

End the Wait: SMBs and the Protracted Challenge of Delayed Payments

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Could the long era of waiting for payments finally be waning for SMBs?

- In the trenches of modern commerce, SMBs face a persistent battle against the delayed payments that disrupt cash flow and jeopardize their financial health. Manual processes and outdated banking solutions stand at the core of these payment delays.
- As SMBs struggle to free themselves from the constraints of manual payment processing, many are turning toward more tailored and integrated solutions offered by banks and FinTechs.
- Have SMBs hit a critical inflection point in their cash management strategies? The unique demands — and benefits — of a digital-first economy are driving a growing number of SMBs to turn a corner, with many considering the adoption of modern cash management tools, from instant payments to unified platforms.
- PYMNTS Intelligence interviews Jason Carlson, Chief Financial Officer of experiential media company Mood Media, on why SMBs must invest in digital transformation now to ensure their viability and success in the long run.

Efficiency is the bedrock promise of digital transformation. So why are so many small to mid-sized businesses (SMBs) missing out? Answer: Delayed payments. A challenge for businesses of any size, delayed payments are especially problematic for SMBs. These delays can undermine cash flow, preventing investments in the very innovations that could solve them, including instant payments, unified platforms and artificial intelligence (AI). The technology to flip the script is at SMBs' fingertips, more available and more advanced than ever. It may be a case of being so close and yet so far, however, for SMBs whose every move is hampered by outdated payment tools and processes.

- [Confronting the Cash Crunch: SMBs Battle Against Delayed Payments](#)
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Confronting the Cash Crunch: SMBs Battle Against Delayed Payments

In the trenches of modern commerce, SMBs face a persistent battle against the delayed payments that disrupt cash flow and jeopardize their financial health. Manual processes and outdated banking solutions stand at the core of these payment delays.

Just 39%

OF SMBs RECEIVE AD HOC PAYMENTS USING MOSTLY **AUTOMATED PROCESSES**.

Payment delays are suffocating SMBs.

It's the digital age, yet manual payment processes remain in use, choking the vitality out of United States SMBs. Nearly one-third are ensnared in manual processing for the ad hoc payments that make up nearly two-thirds of their revenue, risking their longer-term survival in an efficiency-driven digital economy. Despite the profound benefits of speed and convenience offered by digital accounts payable (AP) and accounts receivable (AR) solutions, a mere 39% of SMBs have largely transitioned to [automated payment processes](#). This lag in adoption leaves Main Street vulnerable, highlighting a critical gap between digital potential and operational reality. Embracing innovative cash management tools could be the lifeline these merchants need.

The consequences of waiting could include closure.

For SMBs, the price of inaction isn't mere inconvenience. With more than one-quarter of SMBs in the United Kingdom trapped by as much as £20,000 in [overdue invoices](#) and 36% of payments in any given month arriving late, the urgency of improving payment systems is palpable. The struggle is mirrored in North America, where poor integration of payments into [business management software](#) exacerbates efforts by service SMBs to close the gap between invoicing and receipt of payment. Despite widespread recognition of the issue, less than one-third have fully integrated payments into their existing software.

Ineffective cash flow management overwhelms the majority of SMBs.

Delayed payments can trigger a domino effect that could topple SMBs' operations — and much of the problem is rooted in outdated payment infrastructure. A survey by BILL finds that 46% of SMBs operating without [AR automation software](#) report delinquent payments as their top concern. Even more, 60%, cite ineffective cash flow management as their overwhelming challenge, highlighting the critical need for automated AR and AP solutions designed to ensure that SMBs maintain a steady financial pulse.

FinTechs Gain SMBs' Confidence

As SMBs struggle to free themselves from the constraints of manual payment processing, many are turning toward more tailored and integrated solutions offered by banks and FinTechs.

83%

OF SMBs SAY THEY WANT **EMBEDDED FINANCIAL SERVICES** THROUGH THEIR EVERYDAY PLATFORMS.

The costs and complexity of payments automation are immobilizing SMBs.

Despite a ticking clock, too many SMBs find themselves at a standstill, barely progressing toward AP/AR automation. At present, 48% of the smallest SMBs still process [ad hoc payments](#) manually, even as they confront a forecast that includes a 50% [surge in payments](#) and a 46% rise in invoices over the next three years. What's holding them back? [High costs](#) and the perceived complexity of automation deter more than one-third. With 24% citing [late payments](#) as their top hurdle in processing ad hoc payments in 2023, this reliance on outdated systems is constraining SMBs' cash flow and could handcuff their growth.

