5th Annual Research Report

Executive Summary

For the fifth consecutive year, we surveyed a wide range of finance professionals involved in the Accounts Payable (AP) process to deliver our State of Accounts Payable Report 2020. In this report, we share insights and trends in Accounts Payable, including:

• Adoption of electronic payments

• Trends in automating the AP workflow

• Scope of fraud

• Initial impact of the Coronavirus pandemic on AP processing and Automation

This year we are pleased to provide trend data by seniority level of respondents, by industry, and by organization size.

Adoption of electronic payments is accelerating

91% | 80%

Of companies used cards (91%) and ACH (80%) at least once in the past year, compared to 51% and 62% respectively, in our previous survey.

Electronic payment usage increased compared to paper

56%

Of payments made were electronic, versus 44% using paper checks, for those companies that are using some form of electronic payments. Last year, respondents indicated electronic payments comprised 52% of their payments, versus paper checks at 48%.

Automation drives electronic payments

21%

Of payments made were electronic for those companies that have automated their AP processes. For those that have not automated, they used electronic payments only 16% of the time. The correlation between organizations that have automated their Accounts Payable and use of electronic payments is consistent with previous years' data.

More companies are automating AP

38%

Of companies have begun automating their AP processes, compared to 24% last year.

Fraud remains a persistent issue

57%

Of respondents experienced fraud versus 59% last year.

Manual AP costs continue to be grossly underestimated

90%

Of the $20 cost to manually process and pay an invoice is overlooked, based on respondents' median cost estimate of $2.

Sources: PayStream Advisors, Aberdeen Associates Advisors, NACHA, US Government, & Bank of America studies.

How to Read This Report

As you read through this report, you should benchmark your team's processes as well as your perception of the accounts payable industry as a whole. Some key questions to consider include:

- What percentage of my payments are currently made electronically?
- What is my team's standard operating procedure for capturing and coding invoices?
- Where in my accounts payable process could my organization be exposed to fraud?
- How does my team currently file documents for future access during audits?

Survey Methodology

We have compiled a report that analyzes and evaluates the current state of accounts payable operations from the perspective of 1,301 respondents spanning all seniority levels, working at companies of all revenue ranges in the middle market.

The method of collection was a 19-question survey requesting information about existing accounts payable processes and respondent attitudes toward those processes. Methods of analysis included the evaluation of responses as one whole, as well as across specific demographics. Results of this report indicate interesting trends in how businesses pay other businesses in relation to research collected last year.

Who are the respondents?

A total of 1,301 participants took this survey. A break down follows:
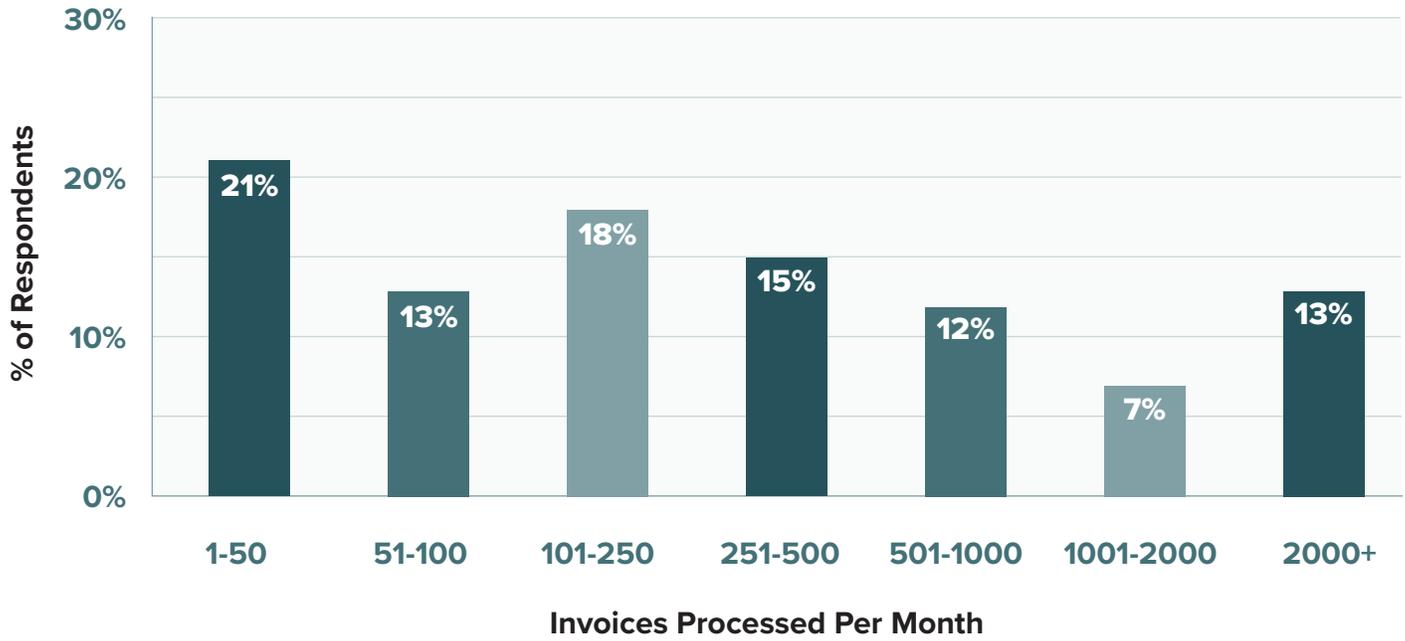
By Job Level

