



Ardent Partners' Accounts Payable Metrics that Matter in 2023

Bob Cohen | VP of Research

Andrew Bartolini | Founder & Chief Research Officer

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Underwritten by:

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About This Report

Metrics Matter! In 2023, they matter more than ever.

In today's competitive business environment, having access to accurate and real-time metrics can be a game-changer. Establishing and measuring relevant metrics allows an AP organization to understand its "current state" while laying the groundwork for its desired "future state." Tracking metrics enables continuous improvement programs to take hold and provides AP leaders with a better opportunity to set proper goals and objectives and "course correct" when achieving them is in doubt.

Over the past decade, Ardent Partners has conducted more Accounts Payable market research studies than any other firm or consultancy in the industry. In that time, Ardent has benchmarked thousands of distinct organizations across all phases of the ePayables Framework – Receipt, Process, and Pay. Ardent Partners' AP Metrics that Matter in 2023 is a compilation of the industry's best and most widely-used accounts payable benchmarks captured in Ardent's most recent state of the market report: **The State of ePayables 2022: Mastering a Key Function at a Critical Time.**



AP Continues to Add Real Value

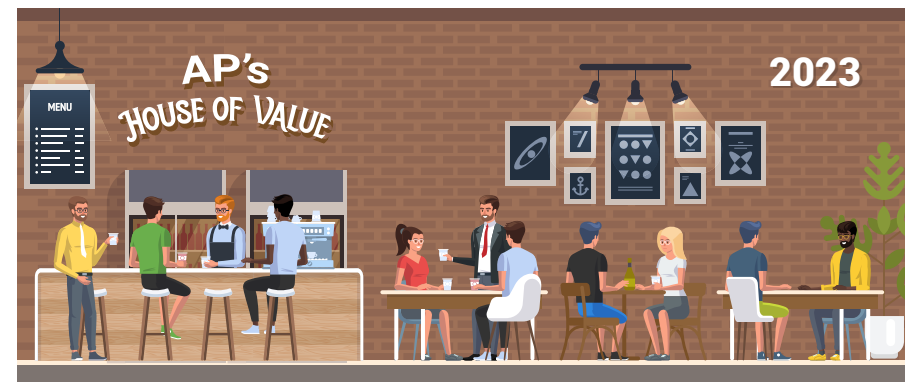
The events of the past several years have enabled finance and business executives to see AP with new eyes and evaluate it based on its impact on performance and operations. In 2023, two-thirds of all businesses view AP as either “very” or “exceptionally” valuable to the enterprise. This is double the one-third who saw AP the same way six years ago and speaks volumes to the impact an AP team can have.

This surge in perceived value shows that AP has succeeded in delivering real value to the business by executing well and by developing and producing actionable intelligence and insights that can be used to support supply chain resiliency, positively impact working capital, and improve the bottom line. A new era for the AP profession has begun.

Percentage of Executives that Say AP is “Exceptionally” or “Very” Valuable (2017 and Today)



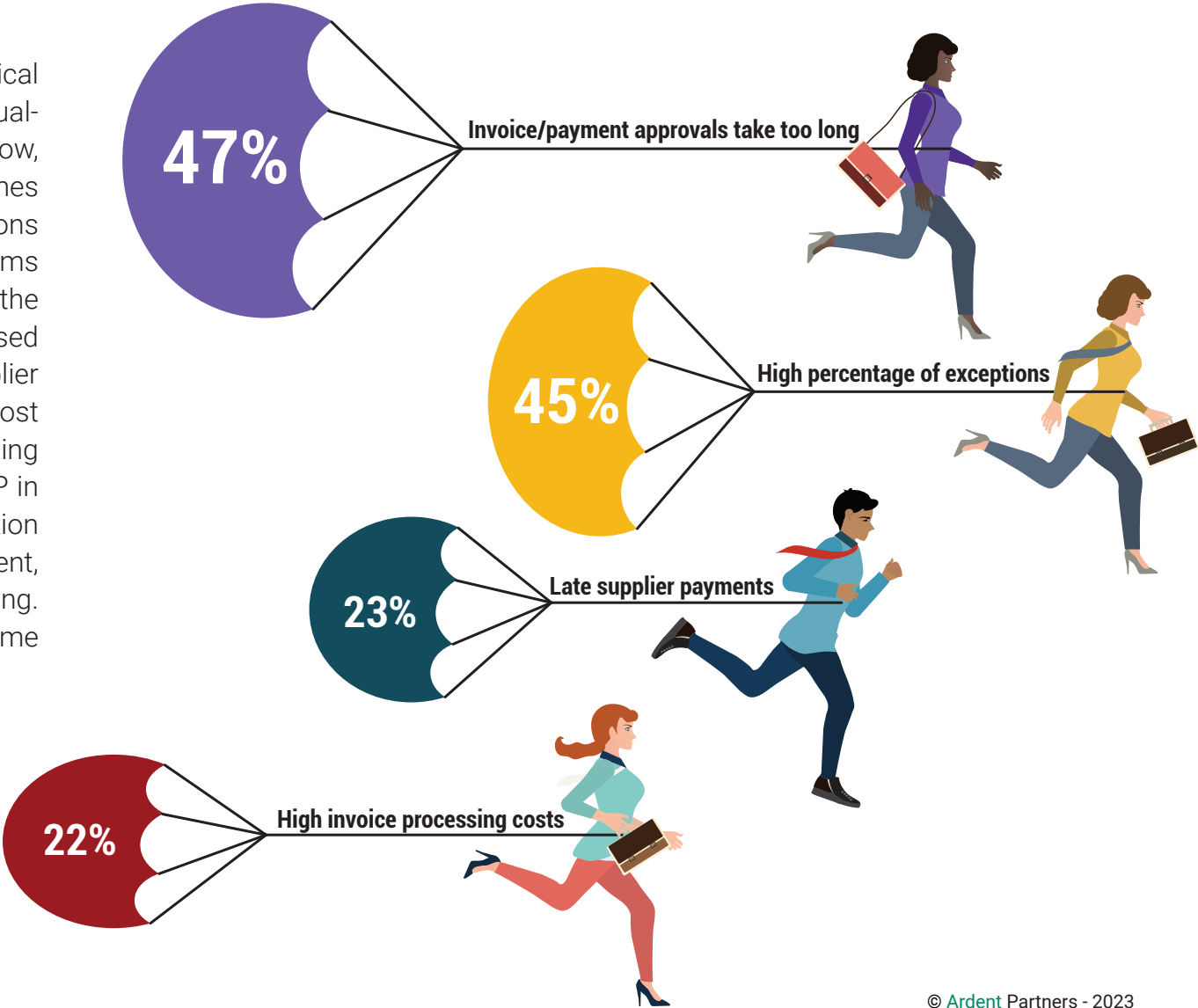
32%



66%

What is Slowing AP Down in 2023?

