ACCOUNTS PAYABLE

OVERCOMING THE CHALLENGES OF AP INVOICING

How to Increase Profit & Productivity via Automated Processing

ESKER®

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INTRODUCTION:
STATE OF ACCOUNTS PAYABLE TODAY

In today's increasingly high-tech and efficiency driven business landscape, internal processes such as accounts payable (AP) are being looked to as prime candidates for modernization. Traditional, paper-based methods of AP invoice processing are associated with higher costs, lower visibility and longer processing times — all barriers that ultimately impede business progress and the ability to gain a competitive advantage.

However, the pains of manual AP invoice processing are felt far beyond the AP department. CFOs considering the bottom line see a waste of money on high processing costs. Buyers looking to receive early payment discounts often miss out due to inefficiency. The AP department itself has difficulty responding to supplier inquiries because of low-visibility paper invoices. CEOs consider the high capital and material costs of manual processing, which can drain valuable resources from the company. Finally, the suppliers want to work with companies that pay bills on time and correctly: a difficult task when processing invoices manually.

DOESN'T MY ERP APPLICATION ALREADY OFFER A SOLUTION?

The thought may have crossed your mind: doesn't my ERP/business application vendor already offer something that could eliminate these challenges? The answer is, even though ERP vendors are constantly updating for the better, the added features offered by a best-in-class automation solution (e.g., data capture, OCR, analytics and audit trail, etc.) are simply not a priority — particularly for the bigger, license-based systems.

ERP/business applications are great tools for streamlining the process of cutting checks and making payments, but there are numerous "pain points" which they do not address. A good way to identify what's lacking is to ask yourself, do you have:

- Staff dedicated to manually sorting and handling paper invoices?
- Excess paper, transportation and physical archiving expenses?
- Trouble accurately capturing data regardless of invoice format?
- Low visibility of invoice processing and approval status from the moment the invoice is received?
- Limited analytics, reporting and audit trail capabilities?
- Frustrations in trying to connect accounting and procurement functions?
- Difficulty taking advantage of early payment discounts?
- Poor oversight of spending with both PO- and non-PO-based suppliers?

If you can answer "yes" to any of the above questions, there's a good chance your ERP or business application could benefit from enhancement. An AP invoice automation solution helps fills in these gaps and drive greater value organization wide.

IS AUTOMATION THE ANSWER

Despite the fact most organizations understand the detriments of manual AP processing and ERP/business applications are commonly used to standardize internal functions, AP remains inundated with paper. In fact, according to a recent Ardent Partners report, the average enterprise receives 56% of its invoices in a manual format including paper, PDF, email or fax.[1]

Why are so many skeptical about solving the problem using automation? In general, the intricate workflow and procedures within AP cause some businesses to worry that automation is too complex and expensive to integrate with existing ERP applications, legacy systems or customized tools. According to the same IFO study, survey respondents revealed their top three concerns about AP automation (specifically, cloud-based solutions) to be integration issues, security issues and total cost of ownership.

1. The State of ePayables 2017: The Convergence of Cash, Suppliers, and Intelligence, 2017. Ardent Partners Ltd.

CHALLENGES OF MANUAL AP INVOICE PROCESSING

AP departments all share similar objectives in their quest to achieve and maintain success. Overarching goals commonly include: ensuring accurate and timely closings of invoicing operations, avoiding late payment fees, capturing early payment discounts, minimizing vendor disputes, and keeping the supply chain running smoothly.

The problems start when AP personnel have to spend too much time on low-value tasks like scrambling to enter invoices in the ERP system, hunting down the necessary signatures for payment approval and retrieving paper documents from file cabinets. While this paper chase used to be tolerated, today's businesses simply cannot afford to miss out on savings or put their credit ratings or regulatory compliance standings at risk.

TOP 5 OBSTACLES PREVENTING AP SUCCESS

In Esker's experience, there are five primary obstacles associated with manual AP invoice processing standing in the way of AP departments accomplishing their goals:

Slow invoice processing time:
Manual routing, processing and sign-off procedures slow down the procure-to-pay cycle, which make it difficult to capture early payment discounts, lead to late payment penalties, and can even damage relationships with your suppliers.

