



2020
Accounts Payable
Customer Service
Survey Results

INTRODUCTION

The work of accounts payable has a broad reach. Its principal outputs include vendor payments, tax and regulatory reporting and payments, and employee reimbursements. Through its relationship with vendors it plays an important role in the company's supplier relationships. The vendors, internal employees and government agencies, as recipients of AP's services, are AP's "customers."

Fundamentally AP serves its customers by paying what the company owes them in accordance with contract terms. But the complexity involved in that mission requires varying degrees of interaction between AP and its customers. Internally, success or failure of those interactions affects the reputation of the department. Externally, it affects the reputation of the organization.

AP customer service refers to the interactions between the department and its "customers." Given the criticality of cash flow for all organizations, the status of payments is vitally important to the organization's vendors, as well as to its own employees. That drives inquiries to AP. Addressing those inquiries is the "front line" of AP customer service.

This survey reviews AP's customer service challenges and efforts in meeting them, a finding on the process benefit that some have accrued through attentive customer interaction, and advice for sustaining positive relations.

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ACCOUNTS PAYABLE “CUSTOMER SERVICE” CHALLENGES

Challenges include the volume of inquiries, time, lack of systems or tools and communication. More fundamentally, problems in various aspects of the payables process impact AP’s performance and thus generate concern and inquiries on the part of internal and external customers.

The most commonly identified challenge to good service, cited by 40 percent of participants, is some aspect of their payables process. This is self-evident. If organizations have trouble making payments on time, there are “customer service” issues. The particular challenges are familiar: getting invoices into AP timely, missing invoices, lack of information on invoices, coding errors, no PO or insufficient funds on a PO and more generally just processing times. There is also cash flow affecting DPO, driving concern and inquiries.

The next most common challenge involves customer service more directly: managing the volume of inquiries. One in four respondents say their challenge is the volume of inquiries or having insufficient staff to handle them. Some see the inquiries increasing.

Other challenges identified include:

- Insufficient time to research issues and respond to customers
- Lack of visibility of the data
- Dissemination of information
- Poor communication with vendors
- Lack of system to track and report on inquiry volume
- Lack of root cause analysis

Ten percent of participants apparently have smooth-running operations, indicating no—or “no major”—challenges.

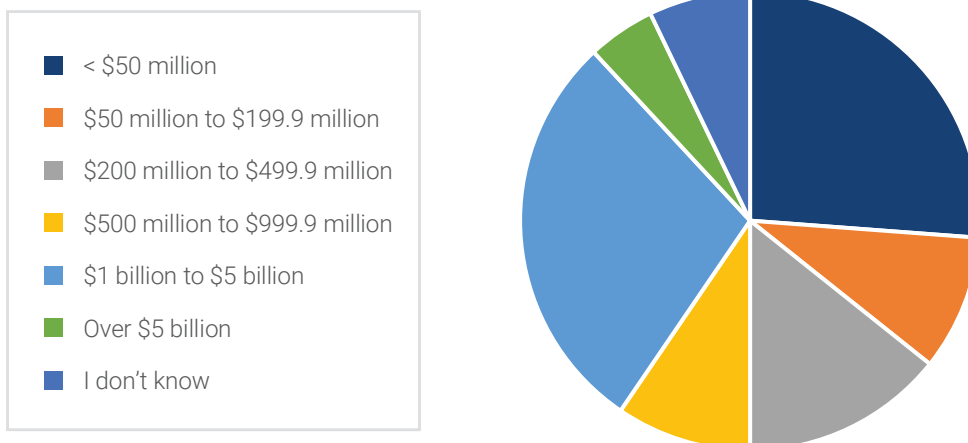
Customer service remains important. It is a crucial part of vendor relations, affecting the nature of those relationships. For many, once a contract is signed, contact with accounts payable is the main contact with the company—AP becomes the “face” of the company, for good or ill.



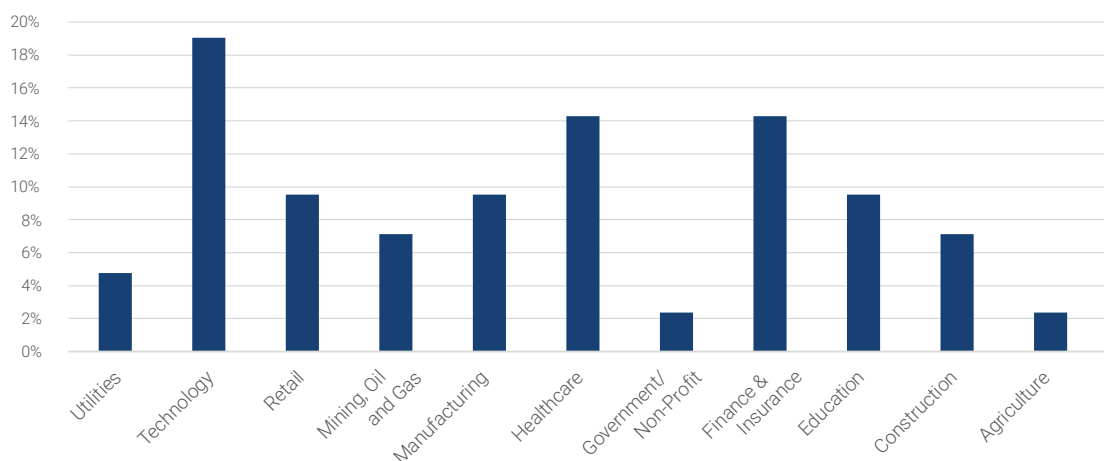
Study Demographics

Participants come from a variety of industries and size by revenue. Sixty-one percent of participants are primarily business-to-business oriented versus 39 percent being primarily business-to-consumer (including education).

