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The State of Digitization in B2B Finance

Wakefield + Versapay: Survey of 1,000 Executives Proves Accounts Receivable Disconnect Harms AR Digitization Projects

How ignoring the customer in AR digitization hurts the bottom line

WAKEFIELD

Abstract

In collaboration with Wakefield Research, Versapay surveyed 1,000 C-level executives at companies with a minimum annual revenue of $100m USD on their accounts receivable (AR) digital transformation efforts.

Customer experience (CX) is among the top priorities for executives business-wide—in fact, nearly 9 in 10 survey respondents (89%) agreed that “the C-suite is only as good as its customer experience.” Yet, most glaringly, the research found that executives aren’t doing enough to solve their self-proclaimed most pressing problem when undertaking the digital transformation of their accounts receivable departments.

We found that businesses primarily focus on automating internal processes while ignoring what’s most important to them—delivering exceptional customer experiences. When the human element in accounts receivable is broken, it’s known as the AR Disconnect. And automation alone won’t bridge the resulting communication gap that stems from an inability to collaborate directly with customers.

Humans work together best to solve invoice disputes, but the AR Disconnect only creates barriers that hinder natural, more meaningful connections between buyers and sellers. This harms customer relationships and, as the results show, impacts the bottom line.

Despite the majority of executives agreeing that their AR department has work to do to be more customer focused (96%), most (65%) have not prioritized implementing collaborative AR tools (such as an online portal) in their digital transformation efforts, further perpetuating the AR Disconnect.

Collaborative AR automation software tackles the AR Disconnect head-on and must be included as part of enterprises’ digital transformation roadmap. Otherwise, executives risk injuring the customer experience, which can impact their ability to realize the fundamental reason for digitizing in the first place: accelerating cash flow and increasing efficiency.

Methodology:

The State of Digitalization in B2B Finance report was conducted by Versapay and Wakefield Research among 1,000 US C-Level Executives at companies with a minimum annual revenue of $100m USD. Title quotas set for 100 CXO/CCO (CCO defined as Chief Customer Officer); 100 CIO, 100 CFO, between April 13th and April 26th, 2022, using an email invitation and an online survey.

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Introduction

Most executives will agree that customer experience (CX) is among their top priorities for ensuring their business remains viable. It's a simple formula: happy customers will continue to buy from you, and unhappy customers will take their business elsewhere.

Yet, when it comes to accounts receivable (AR) and available digitization options for improving efficiency and accelerating cash flow, our research shows that C-level leadership routinely fails to see a connection to customer experience. Executives tend to view AR as an isolated, back-office function, choosing to overlook the fact that it is one of the most consistent and vital connection points in the customer journey.

Wakefield Research and Versapay surveyed 1,000 C-level executives at companies with a minimum annual revenue of $100 million on their accounts receivable digital transformation efforts.

Versapay discovered that nearly all executives judge their businesses' performance on their ability to achieve a consistent and positive customer experience, with 89% stating that they agree that "the C-suite is only as good as its CX".

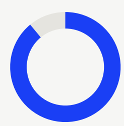
When it comes to AR digitization projects, however, customer experience isn't factored in well enough or measured as a success metric. In fact, our research finds there is a tendency among businesses to automate in-house AR processes but ignore their top priority: customer experience.

Making the connection

The C-suite agrees (89%) that they are only as good as their customer experience, but it's not carrying through to their AR digitization projects. Forty-four percent of executives see better communication with customers as a benefit of digitizing AR, yet 72% claim that their AR department isn't customer-oriented enough. Executives understand they need a customer-oriented AR department, but don't realize they can close that gap with digital tools.

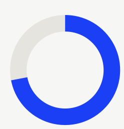
Executives do not see customer experience as a clear ingredient in accounts receivable digitization projects

C-suite is only as good as their CX



89%
Agree

AR department isn't customer-oriented enough



72%
Agree

Better communication with customers is a benefit of AR digitization

44%
Agree

AR automation vs. AR transformation

Cloud technology, including artificial intelligence (AI) and automation, has been available to businesses for years. Yet, companies have continually prioritized cloud technology for other departments ahead of the AR department, as 60% of executives attest.

While the cloud offers businesses significant efficiency improvements, there's one critical aspect of cloud computing that gets largely overlooked: collaboration. Cloud technology has revolutionized the way businesses' staff can work together, both internally with team members and externally with customers.

When people work efficiently together over the cloud, businesses can harness the genius of teams to solve real problems faster. In fact, the workforce (including your customer) has come to expect businesses to embrace these technologies in all areas of their operations.

AR digitization projects that focus solely on automation make use of only a fraction of the power of cloud technology. True AR digital transformation, on the other hand, leverages all of it.

Businesses that forgo true AR transformation in favor of basic automation miss out on a massive opportunity: solving invoice disputes and payment issues while simultaneously improving customer experience.

In this report, we'll explore:

- The AR Disconnect and how businesses are closing the gap
- What's driving the need for AR digitization today
- The state of digital transformation in AR today, and what's next
- The increased challenges AR and AP teams face when collaboration is difficult
- How Collaborative AR bridges the human divide

PART 1:

Automation alone won't bridge the AR Disconnect

Digital transformation projects for AR most often focus on a few key performance indicators (KPIs): improved days sales outstanding (DSO), faster cash flow, shortened collection cycles, and enhanced staff productivity.