FinTechs are gaining ground with SMBs as innovation partners.

As SMBs realize the constraints of manual processing, 64% are pinning their hopes on more tailored alternatives, such as software platforms and marketplaces with integrated financial services — and 67% are leaning toward [FinTechs](#). This hints at a thirst for innovation, with 83% of SMBs saying they want embedded financial services through their everyday platforms.

Are cloud-based financial services SMBs' new silver bullet?

Globally, more than 80% of SMBs are setting their sights on [cloud-based financial services](#). Current inefficiencies in cash flow management are largely driving this change in outlook, with 48% experiencing significant delays in vendor payments. Seizing the urgency, 77% are exploring new payment solution providers, signifying their willingness to invest in services that promise customization and tangible improvements in cash flow management.

Cashing In on Change: SMBs Cautiously Embrace the Currency of Innovation

Have SMBs hit a critical inflection point in their cash management strategies? The unique demands — and benefits — of a digital-first economy are driving a growing number of SMBs to turn a corner, with many considering the adoption of modern cash management tools, from instant payments to unified platforms.

73%

OF ALL SMALL BUSINESSES AIM TO UNIFY THEIR **CASH FLOW MANAGEMENT TOOLS** ON ONE PLATFORM.

SMBs are beginning to turbocharge cash flow — with an instant twist.

Not surprisingly, 32% of U.S.SMBs are revving up their financial engines by accepting ad hoc payments via [instant methods](#), an embrace of digital immediacy that slashes the time from invoice to bank. Coupled with the prioritization of [AP automation](#) by business leaders, this trend marks a strategic rethink that favors streamlined payment processes.

AI transforms SMBs from data-rich to decisively smart.

Just two years ago, [artificial intelligence](#) (AI) was a mere buzzword. Now, according to recent findings from an Intuit QuickBooks survey, AI is recasting the financial game for SMBs, with 83% already utilizing it in their operations. From data analytics (36%) to financial management (26%), forward-thinking small merchants are leveraging AI not only to predict financial challenges but also to master them, transforming potential "what ifs" into an actionable "what's next."

Can small businesses turn chaos into cash with a unified platform?

An American Express study spotlights a farewell party in full swing: 73% of small businesses are gearing up to ditch multiple cash management tools in favor of a [single, streamlined platform](#). Why? The chance to ramp up operational efficiency and unlock deeper insights into cash flow dynamics. This promises both greater financial agility and significant time savings, as 84% anticipate reclaiming up to eight hours weekly for core business tasks.

An Insider on Why Digital Transformation Is Crucial to SMB Cash Flow

PYMNTS Intelligence interviews Jason Carlson, Chief Financial Officer of experiential media company Mood Media, on why SMBs must invest in digital transformation now to ensure their viability and success in the long run.



“Embracing digital transformation in payment processing allows businesses to enhance their operational effectiveness and better serve their customers' needs, contributing to their long-term success.”

Jason Carlson
CFO
MOOD MEDIA

Delayed payments not only severely affect small businesses' cash flow: They also jeopardize SMBs' financial health.

The cash flow of a small business is its lifeblood, Carlson told PYMNTS Intelligence in a recent interview — especially during times of rising inflation.

“Timely payments from customers are crucial for sustaining operations, as small businesses often lack the financial reserves to weather prolonged delays in payment,” he explained.

Moreover, he said, inflationary periods — such as the current one — can compound cash flow challenges, with the diminishing value of money increasing the urgency for businesses to receive payments promptly.

“Delayed payments can severely disrupt day-to-day operations, impeding the ability to pay bills, procure inventory or meet crucial payroll obligations,” Carlson said. “In short, prolonged cash flow problems can lead to business failure.”

Furthermore, the considerable time and effort spent chasing overdue payments can divert valuable resources from other essential activities, he added, such as business development and innovation. Owners and managers may find themselves caught in a cycle of constantly chasing payments — reducing their productivity and hindering the potential for business growth and expansion.

Manual processing is a major contributor to the problem of late payments.

Manual payment processing presents significant challenges for businesses, Carlson said, as the time- and labor-consuming administrative tasks involved can introduce an increased risk of human error and inefficiencies in payment workflows. Relying on paper-based methods for receivables collection can further exacerbate these issues, particularly in managing overdue payments — impacting overall business performance. It can even encumber banking partnerships.

