



Mastercard solutions for supplier payments

Optimize processes for effective
payment solutions

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Losses in productivity and gaps in cash flow can stunt, or even stop, business growth

Businesses have significant sums of money tied up along the supply chain.



\$1.3T

locked up in working capital¹

SUPPLIER CHALLENGES

Inefficiency is a real problem for Suppliers.

77%

rated the value of reducing time logging into buyer portals to download reconciliation data as "very important" or "extremely important"²

Late payments are common, making cash flow uncertain.

81%

of companies reported increases in overdue invoices, late payments and lengthening of days sales outstanding³

The consequences can be even more severe for small businesses.

50K

small and midsize business failures each year due in part to late payments⁴

BUYER CHALLENGES

Invoicing and payment issues put relationships at risk.

72%

of organizations experience damage to vendor relationships because of inefficient invoice and payment processing⁵

Inefficient processes use up staffing resources.

30%

of accounts payable employee time is spent answering suppliers' questions and other manual tasks⁶

1. Supply Chain Innovation Report, Raconteur, 2019
2. AT Kearney Survey of 404 A/R and Finance Professionals Representing Small, Mid-size and Large Companies, Research Commissioned by Mastercard, 2019
3. Atradius Payment Practices Barometer in Western Europe, report, 2020
4. The Global Treasurer (UK): "Xero Stripe and PwC Bring Seamless Payments to Small Businesses," report June 2019
5. Accounts Payable Automation: The Multi-Trillion-Dollar Accounts Payable Market is Finally Digitising, Business Insider Intelligence report, 2020
6. B2B: How the Next Payments Frontier Will Unleash Small Business, Goldman Sachs, report, 2018



Buyers and suppliers both face challenges with current payment processes.



Suppliers

- Receiving bank transfers requires no processing effort from the supplier but **reconciliation takes additional time**
- Accounts Receivable teams are trying to **minimize Days Sales Outstanding (DSO)**



Buyers

- Accounts payable is looking for alternative payment methods **to reduce the number of transactions** and processing costs
- Procurement is looking to **streamline the number of suppliers**
- Treasury is trying to **maximize Days Payable Outstanding (DPO)**

IMPACT

- High transaction costs
- Time and resources dedicated to collections
- Resources required to manage large volume of non-strategic spend
- Vendor/volume negotiations not optimized
- Risk of fraud and misuse with lack of spend visibility
- Non-ESG-compliant suppliers
- Redundancies in procure-to-pay process



Empowering suppliers: Driving growth & enhancing operational efficiency



SAVINGS

- **Incremental sales** with more options to pay for customers
- **Cash flow improvements** by accelerating receivables and reducing DSO
- Tangible **reduction in cost of collections**



SECURITY & CONTROL

- **Lower risk** with credit risk underwritten by banks
- **Fewer fraudulent transactions** and chargebacks with Mastercard's cybersecurity
- **Easier and faster reconciliation** of transactions with enhanced data



EFFICIENCY

- **Faster collections** made possible through card acceptance
- **Fewer resources tracking payments** and calling past due customers
- **Reduced need/dependency on invoice factoring**



FLEXIBILITY

- **Improved working capital and cash flow** to fund additional activities
- **Increased credit** and extended payment terms to customers via card

Enabling buyers: Optimizing cost savings & ensuring financial control through payment flexibility



SAVINGS

- Enhanced **supplier negotiations** backed by robust reporting
- Improved **working capital** with interest-free period
- Tangible **efficiency** savings through streamlined virtual payment processing vs. check (up to \$25 per invoice)*



SECURITY & CONTROL

- Robust set of **innovative controls** to reign in spend
- Reduced fraud** and misuse of funds through parameter settings
- Market-leading virtual card platform generates **single-use** cards with a robust set of controls and reporting capabilities



EFFICIENCY

- Payment consolidation** into single method with fewer transactions
- Procurement resources reallocated to higher-value tasks including better **managing strategic spend**
- Reduction in number of **nonstrategic supplier management**
- Enhanced visibility and **actionable insights** through data and reporting capabilities



FLEXIBILITY

- Integrates** with AP systems for seamless processing providing greater visibility into payments data
- Handles **global** programs with AP departments in multiple countries



For buyers, the procure-to-pay process is the point of departure for unlocking opportunities

Procure-to-Pay

1



PURCHASE REQUISITION

- Need for purchase identified
- Requisition created
- Requisition sent for approval

2



PURCHASE ORDERS

- Requisition converted to purchase order (PO)
- Purchase order issued and sent to suppliers with PO number and purchase details