Reduced accuracy:
Risk of error is inherent in any process involving paper and manual data entry. This is especially critical in AP because of the impact on working capital and the fact that transactions are subject to scrutiny by external audits for regulatory compliance.

High costs per invoice:
Processing errors require resolution, which drives up the cost per invoice. A study by Aberdeen Group found respondents using electronic AP processing methods processed their invoices 63% cheaper than those doing so manually.[2]

Lack of visibility:
Quick access to information on whether an invoice has been received, processed or paid brings a level of stability, control and oversight that is absent in a manual system. Visibility also makes it easier for companies to assess AP operations and develop necessary strategies for improvement.

Difficult data retrieval:
From audits to vendor inquiries, finding information quickly can be virtually impossible when invoices are stored and retrieved manually. The cost of storing physical invoices in the office or in off-site warehouses can also add up quickly.

MEASURING PERFORMANCE: IMPORTANCE OF BENCHMARKING AND KPIS

Benchmarking is a vital aspect of improving your AP business practices: You can't manage what you can't measure. Therefore, it is critical to decide which key performance indicators (KPIs) align best with your organization's goals, and use them as a guide to periodically evaluate how you compare to your chosen benchmarks.

Examples of good KPIs to measure include:

- Number of documents processed per month or per employee
- Processing cost of each invoice
- Number of invoices that may automatically process
- Timeliness of payments

- Discounts captured due to early payments
- Number of suppliers
- Level of automation already implemented

2. Invoicing and Workflow: Transforming Process Automation into Operational Cost Control, 2010. Aberdeen Group.

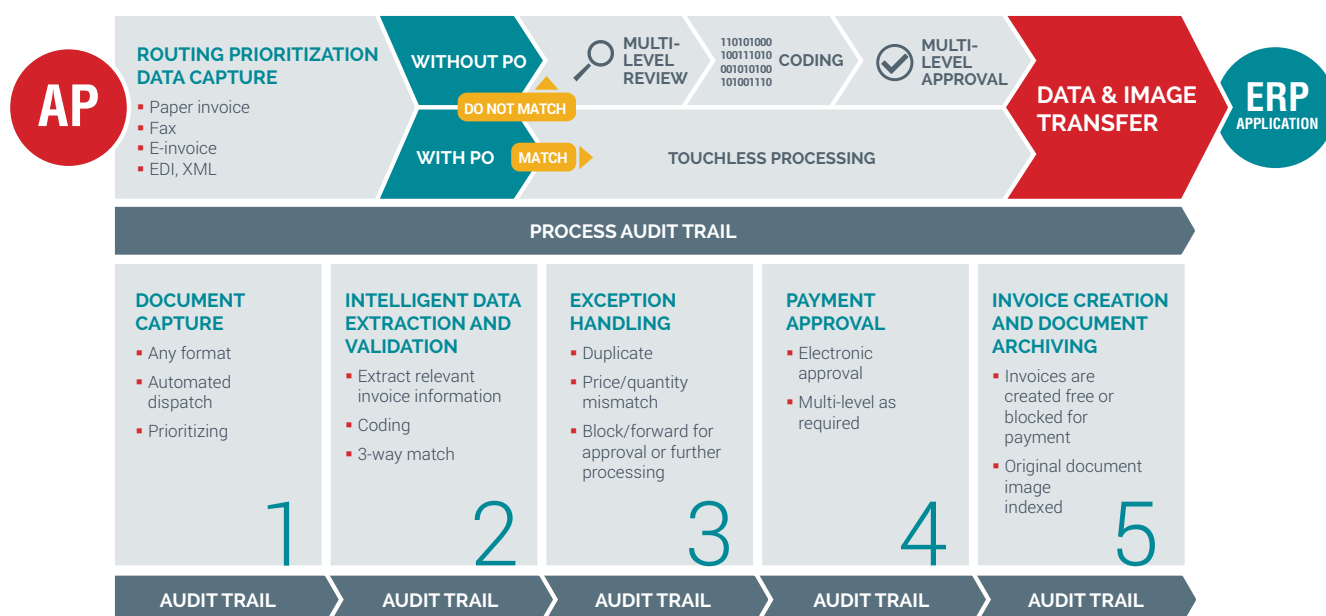# OVERCOMING AP CHALLENGES WITH END-TO-END AUTOMATION

