



Finding Value in Accounts Payable Invoice Automation:

Why you don't need to automate the entire Purchase to Pay process in order to maximize efficiency and ROI

The movement to automate.

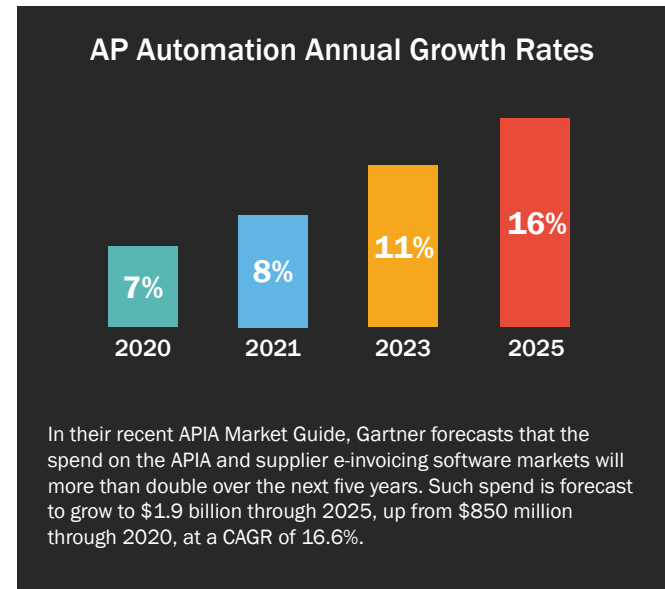
The market has seen a dramatic push for Purchase to Pay (P2P) automation and Accounts Payable Invoice Automation (APIA) over the last 3 years.

With the millennial workforce's call for remote work, the tedious undertaking of manually processing paper documents, and lack of visibility, the need for automation has been driven to the top of many executives' list of priorities. The COVID-19 pandemic only exacerbated the already growing demand.

Businesses are exploring ways to quickly save money, increase productivity, and improve visibility. Their research brings them to a crossroads, P2P or APIA.

At first glance, P2P would seem to be the logical route. The more tools the better, right? Gartner thought so too. Their original prediction was APIA would be swallowed up into P2P solutions, only to see APIA inquiries outpace P2P, reporting APIA as one of their top three inquiries for the past two years. But why?

Let's take a deep dive into each solution, the current state of the market, and how you can make an informed decision on which solution and partner you choose.



What's the difference? Let's learn the P2P Process.

The term Purchase to Pay, also known as Procure to Pay or P2P, describes the end-to-end process from an organization ordering a product or service from suppliers all the way to making the subsequent payment for those products or services.

The key parts of this process are:



Product Ordering



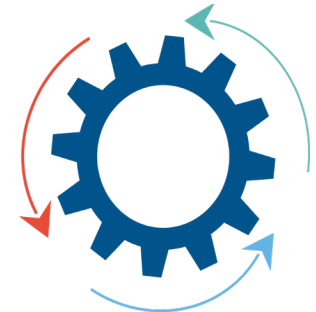
Supplier Requisition
to Pay



Budget Authorization



Receipt of Delivery



Invoice Processing

The P2P supply chain starts with a buyer requesting goods and services, followed by available suppliers providing the buyer with the pricing and terms. The buyer then raises requisitions with the selected supplier. The requisitions may need approval or budget authorization before raising a Purchase Order (PO). Once approved, the PO is sent to the supplier, and they fulfill the order and deliver the goods or services. Suppliers are encouraged to flip the PO from you into an invoice and the buyers are encouraged to pay from that PO. Often receiving processes must change to accommodate this. Vendors are required to change their standard business process - and that change management can be arduous. Payment can be issued to the supplier from the P2P system, which may be duplicative or require changes to the existing ERP payment process.

While automating the entire P2P process will boost administrative efficiencies and reduce finance and procurement operation costs, for most organizations this represents a major business process transformation. Because it involves so many different departments, groups, and functions - from Purchasing to Treasury - it can be a large undertaking. The cost of such a huge transformation, measured in human hours, vendor delays, risks, and the money invested in the automation software, training, updates, and maintenance, is a burden many businesses are not able to bear.



What is APIA?