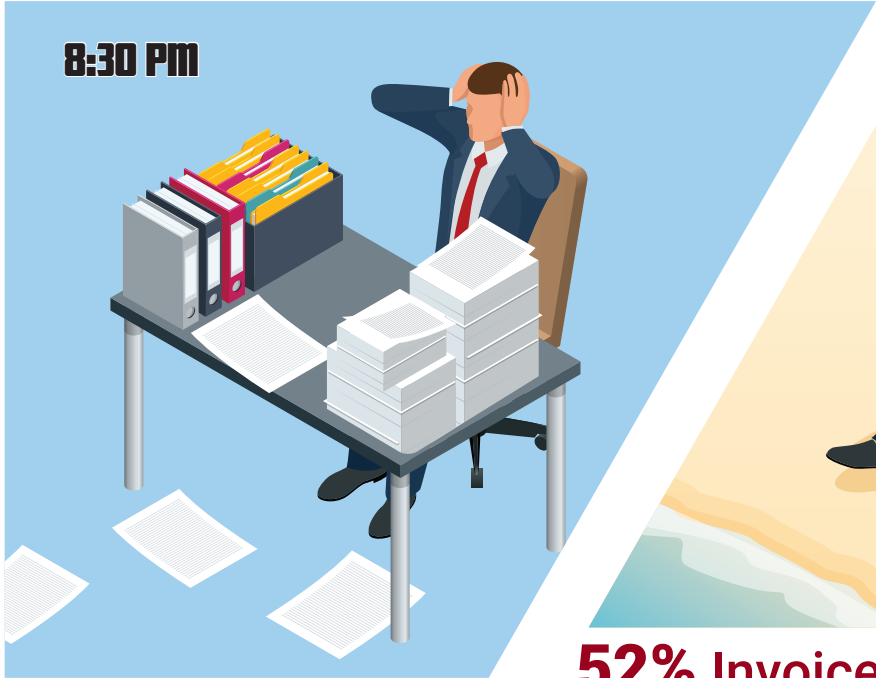
AP's top challenges in 2023 are mostly tactical problems caused by having paper- or manual-based processes. For the second year in a row, lengthy invoice and payment approval times (47%) and the high percentage of exceptions (45%) top the list of hurdles impeding AP teams from achieving better results. And, given the uncertain economic conditions and increased attention on supplier satisfaction, late supplier payments (23%) was identified as the third most frequent challenge. High invoice processing costs (22%) is another main challenge for AP in 2023. AP departments that lack a clear solution to streamline approvals, exception management, and payments will soon hit a performance ceiling. If the AP operation is not accelerating, it is time to take corrective action.



Invoicing in 2023: Manual vs. Electronic

For the fourth year in a row, the majority of invoices received by AP departments are electronic (vs. manual). In 2023, however, this percentage receded slightly from the previous year (55%) with the average AP organization now receiving 52% of its invoices electronically. Electronic invoices are in the majority, but there are still way too many paper invoices being sent and processed today. Ardent Partners expects electronic invoicing to reestablish its upward trajectory this year.

48% Invoices Received Manually



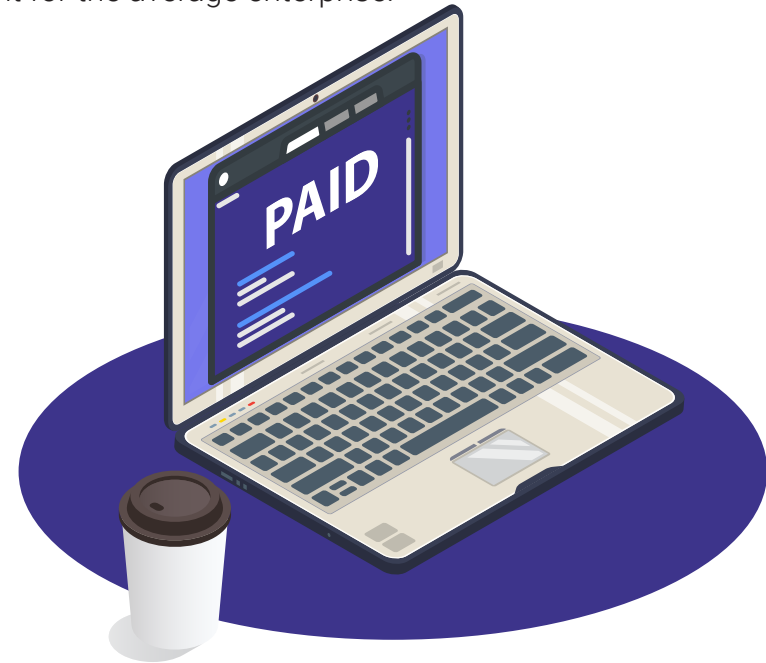
52% Invoices Received Electronically

Electronic Payments – Room for Improvement

Electronic payments make good business sense – they are safer, faster, less costly, and more flexible than their paper counterparts. Automation of B2B payments can help to maintain good working relationships with suppliers, as well as improve cash management and drive greater financial value to the organization. Despite this, Ardent Partners' latest research reveals that only 60% of B2B payments today are made electronically, which leaves significant room for improvement for the average enterprise.



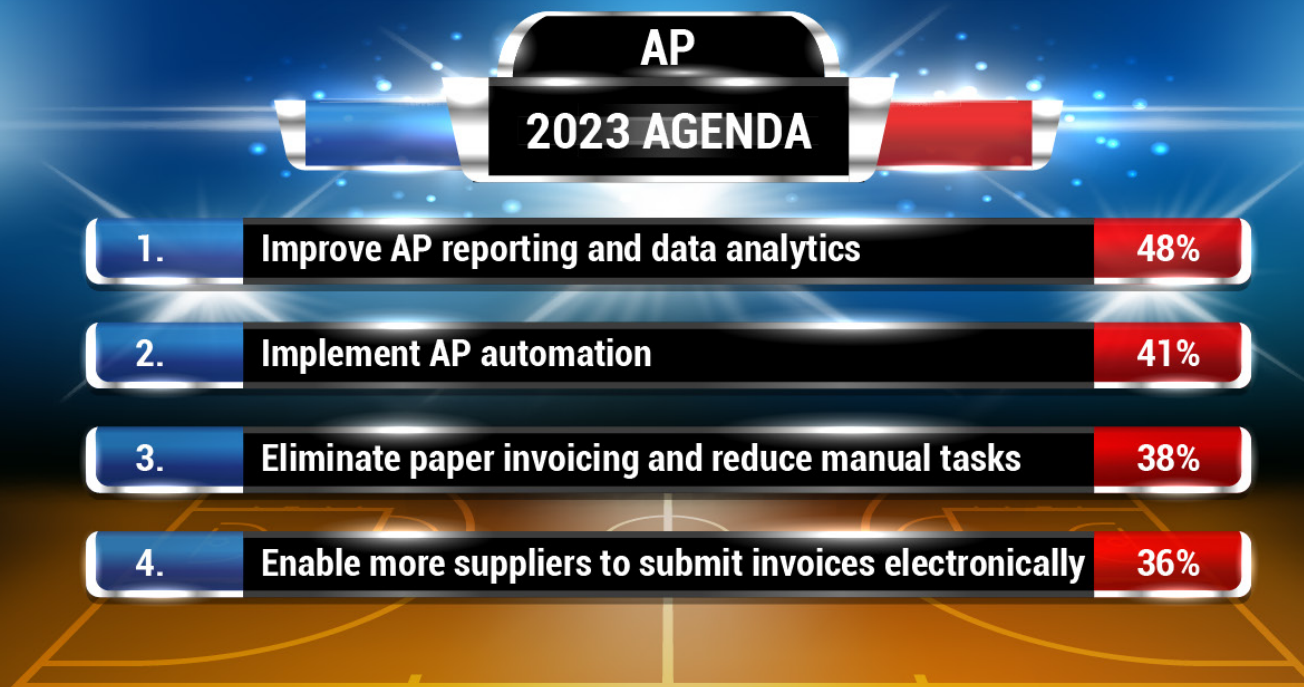
Manual Payments (40%)



ePayments (60%)

