



WHITE PAPER

# The State of Accounts Receivable: The Journey to Modernize



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367

AR professionals  
interviewed

## About this study

In the spring of 2021, Paradoxes, Inc. was commissioned by Billtrust to conduct an extensive qualitative and quantitative research study to better understand the current state of the accounts receivable (AR) industry in the United States. The research covered current trends, challenges, priorities, systems, tools and modernization efforts within the AR function which includes many aspects of the types of payments accepted.

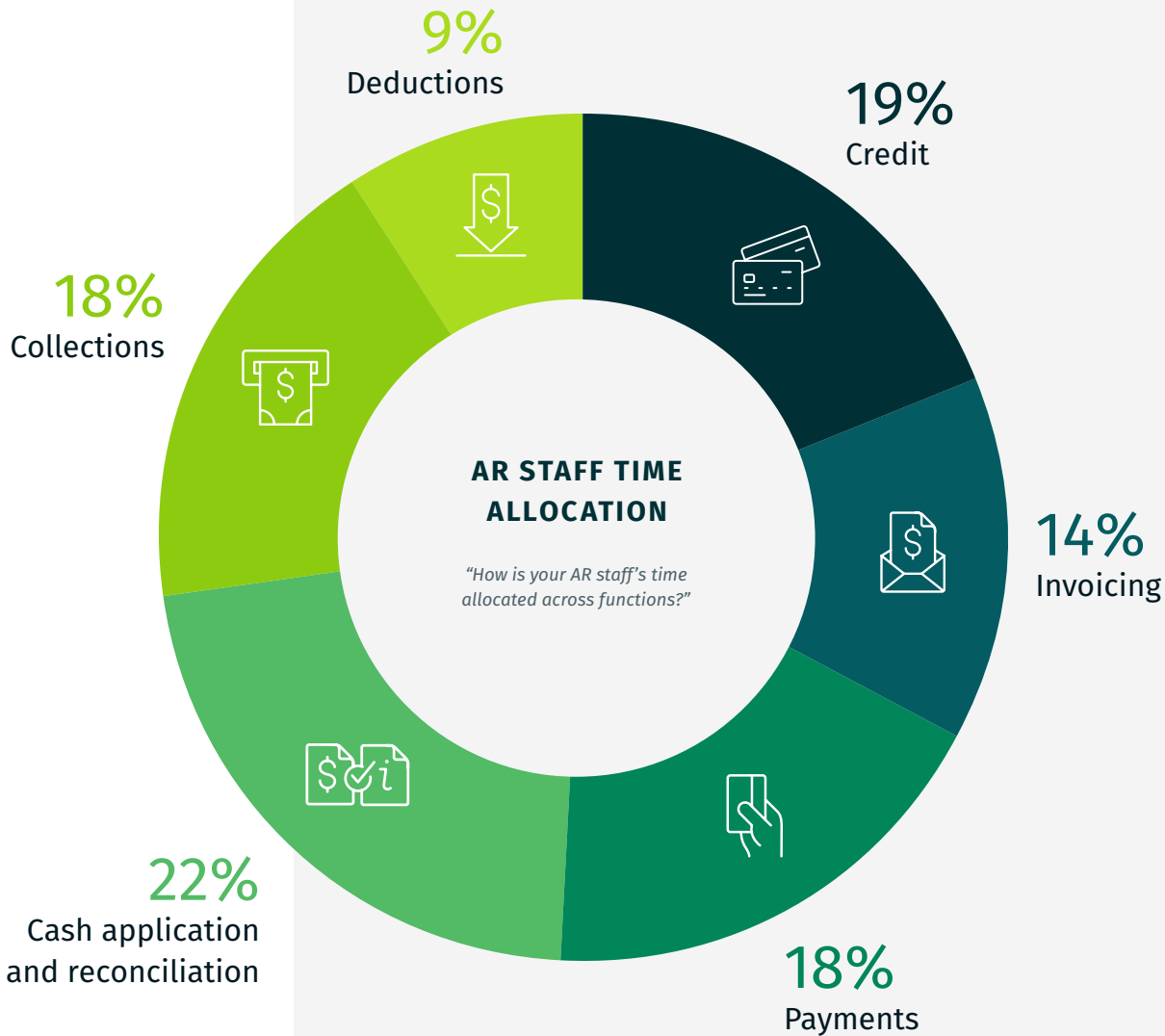
Dozens of 60-minute in-depth interviews were conducted, and an online survey of 367 AR professionals was fielded in organizations of greater than 125 employees and between \$50 million and \$10 billion in revenue.

Like many industries, AR is in the midst of digital transformation. This transformation is aimed at using modern technologies, systems, tools and processes to create operational efficiencies, shift resources to higher value activities, lower costs and achieve competitive advantage. This two-part white paper first provides an understanding of the current state of AR and where organizations are on their journey to modernization.

In part two, we will pinpoint what a modern AR organization looks like, how you can assess your organization to determine your modernization stage, what steps you can take to move from your current stage to more mature stages and the benefits from doing so.

# Current state of accounts receivable

Nearly half of organizations surveyed indicated they are sending an average of 10,000 to 25,000 invoices per month with 30% sending less than that and 22% sending more. Accounts receivable (AR) teams are spending the most time on cash application and reconciliation, credit, collections, payments and invoicing.



*“DSO is looked at very closely. Being multi-national, we have different circumstances in different countries. We have a blended DSO across countries. There are secondary benchmarks like invoices paid and past due percentage. Those are reported on. But DSO is the primary KPI.”*

– Global Director, Credit and AR, Industrial Manufacturing

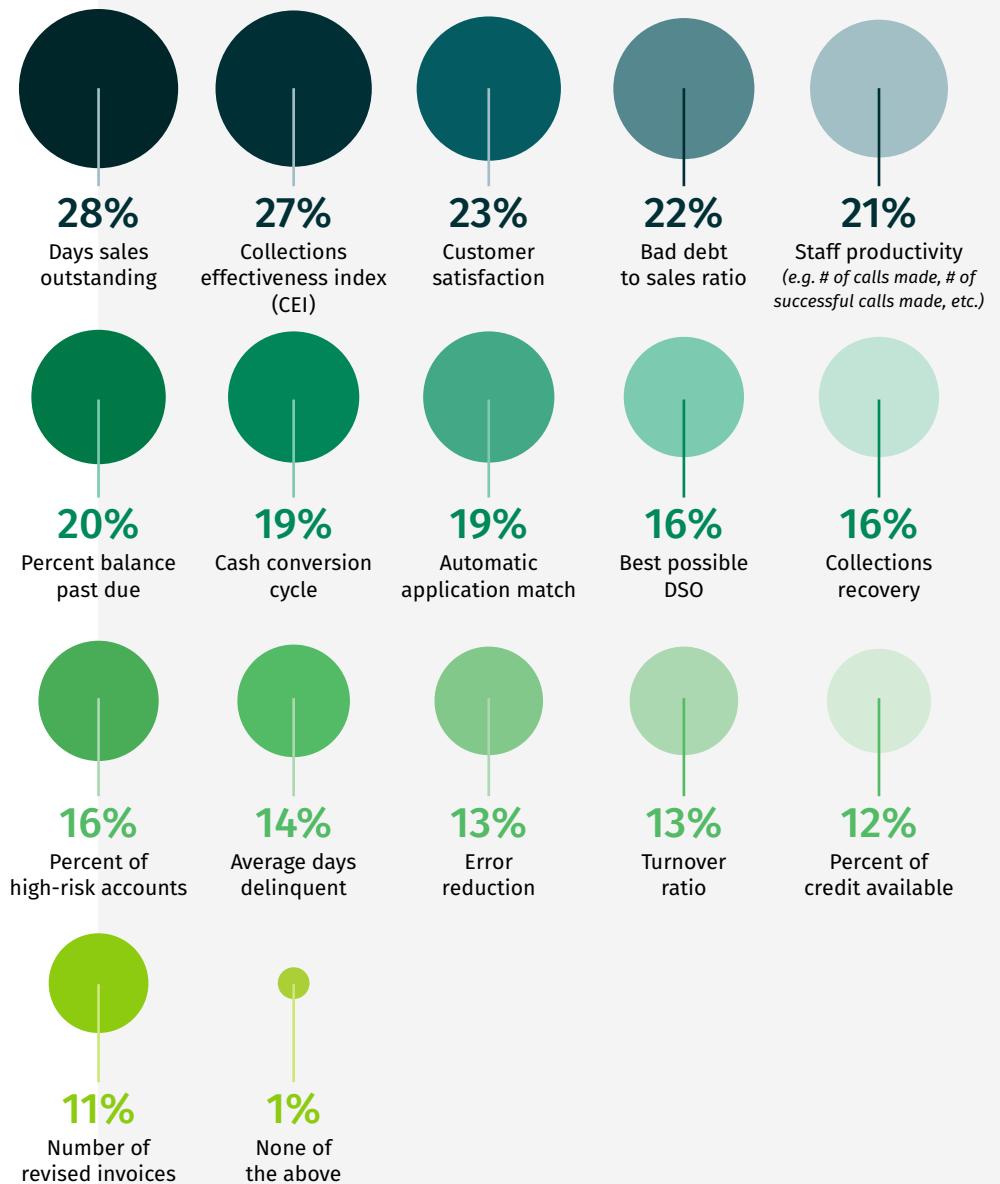
## Success metrics

When asked how AR teams measure their success, Days Sales Outstanding (DSO), Collections effectiveness, Customer satisfaction, Bad debt to sales ratio, Staff productivity, and Percent balance past due emerged as the most used benchmarks.

