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Transforming Accounts Receivable: ERP Systems Aren't Enough

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Introduction

Large and midsize corporations need more than an enterprise resource planning (ERP) system and their bank's treasury management portal to manage accounts receivable (AR). While capabilities vary among vendors and financial institutions, Datos Insights knows that automated AR management is beyond the reach of most ERPs and financial institutions. However, the adoption of AR automation solutions is low.

This paper will look at the challenges businesses are facing in managing their receivables and the benefits of implementing an automated account receivables solution. Businesses that are contemplating AR automation will see the key advantages and understand the pros and cons of making a change vs. taking no action.

Methodology

Datos Insights is a leading global provider of insights, data, and advisory services to the financial services, insurance, and retail technology industries. This report is based on a Datos Insights survey of 1,037 midsize and large organizations with revenue over US$20 million per year conducted in Q3 2024. The report also leverages past Datos Insights research, extensive conversations with industry experts and practitioners, and the author's extensive knowledge of the market.

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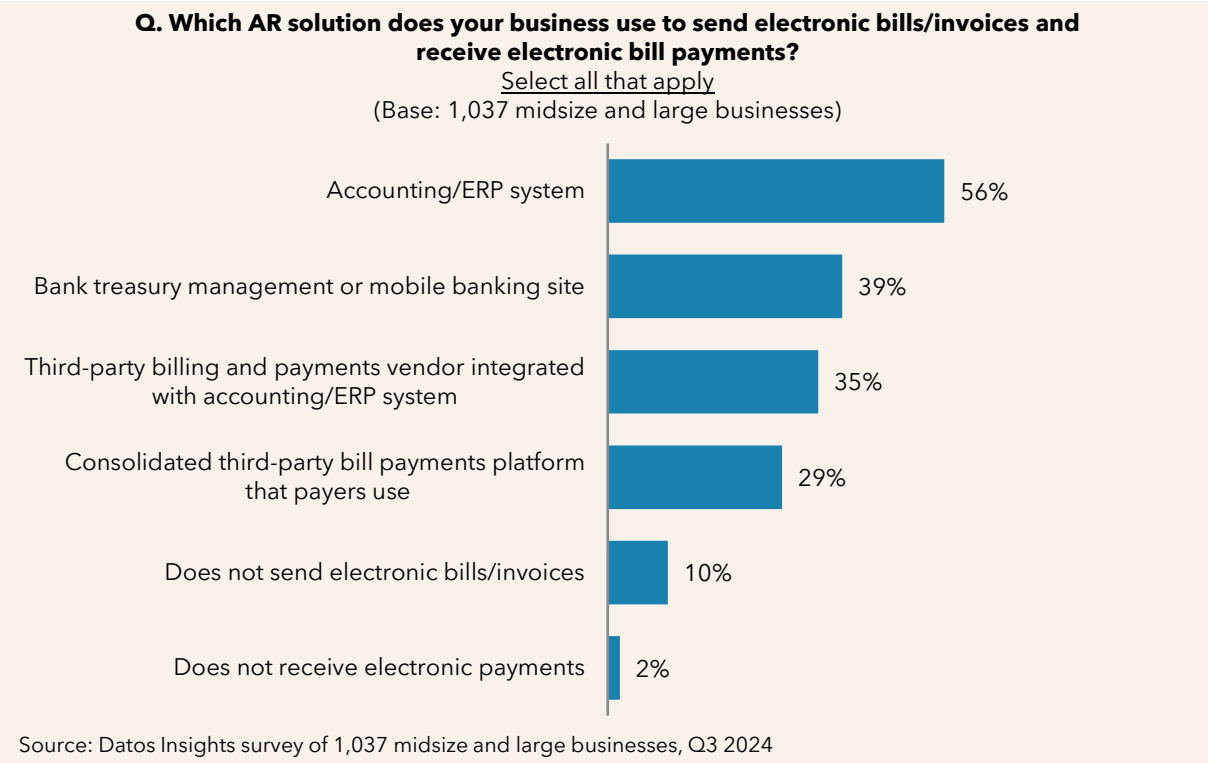
Challenges Managing AR From an ERP

AR management is a multifaceted process that requires presenting invoices to customers, offering payment choices across multiple interfaces (e.g., online, mobile, IVR, paper), receiving payments, and reconciling them. B2B invoices and payments have complex requirements that require matching payments to line-item details on invoices, management of payer discounts, assessment of late fees, and collections management.

