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ARDENT PARTNERS' AP PULSE ON THE MID-MARKET IN 2022

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Underwritten by:

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About:

Tipalti provides a unified global payables solution to enable businesses and finance departments to automate and scale their payables operations effortlessly as they adapt their businesses to changing needs while focusing more on mission-critical initiatives. With Tipalti, businesses will never again need to implement another system, spend valuable time managing payables, or hire resources to keep supporting accounts payable. Tipalti's end-to-end solution includes Supplier Management, KPMG Approved Tax Engine, Purchase Order Management, Touchless Invoice Processing, Global Payments, Foreign Exchange Solution, Early Payments and integration with any ERP system. Organizations can manage unlimited number of entities in a single instance with enterprise-grade financial controls.

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About this eBook

Over the past decade, Ardent Partners has conducted more Accounts Payable (AP) market research studies than any other firm or consultancy in the industry. In that time, Ardent has benchmarked thousands of distinct mid-market enterprises (defined as those having annual revenues between $50mm - $500mm) across all phases of its proprietary ePayables framework - Receipt, Process, and Pay. Ardent Partners' AP Pulse on the Mid-Market in 2022 eBook draws on data from the marketplace, curated by Ardent Partners' market-leading research team, and is a compilation of knowledge and benchmarks needed by mid-market enterprises ("MME") to gain key insights into accounts payable operations including the top priorities and challenges facing AP today.

AP's Impact in the Mid-Market

Paper and manual invoice processing remain a problem for many mid-market enterprises. Not surprisingly, nearly 70% have prioritized AP automation in 2022. The result of this attention was a 48% increase (since last year) in appreciation for AP's value to the overall enterprise. Sixty-eight percent of mid-market enterprises now view AP as "exceptionally or very valuable" and recognize the critical part it serves as an operation supporting enterprise objectives and as a "hub" of intelligence.

68%
of Executives Say AP is
"Exceptionally Valuable"
or **"Very Valuable"**

AP's Top Priorities for 2022

Paper and manual invoice processing remain a problem for many mid-market enterprises and it is not surprising that nearly 70% of mid-market AP organizations. Two of the top priorities ("Implementing AP automation and Eliminating paper invoicing and reducing manual tasks") focus on addressing these areas. The other top priority of mid-market enterprises is improving overall reporting and analytics which is needed to satisfy the increasing organizational demands for operational data and strategic intelligence.

AP's Top Priorities:

2 SILVER

1 GOLD

3 BRONZE

Improve AP reporting and data analytics
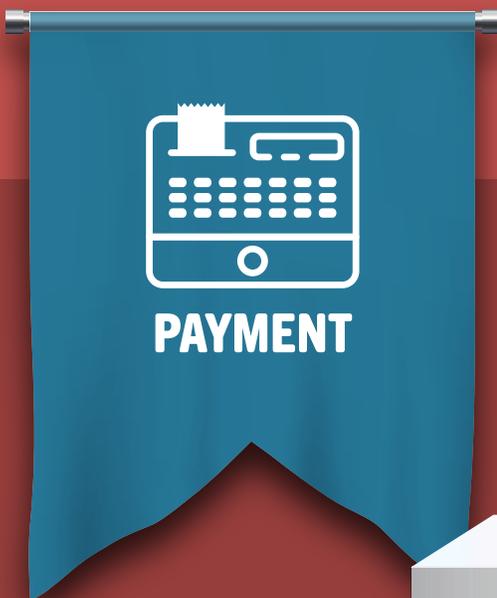
Implement AP automation

Eliminate paper invoicing and reduce manual tasks

Top Payment Priorities for 2022

Cash is the lifeline of every organization. The link between B2B payments and overall cash management has never been more appreciated than during the COVID-19 pandemic. Increased focus on cash during recent times of uncertainty has led to more mid-market organizations exploring B2B payment solutions as a means to reduce costs, improve efficiency, and gain better control.

PAYMENT

Top B2B Payment Priorities:

IMPLEMENT B2B PAYMENTS AUTOMATION

IMPROVE B2B PAYMENT REPORTING AND DATA ANALYTICS

ELIMINATE PAPER CHECK PAYMENTS

Top AP Challenge: Invoice Exceptions

The most commonly reported challenge facing mid-market AP teams is invoice exceptions (51%), which can create severe bottlenecks in the AP process and greatly diminish overall productivity and inhibit AP staff from attacking more strategic activities. Invoice exceptions are also a primary cause of higher processing costs and lengthy approval times. Exceptions can be eliminated by leveraging ePayable solutions that ensure all required data, in the proper format and fields, is included on an invoice before it is routed around for approval.

