Benchmarks of Procure-to-Pay Best Practices

From a Survey of World-Class, Multibillion-Dollar Companies

apexanalytix

Ultimate Supplier Management

Sections

History, Overview and Methodology

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History, Overview and Methodology

Since the first audit in 1988, benchmarking has been part of the apexanalytix best practice methodology. Continuing this 30-year program of financial leaders benchmarking, apexanalytix presents the 2022 Benchmarks of Procure-to-Pay Best Practices.

>$1.2T

Combined Revenue of the Responding Companies

21

Different industries

The world has changed dramatically. And so have procure-to-pay priorities, processes, the risk environment, the workforce, technology and service delivery methods. So, at the urging of world-class practi-tioners in the largest and most-respected companies in the world, we launched a new survey.

The respondents of the new, 25-question survey, are leaders of shared services, global business services, accounts payable, procure-to-pay and finance at Fortune 500 and Global 2000 companies. The combined revenue of the respondents exceeds $1.2 trillion across 21 different industries. Two out of three respondents are apexanalytix clients.[1]

The goal of the new survey is to gather information and insights that could help companies with large revenue and spend to better compare themselves to their peers, while giving them data-based recommendations of world-class practices.

- Supplier management best practices
- Vendor risk management
- Accounts payable profit center status
- Payment terms
- PO-backed spend
- Early payment programs
- Use of automation
- Supplier diversity
- ERP system usage
- Accounts payable staffing models

[1] Of the apexanalytix clients who responded to the survey, 87% have had an audit service performed by apexanalytix, one-third are using one ore more apexportal supplier management solutions, another third are using apexanalytix firststrike duplicate prevention software and one-sixth have performed a vendor risk analysis assessment.

Survey Respondent Profile

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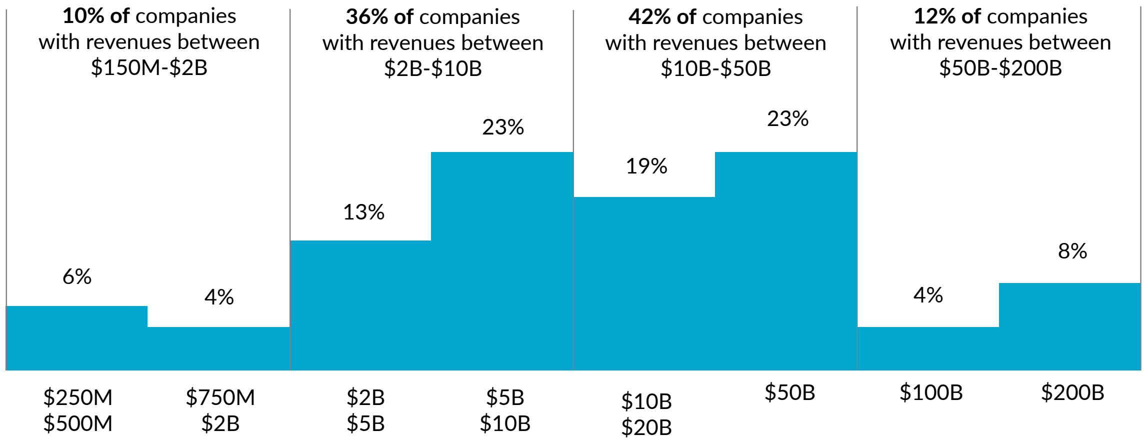
Survey Respondent Profile

There were 48 unique responses to the survey[2], from some of the largest global companies in terms of spend and revenue. Responding companies represented 21 industries, which were grouped into larger industry categories for analysis.

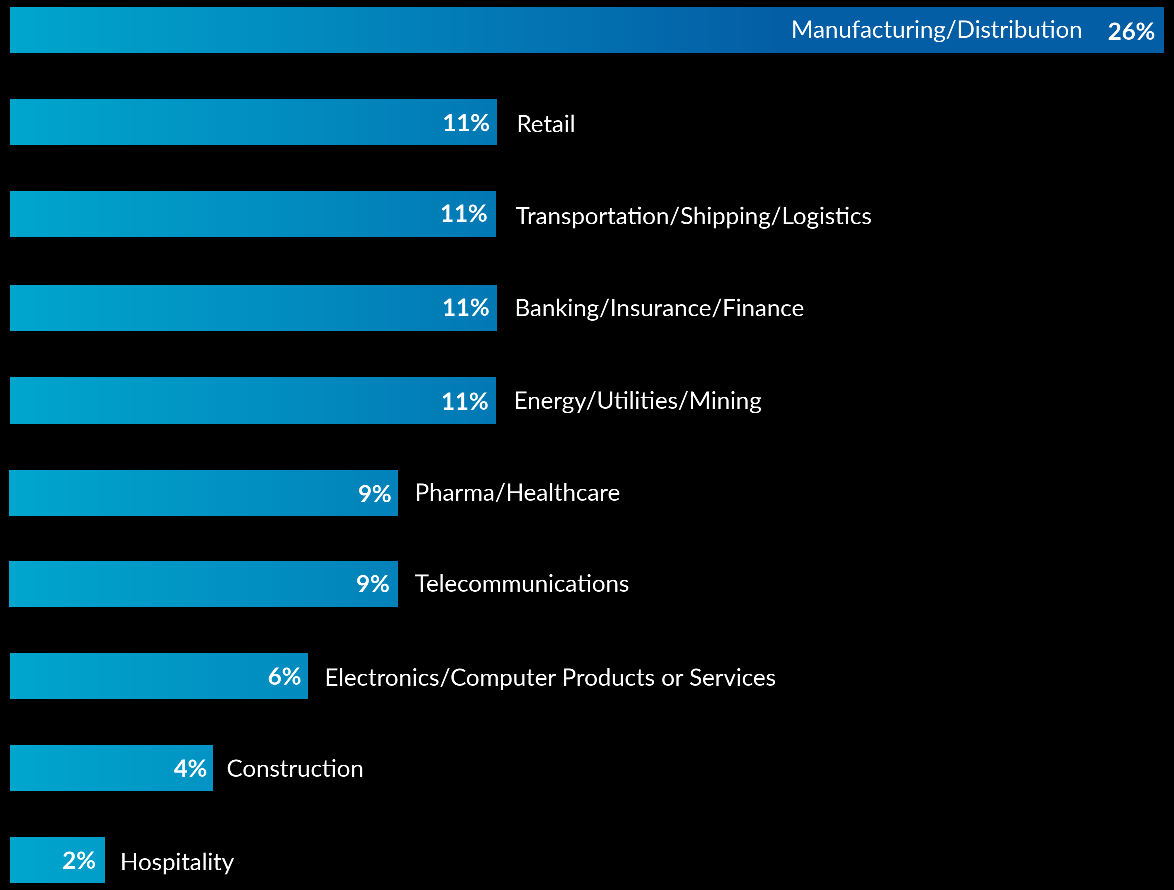
Figure 1 shows responding companies by revenue band.

Companies in a wide range of industries completed the survey. To facilitate industry analysis, we grouped companies into larger industry categories; a breakdown is shown in Figure 2.



(Figure 1)

Respondents by Industry Group Used for Analysis



(Figure 2)

[2] Not all respondents answered all questions. Where the total data set for a particular analysis is smaller, it is because that question was answered by fewer than the total 48 respondents.

Six Big "Ahas" and What to Do with Them

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Common Best Practices of AP Profit Centers

14%

Are Profit Centers

To Be World-Class

How many of the practices of AP profitability have you adopted? Recovery audit is a quick win to recover cash and fund key program and initiatives.

If the CFO decides to return the cash to the business or the bottom line, you've made tangible contribution to the company and helped earn credibility for project support and transformation. If the recoveries return to AP, they can fund an automation project, like e-Invoicing or a supplier portal.

Fully or partially automated supplier onboarding saves FTE cost and time and helps prevent fraud and risk. Your treasurer will appreciate the risk mitigation, too.

Companies use early payment programs to help generate the revenue to be a profit center. These programs can offer suppliers sliding-scale discounts on demand to support their working capital while saving the buying company money.

The ultimate measure of success for accounts payable is to achieve profit center status. Yet *only seven* of the respondents (14%) reported that they have achieved profitability in AP. What characteristics do these top companies share?

Automated Supplier Management

Five of the seven have a fully or partially automated supplier onboarding process.

Cash Management

All seven have a combination of early payment programs[3].

Recovery Audit

Six have completed a recovery audit within the last year, and one has had an audit within the past two years.

Supplier Diversity

Five are collecting diversity classification as part of vendor setup.

Risk Management

All seven check global prohibited lists when setting up vendors, and on average, collect 17% more data points than those who are not profit centers, when setting up suppliers.

It doesn't take a consultant to get you to profit center status. We bring cash back to the bottom line through overpayment recovery. We process over 600,000 payments a year, around $6 billion in value. Things slip through because of keying errors, rebates, returns. Every year we complete a third-party recovery audit. The recoveries flow through to the businesses we support, funding other GBS initiatives. They've become a standard part of the annual budgeting process.

Kevin Jacobik
Senior Manager – GBS North America Procure to Pay, Kimberly-Clark

[3] Of the AP profit center companies with early payment programs, six have a V-card (virtual card) program, six offer traditional fixed/negotiated discounts, five have a dynamic (sliding-scale) discounting program, three offer supply chain financing, two offer negotiated, sliding-scale discounts and one offers auction/marketplace supplier-initiated discounts.

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Bank Account Changes: An Insidious Control Weakness

<17%

Validate Account Change Requests With The Bank

To Be World-Class

Your supplier onboarding process and continuous monitoring should include multiple layers of controls to match the complex fraud environment. Examples are:

Access and behavior monitoring controls, including multi-factor authentication, role-based restrictions for viewing and changing information, email domain verification, automated IP address blocking for suspicious activity patterns and access locations.

Bank account change controls, such as requiring entry of current banking information before a change is requested, alerts for a mismatch between bank account and vendor location, limits on the number of bank account change requests and sending a verification email to a secondary, authorized vendor contact.

Real-time bank account ownership validation. Automated review of supplier bank account to confirm ownership through banking consortiums, country governments; checking the type of account (personal/commercial) and the status of the account (overdrawn, account on hold). These are the ultimate controls but are not yet available for all suppliers in all countries or for all banks.

Supplier network or business-to-business intelligence. Scoring or risk flagging based on collective data from peer companies and supplier networks, like how frequently that bank account is used by that vendor, how many businesses pay that same vendor with the same account number and how often the bank account is used by the supplier.

Survey respondents are most often relying on a supplier's internal sponsor to validate a bank account change, one of the easiest controls to circumvent. Why? Because the internal sponsor isn't trained to spot the latest hacking techniques, may be subject to social engineering or, worst case (and this happens way more than you might think), they could be the actual fraudster themselves.

The FBI Internet Crime Complaint Center (IC3) reported total losses of $6.9 billion in 2021, compared to 2020's prior all-time-high of $4.2 billion. The total number of complaints received since the year 2000 is over 6.5 million, another record. IC3 has received approximately 552,000 complaints per year on average over the last five years, or more than 2,300 complaints per day.

Bank Account Changes

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Paper Processes Mean Fewer Supplier Risk Checks

2.5x

More Risk Checks When Supplier Onboarding is Automated

To Be World-Class

Look at supplier onboarding solutions with integrated APIs (Application Programming Interfaces) that automate validation and risk scoring as part of their process.

There are hundreds of authoritative third-party and governmental sources, many of which are constantly being updated, making it difficult to complete risk checks comprehensively if they are performed manually.

Companies with a fully automated supplier onboarding method complete 2.5x times the risk checks compared to companies who use a primarily paper-based process for onboarding suppliers.