27% Executives   **14%** Directors   **27%** Managers   **32%** Individual Contributors
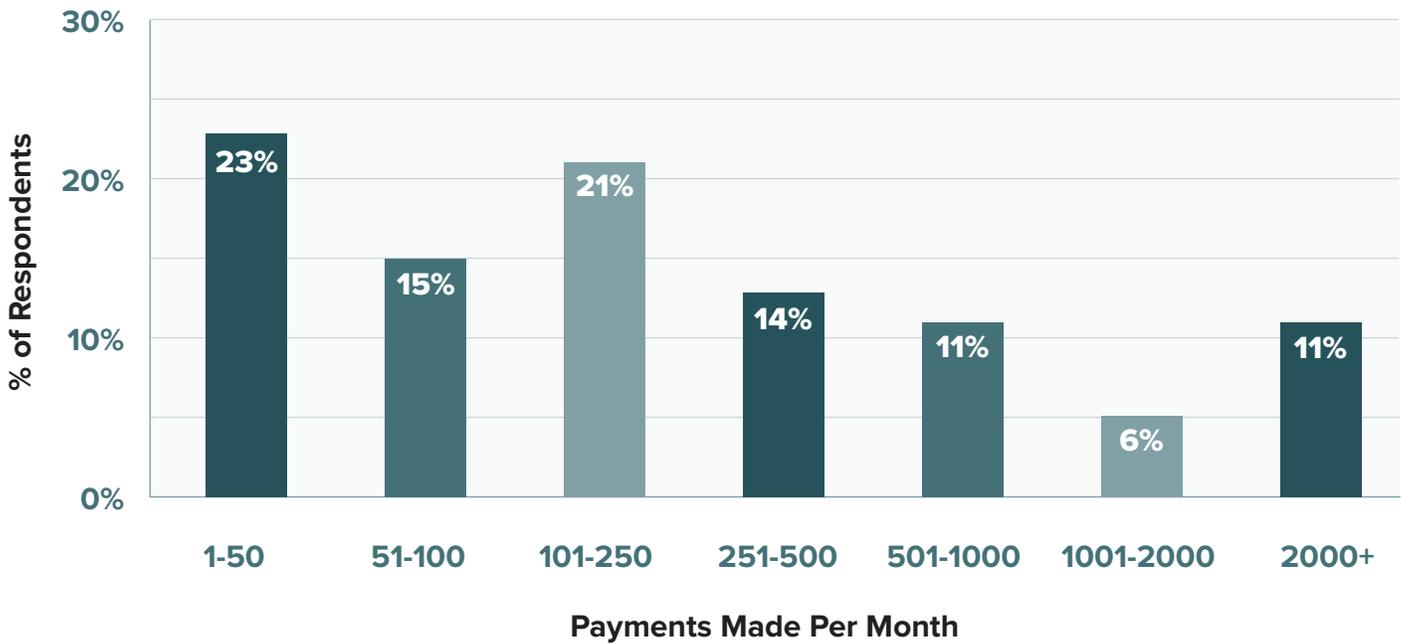
By Annual Revenue

34%
<$5M

46%
$5M-$250M

6%
$250M-$500M

7%
$500M-$1B

7%
$1B+

Who are the respondents? (cont.)
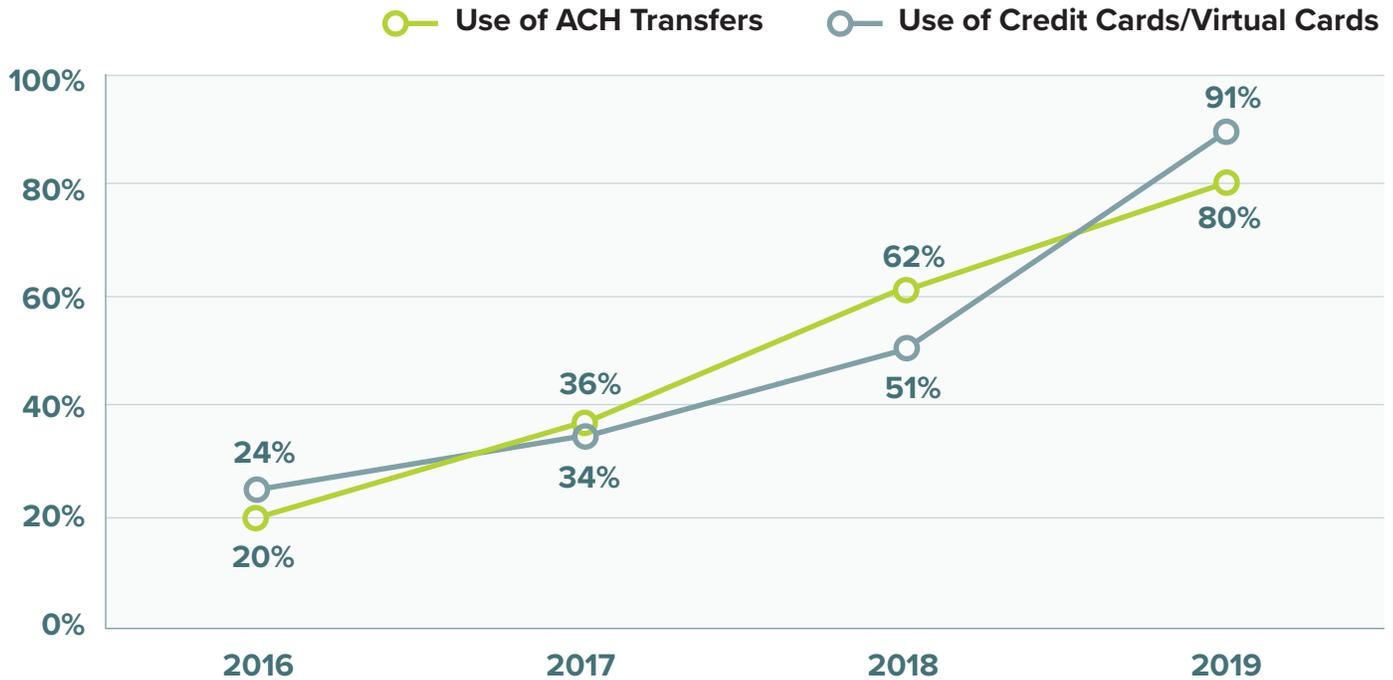
By Invoices Processed Monthly

