

Release value

Tony Bridgeman of **ReadSoft** argues that automated invoice processing can enhance supplier relationships and deliver bottom line benefits.

In today's highly aggressive business environment, the financial supply chain is increasingly recognised as an area offering significant potential for generating bottom-line improvements and creating competitive advantage.

According to analysts Aberdeen Group, the financial supply chain provides the next wave of cost improvement for organisations, with more than two-thirds of companies investigating or putting in place programmes to improve financial metrics and lower end-to-end costs.

The financial supply chain refers to the end-to-end trade processes and information that drive a company's cash, accounts, and working capital. From a buyer's perspective, this involves the full procurement-to-payment process. For the seller, it is the order-to-cash cycle.

Automated processes

That's why one of the goals of the financial supply chain is to automate these processes in order to release the trapped value in the supply chain. Through the automation of invoice processing, for example, businesses can:

- reduce the time required to create, transfer and process paper documentation
- cut the cost and errors associated with manual creation and reconciliation of documentation
- improve the transparency in inventory and cash positions when goods are in the supply chain
- rapidly solve disputes arising from inaccurate or missing data
- address the need for end-to-end processes in the trade cycle.

Bottom line impact

Let's look at one very immediate example of how invoice automation can work. Some suppliers offer a financial incentive to entice customers to pay their invoices

early. The most common is 2/10 net 30 payment terms, which means that although a payment may be due on the 30th day, a customer can benefit from a 2% discount if it pays before the 10th day. A 2/10 net 30 is equivalent to a 36% rate of return which, for companies operating on razor-thin margins in the credit crunch, can make a significant impact on the bottom line.

The problem is, companies often have a difficult time processing invoices in a timely enough manner to qualify for early payment discounts and thereby maximise their financial supply chain operations.

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To be honest, ten days isn't a lot of time when:

- the accounts payable department has to receive and log in an invoice
- a copy of the invoice has to be sent to the appropriate person for approval
- the approver has to review the invoice, approve it, and return it to AP
- the accounts payable team has to process the invoice and schedule it for payment
- the cheque has to be printed and signed in the appropriate cheque run, which can be as infrequent as once a week.

Thus it is imperative that automated procedures be established to speed the entire invoice process and ensure that all the benefits of early payment discounts can be realised.



Buyers' and suppliers' desires

Analysts such as Aberdeen Group agree that the most widespread technologies to automate financial supply chain transactions today focus on automating accounts payable invoice processes. In fact, research reveals that both buyers and suppliers strongly desire improved automation in their payment processes.

When establishing their payment strategies with supply chain partners and deciding on the appropriate technology, companies should not only focus on automation for the purpose of their own internal transactional efficiency, but also for improving externally facing processes with customers and suppliers.

At ReadSoft, we provide invoice automation solutions to global organisations such as BP, Vodafone, Porsche and IKEA. Many of our customers have recognised the benefits of releasing the trapped value in procurement-to-payment and order-to-cash cycles through invoice automation. They are able to eliminate paper documentation, minimise data errors, provide faster dispute management and easier detection of duplicate payments, and increase the transparency and auditability (for compliance) of their processes. ■

Further information

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