BLUEWHALE RESEARCH

THE COST OF INACTION IN ACCOUNTS PAYABLE

Why Efficiency is Key in 2025

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INTRODUCTION

Environmental services company Recology is all about reducing waste.

The San Francisco-based organization provides recycling, composting, and other garbage-reduction programs for its customers, and in the process keeps as much material as it can out of landfills. Several years ago, the company turned its laser focus on waste reduction onto its own accounts payable department. At the time, its paper-based processes were slow, costly, and error-prone.

In addition, the AP department itself had difficulty keeping up with billing and payment volume, which led to late fees. The department was also hard-pressed to get visibility into its own activities. All of these elements added up to major headaches for Recology.

A recent study, ***Building Better B2B Relationships Through Payments Innovation***, by the industry trade publication PYMNTS found that Recology is not alone. Inefficiencies with manual payments are negatively impacting business relationships and affecting the bottom line for most finance professionals. According to the report, four out of five executives surveyed lost business because of a payment process miscommunication.

Here at Bottomline, we see this playing out daily. Finance professionals must transform the way they are paying their suppliers and vendors or be left behind, yet many are struggling to make those changes.

To illuminate the most common problems with payment processes and bring to light the best ways to make lasting, measurable changes, we interviewed more than 300 accounting and finance professionals in September 2024. During these discussions, we asked executives about their current AP automation solutions, as well as their biggest frustrations and challenges with their roles. This eBook details their answers and provides advice for any organization that's looking to create improved efficiency in its own payments processes.

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IN THIS REPORT

THE COST OF AP INACTION

Denis Waitley, the author of ***The Psychology of Winning***, says it best: “Life is inherently risky. There is only one big risk you should avoid at all costs, and that is the risk of doing nothing.”

During our interviews, we found that this adage is true. By sticking with legacy manual processes, finance professionals often alienate vendors, which can lead to serious business issues. These include:

- **Time and money lost on manual data entry**: According to an Institute of Financial Operations and Leadership (IFOL) research report, Accounts Payable Automation Trends 2024, “52% of AP teams still spend over 10 hours a week processing invoices, and 60% manually key invoices into their accounting software.” Time spent on that tedious work – waiting for invoices to move through the system and having to manually cut checks or approve electronic payments – is time that could be put to better use.

- **Mistakes and exceptions**: Paying a vendor too little – or too much – can become a huge headache for everyone involved. A mistake like that can steal more than just time. In some cases, such an error can lead to late fees, penalties, and other punitive consequences. Your vendor may even withhold your order until your account is paid and up to date. Overall costs of supplies and goods can go up, too, since late or incomplete payments negate early payment discounts that a company would normally qualify for. You may even incur interest on an outstanding amount.

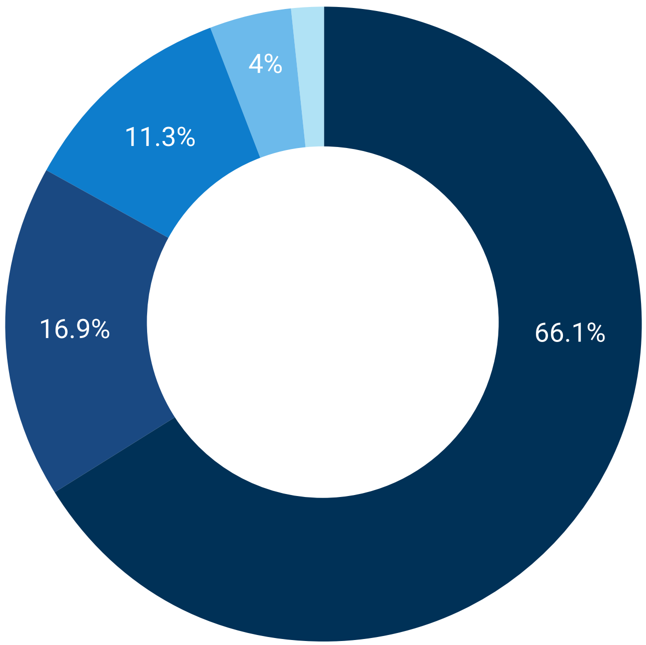
- **Loss of trust – and business – by vendors and customers**: If a vendor can’t be sure it will get paid, it may choose not to renew a contract, withhold supplies, and even share negative sentiments about your organization at industry events or on social media. In addition, late refunds to customers or missing rebates can sour relationships. Both scenarios affect your ability to capture new business.

