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5 Ways Electronic Invoicing Networks Transform Accounts Payable into a Profit Centre

Summary

Today, businesses face the lasting effects of the global pandemic, economic uncertainty, and supply chain bottlenecks. These challenges impact business continuity and overall financial health. In Deloitte's 2022 CEO survey, 56% of respondents ranked their financial insecurity as high or very high, citing the invasion of Ukraine as a core concern.

On top of this, 98% of CEOs surveyed expect operational costs to rise in the coming year, with 46% expecting significant increases. Unprecedented inflation rates are primarily responsible for these rising costs, hitting as high as 9.9% in the UK and 8.3% in the US. As a result, it is a critical time to consider where organisations can decrease wasteful expenditure and increase overall profitability.

Accounts Payable (AP) may not be the first place companies look to increase profits. Still, CFOs are likely aware of the outsized impact of poor financial processes on business success. It's no surprise that a lack of cash or working capital is the top reason startups fail. So, focusing on this issue is critical for sustaining longevity.

As businesses consider how they can optimise spending and increase their financial success, AP presents significant opportunities. With a digital transformation, AP can reduce residual spending and help companies increase retained revenue, ultimately improving profit margins. Though it may seem that digital transformations are widespread among AP teams, many are still falling behind and relying, if only partially, on paper or manual processes. With that said, companies acknowledge the drawbacks of manual approaches. Two-thirds of finance professionals expect their AP departments to become fully automated by 2025, according to Oracle Netsuite.

On top of streamlining and improving their systems, businesses have begun to see that AP's value is more than just back-office financial functionality. AP departments offer a wealth of data that can provide valuable insights into a company's spending and financial health. By shifting their view of AP, organisations can fully benefit from the newly available data.

This paper details the rising strategic importance of Accounts Payable before outlining five ways that e-invoicing and automation can drive corporate profitability. By the end, you'll see how to transform the once quintessential back-office chore into a centre of long-term strategic insight.

Exploring the Situation in AP

In the past, organisations have typically focused on how they can increase the efficiency and effectiveness of Accounts Payable processes. Though this is crucial to consider, CFOs have begun to recognise the effect Accounts Payable has on business profits as well as the unique opportunities this department offers.

In a survey conducted by Ardent Partners, Exactly two-thirds of all business executives believe that their AP team is either "very valuable" or "exceptionally valuable." Meanwhile, EY reports that CEOs' top priorities include investing in digital transformation and improving working capital management.

