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The Growth Ignition Index 2024

Insight into the drivers of growth in the corporate sector and the role virtual payments technology plays

After a period of global economic shock brought about by the pandemic, growth is once again at the top of the agenda for businesses globally. All businesses understand the need to grow, but the ways in which they reach that ambition, and the opportunities and risks associated, are highly individual. We need to understand this evolving picture if we're to know how new solutions and tech innovations can help ignite growth for businesses.

I'm proud to introduce the Growth Ignition Index, Conferma's first look at the drivers of business growth across major global markets, and where businesses feel the main opportunities, and barriers, lie. We've spoken to over 400 financial decision makers from companies in major markets right across the world, to explore what makes businesses tick and how, importantly, they intend to push forwards in the next five years and beyond. We've discovered that companies know in order to achieve growth, they need solid foundations as well as the agility to move where the opportunity is.

We've also analysed a key theme to have emerged: the central role of payments in supporting not only growth, but also efficiency and innovation – those building blocks that companies know are so vital. Commerce is built upon transaction after transaction, and for growth to occur, companies will make payments in new areas. They'll expand into new markets - whether domestically or globally - and work with a wider ecosystem of suppliers and partners to give them the tools, skills and experience to unlock opportunity. As companies expand their payment footprint to grow, how can they ensure that risks including safety and financial control are managed, and at the same time harness the untapped potential of payment data? In this report we answer these questions, and more, and provide a blueprint for growth with digital and payment innovation at the heart.

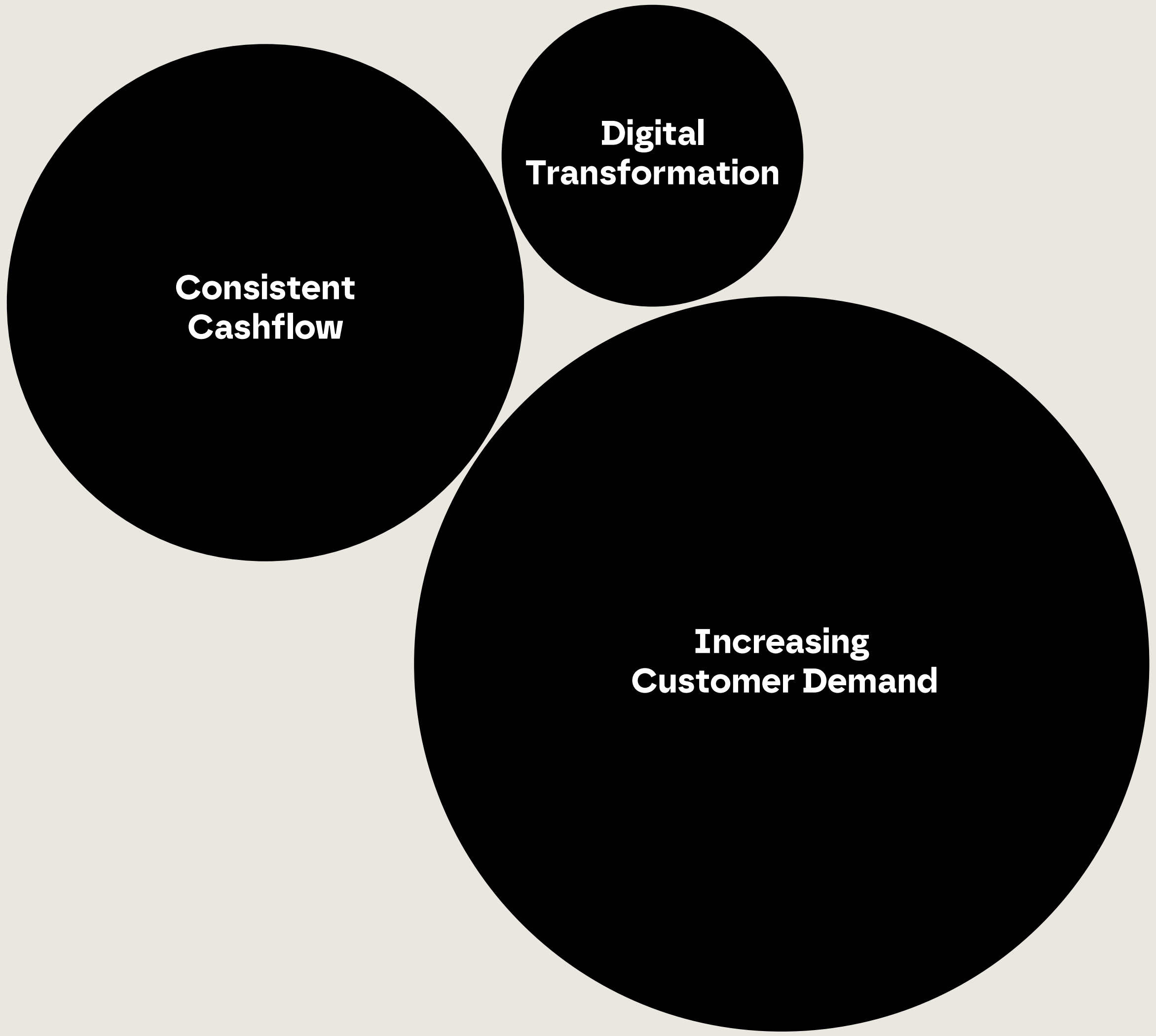
Jason Lalor, Conferma CEO

Determinants vs barriers to business growth in 2024

No matter where in the world businesses operate, they face a series of evolving challenges. Financial leaders at these organisations are tasked with steering the ship through turbulent water whilst also looking to improve the day-to-day workflow of their teams.

