

Solving Accounts Payables' Top Frictions With Automation

Solving Accounts Payables' Top Frictions With Automation, a PYMNTS and Corcentric collaboration, examines the current enterprise adoption of specialized AP automation software and how it impacts firms' purchasing and AP workflow efficiencies. We surveyed 100 CFOs at United States-based firms across 13 industry segments generating \$250 million or more in annual revenues between May 3 and May 16.

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July/August 2023 Report

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Accounts Receivable Automation Smooths Order-to-Cash Continuum

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Solving Accounts Payables' Top Frictions With Automation was produced in collaboration with Corcentric, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

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Introduction

Automation can be an engine for efficiency, speed and accuracy in accounts receivable (AR), enabling companies to reduce their days sales outstanding (DSO) and receive payments faster. Many firms also rely on a complex, manual and error-prone accounts payable (AP) workflow that automation can help streamline.

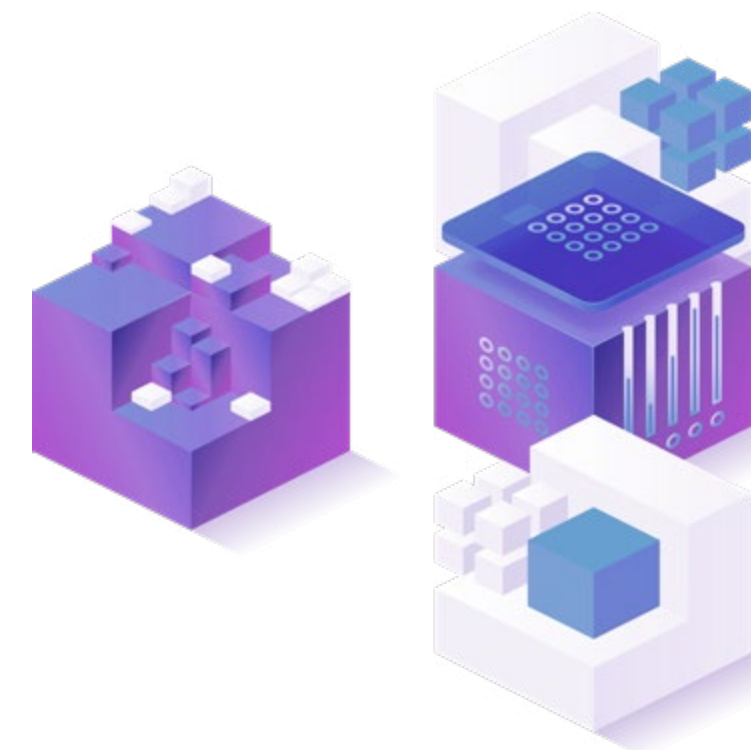
PYMNTS' research finds that firms that invested in digital technologies and automation of the purchase order and invoice payment processes — the source-to-pay cycle — were less likely to experience severe disruptions, and workflow frictions delay a smaller portion of their total invoices. Our data shows that shipping, purchase order disputes and invoicing errors have been the top sources of disruption in the last six months, and smaller firms generating annual revenues between \$250 million and \$750 million were more likely to experience these disruptions.

While AP automation adoption remains nascent, all surveyed firms recognize that AP automation is a necessity. Just 28% of firms report having some automation to support AP workflows in the last 12 months, yet 70% of firms with less automated AP processes said they definitely need more automation, as did 44% of more automated firms.

Better invoice tracking tops the list of improvements CFOs attribute to AP automation, along with reduced invoice errors and, thus, faster payment. Firms also report that digital technologies and automations enable increased processing speed, automated customer service, payment integration between buyers and suppliers, and capabilities that streamline AP workflows, thus shortening the source-to-pay cycle.

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This is what we learned.



1 Friction fills the source-to-pay cycle, with shipping troubles, subpar order quality and invoicing errors serving as firms' major sources of AP disruption.

All firms have experienced friction in at least one processing area in their source-to-pay cycle, per our survey. The average firm experienced disruption in 2.8 out of eight areas across the source-to-pay continuum. At 69%, CFOs were most likely to report facing shipping issues in the last six months, with 19% citing these as their most experienced challenge. Roughly one-quarter of surveyed firms reported that in the last six months, the top areas of disruption involved invoice errors and discrepancies, at 25%, and order quality and accuracy disputes, at 24%.

