PayStream ADVISORS

Guide to Payables Automation

Going Paperless, Gaining Maximum Returns from Payments, and Ensuring the Success of AP Automation

Q2 2018 | Featuring insights on...

- Payables Trends Among North American Organizations
- Payables Management Goals Among Organizations With $100-500M in Annual Revenue (or the Lower Middle Market)
- Features and Functionality of Payables Automation Software for the Lower Middle Market
- A Leading Payables Automation Software Provider

Underwritten in part by

Teampay

Contents

PayStream ADVISORS

Introduction

Many of today's innovative organizations are seeking to streamline labor-intensive back-office processes through strategic change management, process restructuring, and digital transformation. Inefficient processes look different across different back-office departments, but when it comes to Accounts Payable (AP), one of the greatest drains on costs and efficiency is high volumes of paper and manual methods of processing that paper. Under these constraints, AP departments are often spending a significant amount of resources on low-value activities like entering, verifying, correcting, and updating information from paper invoices. They also often have difficulty maintaining the security of financial information and maintaining compliance with taxation and legal standards. The best way to combat these challenges is by overhauling the current state with AP automation software.

There are a few different ways to approach automation, and these will vary based on an organization's primary problems and goals, which will in turn depend on size and current state characteristics. For example, businesses in the lower middle market (LMM)—those making between $100 million and $500 million in annual revenue—tend to have strained resources due to ongoing growth that prevent them from applying the same full-scale improvement initiatives that larger organizations are able to consider. Fewer employees, coupled with smaller investment budgets, mean LMM businesses face limits to productivity without the flexibility to improve conditions. A common problem among LMM organizations is the prevalence of paper and the lack of resources to properly manage high paper volumes. Issues related to high paper volume and manual invoice management are more difficult to fix for these companies than for larger organizations, which tend to have more stable business environments, contingency plans, and more resources for technology or labor investment. This means that circumstances like rapid business growth, which is common among organizations in the LMM, can put stress on small finance teams.

PayStream believes that the appropriate approach to AP automation for LMM companies is to eliminate their most urgent and prevailing problem—paper. By improving invoice receipt management, these organizations can forge a path towards more AP automation adoption, such as electronic payments (ePayables) technology. When AP staff can better manage a costly problem like paper invoices and manual processes, they will be better able to improve their organization's bottom line and strategically support business success.

This report discusses the value and strategic implementation of AP automation tools, exploring how organizations—particularly those in the lower middle market—can benefit from going paperless in their back-office departments. It also offers a guide to selecting an appropriate AP automation strategy based on specific business characteristics.

PayStream ADVISORS

The Current State of Invoice Receipt

To examine the current state of automation in AP, PayStream surveyed over 250 North American organizations of different sizes and from different industries. Research showed that there are several distinct differences in AP pain points and AP goals across company size. Overall, companies within the LMM[1] segment tend to be less advanced when it comes to AP automation and technology adoption, and have less efficiency in AP management in general.

In the survey, AP professionals were asked to allocate the proportion of invoices they received in various formats, see Figure 1. PayStream found that the majority of invoices received by most organizations are in paper format, except among enterprise level organizations. As organizational revenue increases, there is a trend towards greater

Figure 1

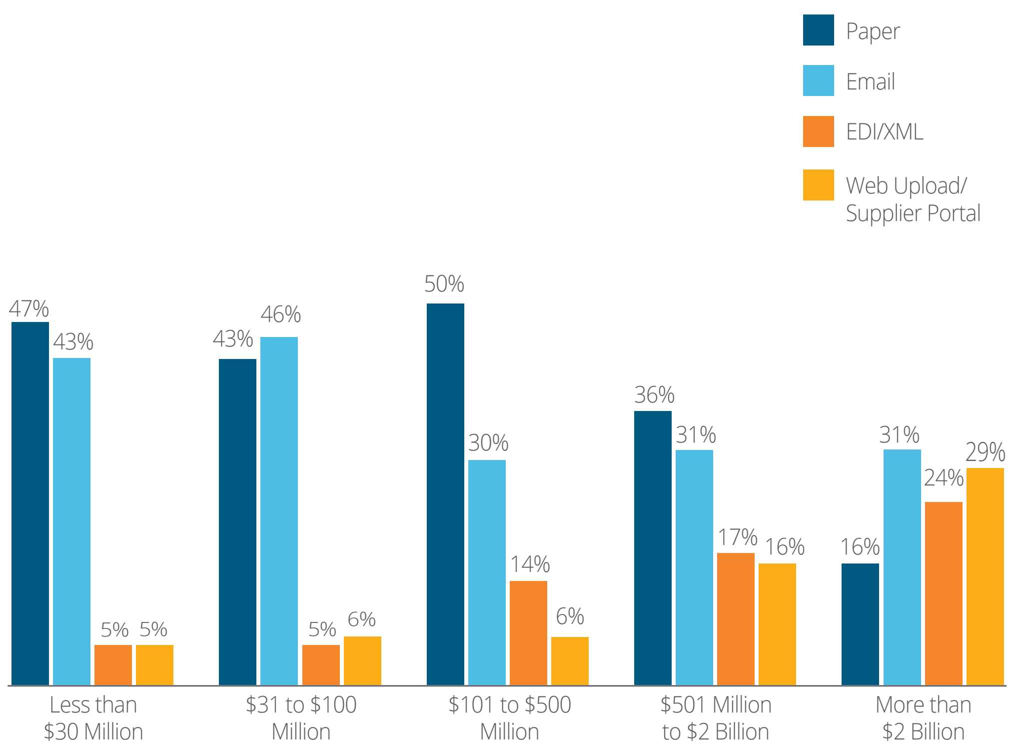
LMM Organizations Receive the Highest Volume of Paper Invoices

"Please allocate 100 percentage points on how your organization receives invoices."

&

"What is your organization's annual revenue in the most recent 12-month reporting period?"

METHOD OF INVOICE RECEIPT



[1]PayStream defines organizations with revenue greater than $2 billion as enterprises, organizations with revenue between $501 million and $2 billion as upper middle market (UMM), organizations with revenue between $101 million and $500 million as lower middle market (LMM), and organizations with revenue between $30 million and $100 million as SMEs

receipt of EDI/XML and web upload/supplier portal invoice types. Larger organizations also typically receive a greater variety of invoice formats than smaller organizations. One reason for this is that larger companies have typically had more time and money to invest in more progressive technologies like electronic invoicing (eInvoicing). They also tend to have more buying power over their suppliers, and can be more successful in encouraging these suppliers to use invoice submission methods like web-uploaded invoices and EDI/XML. As seen in Figure 1, LMM organizations, on the other hand, have the highest volumes of paper invoices. This is likely because they typically face a few characteristics that make it difficult for them to remove paper from AP—a scaling/growing business environment, limited financial resources, and relative youth in terms of operating years.

PayStream finds that the majority of organizations manually enter invoice data into their ERP or accounting solution, see Figure 2. Organizations that classify as LMM and below are particularly likely to manually enter data into their ERP, while enterprise organizations are more likely to use a software solution to capture invoice details. Overall, the larger the organization and the more invoices it receives, the more likely it is to turn invoice data entry over to a software or a third-party service (e.g., mailroom processing provider).

