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Ardent Partners

RESEARCH WITH RESULTS

Ardent Partners' Accounts Payable Metrics that Matter in 2020

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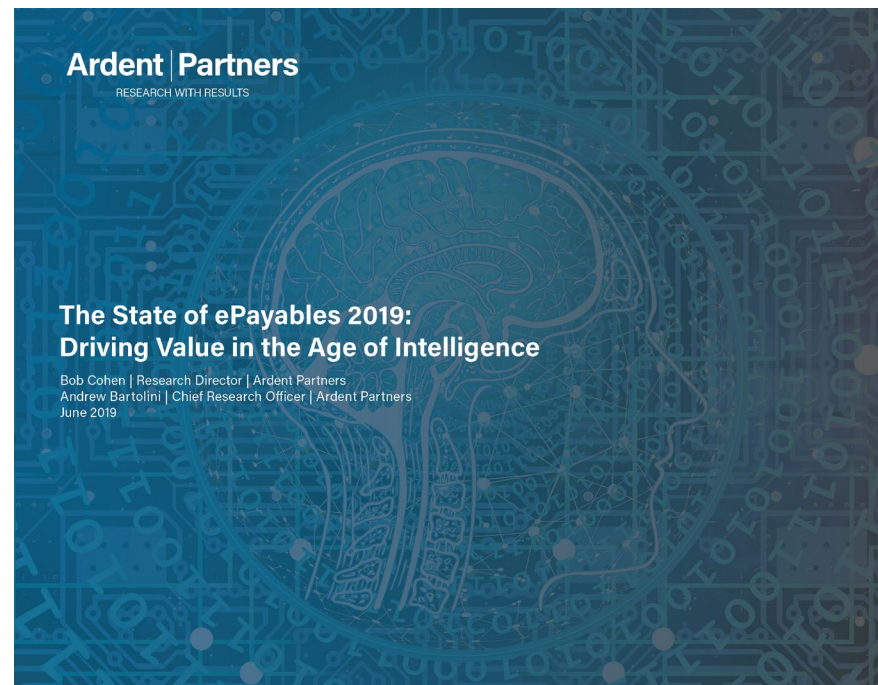
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About This Report

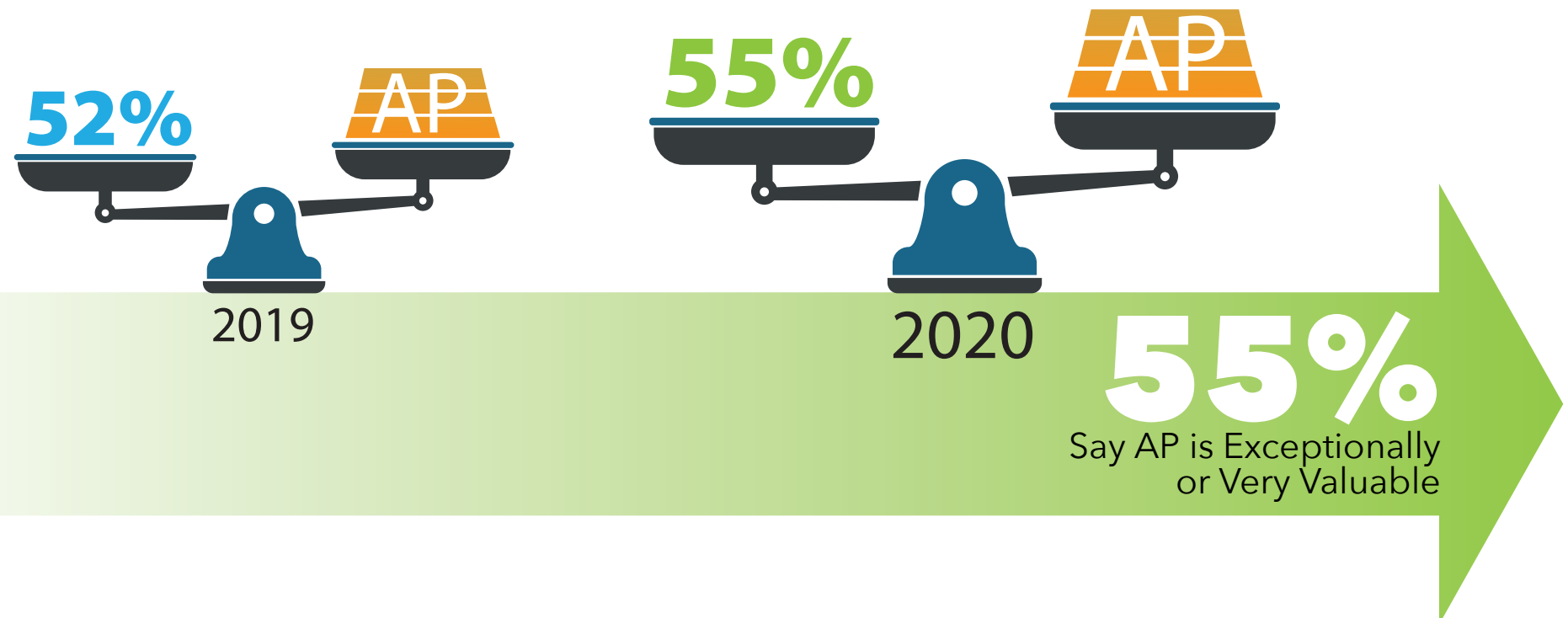
Over the past decade, Ardent Partners has conducted more Accounts Payable market research studies than any other firm or consultancy in the industry. In that time, Ardent has benchmarked thousands of distinct organizations across all phases of its proprietary ePayables framework - Receipt, Process, and Pay. Ardent Partners' Accounts Payable Metrics that Matter in 2020 is a compilation of the industry's best and most widely-used accounts payable benchmarks captured in Ardent's most recent state of the market report: **The State of ePayables 2019: Driving Value in the Age of Intelligence.**



AP's Perceived Value

The overall perception of AP in 2020 continues to rise. 55% of all businesses (up from 52% in 2019) now perceive the AP function as either "very" or "exceptionally" valuable to organizational operations.