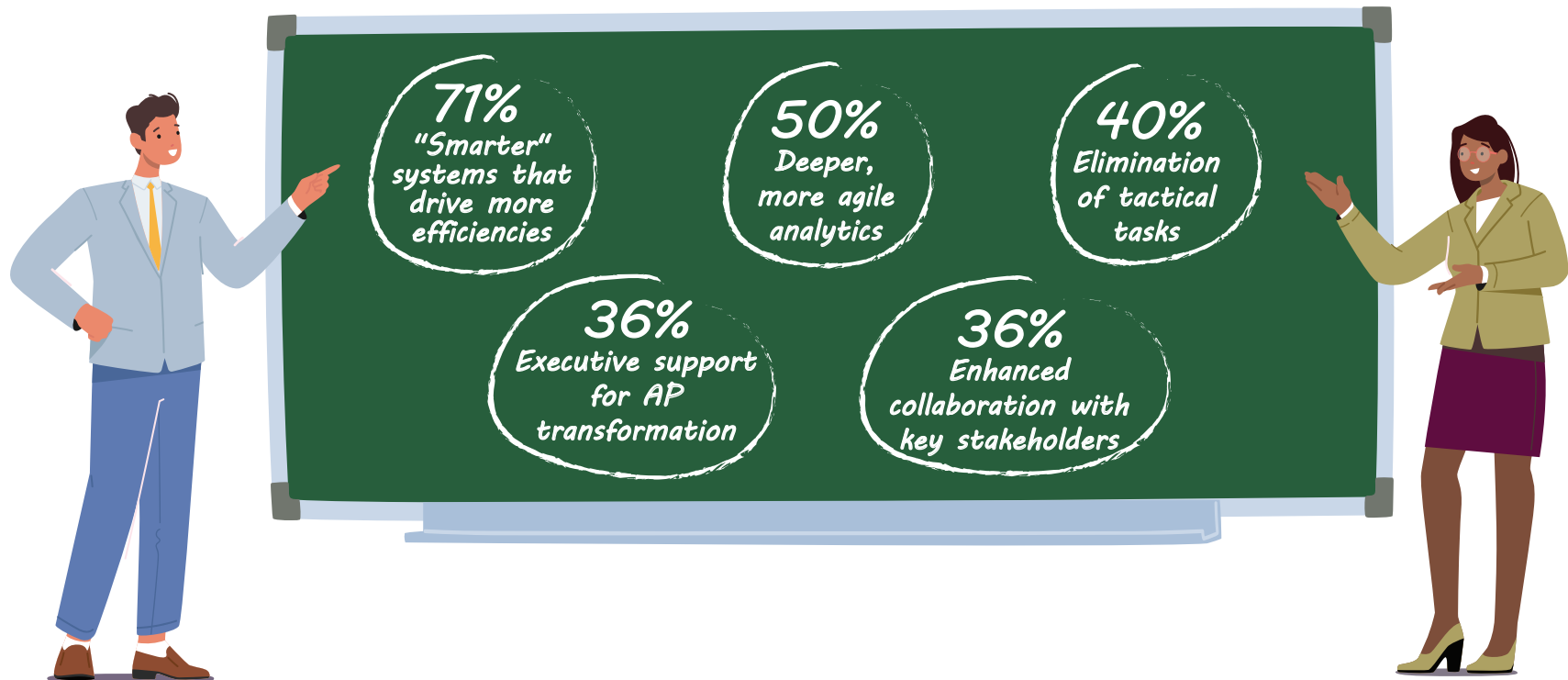
AP's 2023 Agenda

In 2023, AP leaders continue to balance their traditional priorities with those that place them on the path ahead. The drive to improve reporting and analytics (48%) is a clear representation of the function's determination to become a strategic "hub" of intelligence for the rest of the enterprise. However, many AP departments still have gaps that need to be addressed, which is why digital transformation initiatives such as deploying AP automation (41%), reducing paper and human touch (38%), and supplier electronic invoicing submission (36%) occupy the remainder of the top four spots on the 2023 agenda.



The AP Game Changers for 2023

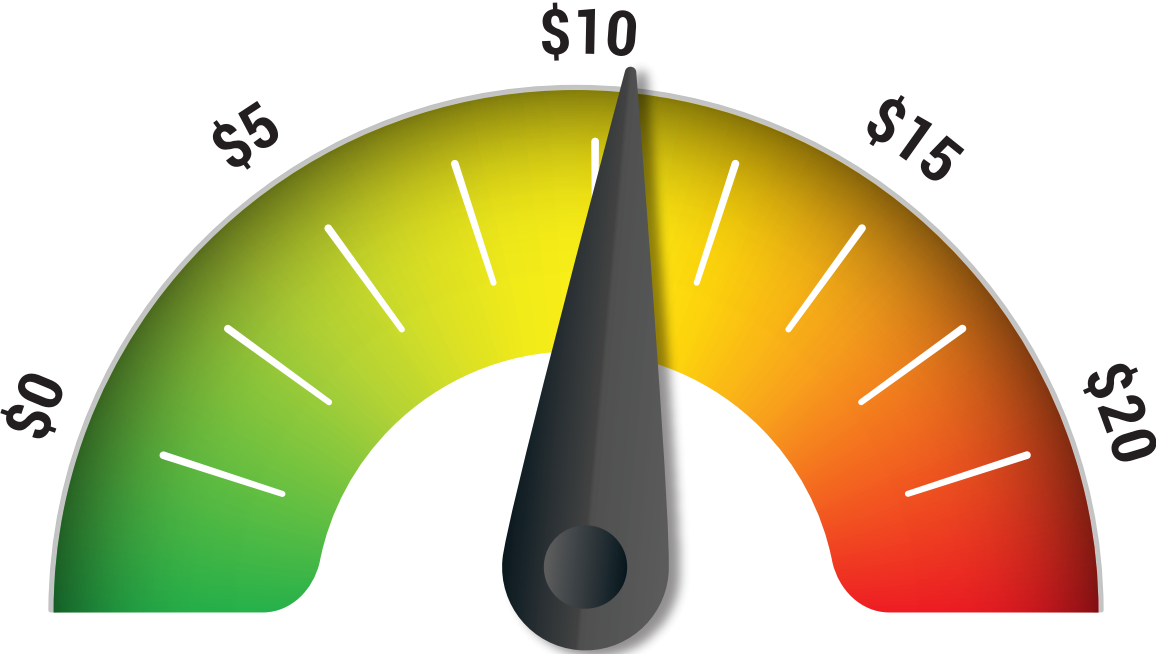
AP is sticking to its plan and roadmap over the past several years of transforming itself into a more strategic hub of intelligence for the rest of the organization. Today, more organizations are prioritizing automation and knowledge than ever before. Almost three-quarters (71%) of AP leaders believe that "smarter" systems are the best way to impact AP performance and drive more efficiencies. Half (50%) of AP teams believe that deeper and more agile analytics remain a key piece for AP to achieve higher performance levels in the years to come. Additionally, eradication of tactical tasks (40%), enhanced collaboration (36%), and executive support for AP (36%), are also essential components to helping AP departments improve their effectiveness.



