



# Advanced Topics in A/P Automation

Improving Savings, Accuracy,  
and Compliance

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**Scott Pezza**

Senior Research Associate  
Aberdeen Group

**Sush Koka**

Senior Director, Product Marketing  
ADP Procure-to-Pay Solutions



## Advanced Topics in A/P Automation

*~ On the Agenda ~*

A Closer Look at Savings

The Impact of Accuracy (and How to Improve It)

A P2P Perspective on Compliance

Payables Series Wrap-Up

# A Closer Look at Savings



- ❑ Direct Costs
  - ❑ Labor
  - ❑ Transaction-Specific
  - ❑ System / IT

# A Closer Look at Savings



## □ Direct Costs

- Labor → Process Efficiency
- Transaction-Specific → Alternative Forms
- System / IT → Pricing & Deployment

# A Closer Look at Savings



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- ❑ Transaction-Specific → Alternative Forms
- ❑ System / IT → Pricing & Deployment

## ❑ Indirect Costs

- ❑ Missed Discounts
- ❑ Inflated Purchase Price

# A Closer Look at Savings



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- ❑ Transaction-Specific → Alternative Forms
- ❑ System / IT → Pricing & Deployment

## ❑ Indirect Costs

- ❑ Missed Discounts → Improved Capture
- ❑ Inflated Purchase Price → Procurement Collaboration



# Tackling the Direct Costs

- ❑ Labor
  - ❑ Invoices per FTE
  - ❑ Adjusting for Complexity (Line Items per Invoice)
  
- ❑ Transaction-Specific
  - ❑ Stock and Postage
  - ❑ Payment Fees (for you and your supplier)
  
- ❑ System / IT
  - ❑ Software Costs
  - ❑ Support / Maintenance

# Addressing the Indirect Costs



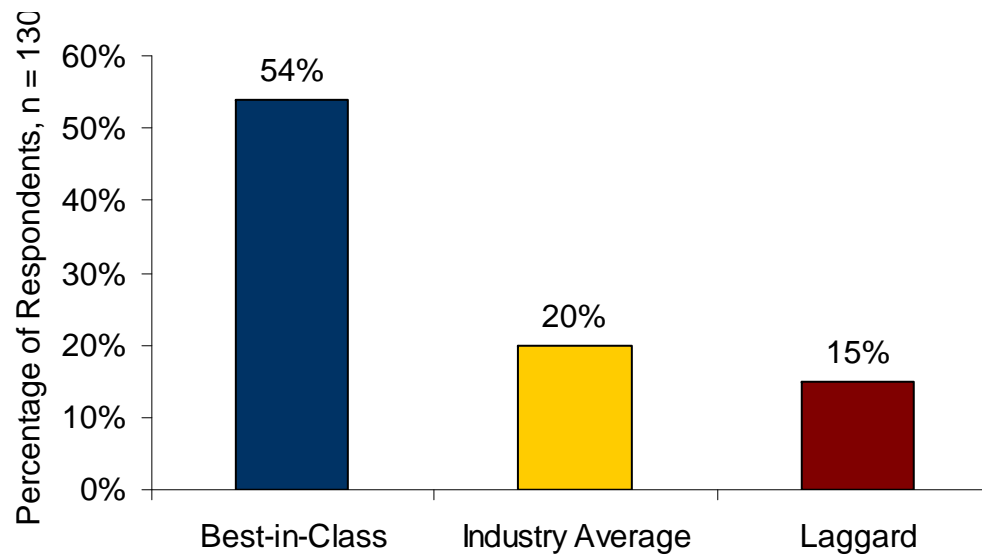
- ❑ Missed Discounts
  - ❑ Traditional Terms (ex. 2/10 Net 30)
  - ❑ Pre-negotiated Discount Scale
  - ❑ Dynamic Discounting
  
- ❑ Inflated Purchase Price
  - ❑ Overcharges
  - ❑ Upward Pricing in Procurement



# Addressing the Indirect Costs



Current Usage of Dynamic Discounting



# By the Numbers



## A Closer Look at Savings

Electronic Invoices: \$6.58 | Paper-Based Invoices: \$17.41

Metric	Best-in-Class	All Others
<i>Current Performance</i>		
Invoice Processing Time	3.8 days	13.3 days
Invoice Processing Cost	\$3.09	\$20.09
Early Payment Discount Capture	34%	19%
Invoices per FTE per Month	1,137	1,192
Line Items per FTE per Month	84,859 (@ 75 per Invoice)	36,551 (@ 31 per Invoice)
<i>Year-Over-Year Improvements</i>		
Invoice Processing Time	-20%	-11%
Early Payment Discount Capture	+4.1%	+1.2%
Late Payment Penalty Rate	-1.8%	-1.2%



# The Impact of Accuracy

- ❑ Sources of Information
  - ❑ Purchase Order
  - ❑ PO Confirmation & ASN
  - ❑ Receipt Document
  - ❑ Invoice



# The Impact of Accuracy

## ❑ Sources of Information

- ❑ Purchase Order → Procurement / LOB
- ❑ PO Confirmation & ASN → Supplier
- ❑ Receipt Document → Receiving / LOB
- ❑ Invoice → Supplier



# The Impact of Accuracy

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## ❑ The Meaning of Accuracy

- ❑ Items
- ❑ Quantity (within accepted variance)
- ❑ Quality
- ❑ Prices
- ❑ Terms (Discounting, Delivery, Timing, etc.)



