HAVE YOU OUTGROWN YOUR AP AUTOMATION SOLUTION?

A Guide to Finding Solutions That Scale with Your Business

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Bottomline

Most organizations have some form of accounts payable automation, even if it's very basic. It can be anything from a simple invoice scanning solution to a system that can handle a certain type or types of payments. When your business grows and you're tasked with processing more invoices, when you're pressed to migrate from paper checks to electronic payments, or when upper management decides it's time to make the change to a new ERP, how well can your solution adapt?

Let's face it: The solution that was the perfect choice several years ago may not be so perfect today. If your AP automation solution hasn't kept pace with your organization's needs in these complex, changing times, or is an onsite application that requires an IT task force to update, secure and maintain, it's definitely time to consider a change.

Times Change

Businesses grow and evolve, and that impacts your invoice and payment volume, your processing and approval workflows, even how you do business.

> **"An automation solution that was the perfect choice several years ago may not be so perfect now."**

The world of commerce is changing. Virtual cards and digital payments have become increasingly popular, and in many cases, they've also become the new normal. New ERPs have come into play, with some organizations using more than one depending on size and need.

Vendors have come to expect payment within terms as the norm as AP technology gets better and better and paper checks are being left in the dust.

> **"The human capital spent on resolving invoice problems represents wasted time and money."**

That's not even mentioning the business continuity challenges that issues like the COVID-19 pandemic have recently brought to the fore.

In addition, artificial intelligence and machine learning are making it increasingly difficult for fraudsters to "fly under the radar" through their old tactics of manipulating manual processes.

The key question is simple: Are you keeping up? If your solution still requires some manual data entry or invoice handling, if it's not compatible with your other systems or can't handle remote processes, if it's not helping you capture the discounts available to you, or if your vendors are becoming unhappy because of the paper checks you're sending, delayed payments or lack of remittance detail, it's time for a change.

What Your Solution Should Do

A true end-to-end AP solution should reduce processing time and costs by minimizing or eliminating manual intervention for most payments. All the human capital spent matching an invoice to its purchase order or looking for invoices, lost and duplicate bills and the like, is wasted time and therefore wasted money.

Staff who could be doing other, more high-value tasks end up mired in the details of manually researching and tracking invoices, which is not in the organization's best interest.

In Figure 1, we see that moving from a low level of automation to a high level (see Peer Group Definitions table below) reduces per-invoice processing costs to less than a third of what they were before.

Even if you move in smaller, incremental steps, going from low to moderate automation still cuts the cost nearly in half. The savings—in both time and money—add up quickly.

Figure 1.

**AUTOMATION REDUCES INVOICE PROCESSING COSTS**
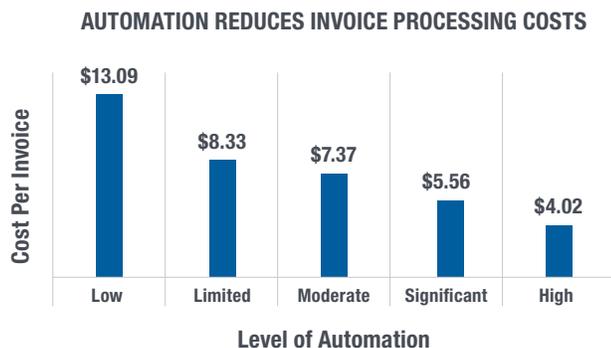
Of course, greater efficiency also means your team can do more without adding headcount. Those AP departments with high levels of automation see their teams nearly doubling their productivity when compared to those with little in the way of automation, but even moving to a moderate level of automation gives those teams about a 40 percent efficiency boost. (See Figure 2.)

Figure 2.

AUTOMATION DRIVES STAFF EFFICIENCY
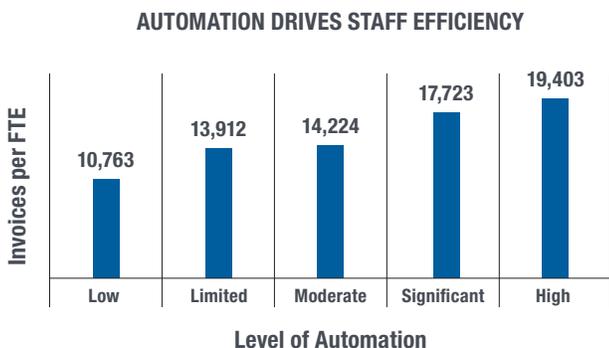
Let's look at this another way—Figure 3 brings the difference between highly automated and highly manual operations into clear focus. Not only does automation provide an 80 percent efficiency gain—the per-invoice processing costs in automated operations are a fraction of the cost of manual payments, with a 224 percent reduction.

Figure 3.

