

ARDENT PARTNERS' ACCOUNTS PAYABLE METRICS THAT MATTER IN 2024

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Medius links invoice capture, processing, and payment to replace the worry and wondering of managing AP with calm and confidence. Medius goes far beyond basic automation by using artificial intelligence to do most of the work – so invoices get confirmed, coded and paid; AP teams get to go home and rest easy; and businesses can trust their budgets and forecasts. Medius, on a mission to transform the spend management category using the power of automation and AI, has more than 4,000 customers across 102 countries and processes \$200 billion in annual spend through its system. Visit medius.com to learn more.

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About this Report

Metrics Matter! In 2024, they matter more than ever.

In today's competitive business environment, having access to accurate and real-time metrics can be a game-changer. Tracking metrics enables continuous improvement programs to take hold and provides AP leaders with a better opportunity to set proper goals and objectives and "course correct" when achieving them is in doubt.

Over the past 15 years, Ardent Partners has conducted more Accounts Payable market research than any other firm. In that time, Ardent has benchmarked thousands of distinct AP organizations across all aspects of an AP department, including invoicing and payment processing.

Ardent Partners' *AP Metrics that Matter in 2024* is a compilation of the industry's best and most widely-used accounts payable benchmarks captured in Ardent's most recent state of the market report: *The State of ePayables 2023: Paving the Way for a Smarter Future*.



The State of AP in 2024

In 2024, AP finds itself in an increasingly complex and challenging business environment. Inflation, tightening monetary policies, supply chain disruptions, and the threat of a looming recession are just a few of the recent market conditions that have created significant uncertainty and posed sizable challenges for businesses in all sectors and most geographies.

In tougher financial times like these, AP has the opportunity to step up and become more critical to operations and overall results by helping finance executives (i.e., CFO, treasurer, controller, etc.) better manage their cash flow and optimize supplier payments. AP can also play a more strategic role in supporting the enterprise and the CFO, managing risk, driving efficiencies, and navigating regulatory complexity.

The research in this eBook represents the web-based survey responses of 190 AP, finance, and P2P leaders. Complete demographic information is included at the end of this eBook.

AP's Star is Rising

Ardent Partners research has shown that a fundamental shift has occurred in how AP departments are perceived within an enterprise. This has been a welcome change, considering that perception has been a major issue holding AP groups down within the enterprise organizational hierarchy. The trend continues in 2024 where a robust 64% of AP leaders believe that their AP unit is viewed by other enterprise stakeholders as either “very” or “exceptionally” valuable to the enterprise.

The improved view of AP has delivered benefits in the form of larger budgets and more support, but it has also created a rising set of expectations for overall performance. No longer a bit player in the enterprise's annual “play,” AP must not only know its lines and hit its mark, but it must also be compelling and convincing in its featured role on stage.

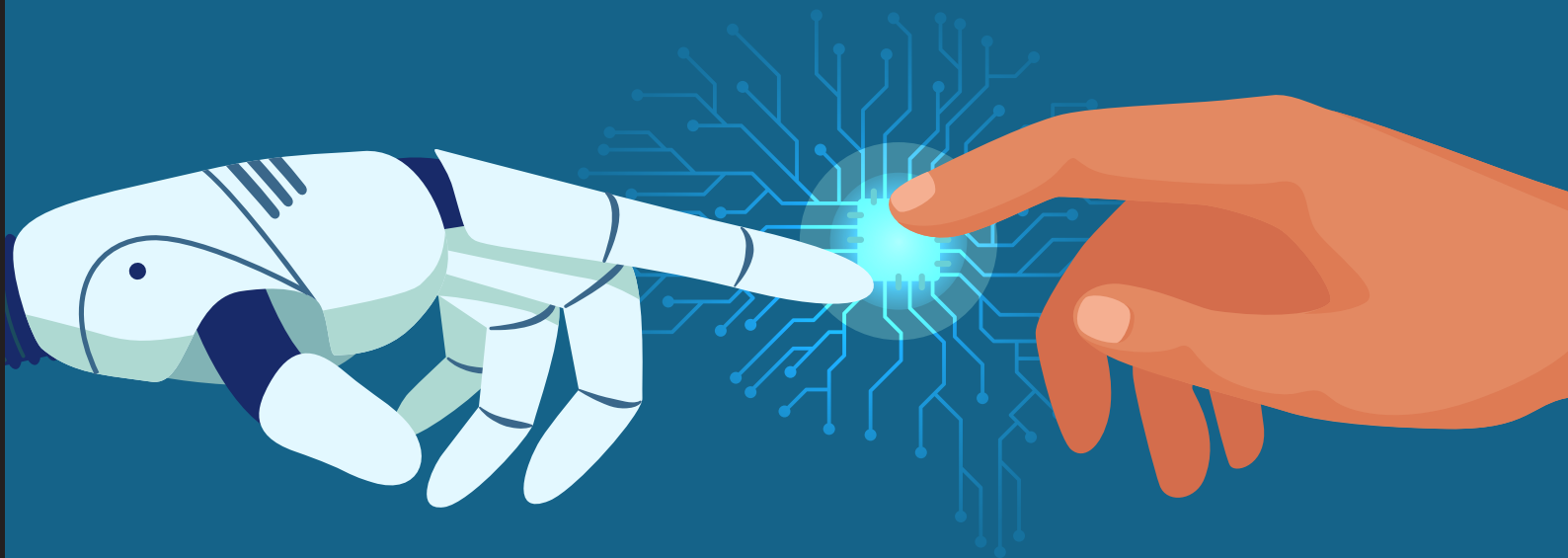
**64% of all AP Departments
are Viewed as “Very” or
“Exceptionally” Valuable**



AP's Age of Innovation Has Begun

As the world enters a new era of technological innovation, the accounts payable (AP) function is on the cusp of a major transformation. The emergence of new technologies, such as artificial intelligence (AI) and predictive analytics, has created a new wave of opportunities for AP professionals to streamline processes, reduce costs, and provide greater strategic value to their organizations.

