

An aerial night photograph of a city street grid. A central roundabout is brightly lit with green lights, creating a focal point. The surrounding streets and buildings are dimly lit, with some lights from cars and buildings visible. The overall color palette is dominated by dark blues and greys, with the green of the roundabout providing a strong contrast.

Potentials in B2B-Payment

NIKOLAUS TRZESCHAN – HEAD OF CORE PRODUCTS DACH, MASTERCARD

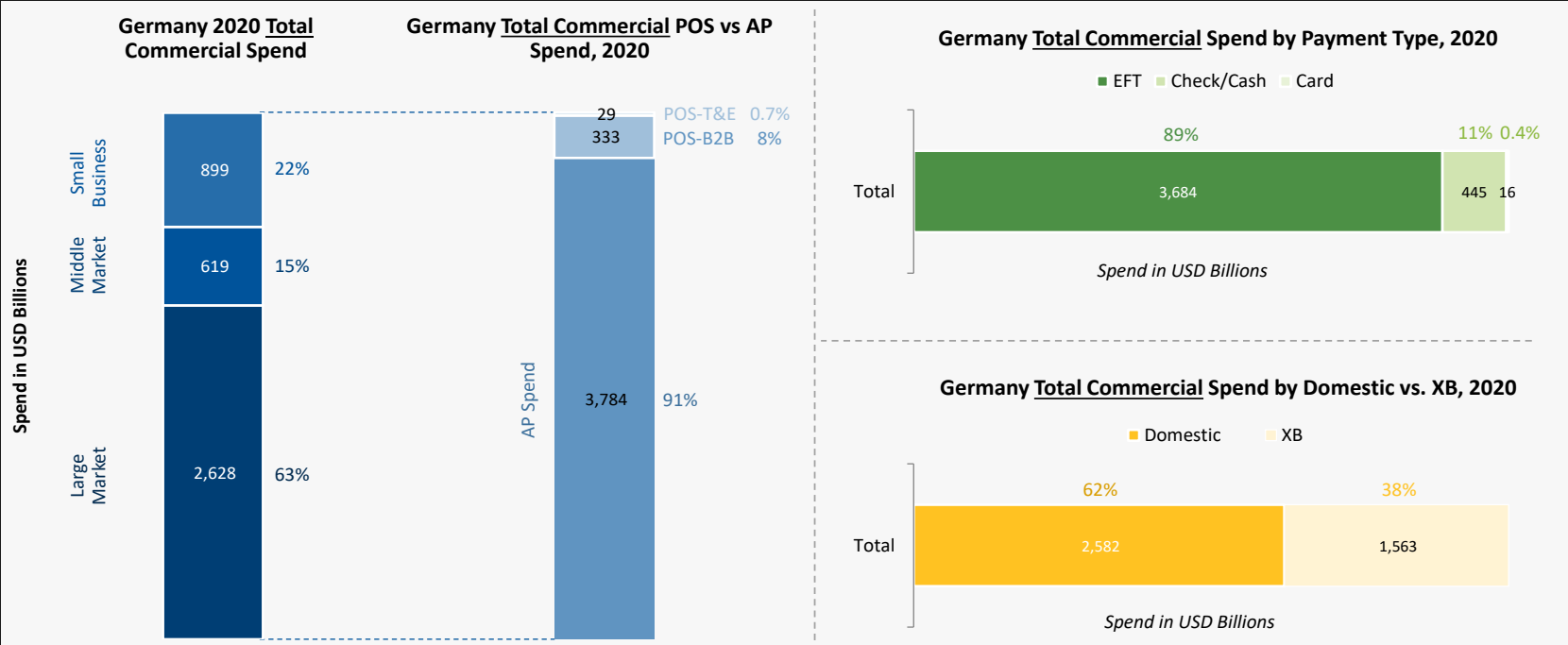


Status quo in Germany?



