



WHITE PAPER

# The State of Accounts Receivable Part Two: A Guide to Modernization





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367

AR professionals  
interviewed

## About this study

In the spring of 2021, Paradoxes, Inc. was commissioned by Billtrust to conduct an extensive qualitative and quantitative research study to better understand the current state of the accounts receivable (AR) industry in the United States. The research covered current trends, challenges, priorities, systems, tools and modernization efforts within the AR function which includes many aspects of the types of payments accepted.

Dozens of 60-minute in-depth interviews were conducted, and an online survey of 367 AR professionals was fielded in organizations of greater than 125 employees and between \$50 million and \$10 billion in revenue.

Like many industries, AR is in the midst of digital transformation. This transformation is aimed at using modern technologies, systems, tools and processes to create operational efficiencies, shift resources to higher value activities, lower costs and achieve competitive advantage. This two-part white paper first provides an understanding of the current state of AR and where organizations are on their journey to modernization.

In part two, we will pinpoint what a modern AR organization looks like, how you can assess your organization to determine your modernization stage, what steps you can take to move from your current stage to more mature stages and the benefits from doing so.

# Current state of accounts receivable



Nearly half of organizations surveyed indicated they are sending an average of 10,000 to 25,000 invoices per month. About 30% sent less than 10,000 and 22% sent more than 25,000. Accounts receivable (AR) teams are spending the most time on cash application and reconciliation, credit, collections, payments and invoicing.

Contrary to what AR organizations reported, there are numerous indicators suggesting AR departments are not as modernized as they think they are:



# AR teams' overall perception of their department as modernized and reality are not aligned. We know the truth lies somewhere in the middle.

This study indicates there is a small percentage of strategic, innovative, and highly modernized AR teams. There are a portion that are not modernized whatsoever, however, the vast majority sit somewhere in between. The second phase of this study moves beyond self-reporting into a data driven approach to identify modernization. In part two, we are showing what a modern AR organization looks like, providing a checklist so you can assess the modernized state of your AR organization, and showcasing what steps an AR team can take to move to a more mature state. Importantly, we are highlighting the operational, financial, employee, and customer benefits you can expect to experience from modernizing your AR systems, tools and processes.





# Perception of customer experience

# Survey participants believe there is high satisfaction with their AR teams among both their executives and the customers they serve.

AR teams rate the level of satisfaction their executives feel toward their team (% very satisfied + % somewhat satisfied) at 82%. This closely matches AR teams' perceptions of how satisfied they think their customers are with their function at 84%.



