

A buyer's guide to AP Automation solutions

6 steps to build a solid business case and get started with AP automation today.

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spend simply managed

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Why fix AP now?

Over the last decade, AP automation has more frequently described as a low hanging fruit in the garden of digital transformation. And for a good reason – the barrier to entry is impressively low in terms of both cost and effort needed to get up and running, particularly in comparison to the implementation projects for other business applications. Despite that fact, the value provided from AP automation is comparably high. For such an easy implementation, the benefits reach throughout an organization, beyond the walls of the AP department, and are near-immediate from day one of using the solution. In light of business disruption from the global pandemic and other events of 2020, AP automation presents a chance for organizations to act now and rise above chaos to chart the course for years to come.

Immediate benefits of AP automation include:

- Accountability and transparency with all invoice and payment data in one system – accessible and reportable at any time
- Integrity of operations and fraud risk reduction with powerful invoice data capture
- Secure storage of sensitive financial documents with all data in the cloud
- Full history and transaction trail available at a click for pain free audits
- Huge time savings for AP staff who can focus on more value adding tasks such as identifying early payment discounts and process optimization opportunities
- Instant access to the latest financial data, including cash flow, working capital and liability analytics, for more informed decisions across the organization and C-suite

All bullets above reaffirm the fact that AP automation is critical – now more than ever before - for any business to grow and stay competitive in today's pressing need for rapid digital transformation to maintain continuity. Implementing automation is an important foundation for stable, reliable and scalable business operations. And accounts payable is a perfect starting point for automation initiatives since it affects so many parts of the organization and the benefits can be achieved within weeks rather than months or years.

This guide will help you kick-start your AP automation project by defining the 6 steps to build a solid business case and gain the internal approvals needed to get started.

step 1

Define your scope

There is a really easy way to define your scope. "I'm looking for a solution that will help accelerate and automate our accounts payable process, from invoice entry to payment, and basically make my life in AP a bit easier." Though this is a good objective and achievable with several modern AP invoice automation solutions, we advise you to spend a bit more time and thought on this first step as it will help you define success of your upcoming project.

Just to set the scene, here's a quick overview of what invoice processing means so that you can determine which areas you are looking to improve:



Invoice reception **Invoice workflow** **Invoice payment**

Basically, invoice processing is not the same as e-invoicing, nor supplier portals or procurement systems. These types of solutions may help you work more efficiently in some ways, but do not support the core of the accounts payable process. If accounts payable is your top priority you should focus your efforts on a solution that can handle these three steps:

step 1

Invoice reception:
paper, pdf, xml, EDI... all data in one format

How do you receive supplier invoices today? Paper in mail, pdf via email and / or e-invoices? A good scanning and data capture solution will do the job of consolidating all invoices regardless of format into standardized data to be entered into your digital AP workflow. This service can be outsourced, purchased as part of the AP automation solution or as a stand-alone system. In the latter case it is crucial that a solid connection between your capture solution and all other systems is in place.

In the case of high volumes of invoices coming in electronically, do you have the infrastructure in place to receive invoices in multiple formats. Also, for country specific regulations, have you ensured that the invoices received are fully compliant?

Invoice workflow:
accelerate processing by removing manual tasks

The actual processing of an invoice includes different tasks depending on the type of invoice. Expense, or non- PO, invoices need to be coded, distributed and approved. Invoices that refer to a purchase order (PO) need to be connected to a PO, have data matched on line level and any identified deviations distributed for review and approval. With a modern AP automation solution, each of these tasks can be automated to a great extent.

If you're considering relying solely on the existing workflow capabilities native to your ERP/finance system, be sure to examine if it is suitable for delivering an effective solution for truly touchless invoice processing. Be sure to factor in the IT overhead and ongoing support for configuring and maintaining native workflows in your business case, ROI analysis and success metrics as discussed below.

step 1



Invoice payment:
secure and fast payments for better supplier relationships

Once the invoice has been processed and approved in the AP workflow, it will be posted in the ERP system for final booking and payment.

A modern AP automation solution will help you accelerate invoice processing to enable faster payment to your supplier. If you choose the path of an external AP solution, the processing will happen outside of your ERP, so it is critical that the solution you select has a solid integration to the ERP to ensure information flows seamlessly and securely between the two systems.

It is also worth examining the efficiency of your payment process today. Are you still paying a large number of your supplies with paper checks? Or do you also have to consider cross-border payments dealing in multiple currencies. The complexity of the payment process at the end, can actually minimize some of the efficiency gains you have established with better AP automation.

