



# The Accounts Payable Automation Platform

The Innovation Essential for Automating  
and Monetizing Payables

## Featuring Insights On...

- » The Current State and Trends of Accounts Payable (AP) Automation
- » Benefits of a Holistic Approach to AP
- » The AP Automation Platform Essentials

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## Introduction

As the variety of technology offerings has developed over the years, there has been a paradigm shift in how to approach back-office automation, with an increasing embrace of holistic digital transformation. In Accounts Payable (AP), however, traditional approaches to automation largely focus on trying to improve individual parts of the invoice life cycle and AP management process. Companies often address these pain points with one-off, piecemeal solutions or modules within enterprise resource planning (ERP) systems, and many direct these efforts toward specific parts of the AP process, such as invoice capture and OCR. Others focus on procurement-focused Procure-to-Pay (P2P) solution suites that are beneficial for spend management but sometimes lack the focus of fully optimized AP.

Unfortunately, the above methods often lack the breadth and depth of functionality required to address the needs of today's modern, complex AP-specific use cases. Taking a disparate, indirect approach to AP automation can cause companies to miss the larger benefits that come from automating the entire process, streamlining invoice processing and payment workflows, and, importantly, monetizing supplier payments.

Payment monetization is structuring and processing payments in such a way that the transactions generate additional revenue. It is a key component of strategically transforming an AP department from a cost center into a profit center.

Organizations can benefit most from taking a strategic, holistic approach to AP automation that addresses the entire invoice and payment life cycle with a single platform. Holistic AP platforms combine payables automation and payment monetization to create a larger financial effect on the organization. This white paper will explore the state of AP today and the value of implementing a unified, highly integrated automation platform specifically targeted at optimizing AP operations.



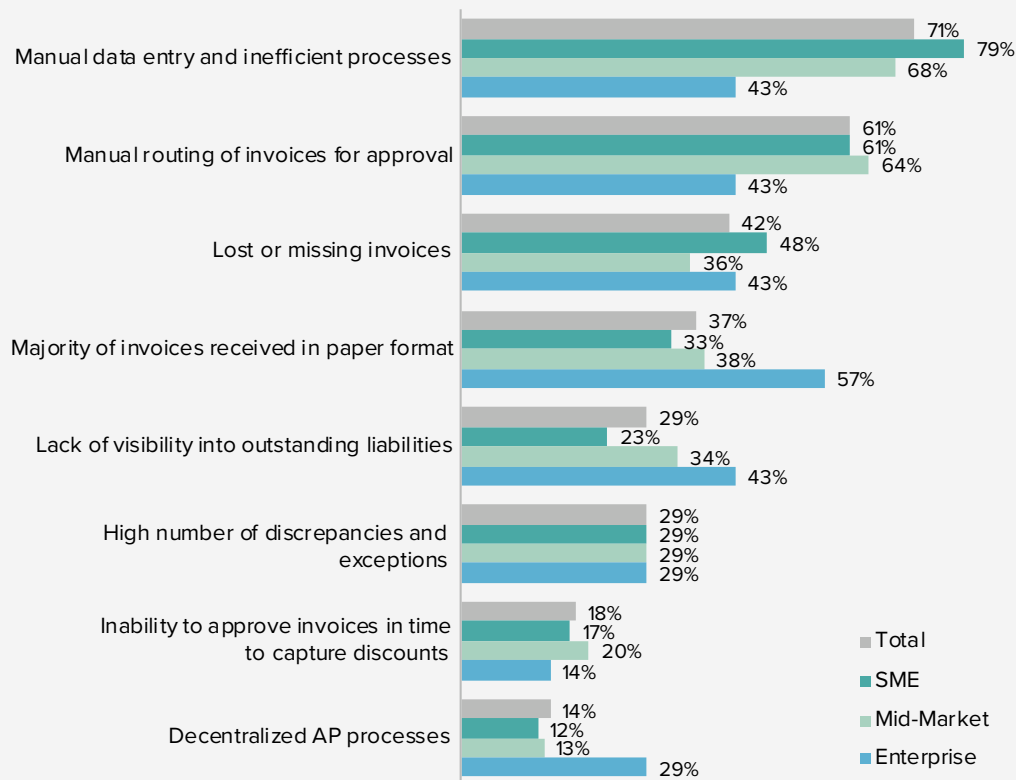
## The Current State of Accounts Payable Automation

In order to examine current trends within the North American payables landscape, Levvel Research surveyed several hundred back-office employees from organizations across different revenue and industry segments<sup>1</sup>. The following leverages data from 2018 and 2019 surveys and additional market research in the areas of payables, payments, and working capital management.

