SAP Concur [C·]

The Definitive Buyer's Guide
from SAP Concur

How to Choose
an Automated AP
Invoice Solution

What small to midsize businesses
should know when evaluating an
automated accounts payable solution
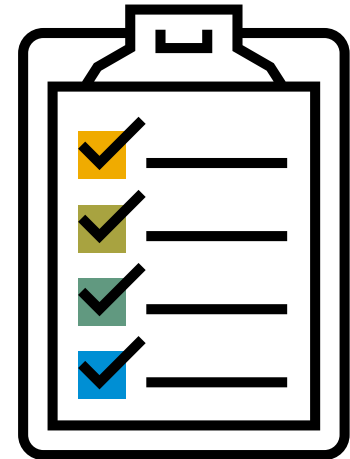for vendor invoices

THE BEST RUN **SAP**

⟪ What's **Inside**?

This book was written for finance leaders and AP professionals looking to purchase an AP automation solution that will provide visibility into cash flow, unlock new ways to save money, and free up time to innovate.

You'll find information on business requirements, how to frame your research, and what features to look for.

After reading this guide, you'll be able to:

01 Evaluate and select an invoice solution that fits your business and provides the most value

02 Understand core features and functionality and how they support your business requirements

03 Get full insight into how these solutions are priced and licensed – and where you'll see ROI

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Introduction: Take Back Your Campfires

We're not going to sugarcoat it. Processing your AP invoices manually sucks profit out of your business and life out of your people.

Here's an example. Last year, we had a small-business client whose AP manager had to process thousands of invoices every month. Since she couldn't keep up with the river of paper, she'd wind up taking stacks of invoices home on the weekends.

And on family camping trips.

In fact, she told us she couldn't remember a single time she went camping and didn't have to approve invoices while sitting at the campfire.

It wasn't just depressing for her. It was dangerous for the business, since manual processing can cost tens of thousands of dollars per year if invoices are lost or misprocessed. Or blown into campfires.

The good news is that there's no need for any of this – not when you can automate your invoice management process.

Automation is something we absolutely believe small and medium-sized businesses need to do. That's why we've written this guide. Let's take a look at the business requirements, the benefits, and what you ought to look for in a solution.

No matter which invoice management solution you choose, you'll be more empowered to make a smart decision after reading this guide.

You'll be glad you read it. So will your AP staff who love camping.

How We Got Here

You've hit a tipping point

Two business trends are crashing down on accounts payable practices these days and causing fresh pain.

First, you're having to process invoices from an increasing number of suppliers. The typical firm in a recent AMI-Partners study is working with 190 suppliers and vendors.*

Second, you're being compelled to align your invoice process with the larger goals of reducing expenses, increasing efficiency, and improving productivity.

The situation is challenging enough on its own. But it becomes dire when you try to reach your goals using traditional manual AP processes.

That's because manual invoicing is beset by three high-level problems:

01 Cumbersome processes. Manual solutions are inefficient and laborious.

02 Difficulty tracking spending trends and behaviors. Cash-flow problems arise when spending is hard to monitor.

03 Incomplete documentation. Nothing slows down the payment process like missing paperwork.

As a result, you leave money on the table, increase your exposure to fraud, hinder growth, and throw a big wet blanket on morale.

*Elevate Business Performance and Better Manage Spend with Automation, AMI-Partners Study, 2018

Automation vs. semi-automation

What makes solving AP invoice process challenges even harder is that some organizations think they already have. While they believe they've automated their processes, many don't realize that they're only **semi-automated.** Here's how that distinction plays out across the three components of the AP process:distinction plays out across the three components of the AP process:

01 **Invoice capture**

How are you receiving your invoices? Organizations that receive them through e-mail may consider themselves automated, but the AP team typically prints out e-mailed invoices before they're routed through the process. That's a somewhat digital process, but it's not automation.