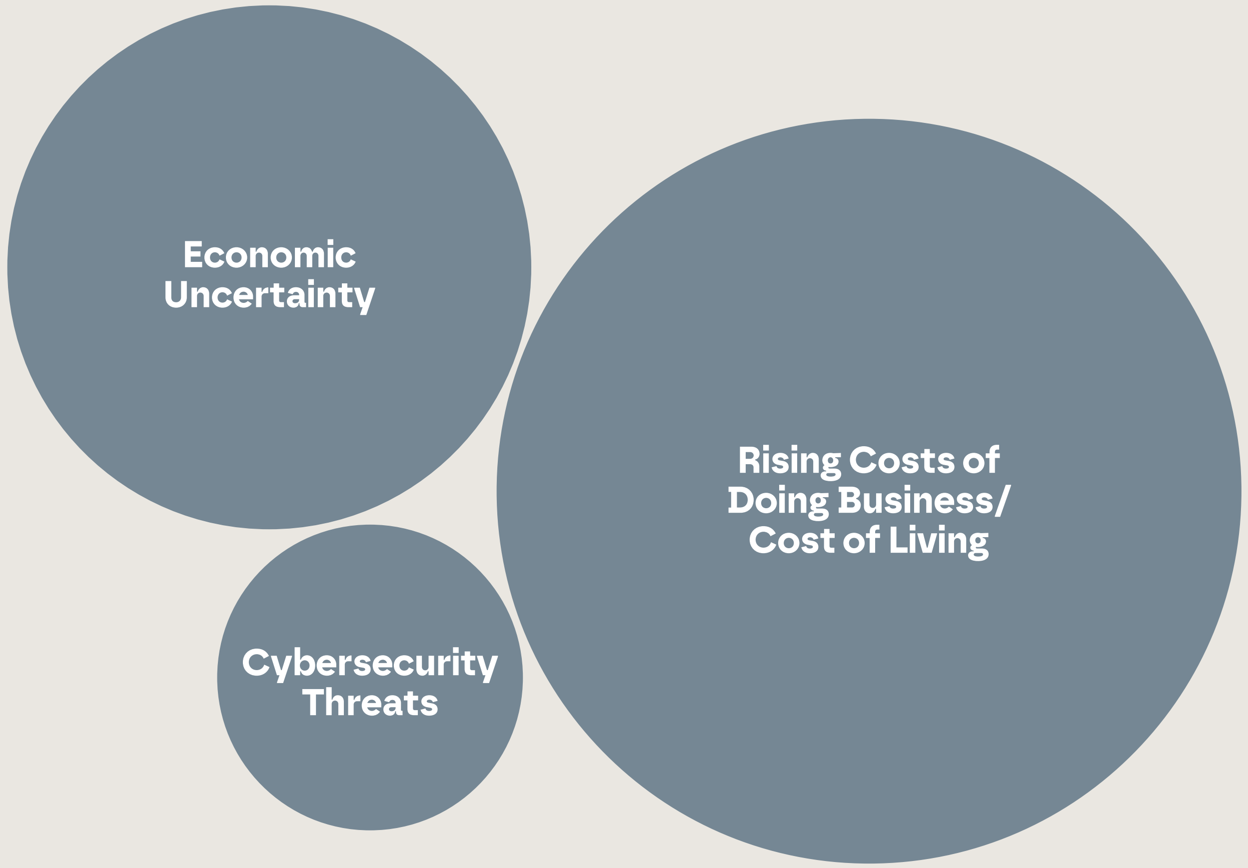
These financial decision makers were asked what were the most important factors that will determine the growth of their business, and the risks and barriers that stand in their way.

Determinants of business growth:



Barriers to business growth:

Risk factors to growth:



Growth ignition factors

The primary factor that leaders predicted would determine growth, perhaps unsurprisingly, was the need to increase customer demand (46%). Exactly how businesses go about this is crucial, and we delve into this further when we explore the role of key market identification and cross-border payments within companies' overall approach.

But beyond demand it's clear that the way in which organisations are set up is seen as vital in providing a platform, and the flexibility needed, for growth. Maintaining consistent cashflow was deemed the second most important growth determinant (36%), which could indicate an understanding of the need for investment in staff, new products and services, or technology. It also highlights that poor cashflow could be a significant growth barrier, and that improvements to income and cost transparency could help ignite business opportunity.

The importance of investment is further highlighted by the fact that 34% identified digital transformation as a vital growth component. In a separate analysis by Statista, the global investment in digital transformation is expected to reach $3.4 trillion by 2026, more than treble the amount spent in 2018. Our research showed that large businesses – those employing more than 1,000 staff - were almost twice as likely to prioritise digital investment as the smallest companies, highlighting that spend in this area could be perceived as the key to unlocking further growth, or boosting business efficiency, once a critical mass is reached.

Growth barriers

When we asked decision makers about their perceived barriers to growth, further light was shed on how – if these barriers were to be addressed – growth opportunities could be unlocked.

'Operational Inefficiencies' (30%) were deemed the most significant growth hurdle overall. Interestingly, small-to-medium sized organisations felt this more so than large companies - which could indicate that larger companies have felt the impact of investment in boosting efficiency - but it remained a prevalent issue to all regardless. In this report we go on to explore the role of a payments approach in addressing efficiencies over spend reconciliation – an area ripe for improvement.

With consistent cashflow a key growth factor for over a third (36%) of financial leaders, businesses understand the importance of having a solid platform for investment. This was found to be particularly true when it came to investment in skills, with 28% highlighting recruitment challenges for technical roles as a growth barrier. Businesses understand that investing in deepening or expanding expertise is essential, but many appear to struggle to attract talent in a candidate-driven marketplace.

For over a quarter (27%), identifying the most valuable markets is a limiting factor. Businesses understand the need to concentrate efforts to unlock global opportunity but require the knowledge and skills to help them prioritise.

For the longer-term potential risk factors for businesses, 'Rising Costs of Doing Business/Cost of Living' (44%) emerged as the highest concern for financial leaders, followed by 'Economic Uncertainty' (41%) and 'Cybersecurity Threats' (25%). This diverse range of concerns underscores the complexity of risk management in the contemporary business landscape.

What's clear when both growth drivers and barriers are assessed, is that factors are multi-faceted and touch all areas of a business. By looking across the risk factors, determinants and barriers to growth, some key themes emerge to explore further. At the top of global financial leaders' agenda are three elements that this report will focus on:

1. Increasing customer demand through reaching new valuable markets
2. Digital transformation to unlock business growth
3. Tackling operational inefficiencies, mitigating the rising cost of doing business and boosting cashflow

Global commerce and untapped customer demand

Increasing customer demand is critical for businesses looking to grow but with high levels of competition, saturated markets, and economic uncertainties, how can businesses generate this demand on a large scale?

One key strategy is expanding into new markets. By reaching previously untapped customer bases, businesses are seeking to raise awareness of their products and services and fulfil previously unmet needs. However, it's not always easy to know which markets to target, and there are often barriers in the way.

