DIRECT COMMERCE

SUPPLIER-FIRST™ MANIFESTO

The Problem: AP Chaos

Supplier-First™ Manifesto

For decades, technology providers promised that AP automation would fix the inefficiencies in invoice management. In theory, the technology worked; in practice, they automated dysfunction.

That's because the problem was systemic, not just a technology issue. The system was broken. Technology providers automated bad processes, rather than redesigning them from the ground up.

These platforms didn't solve the problem, they made it someone else's – usually the supplier. And that created even bigger issues for buying organizations and their AP department.

But how did we get here?

When these providers arrived in the 2000s, it became clear that the technology was powerful. Unfortunately, it didn't matter how powerful it was, because it was layered on top of outdated processes and antiquated strategies.

The technology didn't work when buyer and supplier incentives were misaligned, when suppliers had little motivation to participate fully in the system.

And the technology failed when it was just a siloed tool trying to address one part of the problem – invoice approvals or capturing more early payment discounts, for example – but never creating a unified, seamless system.

Old AP solutions were a wolf in sheep's clothing, complexity disguised as innovation. They didn't simplify operations or supplier relations, they added another layer of friction. It cost enterprises time, dollars, and endless frustration.

The result for buying enterprises was AP chaos. AP chaos meant broken systems, inefficient processes, weakened supply chains, and endless back and forth between suppliers and AP teams.

As the system persisted for decades, so has the chaos. The chaos compounded, dragging down teams, creating headaches for suppliers and buyers alike, and never delivering on the true potential of AP automation.

The system failed because of a simple but foundational reason: they forgot about a critical stakeholder.

Why These Systems Failed: The Forgotten Stakeholder

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The goal of past AP Automation solutions was to simplify workflows and improve working capital. But these systems were built with only the buyer in mind. They addressed the pain points of buyers, and ignored the supplier entirely.

Providers were selling to finance teams, so they naturally focused on buyer priorities – while ignoring the broader ecosystem. As a result, most of these fell woefully short. That's because automation isn't just software. It's a system.

And a functional system needs three critical components, the **technology solution, supplier enablement, and aligned – early payment – incentives.**

To understand where these systems went wrong, it helps to look at how they started.

In the 2000s, electronic invoicing was a hot new solution on the market. Technology providers told buying organizations to keep their processes the same – in other words, keep accepting paper invoices (at best PDFs), from suppliers.

These solutions "solved" pain points by digitizing those documents. But they were just baking in more complexity. They generously labeled scanning and OCRing invoices as "Electronic

When there were invoice errors or mismatches, they threw bodies at the problem: they were resolved by teams of people at offshore centers. Rather than advising buyers to improve their process, they told them to change nothing, and somehow their messy AP operations would be simplified. This was a farce.

> Suppliers were left out of this solution. They became the forgotten stakeholder.

Suppliers were a critical part of every transaction (obviously…it was just the buyer and supplier), and yet no one was designing a system that worked for them, much less even included them. They never had incentives that aligned with the buyer. They never even had a seat at the table. They just kept sending invoices the way they always had, because their behavior didn't need to change. Because these legacy providers monetized complexity, there was zero incentive to actually make the system more efficient.

In the 2010s, suppliers were even more disenfranchised once dynamic discounting solutions emerged – though the reasons were barely recognizable at the time.

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These technology providers saw an opportunity to entice suppliers to get paid faster in exchange for a discount (often at a steep APR). These technology providers monetized by skimming off the top, taking a percentage (sometimes up to 25+ percent) of each early payment.

Buyers and dynamic discounting providers were therefore incentivized to extend payment terms out even further, maximizing more early payments. This monetized on the supplier's desperation for timely access to cash. Some providers even developed an auction model, pitting suppliers against each other in a bidding war for early payments. This model is reliant on undercapitalized suppliers in the supply chain to subsidize larger more well capitalized suppliers. This is the complete opposite of what these providers claim to be doing. The supplier wasn't forgotten anymore, instead, they were exploited.

In the past, all too often when a large buying organization implemented an AP solution from a provider, what they were really offered wasn't automation—it was financial engineering. In our view, financial engineering happens when technology providers create complex or opaque ways to extract money from suppliers, by preying on their need to access capital. They skipped the automation and supplier enablement portals and jumped straight into monetizing early payments.

Instead of addressing broken approval flows, supplier engagement or data quality, they introduced a full-blown financial engineering model. They extended payment terms—60, 90, even 120+ days—framing it as “working capital optimization” or “supply chain financing.” Buyers got a one-time balance sheet improvement, but suppliers got stuck. Once those terms were in place, they were permanent, irreversible. The banks and fintechs pitched a solution to a problem they invented. And the result has been catastrophic for suppliers.

Legacy providers offered one piece of the puzzle—early payment discounts or dynamic discounting—and called it a complete solution. But without automating workflows, supplier enablement, and aligned incentives, it wasn't automation. It was obfuscation.

So while the technology was powerful, it seldom worked as promised – not for buying organizations, and definitely not for suppliers. AP automation isn't just invoice workflow approvals, OCR or payment accelerator – it needs to be a unified system of automation, aligned financial incentives, and active supplier participation. None of the old systems delivered on that promise.

We set out to change that.

