



AP Insights: Achieving a Paperless Accounts Payable (AP) Function

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Introduction

Businesses around the world are slowly but surely recognizing the importance of Accounts Payable (AP) automation. Despite the many benefits of automating the AP processes, many organizations still rely on manual processes, causing inefficiencies, increased costs, and human errors. The future of AP is paperless, and this whitepaper is aimed at helping organizations progress in their journey towards a transformed and cost-effective AP function.

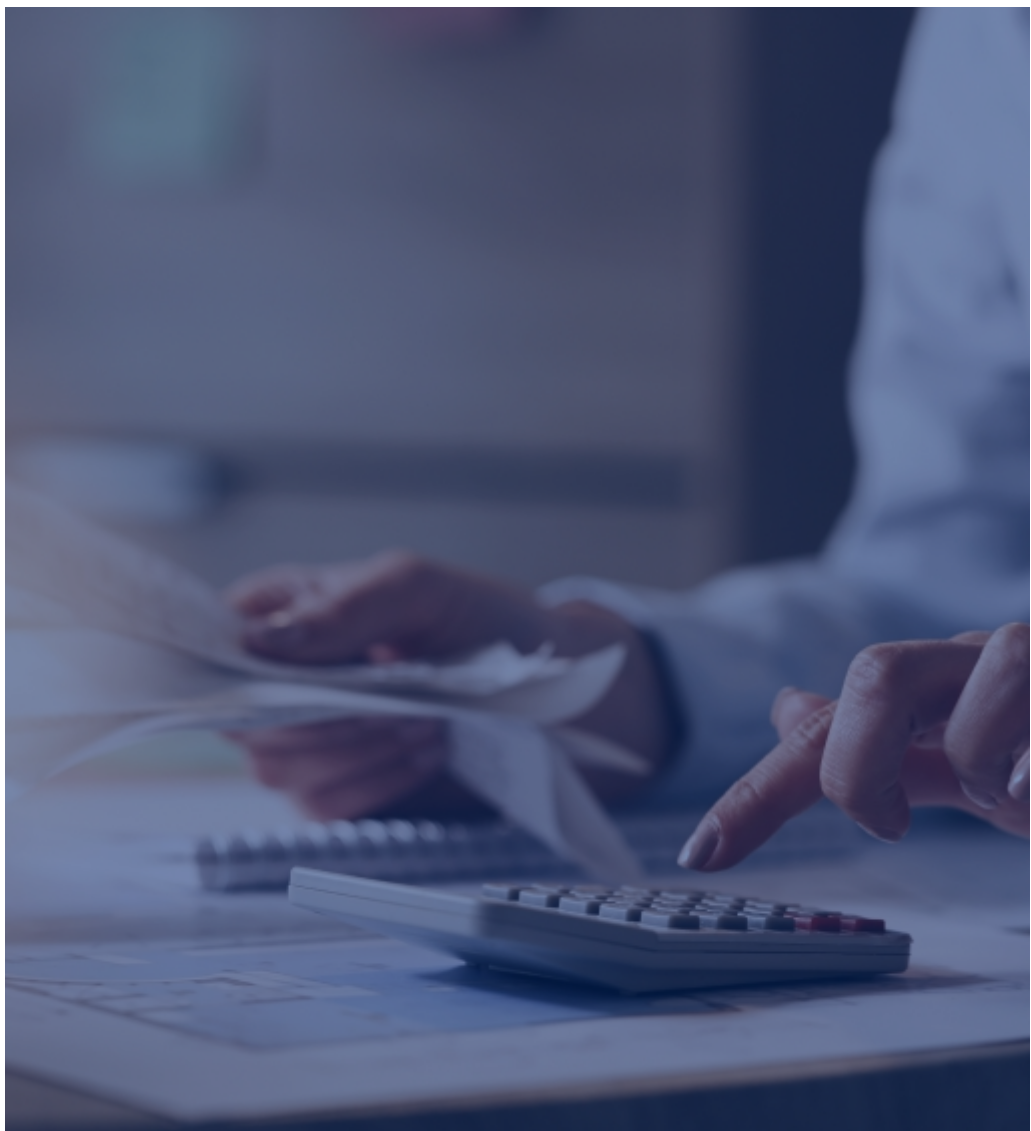
In this whitepaper, we cover the current state of AP automation and why paperless accounts payable is the way forward. We take a comprehensive look at the key components of a paperless AP solution and offer insights into the best practices for choosing and implementing the right solution for your enterprise. Whether you are just starting to consider automation of your AP processes or well into your AP automation journey, this whitepaper provides you with valuable insights and practical advice.



