

INSIGHTS AND ANALYSIS

State of B2B Payments: Brazil

OVERVIEW

Brazil is home to an advanced financial system within an otherwise tech-savvy society. Consumers here have adopted digital payment methods at a high rate compared to other regional economies.

This acceptance of digital payment extends to the business world as well. Unlike many other countries, where business-to-business (B2B) payments lag advances in the consumer space, Brazil's companies have sophisticated payment systems in place.

Yet, many companies aren't exploiting all of the advantages that a shift to digital technology for B2B payments can bring. Businesses still struggle with financial and operational inefficiency, fraud concerns, and a lack of access to data.

Brazilian consumers embrace digital payment technology.

Consumers in Brazil enjoy access to a sophisticated payment and financial system. In fact, Brazil is leading the global trend away from cash usage toward more advanced digital payment methods, according to a McKinsey report.

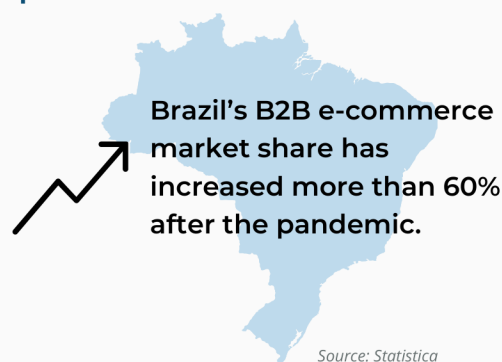
Brazil's continued decline in cash usage is partly driven by the dramatic success of Pix, a smartphone-based account-to-account (A2A) payment method launched in late 2020 that has quickly become popular among consumers.

But other digital payment methods are also still popular in Brazil, according to the 2023 Global Payments Report from FIS. Credit cards dominate with the largest percentage of both online (39%) and POS (37%) transactions, and digital wallets' share of POS transaction value nearly doubled from 8% in 2021 to 15% in 2022, the report said.

As consumers shift more and more of their lives to digital technologies, they increasingly expect choice, simplicity, and the power to make decisions that best suit their individual needs, said Ana Maximilliano, VP of Brazil Business Development at Boost Payment Solutions.

"We all have been impacted, with so much daily information through different channels, as well as new products and solutions. Each day is more and more digital," Maximilliano said.

"As a result, we all want everything to be easier. If we look behind us, we're letting go of things we don't need anymore because we've changed. People are changing, and so are companies."



Source: Statista

Payments advance, but operational processes lag.

Against this backdrop, however, businesses are slower to catch up to the advantages of digital transformation. While Brazil has embraced advanced payment systems, B2B payment processes remain manual.

The vast majority of B2B payments are concentrated in ACH transfers and Boletos, a local voucher-based payment method, Maximilliano said. These payment methods have their benefits. Funding is quick – almost instantaneous in the case of ACH – and they are widely used and trusted.

However, they also have their drawbacks. Not all companies have integrated these methods into their procurement processes. For those companies that have not, reconciling the transactions into their systems is manual and inefficient.

The transactions cannot be reversed, so dealing with potential fraud or correcting errors must be done manually. Their immediacy can also be a disadvantage because they cannot be used strategically to help businesses manage their financial goals.

“Companies, both buyers and suppliers, are eager to increase working capital and extend their terms, optimizing their cash flow,” Maximilliano said.

“The current means of payment don’t provide the best that digital payments have to offer for those companies.”

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The “consumerization” of B2B payments is speeding up.

The drive to take advantage of technological changes is happening within the B2B space at a slower pace than at the consumer level – but the speed is increasing.

As consumers become more familiar with how different digital payment methods can meet their needs and make daily life easier, their experience filters into the companies they work for. As a result, businesses are considering the benefits of adding more payment methods to their payment mix.

Today, businesses turn to card payments primarily for purchasing and travel and entertainment expenses. However, some are converting more of their payments to commercial cards, particularly for specific use cases.

“B2B traditional payments, especially in the middle and large segments, are shifting to card payments – not only as a spending instrument but also to have another means of payment,” Maximilliano said.

They're working with companies like Boost to set up seamless card payment processes that provide automated reconciliation with rich reporting capabilities, she said. This allows them to take advantage of card rails' unique ability to meet specific business priorities, such as:

- Using improved reporting and access to data to combat fraud.
- Reducing late payment by offering card acceptance to specific segments.
- Making reconciliation processes more seamless and efficient while increasing accuracy and speed.
- Meeting financial goals such as increasing days payable outstanding (DPO) for buyers and decreasing days sales outstanding (DSO) for suppliers.

CONCLUSION

In Brazil, digitalization has created an advanced payment system that offers easy, seamless options for consumers and businesses. The B2B space, however, has been slower to embrace and benefit from all that digital payment technologies have to offer.

Fortunately, that's changing. As consumers increasingly adapt and make their own lives more digital, their experience has an impact on business processes as well. Businesses increasingly expect payments to work better for them – to make processes more manageable and seamless – and they're becoming more open to using technology to meet their goals.

ABOUT BOOST PAYMENT SOLUTIONS

Boost Payment Solutions is the global leader in B2B payments with a technology platform that seamlessly serves the needs of today's commercial trading partners. Our proprietary technology solutions bridge the needs of buyers and suppliers around the world, eliminating friction and delivering process efficiency, payment security, data insights and revenue optimization.

Boost was founded in 2009 and operates in 45 countries and territories around the world.



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