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THE
STRATEGIC
ROLE
OF THE CFO
PLAYBOOK

SUPPORTING
GROWTH
AND
INCREASING
VALUE
WITH
AR AND AP
DIGITIZATION

The Strategic Role Of The CFO

Playbook, a PYMNTS and Versapay collaboration, explains how businesses are investing in digital accounts payable and accounts receivable innovations to accelerate their cash flows. We surveyed 400 chief financial officers at firms generating at least \$25 million in annual revenue across the U.S. to provide a full picture of how AR and AP innovation fits into their broader growth strategies.

THE STRATEGIC ROLE OF THE CFO PLAYBOOK

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The Strategic Role Of The CFO Playbook was done in collaboration with Versapay, and PYMNTS is grateful for the company’s support and insight. **PYMNTS.com** retains full editorial control over the following findings, methodology and data analysis.

EXECUTIVE SUMMARY

The pandemic's disruption to the global economy has clarified for chief financial officers (CFOs) the value of business strategies that keep companies connected with their customers. For starters, the pandemic accelerated the adoption of digitization throughout corporate financial operations. This digitization is speeding up payments and helping companies strengthen their customer relationships. Moreover, businesses have faced various challenges during the last year and a half, including lost customers and supply chain disruptions. Digitizing payment processes is helping many organizations continue to operate smoothly with lower operating costs while ensuring that they are meeting customer demands.

The Strategic Role Of The CFO: Supporting Growth And Increasing Value With AR And AP Digitization, a collaboration with Versapay, evaluates how the digitization of payments processes is helping companies enhance customer relationships, gain clients, and transform their business strategies. The findings are drawn from an extensive survey of 400 CFOs conducted in March and April. Respondents' businesses generate annual revenues ranging from \$25 million to more than \$1 billion. The respondents represented a cross-section of industry groups and reflect a range of tenures as CFO, from less than one year to more than 10.

Here's what we learned.

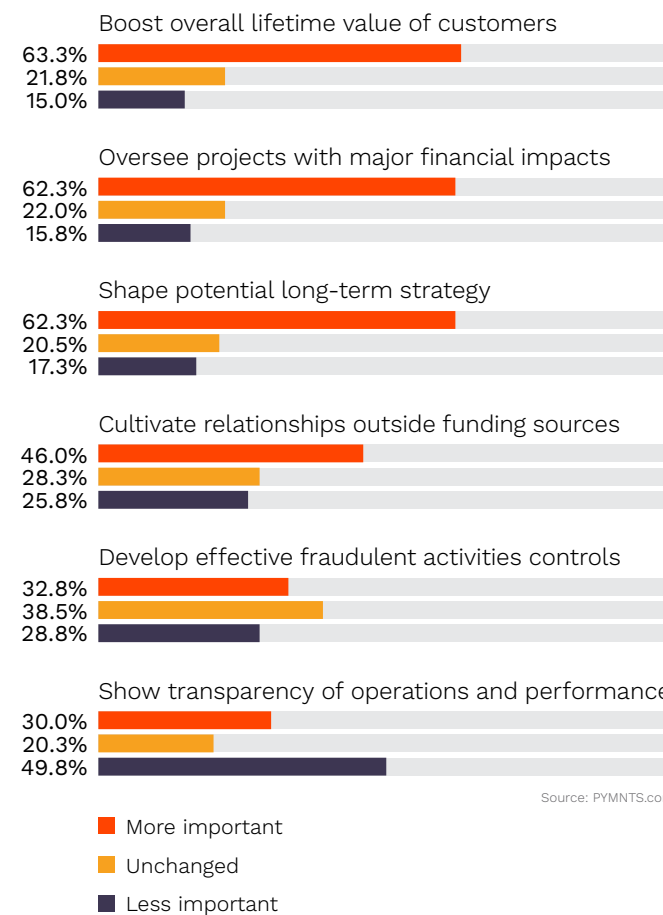


CFOs SAY THEIR MAIN PRIORITY IS INCREASING CUSTOMER LIFETIME VALUE.