Beyond the near-term promise of AI, it is vitally important to understand that there is a bigger picture to AP's innovation opportunity. AI and data science have transformed various industries and professions in recent years. Similar innovations will breathe new life into the AP profession. It is critical that AP departments of every size and maturity in all geographies prepare their stakeholders and ready their teams. The fun is about to begin!



BIG AP Trend: AI is Everything Everywhere, All at Once

Perhaps only the newly-minted billionaire, Taylor Swift, had a bigger 2023 than the widely acclaimed (but also, severely overhyped) technology known as artificial intelligence. AI dominated both business and consumer discussions, with solutions like ChatGPT presenting a renaissance of automation that represents to many the future impact of AI.

Nearly three-quarters of all AP, P2P, and finance leaders have identified smarter systems as the new innovation that will drive their organizations to the next level of performance. In 2024, it is clear that AI will be a key technology in those systems.



AP Team



AP's Smarter Future Starts Now

As the role of the accounts payable function continues to evolve, AP leaders are increasingly prioritizing initiatives that will help them pave the way to a smarter future. Improving reporting and data analytics remains the top priority for AP leaders, with 53% of respondents citing it as a key area of focus. Visibility into key information is essential for executive planning and making informed decisions. By capturing and analyzing the streams of data created across the function, AP professionals can gain valuable insights to help them improve their operations and help support the intelligence needs of functional partners in procurement, treasury, and the lines of business.

Improving reporting and data analytics is AP's top priority selected by 53% of all AP leaders.



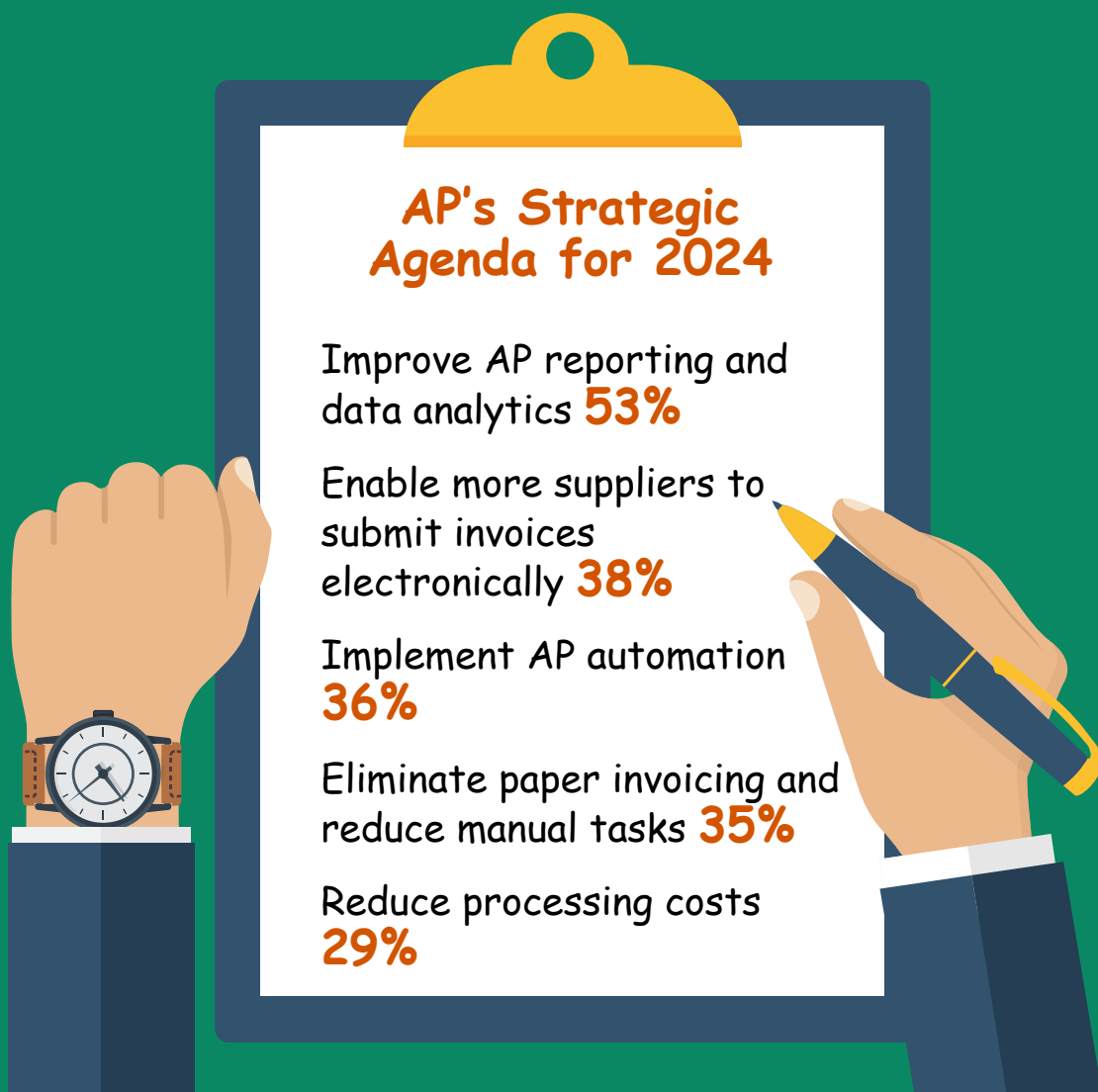
Analytics



Reporting

A More Strategic Agenda in 2024

Beyond improved reporting and analytics, AP's other top priorities for 2024 include enabling more suppliers to submit invoices electronically, implementing AP automation, eliminating paper and reducing manual tasks, and minimizing processing costs.



Electronic vs. Manual Invoicing

AP's arc of innovation is long and it bends away from paper. In this year's annual survey, electronic invoices and payments once again trump their paper counterparts in overall volume. This is great news for AP staffers and stakeholders because Ardent Partners research has shown that the primary obstacles to reducing processing costs and improving AP performance are paper-based invoices and payments that require manual handling. These include invoices received through mail, fax, PDF, and email attachments and manual/paper-based checks. Overall, paper-based invoices account for 49.7% of all invoices received by the average enterprise. Notably, 79% of all AP organizations saw an increase in the level of eInvoicing last year.