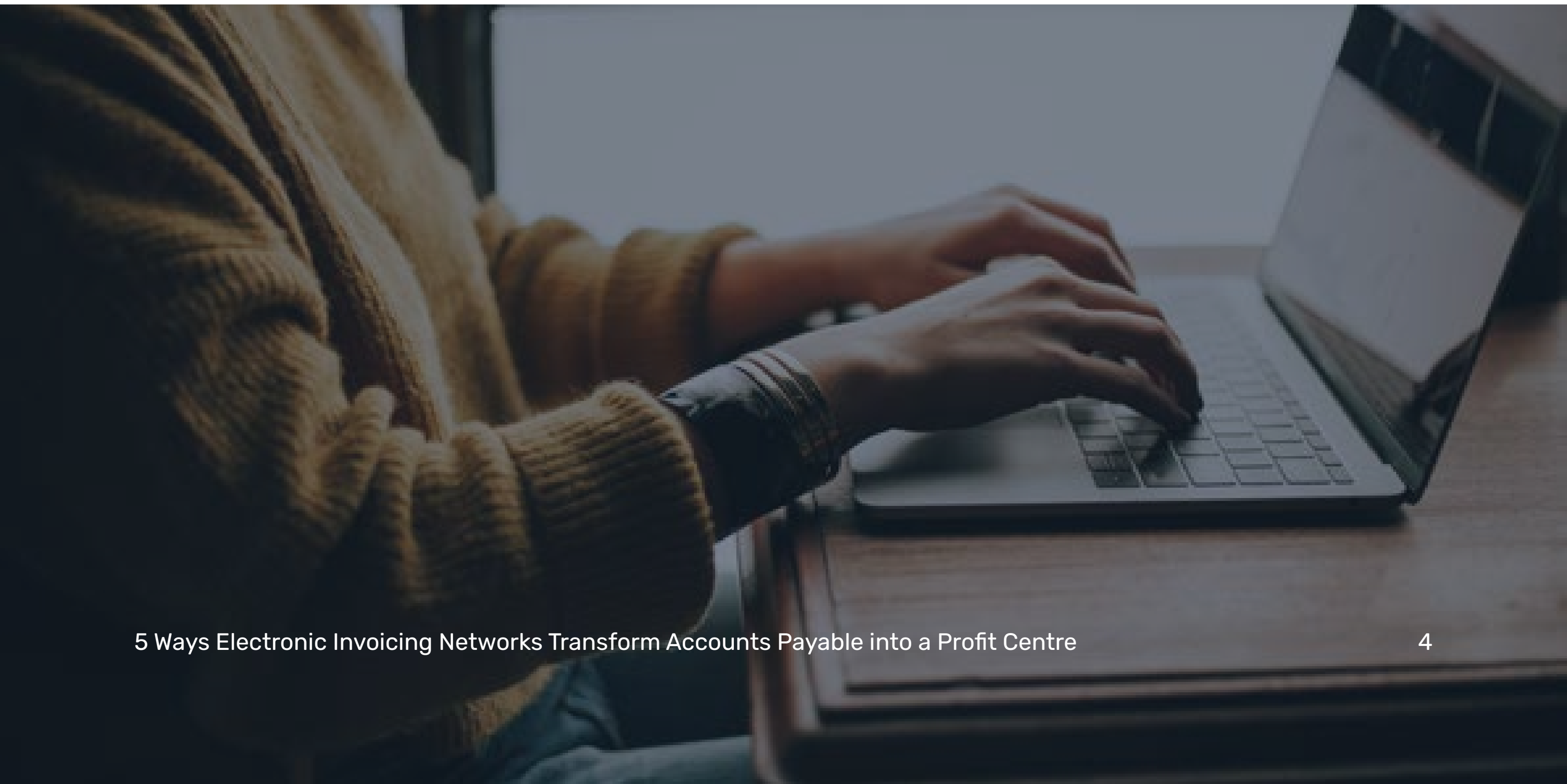
Focusing on and investing in AP can help companies achieve these performance goals and promote strong financial health. Digital transformation in AP — including automation, AI and e-invoicing — is the best approach for organisations to invest if they want to create seamless and efficient payment cycles.

Companies that fail to embrace these changes could encounter severe disruptions to operations and business continuity. The COVID pandemic offers an excellent example as many businesses had to transition to a work-from-home model to comply with safety guidelines and government-mandated lockdown measures.

Businesses without digital systems in place faced the most significant challenges. Some AP teams had to regularly send workers into the office to sort through the post and manage paper documentation, resulting in slower payment cycles and increased costs.

Today, remote and hybrid working is here to stay, with research from Deloitte suggesting 63% of workers expect to continue to work from home for at least part of the workweek. On top of this, businesses face retention issues and increased turnover during the current gig economy. Microsoft reports over 40% of workers are considering leaving their jobs this year. With constantly changing teams, keeping up with operations and maintaining a capable and well-trained team is challenging.

Luckily, digitisation seems to be the direction many organisations plan to go if they haven't already. Ardent Partners' survey found that 55% of respondents say AP will face a digitally transformed payment process.



Identifying the Solution to Optimise AP: E-Invoicing

What does a digital transition mean for AP, and how does it solve the need for solid profits? One of the core digital elements of AP is electronic invoicing (or e-invoicing) which increases efficiency and decreases the cost of the payment cycle and other functions.

Companies can share e-invoices through traditional channels, such as email, sending invoices instantly rather than waiting for traditional postage arrival times. Even better, AP teams can connect to an integrated network to maintain accuracy, ultimately allowing teams to track documentation better on top of decreasing invoice processing lead time.

