Accounts Receivable Automation Smooths Order-to-Cash Continuum

PYMNTS® | corcentric®

July 2023 Playbook

Accounts Receivable Automation Smooths Order-to-Cash Continuum, a PYMNTS and Corcentric collaboration, is based on a survey of 100 CFOs of United States-based firms from different segments that generate $250 million or more in annual revenue. The survey was conducted from April 11 to April 26. Our findings revealed the frictions CFOs experienced in the order-to-cash cycle that led to payment delays, the use of automation to alleviate those issues and the inclination among CFOs to automate to further improve AR processes.

Accounts Receivable Automation Smooths Order-to-Cash Continuum

READ PREVIOUS REPORT

How Automations Reduce Receivables Delays

July 2023

PYMNTS | corcentric

Accounts Receivable Automation Smooths Order-to-Cash Continuum was produced in collaboration with Corcentric, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.

TABLE OF CONTENTS

Introduction

Accounts receivable (AR) workflows include a list of necessary but repetitive and time-consuming tasks that enable a business to bill its customers and receive timely payment for goods and services provided. Ideally, it can help increase the probability of invoices being approved and paid swiftly, which improves the time in which they get paid. Yet, companies of all sizes and across industries can face hurdles when invoicing, such as failing to meet customer invoicing requirements, inaccuracies in billing details and mistakes in invoice distribution, to name a few, which can directly impact cash flow.

PYMNTS' research finds that payment-related delays were a major cause of business disruption for firms, and errors and discrepancies in invoicing were a major cause of these disruptions. Representing firms generating more than $250 million in sales, 68% of CFO respondents said delays in receiving payments had caused problems for their firms in the last six months; 41% said it was the most important source of disruption in AR. Errors and discrepancies in invoicing also caused disruptions, according to 45% of CFOs.

Implementing specialized AR automation solutions can help overcome these hurdles by automating invoicing and collection processes. Our survey found that 9 in 10 CFOs need more AR automation, which they credit with reducing disruption along the order-to-cash continuum. Our survey showed that reduced errors, automated customer service and instant tracking are the main benefits of automating AR.

Real-time payments and new payment methods were the two forms of automation — utilizing digital technologies — that firms used the most to automate AR. Real-time payments were especially favored by large companies, based on the response of 67% of CFOs from firms generating more than $1.5 billion in sales, while those from firms generating sales between $250 million and $750 million opted for collections and payment portals automation.

Accounts Receivable Automation Smooths Order-to-Cash Continuum, a PYMNTS and Corcentric collaboration, is based on a survey of 100 CFOs of United States-based firms from different segments that generate $250 million or more in annual revenue. The survey was conducted from April 11 to April 26. Our findings revealed the frictions CFOs experienced in the order-to-cash cycle that led to payment delays, the use of automation to alleviate those issues and the inclination among CFOs to automate to further improve AR processes.

This is what we learned.

Payments represent the biggest source of AR friction firms recently experienced, say 4 in 10 CFOs.

Businesses can experience friction in their operations from late payment of sales that disrupts the billing cycle and negatively impacts its cash flows. In addition to late payments, disputes and exceptions to billed receivables — such as those relating to order quality — and invoicing errors and discrepancies can also disrupt business operations. In the last six months, 68% of CFOs representing firms generating more than $250 million in revenue experienced payment-related delays, and 41% of CFOs identified these delays as the most important source of business disruption.

Disputes and exceptions, which our survey respondents related largely to poor order quality, are a major cause of business disruption. The resulting drag on the cash collection cycle could, in turn, impact a firm's ability to remedy the factors contributing to the order quality-based dispute or exception in a timely manner. Overall, 55% of CFOs experienced this as a source of business disruption, with 20% saying it was the leading cause.

TABLE 1:

AR disruption caused by different issues
Share of firms citing aspects of the order-to-cash continuum that experienced disruptions or delays in AR in the last six months

	Most experienced issue	Experienced, but not the most	TOTAL
Payments and exceptions around payments	41.0%	27.0%	68.0%
Disputes and exceptions	20.0%	35.0%	55.0%
Shipping	15.0%	33.0%	48.0%
Invoice errors and discrepancies	17.0%	28.0%	45.0%
Invoice tracking methods	2.0%	16.0%	18.0%
Materials or supply shortages	2.0%	10.0%	12.0%
Labor shortages	1.0%	11.0%	12.0%
Receiving a purchase order	2.0%	9.0%	11.0%