Levvel Research has found that while companies have varying degrees of technology in their back office, the majority of companies are managing AP processes without any automation tool in place. For these AP departments, the greatest drains on efficiency are manual processes, lost or missing invoices, and high volumes of paper invoices (see Figure 1). Beyond these specific pain

FIGURE 1

### Pain Points By Organization Size



SOURCE: LEVEL RESEARCH AP SURVEY, 2019

### Most Organizations Deal with Manual Data Entry, Inefficient Processes, and Manual Invoice Approval Workflows

*“What are the top three biggest pain points you experience in your workflow process? (Select top 3)”*

<sup>\*</sup>For the purposes of this report, “SME” is characterized as organizations with annual revenue of \$1 million–\$100 million; “mid-market” is characterized as organizations with annual revenue of \$100 million–\$2.5 billion; and “enterprise” is characterized as organizations with annual revenue of over \$2.5 billion.



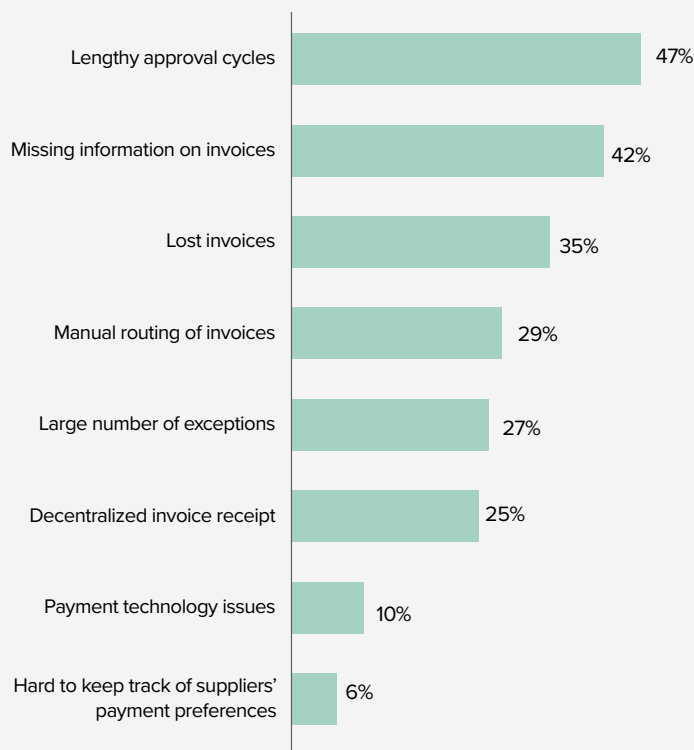
points, the main effect of manual AP is high costs— but not just hard costs. There are also costs in time, lost productivity, impaired supplier relationships, reduced margins, forfeited potential savings, and even competitive advantage.

Without automation, AP teams spend a significant amount of resources on low-value activities, such as entering, verifying, correcting, and updating information from paper invoices and supplier records. The time and resources required to manually manage these tasks derails productivity and business performance. Companies with decentralized invoice receipt and manual processing can face more redundancy and invoice exceptions, higher error rates, and longer approval times—resulting in high processing costs and increased risk of making late and duplicate payments, as well as missing early payment discounts.

Research shows the most common reason for late payments and missed early-pay discounts is lengthy invoice approval life cycles and missing information on invoices (i.e., invoice exceptions) (see Figure 2). This can cause organizations to miss out on a significant amount of early payment discounts—sometimes millions of dollars each year.

