



The SAP User's Guide to Reducing Invoice-to-Pay Costs



INTRODUCTION

If it feels like it costs your business too much time and money to process invoices, you are not alone.

According to the Institute of Finance and Management (IOFM), controllers say accounts payable (AP) is the most time-consuming, labor-intensive, and paper intensive finance and administration (F&A) function, topping notoriously burdensome tasks such as accounts receivable and payroll.

Controllers also believe that AP is the function that could benefit most from automation, IOFM finds.

Automation can significantly reduce costs across an SAP user's invoice-to-pay cycle.

This eBook shows how.

WHAT DOES IT COST TO PROCESS AN INVOICE?

Paying suppliers for purchased goods and services is a fundamental part of any business. But it also can be costly and inefficient.

The cost to process an invoice submitted by a supplier varies based on the volume of invoices, the complexity of the invoice, and the processes an organization uses to approve the invoice. But studies show it can cost a business between \$12 and \$30 to manually process an invoice. How could it cost so much?

The typical AP practitioner wastes 84 percent of their day on manual tasks such as keying (and double keying!) invoice data, shuffling paper and emails, chasing down information, fixing errors and mistakes, printing and mailing checks, and responding to inquiries from suppliers, IOFM says.

In a manual invoice processing environment, staff must open the mail, print out emailed

invoices, key the invoice amount, due date, and other information into spreadsheets, determine the purchaser, physically route invoices to the purchaser for approval, and key data on approved invoices into the company's enterprise resource planning (ERP) application or accounting software for payment.

Whew!

The entire invoice approval process can take days or weeks. But a discrepancy in the invoice amount could lead to more time for back-and-forth telephone calls and emails between internal stakeholders and the supplier trying to get to the bottom of things.

Long invoice approval times cost businesses more money in terms of late payment penalties, missed opportunities to capture early payment discounts, and effort wasted responding to supplier inquiries.

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WHY AUTOMATE THE BACK-OFFICE NOW?

Every business wants to do more with less in uncertain economic times like these.

From reduced revenues to slower customer payments, a recession can create big financial challenges for businesses. Automating back-office tasks – invoice-to-pay and all the other internal functions that support a company's core operations – is one way for businesses to overcome these issues.

- **Increased efficiency.** Automating back-office tasks enables SAP users to get more done with fewer people and efficiently scale their operations without the need to hire more staff.
- **Free cash.** Reducing back-office expenses can help SAP users conserve cash during a

recession, which can be used to cover critical expenses like payroll, rent and utilities. The money saved from automation also can be reinvested in growth-generating activities such as product development, expansion into new products, sales, marketing and customer service.

- **Better profitability.** Reducing operations costs can improve a company's bottom line.
- **Peak performance.** Automating back-office tasks such as invoice-to-pay provides a solid foundation for SAP users to achieve significant growth faster when the economy rebounds.

There's no question that reducing back-office costs can help SAP users thrive during tough times.

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HOW AUTOMATION REDUCES INVOICE-TO-PAY COSTS

Automated AP departments spend between \$2 and \$8 to process a single invoice, studies show.

Invoice-to-pay automation eliminates the manual tasks that drive up an AP department's costs.



Improved efficiency. Highly automated AP departments process eight times as many invoices per full-time equivalent (FTE) as their peers with little or no automation, IOFM finds. What's more, departments that combine a high level of automation with a high percentage of invoices backed by a purchase order process 11 times as many invoices per FTE as their peers with little or no automation. Think of what AP staff could accomplish with all the time they save manually processing invoices. In an automated environment, software bots automatically retrieve invoices, invoice header and line-item details are extracted with a guaranteed high level of accuracy, and matched invoices are posted directly to the buyer's ERP or accounting software, without any human operator intervention.



Improved accuracy. Highly automated AP departments experience less than one quarter as many duplicate payments and other errors as their peers with little or no automation, IOFM finds. In an automated invoice-to-pay environment, data is automatically extracted at a guaranteed high level of accuracy, subject matter experts review any captured data that doesn't meet a pre-defined level of confidence, data on approved invoices is posted directly to the buyer's ERP application or accounting software without any chance of typos, all actions taken on an invoice are tracked, and duplicate invoices are automatically detected.



