Key findings from Tungsten Network’s
2017 Global Study on P2P Friction

Conducted by Tungsten Network
in conjunction with IOFM
What you’ll learn from this report

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About this Study

Fielded in person and online in the 2nd Quarter of 2017, this study is built upon the responses from 422 procure-to-pay professionals. The questionnaire included a total of 20 questions, 13 of which focused on the causes of friction and the time spent dealing with these issues while the other 7 were used to establish The Friction Index. For the index, each respondent was asked 7 multiple-choice questions assessing areas like process, costs, visibility, exceptions, cycle times and the overall priority of removing friction from the P2P process. Each answer was assigned a point value (the higher the perceived friction, the higher the score) and these were totaled and averaged. The average score became the baseline against which individual companies, segments and any subsequent respondent can be indexed.
Why P2P friction matters

P2P friction wastes a lot of time

Adding up all of the sources of P2P friction like trying to process non-PO based invoices, managing multilayer approvals and dealing with supplier inquiries about unpaid invoices among many others, respondents estimated that they wasted on average 125 hours a week.

P2P friction wastes a lot of money

Calculating those hours on a yearly basis, the actual average cost per business in dealing with P2P issues is remarkably high. In the US the costs exceed $170,000 per year, while in the UK the number is over £88,000, expenses which are essentially wasted.

*Average cost per business, per year in dealing with P2P issues, based on 422 business surveyed
Although there were over 20 causes of P2P friction identified, respondents zeroed in on five that are closely related to manual and paper-based processes.

The top 5 causes of friction

1. High proportion of paper invoices received 49%*
2. Too many non-PO based invoices 48%*
3. High volume of supplier enquiries regarding invoice or payment status 47%*
4. Lack of automated exceptions 43%*
5. Lack of automated approval 43%*

*Percentage of respondents who selected this cause of friction as one of their top 5 causes of friction
More than two thirds of the P2P professionals surveyed noted that they do not believe friction in the procure-to-pay process has decreased in recent months. Only 31% of respondents feel their company is in a better place today relative to 6 months ago in dealing with potential causes of friction in the procure-to-pay process. This finding points to the urgent need for P2P professionals to look for solutions that streamline the bill payment process including e-invoicing solutions.
Companies around the world experience P2P friction at almost the same rate, with US businesses reporting slightly more friction than the UK and the rest of the world.

**P2P friction is a global problem**

Though friction in P2P process is a common problem for businesses around the world, the causes of friction do vary somewhat by region. For example, many large businesses in Europe source vendors from multiple countries, a scenario that creates additional regulatory and tax complexities.
Addressing P2P friction is a priority

Given the time and money lost as a result of P2P friction, it isn’t too surprising that P2P professionals identified removing friction as an important priority for the months ahead. In fact, 36% of those surveyed say that removing friction from the P2P process is a top priority for 2017. The study also revealed that removing friction is even a greater priority for large businesses, as 71% of those who identified friction removal as a top priority were from large companies with over 1,000 employees.
While small businesses also experience friction, they appear to do so at a lower rate than large businesses. The Tungsten Network Friction Index established P2P friction for large businesses at 101 (the higher the number, the higher the friction) while the friction index for small businesses came in at 96. Medium sized businesses split the difference with a baseline index of 99.
Addressing P2P friction in your organization

This study revealed that P2P friction is a global challenge experienced by businesses of all sizes and shapes. The good news is that P2P friction can be removed by automating P2P processes through e-invoicing. Importantly, since every organization is at a different stage of the journey to a frictionless future, P2P professionals need to assess where they are today and plan accordingly. To facilitate this assessment, Tungsten Network and IOFM have created FrictionFinder.com that offers both a comprehensive evaluation as well as specific guidance based on your current situation.

Visit FrictionFinder.com