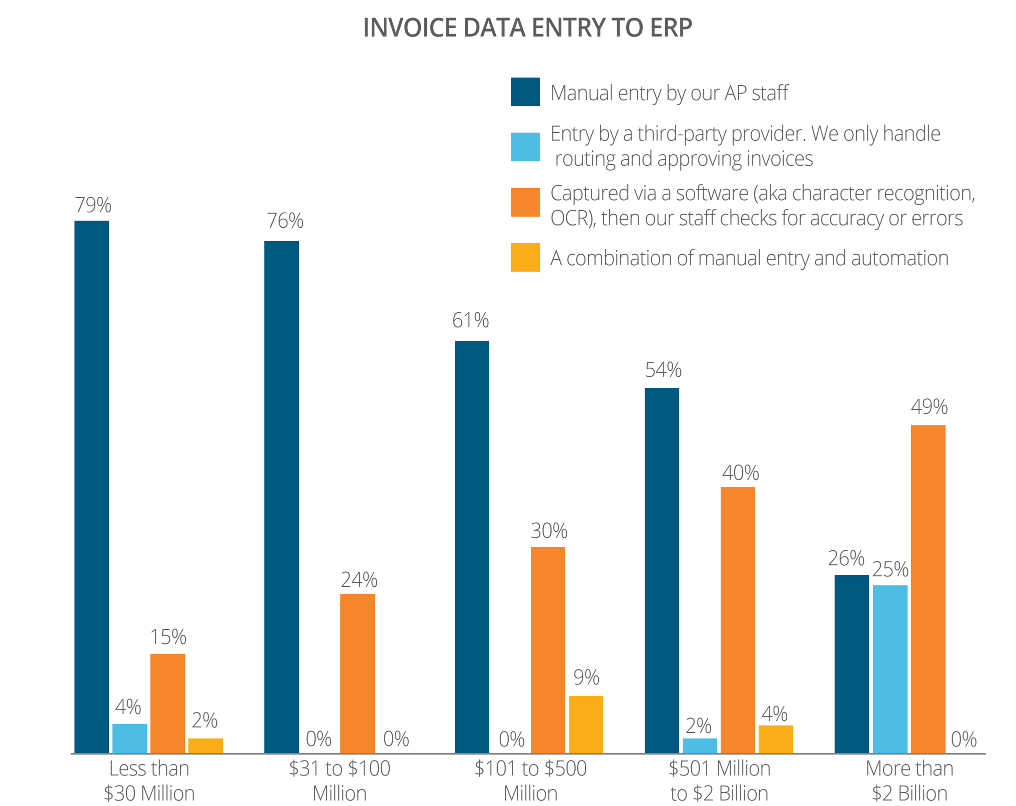
Figure 2

The Smaller the Organization, the More Likely to Manually Input Data

"How is invoice information entered into your ERP, accounting software, or accounts payable software?"

&

"What is your organization's annual revenue in the most recent 12-month reporting period?"



Once invoices have been received, many organizations process invoices manually through review and approval. Almost half of LMM organizations have no invoice workflow tool and thus rely on manual routing and hand-offs for the invoice to be processed, see Figure 3. Larger organizations, on the other hand, tend to use a workflow tool within their ERP/accounting solution. Overall, the adoption of a cloud-based invoice workflow tool is relatively low, as only about a quarter of organizations have this type of solution in place, regardless of their size.

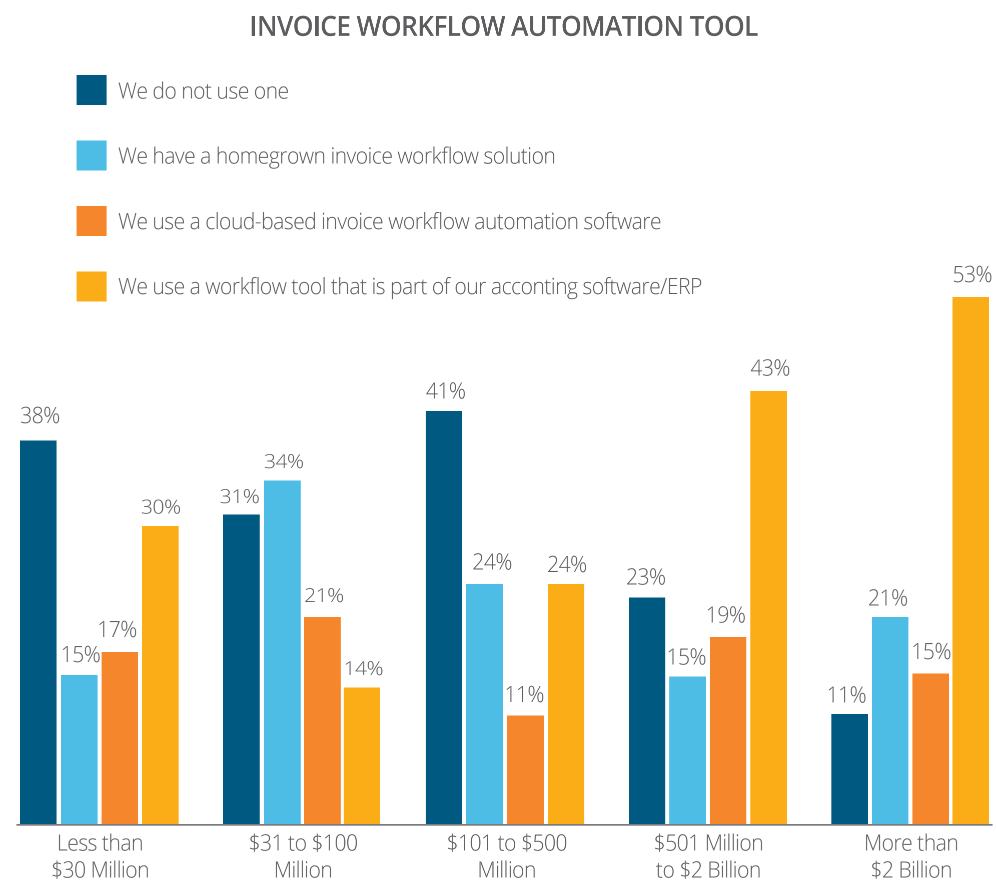
Figure 3

LMM Organizations Are Least Likely to Use Cloud-Based Invoice Workflow Automation Sofrware

"How do you typically route invoices for approval in your organization?"

&

"What is your organization's annual revenue in the most recent 12-month reporting period?"



Challenges Encountered in Manual AP Processes

Even in the most fine-tuned and disciplined of departments, manual processes leave AP vulnerable to the inefficiencies and risks of high invoice volume. The time and resources required to manually manage invoice exceptions, remediate errors, or search for required information takes staff away from regular processing tasks and derails productivity. Manual processes are also known to lead to significantly higher processing costs in terms of both time and labor, and greater risk of non-compliance with auditing requirements.

From a financial standpoint, the cost of invoice processing can vary dramatically depending on a company's level of AP automation. Automation maturity can be gauged using several different factors, including the speed at which organizations choose to automate (i.e., an internal factor) and suppliers' willingness to participate in activities like electronic invoicing (i.e., an external factor). Table 1 shows the different thresholds organizations typically reach based on their automation maturity, illustrating that significant improvements in processing times follow technology implementation.

Table 1

AP Automation Maturity

Metrics	Novice	Mainstream	Innovator
Average processing time from invoice receipt to approval	45 days	23 days	5 days
Average processing cost per invoice (combination of paper and electronic)	$15.00	$6.70	$2.36
Percentage of invoices received electronically	3%	9%	32%
Percentage of invoice terms discounts captured	18%	40%	75%

In addition to high financial costs, manual processes leave sensitive company information susceptible to errors and vulnerable to security breaches. Organizations will also face greater challenges when it comes to auditing or editing existing data with manual processes. Given a lack of visibility into data in general, manual processes limit access to insights that would enable strategic business decisions. Other issues like seasonal invoice volume fluctuations and special invoices that require more attention (e.g., those from international vendors) all become much more difficult to manage when there is no automation in place.

Another common problem stemming from manual processes and high paper volume is lengthy approval times. Figure 4 shows that LMM companies have some of the lengthiest invoice approval times across market segments. Organizations with less than $100 million in revenue process a significant amount of their invoices within 5 days, which PayStream believes is less a factor of invoice receipt type and more related to the lower volume of invoices they receive, as approval times lengthen slightly by company size.

