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Written & Produced by

Strategic Treasurer

Modernizing AP Processing

2022

SUMMARY REPORT

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SURVEY CONTACTS

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Executive Summary

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Reading current industry survey results is a most interesting endeavor. Where can we briefly observe that something has stayed the same? What trend has continued or accelerated that requires action or attention? What new finding, correlation, or divergence (e.g., between large and small companies) helps us understand differences and opportunities and grants us fodder to more carefully focus our initiatives? This survey report includes all of these elements.

Accounts payable (AP) is an extremely vital part of organizations, and this third annual survey probing AP has again been written by Strategic Treasurer and underwritten by Deluxe Corporation. Deluxe continues to invest heavily in helping the overall industry through product development and through research. We appreciate their partnership and know you will appreciate the data you find here.

Over two hundred companies across the globe took this rather lengthy survey, and it focused on areas that AP and other financial professionals care about: pain points; priorities; reasons companies will move providers; areas where your peers see increasing value in this part of the cash conversion cycle; areas of expected investment; changing work locations and activities; and more. It was a long survey with over seventy questions in total (including both corporate and bank respondent questions).

You will find the top 10 findings after the executive summary, along with a range of associated charts. Some will be a helpful reference point, and others will compel change or action. As a taste of some of those key findings, here are four quick extracts from the report:

- AP Hybrid Work Location. With the shift in the pandemic to work from home (WFH), one-third of AP staff report they will work a majority of their time away from the office. A significant aspect of the future location of work is hybrid — in office and WFH.

- Reasons to Move: Cost, Data and Cash Flow. Data is gaining recognition as more important in nearly every area of technology. This is also true for AP. "More transparency with data" moved up 15 points from last year, placing data as the second most compelling reason to increase the priority of moving to full-electronic processing.

- Automation Prevention. Management priorities and IT availability were the top "blockers" of automation for all companies. The differences in magnitude between large and small companies points to notably more significant "blockers" at larger companies.

- AP Pain Points — Forecasting. Shifting Area of Pain. Among multiple significant shifts, forecasting represented the largest increase in pain. Moving up by 10 points since last year, it represents the top pain point for large companies and the second highest pain point for smaller firms.

Deluxe Corporation and Strategic Treasurer thank you for your interest in this report, information, and analysis. As you have more questions, feel free to contact our firms as indicated in the back. For the many who invested the time to complete this survey, you have a double-portion of our thanks. Without your responses, our industry would be "flying blind." We know data is increasingly important to support our discussions and decisions, and you have helped our profession by providing that data. As an extra thank you to those of you who spent your time to complete the survey, you will, as usual, receive more information through a specialized and larger report.

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

ADDITIONAL RESOURCE RELATED TO THIS SURVEY:

- Webinar replay
- Infographic report

2022

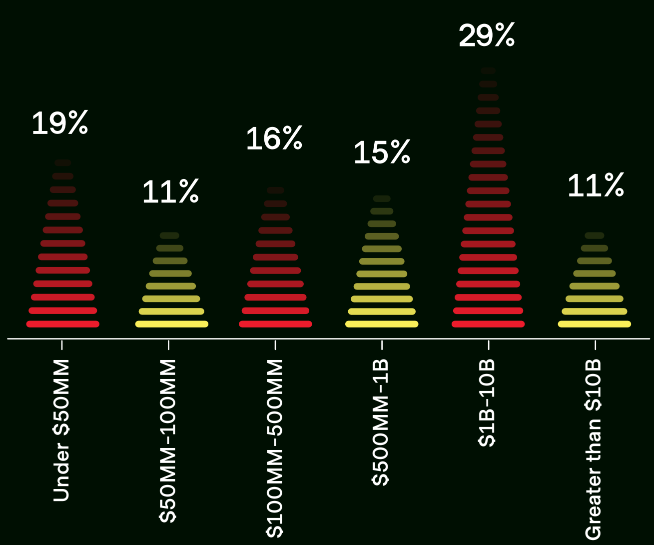
SURVEY STATS

Modernizing AP Processing

DEVELOPMENT | RUN TIME | ANALYSIS

JANUARY | FEBRUARY | MARCH | APRIL | MAY

COMPANY ANNUAL REVENUE



Third year of research

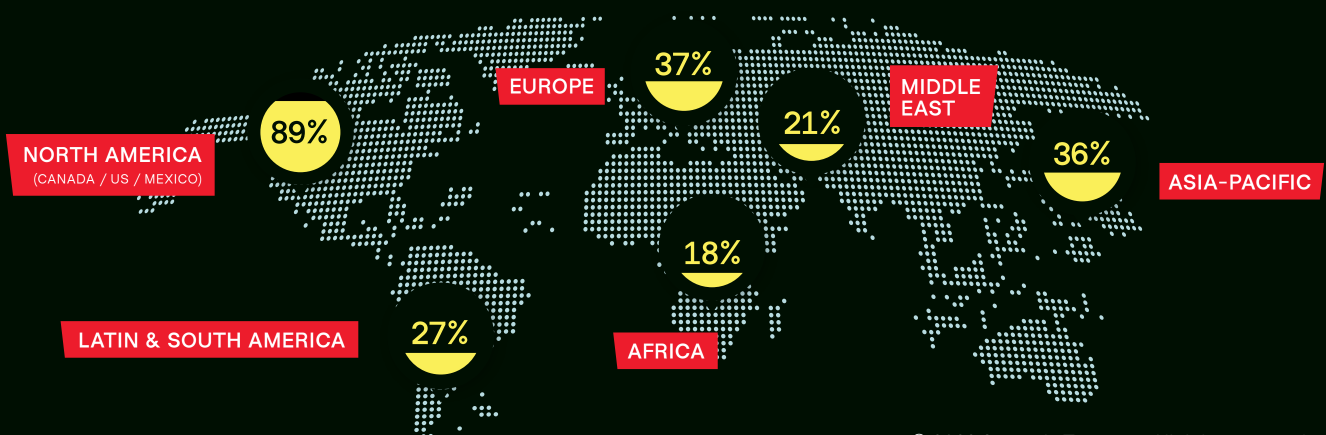
70+ questions

8-week survey runtime

220+ respondents

- 79% corporates
- 21% banks

RESPONDENT REGIONS OF OPERATION



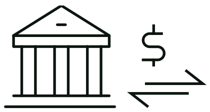
Key Finding Analysis

1. AP Hybrid Work Location. One-Third Majority WFH

The pandemic created a dramatic shift from WFO to WFH. The return to office (RTO) has continued. The future outlook is roughly balanced between primarily (75%+) working from the office at 36% of firms and those working remotely the majority of the time (<50% in office) as indicated by 33% of firms. During the height of the pandemic, more AP staff worked remotely (47%) as compared to AR staff (38%).

2. Payments

A Quarter of Firms Pay Out of One Bank.



26% (one quarter)

issue payments out of a **single** bank.

Expanding the count to **three or fewer** banks captures

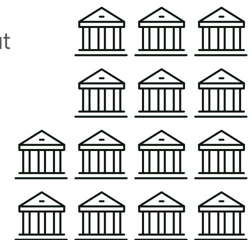
56%

of respondents.

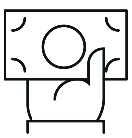
At the high end of complexity, about

12% (one-eighth)

of companies use **10 or more** banks to make payments.

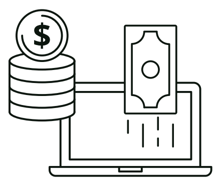


A Quarter of Firms Make Over 5,000 Payments per Month.



27% (one quarter)

issue **over 5,000** payments each month.



About the same number of companies

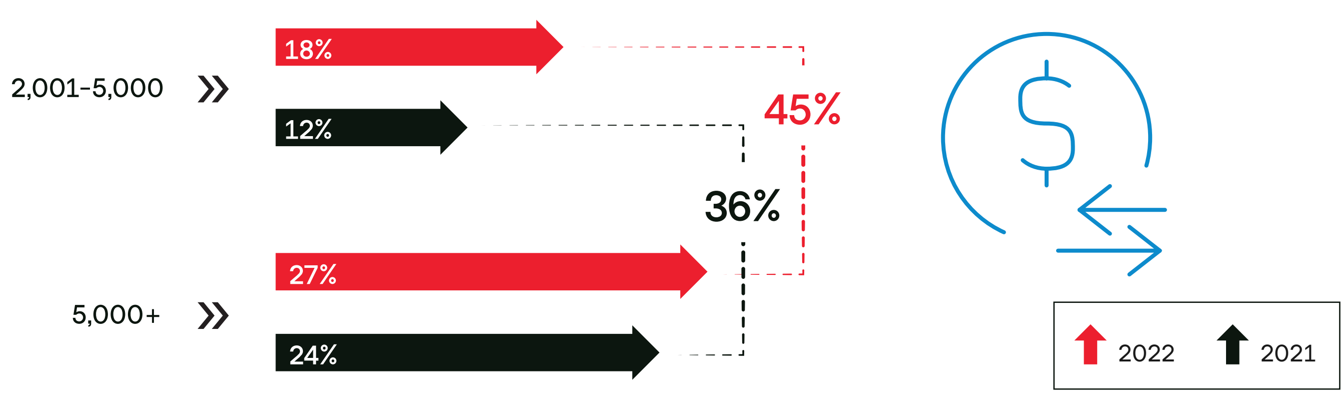
29% make **500 or fewer** payments in the same time period, showing a slight pullback from 2021's 32%.

Expansion of Those Making Over 2,000 Payments per Month.

In 2022, 45% of firms are making over 2,000 payments per month, compared to just 36% of respondents in last year's survey.