ERROR

INVOICE EXCEPTIONS

51% Identify Invoice Exceptions as a Top Challenge

Top AP Challenge: Long Invoice & Payment Approval Times

Many of AP's top challenges are directly linked to a reliance on paper-based processes. More paper and more manual-based tasks translates to longer invoice approval cycle times and longer payment processing times. In fact, 48% of mid-market organizations report this as being a top challenge. The elimination of paper and the automation of AP processes can significantly reduce invoice and payment approval times.

48% Report that Invoice and Payment Approvals Take Too Long

Top AP Challenge: High Invoice Processing Costs

Invoice processing costs remain a persistent problem for many mid-market organizations. The expense of manually processing paper can be significant because the completion of each step in a manual environment can be both time consuming and highly tactical. Ardent's research has shown that automating the invoice receipt and approval process can reduce these costs by up to 80%.

34%

Report High Invoice Processing Costs as a Top Challenge

Top AP Challenge: Lack of Visibility Into Invoice and Payment Data

Accurate and timely access to invoice and payment data is critical to all organizations, but even more so to mid-market enterprises that very often rely on cash flow from operations to remain solvent as well as fund growth. Lacking visibility in these areas makes it difficult to get a clear picture of current and future liabilities. Automating the receipt, processing, and payment of invoices will enable AP to get a clear picture of current and future liabilities and take a data-driven approach to better understand, manage, and improve organizational spend.

31%
Say that Lack of Visibility into Invoice and Payment Data is a Top Challenge

Top AP Challenge: Working Remotely

AP staff working remotely is a relatively new phenomena (and challenge) brought on out of concern for employee health and safety due to the COVID-19 pandemic. Most MME AP departments and professionals were not raised with a work from anywhere spirit and the ability to easily work while remote. The underlying culprit, not surprisingly, was the reliance on paper – specifically paper invoices and paper checks. For a majority of leaders overseeing AP, the pandemic made it patently obvious that manual processes are no longer acceptable and must be stricken from the workplace.

26%
State Working Remotely as a Top Challenge

Invoice Processing Cost

The average cost to process a single invoice (all-inclusive, including labor, overhead, technology, etc.) for mid-market enterprises has remained high for the past couple of years. This suggests that the day-to-day operations that support invoice processing still have a way to go to achieve optimal performance.

Average Cost to Process an Invoice

$12.40

Invoice Processing Time

The average time it took a mid-market enterprise to process an invoice was 12.9 days, which remained unchanged from the prior year. While the typical AP function continues to work to shorten the amount of time it takes to complete the function's core duty, lengthy approval times indicate that the average AP team still has work to do.

Average Time to Process an Invoice

12.9 days

MID-MARKET

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AP BENCHMARK
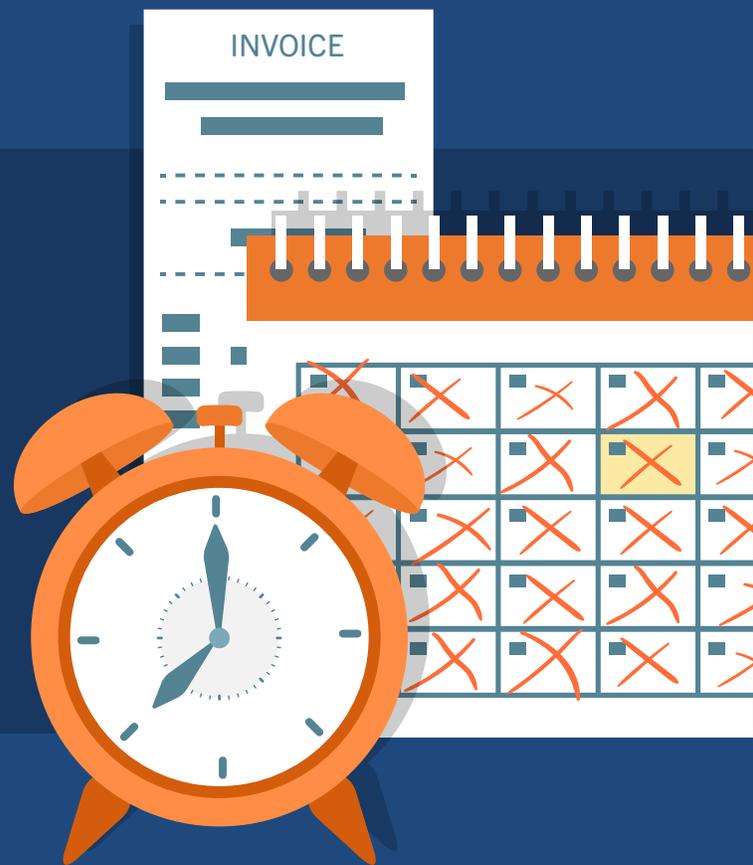
INVOICE