FIGURE 2

### Top Causes of Late Payments and Missed Discounts



SOURCE: LEVEL RESEARCH AP SURVEY, 2018

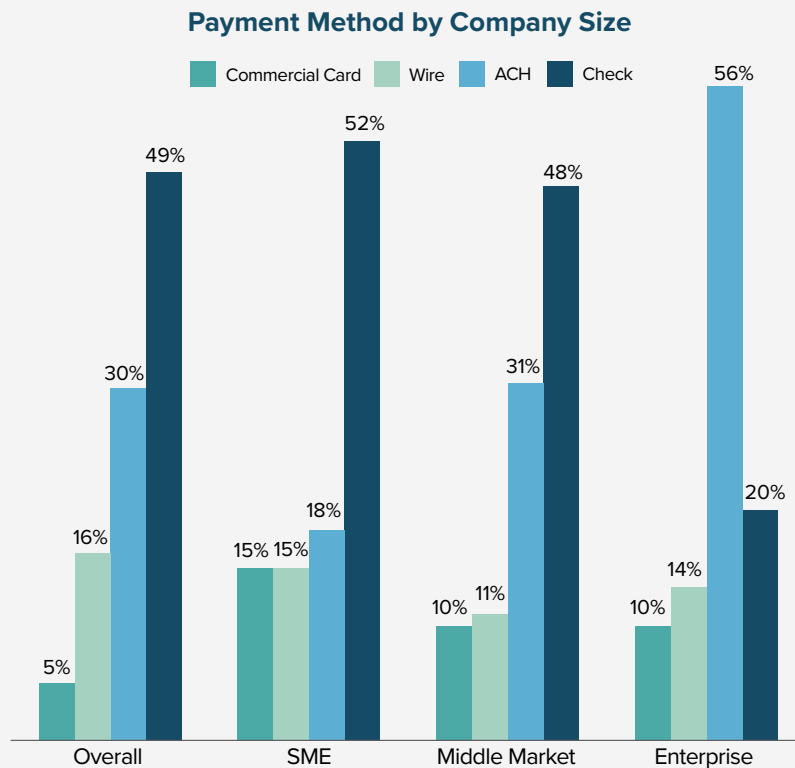
### Organizations Miss Discounts Due to Lengthy Invoice Approval Cycles and Missing Information on Invoices

*“What are the top three problems that lead to late payments and missed discounts at your organization? (Select up to 3)”*



Another key aspect of the invoice life cycle is supplier payments. Research shows that the majority of organizations are still using checks to pay organizations, followed by ACH/EFT, wire, and commercial cards (see Figure 3). The method chosen often correlates with the organization’s maturity and business/technology environment, and the supplier’s preference. Processing payments with methods such as check, ACH/EFT, wire, and commercial cards, is typically handled manually, requiring a separate process for each payment method. This can be inefficient and labor intensive for both AP and IT teams, and can result in missed payment monetization opportunities.

