Modernizing AR Processing

2022

SUMMARY REPORT
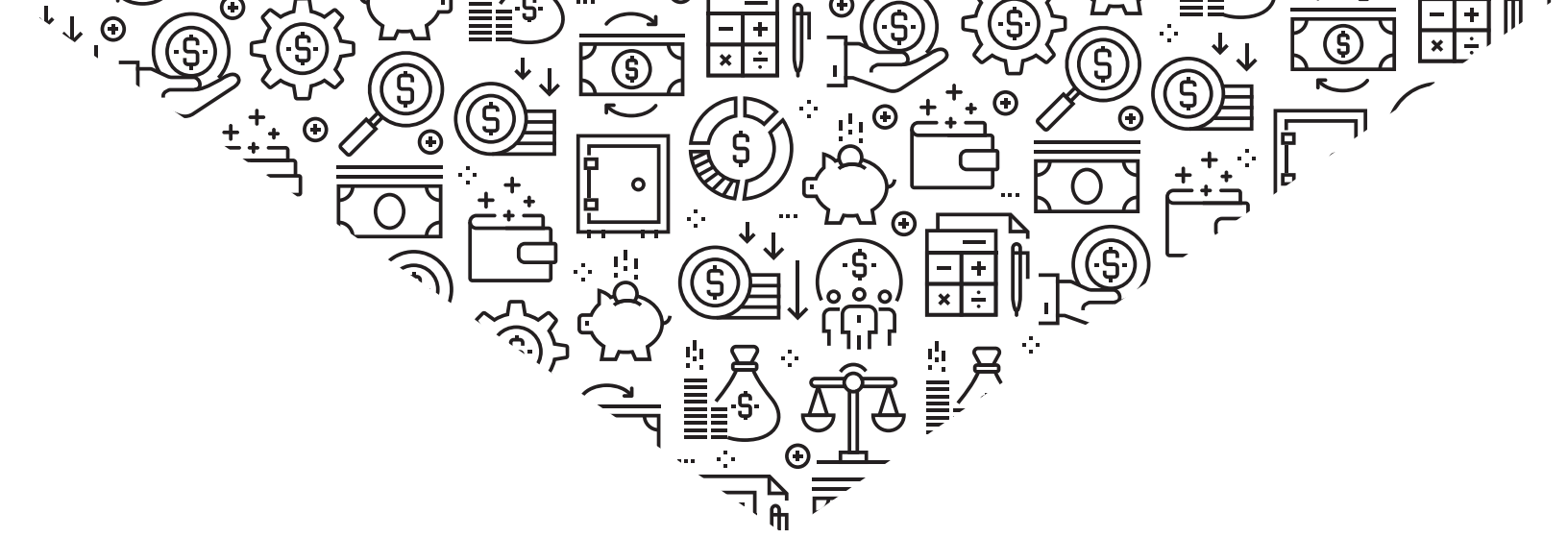
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We are delighted you are reading this report and seeing current data points, survey results, and trends over time. How can AR, specifically, and finance/treasury, generally, support the order-to-collect process? Having facts at your fingertips and applying them to your situation is foundational. What has stayed the same? Which trend has continued or accelerated that requires action or attention? What new finding, correlation, or divergence helps us understand opportunities and gives us ammunition to most carefully focus our work effort? This survey report supports all of those questions.

Cash is king. Accounts receivable feeds the king, and AR is well understood to be an extremely important part of organizational cash flow. This third annual survey has again been written by Strategic Treasurer and underwritten by Deluxe Corporation. Deluxe continues to invest heavily in helping the overall industry through product development and by research. We appreciate their partnership and know you will appreciate the data you find here.

Over 200 companies across the globe took this rather lengthy survey, focusing on pain points; priorities; reasons companies will move providers; areas where your peers see increasing value areas of expected investment; changing work locations and activities; and more.

You will find the top 11 findings after the executive summary and a range of associated charts. Here are four quick extracts from the report:

» **Cash Application With Artificial Intelligence (AI) / Machine Learning (ML) to Double.** Twelve to 29% of companies expect to increase their use of AI/ML within two years.

» **Large Company AR Groups Are 'Highly Automated' (19%) At Nearly 3X the Rate of Small Companies (7%).** Roughly the same percentage (26% and 28%) are predominantly manual.

» **Show Me the Data. Reasons to Move: Cost, Data, and Cash Flow.** Data is being recognized as more important in nearly every area of technology, including accounts receivable. 'More transparency with data' moved up 15 points from last year, placing data as the 2nd most compelling reason to increase the priority of moving to full-electronic processing.

» **Internal IT Availability Blocks Much Automation.** This is especially true at larger organizations. Management priorities and IT availability were the top 'blockers' of automation for all companies.

Both Deluxe Corporation and Strategic Treasurer thank you for your interest in this report, information, and analysis. As you have questions, please feel free to contact our firms as indicated in the back of this report. For the many who invested the time to complete this survey, you are doubly thanked. With your responses, our industry can be better informed about trends, motivators, activity, and the current situation. We know data is increasingly important to support our discussions and decisions, and you have helped our profession.

We hope you enjoy the read and that it stimulates additional thought and action.

ADDITIONAL RESOURCE RELATED TO THIS SURVEY:

» Webinar replay

» Infographic report

Modernizing AR Processing

DEVELOPMENT   RUN TIME   ANALYSIS

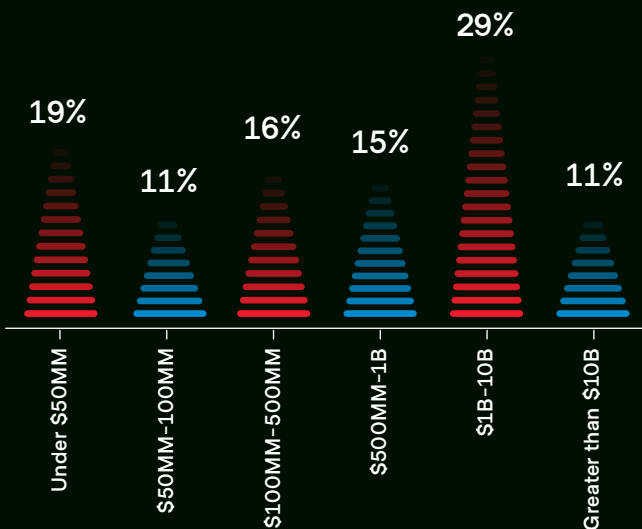| JANUARY	FEBRUARY	MARCH	APRIL	MAY

COMPANY ANNUAL REVENUE

- 19% — Under $50MM
- 11% — $50MM–100MM
- 16% — $100MM–500MM
- 15% — $500MM–1B
- 29% — $1B–10B
- 11% — Greater than $10B