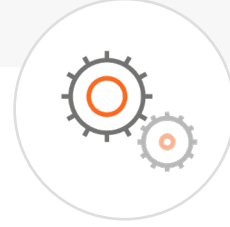
3



INVOICE RECEIPT & PROCESSING

- Supplier issues invoice aligned with PO information
- Supplier sends invoice to buyer company with all relevant details including payment terms and instructions

4

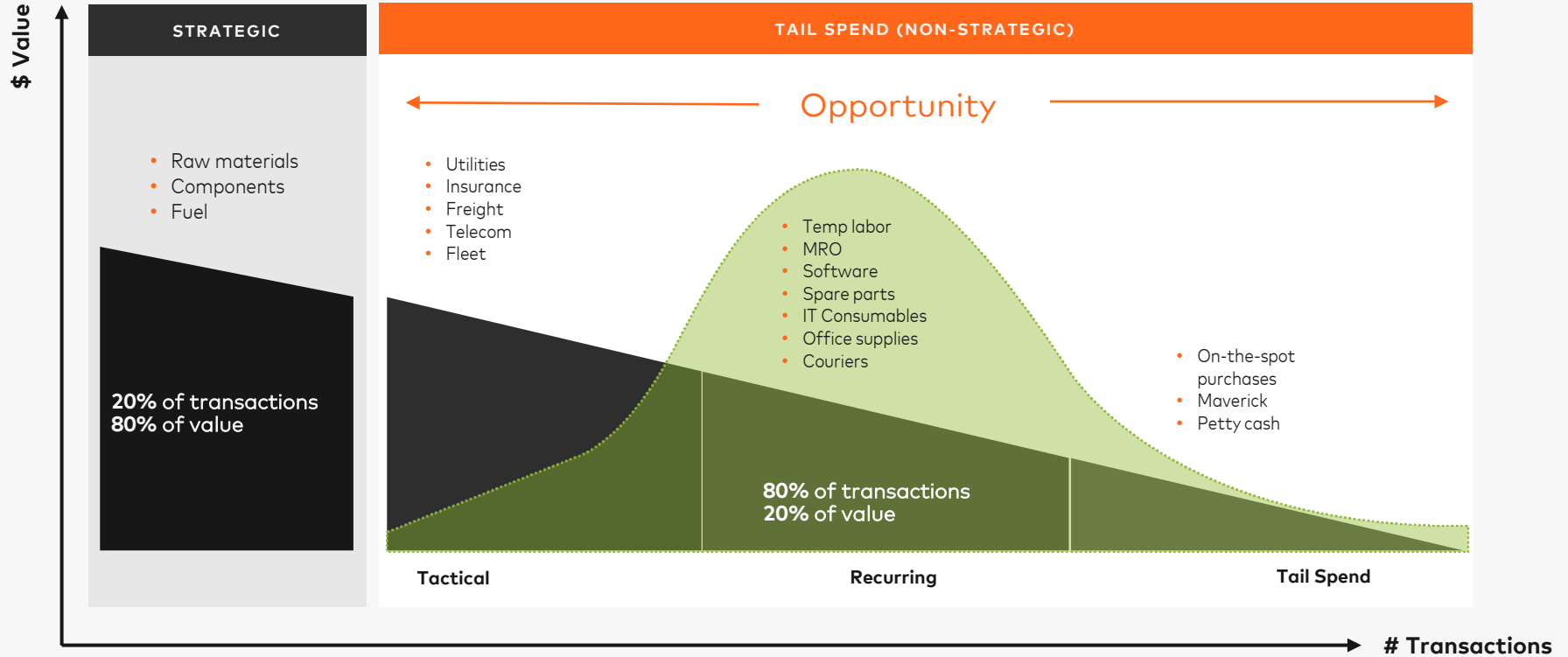


PAYMENT PROCESS

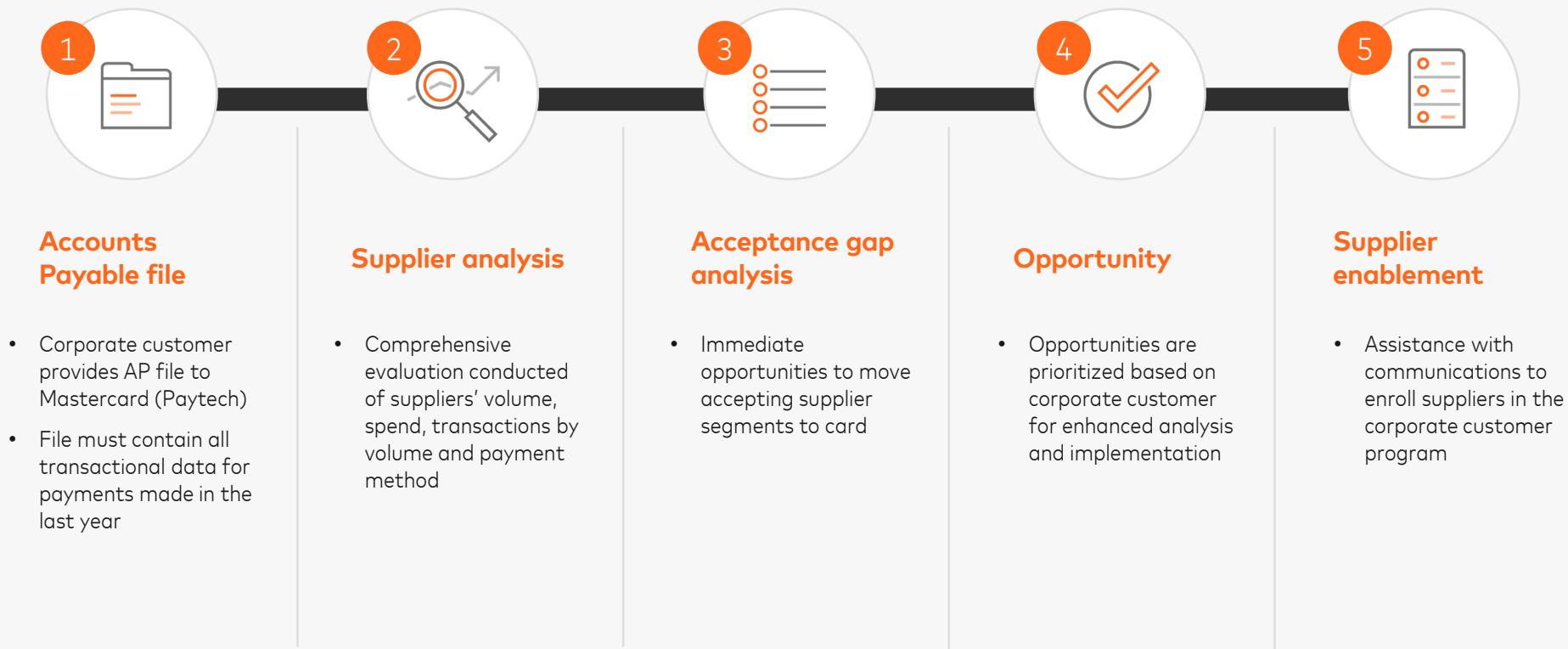
- Invoice is received, reviewed and accepted
- Invoice is matched against purchase order
- Invoice is paid based on agreed payment terms



Tail spend represents the largest cardable opportunity



Our B2B framework: Mastercard B2B analytics



Comprehensive B2B Analytics



Analytics help

- Identify suppliers most likely to accept B2B transactions
- Deliver recommendations on how to implement and maximize program benefits
