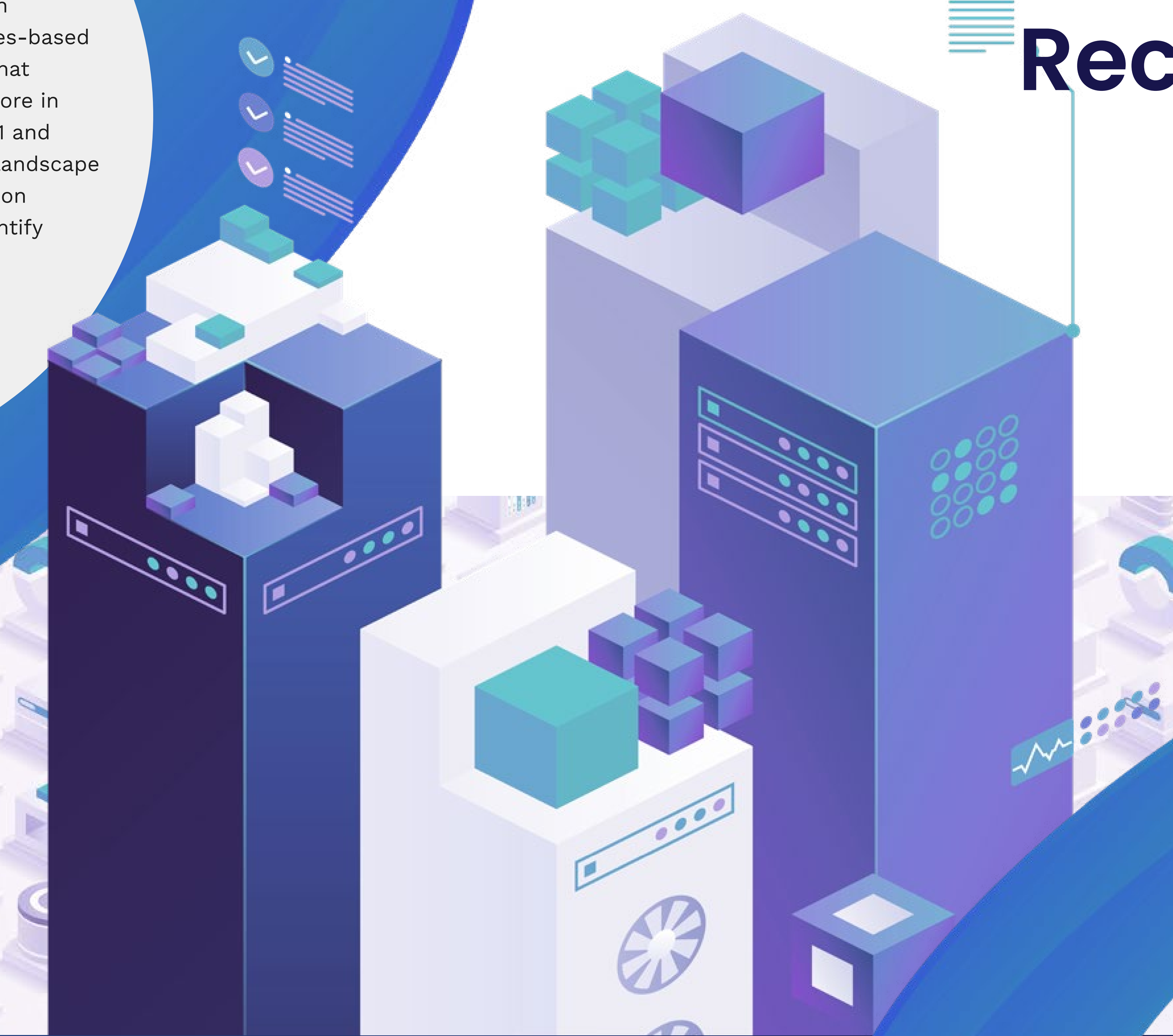
How Automations Reduce Receivables Delays



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July 2023 Report

How Automations Reduce Receivables Delays, a PYMNTS and Corcentric collaboration, is based on a survey of 100 CFOs at United States-based firms across 13 industry segments that annually generate $250 million or more in revenue, conducted between April 11 and April 26. We examined the current landscape of specialized AR automation adoption and its effects on businesses to identify how this impacts DSO and operation efficiency.

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How Automations Reduce Receivables Delays 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.