Participants by Organization Annual Revenue

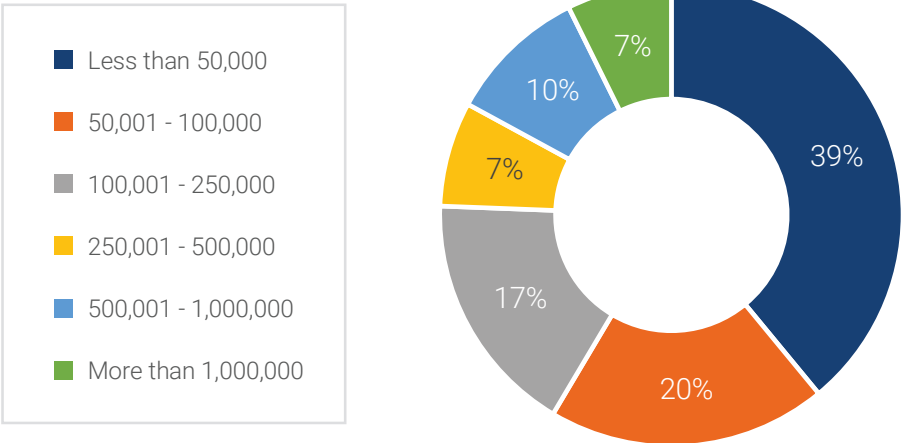


Participants by Industry

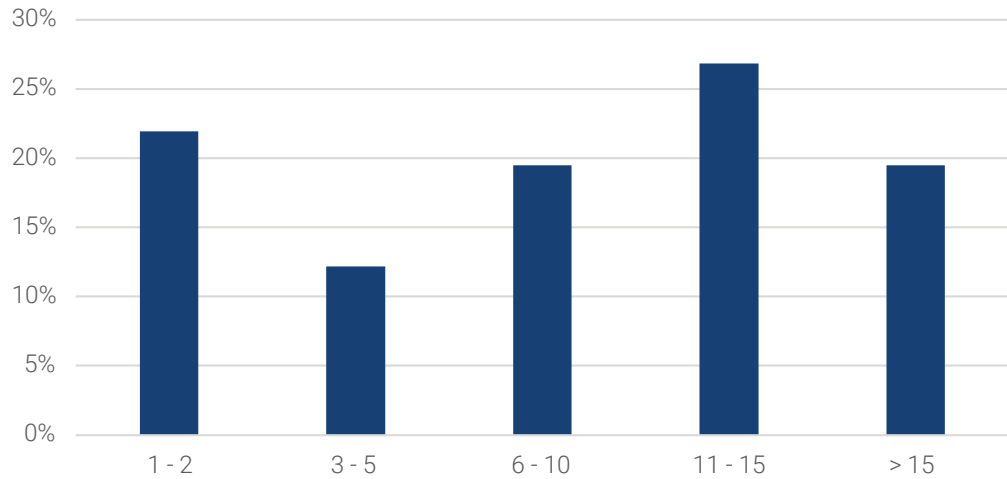


The number of invoices processed annually varies accordingly, as does the number of staff in accounts payable.

Number of Invoices Processed Annually



Number of Staff in AP

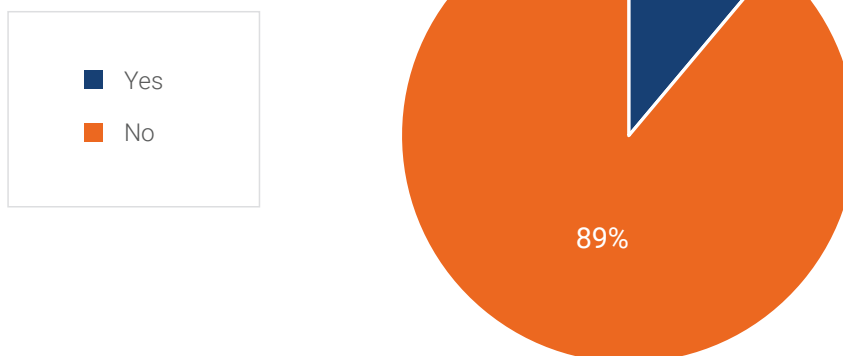




Customer Service Focus

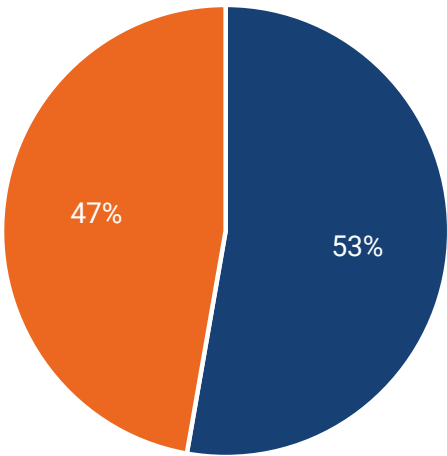
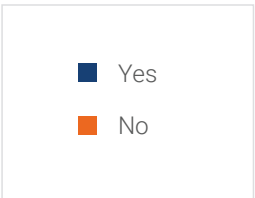
Most organizations do not survey their vendors to solicit feedback on what those customers think about the job accounts payable is doing. Just 11 percent of participants survey their vendors. This is effectively unchanged from 2019, and in fact unchanged from 2013 when Financial Operations Networks first asked this question.

Survey Vendors About AP Service

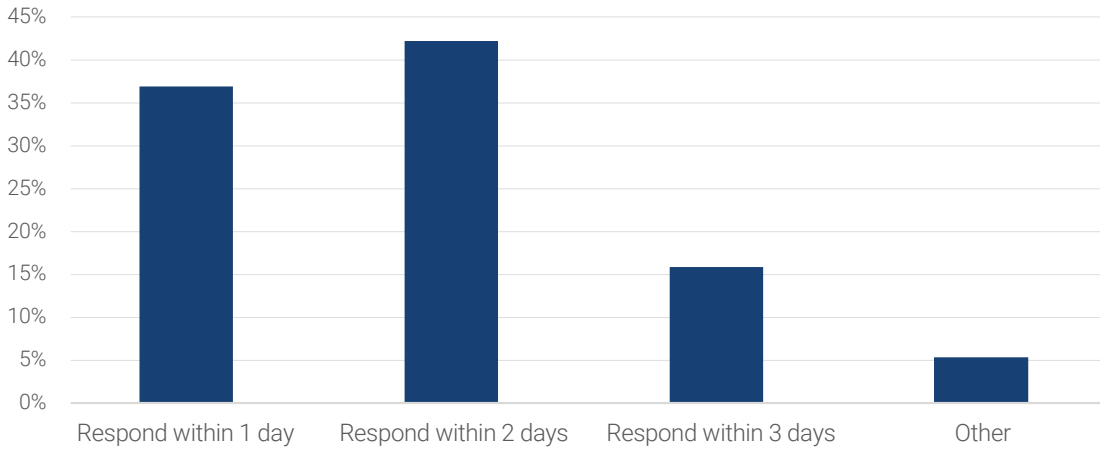


Asked whether their organization has a policy on response time to internal and external inquiries, 53 percent say they do. This appears to be an increase over 2019 beyond the survey’s margin of error. The particulars of the policy are similar to 2019, though with a slight decrease in percentage of “within one day” response and a corresponding increase in “within three days.”

