It's Time to Re-engineer Payments in Manufacturing AP

It's About Time

Time is at the center of countless digital transformation efforts on the manufacturing shop floor. Companies seek to increase efficiency, accelerate production, streamline communication, eliminate bottlenecks, automate processes, improve connectivity, and more.

But what about the invoice-to-pay process? The top five challenges impacting manufacturing organizations when paying suppliers[1] are:

1. Delays due to manual workflows and legacy processes

2. Managing and updating vendor bank account details

3. Obtaining timely approval of invoices and payments

4. Capturing early payment discounts due to slow approvals

5. Locating missing supplier information to make payments

EACH OF THESE AP CHALLENGES IS ULTIMATELY ABOUT TIME: processes taking too much time and people having too little time.

That makes Accounts Payable ripe for digital transformation

1. Strategic Treasurer, 2022.

Time Has Been Working Against You

You may be the manager of your Accounts Payable (AP) department. You may be a staff member of a small or large AP team. You may be the sole individual responsible for the accounts payable function at your company. Regardless, you know firsthand that time always seems to be working against you across the invoice-to-pay process.

You handle hundreds or thousands of invoices each month. For each invoice, you manually enter information. You compare invoices to purchase orders and handle discrepancies. You route invoices for approval, walking them to the right person's office or figuring out which approver to email. You juggle scheduling payments. You scramble to find vendor information that was omitted or has changed. You process, print, and mail checks. You answer vendor requests for status updates.

As the days inexorably slip past, you field calls about late payments with frustration. You grit your teeth when late payment fees get tacked onto your costs. You hope that you will not lose an invoice or that a check will not get lost in the mail, although you know it will happen at some point.

Your problems are about time.

It's time to change that.

60% of manufacturers say that AP is the #1 most inefficient component of their company's operations[2]

2. Strategic Treasurer, 2022.

Digital Transformation Reclaims Time

Changing the way you handle your accounts payable creates efficiency, which in turn returns much-needed time to your AP staff. Methods that remove manual work, error-prone payments, and risk-heavy inputs are here to stay, and for good reason. Many manufacturing businesses are turning to:

- **Invoice automation** that integrates seamlessly with your ERP to improve operational efficiency, eliminate manual labor, and reduce costs

- **Vendor enablement services** to improve invoice tracking, deliver value to suppliers, and strengthen supplier relationships

- **Payment services** that handle all payment types and facilitate the shift from check payments to ACH and virtual card

- **Security measures** that reduce the risk of payment fraud by identifying anomalies, stopping unauthorized movement of funds, and maintaining sensitive vendor bank information

Take a look at how re-engineering the invoice-to-pay process reclaims TIME.

66% **of finance professionals said efficiency was their top driver for acquiring an AP automation solution.**[3]
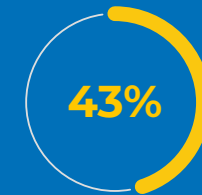
43% **of finance teams say their top 2024 priority was implementing accounts payable automation.**[4]

3. Blue Whale/Bottomline, 2024

4. Ardent Partners State of ePayables Report, 2024

Re-engineer Manual Processes to Shrink AP Cycle Time

Sixty percent of manufacturers say that time savings and improved productivity are the top drivers of AP process automation at their organizations.[5] But where exactly do the time savings and improved productivity occur?

Digitization and automation can:

1. **Eliminate manual data entry** along with the potential for error that accompanies physically keying in data.

2. **Streamline the validation process** by matching invoices to legitimate purchase orders, reducing the number of invoices that require manual handling.

3. **Condense time for approvals** by electronically routing invoices to the appropriate person and sending reminders about outstanding approvals.

4. **Pay valid invoices automatically** into your vendor's bank account.

Ultimately, digitizing and automating invoice processing from receipt through capture, matching, coding, and approval lets **you cut the 15 to 20 steps necessary to process a payment down to just 3 steps**. That translates into a dramatically shortened AP cycle time.