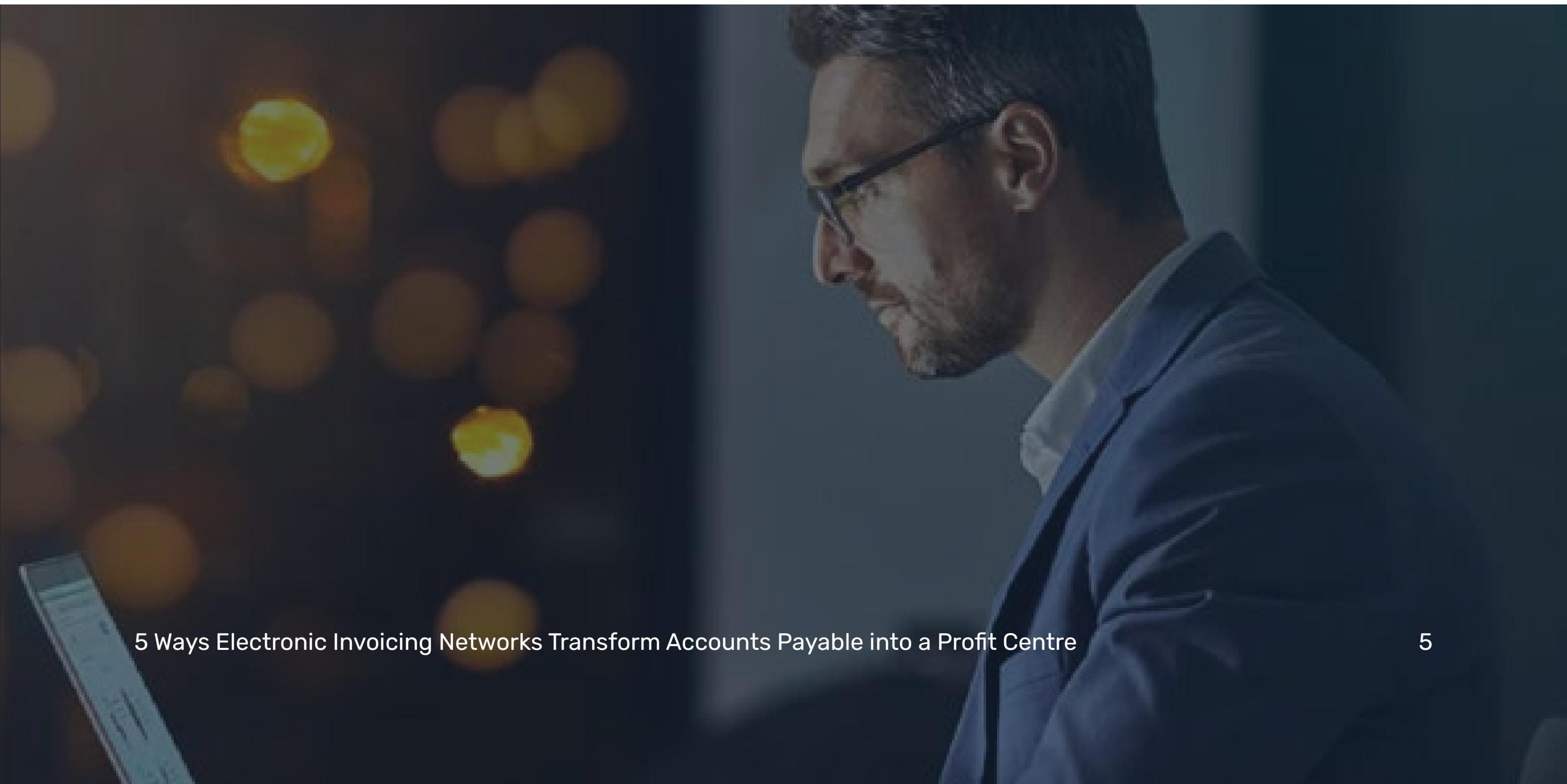
Electronic invoicing networks drive corporate profitability and growth by enabling users to submit, process, and pay invoices digitally in their preferred language, currency and format. When a user submits invoices electronically, the network then processes, translates, enriches and validates the data, enabling suppliers to distribute legally-compliant invoices worldwide.

E-invoicing makes AP more important, streamlining tasks for more productive operations, so it's no surprise that IMARC group expects the e-invoicing market size to reach US $29.68 billion by 2027. Countries such as France, Germany and Norway have made e-invoicing mandatory for Business-to-Government (B2G), while other countries, including Brazil, India, and Italy, have mandated e-invoicing for all transactions.

Ardent Partners research found that more than a third of companies plan to enable electronic invoicing for suppliers. With AP, there is still plenty more to be done to maximise efficiency and improve automation. If teams use e-invoicing, but need to manually input data, they're spending time that could be used on value-added tasks.

A digital transformation does more than save time on critical AP tasks. Quickly embracing these changes allows businesses to save money and increase their overall profitability. According to research by IDC, global spending on digital transformation is forecast to reach $2.8 trillion by 2025.

