

# ACCOUNTS PAYABLE AND RECEIVABLE TRENDS AND THE PATH TO PROFITABILITY

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Accounts Payable and Receivable Trends and the Path to Profitability was produced in collaboration with American Express, and PYMNTS Intelligence is grateful for the company's support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

# WHAT'S AT STAKE

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**B**usinesses are anticipating making and receiving payments to be even more of a core necessity in the future. On average, firms expect a 50% increase in payments made and a 46% increase in invoices delivered over the next three years. More invoices to issue and pay means more work for businesses that process accounts manually; 79% of firms surveyed expect an increase in the number of payments made through their accounts payable (AP) systems and 75% expect an increase in the number of invoices delivered through their accounts receivable (AR) systems. Automating those processes can determine whether vendors or suppliers get paid on time or late and if businesses collect receivables quicker or slower.

This report investigates the investments executives from mid-size firms with responsibilities in AP, AR and payment strategy have made or are planning to make to automate and streamline their processes. It also explores why businesses hold off on automating their AP/AR processes.



**79%**

of firms expect the number of payments made through their AP systems to increase.

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These are just some of the findings detailed in Accounts Payable and Receivable Trends and the Path to Profitability, a PYMNTS Intelligence and American Express collaboration. This report examines executives' beliefs about AP/AR automation and mid-sized firms' decisions to modernize their AP and AR systems as a safeguard during difficult economic times. The study draws on a survey of 412 executives who have day-to-day and strategic leadership responsibilities in AP, AR and payments strategy that was conducted from June 9 to July 5.

**This is what we learned.**

# KEY FINDINGS

## 01

### MAKING MORE PAYMENTS

Firms are anticipating growth in the number of payments they will make in their AP systems.



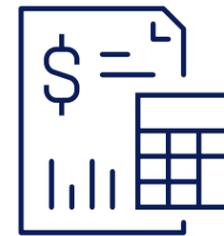
# 60%

Share of firms expecting medium or high growth in the number of payments they will make in their AP systems over the next three years

## 02

### HOLDOUTS REMAIN

More than one-third of firms held off on automating their AP and AR processes, partly because they felt it would be too costly or complicated.



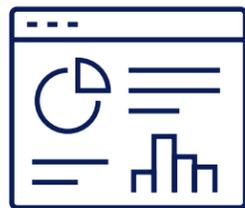
# 35%

Share of firms that have not automated their AR processes

03

## BUILDING RESILIENCE

AP and AR automation can help businesses protect against tough economic times by improving cash flow, increasing savings or contributing to business growth.



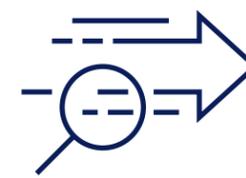
# 73%

Portion of executives who reported AP automation improves cash flow, increases savings or contributes to business growth

04

## OPERATIONAL BENEFITS

Those that automate more can reap the benefits in the form of accurate, efficient and streamlined processes.



# 85%

Share of small to mid-size businesses that cite accurate, efficient and streamlined processes as a benefit they reap from AP automation

# PYMNTS IN DEPTH

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**Mid-size firms — those that generate between \$3.5 million and \$15 million in annual revenue — expect the number of payments made or invoices delivered over the next three years to increase, setting the stage for a wave of automation.**

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Seventy-nine percent of surveyed firms expect an increase in the number of payments made through their AP systems and 75% expect an increase in the number of invoices delivered through their AR systems in the next three years. On average, these firms — regardless of relative size or industry — expect a 50% increase in payments made and a 46% increase in invoices delivered.

While 13% overall expect high growth in the number of payments made through AP systems in the next three years, the share expecting the same was even higher for these relatively small businesses — 17%. The question for smaller firms is whether their current processes will weather these increases reliably, and chances are that they would benefit from automating more of their current accounting processes.

**FIGURE 1A:**

**Forecasted payments growth**

Share of firms that expect to see select rates of growth in the number of payments made through their AP systems, by firm size

	SAMPLE	Annual revenue in 2022		
		BETWEEN \$8M AND \$15M	BETWEEN \$5M AND \$7.99M	BETWEEN \$3.5M AND \$4.99M
• No growth expected	<b>20.6%</b>	20.9%	18.6%	22.7%
• Expected low growth	<b>19.9%</b>	21.6%	18.6%	19.3%
• Expected medium growth	<b>46.4%</b>	49.0%	47.9%	41.2%
• Expected high growth	<b>13.1%</b>	8.5%	15.0%	16.8%

Source: PYMNTS Intelligence  
Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
N = 412: Complete responses, fielded June 9, 2023 – July 5, 2023

**FIGURE 1B:**

**Forecasted payments growth**

Share of firms that expect to see select rates of growth in the number of invoices delivered through their AR systems over the next three years, by firm size