3 out of 4 of Paymode customers reduce their processing time by at least 25%
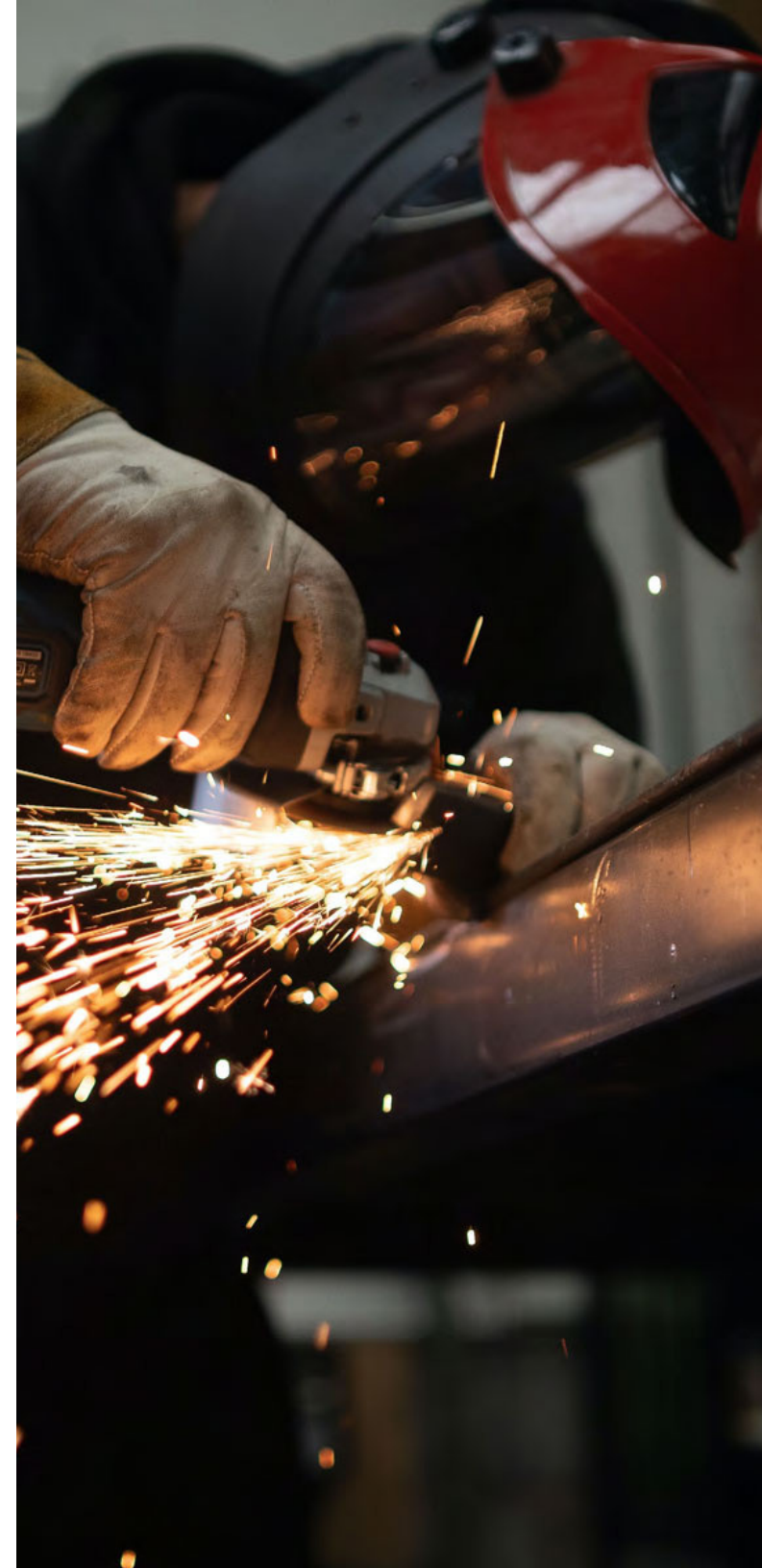
Minimize Late Payments

Late payments can occur for many reasons such as high invoice volume, limited resources, process inefficiencies, and delayed checks. Whatever the cause, the result is the same: late payment fees, strained supplier relationships, and a damaged credit rating. Shrinking your AP cycle time through digital transformation can drastically reduce and even eliminate late payments.

75%

Over 75% of finance professionals said suppliers care most about either moving away from checks or getting faster payments.[6]

Better Payment Methods Speed Vendor Payments

Paying suppliers by check – which is all too common in the manufacturing industry – is rife with time-related problems.

