

# THE DEFINITIVE GUIDE TO STREAMLINED INVOICE PAYMENT PROCESSING

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Accounts payable (AP) leaders know that paying suppliers with paper checks is costly.

But transaction costs tell only part of the story.



**The median cost to print and mail a single paper check ranges between \$2.01 and \$4 per check, with postage representing a large portion of that cost<sup>1</sup>.**

The costs associated with manually executing payments can significantly change the equation.

Whether it's time spent processing checks and ACH transactions, reconciling payments, or fielding inquiries from suppliers, these manual, repetitive tasks can have a major impact on AP business outcomes.

Eliminating manual invoice payment processes is key to improving AP efficiency and effectiveness.

This white paper uncovers the biggest time-wasters in manual payment processes, reveals the most common myths about invoice payment automation, details the benefits of making all payments from a single solution, and lays out key considerations when evaluating payment solutions providers.

## The Unfulfilled Promise of Touch-Free Processing

AP leaders have longed for the day when their department can process business-to-business (B2B) transactions – from invoice receipt through payment reconciliation – without human intervention.

By eliminating manual steps in the invoice-to-pay process, AP leaders know they can decrease costs, reduce the possibility of errors, accelerate cycle times, and improve visibility of their financial processes.

But this vision of “touch-free” processing remains out of reach for most AP departments.



**81% of businesses still use paper checks to pay other businesses at least occasionally<sup>2</sup>.**

Eighty-four percent of the typical AP practitioner's day is consumed by manual, repetitive tasks such as keying payment data, printing checks, chasing down approvals and signatures, reconciling bank statements, and responding to inquiries from suppliers and stakeholders about where things stand in the process<sup>3</sup>.



**64% of AP departments manually handle most of the invoices that they receive<sup>4</sup>.**

The burden of manual payment processes grows as a business expands globally, acquires new systems, processes more invoices and payments, and contends with regional tax regulations. In many cases, AP departments in fast-growing businesses must hire additional staff to manage the influx of invoices and payments or abandon productive initiatives to accommodate time-consuming tasks.

All the time that AP practitioners waste on manual, repetitive tasks is time they cannot spend on higher-value activities, such as analyzing data for opportunities to capture more early payment discounts, collaborating with stakeholders, or building stronger relationships with key suppliers.



**Less than 20 percent of AP departments have consistent P2P processes<sup>5</sup>.**

No wonder that AP is often perceived as a tactical back office that drains company resources.

<sup>1</sup> Association for Financial Professionals (AFP), 2022 AFP Payments Cost Benchmarking Survey

<sup>2</sup> PYMNTS, *The Treasurer's Guide to AR Payments Optimization*

<sup>3</sup> Institute of Finance and Management (IOFM) benchmarking data, 2020

<sup>4</sup> Association for Intelligent Information Management (AIIM), 2020

<sup>5</sup> Institute of Finance and Management (IOFM), benchmarking data, 2022

The conundrum for many AP departments has become a question of how to ensure suppliers are paid accurately and on time, while simultaneously freeing up time for their AP staff to focus on strategic activities.

## Today's AP Reality

The root of these manual processes is the outdated approach most businesses use to pay suppliers.



**58% of treasurers say that using multiple systems is the biggest challenge their business faces when managing payments<sup>6</sup>.**

Paying suppliers at many businesses involves a seemingly endless series of manual steps, including:

- Opening the mail or retrieving invoices from a department email box
- Manually entering invoice data into an accounting system
- Coding invoice data to the general ledger
- Matching invoices to purchase orders and identifying any discrepancies
- Tracking down individuals to approve invoices or resolve any exceptions
- Printing and mailing paper checks
- Generating reports for the monthly, quarterly, or annual financial close

As time-consuming as these manual processes are, a single miskeyed character at any point in the invoice-to-pay process can result in duplicate, lost, or late payments, and hours of wasted time fixing the mistake. It may be necessary to reissue the payment in some cases. And it's not uncommon for payments to become delayed as approvals sit in the physical or electronic inbox of a purchaser.



