2021

GENERAL REPORT

Modernizing AP Processing

Sponsored by

deluxe
trusted payments & business technology

Written & Produced by

Strategic Treasurer

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Executive Summary

The AP Survey was taken by 150+ respondents from March 30, 2021 to May 10, 2021. The survey was underwritten by Deluxe Corporation and powered by Strategic Treasurer. The 2021 iteration of the survey was the second year of this research.

This survey included two branches for the capture of corporate respondents in a distinct manner from bankers. This provided the opportunity to see a convergence of views in some areas and a divergence of outlook in several critical areas. Accounts payable and other payment professionals will want to review the data closely to see what others are experiencing, doing and considering. Bankers will want to know the range of what their clients are planning and see how this information may be vital in calibrating bank activities, development and partnerships.

IN THIS REPORT, YOU WILL FIND A FEW SECTIONS:

» **Survey & Firmographic Information.** We provide a few pages that highlight the makeup and key statistics of survey respondents in an aggregated manner.
» **Key Findings.** We have selected 10 of the top findings from this year's research and placed them on two pages for a more rapid consumption of this material.
» **Detailed Reporting.** There were many questions and responses. You will find quite a few graphs with minimal commentary or explanation where warranted.

As you look through the key findings—and even through the larger set of survey responses and various cuts of data—we suspect you will think of additional areas of inquiry. Does this differ by size of company? How has this changed over time? Do AP areas that have more volume act notably different from lower volume companies? We invite you to submit your questions or additional areas you'd like to know about. We will either provide a response or feed this into our plans for the 2022 research.

THE KEY FINDINGS ARE ON THE PAGES THAT FOLLOW, BUT FOR A MORE EXECUTIVE STYLE SUMMARY:

Fully Electronic and Bank Relationships. The desire to move to fully electronic processes is driven by efficiency and cost goals and can be seen as a way to reduce the top pain points caused by defects and exception management activities. This desire is strong enough to change bank relationships.

Inside Out. The movement away from in-house to fully outsourced or a hybrid model continues through actions and mindset.

Fewer Checks, but Human-Readable Remittance. The long, slow movement towards electronic methods that can be integrated with systems has several cross-currents. This includes the steady decline of checks and ongoing resilience of remittance information arriving in human-readable formats. XML will likely overtake EDI in the next two years as a format for remittance that can be integrated directly into systems.

For those who took the time to take the survey, we offer you our thanks. As with all of our surveys, your responses remain confidential, and those who took the survey receive a more comprehensive report as thanks for your investment of time. Thank you to Deluxe as well for their ongoing underwriting of this research and their invaluable contribution in updating the survey questions to be more responsive and interesting.

Read, think and enjoy.

Chris Clausen
Executive Director
Deluxe Corporation

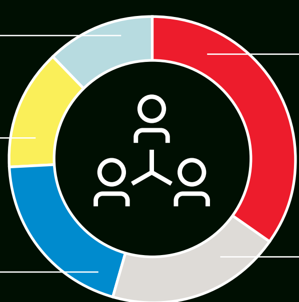
Craig Jeffery, FLMI, CCM
Founder & Managing Partner
Strategic Treasurer

2ND YEAR OF RESEARCH

Survey Quick Stats

DEVELOPMENT		RUN TIME	ANALYSIS	
Feb	March	April	May	June

TOP INSTITUTIONAL RESPONDENT ROLES



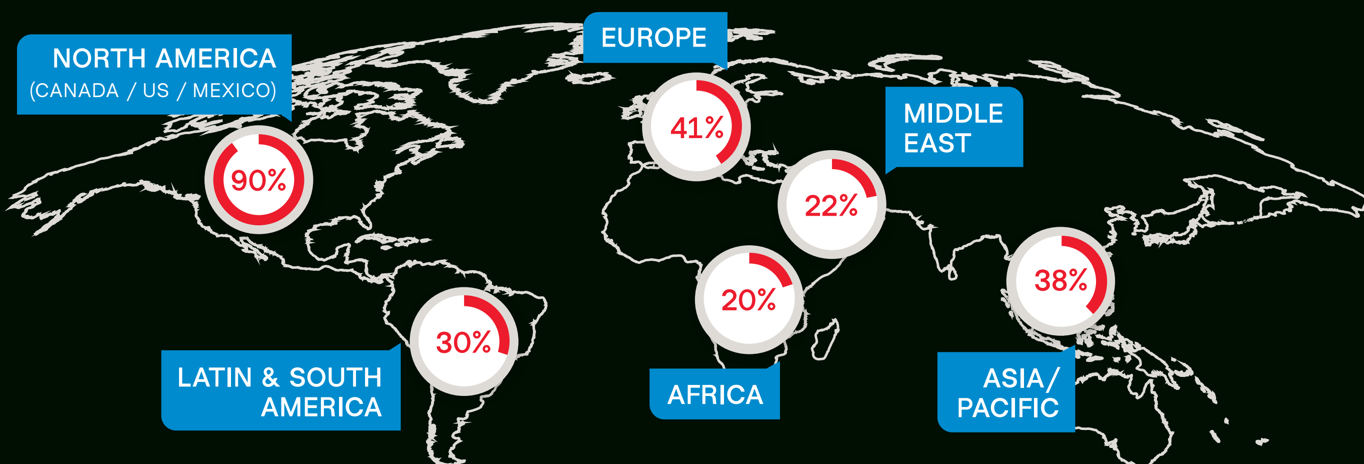
50+ questions

6-week survey runtime

150+ respondents

- **84%** corporates
- **16%** banks

RESPONDENT REGIONS OF OPERATION



Key Findings Top Takeaways

The top takeaways from the 2021 Accounts Payable Survey include some continuing trends and some interesting new points. Here are this year's top 10:

1 MOVING TO FULLY ELECTRONIC IS A UNIFYING THEME/DESIRE FOR AP

Seventy-two percent see this as very important or important, which is 9X the number who view this with low or no importance (8%). Notably, this desire is important enough to move banks outside their credit facility (41%) or to a non-credit bank (28%).