	SAMPLE	Annual revenue in 2022		
		BETWEEN \$8M AND \$15M	BETWEEN \$5M AND \$7.99M	BETWEEN \$3.5M AND \$4.99M
• No growth expected	<b>24.8%</b>	24.8%	20.0%	30.3%
• Expected low growth	<b>20.4%</b>	21.6%	20.0%	19.3%
• Expected medium growth	<b>43.2%</b>	45.1%	46.4%	37.0%
• Expected high growth	<b>11.7%</b>	8.5%	13.6%	13.4%

Source: PYMNTS Intelligence  
Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
N = 412: Complete responses, fielded June 9, 2023 – July 5, 2023

Whether they realize it or not, mid-size firms will need to account for the growing set of payment options available and the heightened expectations from their customers and vendor partners. Businesses will need to review whether their existing systems will accommodate those options. For some businesses, that may require an internal review of systems or processes and could usher in an era of automating AP/AR processes.

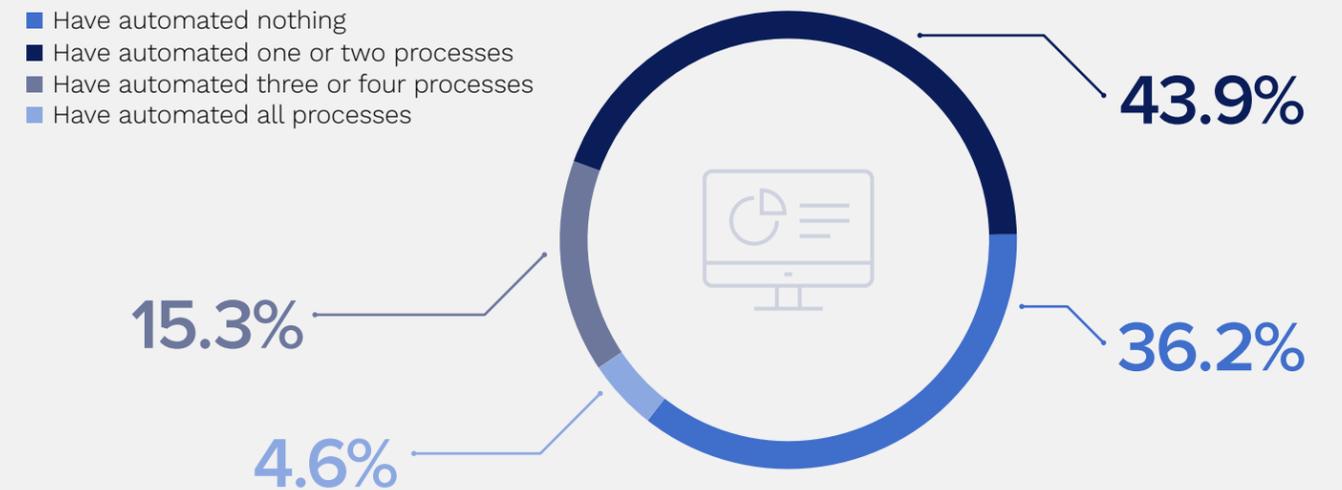
# Most mid-size firms have embraced automation for both AP and AR processes, and most plan to increase their AP/AR automation over the next three years.

More than 60% of firms have already automated at least some AP and AR processes, with 64% of firms having automated at least some part of their process for making payments and 65% having automated at least some part of their process of collecting payments.

FIGURE 2A:

