



How the world's largest Airline Enhanced Efficiency and Revenue by Implementing an AP Automation Strategy

By **iPayables**





The world's largest airline was seeking a more efficient way to manage its payments. It partnered with American Express and iPayables to implement the American Express Purchasing Card platform, which includes an integrated e-invoicing and payment program. A near total electronic conversion was achieved by combining process, technology and smart financial decisions. The airline achieved the control, efficiency and revenue generating opportunities it was seeking by licensing iPayables to significantly decrease paper invoices and leveraging the financial advantages of the American Express platform.

This reliance on paper contributed greatly to inefficiency, as department employees were spending over 41% of their time handling invoice processing and vendor servicing. Additionally, significant revenue opportunities were being left on the table due to the company's inability to approve invoices and pay vendors early in exchange for better financial terms.

BACKGROUND

As the largest airline in the world, with 90,000 employees and over \$18 billion in annual revenue, it would be an understatement to call their accounts payable department busy. The department's 46 employees were processing 3.4 million invoices per year through a mix of paper and paperless methods. Although 80% of the invoices had already been converted to electronic, the high costs of EDI integration With the smaller suppliers and the complexity of its internal processes still left the company processing over 600,000 paper invoices per year. This reliance on paper contributed greatly to inefficiency, as department employees were spending over 41% of their time handling invoice processing and vendor servicing. Additionally, significant revenue opportunities were being left on the table due to the company's inability to approve invoices and pay vendors early in exchange for better financial terms.

PROBLEM

Several challenges were faced while trying to adopt a fully automated invoicing and payment solution. The company needed a solution to address the following:

Labor Force Inefficiency: the company's most knowledgeable employees spent considerable amounts of time and effort to process the remaining paper invoices. To free them up, an intelligent system boasting an automated business workflow was required.

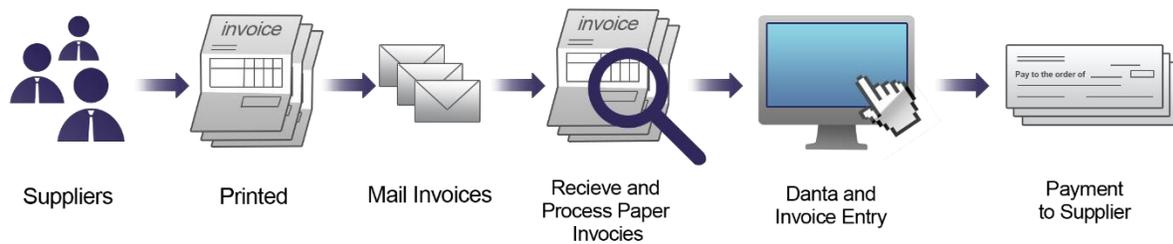
Manual Vendor/Buyer Servicing: Employees were still manually servicing vendors and buyers with status updates and dispute assistance. The Accounts Payable department needed a system with automated dispute and self-service functionality, so vendors and buyers could check the status of invoices and payments regardless of how they were submitted.

Cumbersome Exception Handling: Many purchase order-related invoices, both EDI and paper, contained match exceptions that required significant effort to resolve. The Accounts Payable department needed more than just a system that would flag match exceptions; they needed one that would flag and reduce exceptions.

Workflow and Integration Demands: With over 5,000 users, training was too cumbersome and an automated workflow was needed that was both robust and easy to use. To meet all business and controllership requirements, the new system needed routing capabilities based on vendor data, multiple approval limits, and customized business rules. It also needed automated escalations when delays occurred, rerouting in cases of employee absences, and a user-friendly interface so administrators could pinpoint bottlenecks or other problems. Lastly, the system needed to integrate with the company’s ERP system without a large IT effort.

Payments Strategy for the Future: the company needed to achieve total invoice automation today and for the future, in which it could strategically use the platform as the foundation for an intelligent vendor payment engine. At some point, the system needed to accommodate the company’s preferred payment capabilities. The selection and integration of such a critical third party service is a major business decision. They needed partners with technical know-how, a deep understanding of the company’s business-specific dynamics and a robust, flexible platform that could be tailored to both current and future goals.

Traditional invoicing process = Too many opportunities for delays ad errors



SOLUTION

Using iPayables InvoiceWorks®, the airline’s e-invoicing and e-payment needs were met with state-of-the-art, innovative technology solutions. The organization’s unique set of requirements and future concerns were solved through highly-experienced, strategic know-how. Its partners also had the expertise to integrate these solutions seamlessly into the company’s existing processes and technology.

Labor Force Optimization: The solution maximized invoice efficiency by reducing processing requirements and allowing the company to redeploy headcount.