2 FEWER CHECKS, BUT NOT CHECK-LESS

ACH has notably surpassed checks for accounts payable activity. Twenty-eight percent of respondent companies make over 1,000 ACH payments per month, while just 18% reach that number of checks.

3 COST, CASH FLOW AND DEFECT REDUCTION ARE THE TOP DRIVERS FOR DIGITIZING PAYMENTS

4 COMPREHENSIVE AP PROCESS VIEW GROWS

The E2E2E2E view (the full process view, including third parties) is now held by 23% of companies for AP, moving up from last year.

5 BLOCKERS

Only 20% of AP groups are considered highly automated. The top blockers to becoming highly automated are 1) management priorities and 2) IT availability.

6 DRIVERS

Drivers for more AP automation: 1) efficiency, 72%; 2) reduction in errors, 68%; 3) control or security, 52%. Working capital considerations was in 6th place at 34%.

7 PAIN POINTS—DEFECTS

Top AP pain points are both defect/exception management items: 1) invoice error management, 38%; 2) managing vendor payment inquiries, 33%.

8 SERVICE GROWTH

What services will grow? By percentage over current use: 1) sanctioned party filtering, 2) vendor master management services. By total population percentage: 1) sanctioned party filtering, 2) workflow management.

9 HUMAN-READABLE REMITTANCE INFORMATION

Email (56%) and PDF (47%) dominate the integration capable formats: EDI (36%) and XML (25%). The rapid ascendance of XML means it will likely pass EDI within two years as the top system-to-system format.

10 CONTINUED SPRINT AWAY FROM IN-HOUSE

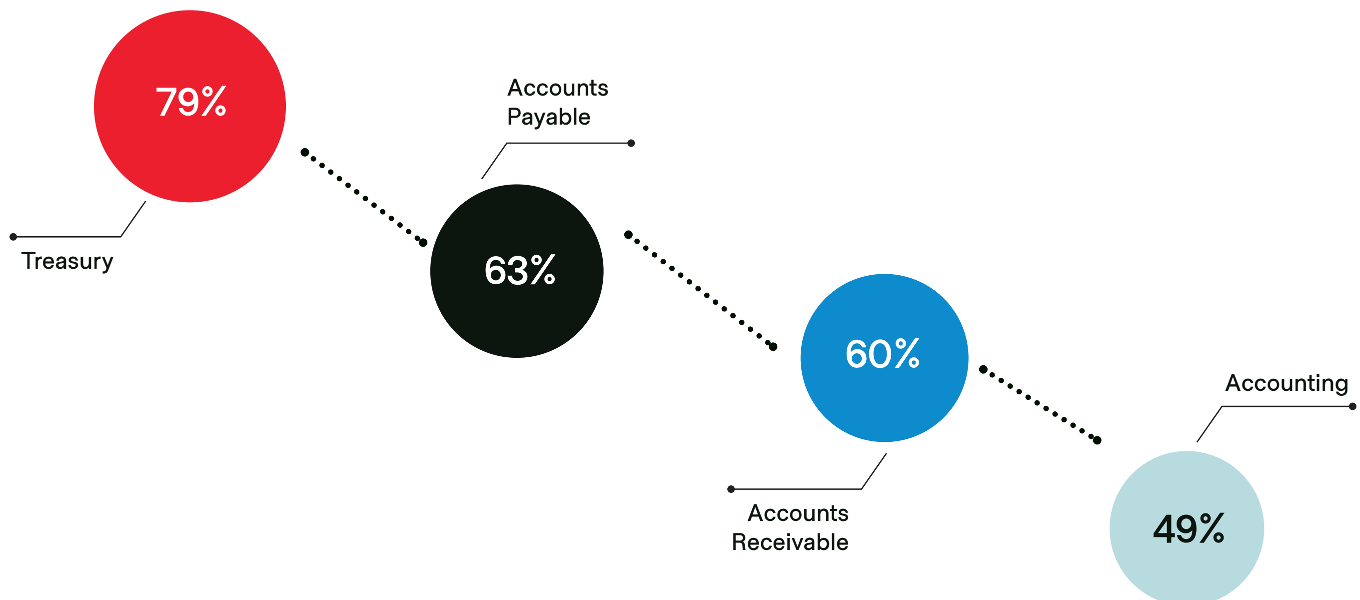
The bias to move towards a hybrid or outsourced model is very strong.

Key Finding Analysis

1| Staff Size

After treasury, accounts payable functions have the fewest staff members, trailing accounting and accounts receivable.

Ten or Fewer Staff Members



2 | Single System, but Many Banks

AP groups often have mixed elements of simplicity and complexity. The majority of companies have a single ERP/AP system (55%), and only 22% use three or more AP systems. However, 50% of companies issue payments out of three or more banks, and 22% use six or more payment banks.