The Average Cost to Process an Invoice

The average cost to process a single invoice in 2023 is \$10.18. This all-inclusive cost (which includes labor, overhead, technology, etc.) increased by 10% in the past year. That means that AP budgets are not immune from steep inflation and the war for talent. Driving greater efficiencies through the use of AP automation is one way to counter those budget-busting factors.

Average Cost to Process an Invoice
\$10.18



The Average Time to Process an Invoice

The average AP department has a need for speed. In 2023, the average time-to-process an invoice (from invoice receipt to “ready-to-pay” status) was 10.9 days. Taking nearly 11 days to process an invoice indicates that there are tactical processing issues that should be addressed. Sizable processing delays can be a huge drain on the more strategic and value-adding, areas that AP can provide, including cash management, forecasting and supplier satisfaction.

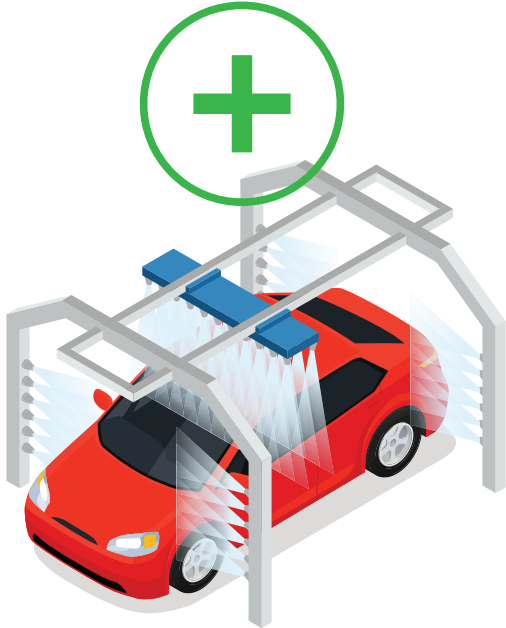


Straight-through Processing

Straight-through or “touchless” processing is defined as an invoice being received, processed, and scheduled for payment without any manual intervention. Straight-through processing delivers huge operational and financial efficiencies because it eliminates the need for AP staffers to spend time and resources on invoice processing, freeing them for more strategic duties. In 2023, 30.2% of invoices achieve this desired “touchless” state, a metric that has remained relatively flat in recent years.



Invoices Requiring AP Handling
69.8%



Invoices Processed Straight-through
30.2%

Invoice Exception Rate

Invoice exceptions remain the bane of AP's existence, as 22.5% of all invoices within the typical AP department are flagged for handling and intervention. Exceptions considerably increase the cost and time to process invoices. They also bog down the AP staff. Today's invoice exception rates remain consistently too high. Exceptions directly impede an AP department's ability to move forward in more innovative and strategic ways.



Invoices Linked to a Purchase Order

Slightly more than two-thirds (67.1%) of all invoices in 2023 are tied to a purchase order (PO). Linking an invoice to a PO and then leveraging automation to automatically match and validate required information is another form of straight-through processing.

Invoices associated with POs achieve higher automation match rates, process faster with fewer exceptions, and cost far less than invoices without the correlating documentation. Exception rates and other data issues are also dramatically reduced.



Spend Under Management

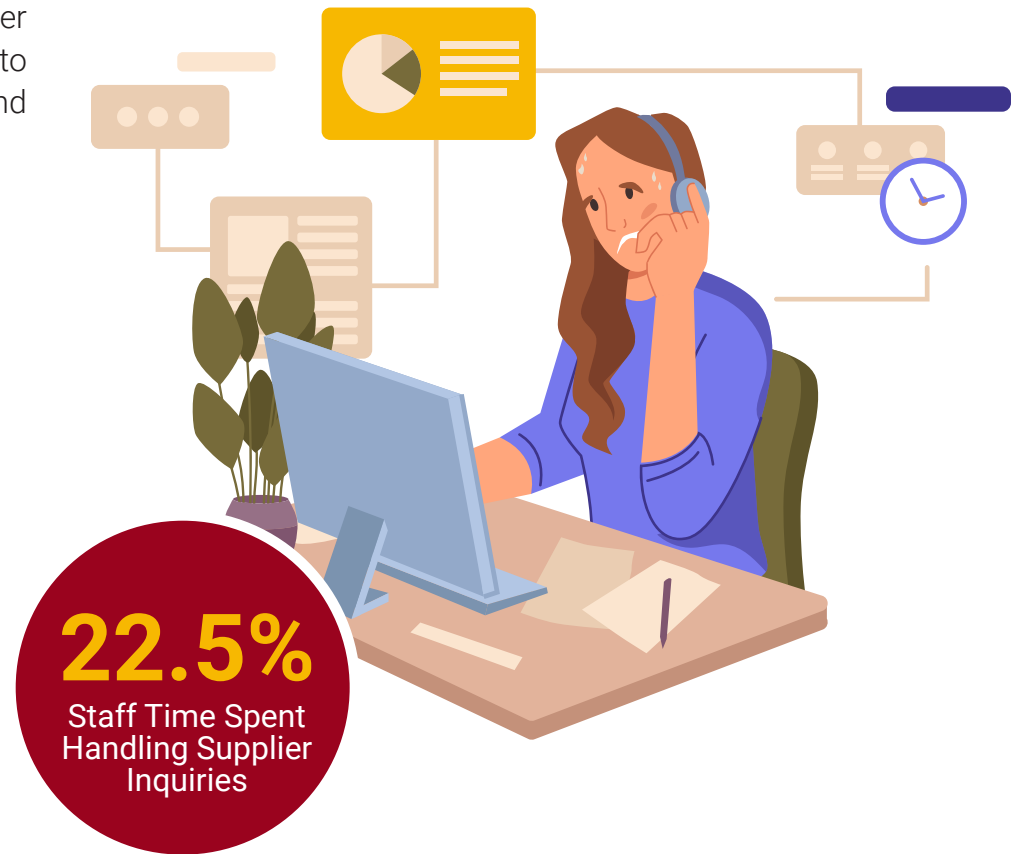
The percentage of spend under management at the average enterprise sits at 67.4% last year. Ardent Partners believes that tracking this metric is important, and trying to increase it makes sense because our research shows enterprises realize a savings of between 6% and 12% on every new dollar of spend placed under procurement's control. There are other benefits beyond savings that also result from procurement's influence, including improved quality and lower risk. That said, the amount of spend being managed by procurement is less important than the overall impact procurement has on results.

Spend Under Management
67.4%



Staff Time Spent Handling Supplier Inquiries

The average AP department spends 22.5% of its time handling supplier inquiries. This is troubling as Ardent would expect increases in automation to lead to less inquiries directly handled by AP. This bears further investigation. AP organizations need to better understand the nature of the inquiries being received and work to address them so more time can be spent on strategic activities and less time reacting and handling tactical tasks.



