

# THE STRATEGIC ROLE OF THE CFO PLAYBOOK

## AR/AP DIGITIZATION AND THE PUSH TO ENHANCE CUSTOMER VALUE

**The Strategic Role Of The CFO Playbook,** a PYMNTS and Versapay collaboration, draws from a survey of 400 CFOs in March and April 2021 to provide a firsthand account of how businesses in key industries — real estate, wholesale trade and industrial/manufacturing — are investing in AR and AP digitization to accelerate their cash flows, provide customers with more transparency and better support customer relationships. We sought insight into how CFOs in these sectors are contending with the pandemic's impact on their cash flow, the payments cycle and payments operations.



# THE STRATEGIC ROLE OF THE CFO

PLAYBOOK

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# EXECUTIVE SUMMARY

**T**he wheels of commerce shifted down into first gear during the COVID-19 pandemic's first wave. Businesses experienced severe disruptions to their normal operations, and many companies experienced cash crunches as their customers delayed making payments.

As painful as this experience was, chief financial officers (CFOs) at many organizations quickly recognized that the upheaval created an opportunity. Digitization projects simmering on the back burner for years were soon prioritized. Companies began to invest in technologies designed to improve their cash flow management, payments processes and the quality of communication with their clients. To many CFOs, these digitization projects would make their payments operations

more efficient. By collaborating with their customers through a cloud-based portal, digitization would provide customers with an abundance of information, including payments histories, invoices and supporting documentation about each order that was filled and on which they owed a payment. By improving transparency in their payments and billing processes, companies believe they are opening the door to closer, more collaborative experiences with customers that will increase the value of these relationships.

Our research finds that nearly one-third of CFOs say the pandemic prompted them to digitize their accounts receivable (AR) and accounts payable (AP) operations. Other companies are moving rapidly to digitize their platforms if they have not already begun the process. Approximately three

out of five CFOs see digitization as an opportunity to transform their payments functions. For most companies, the transformation will lead to greater transparency of their payments processes for both customers and suppliers. The improved transparency is a stepping stone to the increased value of customer relationships over the life of those engagements. Many companies expect these improvements to assist their efforts to better manage cash flow and capital.

The Strategic Role Of The CFO Playbook: AR/AP Digitization And The Push To Enhance Customer Value, a PYMNTS and Versapay collaboration, draws from a survey of 400 CFOs conducted in March and April 2021 to provide a firsthand account of how businesses are investing in AR and AP digitization to accelerate their cash

flows, provide customers with more transparency and better support customer relationships. Participants hailed from United States-headquartered businesses across 18 sectors generating at least \$25 million in annual revenue. We focus on key industries — real estate, wholesale trade and industrial/manufacturing — to gain insight into how companies in these sectors that can benefit from implementing AR/AP digitization are contending with the pandemic's impact on their operations, including its effects on cash flow, the payments cycle and payments operations. Companies in these industries have been among the most innovative in implementing digitized AR and AP platforms.

**This is what we learned.**

**MOST CFOs IN KEY VERTICAL MARKETS  
— REAL ESTATE (95%), WHOLESALE TRADE (94%)  
AND INDUSTRIAL/MANUFACTURING (98%) — SAY THEY ARE  
UNDERTAKING DIGITIZATION OF THEIR AR AND AP SYSTEMS  
TO BENEFIT CUSTOMERS AND SUPPLIERS.**