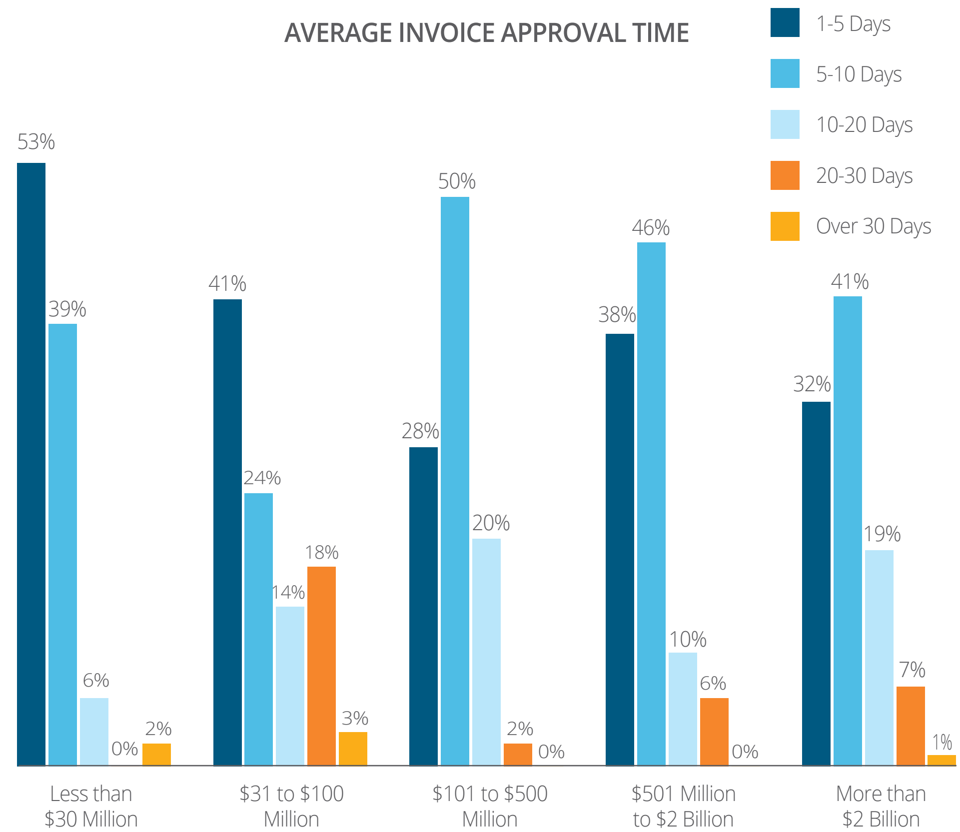
Figure 4

LMM Organizations Are Most Likely To Have Invoice Approval Times Between 10 and 20 Days

"How long does it typically take your organization to approve an inoice from the time it is received?"

&

"What is your organization's annual revenue in the most recent 12-month reporting period?"



It should be noted that the time frames found in Figure 4 represent the average time spent after the invoice was officially received and opened, and do not take into account mailing time or time spent tracking

PayStream ADVISORS

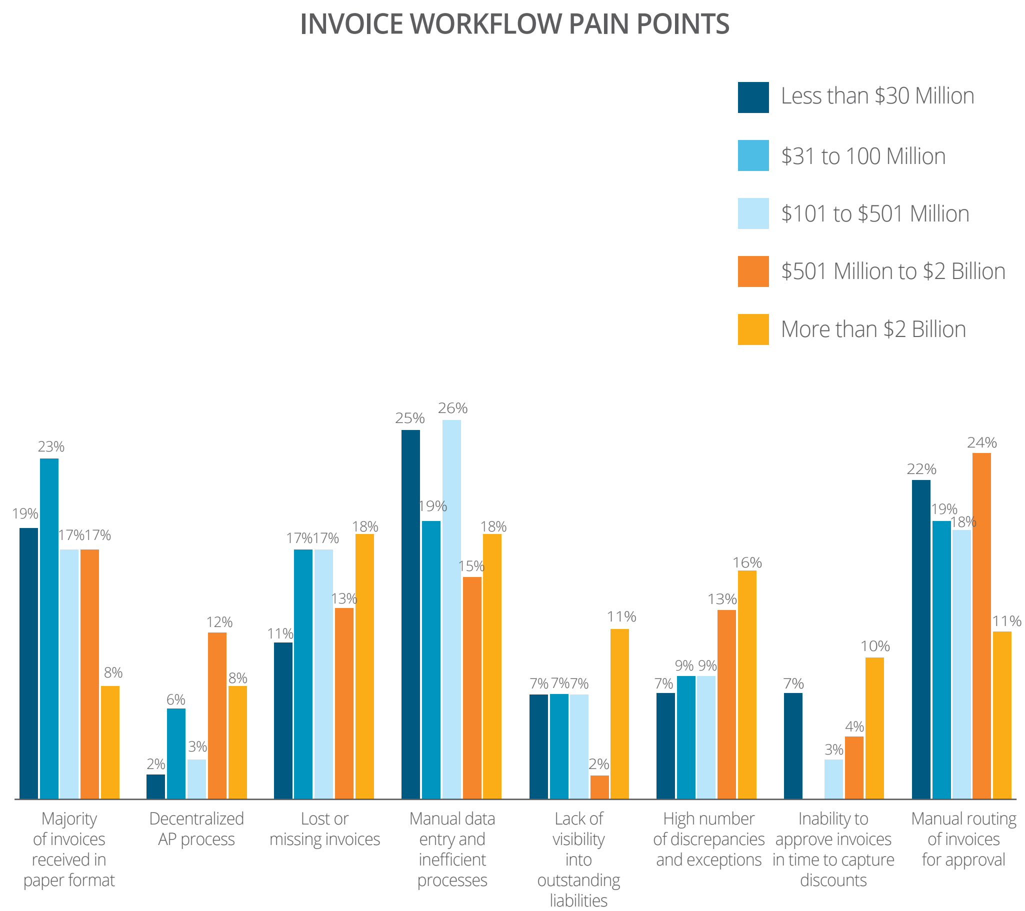
down an invoice that may have been misplaced or lost upon receipt. Unforeseen circumstances like those can lengthen approval times even further, increasing processing costs and putting companies as risk of making late payments and missing early payment discounts on invoices.

While slow invoice approval times can be a problem for both the organization and its suppliers, PayStream's research reveals that organizations of all sizes experience a range of pain points in terms of their invoice workflow processes, see Figure 5. Organizations of all sizes report facing challenges related to paper-based processes, including the receipt of paper invoices and manual data entry and invoice routing. Over one-quarter of LMM organizations identify manual data entry and inefficient processes as a top invoice workflow challenge. Compared to smaller organizations, enterprises are more concerned with their ability to approve invoices in time to capture discounts and the high number of discrepancies and exceptions during invoice processing.

Figure 5

LMM Organizations Cite Manual Data Entry Among their Top AP Pains

"What are the top three biggest pain points you experience in your workflow process? (Select top 3)"



Unlike with invoice receipt and processing, payment methods are almost evenly split between manual and automated types, see Figure 6. There is little variance across company size when it comes to payment methods, although paper-based payment methods (i.e., checks) are used slightly less often as organization size increases. Larger organizations are also more likely to make wire payments, which is likely because these companies often have large and/or international supplier bases.

