

PAPER & PDF INVOICE DIGITIZATION FOR P2P



Contents

Executive Summary	2
Business Objectives	3
Analyzing Costs	4
Challenges & Requirements	5
Process Outcomes	6
Benefits Analysis	7
Questions for Service Providers	8

How can you achieve procurement transformation when 50% or more of your invoices are paper or PDF?



Executive Summary

Problem: Organizations that have made a significant investment in P2P automation platforms are processing paper and PDF invoices using expensive, manually-intensive and error-prone processes that are not integrated with the P2P platform.

Challenge: Conventional solutions for processing paper and PDF invoices do not leverage AI or machine learning technologies to perform “no-touch” and “autonomous” matching to reduce human intervention. In addition, conventional solutions don’t incorporate smart workflows expedited within the P2P platform.

Business Impacts: With 50% or more of invoice volume comprised of paper and PDF invoices, companies experience the following negative business impacts:





- Average cost of invoice processing: \$10-\$30 per invoice
- Significant resource requirements for manual processing tasks rather than higher-value functions
- Inability to capture line-level invoice details for optimizing spend management
- Lower/slower return on investment in the P2P automation platform

In Search of a Better Solution: This report provides an overview of the shortcomings and costs associated with current approaches to paper and PDF invoice processing, presents highlights from a Gartner research advisory on challenges for smart invoice processing along with requisites for success, and provides a summary of the bottom-line benefits of an integrated approach to smart invoice processing.

How manual processing impacts the business objectives of P2P automation



Your company invested, or is contemplating investment, in a P2P platform to achieve specific business objectives. When building your business case for smart invoice processing, it is important to understand how manual invoice processing impacts these objectives.

P2P Automation Business Objectives	Impact of Manual Invoice Processing
1 Cost Reductions: Automating procurement processes enables negotiation of better pricing, reduction of maverick spend and prevention of vendor overcharging.	 <p>Staff costs, outsourced expenses, infrastructure costs & late fees result in an average cost of \$10-\$30 per invoice</p>
2 Elimination of Manual Tasks: P2P automation processes eliminate manual tasks, giving back more resources that can be utilized for higher-value functions.	 <p>Scanning, data entry & other manual processes keep resources from performing higher-value functions</p>
3 Visibility: By automating the P2P process, finance leaders achieve the visibility and transaction details needed to analyze trends and optimize spend management.	 <p>Out-of-band workflows and lack of line-item details impede the visibility required for spend management</p>
4 Risk Reduction: P2P automation significantly reduces the risk of manual errors, duplicate invoicing, paying an incorrect amount, paying late or paying to an incorrect supplier.	 <p>QA problems from manual processes increase the risk of payment errors, approval delays and late fees</p>



Manual processing of paper and PDF invoices negatively impacts the four primary business objectives for P2P automation.

Understanding the true cost of paper and PDF invoice processing



The cost it takes your AP department to process a single invoice depends on a variety of factors. In their State of ePayables Report, Ardent Partners estimated that the all-inclusive cost is slightly above \$10 per invoice. Other sources report that the cost of processing paper invoices can range from \$12–\$30.

Costs Factors: You can get a more precise calculation of your company's paper and PDF invoice processing costs by examining:

- Total invoice processing time and external costs
- Cost for ancillary systems, licenses and IT infrastructure
- Total time spent reviewing invoices
- Total time spent identifying and correcting data entry errors, duplicate payments, etc.
- Discounts lost and penalties incurred due to late payments, errors, etc.
- Total hours of labor spent by staff performing invoicing duties rather than their assigned functions

Estimating Your Direct Costs: Use the following formula to get a rudimentary estimate of your costs:

$$\frac{\text{Staff Costs} + \text{External Costs} + \text{Late Fees}}{\text{Total Number of Invoices Processed}} = \text{Average Invoice Processing Cost for Paper and PDF Invoices}$$

Opportunity Costs: Once you determine the number of internal resources devoted to the manual processing of invoices, consider the value these resources could create if they were deployed on higher-value functions.



Understanding your total cost for manual processing of invoices is important.

The benefits of deploying resources on higher-value functions should also be considered in building your business case.

Requisites for success in smart invoice processing for P2P automation



Key Challenges: Gartner, the leading research and advisory company, issued a research advisory on paper and PDF invoice automation in July 2019. In their report titled "Success with AP Invoice Automation Requires More Than Paper to Digital¹," Gartner identified the following key challenges:

- Suppliers have vastly different capabilities when it comes to generating easily processed invoices. This variability leads companies to higher processing expenses, inconsistent processes and lower straight-through processing rates.
- Invoice automation projects frequently only address document digitization and ignore matching issues. This incomplete scope reduces the potential ROI and reintroduces problems that would be caught by manual invoice processing.
- Organizations can't improve invoice match rates when there is no visibility of the root issues of match failures.
- Process improvement and error elimination cannot occur without visibility and correction.

Requisites for Success: The Shelby Group believes that, in order to overcome these challenges, smart invoice process automation requires the following capabilities:



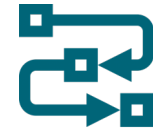
"No-touch matching" for complete and verified invoices



"Autonomous matching" for invoices that are close enough for a knowledgeable person to approve; but now, AI and Robotic Process Automation (RPA) can substitute for labor



"Smart workflows" for those invoices that need human intervention, designed to integrate with the P2P automation platform



Invoice processing requires more than digitization. Robust matching capabilities and smart workflows are needed to achieve the business objectives of P2P automation.