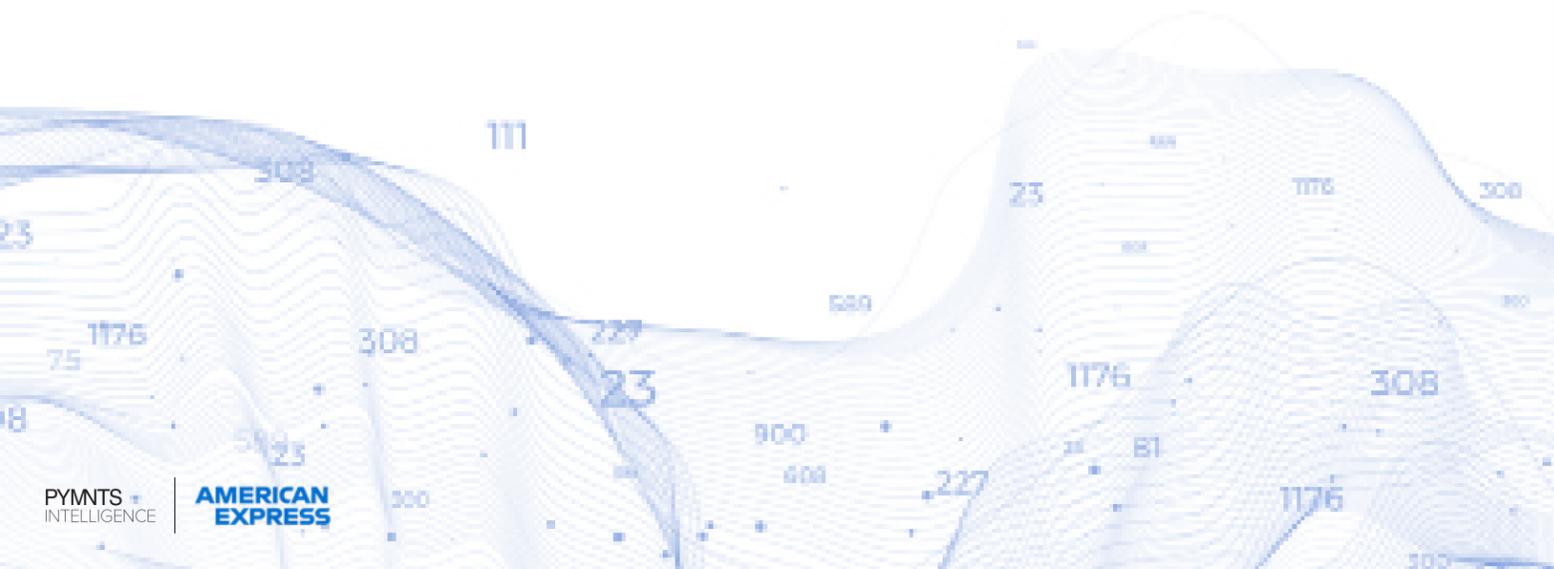
## Automating AP

Share of firms that are automating parts of their AP processes, by level of automation



Source: PYMNTS Intelligence  
Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
N = 412: Complete responses, fielded June 9, 2023 – July 5, 2023

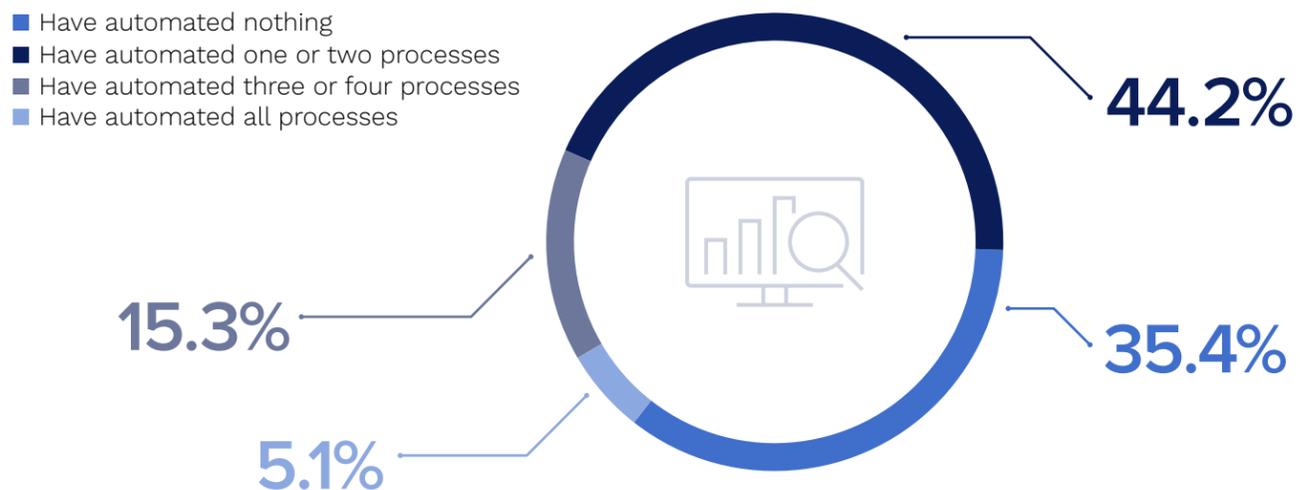
Businesses are furthest along in automating their AR processes for collecting payments and delivering invoices. This makes sense, as the speed of issuing invoices and collecting receivables is integral to any firm’s financial well-being — especially that of a small firm. If the number of payments is expected to grow in the coming years, business managers must ask themselves how well existing processes will hold, and whether auxiliary capabilities are needed. Such capabilities may include credit risk measures, processing deductions and syncing payment data. Software and solutions that offer these added capabilities could boost those businesses’ efficiency.



**FIGURE 2B:**

**Automating AR**

Share of firms that are automating parts of their AR processes, by level of automation



Source: PYMNTS Intelligence  
 Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
 N = 412: Complete responses, fielded June 9, 2023 – July 5, 2023

Around 3 in 10 surveyed firms are currently improving their AP and AR automation capabilities. Most that are not currently expanding their AP capabilities are planning on doing so within the next year. In fact, 22% plan to start innovating in the next six months, 25% plan to start innovating in six to 12 months and 16% plan to start innovating in one to three years.