- Reduce transactional processing costs
- Eliminate/simplify PO processing
- Streamline nonstrategic supplier list and their Know Your Buyer (KYB) process
- Maximize DPO

Client engagement sample

STEP

1

Raw data
from AP file

\$5.5B

31,429 suppliers | 307K invoices

STEP

2

Supplier
conversion
opportunity

\$3.4B

19,509 suppliers (60%) | 209K invoices

STEP

3

Supplier conversion
to card or virtual
card

\$399M

850 suppliers | 43K invoices (14%)



The B2B analytics dashboard is designed for ease of use



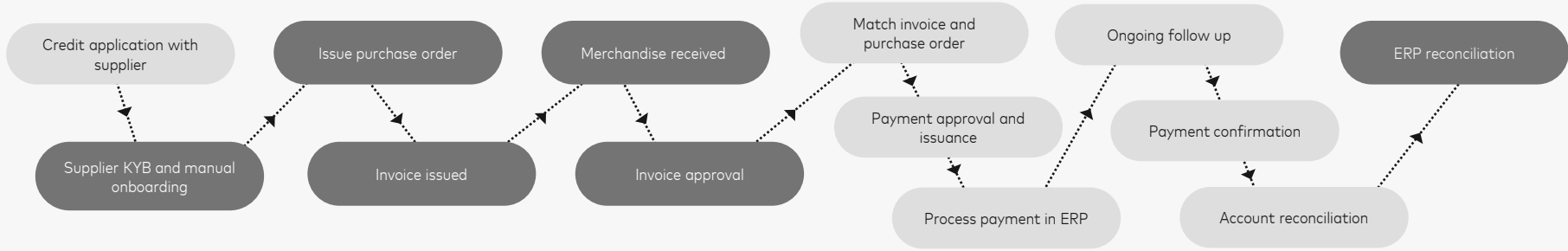
DATA INSIGHTS

- By focusing the analysis on the opportunity area, it's evident that **22% of invoices represent only 1% of spending.**
- 309 (42%) of these suppliers accept cards**, representing expenses of \$1.7M.

