

2018

State Of Accounts Payable Report

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INVOICE NR.: 48061042

SHIP TO: <Same as Bill To>
NAME: Jane Harper
COMPANY NAME: Green Square Technology
ADDRESS: 125 Park Drive, Cambridge MA 02140
PHONE: (617) 223-0202

COMPANY NAME: Arlington Printing Inc.
ADDRESS: 11 Lake Street, Lower Level, Arlington MA 02474
PHONE: (617) 295-7955

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3RD ANNUAL RESEARCH REPORT

INTRODUCTION

The sentiments surrounding technologies within finance are evolving into a more mature state. Adoption of solutions that have both operational and financial impact are growing, and companies are recognizing the impact of thinking beyond operations that are “business as usual.”

One area in which we have seen considerable change is accounts payable. While it was once considered a laggard when it comes to automated processes (most companies are automating T&E, payroll and even tax before AP), accounts payable automation is gaining recognition as an area that can deliver a tremendous upside .

For the third consecutive year, MineralTree surveyed accounting and AP professionals at middle market companies to find out how they handle invoices and which attitudes and concerns are the driving forces behind the modernization of the AP process. In addition, this year’s survey dug a bit deeper into how automation within accounts payable may impact security and annual audits. Over 400 middle market companies of all sizes and industries participated in the survey.

EXECUTIVE SUMMARY

This year's survey results revealed the importance of establishing a well-defined framework for handling and paying invoices and to integrate AP with other processes. There is a need to educate professionals regarding the benefits of automating AP, since many businesses are aware of fraud risks but continue to use checks and a paper-based system for processing and paying invoices. We also identified credit cards as a largely underused payment method due to internal policies or a lack of communication with vendors.

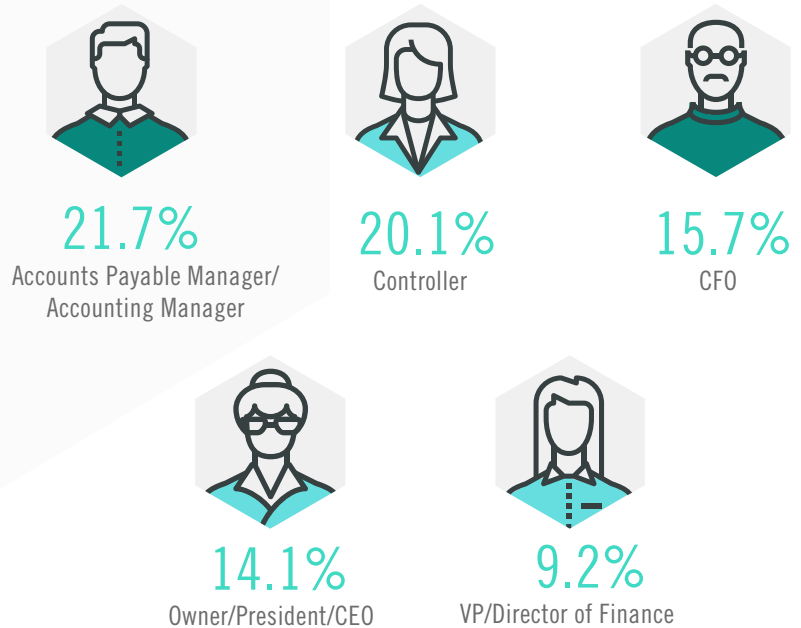
WHO ARE THE RESPONDENTS?

