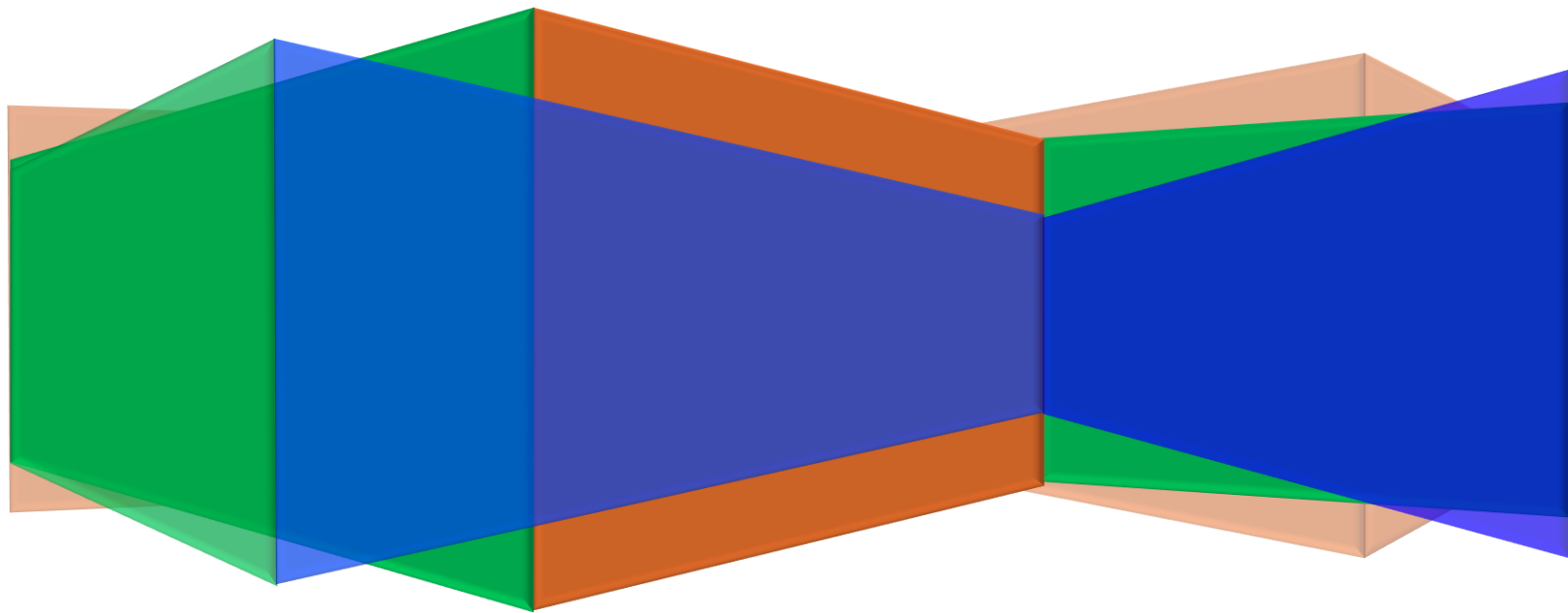


## Exploring the Spectrum of Accounts Payable Automation Solutions

**Authored By: Transformation Management Consulting, LLC**



# Exploring the Spectrum of Accounts Payable Automation Solutions

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## Overview:

As companies begin optimization efforts within their Accounts Payable (A/P) processes, at some juncture, the selection process turns to how enabling technologies can be leveraged in order to accelerate the transformation. With the plethora of alternatives available however, it is often difficult to determine where to start, what level of automation the differing providers support, and/or whether the automation efforts can be achieved within the confines of the budget.

Technology needs differ within organizations depending on size, volume of invoices received, level of automation already accomplished through other avenues (e.g. EDI) and resources available for implementation and on-going support of the platform. The purpose of this whitepaper is to provide insight relative to the spectrum of A/P automation solutions available and to draw some correlations between the level of automation achievable and the affordability of that solution relative to other platforms providing a comparable level of automation potential.

