

A BUYER'S GUIDE TO AP INVOICE AUTOMATION SOLUTIONS

The 6 step checklist to identify the right AP automation solution for *your* organization.



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Introduction

If you can check at least one of these boxes, then this buyer's guide is for you:

- I'm looking to introduce digital/automated invoice processing in our organization but unsure where to start.
- I have some level of automation in place for AP but want to explore alternatives in the market to understand if we're using the best option.
- My manager asked me to research and present a few solutions that would suit our organization.

Just to be clear, this guide is not about selling you a solution. The purpose is to offer you a checklist that will help you get started researching, evaluating and finding the solution that is most appropriate for your organization's needs.

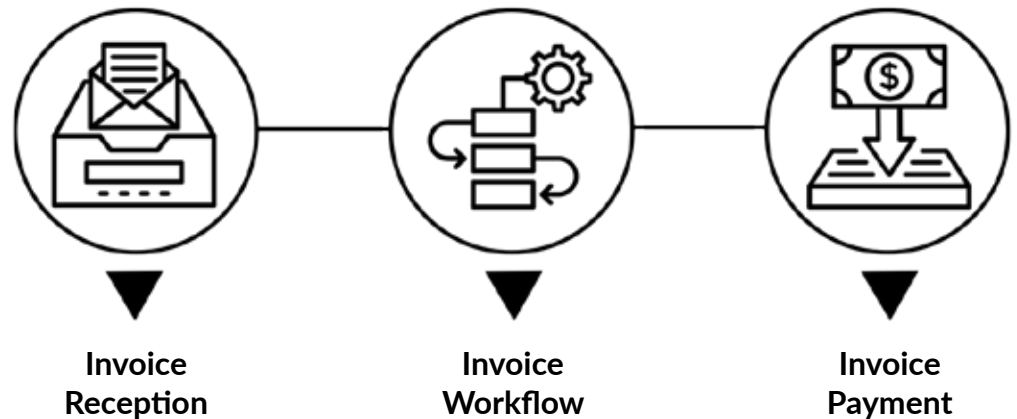
It's only six steps but at first glance these can still seem overwhelming when you're just getting started. Don't worry, continue reading and we'll walk you through it and provide tips to consider for each step.

01

Define your scope

There is a really easy way to define your scope. “I’m looking for a solution that will help accelerate and automate our accounts payable process and basically make my life in AP a bit easier.” Though this is a good objective and achievable with several modern AP invoice automation solutions, we advise you to spend a bit more time and thought on this first step as it will help you define success of your upcoming project.

Just to set the scene, here’s a quick overview of what invoice processing means so that you can determine which areas you are looking to improve:



Basically, invoice processing is not the same as e-invoicing, nor supplier portals or complex procurement systems. These types of solutions may help you work more efficiently in some ways, but do not support the core of the accounts payable process. If accounts payable is your top priority you should focus your efforts on a solution that can handle these three steps:

- 1. Invoice reception: paper, pdf, xml... all data in one format**
How do you receive supplier invoices today? Paper in mail, pdf via email and/or e-invoices? A good scanning and data capture solution will do the job of consolidating all invoices

regardless of format into standardized data to be entered into your digital AP workflow. This service can be outsourced, purchased as part of the AP invoice automation solution or as a stand-alone system. In the latter case it is crucial that a solid connection between your capture solution and all other systems is in place.

2. Invoice workflow: accelerate processing by removing manual tasks

The actual processing of an invoice includes different tasks depending on the type of invoice. Expense, or non-PO, invoices need to be coded, distributed and approved. Invoices that refer to a purchase order (PO) need to be connected to a PO, have data matched on line level and any identified deviations distributed for review and approval. With a modern AP invoice automation solution, each of these tasks can be automated to a great extent. If you're considering relying solely on the existing workflow capabilities native to your ERP/finance system, be sure to examine if it is suitable for delivering an effective solution for truly touchless invoice processing. Be sure to factor in the IT overhead and ongoing support for configuring and maintaining native workflows in your business case, ROI analysis and success metrics as discussed below.