Less paper handling. Inefficiency is inevitable wherever there is paper. A single typo can lead to major headaches downstream. It's easy for invoices to become lost or stuck at the bottom of the in-box on a purchaser's desk. Approved invoices can be misfiled, making it hard to respond to inquiries from suppliers or to fulfill audit requests. And emailed invoices are no panacea as most AP departments treat them as paper. Many SAP users compound the problems created by paper invoice processing by paying supplier with paper checks.



Touch-free posting and reconciliation. SAP is the financial nerve center of the business. But poor integration between SAP and the AP systems that feed it can result in more manual keying, poor visibility into invoice data and a longer financial close. Manually keying data into SAP also increases the risk of errors which can result in financial losses or legal issues.



Enhanced cash management. Automating the invoice-to-pay process can free up cash. By automating the invoice-to-pay cycle end-to-end, SAP users can ensure timely payments to suppliers, which can potentially result in lower purchasing costs and better service level agreements. Streamlined invoice-to-pay processes also can create more opportunities to capture early payment discounts and provide better visibility into cash flow. Some invoice-to-pay solutions also provide SAP users with tools for generating working capital. And SAP users can earn significant rebates on supplier payments made with virtual cards.

It's no wonder that automation can significantly reduce costs across the invoice-to-pay cycle.

HOW TO CHOOSE THE RIGHT INVOICE-TO-PAY SOLUTION

There are lots of AP automation systems out there. Choosing the wrong one can set an AP department back. Here are some strategies for choosing the right invoice-to-pay solution.

- **Features and functionality.** Look for a solution that offers the features and functionality you need to automate your invoice-to-pay process end-to-end. Consider capabilities such as data capture for paper and electronic invoices, GL coding, PO matching, digital invoice approval workflows, subject matter assistance and online collaboration tools for resolving exceptions, single-file upload for electronic supplier payments, and supplier enablement.
- **Seamless integration.** Ensure that prospective invoice-to-pay solutions will integrate with your existing SAP application. Integration can save time and reduce errors by automatically uploading data on approved invoices to SAP, syncing data, and initiating supplier payments. Ask invoice-to-pay providers whether they are an SAP-certified integration provider.
- **Security.** Carefully evaluate an invoice-to-pay solution's security features for protecting your sensitive financial data. Look for solutions that offer user and role-based permissions, data encryption, tracking of all actions, secure data storage, and regular security audits.
- **User experience.** Evaluate the user interface and ease of use of the invoice-to-pay solution. It should be easy for frontline staff and

stakeholders to use the system and approve invoices. Also consider the experience suppliers will receive and what support is available to them.

- **Cost.** Consider the total cost of ownership (TCO) of the invoice-to-pay solution, including any implementation or setup fees, transaction fees, and ongoing maintenance and support costs. Ask references whether they encountered any hidden fees. And be sure the TCO of the solution aligns with the benefits that your department expects to gain from implementing it.
- **Vendor track record.** Research the reputation of the invoice-to-pay solution provider, including their experience in the industry, customer reviews, financial backing, and customer support offerings. Ask the vendor whether it will commit to any guarantees. Think twice before doing business with a fly-by-night solutions provider that may sell and run.

These factors will help your department choose the best invoice-to-pay solution for its needs.



HOW TO REDUCE YOUR AP COSTS

The combination of rising interest rates, historically high inflation, unpredictable global supply chains, and a challenging labor market are increasing the possibility of an economic slowdown. To navigate the economic uncertainty, SAP users must find ways to do more with less. Automating the invoice-to-pay cycle end-to-end can help SAP users increase efficiency, free up cash, improve profitability, and achieve peak operational performance, no matter the economic situation.



About the sponsor

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Whether it's supplier enablement, invoice automation, or supplier payments, IPS digitizes and simplifies each step of the invoice-to-pay cycle and integrates seamlessly with SAP. Get suppliers set up fast, and with less risk, with our enablement services. Achieve guaranteed best-in-class efficiency, cycle times and accuracy when processing any paper or electronic invoice. Maximize supplier adoption of electronic payments to generate working capital and earn card rebates. And accomplish all this without disrupting your existing AP processes, burdening your IT department or requiring changes to SAP. Whether your AP department is automating for the first time or looking to refresh or complement its existing technology, IPS can help. Learn more online at ipswrx.com.

