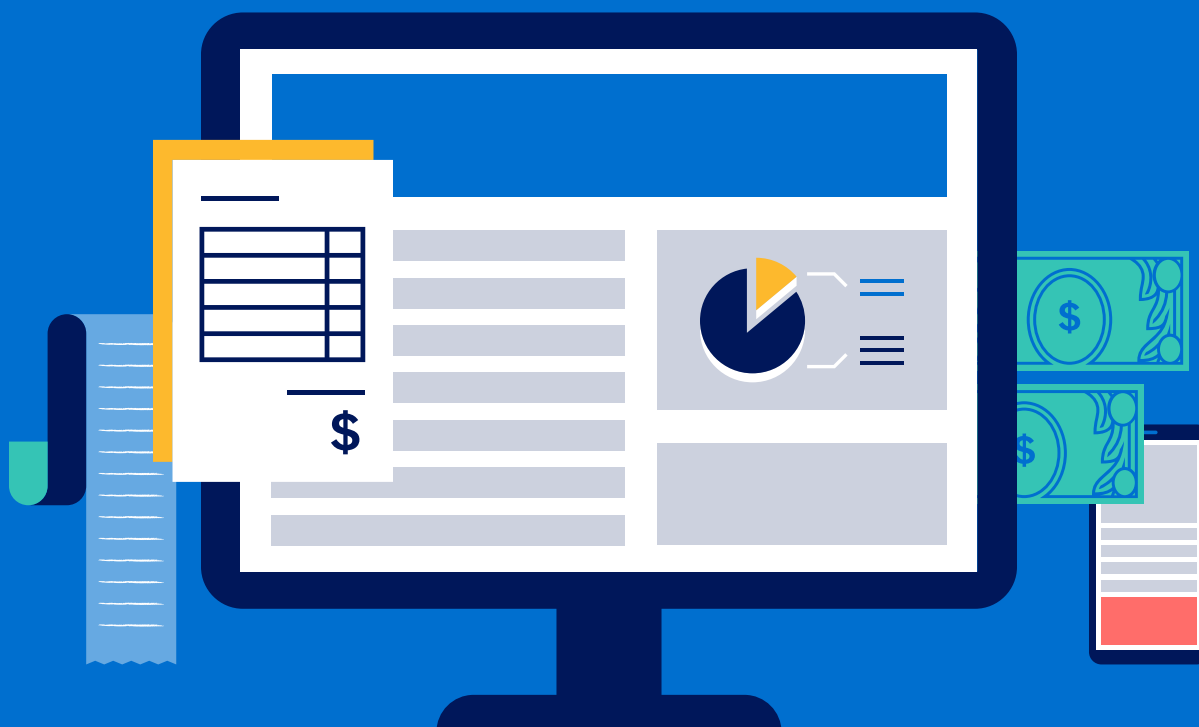


The Game-Changing Potential of Accounts Payable Automation

Accounts payable provides the foundation for every successful business. So why aren't companies treating it that way?



Businesses everywhere are missing out on an opportunity to transform a decades-old, “back office” business function into a way to get ahead that saves money and positions them for further growth. For the AP pro looking to improve the process or a C-suite executive trying to transform their organization, American Express outlines the business case for automating the AP department—and how to do it.

It's Time for an Accounts Payable Transformation. Is Your Business Ready?



Business transformation comes in many forms. But one area that companies of all sizes have overlooked remains the same:

Accounts Payable.

This back-office function underpins the operations of all businesses. But in most cases, it hasn't seen a massive update in years, if not decades. The Institute of Finance and Management (IOFM) reports that the average business receives 63% of its invoices as paper.¹ In a digital world like ours, this can put a company behind the eight ball—susceptible not only to fraud, but to operational constraints when unforeseen events affect everything from supplier access to daily paperwork.

As businesses grapple with tightened budgets, the value of accounts payable is at an all-time high. Unfortunately, even with all this impact, today's AP professionals don't have the tools they need to see that information, process it, and apply to everyday operation. With some smart changes though, there are a slew of opportunities to get ahead. But why don't teams already have these tools? And more importantly, what are they missing out on as a result?

This paper shows how—and why—a change like automating the AP process can be revolutionary for any business.

