



The Impact of Putting Payables First

Exploring the Value and ROI of Automating Payments Processes at the Beginning of Technology Transformation

2019 | Featuring Insights On...

- » Accounts Payable and Payments Management Trends
- » The ROI of Driving AP Automation with ePayments Tools
- » Features and Functionalities of Leading ePayments Providers

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Introduction

Organizations today are dealing with a broad network of vendors, which requires timely demand fulfillment and the streamlined processing of invoices and payments. Large organizations face particular challenges in meeting the demands of an evolving, high-paced business world, especially when operating with manual back-office processes. These organizations stay competitive by using back-office automation technology, including accounts payable (AP) and payment automation software.

Companies can approach payables automation from many different strategic angles and starting points. Some companies start with invoice management tools that address the front end of the payables life cycle, but do not solve other prevailing back-office issues such as delays and discrepancies due to high paper check volume and costly payment processes.

Others seek to eliminate paper check payments by using methods such as ACH payments or electronic payment programs provided by their banks. But basic ACH technology and bank-provided payment services are limited, and they leave AP staff to manage payments and supplier information. Bank-based payment tools also limit both supplier enablement and insight into supplier data, and they typically offer decentralized workflows that can be challenging to monitor and reconcile.

Focusing solely on the invoice side of payables automation also proves to be expensive. AP management software implementation costs time and money—particularly for large, complex organizations with many suppliers and manual processes.

When a company chooses to automate payments first, it can create a better environment for automating other AP functions down the line. A well-managed, strategic payments automation solution can increase rebates and discounts, resulting in recouped capital that organizations can use to fund further automation.

This white paper is for enterprise organizations with limited AP and payments automation that seek ways to strategically improve their payables efficiency. It reviews payables management trends and highlights the benefits of automating payments at the beginning of an overall automation initiative.

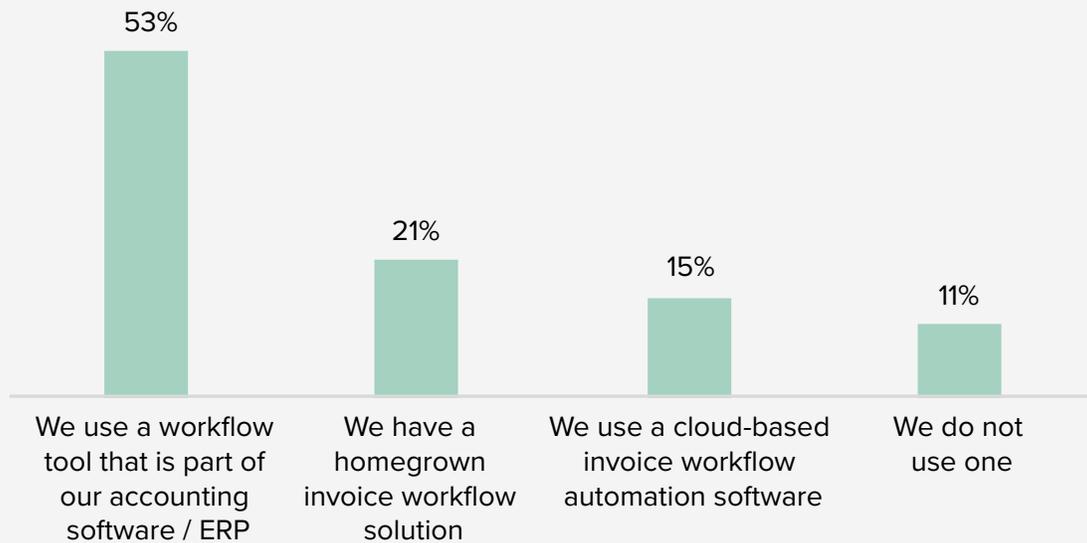


The State of AP Automation and Payment Automation

To better understand the payments landscape and the state of back-office automation, Level Research surveyed over 300 back-office employees across several market segments and industries. The findings show that cloud-based AP software adoption is still in its early days, and that most enterprise companies currently use either a homegrown solution or an invoice workflow solution within their accounting software or ERP, see Figure 1.