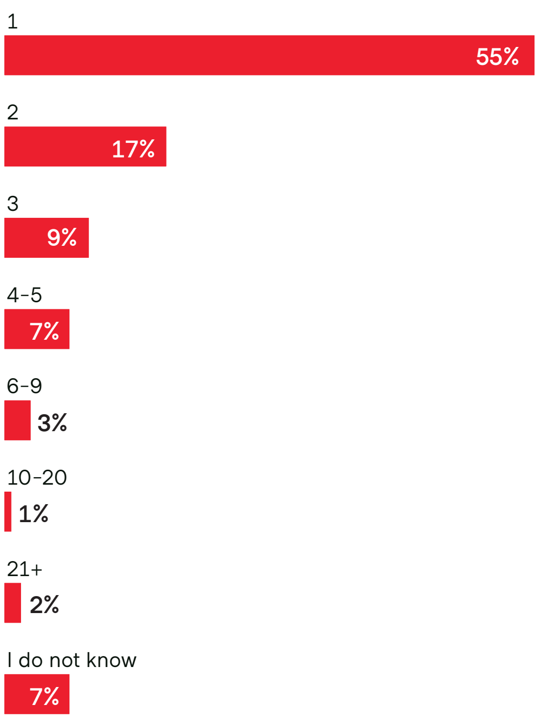
Single System for AP: 55% of companies have a single ERP/AP system to support AP. Fewer systems than for AR.

» 22% have three or more systems.
» For AR, the comparable numbers are 47% and 31%.

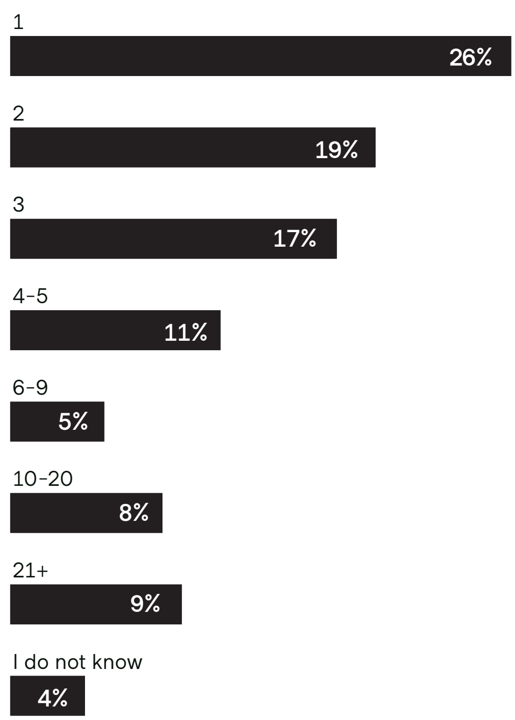
Only 26% use a single bank from which to issue payments:

» 50% have three or more banks.
» 22% use six or more banks.

How many ERPs and standalone systems do you have to support Accounts Payable (AP)?



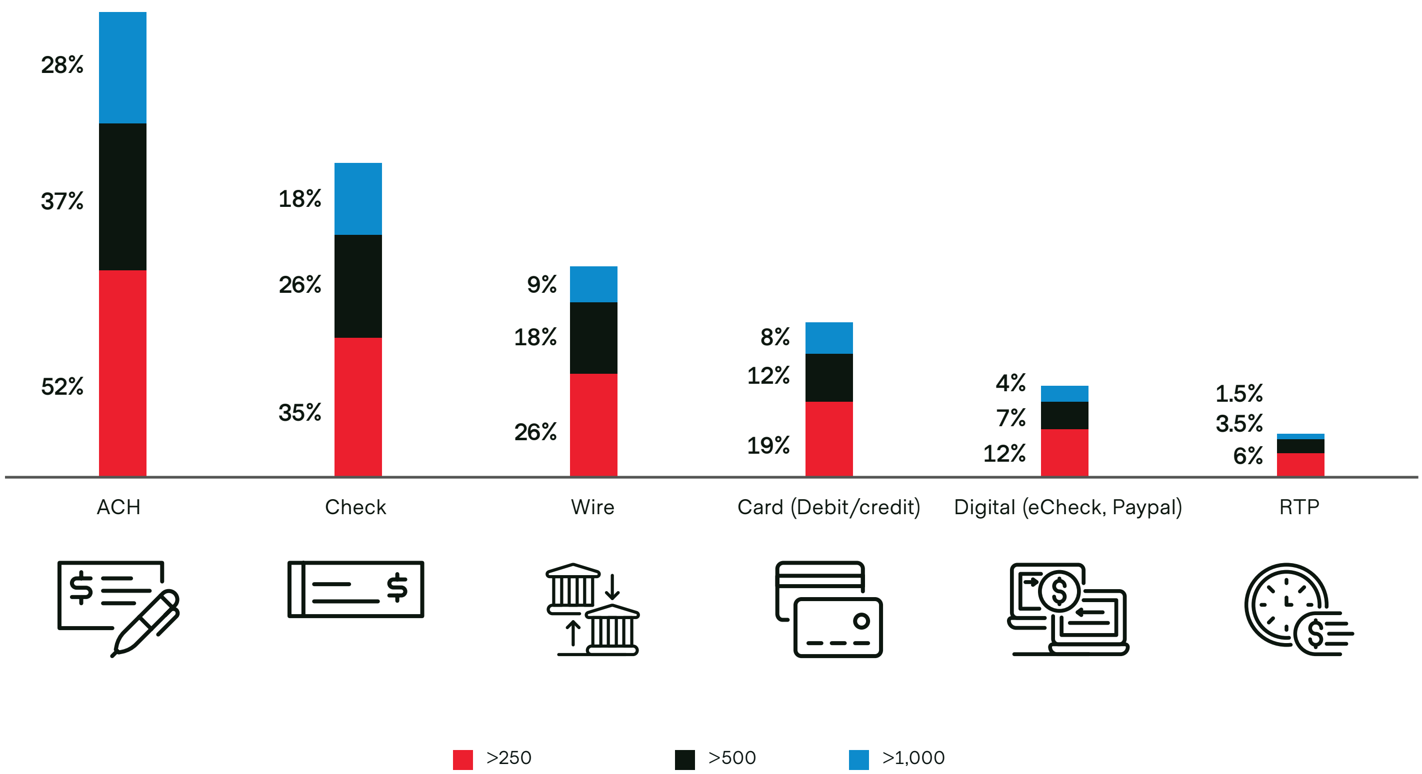
How many banks do you issue payments out of?



