

Whitepaper

The Business Case for AP Automation

November 2018



Invoice

Date	Invoice No
12/02/2013	SIN0001234
Account Ref	PO Number
XXXX01	
Vat Exemption No	Your Ref

Description	Qty	Unit Price	Total
Period: 01/01/2013 - 31/01/2013 STORAGE OF STANDARD BOXES	100		2400.00
BARCODE & ADD BOX TO DATABASE	100		50.00
PICKUP CONTAINER NEXT DAY SERVICE	100		3000.00
DELIVER CONTAINER EXPRESS SERVICE	3 1		
Vat Summary			Total Net Amount
Vat Rate	Net Amount	Vat Amount	EUR 65,450.00
23.00%			
13.50%			EUR 798.50
0%			
Exempt			
Total			EUR 66,158.50
			Total Amount

PAYMENT TERMS ARE STRICTLY 30 DAYS FROM DATE OF INVOICE

or

This payment will be taken by Direct Debit from your account

Payment may be made to Ufater Bank, Ranelagh, Dublin 6. Account code: 61409125. Sort Code: 98-50-50
 iban Number IE77 UL58 9850 5061 4091 25

Accounts Payable in the 21st Century

In a world where the rate of automation is increasing and methods of conducting business are ever-evolving, companies are continuously looking for ways to streamline their key business functions across all departments. In an effort to stay competitive, organisations recognise the need to cut costs and improve efficiency at all levels throughout the business.

While many departments and functions of the business are well down the line in terms of automation, Accounts Payable (AP) departments are often forgotten during these times of technological advancements and their teams are left manually processing invoices the same way they have for the last number of years. While teams will have their tried-and-tested processes in place that work for them, they can often be costly and time-consuming and still may not give you an accurate report of your AP status at any given time due to the lack of visibility, duplicates in the system and human error.

The lack of investment in the AP department can be put down to three issues:

1. Accounts Payable has traditionally been viewed as a 'back office' function - a minor role of the overall Finance function that brings very little added value to the overall business. The AP team's role is to deal with suppliers' invoices, no more, no less. Managers decide it is not worth spending the budget in this area.
2. Management will often have the viewpoint of "If it's not broken, why fix it?" when it comes to their AP function. If the AP team is successfully processing their invoices by hand, then why change anything?
3. Inevitably there is a fear amongst managers when it comes to introducing technology to processes involving invoicing. The information held within an AP department can be some of the most sensitive in a company's organisation. Invoice, account and client data are all critical to a business and it is crucial that they are managed properly, to ensure that creditors are paid on time, information is kept secure and to give management clear visibility of their financial position. So, for companies of all sizes, the fear of a 'glitch' is not rooted in the inconvenience it might cause, but in the possible financial consequences.

While these viewpoints are somewhat understandable, they are traditional and dated and prevent serious consideration of the potential to turn AP processing into source of competitive advantage.

The AP department is no longer 'just' about data processing, it is now the centre of your company's creditor management, reporting and forecasting and can help shape your strategy. It has transformed from a secondary support role into a value-added business function, crucial to a company's financial success.

AP Automation has played a major role in this transformation, so much so it is no longer just a trend for Finance teams, it is now the norm. Companies who fail to embrace this change will soon find themselves trailing in the wake of their competitors who recognised the benefits of AP Automation long ago.

Making the switch to AP Automation - The Benefits

Time saving is a key benefit to using AP Automation. Research indicates that adopting Accounts Payable Automation in an AP department can reduce time spent on a manual AP process by as much as 85% (and in certain cases by over 90%), leaving staff with much more time to deal with other responsibilities. But while speed and processing efficiency are clearly a major attraction, there are many other benefits on offer through switching to a cloud-based AP automation system.

Reduces Manual Input

The automatic upload of invoice information from scanned invoices or pdfs means up to 90% of manual data entry is completely eliminated. This time-consuming and error-prone function will no longer be a part of your AP process freeing up staff to deal with more productive tasks and challenges that will add more value to their daily roles.



