



***Automating and  
Monetizing Payables:  
The New Standard for AP***

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# Automating and Monetizing Payables: The New Standard for AP

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## Executive Summary

*Today's Best-in-Class accounts payable (AP) operations take a holistic approach to transformation, one that automates its operations, and incorporates and prioritizes the requirements and objectives of the greater enterprise. These AP leaders are not alone as more and more AP groups are transforming operations to improve their operational performance, increase their financial impact, and become a more strategic function. To maximize the impact of a transformation initiative, AP teams should focus on the entirety of their payables process, namely the invoice receipt, processing, and supplier payments phases, and then use automation and monetization tools/strategies to create maximum value for the enterprise. This report will demonstrate how an integrated payables approach can drive greater cost savings, efficiencies, control, and compliance within the AP function, and enable it to monetize payments in a way that can generate new significant cash flow while also improving supplier relationships.*

### In 2020, Invoice Automation is Not Enough

On the eve of a new decade, most AP leaders understand that a failure to automate processes and manage them holistically can incur real costs, including higher processing costs and times, missed opportunities to make a positive financial impact (e.g., early-payment discounts, enhanced cash management, and card rebates), and greater financial risk caused by poor visibility into and control over AP processes and enterprise spend. A lack of automation across the scope of AP operations, including invoice and payment processing, can also, among other things, erode internal (procurement and the line of business) and external (supplier) relationships.

In 2020, a fully-manual AP department is an anachronism. That is because AP groups are increasingly striving to achieve operational excellence and deliver financial impact. To maximize the impact of their operations, AP teams must focus their transformation efforts on the entirety of their

processes, including invoice receipt, processing, and supplier payments and on developing strategies that can impact the organization's bottom line.

### **A New AP Value Equation: Automation and Monetization**

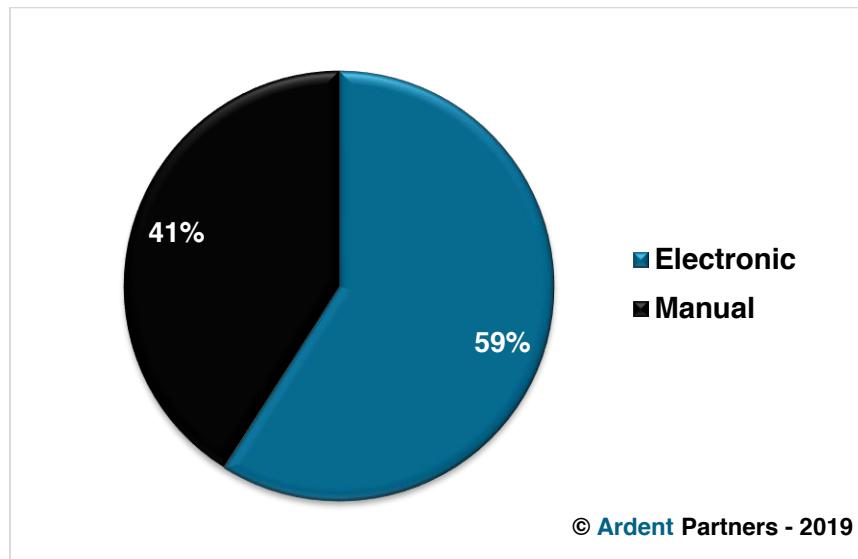
Today's leading AP programs are designed to improve collaboration with internal and external stakeholders, enhance how treasury and other finance functions manage cash, and cultivate a "smart" environment that utilizes data and intelligence culled from AP processes and systems. To maximize the opportunities available across the entire value chain, AP must take a holistic and integrated approach to payables and also look to monetize them.

Best-in-Class AP leaders understand that technology alone does not deliver higher performance; it must be matched by superior processes, engaged talent, and the right strategy. For AP teams to transcend from a back-office function to a strategic value driver, AP and finance leaders need to take a two-pronged approach that combines automation with a strategy to monetize payables. This approach can not only deliver operational efficiencies and cost savings, but also generate cash-back returns for the organization.

Smart Chief Financial Officers, Treasurers, and other financial leaders seek the best risk-free returns on working capital. Today, there are several tools/strategies available through the AP process, such as card payments and early-payment discounts that provide an opportunity to achieve high, risk-free returns. These new programs deserve consideration for the significant impact they can provide to organizations.