First, paying by check **inhibits the capture of early payment discounts** because checks frequently cannot be approved, processed, mailed, and received in time to meet early payment terms. These are typically 10-15 days from the date of the invoice, and checks simply don't work within that timeline. In contrast, digitizing AP and converting check payments to Automated Clearing House (ACH) or virtual card payments can **slash invoice cycle time from 3 weeks to an average of 3 days**[7]. You can then capture early payment discounts readily, strengthening your vendor relationships in the process.

Second, paying by check **limits your flexibility**. If you are paying by check, you have to send the payment five to seven days before the due date. Virtual cards and ACH payments, however, let you **schedule an exact payment date**. This puts you in the driver's seat and improves your days payable outstanding (DPO) metric.

Third, paying by check **prevents straight-through processing**. There are several zero-touch scenarios for processing and direct depositing approved ACH and virtual card payments. Payment is deposited into your supplier's bank account and they also receive rich remittance information about the transaction. This allows **AP staff to spend time on more strategic initiatives** and also helps strengthen relationships with your vendor.

10 Hours

is the average time teams can save per week by automating AP processes.[8]

7. Ardent Partners, 2024.

8. American Express, 2023/PYMNTs.com

Save Time AND Make Money

By partnering with an AP automation solution provider that offers cash-back rebates on ACH and virtual card payments, not only can you save time, you can also make money on the money you spend.

As your electronic payment transactions increase in volume, so does the amount you earn in cash rebates. One Paymode customer earned $270K in cash-back rebates in one year. Another achieved $800K cash-back rebates in one year on more expansive spend.

Re-engineer Visibility to Improve Decision-making

In AP environments that rely on legacy systems and manual processes, data visibility is low. Data may be siloed across diverse systems. Real-time data is limited, if available at all. Digitally transforming the invoice-to-pay process changes all that, providing complete visibility into real-time data to support agile decision making.

This saves you time by supporting:

Invoice prioritization

With invoices endlessly streaming in, how do you know which to process first? Excel spreadsheets do not deliver that information readily, nor do most legacy systems. You certainly cannot weigh the relative importance of hundreds of invoices in your mind. But digitized systems that incorporate artificial intelligence (AI) or machine learning (ML) can alert you to invoice data that will quicky help you make fact-based decisions about what to pay, when to pay, and how to pay to fulfill your business objectives and maintain strong vendor relations.

Financial strategy

To make the right decisions with regard to investments, financing, and budgeting, your CFO needs rich accounts payable data – data that you may be called upon to supply. Digital transformation of AP means you can swiftly gather the necessary reports and information so that your CFO is able to invest optimally and address strategic goals such as funding growth, paying down debts, or financing mergers and acquisitions.

Daily operations

You need real-time access to payables data to ensure that AP runs smoothly. Budgeting, forecasting, assessing spend liability, tracking spending patterns, and optimizing spend with suppliers, all rely on accurate and up-to-date AP data. Rather than struggling to pull AP information from multiple systems and sources, digitizing AP gives you the data you need on-demand. You gain instant online access to financial information at virtually any point in the process via dashboards and a library of standard reports that offer real-time visibility into AP operations.

41% of finance professionals said that improving AP reporting and visibility was their top priority[9]

9. Ardent Partners, 2024

Re-engineer Security to Prevent Fraud

Digital transformation in AP provides multiple layers of robust security, from electronic payments to multi-factor authentication to device fingerprinting. Some security measures happen behind the scenes and do not affect how you operate on a daily basis. Others, however, save you time while preventing fraud.

For example, an advanced AP automation solution will put time back in your day by **checking suppliers** to verify whether they are on a watch list, have a questionable credit history, or have exhibited risky or suspicious patterns of behavior. Consider Paymode, with an established network of over 600,000 businesses and monitoring technology, the solution can readily spot trends that indicate potential fraudulent behavior such as repeated duplicate payments.

An AP solution provider will also **onboard suppliers** so that you do not have to contact them to get the necessary banking information or do the associated data entry. Furthermore, a trusted AP partner will perform **ongoing data validation** any time there is a change in account details. This ensures that your payments arrive where they're intended to go every time. Your vendors' banking data will be housed with the AP solution provider in an encrypted and secure network that adapts to evolving threats, eliminating your risk of a data breach.