432
participants

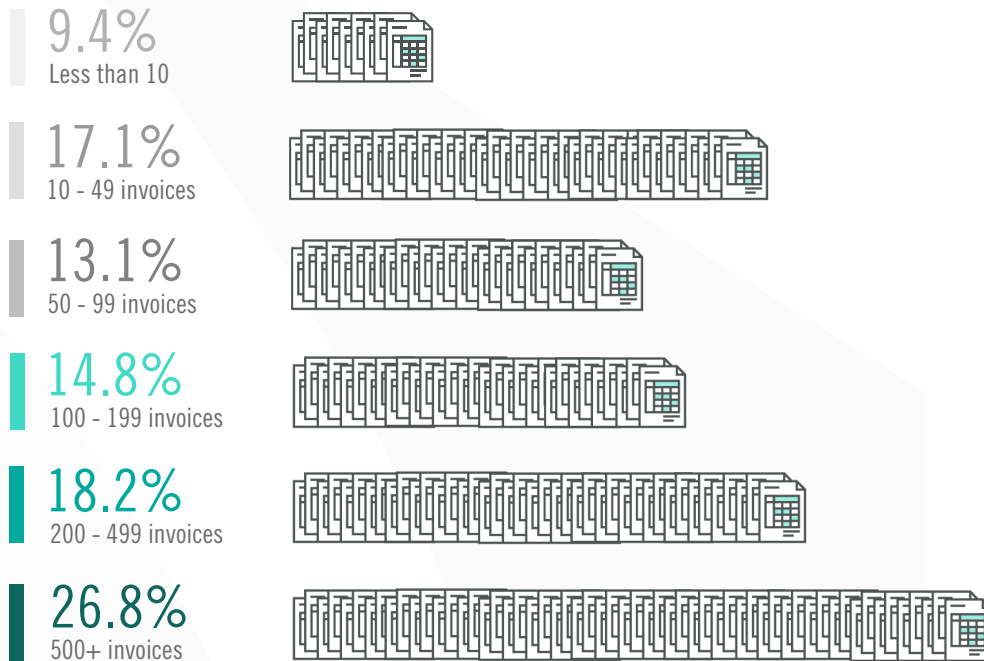
A total of 432 participants took this survey. More than 40 percent were accounting managers, accounts payable managers or controllers.

More than a quarter of the respondents work in companies that pay more than 500 invoices a month.

What is your position?



How many invoices does your organization pay every month?



KEY FINDINGS

+50%

AP professionals continue to underestimate the cost of invoice processing.

Over 50 percent of respondents believe it costs \$5 to process an invoice – the same estimate revealed in last year’s survey. Meanwhile, numerous analysts and research reports have indicated that the average invoice costs over \$10 to process.

21.9%

Credit card usage is in decline. 21.9 percent of respondents use credit cards frequently, and 3.2 percent use credit cards exclusively.

22.4%

The adoption of automated accounts payable processing is on the rise. Last year, only 14.2 percent of respondents had already switched to an automated solution; this year, that number is 22.4 percent.

72%

Fraud risk remains a key feature for teams adopting automated accounts payable. 72 percent of respondents indicated that it is extremely important that an AP automation solution has built-in fraud protection. This coincides with the 96 percent who indicated their level of concern related to fraud has either remained the same or increased since last year.

CONTINUED UNDERESTIMATION OF COST TO PROCESS INVOICES

\$12⁴⁴

The average invoice currently costs \$12.44 in processing fees for a company that does not automate accounts payable, and this cost can reach upwards of \$25 per invoice.

\$5¹³

Meanwhile, the average processing cost for a company that has adopted an automated AP system is only \$5.13.

Surveys conducted in 2015 and 2016 showed that respondents consistently underestimated the average cost of processing an invoice, as only 18.9 percent of respondents estimated that their costs were above the \$10 mark. This year's survey revealed more of the same tendency to underestimate the cost of this process.

Manual invoice processing costs are divided into three categories:

1. Direct costs are those spent directly on materials to process the invoice, such as paper, ink and postage.
2. Indirect costs are what a company spends to employ people to process invoices. The majority of this cost is spent on data entry as most manual invoicing has more than a dozen steps.
3. Hidden costs are costs that are not directly related to manual processing, but that arise out of not using automated AP; these include a reduced cash flow, errors in paperwork and a lack of visibility.

What do you think is your cost to process an invoice and make a payment?
(including hard and soft costs)

50%
Less than \$6

31%
\$6 - \$10

11.3%
\$10 - \$15

7.6%
More than \$15



Potential Explanations

There are several plausible reasons why more than 80 percent of respondents underestimate the cost of processing an invoice.