2 Firms are likelier to use AP software specifically tailored to their needs, rather than an industrywide or general use application, with real-time payments and disbursements the top applications.

Approximately two-thirds of CFOs, or 64%, reported that their firms added tailored AP software to their enterprise resource planning (ERP) systems to automate AP workflows in the last six months. Larger firms generating more than \$1.5 billion in revenue were the most likely to do so, at 73%. Real-time payments and disbursements were firms' top applications, with large firms the most likely to enable real-time payments, at 91%. Smaller firms — those in the \$250 million to \$750 million revenue range — were the most likely to use automation for disbursements or payouts.

3 Invoice tracking is the most cited improvement AP automation enables, with 93% of CFOs reporting reduced days of delay in invoice tracking.

While nearly all CFOs said automation software somewhat reduced invoice tracking delays, 54% reported that it had a significant impact. Forty-six percent saw a significant reduction in days of delay around payment and exceptions because of AP automation, while 39% reported that automation software significantly reduced delays invoicing errors and discrepancies caused.

4 CFOs said that increased processing speed and payment integration between buyer and supplier are the main factors contributing to AP workflow improvements.

Digital technologies that support AP workflow automation have streamlined the source-to-pay cycle. Payment integration between buyer and supplier has reduced payment friction, according to 83% of CFOs surveyed. Additionally, 77% of firms credited automation's high processing speed with reducing invoicing errors. One-third, or 35% of firms, attributed reduced days of delay in invoice tracking to artificial intelligence (AI)-based automation.

Why firms need AP automation

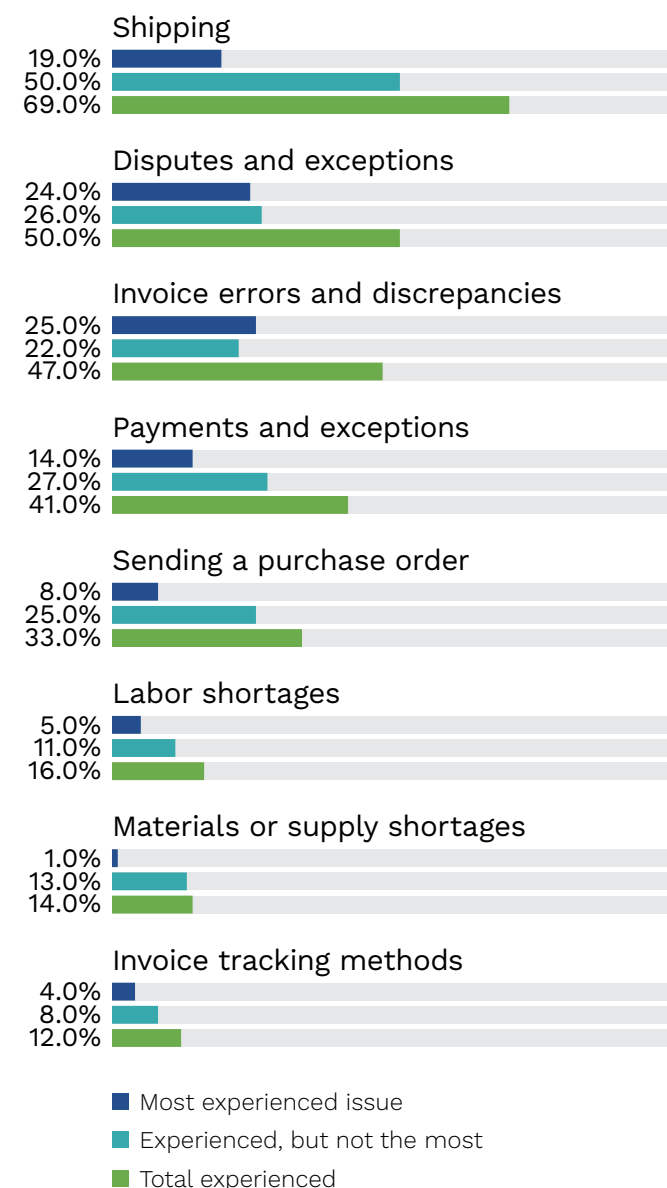
Traditionally, purchase order and invoice payment processing, also known as the source-to-pay cycle, relies on a labor-intensive manual workflow prone to human error and delays. All CFOs surveyed report that their firms experienced friction in at least one area of their source-to-pay cycle in the last six months. On average, firms experienced disruption in 2.8 out of the eight areas across the source-to-pay continuum.