**82%** of executives were at least somewhat satisfied with their AR teams

**84%** of customers were at least somewhat satisfied with their AR teams



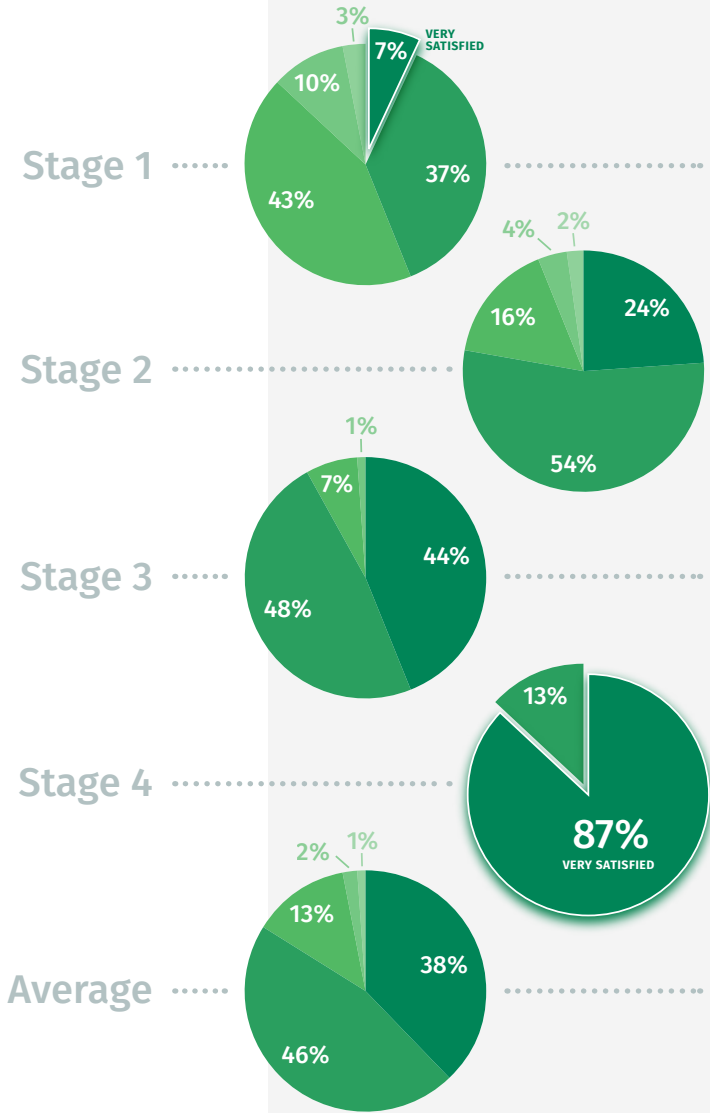


The importance of digital modernization becomes apparent as we compare perceived customer satisfaction with perceived level of frustration customers experience using AR systems and processes across the four modernization stages (Stage 4 being most modernized and Stage 1 being least modernized). In Stage 4, the belief customers are satisfied with their AR experience is 80% higher than those in Stage 1 for “top box” (very satisfied). This is mirrored with regards to frustration, where 42% of those in Stage 4 indicated their systems are not frustrating at all.



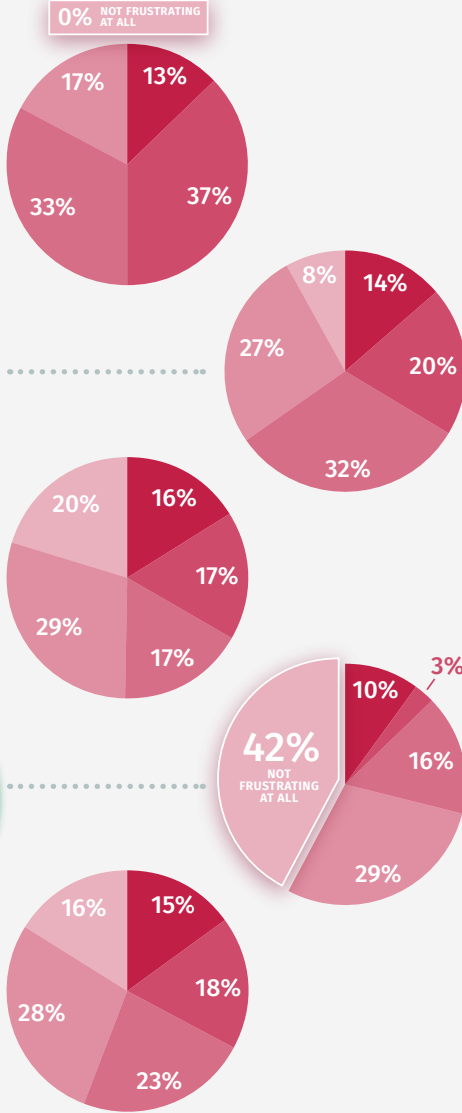
**FIGURE 1**  
**SATISFACTION WITH CUSTOMERS**

“How satisfied do you think your customers are with the quality of invoices, payment processing and options for payments?”



**FIGURE 2**  
**FRUSTRATION FOR CUSTOMERS**

“In your opinion, how frustrating are your existing AR systems and processes for your AR customers to use?”



# Key performance indicators

One of the key findings from the study are the types of KPIs used by AR departments. In Figure 3, we see Stage 1 has a high use of DSO and Percent Balance Past Due. However, as the level of modernization increases, those numbers drop to around 25% and there is a higher use of Customer Satisfaction, Cash Conversion, Collections Effectiveness, and Collections Recovery KPIs. This reflects an AR team focus shift from immediate cash in the door (less mature) to more programmatic efforts to manage collections and deliver customer satisfaction (more mature). This illustrates not only the technology that changes as a team matures, but also the ways in which the team measures performance with available tools.

**FIGURE 3  
KPIs**

*“Which of the following KPIs/benchmarks are used within your organization’s AR department? Please select your top 3.”*