Paperless accounts payable solutions

Paperless AP solutions are modern solutions that can help enterprises streamline their accounts AP processes and improve efficiency. With hundreds of thousands to millions of invoices to be processed every year, enterprises often employ dozens of AP FTEs to do this job. However, even with partial automation in place, such as with OCR tools, a majority of the AP processing requires human intervention. With paperless invoicing, we refer to a transformational shift towards e-invoicing (electronic invoicing), with paper-based invoices gradually reduced within an enterprise.

The problem with traditional invoice processing is that it is time-consuming, prone to errors, and requires a significant amount of manual labor. This not only increases costs but also leads to delays in payment and a lack of visibility into the end-to-end AP process.



The limitations of OCR tools

Optical character recognition (OCR) tools are a legacy software approach used for the digitization of paper-based information assets. OCR tools transform scanned documents or photos into editable and searchable text. Using OCR tools, organizations can quickly digitize massive amounts of documents, such as invoices and receipts. However, OCR tools have their shortcomings, including:

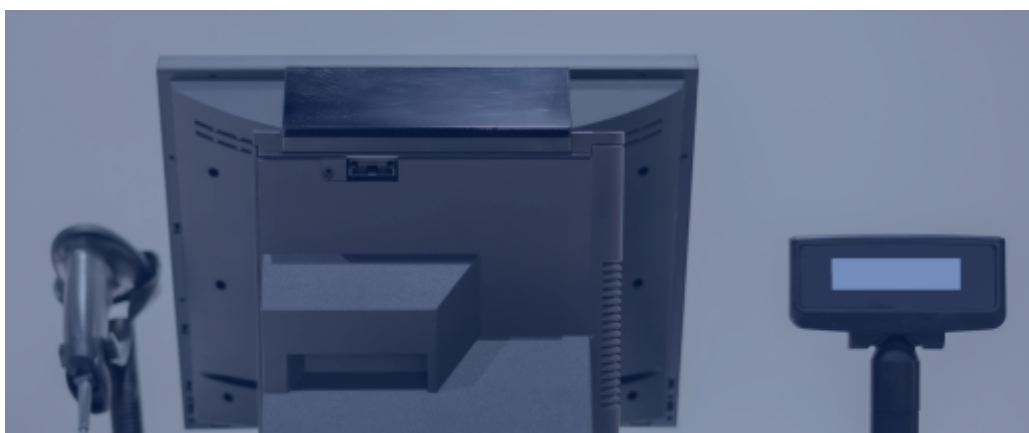
Limited accuracy: OCR tools are not always able to accurately recognize and extract data from invoices. This can lead to errors in data entry and validation, which ultimately impact the accuracy of the data extraction in an AP process. Even with best quality documents and scanners, OCR tools often fail to deliver accuracy greater than 60%.

Limited flexibility: OCR technology is often limited in its ability to adapt to different invoice formats and layouts (i.e., it is template-centric in nature). This can make it difficult to process invoices from a variety of vendors and suppliers.

Time-consuming approach: OCR tools require manual intervention to correct any errors that may occur during data extraction. This can increase overall invoice processing time and costs.

Lack of process automation: OCR tools do not provide a complete or end-to-end solution for invoice processing, which often requires additional manual data entry, validation, and approval.

