



AR AUTOMATION *Market Overview*

The state of the AR Automation Industry in B2B



Accounts receivables automation is slated to be one of the top business-to-business (B2B) payment trends in 2021 and beyond. Due to the increased need for companies to streamline their revenue collection process, maintain a steady cash flow, and compete with their growing competition, many companies are seeking to eliminate their manual AR tasks and adopt more automated processes.

To address the movement toward AR automation, our research team prepared this document, which defines what AR automation is and how it can be achieved, as well as provide data to help financial executives justify investment in AR automation software.

At their core, AR automation tools save businesses time by automating manual processes, beginning with invoicing and continuing through to the collections process.



SOME EYE-OPENING STATS ON THE FUTURE OF AUTOMATION

AR Challenges

- **49%** of B2B firms cite manual processes as one of their biggest challenges when it comes to managing their AR. *(PYMNTS.com)*

AR Technology

- **70%** of B2B firms plan to implement technology to manage their AR processes within the next 3 years. *(PYMNTS.com)*

Impact of Automated Systems

- Over **50%** of C-level executives in accounting expect that the development of intelligent, automated accounting systems will have the highest impact over the next 3 to 10 years. *(ACCA Study)*

Artificial Intelligence

- More than **80%** of executives believe artificial intelligence leads to a competitive advantage, and **79%** believe it will increase their company's productivity. *(Journal of Accountancy)*

PLANS OF FINANCIAL DECISION-MAKERS

PYMNTS.com and Mastercard published a white paper using survey data collected from about 400 financial decision makers in more than 12 different industries. The report was published in October 2018 and shows what businesses plan to do in the next three years. The results show that automated receivables is one of the most popular endeavors, along with real time payments and automated payables.

As the chart below shows, over the next three years...

- 54% of the most **innovative** companies plan to automate receivables
- 45% of them plan to enable payments directly from invoices
- 15% plan to implement dynamic discounting

Percent of companies interested in implementing various payment innovations, by innovation profile.

