How to Create Holistic Efficiency Across AP and Finance

Housekeeping

- Use the "Q&A" chat window to type in any questions you may have while watching the webinar.

- Any unanswered questions during the live broadcast will be addressed individually via email.

- On-Demand viewers may still ask questions, and will be answered directly via email.

- Check out the "Resources List" widget for additional materials related to the webinar.

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- For general questions please email us at: **researchhelp@levvel.io**

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Agenda

Accounts Payable in North America

Accounts Payable Automation Best Practices

Goby: Rethink What AP Can Be

Q&A

Learning Objectives

After completing this course, you will be able to:

- Identify trends in AP management among North American organizations

- Leverage AP improvement to boost efficiency across finance teams

- Understand key performance indicators (KPIs) of efficiency across AP and finance processes

- Break down silos and improve communication across finance teams

Introductions

Major Bottoms Jr

Senior Research Analyst

Research & Advisory Services for Financial Strategists

- Technology research, tools, and education

- Process optimization consulting

- Leading expertise in business management trends and technology innovation

GOBY AP AUTOMATION

RETHINK WHAT AP CAN BE

goby

Accounts Payable in North America

Accounts Payable in North America

Accounts Payable Departments at Different Revenue Segments

SME

4 Full Time AP Employees
1,200 invoices per month

Mid-Market

10 Full Time AP Employees
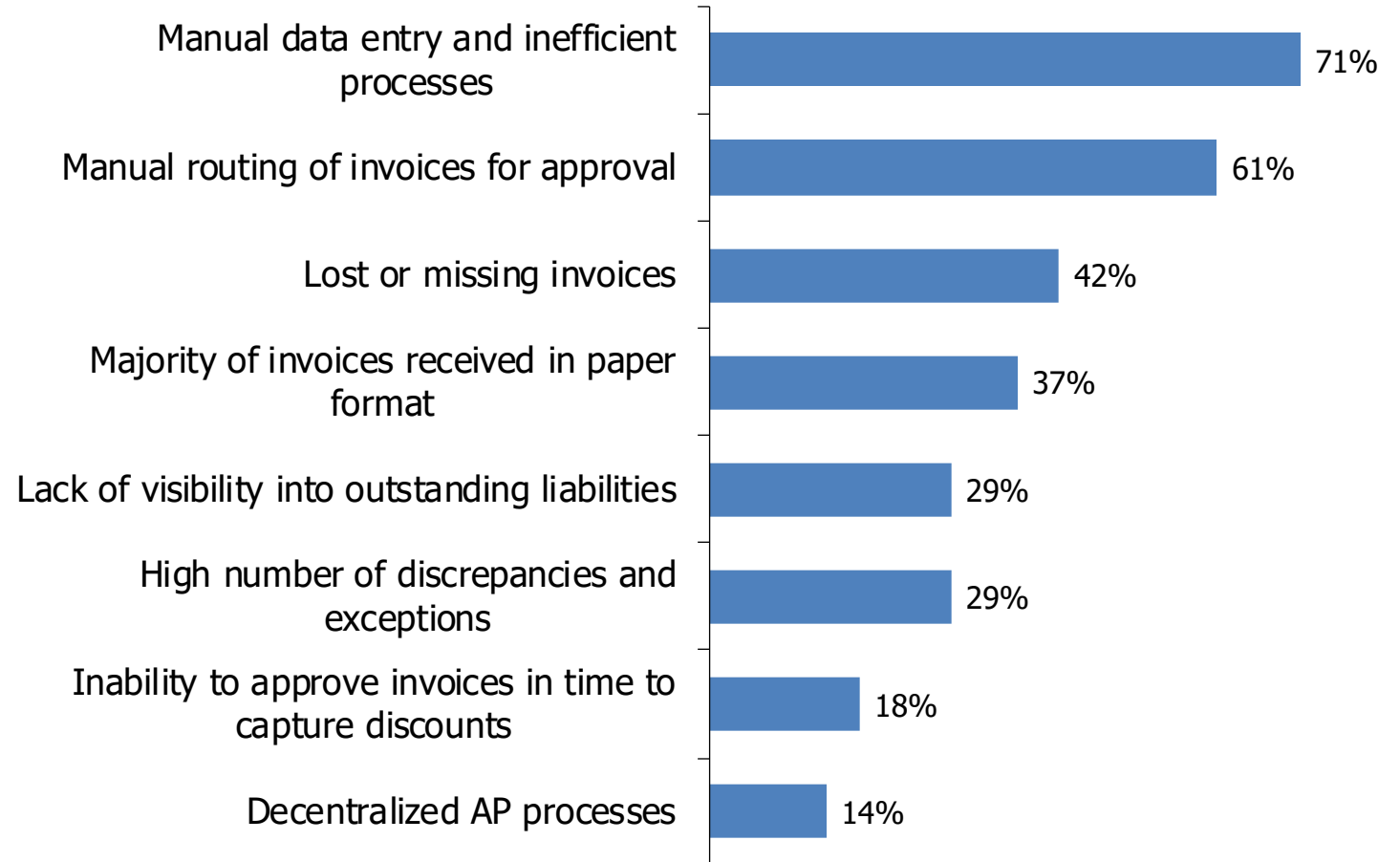5,500 invoices per month

Enterprise

22 Full Time AP Employees
30,000 invoices per month
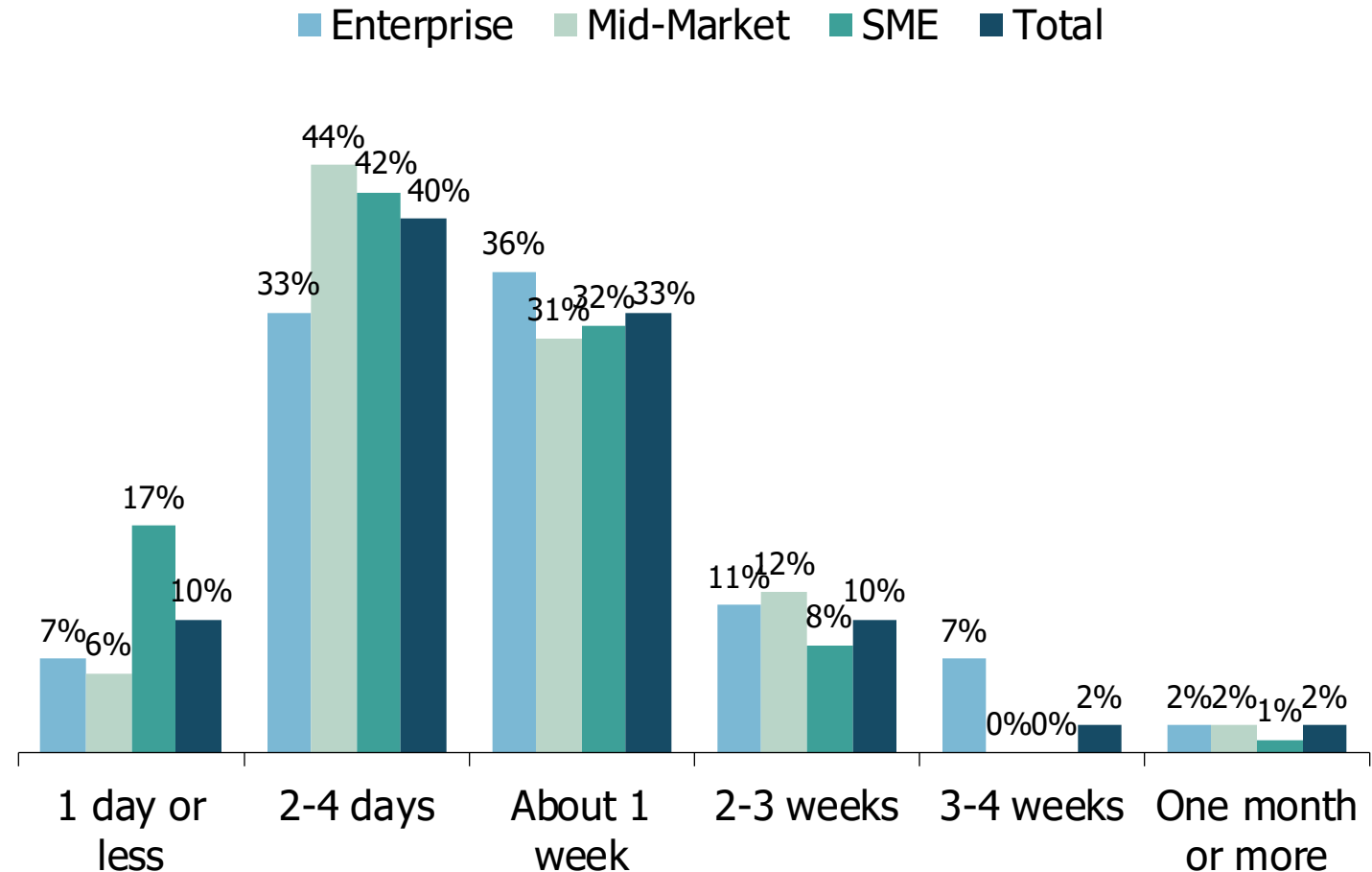
Accounts Payable in North America