Artificial intelligence and/or machine learning in your digitized AP process will **detect anomalies** in invoice amount, timing, or frequency based on historic data and flag invoices for inspection. Additionally, payment risk scores can be assigned to each invoice based on multiple criteria. With these safeguards, you no longer have to spend time and effort analyzing invoices for possible fraud.

80% of organizations were the target of a fraud attack or attempt in 2023.[10]
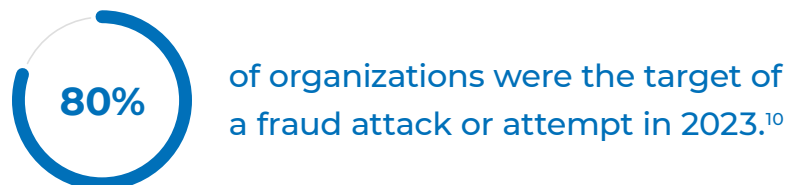
10. Strategic Treasurer, 2022.

Re-engineer Storage and Indexing to Find Data Faster

How you store documentation has a direct link to how AP staff time is spent. Physically storing AP documents in filing cabinets and bookshelves makes it difficult to retrieve and assess invoices over time. To make matters worse, if you have geographically-dispersed personnel or a team of remote workers, they must wait for documents to be retrieved, scanned, and emailed.

Physical document storage also hinders your organization's ability to comply with audits or regulations on data access. Without automation, audits can turn into immensely expensive and time-consuming exercises requiring staff to rifle through filing cabinets and storage bins and try to establish clear audit trails.

Automated electronic imaging and archive capabilities ensure that invoices are easily accessible to all authorized staff, even when working remotely. Invoices can be digitally linked to related documents such as purchase orders, check copies, proof of delivery documents, remittance advices, and ad hoc documents such as emails. This provides a comprehensive view of each invoice, supporting approval workflows as well as audit and compliance reporting.

Streamline Daily Operations to Avoid Errors

Correcting errors consumes an inordinate amount of time in AP – time that could be much better used elsewhere. Digitizing the invoice-to-pay process enables you to avoid errors and reclaim the time you would otherwise spend correcting them.

An automated AP system will eliminate:

- Data entry errors
- Spreadsheet errors
- Lost invoices
- Double payments
- Late Payments

An automated AP system will flag:

- Duplicate invoices
- Matching errors
- Incorrect or missing line items
- Exception invoices
- Anomalies or suspicious transactions

Prioritize Systems Integration to Increase Efficiency

Best-in-class accounts payable automation solutions enable tight integration with back-end systems without expensive customization and re-training of AP staff, or the need to buy additional ERP user licenses. Such integration saves time by allowing you to:

- Schedule or on-demand synchronization of invoice and payment data to and from your ERP

- Ongoing maintenance of vendor information and turning on new vendors

- Automate two- and three-way matching for PO-based invoices

- Route non-PO-based invoices automatically to appropriate staff for general ledger coding and approval

- Permit non-PO-based invoices that require exception processing to be viewed within an ERP system or within the AP solution portal for review, coding, and approval

- Calculate and code tax amounts for non-PO-based invoices according to the defaults in an ERP system

- Create vouchers in the ERP system when invoices are approved

- Provide complete online review of all invoices as well as the ability to access data on invoice status and invoice volumes

- Make all transactional data available within the ERP or accounts payable system