The Solution: Supplier-First™ AP Automation

Supplier-First™ Manifesto

In the past, legacy providers provided no visibility or control to suppliers. Many didn't have a portal, much less real-time insights. They were excluded and forced to be reactive. With clear visibility, precise control over payment timing, and real-time insights, suppliers can now take an active role. That means there's no longer a need to ask questions of buying organizations – which in turn helps both suppliers and enterprises finally capture the benefits of true AP automation.

For years, we felt like the system didn't work. In late 2024, we started holding strategic discussions about the problems with this system, and how we could meaningfully address them.

These conversations led to a breakthrough: we realized that a better way forward wasn't about creating a new technology solution. It was about redesigning the system in a way that is supplier-centric. It was an idea striking in its simplicity and a first for the industry.

Our Supplier-First™ AP Automation is based on a simple premise: that for too long, these solutions have been only focused on the buyer – and that's been to the detriment of both parties.

Suppliers are the vital lynchpin of any AP solution. If they cannot independently get answers on their invoices or payment questions, they will flood AP departments with questions, calls, and emails – because they're confused and unable to track invoices in a simple, accessible manner. If they cannot get visibility into when they will be paid, that leads to further inquiries. If discount terms aren't reasonable, suppliers will avoid accelerating early payments. As a result, they'll resort to expensive factoring or short-term borrowing, creating financial instability. That instability is bad for your supplier and bad for your supply chain.

It doesn't matter how good the technology is. If your suppliers needs are not being met, your AP team is going to be transformed into a call center, idle cash will sit underleveraged, and your supply chain will be weakened and unhappy.

We've reimagined how AP works for everyone – buyers and suppliers. We've designed every solution to empower your supply chain partners. Because when suppliers are set up for success, they send perfect invoices, which mean faster approvals, fewer inquiries, and arriving at the golden ticket of AP: **early-approved invoices.**

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The Solution: Supplier-First™ AP Automation

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An early-approved invoice is your AP department's most powerful asset. These early-approved invoices change the game for AP departments by:

- Gaining speed and clarity and eliminating the constant triage of exceptions.
- Reducing suppliers chasing invoice status, since they are now engaged and self-sufficient.
- Unlocks working capital, as accelerated payments turns invoice timing into a strategic lever – and a profitable one.

Our **Supplier-First AP Automation Platform™** enables buyers to approve faster, transact with ease, and capture millions in discounts.

Suppliers, meanwhile, get access to fast, fair, and transparent financing.

For buying organizations, Supplier-First™ AP lessens manual oversight by empowering suppliers to manage their invoices and payments. This reduces escalations, inquiries, and facilitates faster resolutions. For suppliers, it finally offers a seat at the table. The intuitive, user-friendly portal delivers visibility and control for suppliers, facilitating buy-in and ensuring long-term business stability and financial health.

It's a true win-win: with greater trust and transparency on both sides, buyers and suppliers can shift their focus to more strategic initiatives.

As these conversations continued to unfold, we realized in order to achieve that win-win, we would need to rethink not just the system, but also the commercial model. And it wasn't a simple fix. We quickly recognized that the entire model had to be rethought, it had to be torn down to the studs.

And that's what we did.

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The Fair Commercial Model

Supplier-First™ Manifesto

If you look around our industry, certain technology providers may have different focuses or products for different areas of AP. But their commercial model, the way they make money, is largely the same.

Most claim that their offerings are "free for suppliers." That sounds good on its face. Unfortunately, it's just not that simple.

How do these companies make money? They start by charging buying organizations large subscription fees. Then they take a cut on every single early accelerated payment, often as much as 25%. In the industry, this skimming off the top is called "gainshare."

But the buyers had to compensate for these gainshare fees – which commonly run into the millions. So they passed them onto their suppliers through higher rates or steeper discounts for early payments. That 'free' model cost suppliers in inflated rates, unnecessary and higher fees being pushed on them. They felt an invisible squeeze but were in the dark on how it was happening. **Suppliers were essentially forced to pay for their own exploitation.**

Our model is different. It's honest, transparent and aligned. It's not free for suppliers... it doesn't need to be – because it delivers suppliers real value. Suppliers pay a nominal $495 annual membership fee. That's it. There is an implementation fee for buying organizations, but no recurring subscription fee.

And most importantly, we do not take any skimming off early payments. We believe that an early payment is a transaction between a buyer and a supplier. And we believe it should stay that way.

In return, we require all our customers to take our Supplier Pledge™, ensuring buyers offer the lowest possible early payment rates to their supply chain.

To recap:

- Suppliers pay a reasonable annual membership fee; buyers only pay a one-time implementation fee (No annual subscription fee!)
- Buyers commit to the Supplier Pledge™: offering the lowest possible early payment rates
- Every early payment discount goes to your bottom line – not a third-party fintech – Direct Commerce keeps 0% of Dynamic Discounts.

It's time to stop patching up the old system. At Direct Commerce, we're building a new one. A system that works for everyone.

Our Supplier-First model is cost efficient for buyers and suppliers. Buyers avoid 7-figure subscription fees. Suppliers pay a nominal membership fee – which feels like a rounding error – to access the most competitive rates. That fee quickly pays for itself, as suppliers evade high APRs and predatory lending options.

But our model is more than just affordability – it's about aligned incentives. The old way created a race to the bottom. We don't want to tweak it. We want to replace it.

Let's build a better system, together.