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Introduction

In the competitive arena of enterprise finance, accounts receivable (AR) automation is a game-changer — an engine for efficiency, speed and accuracy. Although firms embracing AR automation report much better payment handling, adoption rates remain nascent.

PYMNTS' research highlights the striking connection between AR automation and reduced days sales outstanding (DSO). Larger firms with more than $1.5 billion in annual revenue have been more active in adopting specialized AR automations and have reaped the resulting benefits, including improvements to cash flow management. Smaller businesses lag, however, despite high satisfaction levels among companies that have embraced AR automation, particularly those that have automated at least 50% of their AR processes.

Our study highlights the key aspects of AR automation contributing to its efficacy. For instance, among CFOs at highly automated firms, 60% acknowledged the role of improved processing speeds and instant updates in reducing the number of days their companies wait for payment. However, it is not all smooth sailing — most CFOs cited the lack of on-call advisory services and the complexities involved in automation technologies as significant obstacles.

These are some of the key findings in How Automations Reduce Receivables Delays, a PYMNTS and Corcentric collaboration. Our findings are based on a survey of 100 CFOs of United States-based firms across 13 industry segments generating $250 million or more in annual revenues conducted between April 11 and April 26. We examined the current landscape of specialized AR automation adoption and its effects on businesses to identify how it impacts DSO and operation efficiency.

This is what we learned.

1 Firms that used specialized AR automations widely report being at least somewhat satisfied with the outcome — but relatively few have embraced this automation.

Just 27% of companies used specialized digital software or automation in AR for at least 50% of AR processes in the last six months. Firms with higher revenues stand at the forefront, with 37% of those annually generating at least $1.5 billion in revenue surpassing the 50% automation mark; just 17% of those falling between $250 million and $750 million in annual revenue have reached that threshold. Overall, 93% of businesses that have automated at least 50% of these processes indicate satisfaction with their outcomes.

2 Four in 5 CFOs of firms with specialized AR automation say it reduced average DSO.

Companies using specialized digital software to automate more than 50% of AR workflows are reaping outsized rewards. These firms report a 32% reduction in DSO, on average — equivalent to 19 days. Firms that have used specialized automations for less than 50% of AR processes achieved a smaller reduction. Eighty-five percent of CFOs at businesses that have automated more than half of AR processes acknowledged a decrease in DSO, while 67% of their counterparts at firms below the 50% threshold said the same.

3 Increased processing speed and instant updates reduce AR friction.

Sixty percent of CFOs at highly automated firms attributed improved processing speeds and real-time updates to a reduction in their company's DSO. At the same time, 40% said automating tedious, labor-intensive tasks dropped their DSO. CFOs also noted significantly fewer errors in their AR processes, with 63% specifically witnessing fewer invoicing errors.

4 AR automations that are too complex or lack on-call advisory services fail to reduce payment friction.

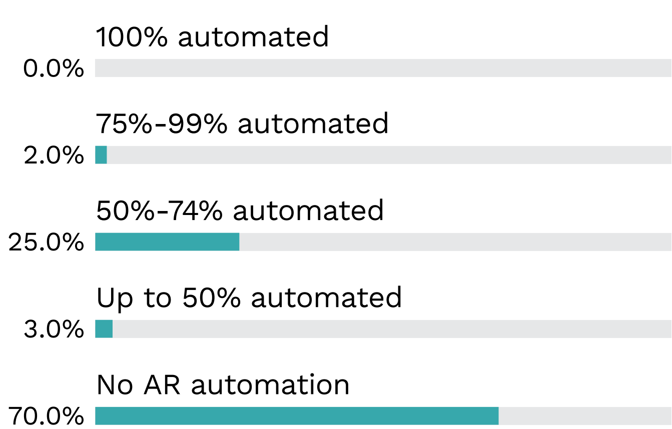
Eighty percent of CFOs named an absence of on-call advisory services for automated AR systems as a significant barrier to reducing DSO, and 40% said the same about a lack of automated customer service. Invoicing errors and difficulty accurately tracking invoices are also top perceived challenges. Four in 5 CFOs also indicated that AR automations could be so complex that they ultimately hamper efforts to reduce DSO.

Untapped potential in AR automation

Although digitally optimized AR is more accessible and effective than ever, it is still broadly overlooked. PYMNTS' latest research shows that just 27% of the firms we surveyed used specialized digital applications or automations for at least 50% of AR processes in the last six months, and just 2% have done so for at least 75% of AR systems. Of the remainder, just 3% have adopted moderate levels of automation, while a staggering 70% used no specialized applications or automations recently.

