



Electronic Invoice Management

No More Recycling: Get Rid of Paper from the Source

Featuring Insights on...

Making a Case for
Automation

Overcoming Barriers to
Adoption

eInvoicing and Discount
Capture

Convergence of eInvoicing
and Outsourcing

Learn from the Innovators

Selecting an eInvoicing
Solution

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Executive Summary

The Accounts Payable (AP) department has long suffered the stigma of being called a “cost center” or “black hole” from which money is constantly flowing out. Especially in recent times, with the spotlight turned on finance departments, the hole has become more noticeable. But, just as every cloud has a silver lining, this added emphasis on AP department operations has been instrumental in bringing about a paradigm shift in traditional invoice and payment management process. Increasingly, financially savvy managers have started viewing the AP department as having tremendous potential to not only deliver tactical benefits like cost containment and productivity enhancements, but also strategic benefits around supplier relations and working capital improvements.

Traditionally, the enemy of radical improvements in the financial supply chain has been an over reliance on people and paper-based processes, which result in lengthy processing cycles, slow and delayed payments, and unhappy suppliers. However, all this is changing. On the one side, heightened visibility has led to a growing awareness among financial managers that things are changing, with or without their approval. On the other hand, robust, and easy-to-use electronic invoicing (eInvoicing) options, including shared networks and stand-alone portals, widely available in the market today are opening the doors for innovative AP and finance departments to take control of supplier invoices and payments and shine in the limelight.

PayStream has developed this Technology Insight Series report **“Electronic Invoice Management: Getting Rid of Paper from the Source”** to provide an overview of the electronic invoicing landscape and address the following questions generally asked by finance managers:

- What challenges are organizations facing when it comes to manual invoice and payment management processes?
- What factors are driving the migration from paper invoices to electronic methods? What benefits does eInvoicing deliver?
- In spite of the widespread availability of eInvoicing solutions and their tangible benefits, why are more than half of all B2B invoices traded in paper format?
- What barriers are hindering further adoption of eInvoicing and how can they be overcome?
- What related developments in the procure-to-pay space are impacting the growth of electronic invoicing? Where does eInvoicing fit in a broader P2P automation roadmap?
- What are the functional components of an eInvoicing solution? Who are the key players in this space? What solution functionality is available from these technology vendors?
- What are some of the best practices innovator companies are following in order to streamline their invoice and payment management processes?

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Making a Case for Automation

Challenges Faced in Current AP Operations

The idea of a paperless corporate America has filled the heads of futurists ever since information technology began to make big strides during the last millennium. In the 1970s, many people looked ahead to the year 2000 and theorized that by Y2K businesses would exchange information in a fully electronic manner. The evolution and wide acceptance of the Internet further validated this theory.

However, this has not come to pass in the business-to-business (B2B) landscape, particularly in the accounts payable world. In spite of the widespread availability of invoicing solutions, more than half of all B2B invoices are traded in paper format, resulting in a number of challenges in day-to-day AP operations.

The results of PayStream's **"Invoice Automation Adoption Survey 2010"** leave no doubt that paper invoices are the enemy of efficiency in the AP department. When asked about the biggest challenges their organization faces in the invoice management process, almost two-thirds of the companies (60 percent) that participated in the survey stated that a high volume of paper-based invoices was a major headache.

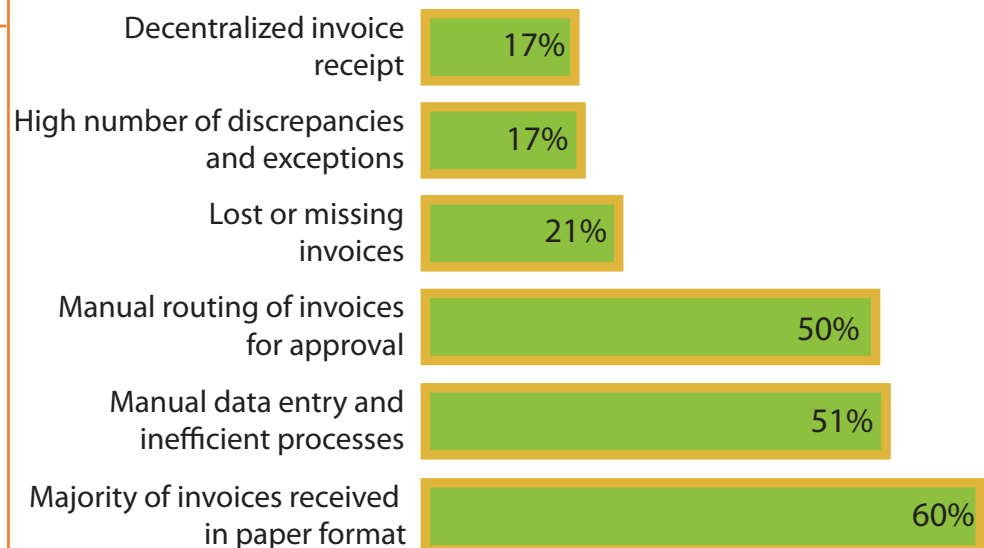
Receipt of invoices in paper format leads to a horde of other problems in the invoice processing cycle. More than half the companies surveyed (51 percent) stated that they were bogged down by manual data entry and inefficient processes. Almost the same number of organizations (50 percent) are suffering from hassles around manual routing of invoices for review and approval.

Other issues revolved around lost or missing invoices, high number of discrepancies and exceptions, lack of visibility into outstanding liabilities and inability to capture all discounts offered by suppliers.

Figure 1

CHALLENGES IN THE INVOICE MANAGEMENT PROCESS

An over-reliance on people and paper-based processes emerged as the biggest problem plaguing AP departments



Renewed Interest in Automation

Automation solutions that enable trading partners – buyers, suppliers and banks – to seamlessly exchange transaction-related information and funds are indelibly changing the invoicing and payment landscape. A new crop of electronic invoice networks are making significant inroads into reducing inefficiencies and driving costs out of companies' financial operations through the elimination of paper.

These new technologies have been given further impetus by the fact that the AP department is no longer considered just a cost center. Innovative financial managers are now recognizing AP automation as an area offering tremendous potential to generate bottom-line improvements with processing acceleration and discount management abilities, better ability to monitor and manage spend, strengthen working capital positions, and build stronger trading relationships.

Research by PayStream analysts suggests that these forces have done wonders to raise the profile of electronic invoicing and payment management solutions, which are viewed as avenues for enhanced discount capture. The logic behind this is simple. Electronic invoices eliminate paper processing times including mail latency and desk float. With faster approval times, finance managers have greater ability not only to take existing discounts but to create new ones.

Given these factors, it is not surprising that a number of organizations are taking a hard look at invoice automation tools and technologies. Based on survey results, implementing or increasing electronic invoicing emerged as the most popular option, with a majority (40 percent) of companies stating that this was the top priority on their 2010 automation plan. This is a clear indication that organizations are no longer interested in merely finding a better way to handle paper; rather they are looking to remove paper from the source.

Automated approval workflow for invoices was another popular option with 21 percent of companies stating that they would focus their attention on this technology for the year.

Impact of Automation in Accounts Payable

Payable

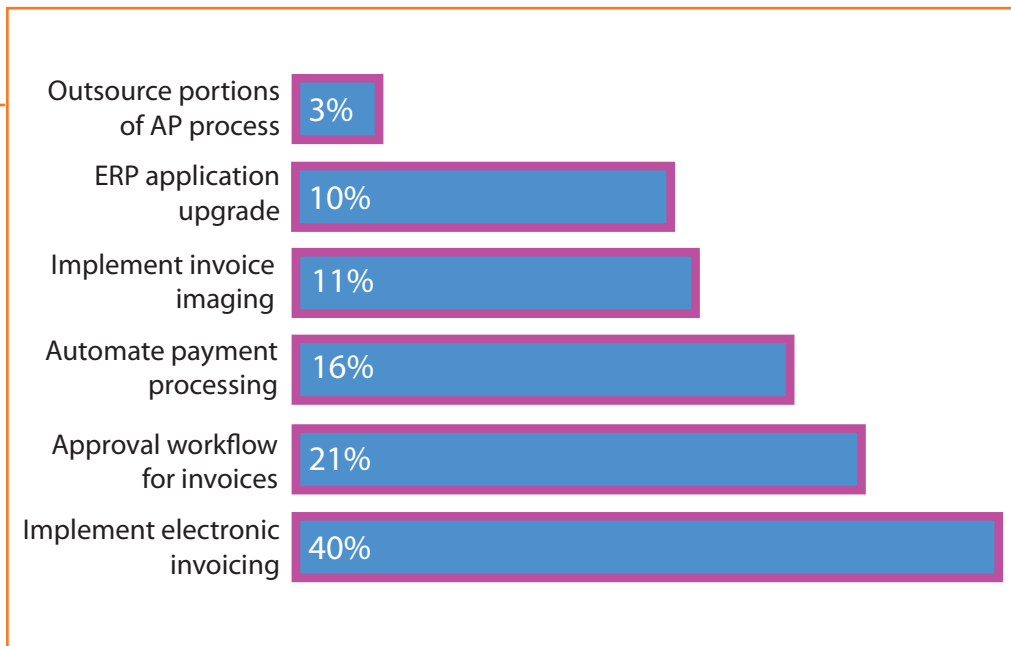
Average time taken to process a paper invoice - from date of invoice receipt to approval - is 23 days.

