DECEMBER 2021

The Treasurer's Guide

To AR Payment Optimization

Next-Level Automated Payables

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What's
Inside

Almost all companies that work with partners face business-to-business (B2B) payment headaches of some kind. They must confront problems ranging from inaccurate invoices and inadequate cash reserves to late payments from vendors, and all of these problems require time and money to solve. One **survey** found that 54% of businesses have sent invoices to the wrong recipients, for example, and that 63% of businesses have received duplicate invoices. These issues can cost organizations untold sums, leading many to prioritize the development or acquisition of advanced technological solutions to fix them.

Automation is fast becoming the name of the game in addressing these issues, with artificial intelligence (AI) and machine learning (ML) systems integrating with businesses' enterprise resource planning (ERP) systems and seamlessly processing supplier and client invoices with minimal human intervention. Some of these systems even involve predictive payments that can utilize companies' past transactions to accurately process funds before they receive final invoices. A recent **survey** found that 74%

of finance leaders are evaluating or investing in accounts payable (AP) automation, with 67% focusing specifically on AI- and ML-powered systems.

The complex and increasingly global nature of B2B payments will continue to create challenges and complications as businesses work with partners around the world. Solutions that harness automation could significantly dent these obstacles and better prepare businesses for growth in the years ahead.

B2B payment optimization developments

B2B payment delays can be particularly challenging considering the vast quantities of money that change hands between businesses each year. A recent **study** projected that domestic B2B payments will exceed $54 trillion by 2023, up from $49 trillion this year. It also projected this increase likely would be higher were it not for the pandemic, as the long-term economic consequences from the ongoing health crisis are expected to affect business growth.

What's Inside

Businesses also are examining ways to make their B2B payments more cost effective, and automation can dramatically reduce the amount of money it takes to process even a single invoice. A recent **study** found that automation can reduce average processing costs per invoice from $6.30 to $1.45. Automation also can save accounting teams significant amounts of time and free them up for other tasks by sparing them from processing a multitude of invoices. Only half of companies leveraged any form of accounting automation before the pandemic, but 77% of them have automated at least some of their AP and accounts receivable (AR) processes in the months since.

Integrating automation can take significant technical know-how, however, and many executives say their organizations are lacking at least some of the necessary skills. A recent **study** of 600 chief technology officers (CTOs) and chief information officers (CIOs) at banks, FinTechs and payment service providers found that 99% believed their organizations suffer from digital skills gaps. They highlighted challenges ranging from struggling to find qualified employees and a lack of future-proofed digital systems to insufficient application programming interface (API) technologies. Still, many companies plan to actively address these issues, with 65% saying they would partner with digital payment firms to build out or overhaul their digital infrastructure in the months ahead.

For more on these stories and other B2B payment optimization headlines, read the Guide's News and Trends section (p. 11).

How real estate firms can harness automation and AI to solve B2B payment challenges

B2B payments in the real estate space can be fraught with complications, delays and errors that can strain relationships with vendors, but automation is proving to be a key tool in accelerating payments and reducing errors. In this month's Feature Story (p. 8), PYMNTS spoke with Anthony Nazzaro, executive managing director of real estate consulting firm **Atlas Global Advisors**, about how poor B2B payment processes can damage vendor relationships and how automation can mend these fences.

Deep Dive: Leveraging automation to accelerate B2B payments

Delays are all too common in the B2B payments space: the average payment term **clocks** in at 27 days, while payments themselves take an average of 34 days. This can result in massive downstream problems, including delayed payroll, so many organizations are turning to automation to accelerate their B2B payments. This month's Deep Dive (p. 14) explores how automated procedures such as intelligent document processing (IDP) can speed up B2B payments and reduce errors.

Executive
Insight

Automation holds promise for businesses as they look to digitize their B2B payment processes. What challenges do businesses face in implementing this technology, and what can they do to overcome them?

"Automation is proven to be a key driver for transformational business impact across financial [services] firms, and specifically in the B2B payments space. Removing manual, human-centered tasks not only optimizes the B2B payment process for an organization, reducing cost, risk and employee headcount, but it also opens up new value-add opportunities around negotiated payments and leveraging early or late payment fees.