Automation powered by Artificial Intelligence (AI) is a proven tool for overcoming the challenges of traditional AP processes, but a successful outcome hinges on the effectiveness of the strategy. Digital transformation through an end-to-end automation solution that seamlessly integrates with an ERP/business application is ideal for not only addressing the AP department's concerns, but the larger goals of the business as a whole — leaving no issue unaddressed.

What matters to an AP department is not always what matters to CFOs or other members of management. According to a recent study by Ardent Partners, the top AP department priorities are reducing invoice processing costs, better linking P2P processes and systems, improving reporting and analytics, improving collaboration/communication with procurement, and extending payment terms/optimizing DPO.[3]

Conflicting interests are never a good recipe for business success. By taking an end-to-end approach to automation, all parties get what they want because the goals of everyone involved are aligned and encapsulated into a single, strategic approach.

HOW ESKER'S ACCOUNTS PAYABLE AUTOMATION SOLUTION WORKS

Esker's Accounts Payable automation solution integrates with any ERP interface or business application, allowing you to automate every phase of AP invoice processing — from reception of the original document to the creation of an accounting book entry — for streamlined AP management. With end-to-end automation capabilities, businesses can address the challenges of manual data entry and routing along with the lack of coordination and transparency within traditional AP invoice processing.

AP

ROUTING PRIORITIZATION DATA CAPTURE
- Paper invoice
- Fax
- E-invoice
- EDI, XML

WITHOUT PO — DO NOT MATCH

WITH PO — MATCH — TOUCHLESS PROCESSING

MULTI-LEVEL REVIEW — 110101000 100111010 001010100 101001110 — CODING — MULTI-LEVEL APPROVAL

DATA & IMAGE TRANSFER

ERP APPLICATION

PROCESS AUDIT TRAIL

DOCUMENT CAPTURE
- Any format
- Automated dispatch
- Prioritizing

INTELLIGENT DATA EXTRACTION AND VALIDATION
- Extract relevant invoice information
- Coding
- 3-way match

EXCEPTION HANDLING
- Duplicate
- Price/quantity mismatch
- Block/forward for approval or further processing

PAYMENT APPROVAL
- Electronic approval
- Multi-level as required

INVOICE CREATION AND DOCUMENT ARCHIVING
- Invoices are created free or blocked for payment
- Original document image indexed

1 — 2 — 3 — 4 — 5

AUDIT TRAIL | AUDIT TRAIL | AUDIT TRAIL | AUDIT TRAIL | AUDIT TRAIL

3. The State of ePayables 2017: The Convergence of Cash, Suppliers, and Intelligence, 2017. Ardent Partners, Ltd.

1 **Document capture.** Locally or centrally received paper invoices are scanned and immediately sent to Esker for processing according to predefined rules matched to invoice attributes (e.g., supplier, amount, buying entity, etc.). Scanned or electronic documents are captured and can be automatically routed and prioritized.

2 **Intelligent data extraction verification and validation.** Using intelligent capture, Esker extracts relevant invoice information such as company name, invoice number, due date and line item details. Esker relies on automated data verification, data validity checks and invoice balance computation to accurately extract data. Captured data can be automatically checked using 2-way or 3-way matching against an existing purchase order (PO). If no exception is detected, touchless processing can create the invoice for payment without the need for user validation. Non-PO invoices can undergo multi-level review, coding and multi-level approval. If the capture isn't 100% accurate at first, Esker Teach functionality can be used to "teach" the solution how to better recognize data for similar invoices in the future.