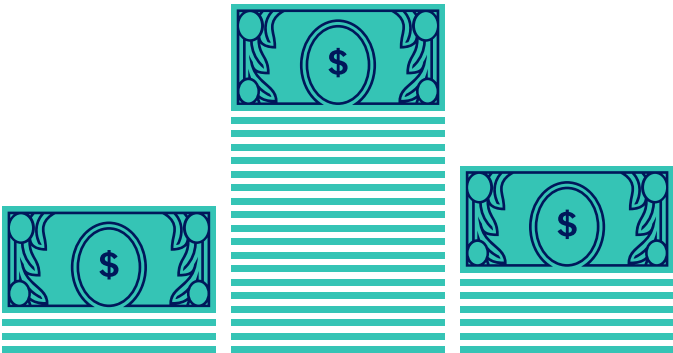
¹The Institute of Finance and Management. "The True Costs of Paper-Based Invoice Processing and Disbursements."

MEET MARK BROUSSEAU / ACCOUNTS PAYABLE EXPERT



To ensure this paper reflects what AP professionals and business owners are encountering on the job, we enlisted accounts payable expert Mark Brousseau. With more than 20 years of experience advising leading payment providers and automation solutions, Mark will share common and not-so-common perspectives that could benefit any AP team looking to improve their process.

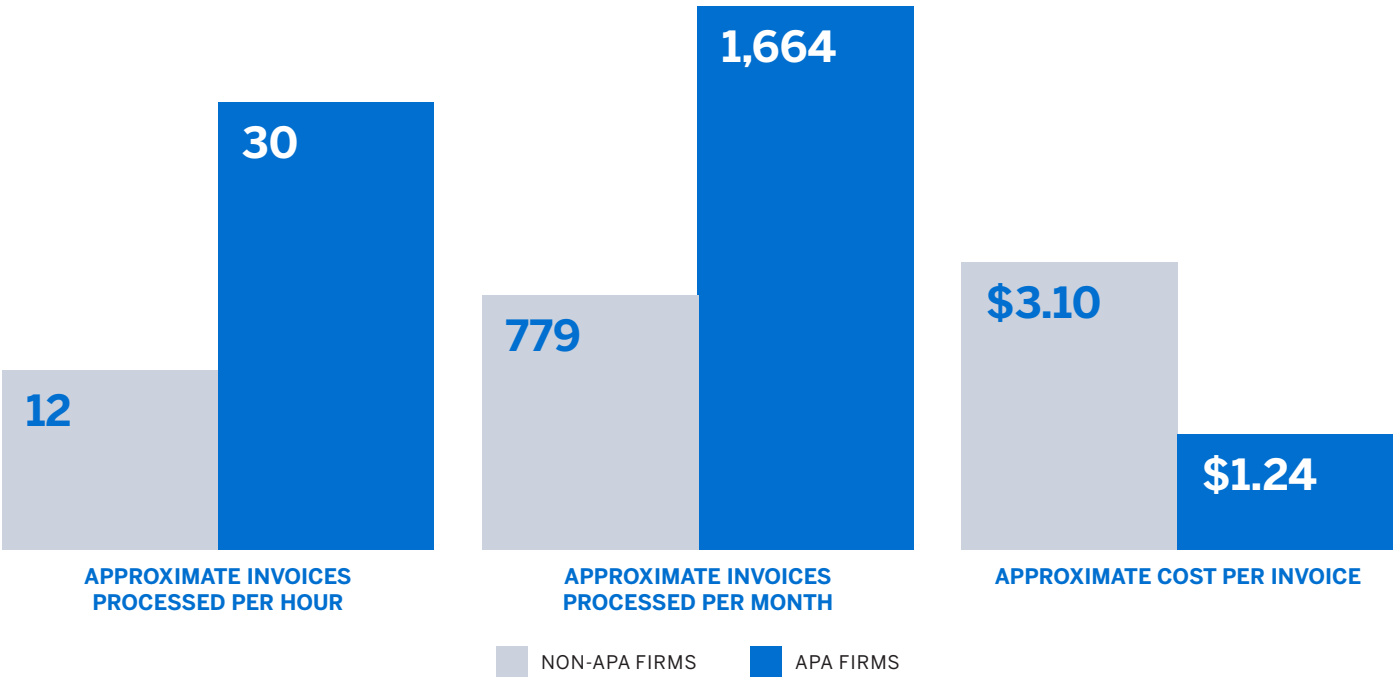
It Comes Down to Cost Savings



Every minute an AP team spends following up on lost invoices, tracking down payments or cutting paper checks is time that could be spent elsewhere in your business. So how much time—and money—is at stake here? Enough to make businesses rethink how they’re doing things.