Supplier Risk Management

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FTE Cost Increases When Vendor Setup is Manual and Slow

3.1x

More FTEs When Vendor Set-Up is Inefficient

To Be World-Class

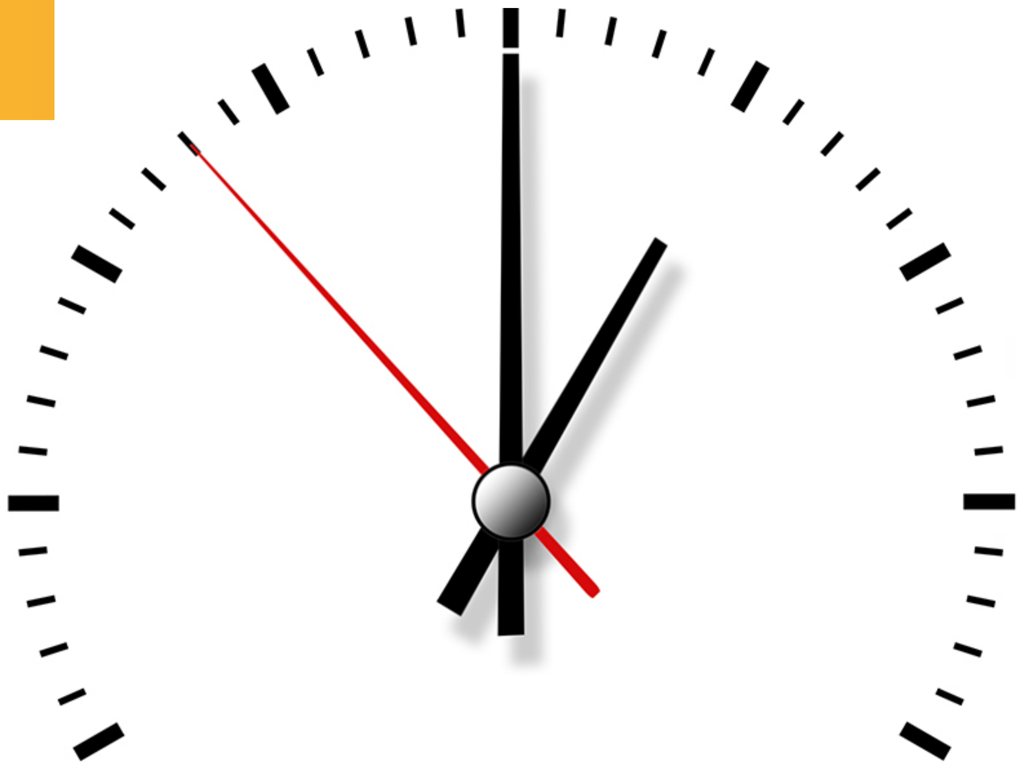
Automate vendor setup without cutting corners and exposing your company to supplier risk. When you implement a supplier-facing portal coupled with automated validations and workflows, vendor setup is faster, more complete and more accurate, all while meeting your protocols, requirements and approval workflows.

It's not just speed you are after. It's automated collection and validation of vendor data.

The bottom line: don't save FTEs by doing less diligence during setup. Fast is not better, fast + thorough is better.

First, we saw that the median number of FTEs per 10,000 vendors increases by a factor of 3.1 when comparing mostly manual (paper-based) supplier onboarding to fully automated onboarding.

Also, the longer it takes to set up a vendor, the greater the number of FTE support needed per 10,000 vendors. Five FTEs is the average for companies setting up vendors in three or less days; for setups taking four to seven days, 5.7 FTEs and 10.34 FTEs in companies where the vendor setup time is nine days or more.



Automated Onboarding

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Longer Standard Payment Terms

+15

Increase in Median Standard Payment Terms

To Be World-Class

Re-evaluate your standard payment term, and then look at how you are making payments against that standard term. If you are still at Net 30 or Net 45 (or paying faster than you should), you could be missing out on working capital opportunity that has become the new market standard.

There is a difference between setting a standard payment term and enforcing it. Despite setting a standard, most companies still have many payment terms, other than their standard, in use.

In the apexanalytix 2019 Benchmark Survey Report, we reported that the median standard payment term grew to net 45 from a prior net 30. The median standard payment term is net 60 in the 2022 report, representing yet another 15-day improvement over the prior median, to 60 days. For a company with $1 billion in annual spend, a 15-day improvement in DPO represents over $40 million in additional working capital and over $2 million in savings (assuming a 5% cost of capital).

Standard Payment Terms

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23% Reduction in Recoveries Every Year When Recovery Audits Are Not Continuous

23%

Average Reduction in Recoveries Every Year Delayed

To Be World-Class

Simple, don’t stop auditing.

The new best practice has two parts. Have your third-party auditor look at statements after 90 days or so on a continuous basis. And continue to include duplicate checking in your audit behind your everyday payment processing to catch the duplicates your systems and controls haven’t caught.

A recovery audit is going to recover money, but there is another big benefit. Audits reveal process and control gaps. High performing disbursement teams, like those who are AP profits centers, can use the continuous insights they get from a third-party audit to correct issues and close gaps. Companies who conduct continuous audits get more information more often on the reasons why overpayments are caused by things like receiving errors, missed discounts or rebates or simple keying errors that cause duplicates. If you have the insight, you can take the action, continuously improving your processes while you recover money.

For survey respondents who say they are a profit center, 86% have completed a third-party recovery audit in the last year, compared to 60% of all respondents who had an audit within the year. None of the respondents who had completed an audit more than two years ago (or never had an audit) are profit centers. Besides that, there is a tangible price to pay when you don’t audit continuously.

An analysis of apexanalytix audits shows that statement and duplicate recoveries are reduced by 23% for each year you delay an audit after the first recovery audit. And companies aren’t finding more overpayments internally during the years that they don’t have a third-party audit. Internal teams recover an average of 43% less every year in statement credits and duplicates when they wait to do an audit.

Recovery Audit Delays

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Supplier Onboarding, Enablement and Risk Management

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Supplier Onboarding

Effective, efficient and risk-free procure-to-pay begins with good vendor data. Good vendor data starts with onboarding.

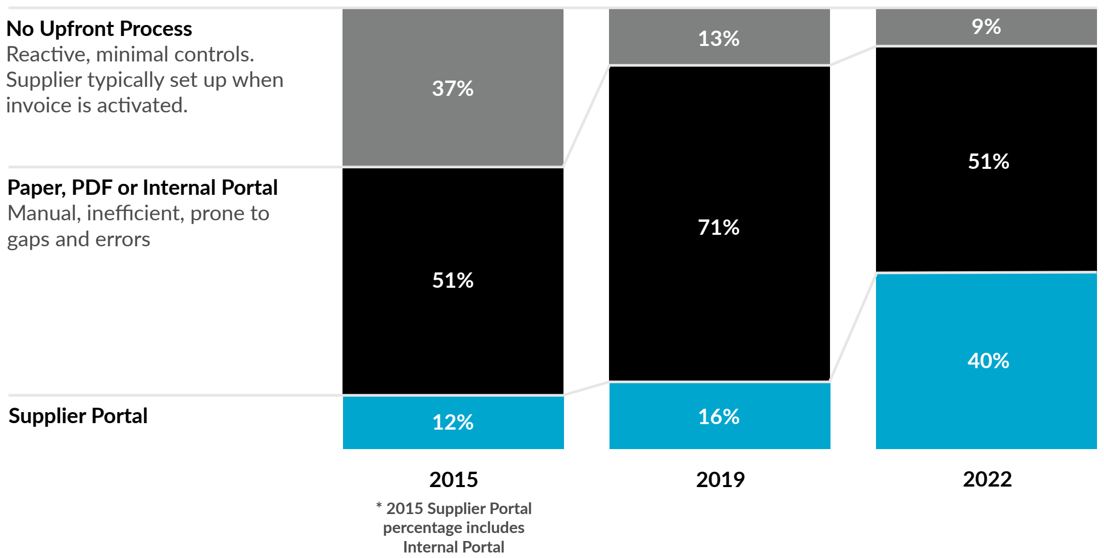
We asked respondents how they are onboarding suppliers, offering several options that we grouped into the categories shown in Figure 3. The good news is that, over time, we see fewer companies – 9% in the current survey - who have no upfront process and are waiting until an invoice is received to set up a vendor.

There's also been progress in the use of supplier-facing portals, up from 16% in our 2019 Financial Leaders Benchmarking survey to 40% in the new survey. However, there is still a high proportion of the respondents – 60% - who collect vendor information manually, which is inefficient, insecure and prone to error.

61%

Collect Vendor Information Manually Through Insecure Channels

Supplier Onboarding Process



(Figure 3)

Options provided were:
- When invoice is received, we collect information on paper or in pdf form(s) and use that information to set up the vendor.
- Before a PO can be issued, we collect information on paper or in pdf form(s) and use that information to set up the vendor.
- Internal portal for supplier information which is entered by our staff when we receive a request from an internal sponsor or when we receive an invoice - no additional data is collected prior to setting up the vendor.
- Supplier-facing portal that captures some data, and then we complete validations and approvals manually.
- Partially automated supplier onboarding with supplier-facing portal, some automated validations, workflows and approvals. Some manual validation and/or additions to the vendor record required to create the final record in the ERP.
- Fully-automated supplier onboarding with supplier-facing portal, automated validations, workflows and approvals. Vendor record is automatically created and bi-directionally integrated with the ERP.

Efficiency Metric for Supplier Onboarding

Median FTEs Per 10,000 Vendors by Level of Onboarding Automation

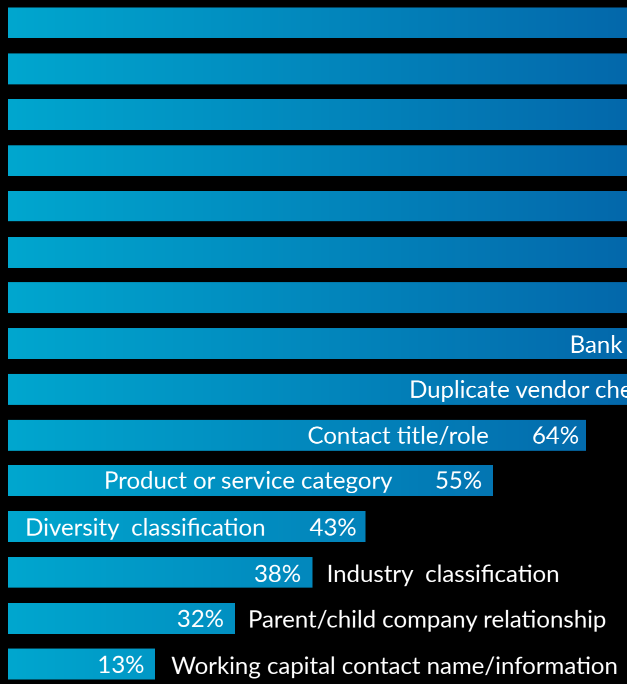
8.0 >	5.0 >	2.6
Mostly Manual	Partially Automated	Fully Automated

Insight

The survey data showed that fewer average FTEs (per 10,000 suppliers) were needed as the level of automation increased. The overall median number of FTEs was 6.1, but only 2.6 when onboarding was fully automated. Respondents with mostly manual vendor setup/onboarding reported 8 FTEs per 10,000 vendors. Those with partially automated processes reported 5 FTEs per 10,000 vendors and companies with fully automated onboarding reported 2.6 FTEs per 10,000 vendors.

What information are companies collecting about their vendors at setup? Figure 4 shows the percentage of survey respondents who are collecting 15 key pieces of data to establish a vendor record. What this data doesn't tell us is how consistently this data is collected. The only way for companies to truly understand their compliance with their data collection protocols is to analyze the vendor master and see, for example, how many of their vendors have email addresses.