Third year of research

70+ questions

8-week survey runtime

220+ respondents

- **79%** corporates
- **21%** banks

RESPONDENT REGIONS OF OPERATION

- **89%** NORTH AMERICA (CANADA / US / MEXICO)
- **37%** EUROPE
- **21%** MIDDLE EAST
- **36%** ASIA-PACIFIC
- **18%** AFRICA
- **27%** LATIN & SOUTH AMERICA
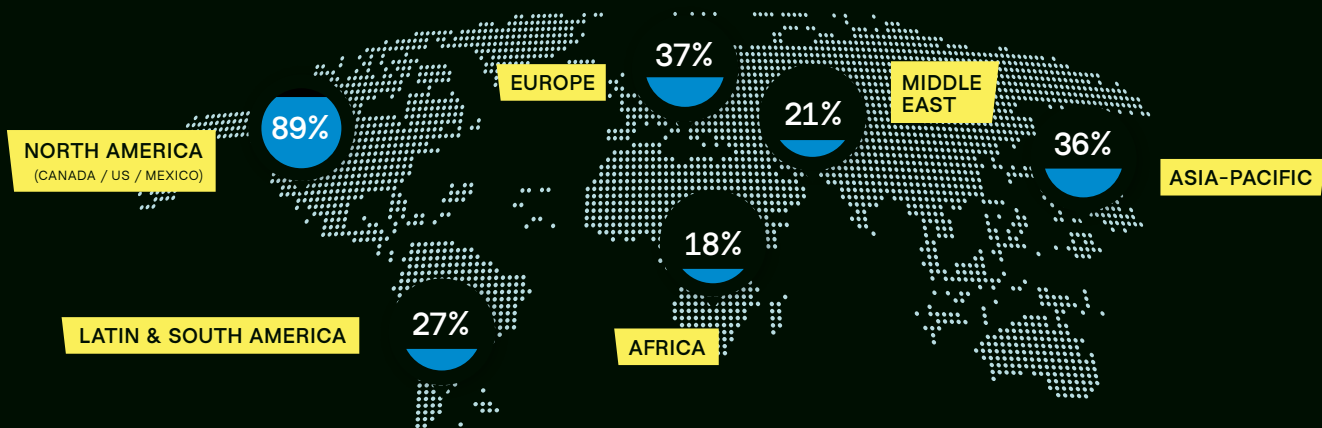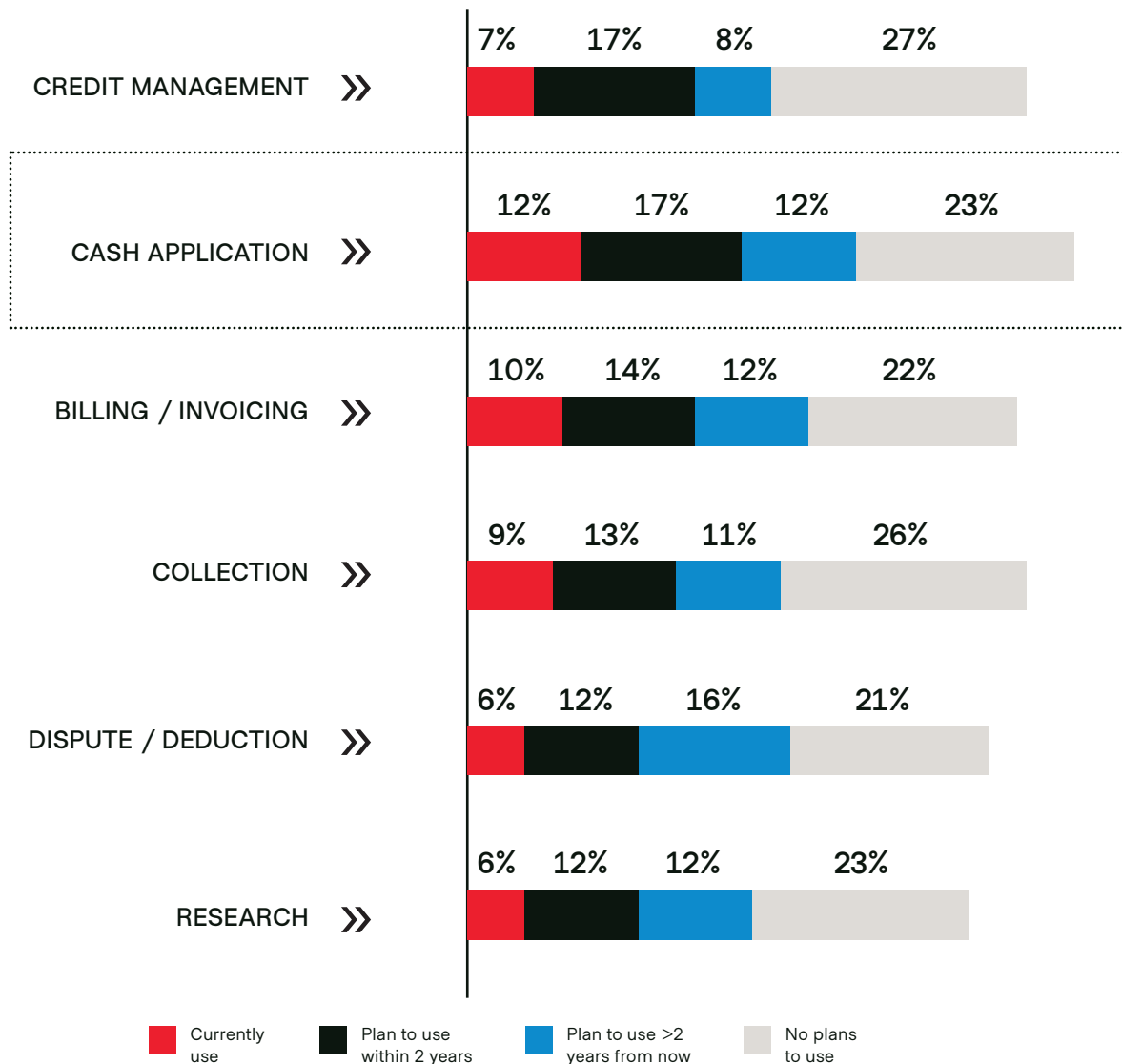
Key Finding Analysis

1. Companies Using AI / Machine Learning (ML) on Cash Application Will Double in 2 Years

Those using AI/ML in their cash application process are expected to increase from 12% to 29% of companies within 2 years. This represents higher current and future use in all areas of the order-to-collect (O2C) process, which includes credit management, invoicing, collection, dispute resolution, and reporting.

Q. Within your Order-to-Collect (OTC or O2C) processes, please identify areas of current or planned use of AI/ML: Does not include unsure responses.

Process	Currently use	Plan to use within 2 years	Plan to use >2 years from now	No plans to use
CREDIT MANAGEMENT	7%	17%	8%	27%
CASH APPLICATION	12%	17%	12%	23%
BILLING / INVOICING	10%	14%	12%	22%
COLLECTION	9%	13%	11%	26%
DISPUTE / DEDUCTION	6%	12%	16%	21%
RESEARCH	6%	12%	12%	23%

Legend:
- Currently use
- Plan to use within 2 years
- Plan to use >2 years from now
- No plans to use

2. Only 10% of Companies Consider AR to Be Highly Automated

Conversely, 28% indicate they are fully or predominantly manual. For large companies, 19% indicated they are highly automated compared to just 7% of small firms.

