

Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending,

a PYMNTS and Corcentric collaboration, is based on a survey of 250 CFOs from healthcare companies and finance and insurance businesses conducted between Nov. 11, 2022, and Dec. 2, 2022. The findings also include data from a survey of 250 CFOs from retail and manufacturing companies conducted between Sept. 9, 2022, and Sept. 27, 2022. We examined the investments these businesses made in digital payments technology in the last three years — first in response to the pandemic and more recently in light of the ongoing digital shift.

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Investing in Payments Systems
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Digital Payments Technology: Investing in Payments Systems for the Digital Economy was produced in collaboration with Corcentric, and PYMNTS is grateful for the company’s support and insight. **PYMNTS** retains full editorial control over the following findings, methodology and data analysis.

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Introduction

Businesses have dealt with unprecedented change in recent years, and with an uncertain economic outlook, many are reconsidering the distribution of their technology spending. Many are tailoring their spending to modernize business processes, reduce operating costs and expand and optimize remote workforces.

Retailers and manufacturers are responding to these changes by investing in new digital payment systems. CFOs say these investments are generating improvements in systems like accounts receivable (AR), accounts payable (AP), procurement and working capital management. At retail and manufacturing companies, 75% of CFOs say investments in digital systems have improved their AR systems. Companies are also considering whether they can realize bigger payoffs as the economy's digital shift continues. Thirty-two percent of CFOs at healthcare companies and 23% of those at finance and insurance companies say their most important reason for investing in improvements to their working capital and credit systems is to expand their businesses.

These are just some of the key findings in *Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending*, a PYMNTS and Corcentric collaboration. Our findings are based on a survey of 250 CFOs at healthcare and finance and insurance businesses conducted from Nov. 11, 2022, to Dec. 2, 2022. The findings also include data from a survey of 250 CFOs at retail and manufacturing companies conducted from Sept. 9, 2022, to Sept. 27, 2022. We examined the investments these businesses made in digital payments technology in the last three years — first in response to the pandemic and later amid the ongoing digital shift.

This is what we learned.

Digital Payments:

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1 Retailers and manufacturers were more likely than healthcare firms and finance and insurance businesses to invest in digital technology during the pandemic.

Retailers and manufacturers that invested in digital technology to sustain operations during the pandemic targeted a large share of their investments on systems like working capital management and procurement. Forty-two percent of retailers and 51% of manufacturers invested in improvements to their working capital systems, with 81% of retail companies and 85% of manufacturers that invested in working capital and credit doing so to weather the pandemic. The digital technology investments healthcare firms and finance and insurance businesses made were less likely to have the purpose of sustaining business operations through the pandemic.

All the businesses we surveyed are directing a larger share of their technology spending toward meeting their various long-term goals, such as maximizing their efficiency and expanding the company.

2 At least three in five CFOs report that their investments in digital payment processes have improved business operations.

Retail, manufacturing and finance and insurance CFOs were more likely to report that their investments in digital payment systems improved their operations than CFOs from healthcare companies. Our data shows that 80% of manufacturing CFOs, 71% of retail CFOs and 73% of finance and insurance CFOs said their working capital and credit systems improved from their investments in digital payments technology. Just 59% of healthcare company CFOs said the investments in digital payments improved their operations.

3 Companies are identifying new priorities for their digital technology investments.

Businesses are investing in digital systems to prepare for the next wave of changes in the economy. They want to improve their payment processes, particularly with their AP and AR systems. For example, 38% of healthcare companies were most motivated by improving AR processes, but 69% said the same for AP systems. Among manufacturers, 69% said that improvements to AP processes were the most important reason for their investments in digital systems, and 47% cited improvements to their AR functions.