- They may not be taking into account the employee time it takes to process an invoice.
- They may only be taking into account the time they spend processing the invoice, and not that of the other employees touching it.
- They may not be taking into account hidden ancillary costs, such as for late payments, duplicate invoices, failed audits and accrual delays.

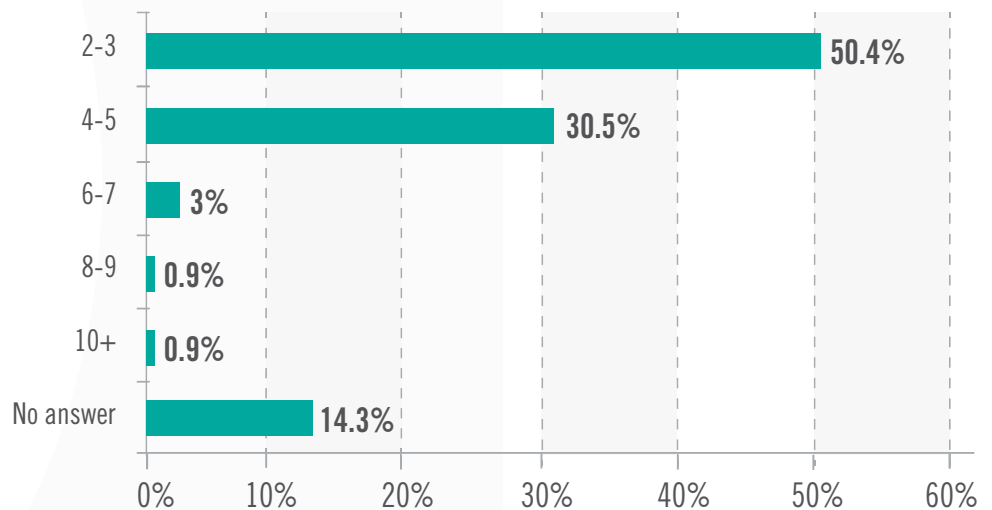
OVERALL INCREASE IN NUMBER OF PEOPLE INVOLVED IN ACCOUNTS PAYABLE



In 2016, 60 percent of respondents said that two or three people "touched" an invoice.

This number is down slightly this year, with only 50 percent of respondents indicating that invoices are touched by two or three people.

On average, how many people "touch" an invoice at your organization? (This includes data entry, approval review, payment processing and reconciliation)



At a minimum, two or three people are required for standard invoice processing and payment: one to enter the payment, one to approve it, and one to release the funds (though this can be the same person who entered the payment). With 35.4 percent of respondents working in organizations where invoices are touched by four or more people, there is opportunity to increase efficiency and decrease overhead through a more streamlined process.

RISKY PAYMENT METHODS REMAIN PROMINENT IN ACCOUNTS PAYABLE



The 2016 survey found that in spite of the fraud risk, checks were still the most popular way to pay invoices: 13 percent of respondents exclusively used checks, while 75 percent used checks frequently. Even more respondents – 17 percent – exclusively used checks in 2017; this number remains very high considering the well-documented risks of paper AP processing.

