

eINVOICE Survey

eInvoicing Adoption Benchmarking Report

Based on the Results of PayStream's eInvoicing Survey

Featuring Insights on...

Nature of AP Departments
and Usage of Shared Service
Centers

Technology Adoption of
Various AP Automation

Challenges to eInvoicing
Benefits and Barriers

Supplier Conversion to eInvoicing

Learn from the Innovators
Best Practices

Underwritten in part by:



Table of Contents

Introduction.....	1
Survey Highlights.....	1
Survey Methodology.....	1
Research Library.....	1
Nature of AP Department.....	2
Technology Adoption.....	3
Electronic Invoices.....	5
Research Methodology.....	11
ADP Profile	12
About PayStream Advisors.....	13



Introduction

A sustained economic constriction coupled with the need to do more with fewer resources are the catalysts driving a continued demand for accounts payable (AP) departments to centralize, streamline, automate and increase operating efficiency.

In this annual report, the analysts at PayStream Advisors have profiled the use of electronic invoicing, electronic payments and emerging working capital solutions at U.S. based enterprises. This analysis is based on survey results and more than nine years of research findings.

Survey Highlights

Key issues addressed in this survey are:

Growing emphasis on centralization of AP departments;

Current usage of AP automation technologies;

Benefits and barriers to eInvoice Adoption;

Methods used to trade B2B invoices;

Current usage of electronic purchase order submission among buyers.

PayStream Invoice Management Adoption Survey

PayStream Advisors conducted its fourth “eInvoicing Adoption Survey” in the last quarter of 2011 and developed this reports to detail the common trends shaping the rapidly evolving space of AP automation. The “eInvoicing Adoption Benchmarking Report” is designed to:

- Help accounting and financial practitioners familiarize themselves with the eInvoicing and working capital management landscape.
- Enable them to better understand the extent of adoption of the various forms of accounts payable automation.
- Allow companies to benchmark their operations against similar businesses.

Survey Methodology

The findings in this report are based on the results of PayStream’s “2011 eInvoicing Adoption Survey.” Participants included more than 300 AP and procurement professionals at U.S.- based enterprises. Industries covered by the survey include consumer products, healthcare, professional services, high tech, wholesale distribution, oil & gas, higher education, engineering & construction and banking, among others. Based on the number of respondents, we believe that the survey has a confidence level of +/- 5 percent.

PayStream Research Library

For more information on accounts payable automation, go to our corporate research library at www.paystreamadvisors.com, where you will find a number of reports, including:

- Electronic Invoice Management: The Cloud’s Silver Lining
- Electronic Supplier Payments: Innovation Drivers for Corporate e-Payments–e-Payments Explosion!
- Invoice Automation Adoption Survey Report
- Dynamic Discount Management: Increasing Discount Capture Through AP Automation

Nature of AP Department

Key Insights

- Outsourcing shows a minimal increase as companies realize similar benefits by automating internal workflows.
- Centralization delivers a number of benefits, including immediate visibility into invoices for all parties concerned, fewer lost and missing invoices and the ability to accelerate the invoice receipt to approval cycle.

Growing Emphasis on Centralization

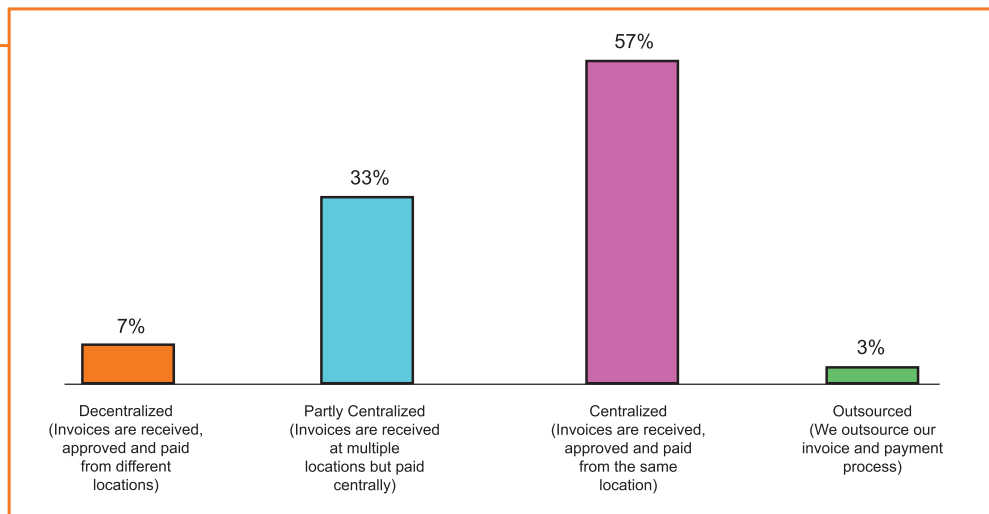
Two common factors of inefficient AP departments are a heavy reliance on paper and a decentralized departmental model. Decentralized models create the potential for inaccurate financial reporting, redundant resources and fewer departmental consistencies. Additional challenges include:

