December 2023 Report

ACCOUNTS PAYABLE AND RECEIVABLE TRENDS: WHAT'S NEXT IN AUTOMATION

PYMNTS INTELLIGENCE

AMERICAN EXPRESS

ACCOUNTS PAYABLE AND RECEIVABLE TRENDS: WHAT'S NEXT IN AUTOMATION

READ MORE

November 2023

Accounts Payable and Receivable Trends:
The Journey to Automation

PYMNTS INTELLIGENCE | AMERICAN EXPRESS

Accounts Payable and Receivable Trends: What's Next in Automation was produced in collaboration with American Express, and PYMNTS is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

TABLE OF CONTENTS

WHAT'S **AT STAKE**

More than 90% of mid-sized firms — those generating between $3.5 million and $15 million in annual revenue — that plan to further automate their accounts payable (AP) and accounts receivable (AR) processes anticipate getting more accurate, efficient or streamlined processes as a result. This technology-driven approach also reduces the time and labor involved in processing transactions, helping to explain why 44% of mid-sized firms anticipate greater savings or increased cash flow from automation. By minimizing the need for manual intervention, organizations can also cut labor costs and reduce the occurrence of errors. Automated systems process high volumes of transactions swiftly, and 51% of mid-sized firms expect improved data availability and insights gleaned from transaction trends analyzed in aggregate. The precision offered by automation is also crucial in financial reporting and compliance, where inaccuracies can lead to substantial issues, including regulatory penalties.

1 IN 4 MID-SIZED FIRMS

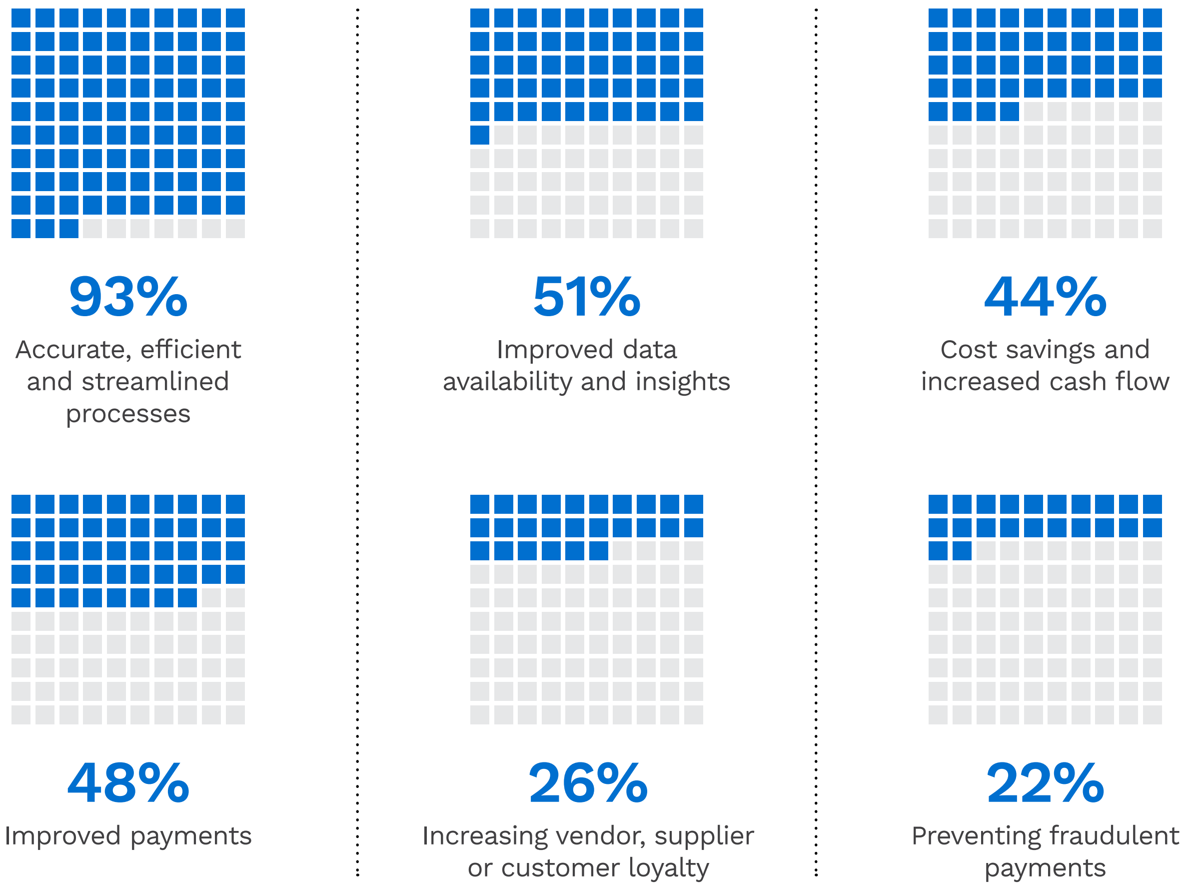
expects **increasing vendor, supplier or customer loyalty** from future innovations in automated AP/AR solutions.

