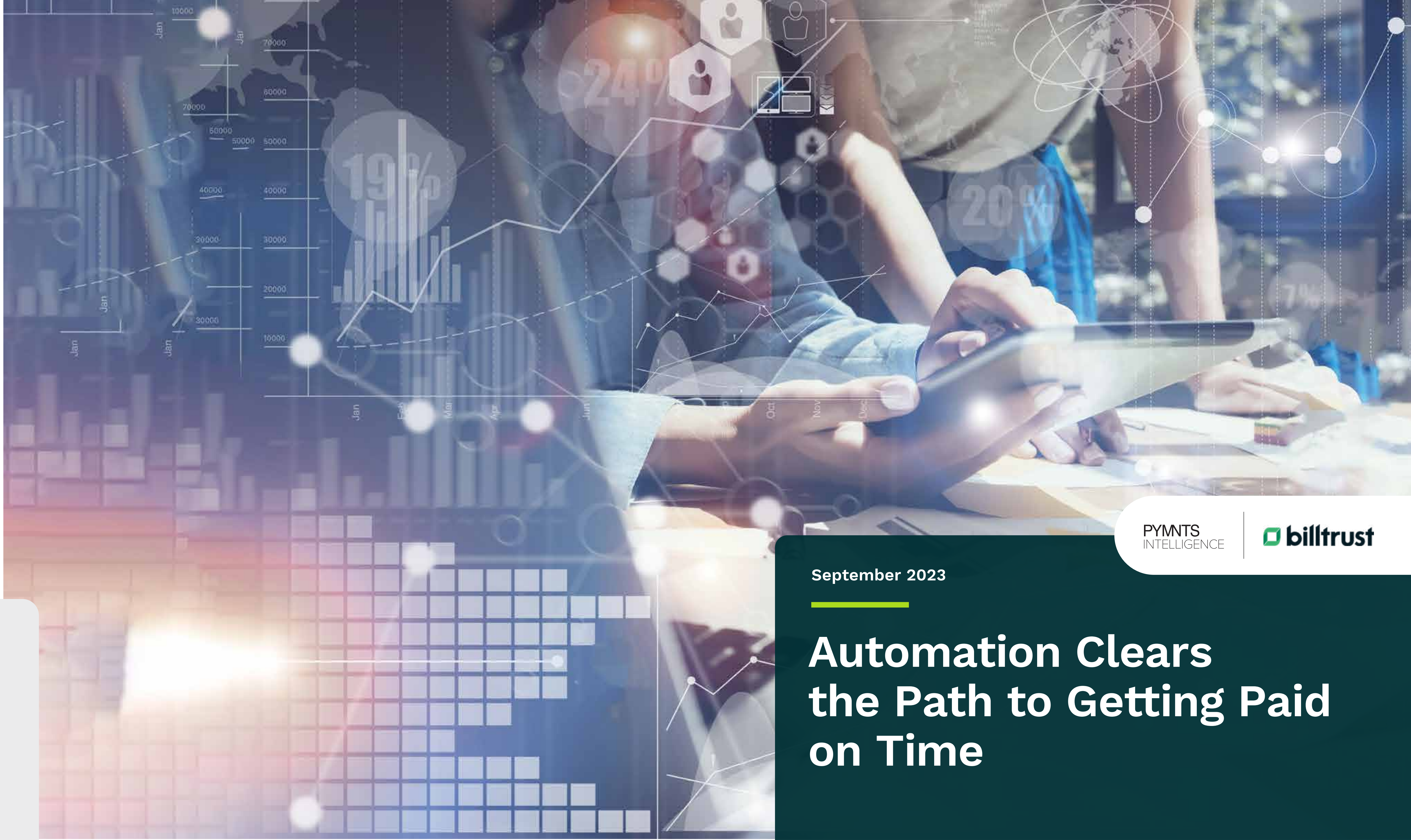

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September 2023

Automation Clears the Path to Getting Paid on Time

Working Capital Tracker® Series

PYMNTS Intelligence explains why the demand for accounts receivable (AR) automation is growing and what's at stake for companies that opt out of this trend.

