

# Web Invoicing & Electronic Payments

Strategic Impact of AP Automation

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## iPayables

iPayables, a privately held and funded enterprise, is a leading provider of Internet-enabled invoice delivery and payment processing services, specifically geared toward large and medium-sized accounts payable departments. iPayables got its start in 1999 and currently has its corporate headquarters in Lake Forest, California. The company's flagship invoice and payment automation solution – InvoiceWorks – was introduced in 2001 and handles the creation, routing, approval and payment of invoices for its larger clients.

InvoiceWorks has gained significant traction with Fortune 500 companies and is extremely successful in the airline, retail, transportation and consulting services segments. iPayables takes a slightly different approach when it comes to marketing its solution, compared to the other buyer-side solutions profiled in this report. Given that iPayables offers a shared network supporting many-to-many relationships between buyers and suppliers, it sells to both buyers and suppliers, who can then invite their trading partners to participate in the network.

iPayables differentiates its clients into PowerBuyers and PowerSuppliers, who pay for the service and ParticipatingBuyers and Participatingsuppliers, who use the application at no charge. InvoiceWorks is utilized by 20 PowerBuyers and 6 PowerSuppliers and also supports 803 ParticipatingBuyers and the shared network supports in excess of 34,000 ParticipatingSuppliers. The strength of the network is validated by the 100,000 invoices and \$1 billion in spend processed through it on a monthly basis. A cross section of iPayable's clients includes known names like Kroger, American Airlines, Bearing Point and Delta.

iPayables sells its solutions directly as well as through multiple partnerships. The company's sales operation includes a direct sales force and a number of Independent Sales Organizations. iPayables has strategic relationships with companies like IATA, American Express, BearingPoint, CTP Solutions, SAVVIS, DIT, and TelenetWorks. The company is currently working with the MasterCard association to include MasterCard purchasing transactions with InvoiceWorks and this functionality will become available in late 2007. The company is also in the process of developing a mid-market application for organizations that process less than 3,000 invoices a month.

### InvoiceWorks

iPayables offers full circle functionality from supplier enrollment and invoice creation to dynamic discounting payment processing through the InvoiceWorks application. InvoiceWorks is traditionally offered as a hosted solution and the application is based on the .net platform with clients having the flexibility to choose and implement only those modules of the solution that best meet their automation needs. The network allows vendors to invoice multiple customers with customized fields for each customer, and also allows customers to receive invoices from a multitude of vendors.

The company helps its buyer clients in the supplier recruitment and on-boarding process by going through each client's vendor master file and classifying suppliers into various categories – based on the value and volume of invoice transactions, the level of problems faced with those suppliers and the ease of bringing the suppliers onboard. iPayables then works closely with buyers in developing marketing materials and activation campaigns – email, direct mail and phone campaigns – for each

segment of suppliers that will be targeted for recruitment. iPayables also uses its employees to contact suppliers on behalf of buyers to enlist them in the service.

Suppliers are provided access to a secure Web portal, through the enrollment process, where they can log in and create their profiles and provide company information and preferences for how they want to receive invoices and remittance information. Suppliers can also include their bank account details in the profile in order to receive payments electronically. iPayables utilizes the phone number from the client's vendor master file to contact the supplier organization and verify the payment information entered in the portal. iPayables states that the client is ultimately responsible for validating the ACH information but the company does deliver reports, which they can use to facilitate this process. iPayables can also send a test transmission, called a prenote, through the ACH system and payments are authorized only if the record passes the prenote process.

Buying organizations can use InvoiceWorks to transmit purchase orders to suppliers. The purchase order is uploaded to the portal and a link is sent to the suppliers, which they can click to view the document. Suppliers then have multiple options when it comes to actions they can take on the PO; suppliers can choose to accept or reject the PO, download the PO to their accounting systems, send advance shipping notices or shipment notifications and finally, they can flip the PO into an invoice and transmit it back to the client. At the time of PO flip, suppliers can change the information in any editable fields.

Suppliers can submit invoices in other ways as well. They can manually enter non-PO invoices using templates and blank forms available in the InvoiceWorks application. All the fields that are shown to suppliers are configurable and customizable based on client needs. High volume suppliers, who do not want the hassle of uploading each invoice manually, can opt for a nightly FTP file upload of all their invoices to the portal. InvoiceWorks also supports the addition of notes and attachments with the invoices.

iPayables realized the value of combining imaging services with electronic invoice submission a long time back and has been offering outsourced document capture and data extraction services for more than four years now, through a partner. Images received at the partner's processing center are scanned and invoice information at the line-item level is extracted through a "double blind keying" technique – two operators in different locations key in the same information and the data is accepted only if it matches – to reduce data entry errors. The extracted data along with the invoice image is then available for viewing in InvoiceWorks.