### ***The Value of Automating Payables***

The journey to AP excellence begins with a single step and maximizing efficiency opportunities is generally the first one taken. Ardent Partners research has shown that transforming the modern AP function via the removal of paper invoices and checks from the AP process can drive down costs significantly while improving effectiveness. Most AP and finance leaders understand the perils of paper and manual processes for their organizations as well as the benefits of AP automation which can significantly improve performance, increase efficiencies, reduce risk, and drive more value. Basic process automation also lays the foundation for smarter systems that capture valuable AP data and enable smarter decisions to be made within AP and by AP's strategic partners within treasury and procurement. The good news is that across the entirety of their AP operations, the market now sees that a majority of invoices are processed electronically (55%) and that a majority payments are made electronically (59%, *see Figure 1, below*).

**Figure 1: B2B Payment Types**

Ardent's research shows that 59% of all invoice payments in the market today are made electronically while 41% remain manual (see *Figure 1*). This figure represents a sizable increase over the level of ePayments just a few years ago and is part of a growing move by businesses away from manual B2B payments. Based upon its research and the convergence of several key trends like increased competition and the demand for greater performance from all business functions, Ardent expects this trend toward ePayments to continue apace, if not accelerate.

ePayments are fast becoming an essential component of the overall AP process and enterprises are increasingly thinking about their operations in a holistic manner. ePayments offer a higher level of efficiency, visibility, and accuracy, not only throughout an enterprise, but to its extended supply chain. ePayments (and the holistic automation of an AP departments) also enable expanded collaboration between trading partners that can unlock financial value for both parties. This includes increased opportunities for buying organizations to monetize supplier payments.

### ***Monetizing Payables to Generate Revenue***

Advanced payables automation efforts, broadly, and payables transformation, specifically, include optimizing payments to generate revenue (in the form of cash back) to the organization. AP's control over supplier payments places it in charge of what is frequently the largest single non-payroll source of cash outflows in the enterprise. This presents an opportunity to drive considerable financial value to the business at large by

crafting and deploying a robust supplier payment strategy that enable AP teams to *monetize* their payments – to generate revenue from transactions at scale using advanced payment methods and strategies. These methods can include:

- **The utilization of card payments to generate revenue.** Card payment solutions are the most widely adopted ePayment solutions, in part because of their ease of use, expanded flexibility, and market acceptance. For example, utilizing virtual cards provides some advantages over other forms of payment. These include but are not limited to: the ability to generate rebates from purchases, increased security, and increased speed of settlement. In order to achieve a high volume of card usage, it is essential to leverage a strategy and have dedicated resources that are focused on driving continuous supplier enrollment campaigns in order to maximize payment volumes, and as such, cash-back returns.
- **Capturing more early-payment discounts.** By reducing invoice processing times through the use of automation, AP organizations are better able to capture the early payment discounts offered by their suppliers. The yields on these early payments typically surpass cash returns on other risk-free investments available in the financial markets. While automation can accelerate invoice processing so that an early payment can actually be considered, it is important for businesses to develop a more comprehensive strategy that focuses on maximizing supplier enrollment onto AP automation platforms and into early-payment discount programs.
- **Optimizing working capital through the use of supply chain finance options.** With improved visibility into current supplier payment liabilities, organizations can become more strategic and leverage supply chain financing, which utilizes third-party funds, to optimize working capital and capture early-payment discounts without impacting cash on hand or days payable outstanding (“DPO”). Employing working capital financing, if done correctly, can provide the best of both worlds: it can enable AP teams to earn early-payment discounts while also enabling them to stay within cash-flow constraints for specific time periods, or an organization’s requirements [The combination of the billing cycle allowing for an extended “float” (and higher DPO) and the rebate putting money back into the enterprise’s accounts are two other advantages.].

## The New Standard for AP: An Integrated, Holistic Approach

Modern AP solutions are well ahead of their predecessors in terms of the capabilities, functionality, and the user experience (UX) they deliver to AP personnel, business users, and suppliers. Collectively, these solutions are designed to improve automation levels, expedite invoice and payment processing, minimize exception handling, and provide end-to-end operational and performance visibility, while being able to optimize working capital and cash-back return potential for an organization. They can unify payables automation and monetization, and deliver the following capabilities to AP teams today:

1. A comprehensive AP automation platform that seamlessly links invoice receipt and workflow to payment and settlement, which Ardent Partners refers to in its ePayables Framework. Modern, automated payables solutions help to ensure that AP's traditional annoyances (exceptions, bottlenecks, errors, delays, etc.) are as close to eliminated as possible, while driving down invoice- and payment-processing costs and significantly improving time-to-approval rates. These platforms benefit from the inclusion of a front-end supplier portal with self-service features to facilitate supplier on-boarding, enablement, electronic invoice submission, and handling supplier inquiries – all of which enhance the supplier's experience and reduce administrative support activities for the buying organization.
2. One unified application that provides AP users with a single user experience (UX), a common “look and feel” for both web and mobile, and end-to-end process workflows, for greater speed and efficiency.
3. Monetization that can generate cash from card rebates, early-payment discounts, and transaction cost savings (from eliminating paper checks).
4. The ability to integrate with multiple back-end (ERP) systems in real-time and leverage data, business rules, and logic built into the enterprise's core financial systems.
5. Comprehensive analytics and reporting tools that enable AP groups to become true “hubs” of visibility and intelligence, extending the value created by AP within the enterprise and across the supply chain.

### ***Best-in-Class Technology Adoption to Monetize AP***

High-performing AP teams, which Ardent Partners calls “the Best-in-Class,” have often differentiated themselves significantly from their peers. In Ardent’s annual “State of ePayables 2019” report published in May, Best-in-Class AP operations were defined as the 20% of enterprises with the lowest average processing costs and the shortest average processing cycle times. These enterprises tend to leverage technology at a much higher rate than their peers, which makes their AP processes more efficient and enables their AP teams to have a more strategic focus. In fact, Best-in-Class AP teams provide the clear example of AP solution adoption correlating with improved performance (see *Figure 2, below, and Table 1, next page*).

Top-performing enterprises have taken their AP operations to the next level by leveraging technology to streamline the AP process, making it more efficient and strategic, while creating more opportunities to improve monetization.

**Figure 2: AP Technology Utilization, Best-in-Class vs. All Others**

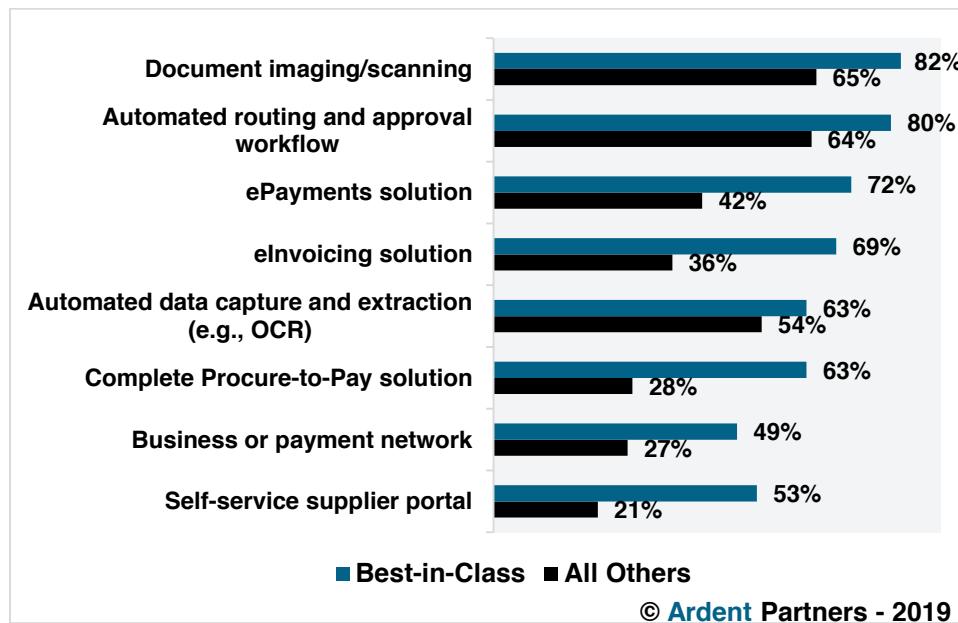


Figure 2 shows how Best-in-Class AP teams report, by wide margins, significantly higher adoption of ePayments and eInvoicing solutions, as well as several common and effective features and innovations, like self-service supplier portals and business/payment networks.