Best-in-class companies that have automated invoice receipt and workflow have been able to slash this time frame to as little as five days.

Figure 2

TOP FINANCIAL AUTOMATION GOALS FOR 2010

Implementing or increasing electronic invoicing emerged as the top priority for this year



Factors Driving Interest in Automation

While numerous AP automation options have been available for many years, a number of organizations, especially small and medium sized ones, are just now starting to dip their toes in the automation waters. What factors are driving their interest in automating AP operations? Why does it make sense to automate now?

- Organizations that were initially skeptical about AP automation are learning from the experiences of their counterparts that have already automated and now see the tremendous potential of automating AP operations.
- An interest in transforming the accounts payable department from a cost center to a profit center is driving organizations to seek out innovative means to achieve this objective.
- A competitive business environment is prompting organizations, especially smaller companies, to focus on reducing processing costs and increasing efficiencies associated with invoices and employee expenses.
- Streamlining the AP process has become extremely important in a tough economy where adequate cash flow and greater control over payables are critical in maintaining liquidity and sustaining business operations.
- An increased interest in early payment discount capture is driving companies to investigate tools and technologies that enable them to compress their invoice receipt-to-approval cycles.
- The evolution of on-demand and Software-as-a-Service (SaaS) delivery models has significantly lowered the upfront cost of implementing AP solutions and reduced the hassle of maintaining them.
- SaaS solutions that defer solutions costs over a longer period of time are becoming appealing to companies that find it easier to get budgetary approval for operating expenses over capital expenditures.
- The convergence of electronic invoicing and front-end invoice imaging presents organizations with a single, comprehensive solution that can manage both paper and electronic invoices through a common process.
- Value added-services delivered by solution providers around supplier recruitment have enabled buyer organizations to bring suppliers onboard more quickly.

Buyer Benefits of AP Automation

Before implementing any technology, organizations need to understand what the ROI is and where the savings would come from. While benefits vary with the type of solution implemented and functionality being used, here are some of the common benefits of AP automation solutions to buying organizations, based on the results of PayStream's "Invoice Automation Adoption Survey 2010":

- The biggest benefit of workflow is quicker approval cycles for almost two-thirds (63 percent) of companies.
- Forty six percent of participant organizations stated that they have been able to significantly reduce staff and processing costs.
- Other significant benefits of workflow included increase in employee productivity and improved visibility over liabilities, experienced by 37 percent and 25 percent of respondents, respectively.

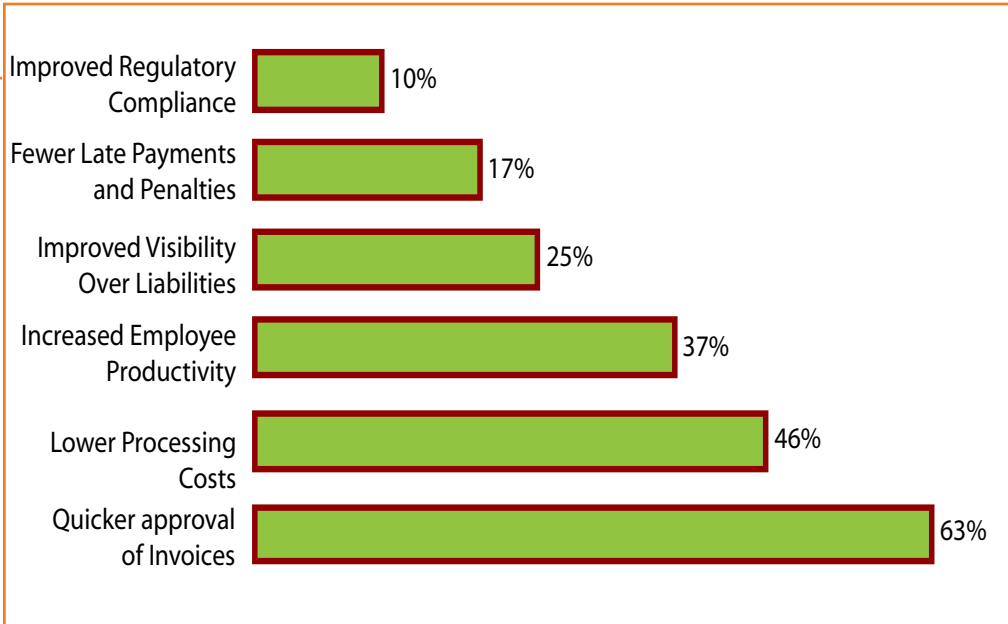
When invoices are routed electronically, they are immediately visible and actionable to all relevant parties, irrespective of where they are located geographically. Further, reminders and escalation procedures available as part of workflow solutions ensure that invoices are processed in a timely manner.

The relation between lower processing costs and automation bodes well for companies that are shying away from automation because they believe that current processes work or that there is no ROI to be achieved from automation. This should make the skeptics take a second look at the range of options available in the AP automation space today.

Figure 3

BENEFITS OF AP AUTOMATION SOLUTIONS

The benefits of AP automation are numerous including quicker approval cycles, lower processing costs and increased employee productivity



Supplier Value Proposition of AP Automation

The buyer side of AP automation and its associated benefits receive a lot of attention. However, significant education is still required in understanding the value proposition to suppliers from adopting electronic invoice management solutions. Given that one of the biggest barriers to eInvoicing and payments is supplier adoption, rather the lack thereof, it is critical to look at automation from the supplier perspective. Suppliers who have adopted electronic invoicing have reaped a number of tangible benefits:

- **Increased Efficiencies:** Significant time is saved when employees do not have to print paper invoices and mail them to their customers, freeing up accounts receivable staff to focus on more value-added activities like collections and customer relations.
- **Lower Costs:** Reduction in labor, material and postage costs are common with all eInvoicing solutions. Our research reveals that suppliers who adopt electronic invoicing can slash their invoice management costs by more than 50 percent.
- **Error Reduction:** Validation rules configured into eInvoicing solutions flag errors at the time of submission itself and prompt suppliers to correct them, reducing the number of exception invoices downstream.

- **Faster Settlement:** Electronic invoicing compresses the invoice processing and approval cycle on the buyer side. This, combined with electronic payments, ensures that suppliers are paid on time, or even early in some cases.
- **Improved Visibility:** Suppliers have real-time access to invoice and payment status from a standard Web browser, reducing the number of calls and emails to AP Help Desks.
- **Better Cashflow Forecasting:** Automating invoice processing and payments reduces the uncertainties around payments. Consistency around payment timing means that suppliers have enhanced ability to perform cashflow forecasting.
- **No More Reprint Requests:** Electronic invoicing solutions drastically reduce the number of lost and missing invoices, which means that reprint requests from buyers will virtually be zero.
- **Quicker Dispute Resolution:** Suppliers now have the ability to view disputed invoices at any time and provide supporting/backup documentation, as needed, making dispute resolution a collaborative process as well as accelerating resolution.
- **Decrease Days Sales Outstanding:** Dynamic discounting and supply chain finance capabilities available as part of eInvoicing solutions allow suppliers to decrease days sales outstanding (DSO) without adversely affecting customer relations.
- **Access to Cheaper Capital:** Dynamic discounting delivers financing at more attractive rates to suppliers than factoring or asset based lending.