The project scope should be based on your organization's needs and challenges. The important thing to remember here is to set clearly defined objectives and to stay within the project scope.

Examples of specific and measurable project goals include:

- Reduce invoice processing lead time by X%
- Achieve Y% fully automated - touchless - processing of PO- based invoices
- Reduce hard costs generated by late vendor payments by Z

Action Points:

- ☑ **Identify key stakeholders within your organization. Finance / Information Technology / Accounts Payable**
- ☑ **Agree on the project scope and stick to the defined scope throughout the project.**
- ☑ **Set specific and measurable goals that the project should achieve.**

step2

Map the current AP process to identify your needs

The accounts payable process usually consists of two different workflows, depending on the invoice type: processing expense invoices not related to a purchase order (PO) and processing direct spend invoices that will be matched against a purchase order and goods receipt note in the ERP and/or the procurement system.

Start this step by identifying the proportion of PO vs. non-PO invoices in your organization. Then, map out how you handle these workflows today – how many people are involved, which steps are manual vs. automated and what are the main pain points or bottlenecks in each process flow? How do you currently archive your invoices after they are processed? Here's a list of the most common challenges in each workflow to help you get started.

Challenges in the direct spend (PO) invoices workflow:

- Matching invoice lines with corresponding data on purchase orders and goods receipts notes when not all data is digital and/or synced up in one system.
- Managing deviating invoice data is a very time-consuming task, requiring investigation with suppliers and buyers.
- If an automatic matching process is in place, there is often still a challenge when data doesn't match up perfectly, prompting a manual review of deviations.
- Overly simplistic and/or inflexible matching engines will not support true, touchless processing, leading to more frequent instances of manual intervention than expected.
- Repetitive actions to correct the same supplier invoices again and again, creating manual and mundane tasks that waste time.

Challenges in the indirect spend (non-PO) invoices workflow:

- If there is no central inbox for vendor invoices, these will be sent to different recipients in various formats and are at risk of getting stuck in personal inboxes or on desks in disperse locations before being entered into the AP process.
- Manual handling and numerous people involved in the AP process increase the risk of human errors in the coding, approval and payment of an invoice.
- Old-fashioned and clunky systems delay the AP process and increase the risk of late - or worse - no payments to vendors.
- Without a solution in place it is nearly impossible to have insight into the status of an invoice, invoices close to due date, actual spend and invoices that needs to be accrued for.

step2

Once you have your list of the main pain points you wish to remove by implementing or replacing an AP automation solution, you will have a pretty good understanding of what key features you should be looking for when vetting different providers and solutions.

A nother common pain point for the accounts payable team is gathering data for the financial statements, especially at month- end and year-end closing of books. With a manual AP process or data in different systems this is often a lengthy and cumbersome task. Similarly, in the case of audits when members of the finance team will need quick and easy access to historical data.

Action Points:

- [x] Identify the top 3-5 pain points within your invoice management process.

PAIN #1 Manual deviation management

PAIN #2 _____

PAIN #3 _____

PAIN #4 _____

PAIN #5 _____

- [x] Describe the goal scenario - a perfect process - and what currently prevents you from getting there.

step3

Identify system dependencies

The Enterprise Resource Planning (ERP) system or financial system is the most important dependency when considering a new AP automation solution. It is crucial that your new AP solution has a powerful, stable and seamless connection to the ERP to ensure effortless synchronization of your master data – from general ledger accounts and payment terms to purchase orders and tax codes.

When a complete synchronization has been set up, invoice, procurement and accounting data can be exchanged seamlessly between the business systems to facilitate matching of invoice data with purchase orders, goods receipts and contracts at line level detail. For your AP department, this means accurate and efficient invoice processing with the highest level of automation.

Action Points:

- ☑ Identify which ERP system(s) your organization use, basically systems where you keep your accounting ledgers as well as systems where you process purchase orders.
- ☑ Research internally if there are any plans to change or upgrade the ERP*
- ☑ Vet the AP automation solutions that you are researching to ensure they have a strong and stable connection to your ERP. If you use several different ERPs it is crucial that the solution can handle a multi-ERP environment.
- ☑ Identify other business systems in use that will affect the AP automation project

* Changes in the ERP system does not need to delay the AP automation project, but it is important for you to be aware of any plans so that you can include this as part of the requirements you ask of your potential AP automation vendors to ensure you select a future-proof solution.

step4

Capture IT requirements

Many companies looking to automate their accounts payable process encounter a challenge when it comes to integrating a system with their existing IT infrastructure, including the ERP in use. If you select to install an on-premise solution - hosted on your own servers and requiring numerous customizations - implementing a new system will quickly become a complex, time-consuming and costly IT project.