INVOICES PER FTE

COST PER INVOICE
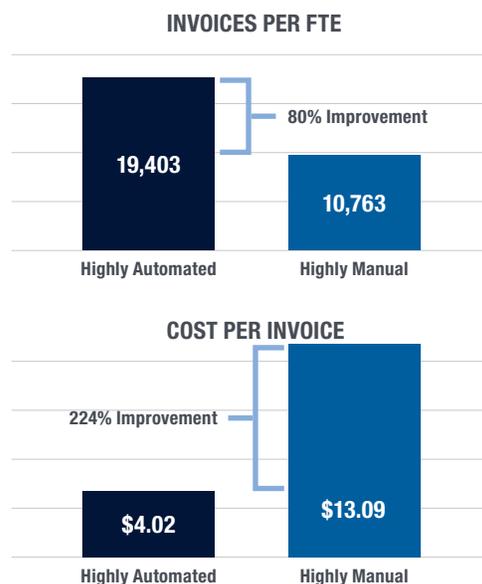
Source: IOFM Benchmarking Report (N = 388)

A good solution also manages all payment methods while integrating with your ERPs and bank accounts. Whether you pay a vendor by ACH, wire, virtual card, or even by paper check, your software should handle payments seamlessly and efficiently. This ensures you're paying on time and getting the discounts that your procurement department has carefully negotiated.

In fact, effective discount capture is one area where AP contributes directly to the bottom line. Rather than being a "cost center," as AP teams typically are labeled, departments that consistently pay on time and capture majority of available discounts can become cost neutral or even revenue-boosting for the larger organization.

> **"Automation can help AP become cost neutral—or even a profit center"**

Given that this is a situation in which AP can really contribute in a measurable way to the bottom line, on-time payments and the associated discounts should be a "must" for any good end-to-end AP solution.

> **The table below tells the tale.**
> **Organizations with no or limited levels of automation generally don't capture more than 10% of available discounts, and usually achieve significantly less than that.**
>
> **On the other hand, between 33-50% of those with moderate to full automation reap the vast majority of available discounts.**

The Benefits Continue

A quality end-to-end AP automation solution can also impact the organization in other significant ways.
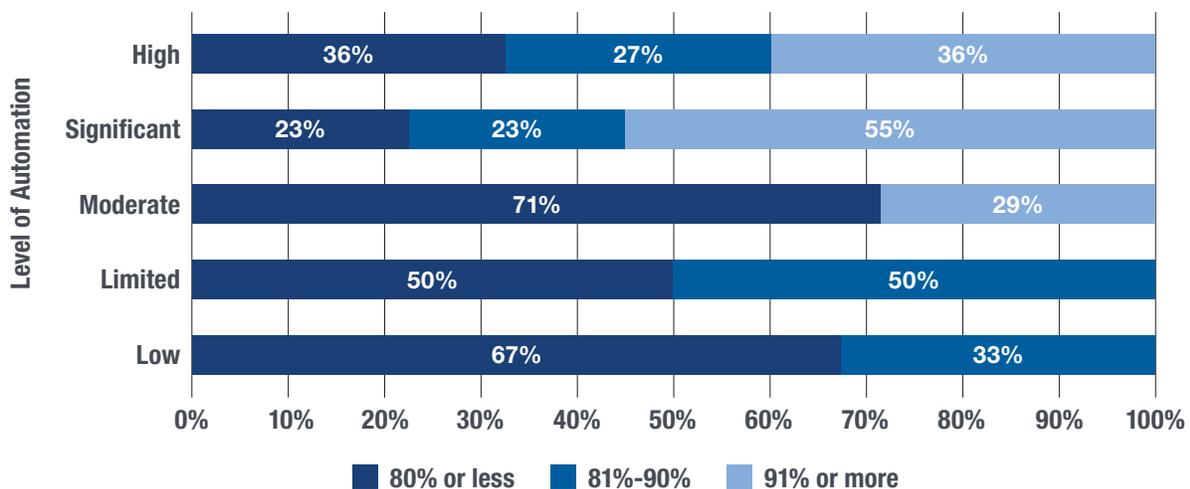
Fraud and Compliance

Fraud prevention measures like multi-factor authentication can save untold sums of money by protecting against fraud attempts by cybercriminals. When combined with vendor bank authentication and invoice and payment risk scoring, automation provides a solid defense against fraudulent activity that can cost your organization significantly.

Compliance is another key area that's risky and time-consuming to manage without help.

> **"Fraud prevention measures can save untold sums of money."**

Whether it's 1099 reporting, unclaimed property or preventing payments to prohibited vendors, your solution should do the heavy lifting instead of your team. Rules and regulations change often, and constantly keeping up with that is a full-time job all by itself. A lapse can not only cost your organization a lot of money in fines and penalties, it can result in serious consequences for a business's executive team and reputation. When modern AP automation solutions offer effective compliance tools, it's not necessary to assume risk here.

The best-in-class AP solutions offer machine learning that allows cutting-edge fraud prevention—all without requiring a team of data scientists to create custom algorithms to detect it.

Instead, the artificial intelligence has built-in learning algorithms that are able to draw inferences on their own about potential fraudulent payments and identify them.

