The Benefits of Accounts Payable Automation



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Whether we like it or not, things continue to change. Sometimes change is gradual so that we can get used to it. Other times, change happens faster than we'd like. Recently, changes in the way we do business have been driven by forces outside of our control, such as a global pandemic or supply chain interruption.

With everything outside of our control so different, now may be a good time to make changes to processes that are within our control, starting with automating accounts payable (AP). Designed to make the AP process faster and more efficient, AP automation uses digital technology to streamline the entire AP workflow.

How Does Accounts Payable Automation Work?

AP automation uses digital technology led by artificial intelligence (AI) to automate manual tasks traditionally associated with the payables process such as data entry and 3-way matching. Using machine learning, which becomes more accurate each time a transaction is processed, manual tasks can be automated without human intervention.

Using a single, AI-driven platform, AP process automation allows you to scan in or upload purchase orders or invoices, where data is extracted and later auto-populated into the correct document. This process eliminates the need for the payable department to manually enter invoices into your AP system, while also reducing the number of manual errors.

AP automation can also streamline the approval process, replacing the method of manually routing an invoice to an associate for approval, where it can remain on their desk, for days, or even a week or two before approval.

What Are the Benefits of AP Automation?

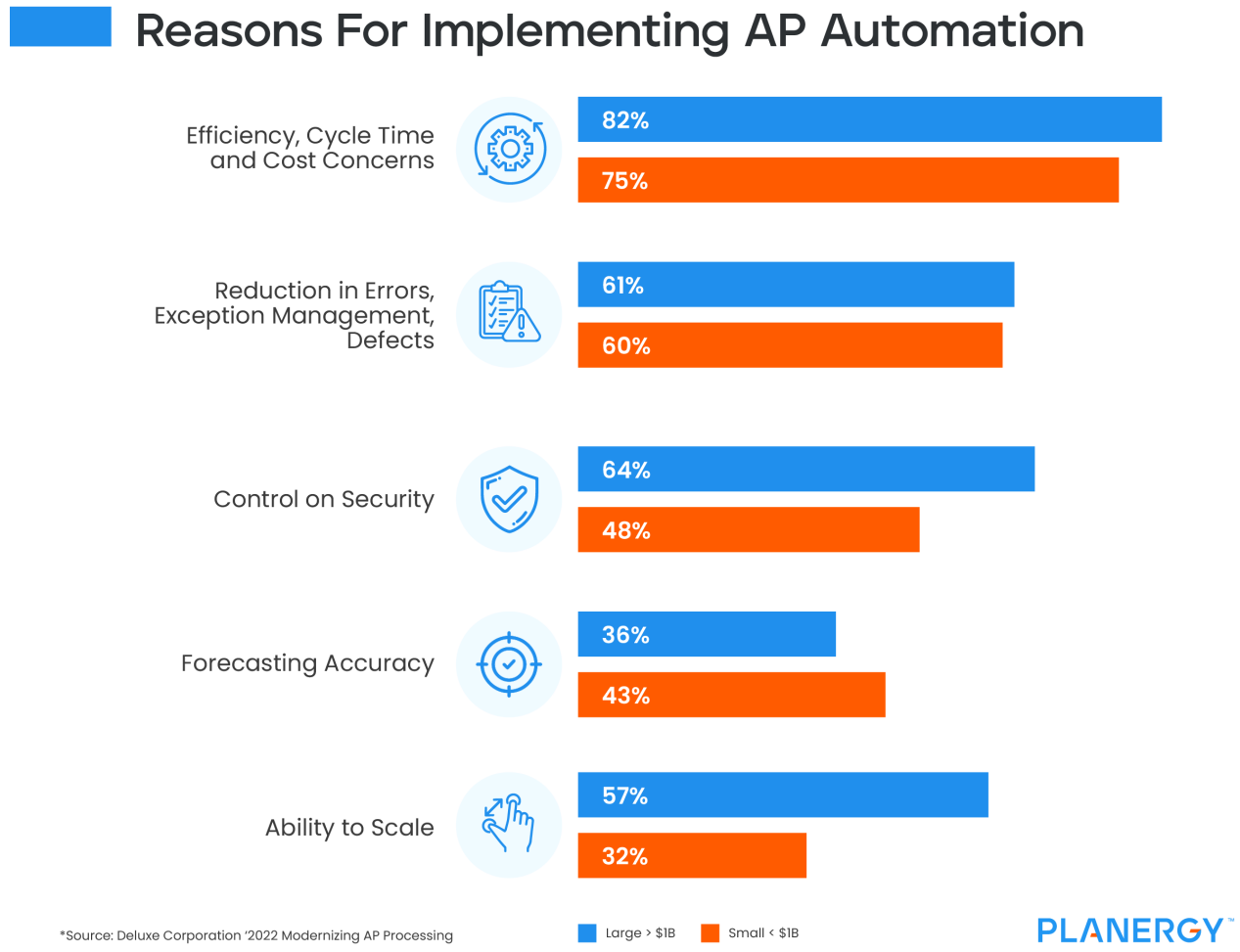
In a survey from Deluxe Corporation, it's clear that modernizing AP processes continues to be a priority. In the survey, 76% of survey respondents indicated that in 2022, they currently use a mixture of manual and automated AP processes in their business, up from 61% reported in 2021.