Real-time visibility into financial data through automation can also enable better cash flow management, allowing organizations to forecast their financial position more accurately and best manage working capital. Data reveals that nearly half of mid-sized firms expect automation to bring greater payments speed, guarantee of payments and increased payment options. Moreover, mid-sized firms anticipate improved supplier and customer relationships through prompt payment processing, potentially leading to better terms and enhanced satisfaction.

FIGURE 1:

Widespread optimism about automation's promise

Share of firms citing expected benefits from future innovations in automated AP/AR solutions



Source: PYMNTS Intelligence
Accounts Payable and Receivable Trends: What's Next in Automation, December 2023
N = 407: Firms planning to innovate in the next three years, fielded June 9, 2023 – July 5, 2023

In this way, automation represents the next step in evolving business capabilities and growth. The scalability of automated systems ensures that they can support the growing transaction volumes characteristic of expanding operations.

Accounts Payable and Receivable Trends: What's Next in Automation is a PYMNTS Intelligence and American Express collaboration explaining the investments that mid-sized businesses have made or plan to make to automate their AP and AR processes. The study's findings are based on a survey of 412 executives with day-to-day and strategic leadership responsibilities in AP, AR and payments strategy, conducted from June 9 to July 5, as well as 83 follow-up responses gathered between Aug. 11 and Aug. 21.

This is what we learned.

KEY FINDINGS

01

VENDOR SATISFACTION

Fully automating AP processes leads to significantly higher vendor satisfaction.

74%

Share of mid-sized firms reporting improved vendor satisfaction following full AP automation; the corresponding share is 40% for mid-sized firms with just some automation

02

ANTICIPATED BENEFITS

Mid-sized firms expect cost savings, improved payment speeds and greater optionality from further automation.

48%

Share of mid-sized firms planning to automate further in the next three years that expect to see improved payment processes

03

STRATEGIC AUTOMATION

Firms are strategically automating certain payment types, focusing on discounts, important suppliers or vendors and payments involving manual calculations.

40%

Share of mid-sized firms prioritizing payments that involve greater manual calculations in the next three years

04

WHAT'S NEXT

Decisions about what to automate next depend on a firm's current level of AP/AR automation.

64%

Share of mid-sized firms with three or more automated AP processes reporting they will prioritize automating payments of regular amounts next

PYMNTS
IN DEPTH

Automation improves vendor relationships, with mid-sized firms with fully automated AP processes enjoying nearly double the supplier satisfaction than those with partial to no automation.

Firms expect further automation to bring wide-ranging improvements — and help them remain strong against economic headwinds.

Firms have high expectations regarding the benefits of advancing automation within AP and AR systems. A significant 44% of mid-sized firms anticipate cost savings and enhanced cash flow as a direct result of implementing further automation within the next three years. A slightly larger group, 48%, expects to see payment processes accelerate, with more reliable payments and a broader range of payment options emerging. Additionally, 93% of these firms predict automation will lead to more accurate and efficient processes, confirming a strong consensus on the positive impact of the technology on financial operations.

MORE THAN 1 IN 5 MID-SIZED FIRMS

anticipate **improved prevention of fraudulent payments** as they automate AP or AR processes in the next three years.

Current automation levels influence the benefits anticipated from automating additional processes, as the greatest rewards are reserved for those who commit fully. Ninety-five percent of firms that have automated all AP processes report achieving greater accuracy, efficiency and streamlining of processes compared to 84% that have partially automated. The data suggests that there should be no half measures: Mid-sized firms stand to gain substantial operational efficiencies and cost savings by fully automating their processes. Partial automation, while beneficial, does not capture the full spectrum of improvements in accuracy and efficiency that complete automation can offer.