Nearly 50% of respondents indicated their organization’s current “best case” DSO is 31-45 days with 31% indicating that it’s 30 days or less, and only 22% claiming it’s 46 days or more.

### AR DEPARTMENT KPIs/BENCHMARKS

*“Which of the following KPIs/benchmarks are used within your organization’s AR department? Please select and rank your top 3.”*



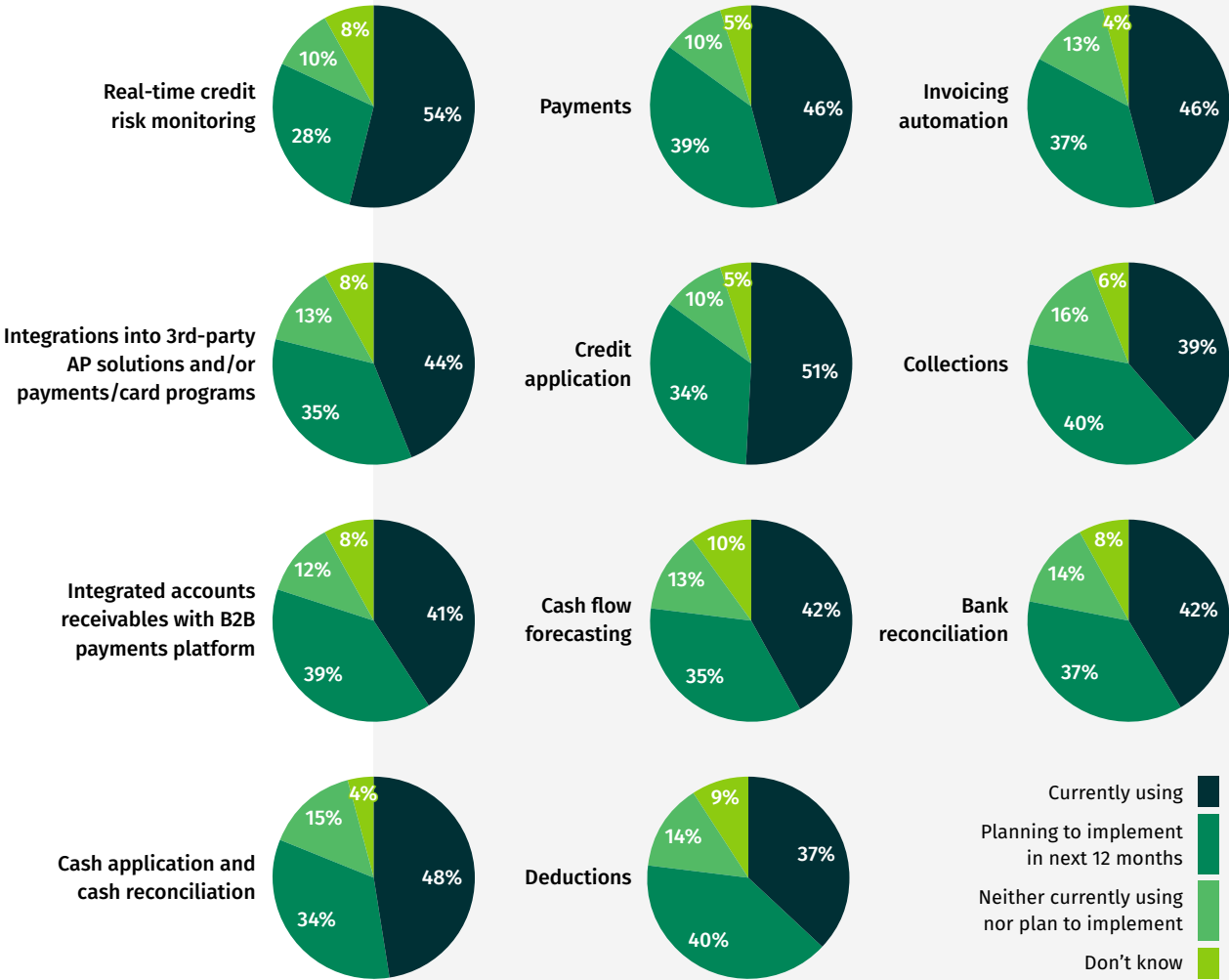
# Systems and tools used

About 50% of AR teams have adopted real-time credit risk monitoring, credit application and cash application software and tools. Payment solutions, invoicing automation and integrations into third-party accounts payable (AP) solutions and/or payment/card programs are the next most prevalent technologies used.

Meanwhile, many teams are planning to use new technologies in the next 12 months such as collections, deductions and payments solutions, followed by integration of AR with B2B platforms.

## AR SOFTWARE AND TOOLS USED

*"Which of the following best describes your organization's usage status for the following software and tools?"*



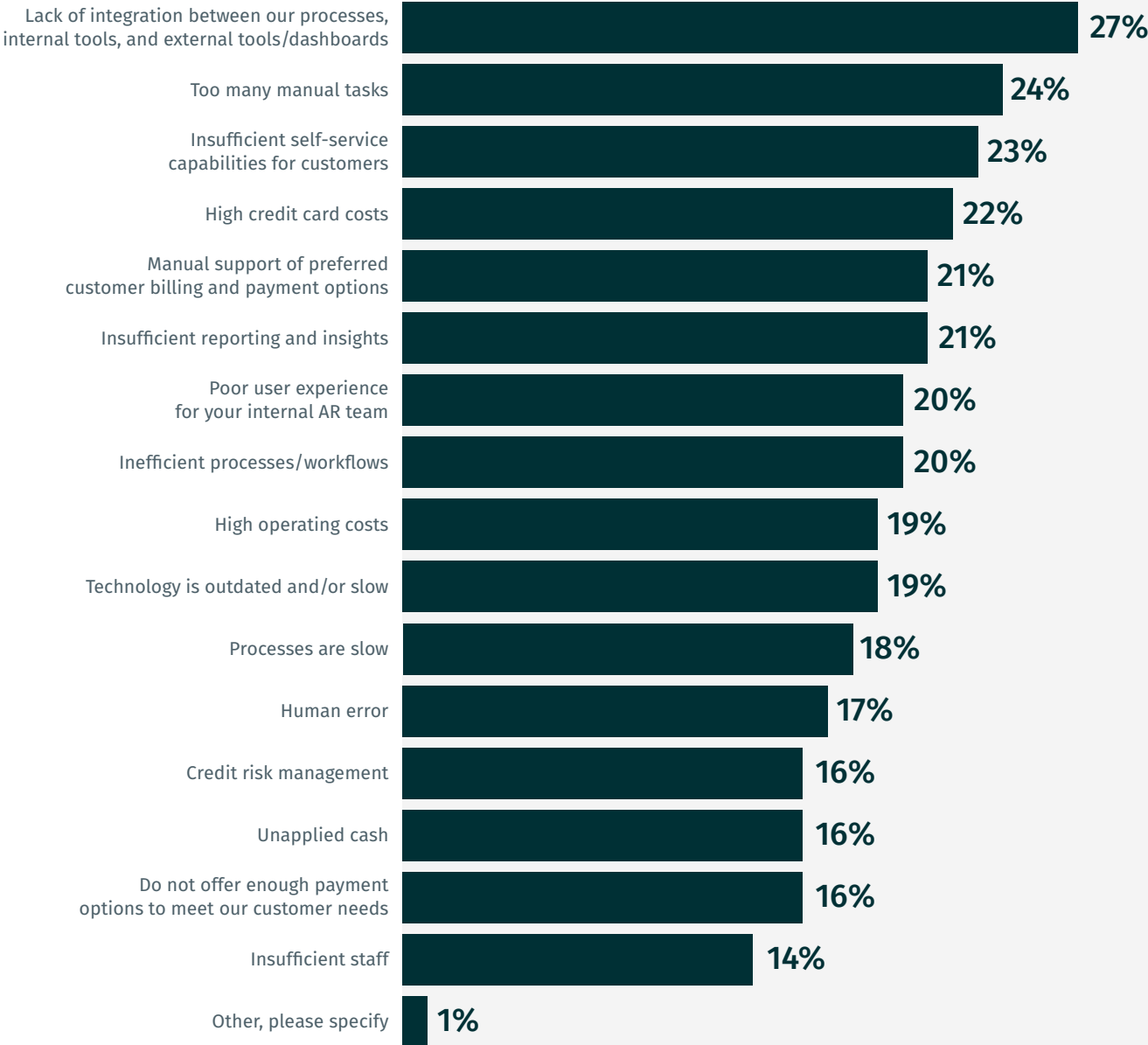
# Pain points with AR systems and tools

The largest system and tool pain points are with lack of integration, too many manual tasks, insufficient self-service capabilities for customers, high credit card costs, manual support of preferred customer billing and payment options and Insufficient reporting and insights.



