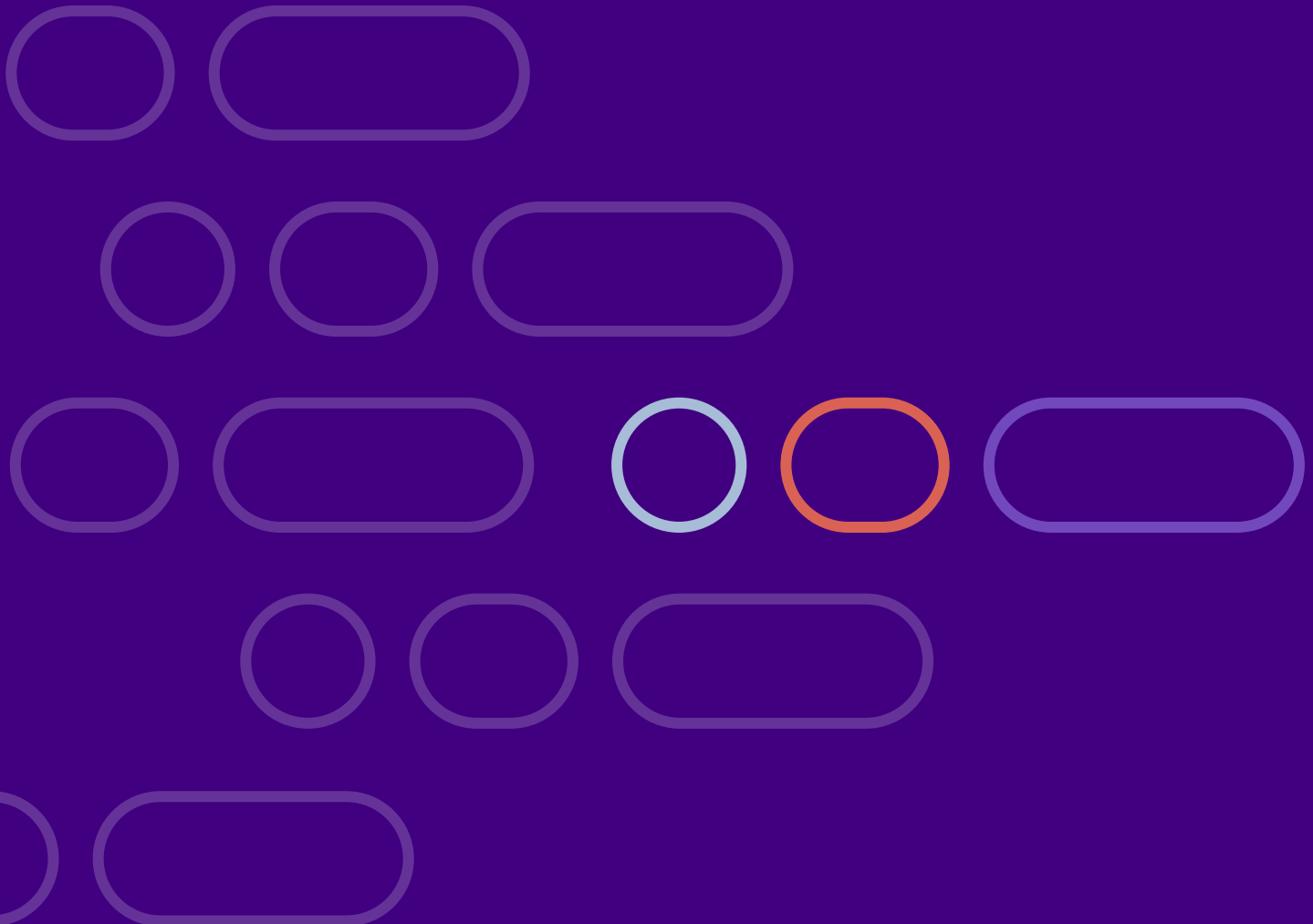


# Need for speed

How on demand settlement could help your business survive and thrive.