Time & Cost Savings

Time is not only saved on manual entry. Time is also saved on invoice validation, manual PO matching, manual coding of non-PO invoices and in searching for and retrieving invoices. Chasing approvals for non-PO invoices can also be a frustrating and time consuming task, particularly when multiple approvers are required. With AP Automation the approval process can also be automated with approvers being sent reminders and able to approve from their mobile devices. Overall the impact of data capture and workflow brought about through AP Automation can decrease costs by over 70%.

Increases Accuracy

Data capture automation eliminates manual keying of information from the process and in doing so eliminates errors associated with the bulk manual entry of data. AP systems also provide the ability to automate the validation of PO invoices against the correct POs and the validation of non-PO invoices against supplier data and GL codes sourced directly from the finance system. This kind of automation eliminates more human touch-points from the process thus reducing errors even further.



Reduces Fraud

Through the management of user permissions the AP manager can force the segregation of duties. This, together with the elimination of human touch points and adherence to strict business rules, reduces the possibility of fraud in the Accounts Payable department.

Saves Space

Traditional Accounts Payable processing also uses a lot of paper. Each four-drawer filing cabinet holds an average of 10,000 documents and can take up nine square feet of floor space.* Using an Automated AP solution that digitises and stores digital images means no physical space is required and only one version of the invoice will be retained.



Improves Visibility & Control

An AP Automation solution provides complete and instant visibility of the process to anyone authorised to view it. There is an audit trail so that all activity by every user is recorded. This increased visibility drives accountability and provides greater control of the AP process.

Every invoice is captured and the data stored immediately upon receipt. This means you have complete and instant access to all the information in the system from end-to-end.

A good AP system enables management to obtain reports on all captured data including the volumes and values of invoices at every stage in the process allowing more accurate cash flow management. Non-PO invoices can be more easily accrued for and their data is securely recorded in the system.

Improves Supplier Relationships

With Automated Accounts Payable solutions, the flow of invoices is measured and logged, detailing the length of time it takes to route invoices through each stage of the system. With this information, any bottlenecks in the approval process can be identified, the causes analysed and the problems resolved.

By having more control over a much more streamlined and managed process, it's easier to ensure consistent on-time payments to those suppliers with whom it's important to maintain a happy and strategic supply agreement.



Compliance

In the UK, regulations made under section 3 of the Small Business, Enterprise and Employment Act 2015 have introduced a duty on the UK's largest companies to report, on a half-yearly basis, their payment practices, policies and performance for financial years beginning on or after 6 April 2017. This means companies of a certain size (+£36m annual turnover or £18m balance sheet total or +250 employees) have a duty to report key statistics such as the number of payments made within terms, the average time to make payments and the proportion of payments not paid within the agreed payment period.

An Automated system can deliver some of the key information required to calculate these and other payment performance statistics at the touch of a button.

*"Why You Should Run Your Company on Paperless Automation", EmailMeForm.com, 2017

Accessibility

Using a cloud-based Accounts Payable Automation solution means that authorised users can access the invoice at any point, and from anywhere, in the invoicing process often from a range of devices, including laptops and mobiles. Unlimited access to the system means that the Accounts Payable department can query where the invoice is in the process at a given time. They can also review the overall history of events for a particular invoice and help provide the vendor with up-to-date information on the status and when they can expect payment.



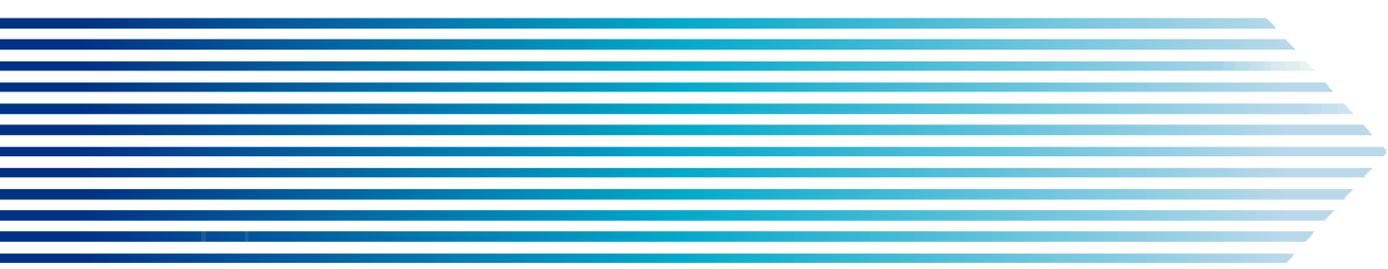
Further efficiency in managing supplier queries can be achieved through use of a Supplier Portal. Suppliers can log-in to view progress on their specific outstanding invoices, log or answer queries and avoid having to make calls or email.