## AR SYSTEMS AND TOOLS PAIN POINTS

*"What are the biggest pain points in your organization's current AR systems and processes? Please select all that apply."*



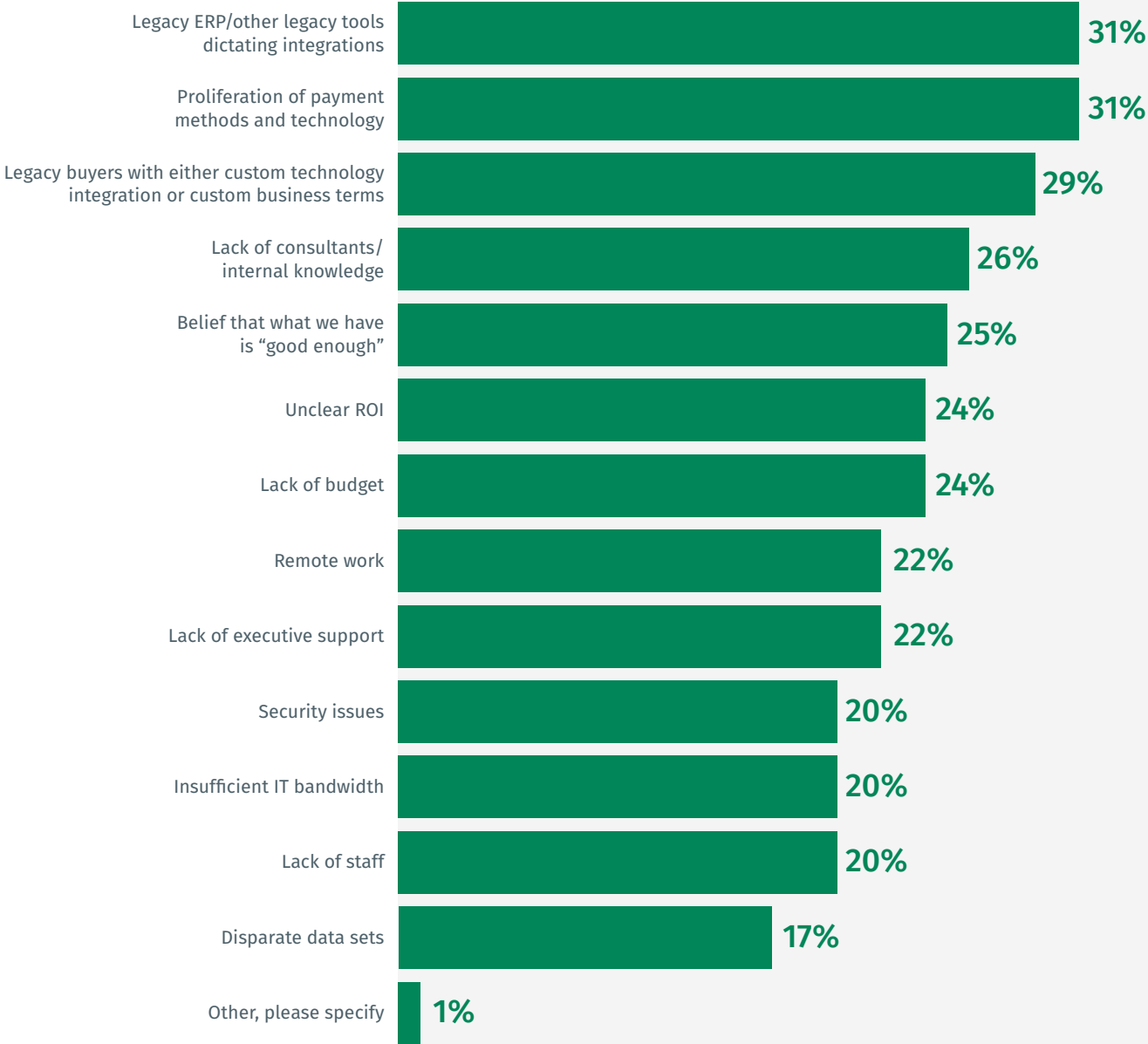


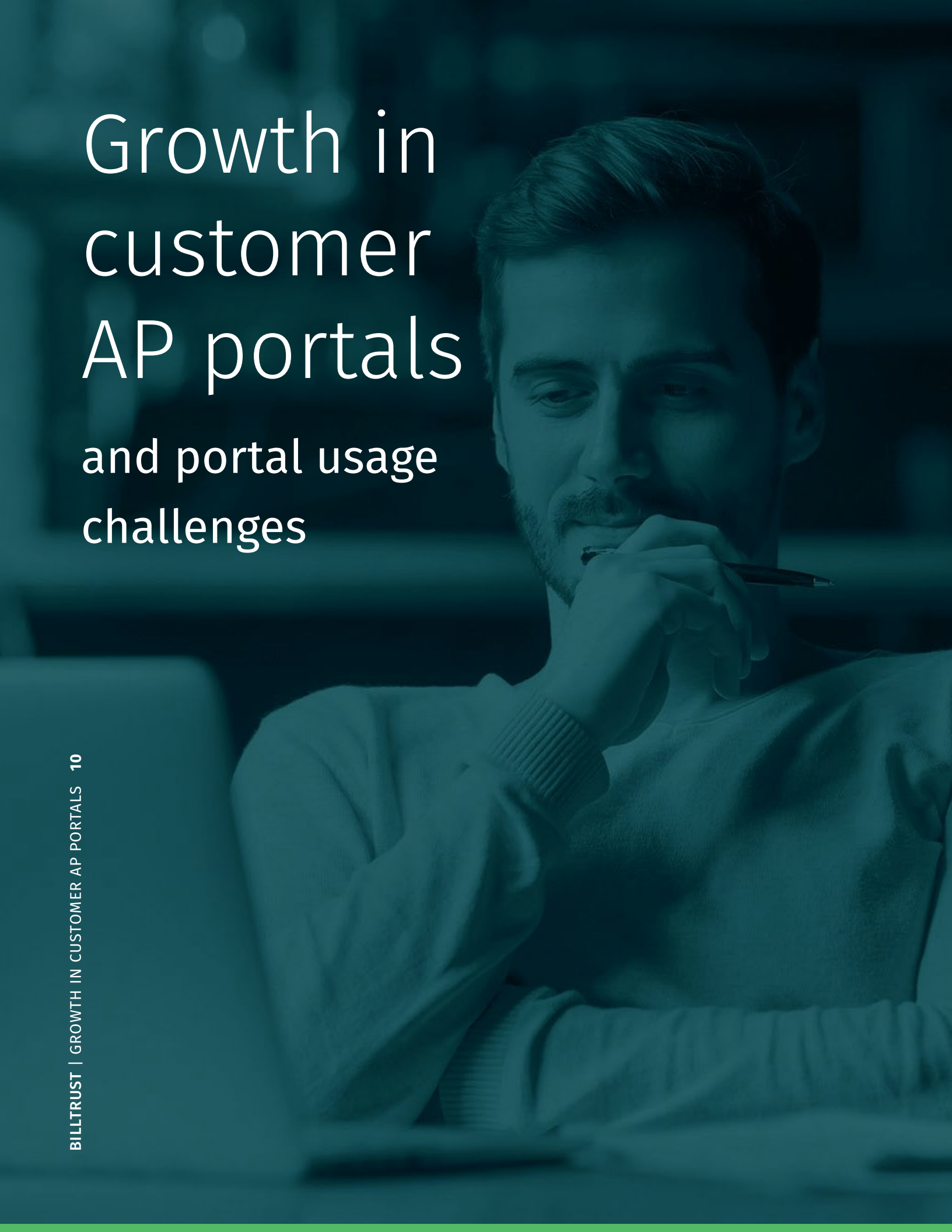
The biggest pain point on integrations with AR tools is dealing with legacy technology, proliferation of payment options, lack of consultants/internal knowledge and belief that what they have is “good enough.” Other challenges include unclear ROI, lack of budget, remote work and lack of executive support.



### CHALLENGES INTEGRATING AR TOOLS

“What challenges does your department face with integrating AR tools/tech? Please select all that apply.”



