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# Tangible Benefits of AP Automation

A Survey of iPayables Customers, September 2014

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## Why AP Automation?

The gap between companies utilizing full payables automation verses those using more traditional AP methods like manual paper processing or OCR is becoming fairly noticeable. Benefits like improved workflow, reduced costs, discount capture, visibility, control, environmental impact, and faster processing times, are being missed by many organizations that have difficulty adopting more modern technologies.

With that said, we polled our own clients in order to better quantify exactly how and in what ways they have profited by implementing a robust and comprehensive AP Automation solution like iPayables *InvoiceWorks*. We targeted managers and Accounts Payable professionals from our customer base who had knowledge of before and after implementation metrics.

## Survey Parameters

We started by asking all of our current customers to complete a simple survey:

1. On average, about how many invoices per month does your company process in AP?
2. How much are you gaining (on average) a month in discount capture?
3. About how many days did it take to process an invoice (from submission to payment) prior to implementing iPayables InvoiceWorks?
4. How long does it take now that your organization is fully automated?
5. How many people did your company have in the Accounts Payable department processing invoices before implementing iPayables?
6. How many people does your organization have in Accounts Payable Now?

Here are the results:

Question	Response Average
1. Invoices Per Month	19,150
2. Monthly Discount Capture	\$49,500
3. Invoice Approval Time Before Automation (Days)	14
4. Current Invoice Approval Time (Days)	4
5. Pre Automation Headcount	29
6. Current AP Headcount	11



For confidentiality purposes, we cannot explicitly identify who participated in this survey. However, some of the more notable organizations gracious enough to respond include:

- ✓ The world's largest airline
- ✓ The world's 2nd largest airline
- ✓ The world's largest office print & ship services
- ✓ A major film studio
- ✓ The world's largest restaurant chain

## Dynamic Discount Gains in Accounts Payable

The most interesting and certainly the most telling aspect of the survey revolves around the dynamic discount gains iPayables' customers are currently generating in AP. Some gains are generated in the form of p-card rebates gained through payments being processed via purchasing card in *InvoiceWorks*. But the majority of the discount capture reported in this study is obtained using the [Dynamic Discounting feature](#) of iPayables *InvoiceWorks*.

Dynamic discounting is a popular offering in the iPayables AP Automation solution. Those who participate, consistently generate substantial gains by offering their vendors the ability to be paid early for a dynamically calculated fee based on a customer determined discount rate and the number of days the vendor would like to be paid early.

This is possible because with electronic invoicing, the entire AP process of matching, approving, and paying invoices is greatly reduced down to an average of about three and a half days (more on this later). Whereas, with traditional paper invoicing, the process can take anywhere from 30-45 days.

Customers	Monthly Discount Capture
Largest Result	<b>\$115,000</b>
<b>Average</b> (rounded)	<b>\$49,500</b>

According to the survey, the average iPayables client obtained nearly \$50K a month in discount capture. One of the survey respondents, a Fortune 500 airline; reported an average monthly discount capture exceeding \$115,000. This equates to over a million dollars annually gained by using the dynamic discount feature of iPayables *InvoiceWorks*. In most cases, the gains generated by discount capture more than offset any costs associated with the payables automation service.



## Headcount Reduction / Reallocation

As organizations constantly evaluate how best to allocate their resources to better maximize profit margin, the first question usually asked is: “do we have redundancy in our labor force and can we do more with less?” Naturally, once the AP process is effectively automated with *InvoiceWorks*, far fewer people are needed to process and approve invoices. However, this does not necessarily mean that people will lose their jobs, but it does mean that AP departments can run more efficiently with fewer workers.

In most cases, companies rely on natural attrition over time to reduce the size of Accounts Payable or they can re-allocate staff which enables them to fill other areas of need in the company with in-house talent. Regardless, this study shows that the implementation of payables automation solution can dramatically reduce the number of people in AP, which is a direct indication of dramatic cost savings.

Customers	Pre-Automation Headcount	Current Headcount
One Major Example	72	21
<b>Average (rounded)</b>	29 People	<b>11 People</b>
<b>Reduction</b>	N/A	<b>62%</b>

According to the survey results, iPayables customers were able to reduce headcount by an average of 62%. A noticeable example of this, is a Fortune 500 airline client who reported to have had 53 people manually entering and filing paper invoices pre-automation. Currently, with AP automation, they report that only 5 people hold those responsibilities. This represents a reduction of 91%.

Another example, a Fortune 500 shipping service who, pre-implementation, had 72 people working in Accounts Payable and now they only have 21. iPayables estimates the savings from payables automation for this organization to be upwards of \$2,295,000 per year.

