



# Middle Market Business Sentiment Report

## Introduction

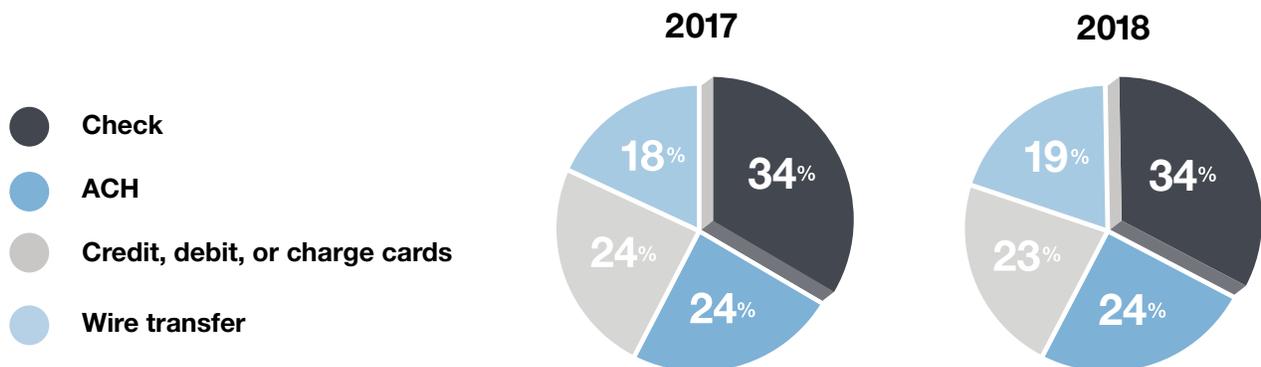
Each quarter, KeyBank surveys owners and executives of middle market businesses – those in the \$20 million to \$4 billion range – to gain insights into selected topics and find out how they feel about their companies in light of leading economic indicators, as well as the current political and business climates.

Over the past several years, there has been a fair amount of buzz surrounding the emergence of automated payments. When we asked middle market executives and business owners about their adoption of this technology in our most recent survey, we discovered an interesting paradox: On one hand, there is a desire to embrace automation, but on the other hand, there is hesitancy regarding the steps it takes to get there. In this report, we dive deeper into the issue of payment automation and its viability and benefits for your company.

## Paper checks: old habits, no changes

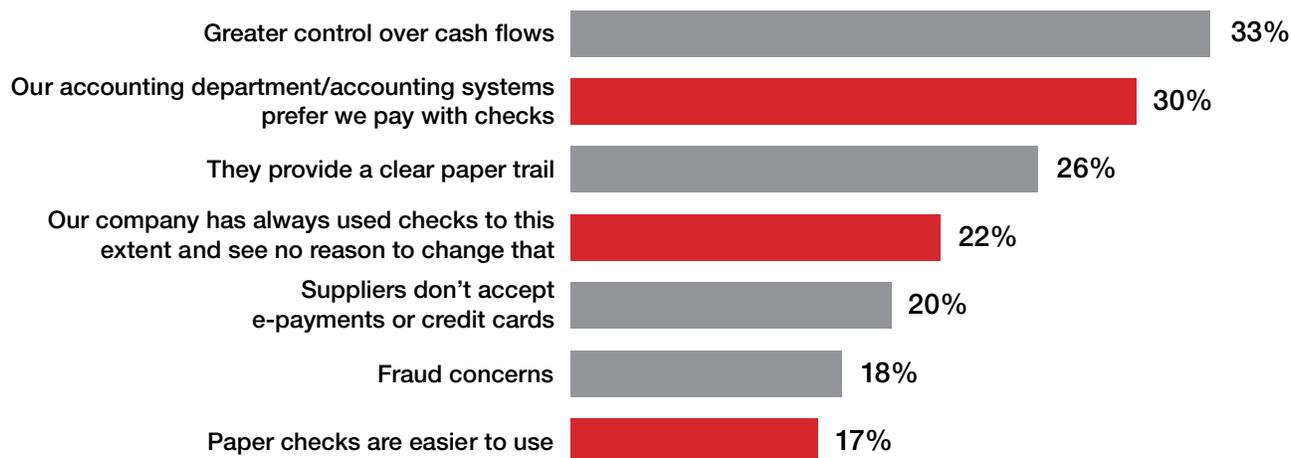
Contrary to what one may expect by reading headlines, one-third of the business owners and executives we surveyed said they still make the greatest percentage of their company’s vendor payments by check – the paper kind. This is the same percentage reported in our survey last year (June 2017).

### Payment types in 2017 vs. 2018



You could conclude that there remains a certain comfort level with checks, or some hard-to-break habits. Some additional data points in our survey bear that out. For example, when asked the reasons they use checks for vendor payments, 30% reported their accounting department preferred it that way, 22% said that was the way they've always done it and they see no reason to change, and 17% even said paper checks are easier to use.

## Why owners/executives still use checks



## A shift toward automation? Likely.

Though there was no change in the percentage of companies using checks over the last year, our survey results indicate there could be changes to come; 62% of business owners said they were likely to automate all or part of their payments processes in the next 12 months.