Limited security: OCR tools do not provide the same level of security as paperless invoice processing software, which can include encryption and access controls to protect sensitive financial information against unauthorized access.



Why paperless accounts payable is a better approach?

There are various aspects to consider for understanding the benefits of a paperless invoicing approach, including:

Advanced data extraction: Paperless invoice processing solutions use advanced AI/ML models to improve the accuracy of data extraction from invoices.

Greater flexibility: Paperless invoice processing solutions can handle a wide variety of invoice formats and layouts using AI/ML capabilities, making it easier to process invoices from multiple vendors and suppliers.

Automated workflow: Paperless invoice processing solutions can automate the entire invoice processing workflow, from data extraction to approval, which reduces the need for manual intervention and increases overall process efficiency. It is a process-centric approach to automation tailor-made for AP processes.

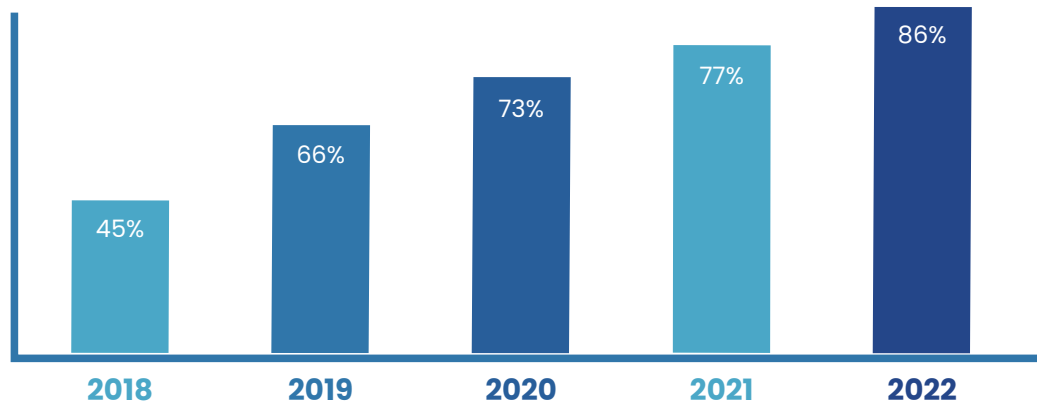
Advanced security: Paperless invoice processing solutions can offer advanced security features, such as encryption, access controls, and multi-factor authentication to protect sensitive financial information or personally identifiable information (PII).

Better collaboration: Paperless invoice processing solutions allow multiple users to access and approve invoices concurrently, which drives better collaboration and speeds up the approval process.

IOFM's AP benchmarking report for 2022 specifies that more and more organizations are moving towards a paperless AP function. IOFM has tracked this trend towards automation in its benchmarking surveys dating back to 2018. This year, 86 percent of survey participants reported having at least some level of AP automation. This is nearly double the rate of AP automation reported in 2018 and shows a significant upward movement since last year.



Share of AP Teams with Automation



Source: IOFM Account payable processes 2022 Benchmarking Reports

► Handling invoices in different languages and multiple country-specific formats is a difficult proposition

Another important challenge that enterprises face when processing invoices is the handling of invoices in different languages, including non-Roman scripts. This can be a significant challenge for companies that do business globally or with vendors and suppliers from different countries.

Handling invoices in different languages can be difficult with traditional OCR tools, which may not be able to accurately recognize and extract data from invoices presented in non-Roman scripts. This can lead to errors in data entry and validation, which can ultimately impact the accuracy of AP processing.

Furthermore, invoices from different vendors and different countries often have very different formats, which can make it difficult for companies to standardize invoice processing. This can lead to inefficiencies in the AP process and increase the risk of errors.

► Paperless Invoice processing eliminates complex country-language barriers

To overcome these challenges, companies can turn to paperless invoice processing software with multilingual support. This type of software uses AI/ML capabilities to extract data from invoices and ensures a higher level of accuracy, even when processing invoices in languages other than English or in non-Roman scripts.