As highlighted, identifying the most valuable markets was the third most significant barrier to growth, showing this to be a clear issue for businesses. Despite the challenges, expansion was a priority for 45% of businesses, with exactly half (50%) having invested significantly into capabilities such as new tech, hires and partnerships to unlock these new opportunities.

Our research showed that businesses in all global regions displayed a significant focus on expanding into new markets, with all regions focusing at least half of their growth efforts internationally. Businesses in Latin America, Middle East and Africa (LAMEA) on average are looking to direct over four fifths (81%) of their growth efforts across-borders. European businesses follow behind with 61% focused on international growth.

North America emerged as a significant regional focus for growth not only for businesses in the region, but those in Europe, Asia-Pacific and Latin American, Middle East and Africa. European businesses are most focused on expanding into North America, with 43% prioritising the region for their next stage of growth.

Businesses in Asia-Pacific displayed the second highest focus on domestic as opposed to international growth, yet this still only accounts for 36% of the region's targets. Almost two thirds of growth focus is being directed across international borders (61%) with Europe found to be a key focus for growth from businesses in the region (31%).

The relatively lower focus to-date on expansion into Latin America, Middle East and Africa (only 4% from North America and Europe) and Asia-Pacific (13% from North America and 17% from Europe) could indicate that there is some headroom for tapping into these markets, particularly in LAMEA where only around 5% of international businesses are targeting their next stage of growth so far.

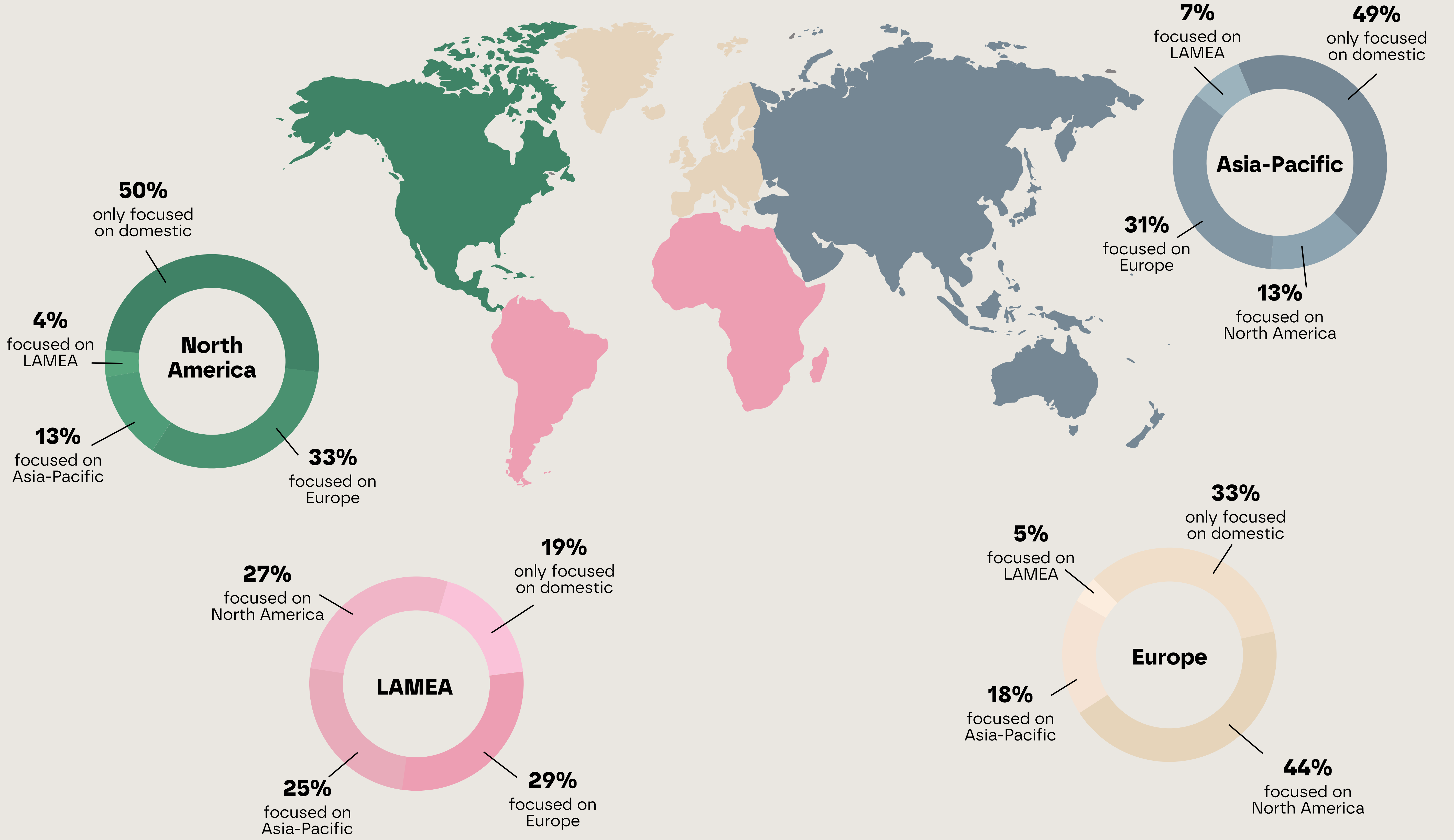
The research also found slow and/or complex cross-border payments to be a significant barrier to growth (14%), with Rapyd's separate research on the topic revealing that 38% of businesses experience delays of five days or more when sending or receiving cross-border payments*. These costs and delays limit growth by cutting into revenues, restricting cash flow and complicating financial planning. This could be a factor behind the smaller focus on international growth in Latin America, Middle East, Africa and Asia-Pacific where there may be perceptions over lack of necessary infrastructure for efficient cross-border payments.

Despite the challenges and barriers, which include identifying valuable markets and navigating complex payment systems, our research highlights a strong drive from businesses towards international growth. Concerns over cross-border payments present opportunities for innovation to optimise payment processes which, if realised and widely adopted, could open up untapped markets for global expansion.

* **The 2023 State of Cross-Border Payments,** Rapyd, 2023.

The market focus for growth

A visual representation of key focus areas for regions across the globe



Innovation landscape: navigating digital transformation

It will come as no surprise to those regularly in contact with senior business leaders that digital transformation features high on their agenda.