Businesses are challenged in managing their receivables process, with most organizations using one or more solutions (Figure 1). This leads to data entry errors, data distributed across numerous systems, and time-consuming reconciliation processes.

Figure 1: AR Solutions Businesses Use



Source: Datos Insights survey of 1,037 midsize and large businesses, Q3 2024

Many businesses are using a combination of ERP and bank treasury management systems to send electronic invoices and receive payments. However, these systems lack the capabilities necessary to automate and manage AR tasks. While there is value in having an

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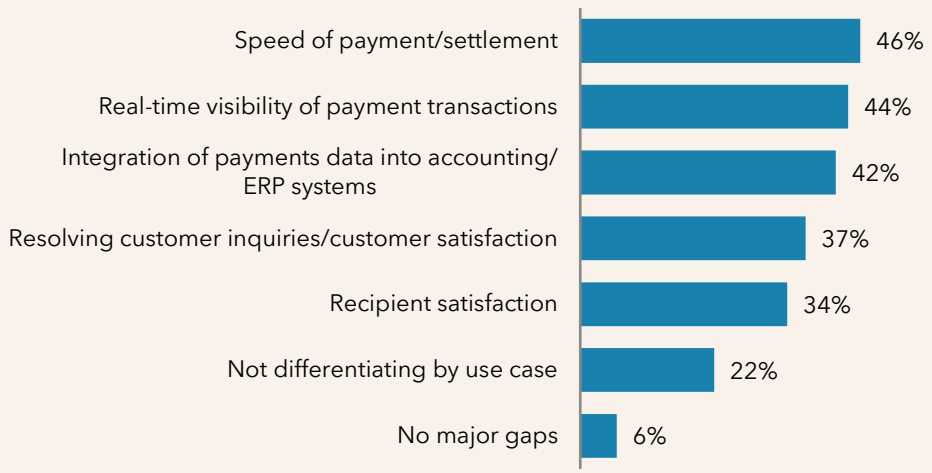
ERP integrated with your bank for accounting and banking activities, neither is well suited to handle complex AR tasks.

When businesses use ERP systems and manual processes to manage AR, it is not surprising to see issues with payment processing. The top two gaps in an organization's payment process are speed of payment/settlement and visibility of payment transactions in real time (Figure 2).

Figure 2: Payment Processing Gaps



Source: Datos Insights survey of 1,037 midsize and large businesses, Q3 2024

Interestingly, many ERPs offer integration options with financial institutions and other vendor solutions. However, integration with ERP systems is the third biggest problem businesses note.

Billers also note dissatisfaction as recipients of payments. Demands for new payment methods strain organizations that are expected to grow and exceed customers' expectations. Given that billers need to accept an ever-increasing variety of payment methods, they struggle to adopt and incorporate new payment methods to satisfy their customers' needs.

In the U.S., businesses make payments with over a dozen payment methods. ACH and corporate cards are the first and second most common; purchasing cards are the third most popular, followed by wires and paper checks, tied for fourth (Figure 3). With paper

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check fraud at an all-time high, businesses and banks are looking to drive more payments through digital channels.

Figure 3: Payment Methods U.S. Businesses Use

Source: Datos Insights survey of 1,037 midsize and large businesses, Q3 2024

Change Is Difficult

Automation of accounts receivable tasks can improve an AR department's efficiency without requiring staff augmentation as businesses grow. While businesses know there are better ways to manage their receivables, changing long-established business practices can be daunting. Organizations have many hurdles to overcome if they want to change their payment processes: Operational/process change demands are the number-one hurdle, cited at 52%, followed by costs (45%) and IT resource demands (41%; Figure 4).