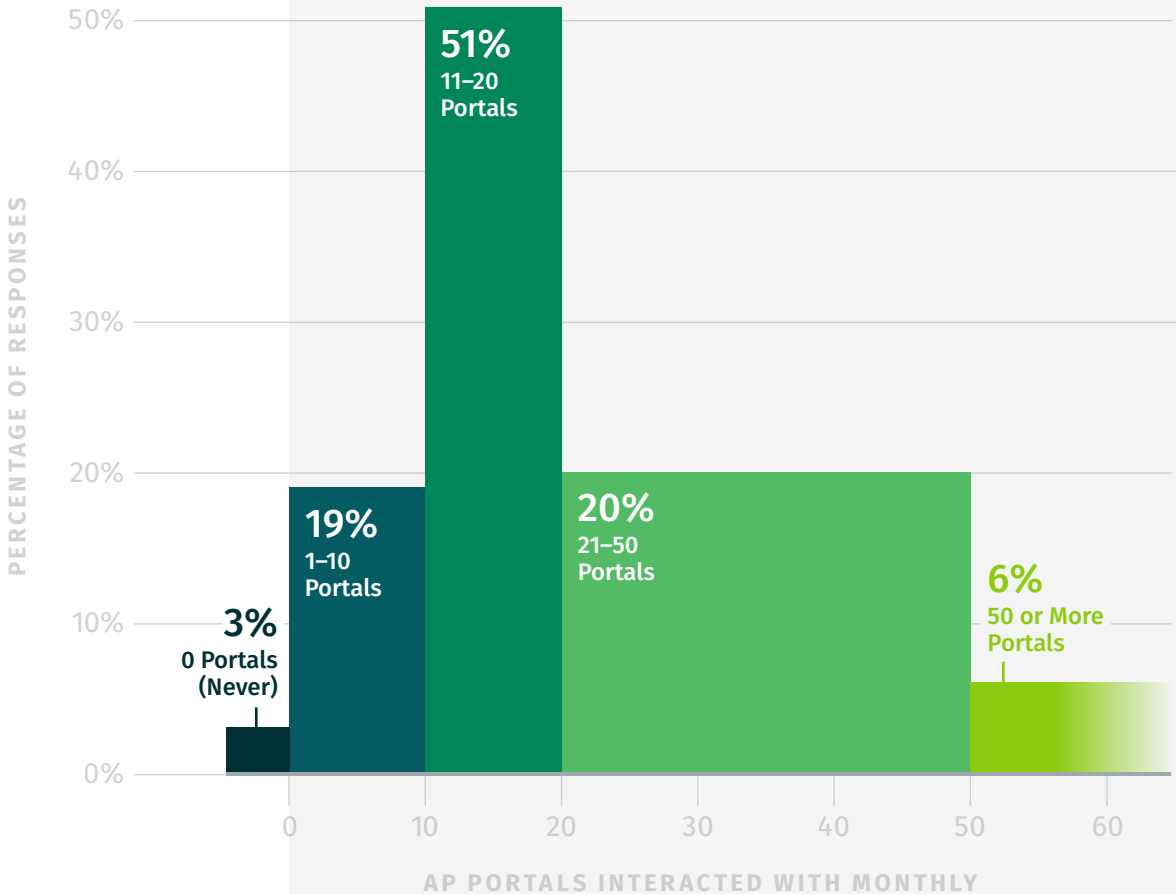


# Growth in customer AP portals and portal usage challenges

One of the biggest challenges for teams today is having to interact with the growing proliferation of AP portals. AP portals are creating new demands that are straining AR teams, increasing manual tasks and taxing IT teams by requiring new technology integrations. AR teams are having to interact with an average of 11-20 AP portals and be proficient with 11-15 AP portal brands.

### AVERAGE NUMBER OF AP PORTALS INTERACTED WITH ON A MONTHLY BASIS

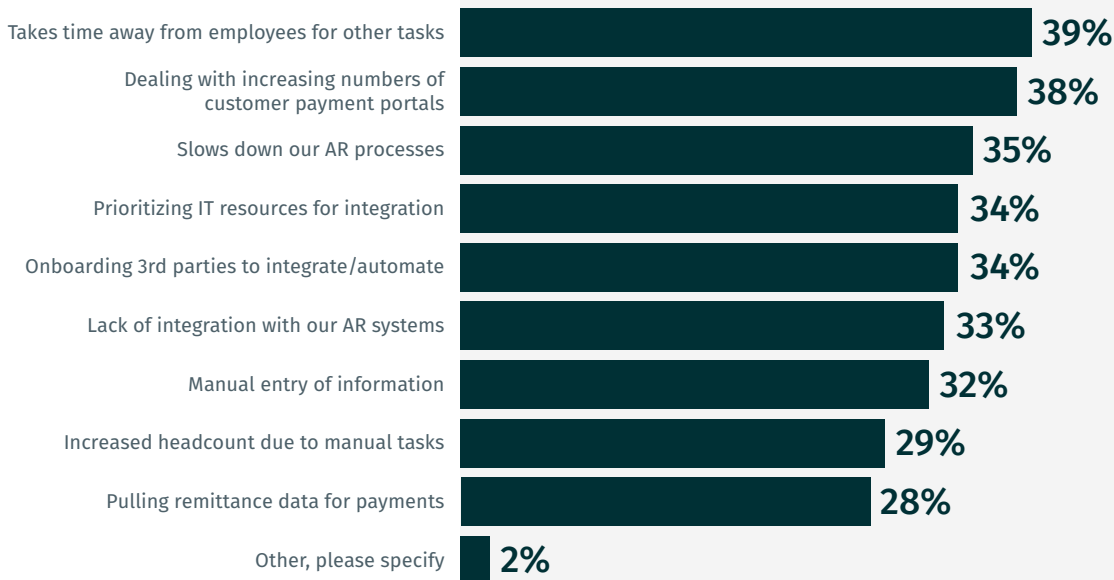
*"On average, how many customer Accounts Payable portals (individual logins) does your organization interact with monthly to support your customers?"*



More than one-third of AR teams consider the use of customer AP portals to be frustrating. Challenges with portals include taking away time from employees' other tasks, dealing with multiple portals and slowing down the AR process.

### AP PORTAL USAGE CHALLENGES

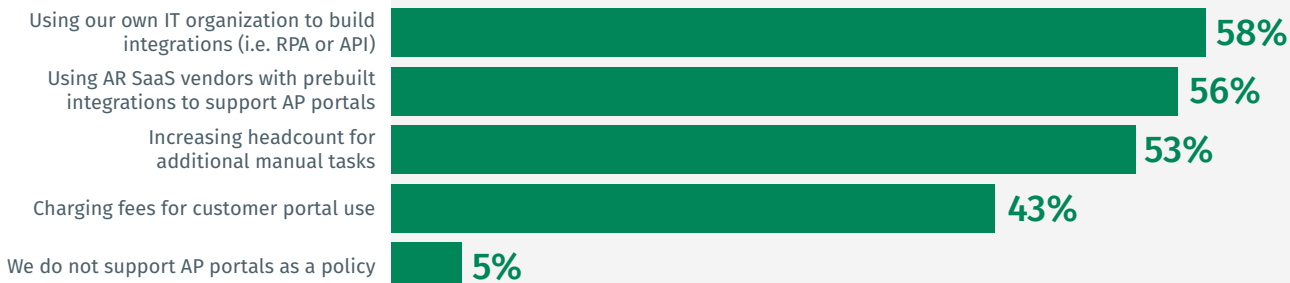
*"What challenges do you face using customer AP portals? Please select all that apply."*



To mitigate AP portal proliferation, AR teams are building integration solutions (both in-house and using vendors) to reduce impact on their teams. More than half of respondents state they are using either their own IT organization to build integrations or using AR SaaS vendors with prebuilt integrations. More than 4 in 10 organizations are charging their customers to use their AP portal.

### ACTIONS TAKEN TO MITIGATE AP PORTAL PROLIFERATION

*"What action is your AR team taking to mitigate AP portal proliferation? Please select all that apply."*



“One thing we need to start focusing on is AP portals.”

“In many cases, you can’t email or mail an invoice. You have to go to a portal, find the PO# and enter the relevant information. One of our larger customers recently began using one, and we are now inputting about 20 invoices per day.”

— CORPORATE CREDIT MANAGER, BUILDING SUPPLY / CONSTRUCTION

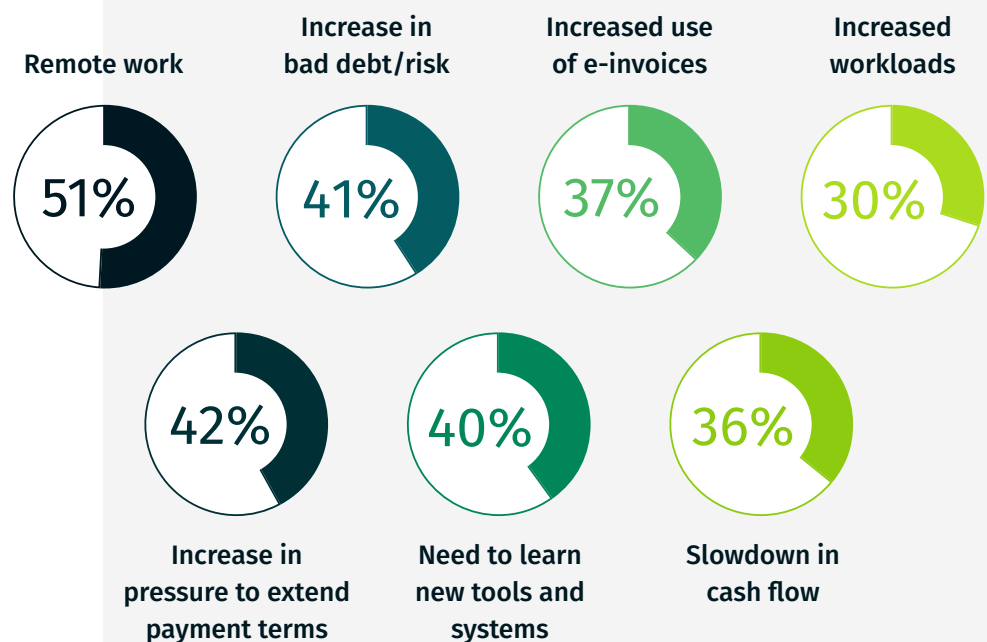




# Impact of COVID-19 on AR teams

Respondents indicated COVID-19 had a significant impact on AR teams. To be expected, remote work due to COVID-19 was the most widespread impact, with 51% of respondents indicating such a shift. There has also been an increase in pressure to extend payment terms (42%), an increase in bad debt/risk (41%), the need to learn new tools & systems (40%), increased use of e-invoices (37%), slowdown in cash flow (36%) and increased workloads (30%).