02 **Processing**

You may have adopted some processing functionality within the accounts payable module of your ERP to semi-automate, but the process is still disconnected – the pieces still aren't all communicating.

Also, the process often still has a manual component. An AP employee will receive a manual invoice, log into their ERP to compare the purchase order with the invoice, walk the invoice to the approvers, and wait a week or two for it to be approved.

Even if your AP team isn't printing out invoices, your process still may not be fully automated. If employees are e-mailing invoices to approvers, for example, you may still have a slow cycle time that prevents you from paying early or on time. You may be missing early payment discounts. You may be getting late fees.

There are typically four things that hold accounts payable staff back:

- **The high cost of processing an invoice**
- **Slow cycle time**
- **Lack of visibility**
- **Lack of payment optimization**

Automation addresses all those problems.

03 Payment

The invoice payment phase is typically manual, with too many CFOs spending too much time on weekends signing paper checks. Even if the "signature" is a rubber stamp, looking at the check and the invoice takes time. An automated solution can remove this step by cutting the check for the organization on its check stock using its existing bank accounts.

The cost of paper checks, ACH handling fees from banks, and wire-payment processing will all be standard, regardless of your invoice management solution.

Where automation has an impact is improving visibility into cash flow, allowing you to get more out of your payment strategy. Payment optimization means paying your bills in a timely manner and earning early payment rebates, freeing you to find opportunities with that additional working capital.

What does success look like with AP invoice processing?

For finance leaders, it's visibility, the opportunity to find new revenue, the ability to reduce risk, and a happy, motivated staff.

For AP managers, it's a streamlined, automated system that offers control over late fees and missing invoices, better vendor relationships, less manual work, and more time for strategically analyzing spend.

An automated solution can get you there – if your system is in place and your people are aligned. Here are some of the business requirements to consider before you make a purchase.

Consider Your Business Requirements
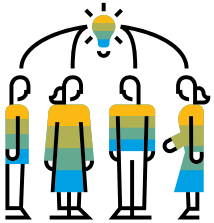
IT buy-in

Get IT involved early.

While IT professionals may not work in the invoice system every day, they will be involved in implementing and supporting it, making them key stakeholders. You should consult them early in the process.

Identify a champion in IT and work with them to understand the technical implications of an automated invoice solution. Areas of special concern for CIOs, CTOs, and IT professionals include ▷

- Cloud security
- User management/single sign-on
- Software update philosophy
- Implementation resources
- Ongoing IT resources
- Data integration (flat file vs. APIs vs. native)
- Brand preference
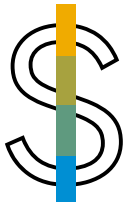
Pricing structure

Some companies use a software-as-a-service model and price based on transactions. Others offer user-based pricing. Consider how you'll use the solution and weigh which approach best fits. Also ask about implementation costs and time frame, as companies handle those differently as well (some may waive the cost).

Consider Your Business Requirements cont.

Workflow and reporting

These two requirements are typically addressed with an invoice dashboard. The dashboard should give you the ability to instantly pinpoint where any invoice is in the approvals process and allow you to generate a variety of reports.

- **Workflow:** Look for options to identify invoices by requester name, employee name, vendor name, approval status, payment status, request total, PO number, date, and more.
- **Reporting:** The dashboard should let you run custom queries and instantly generate reports (e.g., for unapproved older invoices, PO exceptions, duplicate invoices, accruals, top spend by vendor, workflow cycle time, cost object reports, and more).
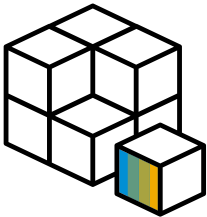
Integration

Make sure the solution will integrate with the systems you already have in place, such as your ERP, CRM, and accounting solutions.

Okay, if you're ready to jump into a solution, great.

Read on to see how you can set yourself and your company up for success when it comes to shopping for an automated solution. And be sure to keep this guide handy throughout your evaluation process – page 21 contains a checklist of questions to ask every vendor you're considering.