FIGURE 2:

Firms' hopes for automated AP processes

Share of firms citing benefits that automation brings to current AP systems, by level of automation achieved

Benefit	Have automated all processes	Have not automated all processes
ACCURATE, EFFICIENT AND STREAMLINED PROCESSES	95%	84%
INCREASED SAVINGS, CASH FLOW, GROWTH	84%	72%
INCREASE VENDOR SATISFACTION	74%	39%
BETTER DATA VISIBILITY AND INSIGHT	53%	40%
EASIER COMPLIANCE AND MONITORING	58%	33%

Source: PYMNTS Intelligence Accounts Payable and Receivable Trends: What's Next in Automation, December 2023
N = 412: Firms that have automated at least some AP processes, fielded June 9, 2023 – July 5, 2023

Most mid-sized firms have embraced partial automation for both AP and AR processes.

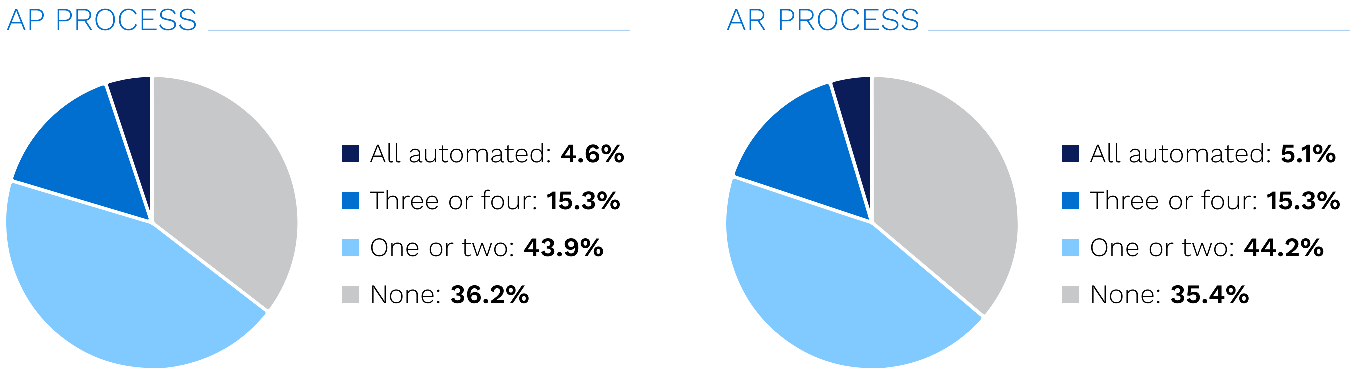
Roughly 5% of mid-sized firms have completely automated their AP or AR processes, but most firms have begun the automation process and have further plans to innovate. More than 60% of firms have initiated some degree of automation in their AP and AR processes, with 64% having at least partially automated payment disbursements and 65% having at least partially automated collections. However, full automation is rare; just 5% of mid-sized firms have completely automated all processes. We find an overall trend toward enhancing the comprehensive benefits of automation for processing larger payment volumes, as 93% of mid-sized firms are transitioning toward further AR automation, and 91% are progressing similarly with their AP operations.

Automation initiatives have begun expanding across firms populating the middle market. Despite 36% of mid-sized firms still operating fully manual AP processes and 35% still having fully manual AR processes, the move toward automation is nearly universal, with next to no mid-sized firms in our survey expressing no intent to automate their AR operations. Just 1.2% have no intent to automate AP processes. The trend towards automation is consistent across both AP and AR systems, implying that a significant reduction in manual AP and AR processes is on the horizon, with the industry-wide transformation to more efficient, technology-driven operations already underway.

FIGURE 3:

Most mid-sized firms have started the journey to automation

Share of firms that have automated a select amount of their AP/AR processes



Source: PYMNTS Intelligence
Accounts Payable and Receivable Trends: What's Next in Automation, December 2023
N = 412: Firms that have automated at least some AP processes, fielded June 9, 2023 – July 5, 2023

Mid-sized firms express interest in automating a wide range of payment types in the next three years, yet nearly 1 in 5 say they would automate payments to partners that offer discounts first.