Sixty-three percent of CFOs say they are more focused on the importance of increasing customers' overall lifetime value now than they were before March 2020. Our research also found other goals that increased in importance in the past 18 months. These include overseeing projects with significant financial impacts and driving strategic issues that could potentially shape an organization's long-term future, both of which were cited by 62 percent of survey respondents. CFOs view the pandemic as an opportunity to rethink their processes and workflows. Many investments in digitization during the past two years have been determined by CFOs' plans to reorganize these operations.

62%
OF CFOs SAY THEIR INTEREST IN **INCREASING CUSTOMER VALUE** HAS GROWN SINCE THE PANDEMIC'S ONSET, **HELPING THEM RETHINK OPERATIONS AND DEVELOP LONG-TERM STRATEGIES** FOR WHEN THE ECONOMY SETTLES INTO A MORE PREDICTABLE PATTERN.

FIGURE 1:
How the pandemic has influenced CFO goals
Share of CFOs who said the COVID-19 pandemic has influenced their goals in select ways



Sixty-two percent of CFOs say their interest in increasing customer value has grown since the pandemic's onset. Our findings underscore that business leaders, like CFOs, are using the pandemic to rethink operations and develop strategies for how their companies should be run as aspects of the crisis ease and the economy settles into a more predictable pattern.

In addition, 32 percent of CFOs say they have become focused on digitizing workflows because of the pandemic. In particular, digitization has focused on systems that have a bearing on customer relationships, like accounts receivable (AR) and accounts payable (AP).

SEVENTY PERCENT OF CFOs ARE EMBARKING ON AR/AP DIGITIZATION PROGRAMS WITH THE GOAL OF INCREASING CUSTOMER VALUE.

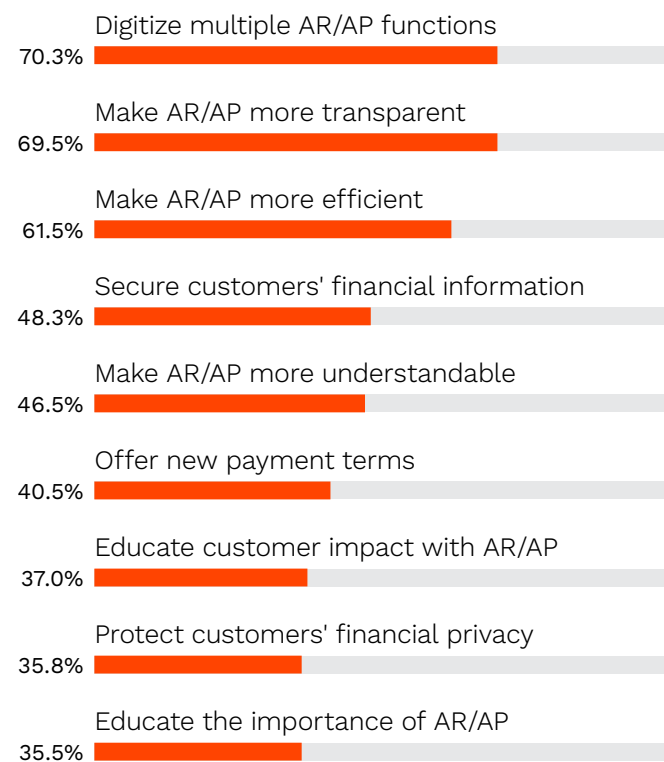
Most CFOs consider AR/AP digitization as crucial to increasing the lifetime value of their customers, and 70 percent are carrying out digitization programs with these processes for this reason. Smoothing out and speeding up financial processes can help companies improve their interactions with customers. Seventy percent of CFOs say they are trying to increase customers' overall lifetime value by making AR/AP more transparent. Another 62 percent hope to increase customer value by making AR/AP more efficient.

With such an intense focus on enabling digital payments to ensure continuity during the pandemic, it is understandable that 96 percent of CFOs say the main reason they are digitizing AP/AR functions is to benefit customers and vendors. This goal outweighs other justifications, such as speeding up processing, saving costs and keeping up with competitors.