In a survey Amex conducted with Whitman Insight Strategies, mid-sized firms say they could have saved 70 hours per month with a more efficient or automated payment system. Based on an average annual salary of \$55,000, this equates to over \$31,000 per year wasted due to payment inefficiency.

AP teams spend approximately 32 hours per month solely on processing invoices for payment. Reports estimate that the average AP professional can process just 12 invoices per hour compared to 30 per hour that an automated solution can handle. That’s reflected in the sheer number of invoices companies go through each month: APA firms process more than double that of non-APA firms, 1,664 vs 779. This increased efficiency offers not just speed, but savings at a time when businesses need it most.



² Whitman Insight Strategies. Inefficiency Tax Report, 2019.
³ United States Social Security Administration. National Average Wage Index, 2019.
⁴ Core Integrator. “How Much Time and Money Does Invoice Automation and Tracking Save?”
⁵ Whitman Insight Strategies. Inefficiency Tax Report, 2019.

THE CHALLENGE CHECKLIST:

What's Standing In The Way?

The word “automation” tends to bring about a laundry list of empty promises for AP professionals. Getting past them means confronting an equally long list of challenges. Let's break down some of the most common issues AP professionals encounter when it comes to implementing automation into their daily workflow.

The reality is the AP department shouldn't be a cost center. It should be a way to get ahead—one that many businesses haven't seized. But without the right tools, AP teams are resigned to just getting the work done.

While these methods—or workarounds—have been put to the test by COVID-19, the risks of sticking with them remains as visible as ever.

So what's standing in the way? ▶▶▶



THE EFFECTS OF FREEING UP CASH

“Freeing up cash is important in times like these. But the efficiency gains provided by automation can deliver a 10X return on investment, or more. Automation also helps businesses achieve working capital improvements. So, the sooner an accounts payable department automates, the sooner it can start returning value to the enterprise.”

—MARK BROUSSEAU



1—Fraud

The way that businesses do things these days is risky. During normal business operations, 70% of organizations' check payments have been targets of fraud.⁶ Amid the pandemic, the sudden shift to remote working further disrupted established processes and procedures. Some AP departments were forced to print checks at home, driving them around to approvers' homes. Others sent skeleton crews into the office against government restrictions to collect and scan invoices. Many businesses rely on e-mails to onboard suppliers and route invoices for approval. These patchwork solutions drive auditors nuts, while delighting fraudsters who see them as a golden opportunity.



2—Timely Payment

AP departments pride themselves on submitting payment to suppliers on time. It's one of their most important indicators of performance. Now, AP teams are working longer hours, chasing down vital information from home to ensure that they stay on top of deadlines, because missed supplier payments have big implications.



3—Payment Status

Cash flow needs close monitoring even in the best times. In a business environment that depends on every dollar, it's paramount to know where

money is going and suppliers need to know they'll be paid—in the way they want to be. Most small and mid-sized suppliers don't have large lines of credit to draw upon, relying on factoring receivables to stay afloat.

Without an integrated, automated payment solution, suppliers are left to follow up by phone or mail to see where things stand. And as teams work from home more regularly, tracking the right person down is increasingly difficult.



4—Cash Flow Visibility

Many businesses are looking to cut out costly manual processes from their operations, but they don't necessarily know where those cuts are going to come from. This is partly because their current enterprise resource planning (ERP) tool doesn't provide the detail they need. In good times, they don't worry about it. But now that they're digging into their bottom line, it's vital information.