- A lack of visibility into the company's outstanding liabilities: critical for senior management when making investment and borrowing decisions
- Adverse supplier relationships, possibly resulting in suppliers placing a company on credit hold or throttling inventory, due to lost invoices or invoices not paid according to agreed terms

To better manage AP departments, organizations are continuing to move towards a centralized departmental model. This trend is evidenced by the survey results that showed only 7 percent of companies surveyed run a decentralized AP department, with 90 percent already centralized or partially centralized. Those that continue to run in a decentralized manner will not fully realize the benefits of any automation initiatives if they do implement an automation solution; they are simply automating an already flawed process.

Figure 1
NATURE OF AP DEPARTMENT

The highest percentage (57%) of AP departments are centralized-Invoices are approved and paid centrally.



The Future of Outsourcing

Outsourcing of AP departments remained statistically insignificant. The survey showed a minimal increase Year over Year (YoY) from 1 percent in 2010 to 3 percent in 2011. This lack of dramatic movement indicates that most organizations have been able to realize the expected benefits of outsourcing (e.g., lower head count,) by employing automation and streamlining processes.

Technology Adoption

Key Insights

- *AP automation increased (YoY) with e-Payments (Electronic Payments) and P-Cards (Purchasing Cards) continuing their maturation process and increases in front end capture and automated workflows.*
- *Organizations increased their overall adoption of front-end data capture technologies, like OCR (Optical Character Recognition,) as the initial vehicle in their paper reduction strategies.*

AP Department Automation Realizes Continued Adoption

Usage of AP automation technology has increased in every area. While some gains were modest, the overall increase in adoption showed that organizations that planned to implement automation technologies followed through on their plans, but also a growing number of companies have plans to implement automation technologies in the coming months.

Software-as-a-Service (SaaS) continues to offer a lower investment cost for small to mid-sized businesses interested in automating their invoicing processes. SaaS, often referred to as a “hosted solution,” is also well suited for companies of all sizes who are more interested in the benefits of software. Lower upfront and ongoing cost and increased scalability are two of the hallmarks of SaaS solutions.

E-Payment and P-Card Lead in Adoption

Purchasing Cards, or P-Cards, represent the most widely used technology with an 84 percent adoption rate and 16 percent of organizations planning on implementing P-Cards within the next 6 months, (See Figure 2). This represents an increase in adoption over the 2010 survey results of 22 percent. The increase and high adoption rate of P-Cards leads to a reduction in invoice volume and the paperwork associated with the processing of invoices. As an added benefit, P-Card usage also results in higher rebates for the buying organization.

With an increase of 13 percent, E-Payments follows P-Cards as the second most employed automation technology with 83 percent adoption. Organizations have embraced the benefits associated with E-Payment solutions, including a reduction in late payments, fewer lost checks and lower mailing costs. The adoption of E-Payment shows that organizations have started the invoice automation process from the back end first.