FIGURE 1:

Firms with specialized AR automations or digital applications
Share of firms that have met select thresholds of AR automation



Source: PYMNTS
How Automations Reduce Receivables Delays, July 2023
N = 100: Complete responses from industry CFOs, fielded April 11, 2023 – April 26, 2023

TABLE 1:

AR software adoption
Share of firms using software or applications to support AR operations in the last six months, by annual revenue

	Firm-specific AR software	Industry-wide AR software	General use applications
SAMPLE	56.7%	53.3%	36.7%
ANNUAL REVENUE			
• More than $1.5B	69.2%	46.2%	23.1%
• $750M-$1.5B	50.0%	50.0%	58.3%
• $250M-$750M	40.0%	80.0%	20.0%

Source: PYMNTS
How Automations Reduce Receivables Delays, July 2023
N = 30: Firms that used digital technologies or automations to support AR processes, fielded April 11, 2023 – April 26, 2023

The firms included in our study annually generate at least $250 million in revenue. Although nearly 3 in 10 have surpassed the 50% threshold noted above, these skew disproportionately toward firms in our highest revenue bracket. Specifically, 37% of companies annually generating at least $1.5 billion in revenue reported automating more than 50% of their AR processes in the past six months, while just 17% of those in the $250 to $750 million revenue range said the same.

These larger firms are also much more likely to use customized AR software applications than their smaller counterparts. Among companies that already use some type of specialized AR application, 69% of those generating more than $1.5 billion in revenue used custom software versus 40% for those with smaller revenues. Enterprises generating between $750 million to $1.5 billion fall roughly in the middle, at 50%.

We note that satisfaction with specialized AR applications is generally very high. Among firms that use these to automate at least 50% of AR workflows, 93% are at least somewhat satisfied going digital, while 11% are highly satisfied.

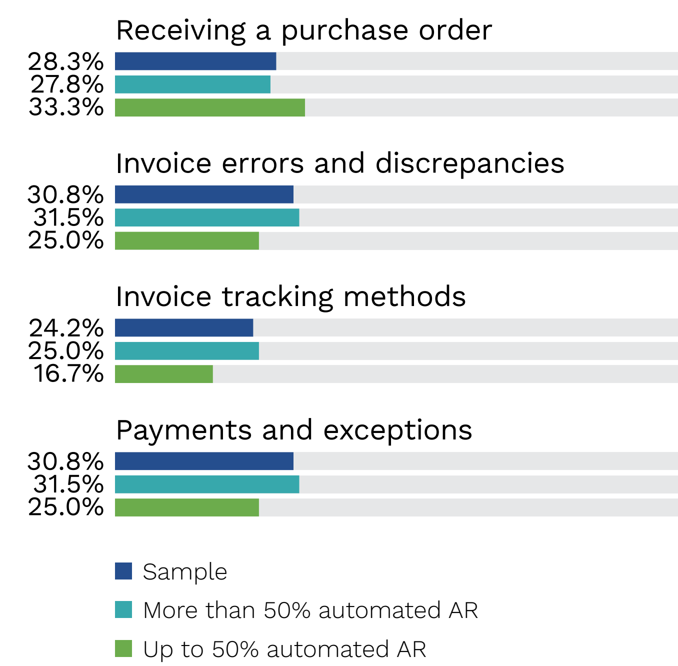
Trimming DSO

Embracing automated AR processes offers the clear value proposition of reducing payment delays, as measured in DSO. Among firms that used specialized AR applications, our study reveals that those above the 50% threshold of automated workflows slashed DSO by 32%, the equivalent of 19 days, exceeding the 25% mark of 15 days for those using less automation by nearly one business week.

FIGURE 2:

Decreases in DSO

Share of firms citing the average decrease in DSO from using technology in select areas of AR operations, by level of automation



Source: PYMNTS
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PYMNTS asked CFOs of companies using digital applications to automate more than 50% of AR processes what the real-world impact has been on their DSO. The effect has been meaningful. Eighty-five percent reported a decline in DSO associated with payments and exceptions handling, an 82% reduction for invoicing and a 78% reduction in tracking invoices. Not surprisingly, these CFOs were more likely to credit reduced DSO to using automation technologies than those with less than 50% of AR workflows automated.

