STRATEGIES AND INSIGHTS FROM REAL-WORLD ONLINE MARKETPLACES
AUTOMATING MARKETPLACE PARTNER PAYMENTS
Automating Marketplace Partner Payments

Some call it crowdsourcing. For others, it’s the sharing economy or gig economy. But the umbrella term for these multi-sided business models is “Online Marketplaces.” And today, they are the new lifeblood of the internet. Businesses and consumers are growing ever-reliant on marketplaces to get products and services delivered on-demand. If they’re in need of some unique item or solution where standard options are unsuitable, online marketplaces are able to play high-speed matchmaker, while also offering vast, affordable, convenient choices. It is the era for being able to market and acquire the right product or service at the right time.

Through this paradigm shift, one aspect of online marketplaces persists: the need to compensate the continuing and increasingly global stream of service providers and suppliers. Payments are foundational to establishing a loyal, growth-oriented, motivated, and valuable network.

Marketplaces must pay their networks efficiently while mitigating risk, reducing compliance burdens, and maintaining profitability. Only then can they scale their growth and ultimately...
This guide illuminates how financial operations officers at real-world online marketplaces use payments as an advantage to supplier and provider relationships.
Marketplace Challenges

**Partner Onboarding**
Suppliers and service providers are transient and have minimal loyalty. This requires that marketplaces quickly onboard new, eager partners, but also manage the churn of those partners that don’t get the results and gratification they need to continue.

**Streamline Operations**
Maintaining profitability can be problematic due to price sensitivities in an open market. Every side of the operation (fulfillment, customer interaction, and partner interaction) must be as streamlined as possible.

**Scale Business**
To grow the business into a recognizable and reliable brand, economies of scale must be employed. Operating locally without thinking globally stagnates the marketplace and limits take-off potential.

**Partner Experience**
Most financial operations are focused on one side of the marketplace: customers. But this neglects the entire supply side of the platform. Delivering a great partner experience improves the longevity and quality of the marketplace.

**Payment Infrastructure**
Even if they have billions in venture capital, visionary marketplaces with a long view on their survival know that they cannot use PayPal alone to pay their partners. Putting in place an adequate partner payment infrastructure can meet the needs of a diverse partner base.
How do you know if your marketplace has a payments issue?

**Operational challenges**
- Time spent onboarding or emailing an ever-changing partner population.
- Siphoning resources to populate partner bank account data.
- Complying with IRS FATCA and international tax compliance requirements.
- Investigating and resolving payment errors and issues.

**Global partner challenges**
- Validating that partners are legally payable.
- Paying in preferred methods and local currency.
- Adhering to local banking and regulatory issues.

**Management challenges**
- Reporting on payments across multiple accounts takes hours or days.
- Kludgy in-house systems built from proprietary code must be maintained like an off-the-shelf product.
- Hiring additional staff to meet payment needs of growing marketplace.
- Mitigating fraud risk.

"Have you considered... automation?"
Who do you pay?

Here’s a high-level look at the landscape and a sample of the businesses that are driving the space. This graphic is in no way exhaustive but could be used as a way to visualize the market by the type of offering (product or service), the industry or type, who they pay, and some representative brands in each category.
Patents are hard work, not just for the inventor, but for those whose job it is to verify them. Article One Partners is a global patent research network employing hundreds of researchers—from Texas to India—who are compensated up to $5,000 for premier evidence on patent-related information. Article One Partners has paid millions of dollars to its active researchers worldwide. 

As the company grew, it ran into a scalability issue. With the addition of researchers around the world, the process of remitting payments to their researchers became increasingly time consuming and burdensome. Article One Partners prioritizes automated researcher payments because they deem it critical to their business. At the same time, it’s a process that no single individual can do efficiently or effectively. That’s where automation takes over.

Article One Partners have been able to improve community satisfaction by offering payments in local currency and significantly reducing payee paperwork.