Policy on Response Time



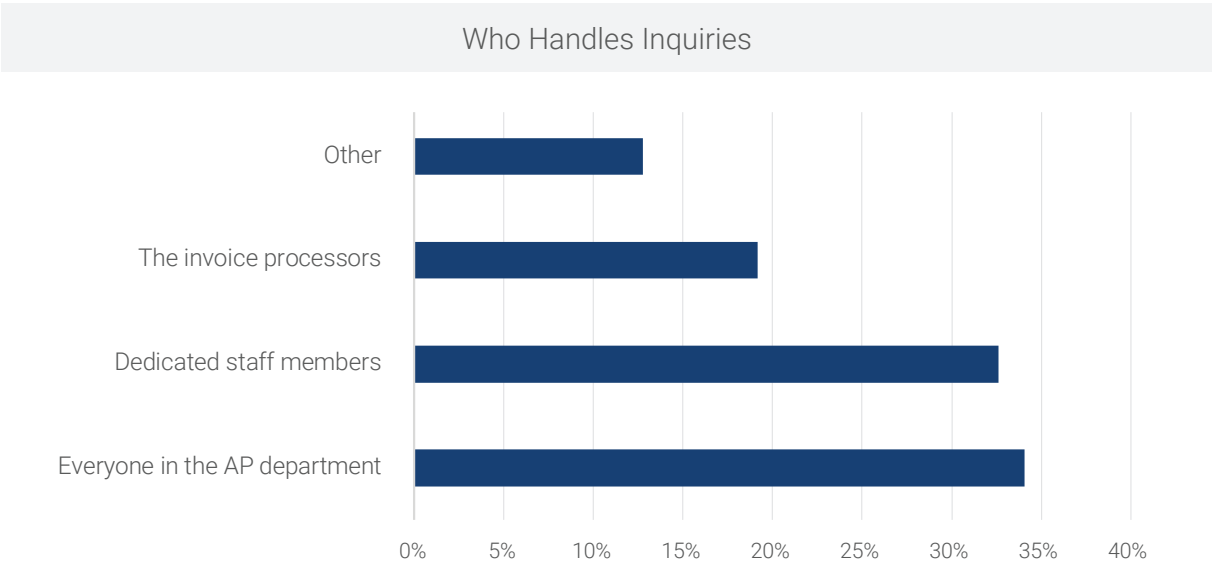
Response Policy Requirements



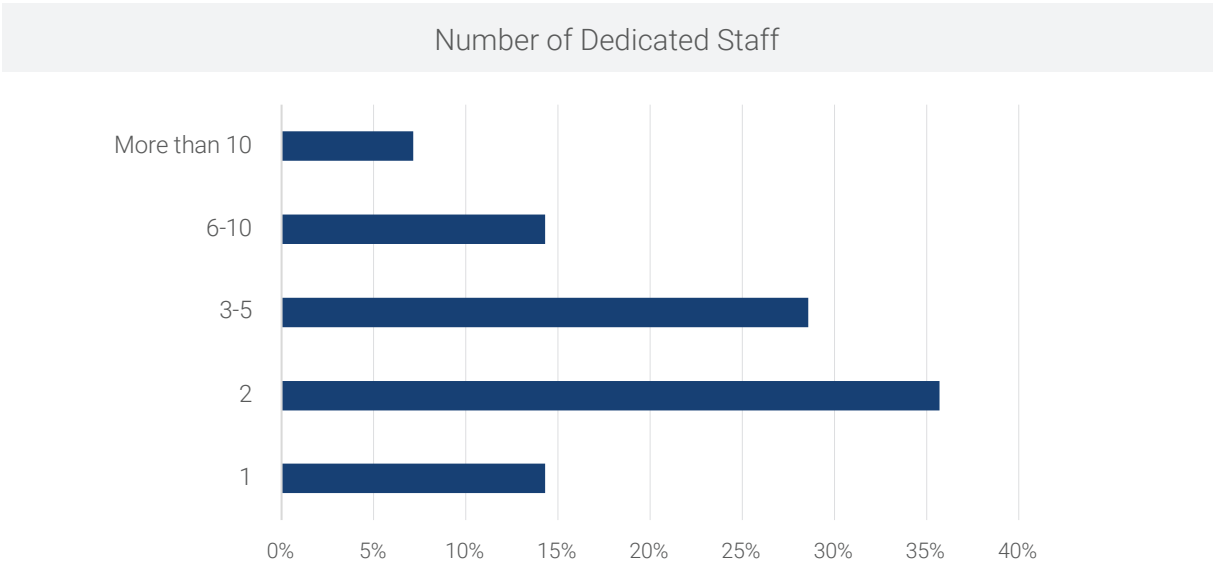


Staff Organization for Handling Inquiries

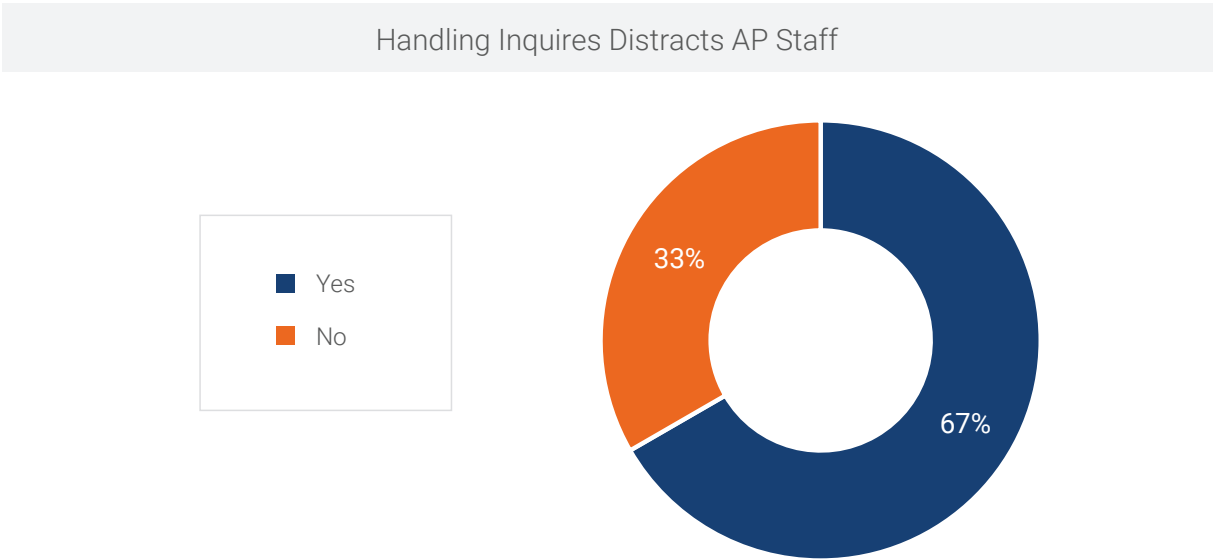
Handling payables inquiries may be done by everyone in the department, or by invoice processors specifically, or by a dedicated customer service team. The other options include a separate-from-AP support service team, and in the case of very small organizations, the sole person handling payables.