3 | Fewer Checks

The number of payments issued per month varies by type. ACH is now clearly dominating the mid- to high-volume payments space compared to checks and all other payment types. Real-Time Payments (RTP) are now achieving success in establishing a presence within corporate payments in the U.S., with six percent of respondents issuing 250 or more RTP per month.

How many payments do you send per month using the following:

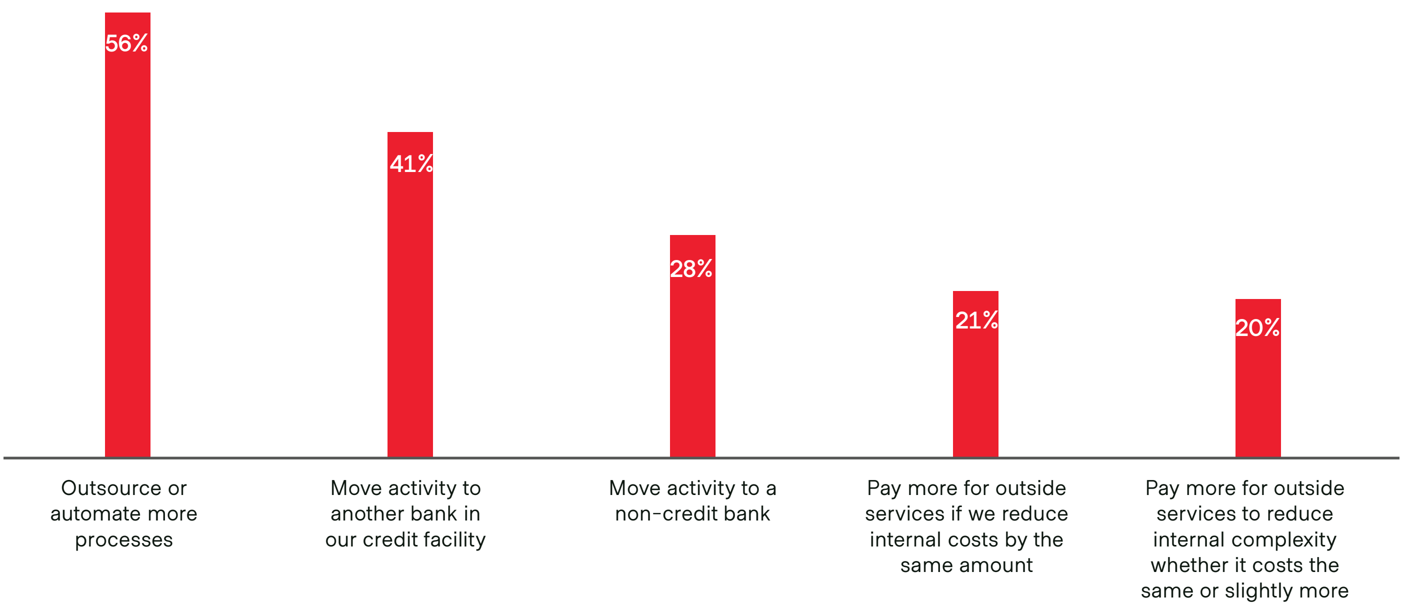


4 | Moving to Fully Electronic

Importance of moving to fully electronic processing means a willingness to outsource, automate and move banks. This includes a willingness to move to non-credit banks (28%). Reducing internal complexity through the use of outside services is important enough for one out of five companies.

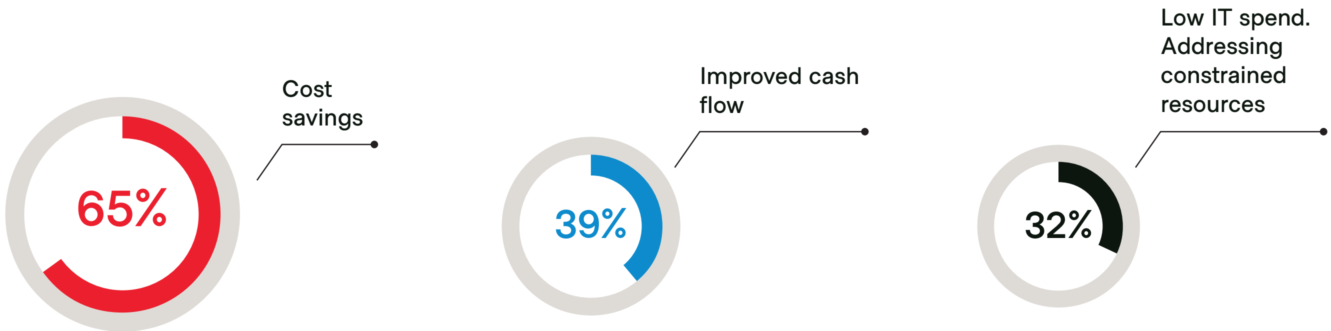
Importance of fully electronic. A significant majority indicate a strong desire to move toward fully electronic processing.