Overcoming Barriers to Adoption

In spite of the wide-spread availability of electronic invoicing and payment solutions, paper remains ‘the’ rule and not an exception in a typical accounts payable department. PayStream research shows that more than half of all B2B invoices and three-quarters of all B2B payments in the U.S. are traded in paper format? What is the reason organizations still use paper invoices and checks so heavily? What factors are holding back the adoption of AP automation?

Supplier Resistance:

Given the fact that eInvoicing expedites payments, it is surprising that supplier resistance is one of the top barriers to the adoption of electronic invoicing methods. Persuading suppliers to change their processes to align with buyers’ needs is a costly and time-consuming process, and success depends largely on the buyers’ ability to present a compelling value proposition to suppliers. In many cases, buyers have failed to effectively communicate the value of AP automation initiatives to their suppliers, and as a result, struggled to generate the results they expected.

For the supplier, invoice automation should represent an opportunity to improve the efficiency of its accounts receivable (AR) processes. Therefore, buyer organizations need to be more proactive in providing supplier-driven visibility into the invoice approval and settlement process. Given this scenario, technology providers that deliver supplier onboarding services in conjunction with the solution itself are gaining strong traction in the market.

Technical Challenges:

Until recently, a prevalent barrier to the adoption of eInvoicing applications was concern around their ability to easily and cost-effectively integrate with existing AP, AR, billing, cash management, supply chain, and other legacy systems.

However, state-of-the-art applications available in the market today that integrate seamlessly with back-end systems and provide secure data transfer protocols are enabling companies to overcome their initial resistance to automation. Most applications integrate easily with systems on the buyer and supplier sides, resulting in secure and seamless data transfer, as well as streamlined processes and more efficient workflows. Adopters can expect faster approval and cycle times, as well as better cash flow forecasting ability, and vendor relationships.

And for those companies concerned with the upfront costs of technology, hosted solutions and Software-as-a-Service (SaaS) delivery models offer minimal implementation costs, with technology providers responsible for maintenance and upgrades. Last, but certainly not least, given the current emphasis on going green – electronic invoicing and payments provide a substantial positive impact on the environment. They save trees and energy, while reducing air pollutants and solid waste.

Business Practices:

Electronic invoicing heralds a tremendous change in the way buyers and suppliers conduct business. A natural barrier to adoption on the supplier side is the loss of detailed remittance information. Many suppliers are concerned that if they switch to electronic invoices and payments they will not get sufficient remittance detail, which facilitates payment reconciliation. Unless ePayments transactions are properly structured, transmission of usable remittance details is limited.

The recent emergence of invoice, payment and remittance advice consolidation, however, is beginning to alleviate this issue. These services, provided by third party invoice and payment networks and processors, collect detailed payment information from buyers and make it readily available to suppliers in formats compatible with their accounting systems. With many solutions, suppliers have multiple options in which they can receive detailed remittance information - email, fax or even direct integration with their accounting systems.

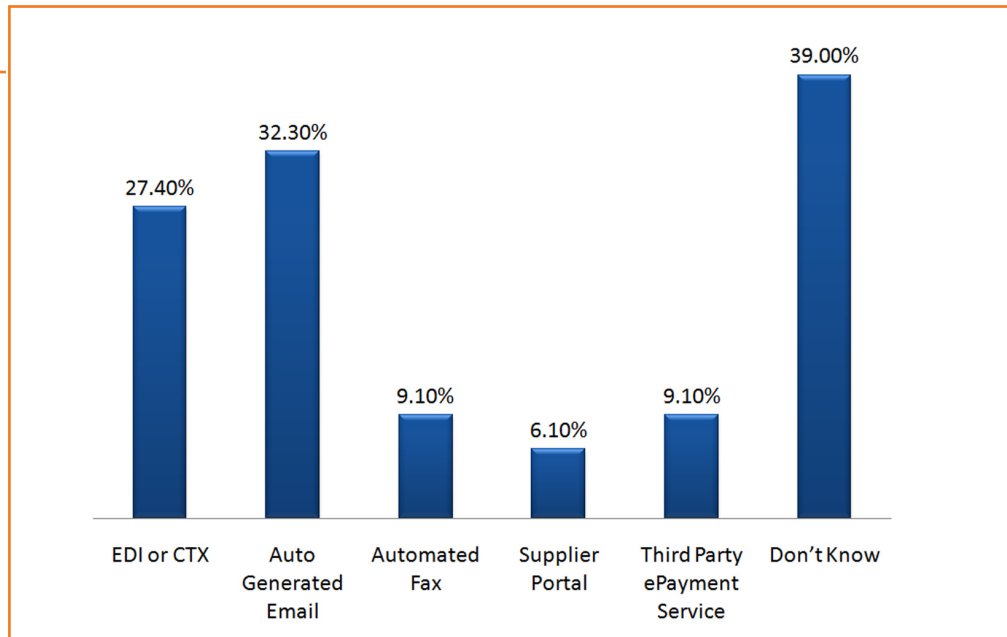
Another reason why buyer organizations hesitate to make the move to electronic payments is the perceived loss of mail float, which is inherent to paper checks. However, the advantages associated with check float are quickly diminishing as a result of electronic check imaging, which has accelerated check presentment to a day in most cases. In fact, usage of purchasing cards delivers more float than paper checks, when check imaging is factored in.

Further, the cost savings from electronic invoicing and payments typically outweigh the benefits of check float, given current low interest rates and fast collection environments. Finally, the functionality provided by eInvoicing solutions that allow buyers to control settlement with specific payment dates make check float a moot point.

Figure 4

REMITTANCE INFORMATION TRANSMISSION WITH ELECTRONIC PAYMENTS

Auto-generated email is the most widely used method of transmitting remittance information along with ePayments



eInvoicing and Discount Capture

One of the major drivers for AP automation has been senior management's emphasis on improving visibility to payment liabilities. This has come to bear along with a strong push toward increasing discount capture from suppliers. However, paper invoices and checks significantly hinder working capital visibility. Research from PayStream shows that the average invoice cycle time is 23 days from receipt to approval, with best-in-class companies completing this cycle in 5 days.

Emerging Web-based solutions that address existing inefficiencies in the invoice processing cycle are gaining popularity by offering advanced functionality around (a) supplier on-boarding, (b) working capital management, (c) straight-through-processing, and (d) vendor self-service.

Defining Dynamic Payables Discounting Solutions

DPD solutions are dynamic in more ways than one. They

Allow suppliers to control the timing of payments;

Calculate discount fees and payment amounts dynamically based on the number of days remaining until the due date;

Provide the ability to dynamically capture discounts as the working capital needs dictate, rather than having to negotiate discounts in advance;

Allow trading partners to tap into an alternative source of working capital with the use of third party creditors who pay early on behalf of the buyer.

Supplier Onboarding

The biggest barrier hindering electronic invoicing initiatives is supplier adoption. Persuading suppliers to change their processes to align with buyer's needs is a costly and time-consuming process, and success depends largely on the buyers' ability to present a compelling value proposition to suppliers. Many buyers have failed to effectively communicate the value of AP automation initiatives to their suppliers, and as a result, struggled to generate the results they expected from implementing e-invoicing solutions.

In order to ensure the success of their AP automation efforts, buyer organizations need to be more proactive in demonstrating the benefits of electronic invoicing and settlement to their supplier base. Given this scenario, technology providers that deliver supplier onboarding services in conjunction with the technology itself are gaining strong traction in the market.

Working Capital Management

The concepts of Dynamic Payables Discounting (DPD) and Supply Chain Finance (SCF) have become hot topics within electronic invoicing circles. By providing an incentive to suppliers for early settlement, these working capital solutions serve the cash management needs of buyers and suppliers alike. While discounts have been traditionally driven by suppliers as an incentive for securing early payment, enhanced visibility into invoice status is turning the tables and enabling buyer organizations to proactively propose early settlement discounts to suppliers.

With third-party financing, buyers can extend their payment terms through the injection of third-party capital without adversely affecting supplier relations. Conversely, suppliers gain additional cash liquidity and stronger balance sheet positions. These solutions also mitigate uncertainty surrounding payment timing and amount, allowing for superior cash flow forecasting capabilities for suppliers.