4 CFOs are planning to make future digital investments in payment processes and procurement systems.

Digital procurement systems are expected to receive a surge in investments across all sectors, with 45% of healthcare companies, 38% of finance and insurance businesses, 53% of retailers and 44% of manufacturers planning to invest in them. In fact, procurement systems are already a priority for many companies: 15% of healthcare companies, 19% of finance and insurance businesses, 31% of retailers and 42% of manufacturers are currently spending to improve them.

5 Economic uncertainty is influencing CFOs to plan investments in improving their AR, AP, working capital and procurement systems.

More than 90% of all CFOs expect a global recession within the next year, and this is spurring them to invest in improvements to their AR systems. Companies are also investing in strengthening their procurement systems as a way to help them ride out a period of economic uncertainty. Eighty-one percent of retailers, 78% of manufacturers and 77% of finance and insurance companies said economic uncertainty was very or extremely influential in their decision to invest in procurement, while only 67% of healthcare companies said the same.



Businesses have invested in digital technology to improve their payment operations.

Retailers and manufacturers have made strong commitments to upgrading the digital technology in their procurement systems since March 2020, with 48% of manufacturers and 33% of retailers making these investments. Thirty-four percent of manufacturers and 23% of retailers made these investments to ride out the pandemic.

Businesses in these sectors also made significant investments in their AR and AP functions. Fifty-six percent of retailers invested in digital technologies to improve AR, with 47% making these investments to weather the pandemic's disruption to their business. AP systems have also been an investment priority, as 28% of retailers invested in digital technology to upgrade the performance of payables processes. Twenty-one percent of retailers used the investments to keep their businesses functioning during the pandemic.

TABLE 1:

Payment systems that have received digital technology investments, by industry

Share of companies investing in select areas of payments technology since March 2020, by industry and reason for investing

	To maintain business during the pandemic	Other reasons	Total
FINANCE AND INSURANCE			
• Fraud prevention and risk management	35.7%	7.0%	42.6%
• Working capital and credit	17.9%	14.0%	31.9%
• Procurement	18.3%	15.6%	33.9%
• Accounts receivable	26.2%	15.9%	42.2%
• Accounts payable	15.6%	17.5%	33.2%
HEALTHCARE			
• Fraud prevention and risk management	42.8%	8.4%	51.2%
• Working capital and credit	16.3%	12.8%	29.0%
• Procurement	20.2%	17.2%	37.4%
• Accounts receivable	11.3%	6.9%	18.2%
• Accounts payable	10.8%	12.1%	22.9%
RETAIL TRADE			
• Fraud prevention and risk management	56.5%	9.2%	65.8%
• Working capital and credit	35.2%	6.8%	42.0%
• Procurement	23.3%	9.7%	33.0%
• Accounts receivable	46.8%	9.3%	56.1%
• Accounts payable	20.6%	7.6%	28.1%
MANUFACTURING			
• Fraud prevention and risk management	43.1%	7.0%	50.1%
• Working capital and credit	42.4%	8.2%	50.5%
• Procurement	33.8%	14.0%	47.8%
• Accounts receivable	17.2%	3.4%	20.5%
• Accounts payable	21.5%	7.9%	29.4%

Source: PYMNTS

Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending, February 2023

N = 125: Retail CFOs; N = 125: Manufacturing CFOs, fielded Sept. 9, 2022 – Sept. 27, 2022

N = 124: Healthcare CFOs; N = 126: Finance and insurance CFOs, fielded Nov. 11, 2022 – Dec. 2, 2022

Twenty-nine percent of manufacturers improved their AP systems with digital technology, while 21% made improvements to their AR functions. Twenty-two percent of the manufacturers surveyed made the AP investments to keep functioning during the pandemic, and 17% of manufacturers surveyed invested in their AR function to ensure that they would withstand the pandemic.

Finance companies and insurers have been investing in their digital payment processes to a somewhat larger degree than healthcare businesses. For example, 42% of finance and insurance companies have invested in their AR systems compared to 18% of healthcare businesses. Meanwhile, 33% of finance and insurance companies have invested in their AP systems, while just 23% of healthcare businesses have done the same.