Germany's Commercial Spend is estimated to reach over \$5.3T in 2024

Germany, the largest market in Europe, represents 17% of the region's total CGS, and 4% of the global total

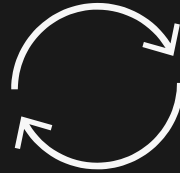


Source: Kayser study – Commercial and Government Spend (CGS) Analysis - German market, 2020
 * Point of Sale (POS) spend at the same time the order is created, e.g., in-store, online AND in a decentralized fashion, not an Accounts Payable department
 ** Accounts Payable (A/P) is characterized by - Ordering in advance , Having an invoice and Conducted between trusted parties that have a formal or informal agreement
 *** Large Market > EUR 50 M annual revenues (sales). Middle Market = EUR 10M < annual revenue < EUR 50M, Small Business < EUR 10 M annual revenues (sales)



Capturing a broader range of B2B payment flows is challenging

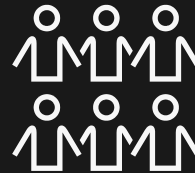
- Issuers have the added pressure of helping customers **avoid fraudulent transactions**, **expanding B2B acceptance**, **declining revenue from legacy B2B systems**, and being a consultative **partner** to help end-corporates meet **financial goals**.



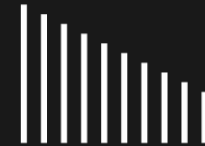
Differentiation in accounts payable solutions



Addressing customer needs and deepening relationships



Broadening relationships across customer organization(s)



Limited upside from legacy B2B services



Who is the customer?



Prince Charles

- Male
- Born in 1948
- Raised in the UK
- Married twice
- Lives in a castle
- Wealthy & famous

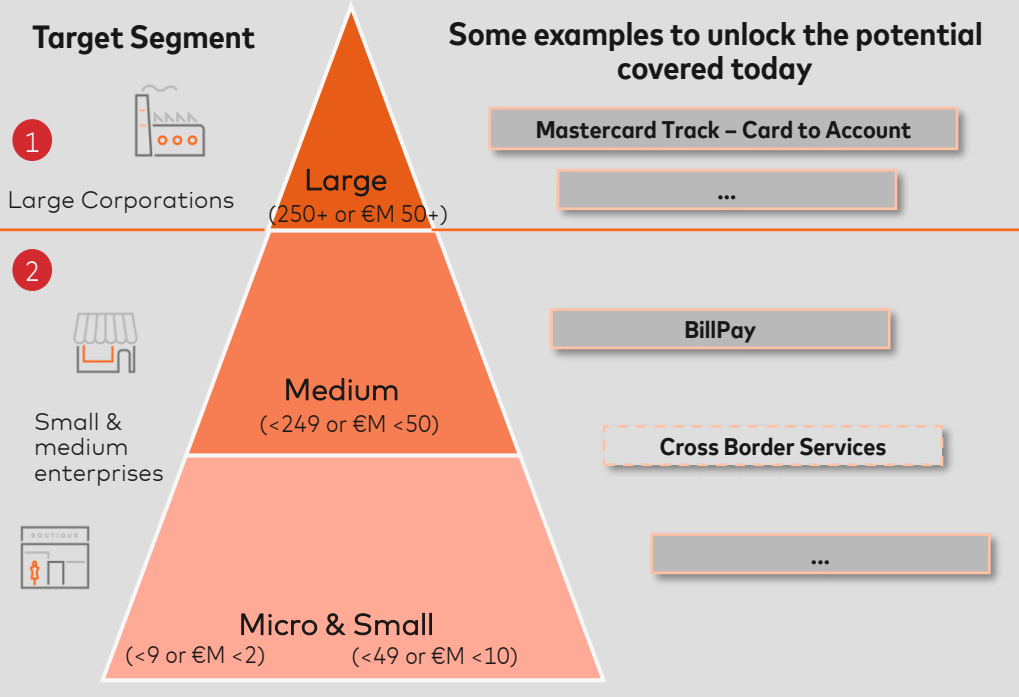


Ozzy Osbourne

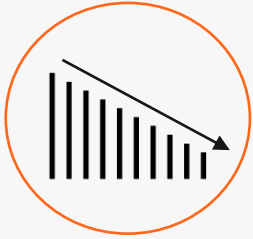
- Male
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Different needs require different solutions per target segment



For mid-size and large corporations, existing processes eat up resources and are tough to manage



Reduced working capital, as payments are taken directly from bank account



Greater **risk of fraud** when processes are manual and paper-based



Inefficient manual **processes** from **purchase order setup** and approval to reconciliation and **slow payments**



Lack of visibility into total spend – 79% of finance executives seek more accurate cash data and **forecasts**



