IDC MarketScape

IDC MarketScape: Worldwide SaaS and Cloud-Enabled Accounts Receivable Automation Applications for Midmarket 2020–2021 Vendor Assessment

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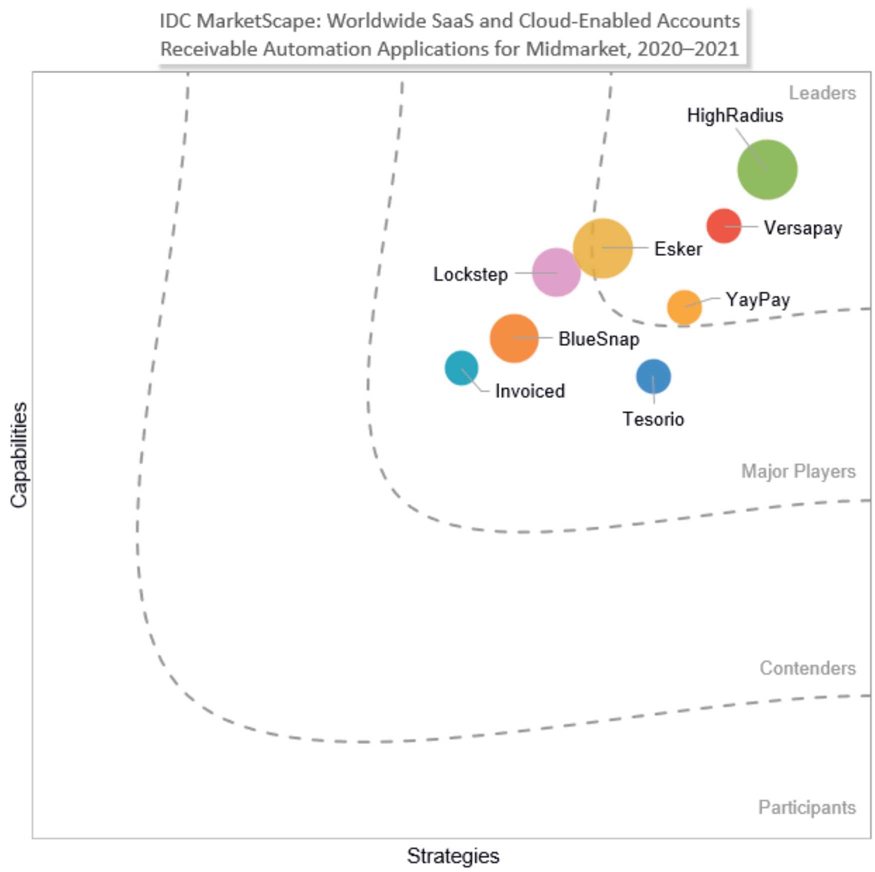
THIS IDC MARKETSCAPE EXCERPT FEATURES VERSAPAY

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide SaaS and Cloud-Enabled Accounts Receivable Automation Applications for Midmarket Vendor Assessment



Source: IDC, 2020

December 2020, Excerpt of IDC #US47032320

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide SaaS and Cloud-Enabled Accounts Receivable Automation Applications for Midmarket 2020-2021 Vendor Assessment by Kevin Permenter (Doc #US47032320). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Advice for Technology Buyers, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

The COVID-19 pandemic has simultaneously halted and changed much of society as we know it. We are living in times of unprecedented uncertainty and volatility. The first priority for companies is to quickly shore up their money and financial processes. Core financial processes such as collections, cash management, working capital, and managing spend have become even more critical to the business as companies large and small deal with the sudden impact from COVID-19.

Cash flow is the lifeblood of any business and those who manage it represent the frontline workers of the corporate world. As many as four out of five businesses that go out of business can point to cash flow (running out of money) as the main reason. This is especially so in times of uncertainty. Figure 2 shows the scope for growth of SaaS applications in AR.

FIGURE 2

YoY Growth in the Number of Businesses Planning to Use SaaS for Accounts Receivable in the Next 12 months

n = 100

Note: For additional information, refer to *SaaSPath 2020: Worldwide Banner Tables* (IDC #US46455420, June 2020).

Source: IDC's *SaaSPath Survey*, 2020

During these times of uncertainty, businesses of all sizes turn to accounts receivable (AR) as an essential element of maintaining positive cash flow. In fact, AR, when done properly, can minimize revenue loss while simultaneously providing your customers with excellent customer service.