# Invoices Processed Straight-Through (%)

Straight-through, or "touchless," processing is defined as an invoice being received and approved with the payment ready to be approved and scheduled without any manual intervention on the part of the AP team. There is enormous value in achieving straight-through processing as it is significantly cheaper and faster than any other invoice approval workflow process and results in huge operational and financial efficiencies. In 2022, 30.5% of invoices achieve this desired 'touchless' state which remained, somewhat surprisingly, unchanged from the previous year, leaving substantial room for improvement by most AP organizations.

Invoices Processed
Straight-Through

30.5%

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AP BENCHMARK

Invoice Exception Rate

Invoice exceptions remain a major problem for MME AP departments. In 2022, almost one-quarter (24.2%) of all invoices processed required exception handling due to bad or missing data. The inordinate amount of time AP staff spends correcting and managing invoice exceptions significantly increases the cost and time to process invoices.

Invoice
Exception Rate
24.2%
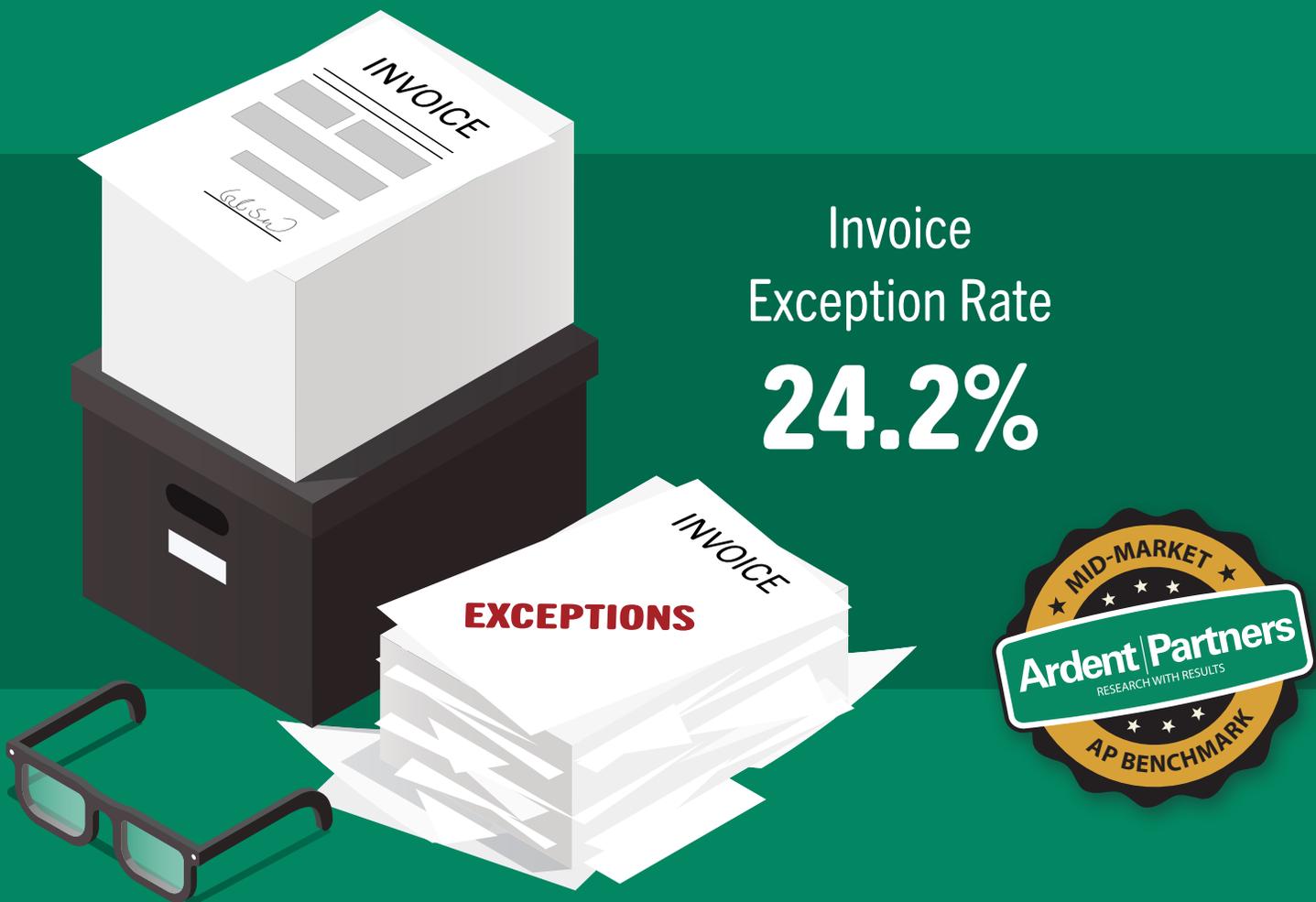
Time Spent Handling Inquiries