**The COVID-19 pandemic, like in many industries, is accelerating the modernization of systems, tools and processes.**



## Current state of payments

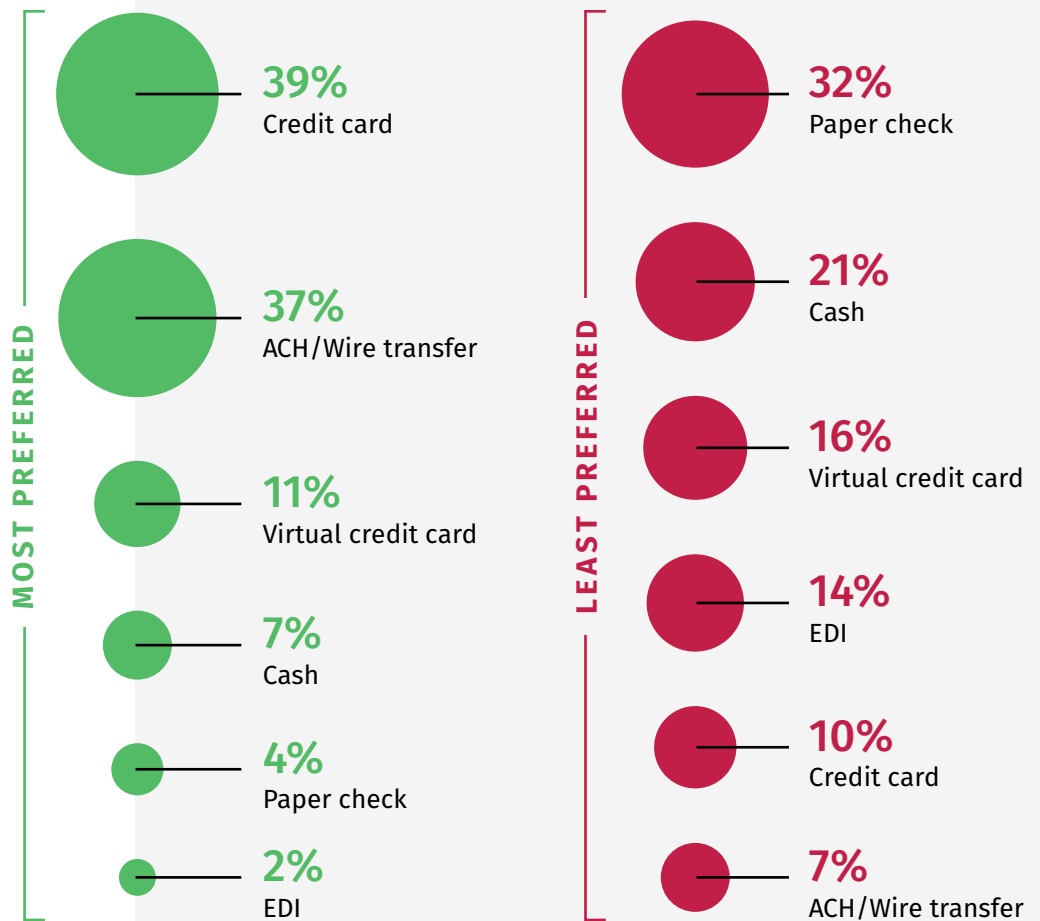
The ways in which AR teams take payments is a critical aspect of AR operations. A significant part of AR activities is focused on payments and the tools and processes companies use to manage various payment types. Of course, some payment types are more efficient and cost-effective to manage than others.

This study indicates the most preferred type of customer payments in 2021 are credit card and ACH/wire transfer, with paper check as the least preferred payment type.

While credit card and ACH/wire transfer are most preferred and paper check and cash least preferred, 15-20% of customers are still using these least preferred methods. There is an essential role for technology to help shift customers to preferred payment methods.

### PAYMENT METHOD PREFERENCES

*"Which of the following are your most preferred and least preferred methods of customer payment methods?"*



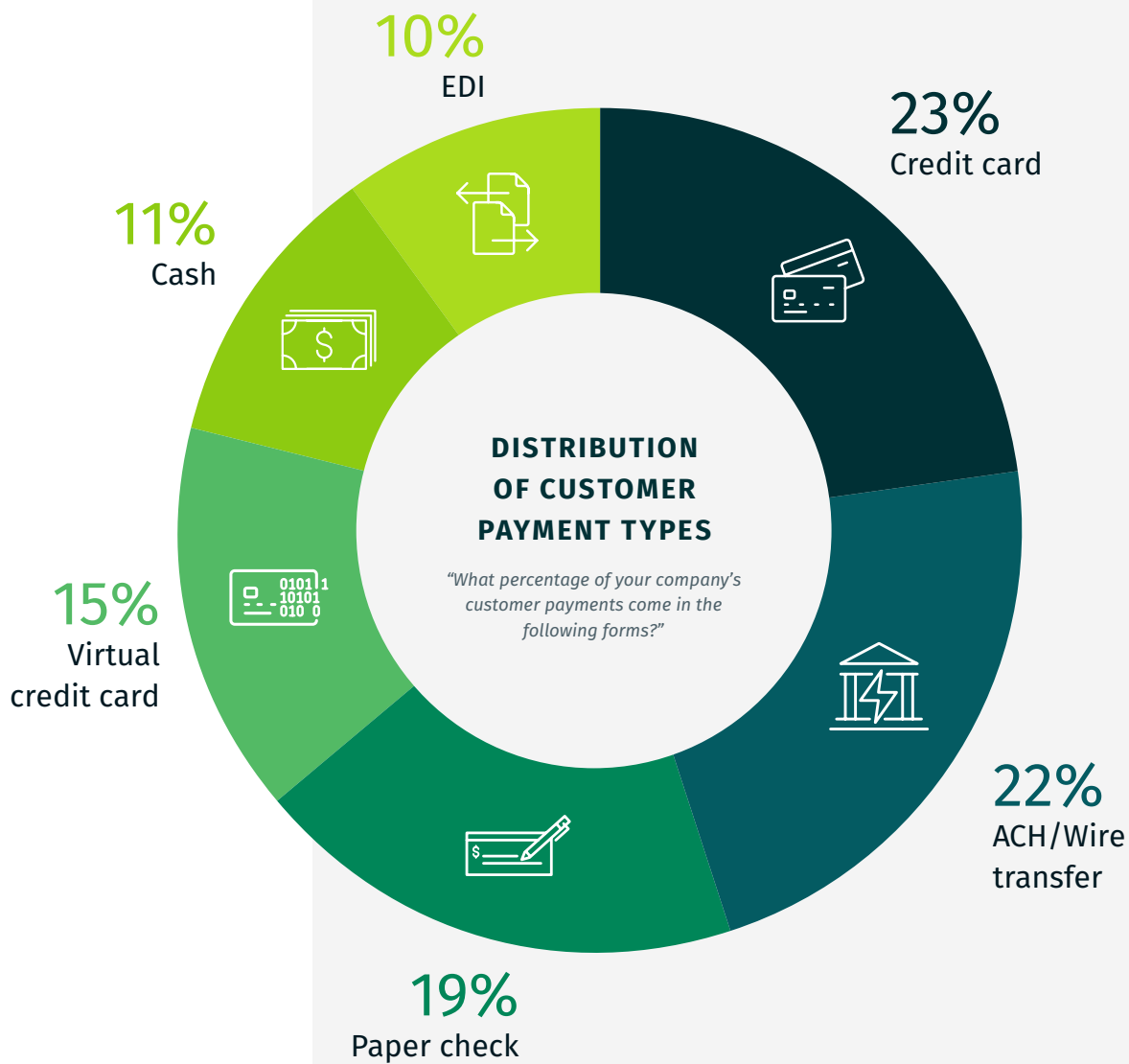


“We would like to see  
as many customers move  
to digital as possible.”

“Processing checks is expensive and time consuming.  
With hundreds of thousands of payments and lockbox fees  
of 14-15 cents per payment, it’s a considerable expense.  
When customers are paying digitally, expenses are reduced,  
and it removes a huge burden from our collections team.”

— **WORLDWIDE DIRECTOR OF CREDIT & TREASURY, MANUFACTURING COMPANY**





*"There's an increasing demand for card payments as companies are trying to manage their DPO. AR teams are being challenged by how to integrate non-traditional payment forms into existing processes."*

**- Treasury Manager, Electrical Manufacturing**

A photograph of two women in a professional setting, possibly a meeting or collaborative work environment. The woman on the right is leaning over a table, looking at a document, while the woman on the left looks up at her. The image has a teal color overlay.