Whether finding efficiencies through migrating analogue information into a digital form or using artificial intelligence to identify consumer needs, digital transformation has long promised to drive fundamental change for businesses and, ultimately, deliver growth.

As we've already shown, the senior financial decision-makers we spoke to listed digital transformation as the third most important determinant of business growth overall. But drilling down into their growth strategies and the motivations guiding investment decisions, our research highlighted some notable trends.

Business leaders understand the role new technology plays in growth. According to our research, the primary driver for investing in new technology is to boost revenue, emphasising the pivotal role technology plays in driving financial success.

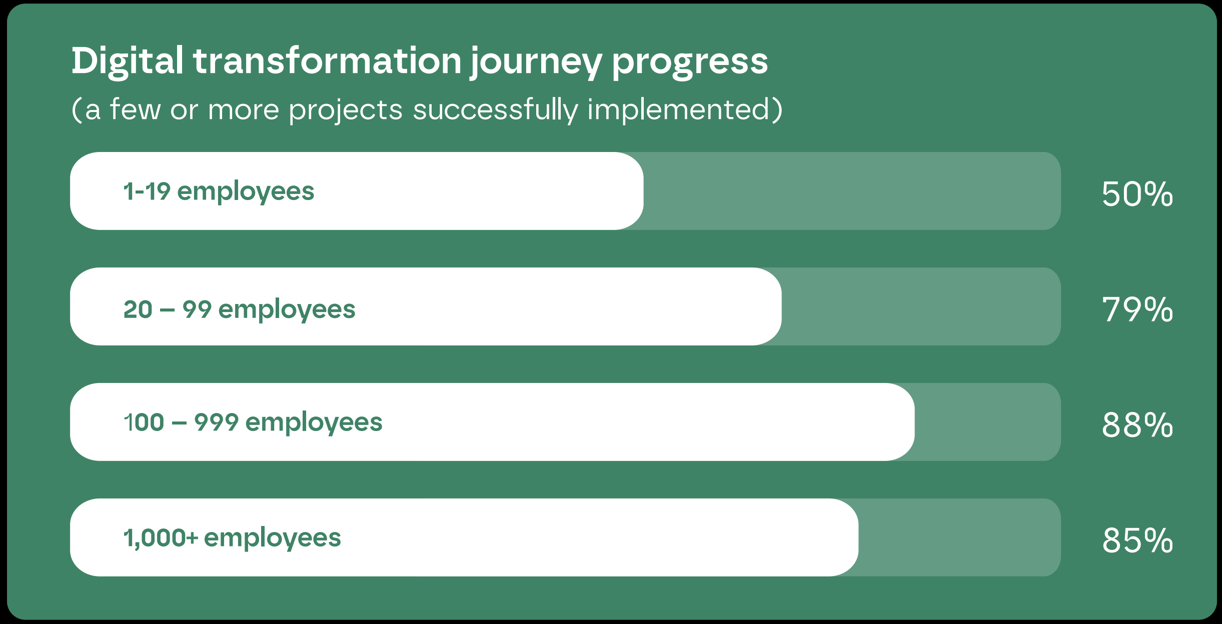
If this successful investment in technology can impact positively on the bottom line, and this is combined with further successful digital transformation to unlock efficiencies in processes, there is a clear path for growth.

Navigating digital transformation

There is no set path to digital transformation. Each business' journey will be unique.

There are a multitude of factors determining where in the process a business may be: its size, product or service offering, and industry are just a few.

However, it's significant that over three quarters (76%) of businesses we spoke to are already actively engaged in their digital transformation journey, with varying levels of success. Just under half of those who have already embarked on this process (35% of the overall audience) say they have achieved success in implementing numerous digital transformation projects. Positive signs that investment in this area is having an impact.



Smaller enterprises face challenges in their digital journey, with only 50% of businesses with 1 to 19 employees having implemented a few projects, compared to 85% of businesses with over 1,000 employees. This discrepancy emphasizes the need for tailored solutions for businesses of all sizes.

51%

of businesses using virtual cards have successfully implemented multiple digital transformation projects

A business' appetite for innovation - including in the payments arena - also determines where they are on their digital transformation journey. A majority (51%) of companies adopting innovative payment methods, such as virtual cards, have successfully implemented multiple digital transformation projects.

This illuminates the relationship between innovation, digital transformation, and the adoption of forward-thinking processes such as virtual cards, across businesses of all sizes.

As the corporate landscape evolves, understanding these dynamics becomes crucial for informed decision-making and strategic planning. It's also important to note how this digital transformation journey can impact on day-to-day business processes, which we'll investigate next.

Operational efficiency strategies: streamlining business operations

While financial leaders have more than just one eye on the wider business strategy and how it will deliver business growth, they're simultaneously involved in the day-to-day operations that cumulatively impact on the bottom line.

While expansion and international development are key means of achieving growth in revenue and profit, so is a focus on business efficiency and cost control. Operational inefficiencies were deemed the number one barrier to growth among the leaders we surveyed, a concern for almost a third (30%) of them. Spiralling costs were seen as the largest business risk factor overall, selected by 44%.

This correlation between operational efficiency and cost control with overall business success presents a challenge for the collective C-suite to solve. When it comes to business efficiency, one key area to explore is a process that touches on every area of a business: payments strategy. With consistent cashflow being one of the most significant determining factors for business growth for over a third (36%) of financial leaders, it's critical they closely examine where the inefficiencies lie in their current strategy.

Inefficient payments

* such as onboarding suppliers, tracking spending, logging and reconciling expenses

Our research found that on average, all employees – not just those within the finance function - dedicate over three hours per week to financial tasks. This equates to almost seven days per employee every year, purely spent on financial tasks rather than progressing their main priorities and responsibilities.

Inefficient finance processes also impact all external parties that a business interacts with. Fewer than a quarter (24%) of businesses surveyed can process an invoice in under 24 hours. Over a third (36%), take between one to three days, while the remaining 40% extend the timeline to over four days.

The lag between receiving and paying an invoice grinds the business process to a halt. Not only does this slow the progress of business for both the supplier and buyer, long wait times can put a strain on key business relationships.