No More Missing Files

A number of issues can arise when dealing with documents. Where was the file saved? Who edited it last? Have copies been made? This problem would be a thing of the past with an Automated Accounts Payable solution as each file would be easily retrievable from the system. A good AP Automation solution will eliminate duplicates completely.

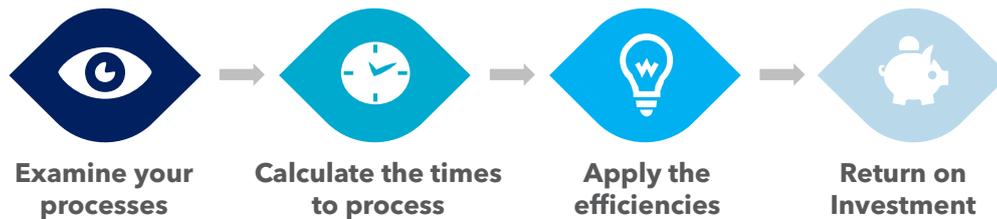
Many solutions also convert the entire invoice so that it is completely text searchable. Not only can users search on indexed fields such as supplier name, invoice number and date etc. but they can search based on any word contained in any part of the invoice.



The Steps to Building a Business Case for AP Automation

The overall approach to building a Business Case for an AP Automation solution is to consider the time and therefore cost savings that can be achieved at each stage in the process and to aggregate these to provide an overall total.

This can be done by following 4 simple steps:



Step 1 - Examine your processes

As with any good project, research is the first step. Work through the workflows in your current AP process and document the steps that are involved, to give you a clearer idea of where you are currently at.



Workflow

It is essential you know what your current end-to-end process is so that the work involved at each stage can be quantified. Document your workflows from invoice receipt and data entry through coding, to approvals or PO matching and posting to the ledger.



Exceptions

You will need to document the exceptions in PO and non-PO invoice processing. How many exceptions are there? What are the causes of exceptions? How are they dealt with? Do you have dispute resolution process in place?



Ask your team

Pain-points, blockages and hurdles can be buried in the detail. Ask your AP team what challenges they face. Do you have volume peaks or troughs? Identify strategic suppliers if you have them. What about problem suppliers? Don't forget time spent compiling reports!