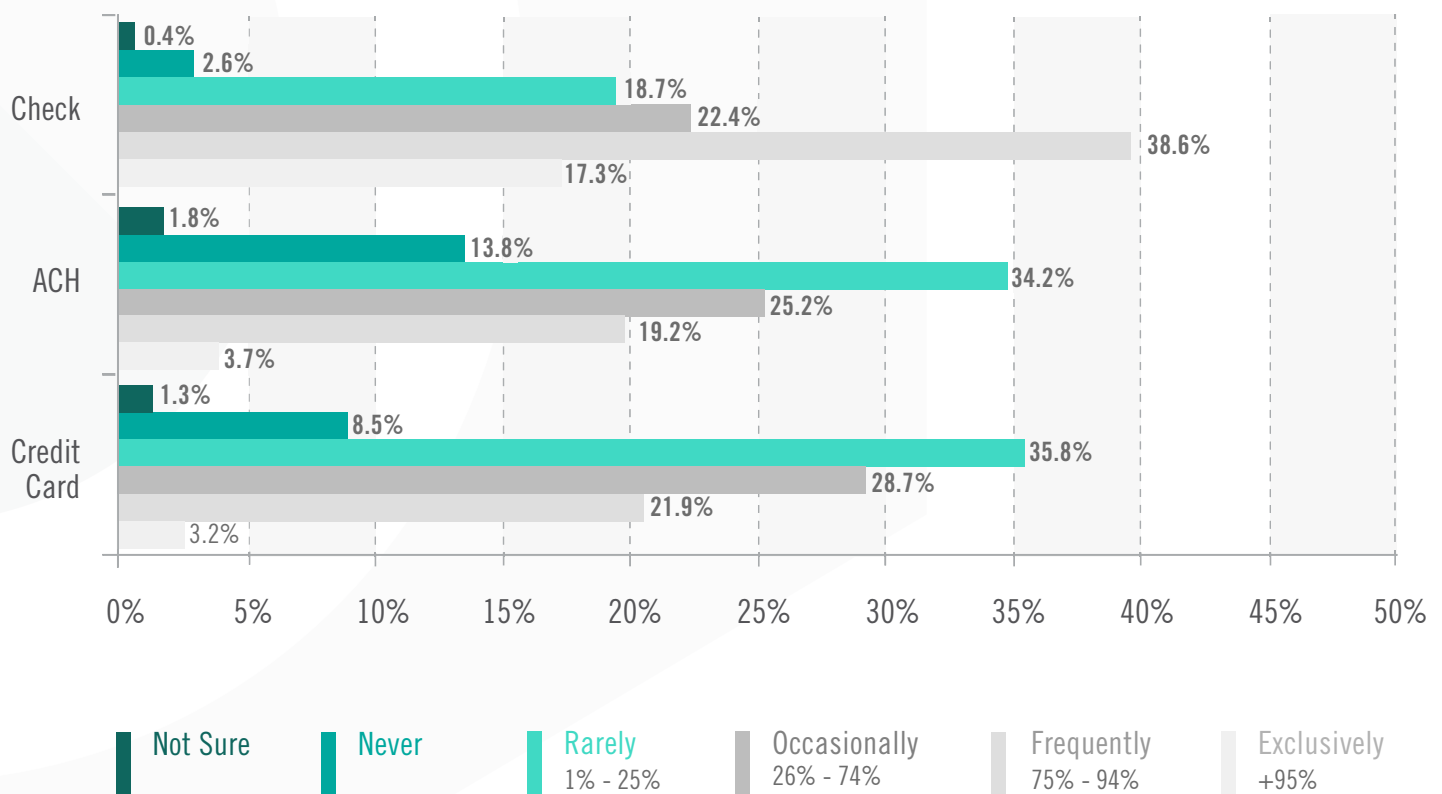


Credit card usage has seen a steady decline. In 2016, about 35 percent of respondents used their credit cards frequently; that number fell to 22 percent in 2017, while those who use their credit cards rarely doubled from 10 percent to 20 percent.



Virtual cards, which provide users with a unique number for each payment and often carry rebates and cash-back rewards just like credit cards, are still largely ignored. More than 65 percent of respondents indicated that they never use virtual cards.

How frequently does your organization use the following payment methods for vendor payments?



DROP IN CREDIT CARD USAGE FOR TRAVEL & EXPENSE PAYMENTS, INCREASE IN USAGE FOR VENDOR PAYMENTS

2016

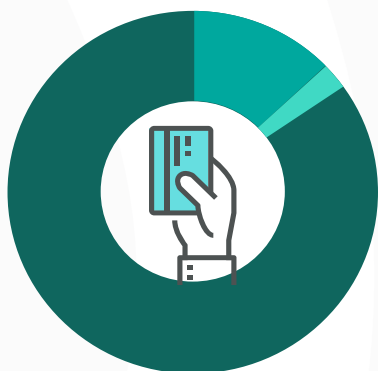
In 2016, 85 percent of respondents used a company card for both B2B vendor payments and for travel and expenses payments.