« **Invoice Solutions: Core Requirements**

01 **Capture** ▶ 02 **Process** ▶ 03 **Pay**

You've downloaded some white papers, attended a couple Webinars, and you'll be talking to sales people soon. You're in full-on vendor-evaluation mode, and everyone is saying they have the best tech on the block.

How do you separate the sales fluff from what really matters in an AP invoice automation solution?

Every provider will offer different approaches, methodologies, and features – and some may suit your business better than others. To determine which fits best, it's helpful to compare solutions' core features: capture, process, and pay.

Invoice Solutions: **Core Requirements** cont.

01 **Capture** ▶ **02** Process ▶ **03** Pay

For many companies, the invoice process is heavily paper-based. For example, an invoice arrives in a mailroom, gets scanned into a system (semi-automated) or not (purely manual), and then goes through an arduous process, where it can get stuck in an approver's e-mail or on their desk.

Complete automation is the ideal. It's totally paperless – all invoices enter the system electronically and all approvals-related communication happens in the tool. But that scenario isn't always possible right away. So, look for an AP solution that offers the following choices:

- **Complete e-invoicing**
- **E-mail-based invoicing** (invoices are scanned and e-mailed to an alias)
- **A managed-capture service** (scanned invoices are audited by specialists to overcome the deficiencies inherent in all OCR technology)

01 Capture ▶ **02** **Process** ▶ 03 Pay

You want to be sure that you can see the status of an invoice at any time. Has it been approved? Submitted? Who is it with? Is there a bottleneck? Make sure you can match invoices with purchase orders, track the progress of submitted invoices, and expedite approvals and payments.

Most systems will provide those features. What often differ, however, are their mobile applications. Make sure your solution offers one for iOS and Android.

One of the ancillary benefits you may want to consider is how the solution can improve your system. It may be that the software simply automates the workflow steps you've already established. But the best solutions will make your workflow better. Perhaps, for example, an eight-step process becomes a four-step process after implementation.

Look to your solution provider not just for its tool, but also for its insights and best practices.

Invoice Solutions: Core Requirements cont.

01 Capture ▶ 02 Process ▶ **03** **Pay**

While many organizations still opt to pay invoices using their ERP systems, payment through automated AP solutions offers a number of advantages.

You'll still have the ability to pay with check or ACH. But keep in mind that there's been an evolution in products, and customer needs have changed. Also, organizations don't necessarily want to pay with checks anymore (to avoid the risk of fraud). And while ACH is efficient, it offers no ability for companies to collect rebates (similar to earning points for using credit cards).

With automated invoice solutions, your organization can create a master vendor file – which shows all the vendors your company works with – and send it to a payment provider. The payment provider can then show you hard ROI savings from the rebates you could be collecting.

And look for an automated invoice management solution that offers a diverse payment provider ecosystem. The choice of provider should be yours.

Now you've refined what you're looking for and you're ready to decide on a purchase.

Here are additional features and functionality to consider as part of your solution.

Invoice Solutions: Value-Added Features

Capture/OCR

You need the ability to upload invoices to a central location without requiring AP staff to scan them or key them in. (See the previous section for details.)

One fact to note is that optical character recognition (OCR) systems – regardless of the provider – are only about 85% accurate at best. So look for a provider that pairs OCR capture with a team of company-badged human auditors as a near-term solution. In the long term, machine learning will supplement the inherent limits of OCR, so look for a provider with AI on its road map.
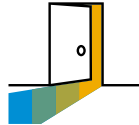
Vendor portal

AP staff often spend too much time fielding calls from vendors about payment status, and a vendor portal could answer those questions faster and easier. You don't need a lot of bells and whistles with this feature – just a place where a vendor can enter their TIN and see the status of all their invoices.
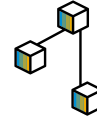
Three-way matching

A good solution automates the time-intensive (and error-prone) process of matching invoices, POs, and goods received. Everything you pay for should be automatically verified against everything you receive, and mismatched figures, errors, and exceptions should be flagged before payments go out the door.