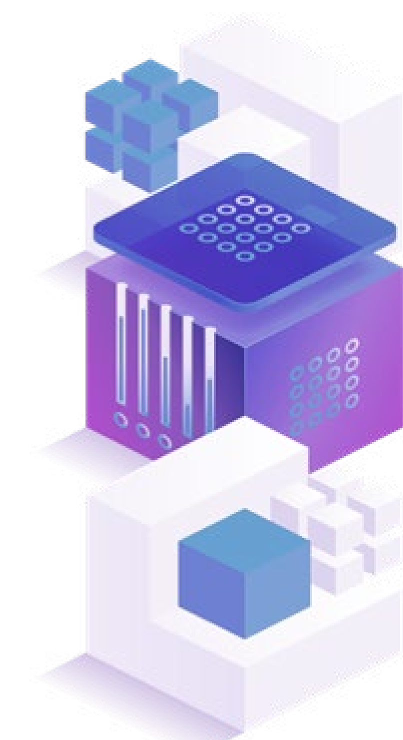
Source: PYMNTS
Accounts Receivable Automation Smooths Order-to-Cash Continuum, July 2023
N = 100: Adjusted sample, fielded April 11, 2023 – April 26, 2023

Invoicing errors and discrepancies round out the top three causes of payment-related frictions, which can occur due to mistakes in representing the correct quantities, unit price and total cost on invoices, often due to human error. This was the most significant source of friction for 17% of CFOs surveyed, with 45% overall saying it was a problem.

Using automation in business invoicing has provided an effective solution to some of these problems, particularly errors and discrepancies, with experiences and strategies to implementing AR automation varying according to firm size. Larger firms opt for real-time payment solutions, likely from the need to manage large cash collections, while smaller firms choose collections and payment portals, which help them reduce related fixed costs.

When automating AR, the size of a firm can dictate the type of solution it chooses based on its strategic needs.

Factors that firms need to consider when choosing specialized digital automations for their AR workflows include the size and complexity of their revenues, the concentration of customers, and the terms they extend to their customers. When considering an automated AR solution, suppliers in the $250 million to $750 million revenue range prefer collections and payment portals, while larger players (those generating more than $1.5 billion) focus on real-time payments.



PYMNTS found that the use of digital technologies was most often focused on two AR areas — real-time payments and new payment methods — and almost in equal measure, at 67% and 63%, respectively. For larger firms, cash posting is automation's top application, which is a more traditional way of posting accounts and ensures that all of a company's cash transactions have been accounted for. This may involve recording transaction details from subsidiaries or business units and can also extend to other financial functions, like accounts payables and business expenses. Among CFOs representing firms generating more than $1.5 billion in revenue, 69% said they use digital technology applications for cash posting.

Payment portals, chargebacks or dispute management and collections are areas in which smaller companies used digital technologies the most. The attraction of using payment portals is obvious for small businesses. They provide secure payment processing, save costs by aggregating transactions across multiple businesses, enable flexibility in payment methods, and are easy to integrate with. By providing extensive data, support and backup they also help resolve disputes and chargebacks.

Firms with sales between $750 million and $1.5 billion were more likely to use automation to manage their currency management and foreign exchange (FX) risk–related needs than firms generating revenues of more than $1.5 billion. This can be explained by the likelihood of these firms having international sales while likely lacking the relationships with large international banks' collection and payments processing infrastructure that larger firms enjoy. Firms in the revenue band are also almost three times as likely to use currency automation tools as firms generating less than $750 million in sales, at 58% and 20%, respectively.

TABLE 2:

Automation priorities

Share of firms that used select specialized automations or digital technologies in AR operations, by annual revenue

	Less than $750M	$750M–$1.5B	More than $1.5B	TOTAL
Real-time payments	60.0%	75.0%	61.5%	66.7%
New payment methods	40.0%	75.0%	61.5%	63.3%
Cash posting	60.0%	33.3%	69.2%	53.3%
Collections	80.0%	33.3%	53.8%	50.0%
Chargebacks or dispute management	80.0%	25.0%	53.8%	46.7%
FX and currency management	20.0%	58.3%	38.5%	43.3%
Reconciliation	0.0%	58.3%	46.2%	43.3%
eInvoicing	60.0%	41.7%	30.8%	40.0%
Payment portals	80.0%	25.0%	38.5%	40.0%
Enterprise resource planning	0.0%	58.3%	15.4%	30.0%

Source: PYMNTS
Accounts Receivable Automation Smooths Order-to-Cash Continuum, July 2023
N = 100: Adjusted sample, fielded April 11, 2023 – April 26, 2023