49.7% Invoices Received Manually

8:30 PM



5:00 PM



50.3% Invoices Received Electronically

Electronic vs. Manual Payments

In 2024, ePayments constitute 62% of all payments made by the average enterprise. While paper checks are still common, they are gradually being replaced by ePayment methods such as ACH, payment networks, commercial cards, virtual cards, and wire transfers. These alternatives not only reduce costs but also enhance visibility, control, and accuracy in the vendor payment process.

More enterprises are now prioritizing their payment processes as part of AP/P2P transformation initiatives. These efforts occur alongside the emergence of new technologies, platforms, and strategies, highlighting the growing significance and impact of ePayments in overall business operations. Notably, 72% of AP departments experienced a rise in ePayments last year.



38% Manual Payments Made



62% ePayments Made



Invoice Processing Cost

The average organization spends slightly less than \$10 to process a single invoice (the all-inclusive staff and operating costs that cover receipt, processing, and approval as well as salaries, benefits, technology, overhead, etc.). This represents a reasonable decline over the past decade (Ardent's research showed that a decade ago, the average cost was more than \$13 per invoice). The average cost to process an invoice is lower than in recent years, but there is still plenty of room for improvement.

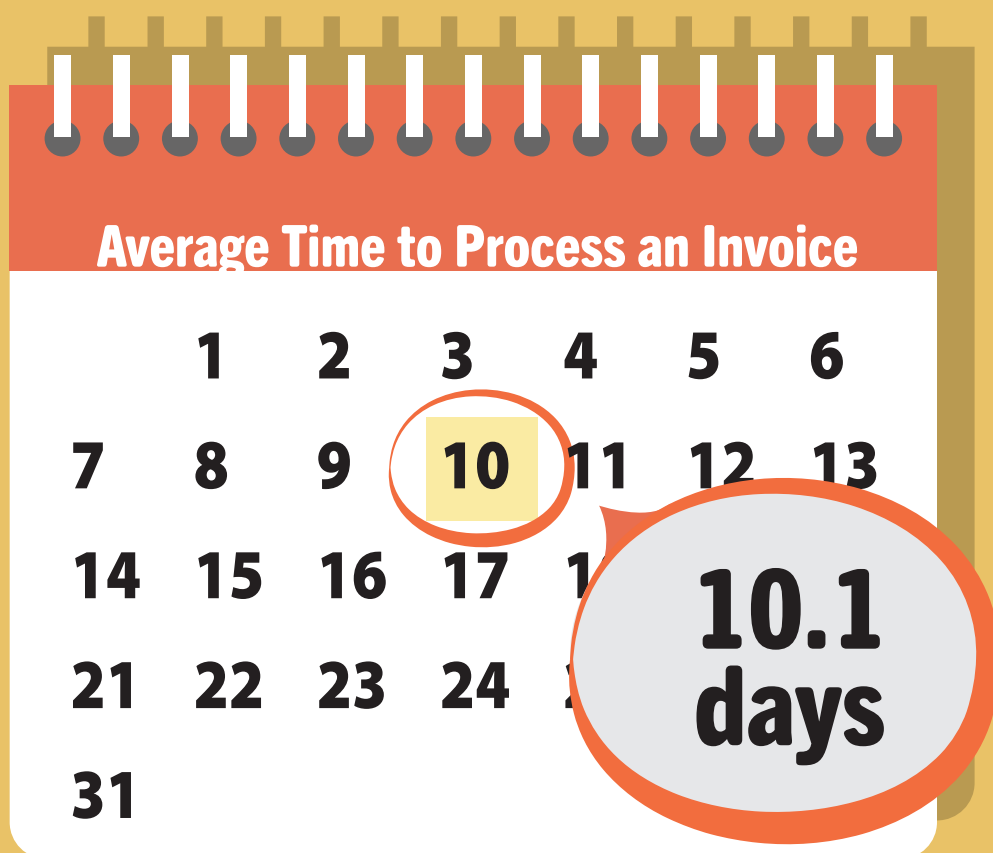


Average Cost to Process an Invoice - \$9.87



Invoice Processing Time

With the average time to process an invoice now at 10.1 days, the typical AP function continues to trim the amount of time to complete the function's core duty. Nonetheless, many groups report that they experience significant bottlenecks and value erosion because of delays across the overall process. With greater financial pressure on enterprises due to inflation and higher interest rates, AP teams need to push forward and reduce this metric over the next 12 months.





