

2015 Electronic Accounts Payable Benchmark Survey Results

Richard Palmer and Mahendra Gupta, RPMG Research Corporation

The following is an overview of three reports. To purchase a complete package of the three reports from the 2015 Electronic Accounts Payable Benchmark Survey Results (Market Trends and Best Practice Program Choices, Program Profiles by Organization Type and Size, or The Provider's Role in EAP Program Success), please visit the "order reports" page at www.rpmgresearch.net.

Survey Overview

The 2015 Electronic Accounts Payable Benchmark Survey Results (the "Report") provide a comprehensive analysis of survey responses regarding the use of "electronic accounts payable," including trends, benchmark data, and variables that factor into program success. The survey defined Electronic Accounts Payable (EAP) as "non-plastic purchasing card accounts used to pay for goods and services after an invoice has been received for those goods or services (in other words, card payment did not occur at the point or time of sale)." The Report is based on 870 responses from EAP end-users representing public and private corporations, State and Federal government agencies, Cities and Counties, Universities and Colleges, School Districts, and Not-for-Profit organizations. All corporate sizes (Fortune 500-Size, Large Market, Middle Market, and Small) are represented in the Report.

This complete report includes a pdf copy of the three separate reports that constitute the 2015 Electronic Accounts Payable Benchmark Survey Results, including:

- Market Trends and Best Practice Program Choices (the "Main" report)
- Program Profiles by Organization Type and Size
- The Provider's Role in EAP Program Success

Each of the key findings from these reports is summarized below.

Main Report

EAP Spending Norms

Benchmarking data within the Report covers a variety of program outputs for end-user program comparisons. For all EAP-using programs combined, key averages are:

- *Monthly EAP spending per organization:* \$2.5 million (up from \$1.1 million in 2012)
- *EAP transaction amount:* \$4,842 (up from \$2,359 in 2012)

- *Monthly EAP spending per employee:* \$258 (up from \$136 in 2012)
- *EAP spending as a percent of total purchasing card spending:* 58% (up from 49% in 2012)

EAP is primarily used for goods and services which may be considered too expensive for payment with plastic purchasing cards (where the average transaction amount is \$321). One-half of all respondents had used EAP to pay for a single purchase of a good or service in excess of \$125,000 in the past year and one-quarter of respondents had made at least one EAP purchase in excess of \$400,000.

In terms of dollars, respondents report that about 47% of EAP payments are for operating expenses (including operating goods and supplies, office equipment and supplies, and computer-related hardware and software) and about 22% for assets (primarily inventory). The remainder of EAP payments are spread across a wide variety of services (e.g., professional services, education and training, and contractual repair and maintenance).

EAP Spending Growth

The vast majority of respondents (71%) report growth in EAP spending over the past year. EAP spending grew, on average, by 33% over the past year. EAP spending “ramps up” quickly in comparison to plastic purchasing card spending, increasing from 57% of plastic spending for respondents with programs less than one year old to nearly double the level of plastic card spending by respondents that have used EAP for five or more years.

Going forward, 72% of all EAP-using respondents expect increases in EAP account spending over the five-year period from 2015 to 2019. EAP spending, estimated to be \$65 billion at the end of 2014, is expected to rise to \$110 billion by 2019.

Reported Benefits

Respondents estimate the cost for traditional check payment method of invoice and payment processing to be \$31. By contrast, respondents estimate the average cost of EAP invoice payment to be \$9, yielding a \$22 per-transaction cost savings when EAP is used. Further, on average, 51 days of working capital float becomes available under EAP facilitated by invoice due dates, the time gap between payment by EAP and billing from the EAP provider (average daily credit balance) and the payment grace period. With average monthly EAP spending of \$2.55 million, there is additional working capital of \$4.3 million made available due to the use of EAP, which yields about \$216,755 of additional yearly cost savings.

The value of EAP over other payment methods is recognized by the majority of respondents across a wide variety of payment criteria, including financial incentives for use, security of payment, the amount of information obtained about goods/services purchased, per-transaction charges, the quickness with which payment can be made, and the training and technology investment required. EAP is also the preferred payment option when considering the ability of

the organization to track supplier receipt of payment, transmit remittance information, control spending, and integrate with organizational software. In a nutshell, EAP offers a tightly controlled, highly transparent, efficient, and simple payment process that generates financial benefits for the organization while addressing some of the problems associated with traditional payment methods (e.g., check fraud).

Supplier Acceptance

Ninety-one percent of respondents had engaged in an effort to enlist suppliers to accept EAP payment. Respondents indicate that in 2015 they paid about 17% of the organization's supplier base with EAP. Eighty-seven percent of respondents indicated that the number of suppliers paid by EAP had increased over the past two years (on average, by 21%). Only 24% of respondents are satisfied or very satisfied with the current level of supplier acceptance. Forty-four percent of respondents estimate that EAP spending would double if all suppliers that they desire to pay with EAP accepted payment in this manner. Collectively, if all suppliers that respondents desire to pay with EAP accepted payment in this manner then current annual spending of \$65 billion would increase to \$112 billion. Organizations that have a higher percentage of their supplier base accepting payment by EAP report (a) significantly higher EAP payments, (b) a wider array of goods and services paid for with EAP, and (c) a significantly higher percentage of transactions (of all dollar values) paid with EAP.