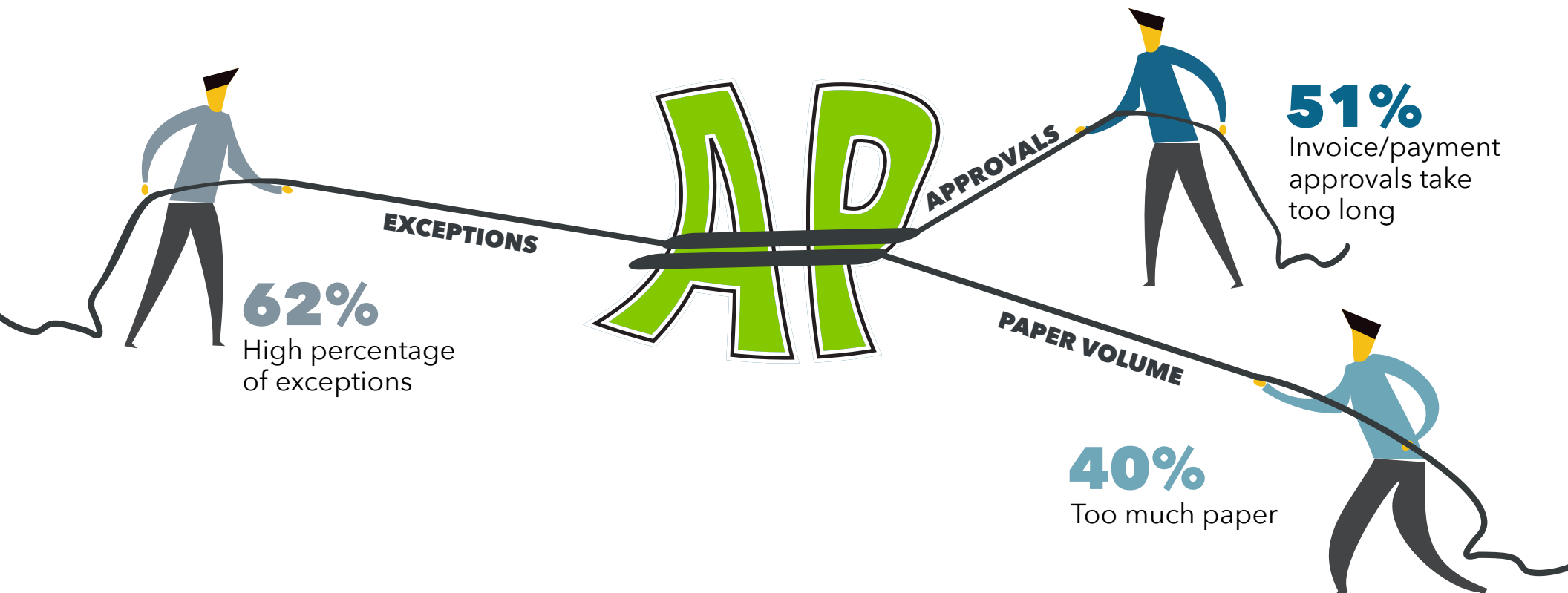
The long-held view of AP continues to improve each year. As more executives start to view their AP operation as a strategic unit that is key to the larger organization, greater investment and a higher focus will soon follow. The opportunities for AP are only just starting.



Top Challenges Holding AP Back

At the surface, AP is destined for greater things, supported by the growing perception that the function adds real value to the enterprise at large. However, several sizable barriers exist that hold AP back. In 2020, exceptions (62%) remain the bane of AP's existence slowing processing and creating bottlenecks that mute efficiency and effectiveness.

Two other longstanding pressures, lengthy invoice approval times (51%) and "too much paper" (40%) shows that, while AP has good momentum, many groups still struggle with traditional operating deficiencies. This means that no matter how far AP advances within the enterprise, including its overall perception, it must first overcome its traditional challenges before it can rise to higher ground.



Another Top Challenge Holding AP Back: Staff Time Spent Handling Supplier Inquiries

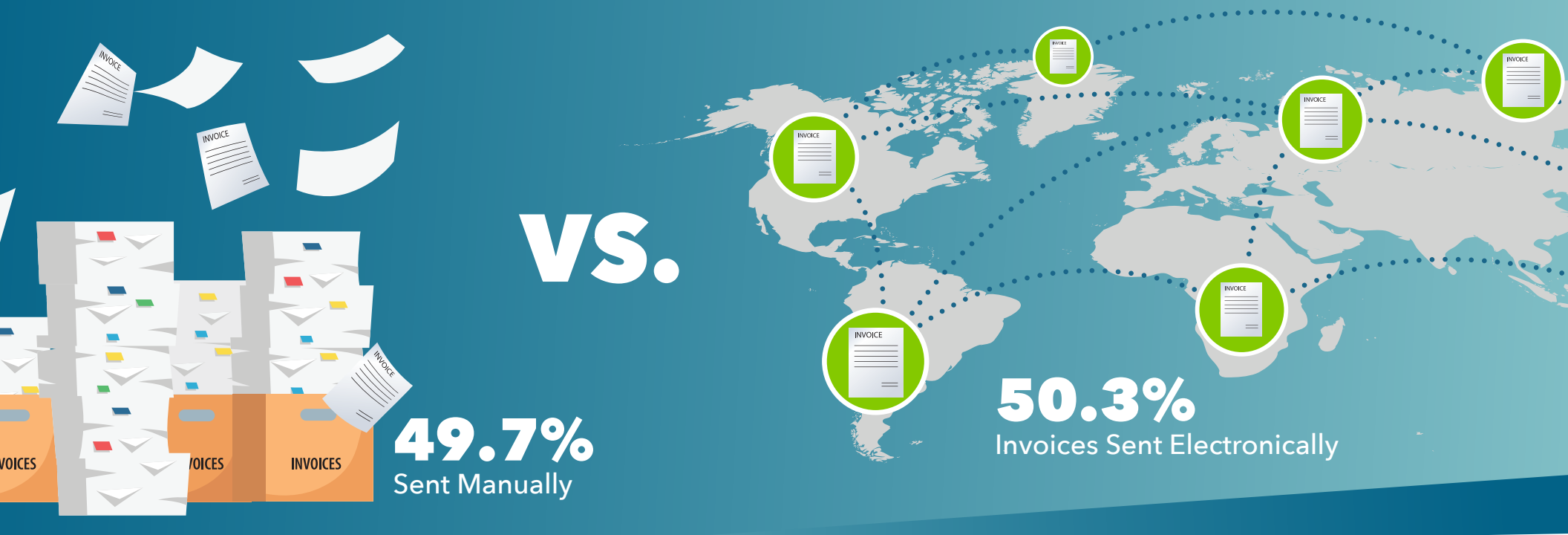
In 2020, the percentage of time the average AP staffer spends handling supplier inquiries continues to be a major problem. While down slightly from 2019 (22% vs. 24%), the average AP department continues to spend nearly a quarter of their time addressing inquiries. Some AP departments (15%) spend more than a third of their time dealing with suppliers. The amount of time tracking down phone numbers, correcting erroneous contact information, and interacting with suppliers to lock down missing pieces of information and fix mistakes prevents AP departments from achieving more and providing further value to the greater organization.