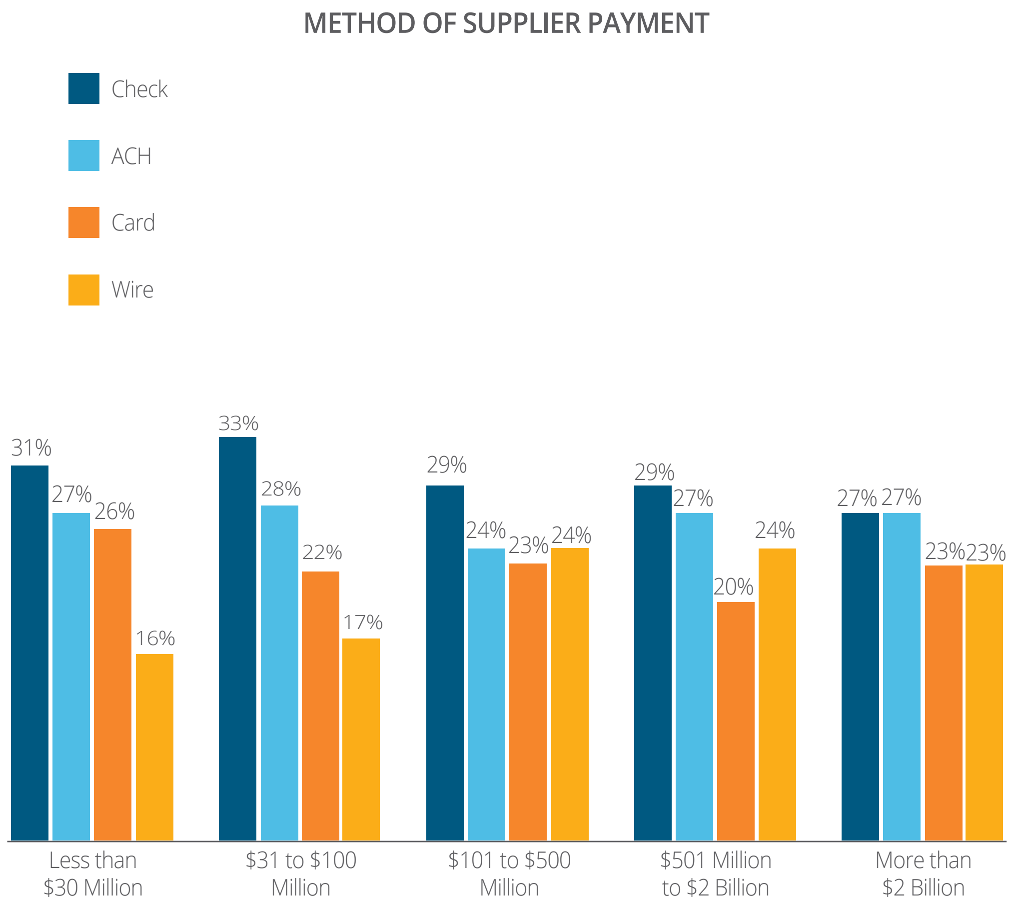
Figure 6

Payment Method Adoption Is Relatively Standard Across Company Size

"What percentage of your supplier-related payments (number of payments, not dollar value) is processed using the following methods?"

&

"What is your organization's annual revenue in the most recent 12-month reporting period?"



While there is not a lot of variation across payment methods, there are some differences in payment-related pain points across company sizes, see Figure 7. When asked about their top pain points, LMM organizations reported missed discounts, duplicate payments, and processing costs as key issues. Duplicate payments in particular are often a symptom of highly manual, disorganized processes, which lines up with the typical current state of LMM, and often scaling, organizations.

Figure 7

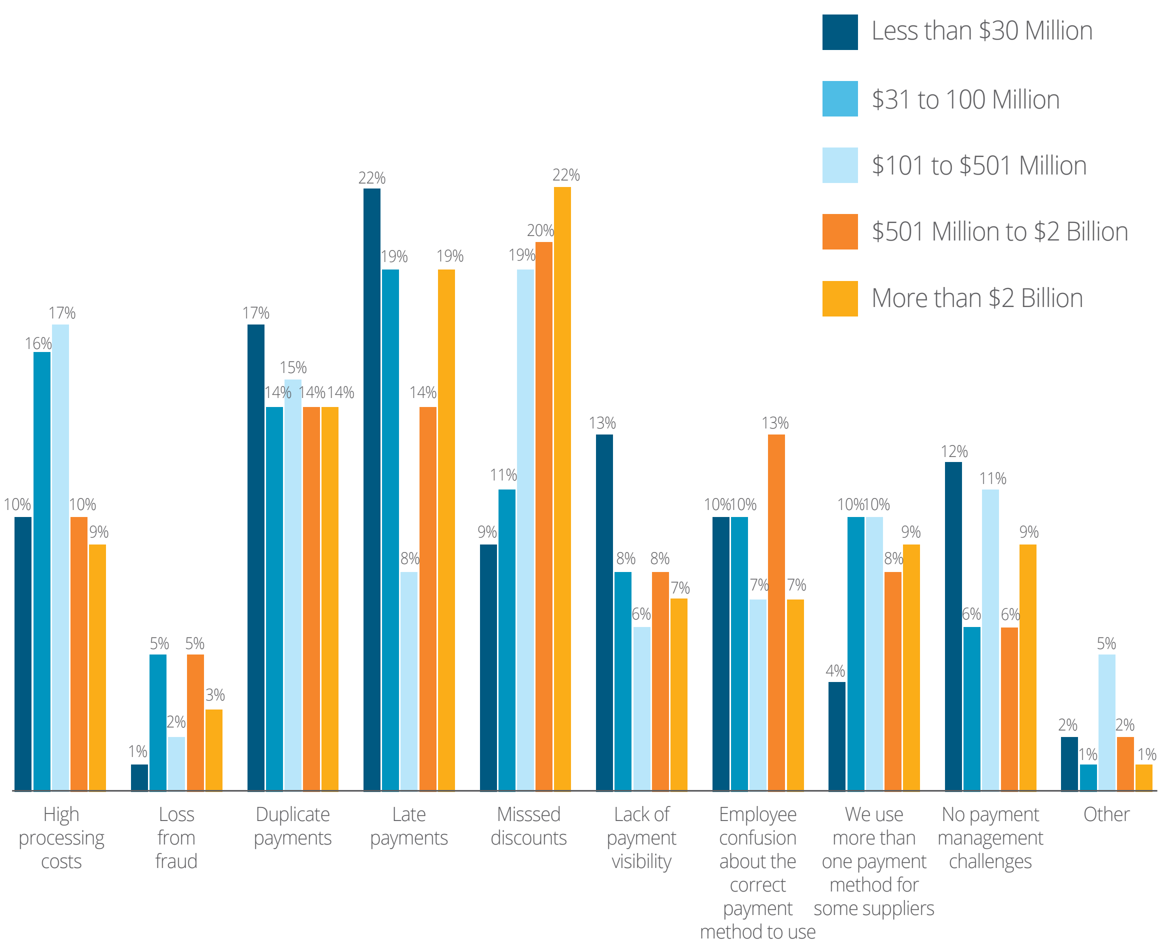
LMM Organizations Report Missed Discounts, Duplicate Payments, and Processing Costs As Among Their Top Payment Challenges

"What are your top three problems payment-related pain points?"

&

"What is your organization's annual revenue in the most recent 12-month reporting period?"

TOP PAYMENT-RELATED CHALLENGES



PayStream ADVISORS

Despite notable inefficiencies, paper-based processes still permeate the back offices of all organizations. When it comes to adopting AP technology that would help eliminate paper, organizations of all sizes perceive budgeting as their top barrier to adoption, see Figure 8. However, LMM companies' top barrier is the belief that current processes are working. PayStream attributes this partly to the fact that many companies in this revenue segment are in the process of scaling operations. As a result, they may be experiencing sudden changes and a period of internal disruption, which can create blind spots and necessarily prioritize some change management initiatives above others. In other words, when it comes to growing the business and maintaining competitive advantage with limited resources, scaling organizations may consider customer-facing projects more strategic than getting rid of paper in their AP department. This is somewhat reflected by another top barrier for the LMM, which is "no executive sponsorship."