Over half (54%) of survey respondents also identified "instant payments" as the top technological advancement that could improve efficiency at their business. A third (33%) also felt that "automated repeat business purchases" would significantly improve business efficiency. Additionally, "automating the payments strategy" (52%) is the most common approach businesses plan to implement in the next 12 months.

> **"The recurring use of automated solutions to improve the efficiency of the payments process shows how financial leaders recognise their teams are stretched thin over time consuming tasks. Examining these efficiency metrics closely not only reveals the exact challenges but the opportunities ripe for addressing. It's clear that streamlined processes can save time for every employee, improve partner relationships and – on a far broader level - set businesses up for future success."**
>
> **David Wood,**
> **COO at Conferma**

The results show that the challenge of operational inefficiencies already has financial leaders turning to their payments strategy as both a point of weakness and an opportunity to unlock growth. With 43% wanting any payments advancements to integrate into their existing payments systems, it's clear any proposed solution must be relatively simple to adopt and deploy. The solution for business payments could in fact, be a tool most financial leaders are familiar with from their own consumer payments.

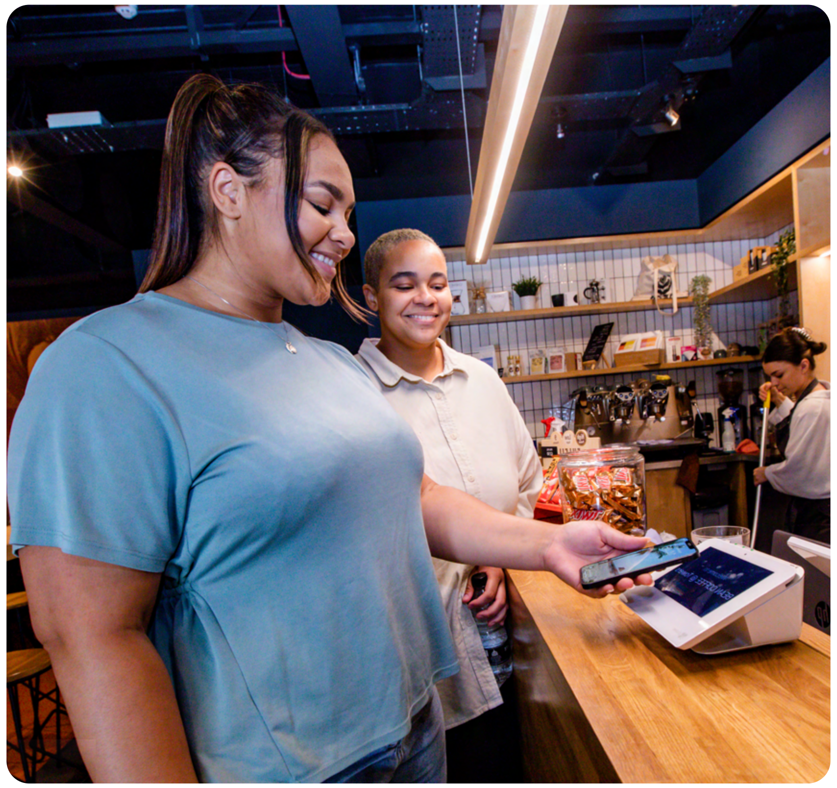
A new payments approach: unlocking growth?

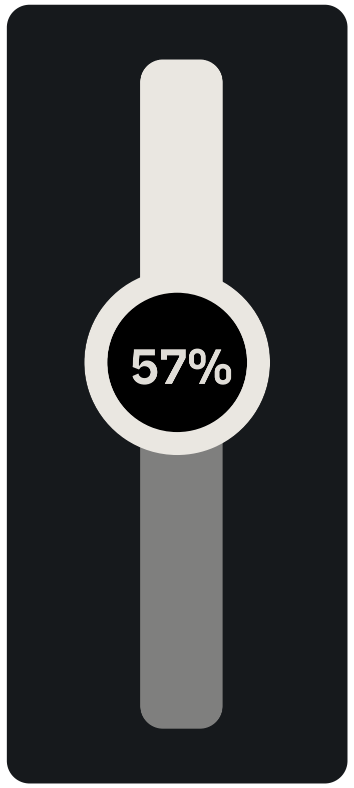
Having delved into the challenges and barriers limiting international growth, the demand for a comprehensive solution is clear. Given its widespread impact on operations, reconsidering a payment strategy is a good place to start for businesses.

Optimising a payments approach can unlock efficiencies, streamline processes, improve security, and increase cashflow - all key factors in facilitating growth. Global businesses are demonstrating a strong awareness of this, with 57% having invested to a significant degree in payment capabilities over the last 5 years.

Among the numerous payments offerings available in the marketplace, virtual cards have emerged as a multi-benefit solution, with users worldwide recognising their value. This is highlighted by Juniper Research's prediction that the global value of virtual cards will increase over threefold in just 5 years, climbing from $1.9 trillion in 2021 to a staggering $6.8 trillion by 2026*.

Here we'll explore the widespread adoption of virtual cards, how they are being used, and how they are making an impact when it comes to the major priorities for business – growth, innovation and efficiency.





* Virtual Cards: B2B and B2C Applications, Competitive Analysis & Market Forecasts 2021-2026, Juniper Research

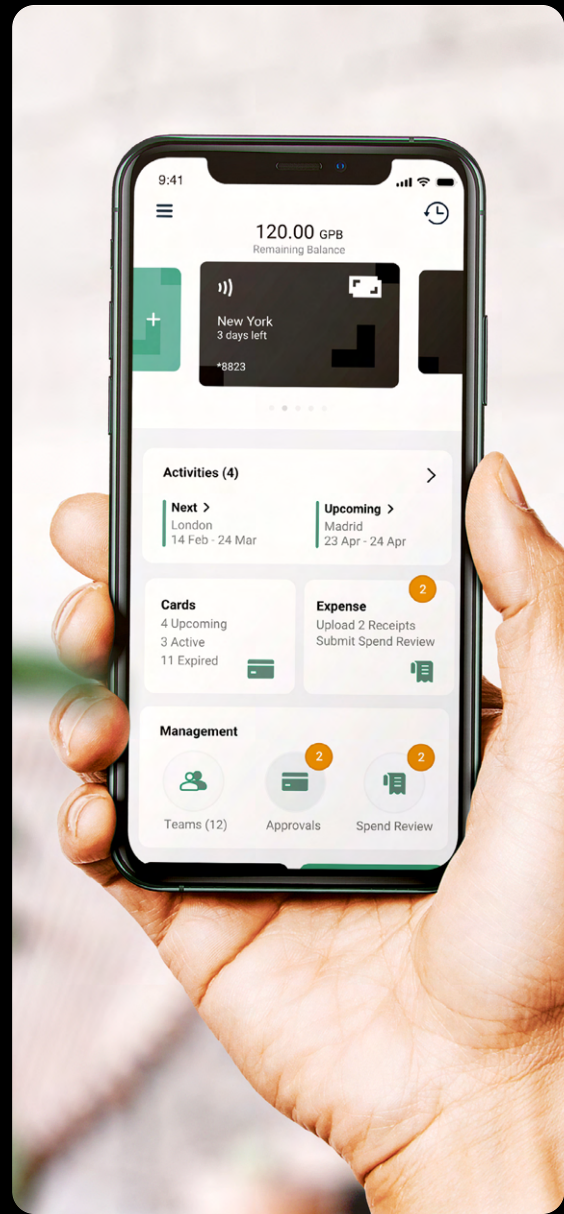
What is a virtual card?