Q. For AR we consider ourselves to be:

MANUAL OR PREDOMINANTLY MANUAL »
- Large (> $1B): 26%
- Small (< $1B): 28%

MIXED. MANUAL AND AUTOMATED »
- Large (> $1B): 56%
- Small (< $1B): 65%

HIGHLY AUTOMATED »
- Large (> $1B): 19%
- Small (< $1B): 7%

Large (> $1B)   Small (< $1B)
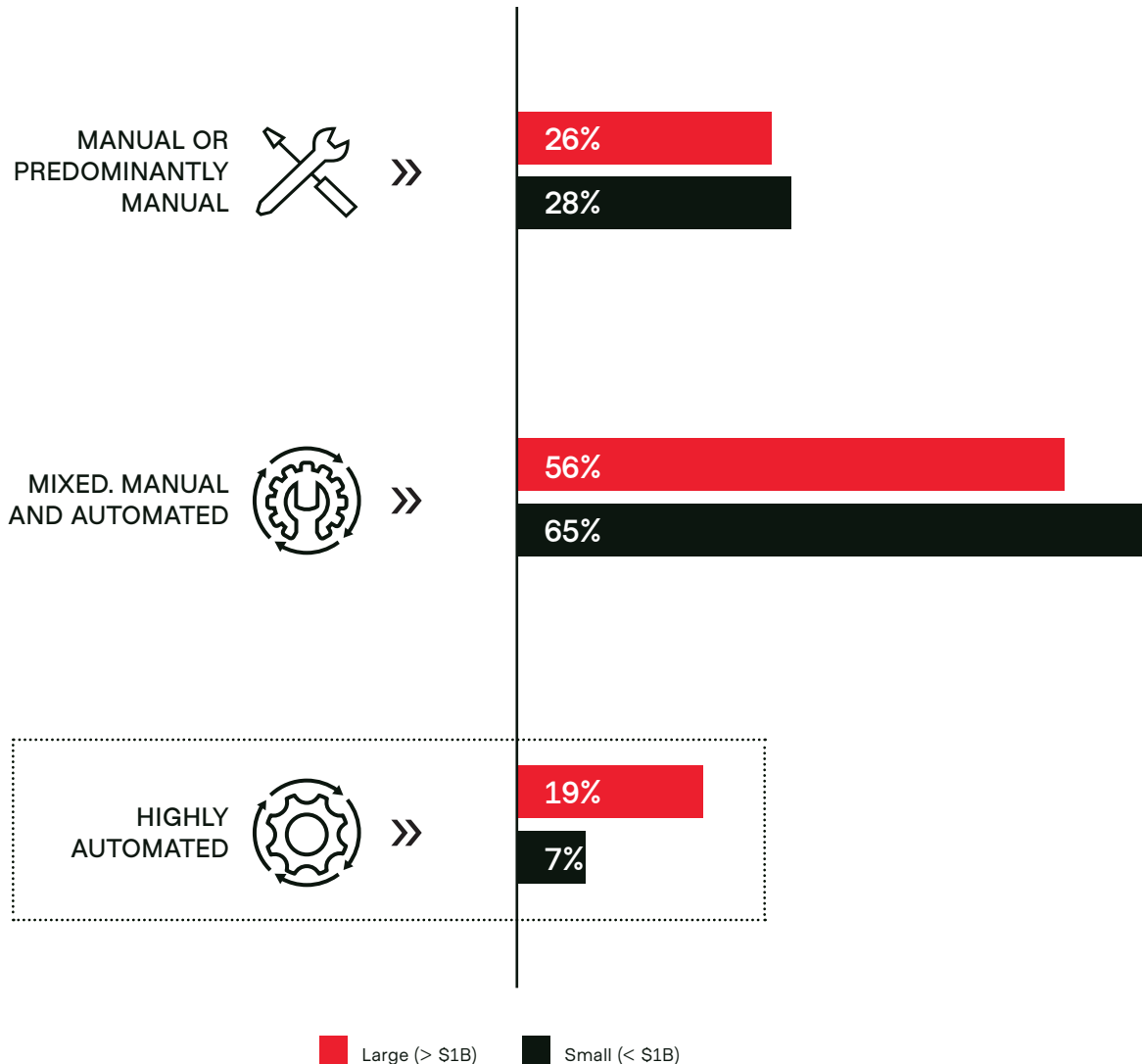
3. Reasons to Move: Cost, Data, and Cash Flow

Cost savings remained the top motivator to move full-electronic processing up the priority list, but it moved from two-thirds of respondents last year to three-quarters in 2022. In 2021, improved cash flow was the 2nd highest motivator at 39%, and that inched up to 44% in this year's survey. This put cash flow into a tie for 2nd with 2021's 4th place option, more transparency with data. The 15-point jump in the 'data' option, from 29% to 44%, nearly matched all other changes combined (up or down).

Q. What would move full electronic processing up on the priority list? (Select all that apply)

Only top choices of respondents shown.

	2022	2021
COST SAVINGS »	73%	65%
IMPROVED CASH FLOW »	44%	39%
MORE TRANSPARENCY WITH DATA »	44%	29%
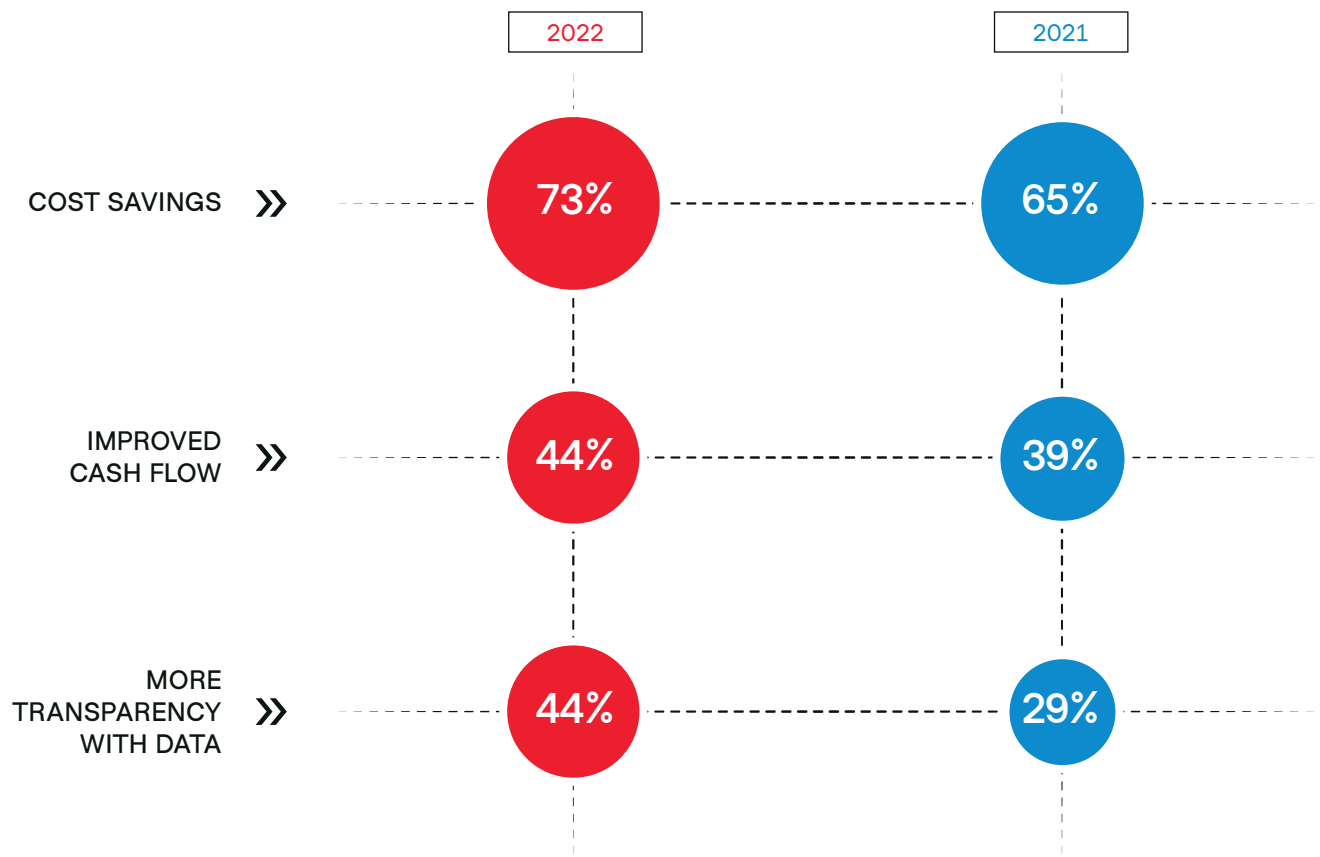
4. What Prevents Automation? IT Availability and Management Priorities

