AP AUTOMATION: WHAT DO WE KNOW?

NEWS 8

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> > > "IT'S A CONSPIRACY"
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THE TRUTH ABOUT AP AUTOMATION:
FACTS ON THE FUTURE OF FINANCE

avidxchange™

TOP SECRET

THE OFFICE OF PAPERWORK · 1983 · WASHINGTON

EVANGELIZING EFFICIENCY

"CHRIS"

Hi, there! I'm Chris Elmore, AP Automation Evangelist, entrepreneur, professor, author, and snazzy dresser! For the past 17 years, I have traveled the world on behalf of AvidXchange, extolling the virtues of accounts payable automation to anyone - and I do mean anyone - who would listen.

If you're unfamiliar with the concept, AP and payment automation solutions help businesses to streamline their accounts payable workflow, removing manual tasks and paper from the process. The software integrates with your company's accounting system to track invoices electronically and enables users to pay suppliers electronically. Automation adds significant value to the AP function, including real-time visibility into performance and financial status, increased accuracy of reporting, and better compliance with tax laws and industry regulations.

To clear up some of the common misconceptions and fake news surrounding automation, I've decided to write an eBook, or manifesto, if you like. Like any red-blooded American, I love a good old-fashioned conspiracy theory - you know, one where an important economic trend or historical event is the result of a secret plot carried out by a nameless, faceless group of high-ranking individuals with a nefarious agenda. Of course, we all know that employing rumors, fake news, or claims of conspiracy is a classic disinformation technique used to distract or dismay the masses.

Opponents of automation - I'm looking at you, file cabinet manufacturers and paper-pushers - use these techniques to discredit what forward-thinking companies have known for the last decade: AP automation solutions streamline workflows, create efficiencies, and reduce processing costs. It isn't just a best practice; it's a widely held truth.

So, put away those tinfoil hats because it's time to expand your mind and shed some light on automation. And maybe if you're good, I'll tell you who built the pyramids.

SPOILER ALERT:
IT'S ALIENS. IT'S ALWAYS ALIENS.

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BY INTEGRATING AN AUTOMATED PROCESS, I WON'T BE ABLE TO CONTROL MY PAYMENTS OR HAVE VISIBILITY INTO THE PAYMENT PROCESS.

One of the most common conspiracy theories touted by opponents of payment automation is that customers lose control in the process. However, automation provides more control over, and increased visibility into, the payment process. With a few clicks of the mouse, you can search for and retrieve invoice and payment information at any time and from anywhere you have access to the Internet.

AvidXchange Pay makes the payment approval process easier and more efficient for Controllers. Personalized business rules automate the routing, matching, and circulation of invoices, which are all configured to your company's specific needs. Once your workflow is established, the invoice is automatically routed to the appropriate people for approval when it's received into the system. The approver then looks at the invoice within the portal and can either approve it or dispute it.

Organizations can use built-in controls to monitor and control users' card spending and trigger the appropriate workflows. These include transaction limits, merchant category codes (MCC), and additional options for mileage and personal transactions. Commercial card features also provide automated routing and alert notifications to managers and employees, dispute workflow, and management approval and compliance monitoring. AvidXchange offers ACH payment functionality through AvidPay Direct, which provides direct deposit (ACH) supplier payments with enhanced remittance data for easy reconciliation.

Payments made through the AvidPay Network deliver enhanced email remittance to suppliers for each credit made to their bank account. AvidXchange Cashflow Manager™, our supplier portal, enables suppliers to see the status of invoices and payments and gives them access to financing options that enable them to get paid more quickly on invoices requiring approval.

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PAPER-BASED PAYMENT PROCESSES ARE SAFER THAN AUTOMATED PROCESSES.

Another conspiracy theory wielded by opponents of automation is that storing paper documents, invoices, and checks is more secure than keeping your information in a cloud-based environment. That's simply not true. In a paper-based workplace, your company's documents are constantly at risk. Physical copies of sensitive information can be easily misplaced, altered, or destroyed. If these files are lost or tampered with, then you no longer have access to the data necessary to effectively operate your business.