Enabled Suppliers

One critical area of growth over the past year is within the realm of supplier enablement: On average, 43% of the average enterprise's supplier base is electronically-enabled to transact (i.e., receive orders, send invoices, etc.), which has increased almost 20% in just the past two years. This number has almost doubled since 2017, when the value was 24.1%. However, much more attention needs to be paid to enabling suppliers to submit invoices electronically. This is an important metric in the greater discussion of digital transformation, as the "digitized enterprise" is one that leverages seamless and holistic process workflows for maximum efficiency and knowledge sharing.

43% of All Suppliers are Enabled



The Cost To Process A Single Payment

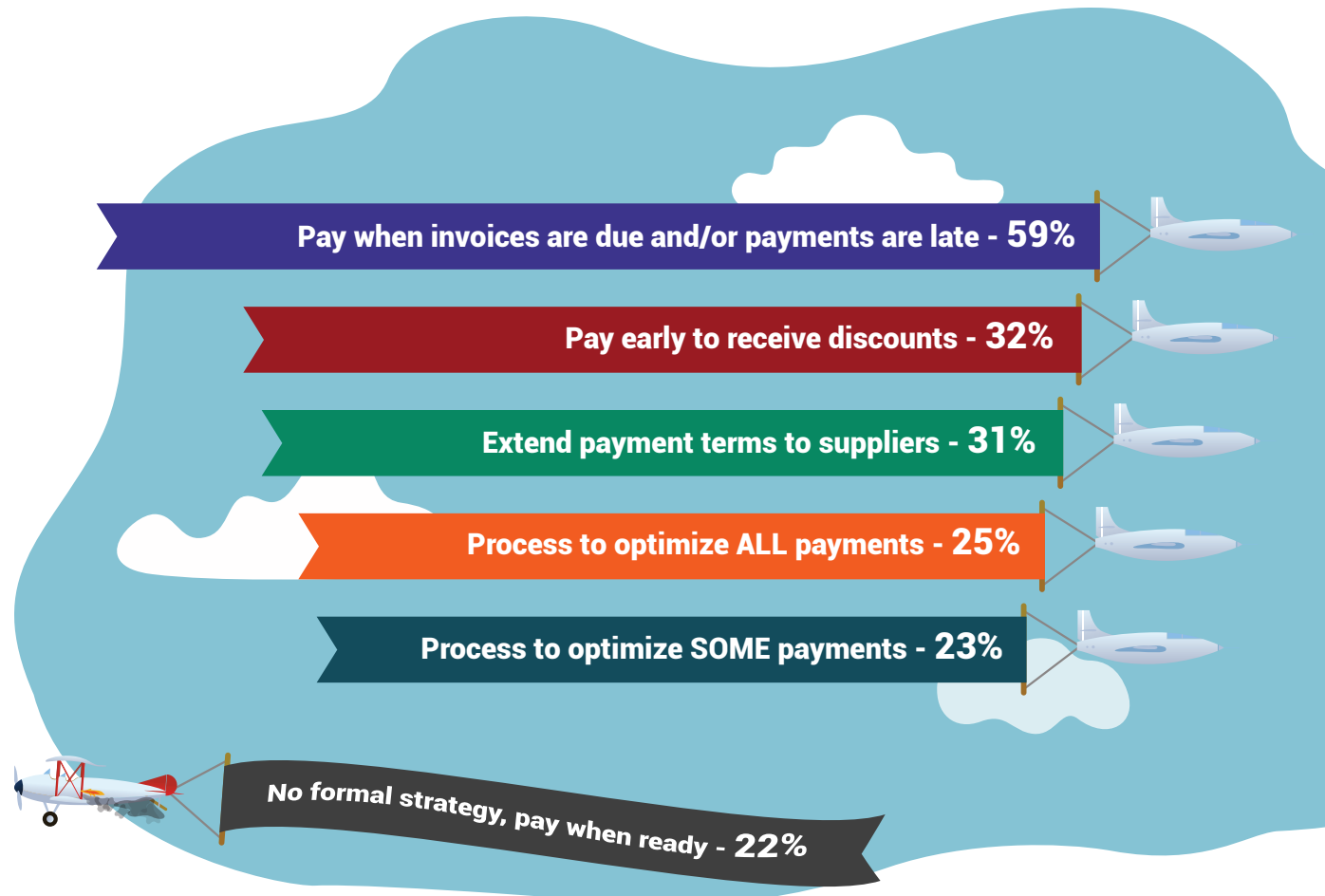
In 2023, the average cost to process a single supplier payment (fully loaded costs including AP staff, managerial overhead, facilities, printing, mailing, stopped/voided/returned checks, IT support, etc.) is \$8.93, up roughly 4% from the previous year. This is disappointing. This is unexpected as this number should decrease as more organizations move away from paper checks and become more digital with their payments. For most AP organizations, the cost to process a payment remains very high and indicates significant room for improvement.