Figure 8

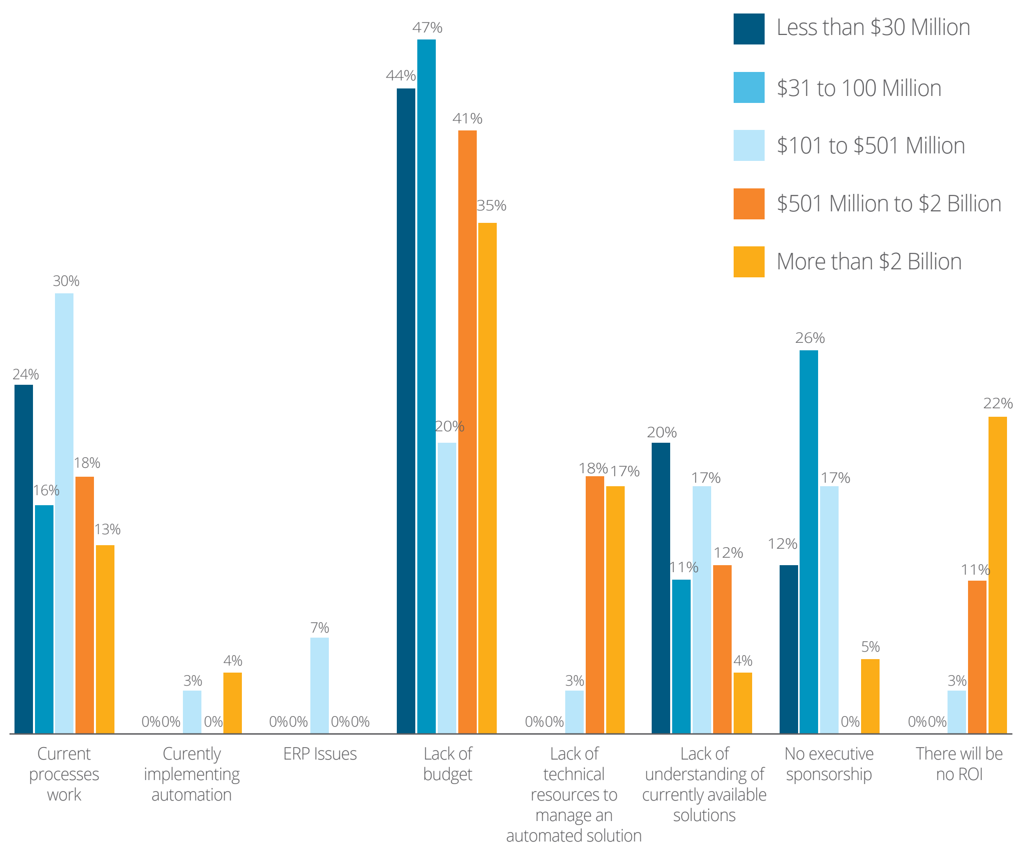
Lack of Budget Is the Top Barrier to Adoption Across Revenue Segments

"What do you perceive to be the greatest barrier to adopting a cloud-based AP automation solution in your organization?"

&

"What is your organization's annual revenue in the most recent 12-month reporting period?"

PERCEIVED BARRIERS TO AUTOMATION



The data also shows that larger organizations are more concerned about the technical resources available to manage an automated solution. This is partly due to the fact that larger organizations are much more likely to have existing technology systems in place that must be replaced or integrated with, and they will have concerns about onboarding requirements and process restructuring. Smaller organizations are more likely to be starting from scratch—or close to it—in terms of back-office technology adoption.

In all, the first step to overcoming the top barriers of adoption for LMM companies is to understand the diverse and flexible options for approaching AP automation. Organizations can strategically remove paper from their back office in a way that is suitable to their budgets, business environments, and future business goals. The following sections outline some of the tools LMM organizations can use to get rid of paper and automate their AP process.

Understanding AP Automation Options

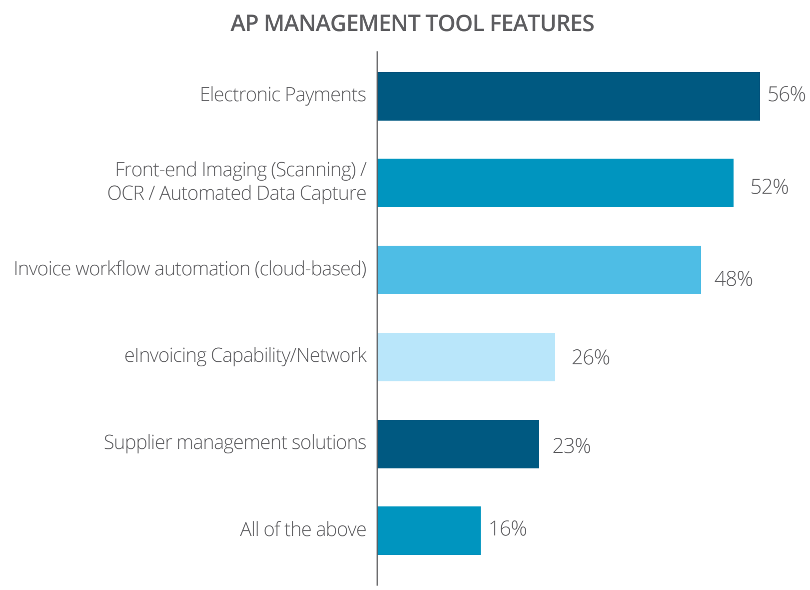
Identifying the most suitable approach to AP automation for a given organization depends on several factors, including the organization's size, industry, and current state. PayStream breaks down payables automation into five primary functions: paper-based invoice receipt (front-end imaging/data capture), electronic invoice receipt (EDI/eInvoicing network), invoice workflow automation, electronic payments, and supplier management. Within these functions are several other useful tools for successfully managing AP, including reporting and analytics tools and basic PO management functionality. If an organization has technology in place for each of the primary functions above, it is considered to have a fully automated payables process.

Figure 9 shows the overall adoption rate for each type of payables automation tool. Across all organization sizes, ePayments is the most commonly implemented AP automation feature, followed by a front-end imaging/data capture tool. PayStream attributes this to the relative ease of implementing these tools in an AP process.

Figure 9

Electronic Payments Are the Most Widely Adopted AP Automation Tool

"Which of the following features does your AP management tools have? (Select all that



Front-end data capture tools' adoption rates rise as organizational size decreases—the smaller the organization, the more likely it is to have an AP solution with a data capture feature. For LMM organizations managing significant volumes of paper, the first step towards improving AP processes should align with the first step of the invoice journey—when the invoice is received. As these companies deal with higher volumes of paper invoices than larger organizations, paper-based invoice receipt technology and services are often the most strategic way to begin AP automation. Automating AP in this way also circumvents the need for an organization to require their suppliers all convert to electronic invoices, which can be much harder for smaller organizations with less buying power over their supplier bases.

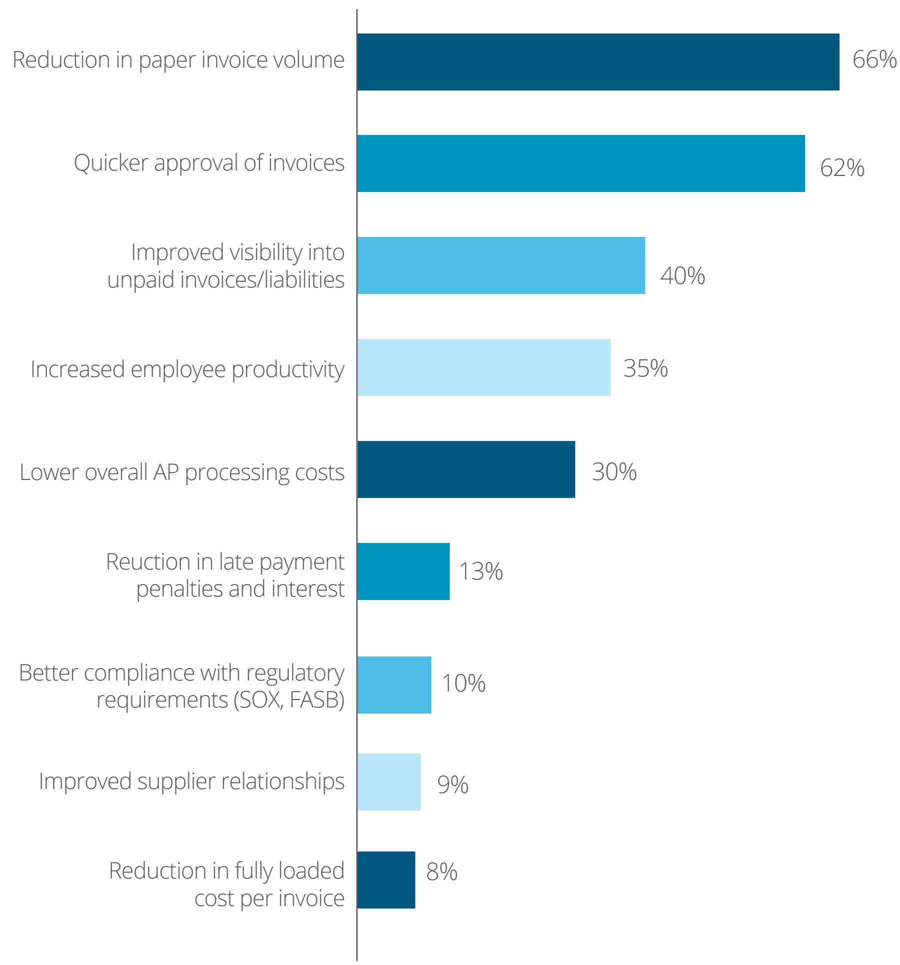
When organizations that had adopted AP automation were asked about their greatest improvements, the majority of organizations reported reduction in paper invoice volume as their top benefit from automation, followed by improvements in approval times, see Figure 10. There were no notable differences when improvements were examined according to organization size.

