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Emerging Trends in AP Automation

The benefits of using integrated payables software to go paperless and reduce costs.

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Introduction

Finance executives are increasingly called upon to provide strategic leadership across the organization to identify ways to eliminate cost and waste, plus ultimately provide bottom line improvement in areas outside of their traditional scope. Ironically, financial operations are often neglected in this effort leaving outdated technology and manual processes in place, despite the fact that tremendous improvement opportunities exist.

Cutting edge finance leaders are starting to embrace an emerging solution called integrated payables software to automate accounts payable processes while also converting payables from a liability into an asset. Sound exciting? It is, so keep reading.

This white paper is an introduction to integrated payables and topics that should be considered when evaluating a solution provider.



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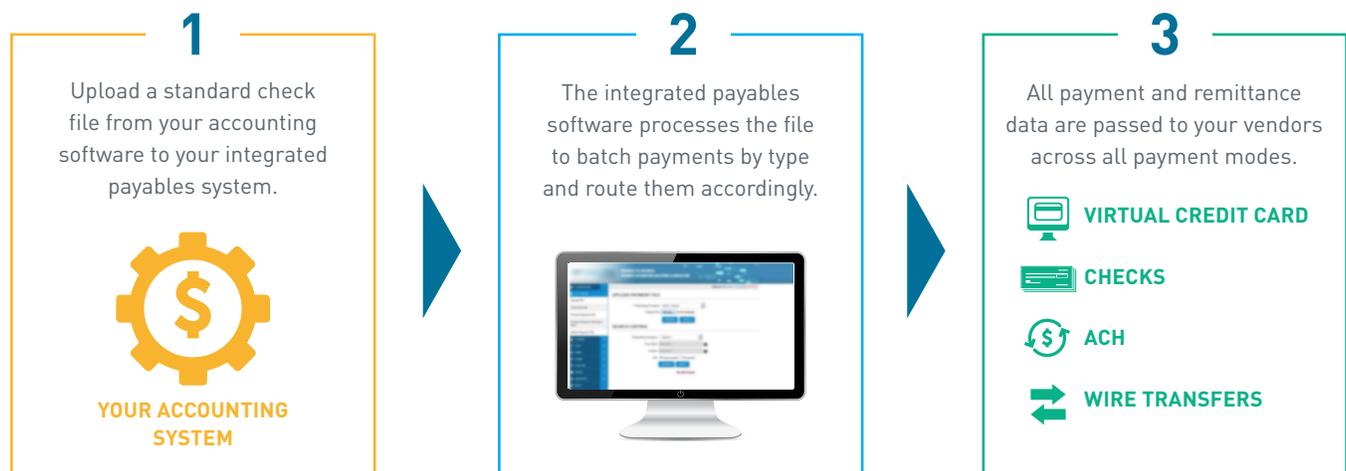
What is an Integrated Payables Solution?

If the term integrated payables isn't familiar to you, you're not alone. Although the phrase has been around for a few years, it has only recently gained traction in the market. Plus (to make things more confusing) there are actually numerous terms that are commonly used as synonyms including: integrated accounts payable, automated accounts payable, payment hub and paperless AP.

Regardless of the term, **the solution is a combination of software and services from a provider that allows organizations to easily make invoice payments – eliminating manual and duplicative processes for whoever is paying the bills.**

With most traditional accounting systems, separate “payment runs” have to be made for each payment mode. A staff member has to batch and process all invoice payments that will be made by check. Then repeat that process for payments that are made via ACH, and then again for any other payment modes (credit card, wire, etc.) See where we are going?

With integrated payables systems, your accounting staff will only have to make a single payment run. You read that correctly, *you will only have to make a single payment run.* Here's how it works –



The software is able to route each invoice payment through the appropriate payment rails based on the vendor being paid while delivering additional reporting and output files to make reconciliation simple and fast.

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What Are the Benefits of an Integrated Payables Solution?

- **Easily execute all payments at one time:** Make all invoice payments in a single payment run regardless of payment mode. Payments to vendors that you pay by check, ACH, wire and credit card can all be processed at the same time.
- **Generate new revenue with rebates on spending:** You like getting cash back on your personal credit card, right? Why not do the same with your invoice payments? Many integrated payables solutions can process virtual credit cards, which offer rebates on payments made via a credit card network.
- **Minimize time spent managing payments:** By making all payments with a single payment run, you eliminate the need for batching payments by mode, getting multiple cash requirements authorizations and final approvals.
- **Reduce AP costs:** Not only do you minimize soft costs, but hard costs are often reduced, too. An integrated payables solution should help you move more payments from check to electronic modes, minimizing printing and postage costs. Your exposure to fraud also decreases dramatically.
- **Greater insight into payment data:** Because all your payment data is consolidated in a single system, you benefit from easier reporting, easier reconciliation and a full view of your expenses.