Straight-Through Processing

Straight-through processing (STP) or touch-less processing facilitates the automatic payment of "clean" invoices. This allows organizations to enhance discount capture as well as frees up buyers and AP staff to spend more time on managing exceptions and accelerating dispute resolution with suppliers. STP includes:

- Validation of invoices, at the time of submission, based on pre-configured business rules and tolerance levels to correct any errors or exceptions before the invoice even reaches AP and the clock starts ticking.

- Automated three-way matching of purchase orders, invoices and goods receipt documents, so that invoices can immediately be scheduled for payment. Some companies even allow a two-way matching success (PO and invoice) to trigger the payment for a small set of trusted suppliers.
- Automatic approval of or fewer levels of approval for certain non-PO invoices, especially when it comes to small dollar invoices or invoices from suppliers with whom buyers have a long and strategic relationship.

Vendor Self-Service

Through the integration of self-service supplier portals, electronic invoicing solutions can truly drive collaboration between buyers and suppliers. They accelerate the exchange of information between trading partners and provide improved visibility and control over financial transactions. Suppliers’ ability to upload, view and track invoices in real-time as they make their way through a buyer’s workflow process, strengthens the control they have over their receivables processes. Suppliers receive notification immediately upon completion of the buyers’ invoice approval process, allowing them to monitor and assess their receivables in real-time. And for the buyer, this translates into a reduction in resources required to resolve discrepancies and respond to inquiries. Both buyers and sellers receive payment data and remittance detail electronically facilitating reconciliation of payables and receivables.

Table 1
BENEFITS OF ELECTRONIC PAYMENTS AND DYNAMIC DISCOUNTING

Electronic Settlement	Payables Discounting
Increases the ability to make timely payment and reduces the incidence of late payment fees and penalties.	Provides a low-cost financing alternative to suppliers and an additional income stream to buyers.
Lowers processing costs by removing the need for printing and mailing checks and the incidence of fraud.	Enhanced visibility into the timing and amount of payments aids in superior cash flow forecasting capability for buyers and suppliers alike.
Supplier notification and vendor self-service options reduce the number of supplier inquiries and exceptions.	Delivers better cash liquidity and stronger balance sheet positions for suppliers without their having to rely on high cost financing alternatives.
Online search and retrieval tools aid in payment verification and collaborative dispute resolution.	Buyers can extend their payment terms; Suppliers can accelerate their cash conversion cycles.
Aids in compliance with Sarbanes-Oxley and other regulatory requirements.	

Electronic Invoicing Universe

Electronic invoicing solutions streamline the invoice receipt-to-pay cycle by enabling organizations to electronically exchange purchase orders and invoices, use sophisticated workflow tools for approval processing and make electronic settlement against approved invoices.

Supplier Recruitment & Enrollment: Recruitment activities typically start with supplier segmentation analysis and identifying those vendors to target first for on-boarding. Solution providers add value to the equation by leveraging proven best practices to develop various activation campaigns – email, phone and direct mail – for different supplier groups. The solution offers functionality to allow suppliers to enroll themselves by logging into the application to provide bank account and registration information. Alternatively, buyers can manually enter supplier information or import the same from their ERP or AP systems.

Invoice Generation & Delivery: Electronic invoicing solutions facilitate the exchange of invoices between buyers and suppliers by supporting several methods of accomplishing this (flipping POs to invoices, blank Web forms, extracting templates from buyers' ERP systems, etc.). Solution providers also offer more advanced file connections via EDI, XML, CSV etc. for high volume suppliers or those that prefer a more hands-free approach. Some solution providers offer options to handle paper invoices as well. Each invoice, whether submitted electronically or as paper, is typically converted into a common document type for querying and filtering.

Exception Handling: Validation of invoices is a critical step to ensure that only clean invoices are viewed by the AP department. Invoices are routinely checked for duplicity and mathematical integrity. An additional layer of validation is provided by checking invoices against a set of buyer-defined criteria. This process identifies

Figure 5

ELECTRONIC INVOICING UNIVERSE

Electronic invoicing solutions improve the invoice-receipt to payment cycle by streamlining how organizations receive and approve invoices and make payments



errors and exceptions in the invoices proactively at the time of invoice submission itself and notifies the infringing party to correct those errors before the invoice can be accepted and routed. These validation rules and tolerance levels can be configured and changed, as needed.

Workflow & Dispute Management: This is the process that buyers follow to sort, route, review, dispute, and approve invoices for payment. Electronic invoicing solutions support multiple levels of approval and include the ability to configure reminders and escalation procedures, if no action is taken on pending tasks in a specified period of time. The systems also allow buyers and suppliers to investigate and collaboratively resolve disputes and exceptions. The solutions support configurations that dictate a manual or automated workflow process for approval, dispute resolution, escalation procedures, and authorization protocols.

Payment Processing: The steps that buyers take to initiate, post, and execute payment, including preparation, processing, and submission of the payment file to the bank. Most solutions offer multiple payment options and allow buyers to configure payment types at the supplier level. This stage also includes integration with and posting of the payments to buyers' ERP and accounting systems. Some solutions also offer dynamic payables discounting functionality allowing buyers to configure multiple discount schemes and enabling suppliers to discount all or any of their receivables at any time, up to the maturity date.

Reporting & Analytics: This includes the ability of the solution to generate standard and custom queries and reports and provide visibility across transactions to buyers and suppliers. The solutions also provide comprehensive audit trails of all actions taken within the system and vendor self-service options. Recent advancements in analytical capabilities allow managers to examine spend at various levels, including type of expense, employee, department and region. This wealth of information gleaned from the procure-to-pay process, can not only be used to comply with regulatory requirements but also to provide valuable business intelligence for strategic spend analysis.

Figure 6
ELECTRONIC INVOICING PROCESS FLOWS

Electronic invoicing solutions provide robust functionality from invoice delivery to payment processing and vendor self-service



Convergence of eInvoicing and Outsourcing

One of the major barriers hindering electronic invoicing initiatives is gaining supplier adoption. Suppliers do not want to change the way they currently process and submit invoices to buyers, unless they see the value proposition in electronic invoicing. Large buyer organizations are in a position to leverage their size and purchasing power to migrate suppliers from paper-based processes to electronic invoices. Small and medium enterprises, however, do not have this luxury and cannot dictate terms to their larger suppliers.

One option that these organizations can pursue to overcome challenge of supplier adoption is utilizing outsourcing services in conjunction with electronic invoicing initiatives. Under this scenario, suppliers that are reluctant to join an eInvoicing network, continue to send paper invoices. But instead of mailing them to the buyer's AP department, suppliers send these invoices to a processing center managed by the eInvoice solution provider. At these processing centers, the documents are scanned and data is extracted from the paper invoices and converted into an electronic format. Data from both the paper and electronic invoices is then available for processing through a single unified platform.

Benefits of Outsourcing Imaging and Data Capture

- Buying organizations receive all their invoices in an electronic format, from day one, without having to wait to onboard a critical mass of suppliers on the eInvoicing network.
- The AP department receives all invoices in a common format, irrespective of the channel of entry. The same robust validation rules that are applied to electronic invoices can be used to validate paper invoices as well.
- Buyer organizations can see a reduction in FTE and processing costs that were originally associated with imaging and data entry from paper invoices, an extremely valuable benefit for SMEs.
- Most third party outsourcing providers guarantee a 24 hour turnaround for invoice entry, which significantly compresses the invoice receipt-to-pay cycle, thereby allowing organizations to capture more early payment discounts.
- Fewer supplier inquiries into invoice and payment status, with increased supplier visibility into the process, translates to freeing up of AP resources that can now focus on value-added activities like spend management or supplier recruitment.
- Requires minimal changes to the supplier-side process; Suppliers only have to change the address to which they mail in the paper invoices.
- Electronic invoicing, combined with outsourced data capture, compresses the approval cycle, ensuring that suppliers are paid on time, or even early in some cases.

Eight Building Blocks to IADM

AP automation – including Invoice Automation and Discount Management (IADM) initiatives need a framework to ensure that programs are approached on a strategic basis, which bridges the supply chain, accounts payable and finance functions. PayStream’s analysts have introduced such a framework to help enterprises implement “integrated” IADM and maximize its benefits. To achieve the long-term value of IADM, organizations need to adopt a strategy involving both procurement and finance and therefore initiatives should be approached at an enterprise level.