The survey uncovered somewhat more favorable sentiments among those not currently innovating their AR capabilities: These firms are slightly more likely to innovate their AR capabilities within the next year than those not currently innovating AP are to do so. Twenty-six percent of firms not currently innovating AR plan to start innovating in the next six months, 27% plan to start innovating in six to 12 months and 10% plan to start innovating in one to three years.

## Automation increases satisfaction with AP and AR systems and brings wide-ranging benefits that can protect mid-size firms against tough economic conditions.

Firms that can remain resilient with accurate, efficient and streamlined processes will likely fare better when facing the unexpected than those that cannot. Automating business processes is a key measure businesses can take, as AP and AR automation have brought increased efficiency and accuracy. Executives are aware of this, as 85% reported that AP automation leads to efficient, accurate or streamlined processes, and 83% reported the same about AR automation. Those are not the only benefits: 73% reported that AP automation improves cash flow, increases savings or contributes to business growth, and 75% reported the same about AR automation. Vendor satisfaction is yet another benefit, as 31% to 41% of executives surveyed identified increased vendor satisfaction as a benefit that automation brings to their firms.

FIGURE 3:

### AP automation benefits

Share of firms citing select benefits of AP automation



Source: PYMNTS Intelligence  
Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
N = 393: Firms that automate at least some AP processes, fielded June 9, 2023 – July 5, 2023

Business managers that handle AP and AR may be content with familiar systems and operate with an “if it isn’t broken, don’t fix it” mindset. Our findings suggest that a considerable share of those who have decided not to innovate their AP and AR capabilities believe that their current AP systems can handle anticipated increases in payment volumes. Seeing no immediate problem, these managers may not be as easily swayed to change the way things are, even given automation’s appealing promises and benefits. This may be because they have experienced difficult integrations in the past, anticipate such challenges in their current role, worry about the cost of implementation or believe that automating processes will be too complicated.

# Firms that automate most or all of their processes see the greatest benefits.

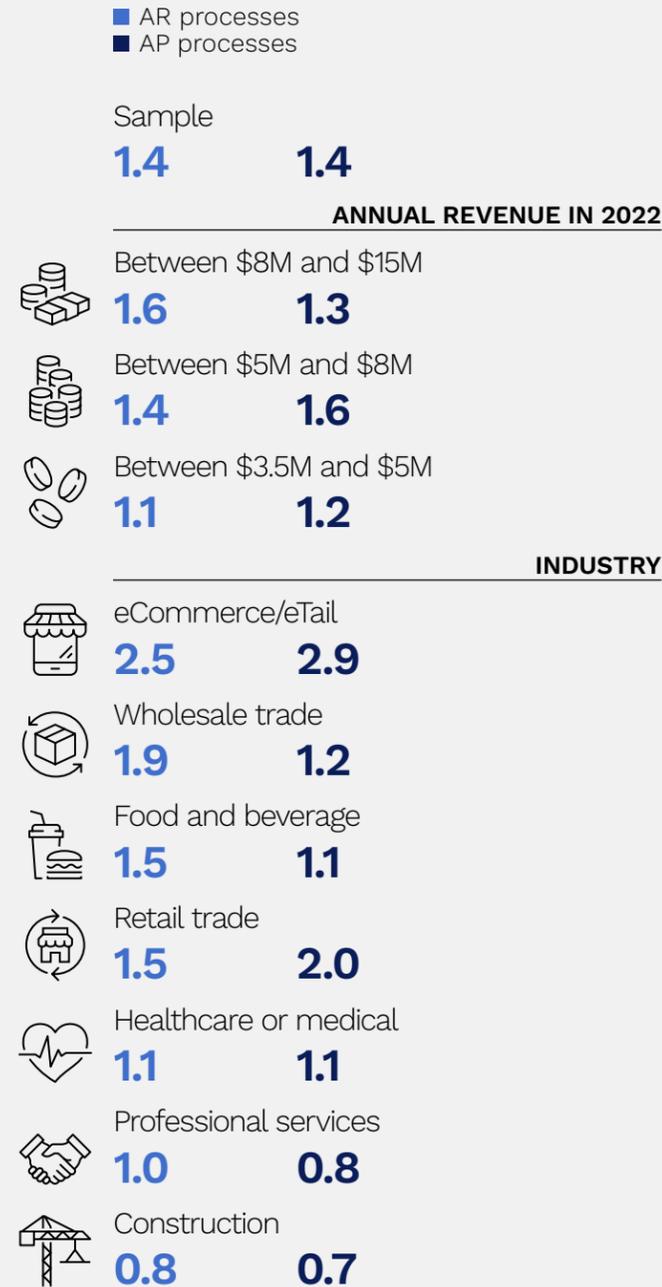
Nearly half of firms that have automated all AR processes reported experiencing no AR challenges. However, since current levels of automation for both AP and AR vary by industry, data on industry-level trends adds some nuance to this overall picture. For example, retail trade firms have automated more AP/AR processes than the average and have also experienced a comparatively lower level of difficulty over the last 12 months.