FIGURE 2:

Boosting and tracking customer lifetime value

Share of CFOs taking select actions to boost the overall lifetime value of customers

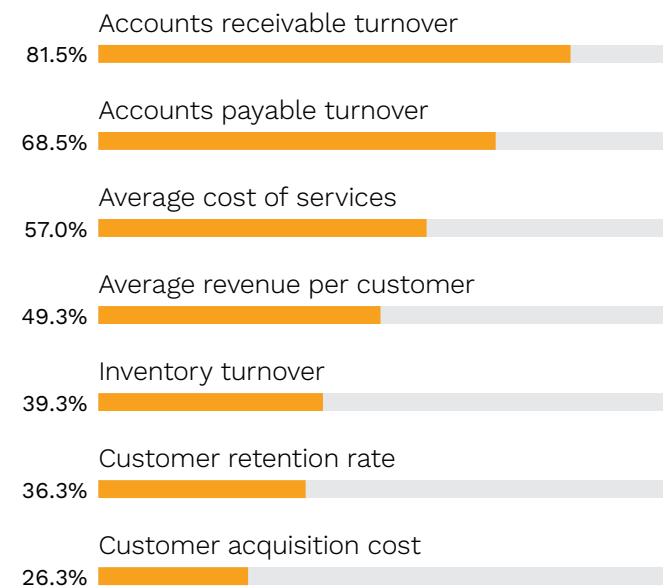


Source: PYMNTS.com

FIGURE 3:

Boosting and tracking customer lifetime value

Share of CFOs who use select metrics to track success in raising the overall lifetime value of customers



Source: PYMNTS.com

70%
OF CFOs ARE DIGITIZING THEIR AR/AP PROCESSES BECAUSE THEY CONSIDER THE EFFORTS TO BE CRUCIAL TO **INCREASING THE LIFETIME VALUE OF THEIR CUSTOMERS.**

The value of enhancing customer relationships has intensified, and it makes sense for CFOs to use data to verify their progress in achieving this goal. Eighty-two percent of the survey's respondents measure AR turnover to gauge their success in raising customers' overall value, and 69 percent do the same with AP turnover. They are also benchmarking the cost of services, revenue per customer and inventory turnover.

**DIGITIZED PAYMENT FUNCTIONS
HELP IMPROVE CUSTOMER RELATIONSHIPS.**

CFOs devoted much of their time early in the pandemic to addressing immediate problems that cropped up. It soon became apparent that digitizing AR/AP systems would help them gain the efficiencies they needed to reduce overhead, be more responsive to shifting customer demands and position their businesses to build on existing customer relationships for long-term growth.

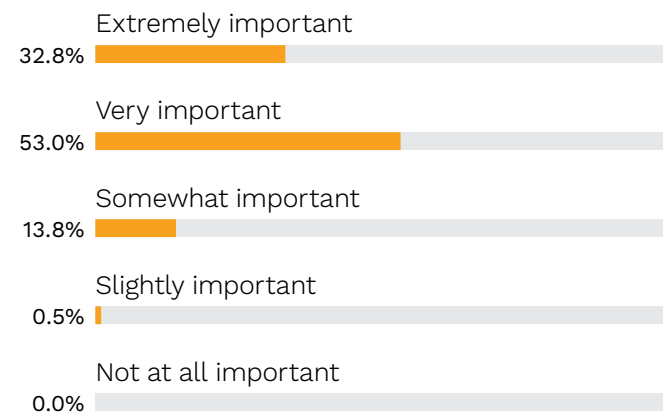
The overwhelming majority of CFOs — 86 percent — view the digitization of financial processes such as AR/AP systems as instrumental in improving customer satisfaction, customer retention and revenue generation. The interest in using digitization to improve customer relationships is most pronounced among the largest companies. Ninety-eight percent of CFOs from companies with more than \$1 billion in annual sales report that digitization is important, with 54 percent and 44 percent saying it is “extremely important” and “very important,” respectively. Among

CFOs of companies with \$501 million to \$1 billion in annual revenue, 49 percent say digitization is “extremely” important, and 45 percent say it is “very” important. Twenty-eight percent of CFOs with companies with \$101 million to \$500 million in annual sales 28 say digitization is “extremely” important, while 62 percent say it is “very” important. For the smallest companies in this survey, those with \$25 million to \$100 million in sales, a sizable 71 percent of CFOs say digitization is “extremely” (18 percent) or “very” (53 percent) important.