## Payables as a Profit Center

Traditionally, payables is a cost center. It costs money to operate the department and the department does not generate revenue or income. However, with payables automation and dynamic discounting, modernized payables groups have reduced costs below the amount of discounts being gained; effectively becoming a profit center rather than a cost center. Consider the response from the following Fortune 500 client:

Customers	Current Headcount	Invoices Per Month	Average Monthly Discount Capture	Total Monthly Estimated AP Costs	AP Department Net Gain
Survey Respondent	7	14,000	\$50,000	\$34,365	\$15,635



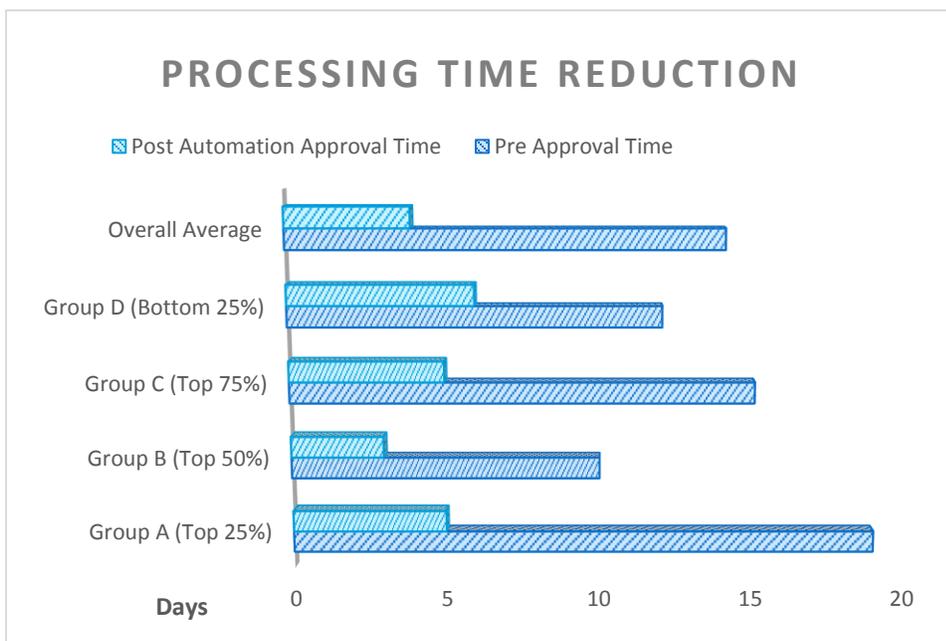
Case in point, this Fortune 500 company, after adopting AP Automation with iPayables, was able to reduce headcount by 54% bringing their monthly costs to under \$35,000. With an aggressive supplier adoption strategy, they were able get their suppliers to send invoices electronically and make them aware of the option to be paid early, even when a contractual discount didn't exist.

With the client's stated \$50,000 monthly discount capture (which was only \$2,000 prior to automation), the department actually nets over \$15,000 per month for the company instead of costing it an estimated \$65,000 prior to automation.

## Approval Times

Further benefits of implementing accounts payable automation include workload and error reduction, greater visibility and substantially faster invoice approval times. The reduction in approval/processing time is fairly easy to quantify and thus, we asked our current customers (individuals who have been with their respective companies long enough) to give us an estimate of how long, on average it took for an invoice to be processed (from supplier creation to customer approval) prior to the implementation of *InvoiceWorks*.

In the following chart, we demonstrate our customer's post automation processing times compared to the processing times prior to implementing *InvoiceWorks*. The survey respondents are combined into four groups based on the percentage reduction of processing time, from largest percent reduction (Group A) to smallest percent reduction (Group D).



The survey shows invoice processing times decreasing from an average of 14 days down to 4 days. This is a processing time reduction of over 71%. A large airline, prior to automation, had an approval processing time of nearly one month, effectively eliminating any option of discount capture or even quality cash management. After automation, that client has reduced approval processing time to less than a week enabling greater discount options and better cash management.

With reduced processing times, automated payable departments don't have to pay any earlier, but they have more options available. Even without contractual discounts, the dynamic discount option becomes very attractive to suppliers who have 30 or 45 day terms and see that their invoice can be paid on day 8.

## Summary

The survey overwhelmingly affirms that AP Automation is not only viable, but is an effective approach to accounts payable. Automation has proven to dramatically increase discount capture, drastically reduce headcount and costs. It streamlines the approval process and increases visibility resulting in much more efficient and timely processing.

The results of this study concludes that iPayables customers are operating faster, more efficiently and with fewer people as a direct result of adopting AP Automation. All of these organizations have reduced costs and, in some cases, have actually become profit centers within their respective companies.

Additional Resources:

[Watch an overview video on AP Automation](#)

[Read a White Paper on Electronic Invoicing in the Airline industry](#)

[Independent research confirms iPayables is the top AP Automation solution](#)

[View a recent webinar on interfacing iPayables with your ERP system](#)

[PayStream Report on AP Automation trends](#)

### About iPayables

iPayables is an industry leader in the automating of accounts payable departments, optimizing workflow and streamlining the invoicing / payables process. By using our advanced internet invoicing system (InvoiceWorks®), organizations 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 Fortune100 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. [www.ipayables.com](http://www.ipayables.com).