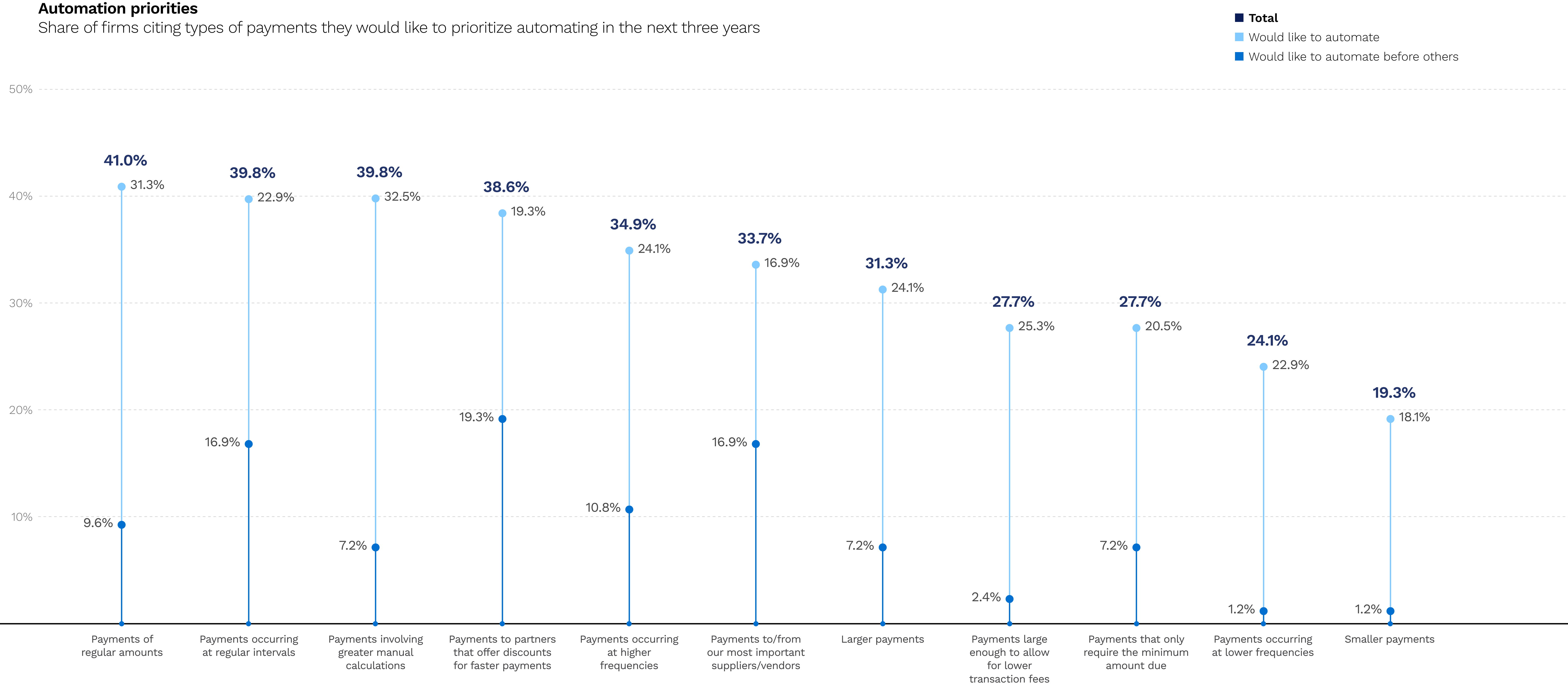
Mid-sized firms are strategic in what they would prioritize when continuing their automation journey, and not all cost savings are as equally desirable. Just 2.4% of mid-sized firms — a small fraction — opt to prioritize large payments for lower transaction fees. On the other hand, 17% have elected to prioritize automating transactions with key suppliers, emphasizing the importance of strategic relationships. One key area of future automation is for payments that require intensive manual effort, with 7% of mid-sized firms considering this their first automation priority and a substantial 40% wanting to automate this practice overall. This suggests a strong desire to increase operational efficiency and reduce error-prone tasks — and indicates that these firms are targeting AP and AR automation efforts where they can most improve efficiency and reliability across finance department operations.