While improvements on issues like these have a significant impact on the overall health of the business, our findings make clear that focusing solely on these enhancements breeds a tendency to overlook an important element: customer experience.

Consider this: most executives (73%) recognize that the invoice-to-cash cycle is a frequent source of negative customer experiences. And yet, among the processes digitized by companies to date, online portals for collaboration and dispute resolution are prioritized last (35%) compared to other AR improvements. (We explore the details of AR digital solutions adoption in part 3)

Customers play a critical role in the invoice-to-cash cycle. Any improvements AR teams make to internal processes will be undercut if the billing and payment experience remains frustrating for customers.

The result of the communication breakdown that often emerges between a seller's AR team and a buyer's AP team during the invoice-to-cash cycle is known as the AR Disconnect.

When there's misalignment at any point from invoicing through to payment, customers are less likely to cooperate and more likely to become delinquent. In fact, 85% of executives agree that poor communication between AR teams and their customers has led to nonpayment. And who can blame those customers? When you're juggling multiple accounts payable obligations, why prioritize payment to companies that make the process difficult?

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Challenges in communication directly impact AR performance

Miscommunication is endemic in accounts receivable, and there's a high price to pay for it. More than 8 in 10 executives (82%) state that their company has lost work due to miscommunication in the payment process.

Moreover, 42% of survey respondents recognized that lost business from poor communication has occurred multiple times. This means that nearly half of businesses are taking a direct hit due to ignoring communication challenges within their accounts receivable department.

Miscues when communicating with clients have a very real impact on an organization's bottom line: 85% of executives say miscommunication between their AR department and customers has resulted in a customer not paying in full. More than a third (35%) say it has happened multiple times.

Miscommunication in the payment process has a powerful impact on suppliers' revenue an growth

Lost work: invoice phase inhibited new opportunities

Lost revenue: invoices not paid in full

The implication

When miscommunication occurs between AR teams and their customers during any stage in the invoice-to-cash cycle, new business growth is hindered, having an immediate impact on companies' bottom lines.

Disputes can lead to major challenges

Invoice disputes tremendously impact normal business operations, going beyond lost revenue and inhibiting cash flow growth, to impeding day-to-day operations and straining senior staff. As our research shows, some businesses find that unresolved disputes are a source of ongoing major headaches.

In the most extreme situations, legal needs to get involved. While a knee jerk reaction is to deem this a rare occurrence, our survey found that legal participation in payment disputes is more common than one might think.

Nearly two-thirds of executives (64%) say that an invoice dispute has resulted in the threat or initiation of a lawsuit. While not every threat has to go through legal, most do. Thirty-two percent of businesses report that litigation has been required to resolve invoice issues.

The implication

While invoice issues will persist regardless of AR digitization transformation, today, 36% of survey respondents have had the good fortune of never needing turn to to their legal team to resolve invoice disputes.

But for the remaining 64% of businesses, legal involvement comes at a high cost (the cost of legal services, protracted payment delays, and cash lost during settlement). These costs can be mitigated with digital collaboration tools that provide customers with early warnings on upcoming payment dates and better communication from the start of the invoice-to-cash cycle.

Invoice issues lead to threats of litigation

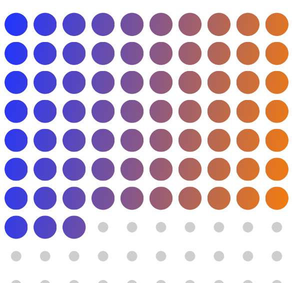
64%
Lawsuit or threat of lawsuit

36%
Legal is never involved

Legal issues aren't the only burden to AR teams when it comes to disputes. Nearly all businesses (98%) report that upper management must get involved in payment issues or dispute resolution at some point. Seventy-eight percent say this happens at least sometimes, while more than 4 in 10 (44%) *say it happens often or all the time.*

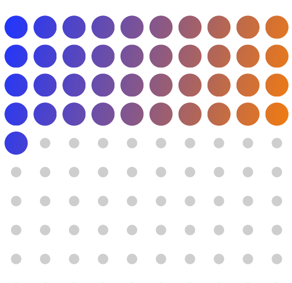
Business relationships prove to be exceptionally vulnerable during the payment stage as as evidenced by nearly three-quarters of executives (73%) reporting that the invoice-to-cash process can negatively affect a customer's experience. This is further corroborated by the fact that 41% of respondents identified a breakdown in the customer relationship as the direct cause of an invoice dispute.