Data Respondents Collect When Setting Up a Vendor

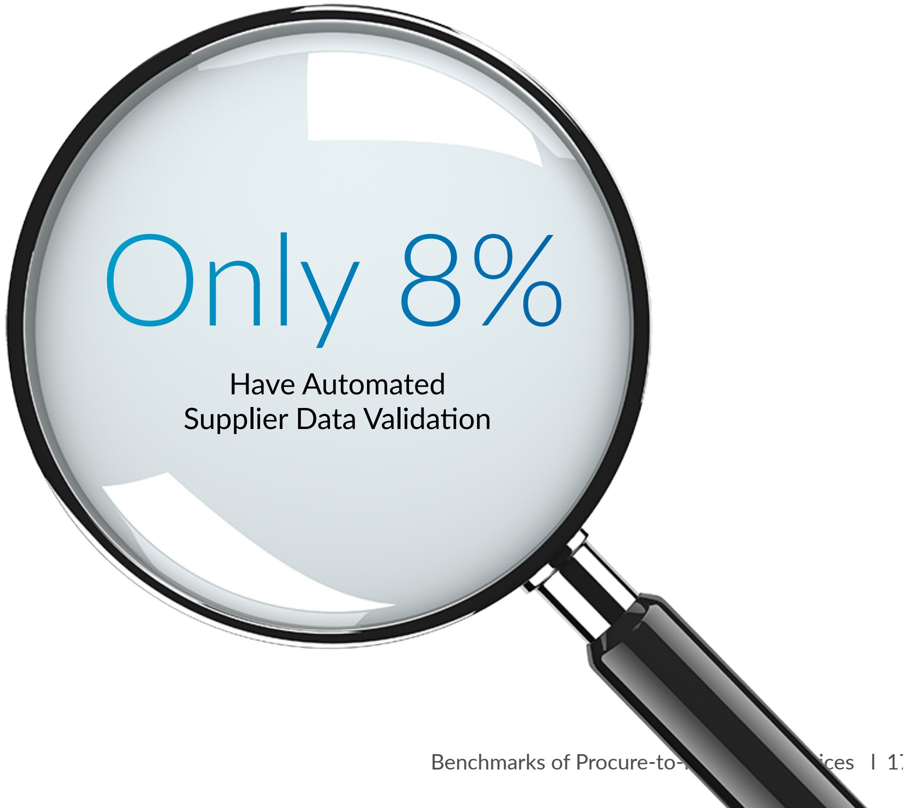


(Figure 4)

For many organizations, missing data is a critical point of failure when they are doing business with their suppliers. There are also consequences to strategic procure-to-pay and working capital programs like vendor diversity and inclusion, category sourcing initiatives and working capital programs when data related to those efforts isn't already in the vendor master.

Insight

On average, respondents are collecting 10.5 pieces of data on a supplier. However, 62% of the respondents are completing validations completely manually, and another 30% are doing at least some of the supplier validations manually.



The better your vendor master data, the better you are going to be able pay your vendors on time, enforce payment terms, potentially work with procurement to extend terms, reduce vendor payment and fraud risk and execute a best practice procure-to-pay approach.

In every company that I've worked with, the vendor master quality has initially been patchy; sometimes because of acquisition, other times because over time, vendor data wasn't seen as a priority and the quality eroded. I remember we acquired a company in a prior life. They were having real problems in terms of purchase order compliance. We asked the company, 'how do your vendors receive their purchase orders (POs,)' because many of the vendors were simply not putting the PO information on their invoices. They said 'Oh, we email out purchase orders to the vendor.' When we looked at the actual vendor master data however, only about 20% of the vendors had a valid email set up in the system. As a result, PO compliance was poor to say the least and caused huge problems for the accounts payable team. Don't assume your master data is up to date. Validate it.

Getting vendor master data as compliant and up to date as possible is a huge priority for me.

Nigel Coffey
Head of Finance Operations, Alnylam Pharmaceuticals

How Supplier Self-Service Relates to Supplier Onboarding

The majority (60%) of respondents said that they have a way for suppliers to go online to see the status of an invoice or payment. Of those who said "yes," 55% have a fully or partially automated portal, or a supplier-facing portal that performs some validations. Of the respondents who answered "no," 84% have a primarily paper-based onboarding process. One has a partially automated portal, and two are in the process of making their automated portal accessible to suppliers.

Best Practice Vignette: Online Supplier Access Saves FTE Cost and Time

Amy Platis, Director of Finance for Northwestern Medicine explains the benefits of supplier self-service.

A supplier-facing inquiry site allows our suppliers to log in 24/7 to the supplier portal once they complete their registration. They can see their invoices status, their payment detail; they can even do a reconciliation extract into Excel from the portal. With suppliers able to self-serve more than 80% of their questions, it saves them and our vendor support team time and resources.

The supplier portal also helps us reduce supplier risk. My team was receiving three phishing emails a day. By having a secure portal that the supplier must log in to for changing information, we've shut down the emails to individuals on my team making inquiries or requests. Now they make the requests via the supplier portal, and we know we are dealing with one of our suppliers. We aren't opening bad links or risking communications or actions that compromise our system or financial controls.

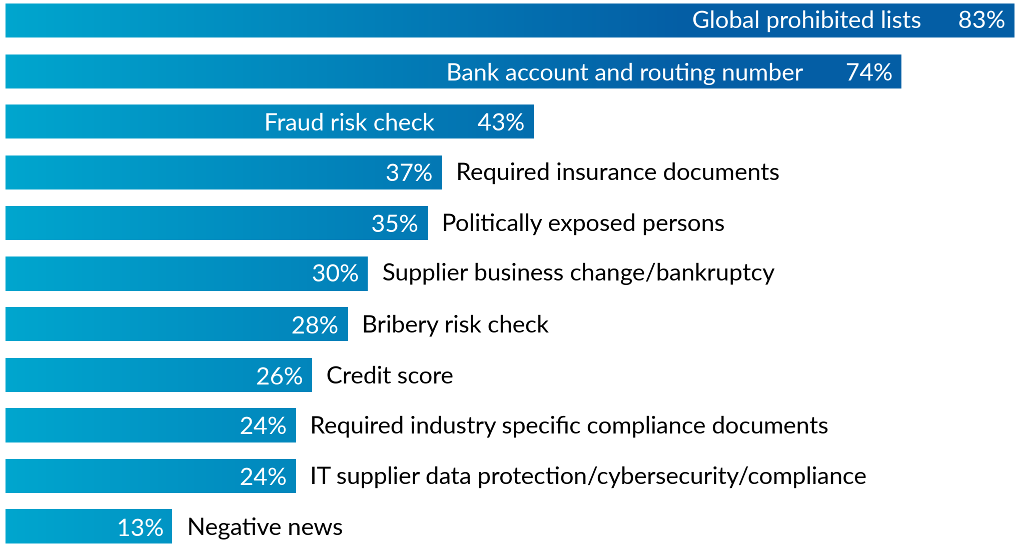
Amy Platis
Director of Finance, Northwestern Memorial Healthcare

Supplier Risk Management

More than half the respondents are completing only two risk checks on suppliers.

Concerns about fraud and risk are top considerations when companies look at their vendor master and setup procedures. The risk environment continues to become more complex as supply chains have become more global, involving more countries, more currencies and more regulations. Add to these facts the pressures brought on by supply chain disruptions due to the pandemic, the opportunities for bad actors to capitalize on those disruptions and the risk pressure increases even more.

Supplier Risk Attributes Checked During Onboarding



(Figure 5)

How thoroughly are companies checking for risk when they set up suppliers? The graph above shows the percentage of respondents completing a list of provided risk checks as part of the onboarding process. Every additional check adds a layer of protection and control to prevent against fraud. But these risk validations are difficult to complete in a timely fashion if they are not automated. The lists and resources are varied, some checks require a license or transaction fee and resources are constantly updated. Companies who have an automated onboarding process can complete more risk checks.

Companies with Automated Onboarding Do More Risk Checking

Insight

When a company said they have fully automated onboarding of vendors, they did the most risk checks: 7.5 compared to the next most automated category. The least number of risk checks (3) were performed by companies who had paper-based processes and no supplier-facing portal.

Risk Checks Compared to Onboarding Method
(Average number of risk checks performed)

7.5	5.8	3.3	3.2	3.0
Fully-automated supplier onboarding with automated validations	**Partially-automated** supplier onboarding with some automated validations	**Supplier-facing portal** validations and approvals manual	**Collect information on paper** or in pdf form(s) from vendor invoice	**Collect information on paper** or in pdf form(s) before PO is issued

“

The most common question I receive is ‘How do fraudsters get into our systems?’ This usually happens because a supplier’s email has been compromised or a fraudster has obtained a similar looking email address. Expedia is a known vendor, but this fraud attempt - representing a VERY large dollar amount to JetBlue - happened because the lower case ‘q’ looked like a ‘g’ The descender of the ‘q’ was covered by the hyperlink underscore.

Expedia Group

@expediaqroup.com *is really: @expediaqroup.com*

Fortunately, we got the Expedia fraudulent payment back because the supplier reached out asking for the payment. JetBlue then discovered that the bank account had been changed and the chain of events unfolded leading to a recovery of the fraudulent payment. Now we use apexportal to validate supplier information, including bank account information and ownership. The portal accesses information from a consortium of banks that are working together to create a source of accurate bank account ownership information. If that bank account doesn’t match, I get an alert and they’re not able to continue. And if they call our staff to try to phish for information that they can use to get into the system, we have everyone trained to suspect fraud and report it.

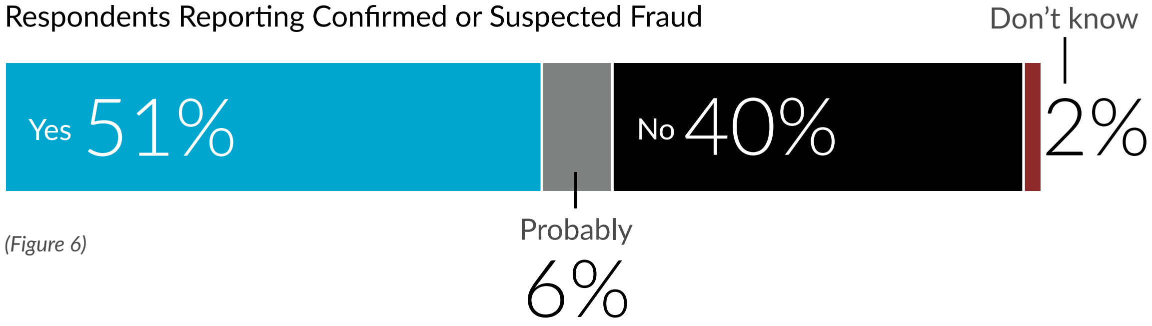
”

Joni Guerts
Director Accounts Payable and Fraud, JetBlue Airways

Fraud and Risk Perception

The figure below shows how respondents answered the question about confirmed or suspected fraud in their companies within the last 12 months. We expected that more of the respondents would have said “Yes,” or “Probably.”

Respondents Reporting Confirmed or Suspected Fraud



(Figure 6)

In March 2020, the Association of Certified Fraud Examiners (ACFE) issued a press release[4] with the title “Coronavirus Pandemic is a Perfect Storm for Fraud,” in which the organization’s president warned that “the looming downturn we can expect to see has a number of long-lasting implications. One important one being an explosion of fraud in the coming years – and organizations need to brace themselves.” The ACFE followed that up in September of 2021 with a new message:[5] “Think Pandemic-Related Fraud is Going Away? Think Again.”

The news release cited a new report from the ACFE and Grant Thornton that found 51% of anti-fraud professionals said they have uncovered higher levels of fraud since the pandemic began, and 71% expecting more fraud to proliferate in the massive changes in underlying fraud and risk factors like shifts in business operations and changes in consumer behavior.