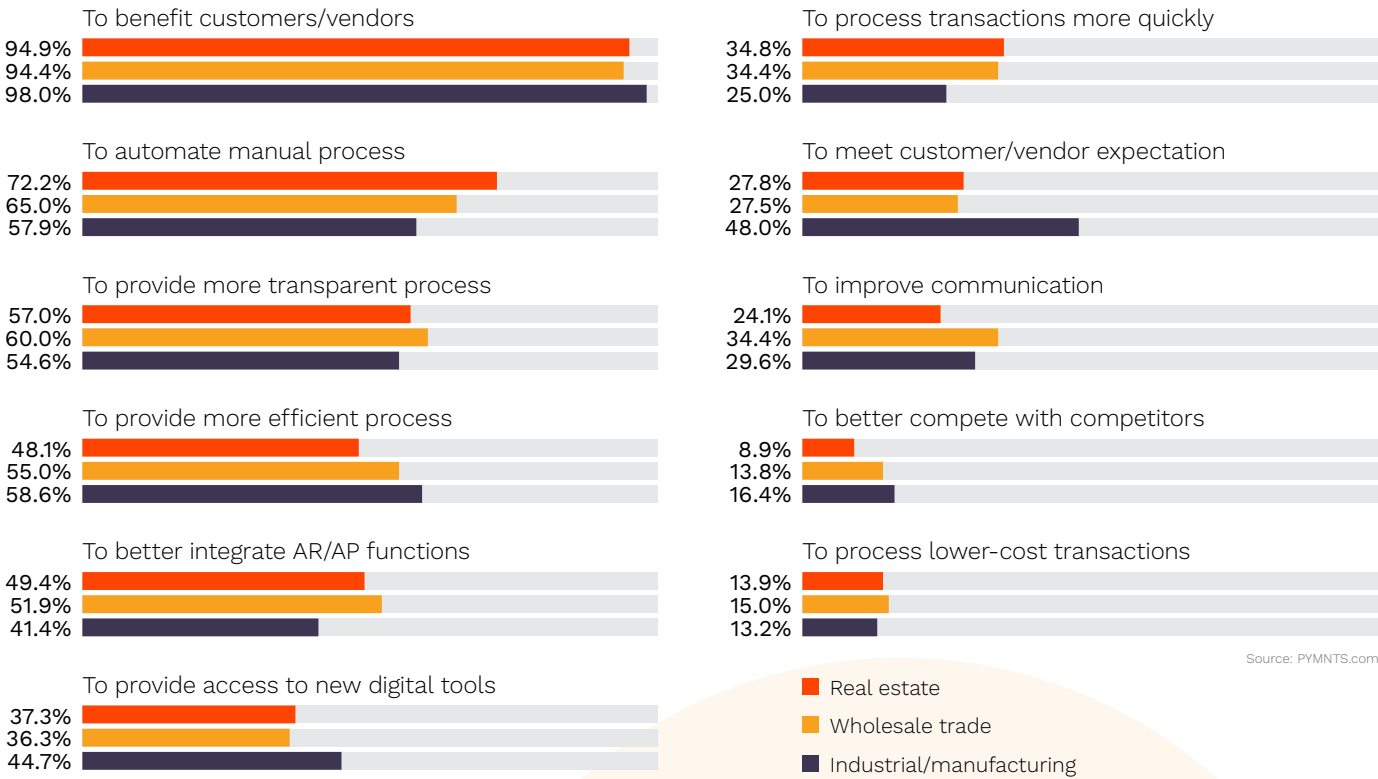
**P**YMNTS’ research finds that most companies are digitizing their AR and AP systems if they have not already done so. CFOs say the increased transparency and improved communication provided by digitization will help establish more collaborative relationships with customers, and they consider digitization an opportunity to provide customers with more transparency about the products and services they have purchased and their payment terms.

CFOs across multiple industries cite the importance of automation of manual processes. Increased transparency and improved efficiency for customers and suppliers are important benefits of digitization. Fifty-seven percent of CFOs at real

estate companies believe digitization will pave the way to a more transparent process for customers and suppliers, as do 60% of CFOs at wholesale trade companies and 55% at industrial/manufacturing companies. CFOs also largely agree that AR/AP digitization will create a more efficient process for customers and suppliers: 48% of real estate CFOs, 55% of wholesale trade CFOs and 59% of industrial/manufacturing CFOs expect to realize improved efficiencies.

Many CFOs also agree that by integrating invoices with other customer documentation, they can improve the quality of the information they relay to customers and make the collections process more efficient.

**FIGURE 1:**  
**Reasons for digitizing AR/AP workflows**  
Reasons CFOs plan to digitize AR/AP functions



FIFTY-NINE PERCENT OF CFOs AT REAL ESTATE, WHOLESALE TRADE AND INDUSTRIAL/MANUFACTURING COMPANIES REGARD AR/AP DIGITIZATION AS AN OPPORTUNITY TO TRANSFORM THEIR BUSINESSES.

The push to digitize payments has been underway for years as companies have sought to make their payments operations faster and more efficient. Once the pandemic locked down much of the economy, digitization programs took on a new urgency as companies contended with a host of disruptions to their every-day operations. Seventy percent of CFOs say COVID-19 delayed payments, 69% say it made optimizing costs more difficult and 61% say it increased days sales outstanding (DSO).

