

Customize A Value Map For Your AP Process

Identify Process Improvement Opportunities And Calculate Actual Value Addition



Authors



Shiraz Cooper

VP Finance Practice Leader, Applexus

Twenty-five years of global SAP Finance Transformation experience with a passion for helping clients realize value from their technology investment. A seasoned finance professional, Shiraz possesses a strategic and thoughtful approach to meeting the needs of today's emerging technology institutions.



Sandeep Kumar

VP Business Consulting & Value Realization, Applexus

With over 23 years of experience in consumer industries and consulting, Sandeep owns a proven track record of delivering business transformation initiatives across multiple Fortune 500 organizations like Colgate Palmolive, Kraft Heinz, P&G, Home Depot, and PepsiCo.



Sumitro Giri

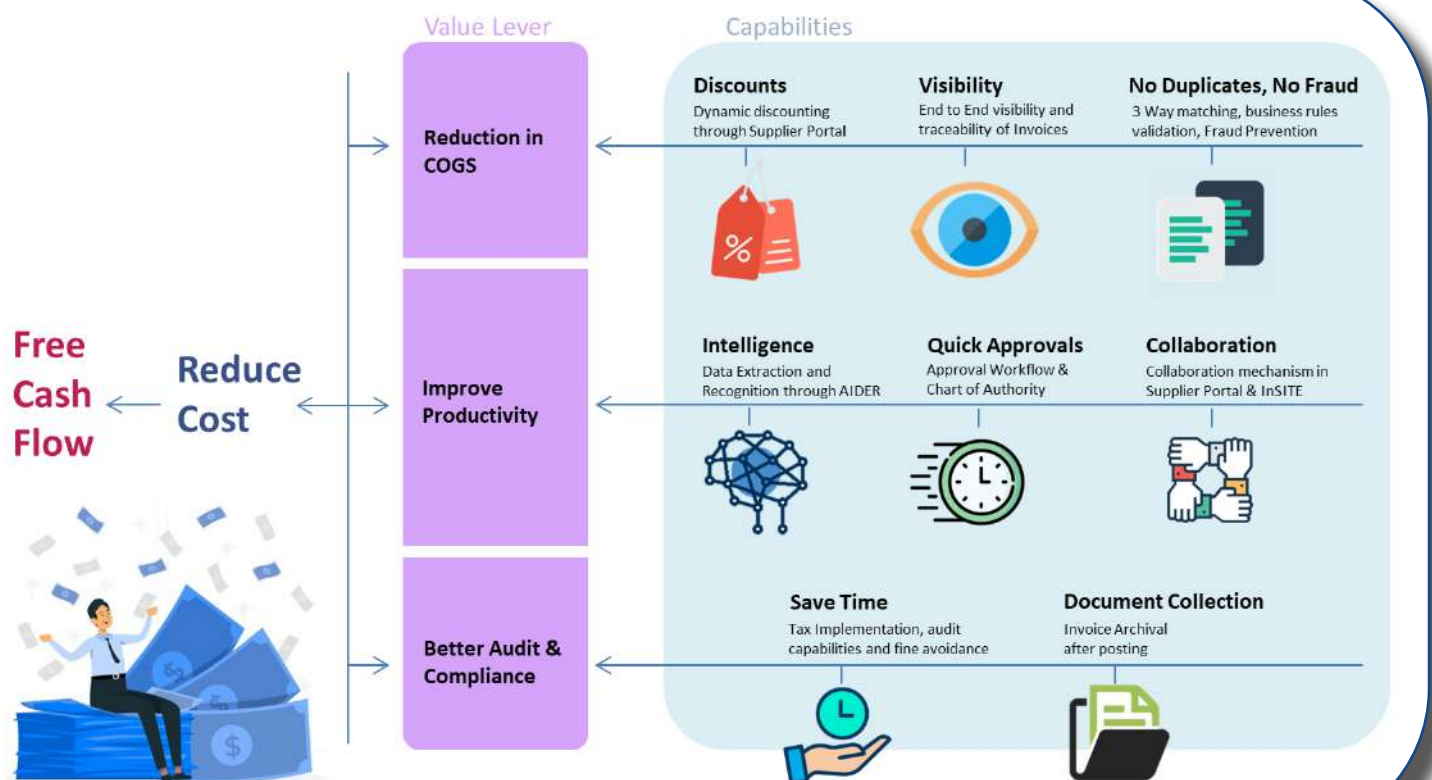
Manager - Marketing & Product Management