Our most recent research shows that many enterprises are still implementing electronic invoicing or stand alone discount management or supply chain finance programs, and not truly integrated projects. So far, only a limited number of enterprises have stepped up to this challenge and are implementing what PayStream Advisors calls “integrated” IADM optimization. However, this number is steadily rising, as corporate enterprises begin to achieve benefits in their first attempts at IADM and realize what really needs to be done.

Based on in-house research, PayStream estimates that:

- Nearly 30 percent of surveyed enterprises have plans that would fit the integrated IADM description.
- Approximately 50 percent of those are planning a Level I approach (not integrated).

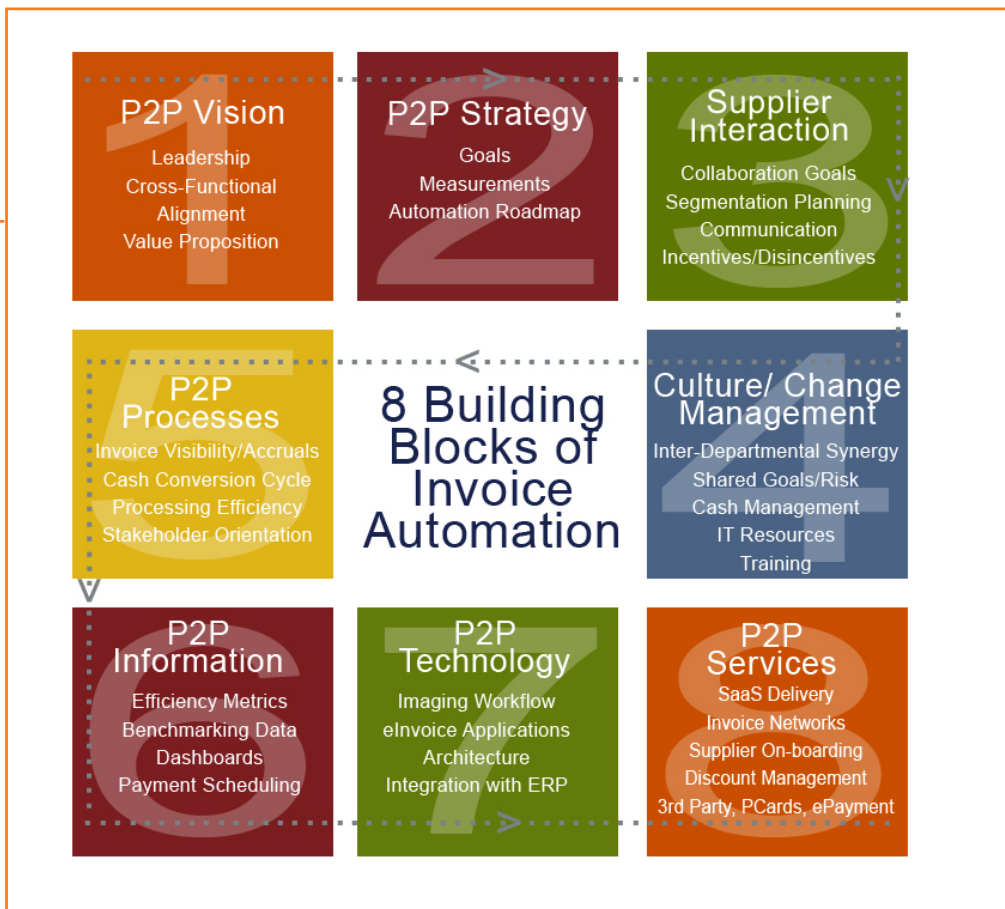
Key to AP Automation Success

A solid framework, which bridges accounts payable, procurement, supply chain and finance functions, is the key ingredient to the success of any AP automation initiative.

Figure 7

EIGHT BUILDING BLOCKS OF INVOICE AUTOMATION AND DISCOUNT MANAGEMENT

A strategic framework required for the success of your invoice and discount management initiatives.



- Less than 20 percent are planning an integrated approach, which brings together buyer/supplier collaboration with electronic invoicing.
- More than 15 percent are considering global initiatives to inject third party financing into their supply chains.

Integrating invoice automation and advanced finance tools such as dynamic discount management or supply chain finance is not easy. It requires a multi-disciplinary vision and leadership to drive a focus on unleashing working capital from the trade invoices and receivables; otherwise it will remain fragmented. It involves difficult changes to processes, and involvement of external organizations, namely suppliers, that can make implementation difficult. Further, organizational and cultural barriers that exist between supply chain, procurement and finance managers make clear thinking on IADM difficult.

On the other hand, though the technology support seems easy, that is not always the case. Technology staff must grapple with the challenges of getting invoices approved faster, multi-channel alignment, and systems integration. Even if the CFO accepts the need for enterprise-level IADM, the quarterly demands of procurement and working capital targets, especially in delicate economic conditions, make IADM one of the most important challenges facing the finance organization, but not the most urgent for the CFO. This typically results in a focus on tactical “quick wins” until conditions are better.

The main reason enterprises are not implementing integrated IADM is an inability to see the big picture and understand what is involved. Just as a map helps you understand the context of your journey (the roads you need to navigate and alternative routes), so the PayStream IADM framework helps enterprises make decisions about the best route and objectives for their situation.

Following an analysis of several large corporate enterprises, PayStream Advisors has created a IADM framework, or map, called “The Eight Building Blocks of Invoice Automation and Discount Management” (See Table 2) to help enterprises see the big picture, make their business cases and plan their implementation.

TABLE 2: EIGHT BUILDING BLOCKS OF INVOICE AUTOMATION AND DISCOUNT MANAGEMENT

1. Purchase-to-Pay Vision

- a. Leadership and senior management buy-in
- b. Cross-functional alignment and support
- c. Clear understanding of the value proposition

2. Purchase-to-Pay Strategy

- a. Clear and concise objectives and goals
- b. Multi-year automation roadmap
- c. Documented metrics to measure progress

3. Supplier Interaction

- a. Defining buyer-supplier collaboration goals
- b. Vendor segmentation and adoption planning
- c. Supplier communication and recruitment strategy

- d. Payment and discount terms configuration
- e. Incentives/penalties to drive supplier behavior

4. Culture and Change Management

- a. Inter-departmental collaboration and shared risk/goals
- b. IT resource allocation and training
- c. Incentive compensation based on goals achieved
- d. Cash management flexibility

5. Process Management

- a. Enhanced invoice visibility and accurate accruals
- b. Cash conversion cycle and DPO goals
- c. Improving processing efficiencies and accelerating approval cycles

6. Purchase-to-Pay Information

- a. Identifying efficiency metrics that need to be improved
- b. Leveraging external benchmarking data
- c. Visibility across transactions and access to data dashboards

7. Automation Technology

- a. Front-end imaging and approval workflow solutions
- b. Electronic invoice submission and receipt applications
- c. Automated workflow and dispute resolution
- d. Seamless integration with ERP and accounting systems

8. Value-Added Services

- a. Multiple delivery models including hosted and SaaS
- b. Supplier recruitment and on-boarding
- c. Availability of third party credit and financing

The above framework can be used for internal education and debate in developing the IADM vision and strategies. It can then be the basis of an assessment of the enterprise's current and required capabilities, to help understand its current position and future strategy.

What You Should Do Now!

There is a strong business case for Invoice Automation:

The clearly definable benefits electronic invoicing solutions offer provide a compelling case for consideration, especially given the tangible ROI for both small and large organizations.

Taking the next step:

But getting rid of the paper can be an intimidating task. A first step for many organizations is determining just how efficiently they manage their invoice-to-pay cycles.

Find out your PIQ

www.paystreamadvisors.com/content.cfm?id=728

The Paper Invoice Quotient (PIQ), a score developed by PayStream from a standardized survey that represents dependency on paper in accounts payable, is fairly representative of processing efficiency. An organization’s PIQ is determined by dividing the percent of electronic invoices (whether EDI, invoice network, p-card, or conversion of paper invoices by automated data capture) by the average number of approval days, from invoice receipt to approval, as shown in Table 3.

PayStream counsels its clients to work towards a PIQ ratio of at least three or more, either by increasing electronic invoice receipt to drive efficiency or accelerating processing speed to improve organizational effectiveness.

