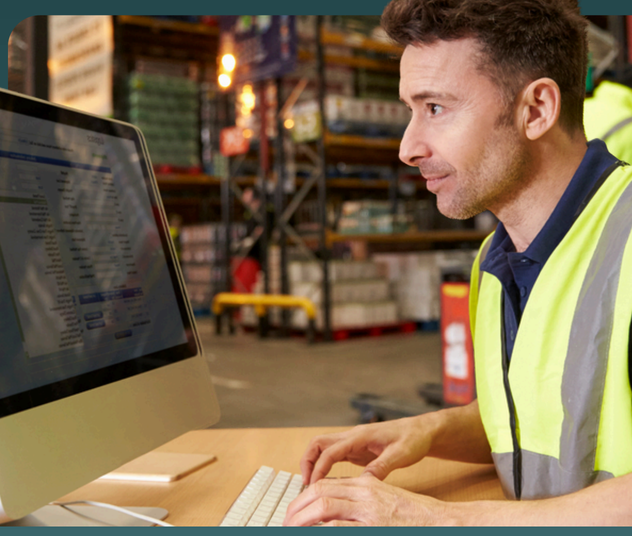
The Payment Performance Framework for Finance Teams

Measure what matters and turn payments into business value

Payment performance is more than paying suppliers on time.

On-time supplier payments matter, but they don't tell the full story. Measuring **payment costs, efficiency, control, financial value, and cash flow** provides a more complete view of performance and opportunities for improvement.



The six pillars of payment performance

A strong payment strategy starts with understanding performance across these key areas. Together, these six pillars provide a comprehensive view of how payment performance can strengthen supplier relationships, increase financial value, reduce costs, improve operational efficiency, and control and optimize working capital.

1 Supplier experience

Business goal

- Build stronger supplier relationships while reducing payment friction.

KPIs to measure	Formula
On-time supplier payment rate (%)	(Number of on-time payments / total payments due) x 100
Supplier payment issue rate (%)	(Supplier payments with reported issues / total supplier payments) x 100

Business impact

- Stronger supplier relationships and trust
- Fewer payment issues and disputes
- Lower supplier friction

2 Financial value

Business goal

- Maximize the financial value generated from every supplier payment.

KPIs to measure	Formula
Early payment discounts captured ($)	Total discounts taken from early payments
Virtual card usage (%)	(Virtual card spend / eligible virtual card spend) x 100
Virtual card rebates earned ($)	Sum of all virtual card rebate earnings
Total discounts and rebates captured ($)	Virtual card rebates + early payment discounts captured

Business impact

- Higher early-payment discount capture
- Greater rebate revenue and direct savings
- More financial value generated from payments
- Improved bottom-line contribution

3 Payment cost

Business goal

- Reduce the total cost of payment processing.

KPIs to measure	Formula
Average cost per payment ($)	Total payment costs / total payments
Payment method mix (%)	(Payments by method / total payments) x 100
Processing fees as a percentage of spend (%)	(Total processing fees / total payment spend) x 100
Check volume reduction (%)	((Prior period check volume - current period check volume) / prior period check volume) x 100

Business impact

- Lower payment processing costs
- More cost-efficient payment method mix
- Lower paper, postage, and check costs
- Greater savings over time

4 Operational efficiency

Business goal

- Reduce manual work and payment friction.

KPIs to measure	Formula
Failed payment rate (%)	(Failed payments / total payments attempted) x 100
Payment exception rate (%)	(Payments with exceptions / total payments) x 100
Payments processed per AP FTE	Total payments processed / average AP FTEs

Business impact

- Less manual work and rework
- Fewer payment failures and exceptions
- Greater AP productivity and capacity
- More scalable operations without added headcount

5 Payment control

Business goal

- Increase visibility and confidence across the payment lifecycle.

KPIs to measure	Formula
Time from initiation to receipt (days)	Sum of days from initiation to receipt / total payments
Payment approval cycle time (days)	Sum of days from submission to approval / total payments
Payment status visibility (%)	(Payments with end-to-end visibility / total payments) x 100
Exception resolution time (days)	Sum of days to resolve exceptions / total exceptions

Business impact

- Greater payment visibility and traceability
- Stronger internal controls and audit readiness
- Faster exception resolution
- Greater confidence in payment accuracy

6 Cash flow performance

Business goal

- Optimize working capital while maintaining supplier relationships.

KPIs to measure	Formula
Days payable outstanding (DPO)	(Average accounts payable / COGS) x number of days in period
Cash flow forecast accuracy (%)	(1 - ABS(forecasted cash flow - actual cash flow) / actual cash flow) x 100
Working capital impact ($)	Change in (current assets - current liabilities) driven by payment timing

Business impact

- Stronger cash flow and liquidity
- More accurate cash flow forecasting
- More effective payables timing
- Improved working capital performance

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