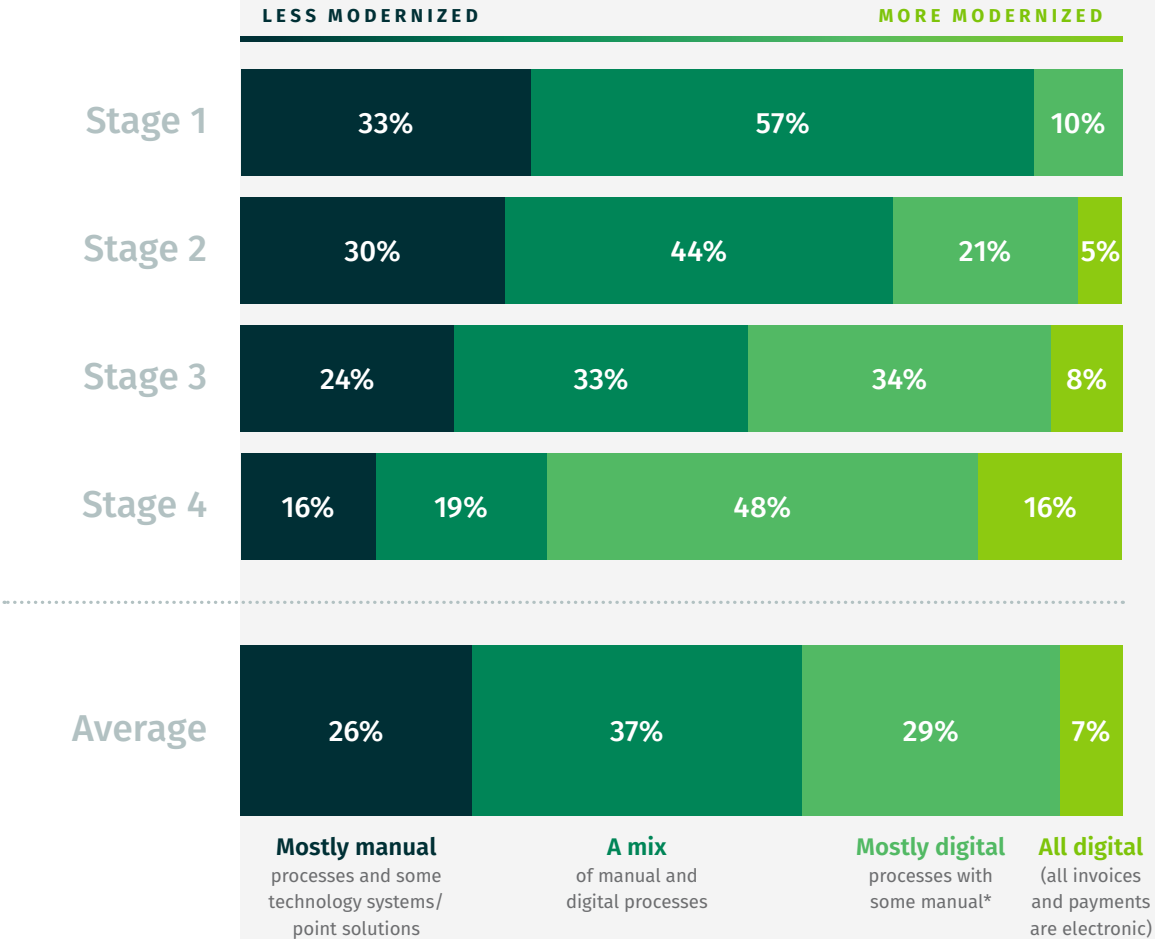
	STAGE 1	STAGE 2	STAGE 3	STAGE 4	AVERAGE
Days sales outstanding (DSO)	47%	31%	24%	23%	28%
Best possible DSO	13%	15%	19%	13%	16%
Cash conversion cycle	13%	21%	16%	29%	19%
Collections effectiveness index (CEI)	10%	27%	29%	29%	27%
Collections recovery	3%	16%	17%	26%	16%
Average days delinquent	17%	17%	12%	13%	14%
Automatic application match	10%	15%	22%	23%	19%
Turnover ratio	10%	14%	13%	10%	13%
Percent balance past due	43%	21%	16%	13%	20%
Number of revised invoices	0%	9%	13%	16%	11%
Staff productivity (e.g. # calls made, # successful calls made)	20%	21%	22%	19%	21%
Bad debt to sales ratio	33%	21%	22%	13%	22%
Percent of credit available	7%	12%	12%	16%	12%
Percent of high-risk accounts	3%	16%	20%	6%	16%
Customer satisfaction	23%	23%	21%	35%	23%
Error reduction	0%	12%	15%	16%	13%
Other, please specify	3%	0%	0%	0%	0%
None of the above	0%	1%	2%	0%	1%

# Data reveals a self-perception bias

In Phase 1 Billtrust allowed customers to self-identify on their current stage of digital maturity. In Phase 2, the data was evaluated at the question level to understand which questions had the biggest impact in defining digital maturity. If we examine self-identified responses from Phase 1, we notice a propensity to self-select into maturity Stage 2, Stage 3, and Stage 4. When digging deeper into the data, we were able to identify Stages 1 and 2 fall at nearly the exact same level as the self-identification in Phase 1, but the data showed nearly 20% of the self-identified Stage 4 group slips back into the Stage 3 maturity group. This leads us to believe AR teams are overstating where they are in the maturity stage, primarily in the upper stages and most overstated in Stage 4.