FIGURE 3



SOURCE: LEVEL RESEARCH AP SURVEY, 2018

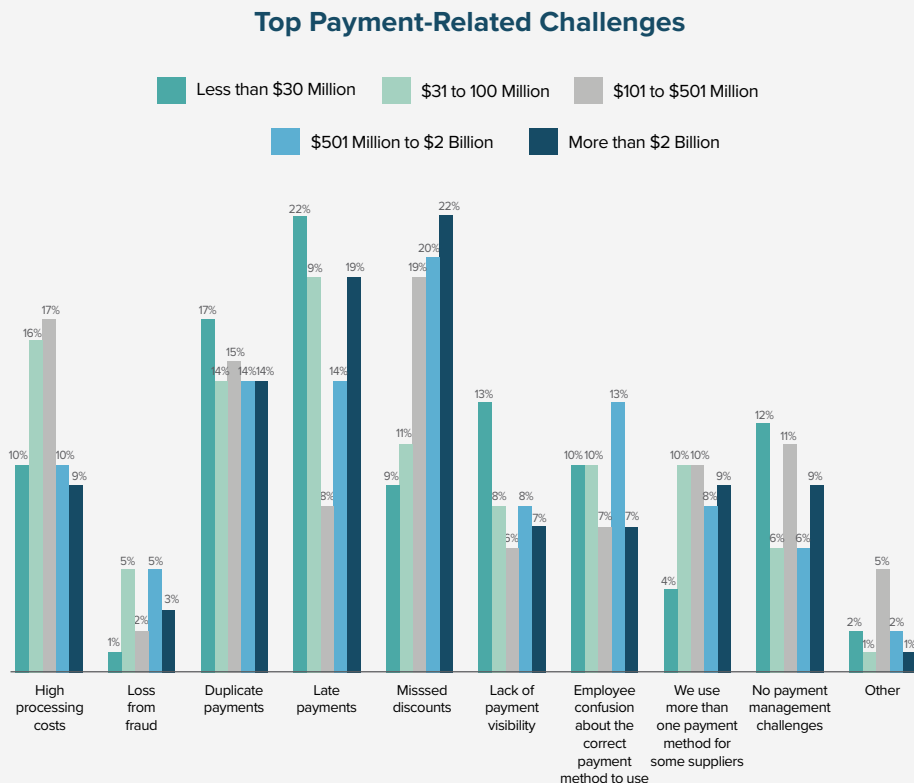
### Most Organizations Use Checks for the Majority of Their Supplier Payments

*“What percentage of your supplier-related payments (number of payments, not dollar value) is processed using the following methods?” and “Please select the standard industry description that befits your organization.”*



Figure 4 shows the main issues reported by organizations that primarily use checks to pay supplier invoices. Top pain points are late payments and missed discounts, both of which potentially lead to higher transactional costs, missed savings, and missed cash-back rebate opportunities.

FIGURE 4



SOURCE: LEVEL RESEARCH AP SURVEY, 2018

### Majority of Organizations Report Late Payments, Missed Discounts, Duplicate Payments, and Processing Costs as Among Their Top Payment Challenges

*“What are your top three payment-related pain points?” and “What is your organization’s annual revenue in the most recent twelve-month reporting period?”*

Level Research found that the larger the company, the more likely it was to cite missed discounts as its top payment challenge. This is attributed in part to higher invoice volumes and process complexity, both of which increase the difficulty of processing invoices in a timely fashion. Potential savings from early payment discounts also increase as a company grows and they manage more suppliers, invoices, and payments, which is another reason why missed discounts is a key concern for larger organizations.

