

# The Business Payments Coalition: Marking Five Years of Improving B2B Payments Efficiency

By: Mary Hughes  
Business Payments Coalition

Many U.S. businesses continue to use a disproportionate number of checks to make and receive business-to-business (B2B) payments and they rely on manual, paper intensive processes to reconcile associated remittance data. Learn what the Business Payments Coalition (formerly the Remittance Coalition) has been doing to address this problem during the past five years.

Although American consumers have been quick to adopt electronic payment methods (such as debit cards, credit cards and online bill payment), U.S. businesses still write a lot of checks. This is a problem because checks are cumbersome, labor-intensive, prone to fraud, and often cost more than electronic alternatives -- all of which reduces efficiency in the U.S. payment system and exposes businesses to unnecessary risks. In 2011, some forward-thinking individuals held a summit to discuss how to spur adoption of electronic payments among businesses. One of their "ahas" was the realization that checks are popular because it is simple to insert a message or invoice with the check explaining what the payment is for. In contrast, sending remittance information with an electronic payment is much more complex. They concluded that adopting more uniform approaches to exchanging remittance information would make electronic payment options a lot more viable to businesses. From this premise was born the "Remittance Coalition" -- now known as the Business Payments Coalition (BPC). The Credit Research Foundation (CRF) has been an active and committed partner since the beginning, with CRF members attending the inaugural workshop that led to the Coalition, serving on the BPC leadership group and participating in work groups.

Celebrating its fifth anniversary in 2016, the BPC has grown considerably since its inception, evolving into a respected national organization with over 550 members. Its goal has broadened beyond simply facilitating the exchange of remittance information among B2B trading partners. It still seeks to foster adoption of electronic payments and remittances in the B2B environment, but its wider-ranging goal today is to improve efficiency of B2B payments across the end-to-end process. There are no dues to join the BPC, only a willingness to help pursue its mission by lending expertise to the group's efforts.

To help guide its priorities and work efforts, in 2012 the Coalition conducted a survey of business practitioners<sup>1</sup> to better understand the main barriers they face that limit

increased use of e-payments and e-remittance data. Further, the survey asked respondents to rate the effectiveness of five different possible solutions to better understand ways to improve the processing of electronic payment and remittance data.

Barriers identified by respondents fell into three broad categories:

**1. Business Payees Lack Education and Solutions to Make E-Payments Adoption Easy.** Many businesses reported that their trading partners, particularly smaller businesses, are unwilling or unable to originate and receive e-payments and e-remittance data, which the respondents attributed in large part to a lack of education about the benefits and "how-tos" of e-payments and the lack of solutions scaled to smaller businesses that make it easy to adopt e-payments.

**2. Information Technology.** Many businesses lack effective technology and sufficient IT resources needed to support more use of e-payments and e-remittance data.

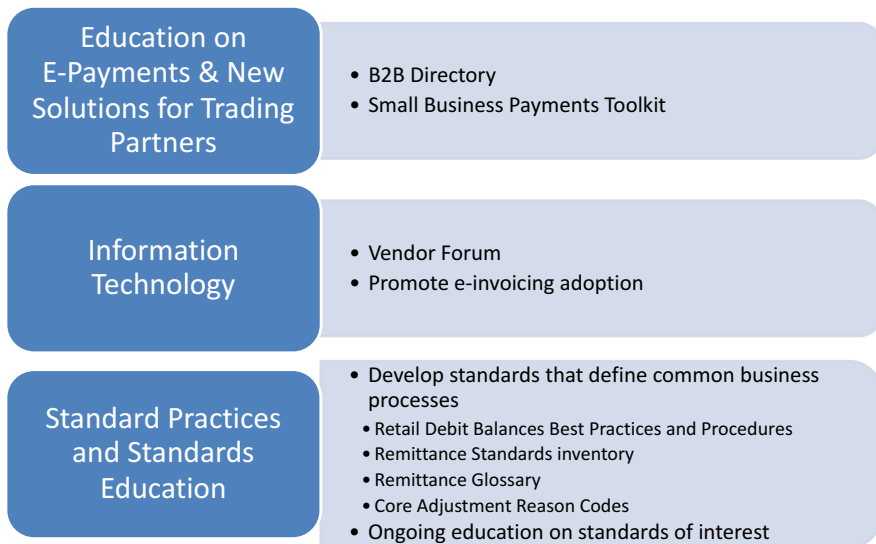
**3. Standard Practices and Standards Education.** Many businesses cited the problem of non-standard e-remittance formats and business practices, which makes it difficult to readily exchange and automate e-remittance processing. For example, trading partners reportedly use the X12 EDI 820 standard in such different ways that specific arrangements must be negotiated with each trading partner to enable processing of remittance data files. Businesses also report that remittance data frequently has key fields missing or incorrect data, making manual intervention necessary to process a file.