THE COST OF AP INACTION

Each of these reasons may have contributed to our survey respondents saying **the top driver for acquiring a new AP automation solution was efficiency**. Two-thirds (66%) cited this answer. As a comparison, only 17% say security was their top driver.

Efficient payment processes help reduce or eliminate manual data entry. They also decrease errors and provide an easier way to perform audits, so mistakes are discovered immediately instead of after the damage has already been done.

Recology, for example, saw more than a 50% improvement in its accounts payable processing costs, processing time, and number of errors by switching to an AP automation solution. The company digitized manual processes, reduced late payment fees, and earned more cash back rebates on its AP spend by embracing payments automation.



What is or was your top driver for acquiring an AP Automation solution?

- Efficiency
- Security
- Organizational mandate
- Rebates/early payment discounts
- Supplier relationships

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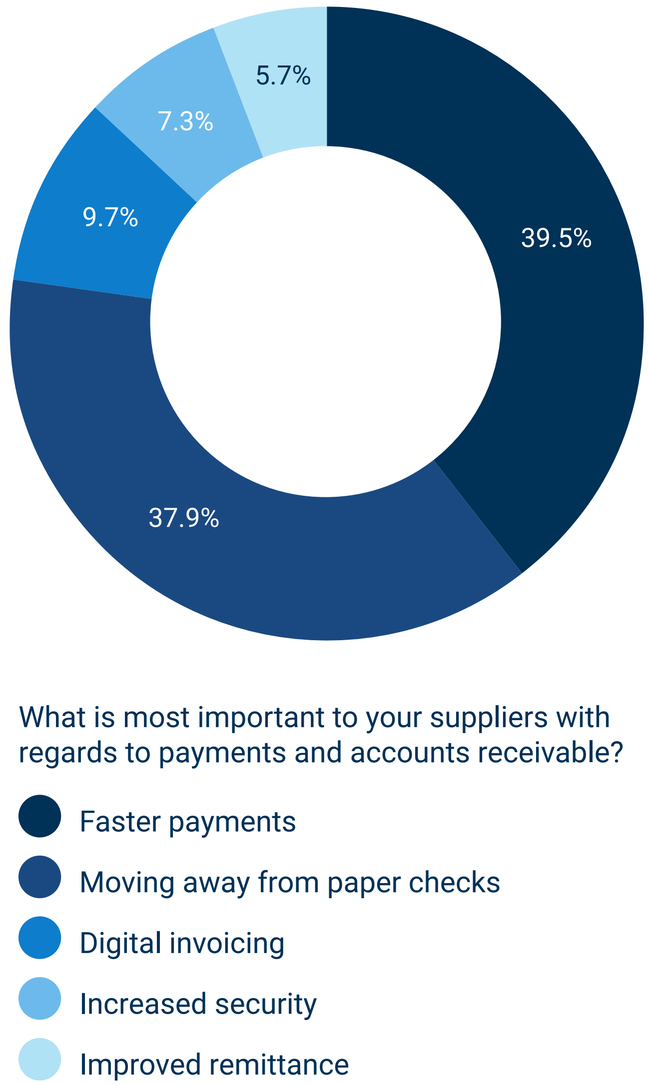
LEGACY PROCESSES AND SYSTEMS FALL SHORT

We asked finance professionals about what their suppliers say about payment processes, and the results support the need for automation.

When asked what was most important to suppliers with regards to payments and accounts receivable, two answers rose above the rest: faster payments and moving away from paper checks. These answers were cited by nearly 40% and about 38% of respondents, respectively. Another 10% of respondents mentioned digital invoicing, while 7% cited increased security. Accounts payable invoice automation (APIA) is related to this functionality.

Each of these responses demonstrates that finance professionals know that their vendors are dissatisfied with the status quo. The lack of automation coupled with industry trends will only accelerate negative feelings. For instance, until recently, the average acceptable payment period (APP) was between Net 30 and 60 days. However, as the industry moves towards near-instantaneous and instant payments, companies are going to have to automate so that they can bring their APP under the 30-day mark or risk supplier revolt.

Using an AP automation system to eliminate manual steps and remove paper from the process helps you move to faster, revenue-generating Premium ACH and virtual card payments to vendors. Bottomline estimates that invoice automation can cut invoice processing time by 75% through more efficient processing as well as OCR that extracts invoice data swiftly and automatically.



What is most important to your suppliers with regards to payments and accounts receivable?