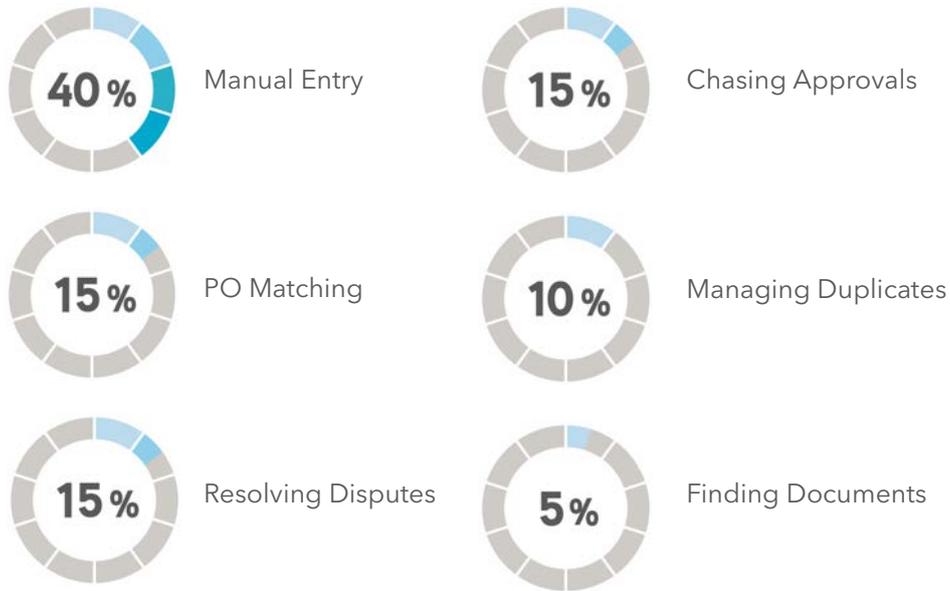
Numbers

It is important that you capture the numbers involved throughout the process - the number of invoices (paper v pdf), how many suppliers, PO vs No-PO, exceptions, queries managed etc.

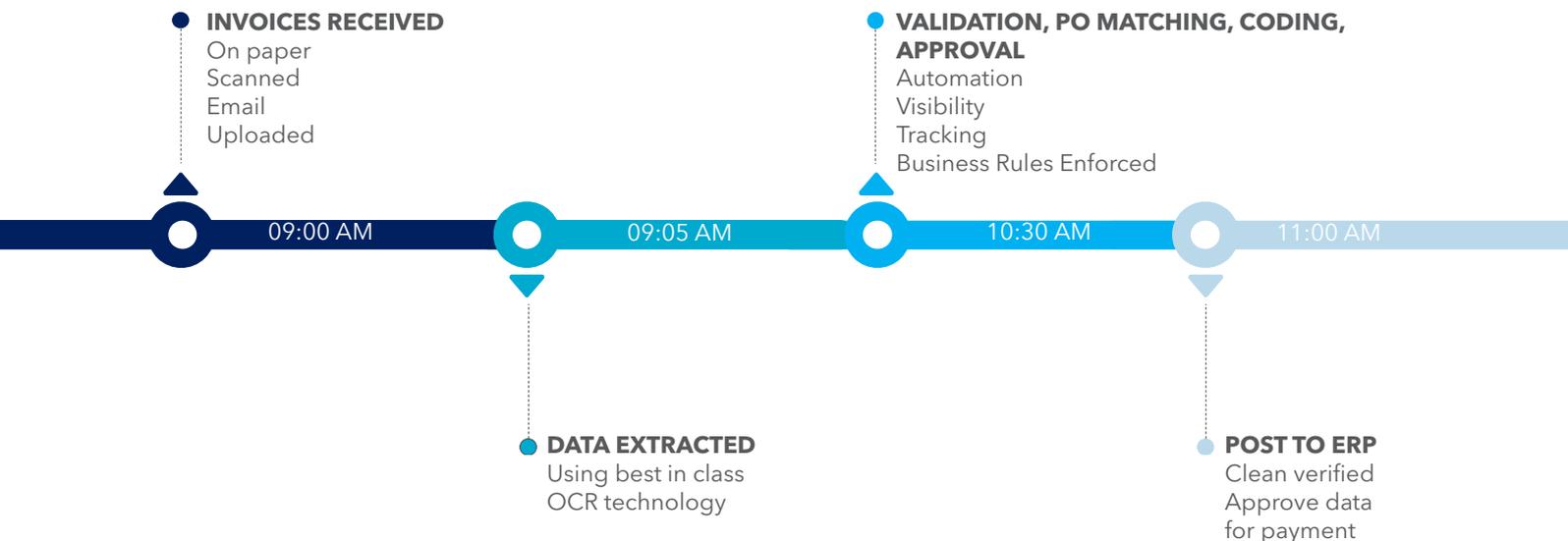
Step 2 - Calculate the times to process

Once you have a breakdown of the tasks and the size of each task you will need to work out the average time required to perform them. This will highlight which activities are taking up most of your team's time, time which could be spent on more valuable tasks for the company.

Let's assume that your team spend the following percentages of the time on average on the following tasks in the AP process:



Using an AP Automation solution, if your invoices arrive at 9am, whatever its format, it will typically be processed and posted to your ERP system within a couple of hours. That's the kind of streamlined process that can be achieved through AP Automation.



Step 3 - Apply the efficiencies

Now that you know how much time staff are spending on the different tasks, the next step is to consider what kind of time savings your AP solution can provide on each task.

