November 2023 Report

ACCOUNTS PAYABLE AND RECEIVABLE TRENDS: THE JOURNEY TO AUTOMATION

PYMNTS INTELLIGENCE | AMERICAN EXPRESS

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Accounts Payable and Receivable Trends: The Journey to Automation was produced in collaboration with American Express, and PYMNTS 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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WHAT'S **AT STAKE**

Automating accounts payable (AP) and accounts receivable (AR) can provide a crucial edge for mid-size firms, with most reporting increased efficiency and enhanced cash flow. Data further shows that they see the need to automate, as few think their manual systems are good enough: less than 1 in 10 are putting off automating for that specific reason. However, 96% encounter barriers to entry, including implementation costs that can be significant. As a result, automation is a journey: just 5% have completely automated all processes.

The stakes are high. Benefits from automation can help protect mid-size firms against difficult economic times and increase their competitiveness in the market, and data suggests these firms' executives understand the urgency. However, conflicting forces can still slow or stop these firms from automating, jeopardizing their ability to address a wider range of operational challenges through automation. This report explores firms' automation journeys, investigating the investments executives from mid-size firms with responsibilities in AP, AR and payment strategy have made or are planning to make. It also details why businesses hold off on automating their AP and AR processes — and how relative firm size impacts the decision-making calculus.

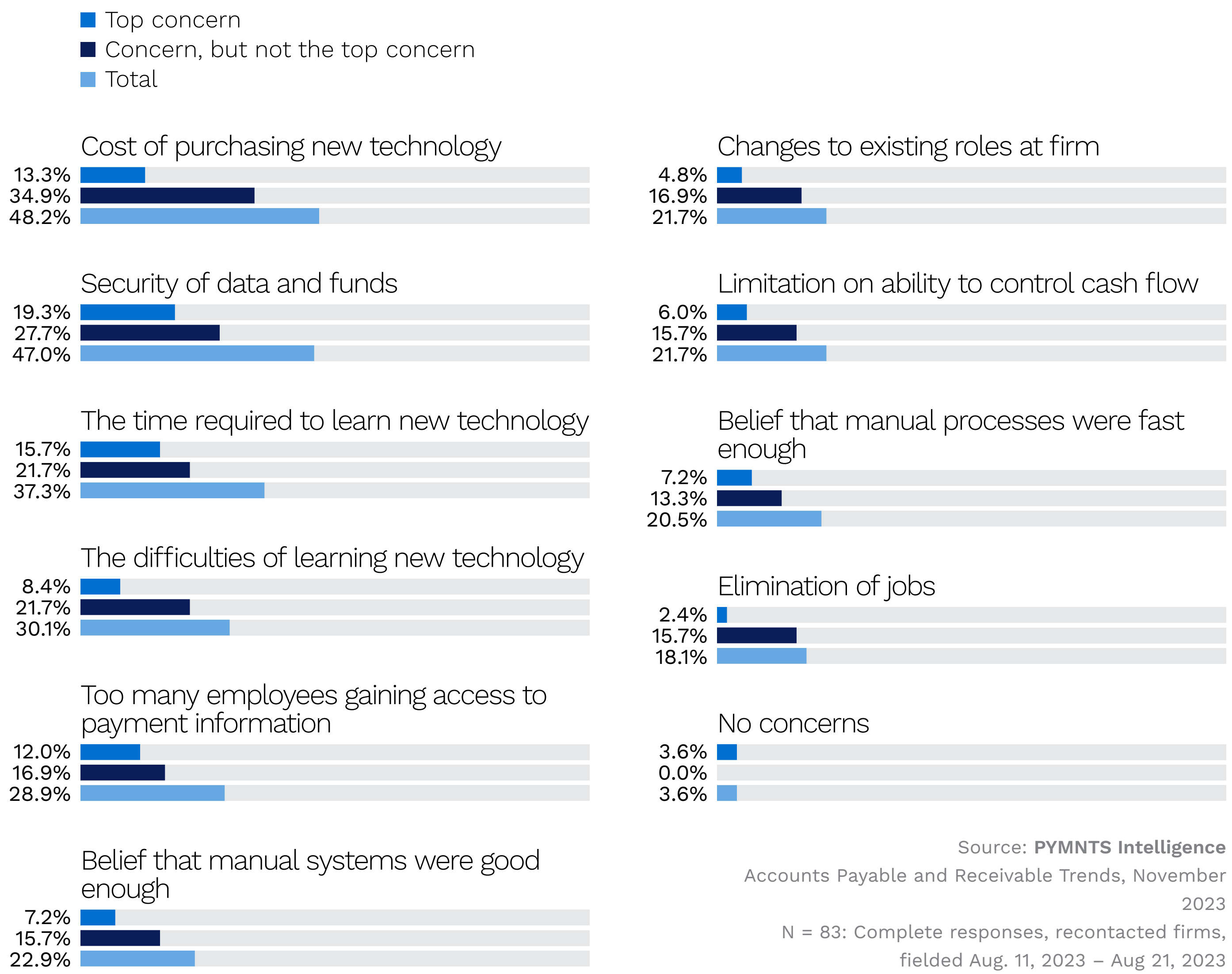
Only 7%

of firms say the most important reason to cancel or delay automation is that **manual systems are already good enough.**