In 2022, mid-market enterprise AP staff spend an average of almost one-third (29%) of their time working directly with suppliers to fix invoice, processing, and payment errors. For AP to move into its next phase of evolution, its staff cannot spend this inordinate amount of time tracking down phone numbers, correcting erroneous contact information, and interacting with suppliers to lock down missing pieces of information and fix mistakes.

AP Staff Time Spent
Handling Inquiries

29%

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Top Payment Strategies

How and when invoices are paid is critically important to ensure that buying organizations, as well as their suppliers, have the funds needed to continue operations and maintain liquidity. However, a look at the top two B2B payment strategies 'paying early to receive discounts' (37%) and 'delaying payments/holding on to cash longer' (30%), highlight the major cash requirement differences that exist among mid-market businesses.

Deeper analysis shows that roughly ¼ of all AP mid-market enterpise groups have absolutely no payment strategy in place, missing a significant opportunity to help improve their company's financial performance.

The **Yin** and **Yang** of B2B Payment Strategies

30% Pay Late

37% Pay Early

The Advantages of ePayments

Adoption of electronic payments has increased over the past several years, making it clear that more mid-market enterprises understand the business value of paying suppliers electronically. By doing so they have lowered costs, improved processing efficiency, increased fraud protection, and provided superior visibility into organizational cash flow. Increased adoption can also be directly correlated to the fact that both buyers and suppliers can benefit from their use which creates a 'win-win' situation for all parties involved. Looking forward, Ardent Partners is bullish on the continued growth of ePayments over the next five years.

Invoice and Payment Fraud Attempts

Cyber-criminals have become more brazen (and more technologically advanced) since the pandemic began, resulting in billions of dollars of fraudulent payments and activity over the past two years. Ardent Partners' research found that almost one-quarter (24%) of MME reported a business payment fraud attack over the past year. Fraudsters aren't going away and the attacks will continue, however, automated AP teams are better able to identify and mitigate fraud risks from occurring.

24%
of MME Report
an Attack

The Future of AP: Reaching the Next Level?