By contrast, even as automation of AR within food and beverage is on trend at 1.5 processes, the industry represents the highest level of reported AR challenges for the past year at 97%. This disparity suggests other factors deserving of future scrutiny are likely at play. In this context, then, the lagging level of AP automation in food and beverage helps explain its leading level of reported AP automation challenges. Although each industry faces unique challenges to AP/AR automation, greater automation leads to fewer challenges, on average.

**FIGURE 4:**

### How many AP/AR processes have been automated

Average number of processes firms have automated, by annual revenue and industry

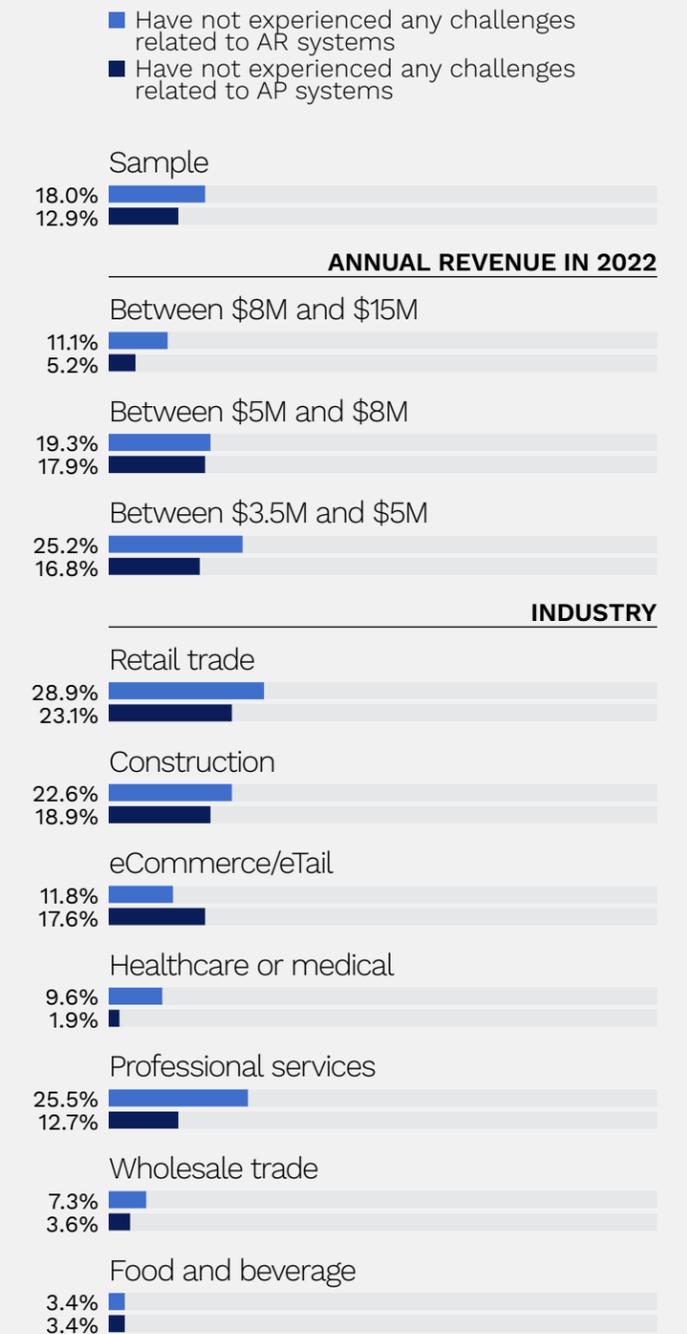


Source: PYMNTS Intelligence Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
 N = 393: Firms that automate at least some AP processes; N = 395: Firms that automate at least some AR processes, fielded June 9, 2023 – July 5, 2023