Given these significant benefits, organizations are constantly looking to optimally deploy automation solutions. However, there tends to be two major challenges that organizations must overcome to make their B2B payment automation journeys successful. The first challenge stems from the complexity of the required data flow and system integrations for B2B payments. A true automation solution needs to be a comprehensive, end-to-end solution that is able to orchestrate data through multiple systems, including the accounting system or a more general ERP platform. The second challenge in automation is that, more often than not, an automated solution is lacking the adaptive decision-making capability that a human provides. Automated solutions cannot just mimic repetitive human behavior but should also be able to make adaptive decisions based on a data-driven process.

At Scrypt, we are building what we consider is a next-level automation solution that directly addresses and solves these two challenges. The Scrypt platform is built with a data operations back end to accommodate all the required system integrations that are needed. Moreover, with the use of ML pipelines for in-flight data transformation and analytics, Scrypt is able to make adaptive decisions. The Scrypt platform moves us from simply being an automation solution to an autonomous solution."

ANDY VIDAN
CEO
Scrypt

5 FIVE FAST FACTS

70%

Share of CFOs digitizing their AR/AP processes to increase their customers' lifetime value

32%

Portion of CFOs who have focused on digitizing their workflows because of the pandemic

78%

Decline in CFO-reported frequency of cash payments due to B2B payments' increased digitization

32 days

Average days sales outstanding of businesses that deliver between 500 and 1,000 invoices per month

82%

Portion of CFOs who measure AR turnover to gauge success in raising customers' overall value

Feature
Story

HOW B2B PAYMENTS AUTOMATION CAN HELP REAL ESTATE BUSINESSES PAY VENDORS QUICKLY AND ACCURATELY

B2B payments are the lifeblood of many industries, ensuring the steady flow of goods and services between vendors and clients. These payments' ubiquity can obscure their complexity, however, as errors, delays and other complications can run rampant without countless hours of diligent accounting work.

The need for timely and accurate B2B payments and AP processes is especially pronounced in the real estate industry, as construction companies, contractors, equipment suppliers and numerous other parties must be paid before properties can be sold. Real estate consulting firm **Atlas Global Advisors** is well-versed in these challenges, according to executive managing director Anthony Nazzaro.

"It's a given to me that folks need to manage their cash flow," he said in an interview with PYMNTS. "And if somebody is not saying that, then there's a real problem with their company."

Nazzaro recently spoke to PYMNTS about how a reliance on paper payments can complicate vendor relationships and how AI and automation can substantially ease the B2B payments process.

Challenges and consequences in B2B payments

Nazzaro said that the biggest challenge in quick and accurate B2B payments in the real estate industry is that vendors often lack digital or electronic payment methods. These payments can be stalled because firms are forced to wait for paper checks in the mail and also because businesses lack the capacity to quickly resolve problems that crop up due to paper-based systems' inefficiencies.

"Even today, a lot of the vendors are not sophisticated enough to enable electronic payments, especially the mom and pops out there," he said. "You need to get them to be electronic because they can't just be throwing bodies at the volume of work that comes through. They need something that's more automated and controlled so that they can handle their cash flow."

These traditional B2B payments and errors can have dire consequences, Nazzaro warned. Amicable vendor–customer relationships are crucial in the real estate industry, and companies that have a history of late or inaccurate payments can suffer by receiving slower or lower-quality service.

"If you're waiting for someone to come and fix something or do some maintenance or come and complete a project, they'll put you in a queue at a higher level if you're a better client," Nazzaro said. "There's a big hit to the daily operations if you don't pay your vendors in a timely manner and if you don't pay them fairly."

Electronic payments and automation are critical to ensuring vendor payments are on time and in the proper order, he explained. The best solutions leverage AI to dynamically examine data and develop payment plans based on companies' needs.

Solutions to B2B payment complications

Nazzaro believes that the most effective way to accelerate and improve B2B payments is to utilize automated systems and electronic payment methods than can minimize the potential for delays or human errors. The exact type of solution can vary depending on the type of company using it, but treasury management and enterprise resource planning (ERP) solutions are a good start.

"I believe that pure automation of what I would call task-level work is probably one of the best places to start," Nazzaro said. "There's some overlap between the treasury management solutions and the ERPs, but generally speaking, if you just design them properly, you can get the benefit of both of those."

