Vendor payment best practices

Recommendations to improve your bottom line

The pressure to modernize and digitize

The most resilient financial organizations have quietly transformed the accounts payables (AP) process from a back-office cost center into a strategic control point for improving liquidity, enhancing supplier experience, and managing enterprise risk. That shift reflects pressures every CFO recognizes: tighter working capital targets, an escalating fraud threat, and an expectation from suppliers — and boards — that payments should be digital, data-rich, and fast.

Approximately 64% of suppliers face delayed payments, with an average waiting period of 43 days to receive funds. As a result, 80% of potential discounts go unclaimed, highlighting inefficiencies that can impact cash flow and strain supplier relationships.[1]

The following are key AP challenges that contribute to this delay:

Manual and paper-based workflows
Reliance on manual tasks, such as printing checks and creating paper invoices, stems from limited technology integration with electronic payments and invoices. Many organizations also face insufficient IT resources as well as resistance from suppliers when it comes to transitioning to digital payments.

Remittance data processing
Reconciling multiple invoices and processing remittance data can be challenging due to missing data elements in the files, use of different file formats, and lack of back-office support for automated remittances.

Supplier payment preferences
A mismatch between the payment methods preferred by buyers and those preferred by suppliers creates challenges. Buyer payment decisions are heavily dependent on the supplier's payment preference, but lack of insight into these preferences, and limited supplier self-service options, create friction.

Limited transaction visibility
Lack of end-to-end payment visibility due to legacy systems and siloed treasury operations result in high processing costs, payment delays, chargebacks, and payment cycle disruptions.

Compliance and fraud risks
The current payments environment is rife with fraud. Contributing factors like manual processes and outdated controls lead to fraudulent vendor setups, inaccurate remittance details, and audit and regulatory compliance failures.

1. PYYMNTS.com: Challenges of Traditional B2B Payments, October 2024

Leveraging our deep knowledge base and proven experience, we will explore the best practices you can implement to overcome the aforementioned challenges and thrive in an ever-evolving, high-pressure payments landscape.

Best practices for optimizing working capital and streamlining the procure-to-pay process

In working with clients to understand their payment habits and suppliers' behaviors, we see a consistent pattern. The most effective organizations are the ones that maximize procure-to-pay at the data layer, remove paper and manual routing from invoice handling, and send payments through the most efficient rail for each supplier scenario.

By implementing the following best practices, you can not only improve working capital, but also lower processing costs, manage fewer exceptions, and implement stronger controls — all while strengthening supplier satisfaction through predictable remittance and self-service visibility.

> *Accounts Payable has evolved from a tactical payment obligation function into a strategic ecosystem—where automation, intelligence, and data-driven insights transform payments into a growth engine. By optimizing cash flow, strengthening the balance sheet, and reducing fraud, AP now plays a pivotal role in unlocking enterprise value and driving financial differentiation.*
>
> – Brent Stephens, Head of Payables Product, Wells Fargo

1

Centralize your procurement team

You can gain greater visibility and control over your purchasing decisions by centralizing your procurement team for all direct and most indirect spend. By focusing your purchases to a core group of suppliers, you can leverage increased buying power to negotiate better pricing, secure volume discounts, and establish more favorable contract terms. These actions lead to measurable cost savings and help reduce supply chain risk.

For foreign suppliers, always negotiate and clearly document in your purchase agreements whether invoices will be paid in USD or local currency. This approach streamlines payments and minimizes currency-related complications.

2

Consolidate vendor data

Consolidating all of your vendor data within a single ERP system can help you ensure data consistency, upgrade reporting accuracy, and streamline compliance monitoring. By housing payment terms in a vendor master file, organizations can also standardize agreements, facilitate automated payment scheduling, and reduce errors or disputes.

You can safeguard sensitive vendor information by maintaining comprehensive and up-to-date vendor contact information in your master file. We also recommend implementing strict internal access controls and encryption in addition to holding regular employee training on fraud detection, requiring multi-factor authentication for any vendor changes, and conducting periodic audits of your vendor master file to promptly identify and address anomalies. These practices will help you greatly reduce your overall exposure to fraudsters.

3

Establish a formal procurement or purchasing policy

Once you have established your policy, be sure to review it annually to ensure ongoing alignment with your business objectives, regulatory changes, and cost management goals. You can also form a cross-functional team — including representatives from finance, operations, and legal — to conduct the annual review, gather stakeholder feedback, and update the policy as needed.

To meet compliance standards and create more accurate audit trails, implement automated purchase approval workflows using your ERP system or dedicated procurement software. This will allow you to set clear approval thresholds and authorization levels in accordance with your policy while also reducing manual errors and shortening approval cycles.

