



# An Introduction to ePayables

Understanding Accounts  
Payable Automation

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# Understanding ePayables

- ❑ What Does “ePayables” Mean?
- ❑ The CPG Business Environment
- ❑ A Focus on A/P Automation
  - ❑ Pressures and Responses
  - ❑ Defining Best-in-Class Performance
  - ❑ Capability and Technology Gaps
- ❑ Driving Savings and Justifying Investment
- ❑ First Steps
- ❑ Wrap-Up

# What Does “ePayables” Mean?

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- The documents and processes associated with paying suppliers for goods delivered or services rendered.

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## □ ePayables

- The *electronic* documents and *automated* processes associated with paying suppliers for goods delivered or services rendered.

# What Does “ePayables” Mean?

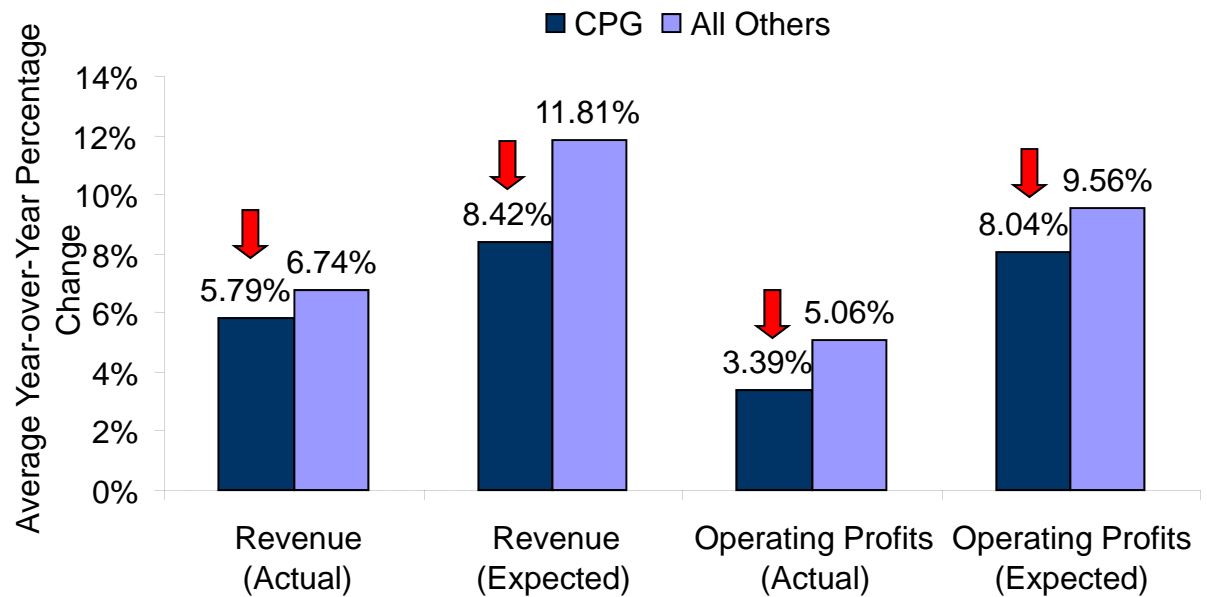
- ❑ Accounts Payable Documents
  - ❑ Contract
  - ❑ Purchase Order
  - ❑ Invoice
  - ❑ Goods Receipt

# What Does “ePayables” Mean?

- ❑ Accounts Payable Documents
  - ❑ Contract
  - ❑ Purchase Order
  - ❑ Invoice
  - ❑ Goods Receipt
  
- ❑ Accounts Payable Processes
  - ❑ Invoice Receipt
  - ❑ *Imaging* – converting a paper document to a digital image
  - ❑ *Scanning and Data Capture* – converting a digital image into usable data
  - ❑ Reconciliation
  - ❑ *Approval Workflow*
  - ❑ Vouchering and Payment