Invoice Exception Rate

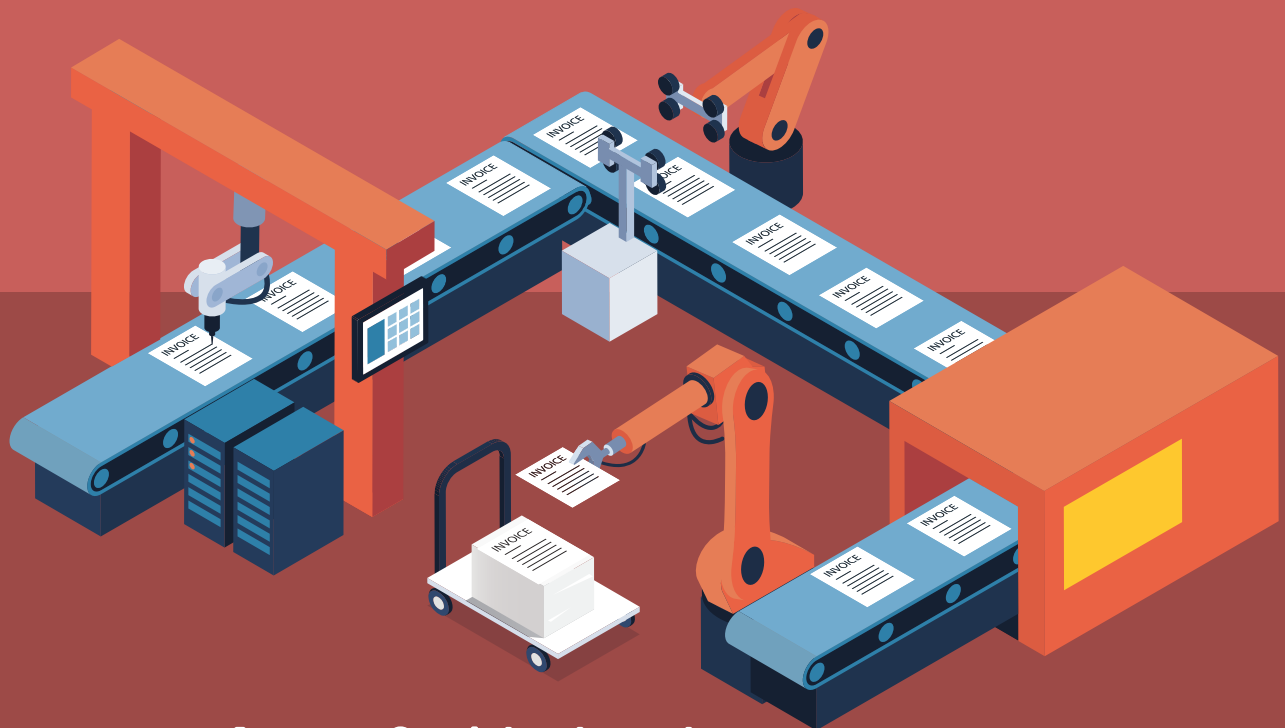
It is incumbent upon AP leaders to understand their invoice exception rates and develop a plan to reduce them. Invoices that are flagged due to missing information, approval bottlenecks, coding errors, lack of PO data, among other reasons, bog down the AP staff. Their time spent addressing invoice exceptions can be better utilized pushing the function forward to become more digitized and more strategic. Roughly one in five invoices is tagged as an exception today. This number remains far too high.





Straight-through Processing Rate

Processing invoices at an extremely high rate without human intervention is the industry's "holy grail" and desired future state for all AP organizations. On average, AP teams see about one-third of their invoices processed "straight-through." AP groups that are pursuing (or have pursued) a digital transformation should keep this metric front and center in how they define success.



Average Straight-through Processing Rate – 32.4%



Enabled Supplier Rate

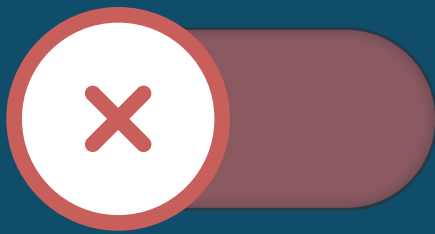
The average enterprise has 48% of its suppliers that can submit an electronic invoice. By encouraging suppliers to transition to digital invoicing, organizations can significantly reduce manual errors, streamline invoice processing, and improve overall operational effectiveness. Furthermore, enabling suppliers is critical to driving a digital transformation, while also serving to enhance supplier relationships and fostering innovation across the P2P ecosystem.

Active



Enabled Suppliers – 48%

Inactive

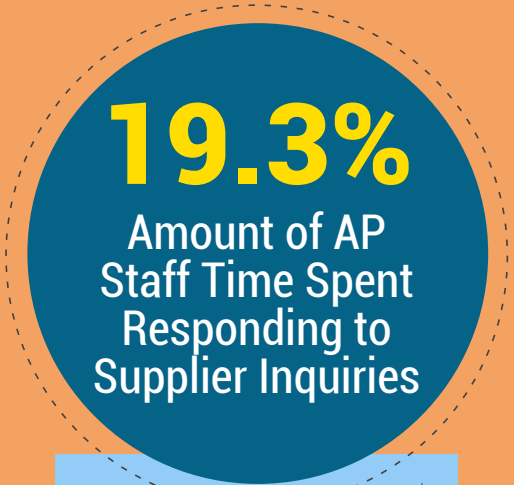


Suppliers Submitting Paper Invoices – 52%



Staff Time Dedicated to Supplier Inquiries

The allocation of approximately 20% of overall staff time spent managing supplier inquiries raises concerns about inefficiencies within the AP department. While supplier relationship management holds significance, investing a considerable portion of resources in invoice and payment-related inquiries is not ideal for fostering strategic partnerships. Ideally, customers should focus on building relationships at a more strategic level, rather than burdening suppliers with doubts about invoice status and payment timing.