Automated Vendor/Buyer Servicing: The solution provided a self-service portal for suppliers to submit and view invoice activity and manage disputes, improving approval cycles, visibility and control.

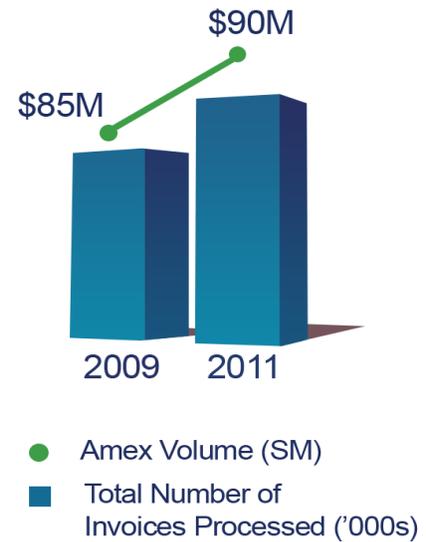
Reduced Exception Handling: The solution provided correct PO match exceptions prior to invoice submission, dramatically decreasing exception handling on the client’s side.



Smart Workflow and Seamless Integration:

The American Express & iPayables* solution was a truly integrated platform. It was implemented jointly through a single technology deployment, minimizing business disruption and creating a standard but flexible platform to address both invoicing and payments. American Express and iPayables handled the entire payment process from invoice creation, collaboration and approval to payments and final reconciliation back into the company's ERP system.

Payments with Speed and Incentives: Through seamless integration with the company's ERP system, American Express enabled the company to accelerate payments to vendors while maximizing its financial incentives, including extended float (DPO). Eligible invoices are strategically routed for early attention and approval, and subsequently directed to American Express for electronic settlement.



RESULTS

According to one executive, the accounts payable department “became the shining example” of efficiency throughout the company. With the integration of iPayables, their AP department was able to achieve:

- 94% electronic conversion.
- 82% elimination of targeted purchase order paper invoices.
- 74% elimination of the targeted non-purchase order paper invoices.
- Over 11,000 vendors submitting invoices through the tool.
- Over \$90M in payments processed through the American Express platform each year which allowed the company to earn a substantial financial incentive.

PROBLEM

A recent economic downturn left the accounts payable department at this major airline with half of its normal staff, but with the same workload. Implementing iPayables InvoiceWorks® with electronic invoice, workflow and payment quickly brought the situation back under control. Full visibility into the approval and payment process increased supplier confidence and the fast approval times provided critically needed precise cash flow forecasting.

iPayables payment tools facilitated quick payment to suppliers while enabling extended terms for the company, opening a previously unavailable reserve of working capital at a critical time in the company's history. A high profile corporate project, the highly visible automation of invoice processing allowed the



payables group to lead company culture in accepting efficiency gains that restored the company to a path of profitability.

RESULTS

With a goal of surviving a headcount reduction of 50% while keeping supplier confidence, iPayables automated solution was able to fulfill the AP department's needs and then some. Additional resources were able to be reallocated after full implementation, supplier confidence was restored and additional working capital was made available through iPayables payment tools

BENEFITS OF AN INTEGRATED E-INVOICING / E-PAYMENT PROGRAM

Adoption of an electronic invoicing and e-payments solution resulted in solid improvements to the financial performance, as well as an increased efficiency in the Accounts Payable and vendor management operations:

- Automated complex business controls to eliminate manual effort and reduce the required headcount.
- Made the invoice process completely visible to both internal buyers and vendors, eliminating the involvement of A/P in status and disputes.
- Eliminated 80% - 90% of match exception issues by having the vendor see and resolve the issue before submitting the invoice.
- Prevented invoices from getting stuck or overlooked in the process, virtually eliminating the previously common "fire drills." rough American Express® Card program

ABOUT IPAYABLES

We are Experts in the automating of accounts payable departments while optimizing workflow and streamlining the invoicing and payables process. By using our advanced internet invoicing system (InvoiceWorks®), companies can process invoices electronically, make changes, and can track payments all while eliminating phone inquiries, data entry, filing and the scanning of documents. The world's largest airline, largest grocer, largest restaurant chain and other Fortune 100 companies use iPayables InvoiceWorks® because of its functionality, flexibility, and unmatched value.

iPayables provides supplier tools for invoice web-entry, file upload, EDI, PO flip and paper invoice capture; which integrate seamlessly with our robust and dynamic workflow, purchase order matching, dispute resolution, payment and dynamic discounting capabilities. We are industry leaders due not only to our innovative technology but because of our low per-invoice cost, free vendor adoption and because we do not charge supplier fees. To learn more about iPayables please give us a call at 1 (866) 874-7932 or log on to our website, www.ipayables.com.