3. Supplier payment: secure and fast payments for better supplier relationships

Once the invoice has been processed and approved in the AP workflow, it will be posted in the ERP system for final booking and payment.

An modern AP automation solution will help you accelerate invoice processing to enable faster payment to your supplier. If you choose the path of an external AP solution, the processing will happen outside of your ERP, so it is critical that the solution you select has a solid integration to the ERP to ensure information flows seamlessly and securely between the two systems.

The project scope should be based on your organization's needs and challenges. The important thing to remember here is to set clearly defined objectives and to stay within the project scope. One of the biggest pitfalls of an AP automation initiative is adding sub-projects in related areas to the scope, such as dynamic discounting, supplier portals, e-invoicing, etc. These can

be considered as separate additional initiatives, but their success relies on getting your AP house in order first.

Examples of specific and measurable project goals include:

- **Reduce invoice processing lead time by X%**
- **Achieve Y% fully automated - touchless - processing of PO-based invoices**
- **Reduce hard costs generated by late vendor payments by Z**

Action Points:

- ✓ Identify key stakeholders within your organization.



Finance



**Information
Technology**



**Accounts
Payable**

- ✓ Agree on the project scope and stick to the defined scope throughout the project.
- ✓ Set specific and measurable goals that the project should achieve.

02

Map the current AP process to identify your needs

The accounts payable process usually consists of two different workflows, depending on the invoice type: processing expense invoices not related to a purchase order (PO) and processing direct spend invoices that will be matched against a purchase order and goods receipt note in the ERP and/or the procurement system.

Start this step by identifying the proportion of PO vs non-PO invoices in your organization. Then, map out how you handle these workflows today – how many people are involved, which steps are manual vs automated and what are the main pain points or bottlenecks in each process flow? How do you currently archive your invoices after they are processed? Here's a list of the most common challenges in each workflow to help you get started.

Challenges in the direct spend (PO) invoices workflow:

- Matching invoice lines with corresponding data on purchase orders and goods receipts notes when not all data is digital and/or synced up in one system.
- Managing deviating invoice data is a very time-consuming task, requiring investigation with suppliers and buyers.
- If an automatic matching process is in place, there is often still a challenge when data doesn't match up perfectly, prompting a manual review of deviations.
- Overly simplistic and/or inflexible matching engines will not support true, touchless processing, leading to more frequent instances of manual intervention than expected.

Challenges in the indirect spend (non-PO) invoices workflow:

- If there is no central inbox for vendor invoices, these will be sent to different recipients in various formats and are at risk of getting stuck in personal inboxes or on desks in disperse locations before being entered into the AP process.
- Manual handling and numerous people involved in the AP process increase the risk of human errors in the coding, approval and payment of an invoice.
- Old-fashioned and clunky systems delay the AP process and increase the risk of late - or worse - no payments to vendors.
- Without a solution in place it is nearly impossible to have insight into the status of an invoice, invoices close to due date, actual spend and invoices that needs to be accrued for.

Once you have your list of the main pain points you wish to remove by implementing or replacing an AP automation solution, you will have a pretty good understanding of what key features you should be looking for when vetting different suppliers and solutions.

Action Points:

- ✓ Identify the top 3-5 pain points within your invoice management process (PO invoices and non-PO invoices).

Pain #1. Manual deviation management **Pain #4.** _____

Pain #2. _____ **Pain #5.** _____

Pain #3. _____

- ✓ Describe the goal scenario – a perfect process – and what currently prevents you from getting there.

03

Identify system dependencies

The Enterprise Resource Planning (ERP) system or financial system is the most important dependency when considering a new AP automation solution. It is crucial that your new AP solution has a powerful, stable and seamless connection to the ERP to ensure effortless synchronization of your master data – from general ledger accounts and payment terms to purchase orders and tax codes.

When a complete synchronization has been set up, invoice, procurement and accounting data can be exchanged seamlessly between the business systems to facilitate matching of invoice data with purchase orders, goods receipts and contracts at line level detail. For your AP department, this means accurate and efficient invoice processing with the highest level of automation.

