



AP ProcessFlows®

The Accounts Payable solution from ProcessFlows

Introduction



The Shape of Businesses Today

In today's competitive business environment, running your operations more efficiently is paramount to a successfully evolving organisation. When looking at efficiency, most modern organisations have already solved the issues surrounding their structured operational data, by implementing CRM, ERP, Accounts and other line of business systems.

However, according to Gartner, up to 80% of business data, transactions and records are in an unstructured format – paper, fax, e-mail, office documents, etc – and nowhere is this more prominent than within the Accounts Payable (AP) department. If a business wants to significantly reduce costs and in the same stroke become highly efficient, then the AP process is a good place to start.

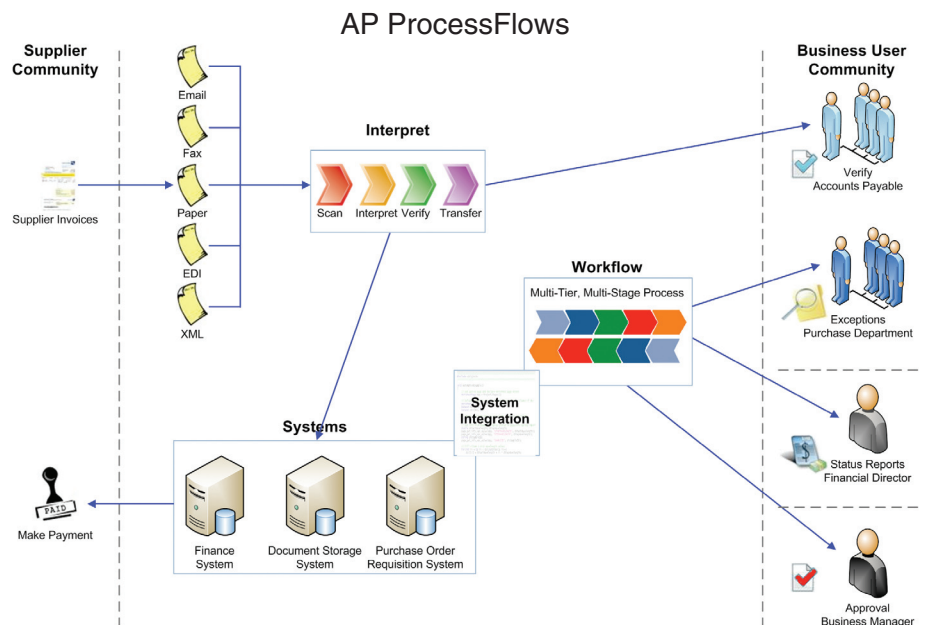
Accounts Payable

The AP process in many businesses is still largely a manual process. As a result, AP departments often have many personnel whose sole responsibility is to process supplier invoices.

According to research carried out by the Hackett Group, manual AP processes are costing businesses on average £2 – £4 per invoice to process and reduce employee productivity by at least 50%*. Other research suggests that where invoices go missing, or have a complex approval process, the costs can be as high as £20 per invoice.

What is evident is that regardless of the processes you have in place for approval and the systems you have in place for accounting, if you are manually handling the data there is a huge opportunity to improve efficiency and reduce costs, by streamlining your AP process. For example, our client LexisNexis benefited from a 15% Internal Rate of Return by implementing AP ProcessFlows.

*cited ft.com - <http://www.ft.com/cms/s/2/a3b091a4-3e64-11db-b4de-0000779e2340.html#axzz1HzSupkbN>, first accessed 2008



The Solution



Accounts Payable – Issues

There are many problems and issues surrounding the typical accounts payable process;

- Collating invoices that come from different suppliers or cost centres, in many different layouts and delivery formats – post, fax, e-mail, EDI.
- Labour intensive processes required to input data are compounded further if linked to different costs centres and potentially involve currency conversion.
- Errors associated with manual data entry in accounting systems.
- Longer lead times due to manual routing, processing, and sign-off procedures, involving individuals in different departments and possibly different countries.
- Inefficiencies due to time spent gathering physical documents in order to match invoices with purchase orders, delivery notes, contracts, and accounting system records.
- Inability to maximise financial benefits associated with payment schedules such as, discounts for early payments, or avoiding late fees for overdue payments.
- Risk of document loss or damage, as documents are received at multiple input points and may be routed or classified incorrectly.
- Costs associated with manual document routing, shipping, couriers, storage, etc.
- Inability to easily audit invoice processing and payments to match up document flow with the accounting system.
- Archive costs for compliance and accounts audits.

AP ProcessFlows - The Fully Automated End-to-End Solution

AP ProcessFlows employs Commercial Off The Shelf software to produce a real time, rules based, supplier invoice processing system, which has been proven to save organisations upwards of 75% of their current AP costs. In addition, AP ProcessFlows will provide data integrity, real time reporting, right place right time approval and many other efficiency gains that will reflect throughout a business.

Although AP ProcessFlows is a solution which is matched to specific business requirements, it is based on a generic set of principles and processes that are delivered as standard. In a generic sense, AP ProcessFlows can be viewed as a series of stages to completion.