Table 3
CALCULATING YOUR PAPER INVOICE QUOTIENT

PERCENTAGE OF ELECTRONIC INVOICES	10%	24%	40%
APPROVAL TIME (NUMBER OF DAYS FROM INVOICE RECEIPT TO APPROVAL)	28	24	14
PAPER INVOICE QUOTIENT	0.4	1.0	2.9

Don’t fall behind:

Companies that rely on traditional invoicing, payment and financing practices, which are burdened by many inefficient, manual tasks, will find themselves at a competitive disadvantage to companies that have automated this process, and can therefore better manage their spend and vendor relations at all levels.

Lots of qualified choices, but many options can be confusing

Our analysis of qualified solution providers revealed a surprising array of relatively easy-to-implement and feature-rich tools. When considering an invoice management solution, however, most companies should first evaluate their existing IT infrastructure against the business landscape in which they operate. Leveraging existing assets is prudent if they include the necessary expertise, features and technology to achieve the desired results. Supplementing existing processes and technology with best-of-breed or bolt-on applications, however, can provide significant benefits while also serving as a bridge to a fully integrated and comprehensive invoice management solution set.

Direct Insite Overview

Direct Insite Corporation is a global provider of financial supply chain automation across procure-to-pay and order-to-cash business processes. The company's solutions and services automate the complex and manual paper-intensive processes surrounding invoice and payment management. Direct Insite's service offering for automating both accounts payable and accounts receivable operations, Invoices On-line (IOL), was originally introduced in 2000 and the company has continued to expand the reach of the solution constantly.

The Direct Insite Invoices On-Line (IOL) platform offers a comprehensive invoice management service that supports the management of purchase orders, invoices and electronic payments. The IOL solution is offered by Direct Insite either as a hosted solution or as a managed service, where the application is hosted behind the customer's firewall but is controlled and managed by Direct Insite. The platform supports over 100,000 users in 80+ countries, 35 currencies and 17 languages. The IOL service platform has been integrated with multiple ERP environments systems including SAP, Oracle, JD Edwards and many more legacy systems.

Table 8

DIRECT INSITE COMPANY AND SOLUTION INFORMATION

Founded	1987
Headquarters	Sunrise, Florida
Other Locations	Bohemia, NY , Santa Clara, CA, Denver, CO
Employees	55
Revenues	\$10 million
Customers	43 operating company or enterprise clients
End Users	100,000 users in 80+ countries
Annual Transaction Volume	30+ million transactions (invoices, purchase orders, payments, etc.)
Industry Segments	Manufacturing, Communications, High Tech, Oil & Gas, Energy, Medical, Media & Advertising, Finance and Shipping/ Transportation
Key Accounts	IBM, Hewlett Packard / EDS, General Motors, Siemens, Carlson, Grey Group, Areva T&D, INTTRA
Awards/ Recognitions	ISO 9000 Certification, PCI Data Security Standard (PCI DSS) Certification, Top 100, Deloitte & Touche List of 500 Fastest Growing Technology Companies
Partners/Resellers	First Data Corp., Hewlett Packard, IBM, INTTRA, Scan One

Solution Overview

Invoices On-Line (IOL) delivers comprehensive functionality on both the buyer and supplier sides. Buyers can issue and manage purchase orders, review and approval invoices and create schedules and pay invoices online via flexible payment methods. Suppliers, on the other hand, can issue invoices and credit memos and respond to customer inquiries with attachments. Strong audit controls and reporting for all activity in the solution ensures total visibility to transaction status in real-time.

Supplier Recruitment

The IOL solution is augmented by a shared supplier network, which currently has over 100,000 suppliers, allowing buyers and their suppliers to trade information and funds seamlessly. However, the network can be made virtually standalone, if the buyer requires that its specific set of suppliers should be kept isolated. In order to accelerate the transition from paper to electronic invoices, Direct Insite takes an active interest in increasing supplier adoption and works closely with its clients in this regard. A Supplier On-boarding Team is responsible for creating targeted campaigns and contacting suppliers to get them enrolled in the IOL Trading Community.

Electronic Invoicing

IOL provide a variety of options for invoice submission. Suppliers can automate invoice preparation functions by flipping a purchase order into an invoice, applying line item adjustments and consolidating invoices. A line-item editing form allows suppliers to add additional line items to PO-based invoices or enter non-PO invoices. The solution also supports spreadsheet or image upload, direct file integration (EDI, XML) and client-specific flat files. Further, the company has partnered with scanning providers to support suppliers that continue to send paper invoices. Invoices Online has a robust 'rules engine' which performs automated document validation at the time of submission, ensuring that only clean data enters the AP process. Suppliers are notified of invoice errors at the point of submission via online 'web portal messages' or email notifications.

Approval Workflow

IOL delivers integrated workflow functionality that allows invoices to flow through a preparation, review, and approval life cycle by various users. Users can be set up as invoice preparers, reviewers, approvers, and payers with varying authority levels. IOL tracks the status of all documents within the system and real-time visibility to users with the proper authority levels. The solution also delivers collaboration between buyers and suppliers to efficiently resolve exceptions and discrepancies. Both parties can initiate document level and/or line item level inquiries and disputes, specify reason codes for their actions, type in descriptive text, and attach any supporting documents for justification. The system then logs the dispute and transmits it to the appropriate users for review and resolution.

Working Capital

Direct Insite's solution supports dynamic discounting capabilities, whereby buyers and suppliers can collaborate to determine a mutually beneficial early settlement discount. Buyers have the ability to configure discount rates and submit proposals to suppliers against specific invoices. Suppliers can view the invoices that are available for discounting, compare the discount rate against alternative sources of capital and decide whether to accept the proposal or submit a counter proposal. This process continues until the invoice is either paid early or at net terms. Also aiding CFOs in the process is an early payment discount report, which shows all the invoices where discounts were offered and accepted.

Electronic Payments

Direct Insite supports a comprehensive electronic payments module that allows buyer organizations to make payments via ACH, credit card, debit card and purchasing cards. Payment profiles and methods are maintained within the IOL portal by the buyers, who can also configure and maintain a recurring payment schedule using specific payment methods. Suppliers have the flexibility of configuring which payment methods are 'allowed' for each of their remit-to merchant accounts. We really liked the solution's Quick Pay feature, which allows buyers to flip a purchase order into

a payment to a supplier, without the need even for an invoice. Payments can be initiated within the IOL portal, then the data is transmitted for settlement through the ACH and credit card networks, and ultimately, to the merchant acquiring bank accounts.

Reporting and Analytics

The IOL solution provides a number of standard and configurable reports, including user profile management, payment transaction status, inquiry/dispute tracking, spend management, and transmission control reports. Further, the solution supports the creation of custom self-service reports by specifying reporting criteria and data elements, and these custom queries can be saved by users for later use. Reports can also be downloaded in ten different formats for further analysis. On the supplier side, users have access to the status of purchases orders, invoices and payments in real-time.

Pricing and Implementation

The average implementation for Invoices On-Line takes between 30 and 60 days. The primary issues governing the length of the implementation schedule are the client's business rules for workflow implementation and the availability of interface information related to the client's current or legacy ERP systems. Direct Insite uses a transaction-based pricing structure, with a minimal professional services fee upfront and a declining fee per transaction with an increase in monthly transaction volumes. The company provides 24/7/365 support in addition to customer training before and after the installation, with support and training plans tailored to individual customer's needs.

Siemens Global Shared Services

Siemens Global Shared Services (Siemens) provides centralized accounts payable processing for more than fifty distinct operating companies servicing over 100,000 suppliers. Siemens processed 1.2 million invoices in 2008 and will exceed 2.4 million per year by the end of 2010. Furthermore, Siemens previously responded to nearly 20,000 supplier inquiries per month requiring a sizeable call center.

The Challenge

Siemens needed an accounts payable solution across multiple and diverse legal entities with business units operating on different platforms. With the migration of new Siemens entities into the shared services organization during this period, the scale expanded tremendously. As a result, the magnitude of daily transactions required a more automated and systematic approach to invoice processing and inquiries.

The Solution

Siemens conducted an extensive vendor analysis and selected Direct Insite's Invoices On-Line Accounts Payable Portal. Direct Insite provides a globally hosted suite of Web-based accounts payable automation and procure-to-pay service modules, which are incrementally deployed in a phased strategy. The solution provides a self service portal for inquiries, and electronic invoice submission for a large percentage of transactions. Enhancing the workflow business rule capabilities would enable invoices to be electronically vouchered with little or no manual intervention.