Invoice-to-cash process and CX are linked



Current invoice-to-cash process negatively affects CX

73% **Yes** 27% **No**

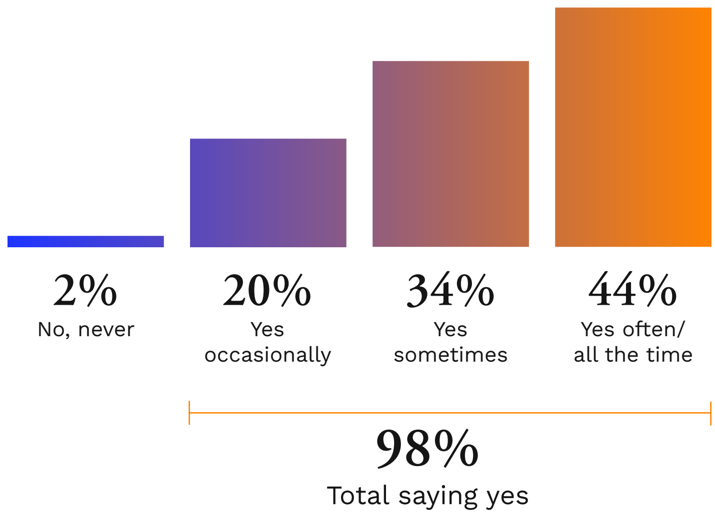


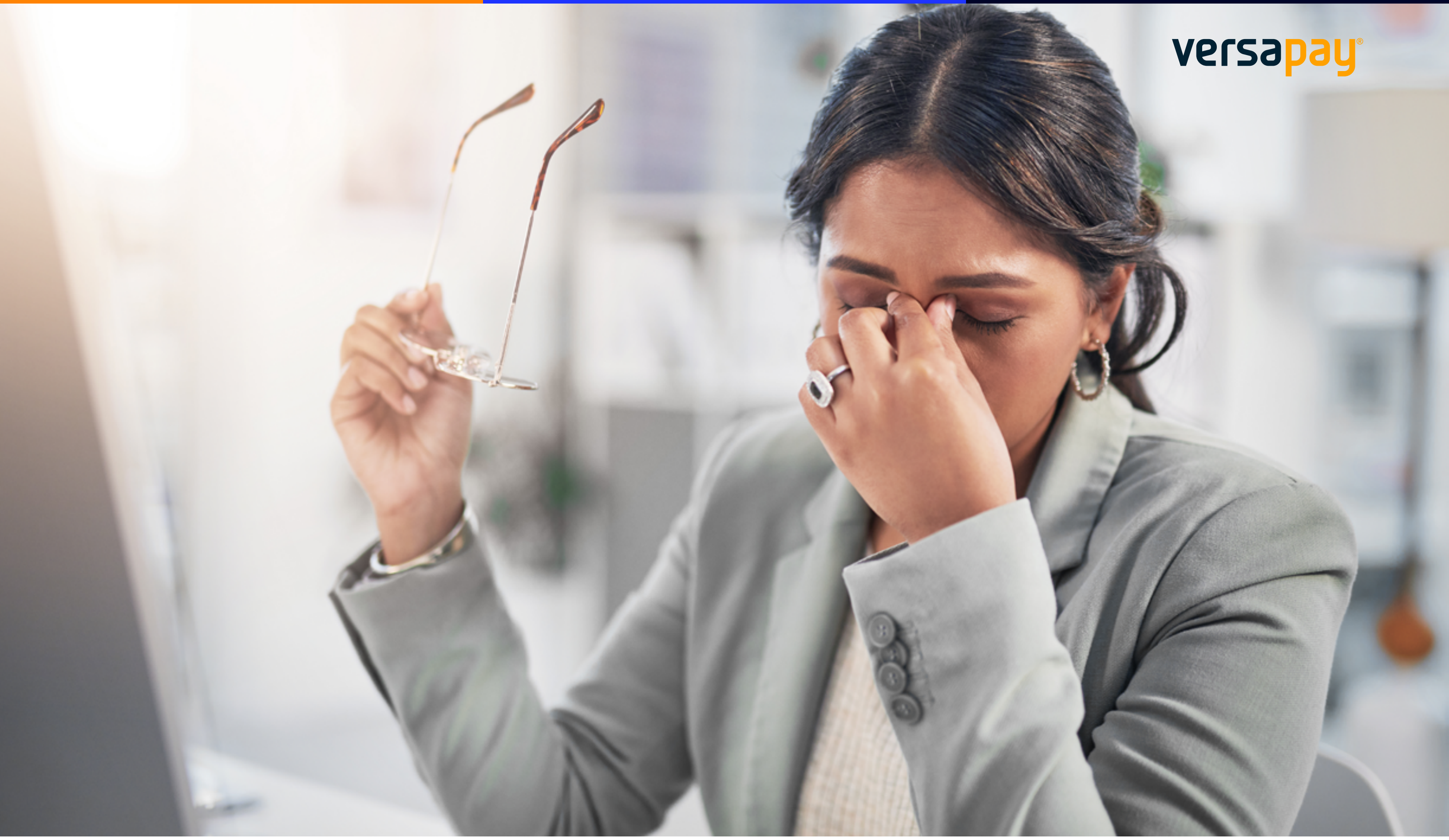
Invoice disputes arising from customer issues

41% **Yes** 56% **No**

So, while there are many reasons why a customer might dispute an invoice, more than 2 out of 5 executives can directly attribute the issue to a breakdown in communication with a customer.

Upper management burdened with invoice disputes and payment issues





In summary

Despite AR teams' digitization efforts, they continue to face complexities in communication with their customers. These create barriers to new business, inhibit growth, and diminish staff efforts. While it's imperative to improve back-office AR efficiencies, the data shows that automation alone isn't transformation in the fullest sense.