# The Impact of Accuracy

- ❑ Internal: Methods for Improvement
  - ❑ Reduction of Manual Data Entry / Re-Entry
  - ❑ Systems Integration
  - ❑ Data Management and Cleansing
    - ❑ Vendor Master
    - ❑ Item Master



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- ❑ External: Methods for Dealing with Inaccuracies
  - ❑ Review and Verification
  - ❑ Policies to Increase Reviewable/Verifiable Data
    - ❑ “No PO, No Pay”
    - ❑ Enforcement of invoice and receipt data requirements



# By the Numbers

## *The Impact of Accuracy*

18,131 Invoices per Month | 6,129 Active Suppliers

	Best-in-Class	Industry Average	Laggards
<i>Performance Measures</i>			
Invoice Error Rate	6%	11%	12%
Invoice Exception Rate	12%	17%	30%
<i>Current Capabilities</i>			
Compare Invoice vs. Contract Prices	56%	34%	23%
Compare Invoice vs. Contract Terms	57%	34%	17%

### *Suppliers' Point of View*

8.5% of Invoices Disputed or Paid with Deductions

21% of All Disputes Are Valid





# A P2P\* Perspective on Compliance

- ❑ Contractual Compliance
  - ❑ Negotiated Prices
  - ❑ Negotiated Terms

\* Here, P2P refers to “Procure-to-Pay”, specifically including procurement and sourcing activity, rather than the more limited “Purchase-to-Pay” which is normally AP-focused.



# A P2P\* Perspective on Compliance

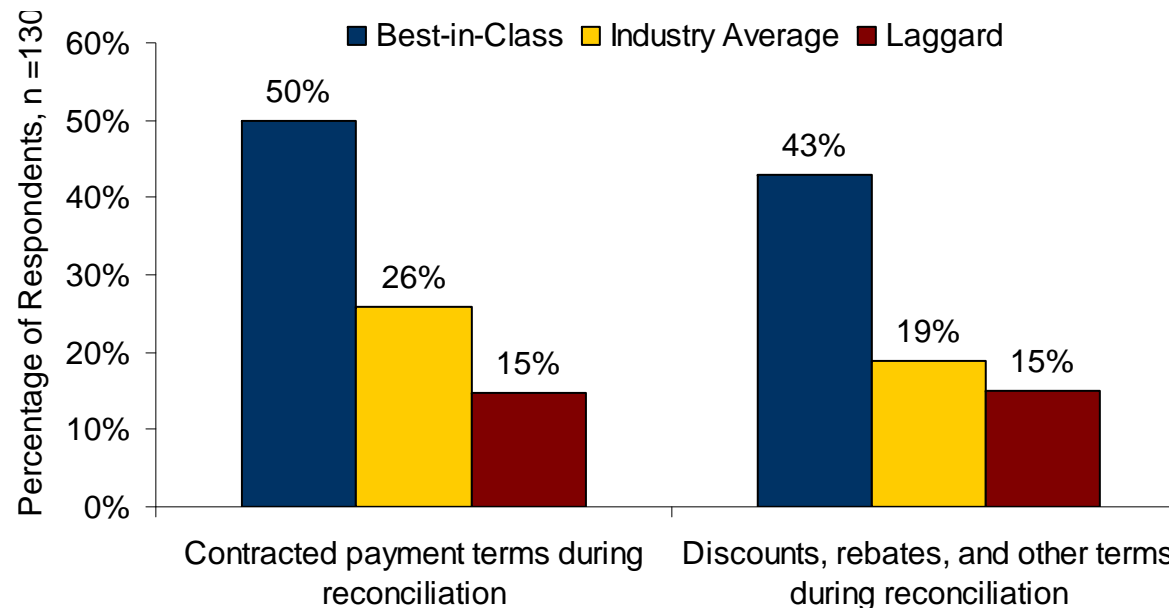
- ❑ Contractual Compliance
  - ❑ Negotiated Prices
  - ❑ Negotiated Terms
  