This desire is important enough to:



The following would move fully electronic processing up on the priority list:

Only top 3 responses shown.



ERP/accounting platforms outpace bank systems in use for issuing payments and remittance information.

5 | The Top Drivers for Digitizing Payments

For digitizing payments, please rank the following drivers based on priority, with 1 being the highest priority and 8 being the lowest.

This reflects the top choice of respondents.

#1 COST SAVINGS and IMPROVED CASH FLOW (tie)

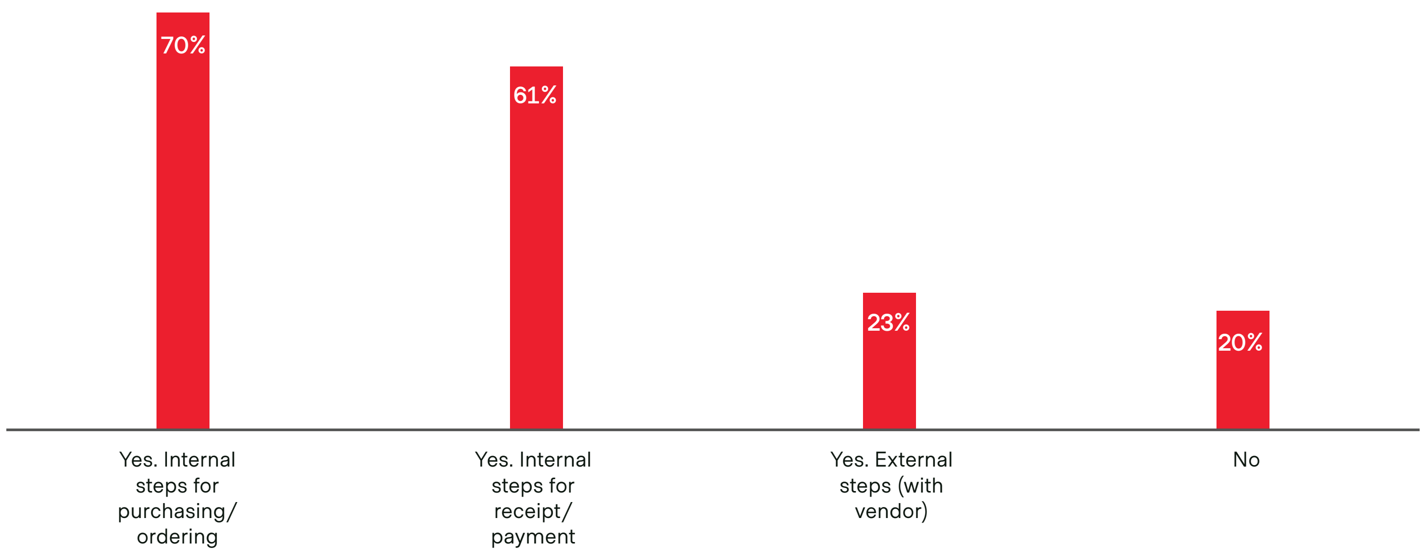
#3 REDUCTION IN ERRORS/DEFECTS

#4 REDUCTION IN INTERNAL COMPLEXITY

#5 INCREASED FLEXIBILITY/RESILIENCY

6 | The E2E2E2E View Grows

Do you have an end-to-end view of your AP processes? (Select all that apply)



7| AP Makes Many Payments, but 81% Are Manual/Predominantly Manual or Mixed Manual and Automated

Only one out of five (20%) consider themselves highly automated in accounts payable. Why is that percentage so low? Management priorities and IT availability have been identified as the top blockers for a significant portion of companies.

Monthly payment transactions vary greatly by organization. Fifty-one percent of the respondent companies make over 1,000 payments per month.

» **By 'thirds'**

Under 500	**32%**
501-2,000	**32%**
>2,000	**36%**

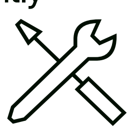
» **By grouping**

Under 100	**9%**
101-500	**23%**
501-1,000	**17%**
1,001-2,000	**15%**
2,001-5,000	**12%**
>5,000	**24%**

Few are highly automated.