FIGURE 1:

Common automation barriers

Share of firms citing concerns that caused cancellation or delay of plans to automate AP or AR systems



Source: **PYMNTS Intelligence**
Accounts Payable and Receivable Trends, November 2023
N = 83: Complete responses, recontacted firms, fielded Aug. 11, 2023 – Aug 21, 2023

Accounts Payable and Receivable Trends: The Journey to Automation is a PYMNTS Intelligence and American Express collaboration. The study's findings are based on a survey of 412 executives with day-to-day and strategic leadership responsibilities in AP, AR and payments strategy, conducted from June 9 to July 5, as well as 83 follow-up responses gathered between Aug. 11 and Aug. 21.

This is what we learned.

KEY **FINDINGS**

01

LOW SATISFACTION

Just 7% of firms believe their manual systems sufficiently meet their operational needs and deem automation unnecessary.

1%

Share of firms with completely manual processes and no plans to move toward automation

02

COST CONCERNS

Nearly half of firms grapple with concerns about the cost of introducing new technology into operations.

13%

Share of firms highlighting apprehension regarding the financial implications of adopting new technology as their top concern

03

LEARNING HURDLES

Roughly half of smaller firms feel challenged by the time required to grasp new technology.

37%

Share of firms citing the time-intensive nature of technology adaptation as a major concern

04

EFFICIENCY DRIVE

The quest for operational efficiency — to save time and reduce errors — propels 37% of firms on the journey to automation.

13%

Share of firms identifying streamlined operations and a reduction in time-consuming tasks as their top consideration

PYMNTS IN DEPTH

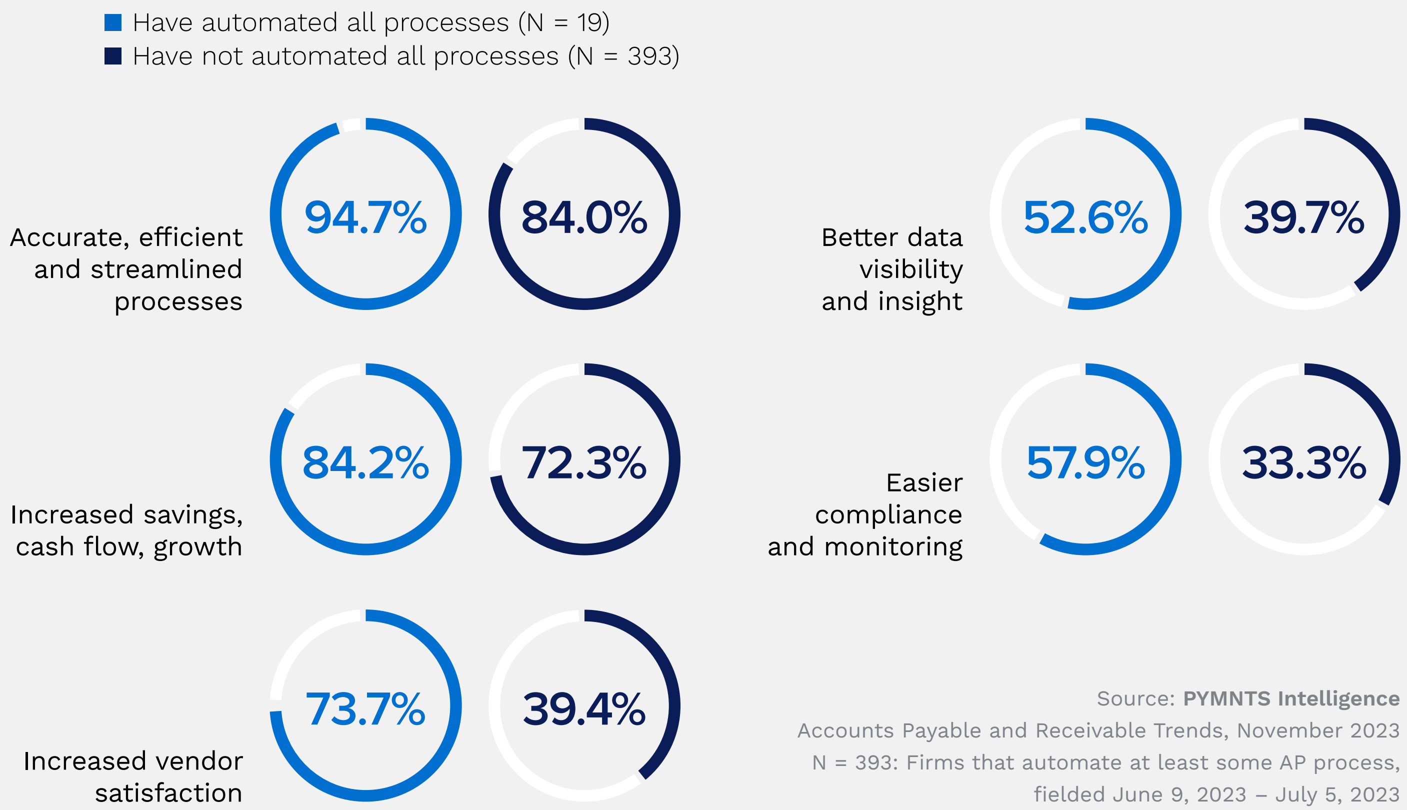
Although 84% of mid-sized firms — those generating $3.5 million to $15 million in annual revenue — achieve more accurate, efficient and streamlined processes once fully automated, 96% still encounter barriers to entry, with cost and security standing in the way for nearly half.