Fortunately, the surveyed businesses identified a number of solutions that they believed could be effective to overcome these barriers, thus improving the efficiency of processing B2B transactions from end-to-end. Top-ranked among these solutions was to develop and promote the use of more common business practices when populating and exchanging remittance data. A second solution that businesses identify as important was more education on e-payments and automated remittance data processing that is targeted to customers, employees and suppliers. Finally, businesses saw the need for more effective technology services as critical to reducing barriers to more e-payments and remittance data adoption. BPC volunteers relied on these three solutions as initial marching orders to guide their efforts.

1 Available by clicking: [HERE](#)

The remainder of this article focuses on accomplishments of the BPC over the past five years that have addressed each of these three barriers.

### Business Payments Coalitions Solutions to Overcome Barriers to B2B Payments Efficiency



#### Overcoming Barrier #1: Education on E-Payments and New Solutions for Trading Partners

##### BPC Solution: B2B Directory

Checks are a popular choice for B2B payments because only the name and address of the payee are needed to make the payment. Conversely, if the payor wants to pay via an electronic method like an automated clearing house payment (ACH), the payor must have the full bank account and checking account number of the payee. Sometimes, this information is hard to get. A major accomplishment of the BPC was the creation of a B2B payments directory concept that reduces the time, cost and complexity of obtaining necessary payment information to enable electronic payments. The B2B directory functions as a look-up tool to enable payors to find payee information quickly and cost effectively. According to Claudia Swendseid, Senior Vice President of the Federal Reserve Bank of Minneapolis and a founding member of the BPC, “Volunteers from the Business Payments Coalition developed the B2B Directory concept, formed the Business Payments Directory Association (BPDA) and have been instrumental in supporting the BPDA’s implementation plans for moving the concept into a production service. The B2B directory will make electronic payments much easier to setup and more practical for businesses of all sizes. It will be a valuable tool that allows payors to easily and securely obtain bank account information plus payment and remittance preferences of payees. This empowers payers to pay electronically (such as via an ACH credit) instead of having to resort to mailing a check.”

##### BPC Solution: Small Business Payments Toolkit

Smaller businesses rely heavily on checks for both sending and receiving payments, often because they may not be familiar with more efficient electronic payment choices. The BPC created a resource, the *Small Business Payments*

*Toolkit*<sup>2</sup>, which offers plain-language, practical education about various payment types, explains the benefits of electronic payments, and describes how small businesses can avoid being victimized by payment fraud. The recently updated Toolkit includes advice on how small businesses can work with their bankers and larger trading partners

to improve their payment practices, how to get started using automated clearing house (ACH) payments, what small merchants should know about EMV technology and chip cards, implementing bank services that can mitigate fraud, and many other topics. It has an extensive resource section for readers who want to learn more. Larger businesses have shared the Toolkit with small business partners to help them get up to speed on more efficient electronic payment options.

#### Overcoming Barrier #2: Information Technology

##### BPC Solution: Vendor Forum

Many businesses lack in-house information technology (IT) resources of their own and thus are reliant on third party vendors for solutions. Recognizing the vital role software

and technology providers serve, the BPC organized a Vendor Forum sub-group that now has over 90 members. The Vendor Forum meets several times per year in order to obtain vendor input on pertinent issues, provide education on new payment standards, and promote the adoption of payment standards in software and technology solutions.

##### BPC Solution: Promote E-Invoicing Adoption

It is surprising but true that U.S. corporations lag behind the rest of the world in adopting electronic invoicing solutions. This is a concern because sending and receiving invoices electronically is a necessary first step to achieving straight-through-processing (which means automated, “hands-off” processing instead of relying on traditional labor-intensive methods). A white paper by the Payments, Standards, and Outreach Group of the Federal Reserve Bank of Minneapolis, *U.S. Adoption of Electronic Invoicing: Challenges and Opportunities*<sup>3</sup>, considers whether the U.S. should develop and implement a standard, ubiquitous B2B electronic invoice and processing platform similar to those adopted in other countries. The paper highlights opportunities for businesses to gain efficiencies and reduce costs by more broadly adopting e-invoicing. Aggregate savings from reducing paper invoices are estimated to be as much as \$162 billion. A new e-invoicing work group of the BPC is preparing an inventory of current e-invoicing standards and will be forming recommendations on how to boost e-invoicing adoption among U.S. corporations.

2 Available as a free download at: <https://fedpaymentsimprovement.org/wp-content/uploads/small-business-toolkit.pdf>

3 <https://fedpaymentsimprovement.org/wp-content/uploads/e-invoicing-white-paper.pdf>

### Overcoming Barrier #3: Standard Practices and Standards Education

#### BPC Solution: Develop Standards that Define Common Business Processes

Since the Coalition was founded, volunteers have written and published four technical reports<sup>4</sup> available for free through the Accredited Standards Committee X9 website and the American National Standards Institute. These reports have been downloaded thousands of times.

**TR-45 Retail Debit Balances Best Practices and Procedures.** This technical report (TR) was created by a group of retail industry practitioners representing retailers and suppliers. The work group began by conducting a broad-reaching survey to research and benchmark current practices in the retail industry. The scope included but was not limited to account reconciliation, notification guidelines, timeframes, roles and responsibilities of each party, supporting documentation needed to support debit balance claims, and so on. TR-45 is a useful tool for retail industry members such as accounts payables and accounts receivables practitioners, as well as software vendors who desire to improve and standardize how debit balances are handled by various trading partners. Following these best practices can lead to efficiencies, potential cost savings in terms of reduced labor, improved cash management, and better relationships between trading partners. TR-45 is unique as it is the retail industry's first attempt to standardize retail debit balance handling by advocating a consistent approach that can potentially benefit all parties.