# The CPG Business Environment

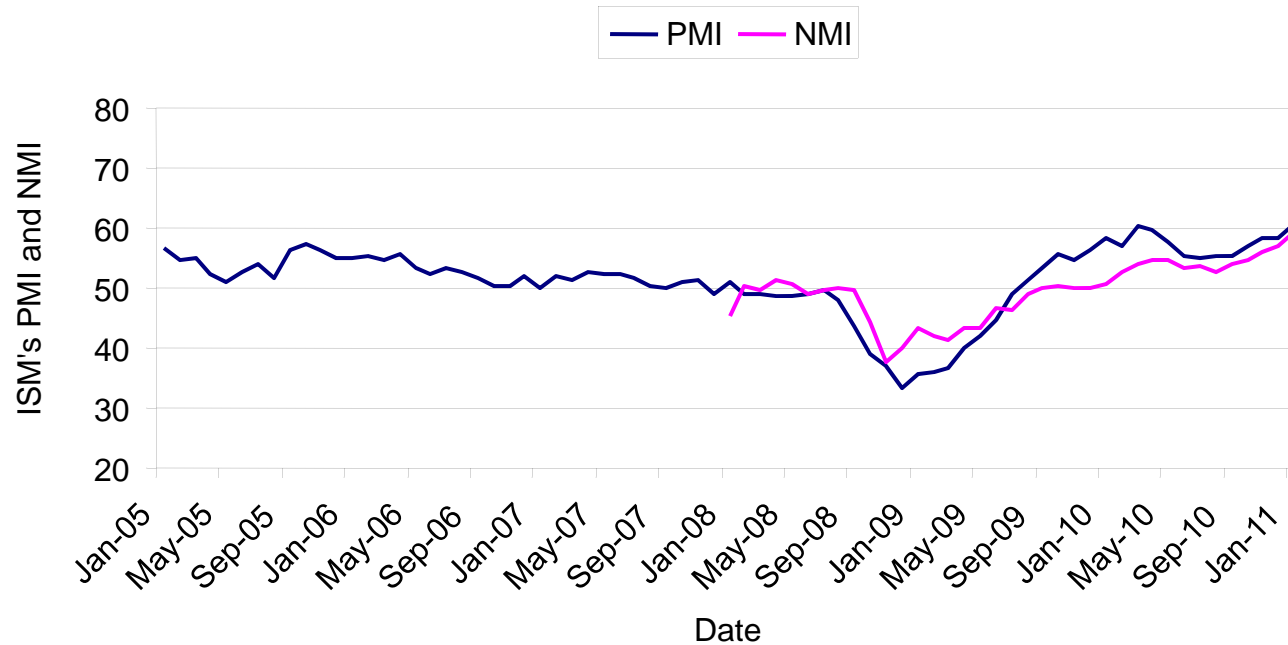
## Year-over-Year Performance Comparison