Q. The approximate number of payment transactions we have per month is:

Only top responses shown.

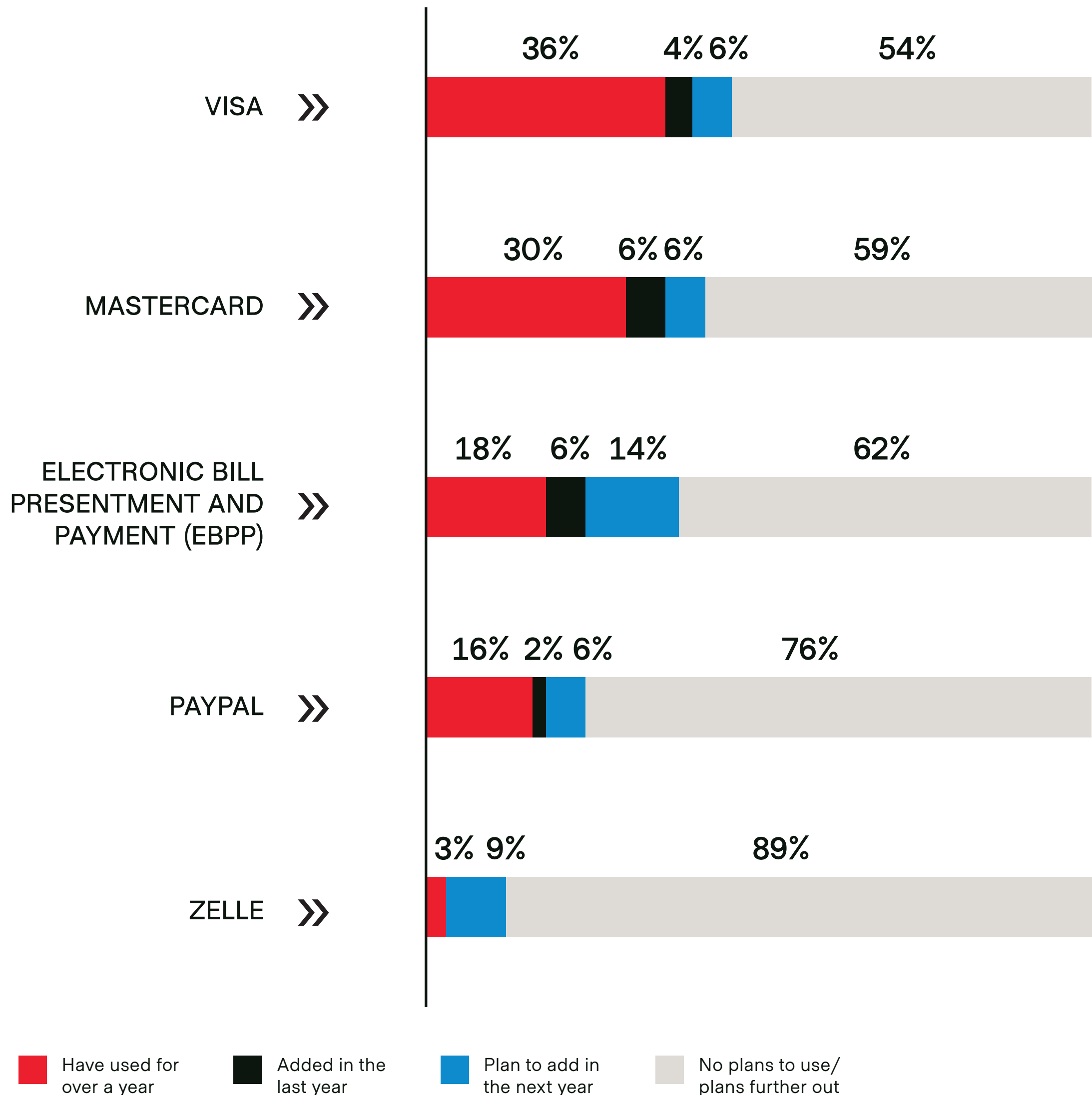


3. Payment Channel: High Velocity of Adding Channels

Between 10% and 20% of respondents are adding (added in the last year or plan to add in the next year) Visa (10%), Mastercard (12%), or EBPP (20%). For PayPal, the total is 8% (2% added, 6% planned). Zelle sits at 9% for plans, with 0% having added it in the last year.

» The growth rates experienced in the past year predominantly show additions of one-eighth to one-third (12% to 33%) of companies offering these channels.

Q. Which of the following payment channels do you use or have plans to add in the future?



4. Reasons to Move: Cost, Data, and Cash Flow

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

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

This reflects the top choice of respondents.