“We’re a growing company, and now we can expand and scale operations more quickly with a simple, effective global mass payment solution,” says Eric Baer, Vice President, Product and Technology at Article One Partners. “Our researcher community really appreciates the reduction in paperwork and the increase in available payment methods.”
Outgrowing PayPal?

Many marketplaces rely on PayPal when they start out. But it isn’t long before businesses start to outgrow PayPal as a payment processor.

PayPal presents substantial challenges in paying partners.

- Potentially higher fees (including currency conversion)
- Some locations not supported by PayPal
- Funds can be harder to extract
- Difficulties engaging with PayPal Support when problems arise

Some businesses resort to creating multiple payment pathways for various partners. For example, for all PayPal partners, they might have a dedicated process to remit payments. Then they carve out specific partners who must be paid through wire transfers or ACH, and others that need paper checks. It can grow to be a major effort over time and limit the visibility of funds for senior management.

Ask Yourself

"If our marketplace has 20 partners to pay, separate payment paths might seem manageable. But what do we do when we get to 200 or 2,000?"

"Do we hire up staff, limit the markets we enter, or find a means to automate partner payments?"
Boost Media enables marketers to source, test and optimize creative ads using thousands of independent writers and graphic designers worldwide.

“We used PayPal for payments, and for larger amounts, we simply paid them in dollars, with me signing the paper checks,” explained Rob Lenderman, Boost Media co-founder and Chief Operating Officer. This became overwhelming when the company grew and needed to capture a global marketplace of providers. To mature and streamline its partner payment processes, Boost Media replaced PayPal with a global payment automation solution.

Today, Boost Media has firm control over the accurate processing of payments to its fast-growing list of global contributors—each paid the way they want to (ACH, wire transfer, PayPal, check, etc.) and in their preferred currency.

Adds Lenderman: “This process normally would take individuals hours of logging into various portals to remit payments to various entities, then even more time attempting to reconcile the various payment records. Now we’ve centralized the entire process in one dashboard, while getting all the reconciliation in real-time.”

Payment automation also enables easy searching and tracking of all payments, discerning exceptions, reducing fraud, and ensuring full compliance with all local and national laws and regulations.

Who they pay:
Ad Copywriters and Designers
Operational Benefits to Automation

An automated payment operation goes beyond sending wire transfers and making PayPal payments. It centralizes payment accounts, streamlines partner onboarding, increases payment options, reduces the tax compliance burden, and reconciles transactions in real time.

Maintaining partners’ banking information and tax identities is an error-filled bookkeeping process. And like most accounts payable processes in a business, the entire endeavor operates at a loss to the bottom line, ultimately impacting profitability.

Ask Yourself

“Should our marketplace be spending time on manual, non-revenue-enhancing tasks?”

“Isn’t our time better spent on other areas, particularly around achieving scalable growth, analysis, and insight?”

But is automation worth it?

Here’s how automating payments can drive the business forward:

• Expediting marketplace growth to take advantage of global partners.

• Adding operational scalability and efficiency.

• Gaining real-time payment reporting to drive financial decisions.

• Redeploy strategically and analytically focused finance personnel away from transactional activities.
Who they pay:
Analysts and Researchers

Investors of all types need timely financial reporting and analysis to make the most of their money, and each month Seeking Alpha provides over 10,000 articles to their audience.

Several years ago, they made the decision to start paying their contributors to enhance the quality of their content while also incentivizing their content partners to produce information. And, something unheard of in the industry, they wanted to pay those contributors within days of their article publication, rather than the customary “Net 30” type agreements.

Seeking Alpha had a team of people spending seven days a month paying their global contributors. They also had to deal with tax regulations, collecting tax IDs, and reporting. Once the business employed a payment automation solution, the process changed dramatically.