Source: Aberdeen Business Review, Q4 2010

# The CPG Business Environment

## Sector Performance Indices

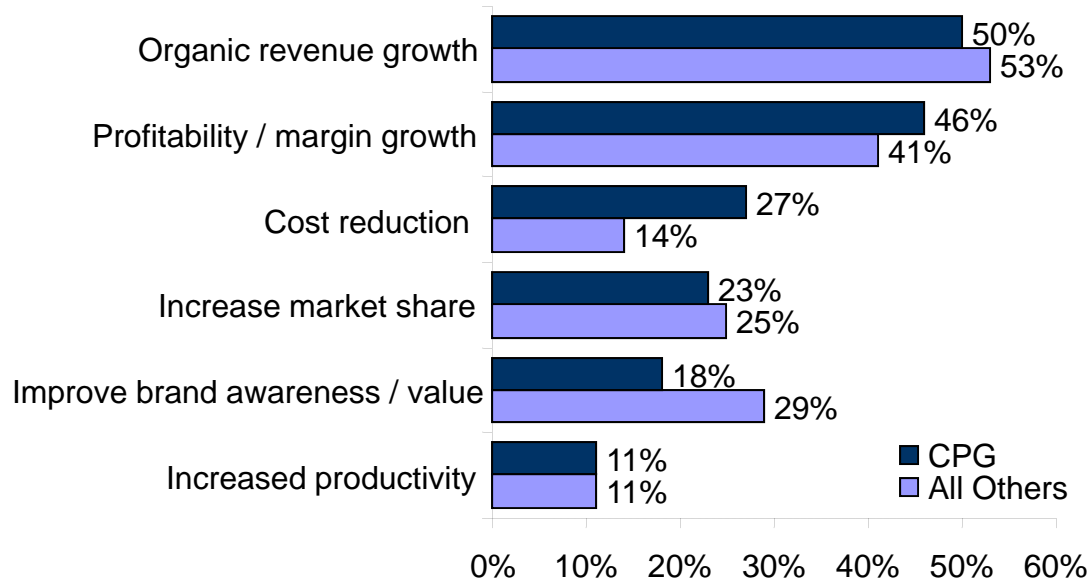


Source: Institute for Supply Management Historical Data

**Note:** A PMI or NPI above 50 indicates expansion; below 50 indicates contraction

# The CPG Business Environment

## Goals for 2011



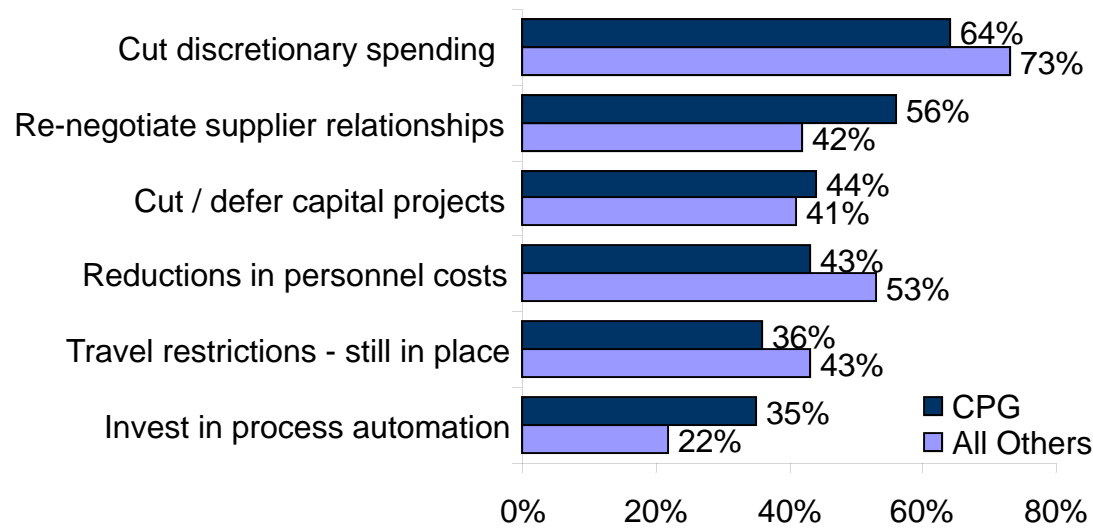
Percentage of Respondents, n = 1577

Source: Aberdeen Business Review, Q4 2010

For **Apparel** (in CPG) and **Retailers** (in Others) the focus on brand awareness/value was more frequently cited than for their respective groups.

# The CPG Business Environment

## Cost Savings Efforts Undertaken



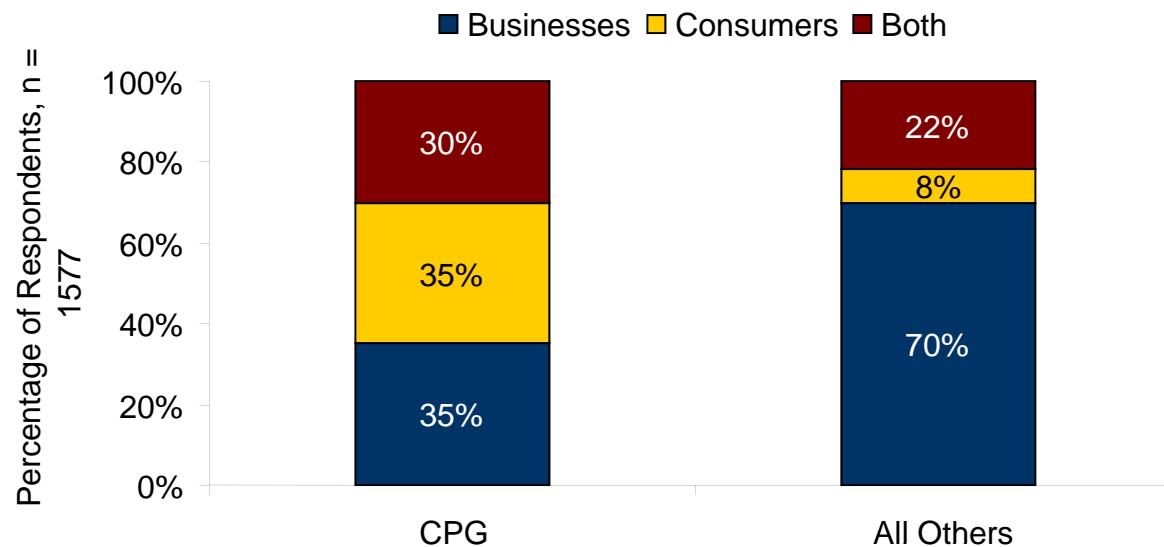
Percentage of Respondents, n = 1577

Source: Aberdeen Business Review, Q4 2010

Currently using Supplier Relationship Management application: **33% of CPG** vs. **16% of others.**