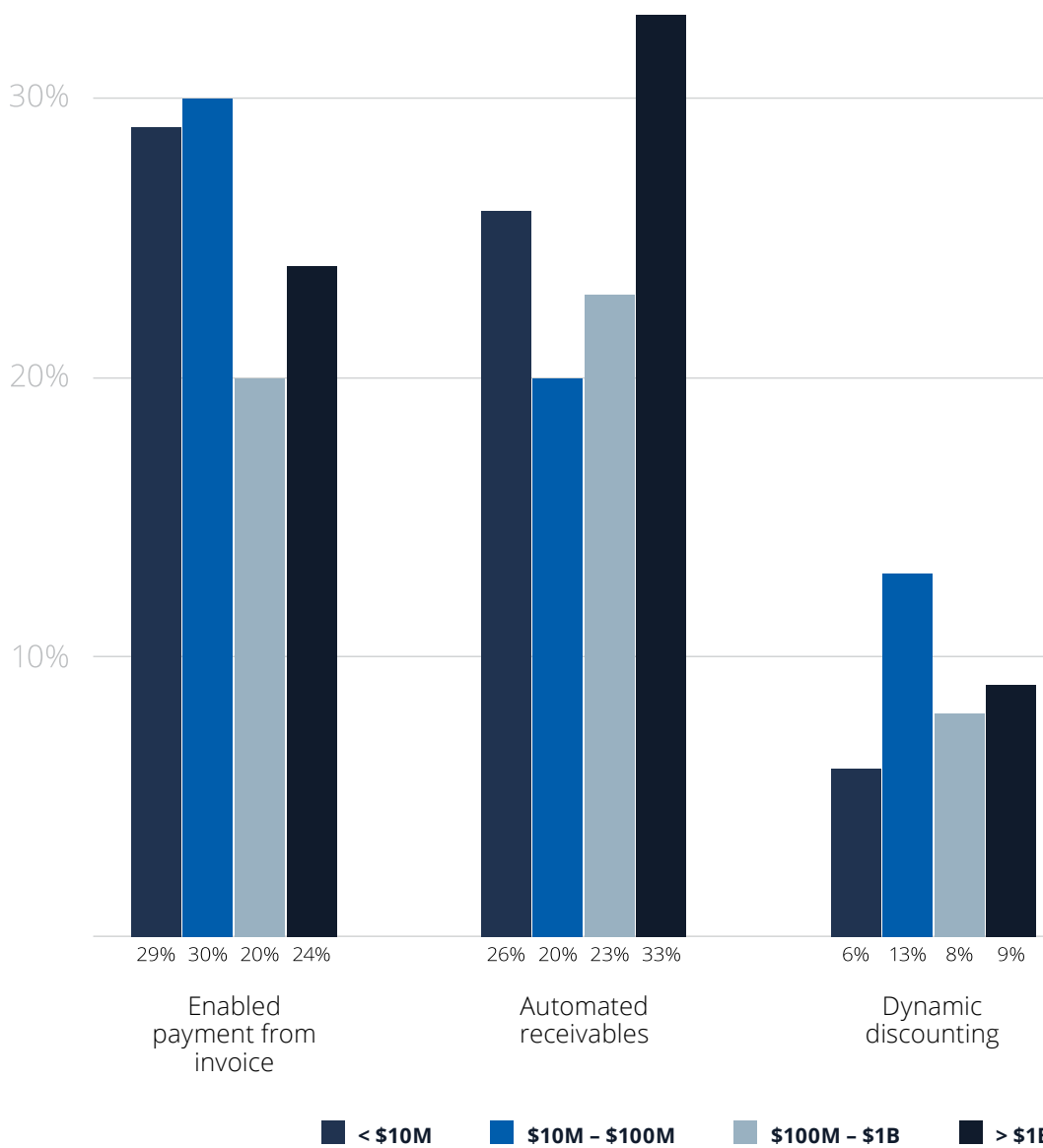


Source: Mastercard Real-Time Payments Innovation Playbook, ©2018 PYMNTS.com

COMPANIES OF ALL SIZES PLAN TO AUTOMATE

The graph below shows that 26% of the smallest companies plan to automate receivables, while 33% of the largest plan to do the same.

Percent of companies that plan to implement various payment innovations, by company revenues.



Source: Mastercard Real-Time Payments Innovation Playbook, ©2018 PYMNTS.com

THE FUTURE OF B2B PAYMENTS IS IN AUTOMATION

AR automation tools reduce or eliminate manual tasks, foster increased communication, increase the company's cash flow, and maximize visibility into all aspects of receivables to help executives make faster decisions.

Aside from the general progression of technology and business, the COVID-19 pandemic presented an extra push for B2B companies to move towards AR automation. PYMNTS.com and American Express found that 8 out of 10 businesses were encouraged by the pandemic to move towards a more digital AR process.

The good news is that businesses now have more software vendors and price points to choose from in the automation space, and the technology continues to improve. The cloud has removed many barriers to automation, making it affordable for organizations of any size to automate their manual processes. As a result, making the transition from manual to automated receivables will become more common.

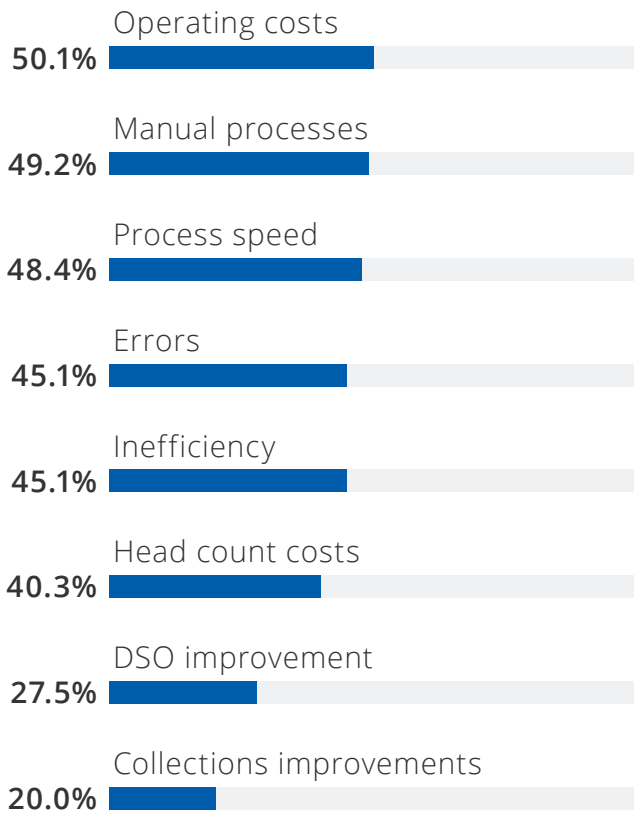
Almost **64% of firms** are shifting away from physical invoices.

(Source: PYMNTS.com)

All companies, regardless of size, can benefit from automated receivables.

