Top 5 Advantages of Automating Your AP Invoice Processing

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The biggest challenge in AP invoice processing is an over-reliance on people and paper-based processes. According to a study by PayStream advisors, this labor-intensive, manual process creates a high number of errors, which results in a higher cost per invoice and lower operational efficiency. The good news is it doesn't have to be that way.

Let's get down to the nitty-gritty of AP invoicing and the five top advantages of automating your process.

1. Time Savings – According to a study by Aberdeen, automation can take invoice processing time down from 20.8 to 3.8 days. Finding a way to save time is a necessity for most companies. Customer deadlines, vendors needing to be paid on time, and having enough cash in the bank are all reasons to shorten the AP process with an automated system.

With an electronic invoice, all members of the AP department, including managers and accountants, are able to follow the invoice digitally through the system with ease. In fact, all employees with approved AP system access can retrieve, view, print, and share a document at any point in the process. The manager can then quickly make comments, review, and approve the invoice.

An automated system eliminates the need to send invoices via interoffice mail or email for approval as well as hand-written approvals or instructions for paying the invoice.

2. Money – Where would you rather have your money, in accounts payable or in the bank? Automation will save your company money by allowing you to take advantage of pre-payment discounts such as the 20/10, net 30 option. Beyond discounts, the faster system helps to avoid late payments because invoices are better tracked and approved faster. AP

3. Operational efficiency – Don't you hate on-hold music? Guess what? So do your customers. Putting your customers or vendors on hold while you dig up an invoice isn't putting your company's best foot forward. Using an automated invoice processing system enables companies to improve both vendor relations and customer service with real-time service and accountability. It means digital invoices are a few short clicks away when a customer or vendor calls and customer service is never interrupted by an absent co-worker. Regardless of the level of automation, reducing the amount of time an invoice spends in someone's hand cuts costs and increases efficiency. When companies switched from a low level of automation to a high level, employees were able to go from processing 930 POs per month to 3,647. In fact, automation can also reduce compliance worries and manual errors. A digital system has built-in data verification and quality assurance features. Since the data is extracted from the document, it eliminates errors from manual entry. According to Aberdeen, vendor invoice error rate decreased from 4.0 percent to 3.1 percent while vendor checks reissued decreased from 1.9 percent to 1.8 percent as the level of automation increased.

4. Reduce Physical Storage Space – There is nothing sexy about a file cabinet. They are heavy, cumbersome, expensive, and take up valuable space in an office. Aside from being a "greener" business practice, reducing the amount of paper that goes through the office will also help cut costs by saving on office supplies and storage facility rentals. When the files are kept digitally they are never misplaced or defaced as they go through the invoice process.

5. Data Security – The AP department manages large sums of money every day, but there is little security when paper invoices are sitting on various desks in piles. In an automated system, a manager is able to set privileges with the click of a button. Digital systems also make audits more successful because each invoice leaves a trail that can be easily tracked.