22% Amount of AP Staff Time Spent
Responding to Supplier Inquiries



Percent of Invoices Sent Electronically

For the first time in Ardent's research history, the majority of invoices are being sent electronically by AP departments. This is a big moment for the industry and one that has been a long time in coming. Ardent Partners has long discussed the many benefits, both tactical and strategic, of eliminating paper invoices in lieu of electronic processing, and expects that the percent of electronic invoices will continue to climb in the years to come.



Electronic Payments On The Rise

B2B payments, often referred to as the 'last mile' of the P2P process, are being leveraged by more and more businesses to streamline the invoice payment process. Innovations continue to make the process easier, more economical, and financially beneficial to pay suppliers as well as enabling organizations on both sides to improve cash management.



45% Manually

vs.



55% B2B Payments Made Electronically

Lack of Spend Management in AP

Accounts Payable sits on a veritable goldmine of data. It has access to all of an enterprise's core spend data and can provide intelligence and insights into how an organization is performing from a spend, cash management, and financial perspective. AP has a fantastic opportunity to play an integral part in helping optimize an organization's use of its working capital by taking a data-driven approach to evaluating cash flow and providing visibility into all corporate liabilities from purchase through payment.

40% have no spend management automation in AP

Only **3%** are heavily automated



SAVINGS TRACKING

CASH FLOW

SUPPLIER MANAGEMENT

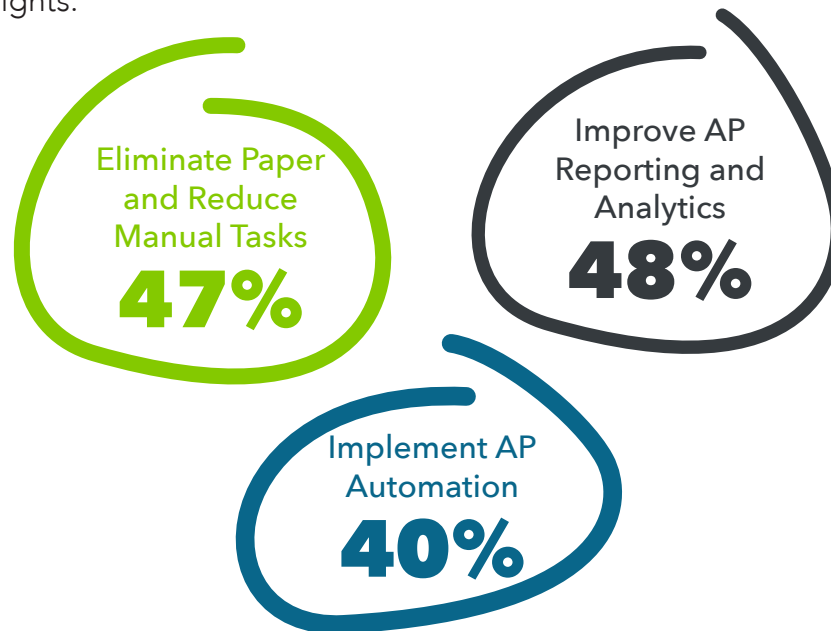
COMPLIANCE

VISIBILITY

AP's 2020 Game Plan: Boost the Insights, Lose the Paper

A smart AP "game plan" revolves around two inextricably linked themes:

1. Solve most, if not all, of the tactical and manual-based issues that have plagued the function for decades, then...
2. Develop and build an "intelligent" function that uses its evolving business perception to engage more stakeholders, gain greater investment, and support better business outcomes through intelligence-based insights.



The Future of AP: What's Needed To Reach the Next Level?

What's necessary for AP's Success? The clear majority (76%) of businesses point to smarter systems as the key to success. "Smart" systems that blend process automation, cognitive intelligence, and real-time operations can learn from repeated use and can provide enterprise executives with the power of foresight and intelligence.

Additionally, deeper and more agile analytics (51%) remain a key piece for AP to achieve higher performance levels in the years to come. Collaboration and eradication of tactical tasks (49%) also both remain crucial pieces of AP's ongoing advancement.

76%
"Smarter"
systems that
drive more
efficiencies

49%
Eradication of
tactical tasks

49%
Enhanced
collaboration
w/ key
stakeholders

51%
Deeper, more
agile analytics



The Next Generation of AP: Skills Required

As AP's perception within the enterprise continues to improve, expectations around performance and execution will continue to grow. As business functions mature and advance, they are frequently given new responsibilities. The skill set required for AP is changing and it is clear that AP teams need or will soon need to do many things well.