Bar chart — % of Respondents by Invoices Processed Per Month:
- 1-50: 21%
- 51-100: 13%
- 101-250: 18%
- 251-500: 15%
- 501-1000: 12%
- 1001-2000: 7%
- 2000+: 13%

By Payments Processed Monthly

Bar chart — % of Respondents by Payments Made Per Month:
- 1-50: 23%
- 51-100: 15%
- 101-250: 21%
- 251-500: 14%
- 501-1000: 11%
- 1001-2000: 6%
- 2000+: 11%

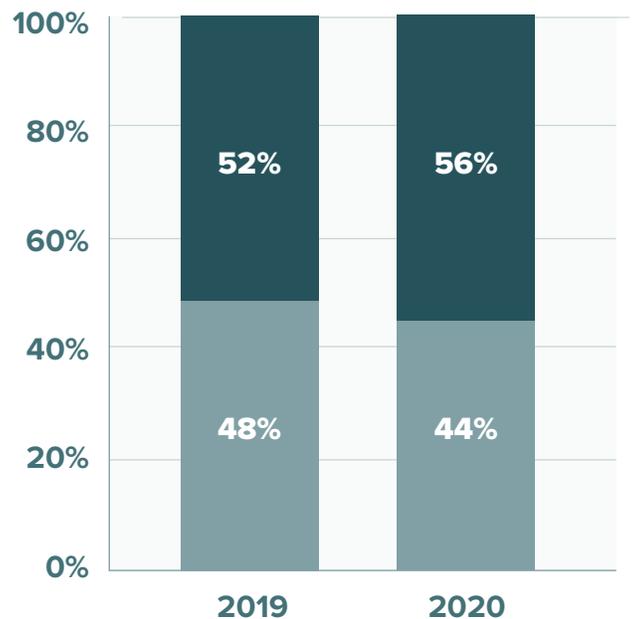# Adoption of Electronic Payments Significantly Accelerating

In last year's report we noted the continued rise of businesses using electronic payments. This trend continues through 2019 with 91% of respondents utilizing cards (vs. 51% last year) and 80% utilizing ACH Transfers (vs. 62% last year) at least once.

○— **Use of ACH Transfers**   ○— **Use of Credit Cards/Virtual Cards**
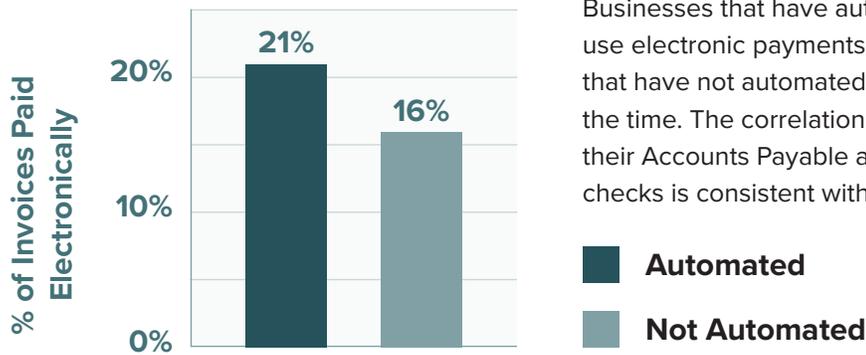

Electronic Payment Usage Increased Compared to Paper

In last year's report, we noted the continued rise in use of electronic payments. This year, for those that use electronic payments, we see an increase in the number of invoices that are being paid electronically versus with paper. Respondents indicated, on average, that they are using electronic payments to process their payments 56% of the time (vs. 52% last year), compared to paper at 44% (vs. 48% last year).

■ **Paper**   ■ **Electronic**

Automation and Electronic Payment Usage Still Linked

21%
20%
16%
10%
0%

% of Invoices Paid Electronically

Businesses that have automated their processes responded that they use electronic payments 21% of the time, compared to businesses that have not automated, that use electronic payments only 16% of the time. The correlation between organizations that have automated their Accounts Payable and use of electronic payments over paper checks is consistent with previous years' data.

■ **Automated**

■ **Not Automated**

Why Electronic Payments?

This shift toward electronic payments can be explained by what they offer over paper checks:

Improved Security

Paper checks continue to be the riskiest form of B2B payments currently in use. Obtaining important financial information is as easy as picking up a check and reading it. Whereas electronic payments are encrypted to protect critical data.