# The CPG Business Environment

## Targets of Marketing Efforts

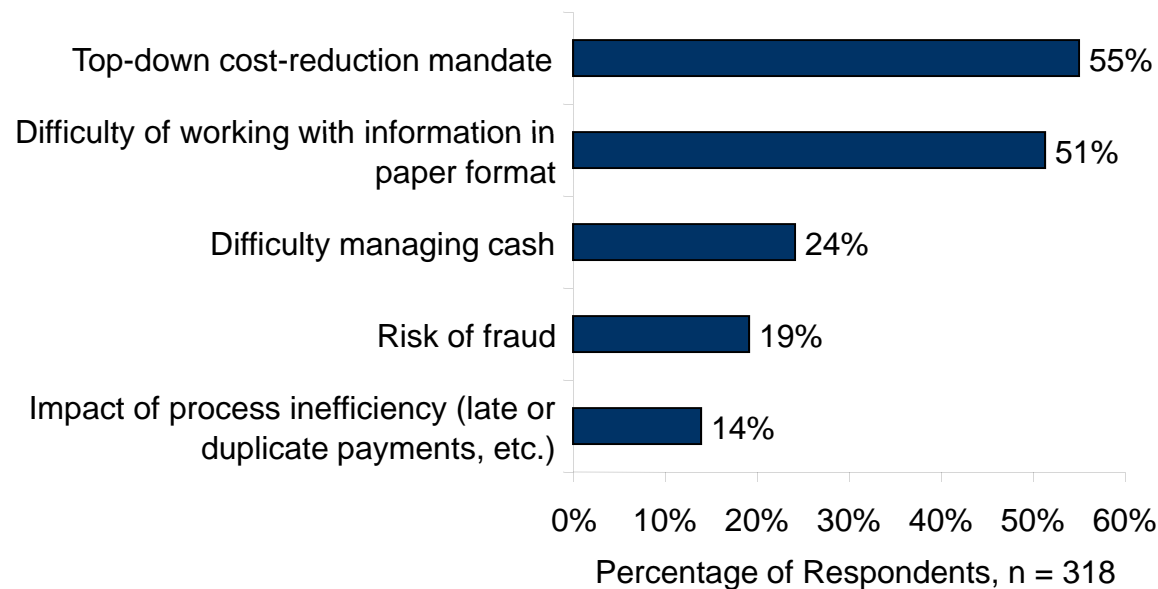


Source: Aberdeen Business Review, Q4 2010

**Impacts of consumer focus:** changing preferences, customization, product mix, competitive pricing, relative power of retailers

## A Focus on A/P Automation

### Pressures Driving a Focus on A/P Improvement

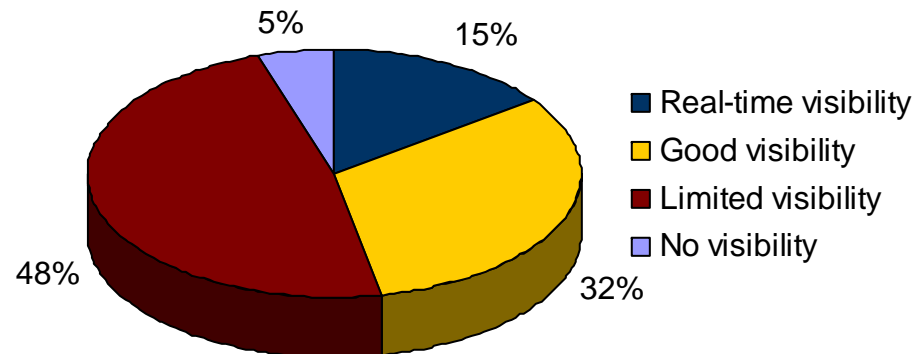


Source: Aberdeen Group *E-Payables 2010*, August 2010

**Prevalence of Paper:** Even for Best-in-Class enterprises, **60%** of all incoming invoices were paper-based. The average was 72% across all respondents.

## A Focus on A/P Automation

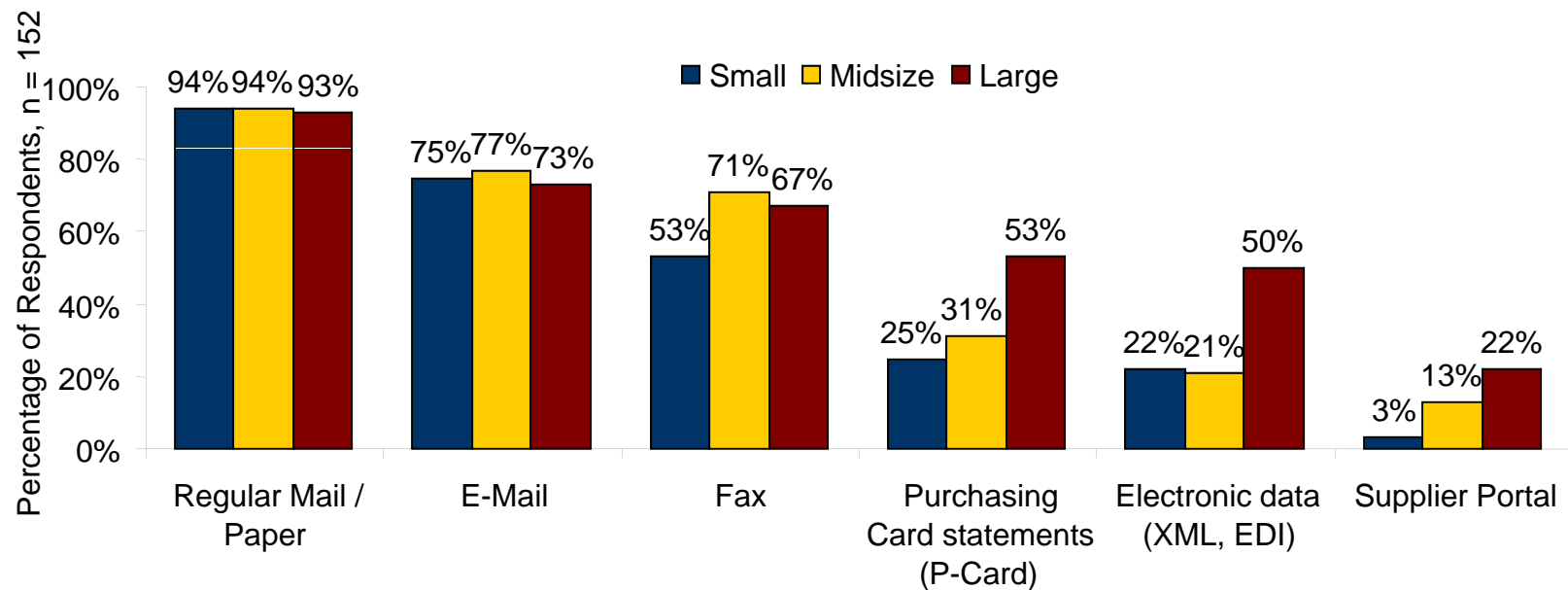
### Visibility into AP Operations and Processes