**TR-44 Remittance Standards Inventory.** The Remittance Standards Inventory is a current, comprehensive inventory of relevant B2B payment remittance standards. The intended audience of this payments remittance catalog includes B2B solution and service providers, and corporations and organizations that make use of these standards or implementations to facilitate the efficient reconciliation of their payments and remittance data. Standards bodies and other general interested parties are also an important target audience.

**TR-43 Remittance Glossary.** Remittance refers to information that explains a payment. A work group of BPC volunteers developed a glossary to provide greater standardization and improve communications regarding purchase-to-pay business processes. This TR is intended to be a source of common language in the payment and reconciliation process, thus reducing misunderstandings and incorrect processing which stem from miscommunication.

**TR-42 Core Adjustment Reason Codes.** This TR presents a set of codes for adjusting a B2B payment amount and provides an overview of how to use these codes in the exchange and processing of remittance information. The BPC work group reviewed the list of EDI 426 adjustment codes and identified nine categories and about 70 codes as essential for deduction processing; these were defined as the "core" codes. Core codes were then mapped to "best

fit" codes from the 426 code list to minimize the need to convert (so that EDI 426 codes can still be used.) Buyers can apply the right adjustment reason codes to explain deductions, discounts and adjustments taken for a purchase. Suppliers can use the core codes to reconcile payments when deductions are applied. There are a variety of benefits to utilizing these simplified deduction codes for participants throughout the payment value chain. In fact, the core codes in TR-42 have been adopted by companies that did not previously have their own code lists.

#### BPC Solution: Standards Education

BPC meetings frequently feature educational presentations about standards topics so members can stay informed about new standards. For example:

- Extended remittance Information for Fedwire and CHIPS wire transfers: Allows corporate originators of wire transfer payments to include about 9,000 characters of extended remittance information within a wire transfer payment order in either structured or unstructured formats
- NACHA's XML Remittance Format
- ISO 20022 Stand-Alone Remittance Message: ISO 20022 is an international, open standard that provides a methodology which can be followed when creating financial messages
- Balance Transaction & Reporting Standard (BTRS): Previously known as BAI2, the X9.121 Balance and Transaction Reporting Standard establishes a common format for exchanging cash management account data provided by financial institutions daily to their corporate customers
- NACHA's ISO 20022 strategy for the ACH network
- W3C's Web Payments Interest Group which addresses a broad array of issues related to payments, identity, and commerce infrastructure on the web so end users and businesses can complete transactions in a consistent manner
- The role and adoption of ISO 20022 financial messaging standards by corporate America

As part of its mission to provide education on standards and encourage their adoption, this year BPC volunteers created a comprehensive new document called *Understanding ISO 20022 Resource Guide*<sup>5</sup> which is a compilation of existing resources that provide information on the ISO 20022 standard, including tools that help with transitioning to the new standard such as mapping tools and implementation guides. Corporates can benefit from ISO 20022 as a means to simplify and standardize their treasury operations. Multinationals may benefit the most, especially those with operations in Europe, given the Pan-European SEPA payments system based on ISO 20022. Specific benefits cited by corporates that have adopted ISO 20022 include lower information technology support costs, easier maintenance and troubleshooting, increased straight-through-processing, visibility into cash balances globally and mobility of cash across banks and regions.

4 Each of these four technical reports is available as a free download at <http://x9.org/standards/remittance-coalition/>

5 Available as a free download at <https://fedpaymentsimprovement.org/wp-content/uploads/understanding-iso-20022.pdf>

The Coalition is developing a follow-up document that will provide links to and/or examples of success stories or testimonials from U.S. corporations or banks that have adopted ISO 20022 standards. The purpose is to educate the public about the current status of ISO 20022 knowledge and adoption, and explain the positive impacts corporations have experienced as a result of implementing ISO 20022. Content will focus on: 1) defining challenges of corporate practitioners and their service providers related to ISO 20022 standards adoption and how these challenges were overcome; and 2) describing the value proposition to U.S. corporations (and their service providers that supported the transition to ISO 20022) through case studies and/or examples of positive impacts on return on investment.

**Join the Business Payments Coalition!**

Members of the Coalition are innovative thinkers who are driven to contribute to positive change. If you want to be part of creating solutions that make B2B payments more efficient

from end-to-end, new members are always welcome. To join, send an email to: [business.payments.smb@mpls.frb.org](mailto:business.payments.smb@mpls.frb.org). In response, you will receive a welcome email and information on how to get involved in current initiatives. Keep up with the Coalition's progress by visiting its website. Now that its first five years are completed, look for many more years of creative solutions from the Business Payments Coalition.



**About the Author:**

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She has been active in the Business Payments Coalition since 2013.



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