Greater Simplicity

The process of printing checks, chasing down signatures, stuffing and mailing envelopes is a very tedious and time-consuming task, that can be eliminated with electronic payments.

Cost Savings

Electronic payments are a fraction of the cost of checks, which can run as high a $5 per check.

Small Businesses Miss Out on Large Opportunity of Electronic Payments

Size seems to play an interesting role in payment method choice. When analyzing the results of business size compared to the types of payments used, the data showed that smaller businesses ($5M or less in annual revenue) that are not automating their accounts payable use paper checks 65% of the time.

Comparatively, smaller businesses who have chosen to automate their AP processes use paper checks only 46% of the time.

Automation Continues to Gain Traction Year-Over-Year

24% In last year's report, 24% of respondents indicated that their company had already begun automating their AP.
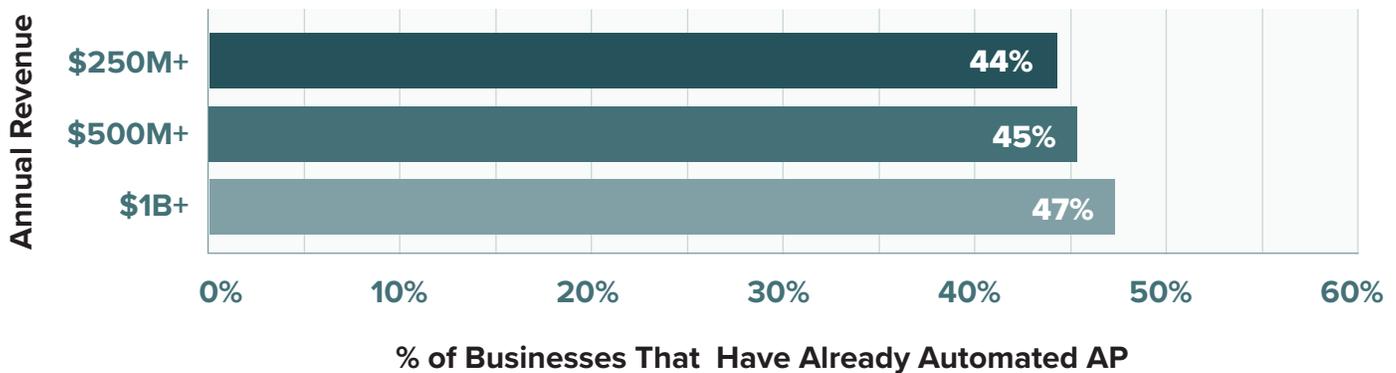
38% This year, that number has grown to 38%. This clearly indicates the growing number of organizations recognizing the benefits of partnering with fintech companies to establish AP automation within their finance divisions.

20% Of the respondents who answered 'no' to having already automated, 20% said they were looking to automate within the next 2 years.
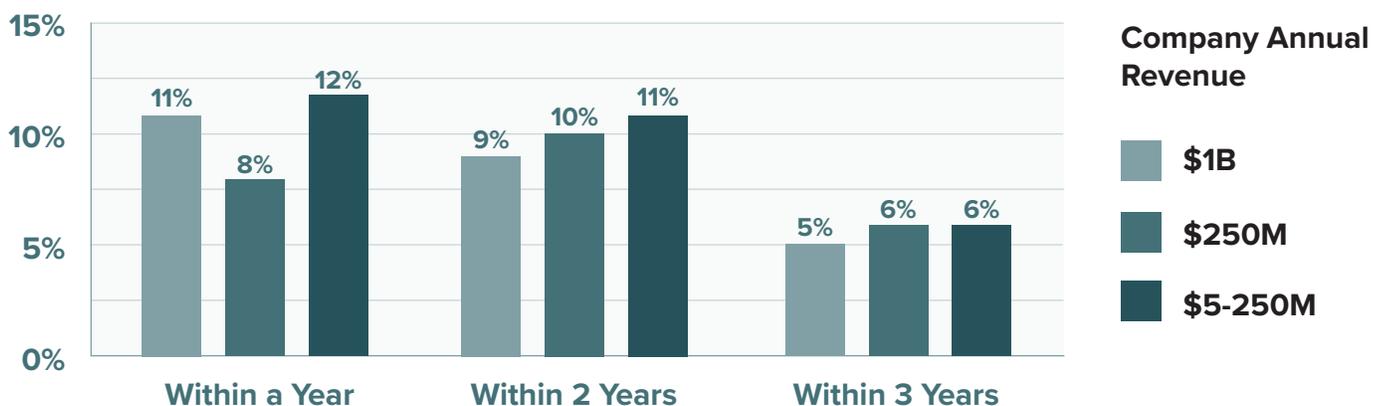
Larger Companies are Leading the Way

Large organizations have adopted AP automation at a greater rate than their smaller counterparts.
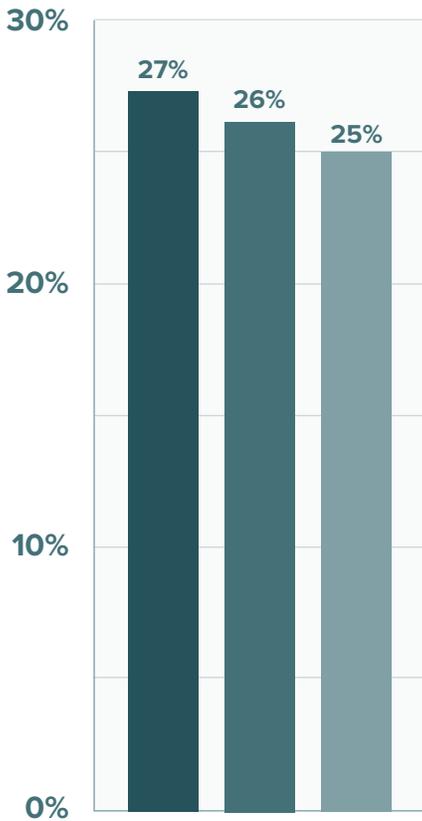
Annual Revenue