[4] From Coronavirus Pandemic is a Perfect Storm for Fraud, by Bruce Dorris, J.D., CFE, CPA President and CEO of the Association of Certified Fraud Examiners (ACFE), Austin, TX, March 31, 2020.
[5] From Think Pandemic-Related Fraud is Going Away? Think Again, by Bruce Dorris, J.D., CFE, CPA President and CEO of the Association of Certified Fraud Examiners (ACFE), Austin, TX, September 9, 2021.

Bank Account Changes: Target for Imposters, Cybercriminals and Fraudsters

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Bank Account Changes: Target for Imposters, Cybercriminals and Fraudsters

One of the greatest areas of fraud and risk exposure for companies are bank account changes. Fraudsters continue to find new ways to compromise controls and trick accounts payable and vendor management teams into setting up false payees and accounts.

According to the ACFE (Association of Certified Fraud Examiners) 2022 Report to the Nations[6], Billing and Check and Payment Tampering represent the highest losses of all asset misappropriation schemes.

Methods for authenticating a bank account vary widely, and some are more effective than others. Figure 7 (Next page) shows how often each of the list of provided bank account change controls is used, showing the range of most effective to the least effective with reasons why.

In this survey, on average, companies reported they are using two methods for bank account changes, with some using up to four checks.

In the past, we had one individual do a manual penny test: deposit "x" amount of dollars into the bank account and see whether or not it's a legitimate bank account. On average, that was taking ten business days. If you look at cycle time with that bank account validation approach, you have ten days of just dead time where you're just waiting.

A supplier portal that can perform real time verifications and validations, cuts that ten days down to a matter of seconds.

Michael Wang
Senior Manager, Procurement Strategy – Head of Center of Excellence, Panasonic

Time to Verify Bank Account Change

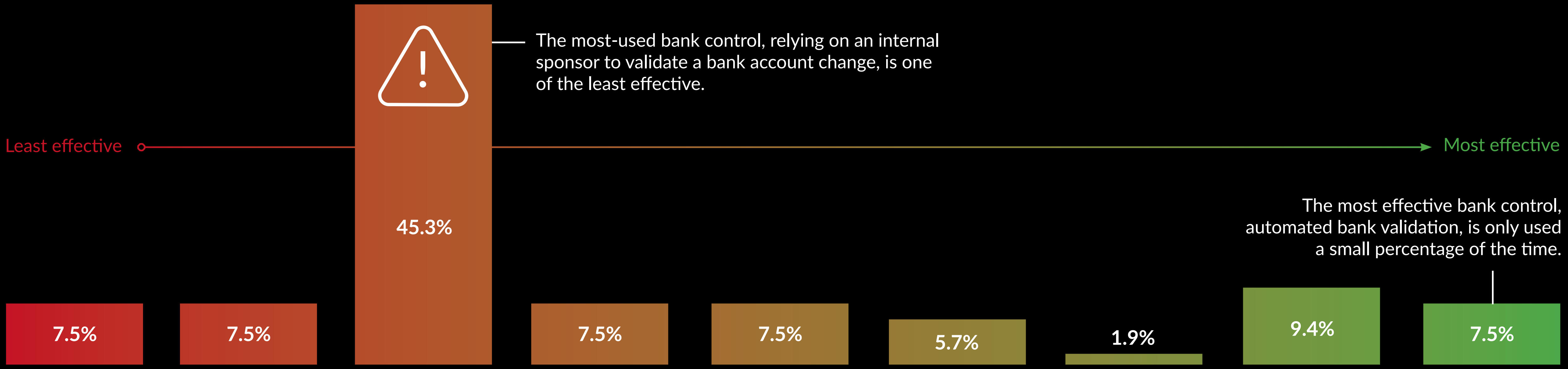
10 Days

Immediate

[6] From Occupational Fraud 2022: A Report to the Nations. Copyright 2022 by the Association of Certified Fraud Examiners, Inc.

Frequency of Bank Account Change Controls, Least to Most Effective

Bank validation methods: total times used by respondents



Penny test

Penny tests cause delays and only verify that an account is valid, not that it belongs to the supplier.

Call/email supplier

How do you know that you are confirming with an authentic supplier contact? Or are you talking to a former employee on a cell phone who may be attempting to defraud a former employer?

Call/email internal sponsor

Is the internal sponsor conducting the proper diligence to verify the change? Is your internal sponsor in possible collusion with a supplier?

Bank letter or voided check

Easy to forge by someone attempting fraud.

Match bank/ supplier location

A good secondary control but not fully effective on its own. Best if automated.

Prohibited bank list

Effective but difficult to administer if manual, so information may not be up to date.

Supplier enters prior banking

A strong authentication control best administered through an automated portal for user authentication/security.

Call/email bank

Takes FTE time and can cause delays, best administered through automation.

Automated bank validation

A best practice control when automated and in places where banking validation is possible.

(Figure 7)

<17%

Verify Account Changes With The Bank

Insight

Respondents use an average of two verification methods for bank account changes, but verification with the bank – either manual or automatic – is performed less than 17% of the time.

Most often, respondents are relying on a supplier's internal sponsor to validate a bank account change. This is not a reliable control because of potential lack of diligence on the part of the internal sponsor, or possible collusion with the supplier. The ACFE 2022 Report to the Nations[7] showed that the majority - 58% - of the frauds in the study were committed by two or more perpetrators acting in collusion. And, median losses increased by a factor of 2.5 (from $57,000 to $145,000) when when more than one person conspired to commit fraud. The report says: "One likely reason for larger losses in collusive schemes is that multiple perpetrators working together may be able to circumvent controls based on separated duties and independent verification of transactions."

To avoid this risk, independent verification with the most authoritative external source possible, the bank itself, is the best course of action. Using an account verification service contributed to by banks themselves, manually contacting the bank, maintaining an accurate list of prohibited or at-risk suppliers and accounts and contacting a second contact at the vendor all help reduce the risk of bank account fraud.

Other controls that can be effective are verification that the bank is in the same country as the supplier and either a manual or systematic requirement for the person requesting the change to enter the prior bank account information.

[7] From Occupational Fraud 2022: A Report to the Nations. Copyright 2022 by the Association of Certified Fraud Examiners, Inc.

Most Reliable Single Control: Automated Bank Account Ownership Validation

When it comes to bank account changes, verifying ownership with an automated process is a best practice, and even stronger when used with additional layers of access and verification controls. The banking industry and governments around the world continue to develop more comprehensive, authoritative bank account ownership information to protect companies from the financial losses, disruption and negative reputation impacts of bank account fraud.

Examples of regional bank validations are:

USA
Bank account number validation with ownership, address and tax validation (tax number on bank account) via Early Warning Services, LLC

Poland
Bank account number validation with ownership and tax validation (tax number on bank account) via Polish Government

Sweden
Bank GIRO account number validation, with ownership verification including address, Tax ID via Sweden Government web site

India
Bank account number validation, including ownership and PAN (Tax) verification via Indian Government

Layers of Protection

Over the last year and a half, the FBI has reported a dramatic rise in fraud through spoofing, phishing, and business email compromise. And the problem has gotten worse during the COVID-19 crisis, as critical contacts were not in their offices to receive call-backs to confirm bank account changes.

Layers of protection is the most secure way of controlling bank account changes and preventing payment fraud.

Layer 1 >>>

Robust Access Controls

- Role-based view and change access restrictions
- Confirmation that email domain exists and accepts emails
- Multi-factor authentication for password resets, new device or new IP address:
  - One-time code sent to email address
  - Confirms user account still active in the supplier's systems
  - Confirms user has access to the email account
  - Security questions confirm user identity and detect hacked email accounts
- Email change restrictions (based on supplier domain and country)
- Frequency limits on password and security question changes

Layer 2 >>>

Behavior Monitoring

- Automated IP address blocking for suspicious IP addresses or locations
- Alerts for suspicious login and activity pattern

Layer 3 >>>

Bank Account Change Controls

- Bank account info obscured after accepted
- Current bank account info required to change it
- Alerts for bank accounts in a different country than the vendor
- No phone or email bank account change requests
- No more than two bank account changes per month
- Email or text sent to authorized vendor contacts when bank account change is requested

Layer 4 >>>

Real-Time Bank Account Ownership Validation

- Legal entity match required on supplier profile and bank account (US, Sweden, Poland, India); including Early Warning
- Bank account type checked (commercial, individual)
- Bank account is in good standing

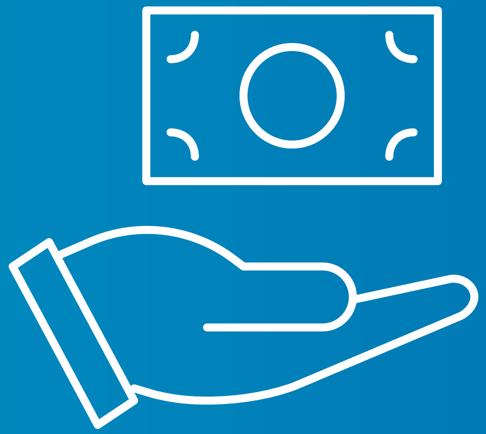
Layer 5

Global Supplier Intelligence Through Community of Buyers

Access a growing database of transactional experience with suppliers. Use artificial intelligence and analytics to develop a score to guide acceptance/ rejection/escalation of a bank account change.

- Was the bank account paid by any of the other buyers in the network?
- Are any other buyers in the network using this supplier?
- How recently was the bank account change accepted?
- How frequently that bank account is used by that vendor?
- How many companies pay that same vendor with the same account number?
- Is the bank in the right country based on the change requested?

Working Capital: Because Cash is King



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Working Capital: Because Cash is King

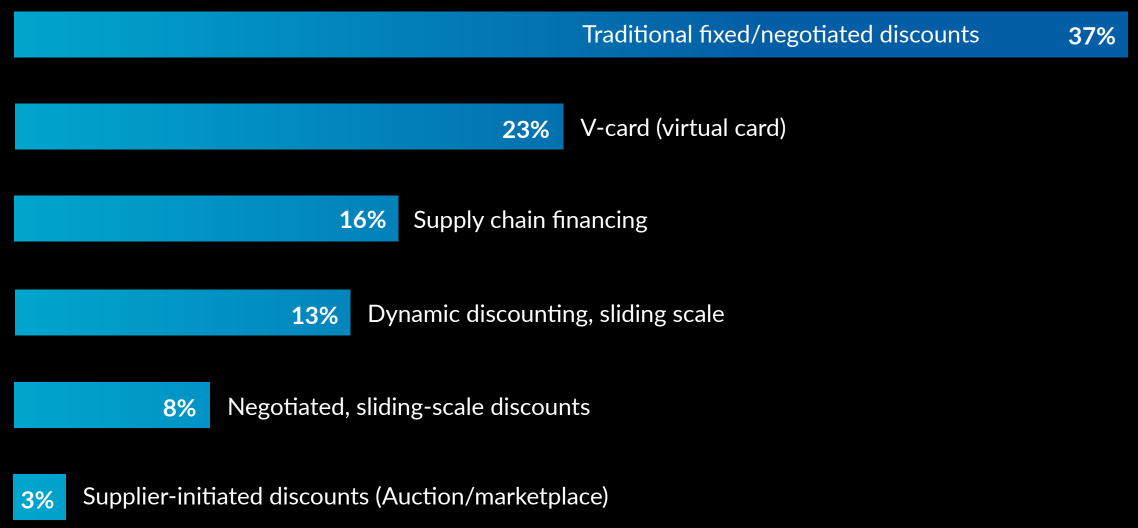
Accounts payable can be a key player in improving a company's working capital and helping suppliers with their working capital opportunities. In a best-case scenario, working capital goals of both the buyer and supplier are met. But it takes insight into the supplier to understand how to get to this win-win. While just 12.5% of the responding companies are capturing information for a working capital contact as part of their supplier onboarding process, more than 85% of the responding companies are offering early payments of some type to their suppliers.