Digital technology investments have boosted payments processes.

Chief financial officers believe that AR and AP systems are among the main beneficiaries of their investments in digital systems and processes. Seventy-five percent of retail CFOs, 75% of manufacturing CFOs and 73% of CFOs for finance and insurance companies said their AR systems improved because of those investments. Similarly, 65% of healthcare company CFOs said investments in digital systems have improved their AR systems. Similar shares of surveyed CFOs said investments in digital payment systems have strengthened their AP systems.

CFOs also saw benefits to procurement systems, though there was greater variation among different industry segments. Seventy-two percent of manufacturing CFOs, 71% of retail CFOs and 64% of finance and insurance CFOs also noted gains to their procurement processes, although just 55% of healthcare CFOs reported improvements due to digital investments.

Retail and healthcare CFOs were more likely to report improvements with their days sales outstanding (DSO) systems. Seventy-two percent of retail CFOs and 64% of healthcare CFOs said their DSO systems benefited from digital system investments. Meanwhile, 62% of manufacturing CFOs and 47% of finance and insurance CFOs have noted improved DSO system performance.

21%
of healthcare companies said **modernization** is the most important reason for investing in working capital systems.

FIGURE 1:

Gains from digital investments

Share of CFOs in different industries who reported improvements in select systems due to digital investments since March 2020



Source: PYMNTS
Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending, February 2023
N = 126: Finance and insurance CFOs; N = 124: Healthcare CFOs,
fielded Nov. 11, 2022 – Dec. 2, 2022

Source: PYMNTS
Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending, February 2023
N = 125: Retail trade CFOs; N = 125: Manufacturing CFOs,
fielded Sept. 9, 2022 – Sept. 27, 2022

Investments in digital processes have become a path for modernizing business functions.

Companies are investing in modernizing digital payment processes by moving legacy functions to the cloud and automating manual tasks. The modernization is also expected to reduce errors, improve quality and speed up work. That may explain why so many businesses say modernization efforts are their most important reason for investing in digital payments technology.

For example, 21% of healthcare companies said modernization is the most important reason for investing in working capital systems, and 27% said modernization is the most important reason for investing in procurement systems.

In addition, 22% of healthcare companies and 31% of finance and insurance companies said their most important reason for investing in improvements to their working capital systems is to optimize their remote workforces. Additionally, 32% of healthcare companies and 23% of finance and insurance companies said their most important reason for investing in improvements to their working capital and credit systems is to expand business.

Retail and manufacturing companies are among those investing in working capital systems to help expand business. Twenty-seven percent of manufacturers and 26% of retailers said expansion was the most important reason for investing in digital technology for their working capital systems.

Companies in all industries are investing in digital technology to improve their AR processes. Sixty-six percent of finance and insurance companies, 50% of retailers, 47% of manufacturers and 38% of healthcare companies said the most important reason for investing in AR systems is to improve their payment processes. In addition, 34% of healthcare companies said the most important reason for investments in AR systems is to expand their businesses, specifically to retain or attract new customers.