Good news: there is another way. Today, there are many AP automation solutions available as a standard cloud service. A standardized application means you have access to the full functionality that can be configured to your business needs and processes in a smooth and speedy deployment project.

Business administrators (rather than IT resources) are responsible for ongoing configuration updates as they know how your organization transacts business with suppliers and how those suppliers bill you.

Another benefit of a cloud solution is that product upgrades are made available automatically on a regular basis so there is no need to engage the IT team or bring in external consultants for upgrade projects.

BRIGGS EQUIPMENT

> The implementation process was even better than we'd hoped for; Medius and our ERP work incredibly well together, and from a business perspective, it was promising to know that our ERP system and AP automation solution were in sync so quickly.
>
> **Alden Senteney, Project Manager, Briggs Equipment**

Action Points:

- ☑ Involve your IT team to ensure they can support the project with the resources needed.
- ☑ Decide on a cloud or on-premise solution.
- ☑ Ask your IT team for any specific requirements related to system security, hosting and maintenance.

step5

Research, audit and compare solutions

Now that you have a good understanding of what type of solution you need and the challenges you wish to solve, it's time you start looking for the solution that best matches your identified needs.

There is a reason that this step is at the end of the list: if you start researching solutions before you have a clear view of your needs, you may be seduced by something that looks amazing on a fancy website or glossy marketing brochure but, in reality, doesn't do the job you need.

Just like when you are planning to buy a new car or book your next holiday trip, make sure you do thorough research using different information channels:

- Start with Google to identify potential candidate solutions, browse and bookmark their website.
- Head to LinkedIn to participate in discussions in relevant groups, ask group members for their experiences when selecting and implementing a new AP automation solution.
- Ask your peers or friends in similar positions and/or companies for feedback and recommendations on the solution they use.

MARC JACOBS

> The fact that we selected a cloud solution and that we were able to implement so quickly enabled us to get a very strong ROI with break-even in less than a year, which is very hard to say with most software implementations.
>
> **Maulik Patel, Senior Manager IT Finance Applications, Marc Jacobs**

Action Points:

- ☑ Research vendor websites and give them a call to inquire about their solution, features and services.
- ☑ Ask the vendors for case studies or reference customers that they have helped solve AP challenges similar to yours.

Action Points (CONTINUED):

- [x] Put the requirements list you have compiled through steps 1-4 in this guide into a spreadsheet and evaluate how well each solution can match each requirement.

	medius	COMPANY A	COMPANY B
Subject matter expertise	✔	✔	✘
Plug & play integration	✔	✘	✔
User - friendliness	✔	✔	✘
Best-in-class client KPIs	✔	✘	✘
Advanced matching	✔	✘	✘

- [x] Ask for a live demo of the solution to see it in action and ensure the solution lives up to what the sales representative has promised you during initial presentations.

step 6

Build your business case

If you have completed the previous steps of this buyer's guide, then you have already done the majority of the research and data collection needed to build a business case. Now it's time to summarize your findings and make sure you present the relevant information to the right stakeholders and decision makers.

How to sell to your IT stakeholders

Your IT stakeholders will need to know what impact the new solution will have on their organization both in terms of implementation, including integration to existing IT infrastructure, and ongoing maintenance. So, in order to gain IT's approval, they will need to know:

- What resources will be required from the IT team during implementation?
- Will the solution require ongoing support from IT in terms of maintenance and regular upgrades?
- How will the solution support future changes in business or IT infrastructure?

As discussed in step 4, if you select a cloud-based solution you will be able to tick many of the IT team's checkboxes since this will offer you an easy integration, no internal maintenance and automatic product upgrades. In fact, you will likely be helping your IT manager free up time for core business projects by replacing old, on-premise solutions with a cloud service.

How to sell to your Finance stakeholders

For your Finance stakeholders, it's obviously going to be mostly about doing the math and making sure you can present a rapid and credible ROI. Finance mangers also want to be reassured

that this is a going to be a low risk project, so building trust and presenting a solution with a proven track record is very important.