**FIGURE 4**  
**SELF-IDENTIFIED MODERNIZATION LEVEL**

*"Which of the following best describes your AR organization in terms of digital modernization?"*



\*Sending mostly electronic invoicing, less than 25% made via paper check

**FIGURE 5**  
**SELF-IDENTIFICATION VS. DATA-IDENTIFICATION**

**Self-Identified**



**Data-Identified**





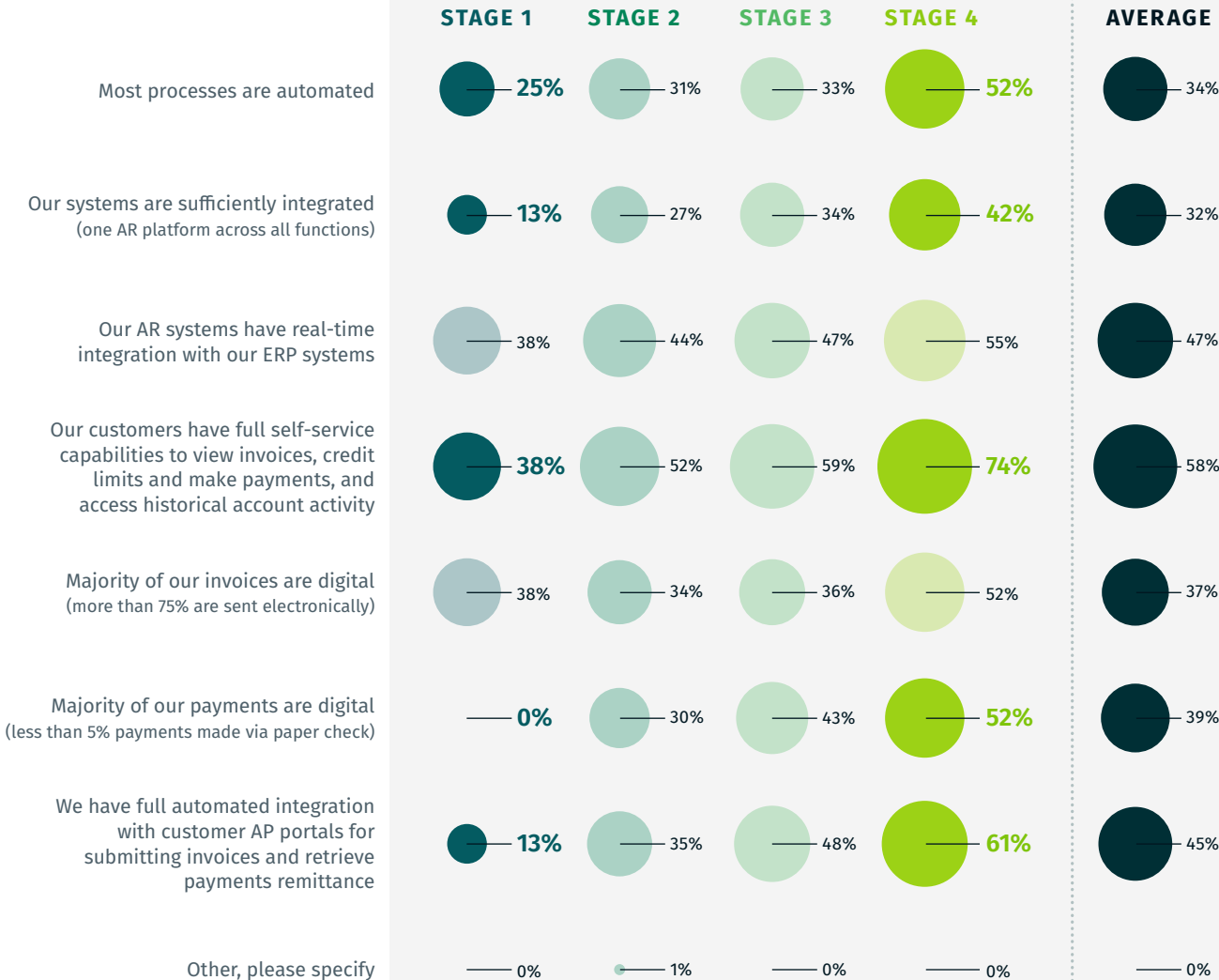
# Modernization in systems and tools

# So what is making the self-identified Stage 4 and Stage 3 self-select as digitally mature?

What we observe in the data is 50% of AR teams have adopted real-time credit risk monitoring, credit application, and cash application software and tools. Payment solutions, invoicing automation, and integrations into third-party accounts payable solutions and/or payment/card programs are the next most prevalent technologies used. The use of these technologies is more pronounced in Stage 3 and Stage 4 with the largest gaps in integration, full-service capabilities for customers, and automated integration with AP portals.

**FIGURE 6**  
**REASONS FOR PERCEPTIONS OF MODERNIZATION**

*“For what reason(s) do you consider your AR organization as digitally modernized? Please select all that apply.”*



Additionally, the level of importance applied to the components of transformation between Stage 3 and 4 and Stage 1 is visible (Figure 7) with gaps between 40 to 60 percent greater for the more modernized teams as well as the gaps in progress (Figure 8).