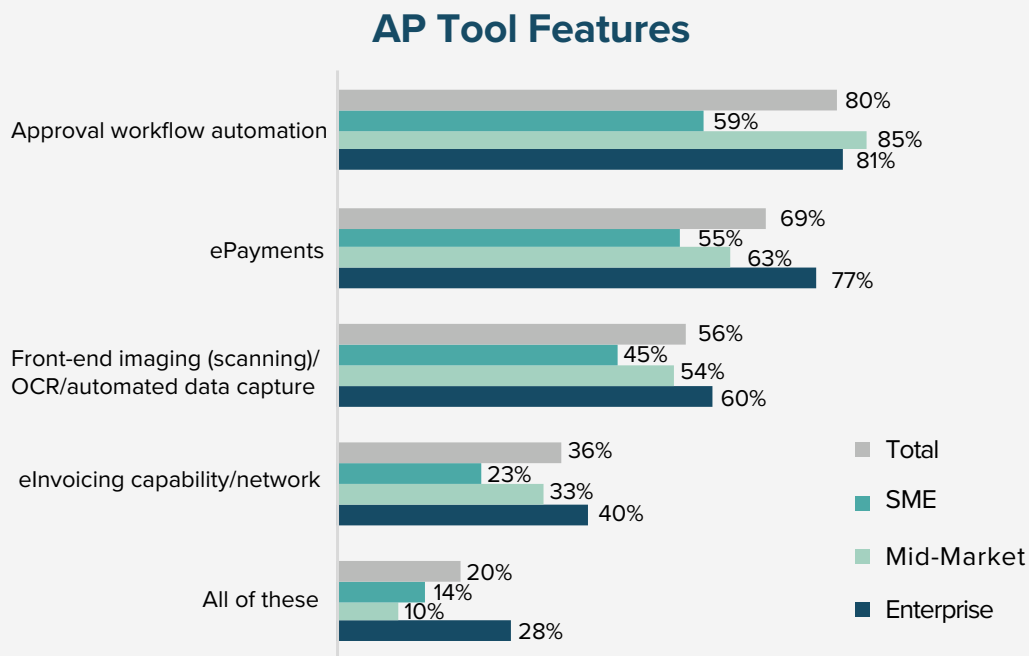


## The AP Automation Platform

To address the challenges outlined in the previous section, organizations can consider an AP automation platform approach, which unifies payables automation and monetization within a single application that is directly integrated with the company's ERP system(s). This allows organizations to reap the full potential from optimizing the entire invoice and payments life cycle—eliminating manual tasks, accelerating work, and creating new sources of income.

Figure 5 shows the overall adoption for each type of tool within the AP space. Approval workflow automation (including both PO and invoice workflow tools within an AP solution) is the most commonly adopted software, followed by electronic payment solutions and front-end imaging / data capture solutions. Levvel Research attributes this to ease of implementing these tools and to the tangible ROI opportunity of these tools (e.g., lower processing costs via faster invoice-to-payment cycles and potential rebates from card payments). However,

FIGURE 5



SOURCE: LEVVEL RESEARCH AP SURVEY, 2019

### Workflow Automation and ePayments Are the Most Widely Adopted Tools

*“Which of the following features does your AP management tool(s) have? (Select all that apply)”*



only 16 percent of organizations had adopted all of the necessary AP life cycle automation components—highlighting the digital transformation immaturity and value opportunity gap that exists for the majority of organizations.

Levvel Research has found that the more mature an organization is in terms of automation and efficiency, the more significant improvements it will see in total processing costs, invoice processing times, captured discount rates, and payment monetization. To highlight the benefits of AP automation, Levvel Research typically segments organizations across different maturity levels according to several factors, including the amount of automation technology in place and the level of efficiency reported. Organizations are separated into the categories of “Novice,” “Mainstream,” and “Innovator.”

Novice organizations have little to no automation. Mainstream organizations have some degree of invoice and payment automation in place—even if this does not result in a fully automated invoice-to-payment life cycle. While Mainstream organizations are headed in the right direction, they are missing the greater value opportunity that an AP automation platform provides. They have not fully optimized their AP process, from invoice receipt to payment and settlement, nor have they taken full advantage of payment monetization opportunities. Organizations at the Innovator level are those that have realized the importance of unified payables automation.

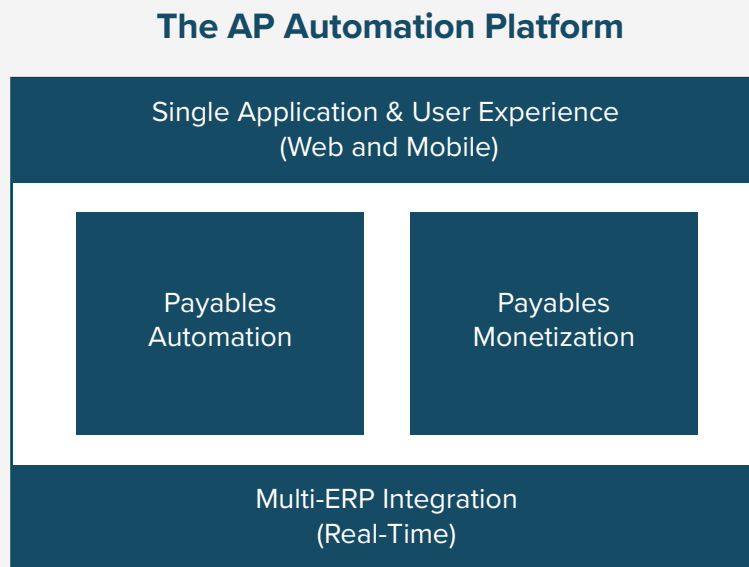
Organizations that adopt a holistic AP automation platform approach are often able to achieve an entirely new level efficiency, process improvement, and financial success (i.e., producing new sources of cash). They also dramatically improve AP, Treasury, vendor management, and IT staff productivity by reducing manual tasks, lowering resource burdens, and increasing the financial value of each employee. Thus, the AP automation platform takes the AP function far beyond just eliminating paper, transforming it into a strategic financial contributor to the organization.