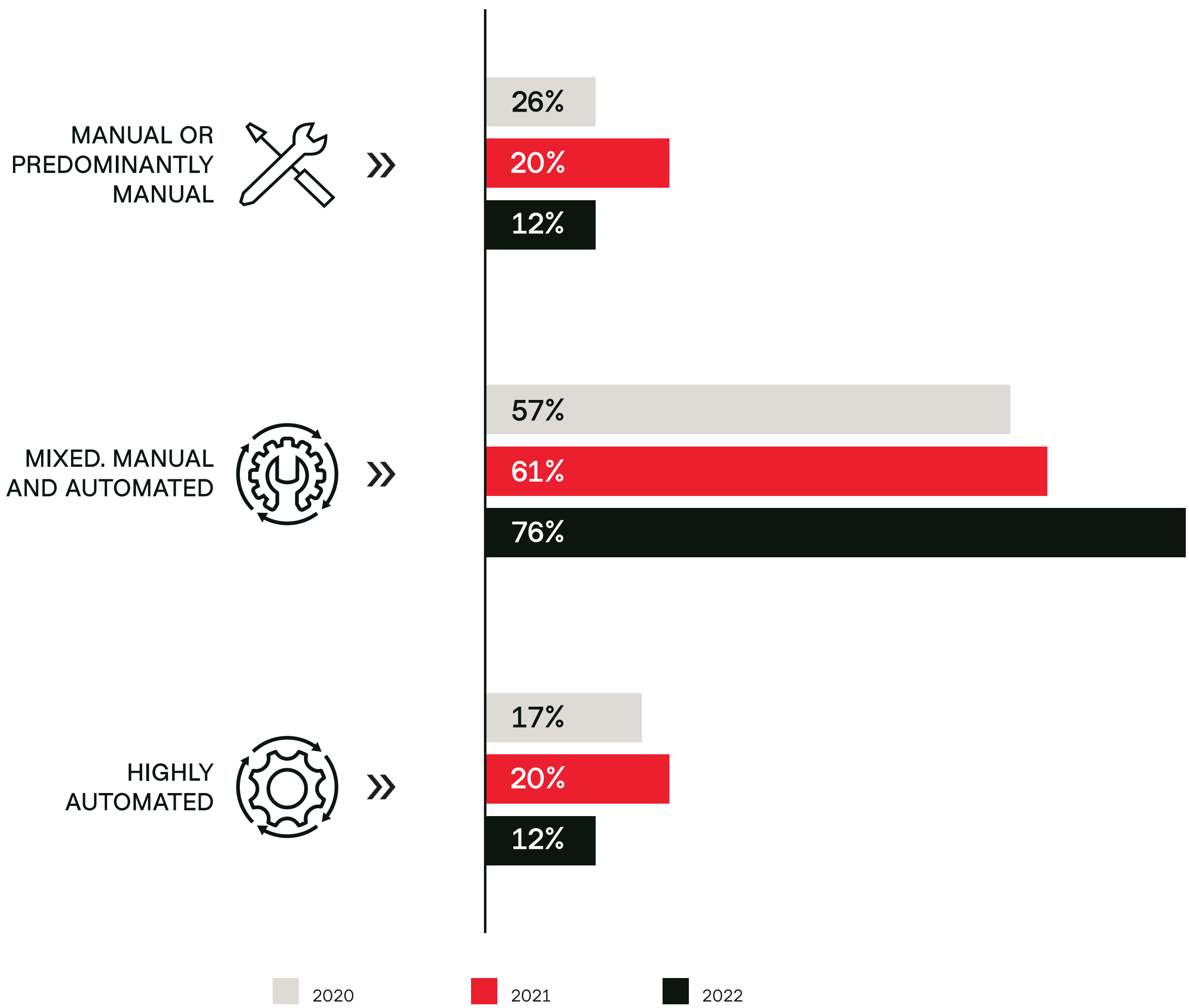
- #1 » Cost savings (73%)
- #2 » Improved cash flow & more transparency with data (44% tie)
- #3 » Low IT spend (32%)
- #4 » Incremental revenue (20%)
- #5 » Other (6%)

5. AP: The Balanced Automation Bell Curve — All Companies.

This year, three quarters of respondents indicated that they consider themselves "mixed" or balanced between automated and manual. An even one-eighth (12%) place themselves on either the manual/predominantly manual side or the highly automated side. 2021 also had remarkable symmetry, although the "tails" were 20% on each side instead of this year's 12%.

The number of those who indicate that they are manual or predominantly manual declined from 26% in 2020 to 20% in 2021 and now sits at 12% in 2022.

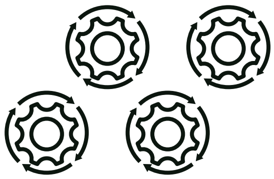
Q. For AP we consider ourselves to be:



AP: The Non-balanced Automation Bell Curve — Large vs. Small.

Details matter. When we look across all responses as a group, the automation curve is well-balanced with a high peak in the middle (a mix of automation). When we break out large from small companies, however, the middle stays high, but the tails shift notably.