**Additional Room for Improvement:** 64% of Best-in-Class enterprises stated they had Good or Real-Time visibility of AP operations and processes, as compared to 44% of other respondents.

## A Focus on A/P Automation

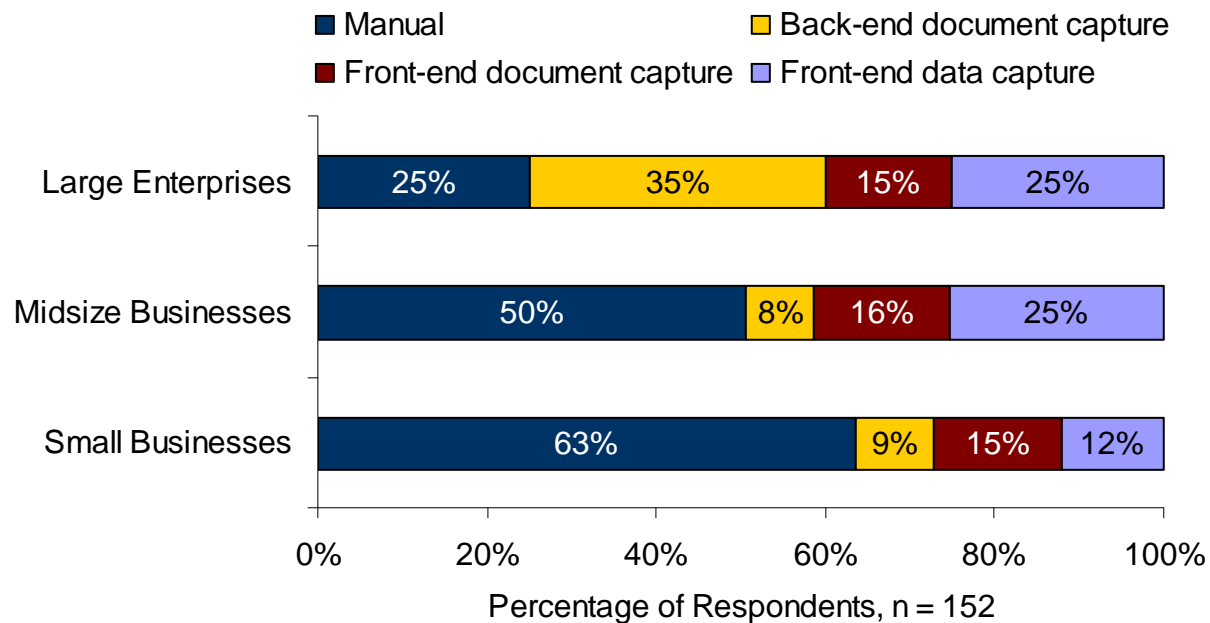
Sources of Incoming Invoices



**Scale and Complexity:** Small businesses reported receiving invoices at an average of 5 separate locations – while that number jumps to nearly 26 for large enterprises.