The opportunity to transform an AP organization is both significant and achievable and should be undertaken sooner rather than later. The clear majority (69%) of mid-market businesses point to smarter systems as the key to success. Additionally, deeper and more agile analytics (56%) remain a vital component for AP to achieve higher performance levels in the years to come. Executive support for an AP transformation (42%) and the eradication of tactical tasks (39%) are also crucial pieces of AP's ongoing advancement.
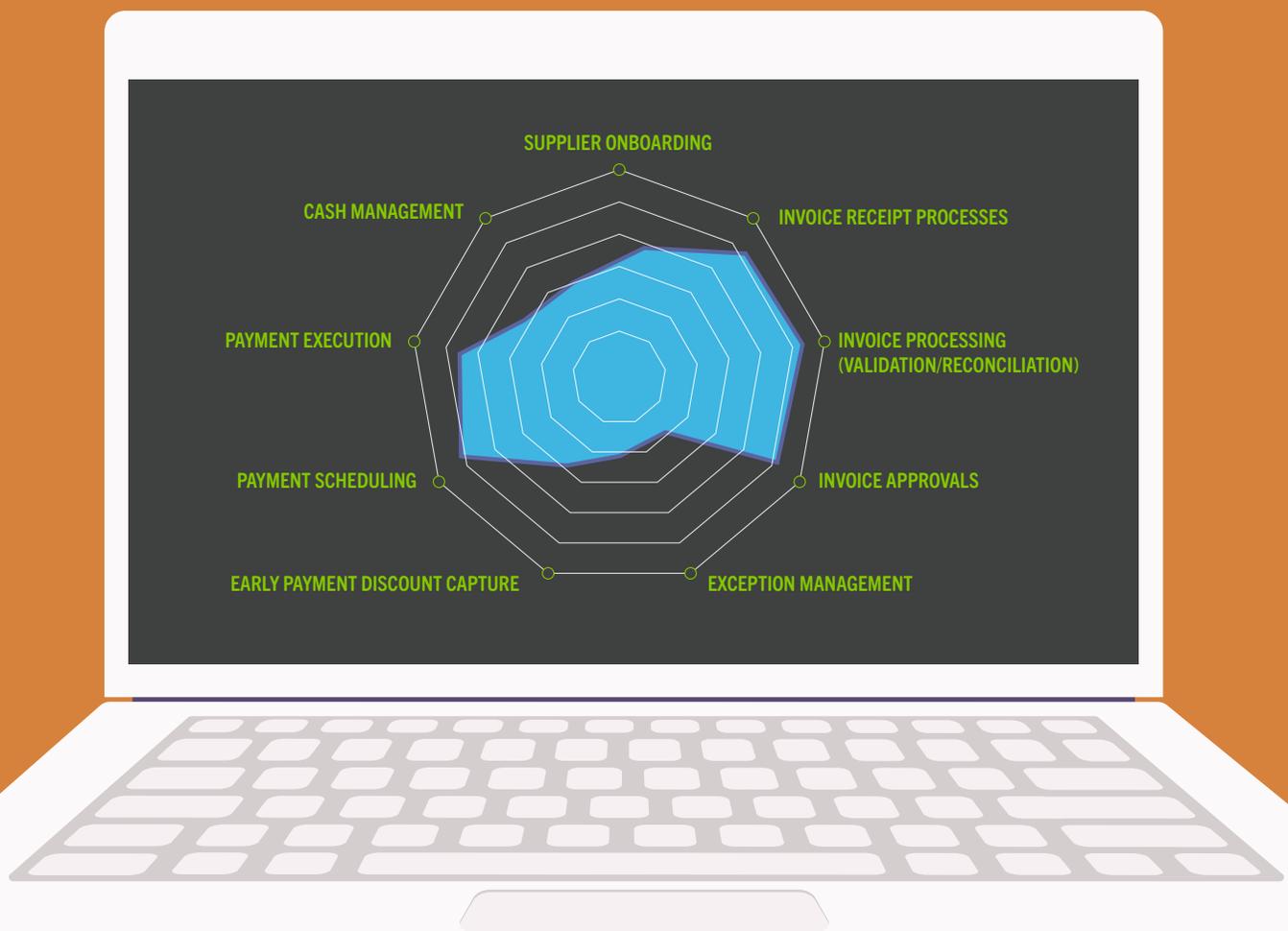
The Keys to AP's Future Success

"Smarter" systems that drive more efficiencies **69%**

Deeper, more agile analytics and reporting **56%**

Executive support for total AP transformation **42%**

Mid-Market AP Automation Levels

The needs and expectations of AP are far outstripping their current capabilities and technologies. At the typical mid-market enterprise, automation of critical AP processes is woefully low and cry out for attention.

SUPPLIER ONBOARDING

CASH MANAGEMENT

INVOICE RECEIPT PROCESSES

PAYMENT EXECUTION

INVOICE PROCESSING
(VALIDATION/RECONCILIATION)

PAYMENT SCHEDULING

INVOICE APPROVALS

EARLY PAYMENT DISCOUNT CAPTURE

EXCEPTION MANAGEMENT

AP Automation: A Framework for Success

Created in 2010, Ardent Partners' ePayables Framework™ was designed to aid AP departments of any size improve their processes by segmenting their workflows into three smaller, more manageable pieces: Invoice Receipt, Invoice Processing, and Payments. This segmentation makes it easier for an AP department to establish a clear view into the current state of operations and automation levels in each area, and then improve upon it.

The Ardent Partners ePayables Framework™

RECEIVE → **PROCESS** → **PAY**

The Ardent Partners ePayables Framework™: Invoice Receipt

The AP process begins with the receipt of an invoice. The "Receive" phase includes the different methods that AP organizations handle the invoice submissions from suppliers. Mid-market enterprises need the option for suppliers to be able to submit invoices in a variety of ways, including via email, portals, electronically, and paper.