Front-End Automation Reaches Critical Mass

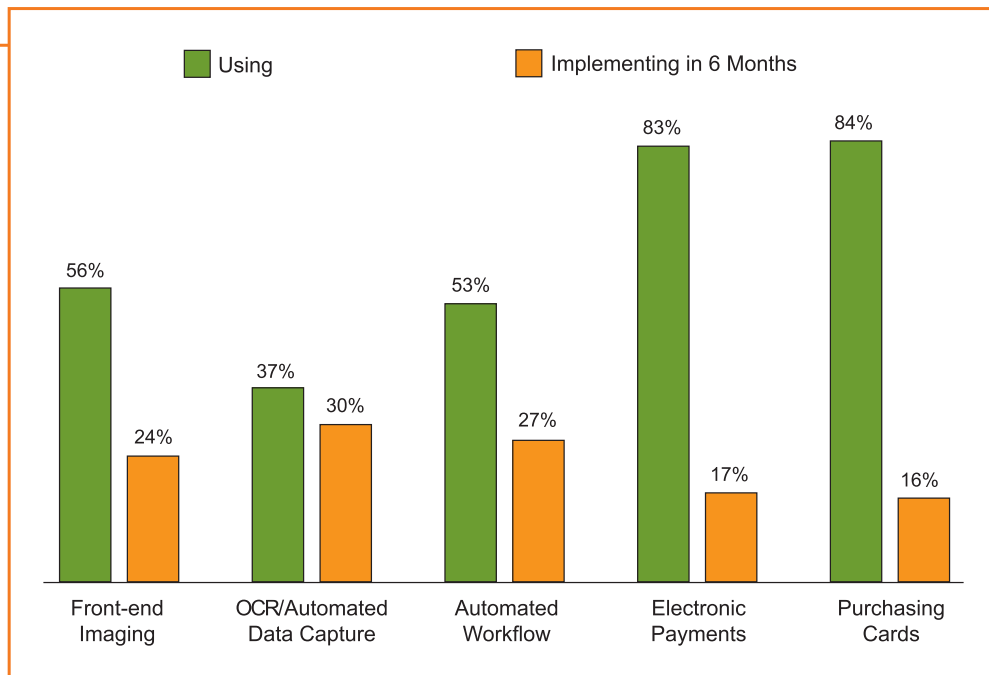
With a 56 percent adoption, a 13 percent increase over last year’s survey results, the workflow advantages of front-end imaging have reached an important milestone. Over 50 percent of the organizations surveyed have realized that front-end imaging ensures that invoices are entered into their systems quickly and are made immediately available for routing, collaboration and management to all

parties, irrespective of their location. Of significant importance is that 24 percent of organizations plan to implement a front-end automation technology within the next six months. Once completed, 80 percent of the organizations surveyed will have automated a key component of their invoice workflow.

Mature technologies, like optical character recognition (OCR), are employed by 37 percent of the organizations surveyed, representing a modest 12 percent increase over last year. The lack of a significant adoption rate of technologies like OCR is not due to the solution no longer being viable, but rather it being poorly understood and viewed as “lacking.” While first generation OCR software engines were indeed unreliable and often produced inaccuracies, significant improvements have made technologies like OCR a powerful and dependable automation component.

Figure 2
USAGE OF AP
AUTOMATION
TECHNOLOGIES

E-Payment (83%)
and P-Card
(84%) continue
to hold the lead
in AP automation
technologies.



Electronic Invoices

Key Insights

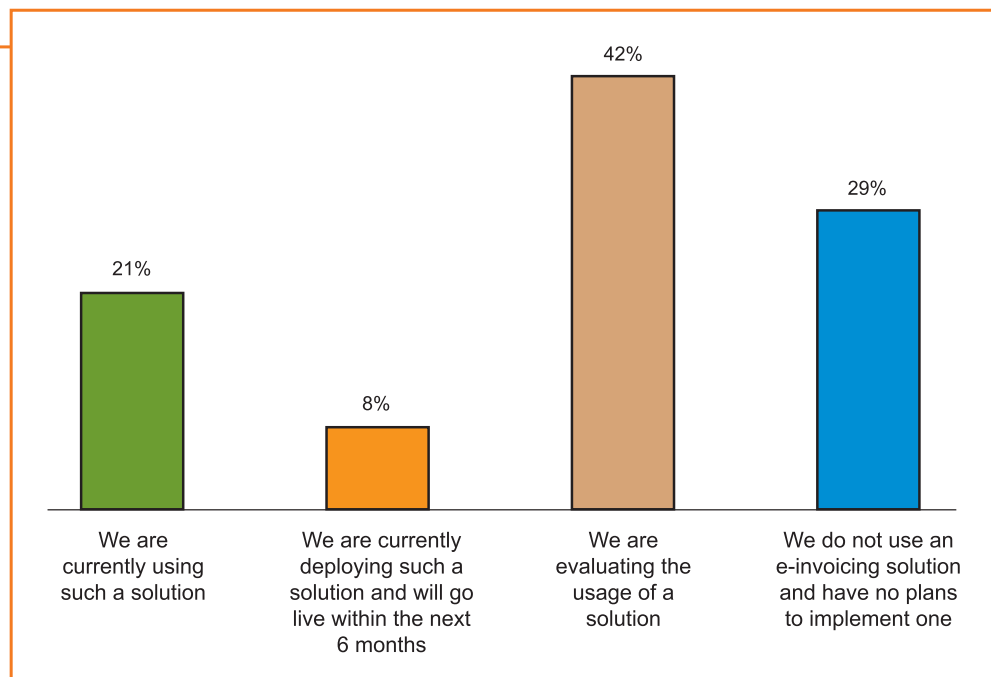
- *eInvoice adoption showed modest growth*
- *Demand for control and visibility appears to continue to be the main driver for adoption*

Electronic Invoice Adoption Shows Mild Growth

In each of the survey areas that relate to the adoption of eInvoicing, the results showed a 1 percent increase over last year. (See Figure 3). Participants that do not use an eInvoicing solution and have no plans to implement one decreased from 32 percent to 29 percent. In addition, a moderate 29 percent of survey respondents reported they are currently utilizing or deploying an eInvoicing solution within the next six months, and 42 percent are currently evaluating the usage of a solution.