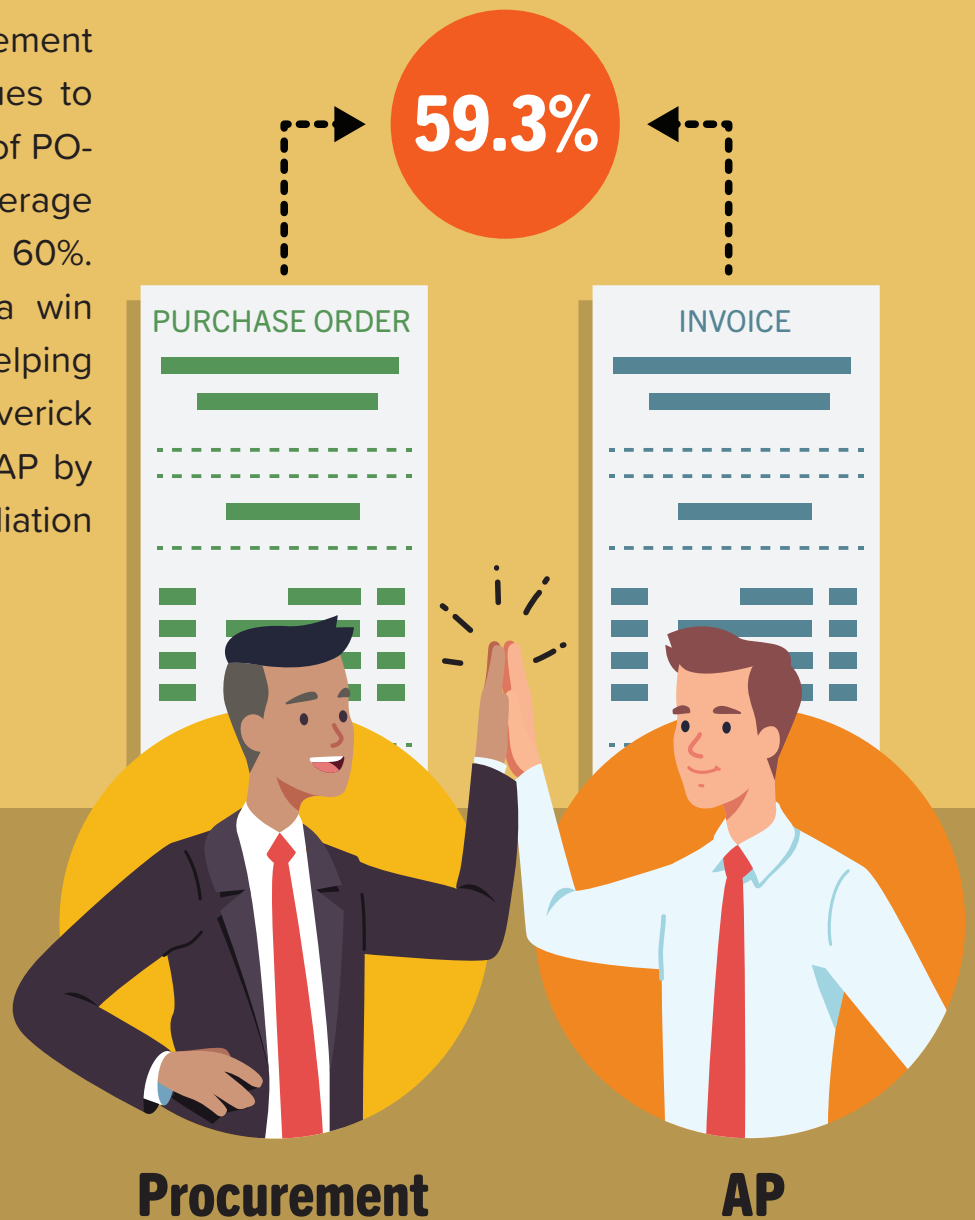


IN A MANUAL AP DEPARTMENT, IT CAN TAKE DAYS TO RESPOND TO BASIC INQUIRIES...



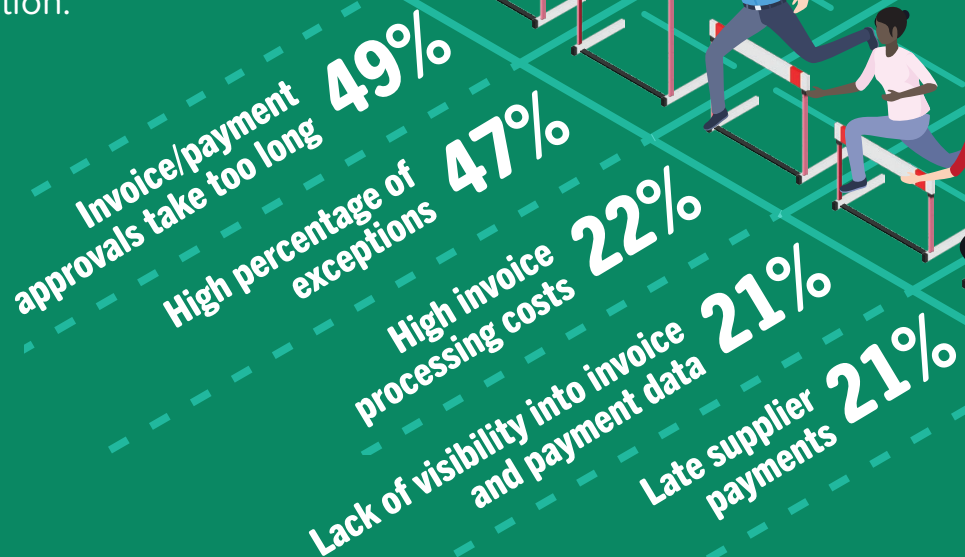
PO-Based Invoice Rate

The decades-long call for “No PO, No Pay” by procurement and P2P leaders continues to resonate as the number of PO-based invoices for the average AP team approaches 60%. This metric represents a win for procurement by helping to reduce or control maverick spending and a win for AP by streamlining the reconciliation and approval process.



AP's Biggest Hurdles in 2024

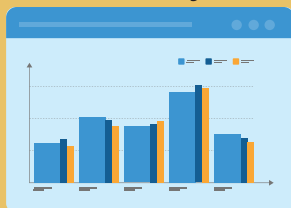
While AP's future burns bright, the barriers it faces today are sizable, but not nearly as large as they were during the pandemic. AP and finance professionals believe that there are considerable hurdles ahead this year and that a myriad of challenges will demand their attention and resources. Topping the list is the persistent issue of invoice and payment approvals taking too long, cited by 49% of respondents. A closely-related concern identified by 47% of all AP and finance leaders is the high percentage of invoice exceptions, which add both complexity and inefficiency to standard AP operations. Processing delays expose operational inefficiencies at the core of the department and highlight the risk of negatively impacting supplier relationships. Addressing these challenges requires a proactive approach that leverages technology, process streamlining, and cross-functional collaboration.



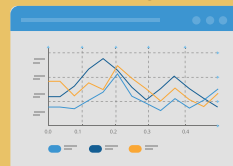
AP's Big Data Usage in 2024

With the broad consumerization of AI technology over the past few months, it has become clear that modern society is on the cusp of a large technology breakthrough. Harnessing the power of data and intelligence is becoming increasingly important for finance teams in today's business landscape. When this year's survey respondents were asked how they currently utilize data and intelligence for various aspects of their finance team, their responses shed light on the evolving role of technology and analytics in driving strategic decision-making and operational efficiency.