- ❑ Procedural Compliance
  - ❑ Purchase Order Creation and Approval
  - ❑ Receipt Documentation
  - ❑ Invoice Review and Approval
  - ❑ Payment / Settlement

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# A P2P\* Perspective on Compliance

## Self-Assessment of Good to Real-Time Visibility



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## By the Numbers



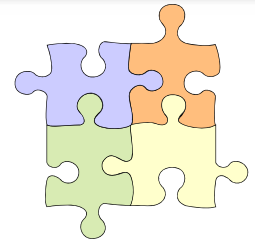
### *A P2P Perspective on Compliance*

**Best-in-Class companies contained leakage to just 0.26%,  
realizing a full savings of 12% on non-payroll spend**

#### *Average Savings Performance (Strategic Sourcing, March 2011)*

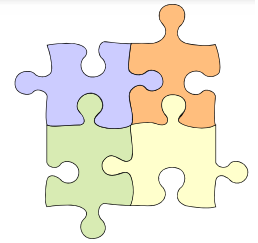
Potential Savings Identified by Procurement During Sourcing	6.4%
Actual Savings Realized / Implemented	3.7%
Difference: Savings Leakage	2.7%

## Payables Series Wrap-Up

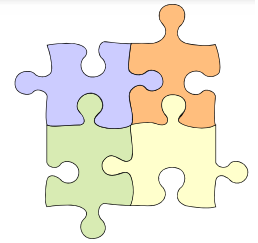


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## Payables Series Wrap-Up

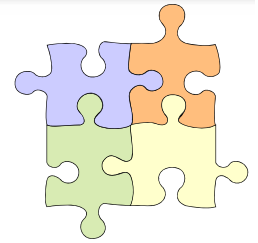


- ❑ E-Payables refers to the *electronic* documents and *automated* processes associated with paying suppliers for goods delivered or services rendered.
- ❑ Top-performing companies process invoices faster than others, driving down labor costs and enabling them to capture a greater volume of early payment discounts.



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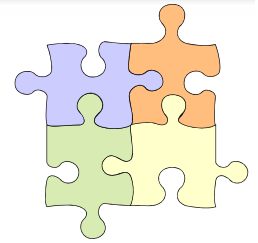
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- ❑ Accounts payable helps to translate negotiated savings into realized benefits to the bottom-line.





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- ❑ In order to ensure accuracy in accounts payable, the organization must provide ready access to information from procurement and receiving.
- ❑ Accounts payable helps to translate negotiated savings into realized benefits to the bottom-line.
- ❑ Best-in-Class AP organizations blend advanced capabilities and technologies to speed processing, improve accuracy, and provide executive visibility.

# ADP Company Background

- Website: [www.adp.com](http://www.adp.com)
- Year Established: 1949
- Public Company: Nasdaq: ADP
- FORTUNE 500 Ranked
- Revenues: ~\$9 billion
- Headquarters: Roseland, NJ
- Employees: 45,000 Worldwide
- Clients: >560,000 in 60 countries
- Over 80 percent of FORTUNE 500 companies and over 90 percent of FORTUNE 100 companies use at least one of ADP's services

## Core Strengths

*10+ years average client tenure*

*90% client retention rate*

*\$1.3 trillion client funds moved annually*

*1 of 4 AAA rated U.S. companies*

*Integrated solutions from single provider*

*World class, secure payment environment*

# ADP Procure-to-Pay Solutions

- Website: [www.adpinvoice.com](http://www.adpinvoice.com)
- Previously called DO2 Technologies
- Year Established: 2000
- Acquired by ADP in January 2010
- Location: Houston, TX
- Clients: Less than 100 buyer organizations
- Software-as-a-Service (SaaS) solution model
- P2P Network Metrics:
  - 8.5 million invoices annually
  - \$55 billion annual spend
  - 50,000+ active users