But, how can a digital transition turn AP into a profit centre? Let's look at the five main benefits of this approach to solidify how it can increase an organisation's financial success.

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Understanding the Benefits of E-invoicing: Improved Operations and Increased Profitability

Electronic invoicing networks drive corporate profitability and growth in five ways:

1. Reduce the costs of Accounts Payable

Ardent Partners' research has consistently shown that automated invoicing processes can cost between 40% and 90% less when compared to manual, paper-based processing methods. Therefore, paper invoicing eats revenue that organisations shouldn't need to spend.

E-invoicing can save companies both time and money when it comes to completing the payment cycle. This type of invoicing contributes to corporate profitability by reducing or eliminating the Accounts Payable costs associated with manual data entry, paper handling, filing and retrieval, routing of documents, supplier inquiries, and audit requests.

Research from Ardent Partners' State of ePayables 2022 shows that best-in-Class AP teams achieve per-invoice processing costs that are 76% lower than their peers, and invoice processing times that are 81% faster than the competition. Digitising the approach offers just those solutions, allowing companies to retain the saved costs.

Additionally, paper invoices need to find their way to the recipient through the post, which can take several days and drags down the monetary return, reducing cash flow. The average organisation spends just over $10 to process a single invoice, which when multiplied by the thousands of invoices processed per month that an organisation might face, is a considerably high cost. E-invoicing also decreases the likelihood of losses due to late or misplaced invoices.

Yet, average invoice processing time and costs do not tell the whole story about Accounts Payable expenses. If suppliers send invoices without purchasing orders, spending is outside of regulated procurement processes, lengthening the time needed to complete this payment cycle. Invoicing without purchasing orders often leads to late payments and disruptions to financial obligations elsewhere, costing organisations more than initial PO invoices.

If businesses include a purchasing order in all invoices, it can decrease financial losses due to Non-PO invoice delays. Electronic and automated tools make it easier to create invoices with purchasing orders attached. What's more, the same tools can match purchasing orders with invoices to optimise payments and retain revenue from the decrease in late fees.

Clearly, the cost savings provided by electronic invoicing networks help increase profitability. But the extent to which AP teams can actually achieve these savings depends on the performance of the electronic invoicing network. Performance is directly related to departments' ability to integrate with suppliers and leverage true electronic invoicing. Organisations cannot achieve maximum cost savings if they perpetuate paper or try to move everything digital without an integrated network.

As highlighted above, Ardent Partners reports that organisations spend on average $10 per invoice, while best-in-class organisations spend just $3.12 to process a single invoice. Ardent Partners cite the dramatic reduction in invoice exceptions and an ability to process invoices straight through as one of the core reasons for such savings.

The metrics show that transitioning to electronic payments, particularly e-invoicing, costs businesses far less with each transaction. That money can protect profit margins, increase sustained revenue, and promote a company's long-term financial health. Plus, these businesses can reinvest these funds in other areas of business rather than letting them go to waste due to outdated and inefficient processes.

2. Improve operational efficiency

Efficiency is an integral part of profitability in business. So it's no small issue that 47% of AP teams - a critical finance functionality, list "invoice/payment approvals taking too long" as their top challenge in 2022. Dysfunctional Accounts Payable affects efficiency and agility, putting organisations at a significant disadvantage in volatile markets.

This challenge of efficiency was exacerbated by remote working during the pandemic, and hybrid working models thereafter. As people were forced to leave the office, effective working models were more important than ever. Paper processing requires proximity that was no longer available due to the social distancing restrictions, so teams who relied on it faced immense challenges trying to keep up with invoice processing demands. But as this situation presented itself, it added urgency to the need for automation, pressuring many AP teams to adapt. 75% of U.S. CEOs feel that their businesses need to be quicker to invest in digital opportunities according to a KPMG survey.

According to Ardent Partners' State of Playables 2022, on average only 13% or less of businesses today have fully automated cash management, supplier onboarding and spend management across their AP department. On top of that, 88% of 2022 Institution of Financial Operations and Leadership survey respondents believed their finance role could be different if automated. With that said, 44% of those respondents expect to fully automate their services within 1-3 years, so organisations are recognising the importance of this when it comes to productivity.

The above metric is comparable to Ardent Partner's survey, which indicated the AP's top priorities in 2022. According to the data, 48% of businesses wanted to improve AP reporting and data analytics, while 41% wanted to deploy AP automation. These priorities will increase efficiency, aiming to overcome that core challenge and promote productivity within payables teams.