In organizations with dedicated customer service teams, the number of FTEs comprising those teams varies by size of organization.



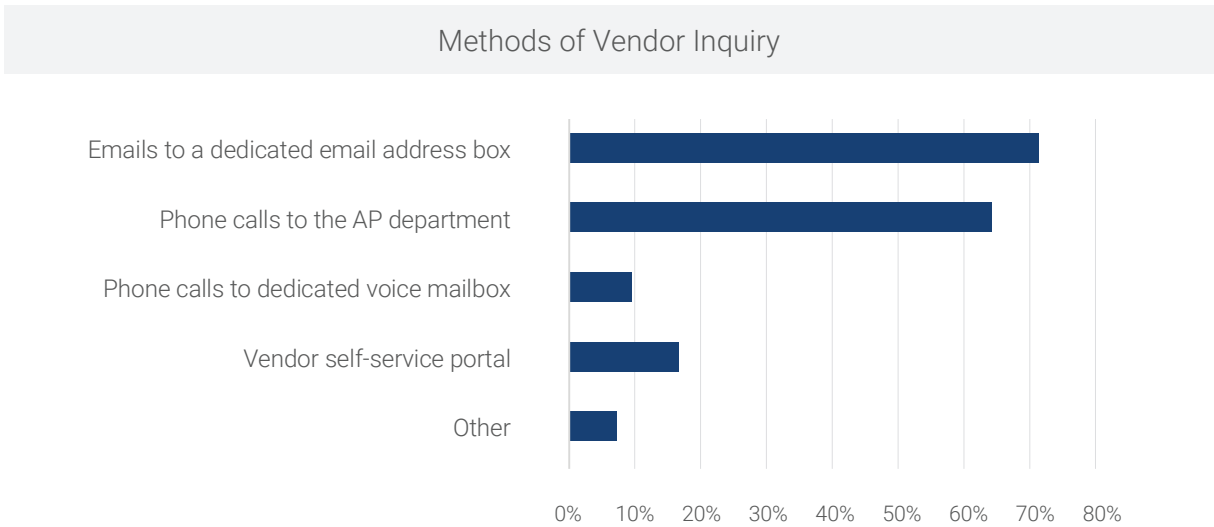
Distraction or part of the job—Is handling invoice inquiries from vendors and internal staff members distracting for AP staff? In 2020, two-thirds agree that it is. That’s up from a nearly 50/50 split in 2019.



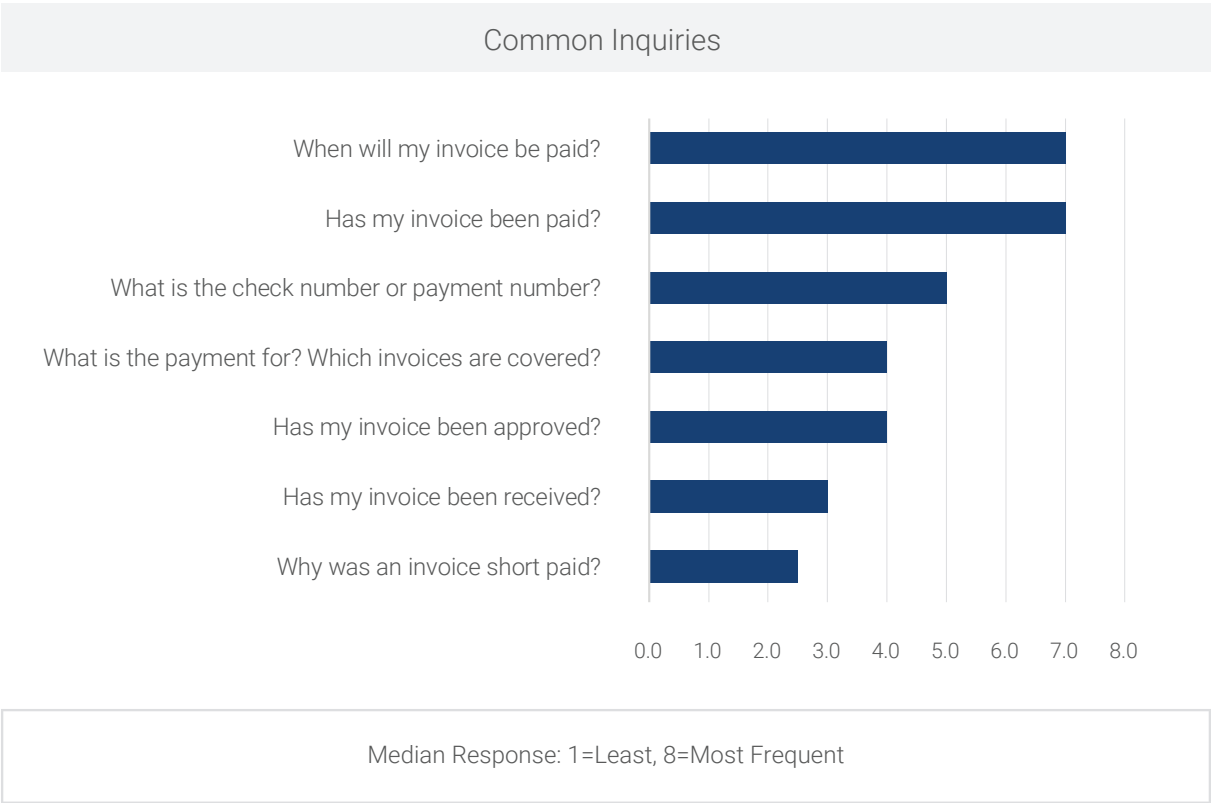


Customer Service Inquiries

Organizations receive inquiries via email, phone or portal. The email or phone is usually a dedicated address or number, but sometimes the call goes generally to AP or directly to the designated staff for the particular vendor account. Organizations receive inquiries by more than one method. Email and phone calls are by far the leading methods of communication.