The following market-leading providers will be explored as a part of this review:

- ◆ Ariba
- ◆ Basware
- ◆ iPayables
- ◆ KOFAX
- ◆ Metaviewer
- ◆ OB10
- ◆ Perceptive Capture (powered by Brainware)
- ◆ Readsoft

Outlined within the analysis below is a brief description of each module or service that would be expected along the A/P automation spectrum; a table denoting the functional areas within A/P for which automation solutions are supported by each provider; and context around the affordability of the platform.

For ease of quickly assessing how the solution providers compare, an Accounts Payable Solution Provider Comparison matrix has also been provided to denote how the solution providers align relative to the two primary areas being explored: level of automation and affordability.

Within the matrix, the “x” Axis denotes the Level of Automation supported and represents the degree to which the solution offered by the provider supports automation across the entire spectrum of the A/P process. For purposes of the analysis, the assumption is that the A/P process begins with invoice receipt and continues through payment. As a part of assessing the extent of the automation potential, other critical facets of the A/P process, such as assistance with optimizing Days Payable Outstanding (DPO) through discount capture functionality, as well as, Supplier On-Boarding support have also been considered.

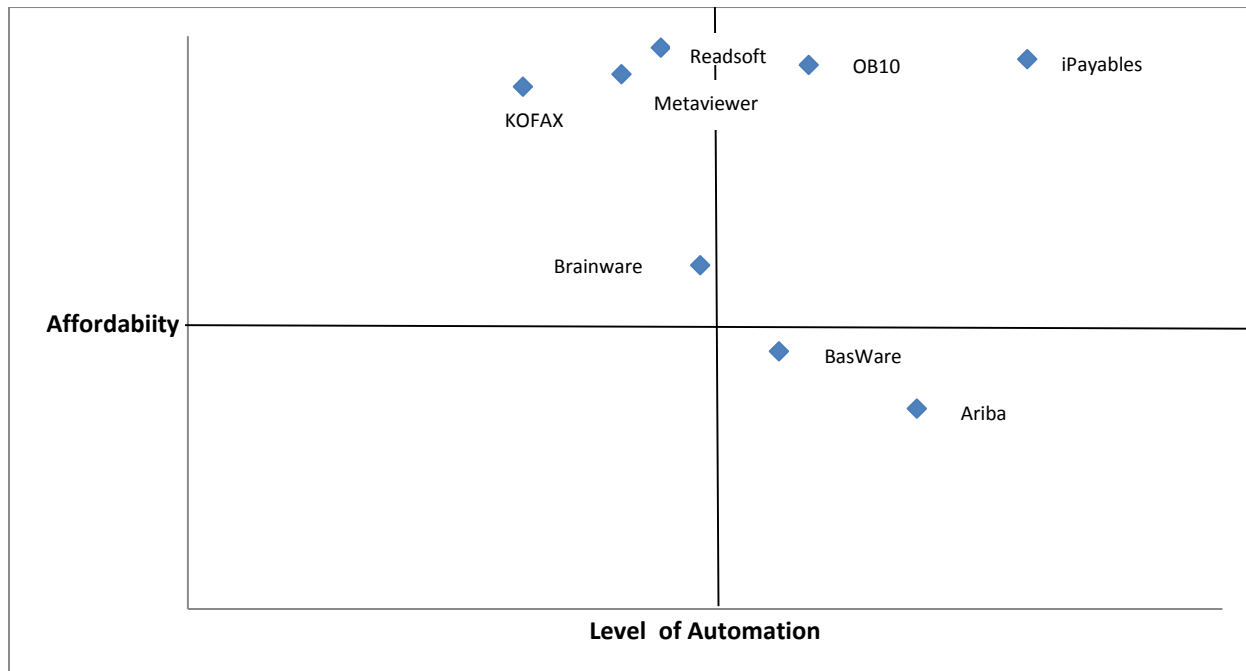
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Affordability is gauged on the “y” Axis. Given the pricing models differ across the varying providers reviewed, in order to compare Affordability, pricing was converted into a cost per invoice calculation which considers the total on-going cost per transaction post implementation. To protect the integrity of the solution providers’ pricing, these costs have been translated into an Affordability scale ranging from 1 to 5 with 1 being Very Expensive and 5 being Most Affordable. Per invoice costs around \$2.50 were considered to be Affordable as a baseline.

Within the Accounts Payable Solution Provider Comparison matrix below, those solution providers providing the most robust Level of Automation at the Most Affordable costs are highlighted in the upper right quadrant. Those providing a similar or a slightly reduced Level of Automation with more expensive solutions will be reflected in lower right quadrant.