The most common early payment program offered by respondents (Figure 8) are: traditional fixed/negotiated discount (37% respondents), followed by virtual card program (23%), followed by supply chain financing (16%) and dynamic discounting/sliding scale (13%).

Working capital is key right now. Everybody is trying to conserve their cash. Dynamic discounting enables you, as the business owner, to control what kind of discounts you want to offer to a supplier and what's available. And it is definitely worthwhile. Our suppliers take opportunities to use this all the time to get paid a little bit early while giving us a discount.

Tim Pidgeon
Controller Coordinator, Americas Finance, North American Payroll, UPS Global Business Services

Percentage of Respondents Using Six Kinds of Early Payment Programs



(Figure 8)

Insight

Respondents who have a supplier-facing portal for invoice and payment status average 2.2 early payment programs which is 37% more than those who don't have a supplier-facing portal (who average 1.6 early payment programs).

Standard Payment Terms: Policy Plus Compliance

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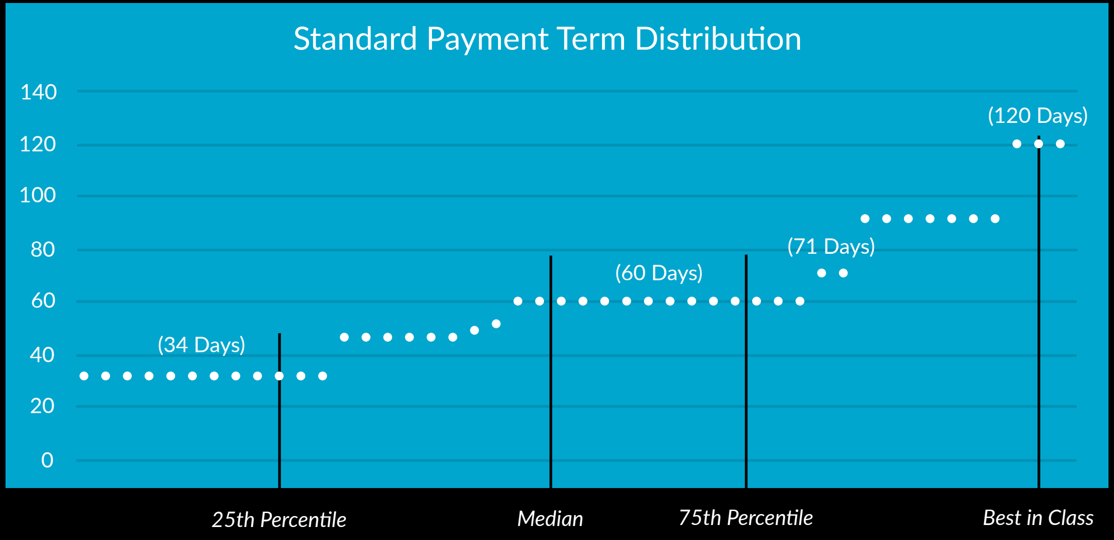
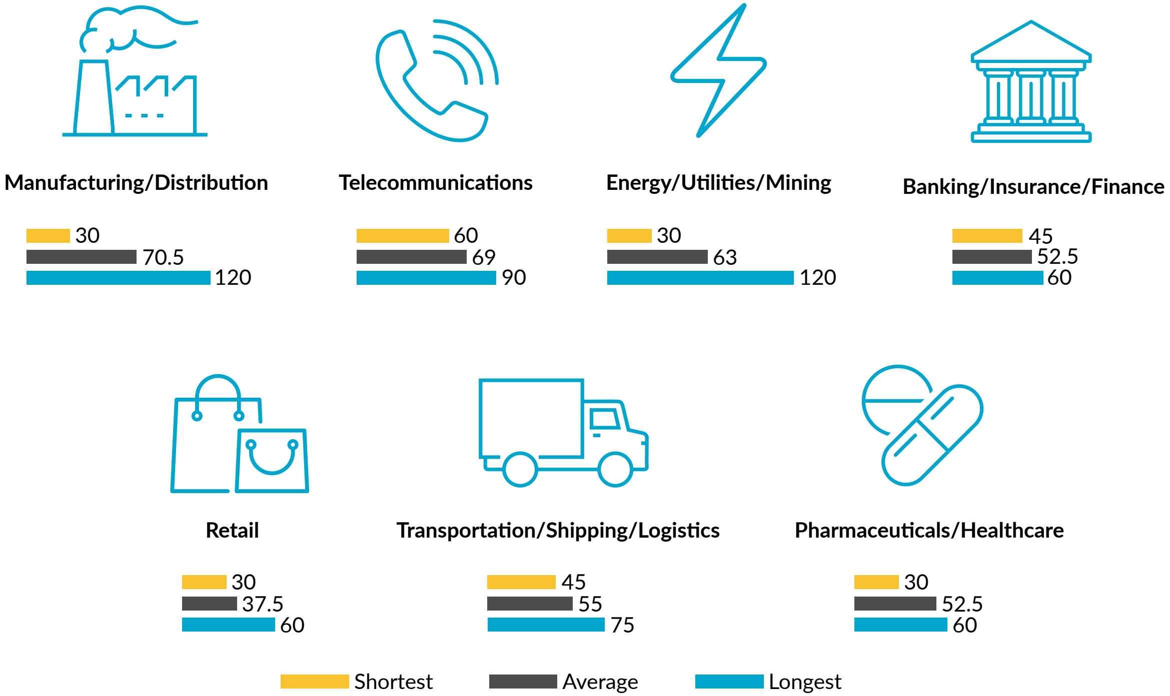
Standard Payment Terms: Policy Plus Compliance

In the apexanalytix 2019 Benchmark Survey Report, we reported standard payment terms have been getting longer. That report showed that the median standard payment term grew to net 45 from a prior net 30. The median standard payment term is net 60 in the 2022 report, representing yet another 15-day improvement over the prior median, to 60 days.

For a company with $1 billion in annual spend, a 15-day improvement in DPO represents over $40 million in additional working capital and over $2 million in savings (assuming a 5% cost of capital). Figure 9 shows the quartile and best-in-class distribution of all respondents' payment terms and Figure 10 shows a table of payment terms by industry.



(Figure 9: Standard Payment Terms Distribution with Percentiles)



(Figure 10: Payment Terms by Industry - minimum of four respondents in industry group)

Figures 9 and 10 show the distribution of standard payment terms reported by the respondents. The average standard payment term across all industries is 59 days; the median is 60.

67 Days

Average Standard Payment Term*

30 Days

Weighted Average Days to Pay*

Insight

1) There is a difference between setting a standard payment term and enforcing it. Despite setting a standard, most companies still have many payment terms, other than their standard, in use. In an analysis of survey respondents' reported standard payment term compared to their actual weighted average days to pay over the 12-month period ending 10/31/2021 (based on actual transactional data where it was available) we saw large discrepancies between the two, on average 42.5 days difference. Two assumptions we can draw from this data are:

- Companies may only be enforcing standard payment terms to a subset of suppliers or spend categories (in some cases a small subset) and/or
- Payment terms projects are a work in progress and being enforced only for new suppliers.

2) On average, standard payment terms for apexanalytix clients are 20 days longer than for non-clients: 67 days compared to 47 days.

* *Where Transactional Data Was Available for Analysis*

Best Practice: When Extending Payment Terms, Offer an Early Payment Program.

Top performers are complementing extension of payment terms with early payment programs.

Early payment programs aren't only good for financially stressed suppliers. Companies who need cash to fund growth or large capital purchases can also benefit from early-payment programs from their buyers. Predictive analytics programs that have a way to score suppliers for their likelihood to participate in early payment options – including criteria like past participation in programs, visits to the self-service portal, industry propensity to accept early payment – can be beneficial and create a win-win.

Sliding scale discounts
Dynamic discounting
Supplier-initiated discounts
V-card
Supply chain financing

Weighted Average Days to Pay by Supplier Category

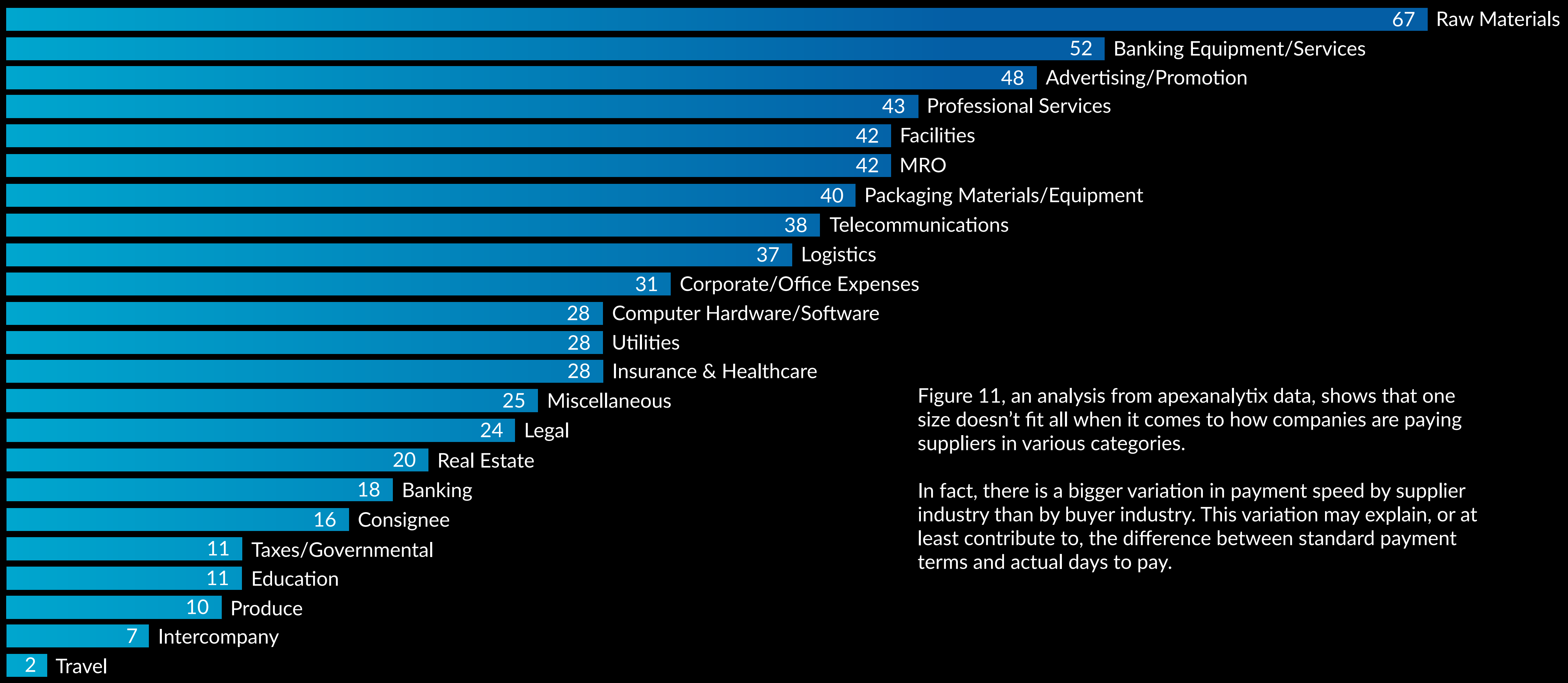


Figure 11, an analysis from apexanalytix data, shows that one size doesn't fit all when it comes to how companies are paying suppliers in various categories.

In fact, there is a bigger variation in payment speed by supplier industry than by buyer industry. This variation may explain, or at least contribute to, the difference between standard payment terms and actual days to pay.