Common inquiries have not changed over time. The top inquiries remain “Has my invoice been paid?” and “When will an invoice be paid?” A common internal inquiry is about PO-related issues, which while only identified by less than five percent of participants, rated a median “6” – frequent.



These most common questions make up for the bulk of inquiries—up to 80 percent—coming into AP. They are simple enough questions for which responses nevertheless require time and effort. These are the kind of questions a self-service inquiry portal is designed to handle, saving AP time while providing fast answers via a mechanism that puts the customer in control of getting what they need when they want it.



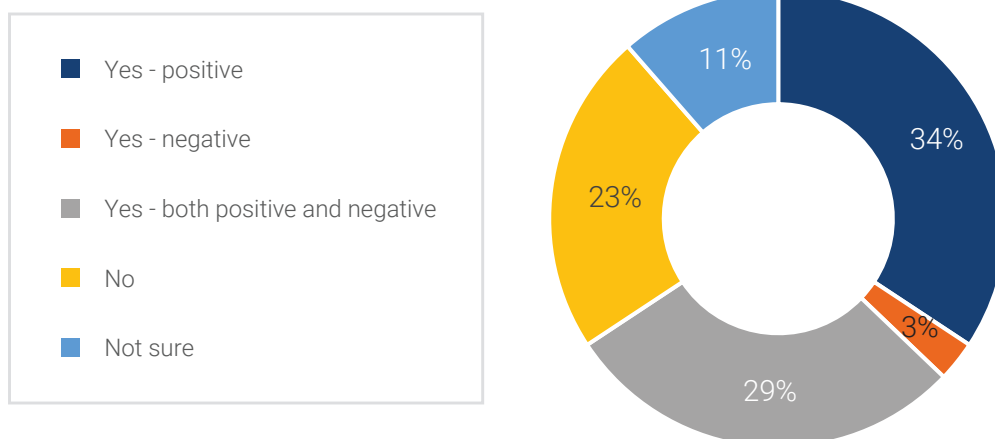
Benefits of Vendor Interactions and Value Extraction

Interactions with vendors make an impact, whether the outcome is positive or negative. And these outcomes impact the overall vendor relationship. That is why the purchasing department has a keen interest in payables performance—at least if the outcome is bad! The company, and purchasing in particular, have an interest in AP delivering good service. Good vendor relations bring important benefits, whether in pricing and terms, willingness to accommodate sudden changes in supply needs or patience in an occasional cash crunch. Poor relations, of course, have negative consequences.

To what extent is AP aware of this, and what outcomes have organizations seen as a result of customer interactions? A third of participants report vendor interactions have resulted in positive outcomes. Twenty-nine percent acknowledge both positive and negative outcomes. Three percent report only negative outcomes. Eleven percent are unsure of the outcomes of their interactions, while 23 percent replied that vendor interactions had no positive or negative outcomes. Whether that latter group is aware of their impact is unclear.

While the question was not asked about the impact of internal interactions, it is reasonable to surmise that there are similar positive and negative outcomes internally, in particular concerning the reputation of the accounts payable group. This has possible consequences to the level of support AP might receive.

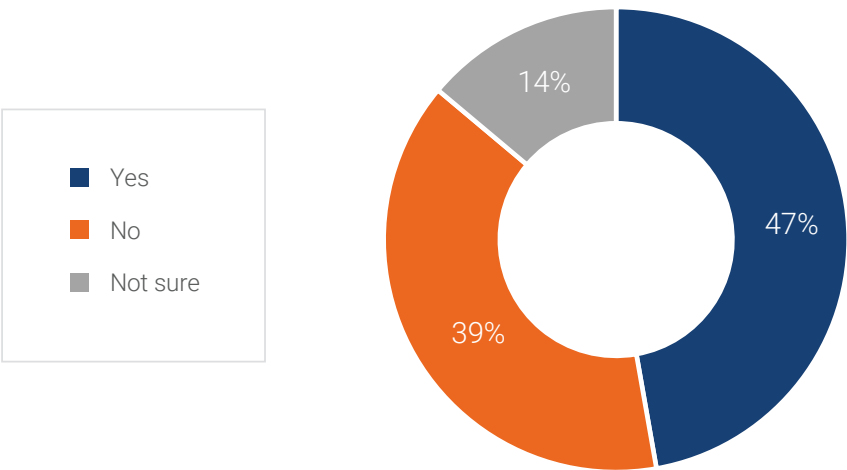
Vendor Interactions Have Resulted in Positive or Negative Outcomes for the Organization



The chart on page eight shows the most common inquiries made by vendors. But a much smaller percentage of customer inquiries are more challenging and require personal contact. These types of customer interaction represent a particular opportunity.

Companies can benefit from internal and external customer issues and complaints. Customers provide a valuable source of information. A particular problem or a repeated issue might point to a process problem. Based on the information, root-cause analysis can identify process issues. Consequent process revisions can enhance operational efficiencies and remove recurring problems. Nearly half of survey participants, 47 percent, indicate that internal or external problems that were uncovered in customer service have led to changes in procure-to-pay processes. This illustrates that value can be extracted from customer service.