The Cost To Process A Single Invoice

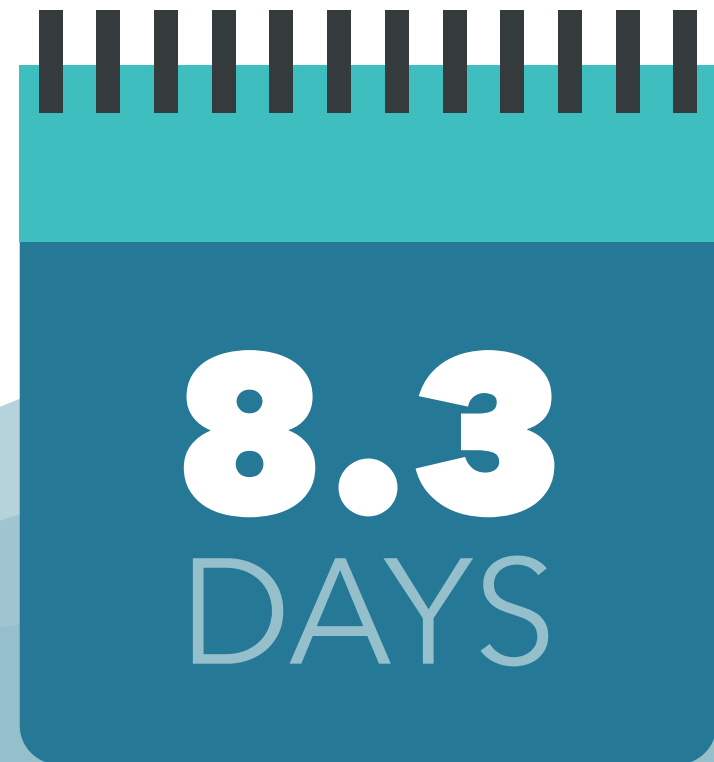
The average cost to process a single invoice (all-inclusive, including labor, overhead, technology, etc.) decreased by nearly 13% in the last year, continuing a decade long trend. This suggests that the day-to-day operations that support invoice processing are continually improving and that enterprises that are not focusing on AP performance are falling behind.



\$10.08

The Time To Process A Single Invoice

With the average time-to-process an invoice now at 8.3 days, the typical AP function continues to shorten the amount of time taken to complete the function's core duty. Nonetheless, lengthy approval times show that an AP department still has work to do and serves as a reminder of how critical speed is to the AP transformation journey.



Suppliers That Submit Invoices Electronically

Only a quarter of suppliers are currently submitting invoices electronically. This translates to many AP departments still being overwhelmed by the influx of paper.



24.9% electronic **VS** **75.1%** paper

Invoices Processed Straight-Through

The ability to process invoices in a “straight-through” manner is one of several efficiency drivers for AP teams. It follows then that the higher the percentage of invoices processed in this manner, the lower the average invoice processing cost and time should be. Unfortunately, only 24.2% of all AP departments in 2020 are processing invoices “straight-through,” representing a significant opportunity for AP teams to increase efficiencies in the years ahead.



24.2%



Invoices Linked To A Purchase Order

Like processing invoices in a “straight-through” manner, linking invoices to purchase orders (POs) is another powerful efficiency driver that can significantly lower invoice processing costs and times for AP departments. Removing unnecessary steps in any process is always an efficiency gain, perhaps more so with invoice processing. However, barely half (50.3%) of all AP organizations are currently able to link invoices with POs in an automated fashion, a missed opportunity for the other half that cannot.



Invoice Exception Rate

Invoice exceptions – the bane of AP's existence – remain a major problem. The AP function cannot move forward and become truly strategic if it does not prioritize and minimize process-oriented aspects like invoice exceptions.