Read the previous edition

AUGUST 2023

Working Capital Tracker® Series

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Acknowledgment

Working Capital Tracker® Series is produced in collaboration with Billtrust, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

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Introduction

Improving financial results is the prime objective of any business endeavor, and accounts receivable (AR) is the conduit that makes this possible. Enhancing AR processes through automation is becoming a must for companies that want to remove obstacles to getting paid.

The current financial and economic landscape demands that businesses improve their internal processes, including their financial management, to maximize performance. In response, companies are investing in digital technology to modernize their payment processes, largely by replacing archaic manual procedures with automation.

Current market trends suggest that companies that automate their financial processes are better positioned to solidify and expand their market share. In fact, companies that have invested in automating AR are outperforming those that have not, with one notable improvement being a reduction in days payable outstanding (DPO).

Trend 1

Payment Delays and Supply Chain Disruptions Drive Automation Adoption

The market has spoken. Companies automating their finance offices to streamline AR are faring better than those that continue to adhere to obsolete, labor-intensive processes.

90%

of CFOs plan to expand the scope of automation in their AR processes to accelerate order processing, reduce invoicing errors and expedite payments.

CFOs are automating payments to improve AR functionality and efficiency.

According to a recent study of 250 CFOs from the retail and manufacturing sectors, companies are looking to modernize operations specifically to improve the payment process. On average, 54% of retailers say the most important reason for investing in digital AR systems, for example, is to enhance the payment process, as do 48% of manufacturers.

Trend 1

CFOs lean toward automation to tackle payment delays and errors.

According to a recent PYMNTS study, 68% of CFOs cited payment delays as a problem for their firms in the last six months, while 41% said it was the most important source of disruption in AR. Further, 45% of the CFOs surveyed mentioned invoicing errors and discrepancies had also caused payment disruptions.

As a counterweight, automation is credited with reducing AR days of delay, providing tracking, preventing errors and improving customer service. Nearly three-quarters of CFOs surveyed reported a direct impact on cash conversion cycles by automating AR customer service. Meanwhile, 63% of CFOs noted that the increased processing speed from AR automation also reduced invoicing errors. Thus, there is overwhelming consensus among CFOs on the need for automating AR, with 67% of CFOs saying their firms probably need more automation and 27% saying their firms definitely need more.

The booming global AR automation market highlights demand for streamlined AR processes.

Estimates project that the global AR automation market will reach $3.8 billion by 2030, reflecting a compound annual growth rate of 11.8% from 2022. This forecast clearly shows that companies across industries, including manufacturers and retailers, are motivated to improve their cash flow by investing in automation.

Market acceptance is exemplified by new solutions introduced by Mastercard and Centime. Mastercard's Receivables Manager is a tool designed to streamline virtual card payments and replace paper-based methods, while Centime's Payment Hub offers a centralized billing portal to assist small to mid-sized businesses (SMBs) in streamlining payment collections and AR.

Trend 2

Outdated AR Processes Demand Machine Learning Alternatives

Artificial intelligence (AI) and machine learning (ML) have arrived in the payment processing space and are here to stay, offering concrete solutions to satisfy the needs of companies bogged down by outdated processes.

Companies that ignore the call of automation jeopardize growth, new business and overall competitiveness in the market.

Automation is the key to unlocking productivity.

In a recent report published by Auditoria.AI, about one-third of finance professionals surveyed identified AR, AP and internal audits as the most manual-intensive finance functions. This finding underscores the role legacy systems play in undermining efficiency. With productivity and profits on the line, finance professionals are turning to automation and considering emerging technologies like AI and ML to bolster these efforts, with 40% emphasizing process enhancements and 32% highlighting AI and ML as top technology trends.

The study also shows that by harnessing the power of advanced technologies such as generative AI, ML and natural language processing, finance professionals can achieve remarkable process improvements, enhance efficiency and unlock new levels of productivity — a key outcome in today's environment where productivity is being challenged by current economic and financial conditions.

Trend 2

Missing the boat on payment automation could be costly.