Though organisations recognise the importance of automation in efficiency, 54% of AP teams are still only partially automated. IFOL's 2022 survey reports that 68% of AP departments still manually key invoices into software, with 56% of employees spending over 10 hours a week processing these invoices.

Manually processing paper invoices drags down AP teams and presents various issues leading to unnecessary financial and time wastage. This approach results in costly and error-prone data entry and a higher frequency of lost or misplaced invoices. On top of this, it creates lengthy approval and exception resolution cycles (which result in late fees and missed discounts). Even more, manual systems aggregate compliance and security risks, high paper storage and retrieval costs, and delays in uploading data on approved invoices to downstream systems. It's a time-consuming approach, from resolving supplier inquiries regarding invoice and payment status to the difficulty of implementing operational best practices.

Well-performing electronic invoicing networks increase profitability by automating efficiency-draining tasks such as:

- **Invoice receipt:** invoices are securely transmitted from a supplier's billing system to a buyer's Accounts Payable system without requiring data entry; an online portal lets suppliers track the payment status and collaborate with buyers to resolve disputes.

- **Invoice validation:** configurable business rules validate invoice data at the point of supplier submission; validating invoices at submission increases straight-through processing rates and protects against errors and fraud.

- **Invoice matching:** two-way and three-way matching of invoices to purchase orders and/or goods and services; unmatched invoices are electronically routed for approval or resolution.

- **Invoice routing:** based on company-specific business rules such as invoice amount; the workflow electronic invoicing provides drives control across all invoices and processes.

- **Invoice posting:** approved invoices are sent to an enterprise resource planning (ERP), general ledger (GL) or accounting system for posting and payment.

Electronic invoicing also improves efficiency by reducing processing errors. Every instance of human intervention in the invoice cycle increases the likelihood of costly mistakes. Unfortunately, Accounts Payable is one of the most manual and paper-intensive finance functions if an organisation hasn't already transitioned to digital methods.
Manually processing paper invoices requires data entry, paper handling and routing, exceptions resolution, supplier inquiries, document filing and retrieval, and searching for misplaced invoices.

Organisations are investing the money they save through digital payment processing in data analysis. 48% of businesses listed improving data analytics and reporting as their top priority within AP. This focus allows AP teams to spot opportunities to optimise methods for better efficiency. Plus, it lets companies better understand their financial performance to promote longevity.

Automation, AI, and e-invoicing can maximise the efficiency of AP teams, increasing agility and adaptability. These tools help new team members train more quickly while increasing capacity as they speed up processing times and the overall payment cycle. Companies must train their employees to use these tools properly, creating a proficient and reliable team that stays on top of Accounts Payable procedures to optimise the profitability of incoming payments.

3. Manage cash and working capital effectively

Deloitte's 2022 survey found that CEO's top priorities include better cash flow (37%) and reduced costs (35%). Slow invoice approval cycles result in costly late fees and shut businesses out of early-payment discount opportunities. Improving cash and working capital management contributes to corporate profitability and growth. Many companies are still trying to recover from the negative effects of the COVID pandemic. Ardent Partners' highlights that "the pandemic underscored the fact that manual processes impede efficiency and visibility and can threaten business continuity and organisational resilience."

Electronic invoicing networks improve cycle times and result in more discount opportunities. With quicker invoice processing times, organisations can take advantage of early payment discounts, underlining how saving time saves money.

Similarly, electronic invoicing networks facilitate dynamic discounts between buyers and sellers. Suppliers create an early payment program through an electronic invoicing network and invite buyers to participate. Sign-up takes just a few minutes. Once the supplier approves an invoice, they have options regarding when they want it paid out. The sooner the payment, the bigger the discount; the longer the time until payment, the smaller the discount.

As e-invoicing makes it easier and quicker to pay out, it can help AP stay on top of all possible discounts suppliers offer, which provides greater opportunity for savings within AP and reduced core business costs. Businesses that take advantage of just a discount term of 1/10 net 30 earn an annualised 18% return – a lot more than they can currently make from a typical interest-bearing bank account.

Invoice financing is another way that electronic invoicing networks help drive profitability. Invoice financing provides suppliers with access to cash held in invoices that have been approved by a buyer but not paid. For example, a buyer's electronic invoicing system may approve an invoice but not complete the payment for up to 90 days.