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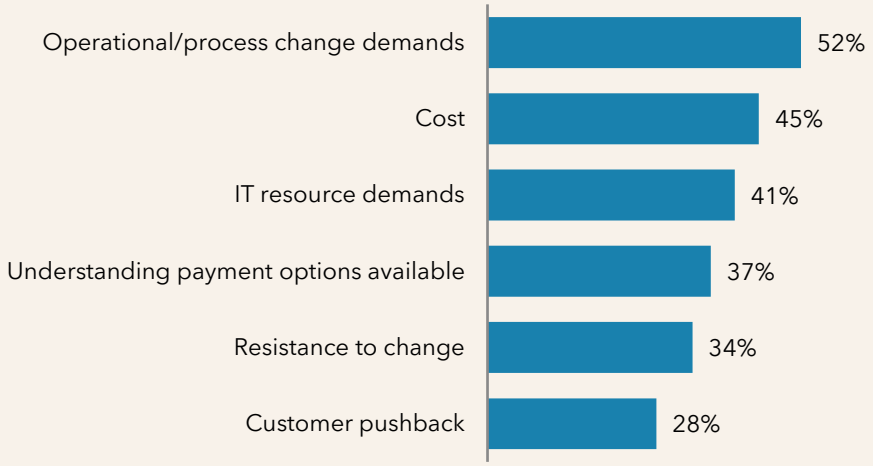
Figure 4: Biggest Hurdles Impeding Change

Q. If your organization wanted to make changes to disbursement/payments methods or processes, what are the biggest hurdles to doing so?
Select all that apply
(Base: 1,037 midsize and large businesses)



Source: Datos Insights survey of 1,037 midsize and large businesses, Q3 2024

A third of the businesses acknowledged resistance to change within their organization. Businesses need to address this concern and reframe automated receivables as better tools and processes that enable employees to streamline AR operations, improve customer service, and focus on strategic initiatives.

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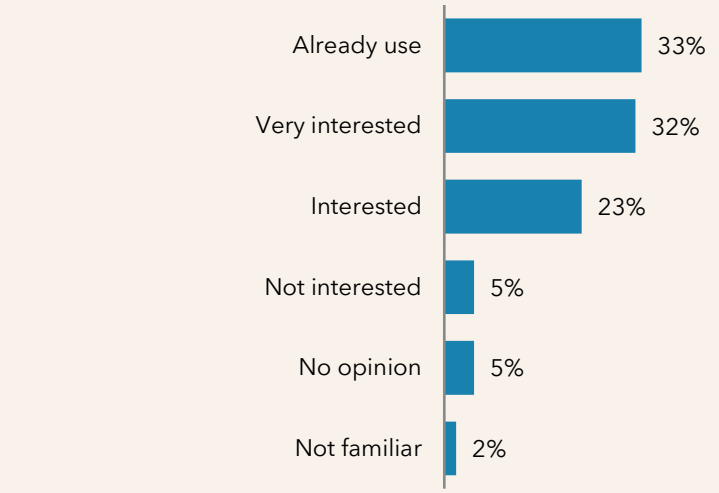
Growing Interest in Automation

Organizations see many hurdles in adopting automated receivables solutions, but there is growing interest and budgets to facilitate these changes. A third of businesses already use automated receivables solutions, and 55% of businesses reported that they are interested or very interested in using one (Figure 5). These results are not surprising given the known issues and challenges businesses face when using multiple systems and disjointed processes.

Figure 5: Interest in Automated Receivables



Source: Datos Insights survey of 1,037 midsize and large businesses, Q3 2024

With growing interest, businesses are likely to start using an AR automation solution in the next one to four years. Over two-thirds have plans to implement one in the next 12 months to two years (Figure 6). These results mean that organizations are looking at vendors and solutions now.

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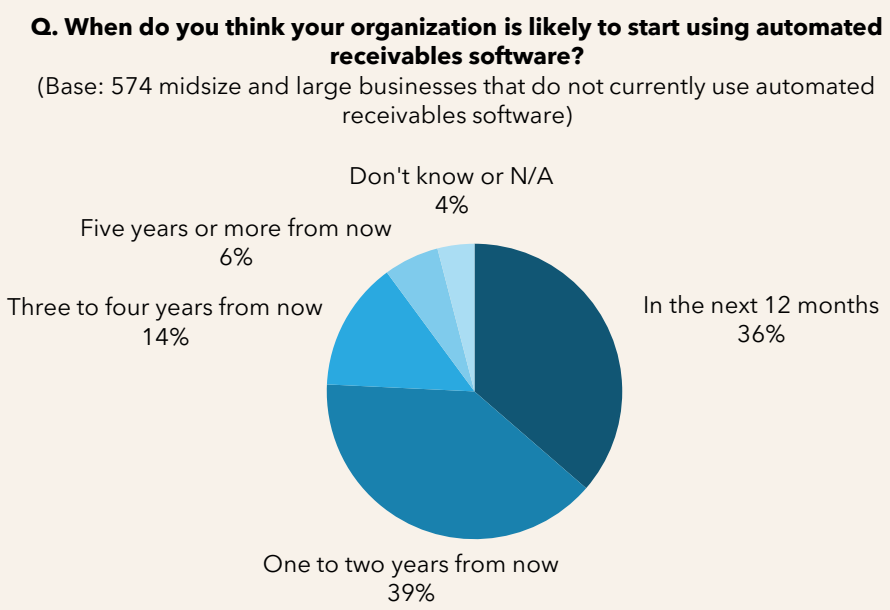
Figure 6: Likelihood of Businesses Using Automated Receivables