Unfortunately, during this same time period, the number of businesses fully automated dropped from 20% in 2021 to only 12% in 2022, further indicating that businesses have a way to go before achieving to reach complete automation.

When asked the reasons they made the switch to an automated system, respondents had this to say:

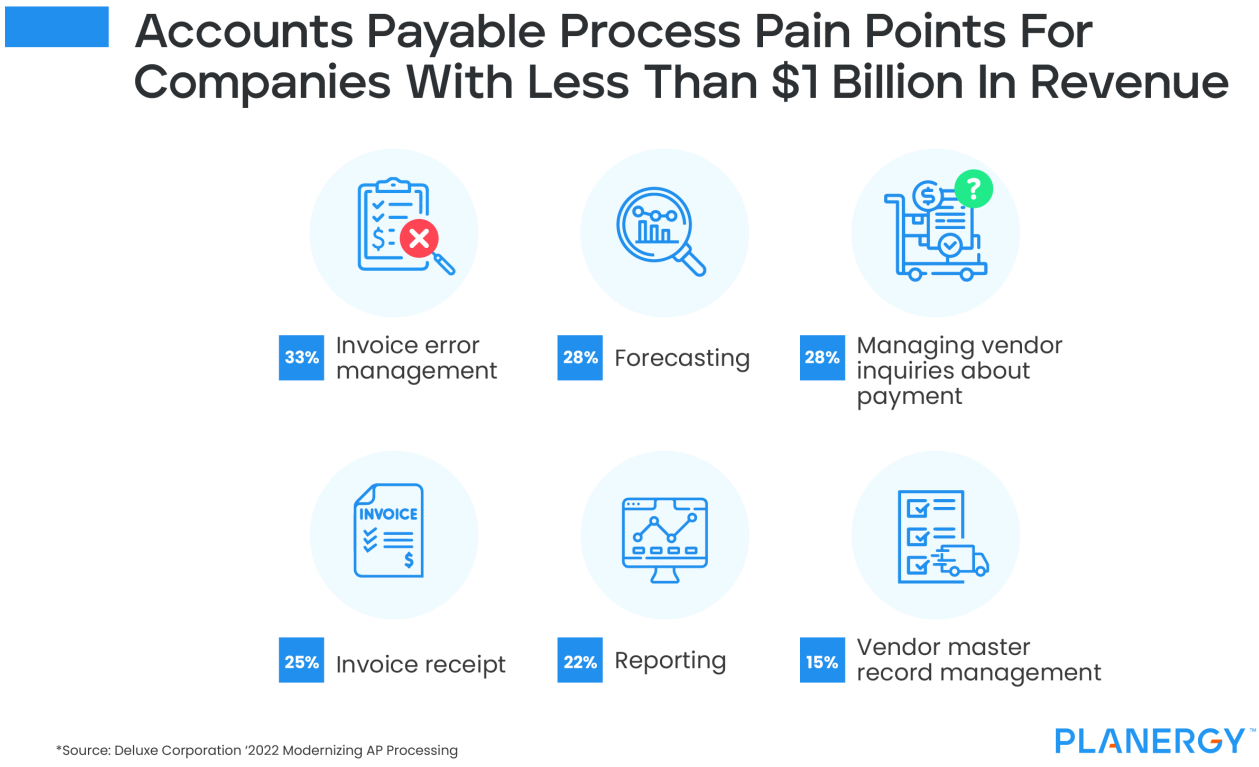
Reason for Change	Large Business %	Small Business %
Increased efficiency, cycle time, and cost concerns	82%	75%

