

# 5 ways to improve vendor relationships

while reducing operating costs and improving cash flow



Dependable vendor relationships are fundamental to healthy supply chains and businesses.

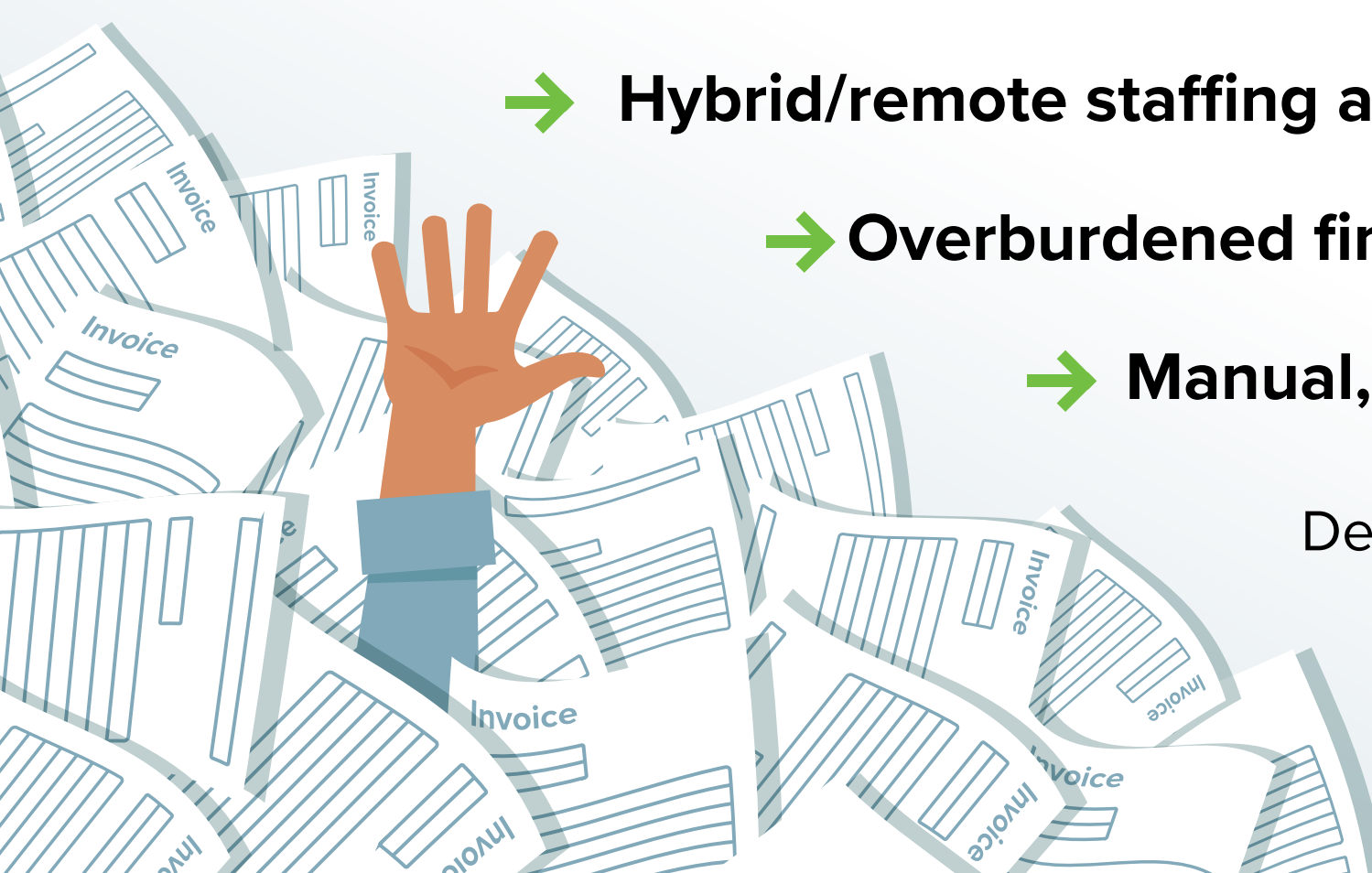
But finance teams face multiple challenges when it comes to streamlining their vendor payment processes:

→ **High volumes of payment-related vendor inquiries**

→ **Hybrid/remote staffing and hiring challenges**

→ **Overburdened finance and AP teams**

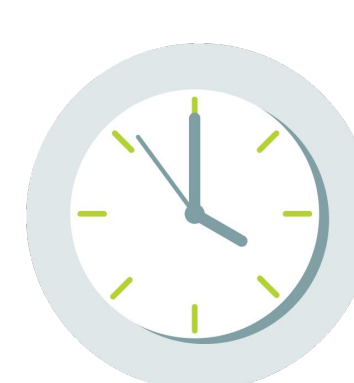
→ **Manual, paper-based AP processes**



Despite these challenges, there are practical steps finance teams can take to meet suppliers' desire for faster, more accurate payments while also reducing operational costs and controlling cash flow.

