ECM Connection

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Midmarket Organizations Ready To Embrace Enterprise-Level AP/Invoice Automation Strategies

By Daneen Storc, Senior Product Marketing Manager at ABBYY

For at least a generation enterprises have deployed modern enterprise resource planning (ERP) systems like SAP and Oracle to support their back-end business functions including accounts payable (AP). Those legacy solutions use OCR technology to capture and archive images of the hundred-thousands of invoices and purchase orders yearly. However, over the past decade more dynamic capabilities such as intelligent data capture and automated workflow have convinced finance executives and other organizational decision makers of the benefits of a more robust AP/IP solution. But for small-to-medium enterprises (SME), or middle market, the luxury of an equivalent solution seemed beyond reach - until now. Midmarket companies, those having annual revenues between $10 million and $1 billion, are now embracing the strategies and realizing the benefits of their enterprise counterparts.

Two main factors are driving this trend: technology innovation, which has narrowed the gap in price, and a healthy business landscape which has resulted in consistent, year-over-year revenue growth. As a result, there is an awakening for smarter ways to maximize operational efficiency - and transforming AP and invoice processing is usually the first and easiest step.

Common Growth Pains Drive Need For Invoice Automation
The number of midmarket organizations doubled within five years and, according to the National Center for the Middle Market, revenues for this market are expected to continue to grow at 5.5 percent annually. They cite common pains attributed to their growth.

Wrought with errors. Reducing errors and the associated re-processing is a persuasive driver for midmarket organizations. The more invoices entering an organization, the more likely errors and backlogs can occur. Finance staff believe they only spot 71 to 80 percent of errors resulting in taking as long as 21 to 30 days to process an invoice.

Keeping up with volume. As organizations grow, their network of suppliers, customers, and partners increase. Reducing invoice processing costs and achieving shorter invoice cycle times are critical for organizations. According to an AIIM survey, the average total cost to manually process an invoice by the midsize organization can be as high as $31 to $40, whereby automation reduces the cost to $3 to $4.

Limitations of legacy solutions. Legacy solutions have limitations ranging from the inability to easily add new accounting codes, frequent errors due to outdated OCR software, and the inability to deliver metrics-based reporting that offers management more strategic insight on the state of their business. In these scenarios, even five-year-old solutions can be considered archaic.

Mid-Size Market Seizes Enterprise Strategies
Fortunately, enterprises have paved the way with strategies and technology that solve the operational inefficiencies midmarket organizations are currently experiencing. Solutions now available for the midmarket offer advanced capabilities once thought only available to large enterprises, including: Greater accuracy. Currently, most AP departments are only able to process 5 percent of invoices straight through due to high exception rates. Aberdeen found by incorporating an advanced AP solution, data capture accuracy rate is at least 95 percent. Automated data extraction eliminates manual errors and, by digitizing the process, staff are able to track every step.

Scalability. There are two aspects to scalability - the ability to handle more volume without having to upgrade to an entire new system, and the ability to easily evolve with the ongoing complexity of invoices. Seventy-nine percent of organizations process under 10,000 invoices however, for a healthy organization with modest 5 percent annual growth, a jump in invoice volume can be detrimental to staff's productivity and efficiency in payments.

Likewise, invoices are expected to continue a trajectory of complexity over the next two years according to the Institute of Financial Operations (IFO). Organizations need solutions that offer intelligent, on-the-fly training technology that allows operators to further raise the quality of data extraction on newly encountered invoices from new suppliers. Administrators want complete control over its training set and generated rules.

Easy integration. The main difference between modern ERP and post-modern ERP eras is the former was grounded in an all-in-one mega suite. Only large enterprises had the resources to budget and house an IT team to install and maintain on premise, proprietary financial operation solutions. A significant benefit with today's solutions is line-of-business managers and IT are able to collaborate on a best-in-class product that integrates easily to the front-end of common ERP systems rather than compromising on an expensive platform that performs sub-par to the department's needs.

Availability of options. There are more options available with out-of-the-box, standalone solutions that can enhance existing systems. Accessibility via the cloud or as invoice capture-as-a-service are flexible, cost-effective options. Additionally, artificial intelligence and text analytics offer more strategic insight for forecasting, discounting, cash flow optimization, and timely, accurate financial reporting.

ROI Within 6 Months

CTSI-Global is a supply chain management company that received its return on investment in under six months. The company processes seven million invoices per year for more than 14,000 suppliers that it works with, processing five million transactions daily and $10 billion in invoices annually. According to Richard Perry, vice president of Global Product Management at CTSI, it outgrew its homegrown solution after three years.

"As CTSI grew we tried different options such as using an offshore operation and developing an in-house solution, but with nearly 40 data elements we found that there was a lot of incorrect or incomplete information in our invoice processing," commented Perry. "Working closely with ScanStore and ABBYY we developed and deployed an automated accounts payable solution within 60 days that did way more than merely extract data. We are now able to customize with straight-forward configurations and have insight to line item detail. Most importantly, our staff was trained in a day with the new system."

CTSI ran its new automated AP solution in parallel with its homegrown solution for a short time and immediately saw 98 percent more accuracy completed faster. The cost to process its invoices went from $1.00 to pennies, making a significant impact to its bottom line.

Capitalizing On A New Era In AP Automation

According to PayStream Advisors, the US AP automation market was $1.9 billion in 2014 and is growing at a healthy 14 percent CAGR, with the mid-market being the driving force. The Institute of Financial Operation Matters (IOFM) echoes the trend with its poll finding that 38 percent of midmarket organizations say OCR AP/IP automation will be the top AP improvement priority.

In a post-modern ERP era, mid-size organizations needing guidance on how to resolve their inefficient, error-prone, costly manual invoice processing can look beyond vendors offering mega suites. Working with responsive solution vendors and VAR partners that are experts in their industry, they can develop and deploy a robust, customizable intelligent capture solution in days at a more reasonable price.

Daneen Storc is Senior Product Marketing Manager at ABBYY and is responsible for data capture and automation products and solutions with emphasis on invoice processing and accounts payable. Prior to ABBYY, she worked at Lexmark Enterprise Software and ReadSoft where she evaluated and documented invoice automation and process improvement projects of companies ranging from small businesses to Fortune 100. She holds an MBA in Marketing Management from Loyola University of New Orleans.