Cash flow analysis 60%



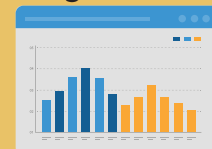
Invoice exception handling 53%



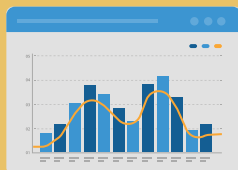
Forecasting, budgeting, and planning 71%



Fraud and compliance management 56%



Improving finance and procurement collaboration 50%



Best-in-Class Invoice Processing Cost

Ardent Partners defines Best-in-Class performance as the 20% of enterprises with the lowest average invoice processing costs, and the shortest average invoice cycle times. Top-performing enterprises have taken their AP operations to the next level by leveraging technology to streamline the AP process, make it more efficient, and enable more strategic activities to be carried out.

Invoice-processing costs, as simple and fundamental as they may be, remain a major benchmark for AP performance because the metric reflects the level of efficiency present within the program. Ardent Partners' research has shown that Best-in-Class enterprises focus on core processes and leverage ePayables solutions at a very high rate, which results in invoice processing costs that are 79.5% lower.



\$2.81 Best-in-Class Invoice Processing Cost

Best-in-Class Invoice Processing Time

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

3.4 Days Best-in-Class Invoice Processing Time

Best-in-Class Invoice Exception Rate

Best-in-Class organizations have long realized and taken steps to mitigate the invoice exception problem, with only 11.1% of their overall invoices flagged for issues (60% lower than their peers). Top-performing businesses are actively spending less of the group's time hunting down additional information and filling in critical data gaps for invoices. This has a cascading effect on other financial measures, including and most importantly, a faster time-to-process rate, lower costs, and reduced exposure to payment risk.

11.1% Best-in-Class Invoice Exception Rate

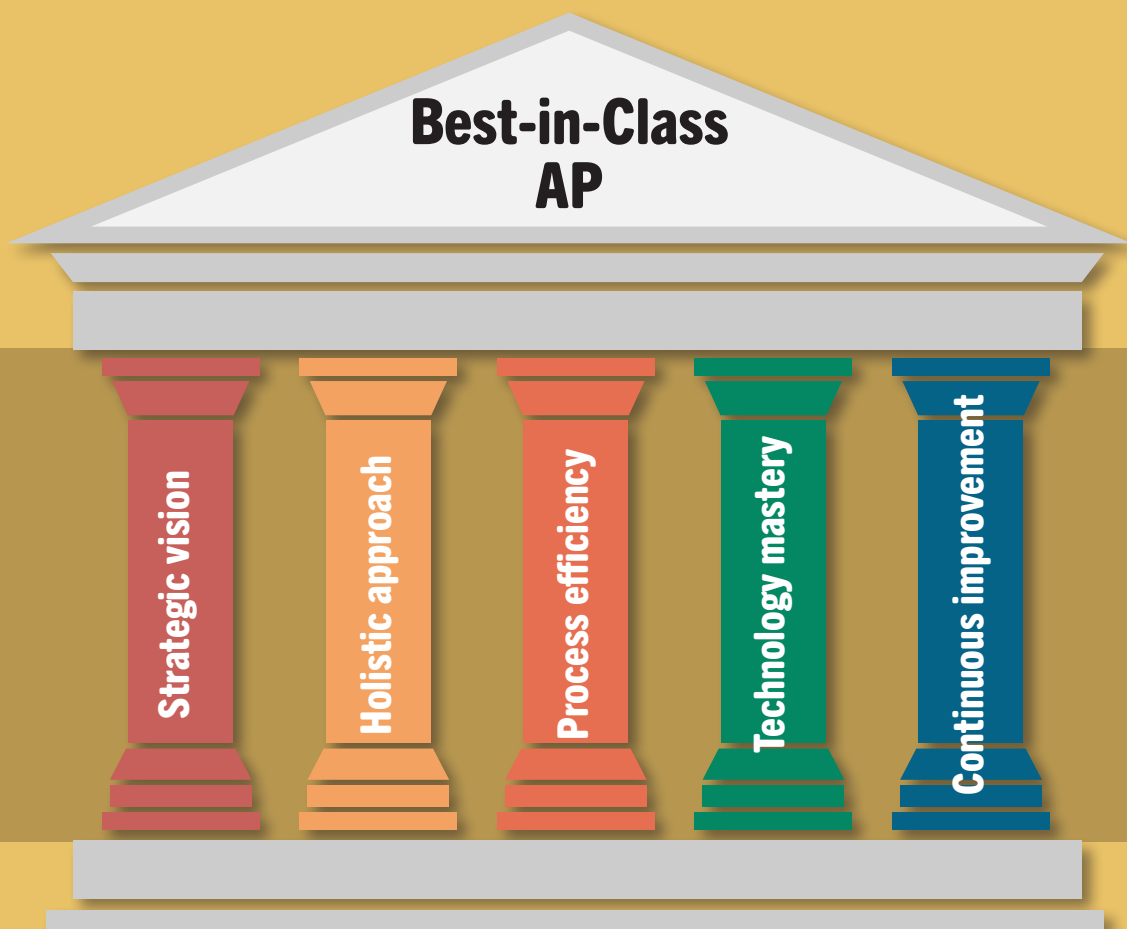
Best-in-Class Straight-through Processing Rate

Straight-through processing rates are emblematic of the overall maturity of an AP operation and the impact of any AP transformation initiative. Invoices that avoid human intervention generally speed through all phases of the AP process with ease. Best-in-Class enterprises have leveraged technology and automated manual processes with amazing results and report a 2.15x higher rate of “touchless” invoices as one major advantage.