1. Gartner, Success with AP Invoice Automation Requires More Than Paper to Digital, Micky Keck, Kaitlynn Sommers, Balaji Abbadatulla, 1 July 2019

GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally, and is used herein with permission. All rights reserved.

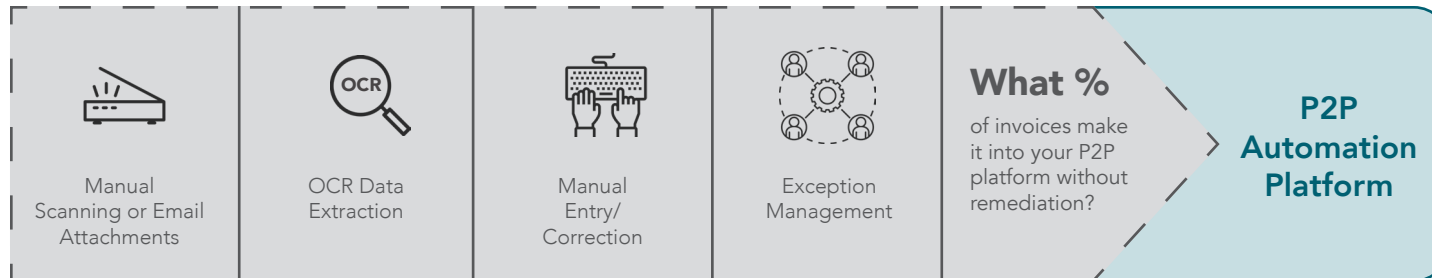
Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

Compare the outcomes of conventional and smart processing for paper & PDF invoices



The diagrams below show how smart invoice processing replaces manual, disconnected processes with AI-enabled automation, resulting in the ability to process 100% of paper and PDF invoices all within the P2P automation platform.

Conventional Invoice Processing



Conventional invoice processing involves multiple, disconnected systems and processes that increase cycle times, operational costs and risks, often with only a small percentage making it into the P2P system.

Smart (AI-Enabled) Invoice Processing



Smart invoice processing reduces costs, cycle times and risks and delivers 100% of invoices for processing within the P2P system.



Retention of Legacy Invoice Processing into an ERP System

Many organizations, upon implementing a P2P platform, retain legacy invoice processing in their ERP system with the intent to eventually migrate to the P2P system. This negatively impacts each of the four P2P business objectives outlined on page 3.

Five bottom-line benefits of a holistic approach to digital transformation



Go 100% Digital on Day One: Smart invoice processing eliminates the need for separate, disconnected processing and facilitates the ingestion of 100% of invoices within the P2P automation platform on day one.

Reduce Costs: Smart invoice processing can reduce the average cost of manual processing by 50% or more, eliminates the cost associated with late payments due to slow processing times, reduces the risks associated with manual processing errors, and enables tracking and processing for early pay discounts.

Increase Productivity: Smart processing and automated workflows free staff from tedious manual tasks and enable more efficient utilization of resources for higher-value functions.

Improve Spend Management: You can't manage what you don't see. Capturing all line-level invoice details for analysis within the P2P platform enables spend analytics and empowers proactive spend management initiatives.

Speed ROI on P2P Automation: Realize the full benefits of P2P automation for 100% of invoices with no-touch matching, autonomous matching and smart workflows that reduce the time to ROI on your investment in P2P automation.



Automating the processing of 100% of your invoices with no-touch matching, autonomous matching and smart workflows will maximize the return on your investment in P2P automation.

Questions for Service Providers

As you transform procurement, you also need to transform how you process supplier invoices. Here are some questions to pose as you consider service providers:

- How will the provider intake all invoices—whether paper or PDF format?
- How will the provider accurately capture data from all invoices?
- How will the provider validate invoice data with your master or referential data?
- How will the provider make invoice data compatible with your P2P platform?
- How will the provider service all locations, languages and alphabets?
- How will the provider comply with local invoice regulations?
- How will the provider comply with data protection regulations?
- Does the provider have the ability to perform “smart invoice processing” as defined by Gartner?
 - No-touch matching
 - Autonomous matching
 - Smart workflows
- Does the provider enable all validation and approval workflows within the P2P platform, or do they require remediation work to be performed in an outside system?
- Is there a minimum quantity of invoices that needs to be met to engage the provider?

Accelerate procurement success with platform-enabled solutions from Shelby

Procurement departments everywhere face a common challenge. How can you increase transparency, control and compliance in order to deliver measurable business benefits to your organization? Today's cloud-based procurement platforms offer powerful and flexible tools to integrate best practices into daily operations. However, a low utilization of features and misalignment with business processes can negatively impact your success.

The Shelby Group is the global leader in platform-enabled procurement optimization. With hundreds of platform implementation and support engagements to our credit, Shelby can help accelerate your success through each step of your journey with support for Platform Implementation, Program Optimization, Procurement Operations and Digital Solutions.



THE SHELBY GROUP

theshelbygroup.com | 312.445.8500