Automation in AP and AR comes with more tangible benefits for those that automate the most, with nearly all firms that have fully made the transition reporting streamlined processes, enhanced accuracy and increased efficiency. These are not merely operational upgrades either; they translate into concrete financial gains. Specifically, 84% of fully automated firms indicate increased savings, improved cash flow and growth. Although expected benefits can vary quite a bit, 31% of mid-size firms anticipate improved cash flow from innovating automated AP and AR solutions. These advantages make a compelling case for why automation represents a strategic imperative for staying competitive, yet many remain hesitant.

FIGURE 2:

Automation improvements

Share of firms citing the benefits that automation brings to current AP systems, by level of automation



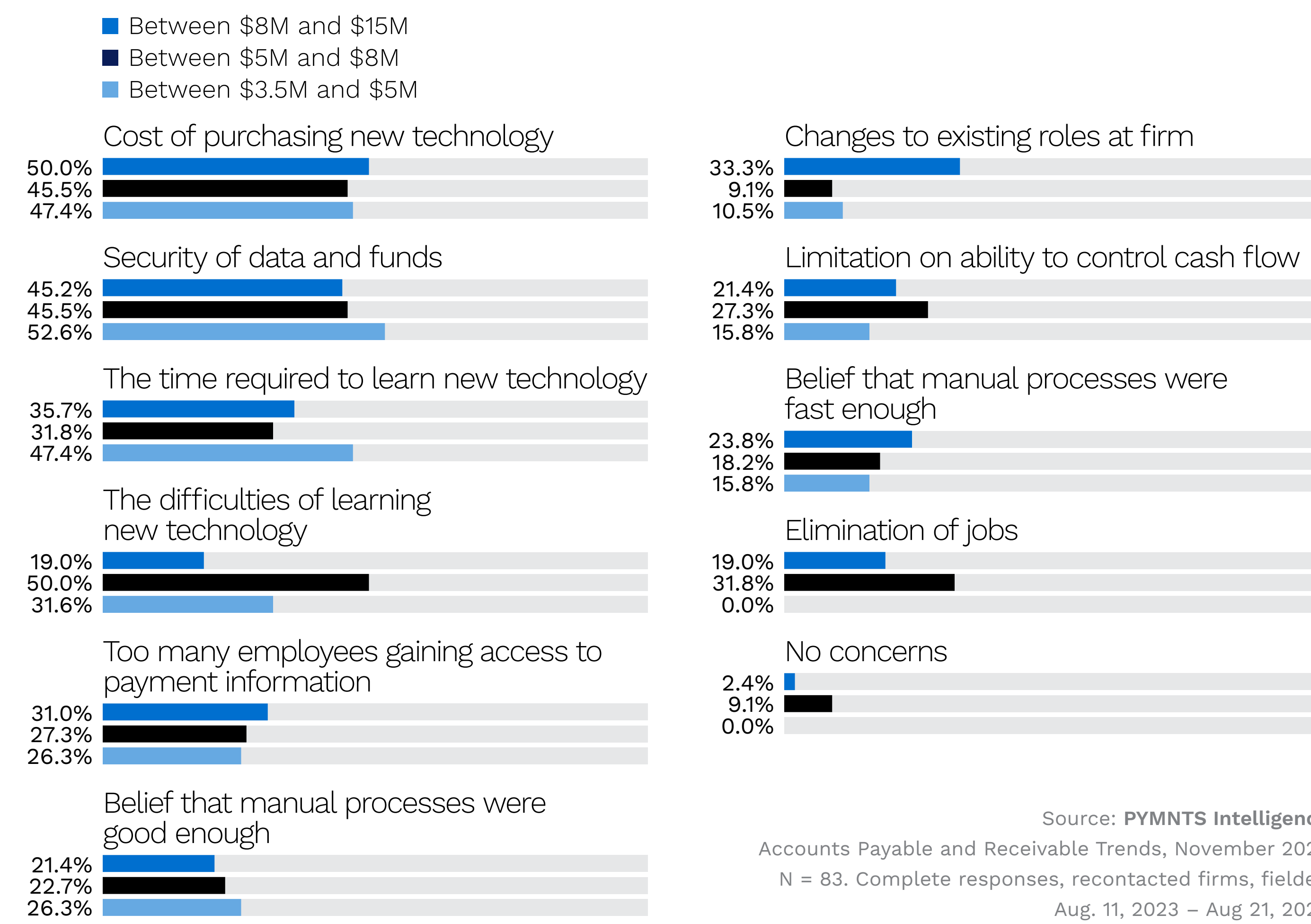
Source: **PYMNTS Intelligence**
Accounts Payable and Receivable Trends, November 2023
N = 393: Firms that automate at least some AP process, fielded June 9, 2023 – July 5, 2023