He has deep domain expertise across operations, supply-chain, manufacturing and analytics. Designing marketing strategies with a customer-centric approach, he accounts for the Product Management best practices in Applexus. He holds an MBA from Indian Institute of Management, Bangalore.

InSITE Value Map

Through the Value map approach, we aim to arrive at a holistic invoice management solution rather than an invoice automation solution.

A set of procedures and capabilities that help to streamline your AP processes for maximum efficiency, savings, and returns.



Identify Process Improvement Opportunities with a structured Framework

The visual representation given above shows the linkages and flow of value with key capabilities required to actualize your financial objectives. The illustration shows the value linkage from strategy to implementation. The map details the myriad of value additions a business can add to their Accounts Payable (AP) process that will go on to impact their financial levers.

This framework serves as an objective hierarchy that shows how capabilities are linked to operational excellence, performance attributes, and financial objective. “Value Map” evaluates how unique capabilities to the right can influence savings to affect your organization’s financial metrics.

Through this MECE structure (Mutually Exclusive/Collective Exhaustive) you can identify untapped opportunities, gaps, and bottlenecks within your invoice processing routine. The analysis can recommend a significant redesign of the legacy processes in place and how that can help to improve performance and extract maximum value.

Any process improvement project for your Accounts Payable Process should aim to add value in three key areas:

• Improve audit and compliance procedures

• Improve productivity

• Reduce cost of goods sold (COGS)



The levers that can drive value for your AP automation

Reduction in Cost of Goods Sold (COGS) – The Accounts Payable (AP) team of various businesses often loses out on capturing readily available and easy to avail benefits. Not knowing about their liabilities results in overpayments; this way, your business not only misses out on discounts but also ends up paying more than the intended value.

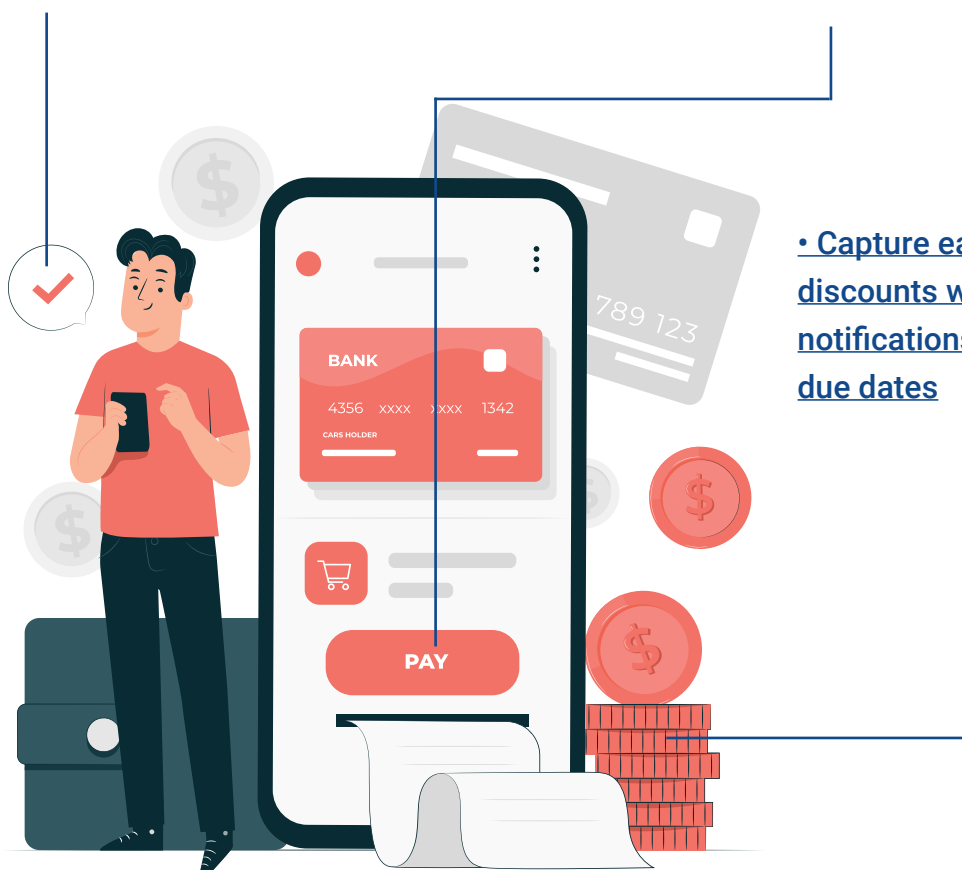
When you pay late or miss out on those early payment discounts, you either end up paying on the reserve price or end up paying more, which increases the cost of raw materials. In turn, you raise the procurement costs, increase your sales price to cover these expenses, and reduce your profit margin.