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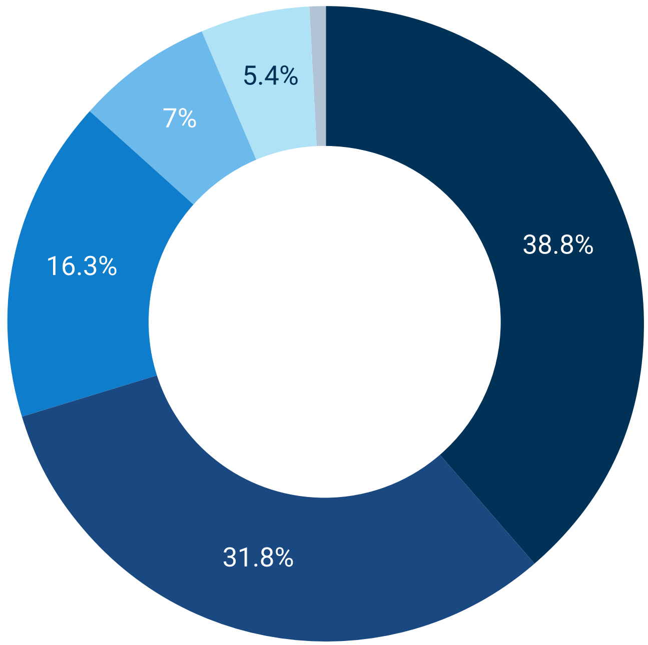
ENDLESS FRUSTRATION WITH CURRENT SOLUTIONS

Vendors aren't the only ones fed up with legacy payment systems. We asked finance professionals their biggest frustration with current AP processes and solutions, and the answers mirrored what vendors are saying.

A lack of efficiency was most frequently cited, with about 39% of finance professionals saying that was their greatest frustration. The next most important issue – difficulties with payments processing – was cited by nearly a third (32%) of respondents. Another 16% of professionals said their biggest frustration was that their vendors simply didn't like their payment processes or solution.

Wholesale electrical parts distributor Mayer Electric was frustrated by each of these issues when it came to its own payment processes. With almost completely paper-based invoicing and payment, the company says its payment processes were slow and inefficient.

Mayer Electric took a careful look at its core AP processes and was able to improve AP efficiency by using an automated payment system. With the new service, all the company's payment resources integrated with its ERP software, as well as with its various financial institutions. Onboarding vendors went much more quickly so they could accept digital payments, too. Every part of the payment process was just easier and more intuitive, according to the company's executives.



What is the biggest frustration with your current AP process or current AP automation solution?

- Not enough efficiency
- Difficulty with payments processing
- Other
- Lack of rebates
- Too much fraud risk/actual fraud
- Supplier dissatisfaction

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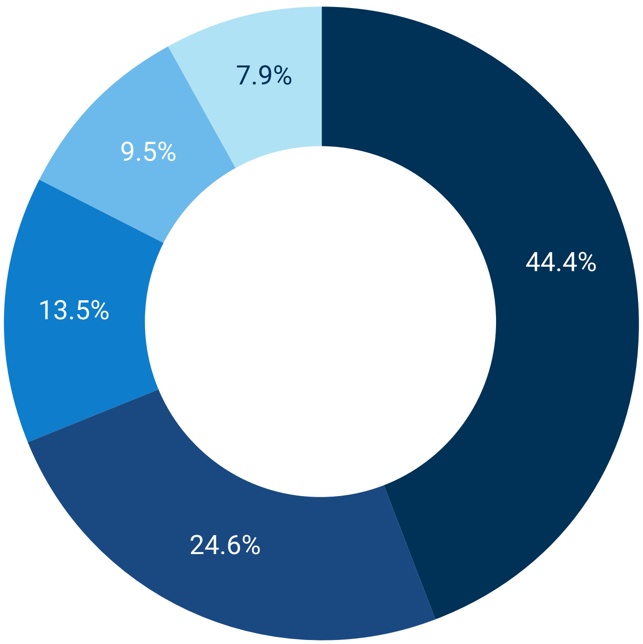
NEW TECHNOLOGY, NEW BENEFITS

Mayer Electric and Recology are seeing the many benefits of automation. However, for some companies it may not be clear why payment automation is such a crucial step. We asked finance professionals what would encourage them to change AP automation solutions.

Answers ranged from improved efficiencies, which was cited by about 44% of respondents, to easier payments processing, which about a quarter of all respondents reported. Greater fraud protection, increased rebate potential, and better supplier experience were cited by 14, 10, and 8% of respondents, respectively.

Although only 14% of respondents mentioned fraud protection, it's worthwhile to note that such protection is something that all finance professionals should be thinking about as they evaluate their current payment processes. The Association of Financial Professionals recent ***AFP Payments Fraud and Control Survey*** found that checks are the payment method most vulnerable to fraud. Even worse, 30% of payment fraud victims were unsuccessful in recovering stolen funds.