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# Foreword

These are truly incredible times. In 2020, as a highly contagious virus swept around the world, global stock markets fell into disarray, businesses were forced to adapt to the 'new normal', and governments struggled to contain the unfolding crisis. It is the stuff science fiction is made of.



We've all had to adapt to taxing new restrictions, many of which have fundamentally altered the way we live, work, socialise and shop. Vaccines may have brought the end of the pandemic tantalisingly close, but we still don't understand the long term implications of COVID-19, or what our post-pandemic society will look like.

What we do know, however, is that COVID-19 plunged Britain into its deepest recession on record. As of September 2020, the pandemic had already caused the closure of an estimated 234,000 small businesses in the UK, and this number continues to rise daily. Businesses across all sectors are facing a myriad of challenges, including disrupted supply chains, depleted workforces, mandated lockdowns, and difficulties with cash flow management.

The outcome could have been far worse had it have not been for technology and digitization. Early on in the pandemic, businesses in every sector were forced to transform to protect their employees and continue serving customers. It's estimated that businesses vaulted five years forward in terms of digital adoption in just eight weeks.



## 234,000

small UK businesses have already closed due to COVID-19<sup>1</sup>



Use of new technologies and digital adoption jumped

## 5 years forward<sup>2</sup>

## Of businesses surveyed

23%

say predictable cash flow is key.

23%

say they can't access payments data easily.

20%

don't feel they have the right tools to manage payments.

15%

don't feel in control of their payments.

I've always been a passionate believer in harnessing technology to improve the customer experience, particularly when it comes to cash flow. The payments ecosystem is overcomplicated, making dealing with crises like COVID-19 all the more challenging for businesses, particularly when it comes to accessing funds quickly. Waiting for payments can severely frustrate business continuity.

At Cashflows, the customer sits at the heart of everything we do, so we wanted to find out first-hand what challenges businesses have faced over the past year, what their priorities are heading into 2021, and what we can do to give them a helping hand.

Our results were eye-opening. 15% of businesses say they don't feel in control of their payments, and 23% said that having a more predictable cash flow is extremely important for their organisation. One fifth of businesses don't feel that they have the right tools in place to manage their payments properly. Appallingly, nearly a quarter (23%) of businesses said they can't access their payments data easily.

Hindsight is a wonderful thing, but the findings of our research emphasise just how much more the payments industry must do more to support British businesses in their darkest hour. As the FSB warns that a further 250,000 SMEs face collapse in 2021 without further support, we must look to address the issues highlighted in our research if we are to return to full economic health.

Amanda Mesler  
CEO, Cashflows



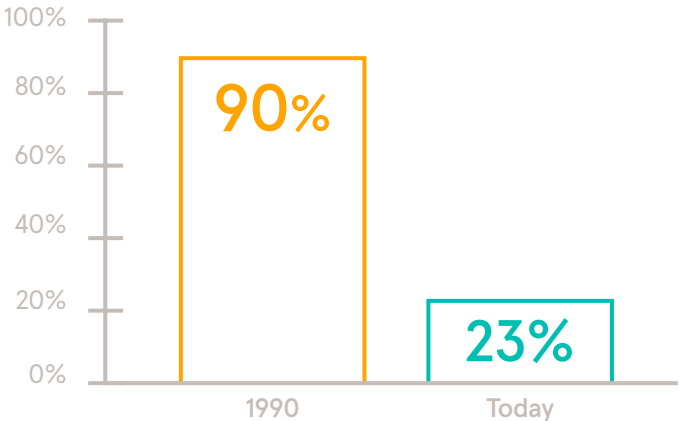


# Introduction

Demand for faster payments is nothing new. Ever since currency began to change hands over a millennium ago, consumers and merchants have sought faster, more convenient ways to move money.

Cash continues to lose its market dominance in favour of faster ways to pay, such as credit cards and mobile payments. According to data shared by the Bank of England<sup>3</sup>, cash was used for more than 90% of payments in 1990. Today, that figure stands nearer to 23%.