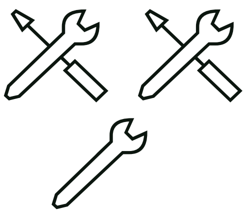
» **LARGE:**



4x HIGHLY AUTOMATED

Large companies are nearly four times as likely to be highly automated (23%) compared to manual/predominantly manual (6%).

» **SMALL:**



2.5x MANUAL

Small companies are two and a half times more likely to be manual/predominantly manual (15%) compared to highly automated (6%).

6. Automation Prevention? Management Priorities and IT Availability

Management initiatives/priorities remained the top reason given in response to the question, "What prevents you from being highly automated?" It was identified by 54% of companies (up from 42% in 2021 and 37% in 2020). IT availability retained the second position, as it was selected as a blocker by 48% of firms (up from 41% in 2021).

An item to watch: capital requirements moved up to fourth place and shows consistent growth over three years, moving from 19% to 23% to 25% of companies.

Automation Prevention? Large vs. Small.

The items or issues that prevent small and large companies from being highly automated align in priorities very closely at the top. The difference is in magnitude.

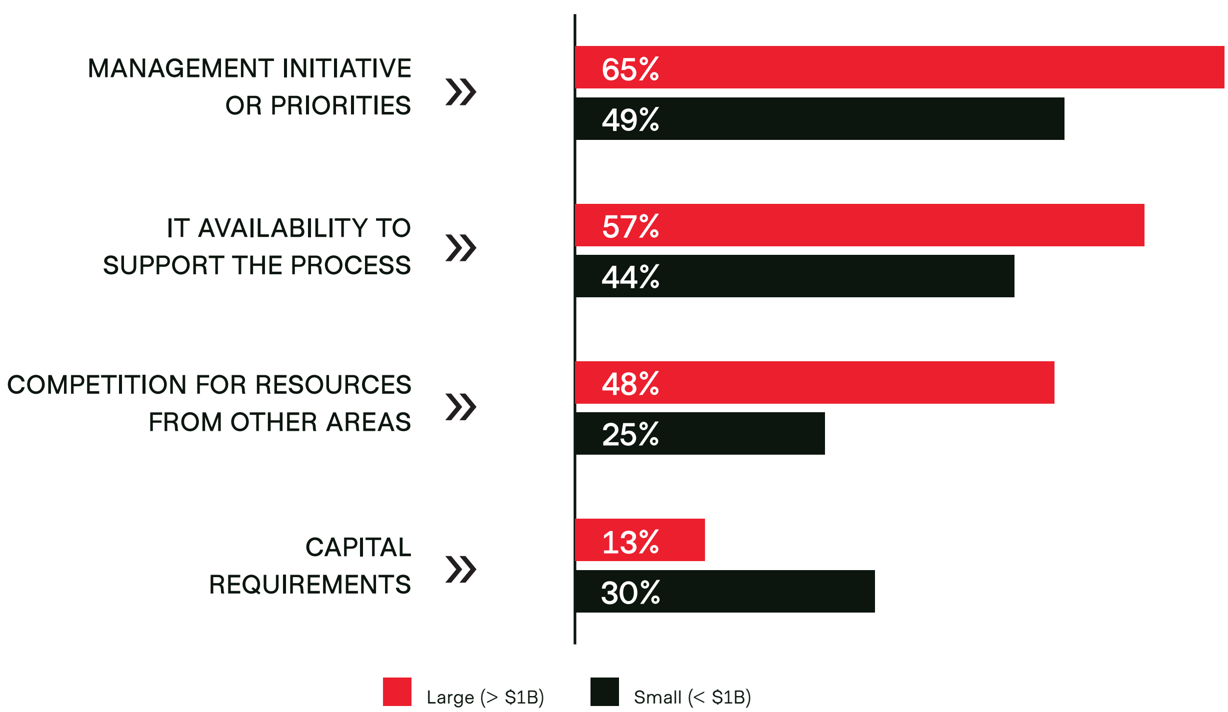
» **MANAGEMENT INITIATIVES/PRIORITIES WAS THE TOP AUTOMATION BLOCKER:**
- 65% of large and 49% of small companies.

» **IT AVAILABILITY IS NEXT:**
- 57% of large and 44% of small companies.

» **THE THIRD MOST COMMONLY CITED BLOCKER IS THE FIRST POINT OF DIVERGENCE IN RANK:**
- **Large:** Competition from other areas: 48% (vs. 25% for small firms — 23-point difference).
- **Small:** Capital requirements: 30% (vs. 13% for large — 17-point difference).

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

Only top responses shown.



7. Automation Drivers: Efficiency and Error Reductions

Efficiency and error reductions remained the top two issues that drove all companies to automation. Two items have a solid growth trendline over three years.

» **CONTROL OR SECURITY:**

From 45% in 2020 to 53% in 2022, companies are increasingly able to support automation with the control argument. This continues to be the third most identified element.

- For large companies (64%), this is now the second most common driver. This shows a 16-point gap over small firms.