You can count on the fact that a modern AP automation solution will help deliver improved visibility into spend and more accurate cash flow and accrual reporting. And this, for sure, is something that will put a smile on any CFO's face.

step 6

Do the math - ROI

When it comes to the ROI calculations there are a few data points you need to collect:

1. Solution cost: it is crucial that you have the full and detailed picture to calculate the total cost of ownership. Ask your vendor:
   - Will you pay a license cost or monthly subscription? What is this cost based on – number of invoices, users or something else?
   - What will be the cost for product upgrades in the next few years?
   - What is the implementation cost and how much support will be required from your internal IT staff during implementation?
   - What cost should you expect for ongoing support and maintenance?

2. Hard savings, such as:
   - Headcount reduction and/or scaling existing organization to manage larger responsibilities.
   - Avoided late payment fees, lost or duplicate payments and savings from early payment discounts.
   - Reduce the cost of handling paper invoices (scanning, mailing, archiving).
   - Removal of internal resources from maintenance of old systems.

3. Soft savings, such as:
   - Time savings across the organization (i.e. budget holders doing clerical work, controllers searching data for audits and reporting and AP staff dealing with vendor escalations).
   - Freeing up resources in AP for more value adding tasks.
   - Improved insights into AP process bringing timely and more accurate support for financial forecasting, cash flow and accrual reporting.
   - Improved vendor relationships.
   - Better organizational flexibility and scalability in case of business changes such as mergers, acquisitions and international expansions.

4. Potential new revenue streams:
   - An analysis of your current supplier payment methods, be it check, ACH or credit card can provide an opportunity to streamline spend.
   - Supplier payments moved from check to credit card provide rebates back to the business, potentially paying for your AP solution or further investments in finance.



step 6

Ask your vendor to help you gather and benchmark all these numbers and put everything into a spreadsheet to present to your internal stakeholders.



We now have full visibility and control of our invoices and financials with the new automated workflow process. We can report on-time and with complete accuracy. The business can easily manage its approval responsibilities and quickly answer their own budget review questions.

AP Manager at Silver Eagle Distributors

Action Points:

- [x] Ask your preferred solution provider for case studies or reference calls with companies similar to yours, who are already using the solution to build trust with your key stakeholders.
- [x] Collect the numbers and data points you need to build a solid ROI calculation - ask the solution provider to help out with calculations and relevant benchmarks.

How Medius can help

While vetting the different alternatives on the market for AP automation solutions, you should consider Medius AP Automation - the trusted solution of more than 3,500 companies across the globe.

Here's what Medius offers to support your next AP automation initiative:

- Embedded invoice data capture means you can process your XML and EDI invoices in the same way as your PDF, scanned and emailed invoices in the same easy-to-use solution.
- Full invoice regulatory compliance to ensure e-invoices from any country meet local regulations.
- A fully digital and efficient workflow for your indirect spend invoices, thanks to automation functionality and a user-friendly mobile solution for invoice approvers.
- Record high touchless ratio for your direct spend invoices being matched to a purchase order in a fully automated process without any user intervention.
- Speed to value with a fast and fully cloud-based deployment and standardized integration packages to leading ERP systems.
- Full visibility of your AP process with powerful performance dashboards and unique benchmarking capabilities for continuous improvement of process efficiency.
- Increased control of critical financial data to better support month-end closing of books and audits with ease and speed.

Action Points:

- ✔ Visit medius.com to learn more about the solution.
- ✔ Check out what Medius customers say about the solution.
- ✔ Book a personal demo with one of our automation experts.

About **Medius**

Medius is a leading global provider of cloud-based spend management solutions, helping organizations drive their business forward by enabling best-in-class process efficiency, cost saving opportunities and greater financial control.

Our modular spend management suite includes market leading solutions for strategic sourcing, contract management, procurement, accounts payable automation and supplier management as well as data insights tools bringing control, compliance and cost savings throughout the entire source-to-pay process.

Thanks to an easy cloud deployment, intuitive user interface and built-in best practices our customers experience tangible savings right from the start as well as long term ROI success. With Medius, spend is simply managed.

Over 4,000 customers and 500,000 unique users worldwide use Medius spend management solutions, managing transactions worth more than $160 billion annually.

Founded in 2001, Medius is owned by the global investment firm Marlin Equity Partners. In 2019 Medius acquired Wax Digital to become the power-house in spend management solutions. The group has over 400 employees and offices in Sweden (HQ), the United States, United Kingdom, Australia, Denmark, Norway, the Netherlands and Poland. For more information, please visit medius.com.

















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50 TO KNOW 2020 Spend Matters ALMANAC

Microsoft Partner Microsoft — Gold Cloud Platform, Gold Application Development, Gold Data Analytics

Ardent Partners KEY SOLUTION PROVIDER FOR 2020

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