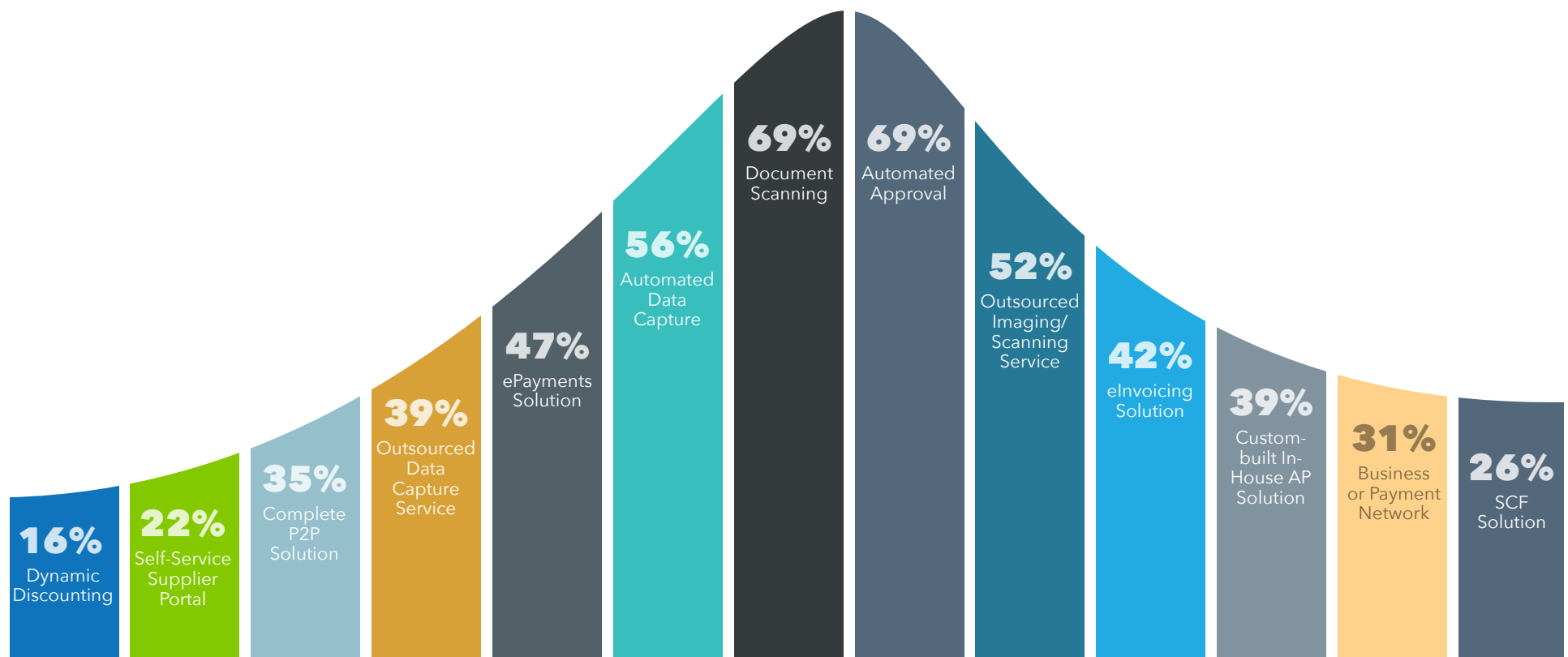
22.6%

EXCEPTIONS



AP Technology Adoption

For all the talk about digitization, technology, and the next generation of accounts payable, a majority of AP departments still face daily manual tasks that drain the time and energy of the team. The current utilization of technology varies greatly. We commonly see a higher prevalence of point solutions that address the receipt and processing of invoices. Far less common are full P2P solutions, business and payment networks, and self-service supplier portals.



'Best-in-Class' - Invoice Processing Costs

Ardent Partners defines Best-in-Class performance as the 20% of enterprises with the lowest average invoice processing costs, and the shortest average invoice cycle times. Top-performing enterprises have taken their AP operations to the next level by leveraging technology to streamline the AP process, make it more efficient, and enable more strategic activities to be carried out.

Invoice processing costs, as simple and fundamental as they may be, remain a major benchmark for AP performance because the metric reflects the level of efficiency present within the program. Ardent Partners' research has shown that Best-in-Class enterprises focus on core processes and leverage ePayables solutions at a very high rate which results in a nearly six-times lower cost to process an invoice.

6X Lower Invoice Processing Cost



'Best-in-Class' - Invoice Processing Time

Best-in-Class organizations leverage the power of automation and efficiency to improve processes related to invoice receipt, approval workflow, and payment scheduling. Their ability to master the art of tactical financial operations results in a 3-times faster time to process a single invoice.

3X Faster Invoice
Processing Time



'Best-in-Class' - Invoice Exception Rates

Invoice exceptions are the scourge of most AP teams and negatively impact their operational efficiency. Best-in-Class organizations are aware of their implications and have taken steps to mitigate their impact. The result has been a 57% lower invoice exception rate than all other enterprises.

57% Lower Invoice
Exception Rate



'Best-in-Class' – Touchless Processing

Invoices that avoid human intervention speed through the receipt, approval, and payment processes enabling organizations to improve efficiencies, lower costs, and open opportunities to impact working capital management. Best-in-Class enterprises have leveraged technology and automated manual processes with amazing results – they have a 3.4x higher rate of 'touchless' invoices.

3.4X More Touchless Processing



The Benefits of Paying Suppliers Electronically

The rise in ePayment adoption over the past several years has made clear that more enterprises understand the emerging business value of paying suppliers electronically. Most notably, nearly two thirds (65%) of all AP organizations surveyed in 2019 reported both more efficient processing and increased accuracy and control as a result of paying their suppliers electronically. This emerging value resulting from improved B2B payments has become too significant to ignore, especially considering the impact on reduced operational costs, improved working capital management, and overall visibility into financial liabilities.

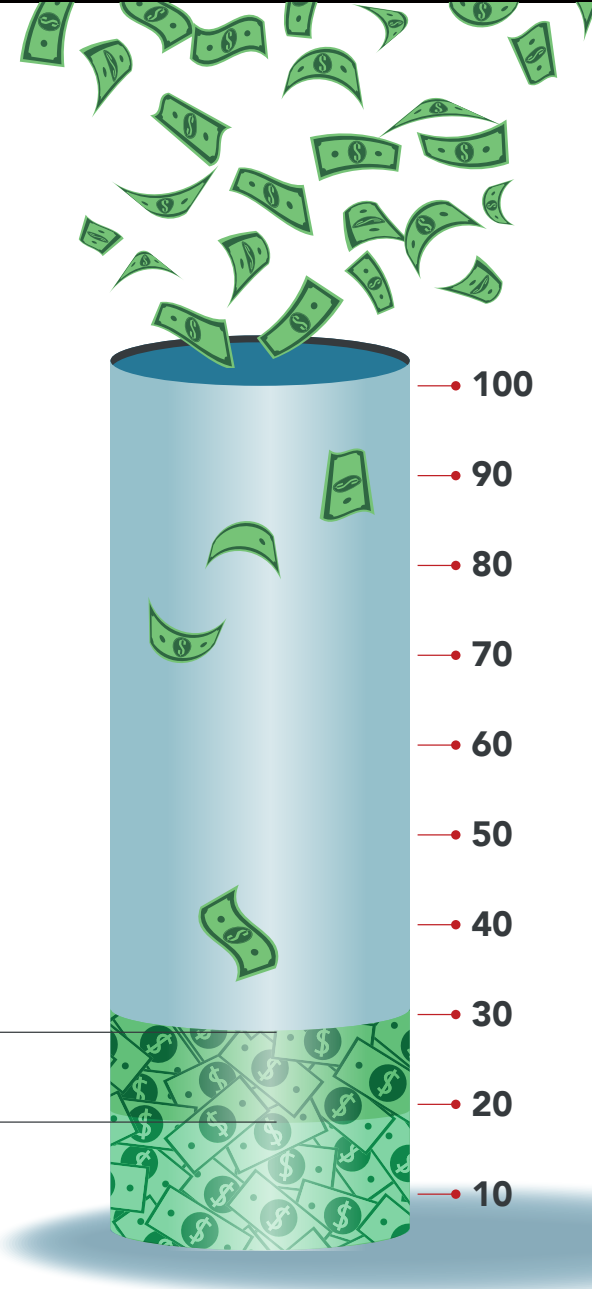


Early-Payment Discounts Captured

In 2020, we saw a significant percentage increase from the previous year in the amount of early-payment discounts being captured. However, at only 27%, there remains a huge upside for this amount to increase in years to come. As more enterprises automate AP processes and adopt ePayments technology, they will be better positioned to take advantage of and benefit from early-payment discounts, and increase further as a result.