# Perceptions of AR teams

among customers  
and their executives

Survey participants believe there is high satisfaction with their AR teams among both their executives and the customers they serve. AR teams rate the level of satisfaction their executives feel toward their team (% very satisfied + % somewhat satisfied) at 82%. This closely matches AR teams' perceptions of how satisfied they think their customers are with their function (84%). Only 3% of respondents believe their executives and customers are dissatisfied with their current AR function.

**Despite this assumed favorable executive perception, 75% believe their executives view them primarily as a task-focused execution team, while only 25% see them as a strategic partner in the business.**

**At the same time, 82% believe their C-suite views AR as an organization that “keeps their finances in order” vs. “an innovative finance organization.”**

### C-SUITE PERCEPTIONS OF AR FUNCTION

*“In your opinion, which is the most correct?”*



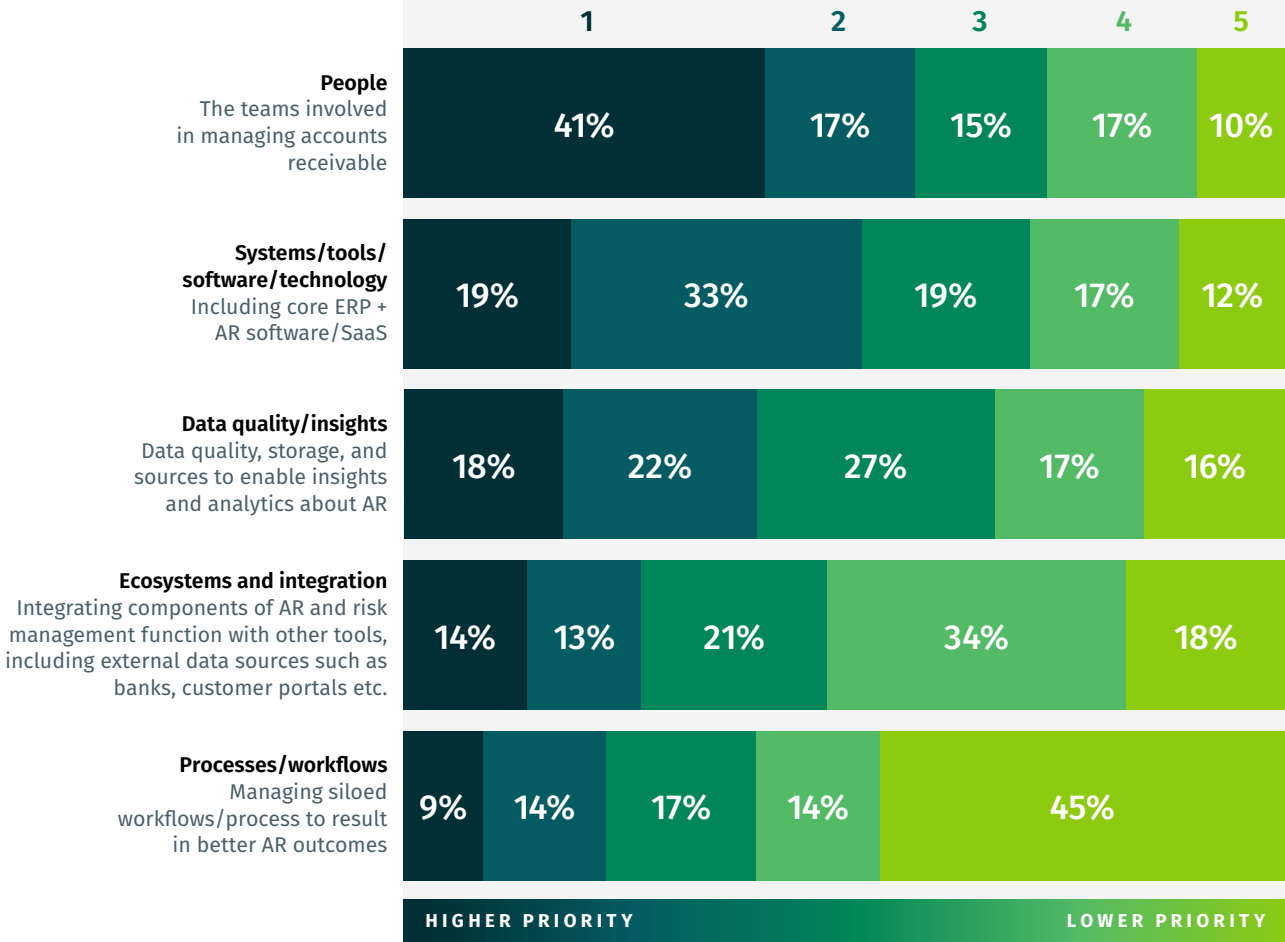


# AR priorities going forward

A key aspect of the study was to examine AR teams' top priorities going forward. The #1 priority is their people, followed by systems/tools/software/technology, then by data quality and insights.

**RANKED 2021 PRIORITIES (TOTAL)**

*"As you are planning on priorities for 2021, please rank the following AR areas from highest priority to lowest priority for your organization."*

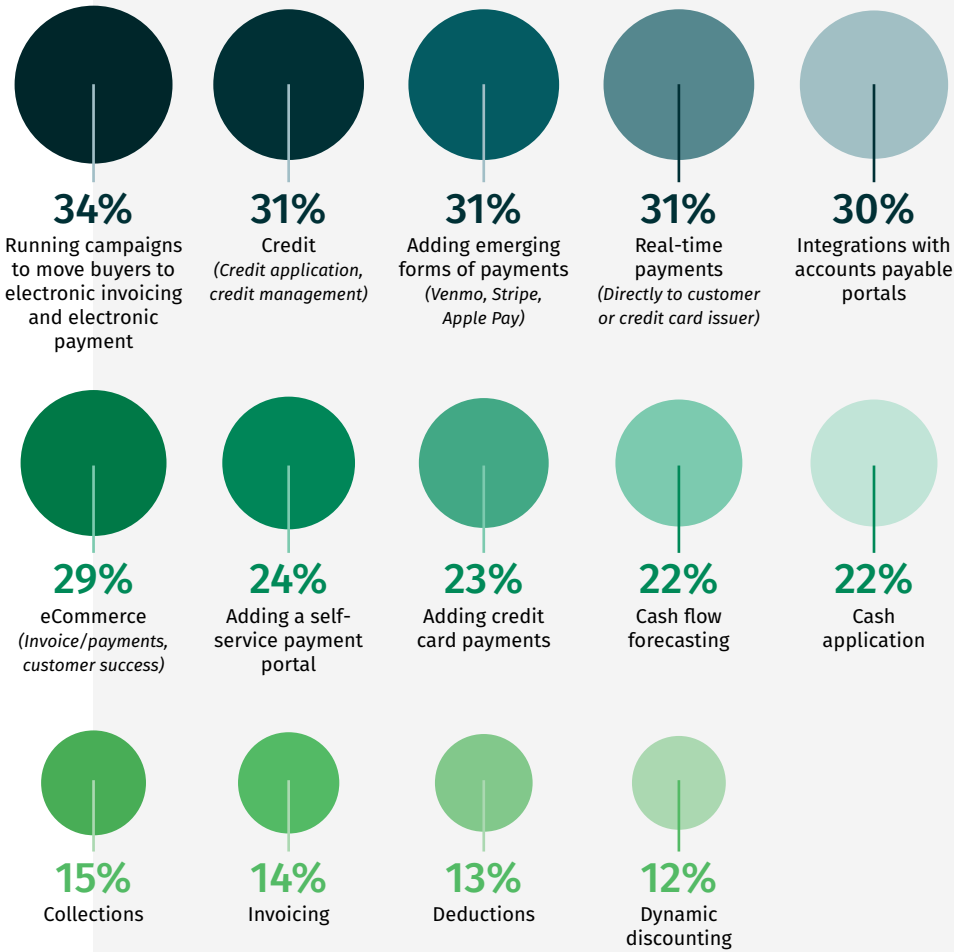


The technologies and technology initiatives they are most likely to investigate or trial in the next 12-36 months are campaigns to move customers to (accepting) electronic invoices and making electronic payments, credit (credit application and management), adding new forms of payment, real-time payments, integrations with AP portals, eCommerce (for invoices/payments), adding self-service payment portals, adding credit card payments, cash flow forecasting and cash application.

Another area of importance in the year ahead is using AR data for decision-making. 65% percent of AR teams think the importance of AR data for decision-making will increase over the next 12 months for their team. However, only 47% feel their AR data is highly organized and accessible, which will make it difficult for many AR teams to derive the most insight from their AR data.