Despite automation's promises for helping to iron out operational challenges, 48% of mid-sized firms identify cost as a major stumbling block. But it is not just the monetary investment in automation technologies that firms find daunting: 37% of executives at mid-size firms are concerned about the time it takes to train staff on new systems. Forty-seven percent cite security concerns, underscoring the dilemma firms face when balancing innovation with risk. This consideration highlights how mid-size firms must not only reckon with the financial aspects of automation but also consider the implications for how this journey repositions them within the broader operational landscape.

FIGURE 3:

Automation barriers breakdown

Share of firms citing concerns that caused the cancellation or delay of plans to automate AP or AR systems, by annual revenue



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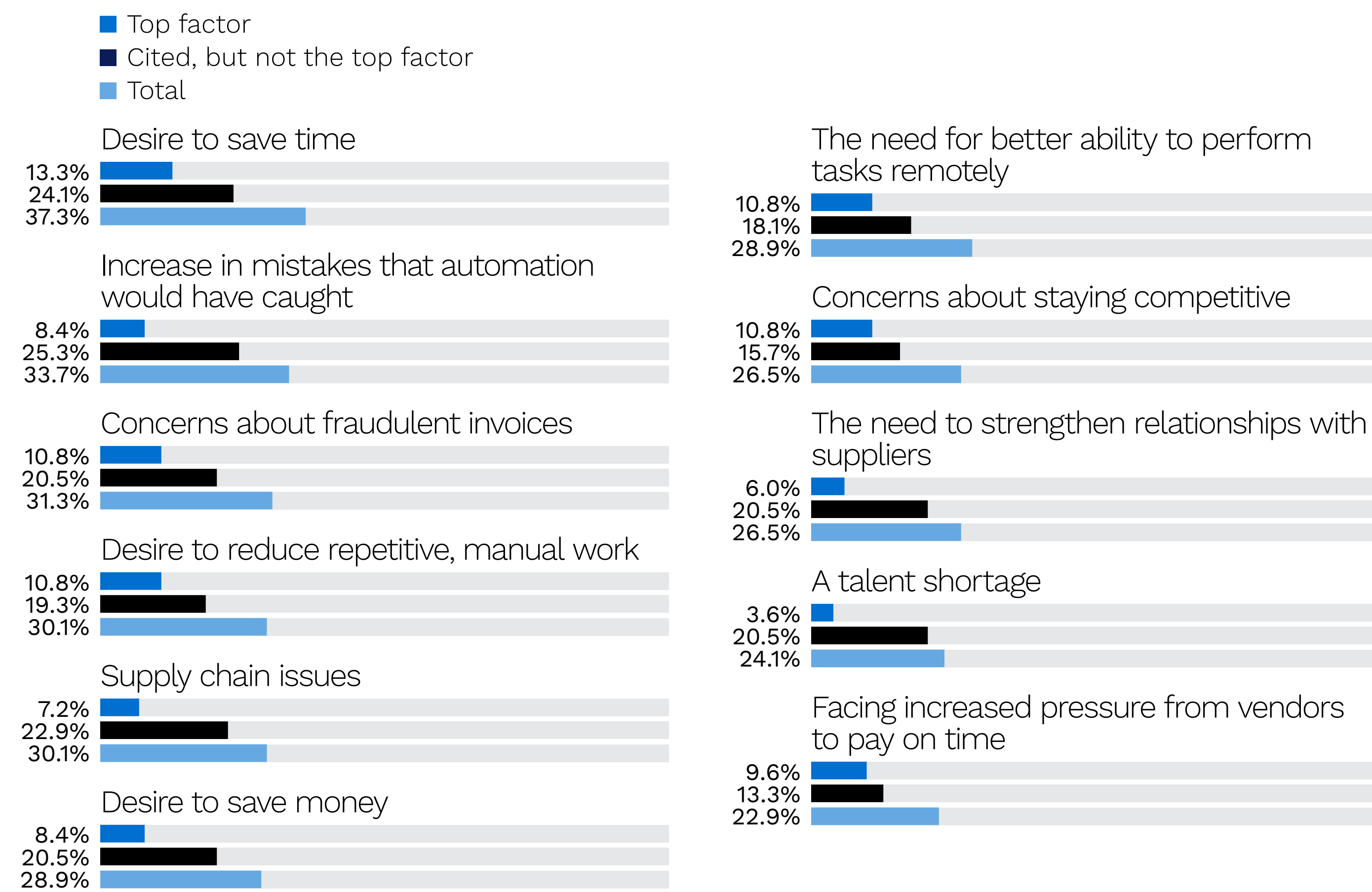
Though the promise of saving time helps motivate roughly 1 in 3 mid-sized firms to push through impediments to automation, the compound effect of several benefits ultimately motivates firms.