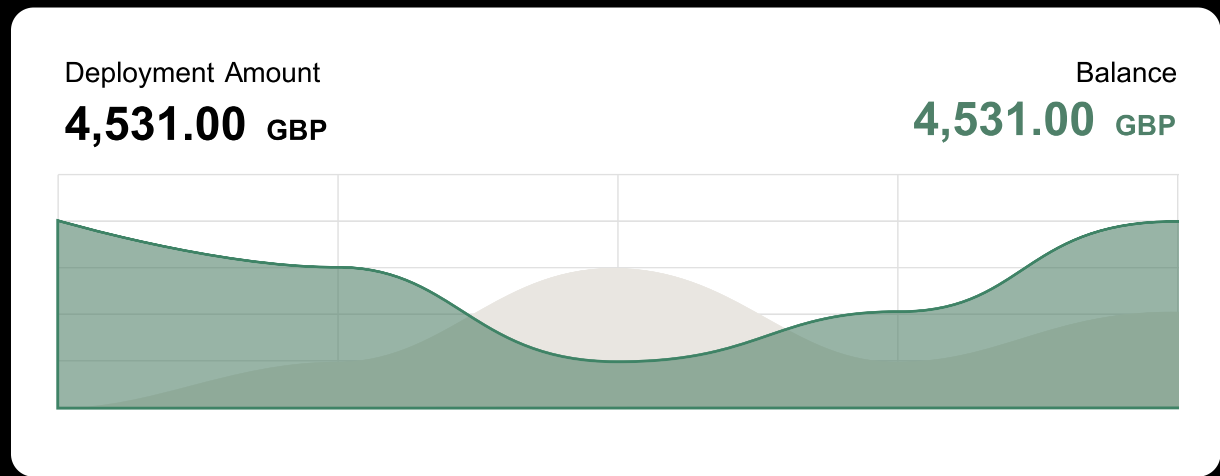
A virtual card is just a 16-digit account number, a credit or debit card minus the plastic.

Just like physical cards they also carry an expiry date, cardholder name and security code, however, the number is generated digitally at the point of sale and used for a specific purchase only.

Virtual cards can be restricted to a specific spend amount within a date range and even limited to specific merchants, meaning if someone tried to charge the card for more, tried to use it at an unlisted merchant, or when it was outside of the date range period it had been setup for, it would decline.

Virtual cards have an array of benefits from streamlined invoicing and expensing to enabling smoother traction processes. This allows them to be used for a diverse range of B2B applications including supplier payments, employee expenses, subscription services and cross-border transactions.





The role of virtual cards

Two-thirds (67%) of current users deploy virtual cards when paying for services, demonstrating their versatility beyond simple payments such as supplies or low-level repeat orders. Likewise, purchasing technology or equipment (57%) and paying for software (51%) showcase the breadth of their B2B applications.

$3075 - The average single payment made through virtual cards.

Larger enterprises, boasting over 1,000 employees, witness a higher average value, reaching $4217. This again suggests that the type of purchases being made through virtual cards aren't minor or 'petty cash' type expenses but more significant transactions.

For those already utilising virtual cards, 46% cite 'improved security and reduced fraud risk' as the primary benefit, emphasising the critical role virtual cards play in fortifying payment processes. Another significant benefit cited by 22% of virtual card users was simpler cross-border payments for their organisation. This is due to their ability to facilitate fast, frictionless transactions while eliminating the need for currency conversions and reducing transaction fees. The perceived ability of virtual cards to simultaneously reduce risk and unlock opportunity could explain the predicted exponential growth in their adoption.

"These insights highlight both the range of B2B applications for virtual card use but also businesses increasing reliance on the technology for safely facilitating substantial payments. When a virtual card is created, there is a set pre-agreed amount specific to the purchase, which is approved by a manager before the card is issued.

Further controls can be applied to the card to restrict how it's used. For example, Merchant Category Codes can restrict which merchant the card can be used with, and expiration dates can be set to ensure payments are only within a certain time window.

This control helps make virtual cards more secure. Creating a unique card number for a specific purpose, with controls over how much money can be spent, when and where, significantly reduces the risk of misuse or fraud. What's more, virtual cards lack the risk of card loss or theft associated with physical cards. With this fortified security businesses can feel empowered and confident to make sizeable payments."

Stuart Davenport,
CPO at Conferma

Virtual cards can offer a compelling solution to the challenges limiting international growth by offering enhanced security, streamlined onboarding and supplier processes, and seamless cross-border transactions. By embracing virtual cards as a strategic tool, organisations can unlock opportunities for growth and innovation, empowering them to navigate the complexities of international commerce with ease.

Future-proofing payments: the regulatory landscape

Virtual cards may also offer a potential solution to one of the major growth barriers identified by the financial leaders we surveyed. The spectre of financial regulation was identified as a significant potential barrier to growth by 23% of businesses we surveyed.