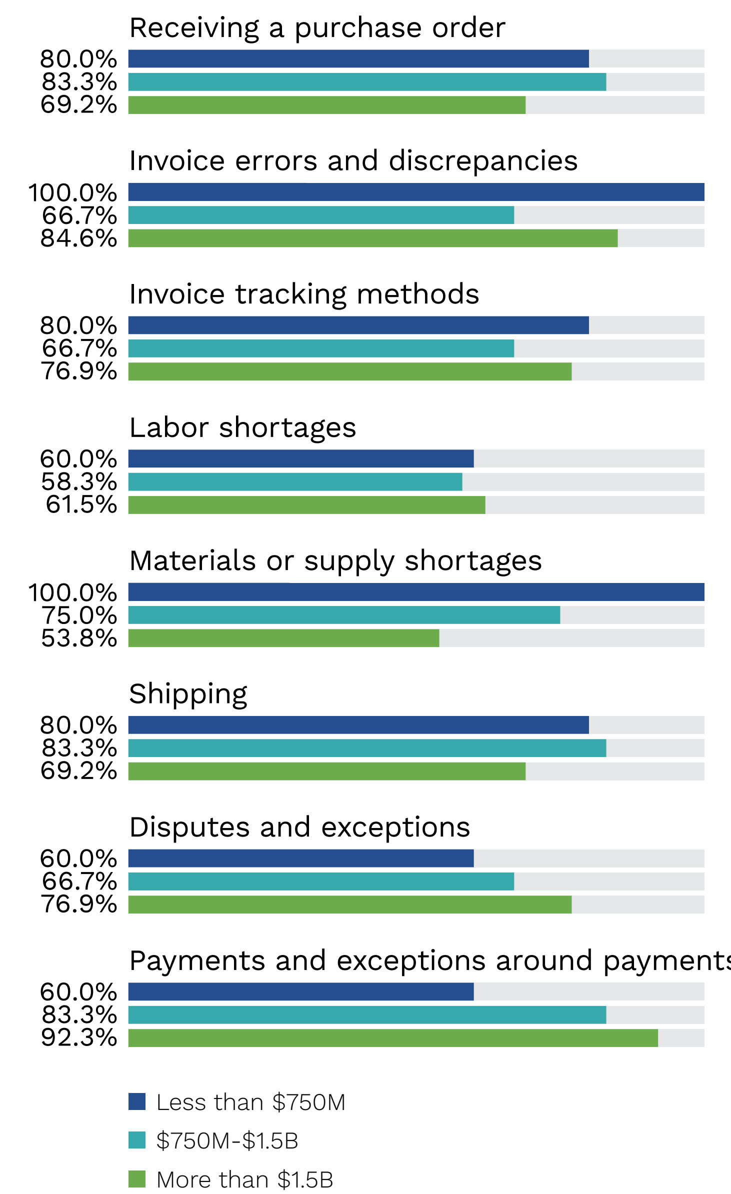
CFOs credit specialized AR automation with reducing friction across the order-to-cash continuum.

The order-to-cash cycle for a business includes critical functions such as order processing, invoicing, credit management, cash application and collections. CFOs rely on visibility into the order-to-cash process to develop strategies that can boost competitiveness, improve business agility, better serve market demands and generate profits for reinvestment.

A fragmented approach to order-to-cash, with functions such as credit management, dispute management and cash applications performed by different departments, is the main cause of friction in the order-to-cash cycle. Many organizations lack the time and resources to standardize manual processes, and though most CFOs acknowledge that automated solutions can help alleviate these frictions to a large extent, some organizations have not implemented them.

FIGURE 1:

AR automation's impact
Share of firms that reduced days of delay by using specialized AR automations that impact select aspects of the business, by annual revenue



Our survey showed that 77% of CFOs said specialized AR automation at least somewhat reduced friction when receiving purchase orders, while 37% said it significantly reduced disruptions. For firms generating revenues between $250 million and $750 million, 100% of CFOs said that automating AR workflows reduces invoice errors and billing discrepancies as well as materials or supply shortages either significantly or somewhat. Across all businesses surveyed, 40% of CFOs said automation significantly alleviates problems related to payments and exceptions around payments.

Source: PYMNTS
Accounts Receivable Automation Smooths Order-to-Cash Continuum, July 2023
N = 100: Adjusted sample, fielded April 11, 2023 – April 26, 2023

83%

Share of CFOs who said automation reduced AR days of delay **somewhat or significantly**

This problem-solving was more relevant for larger firms (those generating sales of more than $750 million) than smaller ones. For firms generating revenues between $750 million and $1.5 billion, 83% of CFOs said automation reduced AR days of delay somewhat or significantly.

Supply shortages, according to 70% of CFOs, also seem to benefit from specialized AR automation.

The ability of automated AR solutions to solve issues in the order-to-cash cycle makes them the need of the hour for 90% of CFOs.