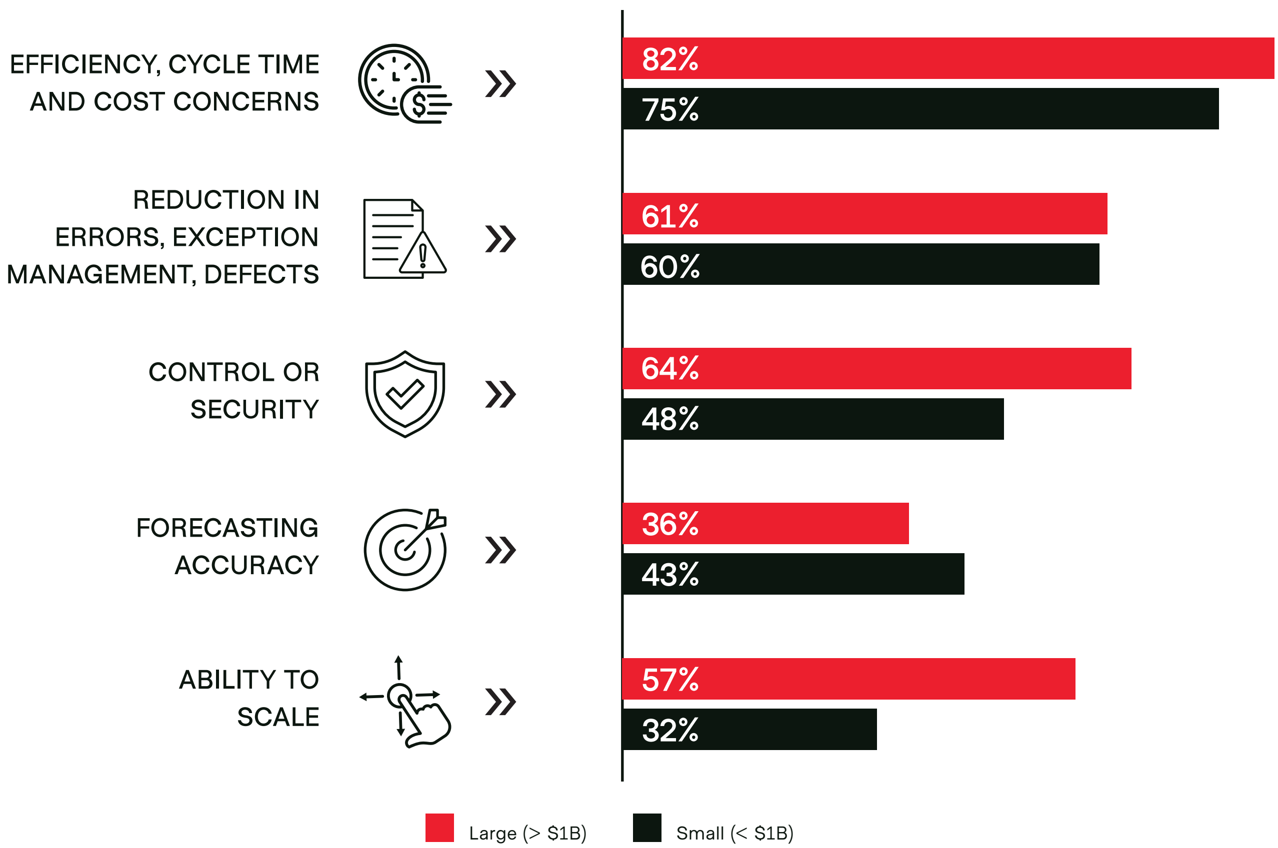
» **ABILITY TO SCALE:**

This has risen from 33% to 40% of companies, identifying this as the fifth most common driver.

- For large companies, this is the second highest driver at 57%. It has a 25-point gap on smaller firms.

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

Only top responses shown.



8. AP Services Used: Invoice Scanning and Workflow Management

Only one of the five services listed was identified as currently used by the majority of respondents. Just one additional service is expected to move into majority use in the near future.