AR automation on its own can certainly deliver better performance against important KPIs like DSO. But, there's a risk when automation ignores the customer side of the equation. Automating processes that already create poor customer experiences can potentially make a bad thing worse.

The linchpin for cash flow: CX

Customer experience issues slow down payments and impact the bottom line, revealing a need for better customer collaboration in AR. True digital AR transformation doesn't just streamline how the AR department operates: it reinvents the invoice-to-cash process, transforming how AR teams interact with customers and internal stakeholders. That way, businesses address the root causes that hold up cash flow, ultimately delivering outsized improvements.

PART 2:

Current climate accelerates the need for AR transformation—but are companies prioritizing it?

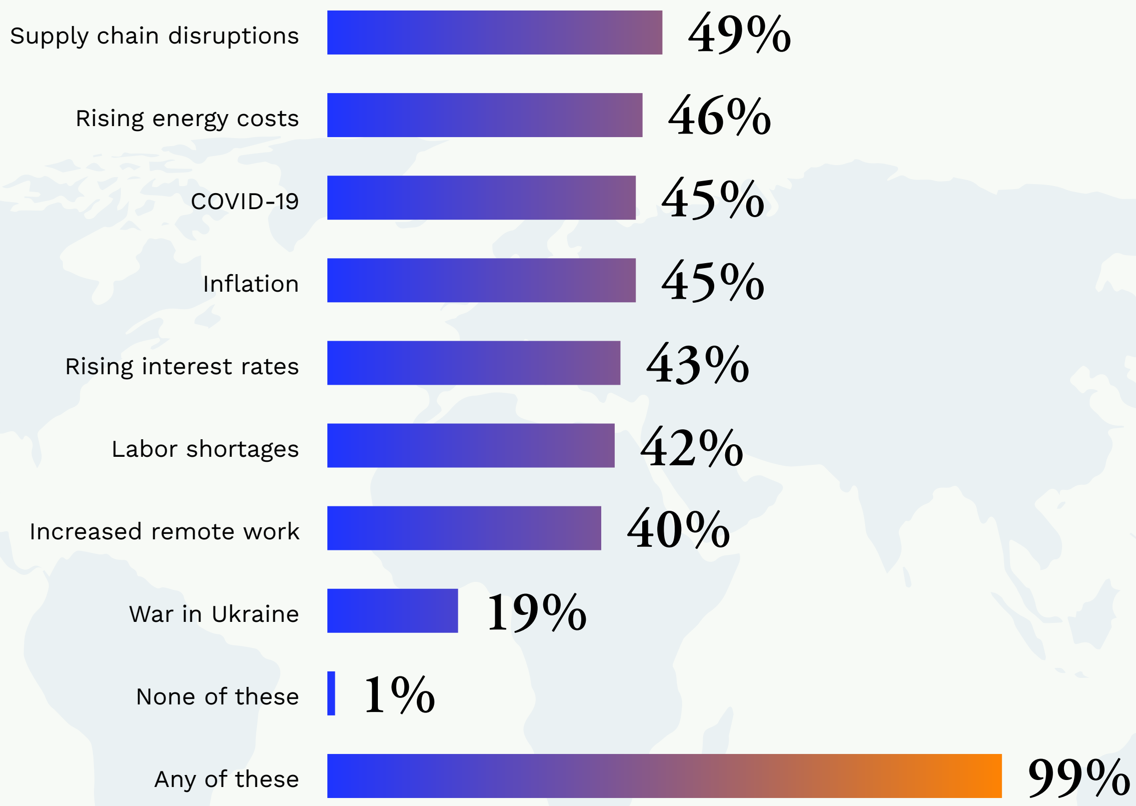
While digitization has been hot on executives' minds for years now, uncertainty and volatility are cementing the urgent need for adding digital efficiencies to critical capabilities like accounts receivable.

Nearly all areas of business have benefited from the cloud-based workflow revolution, but as our data shows, AR teams are lagging.

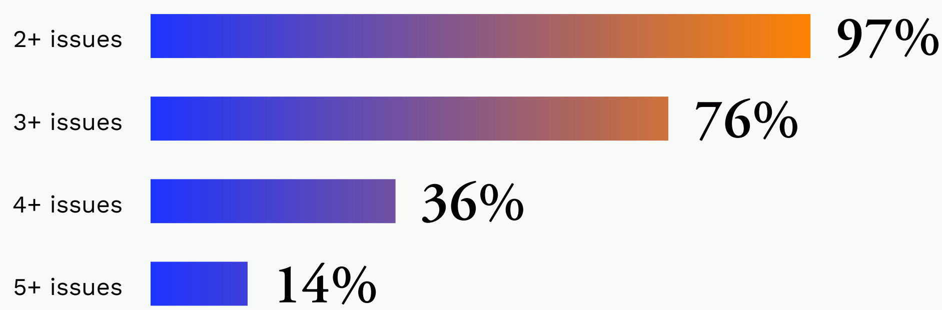
Organizations today face some of the most challenging headwinds in decades. Ninety-nine percent of executives surveyed agree that forces outside of their control are creating major headaches for their business, increasing the pressure on their AR department's performance to close the gap.