To reduce costs, businesses will need to avoid secondary charges and do their best to capitalize on these attractive discounts. Fortunately, an AI-enabled invoice processing system on the backend can monitor and control the AP processes to ensure you never have to spend an extra dime for your next payment.

• Avoid fraudulent payments by 3-way matching and validating every single invoice

• Avoid late payments and duplicate payments

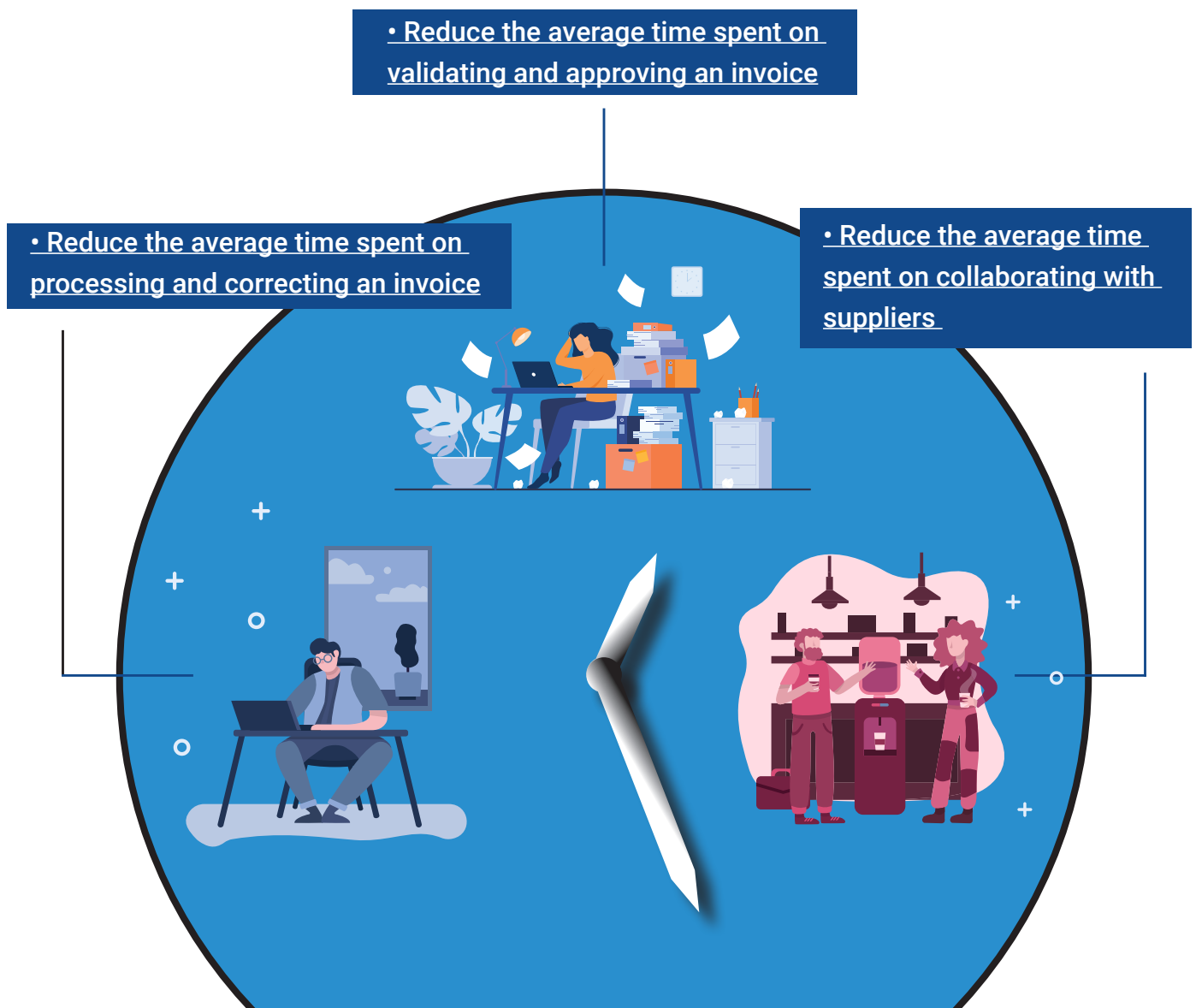
• Capture early payment discounts with timely notifications about payment due dates