The Benefits

Following a rapid deployment by Direct Insite, Siemens suppliers aggressively adopted the supplier portal. Within six months of Go-Live, Siemens achieved a 50 percent reduction in inquiries resulting in improved supplier relationships.

Suppliers gained self-service visibility into their invoice and payment remittance information 7x24x365 days per year. Suppliers are also able to download their invoice/payment data and submit electronic inquiries online. Direct Insite automatically transmits and updates Siemens' centralized CRM, Remedy.

Following the Phase 1 rollout, Siemens set a Phase 2 goal of achieving wide-spread supplier adoption of electronic invoice submission through Direct Insite's electronic invoicing service. Direct Insite's supplier on-boarding and enablement services promoted awareness and training to Siemens 100,000 suppliers resulting in the conversion of manual paper invoices to nearly 80 percent electronic invoice submission.

Suppliers invoicing Siemens' many operating companies can submit electronic invoices through 1) Web form entry, 2) flipping a purchase order into an electronic invoice or 3) uploading invoice data from within an Excel spreadsheet. Suppliers can also submit electronic invoices directly from their billing system through EDI 810 and XML industry standard formats. Direct Insite further provides 'rules-driven' invoice validation ensuring invoices are 100 percent compliant with purchase orders prior to posting to the ERP.

Prior to the Direct Insite implementation, it used to take up to seven days including mail time to process all the paper invoices to workflow. Now the electronic invoices are in the shared services workflow system within 24 hours or less.

Electronic
Invoice
Management

Case Study

“Direct Insite’s eInvoice and AP Automation service is important for supplier invoice processing and self-service invoice/payment status lookup. With over 2 million invoices per year, we needed a solution provider who would work closely with our suppliers to adopt electronic invoicing and reduce paper invoice handling,” said David Hester, Vice President of Accounting and Finance for Siemens Shared Services, LLC.

Learn from the Innovators

With so many sophisticated invoice and payment management solutions and services available in the marketplace today, why aren't companies making headway in better managing their AP processes? Why aren't more companies able to remove paper from their organizations, decrease processing costs and increase discount capture? The answer lies in execution. Our latest research indicates that the difference between a winning AP automation initiative and a failure comes down to the ability to execute such programs.

This section endeavors to identify the secrets of successful invoice and payment management with a look into the best practices of the innovators. What techniques have they employed to streamline their processes? How do they monitor their programs? In short, what are they doing that you could be doing.

- Increasing transactions processed on purchasing cards translates to a reduction in invoice volume - paper or otherwise - and the paperwork that is associated with invoices. Increased p-card volume also results in higher rebates for the buying organization.
- Centralization of the receipt invoice process ensures that the AP department and senior management have instant visibility into the company's outstanding liabilities. A formal policy mandating that all invoices should be sent to the AP department is the first step in streamlining invoice management processes.
- Front-end imaging ensures that invoices enter the system quickly and are processed faster. Further, moving imaging to the front-end of the process delivers all the benefits of back-end imaging (faster search and retrieval), plus additional advantages in terms of making invoices available to all the parties immediately, irrespective of where they are located.
- Combining automated data extraction tools like optical character recognition (OCR) and intelligent document recognition (IDR) with imaging reduces the amount of manual data entry required to extract information from paper invoices and minimizes data entry errors.
- An electronic invoicing solution goes a step further by applying a set of pre-defined validation rules to ensure that all the required information and only accurate information is submitted on the invoices, making sure that only clean invoices enter the AP processing queues.
- Leveraging an automated workflow solution ensures that once invoices enter the solution, they will be routed to the required approver automatically, based on pre-defined business rules. The business logic is typically configured at the time of solution implementation and can be updated as needed.
- Organizations that do not have the in-house resources and capital required to bring a critical mass of suppliers onboard an automation solution are leveraging the expertise and value-added services provided by their technology vendors to achieve this.

Selecting an eInvoicing Solution

Every solution profiled in this report is designed to help buyers and suppliers move their invoicing and payment related activities from a paper environment to an electronic one. Suppliers seek to streamline and accelerate the order-to-cash process, while buyers want to transform the procure-to-pay cycle. However, not every solution provides equal functionality for suppliers and buyers to achieve these goals, so financial managers should understand the differences between the various eInvoicing solutions currently available.

eInvoicing, ePayments or More?

“Where to start?” is one of the first questions to ask when investigating accounts payable automation. Accounts payable professionals must decide whether a tightly focused or a comprehensive end-to-end solution would better meet their needs. Our analysts believe that technology buyers should keep the following factors in mind when making this decision:

Financial Automation Goals: Organizations that have been slow to adopt other financial automation technologies but want to take an incremental step forward should consider adopting just eInvoicing as a starting point. On the other hand, organizations that are comfortable with technology and want to accelerate the pace of improvement in their invoice receipt-to-pay cycle should think about an application that delivers full circle procure-to-pay functionality.

Adoption Readiness: Every organization does not stand an equal chance of succeeding with automation. Differences in culture, financial resources and human capital and level of senior management support mean that certain organizations are more likely to succeed. Organizations investigating AP automation should determine how their organizations stack up in each of these areas before determining what solution to implement.

Process Complexity: AP professionals should consider the number of suppliers and invoice formats they receive, as well as their overall invoice volume and the complexity of their average invoice when evaluating eInvoicing solutions. The structure of their AP operation (i.e. decentralized vs. centralized) and the steps required to process, approve, and pay invoices are also critical and will have a direct bearing on the choice of solution.

Accounts Payable Department Size: Large organizations can focus on the process improvements and resulting ROI an investment in eInvoicing will deliver, regardless of the number of staff that are performing invoice and payment processing activities. However, small and mid-sized organizations do not always have that luxury. In these cases, firms looking to automate the AP process should be looking for vendors that can deliver a foundational solution, or one targeted very specifically to their needs.

Accounting Software Infrastructure: ERP and accounting systems can deliver varying levels of functionality around invoice and payment management. One of the key reasons a market has developed for best-of-breed eInvoicing solutions is the lack of sophisticated workflow and dispute resolution capabilities offered by ERP and accounting software. A major consideration for determining an organization’s selection of an eInvoicing solution should be the process gaps or system weaknesses that are inherent to the AP or ERP software currently in use.

Software Solutions Or Software-as-a-Service?

Organizations investigating eInvoicing must consider whether a software solution or a Software-as-a-Service (SaaS) option would be more suitable to meet their requirements. A strong case can be made for software solutions, which are implemented inside the company's firewall, as ownership provides a high degree of control, flexibility, and security. For example, customers can modify or customize the solutions to meet their business requirements, control the platforms, and adjust security parameters to their preferences.

Another option available to organizations evaluating eInvoicing is a SaaS model, where the system is hosted and maintained by the solution provider. A major benefit lies in the fact that they usually require minimal upfront investment because the buyer organization does not need to pay to license and install software. Some technology vendors charge a small amount up-front to cover implementation costs and other professional services then charge recurring fees based on the transaction volume, while others operate entirely on a per-transaction pricing structure.

As a service delivered over the Internet, SaaS solutions may be deployed more rapidly and cheaply than software solutions that require extensive integration with enterprise and legacy systems. This is an important consideration for buyers who are eager to bring the benefits of automation into their organizations as quickly and painlessly as possible. Another compelling advantage of SaaS solutions is that the client is not burdened with the periodic expense and effort of upgrading to new versions of the solution and paying annual maintenance fees.

Portals Vs. Networks

Electronic invoicing solutions are available in two models. First, there are direct solutions or stand-alone portals, which enable either the buyer or supplier to control the invoicing and payment process from their own systems. When they are controlled and managed by the buyer, they are referred to as buyer-direct or buyer-centric solutions. On the other hand, solutions controlled and managed by the supplier are known as supplier-direct or supplier-centric solutions.

Buyer-centric eInvoicing portals involve one buyer providing an interface for many suppliers to present invoices and receive payments electronically. The buyer maintains an Internet presence, provides instructions and capabilities for suppliers to register and asks them to post and monitor their invoices online. Supplier-centric portals, on the other hand, link one supplier with many buyers for invoice delivery and payment. In this case, it is the supplier that deploys the invoicing solution and sends invoices to multiple buyers through the solution.