3 **Exception handling.** If an exception such as price/quantity mismatch occurs, the invoice can be blocked for payment pending validation and approval via an electronic workflow that can be set up to go through one or several users.

4 **Payment approval.** Once the data is validated, either automatically or by a user, the invoice is posted in the ERP/business application, and the document image is indexed to the Esker server or another archive. Users can be notified of invoice entry and status.

5 **Invoice creation and document archiving.** When audit time comes, or in case of a dispute over the invoice, the original document image, corresponding audit trail and history of modifications are readily available to authorized users for consultation at any time.

KEEP AN EYE ON THE PULSE OF YOUR BUSINESS

Your current system may allow you to see what was paid, but Esker gives you instant access to what invoices are in the pipeline. This type of enhanced control and monitoring allows everyone involved to better forecast the use of cash and determine the best approach for capturing early payment discounts.

Esker dashboards provide every user with readily available information needed to perform daily tasks, monitor performances, and spot problems or opportunities as soon as they arise. Packaged KPIs and dashboards remove all possible headaches for IT. Looking for additional, more specific indicators? Esker makes it simple: The easy-to-use interface allows you to choose what you want to display and to which user or profile. And, you are free to remove, edit or add other indicators to your dashboards.

VALUABLE DASHBOARDS FOR EVERY USER		
CFO	**AP Managers**	**Cost Center Owner / LOB Manager**
▪ Organization spend overview	▪ Visibility over spend	▪ Requests pending approval
▪ AP cash flow	▪ Spend by category, volume and supplier	▪ Budget control and forecasts
▪ AP process metrics	▪ Accrual reporting	▪ Spend analysis and trend
▪ DPO	▪ Payment KPIs	
	▪ Process efficiency	
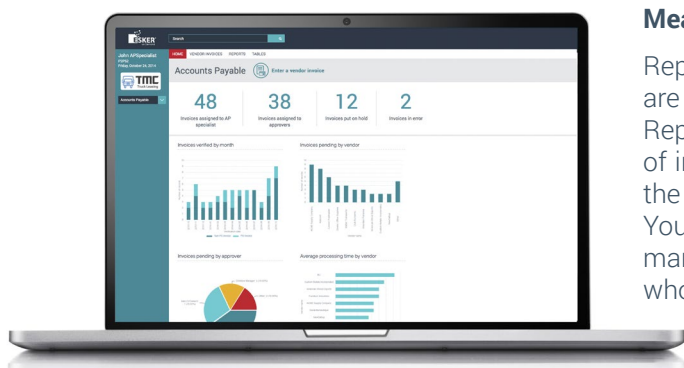
Measure efficiency, resolve issues and accurately forecast

Reports can be run or scheduled to see how many pending invoices are waiting to be processed and how much cash they account for. Reports for invoices pending approval, invoices by status, number of invoices processed by full-time employees, etc. can be run from the web interface, along with the option to build your own reports. You can also automatically provide regular reporting to your managers, only needing to define when, at what frequency, and to whom a report be automatically emailed.

Get peace of mind regarding Sarbanes-Oxley Act compliance

Esker keeps a complete audit trail of every manual touch point within vendor invoice processing, giving you insights into "who did what, when and where," with the ability to monitor whether or not the proper checks and validations took place.

Modifications history helps you quickly identify the user who made changes to an invoice should questions about the change arise. A record of all users' invoice data changes is kept; no modifications can be made without leaving a trace.

Keep track of all invoices — boost vendor satisfaction

Because all invoices are visible as soon as they arrive, and easily tracked from receipt to posting to payment, you can immediately respond to payment status calls from vendors.

ESKER ANYWHERE™

Part of going global as an organization also means not having to lose the flexibility of completing critical tasks while out of the office.