**FIGURE 5:**

### Automation's impact on resolving challenges

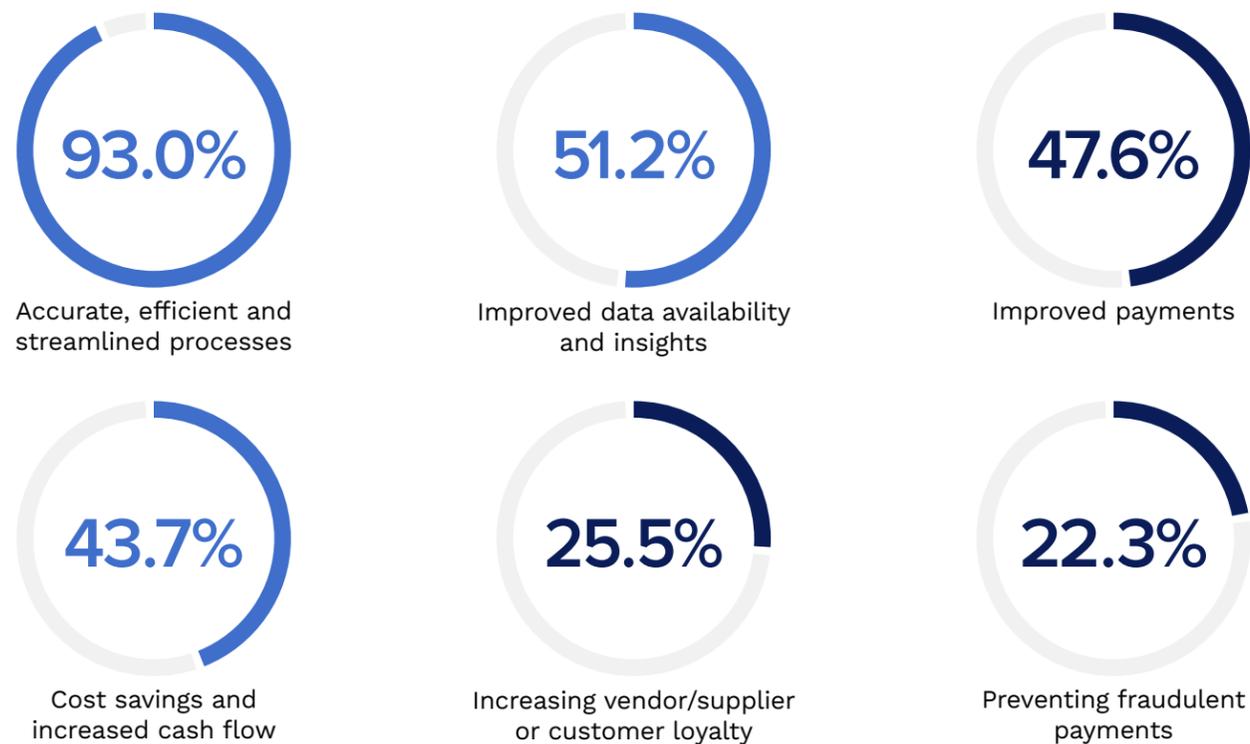
Share of firms that have not experienced any challenges related to their AP and AR systems in the last 12 months, by annual revenue and industry



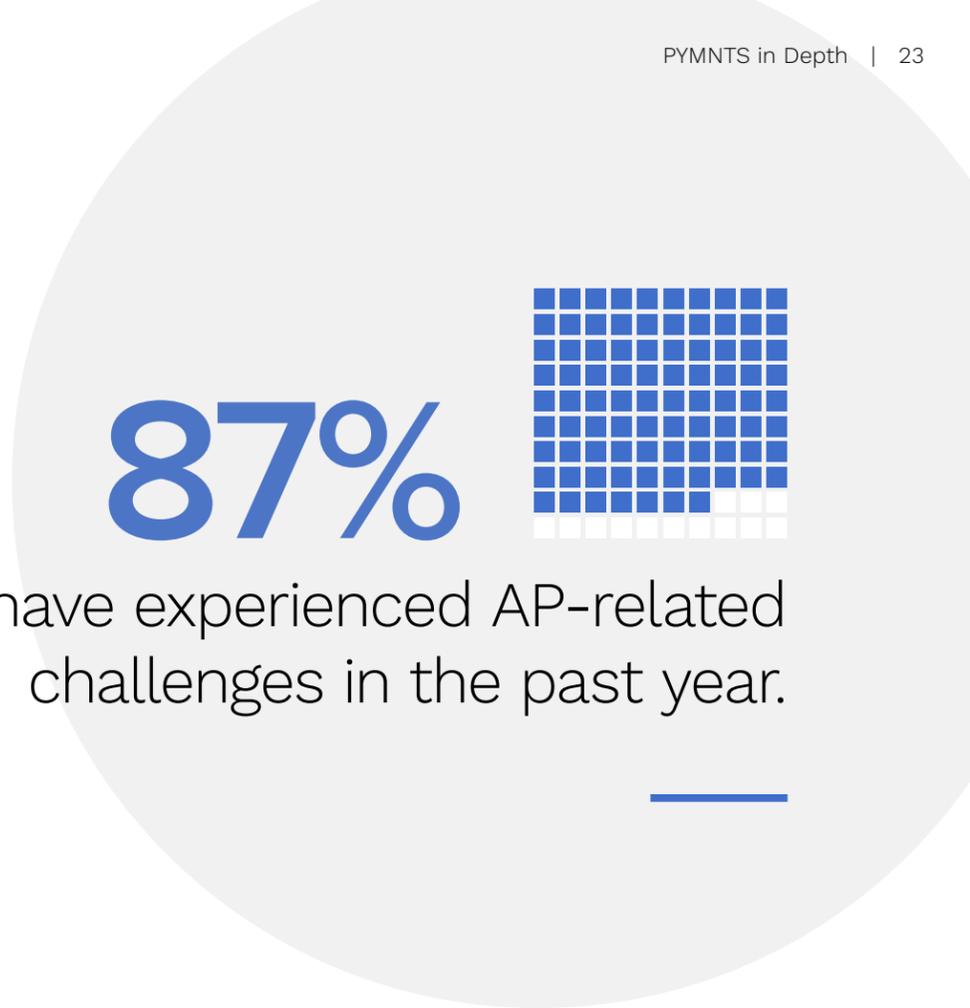
Source: PYMNTS Intelligence Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
 N = 412: Complete responses, fielded June 9, 2023 – July 5, 2023