Source: Datos Insights survey of 1,037 midsize and large businesses, Q3 2024

Businesses that are making plans and allocating budgets recognize that investing in new technology can lead to significant benefits. Cost was listed as an impediment to adopting AR software by 45% of businesses (Figure 4), but Datos Insights research shows that businesses have plans and budgets to improve their payment processing. Only 5% of businesses cited they had no budget, vs. 76% that have a significant or moderate budget (Figure 7).

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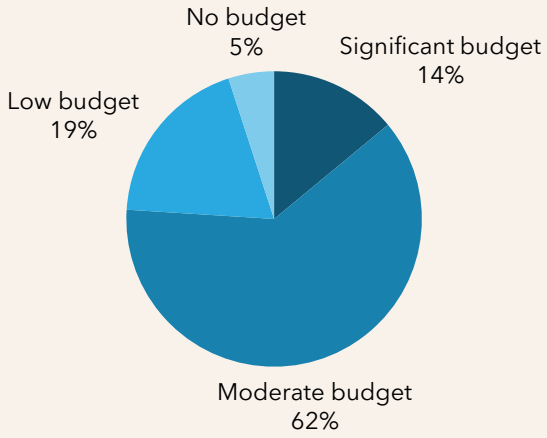
Figure 7: Budget to Improve Payment Processing

Q. How much budget is your organizaiton allocating to improve its payments strategy/processes?
(Base: 1,037 midsize and large businesses)



Source: Datos Insights survey of 1,037 midsize and large businesses, Q3 2024

Solutions that automate invoicing and payment processes reduce manual errors, speed up payment cycles, and improve cash flow management. Automating cash applications and collections helps reduce day sales outstanding and improves working capital. Providing customers with self-service portals where they can view invoices, make payments, and track their account statuses will improve customer satisfaction and reduce the workload on AR teams. Most businesses understand that the cost of doing nothing is greater than the investment in new technology and processes to modernize their AR departments.

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Benefits of AR Automation

AR automation brings an integrated AR and payments experience to an organization. It enables visibility to payment processing in real time, the certainty of payment, and the ability to support new payment methods within a single platform. There are many benefits of an AR automation solution, such as fewer data entry errors and manual tasks, better reconciliation, and improved invoicing capabilities (Table A).

Table A: AR Automation Benefits

Benefit	Key advantages
Increased operational efficiency	• Eliminates manual data entry and paper-based processes • Automates reconciliation and payment matching • Streamlines workflow for exceptions handling • Reduces processing costs and time
Improved accuracy	• Automates manual tasks • Reduces data entry and calculation errors
Accelerated cash flow	• Faster invoice delivery and payment processing • Reduces days sales outstanding • Automates follow-ups for overdue payments • Real-time visibility into cash position
Better customer experience	• Self-service payment portals for customers • Multiple payment options and flexibility • Transparent invoice status and history • Faster dispute resolution
Improved reporting and analytics	• Real-time reporting and analytics • Predictive cash flow forecasting • Customer payment behavior insights • Data-driven credit decisions
Enhanced security and compliance	• Enhanced audit trails and documentation • Ensures compliance with regulatory requirements • Improves data security and privacy to protect sensitive financial information

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Benefit	Key advantages
Scalability	• Can handle increased transaction volume • Easy integration with existing systems • Acceptance of new payment methods
Enhanced collaboration	• Holistic view of data and operations • Centralized platform to manage all tasks • Enables cross-functional team collaboration