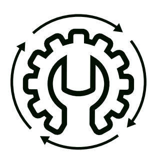
Manual or predominantly manual

20%



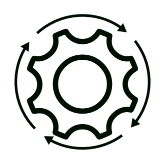
Mixed. Manual & automated

61%

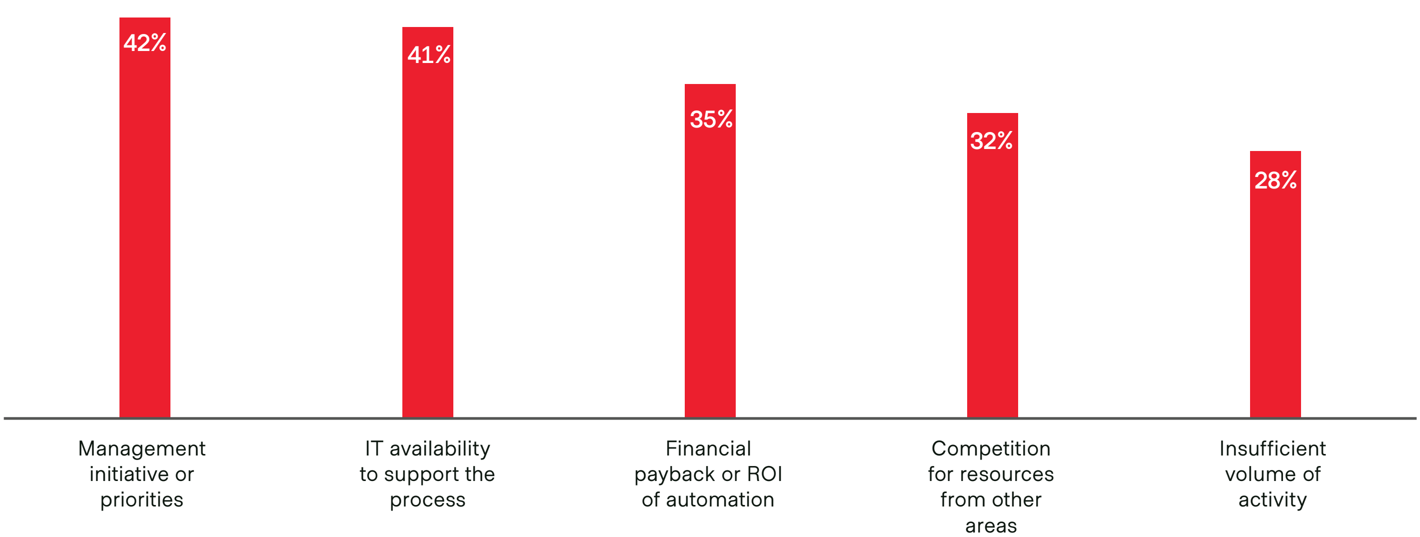


Highly automated

20%

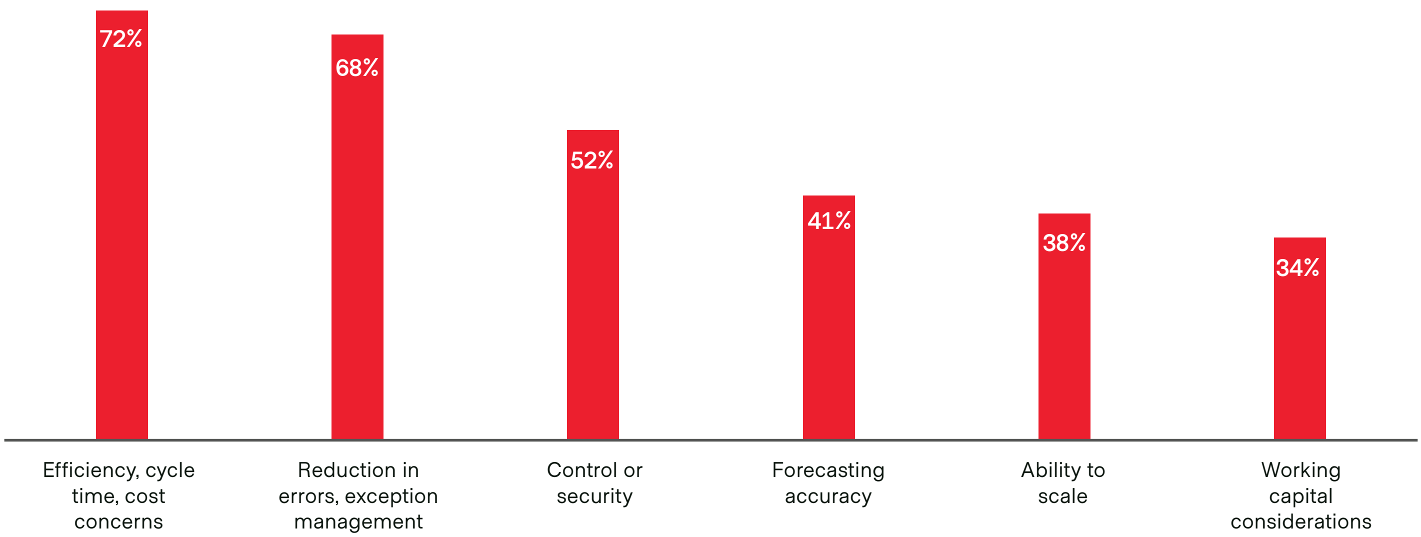


What prevents companies from being highly automated? Management priorities, IT resources and payback of automation.



8 | Efficiency, Reduction in Errors and Control or Security Drive Companies (or Would Drive Companies) to More AP Automation

What would drive you / drove you to more AP automation? (Select all that apply)



9 | AP Service Growth Leaders

The most commonly used services for AP are invoice receipt scanning and workflow management. We expect the following to be AP service growth leaders ("would like to use"): 1) workflow management and 2) sanctioned party filtering, with 22% of responding companies wanting to add this service.

» **High. Use is at 50% or more:**
- **57%** Scanning for invoice receipt
- **50%** Workflow management

» **Medium. Use is at 25-50%:**
- **39%** OCR ("bots with eyes") for invoice receipt
- **27%** Vendor master management services from bank/third party

» **Low. Use is below 25%:**
- **19%** Sanctioned party filtering

Table ordering AP Use, Desire to Use and Indicated Growth Rate Percentage:

	CURRENT USE	DESIRE TO USE	GROWTH (DESIRE TO USE/CURRENT USE)
Sanctioned Party Filtering	19%	22%	>100%
Vendor Master Management Services	27%	15%	55%
OCR for Invoice Receipt	39%	17%	44%
Workflow Management	50%	22%	43%
Scanning for Invoice Receipt	57%	17%	30%

10 | AP Pain Points and Obstacles

» What would you fix or improve about AP processes or systems?