He said that AI-aided solutions can also greatly benefit accounting departments. These systems can automatically analyze payments data and determine the most effective area of automation.

"These AI tools can actually learn by taking data and scenarios and the outcomes of how someone actually interacted with data, and then [they can] to create automation based on that," he explained.

Old-fashioned B2B payment methods like paper checks are steadily being supplanted by solutions that leverage advanced automation, but many firms still find it hard to cut ties with legacy payment methods. The sooner they augment or update their existing processes, however, the sooner they can ease the account process for parties on both sides of the transaction.

News & Trends

B2B PAYMENT AND AUTOMATION TRENDS

Domestic B2B payments expected to reach $54 trillion by 2023

Record quantities of B2B payments are being made in markets around the globe, and the number continues to rise each year. A recent **study** projected that domestic B2B payments will exceed $54 trillion by 2023, which would represent 10% growth from the $49 trillion it represents this year. The study noted that this increase likely would be higher were it not for the ongoing pandemic, as the long-term economic consequences will likely constrain business growth.

The methods being used to conduct B2B payments also are rapidly changing. Research projects B2B check payment volume to fall 30% globally within the next two years and cash payment volume to decline 11% during that time frame. These methods are being supplanted by digital means such as instant payments, which the study anticipates to experience increased transaction volumes by 56% within the next two years.

Automation cuts average per-invoice processing cost from $6.30 to $1.45

Invoicing is a constant challenge in the B2B payments space, with both AP and AR departments spending countless hours and financial resources to prevent cash-flow issues. Automation has been a game-changer for the industry, however, **reducing** processing costs of the average invoice from $6.30 to $1.45. Automation technologies also save accounting teams significant amounts of time, giving them opportunities to shift from processing seemingly endless numbers of invoices to tackling other critical tasks.

Companies have begun adopting accounting automation in record numbers to tap into the efficiency and monetary benefits it offers, and the pandemic kicked this shift into overdrive. Just half of companies leveraged any kind of accounting automation before the health crisis began, but 77% of companies currently have automated their AP and AR departments.

Research reveals that AP is growing more valuable to enterprises

Timely and accurate AP processes always have been essential for any business, but their value has grown in recent years. A new **study** found that AP's value to enterprise rose 5% in 2020, with 60% of businesses saying AP processes were "exceptionally" important to their organizational operations. AP's growth in value and importance has corresponded with an increase in electronic B2B payments, which are expected to account for 57% of transactions this year, up from 51% in 2020.