LONGER HOURS, LESS VISIBILITY

33%

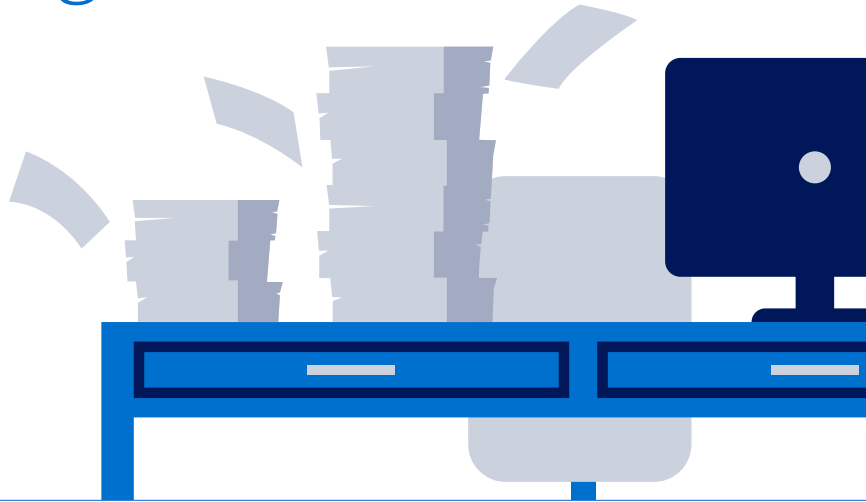
of AP professionals are working longer hours since the start of the pandemic.⁷

Even as AP professionals work longer hours amid the pandemic, their tools are failing them as they look to streamline operations and stay afloat. A turnkey solution that plugs into their current ERP could be key to finding the vital data they need.

⁶ Institute of Finance and Management. “4 Ways Automating the Processing of Utility Bills Reduces Cost and Spending.”

⁷ The Institute of Finance and Management. “How to Make The Case for Accounts Payable Automation.”

You Think You're Automated Already? Think Again.



Changing a long-established process is difficult for even the most successful teams, but for AP departments, it's like having a cruise ship do a 180°. Understanding the decision-makers and the processors doing the daily work is paramount.

AP staffers are likely bogged down with manual tasks that have them onboarding multiple suppliers, processing invoices and making payments. While the process isn't perfect, it works. Adding in automation however can smooth out the kinks and fix the aspects that might not feel broken.

CFOs on the other hand might be looking closely at how their business is managing liquidity. Efficiency may or may not be at the top of their priority list, but knowing how automation can improve those larger issues is key.

That's why the goal of this playbook is to arm AP professionals and business stakeholders with the resources, research and guidance to motivate their company to adopt an automated AP solution. So if these are the challenges, what exactly are the opportunities? How can AP departments overcome the inertia that stops them from progressing?



ACH IS ONLY TEMPORARY

"Banks were quick to onboard businesses and suppliers for ACH at the start of COVID-19. But as banks slowed down and ultimately stopped doing so, businesses ran into issues with how they were added to their systems. And when that first payment goes wrong, it takes time out of an AP team member's day to remedy it. It's why many organizations use third party ACH companies in the first place."

—MARK BROUSSEAU

Consider that in a manual environment, a person might have to manually handle an invoice every step along the way. Then remember that there are typically more than 10 steps between receiving an invoice and reconciling the payment that was made to a supplier. ▶▶▶

Every organization has its own business rules, best practices and auditor guidelines for how invoices should be processed. Which is exactly why AP professionals are looking for a turnkey solution they can drop in and customize for their own workflow. Piecemeal solutions that account for one aspect are not enough. In fact, piecemeal solutions may complicate things.

What businesses need is a holistic approach to AP automation and supplier payments. Paying suppliers with ACH isn't enough.

For automation to be truly effective, the solution must be designed to seamlessly work with a business's existing accounting

system or ERP, so it can automate vendor payments all from one platform. This type of turnkey solution could prove to be invaluable for companies looking to automate their process.

A MANUAL INVOICE FLOW



Invoice Receipt



Invoice Data Capture and Validation



Matching to a PO



Approval Routing



Exceptions Resolution



ERP Upload



Payment



Reconciliation & Reporting

The Opportunities and the Misperceptions About Automation

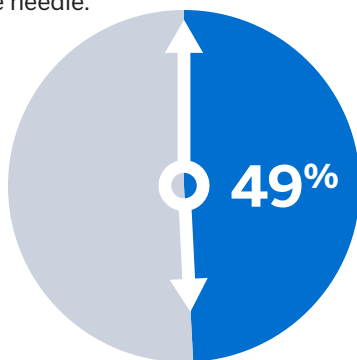
To win senior management support for automation, AP leaders must overcome some common misperceptions.