Available 24/7 from Apple or Android devices, the Esker Anywhere™ mobile application offers added dimension of convenience for on the-go approvers who need to review and validate supplier invoices at a moment's notice. Approvers can use the mobile app to:
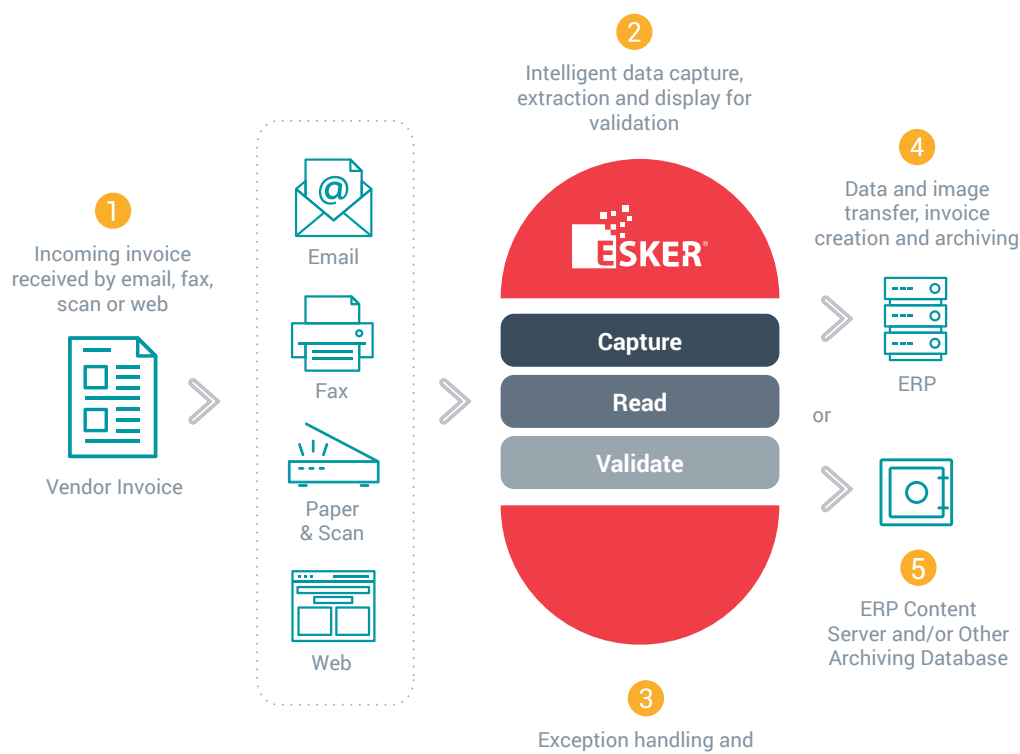
- **View invoice lists:** Get instant visibility and oversight into pending invoices, and view the list of invoices awaiting approval, invoices on hold, etc.

- **View invoice images:** Quickly check and review the image of the invoice received by the accounting department.

- **Instantly access key data:** Looking for a supplier name? Total amount? Access the key data you need instantly, including comments from previous approvers.

- **Review coding information before approving:** Want to approve coding information as well as payment? Click on the total to review GL and cost center allocations for each invoice line.

- **Approve, hold or send back:** Approve, put on hold or send an invoice back to the previous approver or AP officer, with the option of writing a comment at each step. The capability to approve numerous pending invoices at once is also available.

- **Monitor P2P performance indicators and other metrics:** Dashboards are available on the go so that managers can keep track of their business anytime, anywhere.
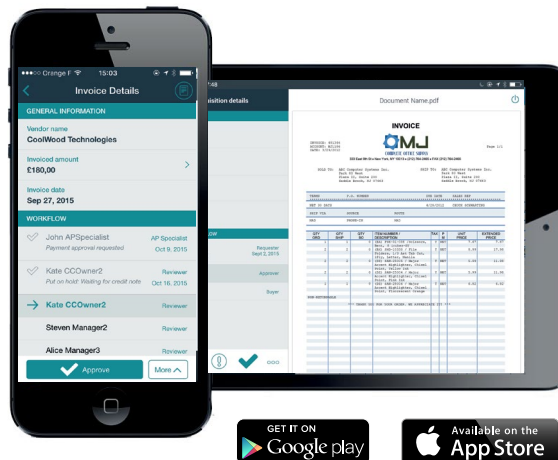
UNIFYING WORKFLOW IN MULTIPLE ERP INSTANCES

When considering AP automation, businesses running an ERP/business application basically have two choices — install a tool inside the system or use a compliant solution with data recognition, validation and workflow residing externally. Integrating a solution that runs AP workflow inside the ERP/business application might seem like the most straightforward approach, but many companies ultimately choose an external solution due to several factors.