Improve Productivity – In the absence of a proper invoice management solution, AP departments waste a considerable amount of time filing, faxing, emailing, retrieving, copying, and searching for invoices that have been misplaced or lost. The same AP clerks spend even more time manually inputting the invoice details from paper invoices into their system or spreadsheets. More paper means your workers spend more time sorting and arranging them than doing value-based activities.

An automated AP process within inbuilt Artificial Intelligence (AI) will eliminate these issues by automating the input, tracking, record keeping, and pushing invoices through a personalized approval process. All invoices are available on a centralized interface, available to be accessed or sent electrically across departments, and that too with alerts/notifications to ensure these invoices are never ignored.

Plus, your AP workforce doesn't need to focus on chasing suppliers or sending repeated reminders about payment fulfillment, changes, discrepancies, or other issues. A shared collaborative workspace makes it easy to keep all the communication and related documents on one single platform. Employees get to focus on more business-critical activities.



Better Audit and Compliance - The ability to index, track, locate, and report your invoices keep you safe from lawsuits, fines, statutory costs, and other legal penalties. The nightmare of keeping tabs and records on invoices through a manual AP process becomes so much easier once every function in the invoice processing cycle is automated.

Invoice archiving helps to ensure that your AP department has all the invoices available right when you need them. No need to go through your invoice trays, buckets, and storage cabinets to find an invoice from months ago. A user-friendly and intuitive interface helps locate the correct invoice with one click from a specific date range.

Your AP team can respond to audit requests quickly and easily. A historical record of all the invoices and a detailed log of all the changes ever made help streamline the audit process. Your AP resources won't need to waste time in locating pivotal invoices and tracking payments against these invoices.

- Strict adherence to accounting processes to reduce non-compliance fees
- Comprehensive audit trail and access traceability capabilities
- Facilitates internal and external financial auditing

Exhaustive list of Operational Levers to derive value from Automation



Missed Vendor Discounts

AI-enabled invoice automation is capable of identifying and capturing early payment discounts from your suppliers. This allows AP departments to maximize savings, reduce expenses, and thereby improve cash flow. Plus, early payments improve relationships with suppliers which allow you to leverage better early discounts in the future.