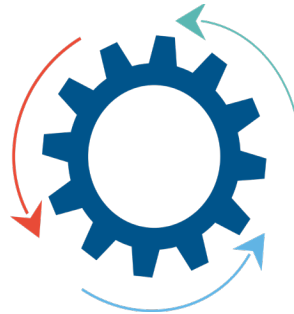
“Accounts payable invoice automation (APIA) tools automate the capture, validation and processing of invoices. These solutions attempt to automatically match invoices to purchase orders (POs) and contracts, or automatically code those invoices that would not have a PO. Payment management ranging from OK to pay to complete invoice payment is also included. The expanded scope of APIA includes advanced capabilities such as automated multiway matching, fraud detection and cash management.”

– Gartner 2021 APIA Market Guide

Gartner’s interpretation of the key APIA processes:



Invoice Capture



Invoice Processing



Invoice Payments

**If end-to-end P2P is a DISRUPTIVE REVOLUTION for a business
many consider APIA a more MANAGEABLE EVOLUTION**



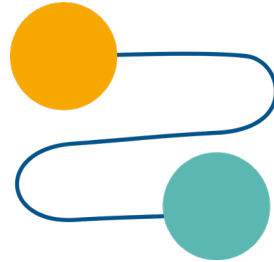
A Deeper Look into Invoice Processing:

Invoice processing is where you need to do some heavy investigation. Vendor descriptions and value propositions can be vague or misleading, making it difficult to recognize the differences. Without knowing the advanced features required to automate invoice processing, you could very easily find yourself confined to software that doesn't actually automate. Choose a vendor with these advanced features to ensure you're choosing software that can actually simplify Accounts Payable.



Pre-ERP 3-Way Match

Using digitized invoice, PO, and receiving data, the system performs a pre-ERP match based on your specified rules and tolerances. Matches flow into your ERP for payment.



Automated First Route

Invoice data is captured via OCR and automatically routed based upon your tailored approval dollar limits and/or authority hierarchies.



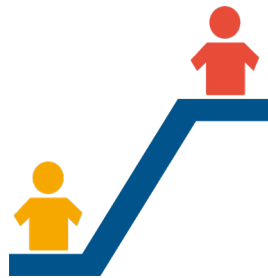
Routing Rules

Your invoices are automatically routed, and the action that follows is recommended. For example, you can specify routing rules based on the type of exception the system encounters.



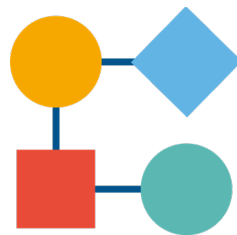
Default Coding

Through a combination of AI and machine learning, advanced APIA systems can classify and code non-PO invoices during the intake process. Then route directly to your ERP.



Automatic Escalation

Your automation system can remind an approver on a schedule or route unattended vendor invoices to additional and/or surrogate approvers/coders.



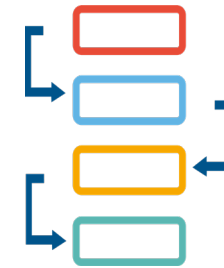
Automated Workflows

During initialization, build out automated workflows based on a combination of best practices and your unique rules, for both indirect spend and distributed coding efforts.



Exception-Based Workflow

The system can automate 80% of your invoices and more importantly, identify the exceptions. These get routed to your team to be handled with human thought and judgment.



Advanced Non-PO Workflow

Your APIA solution can provide touchless non-PO automated approval routing and coding. For example, if the PO is missing, you can automatically route the invoice to procurement.





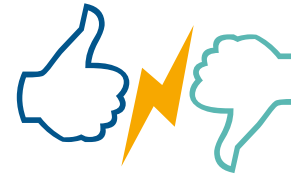
Error Corrections

APIA solutions provide information on vendor master file accuracy. If the vendor cannot be verified in the system, it gets flagged as an exception.



Auditing

AP automation allows you access to logins and productivity stats, track document progress electronically, view the delegation of authority, and see when data is transferred to the ERP.



Dispute Management

Access clear, accurate, and complete information on every transaction, from the original PO through final payment. Your team can pull the data or give the problem vendors access to a portal.



Mobile Approval

Decrease roadblocks by giving buyers the ability to approve invoices anywhere, any time. The invoice image, all invoice data, and one-click approvals, and rejections all on a mobile device.



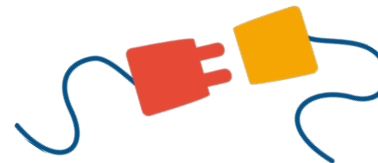
Global Currency Controls

Invoice data is automatically converted by establishing a “currency of record.” Conversion is based on the current exchange rate, and the new invoice amount determines approval routing.



