

Business Payments Digitization:

Large Companies Set The Pace

**Business Payments Digitization:
Large Companies Set The Pace,**
a PYMNTS and Corcentric collaboration,
explores in detail what spurred so
many companies to speed up their
digitization plans. We surveyed CFOs
from five industries — manufacturing,
finance, retail, transportation and
healthcare — that generate between
\$400 million and \$2 billion in annual
revenue about the digitization of
their payments operations.

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Business Payments Digitization: Large Companies Set The Pace was produced in collaboration with Corcentric, and PYMNTS is grateful for the company’s support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

Business Payments Digitization:
A Path To A Better Balance Sheet

Introduction

Once the pandemic hit, businesses of all sizes looked at the economic landscape and considered their next steps. Many savvy companies moved to digitize their payments operations, supercharging a trend of growth that had become noticeable over the past few years. This push to digitize payments was widespread and came from myriad organizations, but the largest companies most aggressively used the pandemic as a catalyst for their digitization plans. These companies have been more ambitious than others, treating digitization as an opportunity to transform their payments operations and wholly reconsider how payment methods connect them to customers and suppliers.

The economy, currently recovering from the worst moments of the recent eco-

nomie downturn, is inspiring businesses that have not yet acted to follow the digitization trend and begin capitalizing on the benefits digitization offers. Also fueling this trend is a surge in business and consumer digital payments that has occurred during the pandemic. Because such large numbers of digital payments are streaming throughout the economy, businesses gain more than ever by digitizing their internal payments operations. Larger companies, because they have greater transaction volumes, have the most to gain.

PYMNTS' research shows that 74% of CFOs at the largest companies believe digitizing their payments operations can help improve their management of cash flow and working capital. They are at the vanguard — smaller companies have not made as much of a commitment to digitized payments. Among all compa-

nies surveyed, the share of CFOs holding this belief is just 59%. CFOs are generally aware of digitization's benefits, as 91% of all CFO respondents believe digitization will help make their payments operations more efficient. Large companies stand out from the pack again by being more likely to view digitization as a pathway to business transformation, in which the introduction of new technology allows for changes to established processes, rather than merely for automation, which cuts costs but does not transform. Businesses undertake this transformation to become more efficient, improve collaboration with other organizations inside the company and strengthen external ties with customers and suppliers.

Business Payments Digitization: Large Companies Set The Pace, a PYMNTS and Corcentric collaboration, explores in detail

what spurred so many companies to speed up their digitization plans. The findings are based on a survey of 400 CFOs who represent United States companies from five industries: manufacturing, finance, retail, transportation and healthcare. The executives' companies earn between \$400 million and \$2 billion in annual revenues. The 34-question survey asked about the digitization of payments operations and was conducted from Aug. 16, 2021, to Sept. 15, 2021. For this report, companies were divided into four categories: largest (\$1.5 billion to \$2 billion in annual revenues), mid-sized (\$1 billion to \$1.5 billion in annual revenues), small (\$750 million to \$1 billion in annual revenues) and smallest (\$400 million to \$750 million in annual revenues).

This is what we learned.

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1 Digitizing payments operations is more than merely important for the largest companies, as 74% of these businesses' CFOs say it is "very" or "extremely" essential. The average for all CFO respondents is 58%.

CFOs at the largest companies tend to be more focused on factors that strengthen their balance sheets. The disparity is narrow for issues such as the digitization of accounts receivable (AR) and accounts payable (AP) functions and asset investments, but it widens for objectives such as improving a company's connections to its sources of working capital, bolstering its ability to reduce fraud and strengthening its skill in managing its balance sheet in the current market.

Ninety-nine percent of the largest companies' CFOs say AR and AP digitization is necessary for a healthy balance sheet. Ninety-three percent of these CFOs say asset investments are "very" or "extremely" important in creating a healthy balance sheet. Each of these measures narrowly exceeds the measure among all CFOs.

2 Thirty-eight percent of CFOs say they accelerated their digitization plans to improve their balance sheets during the pandemic. Additionally, 21% of the CFOs at the largest companies say they are not digitizing their payments because they already have robust systems in place, clearly exceeding the shares of other companies that can say the same.