For example, companies running several ERP/business applications within the organization must maintain "inside workflow" in each instance. This can cause inefficiencies, additional costs and consistency issues over time. Unaffected by changes to the ERP implementation, such as an upgrade to a new version, web-based AP workflow outside the ERP/business application helps maintain business continuity by keeping AP processing stable through the many IT landscape changes a company can expect to undergo.

2 Intelligent data capture, extraction and display for validation

1 Incoming invoice received by email, fax, scan or web

Vendor Invoice

Email

Fax

Paper & Scan

Web

ESKER

Capture

Read

Validate

4 Data and image transfer, invoice creation and archiving

ERP

or

5 ERP Content Server and/or Other Archiving Database

3 Exception handling and

*Esker's solutions are compatible with a wide range of ERP/business applications. However, functionality and usability may differ system to system, depending on the specific environment. Contact Esker to learn more about integration capabilities with your company's ERP/business application.

Advantages of unified AP workflow

- **Anytime, anywhere access:** With workflow in multiple ERP instances connected externally, buyers and managers to approve, check, comment on, add to, reject or sign off on invoices 24/7, where ever they are. Web-based workflow offers the ability to create a matrix for automation of the approval process, including support for non-ERP systems and mobile devices.

- **Don't have to be an ERP user to approve:** When workflow to numerous ERP/business applications is linked, any approved individual (including non-ERP users) can approve and manage invoices, providing a single access point for invoice data along with the original document image and a history of actions carried out on it. This allows companies to:

  - Share AP data across business applications

  - Include Purchasing and other departments involved in the workflow

  - Include pre- and post-processing steps in the workflow

  - Extend approval workflow to remote staff and mobile devices

  - View archived invoices and audit trail outside the ERP/business application

- **Simplify training and promote user acceptance:** Users who are unfamiliar with ERP/business applications may not readily embrace the interface. This can cause confusion, errors and, most importantly, user rejection — one of the most common reasons for failure of business process automation projects.
- **Simplify set up of shared services:** Unifying AP workflow in a multi-ERP environment can support efforts to create regional or worldwide shared services centers for AP processing, addressing diverse systems automatically and including logic to avoid errors. And, a cloud service that is monitored 24/7/365 by the service provider can allow enterprises to include locations in different time zones as part of the AP invoice automation. This can dramatically simplify the setup of shared services centers.

OVERCOMING THE TOP FIVE CHALLENGES

Automation empowers AP departments with the tools needed to achieve their goals quickly and effectively. The aforementioned "top five" challenges faced in manual invoice processing are eliminated when companies choose to automate. Esker research has found AP automation can typically help organizations:

65%
FASTER
PROCESSING

- Receive and enter vendor invoices up to 65% faster through automated sorting and information collection
- Lower purchase-to-pay process costs by as much as 40-60% with less employee time spent on manual processing
- Improve accuracy up to 99% by reducing manual touch points
- Increase visibility to 100% and heighten security with electronic archiving

100%
VISIBILITY

- Ease data retrieval by having all invoices available at your fingertips
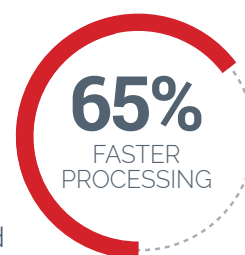
KPI IMPROVEMENT

Over time, automation can be a key driver for elevating your KPI standing in comparison to top industry metrics. It's no coincidence best-in-class AP organizations are exceptional in the very areas automation is known to improve. According to one 2017 study, top performers are identified as organizations with:

- **Standardized AP processs across the enterprise:** 88% of top performing AP teams standardize AP processes to ensure that rigorous, consistent steps are followed.[3]
- **Ability to process invoices straight-through.** Best-in-class enterprises are 2.1-times more likely than other organizations to process invoices in a straight-through manner.[3]
- **Automatic invoice approval routing:** 70% of top performers have the ability to automatically route invoices for approval.[3]
- **Ability to measure key metrics:** Best-in-class enterprises are more than twice as likely to be able to measure both productivity and financial metrics.[3]

CUSTOMER SUCCESS STORY:

Partstown

> "Esker's Accounts Payable automation solution really allowed us to get a grip over our whole AP department. Whether it's shipment discrepancies or early payment discounts, we now have **instant access to everything** that drives value in our process."
>
> Accounting Manager | Parts Town

THE CHALLENGE

Like a lot of organizations, Parts Town had been using primarily manual methods to conduct critical AP tasks like data entry and approval, along with relying on Outlook as an invoicing queue. However, with close to 30% growth in the last two years alone, Parts Town simply couldn't keep up. Eventually, Parts Town came to the realization that it needed a more cost-effective and sustainable alternative.

The primary AP challenges Albemarle aimed to address included:

- High expenditure of time and resources
- Scalability to keep up with growth and influx of invoices
- Limited process visibility
- Low-value tasks (manually typing in invoice number, due date, amount, etc.)

THE SOLUTION

Fortunately, Parts Town didn't have to endure an extensive vendor search or exhaustive exploratory process to find the replacement solution it was looking for. Esker was already playing a prominent role in the company's document process improvement efforts. Parts Town had previously used Esker with great success to automate processes within its order-to-cash (O2C) cycle, including order processing and accounts receivable (AR). Because of its well-established relationship, and the fact that Esker offered an end-to-end AP automation solution, Parts Town wasted little time in choosing Esker as its AP automation provider.

THE RESULTS

- 30% in additional savings each month thanks to more early payment discounts captured
- 60% increase in productivity, going from 57 invoices per-day/per-user to 92 invoices per-day/per-user
- Increased visibility into important invoice information (e.g., what invoices still need to be processed/paid, which vendors have a discount date coming, etc.)
- More time for staff to be proactive doing value-added activities (e.g., sorting through discrepancies, contacting manufacturers before due dates, etc.)
- No additional headcount to handle invoice volumes

CONCLUSION: THE FUTURE OF ACCOUNTS PAYABLE AUTOMATION

As AP departments continue to endure the pains of manual invoice processing and automation technologies continue to emerge, it is inevitable that an increasing number of organizations will move towards more modernized forms of business technology. The numerous benefits AP automation has the potential to offer — particularly end-to-end solutions — are rapidly becoming too great to ignore.

The future holds a host of developments for automation itself, especially in the ongoing advancements in cloud technology. The SaaS approach to automation expects to become increasingly popular, appealing to businesses as a low-risk, inexpensive way to automate. Due to its scalable nature and dynamic features, cloud-based technology brings document process automation within reach of any organization.

As with any new technology, there will always be skeptics (i.e., those that think they cannot adapt to new technology). Automation is no exception: When considering unique workflows and organizational complexity, upgrading to an automation solution can be an intimidating idea. However, with an experienced vendor and the right solution, change can be introduced and managed at the right pace and optimal level for your organization's specific AP needs.

ABOUT ESKER

Esker is proud to offer a best-in-class Accounts Payable automation solution specifically designed to help companies improve their strategic supplier relationships and transform the way they purchase, book and pay. As a global leader in AI-driven process automation software, Esker's expertise also goes beyond AP processes. Over 11,000 companies around the world use Esker solutions to automate other business processes, including: order management, accounts recievable and more.

GLOBAL EXPERTISE

Founded in 1985, Esker operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin. In 2018, Esker generated 86.9 million euros in sales revenue.

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