69%  
OF CFOs SAY  
THE PANDEMIC  
MADE IT  
MORE DIFFICULT  
TO OPTIMIZE  
COSTS.

FIGURE 2:  
CFOs reveal what they think about AR/AP digitization  
Share of CFOs who say AR/AP digitization is about transformation vs. automation

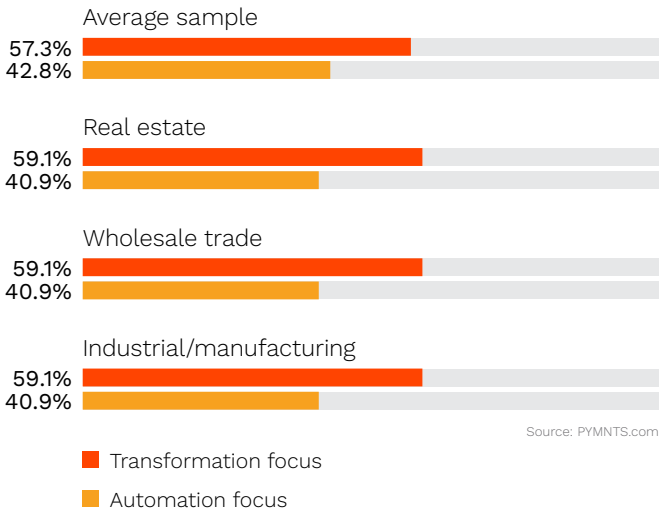


TABLE 1:  
CFOs reveal what they think about AR/AP digitization  
Share of CFOs who cite various effects of the COVID-19 pandemic

	Positive impact	Negative impact	Both negative and positive	No impact
• Delayed payments volume	17.8%	70.0%	2.0%	10.3%
• Ability to optimize costs	23.5%	68.5%	1.5%	6.5%
• Increased DSO	31.5%	61.3%	0.0%	7.3%
• Staffing	27.5%	43.3%	2.0%	27.3%
• Payment acceptance costs	51.8%	41.3%	1.3%	5.8%
• Ability to handle customer payments	54.8%	36.5%	0.5%	8.3%
• Solve internal digitization problems	48.3%	34.3%	4.8%	12.8%
• Buyers-sellers communication	33.0%	33.3%	3.3%	30.5%
• Ability to solve customer problems	40.5%	32.8%	2.8%	24.0%
• Internally incorporate digitization	60.8%	30.5%	3.5%	5.3%
• Ability to handle supplier payments	51.8%	23.0%	0.3%	25.0%

Source: PYMNTS.com



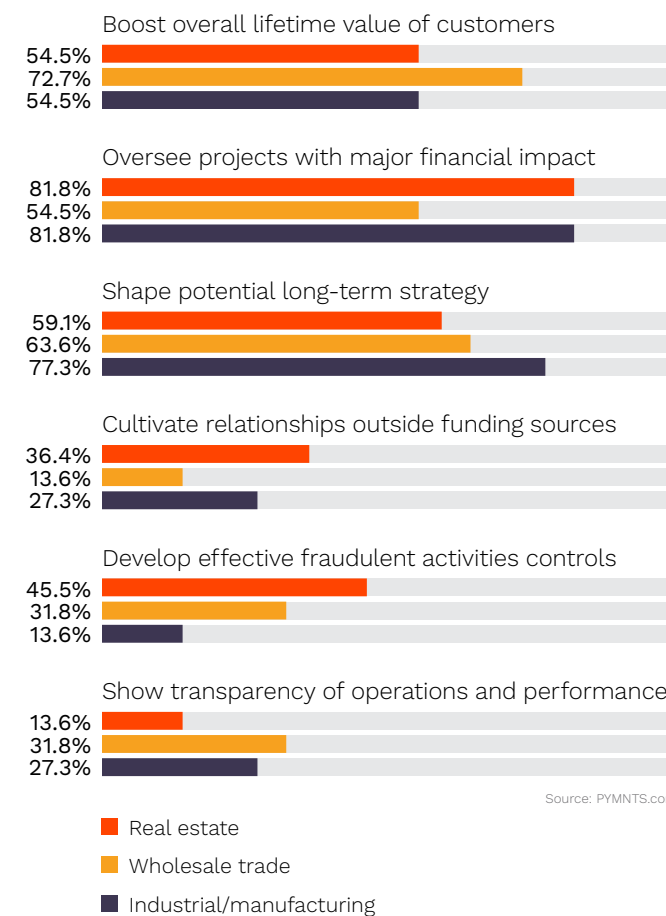
**55%**  
OF OF WHOLESALE  
TRADE COMPANY CFOs  
SAY THEY ARE **PLACING  
MORE IMPORTANCE  
ON PROJECTS THEY  
BELIEVE WILL HAVE  
A MAJOR FINANCIAL  
EFFECT** SINCE THE  
PANDEMIC BEGAN.