## Cash as a % of all UK payments



Settlement takes an average of 3 days, sometimes 2 weeks!

While cards may offer a more convenient and safer method to pay than cash, card processing has barely changed since the 1970s. Nor has the thinking around settlement.

If a company accepts cards, it can expect an authorisation in real-time. At the end of each day, authorisation messages are batched up and sent to the card providers, who then pass them on to issuers. Once issuers debit the cardholders and credit the acquirers, funds are then passed back to the retailers. Settlement takes an average of three days, expanding to as much as two weeks in some circumstances – an unthinkable length of time when businesses are suffering the ramifications of economic volatility.



British companies  
could face  
a total cash  
flow deficit of



**£140** billion<sup>4</sup>

The industry has, however, been on the cusp of change for several years. A wave of fintechs have tried to enable faster settlement, harnessing open APIs to transform how cash management operates. Regulators are also striving to facilitate faster settlement, after governments recognised it can increase the fluidity of the economy. Legislation such as the European Union's PSD2 have changed the way banks communicate with one another, to the benefit of merchants, even if many remain concerned about the impact of Secure Customer Authentication (SCA) requirements.

Despite these many innovations and improvements, 2020 highlighted that more needs to be done to support businesses. Plummeting economic activity meant that for many UK companies, cash flow came under severe pressure. The Bank of England estimated that in order to maintain employment, buildings and equipment throughout the pandemic, British companies could face a total cash-flow deficit of £140 billion. That is a truly frightening number.

The accelerated migration to e-commerce this year has also created a new challenge. With so many people unable to visit the high-street, e-commerce grew by 34.7% in just one year<sup>5</sup>, with more than £141.33 billion spent online. Digital payment methods may have opened vast new opportunities for businesses, but they have not helped with faster settlement. In many ways, the rapid rise of

e-commerce, coupled with the waning of cash purchases, has diminished businesses' ability to access their own funds quickly, when they need it.

While the macro-economic picture of COVID-19 has been studied in great detail, we wanted to understand the part that payments and settlement has to play, particularly for companies that rely on high value transactions. It's crucial that these businesses, and the unique issues they face, are documented and discussed. This is exactly what we set out to achieve.

We found that the appetite for faster settlement is extremely high. Over 3 in 5 respondents said that a method of faster payment would improve their business payment process, which is critical for survival. A worrying number of respondents (15%) told us that they don't feel in control of their payments, no doubt adding stress in what are already difficult times.

One way or another, it's clear that life will never be the same again, for good and for bad. 76% said they feel that business has been irrevocably changed. While it's easy to jump to the negatives some of this change will be for the better, with an acceleration in the move to new technologies and digital business models. For SMEs to embrace these opportunities, we must ensure that they have the tools they need for success, and, critically, that they have free access to their funds to reinvest however they see fit.



# Methodology

Between 21 to 28 October 2020, Cashflows and Savanta interviewed 453 UK business payment decision makers online.

The decision makers were from businesses that had an annual turnover of more than £80,000 and took card payments. Of the 453 businesses, 226 operated in the retail sector, with the remaining 227 operating in the financial sector.



## Definition

**Settlement:** The discharging of payment obligation between the payer and payee's financial institutions, with the transfer of funds occurring on a gross basis or on a net basis. In other words, when a business actually receives the funds from their card transactions.