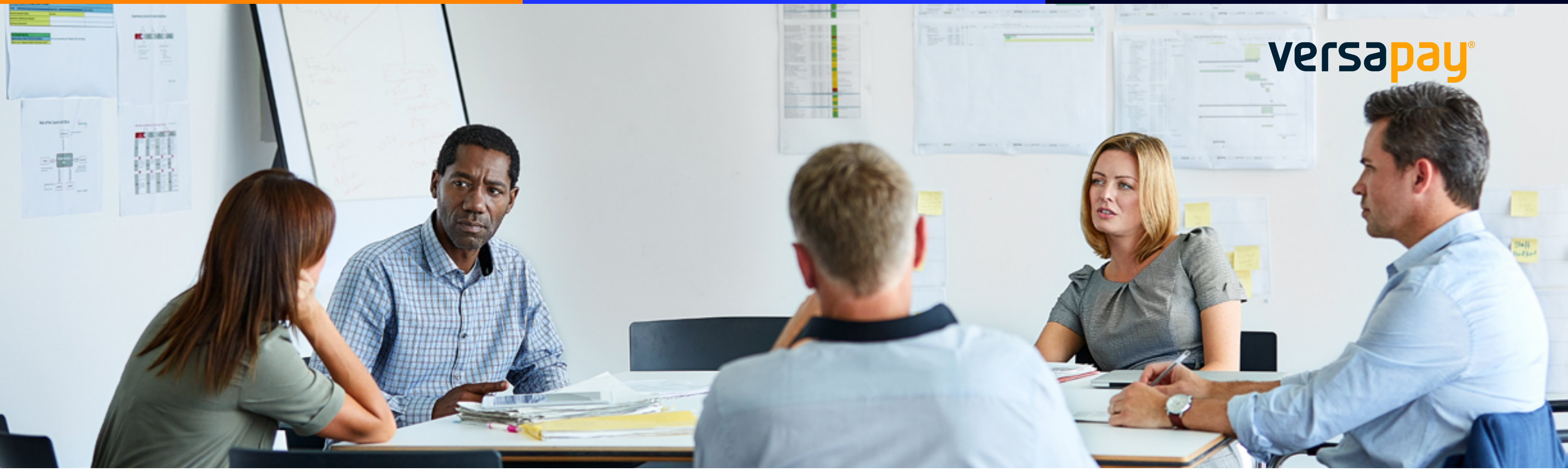
Global challenges impacting businesses

Biggest headache for AR departments



Executives identify multiple issues impacting their AR department





On their own, any one of these disruptions would pose a significant threat to business operations. But combined, they amount to a perfect storm for cash flow shortages and increased costs, including added cost to borrow capital for funding vital business endeavors.

The majority of businesses (97%) are being hit on multiple fronts, with more than a third (36%) identifying four issues impacting them at once.

This situation has shone a light on the outdated invoicing and collections practices that demand intensive staff time and drive up operational costs, forcing executives everywhere to realize the urgent need to automate their AR operations.

Ninety-two percent of those surveyed agree that to reach peak performance, every department in the organization (including accounts receivable) needs to be digitized. And yet, a resounding 96% of respondents acknowledged that there is still work to do in digitizing their AR departments. We can infer that for most of these organizations, AR digitization projects are just beginning or incomplete.

AR digitization necessary for peak performance

To reach peak performance, every department in the organization must digitize

92%
Agree

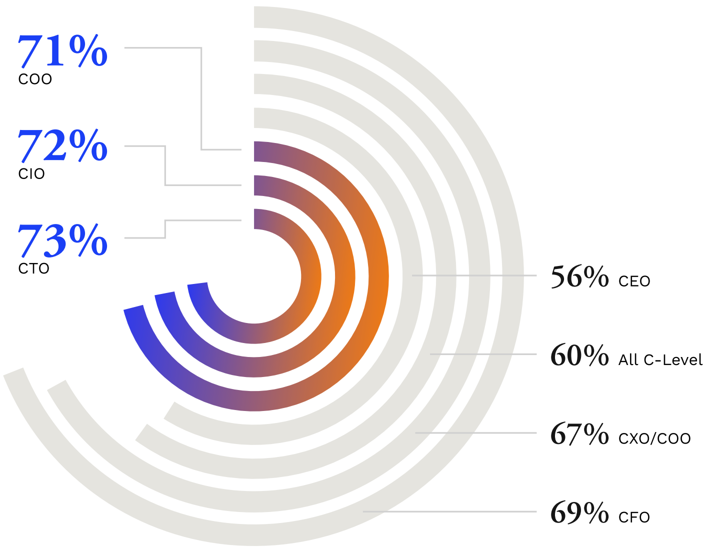
8%
Disagree

There's still work to be done to digitize AR

96%
Agree

4%
Disagree

Executives agree that AR is not prioritized for digitization



60% of C-level executives also agreed that their AR departments haven't been prioritized as much as other departments for digitization.

And while there's wide consensus on this point, those who have a clear sightline across the entire company for digitization projects—the CIO, CTO, and COO—see this missed opportunity most plainly. Nearly three quarters of leaders in these areas (72%, 73%, and 71%, respectively) agree that AR is not being prioritized against other company digitization efforts.

At a time when securing cash flow is more important than ever, it's evident that many businesses are not putting enough focus on AR digitization.

