

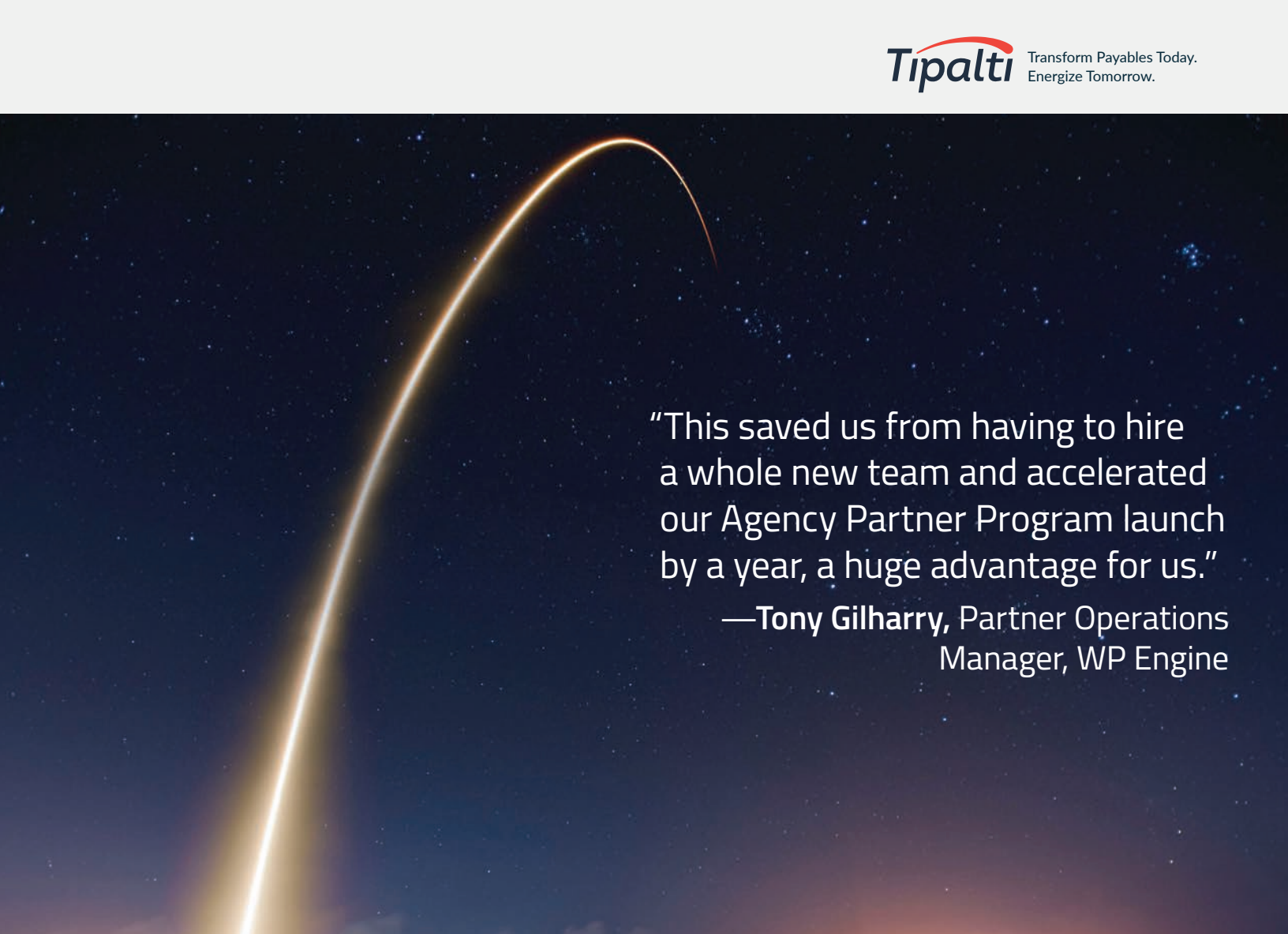
How Digital-First, Hyper-Growth Businesses Scale Payables



One goal for every serious digital-first business – beyond world domination – is to streamline to scale. The moment of truth for these companies is when they achieve operational Nirvana and can execute their “x as a service” or “Uber of x” vision in a frictionless way. This is the point where they can focus on growth, adoption, and value and not simply “making things work.”

Digital-first businesses are often multi-sided. External partners often make up much of their offering. Whether they’re content creators, influencers, developers, artisans, gig workers, or suppliers, these businesses rely on partner relationships to be successful.

At the heart of the payment strategy are payments, which permeates the entire operation. Let’s examine how growing, overachieving digital-first businesses are dealing with payment challenges that are obstacles to future success.



“This saved us from having to hire a whole new team and accelerated our Agency Partner Program launch by a year, a huge advantage for us.”

—Tony Gilharry, Partner Operations Manager, WP Engine

Executing the Go-to-Market Vision

The disruptive business models of digital-first companies require an aggressive go-to-market approach. It's a land grab. The sooner they can deliver a viable offering, the greater the opportunity to expand and enhance.

However, relying on manual processes can lock you into inefficiencies down the road and introduce execution risk. This is even more true with payables. Most organizations have to spend money to spend money, which eats away at profitability. For a digital company, this can be like a tax to operations. At the same time, controlling how funds leave the building must be a major focus to avert errors and fraud.