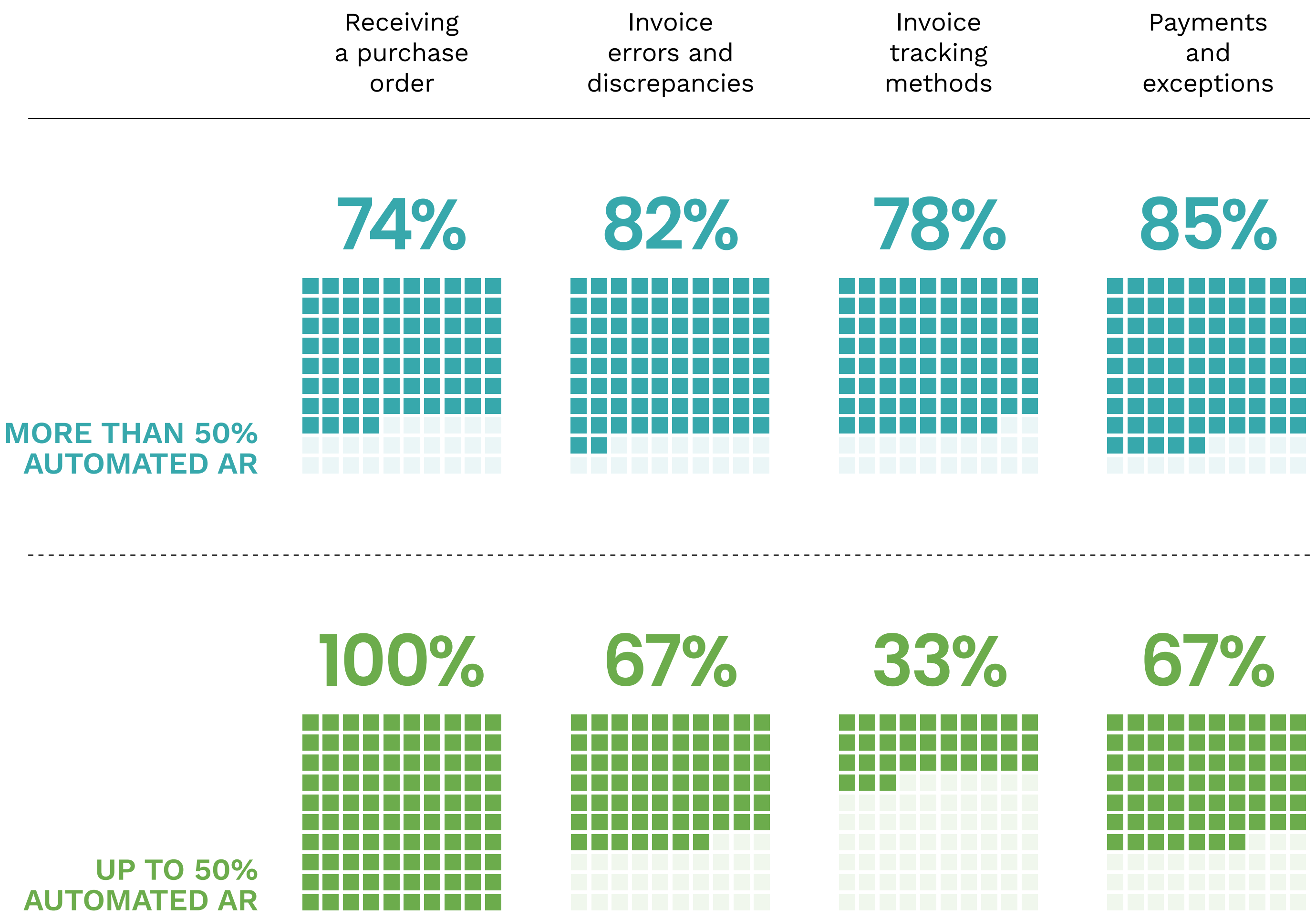
The benefits of adopting these technologies increase with wider AR implementation. While 83% of firms that have automated most of their AR processes dropped DSOs related to payments handling, a large but notably smaller share of CFOs at firms that have automated less than 50% of AR workflows reported this same outcome — 67%.

This asymmetry spills into invoicing errors and tracking invoices. Sixty-seven percent of CFOs in the less than 50% club again reported reduced DSOs, this time related to invoicing errors. Just 33% of this cohort said the same about invoicing tracking, underscoring the potential for these firms to reap more benefits from AR automation.