CFOs cited shipping issues as the top source-to-pay cycle disruption in the last six months, with 69% reporting this issue and 19% identifying it as the disruption they most experienced. Other top AP workflow frictions include invoice errors or discrepancies, cited by 25%, and order quality and accuracy disputes, cited by 24% as the top area of disruption in the last six months. Payment and exceptions around payment was the most experienced issue for just 14% of firms.

FIGURE 1A:

Disruptions in AP processes

Share of firms citing AP areas that experienced any kind of disruption or delay in the last six months



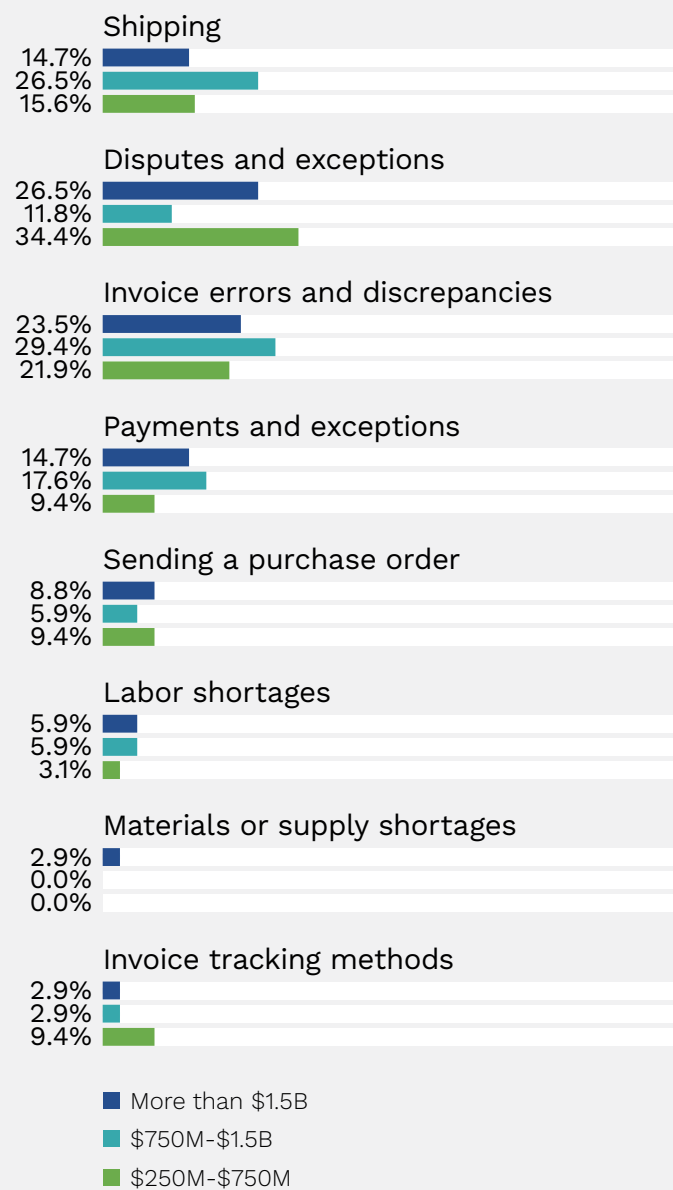
PYMNTS' data also finds links between the AP frictions firms face and their size according to annual revenue. For instance, small firms, which we define as those generating annual revenues of \$250 million to \$750 million, are more likely to experience order quality and accuracy disputes when purchasing than firms in higher revenue brackets. While 34% of small firms said order quality and accuracy disputes were the top source of disruption, just 12% of firms generating annual revenues between \$750 million and \$1.5 billion and 27% of large firms, those generating more than \$1.5 billion in revenue, reported the same.