FIGURE 1

Use of Invoice Management Tools



Most Enterprise Organizations Use an ERP-Based Automation Tool

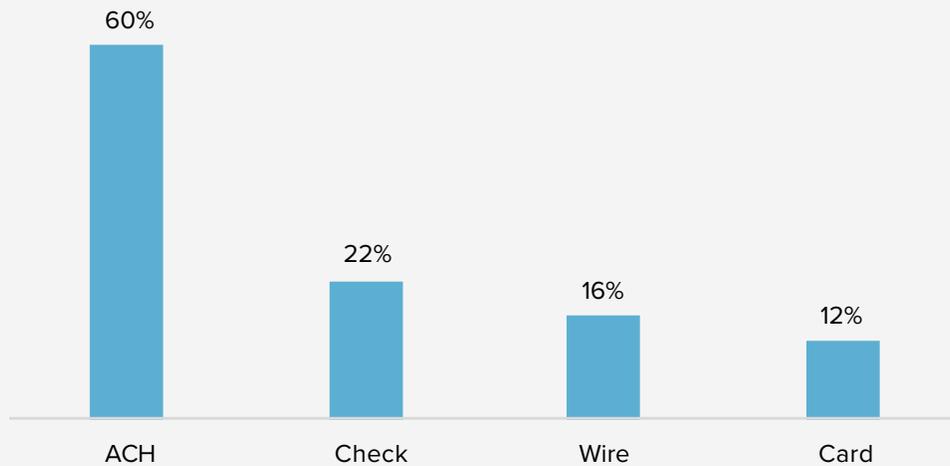
“What type of AP automation tool do you use?”



Level Research’s data shows plenty of room for growth in the payment automation solutions market. Only a fraction of enterprise organizations are making card payments, and most continue to rely on paper checks or ACH transactions, see Figure 2.

FIGURE 2

Methods of Supplier-Related Payments



Most Enterprise Organizations Rely on Manual Payment Methods

“How does your organization process its supplier-related payments?”

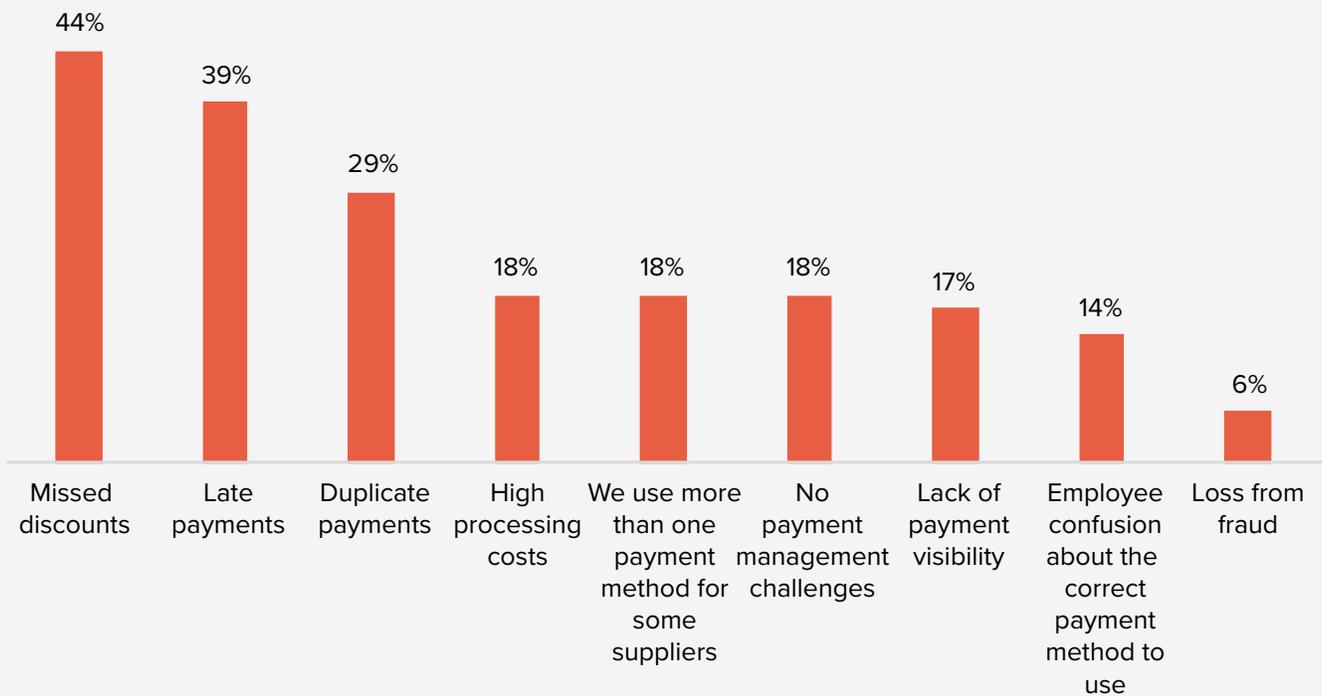
Manual back-office processes are typically inefficient and susceptible to error. Maintaining both compliance with internal policies and regulations such as SOX as well as adequate protection against fraud is difficult when there is little visibility into processes. Manual processes make it unfeasible to approve invoices in time to capture early-pay discounts and implement robust working-capital programs. Further, organizations that rely on manual processes often struggle to manage outstanding liabilities and effectively address discrepancies and exceptions.