Invoice financing enables the early release of cash for approved invoices. Suppliers can register using an easy two-step online process that replaces the long-winded underwriting model. Organisations that use invoice financing help improve cash flow and decrease the need to chase after late invoices.
Suppliers that submit invoices via an electronic invoicing network can select which approved invoices they would like paid early and receive the invoice amount prematurely, incurring a discounted charge, which changes based on when suppliers choose to sell their approved invoices. Suppliers do not pay fees to register for invoice financing or maintain the service. The electronic invoicing network executes all early payment discounts. Still, invoice financing is optional for suppliers. There also are no stipulations on how often a supplier must finance invoices; suppliers can register for the service and not use it until they need financing.

Compared to traditional bank financing and money from family and friends, invoice financing provides suppliers with easier access to cash, lending rates far below the 10 basis points charged by some third-party financing companies, and simple requirements for Know Your Customer regulations. Plus, invoice financing is available to all suppliers on an electronic invoicing network.

In addition to helping suppliers better manage their cash, financing reduces the churn in suppliers that can raise a buyer's cost of goods and services and impact its supply chain – both of which eat into profits. Though companies pay invoice financing services a small fee for this process, it ultimately helps to increase efficiency and reduce late costs. Plus, electronic systems create readily available cash from invoices without chasing them.

Speeding up the invoice processing time and taking advantage of available discounts can improve cash flow and build working capital. As a result, organisations can more effectively invest their money into profitability and growth. But one of the best ways to invest that capital is towards methods that increase financial visibility to manage funds more efficiently.
In the next section, we'll examine how analytics and business intelligence are vital to higher visibility and overall financial health.

4. Increase the transparency of spending data

Visibility into corporate spend is critical to profitability and growth. A lack of visibility into spending can lead to redundant purchases, budget variances, "maverick" spending, and contract disputes. The inability to plan for large expenditures can also have adverse ripple effects throughout the business. So it's no surprise that low visibility is one of the top challenges in payable, per Levvel's survey.

When organisations invest in and take advantage of the vastly available spend and invoicing data that AP teams can provide, they can enhance their spending and financial oversight. Analytics that some electronic invoicing networks provide enable buyers to improve procurement controls, ensure contract compliance, and reduce their cost of goods and services. Well-performing technology accomplishes this by providing organisations with current insights into critical spend data such as:

- Invoice line items
- Line item description
- Invoice number
- Purchase order number
- Unit measure and price
- Line value
- Supplier name
- Product identification number
- Supplier spend
- Price
- Price variances
- Non-compliant spent
- Supplier and category trends
- Pre-purchase and pre-contract activity
- Post-purchase and historical price comparisons
- The timing of cross-border value-added tax (VAT) payments

It's no wonder that 48% of AP functions rank improving data reporting and analytics as critical. Still, it's crucial to understand the intersection between electronic payment systems and analytics so that teams can make the most of the opportunities digitising the process offers.

Digital records make it simpler to store spend data and increase visibility into finances. Organisations can harness AI and automated data analytic tools to optimise their available data and gain valuable insights into a company's financials.

Similarly, electronic invoicing networks provide transparent spend visibility that improves profitability. Users can aggregate data and drill down into numbers to find transaction volumes and price trends. Price trends impact business's hedging strategy against currency fluctuations. If companies notice core components in their supply chain are getting expensive, they might find ways to reduce their foreign currency reliance or seek new suppliers to lessen overall costs.

Analytics also provide businesses with real-time data on their spending at an enterprise, supplier, category, service, and individual invoice level. Traditional procurement and Accounts Payable reporting interrogates old data. Metrics provide a four-way match between purchase orders, receipts and invoices, showing the lowest price paid for a product or service, allowing for end-to-end tracking and traceability. Dashboards enable users to model the implications of purchasing decisions.

Analytics enable buyers to understand and improve control over their spending by gaining access to previously inaccessible data and savings opportunities in real-time. These numbers also let buyers identify historical price fluctuations, opening the door to discounts or credit notes. The lowest prices paid for the flagged goods or services are displayed with the flagged invoice. For instance, buyers can identify price variances on identical products and save between 1% and 4% of their total spend.

Metrics can also review the price history and pricing behaviour from locations to ensure dispersed purchasers pay a fair price for the same goods and services. Analytics determine whether organisations purchase goods and services from the right supplier under the ideal contract. According to the 2022 Future of Finance benchmarking report, data analytics (28% of the vote) is considered the second greatest value add businesses, with automation and digitisation (30%) being the highest. Redirecting this attention towards AP teams lets companies use employee skills to develop insights and better understand financial performance.