**43% of treasurers say that an inability to access real-time data is the biggest challenge their business faces when managing payments<sup>7</sup>.**

The AP staff at many businesses also spend lots of time manually maintaining vendor data. Entering and updating payment methods, remittance addresses, and other vendor information can take hours.

Employee burnout is a warning sign of overtaxed invoice-to-pay procedures.

## The Most Common Myths About AP Automation

Clearly, manual invoice payment processes aren't sustainable for growth.

AP departments rely on outdated payment processes for several reasons.

Fear of change is a barrier to automation in many AP departments. The leaders of these departments continue stoically onward, disinterested in the technological advancements over the past decade. They also often think changing their processes will be costly and require a significant amount of IT and AP staff time.



**Some departments with veteran AP managers rely on processes that were considered top-of-the-line more than a decade ago.**

But the biggest reason that many AP departments are willing to live with inefficient and ineffective processes is that their leadership has bought into common myths about payment automation.

While myths can be amusing – like the urban legend that giant alligators freely roam the sewers of New York City – the misperceptions that hold many AP departments back are no laughing matter.

Here are the most common myths about payment automation that AP leaders fall victim to:

- “Paper checks provide better control over payments than electronic alternatives.”
- “Sending electronic payment instructions to our bank works well enough.”
- “Our bank's positive pay service eliminates any need to worry about fraud.”

<sup>6</sup> Strategic Treasurer, 2022 Global Payments Survey

<sup>7</sup> Strategic Treasurer, 2022 Global Payments Survey



- “Implementing an electronic payment solution takes too long.”
- “The check float that we give up will cost our business a lot of money.”
- “Our suppliers will never agree to accept card payments.”
- “Suppliers will charge us more money to accept card payments.”

These myths are easily dispelled by payment automation solutions.

### A More Efficient Approach to Invoice Payments

The triple whammy of increased pressure to reduce costs, solve the challenges of recruiting and retaining back-office staff, and overcome clogged global supply chains has shone a spotlight on outdated AP processes.

From multinational corporations to fast-growing startups, AP departments of all sizes know that they must become more efficient and effective to help their organization navigate these uncertain times.



**30% of AP leaders say that reducing their staff's effort is the primary motivation behind their department's automation initiatives<sup>8</sup>.**

Fast-changing financial standards, tax obligations, and compliance and reporting requirements are heightening the urgency to digitize the invoice-to-pay lifecycle to achieve process efficiencies.

Comprehensive payment automation solutions streamline the process of making supplier payments.

The process of executing payments with an automated solution begins with AP staff selecting invoices for payment from within their enterprise resource planning (ERP) application or accounting software. A single file of invoices ready to pay is then sent to the payment automation solution, which automatically selects the payment method that will deliver maximum return. AP staff then approve, stop,

or hold each payment. Once payments are approved, funds are pulled from the buyer's bank and suppliers are paid. The solutions provider follows up on any payment issues.

What's more, initial and ongoing vendor enablement is shouldered by the solutions provider – it's a hands-off process for the AP department. Once vendors are enrolled, the pertinent payment information is maintained by the solutions provider's vendor enablement team.

### Touch-Free Processing is Within Your Grasp

By eliminating manual, paper-based tasks, AP departments can achieve tremendous benefits:

- **Improved staff productivity.** AP staff can use a single payment file to make Automated Clearing House (ACH), virtual card, and check payments to suppliers. Some automated solutions also provide a single view into the payment processes across multiple locations. And the searchable online portals built into some electronic payment solutions enables suppliers to monitor payments easily, reducing the need to contact the AP department.



**TIP: Look for a solution that unifies all payments into a single workflow.**

- **Lower overhead.** Paying suppliers electronically eliminates labor-intensive tasks such as printing checks, chasing down approvals, and stuffing and mailing envelopes. It's no wonder that electronic payments cost a small fraction of the expense of paper checks. A business can save \$2 to \$4 on every check payment it makes by automating its supplier payments<sup>9</sup>. The large network of suppliers already enrolled with leading electronic payment solutions providers helps ensure strong adoption of electronic payments. And the significant cash-back rebate opportunities provided by card payments can offset the overhead of an AP department. A solutions provider can scan a department's vendor and payment data from the past year to uncover opportunities to migrate suppliers to electronic payments and earn card rebates.

