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THE BUSINESS CASE FOR AP AUTOMATION

HOW TO GENERATE A VISIBLE ROI AND ENABLE LONG-TERM TRANSFORMATIONAL PROCESS IMPROVEMENT

/ WHITE PAPER /

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EXECUTIVE SUMMARY

AP AUTOMATION: A BUSINESS CASE THAT'S MORE COMPELLING THAN EVER

As the global economy continues to expand, companies and organizations now process a record number of invoices – nearly 500 billion worldwide according to various studies – a number that's expected to grow by 2 to 3 percent annually.[1]

What's more, many organizations still process many, if not most, of their invoices manually at a cost that can average over $15 per invoice, according to a recent Ardent Partners' Report.[2] Yet Direct Commerce client data indicates that fully automated invoice processing can be lower than $0.50 per invoice – a 98% reduction in cost.

Industry benchmarks like these reveal that the business case for automating accounts payables processes is more compelling than ever. Not only can organizations reduce processing costs, but can also extend their return on investment over the longer term by selecting an AP automation solution that provides:

- Streamlined and efficient P2P processes with analytical tools to accurately track and benchmark operational performance

- A platform with easy-to-use treasury management tools for optimizing cash flow and gaining more supplier discounts

- A centralized database which multiple departments can use to access information in a way that improves visibility and reporting across the organization

- High flexibility so team members can be redeployed to roles where they can work more efficiently at higher value activities to improve productivity

Through fast and flexible SaaS-based solutions, organizations can deliver immediate savings by eliminating tedious manual tasks and improve process stability. The best practices for most quickly reaping the highest returns include first implementing two fundamental solutions:

- Supplier portal that offers suppliers self-service access to information on POs, invoices, and payment status, plus enables centralized electronic communication to dramatically reduce support costs

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1 http://traxpay.com/2015/07/resisting-extinction-paper-based-invoices-still-rule-the-earth/
2 http://ardentpartners.com/

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- Electronic invoicing integrated into the supplier portal to automate delivery of invoices from suppliers

As this white paper demonstrates, these two solutions alone can deliver a quick, visible, and significant return on investment.

And once these solutions are deployed, additional technologies, such as dynamic discounting and workflow tools, can easily be added to create opportunities for long-term transformational process change that delivers even more value.

90+% savings with supplier portals and electronic invoicing

ROI < 1 year

Best in class

TWO KEY SOLUTIONS THAT YIELD THE FASTEST ROI

ESSENTIAL FIRST STEPS TO SUBSTANTIALLY REDUCE COSTS AND ENHANCE PRODUCTIVITY

Two core SaaS-based technologies should be deployed as soon as possible to gain the fastest return on investment – supplier portals and electronic invoicing. Making effective use of these two solutions will demonstrate the most rapid return on investment, which makes a clear business case for AP automation.

SUPPLIER PORTALS

The clearest and most visible business case for AP automation comes from deploying supplier portals. By giving suppliers secure self-service online tools, they can quickly look up information on purchase orders, invoices, and payment transactions 24/7 – and communicate with your accounts payable team electronically.

With secure web-hosted supplier portals configured to your business rules, your AP team and suppliers can view and track data in a way that significantly reduces your support costs.

ELECTRONIC INVOICING

By automating the delivery of invoices from your suppliers electronically, you substantially reduce errors, eliminate exceptions, and improve compliance for your financial processes.

WITH 24/7 ACCESS TO ONLINE DATA, SUPPLIER PORTALS AUTOMATE COMMUNICATIONS AND REDUCE YOUR SUPPORT COSTS.

With the right electronic invoicing technology, invoices are automatically matched to purchase orders, validated against business rules, and sent into your financial system through a secured web-hosted environment.

Suppliers can use their portals to check the status of their invoices and track progress through the reconciliation and approval process. Electronic invoicing reduces errors and costly exception handling, eliminates paper processing, and offers your organization more opportunities to benefit from early payment discounts.