Checks may seem convenient and cost-effective, but the risk is greater than the reward. According to the Association for Financial Professionals' 2017 Payment and Fraud Control Survey, checks continue to be the top vehicle for payment fraud. The survey points out that three-fourths of businesses that were victims of fraud were targeted via checks— an all-time high. Wire transfers were the second most targeted payment method, while credit cards followed closely in third place.

To combat the security risks of paper checks, businesses are starting to trust tech for accounts payable processes. Accounts payable automation streamlines invoice and electronic payments for business with full control and visibility. According to Let's Talk Payments, increased security is one of the many benefits of turning to e-payments for businesses as cash is more liable to theft, loss, and fraud.

Speaking of fraud, none of the security measures for paper checks can top the security of accounts payable automation. With automation, there's no paper trail for scammers to follow. Most solutions include fraud protection, such as Positive Pay, an automated fraud monitoring system that searches for red flags and suspicious vendor changes including duplicate electronic payments and invoices.

As for suppliers, manually managing vendors and invoices often leads to mistakes, including duplicates, and data entry errors. In a recent PYMNTS.com article, APEX Analytix Senior Vice President Phil Beans highlighted the biggest problem with accounts payable processes.

"THE FRONT-END PROCESS IS MANUAL, AND DATA FLOWS THROUGH TOO MANY HANDS. ONLY A LIMITED NUMBER OF OUTSIDE DATA SOURCES ARE TAKEN INTO ACCOUNT, AND VENDOR MASTER TEAMS ARE PRESSURED TO PUSH THROUGH THE CHANGES TO MEET PROCESSING SLAS (SERVICE LEVEL AGREEMENT)."

In the article, Beans shared the number one best practice for any finance department as a precaution. The key is enabling internal fraud regulations and monitoring for every transaction, big or small.

When it comes to paper, AP conspiracy theorists believe they have more control. "At least with the paper, I have it in my hands - I know it's there." They're only fooling themselves. With paper, you don't have the ability to put a series of checks and balances on it. With automation, you can add additional approvals to the process with ease and create fraud monitoring reports that check for duplicate invoices. The software tracks who enters the invoice, who approves it, and who batches it to the accounting system. And guess what? It can't be the same person for each task.

To debunk this theory once and for all, paper-based payment processes may seem safe internally, but there's less visibility, accurate reporting, and control. The best way to protect information is a cloud-based, secure SaaS—especially when managing payment processes. It's better to be safe than sorry!

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BASIS POINTS PRODUCE THE HIGHEST RATE OF RETURN.

Alright, let's talk about a conspiracy that has been spread far
and wide by our opponents and competitors: The Basis Point Myth
[cue dramatic music]. Before I debunk this bit of disinformation,
let's define what a basis point is. Also known as bps or "bips,"
basis points are a unit of measure used in finance to describe the
percentage change in the value or rate of a financial asset. In
most cases, basis points refer to changes in interest rates and
bond yields.

Fig. 1: THE BASIS POINT

one (1) basis point

⬛ $= 0.01^\%$
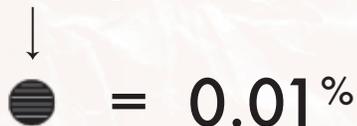
(1/100th of a percent)
or 0.0001 in decimal form.

a fractional basis point
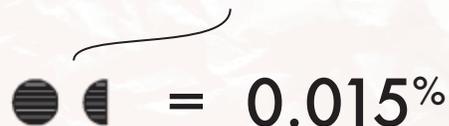
⬛◖ $= 0.015^\%$

or 0.00015 in decimal form.