- Generate a fully auditable record for each transaction

- Provide direct links to the address book and supplier master file in an ERP system for data validation and updates, eliminating manual synchronization
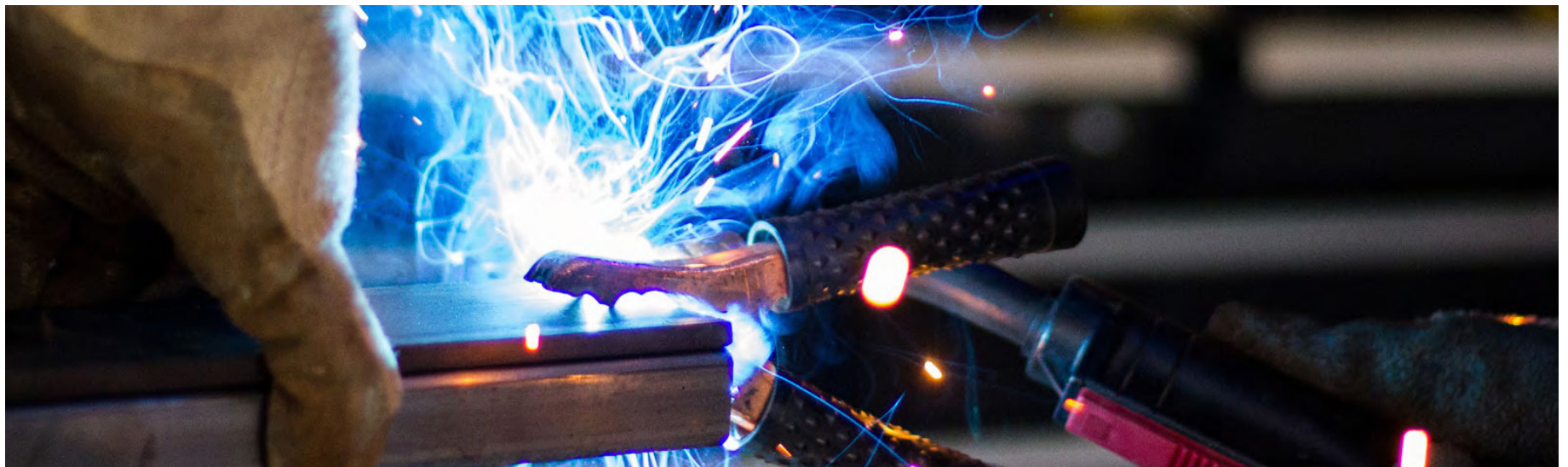
Improve Vendor Management to Strengthen Relationships

AP exerts tremendous influence on supplier relationships and much of that influence involves time. There is the time required to onboard new suppliers, send payments, provide status updates, resolve disputes, respond to complaints, etc. When these activities take too long, it raises tension with suppliers.

Automation in AP supports strong supplier relationships by:

- Onboarding new vendors swiftly and efficiently through a trusted AP solution partner.

- Ensuring that payments are consistently made on time or early through automation of the invoice-to-pay process.

- Identifying invoice errors through artificial intelligence and machine learning.

- Minimizing payment errors through automated scanning and processing.

- Providing complete transparency into payment status through a vendor portal.

- Accelerating exception, complaint, and dispute management by making AP data readily accessible.

58% of our customers have improved vendor relationships directly as a result of using Paymode.

Re-think AP Resource Allocation to Support Growth

How many invoices can one person or a small team process? Not enough, especially if your business is growing. By automating the invoice-to-pay process, you effectively reduce the workload so you do not have to hire additional staff to scale effectively.

With the time reclaimed through the re-engineering of AP, you can allocate more time to strategic activities that benefit your business. For example, consider supplier management. Digital transformation of the invoice-to-pay process allows you to collaborate with procurement to establish a robust supplier selection and review process, using insights gained from past and present payment data. Supplier scorecards can be developed that incorporate invoice-related metrics, such as matching errors or duplicate invoices. All this vendor data can be brought into play at contract renewal to actively negotiate better rates or payment terms.

You don't need to stop there. Other strategic areas ripe for improvement include analyzing AP data for critical business insights, engaging in forecasting to gain a competitive advantage, and improving cash management. Plus, with your AP function transformed from the routine to the strategic, you will attract and retain skilled employees as your business expands.

Now Is the Perfect Time for Change

In AP, many challenges are about time. It boils down to the fact that your current AP processes take too much time and you have too little time to give.

Now is the perfect time to change that by re-engineering the invoice-to-pay process... and the perfect place to start is with Bottomline and Paymode.

With Paymode, you gain:

A trusted partner with deep domain knowledge, decades of experience in payments, and cloud-based technology that is ready and easy to deploy.

A holistic approach to digital transformation that automates and optimizes the end-to-end invoice-to-pay process.

An established and secure network of over 600,000 members accepting over $450B in virtual card and ACH payments every year, all with zero fraud.

A continuous vendor enablement mindset. Over 50% of your vendors likely already use Paymode, and we'll work on your behalf to recruit and onboard more.

A payment solution that is relied upon by seven of the largest banks in America and which can handle all payment types for both domestic and international vendors.

Now is the time to re-engineer payments in manufacturing AP

Learn how Paymode can help you improve your AP performance.

Learn More

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