Invoice Solutions: Value-Added Features cont.

Customization

Look for a solution that lets your AP team route invoices based on rules they set up. That way, approvers have a frame of reference for addressing problems based on your custom rules, exception guidelines, and established processes.

Integration and procurement

Your invoice management solution should integrate with any ERP or accounting system and connect with solutions from other vendors across the procure-to-pay lifecycle. (See the previous section for details.)

Budgeting

A budget tool lets AP managers see the impact of payment requests. It ensures they're never caught off guard by a request and that they have the funds to pay the vendor on time (or move money from another area if they don't).

Routing

Any AP tool that claims to be automated is going to route your invoices through an approval queue. What providers sometimes fail to mention is whether that workflow is built into the system so it happens automatically. It should be automatic.

Access

You need access to all your invoice data and images, regardless of whether they're pending approval, with management, or fully approved and paid. An automated AP system should offer more control over your process than e-mail or a manual process.

Easy-to-use apps

Web-based and mobile applications streamline AP processes, from on-the-go authorization to supplier payment. Be sure your provider offers iOS and Android mobile apps.

Invoice Solutions: Value-Added Features cont.
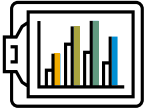
Reporting

Predefined reports, dashboards, and key metrics offer a comprehensive view into spending for more informed decision-making and increased ability to manage cash flow.
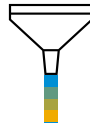
Payment

The ability to pay vendors from the system should be par for the course. But you also want to look for payment optimization functionality, which helps ensure your vendors are paid quickly in the way they prefer.
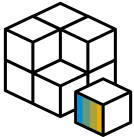
Payment provider integration

Your solution should also integrate with payment providers to create a secure platform to streamline and optimize your vendor payments. (More in the previous section.)

Query flexibility

You should be able to filter all data captured in an invoice – including vendor, date range, payment type, approver, etc.

A Vendor Should Be Able to Show You How It'll Help You Succeed

After you confirm that a potential vendor can offer the features you need, ask to see evidence that its solution works.

Here are five things to ask for:

01 Ask for case studies and user testimonials (you can also look for this evidence on its Web site).

02 Ask if you can speak to an existing customer.

03 Ask, or look, for industry or analyst reports that include or discuss the brand or product. It's a good sign if the vendor has this kind of information, but not a deal breaker if it doesn't.

04 Ask if the provider can share any benchmark data or reporting in terms of its customers' ROI.

05 Ask how the vendor will help you prove ROI (e.g., by providing recurring reports).

Ten Questions to Ask Vendors

After you've gathered input from your key stakeholders …

After you know the benefits and features you're looking for …

After you feel confident the vendor can help you succeed …

Here are 10 questions to ask:

01 Do you supplement OCR with human validation? (If the vendor says its OCR is more than 85% accurate, ask for supporting statistics.)

02 Do you have an ecosystem that offers me choices for payment providers?

03 If an invoice is outstanding, how does your solution help me easily see and show where it is in the process?

04 How is the solution licensed/priced?

05 How long will it take to implement the solution and get users fully onboarded?

06 How flexible is your solution in working with my current invoice processes?

07 What other systems do you integrate with?

08 Do you have a mobile app that allows you to approve invoices on the go?

09 Will I have control of and access to my invoices at all times?

10 How will I get my AP data into my ERP or financial system?

One last thing to remember.

When you buy an automated invoice solution, you're not just buying the solution. You're buying the company.

So look for one that has a proven track record, is focused on technology, and is dedicated to being a business partner.

After that, you're on your way to success, growth, and happy campfires.

Considering
SAP Concur?

To learn more

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