## The AP Automation Platform Essentials

The following outlines a representation of a holistic AP automation platform. In this example, the AP automation platform provides the capabilities depicted in Figure 6 below.

FIGURE 6



### 1. Single Application and User Experience

The platform unifies payables automation and monetization within a single solution and application user experience (both web and mobile)—eliminating the need to navigate across multiple applications and substantially reducing IT complexity. This single user experience also includes comprehensive, real-time analytics across the entire Payables process, with detailed views across all operating units, users, ERP systems, and geographies—allowing companies to not only track invoicing and payment processing performance metrics, but also take advantage of system-generated recommendations for process improvements.

### 2. Payables Automation

The AP automation platform provides deep functionality for invoice automation, payment automation, and supplier self-service. In addition, it approaches invoice and payment processing as a single seamless, uninterrupted workstream, thus accelerating work, reducing the supplier support burden, and eliminating unnecessary IT complexity.

## Invoice Automation

Invoice automation provides the capabilities to eliminate paper, manual data entry, and invoice exceptions, and streamline the overall invoice process. It supports the ingestion of scanned invoice images, emails (with invoice attachments), faxes, and electronic invoices (eInvoices). Automated data extraction is supported by optical character recognition (OCR) and enhanced pattern recognition technology. In addition to OCR, it is important that invoice data be further enriched and validated in real time, which is possible only through a deep, real-time integration with the ERP system. This enables the automation of such things as two- and three-way matching, GL coding, tax coding, and detecting exceptions before the invoice is created in the ERP system.

In addition, instead of relying on workflow modeling tools, the platform provides specialized workflows out of the box that streamline invoice processing and quickly resolve exceptions that require human intervention. Users have access to a mobile application and support for email approvals, allowing processing anytime, anywhere.

## Payment Automation

With support for all payment methods, the platform provides the capabilities to automatically and securely pay 100 percent of invoices electronically. Functionality includes facilitating payment approvals, automated supplier payments, and real-time settlement/reconciliation directly with the ERP system, reducing the burden on AP and IT. The platform consolidates the separate manual processes and batch operations for each payment method into a single payment and approval process for all payment types. This reduces resource-intensive payment tasks and eliminates the need to support and maintain multiple integration points and payment rails.

## Supplier Self-Service

To drive additional efficiency gains, the AP automation platform provides a supplier self-service portal that is seamlessly integrated with the rest of the platform's invoice and payments management tools. This allows suppliers to track the status of invoices and payments, view and manage purchase orders, quickly flip POs into invoices, and request early payments on invoices.



### 3. Payables Monetization

Payables monetization can transform AP from a cost center into a cash-generating department. The AP automation platform delivers a “blended” approach to payment monetization, leveraging multiple payment and discounting methods, financing tools, and resulting transactional cost savings to optimize cash returns for the organization. These methods include a supplier network, virtual card rebates, early payment discounting, and working capital financing.

These methods are seamlessly integrated within the AP automation platform and supported by dedicated supplier enablement and data management services to maximize supplier engagement and program performance. This relieves the AP team of the burden and liability of managing supplier data.

It is also important to consider the monetization that comes from transactional cost savings. On average, it costs organizations between \$5 and \$7 to process a single check. Therefore, converting check spend to electronic forms of payment results in an immediate cost reduction per payment.

#### Supplier Network

In order to increase the success of payment monetization, the AP automation platform seamlessly integrates with a large, well-established supplier network. This network includes suppliers that already accept virtual card, ACH/EFT, and early payment discounts. Organizations are able to leverage the power of this network effect by matching their suppliers with those in the supplier network to immediately capture card and early-pay rebates, and the associated transactional cost savings resulting from check elimination.