## Core Strengths

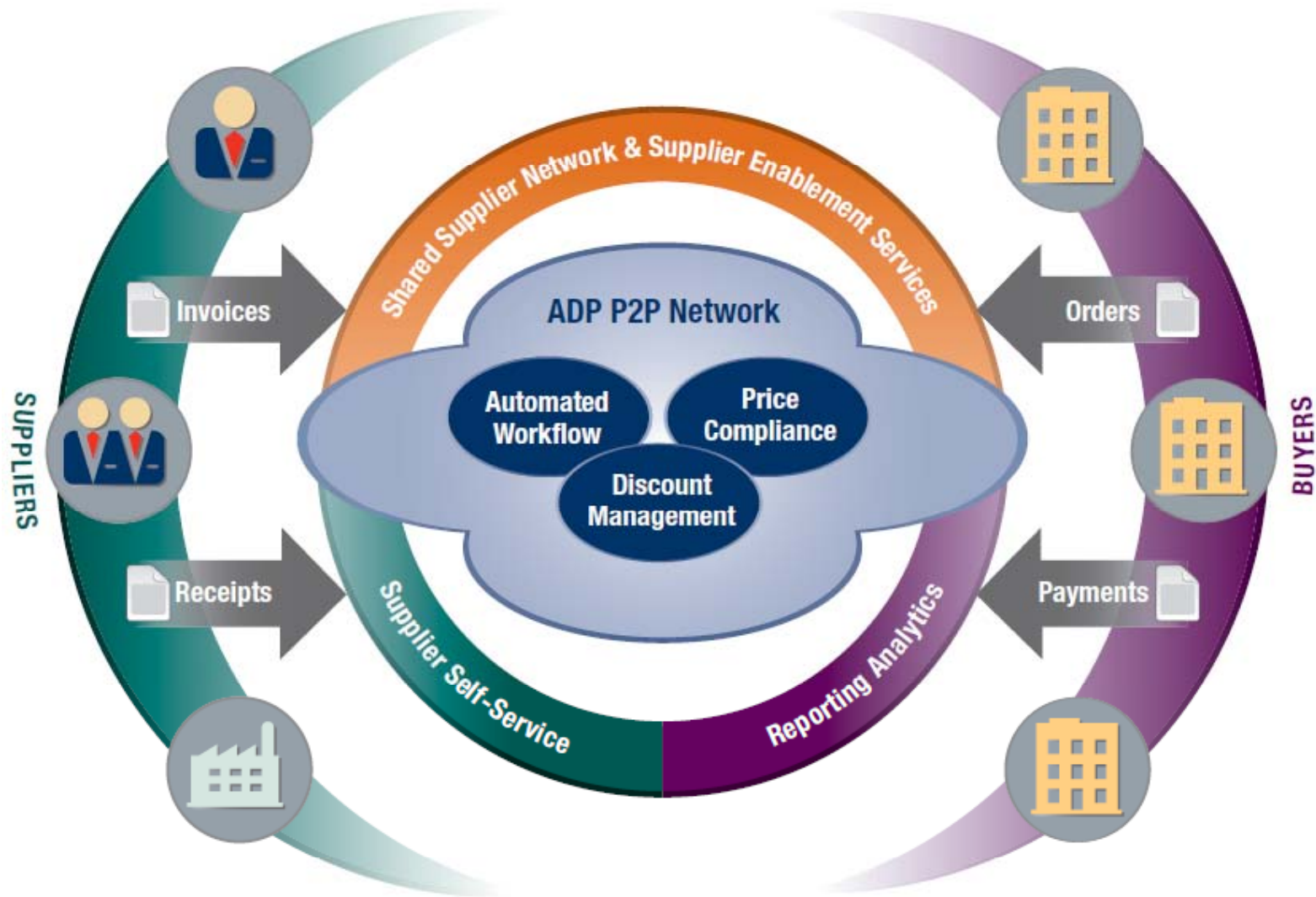
*End-to-end integrated solution from purchase order to payment*

*Modular solution allowing clients to choose functional components*

*Continuous enhancement based on client usability and feedback*

*Strong price compliance and electronic receipt capabilities*

# Optimizing Payables with ADP Procure-to-Pay



# Functional Components of ADP P2P

## Invoice Management

- 100% of electronic invoices from day one
- Multiple methods of electronic invoice submission
- Outsourced scan and capture services

## Supplier Network

- Shared network connecting suppliers with buyers (many-to-many)
- High network utilization rate
- Supplier self-service capabilities

## Automated Workflow

- Intuitive and configurable workflow options
- Complete control over your payables process
- Collaborative interface to keep suppliers in the loop

## Discount Management

- Reduce cycle times by up to 80% to capture more pre-negotiated discounts
- Leverage dynamic payables discounting for incremental discounts

# Key Differentiators of ADP P2P

## Price Compliance

- Check invoice pricing against contracts at line-item level
- Experienced service team to load and maintain contracts for clients

## Payments Automation

- Integrated payments and invoice automation
- Automatically pay approved invoices
- Leverage ADP's world class payments engine
- Remittance management capabilities

## Electronic Receipts

- Unique electronic receipt capabilities for real-time visibility into committed spend
- Automated matching of receipts against POs and invoice line-items

## Supplier Enablement

- Range of supplier enablement services to bring suppliers onboard the network
- ADP's unique value proposition – we do not charge suppliers



## Questions?

Scott Pezza  
Senior Associate, Aberdeen Group  
Phone: 617.854.5380  
[Scott.Pezza@Aberdeen.com](mailto:Scott.Pezza@Aberdeen.com)

Sush Koka  
Senior Director, Product Marketing  
Phone: 832.308.3581  
[Sushmitha\\_Koka@adp.com](mailto:Sushmitha_Koka@adp.com)