Similarly, providers offering automation capabilities on a more limited scope within the A/P process, with the most affordable solutions, will be reflected in the upper left quadrant. While those that provide more expensive solutions in that arena are denoted in the lower left quadrant.

**Accounts Payable Solution Provider Comparison**



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## Elements of Accounts Payable Automation Assessed:

### Paper Invoice Capture

Paper Invoice Capture provides for the ability to receive and convert a wide variety of documents and information into an electronic format regardless of whether the original documents are structured, unstructured, partly structured or arrive via paper, FAX, email or electronic. This capability could be supported either innate to the platform or through a relationship with a partner. The solution providers may leverage Optical Character Recognition, Intelligent Character Recognition, or in the case of OB10, Brainware and Readsoft, algorithms/learn set technology. These solutions “learn” as exceptions are cleared, and replicate that knowledge for future documents enhancing the capture rate over time.

### Electronic Invoice Capture

Through Electronic Invoice Capture suppliers are offered multiple options for submitting electronic invoices including: entry of information into a web-based template through a supplier portal; PO Flip; file upload including CSV, XML & EDI; or a scheduled file transfer of invoice data. Within iPayables’ platform, they are also allowed to “clone” a previous invoice for ease of submission to repeat customers.

### Matching/Exception Management

The Matching/Exception Management process provides for an automated “match” of the invoice to other documents within the platform eliminating items from going into match exception once they are posted to the ERP environment. The platforms may perform a “two-way” match to ensure the invoice matches the PO or a “three-way” match validating the invoice against both the PO and the receiving information. For those platforms, such as Ariba, that also supports the purchasing function, Matching is achieved for a much higher percentage of the invoices, if Ariba’s Procurement platform is also leveraged. Ideally the platform provides the supplier with immediate visibility to any exceptions in the process allowing errors to be corrected before the invoice is put into the workflow to the Client.

### Workflow

A business-rule driven Workflow routes those invoices requiring further review and action into a work list for additional coding, validation, approval, and/or for attachment of documentation necessary to support the invoice. iPayables allows for simultaneous workflow streams as necessary to support multiple business hierarchies. For example, an individual could have certain permissions and authorization capabilities within workflow for normal invoice review and differing permissions and authorization levels within another workflow for a particular project or capital expenditure event. Platforms such as Ariba, OB10, iPayables, Readsoft and Metaviewer have streamlined these workflows to be configurable by the Client providing

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greater flexibility as the work stream changes over time. Other platforms require core changes to workflows to be made by the solution provider on a time and materials basis.

## **Supplier Portal**

The Supplier Portal offers an avenue for suppliers to: submit their invoices; have visibility to exceptions that require correction; note the status of the invoice in the approval process; and gain insight into payment status and details.

## **Dispute Management**

Dispute Management which is only supported by one of the providers reviewed, iPayables, provides an avenue for business rules to be defined by the Client around common areas of dispute such as duplicate invoice detection, sales tax exemptions, etc. These exceptions and any other disputed items are visible to the supplier through the Supplier Portal and on-line collaboration can occur between the Client and the supplier to resolve disputes more timely. As an added benefit, the platform provides an “audit trail” relative to resolution of the disputed item for future reference as necessary.

## **Discount Management**

Discount capture can be supported through automation from two perspectives: 1) cycle time compression as a result of being able to process invoices faster through the system allowing for participation in early/prompt pay discounts offered by the suppliers or negotiated through the contract; 2) capabilities provided by the platform to solicit discounts from suppliers where they do not exist.

All of the solution providers reviewed are able to significantly improve the potential to capitalize on negotiated discounts or supplier discount offers by compressing the invoice processing cycle time. Some of the providers, however, have enhanced discount capture potential by incorporating technology that elicits additional discounts from the suppliers based on the invoice being approved and ready to pay. Ariba, OB10 and iPayables offer Discount Management functionality that enables the supplier to select to be paid immediately in exchange for an established discount (Pay Me Now). Ariba and iPayables expand upon the concept by allowing the supplier to select a date in the future to be paid for a corresponding pro-rated discount through a Dynamic Discounting Framework.