Additionally, this shift towards an analytical role could benefit the staff and increase overall job satisfaction. Employees may not like performing the same repetitive admin tasks every day, which can lead to boredom and lower productivity. But taking on more responsibilities in value adding areas can make these employees feel more essential to a company's success.

Organisations must invest in talent that can harness this data and turn it into valuable and actionable findings. According to Ardents Partners' survey, 64%

of respondents consider analytics and business intelligence the most desirable skill for the next generation of AP teams. Combining the capabilities of automation and AI with analytically skilled individuals will give companies the power to optimise the wealth of data and turn it into profitability.

5. Improve agility and scalability of AP teams

Electronic invoicing networks also provide agility and scalability that drives profitability. Teams can manage exceptions online via an electronic invoicing network, eliminating the back-and-forth phone calls and emails common in a manual Accounts Payable environment, as well as the chasing down of stakeholders. Electronic invoicing networks also facilitate communications between partners via electronic newsletters and messaging in purchase orders.

E-invoicing networks streamline the process of onboarding new suppliers and collecting documents required for regulatory compliance, such as the US's W-9 or W-8 tax forms and UK's Making Tax Digital (MTD) compliance.

These e-invoicing networks also enable users to easily share information and collaborate with their teams. On top of this, they can also promote productivity among external teams. Multiple individuals can review and approve the same invoice simultaneously in a controlled manner. Staff can collaborate and share information online to resolve disputes. Accounts Payable staff can collaborate with procurement by sharing electronic purchase orders and advance shipping notices and verifying purchasing information. Security controls ensure that access to specific data is restricted only to those authorised to view and approve invoices.

Ardent Partners' research found that best-in-class organisations had a clear technical advantage over their peers. For example, 88% of best-in-class organisations use an e-invoicing solution, while only 34% of all other businesses do not. Meanwhile, 94% of best-in-class teams used automated data capture and extraction techniques, compared to just 43% for all others.

Automated and electronic systems free employees to focus on activities that add value to an organisation rather than just manual admin or back-office functions. Systems and invoicing networks allow organisations to quickly adapt to changing needs and grow their volume without needing additional staff or infrastructure.

Digital technologies such as electronic invoicing networks boost profits by creating new business models, accelerating the pace of change, rewriting the rules of competition, and blurring boundaries between verticals.

Electronic invoicing networks can send suppliers confirmation that the buyer received their invoice allowing them to electronically view the status of their invoices and payments, eliminating calls and emails to the buyer's Accounts Payable staff. Invoice information is available from the time of receipt through to final payment. Buyers can also send invoice processing and payment status information in their standard systems format and control the frequency of updates. Communication is tailored to the buyer's local language requirements, and those of suppliers.

Each of these benefits contributes to corporate profitability. But electronic invoicing networks also support the efforts of CFOs to develop a strategic response and pre-emptive changes as organisations migrate towards digital technology.

The use of automation tools and e-invoicing networks undoubtedly offer opportunities for greater growth, time-management, and overall processing speed, which is proven to save money within this department. But, teams must also be able to communicate and work together to use these tools to their full potential. Ultimately, investing in the AP workforce will offer endless profit opportunities, optimising performance, efficiency, and enhancing the outcomes of available tools. Though digitisation is key to the future of success in AP, the people remain essential.


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The Bottom Line: E-Invoicing and the Future