2017

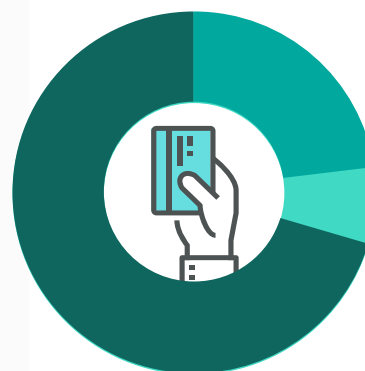
This percentage dropped in 2017, with only 70 percent of respondents using a company credit card for both types of expenses.

What type of payments do you make with your business credit card?

2016



2017



12%
Travel & Expenses Payments

3%
B2B Vendor Payments

85%
Both

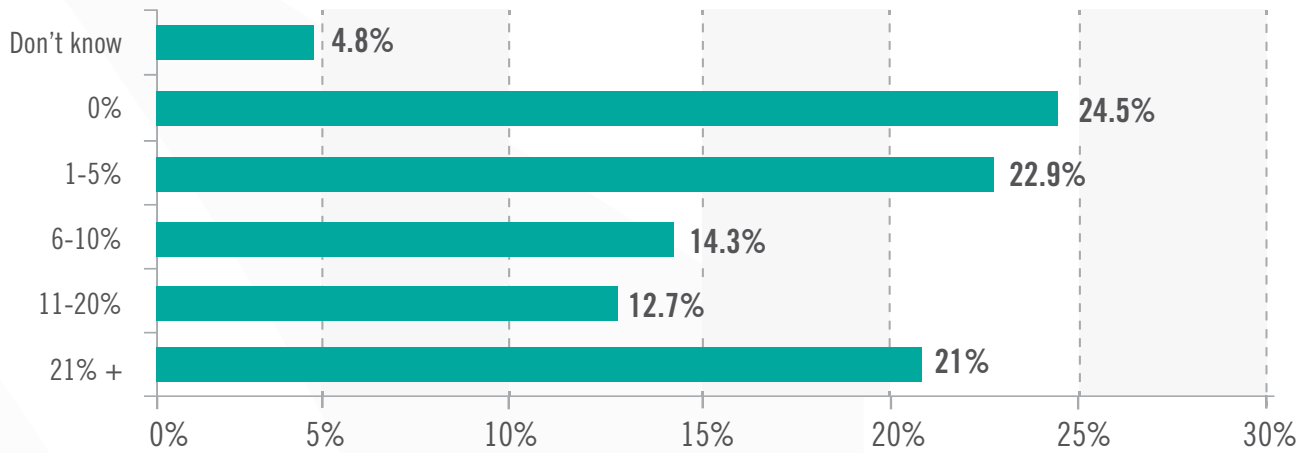
22.8%
Travel & Expenses Payments

6.9%
B2B Vendor Payments

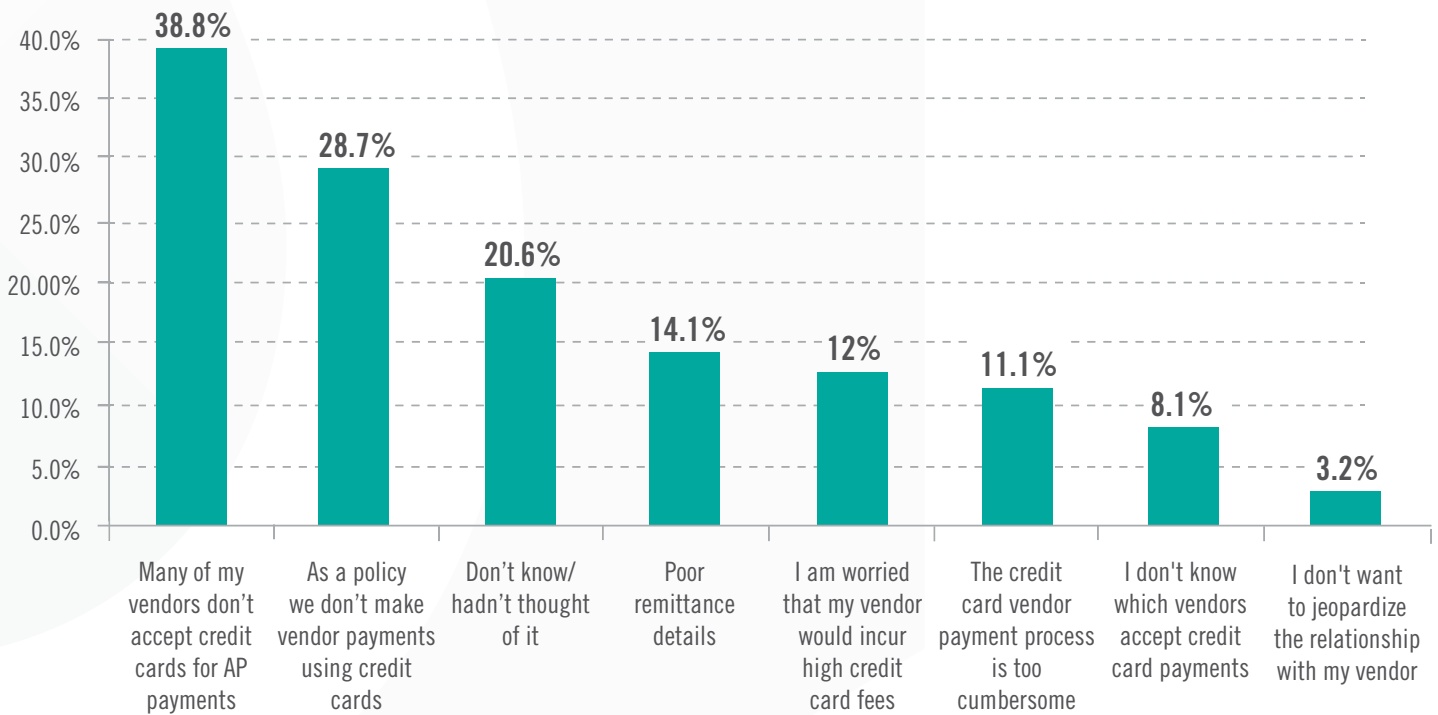
70.3%
Both

Respondents who indicated that they do not use credit cards for both said that their vendors did not accept credit cards (35 percent of cases), that it was company policy not to use a credit card for this type of payment (27 percent of cases) or that the process was too cumbersome (16 percent of cases). The majority of this decline was in the Travel & Expenses payments.

What percentage of B2B vendor payments would you estimate you pay using your business credit card?



What is the reason you do not use your business credit card for B2B vendor payments?



Half (4) of the obstacles to paying B2B vendors with credit cards could be removed by updating internal policies, adopting an automated AP solution and improving communication with vendors regarding fees and accepted payment methods.