Source: PYMNTS Solving Accounts Payables' Top Frictions With Automation, July/August 2023
 N = 100: Complete responses from industry CFOs, fielded May 3, 2023 – May 16, 2023

FIGURE 1B:

Disruptions in AP processes

Share of firms citing AP areas that experienced the most disruption or delay in the last six months, by annual revenue



Mid-size firms in the \$750 million to \$1.5 billion revenue range are the most likely to experience invoice errors and discrepancies, as 29% did so, exceeding the 24% of large firms and 22% of small firms that faced those errors. Similarly, 18% of mid-size firms cited payment and exceptions around payment as their most experienced issue, as did 15% of large firms and 9.4% of small firms. Mid-size firms may process a higher volume of invoices than smaller firms, yet they are less likely than larger firms to have found ways to mitigate these source-to-pay cycle disruptions.

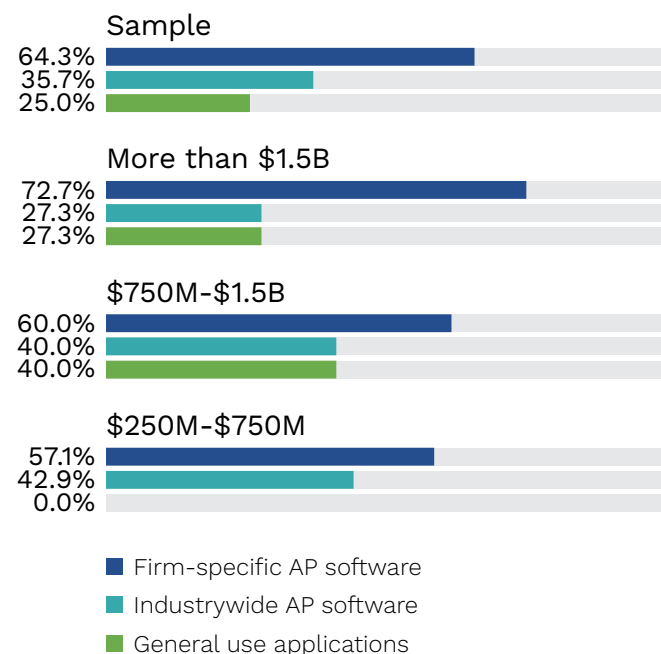
Source: PYMNTS
Solving Accounts Payables' Top Frictions With Automation, July/August 2023
N = 100: Complete responses from industry CFOs, fielded May 3, 2023 – May 16, 2023

Where AP automation matters most

FIGURE 2:

AP software adoption

Share of firms using software or applications to support AP operations in the last six months, by annual revenue



Source: PYMNTS
Solving Accounts Payables' Top Frictions With Automation, July/August 2023
N = 28: Firms that used digital technologies or automations to support AP processes, fielded May 3, 2023 – May 16, 2023

Despite all the issues experienced when processing purchase orders and invoices manually, firms are far from fully adopting AP automation. Just 28% of surveyed firms reported using software to automate their AP workflows in the last year. Even so, 70% of firms with little automation and 44% of highly automated firms recognize that they need to automate their AP processes further.

Our research also found that firms have most likely added tailored AP software to their ERP systems to automate AP workflows rather than using industrywide or general use applications. While 64% of all CFO respondents said they use AP automation software specifically developed for or tailored to their firms, 73% of large firms reported doing so. More than half of firms generating less than \$1.5 billion in revenue reported using firm-specific AP software as well.