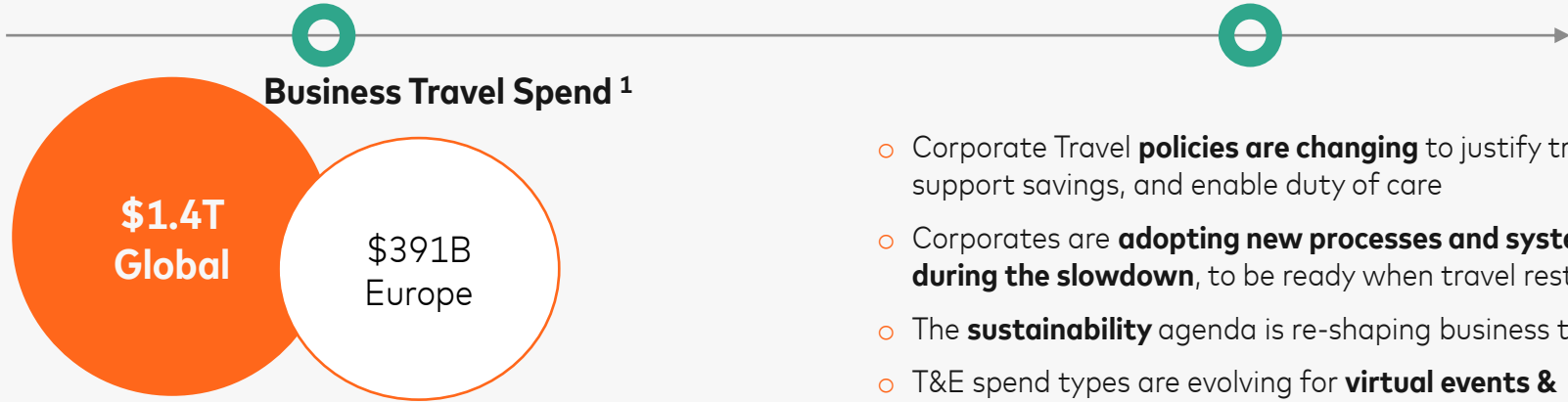
Corporate travel spend management is a continued priority

In today's climate, corporates may face new urgency to streamline travel payments

Exemplary pain points

Pre-Covid

2022 & beyond...



- Business travel spend is a significant cost for corporations
- Companies require spend visibility, enhanced data, employee compliance and simplified accounting.




- Corporate Travel **policies are changing** to justify travel, support savings, and enable duty of care
- Corporates are **adopting new processes and systems during the slowdown**, to be ready when travel restarts
- The **sustainability** agenda is re-shaping business travel
- T&E spend types are evolving for **virtual events & remote work**
- Payment digitization is accelerating with travellers looking for **contactless journey** and reduced risk of exposure



Most travel managers, finance managers and business travelers said their companies have authorized reimbursement for new types of expense categories¹

Exemplary pain points

What type of new expenses or categories are allowed due to remote work or COVID-19?

1.  Work from home equipment
2.  Personal Protective equipment
3.  COVID testing



Mastercard Track C2A – Card to Account

Combines the payment terms of a card with the efficiency of bank transfers ...



100% of B2B payments to be made on a buyer's commercial card programme, regardless of whether the supplier accepts card payments*



100% of B2B payments made direct to the supplier's bank account*



Pricing is flexible and not restricted to interchange tables



The buyer uploads a Payment Instruction File in line with existing month end accounts payable processes

*provided the supplier details pass the appropriate AML & compliance checks



Mastercard Track C2A – Card to Account

... satisfying all stakeholders – issuer, buyer and supplier.

Benefits for issuers

- Flexible, fee-based vs. interchange-based revenue source
- Enables customers to fully utilise their credit line
- Offers the potential for scale transaction capture via full ERP integration

Benefits for buyers

- Pay any supplier with a commercial card programme – regardless of whether they accept cards
- Offers an **alternative funding source** for B2B payments
- Makes **working capital available**: up to 58 days of additional credit
- Day one of the card statement cycle is aligned with weekly or monthly payment-due dates to maximise working capital

Benefits for suppliers

- Direct to bank account payments – no need for manual card processing
- Buyer funded pricing model – although this can be off-set by supplier early pay discounts



In Europe and especially in Germany, small and medium businesses are an integral part of the business landscape...