Best Practice

The 2015 Electronic Accounts Payable Benchmark Survey Results examines best practices of "high performing" EAP programs. The Report provides unique and fresh insight into the philosophies and actions of "best practice" EAP programs, broken into key categories that include (1) leadership and strategy, (2) understanding of and focus on EAP benefits, (3) program management and control, (4) program policy choices, (5) supplier relations and acceptance of EAP payment, (6) use of an expanded EAP toolkit, (7) provider selection, and (8) training and communications.

Interaction with Plastic Purchasing Cards

Eighty-nine percent of EAP-using organizations also use plastic purchasing cards. Sixty-eight percent of respondents state that EAP purchase "are different" from purchases made with plastic cards. The most commonly cited difference between plastic card and EAP purchases is that EAP purchases are for higher dollar amounts. Three-quarters of respondents assess that their EAP spending has had "little or no impact" on plastic purchasing card spending.

A comparison of similar-size organizations that only use plastic cards with organizations that additionally use EAP revealed that EAP-adopters report a 140% overall improvement in combined spending on plastic and EAP.

Other Areas of Interest

The 2015 Electronic Accounts Payable Benchmark Survey Results provide additional details to support the topics above and address a host of other issues, including organizational goals for EAP, spending growth potential, details of supplier recruitment activities, EAP mechanics and

integration with organizational information systems, governance and risk management, and internal and external fraud.

Program Profiles by Organization Type and Size

This report presents EAP program spending and other benchmark data points for a variety of Corporate and Government and Not-for-Profit categories. The benchmark group categories include (a) Fortune 500-Size companies (annual sales revenue greater than or equal to \$2 billion), “Large Market” companies (annual sales revenue greater than or equal to \$500 million but less than \$2 billion), “Middle Market” companies (annual sales revenue greater than or equal to \$25 million but less than \$500 million), and “Small Market” companies (annual sales revenue less than \$25 million). In addition to the corporate groups, we provide benchmark data points for States and State Agencies, Cities and Counties, Colleges and Universities, School Districts, and Not-for-Profit Organizations.

The EAP spending benchmark data points provided for each group include but are not limited to:

- average and median monthly EAP spending,
- average monthly spending per employee,
- average EAP transaction amount,
- EAP spending as a percent of sales revenue (or budget for Government and Not-for-Profit entities), and
- the percentage of transactions paid with EAP within four spending categories: (a) of \$2,500 or less, (b) between \$2,501 and \$10,000, (c) between \$10,001 and \$100,000, and (d) between \$100,001 and \$1 million.

Further, we present data related to program governance and risk management within each group.

Among other points, the report provides:

- the types of EAP configuration used (virtual cards, single-use accounts, or BIP)
- past and future EAP spending growth,
- the percentage of good and service categories bought with EAP,
- the percentage that also use plastic purchasing cards,
- the average number of suppliers and percent of the supplier base currently paid with EAP,
- the percentage of organizations that engaged in an effort to enlist suppliers for EAP acceptance,
- the percentage that changed payment terms to promote EAP acceptance, and
- the percentage of EAP transactions that are manually reconciled.

The Provider's Role in EAP Program Success

This report presents respondent provided data that relate to the role that provider's play in EAP program success. The major areas addressed in the report are as follows:

Economic Relationship

Customers report increasing levels of satisfaction (compared to 2012) with all aspects of the economic relationship with their EAP provider, including rebates/incentives tied to EAP spending, transactions costs, bank fees associated with EAP, and the overall economic relationship with the provider. The fixation of some EAP-using organizations with rebates and incentives is a concern inasmuch as it indicates a limited recognition of the range of benefits available from EAP payment.

Support and Service

Customers report increasing levels of satisfaction (compared to 2012) with all aspects of customer service and support, including assistance in getting suppliers to accept EAP payment, training materials and support, quality of help from help desk, and overall customer service and support. Notwithstanding, negative satisfaction gaps exist for the vast majority of customer service items, with the largest gaps attached to the most important aspects of customer service and support. However, majority of respondents are "satisfied" or "very satisfied" with the performance of their Account Manager.

Data Integration and Reporting

Most respondents consider data integration, reconciliation, and reporting of transaction-related data to be highly important aspects of the EAP program. Customers report increasing levels of satisfaction (compared to 2012 data) with integration and reporting of EAP data. However, respondents report negative satisfaction gaps in the "ability to integrate EAP data into resource planning, general ledger, Accounts Payable, or other internal information systems" and in the "overall integration of EAP data with organizational information systems."

Impact of Customer Satisfaction

Organizations with higher overall levels of satisfaction with EAP economics, service and support, data integration, and reporting have higher average monthly EAP spending and capture a higher percentage of transactions on the EAP platform (at all dollar levels). Higher overall customer satisfaction is also associated with (a) more frequent communications and greater satisfaction with the EAP provider's Account Manager, (b) a higher number of suppliers paid with EAP, (c) higher satisfaction with the overall level of supplier acceptance of EAP payment, (d) more automated and trouble-free reconciliations of EAP transaction activity, and (e) EAP spending that is "significantly" or "completely" integrated with the organizational accounting information/ERP system.