IT availability was the top AR item preventing companies from being highly automated again, noted by 49% of respondents. This represents a three-year upward trend, moving up from 43% in 2020 and 48% in 2021.
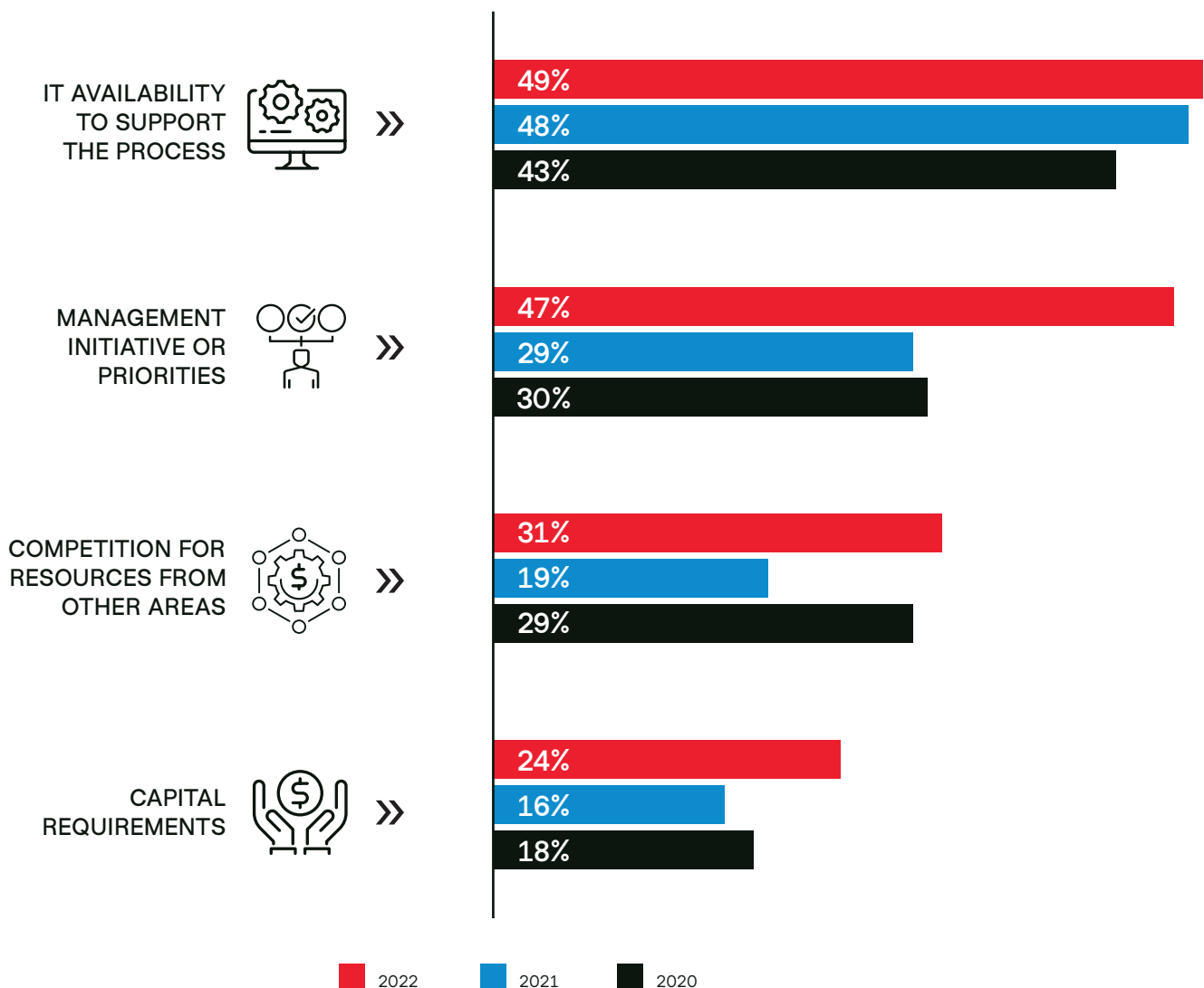
Management initiatives or priorities was the second most commonly cited issue again, but the percentage of companies identifying this as an AR item jumped from 29% in 2021 to 47% in 2022.

Items to watch:

» Competition from other areas for resources was identified by 31% of firms rebounding to 2020 levels (29%) after dipping mid-COVID in 2021 (19%).

» Capital requirements is noted in this category by one in four firms (24%).

Q. What prevents you from being highly automated? (Select all that apply)

Only top choices of respondents shown.

IT AVAILABILITY TO SUPPORT THE PROCESS
- 49%
- 48%
- 43%

MANAGEMENT INITIATIVE OR PRIORITIES
- 47%
- 29%
- 30%

COMPETITION FOR RESOURCES FROM OTHER AREAS
- 31%
- 19%
- 29%

CAPITAL REQUIREMENTS
- 24%
- 16%
- 18%

Legend: ■ 2022 ■ 2021 ■ 2020

5. Obstacles to Change Vary Between Large and Small: Staff Resources

While the lack of staff resources to enact changes was the overall #1 obstacle (56% of companies), the difference between large and small companies was notable. For other categories of obstacles, the differences between large and small were rather minor.
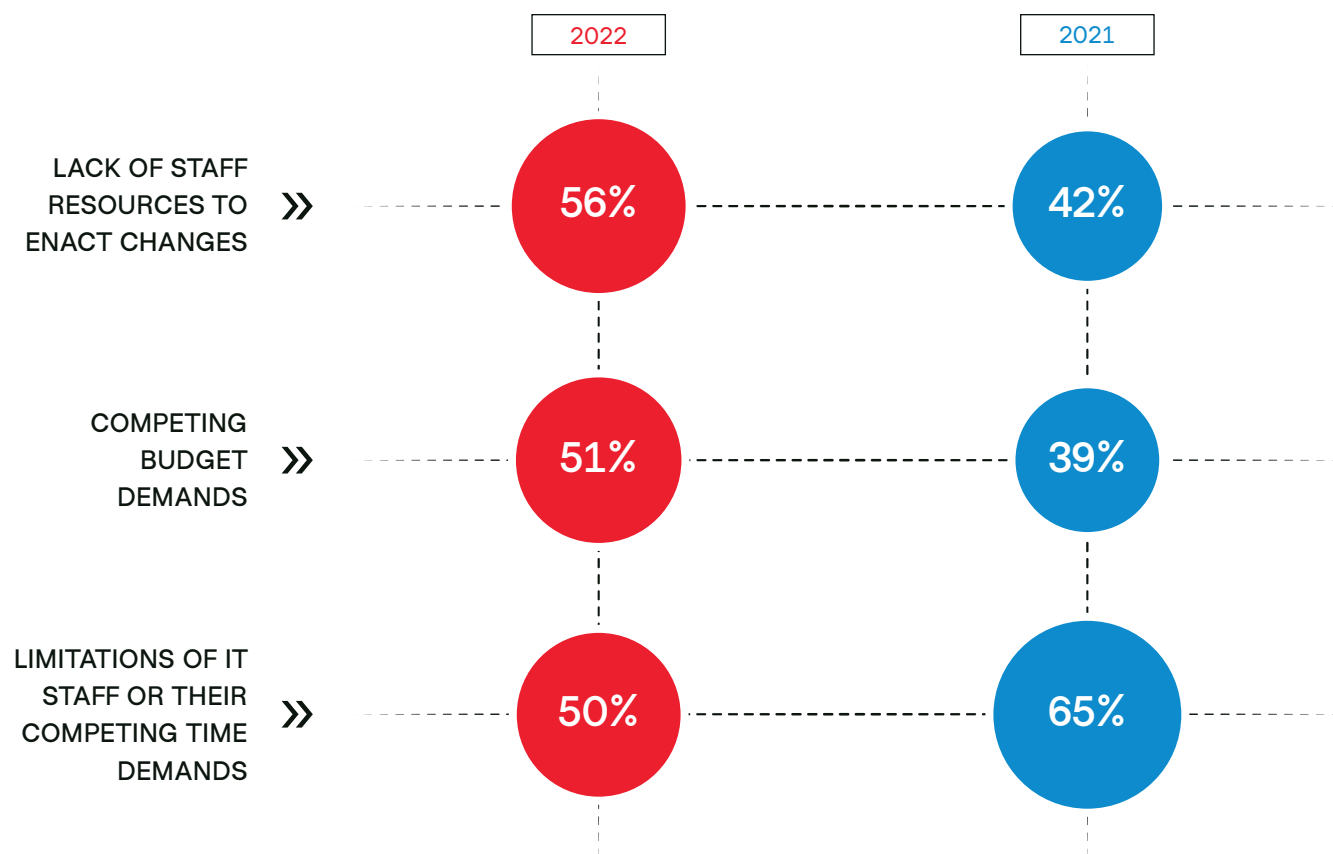
Staff resources as an issue:

» **LARGE COMPANIES:** 70%.
» **SMALL COMPANIES:** 49%.

Change over prior period included two large increases and one large decline:

» **STAFF RESOURCES AS AN ISSUE:** **+14%**, from 42% to 56%.
» **COMPETING BUDGET DEMANDS:** **+12%**, from 39% to 51%.
» **LIMITS OF IT STAFFING:** **–15%**, from 65% to 50%.

Q. Our biggest obstacles to making the changes we need are: (Select all that apply)

Only top choices of respondents shown.

	2022	2021
LACK OF STAFF RESOURCES TO ENACT CHANGES »	56%	42%
COMPETING BUDGET DEMANDS »	51%	39%
LIMITATIONS OF IT STAFF OR THEIR COMPETING TIME DEMANDS »	50%	65%

6. Treasury and Accounting Are at Opposite Ends of Staff Size

Of the four primary main finance departments, Treasury is the most thinly staffed, followed by accounts payable. Accounting departments have the largest staffs of these four. For those with 11 or more staff, accounting (47%) has triple the representatives compared to treasury (15%).
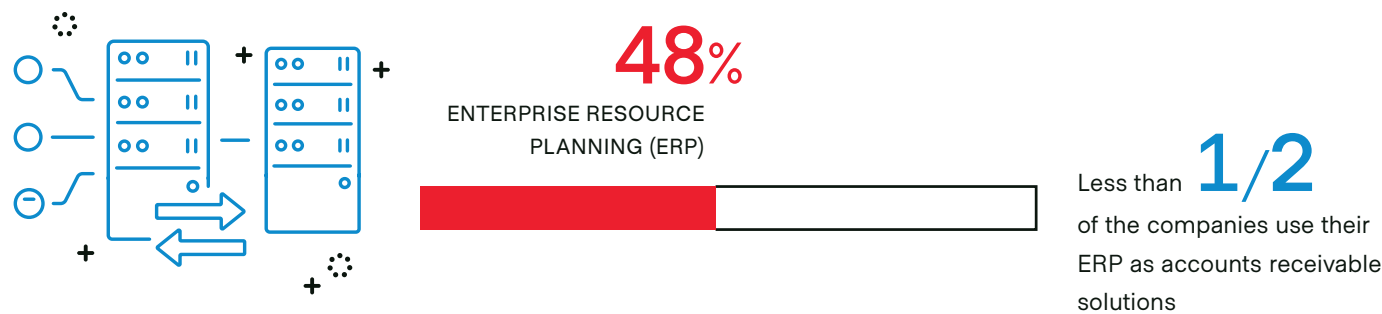
Number of employees by department:

AREA	1-5	>11
Accounting	31%	47%
AP	48%	23%
AR	43%	23%
Treasury	61%	15%

7. AR Fit to Purpose Over ERP

Just under half of the companies surveyed rely upon their ERP as one of the solutions they use for AR activity. The use of various and numerous 'fit for purpose' solutions are deployed to support the needs of the accounts receivable function.

Accounts receivable solution used for AR activity:

48%

ENTERPRISE RESOURCE
PLANNING (ERP)

Less than **1/2** of the companies use their ERP as accounts receivable solutions

Types of systems in use for accounts receivable:

BILLING
SYSTEM

45%

ACCOUNTING
SYSTEM

78%

CUSTOMER
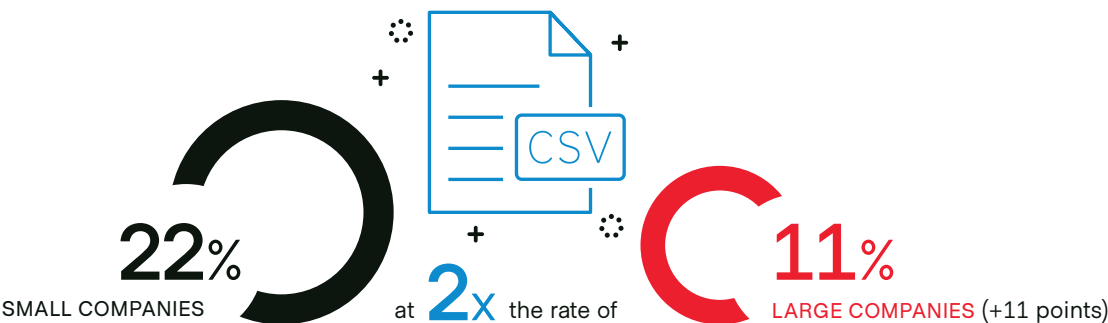RELATIONSHIP
MANAGEMENT SYSTEM

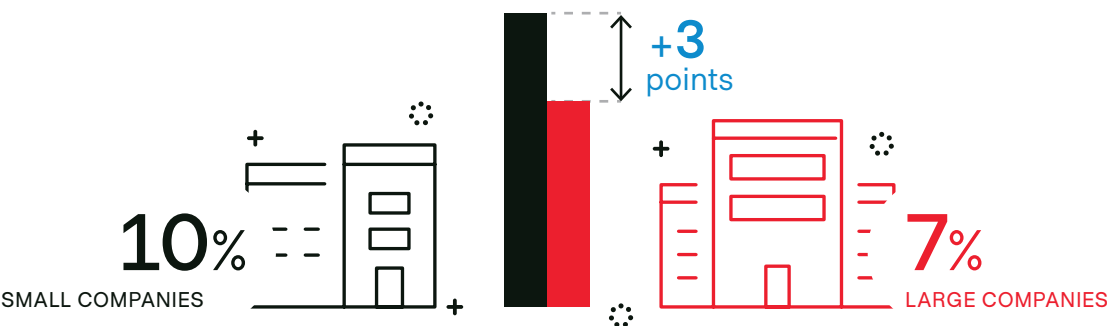**23**%

8. AR Gets What AP Sends

The use of email and PDF to share remittance information with vendors represented the highest percentages of use and were closely aligned between large and small companies, as can be seen in the accompanying graphic. The differences are pronounced, however, when we compare newer formats and older formats against company size.