While time savings may be a key motivator for one-third of mid-sized firms to automate, the potential of combined, overlapping benefits drives the decision to automate: error reduction and fraud prevention, for example. When mid-sized firms mull the transition to automation in their AP or AR systems, the promise of time saved represents just one of several compelling catalysts, and 37% of firms highlight time savings as a central trigger for automation. However, executives' motives at mid-size firms are far from monolithic: Approximately one-third report making the move after recognizing an uptick in costly errors that automation could mitigate. Also, the very real threat of invoice fraud triggers the move for 31%. Thus, deciding to automate requires executives to consider the complex calculus of operational integrity and financial risk.

FIGURE 4:

Executives' top decision-making factors

Share of firms citing factors that triggered the decision to automate AP or AR processes



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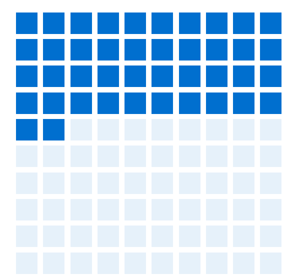
Firms that holistically identify and weigh multiple benefits would appear better positioned to reap the full rewards of automation. While motivations for automating AP and AR systems differ, with 13% prioritizing time savings and 11% highlighting fraudulent invoice concerns, no single benefit stands out. Instead, the decision stems from a strategic blend of operational and financial considerations.



42%

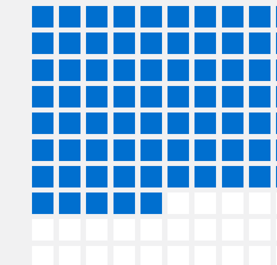
Share of firms **annually generating between $3.5M and $5M** citing the desire to save **time as the factor that triggered their decision to automate** — the highest rate in our survey by annual revenue

> While motivations for automating AP and AR systems differ, with 13% prioritizing time savings and 11% highlighting fraudulent invoice concerns, no single benefit stands out. Instead, the decision stems from a strategic blend of operational and financial considerations.

Although roughly 1 in 4 mid-sized firms start automation with regularly scheduled payments and those of consistent amounts, smaller firms deviate from this trend by strategically prioritizing payments that offer discounts for more immediate ROI.

Smaller firms seem to be actively seeking financial benefits through automation, such as discounts for faster, on-time or automatic payments. Firms annually generating between $3.5 million and $5 million in revenue prioritize payments that offer financial incentives such as discounts, and 47% of these firms implemented automation with payments to partners offering such perks. This choice can yield immediate returns and reward firms focusing on near-term financial benefits. That 47% share also represents a notable deviation from the 14% of firms with revenues between $5 million and $8 million and the 33% with revenues between $8 million and $15 million that adopt the same strategy.

75%



Share of firms already highly automated, at five or more processes, that want to prioritize automating payments large enough to allow for lower transaction fees in the next three years