Our years of industry expertise in the AP cycle of various businesses show that a business that receives 200,000 invoices of \$2000 value stands to save around **\$40,00,000 to \$60,00,000**, with the early pay discounts ranging from 1% to 1.50%.

**Typical early-pay discounts are 2% of PO spend - IOFM*



Late Fee Payments

AP departments often lose track of payment dates or lose invoices and that results in fines. Furthermore, late payments result in interest payments as well and that leads to your business paying above and beyond the original invoice price. Not automating your invoice practices leads to overpayments and ruins your relationships with suppliers.

Our years of industry expertise in the AP cycle of various businesses shows that a business that receives 200,000 invoices of \$2000 value stands to save around **\$50,000 to \$100,000**, with the late fee payment per invoice ranging from 1.25% to 2.50%.

**Goldman Sachs estimates assume 5% of all invoices are 30 days past due - [GS Publishing](#)*



Duplicate Payments

AP clerks often end up paying on the same invoice again, having not recorded or segregated the paid invoice from the unpaid ones, which leads to this oversight. This results in the business losing money. What you need is an intelligent AI-based invoice automation software that can automatically and instantly detect a repeat invoice.

Our years of industry expertise in the AP cycle of various businesses show that a business that receives 200,000 invoices of \$2000 value stands to save around **\$40,000 to \$80,000**, with the number of duplicate invoices ranging from 20 to 40 out of the 200,000 invoices received per year.

**19% of organizations surveyed reported a percentage of invoices where duplicate payment took place between 0.1% and 0.5% - [The Institute of Management & Administration](#)*



Physical Invoice Data Entry

Accounts Payable Clerks waste a whole lot of time in cumbersome, error-ridden, and manual data entry, scanning, and validation tasks. This leads to a lot of time getting wasted in tedious processes and fewer invoices getting processed per head by the end of the day. Lost time, then translates to lost money for the business.

Our years of industry expertise in the AP cycle of various businesses show that a business that receives 200,000 invoices stands to save around **\$96,000 to \$160,000** per year, amounting to time savings.

**AP automation can drive 70-80% time savings for AP staff - [GS Publishing](#)*



Vendor Collaboration

Answering queries and chasing suppliers on multiple channels like email, phone, and instant messenger tools leads your AP clerks to waste their precious time. This results in the business getting fewer invoices out of each AP clerk per day; your workforce is less invested in business-critical activities and more involved in addressing miscellaneous concerns that don't give any value.

Our years of industry expertise in the AP cycles of various businesses show that a company that receives 200,000 invoices stands to save around **\$7000 to \$10,500**.

**According to a survey by Hyland Software, AP employees spend an average of 6% of their time in answering questions from employees, collectors, or vendors - [GS Publishing](#)*

AP employees spend 15% of their time in vendor support - [IOFM](#)



Exception Handling

Manual processes with Accounts Payable (AP) clerks aren't as fluid and fast. Compared to this, automated invoice processing routines, with in-built workflows and unique business rules, make it easy to identify, define, and route any exceptions to the next stage without any human intervention. Any errors, irregularities, or conflicts will otherwise take a significant time of an AP head.

Our years of industry expertise in the AP cycle of various businesses shows that a company that receives 200,000 invoices of \$2000 value stands to save around **\$180,000 to \$250,000**

**64% of finance and shared services professionals reported that more than 20% of all invoices require manual intervention. Additionally, in many cases this figure went up to 30-75%. Same survey found it takes min 15 mins to handle exceptions – [Shared services link](#)*



Physical Invoice Approval

Manual data entry processes require more labor and more time, which then means reserving a good amount of your revenue share on paying these resources. But automation handles a lot of these tedious and repetitive tasks in quick succession to help downsize or rely on fewer workers to manage the whole invoice processing cycle. This helps your business reduce expenses.

Our years of industry expertise in the AP cycle of various businesses shows that a business that receives 200,000 invoices stands to save around **\$140,000 to \$210,000** amounting to time savings.