Manual Processes Aren't So Bad

FALSE

This is perhaps the most pervasive reason AP professionals dismiss automation. But any AP processor is aware of the tedious nature that comes with processing invoices and making supplier payments. Manual teams are up against important deadlines to pay suppliers, often losing time to their current process. Whitman Insights & Strategies reports that mid-sized firms say they could save 70 hours a month with a more efficient or automated system.⁸

Efficiency gains still might not be headlining figures, but the ability to compound those gains over the course of a business's growth should move the needle.



The average mid-size firm says their accounts payable team spends nearly half (49%) of their time on manual processes.⁹

Our Suppliers are Fine With Our Current Process

CONSIDER ASKING THEM

Good or bad, suppliers are probably used to the way their partner's AP department does things.

But what supplier wouldn't want to hear that they could potentially get paid faster and more accurately—and have visibility into the status of their invoices and payments—without having to change the way they submit their invoices? That's the promise of AP automation.

According to a 2019 Atradius Payment Practices Barometer Report, one fourth of the total value of most mid-sized organizations' B2B invoices remain unpaid by their due date.¹⁰ It's easy to understand why suppliers might want to switch things up a little bit.

Improving the AP process can help attract and retain in-demand suppliers.

We're Following the Industry Standard"

TRUE, BUT NOT FOR THE BEST

In the wake of COVID, the standard operating procedure for every business has gone out the window. IOFM notes that between 20 and 30% of all invoices result in exceptions in one form or another—requiring additional manual data entry to chasing down further information.¹¹

As business owners look for ways to stay profitable in the face of

CHECKS ARE #1...

Despite our digital age, checks remain the more common payment method for most vendors.¹⁰



...BUT NOT FOR LONG...

Most mid-sized firms aim to cut their check use by **21%**, partially due to the risk of fraud.¹²

...BECAUSE PAPER ISN'T FAST ENOUGH

About a quarter of the total value of invoices for mid-market businesses are paid past their due date.¹³

declining revenues, AP automation helps them free up cash—and it's surprisingly simple to do.

Automated Solutions are Expensive and Complicated

LONG-TERM? NOT EXACTLY

Today's cloud solutions plug in and integrate with any ERP without fuss—allowing AP teams to manage how each transaction is paid and follow it through reconciliation. That's the beauty of making the switch as a smaller company. The gains discovered early on will continue as the business matures, allowing the flexibility to re-allocate time as suppliers are paid with ease.

Our Current Process is Secure and Not Risky

UNLIKELY

Today's AP teams are over-reliant on paper checks—to the point that many AP professionals aren't aware of just how much it costs to cut and send them. The reality is that paper checks are one of the most vulnerable steps in the payment process.

American Express AP Automation Awareness research shows that most mid-sized firms are fairly risk-averse.¹⁴ Unfortunately, this

aversion to risk often means that they resort to "business as usual." In order to overcome risk, teams need to be willing to change the right steps of the journey.



PAPER CHECKS

"It's only a matter of time before any business is the victim of check fraud. It is easy for fraudsters to intercept checks and change the payee. Some fraudsters work with people inside a company. And with limited tracking of checks, these types of schemes can go undetected for years."

—MARK BROUSSEAU

⁸ Whitman Insights Strategies - 2019 - Inefficiency Tax Report

⁹ Whitman Insights Strategies - 2019 - Inefficiency Tax Report

¹⁰ 2019 Atradius Payment Practices Barometer Report - The US: signs of heightening trade credit risk?

¹¹ The Institute of Finance and Management. "The True Costs of Paper-Based Invoice Processing and Disbursements."

¹² Accounts Payable (AP) Automation Report, AI Team, 2020

¹³ 2019 Atradius Payment Practices Barometer Report. "The US: signs of heightening trade credit risk?"

