What Is AP Automation?

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AP automation or accounts payable automation refers to technology that allows companies to streamline and automate their accounts payable process. This removes manual tasks while also providing improved visibility and control over important financial data.

It is an ongoing effort for many companies but data shows that more than 60% of the US market has not yet implemented AP automation. Those who have done so have deployed at various levels of automation and different components.

Implementing AP automation allows organizations to process supplier invoices without human intervention. With a digital workflow that manages steps that a staff member used to handle. The process starts with capturing invoice data in a digital format.

Accounts payable automation then handles the coding and routing of the invoice through the digital workflow based on the specific logic you have configured in your organization's automation software.

The AP automation solution integrates with your enterprise resource planning (ERP) systems to seamlessly transfer data between the two systems without placing a strain on the ERP environment or your business IT resources.

It consists of:

- Document scanning/image conversion
- Optical Character Recognition (OCR)
- Data validation – integration back to vendor & general ledger data
- Electronic Document Management
- Electronic Workflow
- System Integration – data release from invoice metadata & GL coding attributes to accounting system invoice entry
- Reporting / Dashboarding tools
- Vendor Portal technology
- Audit / Search views
- Payment processing

It's also possible to add Inventory management components into the process, where appropriate for your industry and market.

Though you will have to spend time setting up the approval process and workflow for everything, after that, it's pretty much a set-and-forget approach that you can check on as needed.

The average cost to process an invoice ranges from $6 to $9 each. It can take anywhere from 10 to 30 or more days to process. Automating the process saves both time and money. Best in class companies process invoices for around $3 per transaction, and in a matter of days, drastically cutting costs.

Benefits of AP Automation

Beyond speeding up the process and reducing costs, one of the biggest benefits of automating accounts payable is a simple fact that there are fewer errors. Because there's no need to enter data more than once, there's a reduced risk of typographical errors causing issues with duplicate payment, overpayment, or underpayment.

If your manual processes mean that you are constantly sending late payments to your vendors, you are not only costing the company money in fees and penalties but damaging your reputation and relationship with your suppliers. Better invoice management is easier for everyone in your AP department, and certainly makes the chief financial officer (CFO) happy.

There's also a lower chance that you'll pay for goods and services you ordered but never received, or received, but never ordered. The automatic three-way matching process compares the purchase order to the invoice and both of those documents to the goods receipt. If there are discrepancies, it is flagged for manual intervention.

Yes, you could always do three-way matching before, but humans make mistakes – and it's easy to overlook things, especially if you're familiar with the items on the documents, or have items with similar names and numbers. Reducing human error throughout your supply chain can do a lot for your company in terms of cost savings.

You're doing your part for the environment because you are removing the need for paper invoices. This saves money on office supplies and reduces the need for storage space for physical files. Everything takes place in real-time and with faster invoice approval you may find additional savings and improved cash flow because of the early payment discounts you are able to take advantage of with your vendors.

How to Automate Accounts

All a company needs to automate accounts payable is an AP automation solution connected to your ERP system and any other potential applications you are using. Cloud-based accounts payable software options available today can help companies of all sizes regardless of Industry.

How to automate accounts payable works differently depending on the type of supplier invoice it has handled. For indirect spending, also known as non-po, or expenses, the software will support automatic data capture, coding, and distribution of the invoice to the appropriate staff member or approver in the organization. In the case of direct spend where there is a purchase order involved, the system automatically matches the invoice data to the purchase order, and if everything matches, send the invoice directly for payment without any human intervention necessary.

Choosing AP Automation Software

When choosing AP automation software for your company, it's important that the solution you select supports every invoice processing scenario within your company. This ensures true automation of your process along with hard Savings in both time and cost. It's also crucial to understand how your new AP automation system integrates with your existing ERP to ensure that data is correctly synchedand that you streamline your process by removing manual tasks.

Take time to speak with your AP staff to learn more about their concerns with making the switch. Make sure that they are comfortable with changing the business process, and look for companies that offer onboarding support. This way you know that your team will be prepared and understands how to use the software to check payment status, and how to address manual data entry in the event that an exception occurs, triggering the need for human intervention.

Investing in a cloud-based solution ensures that you're not investing extra money in IT equipment that must be kept on-premise, and maintained by an IT staff. This helps lower costs for startups that don't have as much capital available as larger companies.

With Planergy, you can set up the users you need, with the permissions and access you need them to have, so you can automate your entire purchase to pay process. It's web-based, so there's no need to worry about apps and compatibility across platforms. All you need is an internet connection, and anyone with credentials can log in and update things from anywhere in the world in real-time. This ensures everyone stays up to date with the most current financial information. This makes reporting and forecasting simpler, too.

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 "Solutions" page to see the areas of your business we can help improve to see if we're a good fit for each other.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

https://planergy.com/blog/what-is-ap-automation/

2. Download our guide "Preparing Your AP Department For The Future"

Download a free copy of our guide to future proofing your accounts payable department. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

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3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

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