*"What are the top three **biggest pain points** you experience in your workflow process?"*

Pain Point	Percentage
Manual data entry and inefficient processes	71%
Manual routing of invoices for approval	61%
Lost or missing invoices	42%
Majority of invoices received in paper format	37%
Lack of visibility into outstanding liabilities	29%
High number of discrepancies and exceptions	29%
Inability to approve invoices in time to capture discounts	18%
Decentralized AP processes	14%

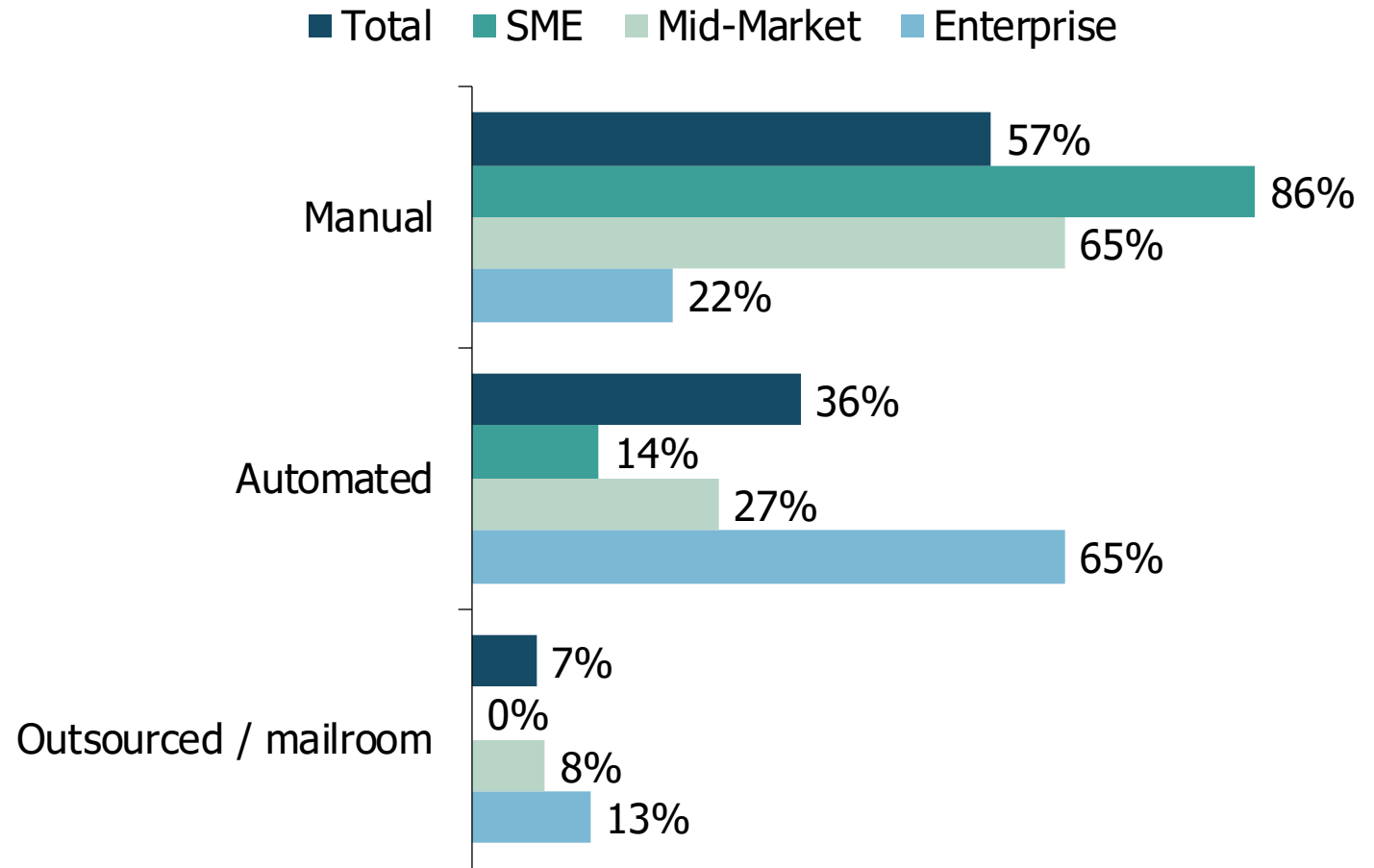Source: Levvel Research Accounts Payable Survey, 2019

Accounts Payable in North America

*"On average, **how long does it take for your organization to approve an invoice** from the time it is received?"*

Legend: Enterprise, Mid-Market, SME, Total

Category	Enterprise	Mid-Market	SME	Total
1 day or less	7%	6%	17%	10%
2-4 days	33%	44%	42%	40%
About 1 week	36%	31%	32%	33%
2-3 weeks	11%	12%	8%	10%
3-4 weeks	7%	0%	0%	2%
One month or more	2%	2%	1%	2%