WHY BUSINESSES INVEST IN AR AUTOMATION

The traditional accounts receivable process is manual, tedious, and inefficient. Accounting teams waste a lot of time doing manual work and switching between different systems to retrieve or update information. PYMNTS.com and American Express conducted a study and found the main problems that companies face when it comes to managing their AR process which can be broken down into eight categories. Below is the share of businesses who reported each point as an AR problem area.



Source: PYMNTS.com

Businesses that rely more on manual AR processes have been found to have **30% longer** Days Sales Outstanding (DSO) averages than businesses who rely more on automated AR processes.

(Source: PYMNTS.com)

Manual processes not only take more time but also increase the likelihood of the business receiving late payments. When AR teams are more focused on completing their manual tasks, they end up spending less time proactively engaging with customers and following up on upcoming payments.

What can AR AUTOMATION SOFTWARE DO?



AR automation software is designed to reduce or even eliminate manual tasks associated with the collection process so AR teams have more time to focus on more profitable activities like proactively engaging with customers.

AR automation technology broadly falls into four categories:
invoicing, payments, reconciliation, and collections.

INVOICING

This type of module would assist in the delivery of invoices to customers. It would also report on the status of invoices that have been sent electronically and facilitate communication about invoices between the business and their clients. The invoicing module might also include digital signatures/approvals and integrated payment solutions to make paying invoices easier. This module might also be referred to as "EIPP," or Electronic Invoicing and Payment Presentment. Keep in mind that a traditional ERP or accounting system usually has out-of-the-box functionality for creating and sending invoices via email, so this module would be an enhancement of the basic invoicing of the ERP/accounting system.



PAYMENTS

This category involves automating the collection and processing of payment information. One way that companies can do this are by giving customers ways to enter in their own payment information, usually through secure hyperlinks or online payment portals. This will reduce call center demands and eliminate the need for AR teams to collect payment information and manually enter it into a virtual or physical payment terminal to process. It can also reduce the security risk of handling sensitive payment information by giving the customer the control to enter the information themselves.

RECONCILIATION

This category is often referred to as the cash application or cash allocation component of an AR solution. It is essentially the module used to automate the process of reconciling payments received from all sources with bank statements and the invoices in the ERP.

COLLECTIONS

Some solutions also have modules that help streamline the workflows for collections teams handling severely past due invoices and non-responsive clients. Information from the ERP is imported into the collections module, then predefined business rules help prioritize workflows.

For example, automated invoice notices can be emailed with increasingly severe language based upon the number of days past due the invoice in question is.

Some AR automation tools can handle correspondence and even have a CRM functionality to log all activity and notes in one system. Any payments or payment commitments are also communicated back to the ERP automatically to close any open invoices, free up any blocked orders, stop collection activity, and accurately project cash flow.



14.7%

Average Overdue
Receivables

2.9 ▲

DSO Increase in 2020

Days sales outstanding average has increased from 39.7 days to 42.6 days in B2B Business in 2020.

We hope this document has been useful in answering questions about A/R automation and will help you in future decision making about your organization's needs. If you have any questions, please contact Nodus at **909.482.4701** or **sales@nodus.com**

About Nodus

Nodus, a Division of EVO, specializes in electronic payment processing and AR automation solutions for Microsoft Dynamics. Our expertise in payment solutions assists organizations of any size and industry to automate their accounts receivable process, expedite funding, improve the customer experience, and achieve PCI compliance.

FURTHER READING

- [!\[\]\(511a36c244659513b679df9c639945de_img.jpg\) G2 Crowd](#)
- [!\[\]\(2c0783baf87a2728b2fe49eb1c34c456_img.jpg\) CFO.com](#)
- [!\[\]\(7cfb20e3a97beaa6243bf39ce8dc849f_img.jpg\) APQC'S benchmarking survey](#)
- [!\[\]\(4ec82d7d2c97e7458ec11741fc48dcdc_img.jpg\) Transparency Market Research](#)
- [!\[\]\(8a3eeabae8fd8c34f983be60adf65fec_img.jpg\) ACCA Study](#)
- [!\[\]\(f8c4514865ca6cc7d15601f5b468a267_img.jpg\) Journal of Accountancy](#)
- [!\[\]\(3e3a16082679d4e25573352df409eccd_img.jpg\) Mastercard Real-Time Payments Innovation Playbook](#)
- [!\[\]\(9b1df3f6f95a7aa10cbc22e7842da063_img.jpg\) B2B Payments Innovation Readiness Report](#)

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