» **Obstacles to making the needed changes are three resource issues:** 1) IT staff resources, 53%; 2) lack of staff resources to enact changes, 51%; 3) competing budget demands, 49%. The silo mentality impeding an end-to-end view is identified by only one-quarter of firms, and internal politics is impacting less than one out of five companies.

» **The top two pain points are related to defects or exception management:**

- **DEFECTS/EXCEPTION MANAGEMENT**
  - **38%** Invoice error management
  - **33%** Managing vendor inquiries about payments

- **OTHERS: COMPLEXITY, VISIBILITY, OPERATIONS, COMPLIANCE**
  - **20%** Supporting multiple payment types
  - **20%** Reporting/visibility
  - **20%** Forecasting
  - **19%** Invoice receipt
  - **18%** Vendor master record management
  - **17%** Three-way matching
  - **15%** Compliance

11 | Remittance Information Is Mostly Provided in Formats That Are Human-Readable (Easy to Read but Hard to Integrate Into Your Systems)

XML use has made major progress and will soon overtake EDI amounts as the top format that is ready for system integration.

- **HUMAN-READABLE/NOT INTEGRATION CAPABLE**
  - **56%** Email
  - **47%** PDF

- **INTEGRATION CAPABLE**
  - **36%** EDI
  - **25%** XML (New and soon to be the leader in integration capable formats)
  - **19%** Delimited
  - **6%** Fixed length

12 | A Strong Move From in-House Processing to Outsourcing or a Hybrid Approach (in-House and Outsourcing MIX) Is Planned

How is the current use and future strategy shifting between managing AP activities in-house, using a mix between in-house and outsourcing, and outsourcing? All categories of outsourcing indicate strong growth, with a minimum of doubling to more than tripling (payment file generation). None of the future expectations for in-house management of AP activities queried in this survey have dipped below 50% yet.

» **Hybrid**

- +10% Vendor master record management (15% to 25%)
- +9% Invoice receipt processing/imaging (16% to 25%)

» **Outsourcing**

- +10% Payment generation (paper) (5.4% to 15.2%)
- +7.7% Payment file generation (electronic) (3.2% to 10.9%)

	Current	*Future*		*Current*	*Future*		*Current*	*Future*	
ACTIVITY	MANAGED IN-HOUSE		*Change*	MIX OF IN-HOUSE & OUTSOURCED MGMT.		*Change*	OUTSOURCED		*Change*
Invoice Receipt Processing/ Imaging	74%	58%	-22%	16%	25%	55%	4.3%	9.8%	127%
Vendor Master Record Management	78%	62%	-21%	15%	25%	66%	2.2%	5.4%	153%
Payment File Generation (Electronic)	70%	58%	-18%	22%	23%	6%	3.2%	10.9%	237%
Payment Generation (Paper)	68%	54%	-20%	19%	16%	-16%	5.4%	15.2%	183%

Network Value. In discussions about the value of networks, the following usually rise to the top: 1) size of the network; 2) what can be done on the network. What can be done on a network can vary significantly. The following represent very high/high indications of value of a network (with AP and AR) to the bank and to their clients.

» **Size of the Network**
- Reach of the Network 72%

» **What Can Be Done on the Network - Liquidity**
- Working Capital Support (financing) 82%
- Ability to Support Internal Use of Cash 77%

» **What Can Be Done on the Network – Operational Support**
- Scalability 78%
- Managing Master Data 77%
- Additional Services Offered 59%
- Forecasting Improvements 50%

Speed Is a Virtue. The timeframe to connect a client to an AP solution network post-agreement and intake form completion has different value depending upon the bank. Bankers have a view of the speed required to onboard their clients and how that translates to satisfaction. What rate of onboarding is required in order to be transformative? What is the maximum time expected? The difference between being viewed as transformative and maximum was only 15 days when we include nearly half of the banker responses (46% and 47% of respondent banks respectively). Nearly one-third of banks viewed an implementation occurring within two weeks as being transformative (32% of banks) while one-eleventh (9% of bank respondents) saw a two-week implementation as the maximum time expected.

» **Transformative**
- Within 30 days 46% of banks indicated this timeframe
- Less than 14 days 32%

» **Maximum Time Expected**
- Within 45 days 47%
- Less than 14 days 9%

» **What Can Be Done on the Network – Operational Support**
- Scalability 78%
- Managing Master Data 77%
- Additional Services Offered 59%
- Forecasting Improvements 50%

CORPORATE BANKS

While most of this report deals with corporate responses, this page discusses bank responses as well. These icons are used to mark whether a finding relates to bank responses or corporate responses.

AP Services. The banks' view on level of importance by feature. Banks have to support many organizations with their services. When a sizable minority of companies seek certain services, most banks should view this as highly important if those services meet certain criteria (for example: supporting profitable services; defending key PxV activity). We highlight two activities that indicate agreement or convergence between the corporate views and bank responses. You will also find two areas that appear to indicate divergence between these two parties.