It is notable that those firms which have automated all processes are also most likely to have not experienced any challenges related to AR systems. Meanwhile, firms that have plans to further automate their processes are expecting wide-ranging improvements. Of firms that are planning on further automating their processes in the next three years, 93% anticipate more accurate, efficient or streamlined processes, and 51% expect improved data availability.

**FIGURE 6:**  
**Expected benefits from future automation**  
 Share of firms expecting select benefits from future innovations in automated AP/AR solutions, by type of benefit



Source: PYMNTS Intelligence  
 Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
 N = 407: Firms that decided to automate in the next three years, fielded June 9, 2023 – July 5, 2023



87% of firms have experienced AP-related challenges in the past year.

While firms that have automated most or all processes face fewer challenges, others have put it off for another day. The reasons for this vary, but economic headwinds may influence their decisions about whether to begin automating or delay. Those decisions come with consequences: 33% of those that have not automated any part of their AP process experience fraud and transparency issues. Fraud issues alone have not always been enough to move businesses into action. Businesses that have held off on automation explain that the cost and complexity of automation are the main reasons they delayed implementing automation.

# DATA FOCUS

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## Most mid-size firms rely on instant money transfers for their AP and AR strategies.

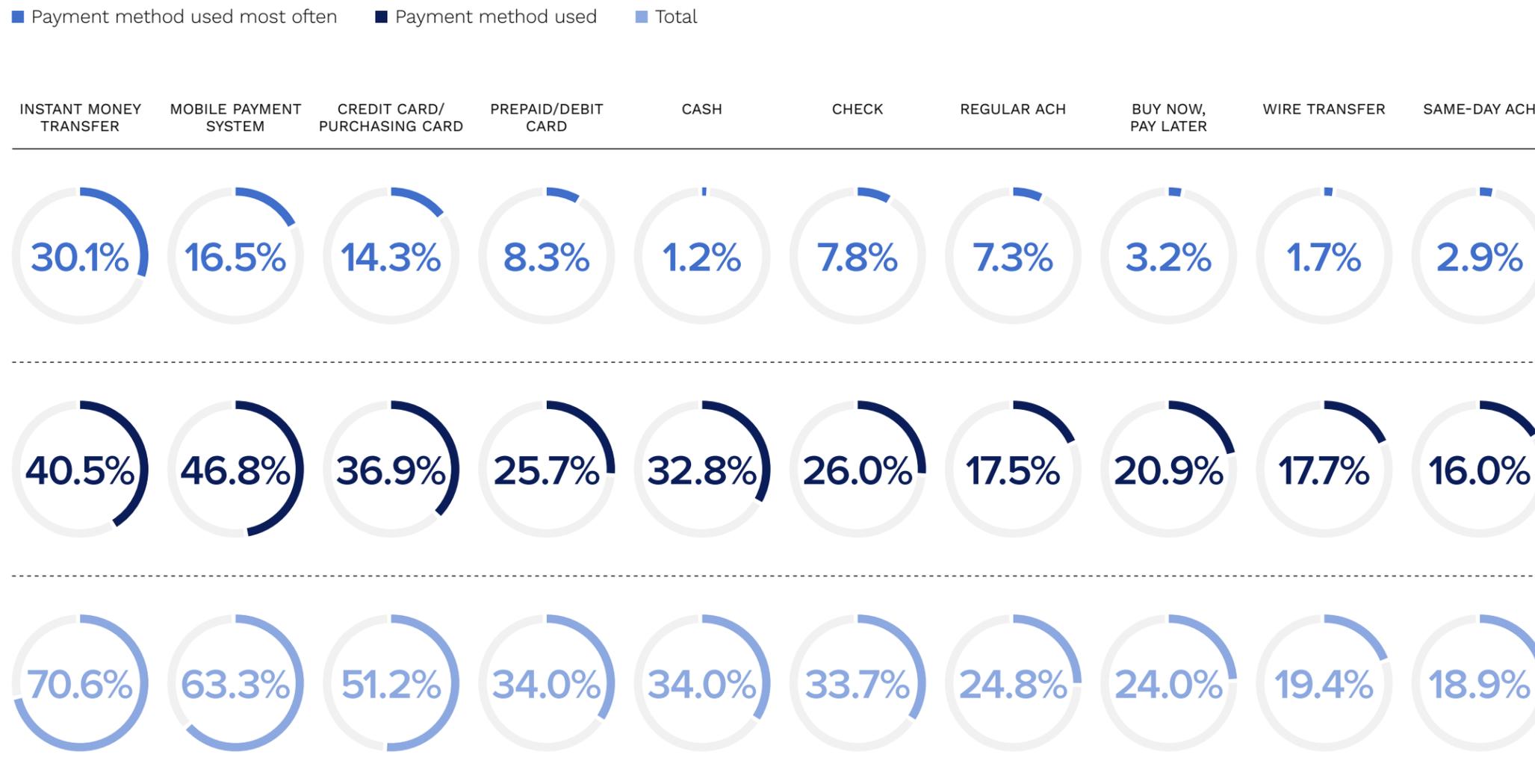
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When making payments through AP systems, mid-size firms — those with annual revenues between \$3.5 million and \$15 million — prefer to use instant money transfers, mobile payment systems and credit cards/purchasing cards over other payment methods. Instant money transfers lead, as 71% of firms use them to make payments through AP systems, yet 63% use mobile payment systems to make payments, 51% use credit cards/purchasing cards to make payments and 35% prefer instant money transfers over other methods.