## **Payment**

Payment is the final component in the A/P cycle. Approaches among the solution providers range from not supporting the payment process at all to a complete suite of payment options.

Solution providers such as Brainware, Readsoft, KOFAX and Metaviewer have concentrated their solutions on streamlining the “front-end” of the A/P process through invoice capture,

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matching/exception management and workflow routing. Basware and OB10 have determined that the majority of their clients prefer to handle payment through existing processes, so these solutions only support provision of invoice data to be leveraged within the Client's ERP for making payments.

Ariba offers three services for payment: 1) integration with the client's ERP for processing through normal bank processes; 2) ACH; 3) provision of remittance information details to the supplier. iPayables expands the payment options further by offering the ability to pay suppliers via PCard, ACH, by utilizing iPayables Early Payment discount platform or directly by the Client through their ERP if that is the preferred approach. iPayable also provides robust remittance detail to the supplier for purposes of cash application and reconciliation within their environment.

## **Supplier On-Boarding Services**

In order to be successful in any automation effort, the suppliers have to be willing to participate in the process. Given this is a key component to success, another area of review focused on services offered by the solution providers to assist with marketing and communication to "on-board" suppliers.

For solutions provided by Brainware, Readsoft, KOFAX and Metaviewer, documents continue to be sent to the client organization by the supplier in whatever form or format they are currently utilizing. As a result, supplier adoption is not as critical because the suppliers are not being asked to change their method of interface. For those solutions where suppliers are being asked to migrate away from sending paper to submitting their invoices through an electronic format, however, supplier on-boarding support is critical to achieving the anticipated ROI.

iPayables supports their clients in developing a supplier adoption strategy and then executing that strategy at no cost. Templates are provided at no charge by Basware with additional consulting services provided at a cost per supplier on-boarding campaign. Ariba offers supplier adoption services that can be leveraged through subscribing to an additional annual support fee. OB10 also supports a supplier recruitment program for which costs vary depending on the extent of the program supported.

## **No Cost to Suppliers**

The final element to consider when pursuing a full Electronic Invoice Presentment and Payment (EIPP) approach is the cost to suppliers. Basware and iPayables do not charge any fees to the suppliers for leveraging the platform with the possible exception of a one-time fee if a specific file mapping is required. On the other spectrum, in addition to the fees assessed to the client, Ariba and OB10 also charge a fee to suppliers based on the number of invoices that are being submitted through the system. These additional costs to the supplier can be a significant deterrent to supplier adoption.

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## Level of Automation Supported:

The process efficiency gains captured by an organization are directly related to the Level of Automation that can be achieved within their A/P processes. To the extent that manual effort and human touch points can be replaced with an automated solution from initial receipt of the invoices to ultimate payment to the supplier, greater cost savings are achieved and the opportunity for errors, exceptions and rework is eliminated.

The extent to which A/P automation is supported by each of the solution providers reviewed is depicted in **Exhibit A**.

## Exhibit A – Level of Automation Supported

Functionality	Solution Provider							
	iPayables	Ariba	OB10	Basware	Brainware	Metaviewer	Readsoft	KOFAX
<b>Paper Capture:</b>								
Optical Character Recognition	✓	✓	✓	✓	✓	✓	✓	✓
Intelligent Character Recog.			✓		✓	✓	✓	
Learn-set Technology			✓		✓		✓	
Manual Keying	✓	✓		✓				✓
<b>Electronic Capture:</b>								
Template	✓	✓	✓	✓				
PO Flip	✓	✓	✓	✓			✓	
Flexible File Interface	✓	✓	✓	✓	✓	✓	✓	✓
Custom Mapping	✓	✓	✓	✓	✓	✓		
Virtual Printer Option				✓				
<b>Matching:</b>								
PO Creation and Delivery		✓			✓			
Two Way	✓	✓	✓	✓	✓	✓	✓	✓
Three Way	✓	✓	✓	✓	✓	✓	✓	✓
Line Level	✓	✓	✓	✓	✓	✓	✓	✓
<b>Workflow:</b>								
Coding and approval routing	✓	✓	✓	✓	✓	✓	✓	✓
Simultaneous differing business hierarchies	✓							
User config	✓	✓	✓			✓	✓	
<b>Supplier Portal:</b>								
	✓	✓	✓	✓	✓	✓	✓	
<b>Dispute Management:</b>								
	✓							
<b>Discount Management:</b>								
Dynamic discounting	✓	✓						
Pay Me Now	✓	✓	✓					
Payment Cycle Compression	✓	✓	✓	✓	✓	✓	✓	✓
<b>Payment:</b>								
Pcard	✓							
ACH	✓	✓						
Integration w/Client ERP	✓	✓	✓	✓				
Robust remittance detail	✓	✓						
<b>Supplier On-Boarding Services</b>								
	✓	✓	✓	✓	N/A	N/A	N/A	N/A
<b>No Cost to Suppliers</b>								
	✓			✓	✓	✓	✓	✓