Despite the multitude of benefits, many businesses still have not automated their AR workflows, which increases the challenge for their CFOs and finance managers to effectively manage operations, minimize risk, strategize for growth and foster a culture of improved performance. With rising economic headwinds, these challenges will likely grow unless organizations are able to implement solutions to help lighten their burden — and our data shows that CFOs think automation is the ideal choice.

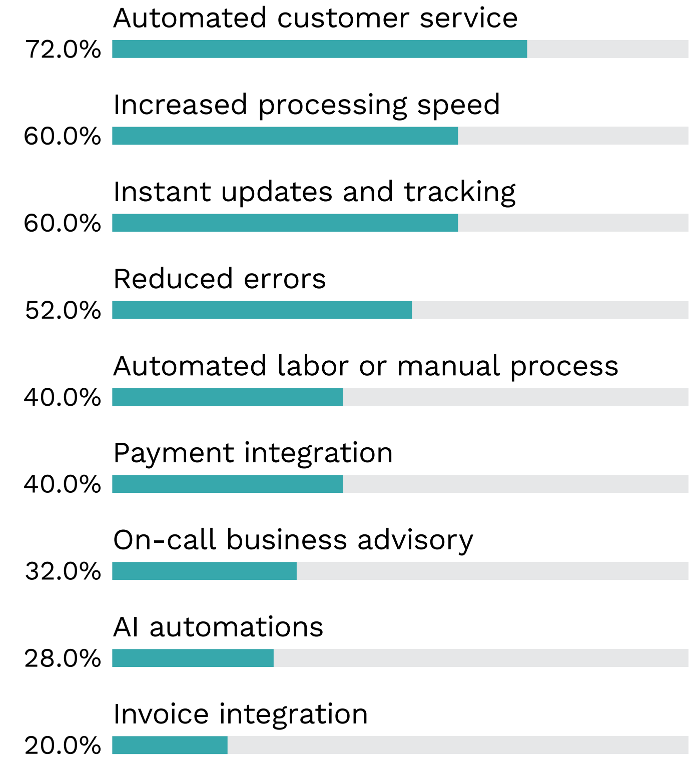
Nine out of 10 CFOs want more automation because it can lessen friction and disruption throughout the order-to-cash continuum. Using digital technology in AR operations can help reduce errors, offer instant tracking and updates, and provide automated customer service, which top the list of improvements CFOs seek.

Reducing disruption around payment has a direct impact on cash conversion cycles, and for 72% of CFOs, automated customer service in AR does exactly that. Further, 63% said increased processing speed resulting from AR automation contributed to reduced disruption around invoicing errors, which is key to hastening the payment process.

Overall, 67% of CFOs said their firms probably need more automation in AR and 27% said they definitely need more. Businesses that currently have fewer automated AR functions are more likely than firms with more automated AR to identify further automation as a necessity. Sixty-seven percent of less automated firms said they definitely need more automation, compared to 22% for firms that are further along in their implementation of digital technologies in their AR processes.

FIGURE 2:

Kicking payment delays to the curb
Share of firms citing how using automation or digital technologies led to a reduction in the days of delay in payment and exceptions around payments



Source: PYMNTS
How Automations Reduce Receivables Delays, July 2023
N = 100: Adjusted sample, fielded April 11, 2023 – April 26, 2023

72%

Share of CFOs who saw a direct **impact on cash conversion cycles** from automating AR customer service

This strongly suggests that firms of all sizes are committed to improving their order-to-cash cycles via the use of automation and that increased use of digital technology is trending in the financial management of businesses.

CONCLUSION

Complexities in the AR process can lead to payment delays and disruptions for businesses of all sizes, which are liable to impact the cash conversion cycle. CFOs charged with minimizing risk while also maximizing returns to foster growth have revealed that automating AR processes has proven to be a boon. Choice of technology and mode of automation varies based on strategic priorities, firm size and the billing complexities it encounters, but one thing is clear: 90% of CFOs want more automation. Our survey provides a clear indication that the use of digital technologies in the financial management of a firm's operations will increase, so any firms unwilling to automate may find themselves falling further and further behind. The versatility of AR automation is such that solutions can be targeted at specific companies based on their size and AR priorities while also providing the ability to add features and functionality as business needs change.

METHODOLOGY

Accounts Receivable Automation Smooths Order-to-Cash Continuum, a PYMNTS and Corcentric collaboration, is based on a survey of 100 CFOs of United States-based firms across different segments that generate $250 million or more in annual revenues. The survey was conducted from April 11 to April 26.

ABOUT

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

corcentric

Corcentric is a leading global provider of payments, procurement, accounts payable and accounts receivable solutions to enterprise and middle-market companies. Corcentric delivers software, advisory services and payments focused on reducing costs, optimizing working capital and unlocking revenue. To learn more, please visit www.corcentric.com.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe, please email us at feedback@pymnts.com.