In summary

For years, businesses have understood the value of—and need for—cloud technologies but have delayed fully digitizing their finance functions in favor of other areas of the business. However, major disruptions to the economy and global instability have surfaced a new need to digitize accounts receivable. The question is: in their plans for digitization, have businesses factored in the AR Disconnect?

PART 3:

Businesses are digitizing AR, but there's more work to do

Traditional AR automation focuses on digitizing important processes like invoicing and cash application but fails to include features that address customer experience. Our research shows that businesses have largely prioritized improvements to back-office processes during AR digitization projects.

Nearly half (45%) of executives surveyed have already implemented at least some form of AR automation, but only 35% have implemented a self-service customer portal for collaboration and dispute resolution. This implies that to date, automation of internal processes has taken priority over improving customer experience.

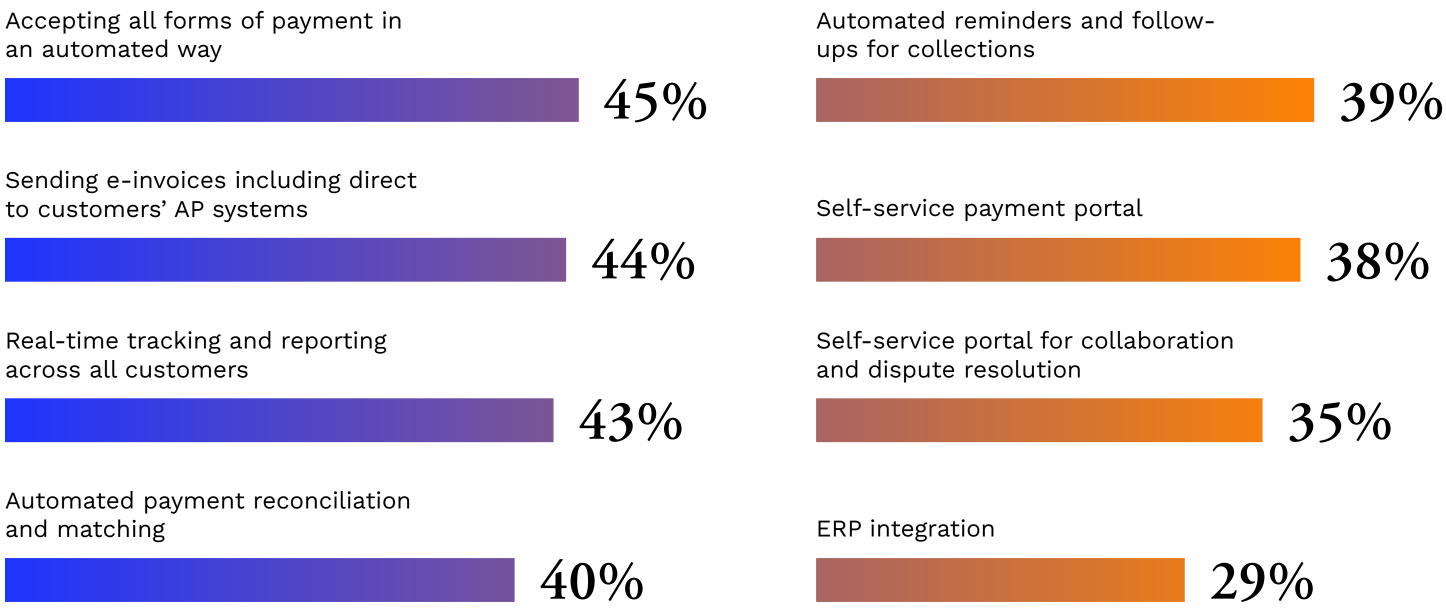
"Traditional" AR automation can certainly provide improvements to operational efficiencies. But, true AR transformation must factor in collaboration between buyers' AP teams and sellers' AR teams.

The implication

Collaborative portals, while a good start toward reducing some communication challenges during the invoice-to-cash process, tend to suffer low adoption. This is because they introduce additional effort for your customers to resolve disputes, made worse when they must use multiple portals to communicate with vendors.

Versapay's Collaborative AR Network, however, enjoys industry-leading levels of customer adoption (81%). It gives customers the opportunity to view their invoices, make payments, open a dispute, and use credits. What's more, customers can get full transparency into the status of their account without the need for a login.

AR automation tools implemented today



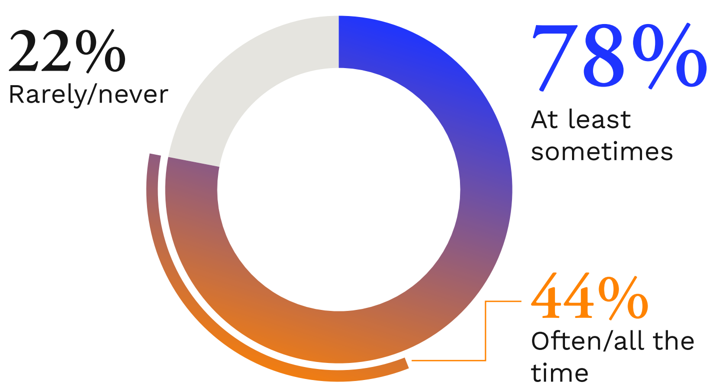
While it's clear that businesses are starting to digitize their AR departments, they still have a long way to go.