Figure 10

Most Organizations List Reduction in Invoice Volume and Quicker Approval of Invoices as Their Top Benefits from AP Automation

"What are the greatest improvements you have seen since implementing an AP management solution? (Select up to 3)"

BENEFITS ACHIEVED THROUGH AP AUTOMATION IMPLEMENTATION



There are certain features and services that are more appropriate for the needs of LMM companies. The features and services of LMM payables automation are outlined below.

Invoice Receipt

There are two primary methods of managing invoice receipt. The first is to take a flexible approach to the original invoice format, using front-end imaging technologies and services to convert paper-based invoices into the electronic format appropriate for existing accounting systems. The second way is to try to convert invoice formats into the preferred electronic format at the invoice's origin, such as connecting the buyer and supplier via an electronic invoicing network to enable EDI invoices.

Getting rid of paper in the front end provides organizations with a significant level of control over downstream AP processes. It also reduces delayed and lost invoices and cuts back on the chance of duplicate invoices. These benefits are particularly valuable for scaling organizations, as new supplier relationships and expanding operations will be more sustainable and successful with accurate and timely invoice and payments processes.

For LMM organizations, automating invoice data capture is sometimes preferable over establishing an eInvoicing network. This is because many medium-sized businesses do not have the time or up-front resources to support the requirements of an eInvoicing network, including implementation, development and maintenance of technical architecture, and supplier onboarding campaigns. Additionally, eInvoices make up a very small percentage of supplier invoices for most organizations, and smaller organizations are not always able to persuade their suppliers to convert from their own preferred method.

Data capture solutions use Optical Character Recognition (OCR) technology to extract information from scanned paper invoices or invoices that are received via email. Though minimal manual corrections are often required, data capture solutions offer varying levels of accuracy, depending on the service level agreement (SLA) in place. Once invoice data has been extracted, it is processed in a verification and validation system for review and subsequently sent through an approval workflow system for processing and payment. Data capture solutions remove manual data entry from AP professionals' workload, allowing them to focus instead on verifying the accuracy of the data, dealing with invoice exceptions, and managing supplier relationships.

Some AP solutions also offer suppliers other methods for submitting invoices that do not strictly fall under the category of eInvoicing. Suppliers can access a self-service web portal to submit invoices in non-EDI formats such as PDF files. Data capture tools are built into these portals, allowing suppliers to verify invoices themselves after data is extracted. This is appealing to suppliers because it reduces the invoice lifecycle and speeds up payment times, and it is helpful for the buyer because it increases suppliers' involvement with the technology. The greater the supplier engagement with an AP solution, the greater the chance of ROI from adoption. Self-service portals with data extraction tools also open the door to transition suppliers over to more efficient invoice management methods in the future, like EDI invoicing.

Data capture technology can be leveraged to get rid of paper in several ways:

1. *Establishing an Internal Mailroom Service* – Mailroom services are most valuable for companies where a mailroom already exists, or where companies are quickly scaling and considering implementing one. OCR data capture via front-end imaging technology requires minimal training and onboarding for mailroom staff, since now all they must do is separate the invoices they receive through the mail and upload scanned documents to the invoice receipt management system for automatic data capture and routing.

   It is worth noting that leading data capture solutions can provide value beyond invoice management, such as when handling legal and HR documents and contracts. The use of data capture solutions in this way is especially suitable for organizations that rely strongly on an Enterprise Content Management (ECM) system or a shared services center.

2. *Outsourcing Invoice Receipt to a Third-Party Document Management Service* – Outsourcing invoice receipt is a viable option for organizations that either do not already have a mailroom service or are looking to eliminate existing internal mailrooms. Opting to outsource may be the result of many different factors and does not necessarily need to be due to budgetary reasons. In fact, in many cases, using a third-party document processing service can cost roughly the same as maintaining in-house invoice processing. Outsourcing invoice receipt, however, relieves an organization of the burden of staffing and helping achieve output and productivity benchmarks.

When invoice receipt is managed by an outside service, mail is sent to a centralized location and processed with leading advanced data capture technology, which often provides similar accuracy guarantees to a plug-in data capture tool. In some cases, service providers also include human intervention through double-blind keying to ensure greater accuracy. When asked the main benefits achieved from using a third-party provider, most PayStream survey respondents cited more expedient processing times, a reduction in paper invoice volume, and an overall reduction of AP processing costs.

3. *In-House Implementation of a Front-End Imaging System* – Some organizations lack the necessary budget and infrastructure to support a full mailroom invoice receipt operation. Fortunately, there are several advanced front-end imaging systems on the market that are specifically tailored for smaller AP departments. These solutions automate invoice data capture and validation workflows, freeing up AP clerks while also decreasing processing times.

Approval Workflow

Efficient invoice management includes automatic GL coding, duplicate invoice detection, and other features that prepare the invoice for the approval workflow. While AP systems for larger organizations often entail extensive workflow routing setup, solutions for mid-sized companies feature a simple, user-friendly configuration in order to accommodate fewer employees, less time, and limited IT resources. The setup can have multiple steps and routes with conditions, as well as easily-activated alerts, escalations, and delegations.

AP systems also provide high levels of visibility into workflows, creating a traceable audit trail for an invoice throughout its lifecycle. Efficient automatic workflows reduce cycle time and help eliminate late payment penalties and supplier calls, while capturing potential discounts from suppliers. Mobile functionality allows AP employees to approve invoices out of the office and at any time, bringing more speed and flexibility to the process. In addition, approved and paid invoices can be archived for several years to enable quick retrieval and ensure audit compliance. This archive also eliminates the need for offsite document storage.

Built-In PO and Expense Reporting Functionality

In today's market, it is common for larger organizations to turn to different solution providers for different automation needs. For example, a large enterprise may use one software company for electronic procurement and another for AP management. However, for businesses with less extensive and more centralized operations, with fewer resources for technology investment, leveraging many different solutions is not always a practical strategy.

Solutions geared toward medium-sized businesses often offer simplified versions of other process functionalities within their product, bringing holistic automation on a smaller and more affordable scale. For example, some providers offer PO management functionalities, allowing users to create POs from their computer or mobile device. This allows for two- and three-way matching, which validates the invoice before it enters the approval workflow, preventing future problems and enabling additional control and visibility.

Many solutions also offer basic expense reporting functionality. For organizations with a smaller workforce, or one that travels only rarely, built-in expense reporting is very appealing. Solutions with this feature can capture and manage expense reports with attached receipts, as well as manage the workflow and archival of contracts and other documents.

Electronic Payments Integration

Electronic payment functionality is very important for efficient AP, as it is the final step for a secure and swift workflow. Many invoice management solutions and some data capture tools offer in-house payments automation capabilities, or directly integrate with leading ePayments solution providers. These methods include traditional purchasing card support and ACH payments, and in some cases, check-writing services for customers who still require a check payment option. More advanced options include advanced ePayments platforms and commercial card tools.