Organizations nevertheless have reported a number of areas for improvement when it comes to AP. Lengthy invoicing and approval times were a significant issue for 60% of respondents, who also identified a lingering reliance on paper payments and a high portion of payment exceptions as hurdles. Companies explained that self-service payment tools, more timely communications with vendors and investments in AI could ease these challenges.
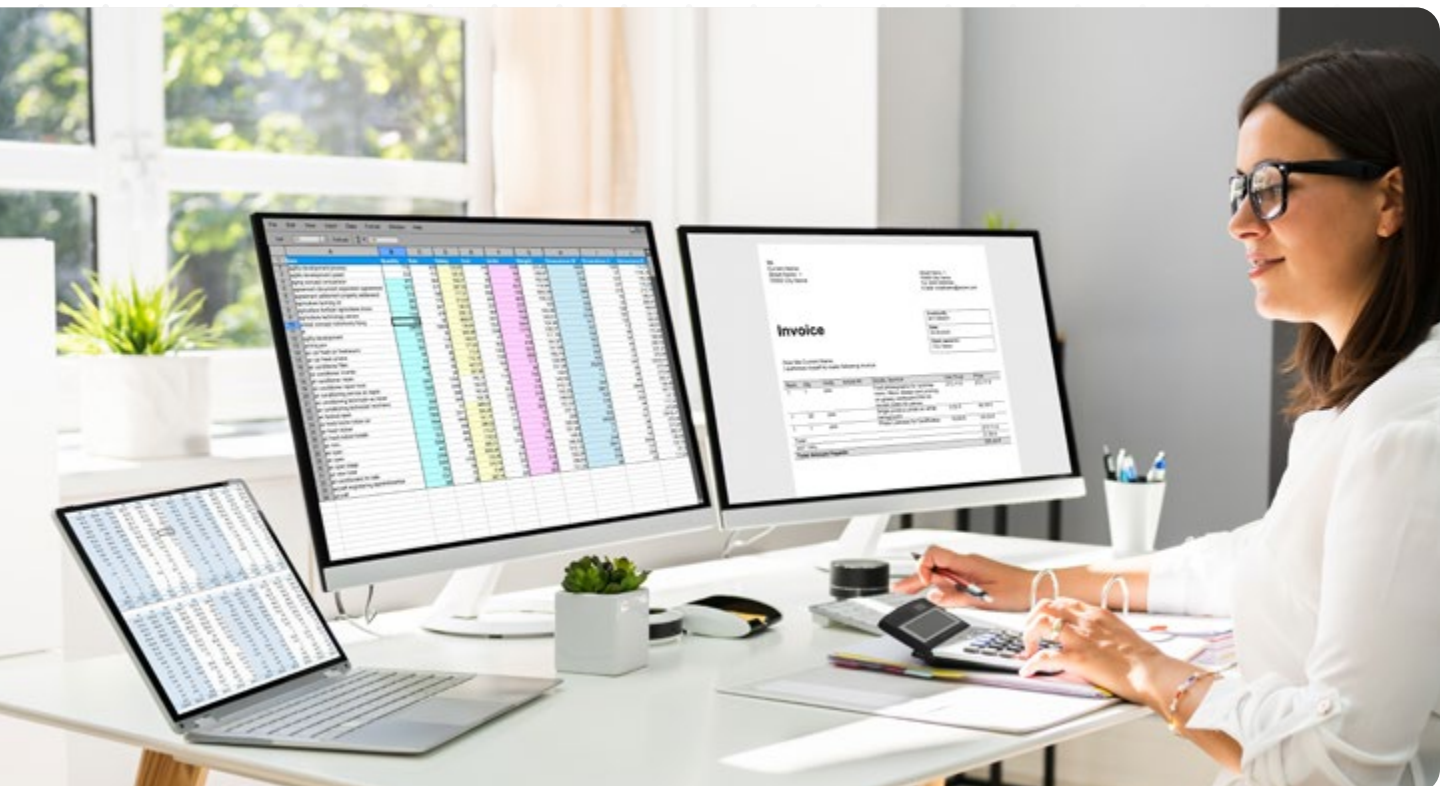
B2B PAYMENTS DEVELOPMENTS

Survey finds that nearly all bank CTOs and CIOs fear their organizations suffer from digital skills gaps

Digitization is playing an increasingly crucial role in B2B payments, but almost all bank technology leaders fear that their organizations are in some way unprepared for this shift. One **study** of 600 CTOs and CIOs at banks, FinTechs and payment service providers found that 99% of these organizations suffered from digital skills gaps. Roughly 63% said their companies planned to add employees to their IT departments within the next year, but one-third said their recruitment plans may be lacking. One-third of banks reported lacking future-proofed digital systems, and one-third of FinTechs said the same about their API tools.

Financial services providers are making herculean efforts to address these issues, however. In addition to planning to grow their IT departments within the next 12 months, 65% said they would partner with digital payments companies to build out payments infrastructures.

Federal Reserve announces B2B payments modernization effort

B2B payments improvements also have become a key priority for government regulators in many markets. The United States Federal Reserve recently **announced** the creation of two industry efforts — the eInvoice Exchange Market Pilot and the Remittance Delivery Assessment Work Group — to modernize these transactions. Seventy-three businesses have joined the eInvoice Exchange Market Pilot, which aims to help all types of organizations implement electronic invoices. It will be conducted as a pilot until the end of 2022, after which the Fed intends to fully launch the program.

The Remittance Delivery Assessment Work Group consists of 42 organizations working with the Fed to determine whether a new exchange framework can enable the electronic transmission of remittance information. The program also will run through 2022 and aims to support and enhance the exchange of remittance information across all payment types.

Deep
Dive

HOW AUTOMATION CAN ACCELERATE AND IMPROVE AP AND B2B PAYMENTS

Businesses of all sizes and types must handle B2B payments, including the smallest craft shops purchasing needles and thread and technology titans buying materials to build microchips en masse. B2B payments total $25 trillion each year in the U.S. and $120 trillion globally, and these figures are expected to grow in coming years as the world's economy exits the pandemic-related downturn.