Paid-On-Time, PO-Backed Spend

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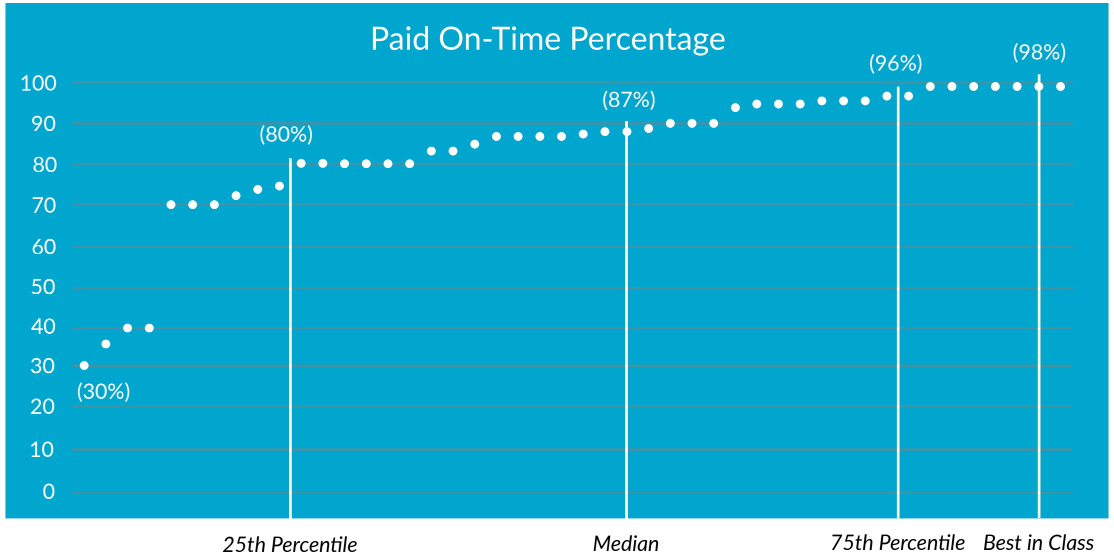
Paid On Time

One of the main missions of accounts payable is to pay invoices on time—that is according to the agreed-upon payment terms (Figure 12). A key performance measure of the effectiveness of the payables process is the percentage of invoices that have been paid on time.



(Figure 12: Paid On-Time Percentage Distribution with Percentiles: All Respondents)

Insight

1) When companies outsource, they have 40.8% more late payments than when they process with their own employees.

2) Banking/Insurance/Finance Companies average 95.3% paid on-time. Telecom averages 88.75%, Transportation/Logistics, 62.6%, Energy/Utilities, 70.75% and Industrial Manufacturing, 80.5%.

3) In the apexanalytix 2019 Benchmark Survey Report, 30% of the respondents reported 90% or more of their payments were made on time. In this survey, the number has increased to 45%. 55% of respondents in the 2019 survey were making 80% or more of their payments on time. The new survey results show that more than 81% of the respondents are making 80% or more of their payments on time. The average is slightly higher for apexanalytix clients: 83.3%.

Paying on time isn't always the goal when you have an early payment program.

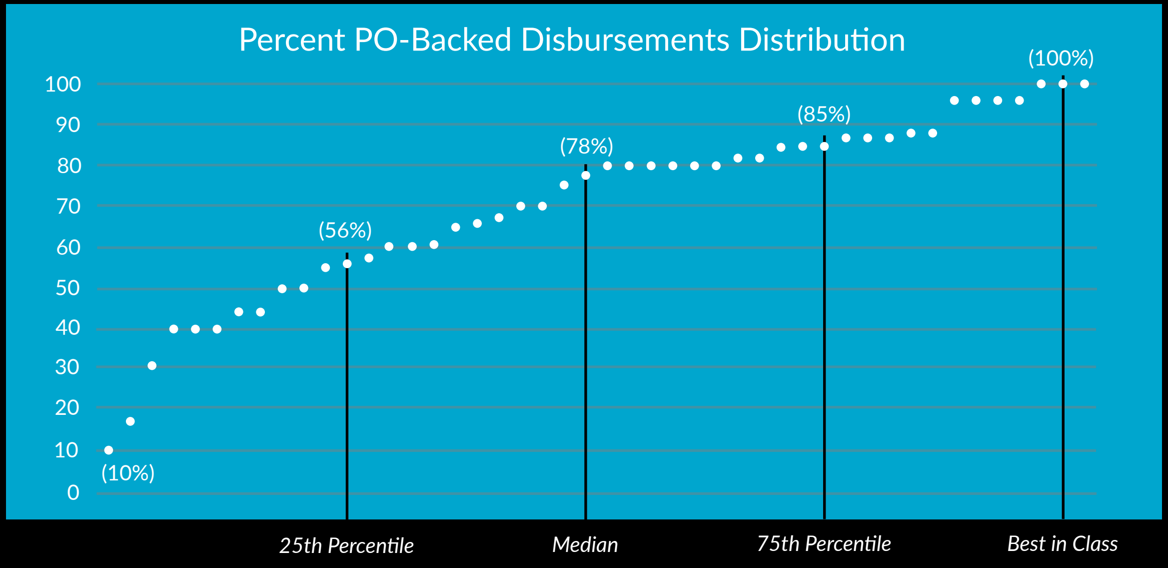
Building on a 30+-year commitment to diversity, equity, and inclusion at Independence Blue Cross, Supplier Diversity Director Chuck Stefanosky bolstered the company's dynamic discounting program for all suppliers with immediate pay terms for diverse suppliers.

Program-generated reporting gave Chuck and his management team precise data on the impact that new payment terms could have on each supplier's working capital. The new strategy provided multiple benefits, including supplier continuity for Independence and cash management relief for the target suppliers.

Chuck Stefanosky
Supplier Diversity Director – Finance, Independence Blue Cross

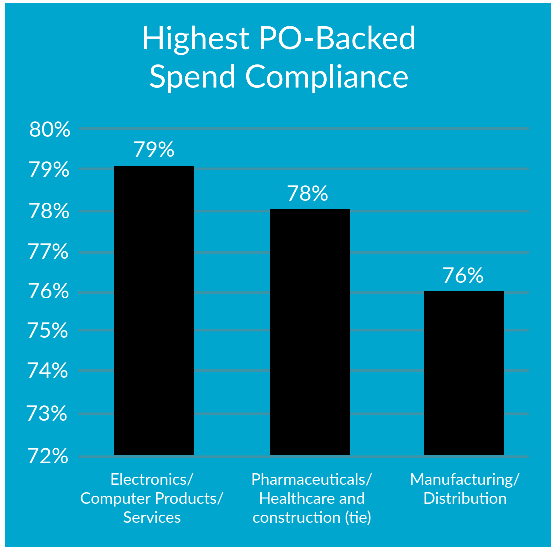
Percent of Spend Backed by a Purchase Order

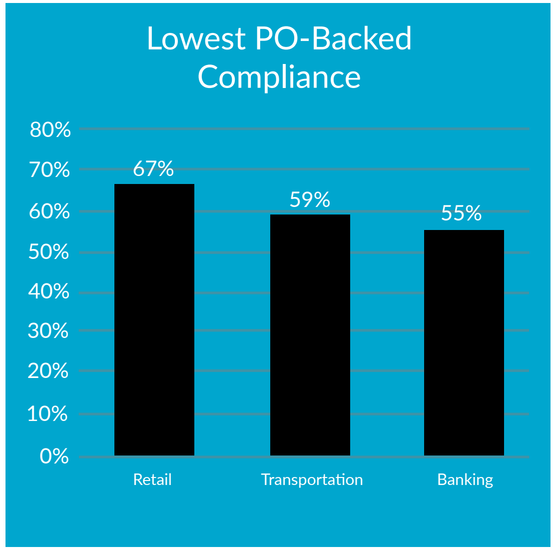
The distribution of the percent of survey respondents' spend backed by a purchase order is shown in Figure 13, and it varies from a low of 10% to a best-in-class level of 100%. Some industries are doing better than others, with manufacturers of electronics and computer products and services in the lead with 79%.



(Figure 13: PO-Backed Disbursements Percentage Distribution with Percentiles: All Respondents)

PO-Backed Spend Industry Performance





Insight

Respondents whose onboarding process begins with receipt of an invoice averaged 50% PO-backed disbursements. Those who collected supplier information with a partially or fully automated portal, and those who required collection of supplier information prior to issuing a purchase order, averaged 73% PO-backed disbursements.

Companies who require supplier information and house it in a portal before a PO can be issued may seem to negatively impact compliance, but the data shows that compliance is better for those.

Accounts Payable Automation: E-Invoicing and E-Payment

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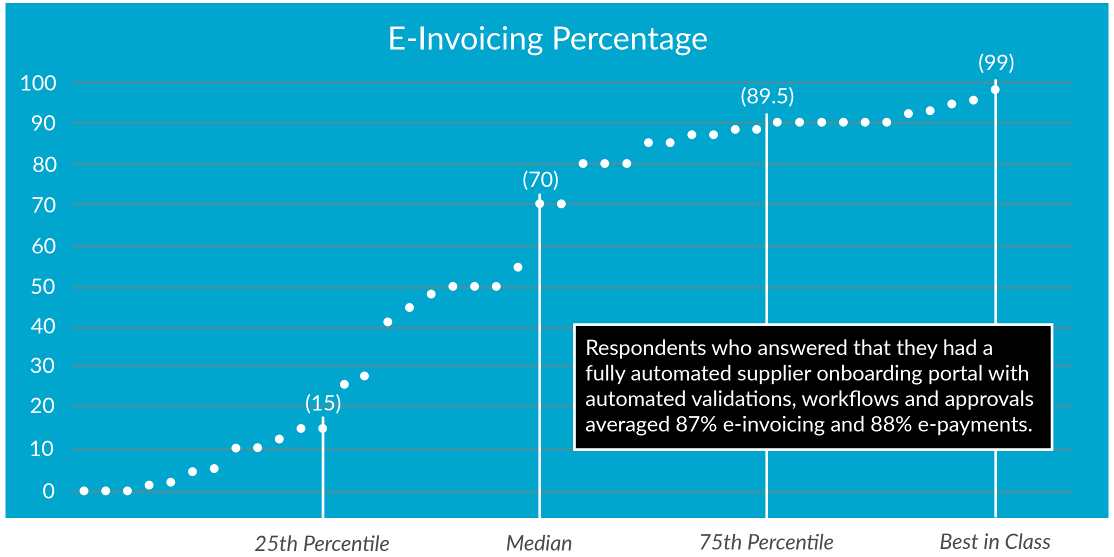
Accounts Payable Automation

The shift to the work-from-home environment that become the standard because of safety protocols during the COVID-19 pandemic helped drive more companies to automation. For many large companies, the change was not disruptive because finance had already implemented systems and processes that automated payments to suppliers and accepted electronic invoices. Figures 14 and 15 show e-invoicing and e-payment distribution for the respondents of this survey.