**66%**

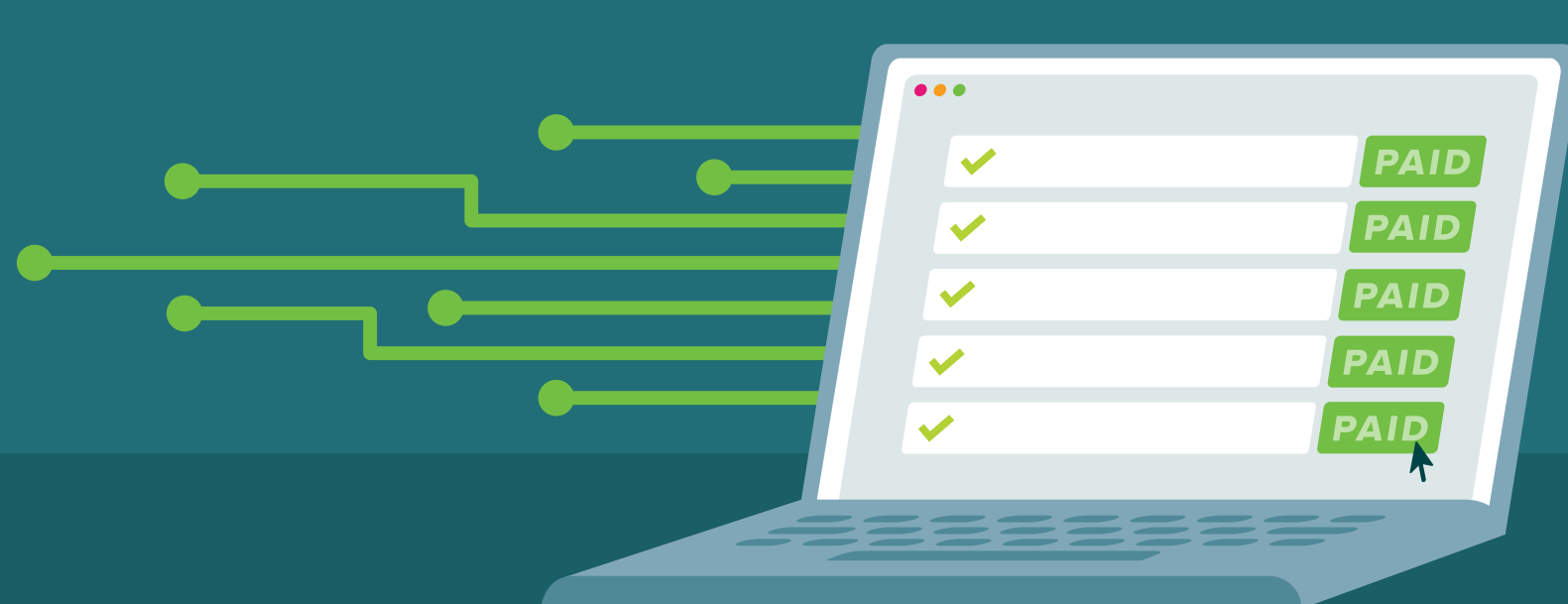
of businesses feel that their supplier relationships have grown in importance<sup>1</sup>



**Speed and accuracy of payment**

are top priorities for their vendors<sup>1</sup>

## 1 Expand the use of digital payments



**79%**

of suppliers want to receive digital payments<sup>1</sup>

**Paper-based checks** make it difficult to know exactly when payments will clear. This impedes cash flow planning and leads to late payments and associated fees.

**Direct-debit digital payments** give finance leaders greater predictability over cash flow. AP teams can time the withdrawal of funds for payment within 24-48 hours.

**Most suppliers also want to receive digital payments** – including wire, ACH, and virtual cards – because they believe they are more likely to get paid on time.

## 2 Adopt automation more broadly across AP



Only

**20%**

of businesses have fully automated their AP processes<sup>1</sup>

When companies automate AP, it is easier for them to pay digitally. And the efficiencies they achieve across the invoice-to-pay process compound:

- The ability to do more with less
- Faster, more timely payments
- Greater visibility and control over cash flow
- Reduced costs
- Better protection against fraud

## 3 Put virtual cards to use



**9%**

Share of fraud associated with **virtual cards**<sup>2</sup>

**66%**

Share of fraud associated with **checks**<sup>2</sup>

Virtual cards provide important benefits for both buyers and their vendors:

- Buyers get cash-back rebates on every purchase
- Suppliers get almost immediate access to funds
- Both get greater protection against fraud

## 4 Take advantage of managed services

**6+ hours**

The time per month nearly half of AP teams spend following up on vendor inquiries<sup>1</sup>



Suppliers are also unhappy with the time it takes them to follow up on payment status. **Managed payment service providers can help AP teams in multiple ways:**

- Removing the burden of contacting, onboarding, and managing suppliers' payment details and preferences.
- Increasing the number of suppliers receiving digital payments through ongoing outreach and continuous enrollment.
- Addressing suppliers' payment inquiries quickly and effectively – and providing the human touch they are looking for.

## 5 Embrace AP analytics

AP automation provides a wealth of analytics to help AP teams gain greater control over spend, such as typical payment times, DPO, and spend-per-supplier.

**Determine which suppliers are most strategic for their business**

**Uncover ways to reduce spend by consolidating suppliers**

**Take better advantage of volume or early payment discounts**

**Time payments to maximize cash flow**

AP automation solutions with built-in analytics capabilities and convenient dashboards centralize this information in a single view.

Timely, accurate payments are a critical aspect of dependable supplier relationships. By automating AP processes and embracing digital payments, businesses can significantly increase their control over supplier payments while reducing operating costs and gaining valuable insights to make their finance function more effective.

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<sup>1</sup>MineralTree 2023 State of AP Report

<sup>2</sup>2023 AFP Payments Fraud and Control Report