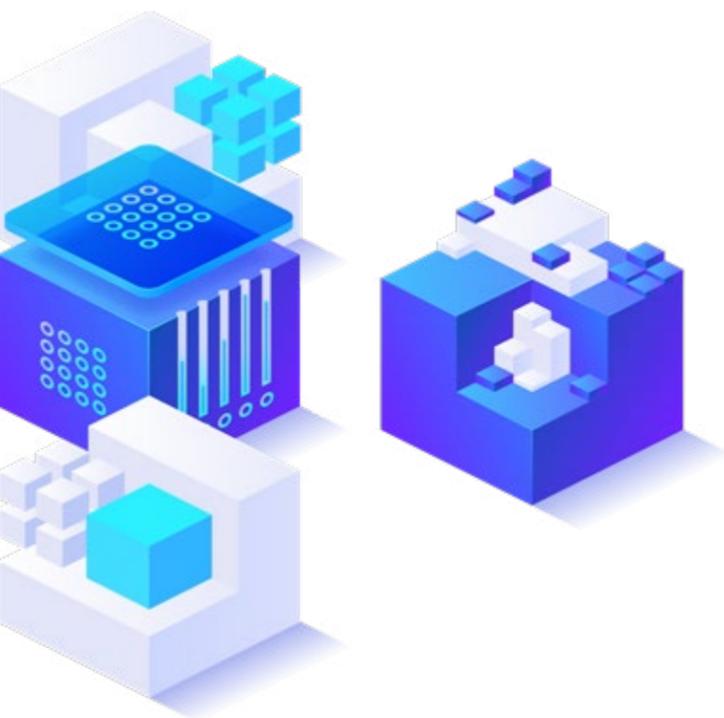


TABLE 2:

Reasons why businesses want to make digital technology investments

Share of companies citing the most important reason for their investments in select digital systems

	Fraud prevention and risk management	Working capital and credit	Procurement	Accounts receivable	Accounts payable
FINANCE AND INSURANCE					
• Improve payment processes	0.0%	3.4%	8.0%	66.3%	45.7%
• Modernize processes	47.0%	25.4%	45.0%	23.2%	25.7%
• Expand business	2.0%	22.8%	22.1%	9.5%	27.7%
• Reduce costs	0.0%	16.7%	17.5%	1.0%	0.0%
• Increase security	35.6%	0.9%	0.0%	0.0%	0.0%
• Reduce fraud	12.9%	0.0%	0.0%	0.0%	0.9%
• Optimize employee workforce	2.5%	30.9%	7.4%	0.0%	0.0%
HEALTHCARE					
• Improve payment processes	0.0%	0.9%	12.2%	38.2%	69.2%
• Modernize processes	55.5%	21.4%	27.0%	22.4%	25.6%
• Expand business	1.8%	31.6%	27.0%	34.4%	3.5%
• Reduce costs	0.5%	24.3%	20.5%	2.0%	0.7%
• Increase security	25.5%	0.0%	1.7%	0.0%	0.0%
• Reduce fraud	15.1%	0.0%	1.7%	0.0%	0.0%
• Optimize employee workforce	1.6%	21.9%	9.8%	3.0%	1.0%

	Fraud prevention and risk management	Working capital and credit	Procurement	Accounts receivable	Accounts payable
RETAIL TRADE					
• Improve payment processes	0.0%	5.7%	7.2%	49.9%	62.5%
• Modernize processes	25.2%	27.8%	65.5%	30.0%	26.4%
• Expand business	3.0%	26.0%	7.4%	15.9%	5.2%
• Reduce costs	1.0%	29.3%	9.2%	2.7%	0.0%
• Increase security	57.3%	0.0%	0.0%	0.0%	0.0%
• Reduce fraud	13.5%	0.0%	0.0%	0.0%	3.0%
• Optimize employee workforce	0.0%	11.3%	10.7%	1.5%	3.0%
MANUFACTURING					
• Improve payment processes	2.4%	0.8%	10.1%	47.1%	68.6%
• Modernize processes	33.2%	35.5%	59.0%	32.0%	21.5%
• Expand business	2.4%	26.5%	6.1%	12.9%	2.8%
• Reduce costs	0.4%	27.7%	17.6%	4.9%	1.0%
• Increase security	47.6%	0.4%	0.0%	0.0%	0.0%
• Reduce fraud	13.6%	1.8%	0.0%	0.0%	0.5%
• Optimize employee workforce	0.4%	7.2%	7.1%	3.1%	5.7%

Source: PYMNTS

Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending, February 2023
 N = 126: Finance and insurance CFOs; N = 124: Healthcare CFOs,
 fielded Nov. 11, 2022 – Dec. 2, 2022

Source: PYMNTS

Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending, February 2023
 N = 125: Retail trade CFOs; N = 125: Manufacturing CFOs,
 fielded Sept. 9, 2022 – Sept. 27, 2022

Businesses are prioritizing improvements to their working capital systems.