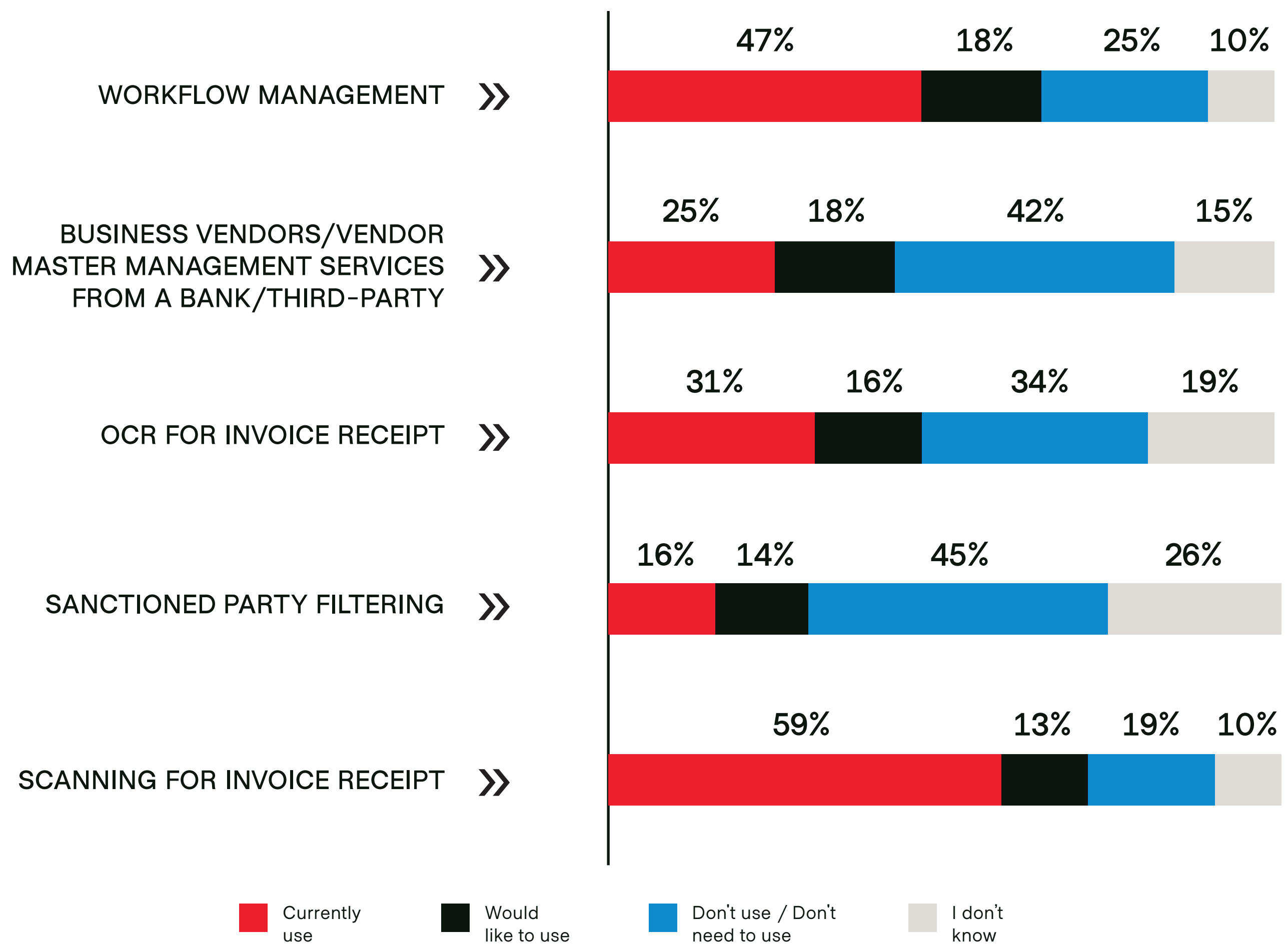
- » **SCANNING FOR RECEIPT** is in use by 59%, and another 13% hope to use this type of service (72% total).
- » **WORKFLOW MANAGEMENT** sits at 47% use, with another 18% that would like to use this service (65% total).

Areas Expecting the Largest Percentage Growth Include:

- » **VENDOR MASTER MANAGEMENT SERVICES.**
  The potential 75% growth rate (from 25% to 43%) represents a high possibility of adoption.
- » **SANCTIONED PARTY FILTERING.**
  With 16% of companies using this service and another 14% wanting to use it, the potential for growth approaches 100%.

Q. We use the following services for some or all of our AP:

Numbers are rounded and therefore may not add up to 100%.



9. Obstacles to Change: Resources and Competing Demands

Small and large companies have the same pain points. Larger companies seem to have a higher level of pain than small companies. The core issue is one of limited resources: staff, IT staff and competing budget demands.

» **LACK OF STAFF RESOURCES: THE BIGGEST OBSTACLE FOR EVERY COHORT OF COMPANIES.**
- **All:** 55%. This moved from 44% in 2020 to 51% in 2021 and finally up to 55% this year — an 11-point rise.
- **Large:** 61%. Small: 52%.

» **LIMITATIONS OF IT STAFF OR THEIR COMPETING TIME DEMANDS.**
- This is at 53% in 2022, up from 44% in 2020.
- **Large** companies identified this 64% of the time, compared to 48% of small firms, showing a 16-point gap.

» **SILO MENTALITY (FOURTH BIGGEST) IMPEDING AN END-TO-END VIEW FOR EFFICIENCY.**
- **Growth:** 15% in 2020, 25% in 2021, now 31% in 2022.
- **Large** companies identify this 43% of the time, while small companies do so just 25% of the time — an 18-point gap.

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

This reflects the top choice of respondents.