The Ardent Partners ePayables Framework™

INVOICE

RECEIVE　　**PROCESS**　　**PAY**

Invoice Submission Types:
Paper
Email
PDF
EDI / XML
Electronic Invoice
Supplier Portal
Scan & Capture

The Ardent Partners ePayables Framework™: Invoice Processing

The second phase of the process is where the received invoices are processed. This typically includes: Validation to ensure there are no errors and contains the correct supplier, amount, price, address, etc; Matching to validate the items were in fact ordered, received, and the price is correct; Approval if there are no errors or disputes that need to be resolved, the invoice is then routed to the appropriate people to be approved.

The Ardent Partners ePayables Framework™

RECEIVE

PROCESS

PAY

Invoice Processing Stages:
Data Validation
Matching
Workflow
Exception Handling
Approval

The Ardent Partners ePayables Framework™: Invoice Payment

This final step once an invoice is validated, matched and approved is the payment. The 'payment' phase includes the scheduling, processing, and execution of the vendor payment.

The Ardent Partners ePayables Framework™
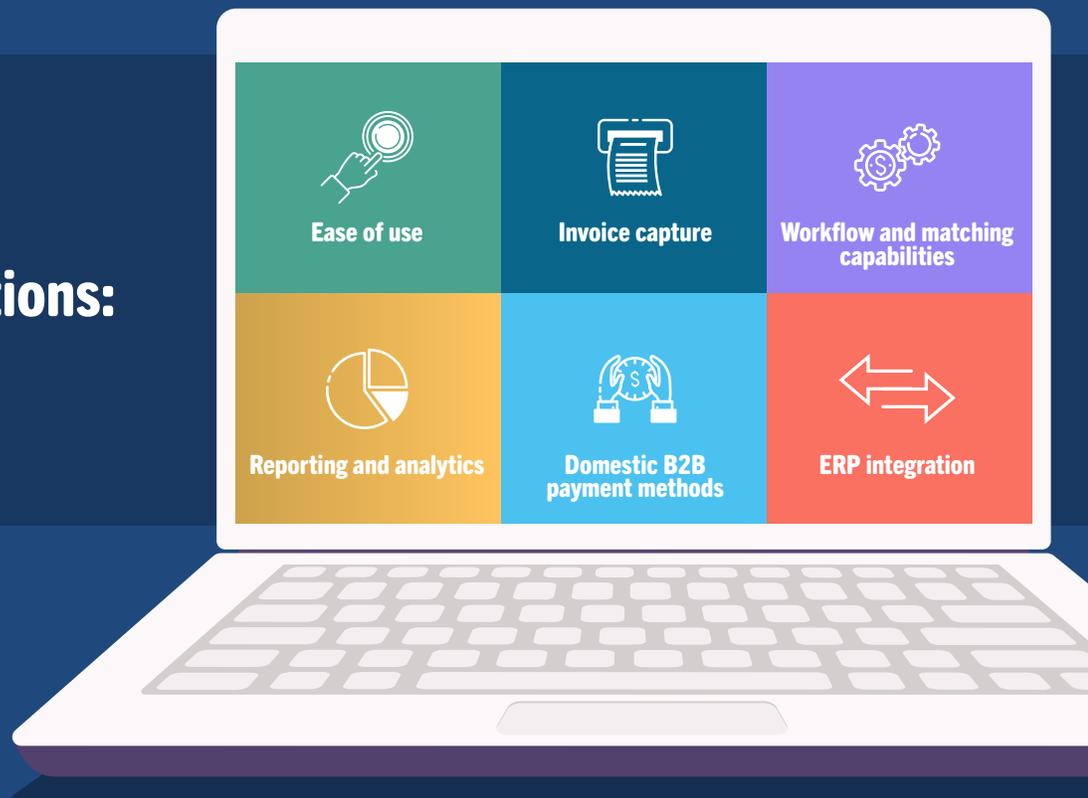
RECEIVE → **PROCESS** → **PAY**

Payment Stages:
Payment Approval
Supplier Validation
B2B Payment Type/Form Selected
Payment Scheduling
Payment Execution

Selecting an ePayables Solution

There are many factors to consider when selecting a solution to automate accounts payable that can help mid-market organizations make smarter buying decisions. It is critical to keep in mind the solution selected should not only be able to address the current needs of AP but also those in the future as the enterprise grows and requirements change. Key considerations to consider include: usability, functionality, completeness of offering, customer reviews, company presence, focus, and solution roadmap.