$250M+	44%
$500M+	45%
$1B+	47%

0%   10%   20%   30%   40%   50%   60%

% of Businesses That Have Already Automated AP

Smaller Businesses Plan to Automate

29% of businesses with $5M - $250M in Annual Revenue will automate within 3 years.

Company Annual Revenue

- $1B
- $250M
- $5-250M

	Within a Year	Within 2 Years	Within 3 Years
$1B	11%	9%	5%
$250M	8%	10%	6%
$5-250M	12%	11%	6%

Disparity in AP Automation Definition

There is still a disparity how AP automation is defined. With almost identical statistics compared with last year, this year 61% of respondents defined AP automation as the streamlining of all steps into a single, end-to-end, online workflow compared with 39% of respondents who continue to define AP automation as the streamlining of an individual step of the process.
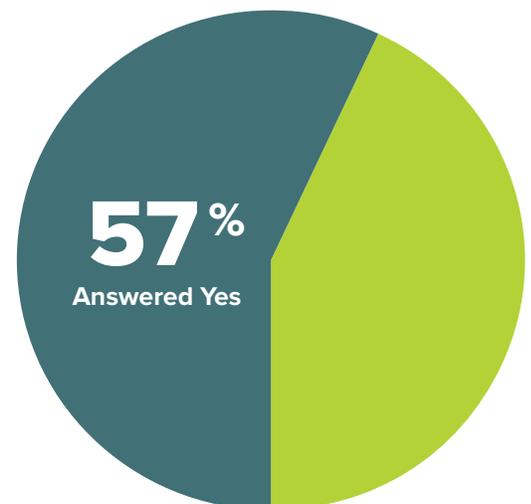
39%
Individual Step

61%
End-to-end

Most Important AP Automation Components

In 2017, the most important AP Automation component was Fraud Protection, whereas in 2018 we saw ERP integration take the top spot. This year, our results show something different yet again. Respondents provided their ranking of component importance and while fraud protection and API-level ERP connection are still at the top, automated invoice capture and coding snuck in to the top spot.

- **Automated Invoice Capture and Coding** — 27%
- **API-Level ERP Connection** — 26%
- **Fraud Protection/Segregation of Duties** — 25%

Fraud Remains an Issue

57% of respondents say they have received a fake invoice or experienced fraud in some way. The regularity with which this occurs only strengthens the importance of ensuring your sensitive data is absolutely secure.
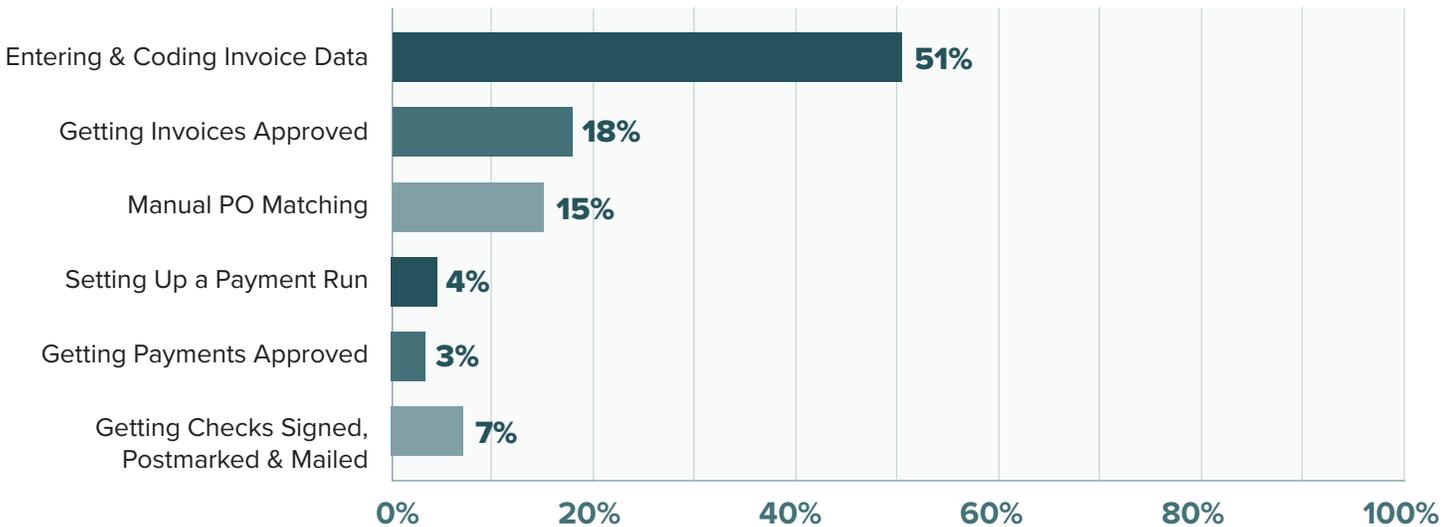
57%
Answered Yes

The Most Tedious Aspects of AP

When you think about the entire AP process from end-to-end, there are moments you can live with and moments you would rather try to forget. These "latter" moments bring the highest degree of pain and frustration. It was no surprise to see this year's respondents aligned with last year's.