**AP automation can drive 70-80% time savings for AP staff - [GS Publishing](#)*



Audit Document Retrievals

Immediate internal or external audits require your AP team to retrieve all the relevant invoices for that quarter or financial year. However, AP clerks often misplace invoices, lose invoices, or find it hard to locate the required invoice from the paper storage cabinet. The absence of automation in your invoice processing cycle makes it hard to access and view invoices instantly.

Our years of industry expertise in the AP cycles of various businesses show that a company that receives 200,000 invoices of \$2000 value stands to save around **\$7,000 to \$12,000** with automated audit logs on a centralized interface.

**According to a survey by Hyland Software, AP employees spend an average of 7% of their time in collecting data - [GS Publishing](#)*

Various indispensable capabilities required to drive operational levers

Dynamic
discounting
through
supplier portal

End to end
visibility and
traceability of
invoices

3-way matching
business
rules, validation
and fraud
prevention

Intelligent data
extraction and
recognition

Unique Approval
workflow

Collaboration
mechanism with
a common
workspace with
Suppliers

Tax
Implementation,
audit capabilities
and fine avoidance

Ability to
archive
invoices



Dynamic discounting through supplier portal - Dynamic discounting in the invoice processing cycle is a solution that provides the AP department an option of making early payments in exchange for a discount on the invoice. This helps you maximize hard savings, improve working capital, and improve profitability.

The AP department that had committed to deposit payments on invoice maturity now gets a risk-free means to obtain the goods and do so at higher savings. Furthermore, by injecting liquidity and paying suppliers before the due date, you also end up reinforcing your relationship with suppliers.

In a way, dynamic discounting ensures suppliers can push invoices that guarantee more savings for the AP team. The earlier the invoice is paid, the greater the AP department's discount.

Accelerate payments to receive discounts and more cash savings from your day-to-day invoice processing cycle.



End to end visibility and traceability of invoices - Every AP clerk and every other member with access will have uninterrupted visibility on every invoice and every change on any invoice. All members can view who and what was changed within the invoice. Plus, you can easily index, locate, view and download invoices at a later date.

A manual process would have made it challenging to locate invoices in a split second, resulting in delays in your audits and everyday affairs. By getting to access every invoice, both the suppliers and AP heads receive immense transparency in the invoice processing cycle. No past or present invoice will ever be lost or misplaced due to human errors.



3-way matching business rules, validation and fraud prevention - A three-way matching and cross-referencing methodology helps to verify all your accounts payable invoices. No invoice will be paid out unless and until it is validated and passes all the pre-requisite conditions laid out. This ensures that your business doesn't end up draining money on duplicate invoices.

You get to place the invoice on hold and payment cannot be released until the hold is released. 3-way matching may highlight discrepancies or inconsistencies between the documents and that will result in the payment being withheld pending reconciliation of the problem. 3-way matching scrutinizes the details of - invoice, order receipt, and PO—to verify everything.

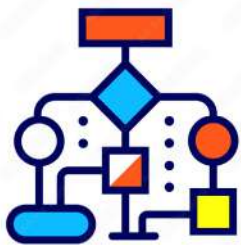
Now, manually matching and verifying invoices is a labor-intensive work. When trying to scale, manual processes can act like a deterrent. By embracing automation, the matching and validation processes get streamlined, which then helps to handle plenty of invoices and mitigates the risk of human error.



Intelligent data extraction and recognition - No need to sit for hours to read and enter the details from the physical invoice. Artificial Intelligence (AI) and Optical Character Recognition (OCR) can automate this entire procedure – recognizing and reading the data within the invoice without any manual effort. You can do this from physical as well as electronic invoices.

Extracting data from paper documents that contain a vast amount of unstructured content through human involvement is laborious and time-consuming. This is where intelligent data extraction solutions designed to identify actionable data from invoice documents come into play.

Any invoice processing solution will quickly detect and transfer all the existing data in your documents. Plus, ensure data quality and accuracy through automatic validation and help you save time and cut costs by automating such manual processes.