48.9% Best-in-Class Straight-through Processing Rate

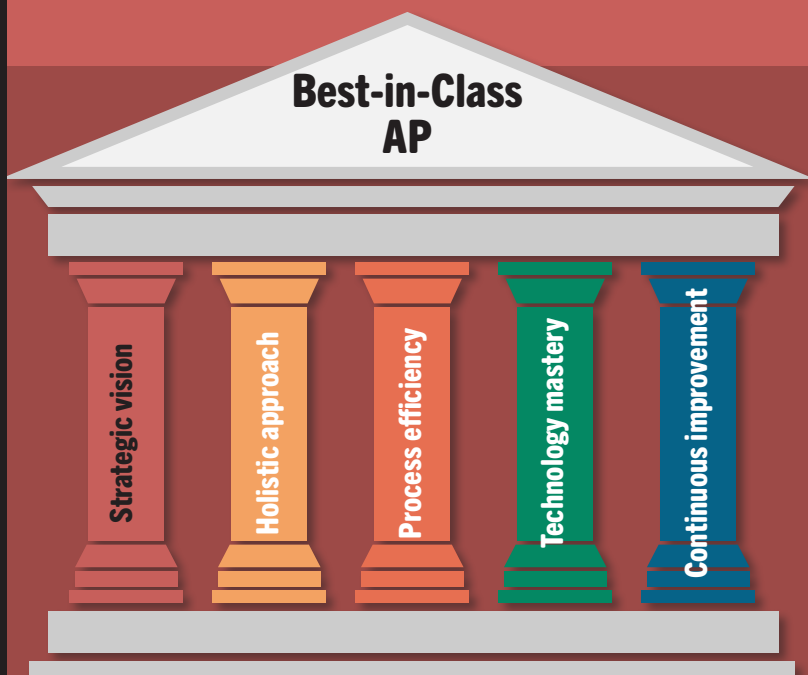
Five Pillars of Best-in-Class AP Performance

Best-in-Class AP organizations enjoy a compelling advantage over their peers across all major performance benchmarks. They also achieve a significantly higher ROI. They align themselves more closely with executives, think about their processes more holistically, and adopt and utilize technology to a greater degree, driving better visibility and superior performance. Wherever possible, Ardent Partners recommends modeling these key pillars as a direct way to improve performance.



Best-in-Class AP Pillar: Strategic Vision

Best-in-Class AP organizations have a clear strategic vision aligned with broader organizational goals. They prioritize initiatives that contribute to long-term success, such as optimizing cash flow, enhancing supplier relationships, and leveraging AP data for better decision-making. Top performers achieve this by actively engaging with executives to understand business priorities and align their strategies accordingly. Poor performing AP organizations can attain a strategic vision by fostering communication with finance (and where possible, executive leaders), regularly validating and updating AP goals and objectives, and proactively seeking opportunities to align AP activities with overarching business needs strategies.

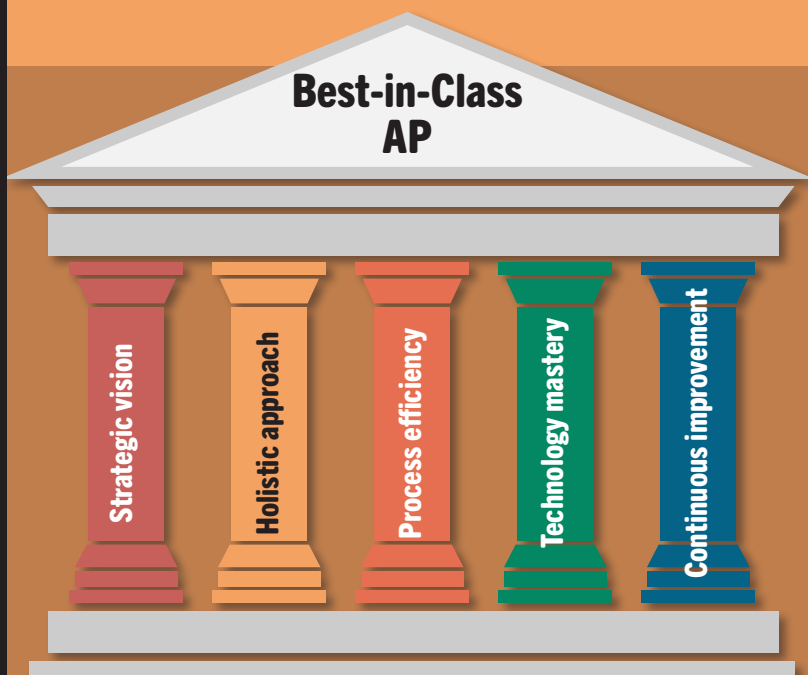


Strategic Vision



Best-in-Class AP Pillar: Holistic Approach

Best-in-Class AP organizations take a holistic approach to AP operations, considering the entire invoice-to-pay process from end to end. They streamline workflows, eliminate silos, and foster collaboration to optimize efficiency and effectiveness. This is achievable by managing AP as an integrated function rather than a collection of isolated tasks. Poor performing AP organizations can adopt a holistic approach by conducting comprehensive process reviews, utilizing Ardent Partners' ePayables Framework, and implementing teams to drive process improvements.



Holistic Approach



Best-in-Class AP Pillar: Process Efficiency

Top AP performers excel in process efficiency, leveraging automation and executing best practices to streamline workflows. They minimize paper and manual intervention to reduce cycle times and prioritize accuracy and compliance throughout the process. Achieving process efficiency involves investing in technology solutions, streamlining workflows, and continuously monitoring the AP metrics that matter. Poor performing AP organizations can improve process efficiency by deploying ePayables solutions and driving their adoption as well as investing in training to enhance employee productivity.

Best-in-Class AP

Strategic vision

Holistic approach

Process efficiency

Technology mastery

Continuous improvement

Process Efficiency



Best-in-Class AP Pillar: Technology Mastery

Best-in-Class AP organizations embrace technology to enhance visibility, control, and results. They leverage advanced AP automation tools, including invoice processing software, electronic payment systems, and data analytics platforms to streamline operations and drive intelligence. Achieving technology mastery requires selecting the right tools, integrating systems, and investing in employee training. Poor performing AP organizations can enhance the mastery of solutions by providing training and support to AP staffers, driving adoption, and selecting modern solutions that offer an intuitive user experience.