Level Research finds that enterprise organizations are particularly challenged by missed potential supplier discounts and late payments, see Figure 3. This concern over missed discounts may be fueled by the typical order size and overall volume of transactions among enterprise organizations. Considering the high number of payments, there is a lot to gain in terms of discounts and potential savings from streamlining payments processes.

FIGURE 3

Greatest Challenges in Payments Management



Almost Half of Enterprise Companies Cite Missed Discounts as a Key Payments Challenge

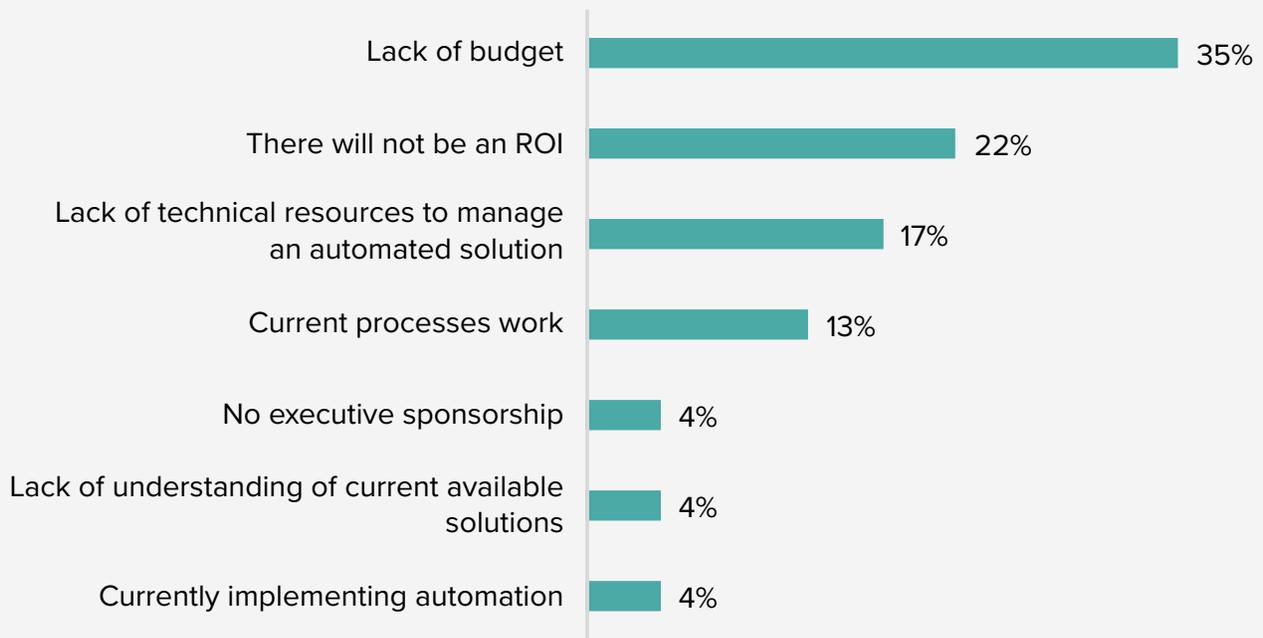
“What are the biggest challenges your organization faces in the payment management process? (Select up to three)”



Despite the challenges that AP automation can eliminate, organizations can face pushback for many reasons as they initiate back-office automation. For enterprise companies, budgetary/financial issues seem to be primary barriers to AP automation. More than one-third of responding enterprise organizations cite a lack of budget as a barrier, while almost a quarter cite the perception that there will not be an ROI, see Figure 4.

FIGURE 4

Greatest Perceived Barriers to AP Automation



Financial Concerns Pose Barriers to AP Automation for Enterprise Organizations

“What do you perceive to be the greatest barrier to adopting a cloud-based AP automation solution in your organization?”

Although finance and budget are both top concerns for enterprise organizations that want to automate their AP, starting with payment automation can offer a strategic response to those concerns. By initiating AP automation with payment automation, an organization generates cost savings through discounts and rebates. This creates substantial ROI that can potentially fund future automation investment.

The following section further explores the benefits and ROI that can result from starting a payables automation initiative.



Benefits of Automating AP Starting with Payments

Payment automation savings can help fund subsequent front-end AP automation, such as invoice management. For example, starting with payment automation allows an organization to capture discounts and rebates on current invoice payments. Table 1 shows potential cost savings and card rebates that can result from different volumes of payments made to a given supplier, see Table 1.