In a PYMNTS interview, Capital One Trade Credit vice president Shawn Cunningham offers a stark warning about the potential cost to businesses of sticking with obsolete AR systems. He points out that the manual and paper-driven nature of business-to-business (B2B) AR processes not only hinders efficiency and a smooth transactional experience but also costs firms repeat business. As an example, Amazon Business gained a competitive advantage and drew B2B customers away from traditional suppliers by implementing a streamlined purchase experience, earning the company $35 billion in gross annualized sales.

The benefits of full-service B2B AR solutions are clear: Businesses that implement these improvements enjoy a transformed process, empowering their suppliers to maintain control while saving time and providing customers with an enhanced experience and essential tools. By embracing advanced AR solutions, companies can optimize everything from credit decision-making and risk protection to billing, collecting and servicing. Ultimately, this results in improved accounting metrics such as days sales outstanding (DSO) and average days delinquent (ADD), critical indicators of a company’s financial and operational well-being.

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Trend 3

CFOs View Order-to-Cash Process as Vital to Survival

The role of CFOs has evolved in recent years from financial stewards to crucial drivers of growth and sustainability for the companies they lead. Consequently, their influence on guiding the mission and vision of their companies has never been more critical.

94%

of respondents from a recent study stated that manual OTC processes would adversely affect their company's financial performance.

CFOs are the key drivers of digital transformation.

In a recent study titled "The Evolution of Order-to-Cash," 90% of business executives surveyed agreed that the CFO's importance has increased significantly within their organizations, particularly in the United States and Europe. Moreover, 77% of respondents said that digital transformation across the order-to-cash (OTC) process was critical to their businesses' survival. This underscores the crucial role that CFOs and financial leaders play in prioritizing this transformation, not only to improve the efficiency of OTC but also to optimize cash flow and ensure business continuity.

Trend 3

CFOs worldwide are actively optimizing OTC processes.

The findings from a recent study provide valuable insights for U.S. and European Union CFOs. Specifically, 37% of U.S. and 50% of European companies have reported implementing significant OTC process changes. This data point correlates with what this Tracker highlights: Automating OTC and AR/AP processes delivers immediate results, making businesses more inclined to embrace modernization.

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Decision Guide

Why Automation Is a Must for Receiving Timely Payment

PYMNTS offers the following decision guide for businesses that are concerned about payment delays but have so far resisted the call to automate cumbersome manual processes.

Positive results from automating AR/AP processes and systems are driving a market trend that CFOs are willing to support.

- Roughly 63% of CFOs in a PYMNTS study noted that the increased speed from AR automation reduced invoicing errors.
- AR automation is helping businesses stay a step ahead on liquidity, providing a hedge against economic concerns.
- Three-quarters of CFOs surveyed reported a direct impact on cash conversion cycles from automating AR customer service, improving their ability to resolve issues faster and reduce billing discrepancies.

AI and ML offer adaptive solutions for companies seeking to improve financial performance.

- Payment automation is not a one-size-fits-all concept. It can be adapted to meet companies' specific needs, requirements and business objectives.
- Adopting automation to improve cash flow and mitigate late payments, invoicing errors and repetitive manual processes is not a short-term endeavor.
- More than two-thirds of "less automated" firms say they definitely need more automation, as compared to 22% of companies that are further along in their implementation of digital technologies in AR processes.

Decision Guide

Companies that forgo automating finance processes jeopardize cash flow and growth.

- With the global AR automation market projected to reach $3.8 billion at an annual growth rate of 11.8%, it is clear businesses are prioritizing and benefitting from process automation.
- Automation is one of the advancements that top companies are prioritizing to get ahead of the competition and lead their respective industries. Improving payments allows these companies to focus their efforts on product innovations, mergers and acquisitions, joint ventures, alliances, and partnerships to solidify and improve market position.
- Companies that fail to automate their payment processes risk losing market share to those that do — or even a place in the market at all.

"I like to tell our teams to identify the friction points and then solve for each one of those because that's what will make a difference. The use of technology, from a digital transformation perspective, is one of those ways to unlock trapped potential. Utilizing AI has evolved, too, and there are some amazing advancements that I only see accelerating. I don't think innovations like AI will be a passing trend. Effective collection strategies that automate as much as possible can help finance teams move toward a more strategic mindset and focus on higher-level tasks beyond the manual side of things."

ROBERT PURCELL
CFO
billtrust

About

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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