Payments of regular amounts and payments occurring at regular intervals are most likely to be automated soon: The data reveals that many mid-sized firms are poised to automate payments with predictable patterns within the next three years, as 41% of mid-sized firms plan to focus on automating payments of regular amounts and 40% plan to focus on automating payments made at regular intervals. Doing so reflects a strategic emphasis on consistency and predictability in financial operations. Conversely, smaller payments are less likely to be automated in the near term, as just 19% of firms are interested in automating this feature, suggesting that firms perceive the benefits of automating such payments as not justifying the immediate investment. However, the data also indicates that automation priorities vary with a firm's annual revenue: Mid-sized firms with higher revenues are more likely to prioritize automating regular payments made in set amounts and at regular intervals. This suggests that as firms grow and revenues increase, there is a corresponding shift towards streamlining predictable financial transactions to optimize efficiency and financial management.

FIGURE 4:

Automation priorities

Share of firms citing types of payments they would like to prioritize automating in the next three years



Source: PYMNTS Intelligence
Accounts Payable and Receivable Trends: What's Next in Automation, December 2023
N = 83: Recontacted firms, fielded Aug. 11, 2023 – Aug. 21, 2023.

FIGURE 5:

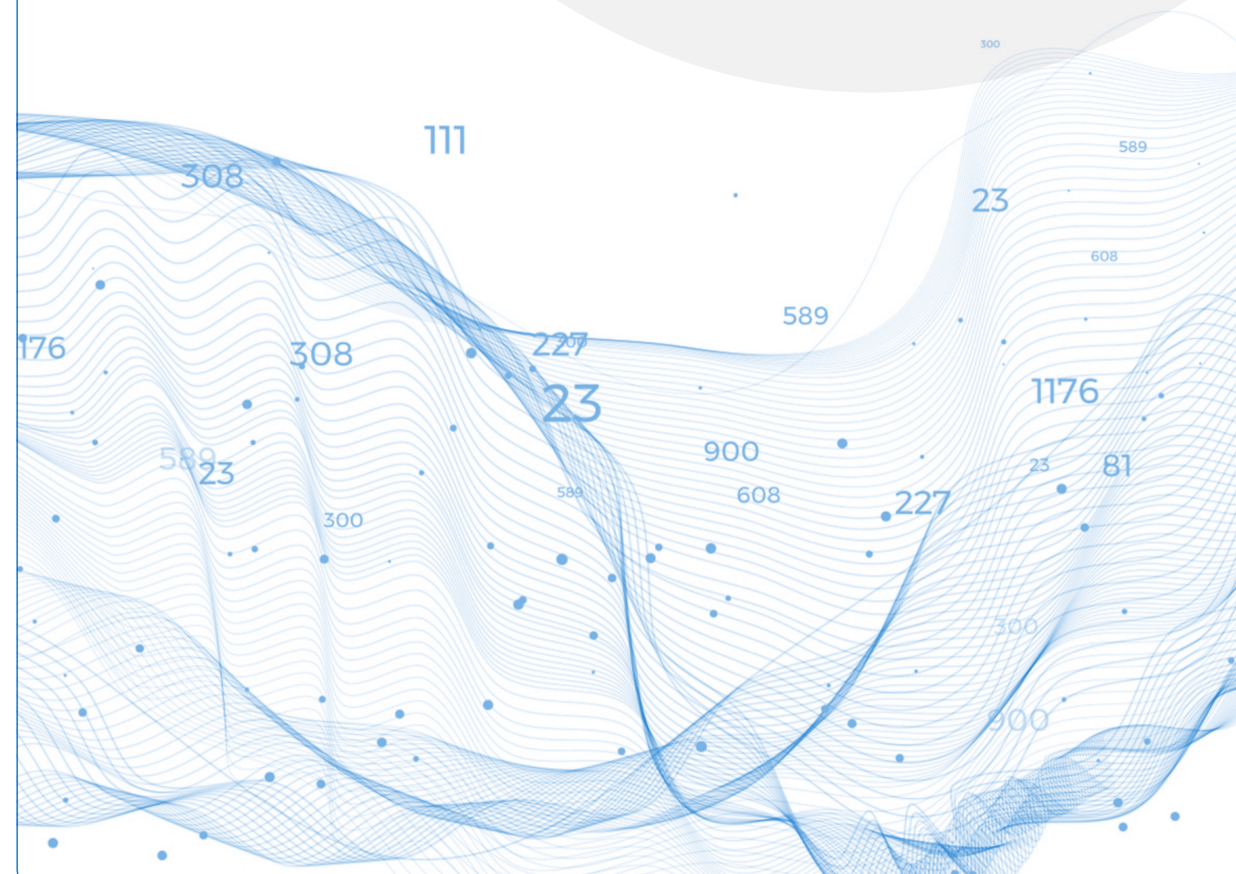
Revenue levels' impact on automation priorities