Action Points:

- ✓ Identify which ERP system(s) your organization use, basically systems where you keep your accounts payable ledger(s) as well as systems where you process purchase orders.
- ✓ Research internally if there are any plans to change or upgrade the ERP*

* Changes in the ERP system does not need to delay the AP automation project, but it is important for you to be aware of any plans so that you can include this as part of the requirements you ask of your potential AP automation vendors to ensure you select a future-proof solution.

Action Points (cont.):

- ✓ Vet the AP automation solutions that you are researching to ensure they have a strong and stable connection to your ERP. If you use several different ERPs it is crucial that the solution can handle a multi-ERP environment.
- ✓ Identify other business systems in use that will affect the AP automation project

04

Capture IT requirements

Many companies looking to automate their accounts payable process encounter a challenge when it comes to integrating a system with their existing IT infrastructure, including the ERP in use. If you select to install an on-premise solution - hosted on your own servers and requiring numerous customizations - implementing a new system will quickly become a complex, time-consuming and costly IT project.

Good news: there is another way. Today, there are many AP automation solutions available as a standard cloud service. A standardized application means you have access to the full functionality that can be configured to your business needs and processes in a smooth and speedy deployment project. Business administrators (rather than IT resources) are responsible for ongoing configuration updates as they know how your organization transacts business with suppliers and how those suppliers bill you.

Another benefit of a cloud solution is that product upgrades are made available automatically on a regular basis so there is no need to engage the IT team or bring in external consultants for upgrade projects.

"We have reached a higher level of professionalism both in the processing of invoices and the accounts payable process, but also due to the fact that we operate in the cloud and do not need to worry about servers, security and availability. We always have the most modern version without having to worry about upgrades and upgrade projects."

Per Magnus Frantzen, CFO at [Bohus AS](#)

Action Points:

- ✓ Involve your IT team to ensure they can support the project with the resources needed.
- ✓ Decide on a cloud or on-premise solution.
- ✓ Ask your IT team for any specific requirements related to system security, hosting and maintenance.

05

Research, audit and compare solutions

Now that you have a pretty good understanding of what type of solution you need and the challenges you wish to solve, it's time you start looking for the solution that best matches your identified needs. There is a reason that this step is at the end of the list: if you start researching solutions before you have a clear view of your needs, you may be seduced by something that looks amazing on a fancy website or glossy marketing brochure but, in reality, doesn't do the job you need.

Just like when you are planning to buy a new car or book your next holiday trip, make sure you do thorough research using different information channels:


- Start with Google to identify potential candidate solutions, browse and bookmark their website.
- Head to LinkedIn to participate in discussions in relevant groups, ask group members for their experiences when selecting and implementing a new AP automation solution.
- Ask your peers or friends in similar positions and/or companies for feedback and recommendations on the solution they use.

"The fact that we selected a cloud solution and that we were able to implement so quickly enabled us to get a very strong ROI with break-even in less than a year, which is very hard to say with most software implementations."

Maulik Patel, Senior Manager IT Finance Applications at [Marc Jacobs](#)

Action Points:

- ✓ Research vendor websites and give them a call to inquire about their solution, features and services.
- ✓ Ask the vendors for [case studies](#) or reference customers that they have helped solve AP challenges similar to yours.
- ✓ Put the requirements list you have compiled through steps 1-4 in this guide into a spreadsheet and evaluate how well each solution can match each requirement.
- ✓ Ask for a live demo of the solution to see it in action and ensure the solution lives up to what the sales representative has promised you during initial presentations.

	 medius	<i>Company A</i>	<i>Company B</i>
Subject matter expertise	✓	✓	✗
Plug & play integration	✓	✗	✓
User - friendliness	✓	✓	✗
Best-in-class client KPIs	✓	✗	✗
Advanced matching	✓	✗	✗

06

Build your business case

If you have completed the previous steps of this buyer's guide, then you have already done the majority of the research and data collection needed to build a business case. Now it's time to summarize your findings and make sure you present the relevant information to the right stakeholders and decision makers.