TABLE 1:
Automation's use in AP operations

Share of companies citing the areas of AP operations or workflows where they used digital technologies or automations, by annual revenue

	SAMPLE	\$250M-\$750M	\$750M-\$1.5B	More than \$1.5B
• Real-time payments	78.6%	71.4%	70.0%	90.9%
• Disbursements and payouts	78.6%	85.7%	80.0%	72.7%
• Vendor invoice management	53.6%	71.4%	40.0%	54.5%
• Foreign exchange	50.0%	42.9%	60.0%	45.5%
• Purchase orders	42.9%	28.6%	50.0%	45.5%
• Straight-through processing	39.3%	28.6%	40.0%	45.5%
• Invoice approval	35.7%	14.3%	20.0%	63.6%
• Enterprise resource planning	35.7%	28.6%	50.0%	27.3%

Source: PYMNTS
Solving Accounts Payables' Top Frictions With Automation, July/August 2023
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Real-time payments and disbursements or payouts are the AP areas in which firms reported using digital technologies or automation the most in the last six months. For each area, 79% of firms applied these innovative technologies. The next area is vendor invoice management, used by 54% of firms, and foreign exchange operations.

Large firms are more likely than smaller ones to use automation to enable real-time payments. Our data found that 91% of firms generating more than \$1.5 billion in revenue used automation this way, while approximately 70% of firms generating less than \$1.5 billion in revenue used automation to enable real-time payments. Invoice approval was another focus for large firms, as 64% of firms generating more than \$1.5 billion used automation for this task. Small firms have their own niche use cases, as those in the \$250 million to \$750 million revenue range are the most likely to use automation for disbursements or payouts and vendor invoice management, at 71%. This data suggests that smaller firms aim to streamline the invoice payment process using automation, but not as much as larger firms, which prioritize invoice approval and enabling real-time payments.



How automation improves AP workflows

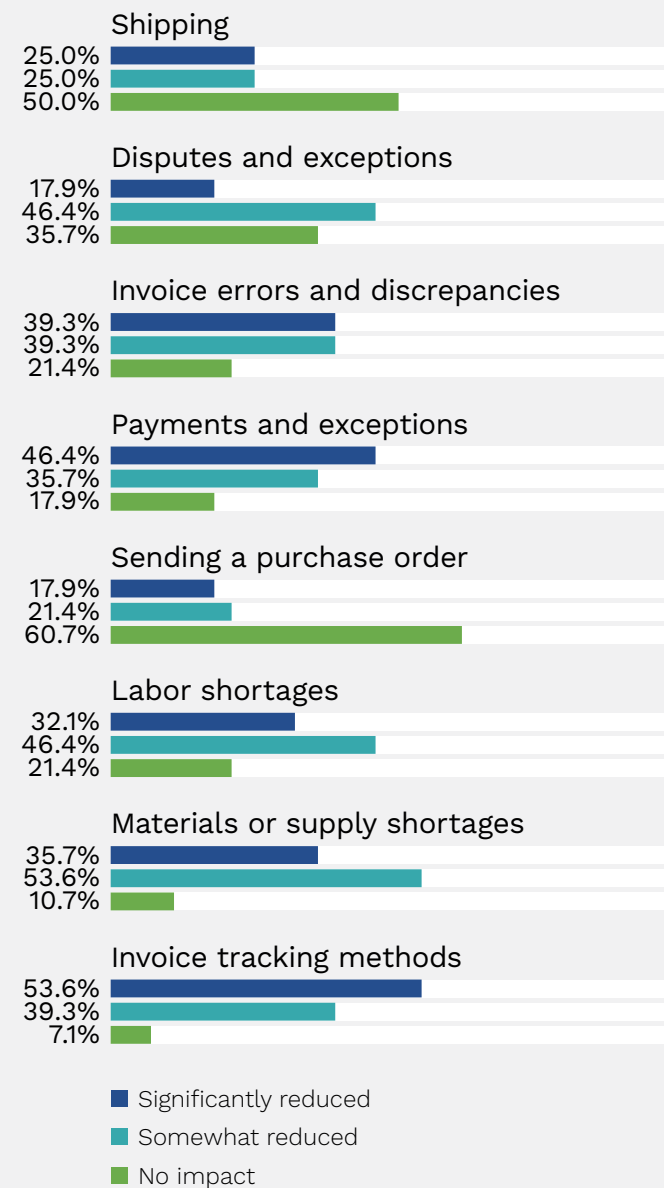


Embracing digital technologies and automation enables firms to speed up the source-to-pay cycle by reducing days of delay in various stages of the AP workflow, especially in how firms track invoices. Among firms that use digital technologies or automation to support AP operations, 93% cited reduced days of delay in invoice tracking as a leading improvement automation enabled, with 54% saying automation software significantly reduced the length of delays in tracking invoices.