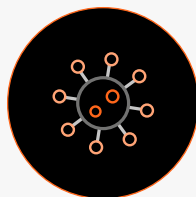
...and that landscape is changing



Advances in technology and a growing preference for digital experiences has changed the way consumers shop



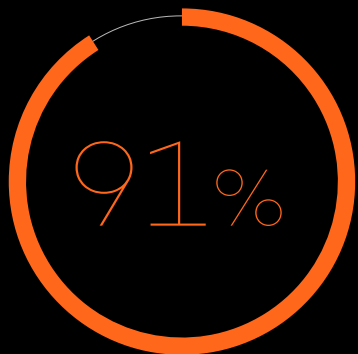
Governments are digitising industries to stimulate growth and prevent fraud, and new regulations are enabling competition and unlocking value within payments



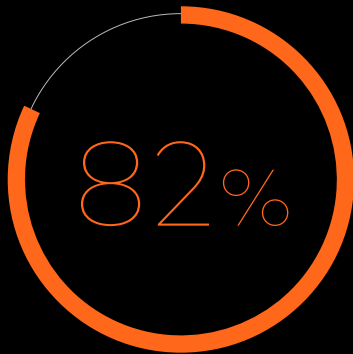
COVID-19 has amplified the needs of small and medium businesses, and they are undergoing accelerated change address consumer needs and embrace digital platforms



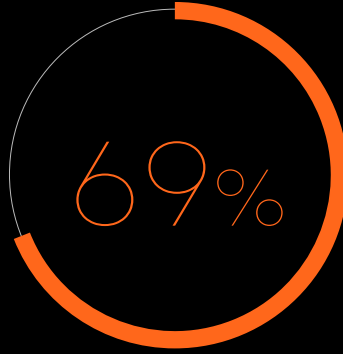
Despite the importance of the small and medium business segment, it is still underserved by banking and financial providers



of small business owners say their **bank does not address all of their needs**



of small businesses are **using consumer products** for their banking needs



of small businesses **would switch banks** if they provided all the banking services they need



Small and medium businesses are diverse and operate across industries, presenting different areas of focus, challenges and needs in their day-to-day



Tradesmen

- ✓ Keep business running
- ✓ Become more efficient
- ✓ Cash management



Professional services

- ✓ Controlled growth
- ✓ Marketing
- ✓ Growing business



Gig worker

- ✓ Fast payments, visibility and benefits
- ✓ Money management
- ✓ Income uncertainty



Retail

- ✓ Maintain relevancy
- ✓ Attract and retain customers
- ✓ Online payments



Manufacturing

- ✓ Growth
- ✓ New markets
- ✓ Operational concerns



Agriculture

- ✓ Manage cash flow effectively
- ✓ Diversify
- ✓ Accessing new markets

✓ Main pain point



Small and medium business needs are more urgent than ever as they keep pace with a challenging digital landscape and fresh consumer demands



Managing payments:
Pay and get paid

SMBs want better ways
to pay and get paid



Managing cashflow:
Get capital

Getting access to working capital
is a pressing need for SMBs



Growing business and
technology: Go digital

Many businesses have found
a lifeline by going digital



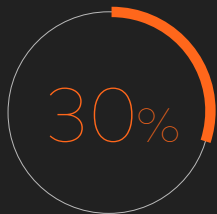
Retaining and acquiring small and medium businesses requires specifically targeted propositions with relevant value-added benefits

Small and medium business expectations are constantly evolving, and new players are satisfying their diverse needs with innovative solutions. That's why it's key to put their needs first and create differentiated solutions in order to stay competitive

Increased competition



Fintechs are challenging traditional card propositions and forward-thinking in meeting cardholders' needs

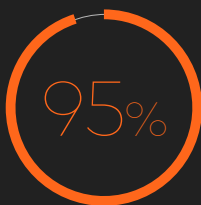


focusing mainly on SMEs solutions¹

Empowered small businesses



Demanding differentiation instead of product conformity

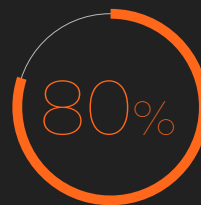


of commercial clients who bank digitally in their personal lives expect to do so at work as well²

Digital platforms



Small and medium businesses are embracing digital platforms to grow their businesses and address their needs



consider innovative digital platforms an important factor when choosing their banks²