## The benefits of automation: add to the bottom line, increase efficiency and transparency.

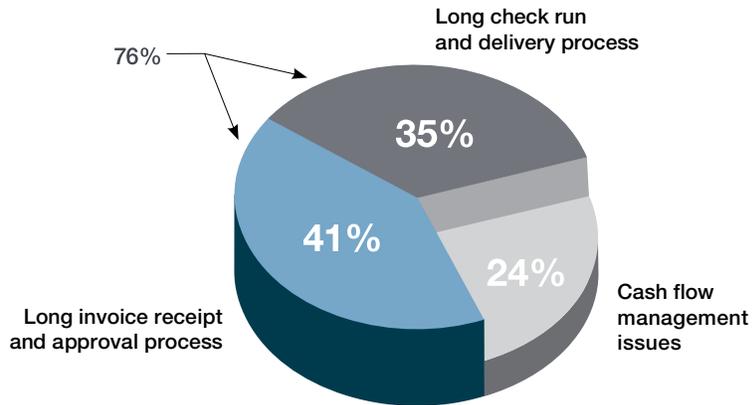
With a majority of business owners interested in pursuing automation in the next 12 months, we explore the potential benefits and opportunities for your organization.

## Automation can add to your bottom line.

*Avoid late fees on vendor payments*

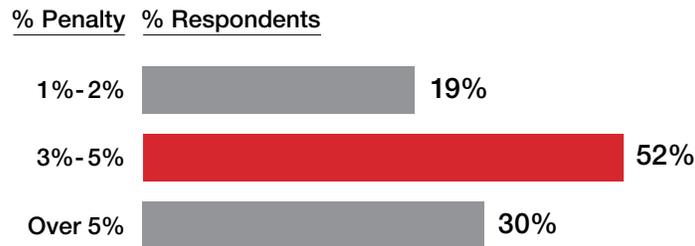
One of the most surprising results in this year's survey is the impact inefficient processes can have on an organization's ability to make vendor payments on time. Respondents with late fees on more than 10% of their invoices stated process inefficiencies drove 76% of their late payments. Only 24% cited cash flow issues as the reason for their late payments.

## Primary reasons for late payment penalties



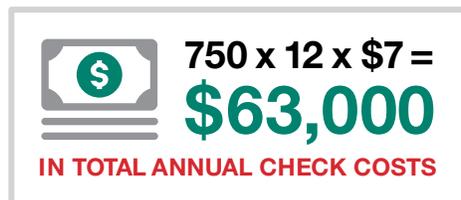
Surprisingly, a majority reported being late on anywhere between 50-100 payments a month, and they incurred penalties on three to five percent of those payments. That's compelling math, especially when it comes to the potential of adding money to the bottom line.

## Average penalty percentage for late invoice



*Automation is more cost-effective than issuing checks*

Many businesses may not fully realize the cost of using checks really adds up. Fast. According to industry benchmarks, the average cost of using a check is around \$7.00 and can range anywhere from \$1.00 to \$20.00. Considering a typical middle market company pays an average of 750 vendors a month, we can estimate the annual cost of using checks to be around:



In addition to having the ability to drive significant check savings, certain electronic payment options such as multi-use commercial cards also give your organization the ability to improve your working capital as well as potentially drive revenue through spend volume rebates.

## Increase efficiency and transparency.

### *A more efficient workforce*

One of the primary benefits of implementing automated payments is removing manual, time-intensive processes. Recent industry research found automation has the potential to eliminate the most time-consuming and rote workflows, freeing accounting and financial professionals to focus on things like reducing invoice discrepancies, performing forward-thinking financial analysis, and improving other processes.

Automation can also streamline your payment executions – including manual check runs, check signings, and reconciliation. When these processes are automated, the amount of transactions your account payables team will manually have to touch is decreased, saving time and reducing errors.

### *Automation increases transparency*

Automation can also help provide transparency into the status of your AP process. It limits the amount of research needed to track outstanding invoices, payments, or checks. For organizations that have decentralized accounting or management structures, automated reporting also provides a holistic view of payments across the entire business while still providing activity management at the individual property or business level.

A KeyBank client, who recently implemented an AP automation solution, shared these benefits:



Gaining greater visibility was a high priority for us. We now know where invoices are, who is holding on to them, and how they affect our financials. We have a streamlined, web-based structure for our two-approval process, and we have achieved a significant reduction in printing and signing checks.

Data is uploaded to our accounting system and our invoices are stored electronically, not in filing cabinets. Before we automated, we were asking lots of questions. Has this invoice been paid? Where is it in this stack of paper? Has the payment cleared? Now we can just look it up.

**– KeyBank client**

## Work with a bank that understands automation and what it can mean for your business.

At KeyBank, we work with our clients to establish a holistic approach to treasury management. We develop an understanding of our clients' specific payment needs, pain points, processes, and business strategies in order to provide payment advice that helps our clients run their businesses better every day. As an advisor to your business, we are here to help you understand potential payment automation solutions and how to implement them within your organization. Learn more about how we can help at <https://www.key.com/corporate/treasury-management/treasury-management.jsp>. Here you will find additional insights and resources such as:

- AP Automation: How Can Your Business Benefit? ([video](#))
- The Future of AP Automation ([video](#))
- Integrating Fintech Services to Optimize Financial Operations ([pdf](#))
- AP Automation Webinar: Learn how you can gain control over your payables ([webinar](#))
- Improving Accounts Payable Efficiency With Purchase Cards ([white paper](#))

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