4

Submit purchase orders and invoices electronically

To start, we recommend using APIs, Electronic Digital Interchange (EDI), or other digital channels to streamline data entry and mitigate human errors. Next, centralize and automate the receiving team responsible for verifying the delivery of goods or services. This will help ensure that all receipts are processed efficiently and consistently Lastly, you can confirm accuracy and prevent payment errors by implementing automated three-way matching between the purchase order, the receipt from the receiving team, and the supplier invoice.

5

Centralize your payables team within a shared service center

By centralizing this function, you can enhance efficiency and oversight. We also recommend implementing a Payments on behalf Of (POBO)structure, where a central entity manages payments for multiple subsidiaries or business units, to streamline payment operations.

By establishing a comprehensive payables policy and reviewing it annually, you can ensure alignment with evolving best practices and compliance requirements. Once these foundational elements are set, configure your ERP system to automatically generate payment instructions after a successful three-way match is complete. From there, simply schedule electronic payments, including accompanying remittance information, to go out to your suppliers and process on their due dates. Additionally, enable auto-payment conversion functionality (with a fixed spread) for foreign currency transactions to further automate and simplify cross-border payments.

6

Supply Chain Finance Integration

Once centralization of vendor management and payment processing takes place, buyers should consider Supply Chain Finance (SCF) alongside automated payments and to help achieve terms goals. SCF enables buyers to extend payment terms with larger suppliers who may decline card or other payment options, while offering suppliers the option to receive early payment at competitive rates through a financial institution. This strengthens supplier relationships while improving the buyer’s Days Payable Outstanding (DPO) and working capital.

Vendor payment strategies to extend days payables outstanding (DPO)

Given today's complex and interconnected global supply chains, traditional payment terms create cash flow challenges for suppliers who desire expedited payment. These constraints can lead to disruptions, reduced supplier resilience, and increased risk across the supply network. At the same time, buyers are seeking longer payment windows to optimize their own working capital. This misalignment of financial needs between buyers and suppliers calls for a more strategic approach.

By considering all options including supply chain finance, commercial card, and digital payments (ACH, premium ACH, instant payments, wires) and leveraging our proven recommendations, buyers can extend payment terms while enabling early payment for suppliers, often at compelling discount rates or with revenue share.

1. Start by analyzing your vendor base

Extending DPO responsibly is as much about supplier segmentation as it is about negotiation. You should recognize that not all vendors have the same needs or motivations when it comes to payment terms. Larger, strategic suppliers may warrant earlier payments via a supply chain finance program in which they would accept a terms extension in exchange for a low cost early pay option. Mid-tier suppliers may be candidates on virtual card in exchange for richer data and rebates, while long-tail suppliers often benefit from premium ACH or ACH with predictable remittance and portal visibility. Analyzing your vendor base can therefore help you improve spend concentration, payment acceptance (especially card readiness), and operational criticality.

Next, employ a vendor segmentation strategy to maximize return on payments. Consider spend volumes, strategic importance, payment behavior, and terms. Once those factors are considered, you can:

- Categorize by spend category: Strategic and tactical or repeatable spend
- Review your vendor contract, terms, and discounts; evaluate payment terms and seek extended payment terms where possible, leveraging early pay options like SCF for larger, more strategic suppliers in exchange for the terms extension
- Consider incentives (for example, early pay discounts, faster card payments) to encourage card or ACH usage
- Communicate the disadvantages of check payments and provide viable alternatives
- Evaluate the impact on DPO
- Phase out paper checks entirely

2. Plan a structured vendor outreach campaign

Partner with your payment provider every 12 to 18 months to analyze supplier spend volume and payment method preference. Payment campaigns of 30 days or more have a 1.75 times greater supplier win rate than campaigns which run less than 30 days.[2]

Also assign a dedicated campaign manager and implement KPIs focused on supplier responsiveness and flexibility. These actions keep the project in motion, since with every cycle you convert more checks to electronic rails, raise data quality, and reduce inquiry volume. Be sure to explicitly communicate your payment strategy and then adhere to agreed-upon terms to build trust — an underrated currency in today's supply chains.

2. 2022 Virtual Card Benchmark Survey Results Palmer & Gupta, RPMV Research Corp, May 2022, most recent as of August 2025

3. Conduct detailed supplier analysis and onboarding

To accelerate electronic payment adoption, have your payments provider conduct a detailed supplier analysis in order to gain granular payment insight. Then leverage this analysis to drive supplier support for your transition to electronic payment options or gaining the terms extension through SCF.

Be sure to maintain continuous enrollment for new suppliers, enable a tiered payment strategy to incent preferred payment methods, and gain executive support through communication initiatives. Strongly consider a multi-channel enrollment strategy (for example, phone, direct mail, and email).