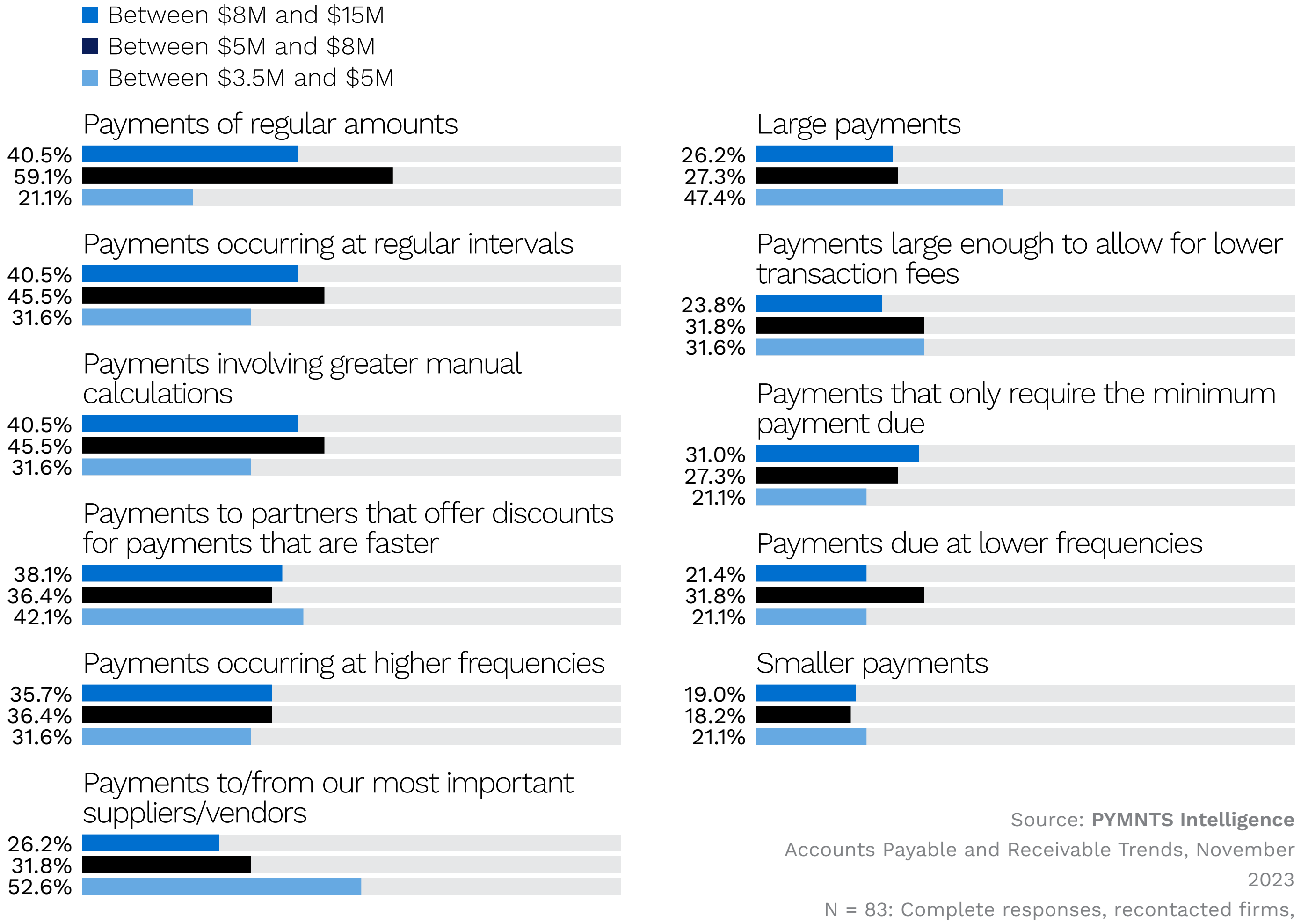
Rather than focusing on discounts, most mid-sized firms aim to impact as many payments as possible by focusing automation on the routine; 42% target payments of regular amounts and 36% target those occurring at regular intervals.

Among mid-sized firms — those generating $3.5 million to $15 million in annual revenue — 36% prioritize payments to or from key suppliers and vendors. This approach reflects a focus on long-term operational efficiency rather than immediate financial gain. Although this calculated move aligns with the broader objective of process streamlining, it also raises questions about whether these firms are missing out on more immediate ROI opportunities that their smaller counterparts are seizing.

FIGURE 5:

Payments prioritized for automation

Share of firms citing types of payments they would like to prioritize automating in the next three years, by annual revenue



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Firms are less likely to prioritize ad hoc payments — those occurring less often or those of irregular size — as they begin automating their AP or AR systems.

When mid-size firms start to implement automation for AP and AR, many keep a greater degree of caution when automating payments that defy easy categorization. The data reveals that just 25% of companies prioritize payments with lower frequencies, and similarly sparse numbers emerge for irregularly sized payments: 19% prioritize smaller payments and 23% focus on larger payments. For automating the processing of smaller payments, the statistics are uniform across firms of varying sizes, showing a general hesitancy toward — or, at least, different priorities for — automating payments that may introduce unpredictability into the system. However, the data also reflects that priorities differ for firms when considering the automation of AP versus AR in the next three years.