**55%**  
OF REAL ESTATE AND INDUSTRIAL/  
MANUFACTURING COMPANY CFOs SAY **BOOSTING  
THE OVERALL LIFETIME VALUE OF THEIR  
CUSTOMERS HAS BECOME MORE IMPORTANT**  
SINCE THE PANDEMIC STARTED.

FIGURE 3:

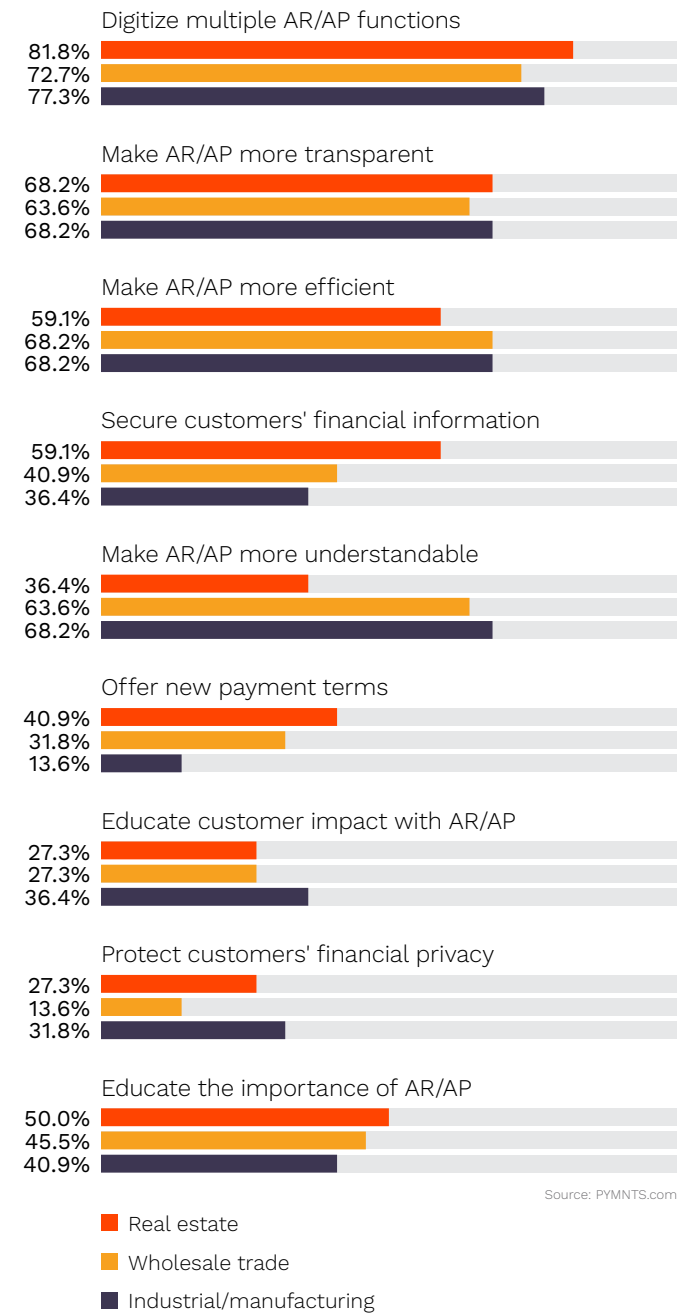
**CFOs reveal what they think about AR/AP  
digitization**

Share of CFOs who say the importance of  
certain goals increased during the pandemic



Rather than just react to the short-term problems caused by the pandemic, many CFOs used it as an opportunity to execute plans they expected would produce long-term benefits. For example, 55% of real estate and industrial/manufacturing CFOs and 73% of wholesale trade CFOs say boosting the overall lifetime value of their customers has become more important since the pandemic started. In addition, 82% of real estate and industrial/manufacturing CFOs say they are placing more importance on projects they believe will have a major financial effect since the pandemic began, as do 55% of wholesale trade CFOs.

