agencies/service partners:** enjoy rebates, payments consolidated to a single payment made to issuer, eliminate FX conversion fee (if switching from USD to local currency payment)
- To issuers:** higher revenue from interchange than from bank transfers
- To acquirers:** incremental revenue from carding new vertical of payment flows

Focal Area

Digital Ads



Cloud



Key Markets*



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Problem



- Customs and IRAS require every importer (corporate or declaring/freight forwarding agent) to set up a direct debit through their bank for Customs and/or IRAS to collect tax payments

Pain or Challenge



- Importers cannot use existing Trade Finance loans for customs duties/import GST payment
- Freight forwarders/agents are required to use their own cash before they can collect from importers - creating working capital gaps
- The E2E process is manual and inefficient
- Payment delays from importers/declaring agents incur penalties

Solution



- Collaborated with MoR partner SGeBiz to provide importers/agents a solutions to pay customs/IRAS via commercial card
- Importers/agents register their card onto the platform and upload tax invoices (as supporting documents) to facilitate the tax payments

Benefit



- Importer benefits include:** competitive pricing vs loans (MDR @ 0.7% - 1.1%); efficiency via a straight through process; elimination of requirements for loans/cash.
- Issuer benefits include:** new sources of revenue; volume uplift offsetting impacted T&E volumes; new client acquisition opportunities.

Focal Area

Duty and Customs GST

Key Markets*



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Problem



- High error rates in invoicing
- Poor operational efficiency for reconciliation (especially on Collections) due to prevalence of Cash & Cheque
- Bad debt poses credit risk undertaken by Freight/logistics providers for Middle Market/SME clients

Pain or Challenge



- Traditional players need longer time to adopt new technology
- Lower revenue in some segments in Rail & Road, Customs

Solution



- Digital freight exchange to make account payables payments to carriers using VCN/mobile VCN

Benefit



- To carriers:** improve collections efficiency, reduce bad debt, improve operational efficiency
- To freight exchange:** extended credit terms offered through VCN improves working capital management, improve operational efficiency
- To issuers:** alt. payment method offered to clients
- To acquirers:** incremental revenue from carding new vertical of payment flows

Focal Area	Rail & Road	Container Liner	Port
Key Players and Markets*			





Complex environment where buyers' and suppliers' needs are not aligned.



Buyers: Narrative slowly shifting from 'card as a payment option' to 'card as a working capital solution'.



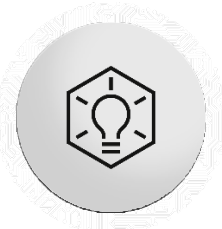
Suppliers: Imperative to shift narrative from 'MDR is a cost to accept cards' to 'MDR is an alternative way to fund working capital cycle'.



Focus on pockets of opportunity in the B2B space: start slow & build on the success.



Dedicated hands-on support, so you can be the partner of choice for your customers' digital needs



Transformative Change

- Brand promise and industry standards created to provide businesses around the world the ability to buy and sell in an optimized and secure fashion



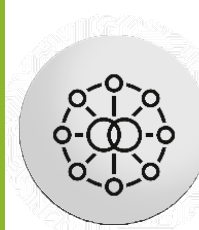
Expansive Reach

- Trusted partner of over 22,000 financial institutions across the globe
- Robust, secure, and scalable network
- Unsurpassed worldwide acceptance



Trusted Partner

- Access to commercial expertise, thought leadership and experience to gain a competitive advantage
- Dedicated accounts and customer support specialists



Leading Technology

- Leading technology provides the best user experience
- Flexible and best-in-class products and in-house solutions