The other option is an electronic invoice network or exchange, which involves a third-party processor or bank acting as an invoice consolidator. The consolidator provides a network with a Web-based interface that allows many buyers and suppliers to come to one location to transact with one another. The network acts as an intermediary, collecting invoices and facilitating payments from multiple buyers for multiple suppliers, eliminating the need for point-to-point connections.

This model not only has all of the robust features of a buyer or supplier-centric portal, but also provides additional value through the shared supplier network, open to suppliers and buyers alike. Both may participate in the network, but neither controls it. Instead, buyers ask their suppliers to present invoices through the network, and suppliers ask their buyers to view and pay invoices through the same network.

Integrated Solution Vs. Portfolio of Options

The electronic invoicing universe as we have defined in this report comprises of a number of functional components, namely electronic invoice submission, paper invoice conversion, workflow for invoice approval and discrepancy resolution, working capital management and electronic payments. Organizations that are considering automating the entire invoice receipt-to-pay cycle have two options. One option is to look for a single technology vendor that offers all the integrated components of eInvoicing through a common, integrated platform. The alternative is to create a custom portfolio of various best-of-breed solutions.

An integrated solution means dealing with one single vendor and the fact that users have to learn how to use just one system proficiently. Another advantage of an integrated solution is that integration with the ERP or back-end accounting applications is simpler. On the other hand, when an organization is working with a number of bolt-on applications (different vendors for electronic invoicing, document conversion and workflow, for example) initial integration efforts and future solution upgrades are more complicated.

But a combination of best-of-breed solutions also has its benefits and is appropriate in certain cases. One of the primary benefits of this approach is the availability of the most advanced functionality for each process. Another situation where this makes sense is for organizations that have already invested in certain AP automation technologies (front-end imaging, electronic payments or workflow, for example). Such operations will be better off by incrementally adding the missing solution functionality, instead of replacing what they already have with a completely new end-to-end solution. Or companies that prefer to use the functionality offered by their ERP solution for certain parts of the invoice receipt-to-pay cycle and rely on best-of-breed applications for other portions may find this option appealing.

What's the Right Answer?

Each of the options outlined above has its advantages, disadvantages and associated costs. It would be narrow-minded to believe in the existence of a silver bullet to the questions around type of solution. The solution of choice depends entirely on the individual organization's requirements. However, two factors are critical when deciding on a solution, financial stability of the vendor and the total cost of ownership. The total cost of ownership includes implementation and integration costs, functionality fit, ease of use and the ability to adapt to a constantly evolving business landscape.

Evaluating the Vendors

Selecting the right eInvoicing vendor can be tricky. It is critical to look at what various technology vendors offer and how exactly each solution's functionality lines up with specific business needs. Below are some questions that can help organizations find the eInvoicing solution provider whose offerings best suit their needs.

Company and Product Reputation

In addition to learning how long a company has been in business, it is helpful to know whether eInvoicing is a core offering for the company and to understand the growth plans and future vision of the service provider.

WHAT TO ASK...

- How long the company has been in business? Since when has it been offering eInvoicing solutions?
- What percentage of its business/revenue comes from these solutions?
- How is it funded; if it is a public company, look at the prospectus?
- How many customers it has and who they are?
- How does it plan to grow and if there are any mergers or acquisitions on the horizon?
- How it will manage growth and the resulting increased customer demand on its systems?

Performance and Value

The vendor must be able to deliver on its promises regarding systems, scalability, security, service, and support.

WHAT TO ASK...

- What security measures are in place to protect the integrity of client data?
- Where will client data be stored and who has access to this?
- What training and ongoing support are provided as part of the solution?
- Does the vendor promise an ROI?

Solution Delivery Model

Since eInvoicing providers have different delivery models for their solution, it is important to look at exactly how the solution is delivered and how well it meets each company's needs.

WHAT TO ASK...

- Does the vendor offer the solution as licensed software or a SaaS model or a combination of both?
- What are the different modules of functionality available?
- Does the vendor offer any configuration and customization of the solution, as needed?
- How does the solution integrate with existing ERP/accounting applications?

Solution Functionality

It is important to understand the specific capabilities that will be delivered as part of each module that will be implemented.

WHAT TO ASK...

- Is a supplier network part of the solution? Is it a shared supplier network? How many suppliers are enrolled on the network for eInvoicing and for dynamic discounting?
- What value added services and best practices does the vendor provide for supplier recruitment and enrollment? What are the vendor strengths in onboarding international suppliers?
- What are the different forms of electronic invoicing supported? What are the different validation criteria that can be configured to check invoices at the time of submission?
- For suppliers that send paper invoices, does the solution provide outsourcing services for scanning and data extraction?
- How robust is the workflow functionality? Can it support the processing of both PO and non-PO based invoices?
- Does the solution deliver dynamic discounting capabilities? Does it support both recurring and one-off discounts?
- Is the solution flexible to support both a buyer-funded model and a third party-financing model?
- What working capital management functionality is available as part of the solution?
- What reporting and analysis capabilities come bundled with the solution? Does it offer any executive dashboards?

Implementation and Pricing

How long it will take for the solution to be implemented and the pricing model are critical factors in evaluating vendors.

WHAT TO ASK...

- What are the typical steps in the implementation process? Can the implementation be completed in phases?
- How long is the average implementation? What are the main factors that define the length of the implementation process?
- What is the pricing model? What are the different price components a client would have to pay?

Conclusion

The accounts payable automation landscape, particularly the electronic invoicing market, is constantly evolving. This is validated by the fact that electronic invoicing emerged as the top financial automation goal for 2010 in PayStream's surveys. PayStream analysts believe that the following factors will shape the evolution of this marketplace, and organizations contemplating an invoice automation solution will need to take them into account:

Convergence of electronic invoicing and front-end imaging. Electronic invoicing solutions were explicitly designed to facilitate external buyer-supplier interactions, while imaging & workflow automation (IWA) solutions evolved to meet organizations' internal needs around invoice receipt and management. Over the last three years, we have seen a convergence in this market with both types of providers partnering or developing functionality to offer comprehensive solutions covering both paper and electronic invoices and incorporating better options for invoice receipt, approval processing, and discrepancy resolution.

Organizations will seek 'straight-through-processing'. As automation moves to the front-end of the AP process, organizations will seek to leverage straight-through processing, so that AP staff and approvers can focus on more value-added tasks than reviewing invoices. Demand will increase for solutions that facilitate this by delivering strong functionality around automated invoice matching and automatic approval of "clean" invoices as well as strong functionality around approval workflow to manage exceptions and dispute resolution in a collaborative manner.

Impact of AP automation on working capital management. Until recently, automation efforts in AP were focused on the operational benefits of technology. However, all this is changing. Increasingly, savvy finance managers are considering the strategic impact of AP automation on the financial supply chain and the working capital improvements it can deliver. Innovative solutions are emerging to meet organizations' strategic objectives by offering solutions, which unlock significant value from the financial supply chain through advanced features like vendor self-service, supplier on-boarding and dynamic settlement.

Multiple solution models will co-exist. There is not a single model for an AP automation solution. Solutions are available in software form, as well as via SaaS models. Likewise, some vendors emphasize a modular "mix and match" approach while others concentrate on providing a set solution. There is also tremendous variability in terms of solution focus. Some vendors focus tightly on specific aspects of the invoice receipt-to-pay cycle, while others strive to provide AP automation functionality as part of a larger procure-to-pay offering. Industry consolidation notwithstanding, this diversity will continue.

Impact of regulatory compliance on interest in automation. As organizations are beginning to realize that regulatory compliance is an ongoing rigid process and that everything they do going forward will be subject to close scrutiny, they are turning to technology and automation to alleviate some of the pain. We believe technology solutions that can facilitate the compliance process and reduce its cost, by providing comprehensive audit trails and simplifying the auditing of internal controls, will gain popularity.

About PayStream Advisors, Inc.

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the Web at www.paystreamadvisors.com.

About the Analyst

As Research Director, Sush Koka manages PayStream Advisors' overall technology research effort. She writes research reports, leads client briefings, and participates in consulting engagements in the purchase-to-pay and order-to-cash functional areas. Her deep experience both as a market analyst and a consultant enables her to analyze trends in financial services automation, assess feasibility of products and drive research activities. Her areas of focus include invoice and payment management, travel and expense management and business process automation. She has extensively researched and written reports in the above areas and her work has also been published in trade magazines such as Supply & Demand Chain Executive and DOCUMENT magazine.

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