INCREASE IN PAPERLESS ACCOUNTS PAYABLE

14.2%

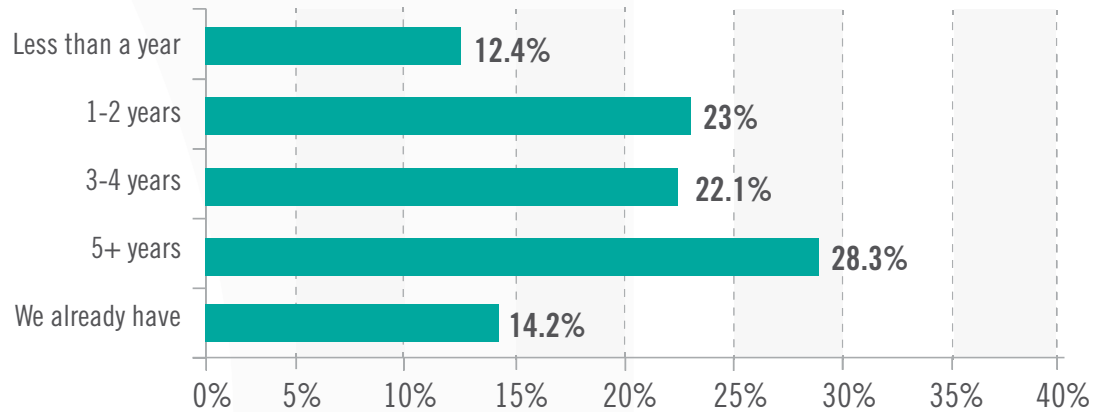
The 2016 edition of the survey found that 14.2 percent of respondents had switched to a paperless solution.

22.4%

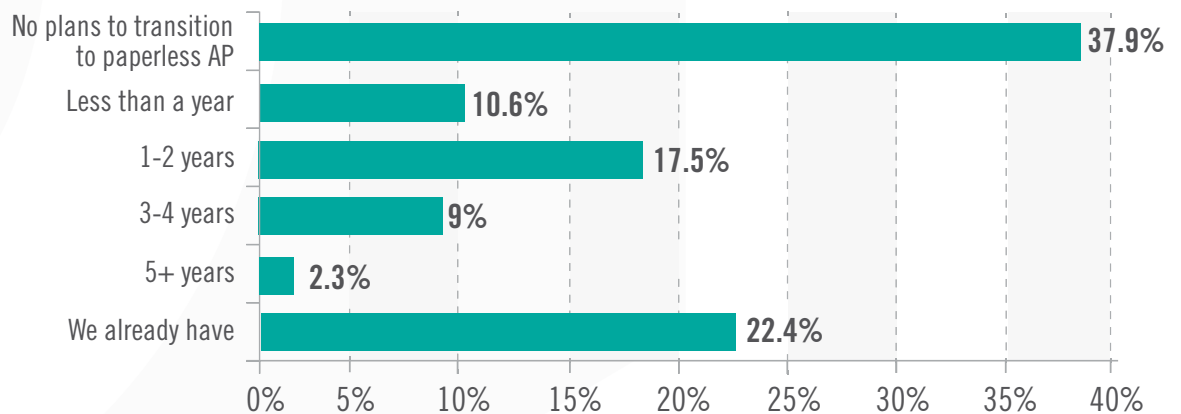
This year's edition of the survey found that automated AP adoption was on the rise, with 22.4 percent of respondents reporting having already switched to a paperless solution.

When will your company transition to paperless AP?