Uncertainty about how the economy will perform during the coming year, as well as the ongoing digital shift, are creating a sense of urgency for many companies to begin investing in digital systems to improve their management of working capital. Forty-four percent of finance and insurance companies plan to invest in their working capital and credit systems, and this commitment extends to other industries. Forty-six percent of retailers, 40% of manufacturers and 34% of healthcare companies are also planning to invest in their working capital systems.

These firms will be joining the 20% of finance and insurance companies, 23% of healthcare companies, 35% of retailers and 44% of manufacturers that are currently making investments in these systems.

Most companies are already making upgrades to aspects of their digital systems, or planning to do so in the near future.

Fifty percent of healthcare companies are planning to invest in AP systems, and 57% are planning future investments in AR systems. Similar shares of retailers and manufacturers plan to invest in these areas. The surveyed companies are also making digital investments in fraud prevention and risk management, with the highest share investing in this area.

34%

of healthcare companies are **planning to invest in digital technology** for their working capital systems.



FIGURE 2:
Digital systems that are investment priorities

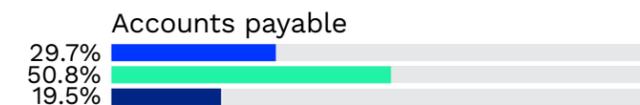
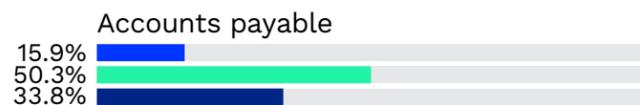
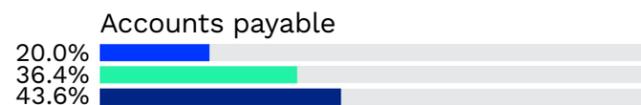
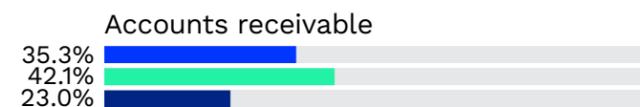
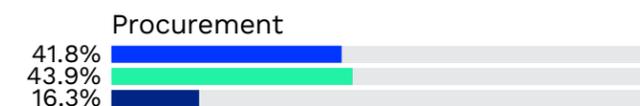
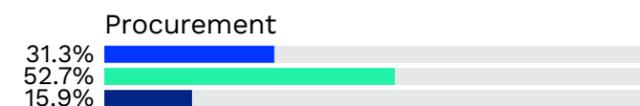
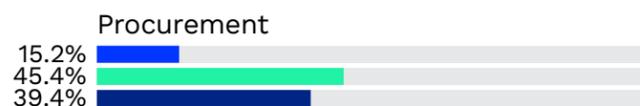
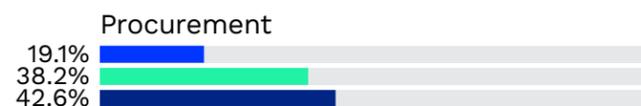
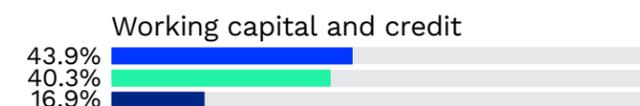
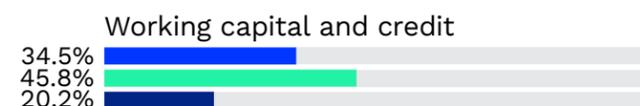
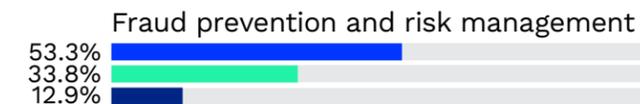
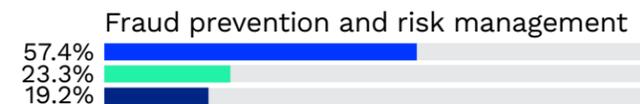
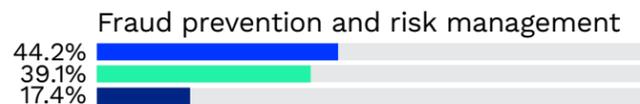
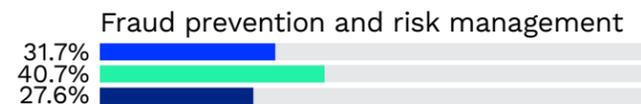
Share of businesses that are currently investing or plan to invest in select digital systems