# A Focus on A/P Automation

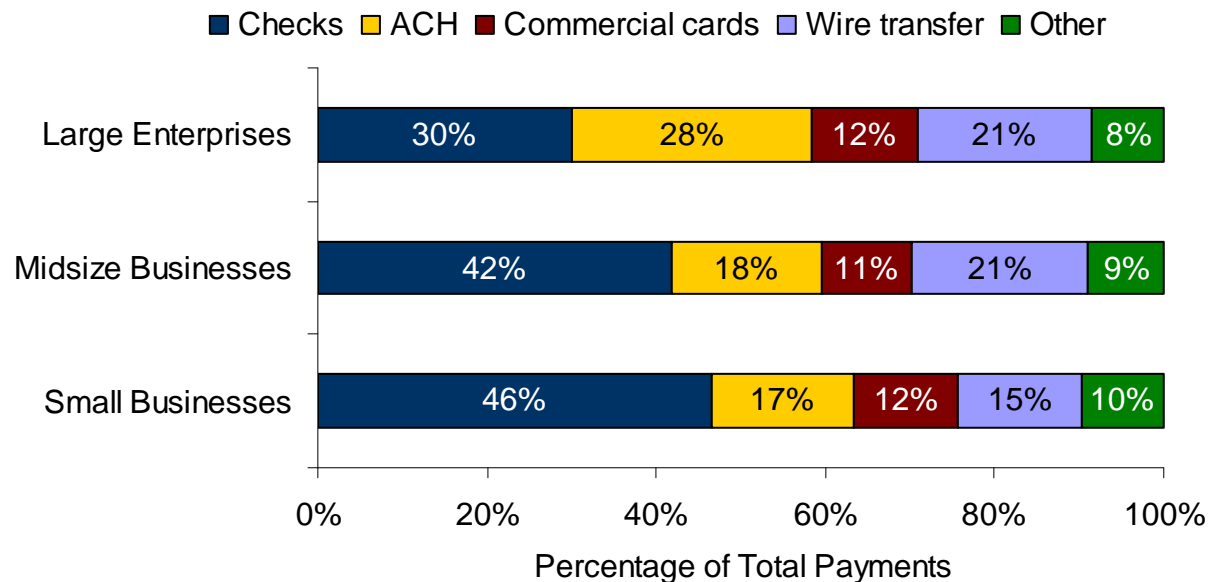
## Methods of Invoice Processing



Companies employing front-end data capture reported invoice processing times **26% faster** than those using front-end document capture, and **51% faster** than those who processed invoices manually.

## A Focus on A/P Automation

### Types of Outgoing Payments



Behind cost and inefficiency, **risk of fraud** was the third most frequently cited pressure for small businesses. Their concerns are well-founded: check-based payments were also the type most frequently associated with fraud, experienced by 28% of respondents in the past year.

# A Focus on A/P Automation

## Defining Best-in-Class Performance

Definition of Maturity Class	Mean Class Performance
<b>Best-in-Class:</b> Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> <li>□ \$4.84 cost to process a single invoice</li> <li>□ 3.7-day cycle time to process a single invoice</li> </ul>
<b>Industry Average:</b> Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> <li>□ \$18.27 cost to process a single invoice</li> <li>□ 14.2-day cycle time to process a single invoice</li> </ul>
<b>Laggard:</b> Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> <li>□ \$25.83 cost to process a single invoice</li> <li>□ 41.3-day cycle time to process a single invoice</li> </ul>

**The Benefits of Process Efficiency:** The Best-in-Class capture early payment discounts on more transactions (8.8% vs. 6% for others), and incur late payment penalties on fewer (2.5% vs. 3.2%).

# A Focus on A/P Automation

## Competitive Framework – Part One

	Best-in-Class	Industry Average	Laggards
<b>Process</b>	Clear policies for invoice receipt-to-payment workflow		
	59%	40%	27%
<b>Organization</b>	Executive support for imaging and workflow automation		
	46%	34%	21%
<b>Knowledge</b>	System-level controls for segregation of duties for each transaction		
	54%	36%	31%
	Complete audit trails on demand		
	46%	30%	29%

# A Focus on A/P Automation

## Competitive Framework – Part Two

	Best-in-Class	Industry Average	Laggards
<b>Technology</b>	Automation of header data validation / duplicate invoice verification		
	54%	24%	22%
	A/P solutions providing:		
	<ul style="list-style-type: none"> <li>❑ 68% - Payment scheduling</li> <li>❑ 42% - Spend analytics (for invoices)</li> <li>❑ 42% - Electronic invoice enablement (XML/EDI)</li> <li>❑ 33% - Complete A/P automation</li> <li>❑ 32% - EIPP</li> </ul>	<ul style="list-style-type: none"> <li>❑ 47% - Payment scheduling</li> <li>❑ 29% - Spend analytics (for invoices)</li> <li>❑ 22% - Electronic invoice enablement (XML/EDI)</li> <li>❑ 22% - Complete A/P automation</li> <li>❑ 7% - EIPP</li> </ul>	<ul style="list-style-type: none"> <li>❑ 45% - Payment scheduling</li> <li>❑ 15% - Spend analytics (for invoices)</li> <li>❑ 19% - Electronic invoice enablement (XML/EDI)</li> <li>❑ 17% - Complete A/P automation</li> <li>❑ 7% - EIPP</li> </ul>
<b>Performance</b>	Processes in place to measure compliance with workflow		
	36%	23%	8%
	Dashboards for overview of A/P processes (outstanding invoices, number of exceptions, etc.)		
	27%	15%	8%