Unique Approval workflow - Seamless and customizable validation routines allow your AP team to receive, process, validate and approve invoices swiftly. The AI within the product can even redirect the invoice to a concerned member to handle exception, corrections, and other conflicts. Simplify the approval process and streamline decision making for your AP clerks.

Manual workflows slow down the invoice processing cycle. And if there's no system to send reminders or notifications, approvers who are out of office or too pre-occupied may miss an invoice due date - leading to late payments, loss of early payment discounts, and jeopardize your relationship with suppliers. Automate review, approval, and invoice handling.

Automating the entire workflow, eliminates the need for approvals on small purchases, reduces the touchpoints in invoice cycle and reduces the time it takes to validate, route, and process payments. It also means that the AP heads and other superiors tasked with approvals spend less time reviewing invoices; freeing up time for more valuable work.



Collaboration mechanism with a common workspace with Suppliers - Coordinating with suppliers across multiple channels and keeping track of all the communication and documents isn't easy. Going across different channels to access and retrieve invoices is a painstaking task that wastes hours.

Instead, rely on a single, unified, and user-friendly workbench that makes it easy to exchange messages, change PO line items, change invoices, discuss discrepancies, and so much more.

The interface also keeps a record of all your previous chats, so you can pick up from where you left off last time.

Now, suppliers can connect with the AP resources and resolve problems instantly. Similarly, AP clerks don't need to spend their precious time chasing suppliers, as they have complete visibility about all the changes happening on the documents. A common interface reduces the need to constantly track, update, and follow up with your suppliers.



Tax Implementation, audit capabilities and fine avoidance - The AP department often finds itself unprepared and disorderly at the time of audit. The over-reliance on manual processes and the sheer lack of automated audit capabilities make the entire compliance process confusing and time-consuming.

Tax liabilities, incorrect payments, lost invoices, mismatches, and other irregularities raise red flags that result in fines and legal penalties. To keep yourself safe from unnecessary statutory costs and legal hassles, integrate an invoice management solution that stores invoices for record-keeping and logs timely changes to invoices.



Ability to archive invoices - An invoice processing AP solution will allow companies to store their order invoices in an electronic archive. This eliminates the requirement for physical storage trays, buckets, and cabinets. Depending on the business size and the volume of documents retained, this could free up substantial office space.

Eliminating paper from your invoice processing routine will also bring down the risk of losing valuable business details in unforeseen circumstances, such as theft or fire. Furthermore, eliminating paper and going green means your company can contribute to the eco-friendly campaign that'll help to boost your company's reputation.

Conclusion

The traditional invoice management model is prone to errors, lacks visibility, creates delays, and costs the company more. As digital transformation slowly takes over all facets and functions of your organization, the AP department can't afford to stay stuck in dated processes that increase overheads and reduce working capital.



Businesses need a better, more efficient way to manage their invoices. From intake to validation, approval, collaboration, and much more, the AP heads need a solution with innovative capabilities that drives operational efficiency, reduces time, effort, and overall costs. The personalized business rules of this solution must adapt to the variables of your invoice processing cycle from start to finish.

About Applexus and InSITE

Applexus is an SAP gold partner and a global technology leader offering business consulting and SAP services to transform businesses through digital innovation. Applexus aims to enable innovation in companies through impactful, ingenious, and cutting-edge technology. Applexus has transformed the entire AP cycle through the next-generation invoice management solution, InSITE.

InSITE helps you control, optimize, and transform your AP department into a profit center. The high-end invoice technology of InSITE frees you from the legacy processes, so you can focus your AP team in more business-critical activities, steer clear of errors, lower non-compliance liabilities, delays, unnecessary expenses, maximize savings, improve cash flow, and increase bottom-line.

If you'd like to connect with our inSITE experts to discuss further, please reach out to any of the contacts below:

Michael Wilson, Product Sales Executive, Applexus

Anil Nair, Senior Vice President, Applexus