Top Considerations:

Ease of use

Invoice capture

Workflow and matching capabilities

Reporting and analytics

Domestic B2B payment methods

ERP integration

Top Technology Investment Target: Self-Service Supplier Portals

Paper invoices and the time spent handling inquiries from suppliers are two of the biggest challenges facing mid-market AP teams. Self-service supplier portals help address both of these areas – they not only enable suppliers to submit invoices electronically but they also give suppliers a means to check on the status of invoices without involving AP staff.

54%
Plan to Deploy Self-Service Supplier Portals

Top Technology Investment Target: Electronic Invoicing

Interest in electronic invoicing technology is at an all-time high as more and more mid-market organizations look to reduce their reliance on paper and manual processes. In fact, almost half (46%) of mid-market AP teams plan to deploy electronic invoicing solutions within the next the next 12 – 24 months.

46%
Plan to Deploy Electronic Invoicing Solutions

Top Technology Investment Target: Electronic B2B Payments

Paper checks are notoriously inefficient and time-consuming – and significantly more expensive than electronic payments. The ability to make electronic payments enable mid-market AP organizations to reduce processing costs and time, while adding increased precision and controls over vendor payments.

37%
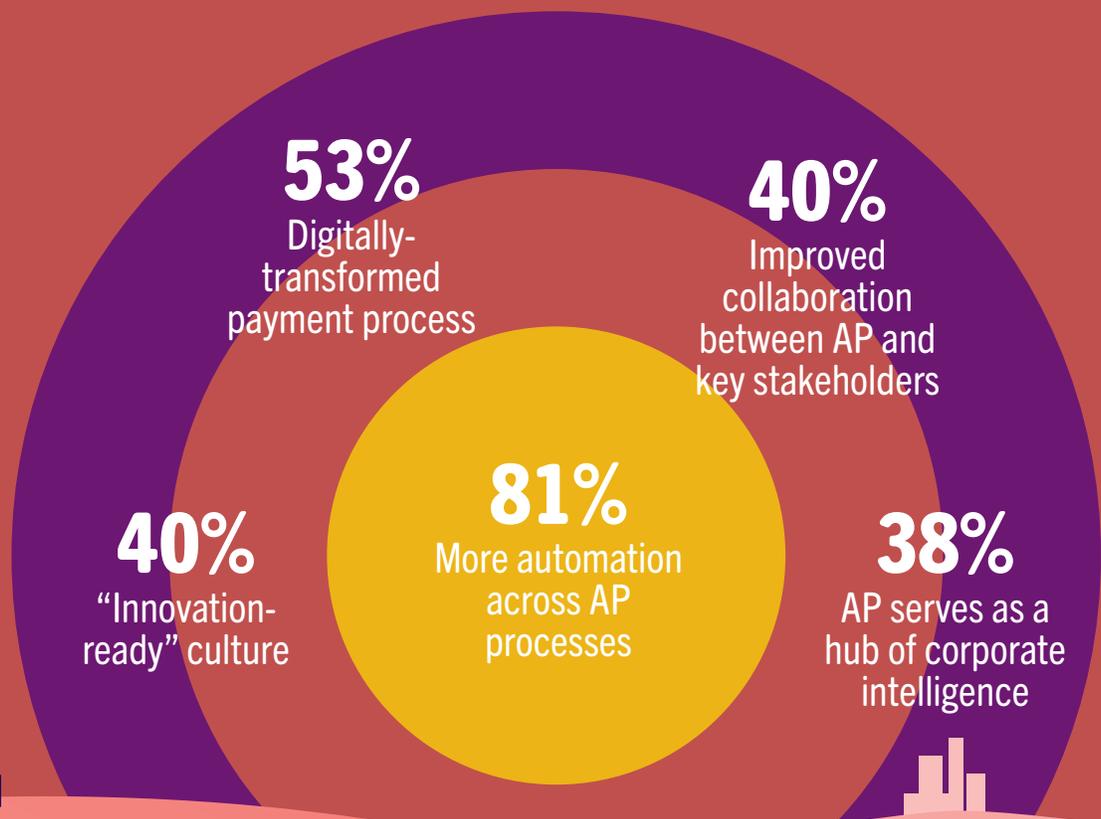Plan to Deploy Electronic B2B Payment Solutions

Next Gen AP Skills

The role of AP in mid-market enterprises is changing, with increased expectations flowing to its personnel. Today, more nuanced skills and strategic thinking are required for the next generation of AP professionals. With cyber-crime on the rise, a majority of AP staff are getting involved in fraud prevention (74%) and payments (70%), as well as supplier management (57%). Increased requests for visibility into AP data have staffers spending more time on reporting and analytics (67%) and adopting a more customer service focused mentality (55%).