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## Affordability:

When contemplating automation initiatives, the other key element that comes into play is the cost component. Most organizations have budget challenges that require them to seek the most functionality available within the budget parameters that have been defined.

As is evident by Exhibit A, the solution providers evaluated clearly fall into one of two categories: 1) those that support the automation of the “front-end” capture, matching, exception management and routing of the invoices; and 2) those that support a full electronic invoice presentment and payment (EIPP) suite.

As was denoted earlier in the analysis, pricing models differ across the varying providers reviewed. As a result the pricing models were normalized by converting the overall investment into a cost per transaction post implementation. These costs have been translated into an Affordability scale ranging from 1 to 5 with 1 being Most Expensive and 5 being Most Affordable for the providers within each of the categories outlined above.

The Affordability Rating for each provider within each category is outlined below:

Solution Provider	Affordability Rating
<b>Category One: Front-End Capture</b>	
Metaviewer	Very Affordable
KOFAX	Very Affordable
Perceptive Capture (Brainware)	Affordable
Readsoft	Most Affordable
<b>Category Two: EIPP</b>	
Ariba	Very Expensive
Basware	Expensive
iPayables	Very Affordable
OB10	Very Affordable

## Summary:

As organizations begin to explore optimization efforts within their A/P processes, the automation needs will differ between, and within, organizations depending upon their current pain points. Clearly the providers evaluated fall into two distinct categories:

- Front-End Automation Providers – Those that assist in streamlining the existing processes and interfaces with suppliers, enhancing the matching/exception



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management process and automating, through workflow, approval and issue resolution. Cycle compression and enhanced visibility throughout the process are the key benefits.

- EIPP Providers – Those that drive a change in behavior within the supplier community, as well as the A/P organization, by automating the processes from end to end. This level of automation brings to bear not only the above benefits, but also greater opportunities for process efficiencies and working capital gains through enhanced discount capture.

The intent of this exploration and evaluation of the technologies available was to provide a comparison between the two categories of solution alternatives and to drill deeper to contrast the providers within each category.

The EIPP providers drive the greatest level of automation across the A/P spectrum, which normally equates to a higher level of efficiency gains. The Front-End Automation Solutions require the least amount of change within the supplier community and may bring sufficient ROI to organizations that have already achieved some degree of automation. Another thing to note is that these technology categories are not mutually exclusive and can be leveraged effectively together to achieve even greater ROI.

To assess the best approach to pursue, organizations need to first define their desired efficiency gains and business requirements; determine the extent of automation required to accomplish the anticipated cost savings and to meet those business requirements; and quantify the budget available to pursue automation initiatives. Once those actions have been completed, solution providers can be identified who most effectively align with the requirements from both a Level of Automation and Affordability standpoint.

## About the Author:

*Transformation Management Consulting, LLC specializes in helping organizations drive business transformation efforts across the financial value chain that result in quantum leap improvements in business operations. With a key focus on Accounts Payable, Supply Chain and Accounts Receivable Optimization, Transformation Management Consulting, LLC works with companies to maximize cost reductions and working capital utilization through leveraging process reengineering, enabling technologies and robust marketing and communication adoption programs to facilitate change.*

*TMC, LLC brings the external expertise and hands on operational experience of having evolved processes not only for other clients, but also for organizations within which our professional team has held key leadership roles. Utilizing an approach that combines our knowledge of end to end process streams, integrations necessary to make those processes work together seamlessly, enabling technologies to enhance productivity and extensive change management focus to ensure success, we are able to enhance and accelerate business results for our clients. ([www.transformationmgmt.com](http://www.transformationmgmt.com))*