**FIGURE 4:**  
**How companies plan to improve the value of their customer relationships**  
Share of CFOs who take select actions to boost the overall lifetime value of customers



**COMPANIES ARE DIGITIZING AS MANY AR/AP FUNCTIONS AS POSSIBLE TO BOOST THE OVERALL LIFETIME VALUE OF CUSTOMERS.**

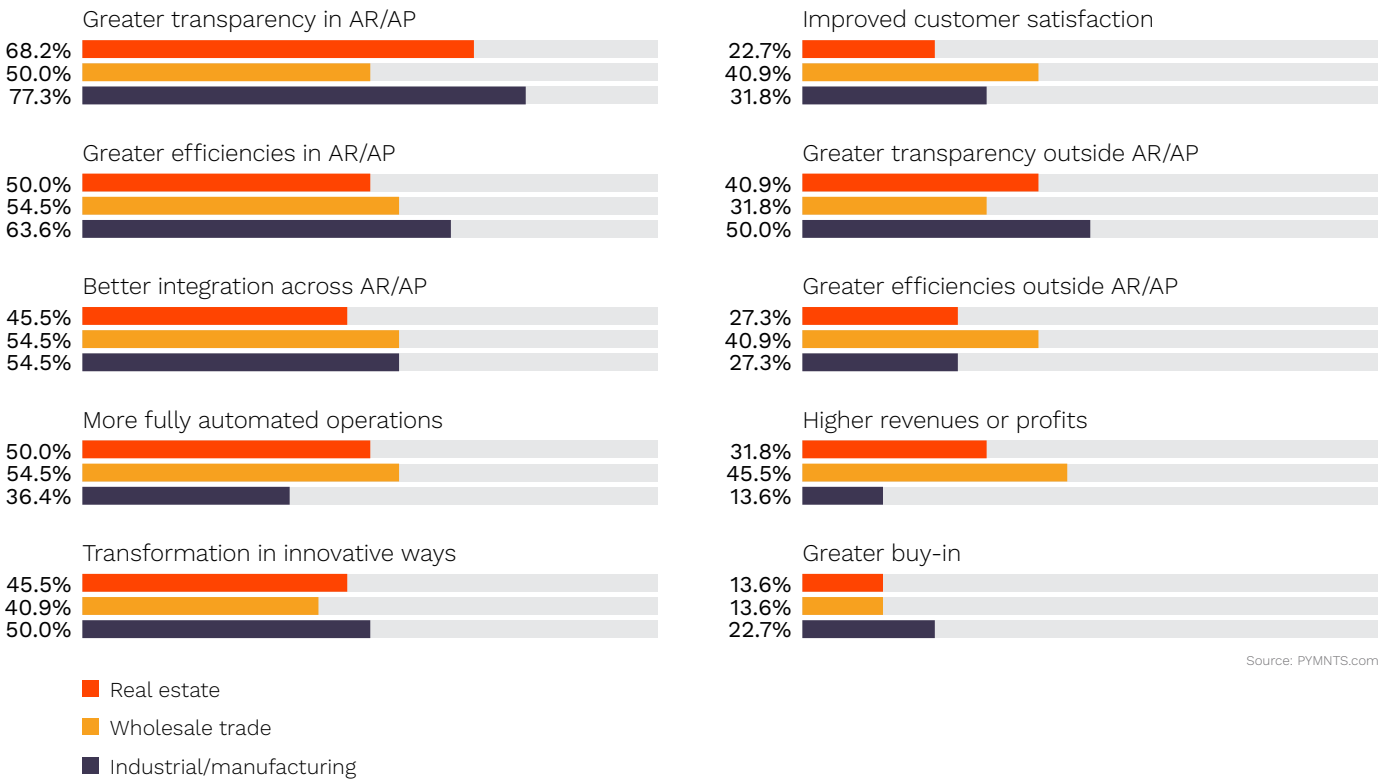
Most CFOs in real estate (82%), wholesale trade (73%) and industrial/manufacturing (77%) agree that digitized AR/AP functions will allow them to establish more collaborative relationships with customers.