Figure 3
**ADOPTION OF
E-INVOICING
SOLUTIONS**

Twenty-nine percent of survey respondents reported they are currently utilizing or deploying an e-invoicing solution and 42 percent are evaluating the usage of a solution.



The Evolving Benefits of Electronic Invoicing

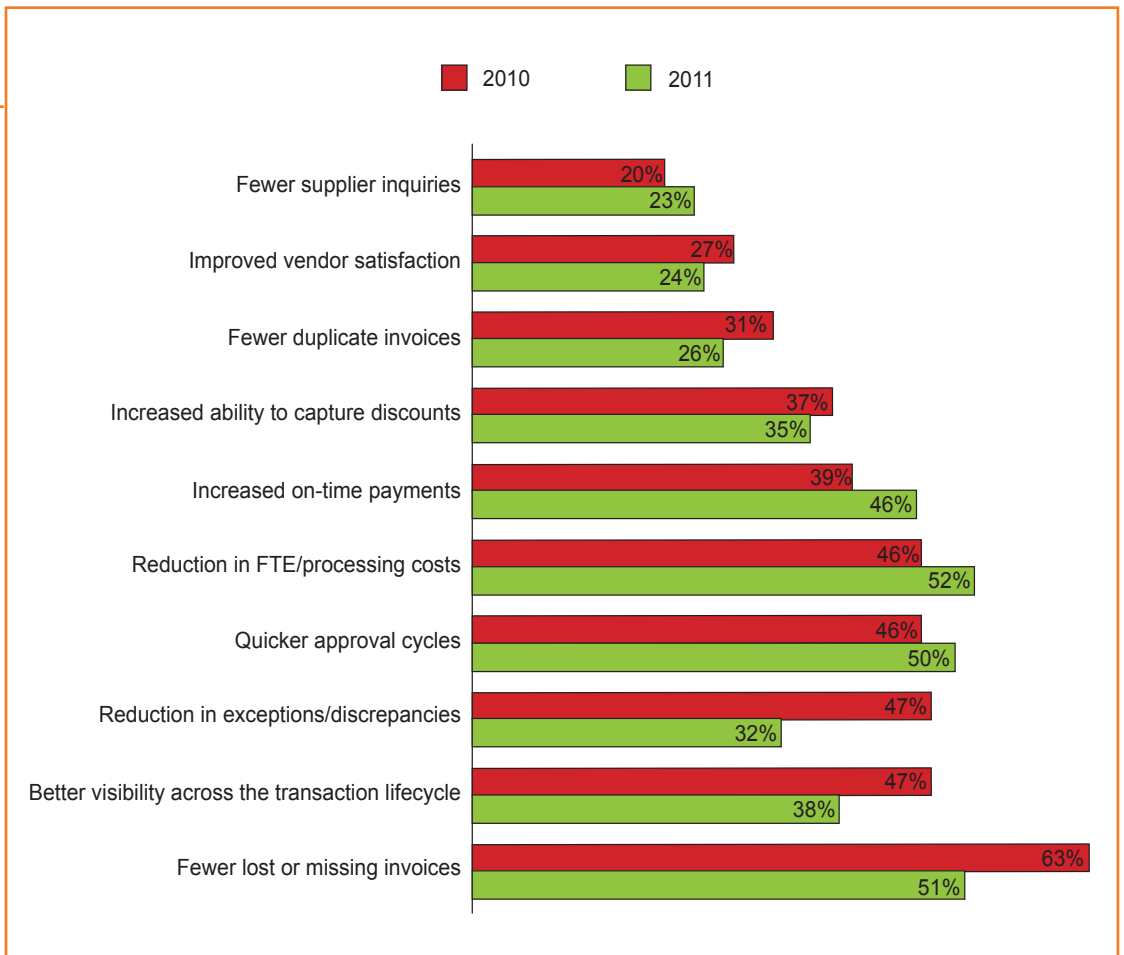
The number of respondents indicating that “improved visibility of transactions was the key benefit of electronic invoicing,” dropped from 47 percent to 38 percent. (See Figure 4). Several other benefit areas also decreased, including “fewer lost invoices,” decreased 12 percent, “reduction in exceptions” decreased 15 percent and “improved vendor relations” decreased 3 percent, when compared to last year.

