

Vendor Invoice Management Best Practices



Whether you call it vendor invoice management, supplier invoice processing, or simply paying the bills, meeting your obligations to your suppliers with timely and accurate payments is essential to maintaining both strong vendor relationships and your company's financial health. Unfortunately, the vendor invoice management process isn't always as smooth or speedy as it could be.

That said, optimizing your invoice management doesn't have to be difficult or frustrating. With the right tools and techniques, you can trim the waste from your workflows, eliminate delays and errors, and make sure your accounts payable team is making timely, accurate, and complete payments to your suppliers.

Why Effective Vendor Invoice Management Matters

It doesn't seem very complex at all: A vendor sends an invoice, accounts payable receives it and makes sure it's legitimate, then pays the supplier and adds the transaction to the company's financial records.

What could be simpler?

Sadly, things can get complicated quite quickly when you're dealing with manual workflows (including the approval process and invoice matching) and paper invoices. And in a world where an estimated 90% of all businesses still process paper invoices and perform data entry manually, every duplication of effort, every invoice that can't be matched to a purchase order, and every error or exception all translate to additional costs and reduced productivity.

According to 2020 research conducted by Ardent Partners, the average cost of processing a single invoice (including all tech, overhead, and labor costs) was \$10.89. But costs can vary wildly, and some businesses may pay as much as \$40 to process a single invoice.

The average cost of processing an invoice (often abbreviated to CPI) is one of several metrics used to evaluate the overall efficiency and efficacy of a company's vendor invoice management. Along with average invoice processing time (i.e., the invoice lifecycle), number of exceptions, and number of invoices received electronically, tracking CPI helps you identify areas in need of improvement.

Maximizing the efficiency of your invoice management (and payable processes in general) is about more than metrics, of course. You also need effective ways to meet regulatory requirements, manage the intricacies of different currencies and tax rates, and integrate your AP processes with your existing software

environment (e.g., enterprise resource planning (ERP) software, office and productivity suites, etc.).

Finding ways to streamline these workflows and improve your vendor invoice management metrics is more important than ever to competing effectively in today's complex global economy. Digital transformation has introduced automation, artificial intelligence, and analytics into business processes, and companies who can optimize their invoice processing will secure the gains to productivity and profitability they need to stay ahead of the game.

A strategic upgrade to your tech capabilities can help you optimize and streamline your payable processes for speed, accuracy, and value.

Best Practices to Optimize Your Vendor Invoice Management

Improving your payment processes to take control of your invoice management doesn't have to be disruptive or frustrating. By following a few simple best practices, you can reduce processing times, speed invoice approvals, and ensure every supplier invoice is paid more quickly with fewer errors and more value for your dollar.

1. Tap into Technology

Whether you're still using paper invoices and entering invoice data manually, starting your digital transformation journey with basic OCR, or shopping for a comprehensive vendor invoice management solution, a strategic upgrade to your tech capabilities can help you optimize and streamline your payable processes for speed, accuracy, and value.

Investing in a purpose-built enterprise content management (ECM) solution like

Planergy, for example, can radically transform your invoice management for the better by:

- Using robotic process automation (powered by machine learning) to help you automate accounts payable processes that are normally tedious, repetitive, and high-volume. Accuracy, speed, and efficiency rise while human error is eliminated and staff are freed to focus on more strategic tasks that generate value, such as supplier relationship management.
- Eliminating double-handling and needless “merry-go-round” discussions to verify information.
- Automatically populating invoice data without the need for manual data entry, whether invoice receipt occurs physically or digitally.
- Providing fully integrated automatic three-way matching to minimize exceptions, optimize functionality, and maximize strategic timely payments for better cash flow management.
- Creating better invoice approval and routing workflows with contingencies to avoid delays and miscommunications that can cost you time and money.
- Creating seamless integration with contract management and supplier management modules, with support for electronic invoicing and improved straight-through invoice processing.
- Supporting guided buying through the use of punch-out catalogs and vendor integration to minimize the risk of maverick spend and invoice fraud while ensuring every purchase is made with the right supplier at the right terms and pricing.
- Providing best-in-class optical character recognition (OCR) to automatically import electronic invoices from digital sources and optimize quality and accuracy when scanning paper invoices.
- Centralizing data management to maximize transparency, eliminate rogue spend, and ensure the highest quality spend data for analysis, forecasting, supplier relationship development, and process optimization via tracked

metrics.

2. Standardize and Formalize to Optimize

Armed with digital tools like process automation and additional functionality from advanced analytics, you can craft a set of standardized workflows within a paradigm that prioritizes efficiency. Establish criteria outlining the conditions required to trigger an invoice review. If, for example, an invoice matches its purchase order and packing slip and has the necessary approvals, it can be routed through your procure-to-pay solution for automatic payment, without the need for human oversight. This allows your accounts payable team to focus on exceptions (if any) and spend the rest of their time on more strategic tasks.

Your specific rule set will be unique to your organization, but you can also save time, money, and labor by:

- Strategizing to eliminate needless taxes and surplus charges by processing invoices automatically in their country of origin. With countries constantly negotiating and renegotiating business tax rates, value-added tax rates for border crossings, etc., it pays to work with your legal team to develop and implement processes that minimize your tax burden while still meeting all your legal and financial obligations.
- Implementing guided buying integrated with a robust vendor risk management program.

This allows you to:

- Set specific and detailed conditions for all purchases.
- Ensure every purchase captures maximum return on investment (ROI).
- Ensure every purchase complies with negotiated contract terms.
- Monitor and enforce vendor compliance.
- Ensure every invoice is charged to the appropriate project, department, business unit, etc., providing a clearer image of

spend activity and improving strategic sourcing, forecasting, and decision-making.

- Leveraging the power of on-demand, real-time reporting. Monitor your current liabilities outstanding, take advantage of opportunities to renegotiate with key suppliers based on changes to your needs or spend activities, manually pay a few invoices closer to the due date to free up cash flow...the greater the visibility you have into your spend, the more effectively you'll be able to use the insights it contains.

3. Don't Forget the Fundamentals

- Centralizing all your data supports standardization and invoice automation, provides clean and complete data to all stakeholders, and reduces the risk of miscommunication, misinformation, and wasted time.
- Develop, implement, and enforce a "No PO, No Pay" policy, with detailed descriptions of any exceptions to the rule, answers to frequently asked questions, and protocol for dealing with invoices that violate the rules. Keep everyone in your organization, as well as your suppliers, updated with the latest version of this policy at all times.
- Practice strategic payments. Early payment discounts can be tempting, but they may not be as useful if you're pressed for cash. Pay on time whenever possible to protect your cash flow without damaging your supplier relationships—but don't be afraid to take advantage of early payment discounts when your spend strategy and free working capital allow.
- Regularly review your workflows and processes. If you're using an automated P2P solution like Planergy, robotic process automation makes iterative and continuous improvement part of your workflows. However, tracking metrics for vendor performance and compliance, as well as your internal invoice processing procedures, can still reveal opportunities to capture more savings and value.

Better Vendor Invoice Management is Possible

Paying the bills might be a necessary evil, but it doesn't have to create additional costs through lost time, value, and productivity. Invest in a high-quality invoice management solution, refine your internal processes, and prioritize proactive communication. You'll be able to pay your suppliers more strategically, reduce needless waste and expense, and make sure every dollar you spend is generating the best possible return for your business.

What's your goal today?

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