YOUR COMPANY (SUPPLIER) — INVOICES → — REMITTANCE INFORMATION ← — DIRECT COMMERCE NETWORK — INVOICES → — REMITTANCE INFORMATION ← — YOUR CUSTOMER (BUYER)

CALCULATING YOUR ROI TO MAKE A CLEAR BUSINESS CASE

CLEAR BENEFITS AND ADDED VALUE THROUGH SUPPLIER PORTALS AND ELECTRONIC INVOICING

Implementing a supplier portal with electronic invoicing delivers immediate value. With the right technology and deployment expertise, these two solutions become a core foundation for reaping the highest return in the shortest time by demonstrating visible savings from:

- Improved productivity through reduced phone calls, fewer exceptions management issues, and decreased hours spent managing help desks
- Lower costs by eliminating paper processing expenses, mailroom fees, postage, sorting and filing documents, and troubleshooting exceptions
- Increased compliance by having all documentation centrally located and easily cross referenced
- Improved cash flow from more effective use of vendor early payment discounts
- Higher efficiency by redeploying team members to more value-added tasks, such as analyzing data and improving higher-level processes
- Stronger supplier relationships by accelerating invoice approvals and processing and giving suppliers easy-to-use electronic tools to submit questions
- More effective processes for reviewing invoices, resolving discrepancies, and tracking communications

ROI: A HIGH-LEVEL METHODOLOGY

Summarizing your expected return on investment from automating these processes is a relatively straightforward calculation.

USE A WORKSHEET LIKE THE ONE BELOW TO CALCULATE YOUR SAVINGS

Table 1: AP Automation ROI Overview Worksheet

ROI VARIABLES	EXAMPLE: CLIENT 1	EXAMPLE: CLIENT 2
1. Enter cost of processing one paper invoice	$10.00	$20.00
2. Enter cost of processing one invoice electronically via a portal	$3.00	$1.15
3. Savings per invoice processed *(subtract row 2 from row 1)*	$7.00	$18.85
4. Enter number of invoices your organization processes per year	120,000	120,000
5. Total savings on invoicing processing *(multiply row 3 by row 4)*	$840,000	$2,262,000
6. Enter expected additional early payment discount *(Discount Management)*	$1,500,000	$1,500,000
TOTAL SAVINGS *(add row 5 and row 6)*	**$2,340,000**	**$3,762,000**

If you estimate a range of costs for processing paper invoices, you can make some simple assumptions on the cost of electronic invoicing to estimate your return on investment.

For example, if your cost to process one paper invoice might range between $10.00 and $20.00 and from benchmark data you estimate that your electronic invoicing costs might range between $1.00 to $3.00 per invoice, you can then estimate a best case and worst case ROI scenario to present your business case. Simply calculate the savings per invoice and then multiply by the total number of invoices processed per year to determine both the highest and lowest potential savings.

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ROI: THE DETAILED APPROACH

The worksheet above represents a fairly simple ROI estimate. To develop a more detailed calculation of total savings, you should create a flowchart of your existing P2P process and note the costs of each step for processing invoices, payments, and purchase orders.

Some of the costs to consider when refining your ROI calculations include:

MAILROOM
Opening, sorting, forwarding, and scanning incoming invoices

VALIDATION
Evaluating each invoice to determine which meet all validation rules and which that do not

EXCEPTIONS
Processing invoices which do not match the corresponding PO or present pricing discrepancies

APPROVALS
Time needed to approve invoices that do not meet business rule validation rules and for managing credits and debits

TRACKING
Archiving invoices and communicating with suppliers about invoicing issues

COMPLIANCE
Costs associated with monitoring and assessing invoice compliance issues

SUPPORT
Staffing requirements for looking up invoice status and other information

STORAGE
Expenses for filing and logging invoices that may later need to be looked up and reviewed

Building a more detailed ROI calculation will easily demonstrate additional savings and an even more compelling business case for AP automation.