Concerns about errors	61%	60%
Data security	64%	48%
Forecasting accuracy	36%	48%
Scalability of business	57%	32%



Small business survey respondents, those with less than $1 billion in revenue, also provided detail about their current AP process pain points:

- Invoice error management – 33%
- Forecasting – 28%
- Managing vendor inquiries about payment – 28%
- Invoice receipt – 25%
- Reporting – 22%
- Vendor master record management – 15%



Input errors, lost invoices, and delayed approvals all cost money. And while it's clear that many larger businesses with revenues over $250 million are starting to embrace AP automation, smaller businesses are still struggling to make the change.

But when they do, there are a host of benefits awaiting them.

Save Time

One of the primary advantages of making the switch to AP automation is the amount of time you'll save. Instead of manual data entry, invoices are scanned using optical character recognition or OCR technology, which reads and extracts invoice data. But that's only the first step.

Once scanned, invoice approval is simple, with invoices routed to the appropriate approver(s) electronically, then returned to the AP team for payment.

Save Money

When you save time, you also save on labor costs. Labor costs are a key

component of accounts payable process costs. Instead of paying staff to spend hours manually entering invoices and matching them with other documents, they can spend their time more productively.

With built-in document management and digital archiving, you'll also save money on outside physical storage space along with check stock, postage, and envelopes.

Improved Supplier and Vendor Relationships

It's difficult to maintain a good business relationship with your vendors and suppliers if payments are always late or invoices are lost. Implementing AP automation means timely approvals and on-time payments, resulting in more sustainable business relationships.

Eliminate Errors

Human interaction always means a higher probability of errors. Using AP automation reduces and can even eliminate human errors, making it easy to detect over-payments.

Automation also helps to identify and flag both duplicate invoices and duplicate payments as well as erroneous payments, eliminating the need to spend days trying to get money back from a vendor that was sent in error.

Faster Approvals

If you're still manually routing invoices to other staff for approval, you're likely aware of the delays that can happen. It's not unusual for paper invoices to sit on a desk for days if not weeks.

They can get lost or misplaced, or routed to the wrong individual. Electronic approvals will automatically route the invoice to the correct individuals and send a reminder if it's not approved in a timely fashion. Quicker approvals also allow you to take advantage of early payment discounts when offered while ensuring that your vendors and suppliers receive their payments on time.