27% of Early Pay Discounts Captured

19% Last Year



'Best-in-Class' – Electronic Payments

Electronic Payments (“ePayments”), utilized 71% more by Best-in-Class enterprises than “All Others,” help bridge the back-end of the ePayables Framework to the earlier stages via an automated link to settlement.

ePayments prove their worth on an incredible scale by being able to drive down payment-processing costs (frequently by between 50% and 85%) when compared to paper-based checks.

71% More Likely to Use
Electronic Payments



'Best-in-Class' – Electronic Invoicing

Best-in-Class enterprises are 92% more likely than all other enterprises to utilize eInvoicing as part of their overall AP program. As a result, more Best-in-Class enterprises are avoiding the error-ridden, menial, and time-consuming annoyances associated with traditional paper invoices by receiving, processing, and managing more electronic invoices from their suppliers.

92% More Likely to Use
Electronic Invoicing



'Best-in-Class' – Supplier Portal

Best-in-Class AP organizations are 152% more likely than all other AP organizations to provide a supplier portal, which facilitates faster supplier onboarding and enables their suppliers to upload, update, and manage their own financial and payment information directly. This can result in a significant time savings for an AP team and reduce the number of errors associated with invoice processing and payment remittance.

152% More Likely to Use
a Supplier Portal



'Best-in-Class' – Automated Matching

Best-in-Class AP teams are 75% more likely to use automatic matching of invoices to contracts or payment plans than all other AP teams, which can result in significant efficiency gains and error reductions.

75%

More Likely to Use Automatic Matching of Invoices to Contracts / Payment Plans



'Best-in-Class' – Payment / Business Network

One of the more interesting facets of a Best-in-Class AP program is its robust link with the procurement side of the business. These enterprises are nearly twice as likely than all others to leverage a business or payment network. Business networks alleviate the core pressures of the buyer/seller relationship, and, to the benefit of the greater AP group, automate core invoice- and payment-processing capabilities.

82%

More Likely to
Participate in a Payment
/ Business Network



'Best-in-Class'– Full P2P Automation

Full P2P automation (which Best-in-Class organizations are 125% more likely to utilize than all others) represents the strongest link between the procurement and AP functions, two groups that, when coordinating in a robust manner, can drive tremendous value to the greater organization. That top-performing organizations have made P2P automation part of their technological foundation proves that both strategic collaboration and the procurement/AP technology link are two important facets of the long-term viability of AP.

125% More Likely to Have Full P2P Automation

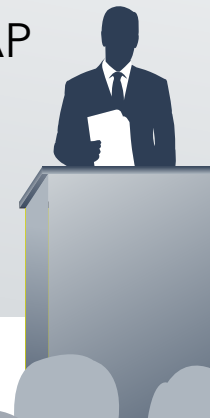


The Importance of Information Continues to Rise

AP has become a more strategic function within the enterprise than it was a decade ago. Today, access to timely and accurate financial data and reporting is helping AP leaders better impact performance and achieve greater prominence. With more robust data and better visibility into the overall AP process, AP teams are in a better position for success than ever before.

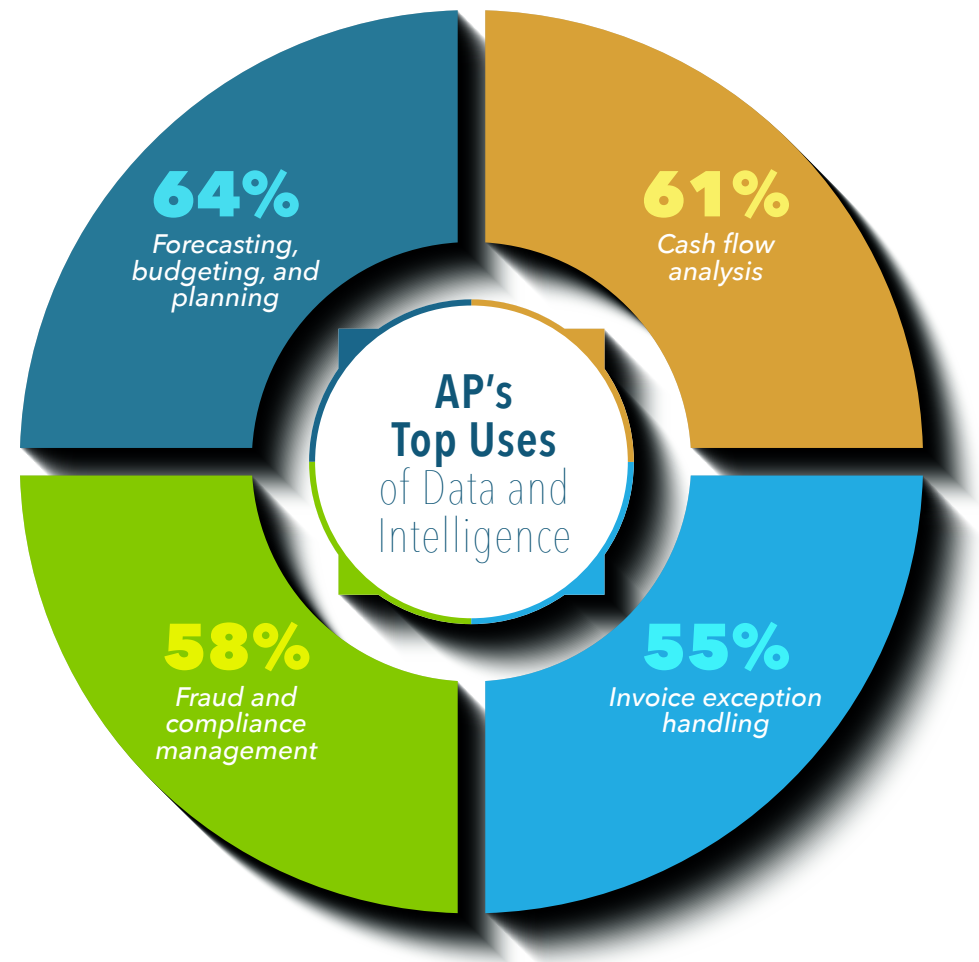
A large blue graphic showing the percentage 88%.