Process Change Resulting from Inquiries

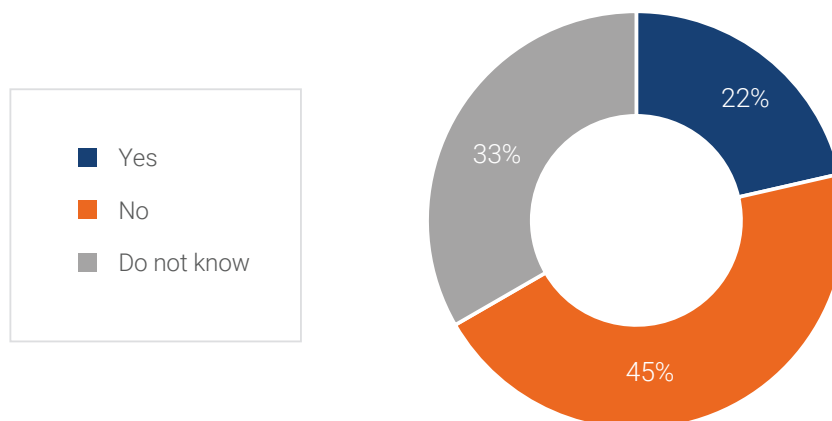




Customer Service Metrics

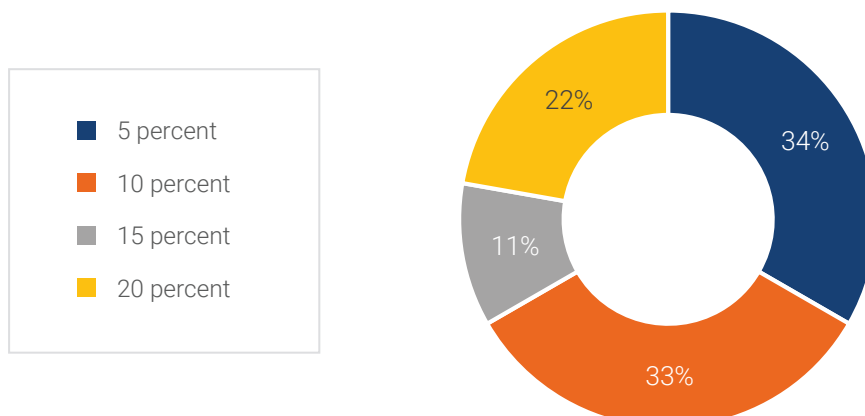
Only 22 percent of participant organizations track metrics on customer service inquiries.

Metrics Tracked on Inquiries



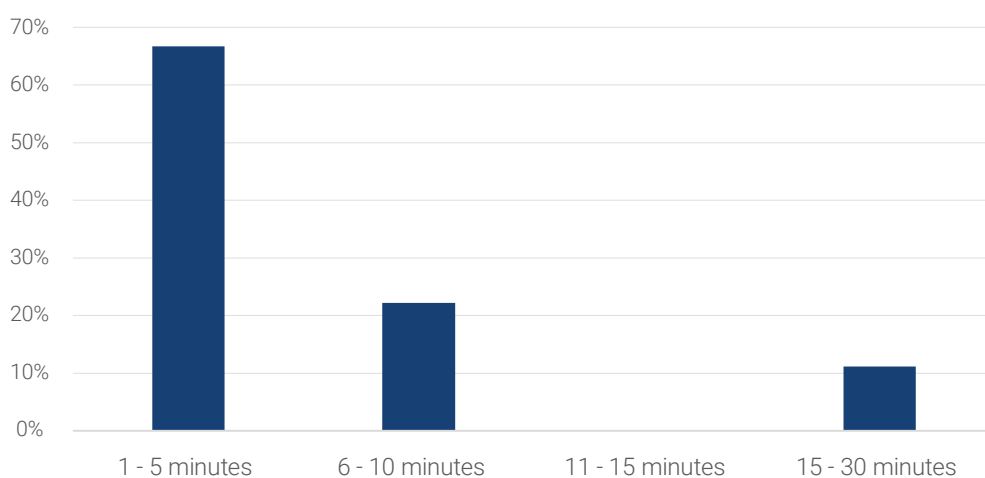
On what percent of total invoices do inquiries occur? According to two-thirds of those that do track customer service metrics, inquiries are received on 5 or 10 percent of all invoices. Eleven percent of respondents see inquiries on 15 percent of invoices. For one in five, however, inquiries are received on 20 percent of invoices.

Inquiries Received on What Percent of Invoices



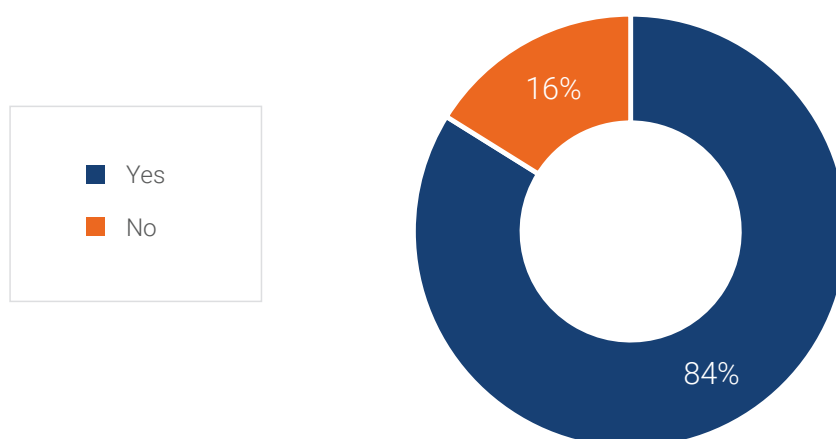
So how long does it take to handle those inquiries? The average length of time spent on inquiry calls or email responses is one-to-five minutes for 67 percent of organizations. For 22 percent, it requires an average six-to-ten minutes. And for 11 percent, 15 – 30 minutes. That's per inquiry. Multiply that by number of inquiries each period. To determine the cost, multiply that time spent by the average, fully weighted cost of an AP staffer who handles inquiries.

Average Time Spent on Call or Email Inquiry

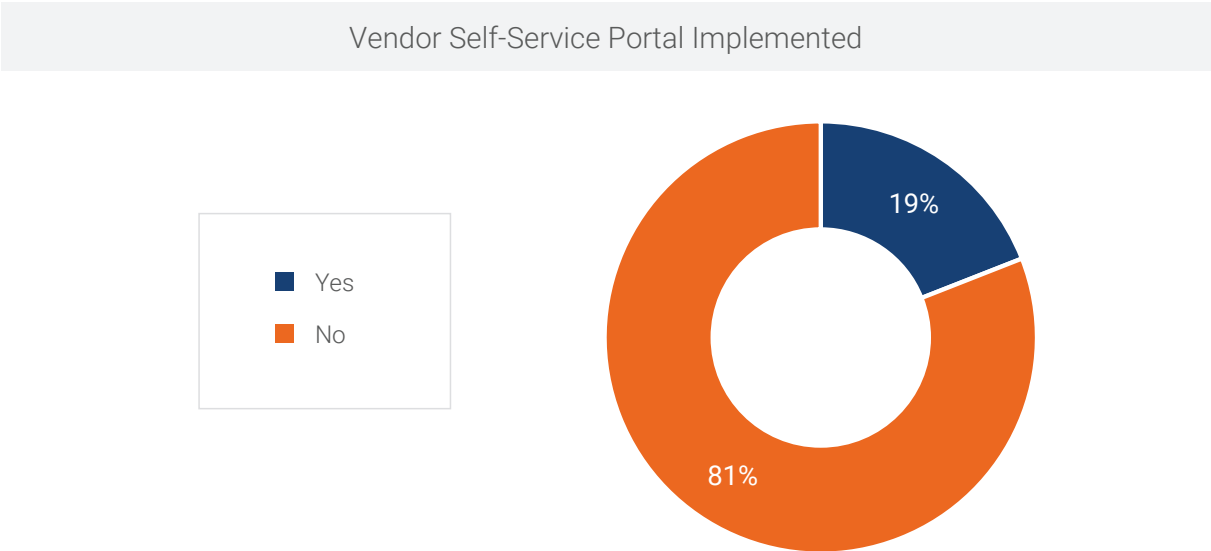


Implementation of a vendor self-service inquiry portal can relieve accounts payable of a significant percentage of incoming calls and emails from vendors and also from internal sources. But can a vendor self-service portal provide the same or better customer service as “manually” responding to calls and emails? The majority of all participants believe the answer is yes.