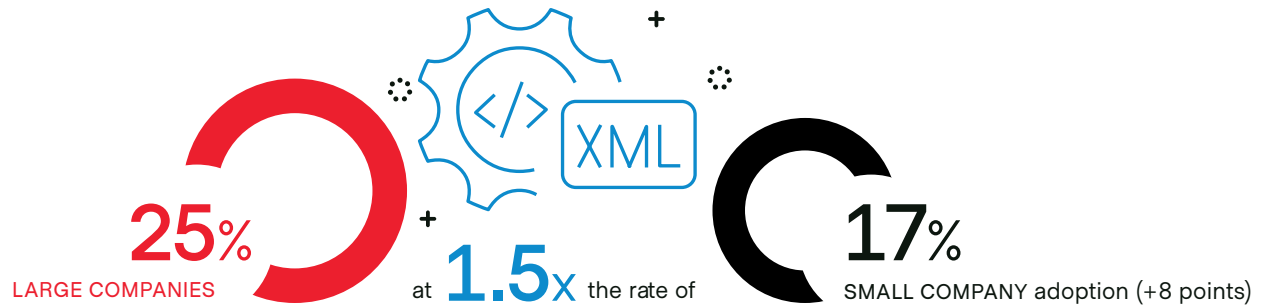## Older formats are more popular with smaller companies:

» DELIMITED.

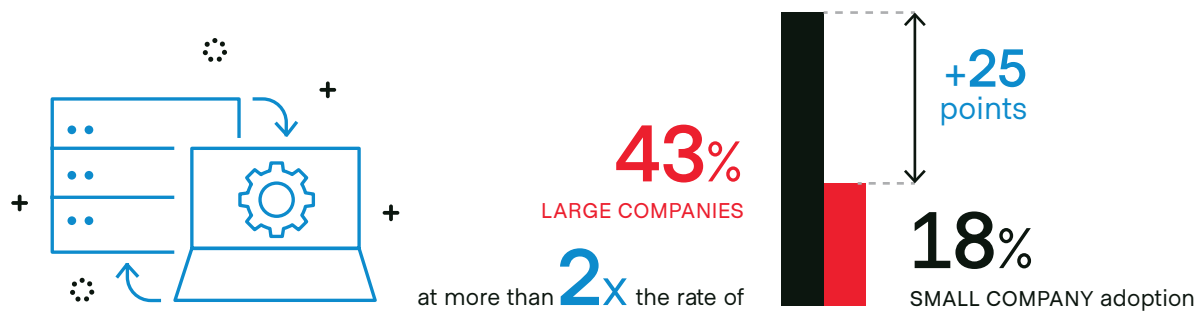**22%** SMALL COMPANIES — at **2x** the rate of — **11%** LARGE COMPANIES (+11 points)

» FIXED LENGTH.

+3 points

10% SMALL COMPANIES — **7%** LARGE COMPANIES

Newer or more complex formats adopted by large companies at higher rates than small companies:

» **XML.**

25%
LARGE COMPANIES

at **1.5x** the rate of

17%
SMALL COMPANY adoption (+8 points)

» **EDI.**

43%
LARGE COMPANIES

at more than **2x** the rate of

+25 points

18%
SMALL COMPANY adoption

EDI cannot be described as newer, but it is more complex than delimited or fixed-length options.

9. Order-to-Collect (O2C) Deep Dive

» **FROM THE LEAST TO THE GREATEST.**
- Research and credit management were the least automated of all areas. Credit management was the area expected to receive the greatest planned investment.

» **MOST ATTENTION.**
- Cash application was average for the level of automation, but it will receive the highest investment (tied with credit management) and is expected to reach the 2nd highest level among these functions for the use of AI and ML (artificial intelligence, machine learning).

» **FROM THE LEAST TO THE LEAST.**
- Research was the least automated, had the lowest level of planned investment, and lowest expectation of AI/ML use.

ORDER-TO-COLLECT PROCESSES	LEVEL OF MANUAL ACTIVITIES *(More manual than automated + Highly to completely manual)*	LEVEL OF AUTOMATED ACTIVITIES *(Highly to completely automated + More automated than manual)*	PLANNED INVESTMENT OVER THE NEXT YEAR *(Significant investment + Moderate investment)*	PLANNED USE OF AI / ML *(Currently use + Plan to use within 2 years + Plan to use >2 years from now)*
Credit Management	39%	24%	43% #1	32%
Billing / Invoicing	23%	51% #1	31%	41% #1
Cash Application	27%	35% #2	43% #1	36% #2
Dispute / Deduction	56% #2	14%	34% #3	33%
Collection	37%	31%	20%	34%
Research	59% #1	13%	19%	30%

10. Paying up for Speed

The percentage of companies willing to pay a fee to get their funds deposited more quickly increased from 29% to 43% in the past year.

Q. Would you be willing to pay a fee in order to get faster access to funds deposited?

Only "Yes" responses shown.

2022	2021

YES

43% **29**%
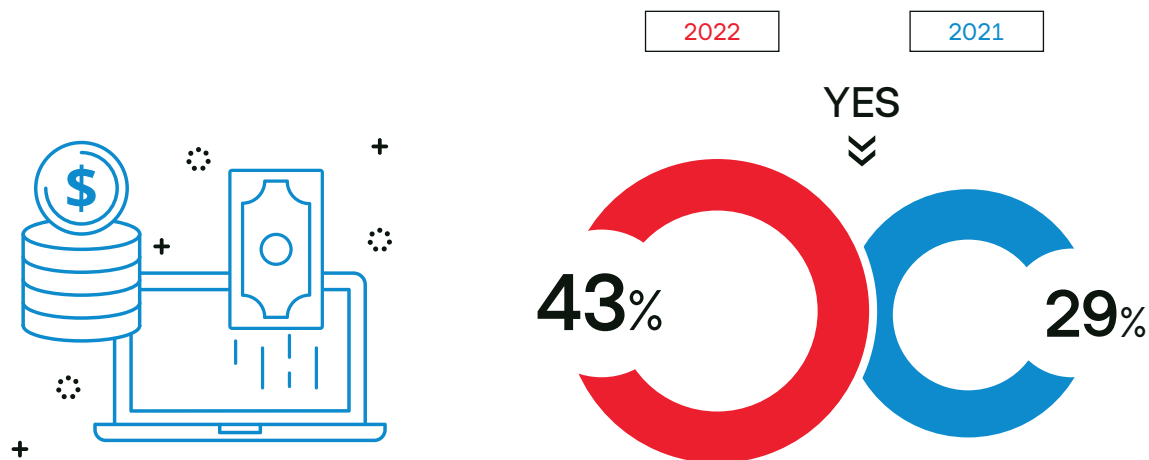
11. 2022 AR Survey Uncovers an Elevated and Heavy Emphasis on Forecasting

Improving cashflow forecasting is increasingly the focus of corporations and banking efforts, as demonstrated by respondents indicating that their overall top priority for AR was their cashflow forecast. This was selected at double the rate of the next highest priority. Forecasting also came in as the third-ranking pain point (29%) related to AR, registering a 16-point jump from last year's survey. It was the second highest driver of automation (almost half of firms, 49%) just behind the perennial leader 'efficiency/cost concerns.'