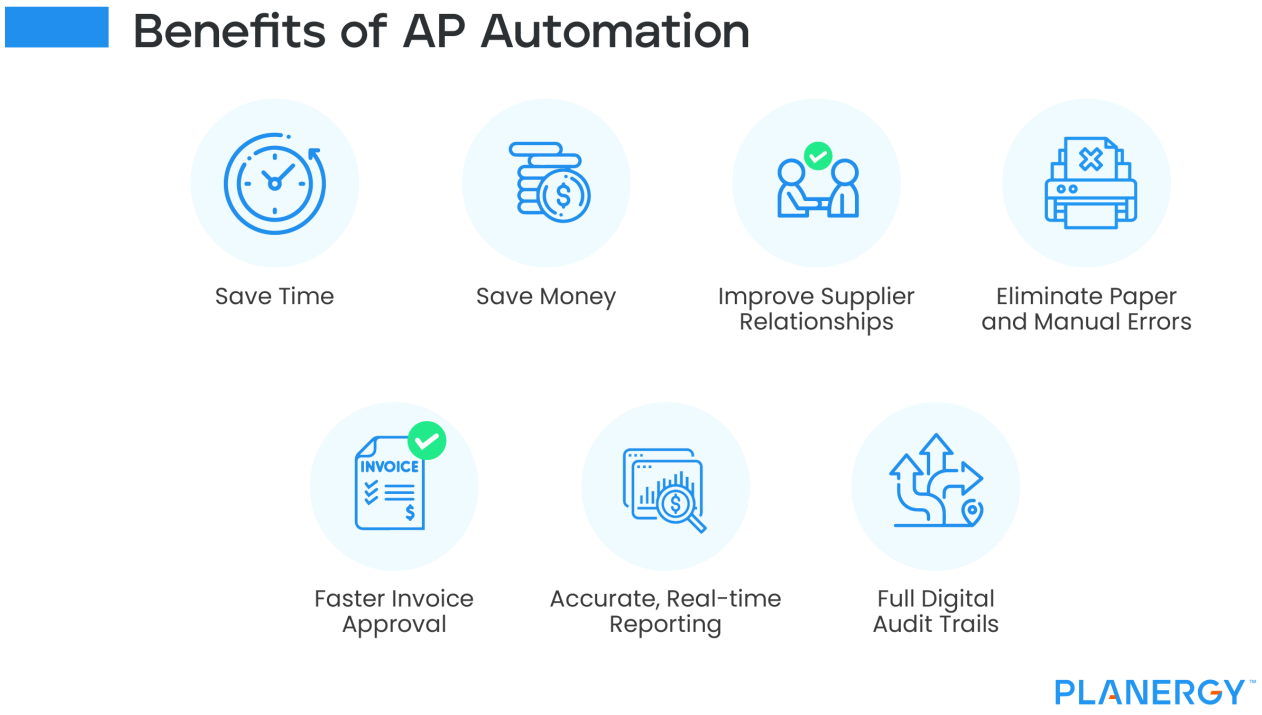
Accurate, Real-time Reporting

Wondering where an invoice is in the payment cycle? With AP automation, you can easily find out. In addition, reporting becomes more accurate, with results displayed in real-time, so you don’t have to wonder how accurate a report is, or if all transactions are included in the report totals. In addition, with complete AP automation including a Procure-to-Pay solution, all transactions, from the initial purchase order to payment processing will be included in your report.

This real-time reporting allows you to make better strategic business decisions, monitor key performance indicators, and easily track cash flow at all times. With AP automation, you have the current status of your business at your fingertips.

Full Digital Audit Trails

When using a complete procure-to-pay solution, the entire process, from purchase order to vendor and supplier payment is tracked automatically and archived digitally. From the three-way matching of invoices, purchase orders, and shipping receipts, to more accurate accruals, as well as a committed spend report that lets you know exactly what you’re spending at any time.



What Are the Risks of Not Automating Accounts Payable?

Though many businesses have implemented partial AP automation, automating only a portion of the AP process means that many tasks will continue to be impeded by continuing to use manual processes.

Procurement in particular can be impacted by the continued use of manual processes, with AP staff saddled with time-consuming tasks such as three-way matching. Here are just a few ways in which continuing to use manual processes can negatively impact your business.

- ## Continued Delays In Processing AP

  Every time an invoice is manually processed or routed for approval, it risks getting lost or misplaced. It also increases the likelihood of late payments and the inability to take any offered discounts.

Higher Invoice Processing Costs

Remember, every hour spent entering invoices into your accounting software application for payment, every moment spent matching invoices to purchase orders, and every minute spent printing checks, stuffing envelopes, and mailing checks raise the cost of processing each invoice. Today, it's estimated that processing a single invoice manually can cost between $12 – $40. Most small businesses can't afford that expense.

- ## Lack of Access to Real-Time Reporting

  There are many workarounds for accessing accurate data. But if a stack of invoices is sitting on a manager's desk waiting for approval, those expenses will not be included in any report you run, making it difficult to make accurate financial decisions for your business.