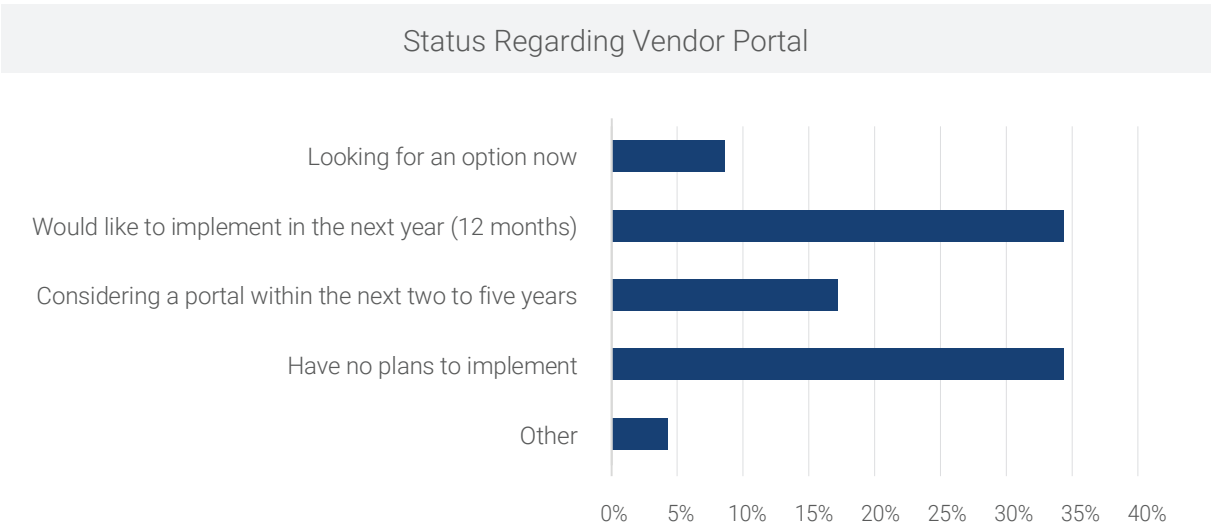
A Vendor Self-Service Portal Can Provide the Same or Better Customer Service



Nineteen percent of participants report having a vendor self-service portal. This is up from twelve percent in 2019.



For those participants without a portal, 8 percent are looking at options now, and 35 percent would like to have a portal in the next year, with 17 percent considering a portal in the next two to five years. (The “other” below represents participants that currently have unimplemented availability, i.e. a portal module in their ERP that has not been activated.)