For example, 68% of real estate CFOs, 50% of wholesale trade CFOs and 77% of industrial/manufacturing CFOs believe the digitization of payments systems will make their AR/AP operations more transparent via channels such as customer or tenant portals.

Transparency improves customer value, according to 68% of real estate CFOs, 64% of wholesale trade CFOs and 68% of industrial/manufacturing CFOs. A similar pattern emerges in CFOs' views about the benefits they expect to see as they internally implement more efficient payments processes. As companies share the benefits of internal efficiency gains with customers, they can facilitate a quicker turnaround for payments.

AS COMPANIES SHARE THE BENEFITS OF INTERNAL EFFICIENCY GAINS WITH CUSTOMERS, THEY CAN FACILITATE A QUICKER TURNAROUND FOR PAYMENTS.

**FIGURE 5:**  
**How companies plan to improve the value of their customer relationships**  
Benefits CFOs expect to see from AR/AP digitization





**CFOs ARE IMPROVING THEIR CASH FLOW MANAGEMENT  
WITH THE DIGITIZATION OF AR/AP SYSTEMS.**

**82%**  
OF **INDUSTRIAL/  
MANUFACTURING**  
FIRMS USE CASH  
**LESS OFTEN** SINCE  
THE PANDEMIC  
STARTED.

**T**he most visible sign of the gains of AR/AP digitization is the shift toward a greater use of electronic payments and a scaling back of the use of cash. Compared to the cross-industry average of 68%, companies in the real estate (100%), wholesale trade (73%) and industrial/manufacturing (86%) industries all are making more extensive use of regular automated clearing house (ACH) payments. Ninety-five percent of real estate companies, 68% of wholesale trade businesses and 82% of industrial/manufacturing firms use cash less often.

Improved efficiency in an area such as payments processing always is welcome, but early in the pandemic companies recognized that efficiency improvements were a necessity as payment delays were much more commonplace.

**95%**  
OF **REAL ESTATE**  
COMPANIES USE CASH  
**LESS OFTEN** SINCE  
THE PANDEMIC  
STARTED.

**68%**  
OF **WHOLESALE  
TRADE** BUSINESSES  
USE CASH  
**LESS OFTEN** SINCE  
THE PANDEMIC  
STARTED.



As electronic payments have become more prevalent, many companies are discovering that this development complements their efforts to foster closer relationships with customers. The most innovative companies are trying to improve the quality of their communications with customers. Some have found that making supporting documents visible along with invoices can provide the client the level of transparency and trust they need to remit a timely payment. An example is automated monthly payments, which have been available in the retail market for years for subscriptions and other consumer products. Recently, some companies discovered they could set up similar arrangements with their business customers for items such as regular, recurring shipments.

68%  
OF COMPANIES ARE  
USING ACH PAYMENTS MORE FREQUENTLY  
SINCE THE START OF THE PANDEMIC.

TABLE 2:  
Digital transactions begin to dominate business payments  
Payment options used less frequently because of digitization

■ Least frequently

	Sample	Real estate	Wholesale	Industrial
• Regular ACH	12.8%	0.0%	9.1%	0.0%
• Credit card	15.5%	18.2%	22.7%	13.6%
• PayPal	12.8%	4.5%	9.1%	13.6%
• Wire	9.3%	9.1%	4.5%	18.2%
• Real-time payments	10.0%	0.0%	0.0%	13.6%
• ePayables with virtual cards	28.3%	27.3%	36.4%	45.5%
• Same-day ACH	30.0%	50.0%	27.3%	22.7%
• Debit card	18.3%	27.3%	0.0%	18.2%
• Prepaid card	45.0%	59.1%	31.8%	59.1%
• Check	40.0%	22.7%	31.8%	18.2%
• Cash (C.O.D.)	78.3%	95.5%	68.2%	81.8%

Source: PYMNTS.com

TABLE 3:  
Digital transactions begin to dominate business payments  
Payment options used more frequently because of digitization