Global Invoicing Compliance

Advanced APIA workflows can offer controls and compliance for all countries, so you do not need multiple solutions to each country’s invoicing mandates.



ERP Integration

An APIA solution that doesn’t integrate with your ERP can put ROI out of reach. Ensure your data will be seamlessly, automatically uploaded to your ERP, and your provider can offer assistance.



Ongoing Training & Support

Comprehensive, ongoing user-support and training is imperative. Having unlimited access to experts ensures you can solve issues quickly and bring new staff up to speed effortlessly.

Remember: AUTOMATION CAN DO WONDERS!
Make sure you’re getting TOUCHLESS INVOICE PROCESSING,
NOT a solution that merely offers an “invoice process” on the back-end.





The Innovations Behind APIA

APIA involves automation of a more targeted range of processes and outcomes and provides decision-makers with more instantaneous feedback on how automation works in their business. Financial leaders eager to capitalize on the latest technological innovations will be excited to hear that machine learning (ML) and artificial intelligence (AI) are transforming APIA.

According to Gartner (2021), the following AI and ML capabilities are becoming common in APIA solutions:

- **Intelligent Optical Character Recognition (OCR)**
OCR document capture greatly reduces the amount of manual data keying that is necessary for getting your invoices into your AP automation system or ERP platform, no matter what format the invoices are in.
- **Data Correction**
AI corrects common OCR errors that would normally force human corrections.
- **Continuous Data Mapping**
Computer vision is an AI technology used to label images in the document to map the invoice data.
- **Account Coding**
Machine learning algorithms can automate invoice coding, based on your company's unique general ledger accounts and process.
- **Duplicate Detection**
Artificial intelligence engines specifically look for potential duplicate invoices based on multiple data points, not just invoice numbers.



Trends: Why AP/IA now?



Level Research underscores the growing demand for AP/IA in their 2021 Payables Insight Report. Respondents of the survey, over 300 professionals involved in their organization's payable process, indicated that the pandemic highlighted the weaknesses of manual processing and paper invoices, and 2021 is the year they are making a push towards AP automation. According to the respondents, **34% of invoices are still received via paper** with 26% mailed paper, and 8% printed out via fax. And while **email makes up 40%** of invoices received, most email invoices are PDFs, and thus are not capable of being processed electronically and must still be digitized via OCR or an alternate method of conversion to e-invoice. Clearly, a need exists for AP/IA, and the recent pandemic only heightened demand for invoice automation.

Several megatrends are contributing to the growth in AP/IA

**Employment • Fraud and Controls
Globalization and M&A Activity • The COVID-19 Pandemic**

Approximately 10,000 people retire every day in the US alone! Other G-7 countries have older populations to start with and are seeing even higher rates of retirement. Simultaneously, tech-savvy younger workers are less interested in “manual” jobs, such as AP. They expect business processes to be automated and they are very comfortable working in those automated processes. Fraud continues to hit new record highs all over the world and companies are investing to prevent and recover from fraud; automated systems are less susceptible to fraud in many ways. Every company, whether public or private, is now more aware of the risks associated with weak financial controls. In a climate of ever-increasing scrutiny, it can be issues of bad publicity, activist investors, highly connected consumers, financial penalties, CFO personal liability, etc. The world seems to be getting smaller and smaller as borders and boundaries shrink; people are more mobile than ever and so is commerce. We have never seen such high levels of mergers and acquisitions (M&A) activity. Both globalization and M&A require and incentivize process standardization and consolidation to rationalize everything from acquired assets to human resources to supply chains.

Gartner's 2021 AP/IA Market Guide states, “AP invoice automation is something that all organizations can benefit from and, in many countries, government regulations make this process easier than ever. Automation allows organizations more flexibility with their cash, reduces late payments, improves supplier relationships and reduces the cost to process an invoice. A reduction in supplier invoice status inquiries is an additional benefit, which reduces not only AP workloads but also the workload on people raising POs.”



Are you ready for APIA?