Average Cost per Payment
\$8.93



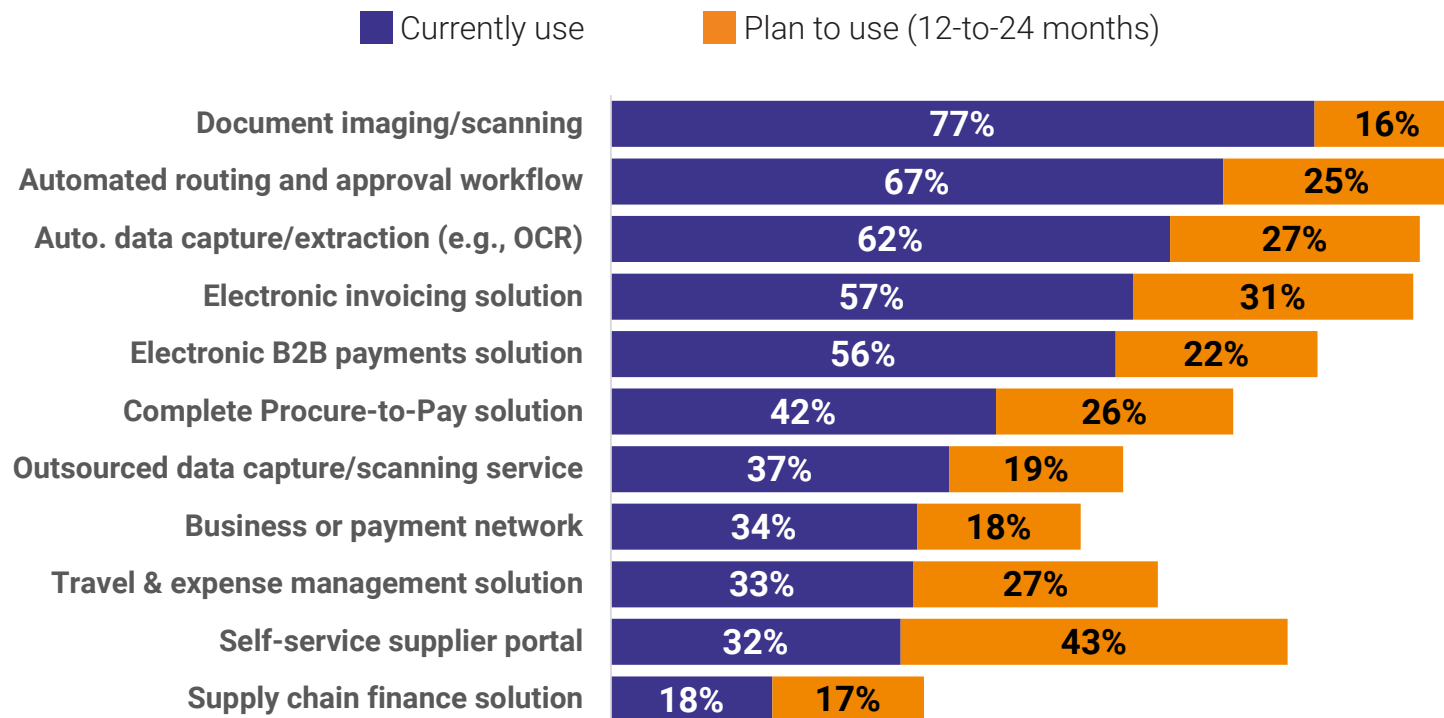
The Top B2B Payment Strategies For 2023

AP is responsible for a major amount of the average business's cash distributions. When and how invoices get paid can have a huge impact on an organization's cash flow, liquidity, and supplier relationships. In today's uncertain economic environment, it is crucial that AP leaders have a strategy for optimizing and executing its B2B payments and overall cash management. Notably, almost one-fourth (22%) of all AP groups have no payment strategy in place. These groups miss a significant opportunity to help improve their company's financial performance.



ePayables Technology Adoption

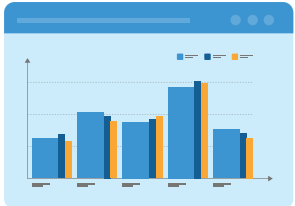
ePayables technology adoption does continue to rise, albeit slowly. The current state of ePayables technology adoption rates reveals that a majority of today's AP teams still are not fully-automated, and have taken a piecemeal approach to technology. Ardent Partners' research has consistently shown that automated invoicing processes can cost between 40% and 90% less when compared to manual, paper-based processing methods and leaves one to wonder why more enterprises have not fully automated their AP processes. On a more positive note, a large percentage of AP organizations plan to adopt new ePayables technology over the next two years.



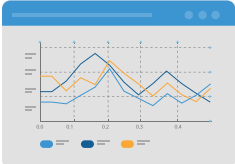
Converting Data into Value: AP's Top Uses of Data and Intelligence

There is no getting around it, we live in an increasingly data-driven world. That's great news for progressive AP teams which have direct access to a wealth of transactional data (to gain a clear view of what is happening across the organization from a spend perspective). The knowledge captured by an AP function can help it improve its own operations. Data can also be used to support smarter financial (and procurement) decision-making while also helping to improve supplier relationships.

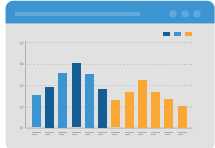
Cash flow analysis 60%



Invoice exception handling 53%



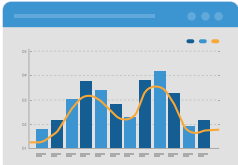
Fraud and compliance management 51%



Forecasting, budgeting, and planning 71%



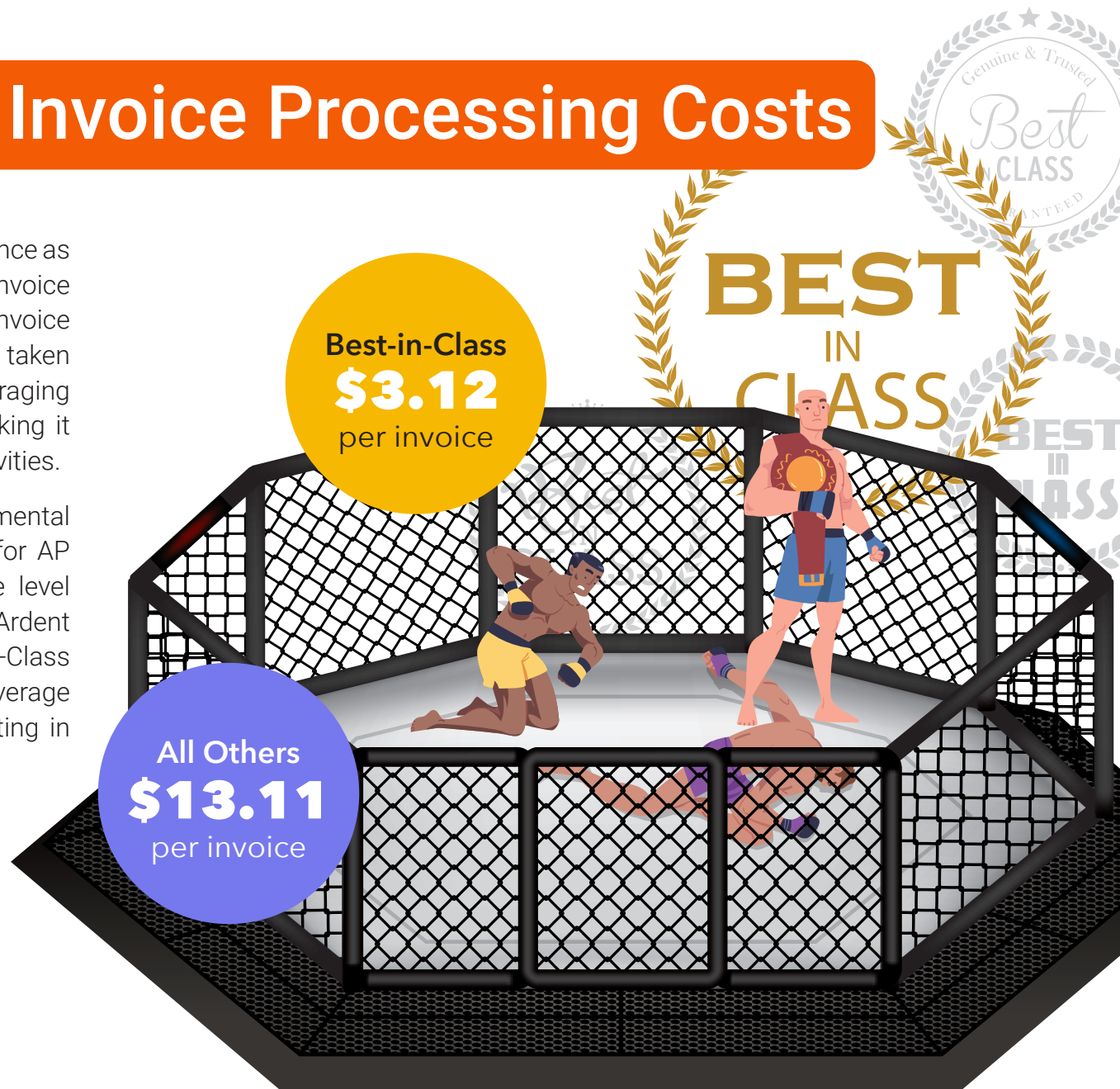
Improving finance and procurement collaboration 48%



Best-in-Class — Invoice Processing Costs

Ardent Partners defines Best-in-Class performance as the 20% of enterprises with the lowest average invoice processing costs and the shortest average invoice cycle times. 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 enabling more strategic activities.

Invoice processing costs, as simple and fundamental as they may be, remain a major benchmark for AP performance because the metric reflects the level of efficiency present within the program. Ardent Partners' research has shown that Best-in-Class enterprises focus on core processes and leverage ePayables solutions at a very high rate, resulting in invoice processing costs that are 76% lower.