Accounts Payable in North America

Legend: ■ Total ■ SME ■ Mid-Market ■ Enterprise

Manual
- Total: 57%
- SME: 86%
- Mid-Market: 65%
- Enterprise: 22%

Automated
- Total: 36%
- SME: 14%
- Mid-Market: 27%
- Enterprise: 65%

Outsourced / mailroom
- Total: 7%
- SME: 0%
- Mid-Market: 8%
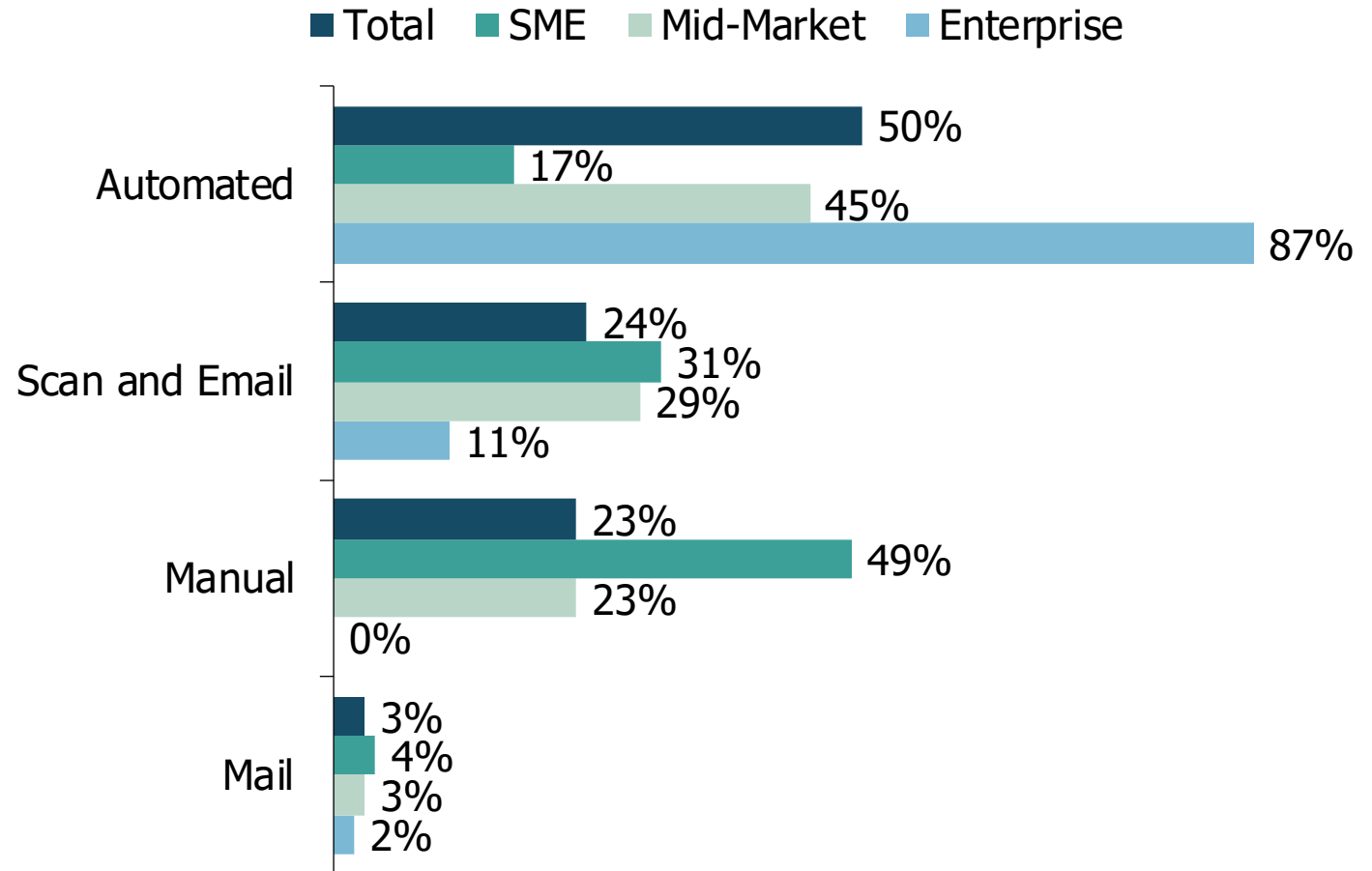- Enterprise: 13%

LEVVEL RESEARCH

Poll Question #1

What is the perception of AP automation within your organization?

❑ My company recognizes its value but does not see it as a priority

❑ We want to adopt but it is not in the budget

❑ We are struggling to gain holistic buy-in for adoption

❑ We are satisfied with our current processes and do not plan to change/adopt automation
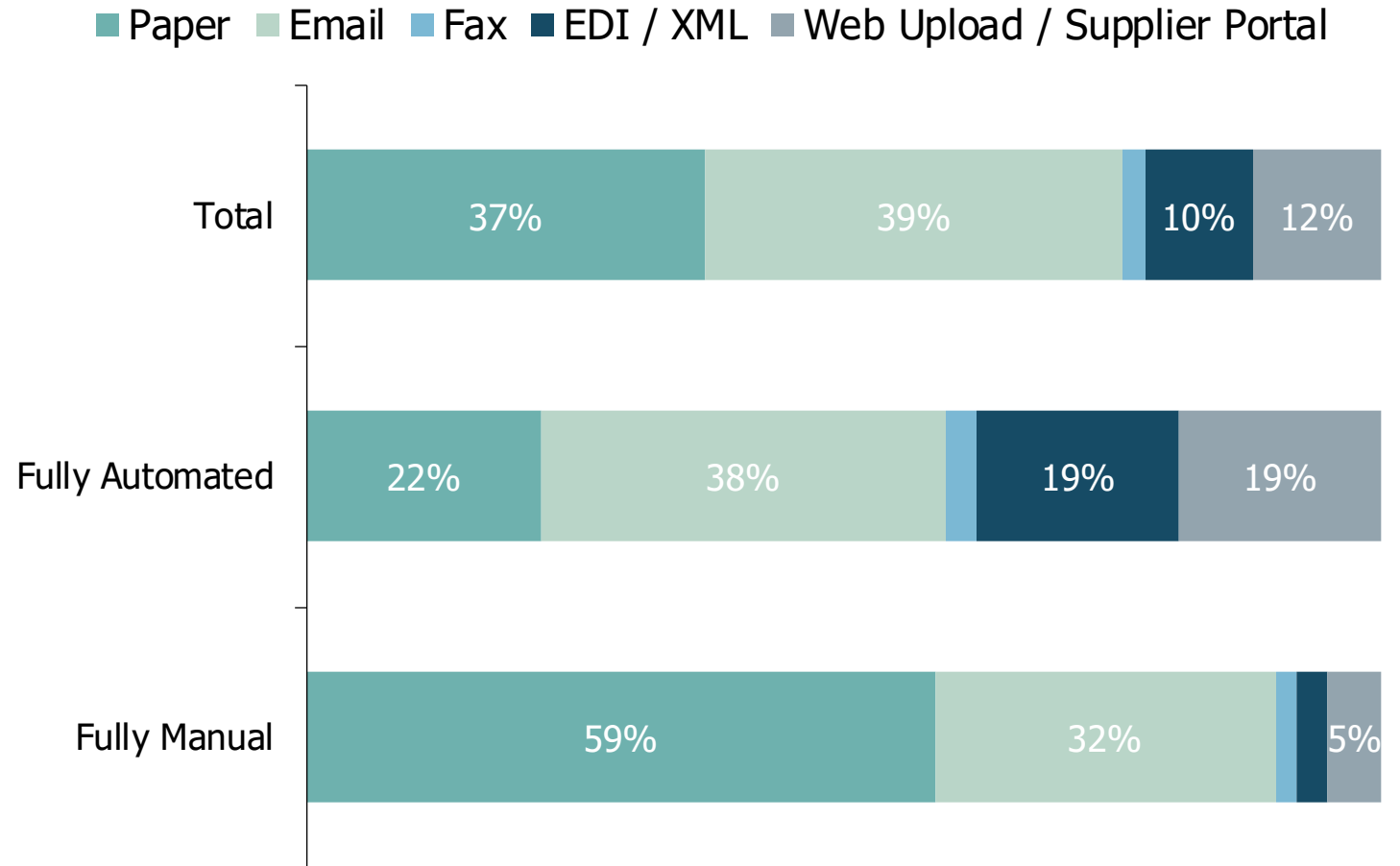
❑ We have already automated our AP processes