“Now we only spend one day making those global payments,” said Persha Valman of Seeking Alpha. “We can focus our time on improving our content quality rather than on managing our payment processes. Our contributors also really appreciate our ability to now pay them in their local currency and in their preferred payment method.”
Requirements for Marketplace Payments Automation

**Partner Onboarding**
- Payment method selection
- Banking or PayPal details collection
- Tax ID collection

**Fraud and Risk Controls**
- Tax ID validation
- Government blacklist screening
- Internal "do-not-pay" screening
- Two-factor authentication
- Accuracy Controls, including:
  - Bank or PayPal account verification
  - Wire/SWIFT/IFSC coding verification

**Remittance Processing**
- Internal, multi-tier role-based approvals
- Multiple payment method controls (e.g. wire transfers, domestic ACH, international ACH, PayPal, prepaid debit, paper check, etc.)
- Choice of currency and payment thresholds

**Partner Communications**
- Notification system
- Issue resolution processes
- Self-service portal for account changes, payment history and status

**Payment Reconciliation**
- Real-time, discrete reporting on past and pending transactions
- Details of any fees levied, including currency conversion
- Rich, auditable history of transactions

**Manageable Infrastructure**
- Updates for changing bank dynamics
- Ongoing diligence on tax and regulatory compliance issues
- Customized branding for partner interactions
- Integration to ERP, accounting, and GL systems
- High traffic, high availability server backend
Who they pay:
Event Organizers

On the surface, Bizzabo is an all-encompassing cloud platform for event management and promotion. But it’s also a revenue generator for professional event organizers who help run those events. Bizzabo isn’t a payments expert nor do they want to be. For that reason, they employed a partner payments automation solution.

“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,” said Eran Ben-Shushan, CEO of Bizzabo.

The event management space can be a competitive market, so efficiency and automation are strategic advantages for Bizzabo. The company’s productivity savings enables them to invest more in development and operations that are more strategic – namely enhancing their software platform and growing the business.

“By automating the partner payments process, we’re able to focus our resources on scaling and growing our company, while executing payments globally without hiring additional staff or having to maintain complex, custom built middleware,” adds Ben-Shushan.
Why Partner Payment Automation Matters

For marketplaces, both sides of their market matter and contribute to its ability to grow and scale. Attracting customers and building a brand is a fairly well understood sales and marketing effort. Ecommerce companies have been doing it for decades through advertising, marketing, and engagement.

The partner side is a relatively new complexity to contend with. To scale a marketplace so it can be successful and relevant, marketplaces often take on significant venture funding and operate at a loss just to establish and maintain market share.

The key to growth and success is a lean, strategically-focused operation.

Ask Yourself:

"What if the complexities around paying partners was removed?"

"How will a leaner operation benefit our business?"
Who they pay:

Dancers and Creators

With thousands of dancers and choreographers on their network, Izo needed a way to pay these partners who are part-influencers, part-creators, and part-talent. Izo has an audience of 200 million monthly viewers on their core platform and an inventory of another 800 million viewers.

"With a lot of digital media entertainment companies, for them to get to cashflow positive, it behooves them to run very lean," says Steinberg. "Digital media involves much more guerrilla approaches to production. You’re filming a lot more with lower budgets, and ideally employing data-driven approaches to extend the value of content."

For Steinberg, being data-driven is critical. From the business side, he’s looking at consistent growth in audience numbers. From the operational side, success is measured through looking at the company’s cash conversion cycle on a daily basis including payables and receivables outstanding.

Says Steinberg: “If we’re going to add headcount within our finance department, I’d rather hire someone that is focused on ways in which we can maximize ROI from our investments in marketing and the overall network—not someone entering checks into the accounting system.”
The Cost of Partner Payment Errors to Your Organization

Get a Personal Tour of Tipalti’s Partner Payment Automation Platform

Contact Us

1810 Gateway Dr., Suite 260
San Mateo, CA 94404 USA
+1 (650) 319-8999
sales@tipalti.com

Basel St. 50
Herzliya, Israel
+972-9-8941388

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