In addition, paperless invoice processing solutions can handle a wide variety of invoice formats and layouts, making it easier for companies to process invoices from multiple vendors and suppliers, regardless of their location or the format of their invoices. Such software products offer a template-agnostic approach to invoice processing. This can help companies automate their invoice processing workflow with AI/ML and improve process efficiency.

Handling invoices in different languages and different formats can be a significant challenge for companies that have global business operations. However, paperless invoice processing solutions with multilingual support and flexibility to handle different invoice formats can help companies overcome these challenges and improve the accuracy, efficiency and security of their AP processes.

► **Traditional invoice processing has a negative environmental impact**

In addition to the operational efficiencies and cost savings that paperless invoice processing can deliver, it has important ecological and economic benefits. The cost of handling, storing, retrieving and archiving paper-based invoices can be significant for enterprises.

One of the main ecological benefits of paperless invoice processing is that it helps reduce the use of paper and ink. This can have a significant impact on the environment, as the production of paper and ink consumes a large amount of energy and natural resources. Additionally, the transportation and storage of paper-based invoices can also lead to increased carbon emissions. By switching to paperless invoice processing, companies can significantly reduce their environmental footprint.

In economic terms, paperless invoice processing can deliver significant savings. The cost of paper and ink can be high, especially for enterprises that process a large number of invoices. Additionally, the cost of storing and retrieving paper-based invoices can also be significant, as it requires physical space and staff to manage the process. By switching to paperless invoice processing, companies can save on these costs and redirect those savings to other areas of their business.

Paperless invoice processing is a futuristic solution

Paperless Invoice processing solutions allow enterprises to digitize their invoices and automate the process of data entry, validation, and approval. This eliminates the need for manual data entry and reduces the risk of errors. The key benefits of paperless invoice processing include:

Increased efficiency: By automating the process of data entry, validation, and approval, paperless invoice processing solutions can help enterprises process invoices faster and with fewer errors. This can lead to significant time and cost savings.

Improved accuracy: With paperless invoice processing, data is automatically extracted from invoices and validated against the organization's records. This reduces the risk of errors and improves the accuracy of the AP process.

Greater visibility: With paperless invoice processing, enterprises have real-time access to their AP data. This allows them to monitor the status of invoices, identify bottlenecks, and make better-informed decisions.

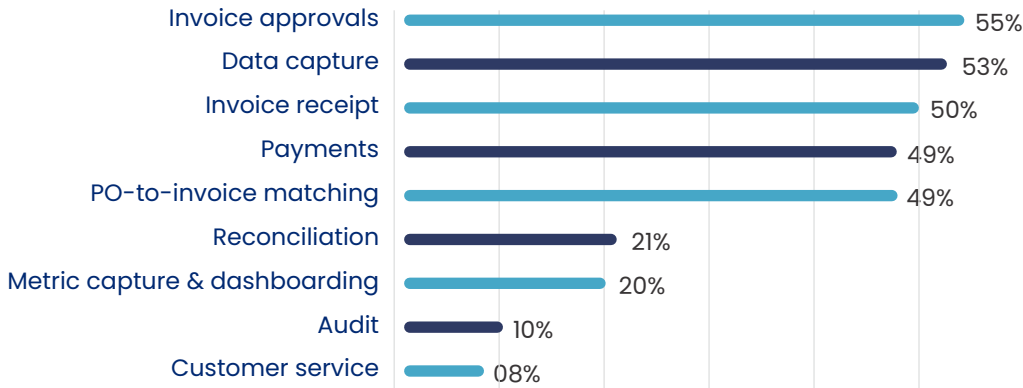
Increased security: Paperless invoice processing solutions offer security features, such as encryption and access controls to protect sensitive financial information against unauthorized access.

Reduced environmental impact: Going paperless can help lower the organization's environmental footprint by reducing the use of paper and ink.