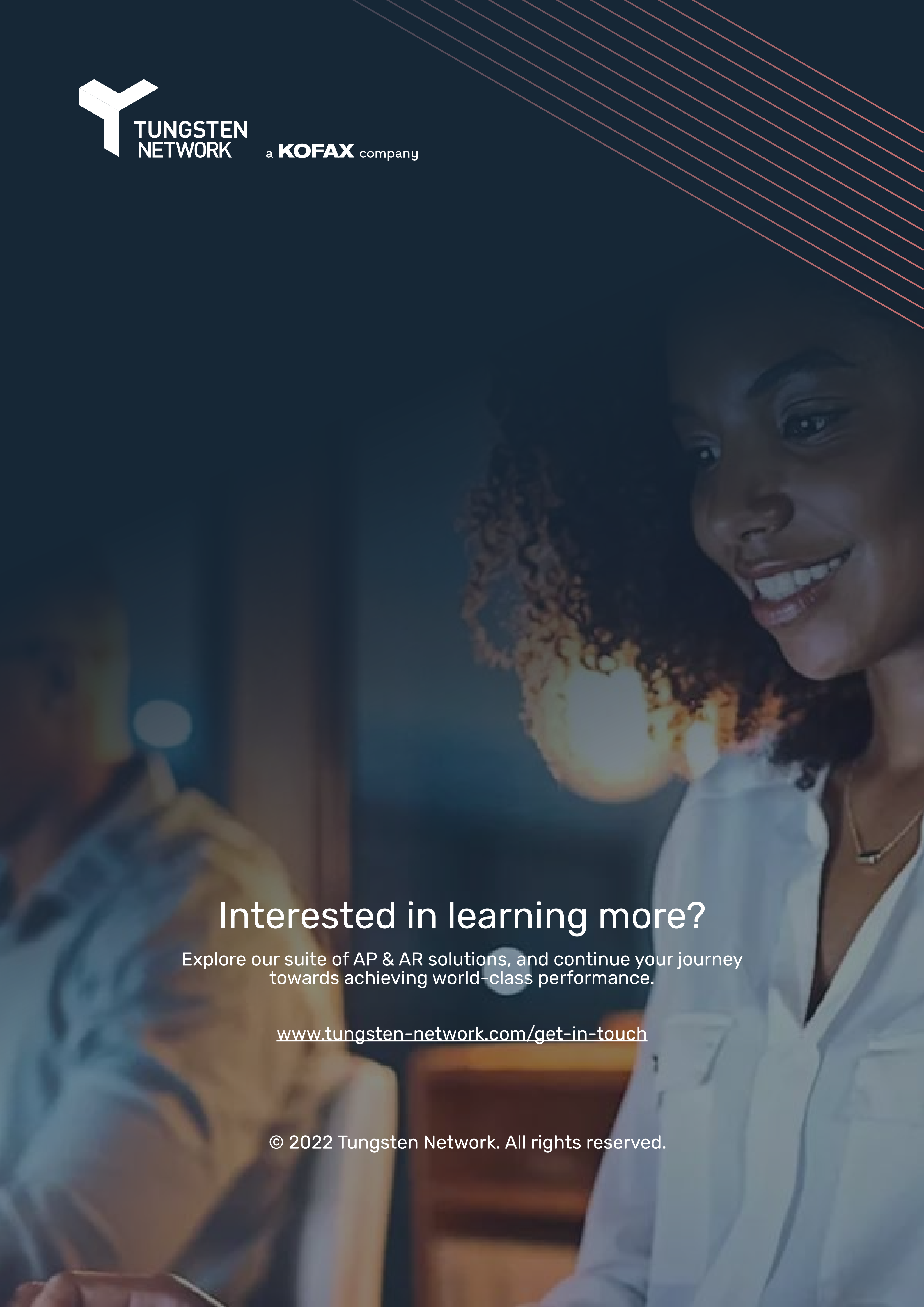
Revenue growth is hard to come by in today's economic and business environment. As a result, companies are looking for new ways to improve profitability. Accounts payable departments are playing a critical role in this effort. Migrating to an electronic invoicing network supports corporate profitability and growth by reducing Accounts Payable costs, improving efficiency, enhancing cash and working capital management, achieving transparent spend visibility, and increasing scalability and agility. Best of all, electronic invoicing networks deliver these benefits, regardless of the economy. They offer flexibility and agility as well as operational continuity protection during impactful events, such as the COVID pandemic.

About Tungsten Corporation plc

Tungsten Corporation (LSE: TUNG) aims to be the world's most trusted business transaction network by using data intelligently to strengthen the global supply chain.

Tungsten Network is a secure e-invoicing platform that brings companies and their suppliers closer together with unique technology that revolutionises invoice processing, maximises efficiency and improves cash flow management. The Tungsten Network also provides users with realtime spend analysis through analytics, and offers access to Early Payment, a form of alternative finance for businesses.

Tungsten Network serves 56% of the Fortune 500 and 67% of the FTSE 100. It enables suppliers to submit tax-compliant e-invoices in 47 countries, and last year processed transactions worth over $187bn for organisations such as Alliance Data, Aviva, Cargill, Deutsche Lufthansa, General Motors, GlaxoSmithKline, Henkel, IBM, Kellogg's and the US Federal Government.



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