FINANCE AND INSURANCE

HEALTHCARE

RETAIL TRADE

MANUFACTURING



■ Currently investing
■ Will invest in the future
■ Will not invest in the future or have not decided

■ Currently investing
■ Will invest in the future
■ Will not invest in the future or have not decided

■ Currently investing
■ Will invest in the future
■ Will not invest in the future or have not decided

■ Currently investing
■ Will invest in the future
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Source: PYMNTS
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Companies expect payment systems investments to help them ride out a time of economic uncertainty.

Healthcare firms' and finance and insurance companies' investments in AP systems are more influenced by current economic uncertainty than corresponding investments by retailers and manufacturers. Seventy-one percent of finance and insurance companies said current economic uncertainty is very or extremely influential in their decisions to invest in AP systems, and 67% of healthcare companies say the same. By comparison, 61% of retailers and 60% of manufacturers said economic uncertainty is very or extremely influential in their decisions to invest in AP systems.

With regard to working capital and credit systems, retailers' and manufacturers' investment decisions reflect their uncertainty about the economy's performance over the next year more so than healthcare and finance and insurance businesses' investment decisions.

Sixty percent of retailers and 71% of manufacturers say economic uncertainty is very or extremely influential in their decisions to invest in working capital and credit systems. In contrast, just 48% of healthcare companies and 51% of finance and insurance businesses say economic uncertainty is very or extremely influential in their decisions to invest in working capital and credit systems.

TABLE 3:

Economic uncertainty's effect on digital payments technology investments

Share of companies citing current economic trends as very or extremely influential in their decision to invest in select digital systems, by industry

	Finance and insurance	Healthcare	Retail trade	Manufacturing
• Fraud prevention and risk management	98.2%	99.0%	65.6%	76.8%
• Working capital and credit	51.4%	48.4%	60.2%	71.0%
• Procurement	76.6%	67.0%	81.3%	77.9%
• Accounts receivable	93.8%	100.0%	96.8%	92.5%
• Accounts payable	71.3%	67.2%	60.6%	60.3%

Source: PYMNTS
 Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending, February 2023
 N varies by area of investment,
 fielded Sept. 9, 2022 - Sept. 27, 2022, and Nov. 11, 2022 - Dec. 2, 2022

CONCLUSION

Many businesses are counting on their digital technology investments to help them navigate the next wave of changes in the digital economy, recognizing the importance of a robust payments infrastructure to carry out fundamental business processes. As they strengthen their AR, AP, working capital, procurement, and fraud prevention and risk management systems, businesses expect that these investments will help them get an edge over competitors — even in an uncertain economy.

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METHODOLOGY

Digital Payments: A Changing Economy Sparks New Priorities for Systems Spending, a PYMNTS and Corcentric collaboration, is based on a survey of 124 healthcare CFOs and 126 finance and insurance business CFOs conducted between Nov. 11, 2022, and Dec. 2, 2022. The findings also include data from a survey of 125 retail CFOs and 125 manufacturing CFOs conducted between Sept. 9, 2022, and Sept. 27, 2022. We examined the investments these businesses made in digital payments technology in the last three years — first in response to the pandemic and more recently to plan for economic changes amid the digital shift.

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