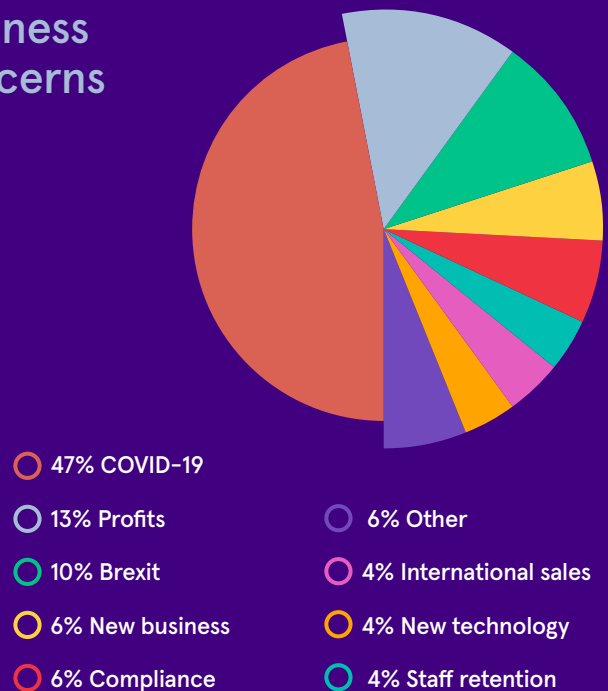
# 1

## Long-lasting impact

### A transformational year

2020 marked a year of upheaval due to COVID-19 and other national and international events outside businesses control. Across the UK, the effect of COVID-19 has been transformational and our research confirmed that business payments decision makers have felt this. 47% noted the virus as their biggest concern, followed by making profits (13%), the impact of Brexit (10%) and finding new business (6%). Compliance (6%), international sales, migration to new technology and retaining staff (all 4%) were also raised by respondents.

### Business concerns

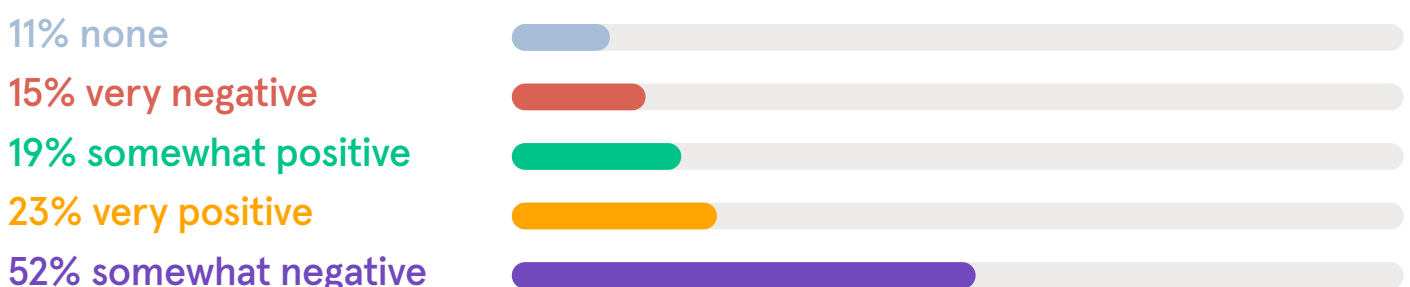


We also asked about the severity of COVID-19's impact. 15% of those we surveyed said that the virus had a very negative impact on their business, with the majority (52%) stating the impact was somewhat negative. It wasn't all bad however, with almost a quarter (23%) feeling very positive about the impact of COVID-19 on their business, and 19% falling into the 'somewhat positive' bracket. Just 11% of respondents said that COVID-19 had no impact on their business.

Over half of the businesses we interviewed now have staff working remotely (53%). This was particularly true of businesses in the financial sector (67%), compared to those in retail (39%). Other operational changes reported included changing business model (41%), reducing headcount (40%) and moving operations online (36%).

For the majority of business decision makers, the future feels uncertain. Three quarters of respondents agreed that the future of their business has changed irrevocably due to COVID-19. Just 2% strongly disagreed with this statement.

### COVID-19 impact





## Shifting priorities

Our research found that following the onset of the pandemic, the top three priorities for businesses are delivering a great customer experience (48%), maintaining business as usual (44%), and having a more predictable cash flow (42%).