The following describes the percentage savings that are possible using a system such as Kefron AP.



Manual Entry

Whereas manual entry is traditionally the most time-consuming task when processing invoices, this doesn't have to be the case. Through AP Automation, you can eliminate the need for manually inputting the data by digitally capturing the information instead. **AP Automation can make this process touch-free by up to 85%.**

Features of automated Manual Entry include:

- Automated data capture
- Header and line item
- Auto prompt codes
- Memorised coding
- Multiple analysis codes



PO Matching

Accounts Payable Automation software can automate the matching of GRN's and POs to supplier invoices. A full 3-way matching service allows faster more concise reconciliation of your AP records and **achieves a 65% reduction in time spent processing them manually.**

Features of automated PO Matching include:

- Pre-loaded PO/GRN numbers
- Best-match
- Partial matching
- Auto-supplier email
- Business rule validation



Resolving Disputes

Your AP team should not have to spend their precious time resolving disputes. By digitally capturing your invoices and allowing your suppliers to access them via a supplier portal, they can get full visibility of the status of their processed invoices, therefore **reducing the number of queries coming into your AP department by up to 65%.**

Features of automated Dispute Resolution include:

- Supplier portal
- Instant search and retrieval
- Visibility of status in process
- Audit trail



Chasing Approvals

Invoices requiring approval are routed through custom workflows in the AP system. Approvers, notified by an automatic e-mail, can make approvals regardless of their location, ensuring a faster turnaround which can lead to early payment discounts. **This turnaround can be up to 65% quicker than your manual methods.**

Features of automated Approval include:

- Automated approval workflow
- Approval escalation
- Group approval
- Auto-reminders



Managing Duplicates

It can be incredibly frustrating for your AP team to deal with duplicates. Processing invoices by hand takes long enough as it is, never mind processing the same invoice more than once! AP Automation software will automatically identify any duplicate invoices received, ensuring your AP team wastes no time in processing the same invoice. The system automatically filters duplicates from your work queue, so you don't have to, **reducing duplicate invoices by 100%.**

Features of automated Duplicate Management include:

- Automatic identification and elimination of duplicates
- Supplier portal



Finding Documents

Did you know the average office worker spends 4 hours a week searching for documents? Physical documents inevitably go missing or are misplaced in an organisation, especially if they are being passed from department to department on a regular basis. Capturing your invoice information digitally means that a soft copy is always readily available for your team and can be easily located from the AP system again **reducing time taken by 95% or more.**

Features of Digitally Capturing your documents include:

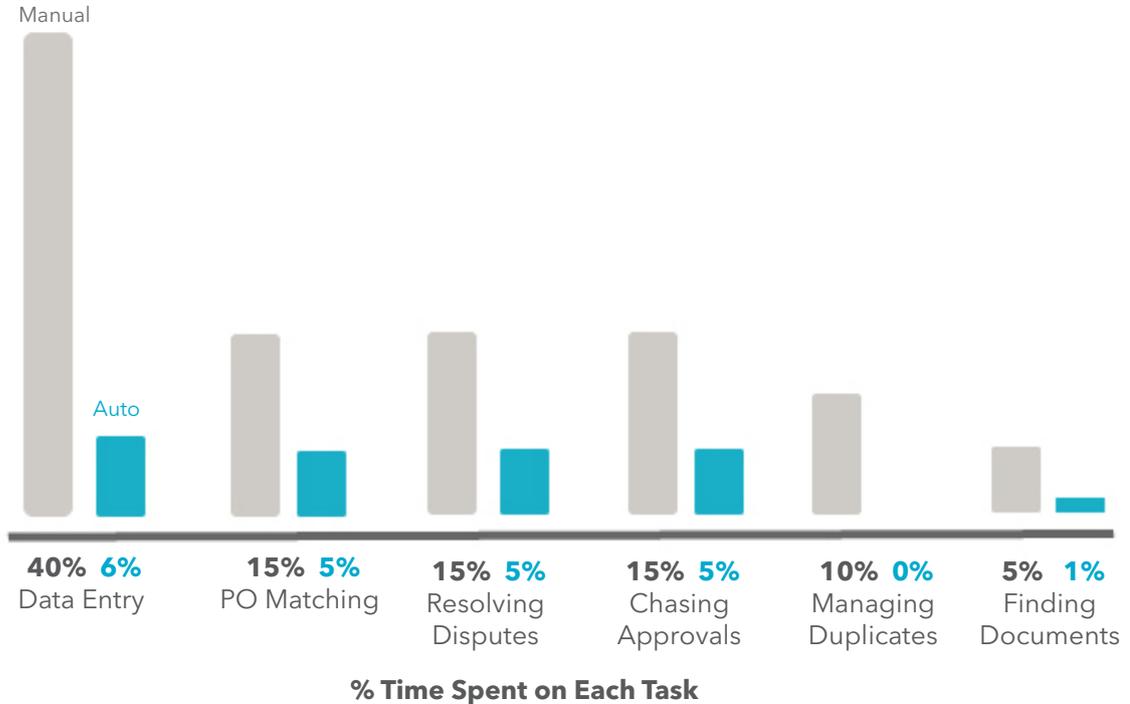
- Text searchable pdfs
- Single cloud hosted location
- Extensive reporting