CONTEXT AND CHALLENGE

The current bill presentment and payment experience is fragmented and complex for billers and your customers

Bill Presentment

Numerous channels for notifying payers of their latest bill and reminding them to pay



Paper Bills

- High print and delivery costs
- **Lack of visibility** as to whether bill is received



Emails

- **Lower bill presentment costs**
- Can impact payment performance¹



Telephone, SMS, Letter

- Used to **help chase and recover overdue payments** resulting in high operational costs

Bill Payment

Many different methods for payers to make their bill payments



Biller Website

- Requires payers to **manage different account logins**



Bank Transfer

- Manual payment information entry is prone to errors and payers often **forget to pay their bills on time**



Direct Debit

- Unsuitable for the increasing number of people with a variable income
- Bank changes lead to **late payments, service disruptions and customer attrition**



Fixing the broken link between bill presentment and payment solves multiple pain points for payers and billers

Payers



Payers expect everything to be **simple, digital and instant**

71% of payers prefer a single provider for the integrated payment solutions¹



Mobile banking features are the **top factor** in determining choice of bank

65% of payers research a bank's mobile banking app before opening an account²



Flexibility and choice in how and when to pay bills is key

73% of payers are more loyal to payer institutions that offer multiple payment options³

Billers



Not having pre-populated remittance data can result in **late payments** and **reconciliation errors**

50% of billers estimate that resolving disputes costs between £150-£350 per bill.⁴



Vulnerable payers may need to use **multiple payment options** to settle their bills

51% of billers said they want to support more payment methods to improve their bill payer experience.⁴



Lack of visibility to payers' intent to pay can result in poor **liquidity management**

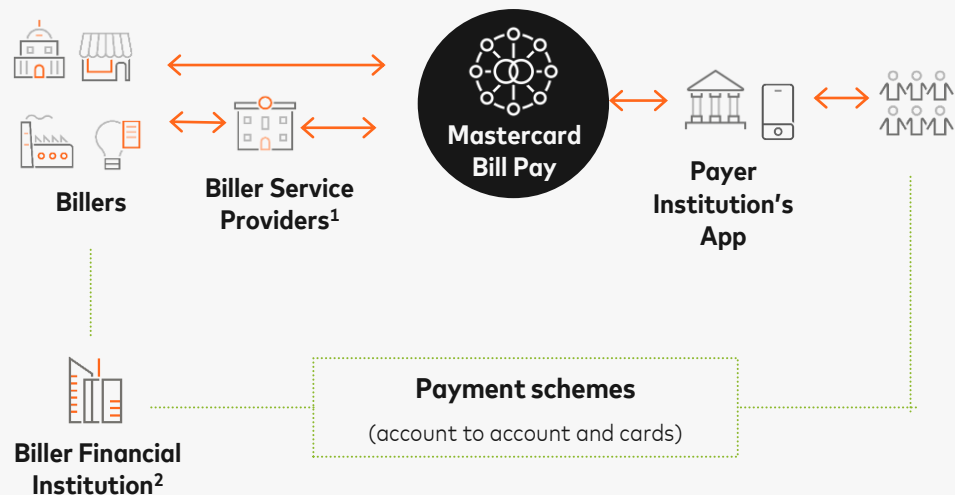
60% of payers are interested in messaging to manage arrears or resolve failed payments.⁴

1. MASTERCARD PROPRIETARY RESEARCH, 2020-2021. CONDUCTED IN INDIA, CHINA, AUSTRALIA, GERMANY, SOUTH AFRICA, UK, AND MEXICO (250 RESPONDERS PER MARKET)
 2. BUSINESS INSIDER INTELLIGENCE, UK MOBILE BANKING COMPETITIVE EDGE SURVEY, 2020
 3. MASTERCARD GLOBAL FORESIGHTS, INSIGHTS & ANALYTICS: OMNICHANNEL & EMERGING PAYMENTS PULSE SURVEY, GLOBAL, 2021
 4. MASTERCARD FORRESTER REQUEST TO PAY MARKET CREDIBILITY STUDY, 2021



Mastercard Bill Pay is omnichannel digital bill presentment and messaging solution which makes bill payment experience more efficient, transparent, simple and flexible