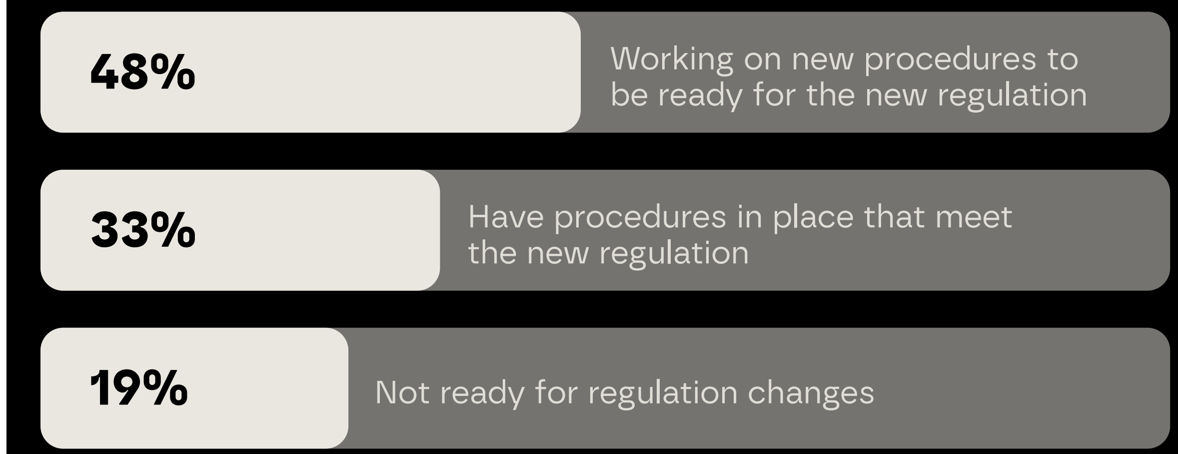
While businesses are concerned over how regulations may affect their processes or their reporting requirements, it's encouraging to find that steps are being taken.

Our data highlights that a notable 33% of businesses have established procedures to meet future financial regulations, with an additional 48% actively working on developing these procedures.

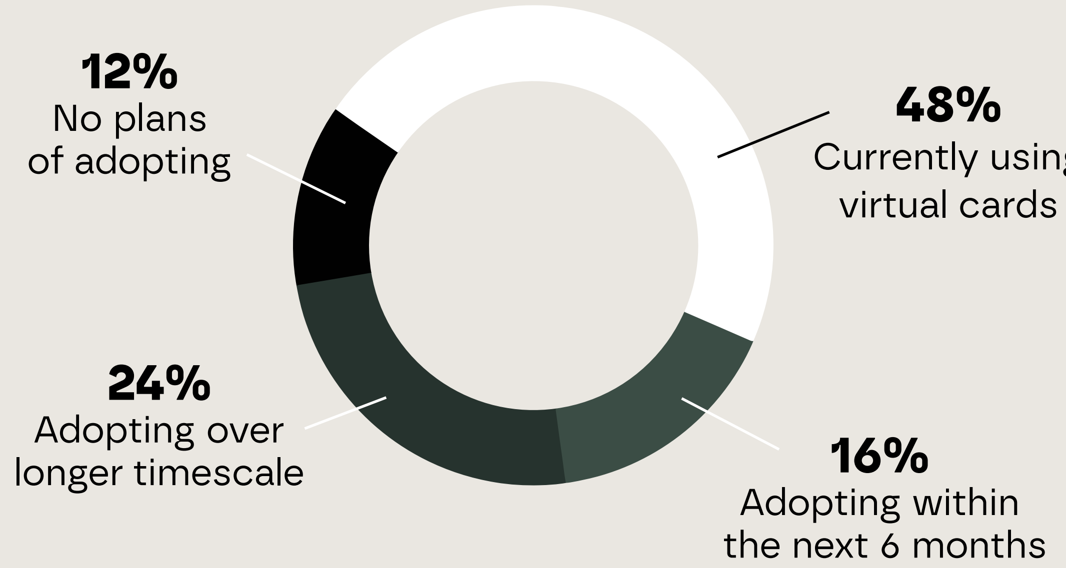
Yet only 17% of small businesses (1-19 employees) responded that they are ready for future financial regulation, compared to 43% of large businesses (1,000+ employees).

There is a clear gap in preparedness, although businesses of all sizes should be working to find solutions for future regulations. Through tokenisation, virtual cards provide a wealth of data on each transaction, including the merchant, value of transaction and date range. Spend can be tracked to ensure accurate and robust reporting, easing the pressure on finance teams and banks alike with the prospect of further and more stringent financial regulation.

How ready are businesses for changing financial regulation?



Understanding the virtual card user



We've explored the range of benefits unlocked through virtual card use, so who have been the early adopters of this technology? And of those that have already deployed virtual cards, what are their future plans for usage?

Of all the financial leaders surveyed, a significant 88% are actively embracing or considering virtual cards, with almost half (48%) currently using them. Software and technology businesses (66%) and banking/financial businesses (56%) had the highest current rates of adoption. Over half (51%) of virtual card adopters have successfully implemented multiple digital transformation projects, highlighting a strong correlation between virtual card adoption and broader innovation initiatives.

Overall, 82% plan to expand virtual card usage in the next twelve months, with 64% extending usage across further various payment types. Businesses using virtual cards anticipate a substantial increase in the percentage of payments they make using the payment method, with our data projecting a rise from 45% to 57% of all payments made using virtual cards in the next 12 months.

This shows us that virtual card growth will come from both higher frequency of payments within existing applications for individual businesses, and through a broadening of their adoption into new areas. We know from our own experience that many businesses using virtual cards for corporate travel expenses have extended their use into wider B2B payments, and that once they start doing this, they continue.

Barriers to Adoption:
Among businesses not yet incorporating virtual cards, 49% highlight 'security concerns' as the primary hurdle, and 48% of businesses not currently utilising virtual cards acknowledge the need for extensive training to successfully implement them in the future. With "improved security and reduced fraud risk" being listed as the top benefit (46%) among virtual card users, there is a clear disconnect between the perceived risks and actual benefits of virtual cards.

What is clear is that virtual cards are a solution that, once tested, businesses stick with. While there are some barriers to adoption, the main concerns can be tackled with an increased awareness of the realised benefits at those organisations already deploying them. As businesses look to the future and plan to expand their usage of virtual cards, they will need to look at how this integrates with other business transformation projects, as well as their ambitious growth objectives.