All invoices are validated at the time of submission based on business rules and tolerance levels configured by the buyer organization. Invoices that fail the validation tests are rejected back to the supplier with a notification to correct these issues before the invoices can be transmitted to the accounts payable department. InvoiceWorks is also equipped with a robust workflow routing engine, which can mimic the client's existing routing environment, if needed. Routing and approval rules for invoices can be configured and changed in real-time based on a number of parameters, including the approver hierarchy, the entry point of the invoice or any business rules.

Approvers who log into the system are greeted with a list of invoices that need their attention. Additionally, they can use the solution's extensive search capabilities to find invoices and then download or print the invoices and attachments. Invoices

statuses that should be displayed with the invoice as well as red flags that trigger alerts and notifications are easily configured in the system. Reminders and escalation procedures, if no action is taken within a specific period of time, as well as vacation reroutes to handle out of office situations come standard with the solution. The system also handles dispute resolution efficiently, allowing approvers to create issues, which are then communicated to the supplier.

InvoiceWorks shines in the area of discount management offering buyers and suppliers multiple options to leverage dynamic discounting capabilities. At the time of supplier enablement itself, iPayables or the buyer can recruit the supplier to enroll in an automated recurring discount program – in this case every invoice coming from that particular supplier will be paid as soon as it is approved, without any manual intervention, and the discount rate will be pro-rated based on the number of days it was paid early.

InvoiceWorks also supports other dynamic discounting features like always paying an invoice a certain number of days after it has been received. Finally, providing suppliers control over the equation, the solution allows them to pick and choose the invoices that they would like to discount anytime after they have been approved. Buyers have the flexibility to configure various discount schemes and specify which vendors would fall under each category.

InvoiceWorks allows buyers to upload payment instructions in a format of their choice and supports numerous payment options including paper checks, ACH transactions, and wires and will support MasterCard purchasing card payments from late 2007. The solution offers its capabilities in 13 languages and supports over 500 currencies, which is valuable for the company's clients who have an international presence. Remittance data is captured in the application for all vendors, including those that sent paper invoices. Suppliers can then access the remittance data by logging into the Web portal.

In addition to comprehensive search and retrieval capabilities, iPayables offers 13 standard reports bundled with the solution. And for clients needing customized reports, iPayables can develop these for a nominal fee. Additionally, all interactions between buyers and suppliers as well as other actions performed in the system are archived in an audit trail with date and time stamps. InvoiceWorks also features an Approval HQ dashboard, which affords high level insights into the receipt-to-pay cycle, as well as the ability to drill down and identify any roadblocks in the process.

iPayables follows a structured implementation process consisting of the following phases – requirements gathering, customization, testing, training and then go-live. The entire process can be completed in as little as eight weeks and the length of the implementation timeline primarily depends on the amount of customization that is required. The company offers complete training to its clients as well as for their trading partners, who will be accessing the network. iPayables' pricing structure comprises of an implementation fee, a monthly maintenance charge and a per transaction fee, all of which are flexible to suit clients' needs.

## Outlook

iPayables has a unique approach when it comes to marketing its solution. Of all the vendors profiled in this report, iPayables is the only one, which sells to both buyers and suppliers validating the fact that it has a true shared network, supporting many-to-many relationships. Until recently, the company was focusing its resources on

the higher-end of the spectrum, primarily targeting large, Fortune 500 organizations with its InvoiceWorks solution. But now it is moving downstream to more mid-market companies and is introducing an application that is best suited for AP departments processing less than 3,000 invoices a month.

The company is also introducing an implementation program, which will require no IT resources on the client side, which will be extremely appealing to the mid-market companies iPayables is going after. Going hand-in-hand with its non-IT implementation program, iPayables is also considering an aggressive pricing structure that includes a very low monthly subscription fee and a lower fee per transaction, which covers everything from PO transmission to payment processing.

Overall, we were impressed with the strong solution functionality offered by iPayables and the company's vision and approach to the market. We believe that InvoiceWorks should be on the radar of every company seeking to automate its invoice receipt-to-payment processes and those organizations that are looking to strengthen their working capital positions through dynamic discounting.