Notably, when respondents were asked for their priorities before and after the pandemic, securing a more predictable cash flow showed the biggest increase. A further 10% of respondents said this would be a priority after the pandemic than had said so before, highlighting that cash flow is intrinsically tied to business survival.

Expanding into new markets (33%) and retaining staff (33%) were also bigger priorities after the pandemic than before (vs 31% and 31% respectively).



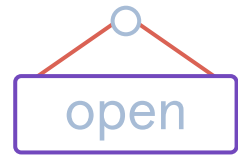
## Top priorities



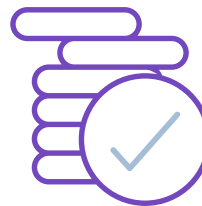
48%

great customer experience

44%



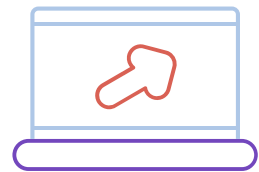
maintaining business as usual



42%

predictable cash flow

33%



expanding into new markets



33%

staff retention

# 2

## Time for technology

### Technology has dampened the damage

Businesses have shown great ingenuity in the face of difficult conditions with many adapting their approach in a matter of weeks. This need for flexibility is likely to continue. Technology is seen as having a critical role for ongoing success although there are still barriers to adoption.

In our survey, 72% of respondents agreed that the pace of technological innovation had accelerated because of COVID-19 and remote working. Just 6% of the businesses surveyed felt that this wasn't the case. Although this move to digital has been borne out of necessity, it will undoubtedly lead to further opportunities and benefit in the long run.

When asked how the changing pace of innovation had helped them, over half (53%) said that technology had allowed their business to save on costs, while 46% said it had improved the customer journey. Other perceived benefits included improved e-commerce (42%) and savings on human resources (40%).

#### New technology benefits

- ✓ 53% cost savings
- ✓ 46% better customer journey
- ✓ 42% improved e-commerce
- ✓ 40% human resources savings



“The most difficult transition was moving front-line staff to home working roles”.

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**15%** of respondents said that they do not feel in control of their payments

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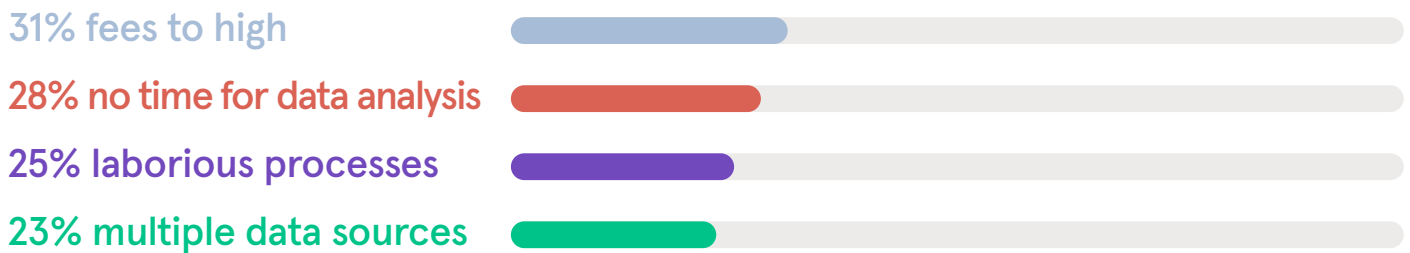


## A lack of control

It is clear that change is needed to improve processes and administration. Respondents cited issues with cost, efficiency and technology when it comes to payment processing. The most common challenge was paying too much for payment processing (31%), followed by not having the time to perform payment data analysis (28%).

Worryingly, 15% of respondents said that they do not feel in control of their payments, and 18% said that their payments process is too complex. This is hardly surprising, given the plethora of payments options available to consumers and the need for businesses to support them. A quarter (25%) agreed that payments and accounting processes are too laborious, and 23% stated that they're not able to access all of their data in one place.