Forecasting isn't merely a monthly activity, as nearly seven out of ten (69%) companies want same-day or real-time visibility to their cashflow reporting. Banks are recognizing these demands from their commercial and corporate clients to the point that nearly three-quarters (72%) indicated that they value offering forecasting improvements, including the use of AI/ML projections, at either a very high or high level. All indications are that forecasting is an area of attention for a significant percentage of AR groups.
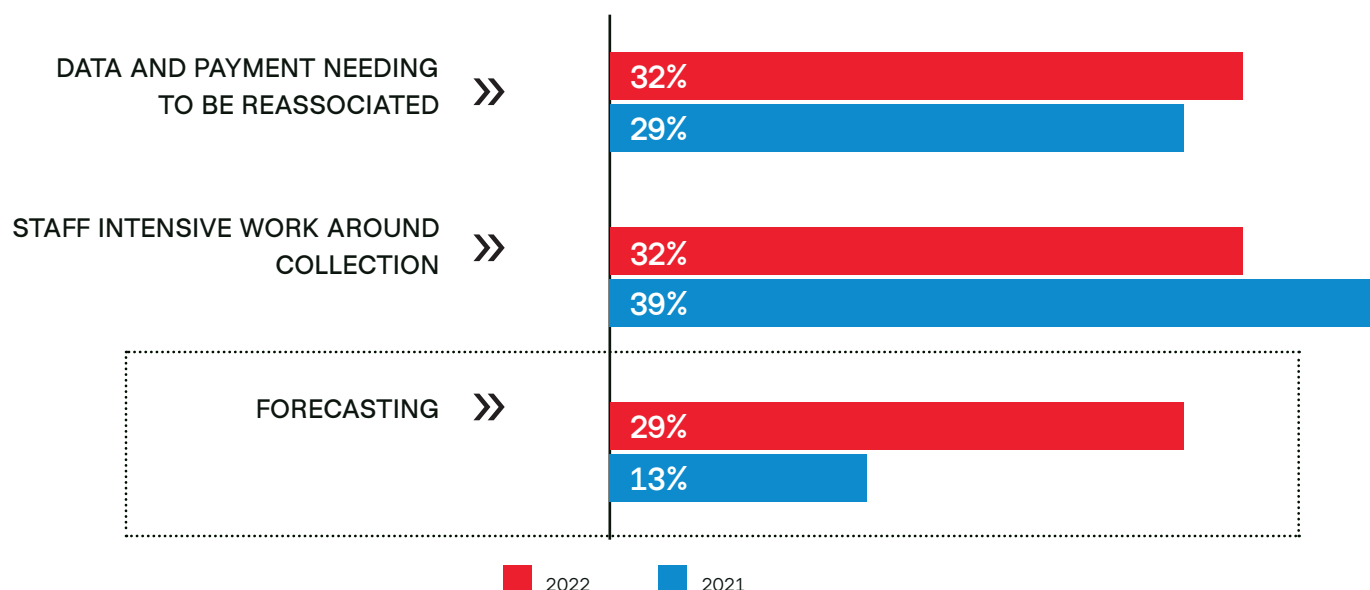
Pain point:

The third largest pain point for the AR process was forecasting, identified by 29% of respondents. Reassociation work and time spent on collection activities were tied for first with a 32% response rate.

» This (29%) is up from just 13% in 2021.
» For AP, there was a 10-point increase from last year (now 30%), and forecasting ranked as the 2nd highest pain point for AP.

Q. What task is the largest pain point in your AR process? (Select up to three).
Only top choices of respondents shown.

DATA AND PAYMENT NEEDING TO BE REASSOCIATED »
- 32%
- 29%

STAFF INTENSIVE WORK AROUND COLLECTION »
- 32%
- 39%

FORECASTING »
- 29%
- 13%

■ 2022   ■ 2021

Highest priority:

39% identified the cashflow forecast/calendar as their highest priority in the forced ranking tables. This greatly surpassed the other options, including team productivity (19%).

» 39% identified it as their #1 item (next highest was 20%).
» 23% listed it as their 2nd highest priority.

Q. Please order the following priorities for accounts receivable, with 1 being the highest priority and 6 being the lowest. Only top choices of respondents shown.
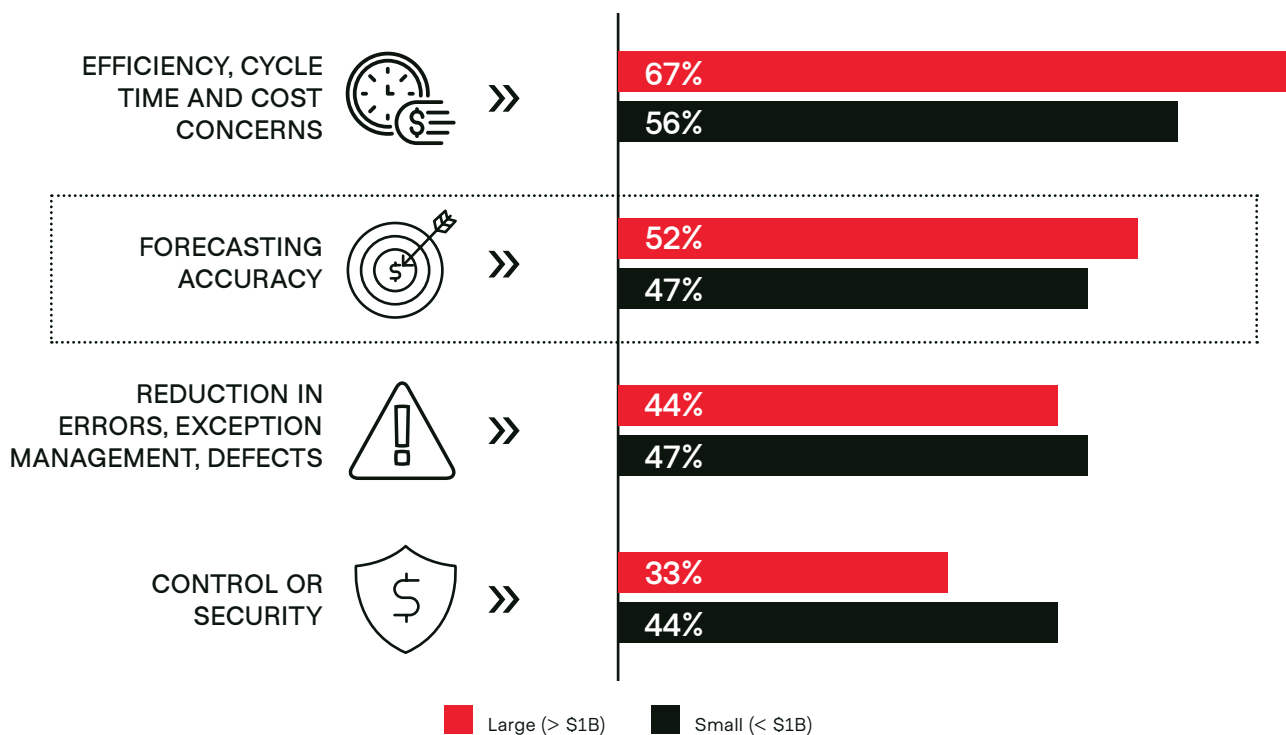
PRIORITIES FOR ACCOUNTS RECEIVABLE	1ST HIGHEST	2ND HIGHEST
Cash flow forecast / calendar	39%	23%
Payment channels	20%	21%
Team productivity	19%	8%

Need for forecasting accuracy drives automation:

Forecasting accuracy (49%) was the 2nd highest driver behind efficiency/cost concerns. This has increased from 33% in 2020. For large firms, it is slightly more impactful (52%) than for smaller companies (47%).

Q. What would drive you / or drove you to more AR automation? (Select all that apply)
Only top four choices of respondents shown.

EFFICIENCY, CYCLE TIME AND COST CONCERNS
- 67%
- 56%

FORECASTING ACCURACY
- 52%
- 47%

REDUCTION IN ERRORS, EXCEPTION MANAGEMENT, DEFECTS
- 44%
- 47%

CONTROL OR SECURITY
- 33%
- 44%

■ Large (> $1B) ■ Small (< $1B)

Visibility:

69% want real-time or same-day visibility to cashflow forecast reporting. This only trails reporting by payment channel.