State Data and Intelligence
are **IMPORTANT** or
CRITICAL Pieces of AP



Converting Data into Value: AP's Top Uses of Data and Intelligence

There is a well of untapped financial and business data that is warehoused within Accounts Payable. If AP teams can extract this invoice and operational data, they can turn it into intelligence that can be utilized throughout the entire organization. Taking a data-driven approach is one of the best ways to accelerate AP performance and drive more business value. As more responsibility falls under the AP operation, the function has the opportunity to broaden its influence and make a larger impact.



Best-in-Class: Converting Data into Value:

Perhaps the most telling example of just how far the Accounts Payable function has come is this: all Best-in-Class companies uniformly believe that data and intelligence are critical to their AP units. This mode of thinking is a far cry from years ago, when many key stakeholders regarded AP as a mere back-office unit with limited enterprise value. Best-in-Class businesses actively buy into the Age of Intelligence in such a way that it fuels how AP not only enhances its own internal talent, operations, and systems, but also how it brings that intelligence to other parts of the enterprise:

Best-in-Class businesses have demonstrated their ability to drive superior performance across a series of key metrics, and automation plays a key role. These top performers also leverage a variety of key technologies and AP capabilities across the end-to-end process to drive added value to the enterprise.

2X as likely to leverage data and intelligence as a means to improve stakeholder collaboration.

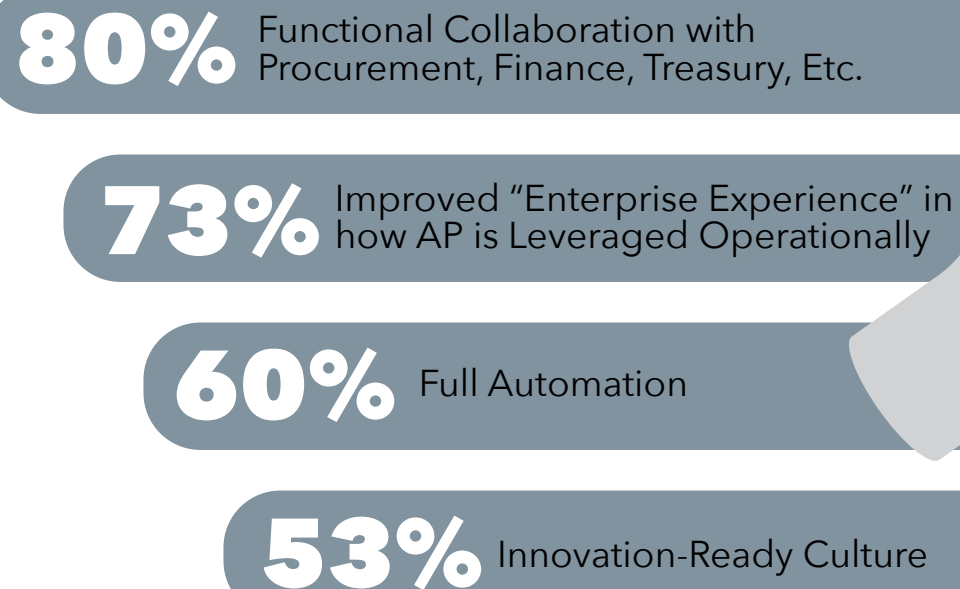
1.6X more likely to use AP-related data and intelligence for enterprise cash flow analysis.

2.2X more likely to leverage data and intelligence in improving invoice exception-handling.



What will AP Look Like in Two Years?

Accounts Payable will play a critical role in the future of enterprises. Enabling organizational success will require improved collaboration, "enterprise experience" for how AP is leveraged, automation, and the acceptance of innovations and changes to how things have been done in the past.



Summary

By definition, intelligence is the ability to acquire and apply knowledge and skills. Intelligence is also the actual knowledge that is used to understand actions, conditions, and intentions, and to inform decision makers at the tactical (operational) level and the strategic (executive) level. Simply put, intelligence is vital to the execution of strategies, policies, and plans, whether one is an AP clerk, controller, or CFO. But what classifies as intelligence is also a moving target. As AP departments mature, the intelligence that has the most value changes. For example, an AP operation that is still manually keying invoice data finds great value in using systems to capture that information digitally, while a Best-in-Class operation that has a high percentage of its invoices processed in a straight-through manner will benefit from an understanding of the business' cost of capital and visibility into short-term cash liquidity needs.

Accounts Payable leaders need to start thinking about intelligence in the context of their organization's current state of maturity and work to identify the areas that can be best leveraged. Over the next few years, Ardent Partners predicts that a new type of intelligence is going to enable AP teams to view their operations differently and, by doing so, it is going to force these same leaders to manage them differently. Accounts Payable's Age of Intelligence demands powerful analytics and deep insights. It demands agility. The ability to make better-informed decisions across an organization can and will be game-changing. Accounts Payable leaders must start now to ready their teams.