These massive sums belie the everyday challenges accounting departments face when making and receiving B2B payments, however. Delays are commonplace, with the average payment term **clocking in** at 27 days even though companies take an average of 34 days to actually make payments. Of B2B payments collected by small to mid-sized businesses (SMBs) in the U.S. last year, 57% were late, and 17% of these payments were received 30 or more days after their due dates.

These delays can result in crippling cash-flow issues and cause downstream effects, including late payroll and inaccurate accounting processes. Automating payables and invoicing procedures could reduce many of these delays, however. This month's Deep Dive explores why B2B payments are regularly delayed, explains impact these delays can have on day-to-day corporate operations and details how automation can accelerate and enhance these payments.

Businesses face AP challenges

The pandemic has been a game-changer for the AP space as it has forced employees to work from home in record numbers and adjust many of their processes to match. One report found that 97% of AP departments **said** they were affected by the shift to remote work, with 28% reporting an "extraordinary" or "significant" impact. It found that 53% of businesses had to change how and when suppliers were paid, which largely meant significant payment delays.

Payment delays can irreversibly harm supplier relationships. In a recent **survey**, 73% of United Kingdom procurement professionals said their late payment practices have damaged supplier relationships. Meanwhile, 59% of suppliers that had been paid late reduced or halted discounts, and 62% said they were withholding goods or services until buyers paid their invoices. More than half of buyers said a supplier refused to work with them again as a result of those late payments.

Additional complications can arise from businesses' continued reliance on paper-based payments. The share of B2B payments being made via paper check **dropped** sharply from 81% in 2004 to 42% by the end of 2019, but a PYMNTS study conducted last year found that 81% of firms still used paper checks to pay other businesses at least occasionally. While it is not feasible for many businesses to forgo check use entirely, paper payments and the manual data entry that often accompanies them can cause errors and delays that further damage supplier relationships.

There is a potential solution in the form of payables automation, however. Reducing the potential for human error and tardiness via automation can significantly improve businesses' bottom lines even as they continue to process paper-based payments.

Leveraging automation to solve payables problems

Payables automation could play a critical role in minimizing payment delays and errors by delegating day-to-day processes such as collections and invoicing to AI-aided solutions. These solutions can significantly reduce the capacity for error and accelerate complex calculations that are often considered tedious for human accountants. Studies **project** that half of all B2B invoices across the globe will be issued, processed and paid without any human intervention by 2025, in fact, reflecting the sweeping changes that automation is expected to bring to the space.

Automation can take various forms, but one of the most promising is IDP. Invoices can arrive in a dizzying array of formats and files, and the time and energy spent assessing and process-

ing these documents can create significant delays in businesses' payables departments. IDP systems **leverage** AI-aided optical character recognition programs to extract and process data regardless of format, much as a human would read and transcribe letters on a page — only much faster. These IDP programs can automate every step of the payables process, saving human accountants untold hours and supercharging their productivity.

The IDP market was **valued** at $762 million last year but is projected to experience a compound annual growth rate (CAGR) of 35% to reach $6.8 billion by 2027, indicating its potential for use in a wide range of industries. Businesses that invest in this technology could, in turn, see significant revenue growth as they reduce payment errors and speed up payment times, making IDP and other invoice automation procedures a top priority in the future.

About

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

checkalt

In the past 10 years, **CheckAlt** has become the leading provider of check payment processing solutions for hundreds of financial institutions across the country. Both channel agnostic and demographic agnostic, CheckAlt is uniquely positioned to process all payment types. It has been our focus to process check payments while also eliminating paper from the system with robust electronic payment APIs. CheckAlt's solutions include lockbox processing across a nationwide hub-and-spoke network of processing sites, consolidated item processing, integrated treasury solutions and mobile capture services.

scrypt.

Automated accounting is now autonomous with Scrypt. Take your AP and AR processes to the next level in automation with Scrypt's truly touchless AI data capture technology. Scrypt's platform provides end-to-end capability and integrates with existing systems of record, eSign solutions and supports custom business workflows. Learn more about Scrypt's Integrated Payables and Receivables Platform by visiting **http://www.scrypt.ai**.

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