

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

ACCOUNTING & AUDIT

AP Automation Moves to the Forefront as COVID Accelerates Back-Office Digitization

The strategic importance of AP was also elevated as organizations recognized the need for better cash flow management and prompt supplier payments to keep goods and services flowing.

Aug. 02, 2021



Over the last year, COVID-related remote work mandates and supply chain dependencies have helped accelerate the digitization of businesses, especially in the back office where inefficient manual processes created enormous challenges for staff. The strategic importance of AP was also elevated as organizations recognized the need for better cash flow management and prompt supplier payments to keep goods and services flowing.

That's according to the sixth annual State of Accounts Payable (AP) report from [MineralTree](#), an accounts payable and payment automation solution provider. The research effort surveyed finance executives about the impact of the pandemic on their AP operations, supplier relationships, the use of different electronic payment methods, and their adoption of AP automation.

MineralTree's 2021 State of Accounts Payable Report explores how a once-in-a-lifetime event left its mark on finance organizations and the lasting effect it will have on AP processes going forward. Several key themes and trends emerged:

COVID accelerated digitization, but B2B digital payments have not reached a tipping point.

- 44% of respondents reported a decrease in check payments, while 50% noted an increase in ACH payments over the last 12 months.
- Despite digital payment growth, 45% of respondents still make more than half of their business payments via check; ironically, they cited ease-of-use (69%) and cost (44%) as the primary drivers for their current payment types.

Businesses want to make more digital payments, but face both internal and external barriers.

- 64% of respondents intend to make more electronic payments in the next year.
- The biggest perceived barrier to converting more spend to digital payment methods is supplier willingness to accept them, cited by 51% of respondents, followed by team capacity to enroll vendors (31%). These barriers underscore the role of strong supplier enablement services in helping finance teams maximize the benefits of digital payments.

AP automation is a big driver of digital payments, but end-to-end automation is lagging.

- Overall, 32% of respondents have implemented some form of AP automation. However, only 9% have automated the end-to-end AP process from invoice capture through payment execution, suggesting a significant opportunity for improved efficiencies.
- 64% of the respondents who have automated are processing more invoices and payments with the same size team. They also report above-average increases in ACH and virtual card payments, along with a greater reduction in check usage.
- Virtual cards saw a dramatic increase within MineralTree's client base: the percentage of transactions grew by +156%, and the share of spend rose a staggering 270%.

The #1 barrier to AP automation is the status quo.

- For those respondents who haven't yet automated their AP process, the biggest barrier to doing so is their belief that current processes are working, cited by 32%.
- Financial concerns are also important with 18% citing a lack of budget, and 16% the absence of a clear business case/ROI. Both objections can be overcome by building a holistic business case that encompasses the efficiency gains and cost reductions from automation along with cash-back rebates from virtual card payments.

Supplier trends are putting pressure on AP processes and underscoring their importance.

- Only 10% of respondents made fewer supplier payments over the last year. Nearly 40% made more.
- 58% said their supplier relationships grew more important; the percentage was even higher for healthcare organizations (73%) where the steady flow of supplies is critical to delivering care.
- These trends are likely to accelerate the automation of AP processes, which respondents ranked as their #1 back-office digitization priority, edging out forecasting and Accounts Receivable (AR).

“The pandemic put back-office digitization in the spotlight for middle-market and enterprise businesses, but many are still failing to fully capitalize on the dramatic business advantages of AP and payment automation,” said MineralTree President, Vijay Ramnathan. “An end-to-end approach can deliver enormous operational efficiencies as well as better spend and cash management, increased accuracy, and better protection against fraud—all while accelerating digital payment growth. It’s low-hanging fruit that can deliver significant short- and long-term ROI.”

Accounting & Audit • News

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2023 Firmworks, LLC. All rights reserved