While AR plays a role in the cash flow of the business, AR also plays a more subtle role as part of the company's customer service profile. While a customer may be in the collections process, the tone and communication must be well considered as they impacts how well or poorly the customer reacts to your collection efforts. Some of these customers may provide essential goods or services for your business. They may be strategic for other reasons as well, including scarcity or location. In any case, businesses must prioritize maintaining customer relationships and be strategic in their collection efforts. This is an essential aspect of a modern AR solution.

Benefits of Accounts Receivable Management

In many ways, the events associated with the COVID-19 pandemic have highlighted the AR professionals' need for transparency, flexibility, and visibility into their collections and cash management activities. Here are the key benefits of AR software:

- **Improved cash flow/optimizing working capital.** The inherent unpredictability of AR can often leave large sums of money tied up on the balance sheet. This is money the company cannot use to fund its operations. As a result, unlocking these funds becomes one of the top reasons for adopting a modern AR solution.
- **Improved management and automation of the credit review processes.** The credit review process can be complicated and slow — often requiring multiple exchanges with key stakeholders, both external and internal. This process can result in unnecessary and costly delays. Many modern AR applications offer tools to manage, or the ability to automate, aspects of the credit review process.
- **Enhanced business insight.** Moving away from manual AR processes and incorporating a modern solution allow greater analytic capabilities. A modern AR application will allow organizations to monitor cash flows and the AR staff to ensure maximum productivity.
- **Enhanced customer experience.** Not only must businesses effectively collect from their customers, but they must also be strategic about how they go about collecting from their customer as it can heavily impact business relationships. A modern AR application allows for managers to create individual collection plans for key customers or select customer groups to maintain a healthy business relationship.

The AR applications when implemented properly improve productivity, reduce layers of inefficiencies in antiquated technology and business processes, and bring additional flexibility to quickly respond to market changes.

Accounts Receivable Management Challenges

With the pace and complexity of business increasing, AR is quickly becoming an area of focus. Figure 3 lists the most challenging areas within the AR processes according to IDC's 2020 *SaaSPath Survey.*

FIGURE 3

Most Challenging Aspects of Accounts Receivable

Note: For additional information, refer to *SaaSPath 2020: Worldwide Banner Tables* (IDC #US46455420, June 2020).

Source: IDC's *SaaSPath Survey,* 2020

Cash management, including application, posting, and remittance, continues to be the most time-challenging aspect for AR management teams. Fortunately, many AR management application vendors are focused on solving the cash management challenges for finance and accounts receivable processes. More and more, the key points of differentiation will be how vendors leverage advanced technology to address these challenging areas.

Accounts Receivable Management Technology Trends

While organizations have sought out their real-time cash flow information, many of these organizations have realized they simply did not have the visibility, flexibility, and agility they need to adjust to the "new normal." Unfortunately, a multitude of organizations have yet to fully embrace the digital transformation (DX) within accounts receivable departments. As a result, organizations find themselves struggling with legacy tools and antiquated processes. And because of this tipping point of demand and reality, there has been an unprecedented urgency regarding the immediate modernization of AR management tools. In detail:

- **Rise of machine learning.** Recently, companies have turned to structured machine learning to speed up/streamline key reconciliation, collections, cash management, and deductions.
- **Automated workflows.** AR vendors must work to embed intelligence within the order-to-cash (O2C) workflows to unleash the full power of artificial intelligence (AI).

- **Focused on analytics.** Many organizations are flooded with business data from a variety of sources and a variety of data types.
- **Application programming interfaces (APIs).** APIs allow developers and managers the opportunity to quickly add/modify data flows into and out of the software application.
- **Virtual assistant.** A virtual assistant can be used to augment and even automate many of these lower-level tasks — freeing up valuable financial organizational resources to focus on higher-level strategic tasks.

The Midmarket Difference

By far, the top challenge for smaller businesses is collections. It is difficult, unpredictable, and more nuanced than other aspects of account receivable management. There are many reasons for collections being challenging including:

- **It requires a lot of information:** Account managers have to juggle many data points to determine whom to reach out to and when to reach out to them. Sales data, payment history, prior outreach efforts, contract data, legal data, and even third-party/external data (i.e., credit bureaus, financial filings, press releases) all play a role in prioritizing collection activity.
- **Not every customer is the same:** Customers vary in size, contract amount, payment history, and strategic importance to the company. As a result, every outreach effort will be unique in some way. This adds time and complexity to the collection cycle.
- **It is often about relationship:** Efficiency and effective collection efforts often come down to collection/AR team members establishing and maintaining relationships with their corporate counterparts. It is often collection efforts that blended with continuous personal outreach to establish rapport that are the most successful.