#### Virtual Card Rebates

Replacing check payments with virtual card payments enables companies to take advantage of immediate cash-back rebates while simultaneously eliminating check-related costs. It also helps organizations enhance supplier relationships by paying suppliers faster and more securely. The AP automation platform automatically optimizes card payments globally to maximize rebate returns across the entire reach of the organization.



### Early-Pay Discounting

For suppliers who elect payments via ACH/EFT or continue using checks, early payment discounting (in conjunction with payment terms modification strategies) helps drive additional rebates back to the organization. Early payment discounting capabilities are fully integrated within the AP automation platform, allowing AP departments to maximize the capture of both traditional (i.e., contractual) and dynamic discounts. Discounted invoices are recognized and prioritized during invoice processing, ensuring high discount capture rates.

### Working Capital Financing

Working capital financing provides organizations access to funds when they need them so they can take advantage of card and early-pay discount rebates. These options are balance sheet friendly and allow companies to maximize cash-back returns while staying within cash flow boundaries. Working capital financing is directly embedded within the AP automation platform's user experience, allowing AP and Treasury teams to easily select the desired funding source(s) at the time of payment.

### Supplier Enablement and Data Management Services

Supplier participation is crucial to payment monetization. Therefore, the AP automation platform is supported by enrollment services in which support teams help migrate suppliers to electronic payment and virtual card / early-pay discount programs. These teams also provide supplier support, such as managing supplier payment inquiries and updating supplier bank/address information. These services reduce the burden on AP and vendor management teams and improve revenue performance by increasing supplier monetization program adoption.

## 4. Multi-ERP Integration

The AP automation platform seamlessly integrates with all required ERP systems in real time and simultaneously from a single instance, directly leveraging the data, business rules, and logic already in the ERP system. This eliminates data replication issues caused by batch downloads and uploads from the ERP system, as well as the need to replicate the business rules and logic in a separate system. Additionally, this allows organizations to accelerate strategic efforts to transform AP operations into a shared service, and mitigates the effects of technology obsolescence as ERP and business transformation strategies evolve over time.



## Conclusion

Some organizations may hesitate to embark on a full AP digital transformation journey because they doubt the ROI of automation technology adoption, or because they have an existing system in place that they feel is sufficient. For many companies, however, the status quo of siloed, manual AP processes is costing them much more in the long run than they realize. Adopting piecemeal AP solutions is not enough for a successful AP digital transformation. It not only limits the organizations' financial growth, but also potentially curbs its competitive standing.

Taking a strategic holistic platform approach by combining payables automation and monetization yields greater efficiencies, higher operational cost savings, and new sources of cash to the organization. This elevates AP as a core strategic function and ensures maximum returns from digital transformation efforts.



## About the Sponsor

Inspyrus is a Silicon Valley software-as-a-service (SaaS) company that specializes in transforming AP into a profit center. Inspyrus' mission is to address the gaps in AP automation, monetization, and ERP integration, and to eliminate the siloed technology approaches that have plagued this industry for decades. Inspyrus' different, simplified approach has delivered superior results for its customers compared to traditional approaches by combining payables automation and monetization into a single, unified application and solution.

Supported by patent-pending technologies, Inspyrus provides out-of-the-box, real-time bidirectional integration with leading ERP systems, including Oracle's E-Business Suite, JD Edwards, PeopleSoft, and ERP Cloud, as well as SAP and IBM. Inspyrus' solutions are used by some of the most respected brands and leading-edge companies in the world, across various industries, ERP systems, and geographies—with business environments ranging from 2,500 invoices/month to more than 600,000 invoices/month, across 30+ countries and 18+ languages.



## About Levvel Research

Levvel Research, formerly PayStream Advisors, is a research and advisory firm that operates within the IT consulting company, Levvel. Levvel 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. Levvel 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, Levvel Research is dedicated to maximizing returns and minimizing risks associated with technology investment. Levvel Research's reports, white papers, webinars, and tools are available free of charge at [www.levvel.io](http://www.levvel.io)

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