Notable increases in realized benefits included a reduction in Full Time Equivalent (FTE) costs (up 6 percent,) increased on-time payments (up 7 percent) and quicker approval times (up 4 percent.)

Figure 4

BENEFITS OF ELECTRONIC INVOICING

The benefits of eInvoicing are numerous including fewer lost invoices, quicker approval cycles and increased on-time payments.



Barriers to the Adoption of eInvoicing

Key Insights

- *Perception that current processes work is the key barrier to the adoption of eInvoicing*
- *A continued reliance of paper creates a substantial barrier*
- *Senior leadership is critical for an organization's advancement in eInvoicing solutions*

The three main barriers to eInvoicing, as indicated by the survey are: (1) the current processes work, (2) a lack of budget, and (3) a lack of confidence in the return on investment. (See Figure 5).

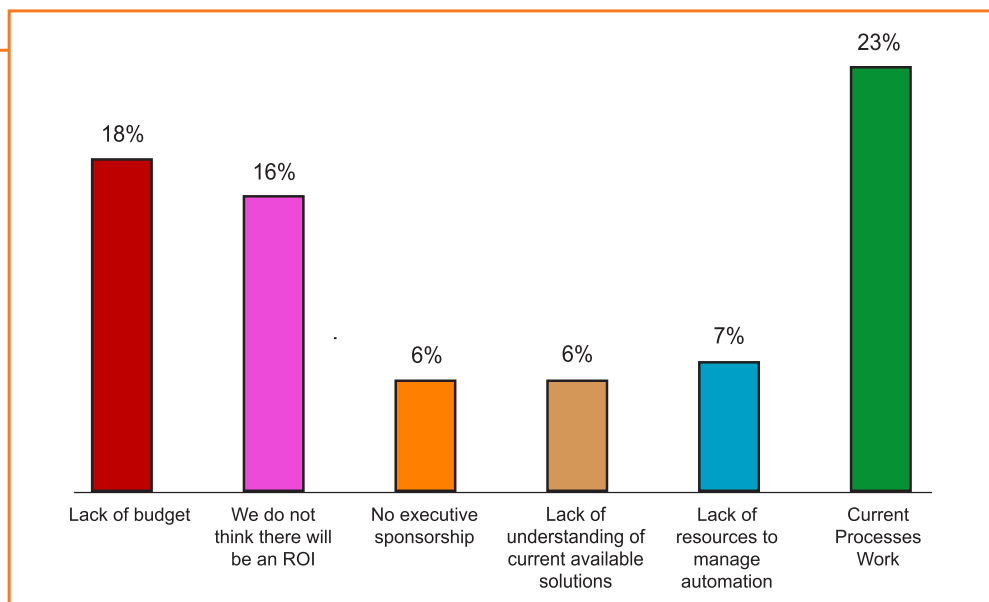
While a lack of executive sponsorship was listed as a barrier in only 6 percent of responding organizations, compared to 21 percent in last year's report, PayStream Advisors believes that executive sponsorship is critical for an organization to take the first steps towards investigating an eInvoicing solution and to removing any internal adoption barriers.

Only 6 percent of survey respondents indicated that the "lack of understanding of current available solutions" was a barrier to the adoption of eInvoicing, down from 12 percent in 2011. This proves that solution providers are being effective in increasing awareness and educating their customer base and prospects on the many benefits of eInvoicing.

Respondents indicating a "lack of budget" as a barrier dropped from 27 percent to 18 percent this year, which suggests that companies are beginning to recognize the cost-reducing benefits of a streamlined and automated invoice process.

Figure 5
BARRIERS TO E-INVOICING ADOPTION

Old habits are hard to break. The belief that current processes work is the number one barrier to eInvoicing adoption, with lack of budget coming in second.