### TECHNOLOGIES WHICH WILL BE INVESTIGATED OR TRIALED IN THE NEXT 12-36 MONTHS

*"Which of the following technologies or services do you anticipate investigating or trialing in the next 12-36 months?"*



# The paradox

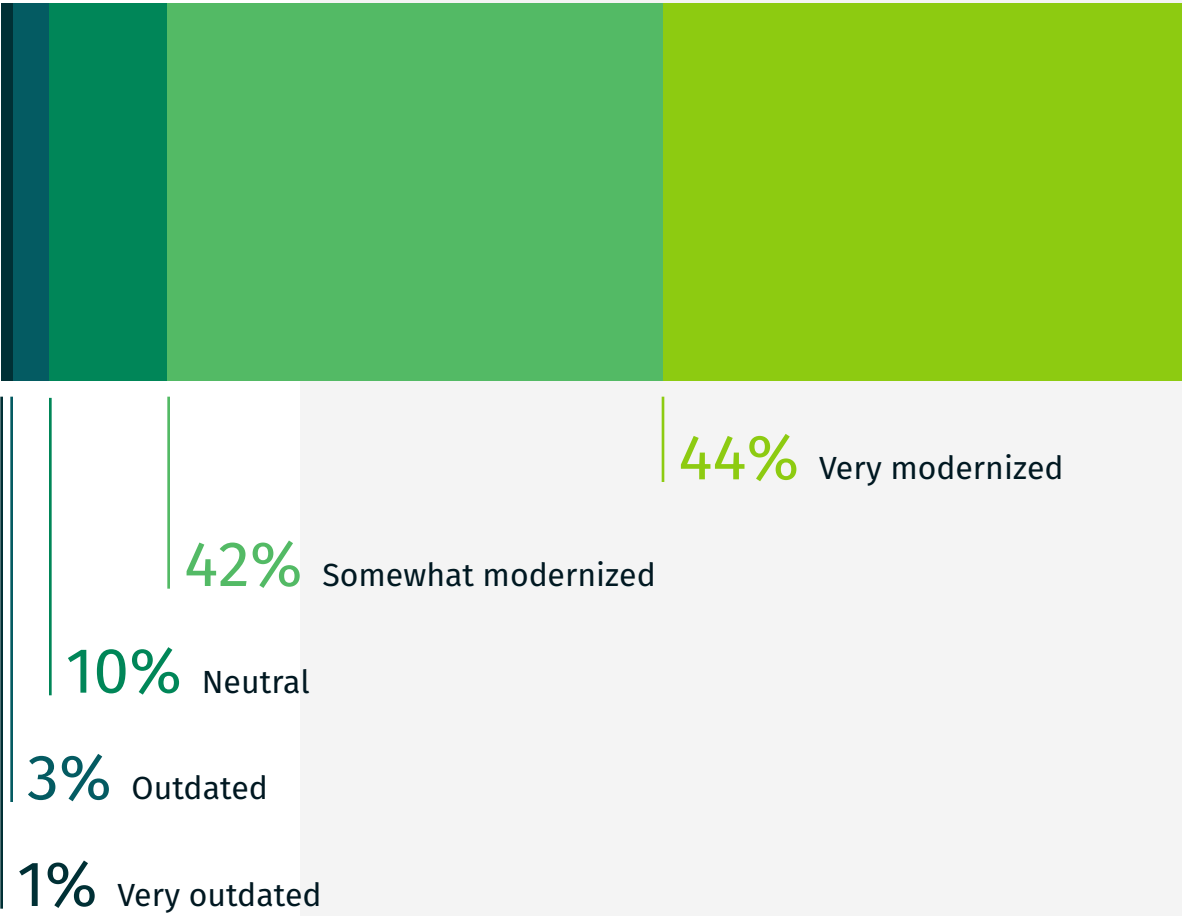
A woman with curly hair is shown in profile, holding a pair of glasses to her lips. She is looking off to the side with a thoughtful expression. In the background, a man's profile is visible but blurred. The entire image has a teal color overlay.



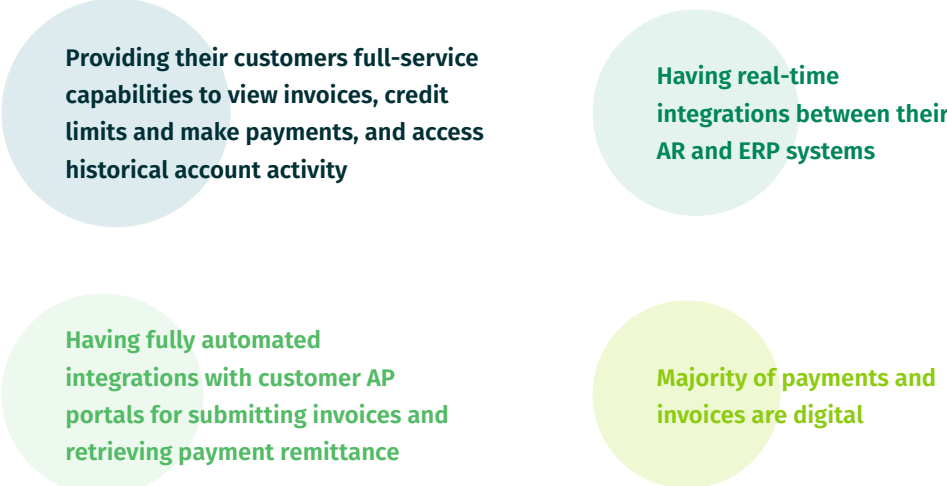
When asked about the tools used to perform their work, most AR teams believe they are modernized and efficient. They use words such as reliable, innovative and efficient to describe their existing AR systems and processes. Further, 86% rate their department as very or somewhat modernized.

**PERCEPTIONS OF THEIR COMPANY'S MODERNIZATION**

*"Which of the following best describes your AR organization in terms of digital modernization?"*

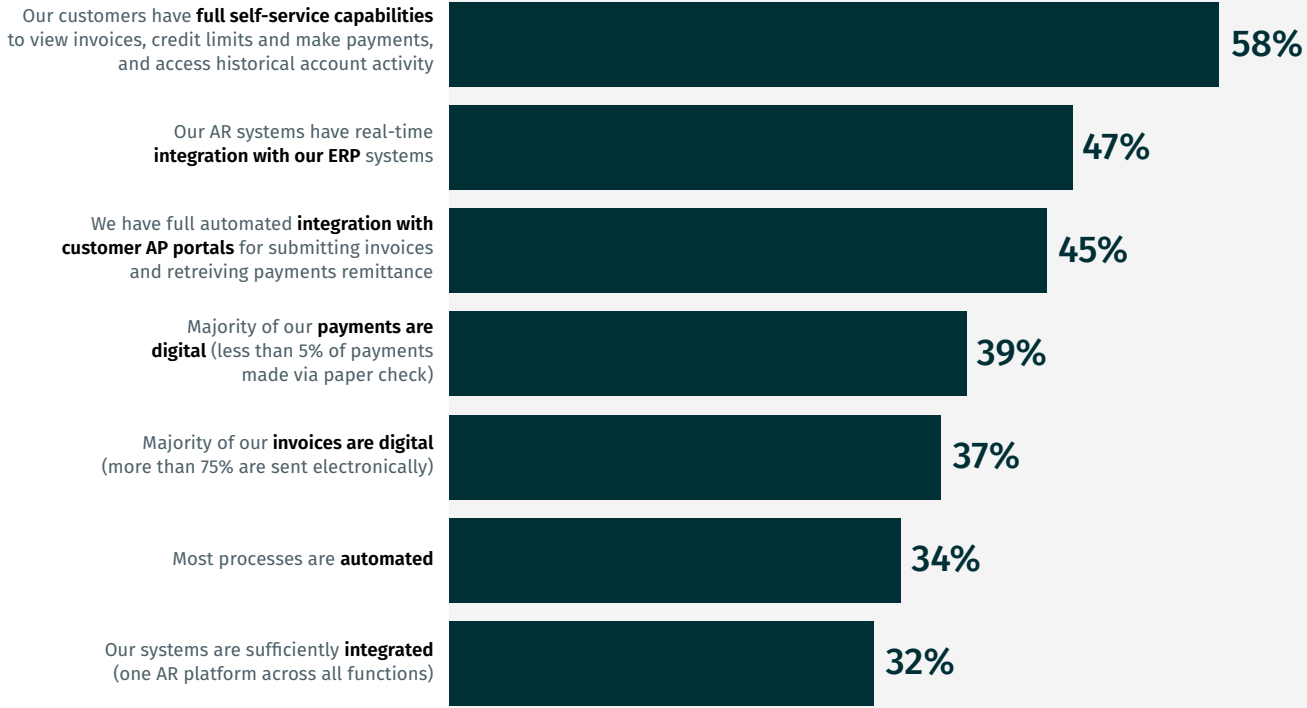


Many AR teams feel they are modernized due to these main reasons:



**REASONS FOR CONSIDERING COMPANY AR FUNCTION AS DIGITALLY MODERNIZED**

*"For what reason(s) do you consider your AR organization as digitally modernized? Please select all that apply."*



However, lurking below the surface are numerous contrary indicators suggesting AR departments are not as modernized as they think they are:

**Over 40%** of AR departments do not offer self-service capabilities

**Over 50%** do not have real-time integrations with their ERP systems nor do they have automated integration with their customers' AP portals

**Over 60%** do not have a majority of their payments or invoices as digital, with nearly 30% of payments still being cash and paper check

**A dismal 25%** of executives see their AR departments as a strategic partner in the business, and only 18% see them as an innovative finance function

**And 60%** see their current AR systems and processes as frustrating, driven by lack of integrations between processes, internal tools and external tools/ dashboards; too many manual tasks, insufficient self service capabilities for customers, inefficient processes/workflows, poor user experiences for AR teams, outdated and slow technology, human error and high operating costs

## Clearly, AR teams' overall perception of their department as modernized and reality are not aligned.

We know the truth lies somewhere in the middle. This study indicates there is a small percentage of strategic, innovative and highly modernized AR teams. There is a portion that are not modernized whatsoever, and the vast majority sit somewhere in between.