Accounts Payable in North America

Total **SME** **Mid-Market** **Enterprise**

Automated
- 50%
- 17%
- 45%
- 87%

Scan and Email
- 24%
- 31%
- 29%
- 11%

Manual
- 23%
- 49%
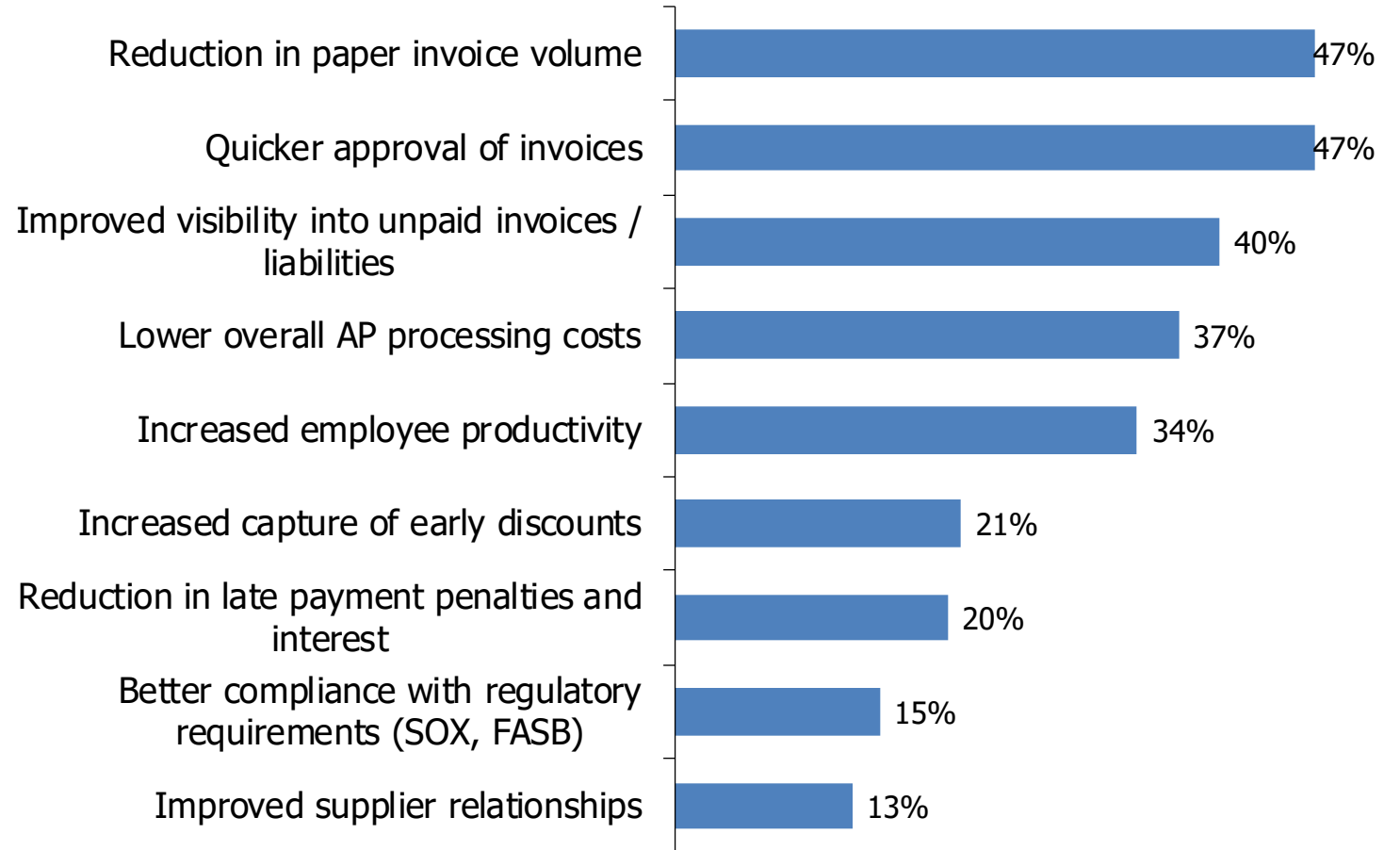- 23%
- 0%

Mail
- 3%
- 4%
- 3%
- 2%

LEVVEL RESEARCH

Accounts Payable in North America

*"Please allocate 100 percentage points to indicate the **methods in which your organization receives invoices"***

Legend: Paper   Email   Fax   EDI / XML   Web Upload / Supplier Portal

Total
- Paper: 37%
- Email: 39%
- EDI / XML: 10%
- Web Upload / Supplier Portal: 12%

Fully Automated
- Paper: 22%
- Email: 38%
- EDI / XML: 19%
- Web Upload / Supplier Portal: 19%

Fully Manual
- Paper: 59%
- Email: 32%
- Web Upload / Supplier Portal: 5%

Source: Levvel Research Accounts Payable Survey, 2019

Accounts Payable in North America

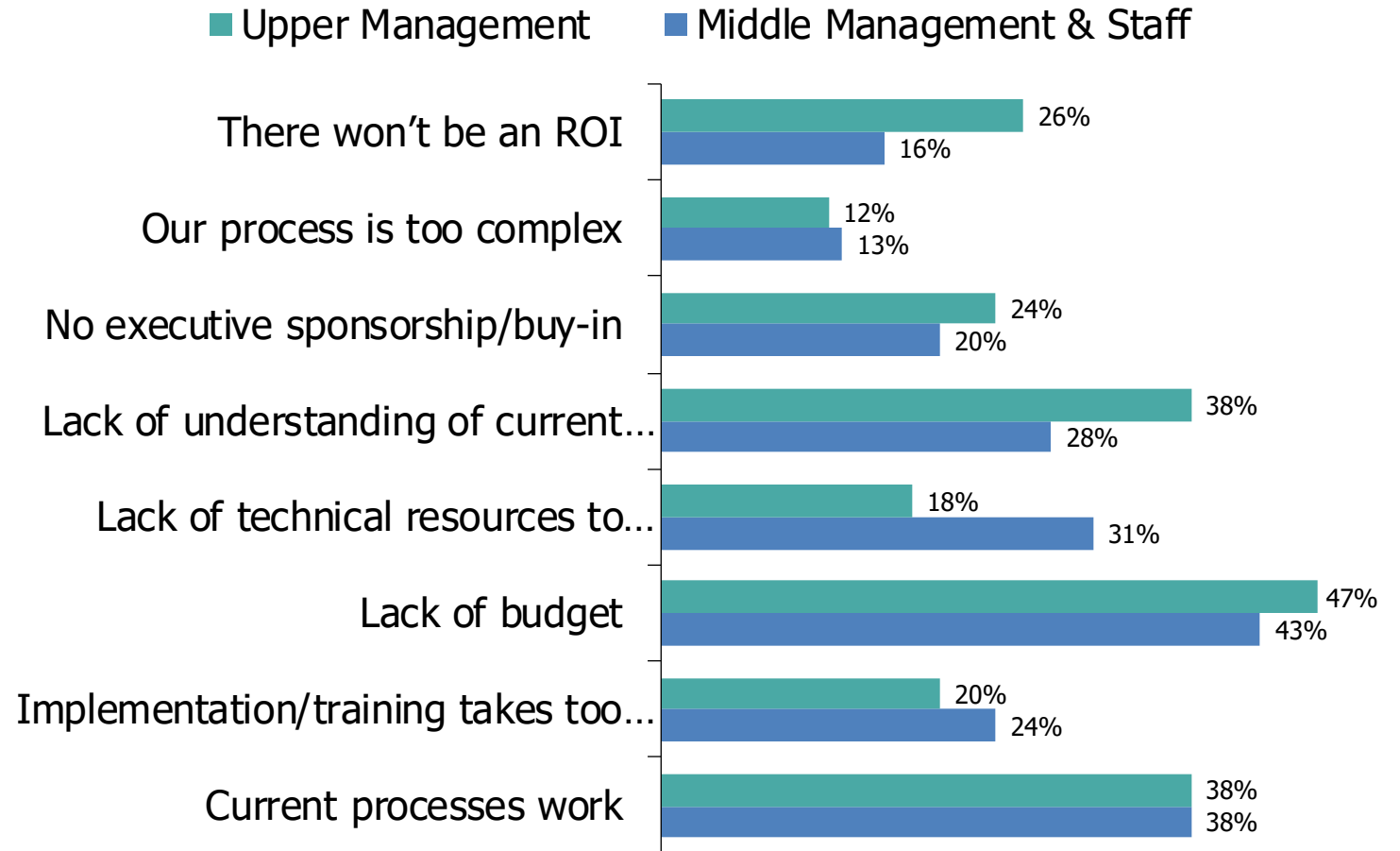*"What are the greatest **improvements** you have seen since implementing an AP management solution?"*