# Driving Savings and Justifying Investment

## Implications of Performance Differences

Measure	Best-in-Class	All Others
Number of invoices processed per month	14,080	9,409
Value of invoices processed per month	\$67.8m	\$45.9m
Percent of invoices that are PO-based	63.1%	62.0%
Invoice processing cost (single)	\$4.84	\$20.13
Annual invoice processing cost	\$817,644	\$2,273,076
Annualized benefit of Best-in-Class performance	n/a	\$1,726,656
Payments receiving early payment discount	8.8%	6.0%
Annualized impact of 1% gain in early payment discount capture (at 2/10 net 30)	\$164,795	\$110,051
Annualized benefit of Best-in-Class performance	n/a	\$308,143

# Driving Savings and Justifying Investment

## Implications of the Choice of Payment Method

	Payment Method	Cost per Transaction
<b>Paper</b>	Paper Checks	\$7.15
<b>Electronic</b>	ACH	\$4.72
	Commercial Cards	\$3.96
	Wire Transfer	\$9.86

Measure	Overall
Number of invoices processed per month	10,367
Invoice-to-Payment Conversion	92%
Payments per Month	9,537
Paper check payments (@45%)	4,296
Annual cost of check payments	\$368,597
Annualized benefit of switching 1% check to ACH (95 payments per month)	\$2,781

## First Steps

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- ❑ Review current receipt and approval policies and identify major program gaps.
- ❑ Measure compliance to enterprise invoice / purchasing policies.
- ❑ Engage upper management in strategic and technological A/P initiatives.
- ❑ Investigate electronic invoicing for a streamlined A/P program.

## Wrap-Up

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- ❑ Key elements to keep in mind are:
  - ❑ The form of incoming invoices
  - ❑ The method for handling paper invoices
  - ❑ The rules in place governing the approval process
  - ❑ The choice of payment type

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  - ❑ The rules in place governing the approval process
  - ❑ The choice of payment type
- ❑ Focus on process first: the goal is to do the *right* things more efficiently

# About ADP

- **Automatic Data Processing, Inc. (ADP)**
  - Global leader in business outsourcing solutions
  - Over 570,000 clients worldwide; 50+ MM employees served
  - \$1.3 Trillion in client funds moved
  - World Class, secure payment environment
  - Leading the industry in compliance accuracy
  - 1 of 4 AAA rated U.S. Industrial Companies
- **ADP Procure-to-Pay Solutions**
  - End-to-end integrated solution for purchasing and payables
  - Modular solution allowing clients to pick and choose functionality
  - Solution offerings allow clients to start small and scale up
  - Price compliance and electronic receipt capabilities increase control
  - Continuous enhancement based on client usability and feedback
  - 100% success rate in implementations

**Offering tight controls, financial stability and AAA credit rating  
as the foundation for establishing long-term partnerships**

# Moving from Paper to Electronic Invoices

## Problem

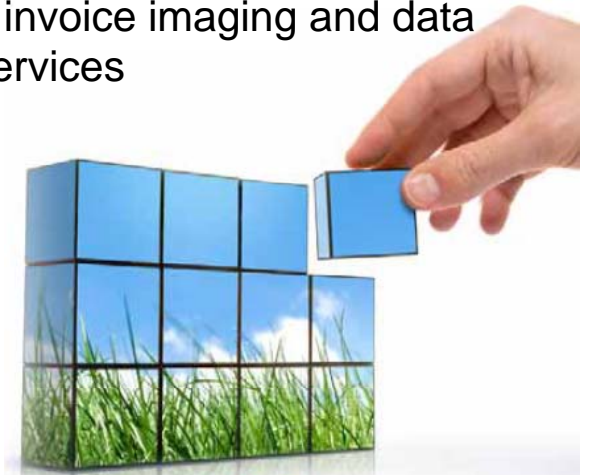
### Paper invoices and manual processes

- Invoices received in paper format
- Manual routing and approval
- Lack of visibility into invoices
- Lost and missing invoices
- Lengthy processing cycles
- High cost of invoice processing
- Errors and exceptions

## Solution

### ADP Invoice

- Shared supplier network with thousands of supplier transacting
- Comprehensive suite of supplier enablement services
- Range of electronic invoicing methods for all suppliers
- Robust workflow capabilities for routing and approval of invoices
- Outsourced invoice imaging and data extraction services



# No More Missing Goods/Services Receipts

## Problem

### Missing goods/services receipt information

- Manual process for entering receipt information
- Inability to reconcile information on invoices with receipts
- Lack of receipt details increases processing times

## Solution

### ADP Receipt

- Fully integrated with ADP Invoice
- Suppliers can enter receipt detail in portal, which is then sent to buyers for review and approval/dispute
- Goods/services receipt information entered into system promptly
- Matching of invoices to receipts at the line-item level
- Immediate visibility into spend for budgeting purposes
- Pay on receipt for true ERS



# Ensure Compliance with Negotiated Prices

## Problem

### Lack of compliance with contract pricing

- Procurement negotiates contracts but AP is unable to verify contract pricing on invoices
- Suppliers over charge for goods and services
- Manual processes and paper invoices make it very difficult to ensure contract compliance