Only 14% of mid-sized companies, 11% of small companies and 6% of the smallest companies do not need to digitize payments operations because of the systems they already have in place. This suggests that the largest companies moved more quickly either before the pandemic or during its earliest stages to digitize their payments systems. Through this speed, the largest companies positioned themselves to reap maximum benefits. Some perceptive smaller companies are racing to catch up.

3 CFOs at the largest companies have ambitious perspectives on digitization, as a far greater share of these executives (89%) than the average (62%) believes digitization initiatives are transforming their payments processing. Companies that stress the transformational aspect of digitization want to use its efficiency gains to support new strategic initiatives.

Just 29% of CFOs at the smallest companies say digitization is about transformation. Among CFOs at the smallest companies, 71% say digitization is a matter of automation. This indicates that smaller companies tend to see their digitization efforts as merely an avenue to eliminate manual processes and cut costs. Only 11% of the CFOs at the largest companies say they are digitizing to automate their operations.

Though both groups have realized some digitization benefits, the differences in their reasons for digitizing help illustrate their varied strategies and levels of success.

4 CFO respondents representing all companies connect digitized payments systems with greater operating efficiency and stronger working capital management. Ninety-one percent of CFOs say digitizing their payments processes helped their companies become more efficient.

Companies across the revenue spectrum also received other gains from digitization. For example, 84% of companies say digitization improved their management of working capital, 62% say it helped reduce costs and 61% say their data security improved. CFOs who held these views were consistent among all business sizes.

The drive to digitize

Chief financial officers say digitizing their AR and AP functions is integral to modernizing their payments operations and improving balance sheet management.

These digitization efforts partly reflect companies' desires to capitalize on the growing use of digital payment methods throughout the business-to-consumer and business-to-business markets, as digital processes for internal operations complement digital payments from clients. Once the health crisis hit the global economy in early 2020, initiatives to digitize payments operations gained new urgency as myriad companies sought to streamline operations and costs to offset the pandemic's economic fallout.

CFOs also are prioritizing improving connections with their sources of working capital and anti-fraud systems as well as improving their ability to capitalize on the current market environment. We learned that 61% of CFOs at the largest companies say their sources of working capital are "very" or "extremely" important in creating healthy balance sheets — eight percentage points higher than the average. Thirty-six percent of CFOs from the largest companies cite fraud reduction as a "very" or "extremely" important factor in creating a healthy balance sheet, compared to an average of 28% for all companies. Twenty-three percent of CFOs from the largest companies say effective operations management in the current market environment is an important factor in maintaining a healthy balance sheet, exceeding the overall average of 16%.

61%

Share of CFOs from the largest companies who say their **sources of working capital** are "very" or "extremely" important for healthy balance sheets

FIGURE 1:
CFOs who believe digitization is important to improving balance sheets
Share of CFOs who say digitization is a "very" or "extremely" important strategy to improving balance sheets, by revenue

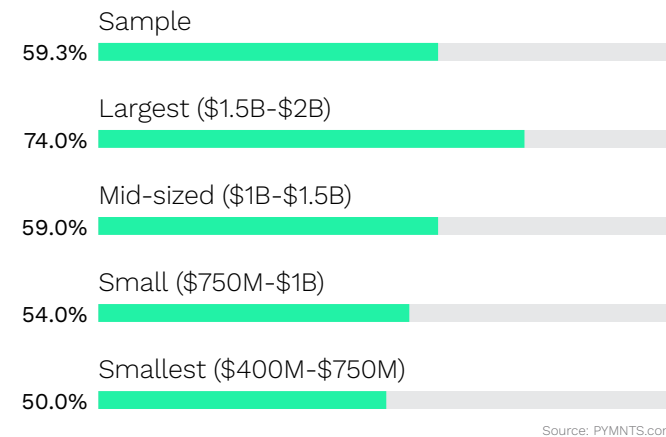


TABLE 1:
CFOs who believe select factors are important to creating healthy balance sheets
Share of CFOs who say select factors are "very" or "extremely" important in creating healthy balance sheets, by revenue