Category	Percentage
Reduction in paper invoice volume	47%
Quicker approval of invoices	47%
Improved visibility into unpaid invoices / liabilities	40%
Lower overall AP processing costs	37%
Increased employee productivity	34%
Increased capture of early discounts	21%
Reduction in late payment penalties and interest	20%
Better compliance with regulatory requirements (SOX, FASB)	15%
Improved supplier relationships	13%

Source: Levvel Research Accounts Payable Survey, 2019

Accounts Payable in North America

■ Upper Management   **■ Middle Management & Staff**

Barrier	Upper Management	Middle Management & Staff
There won't be an ROI	26%	16%
Our process is too complex	12%	13%
No executive sponsorship/buy-in	24%	20%
Lack of understanding of current…	38%	28%
Lack of technical resources to…	18%	31%
Lack of budget	47%	43%
Implementation/training takes too…	20%	24%
Current processes work	38%	38%

Source: Levvel Research Accounts Payable Survey, 2019

Accounts Payable Automation Best Practices

Accounts Payable Automation Best Practices

Do a Current State Analysis

What are our biggest pain points?

How long does it take to approve an invoice?

How do we receive the majority of our invoices?

What are our top goals?

Will we get buy in?

Do we often have to hire temporary employees?

Accounts Payable Automation Best Practices

Do a Current State Analysis

Novice

$15.00 per invoice

Mainstream

$6.70 per invoice

Innovators

$2.36 per invoice

Accounts Payable Automation Best Practices

Identify Your Starting Point

Electronic Payments

Front-end Imaging/OCR

Invoice Workflow Automation

E-Invoicing Capability/Network

Supplier Management Solution

Accounts Payable Automation Best Practices

Identify Your Starting Point

Fully manual	Partially automated	High automation but disjointed/legacy software
• Outsource invoice receipt to mailroom service • Plug-in OCR data capture tool that works with scanners, MSP, etc. • Electronic invoicing network	• Web-based OCR scanning tool for email invoices, uploaded invoices in a variety of formats • Supplier portal for invoice submission • Electronic invoicing network • Invoice workflow tool to connect route scanned invoices for approval	• Work with a consultant or software provider that identifies gaps in automation • Work to migrate from legacy solutions to cloud-based tools in order to consolidate IT maintenance streamline process flows

Poll Question #2

Which statement best describes the level of automation in your AP department?

❑ We are completely manual, most of our invoices are paper or email

❑ We have some automation, but parts of our process are still manual

❑ We are completely automated from invoice receipt to payment

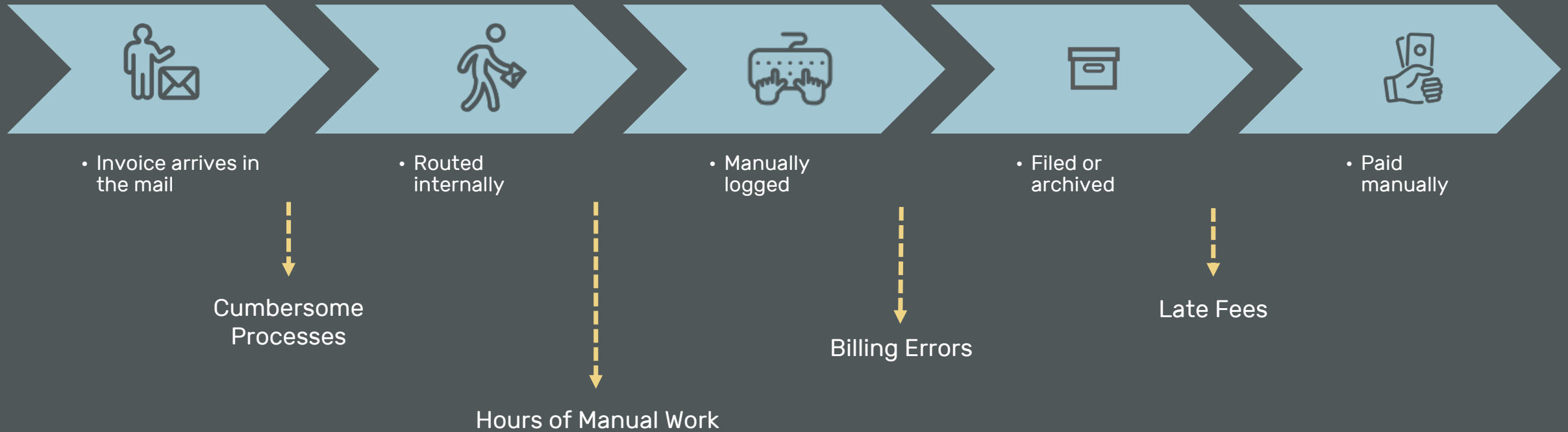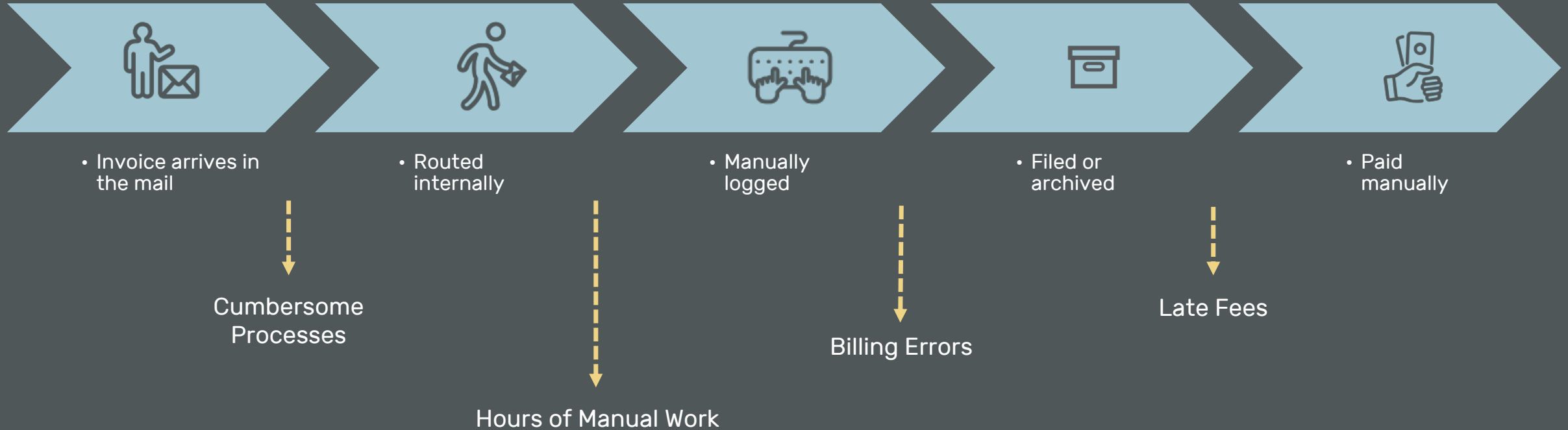# Today the accounts payable process at most businesses is a hands-on affair

- Invoice arrives in the mail

- Routed internally

- Manually logged

- Filed or archived

- Paid manually

Cumbersome Processes

Hours of Manual Work

Billing Errors

Late Fees

Controllers rank AP as the most labor and time-intensive finance function

This becomes 100% hands-off

- Invoice arrives in the mail
- Routed internally
- Manually logged
- Filed or archived
- Paid manually