**FIGURE 7**  
**VERY IMPORTANT COMPONENTS FOR TRANSFORMATION**

*“How important are each of the following components for digitally transforming AR?”*  
*Answer: “Very important”*

	STAGE 1	STAGE 2	STAGE 3	STAGE 4	AVERAGE
Ability to deliver invoices & statements via multiple channels	23%	23%	30%	65%	30%
Shifting from paper checks to digital payments (ACH and credit card)	13%	32%	32%	58%	32%
Real-time centralized AR interactions with your customers	3%	26%	34%	81%	33%
Automation of routine AR tasks	13%	19%	35%	68%	31%
Establishing a secure portal for customers to manage, view and pay electronically	7%	25%	24%	77%	28%
Automation of cash application	13%	33%	41%	52%	37%
Automation of collections	3%	25%	35%	65%	32%
Automation of dispute resolution	0%	21%	36%	71%	31%
Shifting towards a single source of truth for all AR metrics	10%	15%	31%	71%	28%

**FIGURE 8**  
**VERY FAR ALONG PROGRESS IN TRANSFORMATION**

*“In your opinion, how far has your organization progressed in digitally transforming the following AR components?”* Answer: *“Very far along”*

	STAGE 1	STAGE 2	STAGE 3	STAGE 4	AVERAGE
Ability to deliver invoices & statements via multiple channels	3%	8%	21%	42%	17%
Shifting from paper checks to digital payments (ACH and credit card)	3%	4%	19%	42%	15%
Real-time centralized AR interactions with your customers	3%	8%	25%	48%	20%
Automation of routine AR tasks	0%	9%	29%	58%	23%
Establishing a secure portal for customers to manage, view and pay electronically	7%	15%	26%	45%	23%
Automation of cash application	10%	10%	32%	42%	24%
Automation of credit application	0%	6%	28%	55%	21%
Automation of collections	0%	7%	29%	30%	20%
Automation of dispute resolution	0%	9%	30%	45%	22%
Automation of deductions	0%	7%	30%	42%	21%
Shifting towards a single source of truth for all AR metrics	0%	8%	20%	45%	16%

# Benefits of modernization

A woman wearing a light-colored hijab and a matching long-sleeved blouse is seated at a desk. She is looking down at a smartphone held in her hands. Her right hand is resting on her chin, and her left hand is holding the phone. The background is a soft, out-of-focus office setting. The entire image has a teal color overlay.



As AR departments move through the stages of modernization, there is also a change in how they view the benefits both to their employees and customers.

The technology initiatives they are most likely to investigate or trial in the next 12-36 months are campaigns to move customers to (accepting) electronic invoices and making electronic payments, credit (credit application and management), adding new forms of payment, and real-time payments. As they do this, Stage 4 is more focused on straight-through processing to remove collection friction and lower costs (e.g. faster payments, collections improvement, the ability to adapt to change internally, and well-organized cash application) and improving the customer experience (e.g. better customer service).

**FIGURE 9**  
**BENEFIT TO INTERNAL TEAMS**

*“What are the benefits to your internal teams for having a modernized AR system? Please select all that apply.”*

	STAGE 1	STAGE 2	STAGE 3	STAGE 4	AVERAGE
<b>Faster, more efficient processes</b>	<b>40%</b>	<b>38%</b>	<b>25%</b>	<b>48%</b>	<b>32%</b>
Cost savings	30%	29%	20%	29%	25%
Reduction or reallocation of headcount	23%	33%	30%	26%	30%
Fewer errors	47%	32%	23%	26%	28%
<b>Better customer service</b>	<b>40%</b>	<b>44%</b>	<b>33%</b>	<b>65%</b>	<b>40%</b>
Quicker processing of sales orders	23%	37%	30%	32%	32%
<b>Customer service has opportunity for higher-level tasks</b>	<b>33%</b>	<b>35%</b>	<b>34%</b>	<b>26%</b>	<b>34%</b>
Decreased time spent managing customers	30%	38%	28%	29%	31%
Decreased DSO	37%	27%	31%	23%	29%
<b>Collections improvement</b>	<b>40%</b>	<b>36%</b>	<b>31%</b>	<b>58%</b>	<b>35%</b>
Ability to adapt to changes	24%	23%	28%	65%	29%
Other, please specify	3%	0%	0%	6%	1%



**FIGURE 10**  
**BENEFIT TO CUSTOMERS**

*“What are the benefits to your customers for having a modernized AR system? Please select all that apply.”*