Place your ROI information into a clearly designed presentation deck and be sure to include the "soft benefits" that go along with your ROI cost savings. These include improved communication, one centralized database of information, and better supplier relationships.

In addition, your presentation should also focus on how your organization can take advantage of more nimble business processes such as discount management. These additional savings can easily exceed the savings from automation alone, so they can be used to fund your automation initiative.

MORE PROCESS IMPROVEMENT OPPORTUNITIES

The savings shown from a detailed ROI analysis and a more refined calculation will help you make a clear business case for automation. In addition, an AP automation platform lays the groundwork for additional future process improvement as described in the next section.

A SOLID PLATFORM FOR FURTHER IMPROVEMENT

Once supplier portal and electronic invoicing technologies have been deployed, organizations will see a quick, clear, and meaningful return on investment from automating AP processes.

But other "bolt-on" technologies can be added to deliver even more efficiencies that may not be apparent at first glance. These include:

ORDER MANAGEMENT TOOLS	DISCOUNT MANAGEMENT SOLUTIONS	DISPUTE RESOLUTION TOOLS	VENDOR MANAGEMENT SOLUTIONS	REPORTING AND ANALYTICS
Automate purchase order data to reduce errors and streamline your supply chain	Make effective use of early payment offers from suppliers and reduce your capital costs	Eliminate paper-based processing, enhancing communications with suppliers to quickly and easily resolve issues	Manage and track changes to vendor accounts in real time so information stays up to date	Create customized reports on transactions and discounts to improve financial management

These additional efficiencies can drive even more **transformational process change** which deliver added benefits such as:

- **More accurate data** to more quickly resolve disputes and communicate more effectively with suppliers

- **Reduced document cycle times** so CFOs, controllers, and others can use the most recent data available to evaluate cash flow and invoice processing activities

- **Timely reporting** with available spend intelligence plus more granular insight into spending practices by commodity, supplier, business unit and employee

- **Enhanced analytics** to improve strategic cash management and business analysis throughout other organizational areas

- **Less burden on IT teams** and other non-accounts payables personnel through standardization that lowers training and support costs

- **Movement of more purchasing to PO spending**, improving tracking and accuracy

- **Improved supplier pricing compliance**, more accurate cost coding, and fewer pricing errors

- Opportunities to **funnel spending to preferred vendors** - using guaranteed volume to lower pricing or negotiate for more attractive early payment discounts

- **Extension of automation** to include integrated e-payments and online remittance delivery in multiple deployment options (SaaS and on-premise)

STAY COMPETITIVE – A CLEAR BUSINESS CASE FOR AUTOMATION

With an ever-increasing number of invoices organizations must process – and the potential to save up to 98 percent on processing costs – more financial executives can make a compelling business case for AP automation.

In fact, just two solutions alone – supplier portals and electronic invoicing – can demonstrate a clear, rapid, and visible return on investment by streamlining processes, redeploying team members to higher-value activities, reducing costs, improving compliance, and building stronger supplier relationships.

And by deploying these two solutions, you can build a solid foundation for using additional tools – including dynamic discounting, dispute resolution, and others – that deliver transformational change across your entire organization through the automation of even more processes.

What's important is that you begin. If you don't, you will miss opportunities to eliminate inefficient manual paper-based processes and be less prepared to adopt new technologies as they continue to evolve – resulting in a major threat to your competitive advantage.

A TRUSTED PARTNER

Built on the leading edge of fintech, Direct Commerce delivers Source-to-Pay Automation for Global 1000 companies around the world. We drive fast ROI through customer-centered innovation and value-driven solutions for some of the biggest names in business. Our teams are built for the world ahead, merging two decades of experience with cutting-edge technology to deliver products that meet and exceed client goals. We don't just build paperless solutions for our clients. We partner with customers to build their best future by freeing up resources, enhancing B2B relationships, and creating new ways to do business for the years ahead.