Cumbersome Processes

Hours of Manual Work

Billing Errors

Late Fees

This becomes 100% hands-off

Data capture and digitization → Fully automated workflow → Digital payment

Streamlined process

Hours saved

Errors are eliminated

Late fees minimized
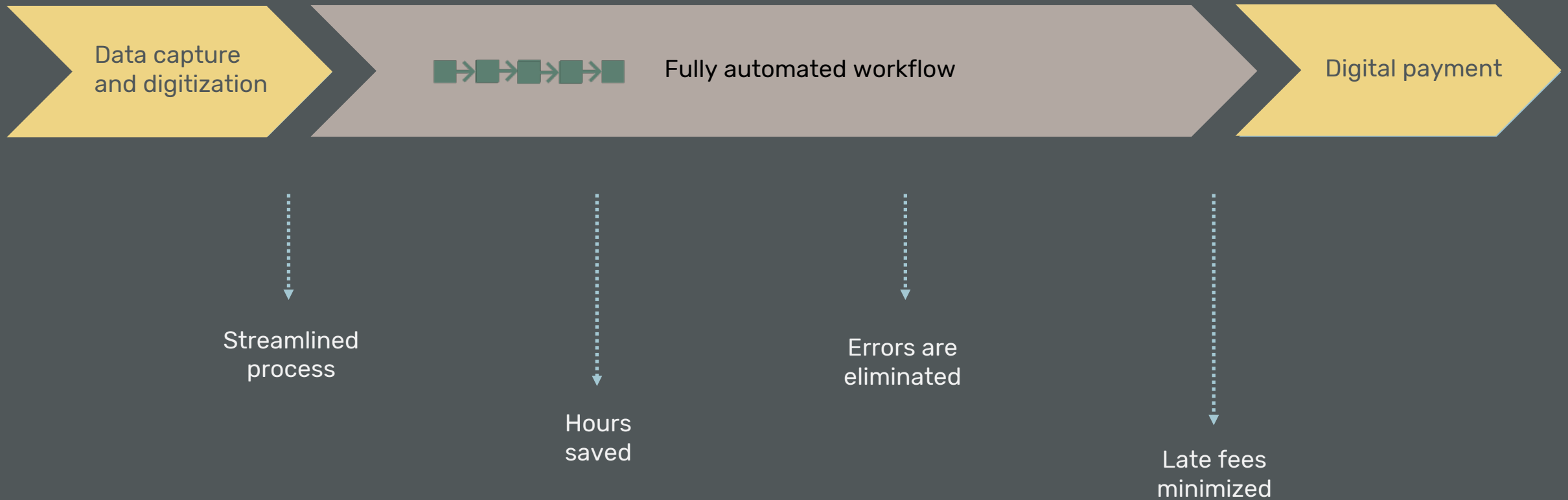
MAKING THE BUSINESS CASE

AP's TOP CHALLENGES IN 2019

Go back to major's slide

Challenge	Percentage
High percentage of exceptions	62%
Invoice/payment approvals take too long	51%
Lack of respect/status within the organization	49%
Too much paper	40%
Getting the budget to invest in automation	33%
Lack of visibility into invoice and payment data	24%

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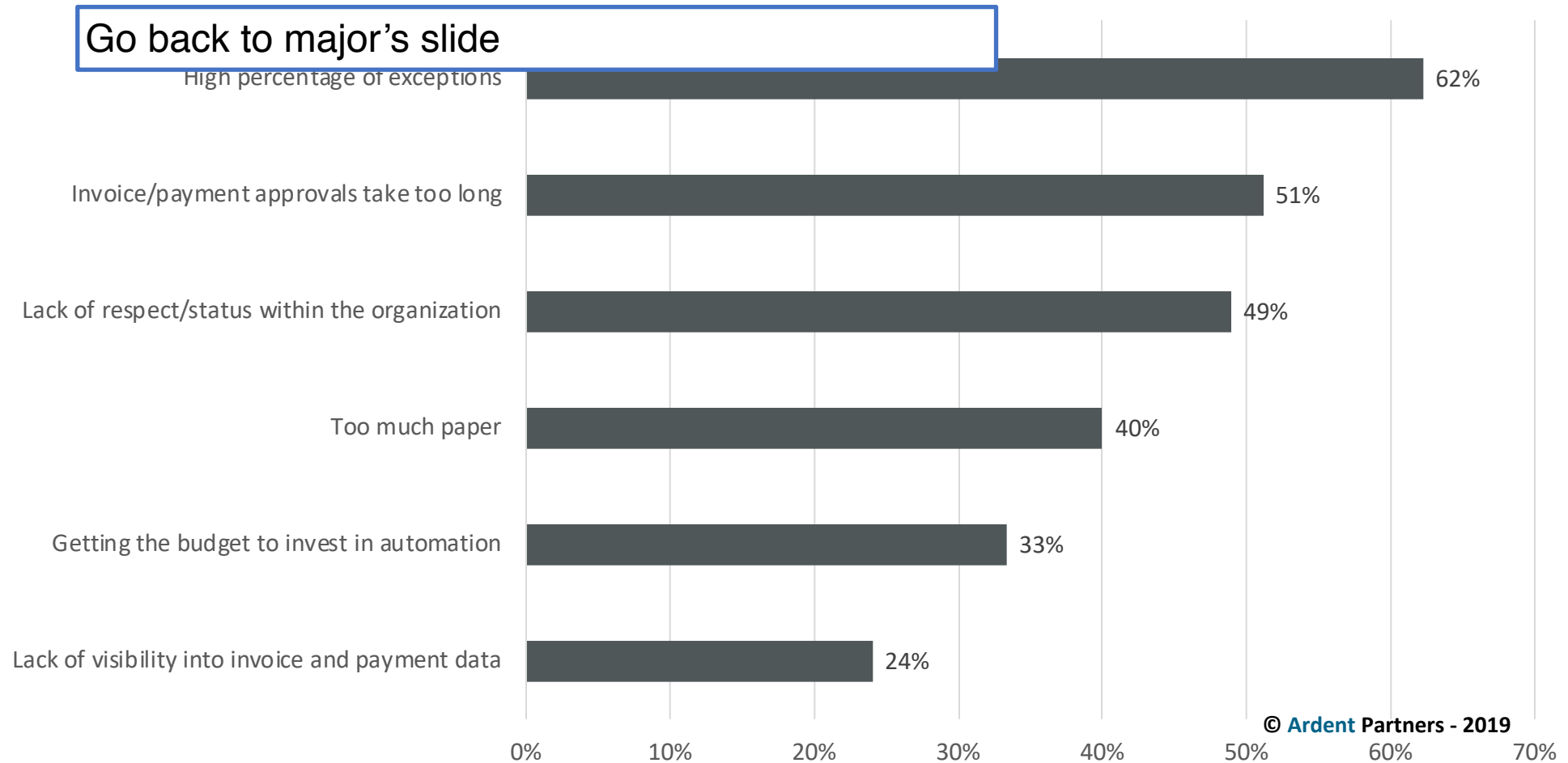
Save Money & Time
+
Avoid Costs
+
Make Money
_____

ROI

How will we save time & money?

Fix this:

Invoices do not get into the process as quickly as possible

Errors in keying the invoice data

Lost or misplaced invoices

Long approval and exception resolution cycles

Coding errors

High paper storage and retrieval costs

Delays uploading data on approved invoices to downstream systems

Difficulty implementing operational best practices

How will we avoid costs?

Stop paying late fees

Stop over-paying

Stop double-paying

Don't be defrauded

Hire less people per invoice as you grow

How will we make money?