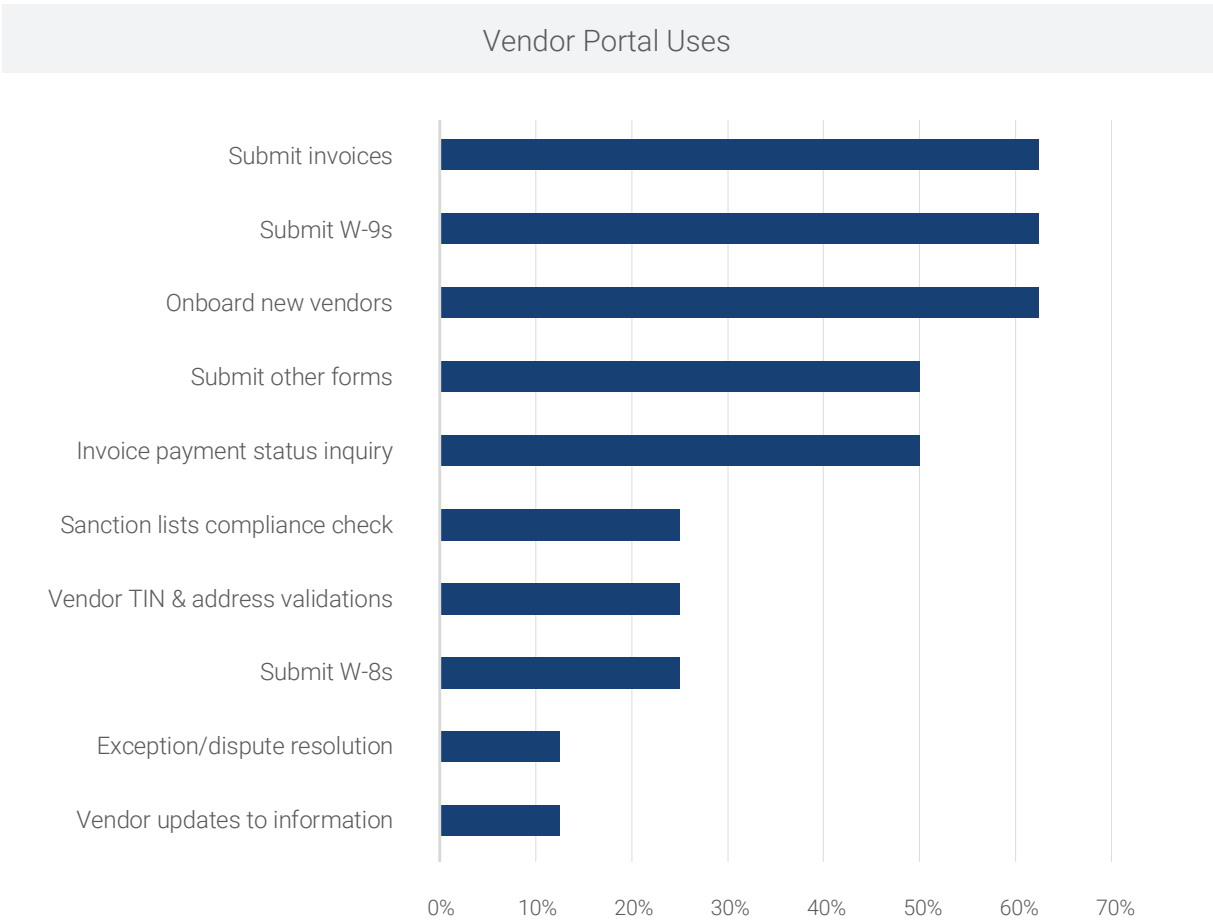




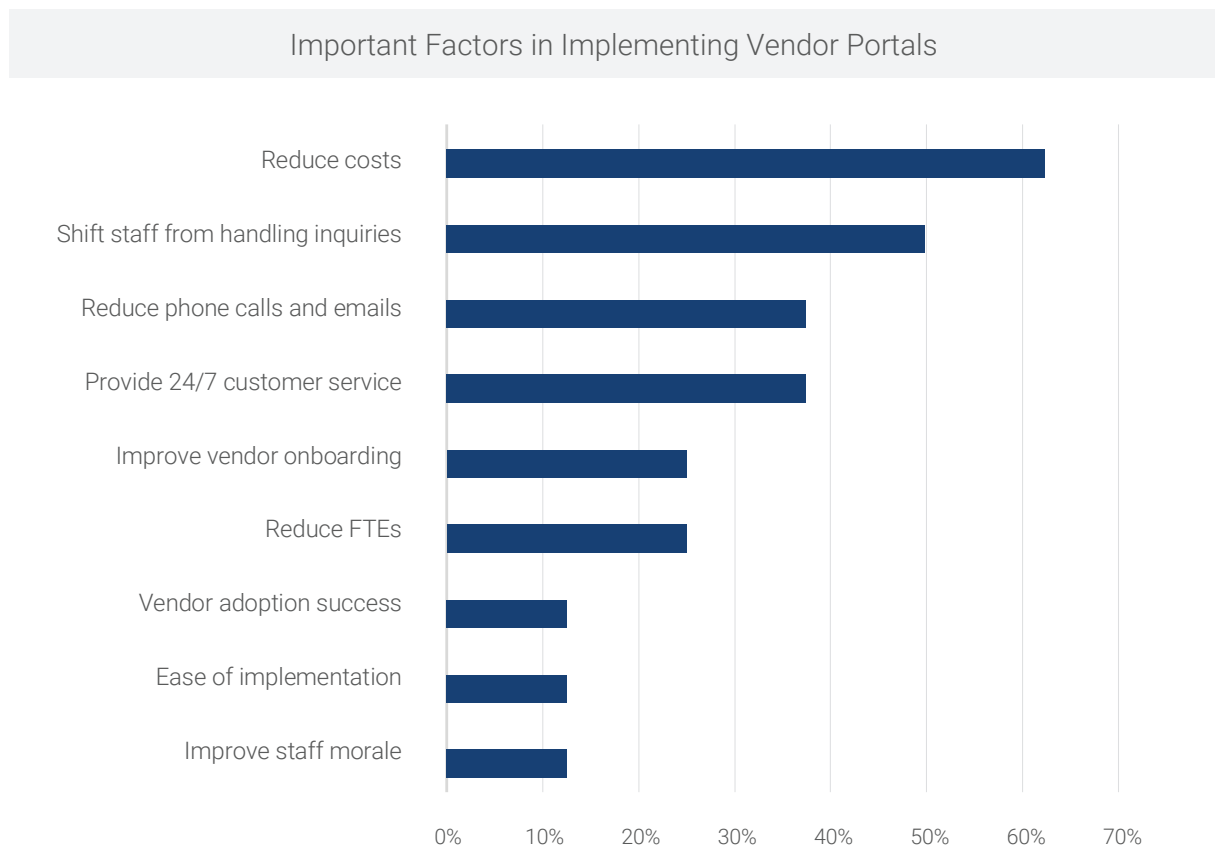
Organizations with a Vendor Portal

For the small number of organizations that have implemented a portal, the survey explored questions on decisions, implementation and use.

Many portals are used as a means of document submission, including vendor onboarding documents and invoices. Half are also used for invoice payment status inquiry. Fewer are used for compliance-related actions or vendor information updates.



The most important factors in deciding to implement an online portal include cost reduction and shifting staff from handling inquiries to doing more productive tasks.



Implementation of portals has been most often championed by procurement directors, followed by finance directors, controllers and IT. Two-thirds of implemented portals are modules of existing ERPs, while a third are stand-alone third-party applications.

Only a very small percentage of those with a portal are tracking their customers' satisfaction with it.



ADVICE ON ESTABLISHING POSITIVE CUSTOMER RELATIONS

Participants offered, in free text form, the following as their best advice on how to maintain great relationships with their AP customers (both vendors and internal customers). The responses are straight-forward.

Good customer relations relies first of all on timeliness, along with clear, effective communication. That clarity should be honest. Answering inquiries promptly and truthfully builds trust. Some observe that timeliness includes paying on time in accordance with terms, of course, though most meant timeliness specifically in customer interactions.

Some note the importance of patience and empathy. Others stress educating internal and external customers. For the latter, that includes ensuring their understanding of the process to get paid.

One astute participant notes the importance of finding the right contact to communicate with, one that you can talk to—empathy and patience go both ways. Another observer states the importance of managing expectations. Set them and meet them. Be professional and courteous. And finally, use the vendor's aging report.

CONCLUSIONS

Accounts payable has a role beyond the company's business and legal obligations related to purchase transactions. In the way it carries out its function, AP has an impact on the relationships between the organization and its partner vendors. Are those relationships solid, built on trust and reliability? Or are they clouded by poor communication, difficult connection and lack of information? Once an organization reaches agreement with a vendor, AP is often the department with the most contact with the vendor. It therefore becomes the face of the company. How it interacts with the vendor has a significant impact on the relationship, for good or ill.

Most in AP are cognizant of that role and responsibility. They recognize AP's interactions can have a positive or negative outcome for their organization. Despite that, metrics focused on customer service remain rare in AP departments. And the number of organizations with a policy on inquiry response times is just above half, unchanged in the past few years. The essentials of customer interactions appear largely unchanged.

Smart managers are aware of the value in applying the information from vendor interactions to root-cause analysis, leading to process improvements. Elimination of process problems improves overall performance and enhances relationships—particularly with the vendors that see that they have been “heard.”

There remains room for improvement in facilitating timely communication between the parties, as well as addressing such concerns as the security weaknesses inherent in email communications. Automation of vendor onboarding and self-service inquiry is a proven concept. Yet most organizations have not yet taken advantage of it. And there remains a demand on the time of AP staff to facilitate good relations both internally and externally, which continues to require patience, empathy and transparency.

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