	Largest (\$1.5B-\$2B)	Mid-sized (\$1B-\$1.5B)	Small (\$750M-\$1B)	Smallest (\$400M-\$750M)
• AR/AP	99.0%	96.0%	93.0%	94.0%
• Asset investments	93.0%	87.0%	88.0%	93.0%
• Sources of capital or working capital	61.0%	59.0%	44.0%	46.0%
• Fraud reduction	36.0%	31.0%	22.0%	22.0%
• Current market environment	23.0%	13.0%	16.0%	12.0%

■ Highest

Source: PYMNTS.com

Digitization on the fast track

The pandemic profoundly affected digitization's pace by spurring more companies to undertake aggressive digitization plans. The pandemic's financial strains forced many companies to immediately make their payments operations more efficient and less costly or face severe consequences. Overall, 38% of companies fast-tracked digitization once the pandemic hit, cutting costs and better managing their cash flows and working capital.

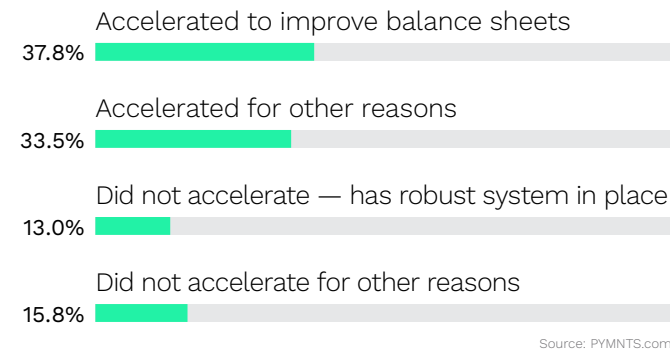
The direness of the situation distributed momentum almost evenly among companies. For example, 40% of the largest companies accelerated their plans to digitize to improve their balance sheet management, as did 36% of mid-sized companies and 36% of small companies.

Thirty-nine percent of the smallest companies also accelerated their digitization plans to strengthen their balance sheets once the pandemic hit.

FIGURE 2:

Companies that did or did not accelerate payment process digitization

Share of companies that accelerated payment processes digitization versus the share that did not



Source: PYMNTS.com

38%

Share of companies that **fast-tracked AR/AP digitization plans** once the pandemic hit

TABLE 2:

Companies of different sizes that did or did not accelerate payment process digitization

Share of companies that accelerated payment processes digitization versus the share that did not, by revenue

	Largest (\$1.5B-\$2B)	Mid-sized (\$1B-\$1.5B)	Small (\$750M-\$1B)	Smallest (\$400M-\$750M)
• Accelerated to improve balance sheets	40.0%	36.0%	36.0%	39.0%
• Accelerated for other reasons	26.0%	37.0%	33.0%	38.0%
• Did not accelerate — has robust system in place	21.0%	14.0%	11.0%	6.0%
• Did not accelerate for other reasons	13.0%	13.0%	20.0%	17.0%