¹⁴ Amex AP Automation Awareness Report

AP Automation Offers So Much More Than Efficiency

The top two benefits cited by businesses that have implemented some level of AP automation

1

REDUCED COSTS

2

IMPROVED PAYMENT EFFICIENCY

The dream for any AP department is an end-to-end solution, that takes an invoice from receipt through payment with minimal interference. These teams want to quickly identify the vendors who will take an electronic payment and set them up to do so. And automating the process creates an opportunity to find hidden costs and potential rewards by handling three key aspects of the AP process.

Enroll Suppliers

Share a supplier list with a team of AP specialists. They'll take care of onboarding them, so businesses can pay them electronically.

Pay Suppliers

Select which invoices to pay and payments will be processed using a card, check, or ACH.

Reconcile Payments

Gain visibility into transactions by supplier and payment method to help simplify reconciliation.

When these three things are taken care of—which takes up so much of the manual AP process—it enables an expanding list of benefits for any business.

Reduced Costs

Electronic payments cost less than paper checks. Full stop. If a business is able to stop sending out hundreds of paper checks each month, this alone is found money. But they'll rarely ever see the cost listed out as a line item in the budget. And in many cases, if they need to know just how much they're spending on them, it tends to be rolled into something else.

Automated solutions can eliminate the need for paper checks, saving businesses tons each month, while still keeping track of every outbound payment. This found money rapidly turns a costly exercise (paper checks) into money that can better service another area of the business.

Secure and Timely Payments

Automation is one way to keep the crucial "days payable outstanding" metric under control. Floating money on a credit card gives teams a quick way to pay. And the security built into automated solutions allows businesses to reconcile payments in real-time for an added layer of protection.

Every business is different. So finding the right solution for their unique process is paramount. Ultimately, when the right solution is implemented, accurate and up-to-date tracking of payments ensures they land so AP teams don't have to chase down invoice numbers. That means AP teams can spend more time on challenges that influence the direction of the business.

Undiscovered Rebates and Rewards

One thing's for sure—checks don't have loyalty programs. Corporate cards do. If suppliers take card payments, businesses can be eligible for cash back rebates and other perks. They can then put those back into the business. With so many payments going out the door each month, it's possible to earn enough in rebates to offset certain operational costs, such as research and development.

Early Payment Discounts

Suppliers are in the business of staying in business. And if they're paid quickly—so they don't have to chase down late-arriving checks—they may even offer a small discount to be paid early. With a paper-based process though, it takes so long to approve an invoice and ultimately pay them out, that these types of discounts aren't always realistic. Once those aspects of the AP process are automated though, it's much easier to approach them.

33%

of mid-size firms say that being able to schedule payments through automated solutions improve cash flow and flexibility.¹⁵

The easiest way to accelerate payments? An automated solution that takes human error and inefficiencies out of the equation.

¹⁵ Whitman Insight Strategies - 2019 - Inefficiency Tax Report

So Let's Get To It.

For any AP professional looking to build a more functional process, research and facts are important to starting the conversation and the proverbial foot in the door.

Whether a business owner is looking for ways to stay open and succeed, or an AP professional is thinking ahead to a future with better technology and bigger budgets, automation in the right spots will play a role in success every single day.

AP doesn't have to serve the same function that it has for decades either. It can bring something new to operations—from cost savings, to better supplier relationships to more strategic ways to spend money. The companies that are willing to embrace this shift and understand how automation plays a role in it will be the ones that benefit the most.

For a business that's finding success, there's no better time to rethink the AP process than right now. Without the baggage of inflexible practices, every organization stands to achieve incremental benefit as it grows. So let's make it happen.

Learn more about AP automation
at AmericanExpress.com

Terms & Conditions

© 2021 American Express. All rights reserved.

The information herein is for generalized informational and educational purposes only and does not constitute investment, financial, tax, legal or other professional advice on any subject matter. THIS IS NOT A SUBSTITUTE FOR PROFESSIONAL BUSINESS ADVICE. Therefore, seek such advice in connection with any specific situation, as necessary. The views and opinions of third parties expressed herein represent the opinion of the author, speaker or participant (as the case may be) and do not necessarily represent the views, opinions and/or judgments of American Express Company or any of its affiliates, subsidiaries or divisions. American Express makes no representation as to, and is not responsible for, the accuracy, timeliness, completeness or reliability of any such opinion, advice or statement made herein.