In the end, smaller businesses will rely on technology such as AR automation to bridge the complexity gap while keeping a sharp eye on the IT budget and department resources.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The vendor inclusion list for this document was selected to accurately depict the vendors that are most representative of any given software application on a buyer's selection list based on the following:

- Vendors must have a SaaS or cloud offering — on-premises-only applications are out of scope.
- Software application can be purchased separately (not just functionality built into a larger system) and is available off the shelf without required customization.
- Software application has capabilities for collections, cash application, credit management, deduction/dispute management, and/or invoice presentment and payment.
- The vendor had 2019 revenue in at least two countries.
- The vendor had at least $5 million in 2019 AR management software revenue.
- The vendor has a minimum of one AR solution in market for at least three years.
- The vendor must have a significant footprint with businesses with less than 1,000+ employees.

ADVICE FOR TECHNOLOGY BUYERS

Accounts receivable applications are evolving rapidly as vendors invest research and development dollars into bolstering, augmenting and, in some cases, redesigning their applications. The applications must align with the new digital enterprise and its preferred way to absorb technology. The vendors must work to align their go-to-market strategies and product development strategies with the new digital enterprise. While the vendors in this study may vary widely in size, experience, levels of support, and sales model, the goal for all the vendors listed in this study is the same — create/curate a differentiating user experience (UX). To do that, the user experience must go beyond the software to include the sales process, accounting management, implementation, and post-implementation support. As a buyer in this market, here are a few of the key questions to consider during the buying process:

- **Begin by looking inward.** Before making purchasing decisions on AR software, here are a few key questions to ask regarding the internal resources and processes:
  - What are some of the issues I would like to resolve with this new system?
  - Are the issues technology related?
  - What are my internal support resources and capabilities?
  - How should we define success for this implementation?
  - Which internal stakeholders should we include in the evaluation processes?
  - How will a new system change my organization?
- **Select the right partners (internal and external).** The first step in the journey to finance and accounting system is developing a strategy and plan for the implementation. This includes doing the due diligence in finding the right vendor. Here are a few key questions to ask regarding the AR software vendor:
  - Does the vendor have experience with my type of product, service, and company size?
  - Can the vendor show me a hands-on demo with my organization's "live/real" data to show the benefit to the business?
  - Does the vendor understand the regulations that will impact my business? How are these regulations reflected in my current product and how will it change in the future?
  - What is the vendor's strategic investment outlook for the next three to five years? Why? How will that change and enhance my business?
- **Consider the foundation.** AR applications vendors have seen many iterations from a technology architecture standpoint. Even among cloud vendors there are many different varieties of software architectural approaches. IDC believes that taking time to understand the foundation of the software and its advantages (or limitations) is of critical importance during the buying decision. Here are a few key questions regarding the AR software vendor:
  - What is the data flow design within the current solution?
  - What kind of APIs are available now from this vendor? RESTful? SOAP? GraphQL?
  - What kind of developer tools does the vendor provide (e.g., sandbox, dedicated portal, low-code/no-code tools, and database management tools)?
  - Is any part of the software currently built on a microservice architecture? If so which parts?
- **Take ownership of the implementation.** For the best results, organizations must take a very active role in the actual implementation of the software. AR software touches upon a lot of other back-office systems (order management, inventory management, supply chain

management, sales management, human resources [HR], etc.). As a result, extreme attention must be given to how the AR system is set up and how it interacts with other systems within your organization. Here are a few key questions to ask regarding the software implementations:

    - What levels of support are available and are they geographically available for my business?
    - How should I set up the service-level agreement (SLA) before signing any contracts?
    - Can the system integrate with my company's other IT systems and those of my partners?
    - Which IT system needs to be integrated and to what degree?
    - How are we set up to deal with frequent product updates?

- **Note that post-implementation is critical.** In many ways, the success of any SaaS implementation hinges on what happens after the implementation is up and running. This is where change management takes center stage and the people's side of AR management becomes essential. Here are a few key questions to ask regarding the post-go live phase of software implementations:

    - Do we have a strategy to encourage rapid adoption among employees?
    - Do we have the right amount of training for employees to master the new features within the system?
    - Are we communicating the purpose and benefits of the system change to the relevant employees?
    - Have we aligned existing policies and procedures to enable the adoption of the new workflows?