<sup>8</sup> Institute of Finance and Management (IOFM), Online Survey, 2022

<sup>9</sup> Estimated savings based on data from AFP Electronic Payments Survey and Aberdeen Research Group





**TIP: Increase your net rebates by partnering with an electronic payment solutions provider that offers ongoing supplier enablement campaigns for card payments.**

- **Faster financial close.** Payments are reconciled in the ERP in real time, eliminating a big barrier to the financial close. Electronic payments also reduce the possibility of typos that can result in erroneous payments that require rework, potentially delaying the financial close.



**TIP: Seek a best-fit solution that leverages your existing ERP or accounting software and back-office infrastructure, while enabling continuous process improvement.**

- **Reduced risk and liability.** Configurable approval workflows keep AP departments in control of who gets paid and when. Audit logging tracks all actions taken in the system. And some solutions providers will assume responsibility for fraud risk for qualified payments.



**TIP: Ask prospective electronic payment solutions providers about their investments in security, training, compliance, and infrastructure to prevent fraud.**

- **Lower administrative burden.** Leading electronic payment solutions providers relieve AP departments of the burden of managing unclaimed card balances, 1099 card reporting, and stale-dated checks. Some solutions providers also field vendor questions on behalf of the AP department, while others offer initial and ongoing vendor enablement. Offloading these administrative tasks to a solutions provider frees up AP staff to spend more time on high-value activities, which helps the business better serve its customers. AP departments can also save big money by having a solutions provider enable vendors on their behalf. It could cost an AP department that pay

its staff \$25 per hour \$17,500 to enroll 350 vendors. Leveraging a payment solution provider's enablement program could significantly reduce this cost.



**TIP: Eliminate the burden of adding new suppliers and updating pertinent payment information by leveraging a payment solution with an established network of suppliers.**

These are just some of the ways that automation reduces the time AP staff spend executing payments.



**44% of AP leaders who describe their department as "largely automated" plan to deploy more technology<sup>10</sup>.**

## Now is the Time to Modernize Invoice Payments

Businesses have a lot riding on AP. The efficiency and effectiveness of an organization's invoice payment processes can impact its operational performance, cash flow, corporate spending, and risk mitigation. Yet many AP departments rely on checks and other manual, burdensome approaches to paying suppliers that consume staff time, strain supplier relationships, complicate the financial close, and leave the business vulnerable to fraud. Automated payment solutions eliminate the manual tasks that hold an AP department, and a business, back. Staff can make ACH, virtual card, and check payments in just a few clicks using one simple, automated workflow. And AP departments can offload administrative tasks, vendor enablement and support, and the liability on qualified payments to a payment solutions provider. Streamlining AP with an automated invoice payment solution can help an AP department overcome today's challenges while positioning the business to leap ahead.

<sup>10</sup> Institute of Finance and Management (IOFM), Online Survey, 2022



### About Corpay

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Corpay transforms the way distribution companies pay their suppliers with a holistic approach to payments. Their configurable AP payment solution meets the needs of companies that have complex approval workflows, multiple locations, bank accounts, and payment methods.

Corpay is designed to immediately generate time and cost savings in your vendor payment process. Join this webinar to learn how payment automation will enable you to become a key revenue strategy for your company, starting with a seamless implementation into your ERP.



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Accounting and finance professions have each undergone nothing short of a complete transformation since the Institute of Finance and Management (IOFM) was founded in 1982 and since then our mission has been, and continues to be, to align the resources, events, certifications, and networking opportunities we offer with what companies need from the accounting and finance functions to deliver market leadership. IOFM empowers accounting and finance professionals to maximize the strategic value they offer their employers.

Our enduring commitment to serving the accounting and finance professions is unmatched. IOFM has certified over 25,000 accounting and finance professionals and serves several thousand conference and webinar attendees each year.

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