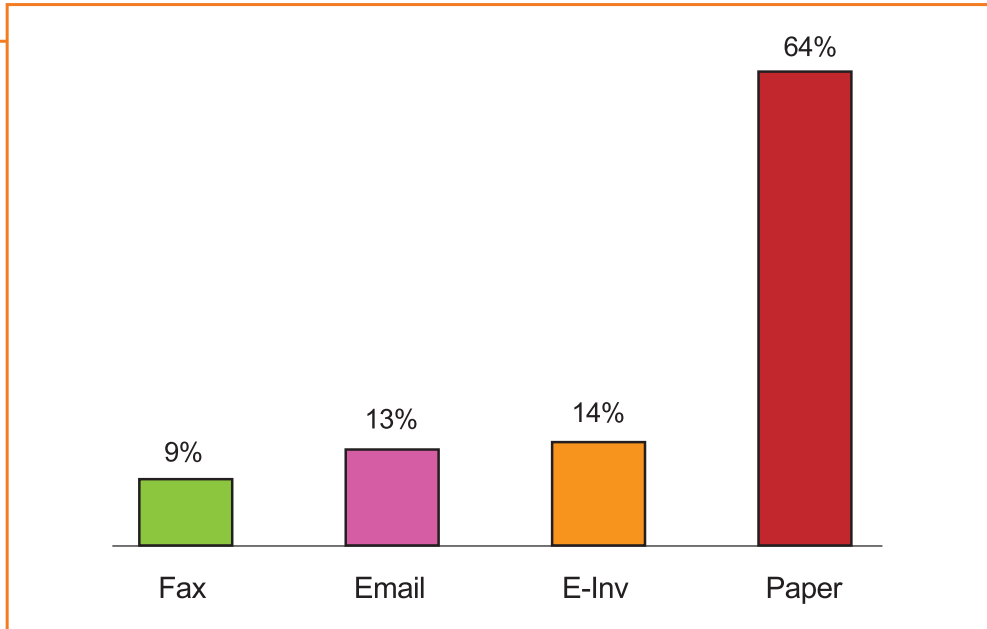


Paper Continues To Dominate

The methods for receiving or sending invoices are still heavily dominated by paper, despite the inherent challenges that a paper-based process creates. Not only does paper increase the need for manual processing, but it is also the enemy of productivity. With many organizations implementing “green” initiatives, the fact that paper accounts for 64 percent, down from 68 percent in 2010, of all methods of invoice exchange is a strong indicator that organizations are entrenched in their current workflow process and may be unable or unwilling to rely on electronic means.

Figure 6
METHODS USED
TO TRADE B2B
INVOICES

Paper still dominates. Sixty-four percent of invoices are traded via paper.



External Change Begins With Internal Change

More than 32 percent of survey respondents indicated that they send more than half of their purchase orders electronically to their suppliers. (See Figure 7). This number, up from 25 percent last year, is a best practice for those organizations wanting to reduce or eliminate their paper dependence on paper.

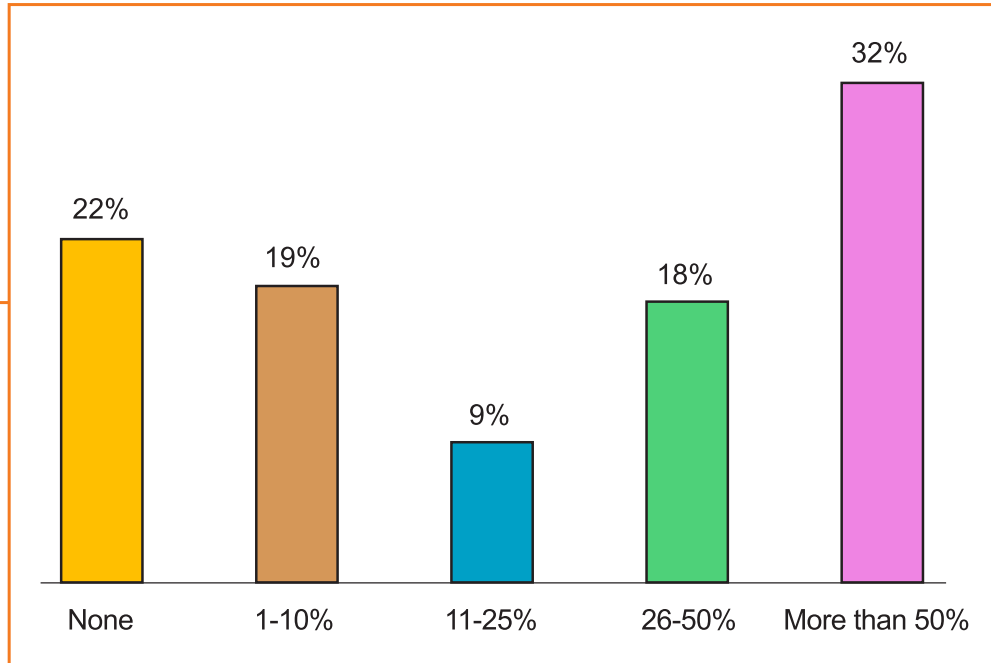
Organizations of all sizes have internal struggles when it comes to managing change. Forcing supplier adoption of eInvoicing can alienate suppliers and cause vendor-supplier relationship issues. Instead of mandating change, organizations should include suppliers and partner organizations in the early stages of implementing an automated invoice workflow.