2016

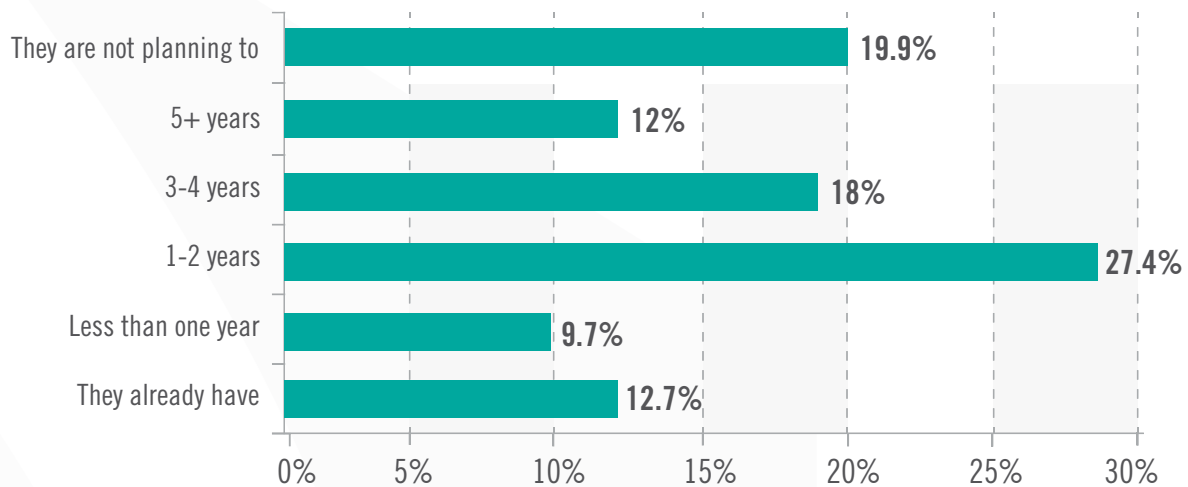


2017



Most respondents did not have an accurate perception of what competitors and partners' attitudes are toward going paperless. A mere 12 percent of respondents thought that others had already adopted an automated AP solution.

When do you think most of your peers or competitors will transition to paperless AP?



FRAUD DETECTION FEATURES REMAIN A CRITICAL FACTOR FOR ACCOUNTS PAYABLE AUTOMATION SOLUTIONS

2016

In 2016, 78 percent of respondents indicated that fraud protection was extremely important for an AP automation solution. Segregation of duties and two-factor codes was a priority for 68 percent of survey participants when considering automated accounts payable solutions.

2017

These features remained important in 2017: 70.8 percent of respondents cited fraud protection as being extremely important and 52.5 percent consider segregation of duties and two-factor codes as being extremely important.

Other priorities include integration with an existing ERP (extremely important for 56.7 percent of respondents) and unlimited document storage (extremely important for 53.3 percent of respondents). These new concerns could be explained by the fact that more businesses are not keeping their processes in silos and want to use integrated solutions instead. Businesses also have to comply with regulations that require them to store data, which could explain why unlimited document storage is important.

It is extremely important for an AP solution to:



70.8%
Offer fraud protection



56.7%
Integrate with your ERP



53.2%
Include unlimited document storage



52.5%
Offer Segregation of Duties



51.1%
Integrate with your bank



25.9%
Include unlimited users



25.9%
Automate PO match

AUTOMATION SEEN ALMOST UNANIMOUSLY AS AN AID TO AUDITS

Nearly all respondents were able to identify the clear benefits that using a paperless AP solution has during an audit.

Thinking back to your last audit, how do you think AP automation would have helped?

46.7%
Access invoice documents easily

23.8%
Accurate tracking record of approvals

17.5%
Consolidated view of outstanding and paid invoices

11.8%
Payment history reporting



CONCLUSION

The results of this survey indicate that many companies do not realize the full cost of manual invoice processing. More than one in four respondents to this survey plan to adopt an automated AP solution in less than two years; that is greater than the 22.4 percent of respondents who have already done so. It appears that 2018 may be the tipping point for companies to invest in automated AP.

ABOUT MINERALTREE

MineralTree provides the easiest to use Accounts Payable and Payment Automation solutions for finance professionals at growing middle market enterprises. Serving 1000+ customers and processing \$2B in annual payments, MineralTree SaaS solutions automate either the full invoice to pay or payments processes, and reduce time spent by 70 percent.

Both of the company's products support multiple payment options, including check, ACH, wires, virtual cards and corporate credit cards. Capitalizing on these various payment rails, customers can optimize their payables, maximize early pay discounts, manage working capital, and earn rebates and rewards.

Invoice-to-Pay streamlines AP, giving customers unparalleled visibility into financial data and significant cost savings, in an affordable, integrated platform.

FlexPay, an enterprise integrated payables product, works with any accounting system and is designed for businesses making 500+ payments monthly that need to automate their payments.

MineralTree products provide advanced payment security features including two-factor authentication, two-factor payment verification, segregation of duties and payment limits. By using these features, MineralTree guarantees protection against online payment fraud. Losses are covered up to \$100,000 per year.

FOR MORE INFORMATION

Please contact us at:



617.299.3399



info@mineraltree.com



www.mineraltree.com

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