Share of firms citing types of payments that they would like to prioritize automating in the next three years, by annual revenue

	BETWEEN $3.5M-$5M	BETWEEN $5M-$8M	BETWEEN $8M-$15M
• Payments occurring at regular intervals	31.6%	45.5%	**40.5%**
• Payments involving greater manual calculations	31.6%	45.5%	**40.5%**
• Payments of regular amounts	21.1%	**59.1%**	**40.5%**
• Payments to partners that offer discounts for faster payments	42.1%	36.4%	38.1%
• Payments occurring at higher frequencies	31.6%	36.4%	35.7%
• Payments that only require the minimum amount due	21.1%	27.3%	31.0%
• Payments to/from our most important suppliers/vendors	**52.6%**	31.8%	26.2%
• Larger payments	47.4%	27.3%	26.2%
• Payments large enough to allow for lower transaction fees	31.6%	31.8%	23.8%
• Payments occurring at lower frequencies	21.1%	31.8%	21.4%
• Smaller payments	21.1%	18.2%	19.0%

Source: PYMNTS Intelligence
Accounts Payable and Receivable Trends: What's Next in Automation, December 2023
N = 83: Recontacted firms, fielded Aug. 11, 2023 – Aug. 21, 2023.

Many mid-sized firms are **poised to automate payments with predictable patterns** within the next three years.



Decisions about which payments to automate next depend largely on a firm's current level of automation.

In particular, the level of AP automation significantly influences firms' strategic decisions about further automation. Firms new to AP automation tend to start with regular and predictable processes — those that involve manual calculations or offer discount incentives for prompt payment, with 43% of mid-sized firms without any AP automation focusing on these areas. More advanced firms that have automated at least three processes are unique, as 43% aim to automate payments with just the minimum amount due. By contrast, just 21% of firms beginning their automation journey plan to automate payments that only have a minimum amount due. Meanwhile, firms with moderate automation — one to two processes — target low-frequency, consistent and larger payments. The net result is more nuanced control of cash and cash optimization, including lower financing costs.

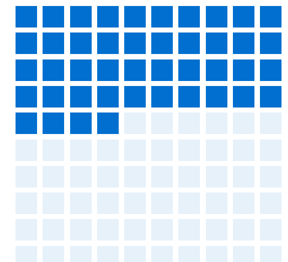
FIGURE 6:

Prior AP automation's impact on upcoming plans
Share of firms citing types of payments that they would like to prioritize automating in the next three years, by level of AP automation

	NO AUTOMATED PROCESSES	ONE OR TWO AUTOMATED PROCESSES	MORE THAN THREE AUTOMATED PROCESSES
• Payments occurring at regular intervals	**42.9%**	29.3%	**64.3%**
• Payments occurring at higher frequencies	28.6%	34.1%	50.0%
• Payments that only require the minimum amount due	21.4%	26.8%	42.9%
• Payments to/from our most important suppliers/vendors	28.6%	34.1%	42.9%
• Payments involving greater manual calculations	**42.9%**	36.6%	42.9%
• Payments large enough to allow for lower transaction fees	25.0%	26.8%	35.7%
• Payments to partners that offer discounts for faster payments	**42.9%**	36.6%	35.7%
• Payments of regular amounts	39.3%	**43.9%**	35.7%
• Payments occurring at lower frequencies	7.1%	36.6%	21.4%
• Smaller payments	14.3%	24.4%	14.3%
• Larger payments	28.6%	39.0%	14.3%

Source: PYMNTS Intelligence
Accounts Payable and Receivable Trends: What's Next in Automation, December 2023
N = 83: Recontacted firms, fielded Aug. 11, 2023 – Aug. 21, 2023.

44%



Share of mid-sized firms that have automated one or two AP processes and **would like to prioritize automating payments of regular amounts** in the next three years.

Similarly, the next moves in AR automation that a mid-sized firm might take depend on its current level of AR automation. Fifty-nine percent of mid-sized firms that have extensively automated their AR processes are looking to prioritize payments of regular amounts next. This contrasts with the broader trend, in which just 41% of mid-sized firms aim to automate payments of regular amounts. The implication is clear: As finance departments progress through their automation journeys, their strategies become more refined and prioritize consistency and predictability in transactional operations.