The benefits of including suppliers in the adoption of eInvoicing can not only help increase their support and feedback, but may lead them to embrace or begin to investigate a similar process in their workflow.

A proven method to increase supplier acceptance of eInvoicing that provides recognizable value to suppliers is the ability to conduct purchase order (PO) flips. With PO flips, suppliers are able to convert POs directly into invoices by drawing data directly from the PO. The PO flip saves time and money for suppliers and produces a more accurate invoice. The more accurate and timely an invoice, the quicker a supplier receives payment.

Figure 7
**ELECTRONIC
PURCHASE
ORDER (PO)
SUBMISSION**

Thirty-two percent of buyers report that over half of the POs they submit to suppliers are done so electronically.

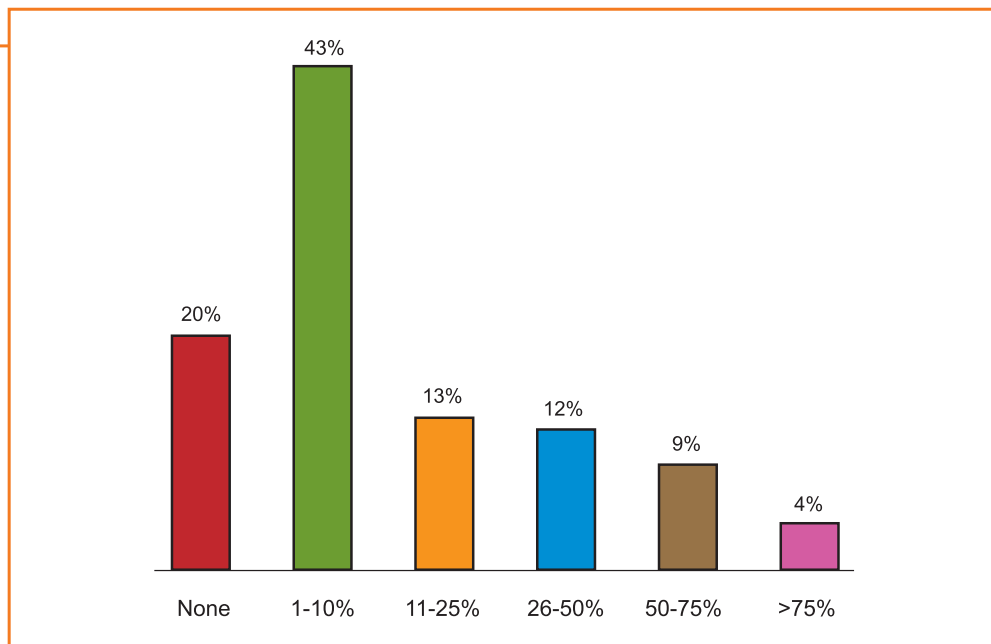


Internal Change Can Also Begin With External Change

Up from 1 percent last year, 4 percent of respondents indicated that more than 75 percent of their suppliers have converted to eInvoicing. (See Figure 8). Those responding that between 50 percent and 75 percent of their suppliers have adopted eInvoicing rose from 2 percent last year to 9 percent in this study. While these percentages are far from a majority, they do suggest a slow and steady improvement in eInvoicing adoption among suppliers.

Figure 8
**PERCENTAGE
OF SUPPLIERS
CONVERTED TO
eINVOICING**

Survey results find a slow and steady increase in e-invoicing adoption among suppliers.



Key Conclusions

- The highest percentage, 57 percent, of AP departments remains centralized - invoices are approved and paid centrally.
- AP automation continues to increase:
 - Twenty-two percent increase in Purchasing Cards from 2010 to 2011
 - Thirteen percent increase in e-Payments from 2010 to 2011
 - Twelve percent increase in Automated Workflow from 2010 to 2011
 - Twelve percent increase in OCR/Automated Data Capture from 2010 to 2011
 - Thirteen percent increase in Front-End Imaging from 2010 to 2011
- Top benefits of eInvoicing is the Reduction in FTE/processing costs - up 6 percent from 2010 to 2011.
- Top barrier to eInvoicing is the belief that current processes work - up 9 percent from 2010 to 2011.
- While the use of paper to trade B2B invoices decreased from 68 percent in 2010 to 64 percent in 2011, it is still the number one method used.
- Thirty-two percent of buyers report that over half of the purchase orders they submit to suppliers are done so electronically.