Invoice coding and data entry not only topped the list again this year, but the frustration seems to have grown. Last year, 46% of respondents called out invoice coding and data entry. This year, that number has grown to 51%.

And while other areas do create friction for the AP department, invoice coding and data entry took the proverbial cake with a 33% gap to the next most frustrating aspect: getting invoices approved by department heads.

Category	Percentage
Entering & Coding Invoice Data	51%
Getting Invoices Approved	18%
Manual PO Matching	15%
Setting Up a Payment Run	4%
Getting Payments Approved	3%
Getting Checks Signed, Postmarked & Mailed	7%

Invoice Approval Adds Days to the AP Lifecycle

The small role that department heads play in the lifecycle of an invoice would, at first glance, seem nominal. In reality, they wind up becoming a bottleneck and create inefficiencies. Payment schedules get off track, invoices begin to get delayed and subsequently go unpaid. This leads to continued deterioration of the vendor relationship as well as your business's ability to operate effectively. And as they say, time is money.

37% | 37% of respondents reported it takes them 2-3 days to collect invoice approvals from department heads, which is in line with last year's report.

20% | 20% of respondents reported it takes them 4-5 days to collect invoice approvals from department heads.

AP Costs Continue to be Significantly Underestimated

Accounts Payable departments are one of the last areas of the business to automate, and thus one of the last areas that can recognize savings for the organization.

Of those surveyed, the median response was $2 to process and pay an invoice, or 90% below the actual average cost of $20.

Costs are high due to the multiple steps required in the process including, but not limited to, invoice preparation, manual sorting and entry, manual routing for approval, transcription errors, duplicate payments, and late payment fees.

> **The average cost of processing and paying an invoice is $20, representing a great opportunity for businesses of all sizes automating their AP process and moving to electronic payments.**

Trends by Industry and Company Size

This year we wanted to dive deeper into the collective data we gathered and identify any interesting trends based on industry or company size. Here's what we found:

By Vertical

Manufacturing

We found that the Manufacturing industry is highly reliant on paper.

> **Nearly 40% of respondents indicated that they use paper checks 75%+ of the time.**