TABLE 1
Net Benefit of an ePayments Solution Increases Nonlinearly with Transaction Volume

Annualized	Customer A (5,160 pymts/yr)	Customer B (11,580 pymts/yr)	Customer C (44,451 pymts/yr)
Payment Cost Savings	\$11,840	\$27,476	\$105,682
Card Rebate (Paid Monthly)	\$40,000	\$88,000	\$684,543
Cost of Payment Solution	\$7,672	\$12,294	\$38,949
Customer Net Benefit	\$44,168	\$103,182	\$751,276

Those savings can potentially increase as the organization makes more supplier payments through the solution they have in place. For example, suppose a company is making 75 percent of their supplier payments via check. The only way for the company to offset the costs of check payment would be to capture early payment discounts by paying invoices early—a goal that the company rarely achieves due to its lengthy manual payment process. Once the company decides to implement a payment automation solution, they can make 65 percent of their payments via a commercial card tool. Since they are much faster, these card payments increase the company’s chance of capturing early-payment discounts that can result in rebates, thus increasing cost savings.

Payment solutions can be implemented more quickly than front-end AP automation such as invoice receipt and workflow tools, enabling an earlier return on that technology investment. Automated front-end implementations can take several months in a best-case scenario, whereas organizations can implement payment automation and start capturing rebates in just a few weeks.

Automating payments also reduces costs in terms of supplies (e.g., printing and mailing materials) and employee labor. Freed from the burden of printing and mailing checks, AP staff can dedicate more time to strategic tasks. Cloud-based payments products can increase efficiencies by integrating simply with existing



systems, and their intuitive user interfaces can enable quick implementation and staff onboarding. Overall, the relatively quick implementation and efficiency gains of payment automation allow organizations to keep pace in today's competitive business landscape.



Best-In-Class Payments Solutions

When selecting a payments automation solution, an organization should identify a tool that meets “best-in-class” standards. An integrated, cloud-based, best-in-class solution should allow companies to process all payment types—card, ACH, international wire, or printed paper check—within their ERP/accounting system. By enabling all payment types, the payment automation solution provider can enable a strategic approach to payments by applying the payment method that yields the highest rate of return on every payment.

Best-in-class payment automation solutions should also be able to manage virtual card payments. Among many other benefits, virtual cards yield working-capital gains for both the buyer and the supplier, as suppliers receive payments faster and buyers get to extend their outstanding days payable. Virtual cards also provide protection against fraud. In some cases, suppliers may push back against accepting electronic payments due to merchant fees, making it important to educate the suppliers on the broader benefits of virtual cards.

All payment automation solutions should make the entire payment life cycle more visible and traceable by offering a single workflow for domestic and international payments. Both centrally stored, searchable payment data and clear payment history reporting allow for greater insight into the entire payment process, which can facilitate auditing and improve query response times.

Finally, best-in-class payment automation solutions include continuous supplier enablement. Whereas organizations on their own can typically only enable 10-20 percent of their suppliers to accept electronic payments, a best-in-class solution can potentially enable all suppliers to do so, regardless of their payment volume.

With suppliers onboarded and managed by the payment automation solution, AP staff are relieved of the repetitive, manual tasks of verification and information management. Moreover, suppliers can update their own information with the solution provider—including address, bank information, and payment type—thus reducing the risk of failed payments due to unforeseen changes in supplier data. Remittance delivery can also be configured based on supplier preferences, making a payments automation solution ideal for supplier data management, a particularly valuable feature in industries that face regulations pertaining to data storage duration and methods.



Conclusion

Automating AP processes is no longer optional for organizations that wish to remain competitive. Increased rebates and early payment discounts that result from starting AP automation with an payment automation solution can potentially pay for the solution on their own. Best-in-class solutions manage suppliers and their data in real-time, as well as automate payment methods that procure the greatest returns. Ultimately, payment automation enables organizations to focus less on reducing costs and more on strategic efforts that will ensure their business success.



About the Sponsor

Nvoicepay helps to transform the way enterprises pay their domestic and international suppliers. For over 500 customers across 2,700 entities, the company optimizes electronic invoice payments for enterprises with intuitive cloud-based software and comprehensive services. Nvoicepay offers an intelligence-driven payment automation solution purpose-built for the most complex organizations. By automating all payments, finance teams win through dynamic supplier activation, superior supplier services, and remarkable results, unlocking value in the payments process. Learn more at <https://www.nvoicepay.com> or on Twitter at [@Nvoicepay](https://twitter.com/Nvoicepay).



About Level Research

Level Research, formerly PayStream Advisors, is a research and advisory firm that operates within the IT consulting company, Levvel. Level Research is focused on many areas of innovative technology, including business process automation, DevOps, emerging payment technologies, full-stack software development, mobile application development, cloud infrastructure, and content publishing automation. Level Research's team of experts provide targeted research content to address the changing technology and business process needs of competitive organizations across a range of verticals. In short, Level Research is dedicated to maximizing returns and minimizing risks associated with technology investment. Level Research's reports, white papers, webinars, and tools are available free of charge at www.levvel.io

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