High level overview



Key features



Simple and secure enrolment



Convenient digital bill presentment

- View bill summary and full details
- Ability to set-up reminders



Multiple and flexible payment options



Enhanced real time messaging features



With Mastercard Bill Pay, consumers can view, manage and pay their bills seamlessly and securely, all within the payment service provider mobile app



Convenience

- ✓ A **single point where to receive and view all bills**, without need to remember multiple credentials
- ✓ More choice of ways to pay, including account and card payments



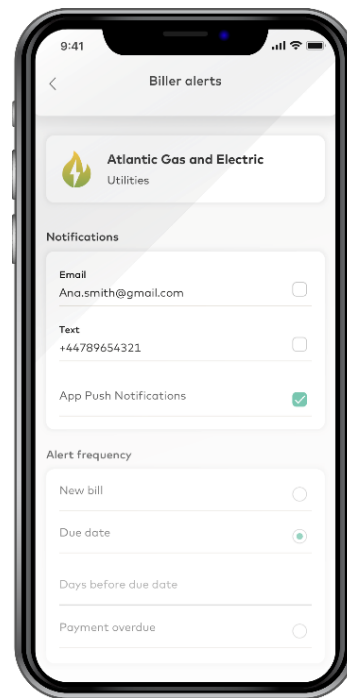
Control and flexibility

- ✓ Possibility to set-up rules for automatic payments
- ✓ Possibility to set-up reminders
- ✓ **Real-time messaging for notifications** and queries



Confidentiality

- ✓ A **trusted channel to make payments** and store payment credentials
- ✓ **Personal sensitive information is secured by financial institutions**



Payment service providers benefit from increased competitive differentiation, customer loyalty and profitability

Higher customer engagement & satisfaction



Consumers expect everything to be simple, digital and instant

64% prefer digital banking to physical banks (that's 80% for Millennials)¹

Mobile banking features are the top factor determining a bank choice

65% research a bank's mobile banking app before opening an account²



More cross-sell /upsell opportunities

- ✓ Better understanding of your customer needs
- ✓ Sell additional products to meet your customers' payment needs (e.g., credit facilities such as overdraft, credit card and instalments)

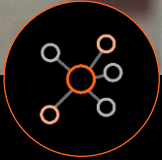
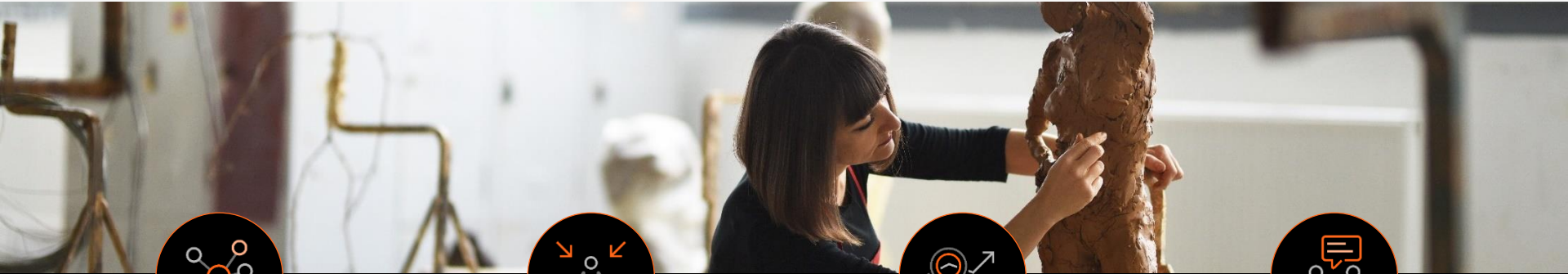


Cost reduction

- ✓ Less direct debit bounce
- ✓ No manual payment errors



In order to unlock the B2B payments potentials 4 areas are crucial



Going beyond card

Our vision of a world beyond cards delivers value-added services on top of Mastercard's core product offering, providing broader and more integrated capabilities



Segment expertise

We have worked with large corporates & small and medium businesses for over 50 years. Our solutions are needs-based



Integration and agility

Ease of integration is core to our value proposition, increasing speed-to-market for new products and solutions in response to customer demands



Strategic partnerships

Through our strategic partnerships, we provide access to digital capabilities, applications and value-added services that cater to the full spectrum needs



Thank you!

Let's create the future
and unlock the potentials
in B2B payments
together, starting today