■ Highest

Source: PYMNTS.com

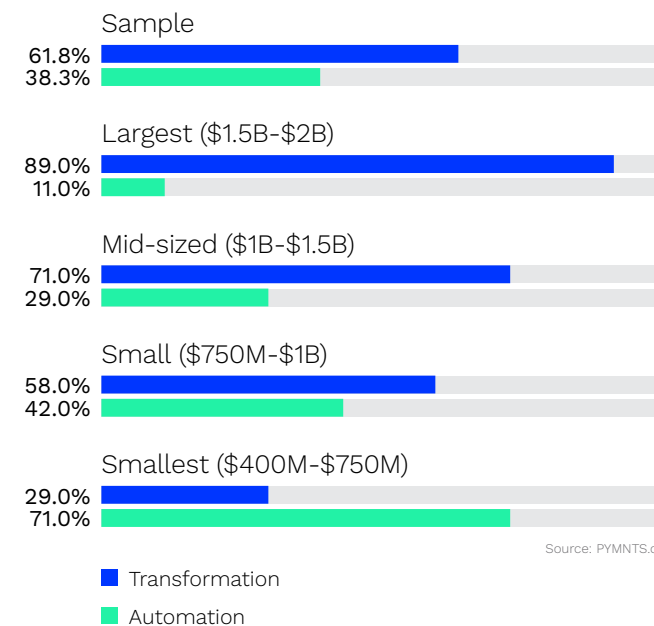
Transformation versus automation

The largest companies tend to see their digitization plans as an opportunity to transform their payments processes. Rather than expecting limited improvements, these companies' CFOs consider digitization to be a large-scale shift that not only cuts costs but also empowers them to rethink their operations and wholly evolve their collaboration with customers and suppliers. These transformation-focused companies want to leverage newly digitized operations to revamp everything they do with payments operations.

Smaller companies are more likely to consider digitization to be something smaller — a means toward automating existing manual processes or eliminating some entirely to streamline operations. These companies almost certainly save money, improve efficiency and speed up their workflows, but they may have to put more effort into adapting their internal culture than larger companies to fully capitalize on these changes.

The largest companies tend to see their digitization plans as an opportunity to transform their payments processes.

FIGURE 3:
Which companies' CFOs believe digitization is about automation or transformation
Share of CFOs who say digitization is mostly about automation or transformation, by revenue



Digitization's universal advantages

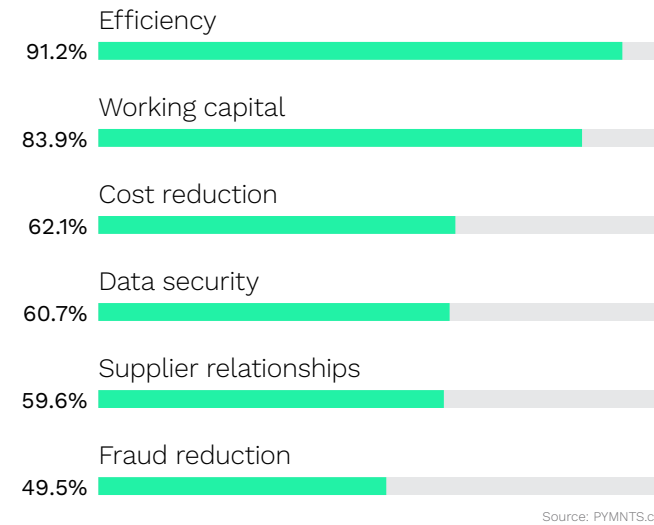
A large majority of companies across all size ranges benefited from digitizing payments processes. Ninety-one percent of CFO respondents say digitizing their payments processes made their operations more efficient, and 84% say digitization helped them improve their working capital management.

Most companies also say digitization helped them cut costs (62%), improve data security (61%) and strengthen relationships with suppliers (60%). Company size does not appear to directly determine which companies realize payments digitization benefits. PYMNTS' data shows that 62% of the largest companies say digitization helped cut costs, as is the case for 60% of mid-sized companies, 70% of small companies and 57% of the smallest companies.

Organizations that digitized realized benefits that actually exceeded their expectations. Though 61% of CFOs say they digitized operations to improve efficiency, 91% say they experienced efficiency gains. Similarly, just 45% of CFOs say they had hoped to improve management of working capital and cash flow, while 84% saw that benefit in practice.

FIGURE 4:

Digitization's benefits in payments operations
Share of CFOs who say digitization benefited select areas of payments operations positively



62%

Share of companies that say digitizing their AR/AP systems helped them cut costs

TABLE 3:

Digitization's benefits compared to companies' sizes

Share of CFOs who say digitization benefited select areas of payments operations, by revenue

	Largest (\$1.5B-\$2B)	Mid-sized (\$1B-\$1.5B)	Small (\$750M-\$1B)	Smallest (\$400M-\$750M)
• Efficiency	89.4%	91.8%	88.4%	94.8%
• Working capital	84.8%	83.6%	81.2%	85.7%
• Cost reduction	62.1%	60.3%	69.6%	57.1%
• Data security	66.7%	65.8%	53.6%	57.1%
• Supplier relationships	65.2%	58.9%	52.2%	62.3%
• Fraud reduction	66.7%	47.9%	43.5%	41.6%

■ Highest

Source: PYMNTS.com

Anti-fraud efforts on the rise

Companies also are using payments systems digitization as a reason to increase their investments in anti-fraud systems.