FIGURE 4:

Importance of AR/AP digitization

Share of CFO's citing select levels of importance for the digitization of AR/AP functions to improve customer satisfaction, retention or revenue generation



Source: PYMNTS.com

The interest in digitization is also somewhat stronger among CFOs with less experience. Ninety-five percent of CFOs with less than three years of experience believe digitization will improve customer satisfaction.

“ During the early stages of the pandemic, addressing customer problems through conventional channels was a major challenge for us. That being said, **deploying a multichannel support system made the process much easier and simpler for our staff to address customer queries.**”

CFO respondent

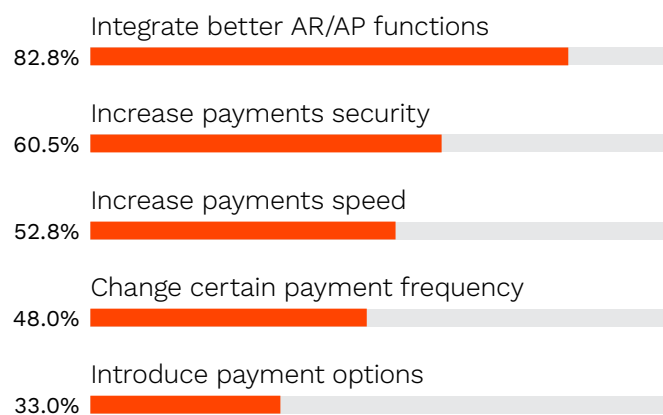
CFOs SEE PAYMENTS SYSTEMS UPGRADES AS STEPPING STONES TO MORE EFFICIENT CUSTOMER INTERACTIONS.

The pandemic prompted CFOs to refocus all of their systems on lowering costs and improving efficiency. Much of this has been realized through integrating AR/AP systems, seen by 83 percent of CFOs as a chief benefit of the digitization process. Other benefits of digitization include improved payments security — which 61 percent of CFOs expect — and faster receipt of customer payments, expected by 53 percent of CFOs.

Certain industries have higher expectations when it comes to the benefits of digitization. For example, 91 percent of technology and real estate companies expect better integration of their AR/AP systems and functions, whereas this is true for 73 percent of industrial or manufacturing businesses and 64 percent of finance and insurance companies.

Just 33 percent of CFOs expect digitization to result in more payment options for customers. The portion rises to 54 percent among CFOs from the largest companies, those with more than \$1 billion in annual sales.

FIGURE 5:
Expectations about digitization of payments
Expectations about current or planned digitization of payments operations



Source: PYMNTS.com

“ Spending on new technologies can propel our service output, which can ... attract new customers and at the same time retain the existing clients. ”

CFO respondent

TABLE 1:
Expectations about digitization of payments
Expectations about current or planned digitization of payments operations, by select industry

	Real estate	Industrial	Technology	Finance
• Integrate better AR/AP functions	90.9%	72.7%	91.3%	63.6%
• Increase payments security	59.1%	63.6%	78.3%	63.6%
• Increase payments speed	40.9%	36.4%	60.9%	72.7%
• Change certain payment frequency	40.9%	54.5%	47.8%	59.1%
• Introduce payment options	22.7%	27.3%	21.7%	45.5%

Source: PYMNTS.com

Some respondents to the PYMNTS survey said they wanted to improve the customer's payment experience and that one way to do this was to introduce more payment options.

DIGITIZATION ACCELERATED THE ADOPTION OF DIGITAL PAYMENTS AND INCREASED THE TYPES OF PAYMENTS SENT AND RECEIVED.

The findings make it clear that increased digitization of payments processes is giving CFOs opportunities to improve customer experiences.

More than half of CFOs say the AR/AP digitization they have implemented since the pandemic began has let them increase the volume of digital payments processed via methods such as ACH (68 percent), PayPal (64 percent) and credit cards (64 percent).