Thankfully, there's less of a chance that invoices will be spoofed when using automated, secure invoice processing. In addition, without a paper-based check, would-be thieves have nothing to alter or copy, adding another level of security to the equation. A payment network with more advanced security adds yet another valuable layer.



If you were to change AP Automation solutions, what would encourage you to change?

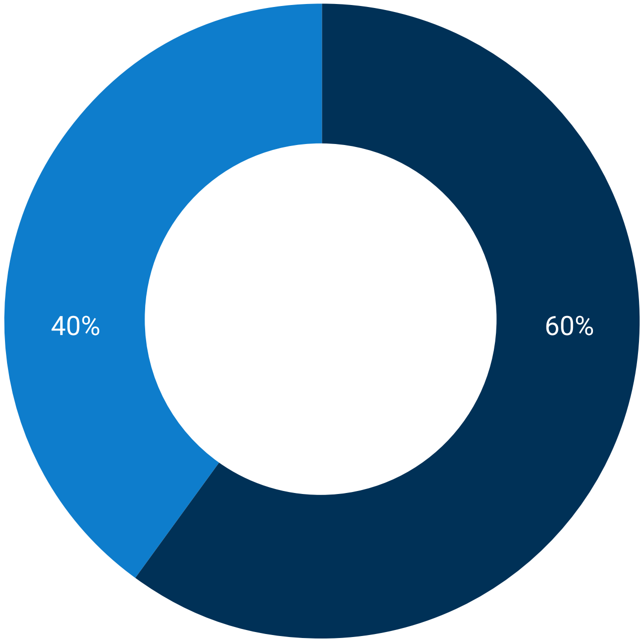
- Improved efficiency
- Easier payments processing
- Greater fraud protection
- Increased rebate potential
- Better supplier experience

USING TECHNOLOGY TO BOOST HIRING AND RETENTION

While technology is an important addition to any accounts payable organization, reducing manual costs by up to 50%, people are the beating heart of the department. This is why organizations are using payment processing technology to improve employee satisfaction and retention, too. When asked if having AP automation in place was an important requirement for prospective employees in AP or Finance roles, six out of ten respondents agreed that it was.

Given the difficulties filling finance roles, this is yet another reason that payment automation is critical. It's only going to become more important, too, according to Robert Half's research on U.S. hiring and employment trends. Today, 95% of hiring managers in finance and accounting face challenges in locating skilled candidates available for hire, so doing everything you can to attract and retain skilled workers is key.

You can do this by taking drudge work out of a payment professional's list of duties. Tasks such as manual invoice keying and cutting paper checks, and mundane chores like reviews stifle creativity and keep employees from growing professionally or having more influence on strategic initiatives.



When hiring for AP or Finance roles, do you find that having AP automation in place is an important requirement for prospective employees?

- Yes
- No

MAKING THE MOVES THAT PAY OFF

Our study revealed many fundamental reasons that decision makers in finance are migrating to new platforms. Key considerations include faster invoice processing, having more time for strategic activities, less back and forth with suppliers, and less fraud.

About 78% told us that all of these factors are central to their plans or recent decisions to make a change. Return-on-investment (ROI) will be driven in large part by the improvements enabled by payment processes automation. If you share these needs and objectives or detect early indications of the increasing problems like those surfaced in this report, the benefits of modernizing your AP platform can be transformative.

For example, research firm Ardent Partners found that automating invoices with what it calls "best-in-class methods" including **automation and optimized processes allows organizations to save about $10 per invoice as compared to the cost of hard copies**. In addition, invoice processing time drops by an average of 14 days, according to the firm.

Once you've committed to the improvement that comes with a new platform, you'll want to ensure its success. Interview potential solutions to ensure they can support your organization's goals and needs. You'll know you've made the right, efficient choice if those needs align with what a solution can offer, but don't forget to look hard at their experience, ability to integrate with your ERP, and quality of support. A little extra work now can ensure a much more efficient finance function in the future.

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About Bottomline:

Bottomline helps businesses transform the way they pay and get paid. As a long-trusted global leader moving over $10 trillion in payments annually, Bottomline reimagines business payments that add value to businesses and financial institutions.

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About the Solution:

Many companies still rely on manual, inefficient, costly invoice-to-pay processes that are prone to fraud. Paymode, Bottomline's business payments network, helps companies digitize and streamline payables and receivables in a single solution. It handles over $425 billion in payments across 550,000 businesses annually.

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