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ADVISORY

Critical Supplier Relationships Raise Strategic Priority of AP and Payment Processes in B2B

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In 2022, companies accelerated their digitization efforts in an attempt to overcome persistent, pandemic-related operational challenges including disrupted supply chains, hybrid work, and a challenging employee hiring and retention environment. At the same time, business executives continue to put pressure on financial leaders to pay vendors on time to keep goods and services flowing. As a result, many finance teams are embracing digital tools to optimize their AP operations, streamline payments, and solidify vendor relationships.

MineralTree, an accounts payable (AP) and payment automation solution provider, today released its seventh annual State of AP report. For the first time ever, MineralTree expanded its research to include suppliers, reflecting the growing importance of vendor relationships to businesses in the current environment. With this additional perspective, the 2022 report provides a 360-degree view of the AP and B2B payments landscape, identifying the most pressing issues for both buyers and suppliers, and their impact across a range of industries.

In addition to AP's growing focus on automation and its impact on B2B relationships, this year's State of AP Report also looks at the growth of ePayments, and the disconnect between buyers and suppliers regarding adoption. Some of the specific themes include:

Macro trends put mounting pressure on AP

While the pandemic caused significant challenges across all business operations, its impact was especially acute in AP because of its strategic role in paying vendors on time and ensuring access to business-critical supplies and resources.

- Nearly 71% of finance leaders stated that their relationships with vendors grew in importance over the past year, compared to 59% in 2021.
- Invoice processing issues and delays (44%), followed by payment delays and/or reconciliation issues (39%), were cited as top challenges stemming from supply chain disruptions.
- A shortage of qualified candidates due to the Great Resignation has increased the pressure on AP teams. More than half (54%) of the finance leaders surveyed expect challenges or delays in hiring quality AP staff this year.

Companies are digitizing AP to increase efficiency, but there's room for much more

Businesses are accelerating their AP automation efforts to shorten the invoice-to-payment cycle and address vendors' desire to get paid quickly. At the same time, they are also benefiting from increased staff productivity, reduced processing costs, stronger security, and improved cash flow.

- For the second straight year, AP remains the #1 digitization priority in the back office ahead of AR, expense management, close management, and forecasting.
- 52% of respondents have automated their AP process, up from 32% last year. However, only 16% say they're fully automated, missing out on critical value in the form of end-to-end efficiency, visibility, and insights.
- Automation is enabling AP teams to do more with less. Of those who have automated AP, nearly two-thirds are processing more invoices and payments with the same sized team (61%), alleviating some of the hiring challenges previously discussed.

ePayment adoption continues to grow as more finance leaders realize its value

Every form of ePayment saw increased usage in 2022 while checks decreased 10 percent from the previous year.

- The number of AP teams that plan to shift more of their spend to ePayments increased from 65% in 2021 to 71% in 2022.
- Virtual cards showed the most significant gains over the past year, from 9% of companies increasing usage in 2021, to 38% this year. ACH saw the next largest gains – from 50% in 2021 to 67% in 2022. International/FX was third (19%), likely due to the need to source new overseas vendors to compensate for supply chain disruptions.
- Vendors are wholeheartedly on board with digital payments – 82% want to receive more electronic payments from their customers

The 'blame game' is impeding even broader ePayment adoption

While both buyers and vendors favor ePayments, they continue to name each other as the biggest obstacle to furthering adoption.

- 57% of finance leaders cited vendor unwillingness to accept ePayments types as the top reason impeding its growth.

- Conversely, 63% of vendors identified the primary obstacle to ePayment as being customers not ready to move away from checks.
- Other buyer concerns center around their perception of the time and effort it takes to set up ePayments, including team capacity to contact/enroll vendors (40.4%). The irony is that finance leaders can easily eliminate this anticipated work by partnering with an AP automation provider that offers managed services, such as vendor enrollment.

“In 2022, AP teams face a number of significant challenges – supply chain disruptions, work-from-home and hiring challenges, and an increasing volume of invoices and vendor inquiries,” said Elizabeth (Elle) Kowal, Chief Operating Officer at MineralTree. “AP automation, combined with managed services, is a no-brainer for AP teams trying to do more with less, and stay afloat amid supply chain volatility. Automation handles common AP headaches for understaffed AP teams while elevating productivity, visibility, control, savings – and even earnings. The 2022 State of AP Report uncovers several ways AP teams can address these challenges and quickly increase operational efficiency of their AP operations.”

The 2022 State of AP Report is available for download at <https://www.mineraltree.com/>.

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