## Solution

### ADP Invoice

- Load and maintain price books and pricing information within the system
- Leverage ADP's experienced service team to load and update price lists
- Automatically check invoice prices against contract prices
- Ensure compliance at the line-item level
- Identify and reduce off-contract pricing at the source



# Maximize Early Payment Discounts

## Problem

**Lengthy processing cycles lead to late payments and missed discounts**

- Procurement negotiates discounts but AP is unable to process invoices on time
- Lengthy approval cycles lead to late payments and missed discounts

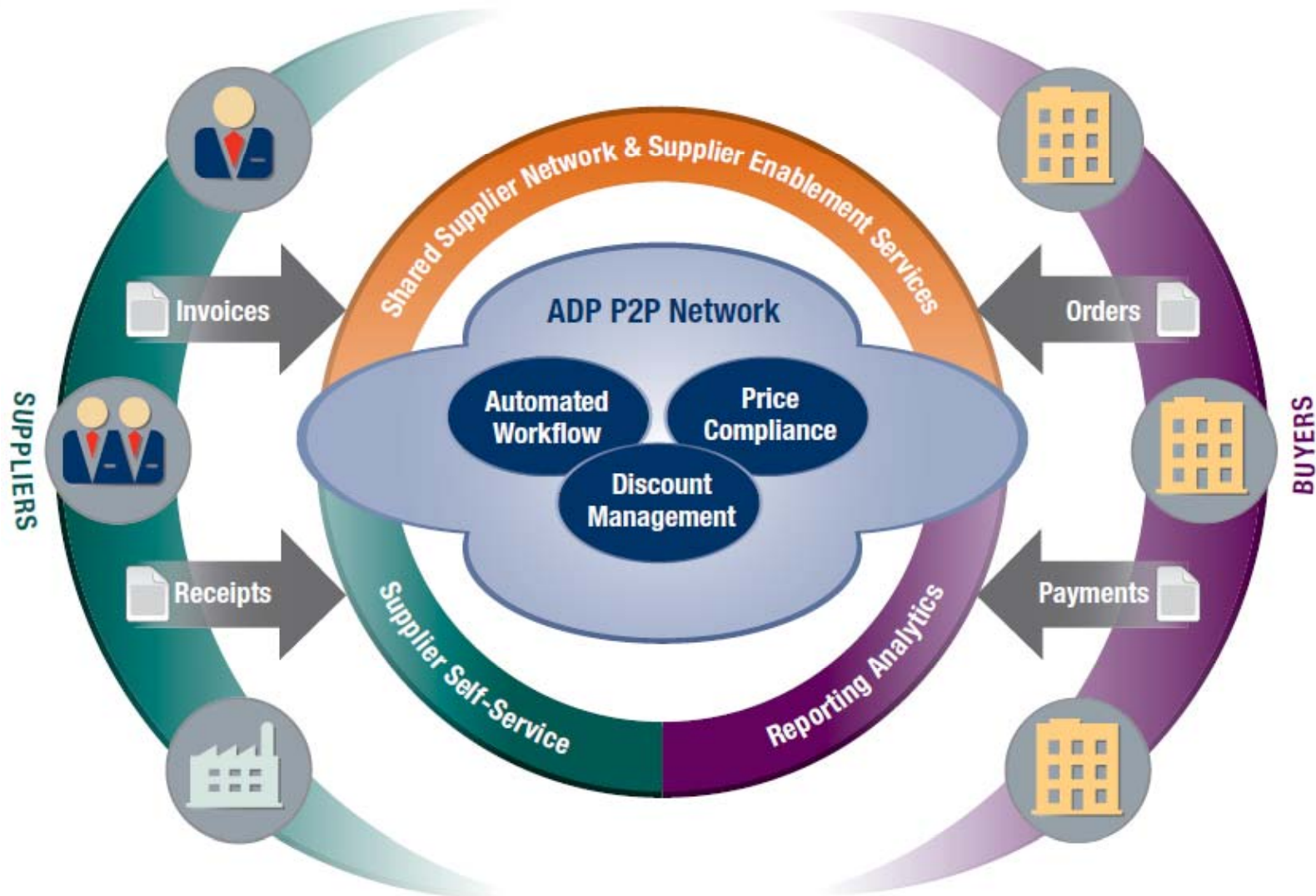
## Solution

### ADP Invoice

- Electronic invoicing and automated workflow significantly compress the invoice processing cycle
- Easily see invoices available for discounts through alerts and notifications
- Add-on dynamic discounting module enables buyer organizations to capture incremental discounts



# ADP Procure-to-Pay – A Complete Solution



## Other Webinars in This Series

- ❑ **Making Progress – Best Practices for Performance Improvement and Supplier Participation**
- ❑ Wednesday, April 27th at 2:00pm ET
  
- ❑ **Advanced Topics in A/P Automation – Improving Savings, Accuracy, and Compliance**
- ❑ Wednesday, June 22nd at 2:00pm ET
  
- ❑ Attend all three webinars and receive a gift card





## Questions?

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