To incentivize suppliers to extend their payment terms, partner with your financial institution to offer supply chain financing (SCF) and encourage suppliers to participate in the program. The benefits of SCF include facilitating early supplier payments, which can help you unlock liquidity through extended terms.

4. Automate payment prioritization

You can do this by using high-quality data and factoring in:

- Due dates
- Early payment discounts
- Cash flow forecasts

Then, ensure that you adhere to agreed-upon terms and review them quarterly to optimize as needed. Collaboration across internal departments such as procurement, treasury and finance, executive leadership, and AP is paramount to driving success as you optimize the strategy.

Unlocking AP efficiencies through AI, automation, and technology transformation

The technology stack that powers modern AP is critical. Artificial intelligence (AI) and automation are transforming AP departments by replacing repetitive tasks with faster and more accurate systems. This automation can reduce AP task time by 70 to 80%.[3]

At the front, AI-enabled capture and classification undertakes invoices across channels and uses learning models and business rules to validate and route exceptions. In the middle, the ERP becomes the central hub, either through direct APIs or through an integration layer that embeds services such as payment initiation, fraud protection, and information reporting without heavy development. On top, supplier networks and onboarding platforms connect your program to hundreds of thousands of pre-enabled vendors, making ongoing enrollment business-as-usual rather than a campaign you restart each fiscal year.

3. Emburse, Top AP Automation Benefits in 2025

> *We are entering a new era of AI-driven Accounts Payable solutions—empowering finance leaders to anticipate emerging risks, safeguard enterprise value, and embed trust throughout the AP process. Banks are uniquely positioned to be trusted partners in unlocking AI's potential, as working capital optimization and fraud prevention are accelerated through real-time analysis and advanced pattern detection in transaction data.*
>
> – Ather Williams, Head of Global Payments & Liquidity/Wholesale Digital, Wells Fargo

To enable AP technology transformation and harness value, consider implementing these strategies.

1

Automate invoice capture and validation

This will help you accelerate processing times, minimize errors, and reduce operational costs. You can also eliminate manual and paper-based workflows by using optical character recognition (OCR) tools to extract data from scanned invoices, which enables faster approvals.

When implementing OCR, it is important to maintain robust data quality controls to address potential inaccuracies. Leverage robotic process automation (RPA) to handle repetitive tasks, improve accuracy, and free staff for higher-value activities. To maximize adoption and effectiveness, organizations should plan for process adjustments and staff training, ensuring scalable automation as transaction volumes increase.

2

Integrate ERP and procurement systems

This will allow you to centralize invoice intake, minimize reconciliation errors, and accelerate financial close cycles. Also ensure that your ERP systems have seamless API integration through secure API connections that enable automatic, bi-directional data transfer for invoices, payments, and supplier communications.

You can utilize APIs to synchronize vendor master data and purchase orders in real time, keeping records accurate and up to date. Another practical application of APIs is real-time data sync, which reduces latency in financial reporting and supports dynamic payment scheduling based on cash flow analytics.

3

Integrate with supplier networks

With APIs, you can seamlessly connect to supplier networks to achieve automated invoice submission, real-time payment status updates, and streamlined dispute resolution workflows. This integration enables instant data exchange and enhances operational efficiency. You should also provide a self-service portal where suppliers can securely upload invoices, view detailed payment histories, and initiate dispute resolution requests independently.

These features accelerate payment cycles, increase transparency, and significantly improve supplier satisfaction by empowering vendors to manage their transactions and resolve issues without relying on AP team support.

4

Implement AI, machine learning, and predictive analytics

Smart payment scheduling leverages cash flow analytics to strategically time payments, helping organizations maintain optimal liquidity and avoid unnecessary borrowing costs. For example, by analyzing historical payment patterns and real-time cash flow data, companies can schedule payments during periods of high liquidity, which not only preserves working capital but also positions them to take advantage of potential early payment discounts.

Dynamic discounting, either through an existing SCF program or your own negotiated early payment programs further increase COGS savings and boost supplier relationships. These initiatives allow organizations to pay invoices ahead of schedule in exchange for discounts, directly reducing costs. By automatically identifying suppliers who offer early pay incentives, or leveraging an early pay option through your SCF program, you have the opportunity to trigger payments when their cash position is favorable, capturing discounts that improve margins and increase supplier satisfaction.

Next steps for success

As organizations strive to scale financial agility and risk management with their peers, optimizing AP processes will continue to be a focus area and will be key to unlocking significant value enterprise-wide.

If your goal is to turn your Accounts Payable from a routine task into a strategic advantage, start by reviewing your current processes and spotting areas for improvement. Your Wells Fargo relationship team is here to help you explore smart, actionable strategies.

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