Benefits



AP ProcessFlows - The benefits and advantages

Benefits

Examples

Automate capture of data from multiple different invoice layouts.

With over 400 different suppliers and 2000 invoices per month, a major Petrochemical company was able to eliminate the manual data capture process and replace it with data verification that takes 10% of the time. In addition to the massive resource cost savings, the quality of data improved by over 20%.

Reduce the number of misrouted or misplaced invoices with electronic routing.

One manufacturer that processes an average of 1200 invoices per month was able to eliminate misplaced invoices, which greatly reduced the time spent looking for documents. They calculated an annual saving of almost £205,000 due to elimination of misplaced documents.

Save time matching invoices with purchase orders and contracts.

One property management firm's AP department spent an average of 30 minutes per invoice finding physical documents to match the invoice. The time was eliminated with the addition of an ECM repository, which provides AP staff with immediate online access to these documents. With average volumes of 1000 invoices per month, this equated to a saving of £230,000 per year.

Reduce the lead time of processing invoices using rules-based routing, escalation and delegation features.

Invoices can be routed to approvers based on criteria such as supplier name or sign off authority. In addition, features such as delegation and escalation ensure that invoices are processed within a pre-defined time period. One manufacturing firm reported that such workflow and notification features reduced their average time to approve an invoice from 40 days to 15 days.

Accelerate the internal sign-off process with e-signatures.

One property management firm's AP department reported that waiting for physical sign-offs on invoices took an average of a week per invoice. With the addition of ECM workflow technology and e-signature technology, this average was reduced to 1.5 days.

Improve ability to schedule payments to optimise cash management.

ECM and workflow technology helps AP departments take advantage of discounts, avoid late payments, and schedule their payments for the last day of a payment period. One manufacturing firm's AP organisation estimated that the use of ECM helped them decrease their late fees by 50% per year, and take advantage of more discounts for early payment – combining an annual saving of £10,000.

Reduce paper storage costs.

One manufacturing firm that processes 1200 invoices per month, calculated annual savings of £75,000 in on-site and off-site physical paper storage.

Reduce time needed for post payment issue resolution and audits with on-line access to documents.

A property management firm's AP group found that they were able to save an average of 30 minutes per information retrieval request related to post-payment issues or audits, with ECM. With an average monthly volume of 50 such requests, this equated to an annual saving of £10,000.

Return on Investment



Calculating your Return on Investment (ROI)

It is always difficult to calculate true ROI when investing in software solutions, without doing a detailed discovery phase at the customer site. The following table is intended as a guideline only, in order to give an indication of the approximate costs and cost savings that could be achieved with AP ProcessFlows.

This table is based on the following assumptions:

- The AP ProcessFlows costs include the ability to capture and process line items from supplier invoices (the cost would be less if this is not the case).
- The AP ProcessFlows Yr1 costs column includes licences for the document handling, viewing and approval process and also costs for implementation and configuration of the solution. The figures shown have been based on the number of invoices processed per annum (as shown in the first column below). These costs will vary according to the nature of individual customer requirements.
- The Yr2+ Support Costs column illustrates what you pay each year in support for yrs 2, 3, 4, 5 etc. The upfront costs in Yr1 are not repeated in subsequent years.
- The Estimated Current Costs column is based on the assumption that an organisation currently has a manual process for supplier invoices. The figures are also based on the number of invoices with an average cost to process per invoice at £2. Specialist independent consultants 'The Hackett Group' estimate the average cost to process a supplier invoice manually to be between £2 and £4 per invoice, so the ROI illustrated below is based on the low end of the cost scale, assuming that all information on the invoice is correct. When invoices do not match, the processing cost can be as high as £20 per invoice.
- The Cost Neutral Point column is intended to illustrate, using your current costs, approximately how long it would take for the system to pay for itself.

No. of Invoices per annum	Estimated Current Cost	AP ProcessFlows Yr1 Costs	Yr2+ Support Costs	Cost Neutral Point	RoI after 3yrs	RoI after 5 yrs
20,000	£40,000	£55,000	£6,000	17 mths	£53,000	£121,000
50,000	£100,000	£70,000	£10,000	10 mths	£210,000	£390,000
100,000	£200,000	£110,000	£18,000	7 mths	£454,000	£818,000
250,000	£500,000	£170,000	£25,000	4 mths	£1,280,000	£2,230,000
500,000	£1,000,000	£250,000	£45,000	3 mths	£2,710,000	£4,570,000

Note: This table is intended as a guideline and should not be treated as fixed costs in any way. Fixed costs and true ROI can be provided upon completion of the Discovery engagement, as well as the production of a detailed design specification document.

ProcessFlows are a leading provider of software solutions that automate business processes and improve communications.

ProcessFlows' expertise is based on successfully delivering business applications that leverage our in-depth knowledge of the various methods of data capture, business process automation, document management and output management, using 'Best of Breed' technology.

We offer expert advice, provide system integration, installation and training with a first class support structure and customer care programme.

Avanquest UK Limited

Sheridan House, 40-43 Jewry Street,
Winchester, Hampshire SO23 8RY, UK

Tel: +44 (0)1962 835000 Fax: +44 (0)1962 835100

www.processflows.co.uk