Research Methodology

During the fourth quarter of 2011, PayStream Advisors conducted its online “eInvoice Adoption Survey” and gathered data from more than 300 U.S enterprises, spanning a wide range of industries and other demographics.

The objective of the survey was to understand the following:

- What challenges are organizations facing with their manual, paper-based invoice and payment management processes?
- What methods are being most widely used to receive invoices from suppliers and to send them payments?
- Are companies increasingly turning to automation to address the existing challenges in AP?
- What technologies are currently being used in the AP department? What benefits do they deliver?
- What impact does technology have on cost containment and productivity enhancement?
- What best practices are innovative companies using to streamline and optimize their AP processes?

Respondents to the survey included the following:

- Job Title: A majority of the respondents were AP Managers (27 percent), followed by Controllers (16 percent), AP and Procurement Professionals, CFOs, and finance executives accounted for most of the rest.
- Company Size: Over half of the respondents (65 percent) were from Small companies, those that were earning less than \$500 million in annual revenues. Medium companies (\$500 million to \$2.5 billion) comprised 21 percent of the survey population and the remaining 14 percent were from Large companies (more than \$2.5 billion in annual revenues).
- ERP System Used: More than a quarter of companies (26 percent) used Oracle/PeopleSoft as their back-end ERP system. The next most popular ERP application was Lawson, with 11 percent of the companies using it, followed by SAP at 10 percent.

ADP Solution Profile

Automatic Data Processing, Inc. (Nasdaq: ADP), with over \$10 billion in revenues and over 570,000 clients, is one of the world's largest providers of business outsourcing solutions. ADP Procure-to-Pay (P2P) Solutions delivers comprehensive solution functionality starting with purchase order integration and electronic invoicing and extending to approval workflow, discount management, price compliance and payment automation. ADP's easy-to-use solutions accelerate and optimize client's invoice and payment management processes and provide superior value to companies of all types and sizes. More than 50,000 users in over 50 countries process in excess of 10 million transactions and \$50 billion in spend annually through the P2P network.

Table 1
ADP SOLUTION
PROFILE

Company	Automatic Data Processing, Inc
Website	www.adp.com/p2p/index.htm
Founded	1949
Headquarters	Roseland, NJ
Employees	47,000
2011 Revenues	\$10 billion
Solution Name	Procure-to-Pay
Customers	570,000+ total, Under 100 for Procure-to-Pay
Annual Transaction Volume	Over 10 million invoices
Industry Segments	Oil & Gas, Energy, Retail, Hospitality, Real Estate, etc.
Key Accounts	Confidential
Awards/Recognitions	#1 on Fortune's Most Admired Companies, 2010; Aberdeen Group's Top 100 Most Influential Technology Vendors for 2009; International Council of Customer Service Organization Awards Recognitions: (ICCSO)-International Excellence Award, 2009

The Procure-to-Pay platform is SaaS-based (Software-as-a-Service), which means it is fully hosted and supported by ADP with no requirement for clients to install hardware or software. The ADP solution comes bundled with a shared supplier network and the company works closely with clients to onboard their suppliers. Depending on the extent of support required in this area, ADP delivers a suite of supplier recruitment services that clients can leverage as well as offers a self-registration tool for suppliers.

About PayStream Advisors, Inc.

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the Web at www.paystreamadvisors.com.

Online Resources

- Free Reports
- Software Directory
- Technology Solution Profiles
- End-User Case Studies

Advisory Services

- Assess your current state
- Develop your business case
- Create and manage your RFP
- Review and select the perfect vendor

Search for Accounts Payable Solutions!

www.paystreamadvisors.com/solutions

SEARCH BY FUNCTION:

Business Process Management
Business Process Outsourcing
Dynamic Payables Discounting
E-Procurement
Supply Chain Management
Enterprise Content Management
Imaging/Workflow/Document Mgmt.
Purchasing Card (P-Card)
Recovery Audit Services/Solutions
Supplier Electronic Payments
Contract Management/Payment Review

- Free, Online Service.
- It's built upon PayStream's proven, in-depth research.
- Receive a CUSTOM Buyer's Guide packed with industry trends, selection tips, and in-depth solution profiles of qualified vendors.