■ Most frequently

	Sample	Real estate	Wholesale	Industrial
• Regular ACH	68.3%	100.0%	72.7%	86.4%
• Credit card	63.5%	63.6%	63.6%	81.8%
• PayPal	63.5%	45.5%	68.2%	59.1%
• Wire	57.3%	72.7%	45.5%	54.5%
• Real-time payments	52.3%	68.2%	54.5%	68.2%
• ePayables with virtual cards	55.0%	50.0%	63.6%	31.8%
• Same-day ACH	39.5%	13.6%	31.8%	45.5%
• Debit card	36.8%	13.6%	40.9%	27.3%
• Prepaid card	28.8%	13.6%	22.7%	9.1%
• Check	17.3%	27.3%	18.2%	40.9%
• Cash (C.O.D.)	6.0%	0.0%	0.0%	4.5%

Source: PYMNTS.com

CFOs FOR REAL ESTATE, WHOLESALE TRADE AND INDUSTRIAL/MANUFACTURING COMPANIES HAVE IDENTIFIED OBSTACLES IN DIGITIZING AR/AP OPERATIONS — CHIEF AMONG THEM IS A SHORTAGE OF SKILLED STAFF AND FINDING THE RIGHT TECHNOLOGY SUPPLIER.

Sixty-eight percent of real estate CFOs, 77% of wholesale trade CFOs and 82% of industrial/manufacturing CFOs say the lack of in-house skill is an obstacle to digitizing their AR/AP systems. Fifty-five percent of real estate CFOs and 50% of wholesale trade CFOs say difficulties finding the right technology company to work with is an obstacle, and 32% of industrial/manufacturing CFOs say they expect to have some trouble finding the right technology supplier.

To enlist the right technology supplier, companies will need to search for vendors with a track record of providing automated systems that address comparable issues.

82%  
OF INDUSTRIAL/  
MANUFACTURING  
COMPANY CFOs SAY  
**THE LACK OF  
IN-HOUSE SKILL**  
IS AN OBSTACLE TO  
DIGITIZING THEIR  
AR/AP SYSTEMS.

THE C-SUITE  
CHECKLIST

BEST PRACTICES ON THE PATH TO  
AR/AP DIGITIZATION

Have you cataloged customer information to integrate with your accounts receivable systems?

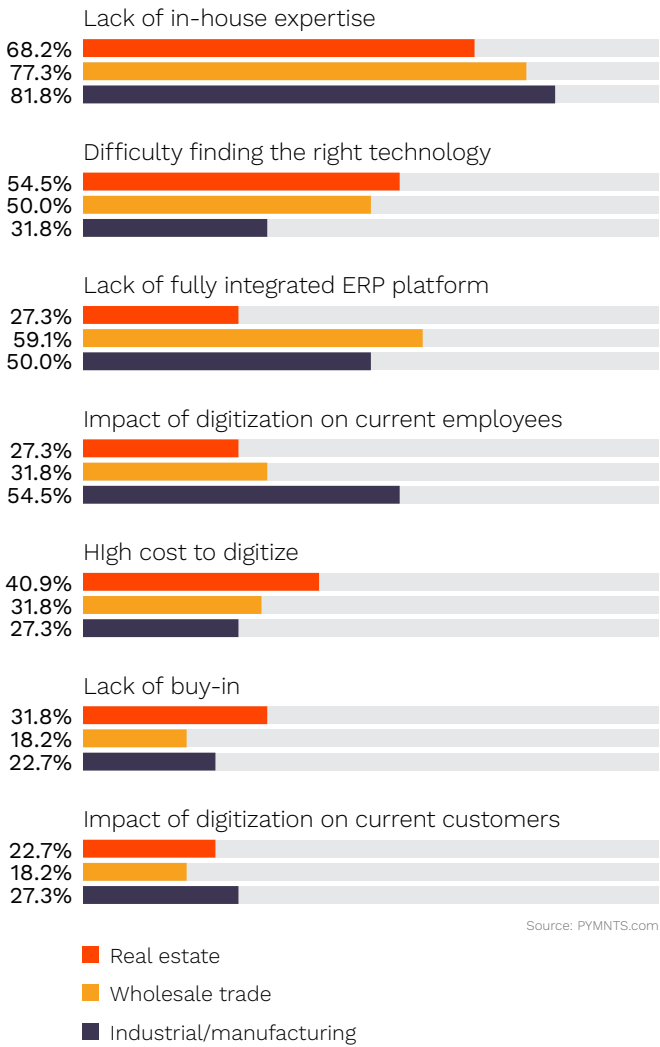
Have you prepared clients for making automated payments on invoices from your business?

Have you established how your workflows will change once the accounts receivable and accounts payable systems are digitized and how that will affect customers?