Most digitization efforts in AR departments have focused on automating payment acceptance (45%), sending e-invoices directly to customers' AP systems (44%), reporting on the status of receivables in real time (43%), and automating payment reconciliation and matching (40%).

Meanwhile, the challenges with customer communication in accounts receivable continue to plague most (78%) executives, including those who are working with traditional AR automation tools.

This segment identified that their AR teams sometimes or often face payment conflicts that could have been avoided with better communication. Nearly half of them (44%) report that these disputes happen often or all the time.

Executives recognize better communication helps resolve payment issues



Plans for digitizing AR

While some companies have made progress on their AR digitization projects, many have only just begun having conversations about upgrading their collections processes.

In the next twelve months, companies that have not yet fully digitized their AR departments plan to continue their digitization efforts. Notably, businesses seem to be placing their greatest focus on introducing self-service customer portals for payments (30%) and collaboration and dispute management.

In the next 12 months, businesses will digitize these areas of AR

30%
Self-service payment portal

26%
Automated reminders and follow-ups for collections

27%
Self-service portal for collaboration and dispute resolution

25%
Accepting all forms of payment in an automated way

27%
Real-time tracking and reporting across all customers

25%
ERP integration

26%
Sending e-invoices including direct to customers' AP systems

24%
Automated payment reconciliation and matching

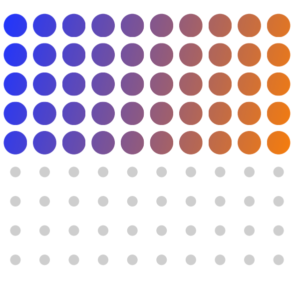
Curiously, self-service customer portals were the least prioritized digital tool among the technologies businesses use to manage their AR today, but they are the highest priority for businesses to begin using in the coming year. This pivot toward customer portals demonstrates that businesses now recognize the need for better means of interacting with their customers during the invoice-to-cash process.

With businesses planning to add more collaborative AR tools to their tech stack in the coming months, it's worth noting that companies that have already done so are currently seeing benefits to their client communications.

Companies who have already implemented a customer portal for payments and dispute management were more likely (50%) to report better communication with customers as a benefit of digitizing their AR than companies who have no such platform (41%).

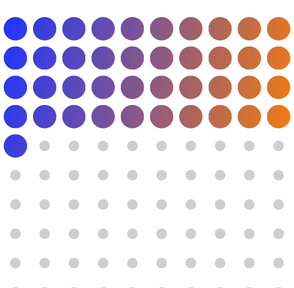
The "improvements" many companies implement though traditional AR automation—that exclusively focuses on streamlining in-house AR processes—fail to address the root causes that hold up cash flow and can inadvertently make customers' experience of doing business with you less human.

Customer communication is a benefit of digitizing AR



50%

Those with a customer collaboration portal who agree



41%

Those without a customer collaboration portal who agree

Unless customer-experience-focused AR tools are included in digitization projects, there's an inherent risk that automation efforts will exacerbate the issues businesses are trying to solve.

This influence on customer experience may be why nearly 3 in 4 executives (72%) are at least somewhat concerned that their organization's AR department is disconnected from and does not focus enough on customers. Forty-five percent are very or extremely concerned.

In summary

There's a direct relationship between the humanness of the buying experience and customer satisfaction. While traditional automation might deliver some KPI improvements, it doesn't do anything to address the human element—the connection between the AR department and customers—that is too often missing in the invoice-to-cash process.

More than just impeding cash flow, the long-term effect of this can mean lost business. Most C-suite executives understand this. With 72% reporting they are concerned their AR department is not customer-oriented enough, it's vital that AR digitization efforts not only solve for efficiency and cash flow, but that they also make the AR experience more *human* for customers. At the end of the day business-to-business (B2B) is just people-to-people (P2P).

PART 4:

Collaborative AR: bridging the human divide

Collaborative AR goes beyond traditional AR automation by equipping suppliers with features like commenting, task assignment, and document management. In combination with standard AR automation tools like automated invoice delivery, AI-powered payment reconciliation, and electronic payment acceptance, to name a few, Collaborative AR empowers the buyer and supplier to work together more efficiently and in real time.

So, how are businesses considering the “P2P” aspect in their AR digitization projects?