## Payments problems

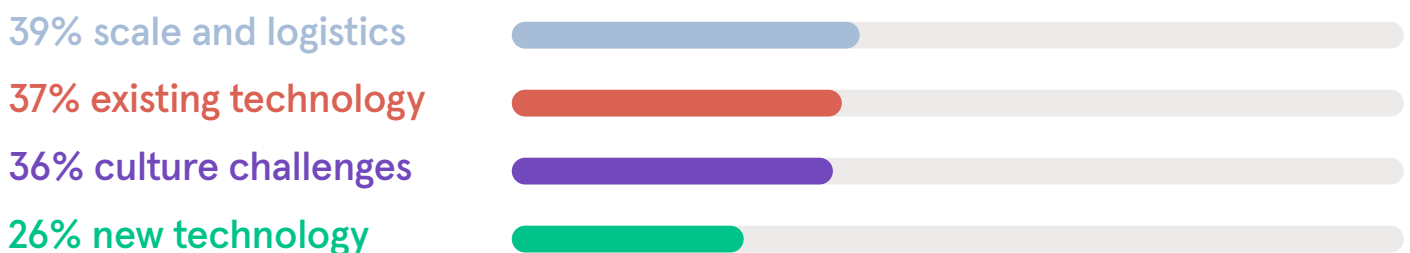


## Barriers to change

More than a quarter (26%) of those surveyed said that the implementation of new technology was a challenge. When we dug deeper into the barriers preventing technology adoption, 36% said they lacked a culture of adaptation in the company. Other perceived issues included overhauling current adopted technologies (37%) and the sheer size of businesses making it logistically challenging (39%).

Of the companies that have already adopted new technologies, training and migration were found to be problematic. It's likely that this was made more difficult due to workforces being remote.

## Key challenges

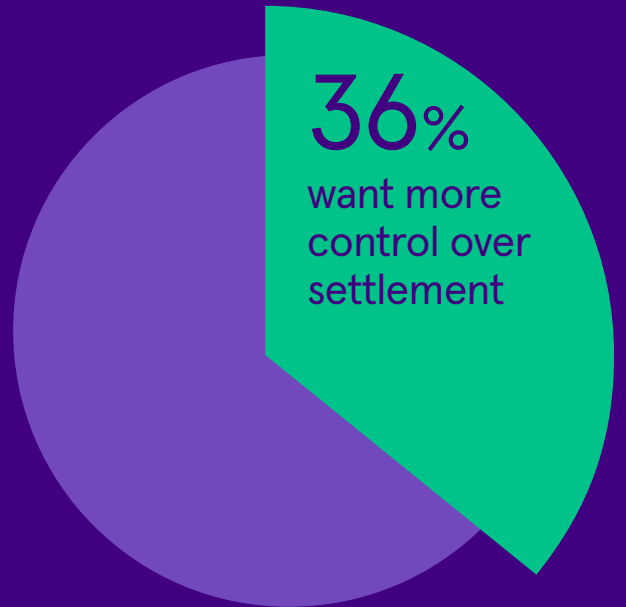


# 3

## Need for speed

As well as wanting a more predictable cash flow, over 3 in 5 respondents said that a method of faster payment would improve their business payment process. At present it takes an average of three days from transaction for a payment to be settled, but this can be as much as two weeks in some instances.

36% of those we spoke to put the ability to control remittance in one place at the top of their wish list, while 27% simply asked for better service from their provider. Notably, 25% said that the option to receive funds on the same day of the sale would help to make the business payment process easier.



## Peace of mind

Of those who wanted the option of faster, same day settlement, 'peace of mind of being able to settle when you need to' was the main motivation (54%).

This aspect was particularly important for those working in the financial sector (63%) compared to retail (46%) and for those willing to pay to get access to funds sooner (57% vs. 35%).