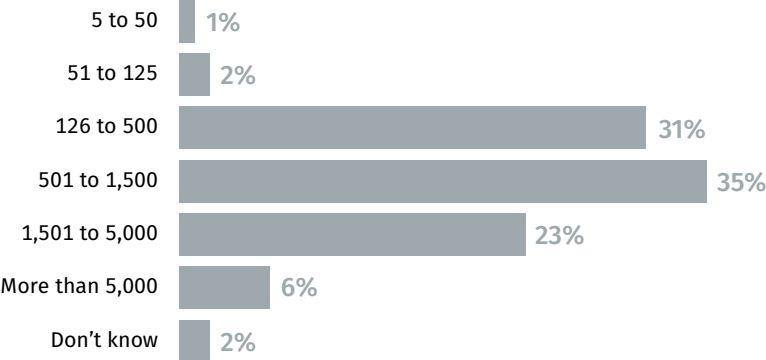
In part two of this white paper series, we will define what a modern AR organization looks like, provide a checklist you can use to assess the modernized state of your AR organization, showcase what steps you can take to move from your current state to more mature states and highlight the operational, financial, employee and customer benefits you can expect to experience from modernizing your AR systems, tools and processes.



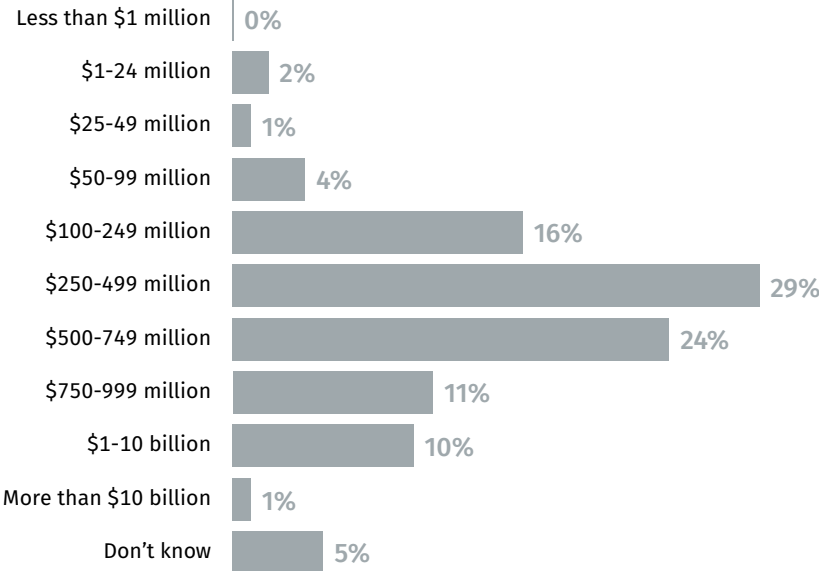
# Participants

The survey was conducted with members of accounts receivable teams with the following firmographic and role characteristics:

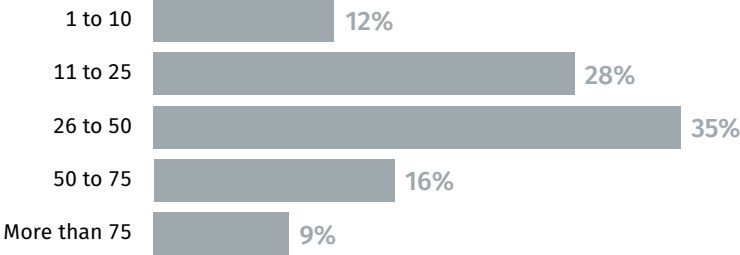
### NUMBER OF EMPLOYEES:



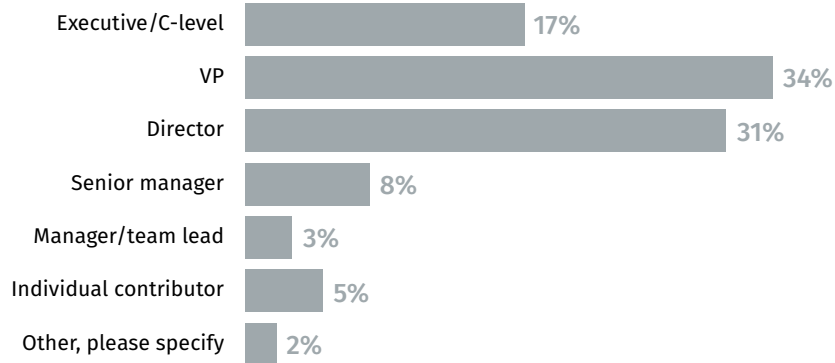
### ANNUAL REVENUE:



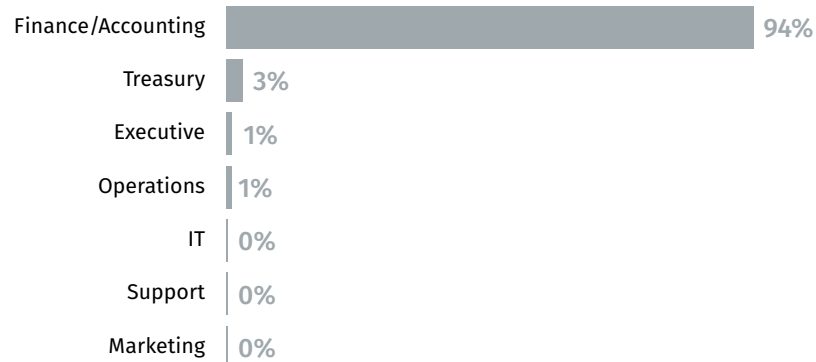
### SIZE OF AR TEAM:



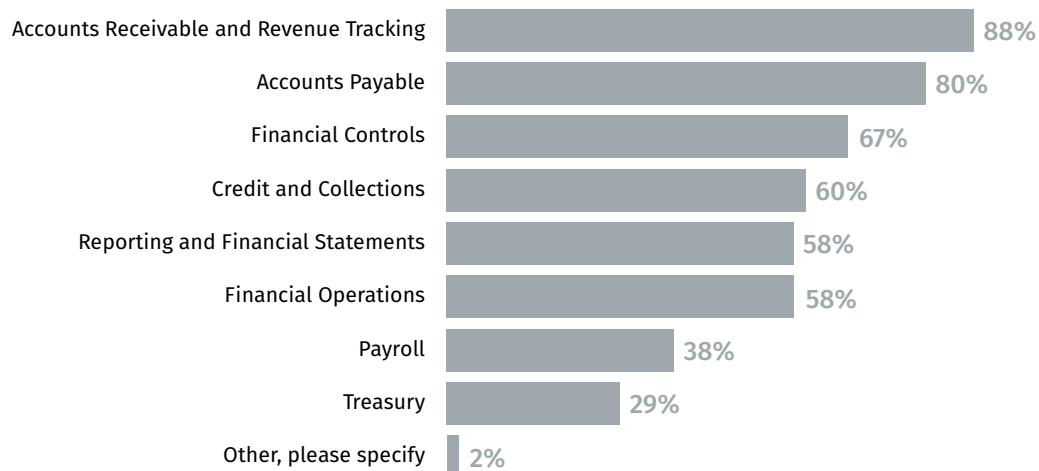
**ROLE IN ORGANIZATION:**



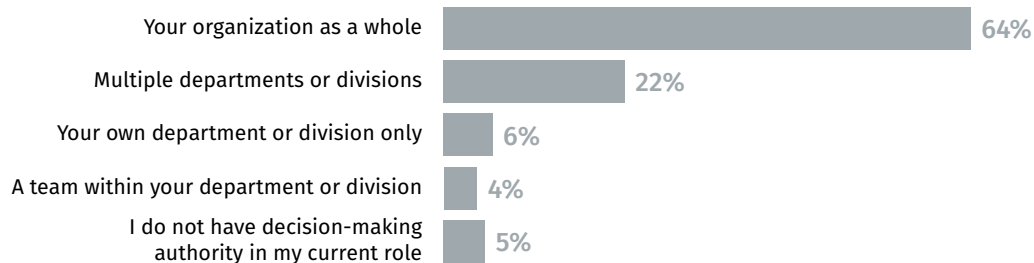
**COMPANY DEPARTMENT:**



**RESPONSIBILITY WITH COMPANY:**



**DECISION-MAKING AUTHORITY:**



**DECISION-MAKING FOR DEPARTMENTS:**