"Commercial cards" is the umbrella term for payment cards used in B2B payments (as opposed to consumer cards). Commercial cards types include:

» Traditional Purchasing Cards – Organizations provide purchasing cards (p-cards) to individual employees for the purchase of business goods and services. P-cards are ideal for purchases in which the traditional invoice approval prior to payment does not add value (e.g., low-dollar purchases). Some p-card programs are known as "One Card" programs when they also allow for T&E expenses, eliminating the need for an employee to carry two cards.

- Corporate Cards – Employees use these cards for business travel and expense (T&E) purchasing.
- Fleet/Vehicle Cards – Organizations implement this type of card to pay for fuel and vehicle maintenance. The cards allow for reporting and tracking by vehicle, providing controls specific to this expense category.
- Ghost Cards/Accounts – Traditional ghost cards function like p-cards, with reusable account numbers and spend limits that refresh each month. One common scenario is providing a ghost account number to a supplier, who retains the number and processes charges to it as employees make purchases.
- Single-Use Cards – This is a common type of Virtual Account (VA)—also called virtual account cards or virtual account numbers. After an organization approves a supplier's invoice(s), AP initiates the payment process. The supplier receives a one-time-use virtual account number to process the charge. The spend limit is equal to the approved invoice(s) and does not refresh.
- Other Virtual Card Programs – Like single-use cards, other Virtual Accounts programs center around an organization's approval of supplier invoices. One VA option is a straight-through payment where a supplier receives a direct payment through the card network or issuer, rather than having to process a charge transaction. Overall, organizations tend to target Virtual Accounts for higher dollar purchases and/or complex purchases warranting invoice review prior to payment. VA cards are one of the fastest-growing payment tools offered today, and are offered by leading ePayments providers.
- Declining Balance Cards – These cards have a set limit and expiration date that does not refresh. Organizations may use such cards for special projects with a set budget, such as meetings or events, for relocation expenses, for infrequent travelers who do not warrant a corporate travel card, and more.

Advanced ePayments providers will complete payments through ACH rails, while offering rich remittance detail and other functionality that traditional ACH does not. This software streamlines many tedious aspects of payment management. Some companies also offer wire payments support, as well as global payment management services that enable organizations to streamline the complex tasks of international supplier payments. Sometimes these services include verifying suppliers' legal status and payment compliance by searching Do Not Pay lists. These services can be especially valuable for growing middle-market companies that are considering expanding operations. Leveraging these solutions early on will increase companies' ability to support international payment process and compliance requirements as they build their international supply chain.

Much of the value of an ePayments tools lies in their integration with existing AP functions, either through the company's ERP or its AP automation software. This enables organizations to truly automate the entire invoice-to-payment lifecycle. With an electronic payments platform, payments can be automatically approved based on invoice amount or type, or they can be sent through a configurable payments approval workflow. Once an invoice is approved, the invoice details are posted to the organization's financial system, and approvers can pay individual invoices or create payment batches. Many solutions also handle much of the remittance and reconciliation process, and some solutions post remittance data within clients' bank accounts for better transparency.

With ePayments solutions, the most obvious savings come from reducing processing costs from manual and paper payments. Savings can also be realized by removing steps from the invoice lifecycle process. For example, Accounts Payable can make one monthly payment to the card issuer instead of hundreds of payments—most of which are small- dollar—to many different suppliers. In addition, organizations can configure their system to send some invoices directly to payment, such as those connected to utility bills.

Another advantage of commercial cards is how organizations can use them to optimize cash flow. Some solutions also include discounting functionality that allows organizations to manage payments according to available early payment discounts. AP can also leverage the commercial cards to increase Days Payable Outstanding (DPO)—rather than adhering to suppliers' typical 30-day invoice payment terms, paying via card can extend the float beyond 30 days.

Commercial cards often offer rebates that can bring organizations substantial savings, even offsetting the cost of the technology investment itself. Many commercial card providers offer certain monetary rebates and incentives based on their clients' spend. Rebates can be large—up to hundreds of thousands of dollars. These savings can be very beneficial for middle-market companies that look at potential ROI as one of the most important factors in their decision to adopt technology.

Strategic Reporting and Analytics

Reporting and analytics functionalities provide mid-sized companies with vital visibility into spend activity and employee compliance. Dashboard and reporting capabilities improve monitoring and information discovery through KPIs and activity graphs analyzing spend, suppliers, process productivity, delays, and other factors. These features allow organizations to fine-tune their current processes to become more controlled and cost-efficient. Many solutions include a document archive and a full-text search capability. From a resource efficiency perspective, LMM organizations may lack the staff to regularly analyze data and perform strategic financial and process improvement analytics. Built-in reporting tools enable these organizations to track key metrics and carry out strategic analysis. In addition, these tools provide C-suite decision makers with real-time visibility into a wide variety of metrics that would ordinarily be difficult to monitor during growth periods or using highly manual processes.

Regardless of the solution an organization chooses to implement, a transition towards AP automation should be welcomed for the significant improvements in processing efficiency and accuracy it yields, as well as for cost improvement relating to employee productivity. To properly select and implement the right payables automation tool, organizations to fully understand both the current state of the back-office and the different automation options available. The following section outlines some of different ways LMM companies can approach paperless AP.

PayStream ADVISORS

Automating in the Lower-Middle Market

Automating AP processes is not a one-size-fits-all solution across different organizations, nor does it necessarily involve the implementation of a fully-featured AP software. Instead, automation can be initiated by selecting a particular part of the AP process to begin with, while keeping open the possibility to scale up as needs and/or budgets change. Prior to automation, organizations of all sizes should map out their current state and process metrics, including processing times, labor costs, and error rates. With the proper preparation and scoping prior to implementation, organizations of all sizes will be ready to successfully begin automating AP.

PayStream's research has found that efficient and successful LMM AP automation implementations involve the following steps and characteristics:

Outline the most suitable invoice management process. Prior to initiating automation, organizations should examine the state of their existing invoice processing structure. Decision makers should assess information such as the number of ERP systems in place, monthly invoice volume, the number and type of locations where invoices are sent, and the amount of touches (or people involved) in existing invoice workflows.

Once this information has been gathered, organizations should examine their findings in the context of their automation options. For example, a large organization that processes a high volume of invoices at various decentralized locations may not benefit from implementing internal mailrooms in each location. In this case, the organization may want to weigh the relative advantages and disadvantages of establishing a centralized mail room versus outsourcing all invoice management to a third-party document management provider.

Beyond an organization's size, other factors such as invoice volume and an organization's business structure may affect which automation approaches make sense from an economic and resource perspective. Consider a large organization with operations spread out across many different locations, though each location receives relatively few invoices. In this instance, it makes little sense for the organization to centralize invoice receipt processes, since the small number of invoices would require a significant amount of coordination and routing. Instead, a more feasible solution for the organization would be to implement data capture technology in each location.

Ensure uniformity in adoption across the entire organization. The value of automating invoice processing is contingent upon how well an organization incorporates the new technology and corresponding workflows. To increase the success of solution adoption, controls should be established that prevent employees from bypassing certain protocols. For example, if an invoice requires fast-tracking or if AP teams find themselves overburdened during seasonal spikes in invoice volume, processes should be put in place so that these invoices can be managed in a traceable, efficient manner.

Integrate with the current state. Mid-market AP solutions are built to integrate easily with an organization's current state. Companies can automate their invoice process step by step, starting with an easy-to-use AP automation software that includes portable cloud scanners. With simple, efficient AP tools laying the groundwork, advanced automation like eInvoicing networks and full supplier participation will easily follow in time.

Organizations should also find a solution that is unobtrusive and quick to implement. Cloud-based solutions enable easy and quick implementation, no advanced IT involvement, and minimal user training, and can be operational within a few hours. They do require some information from the user, such as GL lists, vendor lists, POs, and workflow setups, but after this data is transferred, the system is loaded in a matter of hours and does not disrupt the current business flow.