The increased digitization of payment processes is also leading to declines in payments made via cash on delivery (a 78 percent decline in frequency), pre-paid cards (45 percent less frequent) and checks (40 percent less frequent). The decline in usage for some older payment methods coincides with the reduced frequency of personal interaction. Much more business is being transacted remotely, without face-to-face contact, coinciding with the shift to more digital payment methods.

78%
LESS PAYMENTS
HAVE BEEN MADE VIA
CASH ON DELIVERY
**AS A RESULT OF
THE INCREASED
DIGITIZATION
OF PAYMENT
PROCESSES.**

Many business customers are making clear the high value they place on convenience, speed and flexibility with their selection of payment methods.

TABLE 2:

The impact of digitization on the frequency and types of payments

Share of respondents who say the frequency of different types of payments changed because of digitization, by payment type

■ Highest
■ Lowest

	More frequent	Unchanged	Less frequent	Do not know
• Regular ACH	68.3%	18.8%	12.8%	0.3%
• PayPal	63.5%	23.5%	12.8%	0.3%
• Credit card	63.5%	21.0%	15.5%	0.0%
• Wire	57.3%	33.5%	9.3%	0.0%
• ePayables with virtual cards	55.0%	16.8%	28.3%	0.0%
• Real-time payments	52.3%	37.8%	10.0%	0.0%
• Same-day ACH	39.5%	30.5%	30.0%	0.0%
• Debit card	36.8%	45.0%	18.3%	0.0%
• Prepaid card	28.8%	26.3%	45.0%	0.0%
• Check	17.3%	42.8%	40.0%	0.0%
• Cryptocurrencies	11.5%	23.5%	65.0%	0.0%
• Cash (C.O.D.)	6.0%	15.8%	78.3%	0.0%

Source: PYMNTS.com

CFOs EXPECT DIGITIZATION TO IMPROVE THE EFFICIENCY AND TRANSPARENCY OF THEIR AR/AP PROCESSES.

CFOs are anticipating a host of benefits from the digitization process. Some of the immediate advantages will occur as AR/AP systems become more efficient and transparent. CFOs expect their organizations to leverage these benefits to strengthen customer relationships and raise revenue from each client. On average, 59 percent of CFOs say they expect better integration of AR/AP functions with digitization. Sixty percent say digitization will improve the efficiency of their AR/AP processes, and 61 percent expect the transparency of their AR/AP processes to improve.

EACH ORGANIZATION MUST OVERCOME SEVERAL OBSTACLES BEFORE IT COMPLETES ITS DIGITIZATION EFFORTS, IN PART **BECAUSE THE PANDEMIC'S ECONOMIC FALLOUT HAS STRETCHED MANY BUSINESSES' RESOURCES.**

Many organizations may have to overcome several obstacles before they complete their digitization efforts. The economic fallout from the pandemic has stretched the resources of many businesses, for example. Forty-six percent of CFOs say they lack the IT resources to carry out their digitization efforts, and an equal percentage expect problems to arise in other areas of their organizations as they digitize payment processes.

FIGURE 6:

Digitizing AR/AP operations

Expected benefits and barriers to digitizing AR/AP operations and workflows



Source: PYMNTS.com

CONCLUSION

CFOs have seen enough from the economic fallout of the past 18 months of the global pandemic to effectively navigate risks and position their organizations for future success. Digitizing financial operations and processes has helped many organizations improve their efficiency, lower costs and transform their AR/AP operations. Along the way, the most forward-thinking businesses have recognized that this digitization also lets them position themselves for future growth. Digitization is speeding up customer payments and helping companies accelerate their cash flow. At the same time, many companies expect that the digitized processes will improve customers' experience and help them build deeper relationships with key clients for the long term. As this process plays out, CFOs anticipate that more revenue will be generated throughout the life of these customer relationships.

METHODOLOGY

The Strategic Role Of The CFO Playbook: How AP And AR Digitization Are Supporting Customer Growth And Increasing Value, a PYMNTS and Versapay collaboration, draws from a survey of 400 CFOs conducted in March and April to provide a firsthand account into how businesses are investing in digital accounts payable and accounts receivable 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.

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