If you're still wondering if APIA is right for your company, ask yourself these questions to understand its potential value to your business:

- **If we add business, do we have to add people?** More than likely, your team is already stretched thin, and it's doubtful that your company is planning to do anything but grow. How will your team keep pace with the growth using the processes and workflows you have in place now?
- **Is it difficult to share invoice and receipt data?** Decentralization is a common challenge for any company trying to maintain and enforce financial controls across multiple locations. APIA can facilitate centralized processing efficiencies while consolidating location, invoice, date, PO, and receipt data, while providing process visibility.
- **How much are we paying in penalties for late payments each month?** When processing takes weeks, or invoices show up at the last minute, late fees are inevitable. Even if your organization chooses not to pay penalties, not consistently paying your vendors on time can create lasting impacts on your supply chain, such as risk, higher prices, slower delivery times, etc.
- **Is my team seeing repeat errors?** Lack of consistency and controls can lead to problems. APIA with AI enables you to have business rules applied consistently to ensure internal controls are functioning and enforced.
- **How long does it typically take to process an invoice?** If capture to approval time is more than four days, that's too long. Ardent reports unautomated teams average 10 days to process an invoice, while automated teams are reporting 74% faster processing times, or around 4 days.
- **Do we know key metrics and details on expenditures and vendors?** Knowledge is power, and if you are not sure exactly what the financial wellness of your business is it can be detrimental. With transparent processes and visible workflows, you can fully understand your organization's cash flow and determine exactly where the gaps are.
- **How long does it take to answer a question about an invoice?** If your system is made up of pieces of paper in a filing cabinet, the answer could be, "I'm still looking." Digitized invoices provide real-time access from anywhere at the push of a button. A secure portal can provide self-service options for your vendors.





- **Can you easily identify bottlenecks?** Not having automated systems can lead to a lack of visibility, which makes continuous improvement very difficult. An APIA solution that includes analytics and dashboards and automatically tracks all your AP data, provides the full picture, allowing you to make informed decisions and get better every day.
- **Are you paying overtime?** It goes without saying, if you are paying overtime, your team cannot keep up with the day-to-day. After the joy of the extra money wears off, overtime leads to burnout, resentment, lower quality, and eventually turnover. Use that extra money to invest in AP invoice automation.
- **How does data get into your ERP?** If you have a manual AP process – it’s all about the data entry – human speed and accuracy are paramount. If you have begun your automation journey, you may still have to “touch” every invoice to achieve your quality goals. If you push this entry work to vendors, you should expect some rejection and a long acceptance curve. An APIA solution that is focused on eliminating manual tasks can significantly reduce data entry costs while improving accuracy.
- **What happens if you don’t automate?** Is your current process sustainable for growth? How will you prevent fraud? What if you have turnover in the team? Could it negatively impact your vendor relationships? Could errors as a result of manual work lead to financial risk, audit consequences, fines, or legal repercussions?
- **Do you know how much it costs to process a single invoice?** One great indicator of the need for AP automation is the cost to process a single invoice. Ardent Partners report the average cost for a business to process a single invoice is \$10.89, while those with AP invoice automation report 80% lower processing costs: as low as \$2.18 per invoice.
- **What could your team achieve with more time?** Think of all the time your team will gain by cutting out routine, manual tasks like keying data, scanning documents, coding, following up on approvals, and more. With the opportunity to use their brain more and fingers less, the possibilities are endless. Instead, they could spend their time on improving vendor relationships, identifying bottlenecks, improving workflows and processes, increasing discount benefits, and so much more.
- **Are you taking advantage of available discounts?** Prompt payment discounts are a common way to save your company money and can even add up enough to pay for your AP automation solution. An APIA solution can relieve your team of manual processes, freeing up the time to identify available discounts and working with purchasing/vendors to take full advantage of them.





“Over 70 percent of all major transformation initiatives fail due to these initiatives being unable to quickly test & respond to issues that inevitably arise during implementation.”

- Harvard Business Review

Why do the majority of major transformation initiatives fail?

- Competing priorities across the business
- Lack of staff support
- The business couldn't handle so much change all at once

Given the huge investment and the chance of failure, it only makes sense that companies are hesitant to take on a total P2P automation overhaul. The problem with explosive transformations is that, just like a bomb, they can be disruptive and even destructive. The trend is now moving away from P2P automation and towards APIA automation, because APIA provides robust change with a simplified transformation process, making it more likely it will be a success. Why is AP automation more likely to be successful? Because the investment is smaller, the ROI is faster, and the benefits are HUGE.