FIGURE 7:

Prior AR automation's impact on upcoming plans

Share of firms citing types of payments that they would like to prioritize automating in the next three years, by level of AR automation

	NO AUTOMATED PROCESSES	ONE OR TWO AUTOMATED PROCESSES	MORE THAN THREE AUTOMATED PROCESSES
• Payments of regular amounts	30.0%	39.1%	**58.8%**
• Payments occurring at regular intervals	40.0%	34.8%	52.9%
• Payments occurring at higher frequencies	40.0%	26.1%	52.9%
• Payments involving greater manual calculations	30.0%	**43.5%**	41.2%
• Payments that only require the minimum amount due	15.0%	28.3%	41.2%
• Payments to/from our most important suppliers/vendors	**45.0%**	26.1%	41.2%
• Payments large enough to allow for lower transaction fees	30.0%	23.9%	35.3%
• Payments to partners that offer discounts for faster payments	35.0%	**43.5%**	29.4%
• Payments occurring at lower frequencies	25.0%	23.9%	23.5%
• Larger payments	**45.0%**	30.4%	17.6%
• Smaller payments	25.0%	19.6%	11.8%

Source: PYMNTS Intelligence
Accounts Payable and Receivable Trends: What's Next in Automation, December 2023
N = 83: Recontacted firms, fielded Aug. 11, 2023 – Aug. 21, 2023.

DATA FOCUS

Between 35% and 36% of mid-sized firms — most likely those outside of the retail industry — have not implemented any automation.

Approximately one-third of firms that have not automated any AP or AR processes expect high growth in the next three years.

Mid-sized firms annually generating between $3.5 million and $15 million reveal no clear trend toward automation, suggesting they are taking various approaches to automating AP and AR operations. Just 13% to 15% of mid-sized firms anticipate high growth, suggesting that their hesitation to automate may be linked to modest growth goals or a lack of readiness to scale. This presents a significant implication for finance operations: The adoption of automation might not only reflect but also drive a firm's growth trajectory, indicating that proactive approaches to updating financial processes could be a catalyst for expansion via automation. For those not automating AP, for example, 32% annually earn between $3.5 million and $5 million, while 34% generate between $5 million and $8 million and 35% secure between $8 million and $15 million. For those not automating AR, 42% fall in the lowest revenue band, with 20% in the highest annual revenue group.

ACTIONABLE INSIGHTS

01

Embracing full AP automation is not just about efficiency, as it can directly enhance vendor relationships. Firms considering automation should note this move for its strategic advantage, potentially improving negotiation terms and supply chain stability.

02

The potential for cost savings and increased cash flow from automation is significant. Mid-sized firms stand to benefit by considering this approach in their strategic planning, potentially leading to a more robust financial position.