FIGURE 6:

AP automation priorities for the near future

Share of firms citing types of payments they would like to prioritize automating in the next three years, by level of AP automation

	FIVE OR SIX AUTOMATED PROCESSES	THREE OR FOUR AUTOMATED PROCESSES	ONE OR TWO AUTOMATED PROCESSES	NO AUTOMATED PROCESSES
• Payments of regular amounts	0.0%	38.5%	43.9%	39.3%
• Payments occurring at regular intervals	0.0%	69.2%	29.3%	42.9%
• Payments involving greater manual calculations	0.0%	46.2%	36.6%	42.9%
• Payments to partners that offer discounts for payments that are faster	0.0%	38.5%	36.6%	42.9%
• Payments occurring at higher frequencies	100.0%	46.2%	34.1%	28.6%
• Payments to/from our most important suppliers/vendors	0.0%	46.2%	34.1%	28.6%
• Larger payments	0.0%	15.4%	39.0%	28.6%
• Payments large enough to allow for lower transaction fees	100.0%	30.8%	26.8%	25.0%
• Payments that only require the minimum payments due	100.0%	38.5%	26.8%	21.4%
• Payments occurring at lower frequencies	100.0%	15.4%	36.6%	7.1%
• Smaller payments	0.0%	15.4%	24.4%	14.3%

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As firms advance in their automation journeys and have automated five or six processes, they broaden their horizons and tackle more complicated payments.

Once firms have somewhat automated, they consider payment frequency and size, targeting payments large enough to reduce transaction fees or those requiring just the minimum due. Half of the most highly automated mid-size firms report prioritizing these payments. It seems that experience in automation generates the confidence to tackle more complex payment types, perhaps recognizing the efficiencies and cost savings they can acquire from these otherwise neglected categories.

FIGURE 7:

AR automation priorities for the near future

Share of firms citing types of payments they would like to prioritize automating in the next three years, by level of AR automation

	FIVE OR SIX AUTOMATED PROCESSES	THREE OR FOUR AUTOMATED PROCESSES	ONE OR TWO AUTOMATED PROCESSES	NO AUTOMATED PROCESSES
• Payments of regular amounts	75.0%	53.8%	39.1%	30.0%
• Payments occurring at regular intervals	50.0%	53.8%	34.8%	40.0%
• Payments involving greater manual calculations	50.0%	38.5%	43.5%	30.0%
• Payments to partners that offer discounts for payments that are faster	50.0%	23.1%	43.5%	30.0%
• Payments occurring at higher frequencies	50.0%	53.8%	26.1%	40.0%
• Payments to/from our most important suppliers/vendors	50.0%	38.5%	26.1%	45.0%
• Larger payments	25.0%	15.4%	30.4%	45.0%
• Payments large enough to allow for lower transaction fees	75.0%	23.1%	23.9%	30.0%
• Payments that only require the minimum payments due	50.0%	38.5%	28.3%	15.0%
• Payments occurring at lower frequencies	50.0%	15.4%	23.9%	25.0%
• Smaller payments	25.0%	7.7%	19.6%	25.0%

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DATA FOCUS

Remote work during the peak of pandemic closures helped push nearly one-third of firms to begin their automation journeys.