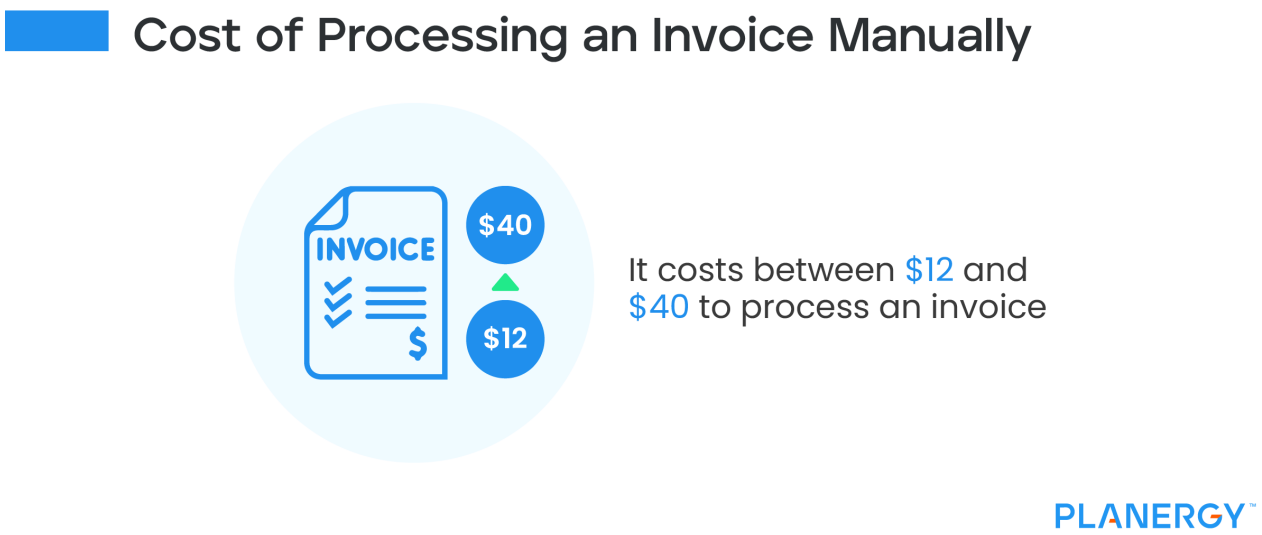
- ## Lack of Space

  Those papers have to go somewhere. If you're manually processing purchase orders and invoices, then they're likely to be filed in a filing cabinet. But it's no secret that business staff spends unnecessary hours each year looking for lost and misplaced documents. And for small business owners with limited space to store documents, working with paper invoices frequently means an additional cost to store documents off-site.

- ## Invoices that Were Never Entered Into the System at All

  How many times have you received a call from a vendor or supplier regarding payment on an invoice that you never received? Invoices lost in the mail, routed to the wrong party, or lost between staff members can result in late payments, and penalties, while also destroying the relationship between your business and your suppliers.

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What Is AP Automation Software?

Full cycle AP automation software, like PLANERGY, provides complete procurement, operations, and finance capabilities in a cloud environment.

Accounts payable automation software is typically designed to integrate with your accounting software application or enterprise resource planning or ERP solution to provide end-to-end automation.

True AP automation always starts with purchasing. With a procure-to-pay application, the entire purchasing and AP workflow are streamlined starting with the purchase request and ending with authorized invoices imported into your accounting software for payment.

The following are the steps followed in a typical procure-to-pay software application.

1. ## The Purchase Request

   Many invoices received in the AP department often start with a purchase request.

2. ## Approval Workflows

   The purchase request, like AP invoicing, also requires an approval

workflow which is automatically handled by the application. Automatic routing includes the ability to customize workflow approvals and assign a backup for when regular approvers are out of the office.

3. ## Purchase Orders

   Once a purchase order is approved, you can keep track of its progress through the application with status updates, so you'll know where the status at all times. You'll also be able to view any revisions or updates to the original purchase order.

4. ## Accounts Payable

   Three-way matching is completed automatically in AP automation software, with the application matching AP invoices with the correct purchase orders and shipping details. You'll also be able to track invoice progress from start to finish, including the ability to see if an invoice has been paid.

5. ## Reporting

   AP automation puts real-time reporting capability at your fingertips. You'll be able to view a full audit trail, spend analysis, and create custom reports in real time. No more waiting until month-end closing.

In addition to the features above, AP automation software typically offers complete integration with your current accounting software application.

How to Get Started with AP Automation

The best way to get started is to research AP automation solutions to find one that suits your needs. For example, if you utilize a purchase order system, you'll want to choose an AP automation solution that starts with the procurement process, making an application like PLANERGY a good option.

If most of your invoices are from a variety of vendors, look for an application that automates the AP process, offers a mobile app, and allows you to choose custom

routing of invoices for approval.

If saving time and saving money isn't enough, making the move to an automation solution will also increase efficiency, decrease human error, and reduce fraud. Isn't it time to leave tedious, time-consuming business processes in the past?

An AP automation solution streamlines workflows while saving you time and money. That's reason enough to make the switch.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our Accounts Payable Automation Software page to see how PLANERGY can automate your AP process reducing you the hours of manual processing, stoping erroneous payments, and driving value across your organization.
- Learn about us, and our long history of helping companies just like yours.

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