Finding the Right APIA Vendor

The first step in your APIA journey to automation is selecting the right solution provider, but this is NOT a decision that should be taken lightly. New entrants to the APIA market are continuously emerging from adjacent market spaces, causing customer confusion due to too many vendor choices.

There will be many APIA vendors vying for your business, but you can determine if they are a good fit for your company if you consider the following:

1

Find the right vendor match for YOU

According to Gartner’s 2021 APIA Market Report, the size of the buying organization, its functional needs, and geographic fit are critical factors to consider when trying to match vendor capability. Mismatches result in a lack of support for key use cases and potential government regulations that your company will need to address.



2

Seek a complete solution provider

The best provider will offer services and software integrated with best practices so that you can address all the various aspects of APIA. APIA functional requirements are often incompletely defined, resulting in customers automating only part of the AP process. Choosing a solution that addresses all your APIA needs will simplify your process, your rollout, and the lives of your users and vendors while providing the greatest “bang for the buck” from your automation investment. Also, remember to beware of the “bigger is better” trap! Your solution does not need to be end-to-end P2P automation to be “complete.” The strategy of buying and rolling out a massive solution in one fell swoop for your entire process is highly likely to fail under the weight of change and only benefits the vendor who has upsold you.



3

Be sure the solution handles ALL document formats

Whether it's paper mail, email, fax, EDI, XML, etc., your chosen vendor must be able to handle it. Eliminating paper and manual data entry by converting paper into data is a key benefit of AP automation, but also consider the value of translating EDI data into electronic documents that can “ride along” in your approval workflow. Eliminating manual data entry AND providing a more intuitive, “human-readable” EDI stream is a layered benefit that you don't want to miss out on.



4

Choose a vendor invested in your ongoing success

This is an area often overlooked during vendor reviews, which tend to focus on technical analysis. Unfortunately, many accounting departments find that the activities below become their responsibility. Don't forget to ask about the following before you purchase a solution:

Initial user training –

Will the vendor develop, schedule, and deliver the training? Are there options for both virtual and on-site training? Is there an additional cost for training? Is training on-going as you bring on new staff?

Support/help desk –

Who handles user calls and support (both Tier 1 and Tier 2)? Is support included in the vendor's pricing or is there an extra fee?

System and process upgrades –

Does the vendor upgrade and maintain the system? Is there an additional fee to make changes to the automated processes?



5

Choose an APIA solution provider that offers flexible startup options

Does the vendor allow you to start small or test a portion of the APIA solution? For example: Do you have the option of piloting an individual location or process? Being able to start small can accelerate startup time, speed up ROI, lessen risk, boost user adoption rates, and allow you to fine-tune your approach moving forward.

6

Ask about the change management tools and advice offered by the partner

It's not enough to buy an APIA product or even launch a project. Your vendors and users must be able to effectively use the new technology and adopt the business process improvements if you are going to be successful. The APIA partner you choose should be able to help your organization make this transition smoothly because they have learned from years of experience in this market and have fine-tuned the change management process.

7

Be sure the provider is geographically diverse

Given the complexity of supporting so many government-specific invoice regulations, you need to confirm the vendor you select supports not only the countries your organization operates in, but your suppliers too.



Conclusion

Your evolution into APIA should enable your company to find greater success, without overwhelming stress or risk of failure. Maybe you start by improving a single process, such as automating physical intake of invoices. Or perhaps you roll out an APIA solution for a single business location to see how it performs, before implementing company-wide. You can choose the approach that allows your company the ability to ease into a solution, targeting the low-hanging fruit that are quick paths to ROI. An end-to-end P2P automation revolution is not right for every company, and APIA can be the solution that gives you success without stretching your resources and your team.

The first step is to find an APIA solution provider that will work with you to tailor the ideal configuration for your situation. Then your journey to automation begins!



Learn more at dataserv.com

Follow DataServ



About DataServ

Since 1994, DataServ has delivered Accounts Payable invoice automation solutions that enable accounting teams to eliminate data entry, increase accuracy, and focus on higher value tasks. As pioneers of the finance SaaS market, DataServ solutions are simply incomparable. Our solutions integrate seamlessly, but can also be used independently, giving us the unique capability to offer our clients the ability to evolve into the full solution at their own pace. Our document intake solution is second to none, with over 99% clean data output in 24 hours. Only DataServ can offer you true touchless invoice processing with our proprietary AutoVouch™ system.