Says Eran Ben-Shushan, CEO of event management solution provider Bizzabo: “Manually taking on the entire payment process of paying our event organizers would be inconceivable and counter to any lean operational philosophy of a sharing economy company.”

“Finance needs to become invisible,” says John Pfeister, Head of Finance, SmartShoot, a photo-gig service that provides online sourcing of photographers and videographers. “People want to focus on what adds value to their company. They don't want to worry about any other part of the process breaking down.”

Partner payments are foundational to digital-first companies and need to be considered when taking a new offering to the market. To maintain profitability, reduce risk and compliance burdens, and compel partner loyalty, payments must be solved for. Only then can these businesses scale to grow.

Partnering for Payables Success

Without reliable partners, businesses reduce their predictability and ability to deliver quality products and services to their customers. Likewise, negative relationships with partners can affect the company's reputation and ability to continue attracting good partners.

"We spend less time with the email ping-pong that comes with manual payments," Dan Steinberg, CFO of digital music network Izo. "From our partners' standpoint, the process is smooth and transparent. We don't hear complaints. That's the golden indicator that nothing is going wrong, and that's the payment experience you want."



Factors that affect the partner relationship?

Communications around payments – Given how important the payment experience is to partners in the digital economy, it should be viewed as a critical touchpoint. This means that every communication, from onboarding to alerting of payment status and issues, should be white-labeled to reflect the business's brand and reinforce trust. The challenge is even greater with global partners since they are likely to attract less attention.

Paying in local currency – Foreign exchange management can be a headache for both sides. The business has to deal with setting up local banks. The partner has to contend with bank fees and other complexities. Streamlining this is a matter of centralizing payment execution.

Offering optimal choices in payment methods during onboarding – Partners want to be able to select their most economical method, often one with lower fees, potentially saving everyone even more. To do this manually would require significant work, but payment automation platforms provide this capability natively. In some cases, businesses can incentivize partners to certain payment methods through fee management. For example, knowing that Global ACH has significantly lower fraud risk and cost than wire transfers, the company might pay for a larger percentage of the Global ACH fees while they may put more of the onus of wire transfer costs on the partner.

"As we were growing, we did not want to keep adding more people to support outbound payments. The big focus was to streamline everything, and remove manual processes as much as we could."

—Phil Newell, Director,
Finance & Accounting IT, GoDaddy



Reducing Payables Operational Friction

Supporting the partner relationship can be problematic. It requires a lot of work to onboard and vet partners, manage their payment and tax data, deal with fraud issues, communicate payment status, and reconcile for general accounting purposes. To do all that and attempt to make the process scalable and lean, often leaves businesses with a choice: add staff to contend with the volume and complexity or limit the markets they enter.

The payment process itself is quite mechanical and involves heeding thousands of different rules and conditions. The complexity gets even more overwhelming when you layer on cross-border payments.

In Germany, for instance, instead of a bank routing number, the payer must enter a SWIFT Code. In India, payments must have an IFSC Code. These codes involve a different arrangement and quantity of letters and digits. Any oversight or data entry error can cause processing errors, which take time and money to resolve – and also damage the relationship with the partner.

Multiply these administrative and regulatory landmines by several hundred publishers and the problems compound, reducing the ability to focus on achieving scalable growth.

"We were either going to hire several more people to manage publisher payments or we would have to find a better way," says Jeff Magliola, VP of Operations at Content ad, a sponsored content network. "Paying publishers would take a week just to initiate and track payments, as well as send checks or PayPal. And we'd spend two days a month investigating and resolving payment issues. Now we're able to do all this in one-fifth the time with payment automation."

Making every attempt to automate outbound payments reduces operational friction and enables greater scalability. For digital-first businesses looking to grow and get an edge on their competition, an optimal payment workflow reduces partner friction.



“Early Payments is the perfect competitive differentiator. We can pay our partners faster, their onboarding and management is frictionless, and it directly generates revenue to reinvest back into our business.”

—Chris Brownridge, CEO, GawkBox

Enhancing Working Capital

For all the wonderful benefits a digital-first business model provides, one challenge has arisen for these companies – maintaining adequate cash flow for both themselves as well as their partners. As customers look to delay payments to the business through longer lead terms (e.g. net 45 or more), companies likewise have to delay paying their partners even in the face of a “pay me now” culture. It leads to a cascade effect where no one wins.

One solution is to deploy an early payment program at scale. These programs help partners get paid earlier, and strengthens the relationship.

In return for the partner enrolling in early payments, they’re able to be paid immediately by the payment processor in exchange for a nominal discount. This alleviates the cashflow issues to both the payer and payee.

When the original due date arrives, the business can “repay” the payment processor while also earning a referral fee based on the discount. Processor-driven early payment programs can have adoption rates of 20 to 30 percent or higher and allow the company to consider extending partner payment terms (Net 45/60/90/etc.) without negatively impacting working capital.

Tipalti specializes in working with digital-first, growth-motivated businesses. We remove the friction of onboarding, payments, and reporting to deliver a greater partner payment experience that expedites the ability to enter new markets and adopt compelling business models.

Contact us today for more information.

WEB

tipalti.com
[@tipalti](https://twitter.com/tipalti)

USA

1810 Gateway Dr., Suite 300
San Mateo, CA 94404 USA
+1 (650) 319-8999
contact@tipalti.com

ISRAEL

Basel St. 50
Herzliya, Israel