Find a solution that is priced according to businesses' needs. AP solutions can be priced according to organizations' specific financial needs. Many are zero-risk, requiring no investment or IT costs, and organizations can often try a solution for free before making a final decision. In addition, many pricing structures are based on usage, allowing organizations to directly control costs. Many providers allow their customers to cancel at any time with no penalty.

The proliferation of cloud-based software in recent years has provided LMM organizations with a broader range of automation options to consider. Before, solutions tended to be tailored towards larger organizations, were more expensive, and required longer implementation times. Today's LMM organizations have a number of options when it comes to finding a relatively low-priced solution with a range of optional value-added services that can be implemented as needed. Organizations can gradually automate AP processes with the ability to scale up to other tools, such as a Procure-to-Pay (P2P) suite, if desired.

Consider long-run supplier onboarding. While committing to an invoice processing approach is an important strategic decision for an organization, part of the decision and transition involves the organization's supplier base and their potential to meet new demands. An organization's ability to get suppliers to comply with requests for EDI or email-based invoices will depend on the supplier relationship. For example, smaller organizations that submit relatively small purchase orders may find it challenging to find leverage with their suppliers. Often, suppliers may not feel required to comply with new protocols, particularly if they're not dependent upon the buying organization to maintain their business, or if their own strategic outlook does not align with the new ask.

When an organization has many suppliers that send paper invoices, it will be helpful to set up alternatives to email/EDI invoicing, at least at first. In such cases, an organization can give suppliers a new mail-to address, which would send the invoices to an internal or external centralized mailroom. Over time, the organization and supplier can work together to convert an increasing amount of paper invoices to email/EDI invoices.

Alternatively, when an organization has a relatively progressive supplier base where most invoices are sent over email, the organization can route these invoices through a new email account that is integrated with a data capture system. Any remaining non-email invoices can be entered into the organization's ERP after being sent to a small mailroom location, or to a few AP departments that use inexpensive data capture tools. Data capture or third-party providers often work with suppliers to drive compliance, and can also establish additional means such as an automatic rejection policy for invoices that are not completed properly to increase new solution uptake. PayStream's benchmarking research has found that suppliers generally realize the benefits of providing organizations with email or EDI invoices. Advantages such as quicker processing times, more accurate data capture, and improved compliance offer a valuable incentive for suppliers to adjust their methods accordingly.

Look beyond getting rid of paper. Companies that start by getting rid of paper should not stop there, but should move forward to create a holistic, fully automated, and controlled AP lifecycle. While PayStream has found that for many LMM organizations, getting rid of paper is a strategic first step in AP automation, this does not mean it is the only option. For example, some organizations may have equally or more urgent problems in their back-office than high paper volume, such as payment processing difficulties. For these organizations, it may be more beneficial to start with electronic payments tools, instead of, or in conjunction with, an invoice data capture tool or service.

Starting with one part of the AP process over another does not mean an organization is limiting itself. It can work with a provider that offers holistic AP automation, which will allow the organization to adopt additional modules in the future. Or, they can also work with a specialist in one area of AP automation (e.g. a virtual card provider) that offers advanced integration capabilities with other technologies, and/or existing partnerships with other leading AP automation providers. Using adoption strategies like these is very strategic for scaling companies that will have changing needs as they grow—as well as growing resources for technology investment.

Conclusion

Lower-middle market organizations can pursue a number of approaches on their journey to AP automation that allow them to better manage their existing processes as well as scale those operations as the company grows. An AP automation solution made for the middle market will bring extra visibility and control into business operations, allowing AP departments to focus on more strategic tasks like identifying more cost savings opportunities and helping their organization achieve greater competitive advantage.

Teampay

Teampay is a lightweight procurement system and purchasing card provider that allows organizations to use virtual cards to streamline purchasing and manage employee spend, serving as the single point of control for all employee purchasing within an organization. Teampay's virtual card and payments management products enable companies to request, approve, and track employee purchasing in real time. Special features include a customizable policy engine, duplicate vendor detection, and price discovery that alerts organizations to what other customers are paying to the same vendor. Teampay's product is specifically built for the lower-middle market segment, and Teampay works primarily with organizations that have 200-1000 employees. The company works to support finance teams that want to add control, transparency, and speed to their purchase cycle.

Founded	2016
Headquarters	New York, NY
Number of Customers	50
Target Verticals	Technology, Service Providers, Biotech, Agencies
Partners/Resellers	Silicon Valley Bank, and more
Awards/Recognitions	Ranked top 5000 companies on Crunchbase; VentureCrushFG Accelerator, Commerce; Innovated Accelerator by Silicon Valley Bank and First Data

Solution Overview

Teampay integrates with most major ERPs and accounting software. Teampay supports bi-directional, rich data syncing with QuickBooks Online, NetSuite, Intacct, Xero, and Oracle EBS. One-click data exports are also available. The company supports integration with hundreds of banks, including Chase, Bank of America, Silicon Valley Bank, Wells Fargo, and Citibank. To ensure security, Teampay uses 256-bit TLS encryption to keep customer data safe in transit, and never stores card numbers within the system. Teampay is PCI-DSS compliant, the official security standard of Visa and MasterCard.

Teampay's application is accessible on-the-go via any mobile phone, as well as via web or a browser extension. Teampay also integrates with corporate messenger tools like Slack.

PayStream ADVISORS

Payables Management

For invoice handling, Teampay integrates with external partners to provide clients with invoice management software, including paper-based invoice processing. These partners offer eInvoicing support, as well as invoice matching against POs.

Teampay's primary products include virtual cards, ePayables, corporate cards, T&E/travel cards, and POs. Teampay also offers ACH/EFT payments through its eInvoicing and AP automation partners.

All card tools leverage diverse spend control features, including single-use, velocity limits (daily/weekly/monthly/yearly), multi-vendor or single-vendor, and project-based cards to align with budgets. Teampay also offers real-time card control configurations on-the-fly, reducing the time required to manually handle declined transactions. Other cardholder tools include multiple accounting dimensions and corporate card (company liability) expensing across the majority of commercial issuers.

Using the Teampay solution, a user requests a purchase from Teampay on mobile, in their corporate messaging app, or on the web. Teampay then collects any additional information about that purchase depending on an organization's preferences, and runs the purchase through the proprietary policy engine and approval workflow. If the purchase is approved, Teampay issues a virtual card for that purchase tied to the specific approval and delivers it to the requestor. Teampay strictly enforces positive-pay type functionality on cards by matching the approved request with the actual card transaction data, and prevents purchases above the approved amount. Whenever the virtual card is charged, the transaction is logged against the original request, relevant parties are notified, and it is automatically settled into the accounting system.

Teampay offers direct, real-time connection of transactions into a company's general ledger system. Instead of posting simple journal entries, Teampay creates primary objects in the accompanying system (e.g., a bill and bill payment) with rich vendor data matched to the existing vendor file.

Teampay provides archival and search and retrieval functionality for captured images and data. Teampay also offers out-of-the-box reporting and analytics on vendors, employees, department, subscription payments, request audit trail and change log, and spend analytics and alerting.

Implementation and Pricing

Teampay's typical implementation takes 2-3 days, including configuration of the ERP system for transaction. During implementation, each customer is given custom onboarding as needed. Teampay's customer support team is available 5 days a week from 9AM-9PM EST. For pricing, the company offers a Pro plan for companies with fewer than 200 employees and no ERP solution, and an Enterprise plan, which includes the ERP offering, more complex policy rules, and higher transaction volume.

PayStream ADVISORS

About PayStream Advisors

PayStream Advisors is a research and advisory firm focused on business process automation in sourcing, supply chain management, procurement, accounts payable, payments, and expense management. PayStream's team of experts provide targeted research and consulting services to address the changing needs of finance and procurement professionals. In short, PayStream is dedicated to maximizing returns and minimizing risks associated with technology investment. PayStream's research reports, white papers, webinars, and tools are available free of charge at www.paystreamadvisors.com. PayStream Advisors is a division of Levvel, an IT consulting firm specializing in technology strategy, design, architecture, and DevOps.