Basis points are important, but they shouldn't be the primary
factor when entering a credit card relationship. During the
"getting to know you" process, companies will spend a lot of time
trying to find the best return or the most basis points from the
credit card company. There is nothing wrong with getting the best
rate, but that's where the disinformation begins.
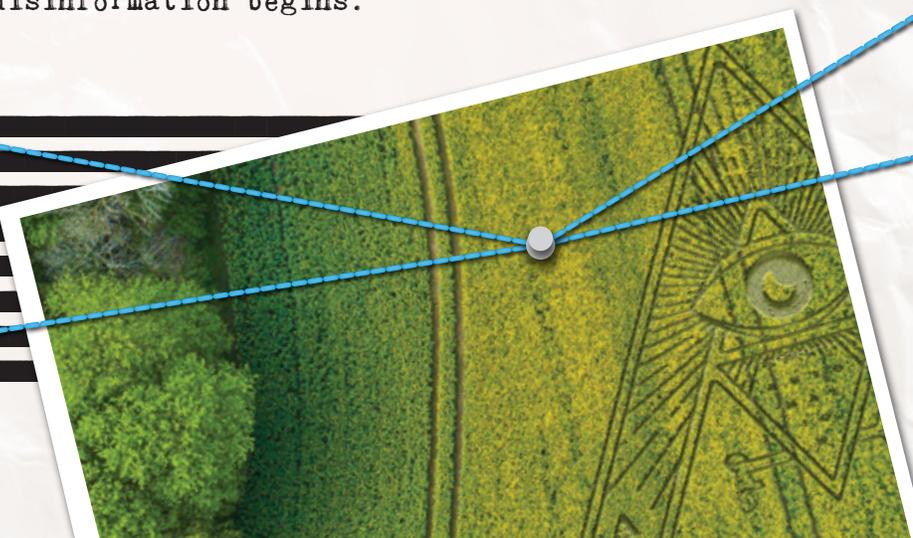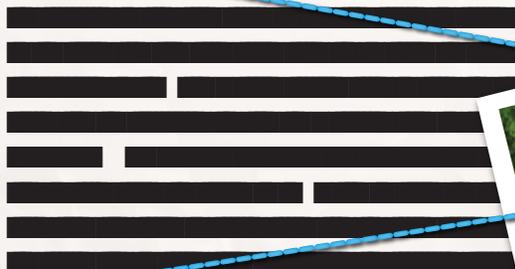
The conspiracy is that basis points are the only vehicle to produce the highest rate of return (or returns period). Competitors in the payables space will say things like, "Never accept less than 150 basis points. If you accept less than 1.5%, you're being taken advantage of."

If you have 150 basis points on a pool of $500,000, you will get a return of $7,500. Alternatively, if you hold a single adoption event to raise the pool to $1 million, using a conservative basis point rate of 75, you will get the same return. That's what our competitors do: they try a one-time event to find vendors that will take card as a form of payment over a few weeks to increase to the pool, and it works to some extent.

The conspiracy is debunked when the pool — the group of vendors that will accept card payments — is raised continuously. If we take the same 75 basis points and applied it to a pool of $1.8M, the return is $13,500 and growing. Both the pool and basis points have a limit, but the basis point limit will always be reached faster than the pool's limit. The pool has a much greater potential for return.

So, the best vehicle to produce the highest rate of return isn't basis points, but widespread adoption of electronic payments. If you increase the percentage of your clients and suppliers that accept electronic payments over basis points, you're always going to make more money. Most of our competitors, however, tout high basis point numbers but only reach out to a small portion of your total supplier base. As a result, their electronic payment adoption rate stays between 5-15%.

At AvidXchange, our service teams contact 100% of your clients and suppliers to verify and update their information, identify their accepted payment types, and perform due diligence on any outstanding payments to get them resolved quickly. As a result, AvidXchange customers experience an average supplier conversion to electronic payments of 45%. Higher adoption rates mean a larger pool, which means a higher rate of return!