- Best-in-Class AP teams are 92% more likely than their peers to utilize eInvoicing, as part of their overall AP program and avoid manual and time-consuming tasks associated with paper.
- Best-in-Class AP teams utilize ePayments 71% more than all others, which helps bridge invoice receipt and processing via an automated link to settlement.
- Best-in-Class AP teams are roughly 180% more likely to utilize business or payment networks which can drive greater efficiencies, supplier enablement, and cost reductions across the board.
- Additionally, Best-in-Class AP teams are more than twice as likely as all other AP teams to provide self-service supplier portals to their supplier base, which can drive faster and easier onboarding, invoice processing, payment receipt, and enable suppliers to check on payment status without burdening the buying organizations.

When integrated and used in concert, these AP solutions can drive efficiencies that result in superior performance. A look at Best-in-Class performance relative to their peers (see *Table 1*) suggests that the use of these automation solutions can contribute to an AP organization's effort to drive value within the department and across the enterprise.

**Table 1: AP Performance, Best-in-Class vs. All Others**

Metrics	Best-in-Class	All Others
Cost to process a single invoice (all-inclusive cost)	\$2.18	\$12.60
Time to process a single invoice	2.9 days	10.8 days
Ability to make electronic payments (e.g., ACH, card, wire transfers, etc.)	92%	62%
Percentage of suppliers that receive electronic payments	71.4%	32.2%
Invoice exception rate	10.1%	23.3%
Percentage of invoices processed "straight-through"	65.3%	19.2%
Percentage of suppliers that submit invoices electronically	49.0%	16.0%

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As Table 1 highlights, these leading organizations have significant performance advantages when compared with their peers. Best-in-Class AP teams achieve per-invoice processing costs that are **nearly 6-times lower**, and invoice processing times that are over **3-times faster** than all other groups. Best-in-Class AP teams also enable a significantly greater

percentage of suppliers onto these platforms to transact electronically as shown by the fact that **3.1-times more** suppliers can submit electronic invoices and **2.2-times more** suppliers can receive electronic payments. Additionally, their invoice exception rates are **57% lower**, and they have a **2.5-times higher** percentage of PO-based invoices than their peers. Best-in-Class organizations also process **65%** of their invoices in a straight-through manner, a factor which likely contributes to their overall success.

## Why Traditional Bank Approaches Are Insufficient

As the B2B payment process continues to become more strategic to financial operations, businesses of all sizes are increasingly starting to explore the different B2B payment and financing options that extend beyond their current banking relationships. While most banks offer card programs, the average bank's capabilities to support advanced B2B payment strategies, including non-card technology can be limited to a few standard offerings.

AP leaders should work to ensure they have access to the latest B2B payment technologies and modern AP solutions. Many AP and B2B payment solution providers offer features and services which can drive efficiencies and monetize the overall process, including capabilities that foster agility and innovation and provide finance leaders with new and innovative ways to find more savings, increase cash-back returns on capital, while also strengthening supplier relationships via their B2B payment processes.

## Strategies for Success

As Accounts Payable and Finance leaders begin to consider how to go about driving digital transformation within their organizations, Ardent Partners offers the following recommendations to help get them started:

- **Take a holistic approach to modernize the entire AP process, including process automation and payment monetization.**
- **Build a business case for a comprehensive transformation using projected returns from automation and monetization.**
- **Ensure that B2B payments is central to the project scope and evaluate solutions as part of the overall strategy.**
- **Use a total cost of ownership ("TCO") approach to any AP technology investment. This includes incorporating both the cost of integration to back-end systems and transaction fees.**
- **Partner with Treasury to develop and execute a strategic B2B payments strategy.**

## Conclusion

In a world where the speed of business continues to accelerate, it is imperative that enterprises of all sizes take a close look at how they manage their invoices and pay their suppliers. However, in 2020, the simple fact of the matter is that simply automating AP operations is not enough. AP organizations should tap into the opportunities to monetize supplier payments, as well as become more strategic and deliver a greater financial impact. Those that fail to do so leave money on the table and risk falling behind the competition.

# Appendix

## About the Authors



**Bob Cohen is a Research Director and Vice President of Marketing at Ardent Partners.** A seasoned professional with more than 15 years of experience helping businesses transform their Procure-to-Pay operations, Bob is the leading analyst in the ePayables space. Prior to joining Ardent, Bob spent 12 years working as a Vice President at Basware, where he helped establish the firm's U.S. presence as a major player in the AP automation space. In his career, Bob has helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, P2P, and Business Network solutions. Cohen has also worked at American Express where he helped the commercial card giant better align its products and services with a continually evolving market.

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