Best-in-Class AP

Strategic vision

Holistic approach

Process efficiency

Technology mastery

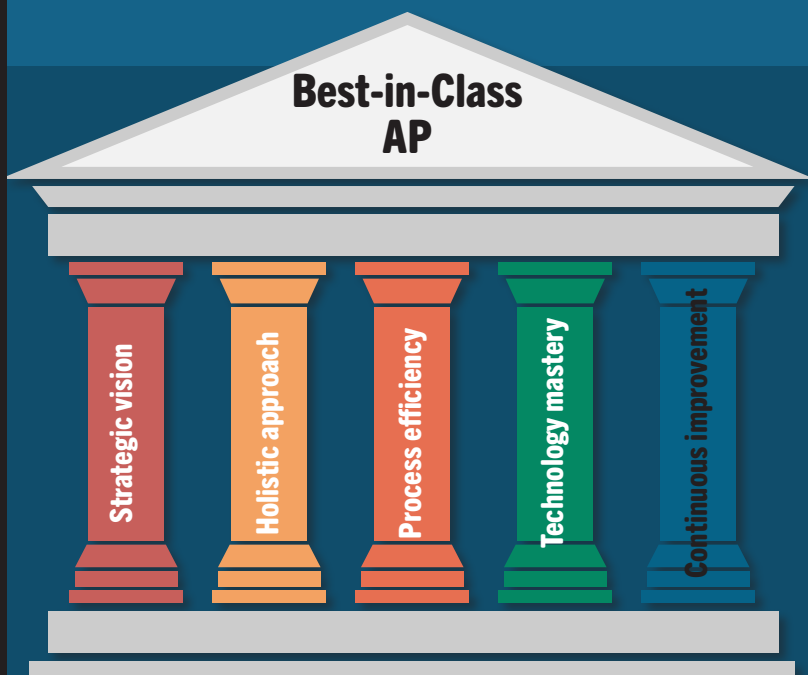
Continuous improvement

Technology Mastery



Best-in-Class AP Pillar: Continuous Improvement

Continuous improvement is a hallmark of Best-in-Class AP organizations that regularly evaluate performance, identify opportunities for improvement, and implement them quickly. They foster a culture of innovation, encourage employee feedback, and adapt to evolving business needs and market dynamics. Achieving continuous improvement involves establishing formal improvement processes, setting measurable goals, and communicating successes. Poor performing AP organizations can embrace continuous improvement by implementing a feedback loop across all key areas.



Continuous Improvement



AP's Smarter Future Will Require Bold, New Steps

An AP department's ability to drive process standardization and general efficiencies across the entire operation has been a defining characteristic of Best-in-Class performance for the past decade. Another key attribute has been the ability of top AP teams to digitize their processes and convert a high percentage of paper invoices and payments to electronic formats. Certainly, most AP leadership teams view their department's work on a performance continuum, and the transformations they lead are typically multi-year journeys with clearly-defined milestones, but generally, no final destination — continuous improvement, after all, is a standard business practice.

Nonetheless, most AP teams have room for immediate improvement this year. And, what has worked in the past is no longer good enough in 2024; it will be even less so in the future. This means that AP teams must take bold new steps if they are to maintain their momentum and pave their way to a smarter future.

Appendix

About the Author



Andrew Bartolini, Founder & Chief Research Officer, Ardent Partners

With 25 years in the industry and 15 years leading the charge at Ardent Partners, Andrew Bartolini is a globally-recognized expert in sourcing, procurement, supply management, and accounts payable. As the Chief Research Officer at Ardent Partners, Andrew oversees all research and client programs, including the annual State of the Market and Metrics that Matter eBook Series¹, Technology Advisor Reports, Ardent's monthly webinar series, as well as its in-person and virtual CPO Rising Summits. Andrew is also the publisher of CPO Rising, the news and research site for Chief Procurement Officers and other procurement leaders (www.cporising.com).

Advisor to corporate executives and leading solution providers alike, Andrew is a sought-after presenter, having lectured and presented more than 700 times in ten different countries. Over the past decade, Andrew has benchmarked thousands of enterprises across all facets of their sourcing, procurement, supply management, and accounts payable operation, and his research is currently part of the Supply Chain/Management curriculum at several US universities. He actively covers the technology marketplace as well as trends in sourcing, procurement, supply management, and accounts payable and has been published or quoted in leading business publications including *The Wall Street Journal*, *Business Week*, *Investor's Business Daily*, *Forbes*, and *Fortune*, as well as the major trade publications focused on accounts payable and supply management.

Prior to becoming an industry analyst, Andrew developed, packaged, deployed, and used supply management solutions on behalf of enterprises in the Global 2000 while working for several prominent spend management solution providers. Additionally, his experience in strategic sourcing (where he managed sourcing projects totaling more than \$500 million in aggregate client spend), business process transformation, and software implementation provides a "real-world" context for his research and writing.

Andrew's post-MBA work started in management consulting and investment banking where he structured, managed, and advised on large capital market transactions. Andrew began his professional career running a homeless family shelter in Los Angeles. He welcomes your comments at abartolini@ardentpartners.com or 617.752.1620.

Demographics and Methodology

Report Demographics

The research in this report is drawn from 190 respondents representing the following demographics:

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

Job Role: 37% VP-level or higher; 15% director-level; 28% manager-level; 20% staff-level

Company Revenue: 53% Large (revenue > \$1 billion); 29% Mid-market (revenue between \$250 million - \$1 billion); 18% Small (revenue < \$250 million)

Region: 62% North America; 31% EMEA; 7% Asia-Pac

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

Research Methodology

Ardent Partners follows a rigorous research process developed over years spent researching the accounts payable market. The research in this report represents the web-based survey responses of 190 AP and finance leaders captured between March and May 2023, and includes direct interviews with several survey respondents. These 190 participants shared their strategies and intentions, as well as their operational and performance results to help us define Best-in-Class AP performance and understand what levers the leading groups pull to obtain their advantage. This primary research effort was also informed by the experience and analysis of the report author and the entire Ardent Partners research team. Complete respondent demographics are included to the left.

Ardent Partners: Research with Results



Ardent Partners is a next-generation analyst firm that leverages its data-driven research to help business executives make smarter decisions and achieve better results. Ardent's clients (and global community) understand and appreciate that when we publish research and guide our clients, we do so based upon literally thousands of data points collected and analyzed over the past two decades. Our unique primary research methodology, high-impact research publications, and deep domain focus set Ardent apart from its competition. Our community is expansive, our influence is extensive, and our research is unrivaled. Visit www.ardentpartners.com.

We deliver Research with Results™. Let us show you what we can do.

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