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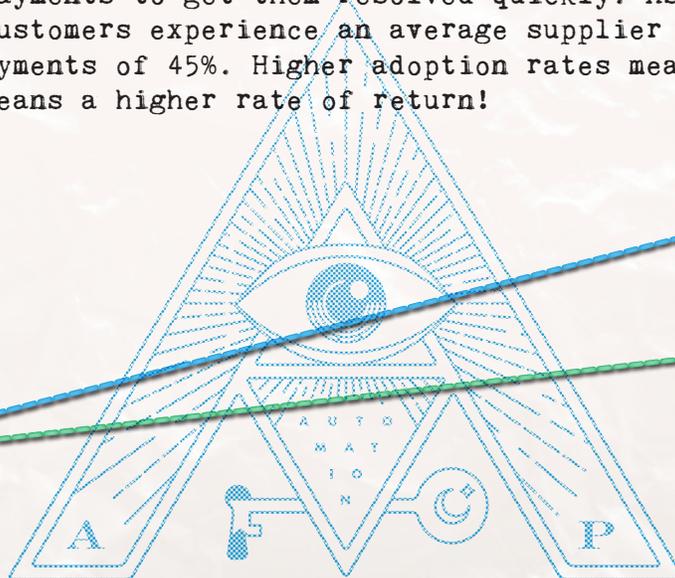
IMPLEMENTING A PAYMENT AUTOMATION SOLUTION WILL DISRUPT MY RELATIONSHIPS WITH SUPPLIERS.

Some people worry that, by implementing e-payments, they may upset sensitive relationships with their suppliers. This simply isn't the case. Every day, we hear success stories from our customers about how our solution has revolutionized not just the way they get paid, but how they run their business.

As I mentioned previously, our customers experience an average supplier conversion to electronic payments of 45%. Part of our success rate is because AvidXchange works with unlimited banks and bank accounts and has different payment methods available. During our outreach process to suppliers, we offer virtual card and enhanced ACH first, but for suppliers that can't accept those methods, we still pay them via paper check, so they don't have to worry about payment distribution.

For suppliers that you would like to continue to pay in-house, we offer Create-A-Check, which is available as a self-managed payment option that integrates with over 100 accounting applications. You manage your supplier data and can facilitate payments via MICR check, ACH, EFT, and Wire transfers in-house, and encrypted digitized signatures securely replace the manual process of physically signing checks.

With old-fashioned financial institutions, it may take up to four days for an ACH payment to post after the money is drafted from your account. And because our payment solution integrates directly with over 120 accounting systems, we ensure your software remains the system of record. With a bank, you'll have to manually enter updated payment information into your accounting system software because there is not an integration in place.

We perform due diligence on any payment that is made and not processed by your supplier to resolve the issue and get your supplier paid. After payments are made by a bank, they do not have teams in place to perform due diligence on payments that have not been applied by your suppliers, which can lead to late payments.

And if you're worried about upsetting your relationship with your financial institution, don't be. AvidXchange partners with leading banks and financial institutions to support in expanding their treasury portfolio to the mid-market space. Through our partnership, financial institutions can offer their clients a complete end-to-end AP automation tool suite including invoice processing, approval workflows, payment processing, vendor portal, and integration capabilities with over 100 accounting systems. There's no conspiracy to be found here, just innovative solutions to help you do business easier.

According to NACHA (previously the National Automated Clearing House Association), commercial credit and debit cards currently make up just 11 percent of payments that come into accounts recievable, while professionals told NACHA that they expect cards to hold 12.5 percent of payment volume by 2020. Whith AvidXchange's Payment application, customers are already ahead of the curve, experiencing an adoption rate of electronic payment methods like virtual credit card (VCC) by an average of 45%.

Conclusion
SPREAD THE GOOD WORD!

So, what did we learn today? Don't give in to conspiracy theories and fake news! Always consider the source, read beyond the headline, check your biases, and consult the experts. With the knowledge you've gained from reading this eBook, you can now debunk the haters, conspirators, and mythmakers with cold hard facts!

This guide was created by AvidXchange. AvidXchange revolutionizes the way organizations pay their bills. Serving more than 5,500 clients throughout North America and 400,000 vendors nationwide, AvidXchange is the leading provider of cloud-based, purchase-to-pay solutions for Enterprise and Midmarket organizations, spanning multiple industries including Real Estate, Financial Services, Energy, Non-Profit, and Construction.

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Interested in automating your payables and creating efficiencies for your AP team? You can read all there is to know about a car, but you're going to at least take it around the block before you sign on the dotted line. AvidXchange's automation specialists would be happy to schedule a customized demo for you. **Call us at (888) 918.2843, email our sales team directly at sales@avidXchange.com, or** click here **to schedule a demo today.**