» **Convergence**

- **ONBOARDING OF VENDORS/VENDOR MASTER MANAGEMENT SERVICES**
    - Banks very high/high
        - 68%
    - Corporates
        - 21% additional plans to use
        - 55% growth rate for 'desire to move'
- **WORKFLOW MANAGEMENT**
    - Banks very high/high
        - 59%
    - Corporates
        - 22% additional plans to use
        - 43% growth rate for 'desire to move'

» **Divergent Views**

- **SANCTIONED PARTY FILTERING**
    - Banks very high/high
        - 59%
    - Corporates
        - >100% growth in 'desire to use'
- **OCR FOR INVOICE RECEIPT**
    - Banks moderate/low/very low
        - 68%
    - Corporates
        - 44% growth in 'desire to use'

CORPORATE BANKS

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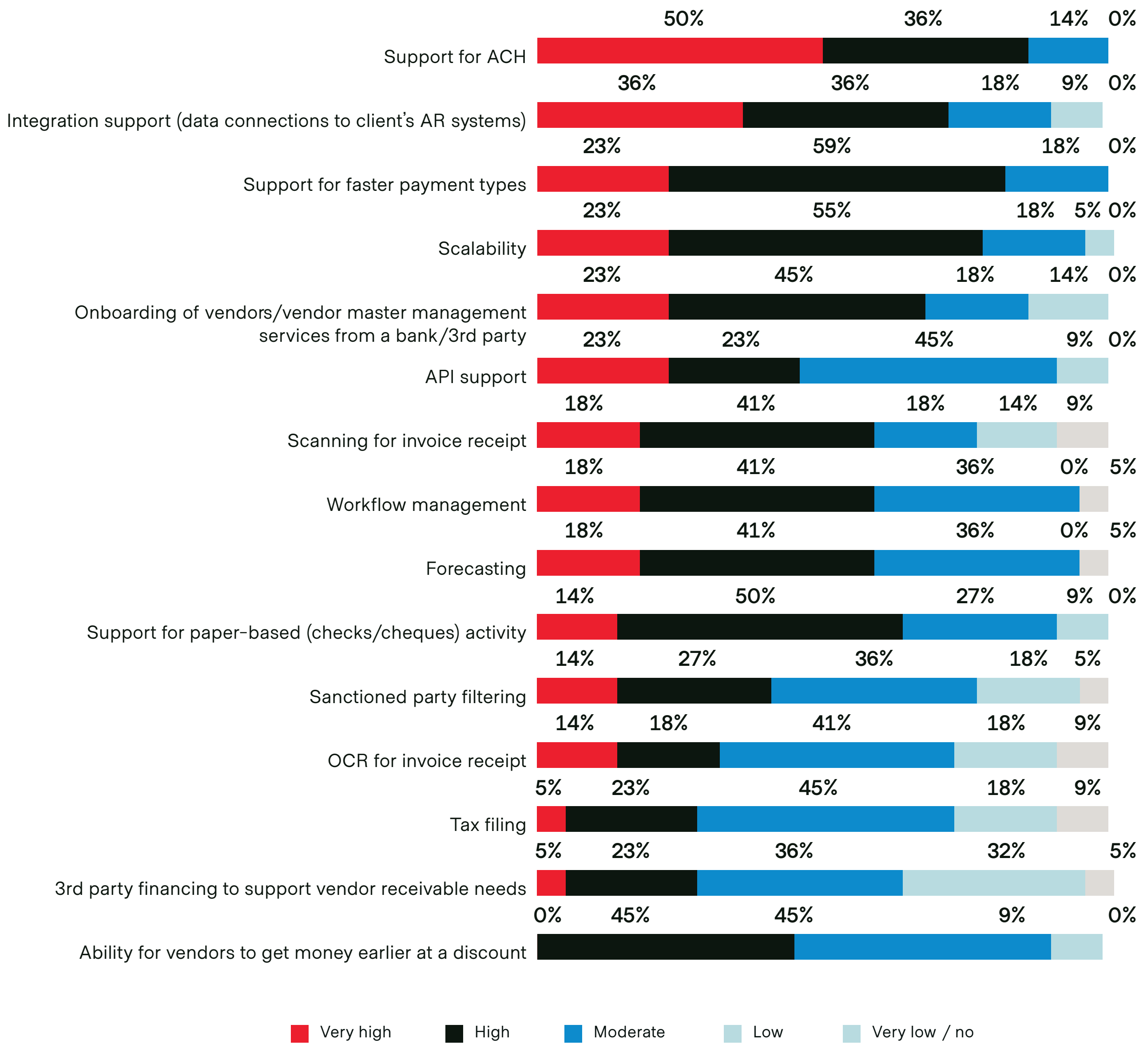
A question for bankers. API support is viewed as very high/high by less than half of responding banks. Given the desire for automation, efficiency and integration by commercial and corporate clients as noted throughout this survey, along with the numerous banking industry conversations around expectations for 'embedded services,' this seems odd and disconnected. Can a low or even moderate view of offering API support be a reasonable approach for any bank that has corporate and commercial clients making up a moderate to significant part of their portfolio?



CORPORATE BANKS

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About the Firms

deluxe

trusted payments & business technology

deluxe.com

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

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Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the mid 1990s. Their team includes experienced treasury experts and analysts who are widely respected leaders in all areas of treasury management.

The firm is recognized for their work in four areas:

ADVISE. Consulting with individual clients on key matters of treasury organization, structure, technology, working capital management, and risk management.

ASSIST. Helping firms with connecting to their banks for payments and information reporting, managing FBAR reporting, bank fee management, and bank account and bank portal management.

RESEARCH. Performing primary market research across all areas of treasury through 12 annual surveys and providing market sizing, market drivers, benchmarking, and longitudinal analysis.

INFORM. Providing critical information to the entire industry through reports, webinars, podcasts, videos, white-papers, visual guides, and the Treasury Coalition.

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