	STAGE 1	STAGE 2	STAGE 3	STAGE 4	AVERAGE
Refresh credit more quickly	27%	26%	24%	35%	26%
<b>Self-service capability</b>	<b>43%</b>	<b>29%</b>	<b>28%</b>	<b>52%</b>	<b>32%</b>
Cost reduction	37%	32%	23%	35%	28%
Easier payments	37%	32%	25%	52%	30%
Diversified payment options	27%	24%	28%	35%	27%
<b>Delivery of invoices in the way customers want</b>	<b>40%</b>	<b>41%</b>	<b>38%</b>	<b>39%</b>	<b>39%</b>
<b>Faster payments</b>	<b>33%</b>	<b>36%</b>	<b>27%</b>	<b>58%</b>	<b>33%</b>
Disputes resolved in a more timely manner	33%	32%	28%	19%	29%
<b>Increased satisfaction/ improved customer experience</b>	<b>43%</b>	<b>50%</b>	<b>34%</b>	<b>42%</b>	<b>41%</b>
<b>Well-organized cash application</b>	<b>33%</b>	<b>28%</b>	<b>34%</b>	<b>45%</b>	<b>33%</b>
Save time	40%	31%	24%	42%	29%
Save money	30%	21%	15%	26%	19%
Other, please specify	0%	0%	0%	3%	0%



# Assessing your AR modernization stage

One of the key outcomes of this study was to help AR organizations identify what modernization stage they're in and what next steps they need to take to move to the next stage.

Of the questions asked in the Phase 1 maturity work, the following were identified as key differentiators:



## 5 key questions for gauging maturity

1

What best describes your AR organization in terms of digital modernization?

SEE FIGURE 4 ON PAGE 12

2

For what reasons do you consider your AR organization to be digitally modernized?

SEE FIGURE 6 ON PAGE 15

3

How important is each component for digitally transforming AR?

SEE FIGURE 7 ON PAGE 16

4

How far has your organization progressed in digitally transforming each AR component?

SEE FIGURE 8 ON PAGE 16

5

As you are planning your priorities for the year, rank each AR area in order of priority for your organization.

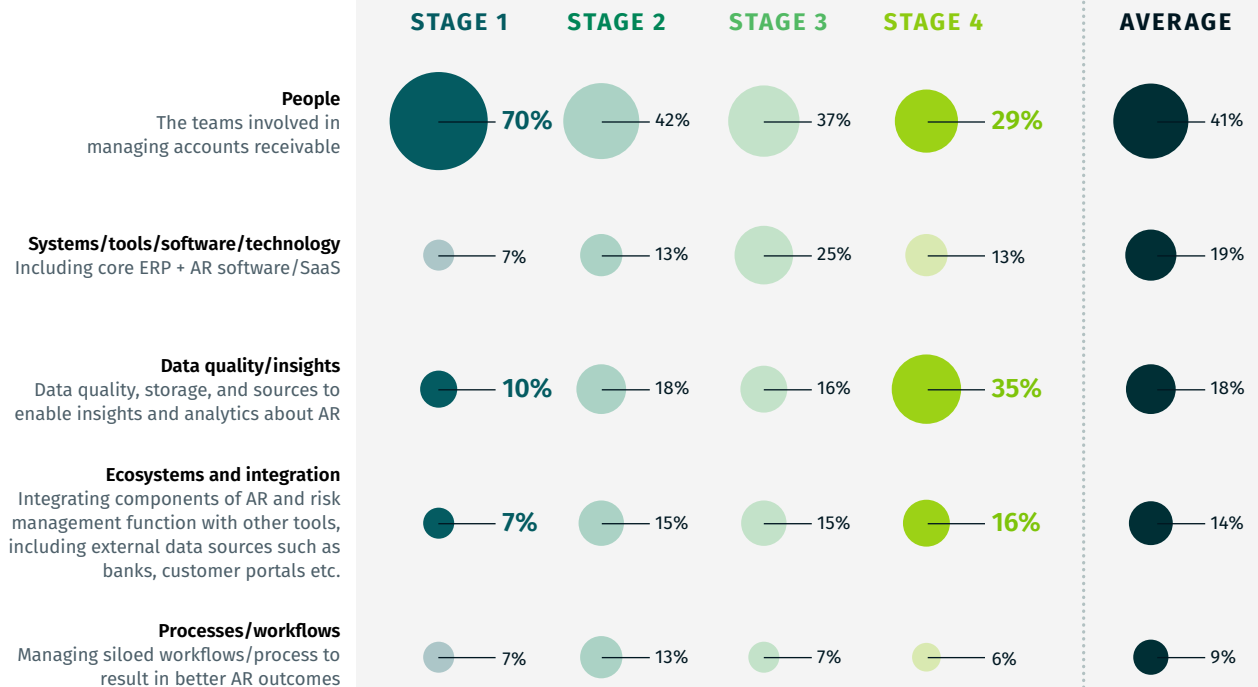
SEE FIGURE 11 ON PAGE 22

## Differences in AR department priorities

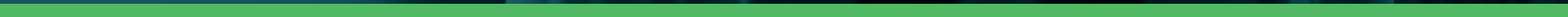
When Phase 1 of this maturity research was conducted, five overarching priority categories for AR modernization were identified: People, Systems, Data, Ecosystems, and Processes. As we look back six months to the beginning of this work, a key insight comes from evaluating differences in prioritization across Stage 1, Stage 3 and Stage 4. If we focus only on People (Figure 11), there is a 40-point gap between Stage 4 and Stage 1, showing **Stage 1 massively over-indexes on focus on People** (70% first select). There are also pronounced gaps for Data (25-point gap between Stage 1 and Stage 4), and Ecosystems (9-point gap between Stage 1 and Stage 4), highlighting **Stage 1 being primarily focused on people and manual systems** due to their reliance on people and antiquated systems vs. modernized systems, processes and tools.