Also worth noting is that nearly 70% of respondents have not implemented an AP automation solution, and 44% of them do not have plans to do so at this time.
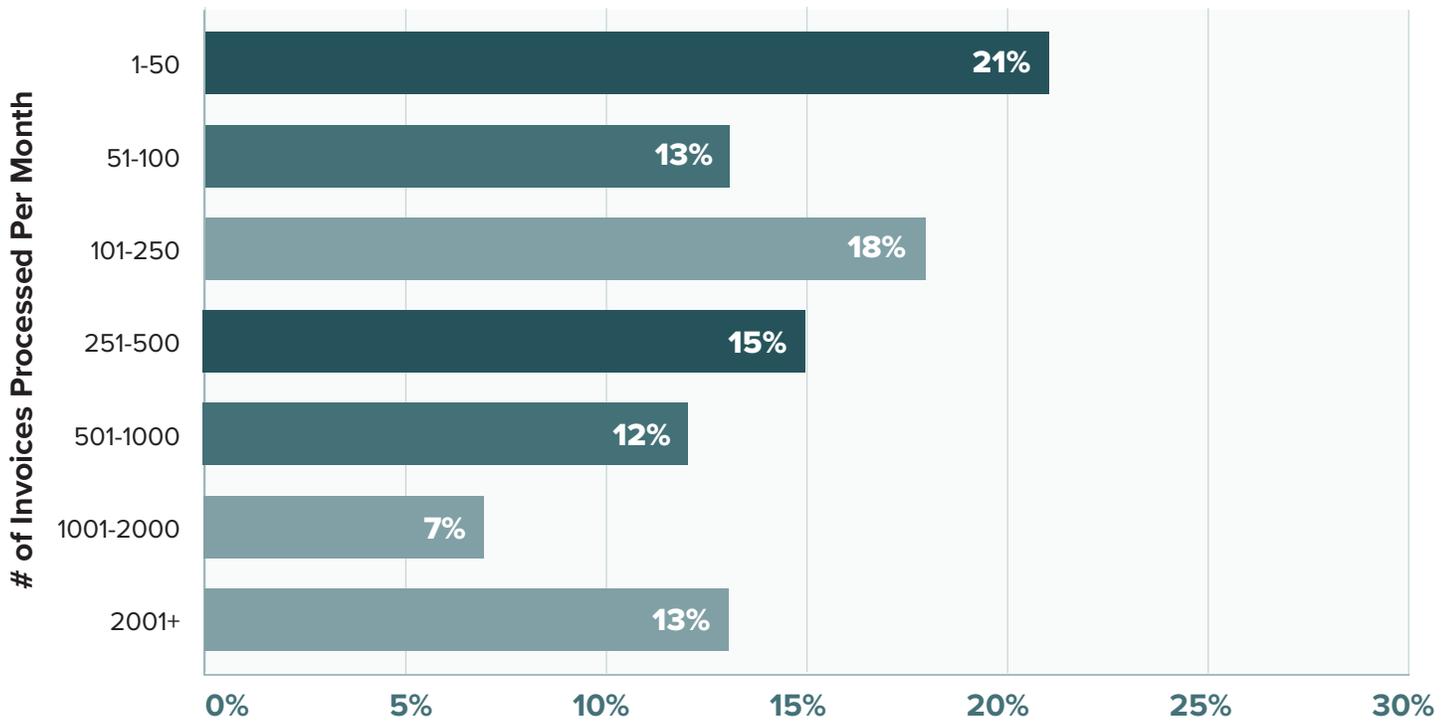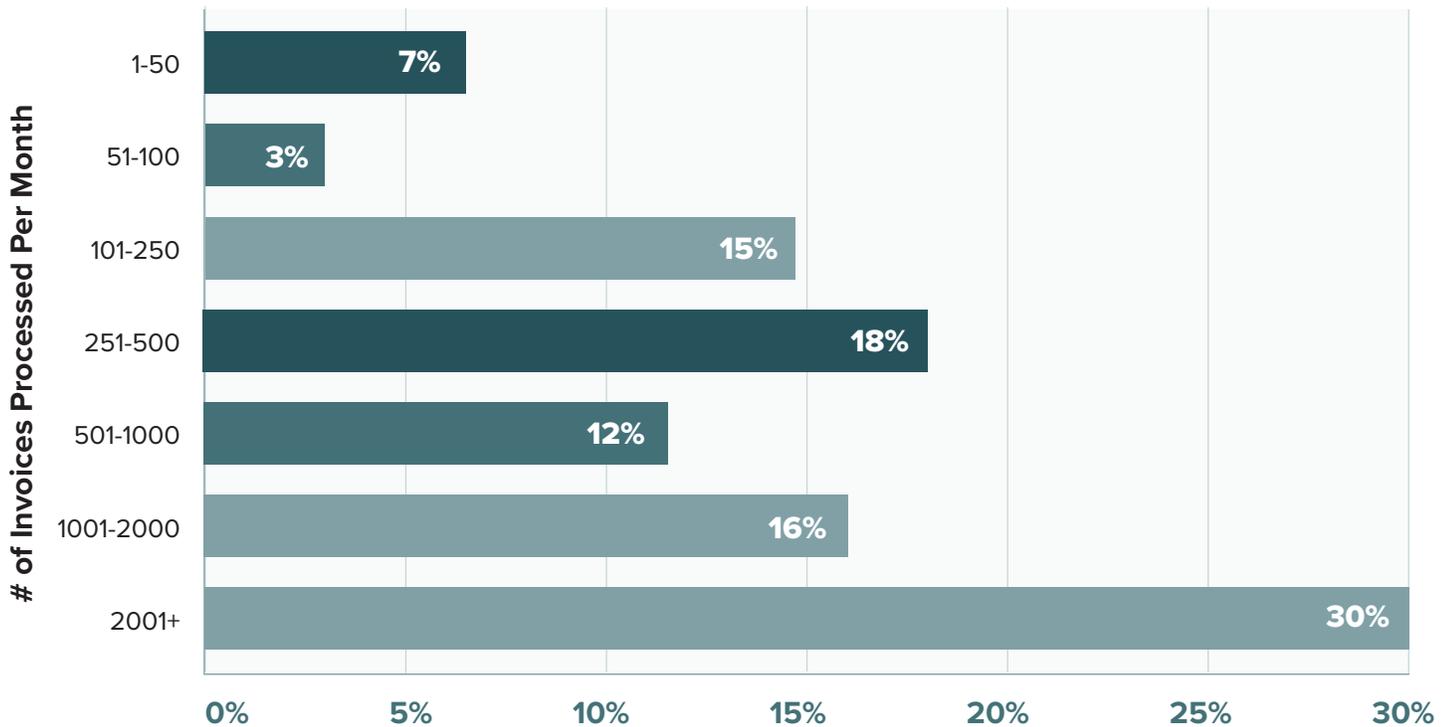
Healthcare

In the Healthcare Industry, we found that nearly 60% of respondents indicated that they had no automation in their current processes, and further, 34% indicated that they had no plans to automate.

Yet we found large invoice processing volumes and long approval processes. Nearly 30% responded that they process more than 2000 invoices per month. Additionally, we found that they had one of the longest reported approval process, taking on average 5 business days.

% of All Respondents

# of Invoices Processed Per Month

- 1-50: 21%
- 51-100: 13%
- 101-250: 18%
- 251-500: 15%
- 501-1000: 12%
- 1001-2000: 7%
- 2001+: 13%

(0% — 5% — 10% — 15% — 20% — 25% — 30%)

% of Respondents in Healthcare

# of Invoices Processed Per Month

- 1-50: 7%
- 51-100: 3%
- 101-250: 15%
- 251-500: 18%
- 501-1000: 12%
- 1001-2000: 16%
- 2001+: 30%