Best-in-Class — Invoice Processing Time

Best-in-Class organizations leverage the power of automation and efficiency to improve processes related to invoice receipt, approval workflow, and payment scheduling. Their ability to master the art of tactical financial operations results in an average time to process an invoice that is 81% faster. This not only allows Best-in-Class AP groups to take advantage of more early payment discounts and improve working capital management, but also frees this staff to assist or support in more strategic financial activity.

All Others
19.4 Days
 per invoice

Best-in-Class
3.7 Days
 per invoice

INVOICE
 PROCESSING TIME

**BEST
 IN
 CLASS**

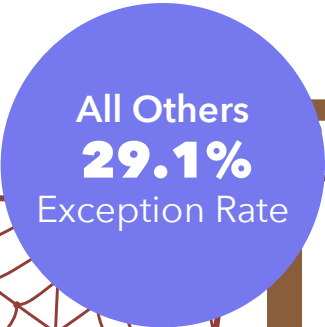
Best-in-Class — Touchless Processing

Straight-through processing rates are emblematic of the overall maturity of an AP operation and the impact of any AP transformation initiative. Invoices that avoid human intervention generally speed through all phases of the ePayables Framework with ease. Best-in-Class enterprises have leveraged technology and automated manual processes with amazing results and report a 2.2x higher rate of “touchless” invoices as one major advantage.



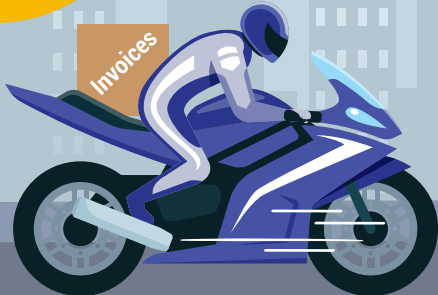
Best-in-Class – Invoice Exception Rates

Best-in-Class organizations have long realized and taken steps to mitigate the invoice exception problem, with only 11.8% of their overall invoices flagged for issues (less than half the rate of their peers). Top-performing businesses are actively spending less of the group's time hunting down additional information and filling in critical data gaps for invoices. This has a cascading effect on other financial measures, including and most importantly, a faster time-to-process rate, lower costs, and reduced exposure to payment risk.



Best-in-Class — Electronic Invoicing

Leading organizations long ago realized the disadvantages of receiving paper invoices from suppliers and took major strides to eliminate them from the process. To this end, Best-in-Class AP groups are 2.5 times more likely to have eInvoicing in place and avoid the time-consuming, error-ridden, and costly challenges commonly associated with managing the receipt and processing of paper invoices from suppliers.



BEST IN CLASS

Best-in-Class — Time Spent Responding To Inquiries

Best-in-Class AP organizations spend almost 50% less time responding to inquiries. Time spent with your suppliers is extremely important, but it has to be the right kind of time and conversations. Spending hours communicating on the phone or via email with your suppliers discussing invoice status or payment issues is not value added to either of your organizations. By minimizing the time AP staff spends on inquiries, it can focus on more strategic, value-added activities.



All Others **29%** AP Staff Time



Best-in-Class **15%** AP Staff Time

Best-in-Class – ePayables Technology Advantage

Adoption of technology is one area where the Best-in-Class differentiates itself from the rest of the market. The evidence is clear – organizations that leverage technology to automate the AP process perform better and deliver greater value. Automating core processes of the ePayables Framework opens new avenues of opportunity for the AP function, moving it beyond tactical endeavors and turning its focus to higher-level activities such as capturing and sharing intelligence and data that can enhance AP, stakeholder, and enterprise performance. Best-in-Class organizations have shown what can be achieved when AP performs to its full potential.

Best-in-Class, on average adopt ePayables solutions between **46%** and **260%** more than all other AP groups.

BEST IN CLASS

BEST IN CLASS

FINISH

ELECTRONIC INVOICING | SUPPLIER PORTALS
ELECTRONIC B2B PAYMENT SOLUTIONS
AUTOMATED ROUTING AND APPROVAL WORKFLOW
COMPLETE PROCURE-TO-PAY SOLUTIONS

Best-in-Class — Measurement of Key AP Metrics

Best-in-Class enterprises learned a long time ago that measurement is a critical component to improving performance. And, it is no surprise that Best-in-Class enterprises are 73% more likely to measure key AP productivity metrics (e.g., invoice processing cycle time, invoices processed straight-through, etc.) and financial metrics (e.g., invoices and discounts coming due, goods received not invoiced, etc.). However, it is important to note that the Best-in-Class also have room for improvement in this area as well.



All Others
33%



Best-in-Class
57%

What will AP Look Like in the Future?

The importance of technology, collaboration, and an innovation-ready mindset is not lost on AP leaders. In fact, over the next two years, achieving organizational success will require increased automation across the entirety of the ePayables Framework, including the digital transformation of payments, working more closely with key stakeholders, and creating a single P2P function.