Have you instituted new policies and procedures for your payments staff to reflect the new workflows?

Have you trained employees on the conversion from manual to digitized systems?

FIGURE 6:  
**Digitization of payments' operations may be a complex task**  
CFOs rank the factors that may prevent or inhibit AR/AP digitization





## CASE STUDY:

# HOW DIGITIZED PAYMENTS KEEP CUSTOMER ACCOUNTS **BALANCED**

**T**he benefits of digitizing workflows for AR and payments processing may be one lesson that survives long after the COVID-19 pandemic.

Consider how events unfolded at Devere Insulation of Baltimore, Maryland. The insulation installer had been preparing to begin converting its AR processes from a manual system to an AR automation product from Versapay when the global economy slowed to a standstill in March 2020. Still, by May the company was able to proceed with its planned implementation, and the system's first stages were live by the summer of 2020.

The new system has eliminated the need to receive paper checks from customers, who now can submit payments to Devere

electronically. This change has made life easier for Devere and its clients, given the reality and restrictions of the economic environment.

"It made us look super responsive to the situation and our customers," says Thea Dudley, Devere's director of organizational development. Customers had the impression that Devere had stopped and turned on a dime in response to the pandemic, though the reality was simpler.

The system's tangible benefits include immediate posting of customer payments to Devere's bank balances and the company's ability to take advantage of cost savings with its suppliers.

Having customer cash available immediately "helped us pay our own bills on time

and take advantage of discounts that are available from our suppliers," says Nebiyu Araya, the company's accounting controller. "That is a really material benefit."

The system's other benefits may be more substantial and longer-lasting because they can shore up Devere's relationships with its customers, particularly delinquent accounts and clients who were not prepared for working remotely. The digitized AR system enables Devere to combine documents for its customers and allows its employees to review invoices, purchase orders and previous communications through the client portal. This feature can be especially helpful with customers who are slow to pay their bills and who are a priority for the AR department's credit management team. The collections pro-

cess can be time-consuming, but it must be addressed until the balance is paid off.

This is one function for which the digitized AR system has proved its mettle and even smoothed over relations with some customers, enabling the credit team to resolve problems before they get out of control. The conversations between the credit team and customers can be more proactive and based on factual context and solutions, rather than just pressuring the customer to make the payment.

"We can call customers that may be struggling, and you can work something out with them, so you don't wind up in a bad place," Dudley says. The digitized process "gives you the chance to really manage your credit risk instead of just reacting to it all the time."



# CONCLUSION

**T**he economic impact of the pandemic is far from over, but many businesses already have benefited from actions they have taken in response to the crisis. The digitization of AR/AP functions and payments processes has proven to be an area of intense focus for many companies, including those in the real estate, wholesale trade and industrial/manufacturing industries. Many CFOs used a push toward AR/AP digitization as an opportunity to make critical operational interactions with their customers more efficient, ultimately improving those relationships while improving cash flow. These changes make it clear that many businesses view the payments technology they implemented as a key building block to developing and sustaining more cooperative and collaborative relationships with customers. In the long term, these tighter relationships can be expected to generate greater value for their organizations and would not be possible otherwise.

## METHODOLOGY

**T**he Strategic Role Of The CFO Playbook: AR/AP Digitization And The Push To Enhance Customer Value, a PYMNTS and Versapay collaboration, draws from a survey of 400 CFOs conducted in March and April 2021 to provide a firsthand account of how businesses are investing in digital accounts receivable and accounts payable innovations to accelerate their cash flows. Participants hailed from U.S.-headquartered businesses across 18 sectors that generated at least \$25 million in annual revenue. We directed our focus to the key industries of real estate, wholesale trade and industrial/manufacturing to gain insight into how CFOs of companies in these sectors are contending with the the pandemic's impact on their operations, including cash flow, the payments cycle and payments operations.



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**versapay** **Versapay** is focused on transforming accounts receivable efficiencies and accelerating companies’ cash flow by connecting AR teams with their customers over the cloud. Through the Versapay Network we make billing and payments easy for buyers and sellers, reducing costs and eliminating paper, checks and manual business processes. Based in Toronto with offices in Atlanta, Cleveland, Baltimore, LA and Las Vegas, Versapay is owned by Great Hill Partners, a Boston-based technology investment firm.

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