Figure 4

AUTOMATION DRIVES STAFF EFFICIENCY

Level of Automation	80% or less	81%-90%	91% or more
High	36%	27%	36%
Significant	23%	23%	55%
Moderate	71%		29%
Limited	50%	50%	
Low	67%	33%	

Business Continuity, Invoice Handling and Payments

Are a large number of your invoices associated with an approved purchase order? If so, you know that 2-way and 3-way PO matching with the invoice and receiving report can be time-consuming and frustrating—yet it's a critical step to ensuring that the invoice matches what you agreed to purchase in the original purchase order. Manual matching requires gathering documents, verifying they are correct and then painstakingly cross-referencing line item quantities and prices.

Effective invoice automation should do that work for you, while noting and reporting any discrepancies from beginning to end and routing exceptions to the right member of your team for review and approval. In addition, this automation makes manual approvals and paper-based processes a thing of the past, allowing your organization to pivot if needed in the face of significant business continuity challenges.

Reporting

Solid, reliable end-to-end reporting throughout the entire invoice to pay process is also important, both to AP and to the business overall. Complete analytic reporting can provide insights that lead to improved AP performance and better outcomes in the future, as well as generate key financial information essential to the organization's forecasting and budgeting. That includes accruals that reflect the liability for pending invoices, statistics that show how much processing was automated, plus average time it takes to pay—all of which provide transparency into trends and bottlenecks to efficiency.

Keeping all that data up-to-date and building effective dashboards for at-a-glance reviews is simply not possible in the Excel spreadsheets many organizations still rely on. Yet it's precisely this level of insight that AP needs to become more efficient and effective.

> **"It's no longer necessary to maintain software onsite. Instead, consider a cloud-based solution."**

Implementation and Maintenance

Finally, if your current solution is onsite and hosted on your organization's server, and especially if it requires a local IT team to maintain it, you know how difficult it can be to obtain support and get software updates deployed. That's assuming your provider even offers support and updates in the first place.

There's a significant cost in time and resources to manage onsite software, but fortunately, that's no longer necessary. Many leading end-to-end AP solutions are now software-as-a-service (SaaS) or fully hosted on the cloud.

That means you don't ever have to worry about updating the program, checking to see that the entire organization is using the latest version, or concerning yourself with backing up your data. That's all handled seamlessly by the provider, which again frees up your internal teams for more high-impact activity.

Further, the right solution should integrate seamlessly with your ERP and bank accounts, making a labor-intensive setup process unnecessary.

The Bottom Line

A best-in-class AP solution can help your organization move to the next level, from the departmental level to the business as a whole. On the financial side, it saves time and money and ensures your organization is getting all the discounts and rebates you should be collecting.

> **"Leading edge automation both enhances cash flow and enables process improvement."**

This offsets the cost of your AP operation and can enhance business cash flow, and automation overall helps with business continuity, even in the face of major global challenges.

Then there's the business intelligence yielded by real-time, accurate financial reporting and the visibility into your operation it offers. It can help you identify inefficiencies, supporting your AP process improvement initiatives. Plus, being able to track and predict spending patterns helps the business better manage its cash.

Finally, let's not forget—fraud and noncompliance can be very expensive. Those two concerns are extremely difficult to monitor manually, and if not well-managed, can cost an organization in a major way, both in financial loss and damaged reputation.

With so much at stake, can you afford not to have an AP automation solution that keeps up with your business?

For more information on how AP can help move your organization to the next level, read our listicle, Transform AP: 6 Benefits for Your Business.

Peer group definitions

HOW IOFM DEFINES AP/P2P PEER GROUPS					
	Low	**Limited**	**Moderate**	**Significant**	**High**
Annual Invoice Volume	< 10,000	10,000-49,999	50,000-99,999	100,000-999,999	> 1 million
Level of Automation[1]	< 10%	10%-29%	30%-50%	51%-80%	> 81%

[1] For the purpose of this report, level of automation is determined based on the extent to which AP receives invoices electronically – i.e., enabled to be processed without any manual intervention. There are too many automation tools in the marketplace, variations of utilization (i.e., user training), and inter-dependence with other systems (i.e., outputs from procurement) to measure automation directly. E-invoicing as a proxy enables statistically viable comparisons because: 1) The more invoices received electronically, the more automation – of any kind – can be enabled; and, 2) E-invoicing tends to be one of the first processes addressed when investing in automation.

About Bottomline

Bottomline Technologies (NASDAQ: EPAY) make complex business payments simple, smart and secure. Corporations and banks rely on Bottomline for domestic and international payments, efficient cash management, automated workflows for payment processing and bill review, and state of the art fraud detection, behavioral analytics and regulatory compliance solutions. Thousands of corporations around the world benefit from Bottomline solutions. Headquartered in Portsmouth, NH, Bottomline delights customers through offices across the U.S., Europe, and Asia-Pacific. For more information visit **www.bottomline.com.**

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