

Companies Missing Out on Big AP Savings



by Robert Sbrissa

In today's economic environment, cost containment is key. Over the past 18 months, organizations have turned over every proverbial stone in search of operations savings and improved productivity.

That's why the results of a new study by IAPP are so startling. The study found that 62 percent of responding AP departments use a minimal amount of automated invoice data capture, meaning they manually enter invoices. In addition, 54 percent of respondents still use a manual process to capture data and facilitate the approval process. These results are especially surprising when you consider that 95 percent of the AP departments surveyed by IAPP are still receiving invoices on paper.

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-- Christopher Dwyer, an analyst at Boston-based Aberdeen Group.

Automating the processing of all these paper invoices would go a long way to helping organizations take significant costs out of their AP departments. The AP departments surveyed by IAPP identified paper as the most expensive way to process invoices -- with most of the departments pegging their average processing costs at \$8-\$10 per invoice (significantly lower than other surveys that put the cost at \$20-\$60 per invoice). In addition, unless there is a reliable mechanism in place to manage the approval process for paper invoices, a ton of time is spent on follow-up with invoice approvers.

Clearly, companies are missing a cost-saving opportunity by not automating their invoice processing. “By automating the accounts payable process, enterprises have effectively reduced their invoice-processing costs by over 50 percent and increased their overall visibility into invoice receipt and workflow processes,” explains Christopher Dwyer, an analyst at Boston-based Aberdeen Group.

What's more, automating invoice processing -- the first phase of the AP process -- drives improved downstream performance, speeding cycle times and allowing firms to take advantage of discounts.

And these downstream benefits are critical to companies.

Driven by a renewed focus on working capital management, corporate emphasis on invoice reconciliation and payment is at an all-time high. Finance and procurement executives and managers view the order-to-pay process as fuel for hard-dollar procurement savings, Aberdeen Group finds. Organizations are also focusing on the order-to-cash process to enforce compliance and maximize the usage of negotiated, preferred trading agreements. Automating invoice processing is the starting point for these initiatives, and delivers immediate operations savings and productivity improvements.

Of the AP departments that have implemented optical character recognition (OCR) for their invoice processing, 31 percent say they are extremely satisfied with the technology, IAPP's survey finds, and 46 percent describe themselves as satisfied. Only 8 percent of respondents say they are not satisfied.

But the reasons to scan invoices goes well beyond back-office benefits. The information captured from invoices permits a company to achieve better visibility into its spending, ensure the use of volume discounts and rebates, prevent overcharges and duplicate payments, flag maverick spending, access better reporting on financial performance issues, and streamline compliance and auditing.

Implementing a document scanning solution for invoice processing also lays a foundation for organizations to consolidate document applications into a shared service center. Many organizations have used their relatively low invoice volumes as an argument against automation. By consolidating multiple applications onto a single scanning platform, organizations achieve an even greater ROI.

Organizations are recognizing the potential of automating invoice processing. Eleven percent of AP departments surveyed by IAPP plan to implement front-end document imaging in the next year, 8 percent plan to implement back-end document imaging, and 5 percent plan to implement OCR.

It's about time.

Combined with a shared services initiative, invoice scanning offers plenty of opportunities for organizations to drive operations savings and efficiencies, and achieve downstream benefits.



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