Recommendations: strategic action points for businesses

This report has delved into the common barriers and determinants of business growth in 2024. It has addressed the most demanding issues confronting today's financial leaders. Businesses that have already adopted or are in the process of adopting virtual card solutions and automated business processes are well-equipped with the right tools to chase their growth targets while remaining resilient to new challenges in the business landscape.

Businesses can improve their operational efficiency by adopting the virtual card technology and streamlining their payments process. This technology can provide increased agility and speed, access to invaluable data analytics, and enable them to unlock competitive advantages. The upward trend in the use of virtual cards demonstrates that companies that choose not to adopt this technology are at risk of being left behind by their competition.

The following recommendations, if implemented, will position businesses for success in today's ever-evolving landscape, fostering resilience and efficiency through a growth focused payments strategy. By aligning with market trends and taking proactive measures, businesses can sustain their competitiveness and achieve industry leadership.

Embrace and Invest in Digital Transformation:
Research by Deloitte has found that the right combination of digital transformation actions can unlock as much as US$1.25 trillion in additional market capitalisation across Fortune 500 companies. Businesses should continuously assess and implement digital projects to enhance operational effectiveness and maintain competitiveness.

Address Operational Inefficiencies:
Recognising operational inefficiencies as a significant barrier to growth, businesses should conduct thorough operational audits. Implementing solutions such as automated payment strategies can streamline processes and improve overall efficiency.

Prepare for Instant Payments:
Acknowledging the rising importance of instant payments, businesses should evaluate their payment strategies. Work towards reducing payment processing times to meet the growing demand for swift and efficient financial transactions.

Navigate Regulatory Changes Effectively:
With a considerable percentage of businesses not fully ready for future financial regulations, proactive measures are essential. Establish robust procedures and stay abreast of regulatory changes to ensure compliance and minimise potential disruptions.

Accelerate Virtual Card Integration:
Given the demonstrated benefits of virtual cards, businesses should expedite their integration to enhance security, reduce fraud risk, and streamline financial processes. A phased approach can be adopted, focusing on departments with high transaction volumes first.

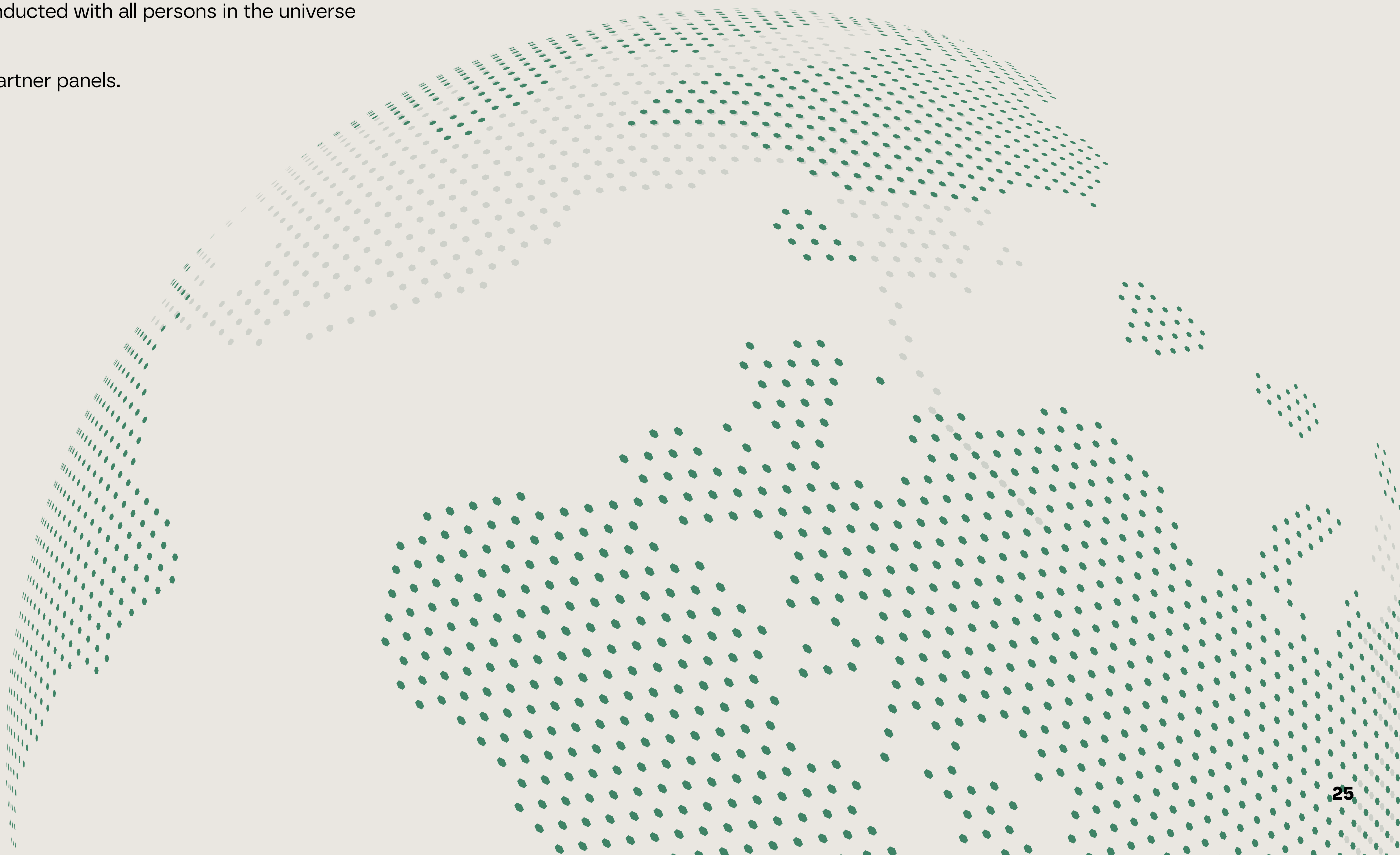
Survey methodology

The survey was conducted among 400 Senior Financial Decision Makers at corporates and 34 companies from Conferma's client database across UK, USA, Canada, Singapore, Australia, Brazil and UAE.

The interviews were conducted online by Sapio Research in December 2023/January 2024 using an email invitation and an online survey.

Results of any sample are subject to sampling variation. The magnitude of the variation is measurable and is affected by the number of interviews and the level of the percentages expressing the results. In this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 4.7 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

Sample was selected from online partner panels.



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