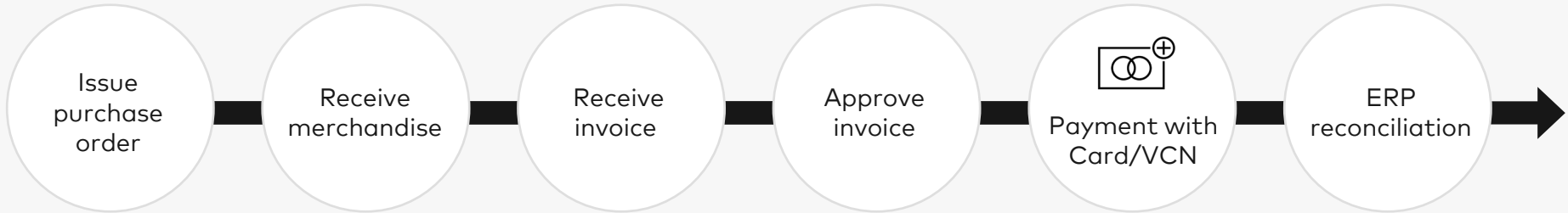


Using card can streamline the payment processes

TRADITIONAL



STREAMLINED

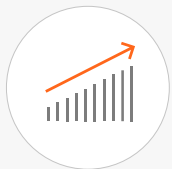


Helps mid-sized to large corporations reduce costs, achieve greater control and manage B2B payments more efficiently



Increased control

Corporations can enforce internal compliance policies with better control through transaction limiting and vendor restrictions



Direct savings

Supports working capital goals by taking advantage of extended credit terms (issuer-specific)



Efficiency

Eliminates paper-based, labor-intensive processes while also improving accuracy (order process, invoice management and accounting)



Enhanced visibility

Data captured from these cards allows for a smoother reconciliation when using our platform or via data file integration

ADDRESSES THESE OPPORTUNITIES

For buyers

- Tail spend is time consuming to manage
- Age-old payment processes are slow and often bureaucratic
- Invoices don't match purchase orders

For suppliers

- Reconciliation process is inefficient
- High cost of financing if buyers don't pay on time
- Risk of nonpayment

VALUE PROPOSITION

- Improvement in spend control through the use of card authorization restrictions
- Enhanced transparency from the additional transaction data that accompanies a p-card
- Automated reconciliation through purchase order, job number and/or invoice mapping

TARGET SPEND

- Tail spend
- Low-value tickets
- Single-use suppliers
- Large transaction volume
- Payment processing initiated by supplier



Streamline B2B payments with unique, dynamically generated virtual card numbers (VCNs) for secure, flexible payments



Unique card number

Generates a new card number for each transaction, giving every purchase its own unique identifier



Transaction-level controls

Transaction-level authorization allows to define how, where and when cards are used



Easier account reconciliation

Enhanced VCN data is available for reconciliation with every transaction



Workflow control and approvals

Approval routing for transactions follows existing approval process

ADDRESSES THESE OPPORTUNITIES

- Keeping track of manual payments is cumbersome and involves many layers of operational inefficiencies
- Suppliers are susceptible to fraud as their bank account information is exposed with payments

VALUE PROPOSITION

Buyers

- Reduces costs and operating inefficiencies resulting from manual payments
- Reduces fraud and misuse
- Integrates with existing AP systems for seamless processing

Suppliers

- Improves security as sensitive bank account information is not communicated to buyers

TARGET SPEND

- Tactical and recurring tail spend
- Mid/high-ticket items
- Large transaction volume
- Buyer controls payment processing



Leverage our expertise to improve spend management



Dedicated B2B specialists

- Help account managers every step of the way with corporate clients, from needs assessment to implementation
- Dedicated resources to drive B2B acceptance



Power of analytics

- Supplier analytics with customers with identification of streamlining process to improve working capital
- Leading technology provides the best user experience
- Proprietary global card reporting and business intelligence solution



B2B expertise & network

- Access to commercial expertise, thought leadership and experience to gain a competitive advantage
- Robust, secure and scalable network



Best in class solutions & partnerships

- Flexible and best-in-class products and in-house solutions
- Growing number of strategic partnerships with B2B platforms



Next steps

- 1 | Agree on priorities and create implementation plan
- 2 | Provide training to the various stakeholders
- 3 | Conduct pilot
- 4 | Build pipeline and scale

For more information,
contact your Mastercard representative.





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