“Automation brings great efficiencies to your AP department and it frees up your staff to focus on becoming a more strategic part of your operation.”

Step 4 - Return on Investment (ROI)

Our graphic summarises the improvements that each individual task will gain from streamlining the process. Whereas your team will have spent 40% of their time working on manual entry before, they will now spend just 6%. Similar decreases can be seen throughout the other tasks as well.

Overall, 78% of the time spent operating a manual process is no longer required.



This kind of time saving is not unrealistic and with 78% of your AP staff time made available, think of the process savings as well as the time that could now be spent chasing creditors, improving customer service or expanding your business to handle more suppliers if needed.

Once you have quantified the time spent by your team on each task in the process and considered the kind of savings that can be made from the implementation of an AP invoice processing solution, you are in a position to calculate ROI.

The final task is to calculate the annual savings versus the cost of implementation and the annual cost of the software. The latter will include two components:

- 1) up-front (one-off) costs for implementation and configuration of the software and for integration with your finance system if that's required and
- 2) the annual costs associated with annual usage whether that's charged by document processed, user licenses or some other form of pricing model.

The annual savings will be made up of wages and expenses saved, potential increases in revenue through redeployment of staff, savings on other software licenses that may no longer be required and of course improved collection of early payment discounts if they apply to your business.

What the ROI could look like for a business processing...



**40,000 invoices
per annum**



4 full time staff



**Staff costing
£/€28,000 each**

Time spent on each task:

	% Staff time on each task	£/€ Cost of each task	% Staff time after Automation	£/€ Revised cost of each task	£/€ Saving
Manual Entry	40%	44,800	6%	6,720	38,080
PO Matching	15%	16,800	5%	5,600	11,200
Resolving Disputes	15%	16,800	5%	5,600	11,200
Chasing Approvals	15%	16,800	5%	5,600	11,200
Managing Duplicates	10%	11,200	0%	0	11,200
Finding Documents	5%	5,600	1%	1,120	4,480
TOTAL		112,000		24,670	87,360

The exact ROI will of course depend on the price and pricing model of the solution you choose.

Typically, solution costs will include an initial set-up cost to cover integration and configuration costs and an annual fee for software usage.

In this case, the annual saving of £/€87,360 means an ROI could be achieved within 12 months with the deployment of Kefron AP.

Conclusion

Now that you have created your Business Case for Accounts Payable Automation you're ready to go!

Automation in Accounts Payable can seem like a difficult decision for your management team to make, but the benefits are huge. Aside from obvious advantages such as reduced costs, managements decision-making will also be improved.

Greater reporting capabilities and visibility of your entire invoice process, including the history of each vendor, will mean your management will have the data needed to make more informed decisions. It will also reduce the risk of you falling victim to fraud, while greater accessibility to your invoices will ensure that supplier relationships are maintained, and vendor discounts are realised.

No longer does your AP department need to sit on the side-lines as the rest of the company adopts digital processes, your team can now fully embrace technology and move forward alongside the rest of your company into the 21st Century workplace.



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