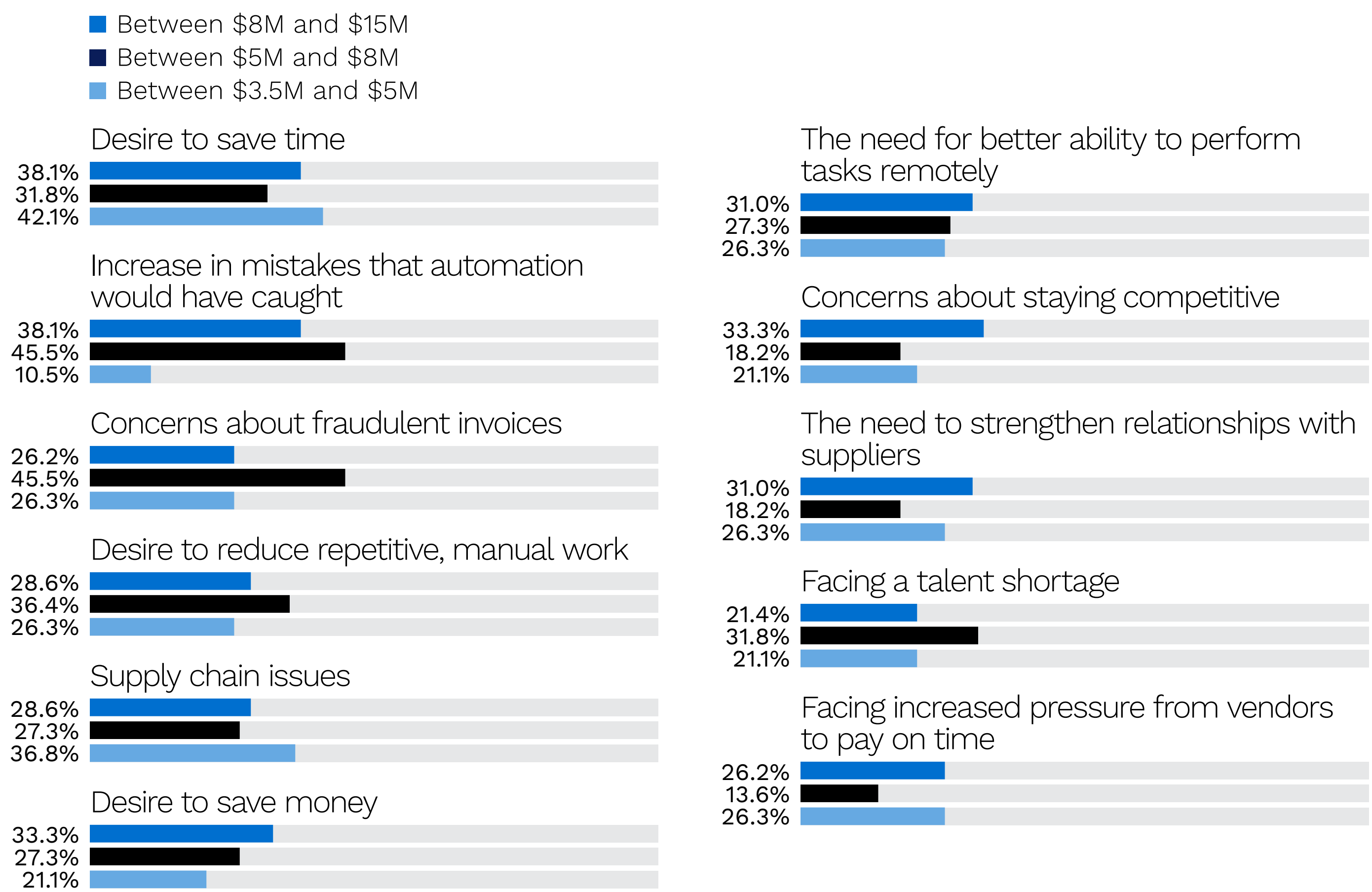
The pandemic catalyzed nearly one-third of mid-size firms to embark on automation, particularly in AP and AR.

The complications introduced by remote work pushed 29% of firms to take the plunge into automating their AP or AR processes. And it was not just a minor consideration: For 11% of these companies, the necessity of remote operations was the overriding factor influencing their decision. Meanwhile, firms with annual revenues between $8 million and $15 million led the pack, with 31% citing remote work as the most compelling reason for automation. These larger firms, presumably having more complex operational needs, found remote capabilities convenient and crucial, highlighting how external shocks can rapidly shift corporate strategies and priorities.

FIGURE 8:

Decisive factors in opting to automate

Share of firms citing factors that triggered the decision to automate AP or AR processes, by revenue



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> During the pandemic, larger firms, presumably having more complex operational needs, found remote capabilities convenient and crucial, highlighting how external shocks can rapidly shift corporate strategies and priorities.

ACTIONABLE INSIGHTS

01

Firms motivated by the promise of time saved should carefully evaluate the cost implications. While automation undoubtedly streamlines operations, nearly half of mid-sized companies delay or forgo automation due to the cost of new technology. Decision-makers must weigh the operational gains against the upfront financial burden.

02

Smaller firms are capitalizing on automation differently than their larger counterparts. That comes down in no small part to prioritizing payments that promise a more immediate ROI through discounts. For these firms, automation is not just about operational efficiency but also about tangible financial benefit.

03

Improved error detection is a compelling reason for mid-sized firms to adopt automation. Given that 34% of firms stated they decided to automate after noticing an uptick in mistakes that automated systems could have caught, firms in the decision-making process must consider the financial losses they could avoid.

04

The pandemic-driven shift toward remote work has accelerated the automation journey for many, especially among firms generating annual revenues between $8 million and $15 million. Leaders of mid-size firms should consider how external forces, such as societal shifts or global events, could serve as a catalyst for operational changes and must prepare to act accordingly.

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METHODOLOGY

Accounts Payable and Receivable Trends: The Journey to Automation is based on survey responses from 412 executives conducted from June 9 to July 5. It also draws on 83 follow-up responses gathered between Aug. 11 and Aug. 21. The report explains the investments that mid-size businesses have made or plan to make to automate their AP and AR processes. Our sample contained executives with day-to-day and strategic leadership responsibilities in AP, AR and payments strategy. We sampled small firms that generate between $3.5 million and $15 million in annual revenue and have six to 50 employees.

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 multi-lingual 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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