Fraud and compliance **74%**

Payments **70%**

Reporting and analytics **67%**

Supplier management **57%**

Customer service mentality **55%**

What Will AP Look Like in Two Years?

According to AP leaders in the mid-market, supporting and enabling organizational success will require improved collaboration, automation, and the acceptance of innovations and changes to how things have been done in the past. The graphic shows the percentage of these leaders who predict that their organizations will possess the following attributes in two years.

53%
Digitally-transformed payment process

40%
Improved collaboration between AP and key stakeholders

40%
"Innovation-ready" culture

81%
More automation across AP processes

38%
AP serves as a hub of corporate intelligence

Demographics and Methodology

Report Demographics

The research in this report is drawn from 139 respondents representing enterprises with annual revenues less than $500 million and the following demographics:

Region: 61% North America; 32% EMEA; 4% South America, Asia-Pac 3%

Industry: More than 25 distinct industries are represented. Retail, Manufacturing, Healthcare, Financial Services, and Technology are the largest industries in the survey pool; no industry represents more than 15% of the overall survey respondents

Report Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the accounts payable market. The research in this report represents the web-based survey responses of 139 AP and finance leaders. These 139 participants shared their strategies and intentions, as well as their operational and performance results to help us define the Key Mid-market AP benchmarks and understand what levers the leading groups pull to obtain their advantage. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Respondent demographics are included to the left.

About the Authors

Bob Cohen, Vice President, Ardent Partners

A seasoned professional with more than 20 years of experience helping enterprises transform their Procure-to-Pay operations. In recent years, Bob has become the industry's lead analyst covering AP and ePayables. At Ardent Partners, Bob heads up the ePayables practice which includes coverage of accounts payable, B2B payments, business networks, and travel and expense management. 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 in the AP automation and Procure-to-Pay spaces. He has also worked at American Express where he enabled the commercial card giant better align its products and services with a continually evolving market.

Over his career, he has helped hundreds of AP and P2P teams achieve Best-in-Class performance via their use of ePayables, B2B Payments, P2P, and Business Network solutions. He is a sought after speaker having given hundreds of presentations at industry conferences, user group meetings, webinars, and customer- facing events. He is also the publisher of Payables Place, the news and research site for Accounts payable and Finance leaders (www.payablesplace.com). Bob holds a B.A. in Marketing from Bryant University and an M.B.A in Finance from The University of Connecticut. He welcomes your comments at rcohen [at] ardentpartners.com

About the Authors

Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 23 years in the industry and 13 years leading the charge at Ardent Partners, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable. As the Chief Research Officer at Ardent Partners, Andrew oversees all research and client programs including the annual State of the Market and Metrics that Matter eBook Series', Technology Advisor Reports, Ardent's monthly webinar series, as well as its in-person and virtual CPO Rising Summits. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 500 times in nine different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and his research is currently part of the Supply Chain/Management curriculum at several US universities. He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including The Wall Street Journal, Business Week, Investor's Business Daily, Forbes, and Fortune, as well as the major trade publications focused on accounts payable and supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for several prominent spend management solution providers. Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than $500 million in aggregate client spend), business process transformation, and software implementation provides a "real-world" context for his research and writing.

Andrew's post-MBA work started in management consulting and investment banking where he structured, managed, and advised on large capital market transactions. Andrew began his professional career running a homeless family shelter in Los Angeles. He welcomes your comments at abartolini [at] ardentpartners.com or 617.752.1620.

Ardent Partners: Research with Results

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SELECT THE BEST TECHNOLOGY

SUCCESS

RESEARCH WITH RESULTS

ADVISORY

MAKE SMARTER DECISIONS

BENCHMARK PERFORMANCE

Ardent Partners is a research and advisory firm focused on defining, and advancing the supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Ardent Partners was founded in 2010 by Andrew Bartolini.

Ardent Partners actively covers the supply management marketplace and produces research to help business decision makers understand (1) industry best practices and how to improve performance & (2) the technology landscape and how to identify the best-fit solution(s) for their specific budget and requirements.

Contact *research@ardentpartners.com* if you have any questions about this report or our research in general.

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