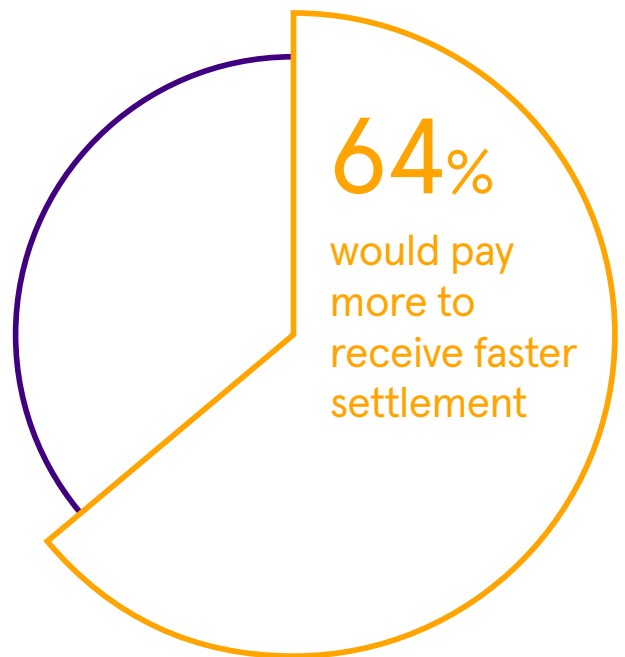
On demand settlement gives business leaders the ability to access their money in a matter of hours rather than days. As well as offering invaluable peace of mind, this frees up funds that can be redirected as needed.



## More bang for your buck

Although the current economic crisis has placed added financial burden on businesses, more than two thirds of respondents who were interested in faster settlement would be willing to pay more in order to achieve it (64%). Less than one fifth (18%) said they would not, with 19% being unsure. This highlights the value placed by merchants on being able to access funds - money that is already theirs - in their own timeframe.

We asked if businesses had the choice, how often they would choose to settle. An overwhelming majority (85%) said that they would settle one to three times per day. 9% of respondents took this one step further, expressing interest in settling balances hourly.





# Conclusion: Helping businesses take what's theirs

Our data speaks for itself in demonstrating the urgent need for faster, on demand settlement. Businesses spanning both financial services and retail see clear benefits, including much-needed peace of mind and security. In turn, on demand settlement gives businesses greater flexibility, which is critical for survival in the current economic environment.

Our research shows a serious appetite for change, with more than 3 in 5 businesses saying that a method of faster settlement would improve their payment process, taking laborious, manual tasks off their hands. Not only that, but 41% respondents said they have changed business model since the start of the pandemic, and further transformation is sure to come. Businesses need to be able to access their funds when they need them in order to remain agile.

We're living in an increasingly impatient world. In times of crisis, it is unfair to make businesses wait longer than they need to for money that is rightfully theirs. When every other service is available to us on demand, from television to groceries to healthcare, business decision makers should be able to receive the same when it comes to accessing their funds.



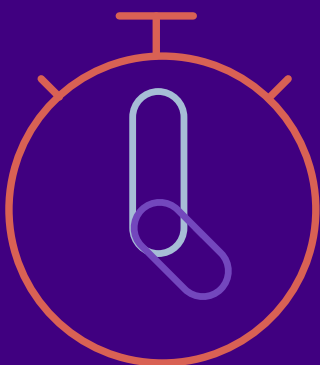
## About Cashflows

As technology has advanced and consumer demands have risen, the payments ecosystem has become extremely complex with multiple layers of functionality. Somewhere along the way it left behind the customers and businesses it serves.

Enter Cashflows. We understand that cash flow is everything and it's time we stopped overcomplicating

something that should be so simple. Our vision is to give the power back to business owners and knock some clarity into the world of payments.

We use advanced technology to bring companies closer to their own customers, connecting everything together so that they have true ownership of their business.



## About Anytime Settlement

Swift, smooth cash flow is key for business success. Cashflows Anytime Settlement solution gives customers their money the way they want it – super-fast and trouble-free. It shouldn't take days for customers to receive their money. Anytime Settlement means businesses can receive money in hours with scheduled or on-demand settlements.



Learn more and apply:  
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