Capture
early-pay discounts

Celebrate
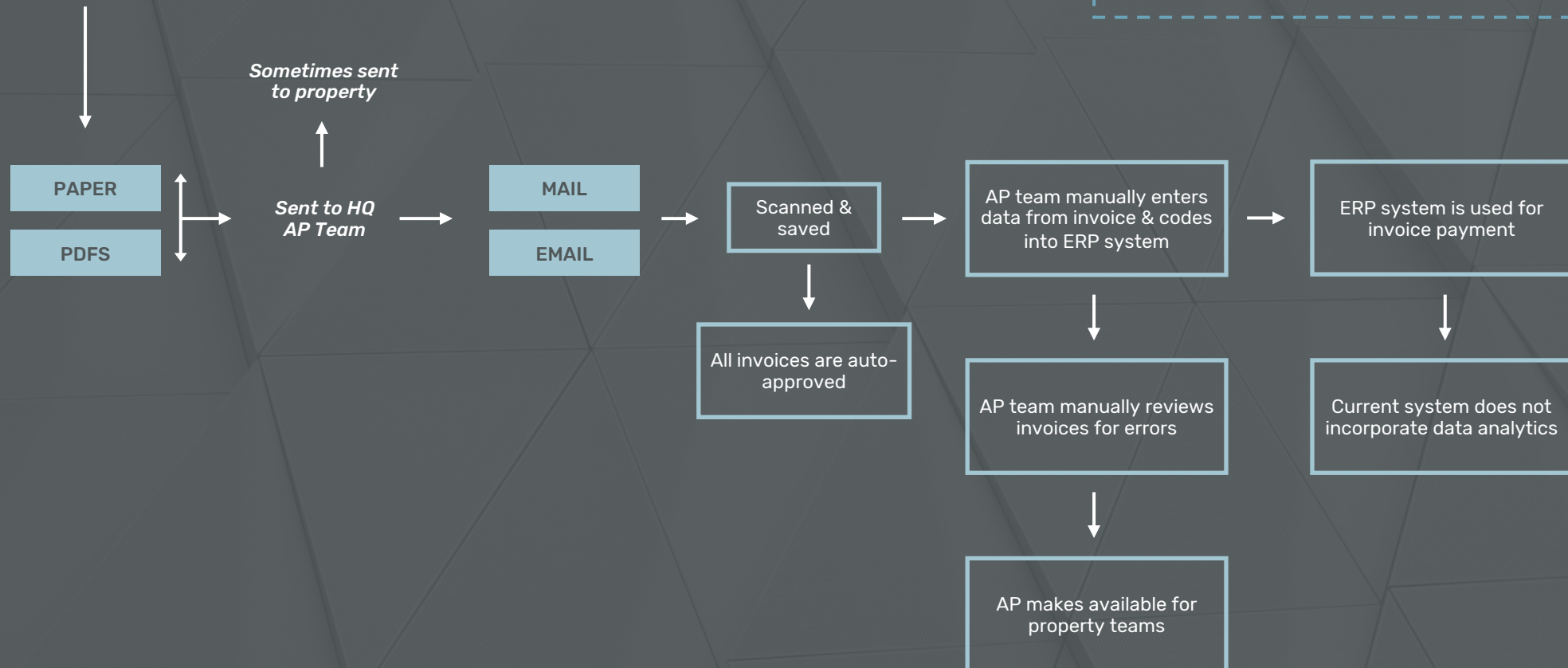cash-back rebates

Negotiate
favorable terms

STEP 1
Diagram an overview of your current process

As-is process...

- Significant manual processing and data coding
- Manual integrations
- Dark data
- Keeping up with the growth of the company
- Manual comparison review for quality

Types of invoices received
Utilities (energy, water, waste, telecom, cleaning, security, pest)

Sometimes sent to property

PAPER

PDFS

Sent to HQ AP Team

MAIL

EMAIL

Scanned & saved

All invoices are auto-approved

AP team manually enters data from invoice & codes into ERP system

AP team manually reviews invoices for errors

AP makes available for property teams

ERP system is used for invoice payment

Current system does not incorporate data analytics

Document known challenges

Quantify issues such as

- **Lost invoices** and duplicate copies
- **Manual** data entry
- **Matching errors** and other invoice exception
- **Supplier inquiries** and escalations
- **Duplicate payments**
- **Late payments**
- **Missed discounts**

STEP 2
Benchmark your current performance

Best in class AP department performance

An average cost of $1.77 to process a single invoice.

More than 23,000 invoices processed per full-time equivalent.

A duplicate invoice rate of less than 1 percent.

An on-time payment rate of more than 96 percent.

An early-payment discount capture rate of more than 85 percent.

Cost savings breakdown:

Step	Role	Current Time in Mins	Cost in Time		Time in Mins with Goby	Cost in Time with Goby
Receive, open envelope, scan, upload	low-level	6	$3		0	-
Manual Coding	mid-level	5	$3.33		0	-
Review of invoices for quality	mid-level	5	$3.33		.5	0.33
Import of data into ERP	mid-level	0	$0		.5	0.33
Total Cost Now:			**$9.66**	**Total Cost with Goby:**		**$.66**
				Total Monthly Cost in time at 10,000 Invoices/month with Goby:		6,600
				Goby Software Fees of $4/invoice* at 10,000 Invoices:		40,000
Total Monthly Cost in Time at 10,000 invoices/month:			**$96,600**	**Total Monthly Cost in Time + Goby Fees:**		**$46,600**
Total anticipated savings per month:				$50,000		
Total anticipated savings per year:				$600,000		

* *Note this price is inclusive of all mailbox fees, access fees, software fees, approval fees, Goby Bill Concierge, etc. No hidden/other fees.

STEP 3
Create a plan

IDENTIFY KEY STAKEHOLDERS

AP Team
CFO
Treasury
Procurement
Controller
CIO
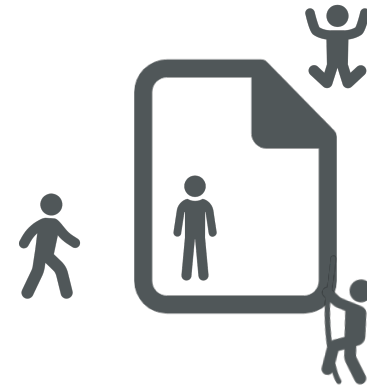
Setting goals

Align department with enterprise goals

Prioritize your goals

Get everyone on the same page

Identifying a good solution

Cloud based

Mobile ready

CX focused

Project Gantt

Change management

Design

Configuration & deployment

Testing

Go Live!

Hyper-care
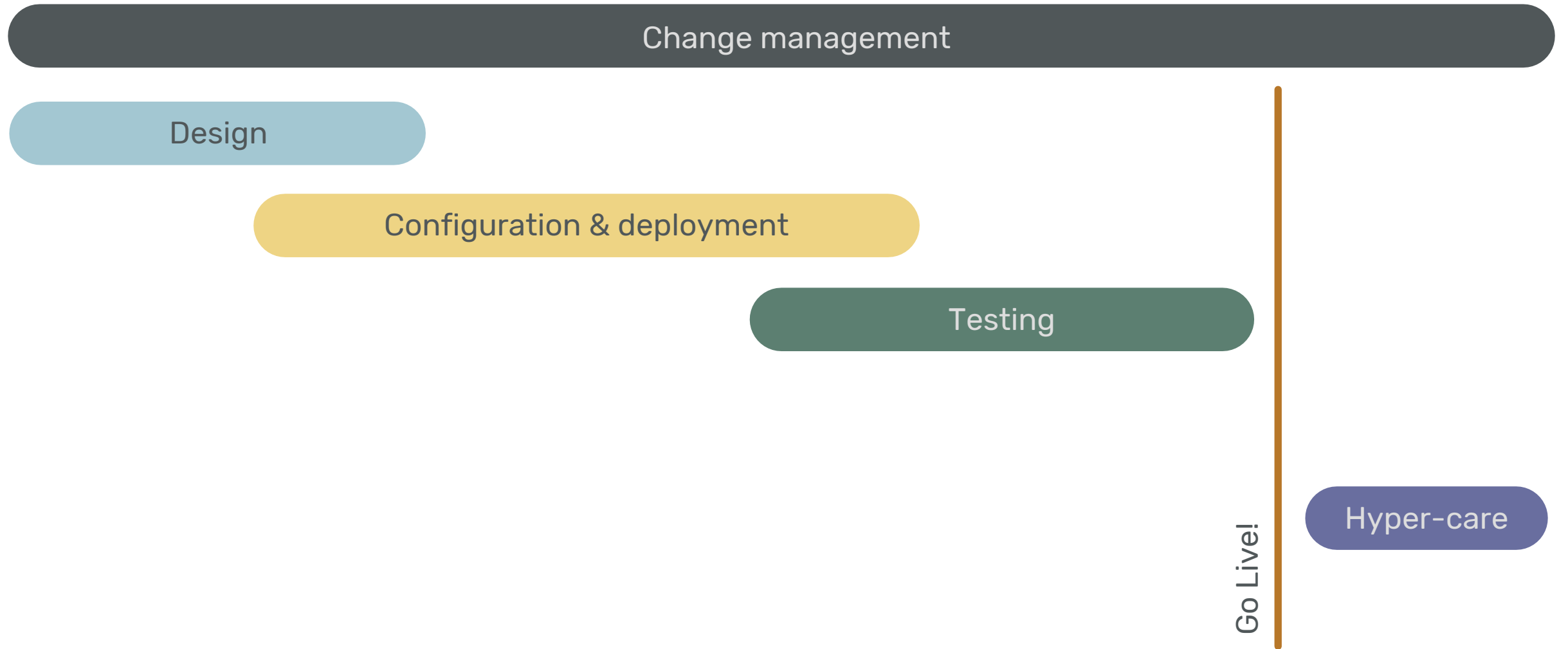
Specific
Measurable
Attainable
Relevant
Timely