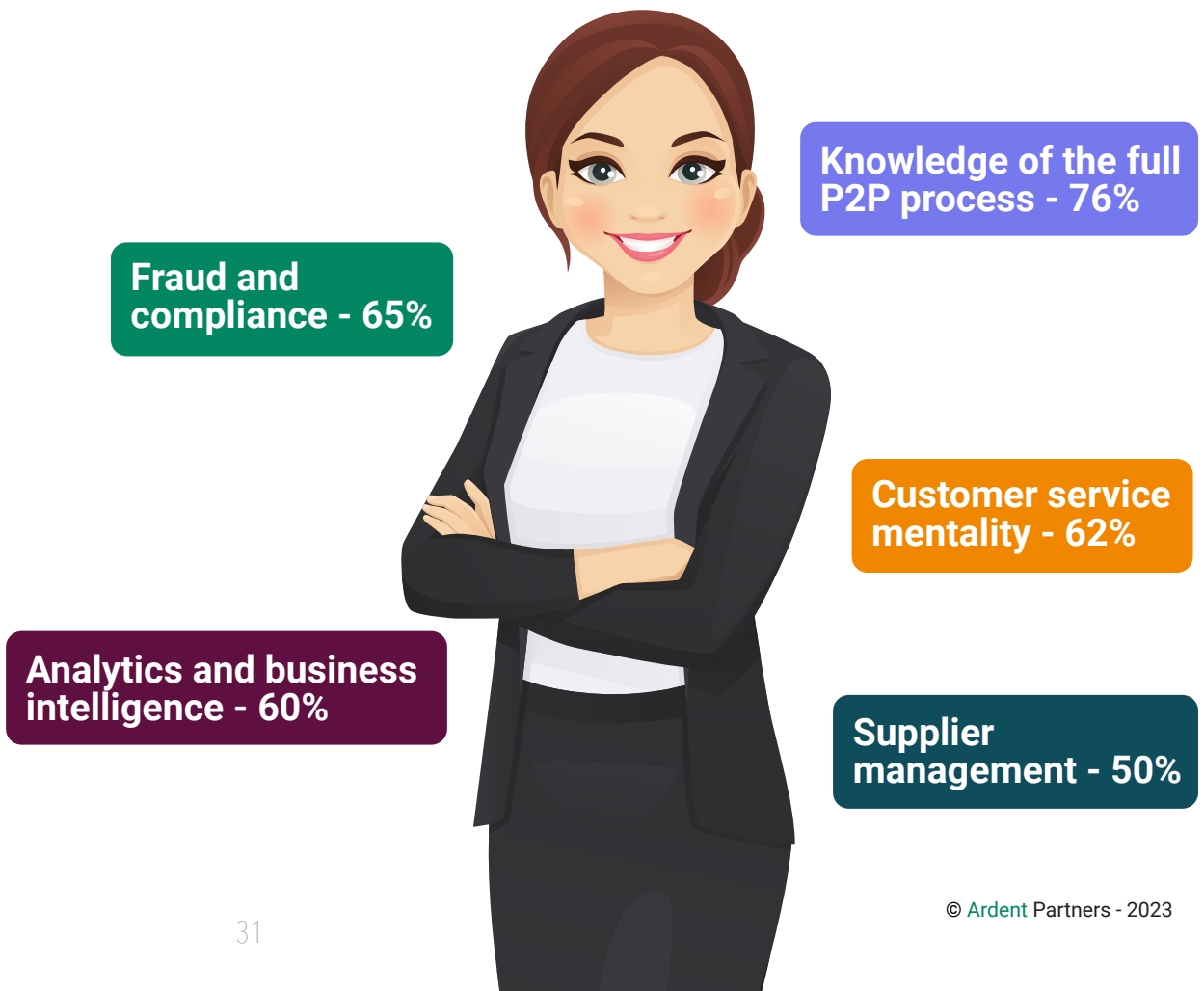


Next-Gen AP: Top Skills Required

The role of AP within the organization continues to evolve, becoming more strategic to overall operations each year. The scope of today's AP work extends well beyond its traditional duties. In 2023, all AP staffers work to develop a clear understanding of their enterprise and how it interacts with AP.

They must also continue to bring new skills and knowledge to bear, which can include having a comprehensive understanding of the P2P process, leading fraud detection and mitigation efforts, expanding core AP reporting and analysis, and adopting a customer service mindset. AP managers and leaders must regularly evaluate and develop the organizational skills and competencies that will ensure their team's value and relevance.

Essential AP Skills



Summary

True mastery is the art of perfecting a craft. But in the context of the modern business world, value is much more important than perfection. Mastering AP is evidenced by consistently delivering Best-in-Class levels of performance that translate into high value and a competitive advantage in the market. AP mastery starts with automation and builds upon broad-based proficiency. A growing number of enterprise executives understand how AP's activities directly impact cash, working capital, and supplier relationships. As such, the AP function is newly empowered with greater access to key stakeholders and partners and larger budgets for digital transformation.

The challenging times brought on by the COVID-19 pandemic have provided a great catalyst for investment in and focus on the AP function. It now falls upon AP leaders to convert these investments into top performance. And, as market uncertainty continues to snowball with additional financial and global pressures added daily, organizations of all sizes and in all regions that master AP have a window of opportunity to deliver outsized-performance in 2023 and well into the future.

Demographics and Methodology

Report Demographics

The research in this report is drawn from 184 respondents representing the following demographics:

Job Function: 47% accounts payable; 14% finance/accounting; 13% procurement; 12% P2P; 10% information technology; 4% treasury

Job Role: 35% VP-level or higher; 12% director-level; 30% manager-level; 23% staff-level

Company Revenue: 57% Large (revenue > \$1 billion); 21% Mid-market (revenue between \$250 million - \$1 billion); 22% Small (revenue < \$250 million)

Region: 65% North America; 30% EMEA; 5% Asia-Pac

Industry: More than 20 distinct industries are represented. Manufacturing, Healthcare, Financial Services, Technology, and Retail are the largest industries in the survey pool; no industry represents more than 15% of the overall survey respondents

Research 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 184 AP and finance leaders captured between March and May 2022, and includes direct interviews with several survey respondents. These 184 participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class AP performance 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. Complete 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.



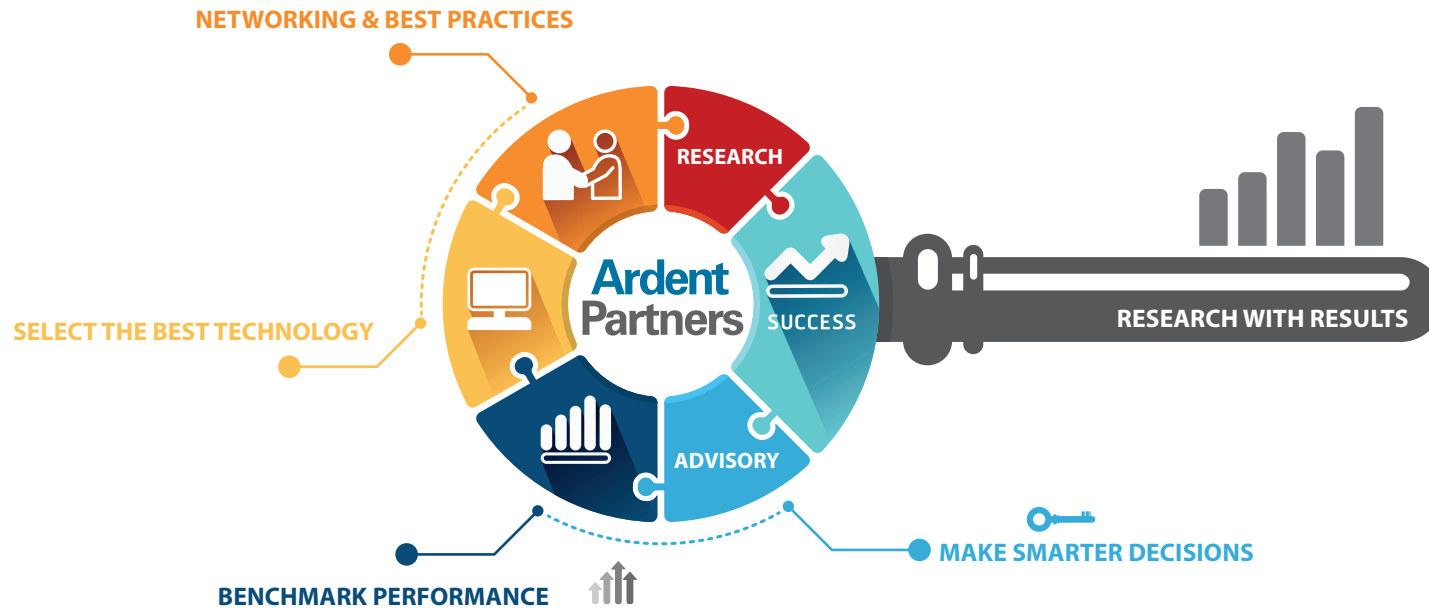
Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 24 years in the industry and 14 years leading the charge at Ardent Partners, Andrew 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 575 times in nine different countries. Under his leadership, Ardent has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operations and has developed research that is currently part of the Supply Chain/Management curriculum at several US universities. Andrew 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 (Ariba & Commerce One). 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 career 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 for four years. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.

Ardent Partners: Research with Results



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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Market ▲ 0.5 ▼ 0.12

Oil ▲ 2.45 ▼ 0.96

Forex ▲ 3.6 ▼ 1.65

Gold ▲ 0.02 ▼ 0.25

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