**FIGURE 7:**

**Top payment methods**

Share of mid-size firms that use select payment methods through AP systems, by frequency of use



Source: PYMNTS Intelligence  
 Accounts Payable and Receivable Trends and the Path to Profitability, November 2023  
 N = 412: Complete responses, fielded June 9, 2023 – July 5, 2023

When receiving payments, these firms prefer instant money transfers, mobile payment systems and credit cards/purchasing cards over other payment methods. Sixty-eight percent of firms use instant money transfers to receive payments, 60% of firms use mobile payment systems to receive payments and 33% of firms prefer instant money transfers over other methods.

# ACTIONABLE INSIGHTS



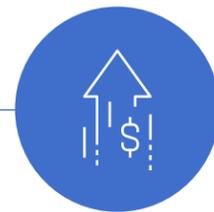
01

Higher payment volumes can mean more work and effort for businesses and late invoice collections for vendors or suppliers. Automating AP and AR processes can eliminate that extra work and time, enabling invoices to be sent out quicker and collections to be received sooner. If cash flow is king for businesses, automating AP and AR is the way to the throne.



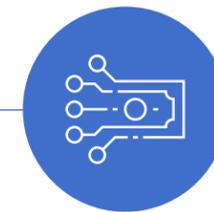
02

Mid-size firms will need to account for their customers' expectations and have a growing set of payment options available. Vendor partners must ensure that their solutions are up to the task and can accommodate a larger number of payment types. Those that do will fare better than those that do not.



03

Firms that further automate their processes can expect to reap wide-ranging benefits, namely in the form of more accurate, efficient or streamlined processes as well as improved data availability. Other benefits may include increased vendor satisfaction. More is better: Those that automate most or all of their processes will see the greatest benefits.



04

About one-third of executives may not be easily swayed to automate processes. They believe automation would cost too much and be too complicated to implement. Technology or automation partners would benefit from holding prospective businesses' hands throughout the integration and provide support for any post-deployment complications to help sway those executives to overcome their reticence and automate their AP/AR processes.

# ACCOUNTS PAYABLE AND RECEIVABLE TRENDS AND THE PATH TO PROFITABILITY

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November 2023 Report

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## METHODOLOGY

**A**ccounts Payable and Receivable Trends and the Path to Profitability is based on survey responses from 412 executives and conducted from June 9 to July 5. The report explains the investments that businesses have made or are planning to make to automate their AP/AR processes. Our sample contained executives who have day-to-day and strategic leadership responsibilities in AP, AR and payments strategy. We sampled mid-size firms that generate between \$3.5 million and \$15 million in annual revenue and have six to 50 employees.

# ABOUT

## PYMNTS INTELLIGENCE

**PYMNTS Intelligence** is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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