Goals

Common KPIs in accounts payable include:

- ✓ Average **cost to process** a single invoice
- ✓ Average **number of invoices processed** per full-time equivalent (FTE)
- ✓ Percentage of **invoices received electronically**
- ✓ Average **time to process an invoice** (from invoice receipt to posting to an ERP for payment)
- ✓ Percentage of **invoice exceptions per month**
- ✓ Percentage of **invoices paid on-time**
- ✓ Number of **duplicate invoice payments** per month
- ✓ Number of **late payment penalties** paid per month
- ✓ Percentage of **early-payment discount offers captured** (as a percentage of spend)

Implementation Best Practices

Define success:

- Is it because you need to **remove inefficiencies**?

- Is it because your organization needs **better visibility** into corporate spend?

- Is it because of a desire to **optimize working capital performance**?

- Is it because your organization is **susceptible to compliance and fraud risks**?
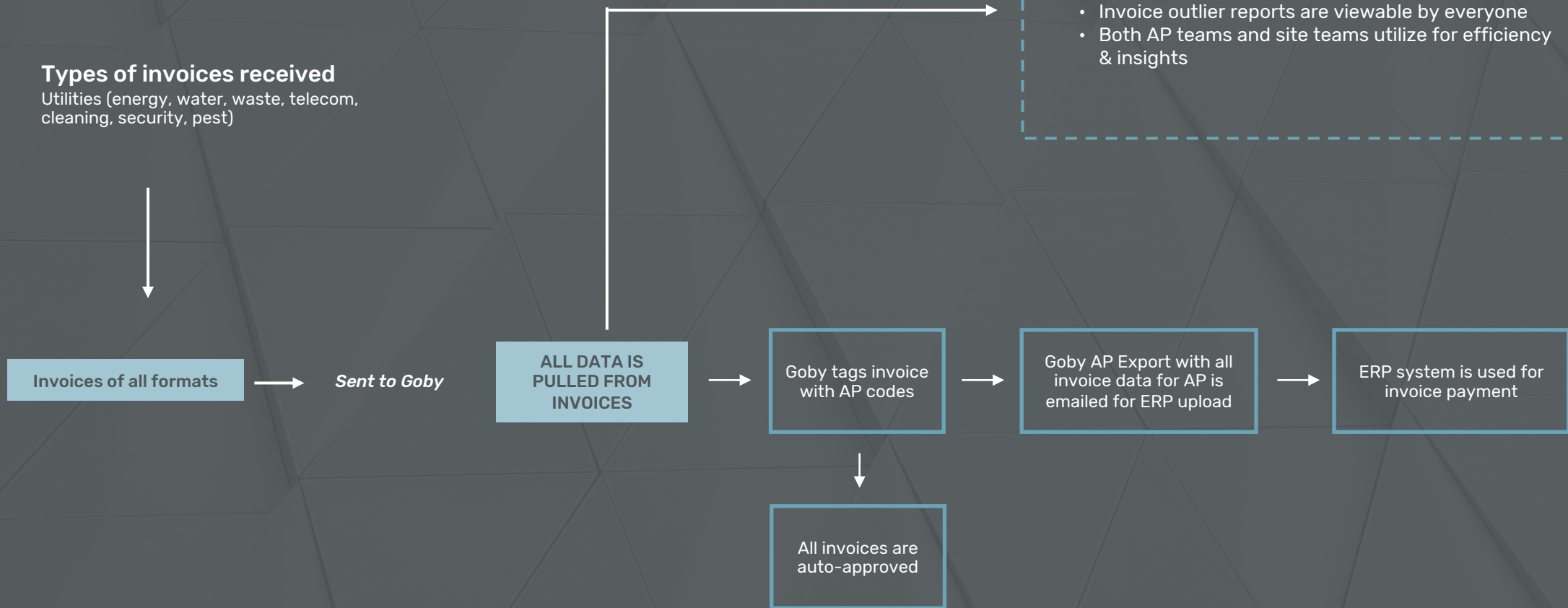
Rules of the Road

- Establish **status sharing norms** and **involvement expectations** for senior stakeholders
- Find a good **solution provider or implementer**
- Do not underestimate **change management**

Goby process...

DATA ANALYTICS

- Invoice outlier reports are viewable by everyone
- Both AP teams and site teams utilize for efficiency & insights

Types of invoices received
Utilities (energy, water, waste, telecom, cleaning, security, pest)

| Invoices of all formats | → | *Sent to Goby* | **ALL DATA IS PULLED FROM INVOICES** | → | Goby tags invoice with AP codes | → | Goby AP Export with all invoice data for AP is emailed for ERP upload | → | ERP system is used for invoice payment |

All invoices are auto-approved

Project management

1 Project conception and initialization	2 Project definition and planning	3 Project launch and execution	4 Project performance and control	5 Project close
✓ Project charter ✓ Project initiation	✓ Scope and goal setting ✓ Budget ✓ Work breakdown schedule ✓ Gantt chart ✓ Communication plan ✓ Risk management	✓ Status tracking ✓ KPIs ✓ Quality ✓ Forecasts	✓ Objectives ✓ Quality deliverables ✓ Effort and cost tracking ✓ Performance	✓ Post mortem ✓ Project punch list ✓ Reporting

EXPECTED OUTCOME

Best-in-Class AP Departments

Have **cut invoice processing** times in half

Have **reduced per invoice cost** by 50% or more

Process **3 times more invoices** per FTE

Earn some cash-back rebate on 30% of spend

Capture 7 times **more early pay discounts**

Increase DPO without changing payment terms

Make most of their **payments electronically**

Expect payback period of
9 to 15 months on
AP automation investments

Continuous Improvement

- Maintain easily accessible audit trails

- Improve position in supplier negotiations

- Offer incredible reporting across the company

Compliance risks are mitigated

Strategic

A well designed big data strategy is associated with strong financial performance

* The Economist Intelligence Unit

Poll Question #3

How many invoices do you process monthly?

❑ Less than 500

❑ 1,000 – 5,999

❑ 6,000 – 11,999

❑ 12,000 - 49,999

❑ 50,000 - 99,999

❑ 100,000 or more

Questions?

Please continue to type in your questions. If we run out of time or you're watching on demand, we'll follow up directly via email.

Thank you

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