(Figure 14)

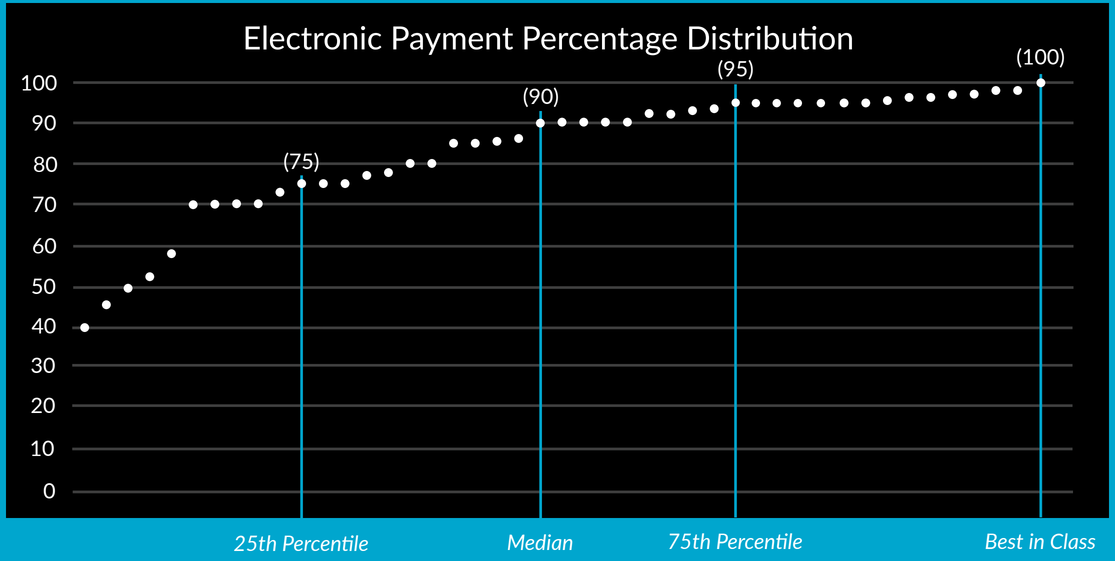
48% of the respondents have 50% or less of their invoice process automated. With work becoming more virtual and the concept of a physical company address for an accounts receivable person at the buyer rarer, requiring and supporting e-invoicing is an even higher priority practice. When you send paper, there is always the risk of non-delivery or mis-delivery. Worst case, the invoice could fall into the wrong hands, providing account and supplier information that someone may use to attempt a fraud. There are also opportunities for duplicate payments when a paper invoice isn't received, and the supplier follows up for payment with a second invoice, an email or a call.

We've always believed in automation when I led Safeway's National Service Center. Since the merger with Albertsons and ongoing growth of the company, reducing manual effort and the cost and risk associated with it, is even more important. We'd already achieved 80% efficiency gains in our inbound vendor support operation so when it came time to look at our supplier onboarding process, we decided to implement a touchless, supplier-facing portal.

The benefits are clear: reduced cycle time, less paper, eliminating duplicate vendor records, extensive risk and fraud controls, automated validations and risk checks and a path for transitioning suppliers from the new companies we are acquiring.

Gregg Maxwell, CPA
Group Vice President, NSC, Albertsons Safeway

Electronic Payment Percentage Distribution



(Figure 15: Electronic Payment Percentage Distribution with Percentiles: All Respondents)

In the Ardent Partners Accounts Payable Metrics that Matter 2021[8] report, payment challenges reported by respondents were, in order: processing manual checks, managing vendor payment/banking details and gaining timely approval of invoices and payments.

That report also indicated that electronic payments were on the rise, with 57% of business-to-business payments being made electronically. Data from the apexanalytix survey, whose respondents are much larger in revenue, spend and best practice, shows much higher electronic payments, with a median of 90% electronic payments. Accounts payable is making progress in overcoming delays, in part by automating receipt and payment of invoices.

Insight

1) The respondents who wait for an invoice to arrive before setting up a supplier have the lowest e-invoicing and e-payment percentages.

2) Companies who have a portal that suppliers can use to check invoice and payment status have a median of 86% electronic payments, compared to 79.5% for those who do not. A supplier-facing portal can be helpful for companies wanting to move more of their suppliers to e-invoicing because it give the supplier a way to post invoices, as well as check status of payment.

[8] From Ardent Partners' AP Metrics that Matter in 2021 ebook; Authors: Bob Cohen, Vice President of Research and Andrew Bartoli Founder & Chief Research Officer; Ardent Partners, Waltham, MA. Copyright 2021 by Ardent Partners.

Recovery Audit

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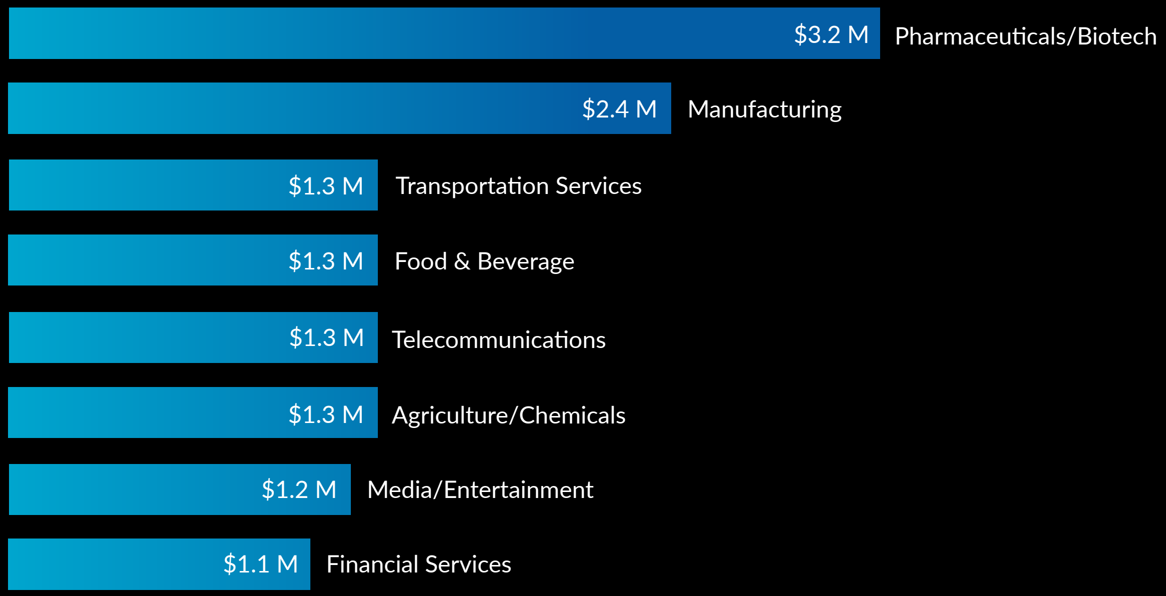
Best Practice: Continuous Recovery Audit

Decline in Recoveries By Year When Audit is Delayed

(Figure 16)

The data proves that a continuous recovery audit is a best practice. An analysis of recent apexanalytix audits representing $4.5 trillion in spend shows that statement recoveries and duplicate recoveries are reduced by an average of 23% for each year you delay an audit after the first recovery audit. And companies aren't finding more overpayments internally during the years that they don't have a third-party audit. Internal teams recover an average of 43% less every year in statement credits and duplicates when they wait to do an audit.

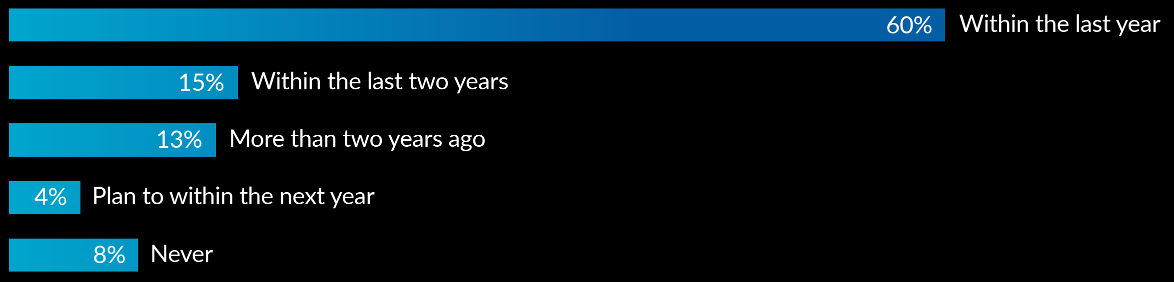
Average Recoveries per $10 Billion in Spend by Industry



(Figure 18: External Recovery Audit Findings as a % of Spend by Industry - Recovery Audit Following Internal Systematic and Manual Controls and Overpayment Recovery Efforts)

Frequency of Recovery Audits by Respondents

The majority (60%) of survey respondents had performed a recovery audit within the last year, and an additional 15% had completed an audit with the last two years. Only 8% of the respondents said they had never performed a recovery audit and had no plans to do so.



(Figure 17)

60%

The majority of survey respondents had performed a recovery audit within the last year.

Insight

1) All but one company whose AP is a profit center said they had performed a recovery audit within the last year; one had performed an audit within the last two years.

2) Every company who hasn't achieved AP profit center status has not performed a recovery audit in the last two years, if ever.

3) Industrial Manufacturing companies had the highest adoption of recovery audits, with five of the six responding companies in that industry indicating that they had performed a recovery audit within the last year. On average, apexanalytix audits for manufacturing companies return $240,000 per billion in spend, 60% more than the average ($143,000 per billion) for all industries, reinforcing the value of audits for the manufacturing industry sector.

What’s the Right Amount of Time to Support an Audit?

A best-in-class recovery audit should take just a few hours on the front end from AP and IT to acquire data. Once the audit is underway, the process should take just a couple of hours a week to meet on status, resolve and questions and approve claims.

Recovery Audit: Why/Why Not?

According to the December 2020 apexanaltyix/SSON survey[9], identifying control gaps and obtaining process improvement recommendations were the top reasons that respondents said they did, or would, conduct a recovery audit (30 of 46 responses). Streamlining AP operations was the second most popular reason (27 responses). Recovering cash came in third.

[9] From 2020 Snapshot of Supplier Risk, Working Capital & Procure-to-Pay Controls benchmarking survey, Shared Services Outsourcing Network (SSON), London, UK. (Survey focused on shared services processes to manage supplier risk, working capital and accounts payable leakage: which tactics are currently in place, and how COVID-19 has impacted priorities, sponsored by apexanalytix). Copyright 2021 by SSON and APEX Analytix, LLC.

Best Practice Vignette: Audit Provides Insights into Gaps in Procure to Pay

Best Practice Vignette:

A business disruption caused Lori Foley, Director, Customer and Vendor Payments, Alaska Airlines to complete a recovery audit to get some cash in the door and get some feedback on control gaps.

The audit turned up large recoveries in warranty credits related to the company's maintenance programs, revealing a disconnect between AP and the supply chain group. As a result of the finding, Lori's team is now working closely with the supply chain buyer that does most of the work with the maintenance team to get a heads up on what AP should be expecting in credits and working directly with the vendors to gain access and visibility to those credits.

Lori Foley
Director, Customer and Vendor Payments, Alaska Airlines

Systems and Staffing

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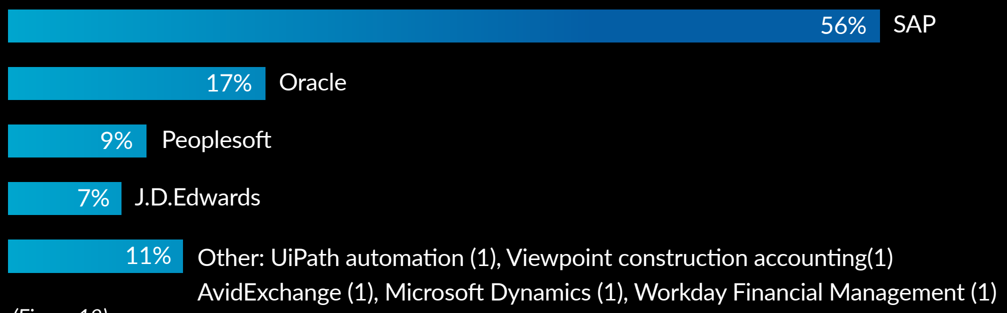
Systems

The systems companies use to make payments and how they staff and organize their disbursement function are fundamental to procure-to-pay best practices. In this area of practice, respondents were asked to identify the ERP systems they use and the number of instances of each. A drop-down list including SAP, Oracle, Peoplesoft, J.D. Edwards, “Internally Developed” and “Other” selections were provided. These choices are based on experience that apexanalytix has with thousands of audit and software projects where we pull data from accounts payable systems. Figures 19 through 21 provide data insights on ERP systems respondents are using.