69%
REAL-TIME OR
SAME-DAY VISIBILITY
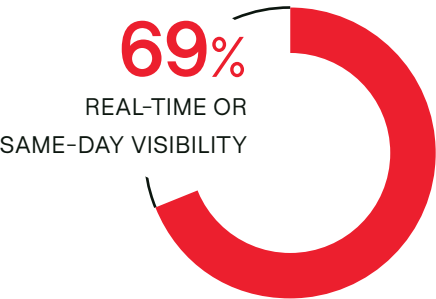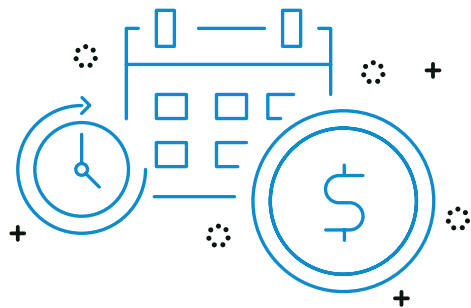
Bank's view it highly:

72% of banks view offering forecasting improvements, including the use of AI/ML projections, as either of very high or high value to their clients.

72%
Banks see FORECASTING IMPROVEMENTS as very high or of high value to their clients

SURVEY METHODOLOGY:

Strategic Treasurer is committed to meeting or exceeding industry standards for survey management and providing honest representation of high-quality, thorough research data. With experience researching the treasury and finance industries since 2004, we have developed a strict methodology to ensure that our readers and partners can rely on the data we offer.

This methodology includes using professional survey tools, requiring significant sample sizes before publishing or stratifying data, and cautious wording of the reports we write to ensure that correlation is stated only as correlation and that data is represented with accuracy and clarity, never twisted to support a specific agenda. For longitudinal data, we require that the questions used remain unchanged from year to year to ensure that the comparison is reasonable. We cull bot (robotic or programmed) responses by analyzing factors such as email address, completion speed, IP address repetition, and normal response ranges. Only real responses are counted for determining whether a significant sample size has been reached.

We prize respondent confidentiality and anonymity and will always protect personal and company information. Personally identifiable information collected may be combined with existing data in our databases for further analysis, but we will never report any personally identifiable information in any way to outside recipients or to underwriters. Additionally, Strategic Treasurer does not use company or respondent specific survey data or responses for any sales purposes. Translation: This further means that the business development/sales team is not given access to this data.

To learn more about the importance of robust survey methodologies, listen to our founder and managing partner, Craig Jeffery, discuss research and data quality on episode 149 of the Treasury Update Podcast, or feel free to contact us with any questions by emailing info@strategictreasurer.com or calling +1 678.466.2222.
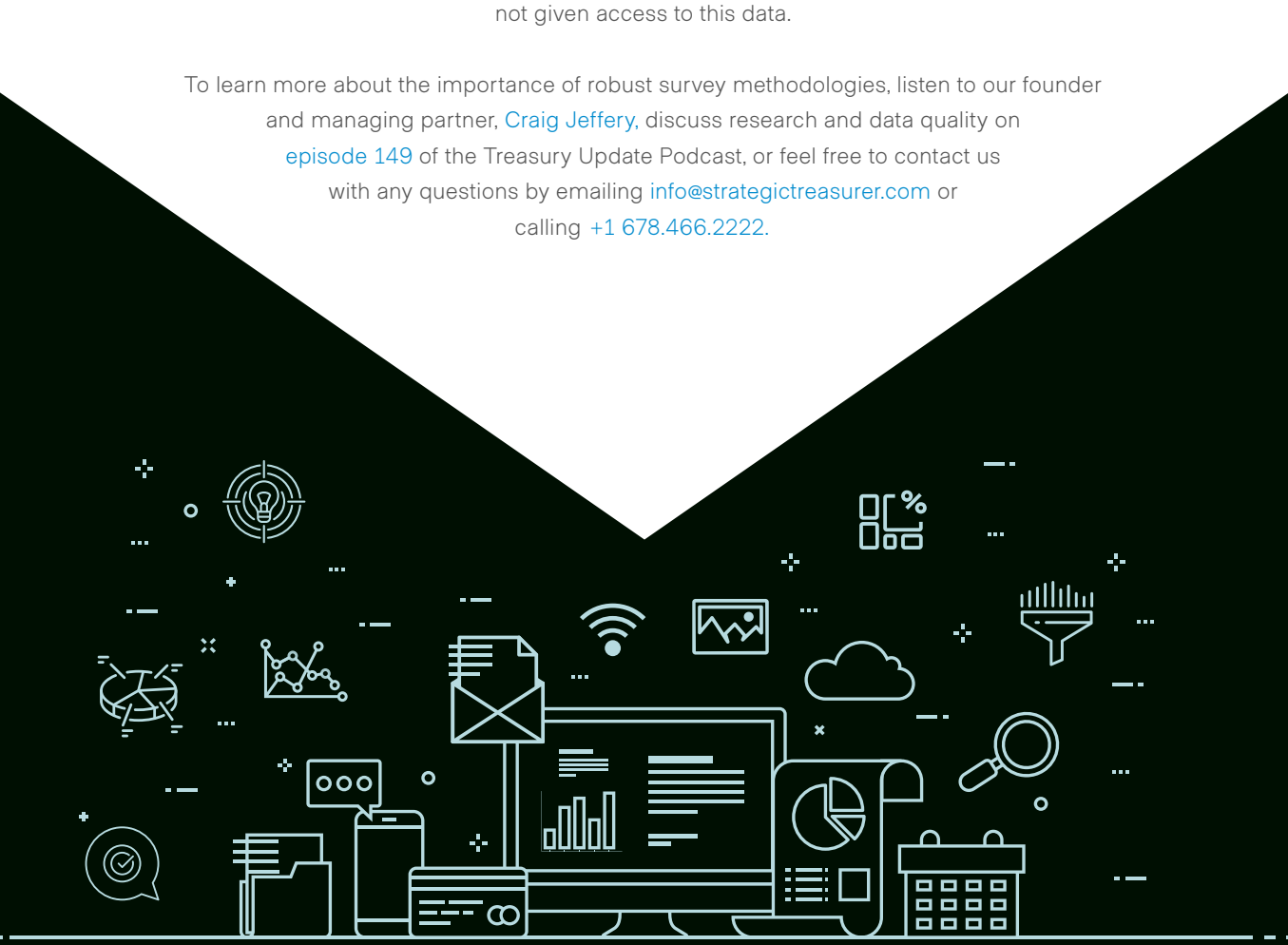
About the Firms

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Deluxe, a Trusted Payments & Business Technology™ company, champions business so communities thrive. Our solutions help businesses pay, get paid, optimize and grow. For more than 100 years, Deluxe customers have relied on our solutions and platforms at all stages of their lifecycle, from start-up to maturity. Our powerful scale supports millions of small businesses, thousands of vital financial institutions and hundreds of the world's largest consumer brands, while processing more than $2.8 trillion in annual payment volume. Our reach, scale and distribution channels position Deluxe to be our customers' most trusted business partner. To learn how we can help your business, visit us a www.deluxe.com, www.facebook.com/deluxecorp, www.linkedin.com/company/deluxe, or www.twitter.com/deluxe.

Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1990s. Partners and associates of Strategic Treasurer span North America and Europe.

This team of experienced treasury specialists are widely recognized and respected leaders in treasury. Known for their expertise in treasury technology, risk management, and working capital as well as other cash management and banking operations, they efficiently identify issues, creatively explore ideas and options, and provide effective solutions and implementations for their valued clients.

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