Which tasks/sub processes are typically automated in an AP function? At the top of this list is invoice approvals, with more than half of respondents embracing electronic routing and signoffs on invoices, thereby preventing the time-consuming and inefficient movement of paper or emails among the various approvers. Another half of survey participants automate one or more of these tasks: data capture, invoice receipt, payments, and PO-to-invoice matching. These activities comprise the essential tasks of most AP teams.

Currently Automated AP Functions



Source: IOFM Account payable processes 2022 Benchmarking Reports

Choosing the right paperless accounts payable solution for your enterprise

Below are a few points that should be considered while selecting a paperless invoice processing software product:

Functionality: The software product should be able to handle a wide variety of invoice formats and layouts and should include advanced data extraction and validation capabilities. It should support multiple languages and scripts.

Integration: The product should be able to integrate with the company's existing systems, such as accounting solutions and ERP systems, to ensure a seamless workflow.

Security: It should include advanced security features, such as encryption, access controls, and multi-factor authentication to protect sensitive financial information.

User-friendliness: It should be easy to use for business users and should offer a compelling user experience (UX).

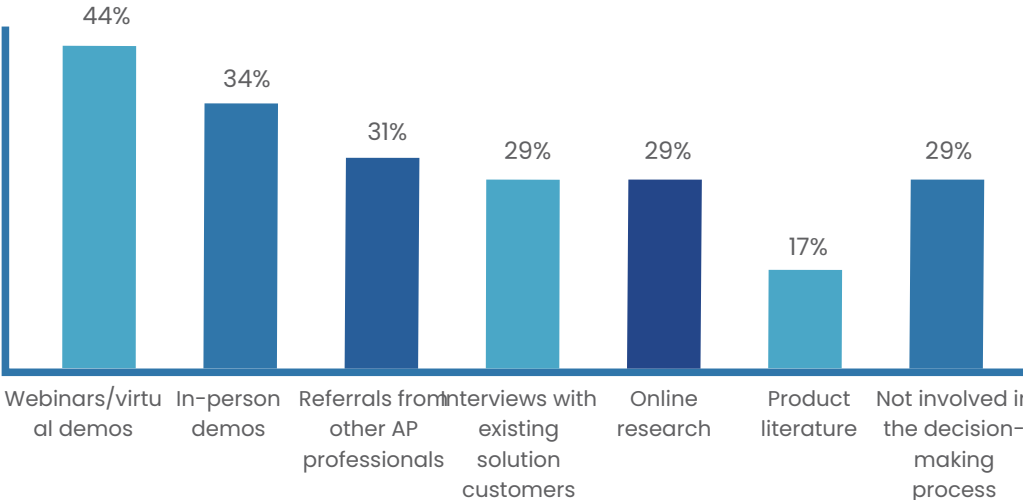
Scalability: The product should be able to handle the organization's current and future needs and scale up as per organization's growth (and increase in invoice volumes).

Support: The product should be offered with comprehensive support and training to ensure that the organization's staff can effectively use and maintain the system.



Picking up the right resources for researching or recommending AP automation solutions is an important aspect. IOFM recently conducted a survey for this and the greatest number of survey participants, (i.e., more than four in 10), mentioned that webinars or virtual demos are an important resource used in that process. A third of respondents mentioned that they participated in in-person demos, and about 30% considered the other users experiences and conducted their own online research.

Resources for Researching or Recommending Automation Solutions



Source: IOFM Accounts Payable Benchmarking Data, 2018-2022

Conclusion

The journey towards a paperless AP function is a necessary one for organizations looking to improve efficiency and accuracy and reduce costs. With the right solution and implementation approach, the benefits of a paperless AP function and process can be quickly realized. The information and best practices provided in this whitepaper are aimed at providing organizations with the knowledge they need to make informed decisions and successfully transition to a paperless accounts payable process.

Explore and discover the benefits of Zycus' AI-led AP Automation in your organization with a [free exploration call](#).

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