03

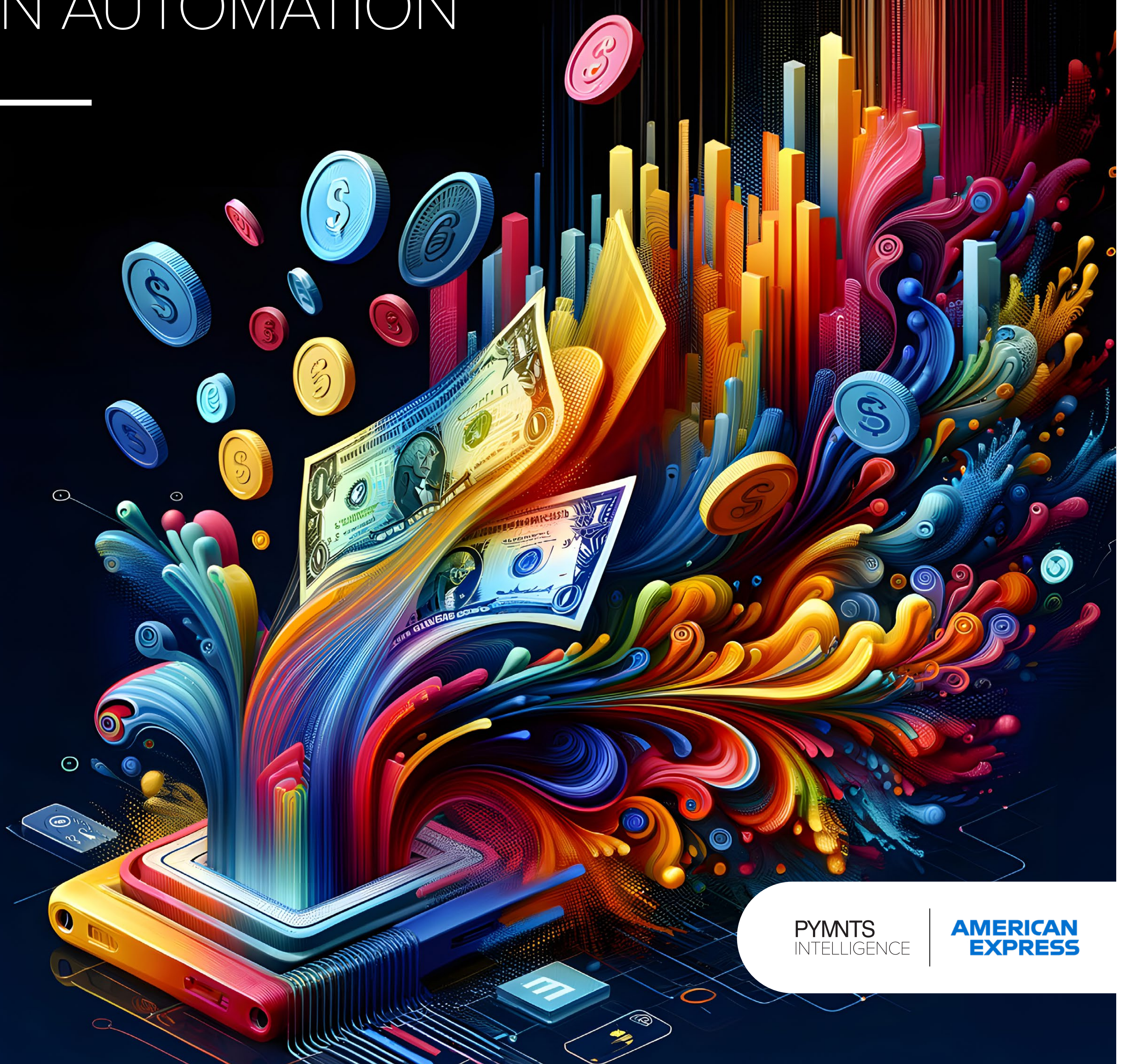
As firms mature in their automation journeys, they often shift focus toward automating high-frequency and regular-interval payments. This suggests that once mid-sized firms have automated AP and AR needs that address immediate pain points, such as larger payments and payments to partners, they prioritize automation of their day-to-day systems.

04

The link between automation and growth is evident, with firms not automating any processes expecting less growth. This indicates that automation may be more than an operational upgrade, as it should prove crucial for scaling business operations going forward.

December 2023 Report

ACCOUNTS PAYABLE AND RECEIVABLE TRENDS: WHAT'S NEXT IN AUTOMATION



PYMNTS INTELLIGENCE | AMERICAN EXPRESS

METHODOLOGY

Accounts Payable and Receivable Trends: What's Next in Automation is based on survey responses from 412 executives and conducted from June 9 to July 5. It also draws on 83 follow-up responses gathered between Aug. 11 and Aug. 21. The report explains the investments that mid-sized businesses have made or plan to make to automate their AP and AR processes. Our sample contained executives with day-to-day and strategic leadership responsibilities in AP, AR and payments strategy. We sampled small firms annually generating between \$3.5 million and \$15 million in revenue and have six to 50 employees.

ABOUT

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS REPORT

Scott Murray
SVP and Head of Analytics

Alexandra Lange, PhD
Senior Analyst

Inci Kaya and
Adam Putz, PhD
Senior Writers

AMERICAN EXPRESS

American Express is a globally integrated payments company, providing customers with access to products, insights and experiences that enrich lives and build business success. Learn more at americanexpress.com, and connect with us on Facebook, Instagram, LinkedIn, Twitter and YouTube.

Key links to products, services and corporate responsibility information: charge and credit cards, Business Class for Merchants, business credit cards, travel services, gift cards, prepaid cards, merchant services, Accertify, InAuth, corporate card, business travel and corporate responsibility.