FIGURE 3:

Reduced payment delays

Share of companies citing areas affected by implementation of digital technologies and automation in AP operations



Meanwhile, 46% of CFOs reported significant improvements around payment and exceptions because of AP automation, while 39% said that automation software led to significant reductions in days of delays caused by invoicing errors and discrepancies.

Larger firms generating more than \$1.5 billion in revenue were the most likely to report reduced days of delay in all AP operations due to automation, often significantly more likely than smaller firms, which could be because large firms have automated more of their AP processes than smaller firms.

Source: PYMNTS
Solving Accounts Payables' Top Frictions With Automation, July/August 2023
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Key benefits of AP automation

Advanced digital technology and automation can enable key capabilities that help streamline AP operations, mitigating friction and disruption across the various stages of the source-to-pay continuum. Automated customer service, for instance, has reduced delays due to purchase order issues for 91% of firms using digital technologies to automate AP.

Digital technologies supporting AP automation also improve payment integration between buyers and suppliers by eliminating manual processes and streamlining the purchase order-to-payment continuum. Eighty-five percent of CFOs reported that AP automation reduced disruptions in tracking invoices through better payment integration between buyer and supplier, while 83% said that payment integration between the buyer and supplier reduced payment friction. Also, 82% reported that payment integration between buyers and suppliers is how AP automation has reduced delays due to invoice errors and discrepancies.

TABLE 2:

AP automation improvements

Share of CFOs citing reasons why AP automation has led to improvements in select areas

	Sending a purchase order	Invoice errors and discrepancies	Invoice tracking methods	Payments and exceptions
• Payment integration	72.7%	81.8%	84.6%	82.6%
• Automate labor or manual process	36.4%	54.5%	50.0%	39.1%
• AI automations	27.3%	31.8%	34.6%	39.1%
• Reduce errors	54.5%	50.0%	50.0%	60.9%
• Instant updates and tracking	54.5%	50.0%	50.0%	56.5%
• Increased processing speed	63.6%	77.3%	76.9%	73.9%
• Automated customer support	90.9%	68.2%	69.2%	60.9%

Source: PYMNTS
 Solving Accounts Payables' Top Frictions With Automation, July/August 2023
 N = 28: Firms that used digital technologies or automation to support AP processes, fielded May 3, 2023 – May 16, 2023

Another key benefit of automation is its high processing speed, which, according to 77% of CFOs, helped reduce days of delay due to invoicing errors and discrepancies and those due to invoice tracking. Seventy-four percent of CFOs attribute automation's high processing speed to reducing payment friction.

According to 39% of firms that used digital technologies to automate AP, AI-based automation reduced payment frictions; 35% attributed reduced days of delay in invoice tracking to AI-based automation.



CONCLUSION

Early adopters of digital technologies and automations that support AP operations are already reaping the benefits of doing so. One-quarter of firms surveyed have integrated automation software into their ERP systems, and these CFOs reported significant improvements in AP processes. Larger firms were the most likely to report reduced days of delay in all AP operations due to automation, often significantly more likely than smaller firms.

These improvements suggest that smaller firms are slower to adopt advanced digital technologies across all AP operations. Automation can streamline AP workflows, replacing labor-intensive, error-prone manual tasks by providing high processing speed, better payment integration between buyers and suppliers and automated customer service. To fully leverage these benefits, firms of all sizes must find ways to integrate digital technologies and automation throughout the source-to-pay cycle.

Solving Accounts Payables' Top Frictions With Automation

METHODOLOGY

Solving Accounts Payables' Top Frictions With Automation, a PYMNTS and Corcentric collaboration, is based on a survey of 100 CFOs conducted between May 3 and May 16. We examined the prevalence of specialized automations and digital applications in AP in the last six months for firms generating annual revenues of more than \$250 million and the impact on reduced disruption across the entire source-to-pay continuum.

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