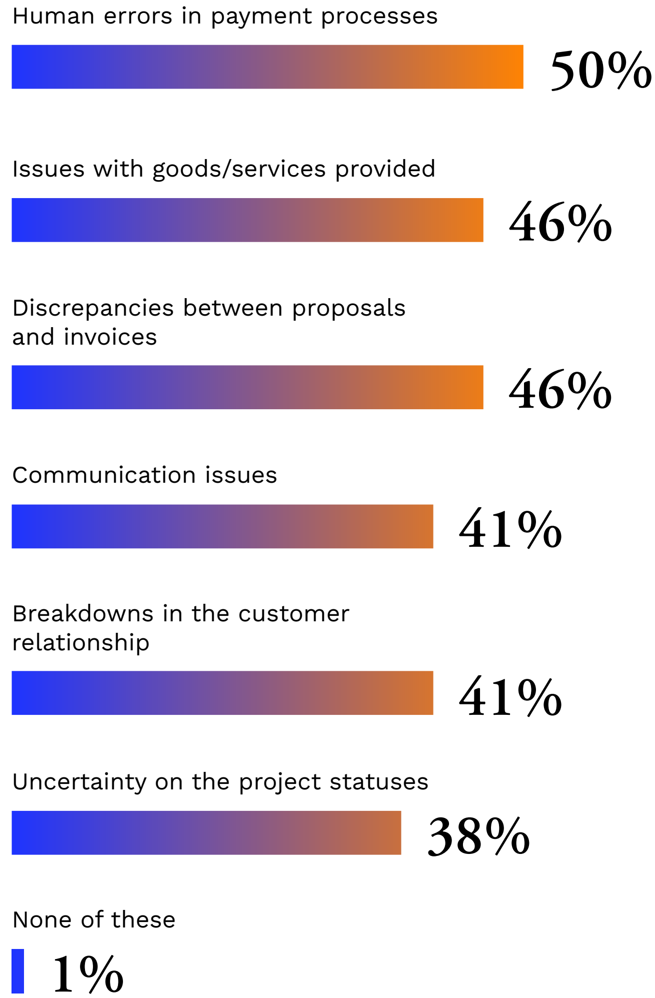
The human factor

It might seem unproductive to suggest that AR and AP teams spend more time working together to resolve menial billing and payment issues, especially as this conjures images of staff doing outreach over the phone.

On the contrary, Collaborative AR allows buyers and suppliers to connect through more effective channels than phone or email, instead directing interactions to a single cloud-based portal where accounting staff can raise any issues directly within an invoice. It also leverages traditional automation tools to help eliminate costly human errors...human touch—all of which is made easier with enhanced collaboration tools.

Our research shows that more invoice disputes are caused by human error in the payment process (50%) than any other source, including issues with the goods or services themselves (46%), communication issues (41%), or a breakdown in customer relationship (41%).

Human error is the most significant cause of invoice disputes



Executives also recognize the benefits associated with P2P collaboration that come with AR digitization, such as better communication with customers (44%), faster dispute resolution (44%), and improved internal collaboration (40%).

Perhaps most interestingly, Chief Experience Officers (CXOs) understand accounts receivable is a key area of customer interaction that can benefit from digitization. Nearly half (47%) of CXOs say better communication with customers is a benefit of digitizing AR.

Executives are beginning to recognize the benefits of AR digitization

44%
Better communication with customers

44%
Faster dispute resolution

40%
Improved collaboration

Worth the effort

As companies work toward digitizing their AR departments, executives agree that these changes are imperative to their customers' experiences. The vast majority (93%) say the right technology can strengthen their relationships with their customers in the invoice-to-cash process, a critical contributor to the overall customer experience.

In summary

Automation alone won't drive true transformation in the AR department. It won't close the gap between AR departments and their customers or make it easier for customers to do business with you. Traditional AR automation tends to make processes easier for the AR team but leaves the customer out of the equation. But with technology that combines automation and facilitates greater collaboration with customers, AR departments can make B2B transactions a much more enjoyable experience for everyone involved.

Improving customer experience leads to improved efficiency in invoice-to-cash

There's a direct link between CX and the invoice-to-cash process. Executives nearly unanimously (95%) state that increased transparency and collaboration between the AR team and customers would decrease invoice disputes.

93%

The right technology strengthens relationships with customers

95%

Increased transparency and collaboration will reduce disputes

PART 5:

The solution to the AR Disconnect: Versapay's Collaborative AR Network

To address the root causes that hold up cash flow (miscommunications and payment disputes), Versapay created the world's first ever Collaborative AR Network. Versapay is the first AR automation solution designed to address the human side of AR by empowering the genius of teams. We get AR and AP teams working together efficiently—in real time—to solve challenges and move business faster.

Our Collaborative AR Network is what you get when you take Versapay's industry-leading AR automation, add all the collaboration tools we've come to expect from modern, cloud-based apps, and then add a next-generation B2B payments network. It connects buyers with suppliers to create greater AR efficiencies, accelerate cash flow, and drastically improve the customer experience.

The finance arm of the organization is not exempt when it comes to supporting the critical priority of customer experience. So how is it that nearly 3 out of 4 executives are willing to admit that their AR department isn't customer-oriented enough? Clearly, most businesses suffer from the AR Disconnect. Now is the time to solve that.

Versapay's Collaborative AR Network has consistently demonstrated

50%
Reduction in manual work

30%
Decrease in past-due invoices

25%
Increase in speed to payment

95%
Customer satisfaction rate

About Versapay

Versapay is the leader in Collaborative Accounts Receivable. The Versapay Collaborative AR Network is the first solution that empowers the genius of teams by bridging the gap between suppliers and buyers through a shared, digital experience.

Versapay's AR automation solutions and next-generation B2B payments network make billing and payments easier for enterprises, increasing efficiencies, accelerating cash flow, and dramatically improving the customer experience. Versapay has offices in Toronto, Atlanta, London, Amsterdam, and Sydney, and is owned by Great Hill Partners, a Boston-based technology investment firm.

Learn more at versapay.com. Join the conversation on Twitter and LinkedIn.