55%	» Lack of staff resources to enact changes
53%	» Limitations of IT staff or their competing time demands
50%	» Competing budget demands
31%	» Silo mentality impeding an end-to-end view for efficiency
24%	» Internal politics preventing outsourcing

10. AP Pain Points. Shifting Area of Pain

Four pain points in the AP process moved by seven or more points:

» **INCREASE:**
- Forecasting: +10 points. This pain point grew from 20% to 30%, moving into the second position overall.
- Invoice receipt grew seven points, moving to third place.

» **DECREASE.**
- Invoice error management decreased by seven points from 38% to 31%, but it is still the overall leader.
- Managing vendor inquires lessened by eight points from 33% to 25%, placing it fourth overall.

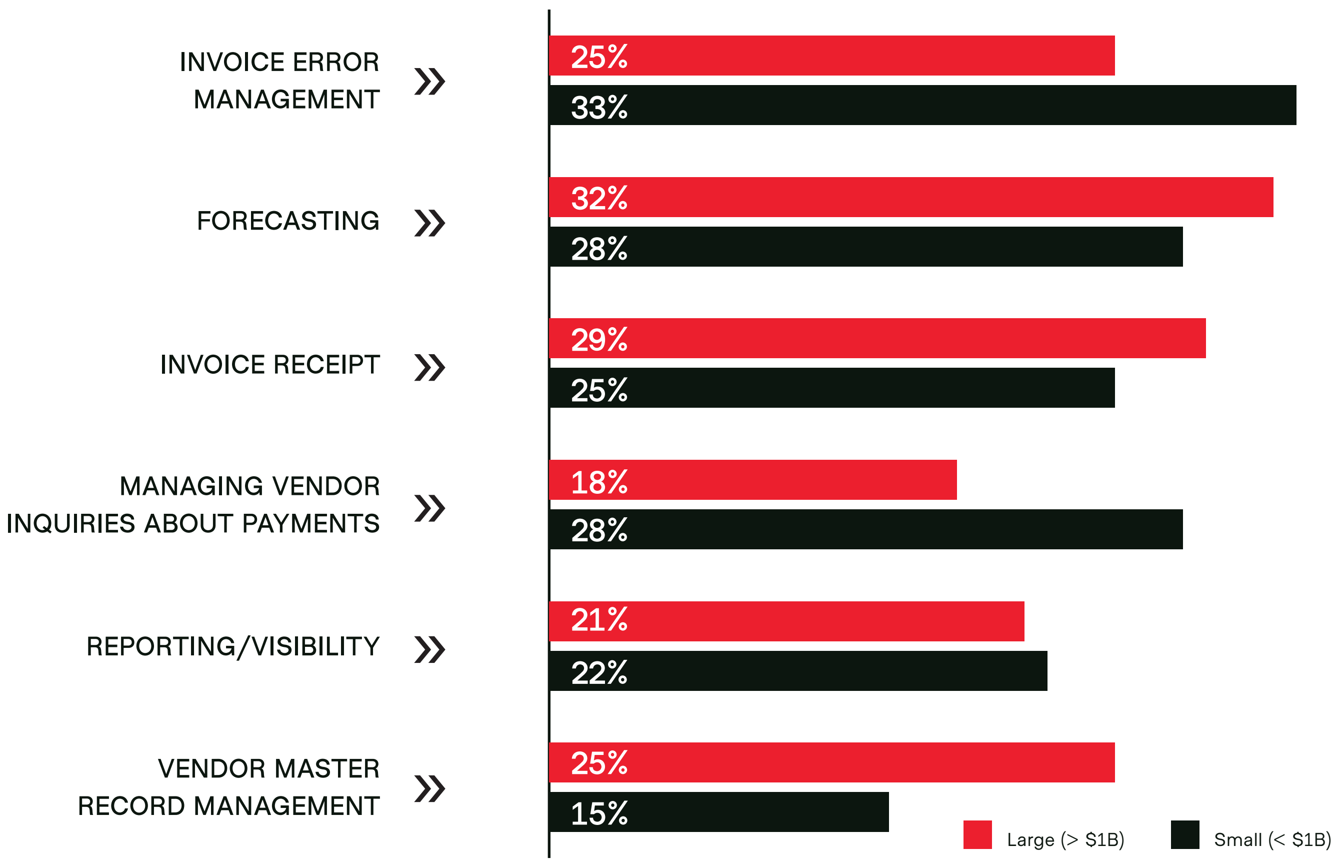
This was another area of divergence between large and small. There were three items with a 10-point or larger variance.

» **LARGE OVER SMALL:**
- Working capital management: 11-point difference.
- Vendor master record management: 10-point difference.

» **SMALL OVER LARGE:**
- Managing vendor inquiries about payments: 10-point difference.

Q. What task is the largest pain point in your AP process? (Select up to three)

Only top responses shown.



SURVEY METHODOLOGY:

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

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

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

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

About the Firms

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

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

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

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