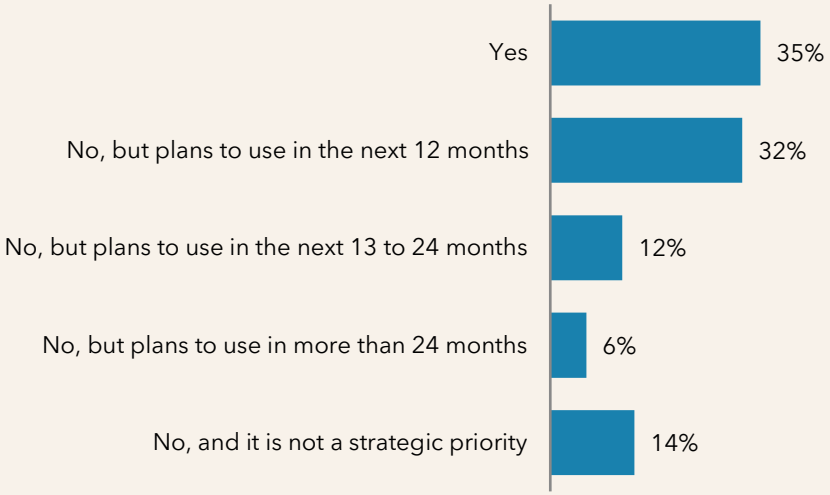
Source: Datos Insights

Leveraging Artificial Intelligence

Artificial intelligence (AI) adoption in AR processing is growing rapidly, automating routine tasks and enabling data-driven decision-making. Over a third of organizations see the benefits of solutions that leverage AI, as it changes the way they do business (Figure 8).

Figure 8: Generative AI Use Is Growing

Q. Does your organization currently use generative AI capabilities, e.g., digital agents/copilots, to help manage its banking and payments capabilities?
(Base: 1,037 midsize and large businesses)



Source: Datos Insights survey of 1,037 midsize and large businesses, Q3 2024

AI can help CFOs and AR teams improve efficiency, streamline operations, and achieve better financial results. The technology allows for re-engineering the order-to-cash cycle, moving beyond just automating existing processes to simplify the work of CFOs and AR teams. AI can curate analytics for different roles, including analytical metrics,

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benchmarking, prescriptive analytics, and cognitive workflows. Moreover, allowing staff to visualize decisions is a key component for growing comfort levels with all automation tools. Business can scale their operations without adding headcount, and employees are freed from mundane tasks using outdated or ill-suited technology.

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Conclusion

- Businesses need to transform their accounts receivable processes with a comprehensive AR automation solution that seamlessly integrates with their existing banking and accounting systems. By automating time-consuming manual processes, AR automation enhances job satisfaction for employees, allowing them to focus on strategic initiatives that drive company growth while providing an improved customer experience.

- Organizations face significant challenges managing AR through ERP systems alone, with most using multiple solutions that lead to errors, scattered data, and time-consuming reconciliation processes. Businesses that do not address these challenges are perpetuating issues with customer satisfaction, employee job fulfillment and outdated organization processes.

- Despite hurdles like operational change demands, costs, and IT resource constraints, businesses are implementing AR automation. With more than two-thirds of businesses planning implementation within two years, the time is now to adopt automation to remain competitive.

- The majority of businesses have allocated budgets for improving payment processing, recognizing that the cost of maintaining the status quo exceeds the investment in modernizing AR departments. Automation can be achieved in phases that align with budgets, achieving short-term improvements that begin the journey to long-term automation goals.

- Businesses evaluating AR automation solutions must consider the multiple benefits beyond ERP capabilities, including increased operational efficiency, improved accuracy, accelerated cash flow, and enhanced customer experience through features like self-service portals and multiple payment options. These advantages will differentiate businesses from their competitors, driving greater client adoption and return on investment.

- Vendors are leveraging AI capabilities within their AR automation solutions. AI adoption is enabling organizations to move beyond simple automation to achieve data-driven decision-making and allowing staff to focus on strategic initiatives rather than mundane tasks.

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Finance leaders turn to Billtrust to get paid faster while controlling costs, accelerating cash flow, and maximizing customer satisfaction. As a B2B order-to-cash software and digital payments market leader, Billtrust helps the world's leading brands move finance forward with AI-powered solutions to transition from expensive paper invoicing and check acceptance to efficient electronic billing and payments. With more than 1 trillion invoice dollars processed, Billtrust delivers business value through deep industry expertise and a culture relentlessly focused on delivering meaningful customer outcomes.

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