Half of all companies say their digitization efforts helped them reduce fraud, but the strongest support for this view is among the largest companies: 67% of them say their fraud reduction efforts benefited from digitization. Forty-eight percent of mid-sized companies, 44% of small companies and 42% of the smallest companies say digitization helped improve data security.

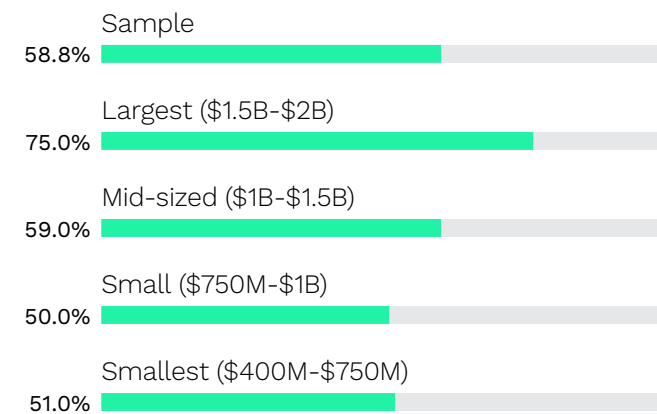
Overall, 59% of companies installed new fraud detection systems as they completed their implementation of digitized payments operations. The largest companies led the way, with 75% installing fraud detection. We also found that 59% of mid-sized companies, 50% of small companies and 51% of the smallest companies installed systems to detect fraudulent payments as they made the transition to digitized payments.



FIGURE 5:

Companies that made investments in fraud detection

Share of companies that installed new fraud detection systems as a result of digitization, by revenue



Source: PYMNTS.com

67%

Share of companies that say digitizing their AR/AP processes helped them combat fraud

TABLE 4:

Companies that made investments in specific types of fraud detection systems

Type of fraud detection systems installed, by revenue

	Sample	Largest (\$1.5B-\$2B)	Mid-sized (\$1B-\$1.5B)	Small (\$750M-\$1B)	Smallest (\$400M-\$750M)
• Data mining	67.7%	54.7%	79.7%	68.0%	72.5%
• Deep learning/neural networks	58.7%	56.0%	47.5%	68.0%	66.7%
• Rules-based algorithms	37.9%	37.3%	22.0%	44.0%	51.0%
• Artificial intelligence	39.6%	57.3%	47.5%	28.0%	15.7%
• Case-based reasoning	28.9%	36.0%	22.0%	30.0%	25.5%
• Fuzzy logic	26.8%	26.7%	27.1%	26.0%	27.5%

Source: PYMNTS.com

CONCLUSION

The decision to digitize payments processes during the past two years has positioned many companies to profit from the pandemic-influenced economy. Many businesses hope to move forward with more efficient and lower-cost payments operations that also allow them to increase their level of interaction with customers and suppliers. A great deal of economic uncertainty remains about the future, especially one in which the health crisis diminishes. One thing is certain: The new economy will continue to follow the trends of the past two years and will be powered by a much greater share of digital payments than was the case before March 2020. Companies that have established digital payments infrastructures inside their finance departments are best prepared to deliver what they need to succeed.

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METHODOLOGY

Business Payments Digitization: Large Companies Set The Pace is based on a survey of 400 CFOs representing United States companies from five industries: manufacturing, finance, retail, transportation and healthcare. The executives belong to middle-market firms that generate anywhere from \$400 million to \$2 billion in annual revenues. The 34-question survey regarded the digitization of payments operations and was conducted from Aug. 16, 2021, to Sept. 15, 2021.

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