How to sell to your IT stakeholders

Your IT stakeholders will need to know what impact the new solution will have on their organization both in terms of implementation, including integration to existing IT infrastructure, and ongoing maintenance. So, in order to gain IT's approval, they will need to know:

- What resources will be required from the IT team during implementation?
- Will the solution require ongoing support from IT in terms of maintenance and regular upgrades?
- How will the solution support future changes in business or IT infrastructure?

As discussed in step 4, if you select a cloud-based solution you will be able to tick many of the IT team's checkboxes since this will offer you an easy integration, no internal maintenance and automatic product upgrades. In fact, you will likely be helping your IT manager free up time for core business projects by replacing old, on-premise solutions with a cloud service.

How to sell to your Finance stakeholders

For your Finance stakeholders, it's obviously going to be mostly about doing the math and making sure you can present a rapid and credible ROI. Finance managers also want to be reassured

that this is a going to be a low risk project, so building trust and presenting a solution with a proven track record is very important.

You can count on the fact that a modern AP automation solution will help deliver improved visibility into spend and more accurate cash flow and accrual reporting. And this, for sure, is something that will put a smile on any CFO's face.

Do the math - ROI

When it comes to the ROI calculations there are a few data points you need to collect:

- 1.** Solution cost: it is crucial that you have the full and detailed picture to calculate the total cost of ownership. Ask your vendor:
 - Will you pay a license cost or monthly subscription? What is this cost based on – number of invoices, users or something else?
 - What will be the cost for product upgrades in the next few years?
 - What is the implementation cost and how much support will be required from your internal IT staff during implementation?
 - What cost should you expect for ongoing support and maintenance?

- 2.** Hard savings, such as:
 - Headcount reduction and/or scaling existing organization to manage larger responsibilities.
 - Avoided late payment fees, lost or duplicate payments and savings from early payment discounts.
 - Reduce the cost of handling paper invoices (scanning, mailing, archiving).
 - Removal of internal resources from maintenance of old systems.

- 3.** Soft savings, such as:
 - Time savings across the organization (i.e. budget holders doing clerical work and AP staff dealing with vendor escalations).
 - Freeing up resources in AP for more value adding tasks.

- Improved insights into AP process bringing timely and more accurate support for financial forecasting, cash flow and accrual reporting.
- Improved vendor relationships.
- Better organizational flexibility in case of business changes such as mergers, acquisitions and international expansions.

Ask your vendor to help you gather and benchmark all these numbers and put everything into a spreadsheet to present to your internal stakeholders.

“We now have full visibility and control of our invoices and financials with the new automated workflow process. We can report on-time and with complete accuracy. The business can easily manage its approval responsibilities and quickly answer their own budget review questions.”

Elise Byrd, AP Manager at [Silver Eagle Distributors](#)

Action Points:

- ✓ Ask your preferred solution provider for case studies or reference calls with companies similar to yours, who are already using the solution to build trust with your key stakeholders.
- ✓ Collect the numbers and data points you need to build a solid ROI calculation – ask the solution provider to help out with calculations and relevant benchmarks.



How MediusFlow can help

While vetting the different alternatives on the market for AP invoice automation solutions, you should consider MediusFlow – the trusted solution of more than 2,000 companies across the globe.

Here's what MediusFlow offers to support your next AP automation initiative:

- A fully digital and efficient workflow for your indirect spend invoices, thanks to automation functionality and a user-friendly mobile solution for invoice approvers.
- Record high touchless ratio for your direct spend invoices being matched to a purchase order in a fully automated process without any user intervention.
- Speed to value with a fast and fully cloud-based deployment and standardized integration packages to leading ERP systems.
- Full visibility of your AP process with powerful performance dashboards and unique benchmarking capabilities for continuous improvement of process efficiency.

Action Points:

- ✓ Visit mediusflow.com to learn more about the solution.
- ✓ Check out what [MediusFlow customers say](#) about the solution.
- ✓ Book a [personal demo](#) with one of our automation experts.