**FIGURE 11**  
**PRIORITY FOR 2021**

*“As you are planning priorities for 2021, please rank the following AR areas from highest to lowest priority for your organization”*



# Conclusion







## 5 KEY QUESTIONS FOR GAUGING MATURITY

**What best describes** your AR organization in terms of digital modernization?

**For what reasons** do you consider your AR organization to be digitally modernized?

**How important is each component** for digitally transforming AR?

**How far has your organization progressed** in digitally transforming each AR component?

As you are planning your priorities for the year, **rank each AR area in order of priority** for your organization.

In order to modernize your AR department to realize the benefits of faster, more efficient processes; better customer service, collections improvement, cost savings and decreased errors, it's imperative you first determine what modernization stage your organization is in using the five key questions identified above.

Once identified, next plot the key systems, tools and processes you believe will have the most immediate impact on your team's efficiency and customer satisfaction.

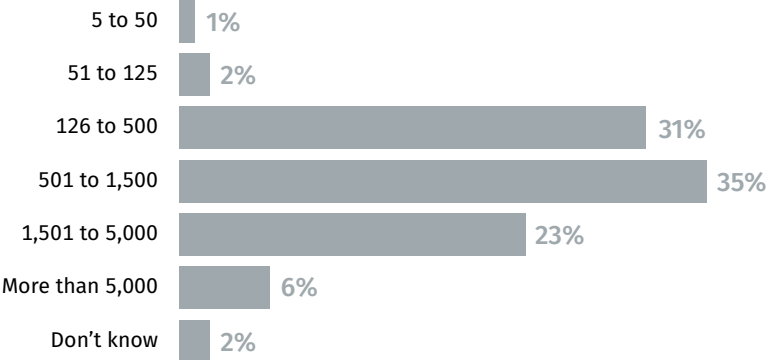
Once selected, these systems, tools and processes will serve as the next steps your organization should take to progress to the next stage of AR modernization, getting you closer to realizing the full benefits that come with modernization.



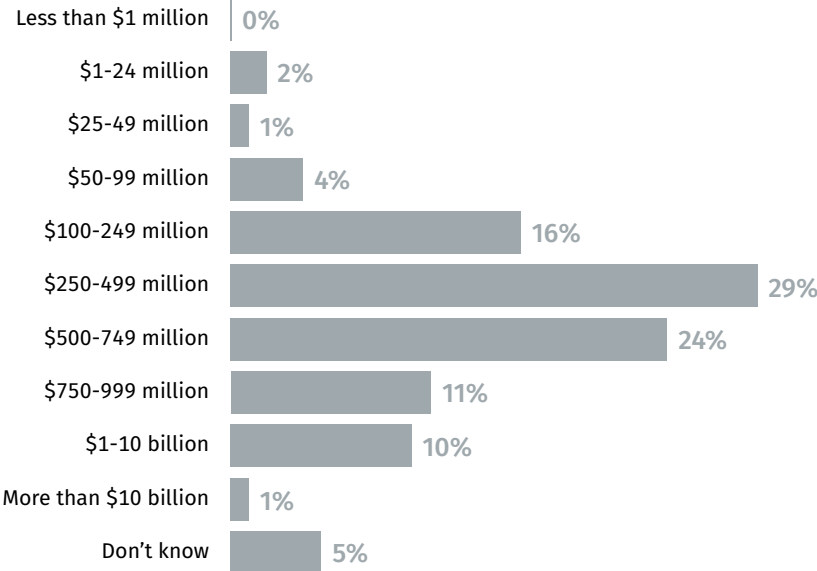
# Participants

The survey was conducted with members of accounts receivable teams with the following firmographic and role characteristics:

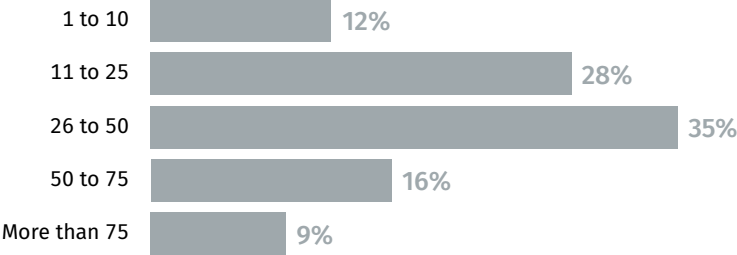
### NUMBER OF EMPLOYEES:



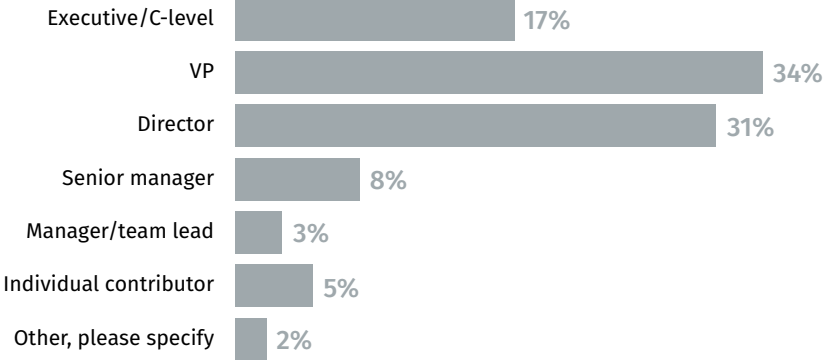
### ANNUAL REVENUE:



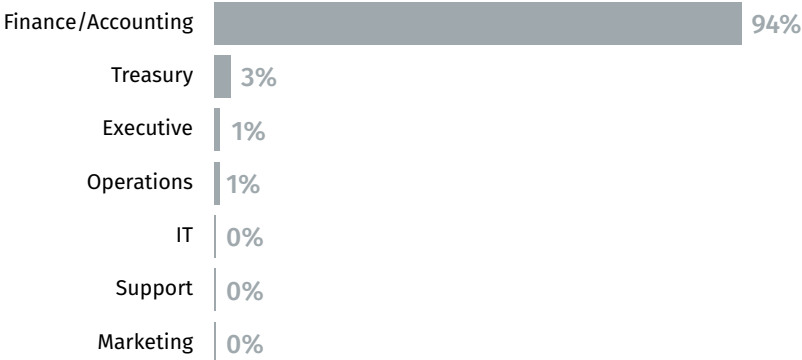
### SIZE OF AR TEAM:



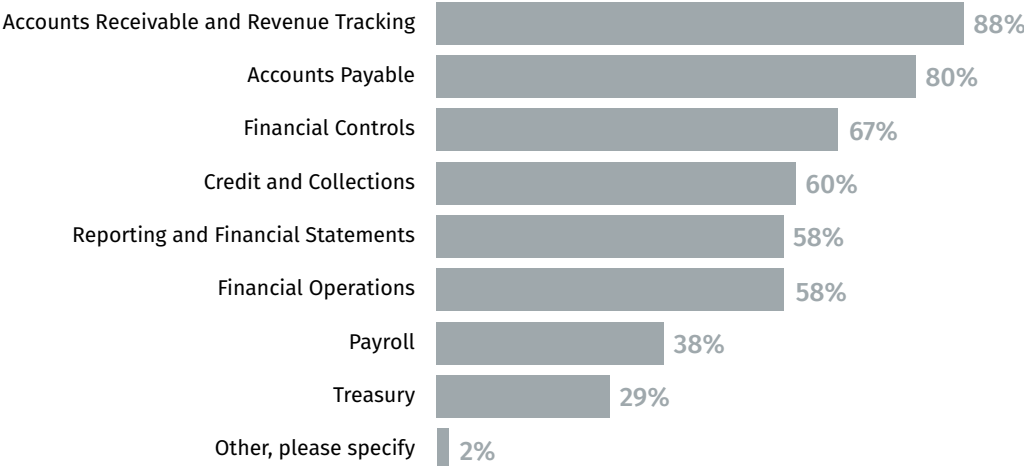
**ROLE IN ORGANIZATION:**



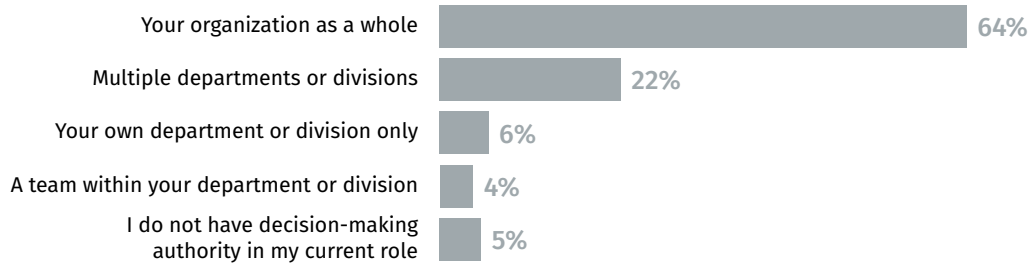
**COMPANY DEPARTMENT:**



**RESPONSIBILITY WITH COMPANY:**



**DECISION-MAKING AUTHORITY:**



**DECISION-MAKING FOR DEPARTMENTS:**