FIGURE 3:

AR automation and payment delays

Share of firms that reduced days of delay after using digital applications in select areas of AR operations, by level of automation

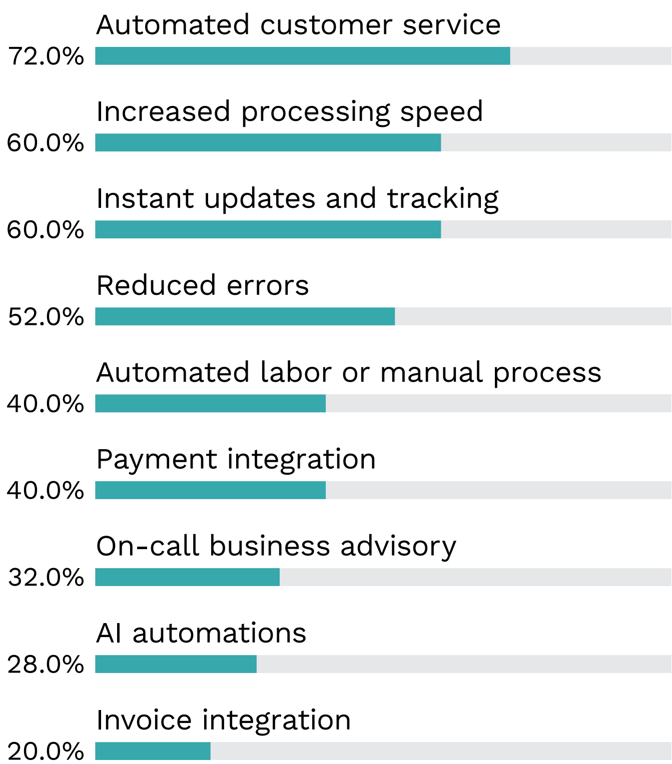


Source: PYMNTS
How Automations Reduce Receivables Delays, July 2023
N = 30: Firms that used digital technologies or automations to support AR processes, fielded April 11, 2023 – April 26, 2023

Riding the wave of automation

FIGURE 4:

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



A principal catalyst for reducing payment delays in AR is automating tedious and error-prone functions such as payment processing and invoicing. Automated customer service is the most cited reason for decreased DSO, with 72% of CFOs at highly automated firms stating this helped reduce DSO more than other benefits.

Source: PYMNTS
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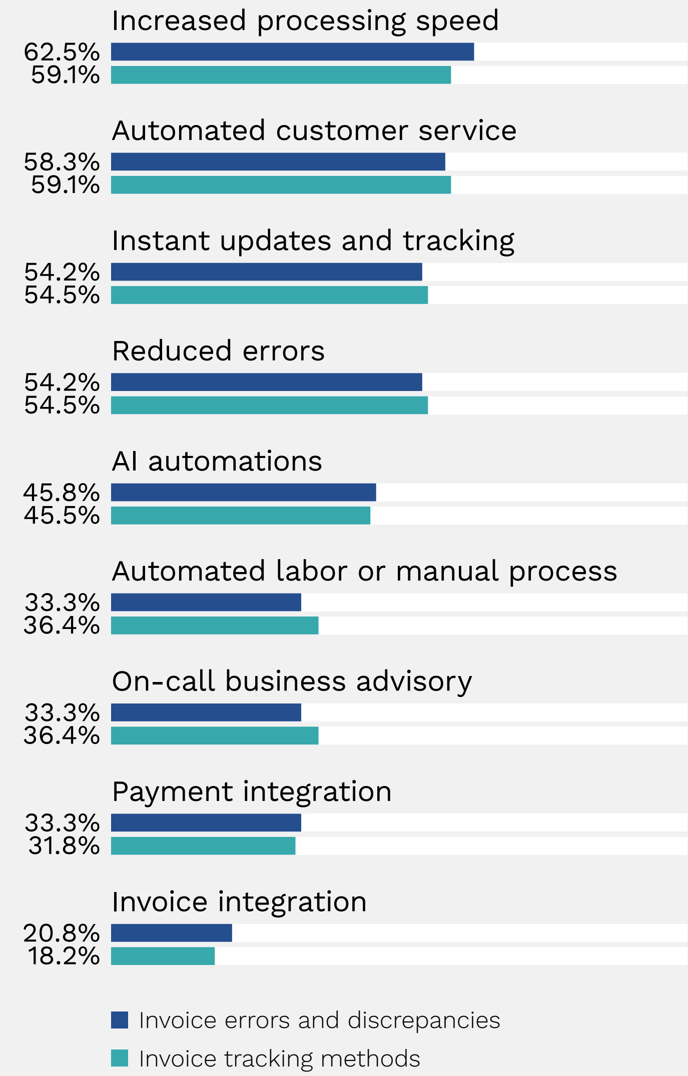
FIGURE 5:

Beneficial impacts of AR automation
Share of firms citing select reasons how using automation or digital technologies has led to a reduction in the days of delay related to invoicing



Source: PYMNTS
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Improved processing speeds and instant updates and tracking are also prominent in reducing DSO. Sixty percent said these tools reduced the number of days they waited for payment. Similarly, 40% credited the automation of labor-intensive processes in minimizing the days of delay in payment.

Companies leaning into automation reported drops in AR-related errors, with 54% citing overall declines. More specifically, 63% of these firms saw invoicing errors decline as processing speeds increased, and 54% highlighted the same after implementing instant updates and tracking. We note that 46% even leveraged artificial intelligence (AI) automations specifically to mitigate invoicing errors, enhancing the efficacy and accuracy of their AR operations.

When simplification gets complex

Though automation promises simplification, the opposite can happen. Our study finds that a staggering 80% of CFOs cited the lack of on-call advisory as a significant drawback in the applications for AR systems they used, preventing them from reducing the firm's DSO. Forty percent said that not having an option for automated customer service is the top pain point standing in their way.

The operational challenges do not end there. Many CFOs find that automated AR systems sometimes fail to function as expected. Two-thirds of CFOs attribute invoicing errors to AR tools not performing as intended, and 63% believe that difficulties in tracking invoices result from automation inconsistencies, all impacting efforts to improve AR.

However, PYMNTS' research reveals that complexity emerges as the critical roadblock, with 80% of CFOs stating that automated AR workflows are excessively complicated, severely denting their effectiveness in reducing DSO. Additionally, 78% identify complexity as an issue when handling disputes and exceptions regarding order quality and accuracy. These complexities underscore a critical requirement for CFOs pushing to implement AR automation and the AR providers developing these solutions: Keep it simple.

TABLE 2:

Impacts of specialized AR automations
Share of CFOs identifying select reasons why specialized AR automations have not led to reduced days of delay, by areas that do not reduce the days of delay

	Receiving a purchase order	Invoice errors and discrepancies	Invoice tracking methods	Payments and exceptions
Too complex	57.1%	33.3%	50.0%	80.0%
Do not offer on-call advisory	14.3%	0.0%	12.5%	80.0%
Not working as intended	28.6%	66.7%	62.5%	40.0%
Do not offer AI automations	42.9%	50.0%	50.0%	0.0%
Unable to cater specific needs	28.6%	33.3%	25.0%	20.0%
Increase errors	14.3%	50.0%	37.5%	20.0%
AI automation are rudimentary	28.6%	16.7%	25.0%	0.0%
Do not offer automated customer service	0.0%	0.0%	12.5%	40.0%
Require special skill to operate	42.9%	16.7%	12.5%	20.0%
Unable to replace manual process entirely	28.6%	33.3%	25.0%	20.0%
Incompatibility with client's system	14.3%	16.7%	12.5%	0.0%

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CONCLUSION

The leap into AR automation can significantly enhance AR processes and streamline cash flows. Larger companies are more likely to be early adopters and are broadly satisfied with their notably slimmer DSOs, while smaller businesses tend to move more slowly. The potency of AR automation depends on the breadth of application across a firm's AR process, and those that apply more AR automation see a more substantial impact. Still, AR automation has challenges, predominantly stemming from the complexities of using this relatively new technology. To capitalize on the potential of AR automation while mitigating its challenges, CFOs must navigate the transition away from manual AR processes with a focus on ease of use and reliability, striking a balance that will enable firms to fully leverage the critical benefits of automating previously labor-intensive, error-prone human AR functions.

METHODOLOGY

How Automations Reduce Receivables Delays, a PYMNTS and Corcentric collaboration, is based on a survey of 100 CFOs conducted between April 11 and April 26. We examined the prevalence of specialized automations and digital applications in AR in the last six months for firms with annual revenues of more than $250 million and the impact on reduced disruption across the entire order-to-cash continuum.

ABOUT

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.

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