This IDC MarketScape assists in answering the aforementioned questions and others.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Versapay

After a thorough evaluation of Versapay's strategies and capabilities, IDC has positioned the company in the Leaders category in this 2020–2021 IDC MarketScape for worldwide SaaS and cloud-enabled accounts receivable automation applications for midmarket.

Versapay delivers order-to-cash solutions of AR Automation, Customer-Centric AR, and Integrated Payments to achieve greater customer collaboration, accelerated cash conversion, operational efficiency, and cost savings. The platform consistently achieves strong buyer adoption and drives material savings for suppliers through faster payment, reduced processing costs, elimination of manual processes, and customer self-service. Functionality includes presentment, collaboration, collections, payments, cash application, and bank reconciliation. Payments and account information are reconciled through integrations with ERP systems and accounting software providers. Versapay ARC also provides real-time insight into accounts receivable data for both suppliers and their customers for day-to-day management and decision making.

Quick facts about Versapay include:

- **Employees:** 190+
- **Total number of clients:** 8,000+
- **Globalization:** Supports 100+ currencies
- **Industry focus:** Wholesale/distribution, commercial real estate, technology, manufacturing, logistics, professional services, and media
- **SaaS:** A multitenant deployment
- **Average implementation time:** Basic solution is 2 weeks; full featured package 2 to 3 months.
- **Pricing model:** Tiered subscription fees for software and transaction volume
- **Partner ecosystem:** Partners include accounting firms, financial institutions, and VARs; specializes in Oracle, JD Edwards, MRI, SAP, Epicor, Microsoft, and Sage Intacct

Strengths

- **Collections and analytics:** Through an extensive set of notifications that can be delivered omni-channel, ARC can accommodate communication and collections strategies that are specific to customers or groups of customers. Layered over this, ARC provides customer-specific dashboards that allow staff members to effectively manage the significantly reduced quantity of exceptions. Out of the box, the platform also provides reporting across the organization, as well as by slicing through a business unit, providing a pulse check on key health indicators along the way.
- **Self-service and collaboration:** Versapay provides customers with access to accurate data, proactive reminders, and intuitive online tools, which help remove friction from the AR process, allowing customers to collaborate and pay when ready. ARC enables the highest levels of end-customer adoption through functional and programmatic elements of the platform.
- **Payments:** Versapay provides a great depth of payment functionality including line-item payments, prepayments, short payments, and automatic payment plans. With a platform that is built to accommodate any number of currencies, larger enterprises with global operations will be able to enable their customers in any country to pay through the platform.

Challenges

- **Integration growth:** Versapay has made strides in building APIs to ERP, bank, and internal software platforms and, in specific cases, fully embedding Versapay software within the ERP (e.g., NetSuite, Intacct, and Microsoft Dynamics). Versapay must continue the strategy of hardening API connectors into customers' ERPs, offering prebuilt APIs and enabling the AR workflows to be fully integrated with the ERP. The more embedded within the ERP the AR software can be, the greater the buyer adoption and customer retention.
- **Expanding beyond North America:** Versapay is working to establish itself within the North American market. There is an opportunity for Versapay to expand its global reach into other lucrative regions such as Western Europe, South America, and Asia/Pacific.

Consider Versapay When

Consider Versapay if you are looking for an end-to-end invoice-to-cash solution and you issue tens of thousands of invoices per month and have a large percentage of small to midsize customers.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

IDC defines accounts receivable (AR) software as software that supports the tracking, analysis, and management of money owed to the company. AR software provides reporting and analysis of unpaid accounts and collection efforts. Core functionality for AR software includes cash management, credit management, presentment/billing, deduction management, collection, and reporting capabilities.

LEARN MORE

Related Research

- *IDC Market Glance: Financial Applications, 1Q20* (IDC #US46148220, March 2020)
- *Selling to the Buyer in the Digital Enterprise* (IDC #DR2020_GS3_MW, March 2020)
- *IDC's Worldwide Software Taxonomy, 2020* (IDC #US45718419, January 2020)
- *Market Analysis Perspective: Worldwide Financial Applications, 2019* (IDC #US45477119, September 2019)

About IDC

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