“Outdated technological infrastructure can hinder efficient payment processes, making it difficult for businesses to keep pace with evolving banking technology,” Carlson noted.

It is imperative that SMBs implement proactive measures to optimize cash flow management.

These proactive strategies, said Carlson, include setting clear payment terms, invoicing promptly, offering incentives for early payments and establishing robust credit control processes. To enhance efficiency, he advised, businesses should consider adopting digital solutions and leveraging technology to automate repetitive tasks and minimize errors. The long-term benefits of improved efficiency and reduced risks can ultimately outweigh the initial investment. Investing in modern payment platforms and strengthening banking relationships can also help businesses stay competitive and adapt to the evolving financial technology landscape.

“Embracing digital transformation in payment processing allows businesses to enhance their operational effectiveness and better serve their customers' needs, contributing to their long-term success,” Carlson asserted.

As difficult as the transition may seem, there are promising solutions — and key steps SMBs can take to make their implementation easier.

According to Carlson, both direct debit and credit card payments are popular and effective solutions for businesses seeking to streamline their payment processes. Direct debit offers the convenience of automatically pulling payments directly from customers' bank accounts, either on a scheduled basis or upon request.

On the other hand, credit card payments are widely accepted and preferred by many customers due to their ease of use.

“Selecting the right banking partner is crucial, as they can provide customized services that align with the specific needs and challenges of your business and facilitate the implementation of payment solutions,” Carlson said.

Engaging in transparent discussions upfront about expectations and requirements, he said, can help drive a more efficient implementation process, ensuring that the chosen solution meets the needs of a business and its customers.

“By considering the advantages and disadvantages of direct debit and credit card payments and choosing a suitable banking partner, businesses can enhance their payment processes, manage cash flow effectively and optimize efficiency,” he concluded.

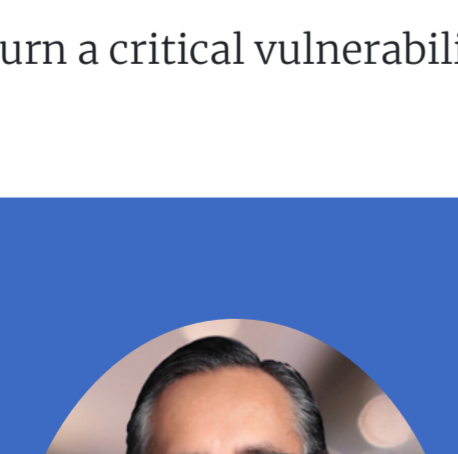
From Delay to Payday: Strategies for SMBs to Improve Cash Flow

The problem of delayed payments is not simply a nuisance for SMBs but rather a threat to cash flow and growth potential. Sticking to outdated and ineffective cash management practices is no longer feasible. The game has changed, and SMBs looking to thrive in today's economy need to embrace modern cash management tools that both address and anticipate their needs. However, progressing from the recognition of this need to actual implementation is a challenge for SMBs, making transparent steps essential.

PYMNTS Intelligence prescribes the following actionable roadmap:

- **Transition to a unified cash management platform:** Adopt a single platform that consolidates AP/AR automation along with your company's other financial management tools. An integrated approach simplifies operations, enhances visibility and empowers informed decision-making across your financial ecosystem.
- **Implement real-time payments:** Incorporate instant payment methods, thereby eliminating payments delayed in transit and dramatically shortening the invoice-to-payment cycle. Buyer confirmation is immediate, enhancing transparency and therefore boosting trust in business-to-business (B2B) transactions.
- **Optimize payment terms through data analytics:** Utilize data analytics to understand payment term trends within your firm's industry and negotiate optimal payment terms with vendors. Analyzing your company's own payment capabilities and vendor expectations can lead to more strategic payment term agreements that benefit both parties, helping to ensure liquidity and therefore healthy cash flow.

The future of business isn't just digital: It's integrated — and it's now. SMBs must seize the moment to address the core issues of delayed payments and turn a critical vulnerability into a strategic asset.



“Late payments from buyers have a major impact on businesses' working capital — especially that of SMBs. That's one reason why these businesses are exploring automation and digital tools, like those provided by American Express, to streamline manual back-end tasks, helping them gain efficiency, prevent late payments, and — ultimately — better control their cash flow.”

Lorenzo Soriano De Teresa
Senior Vice President, Merchant Services

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