- SAP is the most common primary ERP system.
- Oracle is the most common secondary ERP system.
- All respondents using JD.Edwards (Oracle) as a primary ERP system are between $2 billion and $5 billion in revenue.
- Other systems were written in by the respondents[11]. The system written in the most frequently is Microsoft Dynamics.

[11] Systems written in by respondents were (those marked with an asterisk were identified as a primary system):
- Ariba Source-to-Pay (SAP)
- *AvidXchange/BankTEL ASCEND
- Concur (SAP) for third-party invoice staging
- Deltek Costpoint
- FlexRFP (from LGX) for competitive bidding
- GEP for third-party requisitioning
- Intacct (Sage)
- JAGGAER front-end for indirect spend, non-capital expenditure
- Infor M3/Movex and AIMS (medical equipment management software)
- *Microsoft Dynamics (3 mentions, one as primary)
- ServiceNow for workflow around vendor management and contract requests
- *Uipath
- *Viewpoint, and
- *Workday

Primary ERP System Used by Respondents

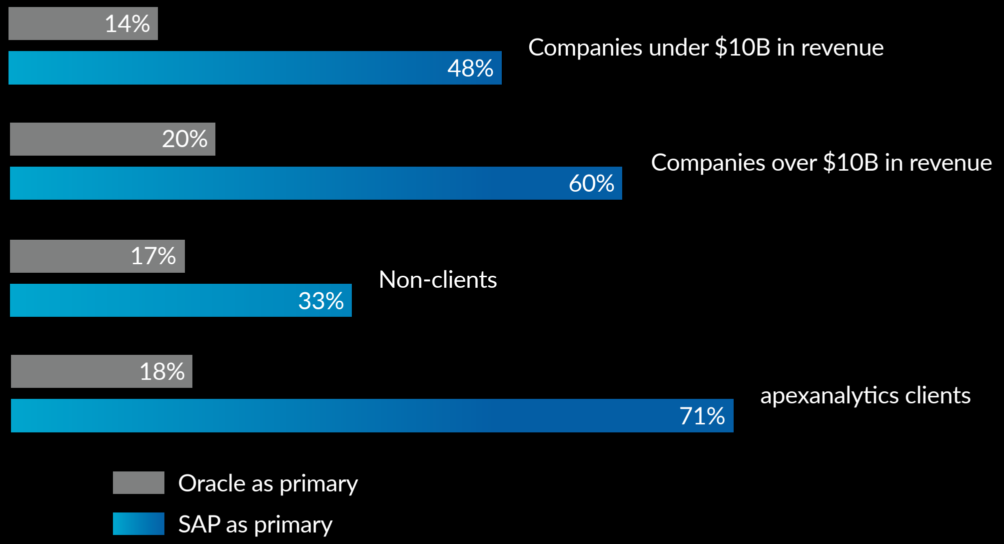


(Figure 19)

Insight

On average, companies of $10 billion in revenue and above had 2.76 instances of ERP systems; companies below $10 billion averaged 2.3 instances. 31% of the respondents have secondary systems and four companies have more than five instances of an ERP system.

Primary ERP System by Revenue, Client Status



(Figure 20)

Accounts Payable Staffing Model

(Figure 21)

Insight

Are companies using their own talent because next generation accounts payable is upskilling and companies want to develop their incumbent talent? According to the most recent Ardent Partners AP Metrics that Matter in 2021 eBook[12] the perceived value of accounts payable has increased. 60% of organizations view the AP function as either "very" or "exceptionally" valuable to organization operations (up from 55% in 2019 and 52% in 2018).

[12] From Ardent Partners' AP Metrics that Matter in 2021 ebook; Authors: Bob Cohen, Vice President of Research and Andrew Bartolini, Founder & Chief Research Officer; Ardent Partners, Waltham, MA. (A compilation of AP benchmarks captured in Ardent's The State of ePayables 2020: Ensuring Continuity, Building Resilience, and Rising to the Challenge,sponsored in part by apexanalytix.) Copyright 2021 by Ardent Partners. Reprinted with permission.

What Does it All Mean?

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Levels of Maturity

The survey results show that shared services and procure-to-pay organizations of some of the largest companies in the world continue to make progress. Organizations faced business, economic and social disruptions in 2020, 2021, and into the present day. But practitioners have shown resilience. In many companies, the changing nature of business brought about by remote work have pushed the agenda on automation and efficiency. "Nice to have" projects of the past have risen to the "must have" category.

What are the opportunities in the near and longer-term? Think in terms of levels of maturity.

Maturity Level One: Procure-to-Pay "Pays" for Itself.

The simplest way to offset the costs of procurement and disbursement operations is to conduct a recovery audit and return to the company money that would otherwise be lost. If you have performed a recovery audit in the past, remember that every year you skip between audits costs you 23% of the overpayment recovery value. Organizations can also offset cost with automation projects that reduce headcount over time, with purchasing/V-card rebate programs, and with payment term optimization.

Maturity Level Two: Shared Services, Procure-to-Pay Become Profit Centers

Only 14% of respondents have reached profit center status. But it is achievable with a combination of strategies: those of the first maturity level plus good master data strategies and working capital programs. Accounts payable – whether part of a shared services organization or not – and procurement have a strategic role to play in improving an organization's working capital. A strong master data foundation is critical. With all of the historical data on suppliers and how they like to be paid, plus a portal that can be used to communicate early payment programs, these organizations can help create the perfect balance between payment terms optimization and early payment programs. Suppliers and the company can be served with the right insights and programs.

Maturity Level Three: Internal Partnerships Create Value.

Accounts Payable. Procurement. Treasury. Corporate Security/Audit/Risk Management. Master Data. Teaming on strategic projects, these organizations can make greater impact than working alone. For example, spend management and optimization rely on accurate and precise industry classification, company hierarchies, and payment data – information that best practices accounts payable and master data organizations compile and maintain. As supplier diversity becomes more important to companies, collaboration among procurement and accounts payable can drive diversity goals for the benefit of the overall procure-to-pay organization, corporate reputation and competitive sourcing, by widening the pool of potential suppliers.

Partnering with Treasury, Accounts Payable can fine-tune working capital programs so that suppliers are presented with the right discounts, at the right rate, and the right time. Analytics can be used to score suppliers' likelihood to accept a discount and a supplier-facing portal, supplemented with automated emails, can present discounts that are easy for a supplier to take, moving discount programs from passive to active.

Last Word: Procure to Pay Has a Critical Role to Play in Supplier Management

The number one reason companies begin a search for a supplier-facing onboarding and management portal is to combat supply chain fraud and risk. Warnings from the Association of Certified Fraud Examiners and the FBI continue to raise awareness and concern about phishing, impersonation, and similar fraud attempts. Global 2000 companies are top targets. Sitting down with your company's fraud and risk organizations, accounts payable is a powerful ally in the layers of security that will prevent suppliers from compromising controls and stealing money from your company.

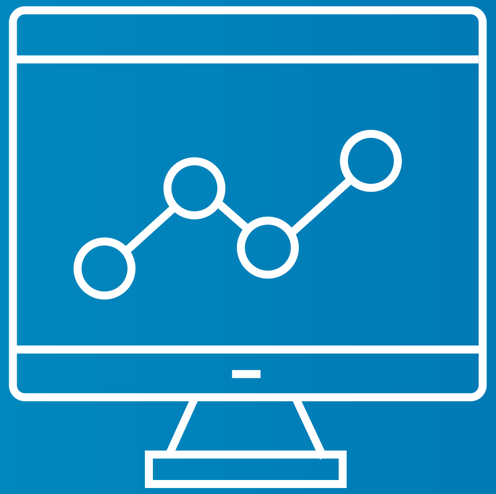
Master data must serve the needs of the business. It is the foundation for many of the strategic initiatives in procure to pay. The best master data strategies are the result of strong partnerships between information technology and the business. The best practice is a highly automated process that sets up vendors with maximum information and minimum time and effort on the part of the vendor master team. What's the right balance? Your company sets up the data you want to collect – the documents, the workflows, the policies, the approvals and the strategic initiatives. Then you turn the registration process around to the supplier. In the background, authoritative third-party sources validate things like tax information, address format, fraud and risk score, bank account ownership – hundreds of external checks – and the approval workflow continues until the supplier is set up. Your FTEs have more rewarding work than chasing down basic vendor information. Over time, as facts about the supplier change, such as address, fraud status, etc., the system alerts your vendor master team. Instead of periodic vendor cleanups, the process is continuous, and automated.

Procure to pay and shared services are part of a value system in the organization. Benchmarking helps you measure your progress.

1

The number one reason companies begin a search for a supplier-facing onboarding and management portal is to combat supply chain fraud and risk.

Participate in Benchmarking



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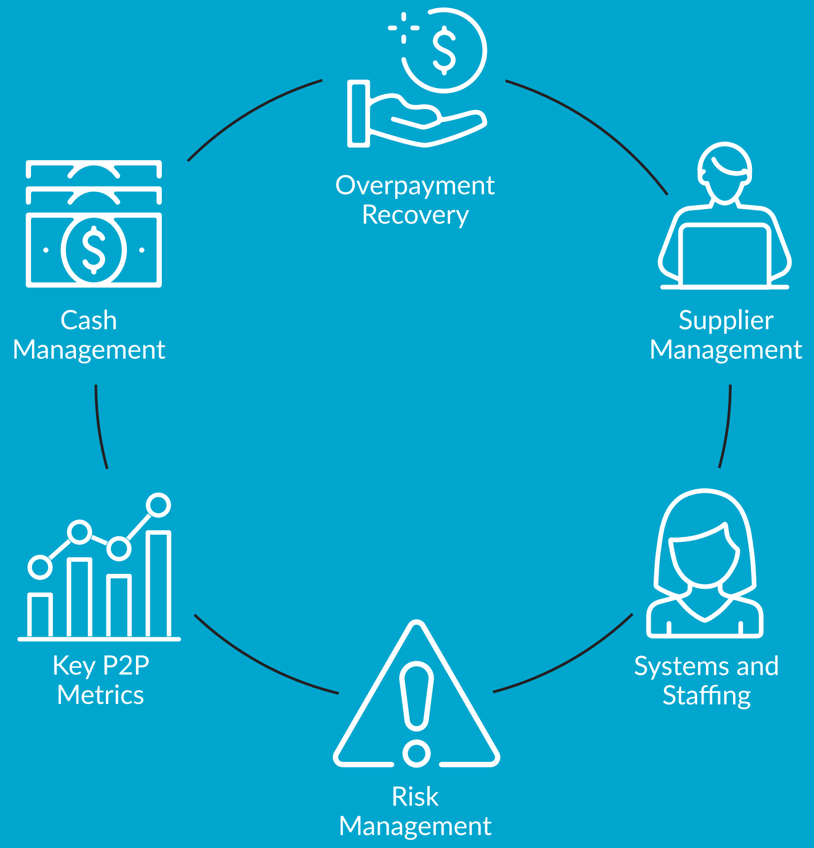
Participate in Benchmarking

Key Practices P2P Benchmarking, part of the Compass Benchmarking series from apexanalytix, gives you an easy and effective way to measure your team's progress and see how you stack up against your industry peers.

How can you use benchmarking?

- Use benchmarking results as part of a business case for an improvement or technology upgrade.
- Establish the "before" benchmark prior to embarking on a quality improvement or process improvement effort.
- Take the survey annually to track your progress in key best practice areas.
- Know where you stand among top companies in your industry.

Key P2P Practices Measurement Areas



About apexanalytix

apexanalytix revolutionized recovery audit with advanced analytics and the introduction of firststrike overpayment and fraud prevention software. Today, apexanalytix also leads the world in supplier management innovation with apexportal and smartvm, now the most widely used supplier onboarding and compliant master data management solution in global procure to pay processes. With over 250 clients in the Fortune 500 and Global 2000, apexanalytix is dedicated to providing companies and their suppliers with the ultimate supplier management experience.