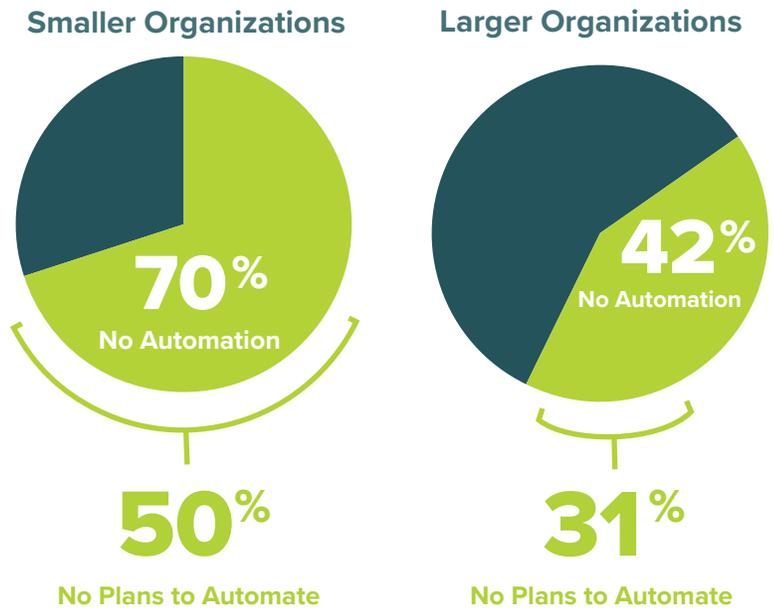(0% — 5% — 10% — 15% — 20% — 25% — 30%)

By Company Size (Revenue)

70% of smaller organizations have not implemented any form of AP automation. 50% of that number stated they had "no plans" to implement in the future, despite 44% of them recognizing the cost savings opportunity.

58% of larger companies have already implemented, and of the 42% that have not implemented, 31% of them said they had "no plans" to automate in the future.

Regardless of size, both small and large organizations recognize the opportunity in automating including, but not limited to, cost savings and retention of office staff. However, rates of automation continue to differ based on organization size.

Smaller Organizations

70%
No Automation

50%
No Plans to Automate

Larger Organizations

42%
No Automation

31%
No Plans to Automate

*Smaller companies as defined by annual revenue size of $0-$10M & larger companies as defined by annual revenue size of $500M-$1B or greater.

The Impacts of a Global Pandemic

Our initial survey was conducted in February 2020 before the outbreak of the novel Coronavirus, and therefore does not reflect any of the changes we have since experienced. In the middle of March 2020, we reached back out to respondents for a short follow-up to see how folks were adapting to this sudden shift in normalcy.

We asked respondents three questions: 1) Describe what this transition to a new remote reality has been like; 2) Their work from home productivity; and, 3) An open-ended question to gain a more emotional-based perspective.

43% | 43% of respondents indicated that they are still going into the office in some capacity to perform their job.

16% | 16% of respondents noted that they already had AP automation in place and the transition had been seamless.

18% | 18% of respondents checked "other" and this was filled with comments from finance professionals who have been working remotely since they were hired and therefore already had remote processes in place for their AP role.

33% | The remaining 33% of respondents indicated they were experiencing difficulties in the transition, but were adapting through process adjustments.

Of the 43% of respondents who indicated they were still going into the office:

- 41% said they were still mostly productive
- 20% said they were not as productive, but were "getting by"
- 9% said they were not productive

- The remaining 30% of respondents said their productivity was unaffected, but indicated that this was because they were still physically going to work.

This shift in how we function as a society is surely going to have a lasting impact on how we conduct our business and it is already being felt en masse across the globe. The question then turns to how long your organization finds the current processes in place sustainable.

Conclusion

From the data collected we see interesting trends beginning to emerge, as well as continuing trends from previous years. Some of these trends include the importance of security, ease-of-use, simplifying the upfront capture & coding process of invoices, and the continued increase in the use of electronic payments including credit cards/virtual cards.

Organizations are becoming more digital overall, and continuously looking for areas of efficiency and cost savings—AP automation and electronic payments represent outstanding opportunities.

By automating, organizations can also enhance security and strengthen vendor and customer relationships by providing increased value. Of note, the area that respondents found most frustrating - entering and coding invoices - is the area most prone to errors and possible security breaches. Automating addresses this key employee pain point, while driving value to customers and vendors, and reducing overall costs.

The move into the digital age is driving the move away from the use of paper documentation and the reduction in physical storage. In doing so, organizations are not only freeing up physical space, but also making access much easier during audits or for any other business reason.

Given the recent events due to COVID-19, that shift seems to have been accelerated. Organizations are grappling with the reality of a remote workforce while trying to maintain "business-as-usual". Digital processes are more suitable for a 'work from anywhere' environment, and may become the norm going forward. This may drive a whole new era in AP automation - one that we look forward to reporting on next year in our 2021 Report.

About MineralTree

MineralTree provides the best-in-class, end-to-end Accounts Payable solution and payment automation solution for finance professionals. Serving over 2000 customers and processing over $1B in payments on a monthly basis, the MineralTree solution allows finance professionals to automate their invoice-to-pay process reducing time spent by more than 70 percent, increasing security and fraud protection with segregation of duties and two-factor authentication, and providing greater visibility and cash flow management to their finances.

The company's solutions support multiple payment options, including virtual card, ACH, wires, and checks. Capitalizing on these various payment rails, customers can optimize their payables, maximize early pay discounts, manage working capital, and earn rebates and rewards.

MineralTree's end-to-end AP solution streamlines and provides customers with unparalleled visibility into financial data and significant cost savings, in an affordable, integrated, and secure platform.

Banks and financial institutions have also realized the opportunity to reap the benefits of meeting their customers needs on a deeper level, and trust MineralTree as a partner.

Constantly striving for the most innovative and intelligent solutions, MineralTree is unwavering in its dedication to bringing the absolute best to the financial world as a top FinTech partner.

For More Information

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