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Is a Solution Like This Right for Our Organization?

The short answer is probably yes, no matter what size or type of organization you manage. However, there are certain dynamics that make an integrated payables system especially valuable for companies:

- You still make all invoice payments with paper checks.
- You print and mail paper checks in-house.
- The person or team responsible for invoice payments could be spending time on more important work.
- Your organization is growing rapidly.
- Your organization operates with multiple divisions or P&Ls.
- Managing vendor data is a burden.

If any of these statements apply to you, then an integrated payables solution is definitely worth evaluating.

How Much Does a Solution Like This Cost?

Pricing can vary quite a bit between solution providers. And like any other software and service, **your price will depend on multiple factors such as the number of transactions you process, the type of accounting system you use and the features you want.**

Some providers charge a flat fee for each transaction, while others have different transaction fees based on the payment mode (i.e. a check payment might cost more than an ACH). There might also be an up-front implementation fee and/or a flat monthly subscription fee. It is also important to determine what the cost difference will be compared to your current program. For example, on average it costs \$3.00 to send a paper check and \$0.29 to send an ACH.¹

Obviously, it will be important to evaluate any offers you receive to determine which option is best for you. Which brings us to the next section.

¹ 2015 AFP Payments Cost Benchmarking Survey

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How Do I Find the Right Integrated Payables System For My Business?

Don't be fooled, this type of solution is not a commodity. The various software and services in the market come with many different features and functionality which is why we put together a few questions you should consider as you evaluate a partner:

Does their software integrate fully with my existing ERP or accounting system?

Just about every provider will say the answer to this question is "yes." But don't just take that at face value. Full integration for one provider can mean something totally different to another, so it is imperative you define what their integration capabilities are and if the work will fall on your team's shoulders. Hint, hint...it shouldn't.

Are they treasury agnostic?

A lot of banks will claim to have an integrated payables solution, however, their solutions typically require the files to go exclusively through that specific bank. Therefore, if you have multiple treasury bank relationships or there is ever the potential to change treasury banks (which there always is), being tied to that bank-specific payment solution can limit your flexibility. A best practice is to look for a solution that operates as a bank-agnostic "payments hub" that allows you to operate from multiple treasury accounts and connect different business units or P&Ls. Finding a bank agnostic provider will allow you more flexibility so if you decide to change treasury banks or internal structures, you won't also have to change your entire payment process.

Do they provide a dedicated implementation team?

Starting off on the right foot with a successful implementation can be the make or break of your AP automation program. Your provider should be upfront about the workload that will fall on your team and how long the full implementation will take, plus have a team that is there to take you step-by-step through the entire process.

What kind of reconciliation data and reporting do you receive for your program?

A good payments partner should be able to provide real-time reporting capabilities, benchmarking statistics and the ability to look up individual transactions by date, vendor, amount, etc. Not only should you receive all of the payment data back for easy reconciliation but your vendors should receive a CTX 820 file and full remittance data for all payments as well.

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How will the provider deliver ongoing support and relationship management?

Look for a partner who isn't interested in just selling you a product – they should be focused on helping you build a sustainable AP automation program. Ask about the team that will be put in place to support you over the long term. How is that team organized and how are they incentivized to help you? You want consultative support to help you maximize your program. And you will also need support with day-to-day issues like reporting, credit line management, etc.

Will the provider support your virtual credit card program?

As mentioned above, using virtual credit cards as a mode of payment allows your organization to earn rebate on your spend. But it's not enough that your provider just support this capability, they should also be actively trying to increase your virtual card spend. Make sure they have a dedicated vendor enrollment team whose sole job is to enroll your vendors and help you develop customized campaigns and messaging.

Conclusion

Whew. That's a lot to consider, but we hope you now understand how integrated payables (or integrated accounts payables, automated accounts payables, paperless AP...whatever you want to call it) work and how implementing a solution can benefit your company, your staff and your bottom line.



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About NBC Global Innovations

NBC Global Innovations, along with its partners and affiliates, are leading providers of innovative B2B payment and operating technology utilizing 45 years of experience. By combining these unique capabilities in technology development, credit card issuing, transaction processing and network ownership, we help our clients build electronic payment programs that positively impact their bottom line and operate their businesses more efficiently. We continuously evolve our products by focusing on our customer's needs to provide security, accessibility, and profitability.

Our partnership reaches globally to companies in 50 countries managing near 2 billion fleet, corporate purchasing, payroll and healthcare transactions annually.



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