Demographics & Methodology

Report Demographics

The research in this report is drawn from respondents representing the following demographics:

Job Function: 63% Accounts Payable; 18% P2P; 8% Finance/Accounting

Job Role: 39% Director & Up; 39% AP Manager; 17% AP Staff
Company Revenue: 60% Large (revenue > \$1 billion); 40% Small & Mid-Market (revenue between \$50 million and \$1 billion)

Region: 71% North America; 24% EMEA

Industry: More than 25 distinct industries are represented. Manufacturing, Oil and Energy, Pharmaceutical, Higher Ed, Financial Services, and Hi-Tech are the largest industries in the survey pool; no industry represents more than 15% of the overall survey respondents.

Research Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the accounts payable market. The research in this report represents the web-based survey responses of 167 AP and finance leaders captured between March and May, 2019 and includes direct interviews with several survey respondents. These 167 participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class AP performance and understand what levers the leading groups pull to obtain their advantage. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included to the left.

About the Authors



Bob Cohen is a Research Director at Ardent Partners. A seasoned professional with more than 15 years of experience helping enterprises transform their Procure-to-Pay operations, Bob is the leading analyst in the ePayables space.

Prior to joining Ardent, Bob spent 12 years working as a Vice President at Basware, where he helped establish the firm's U.S. presence as a major player in the AP automation space. In his career, Bob has helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, P2P, and Business Network solutions. Cohen has also worked at American Express where he helped the commercial card giant better align its products and services with a continually evolving market.

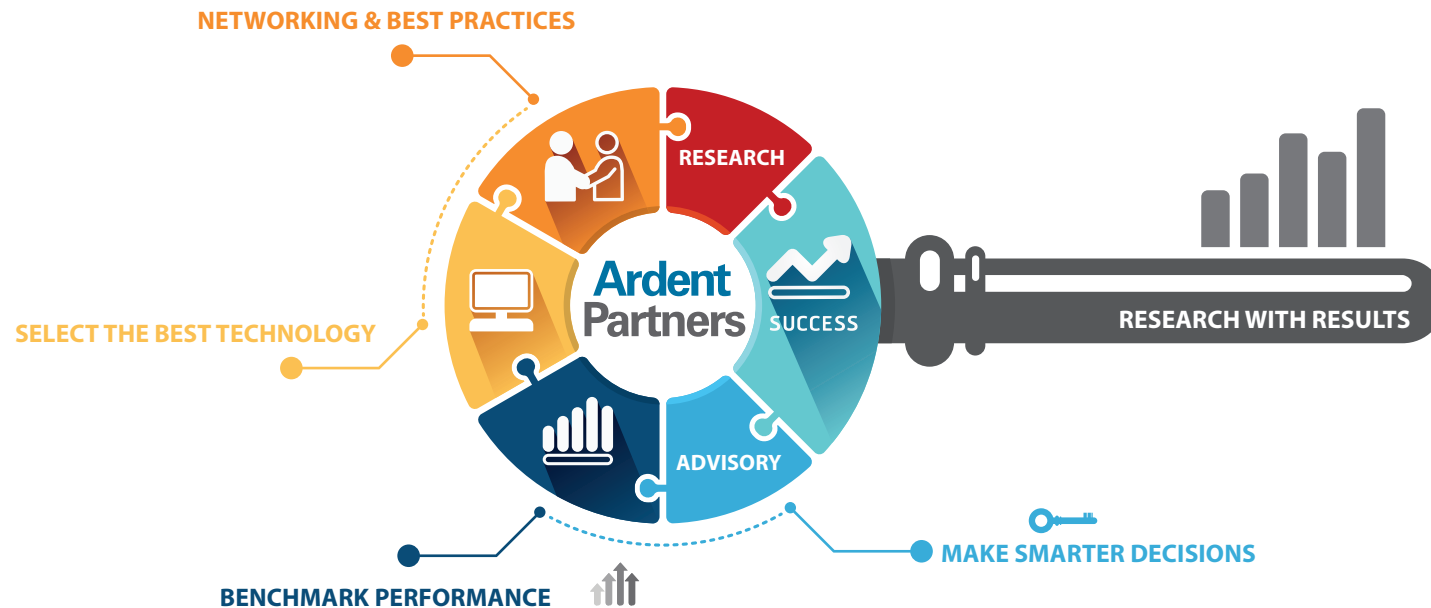
Bob leads Ardent's ePayables research practice and regularly publishes insights and articles on Payables Place (www.payablesplace.com), Ardent's site focused on AP Innovation and Automation. Bob holds a B.A. in Marketing from Bryant University and an M.B.A in Finance from The University of Connecticut.



Matthew York is a Senior Research Analyst at Ardent Partners who for more than a decade has been fascinated by emerging technologies like artificial intelligence, connected devices, and distributed digital ledgers and how they

can enrich business operations. At Ardent Partners, Matt researches, analyzes, and writes about the intersection of people, processes, strategies, and technologies in supply management and how they are changing the business landscape of tomorrow. He has been lead author on data-driven, thought leadership reports ranging from advanced analytics to contract management to strategic sourcing to supply risk management. Matt has twice been named a "Pro to Know" by Supply and Demand Chain Executive magazine and is a sought-after speaker. Previously, Matt served as an analyst with the U.S. Department of Justice and the U.S. Intelligence Community. He earned a B.A. in Political Science / International Relations from Stonehill College and an M.A. in Political Science / International Politics from the University of New Hampshire. Matt can be reached via Twitter (@MattYork_Ardent), LinkedIn, and at myork@ardentpartners.com.

Ardent Partners: Research with Results



Ardent Partners is a research and advisory firm focused on defining, and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent Partners was founded in 2010 by Andrew Bartolini.

Ardent Partners actively covers the supply management marketplace and produces research to help business decision makers understand (1) industry best practices and how to improve performance & (2) the technology landscape and how to identify the best-fit solution(s) for their specific budget and requirements.

Contact research@ardentpartners.com if you have any questions about this report or our research in general.

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